Texas Medicaid and the Affordable Care Act: A Primer

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About CHC

- Non-profit Health Maintenance Organization licensed by the Texas Department of Insurance
- Affiliate of the Harris County Hospital District
- Serves over 230,000 Members with the following programs:
  - **Medicaid State of Texas Access Reform (STAR)** program for low-income children and pregnant women
  - **Children's Health Insurance Program (CHIP)** for the children of low-income parents, which includes **CHIP Perinatal** benefits for unborn children of pregnant women who do not qualify for Medicaid STAR
  - **TexHealth 3-Share Program** that subsidizes the premiums of a limited benefit plan for previously uninsured, low-income employees of small businesses
- "Safety Net Health Plan" under healthcare reform law (ACA)

A Tale of Two States

The Healthcare Environment in Texas

Notable

- International destination for healthcare
- World's largest medical center
- Fifth in nation in research funding
- Leader in medical tort reform
- America's top state for business (CNBC 2012)

Notorious

- Over 6 million uninsured
- Medicaid cost growth from 14% to 25% of state budget in past twenty years
- A broken, unsustainable Medicaid system
  - Cost growth due to increase in enrollment
  - Low reimbursement rates to providers
  - Fragmentation of services and lack of patient accountability

Medicaid Basics

Medicaid and CHIP Basics

- Joint state-federal programs
- Texas Medicaid:
  - 3,340,890 total enrollees
  - Low income children and pregnant women
  - Aged, blind and disabled
  - Long term care for elderly
  - 59% federal, 41% state funding
  - Entitlement program
- Children's Health Insurance Program (CHIP) in Texas
  - 583,151 total enrollees
  - Low income children that do not qualify for Medicaid
  - 72% federal, 28% state funding
  - Not an entitlement program

Texas Medicaid Basics

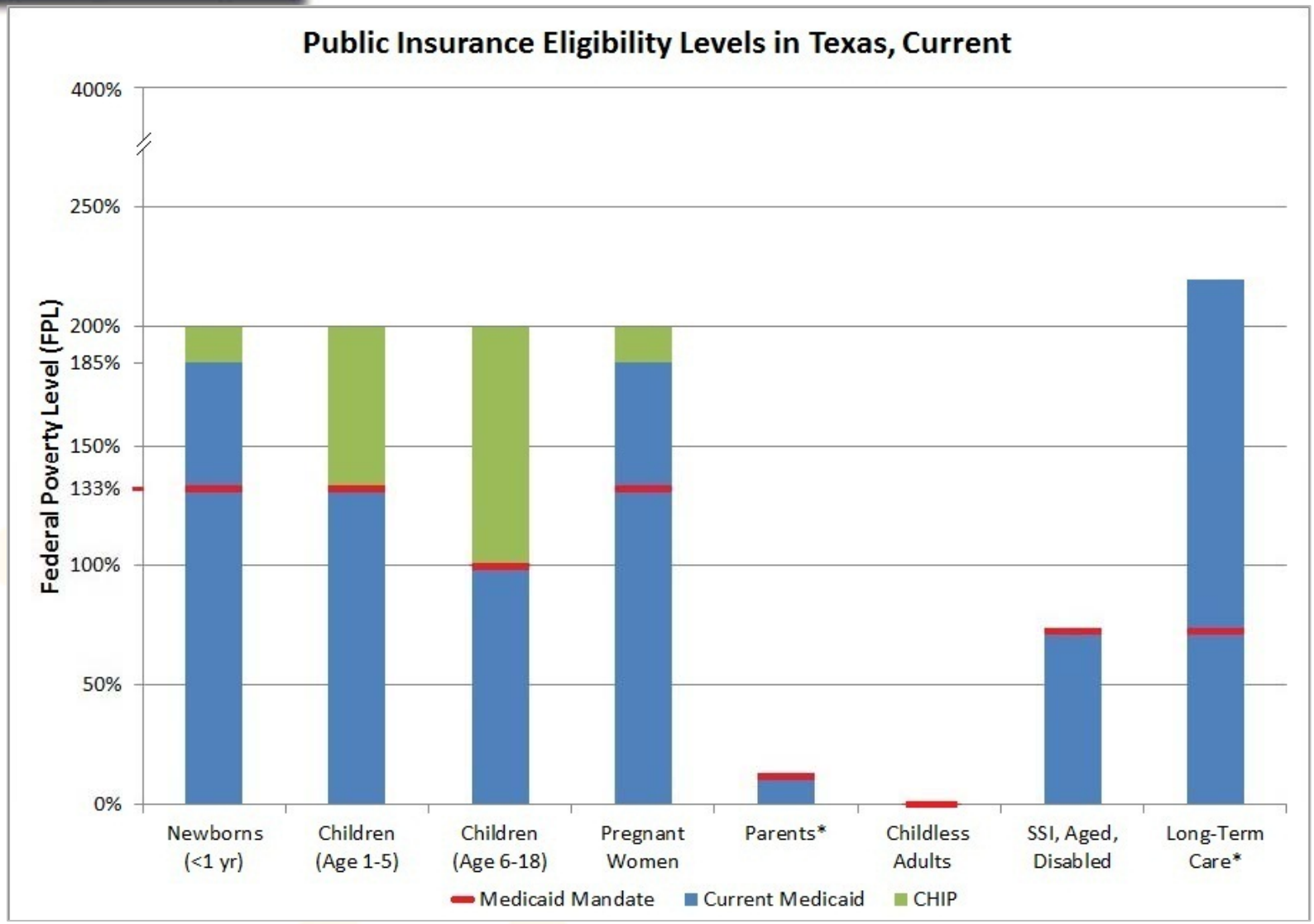
- Program organization:
  - State Plan: agreement with the federal government on the administration of the program, including eligibility, benefits, and finances; amendments allowed if approved by CMS
  - Waivers: waives certain Medicaid requirements for states, if approved by CMS
- Formerly fee-for-service, now primarily capitated payments to Managed Care Organizations (MCOs)
  - STAR
  - STAR+PLUS
  - STAR Health

Medicaid and CHIP Basics: FPL

2012 HHS Federal Poverty Level (FPL) Guidelines

Family Size	Annual Income				
	100% FPL	133% FPL	185% FPL	200% FPL	400% FPL
1	$11,170	$14,856	$20,665	$22,340	$44,680
2	$15,130	$20,123	$27,991	$30,260	$60,520
3	$19,090	$25,390	$35,317	$38,180	$76,360
4	$23,050	$30,657	$42,643	$46,100	$92,200

Medicaid and CHIP Basics: Eligibility



*The eligibility guidelines for these groups are currently based on dollar amounts, but have been approximated to Federal Poverty Levels for the purposes of this chart.

