

**Redesigning**  
THE MEDICAID PROGRAM



# Medicaid Global Spending Cap

*August 2011 Report*



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## BACKGROUND

The Department of Health and Division of Budget are required to report on a monthly basis, under Chapter 59 of the Laws of 2011, Medicaid spending compared to projected State fund expenditures. The chart below depicts the monthly estimate for the \$15.3 billion cap and actual spending through August 2011.

## AUGUST 2011 RESULTS – FISCAL NOTES

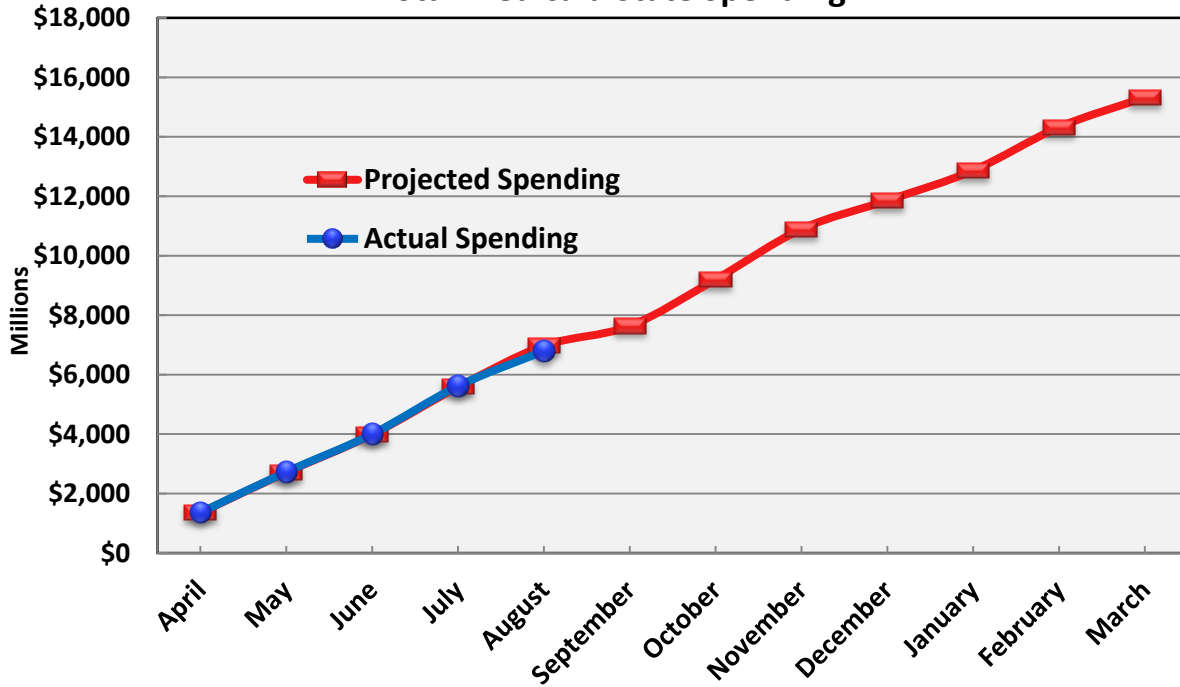
Total Medicaid State fund expenditures under the global spending cap through August of SFY 2011-12 are \$172.9 million **below** projections (or 2.5%). Cumulative spending for the months April through August resulted in total expenditures of \$6.797 billion compared to the estimate of \$6.970 billion. Although spending fell below the August projections, the Department continues to see steady growth in enrollment in the Medicaid program. Since April, 2011, enrollment in the Medicaid program has grown by nearly 1.5%, or 72,300 enrollees.

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. Medicaid cycles are very irregular; cycle spending year-to-date ranges from a maximum of \$848 million in July to a minimum of \$111 million in August. The Department of Health does not expect this volatility to abate in the near term due to factors such as, the enrollment trend mentioned above, as well as processing of significant retroactive rate packages (i.e, 2009 hospital rates, managed care premiums, 2009 Outpatient APGs). In addition, there are new MRT measures which are on track to be implemented prior to the conclusion of the third quarter of SFY 2011-12. Accordingly, stakeholders and other interested parties should be *cautious* in making far reaching judgments and/or conclusions based on results thus far. In the coming months, the State will continue to monitor spending and enrollment trends very closely.

