

**Presentation to the
House Select Committee on State Health
Care Expenditures**



**Health and Human Services Commission
February 18, 2003**

Budget

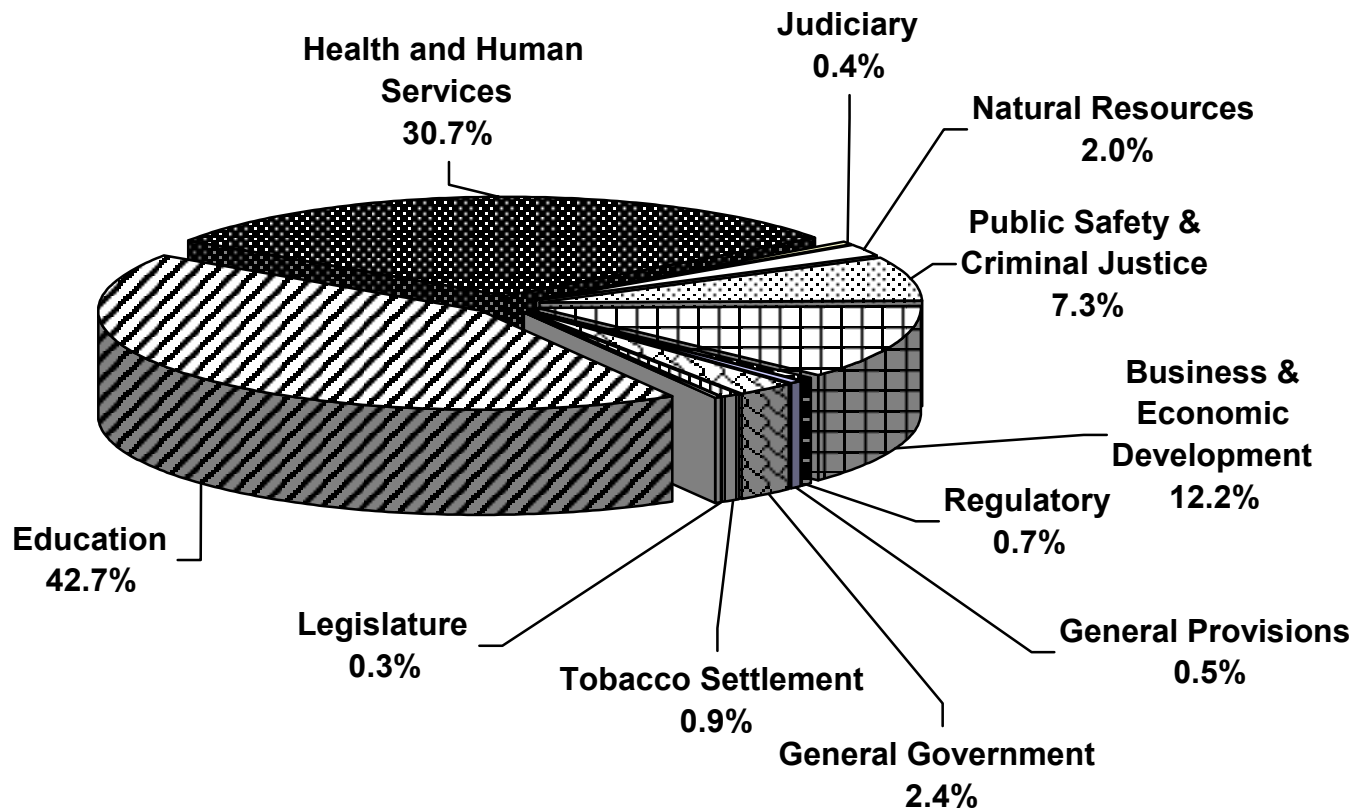
Health and Human Services

- 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

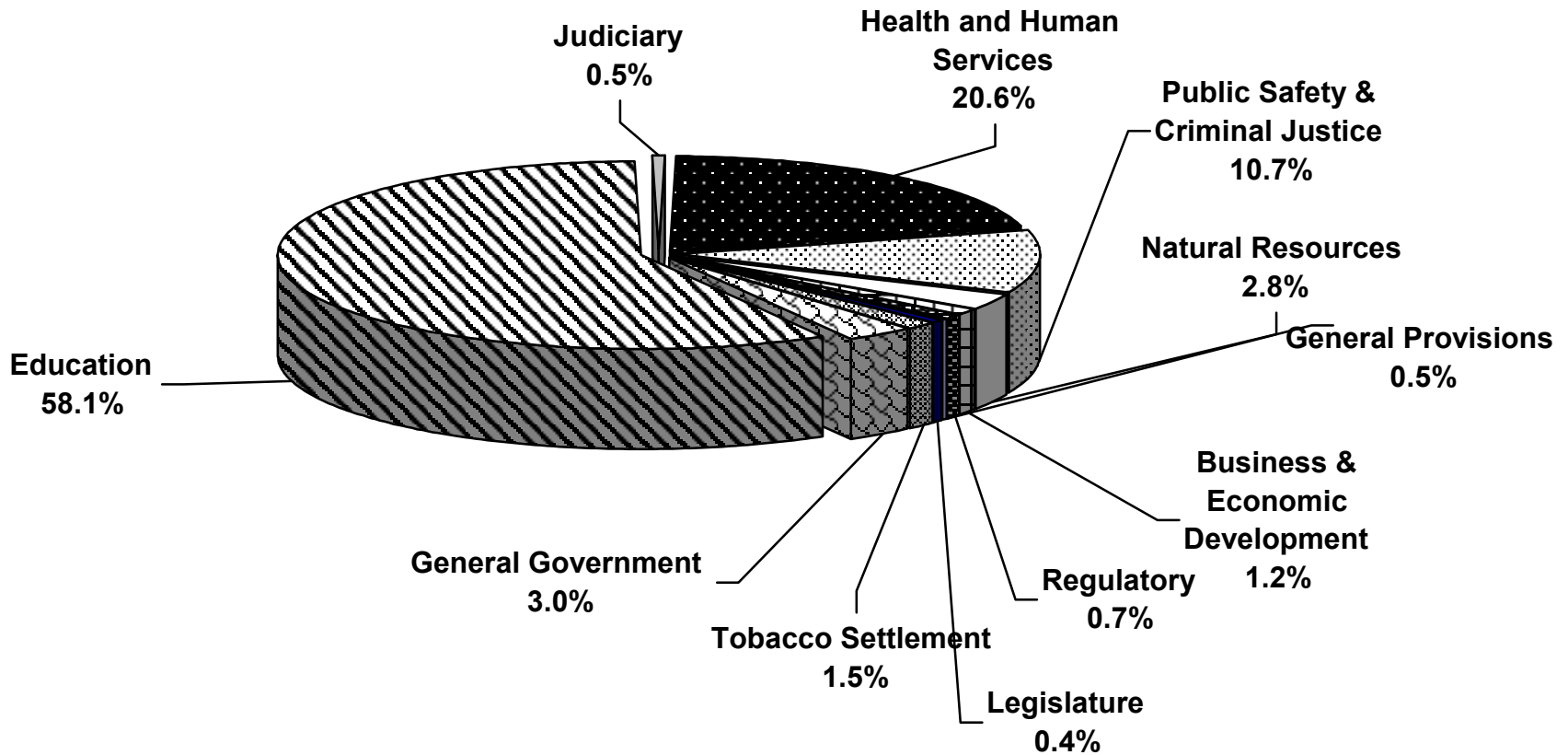
- During the current biennium, health and human services agencies