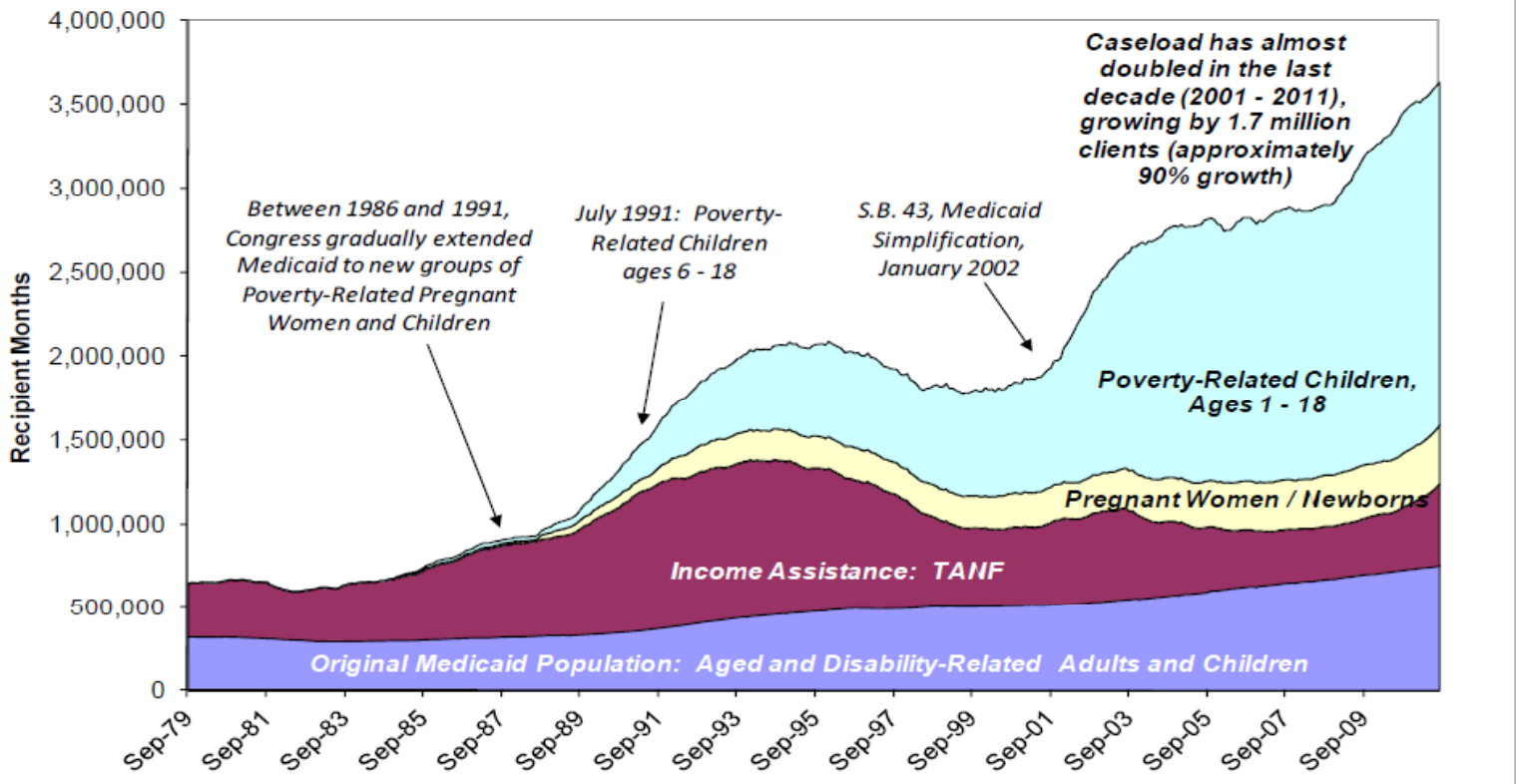
The “Broken” Medicaid System

Medicaid Caseload Trends

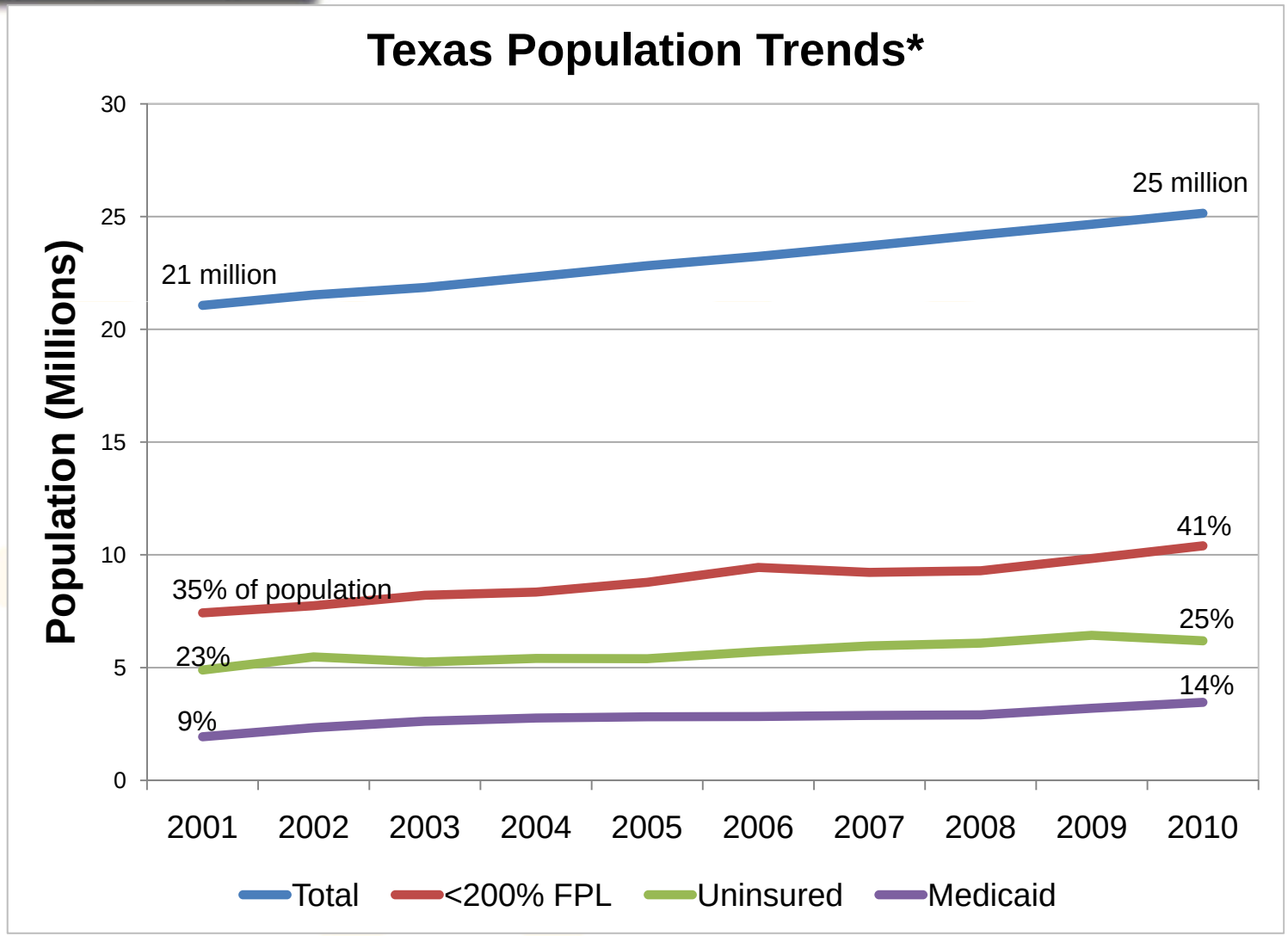
TEXAS Health and Human Services Commission

Medicaid Caseload Trends: Who Does Medicaid Serve?

