Acknowledgments

We are very grateful for the support, contributions, and generous assistance from individuals and organizations that helped create the 10th edition of Texas Medicaid and CHIP in Perspective. We sincerely thank all of the hard-working staff at the Texas Health and Human Services Commission (HHSC), the Department of State Health Services (DSHS), the Department of Aging and Disability Services (DADS), the Department of Assistive and Rehabilitative Services (DARS), and the Department of Family and Protective Services (DFPS) who kindly gave vital information, verified data, and provided suggestions to improve this publication.

J.R. Top and Amanda Hudgens coordinated the updates to this publication. Rick Allgeyer, Lisa Carruth, Sarah Bowers, Sue Burek, DADS Budget staff, and other HHSC Financial Services staff contributed critical program, financial, enrollment, and demographic data. Carisa Magee and Laurie Vanhoose provided invaluable support in the production of this document. Every attempt has been made to ensure the accuracy of the material reported in this book.
Data Sources

Medicaid is a complex program involving multiple agencies and external partners that collect program statistics and financial information. Information contained in the 10th edition was current as of August 2014; however program and financial information may change after publication due to unforeseen changes such as changes to federal and state regulations and the state of the economy.

The following are the primary sources of data used in this publication:

Premiums Payable System (PPS) data, which is collected from the System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR) and the Texas Integrated Eligibility Redesign System (TIERS) databases, and compiled by data management staff at the Department of Aging and Disability Services and the Health and Human Services Commission (HHSC), provides a summary of all Medicaid-eligible clients each month. Both monthly PPS files and final 8-month files, which contain all retroactivity, are used in the analyses.

Expenditure information is obtained from the Texas Medicaid and Healthcare Partnership (TMHP) through the databases in the Vision 21 universe, which includes paid claims, managerial reporting of cash flow, provider and client information, and managed care encounter information. Expenditures include direct payments to physicians, hospitals, and entities that provide ancillary services. Financial information is provided using the Form CMS 64—Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program and the Medicaid Program Budget Report—CMS 37. Additional financial information is provided by the Medicaid Statistical Information System. Unpublished analyses conducted by HHSC Financial Services staff are also used to provide financial information.
The Medicaid Numbers

Medicaid as a percentage of Texas budget, SFY 2013: **26.2 percent**

Percentage of Texas Medicaid budget spent on children, SFY 2013: **27 percent**

Dollars spent on Texas Medicaid, FFY 2013, including Supplemental Health Care Payments: **$33 billion**

Texas Medicaid payments to nursing homes, FFY 2013: **$2.4 billion**

Texas Medicaid prescription drug expenditures, SFY 2013: **$2.7 billion**

Percentage of Texas Medicaid clients under age 21, SFY 2013: **82 percent**

Percentage of Texas children on Medicaid or CHIP, CY 2013: **43 percent**

Percentage of nursing home residents covered by Medicaid, SFY 2012: **64.1 percent**

Percentage of births covered by Texas Medicaid in SFY 2013: **53.2 percent**

Percentage of Texas Medicaid clients in managed care, SFY 2013: **80 percent**

Unduplicated number of Texans receiving Medicaid, SFY 2013: **4.67 million**

Average number of Texans with Medicaid each month, SFY 2013: **3.57 million**

Percentage of Texas population covered by Medicaid, SFY 2013: **17.5 percent**

---

i All funds, excluding disproportionate share hospital (DSH), uncompensated care (UC), and Delivery System Improvement Program (DSRIP).

ii Includes children under 19 in child risk categories (excludes blind and disabled children).

iii All funds, including DSH, UC, and DSRIP.

iv Includes Medicare “clawback” payments.

v Receiving full Medicaid benefits.

vi Receiving full Medicaid benefits.
# Table of Contents

## Chapter 1: Texas Medicaid in Perspective .............................................................. 1-1

- What Is Medicaid? ................................................................................................. 1-1
- Medicaid Service Delivery Models ......................................................................... 1-4
  - Fee-for-Service .................................................................................................. 1-4
  - Managed Care Programs ..................................................................................... 1-4
- Premium Assistance under Medicaid Programs ................................................... 1-8
- Who are the Uninsured? ......................................................................................... 1-8
- Healthcare Coverage in Texas ................................................................................ 1-9
  - Private Coverage ................................................................................................ 1-10
  - Medicaid vs. Private Insurance ......................................................................... 1-12
- Other Forms of Government Health Coverage ..................................................... 1-12
  - Medicare ............................................................................................................. 1-13
  - State Role in Medicare ....................................................................................... 1-15

