



The Texas Association of Health Plans

What Does it Mean to Manage Care: A Primer on Medicaid MCOs

October 21, 2015

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The Texas Association of Health Plans

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.

- Health plans - employer-sponsored coverage, the individual insurance market, and public programs such as Medicare and Medicaid
- 28 Health Plan Members, including the 19 Medicaid Health Plans
- Dental Medicaid Managed Care Organizations, Pharmacy Benefit Managers, Behavioral Health Organizations, Transportation Management Organizations
- TAHP advocates for public and private health care solutions that improve the affordability, accessibility and accountability of health care for many Texans

The Basics: Medicaid vs. Medicare

- **Medicare**

- All Federal
- Over the Age of 65
- Part A, Part B, Part C, & Part D

- **Medicaid**

- State and Federal
- Individuals that are Low-Income, Elderly and Disabled



Texas Medicaid: The Basics

- **When?**
 - Established in 1967 in Texas
- **How Many?**
 - Serves 4 Million Texans
- **Who?**
 - Low-Income Individuals and High Medical Needs
 - Children, Pregnant Women, and Elderly and Disabled
 - Joint Coverage for Medicare Recipients



Texas Medicaid: The Basics

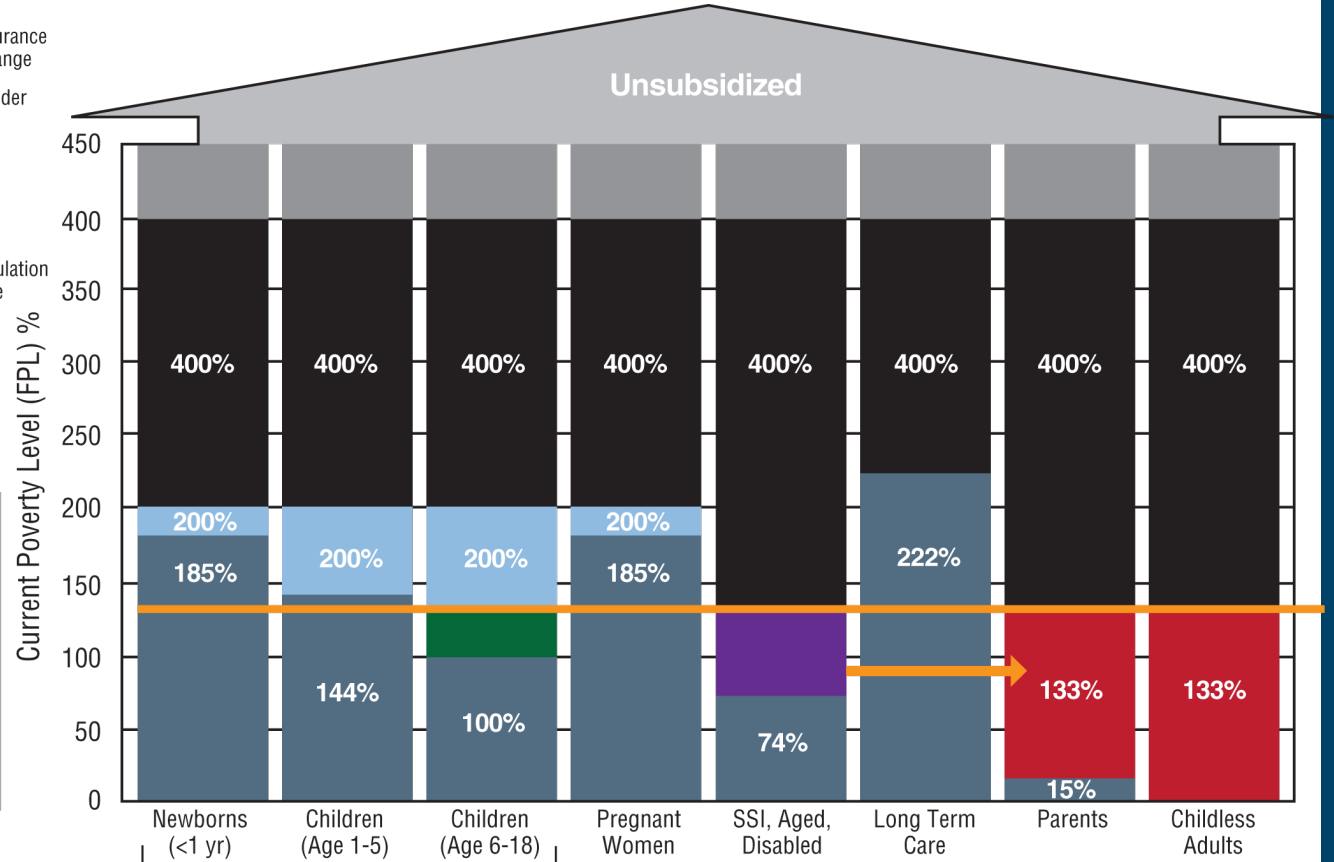
- **What?**
 - Acute Care, Long Term Care, & Drugs
- **How?**
 - Joint Partnership – Federal and State Funding (2016 57.23% Federal Match)
 - State Plan Amendments vs. Waivers
 - Fee-For-Service and Managed Care
- **How Much?**
 - \$30 Billion a Year
 - 29% of the State Budget

- In or Out of Exchange
- Sliding Scale Health Insurance Subsidies through Exchange
- Former CHIP to Medicaid
- New Optional Eligible Under Parent/Childless Adult
- CHIP
- Current Medicaid
- New Optional Medicaid

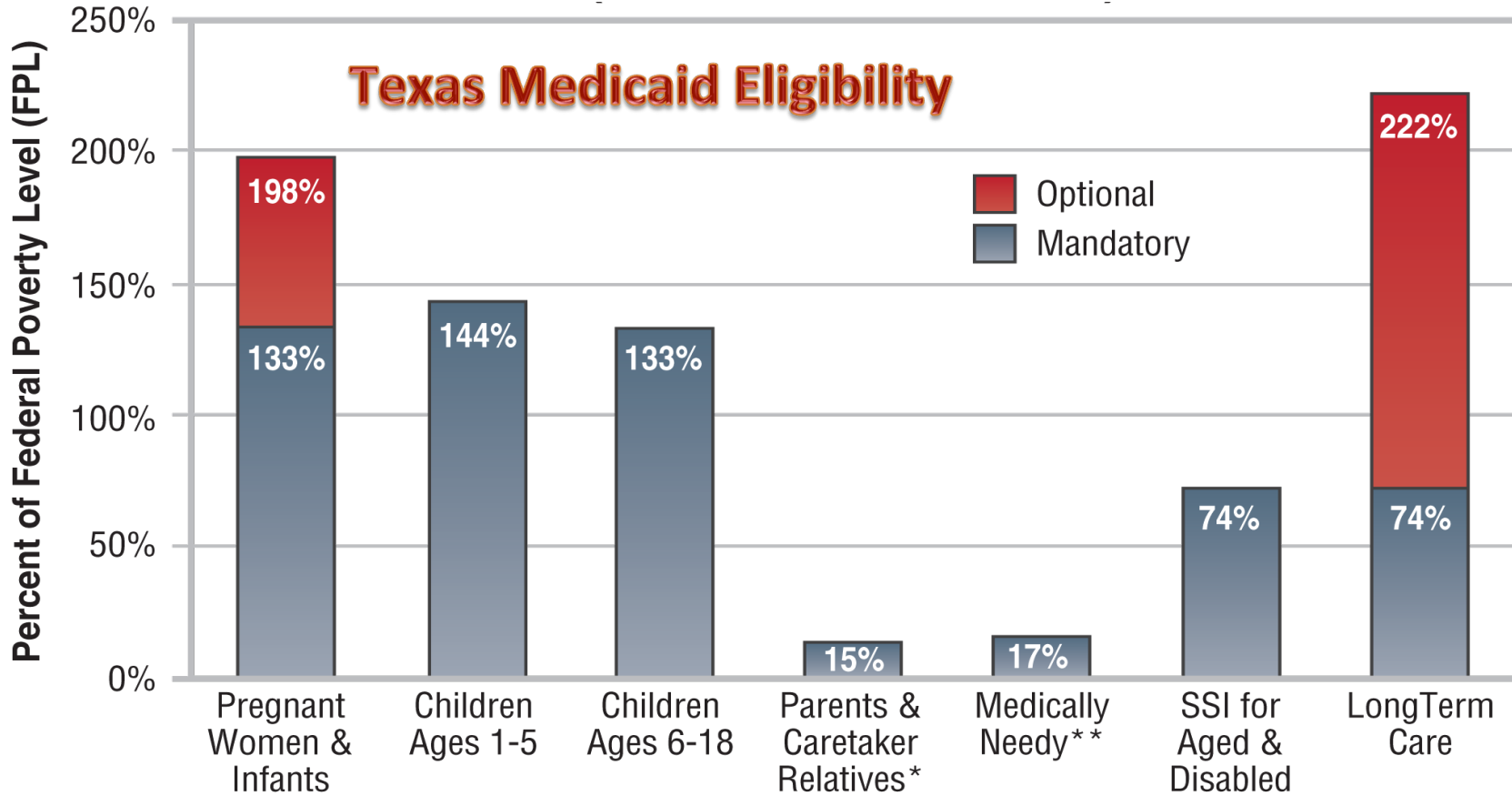
* Eligibility determination for the ACA Medicaid Expansion Population includes a 5% point income disregard, effectively bringing the eligibility limit to 138% FPL.

