Presentation to the House Appropriations Committee

September 8, 2022

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Services

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Medicaid and CHIP Services

Stephanie Stephens, State Medicaid Director

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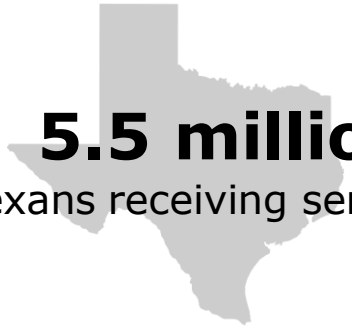
Impact Perspective



5.5 million
Texans receiving services

- **18%** of Texans covered
- **51%** of Texas births covered by Medicaid
- **50%** of Texas children on Medicaid or CHIP
- **57%** of nursing home residents covered by Medicaid

Medicaid is an entitlement program
Federal funding is open ended to provide eligible services to eligible persons

CHIP is not an entitlement program
Federal funds are capped -when a state's CHIP funds are spent, no more are available

Numbers are approximate. This information is as of May 2022.
The Families First Coronavirus Response Act requirement to maintain eligibility for enhanced federal match has increased caseload.

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Who is Eligible for Medicaid?

Federal law

- Requires coverage of certain populations and services
- Gives flexibility for states to cover additional populations and services

Financial Criteria

How the applicant's income compares to the definition of the federal poverty level (FPL) for annual household incomes

Non-Financial Criteria

- Age
- Residency
- Citizenship or alien status

Varies by program

Eligible Population Categories

 Children and Youth

 Parents and Caretaker Relatives

 Women

 People Age 65 and Older

 Children and Adults with Disabilities

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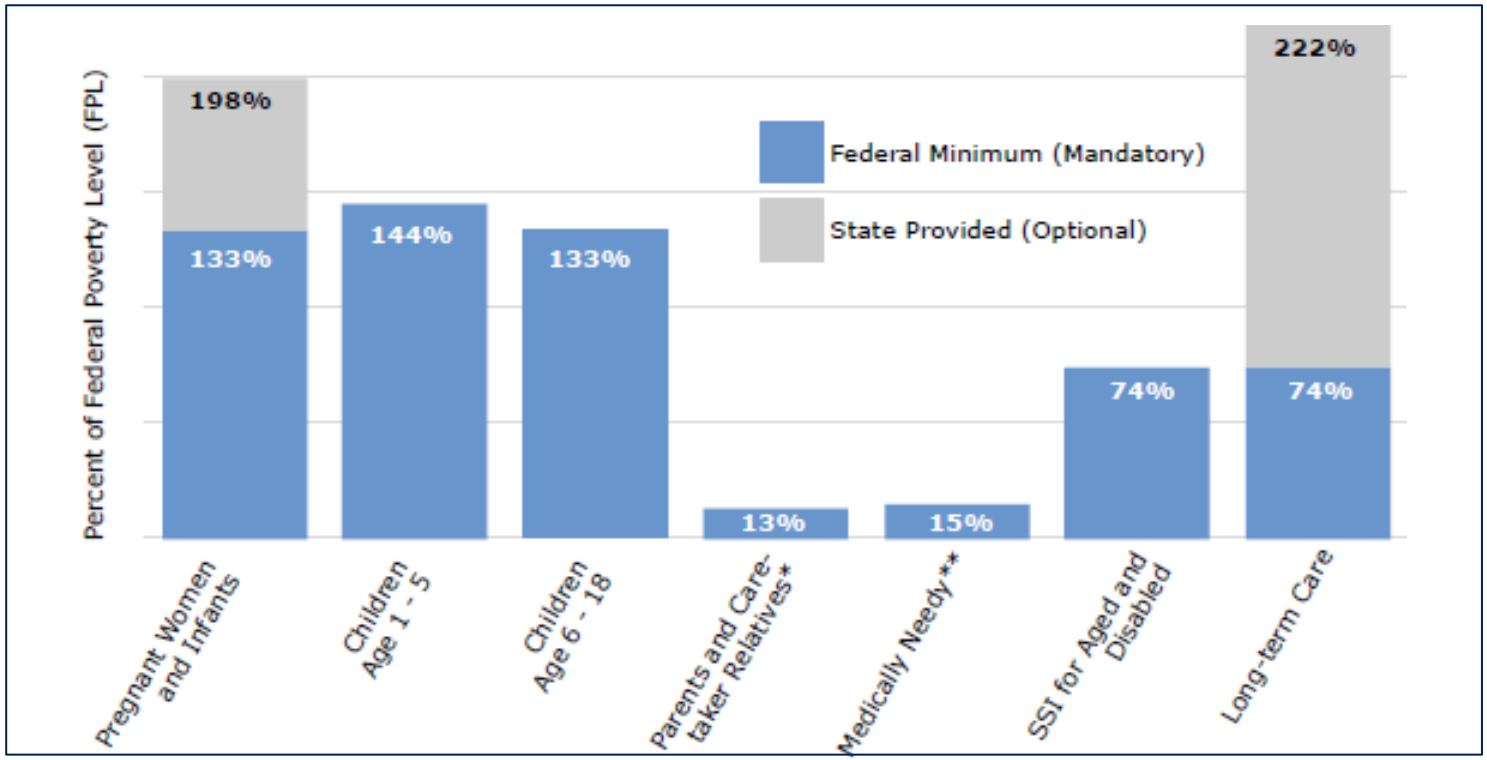
Texas Medicaid Income Eligibility Levels



This figure reflects eligibility levels as of March 2020.
*For Parents and Caretaker Relatives, the monthly income limit in SFY 2020 was $230 for a family of three or about 13 percent of the FPL.
**For Medically Needy children and pregnant women, the monthly income limit in SFY 2020 is $275 for a family of three or about 15 percent of the FPL.
Healthy Texas Women (HTW) is a demonstration waiver program with an income limit of 204.2% FPL.

More information on eligibility criteria for Medicaid and CHIP can be found in Chapter 1 of the Texas Medicaid and CHIP Reference Guide.

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Primary Medicaid and CHIP Services

	Acute Care Services	Preventative care, diagnostics and medical treatments *Examples: Physician, inpatient and outpatient hospital services, laboratory, x-ray services*
	Long-term Services and Supports	Support with ongoing, daily activities for individuals with disabilities and older adults *Examples: Community-based care, personal assistance with activities of daily living (cleaning, cooking), nursing facility services*
	Behavioral Health Services	Screening and treatment for mental health conditions and substance use disorders (SUD) *Examples: Mental health rehabilitation, medication assisted therapy for SUD, psychological and neuropsychological testing*
	Medical Transportation Services	Non-emergency medical transportation (NEMT)
	Pharmacy Services	Coverage for prescription drugs

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Two Models for Service Delivery

1 Managed Care

95% of clients

- A managed care organization (MCO) is paid a capitated rate for each member enrolled
- MCOs provide a medical home through a primary care physician (PCP) and referrals for specialty providers, when needed
- MCOs negotiate rates with providers
- MCOs may offer value-added services

2 Fee-for-Service (FFS)

5% of clients

- Clients go to any Medicaid provider
- Providers submit claims directly to HHSC's administrative services contractor for payment
- Providers are paid per unit of service
- Most FFS clients do not have access to service coordination

