



# Texas Medicaid Managed Care: Saving Dollars, Saving Lives

## Medicaid MCOs are a Proven Cost-Effective Delivery Model

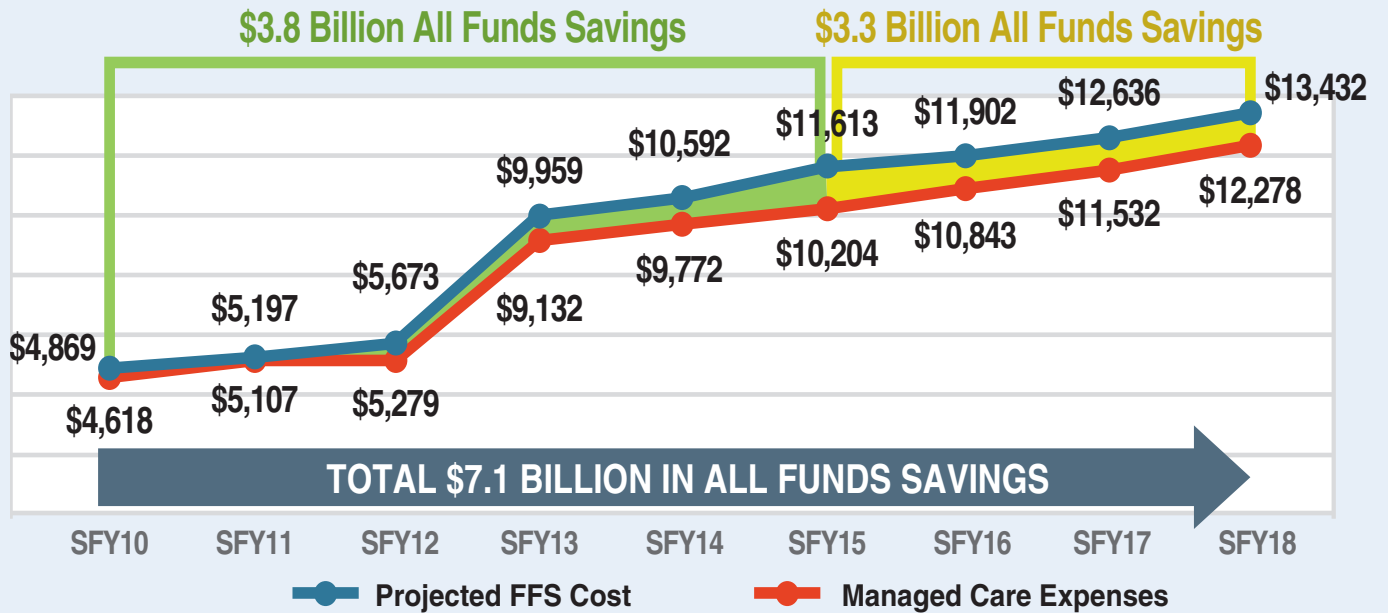
Texas is a national leader in the use of managed care. Medicaid managed care has dramatically improved the lives, outcomes, and quality of care for Medicaid patients. Hospital admissions are down 20 to 40% for some of the most common and treatable conditions, including asthma, diabetes, pneumonia, and infections. A new study has also found that access and quality for Medicaid health plan enrollees is better than Medicaid fee for service and comparable to private health coverage.<sup>1</sup>

## Medicaid Managed Care Cost Savings

Taxpayer dollars are being saved through better care coordination, private market competition and negotiations, and reductions in fraud, waste and abuse. The managed care approach, which replaced the less efficient fee-for-service model, has saved the state billions. As a result, Texas has some of the lowest per capita Medicaid costs in the country.

Between FY10 and FY 15, independent actuaries estimate that Medicaid managed care **reduced costs by 7.9%**, compared to the fee-for-service (FFS) model. Texas Medicaid MCOs have saved the state **\$3.8 billion in AF** since 2010 and are expected to save another \$3.3 billion AF through 2018 when compared to FFS. Medicaid dental managed care has **reduced costs by 28.4%** since FY13.

