

December 2011

**California and Texas:
Section 1115 Medicaid Demonstration Waivers Compared**

In December 2011, the Centers for Medicare & Medicaid Services (CMS) approved a demonstration waiver for Texas that is modeled, in part, on a demonstration waiver that has been underway in California since November 2010.¹ Both waivers affect hundreds of thousands of Medicaid beneficiaries, involve billions of federal Medicaid matching funds, and are designed, in part, to promote changes in the health care delivery system that will result in better care for individuals, better population health, and reductions in costs through system improvements.² These 5-year demonstrations are approved under section 1115 of the Social Security Act, which authorizes the Secretary of Health and Human Services to waive certain federal Medicaid requirements to enable states to conduct demonstrations with federal Medicaid funds.

Key provisions of the waivers are summarized in the attached Table 1. They have some important similarities:

- Both provide for a significant expansion of the number of Medicaid beneficiaries required to enroll in capitated Medicaid managed care organizations (MCOs). In California, some 380,000 seniors and persons with disabilities in 16 counties who had been receiving Medicaid benefits on a fee-for-service basis will be enrolled in MCOs by May 2012. In Texas, about 940,000 Medicaid beneficiaries will be enrolled in capitated managed care by March 2012.
- Both waivers provide pools of federal funds known as Delivery System Reform Incentive Payments (DSRIP) that are designed to reward hospital systems for improving access to care and the health of the Medicaid and uninsured patients they serve. In California, up to \$3.3 billion is available over the 5-year period; in Texas, between \$11.4 and \$15.4 billion is available.

The waivers also have some important differences:

- In Texas, individuals dually eligible for Medicare and Medicaid are subject to mandatory enrollment in Medicaid MCOs; in California they are not.
- In California, the waiver includes a major expansion of coverage to some 455,000 low-income adults in advance of health reform in 2014. There is no coverage expansion under the Texas waiver.
- The Texas waiver limits the pool of federal funds (“supplemental payments” or “UPL payments”) used to pay hospitals for uncompensated care; the California waiver does not.
- The California waiver allows 50% federal matching for the costs of designated state health programs; the Texas waiver does not allow such refinancing of state-only programs.
- Finally, the California waiver (“Bridge to Reform”) is explicitly intended to prepare the state and its public hospitals for the implementation of the 2014 Medicaid expansions under the Affordable Care Act. The Texas waiver (“Texas Healthcare Transformation and Quality Improvement Program”) is designed to expand existing Medicaid managed care programs and to establish a funding pool that will assist public hospitals organize providers into Regional Healthcare Partnerships.

¹ Section 1115 waiver approval letters and special terms and conditions for both waivers are available at : <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/Waivers.html?filterBy=1115#wavers>

² For a more detailed summary of the California “Bridge to Reform” Medicaid demonstration waiver, see <http://www.kff.org/medicaid/upload/8197-R.pdf>

Table 1:
Key Provisions of the California and Texas Section 1115 Medicaid Demonstration Waivers Compared

Issue	California (Approved November 2, 2010)	Texas (Approved December 12, 2011)
Duration	5 years Nov. 1, 2010 – Oct. 31, 2015	5 years Dec. 12, 2011 – Sept. 30, 2016
Coverage Expansion (Low-Income Health Program, LIHP)	Yes 455,000 non-disabled, non-elderly adults with incomes below 200% FPL (projected)	No
Public Hospital Delivery System Reform (DSRIP)	Yes 12 county hospital systems 5 University of California hospital systems	Yes (12% of waiver pool funds in first (transition) year, between 40% and 53% of total waiver pool funds over all 5 years) 8 county hospital districts anchoring Regional Healthcare Partnerships to be developed
Mandatory Medicaid Managed Care	Yes 380,000 seniors and persons with disabilities (SPDs) in 16 counties enrolled into capitated Medicaid managed care between June 2011 – May 2012, subject to plans meeting readiness requirements Excludes dual eligibles	Yes (geographic expansion of existing managed care waiver programs) 140,000 beneficiaries in contiguous areas plus 800,000 PCCM enrollees in 164 rural counties enrolled in capitated Medicaid managed care beginning September 2011 and March 2012, respectively, subject to plans meeting readiness requirements Includes dual eligibles (except nursing facility residents)
Refinance Designated State Health Programs (DSHP)	Yes 8 state-only programs (e.g., California Children Services, Breast & Cervical Cancer Treatment Program, AIDS Drug Assistance Program, etc.) and 3 state-only workforce development programs	No
Federal Funding over 5 years	\$8 billion Coverage expansion: \$0.6 billion DSRIP: \$3.3 billion DSHP: \$2.0 billion Other: \$1.8 billion	\$29 billion Uncompensated Care Pool: \$13.6 - \$17.6 billion DSRIP Pool: \$11.4 - \$15.4 billion (total for both pools cannot exceed \$29 billion)

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