

July 23, 2013
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2013

32 V.S.A. § 305a(c) requires a year end report on Medicaid and Medicaid-related expenditures and caseload. Each January the Emergency Board is required to adopt specific caseload and expenditure estimates for Medicaid and Medicaid-related programs. Action is not required at the July meeting of the Board unless the Board determines a new forecast is needed as a result of the year-end report. This report contains the following:

Year End Summaries:

- Summary of Enrollment
- Summary of Total Expenditures
- Global Commitment Fund Summary
- State Health Care Resources Fund Detail

Key Issues

The data in this report reflect current estimates to date. There may be changes as the financial close-out for the fiscal year is completed and finalized. If necessary, changes will be included in a subsequent revised report.

Enrollment: Actual FY13 enrollment of 173,748 came in essentially spot on. We anticipate some minor adjustments to these totals as we do every year, but this will unlikely change the story that actual enrollment came in less than 0.3% off what we anticipated. The projected FY14 enrollment is a bit trickier due to the significant movement of some eligibility groups within Medicaid and into to the exchange. Enrollees in VHAP and Catamount below 133% FPL¹ will move in a new eligibility group. Those above that threshold will seek coverage in the exchange with state premium and cost sharing subsidies over and above those provided for at the federal level. We still anticipate approximately 25,000 of the individuals and small business employees who will seek coverage through the exchange will be eligible for the same state subsidies increasing overall program enrollment by nearly 20%.

Global Commitment (GC):

At first glance it appears that Global Commitment expenditures came just a little above the level expected, this is somewhat distorted by Fletcher Allen Graduate Medical Education (GME) initiative. CMS approval was not received in FY12, however approval was received in FY13 pertaining to both FY12 and FY13 so the actual expenditures include an additional \$30 million related to FY12 GME that was not included in the FY13 budget. After factoring that in, GC expenditures came in approximately \$25m below expectation.

The Global Commitment Fund (GCF) cash balance sheet shows that after encumbrances and the \$51.7 million utilized in the building the FY14 budget, there is a \$25.9 million cash balance in the GCF. The budget anticipated that \$10m of general fund appropriation would be available to

¹ The income eligibility calculations were changed under the Affordable Care Act (ACA). A Federal Poverty Level of 133% in the new Modified Adjusted Gross Income (MAGI) is equivalent to 138% under the pre ACA method.

carry forward to FY14 once that is factored in only \$1.26 million GF (\$2.9 million gross) funding is available to address either FY14 budget adjustment or FY15 funding needs.

The FY15 budget picture begins with the need to replace the \$32.6 million of onetime state funds that were relied upon in FY14. This is a much more difficult task than it has been in previous years because at the close of previous years we had much more significant available unallocated resources in the Global Commitment program. This reflects the tightening of the budgeting process over the past several years as our estimates have become more accurate in the face of changing trends. The downside to greater accuracy is that there is less “wobble room” for errors and/or less year-end balance available to help with future budgeting.

State Health Care Resources Fund (SHCRF): The FY13 ending balance in this fund is \$6.3 million. Most components of the fund came in very near the anticipated level except for the GME initiative previously discussed. The balance is the result of the fact that the amount of money actually expended from this fund was less than expected. This was possible because the entire amount of GF was expended in this appropriation.

The projection for FY14 has one major change. The amount of provider tax anticipated has been reduced from the estimate made in January because hospital revenues are lower. This reduction is offset with the FY13 balance keeping the fund in balance for FY14. The picture for FY15 is concerning, when the FY14 base plus the \$8 million (half year) cost of exchange operations are compared to FY15 estimated fund revenue there is a significant gap of \$14 million.

Federal Medical Assistance Percentage (FMAP): Base FMAP is another area of pressure in FY15 though not to the extent it has been in the past. The underlying base FMAP rate i.e. the state share is going up by 0.45%. While smaller than past rate changes, on a Medicaid base of \$1.54 billion, this change translates into \$6.9 million of addition state funds pressure.

Health Care Exchange (Implementation and Transition): The exchange opens its doors in October and coverage for people with begins in January. The challenges of estimating caseload and costs in the new system are difficult. Our work group will continue to monitor and refine the estimates as actual data becomes available.

Choices for Care (CFC): The funds available at the close of FY13 are estimated to be \$6.0 million gross funds (\$2.6 million GF). Act 60 establishes that unexpended funds in nursing home and home and community services be reserved for reallocation through the budget adjustment process, save for potential emergency allocations presented to the Joint Fiscal Committee in September 2013.

