

Redesigning
THE MEDICAID PROGRAM

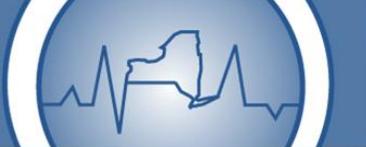


Medicaid Global Spending Cap

October 2012 Report



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Total State Medicaid expenditures under the Medicaid Global Spending Cap for SFY 2012-13 through October are \$35 million or 0.4% **below** projections. Spending through October resulted in total expenditures of \$9.16 billion compared to the projection of \$9.2 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.

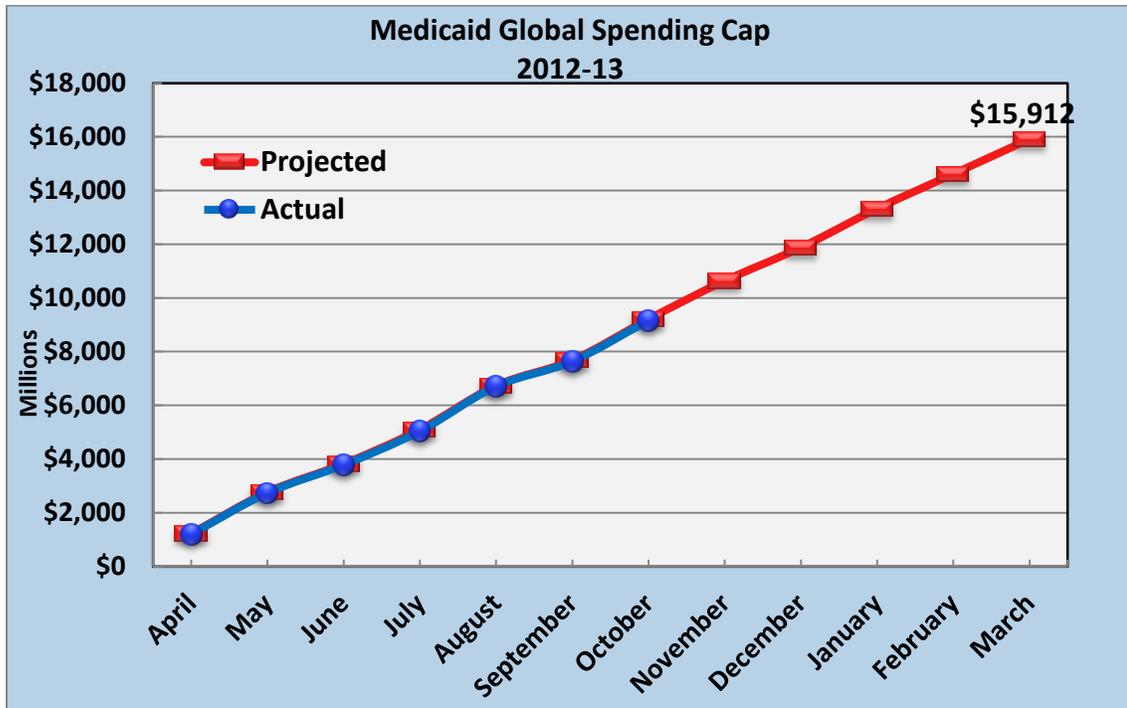
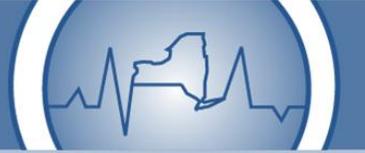
In the April Report, DOH and DOB provided an explanation of the \$600 million forecasted growth in the program. The components of the growth are:

- 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).

Hurricane Sandy Update

In late October, Hurricane Sandy battered New York City, Long Island, and other downstate counties. According to reports per NYS Office of Emergency Management and NYC Disaster Management staff, there were over 150 agencies and providers that were either closed or significantly impacted by the storm surge. In order to provide immediate cash relief to the impacted providers, the State submitted a request to relax administrative and oversight requirements to assure access to services could be adequately accommodated in the aftermath of the storm. In addition, on November 9th the State submitted an 1115 waiver to request \$427 million in storm relief assistance to CMS. More recently, the Department in conjunction with OMH, OWPDD, and OASAS released an impact survey to providers and is seeking responses to the survey by December 14th. The Department continues its active discussion to secure these funds and will provide additional information as it becomes available.

