



Presentation to the  
House Appropriations Subcommittee on Article II:  
Affordable Care Act

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Executive Commissioner

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# Affordable Care Act

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- 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.

## Next Steps

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- 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 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.

# Key ACA Provisions

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- 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

# ACA Provisions Implemented to Date

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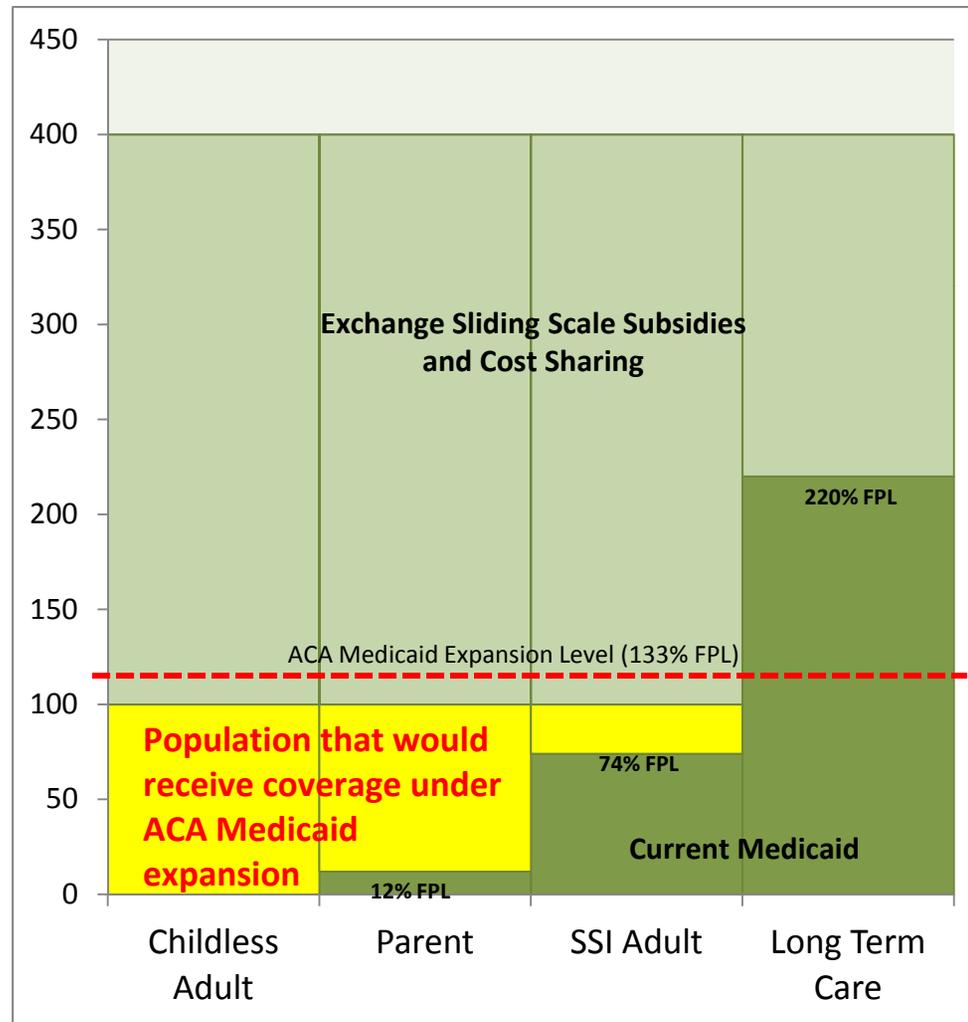
- Allow children enrolled in Medicaid and CHIP to elect hospice care without waiving their rights to treatment for their terminal illness
- Made freestanding birthing centers eligible for Medicaid reimbursement
- Claim federal matching funds for school and state employees' children enrolled in CHIP
-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

# ACA Provisions in Planning Phase

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- 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

