



MEDICAID OPTIONAL SERVICES

HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANDBEN

BUDGET BRIEF

SUMMARY

Medicaid Optional Services are designated by the federal Centers for Medicare and Medicaid Services (CMS) as not required for most Medicaid clients. These 38 services are eligible for the State’s federal matching funds. These include pharmacy, dental, medical supplies, ambulatory surgery, chiropractic, podiatry, physical therapy, vision care, substance abuse treatment, speech and hearing services. As noted in the Medicaid Mandatory Services section, some of these services may be mandatory for certain populations or in certain settings. It should also be noted that while the service as a whole may be optional, once the State elects to offer that service to a specific group, it must make it available to all qualified eligibles in that group. Alternatively, when the State decides to stop or start providing a particular service, it must submit a State Plan Amendment to CMS, notify clients thirty days in advance, and provide a public notice at least one day before the change.

There are 11 optional services that Utah does not provide in its Medicaid program: adult dental, home health occupational therapy; home health speech and language; eyeglasses; home health audiology; speech, hearing and language; nurse anesthetist; chiropractor; Program of All-Inclusive Care for the Elderly; respiratory care; and qualified Religious Nonmedical Health Care Institutions. This line item also contains funding for the Primary Care Network and adults in Utah’s Premium Partnership for Health Insurance Program.

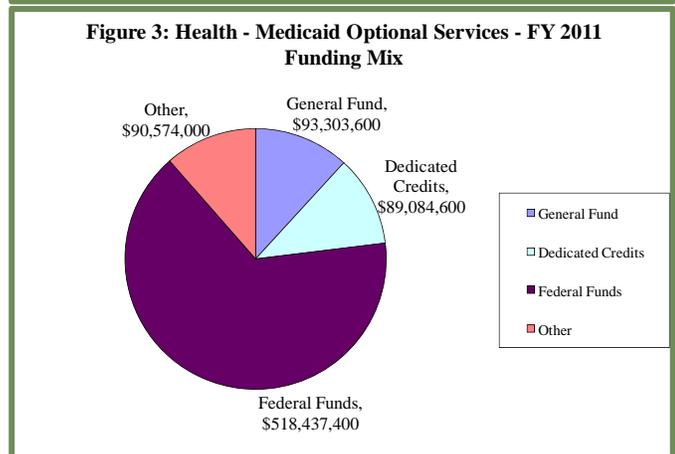
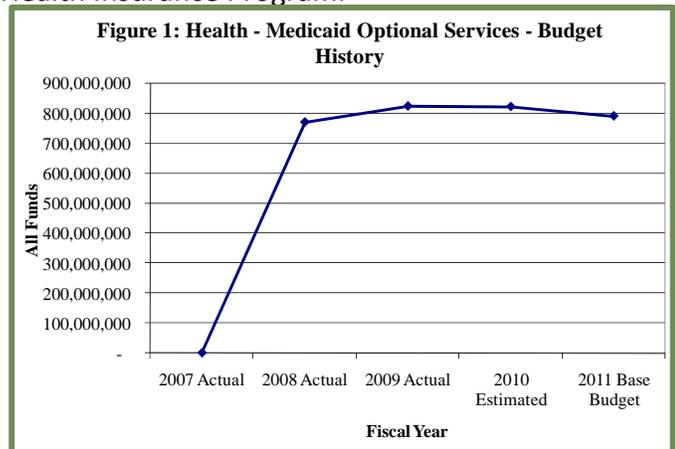
ISSUES AND RECOMMENDATIONS

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

Capitated Mental Health Services	\$174,866,800
Pharmacy	\$169,115,200
Home and Community Based Waiver Services	\$159,617,200
Intermediate Care Facilities for the Mentally Retarded	\$ 68,368,900
Buy-In/Buy-Out	\$ 42,864,100
Dental Services	\$ 26,209,500
Vision Care	\$ 1,723,000
Other Optional Services	\$148,634,900

The Analyst recommends a base budget for the Medicaid Optional Services line item for FY 2011 in the amount of \$791,399,600. This budget level funds eight programs. 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 2009 reflects the creation of this line item and Medicaid Mandatory Services from the previous Medical Assistance line item. The funding level supports 1 FTE. For more detailed information please visit the following sources:



1. Online Compendium of Budget Information for the 2010 General Session at http://le.utah.gov/lfa/reports/cobi2010/LI_LJA.htm
2. "A Performance Audit of Fraud, Waste, and Abuse Controls in Utah's Medicaid Program," Office of the Legislative Auditor General, http://www.le.utah.gov/audit/09_12rpt.pdf
3. "A Performance Audit of Utah Medicaid Managed Care," Office of the Legislative Auditor General, http://www.le.utah.gov/audit/10_01rpt.pdf
4. "Understanding Medicaid; A Policymaker's Introduction," Office of Legislative Research and General Counsel – this document is from December 2005 but the concepts are all very relevant just the dollar amounts are larger. <http://www.le.state.ut.us/lrgc/briefingpapers/understandingmedicaid2005.pdf>

