

## Performance Evaluation Fact Sheet

# LEGISLATIVE MEDICAID COST PROJECTION MODEL

### ISSUE STATEMENT

Medicaid services costs are a significant component of HB 2 appropriations, comprising about 20% of the 2013 biennium total general fund. The Legislative Fiscal Division (LFD) is refining current projection methodologies for some Medicaid services and developing a model for other services to provide additional information to support legislative appropriation decisions.

### HISTORY AND PURPOSE OF PROGRAM OR ITEM

The Department of Public Health and Human Services (DPHHS) develops Medicaid cost estimates that are:

- 1) Published monthly in the budget status report for the current biennium, and
- 2) Used to support the executive budget request for the upcoming biennium.

The Medicaid estimates prepared as part of the budget development cycle for an upcoming legislative session typically have been available at the following points in the year prior to a session:

- o May as part of the Executive Planning Process (EPP)
- o September in the budget request that DPHHS submits to the Office of Budget and Program Planning (OBPP)
- o November to support the final executive budget request

In budget cycles previous to the 2013 biennium budget, LFD staff has been able to closely evaluate the Medicaid cost estimates prepared by DPHHS staff in support of the executive budget request. LFD staff reviewed underlying documentation and obtained the assumptions used to projected costs, including consulting with DPHHS staff who developed the estimates.

During the 2013 biennial budget cycle, information was available for the May and September Medicaid cost estimates used to support the initial DPHHS budget request. However, LFD staff was unable to obtain assumptions for some of the Medicaid cost items that supported the November 15, 2010 executive budget request. This situation left the legislature in a position of not knowing the assumptions used to produce the estimates.

Medicaid cost estimates are updated for legislative consideration in February during the final week of appropriation subcommittee action. Like general fund revenue estimates, Medicaid cost estimates are subject to change as new data becomes available. During the 2011 session, DPHHS Medicaid cost estimates provided in February and the legislature appropriated an additional \$54.6 million total funds over the biennium in response to the updated forecast.

## 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	Initiated and ongoing
Evaluate the cost data to identify best projection methodology	Begin late December 2011
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	Complete by February 1, 2012
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

## POTENTIAL OPTIONS OR DECISION POINTS

The LFC adopted this work item at its October 2011 meeting. Remaining action by the LFC will be to receive updates about the status of the project. At this time, there are no other decision points or options for LFC consideration. LFD staff will identify options/decision points for LFC consideration if any others arise.