



MEDICAID SPENDING STATEWIDE FY 2018

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

This issue brief summarizes FY 2018 statewide spending on Medicaid of \$636,384,600 General Fund and \$6,461,200 Education Fund (\$2,792,008,300 total funds). Totals represent 26% of all General Fund spending statewide. Other entities provided \$231,778,400 or 27% of the matching funds used to draw down \$1,917,384,100 in federal funds in FY 2018. 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) together with the University of Utah Hospitals and Clinics spent \$2,792,008,300 total funds in FY 2018 on Medicaid. The table below details the FY 2018 statewide spending on Medicaid by each agency:

Medicaid Spending by State Entity in FY 2018		
<u>Entity</u>	<u>Money Spent</u>	<u>% of Total</u>
Department of Health	\$2,025,008,900	73%
University of Utah Hospitals & Clinics	\$361,044,500	13%
Department of Human Services	\$350,608,300	13%
Department of Workforce Services	\$50,448,700	2%
Office of the Inspector General	\$3,038,800	0.1%
Attorney General	\$1,859,100	0.1%
Total	\$ 2,792,008,300	100%

Of the \$2,792,008,300 total funds spent on Medicaid in FY 2018, 5% or \$126,480,100 went for State administration. The other 95% or \$2,665,528,200 paid for medical services. The federal government provided 69% or \$1,917,384,100 of the total funding (including federal offsets of \$96,949,400 from other revenue sources) with the remaining \$874,624,200 or 31% from matching funds.

Of the \$874,624,200 in matching funds, the State General Fund provided \$636,384,600 or 73%, the Education Fund another \$6,461,200 or 1%, and other entities provided the remaining \$231,778,400. 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 \$636,384,600 General Fund spent on Medicaid represents 26% of all the \$2,446,242,800 General Fund spending statewide in FY 2018.

Offsets to Medicaid Expenditures

There are six general categories of offsets to Medicaid expenditures, which totaled \$327,228,400 in FY 2018. 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 page three includes a discussion on each offset.

MEDICAID SPENDING STATEWIDE FY 2018

Matching Funds	Source	FY 2018	% State Funding	General Fund	Education Fund
Health Department - Medicaid	State	\$454,312,500	100%	\$ 454,312,500	\$ -
Human Services	State	\$115,910,500	99%	\$ 115,139,000	\$ -
Hospital Assessment	companies	\$45,787,200	0%	\$ -	\$ -
Capitated Mental Health	counties	\$41,846,700	82%	\$ 34,426,300	\$ -
Pharmacy Rebates	companies	\$41,147,200	0%	\$ -	\$ -
Nursing Home Assessment	companies	\$31,855,200	0%	\$ -	\$ -
Nursing Facility Upper Payment Limit	local gov.	\$22,949,700	0%	\$ -	\$ -
Inpatient Payment Seeds	U Hospital	\$22,724,700	0%	\$ -	\$ -
Physician Enhancement	U Hospital	\$14,959,000	0%	\$ -	\$ -
Workforce Services	State	\$13,230,600	93%	\$ 12,353,900	\$ -
Medicaid Expansion Fund	State	\$11,594,400	70%	\$ 8,113,000	\$ -
School Districts	schools	\$11,585,400	52%	\$ -	\$ 6,024,400
Tobacco Settlement Account	State	\$10,452,900	0%	\$ -	\$ -
Outpatient Hospital Upper Payment Limit	U Hospital	\$7,828,300	0%	\$ -	\$ -
Disproportionate Share Hospital	U Hospital, counties	\$7,475,000	0%	\$ -	\$ -
Substance Abuse	counties	\$4,119,800	23%	\$ 963,100	\$ -
Family Health & Preparedness	State	\$3,808,800	100%	\$ 3,808,800	\$ -
Ambulance Assessment	companies	\$3,217,400	0%	\$ -	\$ -
CHIP Allocation	State	\$1,812,500	100%	\$ 1,812,500	\$ -
Medicaid Collections	State	\$1,734,200	100%	\$ 1,734,200	\$ -
Health & Dental Clinics	State	\$1,773,300	0%	\$ -	\$ -
Office of the Inspector General	State	\$1,343,000	100%	\$ 1,343,000	\$ -
Local Health Departments	counties	\$856,400	100%	\$ 856,400	\$ -
Medicaid Fraud Control Unit	State	\$423,800	100%	\$ 423,800	\$ -
Disease Control and Prevention	State	\$387,200	100%	\$ 387,200	\$ -
Corrections	State	\$368,200	100%	\$ 368,200	\$ -
Utah Schools for the Deaf and Blind	State	\$325,500	100%	\$ -	\$ 325,500
Center for Health Data	State	\$237,800	100%	\$ 237,800	\$ -
University of Utah School of Dentistry	State	\$199,800	41%	\$ 14,000	\$ 67,900
University of Utah HITEC	State	\$127,700	41%	\$ 8,900	\$ 43,400
Nurse Aid Registry	DATC	\$96,400	0%	\$ -	\$ -
Attorney General	State	\$82,000	100%	\$ 82,000	\$ -
Health Information Technology	State	\$40,200	0%	\$ -	\$ -
Other	misc.	\$10,900	0%	\$ -	\$ -
Total		\$ 874,624,200	73%	\$ 636,384,600	\$ 6,461,200

