



# **Presentation to the House Committee on Public Health**

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Tom Suehs, Executive Commissioner

February 23, 2011

# Agenda

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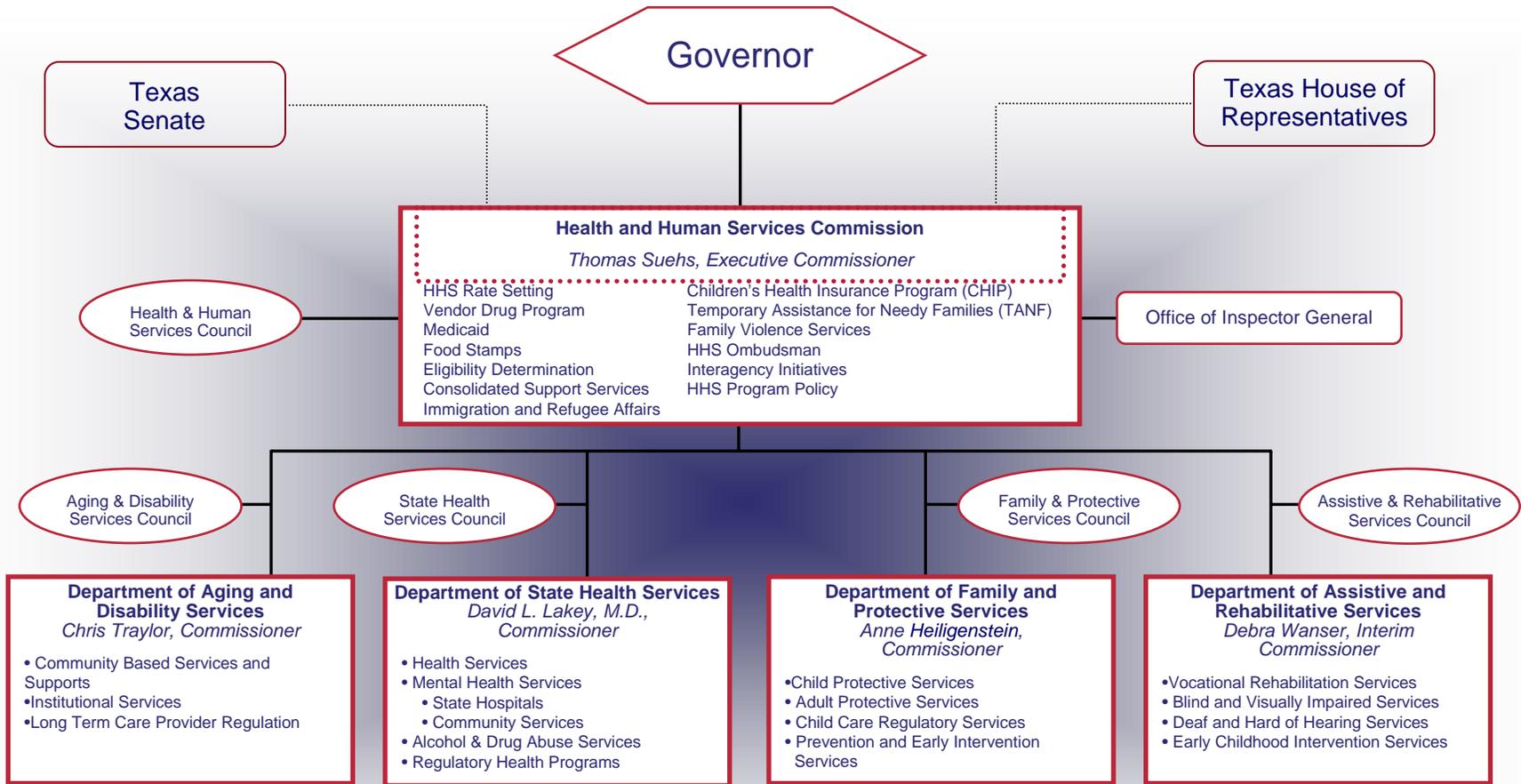
- HHS Overview
- Medicaid Program
- CHIP Program
- Affordable Care Act

# Texas HHS Overview

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- The Texas health and human services system includes five agencies, four of which operate under the oversight of the Health and Human Services Commission.
- Together, these five agencies comprise about 25% of the total state budget and administer more than 200 programs ranging from Medicaid to Child Protective Services to regulatory and licensing functions.

