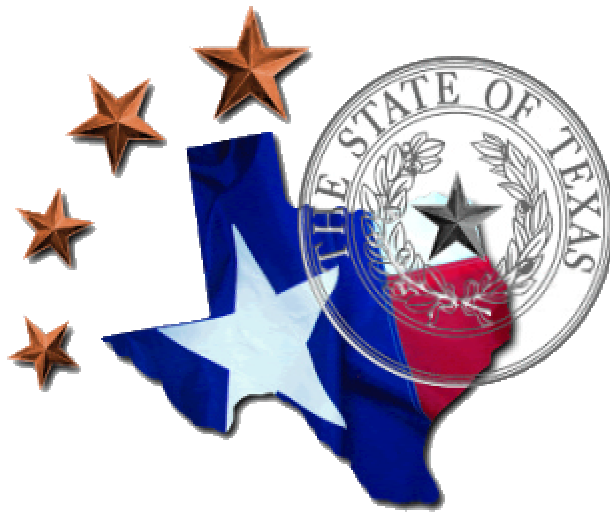


Overview of Medicaid Issues

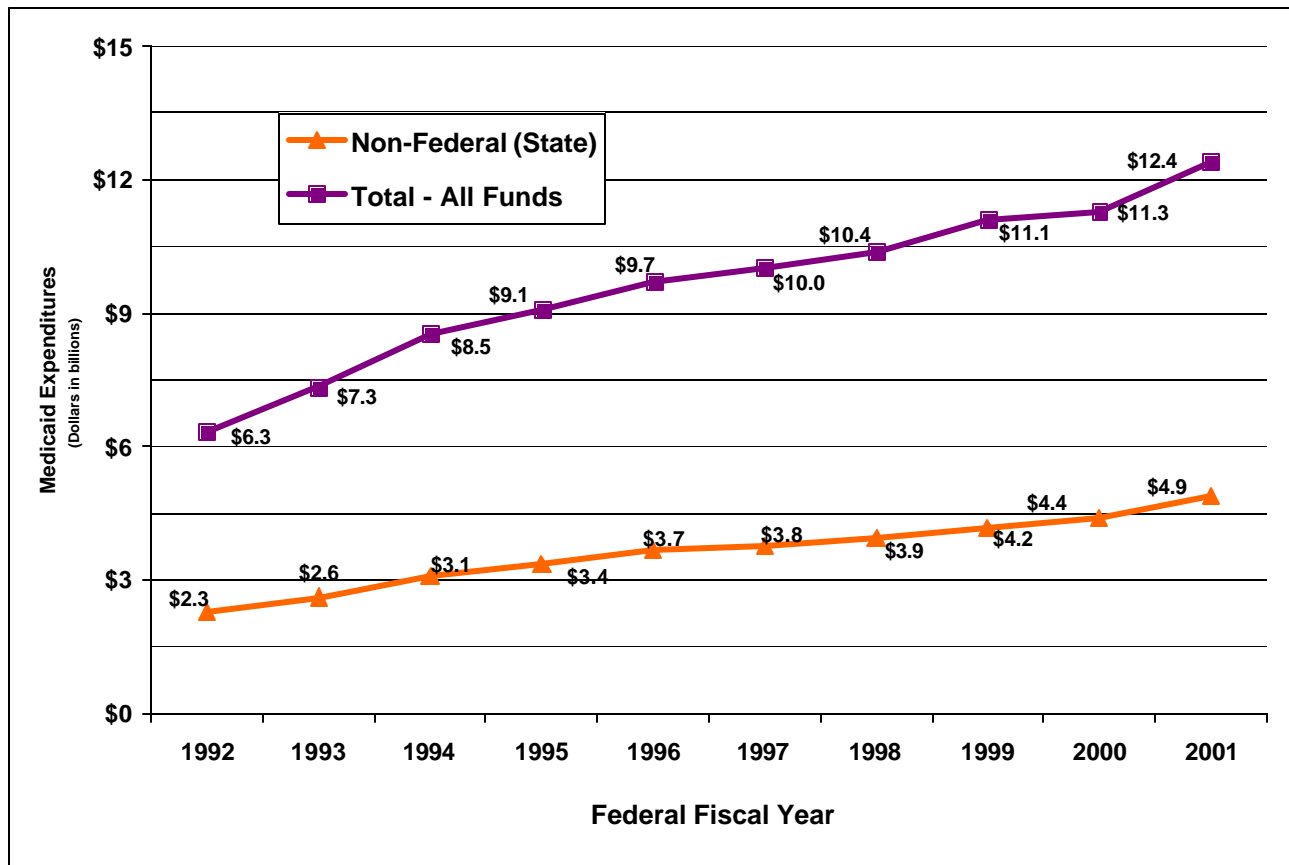


Prepared for the House
Appropriations Committee
January 24, 2001

Don A. Gilbert, Commissioner, HHSC

Charles Bell, M.D., Executive Deputy Commissioner, TDH

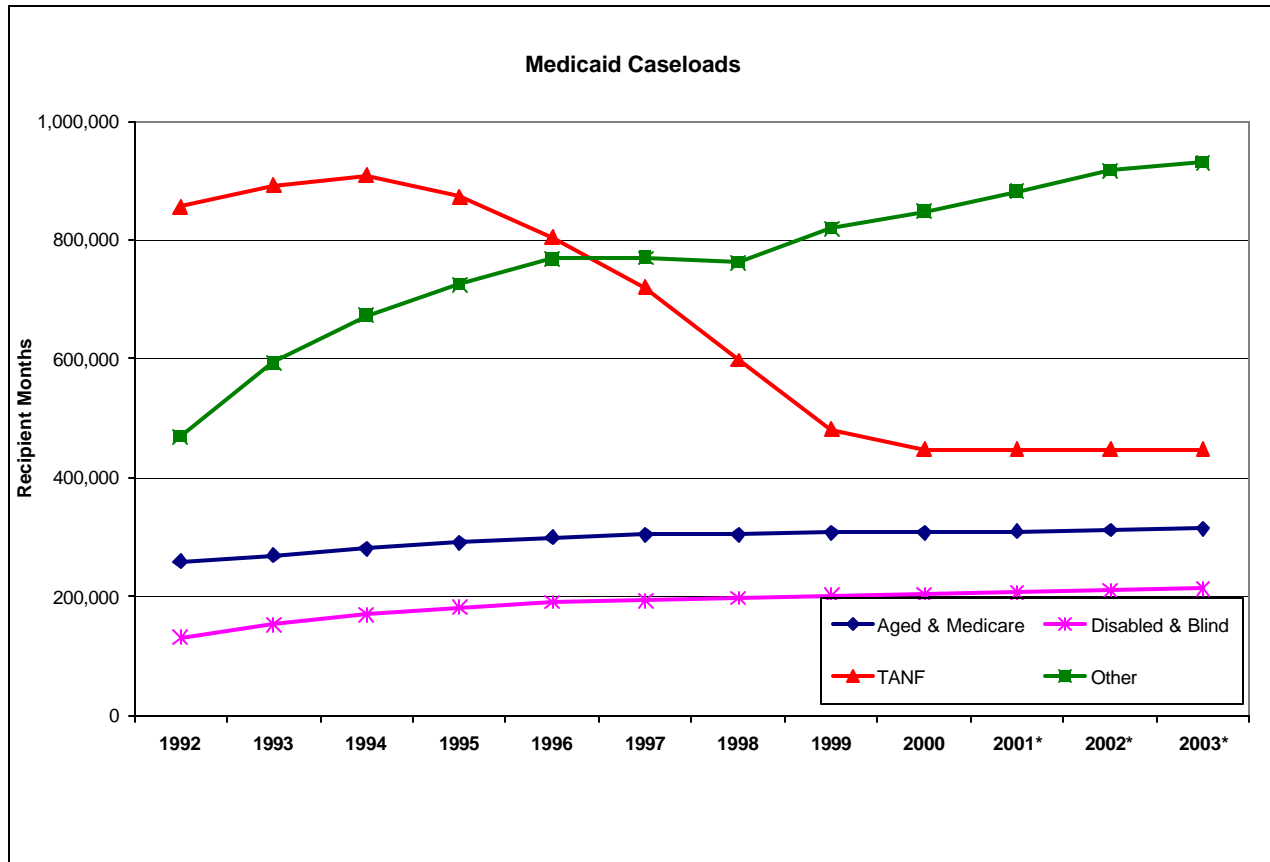
Historical Trends and Projected Expenditures FFY 1992-2001



State Medicaid spending is driven by:

- Caseload size and mix
- Costs & utilization of covered services
- Federal participation (FMAP)

Caseload Changes FY 1992-2003

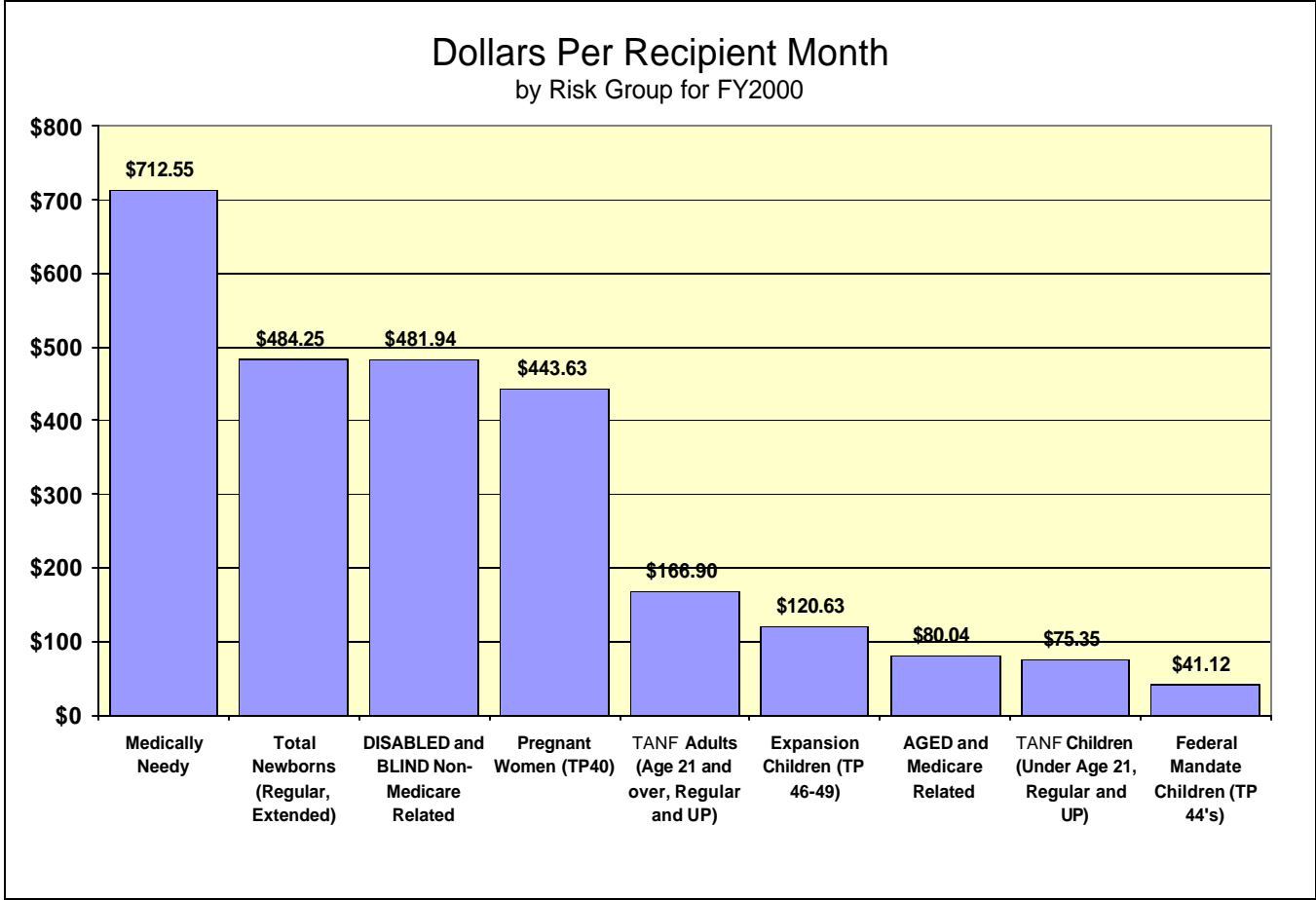


*Note: Projections as of November 2000. To be updated February 2001.

