

# Health and Human Services Commission

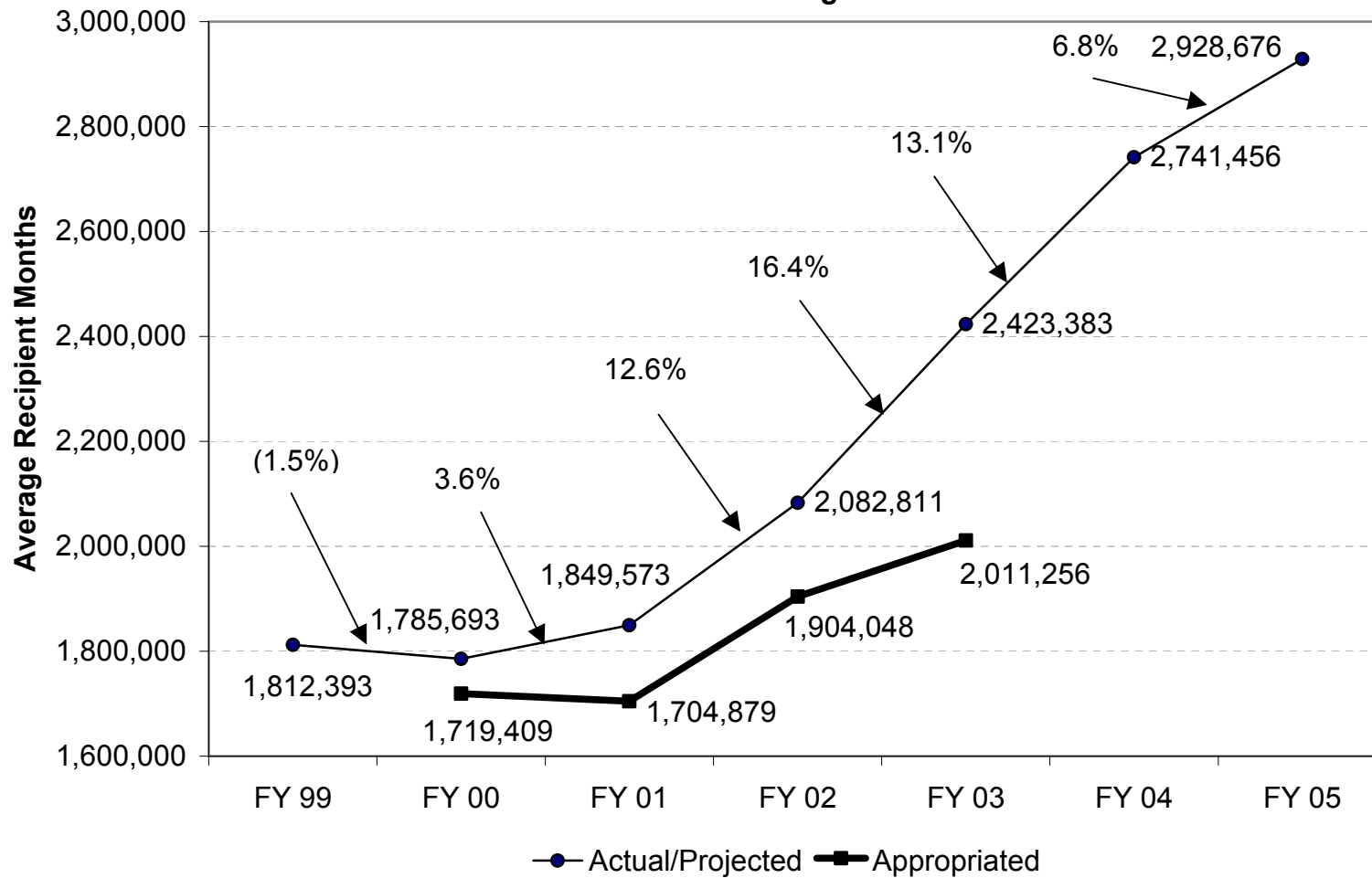


Albert Hawkins, Commissioner

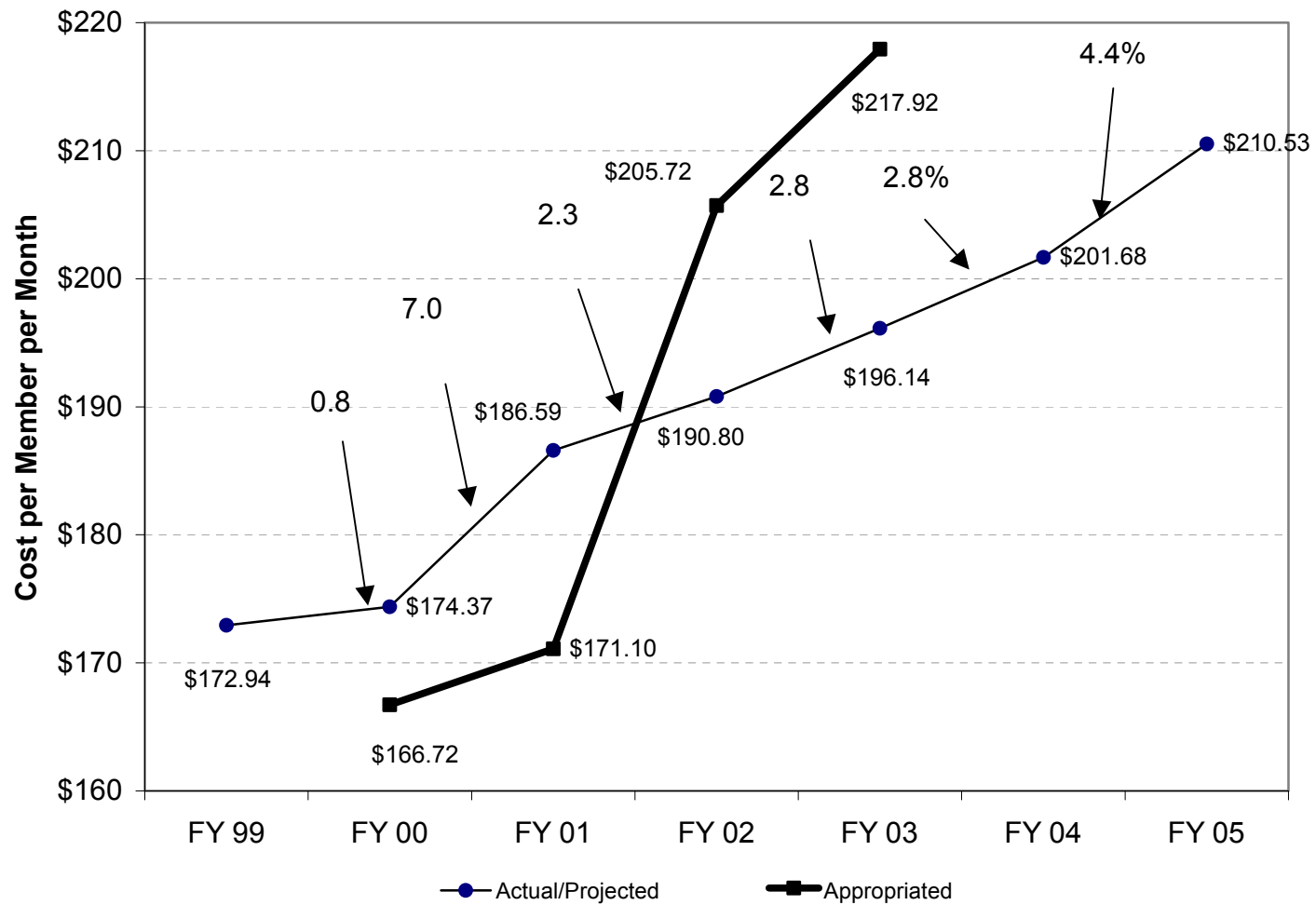
**Presented to the  
House Appropriations  
Committee**

