CODE RED

The Critical Condition of Health in Texas

2012

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On December 12, 2011, the Centers for Medicare and Medicaid Services (CMS) approved the request by Texas Health and Human Services Commission (HHSC) for a new Medicaid section 1115 Demonstration, entitled "Texas Healthcare Transformation and Quality Improvement Program" for the period December 12, 2011 through September 30, 2016. This section 1115 Demonstration, commonly called "the Waiver," has a dual purpose: to expand existing Medicaid managed care programs across the entire state; and to route savings from the managed care expansion and the discontinuation of previous supplemental provider payments, known as UPL, to finance two new funding pools to assist hospitals and other providers with uncompensated care costs and to promote health system transformation and quality improvement.

The Code Red Task Force on Access to Health Care in Texas (Task Force) believes that this section 1115 Demonstration (Demonstration Waiver) offers unprecedented opportunities to improve access to health care and to truly transform health and health care in Texas. This report emphasizes the importance of these opportunities in the context of the critical condition of health in Texas.

Background

The first report of the Task Force, *Code Red: The Critical Condition of Health in Texas* (Code Red Report) was issued April 17, 2006, at a news conference and public symposium at the James A. Baker III Institute for Public Policy at Rice University. The Task Force is a nonpartisan group sponsored by all ten of the major academic health institutions in Texas, including Baylor College of Medicine, Texas Tech, Texas A&M, North Texas, and the six health institutions of The University of Texas System. Task Force membership includes representatives from large and small employers in Texas, health care providers, hospitals, medical schools, health policy experts, as well as community and business leaders.

The Task Force collected data, identified and assessed the magnitude of the problem of the uninsured in Texas, and made recommendations for consideration by state leaders and policymakers. The Code Red Report was evidence based and peer reviewed by independent experts. After its release, the Code Red Report reached a wide variety of interested groups. During the 80th Texas legislative session, considerable attention was given to many of the issues raised in the report. A detailed summary of relevant legislation as well as the Code Red Report can be found at the Code Red Web site: www.coderedtexas.org.

On October 22, 2007, the Task Force held a conference to receive additional comments from various stakeholders regarding continuing efforts to increase access to healthcare for the uninsured and underinsured in Texas. Subsequently, the Task Force published an update, the Code Red Report 2008 (www.coderedtexas.org).

With federal health insurance reform pending during 2010-2011, the Task Force sponsored four well-attended workshops in Austin, Dallas, and Houston on improving health care delivery systems:

- Health Homes for Children and for Adults with Chronic Illness
- Improving the Quality of Perinatal Care
- Systems Approaches to Improving Emergency Room Performance
- Developing the Workforce for a Changing Healthcare Environment

Additional supporters for these workshops included The University of Texas System, Brookings Institution, James A. Baker III Institute for Public Policy at Rice University, Center for Health and Social Policy at the LBJ School of Public Affairs, Texas Medical Association, Texas Hospital Association, Texas Nurses Association, and HHSC. Workshop presenters shared successful, innovative solutions responsive to community needs. Presentation slides are available at www.coderedtexas.org.

The Task Force reconvened in February and March of 2012 to consider the potential impact of the Texas Healthcare Transformation and Quality Improvement Program on access to healthcare. The Task Force's deliberations led to this Code Red Report 2012.

Findings of the Task Force

The Texas economy has not been immune to the national financial markets' crisis and rising healthcare costs. Even though the situation has been less dire than in other states, many Texans have suffered losses of jobs, homes, and access to healthcare. The fundamental findings and recommendations of the Task Force have remained consistent since the original 2006 Report.

- The overall health condition of Texans is poor.
  - Texas continues to have the highest percentage of uninsured in the United States.
  - Texas cannot sustain the continued rise in Medicaid costs, state/county health care expenditures, and uncompensated care costs incurred by providers of healthcare services.
  - The most expensive means of delivering healthcare is the overuse of hospital emergency departments.
  - Expanding and coordinating ambulatory (outpatient) services that include community settings and home services will provide an essential, more cost-effective means of healthcare delivery.
  - All Texans will benefit from strategies that ensure the most cost-effective delivery of high quality healthcare services.
  - Significant improvements in health outcomes and the reduction of healthcare costs will require additional investment in public health and prevention. This additional investment can be achieved by redirecting funds from high-dollar, low-value services and delivery methods.
- Prior to the current Demonstration Waiver, Texas had not taken full advantage of available federal matching funds to reduce the burden of providing healthcare for the uninsured.
- The current county-based approach to delivery of healthcare in Texas is inadequate and inequitable.
- Texas has a significant shortage of healthcare professionals – particularly, primary care professionals who could improve the efficiency and effectiveness of healthcare delivery to all Texans.
- Access to mental health services and dental care remain major problems for Texas.
- Providing efficient, effective healthcare to all Texans will require efforts such as disease management programs, the use of electronic health records, and the innovative re-design of healthcare delivery models.

