

# MEDICAID MONITORING REPORT

A Report Prepared for the  
Legislative Finance Committee

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## **INTRODUCTION**

As part of its interim work plan, the Legislative Finance Committee (LFC) chose to monitor the Medicaid program administered by the Department of Public Health and Human Services via a report at each committee meeting. This report covers Medicaid benefits only, which is a subset of total Department of Health and Human Services (DPHHS) expenditures.

## **FY 2016 MEDICAID FUNDING AND ESTIMATED EXPENDITURES**

The table on the following page shows initial DPHHS Medicaid spending estimates compared to appropriations approved by the 2015 Legislature. The appropriations for FY 2016 include those approved in HB 2 and HB 4. Appropriations made in HB 4 would normally show up as budget changes, but because they were anticipated during session, the legislature was able to directly approve those items.

The FY 2016 final estimated expenditures are taken from the department's budget status report (BSR) submitted November 16, 2015. These estimates are based on actual expenditures through September 30, 2015, and projected by the department using their Medicaid projection model, which will be explained in a separate presentation.

In FY 2015, Health Resources Division (HRD) exceeded its initial legislative appropriation by \$25.3 million, necessitating transfers from other divisions to provide the needed authority. DPHHS is projecting an additional authority shortage within HRD for FY 2016, but projects having sufficient authority in Senior and Long Term Care (SLTC) or the Developmental Services Division (DSD) to cover any shortfalls. The department has the authority to make program transfers throughout the interim, and have historically managed the overall budget in this manner. The 2015 Legislative Session also provided additional authority in HB 2 in the form of language acting as a "trigger" in case expenditures exceeded appropriation authority. In light of the department projections at this time, it does not appear this additional "trigger" authority will be needed, but this report will continue to monitor expenses and projections throughout the interim.

## **BUDGET CHANGES**

For this reporting period there is one Medicaid budget change. An intergovernmental transfer of \$0.5 million from the university system to HRD was completed to partially fund a primary care residency program known as the Graduate Medical Education program.

**Monitoring Medicaid Services**  
**FY 2016 Appropriations Compared to DPHHS Projected Expenditures**

Division / Fund	FY 2016 Legislative Appropriation	Estimated FY 2016 Expenditures <sup>1</sup>	Estimated Expenditures (Over) Under Appropriation	Balance as a Percent of Legis. Approp.	Changes in Appropriation Authority <sup>2</sup>	Remaining Appropriation (Over) Under Exec. Budget	Balance as a Percent of Exec. Budget
<b>Health Resources</b>							
General Fund	\$141,742,250	\$149,090,655	(\$7,348,405)	-5.2%	\$0	(\$7,348,405)	-5.2%
State Special	63,862,143	61,950,007	1,912,136	3.0%	519,366	2,431,502	3.8%
Federal	<u>421,914,697</u>	<u>426,251,833</u>	<u>(4,337,136)</u>	<u>-1.0%</u>	<u>0</u>	<u>(4,337,136)</u>	<u>-1.0%</u>
Subtotal	627,519,090	637,292,495	(9,773,405)	-1.6%	0	(9,254,039)	-1.5%
<b>Senior and Long Term Care</b>							
General Fund	64,593,437	59,465,665	5,127,772	7.9%	0	5,127,772	7.9%
State Special	28,628,025	28,626,855	1,170	0.0%	0	1,170	0.0%
Federal	<u>185,835,522</u>	<u>175,974,432</u>	<u>9,861,090</u>	<u>5.3%</u>	<u>0</u>	<u>9,861,090</u>	<u>5.3%</u>
Subtotal	279,056,984	264,066,952	14,990,032	5.4%	0	14,990,032	5.4%
<b>Developmental Services Division</b>							
General Fund	68,098,067	64,034,444	4,063,623	6.0%	0	4,063,623	6.0%
State Special	6,032,539	6,032,539	0	0.0%	0	0	0.0%
Federal	<u>182,983,022</u>	<u>170,658,470</u>	<u>12,324,552</u>	<u>6.7%</u>	<u>0</u>	<u>12,324,552</u>	<u>6.7%</u>
Subtotal	257,113,628	240,725,453	16,388,175	6.4%	0	16,388,175	6.4%
<b>Addictive and Mental Disorders</b>							
General Fund	18,589,789	18,375,457	214,332	1.2%	0	214,332	1.2%
State Special	7,964,587	8,063,886	(99,299)	-1.2%	0	(99,299)	-1.2%
Federal	<u>53,175,715</u>	<u>52,580,239</u>	<u>595,476</u>	<u>1.1%</u>	<u>0</u>	<u>595,476</u>	<u>1.1%</u>
Subtotal	79,730,091	79,019,582	710,509	0.9%	0	710,509	0.9%
<b>Grand Total All Medicaid Services</b>							
General Fund	293,023,543	290,966,221	2,057,322	0.7%	0	2,057,322	0.7%
State Special	106,487,294	104,673,287	1,814,007	1.7%	519,366	2,333,373	2.2%
Federal	<u>843,908,956</u>	<u>825,464,974</u>	<u>18,443,982</u>	<u>2.2%</u>	<u>0</u>	<u>18,443,982</u>	<u>2.2%</u>
<b>Grand Total All Funds</b>	<b>\$1,243,419,793</b>	<b>\$1,221,104,482</b>	<b>\$22,315,311</b>	<b>1.8%</b>	<b>\$519,366</b>	<b>\$22,834,677</b>	<b>1.8%</b>

