MILLIMAN REPORT

Texas Medicaid managed care financial results for Q3 SFY 2023

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Eleanor Hill, ASA, MAAA
Darin Muse, FSA, MAAA
Mindy Hsu
Greyson Britt

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Introduction

The Texas Health and Human Services Commission (HHSC) publishes statutory financial statistical reports (FSRs) for managed care organizations (MCOs) contracting with the state to provide benefits under Medicaid and the Children's Health Insurance Program (CHIP).[1] MCOs submit the FSRs and then HHSC uploads them to its website quarterly during the state fiscal year (SFY), and again with runout 90 days and 334 days after the end of the SFY. The state is on a fiscal year cycle from September to August, and this report utilizes the FSRs through Q3 SFY 2023, or May 31, 2023. This report is a refresh of our prior analysis through Q3 SFY 2022.[2]

Each FSR includes data for one of five programs and one of 13 service delivery areas (SDAs). The Medicaid programs are STAR, STAR Kids, STAR+PLUS, CHIP, the Medicare-Medicaid Plan (MMP), and STAR Health. As background, the following are brief descriptions of the Medicaid and CHIP programs in the state of Texas:

- STAR provides traditional Medicaid services for low-income children, pregnant women, and families.
- STAR Kids covers children and adults aged 20 and younger with disabilities who qualify for federal Supplemental Security Income (SSI).
- STAR+PLUS covers adults over 20 who qualify for federal SSI (i.e., over 65, blind, or disabled). STAR+PLUS includes both acute care and long-term care coverage.
- CHIP expands Medicaid services for children up to 201% of the household federal poverty level (FPL).[3]
- Medicare-Medicaid Plan (MMP) is a Centers for Medicare and Medicaid Services (CMS) demonstration project for plans that coordinate Medicare and Medicaid benefits for people who are dually eligible for both, integrating acute care and long-term services and supports. This demonstration will terminate by the end of calendar year (CY) 2025, as required by CMS. By that time, dual-eligible members will transition to receiving Medicaid coverage from a STAR+PLUS plan and Medicare coverage from a dual-eligible special needs plan (D-SNP) or another Medicare plan.[4]
- STAR Health provides coordinated healthcare services for children in foster and kinship care. Only one MCO offers this program, and this program is not evaluated within this report.

The first part of the FSR template is an incurred-basis financial summary that includes member months, revenue items, and expense items by month for the current fiscal year. For each quarterly HHSC upload, there are approximately 150 FSRs for the 16 MCOs currently operating in the SDAs across the five programs.

Milliman compiled the FSRs for SFYs 2019 to 2022 and the first to third quarters (Q1-Q3) of SFY 2023. In this report, we summarized quarterly and annual financial results by program. In the appendices, we displayed additional details by SDA. Comparing Q3 SFY 2023 with prior quarters provides insight into the impact and later stages of the COVID-19 pandemic, which began affecting enrollment and utilization patterns in March 2020, the beginning of Q3 SFY 2020. The latest data available as of the report date is through May 2023, which does not start to show the effect of redetermination of Medicaid eligibility at the end of the Public Health Emergency (PHE). In Texas, the reapplication process began in June 2023 and all members will be redetermined by the end of March 2024.[5]

The Texas Medicaid programs contain a tiered experience refund structure, called the experience rebate, that caps MCO annual profits reported in the FSRs and shares the remainder of profits with the state of Texas. Because of this, the FSR financial results are incomplete and should not be relied upon to draw conclusions regarding ultimate experience or profitability but can be used to show overall trends. Milliman approximated the impact of the experience rebate on MCO profitability later in the report.

[1] See https://hhs.texas.gov/services/health/medicaid-chip/managed-care-contract-management/medicaid-chip-financial-statistical-reports for the FSR reports.
[2] See https://www.milliman.com/en/insight/texas-medicaid-managed-care-financial-results-q3-2022 for our previous report.
[3] See https://www.hhs.texas.gov/book/export/html/75506 for specific CHIP information.
[4] See https://www.hhs.texas.gov/services/health/medicaid-chip/medicaid-chip-programs-services/dual-eligible-integrated-care-demonstration-project for the latest MMP transition details.
[5] See https://www.hhs.texas.gov/sites/default/files/documents/nov-2023-end-continuous-medicaid-dashboard-rpt.pdf for HHSC's redetermination November 2023 update.

Milliman has also analyzed quarterly results for Medicaid MCOs at the national level, based on National Association of Insurance Commissioners (NAIC) financial statements submitted to state insurance regulators. Results reported on NAIC statements can be different from those reported under contractually defined FSR accounting principles. This most recent information is available in the annually refreshed Milliman report "Medicaid Managed Care Financial Results for 2022."[6]

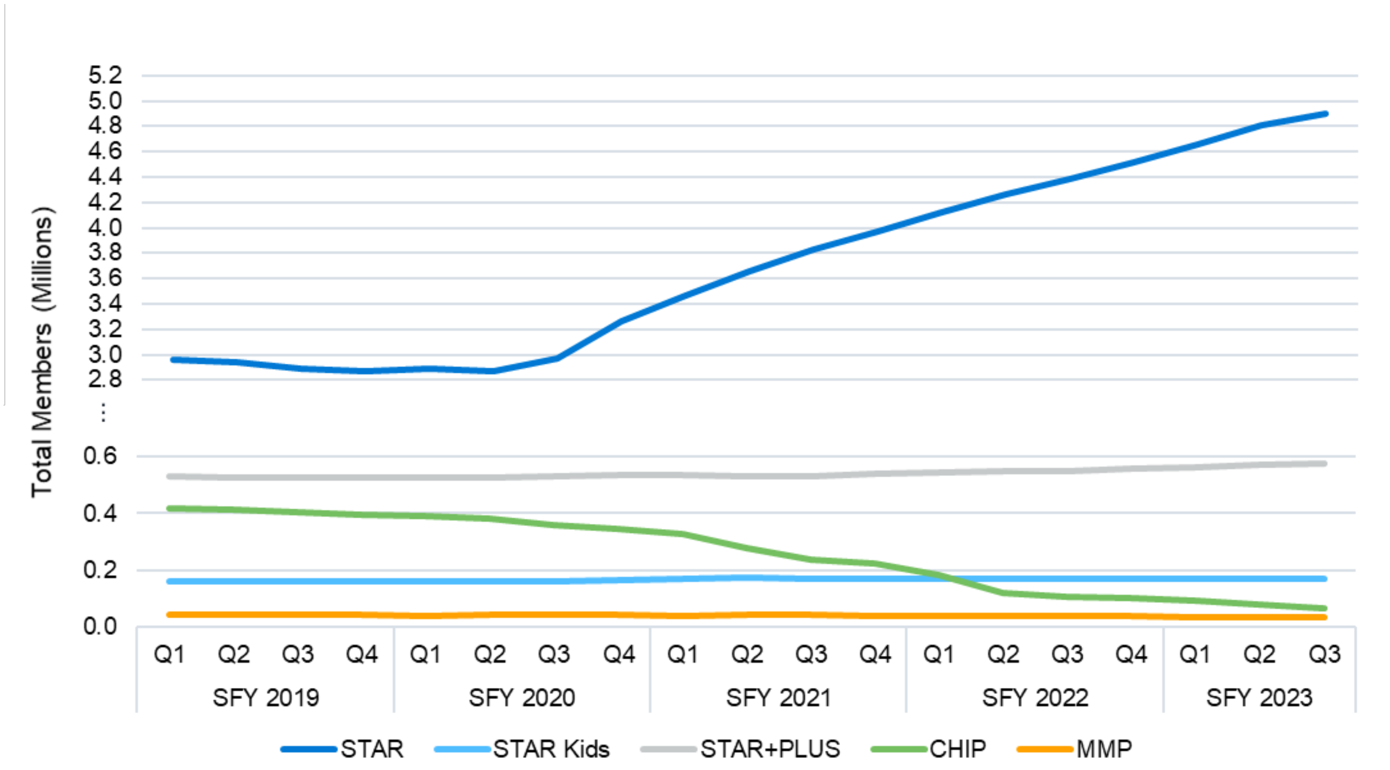
Caution must be used when comparing quarterly financial results because of the inherent volatility and nature of accruals in quarterly financial reporting. Please refer to the Limitations and Data Reliance section below for a discussion of considerations when interpreting the results.

Membership and revenue

MEMBERSHIP

There were 5.8 million total members from the FSRs for all Medicaid and CHIP programs combined during Q3 SFY 2023. Figure 1 shows total members by quarter and program over the past several years.

FIGURE 1: TOTAL MEMBERS BY QUARTER AND PROGRAM



With the onset of the COVID-19 pandemic and the temporary waiver of eligibility renewal requirements, combined membership increased by 45% or 1.8 million for the period from Q2 SFY 2020 to Q3 SFY 2023. STAR increased by 71%, CHIP decreased by 83%, and the other programs were less affected. The suspension of the reapplication process for Medicaid eligibility during the PHE has contributed to the shift from the CHIP program into STAR.

Since the beginning of Medicaid eligibility reapplications, over 31% of Texas Medicaid enrollees lost eligibility as of February 1, 2024.[7] While some former recipients became ineligible due to income or age, a majority were procedural disenrollments that

[6] See https://www.milliman.com/en/insight/medicaid-managed-care-financial-results-2022 for the report.
[7] See https://www.kff.org/report-section/medicaid-enrollment-and-unwinding-tracker-overview/ for the full KFF study, accessed February 22, 2024.

occur when there is no definitive determination of eligibility—typically from a late or missing reapplication to the program. If HHSC cannot determine eligibility, that Medicaid member receives notice and has 30 days to complete and submit their renewal form, otherwise they are denied coverage or redetermined.[8] This means that these members may still be financially eligible for Medicaid but, due to a lack of information, they are dropped from Medicaid if they do not opt back into their program.

