

# MEDICAID AND HEALTH FINANCING

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
STAFF: RUSSELL FRANDSEN

BUDGET BRIEF

## SUMMARY

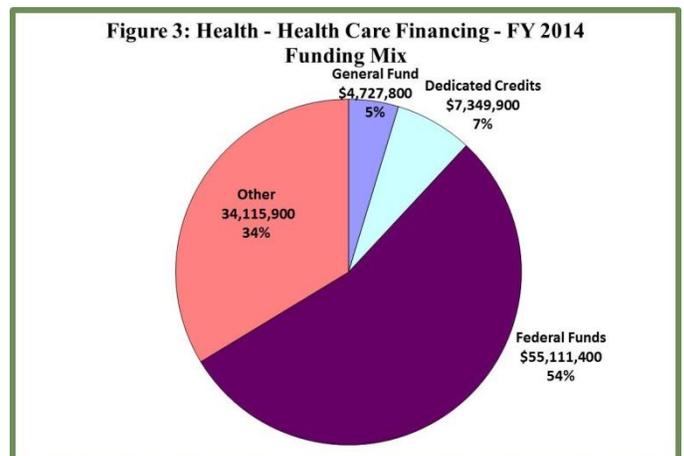
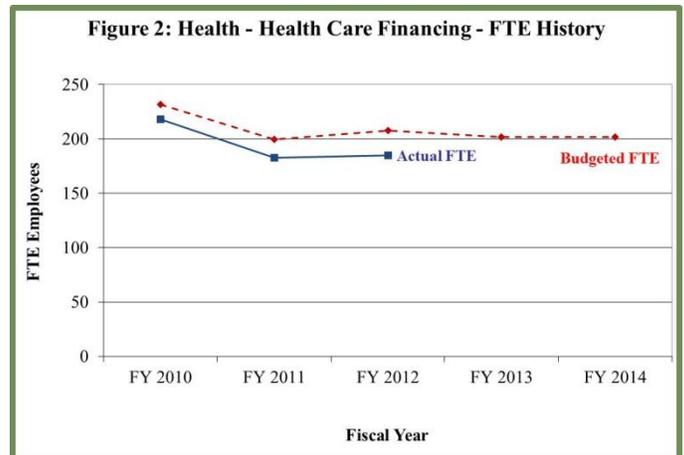
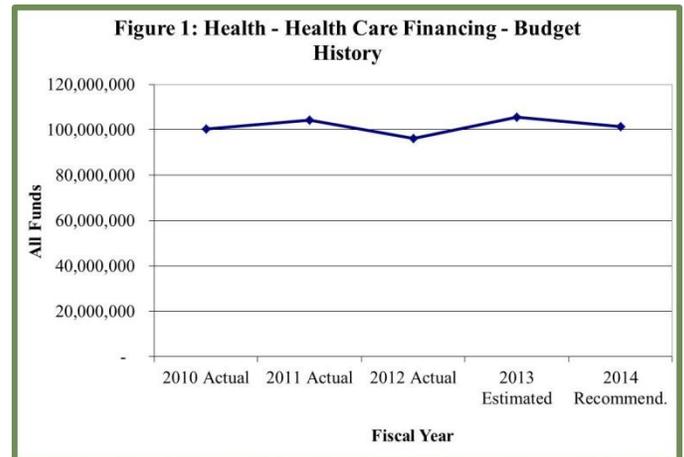
The Analyst's base budget recommendation is \$101,305,000 for Medicaid and Health Financing in FY 2014. This recommendation is \$4,186,200 lower than the revised budget. This includes a total reduction of \$4,000 one-time in FY 2013 and \$60,100 ongoing in FY 2014 from a reduction from HB 256 from the 2011 General Session, and an increase for a technical error from last year. It also includes three transfers beginning in FY 2013 that provide a total increase of \$142,700 to this line item. This funding level supports 202 FTE and one vehicle. This brief highlights some issues in Medicaid and Health Financing as well as some uses of the funding provided. The Subcommittee annually reviews each base budget to propose any changes and to vote to approve it. The Analyst recommends that the Subcommittee approve the \$101,305,000 base budget and the proposed intent language statements.

