TEXAS
Health and Human
Services Commission

Presentation to the Senate Health & Human Services and Senate State Affairs Committees on the Affordable Care Act

Thomas Suehs
Executive Commissioner

August 1, 2012

TEXAS Health and Human Services Commission

Affordable Care Act

- In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act were signed into federal law, collectively known as the Affordable Care Act (ACA).
- Following challenges by 26 state attorneys general and the National Federation of Independent Business, the Supreme Court of the United States considered, among other questions:
  - Whether the law's individual mandate to purchase health insurance was constitutional, and
  - Whether the Medicaid expansion was unconstitutionally coercive for states
- On June 28, 2012, the U.S. Supreme Court ruled the individual mandate constitutional, but determined that Medicaid expansion was optional for the states.

TEXAS Health and Human Services Commission

Next Steps

- Based on the court decision, states are seeking guidance on a number of provisions related to the Medicaid expansion and eligibility changes, such as:
  - Do the ACA eligibility determination changes (Modified Adjusted Gross Income (MAGI)) apply to existing Medicaid and CHIP programs starting January 2014?
  - Do Maintenance of Effort (MOE) requirements still apply?
  - Will there be new flexibility for states choosing to implement a Medicaid expansion:
    - Later start date?
    - Lower FPL levels?
    - Phased-in implementations?
- HHSC is currently assessing impacts and considering options related to the changes in the Medicaid provisions of the law as a result of the court decision.

TEXAS Health and Human Services Commission

Key ACA Provisions

- Some key provision of ACA include:
  - All U.S. citizens and legal residents must obtain health coverage that meets federal standards (individual mandate)
  - Eliminates lifetime and annual benefit limits/restrictions
  - Prohibits pre-existing conditions exclusions
  - Allows dependent coverage up to age 26
  - Eliminates out-of-pocket expenses for preventive services
  - Creates Health Benefit Exchanges to serve as marketplaces for individuals and small business employees to compare and purchase health coverage
- Medicaid Expansion
  - The Court upheld the Medicaid expansion up to 133 percent of the Federal Poverty Limit (FPL), with limitations, effectively making it optional for states to implement
  - If a state decides not to participate in the Medicaid expansion, the state can continue receiving funds for its existing Medicaid program

TEXAS Health and Human Services Commission

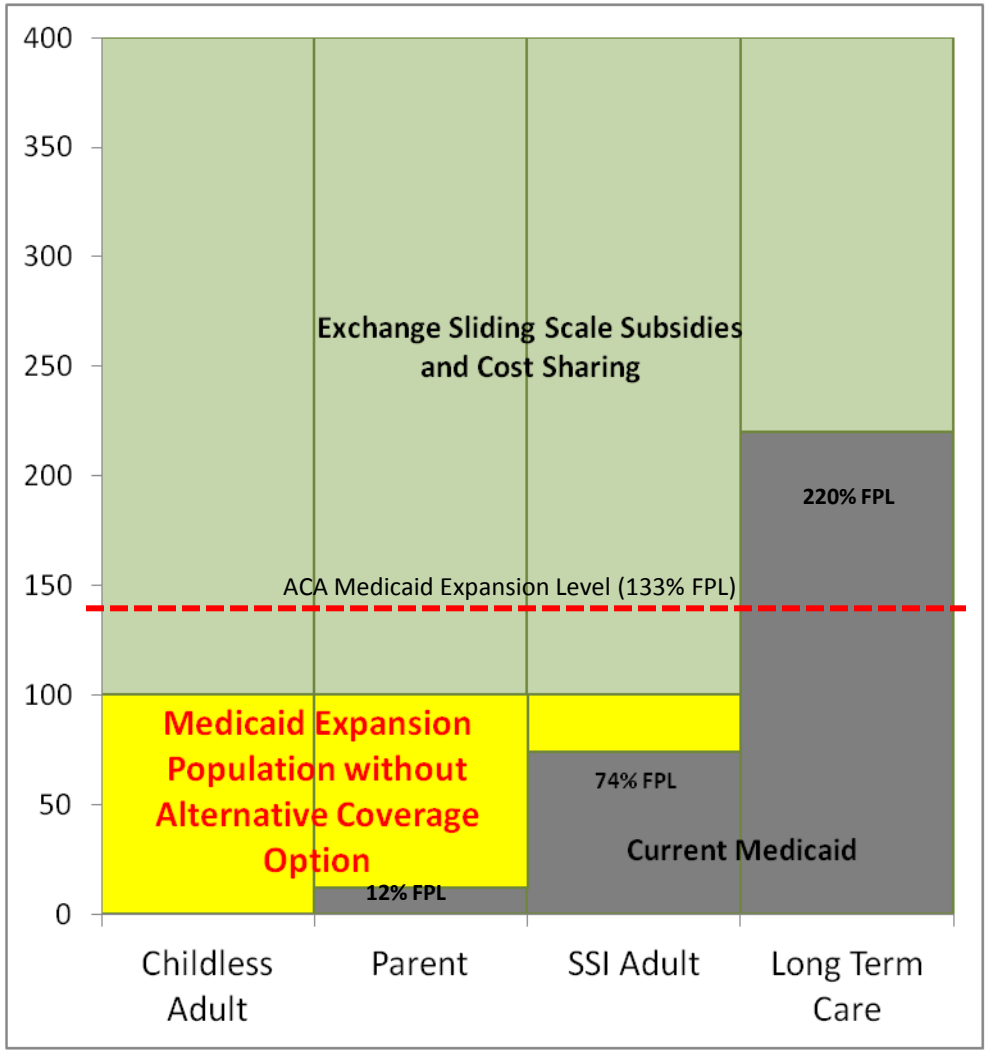
ACA Provisions Implemented to Date

- Allow children enrolled in Medicaid and CHIP to elect hospice care without waiving their rights to treatment for their terminal illness
- Made freestanding birthing centers eligible for Medicaid reimbursement
- Claim federal matching funds for school and state employees' children enrolled in CHIP
- Added tobacco cessation counseling as a Medicaid benefit for pregnant women
- Made drug rebate formulary changes
- Several program integrity provisions

