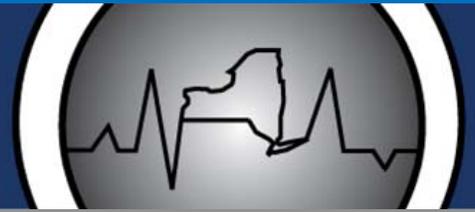


Redesigning
THE MEDICAID PROGRAM



Medicaid Global Spending Cap
June 2011 Report

BACKGROUND

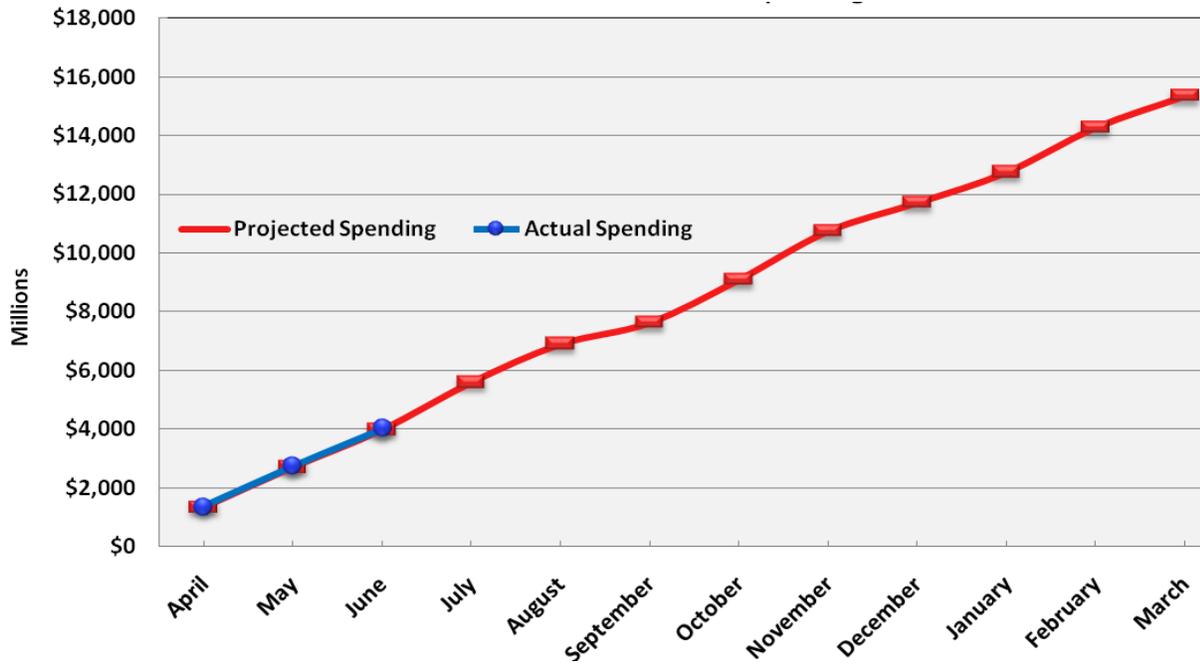
The Department of Health and Division of Budget are required to report on a monthly basis, under Chapter 59 of the Laws of 2011, Medicaid spending compared to projected State fund expenditures. The chart below depicts the monthly estimate for the \$15.3 billion cap and actual spending for the first quarter of SFY 2011-12.

JUNE 2011 RESULTS – FISCAL NOTES

Total Medicaid State fund expenditures under the global spending cap for the first quarter of SFY 2011-12 are \$18.8 million **above** projections, or 0.5%. Cumulative spending for the months April through June resulted in total expenditures of \$3.999 billion compared to the estimate of \$3.980 billion. It is important to note, however, that the Department continues to see growth in enrollment in the Medicaid program. Since April 2011, enrollment in the Medicaid program has grown by nearly 48,000 enrollees (or 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.

