



HEALTH CARE FINANCING

SOCIAL 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 2011 General Session at http://le.utah.gov/lfa/reports/cobi2011/LI_LGA.htm.

ISSUES AND RECOMMENDATIONS

The Analyst recommends a base budget for Health Care Financing line item for FY 2012 in the amount of \$99,297,300. This budget funds ten programs within the line item, including:

Director's Office	\$ 2,835,900
Contracts	\$ 2,218,000
Coverage and Reimbursement	\$ 2,054,100
DWS Seeded Services	\$47,164,600
Eligibility Policy	\$ 1,680,300
Financial Services	\$12,044,700
Long-Term Care	\$ 2,480,600
Managed Health Care	\$ 3,225,700
Medicaid Operations	\$ 3,589,200
Other Seeded Services	\$22,004,200

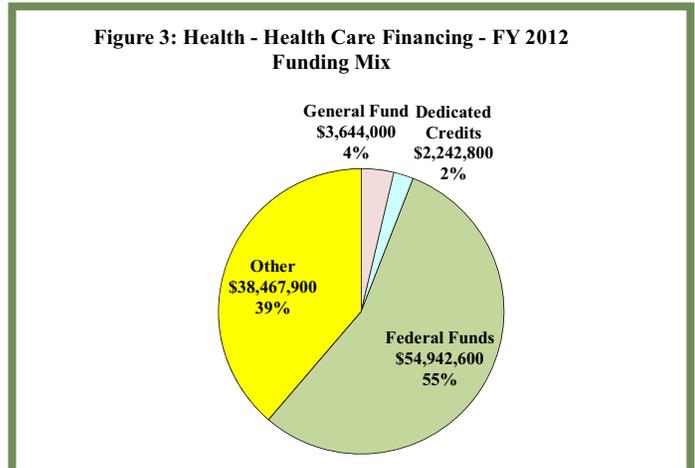
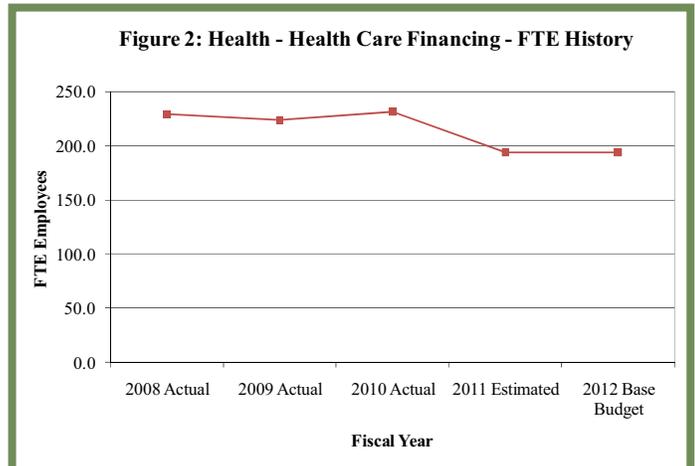
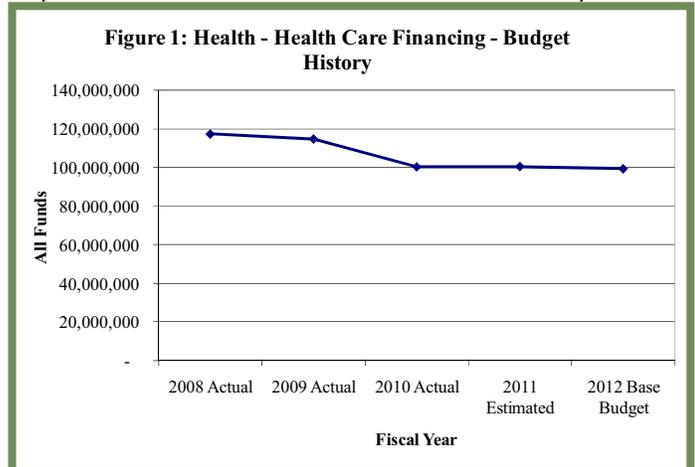
The funding level supports 194 FTE and 3 vehicles.