The FSR reports supporting this paper are through May 2023, and Texas began disenrolling members in June 2023. As of November 2023, HHSC had initiated 79% of all renewals and will complete redeterminations by March 2024.[9] The impacts of redetermination are yet to be seen in this report and the data; however, we can expect to see decreases focused in STAR, reflecting the disenrollment of members. Disenrollment will be concentrated in the pregnant women and age 19-20 risk groups in STAR, which saw the largest growth during the suspension of the reapplication process. As members lose STAR eligibility, some will now qualify for CHIP, and the CHIP membership will increase above its current low levels.

REVENUE

Premium changes over the past three years reflect the more turbulent membership patterns, as seen in Figure 2.

FIGURE 2: REVENUE BY SFY AND PROGRAM

	PREMIUM REVENUE ($ BILLIONS)			PREMIUM REVENUE PMPM			PMPM % CHANGE	
	SFY2021	SFY2022	9 MONTHS SFY2023	SFY2021	SFY2022	9 MONTHS SFY2023	SFY2022	SFY2023
STAR	$14.1	$18.6	$15.6	$316	$358	$362	13.5%	1.1%
STAR Kids	4.0	4.2	3.2	1,972	2,083	2,107	5.6%	1.1%
STAR+PLUS	11.6	13.5	10.0	1,801	2,042	1,933	13.4%	-5.3%
CHIP	0.6	0.3	0.2	178	222	269	24.7%	21.1%
MMP	1.4	1.4	1.0	3,092	3,308	3,177	7.0%	-4.0%
TOTAL	$31.7	$38.1	$29.9	$557	$609	$589	9.4%	-3.3%

Total premium revenue is defined as the sum of the following items from the income statements:

PREMIUM REVENUE = MEDICAL PREMIUM
+ PHARMACY PREMIUM

Net premium revenue is defined as the sum of the following items from the income statements, and this amount is used in later expense ratios and underwriting margins.

NET REVENUE = MEDICAL PREMIUM
+ PHARMACY PREMIUM
+ HEALTH INSURANCE PROVIDERS FEE PASS-THROUGH
+ OTHER REVENUE
+ INVESTMENT INCOME

As shown in Figure 2, average premium revenue was $589 per member per month (PMPM) in SFY 2023 through Q3, a decrease of 3.3% relative to SFY 2022. CHIP had the highest two-year premium PMPM growth from SFY 2021 to SFY 2023, whereas MMP had the greatest two-year premium PMPM decrease.[10]

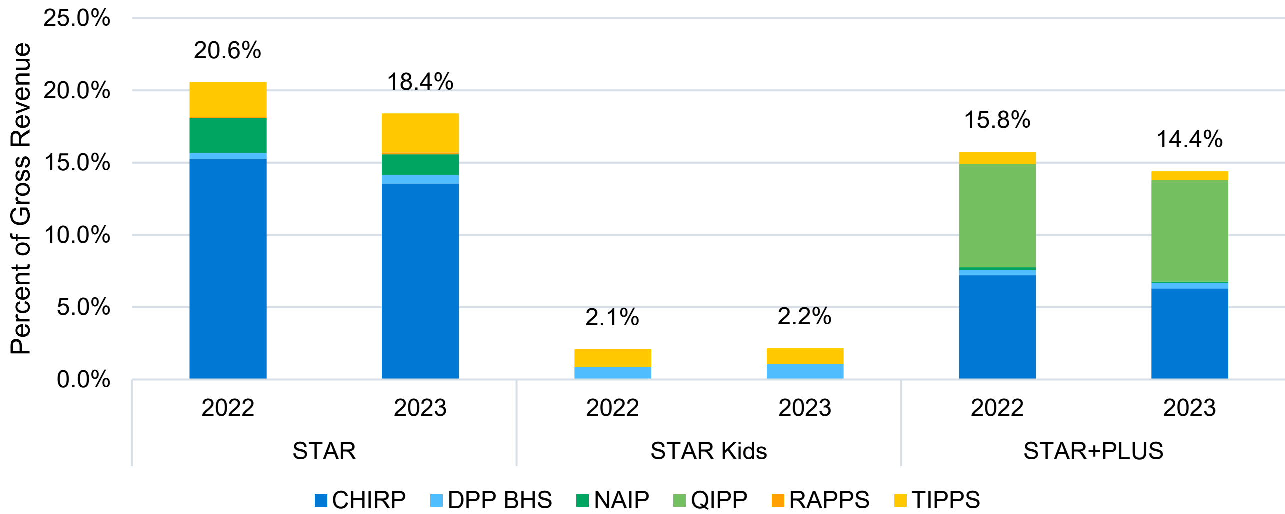
[8] See https://www.hhs.texas.gov/sites/default/files/documents/nov-2023-end-continuous-medicaid-dashboard-rpt.pdf for the Texas report as of November 2023.
[9] See https://www.hhs.texas.gov/sites/default/files/documents/nov-2023-end-continuous-medicaid-dashboard-rpt.pdf for the Texas report as of November 2023.
[10] Premium revenue PMPM amounts are not adjusted for population case-mix changes by risk group.

Directed payment programs

For STAR, STAR Kids, and STAR+PLUS there was an increase in premium revenue reflecting the addition of new Directed Payment Programs (DPPs)[11] implemented at the start of SFY 2022 in September 2021. These DPPs are state initiatives to increase the payments from MCOs to providers based on quality metrics or to improve access. The largest DPP is the Comprehensive Hospital Increase Reimbursement Program (CHIRP) which replaced the older Uniform Hospital Rate Increase Program (UHRIP) model for STAR and STAR+PLUS. The total DPP premium and pass-through expense increased substantially in SFY 2022 above the levels that existed with the Network Access Improvement Program (NAIP) and the UHRIP component of CHIRP. With this addition of DPPs, the FSR detail expanded in SFY 2022 to show the DPP pass-through expenses but does not split out DPP premiums from other premiums.

See Figure 3 for a demonstration of the scale of these DPP programs on a percentage of gross revenue basis in SFY 2022 and 2023.

FIGURE 3: DIRECTED PAYMENT PROGRAM PASS-THROUGH EXPENSES AS A PERCENTAGE OF GROSS REVENUE BY FISCAL YEAR



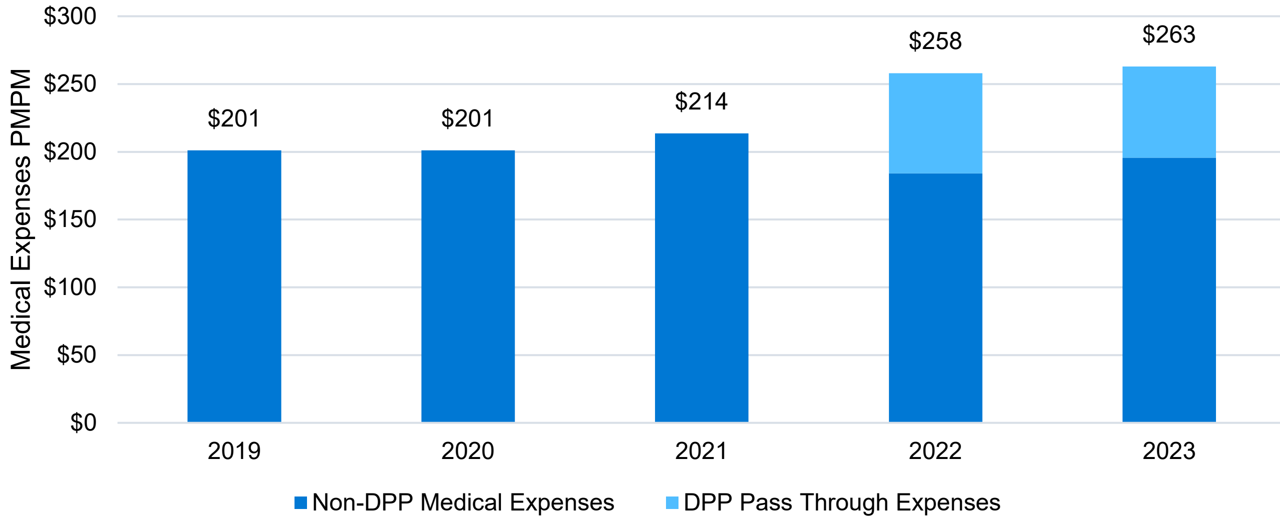
The DPPs included in Figure 3 aim to improve delivery and payment systems for different facilities and types of service. These DPPs are:

- Comprehensive Hospital Increase Reimbursement Program (CHIRP)
- Directed Payment Program for Behavioral Health Services (DPP BHS)
- Network Access Improvement Program (NAIP)
- Quality Incentive Payment Program (QIPP)
- Rural Access to Primary and Preventive Services (RAPPS)
- Texas Incentives for Physician and Professional Services (TIPPS)

See Figure 4 for the effect on the DPP of the STAR program's expenses.

[11] See https://www.hhs.texas.gov/providers/medicaid-supplemental-payment-directed-payment-programs/directed-payment-programs for further information on the Directed Payment Programs.

FIGURE 4: STAR MEDICAL EXPENSES PMPM FOR DIRECTED PAYMENT PROGRAMS AND NON-DPP MEDICAL EXPENSES*



* Note that UHRIP and NAIP are included in non-DPP medical claims for SFY 2019-2021, as the UHRIP and NAIP claims were not separated in the FSRs.

All these DPPs are considered pass-through payments to the MCOs, where a specified amount of DPP premium received from the state will be passed to qualified or participating providers. With more DPP volume in recent years, the affected programs have a higher non-risk portion of premium. This affects the average medical loss ratios and payment patterns of the MCOs.

