

Redesigning
THE MEDICAID PROGRAM



Medicaid Global Spending Cap
November 2011 Report



Redesigning

THE MEDICAID PROGRAM



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 November and projected monthly spending for the remainder of the state fiscal year.

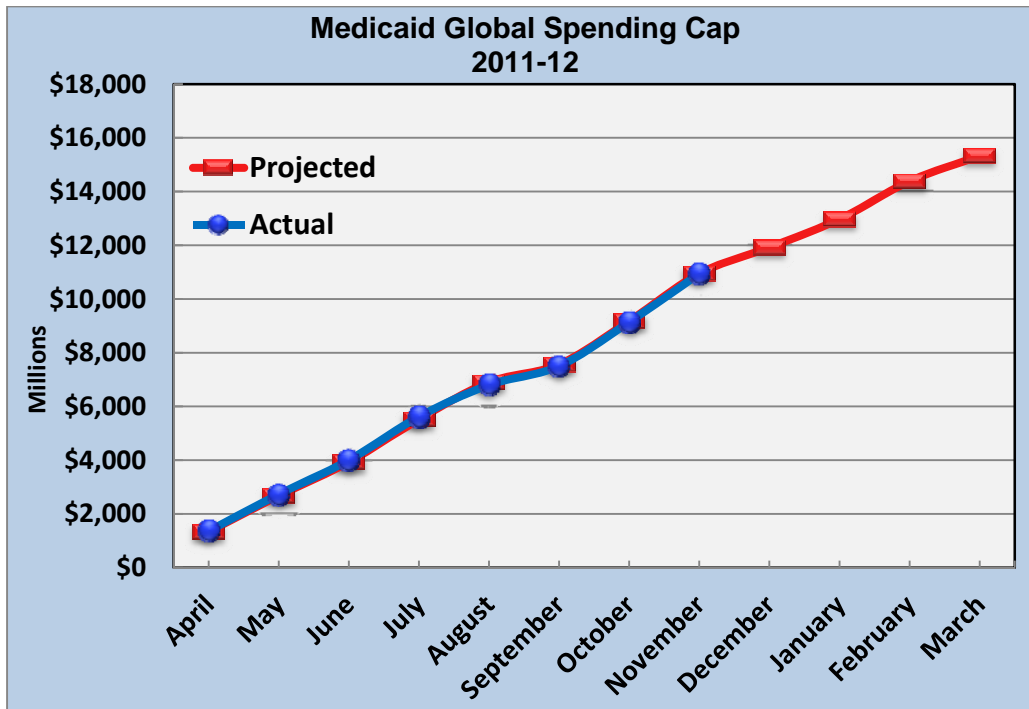
Results through November 2011 - Summary

Total State Medicaid expenditures under the Medicaid Global Spending Cap through November of SFY 2011-12 are \$4.4 million or less than 0.1% **below** projections. While actual spending is very close to the global cap amount to date, the Department is working closely with the provider associations to monitor the State's cash situation and is implementing a plan to reduce accounts receivable balances. Furthermore, the Department believes that pharmacy rebate collections in future months will exceed projections, therefore further mitigating pressure on the global cap.

Cumulative spending for the months April through November resulted in total expenditures of \$10.94 billion compared to the projection of \$10.95 billion. Since April 2011, enrollment in the Medicaid program has grown by nearly 94,100 enrollees (or 1.9%), 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 third 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.

Redesigning THE MEDICAID PROGRAM



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

Category of Service	Estimated	Actual	Variance
Inpatient	\$1,403,283	\$1,411,325	\$8,042
Outpatient/Emergency Room	\$234,684	\$213,627	(\$21,057)
Clinic	\$218,329	\$221,190	\$2,860
Nursing Homes	\$2,157,230	\$2,123,981	(\$33,249)
Other Long Term Care	\$1,323,531	\$1,234,603	(\$88,928)
Medicaid Managed Care	\$2,485,493	\$2,532,917	\$47,424
Family Health Plus	\$487,066	\$530,172	\$43,105
Non-Institutional / Other	\$2,858,504	\$2,845,161	(\$13,343)
Cash Audits	(\$222,804)	(\$172,085)	\$50,719
TOTAL	\$10,945,316	\$10,940,890	(\$4,426)

