Overview

Medicaid is a jointly-funded State/Federal program providing health insurance primarily to low-income parents, non-disabled children, pregnant women, the elderly, and people with disabilities. As a requirement of participation, states must cover certain groups and have the option to cover additional groups.

The Health and Human Services Commission (HHSC) is the single state agency responsible for Texas’s Medicaid program, but services are administered by a variety of state agencies.
Basic Federal Requirements

• **Entitlement:** any eligible person may enroll.

• **Statewideness:** states cannot limit available services to specific geographic locations.

• **Comparability:** same level of services available to all clients.

• **Freedom of Choice of Provider:** clients may see any Medicaid health care provider who meets program standards.
Waivers

The U.S. Secretary of Health and Human Services has broad authority to waive statutory and regulatory provisions, allowing states to test new ways of delivering and paying for services. For example:

- **Section 1115 demonstrations** do not require statewideness, comparability, or freedom of choice of provider; and

- **1915(c) waivers** allow states to provide long-term-care services in home and community-based settings and may be implemented in limited geographic areas with comparability of services with non-waiver enrollees not required.
Budget Drivers: Caseload and Cost

Medicaid expenditures are primarily a function of two factors: caseload and cost.

• As caseloads increase or decrease (due to factors such as population growth, the economy, or policy changes), Medicaid expenditures fluctuate.

• Medicaid expenditures also fluctuate as a result of cost growth (tied to rate changes, medical inflation, utilization, and acuity), which can be negative or positive.
Medicaid Average Monthly Full-Benefit Caseload by Enrollment Group
Fiscal Years 2006 to 2020

NOTES:
(1) Other adults includes TANF Adults, Pregnant Women, Medicaid for Breast and Cervical Cancer, and Medically Needy clients.
(2) Actual caseloads as reported by Health and Human Services Commission as of December 2020.
SOURCES: Legislative Budget Board; Health and Human Services Commission.
Medicaid Monthly Full-Benefit Caseload by Enrollment Group Fiscal Year 2020

NOTES:
(1) Other adults includes TANF Adults, Pregnant Women, Medicaid for Breast and Cervical Cancer, and Medically Needy clients.
(2) Actual caseloads as reported by Health and Human Services Commission as of December 2020.
SOURCES: Legislative Budget Board; Health and Human Services Commission.

March 18, 2020 — Texas must provide continuous coverage to Medicaid beneficiaries who were enrolled in Medicaid on or after this date in order to receive increased federal financial participation.

Jan. 27, 2020 — Secretary of HHS declares Public Health Emergency.

IN MILLIONS
Cost Growth

The primary factors contributing to cost growth include the following:

- **Rate Changes**: Adjustments to reimbursements to providers.
- **Medical Inflation**: Growth in costs related to how health care is delivered and what services are available.
  - Technological and other medical advances.
  - Increases in the cost of prescription drugs.
- **Utilization**: Changes in how many services are accessed.
- **Acuity**: Relative health of persons enrolled in the program.
Medicaid Funding by Method of Finance
Fiscal Years 2000 to 2023

NOTES:
(1) Fiscal years 2000 to 2019 are expended, fiscal years 2020 through 2023 are amounts included in the Legislative Budget Estimates, House.
SOURCE: Legislative Budget Board.
Financing

Financing of the Medicaid program is based on an array of matching rates that determine the amount of state funds (General Revenue, General Revenue-Dedicated, and Other Funds) and the amount of Federal Funds.

The primary matching rate for client services is the Federal Medical Assistance Percentage (FMAP).

- Each state has a different FMAP based on its per capita personal income (PCPI) relative to the nation’s PCPI.
  - Federal Fiscal Year (FFY) FMAP is generally announced in November of the previous FFY.
  - FMAP is based on the three most recent years of income data available.
  - FFY 2022 FMAP was announced in November 2020 (FFY 2021) based on PCPI data for calendar years 2017 through 2019.
- State FMAPs can range from 50 to 83 percent.
  - Below 55 percent: states with PCPI higher than the national average.
  - Above 55 percent: states with PCPI below the national average.
NOTES:
(1) FMAPs are for federal fiscal year (FFY) and do not reflect increased FMAPs related to the Families First Coronavirus Response Act that applies from the first quarter of FFY 2021 and until the second quarter of FFY 2022 and may be extended further.
(2) FFY 2023 is projected.
SOURCES: Legislative Budget Board; U.S. Department of Health and Human Services; Bureau of Economic Analysis; U.S. Census Bureau.
Families First Coronavirus Response Act
FMAP Increase

