



# Presentation to the House Appropriations Subcommittee on Health and Human Services

---

Health and Human Services Commission

April 27, 2004



# Medicaid, Vendor Drug, and CHIP Caseload and Cost Update

---

Health and Human Services Commission  
Spring 2004

# Summary

---

- CHIP Caseload

- Overall caseload decline of 130,208 from September 2003 through April 2004
- Two policy changes from the 78<sup>th</sup> Legislature, 2003 Regular Session, impacted eligibility
  - Elimination of Income Disregards
    - Decline of 16,170 November 2003
  - Assets Test
- Procedural change aimed at verifying continued eligibility
  - Renewal required every 6 months
    - Clients either choose not to re-enroll (108,913 since Sept. 2003) or attempt to enroll but are determined ineligible (45,585 since Sept. 2003)

## Summary (concluded)

---

---

- Medicaid caseload is increasing overall, with decreases in specific risk groups as a result of policy changes
  - TANF Adult and Medically Needy Caseloads have decreased
  - Growth in Child risk groups Caseloads
- Medicaid caseload increases have resulted in higher numbers of prescriptions, even with the overall average number of prescriptions per Recipient Month stable
  - The average number of prescriptions per month has increased among the Aged, Disabled, and Blind Risk Groups
  - The average price per prescription is increasing, but policies to control cost, such as the Preferred Drug List (PDL) and 34-day limit, were recently implemented



# CHIP Caseload and Cost: Current Trends

# CHIP Caseload Forecast and History Comparisons: H.B. 1 and Spring 2004

---

- FY 2004 caseload is decreasing as assumed in H.B. 1, but will not reach H.B. 1 level
  - Current caseload projections show
    - Average Caseload of 406,760 for FY 2004
      - Lowest monthly caseload August 2004: 341,841
    - Average Caseload of 345,380 for FY 2005
      - Lowest monthly caseload November 2004: 339,483
    - The forecast assumes stabilization of caseload decline in FY 2005
      - Based on previous caseload stabilization in FY 2003, prior to policy impacts
    - More time is needed to determine exact point (and occurrence) of caseload stabilization

## CHIP Caseload and Costs: H.B. 1 and Spring 2004 Forecast

---

	<b>H.B. 1</b>		<b>Spring 2004 Forecast</b>		<b>Difference</b>	
	Average Monthly Clients	\$ per Client	Average Monthly Clients	\$ per Client	Average Monthly Clients	\$ per Client
<b>2004</b>	380,603	\$88.54	406,760	\$96.12	26,157	\$7.58
<b>2005</b>	346,818	\$91.27	345,380	\$97.29	(1,438)	\$6.02

*Increased cost per client in CHIP results from restoration of MH benefits, partial rate restoration (in 2004), and increased vendor drug costs*



# Medicaid Caseload and Cost: Current Trends



# Medicaid Caseload

---

- FY 2004 caseload is increasing, particularly among the Child risk groups
- Current caseload projections show
  - Average caseload of 2,668,374 for FY2004
  - Average caseload of 2,876,541 for FY2005
  - Actual data from the first six months of FY 2004 show continued growth among the Child risk groups, for a total (actual) average caseload of 2,633,228.