Expense ratios and underwriting margin

MEDICAL LOSS RATIOS

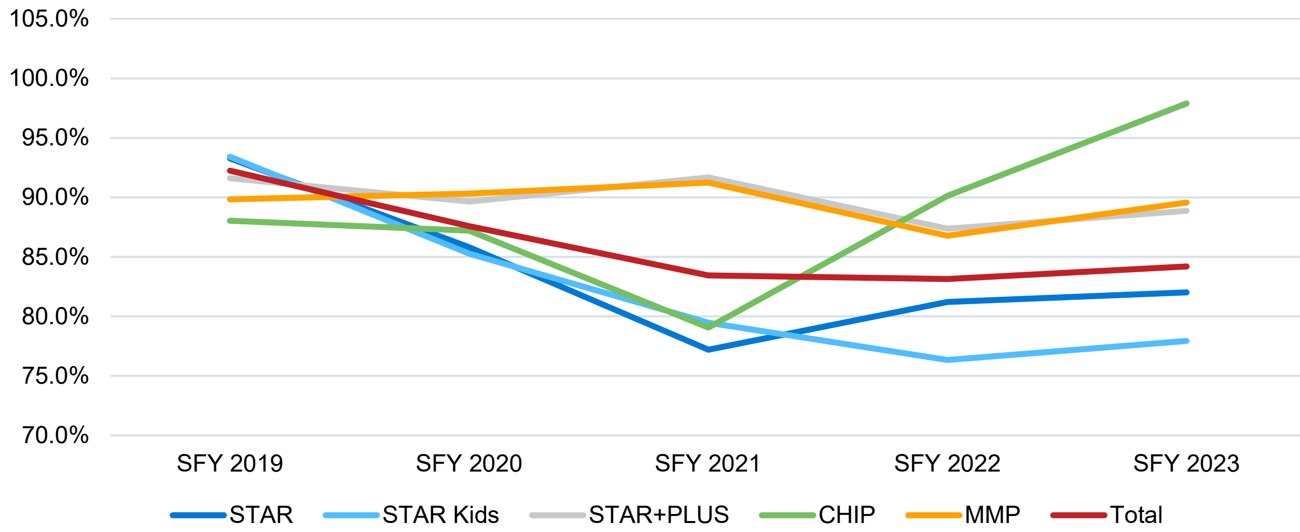
Average medical loss ratios (MLRs) were variable during the pandemic and have recently stabilized more in SFY 2022 and 2023.

Medical loss ratio is defined by the following equation:

$$\text{MEDICAL LOSS RATIO} = \frac{\text{MEDICAL EXPENSES + PHARMACY EXPENSES}}{\text{NET REVENUE}}$$

Figure 5 shows MLRs by SFY and program.

FIGURE 5: MEDICAL LOSS RATIOS BY SFY AND PROGRAM*



* Note that FSRs do not include experience rebates, so the medical loss ratios shown are before any profit risk sharing as required by contracts with HHSC.

From SFY 2019 to 2021, MLRs for STAR and STAR Kids both saw decreases of more than 10%. CHIP MLRs also decreased at the start of the pandemic but continued to increase beyond historical levels in the more recent years as membership declined. The decreases for STAR, STAR Kids, and CHIP corresponded with the timing of the pandemic and fit the pattern of lower utilization and the deferral of services for younger or healthier populations. Changes for STAR+PLUS and MMP were more consistent with historical volatility, and have remained relatively stable before, during, and after the pandemic, reflecting a reduced impact for older and chronically ill populations in programs with a long-term care component.

SFY 2023 through Q3 MLRs have increased for all programs relative to the prior year. As membership declines due to redetermination, it is likely that MLRs will continue to rise.

Also note that the MLRs for SFY 2023 through Q3 included a significant component for Incurred but not reported (IBNR) expense. Historically, runout decreases the MLR over time in the Texas Medicaid FSRs, which indicates some conservativeness in the reserve estimates. See our last report through Q3 SFY 2022 for reference. The composite MLR for SFY 2022 through Q3 was 83.8% with runout through May 2022, and is now 82.5% with runout through November 2022 from the 90-day report.

ADMINISTRATIVE EXPENSE RATIOS

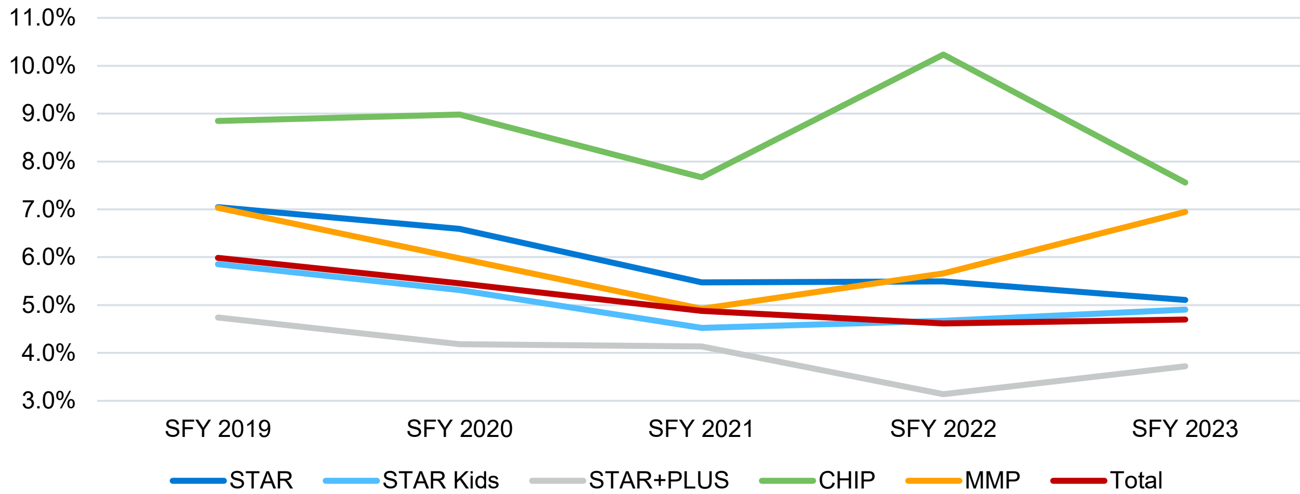
Compared to SFY 2022, yearly administrative expense ratios by program increased slightly in SFY 2023 through Q3 for STAR Kids, STAR+PLUS, and MMP. CHIP and STAR saw slight decreases.

Administrative expense ratio is defined by the following equation:

$$\text{ADMINISTRATIVE EXPENSE RATIO} = \frac{\text{ADMINISTRATIVE EXPENSES}}{\text{NET REVENUE}}$$

Figure 6 shows administrative expense ratios by SFY and program.

FIGURE 6: ADMINISTRATIVE EXPENSE RATIOS BY SFY AND PROGRAM

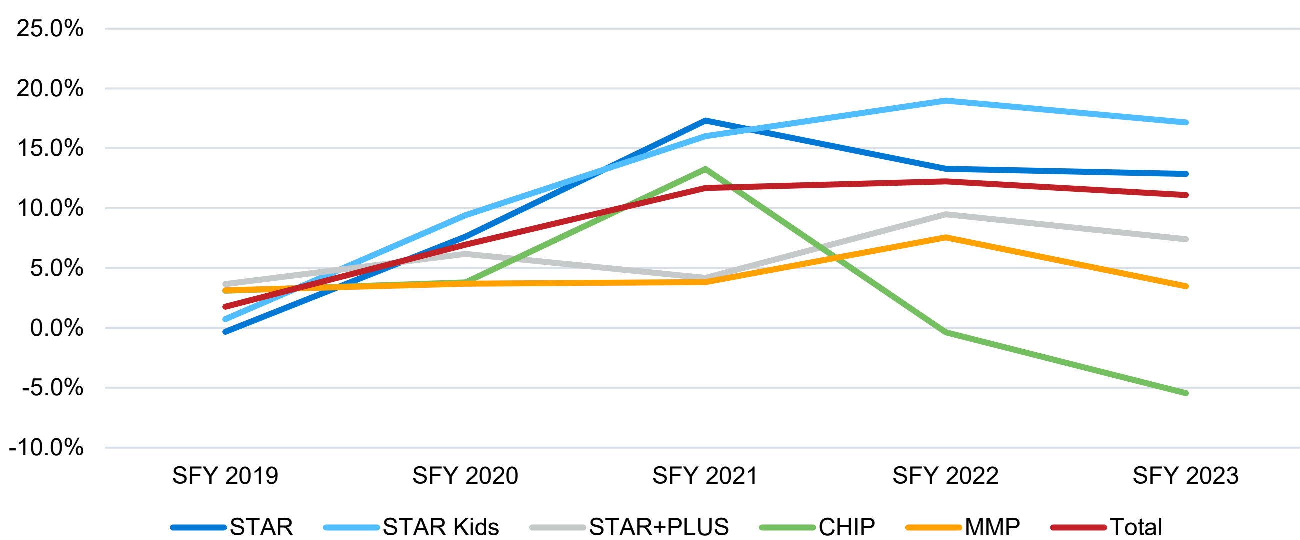


The composite ratio for all programs combined saw a minor increase from 4.6% to 4.7% between SFY 2022 and SFY 2023. CHIP saw the most fluctuation in yearly administrative expenses with a recent decrease of 2.7% from SFY 2022 to SFY 2023, which was attributed to some MCOs temporarily increasing allocated CHIP administrative expenses in SFY 2022. One MCO temporarily decreased STAR+PLUS allocated administrative expenses, which explains the SFY 2022 dip.

UNDERWRITING MARGINS

Figure 7 shows underwriting margins by SFY and program.

FIGURE 7 UNDERWRITING MARGINS BY SFY AND PROGRAM*



* Note that FSRs do not include experience rebates, so the underwriting margins shown are before any profit risk sharing as required by contracts with HHSC.

