



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

CHARLES SMITH
EXECUTIVE COMMISSIONER

January 26, 2017

Mr. Timothy Hill
Acting Deputy Administrator and Director
Centers for Medicare and Medicaid Services
Center for Medicaid and CHIP Services
7500 Security Boulevard, Mail Stop: 32-26-12
Baltimore, Maryland 21244-1850

Dear Mr. Hill:

The Health and Human Services Commission (HHSC) is requesting an additional 21 months of level funding for the Uncompensated Care (UC) and the Delivery System Reform Incentive Payment (DSRIP) pools, and a continuation of the managed care provisions of the Section 1115 Demonstration Waiver (waiver), through September 30, 2019.

On September 29, 2015, the State of Texas submitted a request to extend the waiver, as required by the Special Terms and Conditions. The waiver enables important administrative efficiencies and cost savings to federal and state tax dollars through managed care, while providing funds for critical health care access and innovation that also reduce costs for local taxpayers. There are three major components within the waiver:

- The delivery of Medicaid managed care services statewide through the STAR, STAR+PLUS, STAR Kids, STAR Health, and Children's Medicaid Dental Services programs.
- The DSRIP program that established 20 Regional Healthcare Partnerships to enhance access to care and test innovative care.
- The UC program that helps offset uncompensated costs of hospitals and other providers in serving Medicaid and uninsured populations.

On May 1, 2016, the Texas HHSC and CMS came to an agreement on an extension that contained a 15-month period of level funding for the supplemental funding pools already in operation. The 15-month period was to allow time to negotiate the terms of a renewal and for Texas to submit the independent report as required on August 31, 2016. Since that time, CMS and HHSC have worked diligently on renewal negotiations, but have not yet reached a final agreement.

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In light of this and other factors, we now believe 21 months of additional funding is necessary to allow your administration and the 115th Congress to contemplate significant changes to the nation's health care system, and the Medicaid program specifically, during 2017. In addition, this funding would provide time for Texas to develop a new, comprehensive waiver or block grant proposal to achieve increased program flexibility and efficiency. As you can understand, Texas providers require a level of financial and operational certainty to continue serving Medicaid and low-income uninsured populations that benefit from the waiver. The additional time would also provide such certainty while the new presidential administration determines its policies regarding 1115 Waivers.

Texas requests to maintain the current funding levels for both UC and DSRIP. Therefore, the pool of funds available for each program from January 1, 2018, through December 31, 2018, will be \$3.1 billion (all funds), and a prorated amount from January 1, 2019, through September 30, 2019. Texas will also continue the delivery of Medicaid services through the managed care delivery model statewide.

Thank you for the opportunity to submit this request. HHSC looks forward to a response and remains committed to our continued work with CMS to develop a longer-term agreement.

Please let me know if you have any questions or need additional information. Kara Crawford, Chief of Staff, serves as the lead staff on this matter and can be reached by telephone at (512) 424-6649 or by e-mail at Kara.Crawford@hhsc.state.tx.us.

Sincerely,



Charles Smith

Cc: Eliot Fishman, Director, State Demonstrations Group, Center for Medicaid and CHIP Services, Centers for Medicare and Medicaid Services

Eli Greenfield, Division of System Reform Demonstrations, Centers for Medicare and Medicaid Services

Bill Brooks, Associate Regional Administrator for the Division of Medicaid and Children's Health Operations, Dallas Regional Office, Centers for Medicare and Medicaid Services

Billy B. Farrell, Dallas Regional Office, Centers for Medicare and Medicaid Services