State Medicaid spending is driven by:

- **Caseload size and mix**
- Costs & utilization of covered services
- Federal participation (FMAP)

Costs by Risk Group

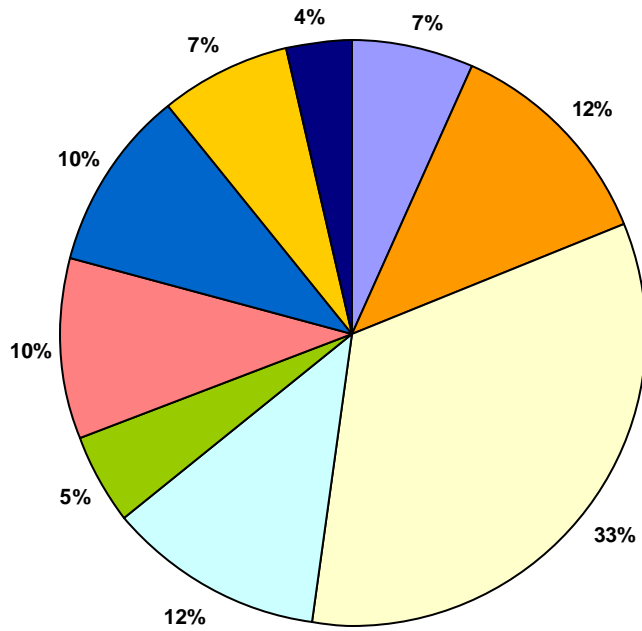


State Medicaid spending is driven by:

- Caseload size and mix
- **Costs & utilization of covered services**
- Federal participation (FMAP)

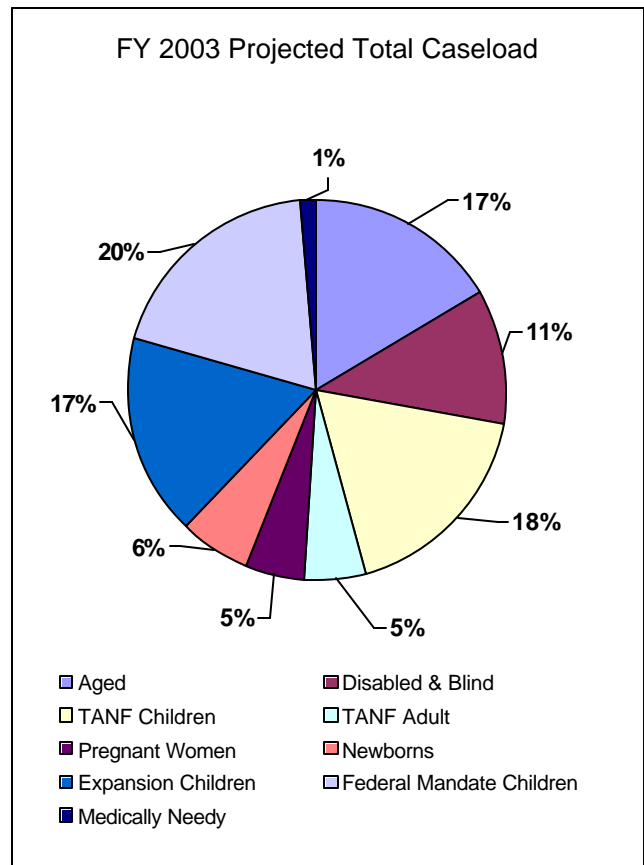
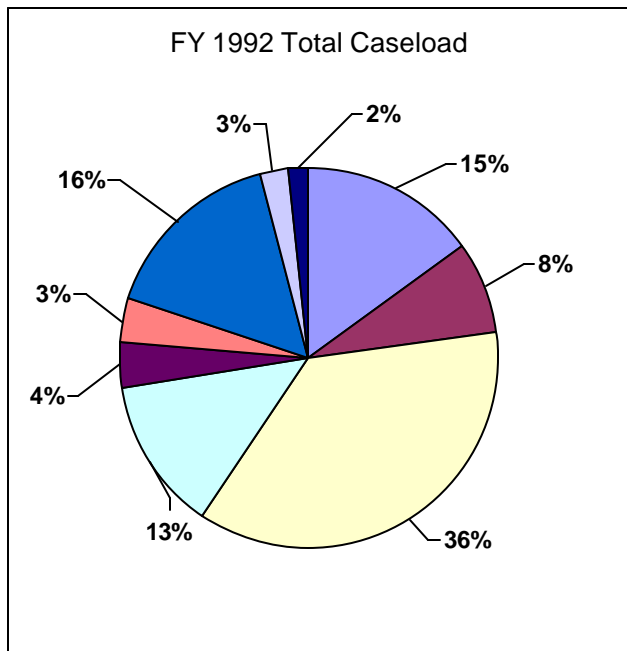
Premium Expenditures by Risk Group FY2000

\$2.745 billion



- Medically Needy
- Total Newborns (Regular, Extended)
- DISABLED and BLIND Non-Medicare Related
- Pregnant Women (TP40)
- TANF Adults (Age 21 and over, Regular and UP)
- Expansion Children (TP 46-49)
- AGED and Medicare Related
- TANF Children (Under Age 21, Regular and UP)
- Federal Mandate Children (TP 44's)

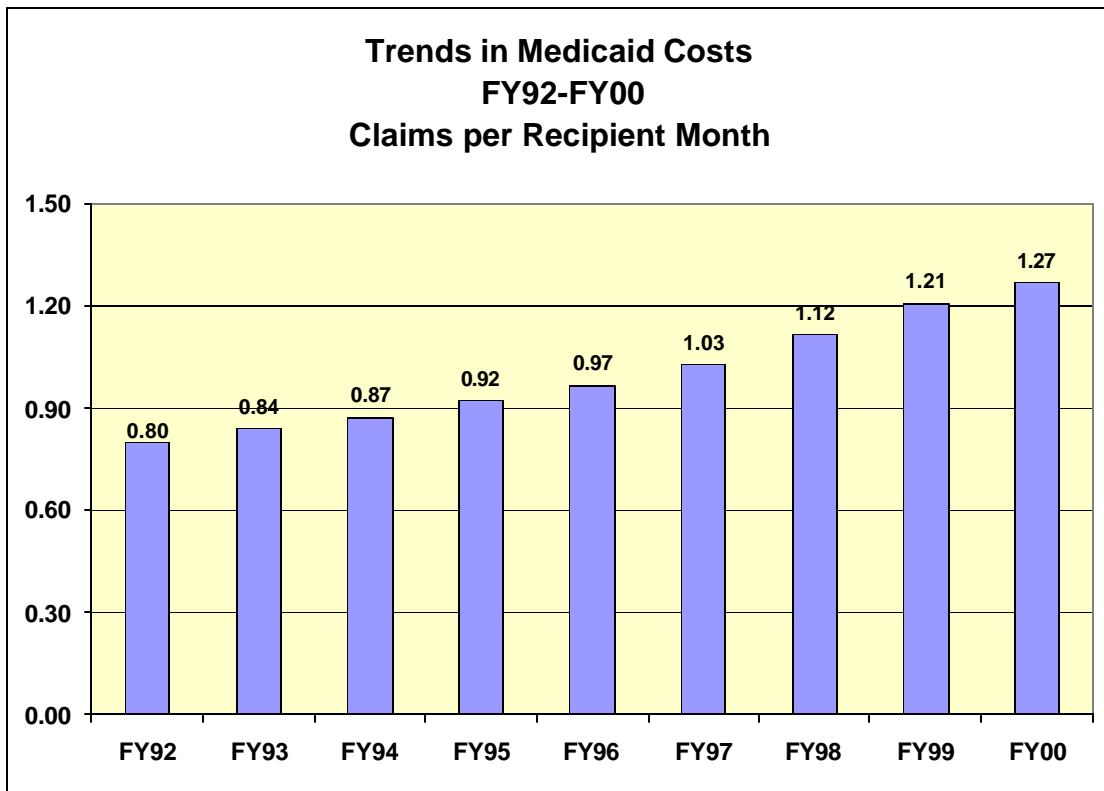
Changes in Caseload Mix FY 1992-2003



State Medicaid spending is driven by:

- Caseload size and mix
- Costs & utilization of covered services
- Federal participation (FMAP)