Based on April through June performance, State spending appears to be on target, however 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. It is also important to note that there will be a series of significant retroactive rate adjustments impacting ensuing months spending for Nursing Homes, Hospitals, and Managed Care plans. Accordingly, stakeholders and other interested parties should be *cautious* in making far reaching judgments and/or conclusions based on three month's activity.

GLOBAL CAP SFY 2011-12 TOTAL MEDICAID STATE SPENDING



JUNE SFY 2011-12 STATISTICS

Category of Service	Medicaid Spending (Thousands)		
	Estimated	Actual	Variance
Inpatient	\$583,304	\$564,649	(\$18,655)
Outpatient/Emergency Room	\$104,001	\$90,507	(\$13,493)
Clinic	\$108,000	\$115,869	\$7,869
Nursing Homes	\$736,458	\$741,307	\$4,849
Other Long Term Care	\$530,254	\$525,190	(\$5,064)
Medicaid Managed Care	\$917,001	\$924,592	\$7,592
Family Health Plus	\$177,308	\$196,591	\$19,283
Non-Institutional / Other	\$922,107	\$936,104	\$13,996
Cash Audits	(\$98,137)	(\$95,734)	\$2,403
TOTAL *	\$3,980,296	\$3,999,076	\$18,781

VARIANCE HIGHLIGHTS

- ✓ **Lower Fee for Service Spending:** Through June, Medicaid spending in major fee-for-service categories was \$10.5 million lower than projected, this includes:
 - Inpatient hospital spending was \$18.6 million below the target estimate, or 3.2%. Year-to-year the Inpatient sector has experienced a decrease in the number of Medicaid claims billed (2.43%) and a decrease in payments per claim (1.31%). The decrease in claims may be explained by more fee-for-service recipients enrolling in Managed Care programs.
 - Outpatient Emergency Room spending was \$13.5 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, 3.24%, and a decrease in payments per claim, 6.24%.
 - Total expenditures for non-hospital clinics are \$7.9 million above target estimates, driven primarily by an increase in the individuals served (2.02%).
 - Nursing Homes spending is in line with the global cap estimates through the first quarter of SFY 2011-12. Individuals served are down 2.5% from the previous year, but there appears to be an increase in length of stay. The Department has processed the rebasing and mitigation payments on schedule, with these expenditures impacting the financial plan in July.
 - Other Long Term Care services, which include Home Care, Personal Care, and the Assisted Living program remain in balance with the financial forecast with the exception of Home Care. Home Care spending continues to grow at an unsustainable rate. Compared to the first quarter of SFY 2010-11, the cost per recipient has been unabated, growing at over 10% per recipient. DOH will be developing regional/provider analysis to determine where this growth is occurring.
 - State fund expenditures for Non-Institutional/Other services, such as Pharmacy, Dental, Transportation, etc., were in balance with the financial forecast; spending was \$1.2 million above target estimates.
- ✓ **Higher Medicaid Managed Care Spending:** Managed Care spending is over budget by \$7.6 million primarily due to higher than anticipated enrollment. It should be noted that anticipated premium increases have yet to be processed and therefore not reflected in these expenditures to date.
- ✓ **Higher Family Health Plus Spending:** Increased spending of \$19.3 million is also due to higher than anticipated enrollment. The program is currently serving approximately 18,000 more members than the first quarter of 2010-11. Furthermore, similar to managed care, premium increases have yet to be realized.
- ✓ **Medicaid Audit Offsets:** Through June, the spending offsets anticipated from Medicaid audit recoveries are consistent with projected levels. This reflects progress made in June in addressing the previously reported variances due to the timing of deposits.
- ✓ **Lower Federal Medical Assistance Payments:** Enhanced Federal share payments benefits are \$45 million below projections through June. A portion of this variance is attributed to the receipt of the anticipated benefit through lower payments in other service categories.

- ✓ **Higher 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 exceed projections by \$27 million (\$2 million under spending for June). 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 \$37.2 million above projections through June. This spending is processed by the Department of Health and subsequently offset by transfers from the other agencies budgets. This rate of overspending appears to be timing related and, as such, should not be material in the annual spending context.