MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: December 30, 2013

TO: Legislative Finance Committee

FROM: Lois Steinbeck, Senior Fiscal Analyst
Stephen Forrest, Fiscal Analyst II
Cynthia Hollimon, Fiscal Analyst I

RE: Medicaid Monitoring Report – January CFHHS Meeting
Agenda Item 2.b.

MEDICAID MONITORING PART OF INTERIM WORK PLAN

The Legislative Finance Committee (LFC) adopted as part of its interim work plan a project to monitor the Medicaid program administered by the Department of Public Health and Human Services (DPHHS). The LFC approved a template to review appropriations, expenditures, and appropriation changes for Medicaid services at its September meeting. This report is the third in a series.

FY 2014 Medicaid Services Funding and Estimated Expenditures

The table on the following page shows DPHHS Medicaid spending estimates compared to appropriations approved by the 2013 Legislature. The appropriations for FY 2014 include those approved in HB 2 and HB 4 (appropriations usually made by budget amendment).[1] The estimated expenditures are drawn from the DPHHS budget status report (BSR) submitted December 15.

Estimated Cost Overrun

DPHHS is projecting that expenditures for Medicaid services will exceed appropriations by $7.1 million general fund, which is an improvement from the $7.7 million cost overrun projected at the December 2013 LFC meeting. State special revenue and federal appropriations are estimated to be sufficient to cover estimated costs.

[1] The initial template approved by the LFC at its September 2013 meeting listed only HB 2 appropriations as the starting point. HB 4 appropriations have been added to this report, increasing federal appropriations for unexpended funds from budget amendments processed in FY 2013 in Senior and Long Term Care Division for Money Follows the Person by $1.6 million and in Developmental Services Division for continuation of the psychiatric residential treatment facility demonstration waiver by $6.2 million.

Monitoring Medicaid Services - FY 2014 Appropriations Compared to DPHHS Projected Expenditures January 2014; Medicaid Cost Estimates Based on December 15, 2013 BSR							
Division/Fund/Grand Total	FY 2014 Legislative Appropriation[1]	Estimated Annual Expenditures[2]	Estimated Expenditures (Over) Under Appropriation	Balance as a Percent of Legis. Approp.	Changes in Appropriation Authority[3]	Remaining Appropriation (Over) Under Legis. Approp.	Percent of Legis. Approp.
Health Resources[4]							
General Fund	$121,927,937	$127,376,396	($5,448,459)	-4.5%	$0	($5,448,459)	-4.5%
State Special	44,601,408	45,042,061	(440,653)	-1.0%	519,366	78,713	0.2%
Federal	362,695,552	364,562,594	(1,867,042)	-0.5%	0	(1,867,042)	-0.5%
Subtotal	529,224,897	536,981,051	(7,756,154)	-1.5%	0	(7,236,788)	-1.4%
Senior and Long Term Care[5]							
General Fund****	57,498,788	57,807,849	(309,061)	-0.5%	0	(309,061)	-0.5%
State Special	30,074,850	29,094,510	980,340	3.3%	0	980,340	3.3%
Federal	181,933,711	180,302,522	1,631,189	0.9%	0	1,631,189	0.9%
Subtotal	269,507,349	267,204,881	2,302,468	0.9%	0	2,302,468	0.9%
Developmental Services							
General Fund	58,617,398	59,872,615	(1,255,217)	-2.1%	0	(1,255,217)	-2.1%
State Special	6,040,146	6,040,146	0	0.0%	0	0	0.0%
Federal	173,884,977	165,565,488	8,319,489	4.8%	0	8,319,489	4.8%
Subtotal	238,542,521	231,478,249	7,064,272	3.0%	0	7,064,272	3.0%
Addictive and Mental Disorders							
General Fund	10,658,340	10,790,516	(132,176)	-1.2%	0	(132,176)	-1.2%
State Special	8,717,204	7,413,586	1,303,618	15.0%	0	1,303,618	15.0%
Federal	40,310,010	38,187,373	2,122,637	5.3%	0	2,122,637	5.3%
Subtotal	59,685,554	56,391,475	3,294,079	5.5%	0	3,294,079	5.5%
Grand Total All Medicaid Services							
General Fund	248,702,463	255,847,376	(7,144,913)	-2.9%	0	(7,144,913)	-2.9%
State Special	89,433,608	87,590,303	1,843,305	2.1%	519,366	2,362,671	2.6%
Federal	758,824,250	748,617,977	10,206,273	1.3%	0	10,206,273	1.3%
Grand Total All Funds	$1,096,960,321	$1,092,055,656	$4,904,665	0.4%	$519,366	$5,424,031	0.5%
Transfer of Authority Between Programs***					$0		
SB 410 Limit***					(60,000,000)		

