

Presentation to the House Select Committee on State Health Care Expenditures



Albert Hawkins, Executive Commissioner

Health and Human Services Commission

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Presentation Overview

- Health Care Spending in US
- Texas Medicaid Cost Trends
- Texas Medicaid Utilization and Cost Information
- 78th Legislative Session Medicaid Initiatives
 - Preferred Drug List
 - Managed Care Expansion
 - Disease Management
 - Prior Authorization of High Cost Medical Services



Health Care Spending in US

- \$1.6 trillion in 2002
- Growth rate of 9.3% for total health care spending in 2002 from 2001
 - Prescription drugs were fastest growth segment of health care industry at 15.3%
 - Hospital spending increased by 9.5%
 - Physician spending increased by 7.7%

Source: Centers for Medicaid and Medicare Services News Release

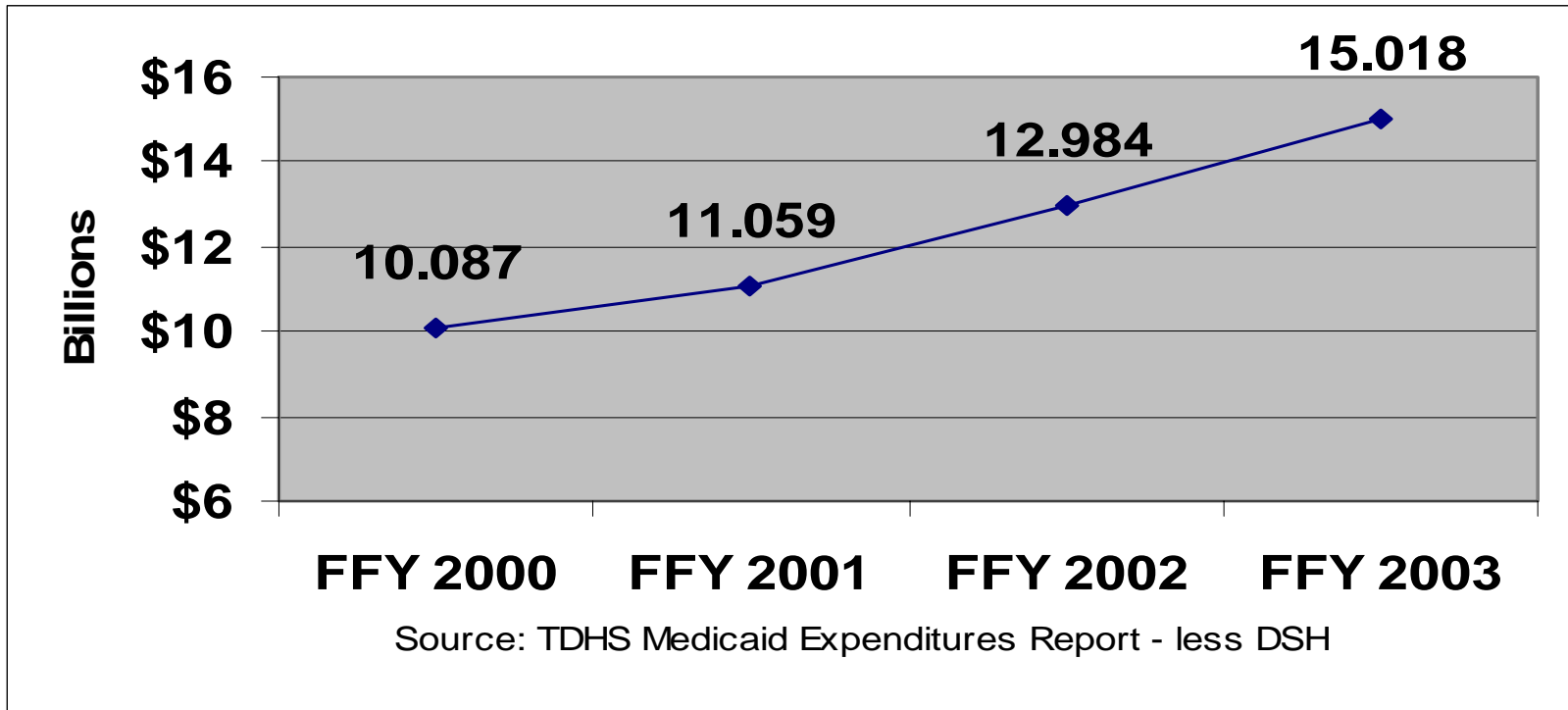


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Texas Medicaid Cost Trends



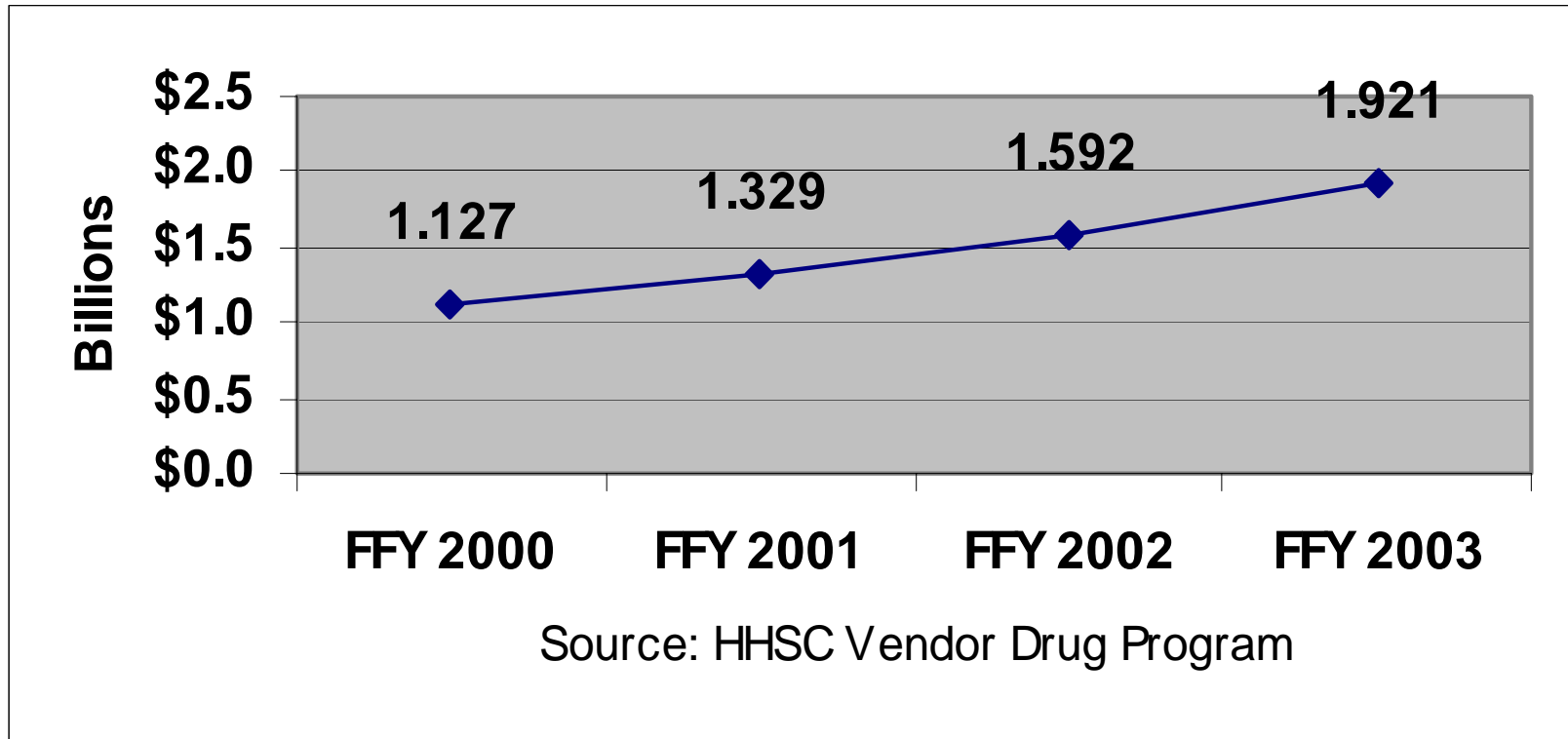
Texas Medicaid Total Cost Trend



This chart represents total (all funds) Medicaid expenditures, less DSH payments. Total costs reported include expenditures for acute care and long term care services, including administration costs. Long term care costs include expenditures for skilled nursing facilities, ICF/Mentally Retarded public and private facilities, home and community-based waivers, functionally disabled elder care, hospice, day activities health services, goal-directed therapy, survey and certification costs, and estimated administration costs. Acute care costs include expenditures for inpatient hospital services, outpatient services, physician services, and estimated administration costs.