2015 Federal Poverty Guidelines

Household Size	100%	133%	138%	400%
1	\$11,670	\$15,521	\$16,105	\$46,680
2	\$15,730	\$20,921	\$21,707	\$62,920
3	\$19,790	\$26,321	\$27,310	\$79,160
4	\$23,850	\$31,721	\$32,913	\$95,400
5	\$27,910	\$37,120	\$38,516	\$111,640
6	\$31,970	\$42,520	\$44,119	\$127,880

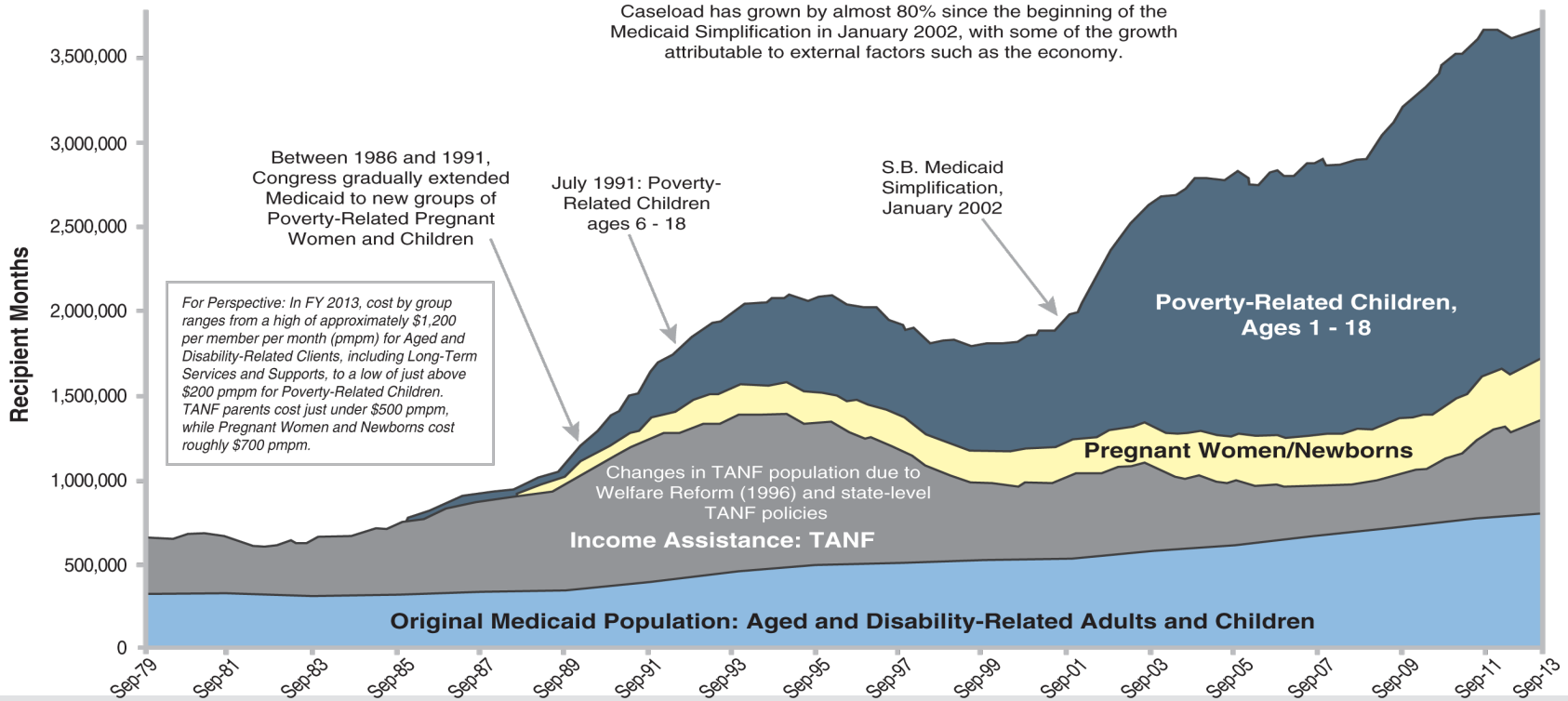