Redesigning THE MEDICAID PROGRAM



Results through November - Variance Highlights

- ▶ **Lower Fee-for-Service Spending:** Through November, Medicaid spending in major fee-for-service categories is \$268 million below projections as follows:
 - *Inpatient* hospital spending is \$8 million over the estimate due to an overpayment in November (to be recovered by the end of the fiscal year) offset by a continuing decrease in the number of claims projected to the actual claims billed, consistent with providing services in more appropriate settings, and the migration of recipients to Medicaid Managed Care.
 - *Outpatient/Emergency Room* spending is \$21 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, 7.4%, and a decrease in the number of claims billed, 1.4%. The utilization drops reflect the migration of recipients to Medicaid Managed Care.
 - *Clinic* spending is \$3 million above estimates and is primarily driven by an increase in individuals served.
 - *Nursing Home* spending is \$33 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 \$89 million below projections. The variance is primarily attributable to lower than projected spending in Personal Care (\$32 million), Home Health (\$42 million), and Home Nursing (\$15 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 \$136 million below estimates. This variance is primarily due to lower Supplemental Medical Insurance (\$67 million) and Pharmacy spending (\$51 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 November is \$47 million above projections due to higher than anticipated enrollment.
- ▶ **Higher Family Health Plus Spending:** Through November, Family Health Plus spending is \$43 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 November. 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.

Redesigning

THE MEDICAID PROGRAM



- ▶ **Higher Local Medicaid Cap Costs:** To date, Local Medicaid Cap expenditures are above projected levels by \$82 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). November spending is related to several factors, including the timing of certain HMO retroactive rate payments and a delay in October Managed Care roster claims, subsequently billed during November. As such, this spending is not anticipated to be predictive of future periods. Furthermore, any overspending in State share services will generally result in additional State costs above the local Medicaid contribution.
- ▶ **Lower Other State Agency Offset Transfers:** Medicaid spending by other State agencies is running \$134 million above projections through November. This spending is processed by the Department of Health and subsequently offset by transfers from the other agency budgets.
- ▶ **Medicaid Administration Costs:** Spending through November is below projected levels by \$41 million.
- ▶ **Lower Medicaid Audits:** Through November, spending offsets realized from Medicaid audit recoveries are \$51 million below projected levels, which results in higher spending. A portion of these recoveries are expected to be received by year end.

Redesigning

THE MEDICAID PROGRAM



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.

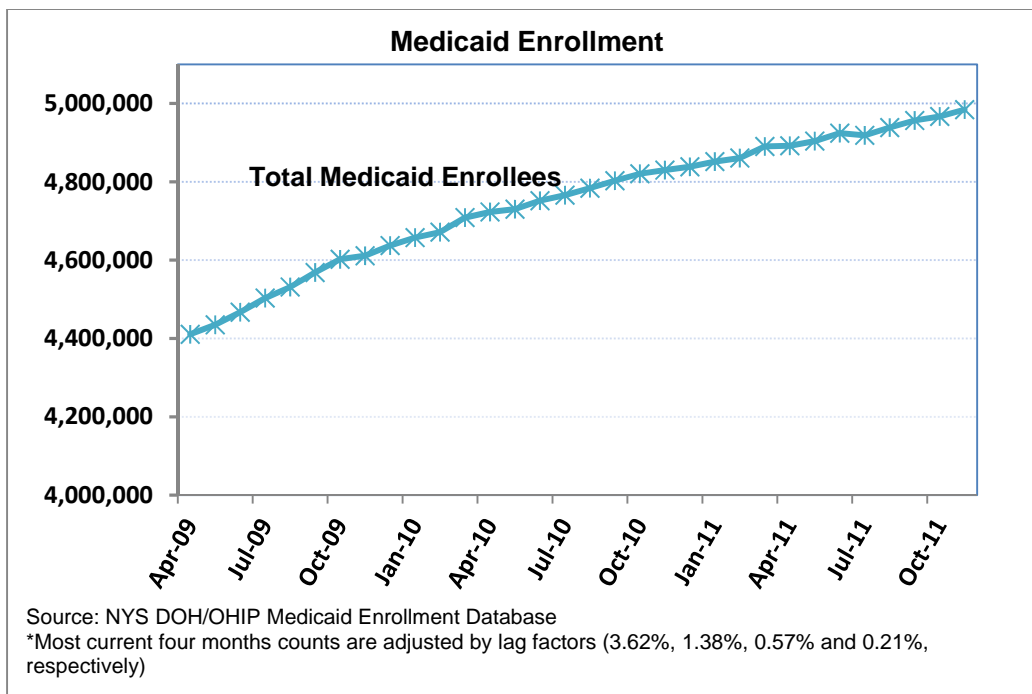
The accounts receivable for retroactive rates owed to the State as of November 2011 is \$540 million. The State is expecting the balance to peak at over \$700 million in January 2012, with the activation of different rate adjustment packages to process, and begin to decline in the following months. It 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 will closely monitor these balances throughout the remainder of the fiscal year.

