

# Budget Brief – Health Care Financing

NUMBER HHS-05-07

## SUMMARY

The Division of Health Care Financing is the administrative agency for Utah's Medical Assistance Programs. The division administers state and federal funds, and contracts with providers. It also gathers and analyzes data, and pays for the Medicaid services provided to recipients.

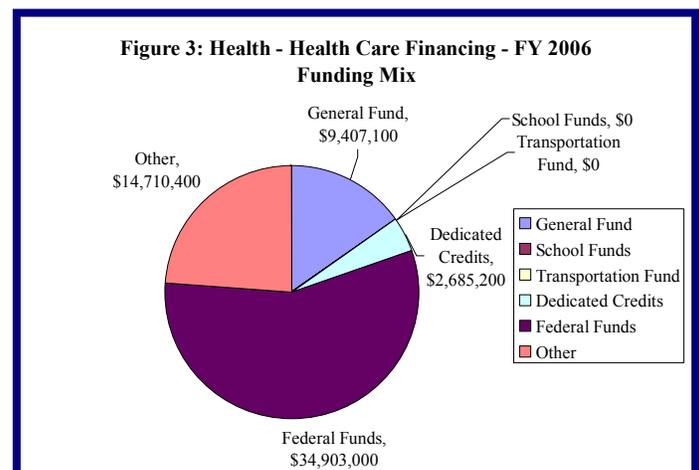
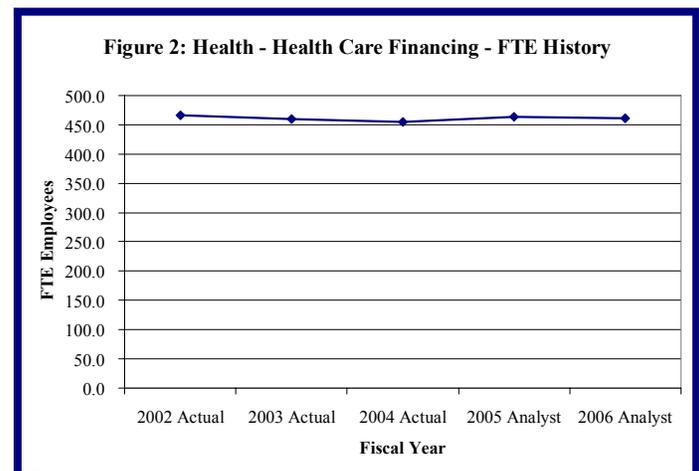
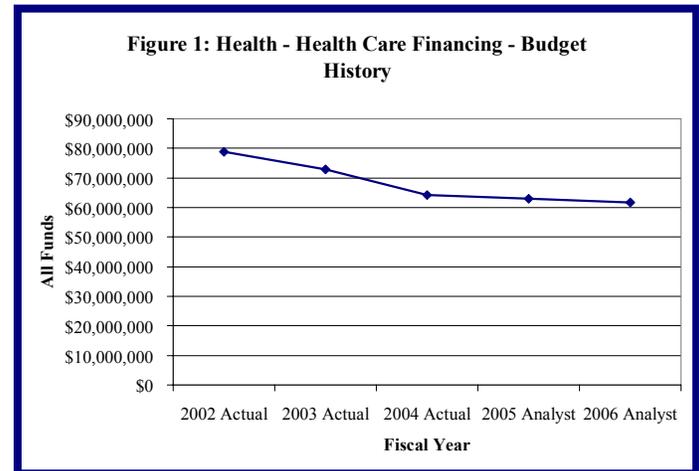
## ISSUES AND RECOMMENDATIONS

The Analyst recommends a budget for the Health Care Financing line item in the Department of Health for FY 2006 in the amount of \$61,705,700. This budget level funds seven programs within the line item, including the Director's Office, Financial Services, Managed Health Care, Medical Claims, Eligibility Services, Coverage and Reimbursement, and Contracts.