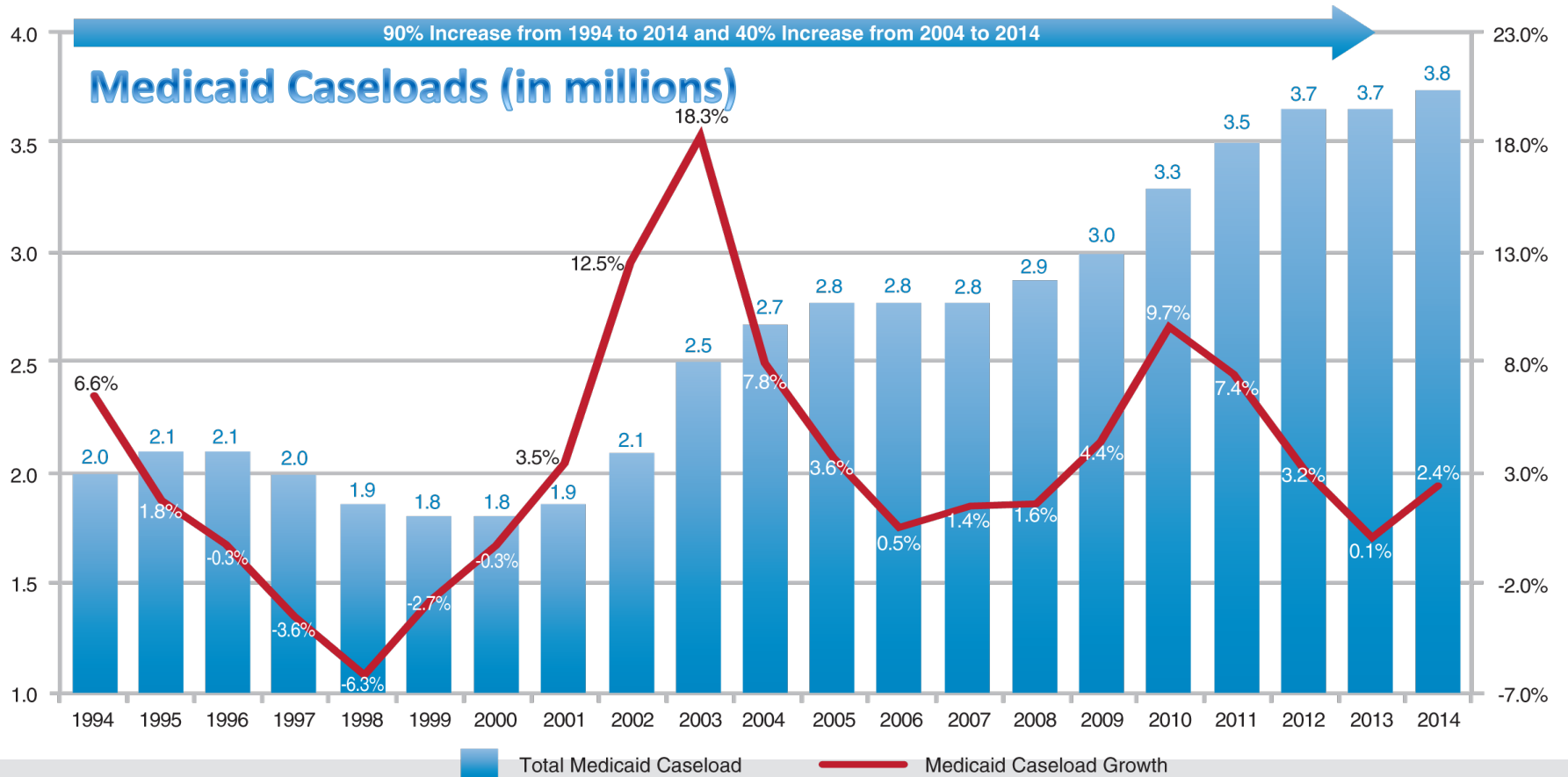
Texas Medicaid Eligibility



Texas Medicaid Caseload by Group September 1979 - August 2013

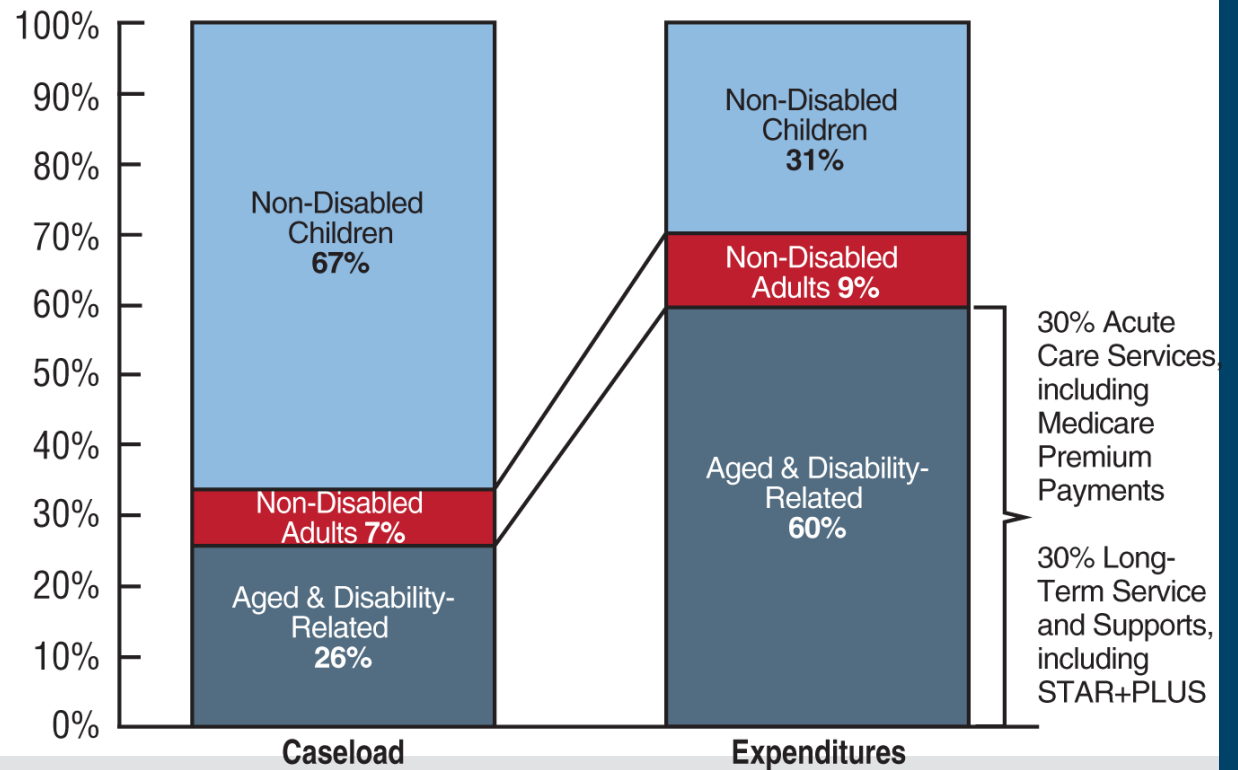
Caseload has grown by almost 80% since the beginning of the Medicaid Simplification in January 2002, with some of the growth attributable to external factors such as the economy.



