FOOD FOR THOUGHT

TAHP
The Texas Association of Health Plans

Texas Medicaid 101

October 6, 2026



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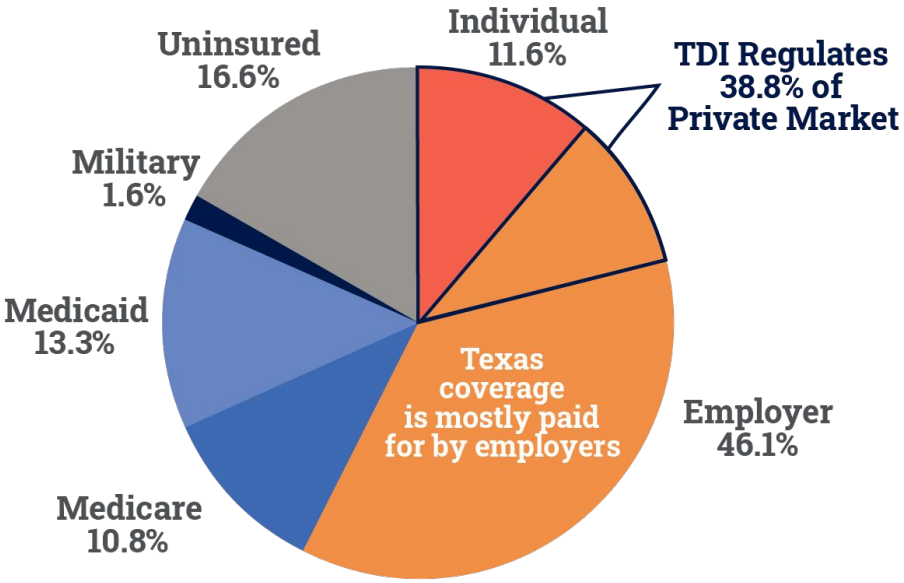


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FOOD FOR THOUGHT
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Texas Health Plans Cover More than 25 million Texans

Texas coverage is mostly paid for by employers — government and individual markets fill in the rest



4M TEXAS MEDICAID
97% of Medicaid enrollees are covered through managed care

3.3M INDIVIDUAL MARKET
Three fold increase since 2020 (1M → 3.3M)

7.6M GOVERNMENT COVERAGE
Medicaid (4M) + Medicare (3.6M) = 25% of Texans

5M UNINSURED
Lack of job-based coverage cited as #1 reason

Medicaid Covers roughly 4 Million Texans: Texas has almost completely adopted a managed care model to deliver Medicaid coverage that utilizes private health insurers that compete to offer coverage to eligible Texans.

Source: U.S. Census Bureau (2024); Texas Department of Insurance; KFF Employer Health Benefits Survey 2025; NAIC

Medicaid Is a Safety Net for Texans Who Need It Most

Health coverage for low-income children, pregnant women, seniors, and Texans with disabilities

TEXANS COVERED

4M

On Medicaid and CHIP

TEXAS BIRTHS

53%

Covered by Medicaid

TEXAS CHILDREN

51%

On Medicaid or CHIP

NURSING HOME RESIDENTS

56%

Covered by Medicaid

WHO IT COVERS

Low-income children, pregnant women, seniors, and Texans with disabilities. Able-bodied adults do not qualify.

WHO PAYS FOR IT

Texas and the federal government share the cost. The federal government pays about 60 cents of every dollar.

WHO RUNS IT

HHSC sets eligibility and benefits. Health plans deliver care to 97% of Texans on Medicaid and CHIP.

