Redesigning
THE MEDICAID PROGRAM

Medicaid Global Spending Cap

April 2012 Report

NEW YORK
state department of
HEALTH

Overview

The 2012-13 Enacted Budget extended the Medicaid Global Spending Cap for two years through March 2014. Pursuant to legislation, the Medicaid Global Spending Cap will increase by four percent (ten year medical Consumer Price Index) from $15.3 billion to $15.9 billion in SFY 2012-13. The $600 million increase will cover all Department of Health Medicaid State share expenditure increases in the program. As discussed in more detail below, this growth will include price increases primarily for fee for service rate changes for hospitals and nursing homes for pre-pricing reform and rates where the State is still awaiting approval from Federal Centers for Medicare and Medicaid Services (CMS). In addition, there are increases to managed care premiums that are required to remain within actuarial soundness limits required under Federal Rules. Importantly, the projection model also provides for continued enrollment growth, but at a rate that is about three-quarters the growth experienced last year. The model assumes that with some improvement in the economy job prospects in the State will stabilize or improve slightly, therefore putting less pressure on the Medicaid program to provide insurance coverage. Nonetheless, managing the Medicaid program within the four percent cap increase promises to be a challenge for SFY 2012-13. The progress made last year by the Medicaid provider community to work closely together to improve care delivery and to find innovative approaches to better manage patient services will undoubtedly need to continue this year if the State is to replicate last year's success.

Similar to last year, the Department of Health and Division of Budget will continue to issue monthly reports on comparing actual State Medicaid spending to projected expenditures as well as enrollment and regional spending data. The DOH and DOB will be conducting a webinar in mid July to discuss the details of the Global Spending Cap projection model. Additional information on the webinar will be posted to the Department of Health's website at:
http://www.health.ny.gov/health_care/medicaid/regulations/global_cap/

Described below in this report is the following:

- Components of $600 million annual growth,
- Modifications to the Report associated with reporting the local share of Medicaid, and
- Results for April 2012.

Components of $600 Million Annual Growth

The annual growth in the Global Cap of $600 million over last year includes costs associated with both price and enrollment increases, offset by a net change in one time revenue and spending actions as well as the continuation of Medicaid Redesign Team (MRT) initiatives. Components of the annual growth are as follows:

Price (+$363 million)	Price includes an increase in managed care premiums and fee-for-service pharmacy costs, as well as various inpatient and outpatient rate changes.
Utilization (+$433 million)	Utilization reflects the annualization of 2011-12 net enrollment growth (154,000 recipients) as well as assumed new enrollment for 2012-13 (ranging from 90,000 to 120,000 recipients).
One-Timers (-$67 million)	One-Timers primarily include the loss of enhanced FMAP which expired in June 2011 (+$703 million), offset by 53rd Medicaid cycle in 2011-12 (-$325 million) and accounts receivable recoupments in 2012-13 (-$259 million).
MRT/Other (-$129)	Other reflects the annualization of MRT Phase I savings ($156 million) offset by MRT Phase II initiatives ($27 million).

For the Medicaid program to successfully remain within the spending limits of the Global Cap the provider community will need to continue its efforts to eliminate program silos and find measures to achieve efficiencies and better coordinate care around the needs of patients. Moreover, the Department is in the process of identifying a series of measures that will generate savings beyond those included as part of MRT. Namely, the Department will work with providers and their associations to reduce the accounts receivable balance by more than half -- from nearly $575 million which was the opening balance as of April 1 to an estimated $316 million in March 2013. In achieving these savings the Department will continue its efforts to work with those particular providers experiencing cash flow difficulties. In addition, the Department is working to appropriately claim a higher share of Federal Medicaid reimbursement for certain services and administrative costs. Lastly, a series of eMedNY claims edits will be implemented aimed at eliminating payment for inappropriate claims or claims outside the timely billing limits. For many of these edits, CMS and the Federal Office of Inspector General have notified the State previously that claim edits of this nature need to be employed to be consistent with Federal rules and regulations.