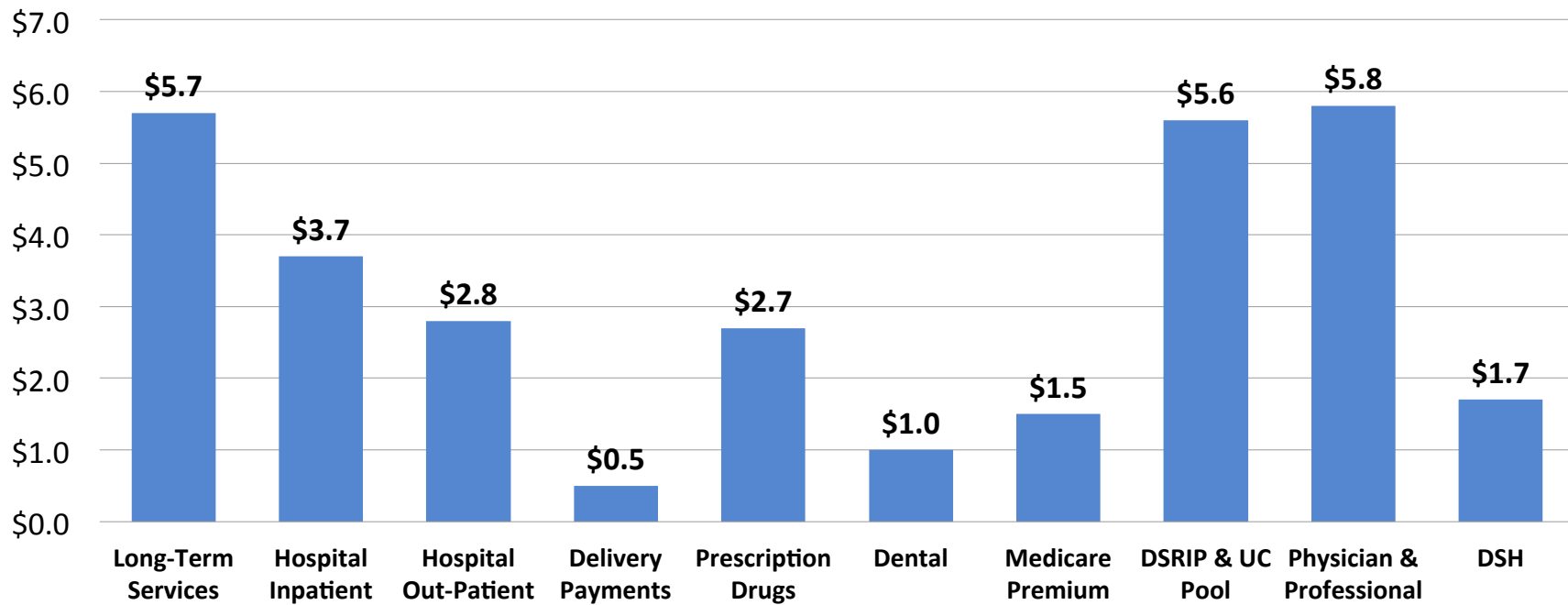


Medicaid Caseloads and Cost

- 1/3 of the consumers are 2/3's of the cost

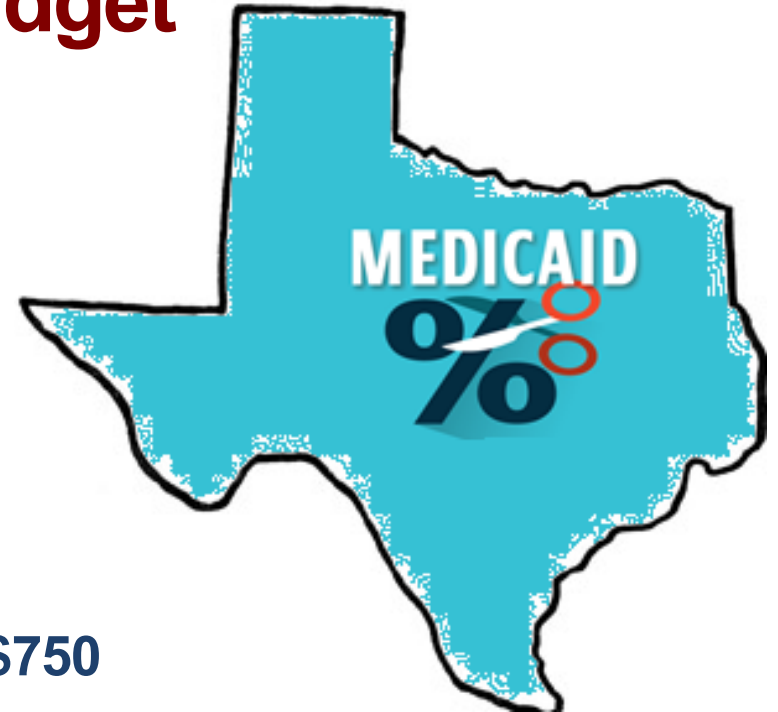


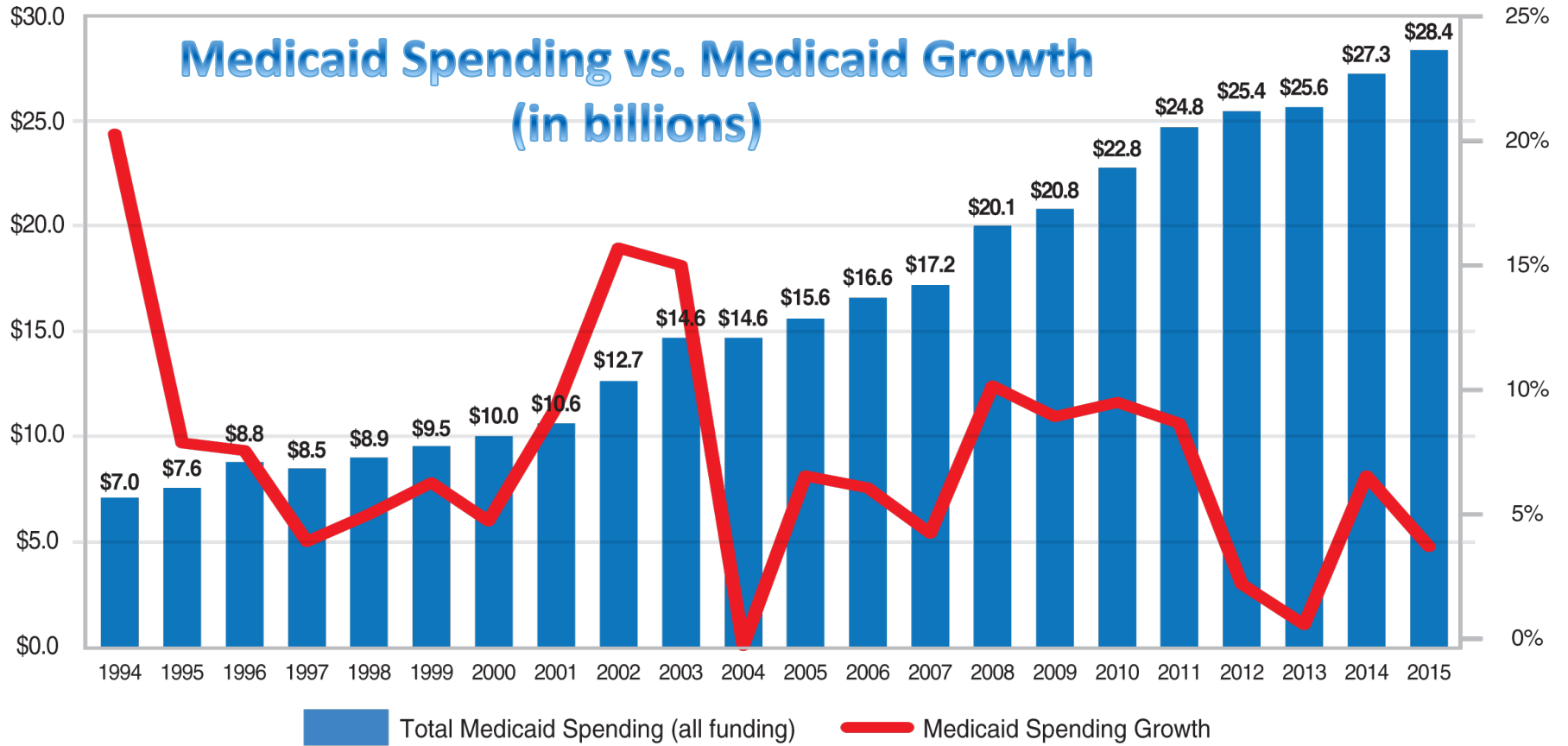
Texas Medicaid Expenditures By Service Type 2013 (in billions)