\$8 Million Unspent State Funds from FY 2009

The Medicaid program finished FY 2009 with a \$7,730,300 or 2.6% surplus in State funds for medical services. As per H.B. 446 "Medicaid Restricted Account Amendments" from the 2009 General Session, these funds are non-lapsing through FY 2011 so that the State meets the requirements of the Federal Funds - American Recovery and Reinvestment Act (HR1, 111th United States Congress). The agency indicates that these funds will be used to offset the increased funds requested for caseload growth.

ACCOUNTABILITY DETAIL

The following paragraphs discuss recent appropriations and how they were used by the agency (some of these items affect both line items, Medicaid Mandatory Services and Medicaid Optional Services):

FY 2010

- **Restoration of Therapy Services:** \$266,100 (\$76,000 one-time General Fund Restricted - Medicaid Restricted Account) to restore occupation and physical therapy in FY 2010 for about 2,400 clients. These services were eliminated during the September 2008 Special Session.
- **Medicaid Inflation and Caseload/Utilization Increases:** one-time funding in the amount of \$14,472,000 (\$11,509,500 from the General Fund and \$2,962,500 from the General Fund Restricted - Medicaid Restricted Account) in FY 2009 and \$14,600,000 in FY 2010 for anticipated caseload growth. Caseloads from December 2008 to December 2009 have increased 16%. The Legislature also provided \$7,736,400 (one-time) for inflationary rate increases in pharmacy and reimbursement based on paying a percentage of billed charges.
- **Nursing Home Assessment:** \$2,524,100 increase in the General Fund Restricted - Nursing Care Facilities Restricted Account to replace reductions in the General Fund for nursing home provider rates. The appropriation is funded by an increase in the assessment paid by nursing facilities.

FY 2009

- **Medicaid Adult Dental Services:** \$6,958,900 (\$2,000,000 from the Medicaid Restricted Account, one-time) to provide dental services in FY 2009 for about 40,000 Medicaid clients who are aged or have disabilities.
- **Medicaid Utilization/Inflation:** \$3,480,600 (\$1,045,200 General Fund) to fund one percent combined utilization and caseload growth for FY 2009. Utilization growth occurs where the same clients use more units of service. Medicaid caseloads grew by 19% from June 2008 through June 2009.

Caseload Trends -

Below is a discussion of the three Medicaid programs and their FY 2009 vs FY 2008 caseloads:

1. **Medicaid** - caseloads went from 164,100 in June 2008 to 195,300 in June 2009, an increase of 19%. Two of the five groups in Medicaid, children and family, have grown over twice the overall caseload growth rate. The disabled client population has grown 9% while aged and pregnant women have grown 1% and 3% respectively. This growth in Medicaid is likely because of the situation in the economy with individuals losing employment and the associated health insurance coverage. The growth in Medicaid by category is shown in the table below:

Category	Clients June 08	Clients June 09	Increase	% Increase	% Pop. 6/08	% Pop. 6/09	Change in % of Pop.
Family-Mostly Adults	58,825	72,170	13,345	43%	36%	37%	1%
Children	55,725	69,684	13,959	45%	34%	36%	2%
Disabled	29,092	31,777	2,685	9%	18%	16%	-1%
Aged	11,753	11,986	233	1%	7%	6%	-1%
Pregnant Women	8,724	9,640	916	3%	5%	5%	0%
Total	164,100	195,300	31,100	19%			

2. **Primary Care Network** – caseloads went from 19,700 to 19,500, a decrease of 1%. The program has been closed to new enrollment since April 2009. The program provides a limited array of health services to individuals with incomes up to 150% of the Federal Poverty Level (\$2,800 monthly for a family of 4). Covered services include: primary care, up to four prescriptions monthly, routine dental cleaning and examination, family planning services, immunizations, and routine lab services and x-rays.
3. **Utah’s Premium Partnership for Health Insurance** - caseloads went from 225 to 251 adults, an increase of 16%. The program has ongoing publicity efforts to encourage people to apply for the program. This program pays monthly up \$150 per adult to pay the premiums of qualifying employee-sponsored health insurance. Adults who qualify can make up to 150% of the Federal Poverty Level (\$2,800 monthly for a family of 4).

