Appendix D: Managed Care History in Texas

Table D.1: Development of Managed Care in Texas, SFYs 1994-2017

State Fiscal Year	Service Areas (SA) and Implementation Dates	Total Medicaid Managed Care Enrollment	% of Medicaid Population in Managed Care
1994	STAR implemented in Travis county and in the Tri-County area.	58,243	2.86%
1995	No change	65,388	3.16%
1996	The Tri-county area was expanded to three additional counties and was renamed from Lone STAR Health Initiative to STAR.	71,435	3.46%
1997	STAR expanded to the Bexar, Lubbock, and Tarrant SAs, and the Travis county area was expanded to include surrounding counties.	274,694	13.82%
1998	STAR expanded to the Harris SA, and STAR+PLUS implemented in the Harris SA.	364,336	19.56%
1999	STAR expanded to the Dallas SA.	425,069	23.45%
2000	STAR expanded to the El Paso SA.	523,832	28.98%
2001	No change	623,883	33.35%
2002	No change	755,698	35.92%
2003	No change	988,389	39.71%
2004	No change	1,112,002	41.43%
2005	No change	1,191,139	42.85%
2006	Primary Care Case Management (PCCM) implemented in 197 counties.	1,835,390	65.72%
2007	STAR expanded to the Nueces SA, and STAR+PLUS expanded to the Bexar, Travis, Nueces, and Harris Contiguous SAs. STAR replaced PCCM in all urban areas.	1,921,651	67.83%
2008	ICM implemented in the Dallas and Tarrant SAs, and STAR Health implemented statewide.	2,039,340	70.86%

State Fiscal Year	Service Areas (SA) and Implementation Dates	Total Medicaid Managed Care Enrollment	% of Medicaid Population in Managed Care
2009	The ICM program was discontinued.	2,127,382	70.78%
2010	No change	2,362,091	71.62%
2011	STAR+PLUS expanded to the Dallas and Tarrant SAs.	2,676,149	75.53%
2012	STAR expanded to Medicaid Rural Service Areas (MRSAs), replacing PCCM in all rural areas and discontinuing that program. Pharmacy benefits were carved in to all managed care programs, and inpatient hospital benefits were carved in to STAR+PLUS. The Children's Medicaid Dental Services program implemented statewide.	2,893,965	79.16%
2013	No change	2,982,923	81.53%
2014	No change	3,012,262	80.41%
2015	STAR+PLUS expanded to all areas of the state, non-dual eligible clients in IDD waivers and NF benefits were carved into STAR+PLUS, mental health targeted case management and mental health rehabilitative services were carved into all managed care programs, and the Dual Demonstration program implemented in Bexar, Dallas, El Paso, Harris, Hidalgo, and Tarrant counties.	3,524,581	86.88%
2016	*No change*	*3,569,417*	*87.92%*
2017	*STAR Kids implemented statewide. NorthSTAR was discontinued.*	*N/A*	*N/A*

Sources: HHSC, Financial Services, HHS System Forecasting. Average Monthly Recipient Months including STAR, STAR+PLUS, PCCM, ICM and STAR Health.

Note: Data for SFYs 2016 and 2017 is not yet final.

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Managed Care History in Texas

In response to rising health care costs and national interest in cost-effective ways to provide quality health care, the Legislature passed H.B. 7, 72nd Legislature, Regular Session, 1991, which directed the state to establish Medicaid managed care pilot programs. These pilots (implemented in Travis County and in the Tri-County Area of Chambers, Jefferson, and Galveston counties) were initially known as the LoneSTAR (State of Texas Access Reform) Health Initiative. The name was later shortened to STAR. The Travis County pilot was implemented in August 1993. The Tri-County pilot was implemented in December 1993 and was expanded in December 1995 to include three additional counties (Hardin, Liberty, and Orange).

Texas lawmakers passed S.B. 10, 74th Legislature, Regular Session, 1995, and related legislation to enact a comprehensive statewide restructuring of Medicaid, incorporating a managed care delivery system. Texas continued to expand its Medicaid managed care program through 1915(b) waivers under the authority of S.B. 10.