expect to receive more than \$21 billion in federal funds. This amount represents 60 percent of the state's federal funding.
- Federal funds also account for almost 60 percent of health and human services funding.
- In eight of the HHS 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



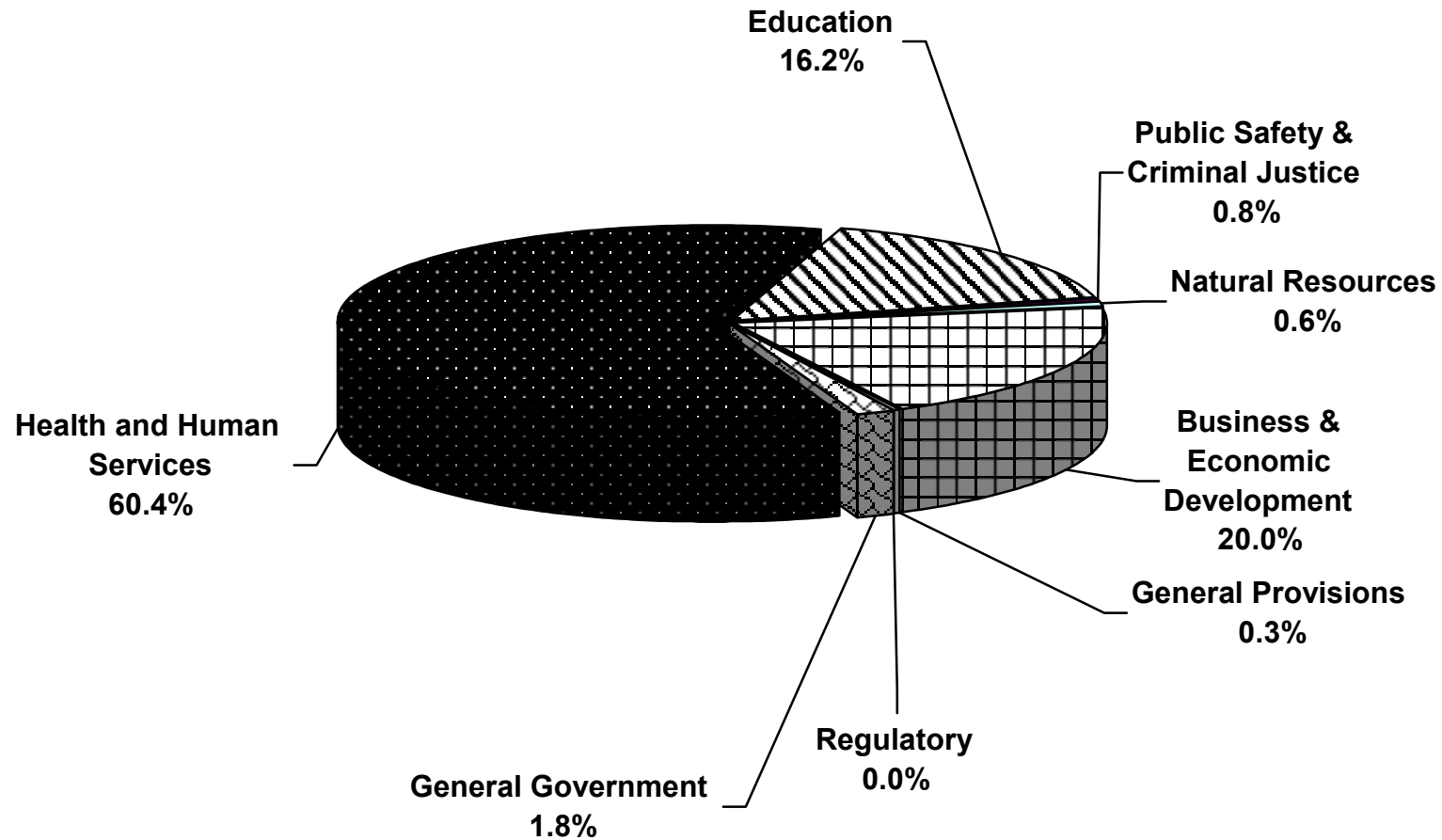
Source: Legislative Budget Board Fiscal Size-Up 2002-03

