



MEDICAID SPENDING STATEWIDE

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

This issue brief summarizes FY 2014 statewide spending on Medicaid of \$519,629,300 General Fund and \$8,155,200 Education Fund (\$2,378,203,000 total funds). Totals represent 24% of all General Fund spending statewide. Other entities provided \$196,110,700 or 27% of the matching funds used to draw down \$1,654,307,800 in federal funds in FY 2014. The data source for information in this brief comes primarily from the Department of Health’s annual report entitled “*Utah Annual Report of Medicaid & CHIP.*” This brief is for informational purposes only and requires no Legislative action.

DISCUSSION AND ANALYSIS

Five State government entities (Departments of Health, Human Services, and Workforce Services as well as the Office of Inspector General and the Attorney General’s Medicaid Fraud Control Unit) together with the University of Utah Hospitals and Clinics spent \$2,378,203,000 total funds in FY 2014 on Medicaid. The table below details the FY 2014 statewide spending on Medicaid by each agency:

| Medicaid Spending by State Entity in FY 2014 | | |
|---|-------------------------|-------------------|
| Entity | Money Spent | % of Total |
| Department of Health | \$ 1,759,962,700 | 74% |
| University of Utah Hospitals & Clinics | \$ 316,258,200 | 13% |
| Department of Human Services | \$ 250,427,200 | 11% |
| Department of Workforce Services | \$ 47,258,200 | 2% |
| Office of the Inspector General | \$ 2,209,500 | 0.1% |
| Attorney General | \$ 2,087,200 | 0.1% |
| Total | \$ 2,378,203,000 | 100% |

Of the \$2,378,203,000 total funds spent on Medicaid in FY 2014, 5% or \$118,771,300 went for State administration. The other 95% or \$2,259,431,700 paid for medical services. The federal government provided 70% or \$1,654,307,800 of the total funding (includes federal offsets from other revenue sources) with the remaining \$723,895,200 or 30% from matching funds.

Of the \$723,895,200 in matching funds, the State General Fund provided \$519,629,300 or 72%, the Education Fund another \$8,155,200 or 1%, and other entities provided the remaining \$196,110,700. Generally these entities are seeding money because those entities are receiving the federal match. The table on the following page details the purposes and sources of the seed money, the matching provided other entities as well as the State’s General and Education Funds.

The \$519,629,300 General Fund spent on Medicaid represents 24% of all the \$2,151,694,900 General Fund spending statewide in FY 2014.

Offsets to Medicaid Expenditures

There are five general categories of offsets to Medicaid expenditures, which totaled \$294,575,900 in FY 2014. Most offsets result in the Medicaid program avoiding a payment, but in some cases the Medicaid program uses the money collected to offset the total expenditures. The list below includes a discussion on each offset:

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| Matching Funds | Source | FY 2014 | % State Funding | General Fund | Education Fund | % of All Matching |
|---|------------|-----------------------|-----------------|-----------------------|--------------------|-------------------|
| Health Department - Medicaid | State | \$ 384,543,900 | 100% | \$ 384,543,900 | | 53% |
| Human Services | State | \$ 89,445,200 | 100% | \$ 89,011,900 | | 12% |
| Hospital Assessment | companies | \$ 48,500,000 | 0% | \$ - | | 7% |
| Capitated Mental Health | counties | \$ 34,097,700 | 64% | \$ 21,909,900 | | 5% |
| Pharmacy Rebates | companies | \$ 26,157,300 | 0% | \$ - | | 4% |
| Inpatient Payment Seeds | U Hospital | \$ 24,672,600 | 0% | \$ - | | 3% |
| Nursing Home Assessment | companies | \$ 22,909,300 | 0% | \$ - | | 3% |
| Overpayment Collections | companies | \$ 20,361,100 | 0% | \$ - | | 3% |
| School Districts | schools | \$ 15,683,100 | 52% | \$ - | \$8,155,200 | 2% |
| Workforce Services | State | \$ 12,773,100 | 91% | \$ 11,627,100 | | 2% |
| Physician Enhancement | U Hospital | \$ 12,739,800 | 0% | \$ - | | 2% |
| Disproportionate Share Hospital | companies | \$ 8,338,300 | 0% | \$ - | | 1% |
| Substance Abuse | counties | \$ 4,874,700 | 83% | \$ 4,062,300 | | 1% |
| Family Health & Preparedness | State | \$ 3,828,100 | 100% | \$ 3,828,100 | | 1% |
| Healthy U Health Plan | Healthy U | \$ 3,019,800 | 0% | \$ - | | 0% |
| Nursing Facility Upper Payment Limit | companies | \$ 2,622,000 | 0% | \$ - | | 0% |
| Outpatient Hospital Upper Payment Limit | companies | \$ 2,601,900 | 0% | \$ - | | 0% |
| Health & Dental Clinics | State | \$ 1,807,300 | 0% | \$ - | | 0% |
| Disease Control and Prevention | State | \$ 1,102,800 | 100% | \$ 1,102,800 | | 0% |
| Office of the Inspector General | State | \$ 983,900 | 100% | \$ 983,900 | | 0% |
| Local Health Departments | counties | \$ 817,300 | 100% | \$ 817,300 | | 0% |
| Medicaid Fraud Control Unit | State | \$ 463,500 | 100% | \$ 463,500 | | 0% |
| Corrections | State | \$ 407,800 | 100% | \$ 407,800 | | 0% |
| CHIP Allocation | State | \$ 295,400 | 100% | \$ 295,400 | | 0% |
| Early Intervention | State | \$ 273,800 | 100% | \$ 273,800 | | 0% |
| Center for Health Data | State | \$ 185,000 | 100% | \$ 185,000 | | 0% |
| Attorney General | State | \$ 116,600 | 100% | \$ 116,600 | | 0% |
| Primary Care Network Fees | clients | \$ 100,100 | 0% | \$ - | | 0% |
| Other | misc. | \$ 173,800 | 0% | \$ - | | 0% |
| Total | | \$ 723,895,200 | | \$ 519,629,300 | \$8,155,200 | 100% |

