



MEDICAID SPENDING STATEWIDE

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

This issue brief summarizes FY 2017 statewide spending on Medicaid of \$612,129,400 General Fund and \$7,300,500 Education Fund (\$2,662,786,600 total funds). Totals represent 25% of all General Fund spending statewide. Other entities provided \$217,732,100 or 26% of the matching funds used to draw down \$1,825,624,600 in federal funds in FY 2017. 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 \$2,662,786,600 total funds in FY 2017 on Medicaid. The table below details the FY 2017 statewide spending on Medicaid by each agency:

Medicaid Spending by State Entity in FY 2017		
Entity	Money Spent	% of Total
Department of Health	\$ 1,972,608,900	74%
University of Utah Hospitals & Clinics	\$ 318,831,600	12%
Department of Human Services	\$ 316,591,600	12%
Department of Workforce Services	\$ 50,140,200	2%
Office of the Inspector General	\$ 2,690,000	0.1%
Attorney General	\$ 1,924,300	0.1%
Total	\$ 2,662,786,600	100%

Of the \$2,662,786,600 total funds spent on Medicaid in FY 2017, 5% or \$125,129,800 went for State administration. The other 95% or \$2,537,711,400 paid for medical services. The federal government provided 69% or \$1,825,624,600 of the total funding (including federal offsets of \$89,346,100 from other revenue sources) with the remaining \$837,162,000 or 31% from matching funds.

Of the \$837,162,000 in matching funds, the State General Fund provided \$612,129,400 or 73%, the Education Fund another \$7,300,500 or 1%, and other entities provided the remaining \$217,732,100. 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 \$612,129,400 General Fund spent on Medicaid represents 25% of all the \$2,497,743,100 General Fund spending statewide in FY 2017.

Offsets to Medicaid Expenditures

There are seven general categories of offsets to Medicaid expenditures, which totaled \$290,628,000 in FY 2017. 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 beginning on the bottom of page two includes a discussion on each offset:

MEDICAID SPENDING STATEWIDE

Matching Funds	Source	FY 2017	% State Funding	General Fund	Education Fund	% of All Matching
Health Department - Medicaid	State	\$ 459,806,500	100%	\$ 459,806,500	\$ -	55%
Human Services	State	\$107,269,600	91%	\$ 97,368,800	\$ -	13%
Hospital Assessment	companies	\$ 45,266,600	0%	\$ -	\$ -	5%
Pharmacy Rebates	companies	\$ 38,028,700	0%	\$ -	\$ -	5%
Capitated Mental Health	counties	\$ 37,309,300	83%	\$ 30,791,200	\$ -	4%
Nursing Home Assessment	companies	\$ 27,702,100	0%	\$ -	\$ -	3%
Nursing Facility Upper Payment Limit	local gov.	\$ 24,769,800	0%	\$ -	\$ -	3%
Inpatient Payment Seeds	U Hospital	\$ 19,735,000	0%	\$ -	\$ -	2%
Physician Enhancement	U Hospital	\$ 13,790,900	0%	\$ -	\$ -	2%
Workforce Services	State	\$ 13,309,300	93%	\$ 12,410,300	\$ -	2%
School Districts	schools	\$ 13,171,900	52%	\$ -	\$ 6,849,400	2%
Outpatient Hospital Upper Payment Limit	U Hospital	\$ 8,905,900	0%	\$ -	\$ -	1%
Disproportionate Share Hospital	U Hospital, counties	\$ 8,183,300	0%	\$ -	\$ -	1%
Family Health & Preparedness	State	\$ 3,689,300	100%	\$ 3,689,300	\$ -	0%
Substance Abuse	counties	\$ 3,141,900	83%	\$ 2,618,300	\$ -	0%
Ambulance Assessment	companies	\$ 3,131,700	0%	\$ -	\$ -	0%
Healthy U Health Plan	Healthy U	\$ 1,878,000	0%	\$ -	\$ -	0%
Office of the Inspector General	State	\$ 1,149,900	100%	\$ 1,149,900	\$ -	0%
Health & Dental Clinics	State	\$ 2,061,400	0%	\$ -	\$ -	0%
Local Health Departments	counties	\$ 750,400	100%	\$ 750,400	\$ -	0%
Corrections	State	\$ 467,400	100%	\$ 467,400	\$ -	0%
Utah Schools for the Deaf and Blind	State	\$ 451,100	100%	\$ -	\$ 451,100	0%
Disease Control and Prevention	State	\$ 443,200	100%	\$ 443,200	\$ -	0%
Medicaid Fraud Control Unit	State	\$ 491,000	100%	\$ 491,000	\$ -	0%
Center for Health Data	State	\$ 230,500	100%	\$ 230,500	\$ -	0%
CHIP Allocation	State	\$1,823,300	100%	\$ 1,823,300	\$ -	0%
Attorney General	State	\$ 89,300	100%	\$ 89,300	\$ -	0%
Nurse Aid Registry	DATC	\$ 57,100	0%	\$ -	\$ -	0%
Health Information Technology	State	\$ 35,200	0%	\$ -	\$ -	0%
Other	misc.	\$ 22,400	0%	\$ -	\$ -	0%
Total		\$ 837,162,000		\$ 612,129,400	\$ 7,300,500	100%

