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The Value of Medicaid Managed Care in Texas
House Appropriation Committee
Article II Subcommittee
April 6, 2016

JAMIE DUDENSING, CEO

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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 will provide acute and long-term services and supports to children with disabilities beginning in late 2016.

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).

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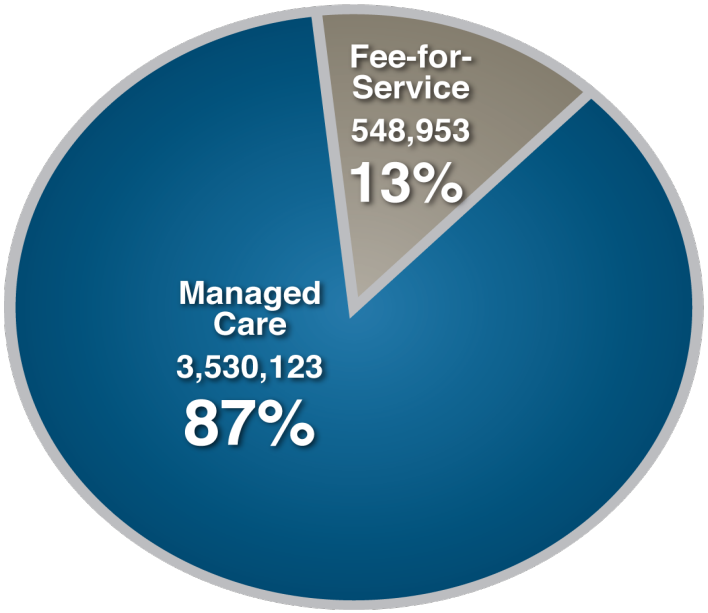
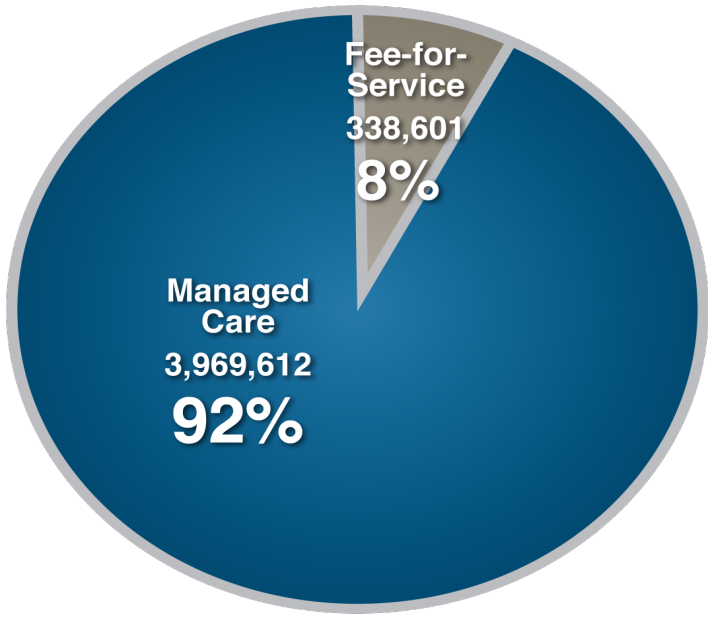
Texas Medicaid MCO Enrollment

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



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



Source: Texas Health and Human Services System 2015 Fact Book.

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The Value of Medicaid Managed Care in Texas

Goal of Managed Care: To better manage care to improve access, quality, and outcomes while ensuring appropriate utilization, containing costs, and reducing fraud and abuse.

Budget Certainty and Cost Containment: Premiums set once a year and MCOs assume the full financial risk of care delivery, limiting state exposure to costs

Profit Sharing With the State

Improved Outcomes and Quality of Care

Increased Access: Contracted network of providers and network adequacy standards

Case Management and Care Coordination

No Wait list to Access Community Care: Allows individuals to stay in the community rather than institutions, at no additional cost to the state

Value Added Benefits: Medicaid health plans tailor benefits and programs to the specific needs of patient populations at no additional cost to the state

Increased Accountability: Rigorous oversight including audits, contractual requirements, performance guarantees and penalties, transparency, and outcomes not found in FFS

Innovation: MCOs adopt the use of technology and innovative benefits as tools to better manage outcomes and lead industry efforts on payment reform