ACA Provisions in Planning Phase

- Program Integrity provisions (3/1/13)
  - Changing provider enrollment requirements in Medicare, Medicaid, and CHIP; Changing claims payment processes; Increasing audit activities; Increasing state reporting requirements; Health care acquired conditions
- Temporary Primary Care Provider Rate Increases (1/1/13 – 12/31/14)
- Dual eligibles (Medicare/Medicaid) Integrated Care Demonstration Project shared savings initiative (1/1/14)
- Medicaid and CHIP eligibility changes (1/1/14)
  - Medicaid and CHIP interface with Health Benefit Exchange
  - Other Medicaid and CHIP eligibility changes are under review based on court decision on ACA lawsuit
- LTSS Balancing Incentives Payment Program Option (10/1/12)

Medicaid Expansion Population

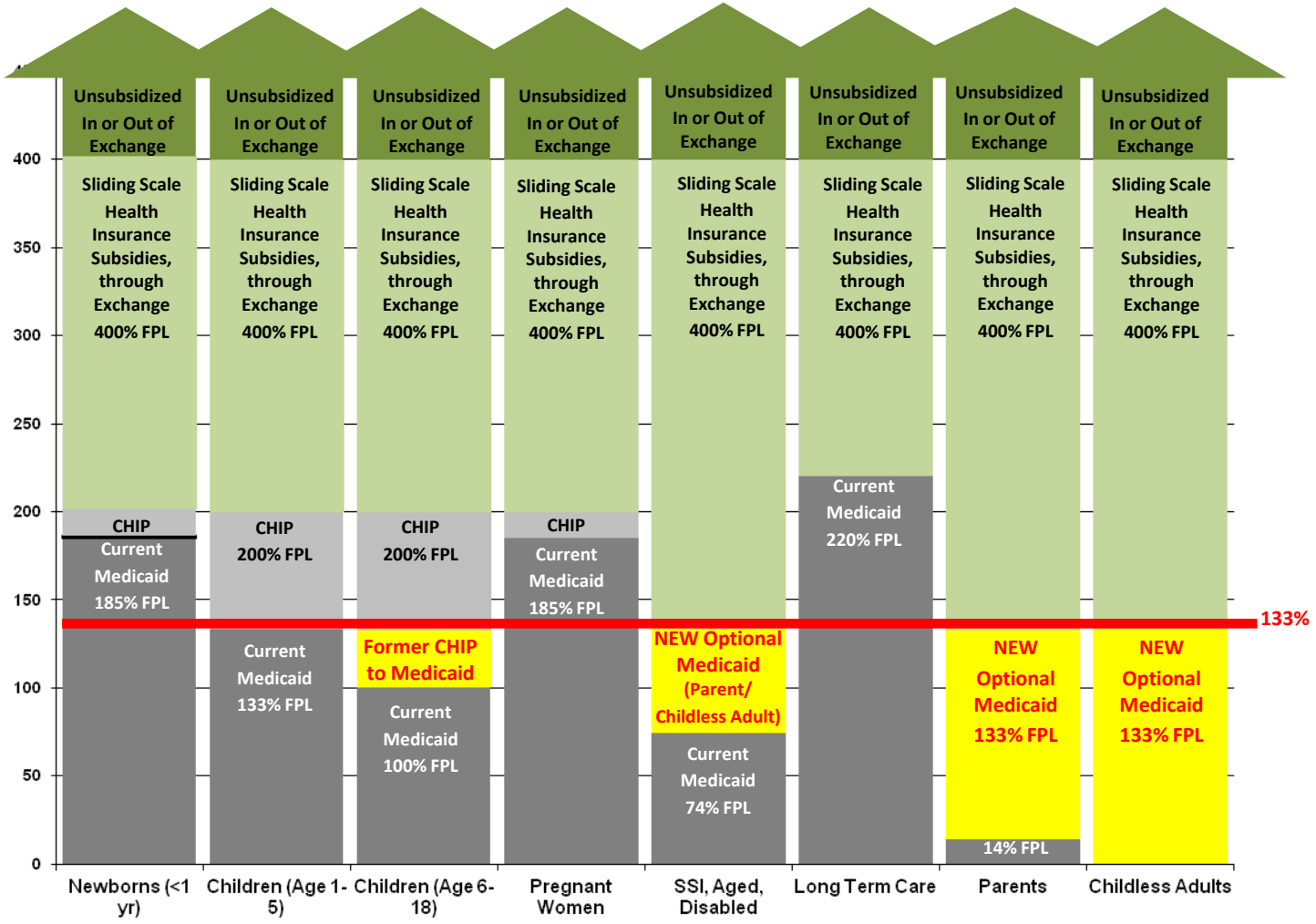


The chart to the left shows the group of uninsured low-income adults that would have no other coverage option in absence of the ACA Medicaid Expansion.
Note: The ACA expands Medicaid coverage for adults under age 65 (up to 133% FPL). However, subsidies are available to adults through the Exchange beginning at 100% FPL.

