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Health and Human
Services Commission

Medicaid Reform Legislative Oversight Committee Meeting

Albert Hawkins, Executive Commissioner

December 6, 2007

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Reform Goals

- Optimize investment in health care to achieve more efficient use of available funding and best health outcomes for Texans.
  - Focus on primary and preventive care to keep Texans healthy
  - Reduce the number of uninsured Texans
  - Protect and optimize Medicaid funding
  - Establish infrastructure to facilitate accomplishment of reform goals

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Summary of Texas Uninsured Data

- About 25 percent of all Texans, or 5.5 million people, are uninsured
- The following compares Texas and national coverage for non-elderly populations only:

	United States	Texas
Private Insurance:	66.6%	58.1%
Publicly Funded Insurance:	15.8%	15.1%
Uninsured:	17.6%	26.8%

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Summary of Texas Uninsured Data

- Of the 5.5 million uninsured Texans:
  - 2.1 million are adults and 857,000 are children citizens or legal permanent residents at or below 200% FPL
- Of the 2.1 million of the uninsured are adults at or below 200% FPL:
  - Parental status of uninsured adults at or below 200% FPL
    - 1.2 million are childless adults
    - 960,000 are parents.
      - » 483,000 of these parents have children in Medicaid or CHIP
  - Gender of uninsured adults at or below 200% FPL
    - 47 percent (1.0 million) are male; 53 percent (1.1 million) are female
  - Age of uninsured adults at or below 200% FPL
    - 51 percent (1,088,779) are 19 – 34 years of age
      - » About 500,000 (or 23 percent of the total) of these are 19 - 24
      - » About 590,000 (or 28 percent of the total) of these are 25 - 34
    - 23 percent (491,581) are 35 – 44 years of age
    - 26 percent (558,162) are 45 – 64 years of age
  - Employment status of adults at or below 200% FPL
    - 65 percent of uninsured parents are employed
    - 53 percent of childless adults are employed

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Impacts of High Rate of Uninsured

- Uninsured more likely to be hospitalized for conditions that were avoidable, with $3,300 costs per avoidable stay.
- Increases costs of private insurance -- $550 annually for single coverage and $1,551 for family coverage
- Crowded emergency rooms and higher costs for indigent care
- Increased pressure on local tax bases, and on local, state, and federal safety net capacities
- Over reliance on safety net providers, including hospitals and emergency rooms, for more expensive care
- Limited access to primary and preventive care

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Over-burdened Safety Net Hospitals

- Federal funding preferences hospital care – DSH and UPL (more than $3 billion), driving policy
- Increasing numbers of uninsured without usual source of care, even with some hospital-developed care programs
- Constitutional requirements for indigent care – counties, hospital districts and public hospitals
- Emergency room “guaranteed” point of access
- Historical missions as safety net providers
- EMTALA requirements (Federal law: Emergency Medical Treatment and Active Labor Act)

Medicaid Funded Indigent Care – Focuses on Hospitals

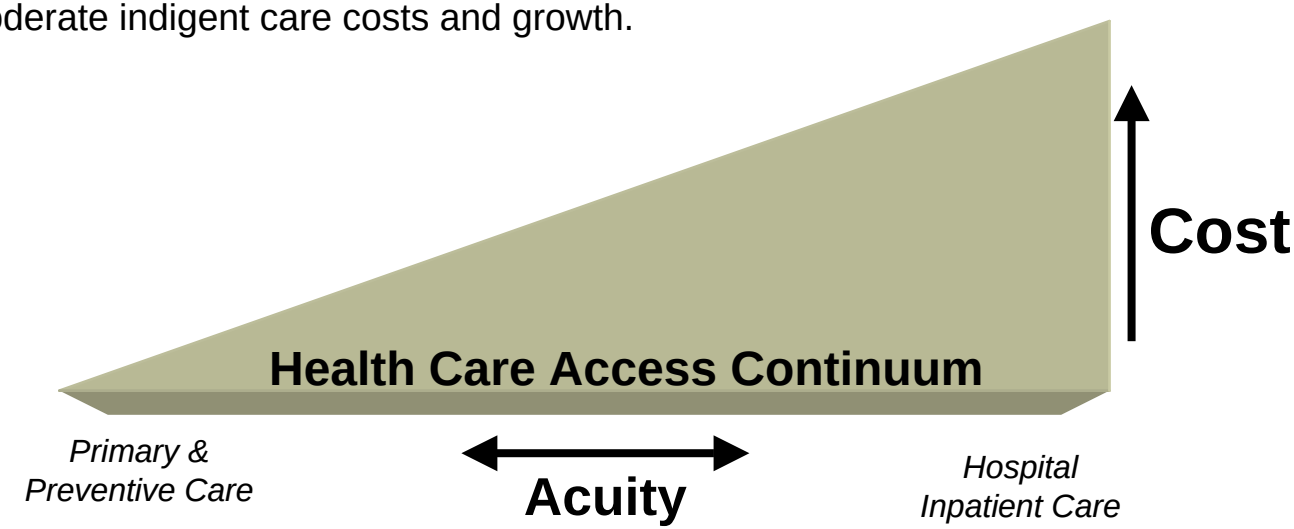
While DSH and UPL can help offset indigent care costs, reform needs to address the underlying dynamics creating these costs.

