



House Select Committee on Fiscal Stability

Thomas Suehs, Executive Commissioner

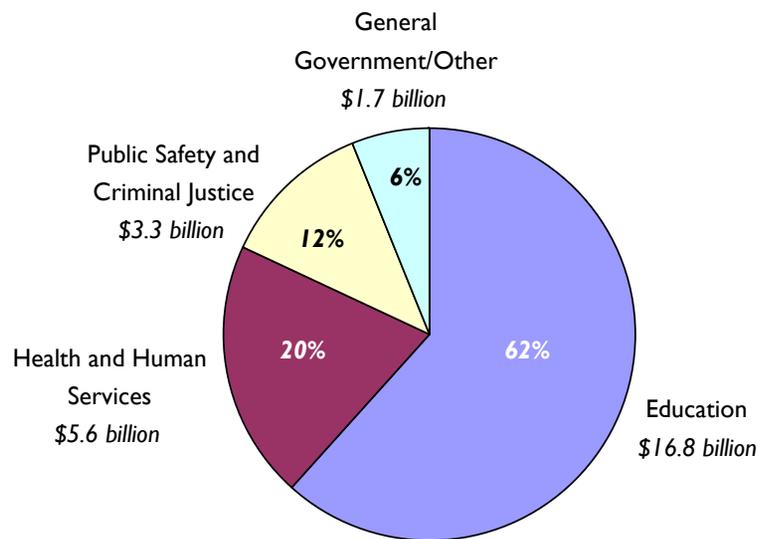
June 29, 2010



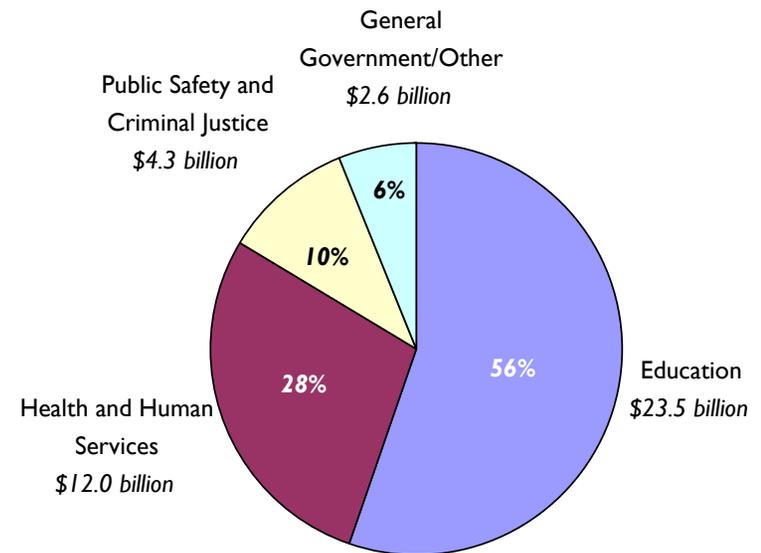
Historical Medicaid Cost & Caseload Trends

