



**TEXAS**  
Health and Human  
Services Commission

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## **Federal Health Care Reform Overview**

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Hospital Financial Managers Association (HFMA)

Billy Millwee  
September 30, 2010



## **Health Insurance Reform in Texas**

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### Overview

- Key Insurance Reforms
- Health Benefit Exchange
- Health Insurance Expansion
- Impacts to State/Local Programs and Workforce
- Implementation Status
- State Challenges

## Key Insurance Reforms

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- Consumer ombudsman program
- Temporary high risk pool
- Individual insurance mandate
- Eliminates lifetime and annual benefit limits and restrictions
- Prohibits pre-existing condition exclusions
- Allows coverage of dependents up to age 26
- Annual review of premium rate increases
- Health plans report information on medical loss ratios (MLR)
- No cost sharing and required coverage of preventive services

## Key Insurance Reforms

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- Guaranteed issuance of all group and individual plans
- Limits on deductibles in small group market
- Minimum benefit standards for group and individual plans
- Rating Restrictions – may only base on age, family composition, geography and tobacco use

## Health Benefit Exchange

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- Each state establish a Health Benefit Exchange to assist individuals and small employers in accessing affordable health insurance, as of January 2014
  - Federal readiness review by January 1, 2013
  - If a state does not intend to operate an exchange, the federal government will do so in that state
  - Must be administered by a governmental agency or non-profit Organization
- At a high level, the Exchange must:
  - Certify “qualified health plans”
  - Perform eligibility and enrollment functions, and screen for subsidy eligibility
  - Operate a call center to respond to customer requests for assistance
  - Maintain a website for individuals to obtain comparative information

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## Health Benefit Exchange

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- Planning grants
  - Federal grants up to \$1 million per state for a one year period for Exchange planning
- HHSC and the Texas Department of Insurance (TDI) jointly submitted a grant application
- Anticipated award date is September 30, 2010
- HHSC is working closely with TDI on the grant and other Exchange requirements
- Implementation and operation fully federally funded thru January 2015
- After January 2015 the Exchange must be self-funded

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## Health Insurance Expansion

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- Health insurance expansion is accomplished thru three initiatives:
  - Individual mandate
  - Employer-based health insurance
  - Medicaid expansion

## Health Insurance Expansion

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- Individual Mandate
  - Effective January 2014
  - Individuals (US citizens and legal residents) required to obtain qualifying coverage that meets federal standards
  - Can be an individual or group health plan
  - Subsidies for families/individuals up to 400% FPL to apply towards premium costs
  - Penalties for non-compliance

## 2010 Federal Poverty Level (FPL) Annual Incomes

Family Size	100% FPL	133% FPL	200% FPL	400% FPL
1	\$10,830	\$14,404	\$21,660	\$43,320
2	\$14,570	\$19,378	\$29,140	\$58,280
3	\$18,310	\$24,352	\$36,620	\$77,288
4	\$22,050	\$29,329	\$44,100	\$88,200

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## Health Insurance Expansion

- **Employer Mandate**
  - **Effective January 2014**
  - **Large employers (more than 50 employees)**
    - Must either offer insurance that meets certain cost requirements, or pay penalties
    - Employers with 200 or more workers who offer coverage must automatically enroll new employees and continue enrollment of current employees; employees may choose to opt-out
  - **Small Employers (50 or fewer full-time employees)**
    - *Not* required to offer insurance
    - *Not* required to offer coverage to part-time workers
    - Some small employers that provide insurance may be eligible to receive tax credit of up to 35% of their premium payments (credit increases to 50% in 2014)

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## Health Insurance Expansion

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- Medicaid expansion
  - Changes financial eligibility requirements for Medicaid
    - ✓ Must use modified adjusted gross income - MAGI
    - ✓ Prohibits assets test and income disregards (except for some groups, such as people on SSI; elderly and disabled, etc.)
    - ✓ Includes a 5% income deduction allowance, making the effective ceiling 138% (133% +5%)
  - States must maintain existing level of Medicaid eligibility until January 2014 (adults) and October 2019 (children)
  - Medicaid, CHIP and Exchange must interface
  - Applications through Exchange must be “deemed” to Medicaid and CHIP with no additional required action by the applicant

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## Health Insurance Expansion

