



Update on HHSC's Cost Containment Plan

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Medicaid Cost Containment SFY 2018-19

HHSC has identified and begun implementing cost savings initiatives that total \$411 million in GR (\$988 million in All Funds).

- Rider 33 directs HHSC to achieve at least \$350 million in General Revenue (GR) savings.
- In its cost containment plan, HHSC has identified \$337 million in GR savings (\$791 million in All Funds).
- These estimates do not include \$74 million in GR (\$197 million in All Funds) from adjusting the managed care risk margin (Rider 37).



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Managed Care Capitation Rates

- Identifies \$101 million in GR savings through an incremental increase in the managed care savings factor based on:
 - STAR and STAR +PLUS expansions;
 - Movement of children from fee-for-service to STAR Kids; and
 - Full implementation of the managed care model.



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Seek flexibility from the federal government to improve the efficiency of the Medicaid program

- The current administration has signaled a willingness to assist state Medicaid programs in their requests for greater flexibility.
- This could include flexibility in eligibility, benefits, cost sharing requirements, and innovative program elements that encourage personal responsibility for health care.
- Now that the 1115 Waiver has been renewed, amendments to the waiver involving program flexibility can be considered.
- HHSC will seek Executive and Legislative input prior to making changes to the Medicaid program.



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Independent audit of Medicaid managed care premiums using an external actuarial firm, adjust premiums accordingly

- HHSC is currently procuring the services of an independent auditor to inform future premium rate development.
- HHSC and external actuaries currently develop the capitation rates, and external actuaries provide the actuarial soundness certification required by 42 CFR 438.4.
- Rates are approved by the Executive Commissioner, Office of the Governor, Legislative Budget Board, and CMS Office of the Actuary.



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Reinstate previous hospital eligibility criteria for Medicaid reimbursement

- HHSC identified nearly \$90 million in GR savings from reinstating hospital eligibility criteria regarding rural hospital designation.
- During the 2016-17 biennium, nine hospitals began billing Medicaid at higher reimbursement levels for inpatient and outpatient services previously intended for rural hospitals only.
- These hospitals received Medicare designation as a Rural Referral Center, Sole Community Hospital, or Critical Access Hospital that were not consistent with Texas Legislative appropriation levels.
- HHSC strengthened its rules to be consistent with Rider 46 of the 2018-19 General Appropriations Act to avoid additional costs.



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Increase fraud, waste and abuse prevention, detection, and collections

- The Inspector General has eight initiatives in the cost containment plan, including:
 - \$10 million in GR savings by recovering provider overpayments, which are refunded to HHSC as an offset to future Medicaid payments; and
 - \$5.1 million in GR savings from increasing hospital utilization reviews in managed care.