Underwriting margin is defined by the following equation:

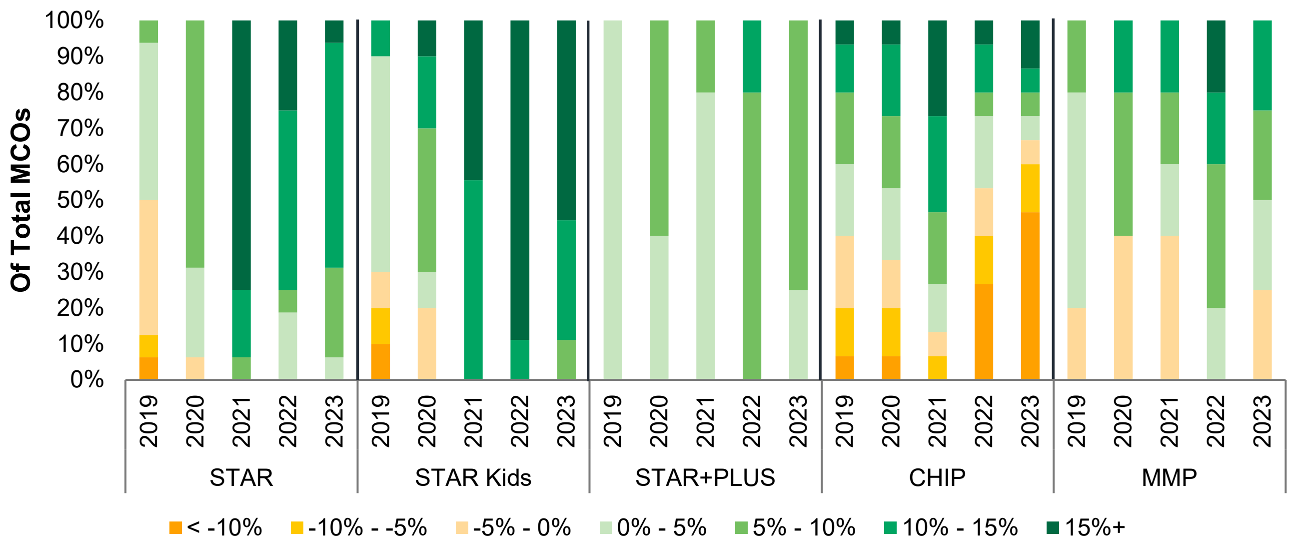
UNDERWRITING MARGIN = 1 – (MEDICAL LOSS RATIO + ADMINISTRATIVE EXPENSE RATIO)

From SFY 2019 to SFY 2023 through Q3, average underwriting margins generally trended upward, moving from 1.8% to 11.1%. CHIP has been the exception to this trend. An increased administrative expense ratio in SFY 2022 coupled with a sharp rise in the medical loss ratio from SFY 2021 to SFY 2023 saw CHIP's underwriting margin significantly decline. The remaining programs joined CHIP with lower underwriting margins in SFY 2023 compared to SFY 2022 due to the increased MLRs.

At the start of the pandemic, the STAR and STAR Kids programs both saw spikes in underwriting margins that have not yet returned to their pre-pandemic levels. Also influencing underwriting margin changes were the STAR reduced administrative expense ratios due to higher membership and the CHIP decreased net revenue due to lower membership.

Figure 8 examines the distributions of underwriting margins by MCO to remove the effect of large MCOs on overall statistics. This chart is separated for each of the programs and by SFY, and aggregated MCO profitability is later explored in the experience rebate section. Green represents the percentage of MCOs with underwriting gains, and yellow represents MCOs with losses. If a MCO is in multiple SDAs within the program, that MCO is counted once in these charts. Note that Q3 SFY 2023 includes a significant IBNR expense, which may impact the ultimate underwriting margin.

FIGURE 8: DISTRIBUTION OF UNDERWRITING MARGIN BY MCO, SFY, AND PROGRAM*



* Note that FSRs do not include experience rebates, so the underwriting margins shown are before any profit risk sharing as required by contracts with HHSC.

For STAR, 94% of MCOs had underwriting gains in SFY 2020. Since then, all STAR MCOs saw gains through SFY 2023. Compared to before the pandemic in SFY 2019, only 50% of STAR MCOs had underwriting gains. With these increased underwriting gains during the PHE, the share of profits collected by HHSC by use of the experience rebate increased. While this does impact MCO underwriting gains, the experience rebate is excluded from the FSRs. The impacts of the experience rebates are discussed in the following section of this report.

For STAR Kids, MCOs saw underwriting gains comparable to STAR.

For STAR+PLUS, MCOs had underwriting gains for all reviewed years. This program was the most resistant to pandemic profitability disruption.

Compared to the state's other programs, underwriting margins for CHIP were lower and more volatile. Like STAR, CHIP underwriting margins spiked during the pandemic—in SFY 2021, 87% of CHIP MCOs had positive underwriting margins. However, in SFY 2022 only 47% of CHIP programs had positive underwriting margins. This negative trend continued into SFY 2023 with only 33% of programs reporting positive underwriting margins.

For MMP, profitability was stable between SFY 2019 and 2021, with 60% of MCOs profitable in SFY 2021. While all MCOs saw gains for SFY 2022 and some had larger gain percentages, only 75% of MCOs had gains for SFY 2023 to date.

Experience rebate

As discussed briefly in the introduction, Texas Medicaid has a tiered gain-sharing system called the experience rebate where positive net income thresholds are shared with the state. The underwriting gains in the FSRs are before the experience rebate amounts are paid, and we approximated the amounts of the experience rebate payments to estimate the magnitude of these payments and ultimate MCO underwriting gains. The FSRs are an imperfect starting point to exactly match experience rebate payments as the experience rebate calculation includes items not in the FSR, including mandated premium adjustments, caps on administration and reinsurance, loss carry-forwards, and allowable differences between a MCO's income statement and what is reported in the FSRs. Additionally, experience rebates are not final until calculated from the 334-day FSR and include the previously discussed income adjustments.

The experience rebate formula was adjusted during the pandemic—for SFY 2022 and 2023, the state shared in a larger portion of MCO gains in a time of higher uncertainty for medical claims. The experience rebate is based on the net income and gross revenue displayed in the FSRs, along with some adjustments that are not included in the FSRs. The difference between the net revenue and gross revenue in the FSRs is shown in the equation below. These adjustments include items such as audit findings, administrative caps, reinsurance caps, and loss carry-forwards. Therefore, without these adjustments, we could only approximate the experience rebates paid based on the FSRs.

GROSS REVENUE = NET REVENUE + TAXES

The formula for how experience rebate is calculated by MCOs is as follows for SFY 2019 to SFY 2021 and for SFY 2024:

PRE-TAX INCOME AS A % OF REVENUES	MCO SHARE	STATE SHARE
≤ 3%	100%	0%
> 3% AND ≤ 5%	80%	20%
> 5% AND ≤ 7%	60%	40%
> 7% AND ≤ 9%	40%	60%
> 9% AND ≤ 12%	20%	80%
> 12%	0%	100%

During SFY 2022 and SFY 2023, the MCOs did not share in any pretax income over 5%, and the rest of the gain sharing was unchanged from above.

The experience rebates are calculated per MCO by SFY, so all SDAs and programs in which a MCO participates are combined for the experience rebate calculation. Approximating the experience rebate with the caveat that adjustments are not accounted for, we get the results shown in Figure 9.

FIGURE 9: ESTIMATED EXPERIENCE REBATE*

	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023 YTD
Estimate Percentage of MCOs Paying Experience Rebate	28%	89%	94%	94%	94%
Total Estimated Experience Rebate Paid to State (billions)	$0.0	$0.3	$1.5	$2.9	$1.9
Percentage of Gross Revenue Rebated to State	0.0%	1.3%	4.7%	7.5%	6.3%

* Note that the experience rebate is estimated from the most recent FSR available, and changes in the FSRs to the 334-day report as well as exclusions not included in the FSRs will alter the final experience rebate paid.

Before the pandemic, experience rebate payments to the state were small in terms of total gross revenue—in SFY 2019 we approximated only $10 million was paid. During the pandemic, the experience rebate mechanism increased in importance as lower claims and stable premiums resulted in higher pre-experience-rebate underwriting gains, rising to $2.9 billion in payments in SFY 2022. The impact of this can be seen in how the average net income ratio is reduced by the estimated experience rebates.

FIGURE 10: ESTIMATED EXPERIENCE REBATE IMPACT ON NET INCOME RATIO*

	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023 YTD
FSR Medical Loss Ratio	91%	86%	82%	82%	83%
FSR Net Income Ratio	1.7%	6.8%	11.5%	12.0%	10.9%
Estimated Net Income Ratio After Experience Rebate	1.7%	5.6%	6.8%	4.5%	4.6%

* Note that the experience rebate is estimated from the most recent FSR available, and changes in the FSRs to the 334-day report as well as exclusions not included in the FSRs will alter the final experience rebate paid.

During the pandemic, the experience rebate tempered the higher MCO gains shown in the FSRs. After the experience rebate formula change effective in SFY 2022 and SFY 2023, the maximum gain that a MCO could have in Texas Medicaid reduced from 7.2% to 4.6%, reflected in Figure 10. The overall net income of MCOs increased during the pandemic, but the experience rebate ensured that these gains would be shared with the state. In SFY 2024, the experience rebate will use the pre-pandemic tiered gain-sharing formula, and MCOs will once again be able to have gains up to 7.2% if total gains exceed 12%. With redetermination and other pricing changes, we will see how SFY 2024 financials emerge.

Conclusions

Comparing the SFY 2023 FSRs with prior years provided insight into the impact of the COVID-19 pandemic on financial results for Texas Medicaid MCOs as well as new emerging trends through the end of the PHE. The pandemic and accompanying temporary waiver of renewal requirements caused membership to almost double (71% increase) in the STAR program and decline in CHIP. Repressed claims in healthier populations early in the pandemic combined with stable premiums resulted in lower medical loss ratios for STAR, STAR Kids, and CHIP. MLR levels have since established a new normal per program, and pre-experience-rebate underwriting margins continued to be elevated three years after the pandemic relative to pre-pandemic experience.

There are several factors that will bring more change in SFY 2024 in the FSRs than we have seen since the start of the pandemic in SFY 2020 Q3:

1. This will be the first full year with redetermined member eligibility.
2. Post-pandemic data will be used to set premium rates for the first time. For SFY 2020 to 2023, all premium pricing used pre-pandemic data as a baseline.

3. The higher state share percentages in the experience rebate will return to their lower SFY 2021 and prior levels. During the pandemic, in SFY 2022, the state adjusted its experience rebate formula to impose more aggressive gain sharing with MCOs during an uncertain time for pricing premiums. Almost all MCOs had profits during SFY 2020 through 2023 and shared excess gains with the state, whereas in SFY 2019 approximately 40% of MCOs were unprofitable.
4. The more recent addition of larger DPPs and refinements to these newer programs will add complexity into how premium rates change in total versus per DPPs.

