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Waiver Fast Track Extension and Budget Neutrality- an HHSC Update

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HHSC shared detail on its fast-track waiver extension request highlighting the goal of maintaining client services and health system stability over the course of the next several years. The pandemic's ongoing negative impacts for patient health status, access and services; unknown impacts on healthcare needs from COVID survivors; instability in the health care system financing and infrastructure; and new delivery system technologies and innovation are impacting Texas' health delivery systems today and going forward. The fast-track extension will provide stability and support for Texas to assess its changing needs and develop a reliable, innovative approach to healthcare going forward.

Technically, these goals can be supported better under a fast-track waiver extension that allows the state to start stabilizing now with a better understanding of future funding and program requirements and options. A key component of that stability is financing predictability as the basis for patient services financing and planning.

Under a fast track extension, the goal is to extend the current waiver along with current budget neutrality assumptions for five years to set the foundation for health system stability and patient access to care. The fast track request seeks to extend the current five year waiver for an additional five years (similar to Texas' shorter, 1.5 year extension that followed the first waiver end date) and maintain the current waiver's budget neutrality assumptions and standard terms and conditions with changes only as required to accommodate the additional five years.

HHSC submitted the fast track extension request to CMS on November 30th and hopes to hear back from CMS within 90 days (about March 1). HHSC will negotiate with CMS on Texas' ability to extend current waiver authorities and methodologies as the basis for continuing stable funding to support the health system and patient services.

The table below highlights some of the key differences between HHSC's fast-track extension request and a standard waiver renewal. Stability in services through related funding is supported by extending current Budget Neutrality methodologies and program authorities to provide additional time for Texas to plan for sustainable programs and system innovations (e.g., telemedicine and other COVID-amplified system improvements).

Fast Track Extension vs. Waiver Renewal

	Fast Track – 10 years	Renewal
Waiver Period	Extends current waiver five years: 10/1/2017 – 9/30/2027	Starts new waiver after current waiver ends: 10/1/2022 – 9/30/2027
Waiver Contract (STCs) and BN Methodology	HHSC requests maintaining STCs and Texas’ current BN methodology which includes historical savings as a component of “without waiver” BN calculations.	New negotiated STCs and for renewals after January 2021, CMS will use BN methodologies that use a state’s Medicaid program spending as the “without waiver” basis for BN calculations.
Rollover	Based on the existing waiver and BN, HHSC estimates that the next five years of the extended waiver will include a \$9.4 B “rollover” based on maintaining current waiver BN room. under an extension – would rebase and lose older BN room. Allow it to carry forward.	A renewal methodology rollover is estimated at \$1B
Inclusion of existing program into base	By extending the current waiver, Texas patient services funding by programs e.g., now in DSRIP can be supported as they transition into Medicaid managed care and reflect current spending for a future waiver renewal.	CMS informed HHSC that this current year (FY 2021) would be the new waiver BN baseline. DSRIP programs not transitioned into Medicaid managed care during this year yet would not be included in BN baseline; effectively losing DSRIP funding.
BN room	Retains DSRIP Funding in BN room; and 9.4 rollover plus projecting BN room in the next five years. Budget neutrality room is the cap for all pooled programs combined, e.g., UHRIP, Directed payment programs, UC, etc.	Estimated at \$7B/year. Budget neutrality room is the cap for all pooled programs combined, e.g., UHRIP, Directed payment programs, UC, etc.
Legislative Flexibility	Allows Legislature more room to invest in rates and include them in future baseline calculations during rebasing.	Any legislative rate increases or GR investments effective FY 2022 would not be included as Texas’ baseline and would be deducted from or limited by BN room.
UC	Texas plans to maintain current UC funding at \$3.87B	To be renegotiated under the terms of a new waiver.