The Code Red Task Force believes that the Demonstration Waiver, the Texas Healthcare Transformation and Quality Improvement Program, provides a new way forward to protect and assure the economic vitality and health of Texas. Previous Code Red Reports specifically recommended that the state should pursue an 1115 Waiver, and the Task Force applauds HHSC for the design of the approved program. Because the Demonstration Waiver offers an extraordinary opportunity to successfully implement many of the Code Red Report 2006 and 2008 recommendations to improve the health of Texas, the Task Force calls upon all parties to work collaboratively, diligently, and vigorously to realize this potential.

Key Components of the Demonstration Waiver

- The aims of the Demonstration are to:
    - Expand risk-based managed care statewide;
    - Support the development and maintenance of regional coordinated care delivery systems;
    - Improve quality and outcomes while containing cost growth;
    - Protect and leverage financing to strengthen the healthcare infrastructure to serve a newly insured population; and
    - Transition to value-based payment systems.

- The expansion statewide of Medicaid managed care is intended to lead to improved access to primary care and more coordinated care for Medicaid beneficiaries.

- The savings from the expansion of Medicaid managed care and the discontinuation of previous supplemental provider payments, known as UPL, will finance two new funding pools: the Uncompensated Care (UC) Pool and the Delivery System Reform Incentive Payment (DSRIP) Pool.

- Additional federal matching funds for the Pools may double during the Demonstration period to a five-year total of as much as $17.4 billion. Ultimately, the ability to draw down all the federal funds available to Texas will depend on the non-federal Pool expenditures which trigger the federal matching funds. The non-federal share will be primarily financed by state and local intergovernmental transfers (IGTs) at a maximum amount of approximately $11.6 billion. Thus, the combined funding in the UC and DSRIP Pools could total $29 billion over the five-year period.

- Regional Healthcare Partnerships (RHPs) involving public and private hospitals and other providers as well as counties, hospital districts, and academic health science centers within defined geographic boundaries will collaborate to design RHP Plans encompassing UC projections and DSRIP initiatives to transform the regional healthcare delivery system and improve healthcare quality and efficiency. The RHPs will be administered by public entities acting as "anchors." The anchor's role is to convene the Partnership participants, facilitate the development of the RHP Plan, and act as the point of contact between HHSC and the RHP with regard to data submission. The RHP Plans will be submitted for approval, first to HHSC on September 1, 2012 and finally to CMS no later than October 31, 2012.

- In recognition of the health insurance reforms of the Affordable Care Act, the Demonstration Waiver includes a phased shift in emphasis with a decreasing portion of the total pool funding dedicated to the UC Pool and a corresponding increase of funding for the DSRIP Pool. For FY 2012, the UC Pool will account for 88% of the total funding. This will gradually decline to 50% in FY 2016.

- The UC Pool will help defray the actual uncompensated care costs incurred by hospitals and other eligible providers for serving Medicaid beneficiaries and uninsured individuals. In the first year of the Demonstration Waiver, hospitals and other providers who participated in the 2011 UPL program will receive transition payments equivalent to the supplemental UPL payments they received in 2011.

- The DSRIP Pool will provide incentives for collaborative initiatives in simultaneous pursuit of three aims: better healthcare for individuals, including access to efficient, effective care; better health for the population; and lower cost through improvement. An approved RHP Plan will include DSRIP projects in four categories:
    - Infrastructure development – technology, tools and human resources/workforce;
    - Program innovation and redesign – pilot, test, and replicate innovative care models;
    - Healthcare quality improvements; and
    - Population-focused health improvements – reporting metrics that demonstrate the impact of delivery system reforms.

The Task Force recognizes the significant challenges to successful implementation of the Demonstration Waiver; many have compared the complexities to "building an airplane in flight." Transformation is required on several levels. The previous supplemental payment system for uncompensated care will be replaced by a system with a dual focus: uncompensated care cost supplements and incentive payments for initiatives that build new regional healthcare delivery systems that are efficient and effective for all patients and payers, ultimately reducing the need for uncompensated care related to Medicaid and the uninsured. In addition, although the Demonstration Waiver is seen as a hospital program, effective delivery system transformation will involve outpatient clinics, community settings, home services, public health and prevention activities. To capture the full potential of the waiver, new sources of IGT are needed to access the maximum amount of matching federal funding. Above all, a fundamental paradigm shift is required for healthcare providers, payers, and responsible community leaders to go bravely beyond "business as usual" in their respective silos in order to engage in a transparent, collaborative effort to build integrated, coordinated, regional healthcare delivery systems.

