

Additional Opportunities for Texas

Provision	Federal Funding	Timing	State Role(s)	What are the Benefits (+) of Action and Consequences (–) of Inaction for Texas?
Delivery & payment reforms: Center for Medicare & Medicaid Innovation; Bundled payments; Medical homes, Accountable care organizations.	Funds for many different grants & pilots available to states, institutions of higher education, health care providers, etc.	2011-2019	Implement Medicaid options; pursue grants & pilot programs; expand successful models into Medicaid, public employee coverage & exchange.	+ Create a more effective, efficient health care system by improving quality of care while holding down growth in costs. – Without a focus on quality & cost, care will continue to be fragmented & costs will maintain an unsustainable path.
Investments in workforce and capacity: Funding for health care provider training, loans; Medicaid primary care rates; FQHC investments	Funds for many workforce grants/programs; federal funding for boost in Medicaid rates; \$11 billion for FQHCs	Funding for providers starts 2010; Medicaid primary care rate boosts in 2013-2014; FQHC investments 2011-2015	Analyze workforce capacity and needs; pursue federal funding; and invest state funds to build capacity.	+ Help for state, institutions of higher education, health centers, etc. to address existing health care workforce shortages to better meet Texas' future health care needs. – Lack of planning, investment undermines promise of reform as Texans cannot access primary & specialty care promptly.
Prevention and wellness: Prevention and Public Health Investment Fund; Coverage of prevention	\$15 billion 2010-2019	Changes to preventive services coverage 2010-2011	Pursue prevention grants and pilots; implement Medicaid preventive care option.	+ Investments in prevention & public health initiatives at federal, state, & local levels increase access to services & information. – Lost opportunities to improve health outcomes & healthy behaviors for Texans.
Long term care: New Medicaid options; CLASS (community care insurance)	Increases in federal Medicaid match rate & other funding; (CLASS funded exclusively by premiums.)	Community First Choice option effective 2011; CLASS starts 2012-13	Implement new Medicaid long term care options.	+ Opportunities to improve access to community supports; CLASS will reduce demand for Medicaid long term care. – Many Texans with disabilities remain wait-listed for services.
Essential benefit package	n/a	2014	Must determine if any current Texas mandated benefits exceed essential benefits.	+ Creates comprehensive standard of coverage. – Failure to harmonize Texas mandates with essential benefits would create avoidable state-budget costs.

TEXAS TOP five

KEY STEPS TO MAKE THE MOST OF HEALTH REFORM

What do we want Texas to be?

A state that won't squander an opportunity to properly implement the new health reform law.

The new law changes the health care landscape in Texas. It is an important tool Texas can use to achieve our own health policy goals, such as increasing coverage, improving transparency and quality, and controlling costs.

The law provides substantial federal funding to support fundamental improvements in Texas' health care system, but leaves key policy

decisions and implementation of health reform largely up to us. Ultimately, decisions made by the Texas Legislature and state agencies, including the Health and Human Services Commission and the Texas Department of Insurance, will determine Texas' success.

If we don't take a strategic approach to implementing the law, maximizing new policy changes and federal funding to create a high-performing health care system that delivers quality care to Texans and serves as a model to the nation, we will squander an opportunity.

Inaction will result in barriers to coverage, less-coordinated and lower-quality care, a less healthy population, and uncontrolled health care costs that take a toll on Texas' families, employers, and the state budget.

This report identifies decisions that Texas must make to properly implement health care reform and explains what's at stake for us.

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For the full *Texas Health Reform Checklist* special report, visit www.cphp.org.



"Serving Humanity to Honor God"

TEXAS HEALTH REFORM SPECIAL REPORT

CPPP

For 25 years, the Center for Public Policy Priorities has been a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. The center pursues this mission through independent research, policy analysis and development, public education, advocacy, coalition-building, and technical assistance. We pursue this mission to achieve a **BETTER TEXAS™**.



1 Build A Good Exchange

Texas has the option to create a new health insurance exchange by 2014. An exchange is an organized and competitive marketplace for individuals and small businesses to buy coverage.

The legislature must act this session if we want a state-based exchange. This will allow us the ability to decide the structure, governance, and function of a Texas-based exchange. Without legislative action Texas will defer to a federal exchange.

The new health insurance exchange must provide clear, comparative information about health plan price, benefits, value ratings and customer satisfaction to enhance competition in the marketplace.

To protect the exchange against disproportionate enrollment by less healthy, more expensive individuals and businesses, the legislature must align the rules for the markets inside and outside of the exchange.

The exchange should be equipped to maximize value for consumers by setting higher Texas standards than the federal minimums, and negotiating for or selecting only health plans that provide the best quality and premiums.