In September 1996, the Travis County pilot was expanded to include surrounding counties. Additionally, the Bexar, Lubbock, and Tarrant service areas were brought under managed care. The STAR program, which primarily serves children, low-income families, and pregnant women, was expanded to include certain Medicaid clients with disabilities (Supplemental Security Income (SSI) and SSI-related) on a voluntary basis when the 1996 expansion occurred.

The Legislature passed H.B. 2913 and Senate Bills 1163, 1164, and 1165, 75th Legislature, Regular Session, 1997, to strengthen Medicaid managed care client and provider protections. In December 1997, the state expanded the STAR program to the Houston area and created a new pilot to integrate acute care and long-term services and supports (LTSS) for SSI and SSI-related Medicaid clients in Harris County. This program is known as STAR+PLUS. The implementation of STAR and STAR+PLUS in the Harris service area doubled the number of Texas Medicaid clients receiving services through the managed care model.

Through S.B. 2896, 76th Legislature, Regular Session, 1999, the Texas Legislature placed a moratorium on further managed care expansion, but allowed the state to complete the Dallas and El Paso service area implementations, which were already underway. The bill directed HHSC to evaluate the effects of the Texas Medicaid managed care program on access to care, quality, cost,

administrative complexity, utilization, care coordination, competition, and network retention.

The Dallas and El Paso service area implementations were completed in 1999. In addition to expanding the STAR program in Dallas, the state also implemented a unique behavioral health pilot, NorthSTAR, in the Dallas service area to provide mental health and substance abuse services to Medicaid clients and certain non-Medicaid clients below 200 percent of the federal poverty level (FPL).

Over a 15-month period in 1999 and 2000, HHSC led an analysis of the STAR and STAR+PLUS programs in conjunction with a workgroup composed of representatives from the advocacy, provider, and managed care communities. The resulting Texas Medicaid Managed Care Review concluded that Texas had achieved many, but not all of the goals set for the Medicaid managed care program. The study found that implementation of managed care improved access to providers, produced program savings, and resulted in program accountability and quality improvement standards and measurement not found in the traditional fee-for-service (FFS) Medicaid program. The report also concluded that managed care introduced additional program complexity both to providers and clients. While clients were generally satisfied with the care they received under managed care, Medicaid providers were generally more dissatisfied with the increased administrative complexity and oversight required.

In 2001, following the release of the Medicaid Managed Care Review, HHSC was allowed to expand Medicaid managed care when cost effective.

By 2003, the Legislature faced budget pressures that prompted interest in modifying Medicaid and expanding managed care throughout the state to obtain additional cost savings. H.B. 2292, 78th Legislature, Regular Session, 2003, directed HHSC to provide Medicaid managed care services through the most cost-effective models.

In September 2005, Primary Care Case Management (PCCM) (formerly known as the Texas Health Network) was removed as a non-capitated plan choice in the STAR service areas. It expanded to 197 primarily rural counties outside of the STAR service areas plus five STAR counties in the southeast region (Chambers, Hardin, Jefferson, Liberty, and Orange). This increased the number of counties covered by PCCM to 202. As a result of this expansion, all Texas counties were served by either STAR or PCCM.

The Legislature passed S.B. 6, 79th Legislature, Regular Session, 2005, which directed HHSC and the

Department of Family and Protective Services (DFPS) to develop a statewide health care delivery model for all Medicaid children in foster care. STAR Health was implemented on April 1, 2008. The STAR Health Program is designed to better coordinate the health care of children in foster care and kinship care through one statewide managed care organization (MCO).

The 2006-07 General Appropriations Act (GAA), S.B. 1, 79th Legislature, Regular Session, 2005 (Article II, Special Provisions Related to All Health and Human Services Agencies, Section 49), and H.B. 1771, 79th Legislature, Regular Session, 2005, directed HHSC to use cost-effective models to better manage the care of Medicaid clients who are age 65 and older and those with physical disabilities in certain areas of the state. In response, HHSC developed the Integrated Care Management model and the STAR+PLUS Hospital Carve-Out model to integrate acute care and LTSS. In February 2007, the STAR+PLUS Hospital Carve-Out model replaced the existing STAR+PLUS model in the Harris service area and was expanded to the Bexar, Harris Expansion, Nueces, and Travis service areas. The Integrated Care Management (ICM) model ended in May 2009.

