

Budget Brief – Medical Assistance

SUMMARY

Medical Assistance is a joint federal/state entitlement service that provides health care to selected low-income populations. The program is commonly referred to as Medicaid. The Administrative support that determines eligibility and processes the applications and payments for this program is primarily in the Health Care Financing line item. For more detailed information please see the Compendium of Budget Information for the 2008 General Session (Utah Department of Health), Chapter 8, pages 111 to 128.

ISSUES AND RECOMMENDATIONS

The Analyst recommends an ongoing FY 2009 base budget for Medical Assistance in the amount of \$1,634,964,500. The appropriation recommendation removes the FY 2008 one-time funding of \$2,174,000 which was used to provide dental and vision benefits to adult Medicaid clients. This budget level listed in the base budget bill is allocated to:

Pharmacy Program	\$ 163,993,400
Medicaid Base Program	\$1,277,491,700
Title XIX for Human Services	\$ 187,313,600
DOH Health Clinics	\$ 6,165,800

The funding level supports 76 FTE positions.

Key Issues: Base Budget Adjustments

The Executive Appropriations Committee recommended a General Fund increase be included in the base budget bill to cover three items historically funded in the Department of Health. These items are:

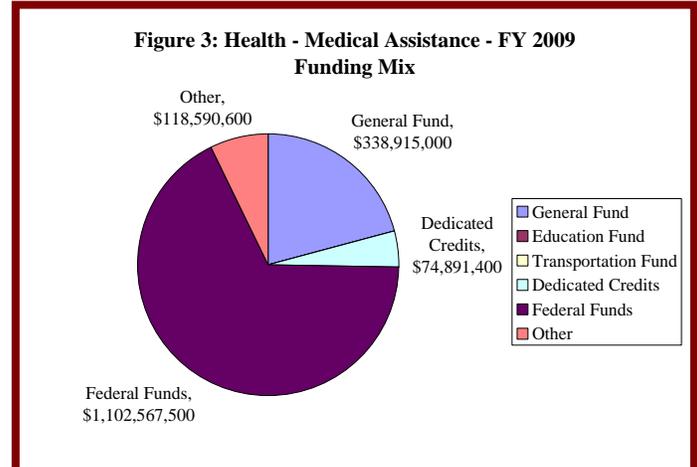
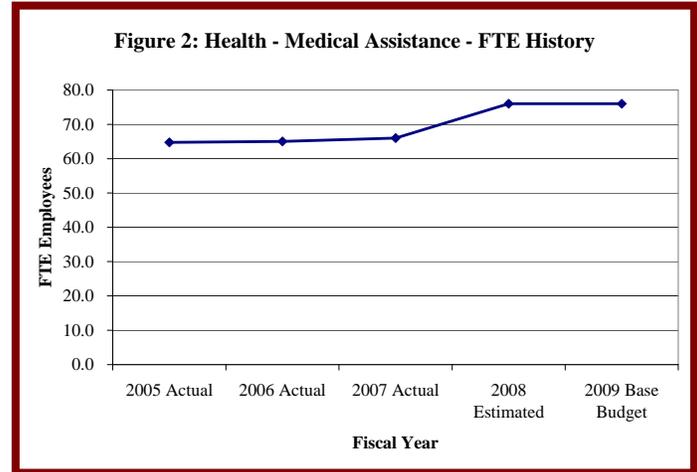
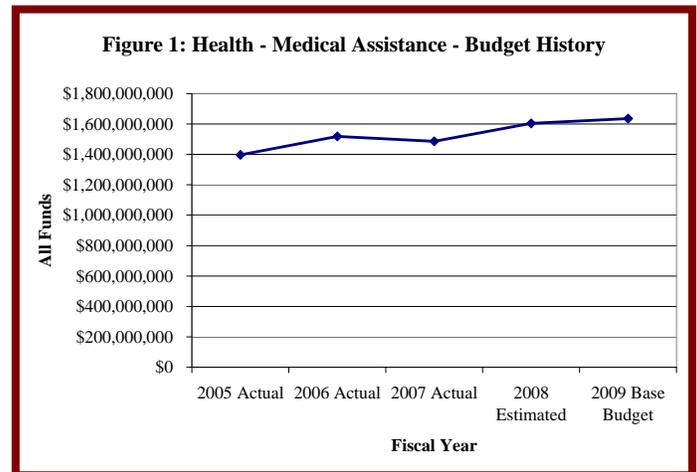
Federal Medical Assistance Percentage	\$ 3,410,000
Medicaid Caseload/Utilization	\$ 1,045,200
Medicaid Inflation	\$ 8,609,200

The Medicaid Caseload/Utilization and the Medicaid Inflation carry a federal match of close to 3:1. The FMAP* rate change is a General Fund cost that replaces Federal Funds with State General Fund.

