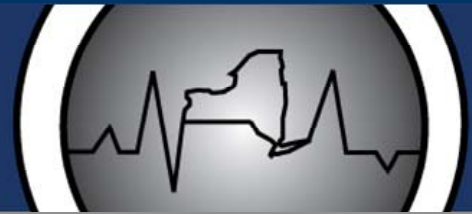


**Redesigning**  
THE MEDICAID PROGRAM



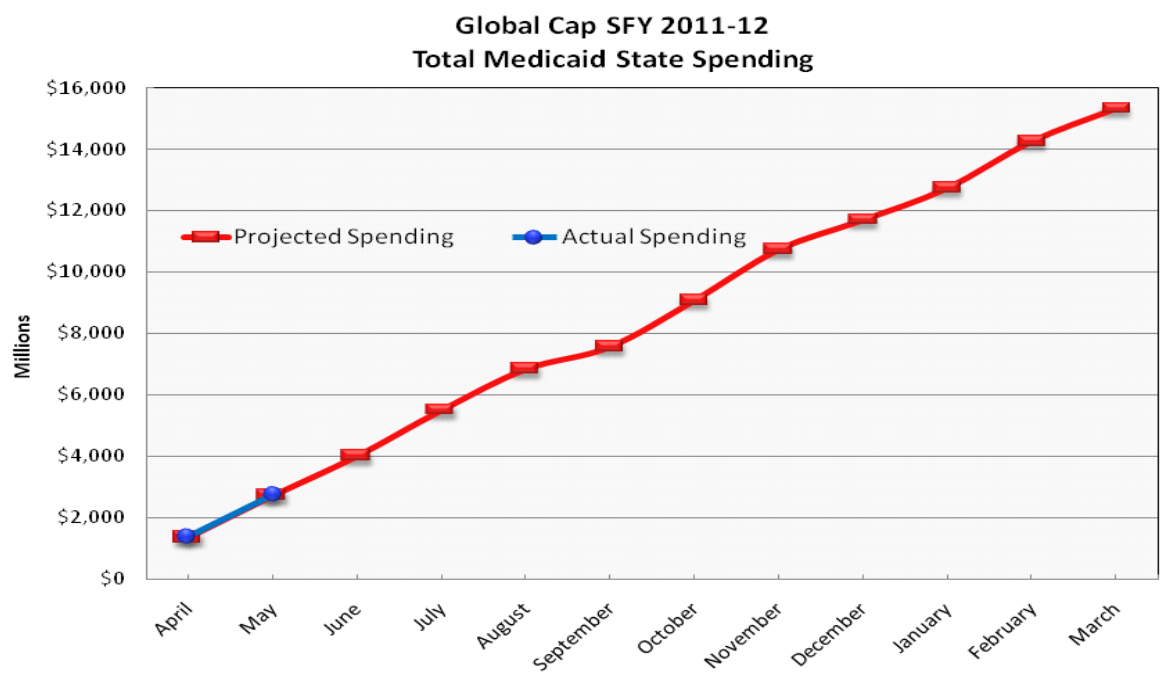
**Medicaid Global Spending Cap**  
*May 2011 Report*

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 April and May.

## RESULTS THROUGH MAY – FISCAL NOTES

Cumulative spending for the months of April and May resulted in total expenditures of \$2.736 billion compared to the estimate of \$2.705 billion. The \$31.1 million difference represents 1.1 percent excess above the Global cap Medicaid State fund expenditure projections for this two month period.

Based on April and May 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 both Nursing Homes and Hospitals. Accordingly, stakeholders and other interested parties should be *cautious* in making far reaching judgments and/or conclusions based on two month's activity.





### SFY 2011-12 Statistics Through May

Category of Service	Medicaid Spending (Thousands)		
	Estimated	Actual	Variance
Inpatient	\$381,742	\$362,305	(\$19,437)
Outpatient/Emergency Room	\$66,799	\$56,450	(\$10,348)
Clinic	\$73,205	\$77,079	\$3,874
Nursing Homes	\$487,951	\$464,588	(\$23,363)
Other Long Term Care	\$341,707	\$339,179	(\$2,527)
Medicaid Managed Care	\$637,927	\$611,553	(\$26,374)
Family Health Plus	\$125,528	\$124,203	(\$1,325)
Non-Institutional / Other	\$645,033	\$703,939	\$58,906
Cash Audits	(\$54,950)	(\$3,273)	\$51,677
<b>TOTAL</b>	<b>\$2,704,941</b>	<b>\$2,736,024</b>	<b>\$31,083</b>

## VARIANCE HIGHLIGHTS

- ▶ **Lower Fee-for-Service Spending:** Through May, Medicaid spending in major fee-for-service categories was \$75.2 million lower than projected, this includes:
  - ✓ *Inpatient hospital spending was \$19.4 million below the target estimate, or 5.1%. Year-to-year the Inpatient sector has experienced a decrease in the number of Medicaid claims billed (2.57%) and a decrease in payments per claim (2.58%). The decrease in claims may be explained by more fee for service recipients enrolling in Managed Care programs.*
  - ✓ *Outpatient Clinic and Emergency Room spending was \$6.5 million below estimates, a result of lower than expected utilization trends. Both the Outpatient Clinic and Emergency Room sectors have seen a year-to-year decrease in claims, 5.2% and 4.9% respectively.*
  - ✓ *Actual nursing home spending during the first two months of SFY 11-12 is flat compared to the same period of the prior year. The fiscal projection assumed a slight increase in utilization (patients served), however, actual utilization declined slightly by 2%. The Department has also processed the retroactive (back to April 1, 2009) nursing home rebasing rates and remediation payments, which will have an impact on June spending. The Department will closely monitor the impact of these significant transactions on June spending and its impact on overall spending for the first quarter of SFY 2011-12.*
  - ✓ *Non-Institutional Long Term Care services, which include Home Care, Personal Care, and the Assisted Living program remain in balance with the financial forecast.*
  - ✓ *State fund expenditures for Non-institutional services, such as Pharmacy, Dental, Transportation, etc., were \$5.5 million below estimates. This, in large part, reflects lower than expected Medicare Part D clawback payments in the month of May (-\$17 million). Clawback payments are mandatory State payments to the federal government to help finance the Medicare Part D benefit for dual eligibles.*

## VARIANCE HIGHLIGHTS (continued)

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- ▶ ***Lower Medicaid Managed Care Spending:*** The Managed Care variance of \$27.7 million (including Family Health Plus) reflects the delay in expected premium increases that will not materialize until all necessary approvals are secured, which is anticipated at the earliest in July 2011.
- ▶ ***Lower Medicaid Audit Offset Revenues:*** Through May, the spending offsets anticipated from Medicaid audit recoveries are \$52 million below projected levels. The majority of this variance, \$30 million, is associated with the timing of deposits and, as such, should not be material in an annual spending context.
- ▶ ***Lower Federal Medical Assistance Payments:*** Enhanced Federal share payment benefits are \$41M below projections through May. These results are consistent with lower than projected service billing through the first two months. However, the variances in these collections appear to be timing related and, as such, should not be material in an annual spending context.
- ▶ ***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 \$29 million (\$3 million for May). These Local Medicaid Cap costs are related to both fee-for-service and managed care spending and monthly spending variances 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 \$16 million above projections through May. 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 an annual spending context.