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Medicaid Spending October 2012 (dollars in millions)			
Category of Service	Estimated	Actual	Variance
Total Fee For Service	\$6,790	\$6,767	(\$23)
Inpatient	\$1,872	\$1,849	(\$23)
Outpatient/Emergency Room	\$330	\$311	(\$19)
Clinic	\$372	\$394	\$22
Nursing Homes	\$2,032	\$2,009	(\$24)
Other Long Term Care	\$1,120	\$1,130	\$9
Non-Institutional	\$1,064	\$1,075	\$11
Medicaid Managed Care	\$5,403	\$5,416	\$13
Family Health Plus	\$551	\$550	(\$1)
Medicaid Administration Costs	\$319	\$285	(\$35)
Medicaid Audits	(\$184)	(\$164)	\$20
All Other	\$650	\$641	(\$9)
Local Funding Offset	(\$4,337)	(\$4,337)	\$0
TOTAL	\$9,192	\$9,157	(\$35)

Results through October - Variance Highlights

- ▶ **Lower Fee-for-Service Spending:** Through October, Medicaid spending in major fee-for-service categories is \$23 million below projections as follows:
 - *Inpatient* hospital spending is \$23 million below projections, a result of lower than projected payment rates and retroactive claim payments. Although utilization is on target with projections, billing for Inpatient services that, in general, have higher payment rates are down, whereas Graduate Medical Education (GME) claims related to Medicaid Managed Care recipients are up. GME rates of payment tend to be lower than case payment rates. Also, not all retroactive claim payments that were expected to process have been paid yet.
 - *Outpatient/Emergency Room* spending is \$19 million below estimates which reflects a lower average payment per claim than anticipated. The largest payment per claim variances are on Ambulatory Surgery claims and Outpatient episode payment claims.
 - *Clinic* spending is \$22 million above estimates. The overspending is associated with higher than expected claims billed. Utilization was expected to decline by 3 percent, but through October claims have increased by 5 percent.
 - *Nursing Home* spending is \$24 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 \$9 million above projections. The variance is attributable to lower than projected spending in Home Health (\$91 million), Home Nursing (\$28 million) and Assisted Living (\$2 million) offset by higher than projected spending in Personal Care (\$130 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 contributing to spending above target within the Personal Care category. The Department and HRA are 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 a portion of the deficit within this category.

For Home Health and Home Nursing, the spending below target (\$119 million) continues to be impacted by a delay in billing as a result of the implementation of the episodic payment system. Episodic pricing commenced May 1, 2012, and through October approximately 90% of Home Health agencies are now submitting claims, but spending continues to reflect the difference in provider billing patterns that result from the episodic billing for a 60 day period versus the prior consistent weekly billing of hourly and per visit claims.



- *Non-Institutional* fee-for-service spending (includes pharmacy, transportation, supplemental medical insurance, etc.) is \$11 million above estimates. The variance is primarily due to spending in Transportation. Claims billed are 4.5 percent higher than anticipated.

- ▶ **Medicaid Managed Care Spending:** Through October, Medicaid Managed Care spending is on target with projections.

- ▶ **Family Health Plus Spending:** Through October, Family Health Plus spending is on target with projections.

- ▶ **Medicaid Administration Costs:** Through October, local district Medicaid Administration spending is \$35 million below projections. This surplus is consistent with efforts undertaken by the State to take over the Medicaid Administration program from localities. The 2012-13 Enacted Budget capped local administrative costs at the 2011-12 levels and initiated a State phased-in take-over of administrative functions, such as processing of Family Planning Benefit Program applications, transportation management, and other tasks that were previously executed by local districts and counties. The State recently expanded enrollment center renewal processing in six additional counties.

- ▶ **Medicaid Audits:** Through October, the spending offsets anticipated from Medicaid audit recoveries are \$20 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.

