



MEDICAID OPTIONAL SERVICES

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANSEN

BUDGET BRIEF

SUMMARY

The Analyst’s base budget recommendation is \$926,075,800 for Medicaid Optional Services in FY 2014. This recommendation is \$24,796,700 lower than the base budget. This includes decrease of \$9,221,300 General Fund in FY 2013 and \$6,406,300 ongoing General Fund beginning in FY 2014 as part of the updated consensus caseload cost estimates. This brief highlights some issues in Medicaid Optional Services 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 \$926,075,800 base budget.

LEGISLATIVE ACTION

The Analyst recommends that the Social Services Appropriations Subcommittee take the following action:

- Approve a base budget for FY 2014 for Medicaid Optional Services in the amount of \$926,075,800 with funding as listed in the Budget Detail Table.

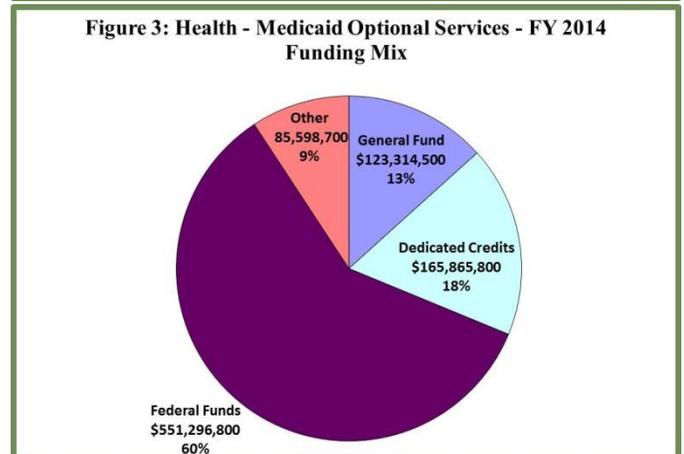
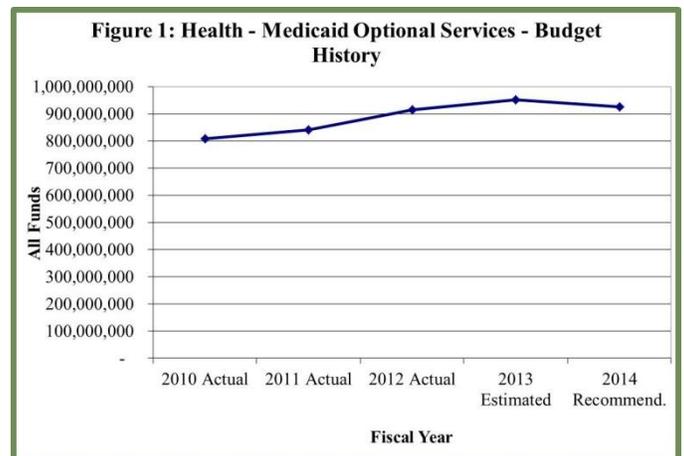
OVERVIEW

Medicaid Optional Services are designated by the federal Centers for Medicare and Medicaid Services (CMS) as not required for most Medicaid clients. These include pharmacy, dental, medical supplies, ambulatory surgery, chiropractic, podiatry, physical therapy, vision care, substance abuse treatment, speech and hearing services. 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.

ISSUES AND RECOMMENDATIONS

This budget funds twelve programs:

Pharmacy	\$182,618,200
Home and Community Based Waiver Services	\$179,715,700
Capitated Mental Health Services	\$152,034,000
Intermediate Care Facilities for the Intellectually Disabled	\$ 84,215,600
Non-service Expenses	\$ 96,905,400
Buy-In/Buy-Out	\$ 41,196,000



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Dental Services	\$ 38,837,800	Hospice Care Services	\$ 13,948,700
Clawback Payments	\$ 28,713,700	Vision Care	\$ 2,265,700
Disproportionate Hospital Payments	\$ 34,964,600	Other Optional Services	\$ 70,660,400

The Analyst recommends a base budget for the Medicaid Optional Services line item for FY 2014 in the amount of \$926,075,800. This budget also supports 4 FTE.

Building Block Requests Not Included in the Governor's Budget

- **Provide Adult Dental Services in Medicaid** - \$9,755,400 (\$2,911,300 General Fund) total fund ongoing to provide dental services to all adults on Medicaid. Medicaid currently provides dental services to children and pregnant women.

