



**Utah Coalition**  
*of Medicaid Plans*

---

# MEDICAID ACO FUNDING

*Michael Hales*

*Senior Director, Government Healthcare Programs*

*University of Utah Health*

*February 7, 2019*

## Utah Medicaid ACO Funding History

Comparison to State General Fund, CPI-Medical and Milliman Medical Index Growth Rates  
(as of December 2018)

	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020
ACO Appropriation Increase	2.0%	2.0%	2.0%	2.0%	3.5%	2.0%	4.0%
General Fund Growth Rate*	3.6%	3.5%	2.7%	3.8%	4.3%	3.9%	4.8%
Cumulative Deficit from GF Growth	(1.9%)	(3.4%)	(4.1%)	(5.9%)	(6.7%)	(8.6%)	(9.4%)
CPI - Medical**	2.6%	2.5%	3.5%	2.7%	2.5%	2.5%	
Cumulative Deficit from CPI	(0.6%)	(1.1%)	(2.6%)	(3.3%)	(2.3%)	(2.8%)	
Milliman Medical Index (MMI)***	5.4%	6.3%	4.7%	4.3%	4.5%	4.5%	
Cumulative Deficit from MMI	(3.4%)	(7.7%)	(10.4%)	(12.7%)	(13.7%)	(16.2%)	
Savings Put in Stabilization Account	\$17.1 Million	****	\$8.8 Million	\$18.5 Million	\$30.4 Million		
Account Balance	\$17.1 Million	\$17.1 Million	\$25.9 Million	\$44.4 Million	<b>\$74.8 Million</b>		

### Notes:

\*Figures are Feb revenue estimates reported in EAC for next fiscal year, except for SFY 2020 figures which are Dec 2018 revenue estimates.

\*\*Bureau of Labor Statistics (BLS) figures. CPI-Medical looks only at consumer's cost increases, not a health plan's increases. SFY 2019 uses 2018 as a proxy.

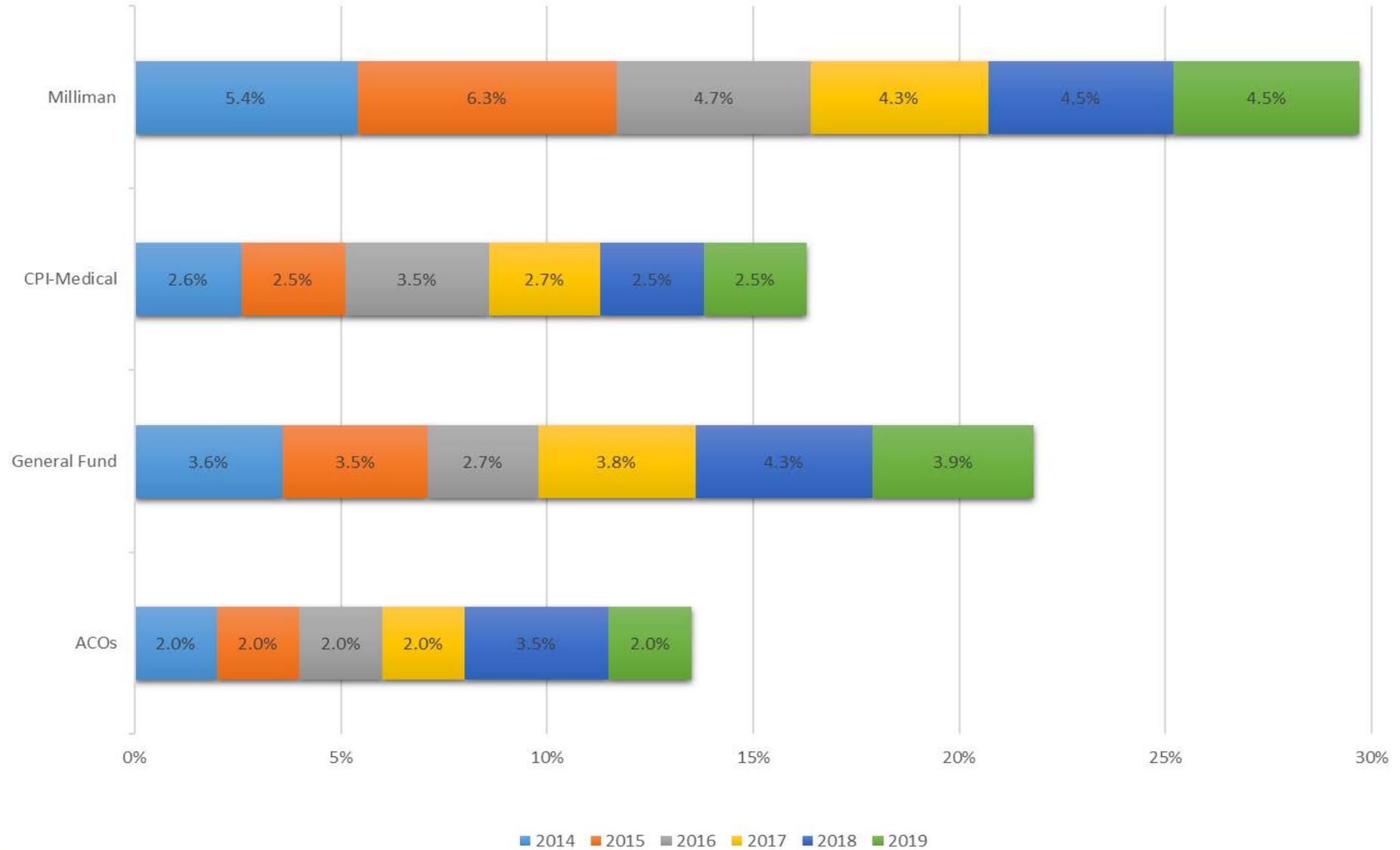
\*\*\*The Milliman Medical Index takes into account both health plan and employee cost increases. SFY 2019 uses the 2018 amount as a conservative proxy.

