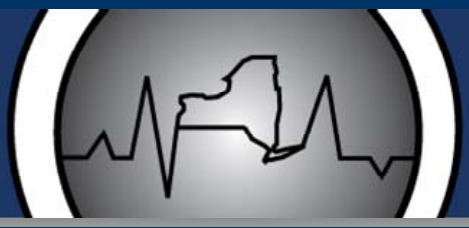
Redesigning
THE MEDICAID PROGRAM



Medicaid Global Spending Cap

April 2011 Report

STATE OF NEW YORK
DEPARTMENT OF HEALTH

Redesigning THE MEDICAID PROGRAM

BACKGROUND

- The 2011-12 Final Budget set a cap on State (Department of Health) Medicaid spending of $15.3 billion in 2011-12 and $15.9 billion in 2012-13.
- The Medicaid cap is consistent with the Governor's goal to limit total Medicaid spending growth to no greater than the ten-year average rate for the long-term medical component of the Consumer Price Index (currently estimated at 4 percent).
- As part of the 2011-12 Budget agreement, $2.2 billion in State savings (growing to $3.3 billion in 2012-13) must be achieved so that spending is in line with the projected cap.

	2011-12	2012-13	Two-Year Total
MRT Savings *	$973	$1,130	$2,103
Trend Factors	$185	$304	$489
2% ATB Reduction	$345	$357	$702
Industry-Led Contribution**	$640	$1,525	$2,165
Acceleration of Payments	$66	$0	$66
Total	**$2,209**	**$3,316**	**$5,525**

** There were 73 discrete Medicaid Redesign Team (MRT) savings actions endorsed by the Legislature that will achieve $973 million in savings in 2011-12 and $1.13 billion in savings in 2012-13. Please see http://www.health.state.ny.us/health_care/medicaid/redesign for more information on these savings items.*

*** The Industry Led contributions ($640 million in 2011-12; $1.5 billion in 2012-13) represents the total amount of additional savings/system efficiencies that may be required (without additional State/ Legislative action) to achieve fiscal neutrality under the cap.*

- The Department of Health (DOH) and the Division of Budget (DOB) will monitor and report program spending on a monthly basis to determine if spending growth is expected to exceed the forecasted Medicaid spending cap.
- If spending is projected to exceed the spending cap and Industry Led activities are not successful, DOH and DOB will develop and implement a plan of actions (known as the "Medicaid Savings Allocation Plans") to bring spending in line with the cap.
- Medicaid Savings Allocation Plans could include actions such as modifying/suspending reimbursement methods (e.g., fees, premium levels, rates) and modifying program benefits. Once developed, such plans will be posted to the DOH Web site and written copies will be provided to the Legislature at least 30 days prior to implementation.

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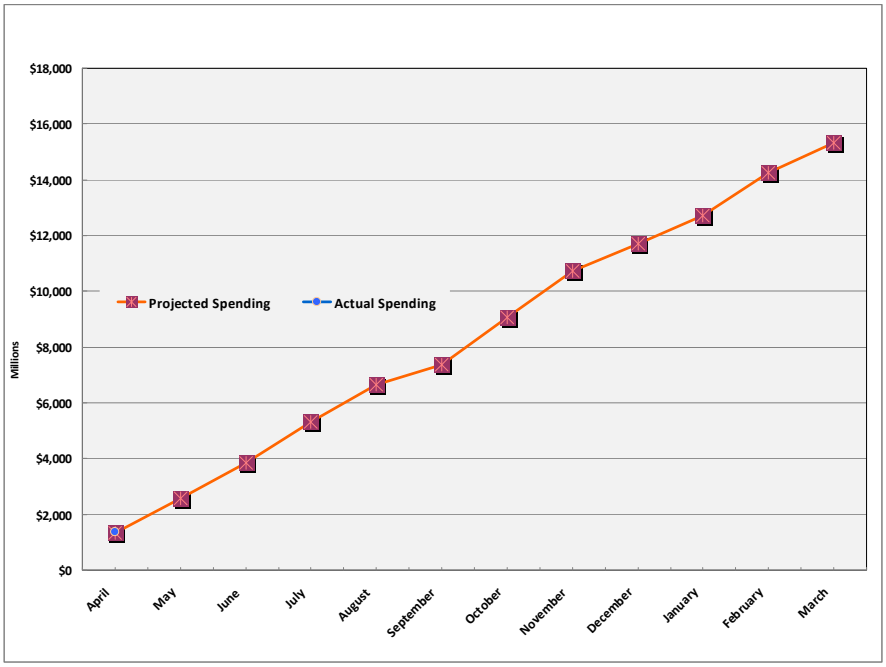
APRIL RESULTS – FISCAL NOTES

This chart depicts the monthly cumulative estimate for the $15.3 billion cap and actual spending for April. The April estimate was $1.346 billion versus actual spending of $1.368 billion for a difference of $22 million. This represents a 1.6 percent variance.