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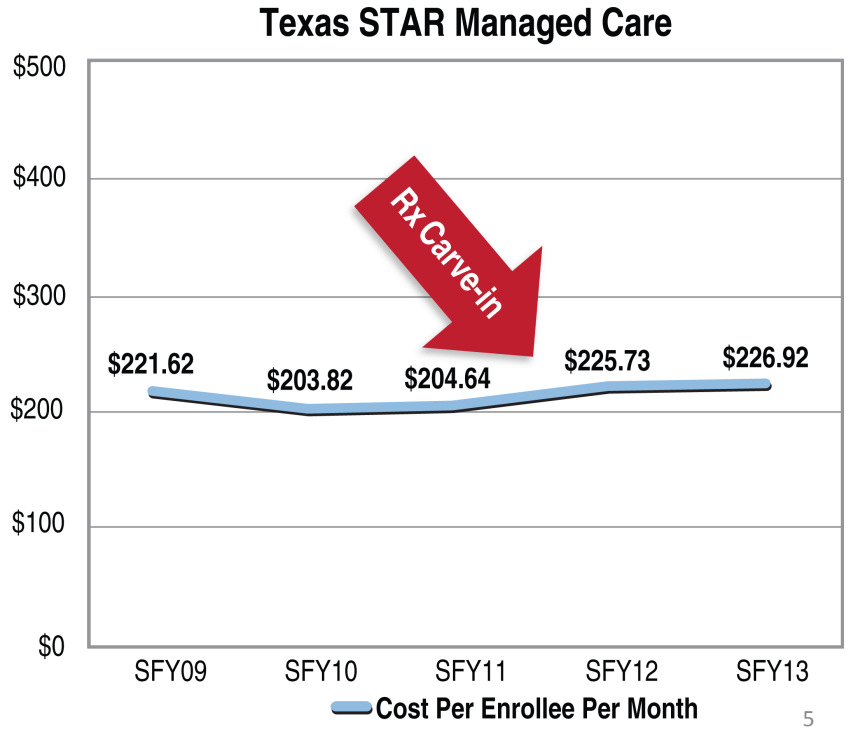
MCOs Contain Costs for Taxpayers

- Texas Medicaid's largest managed care program is STAR with 2.7 million consumers (66% of MCO Enrollment)
- STAR premiums grew only 2.2% from FY09 to FY13
- National health care costs grew 7x's as much, or 15%, over the same period



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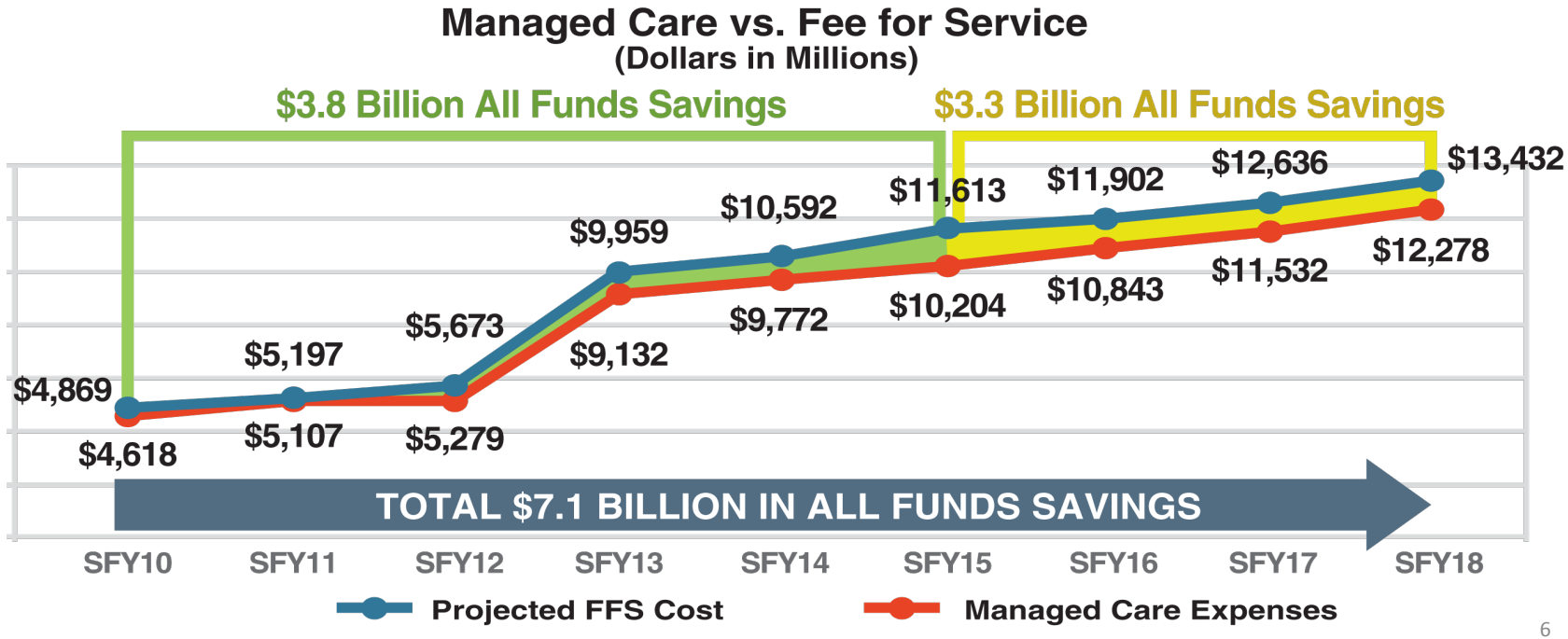
Texas Managed Care Savings: Managed Care Compared to Fee-for-Service