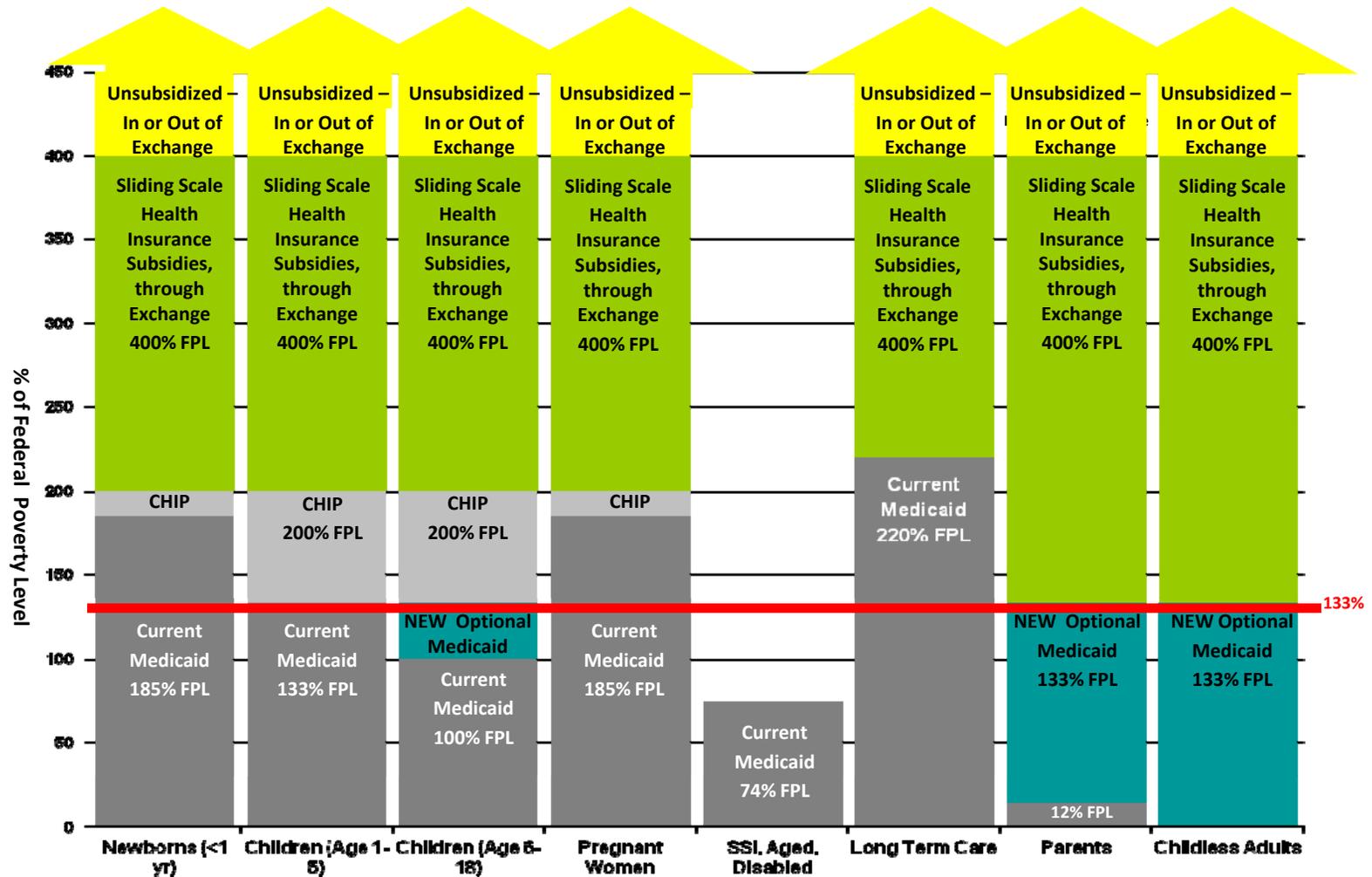


The chart to the left shows the group of uninsured low-income adults that would receive coverage in the ACA Medicaid Expansion. Note: The ACA expands Medicaid coverage for adults under age 65 (up to 133% FPL). However, subsidies are available to adults through the Exchange beginning at 100% FPL.

