



# HEALTH CARE FINANCING

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE  
STAFF: RUSSELL FRANSDEN

BUDGET BRIEF

**SUMMARY**

The Division of Health Care Financing is the administrative agency for Utah's Medical Assistance Programs (Medicaid, Children's Health Insurance Program, Utah's Premium Partnership for Health Insurance, and Primary Care Network). The Division administers all the State and federal funds as well as contracts with providers. It also gathers and analyzes data as well as pays for the services provided. For more detailed information please visit the online Compendium of Budget Information for the 2010 General Session at [http://le.utah.gov/lfa/reports/cobi2010/LI\\_LGA.htm](http://le.utah.gov/lfa/reports/cobi2010/LI_LGA.htm).

**ISSUES AND RECOMMENDATIONS**

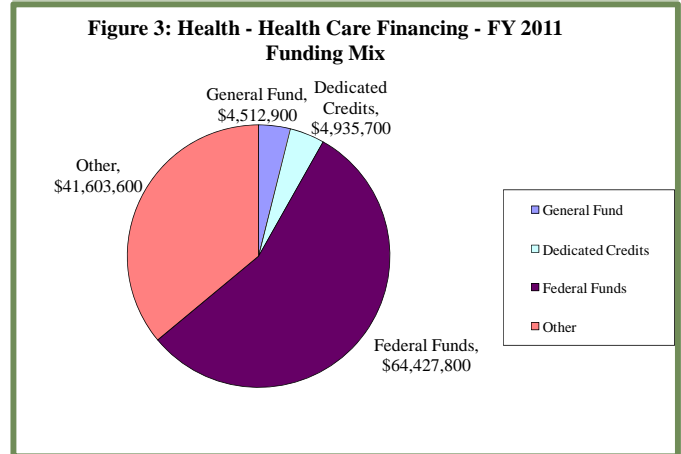
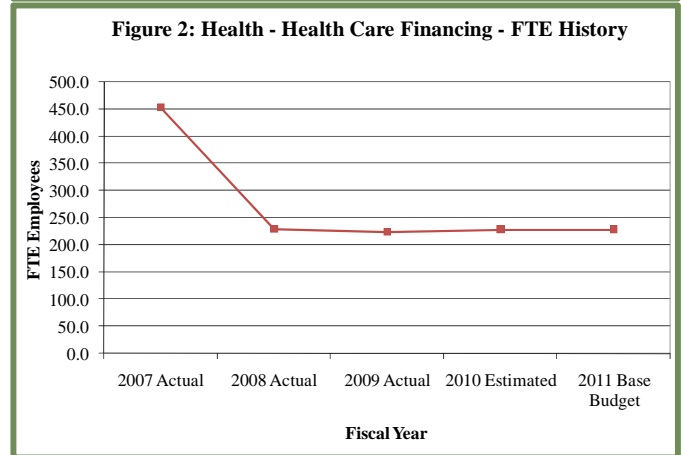
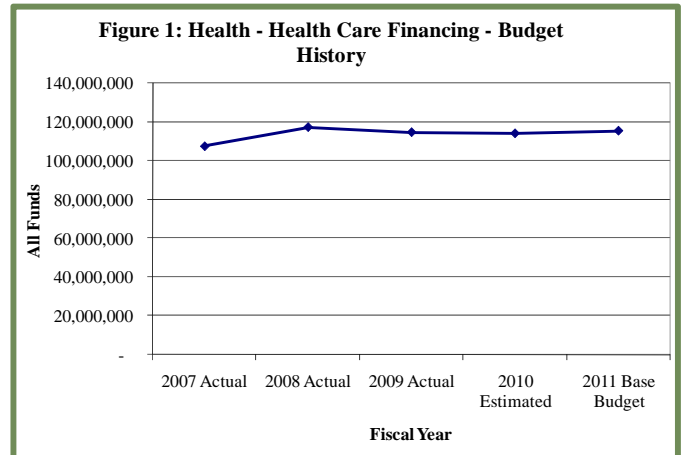
The Analyst recommends a base budget for Health Care Financing line item for FY 2011 in the amount of \$115,480,000. The reduction in FTE's in FY 2008 reflects the transfer of eligibility workers to the Department of Workforce Services (DWS) as part of the Medicaid eligibility consolidation process. The total budget was not affected as the General Fund now going to DWS is reflected as transfers from the Department of Health. This budget funds nine programs within the line item, including:

Director's Office	\$ 2,854,200
Financial Services	\$12,581,100
Contracted Health Plans	\$ 3,599,100
Medicaid Operations	\$ 3,828,300
Eligibility Policy	\$ 9,272,200
Coverage and Reimbursement	\$ 2,471,600
Contracts	\$76,322,000
Program Integrity	\$ 2,316,900
Long-Term Care	\$ 2,234,600

The funding level supports 229 FTE and 3 vehicles.

