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**State Demonstrations Group**

November 20, 2015

Kay Ghahremani  
Associate Commissioner for Medicaid/CHIP  
State of Texas, Health and Human Services Commission  
P.O. Box 85200  
Austin, TX 78758

Dear Ms. Ghahremani:

I am writing regarding Texas' section 1115(a) Medicaid demonstration, entitled "Texas Healthcare Transformation and Quality Improvement Program" (Project Number 11-W-00278/6). As we discussed in conversations earlier this year, the Centers for Medicare & Medicaid Services (CMS) is notifying states with uncompensated care pools of the information and analysis that should be included as part of the state's uncompensated care pool renewal request. We received your renewal on September 30, 2015. This letter provides you with a detailed description of the independent analysis the state should submit. To ensure that the report is considered during CMS' review of Texas' request, it should be submitted no later than May 31, 2016.

As we have previously discussed with the state, CMS uses three principles to review states' uncompensated care pool requests: 1) coverage is the best way to assure beneficiary access to health care for low income individuals and uncompensated care pool funding should not pay for costs that would otherwise be covered in a Medicaid expansion; 2) Medicaid payments should support the provision of services to Medicaid and low income uninsured individuals; 3) and provider payment rates must be sufficient to promote provider participation and access, and should support plans in managing and coordinating care. These principles apply whether or not a state expands Medicaid.

As we work with your state to renew its section 1115 demonstration, the state's analysis and supporting documentation will inform discussions about potential reforms to the uncompensated care pool that will improve Medicaid payment systems and funding mechanisms and the quality of health care services for Texas' Medicaid beneficiaries.

The analysis of the current uncompensated care pools should be performed by an independent entity qualified to make an assessment on the criteria outlined below. The independent entity should specifically review the impact of the uncompensated care pool on:

- financing overall uncompensated care in the state;
- Medicaid provider payment rates;
- beneficiary access to Medicaid services;
- financing providers that play a significant role in serving the Medicaid population and the low-income uninsured;
- support of managed care plans in managing care;
- any state specific circumstances for CMS to take into account as it reviews the uncompensated care pool; and,
- whether and, the extent to which, similar issues exist in the state's Delivery System Reform Incentive Payment Pool.

The analysis above is necessary for CMS to assess the role of the pool in promoting Medicaid objectives. Again, my staff is available to provide technical and other assistance about the information that should be included in this report.

We look forward to working with you further on your renewal request. If you have any questions about this letter please contact me at (410) 786-5647.

Sincerely,

/s/

Eliot Fishman  
Director

cc: Mr. Bill Brooks, Associate Regional Administrator, Region VI