

CENTER *for* PUBLIC POLICY PRIORITIES

CPPP PERSPECTIVE:

Texas Medicaid's 25-year Managed Care and Delivery Transformation Story: the Good, and the Somewhat Ugly

ANNE DUNKELBERG

CCPP ASSOCIATE DIRECTOR, DUNKELBERG@CCPP.ORG

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TEXAS MEDICAID : MANY POLICIES DIRECTLY UNDERMINE OUTCOME- AND QUALITY-BASED DELIVERY REFORM EFFORTS

- Medicaid Managed Care launched in 1993; today all but a small # of Texans with disabilities are in risk-based HMOs
- Despite progress, inadequate progress on HMO oversight and accountability.
- Massive HMO profits and power: e.g., over \$700 million in “retained earnings” for FY 2015

1115 “Transformation” Waiver: UC and DSRIP

- 2011-approved 1115 waiver allowed TX to continue “supplemental” uncompensated care payments to hospitals despite near-100% HMO enrollment. All-Funds ~ \$6 Billion/yr
- Over 1,200 DSRIP projects statewide (20 RHPs) make formal evaluation and consumer watchdog role tough
- UC pool is OUTSIDE Medicaid Managed Care premium structure
- DSRIP innovations are OUTSIDE Medicaid Managed Care premiums and policy

Other undermining factors

- Exclusion of most adults from Medicaid
- Deliberate use of enrollment/eligibility policy barriers that create gaps in coverage for children
- Medicaid Managed Care rates that are based on deeply inadequate FFS rates, and irrational spending allocations across eligibility populations and provider types

4.5 million Texans remain uninsured (2016)

Texas has the highest number *and* percent of uninsured

But We Have Made Historic Progress!

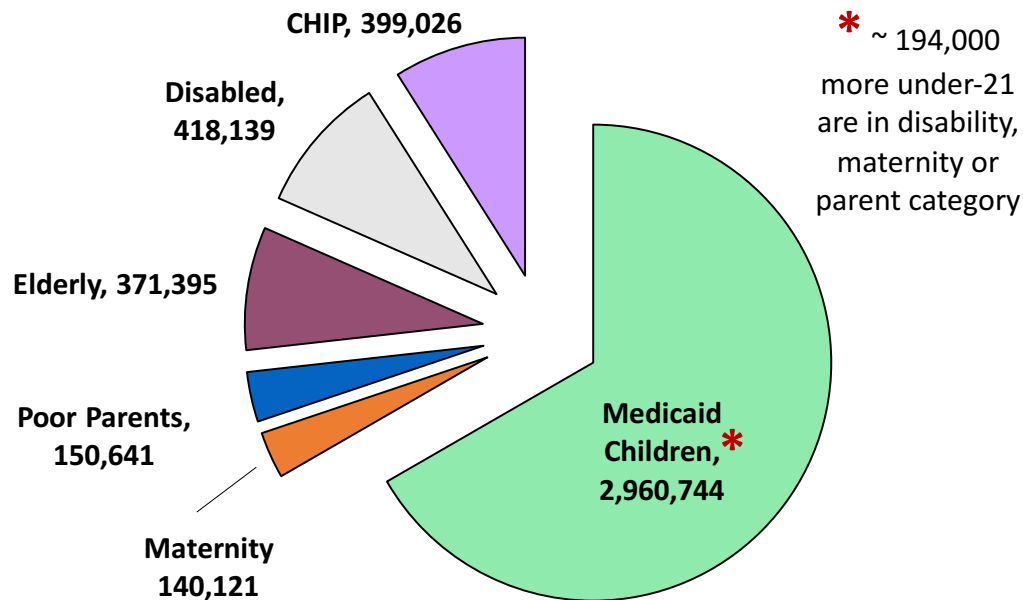
Over 1.2 million fewer uninsured Texans in 2016 than in 2013, thanks to the Affordable Care Act (ACA).

- 2013 = 5.7 million Texans (22.1 percent)
 - 2014 = 5.0 million Texans (19.1 percent)
 - 2015 = 4.6 million Texans (17.1 percent)
 - **2016 = 4.5 million Texans (16.6 percent)**
- From 2013 to 2016, a drop of 5.5 percentage points; and
 - Since 1999, prior to ACA Texas never had a one-year improvement of even a *single* percentage point.

