# Medicaid Global Spending Cap Report

## *Redesigning the Medicaid Program*

**APRIL 2014**

NEW YORK
state department of
HEALTH

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## Overview

The FY 2015 Enacted Budget extended the Medicaid Global Spending Cap through March 2016. Pursuant to legislation, the Medicaid Global Spending Cap has increased from $16.4 billion in FY 2014 to $17.0 billion in FY 2015, roughly 3.3 percent. The CPI used on Medicaid services subject to the trend was 3.8 percent (ten year average of the Medical Care Consumer Price Index), however there were several adjustments made to the Global Cap target that were not subject to the trend, the most significant was the inclusion of OHIP State Operations cost. The annual growth in the Global Cap of $540 million over last year included 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 (+$1.1 billion)** | Price includes an increase in managed care premiums for cost trends and newly covered benefits, as well as fee-for-service rate adjustments. *See Appendix B for more detail.* |
| **Utilization (+$343 million)** | Utilization reflects the annualization of FY 2014 net enrollment growth (446,451 recipients) as well as assumed new enrollment for FY 2015, including the additional enrollment under the NY State of Health(NYSoH)/Healthcare Exchange. |
| **MRT/One-Timers/Other (-$863 million)** | MRT/Other primarily includes additional Federal Revenue as a result of the Affordable Care Act ($1.1 billion) and a decrease to the Mental Hygiene Stabilization Fund ($285 million) offset by Financial Plan Relief ($300 million) and the restoration of the 2% Across the Board payment reduction ($302 million). |

Additionally, as part of the legislation passed with the Enacted Budget, the following major initiatives were included in the Medicaid program:

- Continues *Care Management for All*, the transition of Medicaid enrollees to care management. There are several populations and benefits scheduled to transition into the Managed Care setting this fiscal year, which are described in further detail in the 'Beneficiary Transition Schedule to Managed Care' section.

- Dedicates $110 million to successfully transform the Behavioral Health System as the State transitions into Managed Care. The investments include funding for the following: transition Behavioral Health services for kids into Managed Care; integration of Behavioral Health and Physical Health; targeted Behavioral Health Inpatient rate increases; OASAS Residential Restructuring; Health Home Plus for Assisted Outpatient Treatment; and new 1915(i) like services.

- Implements the *Balance Incentive Program (BIP)*. BIP is a provision of the Affordable Care Act (ACA) which provides additional Federal funding towards implementing structural changes. These improvements are believed to be the best method for rebalancing the percentage of individuals in need of long term supports and services, in home and community based settings, as opposed to institutional settings.

- Establishes a Basic Health Plan (BHP) in FY 2016. The BHP is an option for states under the ACA which offers quality, low cost health insurance to New York State residents not eligible for Medicaid or Child Health Plus. It is funded by 95% of the value of the tax credits available to individuals who would have otherwise enrolled in the Marketplace.

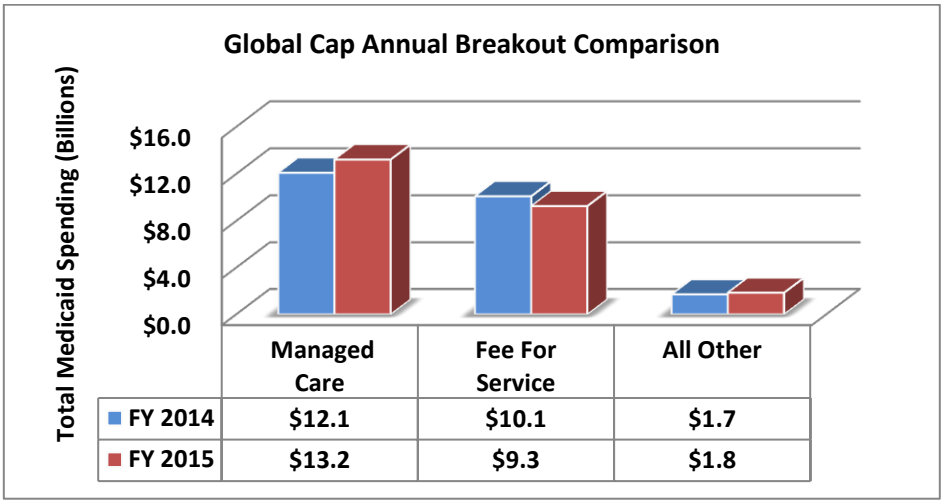
- Restores the two percent Across the Board (ATB) payment reduction. The State is in the process of obtaining Federal approval to eliminate the ATB reductions effective April 1, 2014.