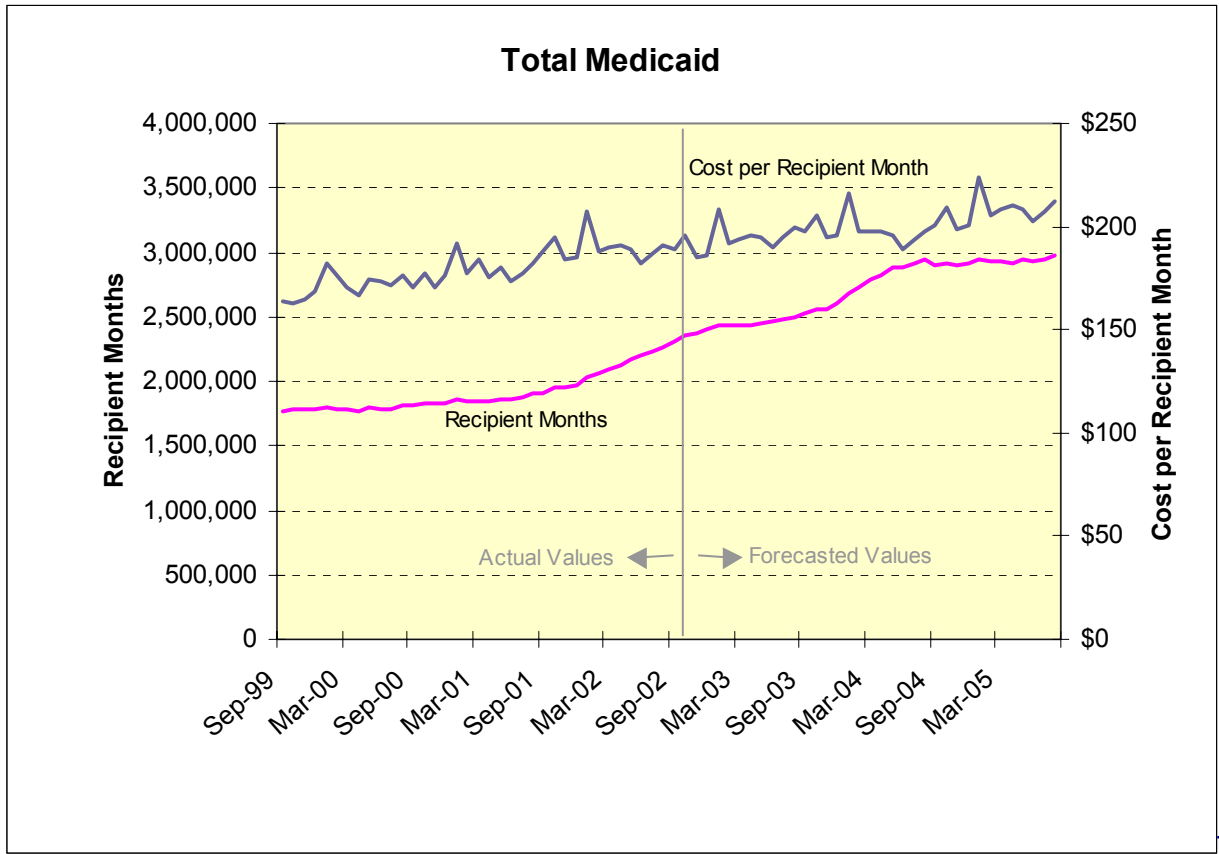
**February 6, 2003**

**Medicaid Caseload**  
**Comparison of Appropriated Caseloads and Actual/Projected Caseloads**  
**Annual Percent Change in Italics**



### Medicaid Cost

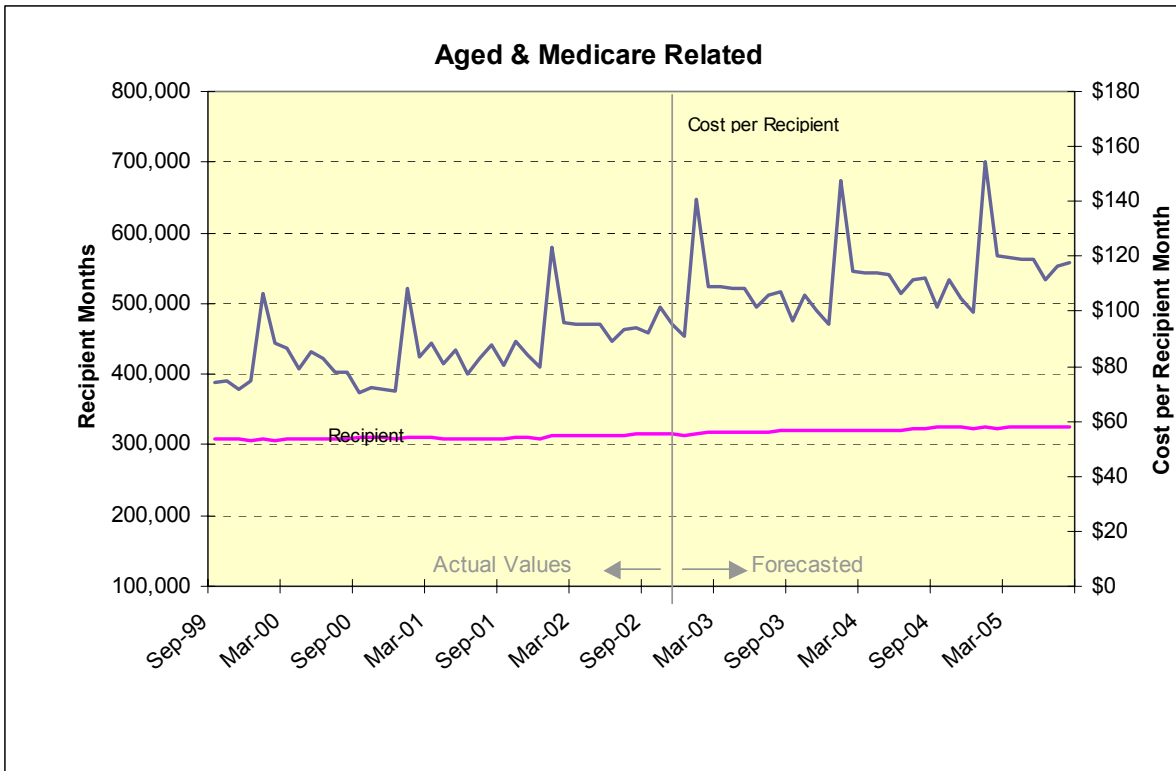




	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	1,785,693		\$ 174.37	
FY 2001	1,849,573	3.6%	\$ 186.59	7.0%
FY 2002	2,077,655	12.3%	\$ 190.80	2.3%
FY 2003	2,423,239	16.6%	\$ 196.14	2.8%
FY 2004	2,741,456	13.1%	\$ 201.68	2.8%
FY 2005	2,928,676	6.8%	\$ 210.53	4.4%

**Who are these clients?**

- Clients eligible for one of the Title XIX Medicaid groups 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.



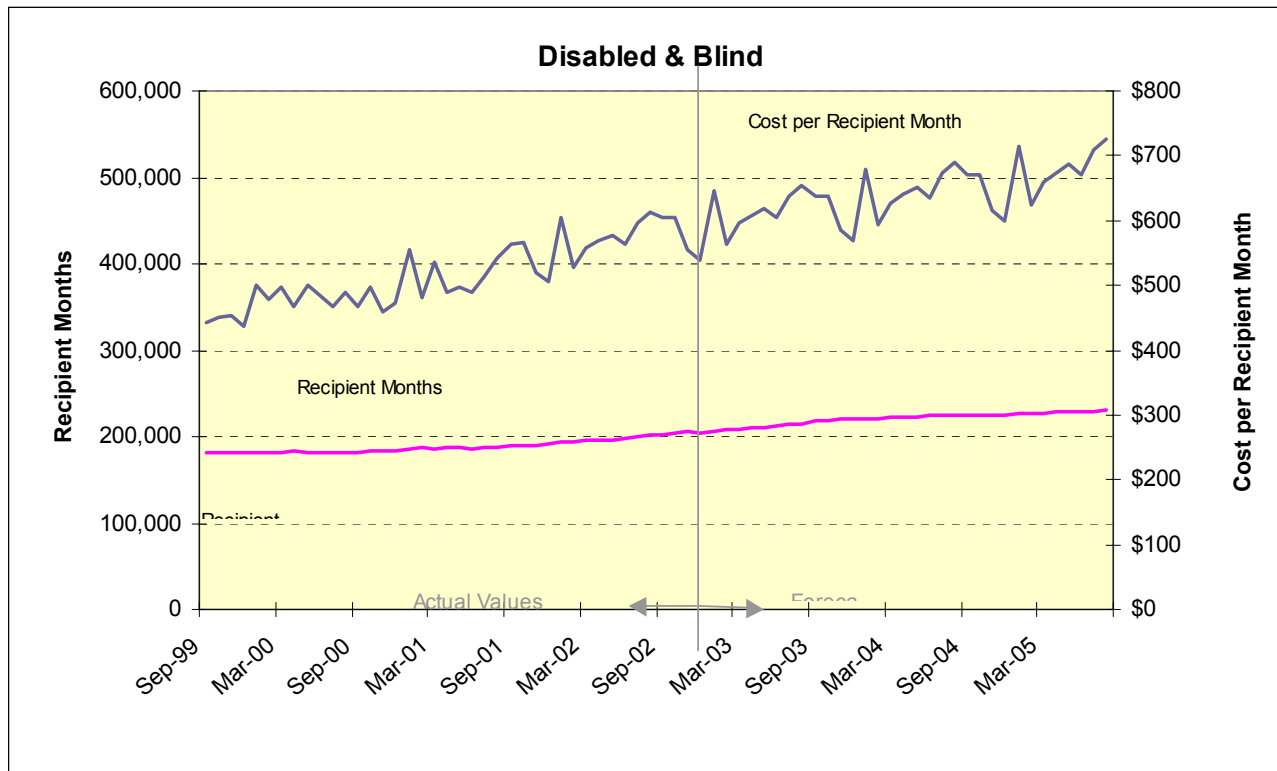
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	307,825	-0.2%	\$ 80.99	
FY 2001	309,596	0.6%	\$ 81.73	0.9%
FY 2002	312,011	0.8%	\$ 92.88	13.7%
FY 2003	317,109	1.6%	\$ 105.86	14.0%
FY 2004	320,914	1.2%	\$ 110.94	4.8%
FY 2005	324,765	1.2%	\$ 116.27	4.8%

