MEDICAID

What's the 411?

"Medicaid, What's the 411" was a presentation by Legislative Budget Board staff for other Legislative Budget Board staff interested in a Medicaid overview.

April 12, 2012

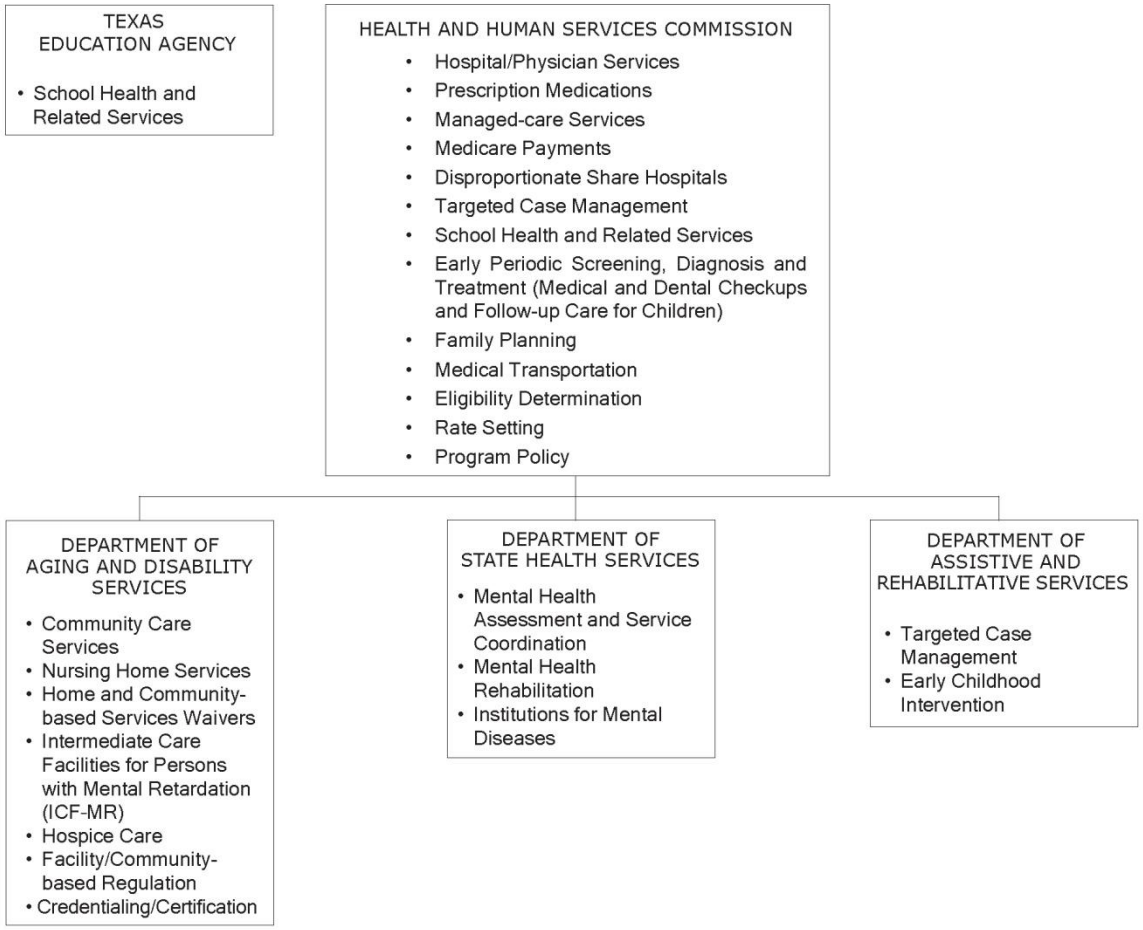
Overview of Presentation

- Brief history of Medicaid
- Eligible population
- Covered services
- Funding
- Underfunding
- Cost-containment in the current biennium
- 1115 Waiver and Managed Care

Medicaid Overview and History

- Joint State/Federal program that provides insurance to certain eligible populations
- Created in 1965 as Title XIX of the Social Security Act
- Established in Texas in 1967
- Administered by the Health and Human Services Commission (HHSC)