## Chapter 2: Medicaid History and Organization ....................................................... 2-1

- History and Background ....................................................................................... 2-1
- Medicaid’s Early Years ......................................................................................... 2-2
  - Linked to Financial Assistance Programs ......................................................... 2-2
  - De-Linking Medicaid and Cash Assistance ....................................................... 2-3
- Medicaid Coverage ............................................................................................... 2-5
  - Acute Health Care .............................................................................................. 2-5
  - Long-term Services and Supports ...................................................................... 2-5
  - Mandatory and Optional Spending .................................................................... 2-6
  - Basic Principles .................................................................................................. 2-7
  - How Medicaid Is Financed ................................................................................ 2-8
- How Medicaid Operates in Texas ......................................................................... 2-9
  - Federal Oversight ............................................................................................... 2-9
  - Single State Agency ........................................................................................... 2-9
  - Operating Departments in Texas ........................................................................ 2-10
Chapter 5: Medicaid Clients .................................................................................. 5-1
Who Is Covered in Texas ....................................................................................... 5-1
Cash Assistance Recipients ................................................................................. 5-1
Families and Children ......................................................................................... 5-2
People Age 65 and Older and those with Disabilities ........................................ 5-4
Size of the Medicaid Population ........................................................................ 5-9
Changing Caseloads .............................................................................................. 5-11
Unemployment ...................................................................................................... 5-11
Medicaid Demographics ....................................................................................... 5-12
Disability ............................................................................................................. 5-12
Gender .................................................................................................................. 5-13
Age ....................................................................................................................... 5-15
Ethnicity .............................................................................................................. 5-16
Poverty .................................................................................................................. 5-17
Federal Medical Assistance Percentage .............................................................. 5-17
Births in Texas ..................................................................................................... 5-18
Age of Pregnant Women ..................................................................................... 5-20
Ethnicity of Pregnant Women ............................................................................ 5-21

Chapter 6: Medicaid Benefits .............................................................................. 6-1
Medicaid Benefits ................................................................................................. 6-1
Coverage for Children.......................................................................................... 6-3
Texas Health Steps ................................................................................................. 6-3
Texas Health Steps Funding .................................................................................. 6-6
Alberto N. v. Janek ............................................................................................... 6-9
Programs for Women and Children .................................................................... 6-10
Case Management for Children and Pregnant Women Services ....................... 6-10
Medicaid Buy-In for Children ............................................................................ 6-10
Early Childhood Intervention .............................................................................. 6-11
Blind Children's Vocational Discovery and Development Program ................... 6-11
Texas Women’s Health Program .............................................................. 6-11
Prescription Drugs ......................................................................................... 6-13
Outpatient Drug Benefit in Fee-for-Service .................................................. 6-14
Outpatient Drug Benefit in Managed Care .................................................. 6-14
Federal Drug Rebate Program ................................................................. 6-15
Drug Utilization Review ........................................................................... 6-16
Preferred Drug List and Supplemental Rebate Program ............................. 6-16
Medical Transportation Program ............................................................... 6-17
Payment Models ....................................................................................... 6-18
Transportation and Related Services ......................................................... 6-18
Program Enhancements ........................................................................... 6-20
Behavioral Health Services ...................................................................... 6-20
Mental Health Parity .................................................................................. 6-21
Mental Health Rehabilitation and Targeted Case Management Service ...... 6-22
Home and Community-Based Services–Adult Mental Health (HCBS-AMH) .. 6-22
Medicaid Substance Abuse Benefit ............................................................. 6-23
Youth Empowerment Services Waiver ................................................... 6-23
Texas Wellness Incentives and Navigation (WIN) Project .......................... 6-24
Long-term Services and Supports ............................................................... 6-25
Institutions ............................................................................................... 6-25
Home and Community-Based Waivers ..................................................... 6-25
Programs for People age 65 and Older and People Under age 65 with Physical Disabilities ................................................................. 6-27
Programs for People with an Intellectual Disability or Related Conditions .... 6-32
LTSS Resources ....................................................................................... 6-35
Supporting Independence and Employment ............................................ 6-40
Health Information Exchange .................................................................... 6-41
Electronic Health Information Exchange System Advisory Committee .......... 6-42
Texas Medicaid Electronic Health Record Incentive Program ................... 6-43
Statewide Health Information Exchange .................................................... 6-44
Electronic Prescribing (E-Prescribing) ..................................................... 6-45
Medicaid Eligibility and Health Information Services System .................................. 6-45
Online Client Portal .................................................................................................. 6-46
Your Texas Benefits Medicaid Card .................................................................... 6-46
Online Provider Portal .......................................................................................... 6-47