Actions Texas Must Take

Provision	Federal Funding	Timing	State Role(s)	What are the Benefits (+) of Action and Consequences (-) of Inaction for Texas?
Health insurance exchanges	Grants to states to plan, set up, and operate an exchange from 2010-2015.	Grants 2010-2014 Operation starts 2014	Apply for grants; determine structure, functions, and governance and operate exchange; or defer to federal government.	+ Key tool to expand private coverage, increase competition, and improve the price and quality of coverage. - Without the correct design decisions, exchanges could be too complex, encourage adverse selection, or fail to drive value in the market, making coverage LESS affordable for Texans.
Consumer assistance functions	\$30 million to states	Grants and operations begin in 2010	Apply for federal grant; administer consumer assistance program.	+ Will provide education and assistance to consumers so they can better understand, purchase, and use health insurance. - Lack of resource to help consumers understand new choices, overcome barriers to coverage.
Health insurance market reforms	\$250 million for rate review grants to states	Rate review grants 2010-2014; Most reforms take effect in September 2010 or January 2014	Pass conforming laws; enforce new market reforms; apply for rate review grants; begin rate review function.	+ Will increase access to good coverage at reasonable rates for all Texans, regardless of health status. Federal regulators may enforce reforms if states don't. - Weak state reform/regulation may leave Texans with poorer access to good, affordable coverage compared to other states.
Medicaid expansion to adults up to 133% FPL	100% of costs for 3 years, phasing down to 90% of coverage costs for newly eligible in 2020	Effective January 1, 2014	Implement new coverage as of January 1, 2014; Set benefit package for newly eligible population.	+ Near term, 1 million currently uninsured adults living in or near poverty would become eligible for Medicaid; reducing charity care for local governments. - State loses all Federal Medicaid funding (over \$17 billion per year).
Medicaid eligibility system standards & "no-wrong-door" required with Exchange	90% match for systems enhancement through 2015	Effective January 1, 2011	Expand and update enrollment policies and systems; Coordinate between agencies; Decide if Medicaid or exchange will determine eligibility for exchange sliding-scale help.	+ Newly-eligible and already-eligible for Medicaid, CHIP, exchange gain coverage without errors or delays; low-income families do not fall through the cracks when income changes move them between programs. - Texans remain uninsured despite eligibility for coverage; Texans go without care they need or get charity care that could have been covered.
Medicaid & CHIP maintenance	n/a	2010-2019	Continue Medicaid and CHIP eligibility levels.	+ State budget shortfalls will not result in the loss of coverage for Texas children or adults. - May concentrate Medicaid budget cuts in provider rates, exacerbating access issues.

2 Bolster Texas' Health Care Workforce

Texas does not have enough health care professionals to provide quality, timely care to urban or rural Texans, whose numbers will increase significantly by 2014. We must plan for and build the health workforce and the delivery sites demanded by our growing population and this new legislation.

Problems accessing physicians today are not limited to Medicaid and Medicare, but are clearly worse there. Texas Medicaid rate cuts proposed for 2011-13 would worsen access issues.

Texas must look across the spectrum of health professionals, and should consider evolving best practices in scope of practice regulations that make the most of the training of every class of provider while protecting standards of care.

Because significant numbers of Texans will remain uninsured in the years to come, and because even Texans with coverage will face access barriers due to provider shortages, it is imperative that lawmakers not undermine or prematurely dismantle critical health care safety net systems in Texas. In tough budget times, it will be tempting to redirect safety net funding before the uninsured get coverage or uncompensated care is reduced.

Texas has the opportunity to use health reform to improve on weaknesses in our current system while building the resources needed to provide a decent standard of care for millions more Texans in the years ahead.

3 Build Modern, Efficient Enrollment Systems

The speed with which uninsured Texans gain new private exchange coverage or Medicaid in 2014 depends on the efficiency of the enrollment systems. Texas can choose to have the Medicaid enrollment system calculate eligibility for help with premiums and out-of-pocket costs in the exchange or set up a new exchange enrollment system. Either way, fully integrating the Medicaid and exchange enrollment systems is critical to facilitating a "no wrong door" system that federal law requires.

The Texas Medicaid enrollment system must have sufficient staff and technical capacity to ensure seamless interoperability with the exchange from 2014 forward. The system must handle growth from the current 3.2 million Texans to approximately 5 million in the first years of expansion. Texas should move promptly to access new 90 percent federal matching funds states can use to modernize their eligibility systems.

For Texas to gain the greatest benefit from reform, the Medicaid enrollment system must be equipped to modernize, improve, and expand capacity, and its systems must be fully integrated with exchange enrollment to ensure seamless enrollment of Texans in the proper insurance program.

4 Update Texas' Revenue System

Texas must build capacity for its new and expanded roles: insurance regulation, consumer assistance, a health insurance exchange, workforce development, and Medicaid enrollment. Federal funding will be significant for some near-term costs, but some state effort will be required.

In the longer term, Texas must plan for a modest share of the costs of Medicaid coverage expansions under reform. The state will pay nothing for private insurance subsidies for millions of moderate-income Texans in the exchange, projected by the Texas Comptroller at approximately \$43 billion between 2014 and 2019. Texas will get the first three years of Medicaid expansion for adults without a state cost, and will phase up to a maximum share of just 10 percent (compared to 39 percent for today's Texas Medicaid enrollees) in 2020. Texas' share of new adult costs will not start until 2017, but if more already-eligible children enroll alongside the new adults, the state also must prepare to pay our standard Medicaid share for those children as soon as 2014.

Recent HHSC estimates of state budget impact show the federal Medicaid funds coming to Texas

outnumbering the state's costs by more than 14 to one (\$76 billion federal, \$5 billion state). Whatever the precise costs and benefits, leadership must begin planning for the future revenue needs today, not waiting until 2017 and declaring a crisis.

5 Improve Quality & Slow Growth in Costs

Growth in health care costs is not sustainable over time for governments, employers, and families. National health reform can greatly expand coverage while reducing the federal deficit, in part because it includes many different approaches to improve quality of care while holding down costs. Texas can build on this foundation to improve the health care system for all Texans.

Texas should be at the forefront and pursue pilot programs and demonstrations aimed at improving health outcomes and care coordination, reducing hospital readmissions and medical errors, increasing provider accountability and the cost-effectiveness of care, and encouraging prevention and wellness.

Texas can align the substantial purchasing power of Medicaid, CHIP, public employees, and the exchange to more effectively encourage proven delivery and payment reforms that improve Texas' health care system.