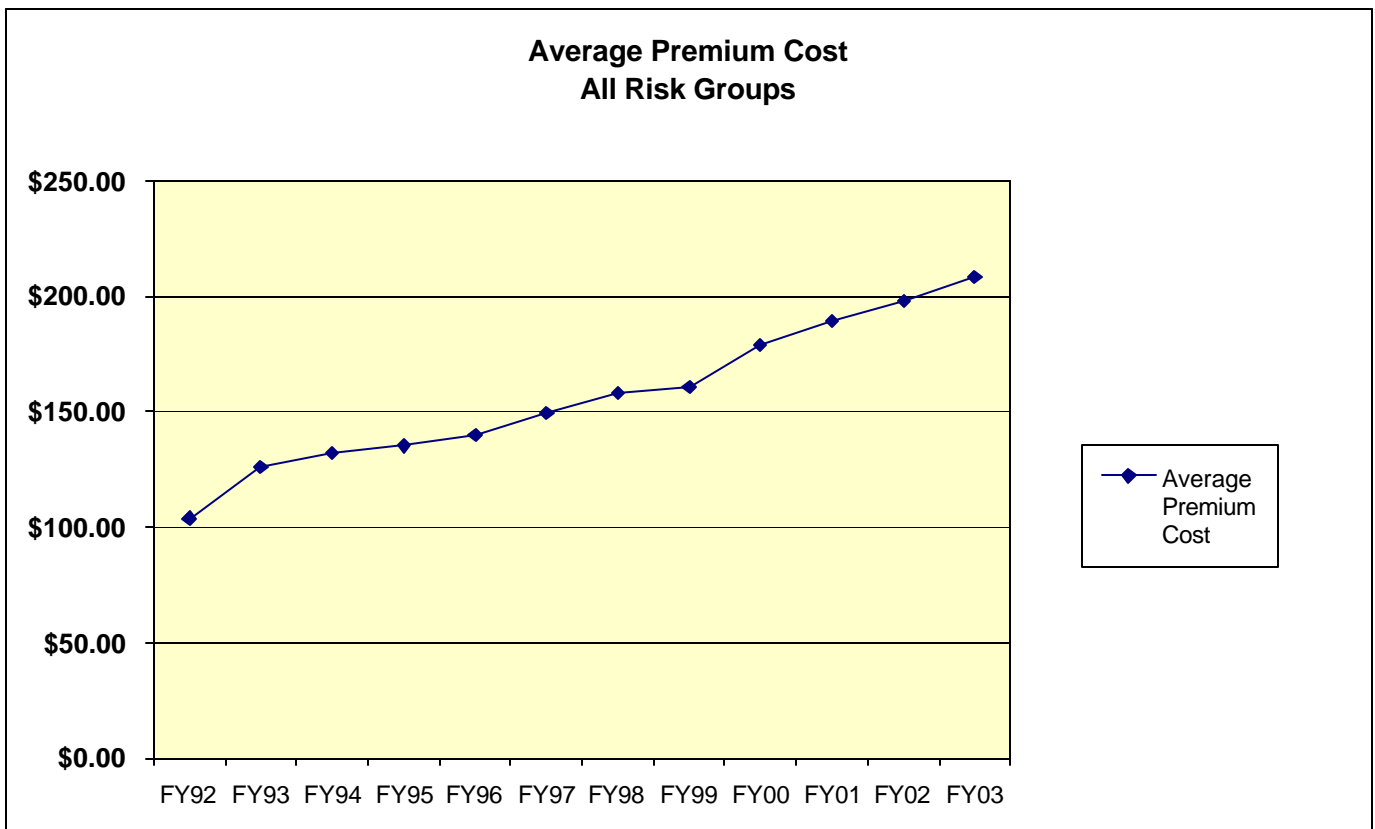
Trends in Medicaid Costs and Utilization FF 1992-2003



State Medicaid spending is driven by:

- Caseload size and mix
- Costs & utilization of covered services
- Federal participation (FMAP)

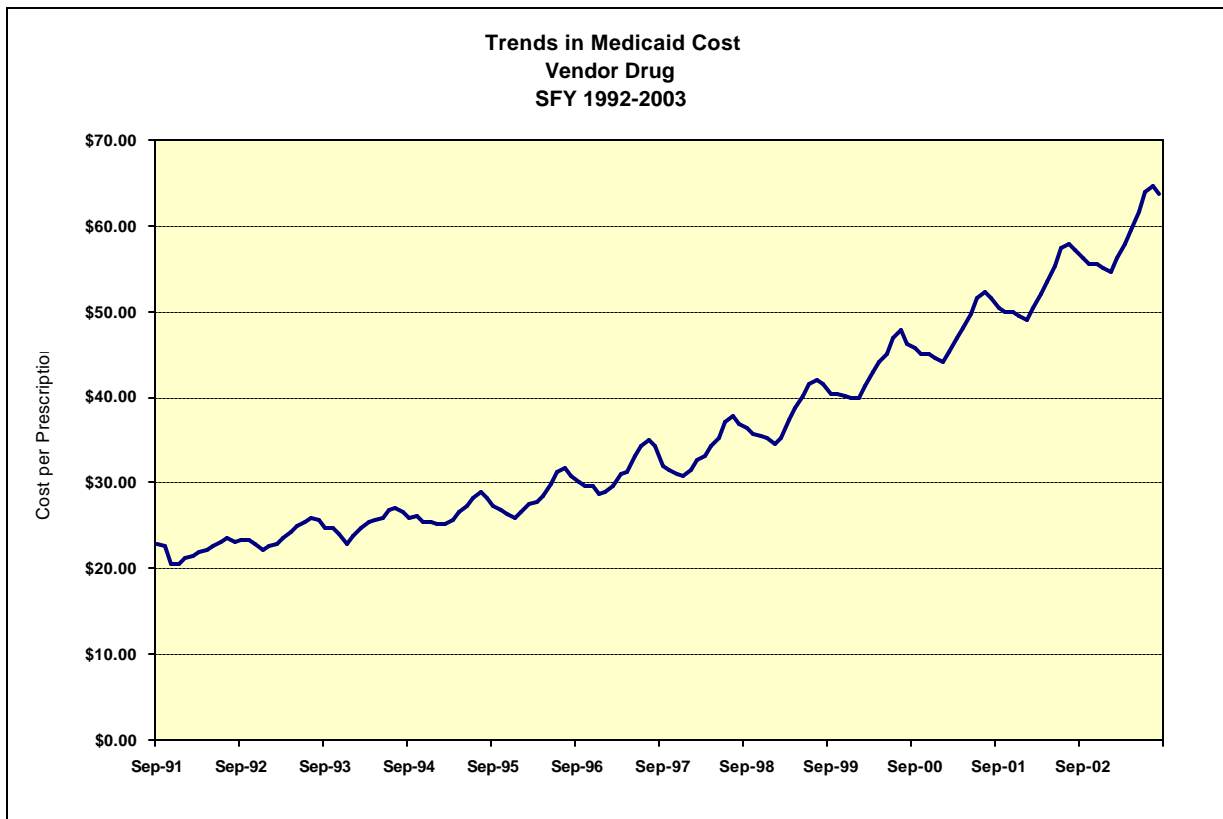
Trends in Medicaid Costs/Utilization



State Medicaid spending is driven by:

- Caseload size and mix
- **Costs & utilization of covered services**
- Federal participation (FMAP)

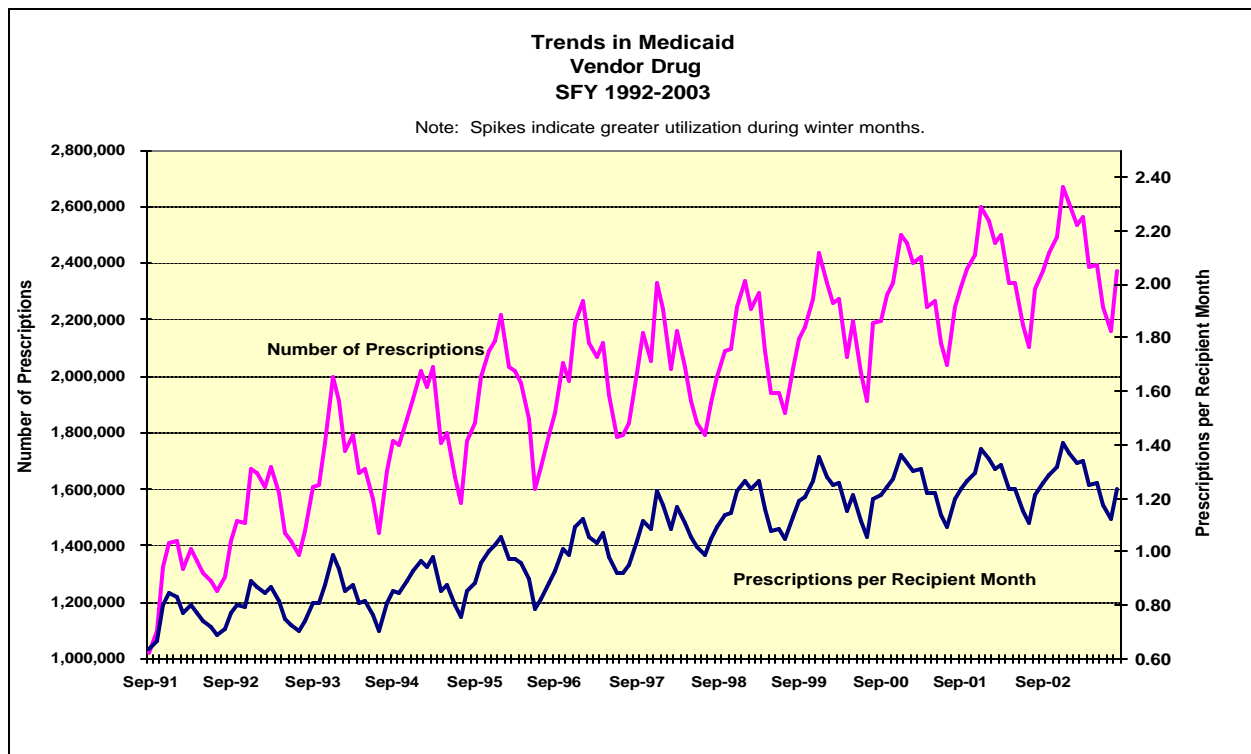
Trends in Vendor Drug



State Medicaid spending is driven by:

- Caseload size and mix
- **Costs & utilization of covered services**
- Federal participation (FMAP)

Trends in Medicaid Vendor Drug SFY 1992-2003



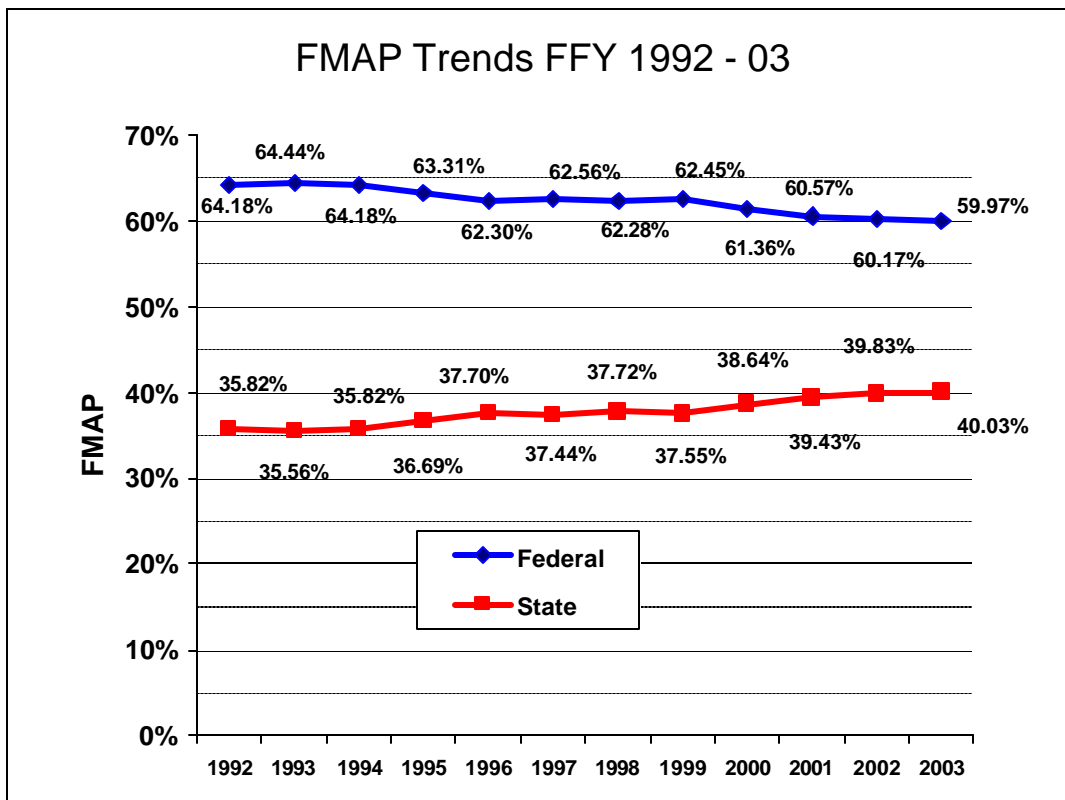
State Medicaid spending is driven by:

- Caseload size and mix
- **Costs & utilization of covered services**
- Federal participation (FMAP)

Federal Medical Assistance Percentage (FMAP)

- FMAP is the federal share for matching Medicaid expenditures
- It is a ratio of each state's per capita personal income to that of the nation for the 3 most recent years
- The ceiling FMAP match rate is 83 %
- The floor FMAP match rate is 50 %
- Texas' FMAP for FY 2002 is 60.17 % which means the state share in 39.83 %
- Texas' EFMAP for FY2002 is 72.12 % (Title XXI)
- How the FMAP FY 2001 change increased state obligations:
 - TDH \$51.5 million
 - DHS 21.4 million
 - MHMR 8.9 million
 - PRS 1.0 million
 - ECI 0.1 million

FMAP Trends FFY 1992-2003



State Medicaid spending is driven by:

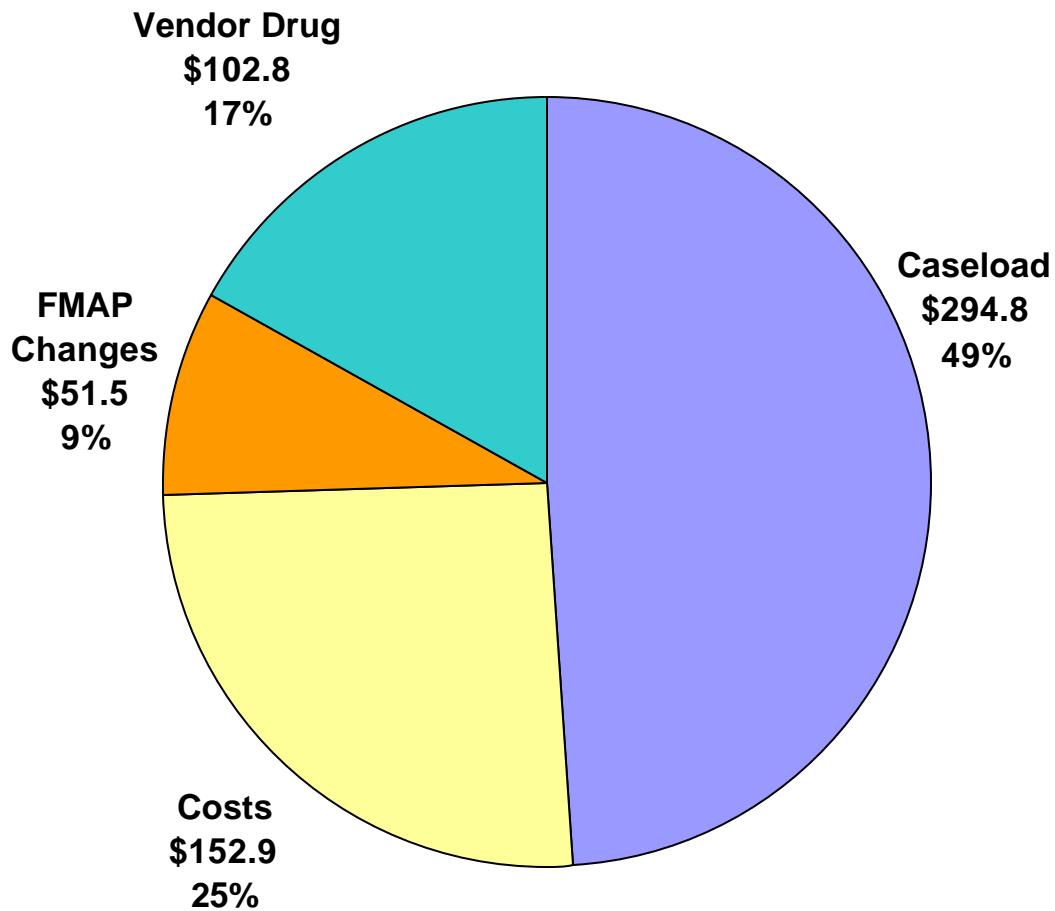
- Caseload size and mix
- Costs & utilization of covered services
- **Federal participation (FMAP)**

Performance on Key TDH Medicaid Measures

Measure	FY 2000			FY 2001		
	HB 1	Actuals	Difference	HB 1	Projections	Difference
Avg. Medicaid Caseload	1,719,409	1,758,527	39,118	1,704,879	1,803,943	99,064
Avg. Premium Cost	\$166.72	\$180.74	\$ 14.02	\$ 171.10	\$ 187.70	\$ 16.60
Number of Prescription	24,482,961	26,116,489	1,633,528	24,285,867	27,293,007	3,007,140
Avg. Prescription Cost	\$38.89	\$42.77	\$ 3.88	\$ 41.58	\$ 47.33	\$ 5.75

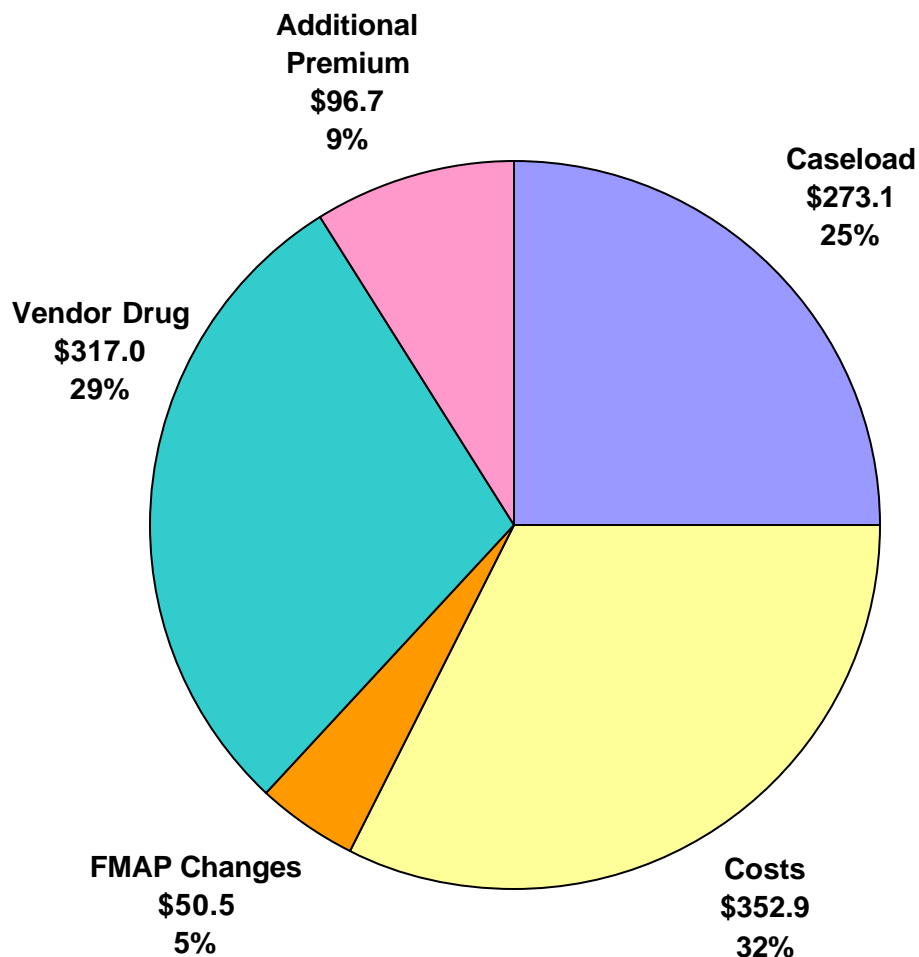
Measure	TDH Requested	
	FY2002	FY2003
Avg. Medicaid Caseload	1,832,813	1,849,147
Avg. Premium Cost	\$196.50	\$205.53
Number of Prescription	28,097,037	28,293,007
Avg. Prescription Cost	\$52.51	\$58.48

TDH Budget Impact FY 2000–2001 (\$602 Million)



TDH Budget Impact FY 2002-2003 Maintaining Current Services (\$1,089.7 Million)

All Amounts Shown in Millions



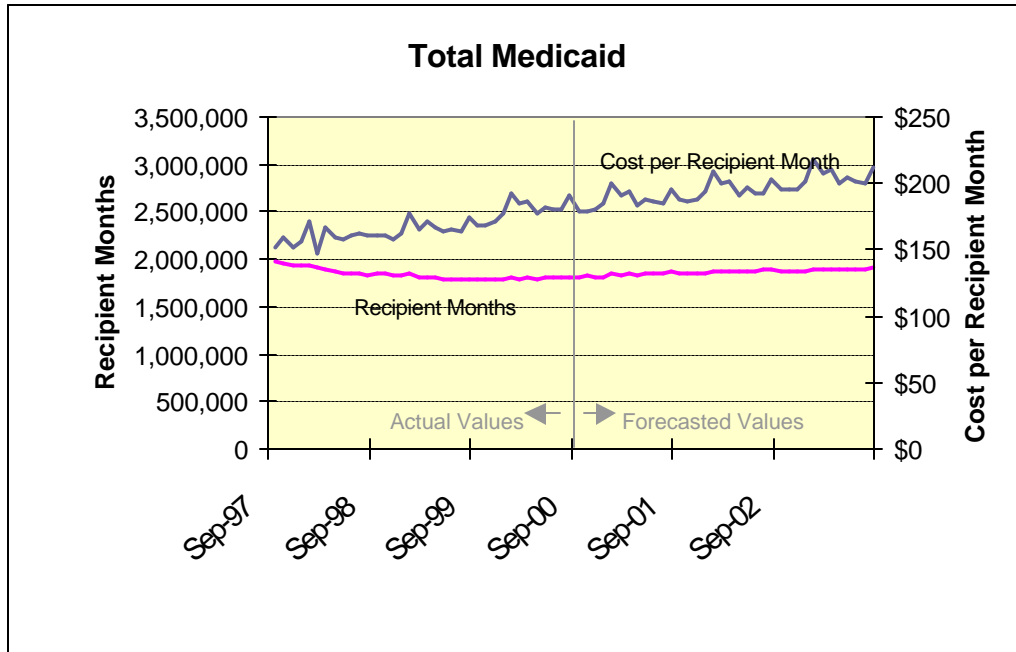
Note: Distribution of Impact is Estimated

Medicaid Experience in Other States

The National Conference of State Legislatures reports in its publication *State Fiscal Outlook for 2001* that 23 states are experiencing higher than expected Medicaid costs. The two reasons cited most often as the cause of these unexpected costs are enrollment growth and prescription drugs.

