

# Budget Brief – Health Care Financing

## SUMMARY

The Division of Health Care Financing (HCF) is the administrative agency for the Utah’s Medical Assistance Programs (Medicaid). 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. For more detailed information please see the Compendium of Budget Information for the 2008 General Session (Utah Department of Health), Chapter 7, pages 99 to 110.

## ISSUES AND RECOMMENDATIONS

The Analyst recommends a base budget for Health Care Financing line item for FY 2009 in the amount of \$94,847,300. This budget level funds seven programs. The recommendation reflects adjustments to the General Fund, Federal Funds, Restricted Funds, Transfers, Dedicated Credits and Other Revenue for FY 2009. The reduction in funding and FTE’s in FY 2008 reflects the transfer of eligibility workers to the Department of Workforce Services as part of the Medicaid eligibility consolidation process.

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

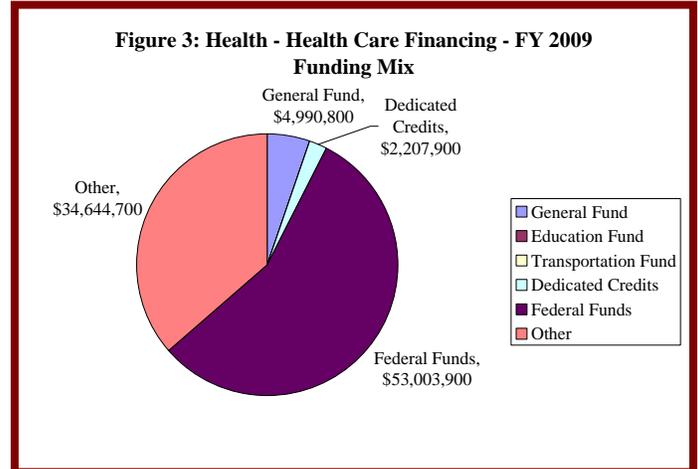
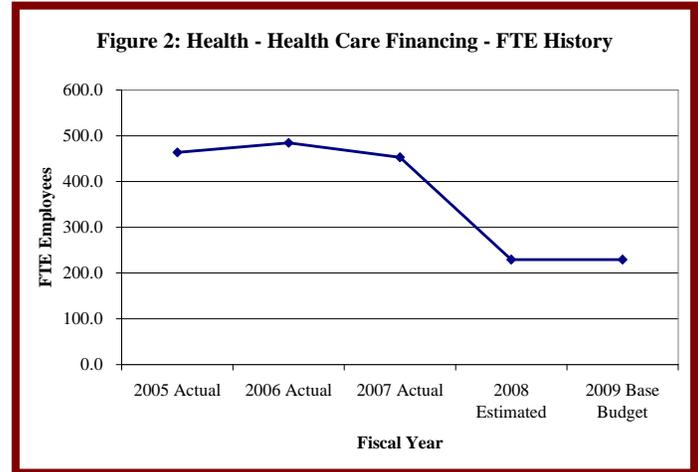
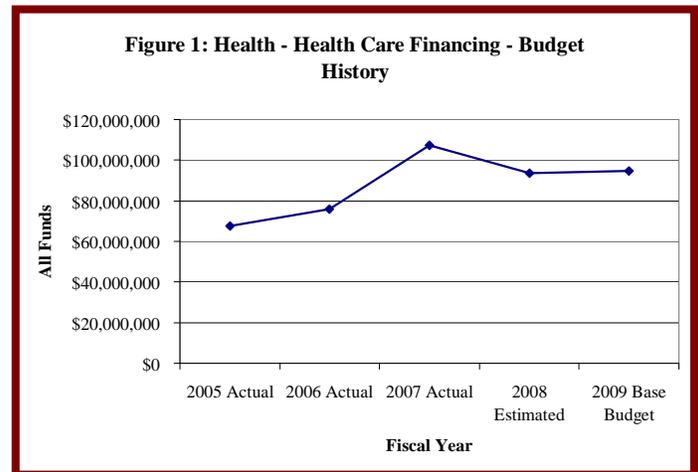
Director’s Office	\$ 5,760,200
Financial Services	\$ 9,875,100
Managed Health Care	\$ 3,519,900
Medical Claims	\$ 4,081,000
Eligibility Services	\$ 3,709,900
Coverage and Reimbursement	\$ 5,449,800
Contracts	\$62,451,400

The funding level supports 229 FTE.

## ACCOUNTABILITY DETAIL

The Health Care Financing Division provides the administrative support for the implementation of the State’s Medicaid Plan. Each section plays a part in administering portions of federal programs and assuring the appropriate payments and matches are made.

Last year the line item received \$1,000,000 one-time funding from the GFR – Medicaid Restricted Account for a study to replace the Medicaid Management Information System. The agency indicates that they have obtained federal approval of enhanced funding for planning activities and anticipate having a technical assistance



vendor in place by March 2008 to begin full scale planning activities.

