

Understanding the Role of Community Centers in the 1115 Transformation Waiver

Executive Summary

Rider 71 (82nd legislative session) directed a study of the public mental health system.

*Rider 71 Directs DSHS to contract with an independent entity by December 1, 2011 to review the state's public mental health system and make recommendations to improve access, service utilization, patient outcomes, and system efficiencies. The study shall review methodologies, services provided, and community-based alternatives to hospitalization. The review should look to other states for best practices or models that may be successful in Texas. **The study shall review and recommend best value practices that the state's public mental health system may implement to maximize use of federal, state and local funds.** DSHS shall submit final report to the LBB, Governor, Senate Health and Human Services Committee and House Public Health Committee not later than September 1, 2012.*

The Public Consulting Group (PCG) conducted the study and made recommendations, including two competing strategies for expanding use of managed care in delivering mental health services:

1. expand the NorthSTAR (carve-out); and
2. expand the role of STAR and STAR + PLUS (carve-in).

The PCG report also recommends the state effectively leverage funding opportunities under the 1115 demonstration waiver. However, in describing this opportunity, PCG focuses on the need for state directed projects and oversight, failing to reflect both the local nature of the waiver and the fact that any redesign of the public mental health system must retain the essential financing structure necessary to maximize the leverage potential for new federal funds in the 1115 Transformation Waiver.

Specifically, the PCG report failed to recognize that expanding NorthSTAR would have an immediate, detrimental effect on implementing the planned 1115 Waiver projects now moving forward in communities across Texas.

The Texas Council prepared this document in an effort to address this shortcoming of the PCG Report. In essence, *Understanding the Role of Community Centers in the 1115 Transformation Waiver* describes:

- Federal and state eligibility requirements for serving as an “IGT Entity” and “Performing Provider” in the 1115 Transformation Waiver;
- The interacting role of a Community Center as a Local Mental Health Authority (LMHA) and how it relates to full participation in the 1115 Transformation Waiver (i.e., maximizing use of federal, state and local funds);
- The negative impact a NorthSTAR expansion (e.g., separating the LMHA role from provider services) would have on the ability to implement 1115 Transformation Waiver projects now underway in communities across Texas.



1115 Transformation Waiver

Behavioral Health Services are Essential to Overall Health: Realizing the Vision

“HHSC expects that behavioral health-related projects will play a large role in the waiver and encourages BH stakeholders to engage in RHP planning.”

–HHSC presentation to Senate Health and Human Services Committee, May 2012.

Background

As directed by Senate Bill 7 (82nd first called special session), the Health and Human Services Commission submitted an 1115 demonstration waiver. In December 2011, the Centers for Medicare and Medicaid Services (CMS) approved the Texas Health and Human Services (HHSC) Healthcare Transformation and Quality Improvement Program 1115 demonstration waiver. This waiver aims to transform the health care delivery system for low income Texans and includes an increased focus on access to quality behavioral health services as a recognized means to improve both individual and system level outcomes.

All Health Care is Local

As required by provisions of the 1115 Transformation Waiver, Regional Health Partnerships have been established throughout the state and designated anchors for each region are serving as the coordinating point for development and submission of regional health plans that reflect local solutions designed to reduce costs and improve outcomes.

Once approved by HHSC and CMS, the regional plan will serve as the vehicle for receiving new federal funding as incentive payments for Delivery System Reform Incentive Payment (DSRIP) projects.

What is the role of Community Centers?

IGT ENTITY Like public hospitals and other governmental entities, Centers have the ability to transfer locally managed state and local dollars to draw down federal funding for DSRIP projects. This process is called an Intergovernmental Transfer, or IGT.

PERFORMING PROVIDER As a public Medicaid provider, Centers receive direct payment from HHSC when DSRIP metrics are achieved.

REGIONAL HEALTH PLAN PARTNER As an IGT Entity and Performing Provider, Centers are involved in the RHP process. Centers have contributed to the assessment of community need and worked collaboratively with local partners, including consumers, advocates and private providers, to plan and implement innovative and effective solutions for addressing behavioral health care needs in the region.

Understanding the Role of Community Centers in the 1115 Transformation Waiver

The interacting role of a Community Center serving as a Local Mental Health Authority and as a Medicaid provider is essential to maximizing development of mental health and substance use disorder services in the 1115 Transformation Waiver.

To fully participate in the 1115 Transformation Waiver, an entity must meet several tests established by the Centers for Medicaid and Medicare (CMS) and the Health and Human Services Commission (HHSC):

1. Is the entity a governmental entity and, therefore, eligible to conduct an Intergovernmental Transfer (IGT)?

Section 1902(1)(2) of the Social Security Act requires states to share in the cost of medical assistance expenditures. As interpreted by 42 Code of Federal Regulation (CFR) 433.50 & 433.51 both state and local governments are permitted to participate in financing the non-Federal portion (state share) of medical expenditures using the process of an Intergovernmental Transfer (IGT).