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

FY 2003 Shortfall Dollars

**Additional General Revenue/Tobacco Funding Requested to
Maintain Medicaid and CHIP Current Services in FY2002-03
(Dollars In Millions)**

HHSC Medicaid & CHIP	
HHSC Medicaid	\$ 396.3
HHSC Medicaid Spillover	64.0
HHSC CHIP	26.4
<i>Subtotal HHSC FY2002-03 Shortfall</i>	<u>\$ 486.7</u>
TDH Medicaid	
	\$ 6.9
<i>Total Acute Medicaid & CHIP Shortfall</i>	<u><u>\$ 493.6</u></u>
Recap by Program	
Medicaid	\$ 467.2
CHIP	26.4
<i>Total Acute Medicaid & CHIP Shortfall</i>	<u><u>\$ 493.6</u></u>

As of February 3, 2003

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?

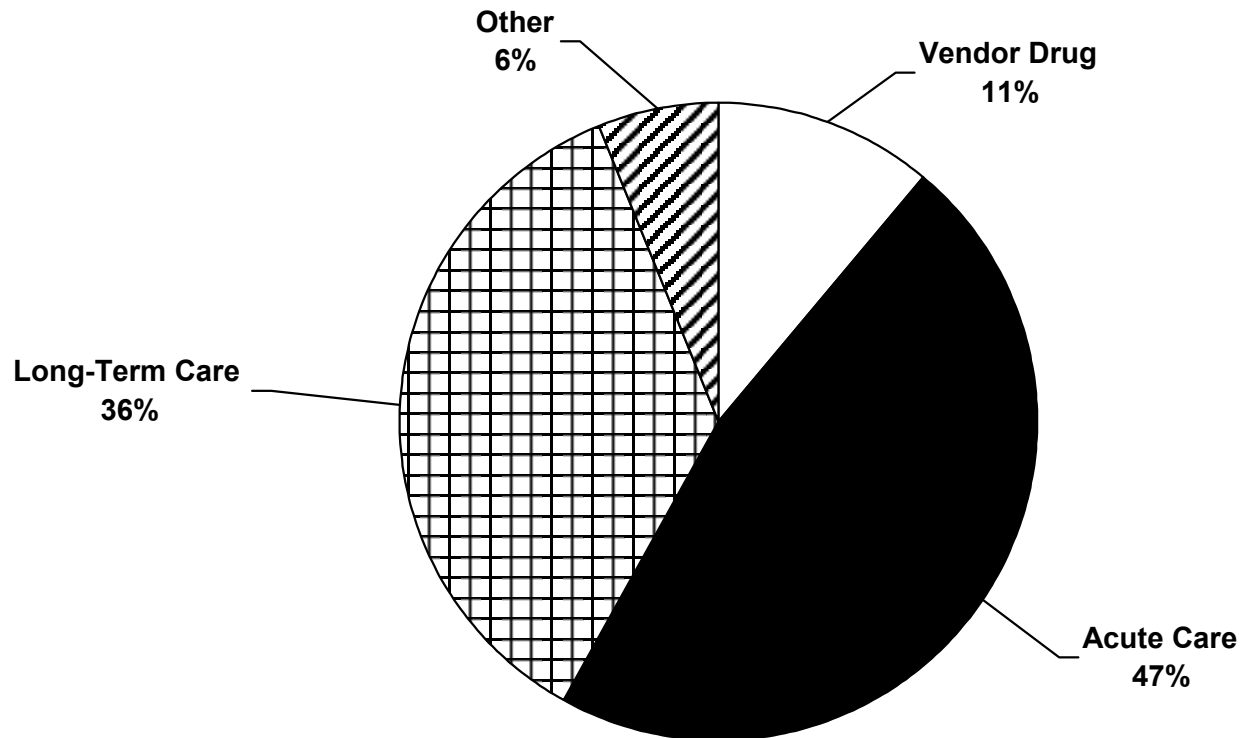
- Beneficiaries include children, single parents, pregnant women, and poor and low-income elderly or disabled individuals.
- Approximately 62 percent of Texas Medicaid recipients are under age 21.