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

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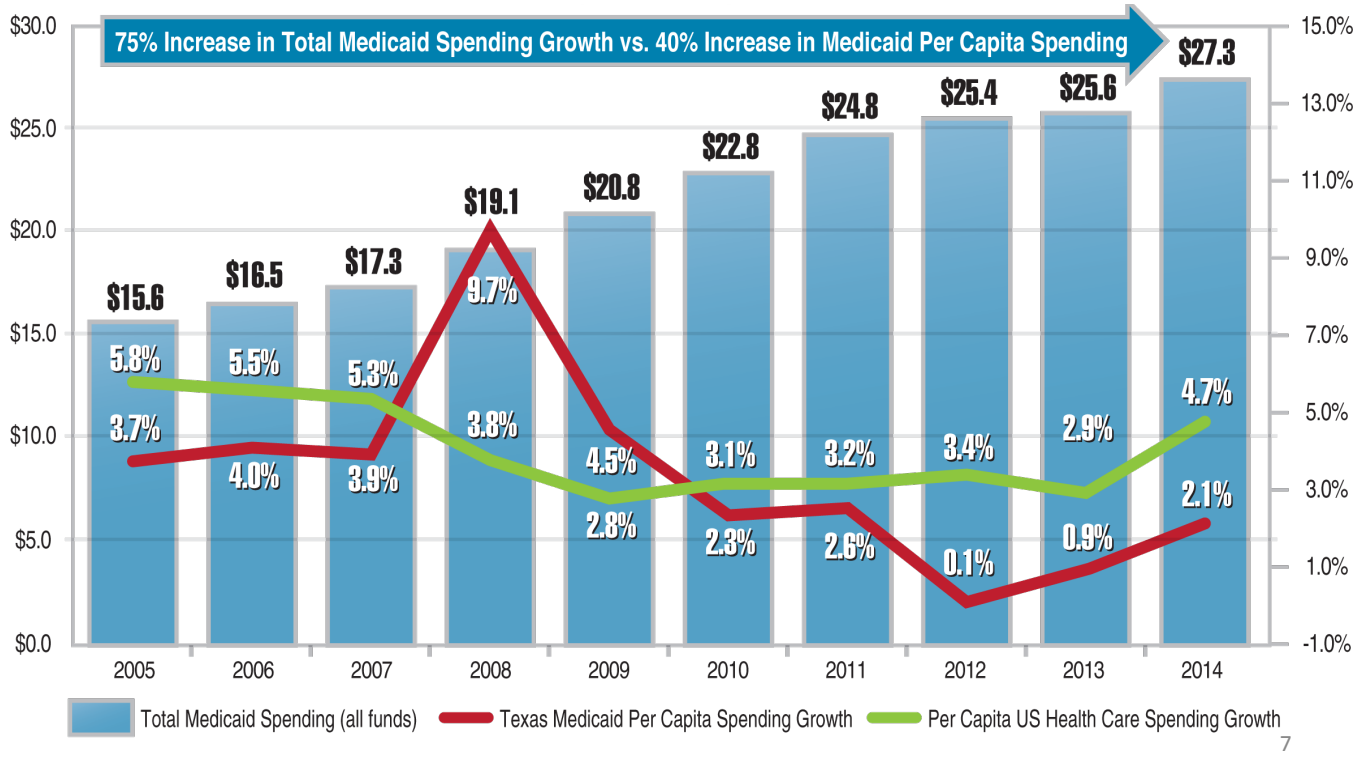
Texas Medicaid Spending vs. Per Capita Spending

- As use of managed care has increased, Medicaid per capita spending growth has decreased
- Medicaid per capita spending is usually lower than U.S. per health care capita spending
- Exception: Frew rate increases in 2007-2008



Sources: Analysis of Health and Human Services Caseload and Cost and Kaiser Family Foundation Analysis of National Health Expenditure Data from the Centers for Medicare and Medicaid Services' Office of the Actuary.