State General Revenue Spending By Article: FY 2000 and FY 2010

**FY 2000 State GR Spending by Article,
Total Spending = \$27.3 billion**



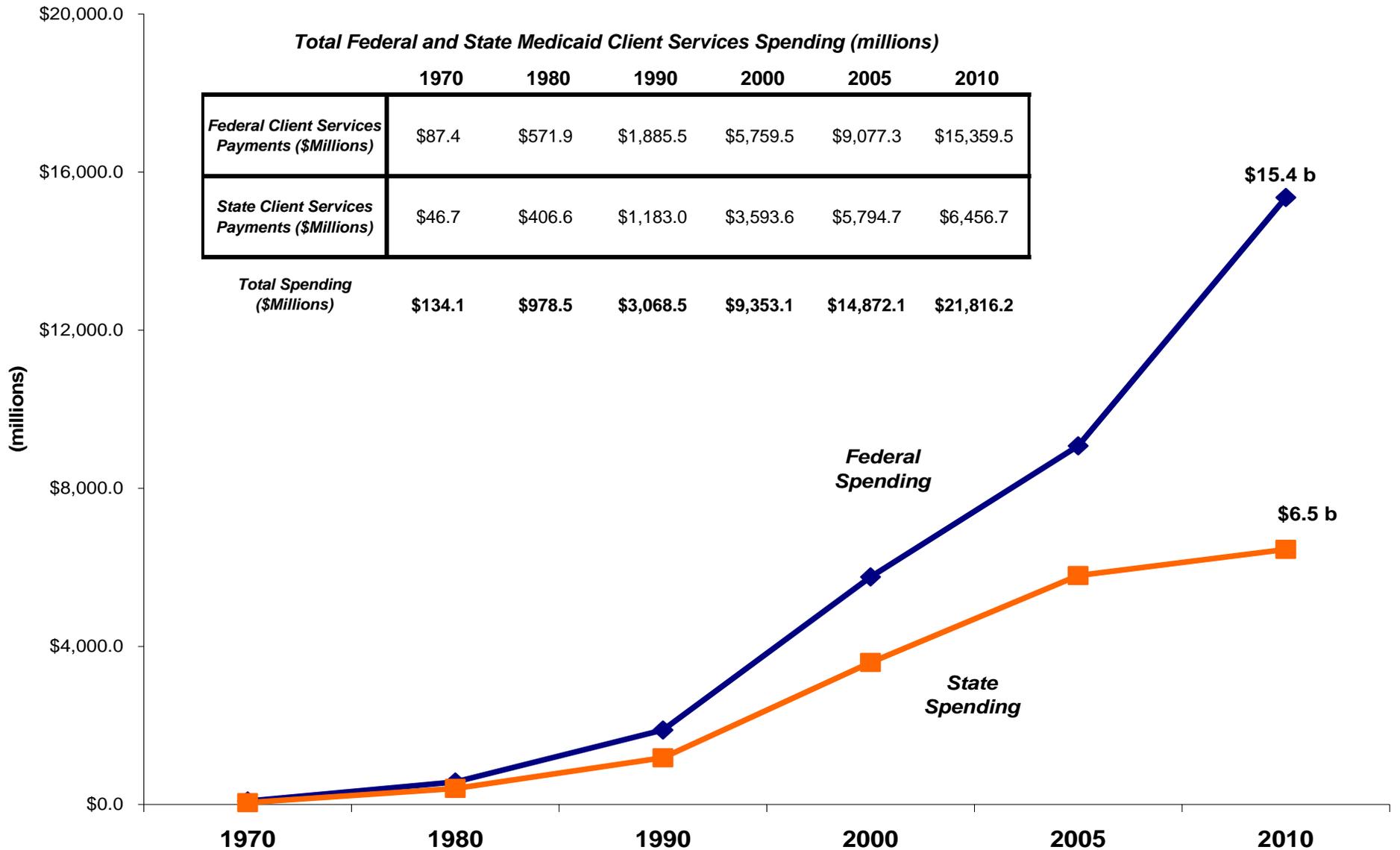
**FY 2010 State GR Appropriation by Article,
Total Appropriated = \$42.4 billion**



Source: Legislative Budget Board, Fiscal Size-Up, 2010-2011 Biennium; 2002-2003 Biennium