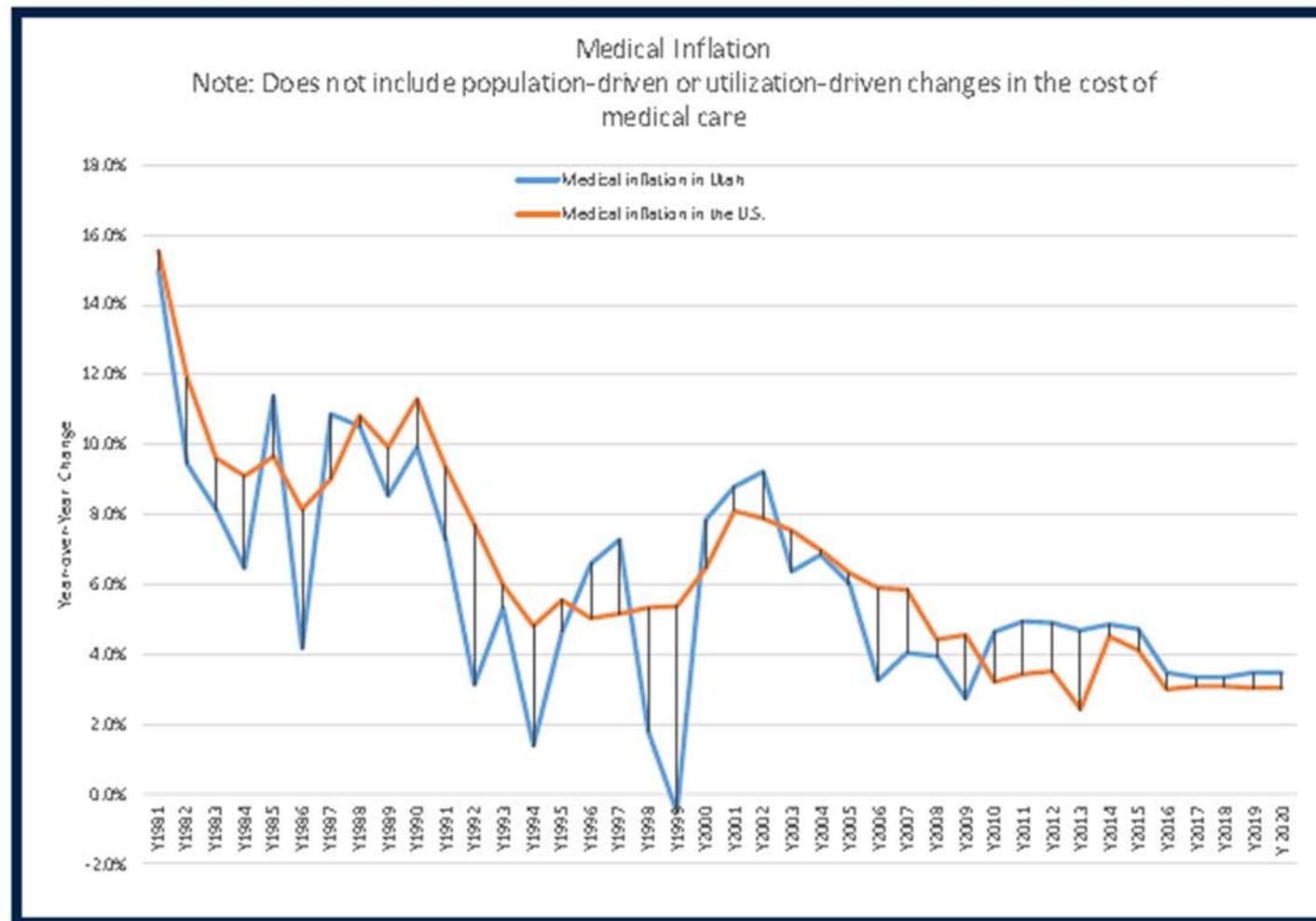
\*\*\*\*Current statute allows for ACO-generated savings to be placed in the Medicaid Growth Reduction and Budget Stabilization Account if savings occur and the State of Utah has a budget surplus at the end of the fiscal year. The State of Utah closed SFY 2015 with a budget deficit, which prevented ACO savings from being placed in the Stabilization Account. DOH reports another \$17 Million would have been deposited.

