Medicaid Managed Care Makes Cents – Saving Lives and Dollars

2012 Report
During the last Legislative Session, you made the right decision to save lives and protect taxpayer dollars by expanding Medicaid managed care. As with all good legislation, and despite of the glaring need for the expansion and the good public policy that is embedded in it, the critics of the legislation are still crying foul. This brief seeks to review why expanding Medicaid managed care was, and is, the right move for Medicaid beneficiaries, Texas taxpayers and Texas employers.

As the Texas Association of Business (TAB) reported in 2010, expanding the Medicaid managed care system in Texas—and particularly to the Rio Grande Valley—will improve the quality of health care for thousands of citizens, while creating significant savings to the State. Extending Medicaid managed care statewide will save more than $1.2 billion in state and federal funds over the 2012-2013 budget cycle alone.

Medicaid managed care in Texas works, both for the Medicaid beneficiary and for the State budget. As you know, the growing cost of Medicaid without the implementation of managed care was unsustainable, and it continued to consume larger and larger shares of Texas’ budget, threatening funding for Texas schools, law enforcement and other priorities. Texas employers and citizens deserve to have the best costs and the best access to health care services available to them. Medicaid managed care, and the oversight and management that it brings with it, helps to preserve Medicaid for those truly in need, reduce fraud and protect taxpayer dollars.

On behalf of 3,500 small and large businesses, along with 220 chambers of commerce across Texas, I thank you very much for your service to Texas. I am available to answer any questions or to provide you with any further information. Please do not hesitate to contact me at 512-477-6721 or email me at bhammond@txbiz.org.

Bill Hammond
President and CEO, Texas Association of Business
Background

Since the publication of the Texas Association of Business’ 2010 report on Medicaid managed care (Expanding Medicaid Managed Care in Texas–The Right Dosage for Texas Recipients), Texas lawmakers have taken corrective measures to replace the outdated Medicaid system in much of our state—which has resulted in saving lives and saving dollars.

In response to the need for improved and appropriate health care with increased state budgetary oversight, Texas lawmakers in 2011 enacted a series of Medicaid managed care expansion initiatives that were estimated to save Texas taxpayers over $530 million in state general revenue over a period of two years. These initiatives included expanding both acute and Long-Term Services and Supports (LTSS) managed care to the Rio Grande Valley—the last remaining non-rural region of the State in which Medicaid beneficiaries were still receiving less coordinated and more costly care—expanding acute managed care to rural areas of the State; and carving the prescription drug and inpatient hospital benefits into managed care. These changes were effective March 1, 2012.

Although the Medicaid managed care expansion in its entirety was the result of good and sustainable public policy, the expansion in the Rio Grande Valley has received most of the attention. For years, skyrocketing Medicaid costs were the norm in the Rio Grande Valley. Yet, despite the exuberant costs, health care outcomes were no better in the region than in similar areas of the State, such as El Paso.

In fact, Medicare and Medicaid costs in the Rio Grande Valley were so glaring that they garnered national headlines. In 2009, after an examination of the situation, a national publication made this comment about the Rio Grande Valley: “The explosive trend in American medical costs seems to have occurred here in an especially intense form.”

Issue

Despite the glaring need for the expansion and the good public policy that is embedded in it, including the need to save lives and protect taxpayer dollars, some are now crying foul. This brief seeks to review why expanding Medicaid managed care was, and is, the right move for Medicaid beneficiaries, Texas taxpayers and Texas employers.

As the Texas Association of Business (TAB) reported in 2010, expanding the Medicaid managed care system in Texas—and particularly to the Rio Grande Valley—will improve the quality of health care for thousands of citizens, while creating significant savings to the State. Extending Medicaid managed care statewide will save more than $1.2 billion in state and federal funds over the 2012-2013 budget cycle alone.

Medicaid growth seriously threatens Texas’ Budget

Medicaid is a health care program for eligible Texas individuals and families with low incomes and resources. While Medicaid is jointly funded by the

<table>
<thead>
<tr>
<th>Year</th>
<th>Population *</th>
<th>Enrollment Count</th>
<th>Total Medicaid Paid</th>
<th>Federal Share Paid</th>
<th>States Share Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>unavailable</td>
<td>unavailable</td>
<td>unavailable</td>
<td>unavailable</td>
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<tr>
<td>2009</td>
<td>24,782,302</td>
<td>4,488,188</td>
<td>$23,000,01,4985.00</td>
<td>$15,710,507,711.00</td>
<td>$7,289,507,274.00 (31.69%)</td>
</tr>
<tr>
<td>2008</td>
<td>24,304,290</td>
<td>4,278,318</td>
<td>$21,097,17,058.00</td>
<td>$12,805,382,892.00</td>
<td>$8,291,793,166.00 (39.30%)</td>
</tr>
<tr>
<td>2007</td>
<td>23,837,701</td>
<td>4,171,560</td>
<td>$20,278,82,695.00</td>
<td>$12,352,298,914.00</td>
<td>$7,926,521,781.00 (39.09%)</td>
</tr>
<tr>
<td>2006</td>
<td>23,369,024</td>
<td>4,104,065</td>
<td>$17,684,00,354.00</td>
<td>$10,757,732,173.00</td>
<td>$6,926,271,367.00 (39.17%)</td>
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</table>
states and by the federal government, it is managed by the states.