## Annual Income Levels

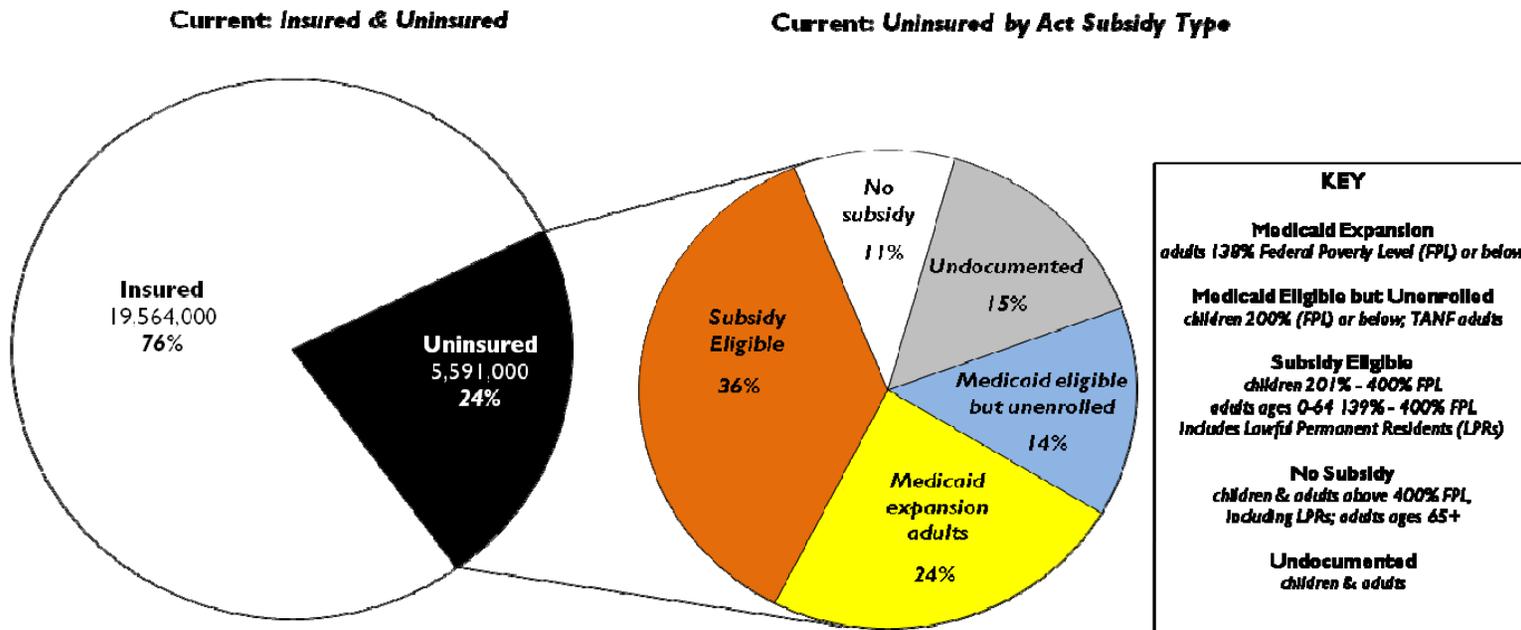
FPL Level	Individual	Family of 3
<b>12%</b>	\$1,340	\$8,265
<b>74%</b>	\$2,290	\$14,126
<b>100%</b>	<b>\$11,170</b>	<b>\$19,090</b>
<b>133%</b>	\$14,856	\$25,390
<b>400%</b>	\$44,680	\$76,360

