Redesigning
THE MEDICAID PROGRAM

Medicaid Global Spending Cap

December 2012 Report

NEW YORK
state department of
HEALTH

Total State Medicaid expenditures under the Medicaid Global Spending Cap for SFY 2012-13 through December are $58 million or 0.5% **below** projections. Spending through December resulted in total expenditures of $11.52 billion compared to the projection of $11.58 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.

As part of the 30-Day Amendments to the 2013-14 Executive Budget released on February 21st, the Governor included $200 million in under spending for this year's Global Cap as part of the partnership to solve the Federal Revenue problem. The under spending is based upon $58 million in lower spending through December as well as preliminary results for January and February. A more detailed explanation of the $200 million in under spending will be included in subsequent monthly Global Cap reports.

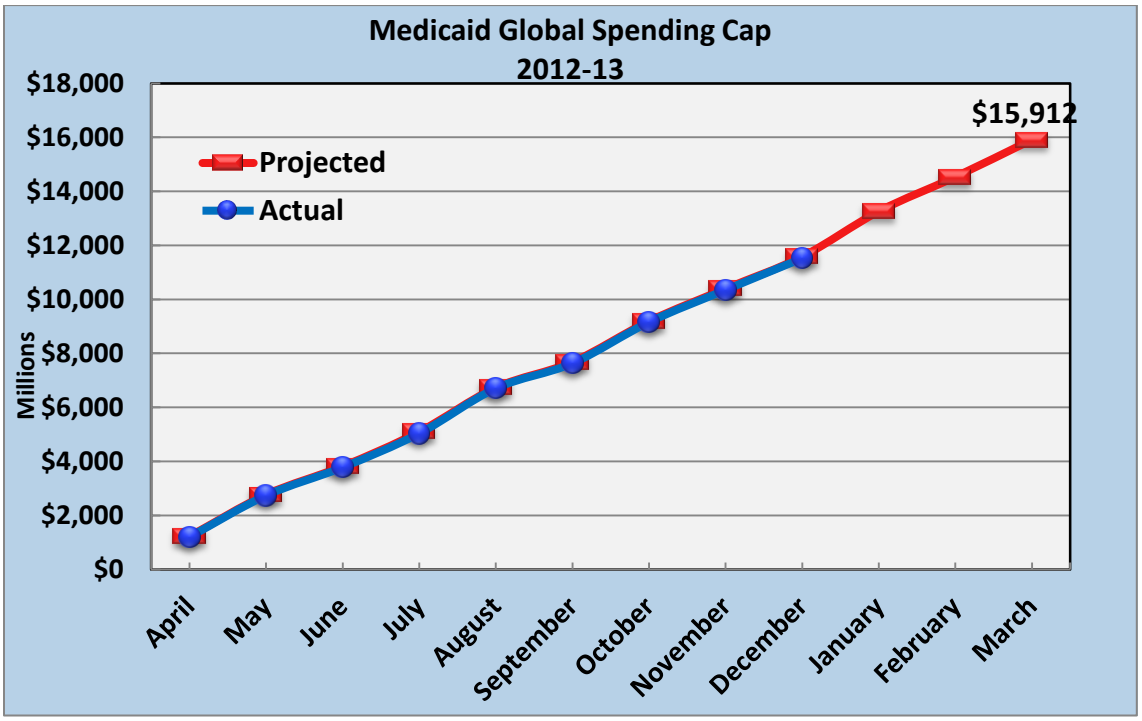
In the April Report, DOH and DOB provided an explanation of the $600 million forecasted growth in the program. The components of the growth are:

- Price increases primarily driven by fee-for-service rate increases (some still awaiting CMS approval) and Medicaid Managed Care/Family Health Plus premium increases which will be implemented throughout the year (+$363 million);
- Enrollment growth will increase between 90,000 to 120,000 recipients over last year (+$433 million);
- One-time actions from the prior fiscal year that impact year-to-year growth (i.e., loss of enhanced FMAP and 53rd Medicaid weekly cycle) (+$192 million); offset by,
- Accounts receivable balance (amount owed from providers for rate reductions implemented last year) will be reduced nearly in half (-$259 million); and lastly,
- MRT Phase I savings will annualize and new MRT Phase II initiatives will be implemented (-$129 million).

