



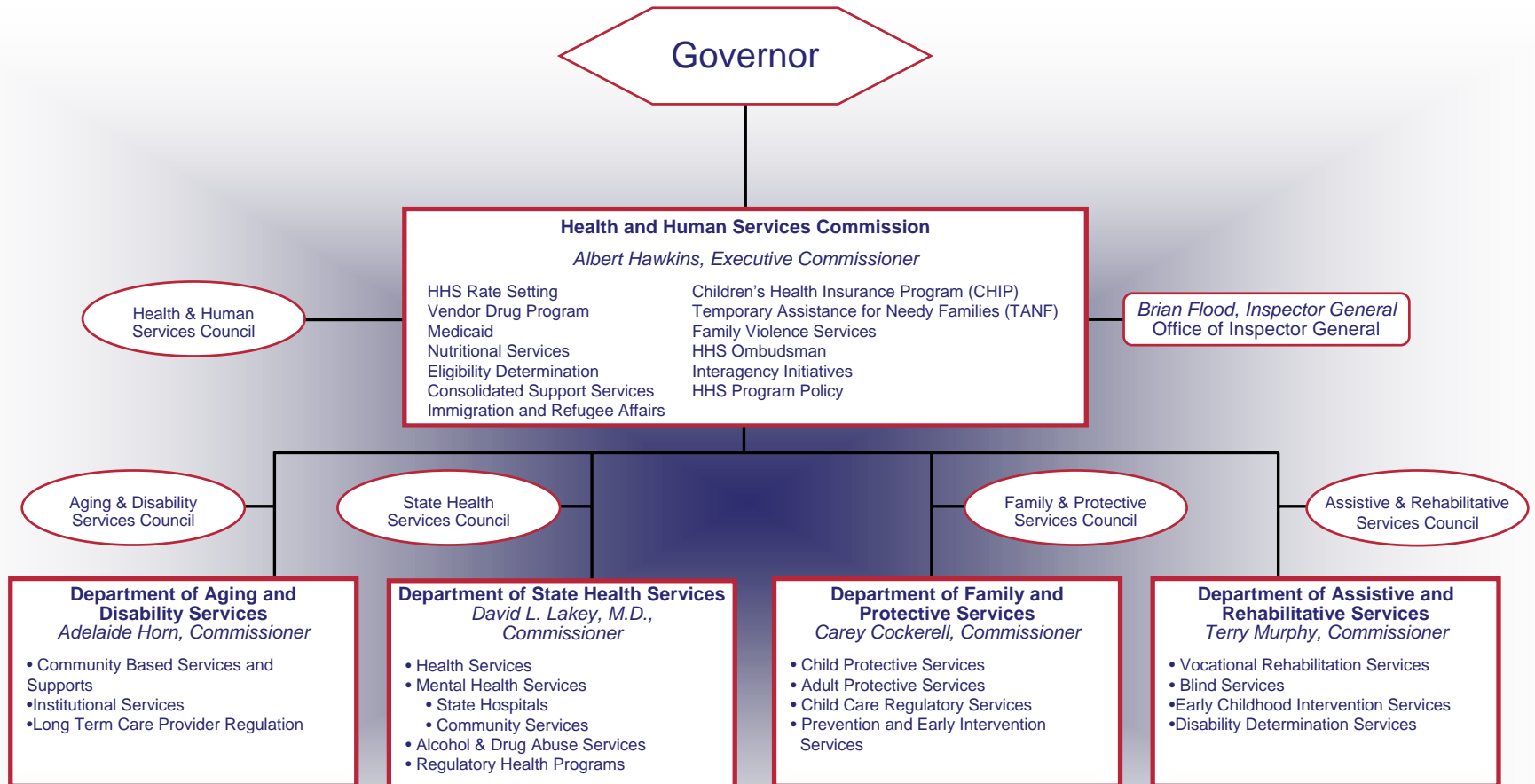
Presentation to the Actuaries Club of the Southwest

