

## Detailed Updates on the Texas Medicaid 1115 Waiver Renewal and the Health Care Coverage Gap

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The costs of Texas' inaction—not moving ahead with a plan for health care coverage and accepting federal Medicaid Expansion funds available to our state—are mounting with the passage of time. Experts estimate Texas is currently losing around [\\$6 billion a year in federal dollars](#) for health care because we have not closed our [Texas Coverage Gap](#)

On top of that, our federal Medicaid 1115 waiver (a program that brings \$4 billion each year in federal health dollars for hospital care for uninsured Texans and innovative care projects) is up for renewal, and the latest federal policy could reduce those 1115 dollars by as much a quarter (yes, that would be [a loss of \\$1 billion](#) each year). That's all “real money,” and real Texans ([over 750,000](#)) are left without affordable health care in the Coverage Gap, so city and county officials, health care providers, business groups, and consumer advocates are all paying close attention to developments.

Some time has passed since officials discussed the Medicaid waiver at an [Appropriations Committee hearing](#) last May and [public hearings around the state](#) in July. To catch us up, here are 3 important developments.

- 1. Texas filed a request (September 30) for a five-year extension** of its Medicaid 1115 Transformation Waiver with federal Medicaid officials, who then took public comments through mid-November. Texas organizations and elected officials weighed in, submitting at least 18 formal comment letters representing 41 organizations and at least 52 elected officials. **Nearly every commenter included a call for Texas Medicaid to adopt a health care coverage plan for hard-working Texans in the Coverage Gap.** Nearly all commenters also noted that the waiver funding has brought valuable new capacity to the Texas safety net, and is critical to keeping Texas safety net hospitals and Medicaid hospitals running. Read a CPPP summary of who said what, with links to the actual comments [here](#).
- 2. In late November, federal Medicaid officials requested that the Texas Health and Human Services Commission (HHSC) submit an independent analysis by May 31, 2016** of how much of Texas hospitals' free care for the uninsured is offset by the waiver's uncompensated care pool ([which makes up half of the total waiver budget in 2016](#)), and how much less uncompensated care would be needed if Texas expanded Medicaid. The report will also examine how the waiver interacts with Medicaid provider rates, affects Medicaid beneficiary access to services, and supports the safety net for the uninsured.

The feds' request indicates that the analysis will also consider whether and how the other half of the waiver (delivery system reform incentive payments, a.k.a. DSRIP) interacts with those factors. **In the letter, the Medicaid officials repeated that “uncompensated care pool funding should not pay for costs that would otherwise be covered in a Medicaid Expansion.”** Texas Medicaid officials are reportedly close to selecting a contractor (very likely a university) to perform this study.

Florida and California commissioned similar studies in their recent waiver renewal processes, and the studies appear to be important for informing state and federal officials (some key decisions in California's renewal are still in process). However, up to this point these analyses have not necessarily determined or even predicted how—or how much—federal funding will be approved for the renewal or extension.

- 3. Texas Medicaid is now seeking approval from federal Medicaid officials of a “transition” period of one year** (or, rumor has it, perhaps 15 to 18 months). Public discussion so far is mostly around how the waiver pool for delivery system reforms (DSRIP) will operate in the transition year. That's really complicated, because there are well over a thousand waiver delivery system reforms, and a variety of significant changes to what gets paid for and what gets reported must be phased in.

The Latest HHSC transition year document made public includes just a placeholder for “Uncompensated Care (UC)-Only Hospital Requirements,” to be added at some future time.

**What does any of this mean for the [Texas Coverage Gap](#) and the [1115 Waiver](#)?** If you are short of breath after wading through all that, you are not alone! Here's our simple take-away.

- 1. Waiver renewal request comments:** Federal officials now know that Texas stakeholders value the Medicaid waiver's reforms but also want a health care coverage solution and believe it will be more cost- and health-effective than back-end payments to hospitals for the uninsured. And Texas stakeholders have made clear that they are concerned about maintaining stable support for the safety net as systems change.
- 2. Federal and Texas Medicaid officials commission a study of waiver spending and its impact on the safety net and Medicaid overall.** Federal Medicaid officials are making it clear that they are serious about not paying for uncompensated care for Texans who could have been covered by Medicaid expansion or a coverage waiver. Texas Medicaid officials hope to demonstrate that Texas has so much uncompensated care that continuing that pool at or above 2016 levels makes sense.
- 3. Transition Year Proposal:** There is a good chance that Texas could receive “status quo” funding amounts in fiscal year 2017 (the same amount as in 2016). Both Florida and California were allowed transition years with relatively unchanged funding in the first year after the expiration of the initial 5-year period as part of their renewal processes. Still both also now face scheduled federal funding reductions after that year. It is not safe to assume Texas will avoid future waiver funding reductions.

Stay tuned to CPPP for more waiver updates: our next report will detail what future waiver funding reductions might look like around the state.

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