Medicaid Organization Chart



Source: HHSC

Basic Federal Provisions

- Entitlement: cannot limit the number of eligible people who can enroll; Medicaid must pay for any covered service
- State-wideness: all services available on a statewide basis, not limited to certain locations
- Comparability: same level of services must be available to all clients, unless specific exemption is created

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition

Basic Federal Provisions

- Freedom of Choice of Provider: client allowed to go to any Medicaid health care provider who meets program standards
- Sufficient Amount, Duration, and Scope of Services: states must cover each service in an amount, duration, and scope that is reasonably sufficient; limits can only be imposed for clients over age 21

- *State can seek approval of a "waiver" program to waive any of the federal provisions requirements*

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition

Facts about Texas Medicaid

- 2012-13 Medicaid All Funds appropriations as a percentage of the appropriated Texas budget: 23.4%

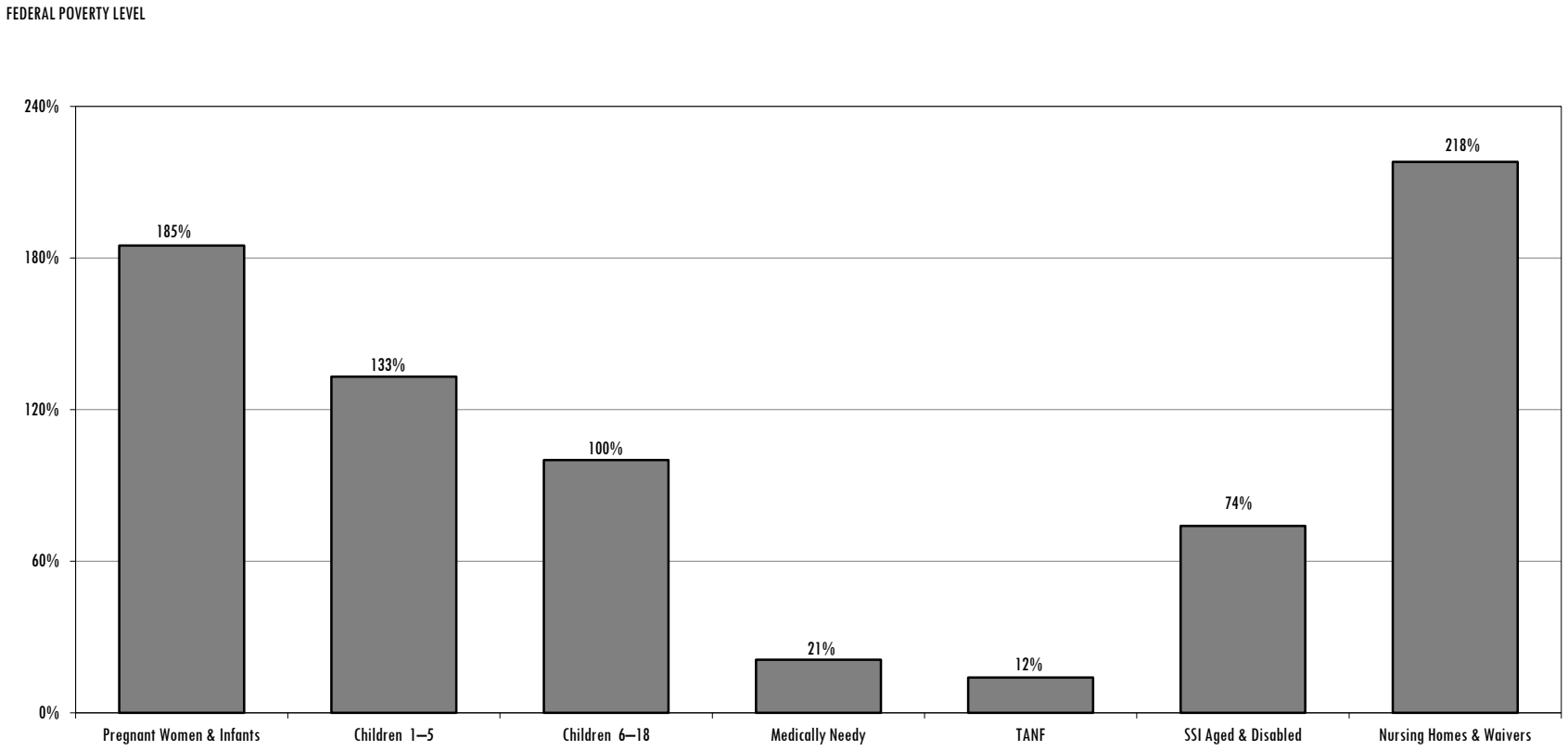
- % of Texans living in poverty in 2009: 17.2
- % of Texas children living in poverty in 2009: 24.4
- % of Texans without health insurance in 2009: 25.5