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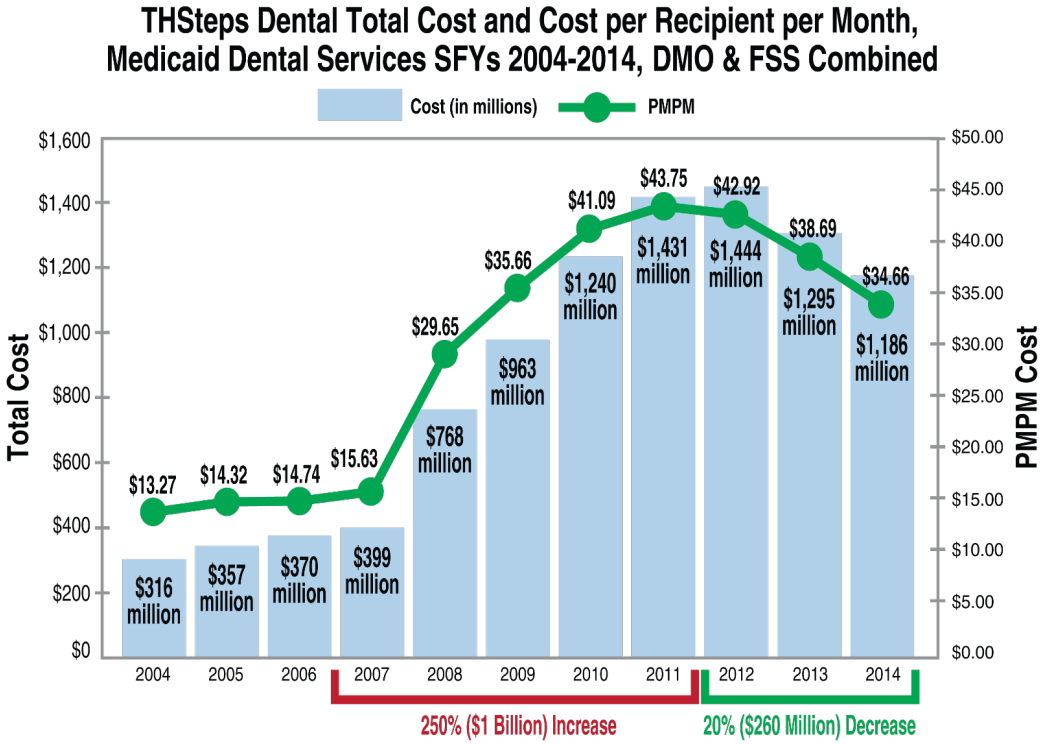
Dental MCO Cost Savings

- Dental costs grew more than 250% between FY07-FY11: **$1 billion**
- Orthodontia costs rose from $102 million in FY08 to $185 million in FY10: **81% increase**
- DMO implementation - 20% decrease from FY12-FY14: **$260 million savings (81% decrease in orthodontia costs)**
- Total FY14 Spending: **$1.2 Billion**



Source: HHSC, Financial Services, HHS System Forecasting

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Preventing & Detecting Fraud, Waste, & Abuse

- All cases over $100,000 are referred to the OIG - MCO can pursue if OIG turns it down
- All Medicaid MCOs have Special Investigative Unit responsible for investigating all potential acts of Fraud, Waste, and Abuse (FWA)
- Coordinate with HHSC-OIG to pursue investigation and recoveries and submits a monthly report to the OIG on all open cases
- Prepayment and retrospective reviews (example, provider billing for more than 24 hours in a day, billing differently than peers, unusual coding)
- Employ different software tools to ensure payment integrity. For example, review of high dollar inpatient claims, billing for non-covered benefits, review of charges for items unbundled, review of high number billed for a short period of time – home health)
- A robust FWA prevention initiative is integral to ensuring a high integrity, high quality and cost-effective MCO provider network.
- Focus on prevention, education, cost avoidance and post payment recoveries: Service coordination, prior authorization, inpatient concurrent review, claim submitted, claims analytics, verification of services, service review