Texas Medicaid Overview and Reform

David Palmer, Chief Actuary

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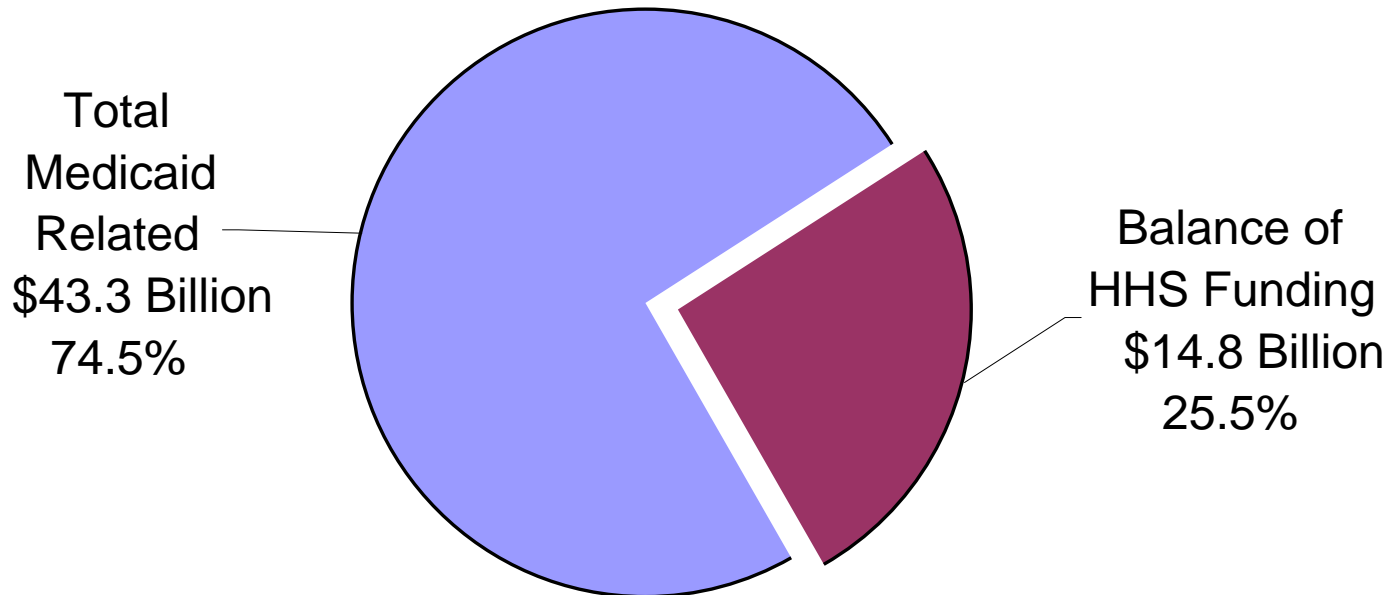
HHS Organization



- **Key Programs Overview**
 - **Temporary Assistance for Needy Families (TANF)** - Provides time-limited cash assistance to needy dependent children and the parents or relatives with whom they are living.
 - **Food Stamps** - An entitlement program that provides a monthly benefit to qualified applicants.
 - **Medicaid** - Provides guaranteed medical coverage to eligible needy persons.
 - **Children's Health Insurance Program (CHIP)** - Provides medical coverage to eligible children up to age 19, who are not already insured.