- % of Texas births in FY 2009 paid for by Medicaid: 55.9

Eligible Population in Texas

- Children ages 1-5 up to 133% of the Federal Poverty Level (FPL)
- Children ages 6-18 up to 100% FPL
- Pregnant women and newborns up to 185% FPL
- TANF-eligible parent with children ~12% FPL
- SSI-eligible and disabled population ~74% up to 218% FPL
- Aged and Medicare-related ~74% FPL
- Medically-needy ~21%

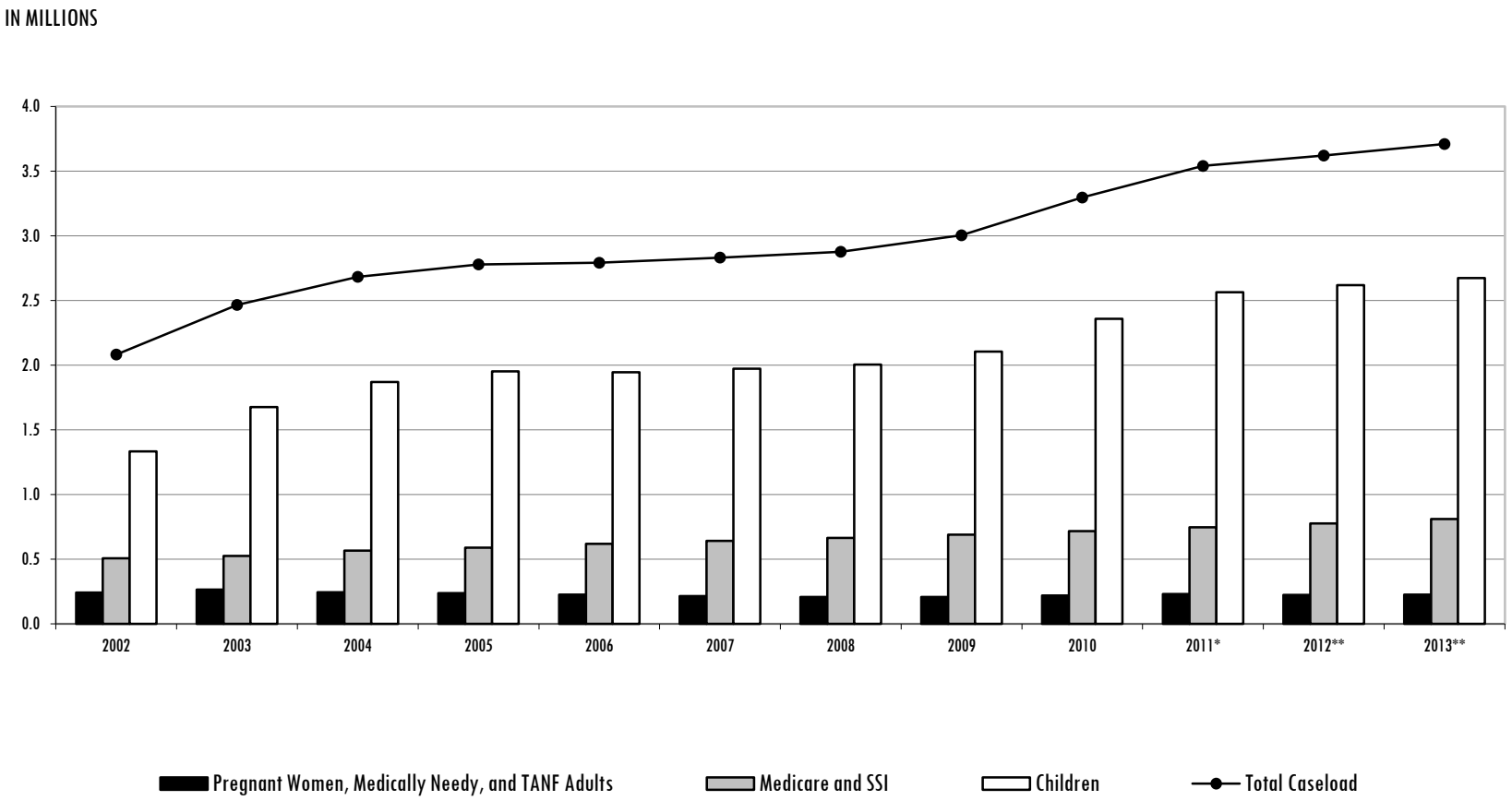
Medicaid Eligibility Levels



Federal Poverty Levels 2011

Size of Family Unit	100% FPL	12% FPL	74% FPL	133% FPL	185% FPL	200% FPL	218% FPL
1	$10,890	$1,307	$8,059	$14,484	$20,147	$21,780	$23,740
2	$14,710	$1,765	$10,885	$19,564	$27,214	$29,420	$32,068
3	$18,530	$2,224	$13,712	$24,645	$34,281	$37,060	$40,395
4	$22,350	$2,682	$16,539	$29,726	$41,348	$44,700	$48,723
5	$26,170	$3,140	$19,366	$34,806	$48,415	$52,340	$57,051
6	$29,990	$3,599	$22,193	$39,887	$55,482	$59,980	$65,378
7	$33,810	$4,057	$25,019	$44,967	$62,549	$67,620	$73,706
8	$37,630	$4,516	$27,846	$50,048	$69,616	$75,260	$82,033
For each additional person	$3,820	$458	$2,827	$5,081	$7,067	$7,640	$8,328

Medicaid Acute Care Caseloads



Medicaid Benefits, Acute Care

Mandatory	***Optional***
☐ Inpatient hospital services ☐ Outpatient hospital services ☐ Laboratory and x-ray services ☐ Physician services ☐ Medical and surgical services provided by a dentist ☐ Early and periodic screening, diagnostic, and treatment (EPSDT) services for individuals under 21 ☐ Family planning services and supplies ☐ Federally qualified health centers ☐ Rural health clinic services ☐ Nurse midwife services ☐ Certified pediatric and family nurse practitioner services ☐ Home health care services	☐ Prescription drugs ☐ Medical care or remedial care furnished by other licensed practitioners ☐ Rehabilitation and other therapies ☐ Clinic services ☐ Primary care case management ☐ Hearing instruments and related audiology ☐ Renal dialysis