Sources:

- Center for Public Policy Priorities, 9/2017. "[Gap between Texas and U.S. in Health Coverage Continues to Widen, Census Shows.](#)" Austin, TX
- US Census, "[Income, Poverty and Health Insurance Coverage in the United States: 2016.](#)" September 12, 2017.

Texas Medicaid/CHIP: Children, Texans with Serious Disability, Poor Seniors, Pregnant Women, Very few Parents



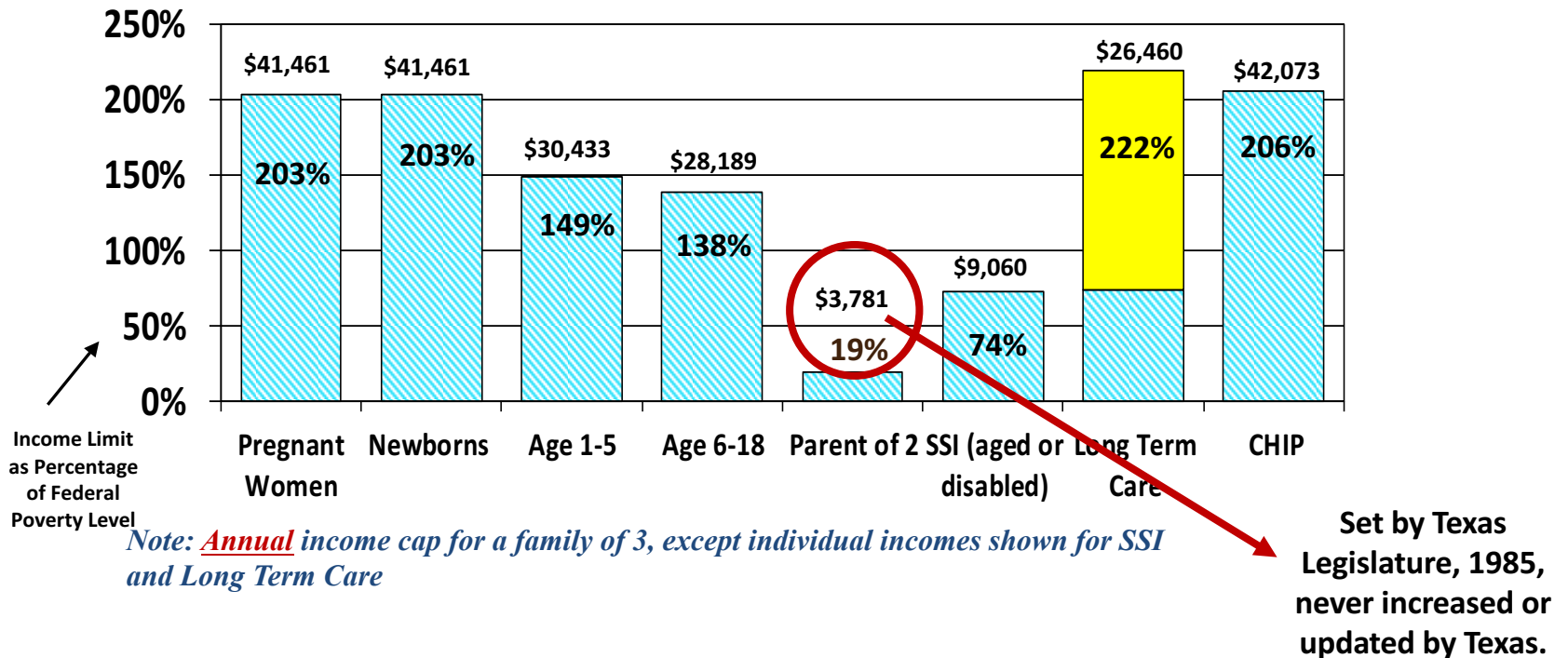
June 2017, HHSC data

Source: Center for Public Policy Priorities, HHSC data.

Total Enrolled:
(as of June 2017)
4.4 million Texans
Of these,
3.4 million are children
(~45% of Texas kids)

Why 3 million children, only 150,000 Parents?