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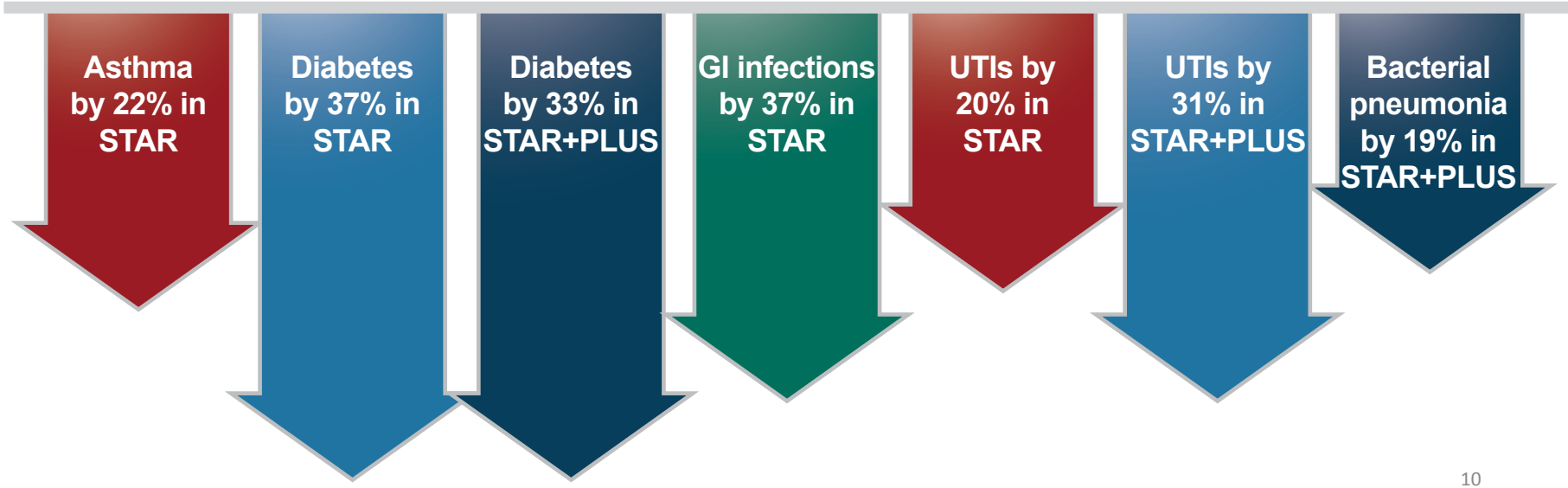
Improved Quality of Care

Between 2009 and 2011,
MCOs reduced hospital admissions for:



Source: Medicaid Managed Care in Texas. Sellers Dorsey. February 2015.

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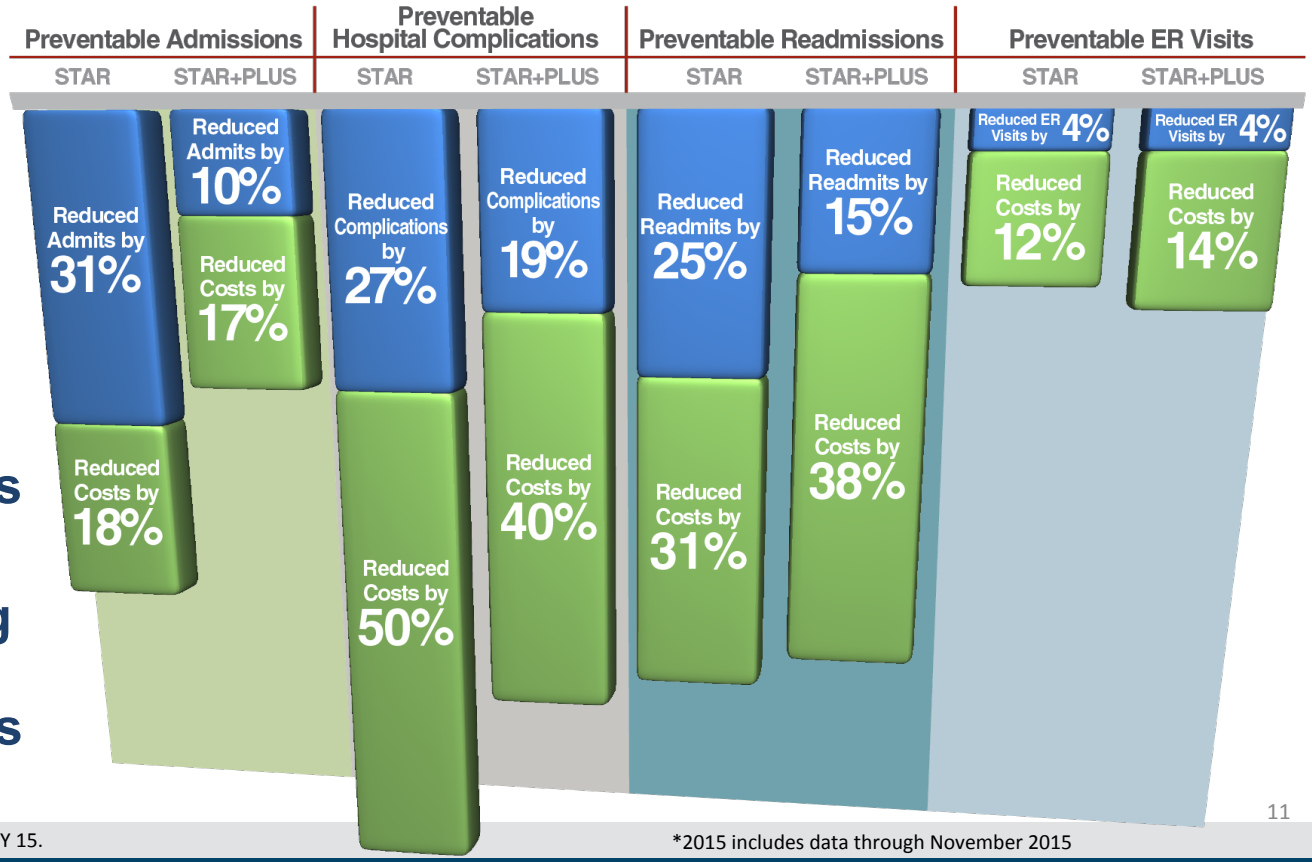
Texas Medicaid Managed Care: Improved Outcomes and Quality of Care

