

Overview of Cost Drivers and Update on Cost Containment Initiatives

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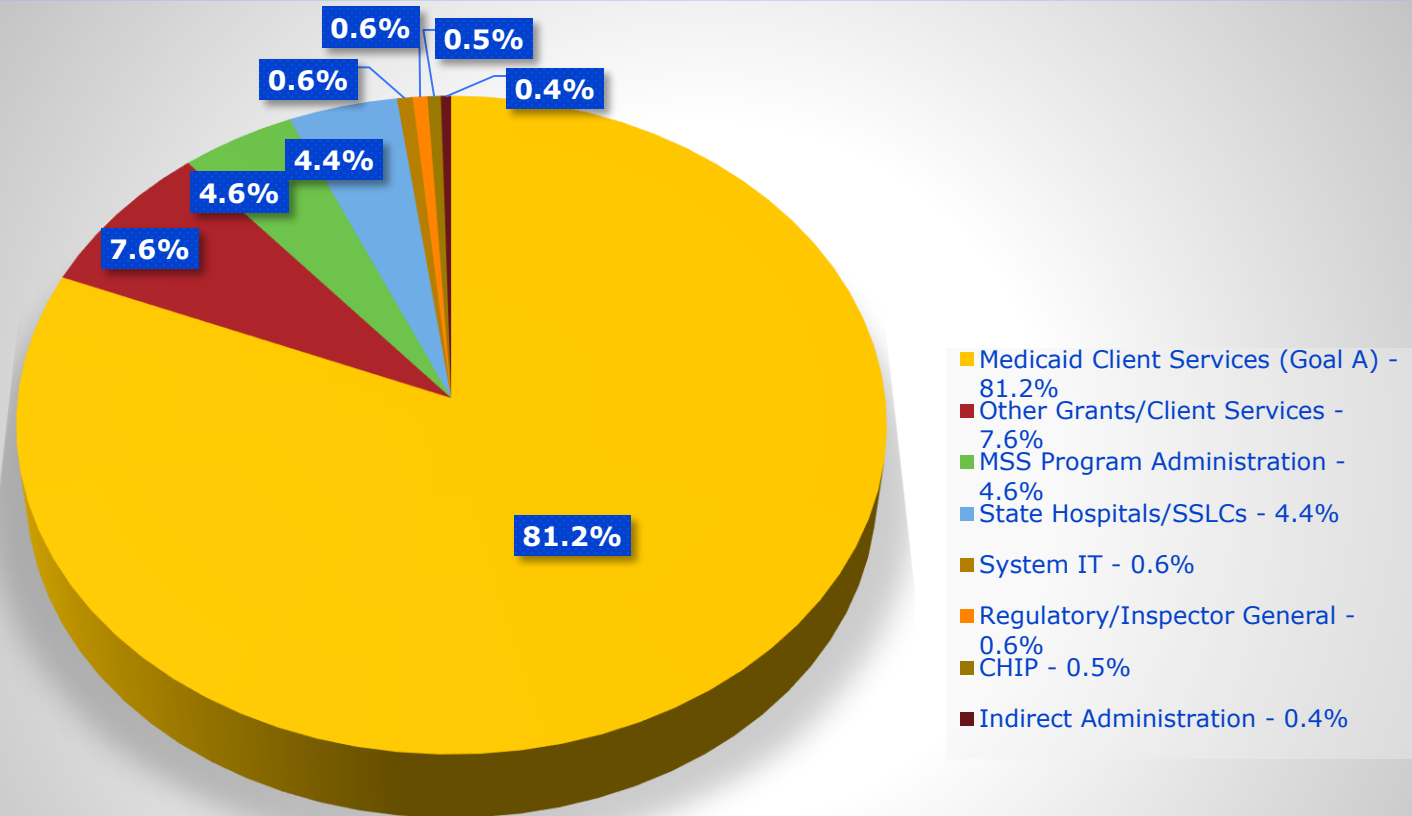
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Senate Finance Committee
September 11, 2018



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HHSC GR/GR-D Appropriations 2018-19 (\$28,680,165,476)





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Medicaid Cost Drivers

Medicaid cost is typically categorized into one (or more) of four “buckets”