For additional information on these initiatives please visit: http://www.health.ny.gov/health_care/medicaid/redesign/.

Through the first three years of the Global Spending Cap, the health care community has remained below the Global Cap while expanding health coverage to the State's neediest populations. Through the collaboration of the MRT and the health care network, major steps towards redesigning the State's Medicaid program and reducing its costs have been made. As a result of this success, the FY 2015 Budget established a Global Cap dividend payment which is designed to reward healthcare providers through a shared savings program if Medicaid spending continues to remain below the Global Cap.

## Components of the Medicaid Global Spending Cap

The Global Cap is comprised of spending for Managed Care plans (mainstream and long term), Family Health Plus payments, fee-for-service categories (hospitals, nursing homes, clinics, other long term care providers, and non-institutional related costs), and other areas of spending (i.e., Medicaid administration, OHIP budget, VAP payments, transfers from other State agencies, etc.). This spending is offset by local government funding as well as Medicaid audit recoveries and accounts receivable recoupments. See Appendix A for the annual budget by category of service.




| | Managed Care | Fee For Service | All Other |
|---|---|---|---|
| FY 2014 | $12.1 | $10.1 | $1.7 |
| FY 2015 | $13.2 | $9.3 | $1.8 |

*NOTE: The chart represents the actual non-federal share of Medicaid spending for FY 2014 and the projected share for FY 2015. The Local contributions are $7.4 billion in FY 2015, which is used to offset the amounts reflected above.*

## Results for April 2014 - Summary

Total State Medicaid expenditures under the Medicaid Global Spending Cap for FY 2015 through April are $7 million or 0.5 percent **under** projections. Spending for FY 2015 resulted in total expenditures of $1.38 billion compared to the projection of $1.39 billion.

| Medicaid Spending – FY 2015 (dollars in millions) | | | |
|---|---|---|---|
| **Category of Service** | **Estimated** | **Actual** | **Variance Over / (Under)** |
| **Medicaid Managed Care** | **$1,016** | **$999** | **($17)** |
| Mainstream Managed Care | $750 | $732 | ($18) |
| Long Term Managed Care | $266 | $267 | $1 |
| **Family Health Plus** | **$59** | **$62** | **$3** |
| **Total Fee For Service** | **$686** | **$677** | **($9)** |
| Inpatient | $278 | $276 | ($2) |
| Outpatient/Emergency Room | $36 | $43 | $7 |
| Clinic | $56 | $60 | $4 |
| Nursing Homes | $320 | $307 | ($13) |
| Other Long Term Care | $73 | $71 | ($2) |
| Non-Institutional | ($77) | ($80) | ($3) |
| **Medicaid Administration Costs** | **$38** | **$33** | **($5)** |
| **OHIP Budget / State Operations** | **$18** | **$7** | **($11)** |
| **Medicaid Audits** | **($35)** | **($32)** | **$3** |
| **All Other** | **$315** | **$344** | **$29** |
| **Local Funding Offset** | **($709)** | **($709)** | **$0** |
| **TOTAL** | **$1,388** | **$1,381** | **($7)** |

## Results through April - Variance Highlights

- **Medicaid Managed Care Spending:** Medicaid spending in major Managed Care categories was $17 million under projections, 1.7 percent.
  - Mainstream Managed Care was $18 million, 2.4 percent, below projections. The variance is primarily driven by lower than expected paid claims, 1 percent.

- **Fee-for-Service Spending:** Medicaid spending in major fee-for-service categories was $9 million under projections, 1.3 percent.
  - *Outpatient/Emergency Room* spending was 19 percent over estimates which is attributed to a higher than projected average price-per-claim and total paid claims, 16 percent and 4 percent respectively.
  - *Clinic* spending for April 2014 was 7 percent over projections. This is largely attributable to a higher than projected average price-per-claim, 7 percent. Price projections were based on average actual cost per service experience in July-December 2013, with volume projections being based on average per cycle

claims over FY 2014. DOH/DOB will continue to evaluate and monitor price and volume statistics for these services in order to determine if the phenomenon is anomalous or indicative of a continuing trend.

