

# MEDICAID MONITORING REPORT

A Report Prepared for the  
Legislative Finance Committee

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# MEDICAID MONITORING

As part of its interim work plan, the Legislative Finance Committee (LFC) chose to monitor the Medicaid program administered by the Department of Public Health and Human Services (DPHHS) via a report at each committee meeting. This report covers Medicaid expenditures only, which are a subset of total Department of Health and Human Services expenditures. In particular, this report focuses on Medicaid benefits and claims expenditures: that is, expenditures that directly fund services provided to enrollees. The administrative costs of the state Medicaid program are not included in this report. The state Medicaid program involves appropriations and expenditures by four different DPHHS divisions: the Health Resources Division, the Senior and Long Term Care Division, the Developmental Services Division, and the Addictive and Mental Disorders Division.

This report describes the fiscal standing of the state Medicaid program at the end of FY 2016 and discusses the following areas:

- FY 2016 overall Medicaid benefits and claims funding and expenditures including accruals
- Executive budget changes impacting Medicaid benefits and claims authority
- Major Medicaid service categories
- Remaining balance of \$43.5 million

This report does not include HELP Act (SB 405) funding or expenditures in its calculations or discussion as the HELP Act is summarized by a separate report from the LFD.

## FY 2016 MEDICAID FUNDING AND EXPENDITURES

Table 1 below contains fiscal-year-end (FYE) 2016 Medicaid expenditures (including accruals) compared to appropriations approved by the 2015 Legislature. The appropriations for FY 2016 include those approved in HB 2 and HB 4. Appropriations made in HB 4 would normally show up as budget changes, but because they were anticipated during session, the legislature was able to directly approve those items.

### Final Expenditures

Final FY 2016 expenditures on Medicaid services totaled \$1,187.2 million including accruals with \$275.2 million in general fund spending. The FY 2016 final expenditures are taken from the department's budget status report (BSR) submitted September 12, 2016 and SABHRS DataMine. FY 2016 estimates are not yet considered final by DPHS as medical providers have until one year from the date of service to submit a claim for reimbursement.

Across all DPHHS divisions Medicaid benefits and claims expenditures are currently projected to come in \$56.7 million under the total original FY 2016 legislative appropriation. DPHHS utilized their ability to make budgetary changes and modify the original legislative appropriation across all four divisions and all three fund types (general, state special, and federal special), resulting in the FY 2016 final budget for Medicaid benefits and claims. These changes are summarized by fund type and division in Table 1 below, and resulted in a net transfer of \$807,550 out of Medicaid benefits and claims. These transfers do not include \$9.3 million in HELP Act savings moved to a frozen appropriation by the Health Resources (\$5.9 million) and Addictive and Mental Disorders Divisions (\$3.4 million). Medicaid benefits and claims expenditures are expected to run about \$43.5 million less than the FY 2016 final budget. The general fund across each of the four

divisions exhibits a total reduction of about \$5.4 million in Medicaid benefits and claims across FY 2016, with a total general fund final budget surplus of \$2.5 million.