Intent Language – New Request

Under Section 63J-1-603 of the Utah Code the Legislature intends that appropriations provided for Health Care Financing in Item 101 of Chapter 2 Laws of Utah 2010 not lapse at the close of Fiscal Year 2011. The use of any nonlapsing funds is limited to \$50,000 for the purchase of computer equipment.

Request to Transfer of Funds Across Line Items

The Department of Health is requesting a transfer of \$278,600 General Fund from this line item to the Executive Director's Office to complete the transfer of



Program Integrity to the Executive Director’s Office that began in FY 2011.

Unspent General Fund for Administration	
FY 2006	\$ 725,600
FY 2007	\$ 353,600
FY 2008	\$ 147,400
FY 2009	\$ 43,600
FY 2010	\$ 242,300
Average	\$ 302,500

Building Block Requests Included in the Governor’s Budget

- **Medicaid Loss of Funding Due to Federal Policy Changes in Administration** - \$395,000 General Fund (\$790,000 total funds) in FY 2011 and FY 2012 for two items:

1. \$275,000 in lost service changes from lower claim base for Juvenile Justice Services - the Department of Human Services has indicated to the Department of Health that that it does not have the funds to pay the new nor the old payment for Health’s administration. In the last five years the amount of General Fund not used in Medicaid administration has averaged \$302,500 ranging from a low of \$43,600 in FY 2009 to \$725,600 in FY 2006 as shown in the table to the right.
2. \$120,000 to make up for a lower federal matching rate for targeted case management – the federal government recently lowered the federal participation for Health’s Health Program Representatives that help clients chose the best managed care plan and explain their benefits. The federal reduction represents a 14% reduction in funding for Health’s Health Program Representatives.

ACCOUNTABILITY DETAIL

Use of Recent Appropriations – FY 2011

- **Cost Containment** \$200,000 General Fund transferred from Medicaid Mandatory Services to fund a program designed to reduce usage of the emergency department. From October 2008 to October 2009, the Department conducted an experiment to reduce client use of the emergency room which resulted in 11% of the intervention group continuing to use the emergency room for non-emergencies vs the control group (without intervention) usage of 24%. The Department estimates net savings of \$2,019,000 total fund from the intervention. As of August 2009, the Department is doing this intervention with all inappropriate Medicaid users of the emergency department. This General Fund continues this program which was originally funded with a federal grant. For more information on the interventions used please visit www.health.utah.gov/safetowait.

Hits	Reason
8,789	Duplicate of a paid claim
8,000	Invalid client age for code
6,038	Not eligible on service date
5,054	Code not covered on service date
3,543	Code not payable to provider type
3,512	Drug refill too soon
3,127	Exceeds allowed cumulative amount
2,653	Healthy U client received fee for service
2,487	Invalid ICD-9 on pharmacy claim
2,009	Medicare eligible bill part D plan

Cost Avoidance Measures

1. **Automated checks** - The Department runs 999 automated checks on all medical claims to ensure a claim is eligible for payment. The table to the right shows the most common findings from these checks during FY 2010.
2. **Electronic reimbursement** – in 2010 78% of claims were paid electronically to providers. Over time the Department thinks it could get to 97% of providers paid via electronic means.
3. **Client co-pays** – in FY 2010 the Department assessed \$6,130,500 in co-pays for Medicaid services. This represents 0.4% (less than 1%) of all medical services provided.

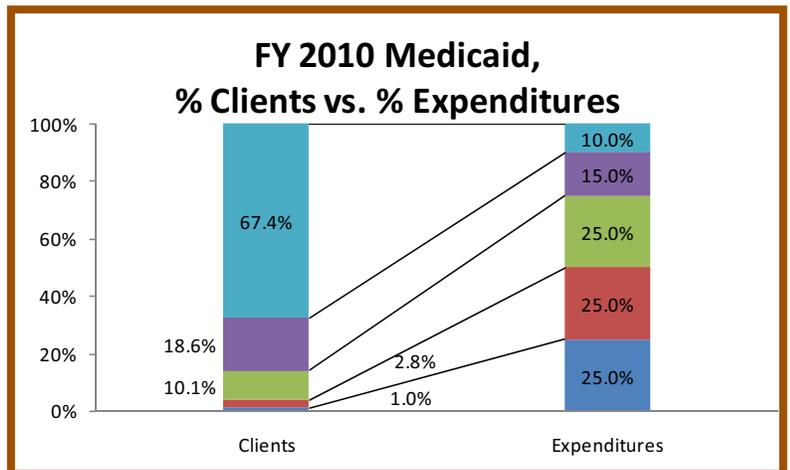
\$21.2 Million Spending on Enhanced Services from Dentists and Physicians