-CMS issued its most recent National Healthcare Expenditures report forecasting a 5.5% **annual increase in per capita health care costs over the next ten years.**



# ACO Growth vs. GF and Medical Inflation





**What is Projected Medical Inflation for Utah?**

The fiscal analyst projects medical inflation for Utah at 3.4% in FY 2019 and 3.5% in FY 2020. Medical inflation is defined as the change in the price per unit. The Centers for Disease Control provided medical expenditures by state from 1980 through 2009. By combining that information with National Health



## GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

### A Preliminary Evaluation of Cost Outcomes Related to Medicaid Accountable Care Organizations in Utah (2015)

#### Findings

Regression results by eligibility category were evaluated with respect to adjusted r-squared, f-statistics and p-values. ACO cost savings estimates were deemed sufficiently robust for the aid categories of *Adult*, *Disabled*, *Children* and *Pregnant*. ACO-generated savings by calendar year are estimated as follows:

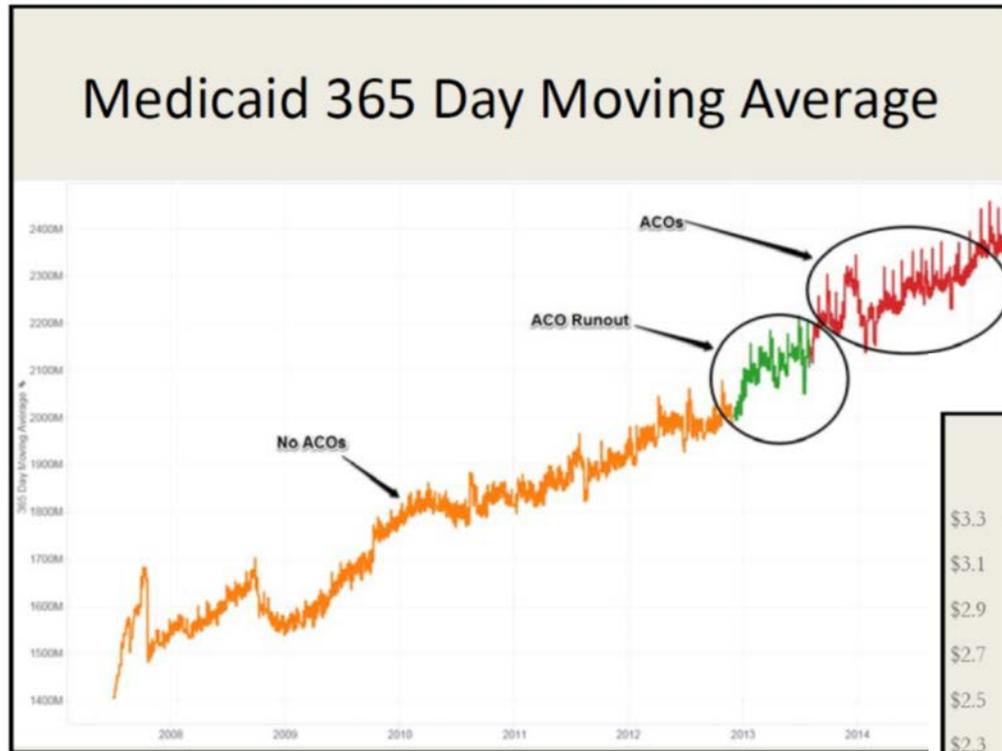
Annualized Estimated ACO-Related Fiscal Impacts, Total Funds			
Aid Category	CY 2013	CY 2014	Annual Average
Adult	\$6,360,000	\$1,980,000	\$4,170,000
Disabled	-\$47,640,000	-\$29,400,000	-\$38,520,000
Children	\$15,960,000	\$13,800,000	\$14,880,000
Pregnant	<u>\$4,680,000</u>	<u>-\$1,320,000</u>	<u>\$1,680,000</u>
<b>Totals</b>	<b>-\$20,640,000</b>	<b>-\$14,940,000</b>	<b>-\$17,790,000</b>

An updated study design to include CY 2015 estimates ~\$45 million in total savings, \$15 million on average

As seen in the table above, the aid categories of *Adult*, *Children* and *Pregnant* are on ACO-cost saving trends, while the aid category of *Disabled* has generated nearly all of the ACO-related savings thus far, but is on a savings-declining trend.



# LFA Study Presented to Executive Appropriations in May 2015



## Variables Predicting Medicaid Costs

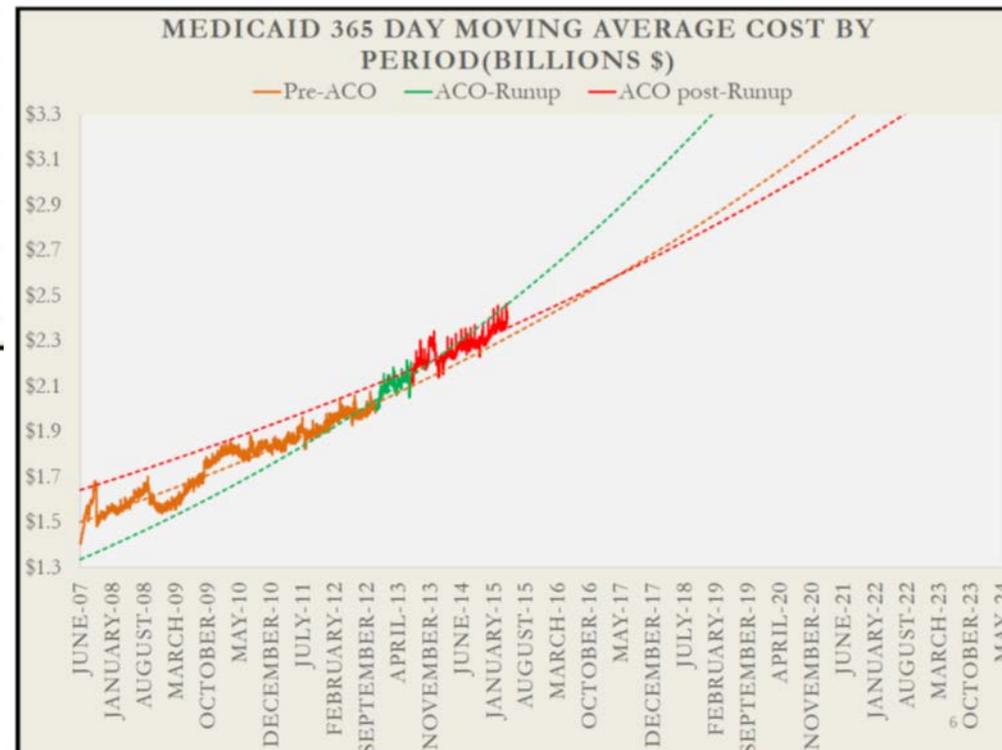
Dynamic regression  
Regression(15 regressors, 0 lagged errors)