Income Caps for Texas Medicaid and CHIP, 2017



Source: HHSC data, Center for Public Policy Priorities.

Current Managed Care Programs

- ◆ STAR
- ◆ STAR+PLUS
- ◆ STAR Kids
- ◆ STAR Health
- ◆ Children's Medicaid Dental Services (CMDS)
- ◆ Dual Eligible Integration Care Project (called the Dual Demonstration)



TEXAS Managed Care Service Areas

(Effective Fall 2016)

STAR Health (statewide) – Superior
CHIP RSA (MRSA Service Areas + Hidalgo) – Molina, Superior

LUBBOCK

STAR - Amerigroup, FirstCare, Superior
STAR+PLUS - Amerigroup, Superior
STAR Kids - Amerigroup, Superior
CHIP - FirstCare, Superior

MRSA WEST

STAR - Amerigroup, FirstCare, Superior
STAR+PLUS - Amerigroup, Superior
STAR Kids - Amerigroup, Superior

EL PASO

STAR - El Paso First, Molina, Superior
STAR+PLUS - Amerigroup, Molina
STAR Kids - Amerigroup, Superior
CHIP - El Paso First, Superior

TRAVIS

STAR - Blue Cross and Blue Shield of Texas, Sendero, Seton, Superior
STAR+PLUS - Amerigroup, United
STAR Kids - Blue Cross and Blue Shield of Texas, Superior
CHIP - Blue Cross and Blue Shield of Texas, Sendero, Seton, Superior

BEXAR

STAR - Aetna, Amerigroup, Community First, Superior
STAR+PLUS - Amerigroup, Molina, Superior
STAR Kids - Community First, Superior
CHIP - Aetna, Amerigroup, Community First, Superior

HIDALGO

STAR - Driscoll, Molina, Superior, United
STAR+PLUS - Cigna-HealthSpring, Molina, Superior
STAR Kids - Driscoll, Superior, United

STAR - Aetna, Amerigroup, Cook Children's
STAR+PLUS - Amerigroup, Cigna-HealthSpring
STAR Kids - Aetna, Cook Children's
CHIP - Aetna, Amerigroup, Cook Children's

TARRANT

DALLAS

STAR - Amerigroup, Molina, Parkland
STAR+PLUS - Molina, Superior
STAR Kids - Amerigroup, Children's Medical Center
CHIP - Amerigroup, Molina, Parkland

MRSA NORTHEAST

STAR - Amerigroup, Superior
STAR+PLUS - Cigna-HealthSpring, United
STAR Kids - Texas Children's, United

MRSA CENTRAL

STAR - Amerigroup, Scott and White, Superior
STAR+PLUS - Superior, United
STAR Kids - Blue Cross and Blue Shield of Texas, United

JEFFERSON

STAR - Amerigroup, Community Health Choice, Molina, Texas Children's, United
STAR+PLUS - Amerigroup, Molina, United
STAR Kids - Texas Children's, United
CHIP - Amerigroup, Community Health Choice, Molina, Texas Children's, United

HARRIS

STAR - Amerigroup, Community Health Choice, Molina, Texas Children's, United
STAR+PLUS - Amerigroup, Molina, United
STAR Kids - Amerigroup, Texas Children's, United
CHIP - Amerigroup, Community Health Choice, Molina, Texas Children's, United

NUECES

STAR - Christus, Driscoll, Superior
STAR+PLUS - Superior, United
STAR Kids - Driscoll, Superior
CHIP - Christus, Driscoll, Superior

RSA: Rural Service Area
MRSA: Medicaid Rural Service Area



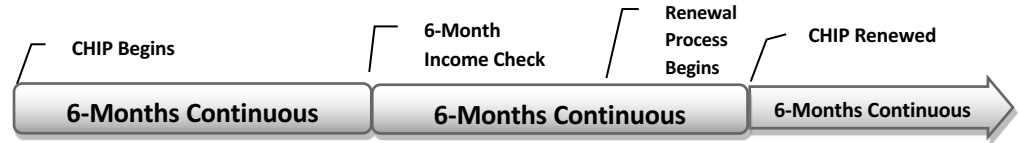
Map Prepared by: Strategic Decision Support Department,
Texas Health and Human Services Commission, MRL
October 1, 2015



Certification Periods for Kids Undermine Value-Based Efforts

- The ACA requires Medicaid and CHIP to have certification periods of 12 months. Prior to the ACA Texas only had 12 month certification periods for CHIP.
- **Since ACA passage, Texas Legislature chose not to align the CHIP and Medicaid policies.**
- **Result:** During the second six months of the Children’s Medicaid certification a change in circumstance can impact a child’s eligibility.
- HHSC also periodically checks income sources to evaluate if a change in income that would effect eligibility may have occurred.