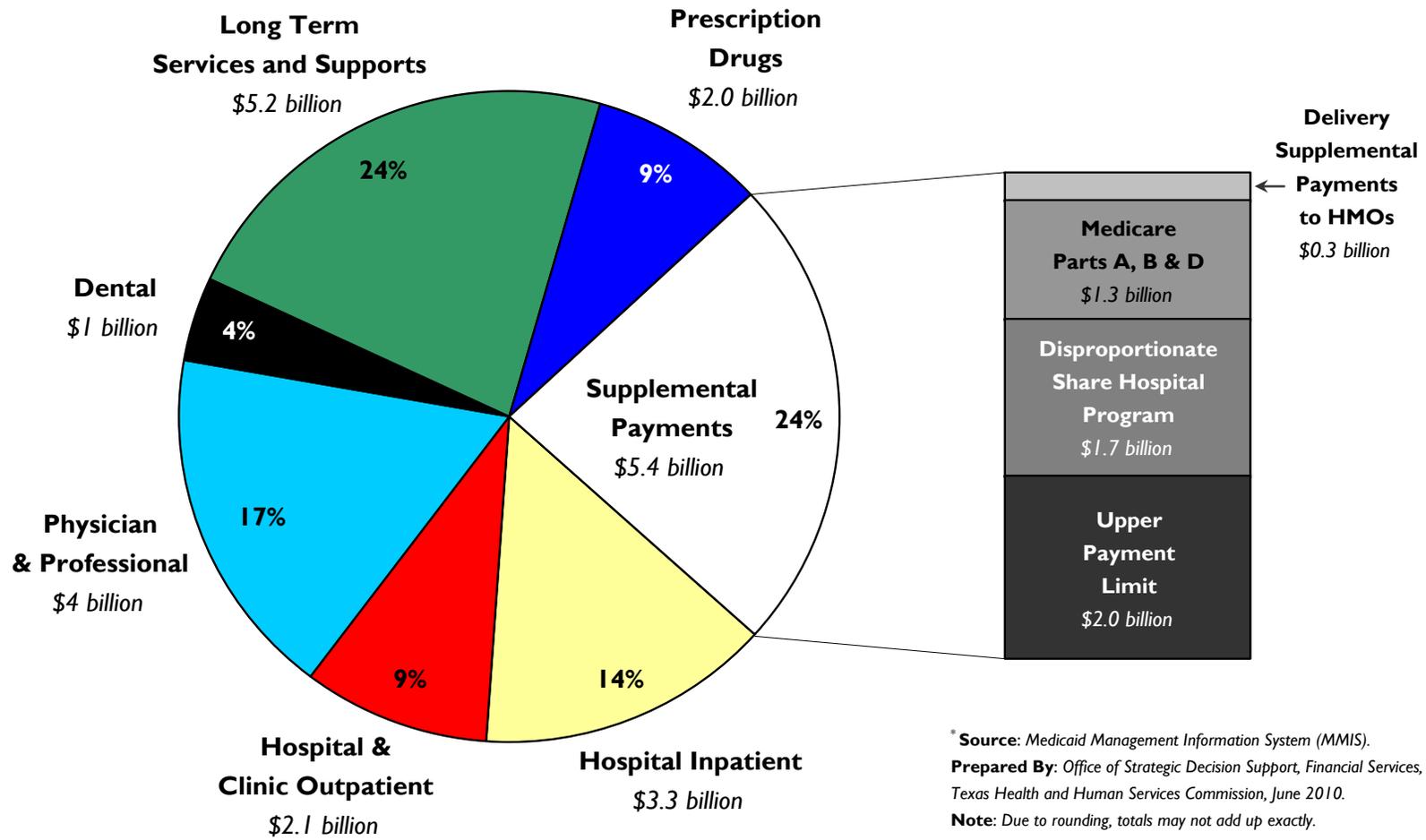
State General Revenue Amounts do not adjust for American Reinvestment and Recovery Act (ARRA) funds in FY 2010

History of Federal and State Spending



Where Does Texas Spend Medicaid Dollars?

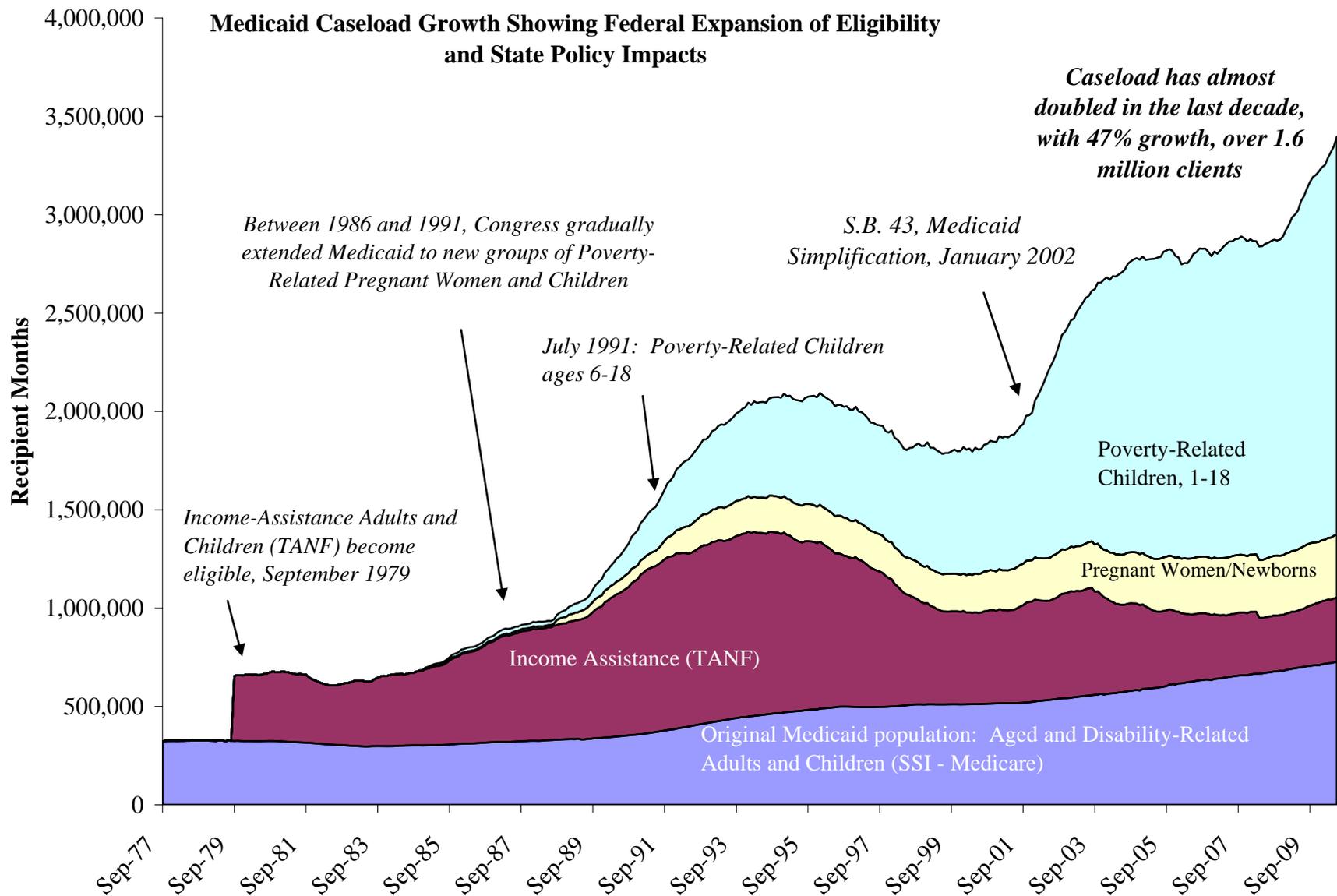
Texas Medicaid Expenditures, SFY 2009*
By Service Type — Total \$22.9 billion



