

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 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 (DPHHS) expenditures.

This report discusses the fiscal standing of the program at the end of FY 2015 including the following points:

- Changes in Medicaid authority from original legislative appropriations of \$17.2 million general fund and \$35.4 million total funds
- Total remaining balance of \$56.4 million including \$12.2 million general fund
- Update on MDC closure (SB 411)
- Update on Medicaid Expansion (SB 405)

FINAL EXPENDITURES

Final expenditures on Medicaid services totaled \$1,131.9 million including \$268.4 million general fund. This was \$21.0 million below the original legislative appropriation but included general fund expenditures of \$5.0 million above the original appropriation. Over the course of FY 2015 the department transferred authority into Medicaid services from other program areas within the department. These transfers resulted in remaining Medicaid services authority at FYE of \$56.4 million total funds and \$12.2 million general fund and will be discussed further in the final budget section of this report.

The expenditures recorded in the following table include accruals. Accruals are intended to cover payments for services rendered in FY 2015 for which the expenditure had not yet occurred at fiscal year end. Further discussion of accruals for Medicaid services can be found below.

FY 2015 Appropriations Compared to FYE Expenditures (incl. Accruals)							
Data from SABHRS and DPHHS FYE BSR							
Division by Fund Type	FY 2015 Legislative Appropriation	Final FY 2015 Expenditures incl. Accruals	Expenditures (Over) Under Leg. Approp.	Percent of Leg. Approp.	Changes in Appropriation Authority ¹	Final Remaining Appropriation Authority	Percent of Leg. Approp.
Health Resources							
General Fund	\$129,155,462	\$140,732,130	(\$11,576,668)	-9.0%	\$19,230,000	\$7,653,332	5.9%
State Special	46,110,794	49,283,067	(3,172,273)	-6.9%	7,789,366	4,617,093	10.0%
Federal Special	<u>381,294,497</u>	<u>391,813,123</u>	<u>(10,518,626)</u>	<u>-2.8%</u>	<u>18,382,000</u>	<u>7,863,374</u>	<u>2.1%</u>
Subtotal	556,560,753	581,828,320	(25,267,567)	-4.5%	45,401,366	20,133,799	3.6%
Senior and Long Term Care							
General Fund	60,165,031	54,996,581	5,168,450	8.6%	(4,000,000)	1,168,450	1.9%
State Special	30,530,540	27,140,925	3,389,615	11.1%	0	3,389,615	11.1%
Federal Special	<u>190,486,742</u>	<u>168,792,891</u>	<u>21,693,851</u>	<u>11.4%</u>	<u>(5,750,000)</u>	<u>15,943,851</u>	<u>8.4%</u>
Subtotal	281,182,313	250,930,397	30,251,916	10.8%	(9,750,000)	20,501,916	7.3%
Developmental Services Division							
General Fund	62,844,736	59,842,781	3,001,955	4.8%	(195,000)	2,806,955	4.5%
State Special	6,040,146	6,039,545	601	0.0%	0	601	0.0%
Federal Special	<u>183,982,334</u>	<u>165,265,515</u>	<u>18,716,819</u>	<u>10.2%</u>	<u>(7,100,000)</u>	<u>11,616,819</u>	<u>6.3%</u>
Subtotal	252,867,216	231,147,841	21,719,375	8.6%	(7,295,000)	14,424,375	5.7%
Addictive and Mental Disorders							
General Fund	11,300,385	12,864,721	(1,564,336)	-13.8%	2,185,000	620,664	5.5%
State Special	8,956,844	8,889,187	67,657	0.8%	0	67,657	0.8%
Federal Special	<u>42,032,024</u>	<u>46,276,634</u>	<u>(4,244,610)</u>	<u>-10.1%</u>	<u>4,850,000</u>	<u>605,390</u>	<u>1.4%</u>
Subtotal	62,289,253	68,030,542	(5,741,289)	-9.2%	7,035,000	1,293,711	2.1%
Medicaid Services Totals by Fund							
General Fund	263,465,614	268,436,213	(4,970,599)	-1.9%	17,220,000	12,249,401	4.6%
State Special	91,638,324	91,352,724	285,600	0.3%	7,789,366	8,074,966	8.8%
Federal Special	<u>797,795,597</u>	<u>772,148,163</u>	<u>25,647,434</u>	<u>3.2%</u>	<u>10,382,000</u>	<u>36,029,434</u>	<u>4.5%</u>
Grand Total Medicaid Services	\$1,152,899,535	\$1,131,937,099	\$20,962,436	1.8%	\$35,391,366	\$56,353,802	4.9%