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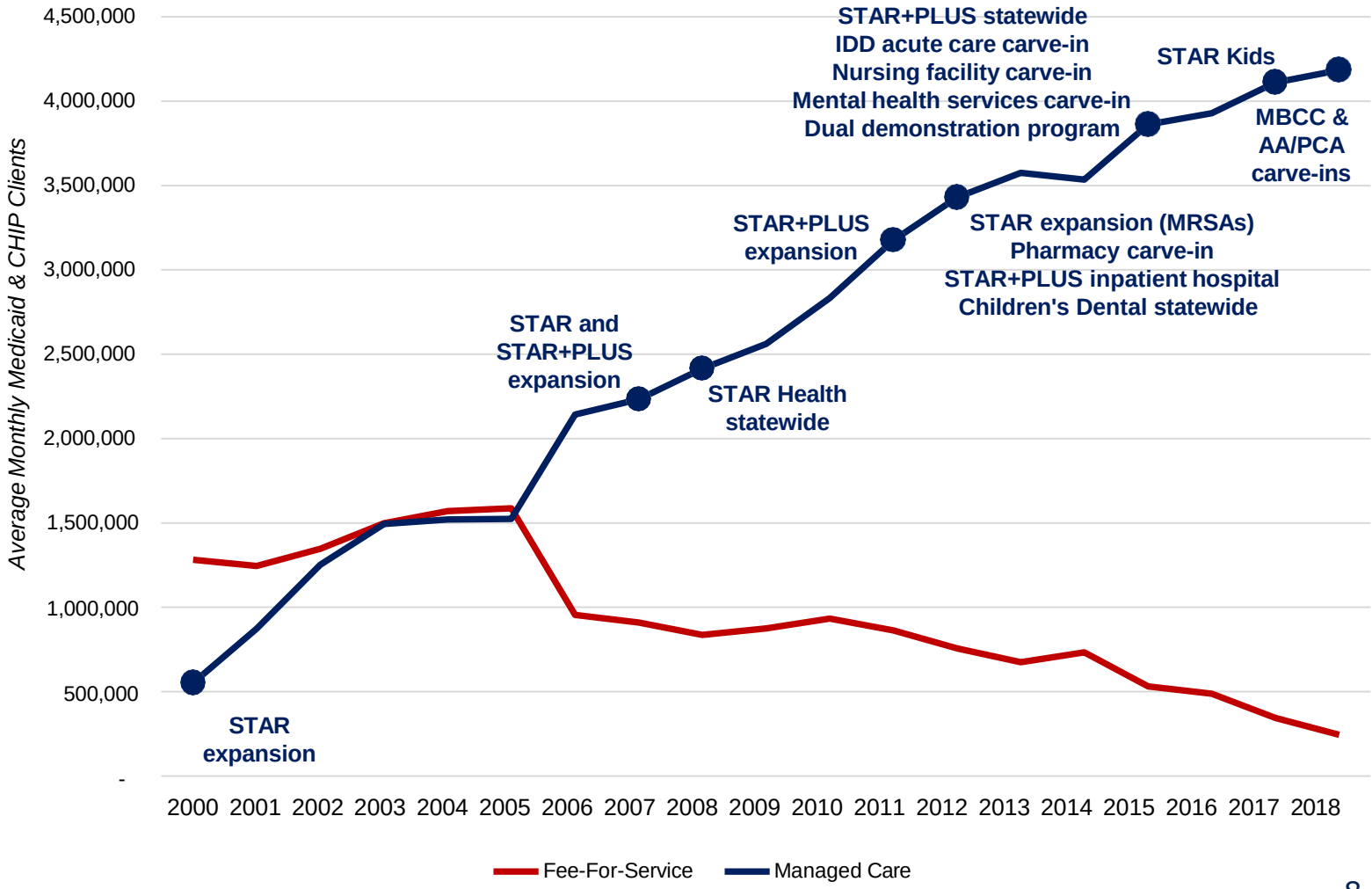
Managed Care Growth



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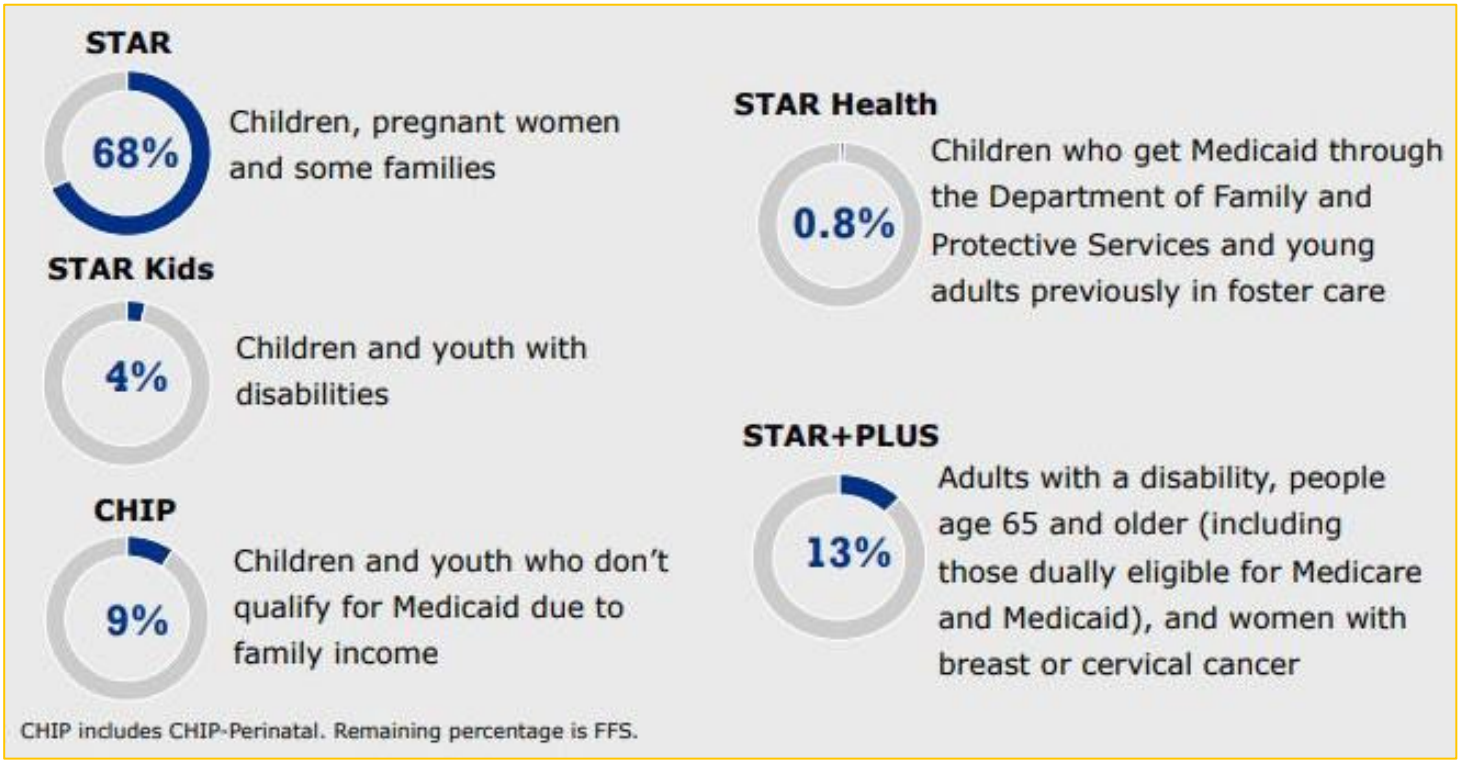
Managed Care Programs



✚ *Dental for most children and young adults enrolled in Medicaid*

Source: Texas Medicaid and CHIP Reference Guide, 13th Edition

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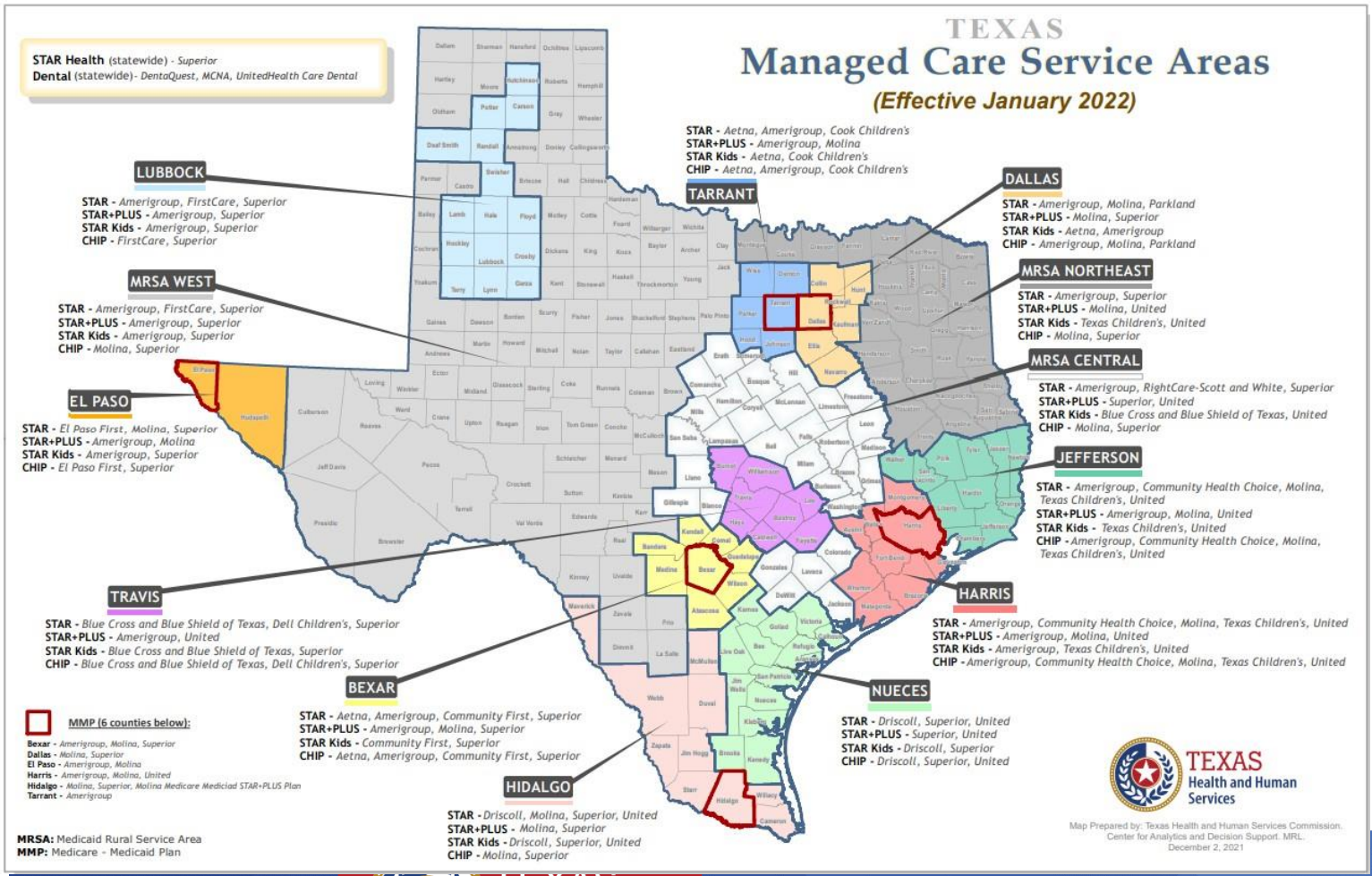
Managed Care Service Areas