Medicaid funded indigent care focuses on hospitals and drives how uninsured Texans access healthcare.

Reimbursing hospital providers at the most expensive end of the care continuum does little to address root causes. Improving access to primary and preventive care will moderate indigent care costs and growth.

Current System Investment

The uninsured tend to forgo primary and preventive care until a high acuity, high cost catastrophic health event occurs.



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Federal Pressure on Hospitals: Funding At-Risk

- Recent CMS pressure on Medicaid funding
- CMS Rule: cost limit for public providers
  - One year moratorium expires May 2008
  - Potential impact to Texas hospitals: est. $500 million
- Private UPL CMS deferral: more than $100 million
  - Public providers' IGT to private providers for offset of services to private hospitals

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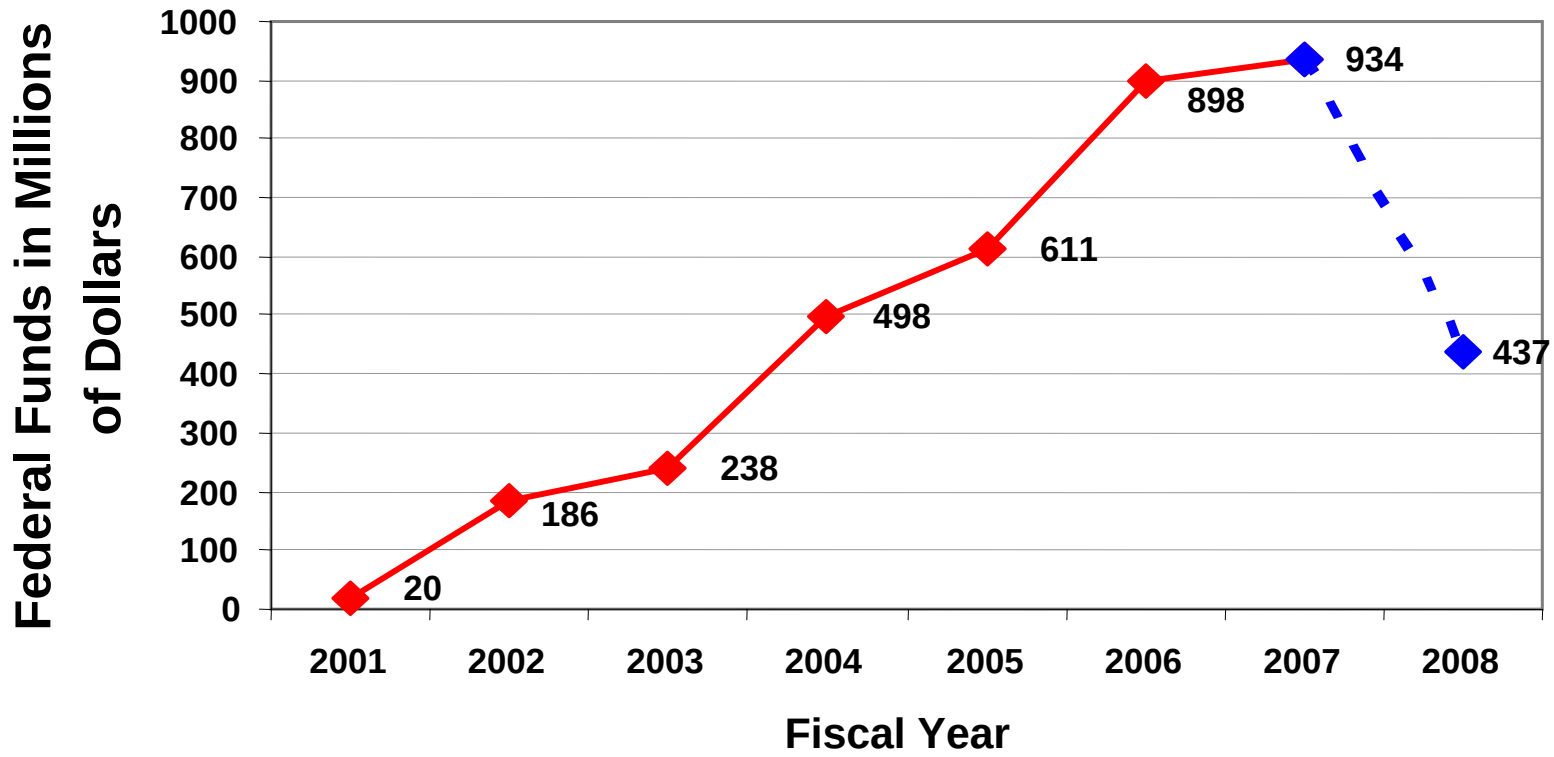
Historic UPL Allocations and Rule Change Impact