**Who are these clients?**

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

**What does this mean?**

- Costs have averaged 4.5% in the long term and are expected to continue to grow at 4.8% per year in the next biennium.
- Caseload for this series is growing just over 1% per year and is expected to continue at this pace.
- The seasonal peaks are associated with cold and flu season.



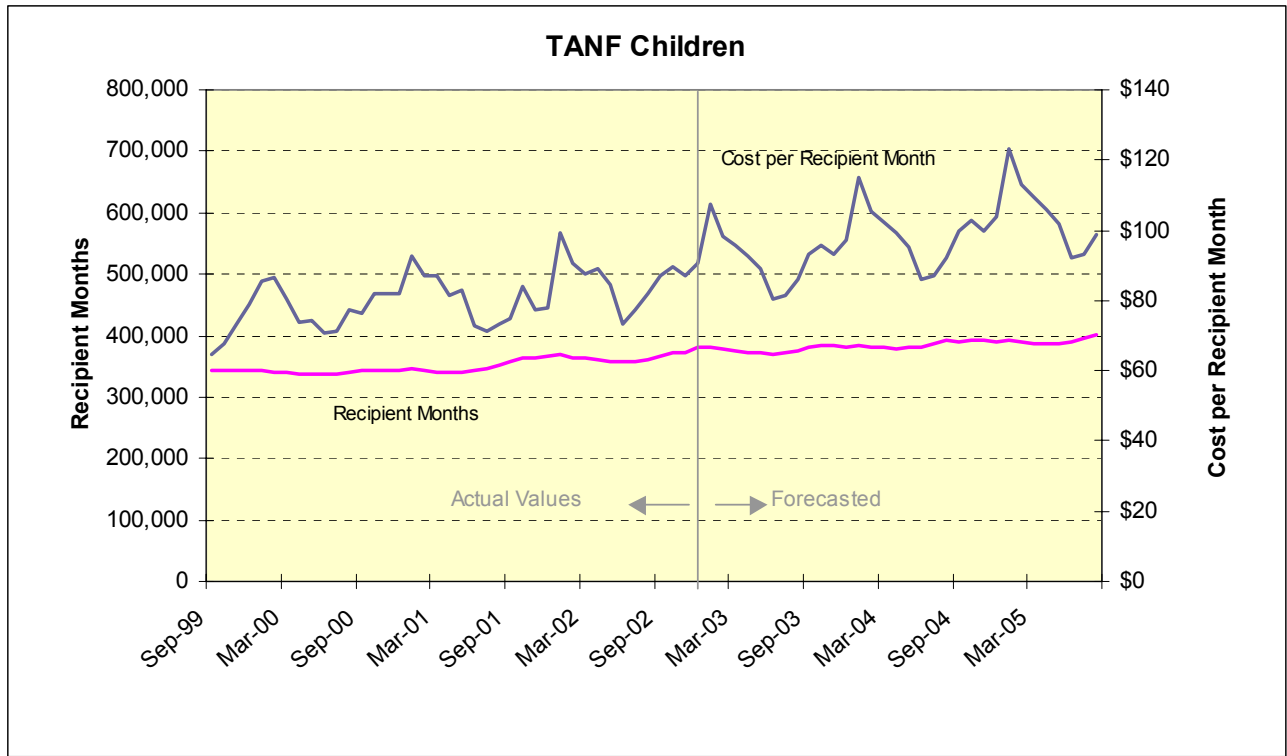
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	181,812	-10.0%	\$ 472.40	
FY 2001	185,615	2.1%	\$ 500.37	5.9%
FY 2002	194,808	5.0%	\$ 563.26	12.6%
FY 2003	208,156	6.9%	\$ 602.95	7.0%
FY 2004	221,692	6.5%	\$ 634.91	5.3%
FY 2005	227,462	2.6%	\$ 668.56	5.3%

### 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 5% per year over the long term and are expected to grow at 5.3% in the next biennium.
- The long-term caseload trend is about 3%, with recent trends coming in higher. Used 6.5% for FY 2004 and 2.6% 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.



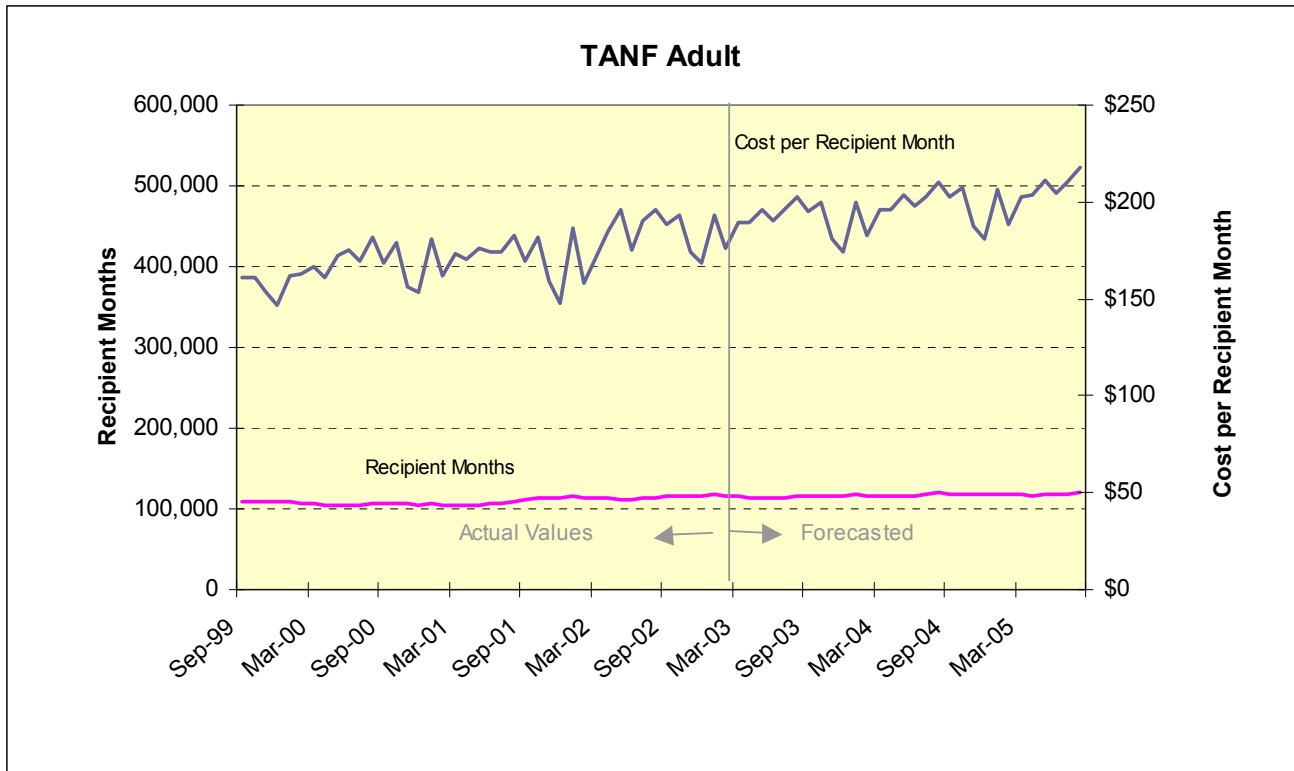
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	341,031	-6.1%	\$ 75.42	
FY 2001	343,772	0.8%	\$ 80.85	7.2%
FY 2002	361,837	5.3%	\$ 83.11	2.8%
FY 2003	374,006	3.4%	\$ 90.38	8.7%
FY 2004	382,759	2.3%	\$ 96.79	7.1%
FY 2005	391,051	2.2%	\$ 103.67	7.1%

