NEW YORK STATE | Department of Health

Medicaid Global Spending Cap Report

March 2015

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Global Cap – A Year in Review

The Department of Health and the Division of Budget are very pleased to report that spending under FY 2015 Medicaid Global Spending Cap was $8 million below the $16.962 billion target. Limiting spending to the 3.3 percent spending growth afforded under the Global Cap was truly a remarkable accomplishment that required fiscal discipline, creativity, and innovation from all sectors within the Medicaid program, including:

- Continuing the *Care Management for All initiative* which transitioned a number of populations and benefits into the Managed Care setting as described in the *Beneficiary Transition Schedule to Managed Care* section (page 6);

- Continuing the *Vital Access Provider/Safety Net* program to improve community care, including expanding access to ambulatory services, opening urgent care centers, expanding services in rural areas, and providing more effective services that meet community needs (see page 11); and

- Implementing the *Balancing Incentive Program (BIP)*. The BIP Innovation Fund is designed to engage New York's broad network of providers, advocates, and community leaders in developing systemic improvements that address barriers encountered when providing community-based long term supports and services (LTSS) across all populations of Medicaid beneficiaries in the State.

In summary, this is the fourth consecutive year that the Medicaid health care community has remained below the Global Cap target while expanding health coverage to the State's neediest populations. Total enrollment in the program has increased by more than 516,000 recipients during FY 2015.

FY 2016 Budget Highlights

Medicaid Redesign Team (MRT) phase V extends a fiscally neutral package of savings and investments, including:

- Implements the *Basic Health Plan (BHP)* in a two-phase approach. Phase I, effective April 1, 2015, transitioned Medicaid immigrants into the BHP while remaining in their respective plans. Phase II, effective November 1, 2015, transitions eligible enrollees from the Marketplace into BHP for coverage effective January 1, 2016;

- Provides additional resources for the *Vital Access Provider/Safety Net Program* and expands it to include single public Performing Provider Systems (PPS);

- Provides $85 million for Hospital Quality and Essential/Rural Community Provider investments, $20 million in Alzheimer's caregiver support, and $5 million for the Governor's End of AIDS initiative; and

- Accommodates $200 million in additional Financial Plan relief.

Results for March 2015 - Summary

Total State Medicaid expenditures under the Medicaid Global Spending Cap for FY 2015 through March are $8 million, or 0.05 percent, under projections. Spending through the month of March resulted in total expenditures of $16.954 billion compared to the projection of $16.962 billion.

Medicaid Spending – FY 2015 (dollars in millions)			
Category of Service	**Estimated**	**Actual**	**Variance Over / (Under)**
Medicaid Managed Care	**$12,834**	**$12,667**	**($167)**
Mainstream Managed Care	$9,249	$9,196	($53)
Long Term Managed Care	$3,585	$3,471	($114)
Family Health Plus	**$290**	**$332**	**$42**
Total Fee For Service	**$9,315**	**$9,412**	**$97**
Inpatient	$2,788	$2,907	$119
Outpatient/Emergency Room	$423	$400	($23)
Clinic	$549	$546	($3)
Nursing Homes	$3,415	$3,316	($99)
Other Long Term Care	$620	$690	$70
Non-Institutional	$1,520	$1,553	$33
Medicaid Administration Costs	**$453**	**$515**	**$62**
OHIP Budget / State Operations	**$215**	**$163**	**($52)**
Medicaid Audits	**($424)**	**($396)**	**$28**
All Other	**$1,565**	**$1,547**	**($18)**
Local Funding Offset	**($7,286)**	**($7,286)**	**$0**
TOTAL	**$16,962**	**$16,954**	**($8)**

Results through March - Variance Highlights

Medicaid Managed Care

Medicaid spending in major Managed Care categories was $167 million under projections.

- Mainstream Managed Care was $53 million below projections, or 0.6 percent. The variance was due to a delay in processing the July 2014 rates, which will be processed in early FY 2016.
- Long Term Managed Care was $114 million under projections through March. Total enrollment in the program was 12,185 recipients, or 8.4 percent, below estimates which was attributed to a slower than expected transition from the fee-for-service long term care program. Also, the High Cost High Need Pool and Quality Incentive Pool payments were delayed because the quality scores used to allocate the pool payments were not available. These payments will be made in FY 2016.

Family Health Plus

Medicaid spending in Family Health Plus (FHP) was $42 million above projections. This was due to the implementation of the April 2014 rates which resulted in slightly higher than expected payments for services provided to the Aliessa population. Under the reforms of the federal Affordable Care Act, the Family Health Plus program ended on December 31, 2014.

Fee-For-Service

Medicaid spending in major fee-for-service categories was $97 million, or 1.0 percent, over projections.

- Inpatient spending was $119 million, or 4.3 percent above estimates. There were several factors contributing to the overspending, including:
    - Three months of Upper Payment Limit (UPL) payments were advanced to hospitals to help mitigate cash flow issues caused by delays in approval of several State Plan Amendments that have significant fiscal benefit. The State share of UPL payments are now current.
    - Higher than expected claims were billed as a result of a slower shift of individuals into Managed Care.

