

MEDICAID MONITORING REPORT

A Report Prepared for the
Legislative Finance Committee

By
Scot Conrady
Alice Hecht

June 9, 2016

INTRODUCTION

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 benefits only, which is a subset of total Department of Health and Human Services expenditures.

FY 2016 MEDICAID FUNDING AND ESTIMATED EXPENDITURES

The table on the following page shows initial Medicaid spending estimates 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.

The FY 2016 final estimated expenditures are taken from the department's budget status report (BSR) submitted May 15, 2016. These estimates are based on actual expenditures through March 25th, 2015 and projected by the department using their Medicaid projection model.

Overall, Medicaid expenditures are currently projected to come in \$53.9 million under the total appropriation. However, small deficits exist in state special revenue for both the Health Resources Division (HRD) and the Addictive and Mental Health Resources Division (AMDD) when looked at individually. Some state special authority remains in Senior and Long Term Care (SLTC) but not quite sufficient to cover the shortfalls in HRD and AMDD. The department has the authority to make program transfers throughout the interim, and have historically managed the overall budget in this manner. The 2015 Legislative Session also provided additional authority in HB 2 in the form of language acting as a "trigger" in case Medicaid expenditures exceeded appropriation authority. This report will continue to monitor expenses and projections throughout the interim.

BUDGET CHANGES

There are a few budget changes worth mentioning in this report. The first is related to SB 405 or the HELP Act and SB 418 or the act that provides authority to make general fund transfers and other necessary measures to implement the general appropriation act. Part of SB 418 calls for savings related to SB 405 to be captured and the budget modified to account for any savings due to the implementation of SB 405. This quarter, DPHHS has reduced appropriation authority in the Health Resource Division and Addictive and Mental Disorders Division by \$2.2 million and \$0.7 million respectively. These appropriations have effectively been "frozen" per the bill and are no longer available for expenditure. The frozen appropriations are attributable to savings generated by the transfer of individuals previously under traditional Medicaid through the Health Insurance Flexibility Act (HIFA) waiver to the enhanced federal match under Medicaid expansion and other savings described in SB 418.

The other budget change concerns state special revenue and the roughly \$7.9 million deficit in the Health Resource Division during last quarter. From last month's reporting, DPHHS had moved \$7.9 million in state special revenue from Medicaid Health Montana Kids (HMK) to Non-Medicaid Heathy Montana Kids creating the \$7.9 million deficit. The Legislative Fiscal Division reported at that time that further budget movement was expected to account for this short fall. This quarter, a house adjustment moved back those state special revenue leaving a small deficiency in state special revenue of \$0.1 million.

Monitoring Medicaid Services
FY 2016 Appropriations Compared to DPHHS Projected Expenditures

Division / Fund	FY 2016 Legislative Appropriation	Estimated FY 2016 Expenditures ¹	Estimated Expenditures (Over) Under Appropriation	Balance as a Percent of Legis. Approp.	Changes in Appropriation Authority ²	Remaining Appropriation (Over) Under Exec. Budget	Balance as a Percent of Exec. Budget
Health Resources							
General Fund	\$141,742,250	\$136,348,352	\$5,393,898	3.8%	(\$2,225,954)	\$3,167,944	2.2%
State Special	64,381,509	64,553,416	(171,907)	-0.3%	(113,827)	(285,734)	-0.4%
Federal	<u>421,914,697</u>	<u>407,025,055</u>	<u>14,889,642</u>	<u>3.5%</u>	<u>0</u>	<u>14,889,642</u>	<u>3.5%</u>
Subtotal	628,038,456	607,926,823	20,111,633	3.2%	(2,339,781)	17,771,852	2.8%
Senior and Long Term Care							
General Fund	64,593,437	58,463,072	6,130,365	9.5%	0	6,130,365	9.5%
State Special	28,628,025	28,293,223	334,802	1.2%	0	334,802	1.2%
Federal	<u>185,835,522</u>	<u>173,697,768</u>	<u>12,137,754</u>	<u>6.5%</u>	<u>0</u>	<u>12,137,754</u>	<u>6.5%</u>
Subtotal	279,056,984	260,454,063	18,602,921	6.7%	0	18,602,921	6.7%
Developmental Services Division							
General Fund	68,098,067	66,946,638	1,151,429	1.7%	0	1,151,429	1.7%
State Special	6,032,539	6,032,598	(59)	0.0%	59	0	0.0%
Federal	<u>182,983,022</u>	<u>174,641,686</u>	<u>8,341,336</u>	<u>4.6%</u>	<u>(920,464)</u>	<u>7,420,872</u>	<u>4.1%</u>
Subtotal	257,113,628	247,620,922	9,492,706	3.7%	(920,405)	8,572,301	3.3%
Addictive and Mental Disorders							
General Fund	18,589,789	15,094,422	3,495,367	18.8%	(718,151)	2,777,216	14.9%
State Special	7,964,587	8,301,890	(337,303)	-4.2%	0	(337,303)	-4.2%
Federal	<u>53,175,715</u>	<u>46,693,702</u>	<u>6,482,013</u>	<u>12.2%</u>	<u>0</u>	<u>6,482,013</u>	<u>12.2%</u>
Subtotal	79,730,091	70,090,014	9,640,077	12.1%	(718,151)	8,921,926	11.2%
Grand Total All Medicaid Services							
General Fund	293,023,543	276,852,484	16,171,059	5.5%	(2,944,105)	13,226,954	4.5%
State Special	107,006,660	107,181,127	(174,467)	-0.2%	(113,768)	(288,235)	-0.3%
Federal	<u>843,908,956</u>	<u>802,058,211</u>	<u>41,850,745</u>	<u>5.0%</u>	<u>(920,464)</u>	<u>40,930,281</u>	<u>4.9%</u>
Grand Total All Funds	\$1,243,939,159	\$1,186,091,822	\$57,847,337	4.7%	(\$3,978,337)	\$53,869,000	4.3%