Table 1: Medicaid FY 2016 Appropriations Compared to DPHHS Benefits & Claims Expenditures								
Division & Fund Type	FY 2016 Legislative Appropriation	Final FY 2016 Expenditures Including Accruals <sup>1</sup>	Estimated Expenditures (Over) Under Appropriation	Balance as a Percent of Legis. Approp.	FY 2016 Changes in Appropriation Authority <sup>2</sup>	FY 2016 Final Budget	Remaining Appropriation (Over) Under Final Budget	Balance as a Percent of Final Budget
<b>Health Resources Division</b>								
General Fund	\$141,742,250	\$134,992,490	\$6,749,760	4.76%	\$ -	\$135,833,630	\$ 841,140	0.62%
State Special	64,381,509	66,786,453	(2,404,944)	-3.74%	2,924,322	66,786,465	12	0.00%
Federal	421,914,697	410,870,807	11,043,890	2.62%	2,148,070	424,062,767	13,191,960	3.11%
Subtotal	628,038,456	612,649,750	15,388,706	2.45%	5,072,392	626,682,862	14,033,112	2.24%
<b>Senior and Long Term Care Division</b>								
General Fund	64,593,437	59,144,182	5,449,255	8.44%	(4,625,000)	59,968,437	824,255	1.37%
State Special	28,628,025	26,482,999	2,145,026	7.49%	300,000	28,928,025	2,445,026	8.45%
Federal	185,835,522	171,445,437	14,390,085	7.74%	361,798	185,684,522	14,239,085	7.67%
Subtotal	279,056,984	257,072,617	21,984,367	7.88%	(3,963,202)	274,580,984	17,508,367	6.38%
<b>Developmental Services Division</b>								
General Fund	68,098,067	65,985,330	2,112,737	3.10%	(1,270,000)	66,828,067	842,737	1.26%
State Special	6,032,539	6,032,598	(59)	0.00%	59	6,032,598	-	0.00%
Federal	182,983,022	173,340,093	9,642,929	5.27%	(1,425,000)	180,637,558	7,297,465	4.04%
Subtotal	257,113,628	245,358,021	11,755,607	4.57%	(2,694,941)	253,498,223	8,140,202	3.21%
<b>Addictive and Mental Disorders Division</b>								
General Fund	18,589,789	15,114,379	3,475,410	18.70%	523,421	15,145,925	31,546	0.21%
State Special	7,964,587	8,564,404	(599,817)	-7.53%	632,239	8,581,685	17,281	0.20%
Federal	53,175,715	48,417,582	4,758,133	8.95%	(377,459)	52,190,715	3,773,133	7.23%
Subtotal	79,730,091	72,096,365	7,633,726	9.57%	778,201	75,918,325	3,821,960	5.03%
<b>Grand Total All Medicaid Services</b>								
General Fund	293,023,543	275,236,382	17,787,161	6.07%	(5,371,579)	277,776,059	2,539,677	0.91%
State Special	107,006,660	107,866,454	(859,794)	-0.80%	3,856,620	110,328,773	2,462,319	2.23%
Federal	843,908,956	804,073,918	39,835,038	4.72%	707,409	842,575,562	38,501,644	4.57%
Grand Total All Funds	\$1,243,939,159	\$1,187,176,754	\$56,762,405	4.56%	\$ (807,550)	\$1,230,680,394	\$ 43,503,640	3.53%
1 Expenditures are based on the DPHHS FYE budget status report (BSR) and data from SABHRS DataMine. Expenditure data is not yet final.								
2 Changes in appropriation authority can include: reorganizations, transfers of authority among Medicaid programs, transfers of authority to other DPHHS programs, reallocations of authority between program functions within a division and additions due to budget amendments.								

## Accruals

Medicaid service providers have up to a year after services have been rendered to file a clean claim for payment, a deadline that may be extended for some cases requiring eligibility determination. As a result, there is always a relatively large Medicaid accrual in DPHHS and payments will be made for program year 2016 services throughout FY 2017. Table 2 below presents the accrual for estimated remaining FY 2016 Medicaid billings. This accrual amounts to 10.4% of total recorded Medicaid benefits and claims expenditures. General fund accruals amount to 11.7% of total recorded general fund Medicaid benefits and claims expenditures. For context, in FY 2015 the accrual for Medicaid services totaled \$124.5 million across all fund types with \$33.7 million in general fund.

