

Office of the
Legislative Fiscal Analyst

FY 2001 Budget Recommendations

Joint Appropriations Subcommittee for
Health and Human Services

Utah Department of Health
Division of Health Care Financing

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1.0 Department of Health-Health Care Financing

Summary

The Division of Health Care Financing is the administrative agency for Utah's Medical Assistance Programs. The Division administers state and federal funds, and contracts with providers. It also gathers and analyzes data, and pays for the provided services. There are seven bureaus and approximately 421 employees, following the transfer of more than 100 FTE eligibility workers from the Department of Human Services over the past few years.

Federal regulations provide for a wide variety of funding ratios ranging from 50 to 90 percent for different classes of positions and functions for this division. Overall, federal funding makes up approximately 55 percent of the division's budget.

Federal law requires that the Medical Care Advisory Committee (MCAC) serve as an advisory board to the Division. This committee consists of providers, Medicaid recipients, and members of the community. The committee advises the Division on program content, policy, and priorities. The Board is advisory and its decisions are not binding on the Division.

	Analyst FY 2001 Base	Analyst FY 2001 Changes	Analyst FY 2001 Total
Financing			
General Fund	\$9,774,700	(\$35,000)	\$9,739,700
Federal Funds	34,536,100	(35,000)	34,501,100
Dedicated Credits Revenue	1,597,400		1,597,400
GFR - Nursing Facility Account	31,900		31,900
Transfers	11,101,800		11,101,800
Total	<u>\$57,041,900</u>	<u>(\$70,000)</u>	<u>\$56,971,900</u>
Programs			
H.C.F. Director's Office	\$3,820,800		\$3,820,800
Financial Services	10,794,100		10,794,100
Managed Health Care	2,219,200		2,219,200
Medicaid Operations	2,759,600		2,759,600
Eligibility Services	10,182,400		10,182,400
<i>Transfer of 2 FTE Positions</i>		(70,000)	(70,000)
Coverage and Reimbursement	2,982,100		2,982,100
Contracts	23,544,600		23,544,600
Utah Medical Assistance	739,100		739,100
Total	<u>\$57,041,900</u>	<u>(\$70,000)</u>	<u>\$56,971,900</u>
FTE	423.7	(2.0)	421.7

2.0 Issues: Division of Health Care Financing

2.1 Emergency Medical Treatment Spending Authorization

The FY 2000 Appropriations Act included the following intent language in this line item.

It is the intent of the Legislature that the Division of Health Care Financing may expend up to \$10,000 of the General Funds allocated for Medical Assistance to provide emergency medical-related services for persons.

Although this intent language covers the period during FY 2000, similar intent has been in place for a number of years. During FY 1999, authorized expenditures from this allotment amounted to \$3,125.46. This has been approximately the level for the past two years.

2.2 Transfer of two Eligibility Workers to the Department of Human Services

The Department of Health and the Department of Human Services have agreed to transfer two eligibility workers from the Department of Health to the Department of Human Services to better reflect the current workload. The Analyst recommends the transfer of the two positions and the funding level of \$70,000, of which \$35,000 is from the General Fund.

General Fund (\$35,000)

3.1 Health Care Financing – Director’s Office

Recommendation The Analyst's recommendation for the Director's Office for FY 2001 of \$3,820,800 is based on a staffing level of 47.5 FTEs. The Federal funds for this entire division are Title XIX Federal funds.

Of the \$110,300 listed as Revenue Transfer, \$31,500 is from the Department of Human Services - Division of Aging for contracted services provided to DHS by the division; \$37,000 is from the Department of Workforce Services; \$21,300 is from various school districts; and \$20,500 is transferred from the Division of Community and Family Health Services.

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$429,900	(\$231,352)	\$289,600	\$520,952
General Fund, One-time		3,700		(3,700)
Federal Funds	2,056,281	2,134,352	2,152,900	18,548
Dedicated Credits Revenue	1,334,761	1,268,000	1,268,000	
Transfers	110,288	110,300	110,300	
Lapsing Balance	(737,246)			
Total	\$3,193,984	\$3,285,000	\$3,820,800	\$535,800
Expenditures				
Personal Services	\$2,758,441	\$2,826,000	\$2,849,900	\$23,900
In-State Travel	2,727	2,700	2,700	
Out of State Travel	18,563	60,000	60,000	
Current Expense	270,011	273,900	785,800	511,900
DP Current Expense	144,242	122,400	122,400	
Total	\$3,193,984	\$3,285,000	\$3,820,800	\$535,800
FTE	52.0	47.5	47.5	

Purpose The Director's Office of the Division of Health Care Financing administers and coordinates Utah's Medicaid program to comply with Title XIX of the Social Security Act, other laws of the State, and the appropriated budget. This is accomplished by planning, managing and evaluating activities which authorize payments to qualified providers of approved services who are reimbursed for appropriate and necessary medical assistance rendered to eligible beneficiaries.