- *Nursing Homes* spending was $13 million, 4 percent, below estimates due to lower than anticipated service units.

- **Medicaid Administration Costs:** Local District Social Service Medicaid Administration costs were $5 million below projections through April, reflecting efficiencies achieved through the continued efforts of the State takeover of the administration of the Medicaid program from counties and New York City.

- **Medicaid Audits:** Through April, the spending offsets from Medicaid audit recoveries were below projected levels by $3 million. The majority of this spending variance is associated with the timing of deposits and, as such, this should not be considered a factor contributing to overspending the annual global cap amount.

- **All Other:** The All Other category (includes Accounts Receivable, Vital Access Provider payments, Supportive Housing, etc.) was $29 million above projections. The majority of this variance is driven by the increase to the Accounts Receivable balances, $31 million. See 'Accounts Receivable' section for further detail.

## Office of Health Insurance Programs (OHIP) State Operations Budget

The OHIP State Operations budget reflects the non-Federal share only and includes personal services costs (i.e., salaries of OHIP staff that work on the Medicaid budget) as well as non-personal services costs (i.e., contractual services). The budget is projected to total $230 million in FY 2015. The annual increase is primarily the result of continued efforts of the State takeover as well as funding certain NYSOH Exchange operations.

Contracts for the Enrollment Center, Medicaid Management Information Systems (MMIS), NYSOH Healthcare Exchange, transportation management, and various MRT initiatives comprise 65 percent ($124 million) of the total non-personal service budget. The chart below compares State Operations spending against the annual budget for FY 2015:

**OHIP Budget – FY 2015**
**(dollars in millions)**

| Service Costs | Annual Budget | Actual - YTD |
|---|---|---|
| **Personal Services** | **$42** | **$2** |
| **Non-Personal Services** | **$188** | **$5** |
| Medicaid Transportation Management | $33 | - |
| eMedNY (MMIS) | $29 | - |
| NYS Of Health Healthcare Exchange | $25 | - |
| Enrollment Broker | $20 | $1 |
| Early Innovator | $17 | - |
| All Others | $64 | $4 |
| **TOTAL** | **$230** | **$7** |

## Accounts Receivable

The Accounts Receivable (A/R) ending balance for FY 2014 was $230 million. The State is expected to recoup $107 million by the end of FY 2015, resulting in a projected A/R balance of $123 million by March 2015. Through the end of April, retroactive rates owed to the State were $261 million. This reflects an increase of $31 million for April 2014, and represents the net impact of recoupments from Medicaid providers offset by retroactive rate adjustments effectuated during this fiscal year. During April, a sizeable retroactive rate adjustment for Managed Care plans was processed resulting in an increase to the Accounts Receivable balances. The State expects to recover these liabilities over the next few months.

Currently, Medicaid checks issued to providers that are subject to negative retroactive rate adjustments are automatically reduced by a minimum of 15 percent until the liability has been recouped. Should the amount owed not be fully repaid before 10 weekly Medicaid cycles, simple interest at the rate of prime plus two percent (currently 5.25 percent) would be assessed on any unpaid balance and accumulate on a weekly basis. Collection of the interest assessed commences as soon as the principal amount owed has been fully repaid. With the migration to Managed Care, the State's ability to recover outstanding accounts receivable balances becomes more complicated as the State's Medicaid costs will be primarily premium based.

