MEDICAID MANDATORY SERVICES

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANDSEN

BUDGET BRIEF

SUMMARY

Medicaid is a joint federal/state entitlement service consisting of three programs that provide health care to selected low-income populations: (1) a health insurance program for low-income parents (mostly mothers) and children; (2) a long-term care program for the elderly; and (3) services program to people with disabilities. Overall, Medicaid is an "optional" program, one that a state can elect to offer. However, if a state offers the program, it must abide by strict federal regulations. It also becomes an entitlement program for qualified individuals; that is, anyone who meets specific eligibility criteria is "entitled" to Medicaid services.

Mandatory services in the Medicaid Program are those that the federal government requires to be offered if a state has a Medicaid program. These include: inpatient and outpatient hospital, physician services, skilled and intermediate care nursing facilities, medical transportation, home health, nurse midwife, pregnancy-related services, lab and radiology, kidney dialysis, Early Periodic Screening Diagnosis and Treatment, and special reimbursement to community and rural health centers. The State is also required to pay Medicare premiums and co-insurance deductibles for aged, blind, and disabled persons with incomes up to 100 percent of the Federal Poverty Level. Additionally, the State pays for Medicare premiums for qualifying individuals with incomes up to 120 percent of the Federal Poverty Level. 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_LHB.htm.

Figure 1: Health - Medicaid Mandatory Services - Budget History

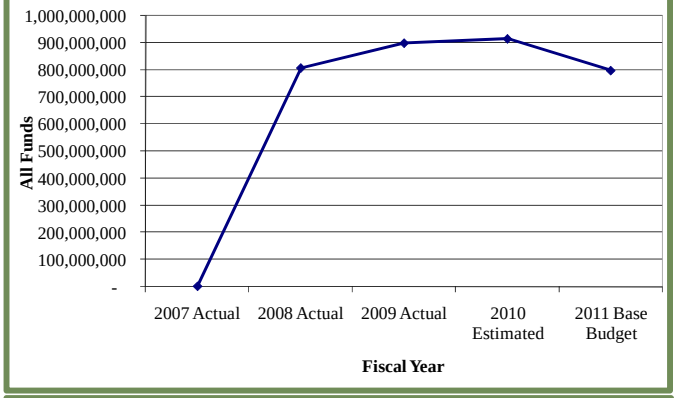


Figure 2: Health - Medicaid Mandatory Services - FTE History

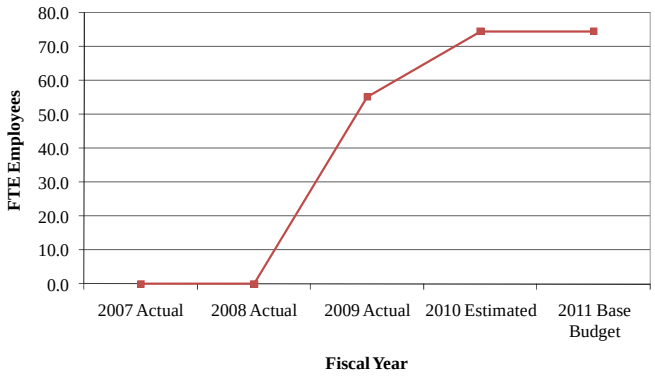
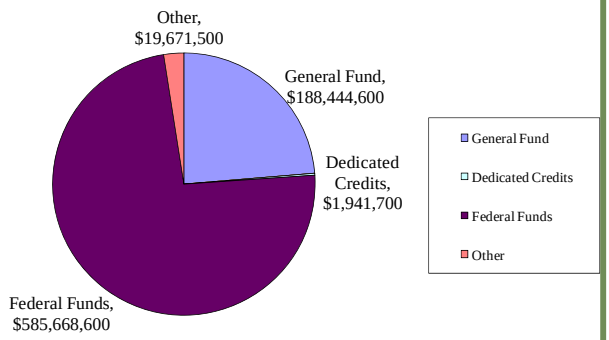


Figure 3: Health - Medicaid Mandatory Services - FY 2011 Funding Mix



ISSUES AND RECOMMENDATIONS

This budget funds six programs within the line item, including:

Contracted Health Plans	$192,440,000
Inpatient Hospital	$176,138,300
Nursing Home	$154,877,100
Outpatient Hospital	$119,837,300
Physician Services	$ 89,592,700
Other Mandatory Services	$ 62,841,000