Annual Income Levels

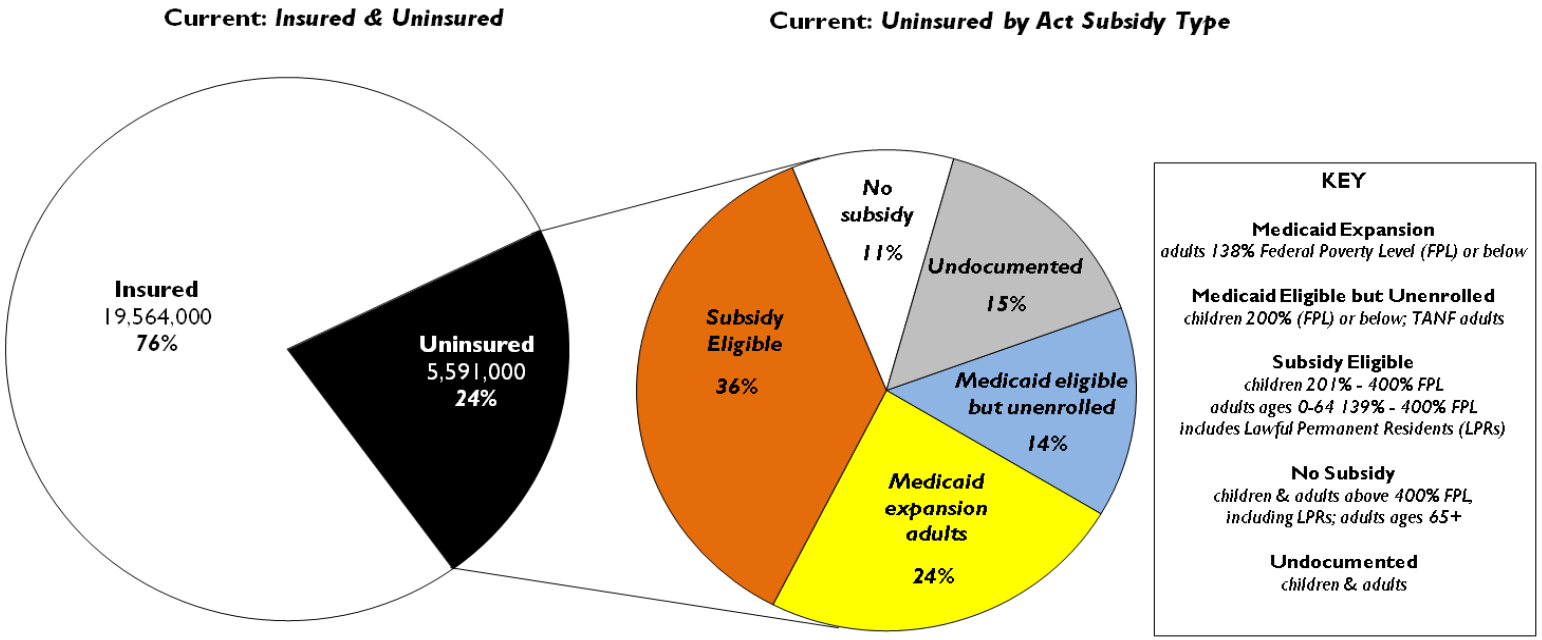
FPL Level	Individual	Family of 3
12%	$1,340	$2,291
74%	$8,266	$14,126
100%	**$11,170**	**$19,090**
133%	$14,856	$25,390
400%	$44,680	$76,360

Texas Health Care Coverage – Post ACA Implementation



Texas Health Insurance Estimates (2010 Population)

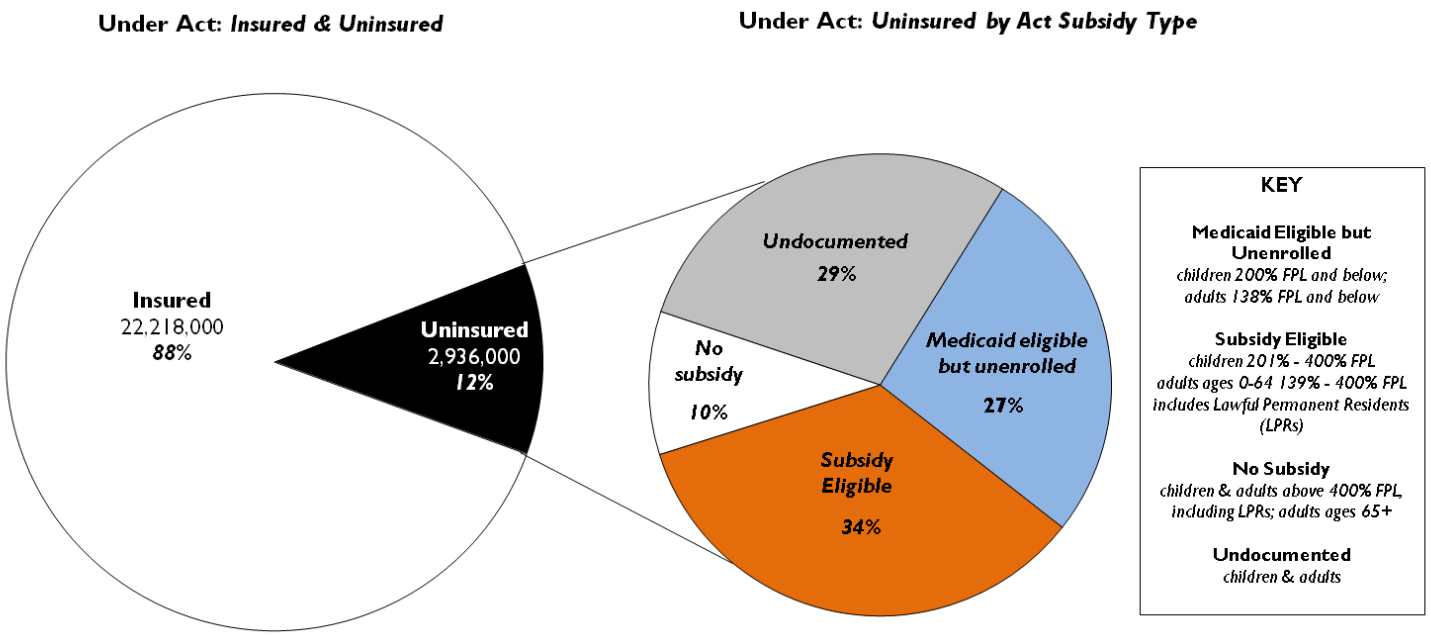
Texas Population — Current: Insured and Uninsured, by Affordable Care Act (ACA) Subsidy Type