1 Estimated expenditures are based on the DPHHS November 15, 2014 budget status report (BSR). Medicaid projection data is based on claims paid as of September 30.

2 Changes in appropriation authority can include: reorganizations, transfers of authority among Medicaid programs, transfers of authority to other DPHHS programs, reallocations of authority between program functions within a division and additions due to budget amendments.

## MAJOR SERVICE CATEGORIES

By examining expenses by major budget categories, the growth/decline in service costs can be monitored. For example, in the past, hospital services have been a significant contributor to the budgetary pressures in HRD. Currently however, a review of the four hospital services categories below shows that while there is variation across categories, the combined projection results in excess hospital authority of \$0.8 million.

Pharmaceutical costs continue to increase. "Drugs & Part-D Clawback" are currently projected to exceed appropriated authority by \$5.2 million. An update on the clawback provision is provided later in this report.

Medicaid Summary by Major Service Category						
Service Category	FY 2015 Ending Expenses*	FY 2016 Initial Budget*	FY 2016 Budget Growth Over FY 2015	FY 2016 Expenditure Estimates*	FY2016 Estimate as a % of FY 2016 Budget	FY 2016 Projected Balance
Inpatient Hospital	\$92,931,787	\$101,865,428	9.6%	\$96,070,961	94.3%	\$5,794,467
Outpatient Hospital	54,151,695	56,749,899	4.8%	58,299,634	102.7%	(1,549,735)
Critical Access Hospital	52,406,504	52,070,643	-0.6%	56,636,999	108.8%	(4,566,356)
Hospital Utilization Fees / DSH	66,179,993	67,304,818	1.7%	66,179,993	98.3%	1,124,825
Other Hospital and Clinical Services	27,380,687	29,237,274	6.8%	30,311,356	103.7%	(1,074,082)
Physician and Psychiatrists	61,004,574	64,389,353	5.5%	65,677,035	102.0%	(1,287,682)
Other Practitioners	21,473,706	24,832,824	15.6%	23,500,993	94.6%	1,331,831
Other Managed Care Services	11,482,690	16,107,625	40.3%	12,307,123	76.4%	3,800,502
Drugs & Part-D Clawback	118,670,854	123,064,201	3.7%	128,309,665	104.3%	(5,245,464)
Drug Rebates	(59,638,452)	(61,898,789)	3.8%	(58,565,938)	94.6%	(3,332,851)
Dental & Denturists	33,547,199	39,408,901	17.5%	40,201,694	102.0%	(792,793)
Durable Medical Equipment	14,620,635	16,258,364	11.2%	15,389,636	94.7%	868,728
Other Acute Services	3,471,857	4,242,092	22.2%	3,879,216	91.4%	362,876
Nursing Home & Swing Beds	144,469,669	148,793,193	3.0%	146,741,207	98.6%	2,051,986
Nursing Home IGT	15,547,238	19,006,657	22.3%	19,003,357	100.0%	3,300
Personal Care	40,418,637	41,016,979	1.5%	41,016,979	100.0%	0
Other SLTC Home Based Services	9,422,579	23,318,276	147.5%	10,896,327	46.7%	12,421,949
SLTC HCBS Waiver	39,788,352	45,627,575	14.7%	45,114,778	98.9%	512,797
Medicare Buy-In	30,444,789	34,115,536	12.1%	38,597,244	113.1%	(4,481,708)
Children's Mental Health	86,780,548	96,191,206	10.8%	94,576,958	98.3%	1,614,248
Adult Mental Health and Chem Dep	47,162,714	52,991,473	12.4%	50,518,973	95.3%	2,472,500
HIFA Waiver	17,598,245	24,756,751	40.7%	25,718,742	103.9%	(961,991)
Disability Services Waiver	106,773,374	118,087,817	10.6%	107,554,673	91.1%	10,533,144
Indian Health Services - 100% Fed funds	48,927,023	55,683,780	13.8%	55,565,582	99.8%	118,198
School Based Services - 100% Fed funds	35,174,020	40,247,806	14.4%	36,331,816	90.3%	3,915,990
MDC & ICF Facilities - 100% Fed funds	11,746,182	10,469,477	-10.9%	11,269,476	107.6%	(799,999)
<b>Total</b>	<b>\$1,131,937,099</b>	<b>\$1,243,939,159</b>	<b>9.9%</b>	<b>\$1,221,104,479</b>	<b>98.2%</b>	<b>\$22,834,680</b>