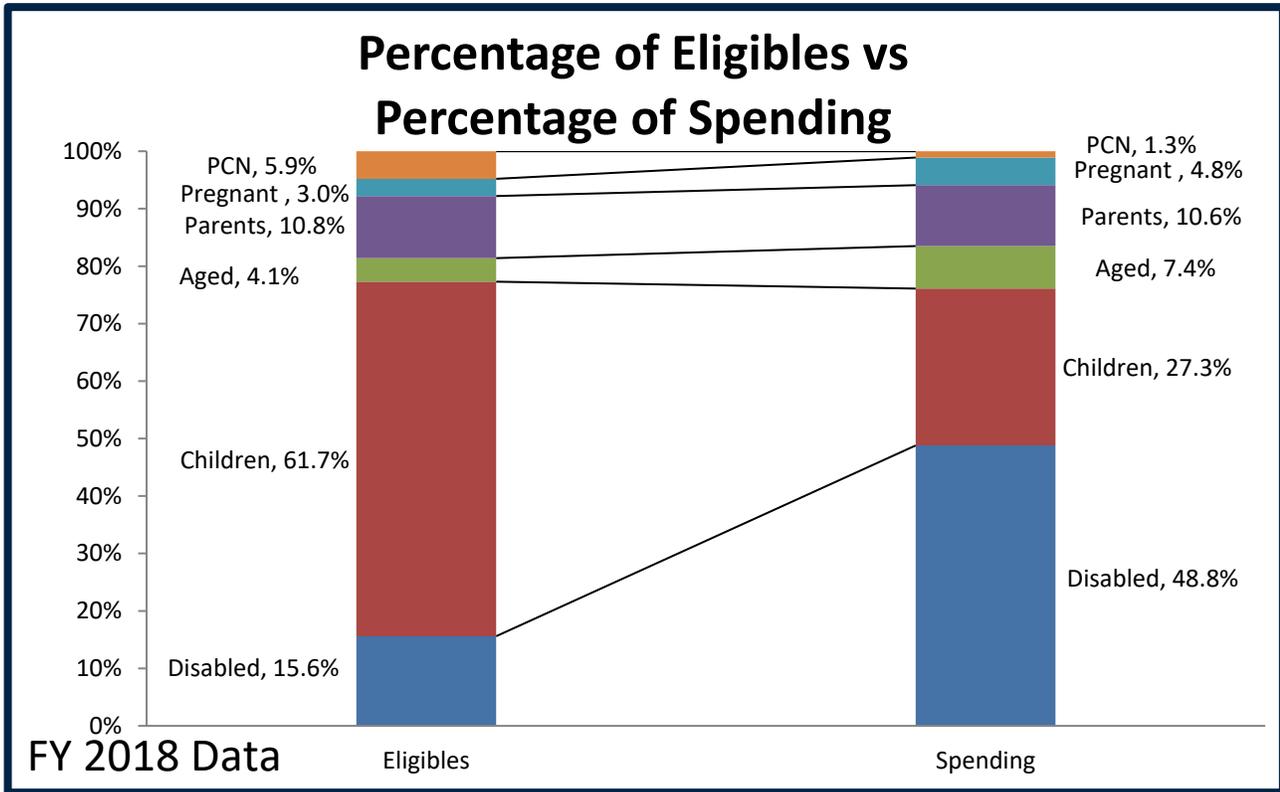
1. **Third party liability** – Medicaid charged/collected \$159,558,400 from third parties (Medicare, private insurance, or parties causing medical injury to Medicaid clients). The Department of Health reports that 10% of Medicaid clients had another medical insurance.
2. **Pharmacy rebates** – the State collected \$137,939,100 in rebates from volume discounts which the program used to offset expenditures.
3. **Client contributions** – Medicaid clients contributed \$17,329,600 to participate in the Medicaid program. The list below includes a discussion of three categories in which client contributions take place:
 - a. Spenddown Income – clients spent down or paid \$10,007,800 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 \$4,640,800 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 \$2,681,000 or 0.1% of all expenditures in FY 2018. Seventy-five 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 \$11,379,000 in overpayments to providers.
5. **Recovery Audit Contractor** – this contractor received \$200,600 in overpayments to providers.
6. **Support Payments** – the State received \$821,700 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.