# Overview of HHS Structure



# HHSC Programs & Functions

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## Health and Human Services Commission (HHSC)

- **Program Areas:**
  - Texas Medicaid Program
  - Children's Health Insurance Program (CHIP)
  - Temporary Assistance for Needy Families (TANF)
  - Food Stamps
  - Family Violence Program
  - Immigration and Refugee Affairs
- **2010-11 Appropriations**
  - \$ 35,802.4 billion AF
- **Support functions consolidated at HHSC:**
  - Human Resources
  - Procurement/Contracting for Administrative Services
  - Planning and Evaluation
  - HHS Rate Setting
  - Office of Inspector General
  - Strategic Planning
  - Civil Rights
  - Leasing and Facilities Management
- **Partially consolidated functions:**
  - Financial Services
  - Legal Services
  - Information Technology
  - Ombudsman

# Comparison of Current Biennium with H.B. 1

Description	FY2010-11 Exp/Bud	FY2012-13 Introduced
Goal 1 - HHS Enterprise Oversight & Policy	\$ 1,943,044,218	\$ 1,824,955,815
Goal 2 - Medicaid	\$ 35,367,054,606	\$ 26,021,232,329
Goal 3 - CHIP	\$ 2,227,637,482	\$ 2,102,807,969
Goal 4 - Encourage Self Sufficiency	\$ 658,958,566	\$ 379,249,150
Goal 5 - Program Support	\$ 303,835,557	\$ 308,876,932
Goal 6 - Information Technology	\$ 183,102,676	\$ 141,235,334
Goal 7 - Office of Inspector General	\$ 98,985,329	\$ 92,300,251
<b>TOTAL AGENCY</b>	<b>\$ 40,782,618,434</b>	<b>\$ 30,870,657,780</b>
General Revenue	\$ 13,039,957,279	\$ 12,408,735,610
General Revenue-Dedicated	\$ -	\$ 1,087,828
Other Funds	\$ 699,191,584	\$ 639,482,686
Federal Funds	\$ 23,904,497,437	\$ 17,821,351,656
Federal FMAP Adjustment	\$ 3,138,972,134	
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$ 40,782,618,434</b>	<b>\$ 30,870,657,780</b>
FTEs	\$ 12,440.9	\$ 12,256.7

# H.B. 1 Summary

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- The funding difference between the current biennium and
- H.B. 1 is contained primarily in Client Services for Medicaid
- and CHIP
- H.B. 1 includes the following:
  - Rate reduction of 10 percent for all Medicaid providers – \$1.6 billion GR
    - Rate increases in current biennium considered one-time and also reduced, except minimum wage increases
    - 10 percent reduction is in addition to 1 percent reduction to certain providers implemented in September 2010
  - Additional future Medicaid cost containment efforts (HHSC Rider 61) –
    - \$450 million GR
  - Medicaid Managed care expansion net savings (HHSC Rider 52) –
    - \$367 million GR
  - Medicaid optional services reduction – \$45 million GR
  - Funding from an enhanced federal match that will expire was not replaced
  - No caseload growth was assumed

# Summary of Key Budget Issues

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- Other Medicaid and CHIP Client Services Impacts
  - Affordable Care Act provides no flexibility to reduce caseloads through changes to eligibility criteria
  - Seek funding flexibility from CMS
  - Take every effort to avoid across-the board provider reductions and try to protect access to care

