

Redesigning

THE MEDICAID PROGRAM



Medicaid Global Spending Cap

June 2012 Report





Results through June 2012 - Summary

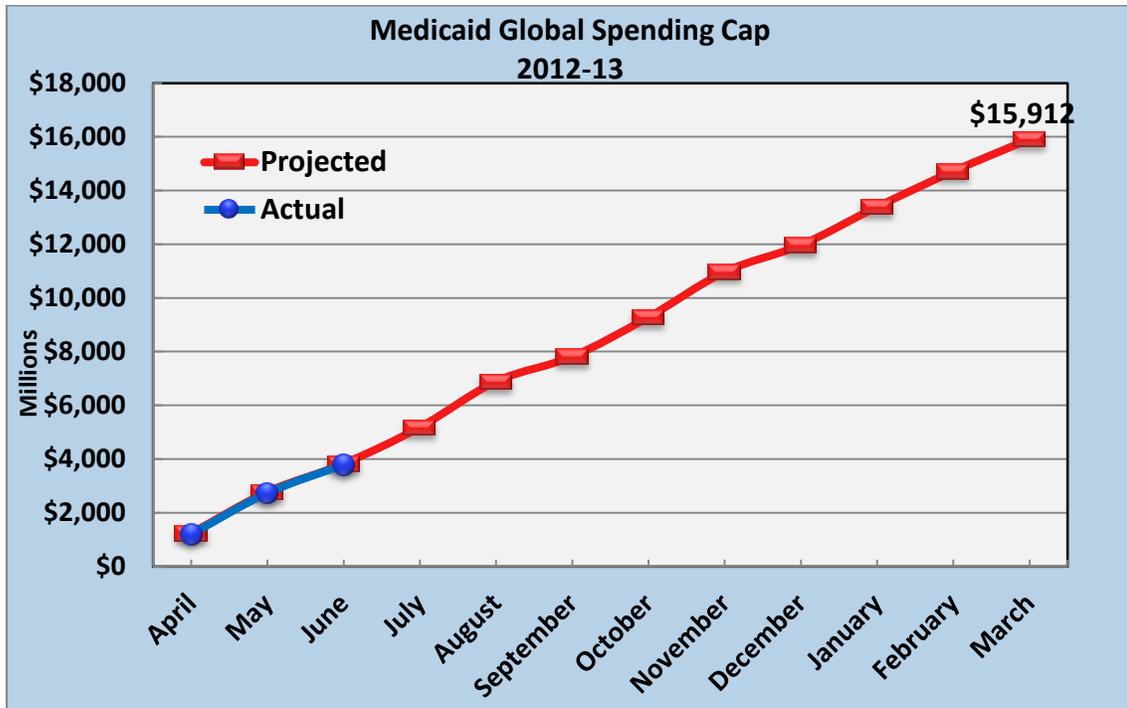
Total State Medicaid expenditures under the Medicaid Global Spending Cap for SFY 2012-13 through June are \$40 million or 1% **below** projections. Spending through June resulted in total expenditures of \$3.78 billion compared to the projection of \$3.82 billion. It should be noted that Medicaid spending 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, as well as the implementation of new Medicaid Redesign Team measures. The State will continue to monitor spending and enrollment trends very closely each month.

In the April Report, DOH and DOB provided an explanation of the \$600 million forecasted growth in the program. The components of the growth are:

- Price increases primarily driven by fee-for-service rate increases (some still awaiting CMS approval) and Medicaid Managed Care/Family Health Plus premium increases which will be implemented throughout the year (+\$363 million);
- Enrollment growth will increase between 90,000 to 120,000 recipients over last year (+\$433 million);
- One-time actions from the prior fiscal year that impact year-to-year growth (i.e., loss of enhanced FMAP and 53rd Medicaid weekly cycle) (+\$192 million); offset by,
- Accounts receivable balance (amount owed from providers for rate reductions implemented last year) will be reduced nearly in half (-\$259 million); and lastly,
- MRT Phase I savings will annualize and new MRT Phase II initiatives will be implemented (-\$129 million).

The DOH and DOB will be conducting a webinar in August to discuss the details of the Global Spending Cap projection model. In addition, a detailed analysis and profile of the new individuals that enrolled in the Medicaid program in 2011-12 will be provided. In addition, DOH and DOB are collaborating on making refinements to the enrollment projection model to better gauge the accuracy of the enrollment forecasts, currently estimated at an additional 90,000 to 120,000 recipients.

