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Health and Human  
Services Commission

# Presentation to the Senate Committee on Health and Human Services

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Health and Human Services Commission

April 28, 2004

# Presentation Overview

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- Temporary Assistance for Needy Families (TANF)  
Overview
  - Current Status
  - Basic Block Grant
  - Supplemental Grants
  - Marriage and Family Formation
  - Child Care Funding
  - Fatherhood Initiatives – U.S. House and Senate
  - Transitional Medicaid – U.S. House and Senate
  - Child Support Pass-Through
  - Super Waiver – U.S. House and Senate

# Presentation Overview (Continued)

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- Federal Medicare Prescription Drug Benefits
  - Phase I - Temporary Program
  - Phase II
  - Dual Eligibility
  - Part D Drug Coverage
  - Part D Cost Sharing Example A and B
  - Part D Low- Income Subsidies
  - Federal Responsibility for Medicaid “Dual Eligible” Drug Coverage
  - State Medicaid Programs Monthly Payments to Medicare
  - State Maintenance of Effort Formula
  - State’s Role in Medicare Drug Program Administration
  - Texas Medicaid Budget Issues – Part D Drug Benefit
  - Conclusion
  - Selected Texas Medicare/Medicaid Statistics
  - Federal Poverty Level (FPL) Guidelines

# Presentation Overview (Continued)

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- CHIP Premium Assistance Waiver
  - Background
  - Family Subsidy Calculation – Example
  - Current Status
- Front-End Authentication and Fraud Prevention System Pilot
  - Background
  - Pilot Overview
  - Client Flow
  - Vendor Solutions
    - Atos Origins
    - Maximus
    - eMedicalFiles
    - EDS
  - Independent Vendors



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## TANF Overview

## Current Status

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- Last year US House passed H.R. 4 – TANF Reauthorization Bill
- US Senate did not pass a TANF reauthorization bill
- Several extensions have passed to continue funding
  - Latest extension in March 2004 extended current funding levels and program requirements through June 2004

Note: The following slides describe some of the proposed differences between the House and Senate version of the TANF reauthorization bill.

# Basic Block Grant

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Block grants are funds given to states by the federal government to run programs within defined guidelines.

- Current goals:

- Temporary Assistance to Needy Families is used to increase State flexibility in operating a program designed to:

- Assist needy families so that children may live in their homes or those of relatives;
- End dependence of needy parents on governmental benefits;
- Reduce out-of-wedlock pregnancies; and
- Encourage the formation and maintenance of two parent families.

## Basic Block Grant (Continued)

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### Proposed Funding:

- House and Senate propose to maintain funding at \$16.5 billion per year through FY 2008 for all states.
- Texas' grant is \$486 million annually.

### Transferring of Funds:

- House and Senate allow states to transfer up to 50% to Child Care Development Block Grant(CCDBG) and 10% to Social Security Block Grant(SSBG).



## Supplemental Grants

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States with high population growth and low benefit levels are eligible for the supplemental grant.

- House and Senate propose extending FY 2001 level of \$319 million per year for all states through FY 2007.

# Marriage and Family Formation

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Provides marriage-related services to high school students, non-married pregnant women and expecting fathers, engaged couples and couples interested in marriage, and married couples.

## Proposed:

- House and Senate provide \$600 million for all states for FY 2003-2008 for competitive grants matched by states on a 50/50 basis, and can be matched with federal TANF funds.
- Provides additional \$600 million over five years for research and demonstration funds to be spent on marriage promotion activities.

## Child Care Funding

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Child care services are provided to parents who meet income eligibility limits for Child Care Development Funds and are working or enrolled in education or training, and who are not eligible for Choices or Transitional child care services.

### Proposed: for all states

- House increases mandatory funding by \$1 billion over five years.
- Senate increases mandatory funding by \$6 billion over five years.
- House and Senate increase discretionary funding by \$200 million per year (\$1 B over five years).

## Fatherhood Initiative – U.S. House

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- Provides \$20 million each year for all states for FY 2004-2008 for grants to:
  - public entities and non-profits to test approaches to promote non-resident father involvement, increase ability of fathers to provide family support, and support healthy marriages and married fathers;
  - improve outcomes for children and evaluate approaches; and
  - preference programs for low-income fathers.

