



MEDICAID CONSENSUS FORECASTING

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ISSUE BRIEF

SUMMARY

Executive and Legislative staff are developing a consensus forecast of Medicaid cost growth. They are doing so to improve accuracy, timing, and methodological diversity in Medicaid cost estimates. Three forecast models will be used, one from each of the following organizations: Legislative Fiscal Analyst, Governor’s Office of Planning and Budget, and the Department of Health. This brief is for informational purposes only and no Legislative action is required.

DISCUSSION AND ANALYSIS

The Analyst is pursuing Medicaid consensus forecasting for three reasons: (1) improved accuracy, (2) better timing, and (3) to encourage the use of several methodologies to estimate costs. Each of these goals is discussed in more detail below.

Improved Accuracy

The primary motivating reason for consensus forecast is to improve the prior error rates for Medicaid caseload forecasting. With more accurate forecasting, less money may need to be dedicated to Medicaid in the Department of Health and could be available for other purposes. From FY 2003 through FY 2011, the error rates for Medicaid caseload forecasting have resulted in leftover General Fund ranging from \$270,100 in FY 2004 to \$17,696,900 in FY 2010. In recent years the leftover money has been used to offset the next year’s caseload request. More details for the leftovers from prior years in the Department of Health’s Medicaid caseload are available in the table below:

Unspent General Fund Appropriations for Health's Medicaid Caseload			
FY	Base Appropriations	Leftover	Error Rate
2003	\$ 198,954,100	\$ 5,340,800	2.7%
2004	\$ 192,620,100	\$ 270,100	0.1%
2005	\$ 252,008,700	\$ 1,080,800	0.4%
2006	\$ 300,646,900	\$ 1,076,900	0.4%
2007	\$ 317,519,100	\$11,567,300	3.6%
2008	\$ 328,138,600	\$13,906,400	4.2%
2009	\$ 264,859,800	\$ 7,730,300	2.9%
2010	\$ 229,282,700	\$17,696,900	7.7%
2011	\$ 275,264,307	\$ 7,652,648	2.8%

Better Timing

Prior to FY 2011, the Legislature used estimates from the Department of Health based on caseload data available in July. There was no regular forum for the Department to provide an update to its caseload estimates in the budget process. So when the Legislature made final decisions in February and March, updated Medicaid caseload data from August through January was not used to estimate costs. The proposed plan for the consensus forecasting will be to provide forecasts with updated information in October and February.

Broader Methodologies

The proposed consensus modeling for Medicaid will have three models for estimating costs, one from each of the following groups: Fiscal Analyst, Governor's Office of Planning and Budget, and the Department of Health. Each group will have a separate model which will be used to determine the consensus cost estimates.

Why Consensus Forecasting for Medicaid?

When arriving at final point estimates for tax revenue projections, economists from the Legislative Fiscal Analysts Office, the Governor's Office of Planning and Budget, and the State Tax Commission compare numbers and attempt to reach a consensus. The details of each projection are examined and critiqued against the other offices' numbers. By comparing competing forecasts, all involved parties attempt to flush out any errors or left out factors. These same reasons apply to Medicaid. From June 2000 to June 2011, Utah Medicaid grew from 121,300 clients to 244,500 clients, an increase of 102%. Over the same period, the percentage of the State's population on Medicaid grew from 5.4% to 8.7%.

Officially, 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. As Utah has, to this point, chose to offer Medicaid, it has established an entitlement program for qualified individuals. That is, anyone who meets specific eligibility criteria is "entitled" to Medicaid services. An accurate forecast is essential to adequately funding that entitlement.