



MEDICAID SPENDING STATEWIDE

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

This issue brief summarizes FY 2016 statewide spending on Medicaid of \$579,074,600 General Fund and \$7,445,800 Education Fund (\$2,547,992,700 total funds). Totals represent 26% of all General Fund spending statewide. Other entities provided \$206,732,900 or 26% of the matching funds used to draw down \$1,754,739,400 in federal funds in FY 2016. The data source for information in this brief comes primarily from the Department of Health’s annual report entitled “Utah Annual Report of Medicaid & CHIP.” This brief is for informational purposes only and requires no Legislative action.

DISCUSSION AND ANALYSIS

Five State government entities (Departments of Health, Human Services, and Workforce Services as well as the Office of Inspector General and the Attorney General’s Medicaid Fraud Control Unit) together with the University of Utah Hospitals and Clinics spent \$2,547,992,700 total funds in FY 2016 on Medicaid. The table below details the FY 2016 statewide spending on Medicaid by each agency:

Medicaid Spending by State Entity in FY 2016		
Entity	Money Spent	% of Total
Department of Health	\$ 1,873,711,400	74%
University of Utah Hospitals & Clinics	\$ 326,459,900	13%
Department of Human Services	\$ 290,236,200	11%
Department of Workforce Services	\$ 52,610,600	2%
Office of the Inspector General	\$ 2,546,600	0.1%
Attorney General	\$ 2,428,000	0.1%
Total	\$ 2,547,992,700	100%

Of the \$2,547,992,700 total funds spent on Medicaid in FY 2016, 5% or \$125,835,600 went for State administration. The other 95% or \$2,422,157,100 paid for medical services. The federal government provided 69% or \$1,754,739,400 of the total funding (including federal offsets of \$98,425,900 from other revenue sources) with the remaining \$793,253,300 or 31% from matching funds.

Of the \$793,253,300 in matching funds, the State General Fund provided \$579,074,600 or 73%, the Education Fund another \$7,445,800 or 1%, and other entities provided the remaining \$206,732,900. Generally these entities are seeding money because those entities are receiving additional federal match. The table on the following page details the purposes and sources of the seed money, the matching provided other entities as well as the State’s General and Education Funds.

The \$579,074,600 General Fund spent on Medicaid represents 26% of all the \$2,256,537,000 General Fund spending statewide in FY 2016.

Offsets to Medicaid Expenditures

There are six general categories of offsets to Medicaid expenditures, which totaled \$297,798,200 in FY 2016. Most offsets result in the Medicaid program avoiding a payment, but in some cases the Medicaid program uses the money collected to offset the total expenditures. The list below includes a discussion on each offset:

MEDICAID SPENDING STATEWIDE

Matching Funds	Source	FY 2016	% State Funding	General Fund	Education Fund	% of All Matching
Health Department - Medicaid	State	\$ 426,247,800	100%	\$ 426,247,800	\$ -	54%
Human Services	State	\$ 98,994,400	99%	\$ 98,352,000	\$ -	12%
Hospital Assessment	companies	\$ 47,399,200	0%	\$ -	\$ -	6%
Capitated Mental Health	counties	\$ 40,761,700	76%	\$ 31,116,900	\$ -	5%
Pharmacy Rebates	companies	\$ 39,819,000	0%	\$ -	\$ -	5%
Nursing Home Assessment	companies	\$ 28,008,600	0%	\$ -	\$ -	4%
Inpatient Payment Seeds	U Hospital	\$ 18,981,500	0%	\$ -	\$ -	2%
Physician Enhancement	U Hospital	\$ 13,956,700	0%	\$ -	\$ -	2%
Workforce Services	State	\$ 13,486,400	93%	\$ 12,576,000	\$ -	2%
School Districts	schools	\$ 12,746,000	52%	\$ -	\$ 6,627,900	2%
Overpayment Collections	companies	\$ 9,004,200	0%	\$ -	\$ -	1%
Nursing Facility Upper Payment Limit	companies	\$ 8,483,700	0%	\$ -	\$ -	1%
Disproportionate Share Hospital	U Hospital, counties	\$ 8,641,000	0%	\$ -	\$ -	1%
Outpatient Hospital Upper Payment Limit	U Hospital	\$ 7,938,600	0%	\$ -	\$ -	1%
Substance Abuse	counties	\$ 4,272,200	83%	\$ 3,560,300	\$ -	1%
Family Health & Preparedness	State	\$ 3,358,500	100%	\$ 3,358,500	\$ -	0%
Ambulance Assessment	companies	\$ 2,781,700	0%	\$ -	\$ -	0%
Healthy U Health Plan	Healthy U	\$ 2,693,000	0%	\$ -	\$ -	0%
Office of the Inspector General	State	\$ 1,165,300	100%	\$ 1,165,300	\$ -	0%
Health & Dental Clinics	State	\$ 902,400	0%	\$ -	\$ -	0%
Utah Schools for the Deaf and Blind	State	\$ 817,900	100%	\$ -	\$ 817,900	0%
Local Health Departments	counties	\$ 745,100	100%	\$ 745,100	\$ -	0%
Corrections	State	\$ 477,600	100%	\$ 477,600	\$ -	0%
Medicaid Fraud Control Unit	State	\$ 426,800	100%	\$ 426,800	\$ -	0%
Attorney General	State	\$ 360,400	100%	\$ 360,400	\$ -	0%
Disease Control and Prevention	State	\$ 360,000	100%	\$ 360,000	\$ -	0%
Center for Health Data	State	\$ 222,200	100%	\$ 222,200	\$ -	0%
CHIP Allocation	State	\$ 105,700	100%	\$ 105,700	\$ -	0%
Health Information Technology	State	\$ 13,600	0%	\$ -	\$ -	0%
Other	misc.	\$ 82,100	0%	\$ -	\$ -	0%
Total		\$ 793,253,300		\$ 579,074,600	\$ 7,445,800	100%