## Fatherhood Initiative – U.S. Senate

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- Provides \$75 million each year for all states for FY 2004-2008 for:
  - demonstration grants, grants to local governments, private entities, non-profits and faith-based groups;
  - a National Clearinghouse for Fatherhood (\$5 million); and
  - block grants to states to encourage media campaigns.

## Transitional Medicaid – U.S. House

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Transitional Medical Assistance (TMA) provides temporary Medicaid coverage to many families moving from welfare to work.

### Proposed:

- Extends TMA through FY 2004 by reducing federal funding provided to states for administrative expenses to determine Medicaid eligibility.
- Reduces Medicaid administrative funds by 45% of the annualized Medicaid cost allocation determination in FY 2004 and by 80% in FY 2005.

## Transitional Medicaid – U.S. Senate

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### Proposed:

- Extends TMA through FY 2008.
- Provides for state options to:
  - provide 12 months of continuous eligibility;
  - waive reporting requirements;
  - offer additional 12 months of TMA with federal match; and
  - waive requirement that person must have received Medicaid for 3 of past 6 months.
- Does not reduce state Medicaid administrative funding.

## Child Support Pass-Through

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- Federal law requires families receiving TANF-funded public assistance to assign child support rights to the state.
- Child support collected on behalf of a family receiving TANF is shared between the state and the federal government, with the federal share being based on the state's Medicaid match rate.
- The state must pay the federal government its share, but it has several options with regard to distribution of the state share.



## Child Support Pass-Through (Continued)

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### Proposed:

- House adds a provision to waive the federal government's share of child support collections passed through to TANF families and disregarded by the state with a \$400 per month cap for a family with one child; \$600 per month cap for a family with two or more children.
- States with demonstration waivers can maintain pass-through payments to families in accordance with the waiver.
- Senate provides for the federal government to share in the cost of a \$50 increase up to a \$100 pass-through disregard amount.

## Super Waiver – U.S. House

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- Allows a state to receive a 5-year federal waiver to combine 2 or more of the following programs:
  - TANF
  - Food Stamps
  - Social Security Block Grant (SSBG)
  - Title I of Workforce Investment Act (WIA)
  - Wagner-Peyser Act
  - Adult Education and Family Literacy Act
  - Child Care Development Block Grant (CCDBG)
  - Housing programs (except Section 8 and Section 7 special populations)
  - Titles I-IV McKinney-Vento Homeless Act

## Super Waiver – U.S. Senate

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- Senate allows for a 10-state demonstration for coordination between workforce and social services for:
  - TANF
  - Social Security Block Grant (SSBG)
  - Child Care Development Block Grant (CCDBG)



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# Federal Medicare Prescription Drug Benefits

## Phase I – Temporary Program

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Medicare Approved Drug Discount Card (Starts June '04, Ends December '05)

- Discounted drug prices
  - administered by pharmacy benefit managers;
  - 10-25% savings off retail price
- Medicare beneficiaries who do not receive Medicaid outpatient drugs are eligible.
- \$600 credit for low-income beneficiaries who earn less than 135% of federal poverty level (\$16,862 annual income for a family of two)

## Phase II

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New Medicare drug benefit starts January 2006

- New “Part D” offers optional drug coverage to all Medicare eligibles
- Provided through a selected private drug plan (similar to an HMO for pharmacy only) or Medicare HMO
- Limited to private plan’s formulary or list of covered drugs

# Dual Eligibility

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- Dual Eligibility refers to individuals who are:
  - Medicare eligible (aged or disabled);
  - Low income; and
  - Also eligible for some level of Medicaid coverage
- There are different types of dual eligibility, but generally, they fall into two categories:
  - Full dual eligibles
  - Other dual eligibles

## Dual Eligibility (Continued)

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- Full Dual Eligibles
  - Entitled to Medicaid benefits that Medicare does not cover, including Medicaid drug coverage
  - Include low-income aged and disabled individuals in community, waiver programs, nursing homes, and state schools
  - Not eligible for Phase I drug discount card, but will be eligible for Part D benefit in 2006



## Dual Eligibility (Continued)

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- Other Dual Eligibles
  - Eligible only for Medicaid payments for Medicare premiums, deductibles, and coinsurance for Medicare services
  - Not entitled to Medicaid services
  - Include several categories of eligibility; incomes generally up to 135% of federal poverty level
  - Will be eligible for both discount card program in 2004 and Part D benefit in 2006

