TEXAS MEDICAID REFORM: WILL DISPARITIES IN HEALTH CARE ACCESS BE ADDRESSED?

EXECUTIVE SUMMARY[1]
October 2008

Texas has begun a process of health care reform having recognized that it retains the highest uninsured rate in the country, uncontrolled health care costs, and questionable quality in the level of available and accessible health care. The Medicaid program is a centerpiece of the reform effort. Senate Bill 10, passed by the Texas 80th Legislative Session (2007), permitted Medicaid Reform to serve as the driver for addressing the State's health care crisis.

In response to Senate Bill 10, the Texas Health and Human Services Commission (HHSC) submitted (December 12, 2007) the required State Medicaid Reform Waiver 1115 proposal to the Center for Medical Services (CMS) – the federal oversight agency for the Medicaid entitlement program. The State is in on-going negotiations with CMS, and a revised Waiver 1115 proposal was submitted in April 2008 for further review and additional negotiations.

Given the rigorous approval process (2-4 years) and influence by CMS during its course of review, as well as on-going State-level changes in the health care environment it is likely that revisions will occur. The key reform elements of the submitted goals include: a) Keeping Texans healthy by providing access to high quality health care, reinforcing consumer choice and consumer personal responsibility for health care and healthy behavior; b) Restructuring federal Medicaid funding for the purpose of gaining flexibility, enabling greater optimizing of investments in health care, and reducing the number of uninsured; and c) Establishing an infrastructure to enhance quality and value of health care through better care management and performance improvement incentives.

The focus of this policy analysis is to evaluate the components of the HHSC Medicaid Reform Waiver 1115 proposal as of March 2008 and identify its challenges while gaining greater understanding of how the reform proposal will or will not address health disparities among low-income, and race/ethnic population groups – all of whom represent the largest number of uninsured and are most heavily impacted by multiple health disparities.

Highlights of components of the HHSCs Medicaid Reform Waiver:

To date, the central components of the proposed Medicaid Reform Waiver (MRW) have been designed with consideration to a) the State's current health care crisis environment, b) Texas Legislative and HHSC hospital and uncompensated care studies, and c) policy research on reform strategies and experiences of other States.

Much of this framework is largely influenced by the tone set by the Deficit Reduction Act (DRA) passed by Congress in 2005. The DRA's carrots and sticks policies allows for state flexibility option while mandating restriction on funding and new enrollment requirement. The

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DRA places many challenges before State Medicaid Programs - financially and programmatically through increased service expectation, reduced funding, and emphasis on decreasing the number of uninsured. The current Medicaid Reform Waiver proposal by Texas' HHSC emphasizes restructuring the financing and delivery of indigent health care. The State proposes to rebase Medicaid financing to better achieve optimal federal matching fund to support the creation of a Health Opportunity Pool (HOP), which will to provide expanded subsidy opportunities for employer sponsored health insurance.

The State has embraced the DRA's policy support for public-private sector collaboration to address the problems of the uninsured. The States' MRW proposal targets the uninsured by providing affordable private health insurance options through employer-sponsored and/or individually purchased private health insurance. A concurrent policy strategy is that the health insurance options emphasize primary preventive care.

The States' emphasis on a public-private market approach is not yet clearly defined or developed in the proposed reform policy components. Nonetheless, Texas has focused its efforts on utilizing the private-market model to expand coverage and healthcare cost-sharing as the strategies for implementation. These approaches purport to create an environment that will grow a "culture of insurance" among the uninsured.