Note: Fiscal Year 2006 allocations includes retroactive payments made in fiscal year 2007.

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Concept Paper and Waiver Status and Next Steps

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Waiver Process and Timeline

- **Concept Paper**
  - Describes overall vision and goals, identifies eligible populations for premium assistance programs, benefit and cost-sharing principles, administration and implementation, and high-level sources of financing.
- **Waiver Submission**
  - January 2008
  - More specific information on waiver financing, budget neutrality, and data to support the elements in the concept paper.
  - Special terms and conditions such as reporting requirements and program conditions would be developed and agreed upon following the waiver approval.

HHSC Development of Medicaid Reform Draft Concept Paper

- **HHSC Request for Public Input**
  - HHSC released a request for public input on key decision areas discussed in the draft concept paper (October 26, 2007).

- **Request for Public Input Focused on Premium Assistance Program:**
  - Eligible populations for premium assistance programs
  - Coverage options
  - Subsidy levels and duration
  - Administration and implementation

- **Comments received and considered in the development of the draft concept paper.**

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Draft Concept Paper

- **Introduces Texas Reform**
  - Key goals
  - Reform objectives
  - Creation of a Health Opportunity Pool Trust Fund
  - Target Uninsured up to 200% FPL, providing subsidies to help purchase insurance
  - Restructures federal and state funding and establishes incentives for hospitals to reduce uncompensated care
- **Makes the Initial Case to CMS for Texas Medicaid Reform**
  - 5.5 million uninsured
  - Impacts of being uninsured – poorer health outcomes; increased private insurance costs; over-reliance on safety net providers, emergency rooms; unsustainable pressure on local and state tax-bases
  - Current system encourages seeking healthcare at most expensive access points

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Draft Concept Paper

- **Reviews the Legislative Authority and Consistency with the Affordable Choices Initiative**
  - Restructure Federal, State and local financing to gain flexibility, optimize investments in health care and reduce the number of uninsured
  - Promote consumer choice and responsibility for health and health care with a focus on keeping Texans healthy
  - Promote public-private relationships – employer-sponsored insurance through HIPP and other programs
  - Establish infrastructure to enhance quality and value
- **Reviews Texas Health Insurance Market and Health Care Coverage Challenges**
  - About half of all Texans are privately insured; one-quarter are covered through publicly funded programs; and about one-quarter are uninsured.
  - Texans employed by small businesses are less likely to be offered employer-sponsored insurance
  - Cost of premiums is the primary issue cited for an employer not offering insurance
  - Premiums in Texas are higher than the national average
  - Texans' wages are lower on average than wage rates nationally

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Draft Concept Paper

- **Describes the Target Population for Health Opportunity Pool (HOP) Subsidies**
  - Uninsured Texans up to 200% FPL
  - To implement the program as soon as possible, outlines phased-in approach:
    - Phase I would leverage existing administrative capacity to identify and outreach to the target population. Cover parents in families for whom the state already have certified income data would be initially eligible. (Eligible population is estimated at 480,000 people.)
    - Phase II would have a separate HOP administrative structure, more consumer choice, and cover other uninsured Texans up to 200% FPL. (Eligible population is estimated at 1.7 million people.)
- **Describes Eligibility and Enrollment**
  - Income at or below 200% FPL
  - US citizen or qualifying legal permanent residents
  - Apply for qualifying employer-sponsored insurance and accept coverage, if affordable
  - Excludes:
    - Those eligible for Medicare, Medicaid, or CHIP
    - Those who have had health insurance in the past six months, with exceptions
  - Describes HIPP improvements identified in SB 10; supportive of employer-sponsored insurance
  - Identifies possible pooling of Medicaid, CHIP and HOP premiums to purchase employer sponsored insurance and cover more family members