Building Block Requests from the Department of Health

The two items below were included in the Governor’s budget:

1. \$1,767,200 (\$6,240,200 Total Funds) to raise Medicaid dental provider rates 17% effective July 1, 2011. On January 8, 2010 the federal government indicated that it intended to not approve the 25% dental rate reduction that had been implemented on May 25, 2009.
2. \$76,000 (\$268,500 Total Funds) to provide ongoing funding in Medicaid for about 2,100 physical therapy clients and 300 occupational therapy clients.

BUDGET DETAIL

The budget listed in the table below details the budget allocations in the base budget bill. The \$84 million in dedicated credits in FY 2009 came from pharmacy rebates, and seeding from the Department of Human

MEDICAID OPTIONAL SERVICES

Services, counties, school districts, and local health departments. For FY 2011 dedicated credits are estimated to bring in another \$5 million to the State. These increases are in pharmacy rebates. Federal stimulus money (American Recovery and Reinvestment Act) is discussed in a separate Issue Brief entitled: "ARRA Funds Approval." All of these funds were taken out of the base so the Legislature could specifically approve all of the uses of federal stimulus money in State government.

Health - Medicaid Optional Services						
Sources of Finance	FY 2009	FY 2010	Changes	FY 2010	Changes	FY 2011*
	Actual	Appropriated		Revised		Base Budget
General Fund	107,538,200	95,207,800	0	95,207,800	(1,904,200)	93,303,600
General Fund, One-time	(22,098,200)	(21,354,200)	0	(21,354,200)	21,354,200	0
Federal Funds	508,908,200	496,756,700	53,341,400	550,098,100	(31,660,700)	518,437,400
American Recovery and Reinvestment Act	18,802,400	29,467,200	0	29,467,200	(29,467,200)	0
Dedicated Credits Revenue	84,101,900	78,453,700	9,330,900	87,784,600	1,300,000	89,084,600
GFR - Medicaid Restricted	4,962,500	76,000	200,000	276,000	(276,000)	0
GFR - Nursing Care Facilities Account	1,454,300	1,654,300	0	1,654,300		1,654,300
Transfers	1,233,100	56,133,700	(54,245,100)	1,888,600	(984,100)	904,500
Transfers - Human Services	57,005,400	56,431,100	(7,483,030)	48,948,070	8,391,430	57,339,500
Transfers - Intergovernmental	54,922,700	0	24,116,530	24,116,530	2,272,270	26,388,800
Transfers - Within Agency	2,719,900	0	100	100	436,200	436,300
Transfers - Workforce Services	558,900	0	258,700	258,700	11,900	270,600
Transfers - Youth Corrections	5,397,500	0	3,398,000	3,398,000	154,900	3,552,900
Pass-through	38,000	0	24,600	24,600	2,500	27,100
Beginning Nonlapsing	0	0	984,700	984,700	(984,700)	0
Closing Nonlapsing	(984,700)	0	0	0	0	0
Total	\$824,560,100	\$792,826,300	\$29,926,800	\$822,753,100	(\$31,353,500)	\$791,399,600
Programs						
Buy-in/Buy-out	39,434,300	33,015,800	10,179,600	43,195,400	(331,300)	42,864,100
Capitated Mental Health Services	175,485,000	155,126,400	20,356,600	175,483,000	(616,200)	174,866,800
Dental Services	38,175,800	33,912,800	(5,689,400)	28,223,400	(2,013,900)	26,209,500
Home and Community Based Waiver Services	159,617,300	141,401,700	18,215,500	159,617,200	0	159,617,200
Intermediate Care Facilities for the Mentally Retarded	75,516,500	33,668,500	35,048,100	68,716,600	(347,700)	68,368,900
Other Optional Services	173,396,800	241,743,300	(69,484,900)	172,258,400	(23,623,500)	148,634,900
Pharmacy	160,825,500	152,099,400	21,428,000	173,527,400	(4,412,200)	169,115,200
Vision Care	2,108,900	1,858,400	(126,700)	1,731,700	(8,700)	1,723,000
Total	\$824,560,100	\$792,826,300	\$29,926,800	\$822,753,100	(\$31,353,500)	\$791,399,600
Categories of Expenditure						
Personnel Services	103,800	0	88,600	88,600	200	88,800
Out-of-state Travel	300	0	400	400	0	400
Current Expense	70,000	0	70,000	70,000	0	70,000
DP Current Expense	600	2,000	(1,400)	600	0	600
Other Charges/Pass Thru	824,385,400	792,824,300	29,769,200	822,593,500	(31,353,700)	791,239,800
Total	\$824,560,100	\$792,826,300	\$29,926,800	\$822,753,100	(\$31,353,500)	\$791,399,600
Other Data						
Budgeted FTE	0.1	0.0	0.6	0.6	0.0	0.6
Vehicles	0.0	1.0	(1.0)	0.0	0.0	0.0

*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 a FY 2011 base budget for Medicaid Optional Services of \$791,399,600.