Redesigning
THE MEDICAID PROGRAM

# Medicaid Global Spending Cap

*February 2013 Report*

NEW YORK
state department of
HEALTH

Total State Medicaid expenditures under the Medicaid Global Spending Cap for SFY 2012-13 through February are $192 million or 1.3% **below** projections. Spending through February resulted in total expenditures of $14.47 billion compared to the projection of $14.67 billion. The State is anticipating ending this fiscal year with $200 million in savings to the Medicaid program. The savings is projected to occur as a result of lower than expected utilization/costs in various categories of service ($130 million), higher Local Administration savings ($40 million), and lower State Operations spending ($30 million).

### 30 Day Amendments: Federal Revenue Solution

The State needs to replace the existing, long-standing financing system for developmental disability services, which will reduce federal Medicaid revenue by $1.1 billion annually. As part of the 30 Day Amendments to the 2013-14 Executive Budget released on February 21st, the Governor included actions/requirements to solve the federal revenue reductions. A comprehensive solution is necessary to ensure vital services are provided even when this federal Medicaid funding is lost. This solution must be balanced, involve a partnership with the entire health care community, and rely on and build off the continuing success of the MRT. Below are the actions as presented in the Governor's 30-Day Amendments, necessary in solving the lost federal revenue:

**Required State Actions:**

- ✓ $200 million in projected 2012-13 under spending to advance 2013-14 expenses.
- ✓ Acceleration of MRT initiatives and other reforms/investment delays **($180M).**
- ✓ Office for people with Developmental Disabilities (OPWDD) provider rate reduction = 6% Across the Board **($120M).**

**Additional Federal Revenue/Investments/Savings:**

- ✓ Federal revenue from additional emergency Medicaid claiming and other possible efforts **($250M).**
- ✓ CMS waiver amendment to invest in comprehensive OPWDD reform in a manner modeled on MRT **($250M).**
- ✓ Additional savings produced by the Affordable Care Act (ACA) **($100M).**

Several investments to the Health Care Industry were also included in the 30-Day Amendments. The 2% Across-The-Board reduction implemented during the beginning of the MRT will be restored. Also, most of the Affordable Care Act (ACA) savings will be reinvested in health care. More detailed information regarding the Partnership Solution can be found on of Health's website at:
http://www.health.ny.gov/health_care/medicaid/redesign/