1. 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. SSR in HRD includes 4.0 million for the supplemental in HB2 during the 2015 session

Accruals

Medicaid service providers have up to a year after the services have been rendered to file a clean claim for payment. This deadline may be extended for some cases that require eligibility determination. As a result, there is always a relatively large Medicaid accrual in DPHHS and payments will be made for program year 2015 services throughout fiscal year 2016. The following table shows the accrual for estimated remaining FY 2015 Medicaid billings. This accrual amounts to 11.0% of total recorded expenditures, and 12.6% of total recorded general fund expenditures.

Medicaid Accrual FY 2015 by Division and Fund Type				
2015 FYE Data from SABHRS				
Division	General Fund	State Special	Federal Special	Total
Health Resources	\$21,676,240	\$2,438,544	\$53,928,610	\$78,043,394
Senior and Long Term Care	6,642,432	2,128,584	18,255,098	27,026,114
Developmental Services	3,088,319	-	8,259,123	11,347,443
Addictive and Mental Disorders	2,296,260	418,259	5,379,091	8,093,609
Total All Medicaid Services	\$33,703,251	\$4,985,387	\$85,821,922	\$124,510,560

For context, in FY 2014 the accrual for Medicaid services was \$118.6 million total funds, including \$30.1 million in general fund. Of the FY 2014 Medicaid services accrual, there was a prior year adjustment of \$13.6 million total funds, \$2.9 million general fund. These adjustments indicate that final FY 2014 Medicaid services expenditures came in under the accrual.

Comparison to prior estimates

2015 FYE Expenditures (incl. Accruals) and Prior Estimates for FYE				
Data from Current and Prior DPHHS BSRs				
Division by Fund	Final FY 2015 Expenditures incl. Accruals	Estimated FYE Expenditures: June 15th	Estimated FYE Expenditures: March 15th	Estimated FYE Expenditures: December 15th
<u>Health Resources</u>				
General Fund	\$140,732,130	\$142,001,937	\$140,137,460	\$141,690,849
State Special	49,283,067	54,417,735	54,641,177	54,641,178
Federal Special	<u>391,813,123</u>	<u>397,034,238</u>	<u>400,004,653</u>	<u>411,759,836</u>
Subtotal	581,828,320	593,453,910	594,783,290	608,091,863
<u>Senior and Long Term Care</u>				
General Fund	54,996,581	57,208,896	58,709,621	58,674,077
State Special	27,140,925	25,917,053	28,276,473	28,276,473
Federal Special	<u>168,792,891</u>	<u>170,261,078</u>	<u>180,234,959</u>	<u>180,512,650</u>
Subtotal	250,930,397	253,387,027	267,221,053	267,463,200
<u>Developmental Services Division</u>				
General Fund	59,842,781	60,956,073	62,086,659	62,234,813
State Special	6,039,545	6,040,146	6,040,146	6,040,146
Federal Special	<u>165,265,515</u>	<u>167,572,977</u>	<u>171,579,506</u>	<u>171,712,562</u>
Subtotal	231,147,841	234,569,196	239,706,311	239,987,521
<u>Addictive and Mental Disorders</u>				
General Fund	12,864,721	12,683,649	12,039,064	11,746,957
State Special	8,889,187	9,554,279	10,202,488	10,589,825
Federal Special	<u>46,276,634</u>	<u>45,237,607</u>	<u>45,236,082</u>	<u>46,604,258</u>
Subtotal	68,030,542	67,475,535	67,477,634	68,941,040
<u>Medicaid Services Totals by Fund</u>				
General Fund	268,436,213	272,850,555	272,972,804	274,346,696
State Special	91,352,724	95,929,213	99,160,284	99,547,622
Federal Special	<u>772,148,163</u>	<u>780,105,900</u>	<u>797,055,200</u>	<u>810,589,306</u>
Grand Total Medicaid Services	\$1,131,937,099	\$1,148,885,668	\$1,169,188,288	\$1,184,483,624
<u>Percent Above Final Expend by Fund</u>				
General Fund	0.00%	1.64%	1.69%	2.20%
State Special	0.00%	5.01%	8.55%	8.97%
Federal Special	0.00%	1.03%	3.23%	4.98%
Percent Above Final Total Expend	0.00%	1.50%	3.29%	4.64%

