

The Medicaid 1115 Waiver and Impact on Texas Hospitals and Patients

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5-year Medicaid 1115 waiver expires Sept. 30

- Statewide Medicaid managed care
 - Approx. 80 percent of Medicaid enrollees are in risk-based, capitated managed care plans
 - \$8.65 billion in savings
- Delivery System Reform Incentive Payment Program
 - Approx \$11.5 billion in earned payments to hospitals and other providers who meet established metrics
- Uncompensated Care payments
 - Approx \$17.4 billion in payments to hospitals to partially offset costs associated with caring for the uninsured and Medicaid shortfall (difference between costs and reimbursement)

Temporary Waiver Extension



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CMS agrees to temporary waiver extension through December 2017

- Same terms as Year 5 of the waiver
 - UC pool: \$3.1 billion for 12 months
 - DSRIP pool: \$3.1 billion for 12 months
 - Prorated UC and DSRIP payments for months 13-15
 - Continue DSRIP projects and statewide managed care

Texas Hospitals Uncompensated Care Costs



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Nearly every Texas hospital has some uncompensated care.

Projected Uncompensated Care Costs 2015-2021 (Pre-Supplemental Payment Offsets)

(Source: THA Calculations Of THHSC Data From June 2015)



Texas Hospitals Uncompensated Care Costs



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Texas hospitals have such large uncompensated care for two reasons:

1. Large number of uninsured residents (19.1% of state's population)
2. Large Medicaid shortfall (Medicaid reimbursement covers 58% of actual costs of providing care)

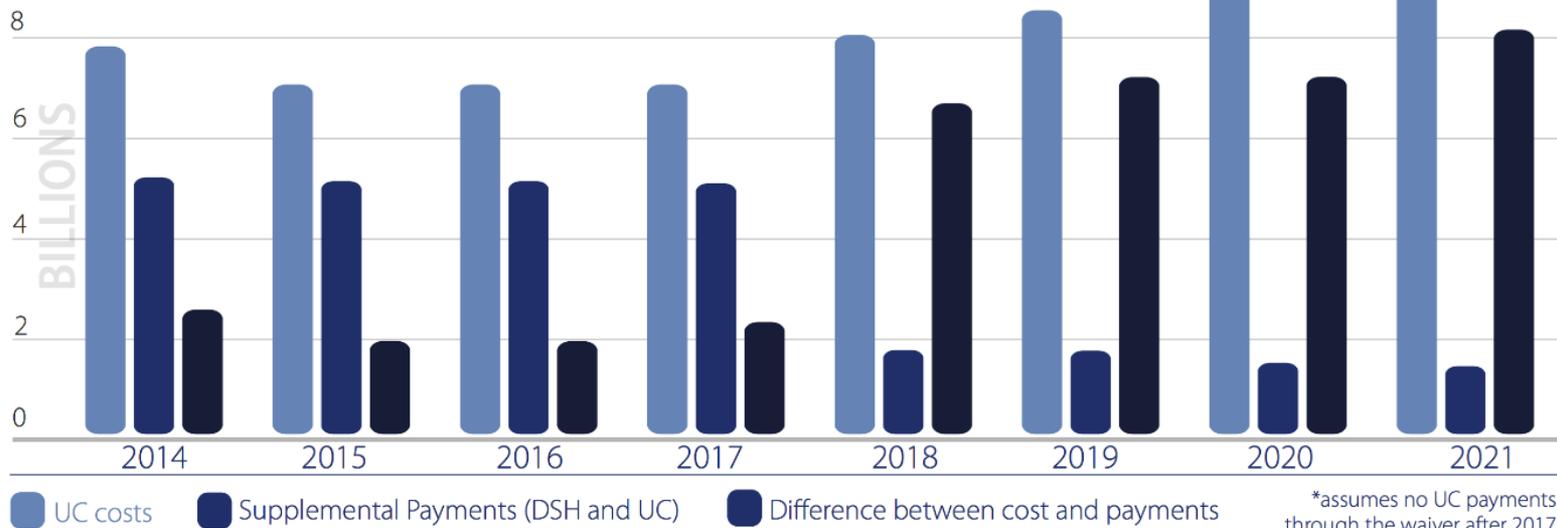
Importance of Supplemental Payments



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Uncompensated Care Costs vs. Available Supplemental Payments*

(Source: THA Calculations Of THHSC Data from June 2015)



Waiver: Impact on Patient Outcomes



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Significant investment in improving care quality and outcomes through nearly 1,500 active DSRIP projects

- Reduce hospital readmissions;
- Reduce inappropriate use of emergency departments;
- Improve treatment plan compliance;
- Improve access to specialty care through telemedicine; and
- Improve management of complex conditions.

What's Next?

- If state and CMS can't agree on a UC pool that is consistent with CMS' UC pool principles and a DSRIP that supports Texas's commitment to managed care:
 - DSRIP will be phased out beginning at 25 percent in 2018 over four years;
 - UC pool will be limited to the costs of uncompensated and charity care for low-income individuals who are uninsured and cannot be covered through Medicaid or other insurance programs;
 - UC Pool in 2015= \$3.1B
 - **UC Pool under CMS Terms = Less than \$2 Billion**
 - More than \$1 Billion Reduction in UC Funds a Year
 - **UC Need in 2018 = \$6.6 Billion**