Since FY 2007 the Medicaid has been spending an average of \$21.2 million total fund annually on enhanced services from physicians and dentists. Prior to FY 2007 this detailed expense category did not exist. The agency explains these services and the spending as the enhanced payments for the Utah Medical Group paid for with all the matching money provided by the University of Utah. Below is a table showing the costs in this and related categories:

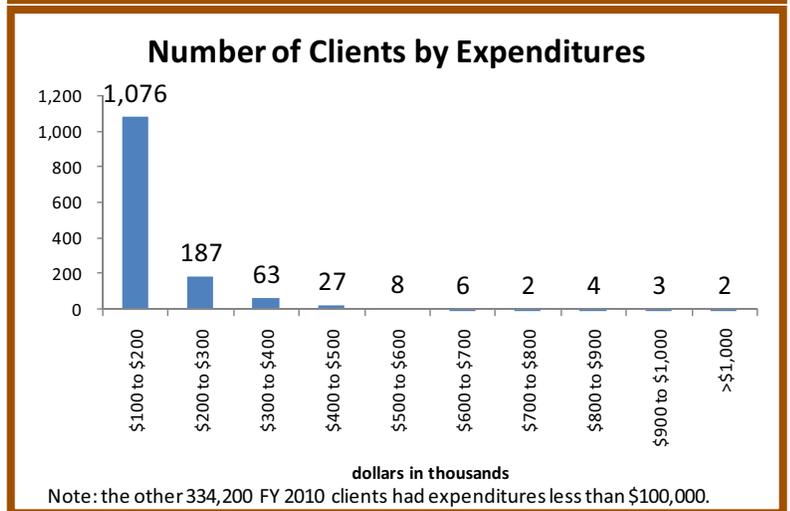
Medicaid Physician & Dental Spending	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Physician Services	\$ 97,690,100	\$ 86,541,800	\$ 75,112,000	\$ 65,144,800	\$64,820,500	\$59,937,000	\$63,244,800	\$44,525,300	\$25,571,500
Dental/Orthodontia	\$ 31,321,500	\$ 34,283,400	\$ 26,777,300	\$ 21,309,600	\$26,238,200	\$19,047,900	\$16,046,300	\$13,602,000	\$17,024,400
Physician/Dental Enhanced Services	\$ 22,287,700	\$ 21,724,700	\$ 19,785,500	\$ 21,136,500	\$ -	\$ -	\$ -	\$ -	\$ -
Total	#####	#####	#####	#####	\$91,058,700	\$78,984,900	\$79,291,100	\$58,127,300	\$42,595,900
Annual Growth	6%	17%	13%	18%	15%	0%	36%	36%	

Medicaid FY 2010 Expenditure Overview

The complete distribution of expenditures for medical services in Medicaid for FY 2010 clients vs percent of expenditures and the cost per client for FY 2010 are detailed in the two tables below. This includes clients served by the two managed care plans which have one claim per month for the fixed per member per month rate for the services provided by the managed care plan. The following bullets provide an overview of Medicaid expenditures on medical and dental services during FY 2010:



- 99% of enrolled clients had medical and/or dental services paid on their behalf
- About 11.8 M claims were paid totaling \$1.6 billion in total funds expended
- 1.0% or 3,379 clients accounted for 25% of all expenditures
- 3.8% or 13,016 clients accounted for 50% of all expenditures
- 1,378 clients had expenditures over \$100,000
- Cost per client with claims ranged from \$0 to \$1,440,700 with an average cost of \$4,700 and median of \$1,100
- Claims per client averaged 35 and ranged from 0 to 1,336 with a median of 30 claims
- 2,650 client refunds from providers on 15,500 claims totaling \$2.8 M