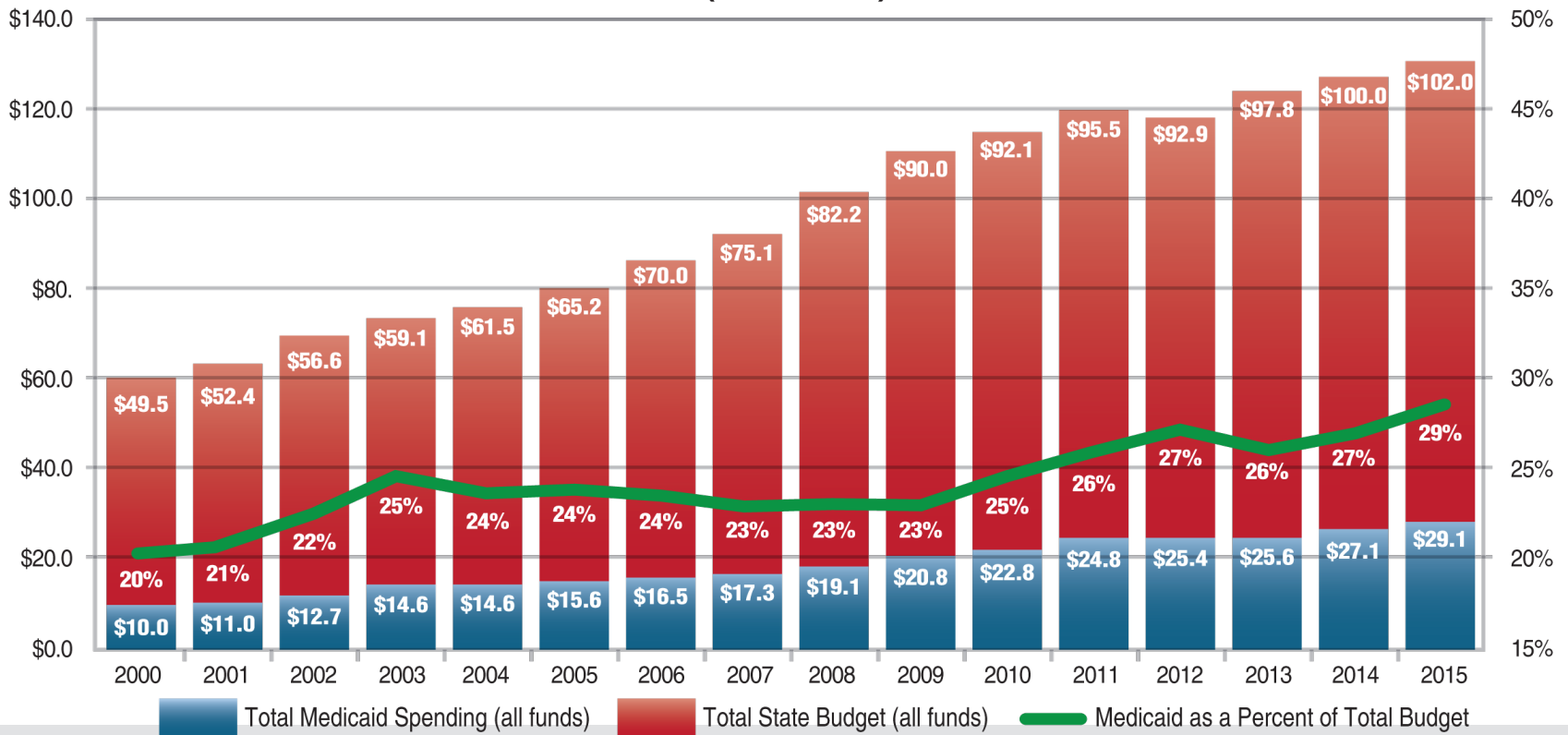
Medicaid in the State Budget

- FMAP: FY 2016 is 57.23%
- FY 16-17: \$61.2 billion AF
- Increase: \$2.1 billion AF
- FY 16-17: \$25 billion GR
- Increase: \$1.7 billion GR
- 3.75 Million Texans (FY 2014) to 4.1 Million Texans (FY 2015)
- End of Session Shortfall Estimate: \$750 million GR (Typically Fluctuates)



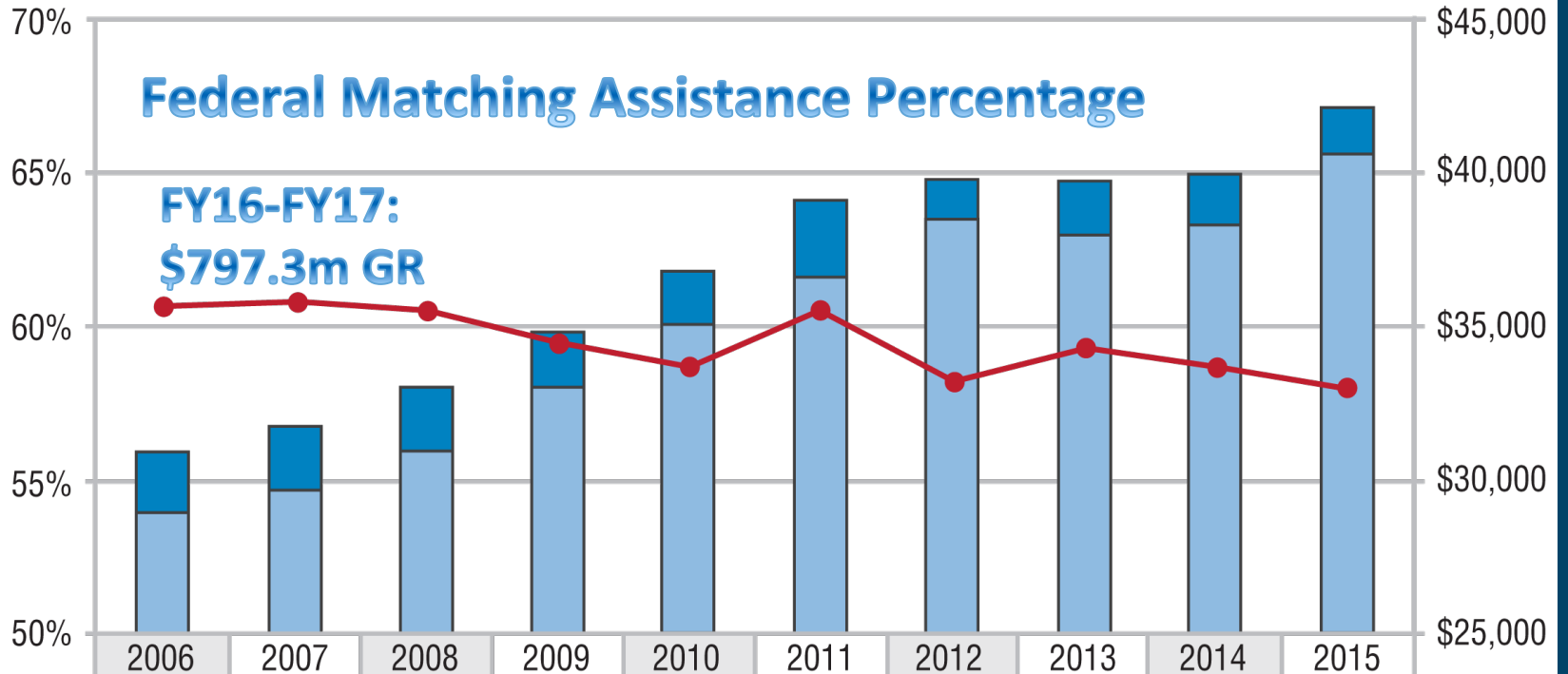


Percent of Medicaid Expenditures in State Budget (in billions)