3.2 Health Care Financing-Financial Services

Recommendation

The Analyst recommends an appropriation of \$10,794,100 for the Bureau of Financial Services. The significant fluctuations in funding levels reflect the division’s movement of appropriations within this line item.

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$1,261,200	\$2,131,650	\$1,792,400	(\$339,250)
General Fund, One-time		1,400		(1,400)
Federal Funds	3,412,155	15,026,350	8,969,800	(6,056,550)
GFR - Nursing Facility Acct.	31,900	31,900	31,900	
Lapsing Balance	101,874			
Total	\$4,807,129	\$17,191,300	\$10,794,100	(\$6,397,200)
Expenditures				
Personal Services	\$1,009,031	\$961,600	\$969,700	\$8,100
In-State Travel	2,645	2,800	2,800	
Out of State Travel	5,659	5,500	5,500	
Current Expense	1,099,190	13,520,200	7,114,900	(6,405,300)
DP Current Expense	2,678,739	2,701,200	2,701,200	
DP Capital Outlay	5,150			
Capital Outlay	6,715			
Total	\$4,807,129	\$17,191,300	\$10,794,100	(\$6,397,200)
FTE	17.0	18.0	18.0	

Purpose

The Bureau of Financial Services provides the following five functions within the division:

1. Manages the administration and service budgets for both the Medicaid and UMAP programs.
2. Monitors the drug rebate program within the State.
3. Evaluates the hospital and nursing home bed patient days and regulating tax assessments for these services.
4. Performs audits on Medicaid providers within the State to cost settle Medicaid reimbursements. This involves cost studies on reimbursement rates to evaluate if fair rates are being set for provider services.
5. Purchases of office equipment and computer hardware and software for the division.

Federal funds make up over 80 percent of the Bureau's budget. Over 65 percent of the Bureau's budget is for data processing services. There are 18 FTEs in the Bureau.

3.3 Health Care Financing-Managed Health Care

Recommendation

The Analyst recommends an appropriation of \$2,219,200 for the Bureau of Managed Health Care. Federal funds make up almost 54 percent of the bureau's funding.

The Revenue Transfer of \$40,000 is funding which comes from Utah State University for a project to educate state agency case managers (DSPD, Aging, Mental Health, DCFS, etc.) and HMO case managers about services offered through the other programs and how to navigate managed care systems.

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$850,900	\$1,063,120	\$989,100	(\$74,020)
General Fund, One-time		3,200		(3,200)
Federal Funds	1,073,756	1,183,580	1,190,100	6,520
Transfers	97,947	40,000	40,000	
Lapsing Balance	40,926			
Total	\$2,063,529	\$2,289,900	\$2,219,200	(\$70,700)
Expenditures				
Personal Services	\$1,746,235	\$1,968,400	\$1,986,000	\$17,600
In-State Travel	20,350	20,300	20,300	
Out of State Travel	9,194	9,400	9,400	
Current Expense	276,397	280,300	192,000	(88,300)
DP Current Expense	11,353	11,500	11,500	
Total	\$2,063,529	\$2,289,900	\$2,219,200	(\$70,700)
FTE	41.5	40.3	40.3	

Purpose

The bureau is responsible for the implementation and operation of the managed care initiative that includes contracts with health maintenance organizations (HMOs) and Prepaid Mental Health Plans (PMHP) to serve the medical and mental health needs of Medicaid clients. The bureau is also responsible for the development, implementation, and operation of specialized Medicaid services for special populations, home and community-based waiver programs, and the Medicaid well-child program.

The current status of clients in fee-for-service and HMOs is detailed in the following table.