**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% 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%.



	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%

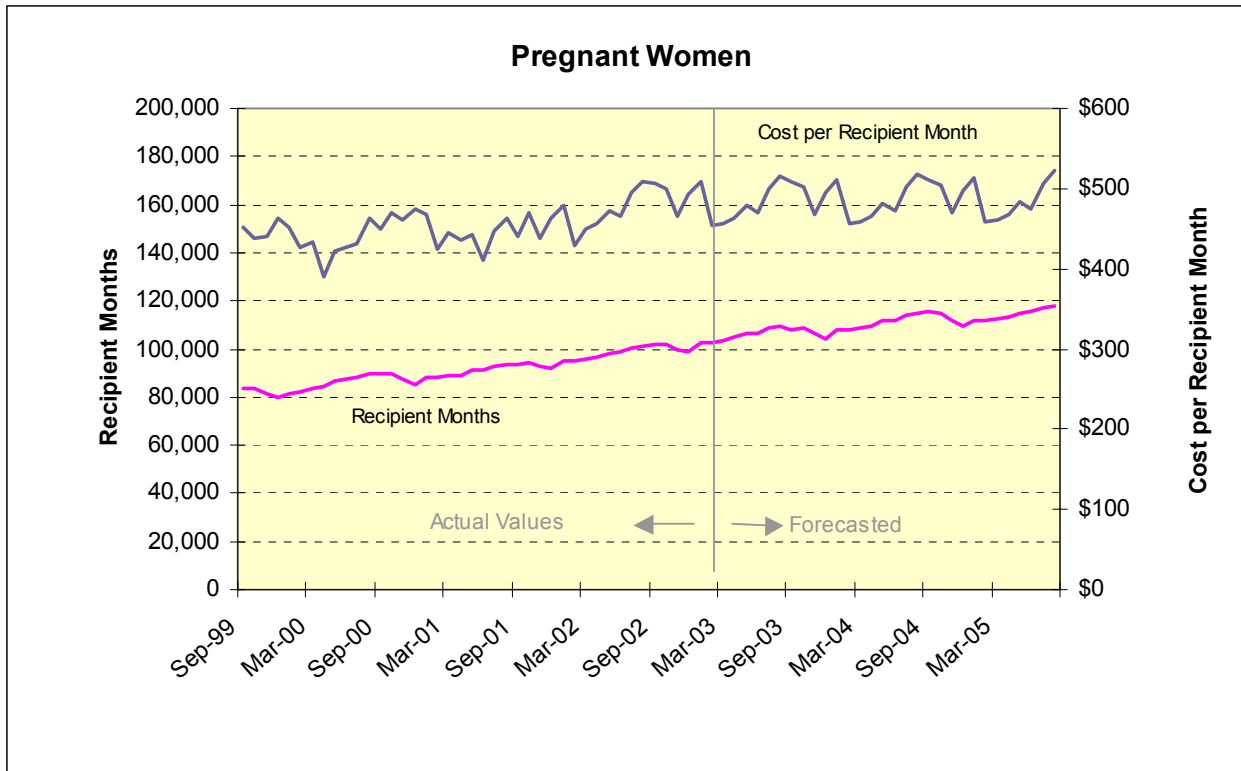
**Who are these clients?**

- Individuals ages 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 5% per year over the long term but are expected to grow 3.6% per year in the next biennium.
- This caseload grew at 6.8% in FY 2002 but is expected to slow to between 1% to 1.5% growth for the next biennium.





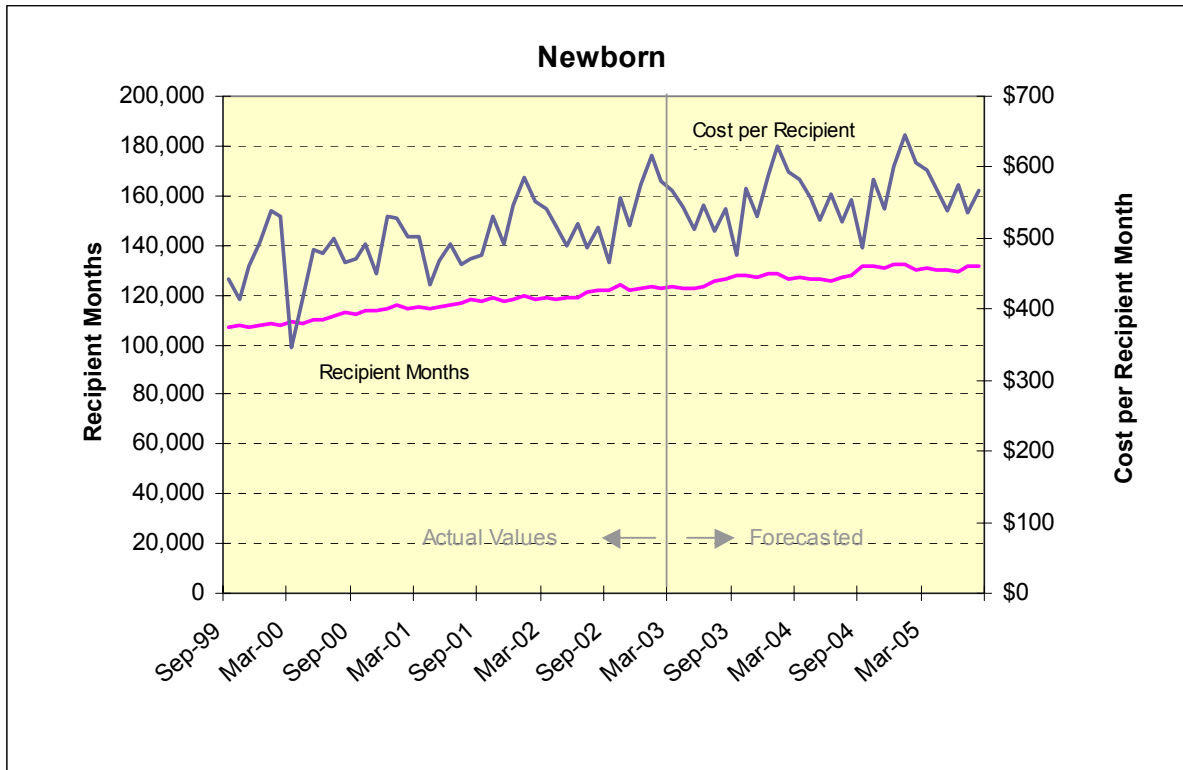
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	84,393	3.3%	\$ 436.24	
FY 2001	89,489	6.0%	\$ 449.28	3.0%
FY 2002	96,135	7.4%	\$ 463.96	3.3%
FY 2003	103,919	8.1%	\$ 484.21	4.4%
FY 2004	109,426	5.3%	\$ 486.63	0.5%
FY 2005	113,804	4.0%	\$ 489.07	0.5%

#### Who are these clients?

- Eligible pregnant women are those with family income below 185% 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 3% growth and are expected to grow at 1% per year in the next biennium.
- This historically stable program has experienced growth recently that is expected to average about 7.4% in FY 2002 and is projected to grow 5.3% and 4% 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.