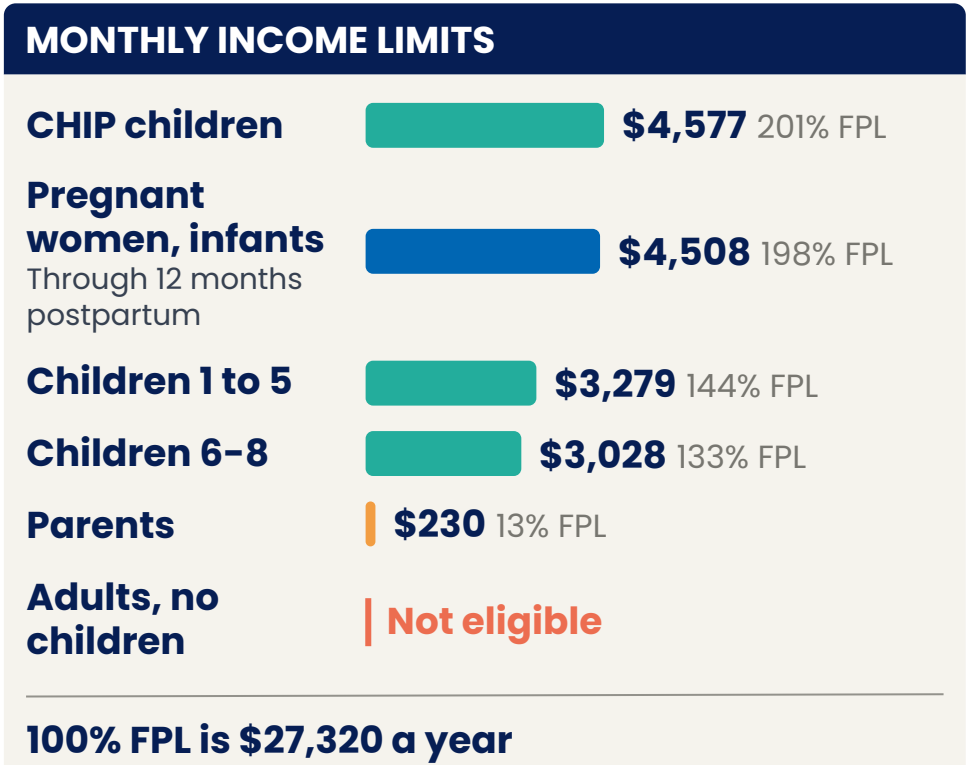
The bottom line: Medicaid covers more than half of Texas births and children, and most nursing home residents.

Source: HHSC Forecasting (May 2026, preliminary); HHSC Presentation to House Appropriations (Feb. 2025); Georgetown Center for Children and Families (2025).

Who Qualifies for Texas Medicaid

Monthly household income limits, family of three, March 2026

MONTHLY INCOME LIMITS



100% FPL is $27,320 a year

CHILDREN WITH DISABILITIES

SSI: Parents' income counts
Waivers: Only child's income counts
Buy-in: Up to 300% FPL, with premium

CHILDREN IN FOSTER CARE

In state custody: Automatic
Aged out: Covered to age 26
Adoption assistance: Usually covered

SENIORS & ADULTS WITH DISABILITIES

SSI Medicaid: Up to 74% FPL
Long-term care: Up to 222% FPL
Personal Savings: Under $2,000

Source: HHSC Texas Works Handbook, C-131 Income Limits (March '26); HHSC Appropriations presentation (Feb. 25); HHS 2026 poverty guidelines.

Fee-for-Service vs. Managed Care

Texas has run both models

FEE-FOR-SERVICE

The "fend-for-self" system

- ✕ No one accountable for results
- ✕ Most members get no care coordination
- ✕ State pays every claim and all the risk
- ✕ No rewards for better care

MANAGED CARE

Someone responsible for every member

- ✓ MCOs accountable under contract
- ✓ Service coordinators for complex needs
- ✓ Set monthly rate, MCO takes the risk
- ✓ Paid more for better results

Source: Texas Medicaid and CHIP Reference Guide, 15th ed. (HHSC, 2024); HHSC House Appropriations presentation (Feb. 2025).

Texas Proved It Worked, Then Expanded

Three decades of pilots, studies, and step-by-step expansion

PILOT AND STUDY | **TEST** | **EXPAND STATEWIDE** | **PROVEN SUCCESS**

1993–98
Pilot: Texas tests STAR & STAR+PLUS in one region

2002–03
Proof: STAR+PLUS cuts costs 17% and ER visits 40%

2005
Managed Care Studies & Expanded: $150M initial savings

2008
Foster care: Kids on 5+ psychiatric drugs drop 40%+

2011
Expanded Statewide: $645M initial savings

2012–15
Services added: Dental, drugs, nursing homes

2016
STAR Kids: ER visits drop 6% in year one

2018
Savings Study: Up to $13.9B saved 2009-18

Today
97% of Texans on Medicaid, in all 254 counties

Source: HHSC managed care evaluations and savings reports (2002–2018); HHSC Rider 61 evaluation (2018); HHSC enrollment data.