1. **Third party liability** – Medicaid charged/collected \$158,115,900 from third parties (Medicare, private insurance, or parties causing medical injury to Medicaid clients). As of June 1, 2014 about 1/10 of Medicaid clients had another medical insurance.
2. **Pharmacy rebates** – the State collected \$87,646,300 in rebates from volume discounts which the program used to offset expenditures.

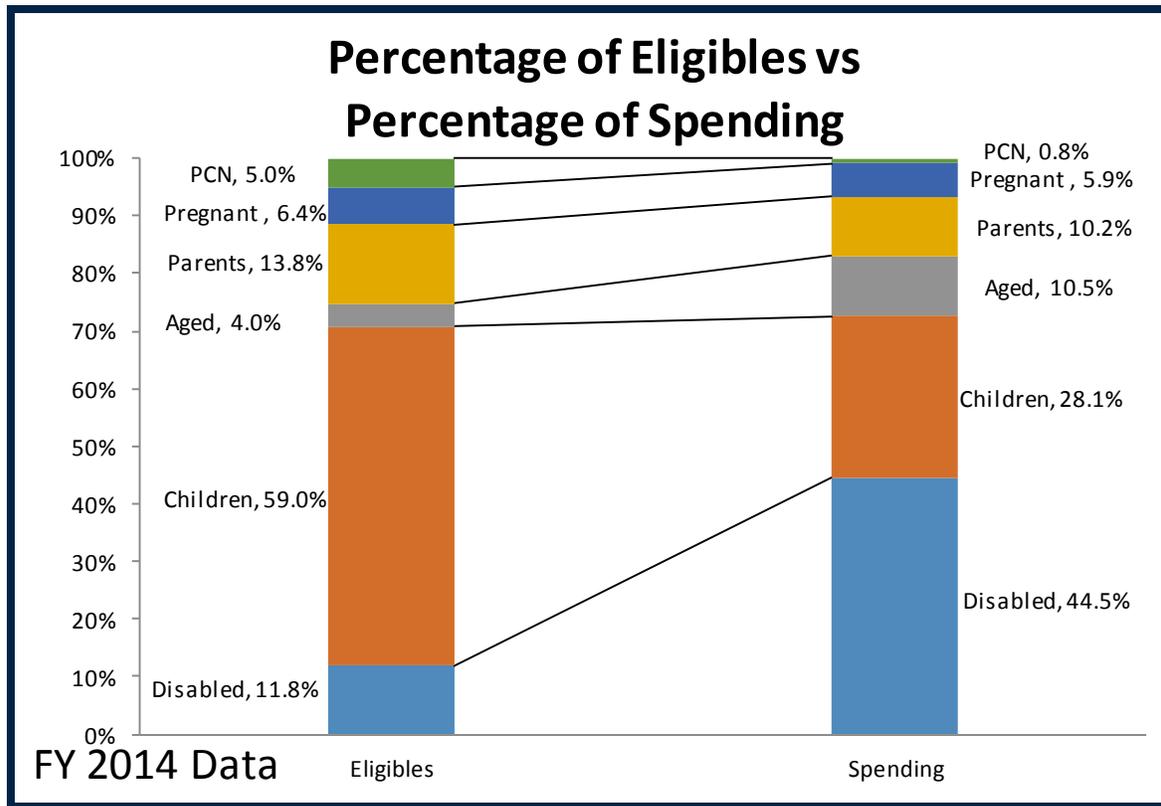
3. **Client contributions** – Medicaid clients contributed \$20,791,200 to participate in the Medicaid program. The list below includes a discussion of three categories in which client contributions take place:
 - a. Spenddown Income – clients spent down or paid \$13,487,200 of their income to participate in the Medicaid program. This spenddown allows the client to qualify for Medicaid by lowering their income via qualified medical expenses.
 - b. Co-payments – these are reduced from the reimbursement paid to providers and represented \$6,968,500 or 0.3% of all expenditures in FY 2014. Thirty-five percent of the co-payments came from pharmacy co-payments.
 - c. Primary Care Network Premiums – clients paid annual premiums totaling \$335,500 to participate in this program.
4. **Office of Inspector General & Attorney General Collections** – these two agencies and their contractors recovered \$20,361,100 in overpayments to providers.
5. **Recovery Audit Contracts** – these contractors received \$7,661,400 in overpayments to providers.

