

**Excerpt from Texas Hospital Association's March 19, 2015 edition of its *Health Care Advocate; A weekly Update on state and federal legislative/regulatory issues.***

**THHSC: CMS Has Concerns with 1115 Waiver; Deferral Issues Remain**

The Centers for Medicare & Medicaid Services has some concerns related to extension or renewal of the Medicaid 1115 Transformation Waiver, according to Texas Health and Human Services Commission staff who briefed the Texas Hospital Association and other stakeholder groups regarding its meeting with CMS last week. In that meeting with the federal agency, THHSC discussed the renewal/extension of the Waiver and the prior deferral of federal uncompensated care payments in three regional healthcare partnerships. According to THHSC:

**1115 Waiver**

- CMS is hesitant about continued use of supplemental Medicaid payment pools -- both uncompensated care and delivery system reform incentive pool payments;
- CMS prefers the state to increase Medicaid hospital reimbursement rates, understanding that inpatient rates are in a managed care arrangement;
- CMS acknowledged that the late start for the DSRIP projects is a valid argument for extending the current projects; and
- CMS shares many of the participating providers' and anchors' frustration with the administrative burden that the DSRIP program imposes and supports THHSC's intent to align the DSRIP program with the goals of the Medicaid managed care program.

**UC Deferral**

With respect to the deferral of federal uncompensated care payments, CMS provided THHSC with a written response to its requests for additional information about the basis for the deferral. According to THHSC, CMS maintains that the uncompensated care financing arrangements that were subject to the prior deferral are indeed impermissible provider donations under federal law. Under the terms of the [letter](#) that temporarily lifted the deferral, the state will need to address these concerns by Dec. 15. THHSC indicated that staff would talk with the parties involved and their attorneys to determine next steps in that process. (*John Hawkins/Jennifer Banda, J.D./Stacy Wilson, J.D./John Berta*)