

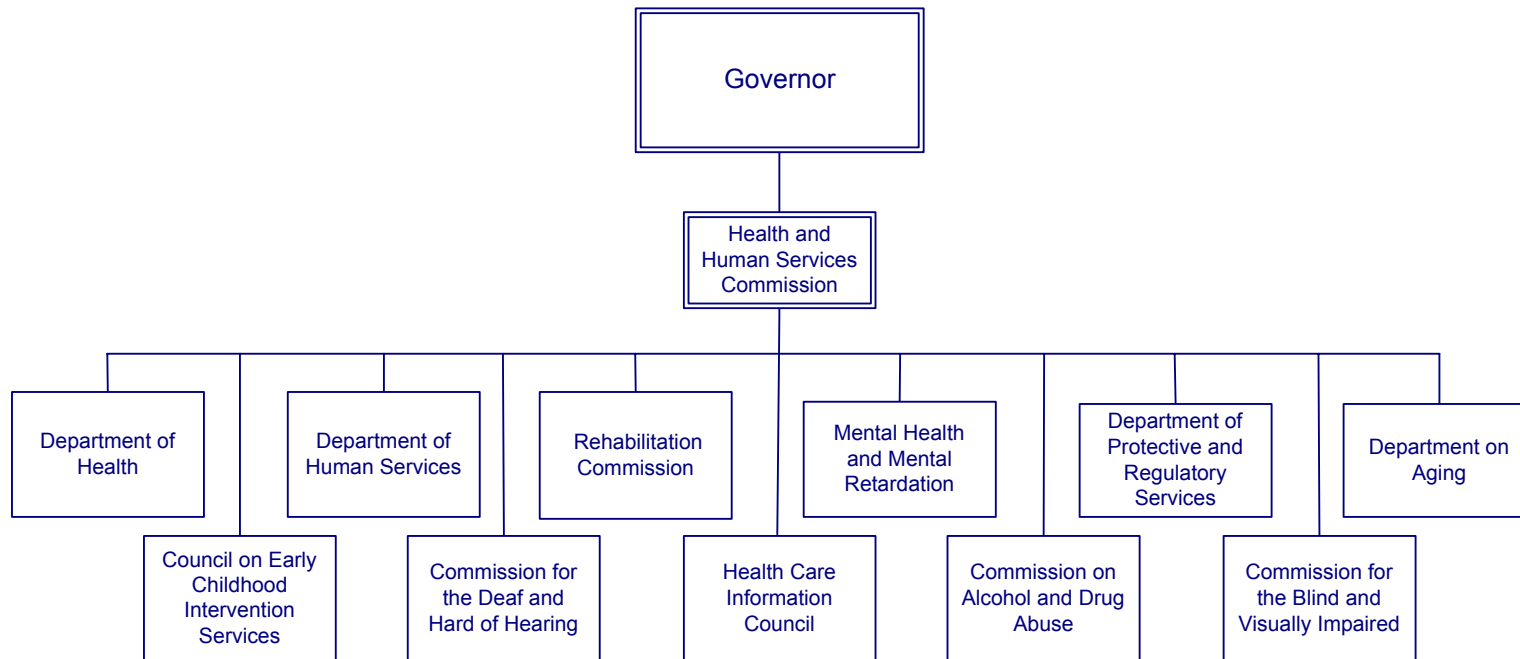
Presentation to the House Committee on Public Health



**Health and Human Services Commission
February 19, 2003**

HHSC Overview

The Health and Human Services Agencies



Texas Health and Human Services Commission

- The Health and Human Services Commission (HHSC) was created in 1991 to coordinate and improve the delivery of health and human services across Texas. HHSC oversees the operations of 11 state agencies, and its system-wide responsibilities include formulating a consolidated health and human services budget request, monitoring the availability and use of federal funds, and improving business operations. Many of these responsibilities were increased pursuant to House Bill 2641, enacted by the 75th Legislature in 1999.
- HHSC is the lead state agency for the Medicaid program. In addition to its overall authority, the commission directly manages Medicaid acute care services and investigates provider fraud and abuse. HHSC also administers the Children's Health Insurance Program (CHIP).

Health and Human Services Commission Functions

- Oversight of 11 State Agencies
- Rate-Setting and Caseload Forecasting
- HHS Consolidated Strategic Plan
- HHS Consolidated Budget
- Single State Agency for Medicaid Administration
- Cross-Agency Initiatives
 - Business Improvements
 - Promoting Independence
- Acute Care Medicaid and CHIP Program Administration

TEXAS DEPARTMENT ON AGING (TDOA)

- TDoA is the single state agency that administers the federal Older Americans Act. Services are provided through a statewide network of Area Agencies on Aging (AAA).

TEXAS COMMISSION ON ALCOHOL AND DRUG ABUSE (TCADA)

- TCADA is the primary state agency for substance abuse issues. TCADA contracts with public and private agencies to provide prevention, intervention, and treatment services to more than 600,000 Texans annually. It also licenses counselors and treatment sites and certifies programs for DWI education, alcohol awareness for minors, and drug offenders.

TEXAS COMMISSION FOR THE BLIND (TCB)

- TCB administers the Texas state plan for rehabilitation services for persons who are blind or visually impaired. TCB is responsible for assisting the visually disabled to live independently and secure employment, and issuing licenses to persons who are blind to operate vending facilities on state property.

TEXAS COMMISSION FOR DEAF AND HARD OF HEARING (TCDHH)

- TCDHH provides a variety of services either directly or through locally contracted service providers for the deaf or hard of hearing in Texas. Services include communication access, interpreters, parent and consumer outreach and training, and interpreter certification.

TEXAS COUNCIL ON EARLY CHILDHOOD INTERVENTION (ECI)

- ECI is designated the lead agency for services provided to infants and toddlers with developmental delay under Part C of the federal Individuals with Disabilities Act (IDEA).

TEXAS DEPARTMENT OF HEALTH (TDH)

- TDH is the state's main public health agency. TDH provides a vast array of services that includes disease and injury surveillance and control, community health assessment, environmental and consumer health, health care quality, and preventive health care.

TEXAS HEALTH CARE INFORMATION COUNCIL (THCIC)

- THCIC was created by the Legislature in 1995 to develop a statewide health care data collection system. Although an independent state agency, THCIC receives administrative support from the Texas Department of Health.

TEXAS DEPARTMENT OF HUMAN SERVICES (DHS)

- DHS administers multiple state and federal human services programs that serve four major client populations: elderly persons and persons with disabilities; low-income parents and children; refugees; and victims of family violence. The agency administers the regulation of long-term care facilities and services, disaster assistance, refugee and family violence services, eligibility determination and provision of benefits, and investigations of client fraud or incidents of abuse or neglect.

TEXAS DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION (MHMR)

- MHMR consists of 21 state campus facilities (state hospitals, state schools, and state centers) operated by the department and 42 community mental health and mental retardation centers that contract with the department for the provision of services. The system also includes an array of home- and community-based waiver services (HCS) and intermediate care facilities for the mentally retarded (ICFs/MR) operated throughout the state by the public and private sector. Today, most services are delivered in the community, with the state facilities playing a critical role in addressing special and critical needs of the priority population.

TEXAS DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES (PRS)

- The Department of Protective and Regulatory Services is charged with protecting children, elderly adults, and persons with disabilities from abuse, neglect, and/or exploitation, and with licensing child care facilities and child-placing agencies. PRS also implements and manages programs intended to prevent at-risk behaviors.

TEXAS REHABILITATION COMMISSION (TRC)

- TRC administers the Texas state plan for rehabilitation services for Texans with non-visual disabilities. The agency also provides disability determination for the federal Supplemental Security Income program.

Budget

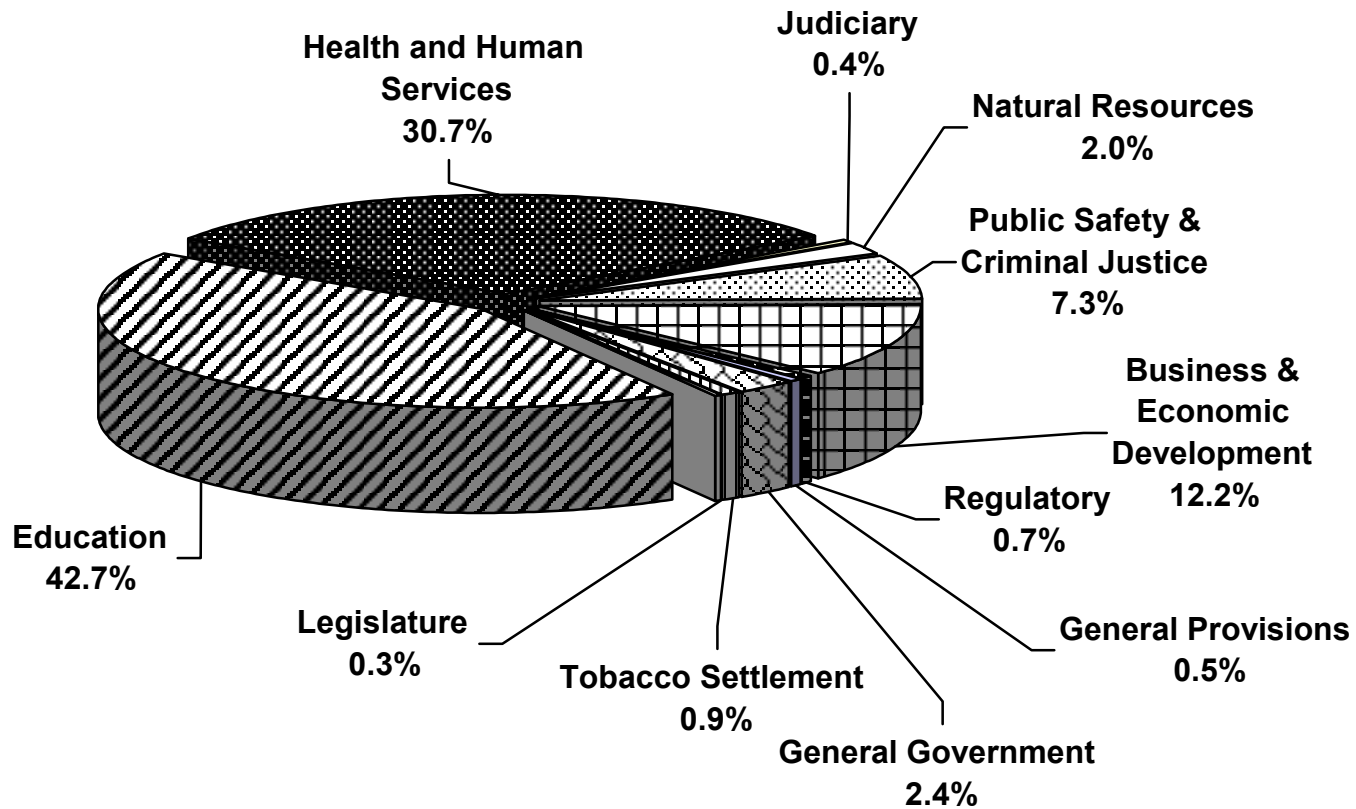
Health and Human Services

- The health and human services function accounts for 31 percent of the total state budget for FY 2002-03 (\$35.1 billion of \$114.1 billion).
- Approximately 21 percent of the state's FY 2002-03 general revenue/general revenue-dedicated budget is appropriated to health and human services agencies (\$13.8 billion of \$66.9 billion).
- At the end of FY 2002, health and human services agencies had 48,789, or 18 percent, of the state's 272,391 FTEs.

Federal Funds

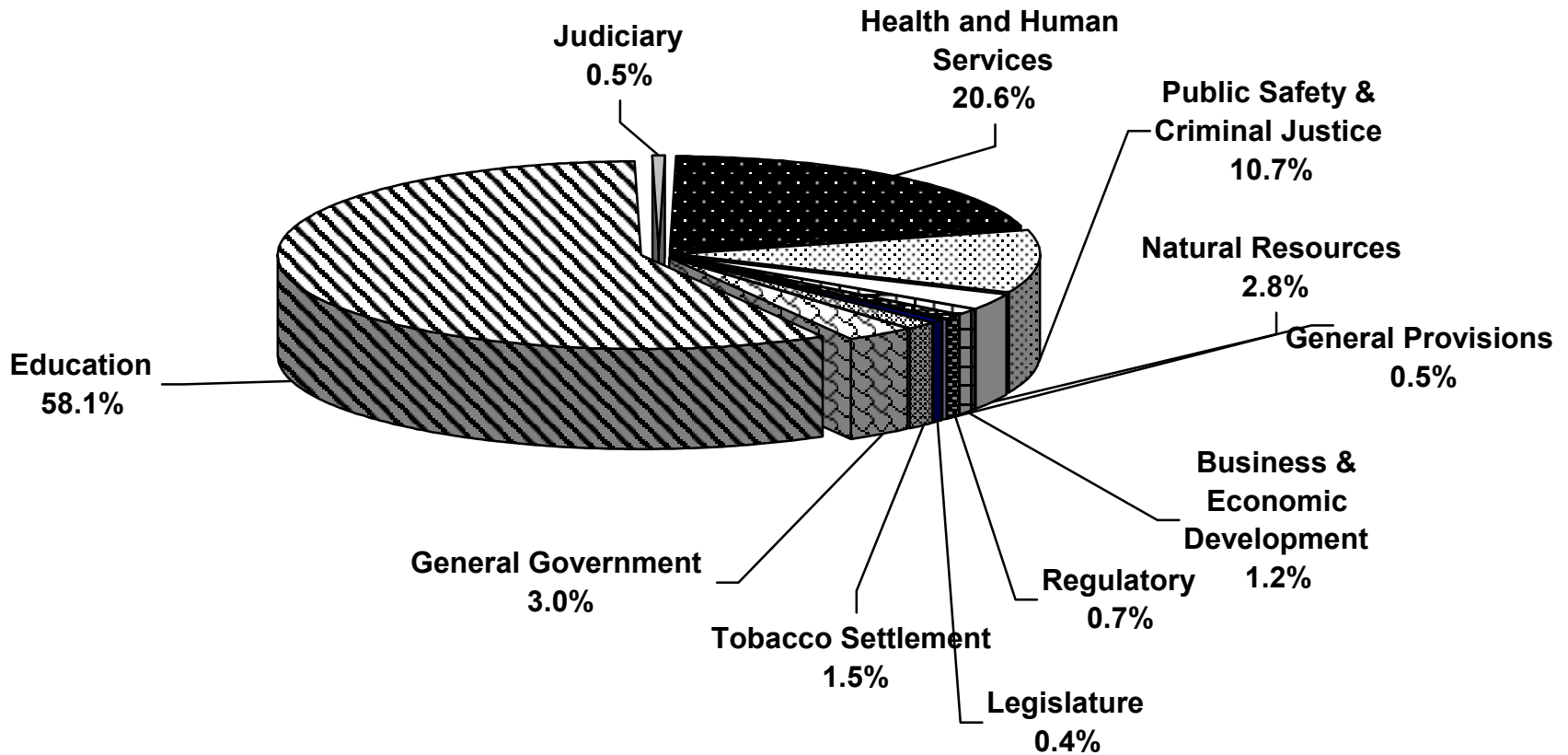
- During the current biennium, health and human services agencies expect to receive more than \$21 billion in federal funds. This amount represents 60 percent of the state's federal funding.
- Federal funds also account for almost 60 percent of health and human services funding.
- In eight of the HHS agencies (TDH, DHS, PRS, HHSC, TCB, TRC, TDoA, TCADA), federal funding accounts for over half of the agency's budget. For TRC, TDoA and TCADA, Federal funding represents three-quarters of the budget.
- Medicaid receives the largest portion of federal funds. The two largest program recipients after Medicaid are Temporary Assistance for Needy Families (TANF) and the Children's Health Insurance Program (CHIP). For FY 2002 – 03, the estimated amount of federal funds for these programs are: \$16.0 billion for Medicaid; \$1.1 billion for TANF; and \$1.0 billion for CHIP.