## Part D Drug Coverage

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Limited if not low income

- Beneficiaries pay monthly premiums (estimated at \$35 in 2006)
- Based on annual amount of drug costs, beneficiaries may pay a significant portion:
  - Deductible (first \$250 of drug costs)
  - 25% of drug costs between \$250 and \$2250
  - **100% of drug costs between \$2250 and \$5100 (no Medicare coverage = “gap”); premiums continue**
  - Copayments or 5% of drug costs after \$5100;\* Medicare pays 95%

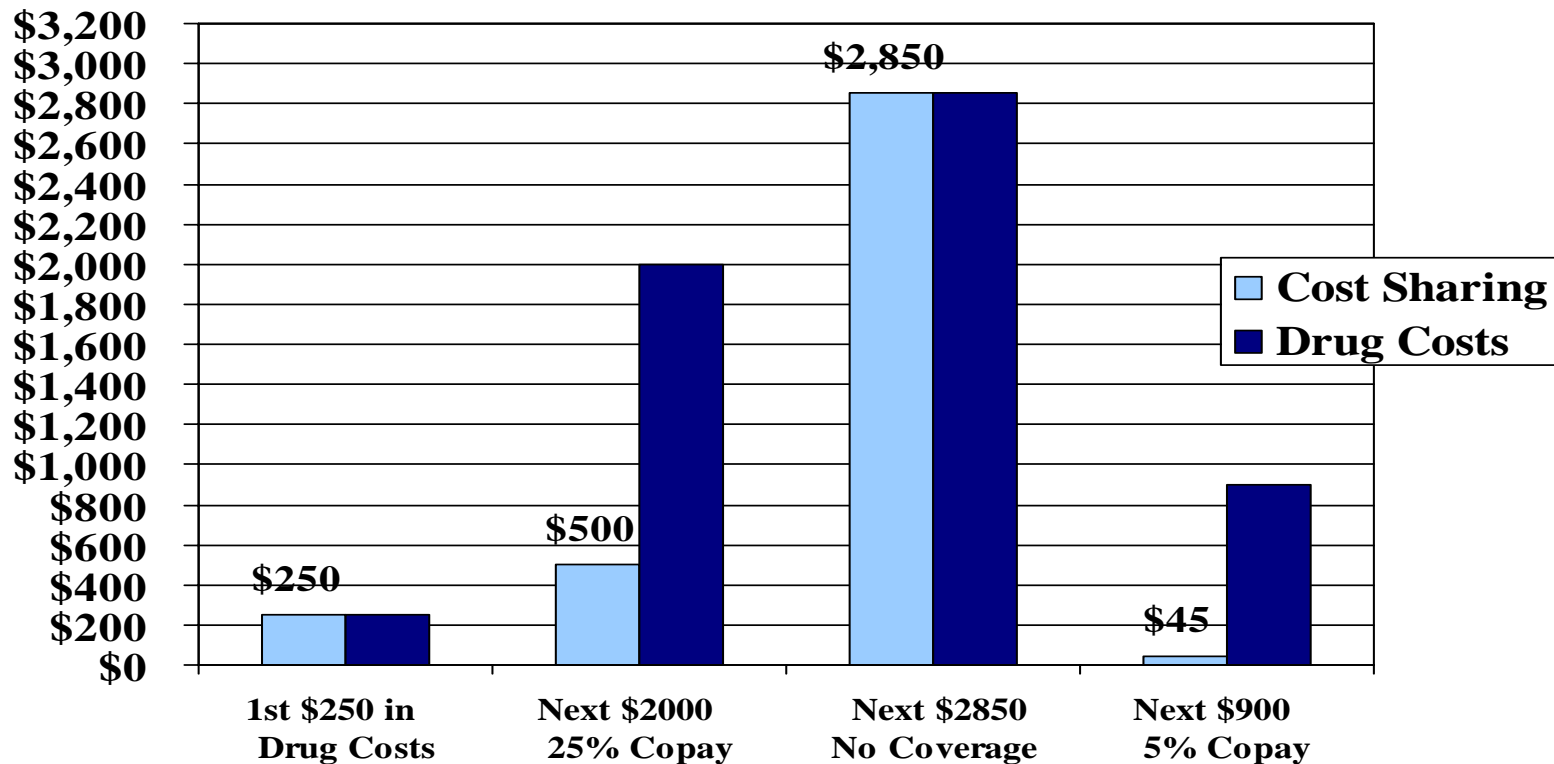
\*At \$5100 of drug costs, beneficiary has paid \$3600 in out-of-pocket spending, not including premiums

