

SUBJECT: Requiring transparency in rate-setting processes for Medicaid premiums

COMMITTEE: Human Services — committee substitute recommended

VOTE: 8 ayes — Raymond, Rose, Keough, Klick, Naishtat, Peña, Price, Spitzer

0 nays

1 absent — S. King

WITNESSES: For — Jose E. Camacho, Texas Association of Community Health Centers, Inc.; (*Registered, but did not testify:* Gavin Massingill, Care Options for Kids; Ann-Marie Price, Central Health; Christine Bryan, Clarity Child Guidance Center; Marina Hench, Texas Association for Home Care and Hospice; Sid Rich, Texas Association of Residential Care Communities; Danette Castle, Texas Council of Community Centers; Bradford Shields, Texas Federation of Drug Stores; Michelle Romero, Texas Medical Association; Clayton Travis, Texas Pediatric Society; Michael Gutierrez)

Against — None

On — (*Registered, but did not testify:* Rachel Butler and Rudy Villarreal, Health and Human Services Commission; Katy Fallon, Legislative Budget Board; Bill Hammond, Texas Association of Business)

BACKGROUND: The state's Medicaid programs provide health care to certain low-income and disabled populations through two delivery models, fee for service and managed care. Most of the state's Medicaid clients receive services through managed care.

Under the managed care programs for Medicaid and the Children's Health Insurance Program (CHIP), the Health and Human Services Commission (HHSC) pays contracted health plans a monthly amount to coordinate and reimburse for services provided to plan enrollees.

Government Code, ch. 533 governs the implementation of the state's Medicaid managed care programs. Sec. 533.013 requires that HHSC consider various factors when determining the payment rates of premiums for health plans providing managed care services. These factors include:

- the regional variation in costs of health care services;
- the range and type of services covered by the premium payment rates;
- the number of recipients in each region; and
- the ability of the health plan to meet costs of operation under the proposed rates.

This section also directs HHSC to pursue and implement premium rate-setting strategies that encourage provider payment reform and more efficient service delivery.

Medicaid premium rate-setting methodologies can be highly complex, and elements of the process can change over time. Some have proposed that more transparency in rate setting for Medicaid premiums could help in evaluating whether rates were reasonable and appropriate and that more information about calculations and assumptions used to set premium rates could help policymakers and stakeholders to understand factors affecting program costs, determine funding needs, and assess the efficacy of the rate-setting process.

DIGEST:

CSHB 2084 would require the Health and Human Services Commission (HHSC) to publish actuarial reports containing specified information about the premium payment rate-setting process for managed care programs under Medicaid and the Children's Health Insurance Program (CHIP).

The reports required for Medicaid managed care and for CHIP would be in a format that allowed for tracing data and formulas across attachments, exhibits, and examples. They also would clearly identify and describe:

- the methodology by which the executive commissioner of HHSC

- set the payment rates and the data sources used;
- the components of the process that were assumptions and how these assumptions were developed;
 - multipliers and factors used throughout the reports, including their source and purpose; and
 - the methodology by which the executive commissioner determined that the rates were actuarially sound for the population covered and the services provided.

CSHB 2084 also would direct a state agency needing a waiver or authorization from a federal agency to implement a provision of the bill to request that waiver or authorization. The affected state agency could delay implementation of affected provisions in the bill until the agency received the waiver or authority.

This bill would take effect September 1, 2015.