## Medicaid Enrollment

Medicaid total enrollment reached 5,715,558 enrollees at the end of April 2014. This reflects an increase of 38,416 enrollees, or 0.7 percent, since March 2014. Below is a detailed breakout by program and region:

**Medicaid Enrollment Summary FY 2015**

| | March 2014 | April 2014 | Increase / (Decrease) |
|---|---|---|---|
| **Managed Care** | **4,116,631** | **4,217,809** | **101,178** |
| New York City | 2,589,433 | 2,642,729 | 53,296 |
| Rest of State | 1,527,198 | 1,575,080 | 47,882 |
| **Fee-For-Service** | **1,560,511** | **1,497,749** | **(62,762)** |
| New York City | 779,954 | 744,656 | (35,298) |
| Rest of State | 780,557 | 753,093 | (27,464) |
| **TOTAL** | **5,677,142** | **5,715,558** | **38,416** |
| New York City | 3,369,387 | 3,387,385 | 17,998 |
| Rest of State | 2,307,755 | 2,328,173 | 20,418 |

*NOTE: Most current four months counts are adjusted by lag factors (2.33%, 1.08%, 0.43% and 0.15%, respectively to account for retroactive eligibility determinations)*

## Beneficiary Transition Schedule to Managed Care

*Care Management for All* was a key component of the MRT's recommendations intended to improve benefit coordination, quality of care, and patient outcomes over the full range of health care, including mental health, substance abuse, developmental disability, and physical health care services. It will also redirect almost all Medicaid spending in the State from fee-for-service to care management. The care management system currently in place includes comprehensive plans, HIV/AIDS special needs plans, partial capitation long term care plans, and Medicare/Medicaid supplemental plans. As *Care Management for All* progresses, additional plans tailored to meet the needs of the transitioning population will be added, including mental health and substance abuse special needs plans, and fully integrated plans for Medicare/Medicaid "dual eligibles". The charts below outline the list of recipients and benefits schedule to transition into the care management setting during FY 2015:

| Medicaid Fee for Service Transition to Managed Care (Populations) FY 2015 | | | | | |
|---|---|---|---|---|---|
| **Effective Date** | **Populations** | **From (COS)** | **To (COS)** | **# of Targeted Enrollees** | **FY 2015 Enrolled** |
| June 2014 | Community Based LTC – Rest of State | OLTC | MLTC | 16,503 | 5,515 |
| July 2014 | Nursing Home – Primary FIDA Region | NH | MMC / MLTC | 4,556 | |
| January 2015 | BHO/HARPS | OMH / Various | MMC | TBD | |

| Medicaid Fee for Service Transition to Managed Care (Service Benefits) FY 2015 | |
|---|---|
| **Effective Date** | **Service Benefits** |
| April 2014 | LT Chemical Abuse |
| July 2014 | Nursing Homes |
| January 2015 | Hemophilia Blood Factors<br>Risperdol, Invega, Zyprexa<br>Clotting |

# Appendix A
## *Medicaid Global Spending Cap Annual Budget (Online and Offline)*

The $17.0 billion Medicaid State Funds Spending Cap can be organized into two major components: (1) health care provider reimbursement and (2) other administrative, intergovernmental or revenue lines, also referred to as "offline" or occurring outside the MMIS billing system. Health care provider spending reflects the cost of care that is attributable to certain service sectors of the program (i.e., hospital, nursing home, managed care, etc.). These payments occur within the Medicaid claiming system (eMedNY). Projections for most service sectors begin with FY 2014 ending recipients and average rates per recipient. Adjustments to spending projections are then made for anticipated rate packages, transitions of populations/benefits to the Managed Care setting, and any non-recurring or one-time payments. Monitoring the movement of recipients between fee-for-service reimbursement and monthly Managed Care rates of payment is critical to evaluating various health service budgets.

The second component of spending, spending outside the eMedNY billing system, reflects spending on intergovernmental transfer payments, State and Local District Social Service administrative claims, etc., as well as receipts which offset the State's cost for Medicaid, i.e. drug manufacturer rebates and accounts receivable collections. The following table outlines the annual Medicaid projections by major health care sector for both provider claims and other payments/revenues.