Texas Medicaid's eligibility reapplication process began in June 2023, so we cannot yet see the redetermination impacts in the available data. After all members are redetermined through March 2024, the memberships of the STAR program and CHIP may return to pre-pandemic levels or establish new patterns. The effects of the pandemic on the remaining Medicaid population's morbidity, resultant MCO's profitability in SFY 2024, and how the state will set premium rates for SFY 2025 will be some of the main financial interest points in the coming years.

Limitations and data reliance

The results contained in this report were compiled using data and information obtained from quarterly FSRs released by HHSC. The SFY 2019, SFY 2020, SFY 2021, SFY 2022, and SFY 2023 report data had the submission dates August 31, 2020 (334-day report), December 31, 2020 (90-day report), December 31, 2021 (90-day report), December 31, 2022 (90-day report), and June 30, 2023 (Q3 report), respectively.

In addition, the results are based on FSRs for a portion of SFY 2023. They do not include experience rebates or potential premium adjustments, nor do they include more recent FSRs. As such, the results are incomplete and should not be relied upon to draw conclusions regarding ultimate experience. The results commented on in this report are presented without adjustment.

Three CHIP FSRs were excluded from certain exhibits for all years based on medical loss ratios greater than 200% or administrative expense ratios greater than 50% of net revenue. These three FSRs are excluded in the Appendix charts by SDA and are included in all other summaries, including the total amount summaries in Appendix 3, Figure 17. All dental plans and STAR Health were excluded, as they were out of the scope of our analysis.

Milliman has developed certain models to estimate the values included in this report. The intent of the models was to estimate the financial performance of Texas Medicaid MCOs through Q3 SFY 2023. We have reviewed the models, including their inputs, calculations, and outputs, for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs).

The models rely on data and information as input. We have relied upon certain data and information publicly provided by HHSC for this purpose and accepted it without audit. To the extent that the data and information provided is inaccurate or incomplete, the values provided in this report may likewise be inaccurate or incomplete. This report is intended for informational purposes only. Milliman makes no representations or warranties regarding the contents of this report. Likewise, readers of this report are instructed that they are to place no reliance upon this report that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

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Qualifications

Guideline issues by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Eleanor Hill and Darin Muse are members of the American Academy of Actuaries and meet the qualification standards for performing the analyses in this report.

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CONTACT

Eleanor Hill
eleanor.hill@milliman.com

Darin Muse
darin.muse@milliman.com

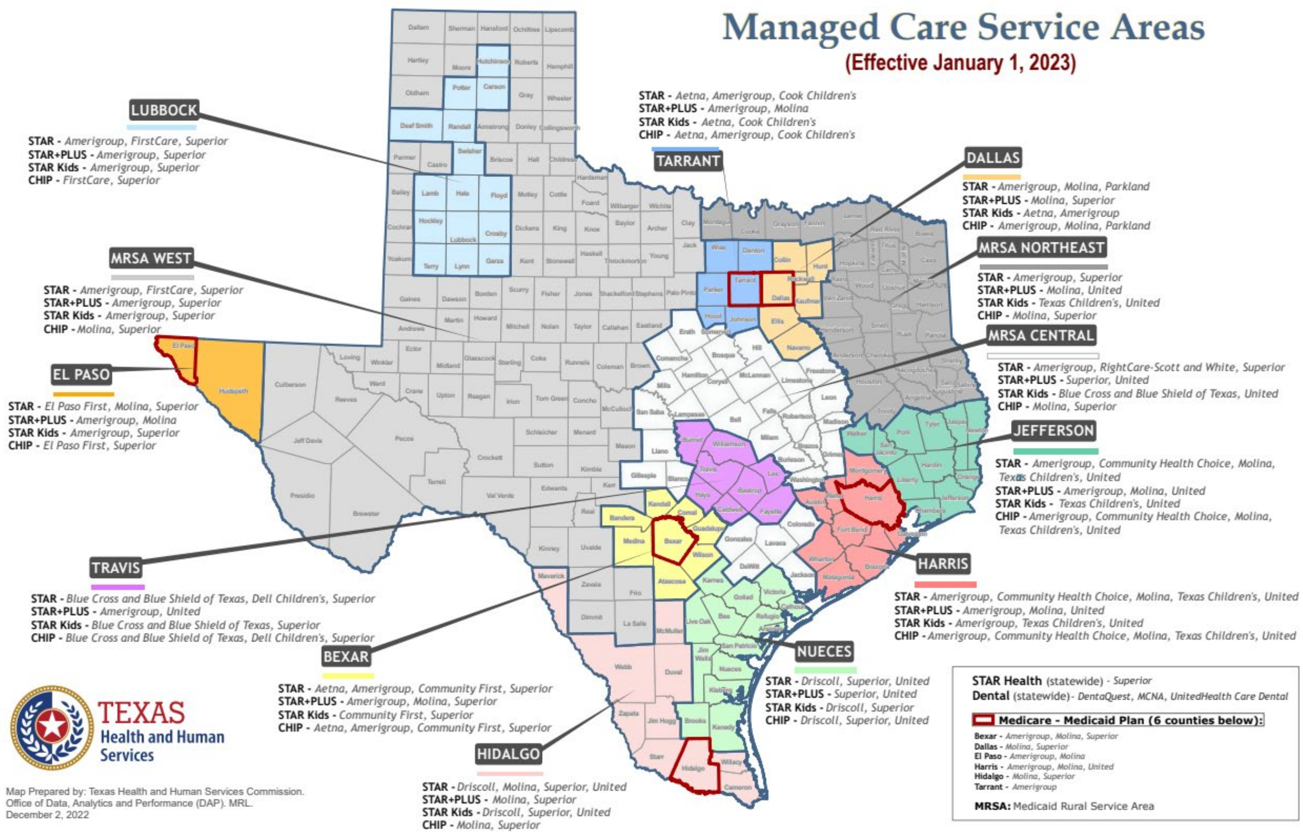
Mindy Hsu
mindy.hsu@milliman.com

Greyson Britt
greyson.britt@milliman.com

Appendix 1: Texas Managed Care SDAs

The map in Figure 11 shows the counties included in each of the service delivery areas (SDAs) for the Texas Medicaid and CHIP managed care programs. MMP is offered in the following six counties: Bexar, Dallas, El Paso, Harris, Hidalgo, and Tarrant. Also listed are the MCOs providing services in each SDA. This image was sourced from the Texas HHSC website.[12]

FIGURE 11: TEXAS MANAGED CARE SERVICE AREAS

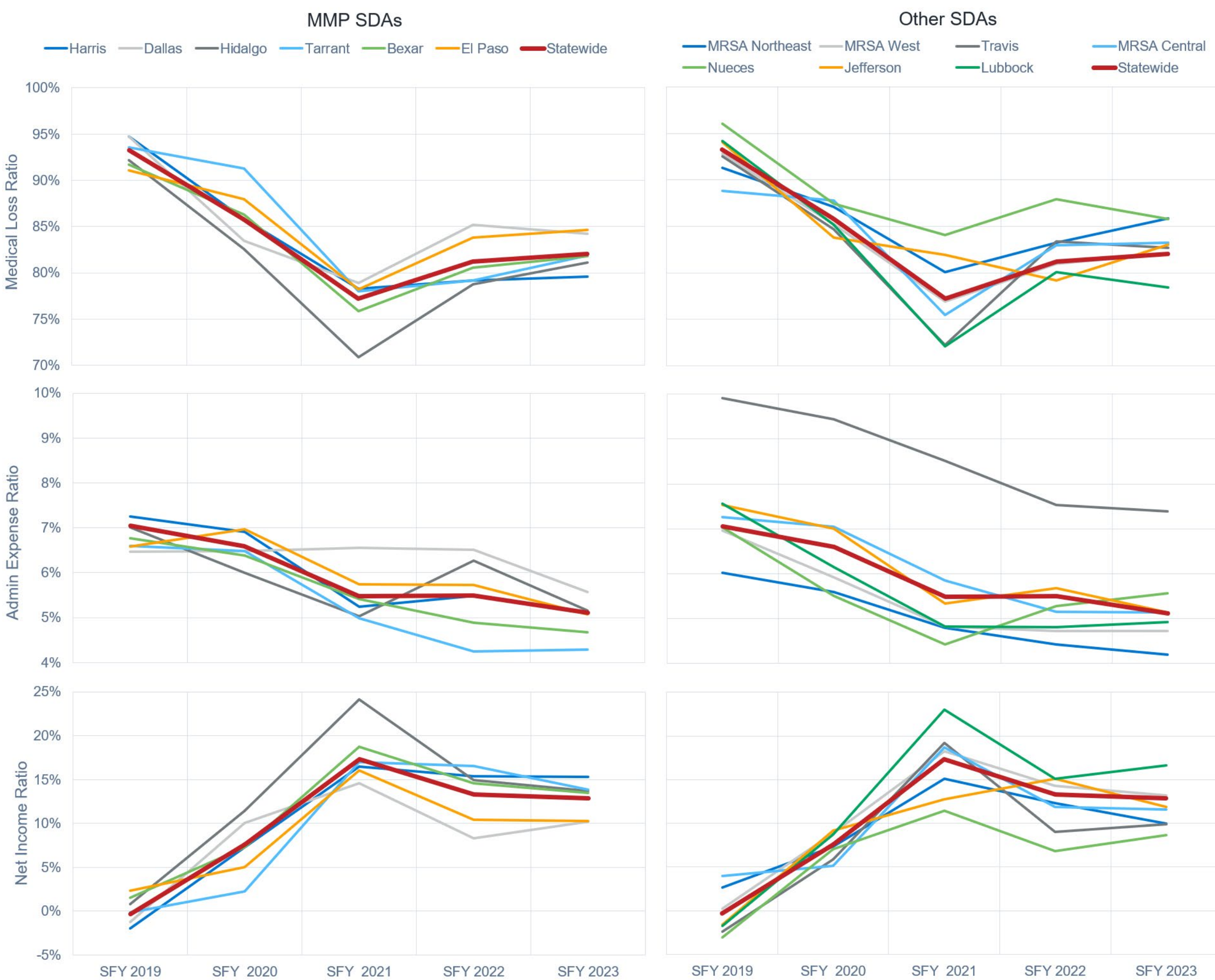


[12] See https://www.hhs.texas.gov/sites/default/files/documents/services/health/medicaid-chip/programs/managed-care-service-areas-map.pdf for the chart. Accessed February 22, 2024.

