

Managed Care is the Prescription for a Healthier Medicaid Future

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This year marks the 50th anniversary of the Medicaid program. The occasion comes at a time of heated debate about the future of the nation's primary safety net. Here in the Lone Star State, policy makers continue to confront pivotal questions about the direction of the Texas Medicaid program. Should it be reformed? Expanded? Reined in? How do we address the remaining uninsured? How do we protect the hospital safety net?

While these discussions are sure to continue, a close look at the facts and trends of the past few years in Texas reveals a prescription that works: Medicaid managed care.

In the early 1990s, Texas began maximizing flexibility by initiating a shift from its traditional model of operating Medicaid—the fee-for-service (FFS) model—to the managed care approach. Under this approach, Texas Medicaid contracts with health insurance plans that have proven track records of controlling costs while boosting access and quality of coverage. The health plans assume all risk of costs when they take on the responsibility of managing Medicaid. In return, the federal government gives the state flexibility to allow health plans to create innovative care solutions not previously allowed under the federally controlled FFS program.

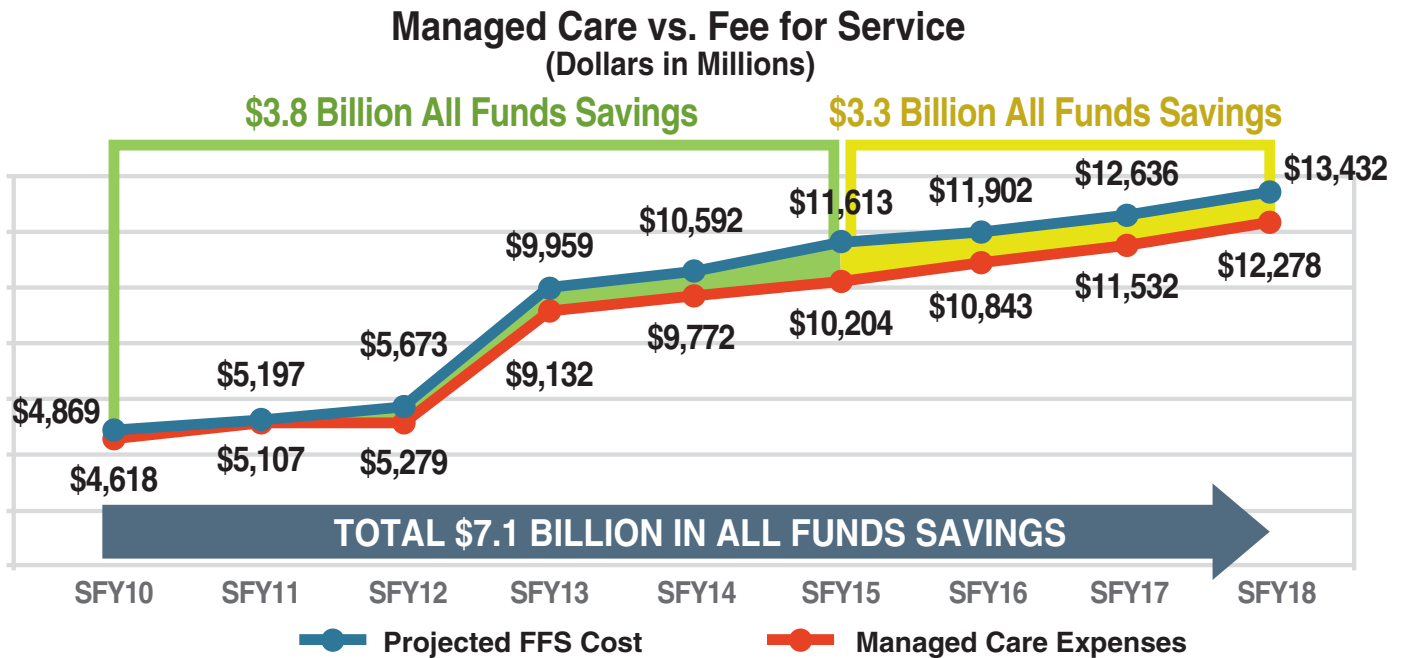
How Managed Care Works

Traditional Medicaid (FFS)	Medicaid Managed Care	Traditional Medicaid (FFS)	Medicaid Managed Care
<p>OVERVIEW Non-capped model based on volume of services provided – encourages overutilization of services, no state budget certainty (state assumes financial risk)</p> <p>PROVIDER CONTRACTING Providers contract with the state</p> <p>REIMBURSEMENT Providers contract with HHSC and are reimbursed based on FFS rates established by the state for each Medicaid service (state fee schedule)</p>	<p>OVERVIEW Full-risk capitated model – encourages appropriate utilization of services and quality improvement, provides the state budget certainty (MCO assumes risk and is held responsible for outcomes and cost of services)</p> <p>PROVIDER CONTRACTING Providers contract with MCOs</p> <p>REIMBURSEMENT Providers contract directly with MCOs, and both parties negotiate the provider's reimbursement rate (allows for quality-based payment arrangements)</p>	<p>BENEFITS Medicaid-covered services only</p> <p>PROVIDER NETWORK & REFERRALS Clients can go to any health care provider enrolled by HHSC as a Medicaid provider without a referral (services not coordinated)</p> <p>Clients are left to find providers on their own</p> <p>CARE COORDINATION Limited to individuals in certain FFS programs</p>	<p>BENEFITS Medicaid-covered services + cost-effective value added services</p> <p>PROVIDER NETWORK & REFERRALS Consumer is guaranteed a network of providers, and MCOs are available to assist consumers with locating a provider and scheduling appointments</p> <p>CARE COORDINATION MCOs provide service/care coordinators for any member with a need or upon request</p>

