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Texas Medicaid Program Charts a Course for Value-Based Care

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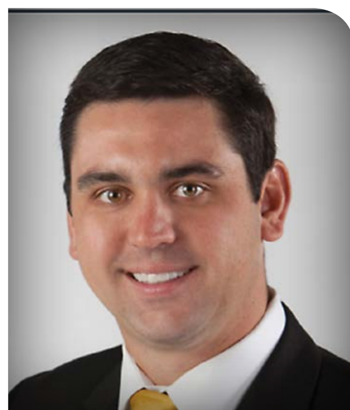

"Texas has transitioned away from fee-for-service to managed care over the course of the last decade and is now charting the course for value-based payments."

The Texas Medicaid program is one of the largest Medicaid programs in the country, with almost $40 billion in annual expenditures. The Texas legislature and the Texas Health and Human Services Commission (HHSC) have implemented myriad reforms that have dramatically transformed and modernized this program, creating one of the most effective and efficient Medicaid programs in the country.

Because it is such a significant payer, Texas has transitioned away from fee-for-service to managed care over the last decade and is now charting the course for value-based payments (VBP).

MEDICAID TRANSFORMATION WAIVER

In late December 2017, the Centers for Medicare & Medicaid Services (CMS) approved a new five-year, approximately $25 billion Medicaid 1115 Transformation Waiver for Texas. While maintaining significant funding for uncompensated care payments and Delivery System Reform Incentive Payments (DSRIP), the waiver implements two major changes:

1. Transitioning from the use of the current "UC tool" to a modified S-10 worksheet to calculate and distribute uncompensated care (UC) payments based on hospital charity care costs alone. Medicaid shortfall and bad debt costs will no longer be allowed.

   According to the Texas Hospital Association, Health Management Associates predicted that Texas hospitals' UC costs would total $9.6 billion for 2017—well beyond the current Medicaid Disproportionate Share Hospital (DSH) allocation and current UC funding available through the waiver.
2. Winding down DSRIP projects and funding.

DSRIP has been a very effective incubator for testing how alternative value-based payment models can support patient-centered care and clinical innovation. A significant amount of these funds goes to community mental health centers. These community centers will be looking for managed care partners to continue many of their DSRIP programs, likely through a value-based payment arrangement.

HHSC is working with managed care organizations (MCOs) and DSRIP providers to incorporate clinical models into the Medicaid MCO provider payment stream in the form of a value-based payment model. HHSC is strengthening contracts to require MCOs to:

- Establish value-based payment targets.
- Devote adequate resources to value-based activities.
- Establish and maintain data-sharing processes with providers.
- Have a process in place to evaluate value-based payment models.

According to a draft HHSC VBP Roadmap published in August 2017, "Each MCO's targets began with calendar year 2018, starting at 25 percent of provider payments in overall VBP and 10 percent of provider payments in risk-based VBP. These targets will increase over four years to 50 percent overall VBP and 25 percent risk-based VBP in calendar year 2021."

The Texas 1115 waiver will face dramatic changes in the coming months. The waiver historically infused about $6 billion per year into the healthcare ecosystem. Redirecting these funds will be largely dependent upon using managed care as the alternative payment platform.

RECOVERING FROM THE ACA

The Patient Protection and Affordable Care Act (ACA) reduced the federal funding for Medicaid DSH payments under the assumption that hospitals' uncompensated care costs would decrease as more people gained health insurance coverage.

These Medicaid DSH cuts, which took effect October 1, 2017, create challenging and potentially unstable financial circumstances for Texas's approximately 180 safety-net hospitals, which could result in reduced access to essential healthcare for uninsured and low-income Texans.

The Texas Hospital Association recently identified that, in 2018 alone, Texas hospitals will lose nearly $150 million from these cuts. The cumulative loss for 2018 through 2025 is over $3 billion. Texas is seeking a repeal of these harmful Medicaid DSH reductions.

FRIENDLIER FEDERAL PARTNER

The Trump administration's policies are having a positive impact on Texas healthcare. Many of the Obama administration's policies ran directly counter to the conservative political philosophy of the Texas legislature.

For example, less than a month after Texas received its 1115 waiver renewal, the Trump administration issued guidance that will allow states to implement work and community engagement incentives among non-elderly, non-pregnant adult Medicaid beneficiaries who are eligible for Medicaid on a basis other than disability.

Texas conservative politicians have long advocated for a work requirement to the state Medicaid program, but they have lacked a friendly federal partner until now. Under new CMS guidance, states like Texas now have the flexibility to identify activities other than employment that promote health and wellness and meet the states' requirements for continued Medicaid eligibility.

These activities include, but are not limited to, community service, caregiving, education, job training, and substance use disorder treatment. However, given the fact that Texas has chosen not to expand Medicaid benefits to able-bodied adults under the ACA, the impact of these new programs will have little effect in the Lone Star state.

Finally, earlier this year, Texas Gov. Greg Abbott sent a letter to President Trump seeking to reinstate federal funding to the Healthy Texas Women program, which provides family planning and preventive services to low-income women. This program was defunded by the Obama administration because Texas implemented several pro-life policies into the program.

CONCLUSION

As Texas continues to transition toward VBP arrangements, it will be imperative to establish a robust collaboration among all Medicaid stakeholders. The Texas legislature will hold several legislative hearings on VBP interim charges this year. It will reconvene in January 2019 to further define and transform provider reimbursement models to improve outcomes and efficiency in the Texas Medicaid program. ○

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