



Mandatory Managed Care Contracts

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Legislative History

- House Bill 2913, 75th Legislature, 1997 made it mandatory to award Medicaid managed care contracts to certain managed care organizations (MCOs).
- HB 2896 and HB 2641, 76th Legislature, 1999 amended mandatory contract requirements.
- Other legislation made technical corrections.



Texas Government Code (TGC) §533.004, Mandatory Contracts

(a) Subject to the considerations required under Section 533.003 and the certification required under Section 533.0035, in providing health care services through Medicaid managed care to recipients in a health care service region, the commission shall contract with a managed care organization in that region that is licensed under Chapter 843, Insurance Code, to provide health care in that region and that is:

- (1) wholly owned and operated by a hospital district in that region;
- (2) created by a nonprofit corporation that:
 - (A) has a contract, agreement, or other arrangement with a hospital district in that region or with a municipality in that region that owns a hospital licensed under Chapter 241, Health and Safety Code, and has an obligation to provide health care to indigent patients; and
 - (B) under the contract, agreement, or other arrangement, assumes the obligation to provide health care to indigent patients and leases, manages, or operates a hospital facility owned by the hospital district or municipality; or
- (3) created by a nonprofit corporation that has a contract, agreement, or other arrangement with a hospital district in that region under which the nonprofit corporation acts as an agent of the district and assumes the district's obligation to arrange for services under the Medicaid expansion for children as authorized by Chapter 444, Acts of the 74th Legislature, Regular Session, 1995.



Other Statutory Requirements

- TGC §533.0035 - Requires HHSC, prior to award of a contract under this chapter to any MCO, to evaluate and certify that the MCO is reasonably able to fulfill the terms of the contract, including all requirements of applicable federal and state law.
 - This requirement was added by Senate Bill 1244 (87th Legislature, Regular Session) and took effect on September 1, 2021.
- TGC §533.004(b) – Specifies that an MCO awarded a mandatory contract under Subsection (a) is subject to all terms and conditions to which other MCOs are subject, including all contractual, regulatory, and statutory provisions relating to the participation in the Medicaid managed care program.



Litigation

- Community Health Choice (CHC) filed a lawsuit concerning HHSC's 2018 Request for Proposals (RFP) for STAR+PLUS and its October 2019 announcement of its notice of intent to award STAR+PLUS contracts.
- The Executive Commissioner at the time had determined that awarding CHC a STAR+PLUS contract pursuant to TGC 533.004 would not provide best value to the state. CHC sued, asserting that it was entitled to a contract under 533.004.
- The court ultimately held that HHSC was required to contract with CHC. That decision was affirmed by the 3rd Court of Appeals in Austin, and the Texas Supreme Court declined to review.



RFP Requirements

- RFPs require respondents making a mandatory contract claim to include, in their proposal, supporting documentation that evidences eligibility under TGC §533.004.
- HHSC reviews the documentation for concurrence on the validity of the claim.
- The number of mandatory contracts is not fixed. It is specific to each procurement and based on the number of service delivery areas where an MCO claims and meets the requirements of TGC §533.004.



RFP Requirements

- Through the procurement process, MCOs are assigned to the 13 service delivery areas (SDAs), based on:
 - Number of MCOs specified in the RFP per SDA
 - Mandatory contract awards
 - Each MCO's evaluation score
 - Each MCO's ranking of the 13 SDAs, which is specified in their RFP responses



Open Medicaid Managed Care Procurements

- HHSC has three open managed care procurements.
 - STAR+PLUS
 - STAR & CHIP
 - STAR Kids
- Timelines for these procurements are on the HHSC website at:
<https://www.hhs.texas.gov/business/contracting-hhs/procurement-opportunities>



STAR+PLUS

- In January 2023, HHSC issued a Notice of Intent to Award to the following respondents for the STAR+PLUS program:
 - United Healthcare Community Plan of Texas, LLC. – Bexar, Central Texas, Dallas, Harris, Hidalgo, Northeast Texas, Tarrant, and Travis Service Areas
 - Molina Healthcare of Texas, Inc. – Bexar, Dallas, El Paso, Harris, Hidalgo, Jefferson, Northeast Texas, and Tarrant Service Areas
 - Superior HealthPlan, Inc. – Central Texas, Dallas, Hidalgo, Lubbock, Nueces, Travis, and West Texas Service Areas
 - Amerigroup Insurance Company – Jefferson, Lubbock, Nueces, and West Texas Service Areas
 - Community First Health Plans, Inc. – Bexar Service Area*
 - El Paso Health – El Paso Service Area*
 - Community Health Choice Texas, Inc. – Harris Service Area*

**mandatory contracts*





Appendix



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Managed Care Service Areas