# Summary of Key Budget Issues

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- H.B. 1 eliminates funding for some programs
  - Healthy Marriage Program
  - Faith and Community Based Initiatives (funded in S.B. 1)
  - Alternatives to Abortion (funded in S.B. 1)
  - Guardianship Program
  - Community Resource Coordination Groups/Texas Integrated Funding Initiative (CRCG/TIFI)
  - Office of Acquired Brain Injury
  - Umbilical Cord Blood Bank Grants
  - Children's Hospital Payments for Upper Payment Limit Program
  - *Frew Strategic Initiatives*
    - Physician loan repayments
    - Texas Health Steps laboratory courier service
    - Developmental calendars
    - Texas Health Home Pilot
    - Mobile dental services

# Summary of Key Budget Issues

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- H.B. 1 reduces funding in other HHSC programs
  - Acute Medicaid optional services (\$45 million GR reduced)
  - Nurse Family Partnership Program (50 percent)
  - Office of the Inspector General (16 percent)
  - Medicaid Medical Transportation (33 percent on administration)
  - Ombudsman (21 percent)
  - Office for the Elimination of Health Disparities (No grant funding)
  - Texas Office for the Prevention of Developmental Disabilities (No GR funding)

# Summary of Key Budget Issues

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- **Eligibility Determination**

- Current staffing levels are maintained in FY 2012-2013
- Additional funding needed for certain support services to keep pace with caseload growth, such as enrollment broker services, document imaging, and Lone Star card transaction fees

- **Administrative Reductions**

- H.B. 1 includes an across the board 5 percent administrative reduction
  - To achieve these savings, HHSC will explore various options, including: co-locating and consolidating local offices to achieve lease savings



**Texas Medicaid Program Overview**  
**Charles E. Bell, M.D.**  
**Deputy Executive Commissioner for Health**  
**Services**

# Medicaid Overview

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Medicaid is a jointly funded state-federal program that provides health coverage to low income and disabled people.

- At the federal level, Medicaid is administered by the Centers for Medicare and Medicaid Services (CMS) within the U. S. Department of Health and Human Services.
- At the state level Medicaid is administered by the Health and Human Services Commission (HHSC).
- Federal laws and regulations
  - Require coverage of certain populations and services
  - Allows states to cover additional populations and services
- Medicaid is an entitlement program, meaning:
  - Guaranteed coverage for eligible services to eligible persons
  - Open-ended federal funding based on the actual costs to provide eligible services to eligible persons

# Program Administration

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## **Medicaid State Plan:**

- Each state has a State Plan that constitutes that state's agreement with the federal government on:
  - Who will receive Medicaid services – all mandatory and any optional eligibles;
  - What services will be provided– all mandatory and any optional services;
  - How the program will be administered;
  - Financial Administration of the program; and
  - Other program requirements.
- State Plan Amendment (SPA):
  - Required to change existing optional coverages or other components of the program.
  - Must be submitted to CMS for approval.
  - Must be approved by CMS to ensure the federal matching funds will be provided to the program.

# Program Administration

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## **Waivers:**

- Waivers provide states with options for their Medicaid programs.
- Federal law allows states to apply to CMS for permission to deviate from certain Medicaid program requirements through waiver applications.
- States typically seek waivers to:
  - Provide different kinds of services;
  - Provide Medicaid to new groups;
  - Target certain services to certain groups; and
  - Test new service delivery and management models.

# Medicaid Eligibility

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- Eligibility factors include:
  - Family income;
  - Age; and
  - Other factors such as being pregnant or disabled or receiving TANF.

# Medicaid Eligibility

- Medicaid serves:

- Low-income families
- Children
- Related caretakers of dependent children
- Pregnant women
- Elderly
- People with disabilities