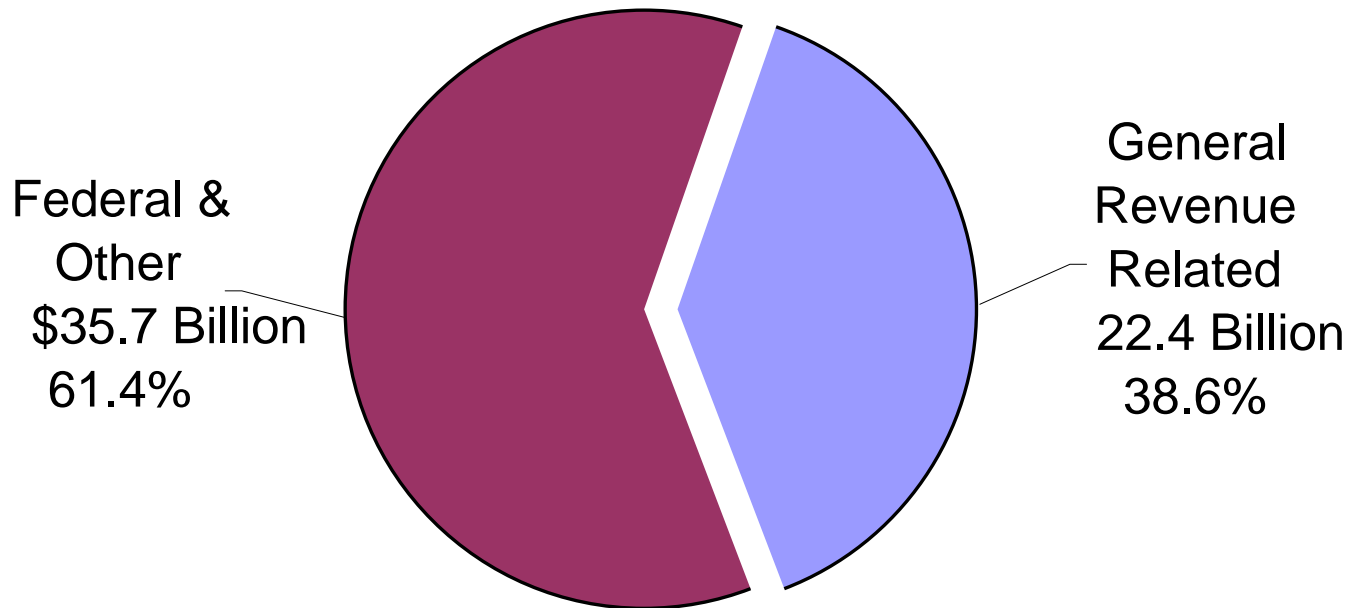
HHS System Method of Finance

**HHS System Method of Financing
Base and Exceptional Request
State Fiscal Years 2008 & 2009
*\$58.0 Billion All Funds***



HHS System Method of Finance

HHS System Method of Financing Base and Exceptional Request State Fiscal Years 2008 & 2009 *\$58.0 Billion All Funds*



Medicaid Overview

- Medicaid is a jointly funded state-federal program that provides medical coverage to eligible needy persons.
 - The federal government pays around 60% of Medicaid service expenditures
 - Federal laws and regulations:
 - Require coverage of certain populations and services; and
 - Provide flexibility for states to cover additional populations and services.
 - Medicaid is an entitlement program, meaning:
 - Guaranteed coverage for eligible services to eligible persons.
 - Open-ended funding based on the actual costs to provide eligible services to eligible persons.

Medicaid Eligibility

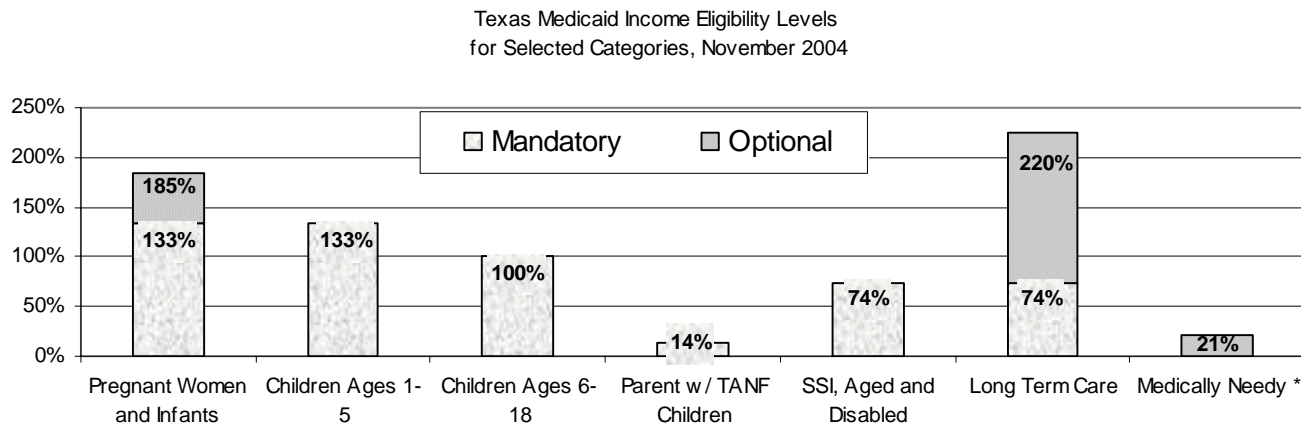
- Medicaid serves:
 - Low-income families
 - Children
 - Pregnant women
 - Elderly
 - People with disabilities
- Texas Medicaid does not serve:
 - Non-disabled, childless adults