As defined in Section 534.001(c) of the Texas Health and Safety Code a Community Center is: (1) an agency of the state, a governmental unit and a unit of local government, as defined and specified by Chapters 101 and 102, Civil Practice and Remedies Code; (2) a local government, as defined by Section 791.003, Government code; (3) a local government for purposes of Chapter 2259, Government Code; and (4) a political subdivision for the purposes of Chapter 172, local Government Code.

As a result of their status as units of local government, Community Centers in Texas are eligible to conduct an Intergovernmental Transfer and participate in financing the state share of medical expenditures.

2. Does the governmental entity have public funds available for use as IGT?

As governmental entities, Community Centers are able to use eligible local funds and state funds (allocated to the Community Center as the Local Mental Health Authority) to conduct the Intergovernmental Transfer (IGT). The IGT covers the match necessary to draw down federal incentive funds for approved Delivery System Reform Incentive Payment (DSRIP) projects that expand or enhance mental health and/or substance use disorder services.

DSHS contracts with Community Centers to conduct Local Mental Health Authority functions for purpose of managing and delivering legislatively directed services, such as: Mental Health Crisis, Psychiatric Emergency Response, and Community Hospitals. In addition to local funds contributed by local taxing authorities, foundations and other local sources, these state funds significantly enhance Community Center IGT capacity.

Community Centers also manage state general revenue funds that are directed to provide services not covered as Medicaid benefits (e.g., supported housing) and services for people without Medicaid (i.e., people who are medically indigent).



3. Is the governmental entity a Medicaid provider and, therefore, qualified to serve as a Performing Provider?

Community Centers are providers of Medicaid services, including MH Rehabilitative Services and Targeted Case Management. As Medicaid providers, Community Centers meet the requirement to serve as Performing Providers in the 1115 Transformation Waiver—allowing Community Centers to directly receive incentive fund payments for approved Delivery System Reform Incentive Payment (DSRIP) projects that meet agreed upon performance measures.

If an entity conducting the IGT does not meet criteria as a Performing Provider (i.e., Medicaid provider) then the entity cannot receive the incentive payment for DSRIP projects.

Why is the interacting role of a Community Center serving as a Local Mental Health Authority and as a Medicaid provider so important to maximizing use of federal, state and local funds in the 1115 Transformation Waiver?

- If a Community Center no longer served as the Local Mental Health Authority, a significant source of local funds eligible for IGT in the 1115 Transformation Waiver would be at risk as local taxing authorities and other local fund sources would lose the incentive that is generated when contributions can be made to a locally controlled entity that has the capacity to address community needs by leveraging local funds for state and federal funds (See Appendix, Table 1).
- If a Community Center no longer served as the Local Mental Health Authority, a significant source of state funds eligible for IGT in the 1115 Transformation Waiver would no longer be available to implement proposed mental health and substance use disorder services and planned arrangements underway with public and private hospitals and other provider organizations (See Appendix, Table 1).
- If a Community Center serving as the Local Mental Health Authority was prohibited from providing services, the Community Center would lose its status as a Performing Provider in the 1115 Transformation Waiver and would not be able to directly receive the federal incentive funds for DSRIP projects that support mental health and substance use disorder services (See Appendix, Table 2 & Table 3).
- If a Local Mental Health Authority no longer managed state funds, was no longer able to generate significant local funds, and no longer served as a Performing Provider (separating the local authority role from the provider role as currently exists in the NorthSTAR model), the opportunity to maximize use of federal, state and local funds would be significantly diminished due to lack of eligible IGT funds and inability of IGT entity to directly receive federal incentive payments as a Performing Provider (See Appendix, Table 2).



Why does separation of the Local Authority Role from Provider Services in NorthSTAR negatively impact the 1115 Transformation Waiver opportunity to maximize use of federal, state and local funds for mental health and substance use disorder services in the Dallas Service Area?

In the seven (7) county Dallas Service Area known as NorthSTAR, the North Texas Behavioral Health Authority (NTBHA) does not manage state mental health funds or serve as a Medicaid provider— meaning it cannot participate in the 1115 Transformation Waiver as an IGT Entity and cannot directly receive federal incentive payments as a Performing Provider. In the NorthSTAR model, a commercial HMO (Value Options) manages state mental health funds and sub-contracts for all provider services.

Because neither the North Texas Behavioral Health Authority nor Value Options meets the federal criteria to conduct an IGT or serve as a Performing Provider in the 1115 Transformation Waiver, the state general revenue funds managed by Value Options cannot be directly leveraged for new federal funds to expand mental health and substance use disorder services.

Although the three (3) Community Centers in NorthSTAR are participating in the 1115 Transformation Waiver as IGT entities and Performing Providers, their ability to maximize use of federal, state and local funds is limited by the lack of funds eligible for IGT and not having the infrastructure of a Local Mental Health Authority to serve as the foundation for building capacity in the 1115 Transformation Waiver.