Chapter 7: Medicaid Managed Care ........................................................................ 7-1
What is Managed Care? ......................................................................................... 7-1
Medical Home ...................................................................................................... 7-1
Defined Network of Providers ............................................................................ 7-3
Utilization review and Utilization Management .................................................. 7-3
Quality Assessment and Performance Improvement ........................................... 7-3
Managed Care History in Texas ............................................................................ 7-3
Managed Care Performance Evaluation ................................................................ 7-7
Pay for Quality ...................................................................................................... 7-7
Managed Care Initiatives ..................................................................................... 7-8
Expansion ............................................................................................................ 7-8
Dual Eligibles Integrated Care Demonstration .................................................... 7-9
STAR Kids ............................................................................................................ 7-11
Texas Medicaid Managed Care Programs ............................................................. 7-11
STAR .................................................................................................................... 7-11
STAR+PLUS ...................................................................................................... 7-12
NorthSTAR ......................................................................................................... 7-13
STAR Health ....................................................................................................... 7-14
Children’s Medicaid Dental Services .................................................................. 7-17
Additional Services Offered in Managed Care .................................................... 7-18
Managed Care Organization Requirements for Chronic Care Management ...... 7-18
Managed Care Enrollment .................................................................................... 7-19
Quality of Care .................................................................................................... 7-21
STAR-Significant Quality Findings ....................................................................... 7-22
STAR+PLUS-Significant Quality Findings ............................................................ 7-25
NorthSTAR-Significant Quality Findings ............................................................... 7-28
STAR Health-Significant Quality Findings ............................................................ 7-30
Chapter 9: Children’s Health Insurance Program

History and Background ................................................................. 9-1
Who Is Covered in Texas ................................................................. 9-3
Size of CHIP Population ............................................................... 9-3
CHIP Demographics ..................................................................... 9-4
  Federal Poverty Level ............................................................... 9-4
  Age .......................................................................................... 9-6
  Gender .................................................................................... 9-7
CHIP Benefits ............................................................................... 9-7
  Mental Health Parity ............................................................... 9-8
  CHIP Dental .......................................................................... 9-8
CHIP Cost-Sharing ...................................................................... 9-9
CHIP Delivery Network ............................................................... 9-11
CHIP Rates ................................................................................ 9-11
CHIP Financing .......................................................................... 9-12
CHIP Spending .......................................................................... 9-13
CHIP Perinatal Program .............................................................. 9-14
  Size and Demographics of the CHIP Perinatal Population ....... 9-14
  CHIP Perinatal Rates ............................................................ 9-15

Glossary ....................................................................................... G-1

Appendices
Appendix A: Texas Medicaid Enrollment Statistics ..................... A-1
Appendix B: Medicaid and CHIP Service Areas ........................... B-1
Appendix C: Regional Healthcare Partnership Regions ................ C-1
Appendix D: Medicaid Expenditure History (FFYs 1987-2012) ....... D-1
Appendix E: Texas Medicaid Waivers ........................................ E-1
# Figures

## Chapter One

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.1</td>
<td>Texas Medicaid Beneficiaries and Expenditures SFY 2013</td>
<td>1-3</td>
</tr>
<tr>
<td>Figure 1.2</td>
<td>Total Uninsured Population in Texas by Age Group 2012</td>
<td>1-9</td>
</tr>
<tr>
<td>Figure 1.3</td>
<td>U.S. Personal Health Care Expenditures by Source of Funding, 2012</td>
<td>1-11</td>
</tr>
<tr>
<td>Figure 1.4</td>
<td>U.S. Personal Health Care Expenditures by Category, 2012</td>
<td>1-11</td>
</tr>
</tbody>
</table>

## Chapter Two

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.1</td>
<td>Medicaid Caseload by Group September 1979-August 2013</td>
<td>2-2</td>
</tr>
<tr>
<td>Figure 2.2</td>
<td>Texas Medicaid Income Eligibility Levels for Selected Programs, March 2014 (As a Percent of FPL)</td>
<td>2-4</td>
</tr>
<tr>
<td>Figure 2.3</td>
<td>Medicaid Operating Departments</td>
<td>2-11</td>
</tr>
</tbody>
</table>

## Chapter Three

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 3.1</td>
<td>Current Medicaid/CHIP Eligibility Levels, March 2014 (As a Percent of FPL)</td>
<td>3-11</td>
</tr>
</tbody>
</table>