Appendix 2: Expense Ratios by SDA

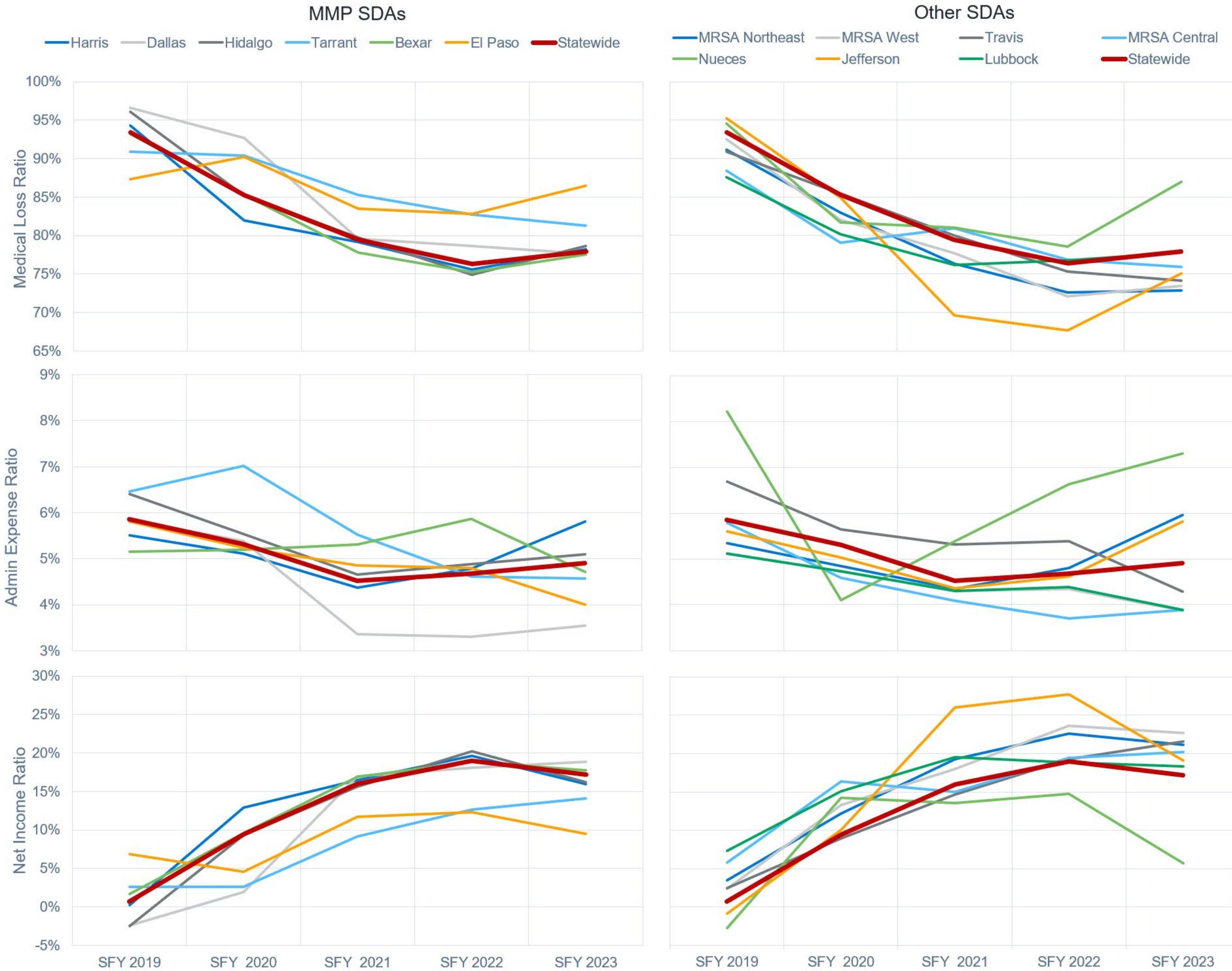
Figures 12 to 16 show net income, medical loss, and administrative expense ratios as a percentage of net revenue for the STAR, STAR Kids, STAR+PLUS, CHIP, and MMP programs. The charts on the left include data for the MMP SDAs (Bexar, Dallas, El Paso, Harris, Hidalgo, and Tarrant) in comparison to aggregate results for Texas. The charts on the right include all other SDAs in comparison to aggregate results for Texas. The charts show data for SFY 2019, SFY 2020, SFY 2021, SFY 2022 and the first three quarters of SFY 2023. The data for these figures were filtered to exclude the three CHIP FSRs mentioned in the Limitations and Data Reliance section above.

FIGURE 12: EXPENSE RATIOS BY SDA FOR STAR



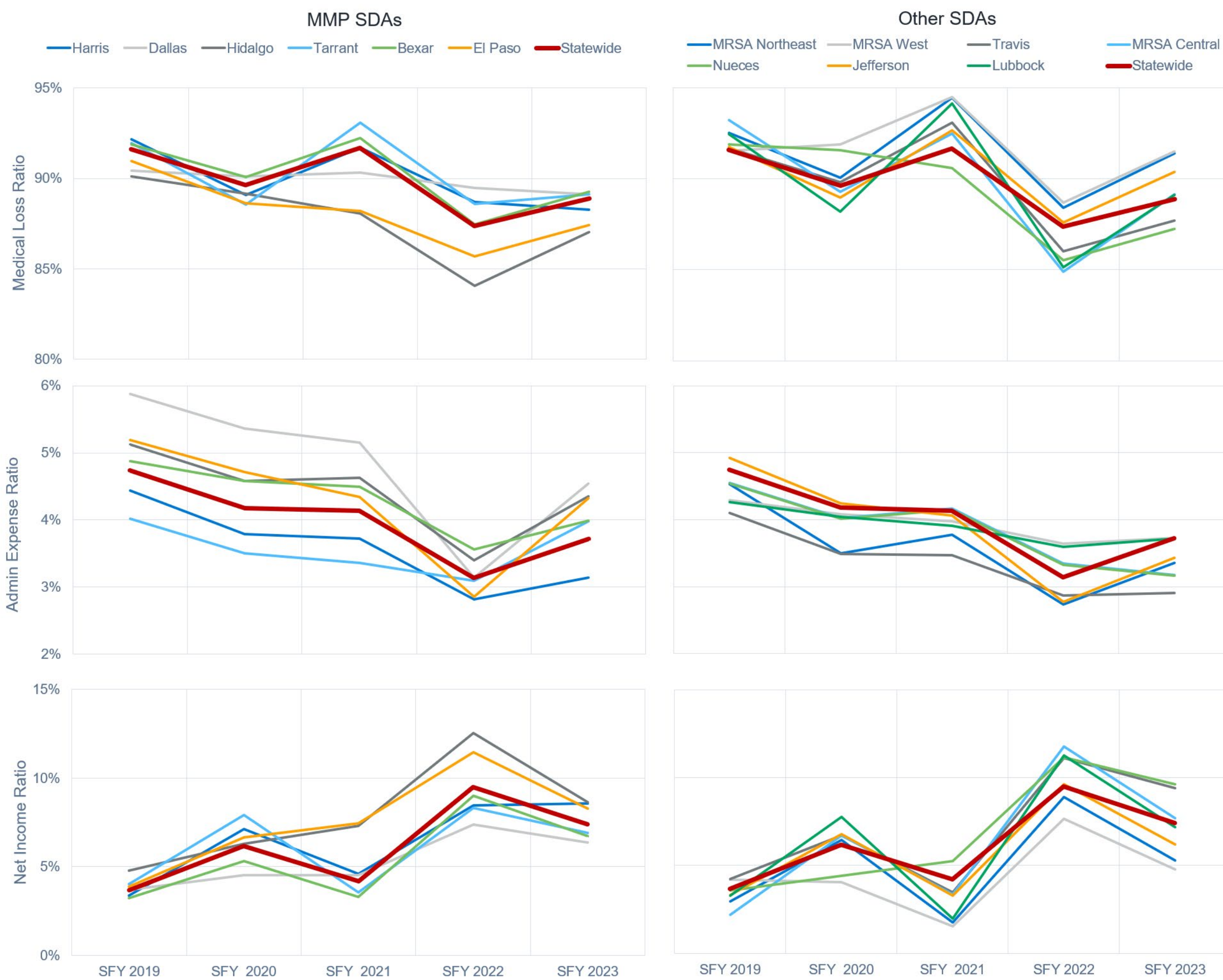
* Note that FSRs do not include experience rebates, so the expense ratios shown are before any profit risk sharing as required by contracts with HHSC.

FIGURE 13: EXPENSE RATIOS BY SDA FOR STAR KIDS



* Note that FSRs do not include experience rebates, so the expense ratios shown are before any profit risk sharing as required by contracts with HHSC.