For more detailed information on Utah's Medicaid Program please visit the following sources:

1. Online Compendium of Budget Information for the 2013 General Session at http://le.utah.gov/lfa/reports/cobi2013/LI_LJA.htm
2. "An In-Depth Follow-Up of Utah Medicaid's Implementation of Audit Recommendations," Office of the Legislative Auditor General, http://le.utah.gov/audit/12_03rpt.pdf
3. "Utah Annual Report of Medicaid & CHIP" - http://health.utah.gov/medicaid/pdfs/annual_report2012.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>
5. "Medicaid Review" - <http://www.le.state.ut.us/interim/2010/pdf/00000295.pdf> & follow up report on recommendations <http://le.utah.gov/interim/2011/pdf/00002029.pdf>

ACCOUNTABILITY DETAIL

Use of Recent Appropriations

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):

- **Medicaid Caseload Increases:** \$279,744,600 total funds (\$99,955,100 General Fund) in FY 2012 and \$156,432,100 ongoing (\$47,000,000 General Fund) in FY 2013 for anticipated caseload growth. Medicaid ended FY 2012 with a \$19.1 million or 5% unexpected General Fund surplus. The surplus is 1.4% due to caseload and 3.6% due to per member per month (PMPM) cost estimates.
- **Prader-Willi Syndrome Respite Care:** the Legislature provided \$60,000 one-time General Fund in FY 2012 which served 60 families who have someone with Prader-Willi Syndrome.
- **EQROA (Clawback II):** \$5,800,000 ongoing and \$5,800,000 one-time in FY 2012 to offset drug rebate revenue that is required to be remitted to the federal government. The federal government ended up charging Utah \$3.8 million less than originally anticipated. These reductions are included in the overall consensus caseload forecast.

Caseload Trends

Below is a discussion of the three Medicaid programs and their FY 2012 vs FY 2011 caseloads:

1. **Medicaid** - caseloads went from 244,700 in June 2011 to 252,600 in June 2012, an increase of 3%. One of the five groups in Medicaid, family, grew faster than the overall caseload growth rate. Both disabled and aged groups grew about as much as the overall caseload growth rates. The pregnant and children client population decreased 7% and 5% respectively. The growth in Medicaid by category is shown in the table below:

Category	Clients June 11	Clients June 12	Increase	% Increase	% Pop. 6/11	% Pop. 6/12	Change in % of Pop.
Family-Mostly Adults	101,542	112,998	11,456	11%	41%	45%	3%
Children	87,535	82,928	(4,607)	-5%	36%	33%	-3%
Disabled	35,570	36,581	1,011	3%	15%	14%	0%
Aged	13,273	13,697	424	3%	5%	5%	0%
Pregnant Women	6,819	6,369	(450)	-7%	3%	3%	0%
Total	244,700	252,600	7,800	3%			

2. **Primary Care Network** – caseloads went from 17,400 to 14,600, a decrease of 16%. The program has had one recent open enrollment period in March 2012. The open enrollment period added 5,000 new enrollees. The program provides a limited array of health services to individuals with incomes up to 150% of the Federal Poverty Level (\$2,900 monthly for a family of 4 in 2012). 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. In FY 2012 the program had \$17.8 million total funds in medical claims paid.
3. **Utah’s Premium Partnership for Health Insurance** - caseloads went from 224 to 180 adults, a decrease of 20%. 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 (\$2,900 monthly for a family of 4 in 2012).

What is the Status of the Five Recommendations from the GOPB In-Depth Budget Review: Medicaid Coordination?

The Governor’s Office of Planning and Budget provided five recommendations for improving coordination in Medicaid to the Executive Appropriations Committee at its November 16, 2010 meeting (link to audio of presentation at <http://le.utah.gov/av/smil?int=179853>). Below are the five recommendations in bold with an update next to each one.

1. **Departments continue their efforts to collaborate on Medicaid process improvement.** Senior management from the Departments of Workforce Services and Health has weekly calls to discuss and resolve problems. Directors from each agency meeting quarterly.
2. **Departments establish a target date by which these efforts will be completed.** In early 2012 the Departments of Workforce Services and Health identified three key areas to improve communication:
 - a. Directly connecting policy specialists – direct contact rather than a tracking system.
 - b. Policy operations development – weekly meetings to identify and address eligibility errors.
 - c. Medicaid quality control – coordination on eligibility audits size and scope.
3. **The Department of Health (DOH) be responsible for collecting data and publishing a unified annual report on Medicaid and Children’s Health Insurance Program (CHIP) expenditures. All other State agencies receiving or expending Medicaid funds, including the Department of Human Services (DHS), the Department of Workforce Services (DWS), the University of Utah, and the Attorney General, should designate senior finance personnel to cooperatively participate.** Please see the response to number four below.
4. **DOH, with the cooperation of other entities receiving or expending Medicaid funds, shall deliver the abovementioned report to GOPB and the Chairs of the Executive Appropriations Committee by**

December 31, for the prior fiscal year. The Department of Health has provided a report annually since December 2010. The FY 2012 version of this report is available at http://health.utah.gov/medicaid/pdfs/annual_report2012.pdf. For a discussion of this report please see the Issue Brief Medicaid Statewide Spending.