- **Eligibility**
 - Type (case mix) and number (magnitude)
- **Benefits**
 - Services provided
- **Utilization**
 - How many and what type of service
 - Appropriateness of service
- **Payments, Revenues and Cost Sharing**
 - Rates and payments



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Medicaid Cost Drivers

Medicaid cost is determined by the caseload and cost per client

- **Caseload – Volume or number of individuals served in each category**
 - Case Mix – Mix or type of clients in the caseload
- **Cost Per Client – A function of:**
 - Utilization – Number of services a client receives
 - Type of services a client receives



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Other Cost Drivers

- **External factors impacting Medicaid costs include:**
 - Changes to federal or state law or policy
 - Population growth and changing demographics
 - Economy
 - Natural disasters and epidemics
 - Consumer expectations and awareness
- **Costs can be impacted by:**
 - Payer type
 - Evolutionary and revolutionary advances in medicine
 - Payment rates and policies
 - Changes in clinical practice standards



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Key Medicaid Numbers – Fiscal Year 2017

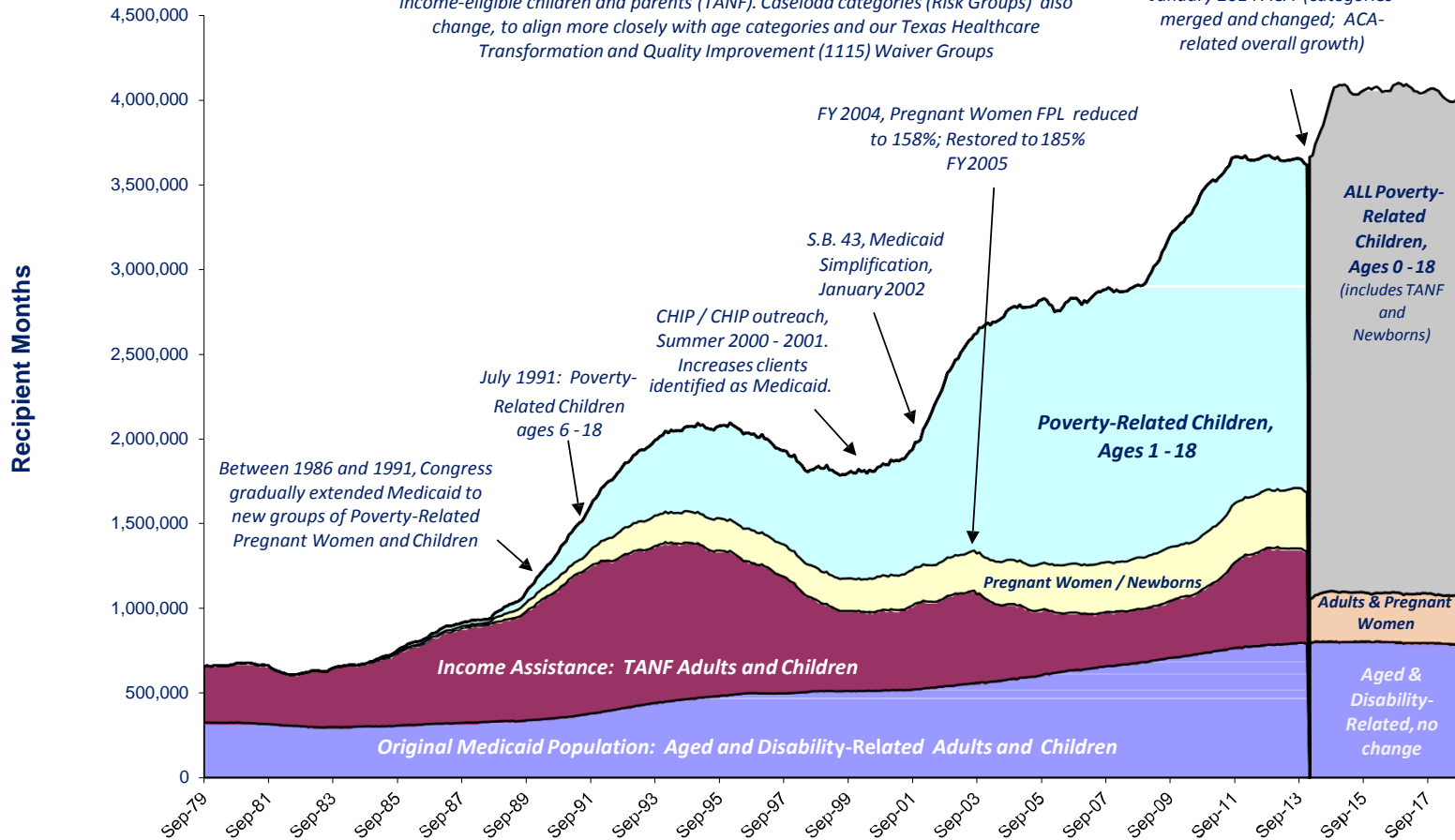
- \$38.4 billion: Texas Medicaid spending, including Supplemental Health Care Payments
- \$3.1 billion: Texas Medicaid payments to nursing homes
- \$3.9 billion: Texas Medicaid prescription drug expenditures
- 78 percent: Texas Medicaid clients under age 21
- 46 percent: Texas children covered by Medicaid or CHIP