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Contract Oversight Tools

Access to services
Network adequacy, appointment availability, member satisfaction

Service delivery
Acute care utilization reviews (UR), long-term services and supports URs, drug UR, electronic visit verification

Quality of care
Performance dashboard, custom evaluations, improvement projects, pay-for-quality, alternative payment models, MCO report cards

Financial
Financial statistical reports (FSRs) validation, administrative expense and profit limits, independent auditing

Operations
Readiness reviews, biennial operational reviews, targeted reviews

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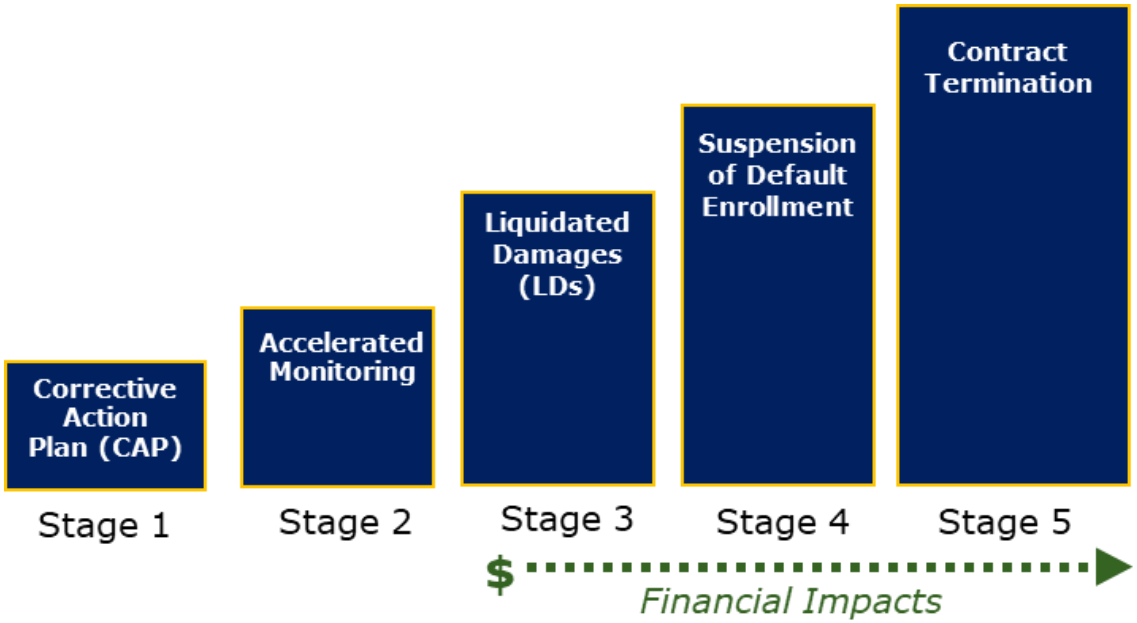
Addressing Non-Compliance

- Multiple stages to address non-compliance discovered via oversight and monitoring
- Increased levels of impact for MCOs
- Remedy issued is contingent on type of non-compliance and not necessarily sequential



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Program Improvements

Texas Medicaid

Enhancements focus on four major areas

1. Leveraging the managed care integrated delivery system
2. Increasing access to services and the type of services available
3. Using innovation and incentives to improve quality of care
4. Strengthening operations and oversight

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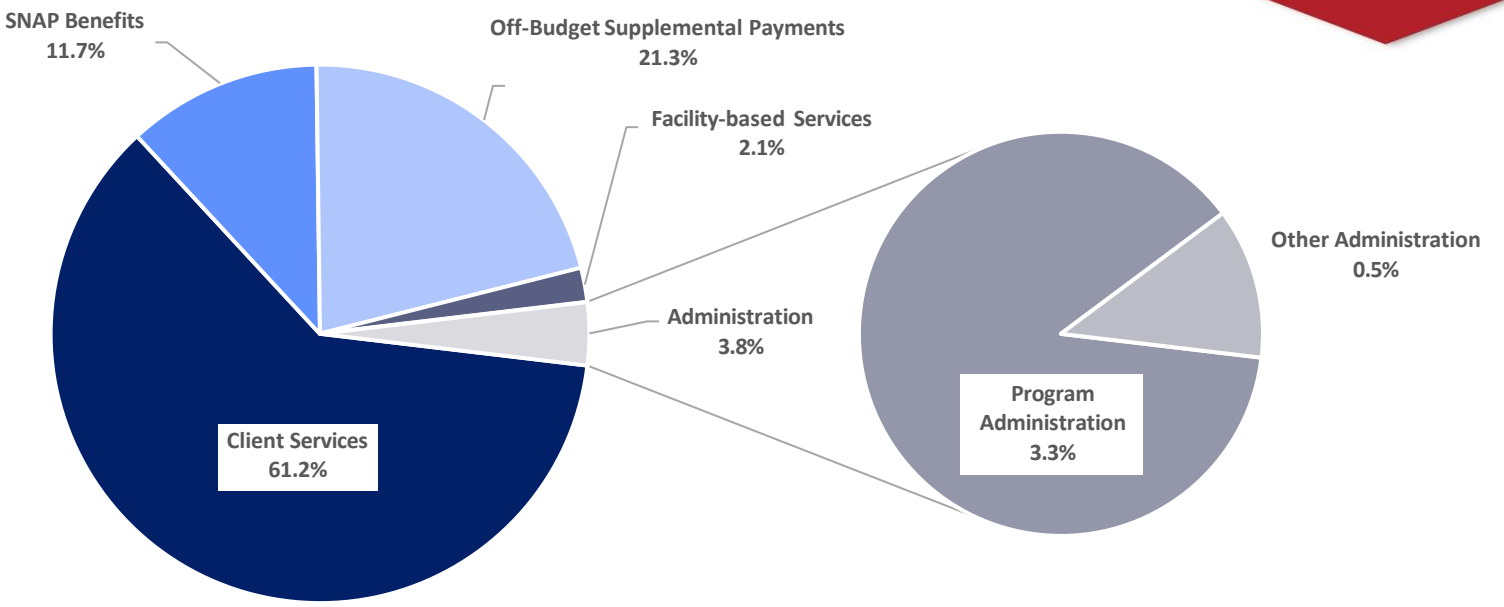
Medicaid Funding & Cost Drivers

Trey Wood, Chief Financial Officer

Health and Human Services Commission - Overview



Health and Human Services Commission (HHSC) – Percentages of Estimated Total Available Funds (2022-23 Biennium)

Does not include Interagency Contract Funds in Goal K, Office of Inspector General ($10.6 million), and Goal L, System Oversight and Program Support ($294.0 million). SNAP benefits are shown using fiscal year 2020 estimates and Off-Budget Supplemental Payments are shown using fiscal year 2021 estimates.