# Texas Health Care Coverage – Post ACA Implementation



# Texas Health Insurance Estimates (2010 Population)

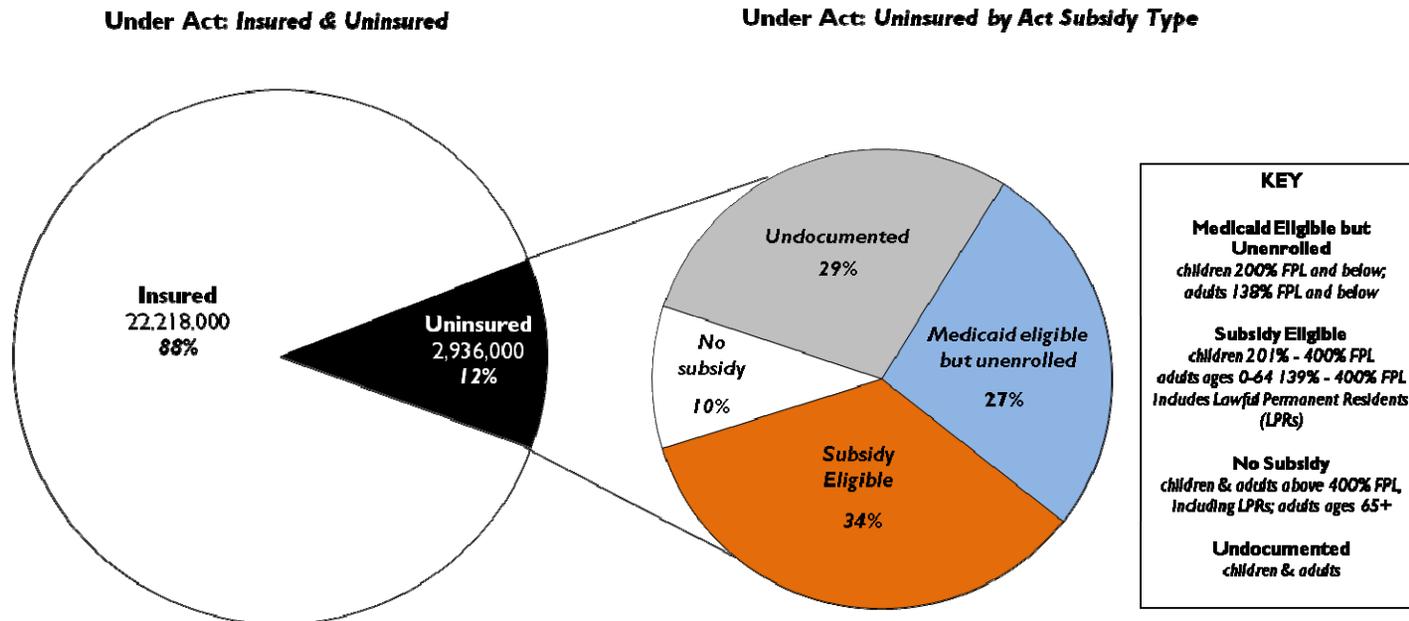
Texas Population — Current: Insured and Uninsured, by Affordable Care Act (ACA) Subsidy Type



*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

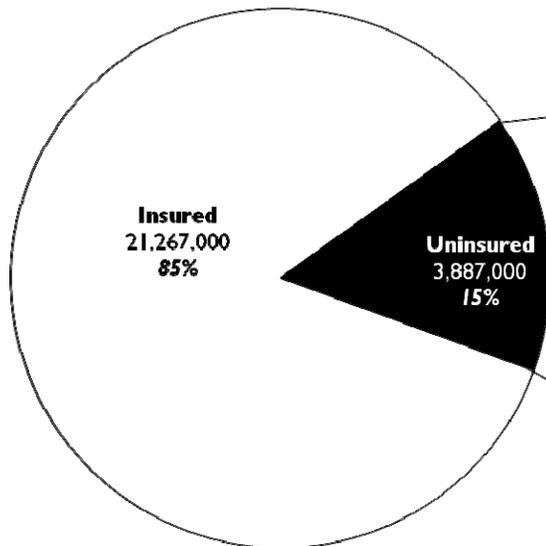


**Note:** Due to rounding, percents may not total one hundred percent.  
**Source:** U.S. Census Bureau, March 2011 Current Population Survey (CPS)  
**Prepared by:** Texas Health and Human Services Commission, July 2012.