Included in the Analyst's FY 2006 base recommendation is a reduction in General Fund of \$50,000 (\$161,300 total funding with federal funds). This reduction is in the area of postage and mailing in the Bureau of Medical Claims. The reduction is to serve as an encouragement to utilize the State's financial management system, FINET, to pay claims electronically, rather than incurring the cost of physically printing and mailing a check to Medicaid providers. (See Issue Brief HHS-05-02)

Two areas of concern in this line item include the Department's request for new FTEs to comply with two new federal programs. As explained in Issue Brief HHS-05-03, the new Medicare Prescription Drug, Improvement and Modernization Act of 2003 requires individuals to apply and enroll in the Voluntary Prescription Drug Benefit Program. This will put an increased workload on the Bureau of Eligibility Services as they could begin receiving applications for the program, and must complete regular Medicaid eligibility to determine if the individual is eligible for Medicaid benefits. The Analyst has identified a need for an additional three FTEs to handle this increased workload. The total cost is estimated at \$178,800, half of which would be required from the General Fund and half would be from federal funds.

The second area of concern is a new federal mandate through the Improper Payments Information Act of 2002, which requires a Payment Error Rate Measurement (PERM) to evaluate the accuracy of payments made by Medicaid and CHIP to ensure that payments are made correctly. As explained in Issue Brief HHS-05-04, the



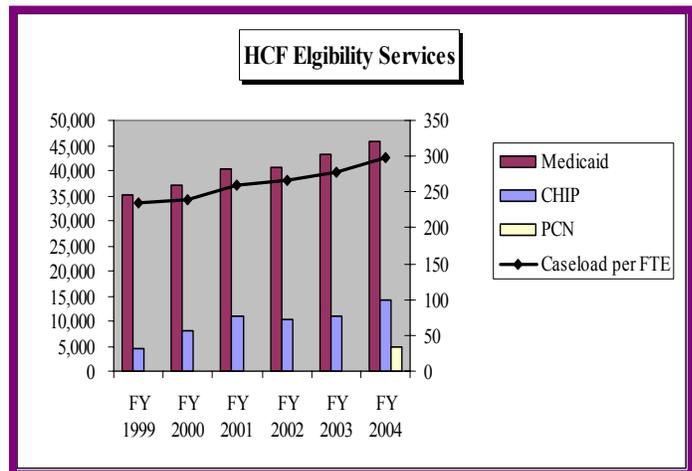
Analyst recommends that the Health and Human Services Appropriations Subcommittee consider the funding of three FTEs to comply with federal provisions requiring the monitoring of payment errors. The cost is estimated at \$191,000, of which 40 percent would be from the General Fund (\$76,400) and the balance from federal funds (\$114,600).

As a FY 2005 Supplemental, the Analyst is recommending a one-time, \$4,000,000 appropriation from the General Fund for the purpose of replacing the Medicaid Management Information System (MMIS). The current system is obsolete, is written in an old computer language, and is being patched together as new requirements arise. Some mandates are not being met in a timely manner. A new system would resolve these problems and be more responsive to federal, state, and local rules and regulatory changes. The total cost of the new system is \$40 million; federal funds can cover 90% of the cost with a 10% state match. The Analyst also recommends the funding be approved with intent language authorizing it as nonlapsing and requiring periodic progress reports to the Legislature (see Issue Brief HHS-05-10).