* Source: Medicaid Management Information System (MMIS).
Prepared By: Office of Strategic Decision Support, Financial Services,
Texas Health and Human Services Commission, June 2010.
Note: Due to rounding, totals may not add up exactly.

History of Medicaid Eligibility: Caseload

September 1977 – June 2010





Patient Protection & Affordable Care Act

Patient Protection and Affordable Care Act (PPACA)

- The Patient Protection and Affordable Care Act (PPACA) was signed into law March 23, 2010
- The bill has both direct and indirect impacts on the Texas health and human services system

Direct Impact

- Medicaid eligibility expansion
- Health Insurance Exchange
 - Front door to access healthcare coverage
 - Use simplified process to determine eligibility
 - Medicaid, CHIP and private insurance plans must all be able to interface
 - Applications must be “deemed” to Medicaid and CHIP with no required action by the applicant

Secondary Impact

- Client base for existing state and local programs serving the uninsured
- Employer insurance mandates may impact providers of health and human services

Medicaid Expansion: Caseload Impact

Expands Medicaid eligibility to individuals under age 65 with incomes up to 133% of the Federal Poverty Limit (FPL)

- Income deduction allowance of five percentage points creates effective eligibility level of 138% FPL

New client populations in Texas include:

- Parents and caretakers 14%- 133%
- Childless adults up to 133% FPL
- Emergency Medicaid in Expansion Populations
- Foster-care through age 25

Texas will experience caseload growth both from newly eligible individuals and those individuals who are currently eligible but not enrolled

- With an individual mandate, enrollment of current eligibles is projected to increase