- Third party liability** – Medicaid charged/collected \$126,994,500 from third parties (Medicare, private insurance, or parties causing medical injury to Medicaid clients). The Department of Health reports that 1% of Medicaid clients had another medical insurance.
- Pharmacy rebates** – the State collected \$134,161,100 in rebates from volume discounts which the program used to offset expenditures.
- Client contributions** – Medicaid clients contributed \$16,428,800 to participate in the Medicaid program. The list below includes a discussion of four categories in which client contributions take place:

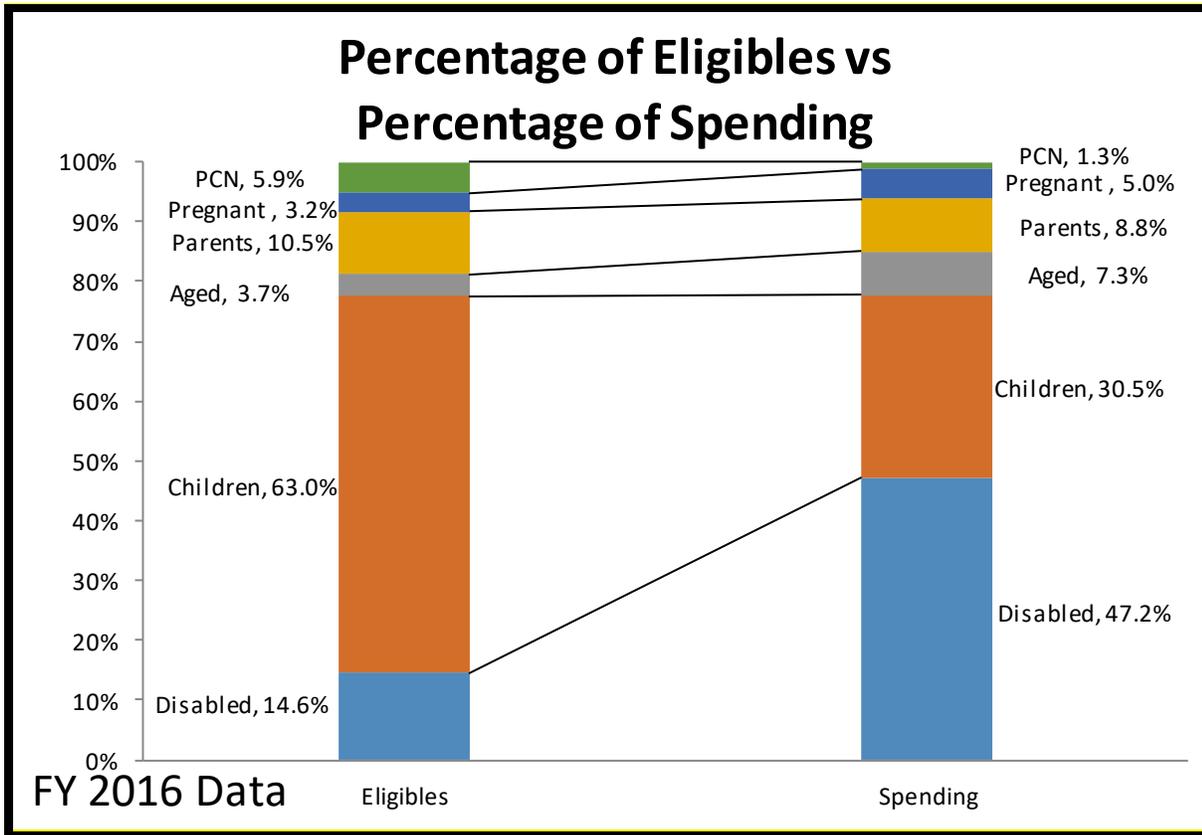
- a. Spenddown Income – clients spent down or paid \$9,403,000 of their income to participate in the Medicaid program. This spenddown allows the client to qualify for Medicaid by lowering their income via qualified medical expenses.
 - b. Probate – the State recovered \$4,600,700 from estates assigned to the State when an individual began receiving Medicaid benefits.
 - c. Co-payments – these are reduced from the reimbursement paid to providers and represented \$2,425,100 or 0.1% of all expenditures in FY 2016. Sixty-nine percent of the co-payments came from pharmacy co-payments.
4. **Office of Inspector General, Attorney General, and Department of Health Collections** – these three agencies recovered \$16,458,900 in overpayments to providers.
 5. **Recovery Audit Contractor** – this contractor received \$3,745,600 in overpayments to providers.
 6. **Support Payments** – the State received \$9,300 in court-ordered support payments for Medicaid clients.