Medicaid Eligibility

- Medicaid eligibility is financial and categorical:
 - Low income alone does not constitute eligibility for Medicaid
- Eligibility factors include:
 - Family income;
 - Age;
 - Other factors such as being pregnant or disabled or receiving TANF, and
 - Assets such as bank accounts and automobile values

Texas Medicaid Percent of Poverty Income Levels

- **The federal government requires that people who meet certain criteria be eligible for Medicaid. These are “mandatory” Medicaid eligibles and all state Medicaid programs must include these mandatory populations.**
- **The federal government also allows states to provide services to additional individuals and still receive the federal share of funding for services provided to them. These are “optional” Medicaid eligibles.**



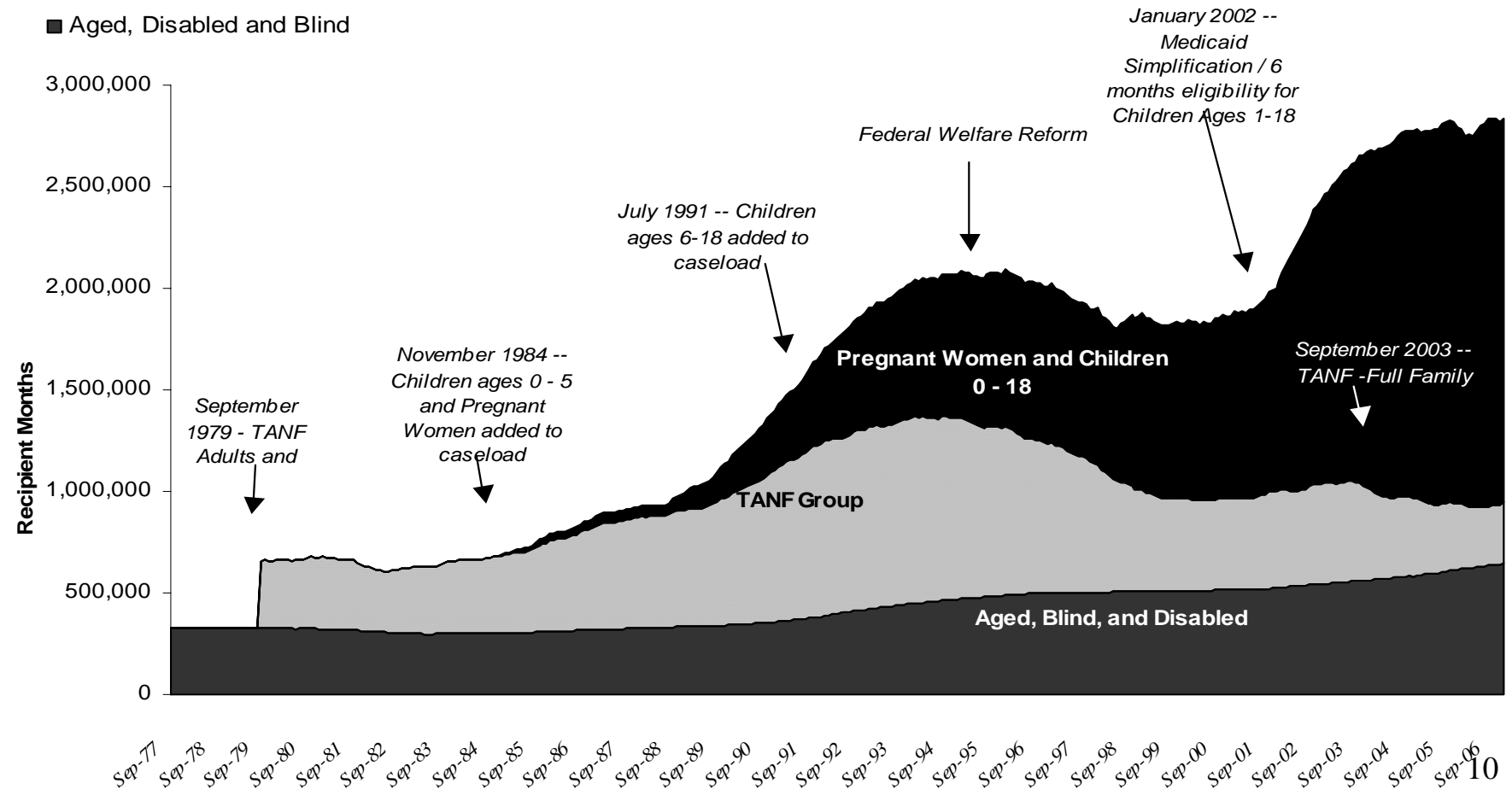
In SFY 2005, for TANF parents with children, eligibility is determined based on an adjusted gross income no higher than \$188 a month for a family of 3, which translates into 14% of poverty. For medically needy pregnant women and children, the maximum monthly adjusted gross income limit is \$275.