Model for Year-over-Year Growth in 6M MA Medicaid Expenditures

Term	Coefficient	Std. Error	t-Statistic	Percentile
ACO	-4.166	2.49	-1.673	0.9004
ACO Runout	0.000	0.000	0.8652	0.6096
Births	-0.005145	0.002559	-2.011	0.9511
DWSSStructuralShift	-7.008	3.993	-1.755	0.9156
Divorces	0.000958	0.003125	0.3065	0.2397
Flu	0.000005	0.000007	0.8264	0.5882
Federal Reform Mandates	-20.85	3.384	-6.16	1
			0.3344	0.2608
			-0.8244	0.587
			-3.634	0.9994
			1.012	0.6844
			4.424	1
			6.128	1
			-4.101	0.9999
			-1.337	0.8138

15	
7.52	
2.23	
226.3	11



# Governor's Budget Recommendation for Medicaid ACOs for FY 2020

## Budget Recommendations for Select Social Service Items

- \$18 million one-time savings in FY 2019 for Medicaid consensus items, primarily due to lower than expected caseload.
- \$21.9 million in ongoing funding for Medicaid consensus items in FY 2020 (with a \$2.2 million one-time offset) and an additional \$2.5 million for a 4.0 percent reimbursement rate increase for ACOs conditioned upon ACO participation in performance improvement pilot programs in FY 2020. Medicaid inflation in Utah is estimated to be 3.5 percent in FY 2020. In FY 2017, statewide Medicaid spending was \$612 million in General Fund, representing over 26 percent of non-earmarked General Fund revenue. Two decades ago, Medicaid spending accounted for about half of its current share of General Fund spending at 13 percent. The legislation establishing ACOs as risk-sharing managed health plans sought to mitigate this trend by aligning incentives for value-based care delivery. By combining these incentive mechanisms with operational improvement strategies to ensure Medicaid enrollees receive the right services, at the right location, and at the right time, opportunities for better health outcomes for patients and better fiscal outcomes for both the ACOs and the state will be realized. As a central budget driver and one of the largest sources of state expenditures, budget analysts and program experts from GOMB, the Legislative Fiscal Analyst's Office, and the Department of Health collaborate

- \$28.4 million in funding to transition 250 intermediate care facility residents into community-based settings, add nursing service benefits to existing community support waiver beneficiaries, offer state plan services for 2,000 children and adults under a new limited supports waiver, bring 146 people off of the Services for People with Disabilities waiting list, and to increase transportation and employment opportunities for people with disabilities.
- \$3.8 million ongoing to support youth in state custody who are transitioning to Division of Services for People with Disabilities (DSPD) benefits and additional needs for current DSPD service recipients.
- \$1.5 million to pilot co-located substance abuse and mental health services with physical health services.
- \$5 million in one-time funding to support the development of an electronic verification system and operational implementation of the Utah Medical Cannabis Act; these funds will be repaid once license fees are collected.
- \$88.8 million from the new sales tax earmark to cover estimated expenditures under Proposition 3.
- \$1.6 million ongoing to support sober living and dignity of work programs as part of the continuation of Operation Rio Grande.
- \$1.3 million in ongoing funding to support various social service items such as local health department minimum performance standards, sexual assault testing in the state public health laboratory, health care workforce financial assistance programs, and the children's hearing aid program, among other items.