What Roles Does Each State Agency Play in Medicaid?

1. **Department of Health** – as per federal regulation all Medicaid money flows through the Department of Health and flows out to others via memorandums of understanding/contracts. Primarily the Department oversees Medicaid expenditures and reimburses providers for medical services.
2. **Department of Human Services** – directly provides or contracts for Medicaid services to persons with disabilities, families in crisis, youth in the criminal justice system, and individuals who have mental health or substance abuse problems.
3. **Department of Workforce Services** – the Department determines the vast majority of eligibility for Medicaid clients.
4. **Office of Inspector General** – reviews accuracy of Medicaid billings.
5. **Attorney General’s Medicaid Fraud Control Unit** – this unit investigates and prosecutes provider fraud and abuse in Medicaid. Attorneys in the Department of Health provide additional legal support to Medicaid.

Below is a summary of eligibles vs expenditures in table and graphic form:

<u>Category</u>	<u>Eligibles</u>	<u>Spending</u>	<u>Spending/ Eligibles</u>	<u>Rank Most Expensive</u>
Disabled	14.6%	47.2%	3.2	1
Aged	3.7%	7.3%	2.0	2
Pregnant	3.2%	5.0%	1.6	3
Parents	10.5%	8.8%	0.8	4
Children	63.0%	30.5%	0.5	5
Primary Care Network (PCN)	5.1%	1.2%	0.2	6



If you take the percentage of total spending by each eligibility group divided by the percentage of total number of eligibles for each eligibility group, the following groups are the three most expensive: (1) disabled, (2) aged, and (3) pregnant.

County Seeded Funds

The table below compares the money seeded by county mental health provider compared to the State funds provided and 20% required county match.

Mental Health - County(s) or Contracted Providers - FY 2016								
Provider Group	Money Seeded for Services	Money for Admin Fee	% Admin Charged	Total Seeded	State Pass-thru Provided ¹	20% County Match	Total Match & Pass-thru	Seeding (Over)/Under Match
Salt Lake County	\$ 15,405,900	\$ 543,200	3.5%	\$ 15,949,100	\$ 13,222,800	\$ 2,644,600	\$ 15,867,400	\$ (81,700)
Wasatch (Utah & Wasatch)	\$ 6,286,500	\$ 242,000	3.8%	\$ 6,528,500	\$ 7,336,900	\$ 1,467,400	\$ 8,804,300	\$ 2,275,800
Weber County	\$ 3,353,300	\$ 129,100	3.8%	\$ 3,482,400	\$ 4,152,700	\$ 830,500	\$ 4,983,200	\$ 1,500,800
Davis County	\$ 2,974,700	\$ 116,300	3.9%	\$ 3,091,000	\$ 3,540,300	\$ 708,100	\$ 4,248,400	\$ 1,157,400
Bear River	\$ 2,078,600	\$ 85,800	4.1%	\$ 2,164,400	\$ 2,138,400	\$ 427,700	\$ 2,566,100	\$ 401,700
Southwest	\$ 1,836,800	\$ 84,200	4.6%	\$ 1,921,000	\$ 2,578,600	\$ 515,700	\$ 3,094,300	\$ 1,173,300
Northeastern/Uintah Basin	\$ 1,343,100	\$ 60,600	4.5%	\$ 1,403,700	\$ 861,900	\$ 172,400	\$ 1,034,300	\$ (369,400)
Central Utah	\$ 1,080,500	\$ 52,400	4.8%	\$ 1,132,900	\$ 1,268,900	\$ 253,800	\$ 1,522,700	\$ 389,800
Tooele County	\$ 957,400	\$ 52,200	5.5%	\$ 1,009,600	\$ 850,300	\$ 170,100	\$ 1,020,400	\$ 10,800
Four Corners	\$ 903,100	\$ 45,900	5.1%	\$ 949,000	\$ 760,800	\$ 152,200	\$ 913,000	\$ (36,000)
Summit County	\$ 177,000	\$ 18,300	10.3%	\$ 195,300	\$ 506,200	\$ 101,200	\$ 607,400	\$ 412,100
San Juan County	\$ 500	\$ 100	20.0%	\$ 600	\$ 335,600	\$ 67,100	\$ 402,700	\$ 402,100
FY 2016 Total	\$ 36,397,400	\$ 1,430,100	3.9%	\$ 37,827,500	\$ 37,553,400	\$ 7,510,800	\$ 45,064,200	\$ 7,236,700