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Texas Medicaid Programs Serve Different Needs

Share of Texans on Medicaid and CHIP in each type of MCO product

STAR
82%

Serves: Children, pregnant and postpartum women, and parents

Covers: Doctor visits, hospital care, prescriptions, behavioral health

STAR+PLUS
10%

Serves: Seniors and adults with disabilities, many also on Medicare

Covers: Medical care plus home care and nursing facility care

STAR KIDS
3%

Serves: Children and young adults under 21 with disabilities

Covers: Medical care, therapies, nursing, and long-term care

CHIP
1%

Serves: Children in families that earn too much for Medicaid

Also covers: Prenatal care for women who don't qualify for Medicaid

STAR Health
1%

Serves: Children in foster care and youth who aged out

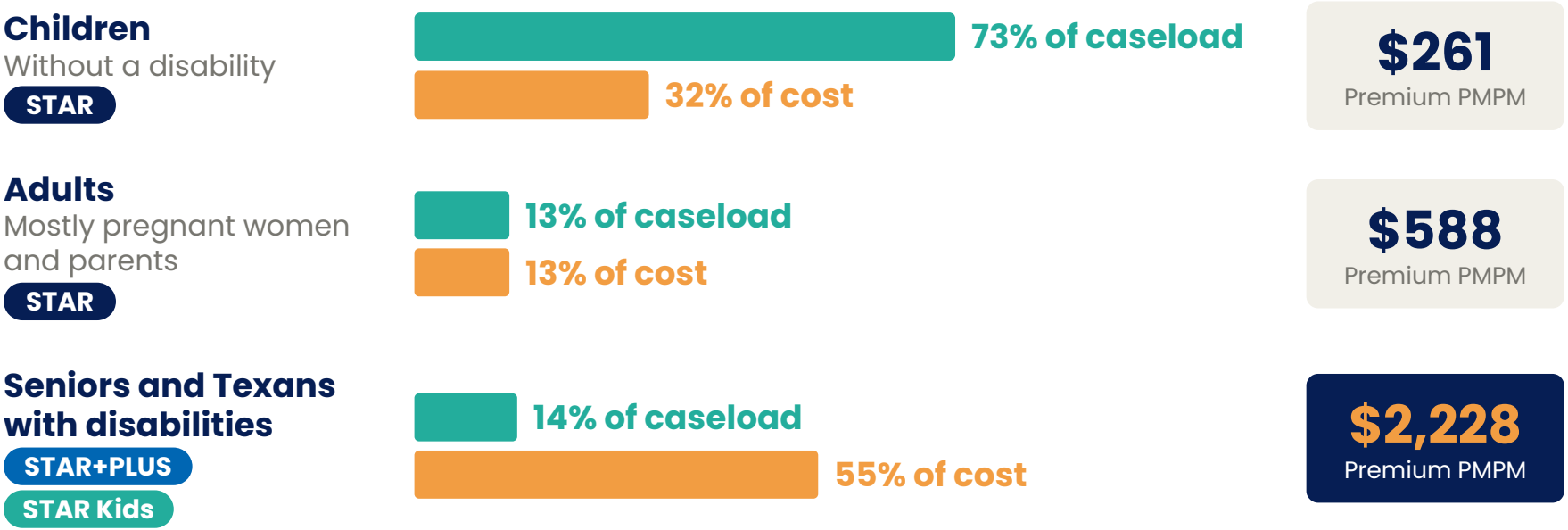
Covers: Medical and behavioral health through one statewide plan

97% in managed care: Nearly every Texan on Medicaid or CHIP gets care through a health plan. The rest are in traditional fee-for-service.

Source: HHSC Presentation to the House Appropriations Committee, Medicaid Overview (Feb. 2025).

Who Medicaid Covers vs. Where the Money Goes

Children are most of the caseload. Seniors and Texans with disabilities drive most of the cost.



Why it matters: Care for a senior or Texan with a disability costs more than 8 times as much as care for a child, so coordinating their care matters most.

Source: Texas Medicaid and CHIP Reference Guide, 15th ed. (HHSC, 2024), 2023 data. Monthly cost based on full-benefit clients.