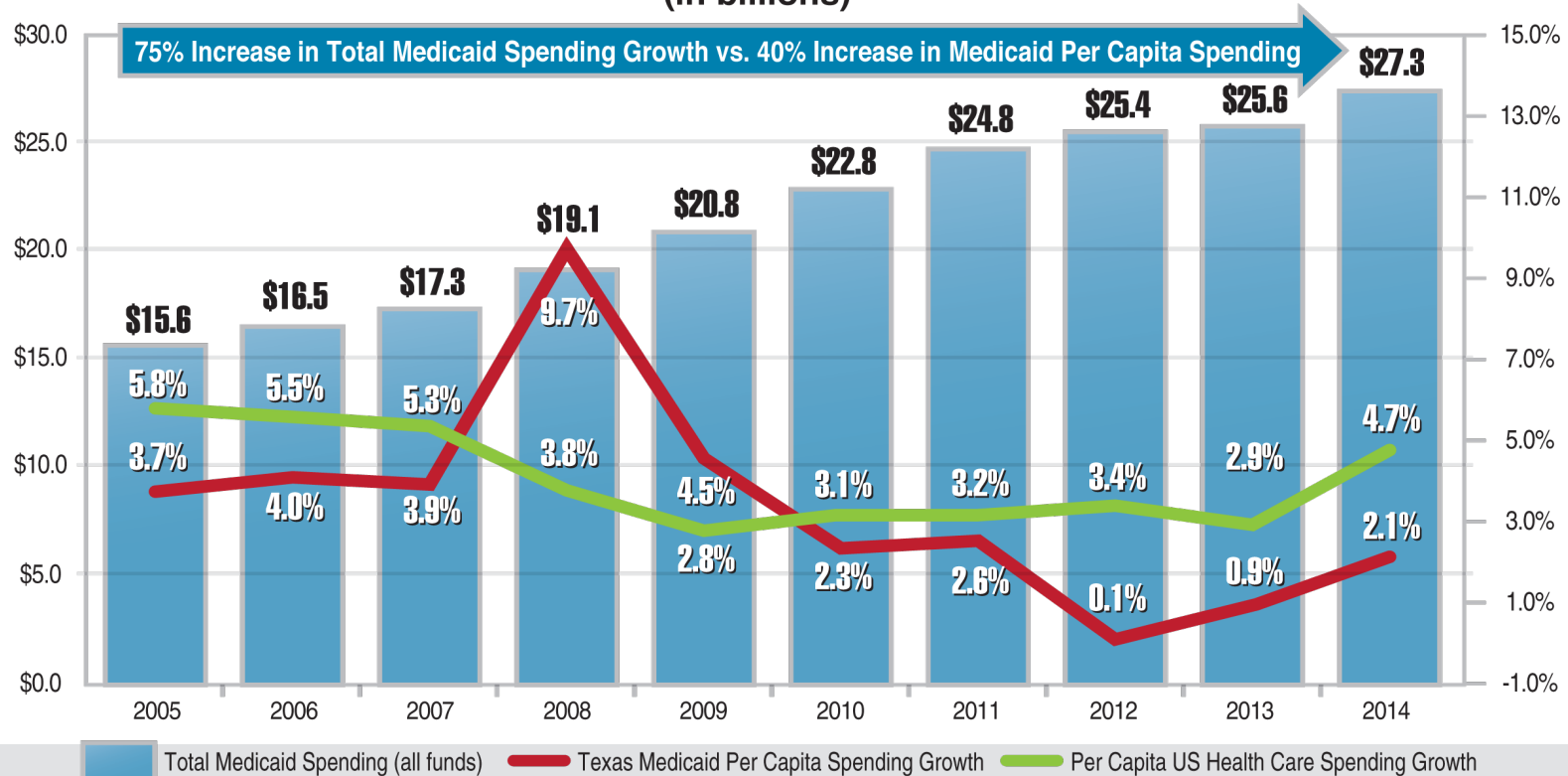
Federal Matching Assistance Percentage

**FY16-FY17:
\$797.3m GR**



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
US PCPI	\$30,945	\$31,781	\$33,016	\$34,795	\$36,768	\$39,122	\$39,919	\$39,913	\$39,996	\$42,065
Texas PCPI	\$28,932	\$29,668	\$30,921	\$33,035	\$35,213	\$36,626	\$38,463	\$37,956	\$38,321	\$40,615
Regular FMAP	60.66%	60.78%	60.56%	59.44%	58.73%	60.56%	58.22%	59.30%	58.69%	58.05%

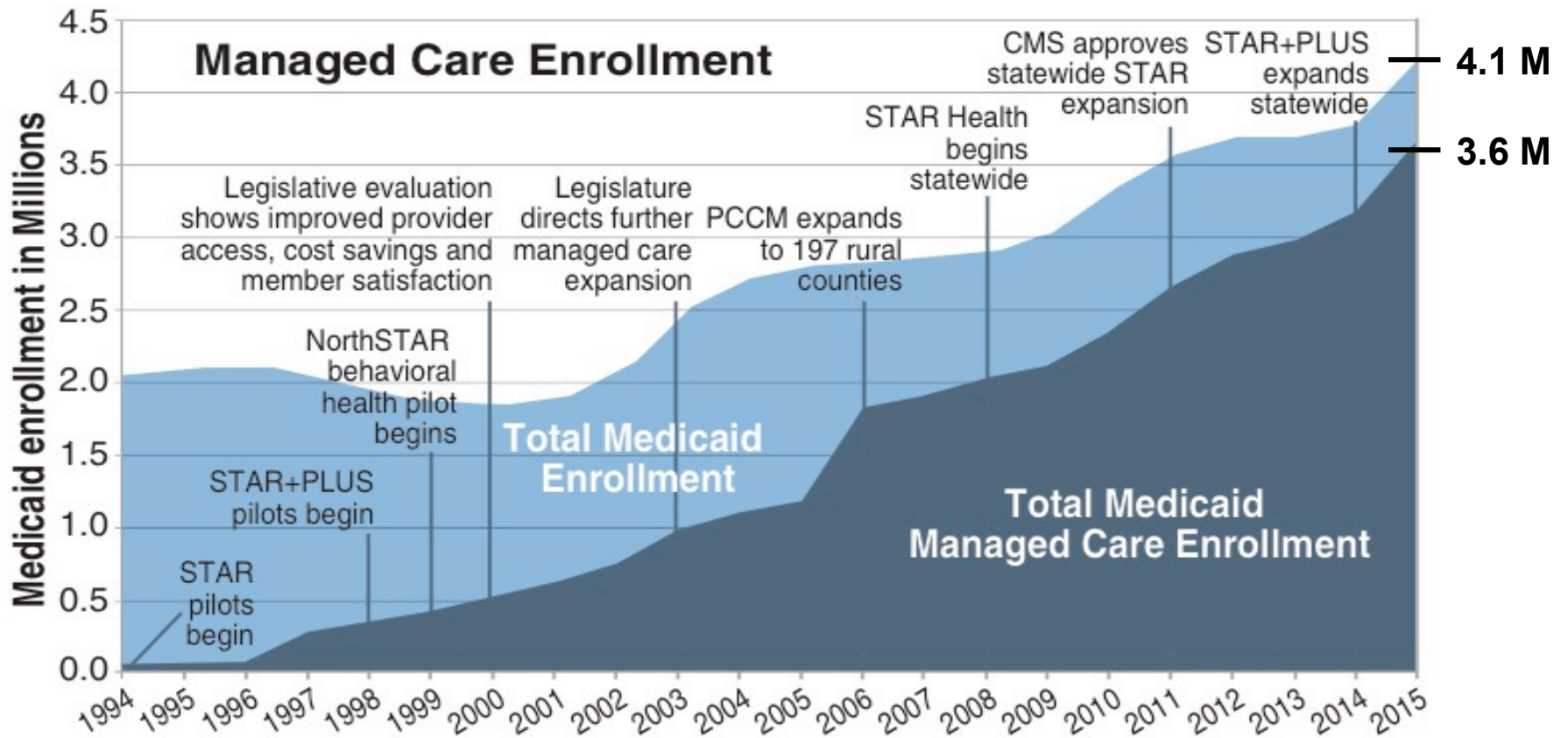
Texas Medicaid Spending vs. Texas Medicaid Per Capita Spending Growth Per Capita US Health Care Spending Growth (in billions)



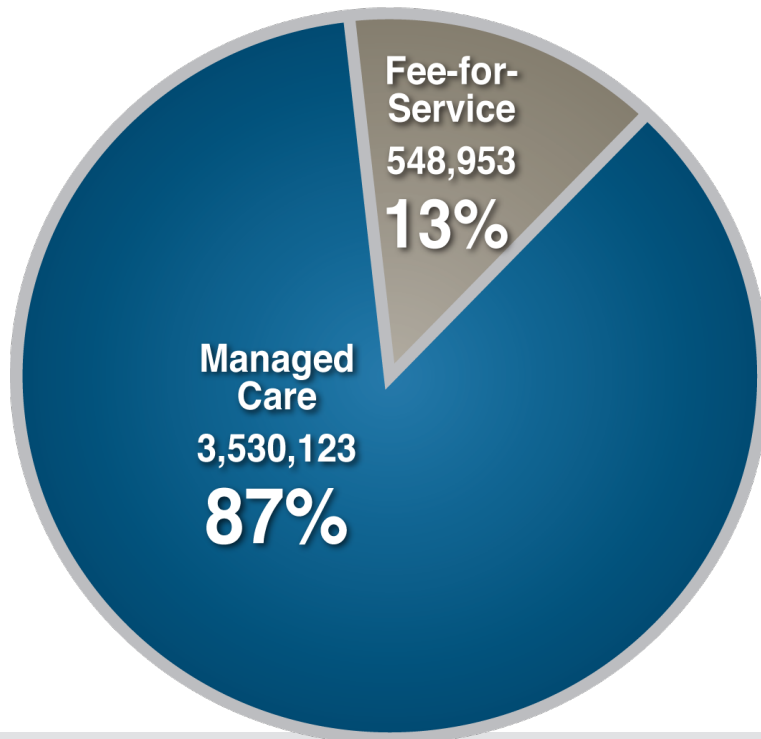
Medicaid Managed Care

“Texas has been very innovative in our policies to ensure Medicaid services are provided in a cost-effective manner through managed care.”