Appendix: Risk Groups

Total Medicaid



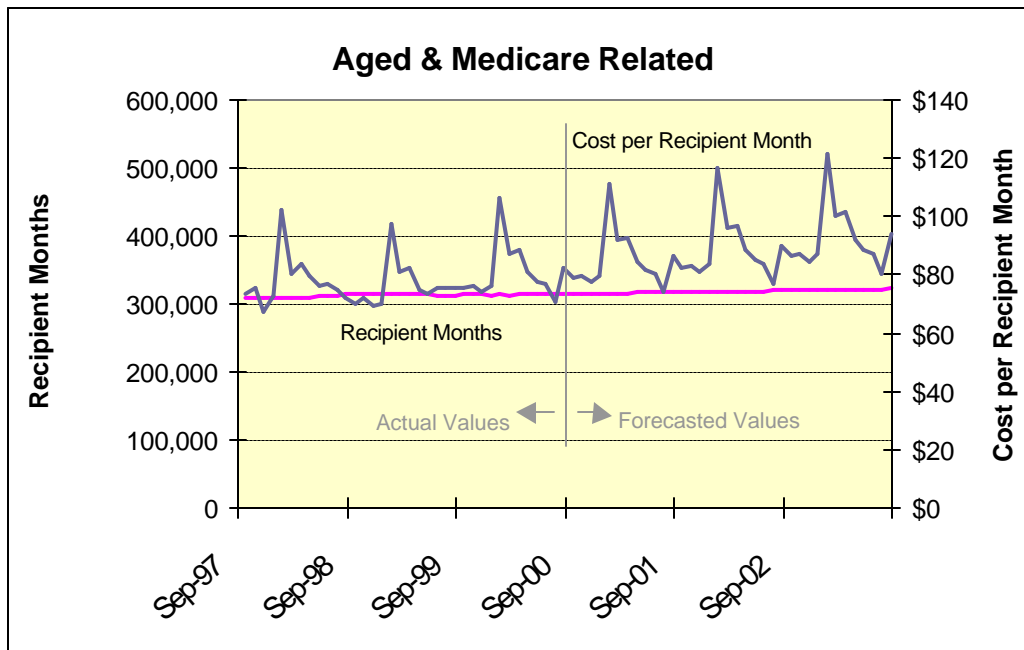
Who are these clients?

- Clients eligible for one of the Title XIX Medicaid groups explained on the following pages.
- 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.

What does this mean?

- The cost per recipient month has increased on average about 5% per year and is expected to maintain this trend in the next biennium.
- Caseloads, which had been declining, have now started increasing and are anticipated to increase about 2% per year in the next biennium.

Aged and Medicare Related



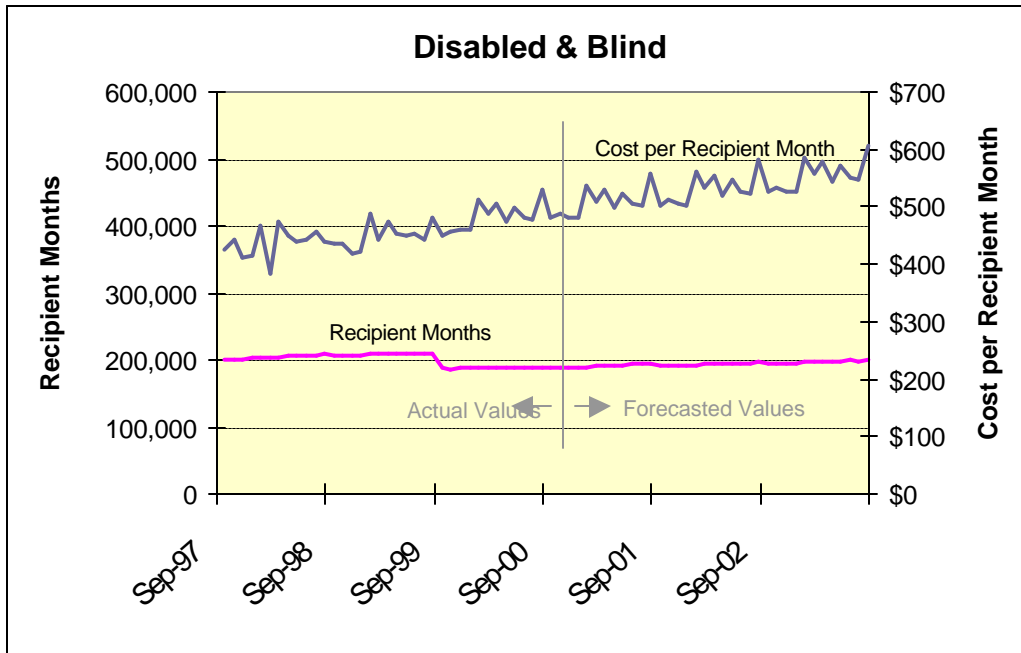
Who are these clients?

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

What does this mean?

- Costs are trending upward and are expected to continue to grow at about 4.5% per year in the next biennium.
- Caseload for this series is growing less than 1% per year and is expected to continue at this pace.
- The seasonal peaks are associated with cold and flu season.

Disabled and Blind



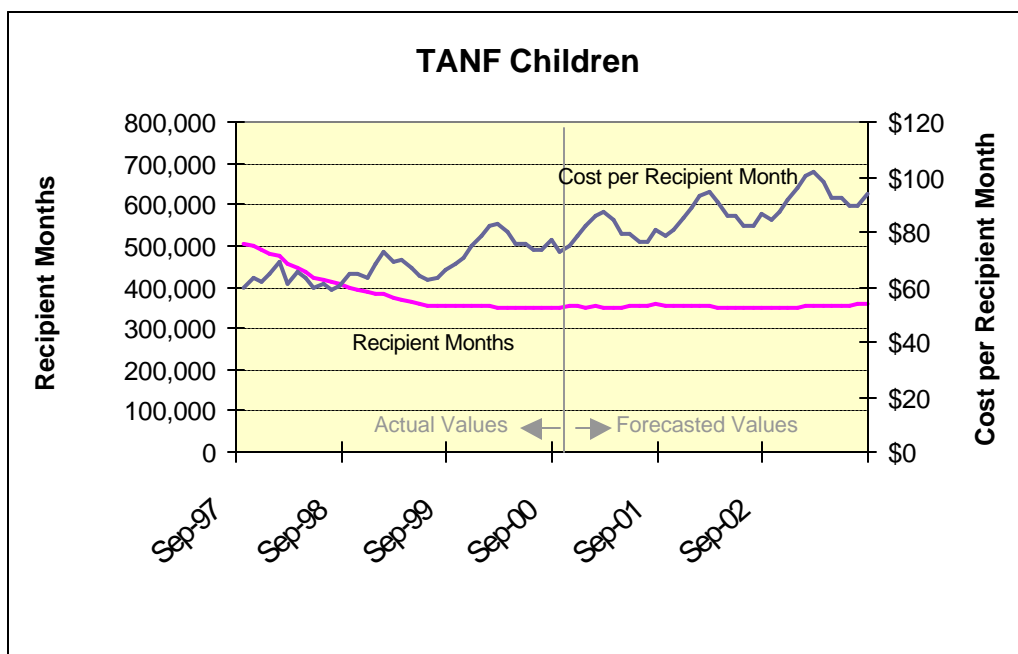
Who are these clients?

- Adult 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 5% per year over the long term and are expected to continue at this rate into the next biennium.
- The sudden decline of clients in September 1999 showing the transfer of clients to the Texas Department of Human Services' STAR+PLUS Program is the only exception to a program that grows about 1.5% per year.

TANF Children



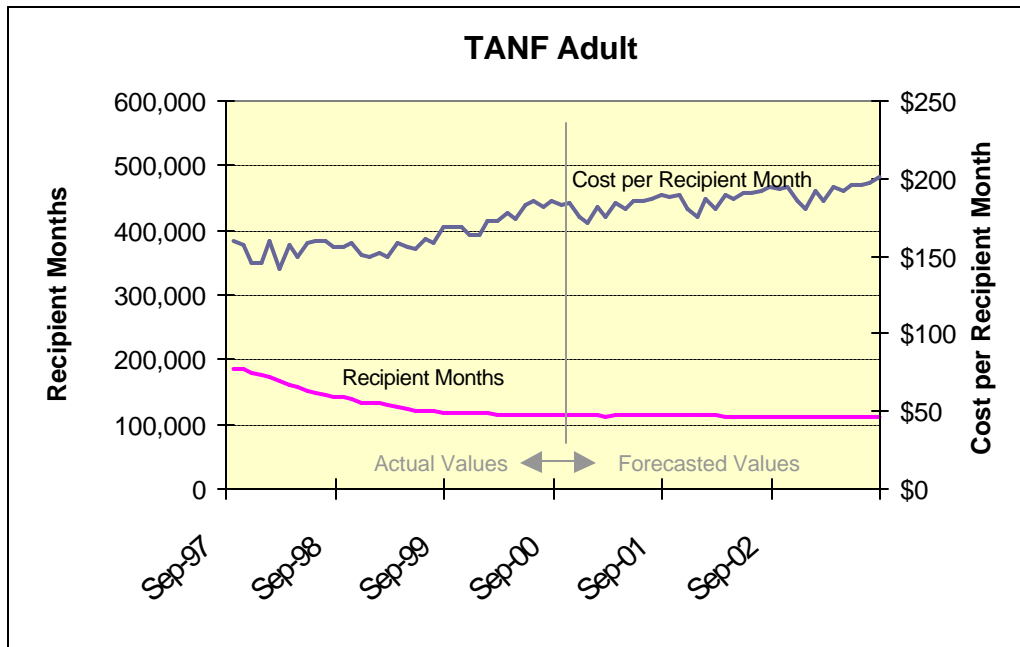
Who are these clients?

