



Presentation to the Senate Finance Committee: Medicaid Cost Containment Initiatives

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September 15, 2016

Presentation Overview

- I. Recent History of Cost Containment Initiatives
- II. Update on Rider 50, H.B. 1, 84th Legislature (2015)

Historical Overview

- Over more than a decade, HHSC has developed and implemented new policies and initiatives to control spending growth in Medicaid and other health and human services programs.
- Previous cost containment initiatives directed by the legislature include \$2 billion GR in FY 2012-13 and \$438 million GR in FY 2014-15.
- Current cost containment efforts directed by the 84th Legislature aimed to achieve \$373 million in general revenue savings in FY 2016-17, in addition to the ongoing savings from initiatives implemented in previous biennia.
- At this point, HHSC estimates approximately \$137 million in general revenue savings for FY 2016-17.

General Appropriations Act, Article II, HHSC Rider 50 (2015)

- Current cost containment efforts directed HHSC to save \$373 million in general revenue savings in FY 2016-17 contained within the General Appropriations Act, Article II, HHSC Rider 50 (2015).
- Rider 50(b) included 17 possible initiatives that HHSC could consider to achieve savings.
- Rider 50(c) required HHSC to pursue savings related specifically to reimbursement rates and policy changes for physical, occupational, and speech therapy services.
- The savings amount directed by the rider was reduced in the HHSC appropriations.

Current Estimated Savings: \$15.6 million GR

- HHSC has increased rebate revenue for clinician administered drugs.
- MCO contracts have expanded use of 340B pricing.
- Additionally, funding is being recouped through pharmacy overpayment recovery (340B).
- HHSC has revised the fee-for-service pricing methodology.

MCO and Provider Payments

Current Estimated Savings: \$14.0 million GR

- HHSC implemented adjustments to incentivize certain managed care transportation providers to contract with transportation providers at lower rates.
- Provider payments were reduced to be consistent with State of Texas travel reimbursement schedule for mileage.
- HHSC limited the rate for below average cost plans in a community compared to the actual plan cost experience and reduced the amount recognized for maximum net reinsurance.
- As a result of the scheduled biennial review of acute care Medicaid fees for diagnostic radiology services, HHSC determined that certain acute care diagnostic radiology fees should be reduced based on the relation to Medicare fees for the same services and will propose the change effective February 1, 2017.

Rider 50: Other Savings

Current Estimated Savings: \$12.9 million GR

- HHSC expanded the Screening, Brief Intervention and Referral to Treatment (SBIRT) benefit to the adult population in community settings, reducing potential future medical costs.
- HHSC renegotiated more efficient contracts, including reducing the administrative contract profit margin and established rebate provisions where possible.
- The Dental Pay-for-Quality (P4Q) program will be suspended beginning January 1, 2017, as dental partners have partially achieved many of the quality milestones, and HHSC is seeking recoupment of a portion of the P4Q component of the capitation for calendar year 2014 for quality measures not achieved.

Third Party Recoupments

Current Estimated Savings: \$10.5 million GR

- **MCO Encounter Recovery:** HHSC is identifying and seeking recovery for paid encounters which should have been paid by other insurance.
- **Motor Vehicle Pilot:** HHSC is working to recover costs for Medicaid medical claims that should have been paid by the responsible parties auto insurance policies.
- **Behavioral Health Claim Edits:** HHSC is establishing an edit in the claims system to avoid costs for BH claims which should be paid by other insurance.
- **Commercial insurance 3rd party payment recovery:** HHSC is working with a commercial insurance plan to recover claims previously paid through Medicaid that should have been paid by the commercial plan over a six-year period.

Rider 50: Inspector General

Current Estimated Savings: \$25.8 million GR

The HHSC Inspector General (IG) is increasing fraud, waste, and abuse prevention and detection through:

- Increased Hospital Claims Reviews by over 400 percent through a 50 percent reduction in nursing facility reviews, resulting in a net recoupment of \$7.7 million in Fiscal Years 2016 and 2017.
- Increased Acute Care Reviews through efficiencies gained in organizing all nurses in one Deputyship, resulting in a net recoupment of \$5.6 million in Fiscal years 2016 and 2017.
- Conducting Inspections through the new Inspections Deputyship, targeting \$5.5 million in General Revenue cost avoidance.
- Implementing the IG Integrity Initiative through a new collaborative vision for cooperation statewide Medicaid oversight engaging the IG and Medical Providers, MCOs, and any individual that receives Medicaid funding. This will result in savings of at least \$7.0 million in General Revenue in Fiscal Years 2016 and 2017.

Physical, Occupational, and Speech Therapy

Current Estimated Savings: \$58.2 million GR

- Rider 50 assumed savings of \$150 million GR related to Physical, Occupational, and Speech therapy, with \$100 million from reimbursement rate changes and \$50 million from policy changes.
- HHSC will achieve an estimated \$54.4 million in savings based on reductions to capitated rates paid to MCOs.
- Certain policy changes implemented in fee-for-service Medicaid are estimated to save \$3.8 million.
- HHSC does not anticipate achieving the targeted savings due to pending litigation which has enjoined HHSC from implementing proposed rate reductions and pursuing certain policy changes.