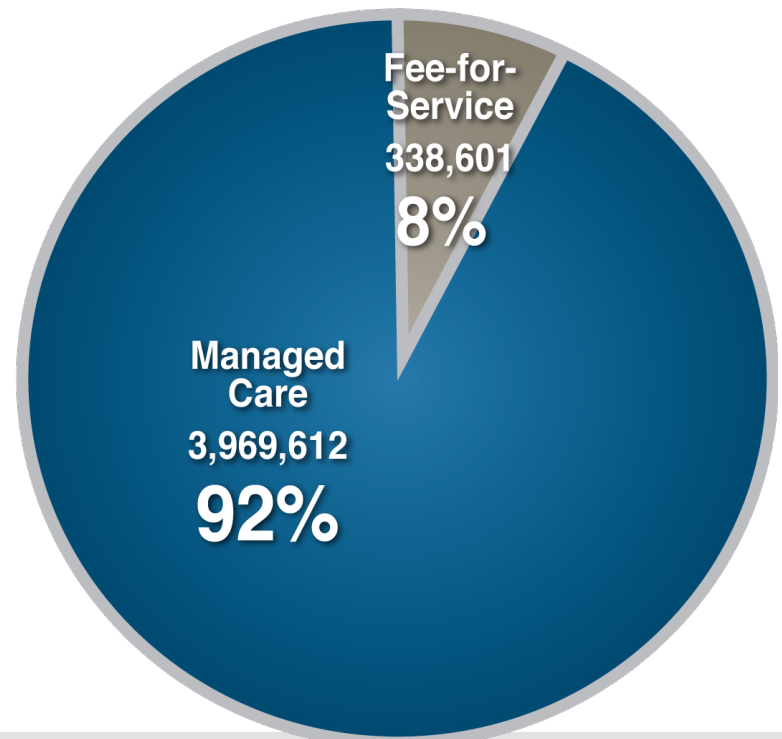
- Governor Greg Abbott, September 29, 2015 letter to the federal Centers for Medicare and Medicaid Services



FY 2015
Fee-for-Service vs. Managed Care
Total = 4,079,076



FY 2017
Fee-for-Service vs. Managed Care
Total = 4,308,213



What is Managed Care

- **Alternative to Traditional Fee-For-Service (FFS)**
- **Premium: Fixed Per-Person, Per-Month (Capitation)**
- **Health Plan - For Profit, Non Profit, & Publically Owned**
- **Licensed by TDI**
- **Assume Full Risk, Limiting State Exposure (Budget Certainty)**
- **Profit Sharing Back to the State**
- **Must Provide All Texas Medicaid Benefits**
- **Cost Effective Additional Services - Value Added Services**
- **Contracts – Network Access, Quality, and Ensure Appropriate Utilization**

Texas Managed Care Programs

STAR provides coverage of primary and acute care services for children, newborns, pregnant women, and some parents with dependent children.

STAR+PLUS provides integrated acute care services and LTSS to seniors and persons with disabilities.

STAR Health provides comprehensive and integrated health services for children and youth in foster care and kinship care.

STAR Kids Beginning in late 2016, will provide acute and long-term services and supports to children with disabilities.

Dual Eligible Integrated Care Demo Provides and coordinates care for individuals enrolled in both Medicare and Medicaid under one MCO in six counties (Bexar, Dallas, El Paso, Harris, Hidalgo, Tarrant).

Managed Care is a Proven Cost-effective Delivery Model

- Provides the state **budget certainty** because MCOs assume the financial risk of care delivery
- **Saves the state money** while delivering quality care
- Promotes **preventive care and continuity of care** through the establishment of medical homes and network of specialists
- Offers access to a **full spectrum of medical services** plus additional **cost-effective benefits** not available under traditional fee-for-service Medicaid
- Provides **accountability** through rigorous oversight including audits, contractual requirements, performance guarantees and penalties, transparency, and outcomes
- Promotes **innovative solutions** to health care access issues
- Provides **integration of services** through care coordination

How Managed Care Works

Traditional Medicaid (FFS)

OVERVIEW

Non-capitated model based on volume of services provided - encourages overutilization of services, no state budget certainty (state assumes financial risk)

PROVIDER CONTRACTING

Providers contract with the state.

REIMBURSEMENT

Providers contract with HHSC and are reimbursed based on FFS rates established by the state for each Medicaid service (state fee schedule)

Medicaid Managed Care

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)

PROVIDER CONTRACTING

Providers contract with MCOs.

REIMBURSEMENT

Providers contract directly with MCOs and both parties negotiate the provider's reimbursement rate (allows for quality-based payment arrangements)

How Managed Care Works

Traditional Medicaid (FFS)

Benefits

Medicaid-covered services only

PROVIDER NETWORK & REFERRALS

Clients can go to any health care provider enrolled by HHSC as a Medicaid provider without a referral (services not coordinated)

Clients are left to find providers on their own

CARE COORDINATION

Limited to individuals in certain FFS programs

Medicaid Managed Care

Benefits

Medicaid-covered services + cost-effective value added services

PROVIDER NETWORK & REFERRALS

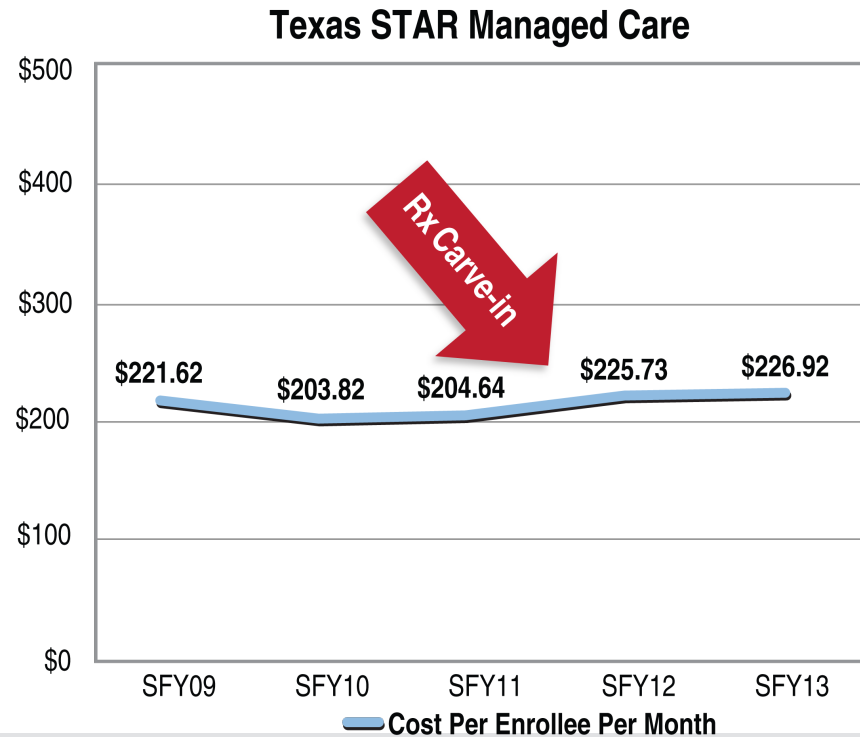
Consumer is guaranteed a network of providers and MCOs are available to assist consumers with locating a provider and scheduling appointments