S.B. 189, “Medicaid Home and Community-based Longterm Care” allocated \$214,000 (one-time) to provide financial assistance for room and board to Medicaid clients participating in a new home and community-based services long-term care program. It is estimated that this will serve approximately 30 individuals. The original estimated service total was 60, but fewer clients were eligible by the time the program was implemented (see Issue Brief DOH-09-08 “Follow up on SB 189” for more information).

### *Director’s Office*

The Director’s Office administers and coordinates the program responsibilities delegated to staff in order to develop Utah’s Medicaid program in compliance with Titles XIX and XXI of the Social Security Act and other laws of the State of Utah.

The key performance measure submitted by the Department for this Division documents the number of phone calls, as detailed in the table to the right. This is reported as an activity measure which is an indicator of eligibility services, caseload and utilization: all factors impacting the Divisions workload and quality services.

### *Financial Services*

The Bureau of Financial Services is responsible for: managing the administration and service budgets for both the Medicaid and Primary Care Network (PCN) programs, and assisting with the Children’s Health Insurance Program (CHIP); monitoring the drug rebate program; performing audits on Medicaid providers to settle Medicaid reimbursements; and purchasing office equipment and computer hardware and software for the division. The Bureau completed 424 audit projects in FY 2007.

### *Managed Health Care*

The Bureau of Managed Health Care is responsible for implementing and operating the managed care initiative that includes contracts with managed care plans to serve the medical and mental health needs of Medicaid clients. The bureau is also responsible for the development, implementation, and operation of specialized Medicaid services for special populations in relation to managed care, a home and community-based waiver program, and the Child Health Evaluation and Care (CHEC) program that is Utah’s version of the federally-mandated Early Periodic Screening, Diagnosis and Treatment (EPSDT) program covering prevention, outreach, and expanded services for enrolled children.

### *Medical Claims*

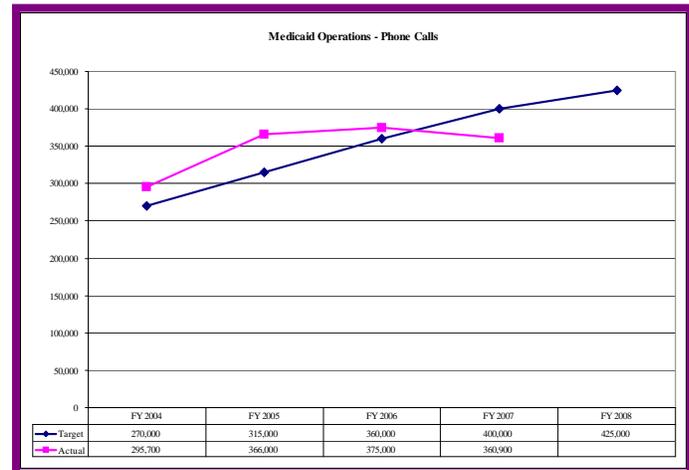
The Bureau of Medical Claims processes all claims received by Medicaid, ensuring that claims are entered and adjudicated promptly. As the Medicaid program has grown, the number of claims has also grown. Workload in this program is directly related to both caseload and utilization.

### *Eligibility Services*

The Bureau of Eligibility Services is responsible for Medicaid eligibility policy being in compliance with all State and federal statutes. It is also responsible to monitor the contract with the Department of Workforce Services to insure Medicaid eligibility determinations are done timely and accurate.

### *Coverage and Reimbursement*

The Bureau of Coverage and Reimbursement Policy: manages the utilization review of requests for medically necessary services that vary from policy; evaluates Medicaid expenditures through post payment review to ensure that payments were in compliance with Medicaid policy, and to identify possible situations of fraud or abuse;



determines appropriate reimbursement rates and methodology reflecting state and federal mandates and budget allocations; does research, makes recommendations for policy modifications, and develops new policy; analyzes all pending and current federal and state legislation dealing with health care; and formulates and processes all State Plan changes and all rule-makings dealing with the Medicaid program.

The Coverage and Responsibility Division within Health Care Financing reported goals to: implement key provisions of the Deficit Reduction Act (DRA) of 2005; and implement the Payment Error Rate Measurement (PERM) program. Both have been successfully implemented as of October 1, 2007.

### ***Contracts***

Contracts are for non-medical services performed for the Division by the Departments of Human Services and Workforce Services, such as recovery services, training, and administration. This program also deals with medical and dental consultants and CPA audits and reviews, which serve the Medicaid program.