## Chapter Five

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 5.1</td>
<td>Medicaid Eligibility in Texas, Maximum Monthly, March 2014</td>
<td>5-9</td>
</tr>
<tr>
<td>Figure 5.2</td>
<td>Average Monthly Medicaid Enrollment SFYs 2003-2013</td>
<td>5-10</td>
</tr>
<tr>
<td>Figure 5.3</td>
<td>Unduplicated Number of Texas Medicaid Recipients SFYs 2003-2013</td>
<td>5-10</td>
</tr>
<tr>
<td>Figure 5.4</td>
<td>Texas Medicaid Caseload (Average Recipient Months) SFYs 1997-2013</td>
<td>5-11</td>
</tr>
<tr>
<td>Figure 5.5</td>
<td>Unemployment Rates in Selected Texas Metropolitan Areas, May 2014</td>
<td>5-12</td>
</tr>
<tr>
<td>Figure 5.6</td>
<td>Texas Medicaid Recipients by Gender SFY 2013</td>
<td>5-14</td>
</tr>
<tr>
<td>Figure 5.7</td>
<td>Texas Medicaid Recipients by Age SFY 2013</td>
<td>5-15</td>
</tr>
<tr>
<td>Figure 5.8</td>
<td>Texas Medicaid Recipients by Ethnicity SFY 2013</td>
<td>5-16</td>
</tr>
<tr>
<td>Figure 5.9</td>
<td>Pregnant Women on Medicaid in Texas by Age Group SFY 2013</td>
<td>5-20</td>
</tr>
<tr>
<td>Figure 5.10</td>
<td>Pregnant Women on Medicaid in Texas by Race/Ethnicity SFY 2013</td>
<td>5-21</td>
</tr>
</tbody>
</table>

## Chapter Six

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 6.1</td>
<td>THSteps Total Cost and Cost per Recipient Month, Medicaid Dental Services SFYs 2008-2013</td>
<td>6-7</td>
</tr>
</tbody>
</table>
Chapter Eight

Figure 8.1   Health Care Spending as a Percentage of GDP  
Figure 8.2   Medicaid Spending as a Percentage of the GDP  
Figure 8.3   Medicaid Caseload by Group September 1979-August 2013  
Figure 8.4   Texas Medicaid Annual Budget Growth Rates  
Figure 8.5   Federal Budget Expenditures FFY 2015  
Figure 8.6   National Nursing Facility Payor Sources for Calendar Year 2012  
Figure 8.7   National Home Health Payor Sources for Calendar Year 2012  
Figure 8.8   Disproportionate Share Hospital Funds as a Percentage of the Total Medicaid Budget FFYs 1995-2013  
Figure 8.9   Payments for Disproportionate Share Hospital Program FFYs 1995-2013

Chapter Nine

Figure 9.1   Average Monthly CHIP Clients State Fiscal Year SFYs 2004-2014  
Figure 9.2   Distribution of CHIP Enrollment in SFY 2013 by Percent of FPL Category-Monthly Average (Number and Percent by FPL)  
Figure 9.3   Average Monthly CHIP Enrollment by Age SFY 2013 (Number and Percent by Age Group)  
Figure 9.4   Average Monthly CHIP Enrollment by Gender SFY 2013  
Figure 9.5   Texas CHIP Expenditures SFYs 2004-2014
## Tables

### Chapter One

**Table 1.1**  
Comparison of Medicaid Benefits and a Typical Private Employer-Sponsored Health Insurance Benefit Package  

### Chapter Three

**Table 3.1**  
Federal Medical Assistance Percentage (FMAP) SFYs 2014-2023  

### Chapter Five

**Table 5.1**  
Income Disregards for Texas Medicaid Programs, 2014  
**Table 5.2**  
Texas Medicaid Caseload by Eligibility Category SFY 2013  
**Table 5.3**  
Federal Poverty Guidelines, 2012-2014  
**Table 5.4**  
Texas Federal Medical Assistance Percentages (FMAP)  
**Table 5.5**  
Births in Texas, CYs 2005-2012  
**Table 5.6**  
Percent Distribution of Live Births in Texas by Mother’s Age and Ethnicity, CY 2012  

### Chapter Six

**Table 6.1**  
Mandatory and Optional Services Covered by Texas Medicaid  
**Table 6.2**  
THSteps Program Highlights and Outreach Activities  
**Table 6.3**  
Drug Benefits by Client Group  

### Chapter Seven

**Table 7.1**  
Percentage of Medicaid Clients Enrolled in Managed Care SFYs 1994-2014  
**Table 7.2**  
Medicaid Clients Enrolled in Managed Care and Fee-for-Service SFYs 2010-2014  

### Chapter Eight

**Table 8.1**  
Percent of Medicaid Expenditures in Texas State Budget  
**Table 8.2**  
Medicaid Timeframes in the 2016-2017 Budget Process  
**Table 8.3**  
Average Monthly Cost per Eligibility Category SFY 2013  
**Table 8.4**  
Texas Medicaid Clients and Expenditures SFY 2013  
**Table 8.5**  
Historical Upper Payment Limit (UPL) and Uncompensated Care Waiver Spending FFYs 2002-2013  
**Table 8.6**  
Texas DSH Federal Fund Trends  

### Chapter Nine

**Table 9.1**  
Services Covered by Texas CHIP, 2014  
**Table 9.2**  
CHIP Cost-Sharing Requirements  
**Table 9.3**  
CHIP Perinatal Caseload Summary, SFYs 2007-2014