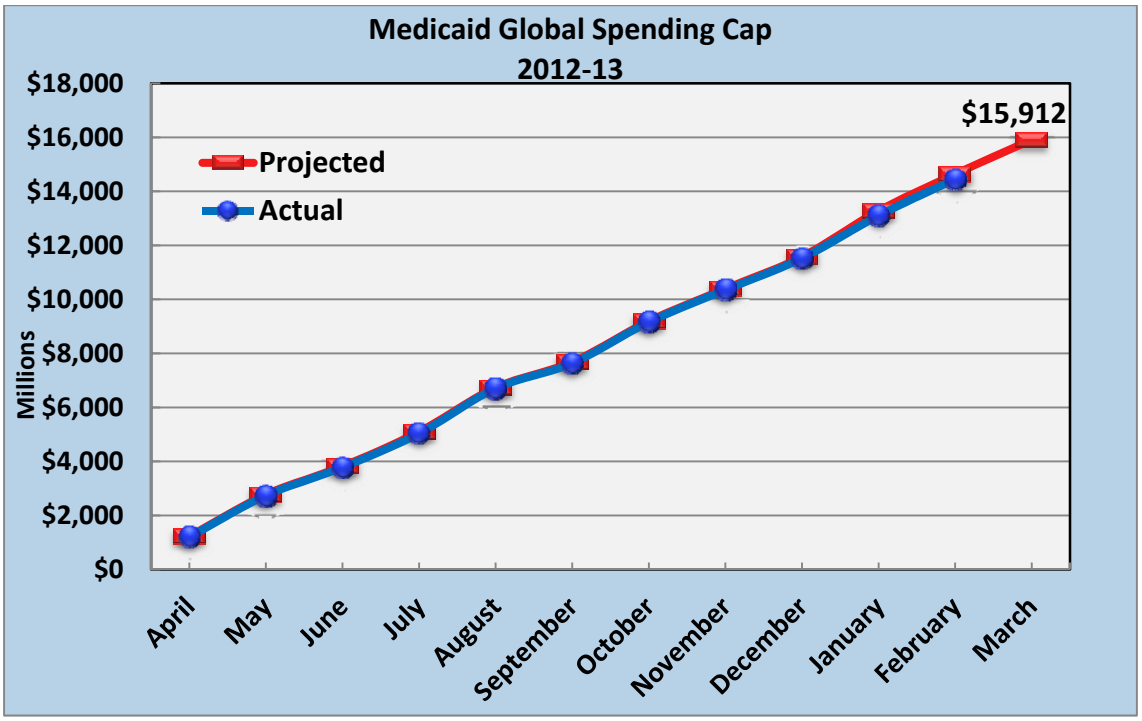
## 2012-13 Annual Growth

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<br>February 2013<br>(dollars in millions) | | | |
|---|---|---|---|
| **Category of Service** | **Estimated** | **Actual** | **Variance** |
| **Total Fee For Service** | **$10,477** | **$10,362** | **($114)** |
| Inpatient | $2,836 | $2,793 | ($43) |
| Outpatient/Emergency Room | $484 | $452 | ($32) |
| Clinic | $570 | $563 | ($8) |
| Nursing Homes | $3,156 | $3,142 | ($13) |
| Other Long Term Care | $1,660 | $1,669 | $9 |
| Non-Institutional | $1,771 | $1,743 | ($28) |
| **Medicaid Managed Care** | **$8,879** | **$8,887** | **$9** |
| **Family Health Plus** | **$885** | **$874** | **($11)** |
| **Medicaid Administration Costs** | **$490** | **$450** | **($40)** |
| **Medicaid Audits** | **($247)** | **($251)** | **($4)** |
| **All Other** | **$912** | **$881** | **($31)** |
| **Local Funding Offset** | **($6,729)** | **($6,729)** | **$0** |
| **TOTAL** | **$14,666** | **$14,474** | **($192)** |

## Results through February - Variance Highlights

- **Lower Fee-for-Service Spending:** Through February, Medicaid spending in major fee-for-service categories is $114 million below projections as follows:

  - *Inpatient* hospital spending is $43 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 have occurred since November due to the retroactive re-processing of psychiatric claims under the new reform methodology. As a result, many hospitals have experienced significant reductions in their weekly payments. As 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 is expected to catch up as the affected facilities restore their services.

  - *Outpatient/Emergency Room* spending is $32 million below estimates which reflects lower than expected claims billed and a lower average payment per claim than anticipated.

  - *Clinic* spending is $8 million below projections due to lower than expected claims billed.

  - *Nursing Home* spending is $13 million below projections, a result of slightly lower than projected utilization.

  - *Other Long Term Care* services spending, which includes Personal Care, Home Health, Home Nursing, and the Assisted Living programs, is $9 million above projections. The variance is attributable to lower than projected spending in Home Health ($157 million), Home Nursing ($51 million) and Assisted Living ($3 million) offset by higher than projected spending in Personal Care ($220 million).

    The variances for the subcategories within the Other Long Term Care services are attributable to the assumptions used for the movement of long term care recipients to a managed care setting. The Department's preliminary estimates assumed that the majority of long term care recipients and costs transitioning into the Managed Long Term Care program would come from the Personal Care sector. The latest findings have demonstrated the opposite; close to 90 percent of the long term care fee-for-service Medicaid costs that have transitioned into managed care were previously from Home Health and Home Nursing.

For Home Health and Home Nursing, the cumulative spending below target is also 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 managed long term care program placement.

- *Non-Institutional* fee-for-service spending (includes pharmacy, transportation, supplemental medical insurance, etc.) is $28 million below projections. The variance is primarily due to lower than projected spending in pharmacy, a result of lower than expected utilization caused by services shifting into Managed Care plans. Spending for Case Management services is also under projections. Total claims billed to date are approximately 25% below projected claims.

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

- **Family Health Plus Spending:** Through February, Family Health Plus spending is $11 million below projections. To date, enrollment for Family Health Plus is slightly lower than expected, 1.0%.

- **Medicaid Administration Costs:** Through February, local district Medicaid Administration spending is $40 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 State Disability Review Team Disability Reviews to one additional county, fully implemented the transportation management in New York City, and centralized resolution of reported deaths in selected counties in January. Preliminary results indicate that all county claims are anticipated to be paid for in the current Fiscal Year.

- **Medicaid Audits:** Through February, the spending offsets from Medicaid audit recoveries are on target with projections.

- **Other State Agency (OSA) Spending**: Medicaid spending by Other State Agencies (OSA) is running $75 million below projections through February. 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