All Funds Budget by Function Appropriated FY 2002-03



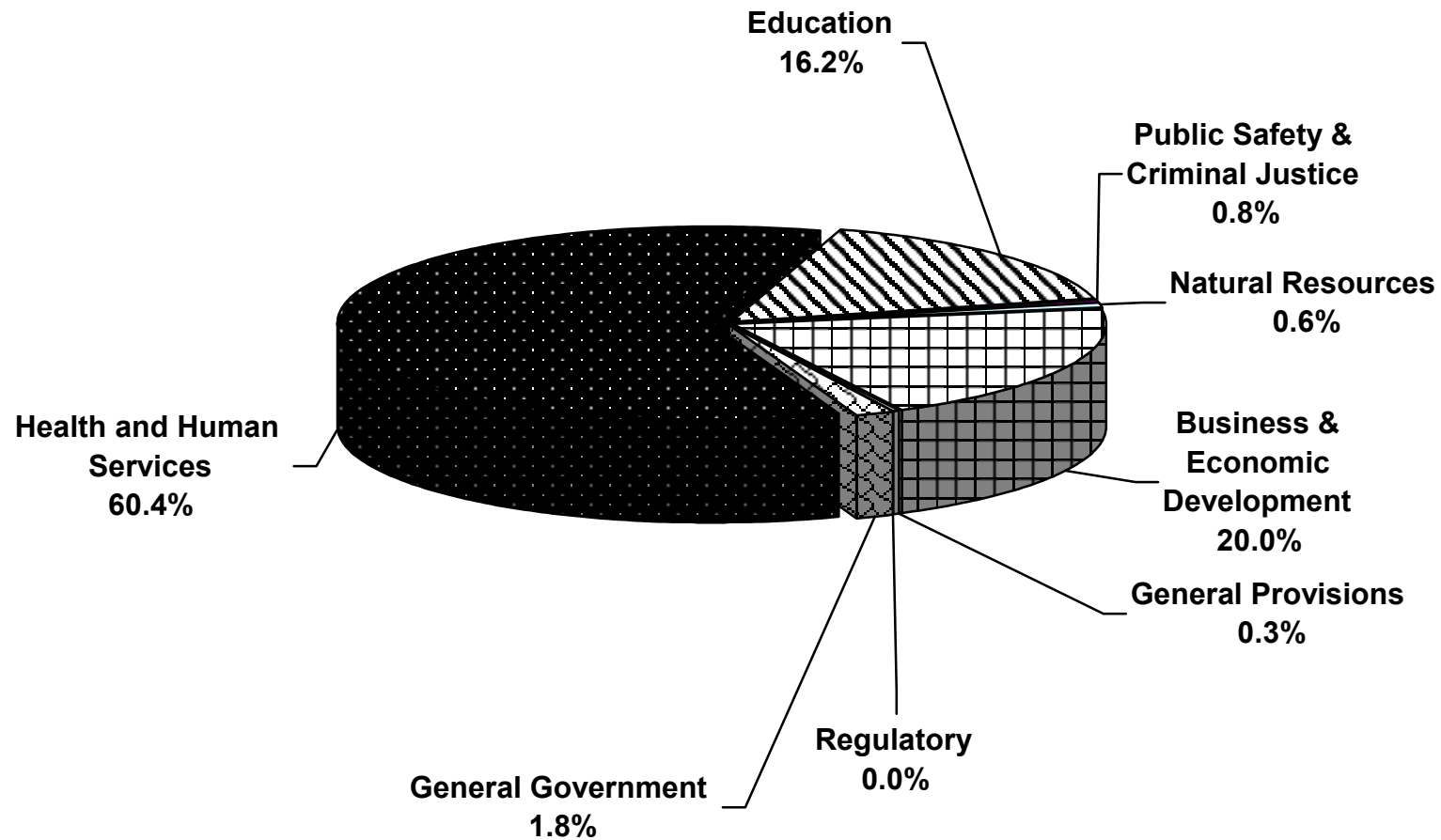
Source: Legislative Budget Board Fiscal Size-Up 2002-03

GR and GR-Dedicated Funds Budget by Function Appropriated FY 2002-03



Source: Legislative Budget Board Fiscal Size-Up 2002-03

Federal Funds - Budget by Function Appropriated FY 2002-03



Source: Legislative Budget Board Fiscal Size-Up 2002-03

External Factors Affecting Demand for Health and Human Services

Population Growth

- The state population is expected to increase by 4.9 percent, from 21.6 million in 2002 to 22.7 million by 2005.
- The growth will be driven by natural increase (births minus deaths) instead of migration, which is more sensitive to economic factors.

Economy

- The state's economic growth is expected to average 4.2 percent in 2004-05, up from the 2002-03 average of 2.7 percent per year.
- The seasonally-adjusted unemployment rate for Texas is projected to decline from 5.8 percent in 2002 to 5.2 percent in 2005.

Poverty

- About 15 percent of the state's population lives at or below the poverty level. The poverty level in 2002 was \$18,100 per year, or \$1,508 per month for a family of four.

Medicaid Programs

Medicaid

What is Medicaid?

- Medicaid is both a basic health insurance program and an insurance program for people with chronic or long-term care needs.
- Medicaid makes no cash payments to recipients but instead makes all payments directly to health care providers or managed care organizations (MCOs).
- The program has federally mandated service and population requirements. Other elements of the program are at the state's discretion.

Who is covered?

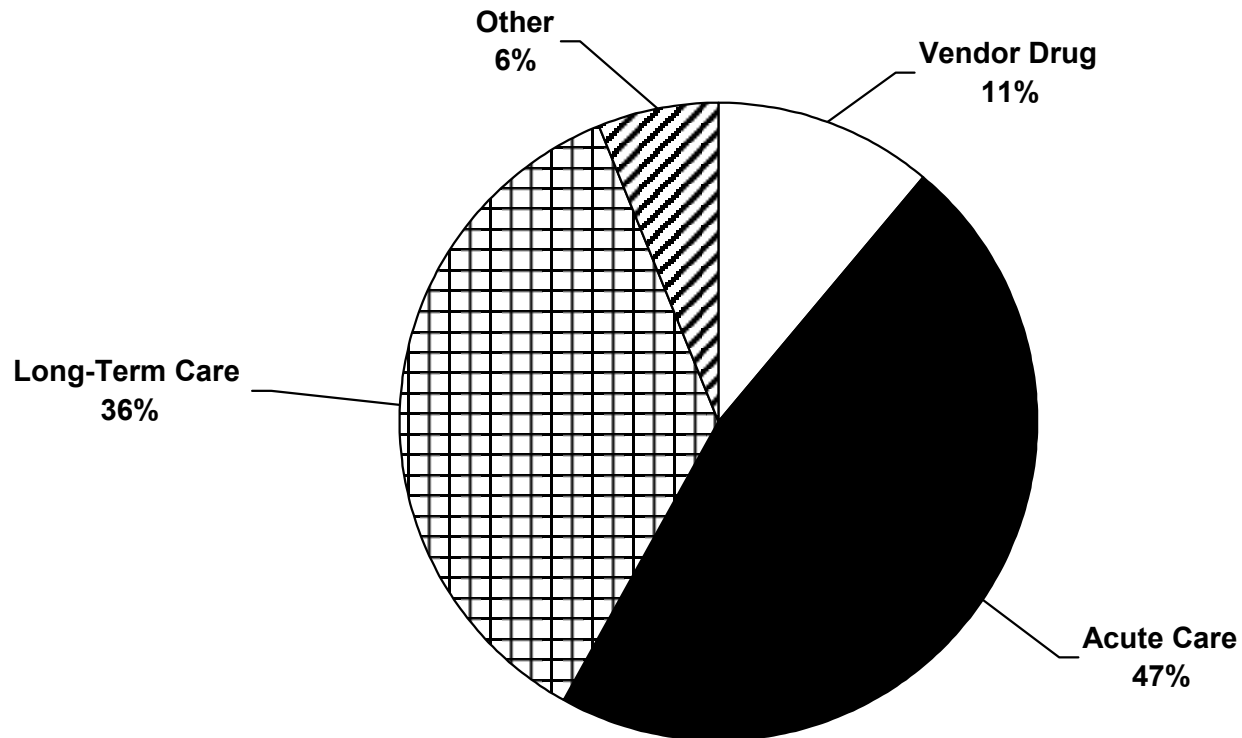
- Beneficiaries include children, single parents, pregnant women, and poor and low-income elderly or disabled individuals.
- Approximately 62 percent of Texas Medicaid recipients are under age 21.

What are the benefits?

- The acute care component of the Medicaid program pays for typical health services including physician and other medical professional services, inpatient and outpatient hospital services, lab and x-ray services, and pharmaceuticals.
- Approximately 38 percent of the acute care caseload is covered by managed care. The remaining 62 percent receive services in the traditional fee-for-service program.

- The long-term care component of Medicaid covers services in facilities such as nursing homes and state schools, as well as community care for the aged and people with disabilities.
- Approximately \$4.2 billion was spent for long-term care services in FY 2002. Of the total, \$1.7 billion was state funds, and \$2.5 billion was federal funds.
- In general, the Medicaid FMAP for both acute care and long-term care client services is about 40 percent state funds and 60 percent federal funds. For FY 2002, the actual rate was 39.8 percent state and 60.2 percent federal.

Medicaid Program Budget – All Funds FY 2002



Total Dollars = \$13.1 billion (Estimated 23 percent of state spending) – All Funds

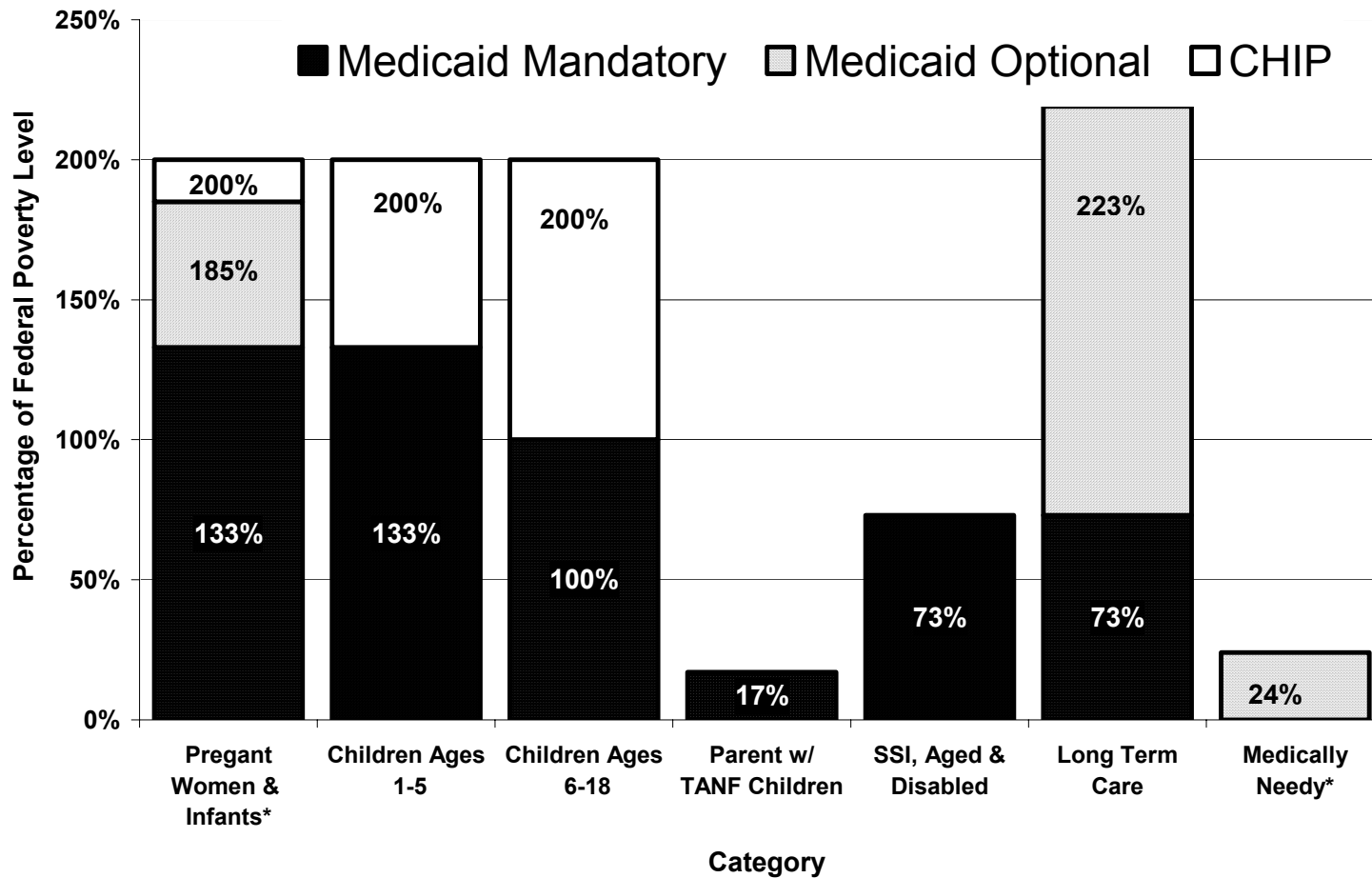
Note: Other includes administration, targeted case management, rehabilitation services, service coordination.
Total does not include disproportionate share hospital payments and SHARS.