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- Expands Medicaid eligibility to individuals under age 65 with incomes up to 133% of the Federal Poverty Limit (FPL)
- New client populations in Texas include:
  - ✓ Parents and caretakers 14%- 133%
  - ✓ Childless adults up to 133% FPL
  - ✓ Emergency Medicaid expansion
  - ✓ Foster-care through age 25
  - ✓ Children, aged 6-18 between 100 and 133% (currently CHIP eligible)
- Texas will experience caseload growth both from newly eligible individuals and those individuals who are currently eligible but not enrolled (estimated at 1.2 million increase in 2014)

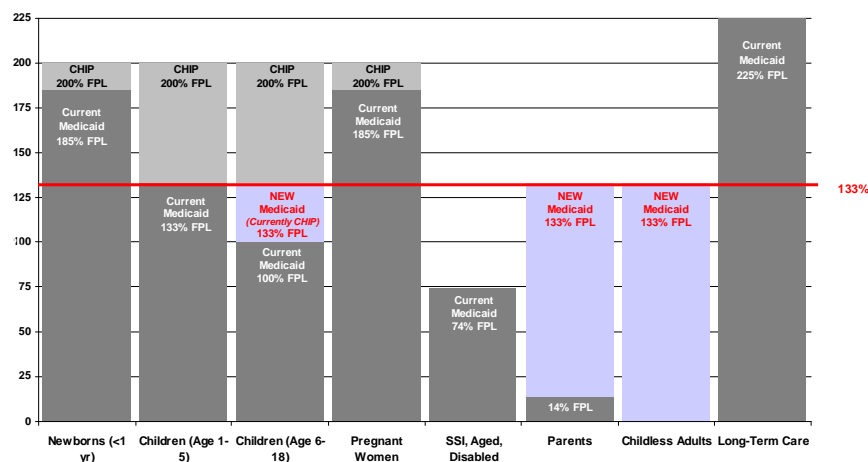
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## Health Insurance Expansion

- States are required to create a Secretary-approved benchmark benefit package for newly eligible Medicaid groups by January 2014
- Benchmarks include:
  - federal employees Blue Cross preferred provider plan
  - plans offered or available to state employees
  - Health Maintenance Organization (HMO) plan in the state with the largest non-Medicaid enrollment,
  - any other plan approved by HHS
- May result in different benefit packages for existing and expansion Medicaid populations

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## Medicaid/CHIP Eligibility Levels Current & Future (2014)

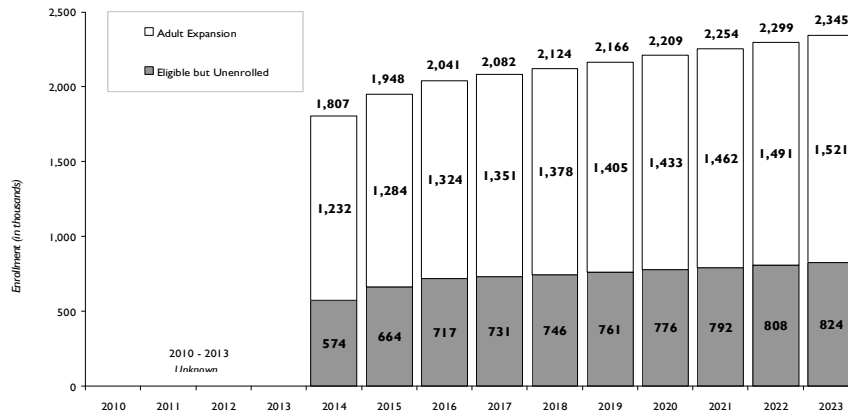




## Medicaid and CHIP Caseload Estimates 2014 – 2023

### Patient Protection and Affordable Care Act (PPACA)

HHSC Medicaid/CHIP Caseload Estimates, 2010 - 2023 \*



\* Note: Due to rounding, some component totals may not equal their respective grand total.



## Medicaid Expansion Federal Financial Participation

- Medicaid eligibility expanded to individuals age 19 – 64 years living at up to 133% FPL in 2014
- For the first three calendar years of the mandated expansion, the federal government bears the full cost of coverage for new eligibles.
- In 2017, the federal share begins decreasing.