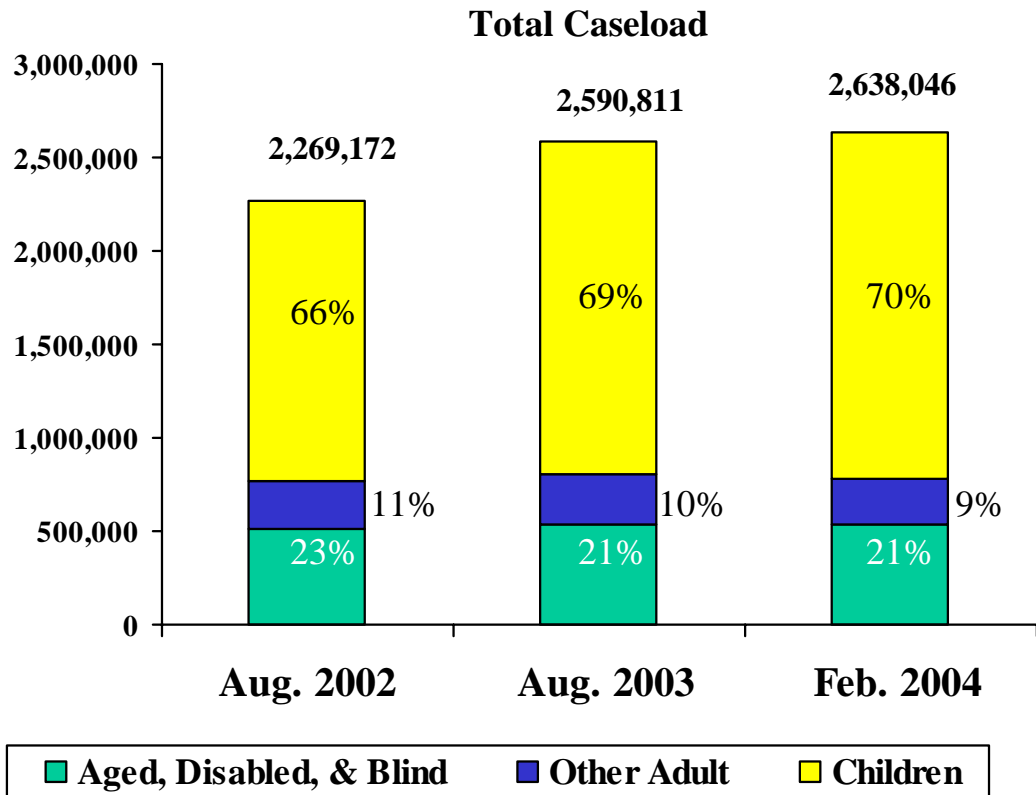
## Medicaid Caseload and Costs: H.B. 1 and Spring 2004 Forecast

---

	<b>H.B. 1</b>		<b>Spring 2004 Forecast</b>		<b>Difference</b>	
	Recipient Months <i>(average monthly)</i>	\$ per Recipient Month	Recipient Months <i>(average monthly)</i>	\$ per Recipient Month	Recipient Months <i>(average monthly)</i>	\$ per Recipient Month
<b>2004</b>	2,450,868	\$186.66	2,668,374	\$184.86	217,506	(\$1.80)
<b>2005</b>	2,478,652	\$191.86	2,876,541	\$179.08	397,889	(\$12.78)

