

Redesigning
THE MEDICAID PROGRAM



Medicaid Global Spending Cap
December 2011 Report





Overview

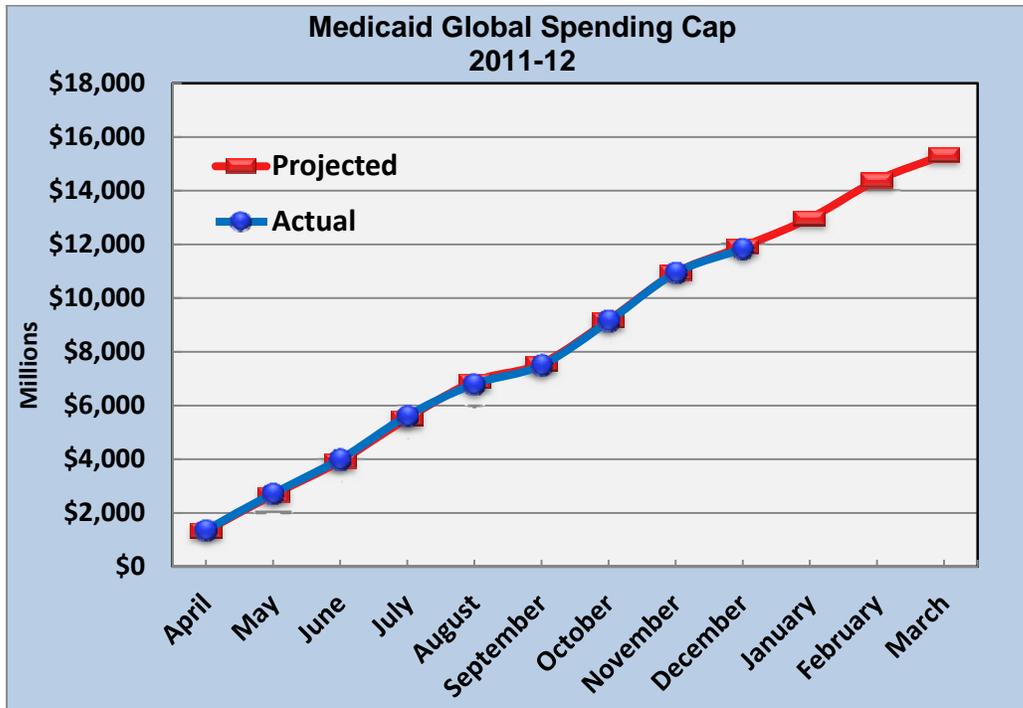
The Department of Health and Division of Budget are required to report on a monthly basis, under Chapter 59 of the Laws of 2011, actual State Medicaid spending compared to projected expenditures. The Medicaid Global Spending Cap is projected to total \$15.3 billion in SFY 2011-12. The charts on page three of this report depict actual spending through December and projected monthly spending for the remainder of the state fiscal year.

Results through December 2011 - Summary

Total State Medicaid expenditures under the Medicaid Global Spending Cap through December of SFY 2011-12 are \$95 million or less than 0.8% **below** projections. Cumulative spending for the months April through December resulted in total expenditures of \$11.83 billion compared to the projection of \$11.92 billion. Since April 2011, enrollment in the Medicaid program has grown by nearly 104,000 enrollees (or 2.1%), with a majority of these individuals enrolling in either the Family Health Plus or Medicaid Managed Care programs. This enrollment growth will drive additional spending which, if unabated, could place more pressure on the global cap.

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. The Department of Health does not expect Medicaid program volatility to decline 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 Ambulatory Patient Groups). In addition, there are new Medicaid Redesign Team measures which are on track to be implemented prior to the conclusion of the last quarter of SFY 2011-12. Accordingly, stakeholders and other interested parties should be *cautious* in making judgments and/or reaching conclusions based on results to date. The State will continue to monitor spending and enrollment trends very closely throughout the remainder of the fiscal year.

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**Medicaid Spending
April - December 2011
(dollars in thousands)**

Category of Service	Estimated	Actual	Variance
Inpatient	\$1,587,335	\$1,567,504	(\$19,832)
Outpatient/Emergency Room	\$257,917	\$232,538	(\$25,379)
Clinic	\$242,563	\$216,879	(\$25,683)
Nursing Homes	\$2,367,957	\$2,329,730	(\$38,227)
Other Long Term Care	\$1,430,632	\$1,313,022	(\$117,611)
Medicaid Managed Care	\$2,801,906	\$2,889,889	\$87,983
Family Health Plus	\$549,205	\$603,294	\$54,089
Non-Institutional / Other	\$2,922,898	\$2,912,497	(\$10,401)
Cash Audits	(\$241,792)	(\$241,641)	\$151
TOTAL	\$11,918,621	\$11,823,712	(\$94,909)