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition

Medicaid Benefits, Long Term Care

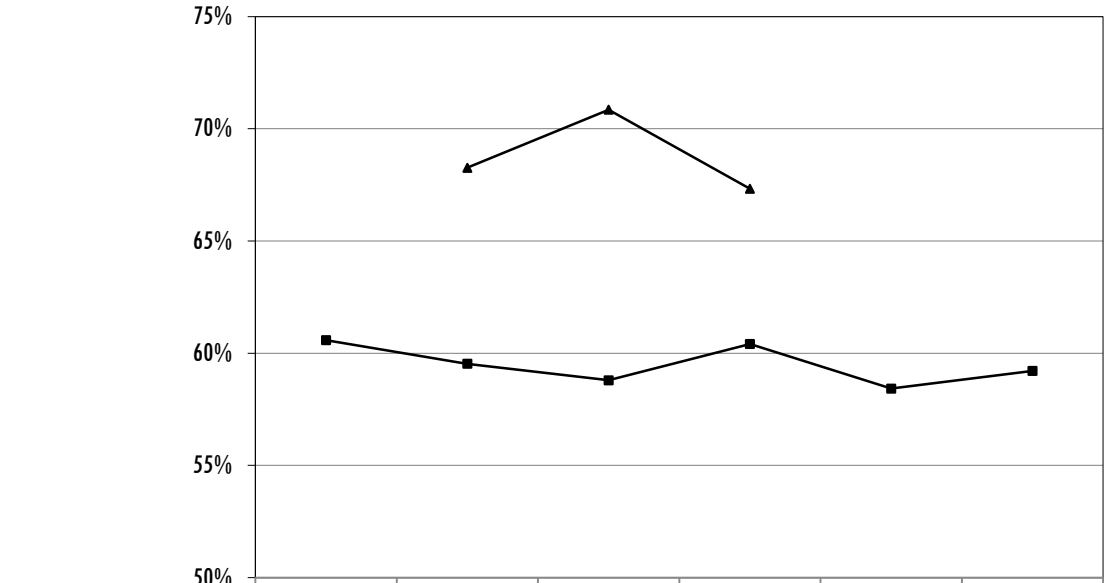
Mandatory	***Optional***
☐ Nursing facility (NF) services for individuals 21 or over	☐ Intermediate care facility services for the developmentally disabled ☐ Inpatient services for individuals 65 and over in an institution for mental diseases (IMD) ☐ Home and community-based services ☐ Targeted case management ☐ Hospice services ☐ Services furnished under a Program of All-Inclusive Care for the Elderly (PACE)

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition

Medicaid Funding

- Jointly funded by state and federal government
- Federal Medical Assistance Percentage (FMAP)
  - A state's FMAP is based on a state's three-year average per capita income relative to the national per capita income.
  - Texas received an enhanced FMAP under ARRA which significantly decreased the General Revenue demand in fiscal years 2009-2011.

Federal Medical Assistance Percentage



	2008	2009	2010	2011	2012	2013*
Regular FMAP	60.58%	59.53%	58.79%	60.41%	58.42%	59.21%
ARRA-Enhanced FMAP		68.26%	70.85%	67.33%		

*GAA assumed 57.37 percent FMAP in FY 2013

Source: LBB Fiscal Size-up 2012-13

Other Medicaid Match Rates

- Program administration: 50%
- Compensation and training of professional medical personnel or quality control peer review organization: 75% Federal
- Family Planning, Medicaid fraud unit, and development of automatic claims processing systems: 90% Federal
- Breast and Cervical Cancer Program: Enhanced FMAP (Children's Health Insurance Program matching rate; in FY 2012, EFMAP is 70.89%)
- New eligible population under PPACA in 2014-16: 100% Federal (does not cover "Welcome Mat" effect for currently eligible but not enrolled)