- Individuals under age 21 who are eligible for the TANF program.
- 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 8% per year on average and is expected to maintain that trend in the next biennium.
- The rapid decline in caseload has slowed considerably and future growth is expected to be less than 1% per year.
- Large seasonal peaks represent cold and flu season. Small peaks represent the start of the school year.

TANF Adult



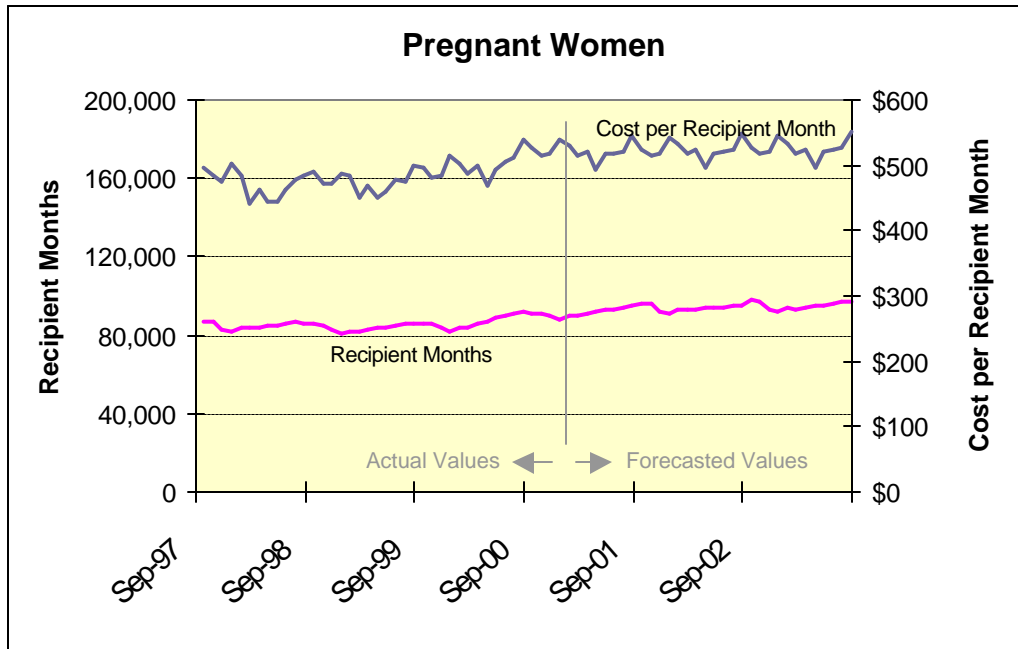
Who are these clients?

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

What does this mean?

- Cost trends have averaged almost 5% per year over the long term but are expected to grow about 3% per year in the next biennium.
- The rapid decline in caseload has slowed considerably and is expected to decline between 2% and 3% each year of the next biennium.

Pregnant Women



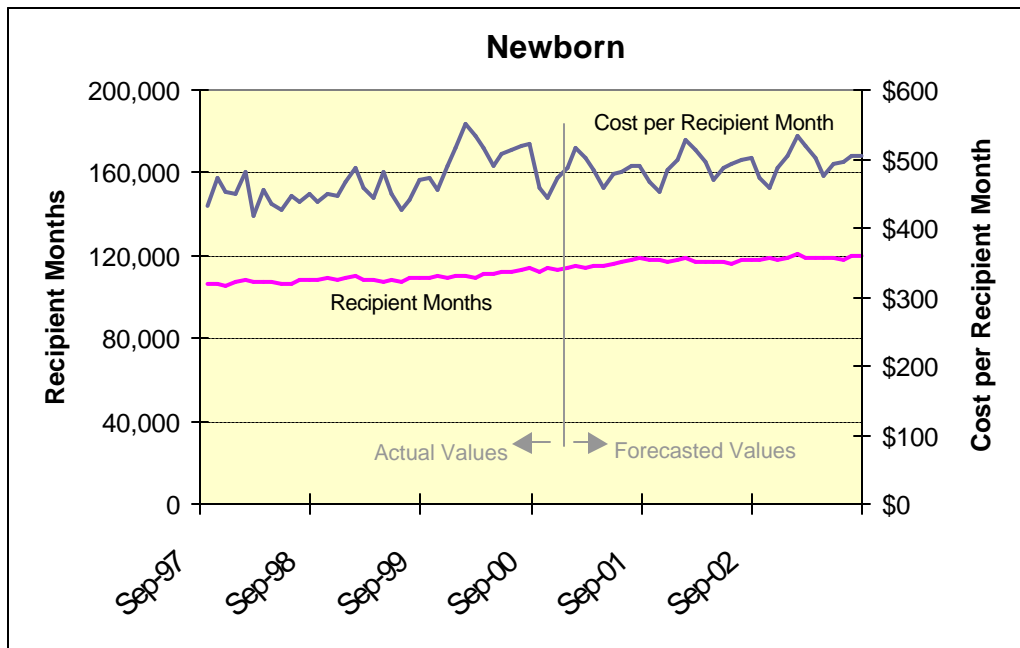
Who are these clients?

- Eligible pregnant women are those with family income below 185% of the Federal Poverty Limit.

What does this mean?

- Cost trends have been very stable over the long term and are expected to grow much less than 1% per year in the next biennium.
- This historically stable program has experienced growth recently that is expected to average about 2.5% per year in the next biennium.

Newborn



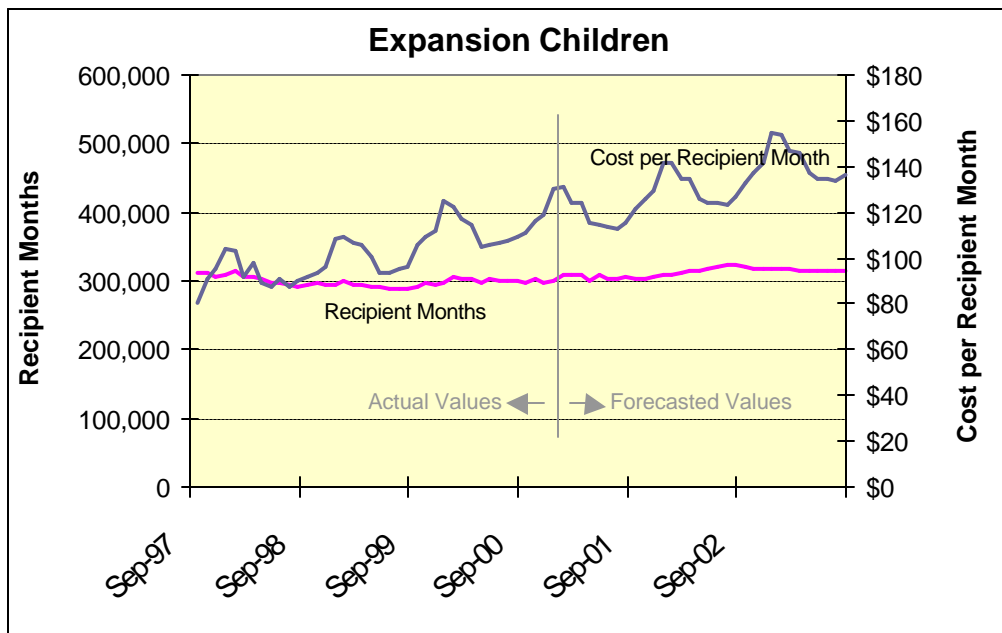
Who are these clients?

- Newborns are children under age one born to Medicaid-eligible mothers.

What does this mean?

- Cost trends have been low (less than 1.5%) on average over the long term but are expected to average about 3% per year in the next biennium.
- This program has seen consistent growth recently that is expected to average less than 2% per year in the next biennium.

Expansion Children



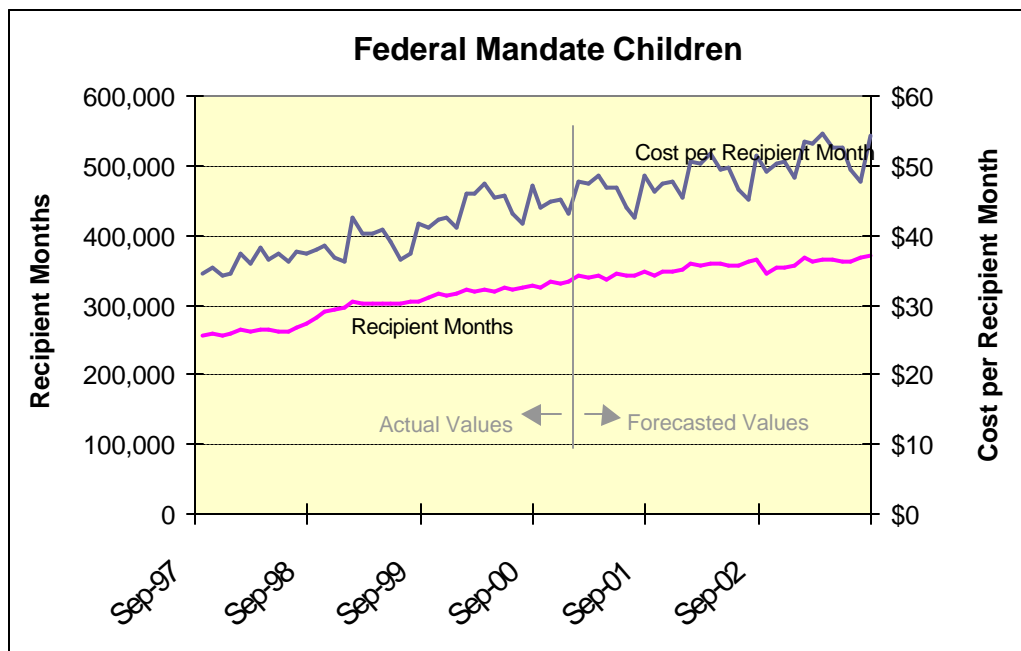
Who are these clients?

- Children under the age of 18 ineligible for TANF because of the applied income of their stepparents or grandparents.
- Children under the age of one with family income below 185% of Federal Poverty Limit.
- Children ages 1-5 with family income below 133% of Federal Poverty Limit.

What does this mean?

- Cost trends have averaged over 8.5% per year over the long term and are expected to average almost 9% per year in the next biennium.
- Consistent growth in this program has accelerated recently and is expected to average about 5% per year in the next biennium.
- Seasonal peaks are associated with cold and flu season.