- The Families First Coronavirus Response Act (FFCRA) provides for a 6.2 percentage point increase in FMAP
- Available from January 1, 2020 through the last day of the federal fiscal quarter in which the public health emergency (PHE) declared by the Secretary of Health and Human Services ends
  - States will be provided 60 days notice prior to termination of PHE
  - Currently guaranteed from January 1, 2020 through June 30, 2021

<table>
<thead>
<tr>
<th></th>
<th>Without Increase</th>
<th>With Increase (as applicable)</th>
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<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
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<tr>
<td>FFY 2020</td>
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<tr>
<td>Federal Share</td>
<td>60.89%</td>
<td>60.89%</td>
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<tr>
<td>State Share</td>
<td>39.11%</td>
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<tr>
<td>FFY 2021</td>
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<tr>
<td>Federal Share</td>
<td>61.81%</td>
<td>68.01%</td>
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<tr>
<td>State Share</td>
<td>38.19%</td>
<td>31.99%</td>
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</table>

- States must provide continuous coverage, through the end of the month in which the PHE ends, to all Medicaid beneficiaries who were enrolled in Medicaid on or after March 18, 2020
- Initially results in General Revenue savings, but the cost to maintain coverage will eventually exceed any General Revenue savings
Other Matching Rates

Certain Client Services

Higher matching rates are available for certain client services. Examples include:

- Enhanced FMAP (EFMAP)
  - 30 percent reduction to the state share under FMAP
  - Applies to Medicaid for Breast and Cervical Cancer
- 90/10 - Family planning services
- Community First Choice
  - 6 percentage point increase to FMAP
  - Applies to certain long-term-care services

Administration

Most administrative services are matched at 50 percent. Examples of other administrative matching rates include:

- 90/10 - Design, development, or installation of an approved Medicaid Management Information System (MMIS) for claims and information processing
- 75/25
  - Operation of an approved MMIS for claims and information processing
  - Activities conducted by skilled medical professionals
  - Certain medical and utilization review activities
  - Certain external quality review activities
  - Operation of a state Medicaid fraud control unit
# Medicaid Funding

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2022-23</th>
<th>Biennial Change</th>
<th>Percentage Change</th>
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<tbody>
<tr>
<td>General Revenue</td>
<td>$26,387.4</td>
<td>$27,352.4</td>
<td>$965.0</td>
<td>3.7%</td>
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<td>General Revenue-Dedicated</td>
<td>$124.6</td>
<td>$124.6</td>
<td>$0.0</td>
<td>0.0%</td>
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<tr>
<td>Other Funds</td>
<td>$480.2</td>
<td>$534.3</td>
<td>$54.2</td>
<td>11.3%</td>
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<td>Federal Funds</td>
<td>$47,931.5</td>
<td>$46,207.8</td>
<td>($1,723.7)</td>
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<tr>
<td>All Funds</td>
<td>$74,923.7</td>
<td>$74,219.2</td>
<td>($704.5)</td>
<td>(0.9%)</td>
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</table>

Less favorable FMAPs result in a lower proportion of the program being funded with Federal Funds.

The 2020-21 base includes $1.8 billion in General Revenue Funds above the 2020-21 General Appropriations Act and reflects revenue adjustments, transfers, and assumed supplemental funding.
Medicaid funding supports three major functions.

- Medicaid program client services, which are funded in Goal A at HHSC
- Other programs providing client services where Medicaid is a source of funding
  - Examples include the Healthy Texas Women (HTW) program, the Early Childhood Intervention (ECI) program and State Supported Living Centers (SSLCs)
- Administration of these programs including the following:
  - Direct administration of and contracts for the Medicaid program
  - Other administrative function where Medicaid is a source of funding
Contact the LBB

Legislative Budget Board
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