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.

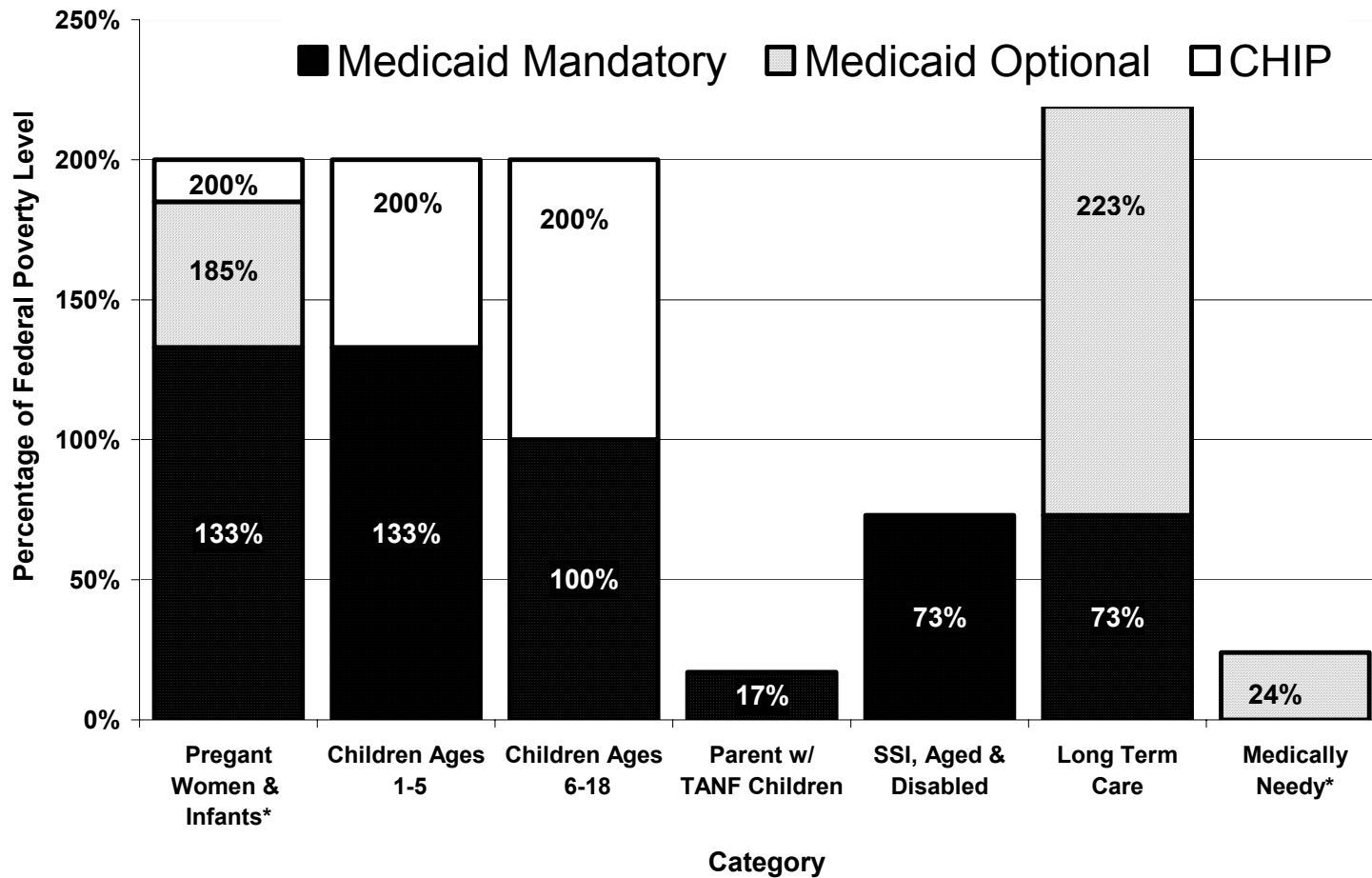
Medicaid Program Budget – All Funds FY 2002



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.