Medicaid Federal Funds

Medicaid is an entitlement program

There is no cap on federal funding to provide eligible services to eligible persons

- Federal Medical Assistance Percentage (FMAP) is derived from each state's average per capita income
- The Centers for Medicare & Medicaid Services (CMS) updates the rate annually
- For federal fiscal year (FFY) 2022, Texas' Medicaid standard FMAP is 60.80 percent
  - The FFY is on a different calendar cycle than the state fiscal year (SFY)
  - The standard SFY 2022 FMAP rate is 60.88 percent (one month of the FFY 2021 rate of 61.81 and 11 months of the FFY 2022 rate of 60.80)

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6.2% FMAP Increase

Program	Amount
Medicaid	$5,744,873,193
Children's Health Insurance Program (CHIP)	$132,240,594
Healthy Texas Women (HTW)	$6,279,135
Total	**$5,883,392,923**

- The Families First Coronavirus Response Act (FFCRA) provided qualifying states with a temporary 6.2 percentage point increase to FMAP for certain Medicaid and CHIP expenditures
- The estimates above represent the state's share of savings from the increased match rate to existing caseload and services and excludes cost impacts related to COVID-19
- To receive the increased FMAP, HHSC must maintain Medicaid coverage for most people enrolled in Medicaid until the end of the month in which the Public Health Emergency (PHE) ends
- The tipping point, or the point at which all monthly COVID-19 impact costs associated with the PHE maintenance of eligibility requirements begin to exceed the monthly benefit of the increased FMAP, was expected to have occurred in May/June 2022

6.2% FMAP Increase Plan Summary

States must:

- States have 12 months to complete pending eligibility actions, which can begin up to 60 days before the first disenrollments will begin.
- Disenrollments cannot be effective before the first of the month after the PHE ends.
- Conduct a full redetermination (as outlined in 42 Code of Federal Regulations 435.916) and allow members a minimum of 30 days to respond to renewal packets or requests for information.

Timeline

- The federal government has committed to giving states at least 60 days notice before the end of the PHE.
- HHSC is working under the assumption that the PHE will end in October 2022, which would result in:
  - Eligibility to receive the increased FMAP through December 2022.
  - Disenrollment beginning in November 2022.

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Key Budget Drivers

The following assumes the Public Health Emergency (PHE) and related policies end December 2022:

- Medicaid entitlement caseloads are projected to increase by 12.9 percent in SFY 2022 and decrease by 5.2 percent in SFY 2023
- CHIP caseloads are expected to decrease by 51.3 percent in SFY 2022 and increase by 86.9 percent in SFY 2023
- Cost (per client) growth is projected to decrease by 3.7 percent in SFY 2022 and increase by 3.2 percent in SFY 2023 due to changing case mix resulting from the PHE
- Cost growth is impacted by:
  - Utilization trends
  - Case mix distribution
  - Benefit changes
  - Population acuity factors
  - Aging and births
  - Evolutionary and revolutionary advances in medicine

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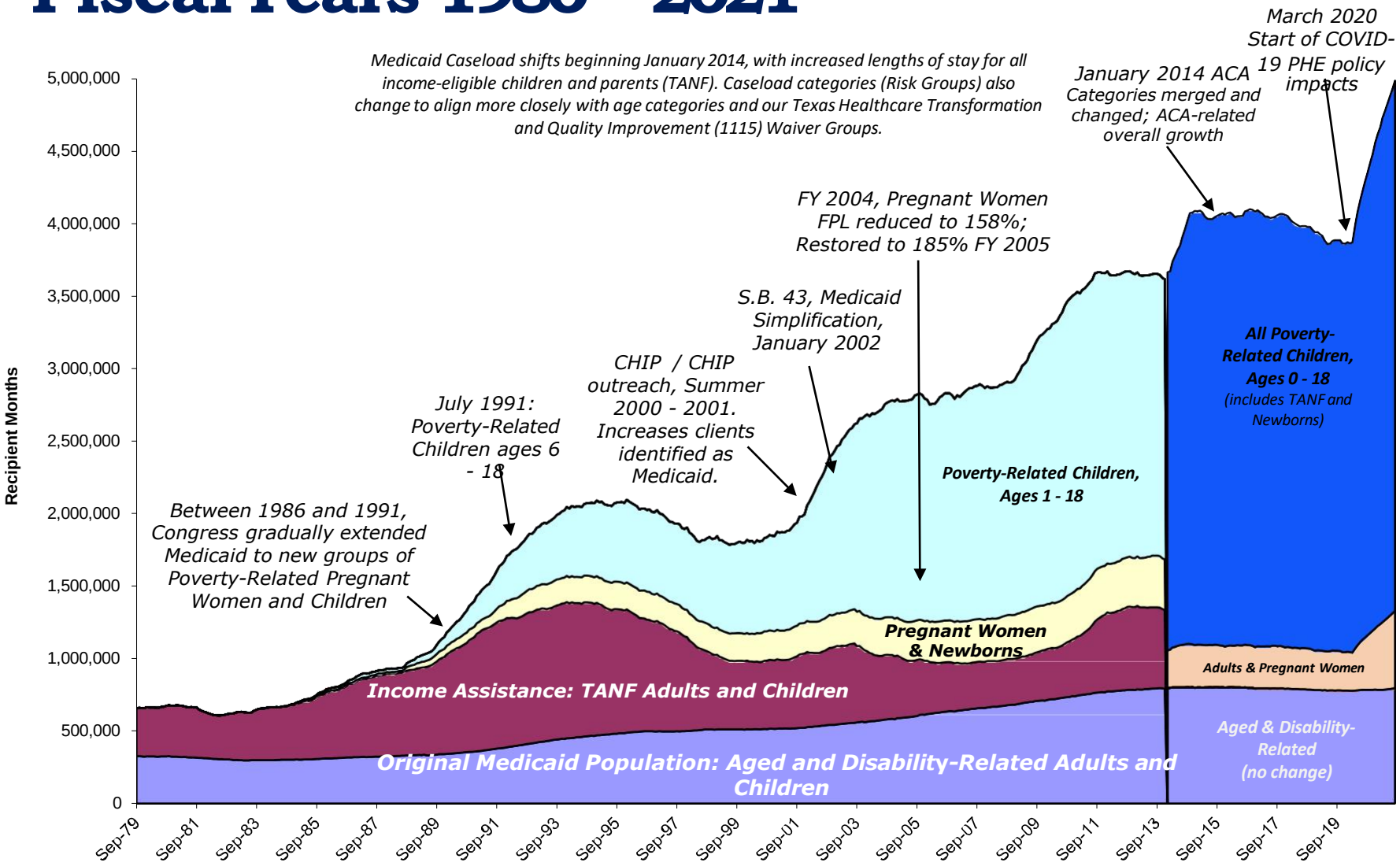
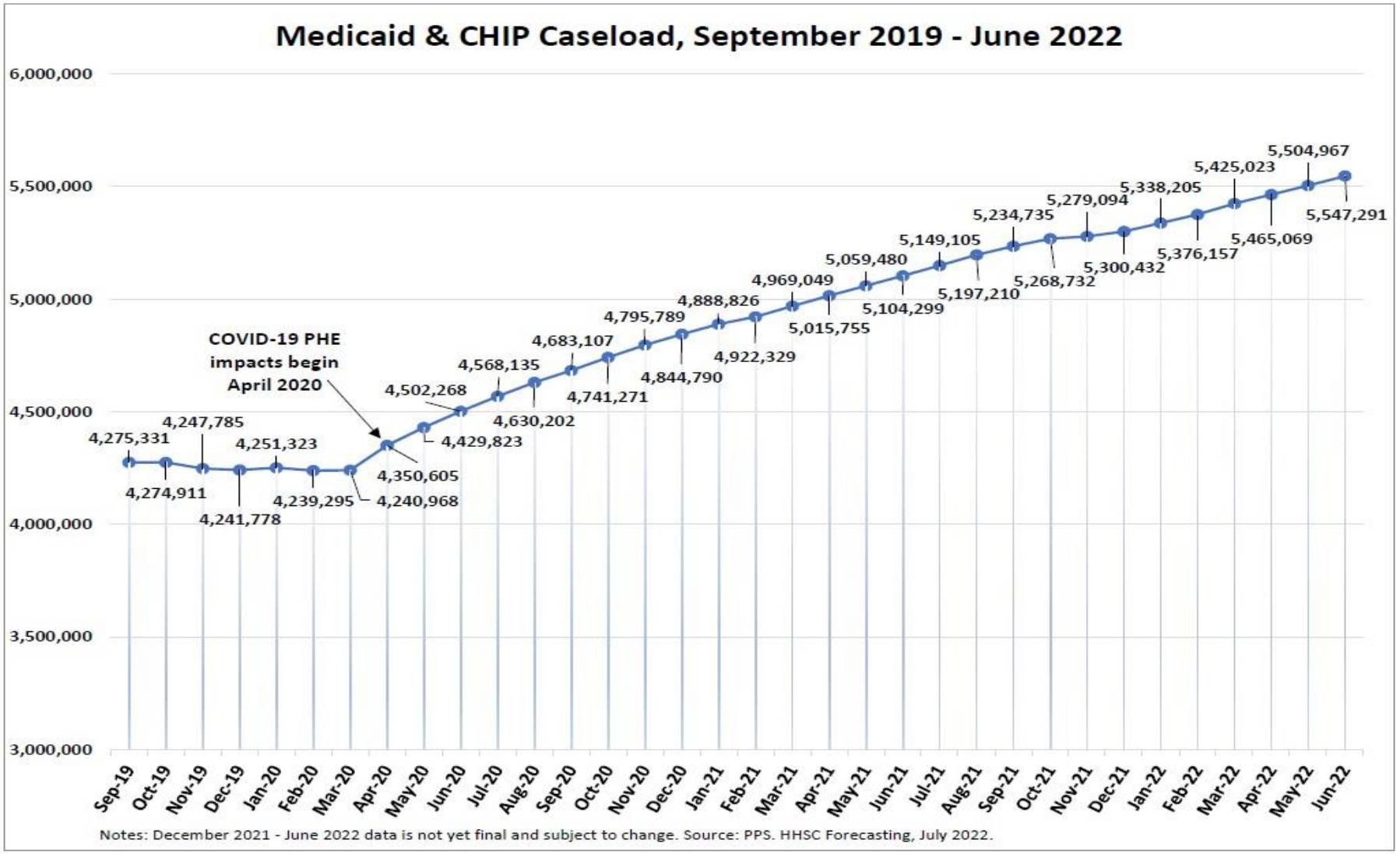
Texas Medicaid Caseload by Group from Fiscal Years 1980 – 2021