Income Levels for Federal Poverty Level (FPL) Percentage

Family Size	Income 100% FPL	Income 133% FPL	Income 150% FPL	Income 185% FPL	Income 200% FPL
1	\$ 8,860	\$11,784	\$13,290	\$16,391	\$17,720
2	\$11,940	\$15,880	\$17,910	\$22,089	\$23,880
3	\$15,020	\$19,977	\$22,530	\$27,787	\$30,040
4	\$18,100	\$24,073	\$27,150	\$33,485	\$36,200
5	\$21,180	\$28,169	\$31,770	\$39,183	\$42,360
6	\$24,260	\$32,266	\$36,390	\$44,881	\$48,520
7	\$27,340	\$36,362	\$41,010	\$50,579	\$54,680
8	\$30,420	\$40,459	\$45,630	\$56,277	\$60,840

Source: *Federal Register*, February 14, 2002

Texas Medicaid Income Eligibility Levels and Categories



* Children in these optional categories could not be eliminated without jeopardizing Federal CHIP funding.

Description of Medicaid Risk Groups

The Medicaid program pays a premium for people in the following nine risk groups:

Aged & Medicare Related:

- Individuals over age 65 and any individual with Medicare coverage.

Disabled & Blind:

- Adults and children who are blind or disabled, the majority of whom receive Supplemental Security Income (SSI) but not Medicare.

TANF (formerly AFDC) Adults:

- Individuals age 21 and over who are eligible for the TANF program. Includes transitional Medicaid clients and may include some women who are pregnant.

TANF (formerly AFDC) Children:

- Individuals under age 21 who are eligible for the TANF program. Includes transitional Medicaid and Foster Care children and may include some women who are pregnant and children less than one year of age.

Pregnant Women:

- Pregnant women with family income below 185 percent of the federal poverty limit.

Newborn:

- Children under age one born to Medicaid-eligible mothers.

Expansion Children:

- Children under age 18 ineligible for TANF because of the applied income of their step-parents or grandparents.
- Children under the age of one with family income below 185 percent of the federal poverty limit.
- Children ages 1-5 with family income below 133 percent of the federal poverty limit.

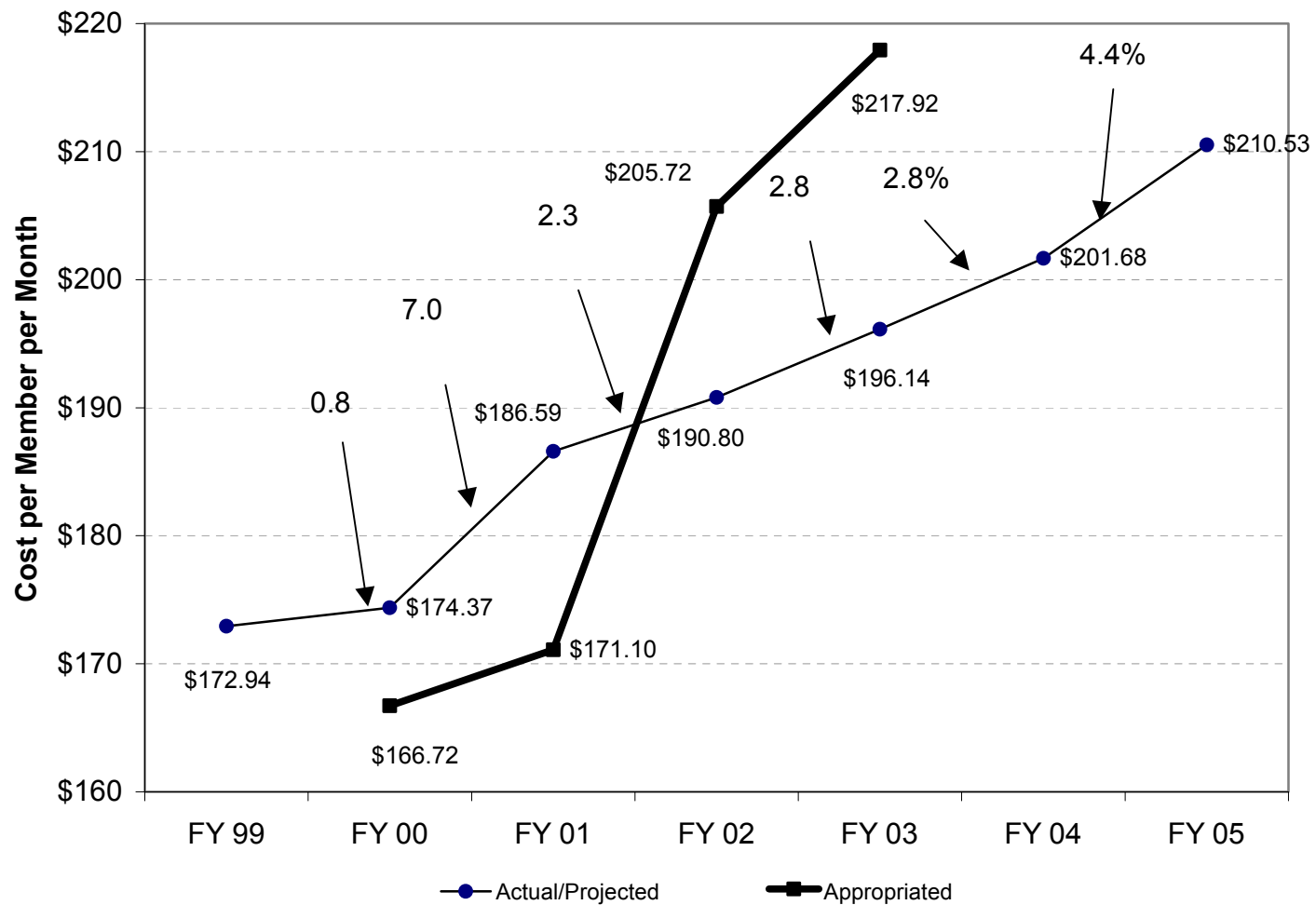
Federal Mandate Children:

- Children between the ages of 6 and 19 with family income below 100 percent of the federal poverty limit.

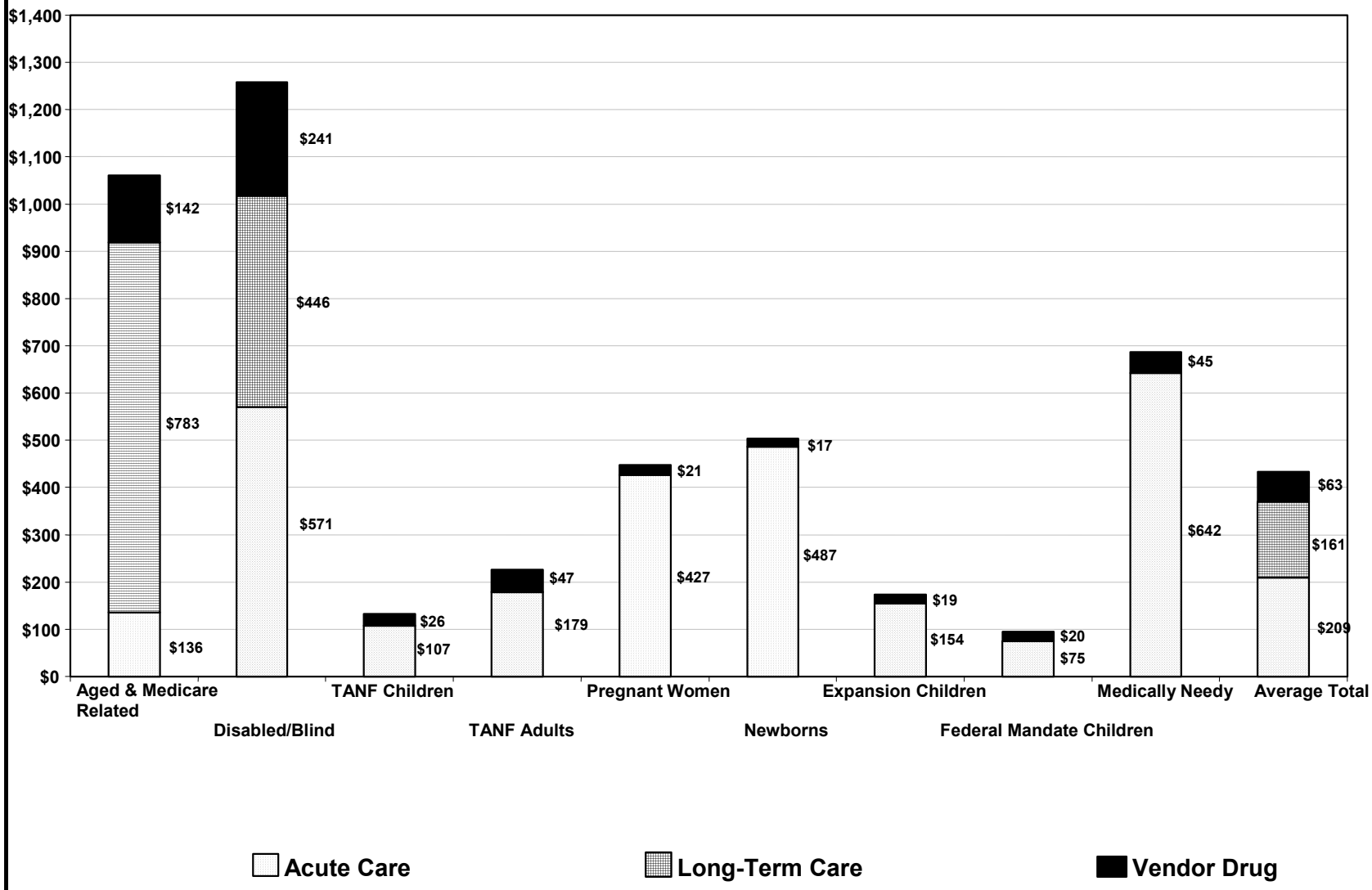
Medically Needy:

- Spend-Down: Individuals whose family income is below the Medically Needy standard limit (about 25 percent of poverty) after qualified medical bills are subtracted from their income.
- Non-Spend-Down: Children under age 18 in families with income between the TANF level (about 17 percent of poverty) and the Medically Needy standard limit. Includes many adults who are parents or guardians of these children, as well as parents or guardians of children in some of the other risk groups.

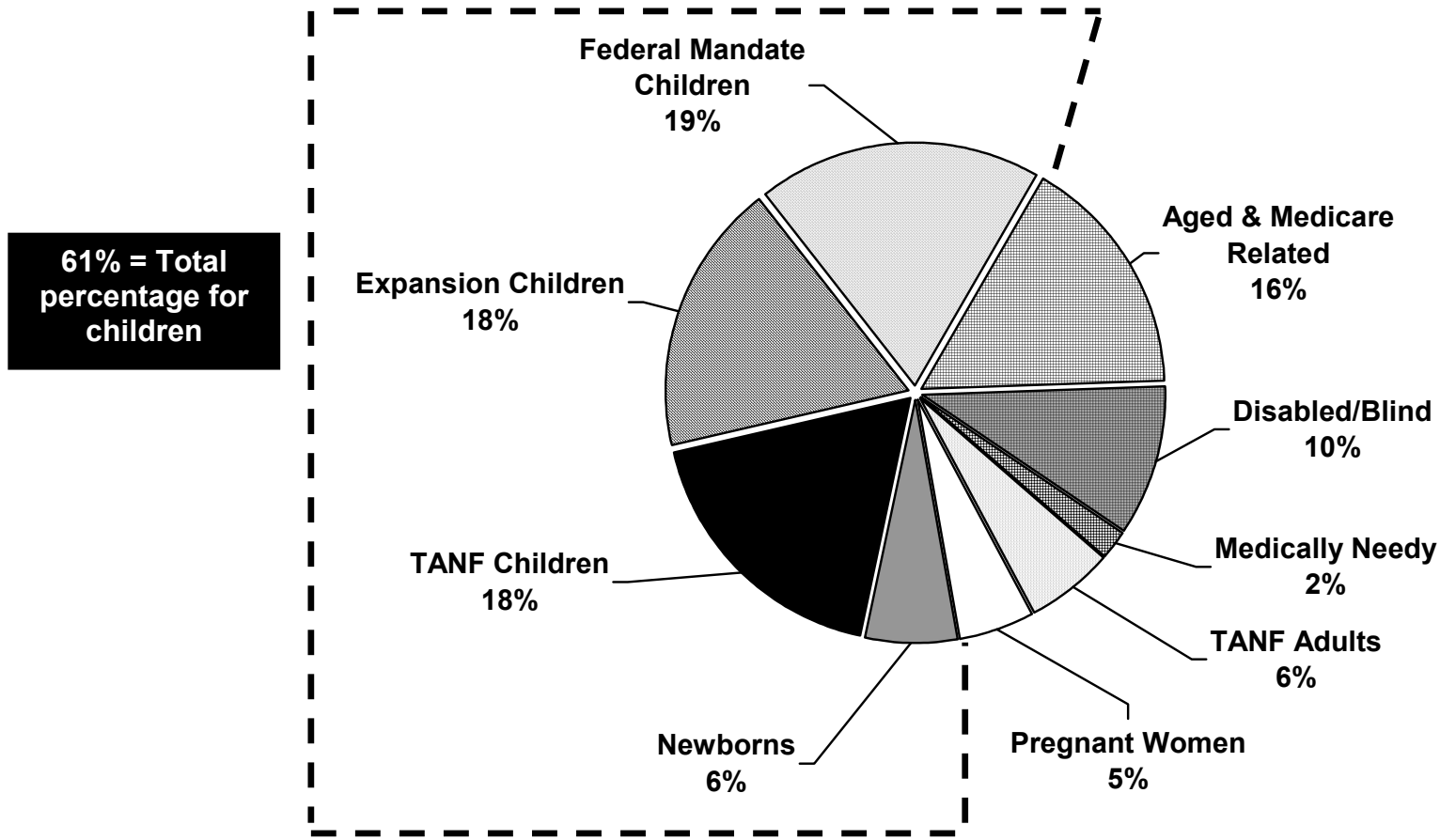
Medicaid Cost



Estimated Monthly Costs by Risk Group FY 2002



FY 2002 Medicaid Recipients (Non-Managed Care and Managed Care Combined)