Accounting for Local Share of Medicaid

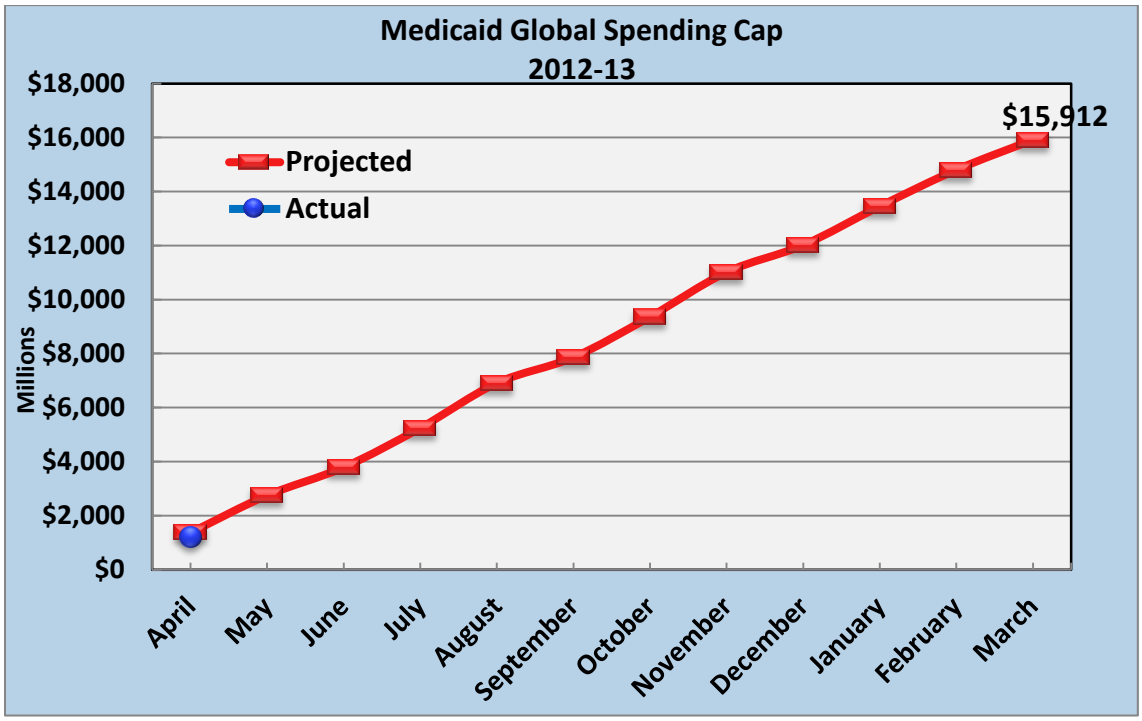
The Legislature endorsed Governor Cuomo's proposal to provide county governments with immediate fiscal and administrative relief through the Medicaid Takeover. This is a two-pronged initiative with the first involving a reduction to the cap on the growth of the local share of Medicaid costs. The second measure entails the multi-year State takeover from the counties of the responsibility for administering the Medicaid program including enrollment and application processing.

Again, while these two takeover efforts will have little or no direct impact on the Global Cap, the DOH and DOB have decided the Global Cap Reports should be modified in order to more accurately reflect the relationship between State and local spending changes. In the 2012-13 report the entire non-Federal share of Medicaid costs (State and local) are now reported in the appropriate service categories with the corresponding county funding of $7.3 billion offsetting these program costs. Accordingly, the reader will notice a sizable increase in the program categories. Specifically, for Acute Care services (hospitals, clinics), where the Local share has customarily been 25 percent, costs in these categories have doubled, whereas for Long Term Care services where local share was 9.4 percent the increase is less.

Results through April 2012 - Summary

Total State Medicaid expenditures under the Medicaid Global Spending Cap for SFY 2012-13 through April are $30 million or 2.5% **under** projections. Spending for the month of April resulted in total expenditures of $1.20 billion compared to the projection of $1.23 billion. It should be noted that Medicaid spending on a month-to-month basis is subject to significant variation due to enrollment swings, provider billing patterns, rate adjustments, and the number of billing cycles within a month. The Department of Health does not expect Medicaid program volatility to decline in the near term due to factors such as, the enrollment trend, as well as the implementation of new Medicaid Redesign Team measures. The State will continue to monitor spending and enrollment trends very closely each month.

At the Global Spending Cap webinar, the Department will provide a detailed analysis and profile of the new individuals that enrolled in the Medicaid program in 2011-12. In addition, DOH and DOB are collaborating on making refinements to the enrollment projection model to better gauge the accuracy of the enrollment forecasts, currently estimated at an additional 90,000 to 120,000 recipients.