*FY 2004 includes a 2.5% rate reduction; FY 2005 includes a 5% rate reduction*

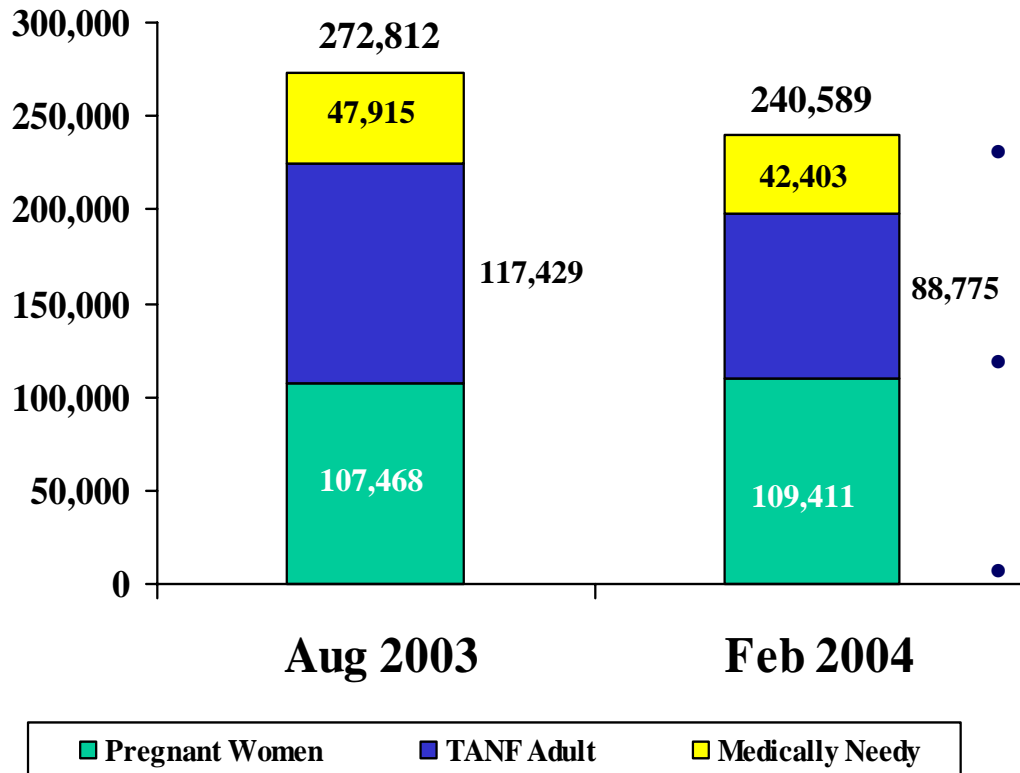
# Largest Proportion of Medicaid Total Caseload: Children's Risk Groups



*Note: Persons under age 21 are included in the "Other Adult" and Aged, Disabled & Blind categories as well*

- Caseload Growth, Aug. 2003 to February 2004
  - 47,235 Total Caseload Increase
    - Increase of 71,261 in Child risk groups
    - Growth in children offsets decreases in policy-impacted risk groups ("Other Adult").
- Children includes Expansion Child, TANF Child, Federal Mandate Child, and Newborns.
- Other Adult includes Pregnant Women, TANF Adults, and Medically Needy.
  - Policies enacted during the 78<sup>th</sup> Legislature, R.S. impact "Other Adult"

# Impact of Policy Changes on Medically Needy, TANF Adult, and Pregnant Women Risk Groups



- Caseload Change in policy impacted groups from Aug. 2003 to Feb 2004:
  - Decline of 32,223
- Medically Needy
  - Declined 5,512 (12%)
  - H.B. 1 FY 2004 decline = 8,472
- TANF Adult
  - Declined 28,654 (24%)
  - H.B. 1 FY 2004 decline = 11,316
- Pregnant Women
  - Increased 1,943 (Assumed decline of 4,973 FY 2004)
  - Any pregnancy prior to September 2003 remains covered
  - Underlying growth trend may be part of the increase

# Medicaid Caseload and Costs: Historical and Current Trends

Medicaid caseload forecasted to grow 61% from FY 2000 to FY 2005

	Caseload (Recipient Months)	Caseload Trend	Cost per Recipient Month	Cost Trend
FY 2000	1,785,693	-1.5%	\$174.40	0.8%
FY 2001	1,849,573	3.6%	\$185.59	7.0%
FY 2002	2,082,697	12.6%	\$ 190.96	2.3%
FY 2003	2,466,119	18.4%	\$194.41	1.8%
FY 2004	2,668,374	8.2%	\$184.86	-4.9%
FY 2005	2,876,541	7.8%	\$179.08	-3.1%



# Medicaid Vendor Drug Caseload and Cost: Current Trends

# Medicaid Vendor Drug Caseload

---

- FY2004 and FY2005 forecasts show number of prescriptions is increasing, but at a slower rate than FY2003
  - Growth in number of prescriptions in FY 2003, FY 2004, and FY 2005 is largely due to increased caseloads (Recipient Months).
    - Prescription Growth Trends
      - FY 2002            8.1%
      - FY 2003            13.9%
      - FY 2004            8.4%
      - FY 2005            7.3%
  - Some growth in the number of prescriptions is due to increased utilization (number of prescriptions per client) in the Aged, Disabled, and Blind groups.