**ACCOUNTABILITY DETAIL**

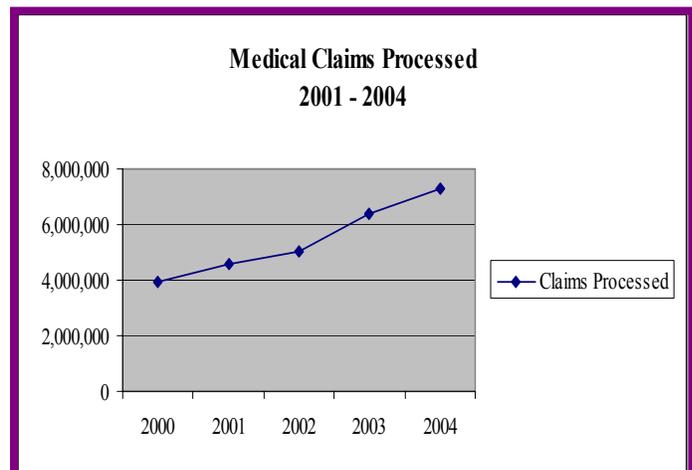
***Eligibility Services***

The Bureau of Eligibility Services has the responsibility of determining whether applicants for Medicaid, CHP, or PCN meet the eligibility criteria. Over the past few years as the number of individuals eligible for these programs has grown, the number of eligibility workers has remained fairly static. As a result the caseload per FTE ratio has increased, as can be seen in the accompanying graph.



***Medical Claims***

The Bureau of Medical Claims process all claims received by Medicaid, ensuring that claims are entered and adjudicated promptly. As the Medicaid program has grown, the number of claims has also grown. The graph to the right shows the number of claims over the past five years. (Note: Beginning 1 October 2002, the Bureau began processing IHC’s HMO claims that were previously being processed by IHC.)



**BUDGET DETAIL*****Budget Recommendation***

The Analyst recommends total funding in the amount of \$61,705,700 for the Health Care Financing line item. Of this amount \$9,407,100 is from the General Fund, \$34,903,000 is from Federal Funds, \$2,685,200 is from Dedicated Credits, \$300,000 is from the General Fund Restricted – Nursing Care Facilities Account, and \$14,410,400 from Transfers. The recommendation covers the budgets for the Director's Office, Financial Services, Managed Health Care, Medical Claims, Eligibility Services, Coverage and Reimbursement, and Contracts.

***Intent Language***

Intent Language in the FY 2005 Appropriations Act instructed the Department of Health to repeal the rules and portion of the state plan which requires nursing care facilities to charge their private pay residents the same rate or more than the Medicaid rate. Because the Department of Health has complied with this intent language, the Analyst recommends that the language discontinue after FY 2005.

The Legislature also approved FY 2004 intent language authorizing funding for the electronic Resource Eligibility Program (eREP) as nonlapsing.

**LEGISLATIVE ACTION**

1. The Analyst recommends that the Health and Human Services Appropriations Subcommittee approve a base budget for FY 2006 for the Health Care Financing line item in the amount of \$61,705,700.