*Medically Needy is defined as a pregnant woman, or child whose family income exceeds the program income limits. The family must deplete their excess income with unpaid medical bills.

Texas Medicaid Caseload by Eligibility Group

Medicaid Caseload by Eligibility Group, September 1977 - December 2006

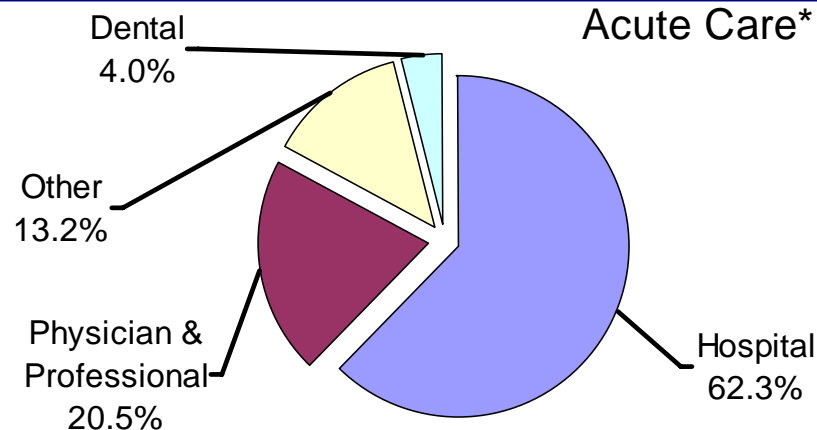
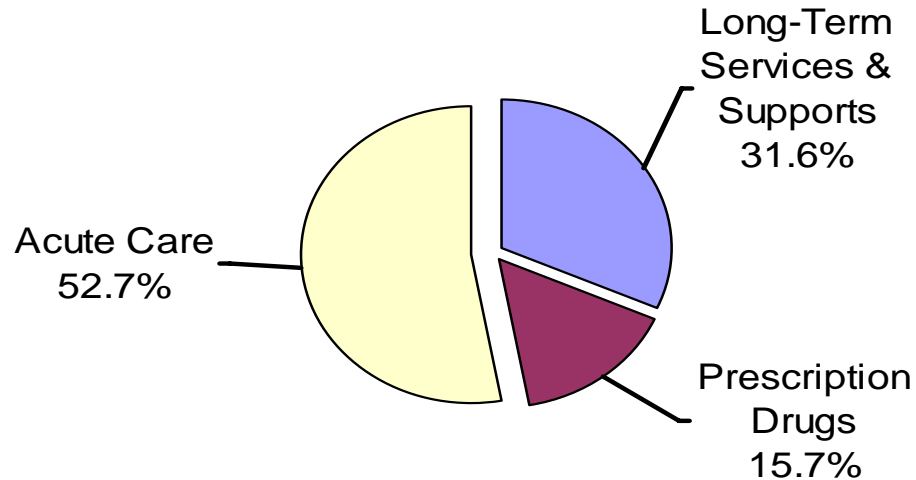
- Pregnant Women and non-TANF, non-Disabled Children
- TANF Group
- Aged, Disabled and Blind