(1) Explanation from the Department of Human Services: "Updated with FY 2016 allocations to Local Authorities which required a 20% county match. Additional funds available for Medicaid Match (but not necessarily used for that purpose) such as DORA, Children's Outplacement, and Amended Amounts were allocated to the Local Authorities. These additional funds are not included above since there was no county match requirement associated with them."

Other Medicaid Statistics

1. The four contracted accountable care organizations provided most of the services to 82% of Medicaid clients in FY 2016.
2. The number of claims below for each category total 36 and are annual averages per member month:
 - a. Pharmacy - 9
 - b. Physician - 7
 - c. Inpatient and outpatient hospital - 4
 - d. Other services - 16

Matching Funds, What Are the Non-state Sources?

The categories below explain all the matching fund categories sources in the table on page two that do not come from the General Fund and/or Education Fund:

1. Human Services – “Utah Transit Authority transfers seed money to Division of Services for People with Disabilities, which is used to draw Medicaid for transportation services.”
2. Hospital Assessment - Hospitals pay an assessment on all inpatient visits, which the Department of Health uses to pay higher Medicaid reimbursement rates to hospitals.
3. Capitated Mental Health – the money comes from the counties’ general fund. There is a minimum required match of 20% from the counties for State General Fund received.
4. Pharmacy Rebates – The Department of Health: “negotiates supplemental rebates with manufacturers for increased offsets. In addition, the state receives primary rebates which are negotiated by the federal government.”
5. Nursing Home Assessment – Nursing homes pay an assessment on all non-Medicare bed days, which the Department of Health uses to pay higher Medicaid reimbursement rates to nursing homes.
6. Inpatient Payment Seeds – this is the University of Utah Hospital’s contribution to participate in the Inpatient Upper Payment Limit supplemental payment program.
7. School Districts - local education agencies providing Medicaid services at school for Medicaid-eligible children.
8. Physician Enhancement - University of Utah Medical Group provides match money to receive reimbursement up to the average commercial rate for its physicians.
9. Workforce Services – “certain local governments, hospitals, and school districts provide match money to house an eligibility worker on site to assist clients.”
10. Overpayment Collections – companies that were overpaid by Medicaid.
11. Nursing Facility Upper Payment Limit – local government owned nursing homes provide seed money to increase their reimbursement rates.
12. Disproportionate Share Hospital – Government owned hospitals that serve a disproportionate share of Medicaid and uninsured patients provide seed money to receive a supplemental payment. The intent of the payment is to offset some of the hospitals’ uncompensated costs in serving these individuals.
13. Outpatient Hospital Upper Payment Limit – Health: “Government owned hospitals provide seed money to participate in the Outpatient Upper Payment Limit supplemental payment program.”

14. Substance Abuse - the money comes from the counties' general fund. There is a minimum required match of 20% from the counties for State General Fund received.
15. Ambulance Assessment - Ambulance service providers pay an assessment on all ground transports, which the department uses to pay higher Medicaid reimbursement rates to ground ambulance service providers.
16. Healthy U Health Plan – seed money for the administrative portion of the capitated rate paid to the Healthy U Health Plan.
17. Utah Schools for the Deaf and Blind (USDB) – Health: “USDB provides early intervention services for Medicaid eligible individuals.”
18. Health & Dental Clinics - Health: “The clinics charge fees to patients (and their insurance companies) who receive services.”
19. Health Information Technology (HIT) – Health: “The Division of Disease Control and Prevention ensures that providers meet the public health requirements to qualify for HIT incentives.”
20. Other - Health: “A conglomerate of other Medicaid services and administration provided by other state agencies.”

Sources

The financial information for this brief originates primarily from the Department of Health's annual report entitled “*Utah Annual Report of Medicaid & CHIP.*” This report is available online at https://medicaid.utah.gov/Documents/pdfs/annual%20reports/medicaid%20annual%20reports/MedicaidAnnualReport_2016.pdf.