MEDICAID

What’s the 411?
“Medicaid, What’s the 411” was a presentation by Legislative Budget Board staff for other Legislative Budget Board staff interested in a Medicaid overview.

April 12, 2012
Overview of Presentation

- Brief history of Medicaid
- Eligible population
- Covered services
- Funding
- Underfunding
- Cost-containment in the current biennium
- 1115 Waiver and Managed Care
Medicaid Overview and History

- Joint State/Federal program that provides insurance to certain eligible populations
- Created in 1965 as Title XIX of the Social Security Act
- Established in Texas in 1967
- Administered by the Health and Human Services Commission (HHSC)
Basic Federal Provisions

- **Entitlement**: cannot limit the number of eligible people who can enroll; Medicaid must pay for any covered service
- **State-wideness**: all services available on a statewide basis, not limited to certain locations
- **Comparability**: same level of services must be available to all clients, unless specific exemption is created

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition
Basic Federal Provisions

- Freedom of Choice of Provider: client allowed to go to any Medicaid health care provider who meets program standards
- Sufficient Amount, Duration, and Scope of Services: states must cover each service in an amount, duration, and scope that is reasonably sufficient; limits can only be imposed for clients over age 21

- State can seek approval of a “waiver” program to waive any of the federal provisions requirements

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition
Facts about Texas Medicaid

- 2012-13 Medicaid All Funds appropriations as a percentage of the appropriated Texas budget: 23.4%
- % of Texans living in poverty in 2009: 17.2
- % of Texas children living in poverty in 2009: 24.4
- % of Texans without health insurance in 2009: 25.5
- % of Texas births in FY 2009 paid for by Medicaid: 55.9
Eligible Population in Texas

- Children ages 1-5 up to 133% of the Federal Poverty Level (FPL)
- Children ages 6-18 up to 100% FPL
- Pregnant women and newborns up to 185% FPL
- TANF-eligible parent with children ~12% FPL
- SSI-eligible and disabled population ~74% up to 218% FPL
- Aged and Medicare-related ~74% FPL
- Medically-needy ~21%
Medicaid Eligibility Levels

FEDERAL POVERTY LEVEL

- Pregnant Women & Infants: 185%
- Children 1–5: 133%
- Children 6–18: 100%
- Medically Needy: 21%
- TANF: 12%
- SSI Aged & Disabled: 74%
- Nursing Homes & Waivers: 218%
# Federal Poverty Levels 2011

<table>
<thead>
<tr>
<th>Size of Family Unit</th>
<th>100% FPL</th>
<th>12% FPL</th>
<th>74% FPL</th>
<th>133% FPL</th>
<th>185% FPL</th>
<th>200% FPL</th>
<th>218% FPL</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>$10,890</td>
<td>$1,307</td>
<td>$8,059</td>
<td>$14,484</td>
<td>$20,147</td>
<td>$21,780</td>
<td>$23,740</td>
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<td>2</td>
<td>$14,710</td>
<td>$1,765</td>
<td>$10,885</td>
<td>$19,564</td>
<td>$27,214</td>
<td>$29,420</td>
<td>$32,068</td>
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<td>3</td>
<td>$18,530</td>
<td>$2,224</td>
<td>$13,712</td>
<td>$24,645</td>
<td>$34,281</td>
<td>$37,060</td>
<td>$40,395</td>
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<td>4</td>
<td>$22,350</td>
<td>$2,682</td>
<td>$16,539</td>
<td>$29,726</td>
<td>$41,348</td>
<td>$44,700</td>
<td>$48,723</td>
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<td>5</td>
<td>$26,170</td>
<td>$3,140</td>
<td>$19,366</td>
<td>$34,806</td>
<td>$48,415</td>
<td>$52,340</td>
<td>$57,051</td>
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<tr>
<td>6</td>
<td>$29,990</td>
<td>$3,599</td>
<td>$22,193</td>
<td>$39,887</td>
<td>$55,482</td>
<td>$59,980</td>
<td>$65,378</td>
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<tr>
<td>7</td>
<td>$33,810</td>
<td>$4,057</td>
<td>$25,019</td>
<td>$44,967</td>
<td>$62,549</td>
<td>$67,620</td>
<td>$73,706</td>
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<tr>
<td>8</td>
<td>$37,630</td>
<td>$4,516</td>
<td>$27,846</td>
<td>$50,048</td>
<td>$69,616</td>
<td>$75,260</td>
<td>$82,033</td>
</tr>
<tr>
<td>For each additional person</td>
<td>$3,820</td>
<td>$458</td>
<td>$2,827</td>
<td>$5,081</td>
<td>$7,067</td>
<td>$7,640</td>
<td>$8,328</td>
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</table>
# Medicaid Benefits, Acute Care