CARE COORDINATION

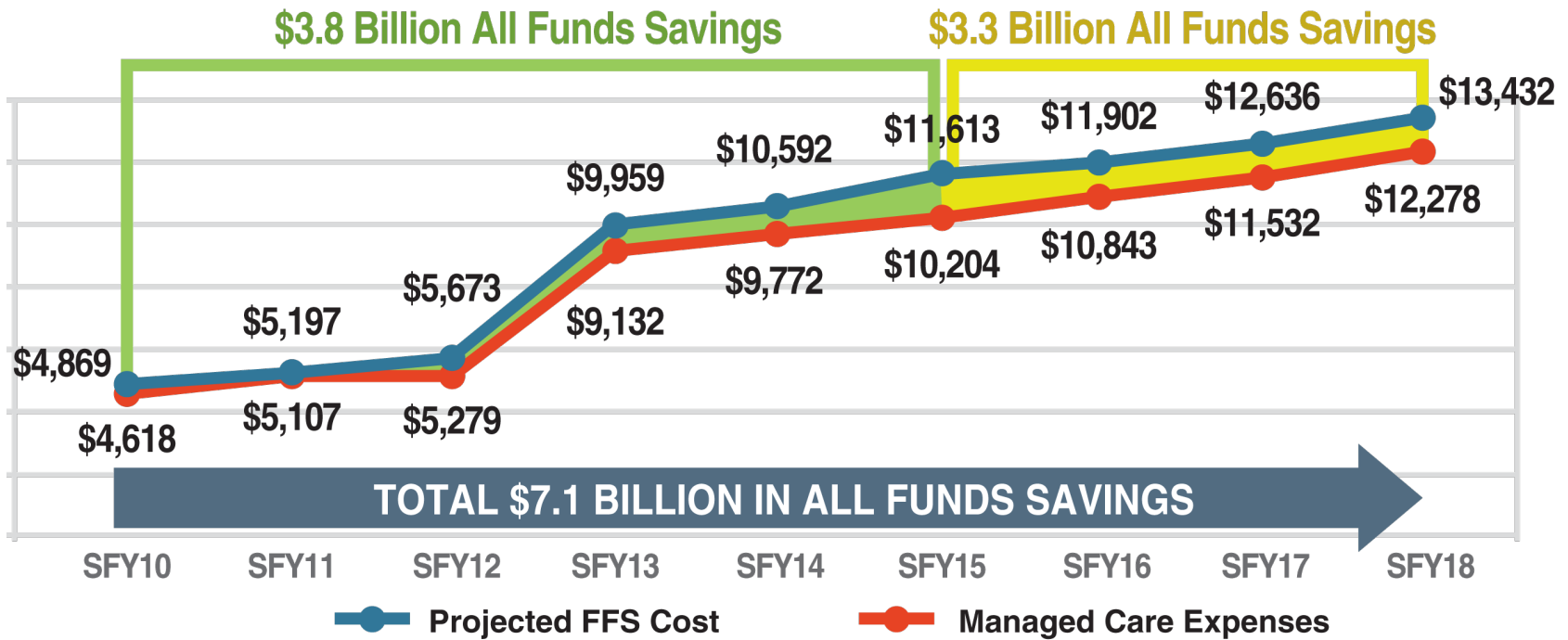
MCOs provide service/care coordinators for any member with a need or upon request

MCOs Contain Costs for Taxpayers

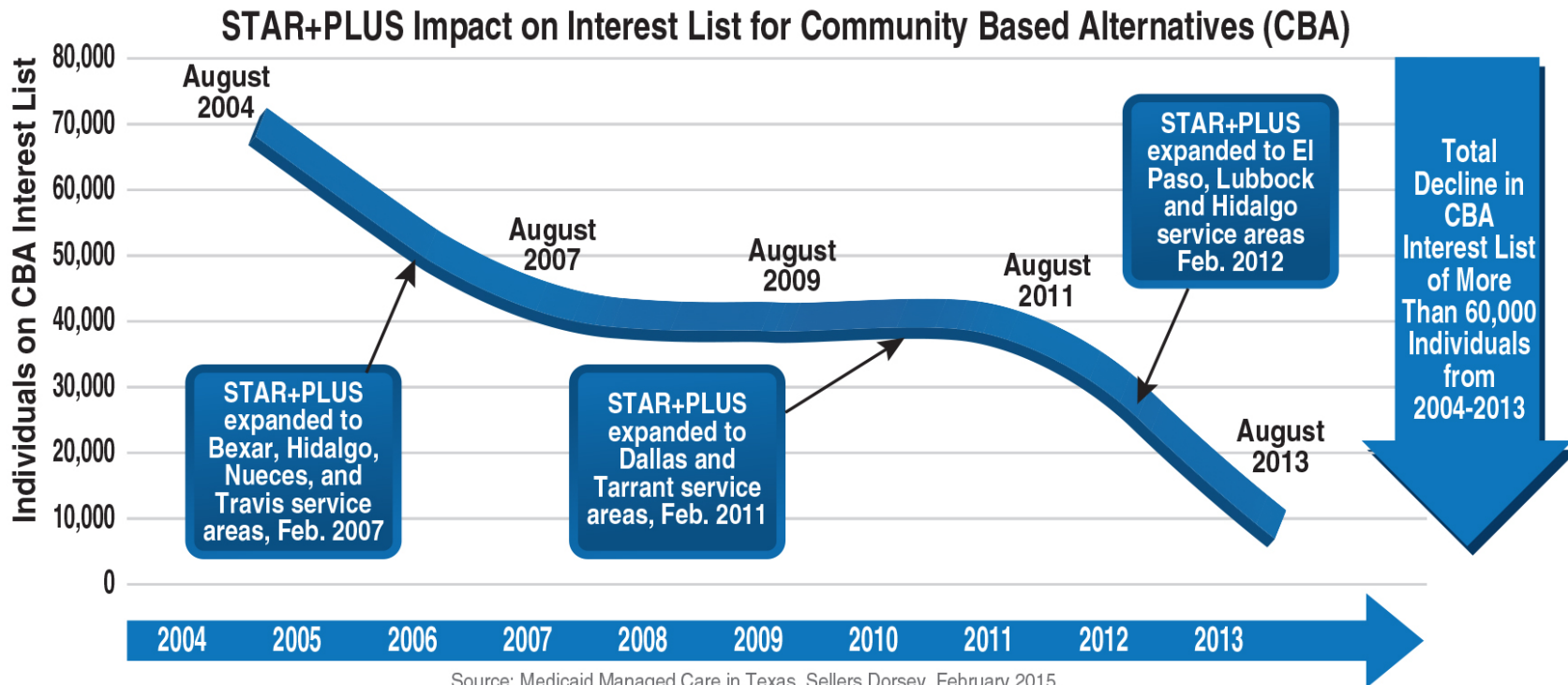
- Texas Medicaid's largest managed care program, is STAR, with 2.7 million consumers
- Costs grew only 2.2% from FY09 to FY13
- National health care costs grew 7x's as much, or 15%, over the same period



Managed Care vs. Fee for Service (Dollars in Millions)



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



Improved Quality of Care

Between 2009 and 2011,
MCOs reduced hospital admissions for:

Asthma
by 22% in
STAR

Diabetes
by 37% in
STAR

Diabetes
by 33% in
STAR+PLUS

GI infections
by 37% in
STAR

UTIs by
20% in
STAR

UTIs by
31% in
STAR+PLUS

Bacterial
pneumonia
by 19% in
STAR+PLUS

Medicaid MCO Success

- **Estimated \$7.1 B All Funds cost-savings** for FY10-FY18 compared to FFS model
- **\$3.8 billion cost savings since FY10, another \$3.1B expected savings through FY18**
- **7.9% reduction in total Texas Medicaid costs**
- **\$1 billion AF savings in less than 2 years from the 2012 statewide expansion of managed care**
- **More than \$350 million savings in prescription drug costs since 2012 pharmacy carve-in, another \$400M additional expected savings through FY18**
- **28.4% All Funds cost-savings** for Dental Managed Care program since FY13
- **No wait list to access community care** allowing individuals to stay in the community rather than institutions, at no additional cost to the state

Medicaid MCO Success

- **Surpassed national performance expectations on child well visits and childhood immunizations**
- **Significant reductions in hospital admissions** for asthma, diabetes, GI infections, UTIs, and bacterial pneumonia
- **High level of consumer satisfaction—**
83% of families with children in managed care report an overall positive experience with their MCO
- **93% of families with children in Medicaid managed care report having access to their PCP when needed**
- **Better prescription drug management and adherence than FFS** – More than 93% of children in managed care receive appropriate asthma medications and adherence has improved 27% for respiratory diseases and 24% for heart attack treatment.



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