Results through December - Variance Highlights

- ▶ **Lower Fee-for-Service Spending:** Through December, Medicaid spending in major fee-for-service categories is \$335 million below projections as follows:
 - *Inpatient* hospital spending is \$20 million below the estimate due to a decrease in utilization greater than anticipated. The drop in utilization is consistent with providing services in more appropriate settings, and the migration of recipients to Medicaid Managed Care, however it appears that a portion of this month's decrease is a result of patient pattern.
 - *Outpatient/Emergency Room* spending is \$25 million below projection, a result of lower than expected utilization trends. The Outpatient Emergency Room sector has experienced a decrease in the number of recipients served and a decrease in the number of claims billed. The utilization drops reflect the migration of recipients to Medicaid Managed Care.
 - *Clinic* spending is \$26 million below estimates and is primarily driven by a decrease in individuals served and claims billed.
 - *Nursing Home* spending is \$38 million below the global cap estimate due to a slight decline in the number of individuals served.
 - *Other Long Term Care* services spending, which includes Personal Care, Home Health, Home Nursing, and the Assisted Living programs, is \$118 million below projections. The variance is primarily attributable to lower than projected spending in Personal Care (\$22 million), Home Health (\$74 million), and Home Nursing (\$20 million). The Personal Care variance continues to reflect efforts to reduce utilization as well as a reduction in fee-for-service spending due to the inclusion of personal care services in the benefit package for Managed Care enrollees (effective August 1, 2011). The Home Health and Home Nursing variances reflect a significant reduction in per recipient spending based on both claims payment adjustments and agency effort to control and reduce home health service utilization as a result of the implementation of MRT #5.
 - *Non-Institutional* fee-for-service spending (includes Pharmacy, Transportation, Supplemental Medical Insurance, etc.) is \$108 million below estimates. This variance is primarily due to lower Supplemental Medical Insurance (\$76 million) and Pharmacy spending (\$16 million). Lower than forecasted Medicare rates drove the under spending for SMI, and higher than projected drug rebates resulted in lower Pharmacy spending.
- ▶ **Higher Medicaid Managed Care Spending:** Total spending through December is \$88 million above projections due to higher than anticipated enrollment.
- ▶ **Higher Family Health Plus Spending:** Through December, Family Health Plus spending is \$54 million above estimates and continues to reflect higher than projected enrollment.
- ▶ **Lower Federal Medical Assistance Payments (FMAP):** Enhanced Federal share benefits are \$56 million below projections through December, which results in higher spending. A portion of this variance may be attributed to the receipt of the anticipated benefits through lower payments in other service categories. The enhanced FMAP period ended June 30, 2011. It is not anticipated there will be significant additional earnings for the remainder of the fiscal year.

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- ▶ **Higher Local Medicaid Cap Costs:** To date, Local Medicaid Cap expenditures are above projected levels by \$103 million. This is related to both fee-for-service and Managed Care spending variances (Note: Under the 2005 Local Medicaid Cap statute, the State is responsible for covering local costs of Medicaid that exceed the annual cap).
- ▶ **Higher Other State Agency Offset Transfers:** Medicaid spending by other State agencies is \$20 million below projections through December. This spending is processed by the Department of Health and subsequently offset by transfers from the other agency budgets. An office of Mental Health (OMH) transfer of \$102 million planned for in January was processed in December, resulting in reduced spending, this spending will correct in January.
- ▶ **Lower Medicaid Administration Costs:** Spending through December is below projected levels by \$41 million.
- ▶ **Lower Medicaid Audits:** Through December, spending offsets realized from Medicaid audit recoveries are on target.



Accounts Receivable

The Department of Health has approximately 80 different rate adjustment packages to process in SFY 2012. Many of these rate packages have retroactive impacts (meaning they adjust rates for prior periods). With a few exceptions (those pertaining to mental hygiene programs not subject to the Medicaid Global Spending Cap), these rates are all included in the Medicaid Global Spending Cap calculation and the impacts they will have on the State's Financial Plan are important to note. When the State makes payment on these rate packages, all adjustments with a positive impact get paid to providers on the date of the transaction. For those providers with a rate decrease, the State's policy has been to collect these funds back by intercepting a portion of future payments over time. This avoids creating an undue hardship on the provider.

