

SUBJECT: Medicaid managed care contracts with UT Medical Branch at Galveston

COMMITTEE: Public Health — committee substitute recommended

VOTE: 6 ayes — Gray, Coleman, Capelo, Delisi, McClendon, Uresti

0 nays

3 absent — Glaze, Hilderbran, Maxey

WITNESSES: For — None

Against — None

On — King Hillier

BACKGROUND: Medicaid is a state/federal health benefit program for low-income and disabled individuals. For fiscal 1999, the state will pay about 37.5 percent of all costs, and federal matching funds would cover the remainder.

In 1995, the Legislature ordered the conversion of the Texas Medicaid program from a fee-for-service-based health insurance program to a managed care system. The state contracts with health-maintenance organizations (HMOs) or with individual doctors in a primary-care case management system (PCCM) to form a state-administered network called the Texas Health Network. PCCMs usually are formed by local medical societies that wish to contract with the state, and they are the likely vehicle for providing managed care in rural areas where HMOs are uncommon.

Medicaid managed care programs, called STAR (State of Texas Access Reform) programs, were implemented on an area-by-area basis and now are established in the Travis, Harris, Bexar, Tarrant, Lubbock, and Gulf Coast service areas. STAR programs are scheduled to come on line in the Dallas and El Paso service areas in 1999 and to expand statewide by 2002.

The Health and Human Services Commission (HHSC) is in charge of implementing the Medicaid managed care rollout. The Texas Department of Health (TDH) administers contracting with providers and is required by law

to contract within each health-care services region with at least one managed care organization that is a licensed nonprofit or public hospital HMO.

DIGEST:

CSHB 2236 would change Medicaid managed care contracting requirements to include contracts with the University of Texas Medical Branch at Galveston (UTMB).

The state would have to contract with any managed care organization in a health-care services region that is a licensed nonprofit or public hospital HMO or the UTMB HMO.

The health-care services region defined for UTMB would be the service area for which the managed care organization obtained a certificate of authority as an HMO from the Texas Department of Insurance (TDI) before September 2, 1999.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS
SAY:**

CSHB 2236 would allow UTMB to participate in Texas' Medicaid managed care programs to the extent such programs exist within UTMB's service area, and on par with the participation of other public hospital HMOs.

For more than 100 years, UTMB has provided health care for the indigent from all parts of Texas. It is considered the public hospital of last resort for uninsured individuals who cannot get needed treatment elsewhere. Last year, UTMB served children and adults from 235 counties at a cost of more than \$142 million in charity care. Medicaid is the facility's second largest source of revenues for patient care.

Allowing UTMB to contract for Medicaid managed care would help it maintain its ability to provide indigent health care without creating a greater draw on state funding. Because of increasing caseloads of charity care and decreasing revenues from Medicare and Medicaid, UTMB is facing serious budget shortfalls. Unless UTMB can generate or receive additional revenues, it will have to ration patient care.

UTMB's HMO service area is well defined and will not expand to cover the entire state. It now covers all or part of about 21 counties in the Galveston

area, the source of about 80 percent of its patients. It recently received TDI's approval to expand its service area to nearby Brazoria, Fort Bend, Harris, and Montgomery counties. UTMB has no further plans to expand its service area.

This bill would not create unfair competition. It would give UTMB the same contracting preferences given public hospital HMOs last session. UTMB has proven itself to be a competitively priced, high-quality HMO in the STAR+PLUS program in Houston, so state contracting objectives of cost-effectiveness would not be compromised by UTMB's participation in other counties. Also, UTMB's Medicaid participation would be consistent with its other operations in many of these counties, which now contract with UTMB for their indigent care.

**OPPONENTS
SAY:**

CSHB 2236 would require the state to contract with UTMB for the health service region for which it has obtained a certificate of authority before September 2, 1999. This provision could allow UTMB to claim a much broader, even statewide, service area by that time, giving UTMB an unfair competitive advantage in contracting for Medicaid payments.

The state should not be forced to contract with UTMB but should be directed to contract with HMOs that provide the most and highest-quality services for the best price.

NOTES:

The committee substitute added the definition of UTMB's service area for purposes of the bill and amended a reference to the Insurance Code.

The provisions of CSHB 2236 also are included in HB 2896 by Coleman, relating to the administration and operation of the state Medicaid program, scheduled for the Major State Calendar for today.