<table>
<thead>
<tr>
<th>Mandatory</th>
<th>Optional</th>
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</thead>
<tbody>
<tr>
<td>□ Inpatient hospital services</td>
<td>□ Prescription drugs</td>
</tr>
<tr>
<td>□ Outpatient hospital services</td>
<td>□ Medical care or remedial care furnished by other licensed practitioners</td>
</tr>
<tr>
<td>□ Laboratory and x-ray services</td>
<td>□ Rehabilitation and other therapies</td>
</tr>
<tr>
<td>□ Physician services</td>
<td>□ Clinic services</td>
</tr>
<tr>
<td>□ Medical and surgical services provided by a dentist</td>
<td>□ Primary care case management</td>
</tr>
<tr>
<td>□ Early and periodic screening, diagnostic, and treatment (EPSDT) services for individuals under 21</td>
<td>□ Hearing instruments and related audiology</td>
</tr>
<tr>
<td>□ Family planning services and supplies</td>
<td>□ Renal dialysis</td>
</tr>
<tr>
<td>□ Federally qualified health centers</td>
<td></td>
</tr>
<tr>
<td>□ Rural health clinic services</td>
<td></td>
</tr>
<tr>
<td>□ Nurse midwife services</td>
<td></td>
</tr>
<tr>
<td>□ Certified pediatric and family nurse practitioner services</td>
<td></td>
</tr>
<tr>
<td>□ Home health care services</td>
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</table>

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition
# Medicaid Benefits, Long Term Care

<table>
<thead>
<tr>
<th><strong>Mandatory</strong></th>
<th><strong>Optional</strong></th>
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</thead>
<tbody>
<tr>
<td>☐ Nursing facility (NF) services for individuals 21 or over</td>
<td>☐ Intermediate care facility services for the developmentally disabled</td>
</tr>
<tr>
<td></td>
<td>☐ Inpatient services for individuals 65 and over in an institution for mental diseases (IMD)</td>
</tr>
<tr>
<td></td>
<td>☐ Home and community-based services</td>
</tr>
<tr>
<td></td>
<td>☐ Targeted case management</td>
</tr>
<tr>
<td></td>
<td>☐ Hospice services</td>
</tr>
<tr>
<td></td>
<td>☐ Services furnished under a Program of All-Inclusive Care for the Elderly (PACE)</td>
</tr>
</tbody>
</table>

Source: HHSC Texas Medicaid and CHIP in Perspective, 8th Edition
Medicaid Funding

- Jointly funded by state and federal government
- Federal Medical Assistance Percentage (FMAP)
  - A state’s FMAP is based on a state’s three-year average per capita income relative to the national per capita income.
  - Texas received an enhanced FMAP under ARRA which significantly decreased the General Revenue demand in fiscal years 2009-2011.
Federal Medical Assistance Percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>Regular FMAP</th>
<th>ARRA-Enhanced FMAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>60.58%</td>
<td>68.26%</td>
</tr>
<tr>
<td>2009</td>
<td>59.53%</td>
<td>70.85%</td>
</tr>
<tr>
<td>2010</td>
<td>58.79%</td>
<td>67.33%</td>
</tr>
<tr>
<td>2011</td>
<td>60.41%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>58.42%</td>
<td></td>
</tr>
<tr>
<td>2013*</td>
<td>59.21%</td>
<td></td>
</tr>
</tbody>
</table>

*GAA assumed 57.37 percent FMAP in FY 2013

Source: LBB Fiscal Size-up 2012-13
Other Medicaid Match Rates

- Program administration: 50%
- Compensation and training of professional medical personnel or quality control peer review organization: 75% Federal
- Family Planning, Medicaid fraud unit, and development of automatic claims processing systems: 90% Federal
- Breast and Cervical Cancer Program: Enhanced FMAP (Children’s Health Insurance Program matching rate; in FY 2012, EFMAP is 70.89%)
- New eligible population under PPACA in 2014-16: 100% Federal (does not cover “Welcome Mat” effect for currently eligible but not enrolled)
Medicaid Funding

- Funding levels are driven by caseloads, medical costs (including rates), and service utilization.
- There are certain supplemental payments outside of the appropriation process: Disproportionate Share Hospital (DSH) and 1115 Waiver Supplemental Payments (formerly Upper Payment Limit, UPL).
Provider Reimbursement Rates