How Texas Medicaid Drug Coverage Works

The state sets the rules, and MCOs deliver the benefit

40M+ prescriptions a year

95%+ of Texas pharmacies in network

HHSC'S VENDOR DRUG PROGRAM

- **Statewide** PDL
- **Negotiates** and collects on drug rebates
- **Writes** the prior authorization rules

MCOs PHARMACY MANAGEMENT

- **Manage the drug benefit**
- **Build** pharmacy networks & pay claims
- **Coordinate** drugs with medical care

COORDINATING DRUGS WITH MEDICAL CARE IMPROVES OUTCOMES

13% Better behavioral health Rx use

11% Better asthma Rx use

Source: TAHP, Texas Medicaid Drug Coverage 101 (2024); HHSC Vendor Drug Program; Texas Medicaid and CHIP Reference Guide, 15th ed. (STAR, 2014 to 2022).

How Health Plans Get Paid and Held Accountable

Texas pays a set rate, and plans earn it by delivering results

HOW PLANS GET PAID

1. **Set monthly rate**
   A fixed amount per member
2. **Independent rates**
   Set by actuaries, federally approved, and found sound by the State Auditor
3. **Plan takes the risk**
   If care costs more, the plan pays
4. **Reports every claim**
   The state gets a copy of every paid claim within 30 days
5. **Files financial reports**
   HHSC checks them against claims

HOW TEXAS HOLDS PLANS ACCOUNTABLE

3% at risk for quality
Tied to ER use and preventable hospital stays

Admin and profit capped
Profit above a set margin goes back to the state

No safety net for losses
Plans carry the full risk of cost overruns

Network adequacy
Enough doctors and hospitals close to members

Compete for members
Better plans get more through value-based enrollment

National standards
Accreditation and value-based contracts required

Source: HHSC Uniform Managed Care Manual and Contract; Texas Medicaid and CHIP Reference Guide, 15th ed.; State Auditor's Office, actuarial analysis of FY 2024 rates (2023).

91% of Every MCO Dollar is Spent on Direct Services



2.6¢ — Profit (Pre-Tax)

1.7¢ — Premium Taxes & Assessments

0.2¢ — Profit Sharing To State (Experience Rebates)

34.3¢ — ER & Hospital Cost

26.4¢ — Nursing Hospital & LTC Service Coordination

13.6¢ — Physician Service Costs

9.7¢ — Prescription Drug Costs

7¢ — Other Medical (Dental, PT, Dialysis, Behavioral Health)

4.5¢ — Admin Cost

Better Plans Earn More Members

Value-based enrollment rewards plans that deliver better care at lower cost

HOW A NEW MEMBER GETS A PLAN

New member joins Medicaid

Chooses a plan

Picks using star report cards

★★★★☆

Doesn't choose

HHSC assigns one through value-based enrollment

Top-scoring plans get more

HOW VALUE-BASED ENROLLMENT SCORES PLANS



Cost and Efficiency
Actual vs. expected spending

Cost and Quality
Preventable hospital stays and ER visits

Quality and Member Satisfaction
Plan report card scores

Why it matters: Plans compete for members every month, not just when they win a contract.

Source: Texas Medicaid and CHIP Reference Guide, 15th ed. (HHSC 2024); Texas Government Code, quality-based enrollment incentive program.

MCOs Coordinate Care, Not Just Pay Claims

Before managed care, Texas had no program to manage complex needs

ONE FAMILY'S STORY

A 3-year-old's skin was so fragile that a gentle touch could tear it.

Her MCO nurse coordinator found one of the only clinics in the world that makes a special garment for her condition, even though it wasn't a covered benefit.

Now she can move like any other three-year-old.

BEYOND TRADITIONAL CARE

- **Personal care coordination:** Help navigating a complex health system
- **Beyond the doctor's office:** Rides, housing, meals, and daily support
- **Support for complex needs:** MCO nurses coordinate medical and behavioral health care

VALUE-ADDED SERVICES, AT NO COST TO THE STATE

- 24-hour nurse line
- Extra rides
- Vision and dental extras
- Sports physicals

Source: Texas Medicaid MCO member story; TAHP, Texas Medicaid 101 (April 2024).

More than Just Health Care



Jordan was diagnosed shortly after birth with cerebral palsy but never let his diagnosis hold him back.

As a McAllen high school student and member of the marching band, Jordan wanted to ride the bus with his fellow classmates to and from activities and events.

His Texas Medicaid managed care plan worked with the school to have the bus and school retrofitted for wheelchair access, so he could fully participate with his classmates.