Texas Medicaid Caseload by Group, September 1979 - August 2011

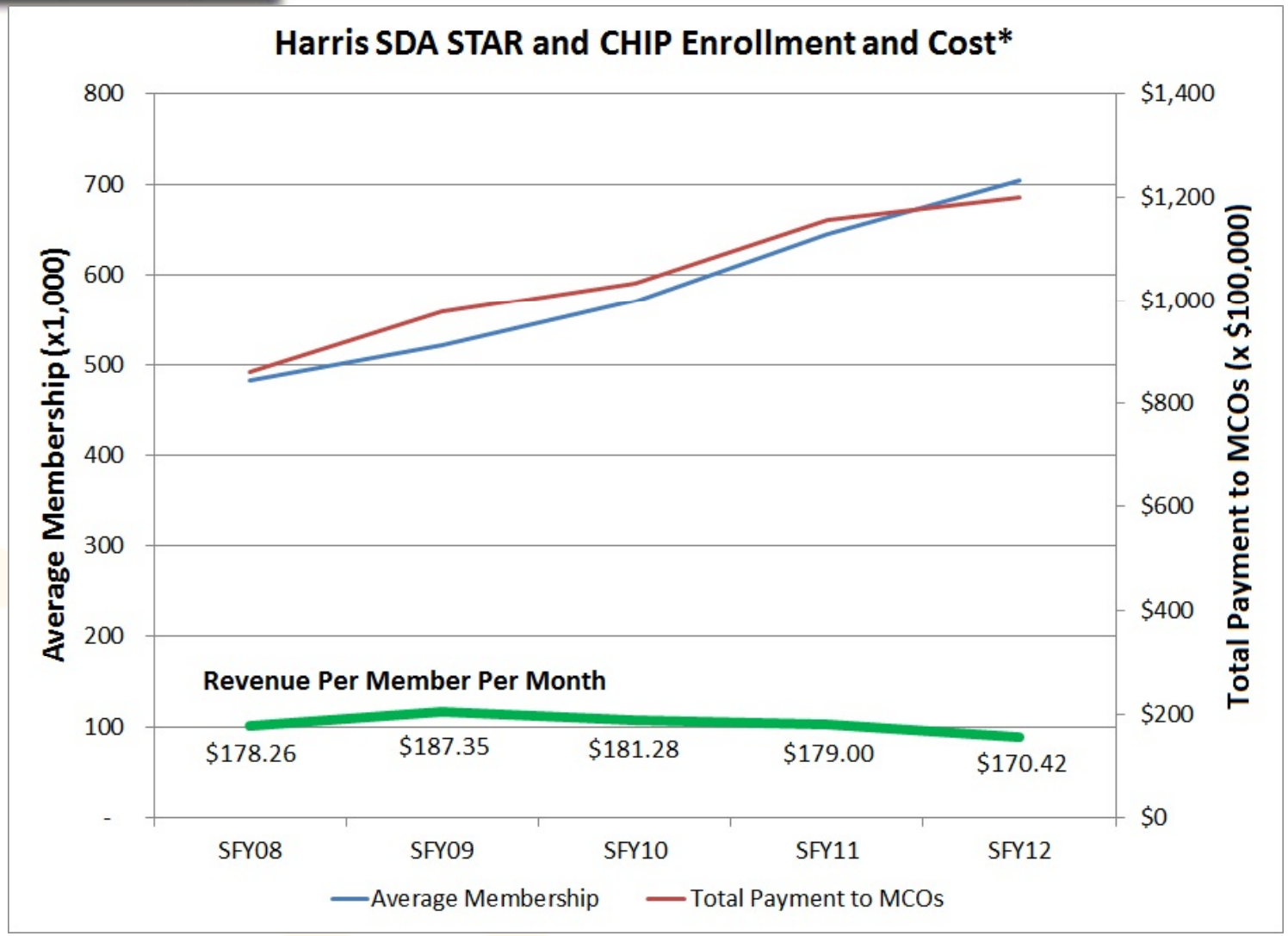


Texas Medicaid Growth Mirrors Total Population Growth



*Total and uninsured population data from the Current Population Survey. Poverty status data from the American Community Survey. Medicaid enrollment data from the Texas Health and Human Services Commission's point-in-time counts in September of each year.

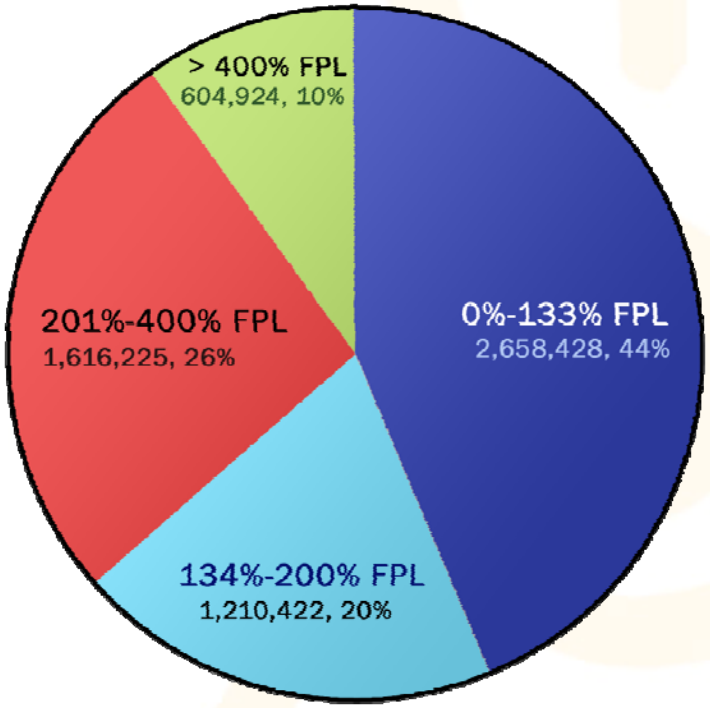
Caseload, Not Cost Per Enrollee, Drives Increasing Cost



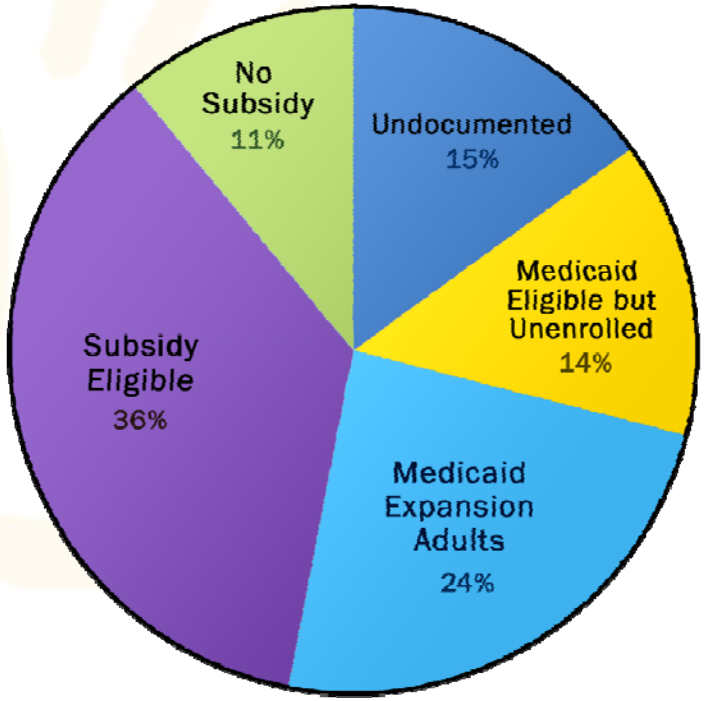
*Medicaid revenue to health plans is cost to the state.

6 Million Uninsured in Texas

Uninsured by FPL



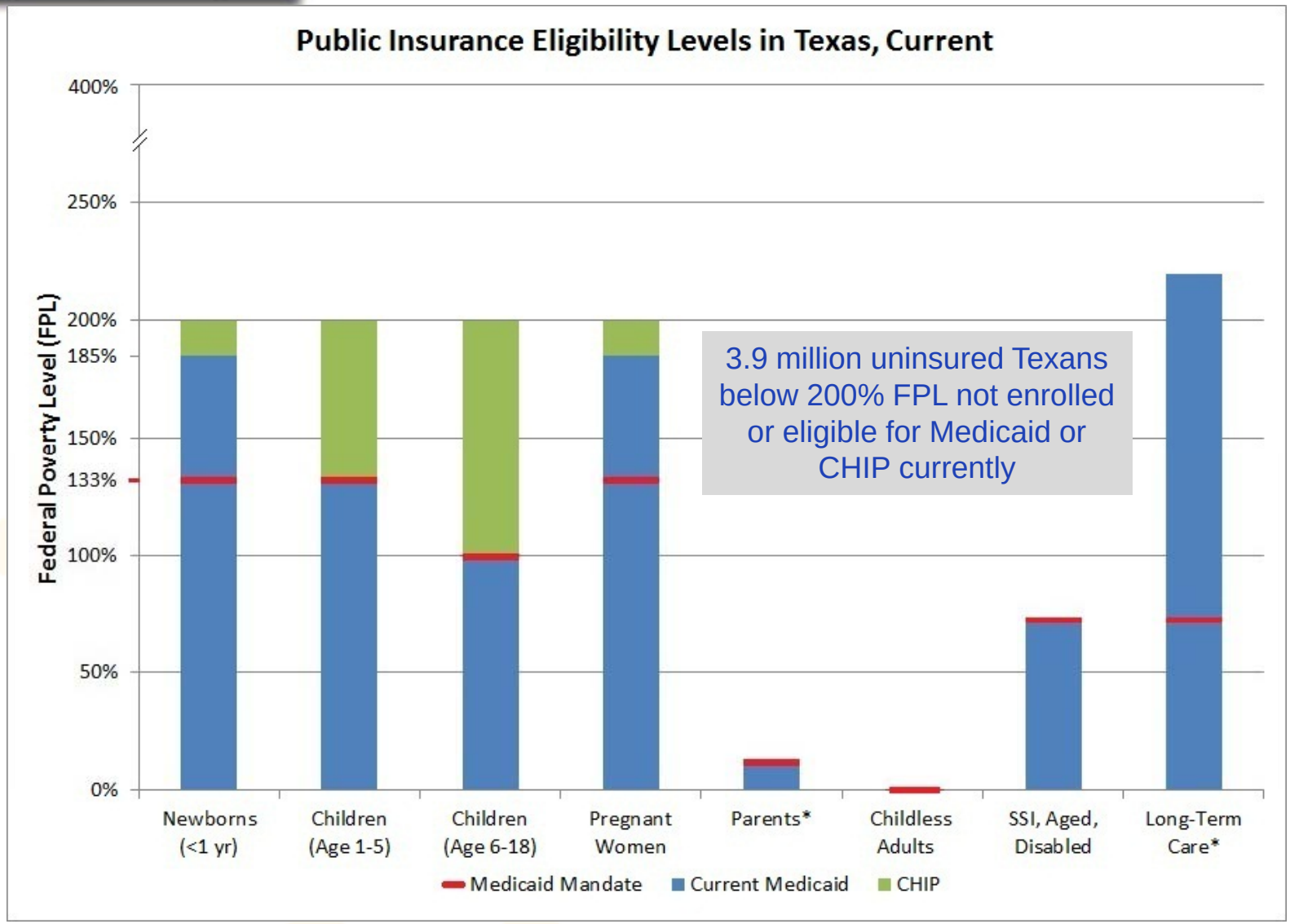
Uninsured by Subsidy Type



Uninsured by FPL data from the 2010 American Community Survey: Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

Uninsured by Subsidy Type data: Tom Suehs. "Presentation to the House Appropriations Subcommittee on Article II: Affordable Care Act." Texas Health and Human Services Commission. July 12, 2012.