### Texas (Reg. Enhanced)

2014	100%
2015	100%
2016	100%
2017	95%
2018	94%
2019	93%
*2020	90%
*and beyond	

## **CHIP Impacts and Considerations**

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- Extends federal Children's Health Insurance Program (CHIP) funding through 2015
- Federal CHIP match rate increased by 23% (not to exceed 100%) from October 2015 to September 2019
- Requires states to maintain existing CHIP eligibility through September 2019
- Requires use of modified gross income beginning January 2014
- Currently CHIP-eligible children aged 6 – 18, between 100% and 133% FPL, move from CHIP to Medicaid Expansion in 2014

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## **Impacts State/Local Programs and Workforce**

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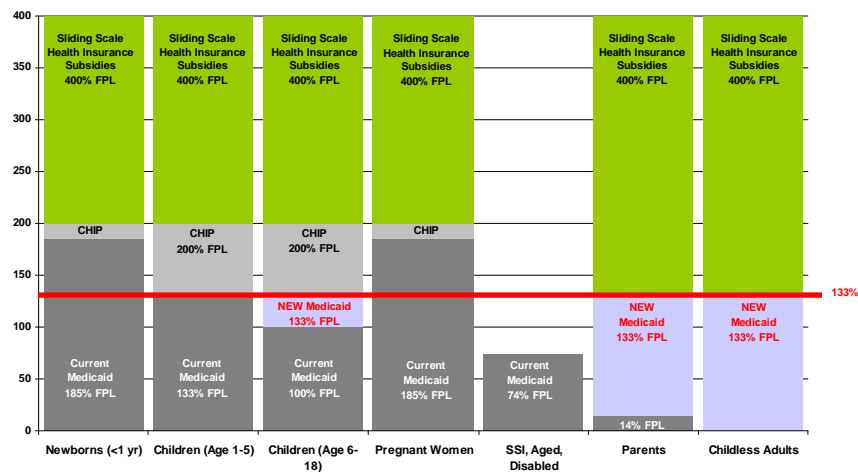
- Indigent care and charity statutes may need to be restructured
- Core functions of the Department of State Health Services and the populations it serves will likely be altered
- Public hospitals will have less uncompensated care
- The role of city and county health departments may need to be redefined
- Unknown impact to Local Mental Health Authorities
- The State will need to examine strategies to meet the increased demand for primary care and specialty providers

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## Impacts State/Local Programs and Workforce

- Demand for primary care providers and specialists will increase as more Texans are insured
- The ACA provides federally-funded primary care provider rate increases for two years.
- The State must determine future provider rates after federal funding ends.
- The ACA includes a number of provisions and funding opportunities to help states in building healthcare workforce to meet the increased service demand.

## Current & Future (2014) Private Insurance Subsidies and Medicaid/CHIP Eligibility



## Implementation Status

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- HHSC is working closely with the other Health and Human Services agencies and TDI to identify and analyze all requirements.

## Implementation Status

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- Early Reforms – 2010
  - ✓ Making program changes to allow children enrolled in Medicaid and CHIP to elect hospice care services without waiving their rights to treatment services for their terminal illness.
  - ✓ Allowing freestanding birthing centers to be eligible for Medicaid reimbursement.
  - ✓ Conducting a needs assessment of early childhood home visitation programs.
  - ✓ Estimating the amount of revenue Texas will lose in drug rebates.
  - ✓ Adding tobacco cessation counseling as a Medicaid benefit for pregnant women.

## Implementation Status

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- Analysis in Progress
  - Provider integrity requirements
  - Medicaid pharmacy program changes
    - ✓ Changes to federal rebates
    - ✓ Allows states to collect Medicaid rebates for drugs dispensed through managed care organizations (MCOs).

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## Implementation Status

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- Analysis in Progress – Long Term Supports and Services
  - Community Living Assistance Services and Supports (CLASS) program:
    - ✓ Establishes voluntary, public LTC insurance program that provides a cash benefit for the purchase of community-based supports and services for adults who develop functional impairments.
    - ✓ Individuals vest in five years; then can offset some Medicaid LTC costs.
  - Home and Community-Based Services (HCBS):
    - ✓ Provides states incentives to move Medicaid clients out of nursing homes and into home and community-based services.
  - Community First Choice Option:
    - ✓ New optional Medicaid benefit.
    - ✓ Provides states an increased Federal Medical Assistance Percentages (FMAP) for providing community-based attendant supports and services to individuals with disabilities who require an institutional level of care.

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## Implementation Status

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- HHSC is assessing optional provisions in the ACA that states may consider, including:
  - ✓ Medicaid HMOs administer the prescription drug benefit for their clients.
  - ✓ Covering children of state employees in federally-matched CHIP if states meet certain maintenance of effort or hardship criteria.
  - ✓ Opportunities to reform payment/reimbursement systems to promote quality care and cost savings.