\*Base data in this chart are copied directly from the November, 2015 Budget Status Report provided by DPHHS. As a result, due to rounding errors, the Projected Balance does not exactly match the other chart provided.

The two largest areas in which excess authority is projected are in SLTC Home Based Services and in the Disability Services Waiver. The combined excess authority in these two categories is \$23.0 million, slightly more than the projected overall budget excess authority of \$22.8 million.

# **UPCOMING ISSUES RELATED TO MEDICAID**

## **FMAP (FEDERAL MEDICAL ASSISTANCE PERCENTAGE)**

The current federal matching rate for most of Montana's qualifying traditional Medicaid expenses is 65.24%, as published in the Federal Register December 2, 2014, and valid through federal fiscal year 2016, ending September 30, 2016. This rate was known during the 2015 legislative session, but assumptions were made regarding future FMAP rates.

The assumed FMAP for federal fiscal year 2017 was 64.94%, which would have resulted in a higher general fund obligation. However, while the new rate has not yet been officially publicized as of this writing, the rate is expected to be 65.56%, having a net positive effect on the general fund in state FY 2017.

The FMAP is determined such that those states with lower per capita incomes relative to the national average receive a higher federal matching rate, and vice versa for those with higher per capita incomes.

## **DUAL ELIGIBLES**

Medicare Part B has an interaction with Medicaid for the percentage of the population that is eligible for both Medicare and Medicaid. Generally, members pay the full costs of the Medicare premium, and the funding is provided by either the member or through Medicaid. However, there is a "hold harmless" clause shielding Social Security recipient members using Part B from a premium increase, in the event there is no cost of living adjustment.

On November 10, the Center for Medicare and Medicaid Services (CMS) announced there will be no Social Security cost of living adjustment, and as a result, most Medicare participants will continue to pay the same \$104.90 premium they previously paid. State Medicaid programs will pay higher Part B premiums, although at a lower rate than projected in October of 2015. The new rate for Part B Medicaid participants now appears to be \$121.80 per month.

## **MEDICARE PART D CLAWBACK**

"Clawback" is the common name for the cost-sharing program under which states make payments to the federal government to offset some of the savings achieved by making the Medicare Part D prescription drug program available to Medicaid participants. While the average increase across all 50 states will be 11.61%, Montana's increase will be 10.6%. (The rate adjustment is similar to that of the FMAP, providing relief to those states with relatively weaker economies.)

This will not impact the FY 2016 Medicaid budget, but is expected to increase FY 2017 Medicaid expenses for Montana by approximately \$2.0 million.

## **SB 405: HELP ACT MEDICAID EXPANSION**

The department has started open enrollment for the Medicaid expansion as authorized by SB 405, the Montana HELP Act. A separate report Provides an update on the HELP Act.