Texas Medicaid Caseload by Group

Texas Medicaid Caseload by Group, September 1979 - August 2018
 Forecast June 2018 - August 2018

Medicaid Caseload shifts beginning January 2014, with increased lengths of stay for all income-eligible children and parents (TANF). Caseload categories (Risk Groups) also change, to align more closely with age categories and our Texas Healthcare Transformation and Quality Improvement (1115) Waiver Groups

January 2014 ACA (categories merged and changed; ACA-related overall growth)

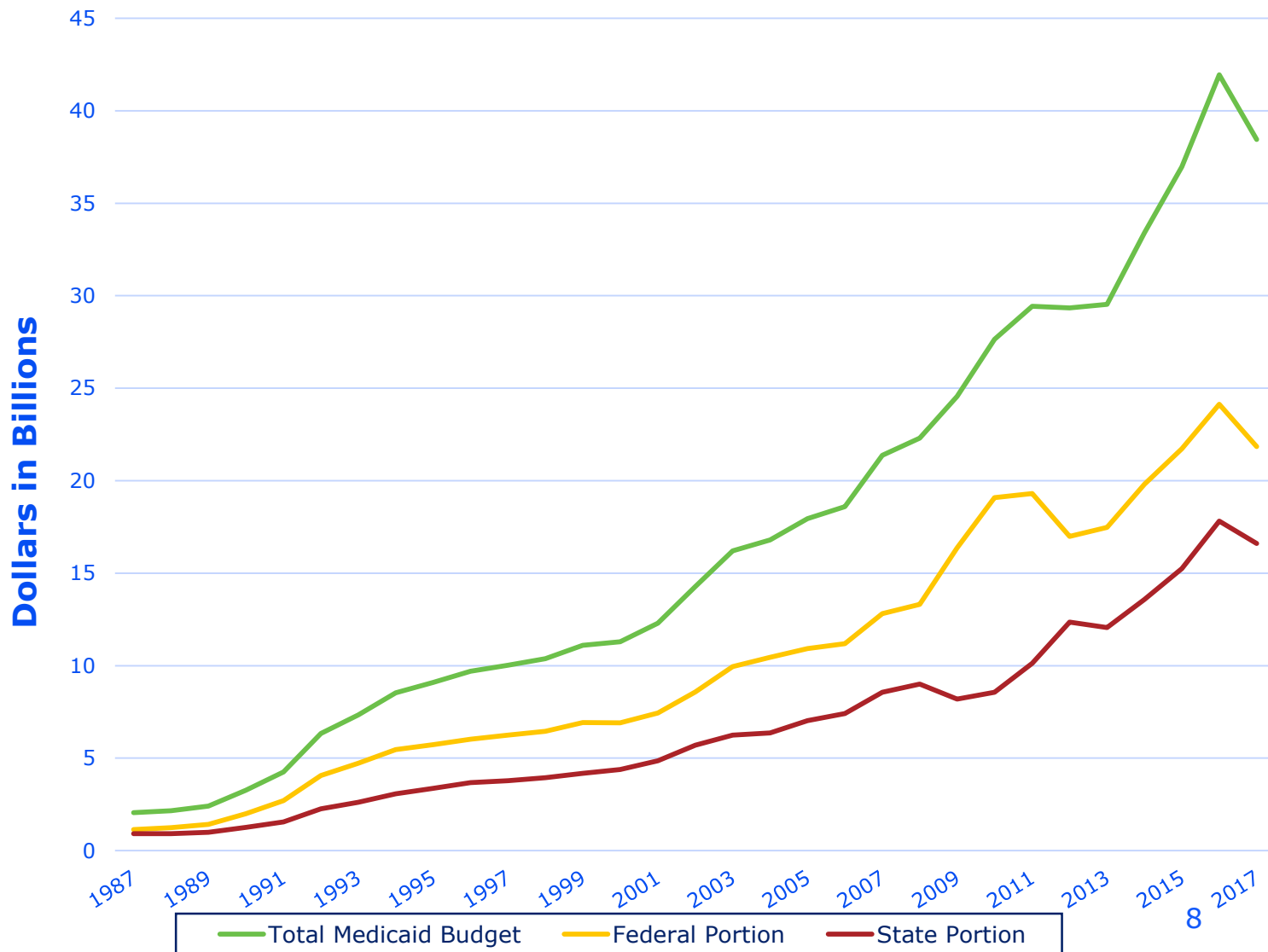


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Texas Medicaid Annual Budget Expenditures