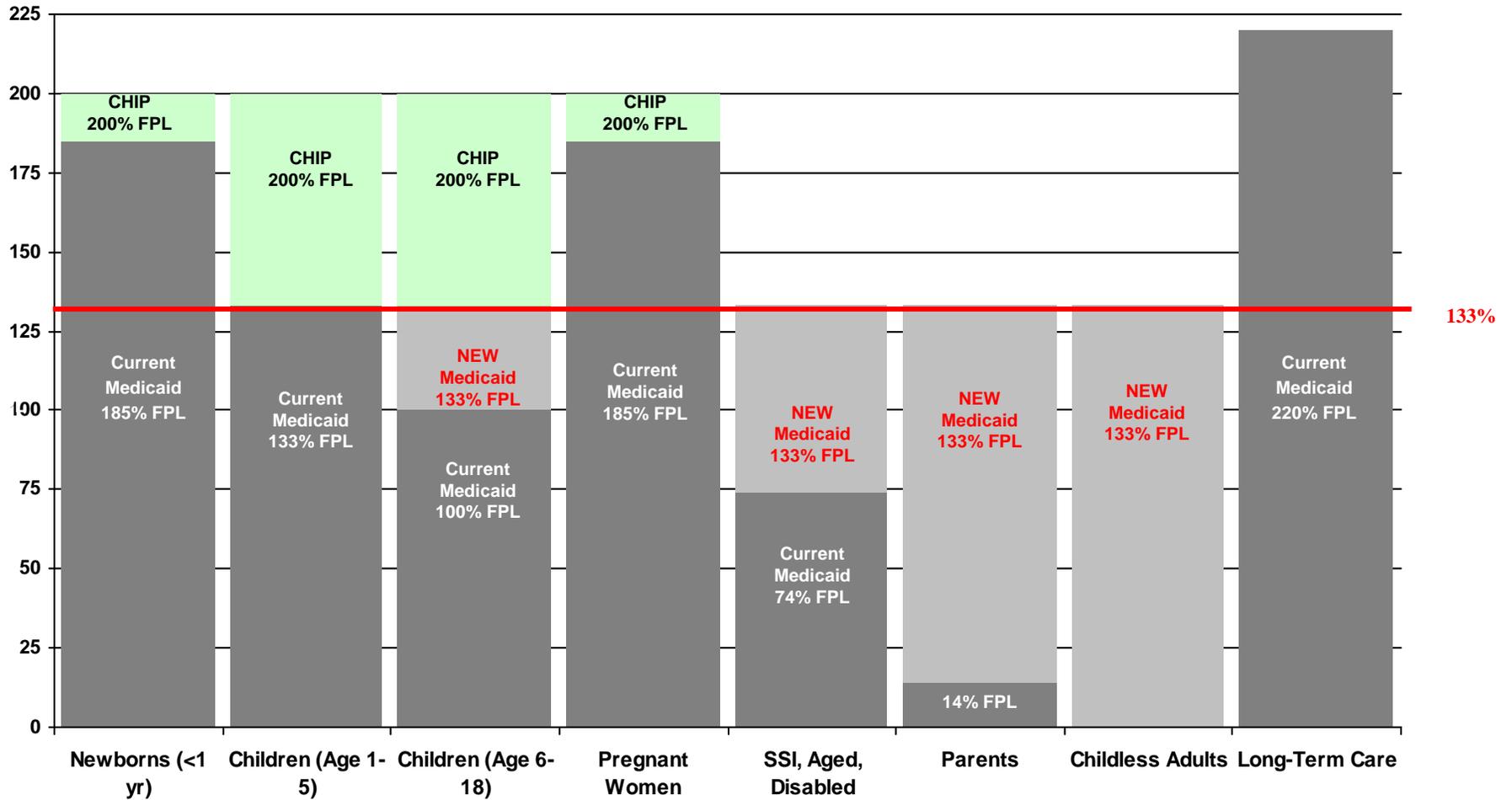
Changes Medicaid income eligibility requirements

- Requires use of modified gross income and prohibits assets test and most income deductions

Requires that states maintain existing Medicaid eligibility until the state's exchange is fully operational