## Implementation Status

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- HHS agencies are tracking about 44 potential grant and demonstration opportunities available through the Affordable Care Act
  - ✓ The Department of State Health Services (DSHS) has applied for nine grants. Two grants have been awarded and seven are pending award announcements.
  - ✓ The Department of Aging and Disability Services (DADS) has applied for five grants. Four are pending award announcements, and one grant (to assist with Nursing Home diversions) has been awarded.
  - ✓ HHSC partnered with the Texas Department of Insurance (TDI) on the Health Benefit Exchange Planning Grant which TDI submitted on September 1, 2010. Award announcement are anticipated by September 30, 2010.

## Implementation Status

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- HHSC has released an RFP for health care reform consulting services to assist the state in planning and implementing the provisions in the Affordable Care Act.
- Other HHS agencies and TDI will also have access to the services of this consultant for HCR assistance.
- It is anticipated that a contract will be in place in December 2010.

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## State Challenges

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- Developing the structure and functions of a Texas Exchange
- Streamlining Medicaid and CHIP eligibility determinations and coordinating with the Exchange
  - ✓ Conflict between requirements to streamline and requirements to continue existing processes
- Pending federal guidance for many provisions, which complicates states ability to implement
  - ✓ Retro-active and aggressive effective dates while federal guidance is pending

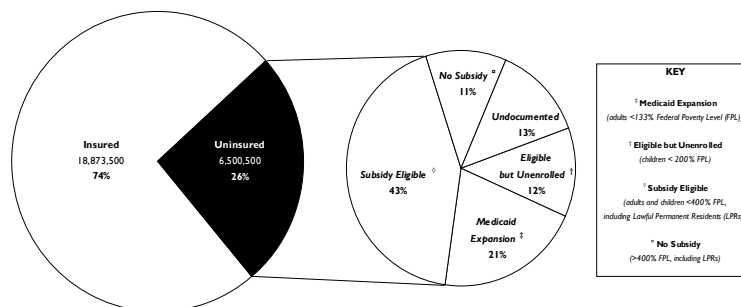
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- Strengthening and transforming the health care infrastructure
- Effectively redesigning existing state and local programs currently serving the population
- Building an adequate health care workforce to serve the newly insured populations
- Estimating the ongoing needs of the undocumented and remaining uninsured populations
- Long term fiscal planning as federal participation levels decrease over time

## Texas Uninsured Demographics Current

Current: Insured & Uninsured

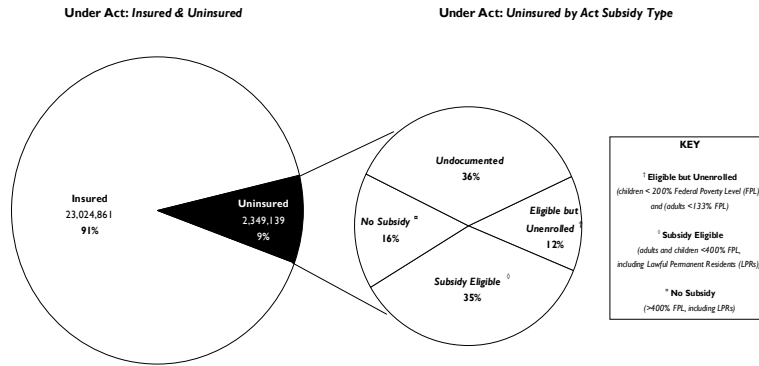
Current: Uninsured by Act Subsidy Type



Source: U.S. Census Bureau, March 2009 Current Population Survey (CPS), Texas State Data Center at the University of Texas at San Antonio. Population projections for year 2010 based on 2000-2007 Migration Scenario. Published 2/2009.

Prepared by: The Center for Strategic Decision Support, Texas Health and Human Services Commission, April 2010.

## Texas Uninsured Demographics Post-Implementation



Note: Due to rounding, percents may not total one hundred percent.

Source: U.S. Census Bureau, March 2009 Current Population Survey (CPS), Texas State Data Center at the University of Texas at San Antonio. Population projections for year 2010 based on 2000-2007 Migration Scenarios. Published 2/2009.

Prepared by: The Center for Strategic Decision Support, Texas Health and Human Services Commission, April 2010.