**Medicaid Global Spending Cap Annual Budget – FY 2015**
**(dollars in millions)**

| Category of Service | Online | Offline | Total |
|---|---|---|---|
| **Medicaid Managed Care** | **$13,097** | **($157)** | **$12,940** |
| Mainstream Managed Care | $9,497 | ($157) | $9,340 |
| Long Term Managed Care | $3,600 | $0 | $3,600 |
| **Family Health Plus** | **$277** | **$0** | **$277** |
| **Total Fee For Service** | **$8,083** | **$1,184** | **$9,267** |
| Inpatient | $2,047 | $757 | $2,804 |
| Outpatient/Emergency Room | $399 | ($12) | $387 |
| Clinic | $562 | ($47) | $515 |
| Nursing Homes | $3,382 | $0 | $3,382 |
| Other Long Term Care | $605 | $0 | $605 |
| Pharmacy | $279 | ($103) | $176 |
| Dental | $35 | $0 | $35 |
| Transportation | $168 | $0 | $168 |
| Non-Institutional Other | $606 | $589 | $1,195 |
| **VAP** | **$0** | **$165** | **$165** |
| **Supportive Housing** | **$0** | **$115** | **$115** |
| **Medicaid Administration Costs** | **$0** | **$453** | **$453** |
| **OHIP Budget / State Operations** | **$0** | **$231** | **$231** |
| **Medicaid Audits** | **$0** | **($424)** | **($424)** |
| **All Other** | **$3,009** | **($9,071)** | **($6,062)** |
| Local Cap Contribution | $0 | ($7,377) | ($7,377) |
| Accounts Receivable | $0 | ($107) | ($107) |
| Other State Agency / Transfer | $3,009 | ($1,388) | $1,621 |
| Other | $0 | ($199) | ($199) |
| **TOTAL** | **$24,466** | **($7,504)** | **$16,962** |

# Appendix B
## *Inventory of Rate Packages*

The State is anticipating Medicaid rate adjustments resulting in price increases of up to $1.1 billion this fiscal year. Below is a list of the majority of anticipated rate packages to be implemented:

| Inventory of Rate Packages – FY 2015 (dollars in millions) | | | | | |
|---|---|---|---|---|---|
| | | | Projected Impact | | |
| **Category of Service** | **Rate Package Description** | **Effective Date** | **Gross** | **Non-Federal** | **Date Released** |
| **Mainstream Managed Care** | April 2014 Premiums | 4/1/2014 | $864 | $432 | |
| **Long Term Managed Care** | 2014 Mandatory Rates; 2014 Risk Rates (incl. wage parity) | 4/1/2014 | $506 | $253 | |
| **Nursing Homes** | Nursing Home Appeals / Litigation | Various | $175 | $88 | |
| | Case Mix Adjustments | 2013-2014 | $136 | $68 | |
| | Cash Receipts Assessment Reconciliations | 2011-2012 | $29 | $15 | |
| | Minimum Data Set Audits | 2012-2013 | $10 | $5 | |
| **Inpatient** | Transition II Update | 2010 - 2014 | $26 | $13 | |
| | Acute & Exempt Unit Actual Capital Rates | Various | $19 | $9 | |
| | Psychiatric Rates (Pre-Reform) | 1/1/2010 | $10 | $5 | |
| | Language Assistance MRT HD | 6/1/2013 | $5 | $3 | |
| | Hurricane Sandy Providers (Psychiatric; GME; 4/1/2012 Inpatient) | 2009 - 2012 | ($32) | ($16) | |
| **Outpatient/ Emergency Room** | APG capital updates for 2009 - 2012 rates | Various | $40 | $20 | |
| | Hurricane Sandy Providers (APG and HHA) | 2009 - 2012 | $15 | $8 | |
| **Clinic** | Electronic Health Records | 2008-2009 | $7 | $4 | |
| | Uninsured Care Programs | 2011-2013 | $2 | $1 | |
| **Personal Care** | NYC Wage Parity | 3/1/2014 | $14 | $7 | |
| **Home Health** | NYC Wage Parity | 3/1/2014 | $38 | $19 | |

# Appendix C
## *Savings Initiatives*

As part of the FY 2015 Enacted Budget the following initiatives are scheduled to be implemented in this fiscal year:

| Savings Initiatives – FY 2015 (dollars in millions) | |
|---|---|
| **Initiative** | **Non-Federal** |
| **MRT:** | |
| Prior Authorization for Non-Medically Acceptable Indicators for Prescription Drugs | $10 |
| Basic Benefit Initiatives | $3 |
| Reduce Inappropriate Prescribing and Align Point of Sale Editing Across FFS and MMC | $3 |
| Eliminate e-Prescribing Incentive Payment | $2 |
| **Total** | **$18** |
| **Other Reforms/Savings:** | |
| OMIG Fraud and Abuse Integrity Initiative | $31 |
| Additional Settlement Revenues | $30 |
| Community First Choice Option | $28 |
| Reduce/Eliminate A/R Balances (within 2 to 3 years) | $27 |
| CHIPRA Performance Bonus Award | $13 |
| Program Integrity Initiatives | $2 |
| **Total** | **$131** |

