Expanding Medicaid
Managed Care in Texas–
The Right Dosage For Texas Recipients
Despite financial troubles across the globe, Texas weathered the economic storm better than any place in America; in large measure due to state leaders passing sound public policy. From championing fiscal restraint to reducing lawsuit abuse, from public education to worker’s compensation reform, the Texas Association of Business (TAB) has led the fight on the toughest legislative battles to date.

The State of Texas is now facing a multi-billion dollar budget shortfall in the next biennium. In the midst of the back-and-forth attempts between agencies and leaders to identify and root out waste, TAB believes ridding the State’s ledgers of fraud and abuse must be priority number one.

Nowhere can we identify potential savings easier than in the health care arena. By expanding the Medicaid managed care system in Texas, we can save over $160 million in the next three years. What’s even better than the savings? Increasing the access and quality of health care services to thousands of Texas citizens, while saving business and taxpayer dollars.

TAB is committed to ensuring that families across Texas have top-notch access to health care and excellent quality of care, all while producing a cost savings. The sky-rocketing health care costs in the three exempted Texas counties are adding tens of millions of unnecessary dollars to our tax burden. Read what’s inside the report that our team put together. The following pages, and the answers contained within, may shock you.

Texas knows Medicaid managed care works—both for the Medicaid recipients and for Texas’ budget. The employers and citizens of Texas deserve to have the best costs and the best access to health care services throughout our entire state.

Bill Hammond
President, Texas Association of Business
Expanding Medicaid Managed Care in Texas is Critical to Texas’ Fiscal Strength

Texas has the strongest economy in the nation and has effectively weathered the storm of a recession—but now is not the time to breathe a sigh of relief. Economic forecasters predict that Texas’ budget in the next biennium will see a shortfall of $12 to $15 billion.1 How will this gap be filled? Options include cleaning out the Rainy Day Fund, cutting state programs or raising taxes. Our Texas legislative leaders will have to make tough fiscal decisions in order to balance the budget—and the time is now to identify the best ways to do so.

The Texas Association of Business (TAB) believes that the first needed “cut” would actually be a net gain for all Texans. Expanding Medicaid managed care (MMC), and in particular STAR and STAR+PLUS, in Texas would not only produce savings, it would also improve the quality of life for thousands of citizens by improving access to appropriate health care.

Medicaid is a health care program for eligible Texas individuals and families with low incomes and resources. Medicaid is jointly funded by the states and by the federal government but it is managed by the states. The program provides needy Texans with access to health care that they could not otherwise afford.2 TAB believes without question that helping those in need is right thing to do. However, TAB also knows that when the bulk of taxpayer money is at stake, access to the best quality of health care must go hand-in-hand with being fiscally responsible.

Medicaid Program Managing to Waste Taxpayer Monies Unnecessarily

While it comes as no surprise that Medicaid is the single most costly item in our State’s budget, the fact is that expanding MMC in Texas would provide significant savings.3

In 2001, 1.7 million people were enrolled in the Texas Medicaid Program. By the end of 2007, there were 2.9 million enrollees. During this same time period, State and Federal Medicaid spending increased by 100 percent.4

In January 2009, the annual caseload trend in Medicaid was at a growth rate of 2.7 percent. By February, this number had grown to 4 percent and two months later it was at 5.2 percent. By last summer, the caseload trend was in the 8 percent to 9 percent range and in December, the annual caseload was still growing at an 11.6 percent clip. While the number has dropped slightly since that time, it is still hovering around 11 percent.

Health and Human Services Commission (HHSC) Commissioner Suehs stated that these huge numbers make it nearly impossible to properly forecast how much Texas will have to spend on Medicaid during the next biennium. The Commissioner further estimated that it will cost roughly $2 billion just to keep up with caseload growth.5

The Texas Association of Business has repeatedly spread the message that in ALL areas of government, more money does not necessarily mean better service, and the Texas Medicaid Program is no exception.

Medicaid Managed Care Works

In Texas, more than 1.3 million Medicaid individuals, or about 73 percent of the State’s
Medicaid population, are enrolled in a managed care program. External quality review organizations, which focus on evaluating quality outcomes and the timeliness of, and access to, care and services provided to Medicaid beneficiaries, and are regulated by the State, find that Texas’ MMC programs meet or exceed expectations in the quality of health care, access to health care and in client satisfaction.

Despite MMC’s success and the strong evidence of over-utilization of medicine in fee-for-service based areas, 350,000 Medicaid recipients in the Rio Grande Valley are excluded from MMC programs. This exemption was the result of a floor amendment to House Bill 2292 (78th Regular Session) in 2003.