DPHHS Division	General Fund	State Special	Federal Special	Total
Health Resources Division	\$ (19,211,873)	\$ (4,370,845)	\$ (53,718,969)	\$ (77,301,687)
Senior & Long Term Care Division	(7,149,740)	(2,100,387)	(18,685,069)	(27,935,195)
Developmental Services Division	(3,519,531)	-	(9,458,465)	(12,977,995)
Addictive and Mental Disorders Division	(2,625,607)	(511,154)	(7,017,263)	(10,154,024)
<b>Total All Medicaid Benefits &amp; Claims</b>	<b>\$ (32,506,750)</b>	<b>\$ (6,982,386)</b>	<b>\$ (88,879,766)</b>	<b>\$ (128,368,902)</b>

Source: SABHRS DataMine

## Budget Changes

DPHHS executed several notable budget changes during FY 2016 that involve Medicaid benefits and claims budget authority. Table 1 above reports on all changes in appropriation authority involving Medicaid benefits and claims authority in FY 2016. As discussed above two house adjustments moved a total of about \$9.3 million in general fund authority from Medicaid benefits and claims to a frozen appropriation. This \$9.3 million in general fund authority was calculated as HELP Act savings, as per SB 418. Table 3 and the following comments provide more detail on significant transfers of authority involving Medicaid benefits and claims in FY 2016.

In FY 2016 a net of \$807,550 in authority was shifted out of Medicaid benefits and claims. This includes about \$5.4 million in general fund authority shifted out of Medicaid benefits and claims and used for other purposes. Several especially significant transactions that make up this total include:

- The Senior and Long Term Care Division transferred out \$4.6 million in general fund Medicaid benefits and claims authority through three program transfers. These three program transfers moved this authority to the Child and Family Services Division in order to meet obligations associated with increased numbers of children in care
- Two house adjustments executed by the Developmental Services Division shifted a net of \$1.3 million in general fund authority out of Medicaid benefits and claims. \$695,000 of this total was utilized to fund the expenses associated with residents at the Montana Developmental Center whom were not shifted into the community by the expected date
- The Addictive and Mental Disorders division gained a total of \$523,421 in general fund Medicaid authority. Of this total, \$398,421 was due to a house adjustment intended to increase ease of tracking expenditures
- The Health Resources Division carried out a total of twelve house adjustments that increased state special revenue authority for Medicaid benefits and claims by a total of \$2.4 million. These house adjustments largely realigned budget authority with anticipated expenses

Fund Type & DPHHS Division	Net Amount
<b>General Fund</b>	
Health Resources Division	-
Senior & Long Term Care Division	(4,625,000)
Developmental Services Division	(1,270,000)
Addictive and Mental Disorders Division	523,421
<b>General Fund Total</b>	<b>\$ (5,371,579)</b>
<b>State Special Revenue</b>	
Health Resources Division	2,924,322
Senior & Long Term Care Division	300,000
Developmental Services Division	59
Addictive and Mental Disorders Division	632,239
<b>State Special Revenue Total</b>	<b>3,856,620</b>
<b>Federal Special Revenue</b>	
Health Resources Division	2,148,070
Senior & Long Term Care Division	361,798
Developmental Services Division	(1,425,000)
Addictive and Mental Disorders Division	(377,459)
<b>Federal Special Revenue Total</b>	<b>707,409</b>
<b>Grand Total</b>	<b>\$ (807,550)</b>