- The report should be expanded to include Medicaid expenditures by contracted providers.** This detail has not been provided in the annual reports. The amounts spent by contracted provider are in the numbers but not any detail about how those were spent.

BUDGET DETAIL

Health - Medicaid Optional Services						
Sources of Finance	FY 2012	FY 2013	Changes	FY 2013	Changes	FY 2014*
	Actual	Appropriated		Revised		Recommended
General Fund	111,104,000	129,720,800	0	129,720,800	(6,406,300)	123,314,500
General Fund, One-time	10,584,500	0	(9,221,300)	(9,221,300)	9,221,300	0
Federal Funds	541,513,900	524,057,100	28,193,300	552,250,400	(953,600)	551,296,800
American Recovery and Reinvestment Act	12,191,000	74,000,000	(58,000,000)	16,000,000	(16,000,000)	0
Dedicated Credits Revenue	165,865,700	119,140,600	46,725,200	165,865,800	0	165,865,800
GFR - Nursing Care Facilities Account	2,741,100	2,851,300	0	2,851,300	0	2,851,300
Transfers - Fed Pass-thru	0	3,330,100	(3,330,100)	0	0	0
Transfers - Intergovernmental	0	16,315,500	(16,315,500)	0	0	0
Transfers - Medicaid - DHS	70,205,000	75,258,400	4,166,400	79,424,800	(2,935,300)	76,489,500
Transfers - Medicaid - Internal DOH	0	2,260,000	(2,260,000)	0	0	0
Transfers - Medicaid - USBDB	334,200	277,600	58,400	336,000	0	336,000
Transfers - Other Agencies	131,100	0	158,100	158,100	0	158,100
Transfers - Within Agency	1,583,000	423,900	771,700	1,195,600	0	1,195,600
Transfers - Workforce Services	741,200	0	741,200	741,200	0	741,200
Transfers - Youth Corrections	1,636,000	0	1,653,800	1,653,800	(76,800)	1,577,000
Beginning Nonlapsing	7,010,200	0	12,146,000	12,146,000	(9,896,000)	2,250,000
Closing Nonlapsing	(12,146,000)	0	(2,250,000)	(2,250,000)	2,250,000	0
Total	\$913,494,900	\$947,635,300	\$3,237,200	\$950,872,500	(\$24,796,700)	\$926,075,800
Programs						
Pharmacy	182,403,600	132,159,300	50,458,900	182,618,200	0	182,618,200
Home and Community Based Waiver Services	164,165,500	117,213,800	70,824,100	188,037,900	(8,322,200)	179,715,700
Capitated Mental Health Services	138,909,500	144,111,300	8,441,300	152,552,600	(518,600)	152,034,000
Intermediate Care Facilities for Intellectually	77,677,900	82,489,300	1,726,300	84,215,600	0	84,215,600
Non-service Expenses	109,096,500	89,827,000	23,078,400	112,905,400	(16,000,000)	96,905,400
Buy-in/Buy-out	41,196,000	39,240,100	1,955,900	41,196,000	0	41,196,000
Dental Services	38,838,000	35,658,400	3,179,400	38,837,800	0	38,837,800
Clawback Payments	28,713,700	32,800,000	(4,086,300)	28,713,700	0	28,713,700
Disproportionate Hospital Payments	34,060,700	26,000,000	8,964,600	34,964,600	0	34,964,600
Mental Health Inpatient Hospital	0	20,685,400	(20,685,400)	0	0	0
Hospice Care Services	13,948,700	15,394,400	(1,445,700)	13,948,700	0	13,948,700
Vision Care	2,265,700	2,289,500	(23,800)	2,265,700	0	2,265,700
Other Optional Services	82,219,100	209,766,800	(139,150,500)	70,616,300	44,100	70,660,400
Total	\$913,494,900	\$947,635,300	\$3,237,200	\$950,872,500	(\$24,796,700)	\$926,075,800
Categories of Expenditure						
Personnel Services	119,500	297,900	68,000	365,900	0	365,900
Out-of-state Travel	17,200	0	11,400	11,400	(5,000)	6,400
Current Expense	1,678,900	25,200	1,525,900	1,551,100	(1,031,400)	519,700
DP Current Expense	20,300	0	20,300	20,300	0	20,300
Other Charges/Pass Thru	911,659,000	947,312,200	1,611,600	948,923,800	(23,760,300)	925,163,500
Total	\$913,494,900	\$947,635,300	\$3,237,200	\$950,872,500	(\$24,796,700)	\$926,075,800
Other Data						
Budgeted FTE	0	3	1	4	0	4
Actual FTE	1	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.