## LEGISLATIVE ACTION

1. The Analyst recommends approving a base budget for FY 2014 for the Medicaid and Health Financing line item in the amount of \$101,305,000 with funding as listed in the Budget Detail Table. This includes a total reduction of \$4,000 one-time in FY 2013 and \$60,100 ongoing in FY 2014 from a reduction from HB 256 from the 2011 General Session, and an increase for a technical error from last year. It also includes three transfers beginning in FY 2013 that provide a total increase of \$142,700 to this line item.
2. The Analyst recommends adopting the intent language included in this brief.

## OVERVIEW

The Division of Medicaid and Health 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 2013 General Session at [http://le.utah.gov/lfa/reports/cobi2013/LI\\_LGA.htm](http://le.utah.gov/lfa/reports/cobi2013/LI_LGA.htm).



**ISSUES AND RECOMMENDATIONS**

The Analyst recommends a base budget for Medicaid and Health Financing line item for FY 2014 in the amount of \$101,305,000. This budget funds ten programs within the line item, including:

Director’s Office	\$ 1,694,600	Contracts	\$ 1,845,200
Financial Services	\$10,576,100	Coverage and Reimbursement	\$ 2,577,400
Medicaid Operations	\$ 4,679,900	Eligibility Policy	\$ 2,922,700
Managed Health Care	\$ 3,310,600	Workforce Services Seeding	\$36,295,600
Long-Term Care	\$ 2,568,000	Other Seeded Services	\$34,834,900

The funding level supports 202 FTE and one vehicle.

***Intent Language – Similar to Last Year***

*Under Section 63J-1-603 of the Utah Code the Legislature intends that appropriations provided for Health Care Financing in Item 6 of Chapter 14, Laws of Utah 2012 not lapse at the close of Fiscal Year 2013. The use of any nonlapsing funds is limited to \$50,000 for the purchase of computer equipment.*

*Under Section 63J-1-603 of the Utah Code the Legislature intends that appropriations provided for Health Care Financing in Item 6 of Chapter 14, Laws of Utah 2012 not lapse at the close of Fiscal Year 2013. The use of any nonlapsing funds is limited to \$375,000 for compliance with federally-mandated projects*

***Analyst-recommended Changes***

- **Tobacco Funding Shift** – *The fiscal analyst recommends providing \$56,100 General Fund one-time in FY 2013 to the Department of Health to reflect the actions taken by the Social Services Appropriations Subcommittee during the 2012 General Session. During the preparation of budget bills the \$56,100 ended up in another line item to address a revenue shortfall.*
- **HB 256 from the 2011 General Session** - *The Legislature provided the Department of Health \$60,100 in SB 3 to implement capitated dental contracts as per HB 256 Children’s Health Insurance and Medicaid Administrative Simplification from the 2011 General Session. The Department has indicated that they did not have a vendor that would save the State money in an urban area. This money is available beginning in FY 2013. The fiscal analyst recommends taking this annual reduction of \$60,100 General Fund beginning in FY 2013 and funding the tobacco funding shift above and building blocks in the Family Health and Preparedness line item.*
- **Disability Hearing Officer Transfer** – *the base budget includes a transfer from the Department of Workforce Services of \$39,000 General Fund ongoing beginning in FY 2014 to the Department of Health so that all disability hearings will be done in one department. The General Fund will draw down \$39,000 federal funds. The fiscal analyst recommends making this change as per the agency’s request.*
- **Medicaid Cost Settlement Personnel Transfer** - *the base budget includes a transfer beginning in FY 2013 within the Department of Health from the Executive Director’s Office line item to the Medicaid and Health Financing line item of \$87,200 General Fund. The money is for cost settlement personnel only working on Medicaid. The General Fund will draw down \$87,200 federal funds. The fiscal analyst recommends making this change as per the agency’s request.*
- **Medicaid Presumptive Eligibility Personnel Transfer** - *the base budget includes an annual transfer beginning in FY 2013 within the Department of Health from the Family Health and Preparedness line item to the Medicaid and Health Financing line item of \$16,500 General Fund. The money is for staff who determine presumptive eligibility for the Baby Your Baby program. The General Fund will draw*

down \$16,500 federal funds. *The fiscal analyst recommends making this change as per the agency's request.*