The preceding table gives the FYE 2015 expenditures – including accruals – for Medicaid services. Additionally, it contains quarterly estimates for FYE 2015 expenditures provided by the

department in its budget status report (BSR) documents over the course of the fiscal year. The bottom of the chart shows the differences as a percentage of recorded FYE expenditures.

Expected final expenditures consistently decreased from the December report forward. The smallest change, both in absolute monetary value and in percentage was in the general fund estimate, and in none of these instances were estimates further than 5% from the final expenditures. Estimates for the individual divisions fluctuated more than those for total Medicaid services.

FINAL BUDGET

The final budget changes for Medicaid expenditures were \$35.4 million total funds including \$17.2 million general fund, as can be seen in the first table on page 2. Shortfalls in Medicaid services were anticipated throughout the fiscal year, and the department made adjustments to the original legislative budget as allowed by statute. The adjacent table gives a high-level summary of those changes for the entire fiscal year.

CHIPRA Bonus Funds

Montana was awarded bonus funds from the Children's Health Insurance Program Act (CHIPRA) as an incentive for supporting enrollment and retention for the lowest income children in the CHIP program. These federal bonus funds were awarded in years 2011, 2012, and 2013 for a total value close to \$20 million. There are no funds left in this source as the remaining balance (\$16.9 million) was spent in FY 2015. Addictive and Mental Disorders received \$14.8 million of this balance with the majority of this funding supporting the Montana State Hospital. The remaining \$2.1 million supported non-Medicaid programs.

Changes to Medicaid Services Appropriation for FY 2015			
Data from SABHRS and DPHHS FYE BSR			
Division by Fund Type	FY 2015 Legislative Appropriation	Changes in Appropriation Authority	Final Appropriation Authority
<u>Health Resources</u>			
General Fund	\$129,155,462	\$19,230,000	\$148,385,462
State Special	46,110,794	7,789,366	53,900,160
Federal Special	<u>381,294,497</u>	<u>18,382,000</u>	<u>399,676,497</u>
Subtotal	556,560,753	45,401,366	601,962,119
<u>Senior and Long Term Care</u>			
General Fund	60,165,031	(4,000,000)	56,165,031
State Special	30,530,540	0	30,530,540
Federal Special	<u>190,486,742</u>	<u>(5,750,000)</u>	<u>184,736,742</u>
Subtotal	281,182,313	(9,750,000)	271,432,313
<u>Developmental Services Division</u>			
General Fund	62,844,736	(195,000)	62,649,736
State Special	6,040,146	0	6,040,146
Federal Special	<u>183,982,334</u>	<u>(7,100,000)</u>	<u>176,882,334</u>
Subtotal	252,867,216	(7,295,000)	245,572,216
<u>Addictive and Mental Disorders</u>			
General Fund	11,300,385	2,185,000	13,485,385
State Special	8,956,844	0	8,956,844
Federal Special	<u>42,032,024</u>	<u>4,850,000</u>	<u>46,882,024</u>
Subtotal	62,289,253	7,035,000	69,324,253
<u>Medicaid Services Totals by Fund</u>			
General Fund	263,465,614	17,220,000	280,685,614
State Special	91,638,324	7,789,366	99,427,690
Federal Special	<u>797,795,597</u>	<u>10,382,000</u>	<u>808,177,597</u>
Grand Total Medicaid Services	\$1,152,899,535	\$35,391,366	\$1,188,290,901