P4Q Program:

- Focuses on outcomes
- 4% of MCO premium payments at risk for quality
- Focus on reducing Potentially Preventable Events (PPEs)

Medicaid Health Plans Reduced Potentially Preventable Events



Source: HHSC Interactive MCO PPE Report CY 12- CY 15.

*2015 includes data through November 2015

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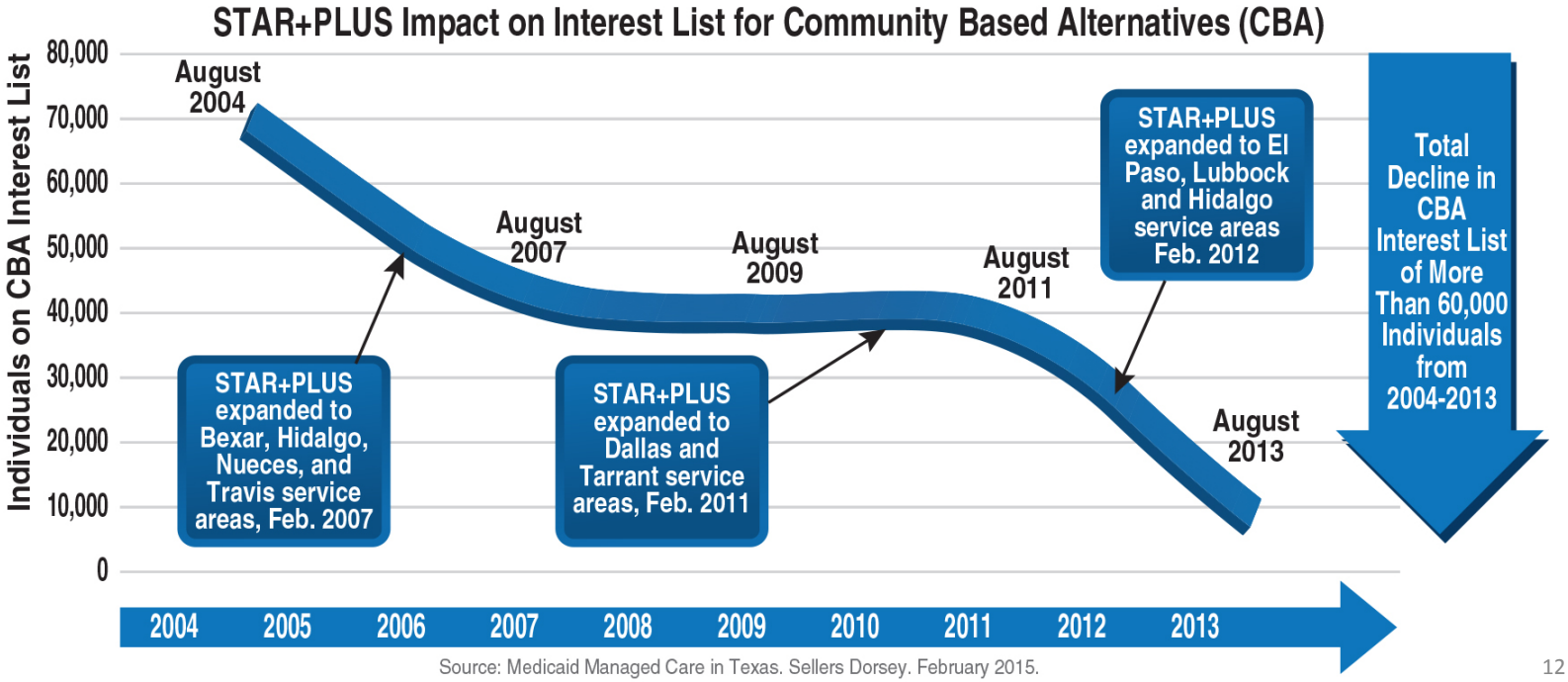
STAR+PLUS: Increased Access to Community Care



Source: Medicaid Managed Care in Texas. Sellers Dorsey. February 2015.