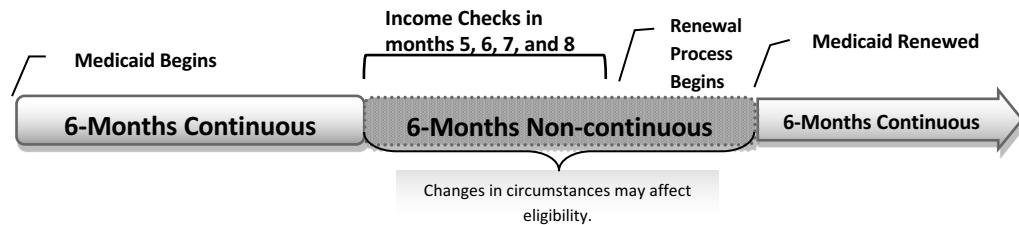
CHIP Above 185% of the FPL



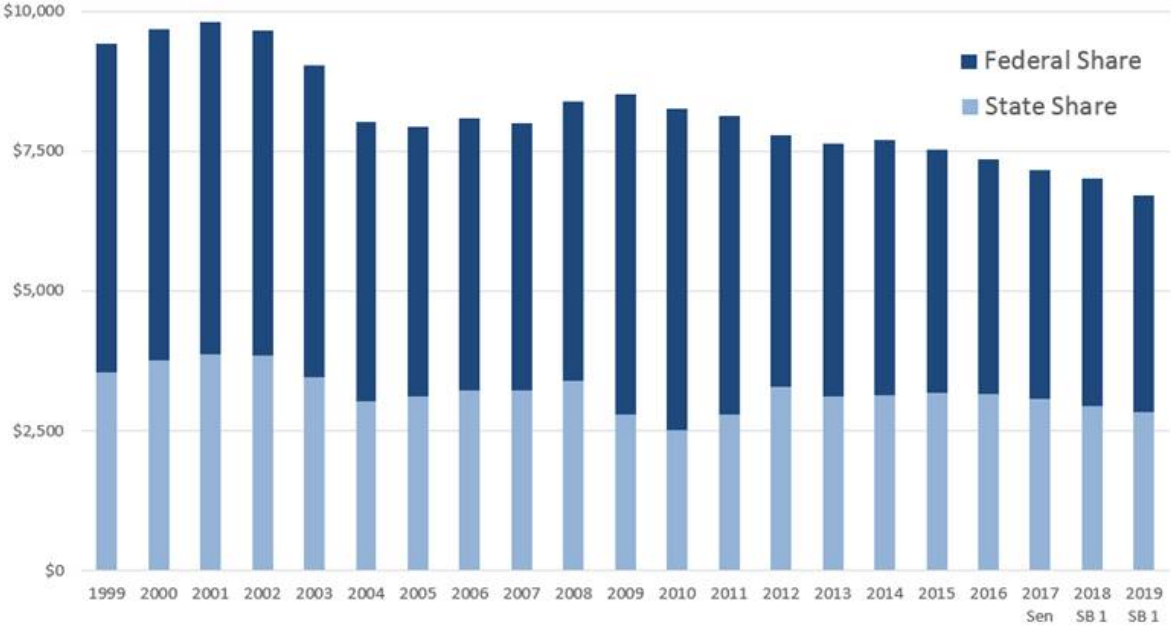
CHIP At or Below 185% of the FPL



Children’s Medicaid



**Texas State Budget Medicaid Spending Per Enrollee,
Adjusted for Medical Inflation (to 2016) & CPI Forecast**



"State Budget" spending excludes DSH, UPL, UC, and DSRIP. Enrollees are average monthly clients enrolled in fee-for-service or managed care. Medical inflation is US City Average, Medical Care series, CPI Chained Index, Annual Average. CPI is U.S. Consumer Price Index, adjusted to state fiscal year by Texas Comptroller.

