

MEDICAID MANAGED CARE: A Fiscally Responsible Pathway to a Healthier Texas

Texas is a national leader in the use of managed care to increase access to care, manage costs, and improve health care quality in its Medicaid program. The managed care private market approach drives innovation through flexibility and competition, reduces health care costs and holds managed care organizations (MCOs) accountable for providing access to quality care.

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 a network of specialists within our local communities
- Offers access to a **full spectrum of medical services** plus additional **cost-effective benefits** not available under traditional fee-for-service (FFS) Medicaid
- Provides **accountability** through rigorous oversight including audits, contractual requirements, performance guarantees and penalties, transparency, and outcomes
- Promotes **innovative solutions** to improve health care access
- Provides **integration of services** through the coordination of patient care

*“Over the past 20 years
managed care has revolutionized
the delivery of Medicaid health
care services in Texas.”*

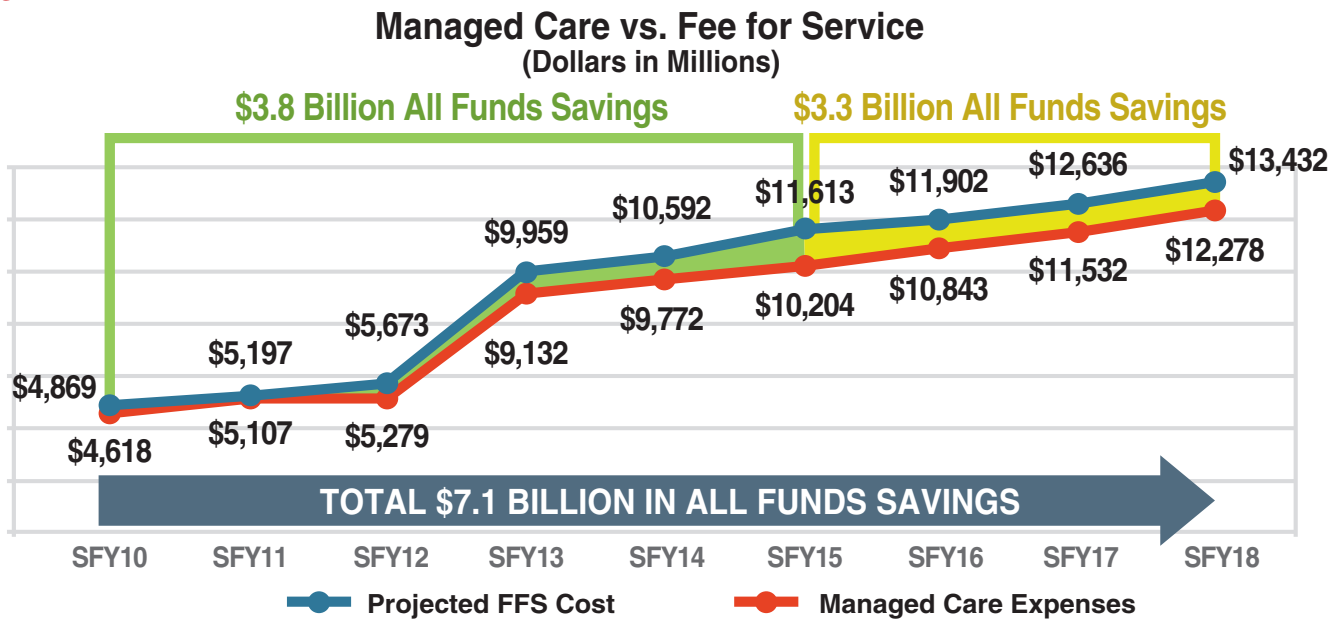
—Sellers Dorsey,
Medicaid Managed Care in Texas, February 2015

Medicaid MCO Success

- **Estimated \$7.1B All Funds cost-savings** for FY10-FY18 compared to traditional FFS model
- **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
- **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 primary care provider when needed