Prescription Drug Cost Trend

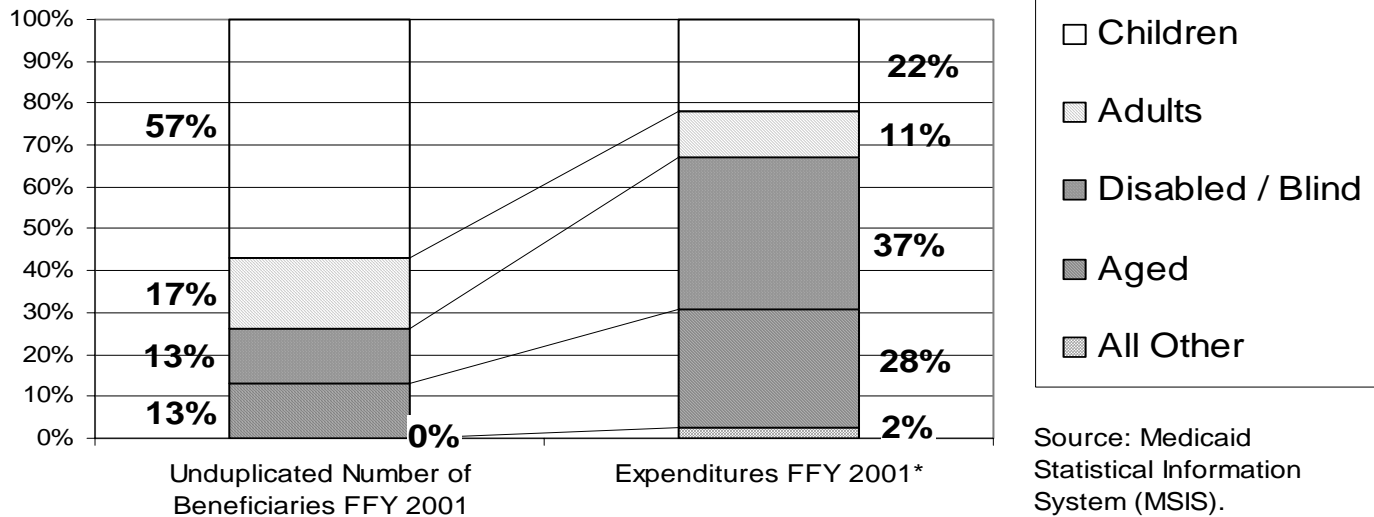


This chart represents total (all funds) payments to pharmacies for prescriptions in the Medicaid program only; there are no non-Medicaid Vendor Drug payments included in the totals.



Texas Medicaid Expenditures

**Beneficiaries and Expenditures by Broad Eligibility Group:
FFY 2001**



This chart represents expenditures for acute care and long term care services provided to Medicaid clients in both fee-for-service and managed care. These expenditures do not include program administration, DSH payments, survey and certification activities, or Medicare premiums paid to the federal government on behalf of Medicare/Medicaid dual eligibles.

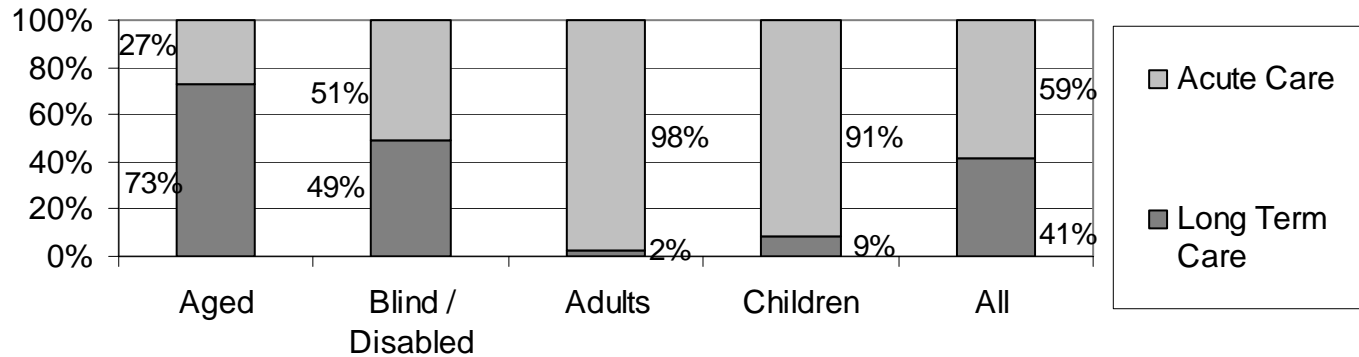
The total expenditure amount allocated in this chart is approximately \$9.7 billion (all funds).