**Drug Litigation Cases: How Much Money for Utah?**

In January of 2009, the federal government won a case against Eli Lilly and Company for illegally promoting the drug Zyprexa. The Medicaid money to States from this case totals \$361,828,500. If Utah received a portion of the money proportional to its share of the U.S. population (0.9%), then Utah would receive \$3,256,300. In the fall of 2009, the federal government won a case



against Pfizer, Inc. for illegally promoting four drugs. The Medicaid money to States from this case totals \$331,485,200. If Utah received a portion of the money proportional to its share of the U.S. population (0.9%), Utah would receive \$2,983,200. In November 2009 the State won a case over Zyprexa and has received \$20 million for the State’s General Fund.

**Building Block Request from the Department of Health**

The item below was included in the Governor’s budget:

- \$475,000 (\$1,500,000 Total Funds) one-time in FY 2010 to pay for estimates losses due to a court case. The State won the case, but was mandated to pay the attorney costs of the parties who brought the case before the State. The Department has indicated that the amount of funding needed will be higher as the judge hearing the case has indicated he will not accept any amount less than 100% of the potential claims. The original request focused on funding 50% of potential claims. Hearings to determine the State’s liability have been scheduled for January 19<sup>th</sup> and 27<sup>th</sup>.

**Intent Language**

The Legislature approved similar intent statement for this line item for FY 2009. The agency again requested it for FY 2010:

*Under Section 63J-1-603 of the Utah Code, the Legislature intends that up to \$350,000 of Item 99 of Chapter 1, Laws of Utah 2007, Volume 1 for funding of the Medicaid Management Information System not lapse at the close of Fiscal Year 2010.*

**Direction From the Executive Appropriations Committee**

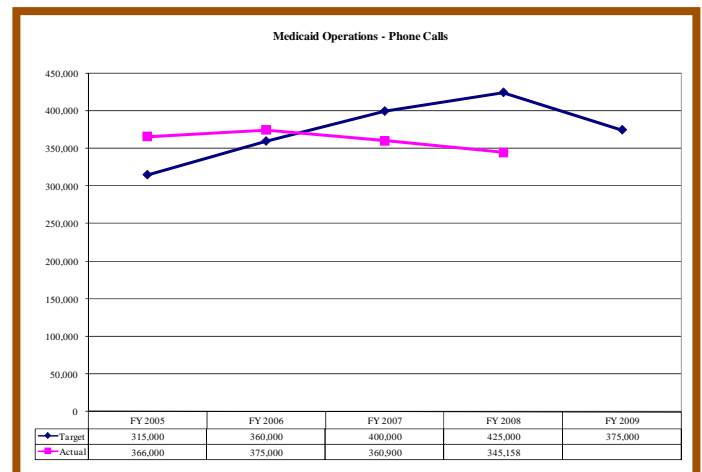
The Executive Appropriations Committee adopted FY 2011 General and Education Fund revenue estimates that are 98% of the original FY 2010 ongoing appropriations. The FY 2011 base budget bills (S.B. 1 and H.B. 1) reduce appropriations for all line items and programs proportionately to match revenues. However, the Executive Appropriations Committee allocated 95% of original FY 2010 ongoing appropriations to each subcommittee and directed the subcommittees to compile a list of options equal to a 5% ongoing cut. The Executive Appropriations Committee will use these options to make final adjustments to the FY 2011 budget. These reduction options will be discussed in separate documents.