Managed Care Cost Savings

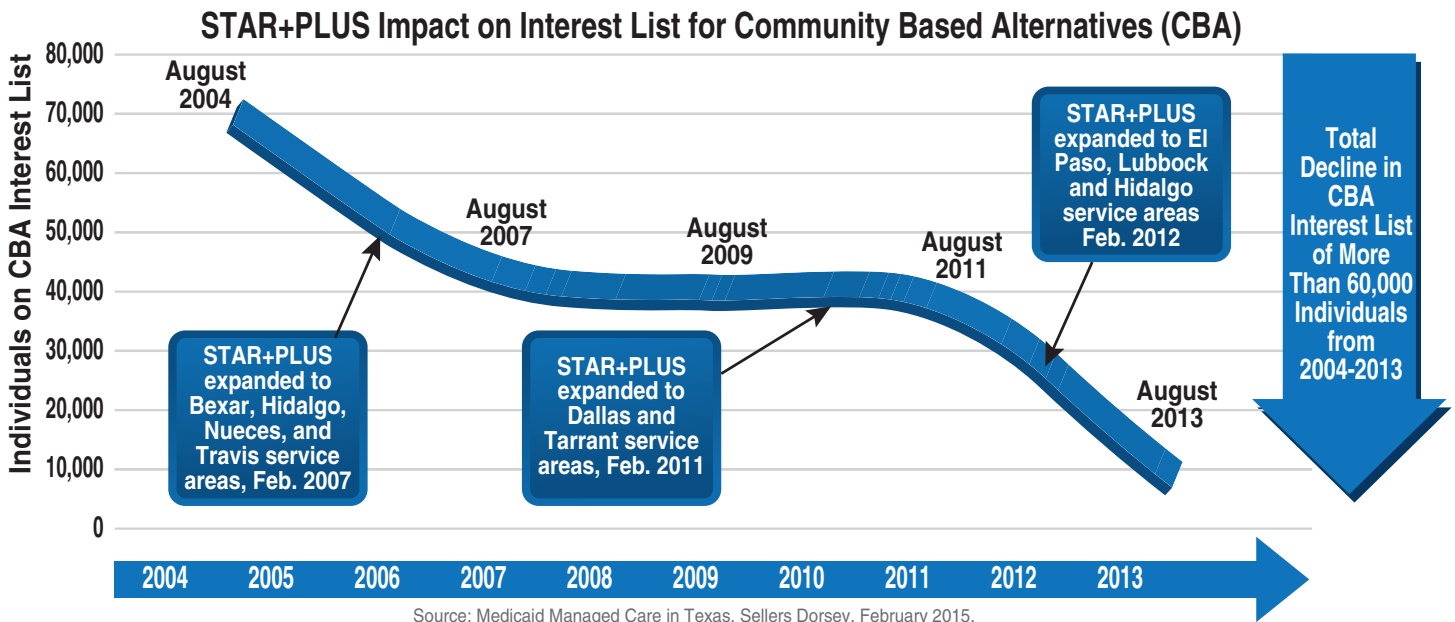
Between SFY 2010 and SFY 2015, actuaries estimate that managed care **reduced Medicaid costs by 7.9%, or nearly \$3.8 billion**, when compared to the traditional fee-for-service (FFS) model. This trend is expected to yield an **additional \$3.3 billion in savings through SFY 2018**. Medicaid Dental managed care has experienced the highest percentage of **total program savings: 28.4%** since SFY 2013.



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

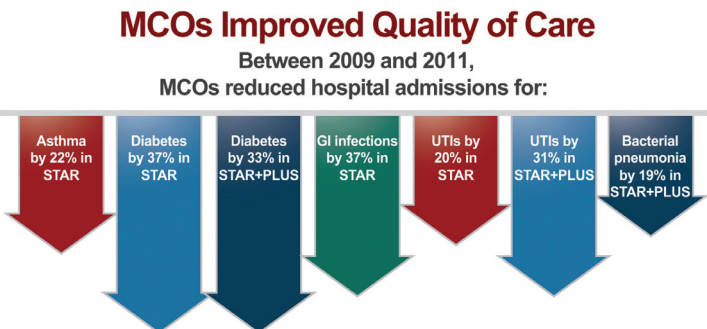
Improved Access to Care

Managed care provides enhanced access to care compared to FFS. At no additional cost to the state, MCOs have dramatically reduced the interest list for long term services and supports (LTSS) through STAR+PLUS, the managed care program that serves the elderly and individuals with disabilities. On average, 93% of child and adolescent members report having a primary care provider (PCP) when they need one.