Improving Health Care While Saving Money

It's these solutions that have truly improved care through Texas Medicaid managed care while saving taxpayer dollars. For example, Cigna HealthSpring, in Hidalgo and Tarrant counties, discovered that most of its top 5-percent-most-expensive members, also called super-utilizers, have a common denominator: mental health and substance abuse disorders. Cigna HealthSpring created a new program under which these patients can live as independently as possible in their community. Not only did inpatient hospital admissions fall 90%, the initial group of participants saw a marked improvement in their quality of life and a 45% decrease in their monthly medical expenses.

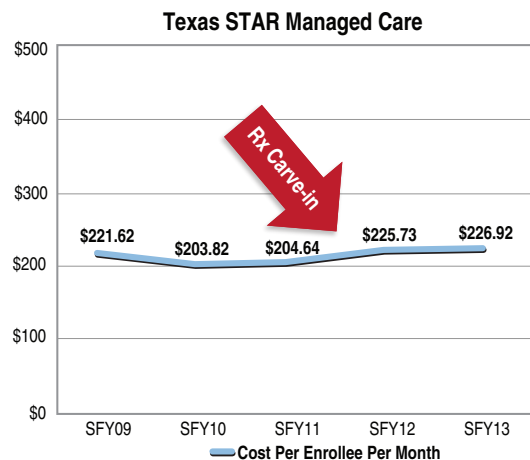
Since Texas began embracing the managed care approach, the numbers and outcomes paint a clear picture: flexibility has created a remarkably successful partnership between Texas and the health plans that manage Medicaid. Compared to the FFS model it replaced, the managed care approach has saved the state \$4 billion over a six-year period. Over the next three years, it is expected to save an additional \$3.3 billion. For the STAR program—Texas Medicaid's largest managed care program, with 2.7 million consumers—costs grew only 2.2% from 2009 to 2013 while national health care costs grew nearly seven times as much, or 15%, over the same period of time.



Source: Texas Medicaid Managed Care Cost Impact Study: Milliman, February 2015.

MCOs Contain Costs for Taxpayers

- Texas Medicaid's largest managed care program is STAR with 2.7 million consumers
- Costs grew only 2.2% from FY09 to FY13
- National health care costs grew 7x's as much, or 15%, over the same period



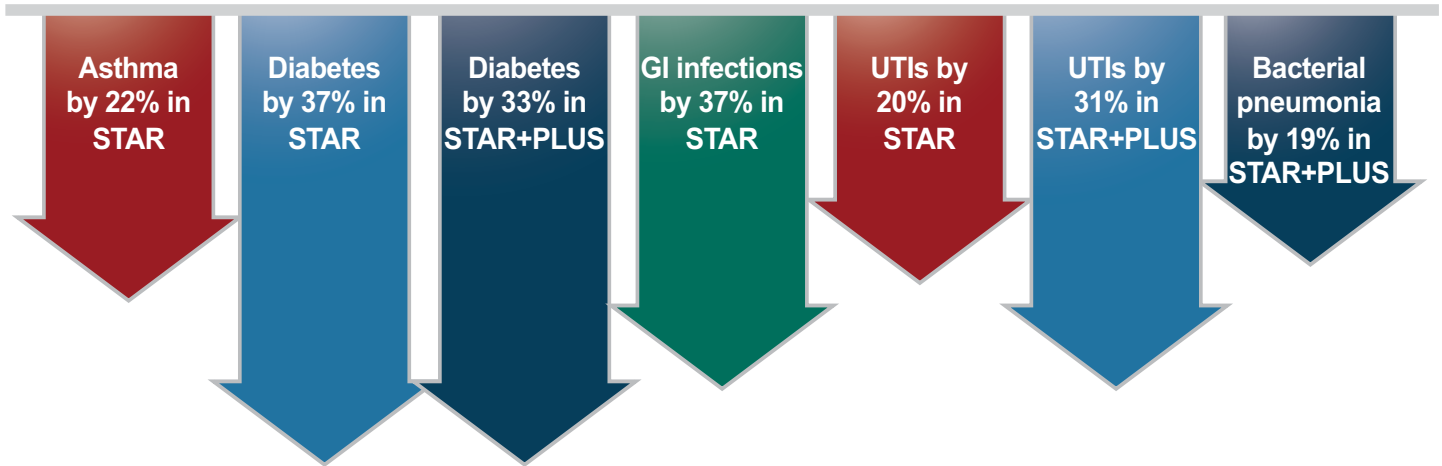
Saving Lives Through Integrated & Coordinated Care

Just as important, lives are being saved and improved due to integrated and coordinated care. Hospital admissions are down anywhere from 20 to nearly 40 percent for some of the most common—and preventable—conditions: asthma, diabetes, GI infections and more. Child “well visits” and childhood immunizations are surpassing national standards. Beneficiaries are

also feeling more confident about the quality of their coverage and access to care. More than 80 percent of Texas families with children in managed care report an overall positive experience with their health plan and more than 90 percent report having access to their primary care provider.