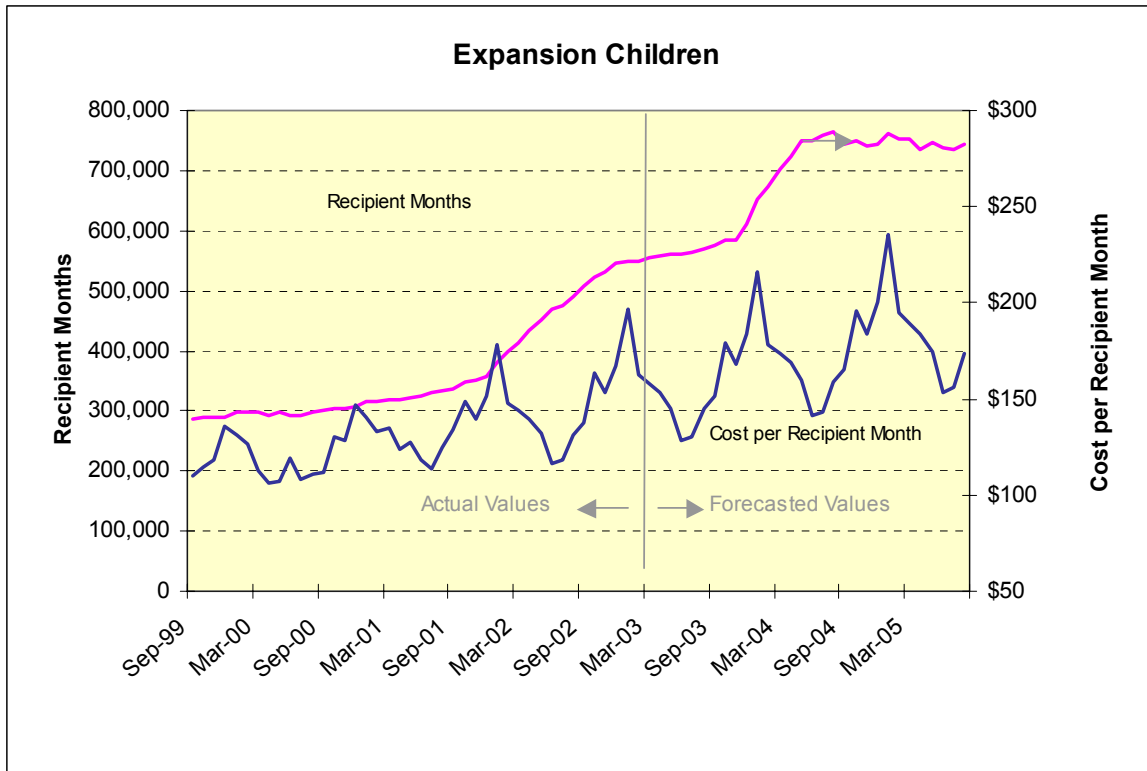
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
<b>FY 2000</b>	109,025	2.4%	\$ 463.90	
<b>FY 2001</b>	115,073	5.5%	\$ 483.93	4.3%
<b>FY 2002</b>	119,027	3.4%	\$ 521.29	7.7%
<b>FY 2003</b>	123,499	3.8%	\$ 544.47	4.4%
<b>FY 2004</b>	127,204	3.0%	\$ 557.53	2.4%
<b>FY 2005</b>	131,020	3.0%	\$ 570.91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

**Who are these clients?**

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

**What does this mean?**

- Cost trends have been about 2% on average over the long term and are expected to grow 2.4% in the next biennium.
- This program has seen consistent growth recently that is expected to grow 3.0% per year in the next biennium.



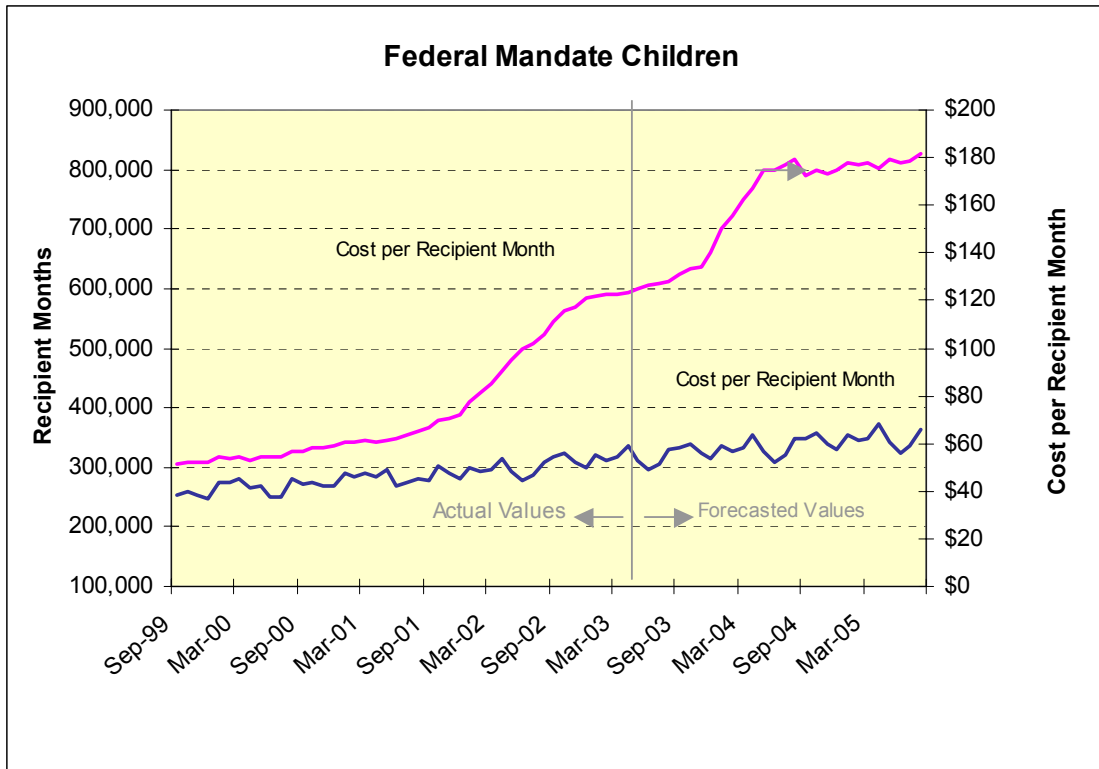
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
<b>FY 2000</b>	293,417	2.3%	\$ 116.80	
<b>FY 2001</b>	316,490	7.9%	\$ 127.83	9.5%
<b>FY 2002</b>	408,809	29.2%	\$ 140.08	9.6%
<b>FY 2003</b>	547,842	34.0%	\$ 153.32	9.5%
<b>FY 2004</b>	677,680	23.7%	\$ 168.66	10.0%
<b>FY 2005</b>	745,448	10.0%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

### Who are these clients?

- Children under the age of 18 ineligible for TANF because of the applied income of their 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.
- 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% per year over the long term and are expected to average 9.5% per year in the next biennium.
- Consistent growth in this program has accelerated recently and is expected to grow 24% in FY 2004 with the change from 6 to 12 months Continuous Eligibility. Caseload growth is expected to slow to 10% in FY 2005.