Hurricane Sandy Update

In late October, Hurricane Sandy battered New York City, Long Island, and other downstate counties. According to reports per NYS Office of Emergency Management and NYC Disaster Management staff, there were over 150 agencies and providers that were either closed or significantly impacted by the storm surge. The State had submitted a request to provide immediate cash relief, but that was not approved by CMS. On January 29, 2013, President Obama signed P.L.113-2 providing supplemental appropriations primarily for Hurricane Sandy disaster assistance. This bill includes approximately $50 billion in direct governmental spending, aid to individuals, and

grants to state and local governments and other entities. The State is working with all affected agencies to determine how these funds may be utilized to assist affected parties. The funds are divided into several components for different specific purposes. The Department in conjunction with OMH, OWPDD, and OASAS has forwarded data from the impact survey sent out in December to the Governor's Office to assist them in determining needs for the health care community related to Hurricane Sandy. In addition the Office of Health Insurance Programs is working with providers and their associations to reimburse costs incurred related to the treatment of Medicaid recipients as a result of this emergency following billing policies developed with this work group.



Medicaid Spending December 2012 (dollars in millions)			
Category of Service	**Estimated**	**Actual**	**Variance**
Total Fee For Service	**$8,521**	**$8,510**	**($12)**
Inpatient	$2,293	$2,281	($12)
Outpatient/Emergency Room	$398	$385	($13)
Clinic	$473	$483	$10
Nursing Homes	$2,536	$2,533	($3)
Other Long Term Care	$1,378	$1,390	$13
Non-Institutional	$1,443	$1,437	($7)
Medicaid Managed Care	**$6,961**	**$6,961**	**$0**
Family Health Plus	**$706**	**$699**	**($7)**
Medicaid Administration Costs	**$431**	**$368**	**($63)**
Medicaid Audits	**($251)**	**($201)**	**$50**
All Other	**$667**	**$639**	**($27)**
Local Funding Offset	**($5,456)**	**($5,456)**	**$0**
TOTAL	**$11,579**	**$11,520**	**($58)**

Results through December - Variance Highlights

- **Lower Fee-for-Service Spending:** Through December, Medicaid spending in major fee-for-service categories is $12 million below projections as follows:

  - *Inpatient* hospital spending is $12 million below projections, a result of several different payment factors. Although utilization is on target with projections, billing for Inpatient services that, in general, have higher payment rates are down, whereas Graduate Medical Education (GME) claims related to Medicaid Managed Care recipients are up. GME rates of payment tend to be lower than case payment rates. Also, an unexpected number of voided claims occurred during the month of November and December for the retroactive re-processing of psychiatric claims under the new reform methodology. As a result, many hospitals experienced significant reductions in their weekly payments. Once hospitals amend their voided claims, it is expected that the majority of those funds will be paid back to providers, thus reducing the spending variance. Lastly, there has been a delay in claims billings as a result of Hurricane Sandy which we expect will catch up as the affected facilities restore their services.

  - *Outpatient/Emergency Room* spending is $13 million below estimates which reflects a lower average payment per claim than anticipated. The largest payment per claim variances is on Ambulatory Surgery claims.

  - *Clinic* spending is $10 million above estimates. The overspending is associated with higher than expected claims billed. Utilization was expected to decline by 3 percent, but through December claims have increased by 5 percent.

  - *Nursing Home* spending is on target with projections.

  - *Other Long Term Care* services spending, which includes Personal Care, Home Health, Home Nursing, and the Assisted Living programs, is $13 million above projections. The variance is attributable to lower than projected spending in Home Health ($119 million), Home Nursing ($40 million) and Assisted Living ($2 million) offset by higher than projected spending in Personal Care ($174 million).

    New York City HRA has informed the Department that a new claims auditing procedure was instituted in 2011-12. This new procedure resulted in some claims being rolled from 2011-12 into the current year which is contributing to spending above target within the Personal Care category. The Department and HRA are working on completing a closeout audit of previous year rates dating back to 2008 (required under the reimbursement rules of this program) which is expected to generate audit recoveries that will offset a portion of the deficit.