### **BUDGET DETAIL**

#### ***Budget Recommendation***

The Analyst recommends an ongoing base budget funding, as detailed on the following page, in the amount of \$94,847,300 for the Health Care Financing line item. Of this amount \$4,990,800 is from the General Fund, \$53,003,900 is from Federal Funds, \$2,207,900 is from Dedicated Credits, \$350,000 is from the General Fund Restricted – Nursing Care Facilities Account, \$33,605,500 from Transfers, and \$689,200 in Beginning Nonlapsing Balances. 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***

The Legislature approved an intent statement for this line item for FY 2008. The agency again requested it for FY 2009:

*It is the intent of the Legislature that the monies for the funding of the Medicaid Management Information System be nonlapsing.*

Health - Health Care Financing						
Sources of Finance	FY 2007	FY 2008	Changes	FY 2008	Changes	FY 2009*
	Actual	Appropriated		Revised		Base Budget
General Fund	11,058,900	4,990,800	0	4,990,800	0	4,990,800
General Fund, One-time	(347,200)	214,000	0	214,000	(214,000)	0
Federal Funds	64,494,600	38,881,500	13,215,700	52,097,200	906,700	53,003,900
Dedicated Credits Revenue	6,607,700	3,914,400	(1,706,600)	2,207,800	100	2,207,900
GFR - Medicaid Restricted	0	1,000,000	0	1,000,000	(1,000,000)	0
GFR - Nursing Facility	350,000	0	350,000	350,000	(350,000)	0
GFR - Nursing Care Facilities Account	0	350,000	(350,000)	0	350,000	350,000
Transfers - Human Services	8,220,100	82,900	8,362,700	8,445,600	(8,362,700)	82,900
Transfers - Medicaid	2,487,100	699,300	1,542,600	2,241,900	1,500	2,243,400
Transfers - Other Agencies	0	7,277,500	(7,277,500)	0	8,421,700	8,421,700
Transfers - Within Agency	14,727,800	9,852,400	12,928,400	22,780,800	0	22,780,800
Transfers - Workforce Services	0	0	76,700	76,700	0	76,700
Beginning Nonlapsing	247,300	0	0	0	689,200	689,200
Closing Nonlapsing	0	0	(689,200)	(689,200)	689,200	0
Lapsing Balance	(353,600)	0	0	0	0	0
<b>Total</b>	<b>\$107,492,700</b>	<b>\$67,262,800</b>	<b>\$26,452,800</b>	<b>\$93,715,600</b>	<b>\$1,131,700</b>	<b>\$94,847,300</b>
<b>Programs</b>						
Director's Office	5,526,800	5,446,700	391,800	5,838,500	(78,300)	5,760,200
Financial Services	8,285,700	7,608,800	1,274,200	8,883,000	992,100	9,875,100
Managed Health Care	2,772,600	2,948,900	374,900	3,323,800	196,100	3,519,900
Medical Claims	3,486,600	5,641,500	(1,674,600)	3,966,900	114,100	4,081,000
Eligibility Services	20,187,800	5,704,900	(1,584,100)	4,120,800	(410,900)	3,709,900
Coverage and Reimbursement	4,314,700	4,378,600	608,600	4,987,200	462,600	5,449,800
Contracts	62,918,500	35,533,400	27,062,000	62,595,400	(144,000)	62,451,400
<b>Total</b>	<b>\$107,492,700</b>	<b>\$67,262,800</b>	<b>\$26,452,800</b>	<b>\$93,715,600</b>	<b>\$1,131,700</b>	<b>\$94,847,300</b>
<b>Categories of Expenditure</b>						
Personal Services	29,067,300	16,042,300	55,200	16,097,500	227,400	16,324,900
In-State Travel	119,400	87,600	(2,500)	85,100	200	85,300
Out of State Travel	61,400	65,700	(4,300)	61,400	0	61,400
Current Expense	9,806,400	8,601,700	1,657,000	10,258,700	904,100	11,162,800
DP Current Expense	7,325,000	8,799,200	(2,422,200)	6,377,000	0	6,377,000
DP Capital Outlay	32,400	135,100	(135,100)	0	0	0
Other Charges/Pass Thru	61,080,800	33,531,200	27,304,700	60,835,900	0	60,835,900
<b>Total</b>	<b>\$107,492,700</b>	<b>\$67,262,800</b>	<b>\$26,452,800</b>	<b>\$93,715,600</b>	<b>\$1,131,700</b>	<b>\$94,847,300</b>
<b>Other Data</b>						
Budgeted FTE	453.1	207.5	21.9	229.4	0.0	229.4
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

The Executive Appropriations Committee requests that the Subcommittee adopt base budgets for each agency under the Subcommittee's purview, fund Subcommittee priorities, to the extent possible reallocating revenue among programs, and provide a prioritized list of desired items for funding. Adoption of this base budget as listed in this document enables the programs to continue for the next fiscal year at relatively the same level as the current fiscal year.

1. The Analyst recommends that the Health and Human Services Appropriations Subcommittee approve a base budget for FY 2009 for the Health Care Financing line item in the amount of \$94,847,300 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.