The Problem: Confusing Eligibility



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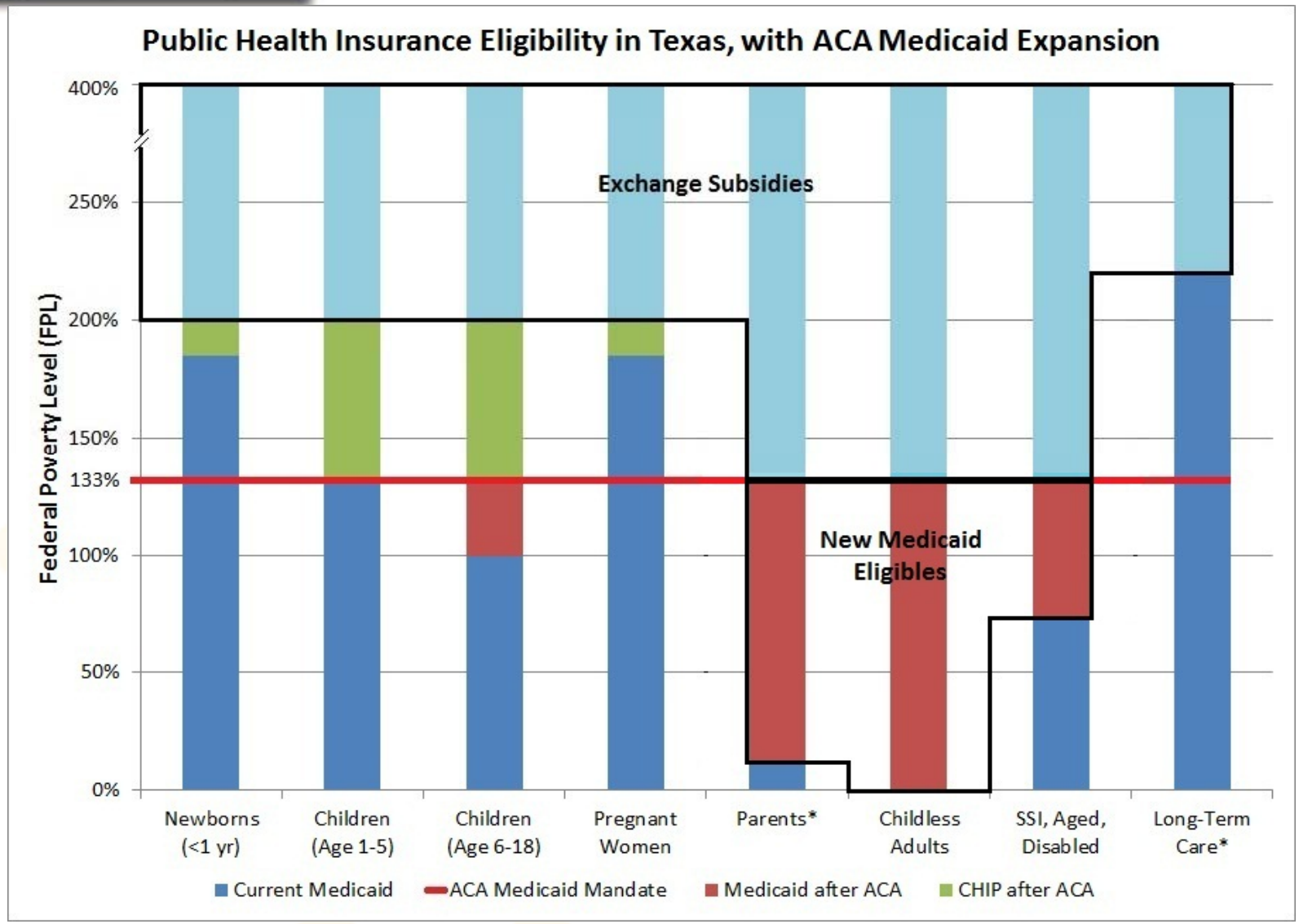
Impact of ACA and Supreme Court Decision on Medicaid

Federal Reforms with Medicaid Expansion



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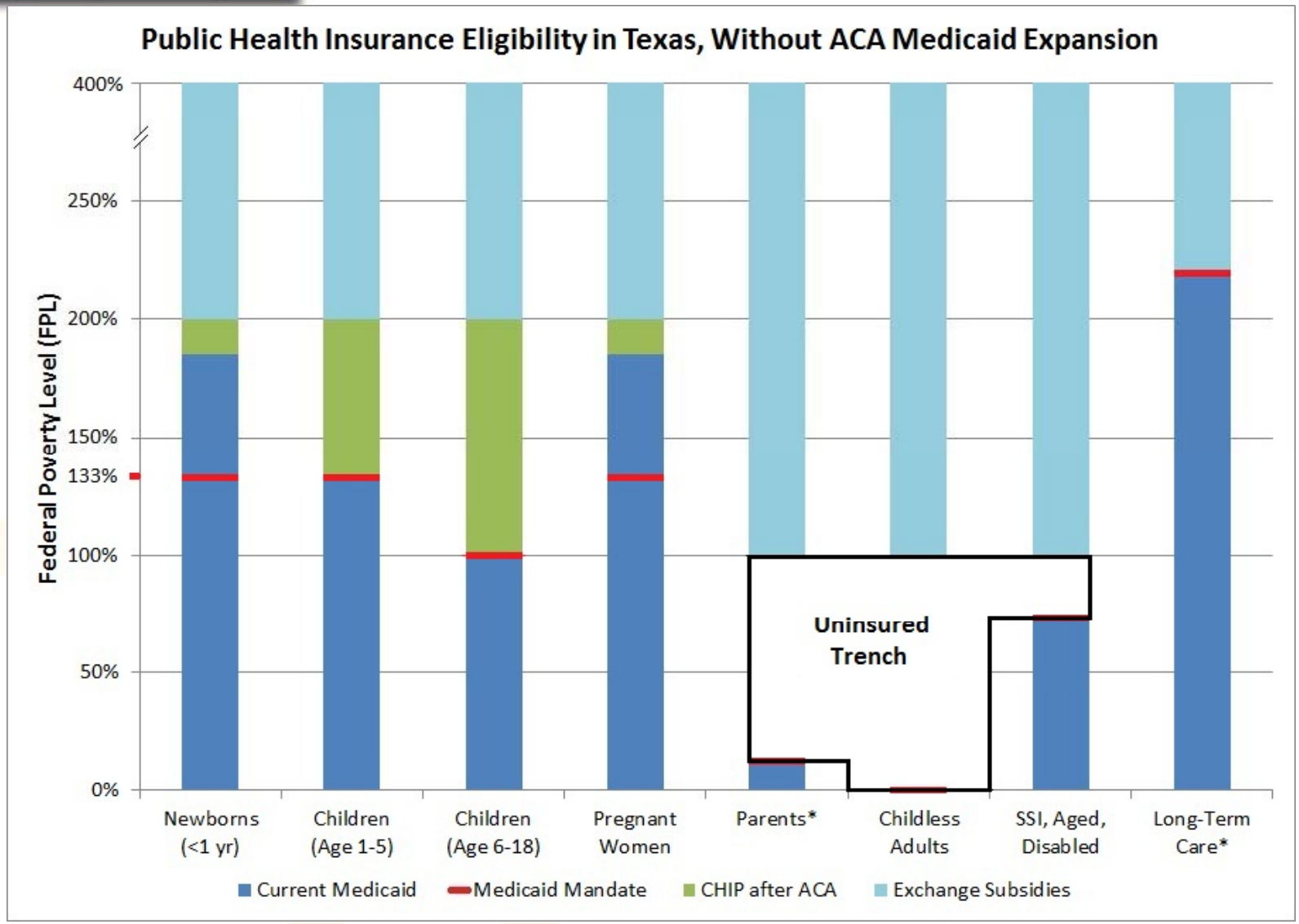