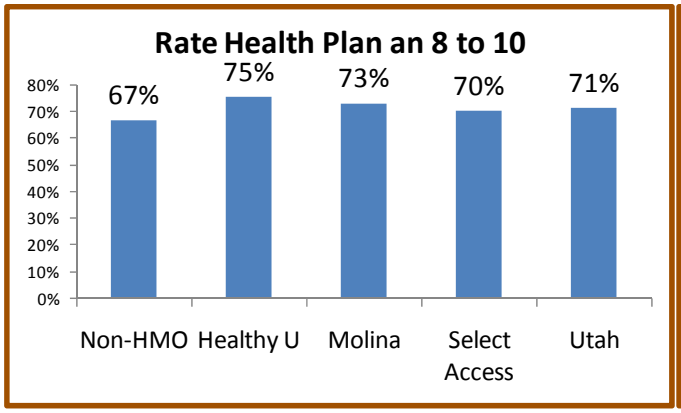
The Analyst recommends a base budget for the Medicaid Mandatory Services line item for FY 2011 in the amount of $795,726,400. The recommendation reflects adjustments to the General Fund, Federal Funds, Restricted Funds, Transfers, Dedicated Credits and Other Revenue for FY 2011. The beginning of funding and FTE's in FY 2008 reflects the creation of this line item and Medicaid Optional Services from the previous Medical Assistance line item. The funding level supports 75 FTE and 1 vehicle.

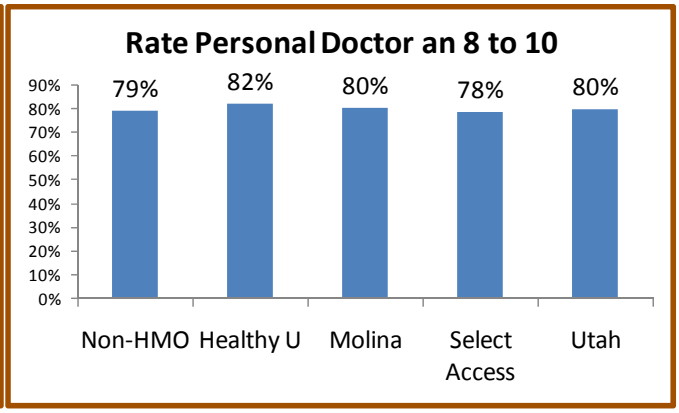
Restricted Funds Summary

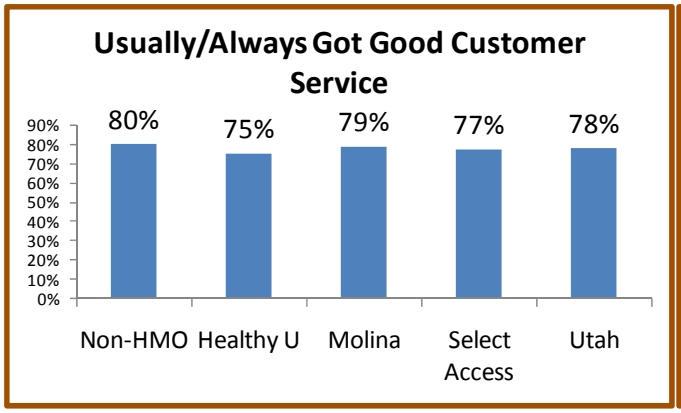
- The Medicaid Restricted Account, established in UCA 26-18-402, as of July 1, 2009 has an unencumbered balance of $5,630,600. Revenues for this fund come from monies unexpended in the Medicaid program at the close of each fiscal year. Monies remain in the fund until appropriated by the legislature. Statute indicates that the monies may be used for expanding for medical insurance coverage. For additional information please see the Issue Brief entitled "*Social Services Related Revenue Options.*"
- The Nursing Care Facilities Account, established in UCA 26-35a, ended FY 2009 with a balance of $0. Revenues come from an assessment on nursing homes based on their non-Medicare patient days. Revenues may only be used for increasing the rates paid to nursing care facilities and 3% for administrating the assessment.