# Part D - Cost Sharing Example A

(Income >150% FPL)

Standard Benefit - Individual with \$6000 in Annual Drug Costs

Total Out of Pocket = \$3645 (61%); Does Not Include Premiums

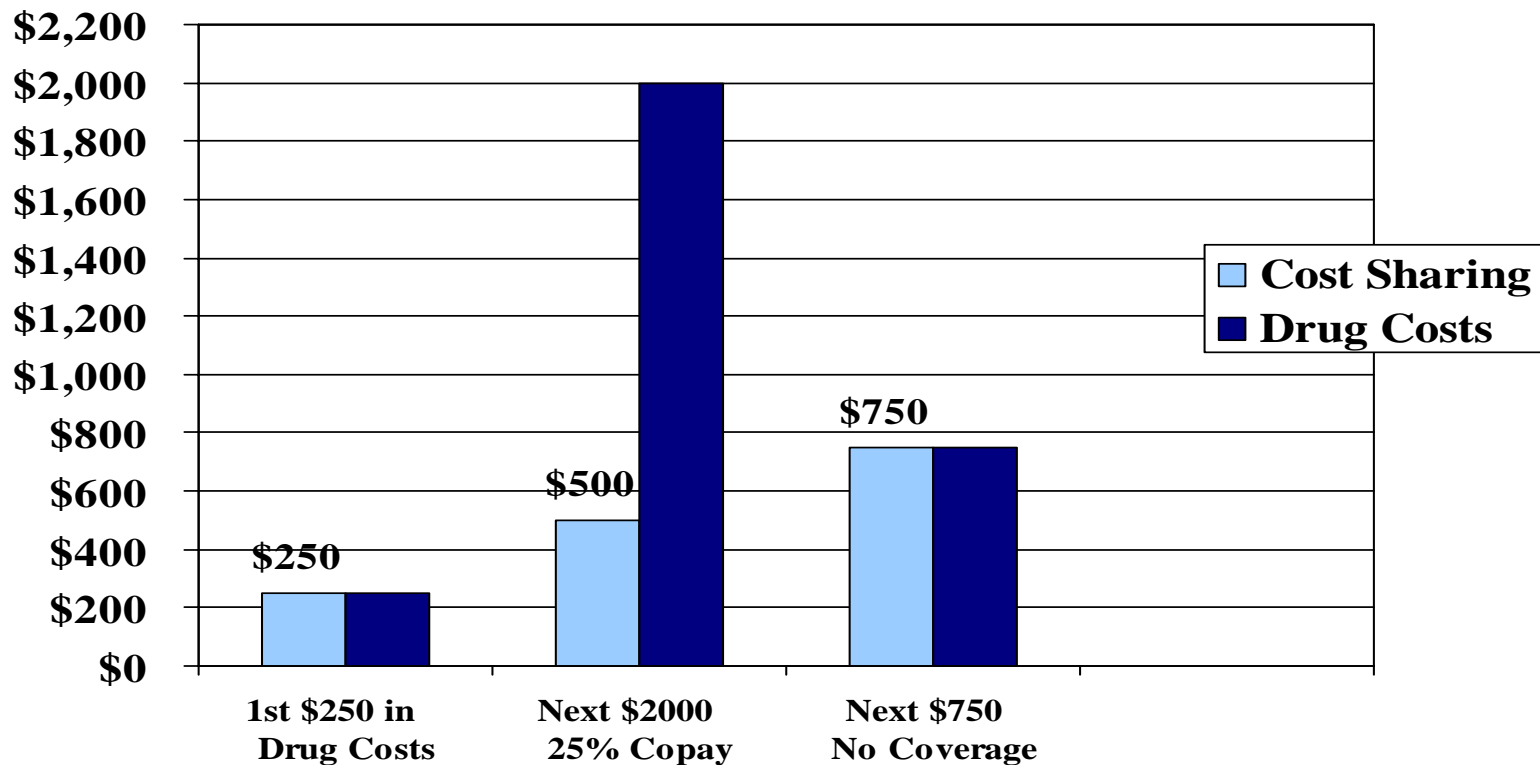


# Part D - Cost Sharing Example B

(Income >150% FPL)