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Draft Concept Paper

- **Describes Reforms to Indigent Care Delivery and Reimbursement**
  - Hospitals receiving DSH/UPL will have new requirements for initiatives to reduce uncompensated care
  - Additional hospital reporting to support analysis of uncompensated care utilization and costs
  - Seek flexibility for new payment methods to align funding with policy objectives

- **Illustrates Alignment with Deficit Reduction Act Principles**
  - Development of basic benefit packages
  - Encourage employer-sponsored insurance
  - Incorporates cost sharing
  - Possible health savings account – if feasible

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Draft Concept Paper

- **Describes Program Structure**
  - Choice of plans and benefits, including insurance and other coverage options
  - Use market competition to obtain best value in both program phases
  - 12 months of coverage begins when enrollment is completed
  - Requirement to first use subsidy for qualifying employer-sponsored insurance – if affordable
  - Initial coverage for those for whom state has certified income information
  - Subsequent coverage for other individuals under 200% FPL

- **Outlines Program Benefits and Cost-Sharing Principles**
  - Encourage primary and preventive care through insurance or other coverage
  - Design cost-sharing to meet the needs of target populations, minimize crowd-out, and support employer-sponsored insurance
  - Coverages will include basic health benefits as well as a manageable choice of other benefit options
  - Goal of covering the maximum number of uninsured Texans within available funding by focusing on primary and preventive care most needed
  - Goal of administrative simplicity for consumers
  - Everyone has some cost-sharing
  - Sliding Scale premiums above 150% FPL

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Draft Concept Paper

- **Waiver Financing**
  - Establishment of the Texas Health Opportunity Pool (HOP) Trust Fund
  - Use of funds to more efficiently and effectively manage uncompensated care
  - Seek a defined federal budget allocation for DSH and UPL
  - Funds used for subsidies and to support safety net
  - Authority to allow expenditure certification process – obtain federal match through unmatched GR and local programs
- **Budget Neutrality**
  - Without waiver expenditures include DSH, and aggregate UPL
  - Seek more flexibility by funding HOP with total DSH and aggregate UPL funding to invest in more cost-effective health care delivery
  - With waiver expenditures will include HOP subsidies and hospital payments
- **Other Components**
  - Implementation – SFY 2009; with Phase I
  - Evaluation – impact on consumers, providers, insurers
  - Title XIX Waivers sought
  - Public Stakeholder Input:
    - over 1,600 stakeholders on update distribution list
    - over 100 Medicaid Reform meetings, presentations and conference calls with stakeholders

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Reform Considerations

- **Considerations and issues evolve as the process evolves**
- **Budget Neutrality and Waiver Financing**
  - Negotiating with CMS, U.S. Department of Health and Human Services, and the Office of Management and Budget
    - Negotiating an adequate federal funding base is a key request
    - Methodology – protecting Medicaid entitlement is a new approach, and a key request
- **Phased Implementation**
  - Waiver is for five years; CMS starts the five year clock upon waiver approval before implementation starts.
  - Development of specifications, competitive procurements, and administrative infrastructure could take up to two years after waiver approval.
  - In order to implement sooner, Phase I would leverage existing administrative infrastructure and target those for whom we have certified income data
  - Phase II includes development of necessary HOP administrative infrastructure and would extend coverage opportunities broadly
  - HOP funding starts becoming available in September and October 2008.

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Reform Considerations

- **Employer Sponsored Insurance – what qualifies as affordable?**
  - Typical employer-sponsored insurance may have deductibles which are unaffordable at low incomes; or may have coverage less than what a HOP subsidy might provide.
- **Phase I benefit package development**
  - Goals are to maximize the number of people with access to insurance or coverage, offer a benefit package with health care value, discourage crowd-out and support a “glide path” for consumers to purchase their own affordable products as they move up the income ladder
- **Phase II benefits**
  - Under Phase II, the need will exist to provide affordable, low deductible options in the market
- **Encouraging a “culture of insurance” and approaches designed for Texans’ diverse needs**
  - Surveys and discussions describe a “cash culture” within the target population that is more familiar with point of service payments for care. The program should be designed with Texans diverse needs in mind, e.g., no or very low deductibles with sliding scale premiums, and more focus on point of service cost sharing.

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Information About Medicaid Reform

- Website
  - http://www.hhs.state.tx.us/Medicaid/Reform.shtml
  - E-mail alerts
  - Updated information