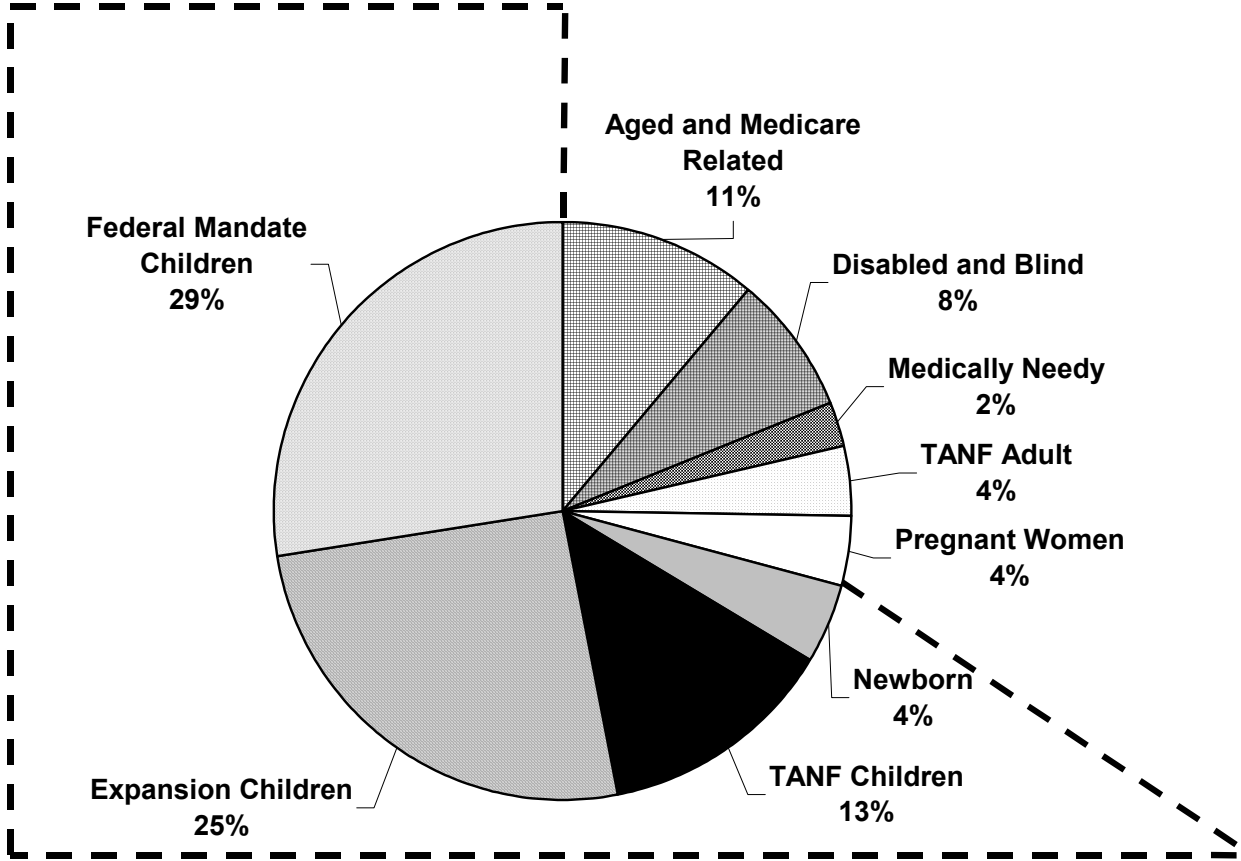


- - - = Children only

Note: Children can appear in every category except TANF Adults.

Medicaid Caseload Forecast FY 2005

71% = Total percentage for children

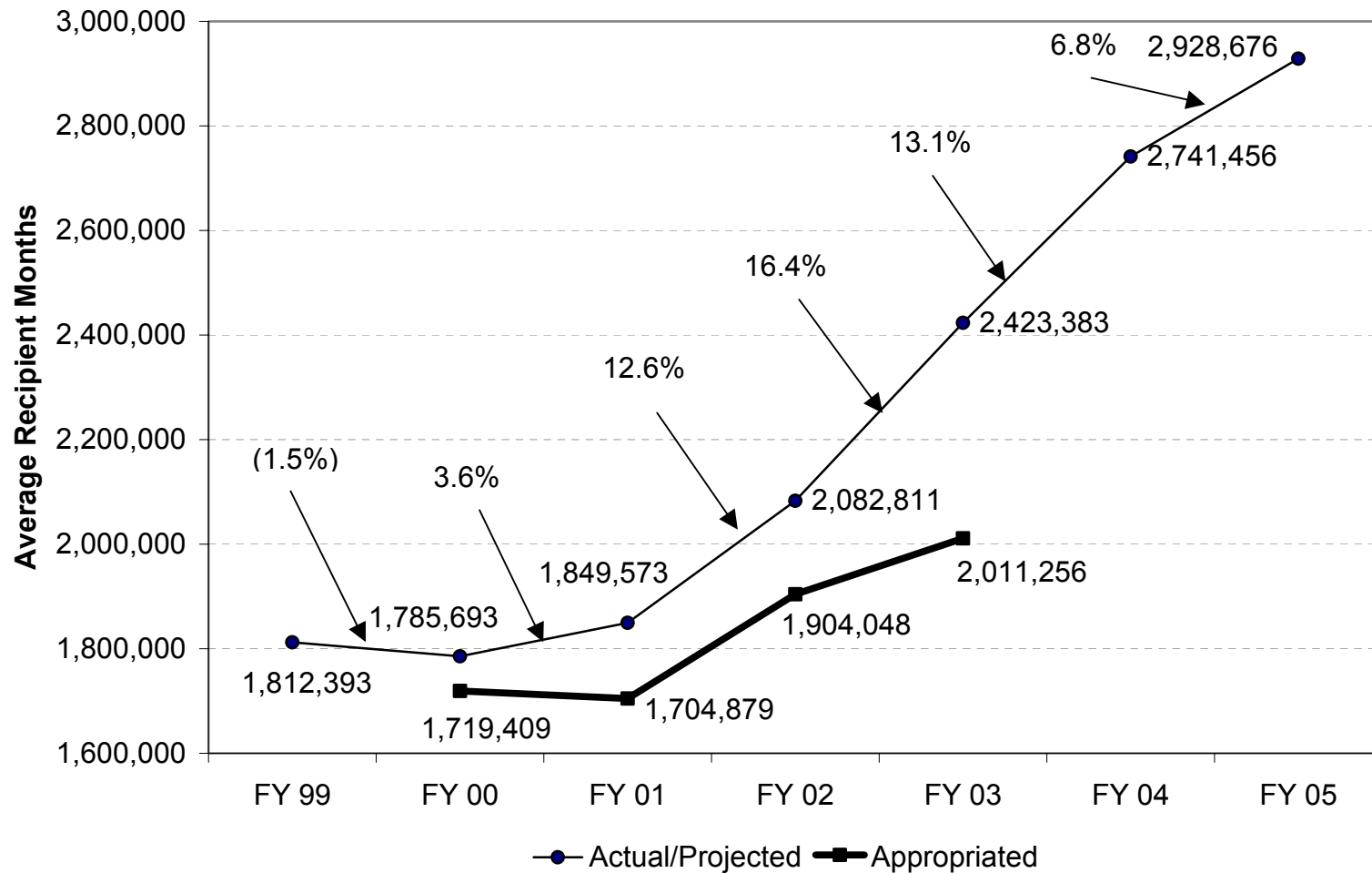


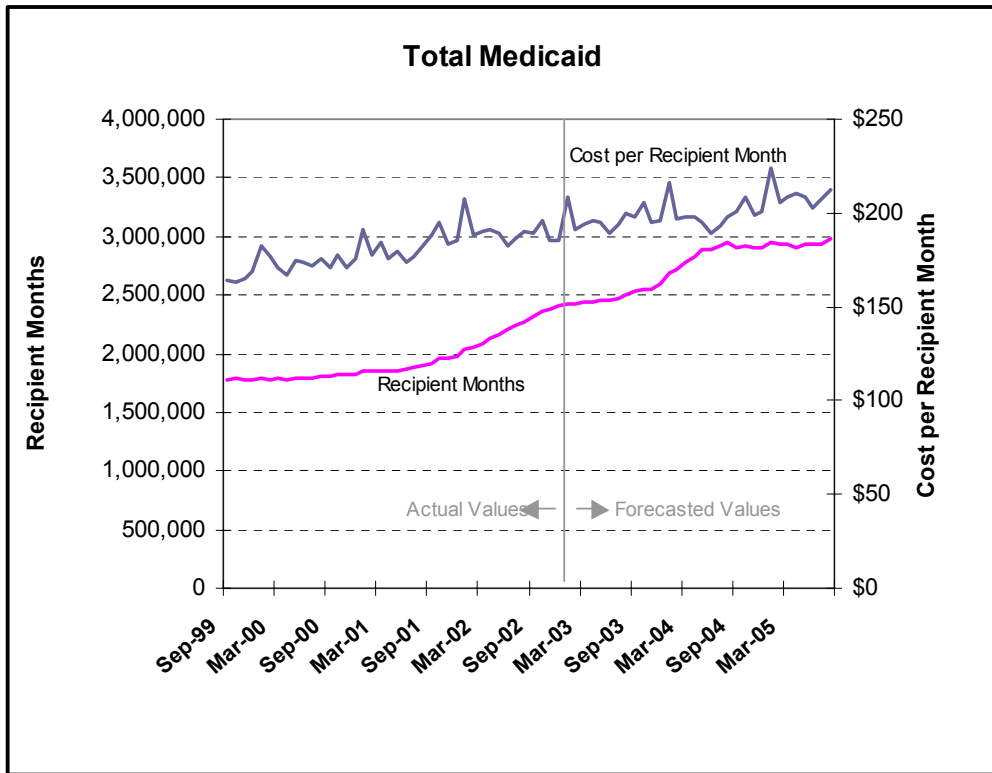
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Note: Children can appear in every category except TANF Adults.

Medicaid Caseload

Comparison of Appropriated Caseloads and Actual/Projected Caseloads

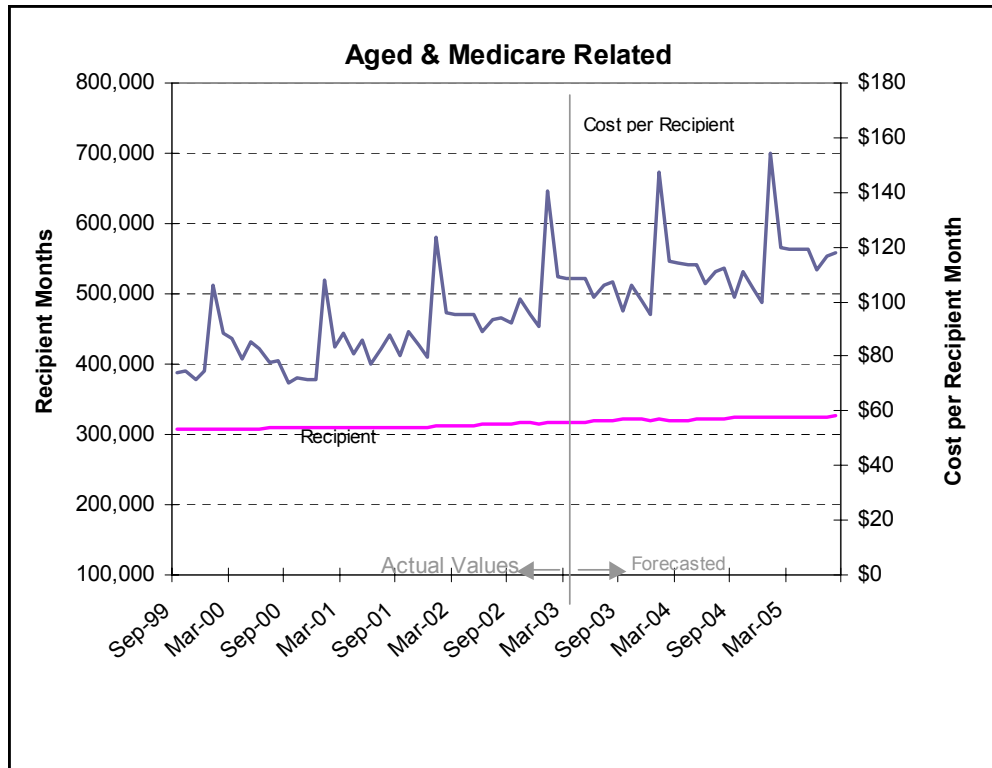




	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	1,785,693		\$ 174.37	
FY 2001	1,849,573	3.6%	\$ 186.59	7.0%
FY 2002	2,077,655	12.3%	\$ 190.80	2.3%
FY 2003	2,423,239	16.6%	\$ 196.14	2.8%
FY 2004	2,741,456	13.1%	\$ 201.68	2.8%
FY 2005	2,928,676	6.8%	\$ 210.53	4.4%

Who are these clients?

- Clients eligible for one of the Title XIX Medicaid groups.
- Services for these clients include inpatient hospital, outpatient hospital, and physician services. These clients are also eligible for other Medicaid services including Vendor Drug, Texas Health Steps, Family Planning, Comprehensive Care Program, and Transportation, but these costs are not included here.