How Texas Fights Medicaid Fraud, Waste, and Abuse

Four layers of review, starting with the MCO

$1.1B **Overpayments MCOs recovered, FY 2025**
Mostly billing errors and state-directed corrections

1.3% **Texas Medicaid error rate**
vs. 5.1% nationally, 2024 federal review

1 PREVENT

MCOs

Pay right the first time, where most savings happen

2 DETECT

MCO fraud units

Refer about 685 cases a year

3 INVESTIGATE

Inspector General

Accepts about 6% of MCO referrals, and MCOs work the rest

4 PROSECUTE

Attorney General

Texas ranks #2 nationally in fraud recoveries

Source: HHSC, House Human Services testimony (May 2026); HHSC OIG Overpayment Recovery Report (FY 2025) and OIG reports; Medicaid Fraud Control Unit FY 2025 Report.

MCOs Catch Waste Fee-for-Service Missed

Texas Medicaid spent more on braces than the other 49 states combined with FFS

BEFORE: FEE-FOR-SERVICE

3,000%

growth in braces spending from 2003 to 2010, while enrollment grew 33%

No one checked whether braces were needed before paying

AFTER: MANAGED CARE

72%

fewer unneeded braces in 6 months

38%

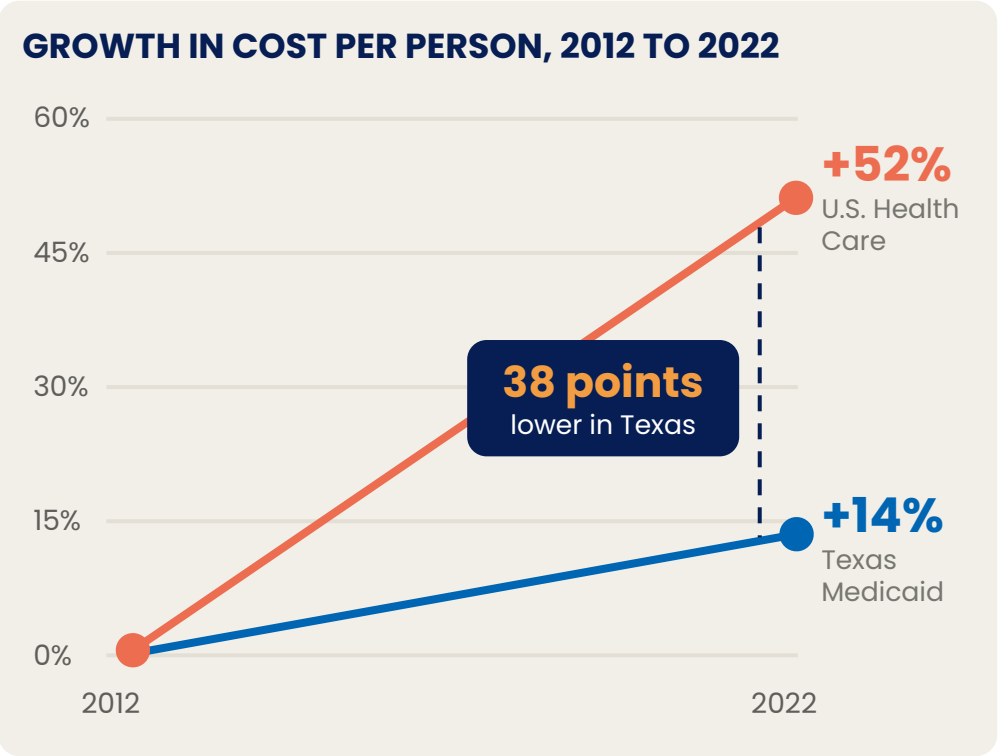
lower total dental costs

MCOs check that care is needed and carry the risk

Source: U.S. HHS Office of Inspector General audit (2014); U.S. House Oversight Committee (2012); Public Consulting Group report for HHSC (2013).

Managed Care Saves Texas Money

Texas Medicaid costs per person grew far slower than U.S. health care costs



38 points lower

Texas Medicaid cost per person grew 14%, compared with 52% for U.S. health care

Up to $13.9B

Saved from 2009 to 2017 compared with fee-for-service

About 1% a year

Cost per member growth from 2002 to 2016, while enrollment nearly doubled (17% vs. 93%)

Source: Texas Medicaid and CHIP Reference Guide, 15th ed., citing CMS; HHSC Rider 61 evaluation (2018); Texas Conservative Coalition Research Institute (2018).