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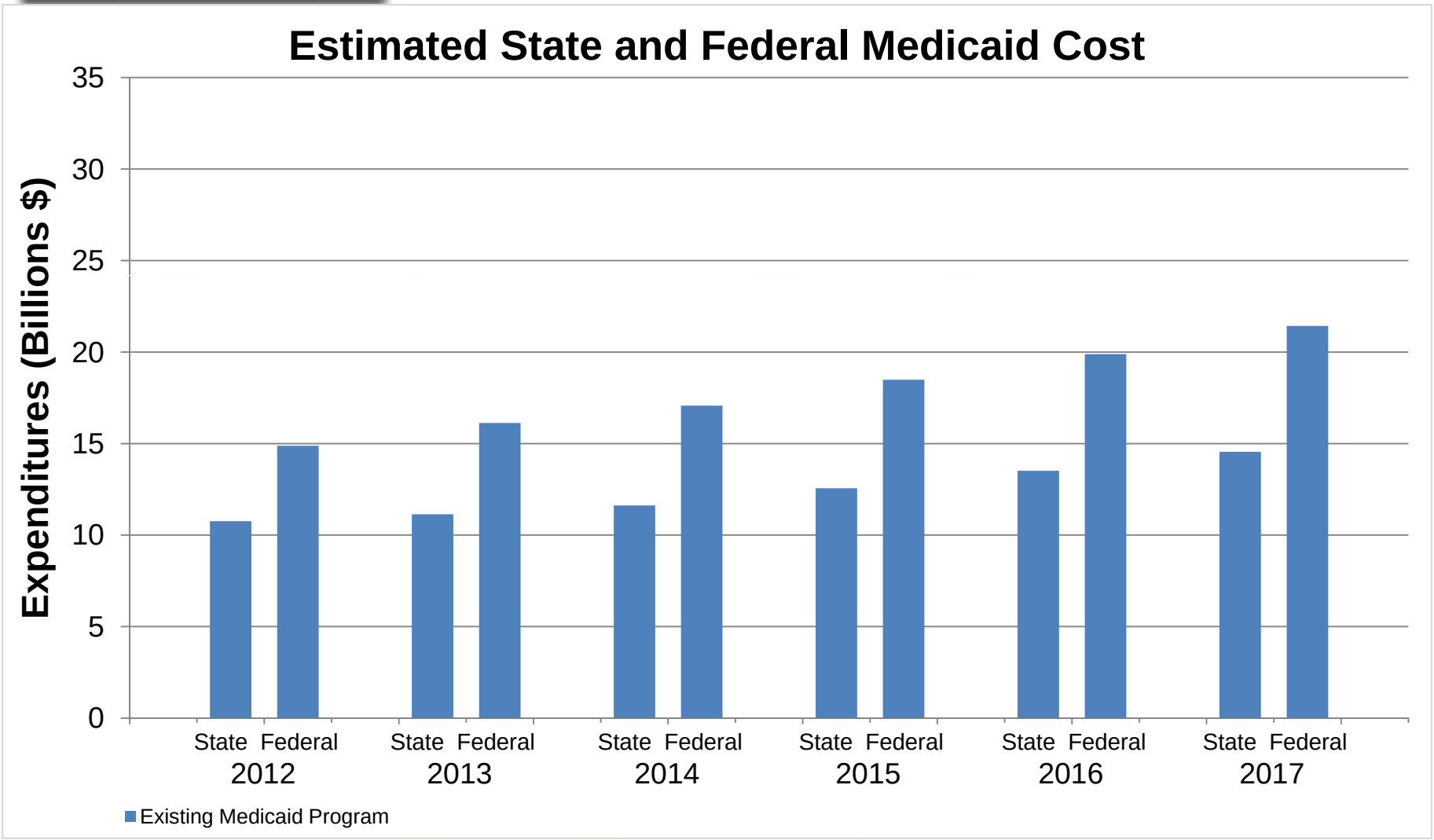
We Already Pay for the Medicaid Expansion

All of these could be reduced or redirected to other needs if we move forward with the Medicaid expansion:

- County property taxes for indigent care programs (up to 8% of county budget)
- State supplemental funds for counties exceeding 8%
- Local property taxes for hospital districts ($500 million in Harris County)
- Local property taxes for local mental health mental retardation authorities (LMHMRAs)
- State funds for LMHMRAs
- State mental health hospitals and other state MH/SA programs
- State funds for the Women's Health Program
- Local and state dollars for mental health care provided in the criminal justice system
- Higher charges from hospitals to commercial insurers and self-funded employers to cover the cost of uncompensated care in ERs
- Community benefit dollars expended by non-profit hospitals for care to the low income uninsured
- Charitable/philanthropic dollars to charity clinics, FQHCs, hospitals
- Specified federal grants (for kidney disease, HIV/AIDS, family planning, etc.)
- In-kind donations/pro bono services by many physicians
- Supplemental DSH and UPL/UC payments to hospitals via state funds and IGTs

Medicaid Expansion Overwhelmingly Funded by Federal Government



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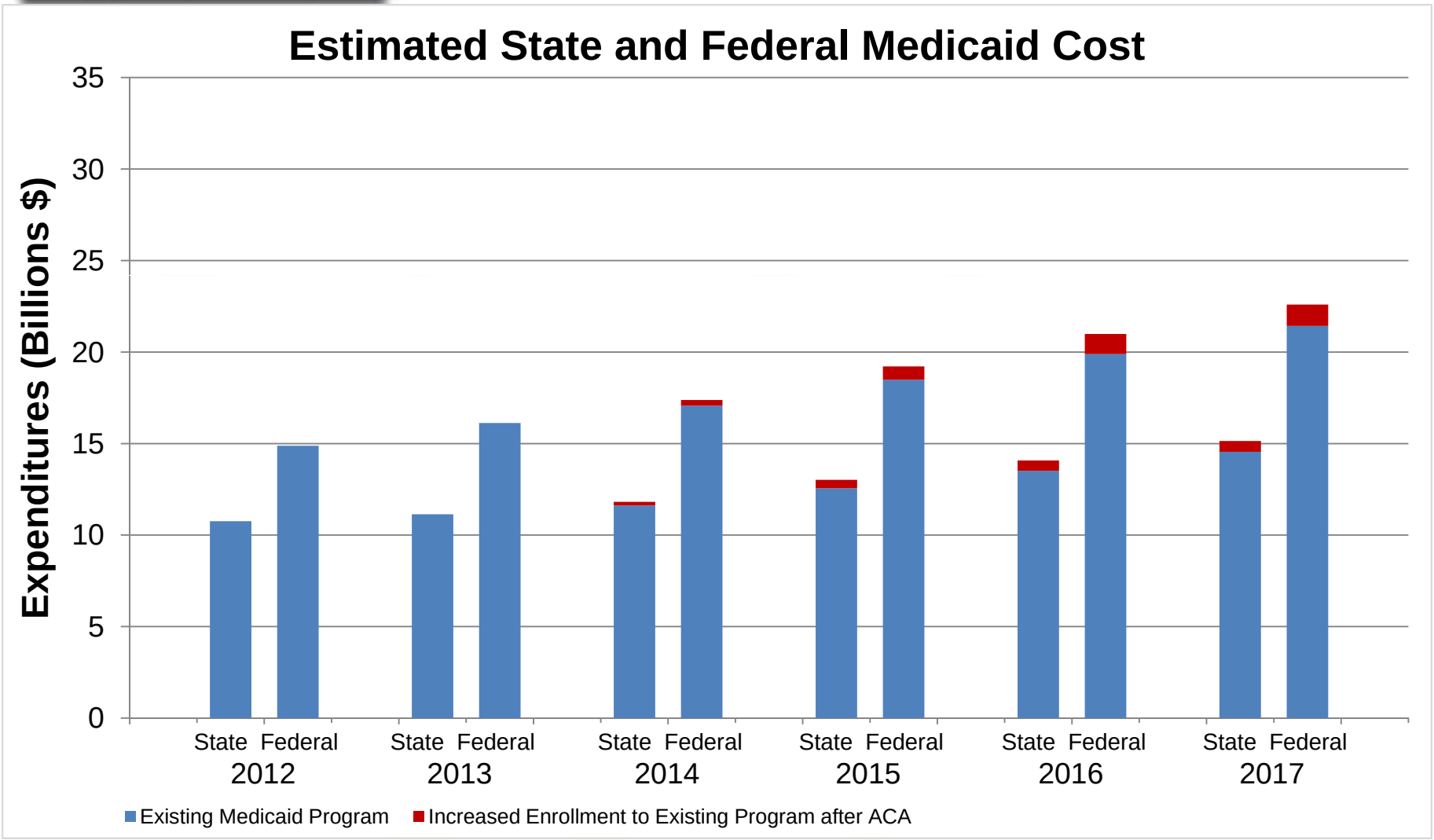