Note: *Due to rounding, percents may not total one hundred percent.*
Source: *U.S. Census Bureau. March 2011 Current Population Survey (CPS).*
Prepared by: *Texas Health and Human Services Commission, July 2012.*

Texas Health Insurance Estimates (2010 Population)

Texas Population — Under Act WITH FULL MEDICAID EXPANSION:
Insured and Uninsured, by Affordable Care Act (ACA) Subsidy Type

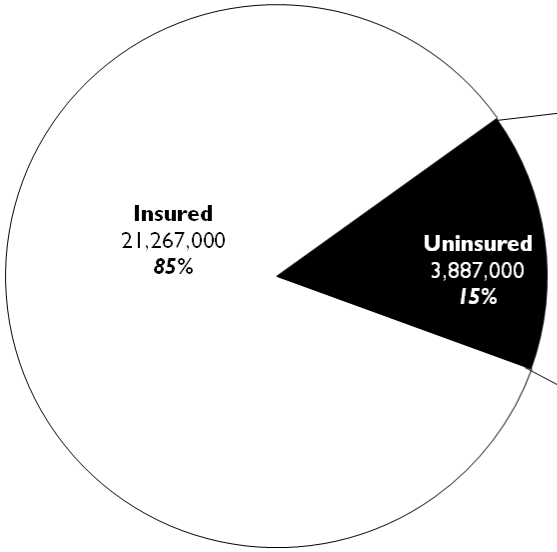


Note: Due to rounding, percents may not total one hundred percent.
Source: U.S. Census Bureau. March 2011 Current Population Survey (CPS)
Prepared by: Texas Health and Human Services Commission, July 2012.

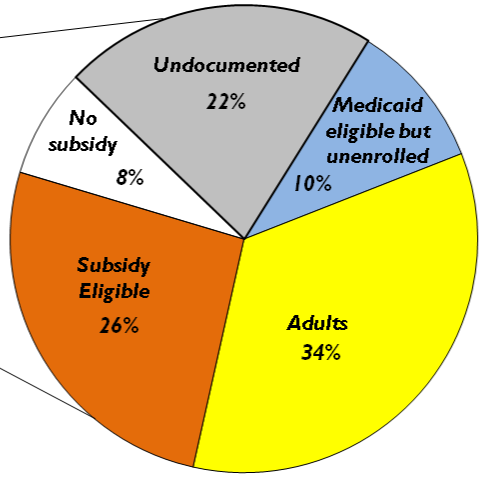
Texas Health Insurance Estimates (2010 Population)

Texas Population — Under Act WITHOUT IMPLEMENTING MEDICAID EXPANSION:
Insured and Uninsured, by Affordable Care Act (ACA) Subsidy Type

Under Act *without* Medicaid Expansion:
Insured & Uninsured



Under Act *without* Medicaid Expansion:
Uninsured by Act Subsidy Type



KEY

Adults
adults 138% Federal Poverty Level (FPL) or below (would be eligible under Medicaid Expansion)

Medicaid Eligible but Unenrolled
children 200% FPL and below; adults 138% FPL and below

Subsidy Eligible
children 201% - 400% FPL adults ages 0-64 139% - 400% FPL includes Lawful Permanent Residents (LPRs)