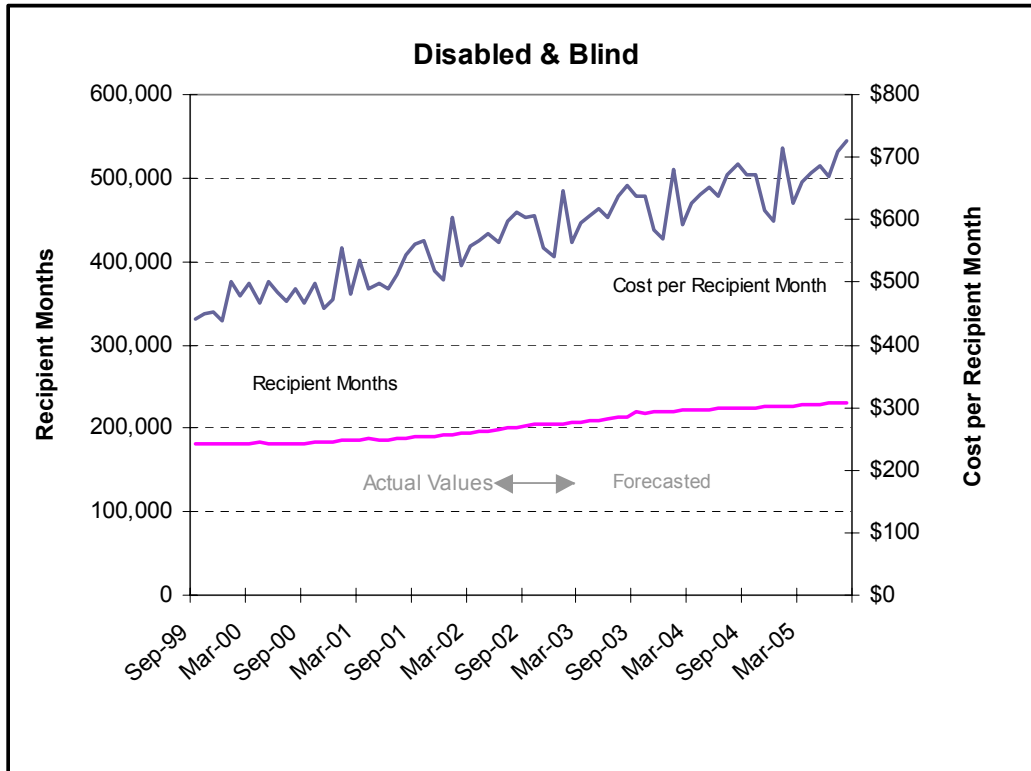
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	307,825	-0.2%	\$ 80.99	
FY 2001	309,596	0.6%	\$ 81.73	0.9%
FY 2002	312,011	0.8%	\$ 92.88	13.7%
FY 2003	317,109	1.6%	\$ 105.86	14.0%
FY 2004	320,914	1.2%	\$ 110.94	4.8%
FY 2005	324,765	1.2%	\$ 116.27	4.8%

Who are these clients?

- Individuals over age 65 and any individual with Medicare coverage.

What does this mean?

- Costs have averaged 4.5 percent in the long term and are expected to continue to grow at 4.8 percent per year in the next biennium.
- Caseload for this series is growing just over one percent per year and is expected to continue at this pace.
- The seasonal peaks are associated with cold and flu season.



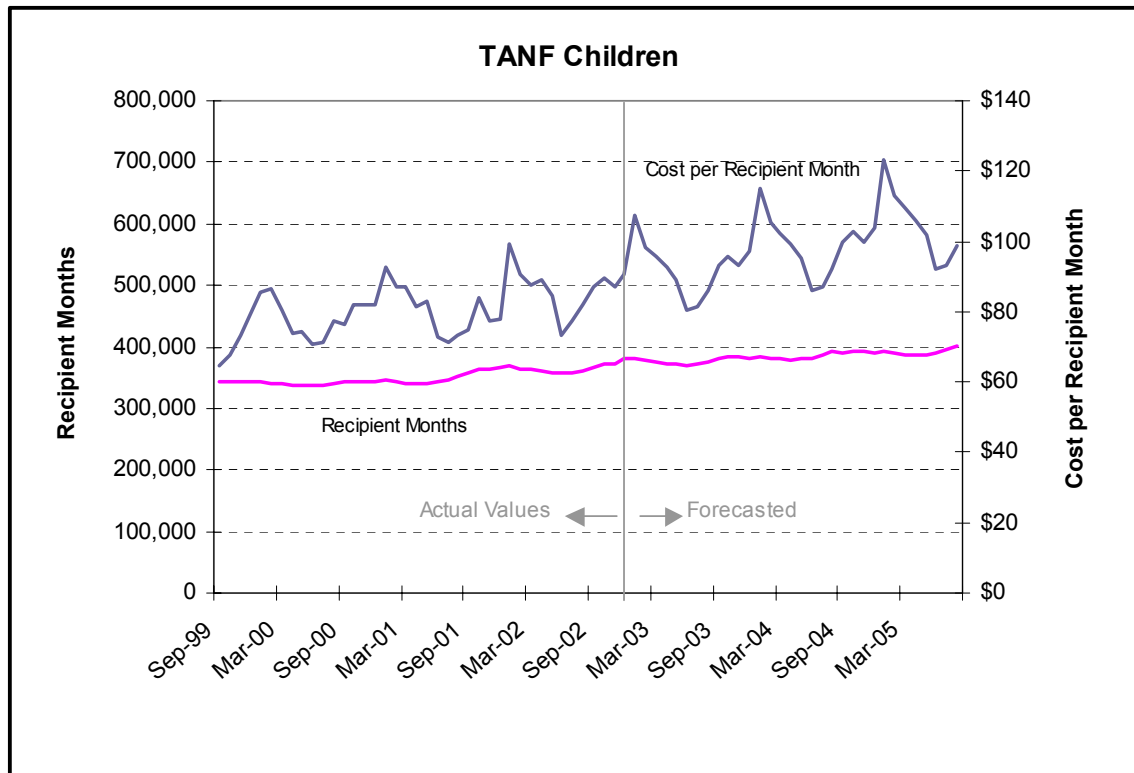
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	181,812	-10.0%	\$ 472.40	
FY 2001	185,615	2.1%	\$ 500.37	5.9%
FY 2002	194,808	5.0%	\$ 563.26	12.6%
FY 2003	208,156	6.9%	\$ 602.95	7.0%
FY 2004	221,692	6.5%	\$ 634.91	5.3%
FY 2005	227,462	2.6%	\$ 668.56	5.3%

Who are these clients?

- Adults and children who are blind or disabled, the majority of whom receive Supplemental Security Income (SSI) but not Medicare.

What does this mean?

- Cost trends have averaged about five percent per year over the long term, and are expected to grow at 5.3 percent in the next biennium.
- The long-term caseload trend is about three percent, with recent trends coming in higher. Used 6.5 percent for FY 2004 and 2.6 percent for FY 2005. Higher trends in recent years seem to be related to a Texas Rehabilitation Commission change in SSI determination policy that increases the acceptance rate of first-time applicants.



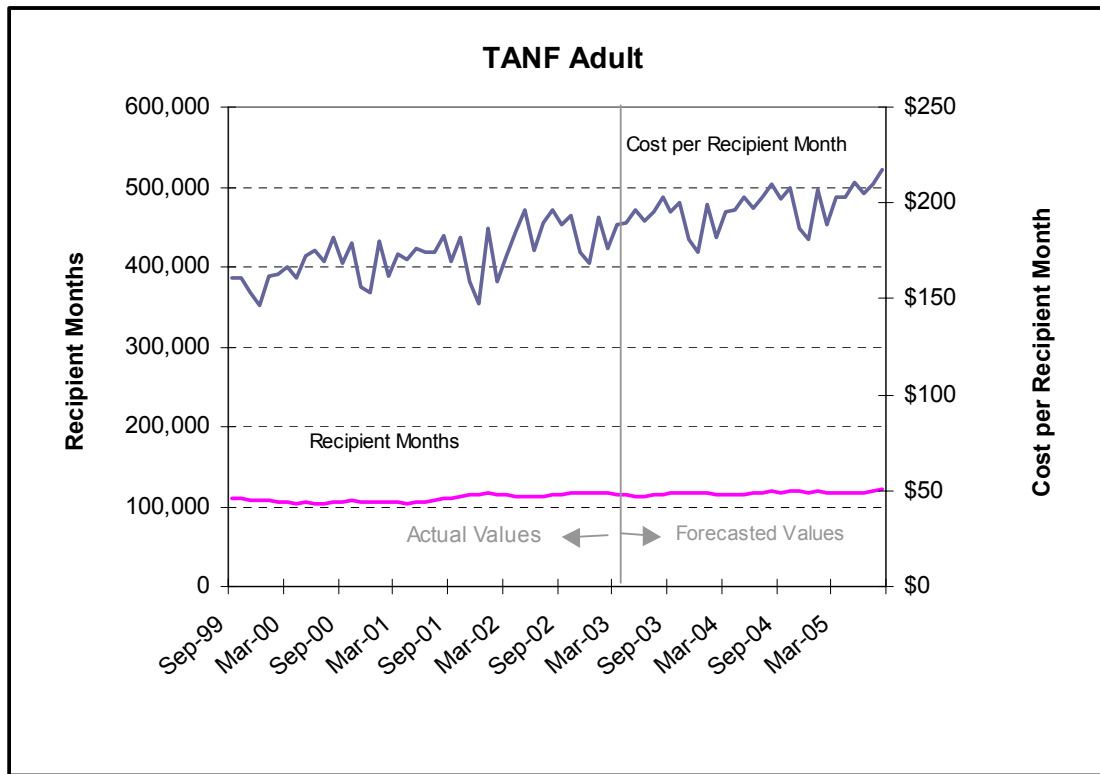
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	341,031	-6.1%	\$ 75.42	
FY 2001	343,772	0.8%	\$ 80.85	7.2%
FY 2002	361,837	5.3%	\$ 83.11	2.8%
FY 2003	374,006	3.4%	\$ 90.38	8.7%
FY 2004	382,759	2.3%	\$ 96.79	7.1%
FY 2005	391,051	2.2%	\$ 103.67	7.1%

Who are these clients?

- Individuals under age 21 who are eligible for the TANF program; includes transitional Medicaid and Foster Care children.
- This group may include some women who are pregnant and children less than one year of age.

What does this mean?

- The cost per recipient month has been growing about 7 percent per year on average and is expected to maintain that trend in the next biennium.
- This caseload is expected to grow at about 2.3 percent.



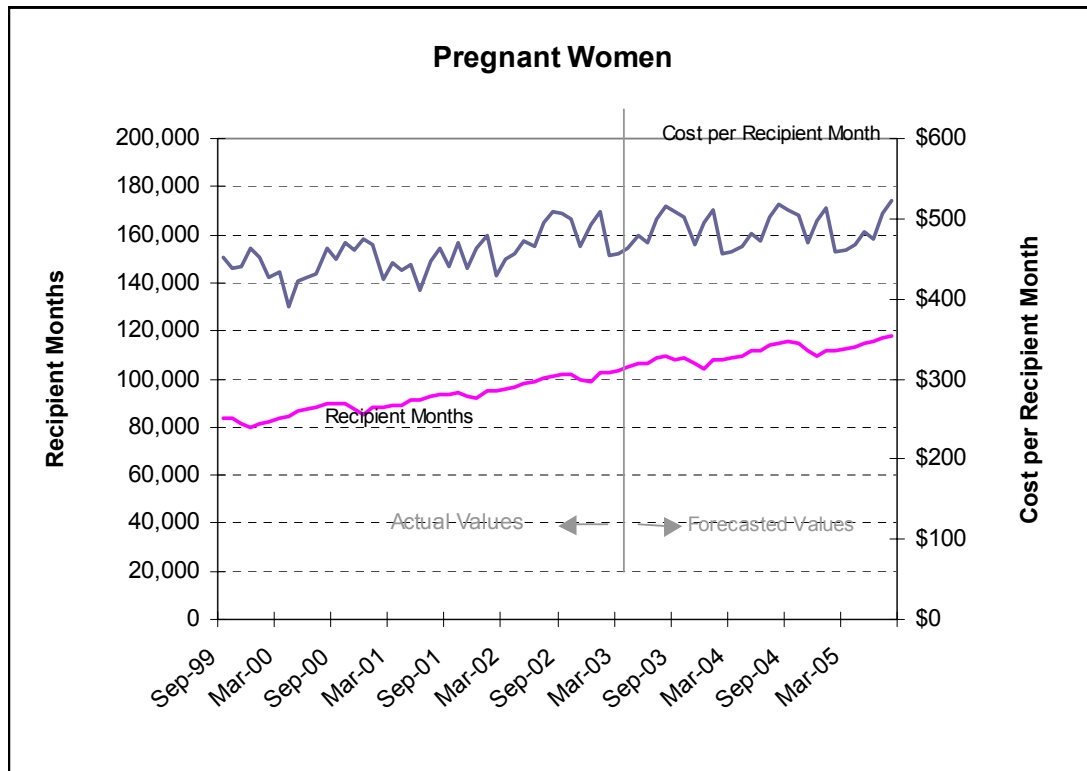
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	106,724	-10.3%	\$ 164.39	
FY 2001	106,227	-0.5%	\$ 170.87	3.9%
FY 2002	113,441	6.8%	\$ 176.43	3.3%
FY 2003	115,531	1.8%	\$ 188.10	6.6%
FY 2004	116,568	0.9%	\$ 194.88	3.6%
FY 2005	118,263	1.5%	\$ 201.89	3.6%

Who are these clients?

- Individuals age 21 and over who are eligible for the TANF program. Includes transitional Medicaid clients.
- This group may include some women who are pregnant.

What does this mean?

- Cost trends have averaged almost five percent per year over the long term but are expected to grow 3.6 percent per year in the next biennium.
- This caseload grew at 6.8 percent in FY 2002, but it is expected to slow to between 1-1.5 percent growth for the next biennium.