Acute and Long Term Services and Supports

- The acute care program:
 - refers to the provision of health care for episodic health care needs. This includes care provided by physicians, hospitals, labs and medical supplies.
- The long term services and supports program:
 - refers to services provided to persons who are elderly and those with a disability who need long term assistance and supports to remain as independent as possible. Many of the services provided assist persons with activities of daily living, such as eating, dressing and mobility.

Texas Medicaid Spending by Major Function, FY 2005



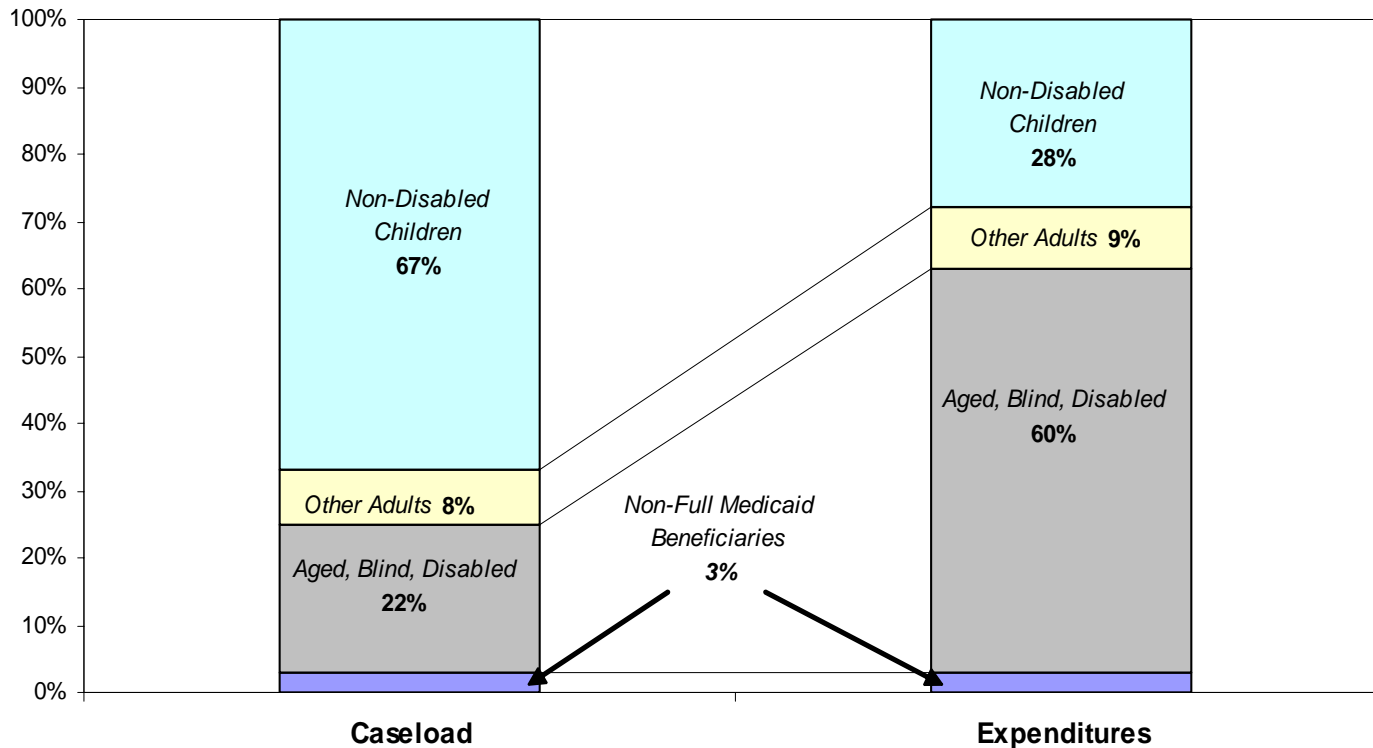
*Includes UPL and DSH payments to the hospitals totaling \$903 million and \$1,487 million, respectively.

