

SUBJECT: Establishing Medicaid managed-care pilot programs

COMMITTEE: Human Services — committee substitute recommended

VOTE: 8 ayes — Raymond, N. Gonzalez, Fallon, Klick, Rose, Sanford, Scott
Turner, Zerwas

0 nays

1 absent — Naishtat

WITNESSES: For — Tim Kirby, Methodist Health System; Peter Roberts, Children’s
Medical Center Dallas; (*Registered, but did not testify*: Marina Hench,
Texas Association for Home Care and Hospice; Carrie Kroll, Texas
Hospital Association; Annie Mahoney, Texas Conservative Coalition;
Kristi Morison, Texas Counseling Association; Michelle Romero, Texas
Medical Association)

Against — None

On — (*Registered, but did not testify*: Gary Jessee, Texas Health and
Human Services Commission; Rudy Villarreal, Texas Health and Human
Services Commission)

BACKGROUND: More than 75 percent of Texas’ Medicaid and Children’s Health Insurance
Program (CHIP) recipients receive health care services through health
maintenance organizations (HMOs) that have contracted with the Health
and Human Services Commission (HHSC) to operate as managed care
organizations (MCOs). MCOs contract with hospitals and health-care
providers to offer services based on a capped rate for each client rather
than for each service delivered.

In 2011, the enactment of SB 7 by Nelson by the 82nd Legislature
authorized the health care collaborative (HCC) model of provider-owned
networks partnering with HMOs to deliver health services. SB 7 did not
allow HHSC to implement HCCs within the existing Medicaid and CHIP
managed-care program.

DIGEST: CSHB 3158 would require HHSC to establish pilot programs of HCC-HMO partnerships in the Dallas Medicaid Service Delivery Area (SDA) to test one or more service-delivery models, unless the commission determined the program would not be cost-effective and feasible.

The pilot programs would be implemented by September 1, 2015 and would each last at least three years. At least one would be conducted by the Children's Medical Center, a not-for-profit pediatric facility.

When a pilot program concluded, CSHB 3158 would require that HHSC evaluate the program, including the feasibility of expanding its implementation statewide. If it determined the program likely would result in the effective provision of medical services, HHSC would submit a report to the governor and the Legislature with its recommendations by December 31, 2018.

CSHB 3158 would take effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 3158 would allow HHSC to explore improved models for delivering health care in the Medicaid and CHIP programs. HCC pilot programs would likely increase patient access to health care through telemedicine, school-based clinics, and many other innovative programs not yet proposed. HCCs also would encourage payment and delivery reforms to improve coordinated care, reduce emergency room visits, track and manage utilization trends, and encourage pay-for-performance.

Dallas' Medicaid managed care market is the least competitive SDA in Texas, and HCCs would increase competition and innovation in both traditional HMOs and the HCC-HMO pilot programs. Savings and improvements discovered in the pilot programs likely would be expanded statewide, eventually resulting in substantial savings and improved health outcomes. Even program failures would provide lessons in delivering health care more efficiently.

**OPPONENTS
SAY:**

CSHB 3158 would privilege the Dallas Service Delivery Area and Children's Medical Center over other service areas and providers in the state. It also would prioritize untested pilot programs over traditional HMO managed care. An influx of HCCs would prevent other traditional HMOs from entering the Dallas market and ultimately could limit competition.