Medicaid & CHIP Caseload Growth



Notes: December 2021 - June 2022 data is not yet final and subject to change. Source: PPS. HHSC Forecasting, July 2022.

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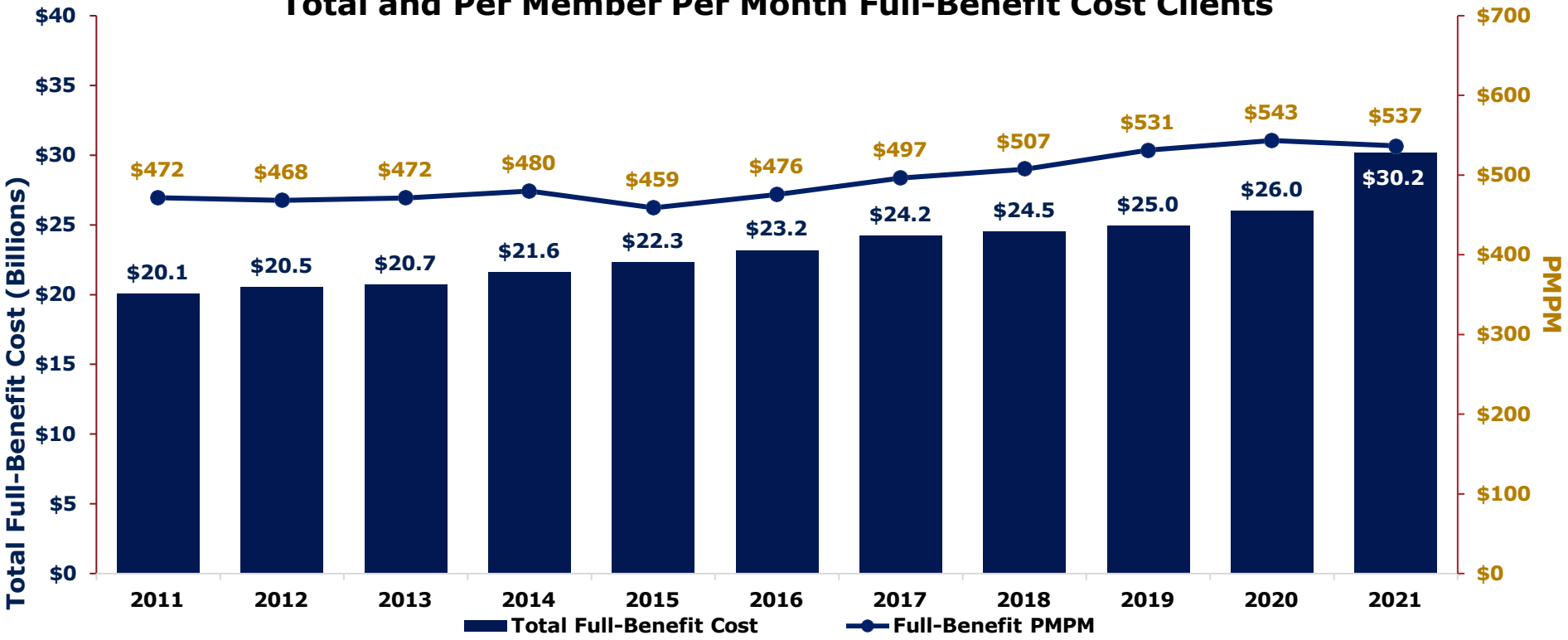
Medicaid Cost Growth

Texas Medicaid Acute and Long-Term Services Costs, FY 2011-2021: Total and Per Member Per Month Full-Benefit Cost Clients

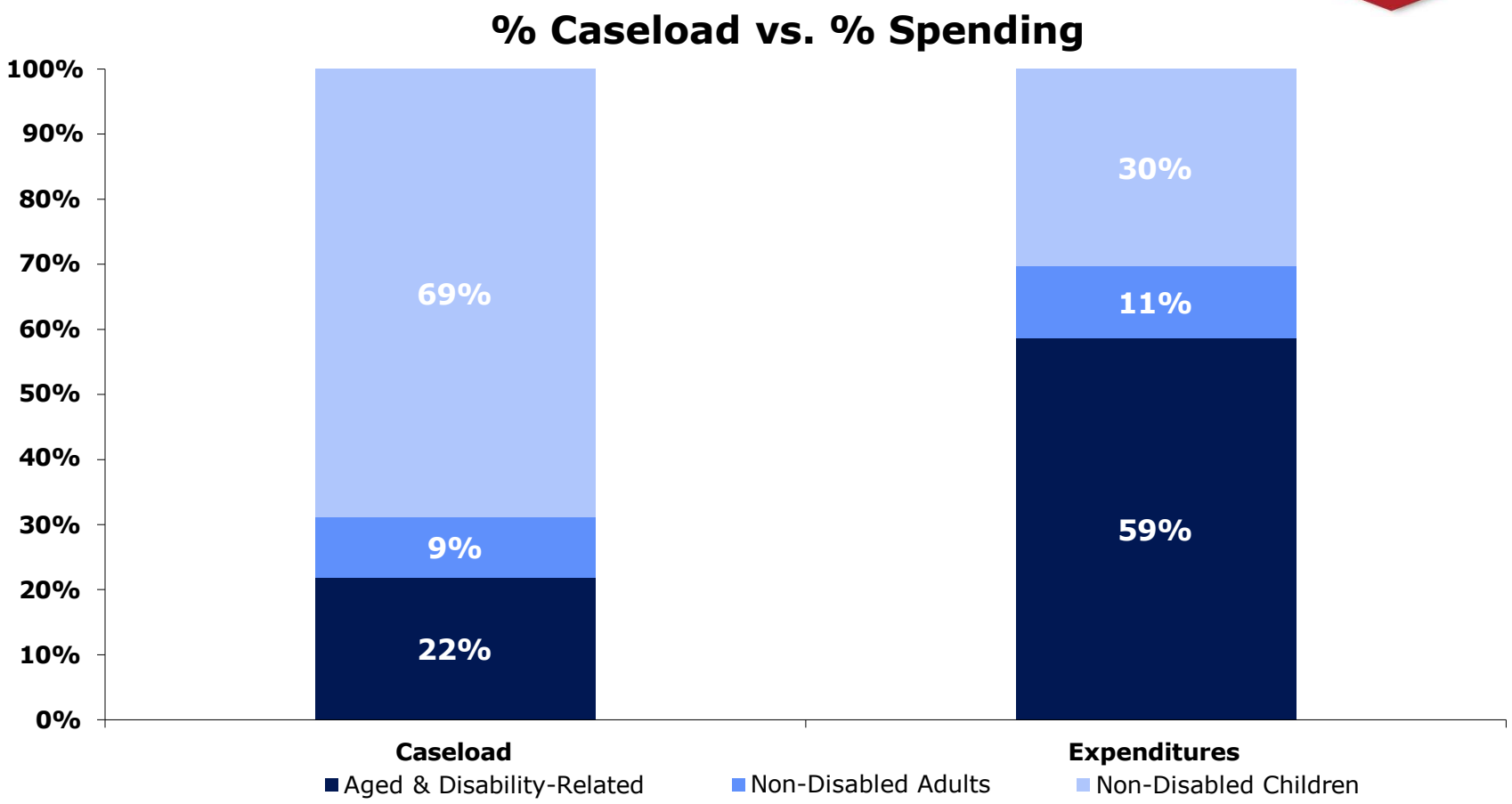


Medicaid Caseload (Recipient Months) and Per Member Per Month Costs with Trends

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
RMs	3,543,057	3,655,930	3,658,629	3,746,124	4,056,702	4,060,564	4,067,380	4,021,686	3,915,011	3,984,967	4,682,819
RM Trend	*7%*	*3%*	*0%*	*2%*	*8%*	*0%*	*0%*	*-1%*	*-3%*	*2%*	*18%*
PMPM	$472	$468	$472	$480	$459	$476	$459	$507	$531	$543	$537
PMPM Trend	*1%*	*-1%*	*1%*	*2%*	*-4%*	*4%*	*-4%*	*11%*	*5%*	*2%*	*-1%*

