



TEXAS HOSPITAL ASSOCIATION

THA TAKEAWAYS

Florida's Waiver Renewal and Implications for the 1115 Medicaid Transformation Waiver in Texas

State and national media have picked up on the negative turn that waiver renewal negotiations have taken between Florida and the Centers for Medicare & Medicaid Services and are drawing parallels to Texas' waiver renewal discussion. These Takeaways provide a brief background on that discussion and suggested talking points to assist you in handling media requests for comment.

Background:

Florida is seeking renewal of its waiver to continue its Low-Income Pool that provides about \$1.3 billion in funds to safety net hospitals and clinics for costs associated with care for the uninsured and underinsured in the state. Without waiver renewal, those funds will disappear after June 30. Like Texas, Florida is not pursuing any form of coverage expansion that could mitigate the need for LIP funds.

In an [April 14 letter to the state](#), CMS said it would use the following **three principles** when reviewing Florida's LIP proposal:

- 1. Coverage, rather than uncompensated care pools, is the best way to secure affordable access to health care for low-income individuals, and uncompensated care pool funding should not pay for costs that would be covered in a Medicaid expansion.**
- 2. Medicaid payments should support services provided to Medicaid beneficiaries and low-income uninsured individuals.**
- 3. Provider payment rates must be sufficient to promote provider participation and access and should support plans in managing and coordinating care.**

According to media reports, CMS staff spoke with officials from the Texas Health and Human Services Commission late last week and said that they recognize that each state is different but that the agency intends to use the same three principles outlined in its letter to Florida as it evaluates uncompensated care funding pools in all states.

The three principles also echo what staff from THHSC told THA about its meeting with CMS last month, specifically that CMS is hesitant about continued use of supplemental Medicaid payment pools and would prefer that the state increase Medicaid hospital reimbursement rates. A summary of that meeting is available in the [March 19 Health Care Advocate](#).

Florida Governor Rick Scott has said he will file a lawsuit against the federal government for making the waiver renewal contingent upon Medicaid expansion. Texas Governor Greg Abbott made a [public statement](#) this week supporting such a lawsuit.

Talking Points:

- We can expect the concepts of coverage and uncompensated care to be discussed as part of the discussion on THHSC's "[Transition Plan](#)," submitted to CMS in March 2015 to begin the renewal process.
- But, as Texas is not yet actively renegotiating its waiver since it does not expire until next year, speculation about how renewal negotiations might turn out is premature.
- The Texas waiver is very different from Florida's and is much more robust..
 - Texas is using managed care savings to invest in community resources through the DSRIP projects that are reducing reliance on straight UC funding.
 - Texas' waiver did not utilize new funds. The UC and DSRIP pools in essence repurposed Upper Payment Limit funds, made obsolete with the statewide expansion of managed care.
 - Texas is well under the five-year budget neutrality cap for the demonstration.
- Even if Texas did implement some form of coverage expansion, the state would still require a substantial UC pool.
 - Medicaid shortfall would still exist.
 - Expansion would cover approximately 1.1 million Texans. Several million more remain uninsured for a variety of reasons.
- Texas hospitals are hopeful that the Legislature will put state resources into increasing reimbursement rates as a demonstration that the state is not solely reliant on federal supplemental payments to address the state's uncompensated care burden.
- If the Waiver is not renewed, the consequences for Texas hospitals will be severe and will include closures of rural hospitals and service reductions in urban hospitals. These service reductions are likely to be those exact services that help the uninsured, *i.e.*, extended clinic hours, subsidies for primary care physicians, behavioral health services and primary care clinics, and that reduce hospitals' uncompensated care costs.
- From a political perspective, a hard line from CMS on coverage expansion is counterproductive. It is unlikely to convince any Texas lawmakers to change their position on the issue and could in fact further entrench opposition as it feeds into the perception that the federal government is not willing to work with states individually to come up with innovative solutions for delivering health care to the uninsured.



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