For Home Health and Home Nursing, the cumulative spending below target is impacted by the initial delay in billing as a result of the implementation of the episodic payment system; with the difference in provider billing patterns that result from the episodic billing for a 60 day period versus the prior consistent weekly billing of hourly and per visit claims. The variance below projected in this category also reflects a movement of long term care patients to more appropriate long term care program placement.

- *Non-Institutional* fee-for-service spending (includes pharmacy, transportation, supplemental medical insurance, etc.) is $7 million below projections primarily a result of lower than projected spending in Case Management. The number of claims billed to date are roughly half of the estimates.

- **Medicaid Managed Care Spending:** Through December, Medicaid Managed Care spending is on target with projections.

- **Family Health Plus Spending:** Through December, Family Health Plus spending is on target with projections.

- **Medicaid Administration Costs:** Through December, local district Medicaid Administration spending is $63 million below projections. This surplus is consistent with efforts undertaken by the State to take over the Medicaid Administration program from localities. The 2012-13 Enacted Budget capped local administrative costs at the 2011-12 levels and initiated a State phased-in take-over of administrative functions, such as processing of Family Planning Benefit Program applications, transportation management, and other tasks that were previously executed by local districts and counties. The State recently expanded enrollment center renewal processing in seven additional counties in December.

- **Medicaid Audits:** The Global Cap target for Medicaid audits is expected to be achieved by the end of the State fiscal year. Through December, the spending offsets from Medicaid audit recoveries are $50 million below projected levels. This variance is timing related and not expected to impact year end results. It is important to note that in July, a national settlement was reached between 43 states (including New York), the District of Columbia and the Federal government regarding GlaxoSmithKline's engagement in various illegal schemes connected to the marketing and pricing of drugs it manufactures. As a result, New York will receive over $146 million in recoveries of which approximately one-half is owed to the Federal Government. The timing of the receipt of these funds is not yet finalized but will be reported on when the funds are realized.

- **Other State Agency (OSA) Spending**: Medicaid spending by Other State Agencies (OSA) is running $62 million below projections through December. The variance is primarily attributable to lower than projected spending in the Office for People with Developmental Disabilities which is associated with the processing of

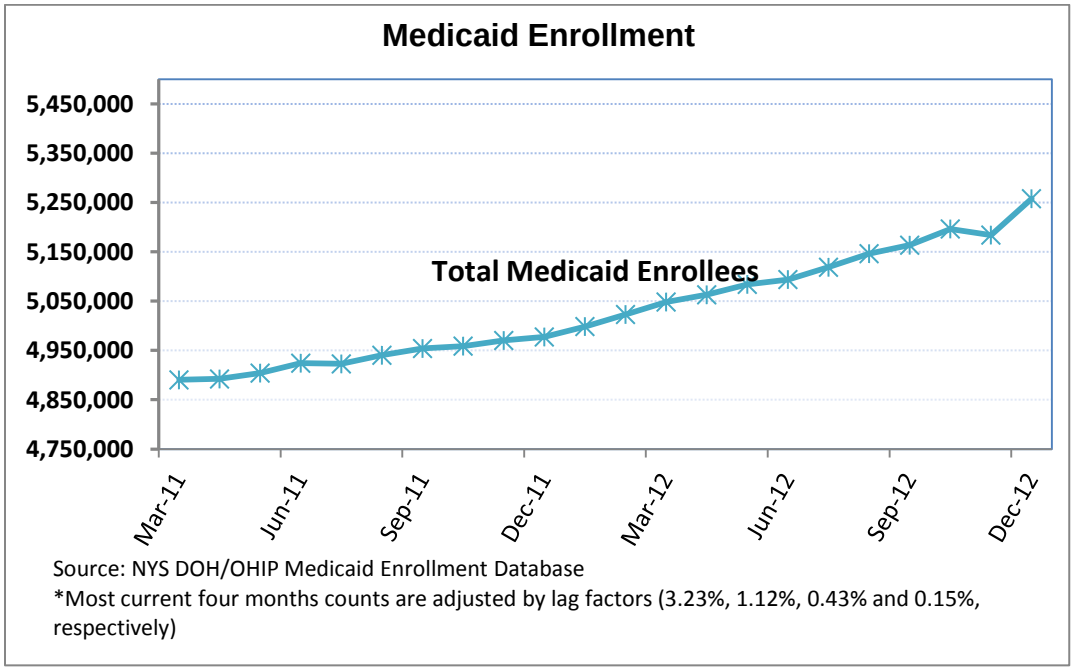
certain retroactive rate packages ($43 million). However, this under spending is offset by an increase in the account receivable balance which will be recouped over subsequent months ($19 million net under spending through December). State share spending is processed by the Department of Health and subsequently transferred from the other agency budgets. The local share of these services is funded principally by counties and NYC and to the extent costs exceed the capped local contribution, funding is through the Department of Health. 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.