Notes: Excludes Supp. & Directed Payment Progs, SHARS, Medicare premiums, clawback, drug rebates, and agency admin. Source: PPS, CMS-37 Historical (FFY). HHSC Forecasting, July 2022.

Major Category Spending



Medicaid Shortfall

HHSC projects a net supplemental appropriation need of approximately $3.7 billion in General Revenue for the 2022-23 biennium.

Supplemental Need	2022-23 Biennium (in millions)
Medicaid Acute Care for Full-Benefit Clients	$(898.8)
Medicaid Long Term Care Entitlement	$0.0
Medicaid Long Term Care Non-Entitlement	$23.4
Medicaid Other Medical Services	$(171.4)
Other Impacts to Medicaid	$(2,647.9)
Children's Health Insurance Program (CHIP)	$239.8
Disaster Transfer to Department of State Health Services (DSHS)	$(200.0)
Current Projected HHSC Shortfall as of May 2022	**$(3,654.9)**

Notes:

1. Current supplemental impact assumes the PHE will end in mid-October 2022 with the enhanced FMAP continuing through December 31, 2022.
2. HHSC currently estimates the "Tipping Point" in which the monthly costs associated with receiving the increased FMAP begin to exceed the monthly benefit of FMAP to have occurred in May/June 2022.
3. Cash Flow projections estimate HHSC will not be able to make payments to Medicaid providers beginning May 2023.

1115 Texas Healthcare Transformation and Quality Improvement Program

Since 2011, the waiver has enabled Texas to expand its use of Medicaid managed care to achieve program savings, while also preserving locally funded supplemental payments to hospitals.

The goals of the demonstration are to:

- Expand risk-based managed care statewide
- Support the development and maintenance of a coordinated care delivery system
- Improve outcomes while containing cost growth
- Transition to quality-based payment systems across managed care and providers.

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1115Waiver - January 2021 Approval

CMS approved a 10-year extension

- January 15, 2021 – CMS approved a 10-year extension of the 1115 Transformation Waiver
- April 16, 2021 - CMS rescinded their approval letter issued on January 15, 2021
- May 14, 2021 - Texas Office of the Attorney General sought legal redress and filed a complaint in federal court
- August 20, 2021 - Court ordered, through a preliminary injunction, that the waiver approval was in effect
- April 22, 2022 - CMS withdrew their rescission letter and confirmed the January 2021 Special Terms and Conditions as in effect
- May 10, 2022 - Stipulation of Dismissal was filed with the court, closing out the litigation

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1115 Waiver - Financial Support for Providers

Supplemental Payment Programs

- Delivery System Reform Incentive Payment Program (DSRIP) – ended on September 30, 2021
- Uncompensated Care Program (UC) – Maintained through 2030; pool will be resized twice
- Public Health Provider Charity Care Program (PHP-CCP) – New funding pool from 2022-2030; pool will be resized twice

Directed Payment Programs (DPPs)

- Comprehensive Hospital Increased Reimbursement Program (CHIRP)
- Quality Incentive Payment Program (QIPP)
- Texas Incentives for Physicians and Professional Services (TIPPS)
- Directed Payment Program for Behavioral Health Services (DPP BHS)
- Rural Access for Primary and Preventive Services (RAPPS)

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1115Waiver - Financial Support for Providers

Supplemental Payment Programs

- Fixed pool sizes
- Reimburses costs for uninsured/charity care

Directed Payment Programs

- Fluctuating size (dependent upon caseload, utilization)
- Reimburses for Medicaid services for Medicaid beneficiaries
- Advances a quality goal or strategy

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Texas Medicaid FFY 2022 DPPs

Quality Incentive Payment Program (QIPP)
$997 Million
Nursing Facilities
Started SFY18

Comprehensive Hospital Increased Reimbursement Program (CHIRP)
$5.9 Billion
Hospitals
Started as UHRIP SFY18
CHIRP started SFY22

Directed Payment Program for Behavioral Health Services (DPP BHS)
$188 Million
CMHCS, LBHAs
Started SFY22

Texas Incentive for Physicians and Professional Services (TIPPS)
$670 Million
Physician Groups
Started SFY22

Rural Access to Primary and Preventive Services (RAPPS)
$12.5 Million
Rural Health Clinics
Started SFY22

Financial Support for Providers

Texas Transition Plan 2022 and Beyond

	DY 10 (FFY 21)	DY 11 (FFY 22)	DY 12 + (FFY XX)
UC Pool Payments	$3,873,206,193	$3,873,206,193	$4,512,075,400
DSRIP Payments	$2,490,000,000		
PHP CCP Payments		$500,000,000	$500,000,000
NAIP	$537,693,283	$491,375,364	$250,000,000
QIPP	$971,897,174	$997,322,319	$1,100,000,000
DSRIP Transition Programs:			
UHRIP & CHIRP	$3,178,431,342	$5,956,281,077	$5,200,000,000
TIPPS		$670,123,256	$696,000,000
RAPPS		$12,583,984	$33,000,000
DPP BHS		$188,443,115	$238,000,000
Totals	**$ 11,051,227,992**	**$ 12,689,335,309**	**$ 12,529,075,400**

Both Network Access Improvement Program (NAIP) and Uniform Hospital Rate Increase Program (UHRIP) are larger than initially projected for FY 2021 as a result of increased caseload associated with the Public Health Emergency enhanced FMAP.

UHRIP reflects 11 months of costs for FFY21. FFY22 DPP figures are estimated based on SFY22 premiums since rates are developed on SFY basis.

DPP sizes for Demonstration Year (DY) 12 are baseline estimates and will vary depending on caseload growth.

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HB 133 Implementation

Stephanie Stephens, State Medicaid Director

Postpartum Eligibility Extension

- Extends Medicaid for Pregnant Women coverage from 60 days to six months following birth or an involuntary miscarriage.
- HHSC submitted an 1115 waiver amendment in May 2022 for federal approval.
- Eligibility system changes are in process while the waiver amendment is pending federal approval.

Case Management for Children and Pregnant Women

- Case management for children and pregnant women (CPW) is a Medicaid state plan benefit currently delivered through fee-for-service.
  - Provides health-related case management to children and young adults under age 21 and high-risk pregnant women.
- H.B. 133 requires HHSC to transition the service to a managed care delivery system.
- HHSC plans to implement CPW in managed care effective September 1, 2022.
  - HHSC submitted an 1115 waiver amendment in May 2022 for federal approval.

Healthy Texas Women

- Healthy Texas Women (HTW) provides health and family planning services to low-income women through a fee-for-service delivery model.
- HHSC is incorporating requirements for HTW in the STAR and CHIP managed care request for proposal (RFP).
  - RFP posting- Second quarter of FY 2023
  - Notice of award- Second quarter of FY 2024
  - Operational start- Second quarter of FY 2025
- Transition will require an amendment to the 1115 waiver.

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End of Public Health Emergency Activities

Molly Lester, Deputy Chief
Program and Services Officer

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Background

The Families First Coronavirus Response Act (FFCRA) was passed by U.S. Congress in March 2020.

Allowed states to qualify for a temporary 6.2 percentage point Federal Medical Assistance Percentage (FMAP) increase, provided states **maintain Medicaid coverage** for most people enrolled in Medicaid as of or after March 18, 2020, until the end of the month in which the federal public health emergency (PHE) ends.