**BUDGET DETAIL TABLE**

<b>Health - Health Care Financing</b>						
	<b>FY 2004</b>	<b>FY 2005</b>		<b>FY 2005</b>		<b>FY 2006</b>
<b>Sources of Finance</b>	<b>Actual</b>	<b>Appropriated</b>	<b>Changes</b>	<b>Revised</b>	<b>Changes</b>	<b>Analyst*</b>
General Fund	9,452,800	9,457,100	0	9,457,100	(50,000)	9,407,100
General Fund, One-time	396,800	104,000	0	104,000	(104,000)	0
Federal Funds	36,744,411	39,722,600	(4,013,234)	35,709,366	(806,366)	34,903,000
Dedicated Credits Revenue	2,810,081	4,875,700	(2,190,500)	2,685,200	0	2,685,200
GFR - Nursing Care Facilities Account	0	300,000	0	300,000	0	300,000
Transfers	15,118,087	11,208,400	3,201,959	14,410,359	41	14,410,400
Beginning Nonlapsing	0	0	247,275	247,275	(247,275)	0
Closing Nonlapsing	(247,275)	0	0	0	0	0
Lapsing Balance	0	0	0	0	0	0
<b>Total</b>	<b>\$64,274,904</b>	<b>\$65,667,800</b>	<b>(\$2,754,500)</b>	<b>\$62,913,300</b>	<b>(\$1,207,600)</b>	<b>\$61,705,700</b>
<b>Programs</b>						
Director's Office	6,924,351	4,118,300	(53,700)	4,064,600	(258,900)	3,805,700
Financial Services	7,796,646	7,366,900	153,200	7,520,100	(433,000)	7,087,100
Managed Health Care	2,428,709	2,464,800	360,200	2,825,000	(22,200)	2,802,800
Medical Claims	3,508,541	3,152,200	471,700	3,623,900	(192,300)	3,431,600
Eligibility Services	16,045,344	15,527,300	301,000	15,828,300	(281,200)	15,547,100
Coverage and Reimbursement	3,030,104	3,068,800	354,000	3,422,800	(20,000)	3,402,800
Contracts	24,541,209	29,969,500	(4,340,900)	25,628,600	0	25,628,600
<b>Total</b>	<b>\$64,274,904</b>	<b>\$65,667,800</b>	<b>(\$2,754,500)</b>	<b>\$62,913,300</b>	<b>(\$1,207,600)</b>	<b>\$61,705,700</b>
<b>Categories of Expenditure</b>						
Personal Services	25,362,446	25,548,100	(157,723)	25,390,377	(419,477)	24,970,900
In-State Travel	77,478	73,200	4,300	77,500	(600)	76,900
Out of State Travel	43,052	25,700	17,400	43,100	0	43,100
Current Expense	10,684,628	8,294,900	1,444,323	9,739,223	(753,923)	8,985,300
DP Current Expense	4,296,207	3,730,500	26,500	3,757,000	(4,600)	3,752,400
DP Capital Outlay	126,342	0	0	0	0	0
Other Charges/Pass Thru	23,684,751	33,890,700	(9,984,600)	23,906,100	(29,000)	23,877,100
<b>Total</b>	<b>\$64,274,904</b>	<b>\$71,563,100</b>	<b>(\$8,649,800)</b>	<b>\$62,913,300</b>	<b>(\$1,207,600)</b>	<b>\$61,705,700</b>
<b>Other Data</b>						
Total FTE	454.5	455.0	8.7	463.7	(2.5)	461.2
Vehicles	14	14	0	14	0	14

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

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## Issue Brief – HCF Medical Claims

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NUMBER HHS-05-02

### **SUMMARY**

The Bureau of Medical Claims is responsible for the processing and payment of claims submitted by Medicaid providers. Each week, the division has a check run and then mails out checks for claims submitted and paid during the check run.

### **ANALYSIS**

The cost of mailing checks out on a weekly basis, together with other mailings to Medicaid providers is a significant cost. The FY 2005 and FY 2006 postage and mailing budgets are estimated at \$435,000. The Analyst has reduced this amount by \$161,300 (\$50,000 General Fund) to encourage the division to utilize the state's financial management system, FINET, to pay claims electronically, rather than physically mailing a check to providers. This should not only reduce postage costs, but also the cost of the checks. In addition, providers should be able to receive payments in a timely manner through a direct deposit.

### **LEGISLATIVE ACTION**

As part of the FY 2006 base recommendation for the Division of Health Care Financing, the Analyst has included the reduction of \$50,000 General Fund from the Bureau of Medical Claims.

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## Issue Brief – Medicaid Caseload/Medicare Part D

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NUMBER HHS-05-03

### **SUMMARY**

Congress recently passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which provides Medicare coverage for prescription drugs. This new benefit will allow all individuals who are on Social Security to receive a prescription drug benefit. This will impact the state because there are currently approximately 20,000 individuals who are covered by both Medicare and Medicaid, usually referred to as “dual eligibles”.

In order to receive the prescription drug benefit, individuals must apply and enroll in the “Voluntary Prescription Drug Benefit Program”. They may apply at either the Social Security Office or the Department of Health. There are varying estimates as to how many applicants there will be and also where they will apply. The Department estimates an increased need for eligibility workers for the expected workload from this new provision. The Department will need to be ready to accept application beginning July 1, 2005. (If an individual applies and is deemed eligible for Medicaid, he/she will be enrolled in the Medicaid program with all other benefits except prescription drugs. The Department of Health estimates that 2,500 of the applicants will be deemed Medicaid eligible.)