- HHSC has rate-setting authority for provider reimbursement rates. Rates are typically lower than Medicare rates.
- As part of the 5% and 2.5% reductions plans of the 2010-11 biennium, HHSC lowered Medicaid provider reimbursements rates for most services by 2%.
- GAA, Article II, Special Provisions Section 16, outlines additional provider rate reductions for the 2012-13 biennium.
- GAA, Article II, Special Provisions Section 15, requires LBB approval of certain rate changes.
Funding Levels

Medicaid Expenditures, 2000-2013
All Funds

Source: HHSC CMS 37 Report, November 2011
## Medicaid Funding

### IN BILLIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost-Containment, All Funds</th>
<th>Supplemental Need, All Funds</th>
<th>Federal Funds</th>
<th>Stimulus Federal Funds</th>
<th>General Revenue/General Revenue-Dedicated/Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$18.7 (59.8%)</td>
<td>$3.0 (8.4%)</td>
<td>$11.2 (40.2%)</td>
<td>$0.0</td>
<td>$7.5</td>
</tr>
<tr>
<td>2009</td>
<td>$21.0 (58.6%)</td>
<td>$3.3 (8.4%)</td>
<td>$12.3 (33.0%)</td>
<td>$1.8</td>
<td>$6.9</td>
</tr>
<tr>
<td>2010</td>
<td>$23.0 (58.1%)</td>
<td>$3.9 (11.6%)</td>
<td>$13.3 (30.3%)</td>
<td>$2.7</td>
<td>$7.0</td>
</tr>
<tr>
<td>2011*</td>
<td>$24.8 (59.6%)</td>
<td>$4.6 (6.5%)</td>
<td>$14.8 (33.9%)</td>
<td>$1.6</td>
<td>$8.4</td>
</tr>
<tr>
<td>2012**</td>
<td>$25.8 (53.3%)</td>
<td>$5.3 (7.5%)</td>
<td>$13.8 (39.2%)</td>
<td>$0.0</td>
<td>$10.1</td>
</tr>
<tr>
<td>2013**</td>
<td>$27.1 (36.7%)</td>
<td>$6.4 (8.4%)</td>
<td>$8.4 (31.2%)</td>
<td>$0.0</td>
<td>$6.4</td>
</tr>
</tbody>
</table>

*Estimated

** Total projected need prior to legislative action

Source: LBB Fiscal Size-up 2012-13
Medicaid Under-funding

- Challenges of the 82\textsuperscript{nd} Legislature specific to Medicaid:

Replace Federal Funds associated with ARRA-FMAP

+ regular program growth

= increase General Revenue demand

+ limited General Revenue

+ challenging political climate

+ entitlement nature of Medicaid

= decision to underfund Medicaid
Medicaid Under-funding

- GR demand of $7.3 billion above 2010-11
- Cost Containment Initiatives in GAA: $1.8 billion GR
- GAA appropriated $0.7 billion GR above 2010-11
- Article IX Contingency Appropriation: $0.5 billion GR
- More favorable 2013 FMAP: $0.4 billion GR

- Brings estimated shortfall (supplemental need in fiscal year 2013) to $3.9 billion GR

Source: LBB Fiscal Size-up 2012-13
Cost Containment in 2012-13

- Variety of cost containment initiatives included in the GAA and in Senate Bill 7, 82nd Leg, First Called
  - Rate Reductions: $575 million GR
  - Managed Care Expansion: $386 million GR
  - Article II, Special Provisions Sec 17: $705 million GR
  - HHSC, Rider 61: $450 million GR
  - HHSC, Rider 59: $700 million in Federal Flexibility
  - Other GR savings included in GAA: $63 million GR
  - Total savings target is $2.9 billion GR
1115 Waiver

- **Authorized managed care expansion**
  - Expansion into South Texas;
  - Expansion in existing areas;
  - Reconfiguration into Medicaid Rural Service Areas;
  - “Carve-in” vendor drug program and inpatient hospital;
  - Dental capitation for children

- **Re-constructed the supplemental payment system previously known as Upper Payment Limit**
  - Hospitals will join regional partnerships to draw down supplemental funds to cover:
    - Uncompensated Care Costs
    - Delivery System Reform Incentive Payments
Future of Medicaid?

- Supplemental funding in fiscal year 2013?
- Cost Containment achievement and sustainability?
- Patient Protection and Affordable Care Act impact?
- Access to affordable services for low income, elderly, and disabled populations?