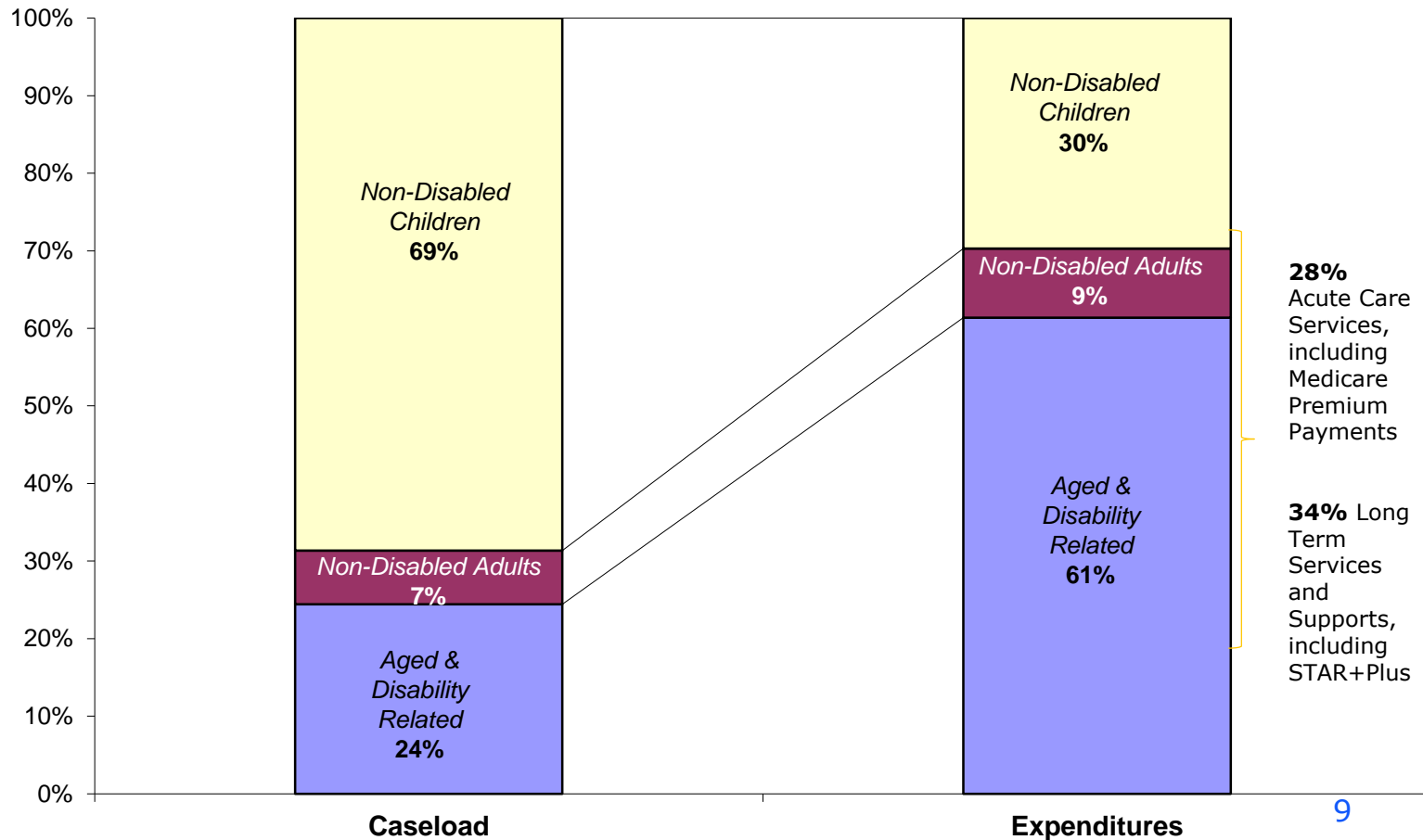




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Texas Medicaid Beneficiaries and Expenditures

Texas Medicaid Beneficiaries and Expenditures State Fiscal Year 2017





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Percent of Medicaid Expenditures in Texas State Budget (in billions)

State Year	Medicaid Budget, All Funds**	Total State Budget, All Funds***	Annual Percentage
2000	\$ 10,000	\$49,453	20.22%
2001	\$10,952	\$52,440	20.88%
2002	\$12,678	\$56,621	22.39%
2003	\$14,593	\$59,058	24.71%
2004	\$14,585	\$61,507	23.71%
2005	\$15,561	\$65,204	23.87%
2006	\$16,534	\$69,961	23.63%
2007	\$17,275	\$75,099	23.00%
2008	\$19,053	\$82,150	23.19%
2009	\$20,798	\$ 89,981	23.11%
2010	\$22,821	\$92,056	24.79%
2011	\$24,816	\$95,461	26.00%
2012	\$25,438	\$92,914	27.38%
2013	\$25,614	\$ 97,840	26.18%
2014	\$27,121	\$100,145	27.08%
2015	\$28,617	\$103,156	27.74%
2016	\$30,296	\$106,053	28.57%
2017	\$31,044	\$103,050	30.12%

** Excludes Disproportionate Share Hospital (DSH), Upper Payment Limit (UPL), Uncompensated Care (UC) and DSRIP funds

*** Medicaid is FFY, State Budget reflects the state fiscal year, beginning a month prior (September)



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Medicaid Cost Containment Fiscal Years 2018-19

HHSC identified and implemented cost savings initiatives that total \$386 million in GR (\$937 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 \$312 million in GR savings (\$740 million in All Funds)