* - Federal Medical Assistance Percentage.

ACCOUNTABILITY DETAIL

From November 2006 to 2007 total Medicaid enrollment declined over 4 percent from 165,500 to 158,100. The aged, blind and disabled population, traditionally a higher cost group, over the same period grew at a rate of over 2 percent per year. Enrollment, utilization, inflation, the State economy and new program requirements all have an



impact on the amount of money that the State will need to spend on medical services.

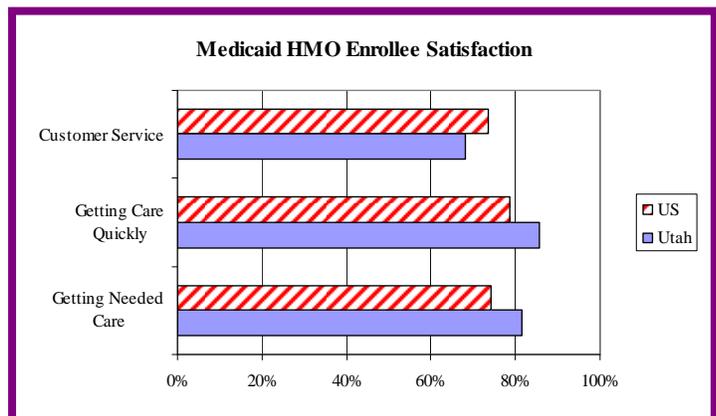
The following list represents new money appropriated in this line item last year:

- 1) \$15,303,800 ongoing General Fund to increase provider reimbursement. Provider rate increases ranged from 3% to 10% and may help encourage providers to see more Medicaid clients. The agency anticipates using all of the funding.
- 2) \$19,149,600 ongoing General Fund to replace one-time funding. There was no change to program. The line item originally suffered a loss of federal funding due to the Federal Deficit Reduction Act of 2005.
- 3) \$9,658,300 (\$3,049,600 General Fund) to address: 1) projected caseload growth and utilization, and 2) an increase in the Federal Medical Assistance Percentage (FMAP) which reduced the State General Fund requirement by \$10,135,900.
- 4) \$8,698,700 (\$2,500,000 from the GFR –Medicaid Restricted Account) was made in anticipation of Medicaid caseload growth due to the promotion of the State Children’s Health Insurance Program (CHIP) enrollment expansion. Caseload growth through November 2007 has continued to be flat or go down.
- 5) Medicaid Adult Dental Benefits sustained for another year with a one-time appropriation of \$6,958,900 (\$2,000,000 General Fund).
- 6) \$605,400 (\$174,000 one-time General Fund) for a Medicaid capitated adult vision program with intent language requiring a \$10 copay. The federal government rejected the \$10 copay proposal. This decision resulted in the Department being prevented from spending this money.

The Medical Assistance Program provides the funding for direct medical services to qualified Utah citizens. The performance measures listed in the Compendium of Budget Information identifies the percent of consumer assessment measures met or exceeded for selected large-scale providers. The factors listed below identify several of the factors in those assessments.

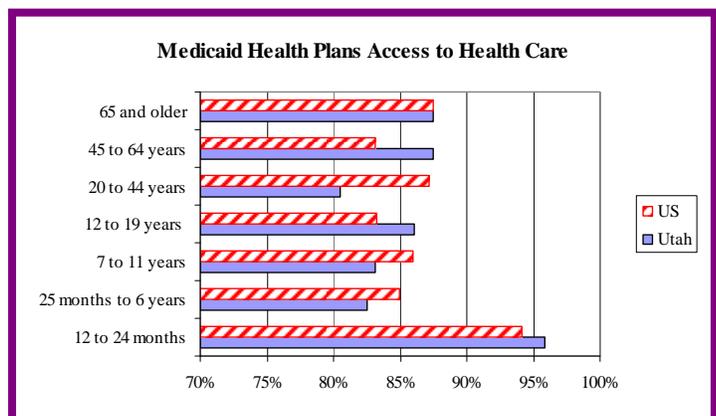
Enrollee Satisfaction

According to surveys, enrollees in Utah’s Medicaid HMOs, satisfaction is usually a little higher than national averages. The chart to the right demonstrates the satisfaction rates of Medicaid enrollees compared to national averages.