Key components of the Texas MRW 1115 include:

- **Eligibility and Target Population:** The HOP long-term goal is to subsidize private health insurance premiums for 3.6 million uninsured individuals at 200% or less of the Federal Poverty Level through a "phase-in" approach – dependent on available financing, experience, and infrastructure ready timelines. Other factors include first-come-first-served basis and applying for and accepting Employer Sponsored Insurance (ESI) plans. The Phase 1 priority target population is the current 482,822 parents and siblings over 21 of with children on Medicaid and CHIP.
- **Benefits:** The proposed HHSC Medicaid Reforms policies would target service tailored benefit packages, subsidies, and financing that emphasizes primary and preventive care. The proposed benefit package represents service limits below those provided under Medicaid or CHIP, or most employer sponsored insurance plans.
- **Financing:** The proposed HOP financing mechanism-referenced as the Medicaid Reform Finance Transformation Model would restructure State funding and financing for health insurance coverage to the uninsured. A central component of the HOP financing mechanism is the "Diagnosis Related Group- Disproportionate Share Hospital Reimbursement Swap" that would reroute traditional and available uncompensated care dollars ($150 million in general revenue) to create HOP. After rebasing, it is estimated that this would result in $304 million for initial HOP implementation.

Key Challenges of Texas' MRW:

The underpinning for the current design of Medicaid Reform policies has limited empirical support, thus raises questions regarding the State's approach. A comparative review of other state public-private market approaches and respective reform policies illustrate limited evidence of success in reducing the number of uninsured, improving the quality of care, or in

reducing health care costs. Often, they have been less cost-effective or sustainable. Ironically, policy research suggest that, even with its financial challenges, Medicaid provides more cost-effective care that the private health insurance sector.

Not including key stakeholders in concept design and policy development creates a challenge for support. Stakeholders have been predominantly asked to "react to" a proposal and subsequent policy strategies as opposed to being asked to be a part of the reform development process. The Texas Hospital Association did not support the State's proposed waiver nor has the insurance industry expressed a public stance. Furthermore, Hispanics, Blacks, and/or low-income uninsured groups were not invited or engaged through targeted venues such as front-line community health and human service organizations, civic or faith-based groups to explore their perspective, ideas or recommendations. As a result, HHSC's proposal is largely unsupported from stakeholders.

The most challenging for MRW is lack of attention to the implications that the reform efforts will have on the health disparities in the targeted populations most affected.. It is estimated that Texas has 1.4 million uninsured adult citizens with incomes below 200% Federal Poverty Level. Of these adults, minorities have higher uninsured rates than Whites even when the level of education is the same. For instance, college educated Hispanics and Blacks are still three times more likely to be uninsured. The demographic, education, income, health and insurance disparities among most uninsured-Hispanics have large implications for real change in reducing the number of uninsured in Texas.

Texas Uninsured Citizens by Race/Ethnicity and Educational Attainment

Education	White	Hispanic	Black
No high school diploma	22%	36%	28%
High school or equivalent	19%	41%	36%
Some college, less than 4-yr degree	13%	29%	23%
Bachelor's degree or higher	5%	16%	15%
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Note: Percentages reflect individual racial/ethnic and educational attainment sub groups and will not add to 100%

The complex state of Texas' diverse geographic characteristics, urban/rural differences, racial and ethnic population composition exacerbates health care disparities. The proposed waiver did not explicitly address these issues nor provide research data to promote dialogue and policy approaches that can increase opportunities for reform success.

In summary, it appears that Texas is taking a minimalist approach to expanding health insurance coverage. The national trends to make changes to State Medicaid Programs are driven by the DRA. The policy research indicates limited success with many of the reform efforts. Successes for substantive health care changes appear to have more promise when States take the lead in supporting

comprehensive reforms, demonstrate increase revenue investments, and both challenge and truly partnering with stakeholders to find solutions. The Texas reform plan, thus far, is limited in scope and vision and will have little impact on strengthening and expanding health care safety nets.

Health care reform in Texas has really just begun and there is ample opportunity to revise and improve the underlying approach and policy strategies to reduce the number of uninsured, improve quality, and reduce costs. These issues are particularly salient to Hispanics who represent 59% of the uninsured population who along with African Americans and low-income groups are severely impacted with health care access disparities.

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