Distribution of Medicaid Clients	FY 1998	FY 1999	FY 2000 est.
Fee for Service Clients (Unduplicated)	158,161	164,534	169,000
HMO Clients (Monthly Average)**	72,958	73,595	74,000
Total	231,119	238,129	243,000

** Does not include the number of children being delivered or newborns under adjustment payments.

3.4 Health Care Financing-Medicaid Operations

Recommendation The Analyst recommends an appropriation of \$2,759,600 for Medicaid Operations. Almost 75 percent of the bureau's budget comes from federal funds.

The Revenue Transfer of \$13,700 is from the Division of Child and Family Services for the Custody Medical Care Contract.

Financing	FY 1999 Actual	FY 2000 Estimated	FY 2001 Analyst	Est/Analyst Difference
General Fund	\$540,400	\$677,972	\$684,600	\$6,628
General Fund, One-time		1,500		(1,500)
Federal Funds	1,957,873	2,046,628	2,061,300	14,672
Transfers	13,693	13,700	13,700	
Lapsing Balance	109,410			
Total	\$2,621,376	\$2,739,800	\$2,759,600	\$19,800
Expenditures				
Personal Services	\$1,640,383	\$1,791,800	\$1,812,100	\$20,300
In-State Travel	3,541	3,500	3,500	
Out of State Travel	4,166	4,200	4,200	
Current Expense	932,814	908,600	908,100	(500)
DP Current Expense	40,472	31,700	31,700	
Total	\$2,621,376	\$2,739,800	\$2,759,600	\$19,800
FTE	49.0	50.0	50.0	

Purpose

The Bureau of Medicaid Operations has five components as follows:

1. Customer Service - The bureau staffs the Medicaid Information Line, providing on-line service to providers and clients regarding Medicaid eligibility, provider payment, transportation, and general information regarding all aspects of services provided by the Department of Health. A call management system ensures that calls get routed to the correct area without having to go through numerous transfers.
2. Utah Health Information Network (UHIN) Involvement - The UHIN is a statewide cooperative of Medicaid providers and other third party medical claims payers. The goal is to standardize health care information so that all claims data can be submitted in an electronic transaction to any payee. This activity was mandated by the 1992 Legislature.
3. Claims Processing - This bureau processes all claims received by Medicaid and UMAP programs, ensuring that the claims are properly entered into the MMIS system, and are adjudicated properly. They serve as trouble shooters working with providers in the event there are questions regarding payment or non-payment of claims.
4. MMIS troubleshooters - The bureau staff identifies and approves updates and corrections to the MMIS to ensure the system is properly handling information on services provided by Medicaid, UMAP or CHIP programs.

5. Special Projects - The bureau manages special projects under contract with Community and Family Health Services (Pre-natal program) and the Division of Family Services (Custody Medical Care Program). It also manages the Buy-Out program that ensures compliance with the third party liability requirements of the OBRA '90 legislation.

3.5 Health Care Financing-Eligibility Services

Recommendation

The Analyst recommends an appropriation of \$10,112,400 for the Bureau of Eligibility Services. Since the FY 1995 budget, this bureau has experienced significant growth, due to the transfer of over 100 FTE eligibility workers from the Department of Human Services and the further addition of new eligibility workers due to growth and various expansions of the Medicaid program. Approximately \$1.7 million in salaries and benefits for eligibility workers is allocated to services provided by this bureau for the Children's Health Insurance Program (CHIP). It is estimated that in the aggregate, this is the portion of eligibility workers' time spent in determining eligibility for CHIP.

Almost 60 percent of the program's budget comes from Federal Funds. Revenue Transfers come from the Department of Human Services (\$20,200) and from the University of Utah Hospital (\$26,400) for outreach eligibility services.

	FY 1999	FY 2000	FY 2001	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
General Fund	\$4,826,600	\$4,313,898	\$3,818,300	(\$495,598)
General Fund, One-time		15,000		(15,000)
Federal Funds	5,126,466	5,991,882	5,918,400	(73,482)
Dedicated Credits Revenue	328,753	329,120	329,100	(20)
Transfers	26,134	46,600	46,600	
Lapsing Balance	1,659			
Total	<u>\$10,309,612</u>	<u>\$10,696,500</u>	<u>\$10,112,400</u>	<u>(\$584,100)</u>
Expenditures				
Personal Services	\$9,006,386	\$9,276,900	\$8,893,800	(\$383,100)
In-State Travel	41,474	43,400	43,400	
Out of State Travel	3,757	4,300	4,300	
Current Expense	1,165,483	1,278,000	1,077,000	(201,000)
DP Current Expense	92,512	93,900	93,900	
Total	<u>\$10,309,612</u>	<u>\$10,696,500</u>	<u>\$10,112,400</u>	<u>(\$584,100)</u>
FTE	220.5	229.0	227.0	(2.0)

*Budget Reduction:
Transfer of 2 FTE
positions*

From an agreement between the Department of Health and the Department of Human Services, the transfer of two FTE positions is recommended. The two positions and the accompanying \$70,000 (\$35,000 General Fund/\$35,000 Federal Funds) would be moved from the Department of Health to the Department of Human Services.