As the following table depicts, Dallas Metrocare, the largest Community Center in NorthSTAR, estimates using 15% of the \$123 million in available Pass 1 funds because it does not have necessary IGT funds or the infrastructure necessary to take full advantage of waiver capacity.

In contrast, both MHMRA of Harris County and MHMR of Tarrant County estimate they will use all available funds in the Pass 1 Allocation and take advantage of additional funds in Pass 2 and Pass 3.

1115 Transformation Waiver DSRIP Project Valuations in Select Urban Areas

Community Centers	Available Funds (Pass 1 Allocation)	*DSRIP Project Snapshot (Valuations)	DSRIP Projects (as % of Pass 1 Allocation)
ATCIC (Austin)	\$49.1 million	\$96.9 million	197%
CHCS (San Antonio)	\$79.9 million	\$101.3 million	126%
Emergence (El Paso)	\$47.8 million	\$48.8 million	102%
Harris County MHMRA	\$188.5 million	\$218.4 million	115%
Metrocare (Dallas)	\$123 million	\$18.8 million	15%
Tarrant County MHMR	\$ 78.3 million	\$114.5 million	146%
Tropical (Harlingen)	\$ 72.5 million	\$91.8 million	126%

***NOTE:** In the initial Pass 1 allocation of available funds, Community Centers were allocated 10% of the total available funds in each region. Due to additional funds made available in Pass 2 & Pass 3, Community Centers with access to local and state IGT funds are able to exceed initial Pass 1 allocations.

Opportunity for Private Providers

As demonstrated by substantial subcontracting opportunities for private providers since FY 2007 with new Mental Health Crisis Funds, the new funds generated by the 1115 Transformation Waiver creates additional opportunity for private providers to locally engage with Community Centers to expand and enhance mental health and substance use disorder services in communities across Texas.

Throughout the Regional Health Partnership (RHP) planning process, Community Centers, local hospitals and other health care providers in each region have worked with the RHP anchor to assess community need, identify DSRIP projects and establish a local approach to health care delivery that focuses on increased access, improved quality and reduced cost overall.

As implementation of DSRIP projects in the 1115 Transformation Waiver moves forward, individual practitioners and organizations that are qualified and willing to provide essential mental health and substance use disorder services are expected to have substantial opportunity to participate as part of local provider networks. Notably, the greatest concern regarding implementation of DSRIP projects is not whether there will be opportunity for providers—but lack of available providers and overall workforce capacity.

Appendix

Table 1

The following chart depicts the potential leverage value (per year) of local and state funds currently in the system that would be at risk (jeopardizing the opportunity for Centers to fully participate in the 1115 Transformation Waiver) if a Community Center no longer served as local Mental Health Authority and Performing Provider.

Fund Source	IGT (Match for FF)	Federal Funds (FF) Generated	All Funds (AF) Generated
Local Contributions	\$142 million	\$197 million	\$339 million
State General Revenue	\$313 million	\$ 435 million	\$748 million
Total	\$455 million	\$632 million	\$1.087 billion

NOTE: Texas HHS Committee Report Excerpt (pp. 105 & 108): Local funds accounted for 13% of all funds across Local Mental Health Authorities and 2.65% of all funds in NorthSTAR. Although NTBHA is required to contribute local match for state GR funds and submit that funding to the state, they have been unable to meet the required local match since the NorthSTAR program was established.

Table 2

The following chart depicts the available funds in Pass 1 for Community Centers participating in the 1115 Transformation Waiver—across the five (5) years of the waiver (Demonstration Years 1–5). In certain regions, additional funds are available in Pass 2.

Available Funds (Pass 1): DSRIP Projects		
Demonstration Year	All Providers (IGT + Federal Match)	Community Center (IGT + Federal Match)*
DY 1 (<i>modified formula</i>)	\$500 million	\$ 40 million
DY 2	\$2.30 billion	\$230 million
DY 3	\$2.66 billion	\$266 million
DY 4	\$2.85 billion	\$285 million
DY 5	\$3.10 billion	\$310 million
Total DSRIP (All Funds)	\$11.41 billion	\$1.131 billion
*In Pass 1, Community Centers were allocated 10% of available DSRIP funds (which can be generated if the Center has available IGT and approved waiver projects).		

Table 3

The following chart depicts actual 1115 Transformation Waiver Delivery System Reform Incentive Projects (DSRIP) submitted by the Regional Health Partnerships to HHSC. The total project valuation will be higher when passes 1 – 3 are complete and regional plans are finalized.

Type of Provider	# of Category 1 & 2 Projects	Average Project Valuation	Category 1 & 2 Project Valuation Totals
Hospitals	552	\$6.4 million	\$3.5 billion
Community MH Centers	191	\$4.5 million	\$860 million
Local Health Departments	55	\$5.4 million	\$296 million
Academic Health Science Centers	117	\$7.5 million	\$873 million
Total	915	N/A	\$5.5 billion

Data Source: Health and Human Services Commission Presentation to Executive Waiver Committee December 6, 2012