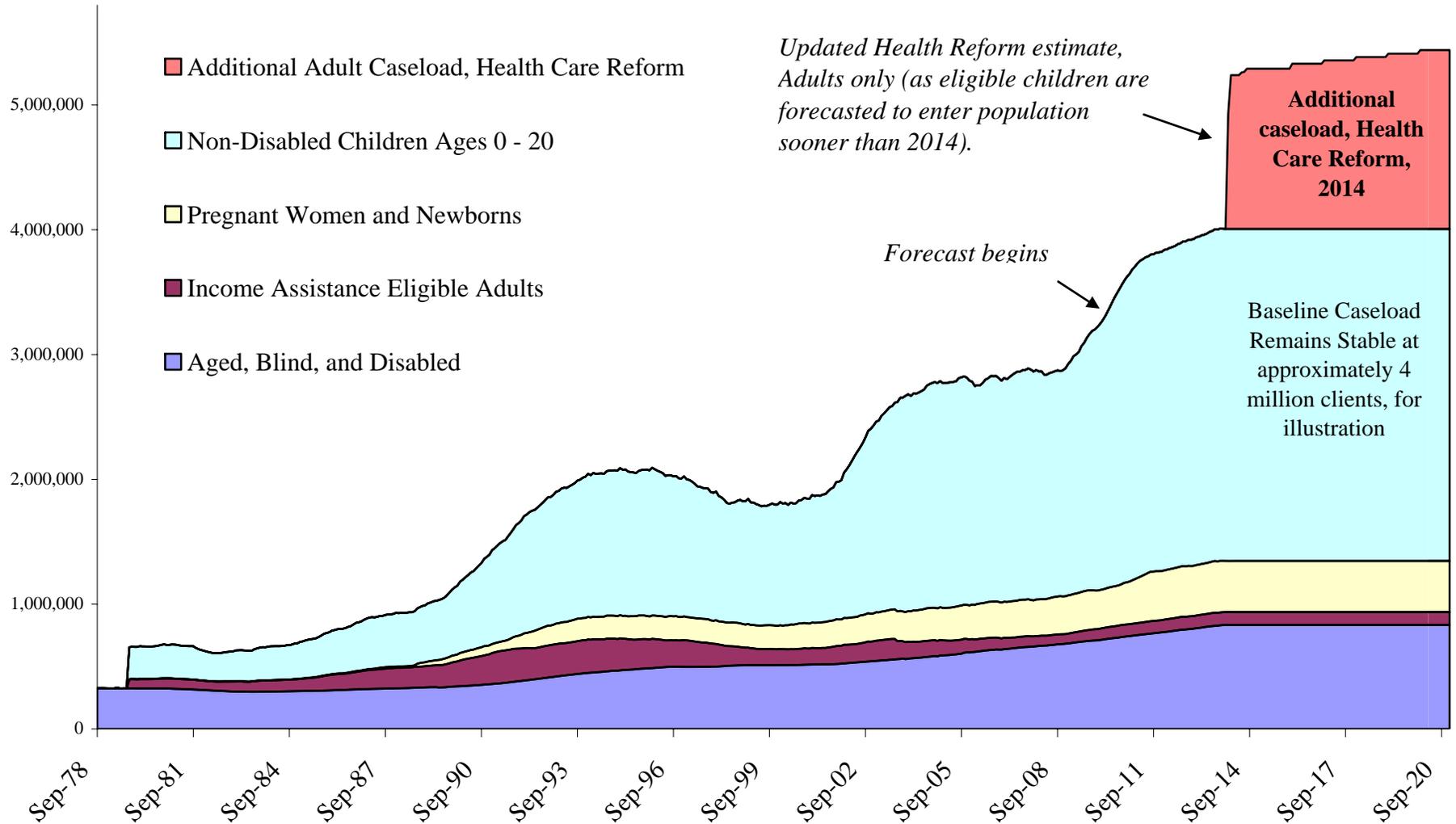
- Optional populations covered above 133% FPL may be moved to the Exchange upon implementation