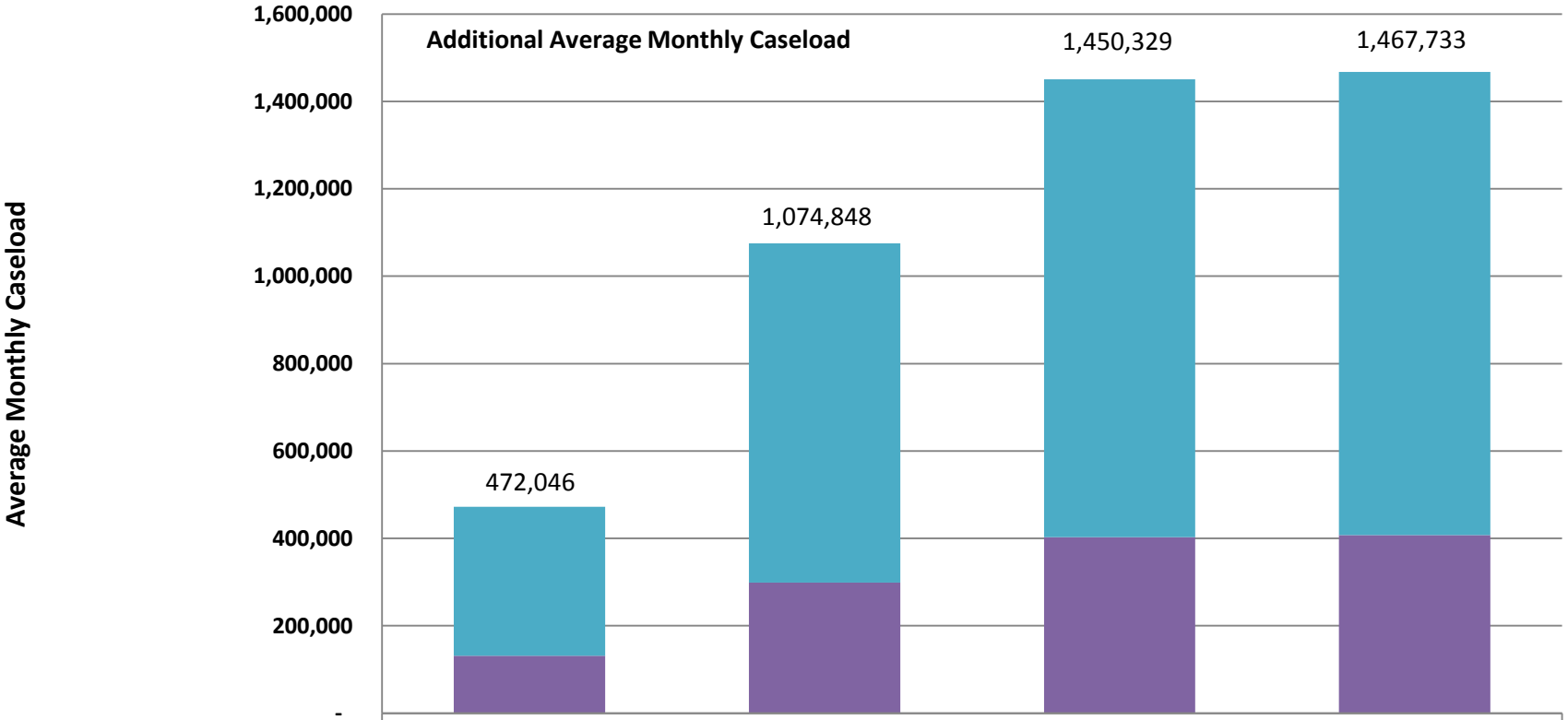
No Subsidy
children & adults above 400% FPL, including LPRs; adults ages 65+

Undocumented
children & adults

Note: *Due to rounding, percents may not total one hundred percent.*
Source: *U.S. Census Bureau. March 2011 Current Population Survey (CPS).*
Prepared by: *Texas Health and Human Services Commission, July 2012.*

ACA Cost Estimate

Medicaid ACA Caseload Estimates 2014 - 2017



	2014	2015	2016	2017
Expansion Adults	340,976	776,403	1,047,626	1,060,198
Increased Enrollment Due to ACA	131,070	298,446	402,703	407,535

TEXAS Health and Human Services Commission

ACA Cost Estimate

- Increased Enrollment Due to ACA
  - Includes costs for individuals currently eligible for Medicaid, but not enrolled. Medicaid enrollment is expected to increase due to the individual mandate and interactions with the exchange.
  - Regular state/federal match applies (no enhanced federal funding).
  - GR cost is $193 million in FY 2014 and $1.8 billion through FY 2017.
- ACA Expansion Adults
  - Includes costs for expanding the Medicaid income limit to 133 percent of the FPL.
  - 100 percent federal match for 3 years (2014 – 2016).
  - GR cost is $92 million in FY 2014 and $1.3 billion through FY 2017.
  - Federal funding amount is $2.4 billion in FY 2014 and $24 billion through FY 2017.

ACA Cost Estimate

- Primary Care Provider (PCP) Rate Increase – Minimum provider types and medical services required by ACA
  - ACA requires certain primary care services and providers to be paid at least the Medicare rate.
    - Regular state/federal match rate for 2 percent of the increase up to the Medicare rate for services provided to individuals who are currently enrolled or currently eligible but not enrolled.
    - 100 percent federal match for balance of Medicaid PCP rate increase for calendar years 2013-2014.
    - GR cost is $4 million in FY 2013 and $595 million through FY 2017.
    - GR cost includes cost for the initial mandatory increase to be extended beyond 2014.

