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ETCOG Regional ISSUE Brief

Date: **February 29, 2012**

Topic: **1115 Medicaid Program Waiver**
Surname: **Texas Healthcare Transformation and Quality Improvement Program**
Effective Dates: **December 12, 2011 - September 30, 2016**

Background

The State of Texas has historically left federal funds untapped. The Legislature, through the 2012-2013 General Appropriations Act and Senate Bill 7, instructed the Texas Health and Human Services Commission (HHSC) to expand its use of prepaid Medicaid managed care to achieve program cost reductions while simultaneously preserving locally funded supplemental payments (i.e. county 8 percent indigent care set aside funds) to hospitals. In response, on July 11, 2011 HHSC submitted a Medicaid section 1115 Demonstration proposal to the Federal Center for Medicaid Services (CMS) to expand risk-based managed care statewide through the expansion of the existing STAR and STAR +PLUS programs; thereby replacing the existing fee-for-service delivery system (also known as Primary Care Case Management system). As you may know, STAR is the primary managed care program serving low-income families and children and STAR + PLUS serves beneficiaries requiring "an institutional level of care in the home or community."

The state-wide demonstration project was subsequently approved by the US Department of Health and Human Services on December 12, 2011 under Waiver 1115 provisions. The new demonstration project is known as **The Texas Healthcare Transformation and Quality Improvement Program (THTQIP)**. HHSC is using the THTQIP demonstration project as a means to expand the managed care delivery system and to create and administer two funding pools supported by significant Federal matching funds, managed care savings and diverted supplemental (local) funds generated through the demonstration project. Funding in these pools will reimburse health care providers for uncompensated care costs and provide incentive payments to participating hospitals that implement and operate delivery system reforms. Both funding pools offer a unique opportunity over the five year term of the Demonstration project to address uncompensated care funding gaps while simultaneously providing substantial funding to re-engineer and redirect the entire health care system in East Texas with the objective of making rapid quality care and reduced cost improvements; subject to the requirements set forth in the following sections.

Determination of Service Areas

For the purposes of this program, the State has been divided into Service Areas. All of the states' urban areas have been assigned to Service Areas. The remaining 164 counties that have not been included within the urban areas , are included in the "Medicaid Rural Service Area" (MRAS). All 14-ETCOG counties are included in the MRSA. The STAR + PLUS program will not be available in the MRSA.

Affected Entities

Public and Private hospitals, healthcare providers, patients, and governmental entities providing Inter-Governmental Transfer of funds will all be affected. Under this program, federal funding to hospitals is expected to double.

ROUGH DRAFT

Funding Pool Structure & Available Funding

There are two funding pools created under the THTQIP. The first pool is the Uncompensated Care (UC) pool from which hospitals and other eligible "non hospital providers" may receive reimbursements for uncompensated care costs. The second funding pool is the Delivery System Reform Incentive Payment (DSRIP) pool which funds programs and activities that "supports hospitals efforts to enhance access to healthcare, the quality of care, and the health of the patients and families they serve". The activities funded by the DSRIP must be based in what is called a "Regional Health Care Partnership (RHP's) that is directly responsive to the needs of the populations and communities the comprise the RHP.

TOTAL Federal Funds available over the five year period for the State is $29 billion. By fund, the break down is $17.5 billion for the UC Pool and $11.4 billion for DSRIP fund. The state may adopt an alternative funding pool allocation based on increased demand for DSRIP funds not to exceed **$15.4 billion; with the maximum remainder $13.5 billion for the Uncompensated Care pool.**

State matching funds are required. Potential sources of matching funds include state general revenue funds, transfers from local government units, certified public expenditures that are compliant with section 1903(w) of the act, and public hospital payments in support of the Medicaid program. The exact total of state and local fund match required is not clear at this time; however, county 8 percent indigent care funding qualifies as state and local match.

Regional Health Care Partnership (RHPs) Basics

RHPs will be developed throughout the State to more effectively and efficiently deliver care and provide increased access to care for low-income Texans. Consider:

- Each RHP must be "anchored" by a public hospital, or in areas with no public hospital, governmental entities (such as counties) providing Inter-Governmental Transfers (IGT's) may
- serve in this capacity.
- These "anchor institutions" serve as a single point of contact for HHSC and all providers in within the RHP.
- The anchor is responsible for developing the RHPs DSRIP plan in coordination with other identified RHP providers.
- Each RHP will include IGT providers, other hospital providers, and other healthcare stakeholders.
- At a minimum the RHPs plan must identify all the stakeholders/partners, identify the critical healthcare system needs within the partnership, propose projects to address those needs, and estimate the amount of (local) funding available by year to support UC and DSRIP payments; as well as specific allocation of funding to UC and DSRIP projects proposed within the RHP plan.
- Funding does not flow through the anchor.
- The anchor may subcontract the writing of the DSRIP plan to another entity like ETCOG or Texas A&M.
- All hospitals that wish to access the UC pool MUST participate in an approved RHP.
- RHP boundaries must be established, and counties may elect to join any RHP it wishes to.
- If a county does not elect to join an RHP, it may be assigned to one by HHSC.
- Counties that do not actively participate in an RHP may not access the available funding in the DSRIP pool.

ROUGH DRAFT

- There are 4 focus areas for DSRIP funding. All projects must fit under one of these four areas:

  Category I: Infrastructure Development---Investments in technology, tools and human resources that will strengthen the ability of providers to serve populations and improve services.

  Category 2: Program Innovation and Redesign---Includes piloting, testing and replicating of innovative care models.

  Category 3: Quality Improvements---Includes hospital specific initiatives that are focused on major improvements in care that can be achieved within four years. Up to four "interventions" must be selected from a list of 10 and these hospital projects must be included in the RHP plan.

  Category 4: Population Focused Improvements---Includes reporting measures selected by an RHP based on community assessments that will be used to measure the success of the RHPs DSRIP projects.

Potentially Eligible RHP Anchoring Entities

Camp County
Gregg County
Harrison County
Henderson County Hospital Authority
Panola County
UT Health Sciences Center (Tyler)
Wood County Central Hospital District
Any County providing IGT

Key Decision Points

How many RHPs will be formed? Which counties will participate in which RHP?
Identify "Anchor(s)"
Identify who will write the RHP plan (if the Anchor does not wish to assume the role)

- Consider Expertise
- Funding of plan writing expenses
- Consultant role?

Project Calendar

March 31, 2012 - Regional Partners must be identified and draft plan for forming RHPS must be completed.

August 31, 2012 - RHP regions must be finalized.

October, 2012 - Final RHP Plans are due.

Next Steps

Contact Judges, elected officials, and stakeholders
Determine status of existing efforts
Determine ETCOG's role (if any)
Encourage regional consensus