Redesigning THE MEDICAID PROGRAM

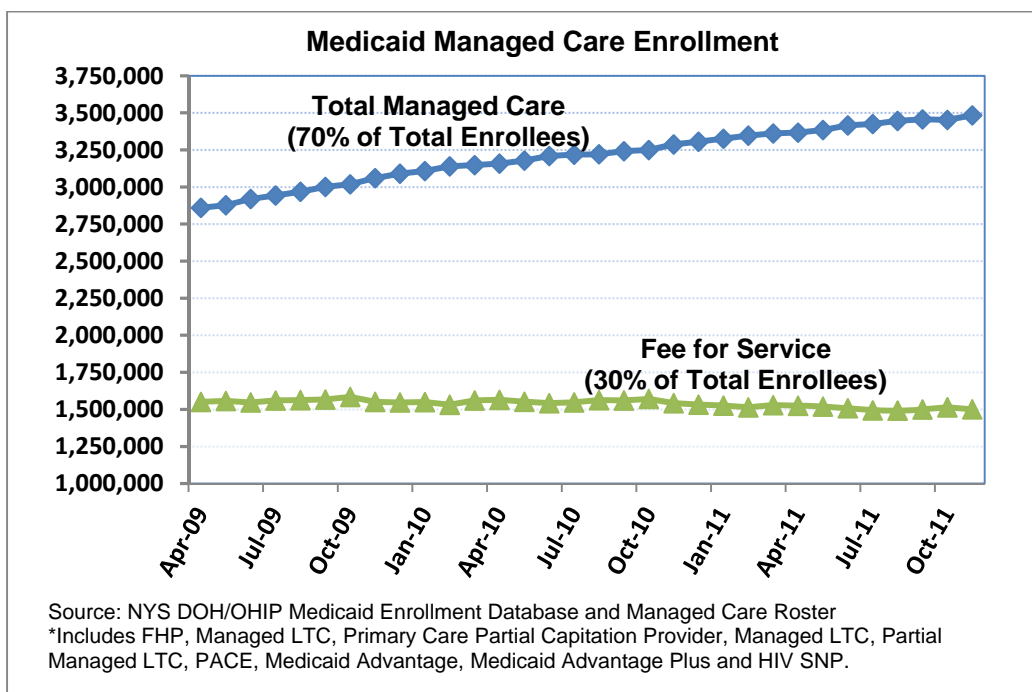


Enrollment

Medicaid enrollment reached 4,984,434 enrollees at the end of November 2011. This reflects an increase of 94,100 enrollees, or 1.9%, since April 2011.



Medicaid Managed Care enrollment in November 2011 (includes FHP and Managed LTC and excludes CHP) reached 3,483,677 enrollees, an increase of 122,000 enrollees or 3.5% since April 2011.



Redesigning THE MEDICAID PROGRAM



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 November 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.

Detailed monthly spending projections can be found on the Department of Health's website at:
http://www.health.ny.gov/health_care/medicaid/regulations/global_cap/