FY15 Funding Challenge – In total between one time funds that \$32.6 and the gap in the SHCRF and the pressure from FMAP issue there is \$52.5 million of state fund pressure at the beginning of the FY15 budget process. The unknowns that could influence this either up or down are; the accuracy of the estimates about exchange enrollment and cost, and the renewal of our GC waiver slated for January 2014.

PROGRAM ENROLLMENT

	FY09 Actual	FY10 Actual	FY 11 Actual	FY 12 Actual	FY13 Bud thru BAA	FY13 Actual	FY14 Bud	
Adults								
Aged, Blind, or Disabled (ABD)/Medically Needy	12,550	13,337	13,786	13,977	14,189	14,304	14,360	
Dual Eligibles	14,753	15,192	16,014	16,634	17,215	17,118	17,800	
General	9,847	10,358	10,896	11,235	11,614	11,375	11,993	
VHAP	28,224	33,249	36,706	36,991	37,340	37,486	37,652	1/2 yr
VHAP ESI	821	949	904	825	807	791	785	1/2 yr
Catamount	6,350	9,058	9,921	10,713	11,582	11,486	12,372	1/2 yr
ESIA	478	682	747	726	766	746	789	1/2 yr
New Adult	n/a	n/a	n/a	n/a	n/a	n/a	34,490	1/2 yr
Exchange <300% FPL - Premium and Cost Share Subsidy	n/a	n/a	n/a	n/a	n/a	n/a	40,748	1/2 yr
Subtotal Adults	73,023	82,825	88,974	91,101	93,513	93,306	170,989 126,397	<i>duplicated simple adj</i>
Children								
Blind or Disabled (BD)/Medically Needy	3,605	3,606	3,696	3,712	3,727	3,695	3,740	
General	52,224	54,266	55,053	55,274	55,519	55,361	55,762	
Underinsured	1,212	1,176	1,131	1,068	1,029	977	993	
SCHIP (Uninsured)	3,412	3,523	3,686	3,909	4,017	3,977	4,180	
Subtotal Children	60,453	62,571	63,566	63,963	64,292	64,010	64,675	
Pharmacy Only Programs	12,456	12,550	12,751	12,655	12,565	12,546	12,669	
Choices for Care	4,016	3,925	3,889	3,891	3,859	3,886	3,850	
Nursing Home, Home & Community Based, ERC								
Total Direct Services	149,948	161,871	169,180	171,610	174,229	173,748	207,591	
	9.1%	8.0%	4.5%	1.4%	1.5%	1.2%	19.5%	

Summary of Total Expenditures

Medicaid and Medicaid Related

	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 BAA	FY13 Final Est	FY14 Budgeted
Non Capitated Administration	6,116,390	5,698,974	6,516,131	5,700,438	6,140,500	6,063,320	6,292,136
Global Commitment Waiver							
GC - Administration	74,349,470	75,955,385	72,314,139	74,150,382	82,808,942	83,170,036	87,298,648
GC - Program	779,104,938	850,692,110	900,949,532	913,875,330	1,020,588,792	1,025,039,145	1,075,922,726
GC - Investments (CNOM)	53,463,741	46,598,068	49,287,654	83,277,460	93,001,791	93,407,332	98,044,130
GC - Certified (non -cash program & cnom)	28,079,069	29,600,582	24,578,280	26,938,357	28,308,986	26,914,097	27,761,423
	934,997,218	1,002,846,145	1,047,129,605	1,098,241,529	1,224,708,510	1,228,530,610	1,289,026,928
Exchange Cost Sharing Subsidy (State Only)							1,484,461
Choices For Care Waiver (LTC)	197,954,288	194,618,136	191,968,805	196,477,952	202,394,858	199,033,009	201,375,033
Pharmacy - State Only	6,534,312	1,718,090	1,812,342	(4,082,889) *	(2,976,724)	(1,518,496)	16,956
Catamount - State Only >200% -Administration	905,626	314,476	100% incl in GC	100% incl in GC	100% incl in GC	100% incl in GC	100% incl in GC
Catamount - State Only >200% -Program	8,682,014	7,752,108	100% incl in GC	100% incl in GC	100% incl in GC	100% incl in GC	100% incl in GC
DSH	35,648,781	37,448,782	37,448,782	37,448,782	37,448,782	37,448,782	37,448,782
Clawback (state only funded)	20,779,093	13,332,383	17,684,471	23,784,030	25,968,463	25,971,679	27,446,965
SCHIP	7,231,315	6,972,994	7,642,495	8,598,982	8,875,693	8,863,420	9,063,852
Total	1,218,849,037 9.1%	1,270,702,088 4.3%	1,310,202,631 3.1%	1,366,168,824 4.3%	1,502,560,082 10.0%	1,504,392,324 10.1%	1,572,155,113 4.5%

FY13 GC Program includes \$60m for GME representing both the FY12 and FY13 years

FY10 >200% Catamount is 1/2 year - these expenses are moved into GC after Jan 1, 2010.