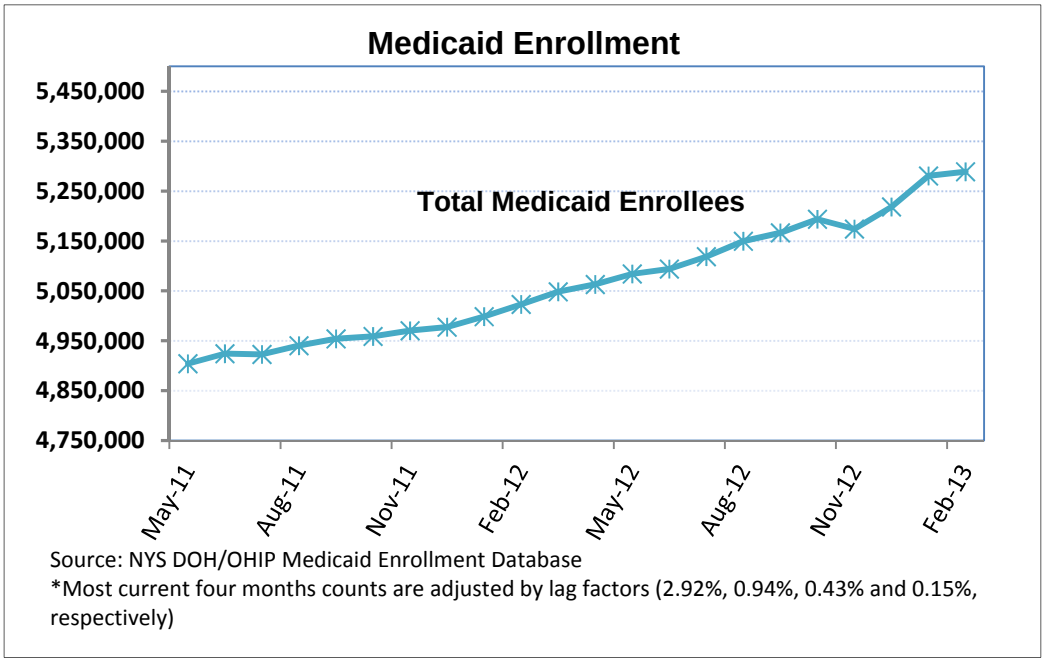
account receivable balance which will be recouped over subsequent months ($32 million net under spending through February). State share spending is processed by the Department of Health and subsequently transferred from the other agency budgets. The local share of these services is funded principally 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 February is $347 million. This reflects $230 million of recoupments through February. 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.

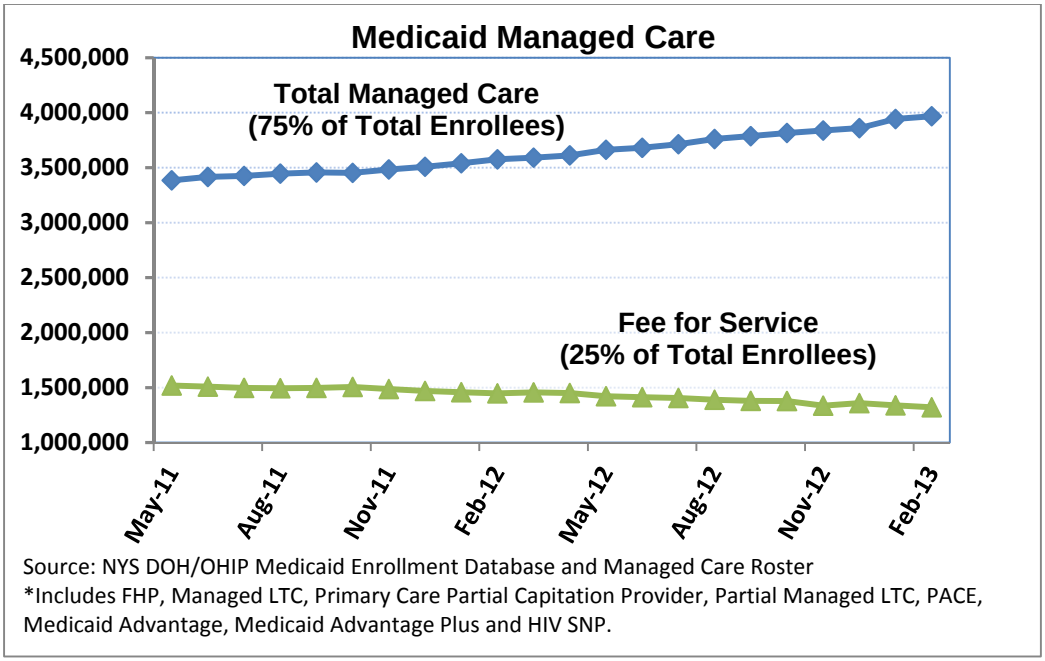
## Enrollment

Medicaid total enrollment reached 5,288,868 enrollees at the end of February 2013. This reflects an increase of roughly 240,600 enrollees, or 4.8%, since March 2012.




Source: NYS DOH/OHIP Medicaid Enrollment Database
*Most current four months counts are adjusted by lag factors (2.92%, 0.94%, 0.43% and 0.15%, respectively)

Medicaid Managed Care enrollment in February 2013 (includes FHP and Managed LTC) reached 3,968,152 enrollees, an increase of around 376,900 enrollees, or 10.5%, 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, PACE, Medicaid Advantage, Medicaid Advantage Plus and HIV SNP.

Beginning in November 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 84,800 of the new 240,600 Medicaid enrollees and 84,800 of the 376,900 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 February 2013 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.