TAHP
The Texas Association of Health Plans

Texas Association of Health Plans
1001 Congress Ave., Suite 300
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P: 512.476.2091
www.tahp.org

April 24, 2024

Dear Mr. Joyner,

We appreciate your partnership as we continuously endeavor to improve processes, create greater efficiencies, and provide high quality care for Medicaid Managed Care enrollees. It is with this in mind that we are writing to inform you of a number of significant and unexpected costs that were not accounted for in SFY 2024 rates, which in the aggregate have resulted in significant losses to medical and dental plans. We ask that you consider the issues we have described below and issue a retroactive rate adjustment for SFY 2024, as well as making any relevant adjustments to SFY 2025 rates.

The unwinding of continuous Medicaid coverage has had an unprecedented impact on the Medicaid program, resulting in the shifting of millions of members and trends that would be difficult to predict, making it difficult to develop rates. The shifts in enrollment and member acuity and utilization that were not accounted for in SFY 24 rates, in combination with increased health care costs, have resulted in significant losses and in many cases, premium deficiencies for medical and dental plans. We appreciate and recognize this complexity and ask that you take into consideration the factors impacting SFY 2024 rates outlined below. While this letter may not be inclusive of all rate concerns, we have described the common trends with the most significant impacts.

CHIP Perinatal Newborn Costs

HHSC sent a MCO notice on October 14, 2023, requiring that newborns born to CHIP Perinatal mothers be enrolled into the STAR and dental companion MCO from the child's date of birth. Prior to this policy, newborns would be covered by fee for service for the first month and enrolled in managed care at a later date. The impact of this policy is that MCOs are now seeing increased newborn enrollment in addition to paying claims associated with birth and the first month of life for those additional enrollees when expenses are much higher. For example, plans are seeing a significant amount of NICU activity from Oct 2023 through Feb 2024 in their claims data.

STAR Kids Transitions

Many plans have seen large shifts in membership from STAR Kids to STAR as a result of the redeterminations during the unwinding of continuous coverage. Members

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transitioning from STAR Kids to STAR have significantly higher health care costs due to their higher acuity, meaning that the STAR rates are insufficient to cover children with higher medical needs and complexities. For one plan alone, over 1,500 STAR Kids members were transferred into STAR/CHIP in SFY 24 resulting in a premium loss of over $20 million.

Pregnant and Postpartum Women
Rates for the pregnant women's risk group were reduced by roughly 30% to account for an increase of additional postpartum women as a result of the implementation of House Bill 12 on March 1, 2024. The rates assumed a much higher increase of lower acuity enrollees in this risk group than actual enrollment reflects, resulting in insufficiency of the rates to cover costs.

Pharmacy Costs
Plans are experiencing higher pharmacy costs across all programs due to price increases and higher utilization of specialty drugs such as Dupixent (Dupilumab), Stelara (Ustekinumab), and Daybue which cost $379,000 a year for each utilizing member. For one plan, the cost of COVID tests have increased from an average of $200,000 a month in SFY 2022, to $657,000 per month in SFY 2024. Some plans are seeing a pharmacy medical loss ratio of over 100% for SFY 2024 because pharmacy premiums did not increase for STAR and even decreased for Star Kids, while at the same time pharmacy expenses were increasing by up to 16%.

Dental Program Costs
Given the ongoing impact of the unwinding of the Public Health Emergency, the dental plans have also been closely monitoring the impact of disenrollments on claims cost and access specifically related to the dental program. The cost associated with the change in the membership profile and dental care access due to redetermination disenrollment activity is proving to be higher than anticipated in the SFY 2024 rate setting process for the dental program. The combination of the lower historical claims cost of those who have disenrolled, the larger than expected volume of disenrollees, and an increase in access resulting in increased year over year claims cost for those who remain in the program is not sustained by the current rates. Understanding that the actuarial assumptions for the dental program differ from medical, it is important to consider experience data separately.

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Premium Deficiencies
SFY 24 financial losses are caused by multiple compounding issues including understated premium rates due to an understated PHE adjustment, lower membership than budgeted, unexpected membership transfers from STAR Kids to STAR/CHIP, increased medical and dental utilization, and increased pharmacy costs. Many medical and dental plans are projecting a material operating loss for SFY 24 and are recording premium deficiency reserves.

Due to the factors described above, there is an unprecedented difference in the estimated versus actual income for many plans for SFY 2024, way outside the usual range of variation in prior fiscal years. For example, one of the plans used HHSC's calculated risk margin for STAR plans in their SDA to estimate a net income of $8.4 million for FY 2024.[1] Instead, due to additional costs associated with the trends explained above, this plan experienced an $8.7 million loss, resulting in a difference of $17 million between HHSC's estimated risk margin and actual net income.

While this list is not exhaustive of the challenges plans have experienced in fiscal year 2024, we highlighted the most systemic and significant issues impacting plans.

Please let us know if you have any questions. We kindly request a meeting to discuss these systemic issues in greater detail, and respectfully ask that you consider these points and issue a retroactive rate adjustment for SFY 2024, as well as making any relevant adjustments to SFY 2025 rates.

Sincerely,

Jamie Dudensing

Jamie Dudensing, RN
CEO
Texas Association of Health Plans

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[1] https://pfd.hhs.texas.gov/sites/rad/files/documents/managed-care/2024/2024-ffy-star-rates.pdf