**ACCOUNTABILITY DETAIL**

The following paragraphs discuss recent appropriations and how they were used by the agency:

**FY 2009**

- **H.B. 364 “Promotion of Health Care Coverage”**  
\$120,000 (\$60,000 General Fund) to promote awareness of and facilitate enrollment in Utah’s Premium Partnership for Health Insurance. The bill requires the Department of Health, the Department of Workforce Services, and the State Board of Education to collaborate with one another to develop a process to promote health insurance awareness and coverage of children in schools and report to the Legislature on their progress by November 19, 2008. As of January 21, 2010 this combined report had not been received. The Department of Health provided an update on its efforts in an email to the Fiscal Analyst Office via an



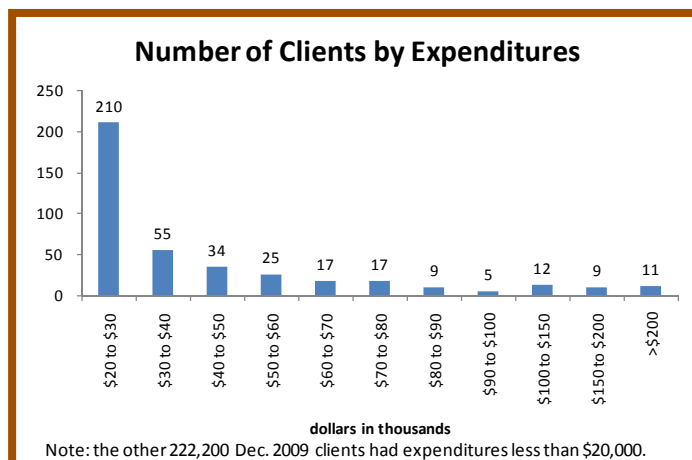
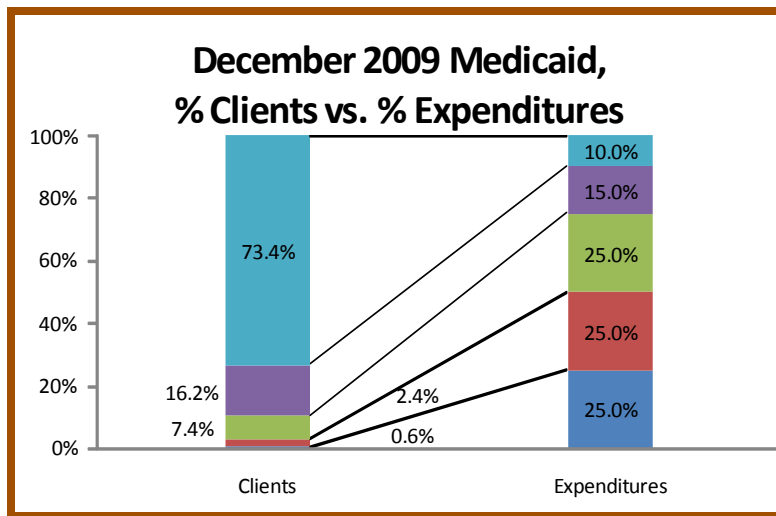
email on February 5, 2009. The Department of Health used the funds to buy radio and newspaper advertisements for Utah's Premium Partnership for Health Insurance Program.

The key performance measure submitted by the Department for this Division documents the number of phone calls, as detailed in the table above. This is reported as an activity measure which is an indicator of eligibility services, caseload and utilization.

**Medicaid Expenditure Overview in a Sample Month**

The complete distribution of clients vs percent of expenditures and the cost per client for December 2009 are detailed in the two tables below. The following bullets provide a snap shot of Medicaid expenditures on medical and dental services during the month of December 2009:

- About 221,800 enrolled clients received medical and/or dental services
- About 1.0M claims were paid totaling over \$125M in total funds expended
- 0.6% or 1,307 clients accounted for 25% of all expenditures
- 3.0% or 6,709 clients accounted for 50% of all expenditures
- 43 clients had expenditures over \$100,000
- Cost per client with claims ranged from \$0 to \$450,000 with an average cost of \$600 and median of \$95
- Claims per client averaged 4 and ranged from 0 to 134 with a median of 4 claims
- 1,400 client refunds from providers on 2,600 claims totaling \$1.0M



**BUDGET DETAIL**

The budget listed in the table below details the budget allocations in the base budget bill.