SB 410 (2013 Legislature)

The 63rd Legislature created a state special revenue account for the purpose of funding various operations, benefits, and grants with an amount of \$2.0 million available for use by DPHHS. The department had authority to use this funding as federal match through the budget

amendment process. In FY 2015 all of the SB 410 money was spent with \$900,000 directed toward operations at the Montana Developmental Center and the remaining balance of \$1.1 million supporting hospital services in the Health Resource Division (HRD).

Transfers of Authority

As late as the June LFC meeting, DPHHS was projecting shortfalls in HRD and AMDD of approximately \$20.7 million and \$5.2 million respectively. CHIPRA Bonus, SB 410 funds, and various other sources of authority were transferred to where need was anticipated.

The following table summarizes all transfers of authority since the June report to the LFC, and represents journal data from SABHRS (the state accounting budgeting and human resource system) from June 15th to FYE 2015.

Summary of Authority Transfers of Benefits and Claims Authority since June LFC Update			
Division and Subclass Effected	General Fund	State Special	Federal Special
Developmental Services			
Developmental Disabilities Waiver	(\$520,000)	-	-
CSCT	-	-	(7,100,000)
Children's Mental Health	315,000	-	-
Targeted Case Management	<u>10,000</u>	-	-
Subtotal	(195,000)	-	(7,100,000)
Health Resources			
Acute Services and Pharmacy	5,035,986	-	(1,979,700)
Managed Care Benefits	5,520,000	-	2,181,072
Hospital Services	2,218,690	-	17,282,177
HMK Benefits	-	682,837	360,682
Medicare Buy-In	(1,350,676)	-	245,074
Clinic Services	6,000	-	1,135,000
Indian Health Services	-	-	639,900
Hospital Utilization Fee	-	<u>(682,837)</u>	<u>(1,482,205)</u>
Subtotal	11,430,000	-	18,382,000
Senior and Long-Term Care			
Home and Community Based Services	(1,600,000)	-	(2,093,000)
Community First Choice	(2,400,000)	-	(3,000,000)
Nursing Homes	-	-	(707,000)
MVH Facility	-	-	135,000
Waiver	375,000	-	385,000
Money Follows the Person	<u>(375,000)</u>	-	<u>(470,000)</u>
Subtotal	(4,000,000)	-	(5,750,000)
Addictive and Mental Disorders			
Facility Reimbursements	-	-	1,050,000
Adult Mental Health	500,000	-	(220,000)
Home and Community Based Services	-	70,000	(220,000)
Chemical Dependency	-	(70,000)	220,000
HIFA Waiver	<u>185,000</u>	-	<u>4,020,000</u>
Subtotal	685,000	-	4,850,000
Grand Total Program Transfers by Fund	\$7,920,000	\$0	\$10,382,000

The authority transferred into Medicaid benefits came primarily from excesses in TANF, SNAP, and child care programs. However, most of the transfers summarized in this table were between Medicaid divisions.

As shown in the table above, HRD continued to receive the majority of general and federal funding transfers especially in acute services, managed care, and hospital services. The Senior and Long Term Care (SLTC) and Developmental Services (DSD) divisions provided the majority of this funding out of Home and Community Based Services, nursing homes, Community First Choice, and Comprehensive School and Community Treatment. Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and child care programs in the Human and Community Services division provided the majority of the authority transferred into Medicaid services.

Although the previous table shows only authority transferred after the June meeting, there had been budgetary changes earlier in the fiscal year with any large transfers discussed in previous

monitoring reports. When the recent transfers are added to those made earlier, they sum to the \$35.4 million referenced as “Changes in Appropriation Authority” in the tables on pages 2 and 4.