Current & Future Medicaid/CHIP Eligibility Levels



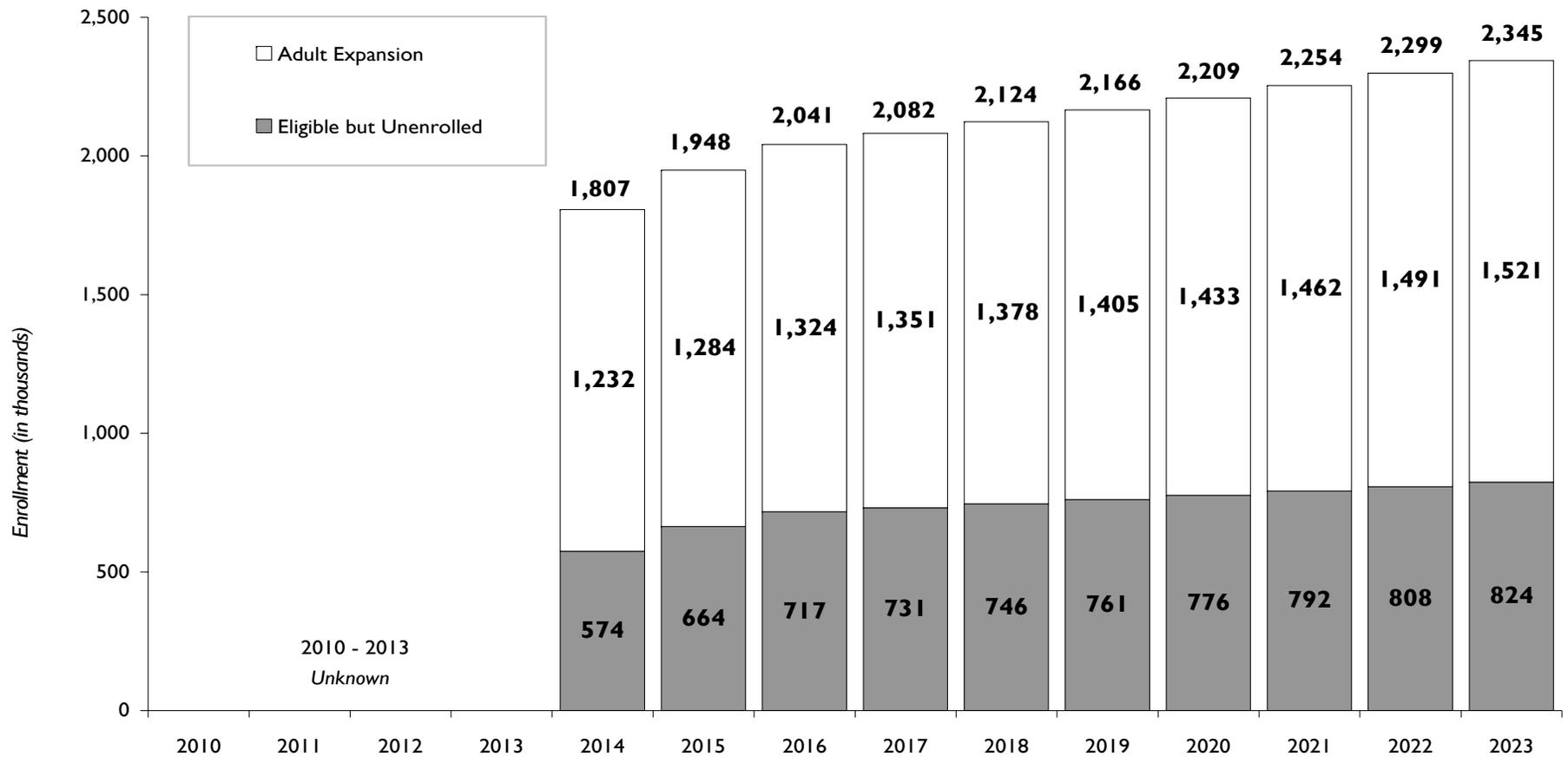
History and Projection of Medicaid Eligibility: Caseload September 1978 – September 2024

Medicaid Caseload by Group: September 1978 to June 2010, with Caseload Forecast to December 2013 and Health Care Reform Caseload, 2014 to 2020



Patient Protection and Affordable Care Act (PPACA)

HHSC Medicaid/CHIP Caseload Estimates, 2010 - 2023 *



* Note: Due to rounding, some component totals may not equal their respective grand total.

Medicaid Expansion: Major Policy Considerations

Additional Policy Considerations Modeled for Cost Implications

Medicaid Rate Increases

- States are required to increase Medicaid rates to 100% of Medicare rates in 2013 and 2014 for certain services provided by primary care providers (PCPs) The incremental rate costs for 2013 and 2014 are 100% federally funded.
- The model assumes the mandated reimbursement increase to 100% of Medicare rates for 2013-2014, which covers about 30% of primary care services and is funded with a 100% Super FMAP (no cost to the state).
 - State will need to decide whether to continue these rates at regular FFP after 2014 or choose not to continue (Partial Rate Increase)
 - State will need to decide whether to apply the rate increase to additional services provided by primary care providers after 2014 (Full Rate Increase)

Children's Health Insurance Program (CHIP) Rates

- Historically CHIP and Medicaid provider rates have been aligned
- State will need to decide whether to provide the same increase for CHIP rates as for Medicaid
- Any increase in CHIP provider rates will be at the CHIP FFP for all years
- CHIP FFP increases by 23 points from 2016 to 2019
- Current models assume CHIP rate increase