1. Includes HB 2 and HB 4 (appropriations normally made by budget admendment). Any funds allocated from appropriations in SB 410 will be listed separately as a source of state special revenue.
2. Estimated expenditures are based on the DPHHS November 15, 2014 budget status report (BSR). Expenditure data drawn from SABHRS as of September 30 and Medicaid projection data based on claims paid as of September 27.
3. Changes in appropriation authority can include: reorganizations, transfers of authority among Medicaid programs, transfers of authority to other DPHHS programs, and reallocations of authority between program functions within a division. SB 410 limits transfers of Medicaid services appropriation authority to $60.0 million total funds.
4. HRD received an administrative appropriation of $519,366 state special revenue transferred from the University of Montana to partially fund a medical education program.
5. DPHHS included $100,000 of general fund appropriated for community housing assistance for persons transitioning from facility based care to community services. Since this expenditure is not Medicaid eligible, the LFD has not included it in the table.

As discussed in the 2015 Biennium Budget and General Fund Revenue Trend Update report to the LFC in December, DPHHS reports that the major pressure points for Medicaid services with projected general fund cost overruns are:

- Health Resources Division - $5.4 million (76% of the total)
  - Medicaid hospital services - $3.4 million, with two major factors being higher reimbursement due to more complex patient acuity and an increase in the number of outpatient hospital services
  - Medicaid physician services - $1.2 million due to more persons accessing services and rate increases in HB 2 and 53-6-125(b), MCA, which ties provider reimbursement to the consumer price index for medical care as calculated by the U.S. Department of Labor
- Developmental Services Division - $1.3 million (18% of the total)
  - Children's mental health services - $1.2 million due to growth in targeted case management services and reductions in prior authorization for utilization of some services
- Senior and Long Term Care Division - $0.4 million (4% of the total)
  - Nursing home services - $0.8 million general fund shortfall due to a $1.0 million reduction in state special revenue collections in the nursing home utilization fee, which shifts costs to the general fund.
  - Home and community waiver services - $0.3 million in projected general fund savings that partially offsets the estimated nursing home cost overrun
- Addictive and Mental Disorders Division - $0.1 million (2% of the total)
  - Adult mental health services – $0.1 million due to growth in case management and physician services

State Special Revenue and Federal Appropriations

DPHHS is projecting that overall there will be excess state special revenue and federal authority in Medicaid services funding due to lower:

- Collections of nursing home utilization fees as discussed earlier (state special revenue)
- Expenditures in the basic mental health (also known as the HIFA – Health Insurance Flexibility and Accountability) waiver (state special and federal)
- Reimbursements to Indian Health Services Providers (federal)

CHANGES TO MEDICAID SERVICES APPROPRIATION AUTHORITY

There has been a $0.5 million increase in state special revenue authority for the Health Resources Division due to an administrative appropriation since the September LFC meeting. The funds were transferred from the Montana University System to be used as state Medicaid match for a graduate medical education program. The program pays hospitals that administer residency programs for medical students. To date, there are two Billings hospitals that participate with programs anticipated to be started in Kalispell and Missoula.

LFD ANALYSIS OF FUNDS AVAILABLE TO OFFSET A PORTION OF THE COST OVERRUN

There are two sources of state special revenue expected to be available to offset a portion of the projected general fund cost overrun: SB 410 appropriations and additional insurance premium tax revenues allocated to the Healthy Montana Kids (HMK) program.

SB 410 appropriated $2.0 million in state special revenue over the biennium to DPHHS to cover the cost of operations, grants, and benefits. DPHHS included a place holder for SB 410 funds in the BSR. The full $2.0 million remains available. Additionally, there is $7.5 million appropriated to the Office of Budget and Program Planning in SB 410, which can be used for operating costs in various state agencies, including DPHHS.

LFD staff has projected an additional $2.6 million in the state special revenue allocated to fund the HMK program. The revenue is above the SJ 2 revenue estimate adopted by the 2013 Legislature and is due to the merger of Blue Cross Blue Shield with Health Care Service Corporation. The additional HMK state special revenue could be used to offset a portion of the projected general fund cost overrun in Medicaid services administered by the Health Resources and Disability Services Divisions.

DPHHS Next Steps

DPHHS will continue to monitor Medicaid expenditures. As more Medicaid data is received, the cost estimates may change. Like revenue estimates, Medicaid cost trends can vary within short time spans, sometimes significantly.

If Medicaid services cost projections continue to exceed available funds, DPHHS may need to move funds from FY 2015 to FY 2014 to fund anticipated costs. If that were to occur, the LFC would have the opportunity to review and comment on the statutorily required plan to reduce expenditures to be within the appropriations in the second year of the biennium. Usually such plans have been available at the June LFC meetings and sometimes as early as March.