Texas Medicaid Income Eligibility Levels and Categories

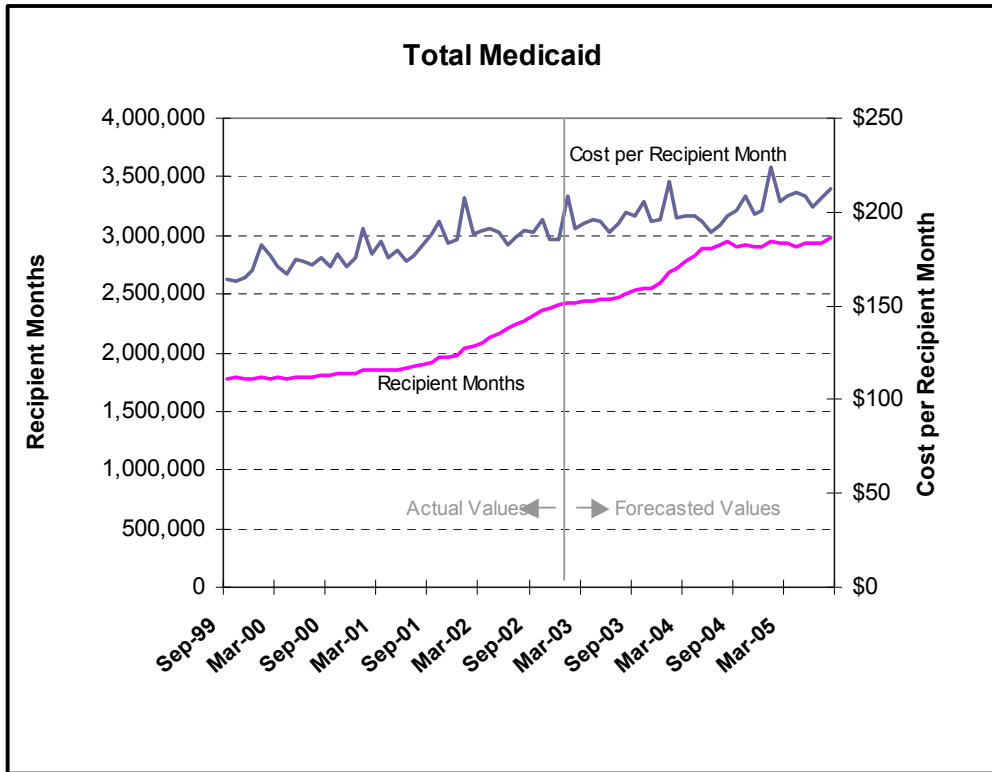


* Children in these optional categories could not be eliminated without jeopardizing Federal CHIP funding.