** DVHA has worked aggressively to ensure rebates are collected to the fullest extent possible. One result of this effort has resulted in rebate collections higher than expected in the State Only program due to DVHA only paying cost-sharing for these prescriptions yet collecting full rebates. Therefore, it has been determined that we need to change the state-only rebate billing processes to only collect a proportionate rebates. This change, codified in Act 162 Section E.307.6 changed 33 V.S.A. § 1901 (a)(4). We do not expect this year's activity to recur. As a result of these changes, we expected to increase overall compliance but see reduced collections from the manufacturers from which we have collected rebates. Projections for next year will be affected by these changes.

Most of the Buy-In program is included in the GC waiver and a small portion is in the CFC waiver

Global Commitment - Cash Balance Sheet - FY09 to FY13 (Estimated)

(these are gross combined federal and state funds)

	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Actual</u>	<u>FY13 Estimated</u>		<u>FY14 Budget</u>
					GCF (gross)	GF/GFlie	
Cash Carryforward from Prior Year	42,285,554	25,026,759	61,860,271	86,673,268	86,662,450		77,662,184
Revenues - Cash Capitated Payments (4)	889,659,354	1,010,079,082	1,047,364,322	1,061,421,619	1,192,428,815		1,186,492,649
Expenses - Cash Capitated							
Administration	74,349,470	75,955,385	72,314,139	74,150,382	83,170,036		87,298,648
Program	779,104,938	850,692,110	900,949,532	913,875,108	1,025,039,145		1,075,922,726
Investment	53,463,741	46,598,068	49,287,654	73,406,946	84,339,985		98,044,130
Total Cash Expenses	906,918,149	973,245,562	1,022,551,325	1,061,432,436	1,192,549,166		1,261,265,505
End-of-Year Cash Balance	25,026,759	61,860,279	86,673,268	86,662,450	86,542,099		2,889,328
Less encumbrances					(8,879,916)		
Available End-of-Year Cash Balance					77,662,184	33,829,647	
Gross Carryforward from SFY13 Already Booked in FY14 Budget					51,724,178	22,531,052	
FY13 Projected GCF Cash Balance					25,938,005	11,298,595	
Intended GF Carryforward Booked FY14 Budget thru BAA action ⁽⁵⁾					23,048,678	10,040,004	
Unallocated FY13 Carryforward: Gross and GF	16.0	43.2	31.6	27.4	2,889,328	1,258,591	
	1.76%	4.44%	3.09%	2.58%	0.24%		
Total Amount of Onetime Funding available in FY13 relied upon FY14 budget					74,772,856	32,571,056	
Non-capitated administrative expenses (1)	6,116,390	5,698,974	6,516,131	5,700,438	6,063,320		
Non-cash expenses (2)	28,079,069	29,600,582	24,782,283	26,938,357	26,914,097		
Non-cash revenues (3)	31,170,027	30,722,883	24,782,283	26,938,357	26,914,097		

Notes:

- (1) Non-capitated expenses are cash expenses but are paid outside of capitation pmt and do not affect fund balance.
- (2) Non-cash expenses include 5 certified programs in which non-federal expenses are not State cash expenses.
- (3) Non-cash revenues include 5 certified programs in which non-federal revenues are not State cash revenues.
- (4) FY10 cash capitated payments reflect the full current-year per-member per-month payment obligation. As a result, the FY11 capitation payments do not assume any payments for prior years other than technical adjustments associated with retroactive enrollment. FY09 and FY10 capitation payments included payments for prior-year shortfalls of \$21,379,986 and \$25,972,014.
- (5) The FY14 budget as passed relied upon \$10m of GF carryforward funds, no GF carryforward was available in FY13 - the GCF cash balance is allotted to this need.