Standard Benefit - Individual with \$3000 in Annual Drug Costs

Total Out of Pocket = \$1500 (50%): Does Not Include Premiums



## Part D Low-Income Subsidies

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- Subsidies eliminate or lower premium, out of pocket cost sharing for low income beneficiaries
- Based on Income and Asset Test
- Premium subsidies—
  - **No premiums or deductibles for all dual eligible Medicaid clients and some low income, Medicare beneficiaries**
  - Sliding scale subsidies for other low income beneficiaries
- Cost sharing subsidies-
  - **No gap in coverage for all dual eligible Medicaid clients and some low income Medicare-only individuals**
  - Copays from \$1 to \$5 for all dual eligibles and some low income Medicare-only individuals

# Federal Responsibility for Medicaid “Dual Eligible” Drug Coverage

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- Medicare assumes financial responsibility for Medicaid full dual eligible drug coverage in January 2006.
- State must discontinue Medicaid drug coverage for full dual eligibles at the end of December 2005.
- No federal Medicaid funding for Part D-covered drugs for full dual eligibles after that date.
- Medicare program must automatically enroll full dual eligibles who fail to select a Part D plan.

# State Medicaid Programs Monthly Payments to Medicare

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- Maintenance of effort payments – monthly payment to federal government based on an estimate of what the state would have paid for pharmacy benefits:
  - “Take back” factor (90% in 2006 and phased down to 75% by 2015) based on:
    - Number of Part D enrollees with full dual eligibility in that month; and
    - A per capita amount that approximates amount the state would have spent absent a Medicare drug benefit
      - Per capita amount is the state’s average Medicaid spending on Part D-covered drugs for full dual eligibles in 2003, trended forward for drug cost inflation.

## State Maintenance of Effort Formula

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Monthly payment by state to the Medicare program =

$$\begin{aligned} & \text{(Number of full dual eligibles enrolled in Part D)} \\ & \quad \times \\ & \text{(FY 2003 per capita dual eligible Rx costs x Inflation)} \\ & \quad \times \\ & \text{“Take back” factor (90\% in '06)} \end{aligned}$$



# State's Role in Medicare Drug Program Administration

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- Discount Card (June 2004)
  - Provide data to Medicare to identify dual eligible clients receiving Medicaid Rx coverage (300,000 + clients)
  - Caseworkers will provide information and referral to discount card sponsors (enrollment begins May 2004)
- Conversion of dual eligible clients from Medicaid to Medicare Drug Coverage in 2006
- Part D Low-Income Subsidy (2006)
  - States are responsible for determining eligibility for the low-income subsidy for Medicare drug benefit (50% federal match).
  - States must check low income subsidy applicants for Medicaid eligibility (will increase Medicaid aged/disabled caseloads).

# Texas Medicaid Budget Issues - Part D Drug Benefit

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- Eligibility Determination:
  - Significant automation costs (given complex eligibility for subsidies) and staffing costs (determinations and appeals)
  - Application process for subsidy must work with state Medicaid eligibility system (TIERS)
- Caseload Cost Considerations:
  - Increase in Medicaid caseload due to requirement to screen low income subsidy applicants for Medicaid eligibility
- Uncertain Savings to the State:
  - Projected to save between \$650 M to \$1.2 B over 10 years
  - Estimates will be offset by new costs associated with eligibility determination and associated caseload growth
  - Savings likely to be in out years, when “take back” factor declines

## Conclusion

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- State HHS agencies will assist with the coordination of information on temporary drug discount card program
- Cost/savings estimates for Part D Medicaid impacts under development; will be included in 2006-07 legislative appropriation request
- Proposed changes to federal Medicare drug legislation:
  - 100% federal match for Medicare eligibility activities
  - Changes to formula for state maintenance of effort payments that better reflect state Medicaid drugs savings initiatives

## Selected Texas Medicare/Medicaid Statistics

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- Full Dual Eligibles – 311,318
- Non-full Dual Eligibles – 112,747
- Average Annual Medicaid Drug Cost, Aged and Disabled Individual in Nursing Facility – \$3,634
- Average Annual Medicaid Drug Cost, Aged and Disabled Individual in Community – \$1,492 (3 Rx limit)
- Total Texas Medicare Eligibles – 3,000,000
- Total Number Eligible for \$600 Drug Discount Card Assistance – 540,000