Access to Health Care

The graph below and to the right shows how well enrollees are able to access health care in the Medicaid program. This is an issue often discussed as we address provider rates. These are averages for all Medicaid services. Some services have more availability and access than others.



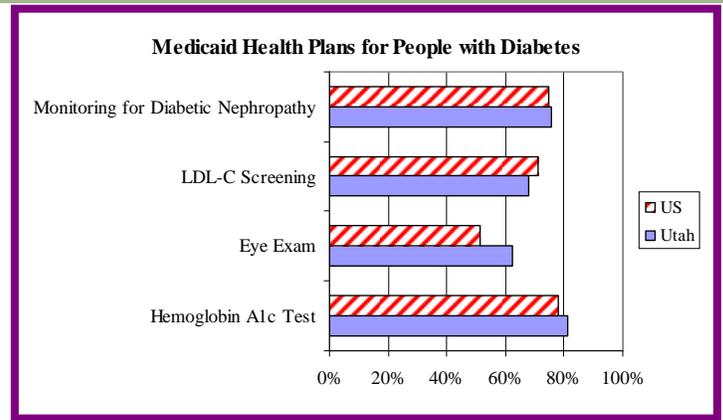
Care for People with Diabetes

The graph on the following page shows the ability to receive care for those people who have diabetes who are Medicaid recipients. Generally, Utah is close to the national average. Diabetes is becoming more widespread throughout the population and leads to a host of other ailments that require treatment and sometimes surgery,

which consequently increases costs to state and federal governments.

Provider Rates

The mandatory inflationary increases have been added to the base budget bill. This increases the provider rates for the mandatory services by approximately 2.5 percent. The Department requested funding for a 5.0% rate increase. An issue brief has been prepared for more detailed information regarding this issue.



BUILDING BLOCK REQUESTS FROM THE DEPARTMENT OF HEALTH

- 1) **Medicaid Utilization and Caseload** – \$1,045,100 General Fund (\$3,480,400 Total Funds) to fund combined utilization and caseload growth of 1%. Funding figures represent the difference between the amount requested by the agency and the amount funded in the Executive Appropriations Committee base budget recommendations.
- 2) **Medicaid Adult Dental Benefits** - \$2,845,100 General Fund (\$9,989,900 Total Funds) to make preventative adult dental benefits' funding ongoing instead of one-time for traditional Medicaid populations and expands the adult preventative dental benefit to non-traditional Medicaid populations.
- 3) **Medicaid Adult Vision Benefits** - \$250,000 General Fund (\$877,800 Total Funds) to change one-time funding to ongoing funding for adult vision benefits for the traditional Medicaid population.
- 4) **Medicaid Inflation of 5% for Required Services** - \$8,609,200 General Fund (\$27,576,900 Total Funds) Federal law requires the Medicaid program to adjust costs for Medicaid providers. Proposed rates are based on the Consumer Price Index where relevant medical indexes are available. Funding figures represent the difference between the amount requested by the agency and the amount funded in the Executive Appropriations Committee base budget recommendations.
- 5) **Medicaid Inflation of 4% for Optional Services** - \$683,200 General Fund (\$2,319,800 Total Funds) would provide an inflationary increase to keep pace with current inflation for providers of optional medical services such as physical therapy, specialized nursing, medical supplies, medical transportation, lab and radiology.
- 6) **Medicaid Physician Rate Increase of 10% to 15%** - \$4,564,800 General Fund (\$16,028,000 Total Funds) The agency states that Medicaid clients report problems finding physicians willing to provide medical services at current rates of reimbursement. Funding would increase primary care physician rates by 10% and specialty care physician rates by 15%.

BUDGET DETAIL

Budget Recommendation

The Analyst recommends an ongoing base budget funding in the amount of \$1,634,964,500 for the Medical Assistance line item, as detailed in the budget table on the following page. Of this amount \$338,915,000 is from the General Fund, \$1,102,567,500 is from Federal Funds, \$74,891,400 is from Dedicated Credits, \$15,366,200 is from the General Fund Restricted – Nursing Care Facilities Account, and \$103,224,400 from Transfers. The recommendation covers the budgets for the Pharmacy Program, the Medicaid Base Program, Title XIX for Human Services, and the Department of Health (DOH) Health Clinics.