<b>Health - Health Care Financing</b>						
<b>Sources of Finance</b>	<b>FY 2009</b>	<b>FY 2010</b>		<b>FY 2010</b>		<b>FY 2011*</b>
	<b>Actual</b>	<b>Appropriated</b>	<b>Changes</b>	<b>Revised</b>	<b>Changes</b>	<b>Base Budget</b>
General Fund	4,985,000	4,605,000	0	4,605,000	(92,100)	4,512,900
General Fund, One-time	(84,600)	0	0	0	0	0
Federal Funds	63,158,900	62,052,500	901,300	62,953,800	1,474,000	64,427,800
American Recovery and Reinvestm	111,300	0	0	0	0	0
Dedicated Credits Revenue	4,935,700	6,115,500	(1,179,800)	4,935,700	0	4,935,700
GFR - Nursing Care Facilities Acco	350,000	350,000	0	350,000	0	350,000
Transfers	333,300	0	391,200	391,200	(391,200)	0
Transfers - Human Services	9,873,500	89,600	9,783,900	9,873,500	0	9,873,500
Transfers - Intergovernmental	1,111,300	0	1,111,200	1,111,200	0	1,111,200
Transfers - Medicaid	0	2,010,800	(2,010,800)	0	0	0
Transfers - Other Agencies	0	7,076,800	(7,076,800)	0	0	0
Transfers - Within Agency	4,047,200	30,695,500	(26,706,200)	3,989,300	391,200	4,380,500
Transfers - Workforce Services	25,641,500	2,140,100	23,501,400	25,641,500	46,900	25,688,400
Beginning Nonlapsing	750,000	528,400	(34,800)	493,600	(293,600)	200,000
Closing Nonlapsing	(493,600)	0	(200,000)	(200,000)	200,000	0
<b>Total</b>	<b>\$114,719,500</b>	<b>\$115,664,200</b>	<b>(\$1,519,400)</b>	<b>\$114,144,800</b>	<b>\$1,335,200</b>	<b>\$115,480,000</b>
<b>Programs</b>						
Contracted Health Plans	3,693,800	3,547,700	(13,500)	3,534,200	64,900	3,599,100
Contracts	76,523,800	80,376,100	(4,041,100)	76,335,000	(13,000)	76,322,000
Coverage and Reimbursement	3,184,000	4,516,500	(2,083,700)	2,432,800	38,800	2,471,600
Director's Office	3,035,300	979,300	1,843,800	2,823,100	31,100	2,854,200
Eligibility Policy	10,015,200	8,209,200	1,026,500	9,235,700	36,500	9,272,200
Financial Services	10,324,100	9,560,000	1,988,000	11,548,000	1,033,100	12,581,100
Long-term Care	2,035,700	2,130,900	76,500	2,207,400	27,200	2,234,600
Medicaid Operations	3,775,300	3,949,400	(196,400)	3,753,000	75,300	3,828,300
Program Integrity	2,132,300	2,395,100	(119,500)	2,275,600	41,300	2,316,900
<b>Total</b>	<b>\$114,719,500</b>	<b>\$115,664,200</b>	<b>(\$1,519,400)</b>	<b>\$114,144,800</b>	<b>\$1,335,200</b>	<b>\$115,480,000</b>
<b>Categories of Expenditure</b>						
Personnel Services	17,434,300	17,489,400	(703,400)	16,786,000	307,600	17,093,600
In-state Travel	69,500	74,000	(13,900)	60,100	0	60,100
Out-of-state Travel	70,600	60,000	(14,200)	45,800	0	45,800
Current Expense	8,030,700	7,836,100	381,800	8,217,900	1,041,300	9,259,200
DP Current Expense	7,790,200	7,298,700	472,000	7,770,700	0	7,770,700
Other Charges/Pass Thru	81,324,200	82,906,000	(1,641,700)	81,264,300	(13,700)	81,250,600
<b>Total</b>	<b>\$114,719,500</b>	<b>\$115,664,200</b>	<b>(\$1,519,400)</b>	<b>\$114,144,800</b>	<b>\$1,335,200</b>	<b>\$115,480,000</b>
<b>Other Data</b>						
Budgeted FTE	224.1	231.6	(2.9)	228.7	0.0	228.7
Vehicles	3.0	3.0	0.0	3.0	0.0	3.0

\*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 that the Health and Human Services Appropriations Subcommittee approve a base budget for FY 2011 for the Health Care Financing line item in the amount of \$115,480,000 with funding as listed in the Budget Detail Table.
2. The Analyst recommends the adoption of the intent language as listed on the previous page.