**Sources:** Centers for Medicare and Medicaid Services, March 2003  
Current Population Survey, Texas Health and Human Services  
Commission, Texas Department of Human Services

# Federal Poverty Level (FPL) Guidelines

## Annual Income, 2004

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<b>Family Size</b>	<b>74% FPL (SSI)*</b>	<b>100% FPL</b>	<b>135% FPL</b>	<b>150% FPL</b>
Individual	\$6,889	\$9,310	\$12,569	\$13,965
Couple	\$9,243	\$12,490	\$16,862	\$18,735
*Supplemental Security Income				
Source – U.S. Department of Health and Human Services				



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# CHIP Premium Assistance Waiver

## CHIP Premium Assistance - Background

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- CHIP premium assistance programs are designed to use state and federal CHIP funds to pay part or all of the costs of enrolling CHIP-eligible individuals into private employer or group insurance.
- When cost-effective, premium assistance may offer modest savings on what it would have cost to enroll a child in regular CHIP and may help families and employers maintain private group coverage.
- HHSC is developing a CHIP premium assistance program through the use of a proposed federal Health Insurance Flexibility and Accountability (HIFA) waiver.
- HIFA waivers encourage states to use the private insurance market to provide health coverage for Medicaid and CHIP enrollees and simplify the design of premium assistance programs.

## CHIP Premium Assistance Background (Continued)

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- Senate Bill 240, 78<sup>th</sup> Regular Session, 2003 Legislature, modified the existing CHIP premium assistance law to make it more consistent with the CHIP waiver proposal and clarified that premium assistance was an option to the family (a requirement of HIFA waivers).
- HHSC's proposal is similar to an Illinois program: Any family with CHIP-eligible children will be offered (in lieu of enrollment in regular CHIP) a flat subsidy to be used towards the cost of health insurance offered through an employer or other group coverage.
- The subsidy would also help at least one parent gain or continue health coverage, since most employer coverage offers “employee plus children” or “employee plus family” options.



## CHIP Premium Assistance Background (Continued)

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- Under the Texas proposal:
  - If a CHIP family enrolls their children in their employer or other group coverage, they will receive a flat subsidy of about \$158 per month.
  - A continued employer contribution to the cost of coverage will be required.
  - Point of service cost sharing (doctor's office, prescription copays, etc.) will be whatever the group plan requires.
  - A CHIP family's participation in premium assistance will be optional.

## Family Subsidy Calculation - Example

CHIP Premium Assistance Family Subsidy (Estimated, final amount may vary)	
Statewide average per member per month cost for health care	\$78.34
Drugs	\$17.78
<b>Total average per member per month cost</b> (regular CHIP program)	<b>\$96.12</b>
Times 1.9 average children/CHIP family	\$182.63
Less savings amount and additional administrative cost	\$157.94
<b>CHIP Premium Assistance Family Subsidy*</b>	<b>\$157.94</b>
*Maximum amount; some families with low premium cost share could receive less.	

## Current Status

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- November 17, 2003 – Proposal made available for public comment.
- December 23, 2003 – Public comment period closed.
- January/February 2004 – Review of public comments and redesign work.
- March/April 2004 – Submit concept paper to federal government.
- May 2004 – Submit formal waiver application to federal government (estimated federal approval time of four to six months).
- First quarter FY 2005 – Premium assistance program starts.



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# Front-End Authentication and Fraud Prevention System Pilot

# Background

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## Legislation

The Health and Human Services Commission is conducting the Medicaid Integrity Pilot to prevent fraud, abuse, or waste in health and human services programs. The program is mandated by Section 2.23 of H.B. 2292, 78th legislature, Regular Session, 2003. This law is now codified in Texas Government Code §531.1063. The program includes:

- Smart cards for all Medicaid clients participating in the pilot
- A smart card reader and biometric reader that resides in the office of participating Medicaid physicians and providers, emergency rooms and outpatient clinics of hospitals who volunteered to participate in the pilot

## Background (Continued)

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### Timeline

- Planning (9/8/03 – 12/14/03)  
Procurement - Project Manager, Independent  
Evaluator, Pilot Vendors
- Implementation (12/15/03 – 3/30/04)
- Operations (3/15/04 – 12/31/04)
- Turnover (1/1/05 – 3/31/05)