# Medicaid Vendor Drug Prescriptions and Costs: H.B. 1 and Spring 2004 Forecast

---

	H.B. 1		Spring 2004 Forecast		Difference	
	Total Prescriptions	\$ per Rx	Total Prescriptions	\$ per Rx	Total Prescriptions	\$ per Rx
<b>2004</b>	35,271,239	\$54.89	36,949,047	\$60.05	1,677,808	\$5.16
<b>2005</b>	35,961,050	\$54.43	39,646,427	\$64.21	3,685,377	\$9.78



# Medicaid Vendor Drug: Number of Prescriptions, Prescriptions per RM, and Cost per Rx

	FY2001	FY2002	FY2003	FY2004	FY2005
<b>Aged, Blind, &amp; Disabled</b>					
Nursing Home - UNLIMITED					
<i>Rx</i>	5,366,333	5,539,951	5,876,560	5,935,689	6,239,206
<i>Cost/Rx</i>	\$ 46.2	\$ 50.0	\$ 54.3	\$ 59.3	\$ 64.6
<i>Rx/RM</i>	6.33	6.6	7.01	7.1	7.51
Own Home - UNLIMITED					
<i>Rx</i>	2,016,105	2,180,230	2,495,887	2,554,848	2,688,001
<i>Cost/Rx</i>	\$ 53.6	\$ 57.7	\$ 63.1	\$ 69.8	\$ 77.0
<i>Rx/RM</i>	5.71	5.84	6.07	6.27	6.5
Own Home - LIMITED					
<i>Rx</i>	8,287,666	8,678,347	9,917,160	10,291,210	10,965,993
<i>Cost/Rx</i>	\$ 74.1	\$ 81.7	\$ 90.4	\$ 99.4	\$ 111.0
<i>Rx/RM</i>	1.66	1.69	1.73	1.85	1.91
<b>All Other</b>					
<i>Rx</i>	11,814,927	13,362,525	16,307,239	17,912,332	19,468,326
<i>Cost/Rx</i>	\$ 28.9	\$ 31.9	\$ 35.8	\$ 39.6	\$ 44.2
<i>Rx/RM</i>	0.74	0.71	0.7	0.7	0.7
<b>Total*</b>					
<i>Rx</i>	27,706,197	29,946,750	34,097,754	36,949,047	39,646,427
<i>Cost/Rx*</i>	\$ 47.7	\$ 51.7	\$ 55.8	\$ 61.6	\$ 68.2
<i>Rx/RM</i>	1.23	1.19	1.14	1.14	1.14

Average cost of prescriptions increases 43% from FY 2001 to FY 2005

- This increase does not include cost savings (PDL Market Shift)
- Average cost per Rx increases 30% (instead of 43%) when savings are considered

Average cost per Rx increased 20% from FY 2001 to FY 2003

# Medicaid Vendor Drug Caseload and Costs: Historical and Current Trends

	Prescriptions	Trend	Cost per Prescription	Cost Trend
FY 2000	26,245,401	4.2%	\$42.79	13.7%
FY 2001	27,706,197	5.6%	\$47.68	11.4%
FY 2002	29,946,750	8.1%	\$51.65	8.3%
FY 2003	34,097,754	13.9%	\$55.77	8.0%
FY 2004	36,949,047	8.4%	\$60.05	7.7%
FY 2005	39,646,427	7.3%	\$64.21	6.9%
<b>FY2004 and FY2005 Cost per Prescription and Trends, with State Supplemental Rebate Removed from Total Cost</b>				
		FY2004	\$59.18	6.1%
		FY2005	\$62.32	5.3%