FIGURE 14: EXPENSE RATIOS BY SDA FOR STAR+PLUS

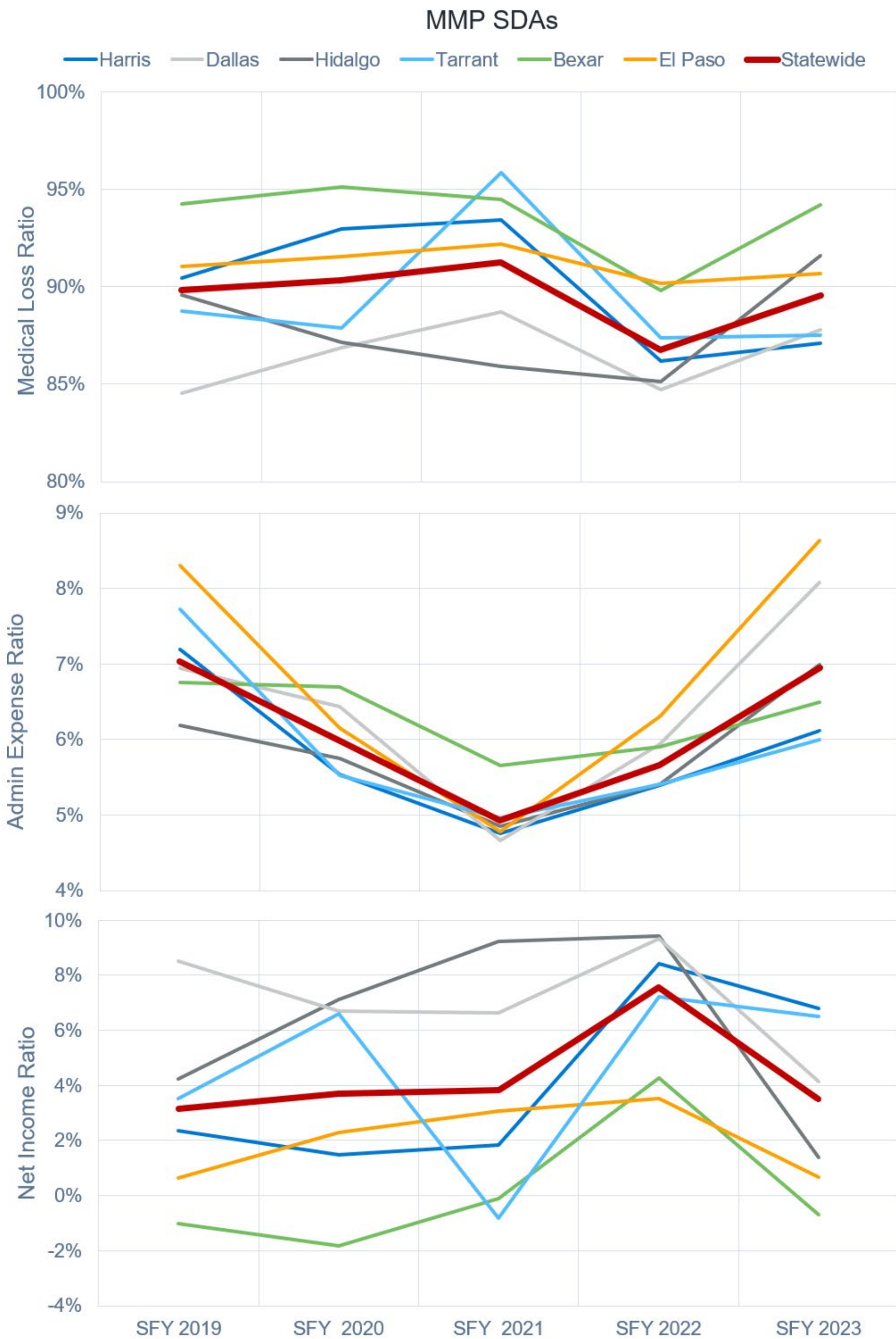


* Note that FSRs do not include experience rebates, so the expense ratios shown are before any profit risk sharing as required by contracts with HHSC.

FIGURE 15: EXPENSE RATIOS BY SDA FOR CHIP

* Note that FSRs do not include experience rebates, so the expense ratios shown are before any profit risk sharing as required by contracts with HHSC.

FIGURE 16: EXPENSE RATIOS BY SDA FOR MMP



* Note that FSRs do not include experience rebates, so the expense ratios shown are before any profit risk sharing as required by contracts with HHSC.

Appendix 3: Aggregate Costs for All Programs and SFYs

Figure 17 shows aggregate membership, costs, and revenues across all SFYs, programs, and SDAs. As stated in the Limitations and Data Reliance section above, this data excludes two CHIP FSRs with high expense ratios. SFY 2023 only includes data through Q3, consistent with the rest of the summaries in this report.

FIGURE 17: AGGREGATE COSTS AND REVENUES BY SFY, PROGRAM, AND SDA

SFY	PROGRAM	SDA	# MCOS	MEMBERS (MILLIONS)	GROSS REVENUE (MILLIONS)	NET REVENUE (MILLIONS)	TOTAL EXPENSES (MILLIONS)
2019	CHIP	Bexar	4	0.38	52	51	49
2020	CHIP	Bexar	4	0.35	50	49	43
2021	CHIP	Bexar	4	0.25	37	37	32
2022	CHIP	Bexar	4	0.11	21	20	20
2023	CHIP	Bexar	4	0.05	11	11	12
2019	CHIP	CHIP RSA	2	1.06	147	145	134
2020	CHIP	CHIP RSA	2	0.95	133	131	117
2021	CHIP	CHIP RSA	2	0.68	103	101	83
2022	CHIP	CHIP RSA	2	0.32	59	58	57
2023	CHIP	CHIP RSA	2	0.14	33	32	32
2019	CHIP	Dallas	3	0.80	132	129	129
2020	CHIP	Dallas	3	0.73	120	118	113
2021	CHIP	Dallas	3	0.53	97	95	81
2022	CHIP	Dallas	3	0.26	59	58	59
2023	CHIP	Dallas	3	0.12	33	32	34
2019	CHIP	El Paso	2	0.17	21	21	21
2020	CHIP	El Paso	2	0.15	21	20	19
2021	CHIP	El Paso	2	0.11	16	15	12
2022	CHIP	El Paso	2	0.05	8	8	8
2023	CHIP	El Paso	2	0.02	4	4	4
2019	CHIP	Harris	5	1.29	261	256	244
2020	CHIP	Harris	5	1.17	225	221	209
2021	CHIP	Harris	5	0.83	186	183	159
2022	CHIP	Harris	5	0.41	116	114	113
2023	CHIP	Harris	5	0.20	67	66	70
2019	CHIP	Jefferson	5	0.09	19	19	28
2020	CHIP	Jefferson	5	0.09	18	18	33
2021	CHIP	Jefferson	5	0.06	13	12	16
2022	CHIP	Jefferson	5	0.03	8	8	9
2023	CHIP	Jefferson	5	0.02	6	6	5
2019	CHIP	Lubbock	2	0.11	15	14	13
2020	CHIP	Lubbock	2	0.10	13	13	13
2021	CHIP	Lubbock	2	0.07	10	10	8
2022	CHIP	Lubbock	2	0.03	5	5	4

SFY	PROGRAM	SDA	# MCOS	MEMBERS (MILLIONS)	GROSS REVENUE (MILLIONS)	NET REVENUE (MILLIONS)	TOTAL EXPENSES (MILLIONS)
2023	CHIP	Lubbock	2	0.01	2	2	2
2019	CHIP	Nueces	3	0.10	19	19	19
2020	CHIP	Nueces	3	0.09	18	17	18
2021	CHIP	Nueces	3	0.07	14	13	13
2022	CHIP	Nueces	3	0.03	7	7	8
2023	CHIP	Nueces	3	0.01	3	3	5
2019	CHIP	Tarrant	3	0.56	84	82	75
2020	CHIP	Tarrant	3	0.51	74	72	70
2021	CHIP	Tarrant	3	0.37	59	58	49
2022	CHIP	Tarrant	3	0.17	34	33	32
2023	CHIP	Tarrant	3	0.07	18	17	17
2019	CHIP	Travis	3	0.32	48	47	46
2020	CHIP	Travis	3	0.29	46	45	44
2021	CHIP	Travis	3	0.21	34	33	30
2022	CHIP	Travis	3	0.10	21	20	24
2023	CHIP	Travis	3	0.05	12	12	16
2019	MMP	Bexar	3	0.08	216	214	216
2020	MMP	Bexar	3	0.08	220	219	223
2021	MMP	Bexar	3	0.07	220	219	219
2022	MMP	Bexar	3	0.07	214	212	203
2023	MMP	Bexar	3	0.05	144	143	144
2019	MMP	Dallas	2	0.08	213	212	194
2020	MMP	Dallas	2	0.08	229	228	213
2021	MMP	Dallas	2	0.08	250	248	232
2022	MMP	Dallas	2	0.08	253	252	228
2023	MMP	Dallas	2	0.06	182	181	173
2019	MMP	El Paso	2	0.05	144	143	142
2020	MMP	El Paso	2	0.05	149	148	144
2021	MMP	El Paso	2	0.05	142	141	137
2022	MMP	El Paso	2	0.04	141	140	135
2023	MMP	El Paso	2	0.03	91	90	90
2019	MMP	Harris	3	0.13	334	332	324
2020	MMP	Harris	3	0.13	352	350	345
2021	MMP	Harris	3	0.12	360	357	350
2022	MMP	Harris	3	0.11	364	361	330
2023	MMP	Harris	3	0.08	256	254	237
2019	MMP	Hidalgo	3	0.09	296	294	281
2020	MMP	Hidalgo	3	0.09	329	326	303
2021	MMP	Hidalgo	3	0.09	313	311	282
2022	MMP	Hidalgo	3	0.08	298	295	268