Medicaid Spending April 2012 (dollars in millions)			
Category of Service	**Estimated**	**Actual**	**Variance**
Total Fee For Service	**$889**	**$867**	**($22)**
Inpatient	$251	$249	($2)
Outpatient/Emergency Room	$45	$39	($6)
Clinic	$42	$45	$3
Nursing Homes	$268	$270	$2
Other Long Term Care	$145	$146	$1
Non-Institutional	$138	$118	($20)
Medicaid Managed Care	**$624**	**$630**	**$6**
Family Health Plus	**$68**	**$72**	**$4**
All Other	**$209**	**$191**	**($18)**
Local Funding Offset	**($560)**	**($560)**	**$0**
TOTAL	**$1,230**	**$1,200**	**($30)**

Results through April - Variance Highlights

- **Lower Fee-for-Service Spending:** Through April, Medicaid spending in major fee-for-service categories is $22 million below projections as follows:
  - *Inpatient* hospital spending is $2 million below the estimate.
  - *Outpatient/Emergency Room* spending is $6 million lower than projections primarily due to lower than expected utilization trends.
  - *Clinic* spending is $3 million higher than target projections.
  - *Nursing Home* spending is $2 million above the Global Cap estimate.
  - *Other Long Term Care* services spending, which includes personal care, home health, home nursing, and the assisted living programs, is $1 million above projections. The variance is primarily attributable to higher spending in personal care ($4 million) offset by lower than projected spending in home health ($2 million)
  - *Non-Institutional* fee-for-service spending (includes pharmacy, transportation, supplemental medical insurance, etc.) is $20 million below estimates. This variance is primarily due to lower pharmacy spending ($9 million) as a result of lower than forecasted claims spending.
- **Higher Medicaid Managed Care Spending:** Total spending through April is $6 million above projections due to higher than anticipated claim volume as a result of health plan payments anticipated in later months that occurred in April.
- **Higher Family Health Plus Spending:** Through April, Family Health Plus spending is $4 million above estimates.
- **Lower Other State Agency (OSA) Spending**: Pursuant to the local district cap on Medicaid funding, the Department of Health pays for the Local share of Medicaid services for Other State Agencies (OSA) to the extent costs exceed the local contribution. These services include programs administered through the Office for People with Developmental Disabilities, the Office of Mental Health, the Office of Children and Family Services and the Office of Alcoholism and Substance Abuse Services. The Department of Health's Medicaid spending on these services is $15 million below projected levels in April.

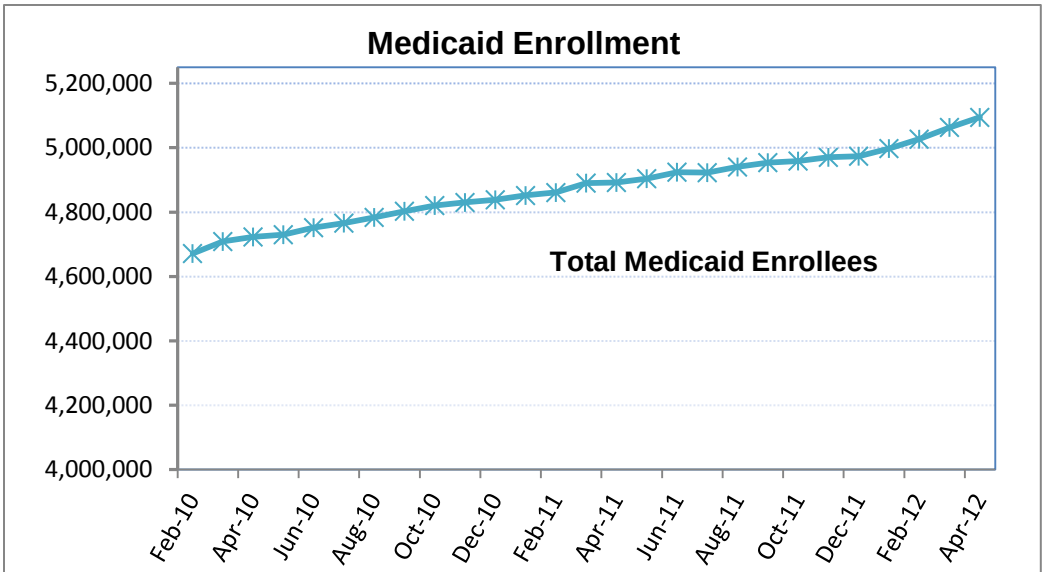
Accounts Receivable

The Department of Health has processed approximately 80 different rate adjustment packages in SFY 2011-12. Many of these rate packages have retroactive impacts (meaning they adjust rates for prior periods). With a few exceptions (those pertaining to mental hygiene programs not subject to the Medicaid Global Spending Cap), these rates are all included in the Medicaid Global Spending Cap calculation and the impacts they will have on the State's Financial Plan are important to note. When the State makes payment on these rate packages, all adjustments with a positive impact get paid to providers on the date of the transaction. For those providers with a rate decrease, the State's policy has been to collect these funds back by intercepting a portion of future payments over time. This avoids creating an undue hardship on the provider.