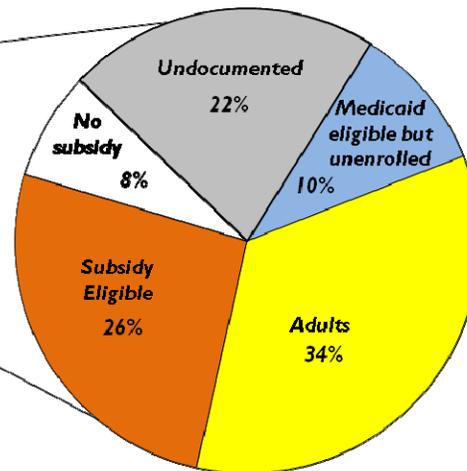
# Texas Health Insurance Estimates (2010 Population)

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	
<b>Adults</b>	adults 138% Federal Poverty Level (FPL) or below (would be eligible under Medicaid Expansion)
<b>Medicaid Eligible but Unenrolled</b>	children 200% FPL and below; adults 138% FPL and below
<b>Subsidy Eligible</b>	children 201% - 400% FPL; adults ages 0-64 139% - 400% FPL; Includes Lawful Permanent Residents (LPRs)
<b>No Subsidy</b>	children & adults above 400% FPL, including LPRs; adults ages 65+
<b>Undocumented</b>	children & adults

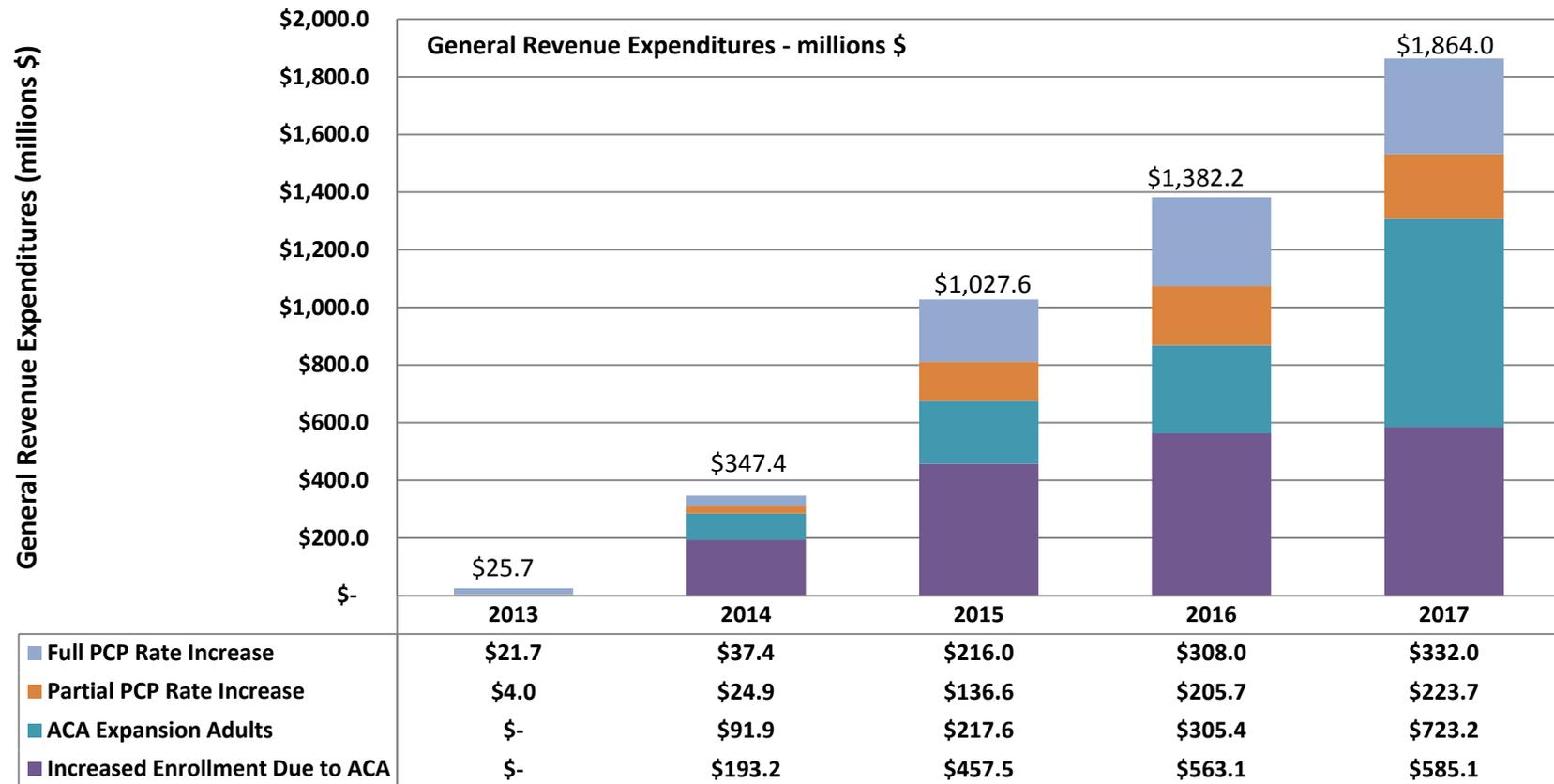
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**Source:** U.S. Census Bureau, March 2011 Current Population Survey (CPS).  
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- **Increased Enrollment Due to ACA**
    - Includes costs for individuals currently eligible for Medicaid, but not enrolled. Medicaid enrollment is expected to increase due to the individual mandate.
    - Regular state/federal match applies (no enhanced federal funding).
    - GR cost is \$193 million in FY 2014 and \$1.8 billion through FY 2017.
  - **Partial Primary Care Provider (PCP) Rate Increase**
    - Includes costs for mandatory increase to the Medicare rate for certain primary care services and providers.
    - Regular state/federal match rate for 2% of increase for individuals who are currently enrolled or currently eligible but not enrolled.
    - GR cost is \$4 million in FY 2013 and \$595 million through FY 2017.

