☆ WASHINGTON WATCH ☆

An update on federal action from

The Center for Public Policy Priorities

900 Lydia Street • Austin, Texas 78702 • 512-320-0222 voice • 512-320-0227 fax

May 17, 1996 No. 24

The focus of the *Washington Watch* series has been analyzing the impacts of federal proposals on Texas. Major changes to welfare, Medicaid and other important social programs have largely been delayed, but spending reductions have occurred and state-level reforms and other initiatives are continuing. As we begin shifting some of our focus to state-level policies, budgetary issues, and program changes, we find ourselves in need of a new name to encompass all we will be sharing with you. Any suggestions are welcome. We will be working to come up with something creative in the next couple of weeks.

State Officials to Hold Medicaid Managed Care Public Hearings

The Texas Health and Human Services Commission (THHSC), Department of Health, Department of Human Services and Department of Mental Health and Mental Retardation will hold a series of public hearings throughout the state in May and June. These hearings seek public opinion on the development of the Medicaid managed care program. Medicaid officials are looking for comments on ways to establish a health care delivery system that will best meet the needs of Medicaid clients. This program will be developed under the current authority of the 1915(b) waiver process.

Comments are also sought on the long term care integrated managed care model. The Texas Legislature requested that the Health and Human Services Commission develop a pilot to integrate acute care and long term care services into one delivery system

THHSC will soon be scheduling June hearings in College Station, Waco, Corpus Christi, McAllen, Abilene, Amarillo, Paris, and Nacogdoches. For more information, please call Ms. Colleen Paige with the Health and Human Services Commission (HHSC) at 512/424-6517. You may send written comments to HHSC at:

P.O. Box 13247, Austin, TX 78711. Persons with disabilities who may require special needs may contact Ms. Paige.

May Hearing Dates:

May 15 (Done) Dallas, 4-6 p.m. North Dallas High School 3120 North Haskell	**May 16 (Done)** El Paso, 6-8 p.m. County Commissioner's Court House 500 East San Antonio Avenue, 3rd Floor Commissioner's Court Chambers	**May 21** Wichita Falls, 2-4 p.m. Midwestern State Univ., Ball Room 3400 Taft Blvd.
May 23 Laredo, 4-6 p.m. Texas A&M International University 5201 University Blvd. Bullock Hall #101		**May 28** San Angelo, 2-4 p.m. San Angelo State University University Conference Center 2601 West Avenue N.
May 29 Temple, 2-4 p.m. Temple College 2600 South 1st Street	**May 30** Houston, 2-4 p.m. Texas Southern University Auditorium 3100 Clebourne Avenue	**May 31** Tyler, 6-8 p.m. East Texas Medical Center 801 Clinic Drive

Medicaid Update

Congressional Recap

A series of proposals for changing Medicaid have been laid out in Congress (see WW #18 & #19). At this time, we do not know if a bill including Medicaid provisions will be voted on by Congress before the November Presidential election. President Clinton has indicated he still intends to veto any Medicaid bill that would convert the program to a block grant, i.e., would end the guarantee of health benefits for the poorest elders, disabled and families.

- The **Republican majority proposal**, included in the since-vetoed Budget Reconciliation Act, would repeal the federal Medicaid program, and replace it with a block grant to states. Under this block grant, individuals would no longer be entitled to Medicaid coverage, regardless of income or disability status. Each state would define eligibility and the benefit package provided. The block grant would grow at 4% per year in the out years.
- The **NGA proposal** (as released in February) would similarly repeal Medicaid, replacing it with a hybrid Block Grant program that could grow in a limited fashion in response to growth in specific eligibility groups. States would no longer be required to cover some currently entitled groups, and the package of benefits provided would be smaller and limited in any way chosen by a state. Recent reports from Washington suggest that what started as an NGA-based bill may be modified to resemble the original Republican Majority block grant proposal, and if so would no longer have bipartisan support among Governors. (The NGA proposal had not been formally filed as a bill at press time - additional details will be provided if/when bill language becomes available.)
- The elements of the earlier **Clinton Administration proposal** are now largely reflected in the **Chaffee-Breaux Centrist Proposal,** which would retain the current Medicaid law and entitlement for all groups guaranteed eligibility under current law. Annual growth in spending would be capped, payments to hospitals and nursing home could be reduced, open-ended benefits for children under EPSDT would be scaled back, and the Disproportionate Share Hospital (DSH) reimbursement program for hospitals would be down-sized. The **Coalition or Blue Dog proposal,** from a group of conservative House Democrats, is similar to the President's approach in its Medicaid proposals.