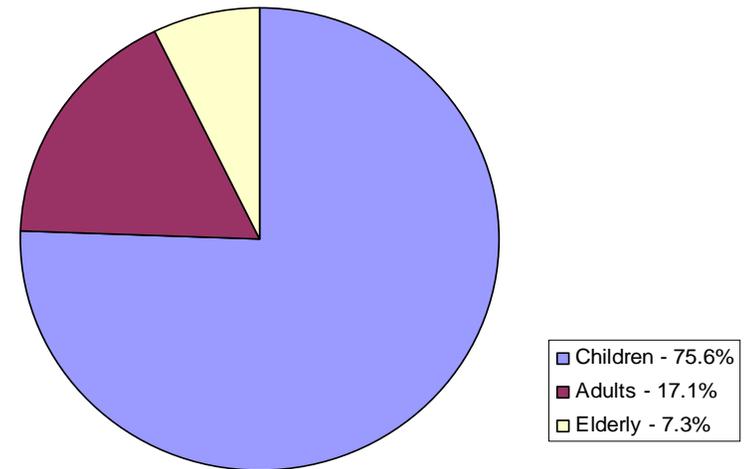
- The Medicaid population is comprised primarily of children. In FY 2010 there were:

- Children: 2.5 million
- Adults: 561,155
- Elderly: 239,904

- Texas Medicaid does not serve:

- Non-disabled, childless adults

Medicaid Population - Total 3.2 Million



# Who Does Medicaid Serve?

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- The federal government requires that people who meet certain criteria be eligible for Medicaid.
  - These are “mandatory” and all state Medicaid programs must include these populations.
- The federal government also allows states to cover additional individuals and still receive the federal share of funding. These are “optional” Medicaid eligibles.
  - Texas covers some “optional” populations.
- The Affordable Care Act contains a maintenance of effort provision that prohibits states from reducing eligibility standards that were in effect on March 23, 2010.
  - This applies to optional populations.
  - This provision is in effect for adults until January 1, 2014, and for children, including children in CHIP, until September 30, 2019.

# What Services Does Medicaid Provide?

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Medicaid provides acute services and long term services and supports.

- **Acute Care**

- Provision of health care to eligible recipients for episodic health care needs, including: physician, hospital, pharmacy, laboratory, and x-ray services.

- **Long Term Services and Supports**

- Care for people with long term care needs and chronic health conditions that need ongoing medical care, and often social support.
- Many of the services provided assist persons with activities of daily living, such as eating, dressing and mobility. This includes care in facilities such as nursing homes.
- Nursing facility care is a mandatory benefit.
- Texas provides community care to many LTSS clients through federal waivers.

# What Services Does Medicaid Provide?

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The Federal Government requires certain mandatory services be delivered to individuals in Medicaid. All services that are medically necessary are mandatory for children, even services considered optional for adults. Mandatory Medicaid services include:

- Laboratory and x-ray services
- Physician services
- Medical and surgical services provided by a dentist
- Early Periodic Screening, Diagnosis and Treatment (EPSDT) also known as Texas Health Steps for children under age 21
  - Check-up includes: medical history, complete physical exam, assessment of nutritional, developmental and behavioral needs, lab tests, immunizations, health education, vision and hearing screening, referrals to other providers as needed.
- Inpatient hospital services
- Outpatient hospital services
- Family planning services and supplies
- Federally qualified health centers
- Nurse midwife services
- Certified pediatric and family nurse practitioner services
- Home health care services
- Medical transportation services
- Nursing facility services for individuals 21 or over
- Rural health clinic services

# What Services Does Medicaid Provide?

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Optional services provided for adults in Texas include:

- Adult Prescription Drugs
- Medical care or remedial care furnished by other licensed practitioners
  - Nurse Practitioners/Certified Nurse Specialists
  - Certified Registered Nurse Anesthetists
  - Physician Assistants
  - Psychology
  - Licensed Professional Counselors
  - Licensed Marriage and Family Therapists
  - Licensed Clinical Social Workers
  - Podiatry
  - Chiropractic
  - Optometry, including eyeglasses and contacts

# What Services Does Medicaid Provide?

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## Optional Services Continued:

- Primary care case management
- Clinic services (maternity)
- Hearing instruments and related audiology
- Intermediate care facility services for the mentally retarded (ICF/MR)
- Inpatient services for individuals 65 and over in an institution for mental diseases (IMD)
- Home and community based services
- Rehabilitation and other therapies
  - Mental health rehabilitation
  - Rehabilitation facility services
  - Substance Use Disorder Treatment
  - Physical, occupational, and speech therapy
- Targeted Case Management
- Services furnished under a Program of All-Inclusive Care for the Elderly (PACE)
- Hospice Services
- Renal dialysis

# How are Services Provided?

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The Texas Medicaid program provides services to Medicaid eligible individuals through a variety of different “delivery models.”