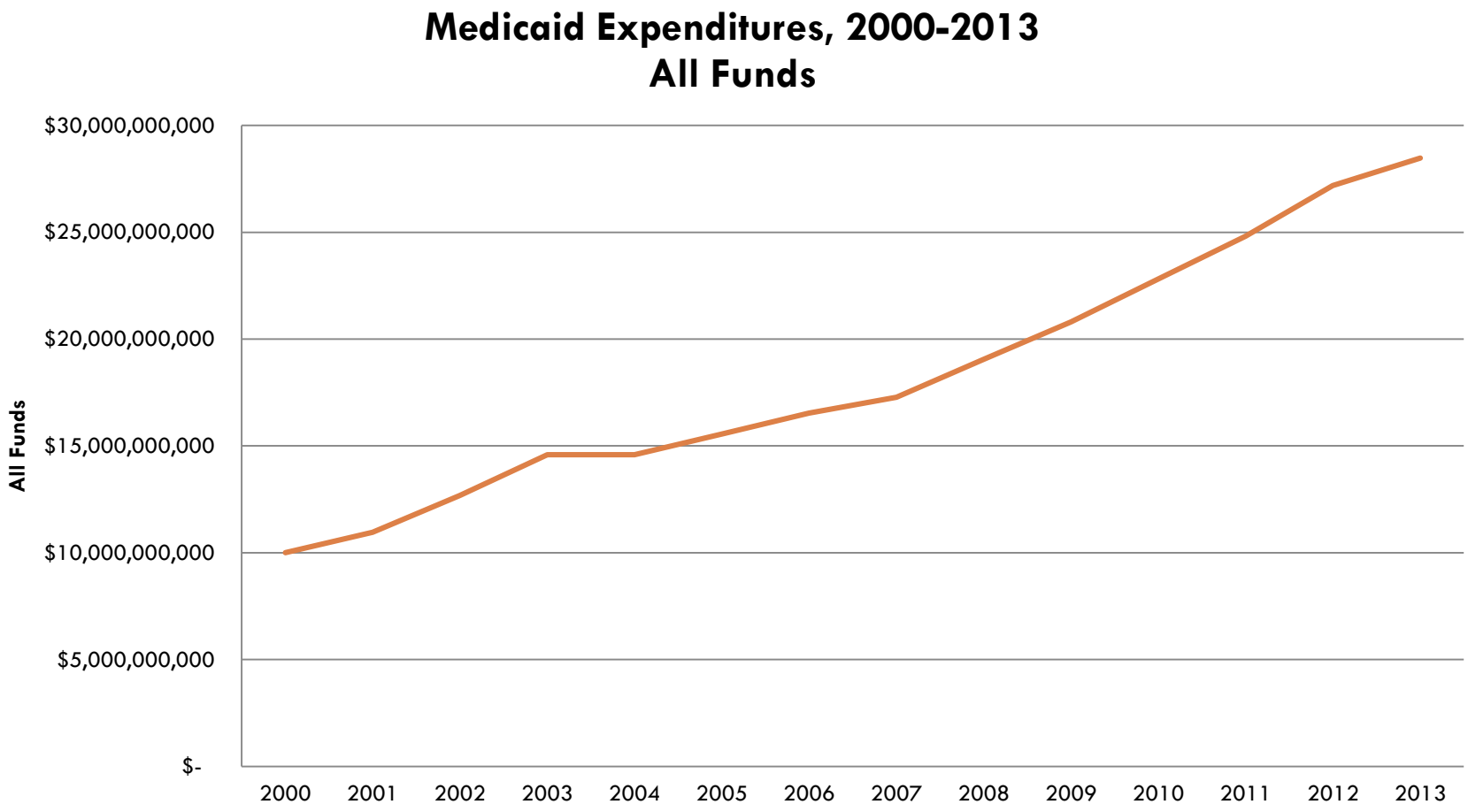
Medicaid Funding

- Funding levels are driven by caseloads, medical costs (including rates), and service utilization
- There are certain supplemental payments outside of the appropriation process: Disproportionate Share Hospital (DSH) and 1115 Waiver Supplemental Payments (formerly Upper Payment Limit, UPL)

Provider Reimbursement Rates

- HHSC has rate-setting authority for provider reimbursement rates. Rates are typically lower than Medicare rates.
- As part of the 5% and 2.5% reductions plans of the 2010-11 biennium, HHSC lowered Medicaid provider reimbursements rates for most services by 2%.
- GAA, Article II, Special Provisions Section 16, outlines additional provider rate reductions for the 2012-13 biennium.
- GAA, Article II, Special Provisions Section 15, requires LBB approval of certain rate changes.