The Medicaid program provides needy Texans with access to health care that they could not otherwise afford. TAB believes without question that helping those in need is the 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 is already the single most costly item in Texas’ budget. State and federal officials have reported that Medicaid costs are expected to grow to nearly half of Texas’ entire budget by 2014, up from 28 percent today.²

This explosion in Medicaid costs is unsustainable, and as it continues to consume larger and larger shares of Texas’ budget, it threatens funding for Texas schools, law enforcement and other priorities.

Given the expected growth in Medicaid, state leaders in Texas and in many other states have pursued smart and proven cost-containment measures that work in both the public and private sectors. Indeed, Medicaid managed care has a successful track record in Texas with proven benefits, including increased accountability, better coordinated and quality health care for beneficiaries, greater savings to the State, and more private-sector jobs.

Prior to the expansion of Medicaid managed care, the Rio Grande Valley received their benefits through an inefficient, fee-for-service (FSS) model, while the rest of the State’s Medicaid population was in managed care model.

**Medicaid Texas Managed Care Statistics**

<table>
<thead>
<tr>
<th>Medicaid Enrollment</th>
<th>Managed Care Enrollment</th>
<th>Percent in Managed Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,488,188</td>
<td>3,360,120</td>
<td>74.87%</td>
</tr>
</tbody>
</table>

In a FSS model, Medicaid beneficiaries are provided with a Medicaid ID card and left to find providers who will see them. Everything is paid on a per-claims basis by the State and there is no primary care provider (PCP) or oversight to ensure that members are receiving appropriate care.

Due to the expansion of managed care to the Rio Grande Valley, Medicaid is now provided through a capitated model, just like it is throughout all of Texas. In this model, a Medicaid health plan agrees to be paid a “per member/per month” rate to assume all risk for providing health care. Because of the capitated payment arrangement, the State receives budget certainty. In addition to ensuring that services are being utilized appropriately, health plans also provide additional services that the State cannot, such as care coordination for elderly and disabled members and special outreach programs for high-risk pregnant women to prevent admissions to the Neonatal Intensive Care Unit. These additional programs and services lead to better health outcomes for Medicaid beneficiaries and ultimately lower costs for the State.
The Rio Grande Valley vs. El Paso Medicaid Cost Comparisons

The result of the fee-for-service model in the Rio Grande Valley, and the enormous spending patterns that went with it, generated unflattering media attention for Texas.

In the June 1, 2009 edition of the New Yorker magazine, award-winning journalist and surgeon Atul Gawande wrote about the Valley and McAllen, Texas. Dr. Gawande observed that, “El Paso County, eight hundred miles up the border, has essentially the same demographics. Yet in 2006 Medicare expenditures (our best approximation of over-all spending patterns) in El Paso were $7,504 per enrollee—half as much as in McAllen.”

Data from fiscal year 2009—the latest available—shows the excessive health costs in the Rio Grande Valley and unfavorable comparisons to spending in the demographically similar El Paso region.

Consider these other facts:

- Per capita Medicaid spending for the aged was more than double in the Rio Grande Valley compared with El Paso – $10,656 in the Rio Grande Valley vs. $5,291 in El Paso.

- Temporary Assistance for Needy Families (TANF)-related Medicaid spending was more than 20% higher in the Rio Valley than in El Paso.
Texas Medicaid Fraud Recovers $750 million Since 2002

Medicaid managed care adds increased accountability through an extra layer of review and oversight that seeks to root-out fraud and inefficiencies, augmenting the work of the State.

The Office of the Attorney General’s Civil Medicaid Fraud Division (CMF) and the Texas Health and Human Services Commission Medicaid Fraud Control Unit (MFCU) report:

- $747 million in fraudulent payments recovered since 2002.
- $614 million in fraudulent payments uncovered since 2002.
- 1,132 indictments for Medicaid fraud.
- 800 convictions on Medicaid fraud charges.

In a February 28, 2012 U.S. Department of Justice announcement, FBI Special Agent in Charge Robert E. Casey Jr. of the FBI’s Dallas Field Office said, “The FBI views health care fraud as a severe crime problem. It causes increased costs for consumers, tax payers and health insurance plans, and degrades the integrity of our health care system and legitimate patient care.”

Medicaid managed care in Texas works, both for the Medicaid beneficiary and for the State budget. Texas employers and citizens deserve to have the best costs and the best access to health care services available to them. Medicaid managed care, and the oversight and management that it brings with it, helps to preserve Medicaid for those truly in need, reduce fraud and protect taxpayer dollars.

Examples of Fraud

- In February 2012, an Edinburg man was sentenced to 120 months in federal prison, without parole, for his role in a health care fraud and identity theft scheme. A federal jury in McAllen convicted the man on charges of conspiracy, health care fraud and aggravated identity theft related to his scheme to submit fraudulent claims to Medicare and Medicaid for a variety of medical items, including power wheelchairs and diabetic supplies.

- In April 2012, two South Texas medical supply company owners pleaded guilty to paying kickbacks to a health care resource center that referred Medicare and Medicaid patients to home health care suppliers.

- In December 2011, a co-owner and manager of a McAllen-area durable medical equipment business both pleaded guilty to conspiracy to commit health care fraud for their roles in a scheme to defraud Medicare and Medicaid through fraudulent billings for power wheelchairs.
Endnotes


⁷ “Medical supply owners Admit to paying kickbacks,” The Monitor, April 24, 2012.