- Fee for Service (Traditional Medicaid)
- Managed Care:
  - **Managed Care Models in Texas:**
    - Primary Care Case Management (PCCM)- non capitated
    - Health Maintenance Organizations (HMO)- capitated
  - **Managed Care Programs in Texas:**
    - PCCM - Managed care model that provides a medical home for Medicaid clients through primary care providers
    - STAR (State of Texas Access Reform) – Acute Care HMO
    - STAR+PLUS – Acute & Long-Term Services and Supports HMO
    - NorthSTAR – Behavioral Health Care HMO
    - STAR Health – Comprehensive managed care program for children in Foster Care



# Texas CHIP Program Overview

# CHIP Overview

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- CHIP is a joint state-federal program that provides medical coverage to eligible children up to age 19, who are not already insured
  - The federal government pays 72.39% of CHIP medical care expenditures
- Federal law and regulations:
  - Requires each state to set eligibility guidelines, service levels, and delivery systems
  - Requires each state to operate a state plan listing these elements
- CHIP is not an entitlement program.
- 527,000 CHIP clients were served per month in FY 11 (YTD)

# CHIP Eligibility

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- **CHIP serves:**
  - Uninsured children under age 19
  - Net income up to 200% FPL
  - U.S. citizens or legal permanent residents
  - Not eligible for Medicaid
- **Families with income above 150% FPL must meet assets criteria:**
  - Assets below \$10,000
  - One vehicle is exempt up to \$18,000; additional vehicles are exempt up to \$7,550
- **Eligibility is determined for a 12- month period; income verification at six months for families at 185% FPL and above**

# CHIP Cost Sharing

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- CHIP has an annual enrollment fee and co-payment requirements for most clients which vary based on family income levels
  - The annual enrollment for families from 150% - 185% FPL is \$35
  - The annual enrollment fee for families from 185% - 200% FPL is \$50
  - Based on family income, co-pays for office visits range from \$3 up to \$16; co-pays for non-emergency emergency room visits range from \$3 up to \$50; and co-pays for brand-name drugs go up to \$25



# Affordable Care Act

# ACA Current Status

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- Twenty-six states including Texas filed suit in federal district court claiming that the ACA violates the U.S. Constitution and that the court should halt ACA's implementation or enforcement.
- On January 31, 2011, a federal judge ruled in favor of the plaintiffs on the original mandate claim. The court held that because the individual mandate was not severable from the rest of the Act, the entire Act was invalid. No appeal filed to date.

