

June 17, 2021

Basundhara Raychaudhuri
Waiver Coordinator, Policy Development Support
Texas Health and Human Services Commission
P.O. Box 13247
Mail Code H-600
Austin, Texas 78711-3247

Dear Ms. Raychaudhuri:

On behalf of Nueces County Hospital District and the patients served by our local health care providers, thank you for your ongoing commitment to secure a strong Medicaid 1115 Waiver extension for Texas. The waiver is a fundamental element of Texas' health care infrastructure. For the past 15 months, these providers have fought the COVID-19 pandemic—diagnosing, triaging, treating, and vaccinating our community. While we suffered devastating losses, these providers also have successfully healed the sick and saved countless lives. We cannot underestimate the role of a strong health care infrastructure both in times of crisis and for a healthy, thriving population. As we make our way out of the pandemic and the state prepares for the next waiver extension negotiation, we encourage you to prioritize policies and funding that will strengthen the entire health care infrastructure. Any future waiver extension should include the following principles to ensure a strong health care infrastructure for the safety net providers and Texas residents it supports.

- 1. A Favorable Budget Neutrality Determination: The budget neutrality determinations in any future waiver extension must be the same as or better than what the Centers for Medicare & Medicaid Services approved in January 2021.**
 - a. Texas sought and received the necessary budget neutrality room to sustain needed programs in the January extension. An inadequate budget neutrality determination threatens to significantly reduce the overall available funding for Texas' new waiver extension period. This will hinder Texas' ability to maintain its current Medicaid program, services for the uninsured and payment programs to offset costs providers incur for treating underinsured and uninsured individuals.
 - b. Without adequate budget neutrality room, the state's ability to transition the Delivery System Reform Incentive Payment program and improve care quality with new directed payment programs would be significantly limited.
 - c. The Texas Health and Human Services Commission currently is working with CMS to approve and implement several new DPPs through Medicaid managed care. Financed through the waiver, these new payments will provide safety net providers, particularly rural and behavioral health providers, with invaluable supplemental funds to improve care quality and offset looming losses from the scheduled DSRIP transition. The state only has budget neutrality room under the current waiver to fund the programs for one year. A budget neutrality rebasing that cuts funds available for these new programs just as they are getting off the ground would result in a "fiscal cliff" that would have serious implications for providers and patients.
 - d. Texas must maximize every federal dollar available for the safety net. Providers' ability to plan beyond the next year is impaired without certainty that the DPP funding allowed under the previous waiver extension is protected. Texas needs a budget neutrality determination at least equal to the previously approved extension to ensure DPPs can operate beyond the first program year.

2. **A Strong Hospital Uncompensated Care Pool: Texas needs continued funding for the existing hospital uncompensated care pool.**
 - a. If Texas were to expand Medicaid eligibility, Texas providers still would continue to incur significant UC costs. Expansion would cover about 1.2 million more Texans, leaving the remaining 3.8 million still reliant on indigent care services that the UC funding helps offset the cost of.
 - b. Limiting or eliminating UC pools hurts patients' access to care and the safety net providers that are required by the Emergency Medical Treatment and Labor Act to provide emergency care for anyone who seeks it, regardless of their ability to pay. Even after funding from the waiver and other supplemental payment programs were applied, Texas hospitals incurred more than \$4.6 billion in UC costs in 2020 alone.

3. **Behavioral Health Safety Net: Urgent action is needed to preserve access to safety net mental health and substance use services.**
 - a. With significant funding loss on the horizon for community mental health providers, patients' access to medically necessary behavioral health care is in jeopardy. The behavioral health safety net stands to lose \$330 million a year in federal funds when DSRIP expires Sept. 30.
 - b. The previous waiver extension included two financing strategies to ensure access to mental health and substance use services following the DSRIP transition:
 - i. The public health providers – charity care pool was a new uncompensated care pool, worth \$500 million a year, to offset some of the unreimbursed costs community mental health centers and local health departments incur for caring for people with serious mental illness and substance use disorders without any form of third-party payment.
 - ii. The directed payment program for behavioral health services provides \$166 million a year to support community mental health centers in caring for Medicaid enrollees.
 - c. If these funds are not immediately preserved, patients with severe mental illness or substance use disorders may lose access to community-based services, increasing reliance on clinically inappropriate care settings such as hospital emergency departments.

4. **Comprehensive Health Care Coverage: In addition to extending the wavier, enroll more Texans in a comprehensive health coverage option and reduce the number of uninsured.**
 - a. Since the inception of the Affordable Care Act, Texas hospitals have supported and led efforts to address Texas' high number of uninsured residents, either through Medicaid expansion or subsidies for enrollment in the private insurance marketplace.
 - b. Comprehensive coverage ensure access for low wage working Texans and their families to preventive, primary and specialty care as well as chronic disease management services. With better access to community-based services, more Texans will be healthier and productive, which supports the state economy.
 - c. Texas needs both coverage expansion **and** a strong waiver to meet the unique health care needs of a growing population. Texas is too large and demographically diverse for a one-size-fits-all health care approach. A 2018 report by the Urban Institute estimated that 1.6 million or 34% of Texas' uninsured population were noncitizens. These individuals would not qualify for

Medicaid or subsidized marketplace insurance unless they are lawfully present and meet special qualifying conditions.

- d. The waiver extension provided predictability and resources needed to sustain providers delivering care to Medicaid clients as well as Texans who would remain uninsured even under a robust coverage expansion.

While the current waiver and its existing UC pool remain intact through Sept. 30, 2022, the waiver extension rescission exposes the state to a fiscal cliff that is severe and imminent. A favorable budget neutrality calculation and strong UC pools are critical to providers' ability to plan for the future and ensure access to care.

We appreciate HHSC's consideration of waiver extension priorities that benefit the entire health care infrastructure. Thank you again for your ongoing commitment to secure a strong waiver extension for Texas for your work to protect the health of all Texans.

Sincerely,

Jonny F. Hipp, ScD, FACHE
Administrator/Chief Executive Officer
Nueces County Hospital District