- Outpatient/Emergency Room spending was $23 million, or 5.4 percent, below estimates due to a delay in processing the APG capital rates. These rates are expected to be paid in FY 2016.

- Nursing Home spending was $99 million below estimates. This underspending was a result of delays in processing several rate packages, including case mix and universal settlement. The State anticipates these payments to be processed in the upcoming fiscal year.

- Other Long Term Care spending was $70 million over projections. This was due to a slower than anticipated shift to the Long Term Managed Care program as well as a delay in achieving the additional Federal financial participation for services provided through the Community First Choice Option, which the State continues to work with the Federal Government to approve.

Medicaid Audits

Through March, spending offsets from Medicaid audit recoveries were below projected levels by $28 million. As benefits transition to Managed Care providers collections are increasingly reflected in premium rates and less recoveries are fee-for-service. Additionally, the spending variance was associated with the timing of deposits and repayment of Federal shares for newly established accounts receivables.

Medicaid Administration Costs

Due to delays in the takeover of administrative functions from the Local Departments of Social Services, Medicaid Administration costs were $62 million over projections through March as a result of a slower than anticipated hiring of staff as well as the repurposing of system resources for other Department initiatives. It should be noted that in FY 2015 the NYSoH was fully functional and enrolled approximately 2 million Medicaid recipients.

All Other

The All Other category (includes Accounts Receivable, Vital Access Provider payments, Supportive Housing, etc.) was $18 million below projections. The variance was primarily a result of continued two percent across the board (ATB) payment reductions. The ATB reductions are continuing to be applied to impacted providers pending Federal approval to restore the reductions. Upon Federal approval, providers will be reimbursed withheld amounts retroactive to April 2014.

Office of Health Insurance Programs (OHIP) State Operations Budget

The OHIP State Operations budget reflects the non-Federal share of personal services (i.e., salaries of OHIP staff that work on the Medicaid budget) and non-personal services costs (i.e., contractual services). The FY 2015 budget was projected to total $215 million. The annual increase is offset by reductions in local district administrative claims, consistent with the State takeover, as well as funding certain New York State of Health (NYSOH) Exchange operations.

Contracts for the Enrollment Center, Medicaid Management Information Systems (MMIS), NYSOH Exchange, transportation management, and various MRT initiatives comprise 60 percent ($113 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	**$34**	**$29**
Non-Personal Services	**$181**	**$134**
Medicaid Transportation Management	$32	$22
NYS Of Health Healthcare Exchange	$31	$19
eMedNY (MMIS)	$20	$28
Early Innovator	$17	$5
Enrollment Broker	$13	$13
All Others	$68	$47
TOTAL	**$215**	**$163**

Accounts Receivable

The Accounts Receivable (A/R) ending balance for FY 2015 was $280 million, $119 million higher than projected. This reflects an increase of $50 million since March 2014. The increase in A/R was caused by the implementation of several retroactive rate packages. The State will be taking additional steps to reduce these liabilities by March 2017.

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 6,221,396 enrollees at the end of March 2015. This reflects an increase of 516,959 enrollees, or 9.1 percent, since March 2014. Below is a detailed breakout by program and region:

Medicaid Enrollment Summary FY 2015			
	March 2014	**March 2015**	**Increase / (Decrease)**
Managed Care	**4,126,307**	**4,675,090**	**548,783**
New York City	2,589,618	2,878,767	289,149
Rest of State	1,536,689	1,796,323	259,634
Fee-For-Service	**1,578,130**	**1,546,306**	**(31,824)**
New York City	790,996	768,322	(22,674)
Rest of State	787,134	777,984	(9,150)
TOTAL	**5,704,437**	**6,221,396**	**516,959**
New York City	3,380,614	3,647,089	266,475
Rest of State	2,323,823	2,574,307	250,484

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, as well as 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)**	**FY 2015 Enrolled**
June 2014	Community Based LTC – Rest of State	OLTC	MLTC	6,778
February 2015	Nursing Home – New York City	NH	MMC / MLTC	

Medicaid Fee for Service Transition to Managed Care (Service Benefits) FY 2015	
Effective Date	**Service Benefits**
April 2014	LT Chemical Abuse
January 2015	Hemophilia Blood Factors Risperdol, Invega, Zyprexa Clotting
February 2015	Nursing Homes – New York City