- Long-term care expenditures represent approximately \$4.0 billion (41% of the total)
- Acute care expenditures represent approximately \$5.7 billion (59% of the total)



Texas Medicaid Expenditures

Percent Distribution of FFY 2001 Medicaid Expenditures
by Type of Care For Major Eligibility Groups



For the expenditures represented in the chart on page 7, this chart represents, for each eligibility group, the relative distribution of acute care and long term care expenditures.



Medicaid Appropriations FY04-05

Total appropriations for Texas Medicaid:

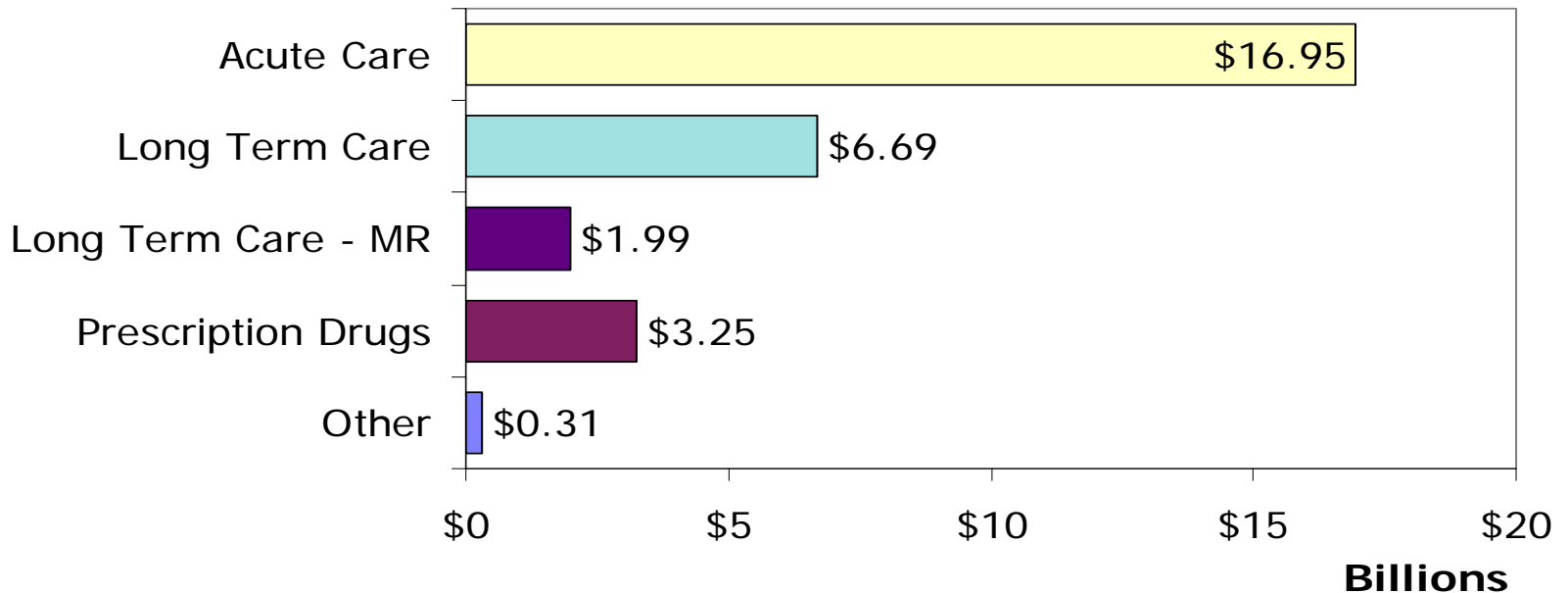
- \$29.3B from all fund sources
 - \$14.9B in 2004
 - \$14.4B in 2005