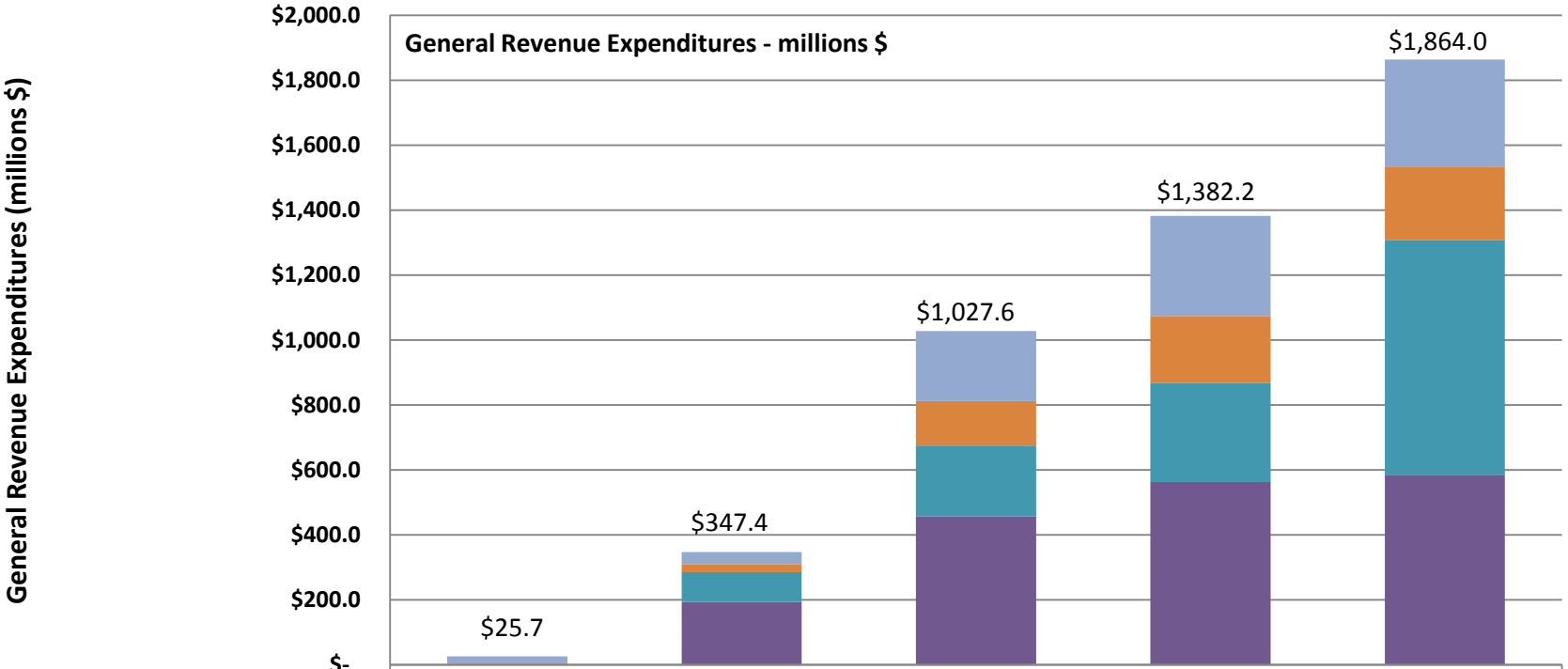
TEXAS Health and Human Services Commission

ACA Cost Estimate

- PCP Rate Increase – Including additional providers
  - Includes costs for an increase equal to the Medicare rate for primary care services delivered by any Medicaid provider.
    - Regular state/federal match rate for individuals eligible under current eligibility criteria (e.g., income limits and family composition).
    - 100 percent federal match for Medicaid PCP rate increase for 3 years (2014-2017) for optional expansion population.
    - GR cost is $22 million in FY 2013 and $915 million GR through FY 2017.

ACA Cost Estimate – GR

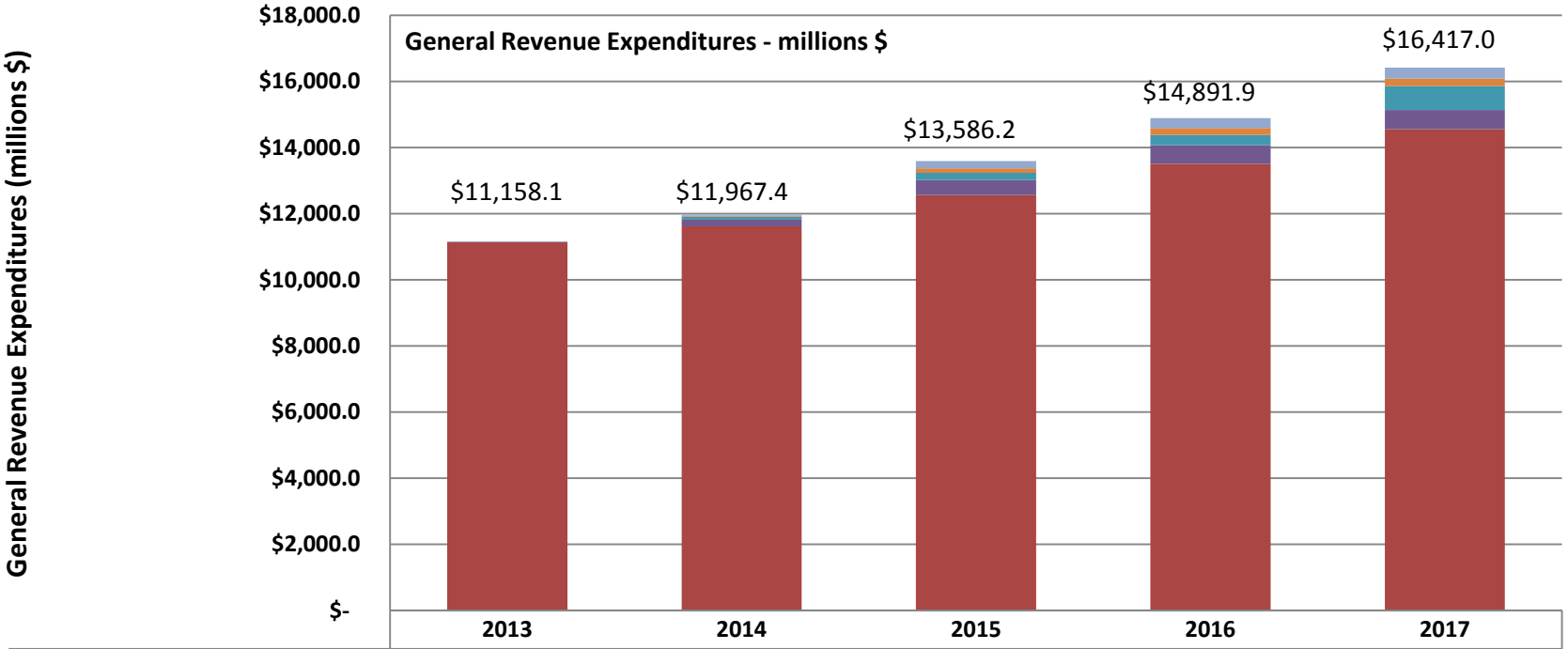
Medicaid Expenditures Estimate by Level of ACA Implementation