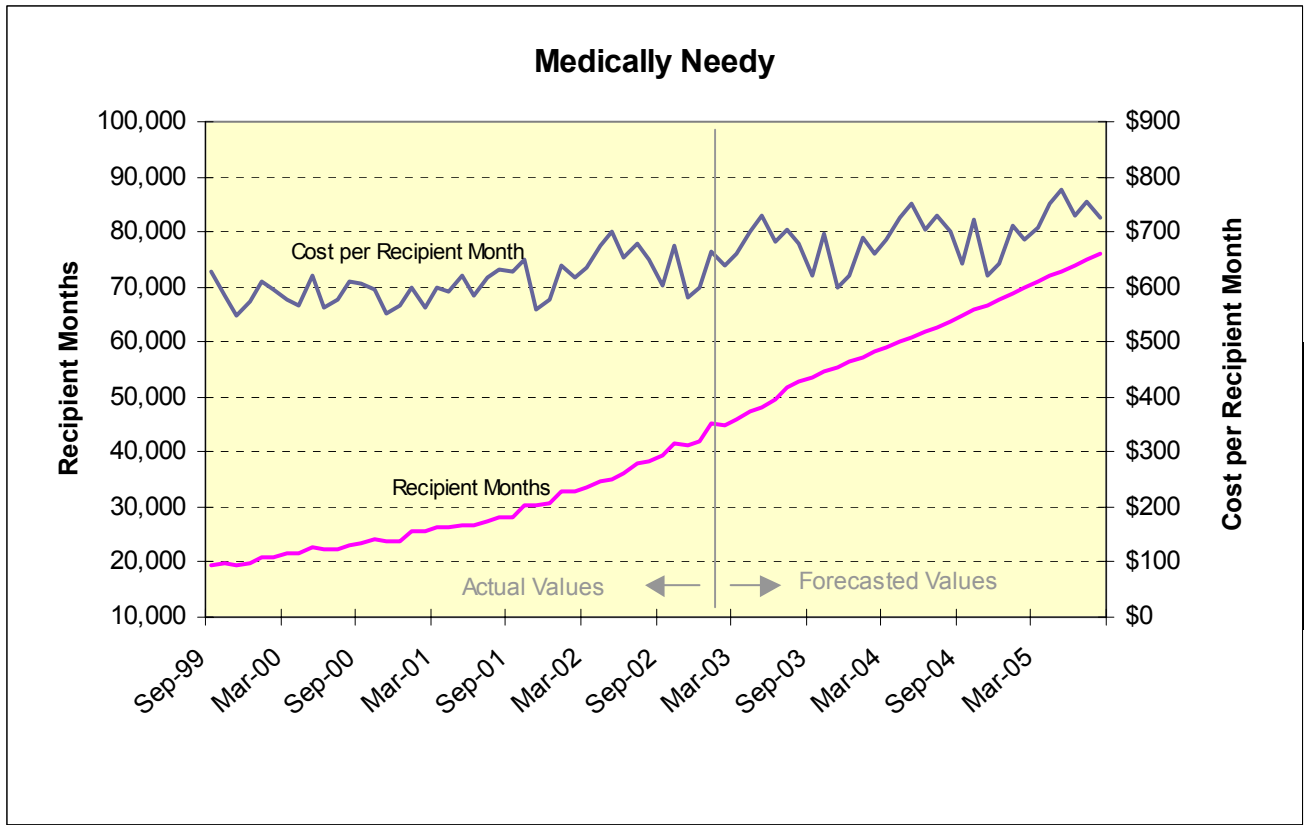
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	314,013	7.2%	\$ 40.71	
FY 2001	342,744	9.1%	\$ 44.86	10.2%
FY 2002	438,218	27.9%	\$ 48.36	7.8%
FY 2003	587,357	34.0%	\$ 53.64	10.9%
FY 2004	726,561	23.7%	\$ 57.51	7.2%
FY 2005	806,483	11.0%	\$ 61.65	7.2%

**Who are these clients?**

- Children between the ages of 6 and 19 with family income below 100% of the Federal Poverty Limit.
- The caseload shown is with SB43 going from 6 to 12 months of continuous eligibility.

**What does this mean?**

- Cost trends have averaged 6.5% per year over the long term and are expected to grow about 7% per year in the next biennium.
- Consistent growth in this program has accelerated recently and program is expected to grow 24% in FY 2004 with the change from 6 to 12 months Continuous Eligibility. Caseload is expected to slow to 11% in FY 2005.



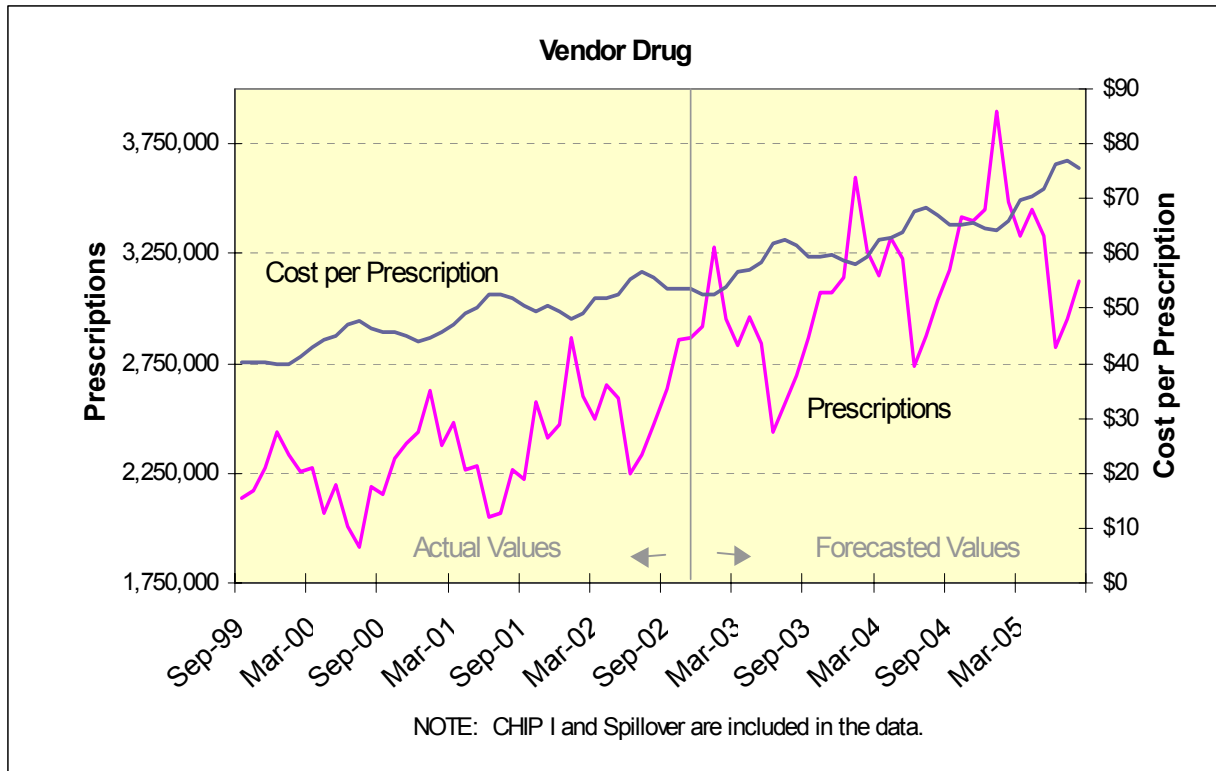
	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	21,152	17.7%	\$ 587.43	
FY 2001	25,740	21.7%	\$ 593.57	1.0%
FY 2002	33,369	29.6%	\$ 638.27	7.5%
FY 2003	45,821	37.3%	\$ 659.54	3.3%
FY 2004	58,650	28.0%	\$ 681.97	3.4%
FY 2005	70,380	20.0%	\$ 705.15	3.4%

**Who are these clients?**

- Spend Down: Individuals whose family income is below the Medically Needy Standard limit (about 25% 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 5% 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% per year in the next biennium.
- The caseload growth has been in the double digits since FY 2000 and is expected to grow about 28% and 20% each year of the next biennium. Many clients leaving TANF because of time limits are eligible for Medicaid under the Medically Needy program.



	Prescriptions (RX)	RX Trend	Cost per Prescription	\$/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% 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% per year primarily because of the high caseload growth in the Medicaid program.

## Medicaid Caseload

	<b>FY 2002</b>	<b>FY 2005</b>
Aged and Medicare Related	312,011	324,765
Disabled and Blind	194,808	227,462
TANF Children	361,837	391,051
TANF Adult	113,441	118,263
Pregnant Women	96,135	113,804
Newborn	119,027	131,020
Expansion Children	408,809	745,448
Federal Mandate Children	438,218	806,483
Medically Needy	33,369	70,380

# CHIP Background

- Eligibility: 200% FPL (\$36,200 for a family of four)
- Ages 0 through 18
- Otherwise uninsured
- US citizen or legal immigrant
- School district employee children

## 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



# Current Enrollment

- Current: 501,000
- 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)
- Race/ethnicity
  - Anglo 31% (23%)
  - African-American 12.5% (16%)
  - Hispanic 56.5% (61%)
- Age
  - 6-14 57.9%
  - 1-5 24%
  - 15-18 17.4%
  - 0-1 .7%

# Current Enrollment

- Income
  - Below 100% FPL 20.8%
  - 100-150% FPL 50.6%
  - 150-185% FPL 22.5%
  - 185-200% FPL 5.5%
  - 25% Medicaid income levels
- Health status
  - Special needs 4.3%
- Geographic distribution
  - Houston/surrounding counties 26%
  - DFW/surrounding counties 19%
  - South Texas 11%
  - East Texas 10%
  - San Antonio/surrounding counties 8%