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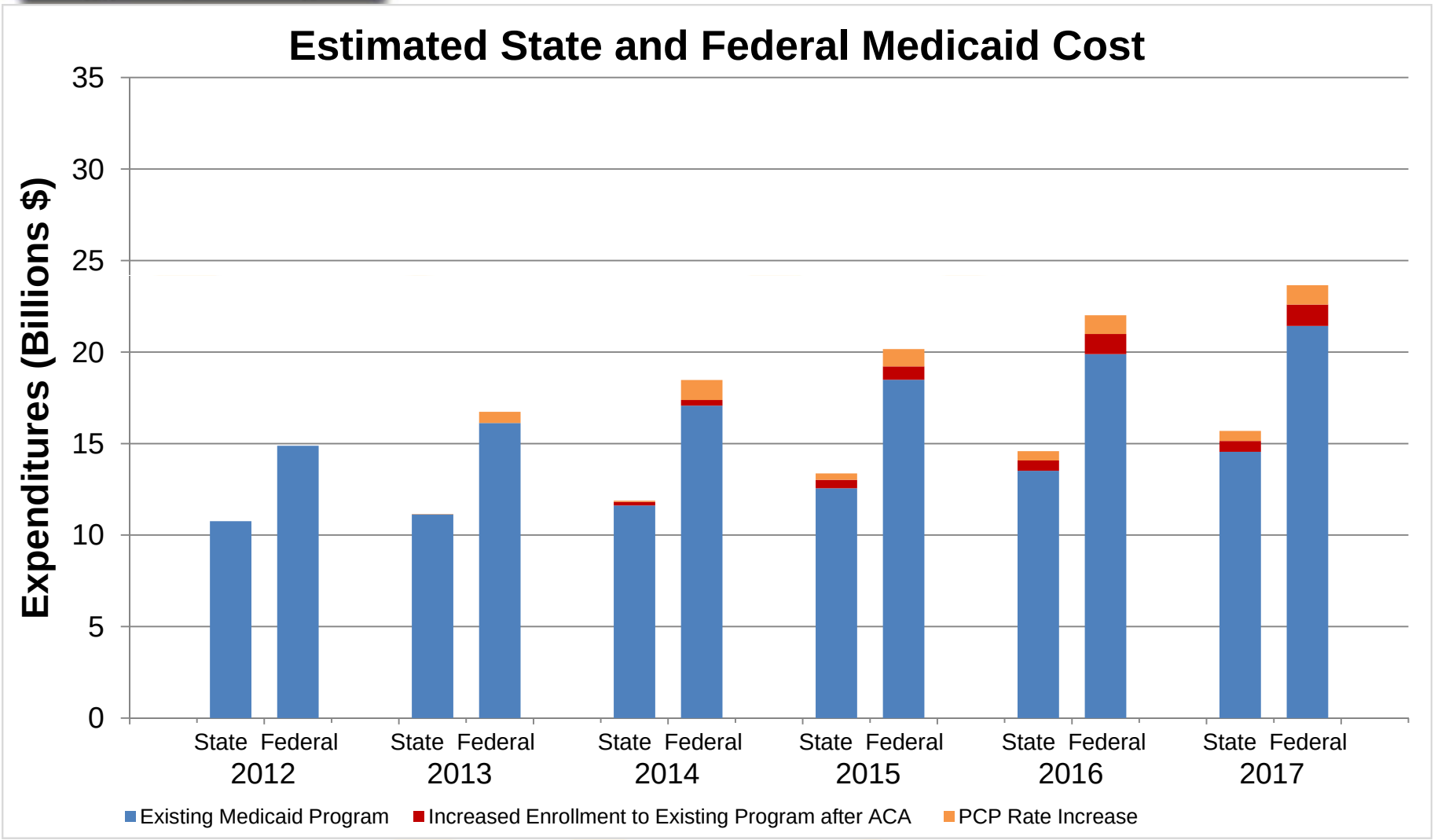

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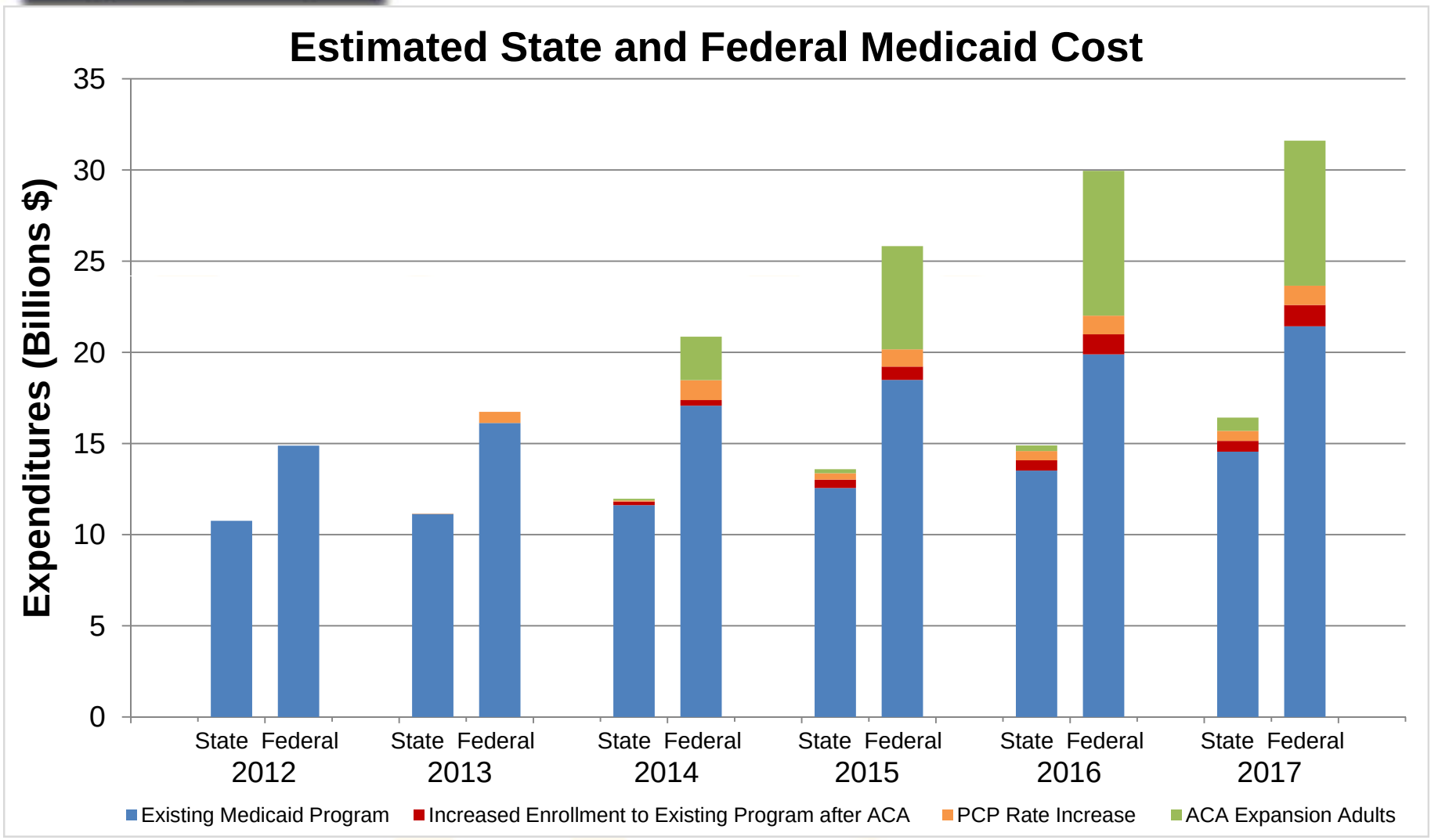