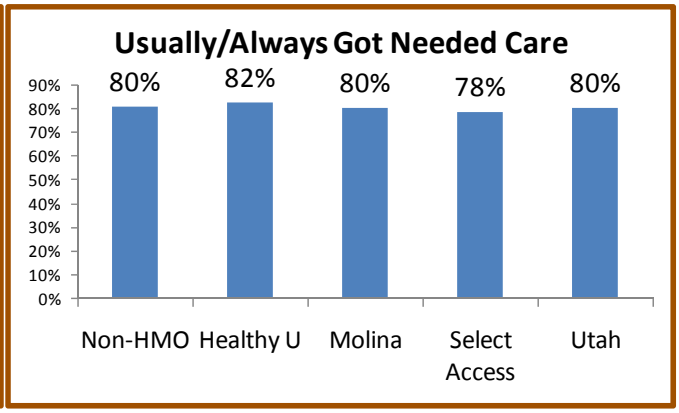
Change to Risk-based Managed Care Contracts for Molina Starting September 1, 2009

As of June 2009 73% or 142,800 of Medicaid's 195,300 clients were being served through managed care plans. Molina had 49,500 Medicaid clients in their plan, while Select Access (IHC) had 63,100 and Healthy U had 30,200. Effective September 1, 2009 Molina is working under a 100% risk-based contract. The rates being used are actuarially-certified rates based on expenses in 2008.









Above are some performance measures from client surveys of the 3 plans discussed above as compared to the non-HMO (Health Maintenance Organization) Medicaid population and the results for similar plans in Utah. The

full reports can be found at http://health.utah.gov/myhealthcare/reports/cahps/2009/. The first two charts where clients rated their service are explained by the report with: "The…survey asked members to rate different characteristics of their health plan on a scale of 0 ("worst plan possible") to 10 ("best plan possible"). The charts show the percentage of members who gave their plan a score of 8, 9, or 10." In all measures noted all contracted health plans were not significantly different than the average for Utah in client satisfaction. In 3 of the 4 measures, the non-HMO Medicaid population also ranked their satisfaction equal to the Utah average. Only in rating their health plan overall did the non-HMO population rank their satisfaction as significantly lower than the average for Utah.

How does Utah Medicaid Compare to Other States?

The following Utah Medicaid rankings as compared to the 50 States and the District of Columbia all come www.statehealthfacts.org, part of the Henry J. Kaiser Family Foundation:

1. 29th for highest percent of long term care budget spent on home & personal health care (37% in FY 2007)
2. 29th in lowest spending per enrollee ($5,005 in FY 2006)
3. 33rd for highest physician fees paid (82% of Medicare rates in 2008)

ACCOUNTABILITY DETAIL

The following paragraph discusses a recent FY 2010 appropriation and how it was used by the agency:

- **Medicaid Cost Containment:** A higher federal match rate provided Federal Funds of $2,400,000, offsetting a $2,400,000 General Fund reduction, obtained through changing to a prospective, capitated payment system for one contracted health plans. The Legislature also approved $9,500,000 (one-time) General Fund for start-up costs. Through December 2009, the Department has spent about $5,000,000 of these start-up funds.

Dedicated Credits

Dedicated Credits for the revised FY 2010 increase 145% over the FY 2010 original appropriation. The Department of Health traditionally gets an exemption for exceeding 125% growth in Dedicated Credits, which is normally prohibited as per UCA 63J-2-102. This is because these dedicated credits are from federal revenues.

Building Block Requests from the Department of Health

The three items below affect both of Medicaid's service line items (Medicaid Mandatory Services & Medicaid Optional Services) and were included in the Governor's budget:

1. **Federal match rate -** $380,000 General Fund to replace a reduction in federal funds due to a 0.55% unfavorable change in the federal match rate effective January 1, 2011.
2. **Caseload growth -** $17,137,500 one-time General Fund ($84,797,200 Total Funds) for caseload growth in FY 2010 and $4,200,000 ongoing ($48,015,900 Total Funds) and $7,500,000 one-time ($89,053,700 Total Funds) General Fund for FY 2011 caseload growth. This money and the use of federal stimulus funds FY 2011 caseload at FY 2010 levels, but does not fund any new growth above FY 2010 levels in FY 2011. Additionally, a one-time ($11,700,000) General Fund reduction was taken and replaced with federal stimulus money. The caseload estimates are a 12% caseload and 0.5% utilization growth in FY 2010 and a 12% caseload and 0.5% utilization growth in FY 2011.
3. **Automatic Inflation -** $7,136,100 General Fund ($50,198,200 total funds) for estimated increased costs that will take place with or without an approved increase because of federal or State requirements. Some of these automatic increases include: drug reimbursement rates, outpatient hospital where we

pay a percentage of bill charges, and increases in premiums and co-pays paid for the Medicare program for our dual-eligible Medicaid clients.