**Texas has
strictly
limited
per capita
Medicaid
spending
growth**

CPPP analysis of Texas HHSC, LBB, and CPA data

Texas Enrollee Medicaid Spending Varies by Category

State Ranking of Medicaid Spending (Federal and State) per Full Benefit Enrollee, FY

2011

#	Total	Children	Adults*	Disabled	Aged
1	MA \$11,091	VT \$5,214	NM \$6,928	NY \$33,808	WY \$32,199
2	NY \$10,307	AK \$4,682	MT \$6,539	CT \$31,004	ND \$31,155
3	RI \$9,541	NM \$4,550	AK \$6,471	AK \$28,790	CT \$30,560
4	AK \$9,481	RI \$4,290	AZ \$6,460	ND \$28,692	NY \$28,336
5	DC \$9,083	MA \$4,173	VT \$6,062	DC \$28,604	DE \$27,666
11	MD \$7,878	TX \$3,010	KY \$5,055	OH \$21,892	MN \$25,030
22	VA \$6,477	MA \$2,528	TX \$4,371	VA \$18,952	MS \$18,592
26	KS \$6,267	TN \$2,470	OH \$4,225	TX \$17,709	KS \$18,328
36	TX \$5,668	IA \$2,116	WI \$3,765	MT \$16,352	TN \$15,745
40	HI \$5,506	LA \$2,082	OK \$3,551	LA \$15,099	TX \$14,739
47	AL \$4,976	NV \$1,940	FL \$2,993	MS \$12,960	CA \$12,019
48	FL \$4,893	MI \$1,926	CA \$2,855	KY \$12,856	UT \$11,763
49	IL \$4,682	IN \$1,858	NV \$2,367	SC \$12,830	IL \$11,431
50	GA \$4,245	FL \$1,707	ME \$2,194	GA \$10,639	NC \$10,518
51	NV \$4,010	WI \$1,656	IA \$2,056	AL \$10,142	NM N/A
U.S. Average	\$6,502	\$2,492	\$4,141	\$18,518	\$17,522

* Includes low-income parents and pregnant women.

- Texas' spending per enrollee was 36th overall, though spending per enrollee varied by eligibility category
- Texas spent more than most states on Children (\$3,010 vs. US, \$2,492)
- Texas spent less than most states on the Aged (\$14,739 vs. US, \$17,522)
- Texas' Adult and Disabled spending were on par with national averages

Source: Manatt analysis of Kaiser Family Foundation data. Available at: <http://kff.org/medicaid/issue-brief/medicaid-per-enrollee-spending-variation-across-states/>
New Mexico's spending per aged enrollee was not available.

Texas Medicaid Provider Payments

State Budget Fails to Fully fund Medicaid-CHIP enrollment growth and/or cost growth/inflation

Medicare physician payments, though imperfect, are annually adjusted.