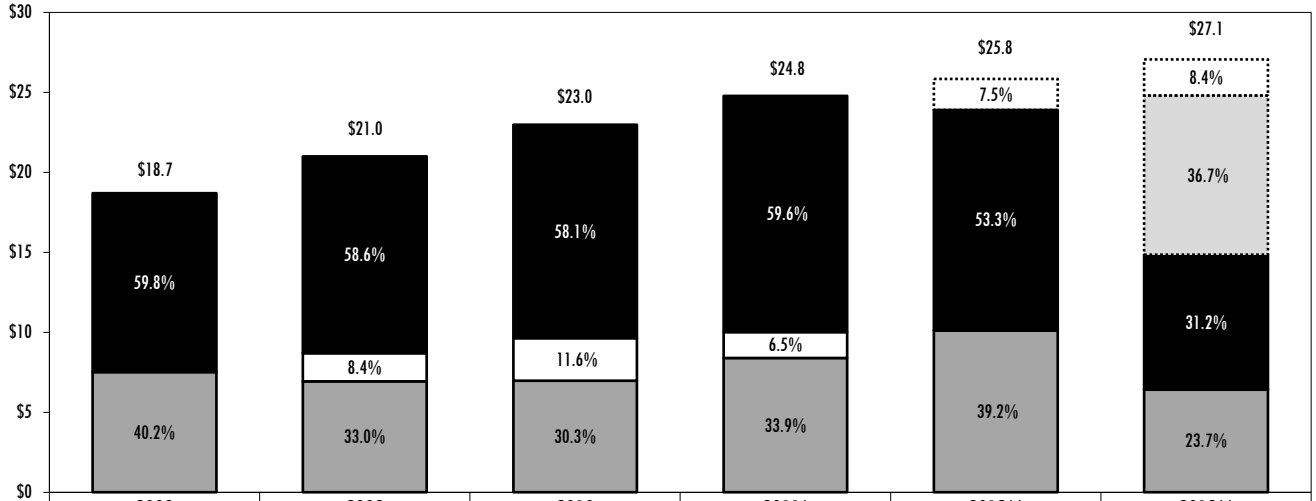
Funding Levels



Source: HHSC CMS 37 Report, November 2011

Medicaid Funding

IN BILLIONS



	2008	2009	2010	2011*	2012**	2013**
Cost-Containment, All Funds					$1.9	$2.3
Supplemental Need, All Funds						$9.9
Federal Funds	$11.2	$12.3	$13.3	$14.8	$13.8	$8.4
Stimulus Federal Funds		$1.8	$2.7	$1.6	$0.0	$0.0
General Revenue/ General Revenue-Dedicated/Other Funds	$7.5	$6.9	$7.0	$8.4	$10.1	$6.4

*Estimated

** Total projected need prior to legislative action

Source: LBB Fiscal Size-up 2012-13

Medicaid Under-funding

- Challenges of the 82nd Legislature specific to Medicaid:

Replace Federal Funds associated with ARRA-FMAP

+ regular program growth

= increase General Revenue demand

+ limited General Revenue

+ challenging political climate

+ entitlement nature of Medicaid

= decision to underfund Medicaid

Medicaid Under-funding

- GR demand of $7.3 billion above 2010-11
- Cost Containment Initiatives in GAA: $1.8 billion GR
- GAA appropriated $0.7 billion GR above 2010-11
- Article IX Contingency Appropriation: $0.5 billion GR
- More favorable 2013 FMAP: $0.4 billion GR

- Brings estimated shortfall (supplemental need in fiscal year 2013) to **$3.9 billion GR**

Source: LBB Fiscal Size-up 2012-13

Cost Containment in 2012-13

- Variety of cost containment initiatives included in the GAA and in Senate Bill 7, 82nd Leg, First Called

- Rate Reductions: $575 million GR
- Managed Care Expansion: $386 million GR
- Article II, Special Provisions Sec 17: $705 million GR
- HHSC, Rider 61: $450 million GR
- HHSC, Rider 59: $700 million in Federal Flexibility
- Other GR savings included in GAA: $63 million GR
- Total savings target is $2.9 billion GR

1115 Waiver

- Authorized managed care expansion
  - Expansion into South Texas;
  - Expansion in existing areas;
  - Reconfiguration into Medicaid Rural Service Areas;
  - "Carve-in" vendor drug program and inpatient hospital;
  - Dental capitation for children
- Re-constructed the supplemental payment system previously known as Upper Payment Limit
  - Hospitals will join regional partnerships to draw down supplemental funds to cover:
    - Uncompensated Care Costs
    - Delivery System Reform Incentive Payments

Future of Medicaid?

- Supplemental funding in fiscal year 2013?
- Cost Containment achievement and sustainability?
- Patient Protection and Affordable Care Act impact?
- Access to affordable services for low income, elderly, and disabled populations?