

April 6, 2012

The Honorable William Pina
Commissioner - Precinct 1, Bastrop County
804 Pecan Street
Bastrop, Texas 78602

Dear Commissioner Pina:

The purpose of this letter is to provide summarized information about the Texas Healthcare Transformation and Quality Improvement Program (1115 Medicaid Waiver) and to alert you how to participate in the regional planning process for this program if you are interested. We are contacting you because your city or county is located within the Central Texas region of Travis, Hays, Caldwell, Bastrop, Lee, and Fayette counties.

As you may know, the Texas Health and Human Services Commission (HHSC) has implemented a new program known as the Texas Healthcare Transformation and Quality Improvement Program, also known as the 1115 Medicaid Waiver. The Waiver offers opportunities for local governmental entities to participate by using local funds to bring in additional federal funds for improvements in the health care system. As part of this effort, the state is divided up into regions. Each region will have one anchor entity to serve as the administrative convener for the Waiver. HHSC has named the Central Health (the Travis County Healthcare District) as the preliminary anchor entity for our region. Our goal is to ensure that you are fully informed about how to participate in this opportunity to make improvements to our region's healthcare delivery system.

The 1115 Medicaid Waiver is a pilot program and will be in effect through September 30, 2016. If you decide to participate at all, you must participate in this first year of the pilot. This program establishes two federal funding pools:

- An Uncompensated Care (UC) pool that will help hospitals and other providers cover the costs of care for uninsured and underinsured patients, and
- A Delivery System Reform Incentive Payment (DSRIP) pool that will fund projects intended to improve the healthcare delivery system.

The pools will be funded through local intergovernmental transfers or IGTs. These local healthcare funds, such as those local governments provide to hospitals or spend on indigent healthcare, serve as the state's share of Medicaid funding and are "matched" with federal dollars to increase the total amount of funding available for local healthcare programs. Every \$1 of local funds sent to the federal government for match could result in an additional \$1.50 in federal funds coming back to local communities, for a total of \$2.50 available for health system spending in local areas. Local communities able to identify qualifying sources of local funding to transfer

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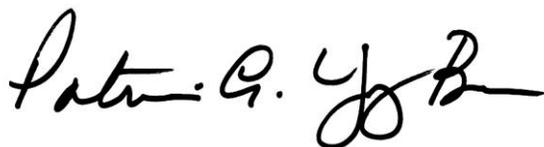
could gain additional funding to improve the healthcare delivery system in their communities.

To take advantage of this opportunity, local governments, hospitals, and other health care providers must join a Regional Healthcare Partnership (RHP). RHPs will create a plan to improve regional access to care, healthcare quality, and cost-effectiveness. While the overall plan is based on the region, entities that provide IGT funds will maintain control of how and where their funds are used within the RHP.

Enclosed with this letter, you will find a background document that describes the 1115 Medicaid Waiver in more detail. If you are interested in learning more and/or would like to participate in the RHP planning process, **please contact John Stephens, Central Health Chief Financial Officer, at 512-978-8000 or john.stephens@centralhealth.net no later than June 30, 2012** as the timeline for participation in the waiver is very short. The Regional Healthcare Partnership Plan must be submitted to the state of Texas by September along with all the affiliated agreements between parties.

There has not ever been a better opportunity to leverage federal dollars and bring them back to our local communities to put them to work improving the health of our residents. We look forward to hearing from you and hope you will take advantage of this exciting opportunity to improve the quality of healthcare delivery for the people of our region.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia A. Young Brown". The signature is fluid and cursive, with the first name "Patricia" and last name "Brown" being the most prominent parts.

Patricia A. Young Brown
President and CEO