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

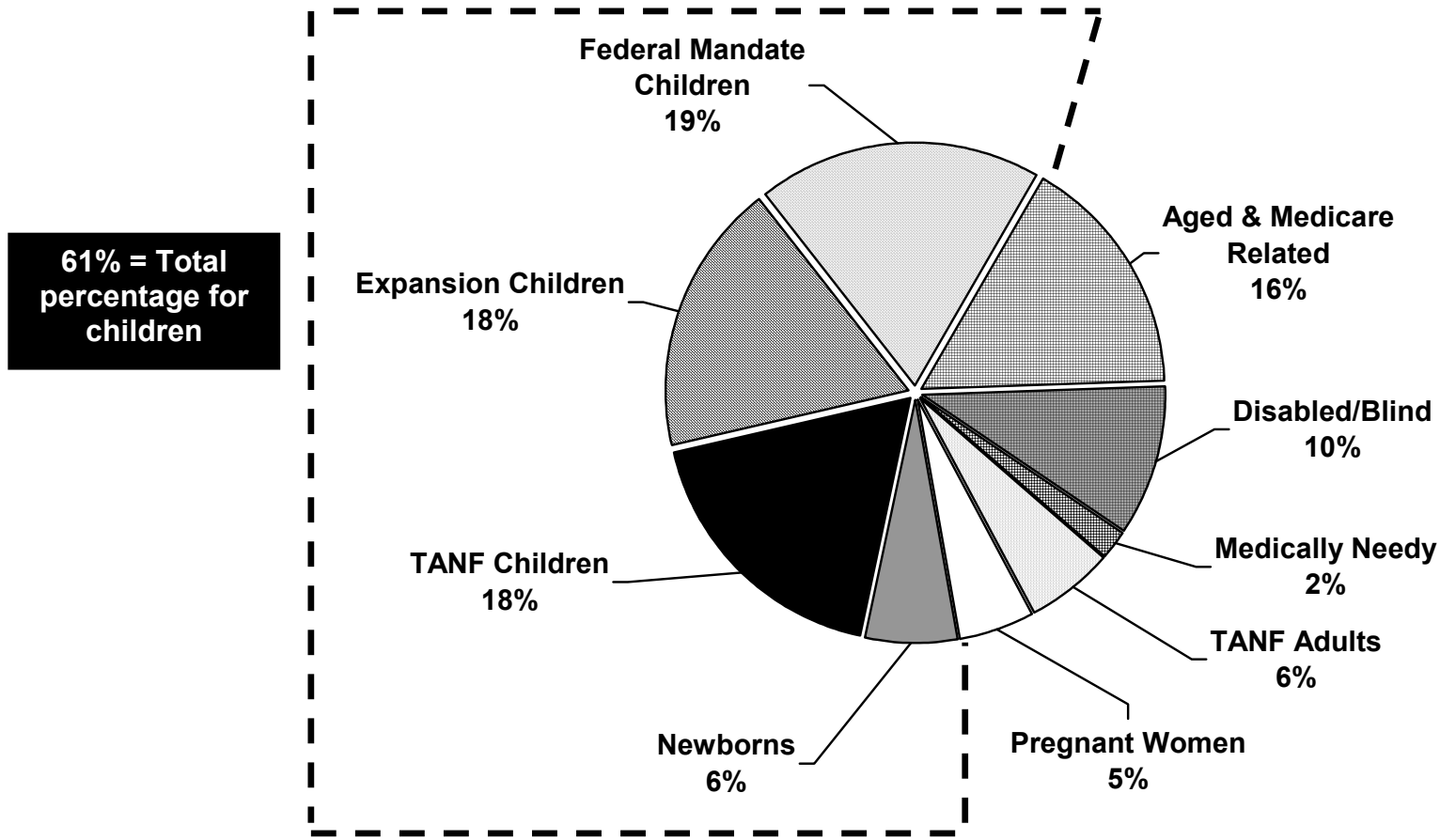


	Average Monthly Caseload	Trend	Average Monthly Cost	Trend
FY 2000	1,785,693		\$ 174.37	
FY 2001	1,849,573	3.6%	\$ 186.59	7.0%
FY 2002	2,077,655	12.3%	\$ 190.80	2.3%
FY 2003	2,423,239	16.6%	\$ 196.14	2.8%
FY 2004	2,741,456	13.1%	\$ 201.68	2.8%
FY 2005	2,928,676	6.8%	\$ 210.53	4.4%

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.