**\$59,800 in Available Funding**

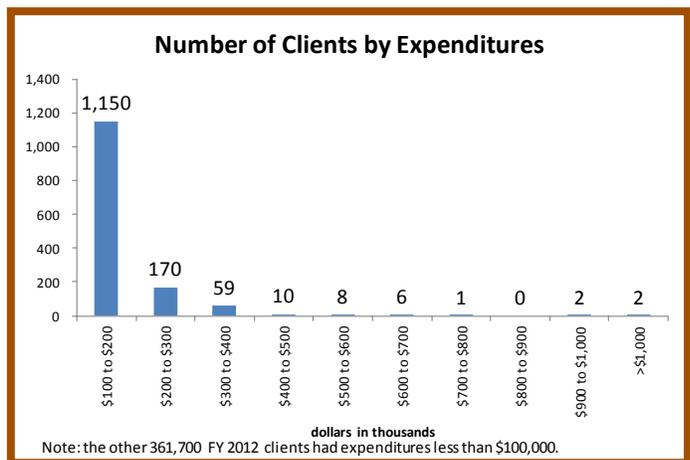
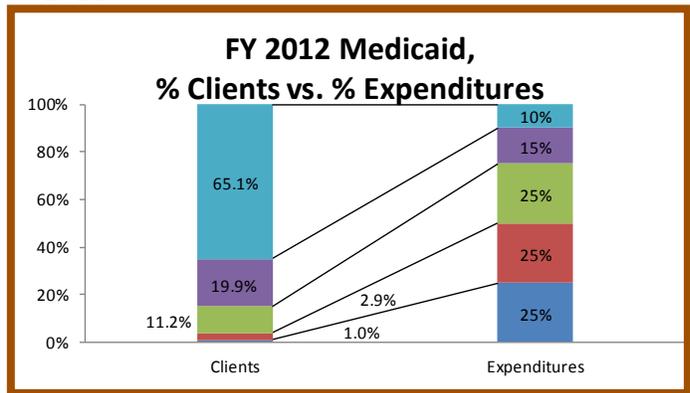
[UCA 26-35a-106](#) permits using up to a 3% maximum for administration from the Nursing Care Facilities Account. There is \$59,800 ongoing available beginning in FY 2013. This could potentially free up to \$59,800 ongoing General Fund. Replacing General Fund would result in federal fund reductions of \$139,200 in FY 2013 and \$140,600 in FY 2014.

**ACCOUNTABILITY DETAIL**

***Medicaid FY 2012 Expenditure Overview***

The complete distribution of expenditures for medical services in Medicaid for FY 2012 clients vs percent of expenditures and the cost per client for FY 2012 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 2012:

- 99% of enrolled clients had medical and/or dental services paid on their behalf
- About 13.4 million claims were paid totaling \$1.6 billion in total funds expended
- 1.0% or 3,590 clients accounted for 25% of all expenditures
- 3.9% or 14,079 clients accounted for 50% of all expenditures
- 1,408 clients had expenditures over \$100,000
- Cost per client with claims ranged from \$0 to \$2,069,300 with an average cost of \$4,400 and median of \$1,100
- Claims per client averaged 37 and ranged from 0 to 1,066 with a median of 32 claims
- 10,710 client refunds from providers totaling \$2.0 million



***Use of Recent Appropriations***

1. **Medicaid Federal Administrative Policy Changes:** \$550,000 ongoing (\$395,000 General Fund) in FY 2012 to make up for a reduction in federal match rate for certain administrative staff.
2. **CMS Mandated Compliance Projects:** \$2,778,600 ongoing (\$500,000 General Fund) and \$3,767,200 one-time (\$679,000 General Fund) to comply with federal mandates. The agency used the money for ongoing information technology compliance projects. The ongoing costs include licensing fees, Department of Technology Services maintenance, and hosting expenses. The one-time projects include ICD-10 and HIPPA compliance.

MEDICAID AND HEALTH FINANCING

3. **Administration for Caseload Growth & Federal Mandates:** \$651,600 ongoing (\$190,900 General Fund) and \$18,400 one-time (\$5,900 General Fund) to address increased administrative demands. The agency used the money for 7.5 new FTEs.
4. **Case Management in Rural Areas (FY 2013):** \$100,000 ongoing transferred from Medicaid services to fund two nurses to manage clients with chronic conditions. The agency used the money to contract with the Bear River Health Department to develop a rural care coordination model.