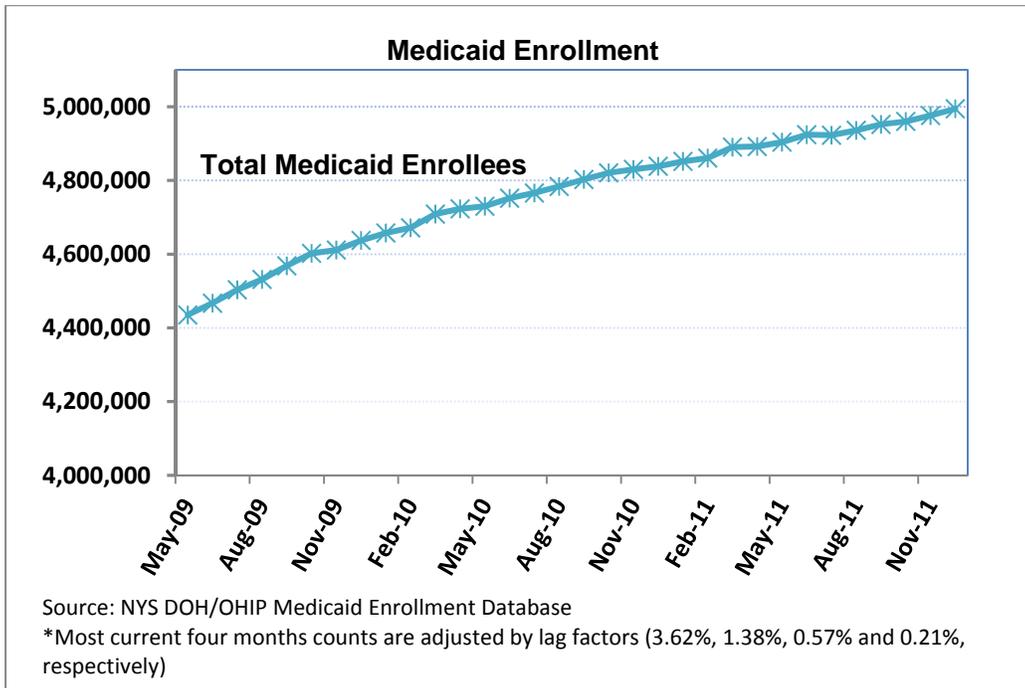
The accounts receivable for retroactive rates owed to the State as of December 2011 is \$540 million. The State is expecting the balance to peak at over \$700 million in January 2012, with the activation of different rate adjustment packages to process, and begin to decline in the following months. It 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 sent out letters to the hospitals, nursing homes, and home care providers asking for voluntary payment of outstanding liabilities as a means to avoid interest costs to the extent they have funds available. We will closely monitor these balances throughout the remainder of the fiscal year.

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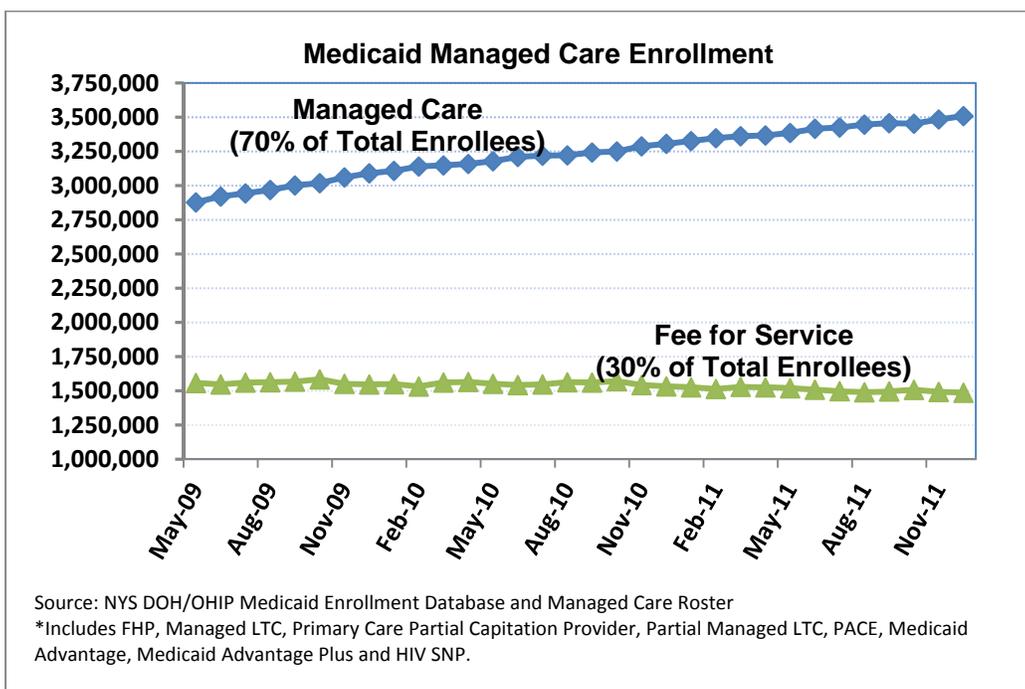


Enrollment

Medicaid enrollment reached 4,994,413 enrollees at the end of December 2011. This reflects an increase of 104,000 enrollees, or 2.1%, since April 2011.



Medicaid Managed Care enrollment in December 2011 (includes FHP and Managed LTC and excludes CHP) reached 3,508,113 enrollees, an increase of 147,000 enrollees or 4.4% since April 2011.





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 chart shows actual spending for April through December 2011 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 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;
- ▶ The 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.

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