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

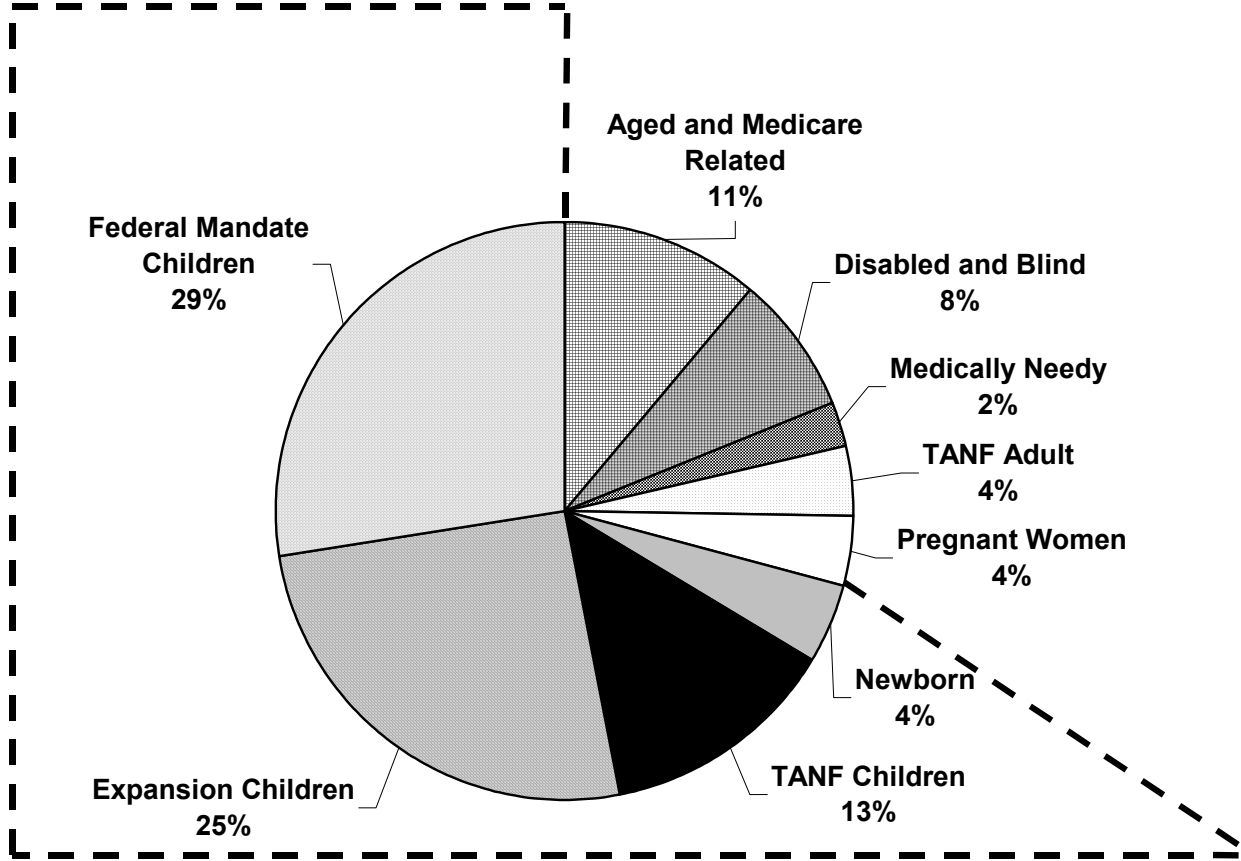


- - - = Children only

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

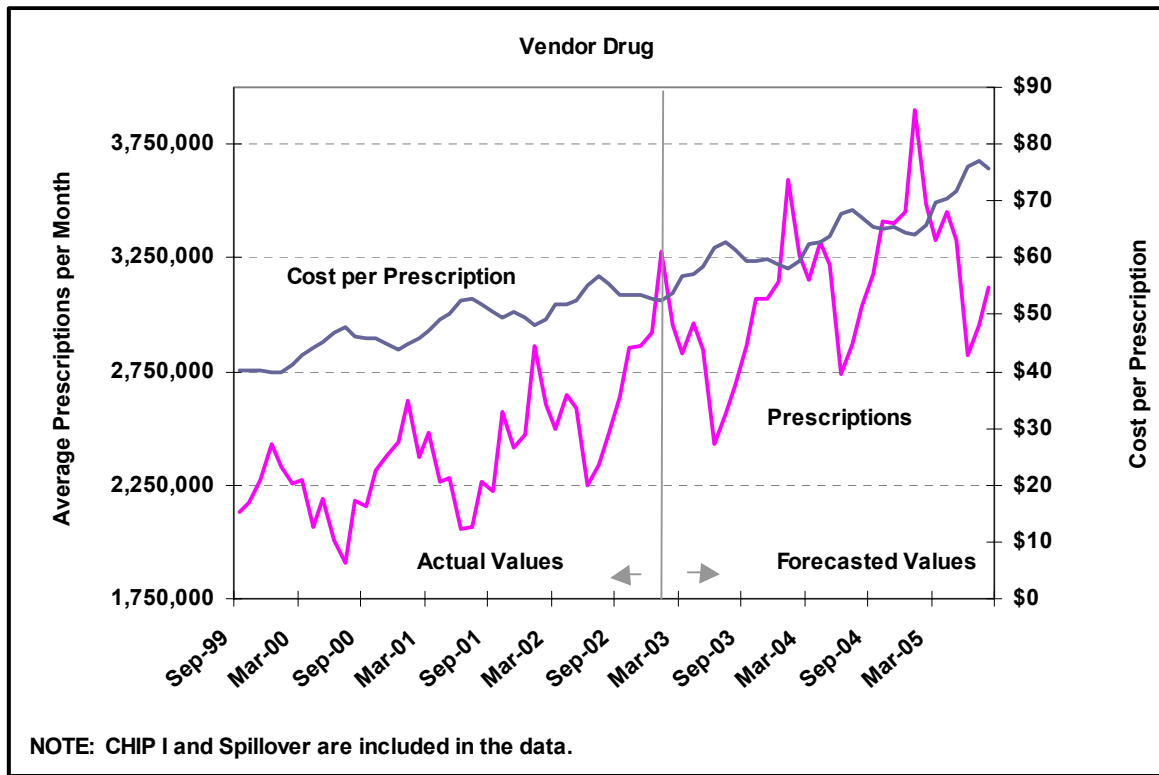
Medicaid Caseload Forecast FY 2005

71% = Total percentage for children



- - - = Children only

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



	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%

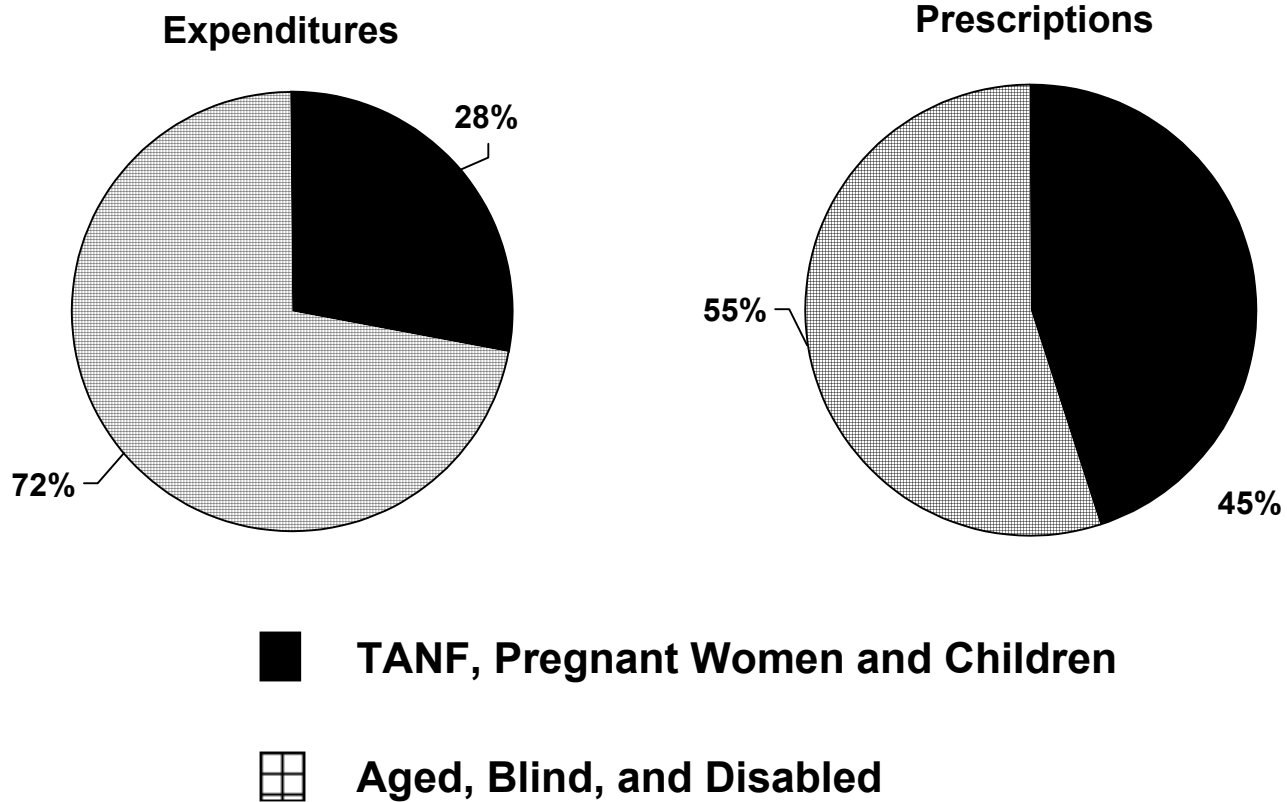
Who are these clients?