In addition to developing new managed care programs, HHSC has continued to expand existing programs. In 2006, Nueces was added to the STAR service areas. The 2010-11 GAA, S.B. 1, 81st Legislature, Regular Session, 2009 (Article II, Special Provisions, Section 46), required HHSC to implement the most cost-effective integrated managed care model for Medicaid clients with disabilities in the Dallas and Tarrant service areas. After analyzing current managed care models, HHSC determined STAR+PLUS was the most appropriate model to meet the legislative mandate. In February 2011, HHSC expanded STAR+PLUS to the Dallas and Tarrant service areas.

In September 2011, STAR and STAR+PLUS expanded to 28 counties contiguous to the existing service areas. STAR expanded to 17 counties contiguous to Bexar, El Paso, Lubbock, Nueces, and Travis service areas, and STAR+PLUS expanded to 10 counties contiguous to the Bexar, Harris, Nueces, and Travis service areas. STAR and STAR+PLUS expanded to the newly formed Jefferson service area, which included 11 counties contiguous to the Harris service area. HHSC eliminated the PCCM model in the 28 contiguous counties on August 31, 2011.

In 2013, as part of the passage of S.B. 7, 83rd Legislature, Regular Session, the Legislature approved several expansions of managed

care to cover new populations. On September 1, 2014, STAR+PLUS expanded to the Medicaid Rural Service Area (MRSA), integrating acute care and LTSS for individuals 65 and older and those with disabilities. Most adults being served through one of the 1915(c) waivers for individuals with intellectual and developmental disabilities (IDD) or living in a community-based intermediate care facility for individuals with an intellectual disability or related condition (ICF/IID) began receiving acute care services through STAR+PLUS on this date. On March 1, 2015, HHSC began delivering nursing facility (NF) services through the STAR+PLUS managed care model to most adults age 21 and over.

As a result of S.B. 58, 83rd Legislature, Regular Session, 2013, other changes implemented effective September 1, 2014, include adding mental health rehabilitation and mental health targeted case management services into managed care. These two behavioral health services have been traditionally delivered through the FFS system.

In March 2015, HHSC also implemented the Texas Dual Eligible Integrated Care Demonstration Project (known as the Dual Demonstration), a fully integrated managed care model for individuals who are enrolled in Medicare and Medicaid. By using a single MCO for adults ages 21 and over who are eligible for Medicare and Medicaid through STAR+PLUS, the Dual Demonstration was designed to better coordinate Medicare and Medicaid services through a single MCO, improve quality and access to care, and promote independence in the community.

S.B. 7 also directed HHSC to develop the STAR Kids managed care program, tailored for children with disabilities, including children receiving Medically Dependent Children Program (MDCP) waiver benefits. STAR Kids was implemented statewide on November 1, 2016.

In addition, S.B. 7 directed HHSC and DADS to implement a voluntary pilot to test one or more managed care service delivery models to deliver Medicaid LTSS to individuals with IDD. Eligible individuals include those residing in a community-based ICF/IID or receiving services through a Medicaid waiver for individuals with IDD. H.B. 3523, 84th Legislature, Regular Session, 2015, allows the pilot to operate for up to 24 months and is scheduled to implement in 2017.

In accordance with the 2016-17 GAA, H.B. 1, 84th Legislature, Regular Session, 2015, (Article II, Department of State Health Services, Rider 85), the state terminated the NorthSTAR program on December 31, 2016. Upon

termination of the NorthSTAR waiver, individuals began receiving Medicaid behavioral health care services through managed care programs, including STAR, STAR+PLUS, and STAR Kids.

The 2014-15 GAA, S.B. 1, 83rd Legislature, Regular Session, 2013 (Article II, HHSC, Rider 51b(15)) directed HHSC to transition remaining Medicaid FFS populations into managed care as a cost containment measure. The rider stated that this reduction should be achieved through the implementation of a plan to improve care coordination through a capitated managed care program.

HHSC determined Adoption Assistance (AA), Permanency Care Assistance (PCA), and Medicaid for Breast and Cervical Cancer (MBCC) populations were three groups receiving services through traditional FFS who could benefit from a managed care model. On September 1, 2017, the AA and PCA populations are scheduled to receive services through STAR and the MBCC population is scheduled to receive services through STAR+PLUS. AA and PCA children with SSI will receive services through STAR Kids.

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