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- Full Primary Care Provider (PCP) Rate Increase
    - Includes costs for an increase equal to the Medicare rate for primary care services delivered by any Medicaid provider.
    - 100% federal match for Medicaid PCP rate increase for 2-3 years (2013-2015).
    - Regular state/federal match rate for individuals eligible under current income limits and family composition.
    - GR cost is \$22 million in FY 2013 and \$915 million GR through FY 2017.
  - ACA Expansion Adults
    - Includes costs for expanding the Medicaid income limit to 133% of the FPL.
    - 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.

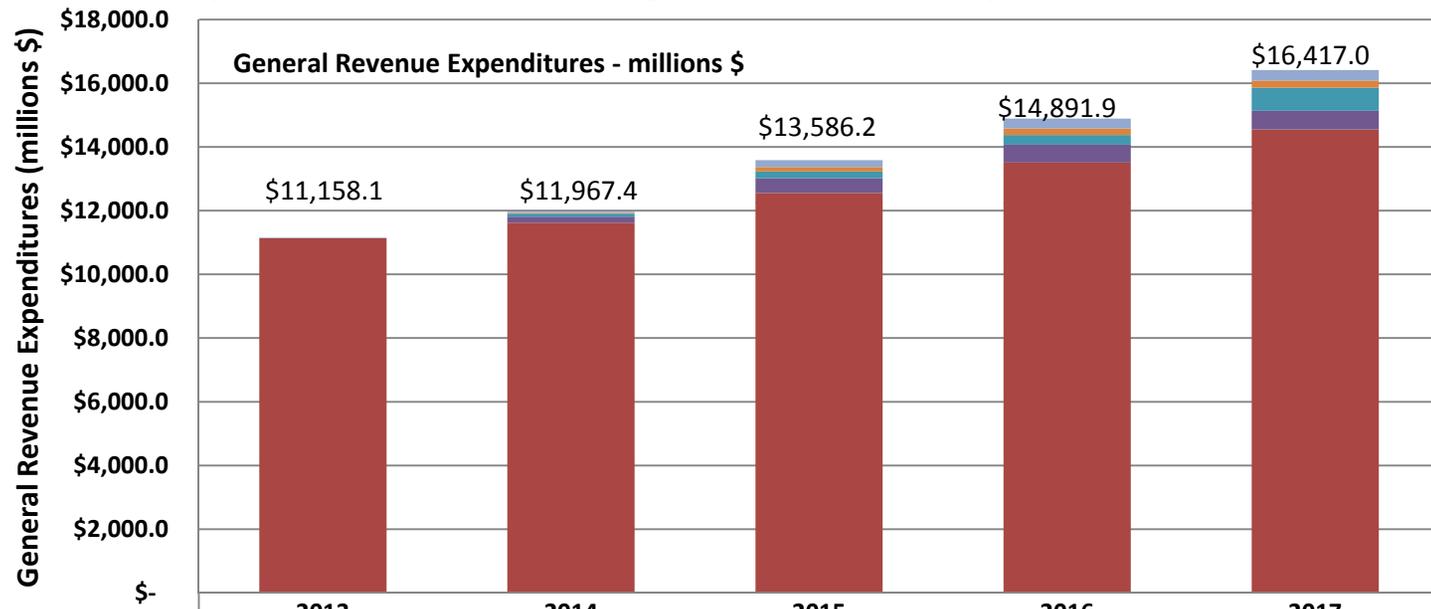
# ACA Cost Estimate

## Medicaid Expenditures Estimate by Level of ACA Implementation



# ACA Cost Estimate

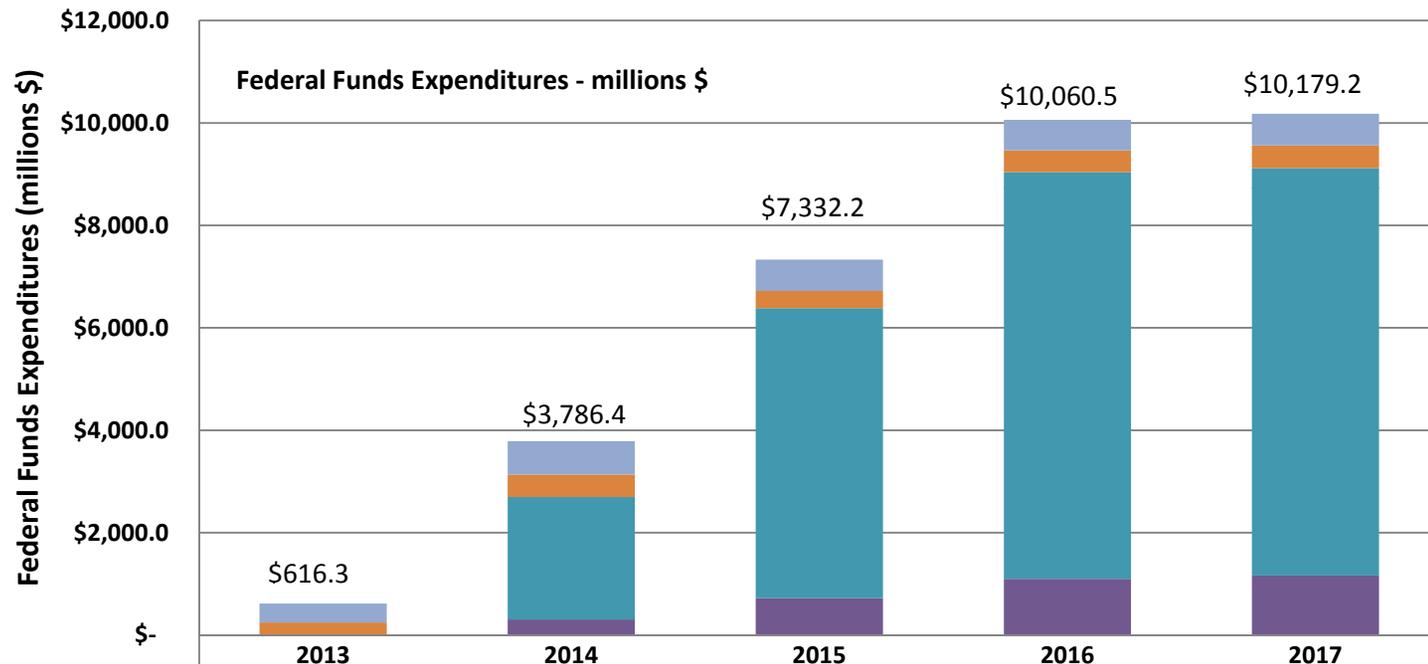
## Medicaid Expenditures Estimate by Level of ACA Implementation