It should be noted that Medicaid spending on a month-to-month basis is subject to numerous variations due to enrollment swings, provider billing patterns, rate adjustments, and the number of billing cycles within a month. Accordingly, stakeholders and other interested parties should be *cautious* in making far reaching judgments and/or conclusions on one month's activity. The State will be evaluating results more thoroughly on a quarterly basis.

Global Cap SFY 2011-12
Cumulative Medicaid State Spending



APRIL SFY 2011-12 Statistics			
Category of Service	**Medicaid Spending (Thousands)**		
	Estimated	***Actual***	***Variance***
Inpatient	$210,115	$206,290	($3,824)
Outpatient/Emergency Room	$36,985	$31,834	($5,151)
Clinic	$41,341	$42,107	$766
Nursing Homes	$263,728	$257,598	($6,130)
Other Long Term Care	$190,629	$190,751	$122
Medicaid Managed Care	$389,283	$350,805	($38,478)
Family Health Plus	$73,394	$73,613	$219
Non-Institutional/Other	$192,343	$215,153	$22,810
Cash Audits	($51,553)	$0	$51,553
TOTAL	**$1,346,264**	**$1,368,152**	**$21,888**

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VARIANCE HIGHLIGHTS

- *Lower Fee-for-Service Spending:* Medicaid spending in major fee-for-service categories was $14 million lower than projected, including:

  - ✓ *Inpatient hospital spending, which was $4 million below the target estimate, or less than 2%.*

  - ✓ *Outpatient Clinic and Emergency Room spending was $5 million below estimates due primarily to lower than expected utilization. In these settings, there was actually a year over year slight decline in the number of visits.*

  - ✓ *Nursing homes ($6 million) actually served more Medicaid recipients compared to last April; however, this higher cost was more than offset by a delay in the Department's processing of scheduled rate appeal adjustments. These payments, along with other significant retroactive rate adjustments (referred to as 2009 Rebasing and Remediation Plan payments), are expected to transact before the close of the April-June quarter.*

  - ✓ *Other long term care services, which include Home Care, Personal Care and the Assisted Living program were, in total, on balance with the financial forecast.*

- *Lower Medicaid Managed Care Spending:* The Managed Care variance of $38 million is attributed primarily to two factors: less than anticipated enrollment and a delay in adjusting monthly premium payments. For the month of April, enrollment fell approximately 16,500 recipients short of the expected target, while expected premiums increases will not be realized until all necessary approvals are secured, which is expected in June or July 2011.

- *Higher Spending in Non-Institutional and Other Categories:* Increased spending of $23 million, largely reflects higher than projected spending on prescription drugs ($11 million); other state agencies spending prior to quarterly transfers ($26 million); and higher spending associated with local Medicaid cap ($26 million); and the cost of intergovernmental transfer payments to hospitals operated by the State University of New York payments ($5 million). This spending is partially offset by higher than anticipated Federal Medical Assistance Percentage payments ($24 million) and higher than anticipated recoveries from health care providers ($22 million).

- *Medicaid Audit Offsets:* In April 2011, the majority of the $52 million spending variance is associated with the timing of deposits in the Medicaid offset account. Most of this variance is related to timing within the year and, as such, this should not be considered a factor contributing to overspending the annual global cap amount.

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APPENDIX

Monthly Spending Estimates: Methodology

In 2011-12, the State's Medicaid program is currently estimated to cost taxpayers $53 billion in Federal, State and local government funds. The global cap on Medicaid spending pertains to the State share ($15.3 billion) of the portion subject to the Department of Health's oversight. The balance of State spending is largely related to mental hygiene agencies (Office of Mental Health, Office for Persons with Developmental Disabilities and the Office of Alcohol and Substance Abuse Services).

In order to accurately monitor the State's spending relative to the $15.3 billion cap, anticipated spending has been forecasted on a monthly basis for each category of service. The monthly forecast was developed to reflect:

- *Actual spending patterns for State Fiscal Year (SFY) 2010-11 adjusted for one-time spending that is not expected to recur in SFY 2011-12;*
- *Anticipated increases in health care prices and estimated changes in service utilization in SFY 2011-12;*
- *Achievement of savings generated from 73 MRT actions over time; and*
- *Lower costs spread among the categories attributed to the $640 million in Health Care Industry savings and the $475 million Medicaid caseload reestimate.*