- 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.

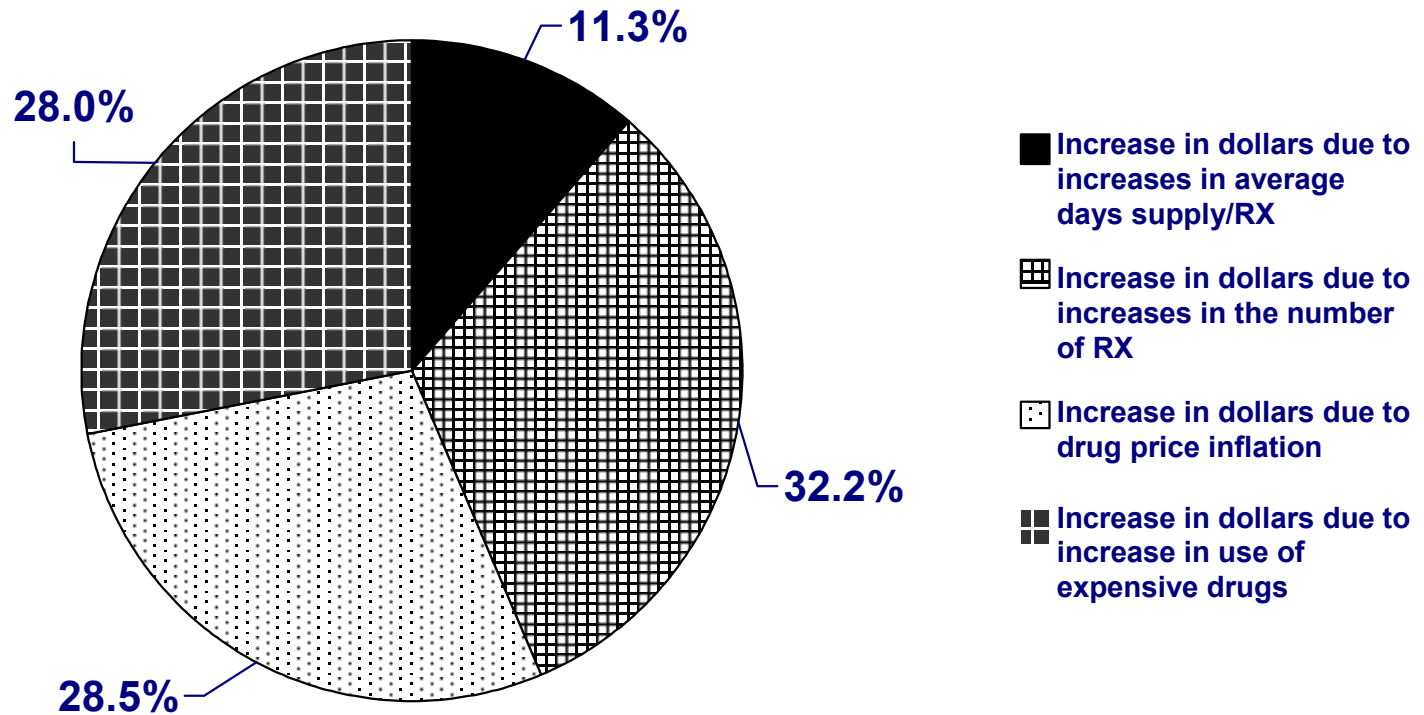
What does this mean?

- 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 Drugs by Client Group FY 2002



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



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

CHIP 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)

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