	2013	2014	2015	2016	2017
Full PCP Rate Increase	$21.7	$37.4	$216.0	$308.0	$332.0
Partial PCP Rate Increase	$4.0	$24.9	$136.6	$205.7	$223.7
ACA Expansion Adults	$-	$91.9	$217.6	$305.4	$723.2
Increased Enrollment Due to ACA	$-	$193.2	$457.5	$563.1	$585.1

ACA Cost Estimate – GR

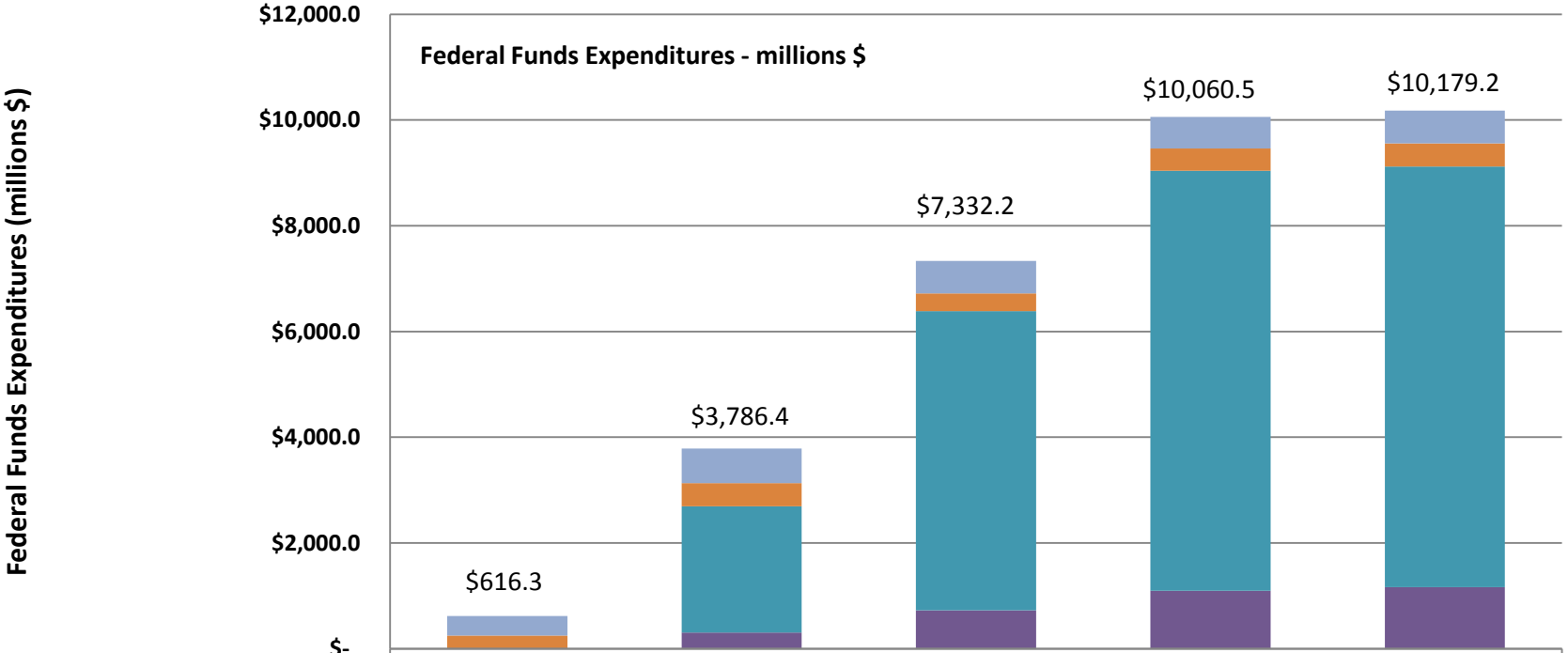
Medicaid Expenditures Estimate by Level of ACA Implementation



	2013	2014	2015	2016	2017
Full PCP Rate Increase	$21.7	$37.4	$216.0	$308.0	$332.0
Partial PCP Rate Increase	$4.0	$24.9	$136.6	$205.7	$223.7
ACA Expansion Adults	$-	$91.9	$217.6	$305.4	$723.2
Increased Enrollment Due to ACA	$-	$193.2	$457.5	$563.1	$585.1
Existing Medicaid Program	$11,132.5	$11,620.0	$12,558.6	$13,509.7	$14,553.0