SFY	PROGRAM	SDA	# MCOS	MEMBERS (MILLIONS)	GROSS REVENUE (MILLIONS)	NET REVENUE (MILLIONS)	TOTAL EXPENSES (MILLIONS)
2023	MMP	Hidalgo	2	0.05	190	188	186
2019	MMP	Tarrant	1	0.05	132	131	127
2020	MMP	Tarrant	1	0.05	140	139	130
2021	MMP	Tarrant	1	0.05	149	148	149
2022	MMP	Tarrant	1	0.04	150	149	138
2023	MMP	Tarrant	1	0.03	100	99	93
2019	STAR	Bexar	4	3.09	800	785	773
2020	STAR	Bexar	4	3.20	861	846	784
2021	STAR	Bexar	4	3.95	1,151	1,130	918
2022	STAR	Bexar	4	4.57	1,580	1,552	1,326
2023	STAR	Bexar	4	3.81	1,345	1,322	1,144
2019	STAR	Dallas	3	4.60	1,176	1,155	1,169
2020	STAR	Dallas	3	4.71	1,328	1,305	1,174
2021	STAR	Dallas	3	5.89	1,842	1,809	1,546
2022	STAR	Dallas	3	6.87	2,484	2,440	2,237
2023	STAR	Dallas	3	5.72	2,160	2,122	1,906
2019	STAR	El Paso	3	1.42	345	338	331
2020	STAR	El Paso	3	1.42	357	350	333
2021	STAR	El Paso	3	1.71	484	475	399
2022	STAR	El Paso	3	1.94	662	651	583
2023	STAR	El Paso	3	1.60	544	535	480
2019	STAR	Harris	5	8.40	2,211	2,172	2,215
2020	STAR	Harris	5	8.68	2,468	2,425	2,248
2021	STAR	Harris	5	10.93	3,949	3,880	3,239
2022	STAR	Harris	5	12.72	4,868	4,782	4,047
2023	STAR	Harris	5	10.59	4,161	4,088	3,463
2019	STAR	Hidalgo	4	4.10	1,017	999	990
2020	STAR	Hidalgo	4	4.15	1,106	1,087	962
2021	STAR	Hidalgo	4	4.93	1,432	1,407	1,068
2022	STAR	Hidalgo	4	5.50	1,813	1,781	1,514
2023	STAR	Hidalgo	4	4.49	1,492	1,466	1,265
2019	STAR	Jefferson	5	0.97	280	275	279
2020	STAR	Jefferson	5	1.00	299	294	267
2021	STAR	Jefferson	5	1.27	446	438	383
2022	STAR	Jefferson	5	1.48	550	540	458
2023	STAR	Jefferson	5	1.25	478	470	414
2019	STAR	Lubbock	3	0.91	250	245	249
2020	STAR	Lubbock	3	0.93	275	270	247
2021	STAR	Lubbock	3	1.16	369	363	279
2022	STAR	Lubbock	3	1.33	493	484	411

SFY	PROGRAM	SDA	# MCOS	MEMBERS (MILLIONS)	GROSS REVENUE (MILLIONS)	NET REVENUE (MILLIONS)	TOTAL EXPENSES (MILLIONS)
2023	STAR	Lubbock	3	1.10	419	412	343
2019	STAR	MRSA Central	3	1.67	405	398	382
2020	STAR	MRSA Central	3	1.73	432	424	402
2021	STAR	MRSA Central	3	2.13	589	579	471
2022	STAR	MRSA Central	3	2.46	773	760	669
2023	STAR	MRSA Central	3	2.05	638	626	554
2019	STAR	MRSA Northeast	2	2.04	494	485	472
2020	STAR	MRSA Northeast	2	2.09	533	523	485
2021	STAR	MRSA Northeast	2	2.61	758	745	632
2022	STAR	MRSA Northeast	2	3.02	994	976	856
2023	STAR	MRSA Northeast	2	2.51	843	828	745
2019	STAR	MRSA West	3	1.83	513	504	502
2020	STAR	MRSA West	3	1.88	566	556	507
2021	STAR	MRSA West	3	2.41	770	756	618
2022	STAR	MRSA West	3	2.81	993	976	836
2023	STAR	MRSA West	3	2.35	803	788	684
2019	STAR	Nueces	3	1.06	337	331	341
2020	STAR	Nueces	3	1.09	366	360	334
2021	STAR	Nueces	3	1.32	513	504	446
2022	STAR	Nueces	3	1.49	653	642	598
2023	STAR	Nueces	3	1.22	549	539	493
2019	STAR	Tarrant	3	3.16	772	758	759
2020	STAR	Tarrant	3	3.28	875	859	840
2021	STAR	Tarrant	3	4.21	1,280	1,257	1,043
2022	STAR	Tarrant	3	4.99	1,877	1,844	1,539
2023	STAR	Tarrant	3	4.20	1,586	1,558	1,343
2019	STAR	Travis	3	1.74	412	405	415
2020	STAR	Travis	3	1.80	447	439	413
2021	STAR	Travis	3	2.28	605	594	480
2022	STAR	Travis	3	2.67	893	877	798
2023	STAR	Travis	3	2.23	754	741	667
2019	STAR KIDS	Bexar	2	0.17	320	314	309
2020	STAR KIDS	Bexar	2	0.17	364	357	323
2021	STAR KIDS	Bexar	2	0.18	385	378	315
2022	STAR KIDS	Bexar	2	0.18	413	406	329
2023	STAR KIDS	Bexar	2	0.13	312	306	252
2019	STAR KIDS	Dallas	2	0.26	476	468	479
2020	STAR KIDS	Dallas	2	0.26	516	507	497
2021	STAR KIDS	Dallas	2	0.27	584	574	476
2022	STAR KIDS	Dallas	2	0.27	630	619	507

SFY	PROGRAM	SDA	# MCOS	MEMBERS (MILLIONS)	GROSS REVENUE (MILLIONS)	NET REVENUE (MILLIONS)	TOTAL EXPENSES (MILLIONS)
2023	STAR KIDS	Dallas	2	0.20	477	468	380
2019	STAR KIDS	El Paso	2	0.06	98	97	90
2020	STAR KIDS	El Paso	2	0.06	101	100	95
2021	STAR KIDS	El Paso	2	0.06	106	104	92
2022	STAR KIDS	El Paso	2	0.06	114	112	98
2023	STAR KIDS	El Paso	2	0.05	87	86	78
2019	STAR KIDS	Harris	3	0.44	814	800	798
2020	STAR KIDS	Harris	3	0.45	940	924	805
2021	STAR KIDS	Harris	3	0.47	992	974	814
2022	STAR KIDS	Harris	3	0.47	1,031	1,013	814
2023	STAR KIDS	Harris	3	0.35	788	774	650
2019	STAR KIDS	Hidalgo	3	0.26	435	427	438
2020	STAR KIDS	Hidalgo	3	0.26	486	478	433
2021	STAR KIDS	Hidalgo	3	0.27	510	501	423
2022	STAR KIDS	Hidalgo	3	0.27	535	526	419
2023	STAR KIDS	Hidalgo	3	0.20	412	404	339
2019	STAR KIDS	Jefferson	2	0.06	89	88	88
2020	STAR KIDS	Jefferson	2	0.06	99	97	88
2021	STAR KIDS	Jefferson	2	0.06	107	106	78
2022	STAR KIDS	Jefferson	2	0.06	115	113	81
2023	STAR KIDS	Jefferson	2	0.05	86	84	68
2019	STAR KIDS	Lubbock	2	0.04	66	65	60
2020	STAR KIDS	Lubbock	2	0.04	71	70	59
2021	STAR KIDS	Lubbock	2	0.04	79	78	62
2022	STAR KIDS	Lubbock	2	0.04	81	79	64
2023	STAR KIDS	Lubbock	2	0.03	63	62	50
2019	STAR KIDS	MRSA Central	2	0.11	153	151	142
2020	STAR KIDS	MRSA Central	2	0.11	175	172	144
2021	STAR KIDS	MRSA Central	2	0.11	181	178	151
2022	STAR KIDS	MRSA Central	2	0.11	187	183	148
2023	STAR KIDS	MRSA Central	2	0.09	145	142	114
2019	STAR KIDS	MRSA Northeast	2	0.13	233	229	221
2020	STAR KIDS	MRSA Northeast	2	0.13	266	261	229
2021	STAR KIDS	MRSA Northeast	2	0.13	277	272	219
2022	STAR KIDS	MRSA Northeast	2	0.14	298	293	226
2023	STAR KIDS	MRSA Northeast	2	0.10	224	220	173
2019	STAR KIDS	MRSA West	2	0.08	114	112	110
2020	STAR KIDS	MRSA West	2	0.08	123	120	105
2021	STAR KIDS	MRSA West	2	0.08	130	128	105
2022	STAR KIDS	MRSA West	2	0.09	145	143	109

SFY	PROGRAM	SDA	# MCOS	MEMBERS (MILLIONS)	GROSS REVENUE (MILLIONS)	NET REVENUE (MILLIONS)	TOTAL EXPENSES (MILLIONS)
2023	STAR KIDS	MRSA West	2	0.07	111	110	85
2019	STAR KIDS	Nueces	2	0.06	97	95	98
2020	STAR KIDS	Nueces	2	0.06	103	101	87
2021	STAR KIDS	Nueces	2	0.06	109	107	93
2022	STAR KIDS	Nueces	2	0.06	114	112	96
2023	STAR KIDS	Nueces	2	0.05	88	87	82
2019	STAR KIDS	Tarrant	2	0.17	303	298	290
2020	STAR KIDS	Tarrant	2	0.17	325	319	311
2021	STAR KIDS	Tarrant	2	0.18	356	350	318
2022	STAR KIDS	Tarrant	2	0.19	378	371	324
2023	STAR KIDS	Tarrant	2	0.14	296	291	250
2019	STAR KIDS	Travis	2	0.09	167	164	160
2020	STAR KIDS	Travis	2	0.09	185	182	166
2021	STAR KIDS	Travis	2	0.09	202	198	169
2022	STAR KIDS	Travis	2	0.09	208	204	165
2023	STAR KIDS	Travis	2	0.07	161	159	124
2019	STAR+PLUS	Bexar	3	0.55	905	889	861
2020	STAR+PLUS	Bexar	3	0.55	963	946	895
2021	STAR+PLUS	Bexar	3	0.56	1,018	1,000	967
2022	STAR+PLUS	Bexar	3	0.58	1,200	1,179	1,073
2023	STAR+PLUS	Bexar	3	0.45	898	882	823
2019	STAR+PLUS	Dallas	2	0.74	1,239	1,217	1,172
2020	STAR+PLUS	Dallas	2	0.75	1,299	1,277	1,219
2021	STAR+PLUS	Dallas	2	0.76	1,392	1,367	1,305
2022	STAR+PLUS	Dallas	2	0.79	1,753	1,723	1,596
2023	STAR+PLUS	Dallas	2	0.62	1,266	1,244	1,165