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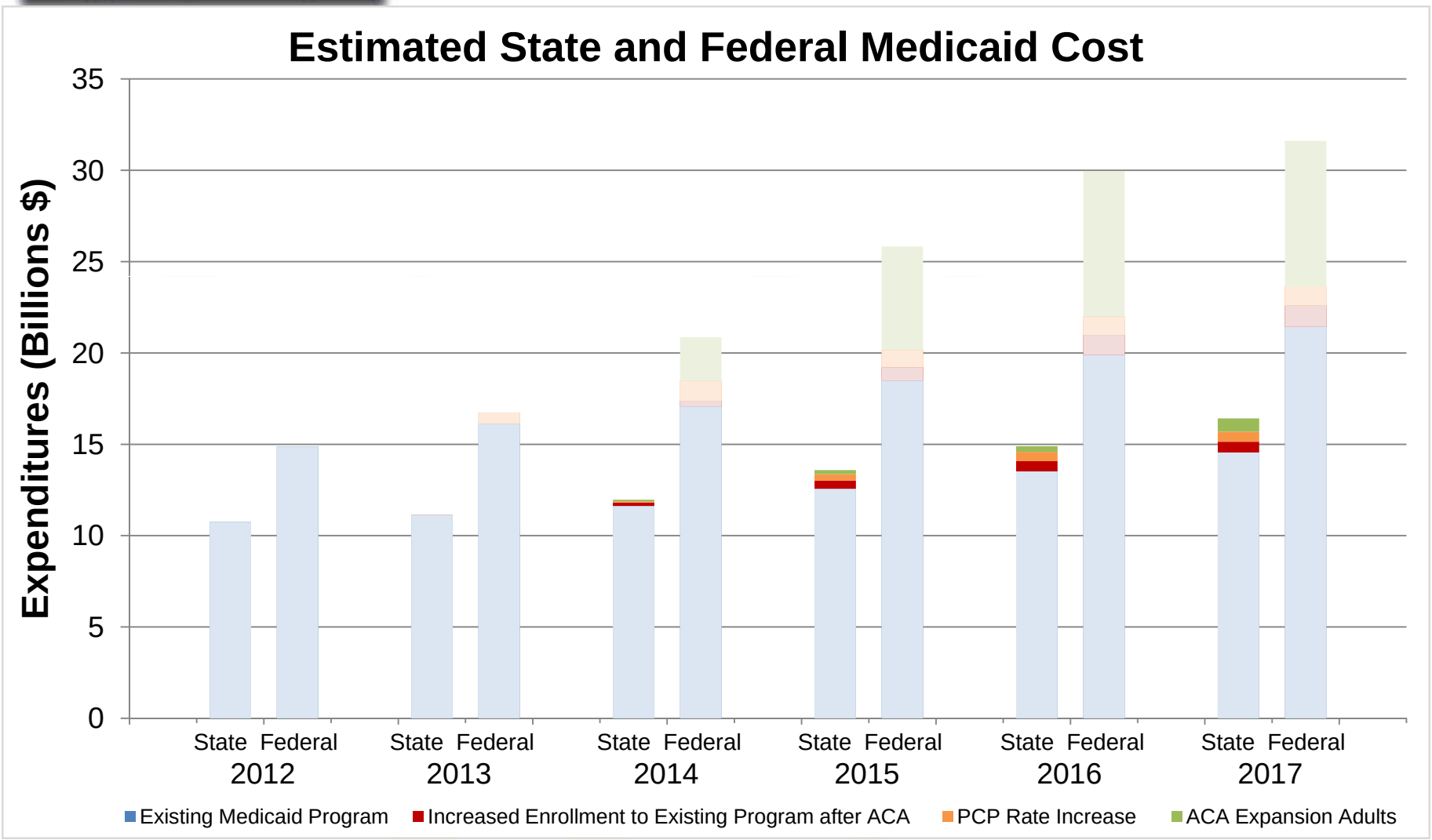
Medicaid Expansion Funding State Trend



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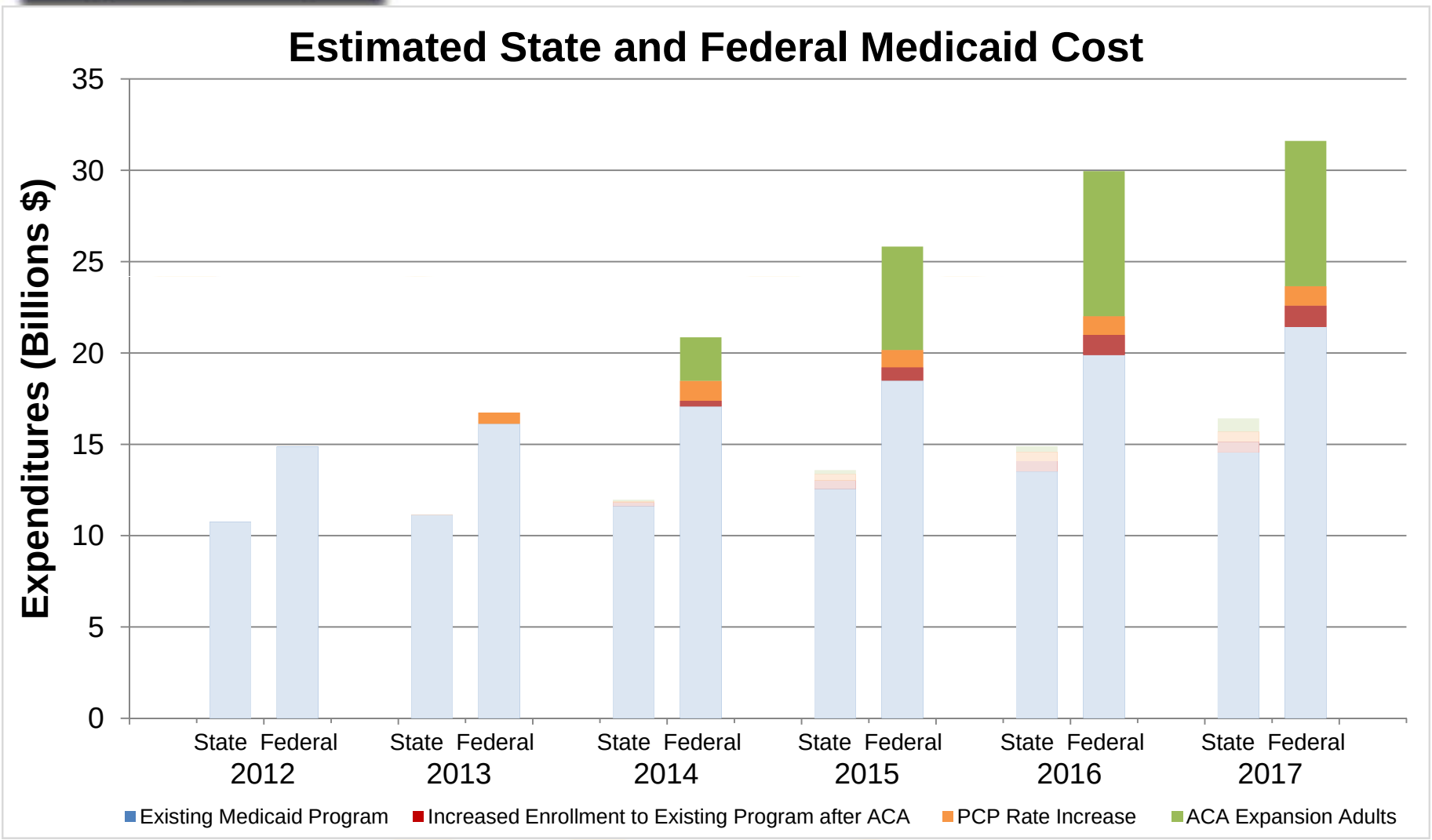
Medicaid Expansion Funding
Federal Trend



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Medicaid Transformation

A New Healthy Texas

Texas needs to transform Medicaid into a program that:

- Reduces as many uninsured as the ACA would;
- in a more cost-effective, sustainable and business-friendly way; while
- maximizing federal funding.

Solutions Already in Progress

- For those that we cover, Texas is already a model of Medicaid transformation
  - Expansion of managed care Medicaid
  - Pharmacy carve-in to managed care
  - New capitated managed dental care
  - Pilot for dual eligibles (Medicare and Medicaid)
  - Decreasing costs per enrollee