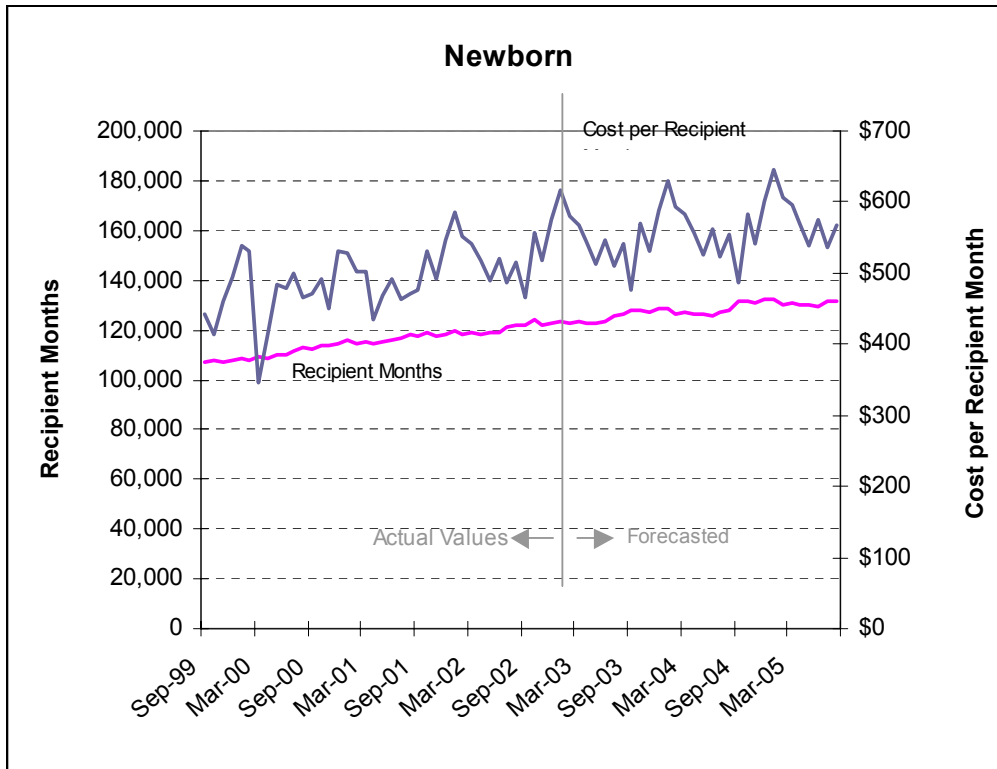
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	84,393	3.3%	\$ 436.24	
FY 2001	89,489	6.0%	\$ 449.28	3.0%
FY 2002	96,135	7.4%	\$ 463.96	3.3%
FY 2003	103,919	8.1%	\$ 484.21	4.4%
FY 2004	109,426	5.3%	\$ 486.63	0.5%
FY 2005	113,804	4.0%	\$ 489.07	0.5%

Who are these clients?

- Eligible pregnant women are those with family income below 185 percent of the federal poverty limit.

What does this mean?

- Cost trends have shown no growth over the long term, but in FY 2001 and FY 2002 have three percent growth and are expected to grow at one percent per year in the next biennium.
- This historically stable program has experienced growth recently that is expected to average about 7.4 percent in FY 2002 and is projected to grow 5.3 percent and four percent in the next biennium. Because recent simplification policy changes did not apply to this group, growth seems to be related to a decline in economic conditions.



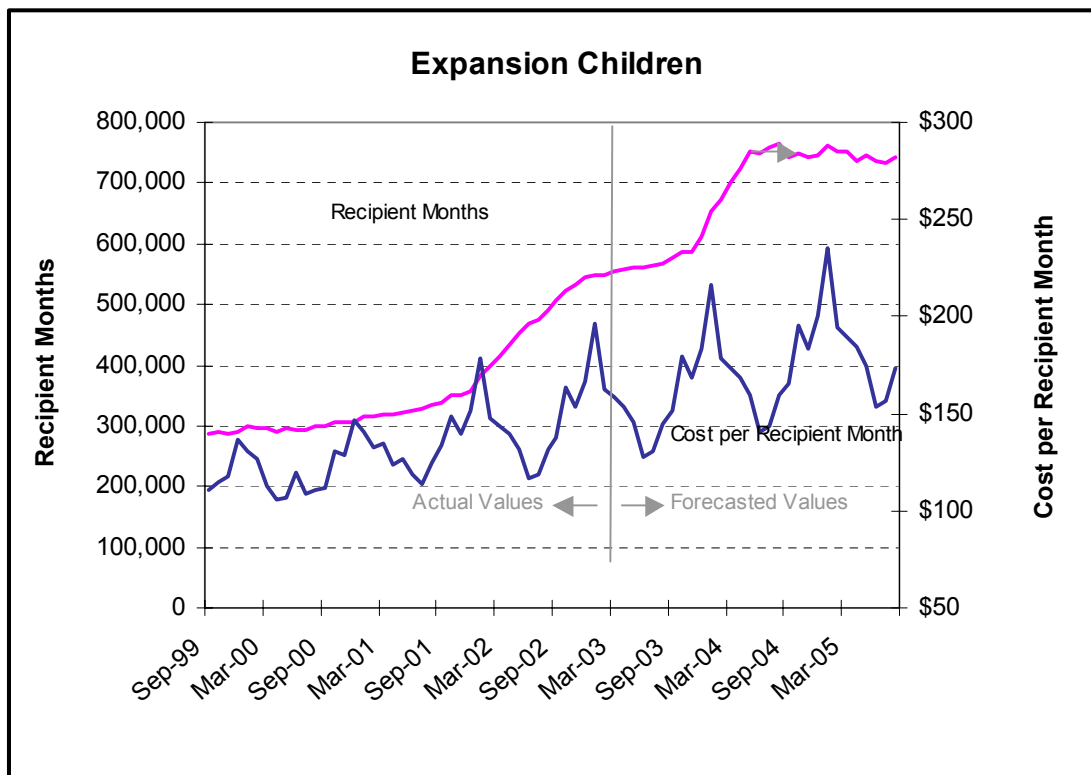
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	109,025	2.4%	\$ 463.90	
FY 2001	115,073	5.5%	\$ 483.93	4.3%
FY 2002	119,027	3.4%	\$ 521.29	7.7%
FY 2003	123,499	3.8%	\$ 544.47	4.4%
FY 2004	127,204	3.0%	\$ 557.53	2.4%
FY 2005	131,020	3.0%	\$ 570.91	2.4%

Who are these clients?

- Children under age one born to Medicaid-eligible mothers.

What does this mean?

- Cost trends have been about two percent on average over the long term and are expected to grow 2.4 percent in the next biennium.
- This program has seen consistent growth recently that is expected to grow three percent per year in the next biennium.



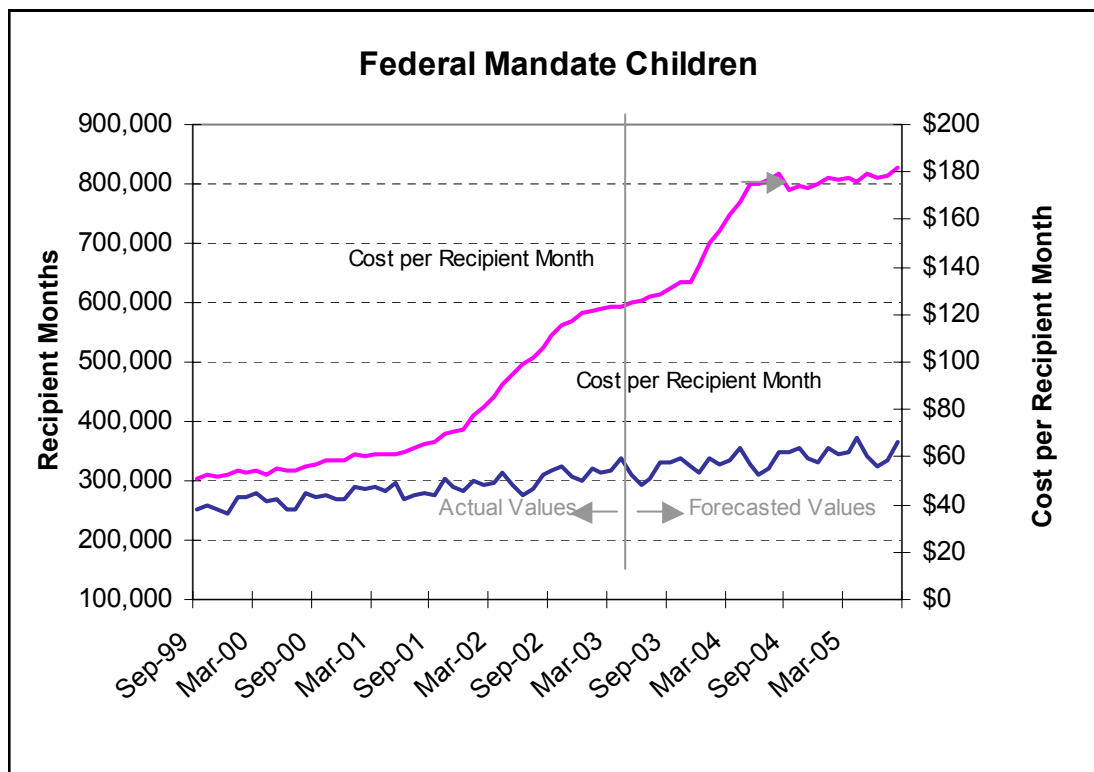
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	293,417	2.3%	\$ 116.80	
FY 2001	316,490	7.9%	\$ 127.83	9.5%
FY 2002	408,809	29.2%	\$ 140.08	9.6%
FY 2003	547,842	34.0%	\$ 153.32	9.5%
FY 2004	677,680	23.7%	\$ 168.66	10.0%
FY 2005	745,448	10.0%	\$ 183.84	9.0%

Who are these clients?

- Children under the age of 18 ineligible for TANF because of the applied income of their step-parents or grandparents.
- Children under the age of one with family income below 185 percent of federal poverty limit.
- Children ages 1-5 with family income below 133 percent of federal poverty limit.
- The caseload is with S.B. 43 going from 6 to 12 months of continuous eligibility.

What does this mean?

- Cost trends have averaged 9 percent per year over the long term and are expected to average 9.5 percent per year in the next biennium.
- Consistent growth in this program has accelerated recently and is expected to grow 24 percent in FY 2004 with the change from 6 to 12 months continuous eligibility. Caseload growth is expected to slow to 10 percent in FY 2005.



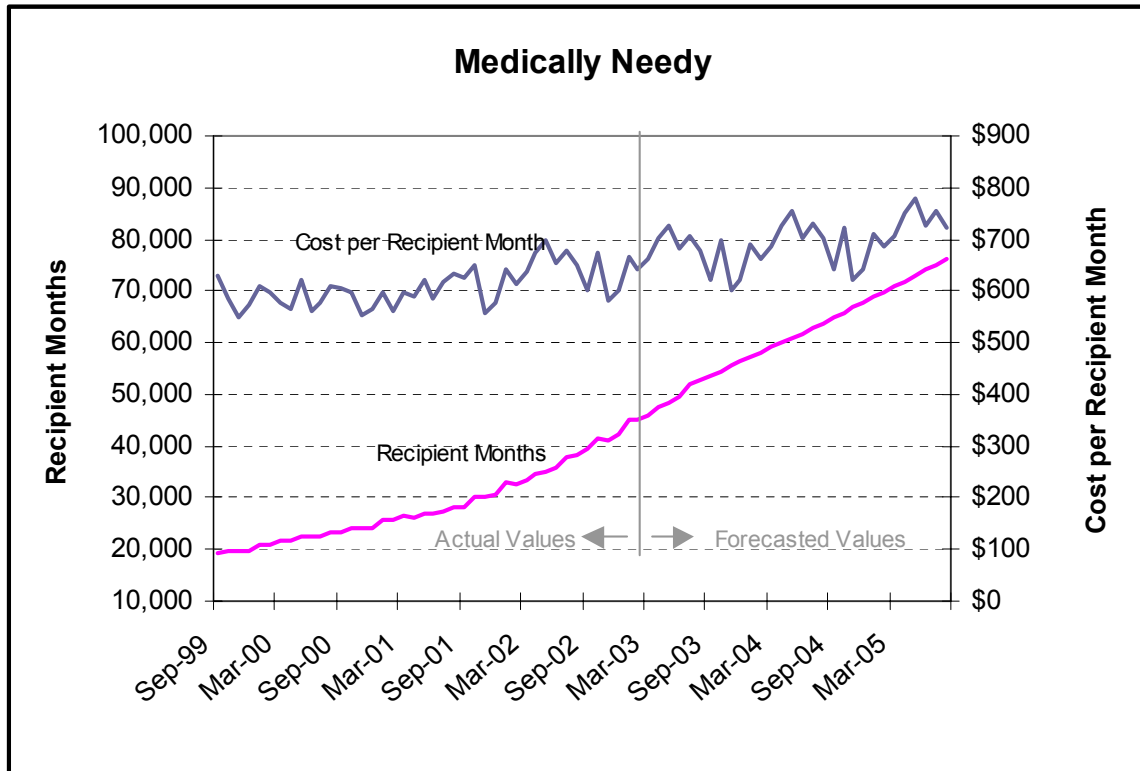
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	314,013	7.2%	\$ 40.71	
FY 2001	342,744	9.1%	\$ 44.86	10.2%
FY 2002	438,218	27.9%	\$ 48.36	7.8%
FY 2003	587,357	34.0%	\$ 53.64	10.9%
FY 2004	726,561	23.7%	\$ 57.51	7.2%
FY 2005	806,483	11.0%	\$ 61.65	7.2%

Who are these clients?

- Children between the ages of six and 19 with family income below 100 percent of the federal poverty limit.
- The caseload shown is with S.B. 43 going from 6 to 12 months of continuous eligibility.

What does this mean?

- Cost trends have averaged 6.5 percent per year over the long term and are expected to grow about seven percent per year in the next biennium.
- Consistent growth in this program has accelerated recently and program is expected to grow 24 percent in FY 2004 with the change from 6 to 12 months continuous eligibility. Caseload is expected to slow to 11 percent in FY 2005.



	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	21,152	17.7%	\$ 587.43	
FY 2001	25,740	21.7%	\$ 593.57	1.0%
FY 2002	33,369	29.6%	\$ 638.27	7.5%
FY 2003	45,821	37.3%	\$ 659.54	3.3%
FY 2004	58,650	28.0%	\$ 681.97	3.4%
FY 2005	70,380	20.0%	\$ 705.15	3.4%

Who are these clients?

- **Spend-Down:** Individuals whose family income is below the Medically Needy Standard limit (about 25 percent of poverty) after qualified medical bills are subtracted from their income.
- **Non-Spend-Down:** Children under age 18 in families with income between the TANF level (about 17 percent of poverty) and the Medically Needy Standard limit. This group also includes many adults who are parents or guardians of these children as well as parents or guardians of children in some of the other risk groups.

What does this mean?

- Cost trends have averaged five percent per year over the long term, but in recent years have been lower except for FY 2002 and are expected to grow at 3.4 percent per year in the next biennium.

Children's Health Insurance Program (CHIP)

Children's Health Insurance Program (CHIP)

What is CHIP?

Chip provides health insurance for children from low-income families.

Who is covered?

- The program serves Texas children under the age of 19 (U.S. citizens or legal immigrants) whose household income does not exceed 200 percent of the federal poverty level (FPL), and who are ineligible for Medicaid.
- Legal immigrants and children of school district employees who meet CHIP eligibility requirements are not eligible for federal matching funds, and costs for these clients must be paid entirely out of general revenue.