Improved Quality of Care

Due to care coordination and better access to preventive services, MCOs have also improved quality of care and outcomes for Medicaid patients. The STAR program serves children, pregnant women, and related caregivers of dependent children, and the STAR+PLUS program serves the elderly and individuals with disabilities.



Consumer & Taxpayer Protections

MCOs provide a higher level of accountability to members than traditional FFS Medicaid. For example, Medicaid MCOs and the Health and Human Services Commission (HHSC) track complaints and consumer satisfaction. Medicaid MCOs have a high level of consumer satisfaction with 83% of child members reporting overall positive experience with their MCO.

MCOs are also held to stronger standards than under the traditional FFS Medicaid, which ensures that both Medicaid clients and taxpayer dollars are protected. These safeguards include:

- Strong financial solvency requirements
- Multiple agency oversight (HHSC and the Texas Department of Insurance (TDI))
- Value-based contracts and network adequacy requirements
- Consumer satisfaction surveys
- Performance standards with financial implications, quality measurements and program reporting requirements
- Audits for claims, financial reporting and operations
- Contract negotiations and oversight
- Corrective action plans, fines, sanctions, and liquidated damages for failure to meet contractual requirements
- Caps on administrative costs and profits

The continued benefits of managed care in Texas rely on maintaining a regulatory environment that fosters innovation, allowing full integration of services, ensuring a collaborative and transparent rate development process, and reducing administrative complexity whenever possible.

Recommendations

Innovation

The Texas Medicaid MCOs have brought many best practices to the communities they serve. The **ability to innovate is critical to being able to provide the highest quality services to Medicaid members** while being responsible partners to the Texas Medicaid program. Maintaining this crucial ability requires a careful balance between necessary regulatory requirements and flexibility to experiment with new initiatives to improve care delivery and cost-effectiveness of the Medicaid program.

Integration

Further service integration within managed care will reduce Texas Medicaid costs and increase quality. By having all benefits administered by a single managed care plan, members are able to receive all of their health care and support needs through one individualized plan of care, which should raise questions when any services are proposed for “carve out” of managed care in the future. Integrating the formulary into managed care will save more than \$64 million a biennium and will improve care coordination.

Transparency

To operate effectively and provide the state budget predictability, the MCOs and HHSC must establish a **rate-setting process that is collaborative and transparent**. The principles guiding such a process are timeliness, reliable data, and greater transparency on rate setting assumptions and cost trends to include policy changes and the addition of new treatment modalities (e.g. Sovaldi in 2014) to provide a basis for establishing actuarially sound rates. There are many factors that influence the cost of providing health care and services to the Medicaid population and these factors are constantly evolving.

Administrative Simplification

While Medicaid is a complex program, those complexities should not translate into administrative burdens for providers, consumers and health plans. Over the last several years there has been a tremendous increase in the MCO regulatory environment. Although some of the new regulations have been welcome, some may have unintended consequences. As highlighted by the Sunset Commission 2014 report, the vast amount of information providers and MCOs are administratively required to submit to HHSC results in an information overload that makes it difficult for the agency to use the data for program monitoring and improvement. TAHP will work with HHSC on future **opportunities to reduce administrative complexity wherever possible**.