### **LEGISLATIVE ACTION**

The Analyst recommends that the Health and Human Services Appropriations Subcommittee consider the funding of three FTEs to handle the increase in eligibility work due to the new federal provisions which provide prescription drug benefits to Social Security recipients. The Analyst estimates the cost of three FTEs at \$178,800, with half the funding from the state General Fund and half from federal funds.

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## Issue Brief – Payment Error Rate Measurement (PERM)

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NUMBER HHS-05-04

### **SUMMARY**

The federal government has recently approved the Improper Payments Information Act of 2002, which requires a Payment Error Rate Measurement (PERM) to evaluate the accuracy of payments made by Medicaid and CHIP and to compare those payments to a national model.

This new requirement is a federal mandate, but has received no additional federal funding. However, any appropriated state funding may be matched with federal funds.

### **LEGISLATIVE ACTION**

The Analyst recommends that the Health and Human Services Appropriations Subcommittee consider the funding of three FTEs for possible future funding. This would allow the division to comply with federal provisions requiring the monitoring of payment errors. The Analyst estimates the cost of three FTEs at \$191,000, with 40 percent of the funding from the state General Fund (\$76,400) and 60 percent from federal funds (\$114,600).

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## Issue Brief – Medicaid MMIS

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NUMBER HHS-05-10

### **SUMMARY**

The Division of Health Care Financing has been using a Medicaid Management Information System (MMIS) for over ten years. The system is antiquated and utilizes an old computer programming language, which makes it difficult to respond to new requirements. For example, new HIPAA mandates and timelines and not being met because of the system.

### **ANALYSIS**

A new system for Medicaid would allow the division to better meet HIPAA requirements, react to federal, state, and local rules and regulatory changes in a timelier manner, as well as improve the accessibility, timeliness, and accuracy of MMIS data. In addition, eligibility procedures could be enhanced and streamlined through the implementation of a new system.

A new system would qualify for federal matching funds at a 90/10 match rate.

Because of the size of this project, it is anticipated that the full development of the system will take approximately two years.

### **LEGISLATIVE ACTION**

As a FY 2005 Supplemental, the Analyst recommends one-time funding in the amount of \$40 million to implement a new MMIS computer system. State funding in the amount of \$4 million will draw down matching federal funds in the amount of \$36,000,000. The Analyst recommends that any funding be accompanied by language authorizing it as non-lapsing. The Analyst further recommends intent language requiring periodic reporting from the department detailing the progress in implementing a new system.

Issue Brief – Federal Funds (Health Care Financing)

NUMBER HHS-05-20

Federal Assistance Applications for State Fiscal Year 2006

July 1, 2005 through June 30, 2006

Grant Title	Federal Agency	Federal Annual Award	Annual Match Requirement						% Share To Local Agencies	Add'l Funding Req.	Expectation when funds expire	# of Add'l Staff	Notes (Define match & FTE as Temp/perm - or other)			
			General Fund	Dedicated Credits	Restricted Fund	Maintenance of Effort	In-Kind	Other						Total State Local/Other Match		
<b>Submitted with Agency Budget</b>																
67	Federal Medicaid Admin	HCFA	\$34,807,341	\$9,457,100	\$17,095,569	\$300,000	\$0	\$0	\$0	\$26,852,669	\$0	39%	No	No	*	Exempt per 63-38e-102(e), UCA
68	Work Incentive Initiative	HCFA	\$207,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	17%	No	No	*	
Grant Application Totals			\$35,014,341	\$9,457,100	\$17,095,569	\$300,000	\$0	\$0	\$0	\$26,852,669	\$0					
Note: Will provide data as it becomes available																
Prepared by the Governor's Office of Planning and Budget																