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

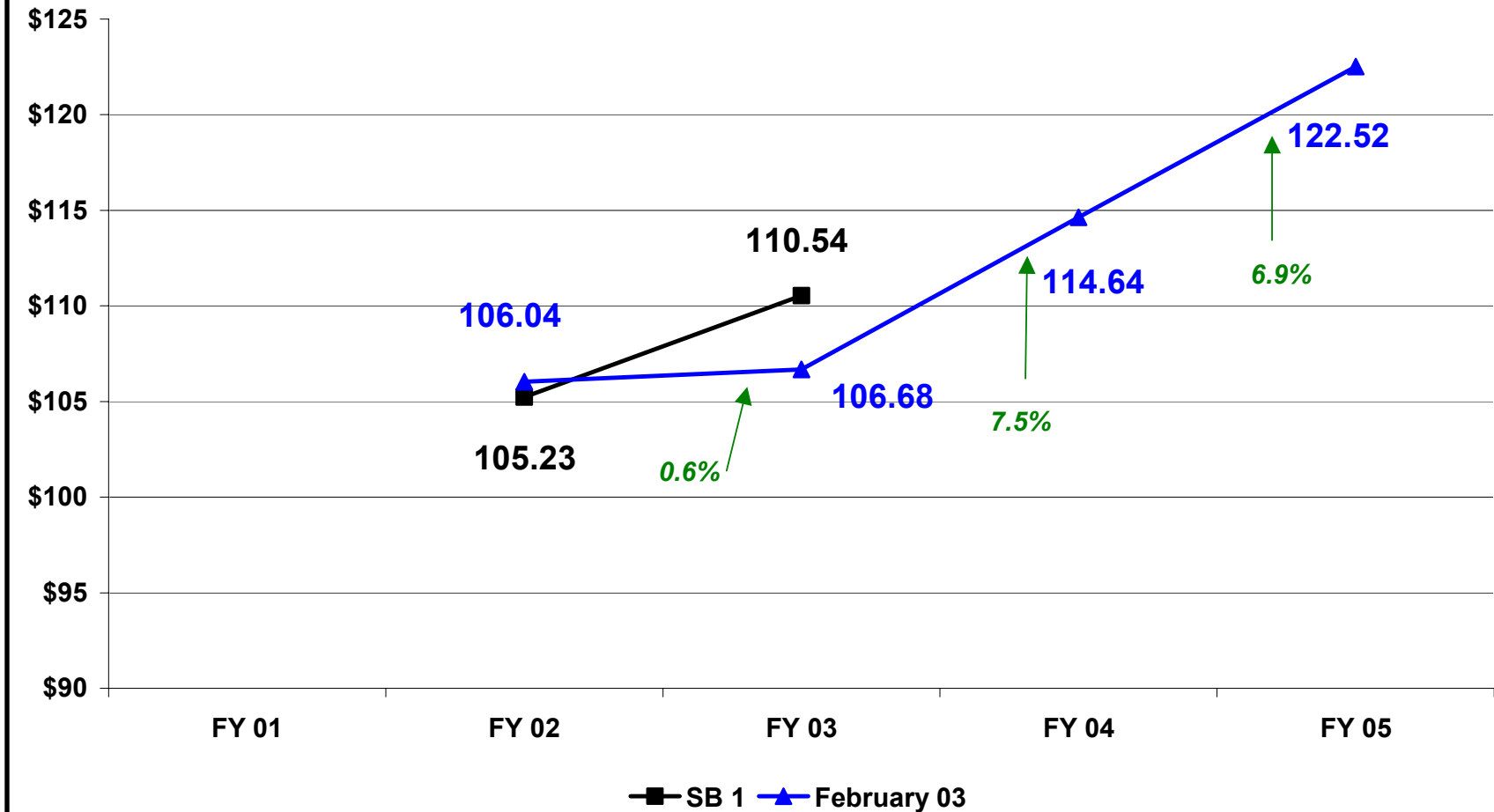
# Factors Affecting Enrollment

- Economy
- Cost of commercial insurance
- Outreach

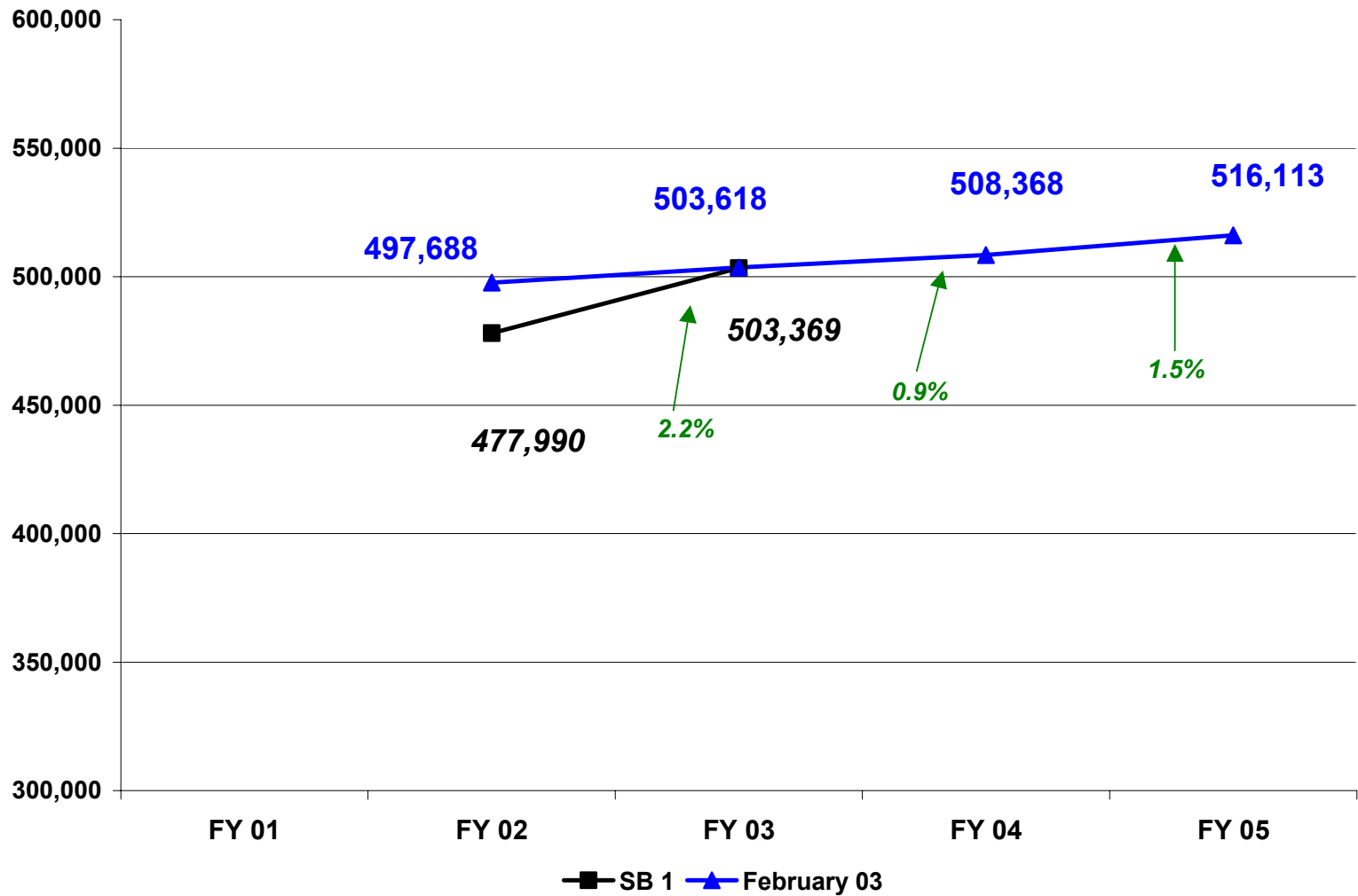
# Enrollment Trends

- 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 - 05



# CHIP Caseload FY 2001 - 05



## Children's Health Insurance Program Caseload, Cost, and Federal Allocation

Year State FY	Expended/Budget		Federal Allocation	Balance/ (Deficit)	Returned due to Redistribution
	State	Federal			
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)	

**Caseload:**

Phase One - Medicaid expansion of certain children, funded by enhanced federal match

CHIP - includes CHIP Phase One, CHIP Phase II, Legal Immigrants, and School Dependents. SKIP program is not included

Caseload held flat in FY07 and FY08

**Expended/Budget:**

Cost data does not include SKIP Program

FY98-FY99 DHS federal report

FY00-FY01 HHSC Operating Budget

FY02-FY05 Feb 2003 LAR update

FY06-08 cost data 8% increase

# Medicaid Claims Administrator/Primary Care Case Management (PCCM) Contract Procurement

## Background

- HHSC issued a Request for Proposals in May 2002 for combined Medicaid Claims and Primary Care Case Management Services (PCCM). The RFP combined services currently performed under separate contracts by National Heritage Insurance Company (NHIC) and ACS/Birch & Davis.
- HHSC received 2 proposals in September in response to the RFP.
- Following evaluation of the proposals, HHSC tentatively awarded the contract to Affiliated Computer Services (ACS) of Dallas, Texas, in November 2002.
- HHSC and ACS concluded contract negotiations in January, and HHSC is awaiting required federal approval of the contract from the Centers for Medicare and Medicaid Services. HHSC and ACS will execute the contract following federal approval.