*\*Cost per prescription is adjusted for savings (PDL, Reimbursement change, 2.5% Fee Reduction) in FY 2004 and FY 2005. The last two rows show cost per prescription with the state supplemental rebate from the PDL removed from cost. Federal rebates have not been removed from cost.*



# General Revenue Medicaid, Vendor Drug, and CHIP Costs

# FY2004 and FY2005 General Revenue Medicaid, Vendor Drug, and CHIP Costs

	FY 2004					FY 2005					Total Biennial
	HB1 Adj* <i>(millions)</i>	Current Cost <i>(millions)</i>	Adjustments <i>(millions)</i>	Current Cost, with Adjustments <i>(millions)</i>	Variance <i>(millions)</i>	HB1 Adj* <i>(millions)</i>	Current Cost <i>(millions)</i>	Adjustments <i>(millions)</i>	Current Cost, with Adjustments <i>(millions)</i>	Variance <i>(millions)</i>	Variance <i>(millions)</i>
<b>Medicaid</b>	\$ 2,906.1	\$ 2,978.3	\$ (166.4)	\$ 2,811.9	\$ 94.2	\$ 3,023.7	\$ 3,096.2	\$ 81.9	\$ 3,178.1	\$ (154.4)	\$ (60.2)
<b>Medicaid Drug</b>	\$ 698.8	\$ 834.7	\$ (4.3)	\$ 830.4	\$ (131.6)	\$ 716.2	\$ 997.4	\$ (0.6)	\$ 996.8	\$ (280.6)	\$ (412.2)
<b>Total Medicaid</b>	\$ 3,604.9	\$ 3,813.0	\$ (170.7)	\$ 3,642.3	\$ (37.4)	\$ 3,739.9	\$ 4,093.6	\$ 81.3	\$ 4,174.9	\$ (435.0)	\$ (472.4)
<b>CHIP</b>	\$ 152.3	\$ 172.8	--	\$ 172.8	\$ (20.5)	\$ 127.9	\$ 160.3	--	\$ 160.3	\$ (32.4)	\$ (52.9)

**Total**    \$ (525.3)

*\* Numbers include TDH Programs. Adjustments that reduce projected variance in FY2004 include fiscal agent accounting savings of \$29.5 million, using Trust Fund balances of \$76.1 million, additional premium credits of \$37.3 million, and applying FY2003 balances of Enhanced FMAP of \$75.2 million.*



# Medicaid Estate Recovery

# Introduction

---

- House Bill 2292, 78<sup>th</sup> Legislature, Regular Session, 2003 requires the Health and Human Services Commission (HHSC) to develop and implement a Medicaid estate recovery program, pursuant to federal law.
- The federal law, 42 U.S.C., Section 1396p (b)(1) requires states to recover the costs of Medicaid coverage for certain long-term care services after the death of Medicaid recipients aged 55 years and older.

# Process

---

Fall 2003

- HHSC Workgroup Convened
- Stakeholder Input
- Proposed Framework for Estate Recovery in Texas

January 2004

- Proposed framework provided to the Texas Legislature, stakeholders, and public via the HHSC website

# Process (Continued)

---

---

## February 2004

- Public Forums - HHSC held 6 public forums around the state (San Antonio, Harlingen, Forth Worth, Houston, Lubbock and El Paso) to solicit public comment on the proposed framework
- Public Comments - HHSC provided an opportunity for written public comments to be submitted via mail, e-mail, facsimile, and HHSC website

## April 30, 2004

- Proposed rules will be published in the Texas Register, followed by 30-day public comment period

## May 27, 2004

- Public hearing on proposed rules scheduled in Austin, 3 - 6 p.m.
- Centers for Medicare and Medicaid Services - proposed rules and State Plan Amendment will be submitted to CMS in early May.