The following page has 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	15.6%	48.8%	3.1	1
Aged	4.1%	7.4%	1.8	2
Pregnant	3.0%	4.8%	1.6	3
Parents	10.8%	10.6%	1.0	4
Children	61.7%	27.3%	0.4	5
Primary Care Network (PCN)	4.8%	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 2018								
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
Bear River	\$ 2,662,300	\$ 105,000	3.9%	\$ 2,767,300	\$ 2,176,000	\$ 435,200	\$ 2,611,200	\$ (156,100)
Central Utah	\$ 1,092,600	\$ 51,700	4.7%	\$ 1,144,300	\$ 1,040,700	\$ 208,100	\$ 1,248,800	\$ 104,500
Davis County	\$ 3,443,300	\$ 131,300	3.8%	\$ 3,574,600	\$ 3,854,600	\$ 770,900	\$ 4,625,500	\$ 1,050,900
Four Corners	\$ 969,100	\$ 47,700	4.9%	\$ 1,016,800	\$ 829,200	\$ 165,800	\$ 995,000	\$ (21,800)
Northeastern/Uintah Basin & San Juan County	\$ 1,290,300	\$ 58,800	4.6%	\$ 1,349,100	\$ 1,278,400	\$ 255,700	\$ 1,534,100	\$ 185,000
Salt Lake County	\$ 15,555,400	\$ 553,100	3.6%	\$ 16,108,300	\$ 13,733,700	\$ 2,746,700	\$ 16,480,400	\$ 372,100
Southwest	\$ 3,169,400	\$ 121,900	3.8%	\$ 3,291,300	\$ 2,704,300	\$ 540,900	\$ 3,245,200	\$ (46,100)
Summit County	\$ 172,500	\$ 13,600	7.9%	\$ 186,100	\$ 513,600	\$ 102,700	\$ 616,300	\$ 430,200
Tooele County	\$ 1,064,100	\$ 51,900	4.9%	\$ 1,116,000	\$ 947,800	\$ 189,600	\$ 1,137,400	\$ 21,400
Wasatch (Utah & Wasatch)	\$ 6,919,000	\$ 258,700	3.7%	\$ 7,177,700	\$ 7,629,200	\$ 1,525,800	\$ 9,155,000	\$ 1,977,300
Weber County	\$ 3,966,900	\$ 148,300	3.7%	\$ 4,115,200	\$ 3,170,000	\$ 634,000	\$ 3,804,000	\$ (311,200)
FY 2018 Total	\$ 40,304,900	\$ 1,542,000	3.8%	\$ 41,846,700	\$ 37,877,500	\$ 7,575,400	\$ 45,452,900	\$ 3,606,200

(1) Explanation from the Department of Human Services: "Updated with FY 2018 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. The Department of Human Services explains why some counties did not use all the pass through possible for Medicaid seed money with stating that counties have responsibilities beyond what is covered by Medicaid as per UCA 17-43-301(6)(b) as well as UCA 17-43-201 and the amount provided by the State is for safety net services.

Other Medicaid Statistics

1. The four contracted accountable care organizations provided most of the services to 77% of Medicaid clients in FY 2018.
2. The percentages below for each category represent the utilization by expenditure amount among the Fee for Service population:
 - a. Pharmacy - 18%
 - b. Physician - 10%
 - c. Inpatient and outpatient hospital - 41%
 - d. Other services - 31%

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. 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. Medicaid Expansion Fund – hospitals pay an assessment to pay some of the costs of Medicaid expansion.
11. School Districts - local education agencies providing Medicaid services at school for Medicaid-eligible children.
12. Tobacco Settlement Account – funds in the account come from annual payments that began in FY 2002 stemming from a master settlement agreement with tobacco companies.
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. 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.
15. 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.
16. 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.
17. Health & Dental Clinics - Health: “The clinics charge fees to patients (and their insurance companies) who receive services.”
18. Utah Schools for the Deaf and Blind (USDB) – Health: “USDB provides early intervention services for Medicaid eligible individuals.”
19. University of Utah School of Dentistry – the School of Dentistry provides match funds which is used to draw down federal funds to serve clients not previously eligible for dental services.
20. University of Utah HITECH - The University of Utah – Department of Pediatrics provides match funds which are used to draw down federal funds for the Health Information Technology for Economic and Clinical Health (HITECH) Pediatric Patient Summary project. This project is intended to expand the utility and value of Utah’s Clinical Health Information Exchange (CHIE) for behavioral health providers and other nontraditional users of CHIE who care for children and youth with chronic and complex conditions, and coordinate care among providers in various specialties.

21. 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.”
22. 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.”
23. 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/IntergovTransfers2018.pdf>.

Sources

The financial information for this brief originates primarily from the Department of Health’s annual report entitled “*Utah Annual Report of Medicaid & CHIP.*”