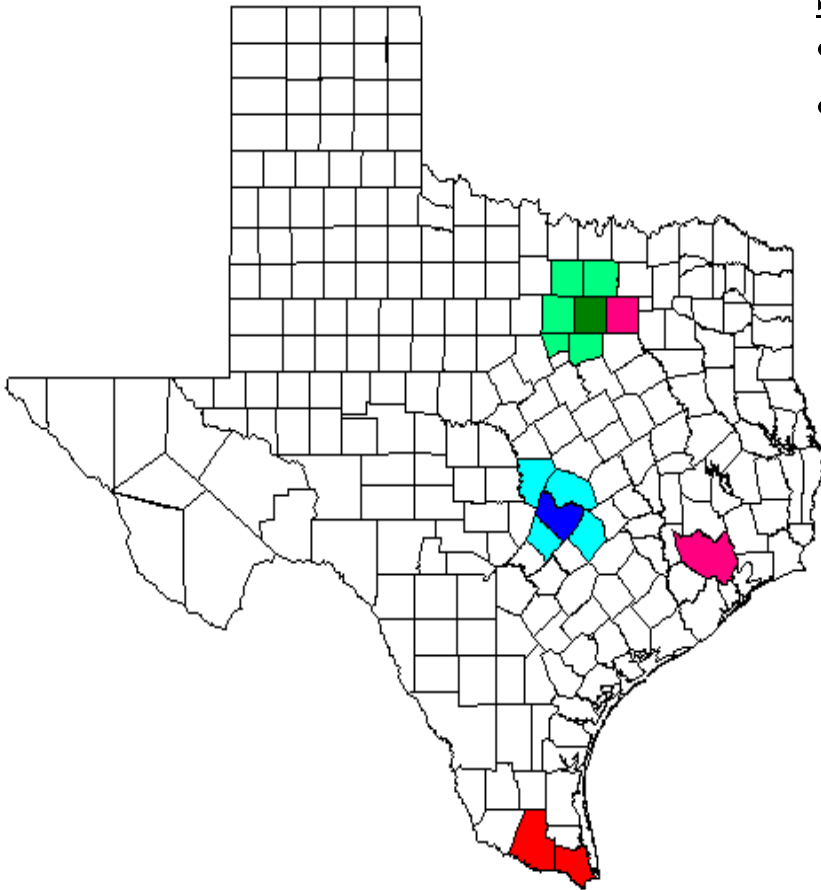
# Pilot Overview

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## Six Pilot Counties

- 150 Provider Installations
- 30,000 Clients



Atos Origin:  
Tarrant



Maximus:  
Harris & Dallas

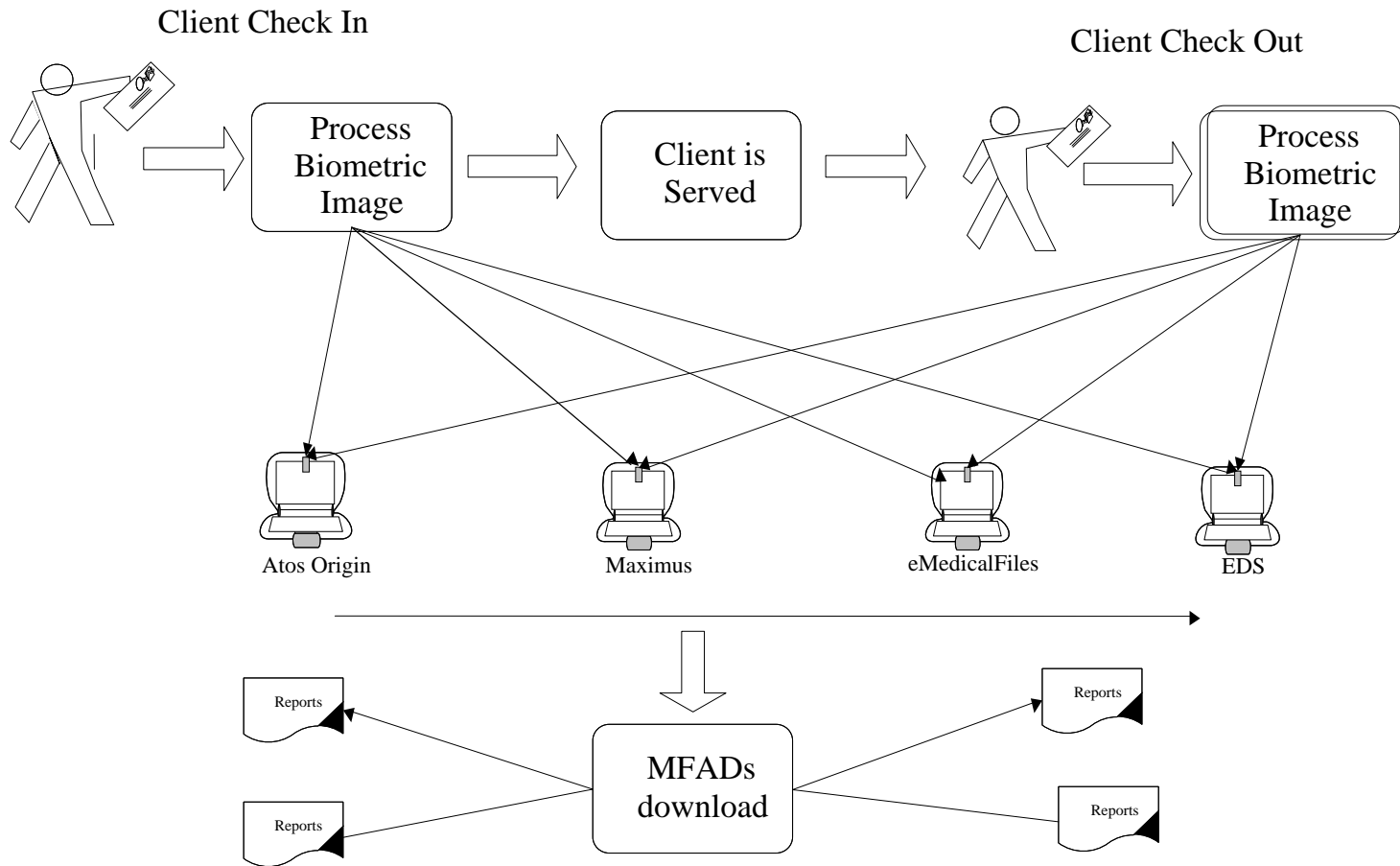


eMedicalFiles: Travis



EDS:  
Hidalgo & Cameron

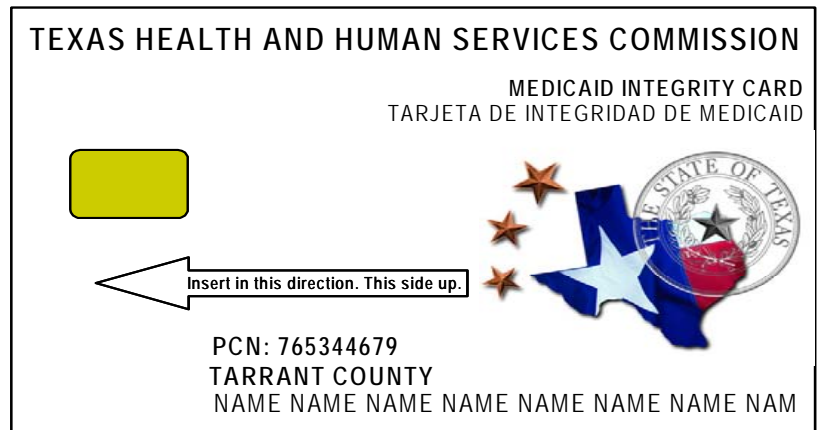
# Client Flow





# Atos Origin

- Fee for Service & Managed Care
- 64K Java Card
  - “Proof of Concept” Demonstrations
- Match on Card
- Application on Provider’s PC
  - Alternative reader configurations



# Maximus

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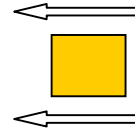


- PCCM & Fee for Service
- 32K Java Card
- Match on Card
- Maximus Provided PC

➤ Non-integrated, Stand-alone System



TEXAS HEALTH AND HUMAN SERVICES COMMISSION  
MEDICAID INTEGRITY CARD



John Client  
123 456 789  
Harris County

# eMedicalFiles

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- Fee for Service
- 8K Card
- Match on Device
- Application on Provider's PC



# EDS

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- Fee for Service
- 16K Card
- Match on Device
- POS
  - Non-integrated, Stand-alone System



# Independent Vendors

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- MTG Management Consultants
  - Project Management
- International Biometrics Group
  - Independent Evaluation