

Joint Fiscal Office - Medicaid Budget Adjustment and FY17 Budget Pressures

The following is a list of the significant FY16 and FY17 Medicaid budget pressures compared to the FY16 level as passed in Act 58. These are based on analysis and discussions with F&M and AHS/DVHA staff. Final consensus has **not** been reached and these are subject to change and will continue to be analyzed as the administration prepares its budget.

	FY16 BAA		FY17 (over '16 as passed)	
	GF \$s	Gross \$s	GF \$s	Gross \$s
<u>Cost Drivers that are Not Annual</u>				
Medicaid 53rd Week –The appropriations budget is a modified cash basis. The impact of this payment should have been discussed in the budget as it falls on the cusp of FY16-end.	\$10.3	\$23.0	→ ?	
BCBSVT Settlement – This is the final determined amount related to CY2014 premium billing and collections issues for policies administered through the exchange. Some of this may be recovered through continued state collection efforts.	\$1.6	\$1.6		
Unknown – Dartmouth rate case \$0-\$X.				
<u>Caseload and Utilization Trends</u>				
FY15 closed \$30m over the budgeted level. Analysis of FY15 and year to date actual enrollment and expenditures is resulting in significant adjustments to the Medicaid base budget.				
DVHA New Adults (childless)	5.4	34.6	4.9	36.4
DVHA All Other Medicaid Eligibility Groups	8.8	19.5	16.2	35.9
<u>Choices for Care, Developmental Disability & Mental Health</u>	n/a	n/a	<u>8.2</u>	<u>18.2</u>
Total Caseload &Utilization Cost Pressures	14.2	54.1	29.3	90.5
<u>Policy and Practice Cost Drivers</u>				
Applied Behavior Analysis – (Autism)				
a) budget reduction was not achievable; new estimate	1.3	2.8	1.3	2.8
b) service rate increase implemented to provide access	1.1	2.5	1.1	2.5
ACO Payment – The contract provides for shared savings payment to the ACO based on the terms of the contract, with the savings calculation representing avoided costs that otherwise would have been incurred without the contract.	2.9	6.5	2.9	6.5
Orkambi –New Cystic Fibrosis drug, the cost is based on Medicaid CF patients over 12 with the gene that will be addressed by this treatment	2.2	4.8	3.6	8.0 <i>w/rebate</i>
License Alcohol and Drug Counselors – passed in 2015	0.07	0.16	0.07	0.16
<u>Federal Cost Drivers</u>				
Clawback – This is a 100% GF payment made to the federal gov't to reflect state savings associated with the Medicare Part D Rx program. It is tied to federally determined Rx inflation.	2.4	2.4	6.0	6.0
Buy In – the state pays the Medicare Part B for eligible low income Vermonters., federal budget agreement limits increase this to ~15% v. ~52% that would have happened Jan2016	1.0	2.3	2.2	4.8
COST PRESSURES SUBTOTAL	37.1	100.2	46.4	121.4
<u>FUNDING SOURCE PRESSURES</u>				
FMAP – net all changes (see FMAP impacts discussion)	-0.4	0	6.3	0
Tobacco funds – payment level and trust fund depleted	n/a	n/a	1.4	0
OAPD – offset?	n/a	n/a	tbd	n/a
Amendment 6 - approval timing & IAPD match	tbd	n/a	n/a	n/a
COST & FUNDING PRESSURES TOTAL	36.7	105.8	54.1	121.4

FMAP IMPACTS

There are several components of the federal match. Some provide good news fiscally and some increase state funds pressure. They include the following:

- The base FMAP is established by federal calculation annually; it compares state per capita income to the 3 year national median. For FFY 2017 the final calculation of FMAP has increased for Vermont for the first time since the great rescission. The increment is modest but is estimated to reduce FY17 state funds by \$6.2m.
- The Vermont specific 2.2% FMAP enhancement expires this year (CY2015). \$17.5m of federal match that was available in FY16 is no longer available in FY17. This was a known event and has been carried in the budget as a reliance on one time funds.
- The other rate that is expiring in FY17 is the enhancement of Hub and Spoke opiate services; the impact of this is estimated at \$2m in increased state funding need.
- New Adults, the childless portion of this expansion group is matched at a much higher rate and increases until it tops out at 90%. This provision of the ACA is expected to reduce state funds by \$6.4m lower state funds.
- The SCHIP match rate is a final piece of FMAP good news, the ACA brings this rate up by 23% beginning in FFY2016. The base of expenditure to which this applies is relatively modest, but this is expected to reduce FY16 state funding need by \$0.4m and FY17 by \$0.6m.