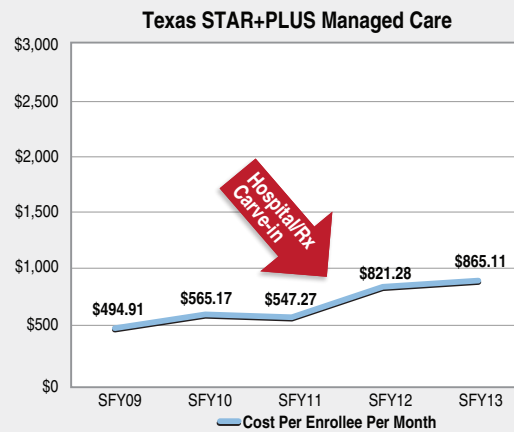
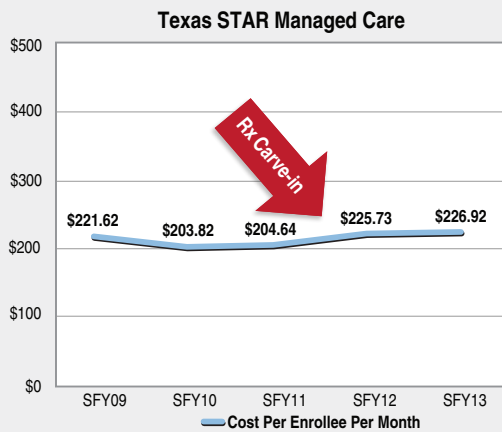
**Managed Care vs. Fee for Service**  
(Dollars in Millions)



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

## Medicaid MCOs Contain Costs for Texas Taxpayers

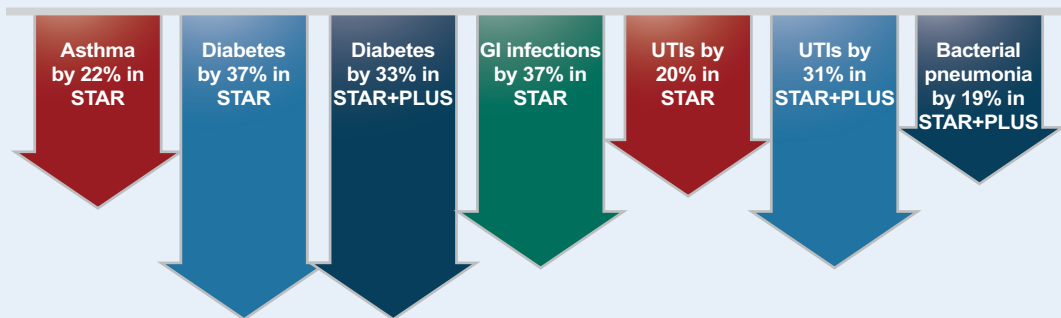
MCO premiums, including all health care and drug costs in the premium, have stayed relatively flat unlike FFS or general health care inflation. In the STAR program—Texas Medicaid’s largest managed care program, with 2.7 million consumers—costs grew only 2.2% from 2009 to 2013 while national health care costs grew nearly seven times as much, or 15%, over the same period of time.



## Medicaid MCOs have dramatically improved the lives, outcomes and quality of care for Medicaid consumers

### MCOs Improved Quality of Care

Between 2009 and 2011, MCOs reduced hospital admissions for:



## Texas Has the Strongest MCO Protections in the Country

- Texas is the only state that prescribes a limit on health plan administrative costs and defines which costs can be included in the administrative portion of the rate (MCO care management is considered administrative).
- Texas is one of only two states that have placed limits on health plan profits by requiring profit sharing with the state.
- Texas is one of a few states that have a one-way risk corridor that puts MCOs at full-risk for all costs and potential losses.
- Texas places the largest amount of MCO premium (4%) at risk based on performance and quality of care.

<sup>1</sup> Texas Medicaid Performance Study, The University of Texas Health Science Center at Houston, December 2016