Costs Estimates By Policy Option, SFY 2014-2023

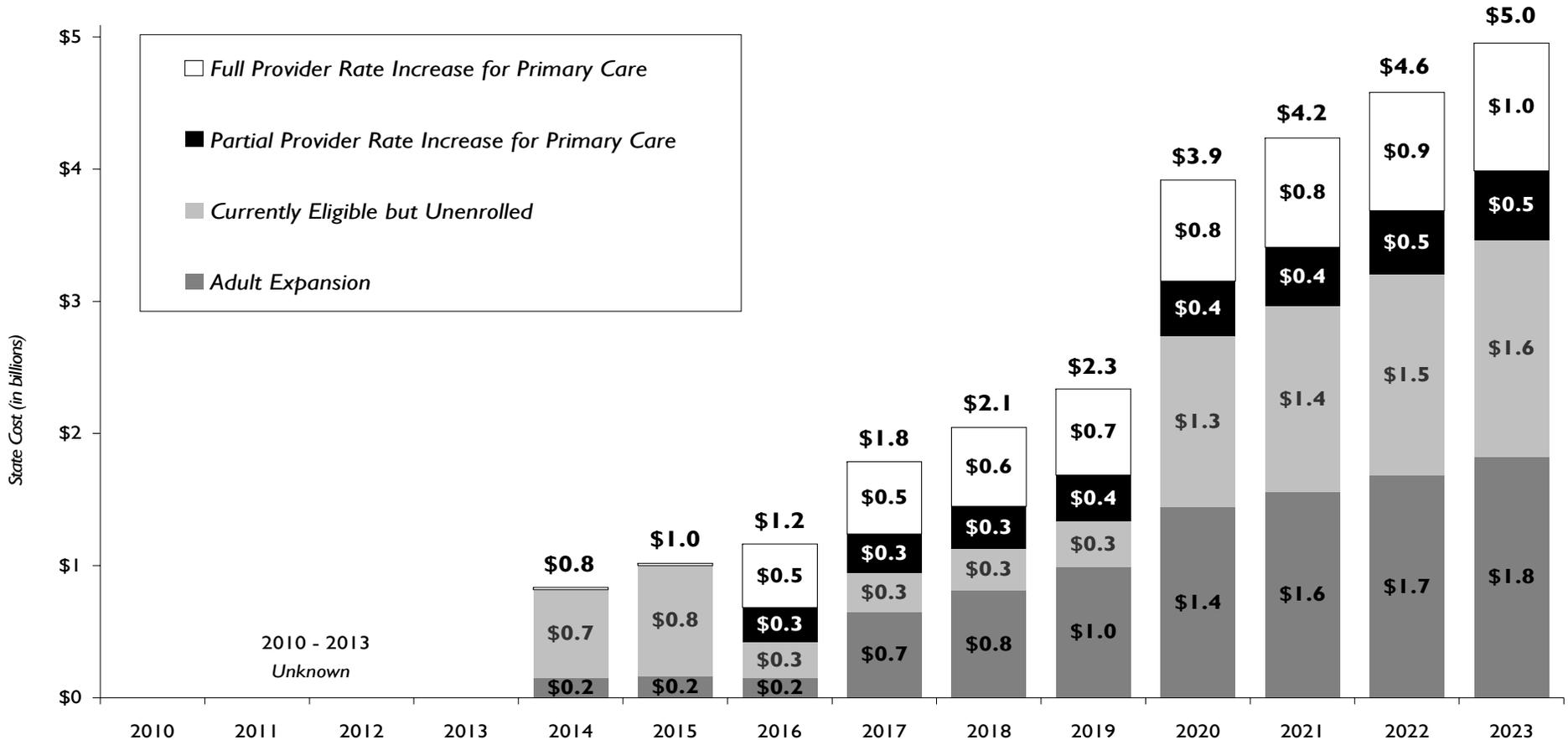
**Patient Protection and Affordable Care Act
HHSC Medicaid/CHIP Cost Estimates by Level of Implementation
State of Texas, SFYs 2014 – 2023**

Level of Implementation	All Funds Cost (billions \$)		Federal Cost (billions \$)		GR Cost (billions \$)	
	increment	total	increment	total	increment	total
Medicaid Expansion Adults (<133% FPL)	---	\$122.2	---	\$112.7	---	\$9.5
Medicaid Expansion Adults and Current Eligible but Unenrolled	+\$39.6	\$161.8	+\$31.0	\$143.7	+\$8.6	\$18.1
with <i>Partial</i> Provider Rate Increase for Primary Care*	+\$10.3	\$172.1	+\$7.2	\$150.9	+\$3.1	\$21.2
with <i>Full</i> Provider Rate Increase for Primary Care*	+\$19.1	\$191.2	+\$13.3	\$164.2	+\$5.8	\$27.0

* Assumes provider rate increase applied in Medicaid will also apply to CHIP.

Patient Protection and Affordable Care Act (PPACA)

HHSC Medicaid/CHIP Cost Estimates by Level of Implementation, 2010 - 2023 *



* Note: Due to rounding, some component totals may not equal their respective grand total.