What are the benefits?

- CHIP enrollees receive health care, including prescription drugs, and dental care from participating health plans, medical groups, and dentists.
- The health and dental care includes services that are similar to those offered to state employees.

Distribution of CHIP enrollees by income level

- 20.8 %; below 100% Federal Poverty Level (FPL)
- 50.6%; 100-150% FPL
- 22.5%; 150-185% FPL
- 5.5%; 185-200% FPL

Family Size	Income 100% FPL	Income 133% FPL	Income 150% FPL	Income 185% FPL	Income 200% FPL
1	\$ 8,860	\$11,784	\$13,290	\$16,391	\$17,720
2	\$11,940	\$15,880	\$17,910	\$22,089	\$23,880
3	\$15,020	\$19,977	\$22,530	\$27,787	\$30,040
4	\$18,100	\$24,073	\$27,150	\$33,485	\$36,200
5	\$21,180	\$28,169	\$31,770	\$39,183	\$42,360
6	\$24,260	\$32,266	\$36,390	\$44,881	\$48,520
7	\$27,340	\$36,362	\$41,010	\$50,579	\$54,680
8	\$30,420	\$40,459	\$45,630	\$56,277	\$60,840

Source: *Federal Register*, February 14, 2002

Enrollment Statistics

- Current: 501,000
- Age
 - 0-1 .7%
 - 1-5 24%
 - 6-14 57.9%
 - 15-18 17.4%
- Health status
 - Special needs 4.3% (intensive medical conditions)
- Projected '03
 - 503,618 average monthly enrollment
 - 13,555 legal immigrant children
 - 9,835 school dependent children (ActiveCare)
 - Not part of CHIP enrollment: 6,670 state employee children (SKIP)

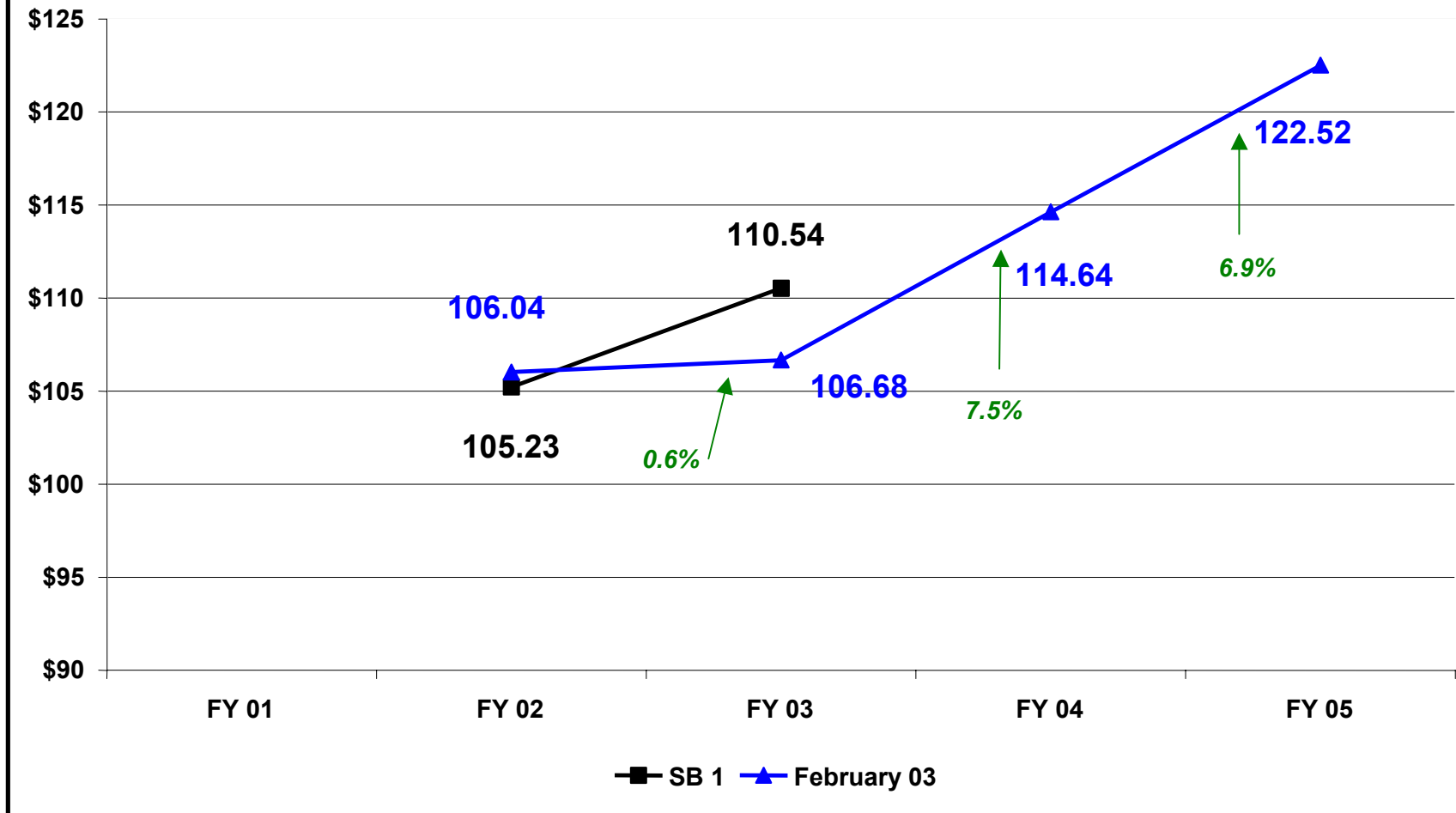
Enrollment Process

- Eligibility by mail; can be started by phone or website
- Documentation of income and immigration status required
- Enrollment continuous for 12 months
- 10th month family receives renewal notice

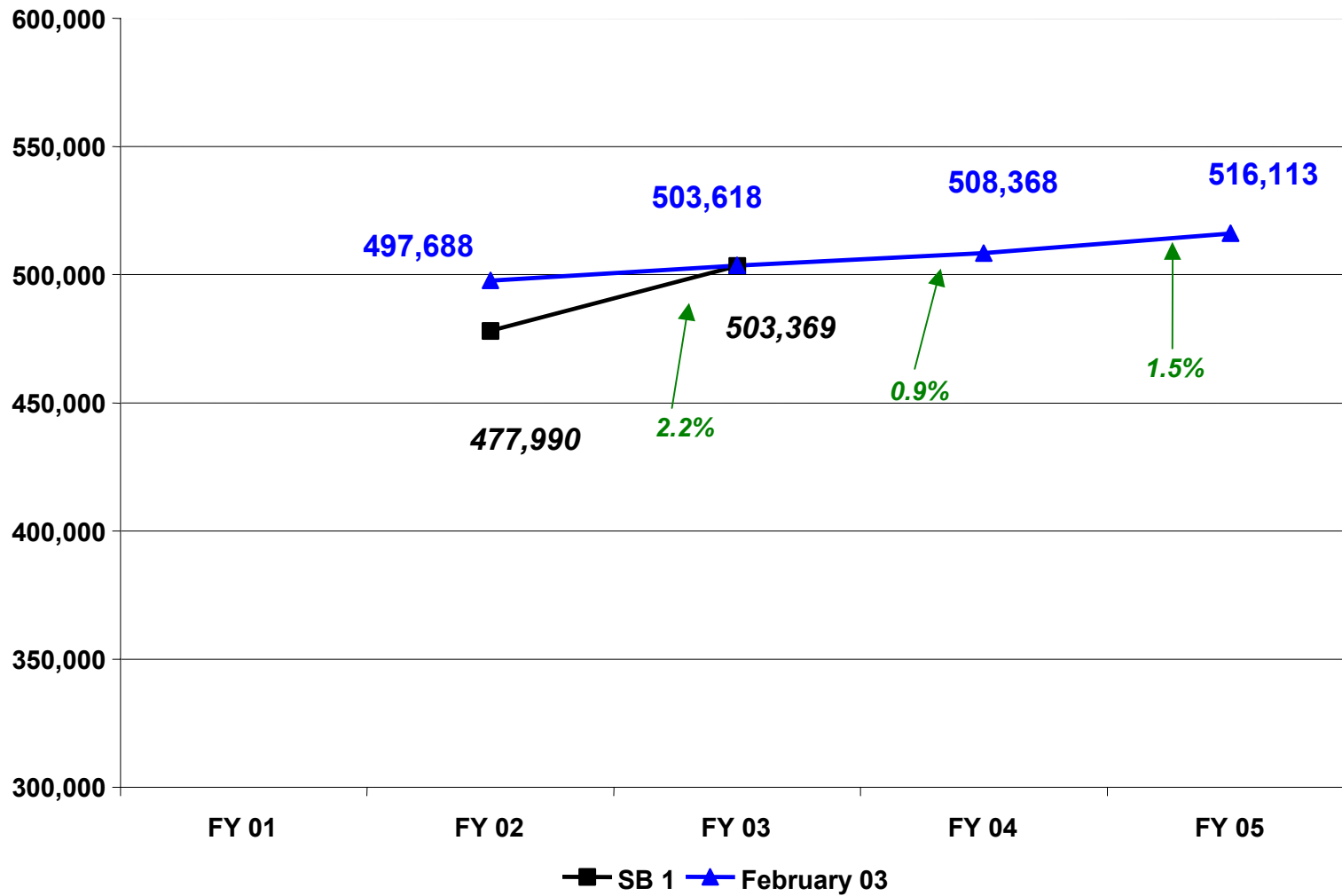
Enrollment Trends

- Strong growth June 2000 to May 2002
- Declined 5% since June 2002
- New enrollments up November 2002: back- to-school campaign
- Renewals: 65.4% (FY 2003 average-to-date)

CHIP Estimated Benefit Cost per Member FY 2001 – FY 2005



CHIP Caseload FY 2001 – FY 2005



Children's Health Insurance Program Cost and Federal Allocation

Year State FY	Expended/Budgeted State	Federal	Federal Allocation	Balance/ (Deficit)	Returned due to Redistribution
1998	\$ 920,282	\$ 2,565,634	\$ 561,331,521	\$ 560,022,819	\$ -
1999	\$ 13,364,220	\$ 37,488,977	\$ 558,680,510	\$ 1,080,169,454	\$ -
2000	\$ 23,579,440	\$ 51,983,565	\$ 502,812,459	\$ 1,542,000,280	\$ 170,026,270
2001	\$ 112,622,733	\$ 244,230,093	\$ 452,531,213	\$ 1,561,066,906	\$ 324,454,756
2002	\$ 197,393,959	\$ 483,227,066	\$ 301,839,575	\$ 1,002,716,323	\$ 248,345,534
2003	\$ 201,640,062	\$ 463,781,474	\$ 311,503,988	\$ 602,093,303	\$ -
2004	\$ 212,329,357	\$ 503,627,437	\$ 311,503,988	\$ 409,969,854	\$ -
2005	\$ 230,010,204	\$ 543,380,881	\$ 400,505,127	\$ 267,094,100	\$ -
2006	\$ 248,411,020	\$ 586,851,351	\$ 400,505,127	\$ 80,747,876	\$ -
2007	\$ 268,283,902	\$ 633,799,460	\$ 494,450,775	\$ (58,600,809)	\$ -
2008	\$ 289,746,614	\$ 684,503,416	\$ 494,450,775	\$ (248,653,451)	\$ -

Expended/Budgeted:

Note: Data does not include the State Children's Insurance Program (SKIP) cost.
FY 2006 - FY 2008 cost estimates based on 8 percent increase.

Sources: FY 1998-FY 1999 DHS federal report, FY 2000-FY 2001 HHSC Operating Budget,
FY 2002-FY 2005 Feb 2003 LAR update

HHSC Vendor Drug Program

HHSC Vendor Drug Program

- Statewide prescription medications
 - Medicaid (HHSC)
 - Children's Health Insurance Program (CHIP)
 - Children with Special Health Care Needs (CSHCN)
 - Kidney Health Care (TDH)

Background

- Medicaid Vendor Drug Program was implemented September 1971.
- Outpatient drug coverage is an optional Medicaid service, except for children and nursing home residents.
- Open formulary and three prescription limit for aged, blind, and disabled.

Method of Administration

- Claims administration – Texas Department of Human Services
- Pharmacy reimbursement methodology – HHSC
- Payments to provider pharmacies – Comptroller of Public Accounts Medicaid Fraud Investigations – Office of the Attorney General and HHSC

FY 2002 Statistical Information

- 30 million claims in FY 02
 - 48% for generic drugs
- \$1.547 million in payments to provider pharmacies
 - 88% for drug ingredient costs
- Over 3,900 participating pharmacies

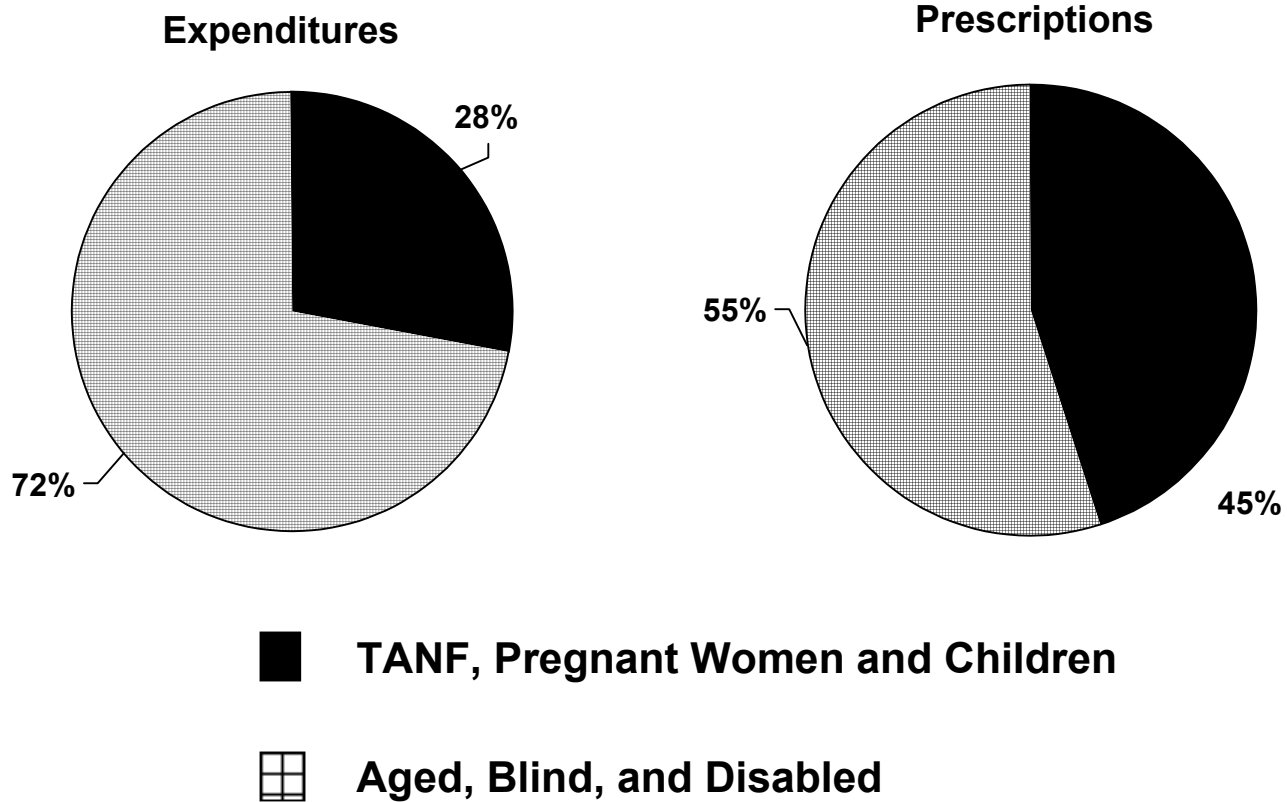
Medicaid Manufacturer Rebates

- CMS-determined rebate amounts.
- HHSC applies the national rebate amounts to state usage rates, bills for and collects rebates.
- FY 02 rebate collections – \$125 million (GR); FY 03 appropriated – \$140 million (GR).
- Rebate revenues are approximately 23 percent of drug ingredient costs.