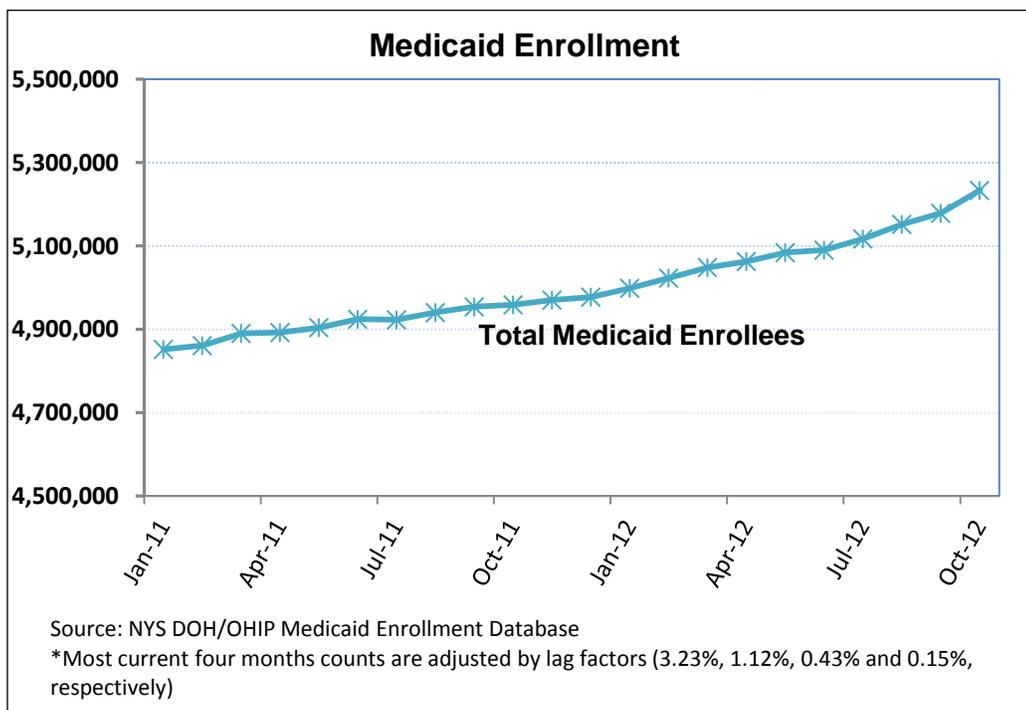
- ▶ **Other State Agency (OSA) Spending:** Medicaid spending by Other State Agencies (OSA) is running \$46 million below projections through October. The variance is primarily attributable to lower than projected spending in the Office for People with Developmental Disabilities which is associated with the processing of certain retroactive rate packages (\$43 million). However, this under spending is offset by an increase in the account receivable balance which will be recouped over subsequent months (\$3 million net under spending through October). 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.

Accounts Receivable

The accounts receivable balance for retroactive rates owed to the State through the end of October is \$424 million. This reflects \$154 million of recoupments through October. 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

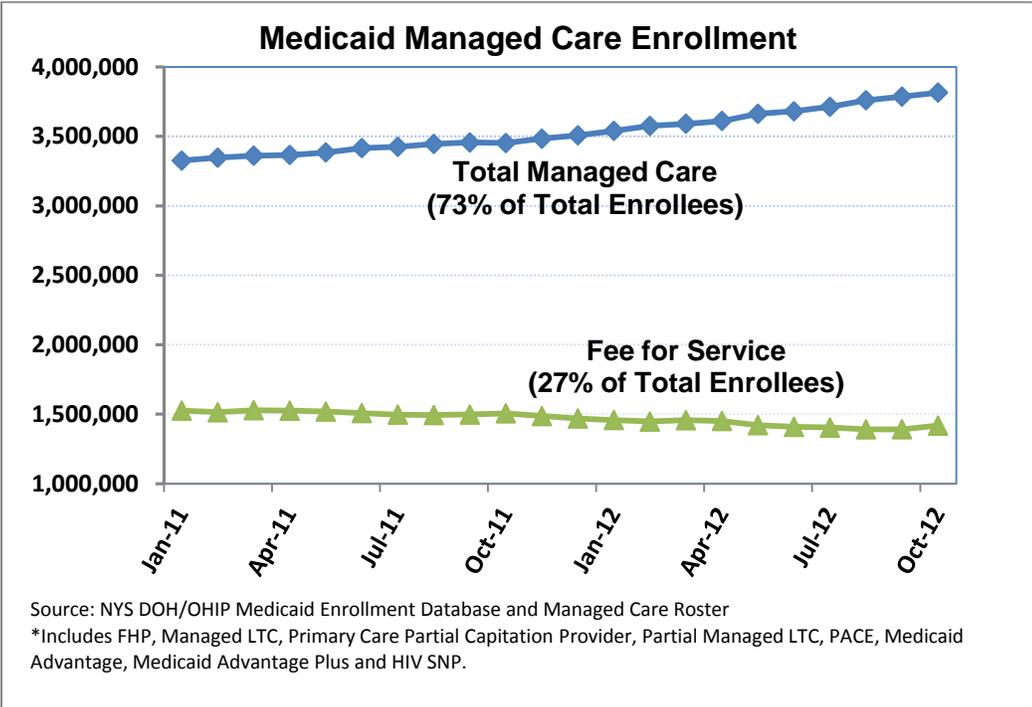
Medicaid total enrollment reached 5,233,434 enrollees at the end of October 2012. This reflects an increase of roughly 185,100 enrollees, or 3.7%, since March 2012.



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Medicaid Managed Care enrollment in October 2012 (includes FHP and Managed LTC) reached 3,815,673 enrollees, an increase of around 224,400 enrollees, or 6.2%, 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 66,000 of the 185,100 new Medicaid enrollees and 66,000 of the 224,400 new Medicaid Managed Care enrollees since March 2012. 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.

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 October 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.