HHSC implemented the federal directive effective March 18, 2020

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Federal Guidance

Based on the most recent guidance from the Centers for Medicare and Medicaid Services (CMS), major parameters for unwinding include:

States have up to 12 months to complete pending eligibility actions, which can begin **up to 60 days** before the first disenrollments will begin.

Disenrollments cannot be effective before **the first of the month after the PHE ends**.

States must conduct a full redetermination (as outlined in 42 Code of Federal Regulations 435.916) and allow members **a minimum of 30 days to respond** to renewal packets or requests for information.

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Current Landscape

Estimated PHE End Date

- The PHE is currently slated to end on **October 13, 2022**; it can be extended in increments up to 90 days.
- The federal government has committed to giving states at least 60 days notice before the end of the PHE.
- The federal government should have informed states of the end of the PHE by **August 14, 2022**, if the PHE will end as assumed. States did not receive notification.

Redetermination Population

- HHSC has extended Medicaid coverage for as many as **2.7 million members** due to the continuous Medicaid coverage requirement in the FFCRA.
- All these members will need to have their Medicaid eligibility redetermined when continuous coverage ends.

HHSC Plan to End Continuous Enrollment

- HHSC's unwinding approach **staggers** Medicaid redeterminations for continuous coverage over multiple months.
- The continuous coverage population will be distributed into **three cohorts** to best accomplish the goals of:
  - Maintaining coverage for eligible individuals; reducing churn
  - Prioritizing redeterminations for those most likely to be ineligible or to be eligible for another program
  - Reducing the risk of overwhelming the eligibility system or workforce during the unwinding period
  - Establishing a sustainable renewal schedule for subsequent years

HHSC Plan to End Continuous Enrollment

First Cohort

- Includes individuals most likely to be ineligible or transitioned to CHIP.
  - Pregnant women who may transition to Healthy Texas Women Program
  - Members who aged out of Medicaid
  - Adult recipients who no longer have an eligible dependent child in their household

Approximately 1.4M members (as of April 2022)

Second Cohort

- Includes individuals likely to transition to a different Medicaid eligibility group
- Medicaid children, parent/caretaker and waiver groups pending information
- Certain MAGI population groups (e.g., children, people under Transitional Medical Assistance).

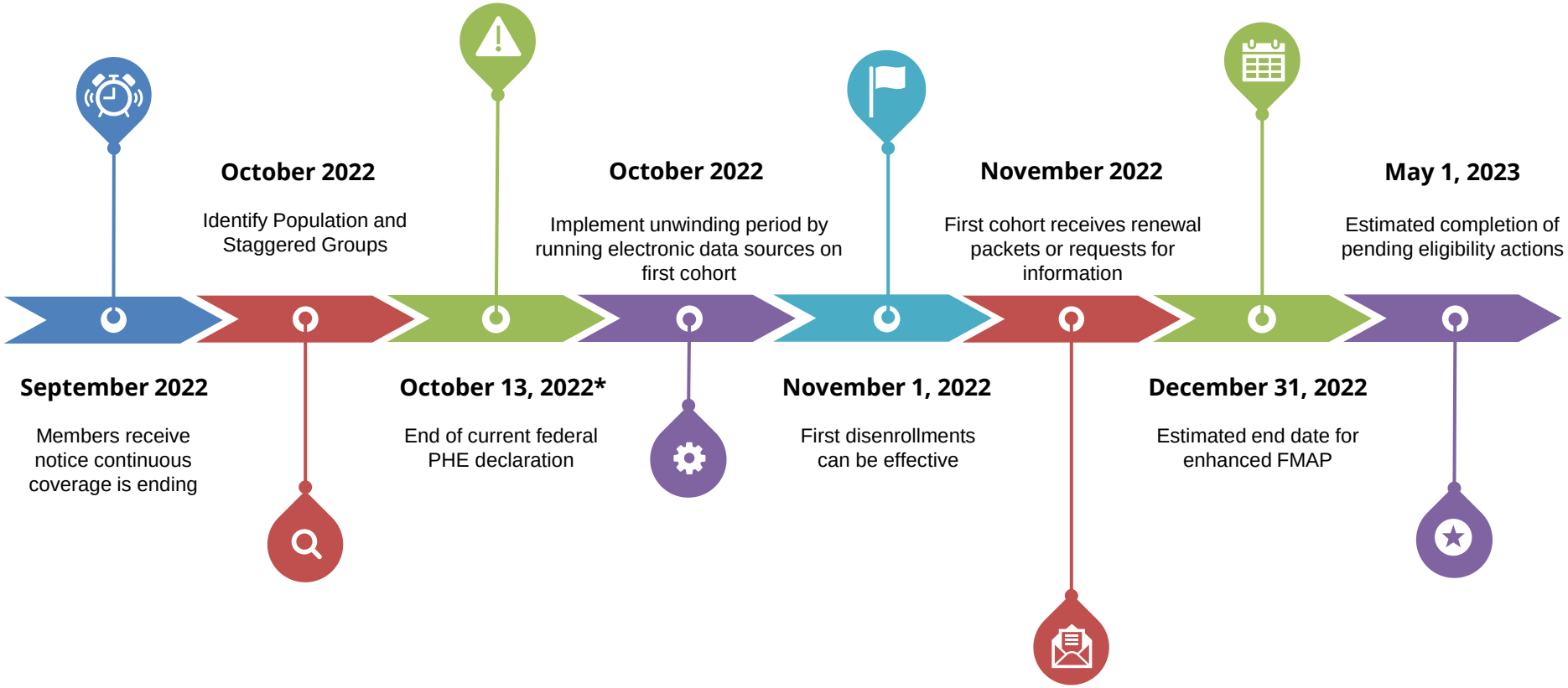
Approximately 500K members (as of April 2022)

Third Cohort

- Includes everyone remaining from the previous groups, including those most likely to remain eligible (i.e., Children in Medicaid).

Approximately 640K members (as of April 2022)

Timeline for Ending Continuous Coverage



**Timeline assumes the Public Health Emergency will end on October 13, 2022. Awaiting federal confirmation of this date.*

Ambassador Program

HHSC created the **Ambassador Program** for external partners, providers, health plans, and advocates to support members and prepare for the end of continuous Medicaid coverage.

Key Messages – Actions Members Can Take Now

Sign up for the YourTexasBenefits account and mobile app.
Report any changes in contact information to ensure members receive important notices when needed.
Return renewal packets or requests for information as soon as possible after they are received by the member.

These key messages aim to **reduce member confusion,** increase likelihood of **eligible members maintaining coverage** and **minimize call center volume.**

Ambassador Program Toolkit

Actions Ambassadors Can Take Now

- Download Ambassador Toolkit from https://www.hhs.texas.gov/services/health/coronavirus-covid-19/end-continuous-medicaid-coverage-ambassador-toolkit
- Share toolkit items with members in offices or electronically.
- Share toolkit items with other stakeholders to ensure consistent messaging.

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Alternatives to Abortion

Rob Ries, Deputy Executive Commissioner of Health and Family Services

Legislative Authority

The Alternatives to Abortion program was created by the 2006-07 General Appropriations Act, Senate Bill 1, 79th Legislature, Regular Session, 2005 (Article II, Special Provisions Relating to all Health and Human Services Agencies, Section 50)

Currently, the 2022-23 General Appropriations Act, Senate Bill 1, 87th Legislature, Regular Session, 2021 (Article II, Health and Human Services Commission [HHSC], Rider 68), authorizes the program

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Alternatives to Abortion Goals

Reduce abortions and improve pregnancy outcomes by helping women practice sound health-related behaviors and improve prenatal nutrition

Improve child health and development by helping parents provide responsible competent care for their children.

Improve families' economic self-sufficiency by helping parents continue their education and secure employment

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Services Available

- Counseling, mentoring, educational information, and classes on the following: pregnancy, parenting, adoption, life skills, and employment readiness
- Material assistance such as car seats, clothing, diapers, and formula
- Care coordination through referrals to government assistance programs and other social service programs
- Call center for information or to schedule appointments
- Housing and support services through maternity homes

Client Eligibility

Texas residents who are:

- Pregnant and up to three years post-partum.
- Clients who have suffered a miscarriage or loss of a child, up to 90 calendar days after miscarriage or loss.
- Adoptive parents up to two years post-adoption finalization, regardless of the age of the child.
- Beginning in fiscal year 2021, the parent, legal guardian, or Adult Caregiver of a minor (under the age of 18) who is a program client is also eligible for services.