**BUDGET DETAIL**

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

Health - Medicaid and Health Financing						
Sources of Finance	FY 2012	FY 2013	Changes	FY 2013	Changes	FY 2014*
	Actual	Appropriated		Revised		Recommended
General Fund	3,791,100	4,645,200	0	4,645,200	82,600	4,727,800
General Fund, One-time	568,700	0	35,000	35,000	(35,000)	0
Federal Funds	52,824,400	57,862,800	193,200	58,056,000	(2,944,600)	55,111,400
American Recovery and Reinvestment Act	394,100	463,300	0	463,300	(463,300)	0
Dedicated Credits Revenue	7,412,700	9,813,300	(2,463,400)	7,349,900	0	7,349,900
GFR - Nursing Care Facilities Account	641,300	641,300	0	641,300	0	641,300
Transfers - Intergovernmental	23,700	0	0	0	0	0
Transfers - Medicaid - DHS	8,127,700	9,354,000	(808,200)	8,545,800	19,900	8,565,700
Transfers - Medicaid - DWS	18,557,500	17,941,500	389,500	18,331,000	(183,200)	18,147,800
Transfers - Medicaid - JJS	39,900	0	41,900	41,900	0	41,900
Transfers - Medicaid - GOPB	857,800	994,900	281,700	1,276,600	30,900	1,307,500
Transfers - Medicaid - Internal DOH	185,000	885,000	(700,000)	185,000	0	185,000
Transfers - Medicaid - UDC	0	25,000	(25,000)	0	0	0
Transfers - Medicaid - USDB	0	32,400	(32,400)	0	0	0
Transfers - State Office of Rehabilitation	0	0	166,900	166,900	0	166,900
Transfers - Within Agency	3,304,300	3,462,700	1,597,100	5,059,800	0	5,059,800
Beginning Nonlapsing	40,400	0	693,500	693,500	(693,500)	0
Closing Nonlapsing	(693,500)	0	0	0	0	0
<b>Total</b>	<b>\$96,075,100</b>	<b>\$106,121,400</b>	<b>(\$630,200)</b>	<b>\$105,491,200</b>	<b>(\$4,186,200)</b>	<b>\$101,305,000</b>
<b>Programs</b>						
Director's Office	1,561,400	6,180,000	(4,485,400)	1,694,600	0	1,694,600
Financial Services	10,708,100	9,313,800	5,184,000	14,497,800	(3,921,700)	10,576,100
Medicaid Operations	4,540,000	4,495,200	240,800	4,736,000	(56,100)	4,679,900
Managed Health Care	2,946,900	3,641,300	(330,700)	3,310,600	0	3,310,600
Long-term Care	2,546,000	2,012,500	555,500	2,568,000	0	2,568,000
Contracts	1,845,200	13,864,300	(12,019,100)	1,845,200	0	1,845,200
Coverage and Reimbursement	2,080,600	2,163,800	413,600	2,577,400	0	2,577,400
Eligibility Policy	2,755,000	1,920,500	985,700	2,906,200	16,500	2,922,700
Department of Workforce Services' Seeded Ser	37,115,000	35,883,000	778,900	36,661,900	(366,300)	36,295,600
Other Seeded Services	29,976,900	26,647,000	8,046,500	34,693,500	141,400	34,834,900
<b>Total</b>	<b>\$96,075,100</b>	<b>\$106,121,400</b>	<b>(\$630,200)</b>	<b>\$105,491,200</b>	<b>(\$4,186,200)</b>	<b>\$101,305,000</b>
<b>Categories of Expenditure</b>						
Personnel Services	14,268,300	15,003,600	932,000	15,935,600	47,600	15,983,200
In-state Travel	23,600	19,700	3,900	23,600	(400)	23,200
Out-of-state Travel	28,800	22,200	6,700	28,900	0	28,900
Current Expense	6,157,100	4,696,000	1,641,900	6,337,900	(524,800)	5,813,100
DP Current Expense	7,799,900	9,051,400	2,341,700	11,393,100	(3,483,700)	7,909,400
DP Capital Outlay	309,600	649,900	(649,900)	0	0	0
Other Charges/Pass Thru	67,487,800	76,678,600	(4,906,500)	71,772,100	(224,900)	71,547,200
<b>Total</b>	<b>\$96,075,100</b>	<b>\$106,121,400</b>	<b>(\$630,200)</b>	<b>\$105,491,200</b>	<b>(\$4,186,200)</b>	<b>\$101,305,000</b>
<b>Other Data</b>						
Budgeted FTE	208	209	(6)	203	0	203
Actual FTE	185	0	0	0	0	0
Vehicles	1	1	0	1	0	1

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.