While this exclusion is not only detrimental to the State in terms of direct-cost savings for the portion of the Medicaid population, it also works against a larger, coordinated effort to manage Medicaid’s skyrocketing costs. Because MMC is not uniformly available or consistently applied in Texas, the ability to offer services to MORE Medicaid recipients, while generating greater savings through a capitated service model—such as STAR and STAR+PLUS—is severely impaired.

For example, because the demand for the Texas Department of Aging and Disability Services community-based alternative (CBA) services outweighs available resources, Medicaid recipients’ names are placed on a CBA interest list until funding is available. Interest lists operate on a first-come, first-serve basis. When a person’s name comes to the top of the list, he or she will be contacted by a caseworker. Currently, there are around 30,000 people on the CBA interest list. What is unfortunate is that, in some circumstances, waiting times for those on the list can be several years.

Of the 30,000 people currently on the CBA interest list, just over a third of them receive Supplemental Security Income (SSI). SSI is a federal cash assistance program for low-income elderly and persons with disabilities. These individuals are automatically eligible for Medicaid and automatically eligible for CBA waiver services in counties where STAR+PLUS is available. There are just over 5,000 SSI recipients on the CBA interest list who reside in the Rio Grande Valley. Simply stated, this means that if the STAR+PLUS model was expanded to their area, then these individuals would automatically, and immediately, come off the CBA interest list and receive services.

Further, this scenario would allow for a more equitable distribution of Medicaid funds because the appropriated monies would trickle down the interest lists to other counties in the State, instead of being so heavily concentrated in the Rio Grande Valley. Counties benefitting from a more equitable distribution of state Medicaid dollars would include:

- Bell County
- Bowie County
- Gregg County
- Jefferson County
- Smith County
- Starr County
- Taylor County
- Webb County
- And many others counties….

The fact is, the number of Medicaid recipients is increasing. Health care costs are skyrocketing. Texas will be facing significant budget challenges in the 2011 Legislative Session. A sense of urgency exists and the need to go forth with improvements and cost containments in Medicaid in the Rio Grande Valley is critical. Programs are available right now to provide quality, coordinated health care services and enhanced benefits to more Texans at lower costs.

Historical Data Supports the Benefits of Medicaid Managed Care

MMC grew rapidly in the 1990s. In 1991, 2.7 million beneficiaries nationwide were enrolled in some form of managed care. By 2004, that number had grown to 27 million, an increase of 900 percent. Of the total Medicaid enrollment in the United States in 2004, approximately 60 percent were receiving Medicaid benefits through managed care. All states (except Alaska, New Hampshire and Wyoming) have all, or a portion of, their Medicaid population enrolled in a managed care program.
MMC models, such as STAR and STAR+PLUS, have a ten-year, successful track record in Texas. Proven benefits include:

- **Increased accountability.** STAR and STAR+PLUS provide for a level of accountability that is not possible in the unmanaged, fee-for-service world. STAR and STAR+PLUS health plans are contractually responsible for providing their members with medically necessary services for a fixed payment amount. The delivery and the cost for these services are monitored and accounted for by the State. STAR and STAR+PLUS health plans also provide an additional level of review for potential Medicaid fraud and abuse.

- **Better coordinated and quality health care.** STAR and STAR+PLUS provide care coordination, which assists in locating specialist providers and in-member outreach. Care coordination has reduced burdens on physicians and their employees, while at the same time providing better outcomes. Member satisfaction ratings are consistently higher than non-managed care Medicaid recipient satisfaction ratings. STAR and STAR+PLUS focus on preventative measures to keep their members healthy.

- **Greater savings.** HHSC estimates suggest that an expansion of the STAR and STAR+PLUS programs to the Rio Grande Valley could save the State $46 million in 2010-11 and $122 million in 2012-13. In other words, expanding MMC programs will result in huge savings to General Revenue—savings to the tune of $160 million over the next three years.

- **Increased number of private sector jobs.** Full expansion of STAR and STAR+PLUS has the potential to create 1,700-2,400 new jobs in the Rio Grande Valley over the next biennium. MMC programs have stringent contracts that contain a significant number of local protections, such as requiring the programs to hire full-time employees in local, service areas. There is no question that private sector job creation plays a significant role in reducing poverty, as many studies have confirmed. Creating and maintaining private sector jobs that generate tax revenue is another way of keeping Texas’ budget woes at bay.

Comparing Similar Demographic Profiles Illustrates the Effectiveness of MMC

*WHY ARE THE COSTS SO ENORMOUSLY DIFFERENT?*

Texas recently received national attention after The New Yorker published an article that highlighted the disparities of costs and health care services provided in McAllen, Texas versus El Paso, Texas. Despite demographic similarities, medical spending grew about five times faster in McAllen than in either El Paso or in the United States as a whole. In return, McAllen got more medicine and more services (i.e. more tests, more surgeries, and more time in waiting rooms). What is the most telling is that McAllen also scored lower than El Paso (and the U.S. average) in measures of health care quality. Interestingly enough, McAllen is located in a county where Texas is prohibited by statute from expanding MMC, while El Paso has an MMC program.