Texas 1115 Waiver Request

As the U.S. Congress contemplates changes in Medicaid, important activity is taking place in Texas Medicaid. In August 1995, the State submitted a request for waiver of federal Medicaid laws, proposing to:

1. expand eligibility for children up to 133% of the federal poverty level (FPL) and adults up to 45% FPL;
2. implement mandatory managed care statewide;
3. **allow** for local or regional administration of Medicaid managed care; and,
4. **require** local government financing of the eligibility expansion.

Despite early strong support from local governments (i.e., large urban hospital districts), THHSC has been unable to negotiate conditions of local government financial participation acceptable to all. The sticking point is the hospital districts' desire for a guarantee that any reductions in DSH payments will be completely offset through increased Medicaid managed care revenues to the districts. Because of this impasse, the Commission has developed a concept paper outlining revisions to the original proposal. If adopted, the revised waiver would still expand children's eligibility and roll out managed care statewide. Expansion for adults would be at local **option**, depending on the willingness of local entities to convert DSH payments to finance adult coverage. Instead of actually transferring funds to the state to finance the eligibility expansion, direct expenditures by local entities on health care or health coverage will be "certified" for federal match.

THHSC will presumably try to build consensus for the revised approach to local participation in Medicaid, and develop a formal waiver revision plan. The Commission has not yet announced a timeline for submitting revisions to federal Medicaid officials.

Managed Care Waivers

Phase-in of new Medicaid managed care sites continues across the state, independent of the 1115 process. Federal approval of Medicaid "1915(b)" managed care programs not involving expanded eligibility has been quite speedy. Two managed care project sites, Travis county and the "Tri-county" (Galveston, Jefferson, and Chambers counties) project, have been operating since 1993. The Tri-county site has recently been expanded to include adjacent counties (Hardin, Orange, and Liberty), and re-named the "Southeast Region" project. This project differs from all the other Texas sites in that it is a non-HMO project that assigns a primary care case manager to each Medicaid client. The Travis county project will enter a new contract period in September 1996, increasing the number of HMO options and adding 7 contiguous counties to the project area. Three HMOs have been awarded contracts for the Travis area.

In addition to expansion of the existing projects, three new urban areas will implement Medicaid managed care in 1996. In Bexar county (San Antonio) and 6 contiguous counties, three HMOs have been awarded contracts to begin operations in August 1996. Tarrant county and 5 neighboring counties will see operations by 4 HMOs begin in September 1996. This will also be starting date for operations in Lubbock and 8 surrounding counties, where 2 HMOs have been awarded Medicaid managed care contracts.

Enrollment in managed care will be **mandatory** in all of the HMO project sites for "AFDC-related" and "poverty-related" Medicaid clients. Enrollment by non-elderly SSI recipients (persons who are blind or with other disabilities) will be **optional**. Persons eligible for both Medicaid and Medicare will **not** be included in managed care at this time.

Other Initiatives

Texas House Speaker Laney has charged the House Public Health Committee with studying options to improve access to health care for children. The study has not progressed much yet, but it will focus on the population of uninsured Texas children who would **not** qualify for expanded Medicaid eligibility under the proposed waiver described above. Any proposals generated are expected to be budget-neutral for state government, and state officials have mentioned partnerships between government, employers, and insurers as the most likely source of new programs. Some advocates suggest Texas might follow the lead of other states which use increased cigarette taxes to finance care for children.

In addition, state planning continues for a pilot project to test the use of managed care to deliver both acute and long term care in an integrated fashion to Medicaid clients over age 65 or with disabilities. The pilot would be implemented in two contiguous counties (one urban, one rural) and will be announced in May or June 1996. Participation would be optional for clients currently in institutions; no final decision has been made as to whether participation by others would be voluntary or optional. Pilot start-up is planned for 1997.

Potential Impact of Federal Changes on State Initiatives

No definitive predictions can be made regarding exactly what changes to these programs would have to be made if federal Medicaid proposals are adopted. Clearly, any federal action significantly reducing funding for Medicaid could force changes in any of these projects. Historically, new federal laws have been honeycombed with special exceptions and "grandfathering" clauses, and we will have to be much closer to final federal action before the impact on existing programs can be determined.

For more information on changes to the Texas Medicaid program contact Anne Dunkelberg at the Center.

You are encouraged to copy and distribute this edition of
☆ **Washington Watch** ☆