1. **Third party liability** – Medicaid charged/collected \$143,085,400 from third parties (Medicare, private insurance, or parties causing medical injury to Medicaid clients). The Department of Health reports that 10% of Medicaid clients had another medical insurance.
2. **Pharmacy rebates** – the State collected \$126,678,000 in rebates from volume discounts which the program used to offset expenditures.
3. **Client contributions** – Medicaid clients contributed \$16,515,100 to participate in the Medicaid program. The list below includes a discussion of four categories in which client contributions take place:

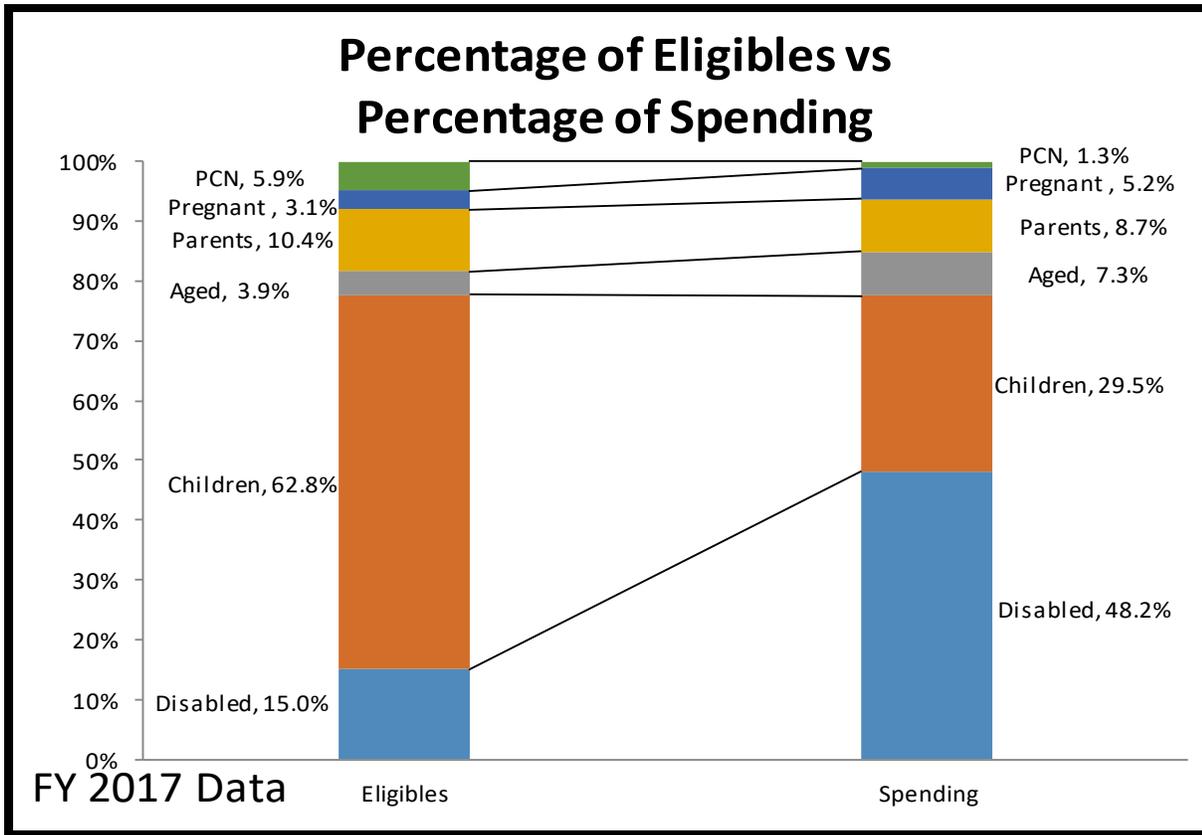
- a. Spenddown Income – clients spent down or paid \$9,355,300 of their income to participate in the Medicaid program. This spenddown allows the client to qualify for Medicaid by lowering their income via qualified medical expenses.
 - b. Probate – the State recovered \$4,805,900 from estates assigned to the State when an individual began receiving Medicaid benefits.
 - c. Co-payments – these are reduced from the reimbursement paid to providers and represented \$2,353,900 or 0.1% of all expenditures in FY 2017. Seventy 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 \$3,752,900 in overpayments to providers.
 5. **Recovery Audit Contractor** – this contractor received \$398,800 in overpayments to providers.
 6. **Support Payments** – the State received \$197,800 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	15.0%	48.2%	3.2	1
Aged	3.9%	7.3%	1.9	2
Pregnant	3.1%	5.2%	1.7	3