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Medicaid Spending June 2012 (dollars in millions)			
Category of Service	Estimated	Actual	Variance
Total Fee For Service	\$2,993	\$2,929	(\$65)
Inpatient	\$808	\$800	(\$8)
Outpatient/Emergency Room	\$139	\$135	(\$4)
Clinic	\$173	\$176	\$3
Nursing Homes	\$861	\$846	(\$14)
Other Long Term Care	\$490	\$485	(\$5)
Non-Institutional	\$522	\$486	(\$36)
Medicaid Managed Care	\$2,200	\$2,199	(\$2)
Family Health Plus	\$232	\$235	\$3
Medicaid Administration Costs	\$71	\$70	(\$1)
Medicaid Audits	(\$53)	(\$20)	\$33
All Other	\$197	\$188	(\$9)
Local Funding Offset	(\$1,819)	(\$1,819)	\$0
TOTAL	\$3,821	\$3,781	(\$40)



Results through June - Variance Highlights

- ▶ **Lower Fee-for-Service Spending:** Through June, Medicaid spending in major fee-for-service categories is \$65 million below projections as follows:
 - *Inpatient* hospital spending is on target.
 - *Outpatient/Emergency Room* spending is on target.
 - *Clinic* spending is \$3 million above estimates. The overspending is associated with higher than expected claims billed, slightly offset by a lower rate per claim.
 - *Nursing Home* spending is \$14 million below projections due to lower than projected utilization.
 - *Other Long Term Care* services spending, which includes personal care, home health, home nursing, and the assisted living programs, is \$5 million below projections. The variance is primarily attributable to higher than projected spending in Personal Care (\$21 million) offset by lower than projected spending in Home Health (\$21 million), Home Nursing (\$4 million) and Assisted Living (\$1 million).

New York City HRA has informed the Department that a new claims auditing procedure was instituted in 2011-12. This new procedure resulted in some claims being rolled from 2011-12 into the current year which is driving the spending above target within the Personal Care program. The Department and HRA, however, are also working on completing a closeout audit of previous year rates dating back to 2008 (required under the reimbursement rules of this program) which is expected to generate recoveries that will offset the deficit within this category.

For Home Health and Home Nursing, the spending below target (\$25 million) is primarily the result of a delay in billing patterns in June as a result of the implementation of the episodic payment system effective May 1st.

- *Non-Institutional* fee-for-service spending (includes pharmacy, transportation, supplemental medical insurance, etc.) is \$36 million below target estimates. The variance is primarily due to lower than projected spending in pharmacy, dental, early intervention, and medical supplies; a result of lower than projected utilization resulting from services shifting into Managed Care plans.
- ▶ **Higher Medicaid Managed Care Spending:** Total spending through June is on target with projections.
- ▶ **Higher Family Health Plus Spending:** Through June, Family Health Plus spending is on target with estimates.
- ▶ **Medicaid Administration Costs:** Through June, Medicaid Administration spending is on target.
- ▶ **Other State Agency (OSA) Spending:** Medicaid spending by Other State Agencies (OSA) is running \$40 million below projections through June. State share spending is processed by the Department of Health and subsequently transferred from the other agency budgets. The local share of these services is funded principally by counties and NYC and to the extent costs exceed the capped local contribution, funding is through the Department of Health. These services include programs administered through the Office for People with Developmental Disabilities, the Office of Mental Health, the Office of Children and Family Services and the Office of Alcoholism and Substance Abuse Services.

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- ▶ **Medicaid Audits:** Through June, the spending offsets anticipated from Medicaid audit recoveries are \$33 million below projected levels. This variance may be due to the timing of collections. It is important to note that in July, a national settlement was reached between 43 states (including New York), the District of Columbia and the Federal government regarding GlaxoSmithKline's engagement in various illegal schemes connected to the marketing and pricing of drugs it manufactures. As a result, New York will receive over \$146 million in recoveries of which approximately one-half is owed to the Federal Government. The timing of the receipt of these funds is not yet finalized but will be reported on when the funds are realized.

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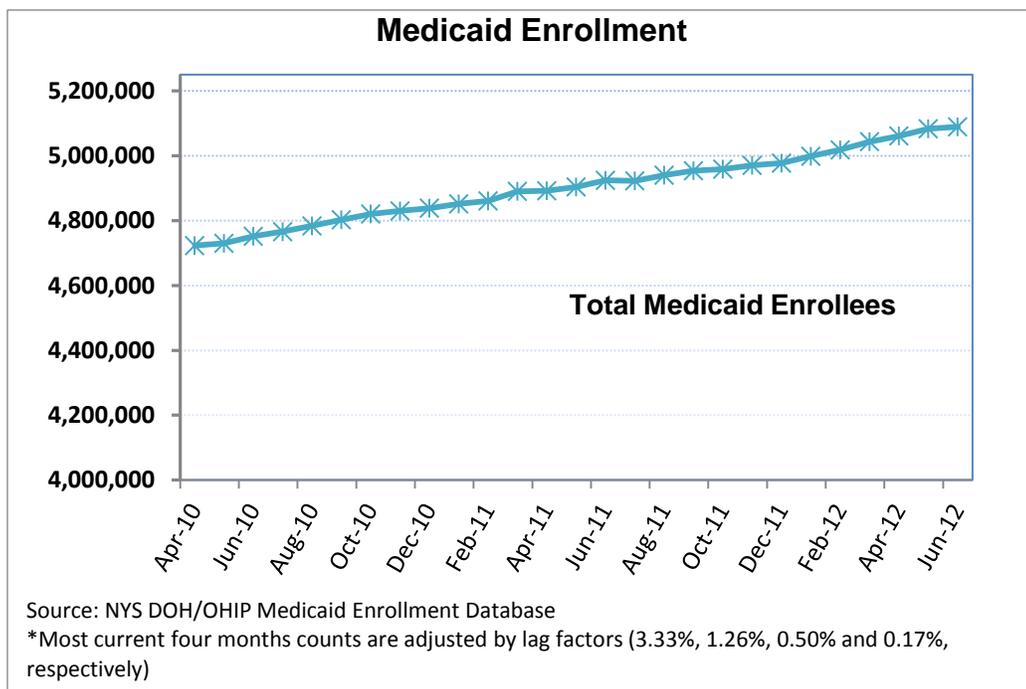