# Summary of Public Comment

---

---

## Program should:

- Not target individuals who, because of age and the lack of resources, cannot make sound estate planning decisions
- Consider exempting current clients who made estate-planning decisions based on current policies
- Apply an exemption to homesteads at a standard dollar value across the state, rather than using a county-wide average, which could be unfair to rural areas where values are generally lower
- Exempt clients:
  - living in intermediate care facilities for the mentally retarded (ICF/MR) from estate recovery; and
  - receiving home and community-based services

Support expressed for implementation of estate recovery, with recovered funds earmarked for long-term care programs.

# Summary of Proposed Rules

---

---

## Population Affected:

State may file a claim against the estate of a deceased Medicaid recipient for covered Medicaid long-term care services when the recipient:

- was aged 55 years or older; and
- applied for covered long-term care services on or after the effective date of the rules

## Covered Long-Term Care Services:

The following Medicaid services provided to a recipient aged 55 years or older:

- services in a nursing home, including a skilled nursing facility; and
- related hospital care and prescription drug services provided while the recipient received care in a nursing home

# Summary of Proposed Rules (Continued)

---

## Definition of An Estate:

As defined by state law in the Texas Probate Code, an estate is the real and personal property of the deceased Medicaid recipient, such as a home or a car. An estate will NOT include:

- insurance policy proceeds;
- retirement accounts such as IRAs;
- pension plans;
- financial institution accounts-bank P.O.D. (paid on death) accounts or joint accounts, or credit union accounts;
- mutual funds; or
- deferred compensation plans.

# Summary of Proposed Rules (Continued)

---

---

## Cost Recovery:

If No Exceptions or Exemptions Apply and No Hardship Waiver

Granted, the state will file:

- a claim against the estate of a deceased Medicaid recipient,
- a claim in Probate Court for the cost of covered Medicaid services received after the effective date of the program. The cost of Medicaid services will be recovered under the claims procedures in the Texas Probate Code.

# Summary of Proposed Rules (Continued)

---

---

## Exceptions to Cost Recovery:

The state will not, at any time, file a claim for recovery if, at the time of the recipient's death there was:

- a surviving spouse;
- a child under age 21;
- a child of any age who is blind or permanently and totally disabled; or
- an unmarried adult child living in the recipient's homestead (such child must have been living in the homestead for a period of at least one year prior to the recipient's death).

# Summary of Proposed Rules (Continued)

---

## Exemptions From the Amount of Medicaid Costs Recovered

- Deductions for necessary and reasonable expenses for:
  - Home Maintenance, including:
    - real estate taxes; and
    - utility bills, home repairs, and other, such as lawn care
  - Costs of care provided for a deceased Medicaid recipient that delayed institutionalization of the recipient. \*Sufficient supporting documents must be submitted by the applicant for the exemption within 30 days of receiving notice by the state of its intent to file a claim to recover Medicaid costs.

## Summary of Proposed Rules (Continued)

---

### Hardship Waiver:

- Relatives may seek a hardship waiver from recovery of costs.
- The state will not pursue a claim for recovery of costs if hardship waiver is granted or
- If recovery of Medicaid costs is determined to not be cost-effective.

# Summary of Proposed Rules (Continued)

---

---

## Conditions for a Hardship Waiver

- For \$50,000 of the county tax appraisal district value of the homestead
- If property is a family farm or ranch, and recovery by the state would affect the property and result in loss of the primary source of income for the heirs;
- If property has been site of operation of family business for at least 12 months prior to the decedent's death, is the sole income producing asset of the heirs, and produces more than 50% of the livelihood for the heirs;
- If beneficiaries of the estate would become eligible for public or medical assistance if a recovery claim were made;
- If allowing one or more survivors to receive the estate will enable them to discontinue eligibility for public or medical assistance; or
- If the cost involved for the state to process a claim is equal to or greater than the value of the property.



## Next Steps

---

- Await response from the Centers for Medicaid and Medicare Services on proposed rules and State Plan Amendment.
- Present proposed rules to the MCAC in June 2004.