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 that 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	**$12,977**	**($143)**	**$12,834**
Mainstream Managed Care	$9,403	($154)	$9,249
Long Term Managed Care	$3,574	$11	$3,585
Family Health Plus	**$290**	**$0**	**$290**
Total Fee For Service	**$8,345**	**$971**	**$9,316**
Inpatient	$2,023	$765	$2,788
Outpatient/Emergency Room	$433	($10)	$423
Clinic	$587	($38)	$549
Nursing Homes	$3,415	$0	$3,415
Other Long Term Care	$620	$0	$620
Pharmacy	$312	($235)	$77
Dental	$38	$0	$38
Transportation	$245	$0	$245
Non-Institutional Other	$672	$489	$1,161
VAP	**$0**	**$155**	**$155**
Supportive Housing	**$0**	**$65**	**$65**
Medicaid Administration Costs	**$0**	**$453**	**$453**
OHIP Budget / State Operations	**$0**	**$215**	**$215**
Medicaid Audits	**$0**	**($424)**	**($424)**
All Other	**$3,089**	**($9,031)**	**($5,942)**
Local Cap Contribution	$0	($7,286)	($7,286)
Accounts Receivable	$0	($69)	($69)
Other State Agency / Transfer	$3,089	($1,486)	$1,603
Other	$0	($190)	($190)
TOTAL	**$24,701**	**($7,739)**	**$16,962**

Appendix B
Inventory of Rate Packages

The State budgeted Medicaid rate adjustments resulting in price increases of up to $1.1 billion this fiscal year. Below is the status of the majority of expected rate packages:

Inventory of Rate Packages FY 2015 (dollars in millions)					
			Projected Impact		Date Released
Category of Service	Rate Package Description	Effective Date	Gross	Non-Federal	
Mainstream Managed Care	April 2014 Premiums	4/1/2014	$857	$432	February 2015
	July 2014 Premiums	7/1/2014	$75	$38	*
Long Term Managed Care	2014 Mandatory Rates; 2014 Risk Rates (incl. wage parity)	4/1/2014	$506	$262	October 2014
Nursing Homes	Nursing Home Appeals / Litigation	Various	$175	$88	Ongoing
	July 2013 Case Mix Adjustment	7/1/2013	$68	$34	July 2014
	January 2014 Case Mix Adjustment	1/1/2014	$68	$34	December 2014
	Cash Receipts Assessment Reconciliations	2011-2012	$29	$15	April 2014 August 2014
	Minimum Data Set Audits	2012-2013	$10	$5	*
Inpatient	Transition II Update	2010 - 2014	$26	$13	February 2015
	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)	Ongoing
Outpatient/ Emergency Room	APG capital updates for 2009 - 2012 rates	Various	$40	$20	*
	Hurricane Sandy Providers (APG and HHA)	2009 - 2012	$15	$8	Ongoing
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	October 2014
Home Health	NYC Wage Parity	3/1/2014	$38	$19	November 2014

*Represents packages that were delayed. These packages are expected to be paid in the FY 2016 budget.

Appendix C
Savings Initiatives

As part of the FY 2015 Enacted Budget the following initiatives were 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**

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; state share)			
Provider Type	**Total Amount Awarded**	**FY 2014 Disbursed**	**FY 2015 Disbursed**
Hospitals	$118	$18	$52
Diagnostic & Treatment Centers	$18	$0	$12
Nursing Homes	$121	$7	$34
Critical Access Hospitals	$16	$0	$5
Certified Health Home Agencies	$3	$0	$2
TOTAL	**$275**	**$25**	**$105**

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	$58
Rental/Service Subsidies	$34
New Supportive Housing Pilot Projects	$22
Tracking & Evaluation	$1
TOTAL	**$115**
YTD Actuals	**$42**

Additional Information on Grant Award programs:

http://www.health.ny.gov/health_care/medicaid/redesign/supportive_housing_initiatives.htm

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 NYSOH Healthcare Exchange as well as the Medicaid eligibility determinations:

Profile of Medicaid Enrollees through NYSOH Healthcare Exchange			
	Total	**Fee For Service**	**Managed Care**
January	183,221	147,146	36,075
February	325,004	257,311	67,693
March	555,977	419,869	136,108
April	678,208	404,165	274,043
May	779,253	344,489	434,764
June	879,592	339,468	540,124
July	972,072	341,943	630,129
August	1,073,882	349,451	724,431
September	1,183,267	360,769	822,498
October	1,307,742	395,587	912,155
November	1,408,940	404,703	1,004,237
December	1,517,598	437,941	1,079,657
January	1,609,561	442,411	1,167,150
February	1,699,318	519,856	1,179,462
March	1,733,632	567,477	1,166,155

NYSOH Healthcare Exchange – FY 2015 Medicaid Eligibility Determinations		
	Total	**% of Total**
Childless adults income < 100% (75% FMAP)	554,762	32.0%
Childless adults income 100-138% (100% FMAP)	169,896	9.8%
All Other (50% FMAP)	1,008,974	58.2%
Total	**1,733,632**	**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 March 2015 for each region.

Medicaid Regional Spending – FY 2015 (dollars in millions)	
Economic Region	**Non-Federal Total Paid**
New York City	$14,824
Long Island	$2,436
Mid-Hudson	$2,304
Western	$1,159
Finger Lakes	$991
Capital District	$850
Central	$583
Mohawk Valley	$492
Southern Tier	$445
North Country	$324
Out of State	$124
TOTAL	**24,532**

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/