



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

CHARLES SMITH
EXECUTIVE COMMISSIONER

August 19, 2016

Ms. Vikki Wachino
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 Ms. Wachino:

On May 1, 2016, the Centers for Medicare and Medicaid Services (CMS) granted a 15-month temporary extension for Texas' Section 1115 Demonstration Waiver, entitled the "Texas Healthcare Transformation and Quality Improvement Program." This temporary extension has allowed Texas to continue the existing demonstration while working with CMS on a longer term extension. Texas appreciates this opportunity. For the longer term extension, the Health and Human Services Commission (HHSC) plans to propose continuing Texas' approach for systematic improvements in the Medicaid program in the context of ongoing transformation of the Texas healthcare system. Texas has made significant progress in the initial waiver for increased preventive/primary care and less emergent/inpatient care through a local level approach.

The 15-month extension period allows the time needed to complete the independent report analyzing the Uncompensated Care (UC) pool and the Delivery System Reform Incentive Payment (DSRIP) pool and to develop reforms that will improve Medicaid payment systems and funding mechanisms and the quality of health care services for Texas' Medicaid beneficiaries. Texas is on track to submit the independent analysis of UC and DSRIP at the end of August 2016.

CMS proposes to work with Texas towards an approach to the future of DSRIP that supports Texas' commitment to managed care in the STAR and STAR+PLUS systems as specified in the May 1, 2016, approval letter. HHSC is looking forward to engaging with CMS in this complex endeavor. Given the recent new federal managed care regulations and continuing follow up guidance from CMS, HHSC seeks a clear understanding of CMS' vision for DSRIP integration into Medicaid managed care. Given the complexities of managed care, including the new federal regulations, Texas is also open to working with CMS to preserve the current model of DSRIP outside of managed care.

During this initial 15-month extension period, DSRIP will continue to provide health care to Medicaid beneficiaries and continue system transformation. The care that is provided through DSRIP is based on local needs, and the state share of the funding is supplied through local intergovernmental transfer (IGT) funds. Texas' DSRIP projects have resulted in increased access to primary and preventive care, emergency department (ED) diversion, and enhanced attention to individuals with behavioral health needs. DSRIP projects have collectively provided almost 6.5 million additional encounters and served over 5.2 million additional individuals (cumulative totals of demonstration year [DY] 3, 4 and 5 reporting to date) compared to the service levels they provided prior to implementing the projects. DSRIP providers also have 2,112 active quality outcome measures with most reporting at least one year of performance. Eighty-one percent of outcomes that reported for achievement received payment for improving over their prior year of reporting. The majority of these outcomes are pay-for-performance (P4P) and most are measured at an all-payer facility or system level:

- **Diabetes Care:** 107 projects are reporting on Diabetes HbA1c Poor Control (>9.0 percent). Eighty-four P4P outcomes reported a baseline and at least one year of performance. Seventy-four percent reported improvement over their prior year, with a median improvement in rates of HbA1c control of 17 percent.
- **ED Visits for Diabetes:** Twenty-three projects are reporting on ED Visits for Diabetes. Fifteen P4P outcomes reported a baseline and at least one year of performance. Ninety-three percent reported improvement over their prior year, with a median reduction in ED visits related to diabetes of 16 percent.
- **Cancer Screening:** Forty-six projects are reporting on one or more outcomes related to increasing rates of breast cancer, cervical cancer, or colorectal cancer screening. Sixty-four P4P outcomes have reported a baseline and at least one year of performance. Sixty-nine percent reported improvement over their prior year, with a median improvement in rates of cancer screening of 24 percent.
- **Hospital Readmissions:** Fifty-six projects are reporting on risk-adjusted all-cause readmission. Fifty-two P4P outcomes have a reported baseline and at least one year of performance. Seventy-five percent of outcomes reporting performance in DY4 received incentive payments for improving over their baseline, with a median reduction in readmissions of 10 percent. Twenty-five P4P outcomes have reported a baseline and at least two years of performance. Eighty-eight percent reported improvement in their second year of performance, with a median reduction in readmissions of 15 percent.
- **Behavioral Health:** Thirty projects are reporting on 7-Day and 30-Day Follow-Up After Hospitalization for mental illness. Twenty-four P4P outcomes reported a baseline and at least one year of performance. One-hundred percent received incentive payments for improving over their baseline, with a median improvement in 7-day follow up rates of 12 percent.
- **Palliative Care:** Twenty projects are reporting on one or more outcomes related to palliative care processes. Forty-eight outcomes have a reported baseline and at least one year of performance. Ninety-eight percent reported improvement over their baseline, with a median improvement of 33 percent.

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The HHSC proposal in development for the longer term extension includes both a glide path for the integration of DSRIP into managed care for Medicaid beneficiaries and the continued support of locally directed interventions for the continued transformation of Texas' health care system. HHSC looks forward to engaging with CMS to discuss the longer term extension so that the ground work can be laid during the initial extension for continued improvements for all Texans.

Please let me know if you have any questions or need additional information. Ardas Khalsa, Deputy Medicaid CHIP Director, serves as the lead staff on this matter and can be reached by telephone at (512) 707-6105 or by email at Ardas.Khalsa@hhsc.state.tx.us.

Sincerely,



Charles Smith

cc: Tim Hill, Deputy Center Director, Center for Medicaid and CHIP Services, Centers for Medicare and Medicaid Services

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