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Increased Access

- **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 MCOs
- **93% of families with children in Medicaid managed care report having access** to their PCPs when needed
- **Better prescription drug management and adherence than FFS** – More than 93% of children in managed care receive appropriate asthma medications. Adherence has improved 27% for respiratory diseases and 24% for heart attack treatment

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Recommendations: Improving Quality of Care

- Focus on outcomes versus process
- Focus on meaningful measures
- Adopt consistent measures across the system (national benchmarks, provider measure, DSRIP Measure)
- Ensuring a clear, deliberative, and transparent process for adopting the use of outcome measures and developing incentives/ disincentives for measures
- Incentives and disincentives should recognize individual health plan and provider improvements
- Look at system in entirety – not in silos (Quality, Utilization, Outcomes, Spending, Network Adequacy)

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Additional Savings Opportunities

- **Pharmacy lock- in program**
- **Additional savings and quality improvement with fully carving in the Medicaid prescription drug program - Nearly $100 million in savings a year**

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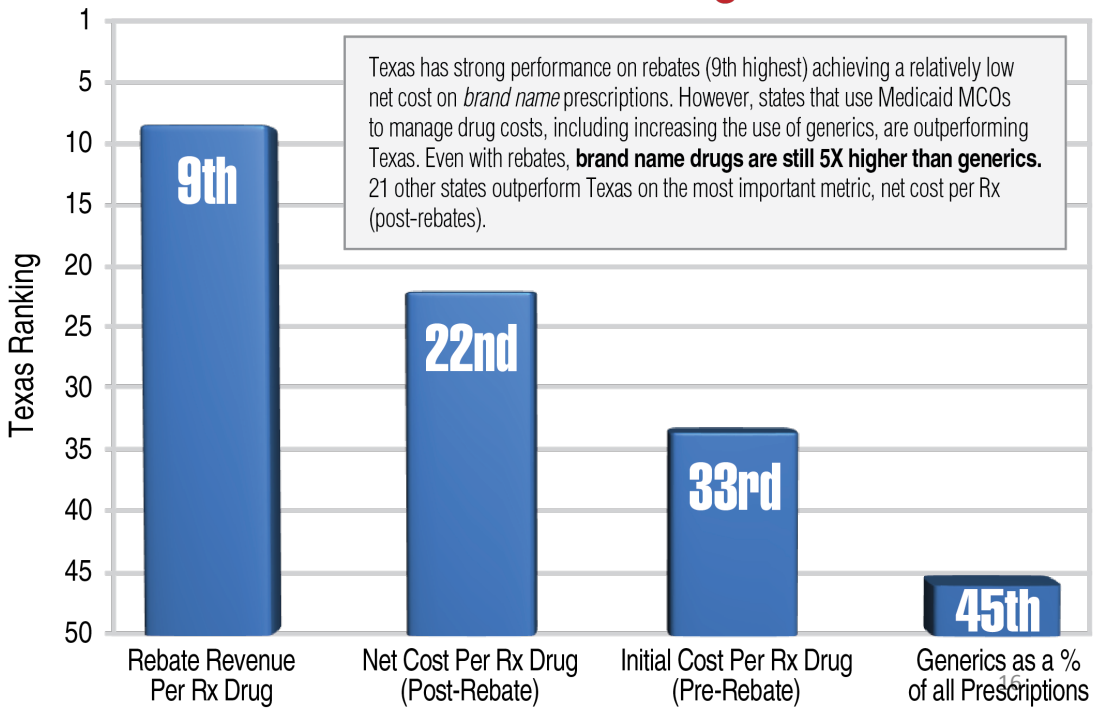
Full Rx Carve-In

- 21 other states outperform Texas on net per-Rx costs
- *"Playing the wrong game well"*
- Texas Ranks 45th in the use of generics
- States that focus on generics have costs that are 24% lower than states that focus on rebates
- States that use FFS for Rx have costs that are 22.5% higher than the national average and 27% above states that use MCOs
- Texas could save nearly $100 million GR a year

Texas Medicaid Prescription Drug Performance: State Rankings



Source: Assessment of Medicaid MCO Preferred Drug List Management Impacts, The Menges Group, February 2016

