

# Impact of the Texas 1115 Waiver Extension Rescission on Children's Hospitals



The Children's Hospital Association of Texas (CHAT) and the seven children's hospitals it represents have significant concerns about the rescission of the ten-year extension of Texas' Medicaid 1115 Waiver. CMS's rescission introduces significant uncertainty for providers who treat children covered by Medicaid in Texas, including children with the most medically complex conditions that often require care provided only by children's hospitals.

## Children Depend on Medicaid and Children's Hospitals in Texas.

- **Medicaid is a primary payor for care in children's hospitals**, as between 50 and 80 percent of inpatient days in children's hospitals are paid for by Medicaid.
- **Often a children's hospital is the only place that a child can get the care that he or she needs.**
  - Almost 70% of the children seen at a children's hospital in Texas are severely ill, compared to just 40% seen at non-children's hospitals.
  - Children's hospitals care for kids suffering from the most extreme illnesses—cancer, organ failure, cystic fibrosis, and sickle cell disease.
  - Due to the size of the Texas, children's hospitals serve as a safety net for critically ill children who may not have alternatives for specialized care or treatment in their region of the state.

## Uncertainty of the Waiver means Uncertainty for Children's Hospitals and the Kids They Treat.

- **With the future of the waiver unknown, the financial future of children's hospitals remains uncertain.** This is because the savings generated through the waiver (budget neutrality) determine how much Medicaid funding is available to Texas providers for supplemental payment programs. The waiver extension allowed Texas to continue managed care as its primary healthcare delivery system and provided needed time to transition the Delivery System Reform Incentive Payment (DSRIP) innovations begun under the waiver.
- **Over time, children's hospitals have been less able to benefit than other hospital classes from supplemental payment programs** like the Medicaid Disproportionate Share Hospital (DSH) program and the Uncompensated Care (UC) program, which serve to supplement the difference between the cost of providing Medicaid services and what Medicaid reimburses for these services.
- **Hospital rate increase payment programs are extremely important to ensure stability in Medicaid funding and continued access to care in children's hospitals.**

## Children's Hospitals Need CMS to Work with the State to Ensure the Pediatric Safety-Net is Not Hurt.

- **Children's hospitals request that CMS approve the Comprehensive Hospital Increase Reimbursement Program (CHIRP) including the program structure and size submitted by Texas.** This program allows children's hospitals to continue to meet the needs of all children in the state and ensures that all children have access to life-saving care. This program builds on DSRIP best practices so that, to earn funding, children's hospitals must meet targeted quality metrics for pediatric populations and demonstrate how they are improving care and healthcare outcomes. Over a billion dollars of funding to support children's hospitals throughout the state is at risk.
- **Children's hospitals request that CMS work closely with the state to resolve the waiver negotiations quickly and in a manner that does not adversely impact the pediatric safety-net.** The outcome of the waiver could have a direct impact on the Medicaid funding available to children's hospitals that treat severely ill children in Texas. Children's hospitals could lose \$84 million in uncompensated care funding per year if the waiver is not extended. Children's access to lifesaving care, especially those with medically complex conditions, available in children's hospitals is critical for the future of the state.