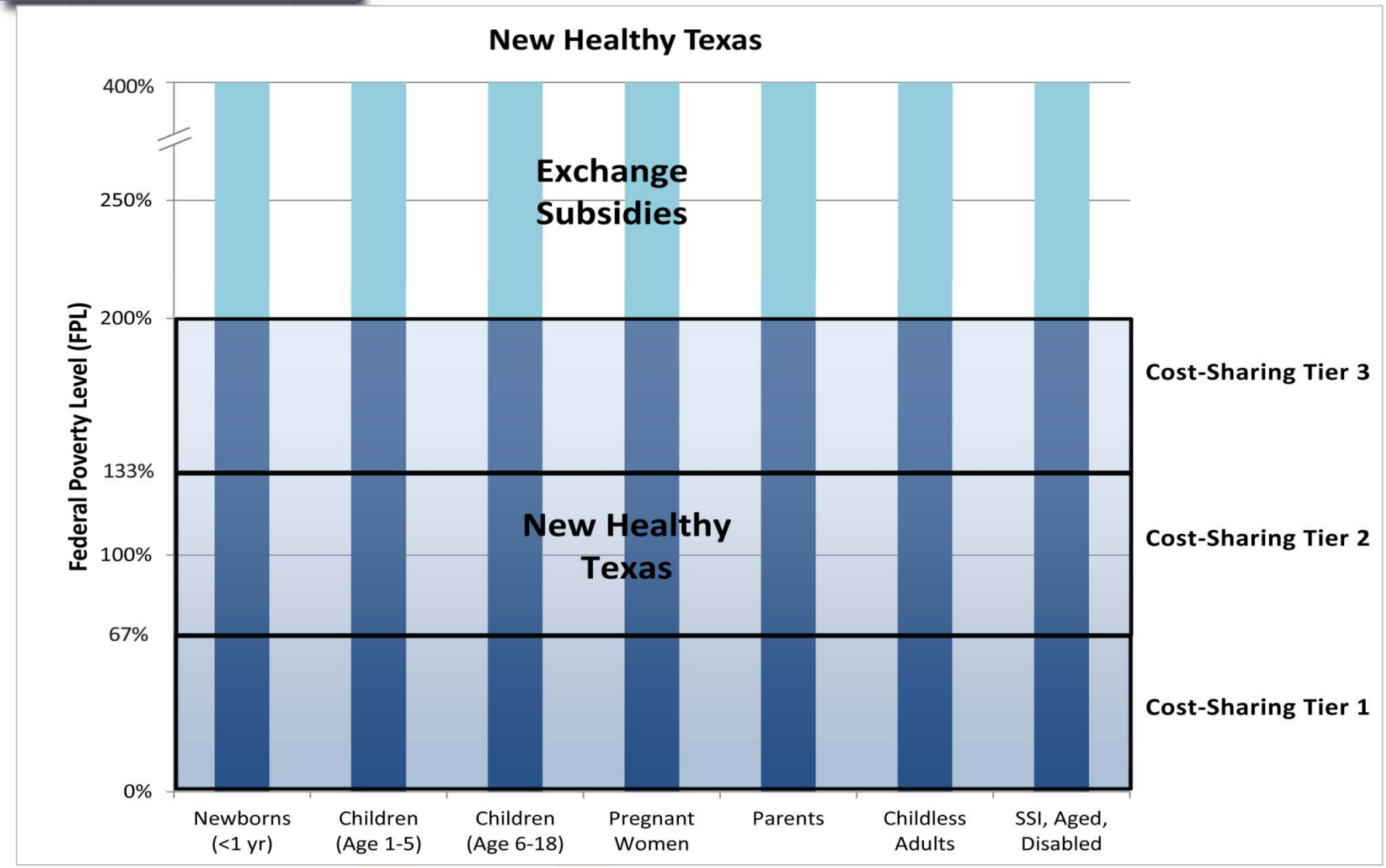
Solutions, cont'd.

- SB 7 directs HHSC to pursue a federal waiver seeking flexibility in the way Texas operates its Medicaid program *(another 1115 waiver)*:
  - Eligibility categories, income levels, benefits design, copayments
  - Encourage use of private health benefits markets
  - Redesign Long-term Services and Supports and establish vouchers for consumer-directed LTSS
- Legislative Oversight Committee: Senators J. Nelson (chair), B. Deuell, D. Patrick, R. West; Representatives G. Coleman, B. Creighton, L. Kolkhorst, J. Zerwas

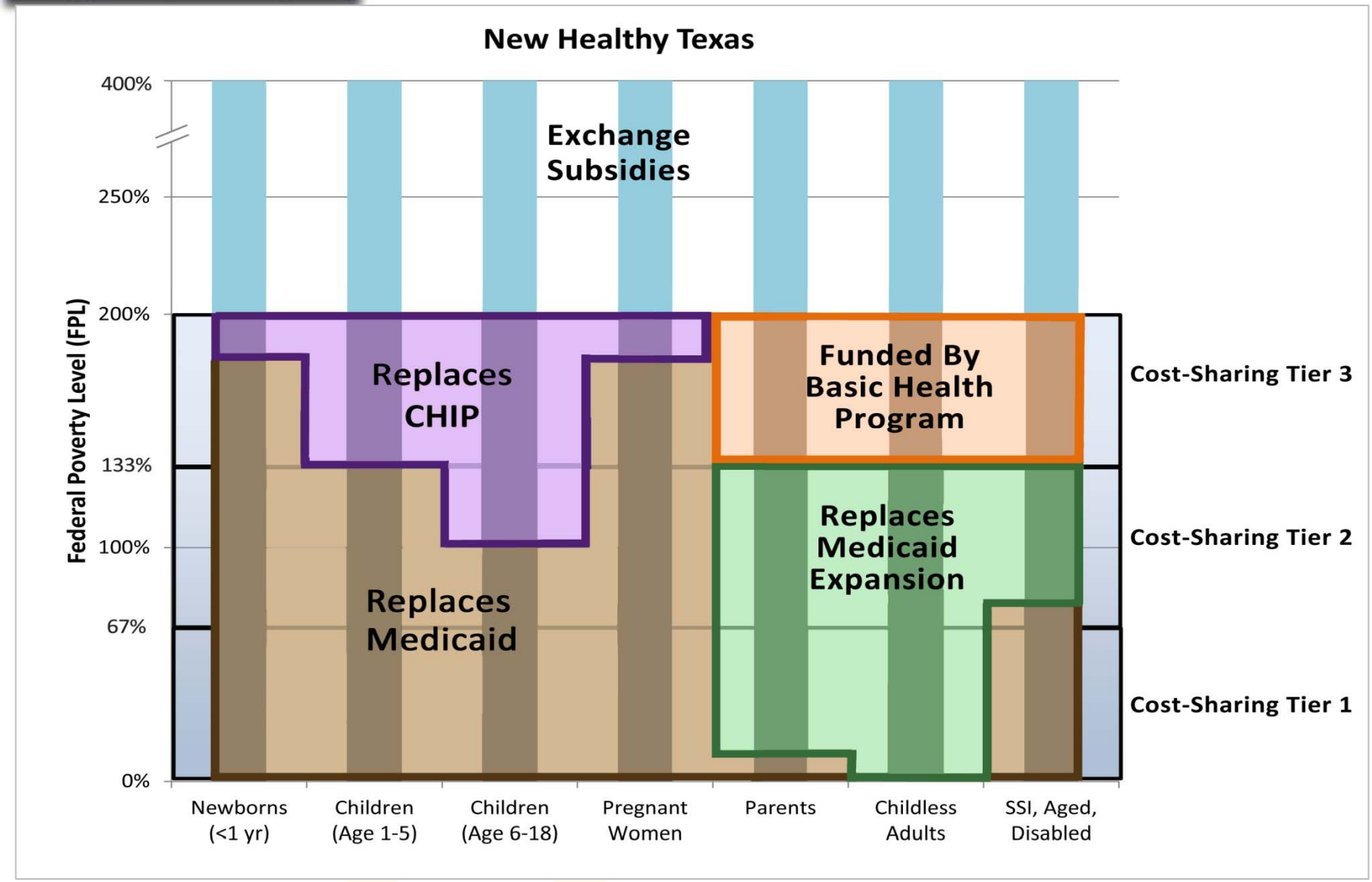
Guiding Principles for a New Healthy Texas

- Improve access by covering everyone in need with a basic plan
- Provide more coordinated, less fragmented care
- Increase personal accountability for health
- Provide choices and market-based solutions
- Provide fair reimbursement for hospitals, physicians and other providers
- Restructure payment mechanisms to medical providers, to reduce over-treatment with drugs, devices and interventions that do not improve outcome
- Reduce the administrative burden of the current system
- Stem fraud and abuse in the healthcare system

New Healthy Texas: A Program Example?



Maximize: A New Healthy Texas Program Example



Illustrative Eligibility & Cost Sharing*

Similar to CHIP and CareLink Programs

	Tier 1	Tier 2	Tier 3
FPL Level	0%–67%	68%–133%	134%–200%
Monthly Fee – Child	$0	$5	$10
Monthly Fee – Adult	$0	$10	$20
Office Co-pay	$2	$10	$20
Hospital Co-pay	$0	$50	$100
ER Co-pay	$10	$35	$75
Rx Drug – Generic	$0	$2	$5
Rx Drug – Brand	$2	$10	$25
Cost-Sharing Cap (% of income)	3%	4%	5%

**The fee schedule above is illustrative of what could be charged in the new Healthy Texas program. Care would not be denied to those who cannot pay. Changes to federal law and regulation would be required to implement most cost-sharing measures for individuals under 100% of FPL; to allow cost sharing for preventive, pregnancy-related, and emergency visits; and to increase copayment limits to the amounts shown.*

A New Healthy Texas

- Covers many more Texans at very little additional cost to State
- Simpler for enrollees, providers and public to understand
- Keeps families in the same health plan
- Reduces churn between Medicaid, Exchange and uninsurance
- Functions like health insurance rather than a government-run program, improves personal accountability through cost-sharing *(looks more like CHIP)*
- Existing health plan infrastructure – easy to implement and provides basis for significant savings year after year
- Increased cost-sharing reduces state cost
- Decreases local burden for indigent care
- Provides framework to fix Medicaid costs long-term, giving providers fair reimbursements while stemming inefficiencies

Questions & Comments

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