Federal Mandate Children



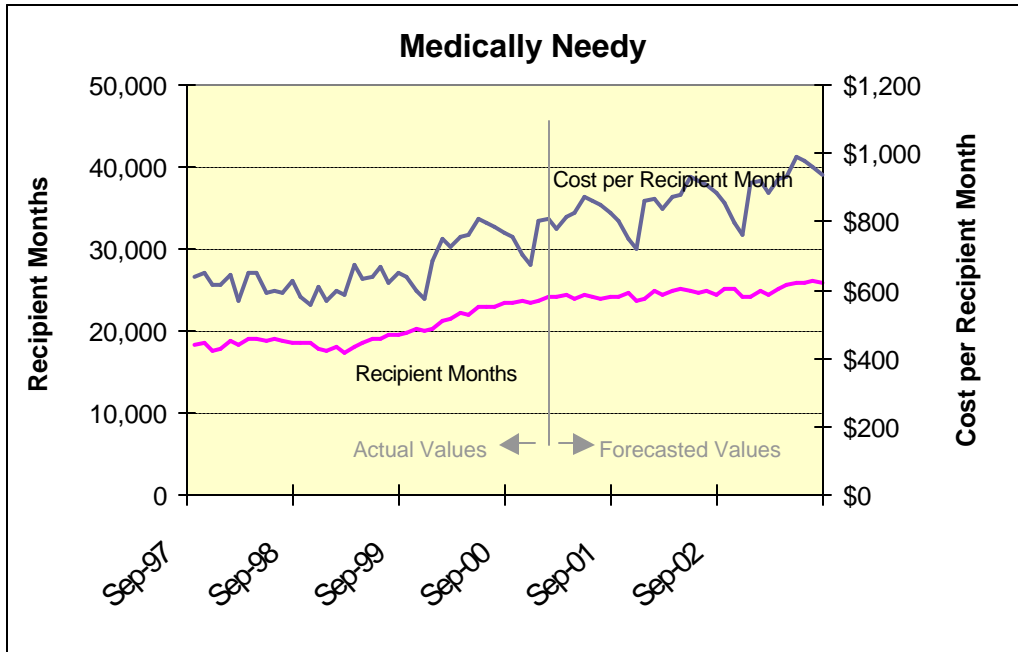
Who are these clients?

- Children under the age of 19 born after October 1, 1983, with family income below 100% of Federal Poverty Limit. These children are between ages 6 and 17.
- Children under the age of 19 born before October 1, 1983, with family income below the Medically Needy (about 25% of poverty) standards limit. These children are between ages 17 and 19.

What does this mean?

- Cost trends have averaged over 5% per year over the long term and are expected to grow about 6% per year in the next biennium.
- Consistent growth in this program has accelerated recently and is expected to average about 5% per year in the next biennium.

Medically Needy



Who are these clients?

- **Spend Down:** Individuals whose family income is below the Medically Needy Standard limit (about 25% 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% 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 almost 11% per year over the long term but are expected to grow no more than 7% per year in the next biennium.
- The rapid growth in caseload seen recently has slowed considerably and is expected to grow about 2.5% each year of the next biennium.

Overview of CHIP Issues



Prepared for the House Appropriations Committee
January 24, 2001

Don A. Gilbert, Commissioner, HHSC

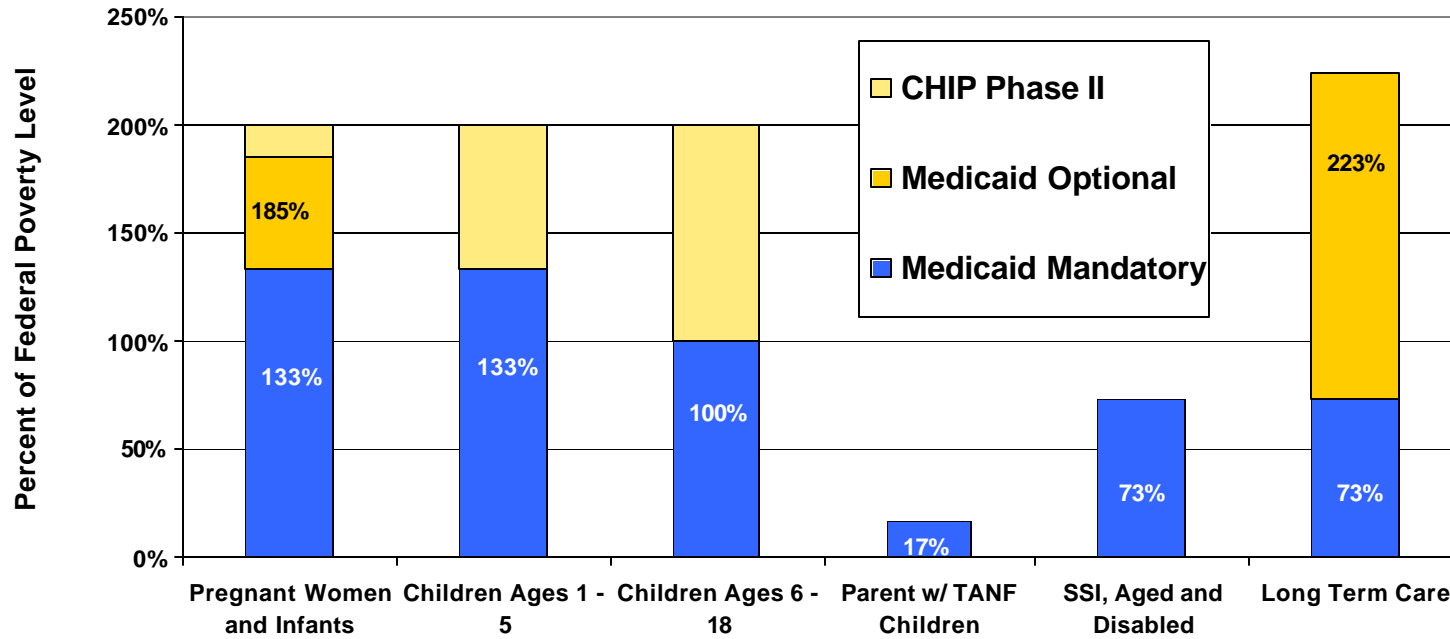
CHIP Programs

Five Different Programs are funded with Tobacco Funds in Article XII under CHIP

- 1) CHIP Phase I (Medicaid Expansion for Teens under 100%FPL expires in October 2002)
- 2) CHIP Phase II (Title XXI Non-Entitlement coverage up to 200% FPL which began May 2000)
- 3) Medicaid Spillover (Impact on Medicaid from TexCare Partnership Initiatives)
- 4) Legal Aliens (100% State Funded children's program for certain legal immigrants)
- 5) SKIP (Enhanced state contribution for children's health insurance coverage of certain state employees)

CHIP and Medicaid Eligibility

As of December 2000



Source: Texas Health and Human Services Commission

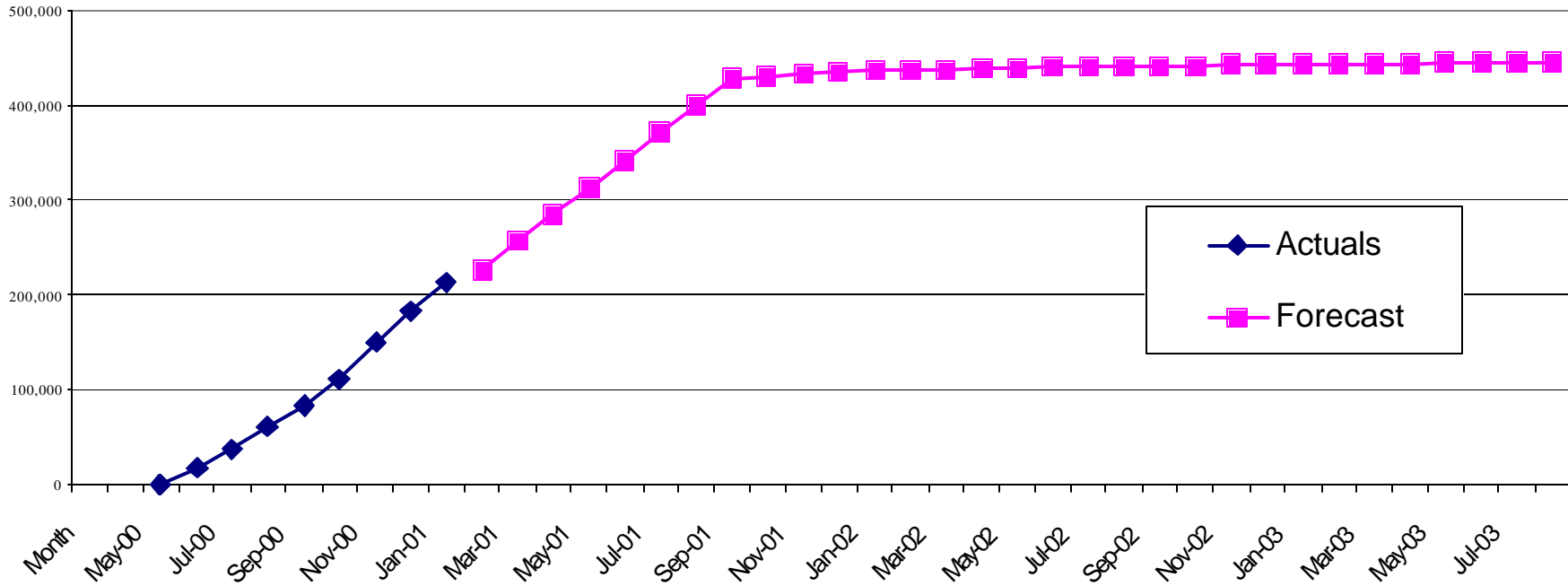
CHIP Enrollment as of January 22, 2001

◆ Latest CHIP Enrollment (Enrolled and receiving services)	231,517
– Percent CHIP FY 2001 Enrollment Goal (428,000)	54%
◆ Current CHIP Eligibles (Determined eligible, not yet enrolled)	69,523
◆ Latest Enrollment + Current Eligibles Who Will Enroll	293,490
– Percent CHIP FY 2001 Enrollment Goal (428,000)	69%
– DHS-determined CHIP Eligibles (First contact at DHS office, deemed to CHIP)	60,075