For information on how the federal stimulus money (ARRA) was used in the Governor's budget, please see the Issue Brief entitled "*ARRA Funds Approval*."

BUDGET DETAIL

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

Health - Medicaid Mandatory Services

Sources of Finance	FY 2009 Actual	FY 2010 Appropriated	Changes	FY 2010 Revised	Changes	FY 2011* Base Budget
General Fund	202,939,000	192,290,400	0	192,290,400	(3,845,800)	188,444,600
General Fund, One-time	(23,519,200)	(29,919,300)	0	(29,919,300)	29,919,300	0
Federal Funds	634,460,100	556,215,000	96,856,000	653,071,000	(67,402,400)	585,668,600
American Recovery and Reinvestment /	53,240,800	66,944,400	0	66,944,400	(66,944,400)	0
Dedicated Credits Revenue	(1,759,900)	1,341,500	600,100	1,941,600	100	1,941,700
GFR - Medicaid Restricted	3,828,400	4,537,500	(200,000)	4,337,500	(4,337,500)	0
GFR - Nursing Care Facilities Account	13,911,900	16,236,000	0	16,236,000	0	16,236,000
Transfers	241,900	0	0	0	0	0
Transfers - Human Services	2,483,300	0	0	0	0	0
Transfers - Intergovernmental	14,276,000	11,700	28,300	40,000	0	40,000
Transfers - Within Agency	890,900	3,636,000	(240,500)	3,395,500	0	3,395,500
Transfers - Workforce Services	544,900	(532,100)	532,100	0	0	0
Transfers - Youth Corrections	529,300	0	0	0	0	0
Pass-through	3,290,400	0	0	0	0	0
Beginning Nonlapsing	699,500	699,500	6,046,100	6,745,600	(6,046,100)	699,500
Closing Nonlapsing	(6,745,600)	(699,500)	0	(699,500)	0	(699,500)
Lapsing Balance	(576,500)	0	0	0	0	0
Total	$898,735,200	$810,761,100	$103,622,100	$914,383,200	($118,656,800)	$795,726,400
Programs						
Contracted Health Plans	226,584,600	209,436,700	21,072,600	230,509,300	(38,069,300)	192,440,000
Inpatient Hospital	226,598,600	215,429,400	4,291,200	219,720,600	(43,582,300)	176,138,300
Nursing Home	155,533,000	144,328,600	11,004,300	155,332,900	(455,800)	154,877,100
Other Mandatory Services	85,483,300	79,578,100	7,149,500	86,727,600	(23,886,600)	62,841,000
Outpatient Hospital	112,569,600	89,830,300	32,224,800	122,055,100	(2,217,800)	119,837,300
Physician Services	91,966,100	72,158,000	27,879,700	100,037,700	(10,445,000)	89,592,700
Total	$898,735,200	$810,761,100	$103,622,100	$914,383,200	($118,656,800)	$795,726,400
Categories of Expenditure						
Personnel Services	4,576,000	5,181,900	(146,700)	5,035,200	(438,500)	4,596,700
In-state Travel	31,400	57,300	(24,600)	32,700	0	32,700
Out-of-state Travel	0	6,600	(5,400)	1,200	0	1,200
Current Expense	1,448,900	444,700	1,131,800	1,576,500	0	1,576,500
DP Current Expense	27,300	57,100	(13,300)	43,800	0	43,800
Other Charges/Pass Thru	892,651,600	805,013,500	102,680,300	907,693,800	(118,218,300)	789,475,500
Total	$898,735,200	$810,761,100	$103,622,100	$914,383,200	($118,656,800)	$795,726,400
Other Data						
Budgeted FTE	55.2	78.0	(3.5)	74.6	0.0	74.6
Vehicles	1.0	0.0	1.0	1.0	0.0	1.0

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

LEGISLATIVE ACTION

- The Analyst recommends that the Health and Human Services Appropriations Subcommittee approve a base budget for FY 2011 for Medicaid Mandatory Services in the amount of $795,726,400 with funding as listed in the Budget Detail Table.