	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

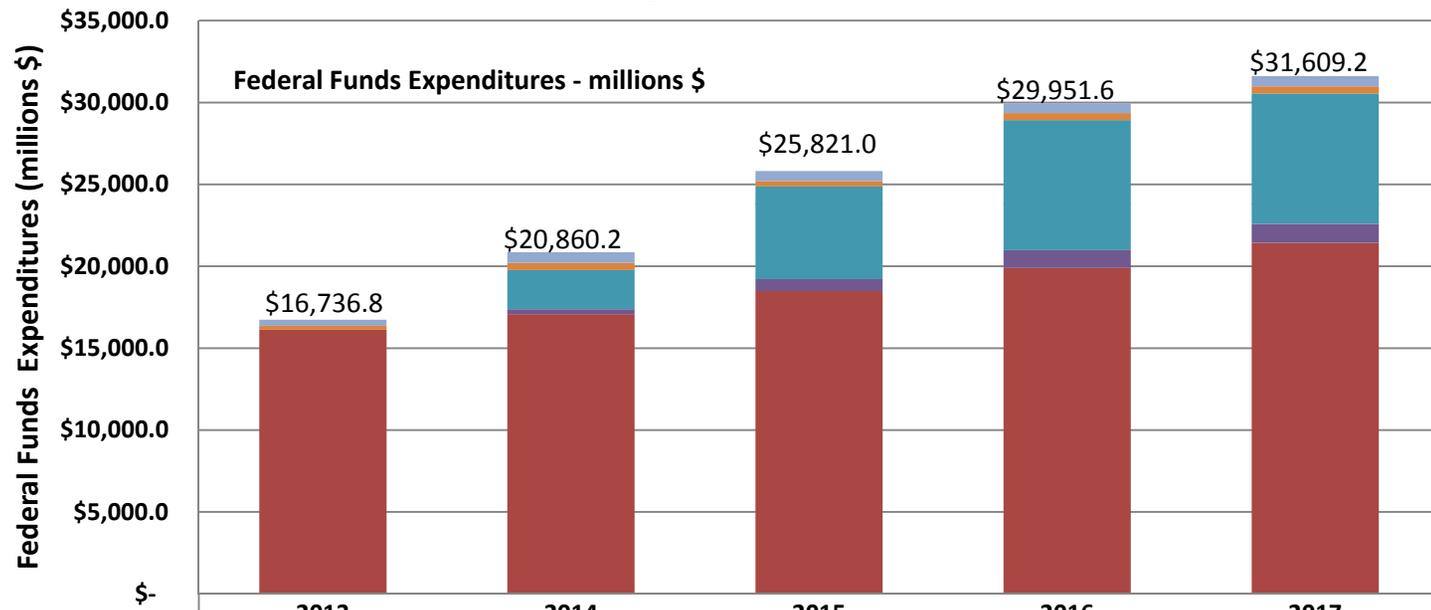
## Medicaid Expenditures Estimate by Level of ACA Implementation



	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

## 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
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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

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

- **Reduced uptake rates from 91-94% to 85%:**
  - Recognition that the Individual Mandate isn't enforceable for 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% annually; updated model uses 1.2% to reflect recent stabilization of Medicaid caseload growth.
- **Caseload phase-in:**
  - The original model included no phase-in; the updated model assumes 50% and 75% for the first two years to reflect lack of enforceable Individual Mandate for this 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% annually. Updated model uses 4% reflecting recent national declines in medical cost growth and the impact of Cost Containment steps taken in the last two years in Texas.