# 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 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

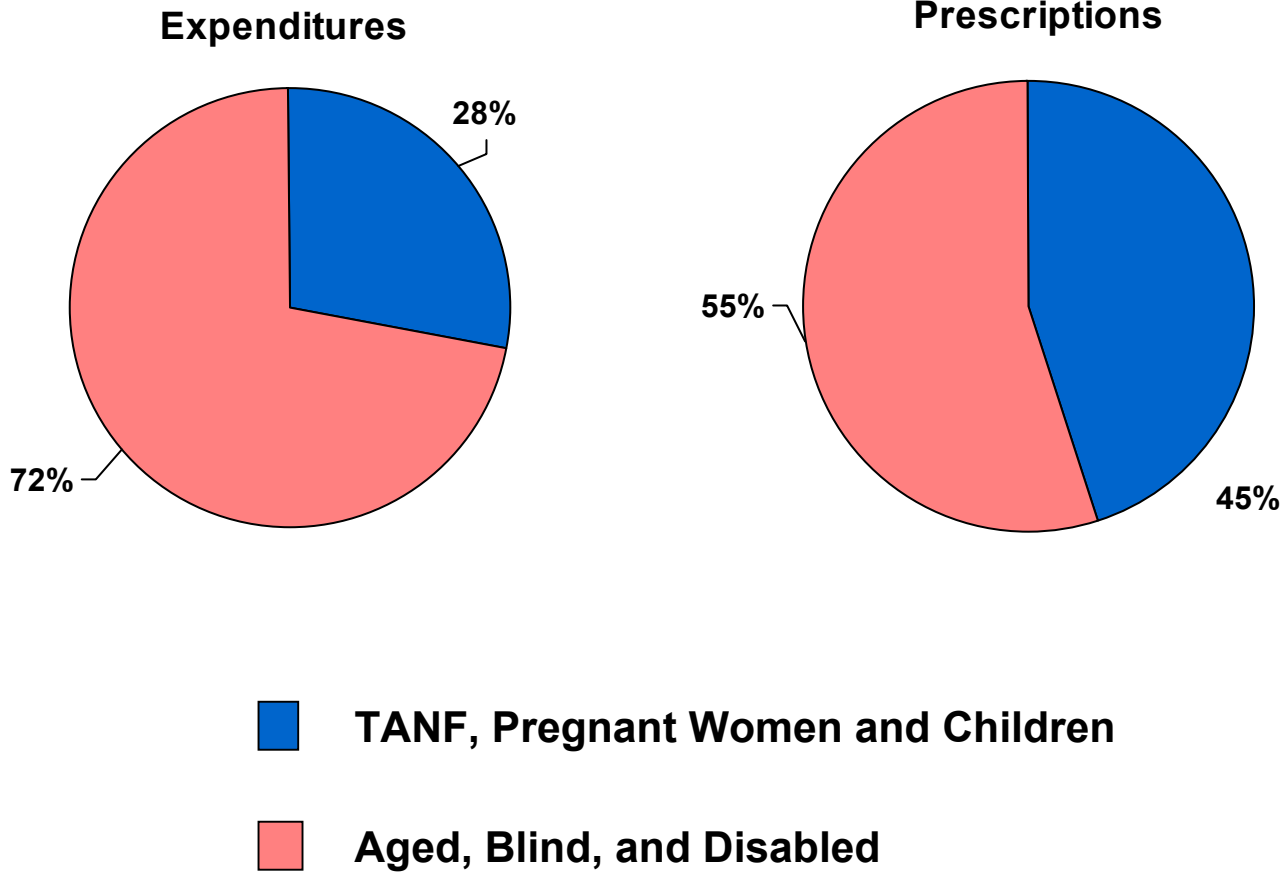
## Method of Administration

- 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

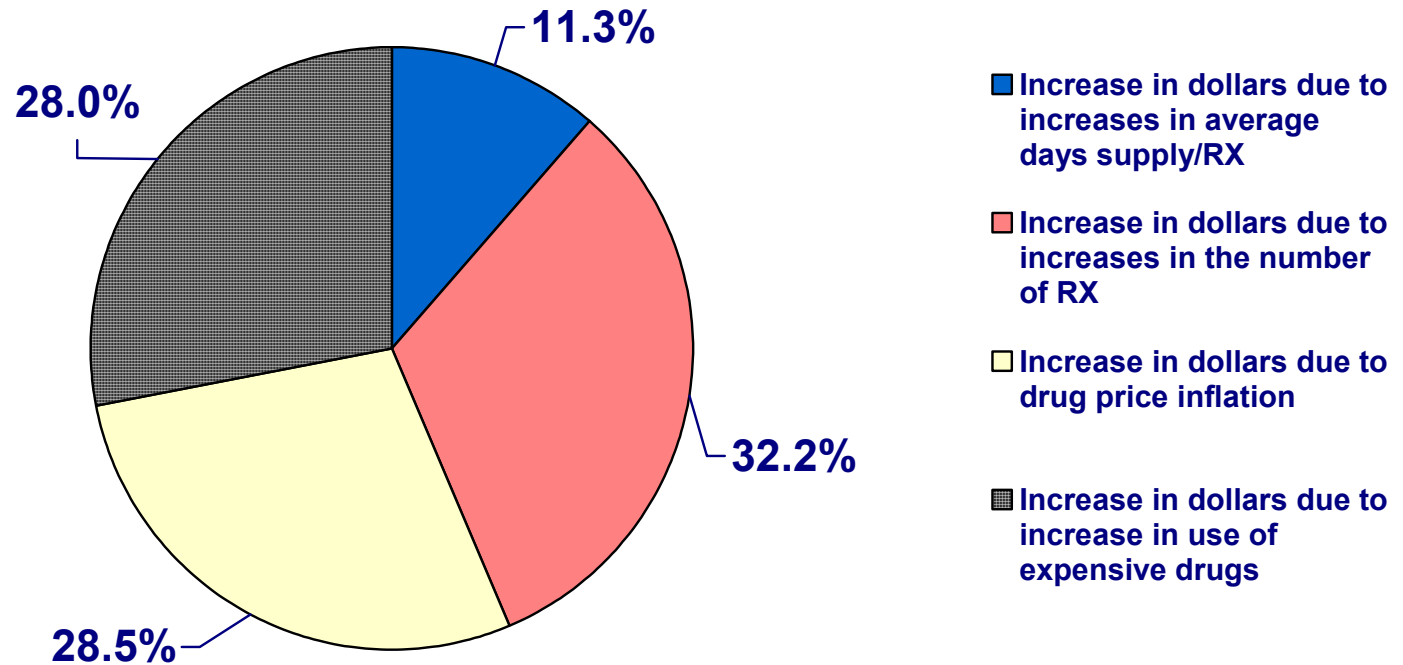
## FY 2002 Statistical Information

- 30 million claims in FY02
  - 48% for generic drugs
- \$1.547 million in payments to provider pharmacies
  - 88% for drug ingredient costs
- Over 3900 participating pharmacies

# Vendor Drugs by Client Group FY 2002



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



# 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% 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 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 account for 20% 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					
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
<b>Totals for all drugs</b>			<b>\$ 1,545,743,304</b>	<b>30,114,410</b>	
<b>Percentage of Top 10 to all</b>			<b>19.93%</b>	<b>7.54%</b>	
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
<b>Totals for all drugs</b>			<b>\$ 38,284,916.80</b>	<b>1,032,901</b>	<b>899,292</b>
<b>Percentage of Top 10 to all</b>			<b>32.45%</b>	<b>20.29%</b>	<b>18.19%</b>

# Cost Reduction Strategies

## Article II, Sec. 33 Medicaid Cost Containment

- \$205 million GR reduction
- HHSC expects to achieve the full reduction through several initiatives including savings in pharmaceutical benefits, hospital payments, CHIP and the Medicaid Trust Fund.