For a complete description of the background of the Code Red Report and 2012 recommendations, see Code Red: The Critical Condition of Health in Texas at *www.coderedtexas.org*

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Recommendations—2012

For the Successful Implementation of the Section 1115 Demonstration

Recommendation 1: Use the Demonstration Waiver to Improve Access to Healthcare

The Demonstration Waiver is a crucial tool to help Texas implement the principle that all individuals living in Texas should have access to adequate levels of healthcare.

The strength and productivity of the Texas workforce and student population depends on the good health of all residents. Texas has a large and diverse population of uninsured and underinsured individuals, 80 percent of whom work or have a working family member. Approximately 25 percent of Texans are uninsured, the highest percentage in the nation. Under the Affordable Care Act, many more people will have access to affordable coverage in 2014. However, a sizeable population of Texans will continue to be uninsured. The Demonstration Waiver offers an opportunity to build the delivery system infrastructure to improve access to high quality, cost-effective healthcare for all Texans.

Recommendation 2: Maximize IGTs to Realize Enhanced Federal Match

State and local governmental entities and local communities should work together to develop mechanisms to maximize the amount of funds available as intergovernmental transfers (IGTs) in order to obtain the full measure of matching federal funds available through both the UC Pool and the DSRIP Pool of the Demonstration Waiver.

Recommendation 3: Implement a Quality Assurance Fee

The Texas Legislature should explore and, if feasible, implement a quality assurance fee of one percent, assessed on revenue of all hospitals and freestanding surgery centers in the state to draw down federal match to enhance overall finances for provider reimbursement and the quality and efficiency of healthcare.

Such a fee should be implemented for a two-year period with renewal contingent upon evidence that the funds received from the federal government directly improved access to healthcare. This would include increased hospital and physician reimbursement for services provided.

Recommendation 4: Develop Robust Regional Healthcare Plans

Collaborating as partners, public and private healthcare providers and funders must vigorously pursue the development of comprehensive RHP Plans to accomplish the Demonstration Waiver's goals of coordinated, cost-effective care and prevention.

It is essential that counties come together in the RHPs with public and private hospitals, physicians, and other health providers to assess community needs and set goals to achieve improved health for all residents. RHPs should collaborate with and build on the ongoing regional activities of the Trauma Regional Advisory Councils, the Department of State Health Services Health Service Regions, and the Texas Association of Local Health Officials. This should include robust plans to access the incentive

payments available through the DSRIP Pool as well as plans for financially supporting uncompensated care costs. The process for developing and implementing regional health plans must be transparent, inclusive, and aimed at benefitting the entire community. HHSC should consider recommending that each RHP Plan include a DSRIP infrastructure project aimed specifically at building and sustaining regional collaboration and health information exchange to ensure integration and cohesiveness among partners participating in the four categories of projects.

Recommendation 5: Expand and Enhance Healthcare Workforce

DSRIP infrastructure initiatives should include an emphasis on expanding, enhancing, and linking the healthcare workforce for coordinated, team-based care.

This should include primary care physicians, general surgeons, trauma physicians, dentists, advanced practice nurses, physician's assistants, community health workers, care coordinators, nutritionists, and experts in behavioral health and substance abuse, including child and adult psychiatrists, psychologists, and clinical social workers. Educational opportunities should be expanded for pediatric and primary care providers to recognize and manage behavioral health issues and for all healthcare providers to offer effective preventive services.

Recommendation 6: Expand use of patient-centered health homes to build primary care capacity

Each RHP Plan should include DSRIP activities to build and expand patient-centered health homes as the foundation for primary care delivery.

All Texans, including the uninsured, should have access to individualized patient-centered health homes to provide appropriate care, from the appropriate healthcare professional, at the appropriate time. Successful pilots across several states, in Medicare, Medicaid, and multi-payer initiatives, have demonstrated that health homes can improve access to care, quality outcomes, patient experience, and provider satisfaction.

- A patient-centered health home is an enhanced primary-care model that offers comprehensive, on-going, coordinated care. Team-based care and whole-person orientation emphasize patient and family engagement and self-management. Care teams may include many different professionals providing medical, dental, mental health, substance abuse, and preventive services.
- A patient-centered health home should include a healthcare team led by a trusted healthcare professional, coordinating services provided through a physical facility (e.g., a clinic, school, or community center), utilizing a set of information tools (e.g., an electronic health record with virtual care coordination).
- Such homes should coordinate health services based on individual needs and community resources.

Recommendation 7: Expand Capacity in Ambulatory Care and Chronic Care Management

Each RHP Plan should include DSRIP initiatives to expand ambulatory care capacity and to expand chronic care management models.

Hospitals, health science centers, and health professionals should expand their commitment to increasing and coordinating community-based ambulatory care and to implementing recent disease management advances and healthcare delivery innovations that improve the efficiency and effectiveness of patient care.

Recommendation 8: Improve Health Information Technology

Texas should use DSRIP infrastructure initiatives to become the national leader through the development and application of health information technology (HIT) to allow for standardization, connectivity, and improved provider/patient communication.