# Medicaid Expansion: Caseload Impact

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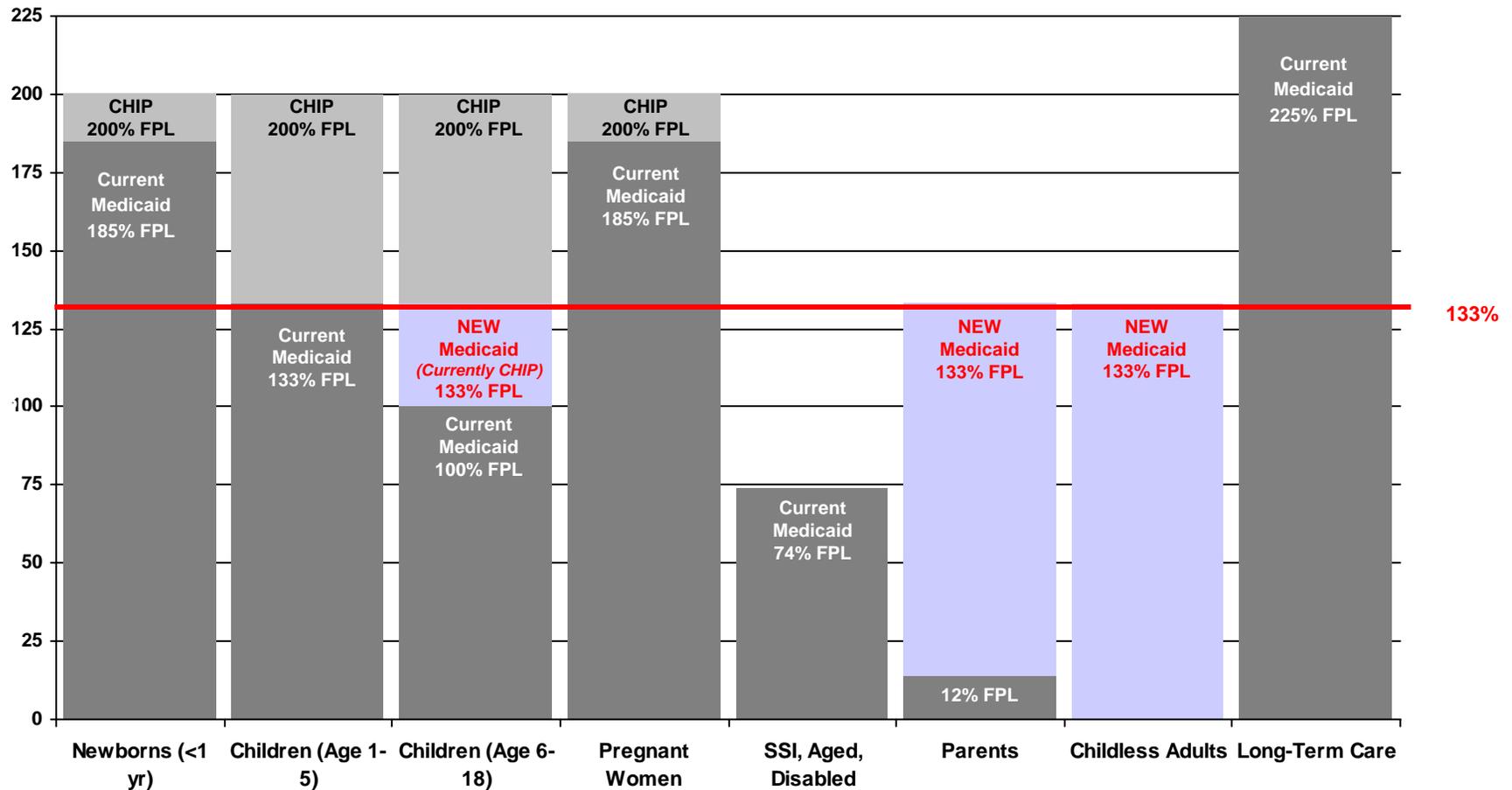
- **ACA expands Medicaid eligibility to individuals under age 65 with incomes up to 133% of the Federal Poverty Limit (FPL)**
  - Income deduction allowance of five percentage points creates effective eligibility level of 138% FPL
- **New client populations in Texas include:**
  - Parents and caretakers 12%- 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