Managed Care Keeps Drug Costs in Check

Texas moved Medicaid drugs into managed care in 2012

AVERAGE YEARLY GROWTH

Texas drug costs under fee-for-service 2001–2011



6.5%

National Medicaid drug spending 2011–2016



9.7%

Texas managed care pharmacy rates 2014–2017



2.8%

Managed care cut Texas's drug cost growth by more than half

WHY TEXAS MADE THE MOVE

$100M

in first-year savings HHSC estimated from moving drugs into managed care

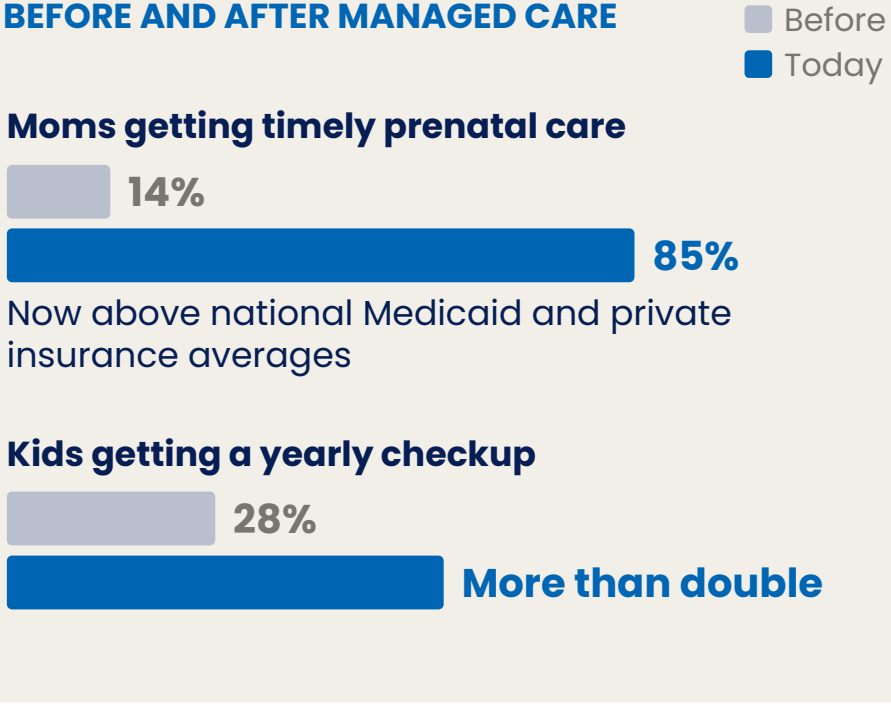
Drug costs had nearly doubled in the decade before

Source: HHSC, 82nd Legislature pharmacy carve-in (2011); HHSC Rider 60 Report (2018).

Managed Care Improved Care for Texans

More checkups and prenatal visits, fewer preventable hospital trips

BEFORE AND AFTER MANAGED CARE



FEWER PREVENTABLE HOSPITAL TRIPS

65%
Fewer asthma hospital stays for kids

48%
Fewer hospital stays for diabetes complications

15.5%
Fewer preventable ER visits

Source: HHSC Medicaid quality dashboard (2024); HHSC managed care expansion presentations (2003-04); Texas Medicaid and CHIP Reference Guide (asthma, diabetes 2011-2021); HHSC ER utilization report (2013-2019).

Recommendations for the 90th Legislative Session

ELECTRONIC VISIT VERIFICATION (EVV)
Ensure Texas is using EVV to the full extent

1. **Geolocation Data:** Allow MCOs to use location data to check that only real visits are paid.
2. **Double Billing**: Prevent EVV claims for overlapping patient visits.
3. **Expand EVV:** Require EVV checks for other in-home services like speech therapy & private duty nursing.

Medicaid Drug Spending
Maximize Opportunities for Savings

1. **Evidence Based Coverage:** When HHSC doesn't have PA criteria, allow MCOs to check for appropriate use.
2. **Preferred Drugs**: Ensure patients are trying preferred drugs before getting higher cost non-preferred alternatives
3. **Prioritize Low Cost Options:** The state set formulary often prioritizes high cost brand drugs over low cost biosimilars.
4. **Avoid Costly Mistakes:** Mandated dispensing fees & carve-outs raise cost for Texas taxpayers.

Protect the Success of Managed Care: Managed care has improved outcomes while saving taxpayers billions. Avoid attempts to dismantle or undermine the program.