A Competitive Landscape in Texas

Lubbock

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

Medicaid Rural Service Area 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

Tarrant

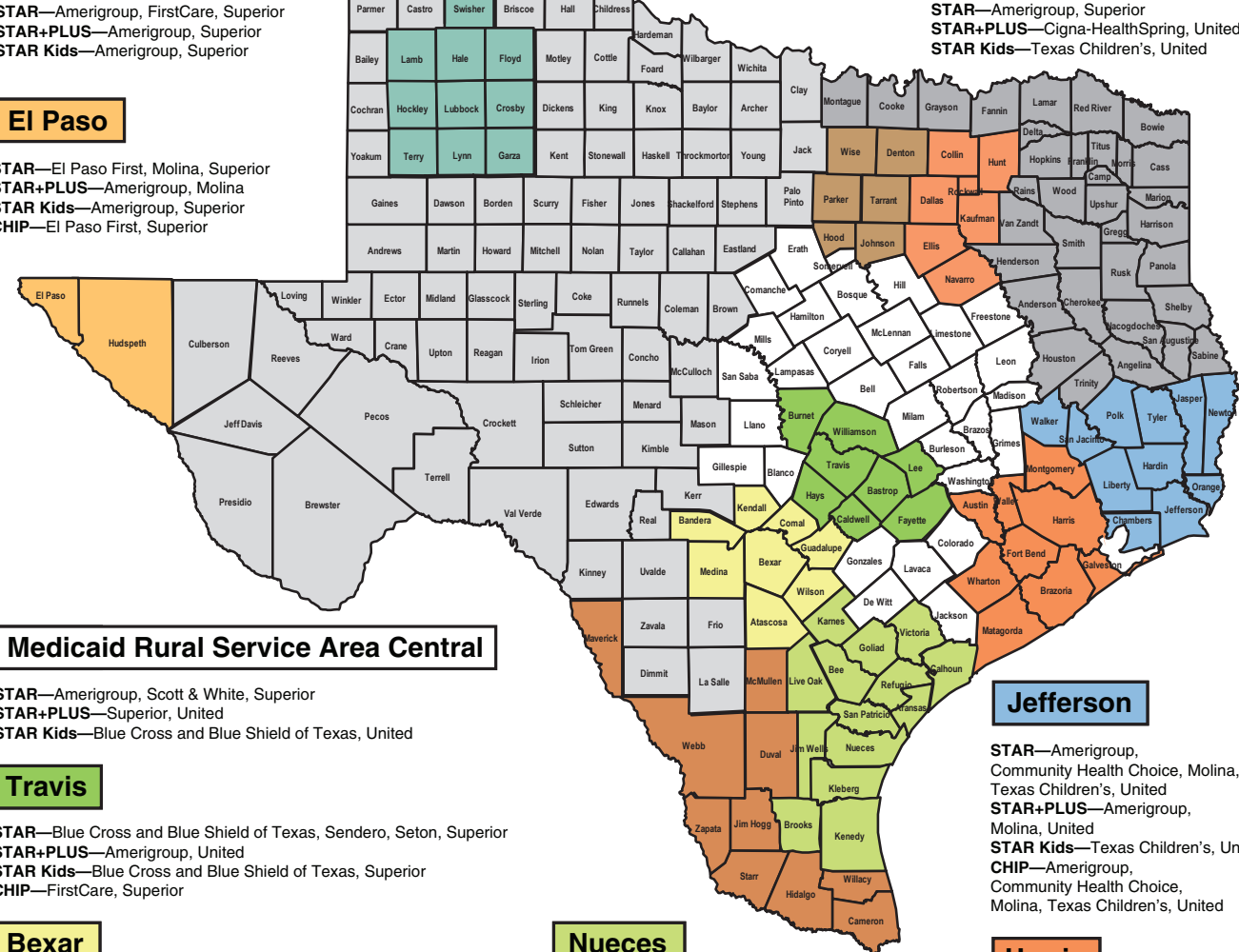
STAR—Aetna, Amerigroup, Cook Children's
STAR+PLUS—Amerigroup, Cigna-HealthSpring
STAR Kids—Aetna, Cook Children's
CHIP—Aetna, Amerigroup, Cook Children's

Dallas

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

Medicaid Rural Service Area Northeast

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



Medicaid Rural Service Area Central

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

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—FirstCare, 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

Nueces

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

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

STAR Health (statewide)—Superior
CHIP Rural Service Areas (Medicaid Rural Service Areas & Hidalgo)—Molina, Superior
Children's Medicaid & CHIP Dental (statewide)—DentaQuest, MCNA