



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: March 7, 2012

TO: Legislative Finance Committee

FROM: Lois Steinbeck, Senior Fiscal Analyst
Quinn Holzer, Fiscal Analyst I
Robert Miller, Fiscal Analyst I

RE: Update – SJ26 Medicaid Model

The Legislative Finance Committee (LFC) adopted a work item directing Legislative Fiscal Division (LFD) staff to develop a comprehensive model to provide independent forecasts of Medicaid costs and funding for consideration by legislators. This memorandum provides an update on LFD progress to date and supplements the original planning document presented at the October LFC meeting.

UPDATED TIMELINE

The LFC received a Medicaid model project milestone/timeline at its last meeting. There have been revisions to that timeline and to project milestones. The revised timeline is attached with changes identified in italic font.

One milestone included in the original timeline has not been completed. Department of Public Health and Human Services (DPHHS) has not permitted its program financial staff to meet with LFD staff to clarify several items, including identification of certain selected data sources, definitions for some data/cost components, and to share information on the LFD process. LFD staff has continued to pursue information via phone and e-mail and most of the data and definitions have been provided.

Another milestone – completion of a Medicaid forecast for the March LFC meeting – has been rescheduled for the June LFC meeting for two reasons:

- o The “Big Picture” report will be presented at the June meeting instead of March
- o Delays in obtaining some information from DPHHS have slowed the LFD process

PROGRESS TO DATE

LFD staff has made progress on this work item despite delays in receipt of some data and information. Specific advancements include:

- o Staff has formatted 10 years of Medicaid paid claims data from a PDF type file to an excel file so that data can be manipulated
- o Staff has begun to analyze the data and examine cost and service utilization trends and examples of this analysis will be presented

- o Several LFD “Chart of the Week” graphs have been developed based on staff analysis of Medicaid cost data
- o Staff has refined the Medicaid data map and identified some additional data needs and definitional issues, which were relayed to DPHHS
- o Staff has reviewed information provided by DPHHS in response to LFD inquiries and submitted follow up questions in some instances
- o Staff who are new to Medicaid have continued to learn about the program, including eligibility criteria, services covered by various Medicaid subprograms, cost and accounting data, funding sources, federal and state statutes and rules, case law, and emerging issues

An Example of Remaining Data Needs/Definitional Issues

As of the March LFC meeting, many of the LFD requests for information have been resolved. However, there are some remaining issues. An example, and perhaps the most significant issue, is LFD access to data and better program understanding for Medicaid developmental disability (DD) waiver services. DD Medicaid services account for 9% to 10% of Medicaid appropriations¹. In November 2010 during the analysis of the 2013 biennium executive budget request, DPHHS provided DD service data comparable to some of the MMIS data for other Medicaid services. For instance, LFD staff received some files with monthly expenditure data that showed:

- o Payments by type of waiver service
- o The unduplicated number of individuals receiving the service
- o The unduplicated number of providers

LFD staff requested current, comparable data to evaluate expenses for DD Medicaid services. DPHHS has indicated that the detailed data was a special report that is not routinely available. LFD staff has requested to meet with DPHHS fiscal/program staff directly to determine what other types of data might exist. As of this date, LFD has been unable to meet with DPHHS fiscal/program staff.

Assistance from Budget Director

In early February, the Legislative Fiscal Analyst and Budget Director reached an agreement that DPHHS would provide the following information related to the LFD Medicaid model project:

- 1) Definition of terms or items
- 2) Access to data

The Budget Director has offered to negotiate specific requests as problems arise.

LFC Involvement

At this point, LFD staff will continue to work with the Budget Director and DPHHS in an attempt to get data necessary to fully understand Medicaid expenditures and cost drivers. If LFD staff is unable to determine or obtain information with sufficient discrete data for all Medicaid

¹ DD services are estimated to be \$103.2 million of the total \$986.1 million projected for FY 2012 in the most recent DPHHS budget status report or 10% of the total.

services or if other significant issues arise, staff will seek direction on next steps from the LFC management workgroup and LFC contact members for subjects related to DPHHS

MEASURES FOR DETERMINING EFFECTIVENESS AND CURRENT STATUS

The measures for determining outcomes and effectiveness and the current status of each are listed in the following table.

Measure or Step in the Process	Completed, Date of Completion, Ongoing
Select LFD staff team that will develop Medicaid model	Complete
Develop “map” that ties Medicaid service cost reports to the budget request and monthly budget status report	Initial draft developed with refinements as necessary
Develop historic claims data to use in cost projection	Initiated, refinements completed as needed, and will be updated monthly
Meet with DPHHS staff as needed to resolve factual questions about paid claims data and “mapping” service forecasts to the correct reporting level in the state budgeting system and to share information on the LFD process as necessary	<i>Milestone has not been (and may not be) completed - December 2011 request to meet with DPHHS staff to clarify several factual data questions was denied</i>
Evaluate the cost data to identify best projection methodology	Initiated and ongoing
Develop documentation to support Medicaid cost projection methodology selected	Complete no later than September 1, 2012 with ongoing edits as necessary
Prepare initial Medicaid cost estimates that will be included in March “Big Picture” report; “Big Picture” report moved to June 2012 LFC meeting	Complete by February 1, 2012; <i>revised to April 10, 2012 in part due to moving “Big Picture” report to June LFC meeting and due to delays in receiving some data and answers to requests for information</i>
Refine Medicaid cost estimates – 2015 biennium budget cycle	Complete in September 2012, November 2012, and January 2013
Track actual expenditures compared to LFD estimate of costs and refine LFC Medicaid cost model as necessary	Complete at various intervals throughout the 2015 biennium