**Economic Impact on Business**

Texas businesses pay 62 percent of the combined state and local taxes. Therefore, employers have a major stake in how efficiently and effectively the coordination, management and supply of health...
care services is being rendered in Texas, and how the demand for these services is being met.

While the business community is sensitive in taking into account the Rio Grande Valley’s mix of poverty and chronic illnesses, it also believes that independent assessments and recent media reports clearly demonstrate that “costlier care doesn’t mean better care.” Employers want equity, and they believe that every Medicaid service area should use the method of service delivery that is the most efficient and that constitutes the most effective use of tax dollars.

The Texas Legislature needs to continue to take steps to ensure that Medicaid services are being delivered as effectively as possible across the State, without compromising quality of health care or access. Again, the gains that Texans could see from the expansion of Medicaid managed care into the Rio Grande Valley are numerous: contained health care costs; coordinated care to improve quality; reductions in the inappropriate utilization of emergency rooms and hospitals services; and reductions in some forms of Medicaid fraud.

With more counties enrolled in an MMC program, Texas will have greater degree of budgetary certainty and the Medicaid enrollee will receive a higher quality of care. Texas must act now to increase access to health care, improve quality of health care, and reduce taxpayer-funded health care costs by expanding MMC into the Rio Grande Valley.

The State of Texas, its taxpayers and its businesses are being forced to pay for the waste, fraud, and over-utilization of health care services in the Rio Grande Valley, while many citizens’ health care needs remain unattended. Texans in the Rio Grande Valley cannot continue to afford the lack of access to a quality, coordinated system of health care that MMC would afford them.

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**MMC Testimonials**

- **“Mike,”** an 18 year-old member, spent 36 days in the Intensive Care Unit after being involved in an accident resulting in severe brain injury and coma. Mike had multiple needs that were not available in his Service Area. A MMC case manager was assigned to meet Mike’s needs. The case manager educated Mike’s caregiver about what to expect during and after hospitalization, and arranged for Mike to receive specialized treatment from a non-network inpatient rehabilitation facility. Prior to discharge, the case manager arranged for durable medical equipment, home health services and outpatient therapies. Following discharge, the case manager coordinated community services, including a daycare program and other special programs. Today, Mike continues in the daycare, and his family has the necessary skills, knowledge and services to incorporate his needs into their daily routine.

- **“Mary”** is a member with aphasia (unable to speak) as a result of two strokes. She is also unable to read or write. She lives alone and has no family in the area. A Member Connections Representative through home visits has been able to help her select a Primary Care Provider, schedule appointments, arrange transportation, and assist with new patient paperwork. She also assists Mary by reading and explaining information from her doctor and the health plan to her.

- **At age 62, “Maria”** fractured her ankle and spent six months in a nursing home. Wanting to live on her own, she turned to a MMC program. Through the help of her coordinator, Maria was able to develop a plan to return home and Linda, her MMC Coordinator, helped Maria with all the services she needed to live at home, including ordering a wheelchair and having a nurse visit daily. “I could not have taken care of myself without these services,” Maria said. Maria felt that Linda went above the call of duty. “Linda was a friend to me in a time of much stress and worry.”
Endnotes


ii http://www.hhsc.state.tx.us/medicaid/reports/PB7/BookFiles/Chapter%201.pdf

iii Id.

iv HHSC document presented to the Article 2 Budget Workgroup.

v Texas Health and Human Services, “Final Count, Medicaid Enrollment by Month,” http://www.hhsc.state.tx.us/research/MedicaidEnrollment/meByMonthCompletedCount.html.

vi Commission Suehs comments during an address to the Texas Hospital Association on Feb 17th, 2010. Article can be found at Quorumreport.com.

vii http://www.hhsc.state.tx.us/medicaid/reports/PB7/BookFiles/Chapter%205.pdf

viii http://www.hhsc.state.tx.us/News/post78/HB2292_Summary.html


x http://www.ssa.gov/pubs/11015.html#1

xi http://www.hhsc.state.tx.us/research/MedicaidEnrollment/MedicaidEnrollment.asp

xii http://www.mfc.org/legmanual/healthcare%201.pdf


xv HHSC document presented to the Article 2 Budget Workgroup.

xvi http://www.smeru.or.id/report/workpaper/impactprivatesectorgrowth/impactprivatesectorgrowth.pdf

xvii http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande

xviii Id.

xix http://www.window.state.tx.us

xx http://www.newyorker.com/reporting/2009/06/01/090601fa_fact_gawande