Parents	10.4%	8.7%	0.8	4
Children	62.8%	29.5%	0.5	5
Primary Care Network (PCN)	4.9%	1.1%	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.

Mental Health - County(s) or Contracted Providers - FY 2017								
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	\$ 14,651,300	578,700	3.9%	\$ 15,230,000	\$ 13,322,000	\$ 2,664,400	\$ 15,986,400	\$ 756,400
Wasatch (Utah & Wasatch)	\$ 6,508,900	244,200	3.8%	\$ 6,753,100	\$ 6,791,000	\$ 1,358,200	\$ 8,149,200	\$ 1,396,100
Weber County	\$ 3,222,300	136,500	4.2%	\$ 3,358,800	\$ 2,920,200	\$ 584,000	\$ 3,504,200	\$ 145,400
Davis County	\$ 3,099,100	122,300	3.9%	\$ 3,221,400	\$ 3,507,200	\$ 701,400	\$ 4,208,600	\$ 987,200
Bear River	\$ 2,011,000	87,700	4.4%	\$ 2,098,700	\$ 2,088,700	\$ 417,700	\$ 2,506,400	\$ 407,700
Southwest	\$ 2,060,200	101,300	4.9%	\$ 2,161,500	\$ 2,609,000	\$ 521,800	\$ 3,130,800	\$ 969,300
Northeastern/Uintah Basin	\$ 1,357,400	61,000	4.5%	\$ 1,418,400	\$ 907,200	\$ 181,400	\$ 1,088,600	\$ (329,800)
Central Utah	\$ 932,800	48,900	5.2%	\$ 981,700	\$ 1,364,900	\$ 273,000	\$ 1,637,900	\$ 656,200
Tooele County	\$ 966,800	52,100	5.4%	\$ 1,018,900	\$ 823,900	\$ 164,800	\$ 988,700	\$ (30,200)
Four Corners	\$ 841,700	46,000	5.5%	\$ 887,700	\$ 771,800	\$ 154,400	\$ 926,200	\$ 38,500
Summit County	\$ 163,300	15,700	9.6%	\$ 179,000	\$ 495,900	\$ 99,200	\$ 595,100	\$ 416,100
San Juan County	\$ -	0	0.0%	\$ -	\$ 321,600	\$ 64,300	\$ 385,900	\$ 385,900
FY 2017 Total	\$ 35,814,800	\$ 1,494,400	4.2%	\$ 37,309,200	\$ 35,923,400	\$ 7,184,600	\$ 43,108,000	\$ 5,798,800