Accounts Receivable

The accounts receivable balance for retroactive rates owed to the State through the end of June is \$444 million. This reflects \$131 million of recoupments through June. 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 plans to continue to work collectively with the hospitals, nursing homes, and home care providers asking for voluntary payment of outstanding liabilities as a means to avoid interest costs and help mitigate the adverse impact of outstanding receivable balances on the Medicaid Global Spending Cap. The Department will closely monitor the accounts receivable balances each month.

Enrollment

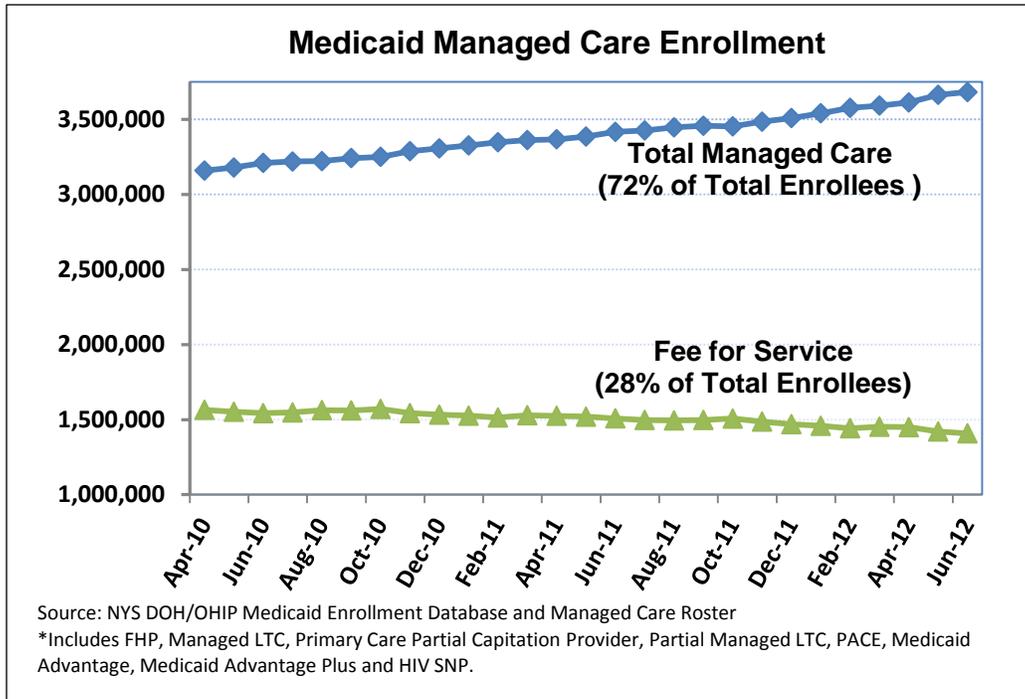
Medicaid enrollment reached 5,089,162 enrollees at the end of June 2012. This reflects an increase of roughly 46,000 enrollees, or 0.9%, since March 2012. Beginning in November, Medicaid coverage expanded for children under the age of 19 whose family income did not exceed 133 percent of the Federal Poverty Level. This accounts for nearly 22,000 of the 46,000 new enrollees. Importantly, the Federal government ensures that these children who were previously enrolled in the Child Health Plus (CHP) program will continue to be funded through CHP, and as such, will not incur additional costs under the Medicaid Global Spending Cap.



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Medicaid Managed Care enrollment in June 2012 (includes FHP and Managed LTC and excludes CHP) reached 3,680,780 enrollees, an increase of almost 90,000 enrollees, or 2.5%, since March 2012.



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 link shows provider spending that occurs within the Medicaid claiming system (eMedNY) through June 2012 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 2011-12 adjusted for one-time spending that is not expected to recur in SFY 2012-13;
- ▶ Anticipated increases in health care prices and estimated changes in service utilization in SFY 2012-13; and
- ▶ The achievement of savings generated from the annualization of MRT Phase I actions as well as new Phase II actions over time.