CHIP and Medicaid Referrals as of January 22, 2001

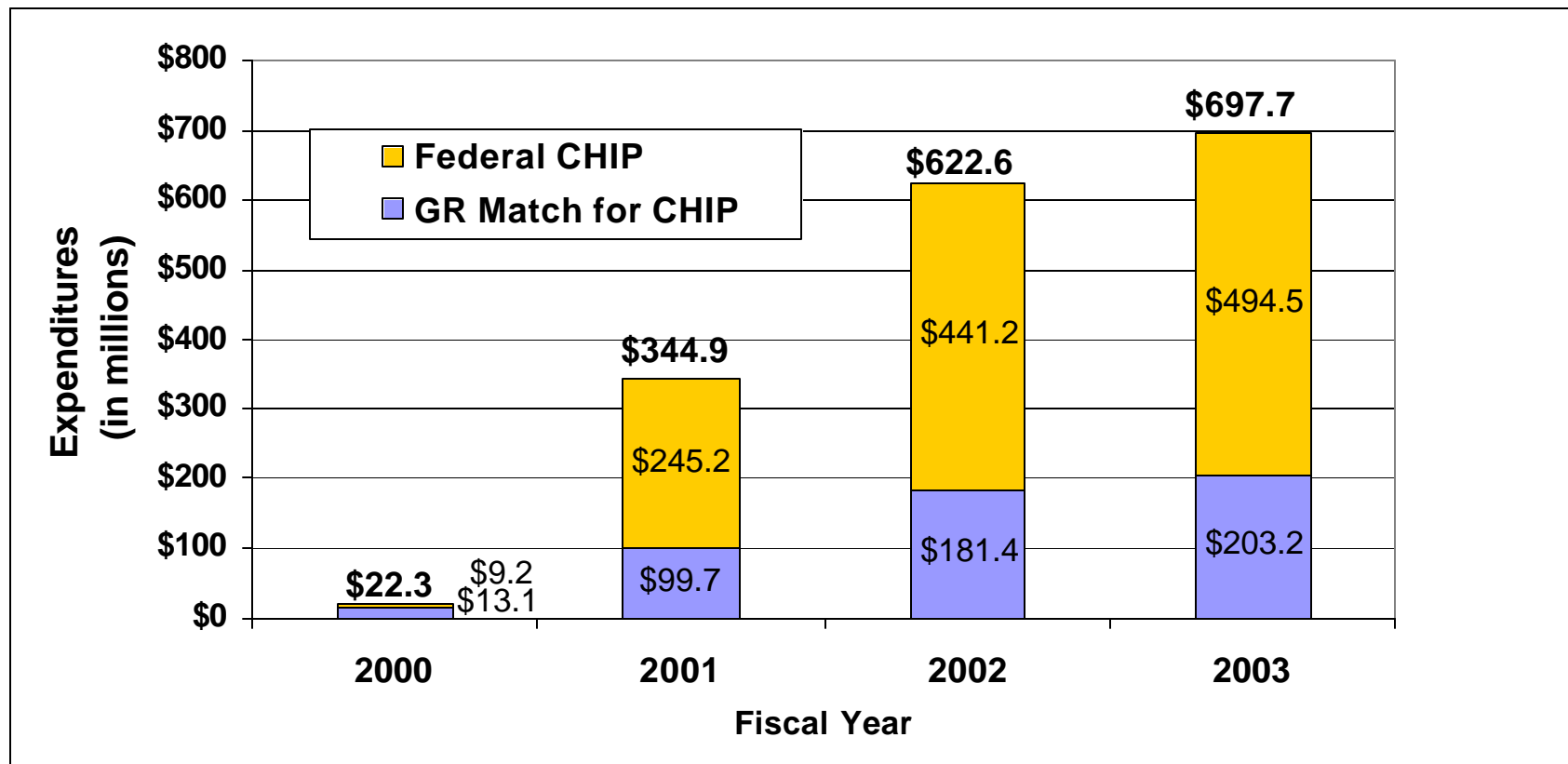
◇ Latest CHIP to Medicaid Referrals, Total	101,291
– Pending Referrals	18,495
◇ Referrals with a Final Determination	82,796
– Newly Medicaid Enrolled	20,837
– Already Medicaid Enrolled	3,633
– Deemed Back to CHIP (Included in CHIP data)	9,358
– Denied/not CHIP (Income > 200%)	1,101
– Denied Medicaid, Process Reason (Did not keep or make appointment, provide information)	47,867

CHIP Phase II Caseload*



*Note: Submitted November 2000, To be Updated February 1, 2001

CHIP Phase II Expenditures FY 2000-2003



Source: Updated HHSC LAR, October 2000

CHIP Budget Assumptions Requested for FY 2002-03*

	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
◇ Enrollment as of September 1	83,538	428,453	440,440
◇ Benefit Cost	\$310M	\$590M	\$665M
◇ Administrative Cost	\$35 M	\$32M	\$32M
◇ EFMAP – State	27.55%	27.86%	27.86%
Federal	72.45%	72.14%	72.14%

*To be Updated February 2001.

CHIP Phase II Issues for FY 2002-03

- ◇ Caseload Growth
- ◇ CHIP Reimbursement Levels
- ◇ Expansion of Dental Benefits
- ◇ Community-Based Interactive Application
- ◇ Continue Aggressive Outreach
- ◇ CHIP Retention Rates upon Annual Renewal
(beginning May 2001)

Overview of Olmstead



Prepared for the House Appropriations Committee
January 24, 2001

Don A. Gilbert, Commissioner, HHSC

Olmstead Decision

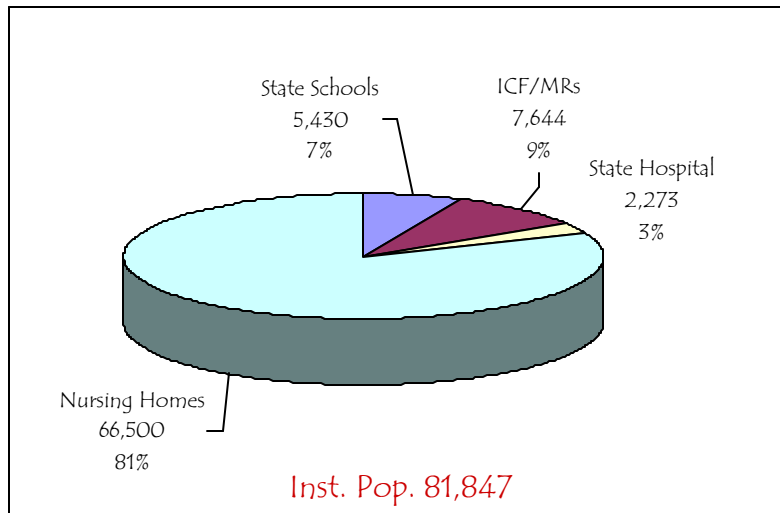
- ◇ Olmstead vs. L.C.
 - The Supreme Court ruled in June 1999 that states are obligated to allow access to community services as an alternative to an institution if:
 - 1) Treatment professionals have determined that community placement is appropriate
 - 2) The individual is not opposed to the transfer
 - 3) The placement can be reasonably accommodated, taking into account resources available to the state.

Texas' Response to Olmstead

- ◇ Governor's Executive Order dated Sept. 1999 ordered a comprehensive review of all services and populations affected by Olmstead.
- ◇ HHSC created the Promoting Independence Advisory Board which assisted HHSC in writing a plan to affect change
- ◇ GR funds of \$119.5 million are requested for the FY02-03 biennium
- ◇ 76th Legislative Actions
 - Community slots increased by approximately 6,180
 - 5350 for CBA, 400 for CLASS, 239-MDCP, and 234-HCS

FY 2000 Long-Term Care Institutional Population

Total Institutional Population



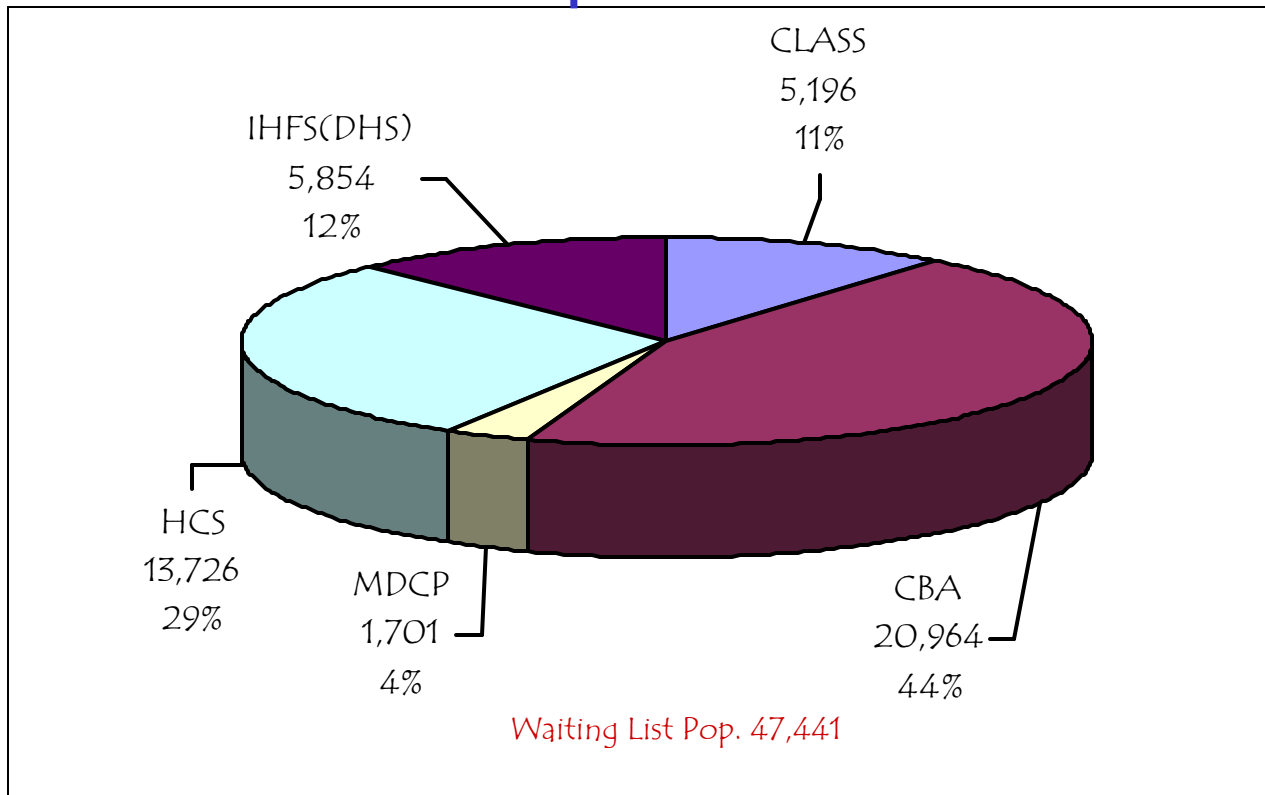
Estimated individuals in institutions recommended for community placement in HHSC Consolidated Budget.

- State Schools 325
- ICF/MRs 864
- Nursing Facilities 1,340

Key

ICF/MR Intermediate Care Facilities/ Mentally Retarded

FY 2000 Long-Term Care Waiting List Population



Note: Not all Individuals on waiting list are qualified for the requested service
KEY

- CLASS: Community Living Assistance and Support Services
- CBA: Community Based Alternatives
- MDCP: Medically Dependent Children's Program
- HCS: Home and Community-based Services
- IHFS (DHS): In-Home Family Support Services

Promoting Independence Request

- ◇ Total GR \$119.5 million request includes:
 - Outreach, case management, and placements from Nursing Facilities, estimated increased slots 1,340 (\$28.3M GR)
 - Estimated placements from state schools of 325 and ICFs/MR of 864 (\$36.5M GR)
 - Serves approx. 5,796 waiting list clients by funding 25% of agencies' LAR request for waiting list (\$45.0M GR)
 - Provides wrap-around services to ensure successful placements (i.e., transitional funds, housing subsidies, etc) (\$9.7M GR)