State Health Care Resources Fund

Catamount Fund was incorporated into SHCRF Fund in FY13
 FY11 and FY12 have been adjusted for comparison

	FY09 Actual	FY10 Actuals	FY11 Actuals	FY12 Actuals	FY13 BAA	FY13 Actuals	FY14 Bud	FY14 Jul.'13	FY15 Jul.'13
State Health Care Resources Fund									
Beg. Balance	(582,703)	(1,432,526)	3,904,454	5,093,196	142,300	142,300	-	6,317,969	-
Catamount Fd Balance (incorp FY13)			793,641	2,212,330	4,757,170	4,757,170	-	n/a	-
	<u>(582,703)</u>	<u>(1,432,526)</u>	<u>4,698,095</u>	<u>7,305,526</u>	<u>4,899,470</u>	<u>4,899,470</u>	<u>-</u>	<u>6,317,969</u>	<u>-</u>
Revenue									
Cig Tax Revenue	51,036,337	54,476,275	66,448,755	72,811,427	67,500,000	67,338,387	65,600,000	65,600,000	63,700,000
Tobacco Products Tax - 100%	3,398,280	5,244,840	6,511,841	6,868,340	6,800,000	6,931,690	6,700,000	6,850,000	6,800,000
Cig Floor Stock Tax			-	550,272	-	-	-	-	-
Claims Assessment				12,603,108	13,100,000	11,470,283	13,600,000	13,600,000	14,000,000
Employer Assessment			9,316,000	11,168,000	11,800,000	11,886,600	12,711,268	12,700,000	14,400,000
11% Adj - >300%				1,442,038	1,600,000	1,855,062	800,000	800,000	-
Graduate Med Education revenue				-	13,071,000	25,756,529	13,068,000	13,068,000	13,068,000
Nursing Home Sale Assessment						320,000			
Prov Tax - Hospital	67,299,073	73,163,741	94,739,392	110,642,636	115,775,431	115,505,466	123,870,229	118,945,989	123,703,829
Prov Tax - NH	13,004,774	13,445,884	12,842,419	15,749,272	15,875,324	16,268,103	15,826,128	15,826,128	15,826,128
Prov Tax - HH	3,864,347	3,994,644	3,957,011	4,548,206	4,529,917	4,529,917	4,568,108	4,568,108	4,568,108
Prov Tax - ICF-MR	62,059	66,002	70,236	82,098	76,110	69,695	76,110	76,110	76,110
Pharmacy \$0.10/script	835,186	802,905	790,315	789,877	800,000	795,192	800,000	800,000	800,000
Premiums - Catamount			3,912,593	4,597,688	4,829,136	4,984,683	2,826,242	2,492,342	n/a
Premiums - VHAP (mgd care)	1,883,041	1,935,145	2,205,367	2,858,383	3,764,248	2,951,004	2,567,655	1,475,502	n/a
Premiums - Dr. D (medicaid)	170,189	147,920	155,259	180,401	290,815	183,944	289,346	185,000	185,000
Premiums - SCHIP	442,231	459,898	478,300	507,101	551,370	536,649	526,139	526,139	525,000
Premiums - Rx programs	3,587,957	3,364,245	3,292,209	3,160,264	3,064,159	3,180,120	3,089,533	3,090,000	3,090,000
Recoveries	1,251,168	979,964	771,362	625,996	4,790,541	5,198,496	800,000	800,000	800,000
Other	(6,150)	106,979	(339,836)	(32,672)	-	45,310	-	-	-
Total Fund Revenue	<u>146,828,492</u>	<u>158,188,442</u>	<u>205,151,223</u>	<u>249,152,435</u>	<u>268,218,051</u>	<u>279,807,130</u>	<u>267,718,758</u>	<u>261,403,318</u>	<u>261,542,175</u>
Total Available	146,245,789	156,755,916	209,849,318	256,457,961	273,117,521	284,706,600	267,718,758	267,721,286	261,542,175
Expenditures									
Global Commitment	147,678,315	152,851,462	202,543,792	251,558,494	273,304,700	278,388,631	267,531,579	267,531,579	267,531,579
Exchange Operations									8,000,000
Total Expend	<u>147,678,315</u>	<u>152,851,462</u>	<u>202,543,792</u>	<u>251,558,494</u>	<u>273,304,700</u>	<u>278,388,631</u>	<u>267,531,579</u>	<u>267,531,579</u>	<u>275,531,579</u>
End. Balance	(1,432,526)	3,904,454	7,305,526	4,899,467	(187,179)	6,317,969	187,179	189,707	(13,989,404)