What Roles Does Each State Agency Play in Medicaid?

1. **Department of Health** – as per federal regulation all Medicaid money flows through the Department of Health and flows out to others via memorandums of understanding/contracts. Primarily the Department oversees Medicaid expenditures and reimburses providers for medical services.
2. **Department of Human Services** – directly provides or contracts for Medicaid services to persons with disabilities, families in crisis, youth in the criminal justice system, and individuals who have mental health or substance abuse problems.
3. **Department of Workforce Services** – the Department determines the vast majority of eligibility for Medicaid clients.
4. **Office of Inspector General** – reviews accuracy of Medicaid billings.
5. **Attorney General's Medicaid Fraud Control Unit** – this unit investigates and prosecutes provider fraud and abuse in Medicaid. Attorneys in the Department of Health provide additional legal support to Medicaid.

Below is a summary of eligibles vs expenditures in table and graphic form:

| <u>Category</u> | <u>Eligibles</u> | <u>Spending</u> | <u>Spending/ Eligibles</u> | <u>Rank Most Expensive</u> |
|----------------------------|------------------|-----------------|--------------------------------|--------------------------------|
| Disabled | 11.8% | 44.5% | 3.8 | 1 |
| Aged | 4.0% | 10.5% | 2.6 | 2 |
| Pregnant | 6.4% | 5.9% | 0.9 | 3 |
| Parents | 13.8% | 10.2% | 0.7 | 4 |
| Children | 59.0% | 28.1% | 0.5 | 5 |
| Primary Care Network (PCN) | 5.0% | 0.8% | 0.2 | 6 |



If you take the percentage of total spending by each eligibility group divided by the percentage of total number of eligibles for each eligibility group, the following groups are the three most expensive: (1) disabled, (2) aged, and (3) pregnant.

Sources

The financial information for this brief originates primarily from the Department of Health’s annual report entitled “Utah Annual Report of Medicaid & CHIP.” This report is available online at [https://medicaid.utah.gov/Documents/pdfs/annual%20reports/medicaid%20annual%20reports/MedicaidAnnualReport 2014.pdf](https://medicaid.utah.gov/Documents/pdfs/annual%20reports/medicaid%20annual%20reports/MedicaidAnnualReport%202014.pdf). The following are changes from the Department of Health that are different from the published report online accessed in May 2015:

1. Page 13 – “DOH State Funds” increased from \$436,808,900 to \$455,953,200 so as to include the use of nonlapsing balances that came from prior year unspent General Fund.
2. Page 14 – Table 4: Other Revenue Sources SFY 2014
 - a. “Mental Health Services” lowered from \$37,624,300 to \$34,097,700.
 - b. “Disproportionate Share Hospital” lowered from \$8,639,200 to \$8,338,300.
 - c. “DHS (Non-Medicaid)” lowered from \$6,123,600 to \$1,501,300.
 - d. “Other” lowered from \$176,600 to \$173,800.
3. Page 19 – “Table 9: Department of Workforce Services”
 - a. The \$23,629,100 in state funds for “Direct Costs” was lowered to \$12,773,100 (includes \$1,146,045 dedicated credits) due to a more favorable match rate (25/75 instead of 50/50) for administrative costs related to the mandatory changes to Medicaid that began in January 2014.

- b. All the \$2,458,200 portion listed as “Allocated Costs” is related to the Children’s Health Insurance Program and not Medicaid expenditures. This lowers total fund spending on Medicaid administration by the Department of Workforce Services from \$49,716,400 to \$47,258,200.
4. There was \$6,797,300 from a disproportionate hospital payment originally assigned to the University of Utah Hospitals and Clinics that should have been under the Department of Health.

What Calculations Differ From Last Year

The following calculations are different from last year’s Issue Brief of the same title and available at <http://le.utah.gov/interim/2014/pdf/00001212.pdf>:

1. Total fund spending for Medicaid excludes those items paid by Medicaid via other revenue sources but not related to Medicaid (\$1,167,800 from Human Services, non-Medicaid and \$1,167,800 from Refugee Relocation).
2. The total federal funds supporting Medicaid expenditures now includes federal offsets from other revenue sources.