Texas Medicaid physician payments have not had annual updates for over 20 years

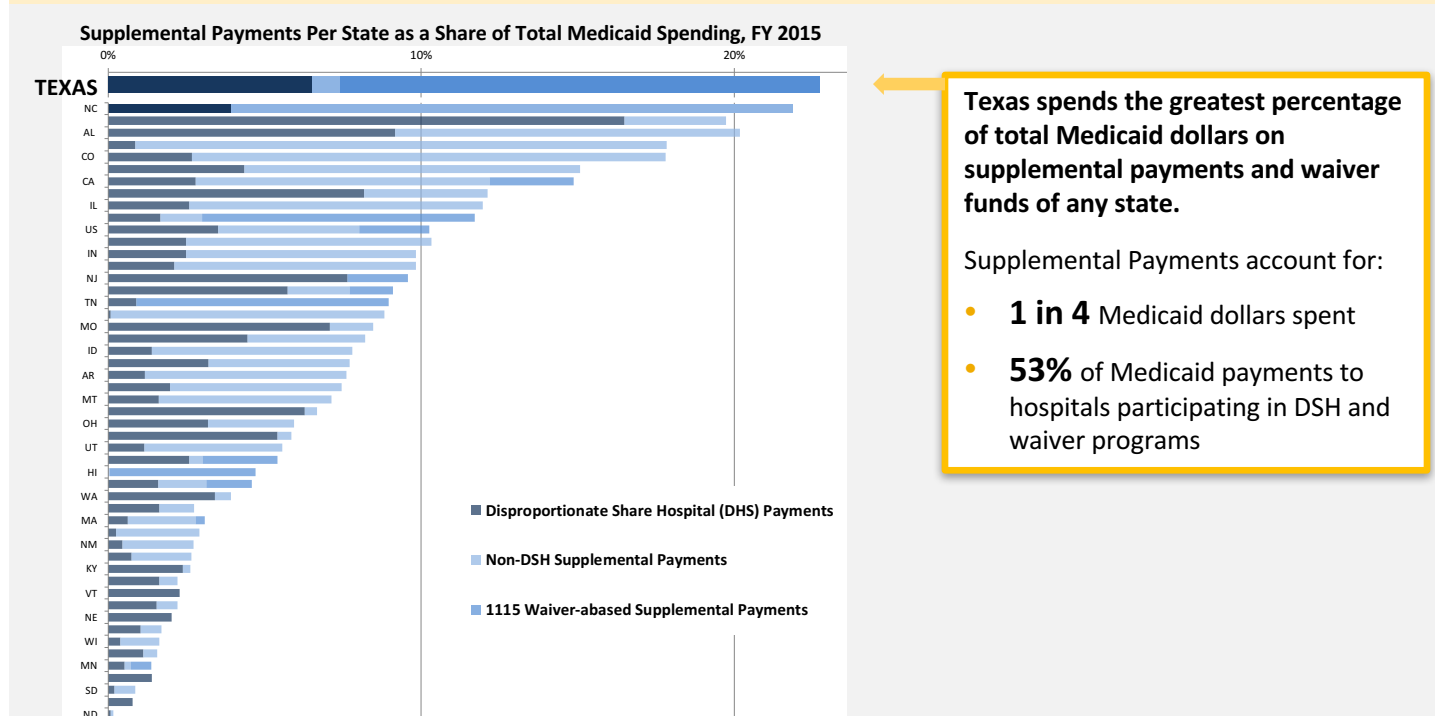
- Annual updates frozen in 1993 and never resumed
- Since then, 3 legislative increases (99, 2001, 2007) and 4 cuts (2003, 2010, 2011, 2012)

Texas Medicaid Hospital payments are more complex, but like physician rates they stopped getting regular updates in the 1990s and pay far less than actual costs (average 55% for inpatient, 72% for outpatient).

Allowing provider rates to fall further and further behind actual costs of care has been a budget-balancing tool, which takes a toll on access to care.

Capped Funding, Waivers, and Supplemental Payments

Supplemental payments are a major revenue source for Texas hospitals, but treatment of supplemental payments under funding caps is unclear



Source: Mann, C., Bachrach, B., Lam, A., and Codner, S., "Integrating Medicaid Supplemental Payments into Value-Based Purchasing," The Commonwealth Fund, November 2016. Available at: <http://www.commonwealthfund.org/publications/fund-reports/2016/nov/medicaid-supplemental-payments>. MACPAC, 2016, analysis of CMS-64 FMR net expenditure data as of May 24, 2016 and CMS-64 Schedule C waiver report data as of August 2, 2016.

Challenges/What's Needed for Medicaid Innovation Success:

A high degree of commitment to aligning Medicaid budget decisions and policies to support, not undermine, value/outcome-based system transformation.

Adequate support/capacity for independent expertise that can be trusted by decision-makers - freeing advocates from risk of being shills for providers or for health plans.

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Center for Public Policy Priorities
7020 Easy Wind Drive, Suite 200
Austin, TX 78752
P 512.320.0222 F 512.320.0227

About CPPP:



CPPP was born from faith and a vision of social justice in 1985 when a Congregation of Benedictine Sisters in Boerne, Texas, founded the center to improve health care access for the poor.