The accounts receivable for retroactive rates owed to the State as of March 2012 totaled $575 million. This balance is expected to decline by $259 million during SFY 2012-13 leaving a balance of $316 million as of March 31, 2013. It should be noted that to the extent recoveries are not made, there will be a direct impact on the Medicaid Global Spending Cap. The Department of Health plans to continue to work collectively with the hospitals, nursing homes, and home care providers asking for voluntary payment of outstanding liabilities as a means to avoid interest costs and help mitigate the adverse impact of outstanding receivable balances on the Medicaid Global Spending Cap. The Department will closely monitor the accounts receivable balances each month.

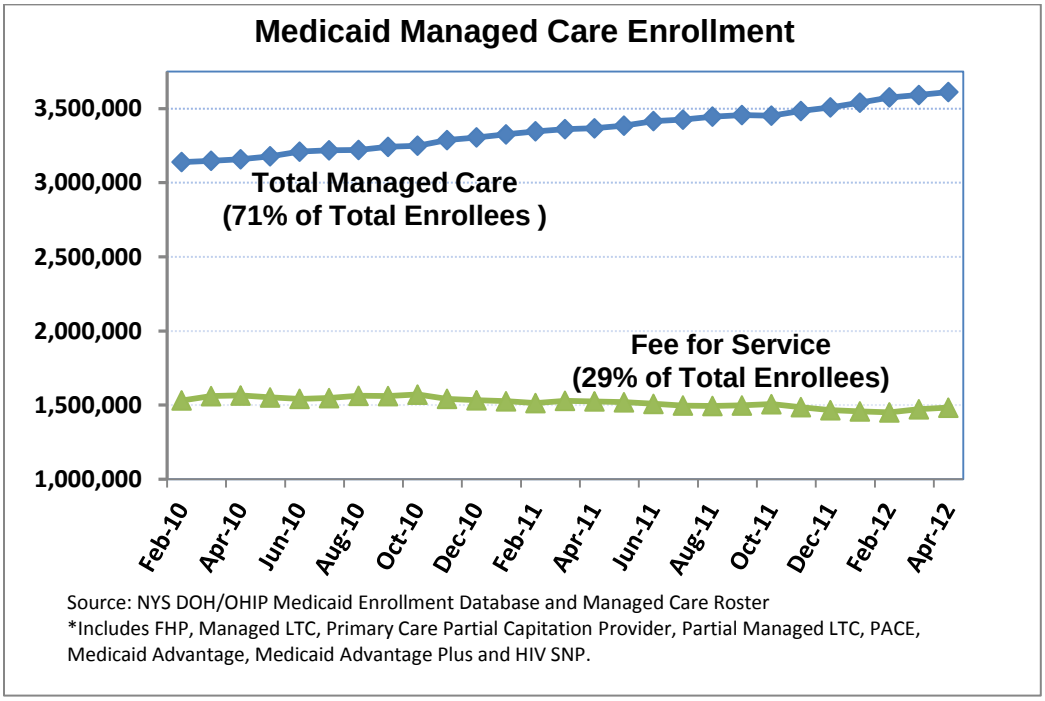
Enrollment

Medicaid enrollment reached 5,094,363 enrollees at the end of April 2012. This reflects an increase of more than 31,000 enrollees, or 0.6%, since March 2012.



Source: NYS DOH/OHIP Medicaid Enrollment Database
*Most current four months counts are adjusted by lag factors (3.62%, 1.38%, 0.57% and 0.21%, respectively)

Medicaid Managed Care enrollment in April 2012 (includes FHP and Managed LTC and excludes CHP) reached 3,611,698 enrollees, an increase of almost 20,400 enrollees, or 0.6%, since March 2012.



Source: NYS DOH/OHIP Medicaid Enrollment Database and Managed Care Roster
*Includes FHP, Managed LTC, Primary Care Partial Capitation Provider, Partial Managed LTC, PACE, Medicaid Advantage, Medicaid Advantage Plus and HIV SNP.

Regional Spending Data

The Global Cap legislation requires the Department to publish actual state Medicaid spending by region. The regions selected are based on the Governor's eleven economic development areas. The following link shows actual spending for April 2012 for each region.

Detailed regional information can be found on the Department of Health's website at:
http://www.health.ny.gov/health_care/medicaid/regulations/global_cap/regional/index.htm

Monthly Spending Projections

The monthly spending forecast was developed to reflect:

- Actual spending patterns for State Fiscal Year 2011-12 adjusted for one-time spending that is not expected to recur in SFY 2012-13;
- Anticipated increases in health care prices and estimated changes in service utilization in SFY 2012-13; and
- The achievement of savings generated from the annualization of MRT Phase I actions as well as new Phase II actions over time.