MCOs Improved Quality of Care

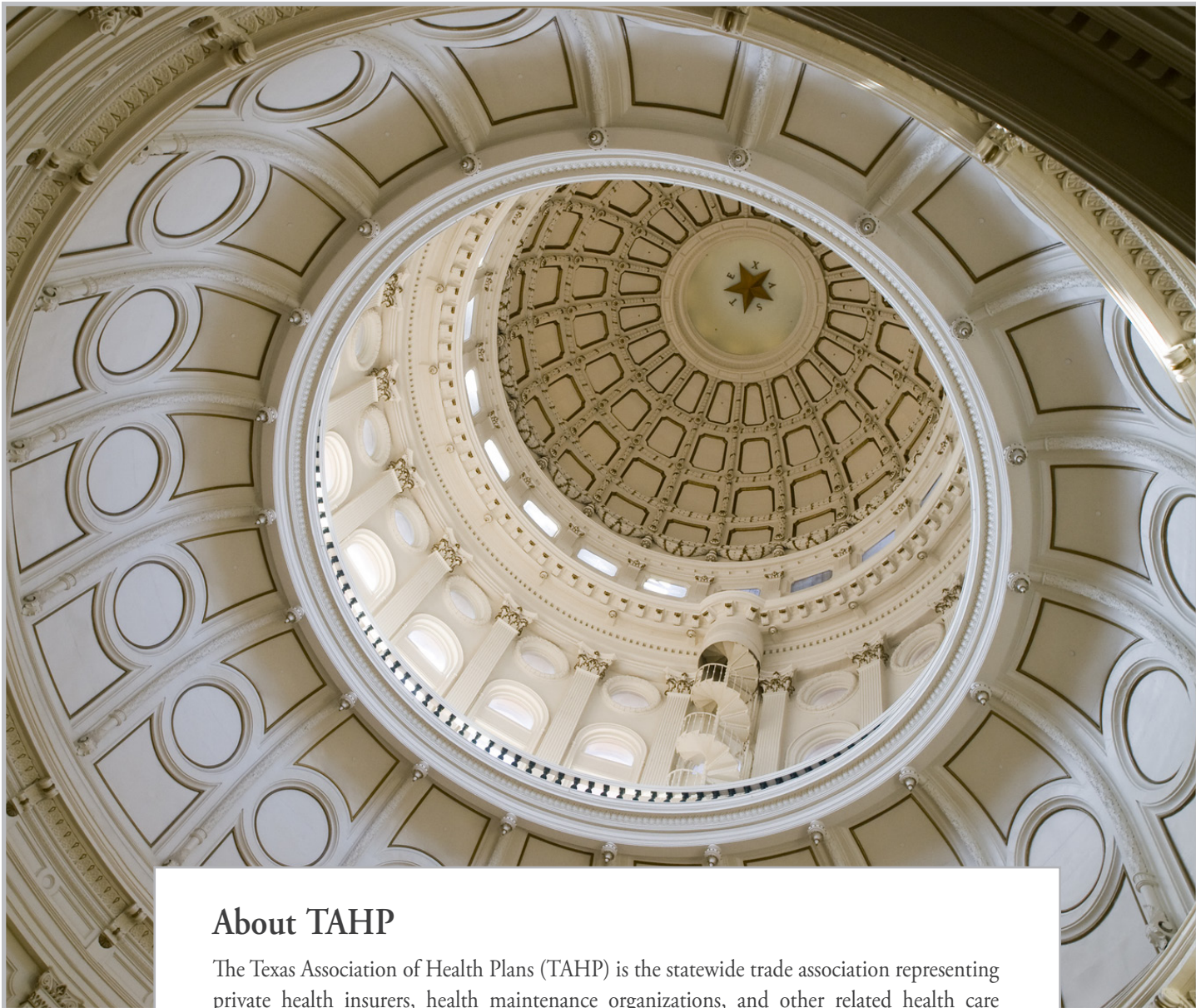
Between 2009 and 2011,
MCOs reduced hospital admissions for:



Texas has saved dollars and lives through Medicaid managed care, and it has done so independently and innovatively—making the most of the managed care model. With greater flexibility, Texas can

continue to achieve significant savings for taxpayers and healthier outcomes for the millions of Texans who depend on this critical program.





About TAHP

The Texas Association of Health Plans (TAHP) is the statewide trade association representing private health insurers, health maintenance organizations, and other related health care entities operating in Texas. As the voice for health plans in Texas, TAHP strives to increase public awareness about our members' services, health care delivery benefits and contributions to communities throughout the state.

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