1 Estimated expenditures are based on the DPHHS May 15, 2016 budget status report (BSR). Medicaid projection data is based on claims paid as of December 25th.

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.

MAJOR SERVICE CATEGORIES

By examining expenses by major budget categories, the growth/decline in service costs can be monitored. In December's report to the LFC, the total projection for FY 2016 balance was reported to be \$18.9 million. This report shows an increase of that balance to \$53.9 million. Hospital services, Drugs and Part-D Clawback, and HIFA waver projections have declined and are mainly responsible for the increase in total available end fund balance. Service category spending fluctuations and projections typically change quarter to quarter and provide summation to the total balance.

Medicaid Summary by Major Service Category					
Service Category	FY 2015 Ending Expenses*	FY 2016 Modified Budget*	FY 2016 Expenditure Estimates*	FY2016 Estimate as a % of FY 2016 Budget	FY 2016 Projected Balance
Inpatient Hospital	\$92,931,787	\$99,736,114	\$93,688,817	93.9%	\$6,047,297
Outpatient Hospital	54,151,695	56,749,899	52,162,399	91.9%	4,587,500
Critical Access Hospital	52,406,504	52,070,643	50,105,384	96.2%	1,965,259
Hospital Utilization Fees / DSH	66,179,993	67,304,818	68,210,037	101.3%	(905,219)
Other Hospital and Clinical Services	27,380,687	29,237,274	27,389,795	93.7%	1,847,479
Physician and Psychiatrists	61,004,574	66,082,057	66,119,413	100.1%	(37,356)
Other Practitioners	21,473,706	24,832,824	23,258,217	93.7%	1,574,607
Other Managed Care Services	11,482,690	14,301,094	12,201,368	85.3%	2,099,726
Drugs & Part-D Clawback	118,670,854	123,064,201	121,034,225	98.4%	2,029,976
Drug Rebates	(59,638,452)	(61,898,789)	(56,421,431)	91.2%	(5,477,358)
Dental & Denturists	33,547,199	39,408,901	37,645,985	95.5%	1,762,916
Durable Medical Equipment	14,620,635	16,258,364	14,485,407	89.1%	1,772,957
Other Acute Services	3,471,857	4,145,452	3,662,148	88.3%	483,304
Nursing Home & Swing Beds	144,469,669	148,527,125	146,420,988	98.6%	2,106,137
Nursing Home IGT	15,547,238	19,003,357	19,006,657	100.0%	(3,300)
Personal Care	40,418,637	51,012,304	39,813,308	78.0%	11,198,996
Other SLTC Home Based Services	9,422,579	13,602,725	10,243,212	75.3%	3,359,513
SLTC HCBS Waiver	39,788,352	45,617,168	43,678,894	95.8%	1,938,274
Medicare Buy-In	30,444,789	34,115,536	33,499,596	98.2%	615,940
Children's Mental Health	86,780,548	94,683,732	96,922,131	102.4%	(2,238,399)
Adult Mental Health and Chem Dep	47,162,714	52,273,322	47,913,936	91.7%	4,359,386
HIFA Waiver	17,598,245	24,756,751	19,394,211	78.3%	5,362,540
Disability Services Waiver	106,773,374	118,087,876	113,246,302	95.9%	4,841,574
Indian Health Services - 100% Fed funds	48,927,023	55,683,780	55,463,742	99.6%	220,038
School Based Services - 100% Fed funds	35,174,020	40,834,816	35,680,903	87.4%	5,153,913
MDC & ICF Facilities - 100% Fed funds	11,746,182	10,469,477	11,269,476	107.6%	(799,999)
Total	\$1,131,937,099	\$1,239,960,821	\$1,186,095,120	95.7%	\$53,865,701
*Base data in this chart are copied directly from the February, 2015 Budget Status Report provided by DPHHS. Modified Budget represents FY 2016 appropriations less budget changes which move authority out of medicaid services to non-medicaid services.					

SB 405: HELP ACT MEDICAID EXPANSION

Benefits are now being provided under the Medicaid expansion. A separate report provides an update on the HELP Act.