Accounts Receivable

The accounts receivable balance for retroactive rates owed to the State through the end of December is $385 million. This reflects $192 million of recoupments through December. 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.

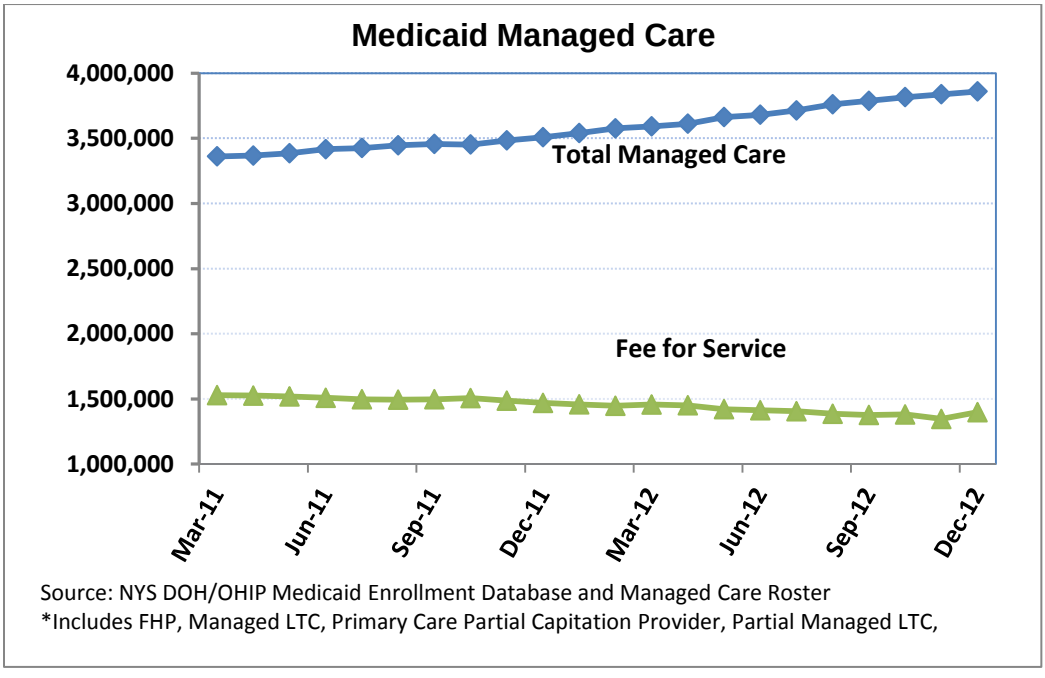
Enrollment

Medicaid total enrollment reached 5,257,783 enrollees at the end of December 2012. This reflects an increase of roughly 209,500 enrollees, or 4.1%, since March 2012.



Source: NYS DOH/OHIP Medicaid Enrollment Database
*Most current four months counts are adjusted by lag factors (3.23%, 1.12%, 0.43% and 0.15%, respectively)

Medicaid Managed Care enrollment in December 2012 (includes FHP and Managed LTC) reached 3,859,628 enrollees, an increase of around 268,300 enrollees, or 7.5%, 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,

Beginning in December 2011, Medicaid coverage expanded for children under the age of 19 whose family income did not exceed 133 percent of the Federal Poverty Level. This accounts for 78,400 of the new 209,500 Medicaid enrollees and 78,400 of the 268,300 new Medicaid Managed Care enrollees since March 2012. Importantly, the Federal government ensures that these children who were previously enrolled in the Child Health Plus (CHP) program will continue to be funded through CHP, and as such, will not incur additional costs under the Medicaid Global Spending Cap.

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 provider spending that occurs within the Medicaid claiming system (eMedNY) through December 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.