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Legislation Proposes New Options for Paying Doctors and Hospitals in Texas Medicaid Program

State Sen. Jane Nelson, R-Flower Mound, has filed legislation to re-structure payments within the state’s Medicaid program. The legislation, SB 7 and SB 8, has the support of Lt. Gov. David Dewhurst and others in the Senate and is part of a growing movement to contain costs by offering alternatives to the fee-for-service payment model that rewards volume of care rather than health outcomes. The measures also propose a series of initiatives aimed at improving the quality of health care and reducing medical errors.

Key provisions of SB 7 would:

- authorize Medicaid payment reductions in cases of preventable readmissions and complications;
- establish copayments for unnecessary emergency room visits;
- provide incentives for providers who reduce waste and improve quality of care; and
- initiate a study of pay-for-performance in long-term care.

Key provisions of SB 8 would:

- develop a statewide plan for improving quality and increasing efficiency through performance-based payments;
- test innovative health care models such as accountable care organizations, allowing groups of physicians and hospitals to be held accountable for the costs and quality of care — and share in the savings;
- require public reporting of potentially preventable readmissions and complications;
- require the Department of State Health Services to work with hospitals to create standardized patient identification wristbands based on patient medical characteristics; and
- require the Department of State Health Services to study and make recommendations on reporting potentially preventable adverse health conditions that occur in long-term care facilities.

Birthdays

March

- 1 – Sen. Kevin Eltife
- 1 – Sen. Jose Rodriguez
- 3 – Rep. Dennis Bonnen
- 4 – Governor Rick Perry
- 5 – Rep. Dan Branch
- 5 – Rep. Sergio Munoz, Jr.
- 7 – Rep. Armando Walle
- 7 – Sen. Juan Hinojosa
- 9 – Rep. Charles Perry
- 11 – Sen. Bob Deuell
- 11 – Rep. Jose Menendez
- 13 – Rep. Joe Farias
- 13 – Rep. John Garza
- 14 – Rep. Rene Oliveira
- 15 – Rep. Erwin Cain
- 15 – Rep. Gary Elkins
- 18 – Sen. Kirk Watson
- 20 – Rep. Linda Harper-Brown
- 20 – Rep. Jim Jackson
- 23 – Rep. Todd Smith
- 24 – Rep. John Zerwas
- 25 – Rep. Lyle Larson

Federal Law Will Require States to Pay for Health Benefit Mandates in 2014

As state lawmakers weigh a desire to guarantee insurance coverage for specific types of medical conditions and services, changes in federal regulations mean Texas taxpayers will pay the cost of health benefit mandates adopted by the state.

Beginning in 2014, health plans sold in the private exchange market will be required to cover a defined set of “essential benefits.” States that require coverage in addition to the essential benefits will be required to reimburse health plan enrollees or the health plan for the cost of the additional coverage. The “essential benefits” have not yet been defined, so lawmakers must tread lightly when considering adding services to the list of benefits that state-regulated health plans must cover.

Mandates are government-ordered rules that dictate health plans cover specific conditions or allow specific services. Mandates increase the cost of health insurance because they require those purchasing a policy to buy coverage they might not otherwise purchase. Individuals who want to buy coverage or small businesses that want to offer insurance to their employees can find mandates make insurance too costly, reducing consumers’ choices.

Change in State Medicaid Drug Program Could Yield Significant Savings

Texas could save \$2.6 billion over the next 10 years by switching its Medicaid pharmacy carve-out model for a carve-in approach. A study released in January by The Lewin Group finds large-scale savings would be achieved in Texas and 12 other states where prescription drugs are not part of the rates paid to health plans serving Medicaid enrollees, but instead are “carved out” — paid separately through the traditional fee-for-service program.

Before 2010, states were eligible for significant rebates from drug manufacturers whose drugs were offered within state Medicaid programs. Because those rebates were only available through fee-for-service programs, Texas and 12 other states opted for the pharmacy carve-out model in order to exclude payment for prescriptions from other managed care models. However, recent changes in federal law have added rebates for prescriptions dispensed within the HMO model, eliminating the advantage of carving them out. State Medicaid programs stand to generate significant savings by adding prescriptions to the services covered by the capitated payments paid to health plans.

According to the study, health plans’ pharmacy carve-in approach saves state Medicaid dollars versus traditional fee-for-service (FFS) because:

- Health plans pay pharmacies lower dispensing fees — FFS programs usually pay considerably more for pharmacists to fill prescriptions than health plans pay.
- Health plans pay pharmacies lower ingredient costs — FFS programs appear to pay slightly more for the actual cost of the medications.
- Health plans encourage the use of generic medications — FFS programs don’t have the same ability to steer volume to lower-cost but clinically equivalent prescription drugs.
- Health plans have a lower medication use rate — FFS programs tend to prescribe more medications, in part because health plans more effectively identify unnecessary or fraudulent prescriptions.

The study estimates total Medicaid savings across the 13 states would be more than \$11.1 billion over the next 10 years.

Texas Legislative Groups Face Off in Walking Fitness Challenge

Members and staff of two Texas legislative groups will be following in each other’s footsteps throughout the current session — literally. The Capitol Wellness Club and Mexican-American Legislative Caucus (MALC) have taken up the “Pedometer Challenge,” a competitive fitness initiative. Humana, which is co-sponsoring the challenge with the American Heart Association, hosted a party January 19 at the MALC offices to launch the contest, in which teams from the two caucuses compete based on the number of steps they register on special Humana Gear pedometers. During the launch party, 175 pedometers were handed out to registered walkers. The challenge is composed of three month-long heats, scheduled to begin February 1, March 2 and April 4. MALC will award prizes to the winners of each heat, with a grand prize presented to the overall champion at their Sine Die party in late May.

Participants’ pedometers are remotely linked to an online “counter” that keeps track of each member’s progress. Steps will be tracked every day for the duration of the challenge. Everyone who registers for the contest will be able to monitor their progress via a dedicated Web site and compare their progress to other participants. Humana orchestrated a similar challenge in 2009, involving 20 members of Congress (10 Republicans and 10 Democrats), but the Texas legislative contest is the first at the state level. For additional information, you may visit www.humanagames.com.

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