ACA Cost Estimate – FF

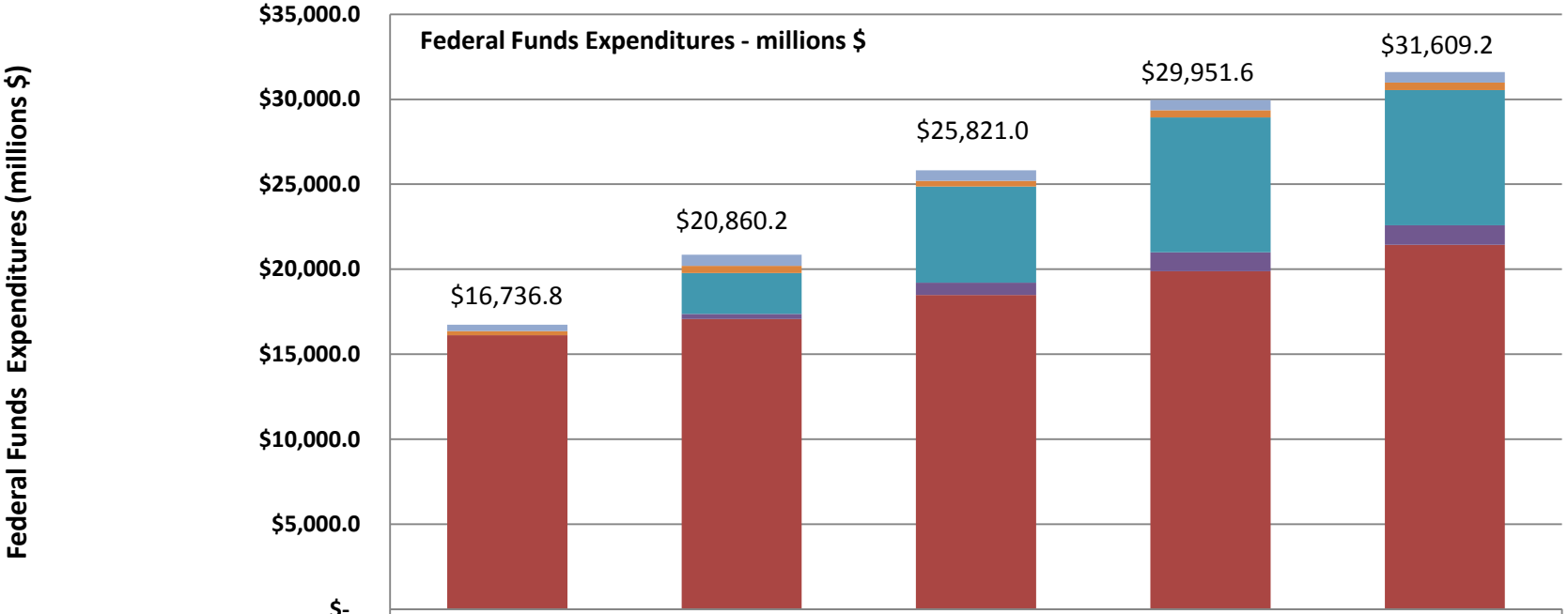
Medicaid Expenditures Estimate by Level of ACA Implementation



	2013	2014	2015	2016	2017
Full PCP Rate Increase	$368.3	$651.9	$614.2	$595.9	$619.4
Partial PCP Rate Increase	$248.0	$438.4	$333.6	$426.4	$441.6
ACA Expansion Adults	$-	$2,389.3	$5,658.0	$7,939.9	$7,954.8
Increased Enrollment Due to ACA	$-	$306.8	$726.4	$1,098.3	$1,163.4

ACA Cost Estimate – FF

Medicaid Expenditures Estimate by Level of ACA Implementation



	2013	2014	2015	2016	2017
Full PCP Rate Increase	$368.3	$651.9	$614.2	$595.9	$619.4
Partial PCP Rate Increase	$248.0	$438.4	$333.6	$426.4	$441.6
ACA Expansion Adults	$-	$2,389.3	$5,658.0	$7,939.9	$7,954.8
Increased Enrollment Due to ACA	$-	$306.8	$726.4	$1,098.3	$1,163.4
Existing Medicaid Program	$16,120.4	$17,073.8	$18,488.8	$19,891.2	$21,430.0

Changes Since First ACA Cost Estimate

New and updated information resulted in several changes to the cost estimate:

- **Reduced uptake rates from 91-94 percent to 85 percent**:
  - Individual Mandate is not enforceable for the Medicaid population.
  - Caseload growth in Children's Medicaid has reduced the percentage of eligible but not enrolled children in Texas over the past two years.
- **Reduced caseload growth trend:**
  - The original model assumed caseload growth at 2 percent annually; updated model uses 1.2 percent to reflect recent stabilization of Medicaid caseload growth.
- **Caseload phase-in:**
  - The original model included no phase-in; the updated model assumes 50 percent and 75 percent for the first two years to reflect lack of enforceable Individual Mandate for the Medicaid population.
- **Implementation date:**
  - The new model uses an implementation date of January 2014 rather than the start of FY 2014, subtracting four months of costs.
- **Provider rate increases:**
  - The reductions in caseload described above result in a lower cost of the primary care provider rate increases.
- **Medical costs:**
  - Original model assumed medical cost growth at 6 percent annually. Updated model uses 4 percent, reflecting recent national declines in medical cost growth and the impact of Cost Containment steps taken in the last two years in Texas.