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## Global Cap SFY 2011-12 Total Medicaid State Spending



## AUGUST SFY 2011-12 Statistics

Category of Service	Medicaid Spending (Thousands)		
	Estimated	Actual	Variance
Inpatient	\$910,346	\$900,933	(\$9,413)
Outpatient/Emergency Room	\$167,357	\$145,551	(\$21,806)
Clinic	\$179,313	\$180,701	\$1,388
Nursing Homes	\$1,422,974	\$1,402,942	(\$20,032)
Other Long Term Care	\$843,360	\$823,176	(\$20,185)
Medicaid Managed Care	\$1,421,378	\$1,437,784	\$16,405
Family Health Plus	\$277,573	\$301,991	\$24,418
Non-Institutional / Other	\$1,900,100	\$1,736,690	(\$163,411)
Cash Audits	(\$151,920)	(\$132,185)	\$19,736
<b>TOTAL</b>	<b>\$6,970,482</b>	<b>\$6,797,581</b>	<b>(\$172,900)</b>

## VARIANCE HIGHLIGHTS

- ✓ **Lower Fee for Service Spending:** Through August, Medicaid spending in major fee-for-service categories was \$115.4 million below projections, this includes:
  - Inpatient hospital spending was \$9.4 million under the target estimate. Year-to-year the Inpatient sector has experienced a decrease in the number of Medicaid claims billed (2.7%), consistent with providing services in more appropriate settings, and the migration of recipients to Medicaid Managed Care.
  - Outpatient Emergency Room spending was \$21.8 million below estimates, a result of lower than expected utilization trends. The Outpatient Emergency Room sector has seen a year-to-year decrease in claims, 2.7%, and a decrease in the number of individuals served, 9.6%. The utilization drop is consistent with the migration of recipients to Medicaid Managed Care.
  - Total expenditures for non-hospital clinics are \$1.4 million above target estimates, driven primarily by the increase in individuals served (0.6%).
  - Nursing Home spending is \$20 million below the global cap estimate through August. The number of individuals served remains slightly down from the previous year.
  - Other Long Term Care services, which include Home Care, Personal Care, and the Assisted Living program, are \$20.2 million less than projected. The variance is primarily attributable to Personal Care (\$9.3 million) which continues to experience lower than projected spending due to efforts to reduce utilization and the inclusion of personal care services in the benefit package for managed care enrollees effective August 1, 2011. Home Health utilization increases seen in prior months are beginning to stabilize and spending is roughly on track at \$2.5 million below projections. Home nursing spending continues to reflect declines in utilization and is \$7.7 million below projections. ALP spending continues to be on track with projections.
  - State fund expenditures for Non-Institutional services, such as Pharmacy, Dental, Transportation, Supplemental Medical Insurance, etc., were \$42.9 million under projections. The variance is principally related to lower than forecasted Medicare rates and the timing of these payments. Pharmacy spending was \$10 million above projections. Per claim, brand drug costs have risen at a rate in excess of 13% when compared to the same period last year, while overall paid prescription drug claims have risen more than 5%.
- ✓ **Higher Medicaid Managed Care Spending:** The Medicaid Managed Care program is over budget by \$16.4 million, which is the result of higher than anticipated enrollment. Premium increases have yet to be processed and are not reflected in these expenditures.
- ✓ **Higher Family Health Plus Spending:** Increased spending of \$24.4 million also continues to reflect higher than anticipated enrollment. Premium increases have yet to be realized.
- ✓ **Medicaid Audit Offsets:** Through August, the spending offsets anticipated from Medicaid audit recoveries are \$19.7 million below projected levels. This variance may be due to the timing of collections.



(continued)

## VARIANCE HIGHLIGHTS

- ✓ **Lower Federal Medical Assistance Payments:** Enhanced Federal share payment benefits are \$35 million below projections through August. A portion of this variance may be attributed to the receipt of the anticipated benefit through lower payments in other service categories.
- ✓ **Lower Local Medicaid Cap Costs:** Under the 2005 Local Medicaid Cap statute, the State is responsible for covering local costs of Medicaid that exceed the annual cap. To date, Local Medicaid Cap expenditures are below projected levels by \$70 million. These Local Medicaid Cap costs are related to both fee-for-service and managed care spending variances and may be timing related and, as such, should not be material in an annual spending context.
- ✓ **Lower Other State Agency Offset Transfers:** Medicaid spending by other State agencies is running \$39 million above projections through August. This spending is processed by the Department of Health and subsequently offset by transfers from the other agency budgets. This rate of overspending appears to be timing related and, as such, should not be material in the annual spending context.