- The \$312 million in GR does not include \$74 million in GR (\$197 million in All Funds) from adjusting the managed care risk margin (Rider 37)



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Rider 33 Medicaid Cost Containment Initiatives

Some cost containment initiatives that have been undertaken include: (GR savings in millions)

- Increase fraud, waste and abuse prevention, detection, and collections (\$20.0)
- Implement fee-for-service payment changes and managed care premium adjustments that incentivize the most appropriate and effective use of services (\$136.6)
- Increase efficiencies in the vendor drug program: Implementing changes to the preferred drug list and coverage options for specific drug classes (\$35.5)
- Increase third party recoupments (\$17.0)
- Implement pilot program on motor vehicle subrogation (\$1.0)



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Rider 33 Medicaid Cost Containment Initiatives

- Achieve efficiencies in the printing and distribution of Medicaid identification cards (\$2.1)
- Implement facility cost savings by reducing leased space or decommissioning buildings (\$4.0)
- Recoup administrative costs for programs HHSC administers for other entities, such as the School Health and Related Services Program (SHARS) (\$0-0.5)
- Review utilization and appropriateness of rates for durable medical equipment (\$0.8)
- Implement additional initiatives and programmatic efficiencies identified by HHSC (\$92.2)
- Rider 37 Medicaid and CHIP Capitation Risk Margin Adjustment (\$74.0)