# Medicaid Expansion: Caseload Impact

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

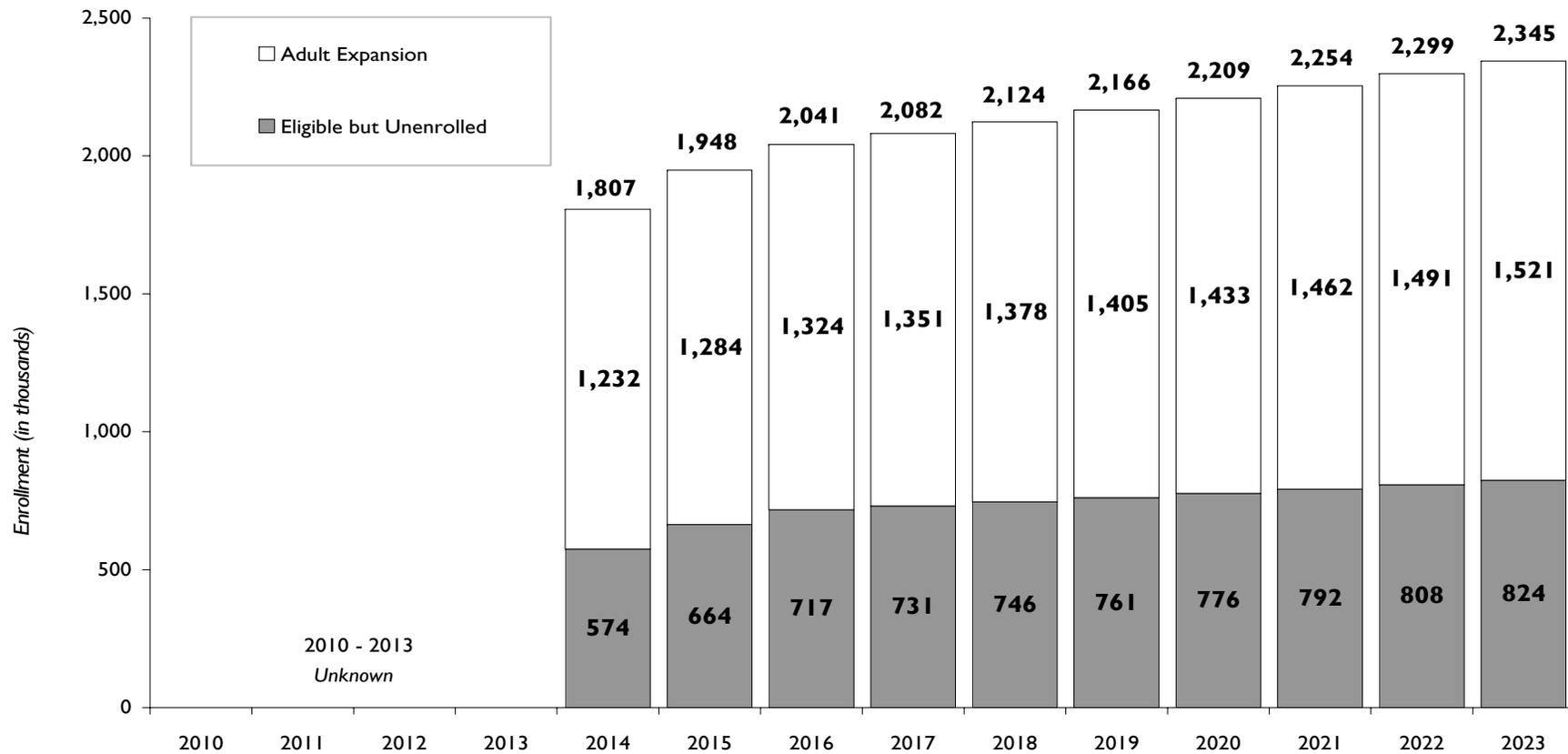
# Medicaid/CHIP Eligibility Levels Current & Future (2014)



# Medicaid Expansion: Caseload Impact

## 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

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## 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 at a cost of no more than \$2 million general revenue per year

# Medicaid Expansion: Major Policy Considerations

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- When to Implement Medicaid Expansion
  - States may opt to expand Medicaid coverage to 133% FPL on or after April 1, 2010 without a waiver at regular Federal Financial Participation (FFP)
  - Expansion is mandatory in 2014
- Medicaid Expansion Benchmark Benefit Plan
  - States are required to create a benchmark benefit package for newly eligible Medicaid groups by January 2014.
    - Benchmark packages include the federal employees Blue Cross preferred provider plan, plans offered or available to state employees, the plan of the HMO in the state with the largest non-Medicaid enrollment, or any other plan approved by the Secretary
  - This could result in different benefit packages for existing and expansion Medicaid populations
  - Potential differences in current Texas Medicaid benefits and a benchmark plan include:
    - Prescription Drug Limit
    - In-Patient Hospitalization Limits
    - Mental Health Benefits