BUDGET DETAIL

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

HEALTH CARE FINANCING

Health - Health Care Financing						
Sources of Finance	FY 2010	FY 2011		FY 2011		FY 2012*
	Actual	Appropriated	Changes	Revised	Changes	Base Budget
General Fund	4,605,000	3,792,000	0	3,792,000	(148,000)	3,644,000
General Fund, One-time	(353,300)	0	0	0	0	0
Federal Funds	54,212,000	63,364,500	(8,020,000)	55,344,500	(401,900)	54,942,600
American Recovery and Reinvestment A	158,900	0	158,900	158,900	(158,900)	0
Dedicated Credits Revenue	2,242,900	4,955,400	(2,712,600)	2,242,800	0	2,242,800
GFR - Nursing Care Facilities Account	350,000	547,200	0	547,200	38,000	585,200
Transfers - Human Services	8,910,000	9,873,500	1,226,200	11,099,700	0	11,099,700
Transfers - Intergovernmental	1,330,700	1,111,200	119,800	1,231,000	0	1,231,000
Transfers - Within Agency	2,260,500	4,380,500	(2,445,000)	1,935,500	0	1,935,500
Transfers - Workforce Services	26,589,100	25,688,400	(2,071,900)	23,616,500	0	23,616,500
Beginning Nonlapsing	493,600	200,000	292,300	492,300	(492,300)	0
Closing Nonlapsing	(492,300)	0	0	0	0	0
Total	\$100,307,100	\$113,912,700	(\$13,452,300)	\$100,460,400	(\$1,163,100)	\$99,297,300
Programs						
Contracts	67,907,700	7,527,600	(5,309,600)	2,218,000	0	2,218,000
Coverage and Reimbursement	2,360,900	3,565,400	(1,448,100)	2,117,300	(63,200)	2,054,100
Department of Workforce Services' Seed	0	49,261,600	(2,097,000)	47,164,600	0	47,164,600
Director's Office	2,871,100	2,794,200	42,100	2,836,300	(400)	2,835,900
Eligibility Policy	6,449,000	9,285,400	(7,557,100)	1,728,300	(48,000)	1,680,300
Financial Services	9,504,800	12,024,500	847,700	12,872,200	(827,500)	12,044,700
Long-term Care	2,464,800	2,254,100	277,700	2,531,800	(51,200)	2,480,600
Managed Health Care	3,418,000	3,834,900	(530,100)	3,304,800	(79,100)	3,225,700
Medicaid Operations	3,825,000	3,768,500	(85,600)	3,682,900	(93,700)	3,589,200
Other Seeded Services	0	19,596,500	2,407,700	22,004,200	0	22,004,200
Program Integrity	1,505,800	0	0	0	0	0
Total	\$100,307,100	\$113,912,700	(\$13,452,300)	\$100,460,400	(\$1,163,100)	\$99,297,300
Categories of Expenditure						
Personnel Services	16,255,000	16,157,800	(2,531,500)	13,626,300	(577,000)	13,049,300
In-state Travel	32,000	60,000	(33,400)	26,600	0	26,600
Out-of-state Travel	14,600	45,600	(33,100)	12,500	0	12,500
Current Expense	6,338,500	8,800,900	1,320,200	10,121,100	(586,100)	9,535,000
DP Current Expense	7,588,900	7,584,700	(304,700)	7,280,000	0	7,280,000
Other Charges/Pass Thru	70,078,100	81,263,700	(11,869,800)	69,393,900	0	69,393,900
Total	\$100,307,100	\$113,912,700	(\$13,452,300)	\$100,460,400	(\$1,163,100)	\$99,297,300
Other Data						
Budgeted FTE	232	228	(34)	194	0	194
Actual FTE	218	0	0	0	0	0
Vehicles	3	3	0	3	0	3

LEGISLATIVE ACTION

1. The Analyst recommends that the Health and Human Services Appropriations Subcommittee approve a base budget for FY 2012 for the Health Care Financing line item in the amount of \$99,297,300 with funding as listed in the Budget Detail Table.
2. The Analyst recommends the adoption of the intent language as listed on the page 1.
3. The Analyst recommends approving the \$278,600 ongoing General Fund from this line item to the Executive Director's Office beginning in FY 2012.