# Appendix D
# *Grant Award Programs*

## *Vital Access/Safety Net Provider Program*

The Vital Access/Safety Net Provider Program (VAP) supports projects for facilities that were selected due to their serious financial condition and critical role in providing services to New York State's fragile, elderly, and low-income population. These awards support multi-year projects submitted by hospitals, nursing homes, free standing clinics, and home health providers. The VAP funds will be used primarily to improve community care including expand access to ambulatory services, open urgent care centers, expand services in rural areas, and provide more effective services that meet community needs.

| VAP Program Awards (dollars in millions) | | | | |
|---|---|---|---|---|
| **Provider Type** | **# of Providers** | **Total Amount Awarded** | **FY 2014 Disbursed** | **FY 2015 Actual - YTD** |
| Hospitals | 25 | $148 | $64 | **$5** |
| Diagnostic & Treatment Centers | 18 | $36 | $3 | - |
| Nursing Homes | 8 | $33 | $17 | **$2** |
| Critical Access Hospitals | 23 | $16 | $5 | - |
| Certified Health Home Agencies | 2 | $5 | $2 | - |
| **TOTAL** | **76** | **$238** | **$91** | **$7** |

## *Supportive Housing*

The Supportive Housing Initiative seeks to ensure that Medicaid members have proper housing that promotes a healthy environment and lifestyle.

| Supportive Housing Allocation Plan – FY 2015 (dollars in millions) | |
|---|---|
| | **Allocation Plan** |
| Capital Funding | $38 |
| Rental/Service Subsidies | $34 |
| New Supportive Housing Pilot Projects | $22 |
| Tracking & Evaluation | $1 |
| Other – To be Allocated | $20 |
| **TOTAL** | **$115** |
| **YTD Actuals** | **$6** |

## *Additional Information on Grant Award programs:*

http://www.health.ny.gov/health_care/medicaid/redesign/2013-2014_support_housing_initiatives

https://www.governor.ny.gov/press/01272014-vap-funding

http://www.health.ny.gov/health_care/medicaid/program/medicaid_health_homes/

http://www.health.ny.gov/health_care/medicaid/redesign/iaaf/

# Appendix E
## *Enrollment through the NYSOH Healthcare Exchange*

The charts below represent the monthly breakout of Medicaid recipients enrolling through the NYS of Health Healthcare Exchange as well as the Medicaid eligibility determinations:

| Profile of Medicaid Enrollees through NYSOH Healthcare Exchange | | | |
|---|---|---|---|
| | **Total** | **Fee For Service** | **Managed Care** |
| January | 175,203 | 140,679 | 34,524 |
| February | 313,123 | 247,184 | 65,939 |
| March | 521,441 | 387,510 | 133,931 |
| April | 622,890 | 350,574 | 272,316 |

| NYSOH Healthcare Exchange – FY 2015<br>Medicaid Eligibility Determinations | | |
|---|---|---|
| | **Total** | **% of Total** |
| Childless adults income < 100% (75% FMAP) | 234,207 | 37.6% |
| Childless adults income 100-138% (100% FMAP) | 77,238 | 12.4% |
| All Other (50% FMAP) | 311,445 | 50.0% |
| **Total** | **622,890** | **100.0%** |

# Appendix F
## *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 chart below represents total provider spending that occurs within the Medicaid claiming system (eMedNY) through April 2014 for each region.

| Medicaid Regional Spending – FY 2015 (dollars in millions) | |
|---|---|
| **Economic Region** | **Non-Federal Total Paid** |
| New York City | $1,271 |
| Long Island | $213 |
| Mid-Hudson | $207 |
| Western | $104 |
| Finger Lakes | $90 |
| Capital District | $78 |
| Central | $55 |
| Mohawk Valley | $48 |
| Southern Tier | $40 |
| North Country | $30 |
| Out of State | $12 |
| **TOTAL** | **$2,148** |

More 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/