(1) Explanation from the Department of Human Services: "Updated with FY 2017 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."

County Seeded Funds

The table above compares the money seeded by county mental health provider compared to the State funds provided that can be used for Medicaid and 20% required county match.

Other Medicaid Statistics

1. The four contracted accountable care organizations provided most of the services to 83% of Medicaid clients in FY 2017.
2. The number of claims below for each category total 33 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. 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.”
4. 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.
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. Nursing Facility Upper Payment Limit – local government owned nursing homes provide seed money to increase their reimbursement rates.
7. Inpatient Payment Seeds – this is the University of Utah Hospital’s contribution to participate in the Inpatient Upper Payment Limit supplemental payment program.
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. School Districts - local education agencies providing Medicaid services at school for Medicaid-eligible children.
11. Outpatient Hospital Upper Payment Limit – Health: “Government owned hospitals provide seed money to participate in the Outpatient Upper Payment Limit supplemental payment program.”
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. 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.

14. 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.
15. Healthy U Health Plan – seed money for the administrative portion of the capitated rate paid to the Healthy U Health Plan.
16. Health & Dental Clinics - Health: “The clinics charge fees to patients (and their insurance companies) who receive services.”
17. Utah Schools for the Deaf and Blind (USDB) – Health: “USDB provides early intervention services for Medicaid eligible individuals.”
18. Nurse Aid Registry – Health: “The Davis Applied Technology College provides training and competency evaluation programs to individuals who provide nursing or nursing-related services to residents in a nursing facility in accordance with the requirements of Titles 18 and 19 of the Social Security Act.”
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.”

For more information about seed money from intergovernmental transfers, please see the annual report from the Department of Health available at

<https://medicaid.utah.gov/Documents/pdfs/legislative%20reports/eac/IntergovTransfers.pdf>.

What Calculations Differ From Last Year?

1. In FY 2015 the “Overpayment Collections” category in the “Matching Funds” table showed the collections as General Fund and in FY 2016 it did not. Even though on the table the percentage from the General Fund is listed as 0% because these collections go into the General Fund, they are still listed in the General Fund column. This brief lists excludes these collections.
2. FY 2017 is the first year that the county seeded funds for mental health and substance abuse only represent those state funds that can be used as match federal funds for Medicaid. This resulted in a decrease in the amount of state pass through for mental health of (\$1.6) million and an increase of \$6.0 million for substance abuse.
 - a. The Department of Human Services explains the changes to the State pass-through totals with:
 - i. Mental health - “The decrease can be explained by various accounting changes in the DSAMH system. Previously all state pass-through (even pass-through for specialty programs) was being reported. The change from SFY16 to SFY17 is due to pulling out of this specialty funding from the allocation. Some examples of the specialty funding are Autism Preschools Funded to Local Authorities and one-time Weber Human Services Integrated Clinic funding.”
 - ii. Substance abuse – “State pass-through allocations for JRI increased in SFY17 by \$5,000,000 with a resulting County match of \$1,000,000 accounting for the change in total match and pass-through provided from SFY16 to SFY17.”

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 2017.pdf](https://medicaid.utah.gov/Documents/pdfs/annual%20reports/medicaid%20annual%20reports/MedicaidAnnualReport%202017.pdf).

For information on the current and historical levels of Medicaid collections, please visit the “Medicaid Collections” measure at <https://le.utah.gov/lfa/fiscalhealth/#revenuesTab>.