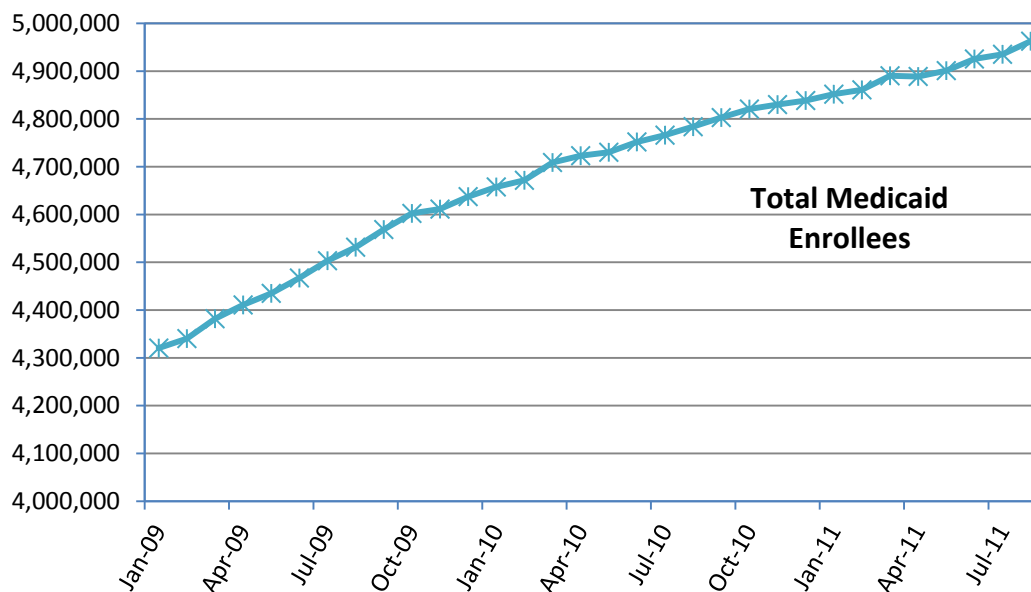
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## ENROLLMENT

Medicaid overall enrollment reached 4,962,639 enrollees at the end of August 2011, an increase of 0.6% (27,000 enrollees) from July, and an increase of 1.5% (72,300 enrollees) since the start of MRT (April 1, 2011).

**NYS Medicaid Enrollment\* Reached 4,962,639 in August 2011  
0.6% Increase from Previous Month**



Source: NYS DOH/OHIP Medicaid Enrollment Database

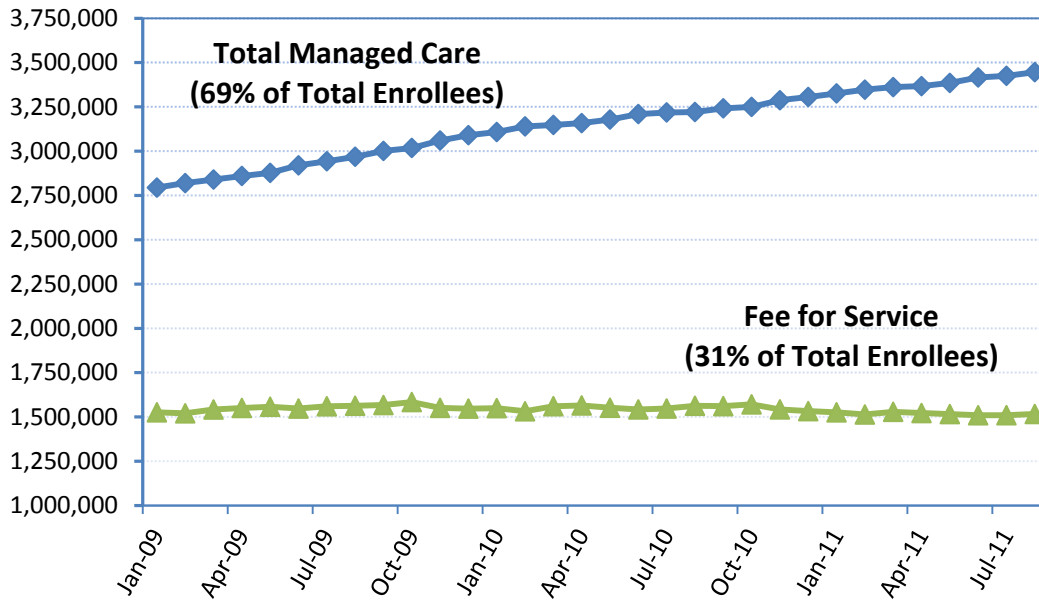
\*Most current four months counts are adjusted for lag factors (3.62%, 1.38%, 0.57% and 0.21%, respectively)

Managed care overall enrollment in August (FHP and Managed LTC included) rose to 3,445,921 enrollees, an increase of 0.6% from the previous month and an increase of 84,500 enrollees since the start of MRT (April 1, 2011). The managed care enrollment accounted for 69 percent of total Medicaid enrollment, which is an increase of 0.7 percentage points from the start of MRT.

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**NYS Managed Care Enrollment\* Reached 3,445,921 in August 2011  
0.6% Increase from Previous Month**



Source: NYS DOH/OHIP Medicaid Enrollment Database

\*Includes FHP, Managed LTC, Primary Care Partial Capitation Provider (PCPCP), Medicaid Advantage, Medicaid Advantage Plus and SNP (Excl. CHP)