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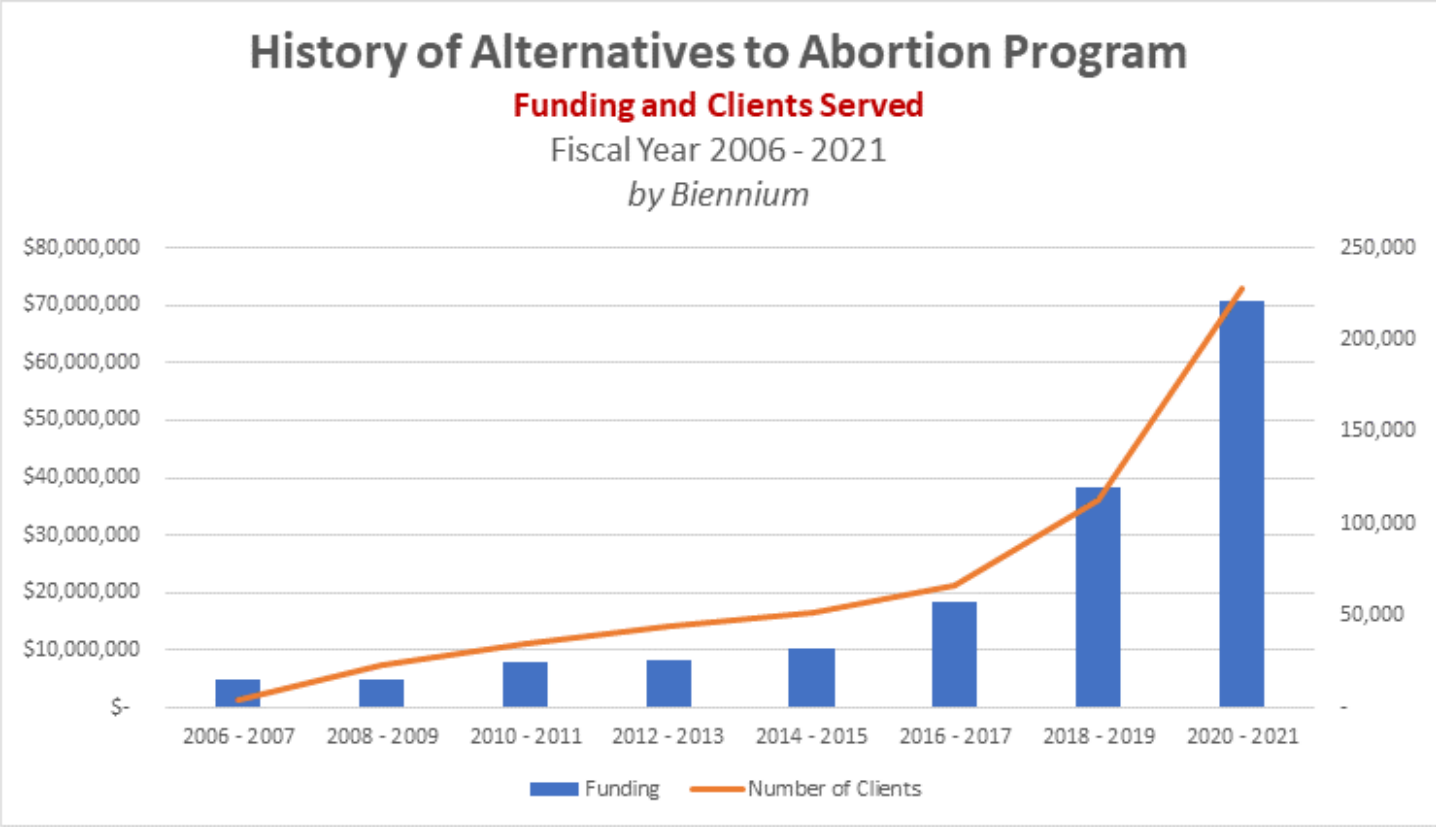
Funding and Clients Served



Contracted Providers

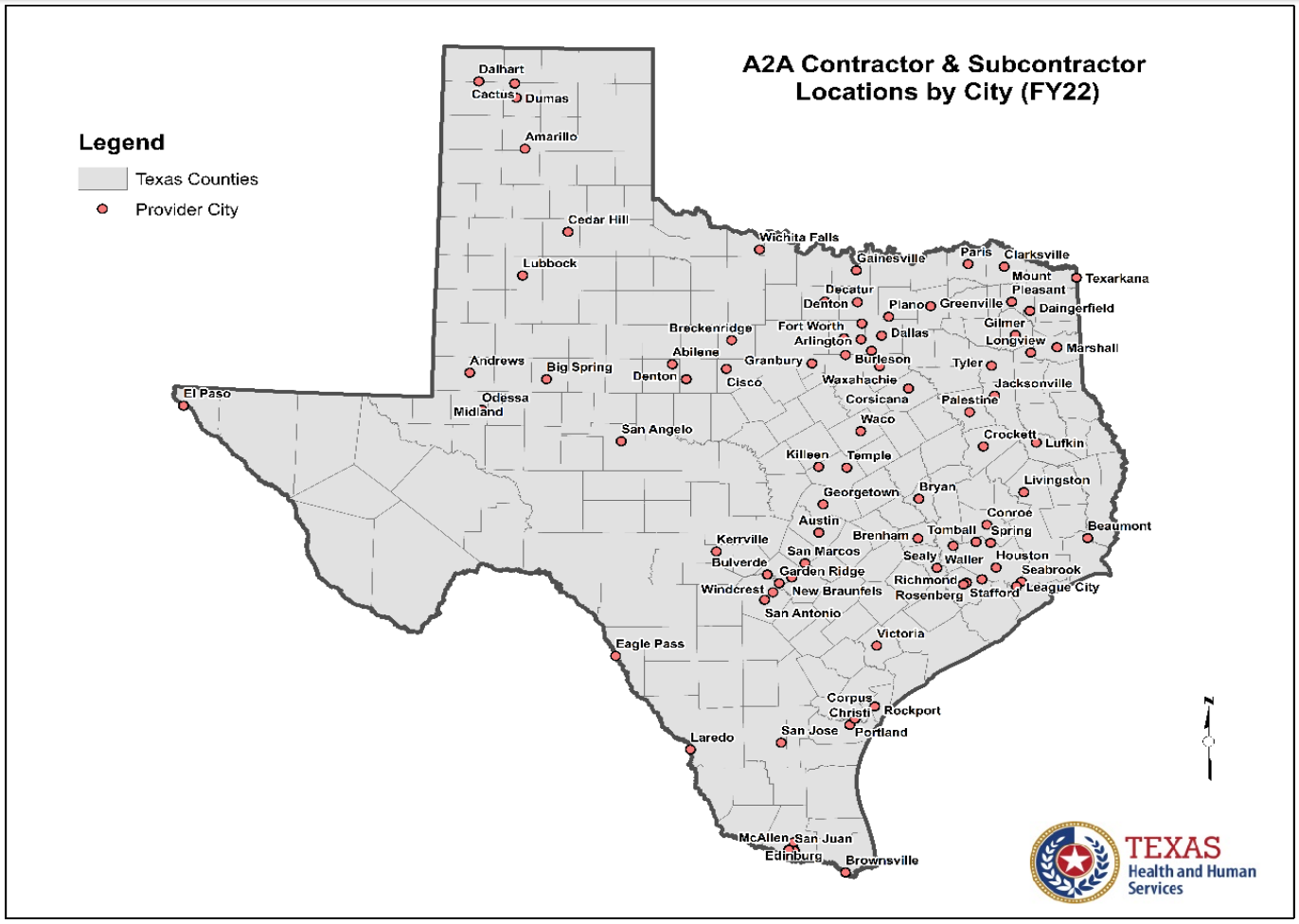
Texas Pregnancy Care Network
Contractor for the program since fiscal year 2006

Human Coalition
Contractor for the program since fiscal year 2018

Austin LifeCare
Contractor for the program since fiscal year 2021

Longview Wellness Center
Contractor for the program since fiscal year 2021

Contractor and Subcontractor Locations



Major Programmatic Changes

Beginning in fiscal year 2021, Alternatives to Abortion:

- Expanded the definition of a client to include the parent, legal guardian, or adult caregiver (as defined in Texas Family Code) of a minor who is a program client
- Enhanced connection to other HHSC programs, such as referrals to HHSC women's health programs and mental health services
- Added classes on substance abuse, parenting, and healthy relationships
- Required contractors to provide employment readiness services, based upon needs of the clients
- Extended maternity home eligibility from 90 days to up to 180 days postpartum
- Refined programmatic reporting requirements to better capture services provided

Looking Ahead: Pilot Projects

Maternal Health Disparities:

Proactively reach high-risk mothers early in their pregnancies to ensure they receive a timely start to prenatal care, address identifiable risks, and receive personalized support

Modern Adoption:

Raise the profile and desire of considering adoption as an equally viable and acceptable alternative for unwanted pregnancy