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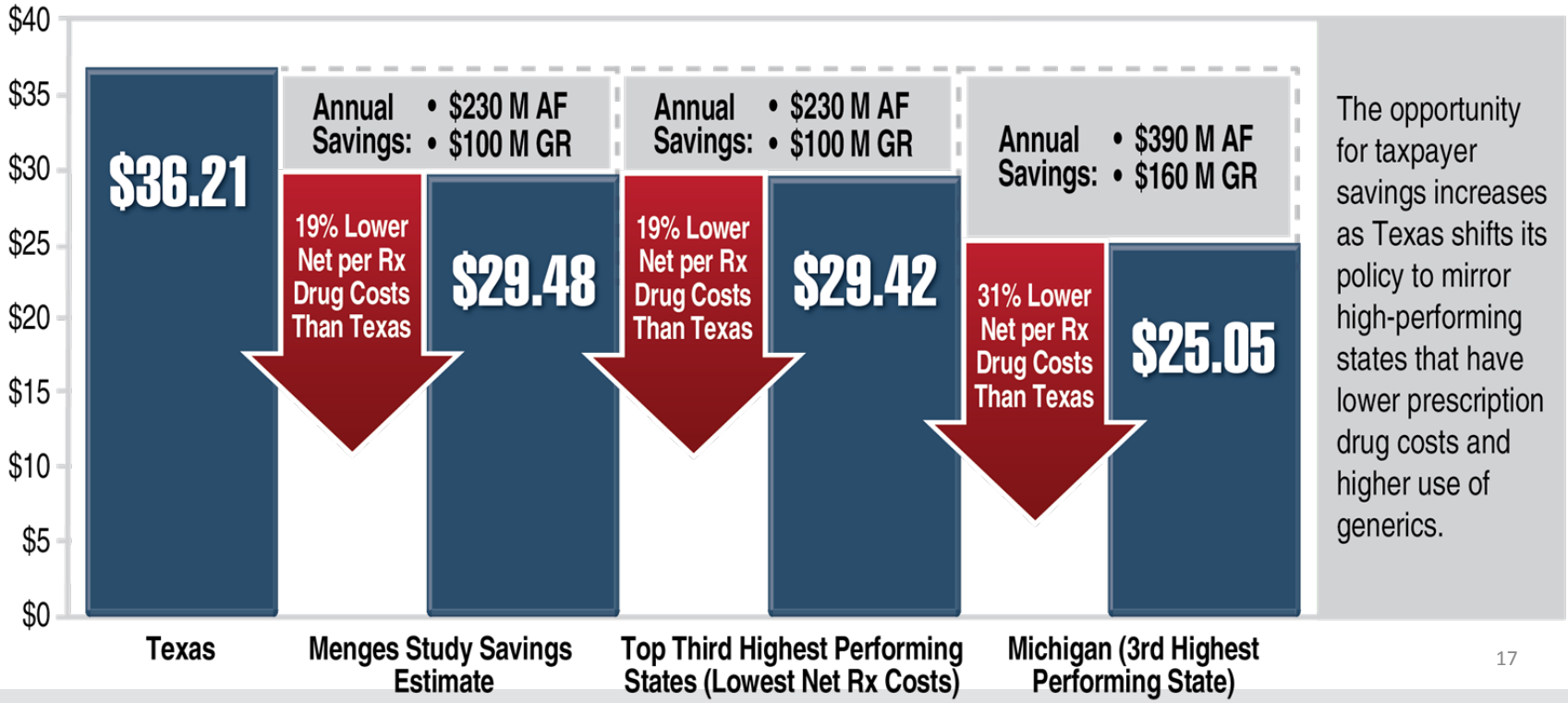
Opportunities for Medicaid Prescription Drug Savings in Texas

Net Costs per Prescription (Post-Rebate)



The opportunity for taxpayer savings increases as Texas shifts its policy to mirror high-performing states that have lower prescription drug costs and higher use of generics.

Source: Assessment of Medicaid MCO Preferred Drug List Management Impacts, The Menges Group, February 2016

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PDL Quality of Care Concerns & Quality

- **Would allow MCOs to apply pharmacy management tools that improve quality of care and health outcomes**
- **Concerns with the current system:**
  - Confusion for prescribers
  - Confusion for pharmacies
  - Drug shortages
  - Delays and barriers to improving outcomes
- **Example: PDL is not always up to date. Suprax is listed as the preferred antibiotic. However, it is clinically suggested to be third line of treatment. Creates greater opportunity for antibiotic resistance**

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Additional Efforts & Recommendations

- New STAR KIDS Health Plan
- Medicaid MCOs are working together to create a common provider credentialing system
- Women's Health Program
- Value based provider payments - flexibility
- Demand outcome and performance requirements, while maintaining the flexibility and innovation of health plan programs