Source: HB 1 Special Provisions



Appropriations by Service FY04-05

This chart represents the total \$29.3 billion (all funds) appropriation for FY04-05 distributed by type of service





Appropriations by Eligibility Group FY04-05

This chart represents the total \$29.3 billion (all funds) appropriation for FY04-05 distributed by eligibility group





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Texas Medicaid

Utilization and Cost Information



FY03 Prescription Drug Expenditures

Top 10 by Drug Class

- Antipsychotics
- Anticonvulsants
- Gastric Acid Secretion Reducers
- NSAIDS (anti-inflammatory)
- Serotonin Specific Reuptake Inhibitors (anti-depressant)
- Analgesics, narcotics
- Penicillins
- Beta-adrenergic Agents (blood pressure)
- Calcium Channel Blocking Agents (blood pressure)
- Lipotropics (cholesterol)



FY03 Inpatient Expenditures

Top Ten Claim Type by Diagnostic Code

- Single Live Birth w/o Cesarean
- Single Live Birth w/ Cesarean
- Delivery with previous Cesarean
- Pneumonia
- Normal Delivery
- Respiratory Distress
- Coronary Arterial Deposits
- Twin Live Birth w/ Cesarean
- Acute Respiratory Failure
- Congestive Heart Failure

Source: HHSC Research and Planning (Vision 21)



FY03 Outpatient Expenditures

Top Ten Claim Type by Diagnostic Code

- Chronic Renal Failure
- Cerebral Palsy
- Lack of normal childhood development
- Acute Upper Respiratory Infection
- Chemotherapy
- Convulsions
- Ear Infection
- Abdominal Pain
- Speech/Language Disorder
- Fever

Source: HHSC Research and Planning (Vision 21)



FY03 Physician Expenditures

Top Ten Claim Type by Diagnostic Code

- Office Visit, low complexity
- Obstetrical Care
- THSteps Screening – Normal
- Cesarean Delivery
- Office Visit, moderate complexity
- Individual Counseling
- THSteps Screening – Abnormal
- Lower Respiratory Tract Infection
- Emergency Room Visit
- Subsequent Hospital Care

Source: HHSC Research and Planning (Vision 21)



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78th Legislative Session

Medicaid Initiatives



Preferred Drug List

HB 2292 requires HHSC to enter into supplemental rebates or comparable program benefits for prescription drugs.

- Overall goals include:
 - Establish a cost-effective Preferred Drug List (PDL)
 - Prior authorization required for reviewed drugs not on PDL
 - Decisions based on clinical efficacy, safety, cost effectiveness
- Status of project
 - Rollout in phases based on most frequently utilized drugs
 - Implementation begins in February 2004



Managed Care Expansion

HB 2292 requires HHSC to expand managed care utilizing most cost effective model.

- Overall goals include:
 - Emphasis on preventive care by establishing a medical home for clients
 - Increased care coordination for improved patient care
 - Reduced inappropriate utilization resulting in cost savings
- Status of Initiative
 - Cost effectiveness study has been completed by contractor
 - Expansion plan in development



Disease Management

HB 727 requires HHSC to contract with vendor(s) to implement Disease Management in fee-for-service.

- Overall goals include:
 - Increased focus on preventive care
 - Increased compliance with physician guidelines
 - Decreased unnecessary hospital and outpatient services
- Status of Initiative
 - Focus on diabetes, coronary artery disease, congestive heart failure, asthma, chronic obstructive pulmonary disease.
 - In discussion for possible award with LifeMasters Supported SelfCare, Inc. and McKesson Health Solutions, LLC

Note: HB 1735 requires disease management in managed care; a strategy has been developed that builds on existing health plans' case management programs.



Prior Authorization

HB 2292 allows HHSC to evaluate and implement requirements for prior authorization of high-cost medical services.

- Overall goals include:
 - Determine if prior authorization of additional medical services would be cost effective (TMHP program currently operational).
 - Vendors required to submit analysis of potential savings.
- Status of Initiative
 - Draft RFP has been released