- Support access to HIT and shared information by healthcare providers and patients in a full range of healthcare settings while ensuring confidentiality.
- Facilitate networks of healthcare providers that are linked through HIT, telemedicine consultation, and subspecialty referrals. These networks could be statewide with participation by all RHPs.
- Continue and extend efforts to produce health information exchanges with strong emphasis upon consolidation of such exchanges in the RHPs.
- Utilize electronic health records to reduce the costs of healthcare by eliminating the provision of redundant services.

Recommendation 9: Expand Behavioral Health Capacity

DSRIP initiatives should focus on improving the infrastructure to expand behavioral health capacity and redesign behavioral health care models.

Texas should ensure that high-quality behavioral health services are affordable, accessible, and meet the needs of all children, adults, and families affected by mental illness and substance abuse issues.

- Integrate behavioral health services into the delivery of primary healthcare through the co-location of services and full coordination of care in the patient-centered health home and through the use of integrated electronic health records.
- Focus DSRIP initiatives on evidenced-based, comprehensive models of behavioral health services delivery, including diagnostic, therapeutic, and recovery programs, in order to reduce the utilization of crisis emergency room services, hospitalization, and criminal justice involvement.
- Screen children and adults for behavioral health issues in community settings such as schools and public health clinics, and upon entry into the justice system and emergency rooms, when possible, and direct them to appropriate mental health and substance abuse services.

Recommendation 10: Enhance School Health

DSRIP program innovation and redesign activities should include integrated approaches to school health.

These approaches should include emphasis on nutrition, exercise, preventive health education, health (including behavioral health) screenings, dental health, and chronic care management for asthma and diabetes.

Recommendation 11: Improve Healthcare Quality

DSRIP quality improvement activities should be designed to "move the meter," significantly enhancing the quality of health and healthcare.

Statewide DSRIP goals should be limited to 4 to 6 goals. The metrics should be compatible with those in use by CMS and standard-setting entities. Reasonable goals might include reducing potentially preventable hospital admission and readmission rates, improving perinatal care, and eliminating ventilator-associated infections, and central line blood stream infections.

Recommendation 12: Focus on Population Health

RHP Plans must include DSRIP population-focused improvement activities.

In the later years of the Demonstration, an RHP will report metrics designed to assess the impact on population health of an RHP's infrastructure and program innovation/redesign investments. The focus areas may include patient experience, preventive health, care coordination, at-risk groups, and health disparities.

Recommendation 13: Create a Healthcare Quality Institute

Academic institutions, state and local government, communities, foundations, public and private healthcare providers, and employers should support the development of a healthcare quality institute as a statewide resource.

The Demonstration Waiver presents an extraordinary opportunity to study and learn from the DSRIP activities. Such an institute could work closely with HHSC in the implementation and evaluation of the Demonstration Waiver. Possible activities include: data design and sharing; outcomes analysis; support for the spread of proven innovations; collaborative efforts among RHPs on shared goals such as reducing healthcare associated infections, or improving disease management for asthma and diabetes. Additional focus areas should include rural health and public health.

Recommendation 14: Integrate DSRIP Activities with Medicaid MCOs

HHSC should ensure that Medicaid Managed Care Organizations (MCOs) collaborate with RHPs to support DSRIP activities and to create sustainable, quality-based payment systems.

As an example, a Medicaid MCO could support the care coordination infrastructure of a patient-centered health home with a hybrid blend of a small per member per month fee combined with fee-for-service for each patient visit, enhanced fee-for-service payments, or a shared savings arrangement.

Conclusion

Texas continues to face formidable challenges in providing access to high-quality, cost-effective healthcare for all residents. The expansion of insurance coverage will increase the need for additional healthcare providers and facilities and innovative delivery models. The Demonstration Waiver offers an extraordinary opportunity to dramatically improve Texas' healthcare delivery system. Substantial progress will require collaboration and cooperation at the regional and state levels to facilitate effective investments in infrastructure such as healthcare workforce, electronic health records allowing shared but protected data, and the implementation of new and innovative care delivery models that improve outcomes while decreasing healthcare costs. Vigorous efforts by municipal, county, and state entities, including universities, will be essential to generate sufficient intergovernmental transfer funding to fully take advantage of the Demonstration's opportunity. Participants in the RHPs must effectively collaborate to develop robust, transformative RHP Plans to address their communities' uncompensated care and delivery system needs.

The Task Force asserts that the economic vitality and security of Texas depends on the health of its population. The strength and productivity of its workforce and the capacity for educational attainment depends critically upon the health of workers, students, and families. Texas children and their parents will benefit greatly from a sustainable healthcare delivery system that provides better care for individuals, including improved access to quality care, better health for the population, and lower cost through improvement.

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