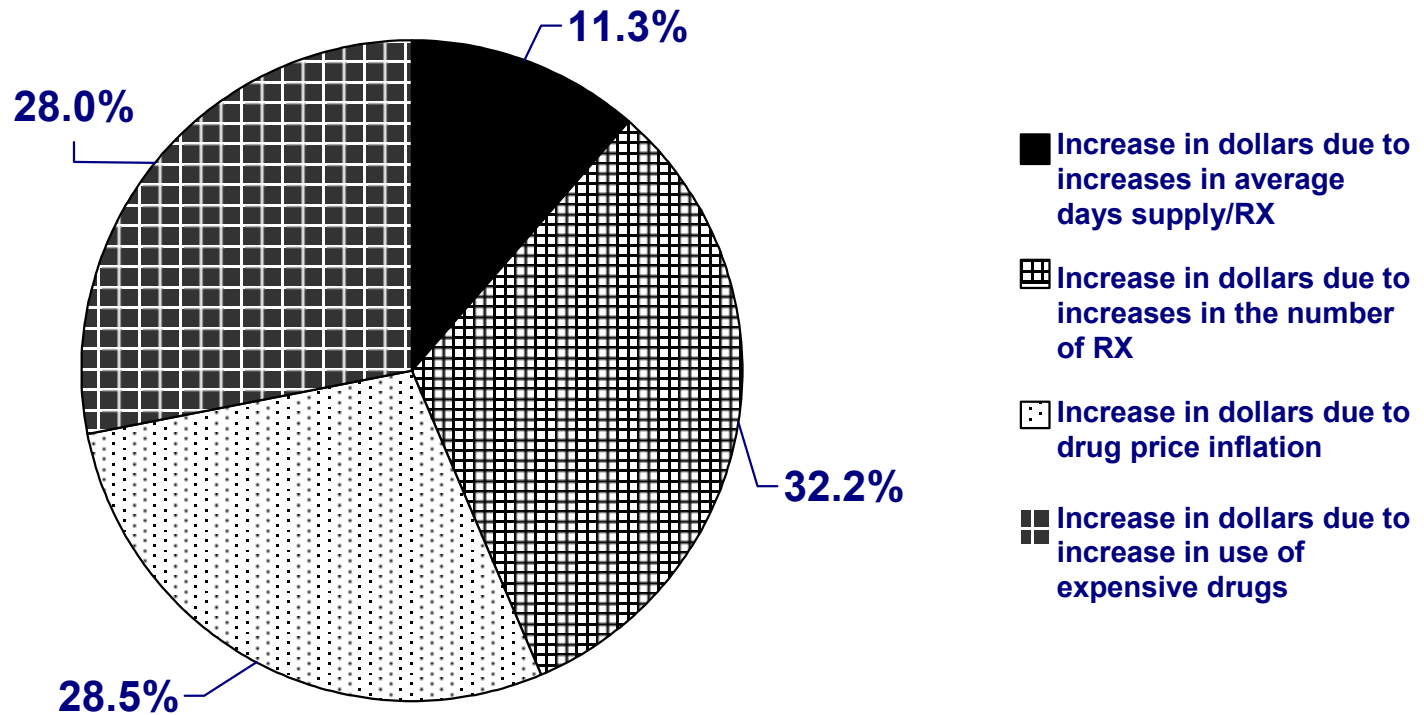
HHSC Vendor Drug Reimbursement Changes

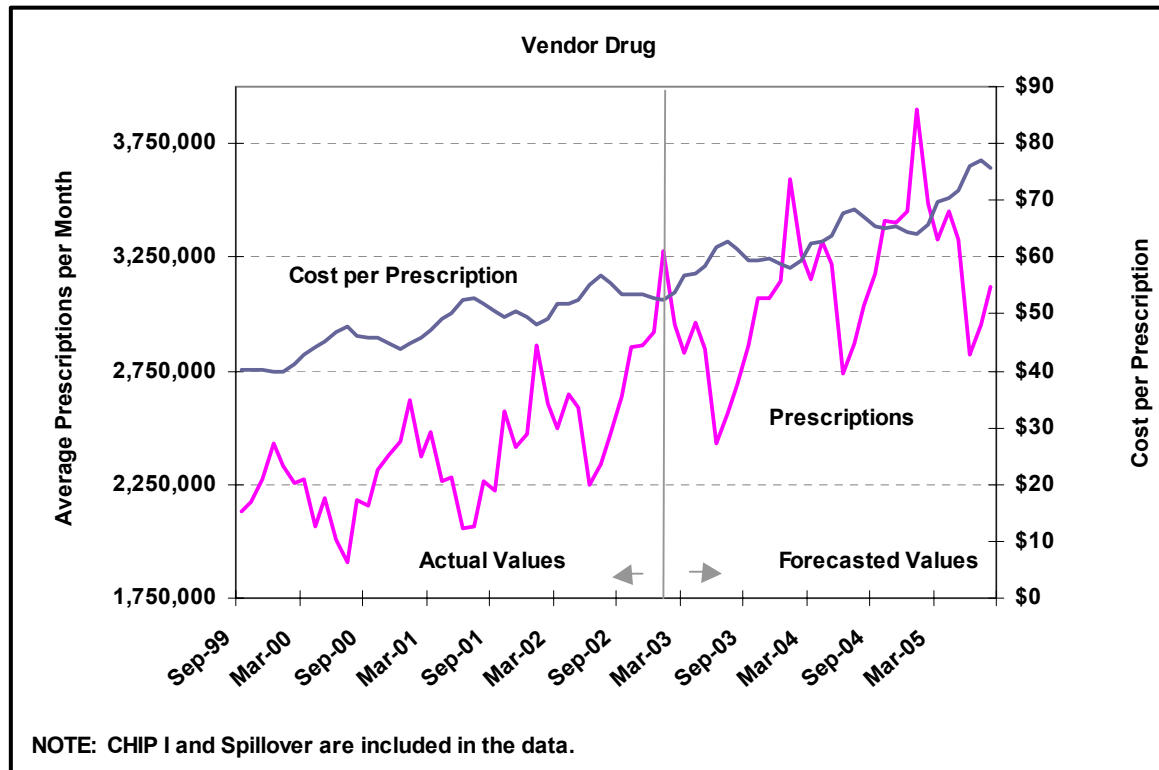
- Sample invoice audits at contracted pharmacies Spring and Summer 2002
- Outside consulting firm contracted to determine cost of dispensing prescriptions to Medicaid recipients
- HHSC proposed rules September 2002 to change reimbursement methodology
- Significant overall decrease in prescription drug expenditures
- Legal challenge

Vendor Drugs by Client Group FY 2002



Cost Drivers in the TDH Vendor Drug Program FY 1998 - FY 2002





	Annual			
	Prescriptions (RX)	RX Trend	Cost per RX	\$/RX Trend
FY 2000	26,245,401		\$ 42.79	
FY 2001	27,706,197	5.6%	\$ 47.68	11.4%
FY 2002	29,946,509	8.1%	\$ 51.66	8.3%
FY 2003	33,824,635	13.0%	\$ 56.30	9.0%
FY 2004	37,354,591	10.4%	\$ 62.13	10.4%
FY 2005	39,833,176	6.6%	\$ 68.98	11.0%

Who are these clients?

- All Medicaid-eligible clients are able to receive prescription drugs.
- Children, clients in institutions, and those on waivers get unlimited prescriptions, while the rest are limited to three prescriptions per month.

What does this mean?

- Cost per prescription is increasing an average of 10 percent per year and is driven by newer, more expensive drugs entering the market and ongoing price inflation.
- The number of prescriptions is increasing an average of 9 percent per year primarily because of the high caseload growth in the Medicaid program.

Vendor Drug Program Drug Expenditures

Top 10 Drugs by Total Expenditures (Medicaid and CHIP)

- FY 02 - \$320.5 million spent on top 10
- FY 02 - \$1.6 billion spent on all drugs
- Top ten account for 20 percent of total drug dollars spent
- High demand for new drug therapies

Top Ten Drugs by Number of Claims

Medicaid						
Use	Brand Name	Claims	ranked by	02 Dollars	02 Claims	02 Clients
analgesic,NSAID	IBUPROFEN	1	46	\$ 6,397,261	621,535	449,773
analgesic,narcotic	HYDROCODONE W/ACETAMINOPHEN	2	49	\$ 6,171,456	603,206	326,689
antiinfective	ZITHROMAX	3	13	\$ 17,042,675	463,050	388,794
bronchodilator	ALBUTEROL SULFATE	4	54	\$ 5,751,529	417,442	299,729
diuretic	FUROSEMIDE	5	125	\$ 2,723,547	397,028	123,725
antiinfective	AMOXICILLIN	6	126	\$ 2,694,139	347,804	317,402
antiinfective	AUGMENTIN	7	8	\$ 22,129,550	335,360	306,709
analgesic	TYLENOL	8	122	\$ 2,761,584	323,546	205,399
antihistamine	CLARITIN	9	7	\$ 22,435,522	295,977	172,271
antiinfective	AMOXIL	10	92	\$ 3,514,078	289,580	257,292
CHIP (since 3/1/2002)						
Use	Brand Name	Claims	ranked by	02 Dollars	02 Claims	02 Clients
anti-infective	ZITHROMAX	1	4	\$ 1,182,334.77	42,274	40,388
analgesic	IBUPROFEN	2	17	\$ 441,903.13	40,464	36,116
antihistamine	CLARITIN	3	1	\$ 2,520,490.16	37,743	28,212
anti-infective	AMOXICILLIN	4	34	\$ 239,830.88	33,937	33,089
antihistamine	ZYRTEC	5	5	\$ 1,177,110.55	33,834	24,645
anti-infective	AUGMENTIN	6	2	\$ 1,786,115.28	27,844	27,679
anti-infective	AMOXIL	7	38	\$ 217,189.45	27,798	27,146
bronchodilator	ALBUTEROL SULFATE	8	32	\$ 241,524.93	21,627	19,410
bronchodilator	ALBUTEROL	9	27	\$ 257,880.64	20,106	15,804
receptor antagonist (asthma)	SINGULAIR	10	3	\$ 1,286,789.18	18,162	9,511

Top Ten Drugs by Dollars Spent

MEDICAID/use					
MEDICAID/use	Brand Name	Dollars	02 Dollars	02 Claims	02 Clients
antipsychotic	ZYPREXA	1	\$ 69,629,637	215,010	57,830
antipsychotic	RISPERDAL	2	\$ 50,473,497	266,409	66,859
analgesic, COX2	CELEBREX	3	\$ 30,626,403	253,635	86,061
antiulcerative	PREVACID	4	\$ 26,366,573	222,673	58,598
antiulcerative	PRILOSEC	5	\$ 24,832,109	176,746	41,245
antihyperlipidemic	LIPITOR	6	\$ 23,038,357	197,066	54,984
antihistamine	CLARITIN	7	\$ 22,435,522	295,977	172,271
anti-infective	AUGMENTIN	8	\$ 22,129,550	335,360	306,709
antipsychotic	SEROQUEL	9	\$ 19,564,204	96,836	25,425
antidepressant	ZOLOFT	10	\$ 19,027,576	211,476	60,837
Totals for the top 10			\$ 308,123,428	2,271,188	930,819
Totals for all drugs			\$ 1,545,743,304	30,114,410	
Percentage of Top 10 to all			19.93%	7.54%	
CHIP (since 3/1/2002)					
CHIP/use	BRAND_NAME	Dollars	02 Dollars	02 Claims	02 Clients
antihistamine	CLARITIN	1	\$ 2,520,490.16	37,743	28,212
anti-infective	AUGMENTIN	2	\$ 1,786,115.28	27,844	27,679
receptor antagonist (asthma)	SINGULAIR	3	\$ 1,286,789.18	18,162	9,511
anti-infective	ZITHROMAX	4	\$ 1,182,334.77	42,274	40,388
antihistamine	ZYRTEC	5	\$ 1,177,110.55	33,834	24,645
anti-infective	CEFZIL	6	\$ 1,014,738.14	17,483	16,969
CNS stimulant (ADHD)	CONCERTA	7	\$ 933,488.29	13,233	5,866
antihemophilic	RECOMBINATE	8	\$ 924,491.16	136	45
respiratory inhalant	ADVAIR DISKUS	9	\$ 896,895.82	8,718	5,412
CNS stimulant (ADHD)	ADDERALL XR	10	\$ 700,248.22	10,162	4,897
Totals for Top 10			\$ 12,422,701.57	209,589	163,624
Totals for all drugs			\$ 38,284,916.80	1,032,901	899,292
Percentage of Top 10 to all			32.45%	20.29%	18.19%