Intent Language

No intent language has been requested and none is recommended for this line item.

Health - Medical Assistance						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
General Fund	297,922,700	325,850,600	0	325,850,600	13,064,400	338,915,000
General Fund, One-time	19,596,400	2,174,000	0	2,174,000	(2,174,000)	0
Federal Funds	983,726,400	1,089,613,100	(9,388,400)	1,080,224,700	22,342,800	1,102,567,500
Dedicated Credits Revenue	70,715,200	74,496,800	(948,000)	73,548,800	1,342,600	74,891,400
GFR - Medicaid Restricted	1,995,900	2,500,000	0	2,500,000	(2,500,000)	0
GFR - Nursing Facility	11,348,600	0	15,366,200	15,366,200	(15,366,200)	0
GFR - Nursing Care Facilities Account	0	15,366,200	(15,366,200)	0	15,366,200	15,366,200
Transfers - Human Services	69,197,400	111,234,500	(46,311,800)	64,922,700	(487,000)	64,435,700
Transfers - Intergovernmental	34,729,700	0	34,729,700	34,729,700	0	34,729,700
Transfers - Other Agencies	0	538,200	(538,200)	0	524,100	524,100
Transfers - Within Agency	3,741,100	2,601,000	1,079,100	3,680,100	(524,100)	3,156,000
Transfers - Workforce Services	366,500	0	378,900	378,900	0	378,900
Beginning Nonlapsing	5,079,900	620,900	78,600	699,500	0	699,500
Closing Nonlapsing	(12,266,800)	(620,900)	(78,600)	(699,500)	0	(699,500)
Total	\$1,486,153,000	\$1,624,374,400	(\$20,998,700)	\$1,603,375,700	\$31,588,800	\$1,634,964,500
Programs						
Medicaid Base Program	1,152,153,800	1,446,526,300	(200,117,900)	1,246,408,400	31,083,300	1,277,491,700
Pharmacy Program	149,676,600	0	163,993,400	163,993,400	0	163,993,400
Title XIX for Human Services	178,393,900	172,783,100	14,530,500	187,313,600	0	187,313,600
DOH Health Clinics	5,928,700	5,065,000	595,300	5,660,300	505,500	6,165,800
Total	\$1,486,153,000	\$1,624,374,400	(\$20,998,700)	\$1,603,375,700	\$31,588,800	\$1,634,964,500
Categories of Expenditure						
Personal Services	4,569,500	4,668,000	226,900	4,894,900	0	4,894,900
In-State Travel	49,100	34,800	14,200	49,000	0	49,000
Out of State Travel	7,000	2,700	4,600	7,300	0	7,300
Current Expense	24,636,400	21,583,200	4,371,800	25,955,000	(101,900)	25,853,100
DP Current Expense	75,000	19,000	56,100	75,100	0	75,100
DP Capital Outlay	127,300	0	0	0	0	0
Other Charges/Pass Thru	1,456,688,700	1,598,066,700	(25,672,300)	1,572,394,400	31,690,700	1,604,085,100
Total	\$1,486,153,000	\$1,624,374,400	(\$20,998,700)	\$1,603,375,700	\$31,588,800	\$1,634,964,500
Other Data						
Budgeted FTE	66.0	73.5	2.5	76.0	0.0	76.0

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

LEGISLATIVE ACTION

1. The Analyst recommends a FY 2009 base budget for Medical Assistance of \$1,634,964,500.
2. Consider Issue Brief DOH-09-05 "Follow up on SB 42"
3. Consider Issue Brief DOH-09-11 "CHIP Funding Adjustment" & DOH-09-20 "Medicaid Funding Adjustment"
4. Consider Issue Brief DOH-09-13 "FMAP Rate Change"
5. Consider Issue Brief DOH-09-14 "Medicaid Inflation"
6. Consider Issue Brief DOH-09-15 "Medicaid Caseload – Utilization Growth"
7. Consider Issue Brief DOH-09-16 "Medical Assistance Line Item Detail"
8. Consider Issue Brief DOH-09-17 "Medicaid Restricted Account"
9. Consider Issue Brief DOH-09-19 "Medicaid Adult Vision Benefits"