Source: SABHRS transaction log

## MAJOR SERVICE CATEGORIES

Service Category	FY15 Ending Expenses	FY16 Initial Budget	FY16 Final Budget	FY16 Expenditure Estimates	FY 2016 Estimate as a % of FY 2016 Budget	FY16 Budget Balance
Inpatient Hospital	\$92,931,787	\$101,865,428	\$102,462,813	\$98,992,422	96.6%	\$3,470,391
Outpatient Hospital	54,151,695	56,749,899	56,749,899	55,973,947	98.6%	775,952
Critical Access Hospital	52,406,504	52,070,643	52,070,643	52,182,449	100.2%	(111,806)
Hospital Utilization Fees / DSH	66,179,993	67,304,818	67,057,513	66,755,614	99.5%	301,899
Other Hospital and Clinical Services	27,380,687	29,237,274	29,237,274	28,330,311	96.9%	906,963
Physician & Psychiatrists	61,004,574	64,389,353	66,082,057	67,216,027	101.7%	(1,133,970)
Other Practitioners	21,473,706	24,832,824	24,832,824	23,296,211	93.8%	1,536,613
Other Managed Care Services	11,482,690	8,197,625	14,304,272	12,336,155	86.2%	1,968,117
Drugs	118,670,854	123,064,201	121,565,816	124,741,863	102.6%	(3,176,047)
Drug Rebates	(59,638,452)	(61,898,789)	(61,898,789)	(68,080,561)	110.0%	6,181,772
Dental & Denturists	33,547,199	39,408,901	39,408,901	38,242,335	97.0%	1,166,566
Durable Medical Equipment	14,620,635	16,258,364	16,258,364	14,631,876	90.0%	1,626,488
Other Acute Services	3,471,857	4,242,092	4,145,452	4,005,964	96.6%	139,488
Nursing Homes & Swing Beds	144,469,669	152,189,125	152,189,125	149,157,530	98.0%	3,031,596
Nursing Home IGT	15,547,238	19,003,357	19,003,357	12,527,238	65.9%	6,476,119
Personal Care	40,418,637	52,237,440	52,237,440	41,038,444	78.6%	11,198,996
Other SLTC Home Based Services	9,422,579	4,594,233	4,594,233	9,219,874	200.7%	(4,625,641)
SLTC HCBS Waiver	39,788,352	45,187,525	45,187,525	43,821,546	97.0%	1,365,979
Medicare Buy-In	30,444,789	34,115,536	34,115,536	33,275,829	97.5%	839,707
Children's Mental Health	86,780,548	96,933,732	96,933,732	96,397,615	99.4%	536,117
Adult Mental Health and Chem Dep	47,162,714	52,196,488	51,478,337	49,657,677	96.5%	1,820,660
HIFA Waiver	17,598,245	20,883,121	20,883,121	18,931,831	90.7%	1,951,290
Disability Services Waiver	106,773,374	114,942,876	114,942,876	111,784,498	97.3%	3,158,378
Indian Health Services - 100% Fed funds	48,927,023	55,683,780	55,683,780	55,186,298	99.1%	497,482
School Based Services - 100% Fed funds	35,174,020	39,034,816	39,034,816	36,041,612	92.3%	2,993,204
MDC & ICF Facilities - 100% Fed funds	11,746,182	12,119,477	12,119,477	11,512,162	95.0%	607,315
<b>Total</b>	<b>\$1,131,937,099</b>	<b>\$1,224,844,139</b>	<b>\$1,230,680,394</b>	<b>\$1,187,176,766</b>	<b>96.5%</b>	<b>\$43,503,628</b>
Change from Initial Budget			\$5,836,255			
Source: 2016 fiscal year end Budget Status Report provided by DPHHS and SABHRS DataMine						

Table 4 below presents budgets and expenditures for major Medicaid service categories. The most recent Medicaid Monitoring Report (June 2016) indicated a total Medicaid balance across all service categories of \$53.9 million, while the September 12 fiscal year end Budget Status Report from DPHHS suggests a FY 2016 balance of \$43.5 million. The largest service category contributors to this balance are drug rebates (\$6.2 million), nursing home IGT (\$6.5 million), and personal care (\$11.2 million).

### EXCESS AUTHORITY AT FISCAL YEAR END

Final FY 2016 Medicaid benefits and claims expenditures were \$56.7 million below the initial legislative appropriation, and \$43.5 million below the final FY 2016 Medicaid benefits and claims budget. Final expenditures in general fund authority were \$17.8 million below the legislative appropriation and \$2.5 million below the final budget. This \$43.5 million balance calculates \$9.3 million in HELP Act savings as moved to a frozen appropriation (and thus out of Medicaid benefits and claims). If these savings are considered the budget balance moves from \$43.5 million to about \$52.8 million.