Medicaid Delivery Models

- Fee for Service (Traditional Medicaid)
- Managed Care:
 - Managed Care Models in Texas:
 - Health Maintenance Organizations (HMO)
 - Primary Care Case Management (PCCM)
 - Managed Care Programs in Texas:
 - STAR (State of Texas Access Reform) – Acute Care HMO
 - STAR+PLUS – Acute & Long-Term Services and Support HMO for Aged, Blind and Disabled Clients
 - PCCM – Self-funded managed care model that provides a medical home for Medicaid clients through primary care providers
 - NorthSTAR – Behavioral Health Care HMO
 - ICM – Dallas and Tarrant Pilot planned for implementation July 1, 2007
 - Almost 70% of the Texas Medicaid population will be enrolled in managed care (HMO+PCCM) in Fiscal Year 2008 compared to 40% in 2003.

Medicaid Beneficiaries and Expenditures - FY 2006

In 2006, 2,792,566 people received full Medicaid benefits on average each month.



Source: Estimated 2006 Medicaid Expenditures, CMS/PPS Systems Notes: Aged, Blind, and Disabled includes clients under 21; Total Expenditures includes all Acute and Long-Term Care expenditures, including Vendor Drugs and Case Management. Expenditures and caseload for non-full Medicaid beneficiaries are not included.

Fee-For-Service (FFS) Rate Methods

- Physician
- Hospital
- Drugs
- Long Term Care

FFS Claims Payments

- Contract with Texas Medicaid Health Partnership (TMHP)
- Providers submit claims to TMHP
- Weekly payments to provider
- Produces reports of expenditures
- Maintains query system for eligibility, paid claims and HMO encounters
- \$135 million annual contract

Managed Care Rate Method

- Use plan experience data
- Trend to plan year
- Consider capitated expenses such as for behavioral health
- Adjust for programmatic issues including benefit or provider reimbursement changes
- Allowance for net reinsurance cost
- Administrative cost consideration including State mandated taxes
- Risk Margin

Medicaid Reform

- About half of all Texans are either uninsured (24.4%) or on a public program such as Medicaid.
- Most uninsured acute-care spending occurs at the hospital where care is most expensive and creates a burden of uncompensated care that must be covered by local taxes or higher rates for the insured.
- Redirect Disproportionate Share (DSH) funds into a Health Opportunities Pool (HOP)
- Use the HOP funds to purchase insurance for the uninsured
- Develop a small business initiative to share the expense of health insurance with the employer, the employee and the State.
- Overall goal is to reduce the number of uninsured, reduce the burden of uncompensated care at the hospital and increase primary care to create healthier citizens who access care at lower cost providers.

Children's Health Insurance Program (CHIP)

- Must first demonstrate ineligibility for Medicaid
- Covers children under age 19
- Up to 200% of federal poverty level (FPL)
- Asset levels and automobile values are at higher levels than Medicaid
- Not an entitlement program
- Special programs for children of immigrants, school employees and State employees
- Perinatal program covers unborn children

Children's Health Insurance Program (CHIP)

- Over 300,000 children enrolled
- Co-payments and enrollment fees apply to some clients
- 90-day waiting period for some clients
- Eligibility recently modified by House Bill 109 of the 80th Legislative Session
- Annual costs expected to exceed \$1 billion per year
- Federal government contributes about 72% of the cost
- Amount of federal funds available for CHIP is limited