EXCESS AUTHORITY AT FYE

The total final Medicaid budget exceeded actual expenditures by approximately \$56.4 million, including \$12.2 million general fund, which can be seen in the main table on page 2. HRD and SLTC has the most remaining authority, at \$20.1 million (\$7.7 million general fund) and \$20.5 million (\$1.2 million general fund) respectively. However, all of this excess authority was not due to the size of the original appropriations. In fact, without the ability to move authority from one division to another, HRD would have had a deficit of approximately \$24.7 million. The table on page 5, summarizing overall changes to the budget, shows that the department used program transfers and other budget changes to augment the initial HRD budget by over \$45.4 million to achieve this surplus. Additionally, the table shows that AMDD would have had a shortfall without the ability to transfer authority.

Supplemental Authority

DPHHS was appropriated supplemental authority in HB 2 by the 2015 Legislature for state special revenue for FY 2015 in the amount of \$5.0 million for necessary and ordinary expenditures ending in FY 2015. Of this authority, \$4.0 million went to HRD and \$1.0 million to the Developmental Services Division, specifically for the enactment of SB 411 (the closure of the Montana Developmental Center). However, the supplement went unused as the department had remaining state special revenue authority in each of these divisions exceeding the amounts of these supplemental appropriations.

UPCOMING ISSUES RELATED TO MEDICAID SERVICES

Closure of the Montana Developmental Center and SB 411

The legislative intent of SB 411 is to provide services to individuals with developmental disabilities in a community based setting and to close the Montana Developmental Center (MDC) located in Boulder, MT. Since this bill was passed and signed into law, a transitional planning advisory council has been formed and is meeting on a monthly basis. To date there have been three in the months of June, July, and August.

The MDC advisory council has identified many challenges to work on during the upcoming months. Family of MDC clients voice concern over future placement and ask that a safe environment and all necessary services for serving this population be maintained or improved in transitioning clients out of MDC.

From the executive point of view, keeping the safety of all client, staff, and other visiting members of MDC is paramount. This will continue to be a challenge given the amount of current vacancies and the fact that filling all shifts was difficult even prior to the passage of SB 411. MDC is offering bonuses to help with retention and have hired some staff in spite of the situation.

From the provider point of view, the payment system needs to be modified as the current method of reimbursement is difficult and time intensive. The fact that clients can be on the MDC port list (or list that identifies clients ready to be released into the community) for years without a placement suggests more than a payment reimbursement issue. Lack of community psychiatrists, community start-up funds (for homes, transportation, etc.), crisis beds, low direct

care worker wage, and the nature of the clientele, all point to the fact that community based providers may not be equipped to accept and maintain this population.

Jefferson County also has concerns including loss of this established employment opportunity and the plan for facility structures following the closure of MDC.

In spite of the before mentioned challenges, four major providers have been identified and are working with the executive. The executive has identified and received Title XX funds in the amount of \$1.26 million to be used as OTO incentive bonus for providers interested in serving this population. It is unclear if the funding is OTO or the incentive bonus will be OTO for participating providers. To date, MDC is operating at a staff of 224 out of the budgeted 250 FTE. Thirteen of the current staff are in training positions and an interim superintendent has been filled.

SB 405: HELP Act Medicaid Expansion

The HELP Act will expand Medicaid in Montana to include individuals up to 138% of the federal poverty level. The majority of this act is not effective until CMS (Federal Center for Medicare and Medicaid Services) approves the waivers necessary for enactment of this Medicaid expansion as directed in the act. These waivers allow for the differences from the original form of the Affordable Care Act (ACA). DPHHS has requested CMS move quickly, with the intention of offering this expansion as of January 1, 2016. There is no requirement for CMS to act on any set timeline.

A separate complete report on the HELP Act has been provided, and will be updated at every quarterly meeting of the LFC.