Purpose

The Bureau of Eligibility Services is responsible for eligibility policy and operations related to Medicaid eligibility, including nursing home eligibility determinations and out-stationed eligibility workers in hospitals and public health clinics. The bureau is also responsible for eligibility determination for the Utah Medical Assistance Program. The bureau coordinates and oversees the eligibility contract with the Department of Workforce Services and also coordinates Medicaid recovery activities with the Office of Recovery Services. The bureau currently has 227 eligibility staff, stationed throughout the State, with a total caseload (as of November 1999) of 39,798 (including CHIP).

3.6 Health Care Financing-Coverage and Reimbursement

Recommendation The Analyst recommends an appropriation of \$2,982,100 for the Bureau of Coverage and Reimbursement for FY 2001.

The Division of Community and Family Health Services' outreach program for Baby Your Baby provides \$566,700 in the form of Revenue Transfers for the funding of this program.

Financing	FY 1999 Actual	FY 2000 Estimated	FY 2001 Analyst	Est/Analyst Difference
General Fund	\$655,800	\$593,273	\$639,800	\$46,527
General Fund, One-time		1,900		(1,900)
Federal Funds	1,730,807	1,805,673	1,775,600	(30,073)
Transfers	566,665	566,654	566,700	46
Lapsing Balance	51,943			
Total	\$3,005,215	\$2,967,500	\$2,982,100	\$14,600
Expenditures				
Personal Services	\$1,668,456	\$1,628,900	\$1,643,000	\$14,100
In-State Travel	1,233	1,300	1,300	
Out of State Travel	7,810	7,800	7,800	
Current Expense	1,325,359	1,327,100	1,327,600	500
DP Current Expense	2,357	2,400	2,400	
Total	\$3,005,215	\$2,967,500	\$2,982,100	\$14,600
FTE	27.0	25.0	25.0	

Purpose The Bureau of Coverage and Reimbursement Policy researches, analyzes, formulates, and makes recommendations for policy changes and new policy to the division director and department director. It is also responsible for the analysis of all pending and current federal and state legislation dealing with health care. The bureau is also responsible for all State plan (contracts with the federal government) changes and all rulemaking dealing with the Medicaid program.

The bureau's Utilization Management Unit controls the utilization of the Division's diminishing fee-for-service market. It performs this function while developing special fee-for-service contracts.

3.7 Health Care Financing-Contracts

Recommendation The Analyst recommends an on-going appropriation of \$23,544,600 for contracts in the Division of Health Care Financing.

The \$10.3 million in Revenue Transfers is comprised of the following:

- ▶ \$909,400 from the Division of Community and Family Health Services for services which Medicaid provides for FACT program seeding (\$144,500), immunization seeding (\$60,000), tobacco education (\$90,000), and EPSDT case management (\$614,900)
- ▶ \$4,134,900 from the Department of Workforce Services for the eligibility contract
- ▶ \$2,778,300 from the Division of Services to People with Disabilities
- ▶ \$1,051,400 from the Office of Recovery Services for their third party collections contract
- ▶ \$900,000 from the Utah State Developmental Center
- ▶ \$543,500 from the Department of Human Services for general administration

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$383,000	\$718,282	\$794,100	\$75,818
Federal Funds	12,422,392	12,508,818	12,433,000	(75,818)
Transfers	11,101,759	10,317,500	10,317,500	
Lapsing Balance	(362,855)			
Total	\$23,544,296	\$23,544,600	\$23,544,600	\$0
Expenditures				
Current Expense	\$1,220,819	\$1,221,100	\$1,221,100	
DP Current Expense	30,223	30,200	30,200	
Other Charges/Pass Thru	22,293,254	22,293,300	22,293,300	
Total	\$23,544,296	\$23,544,600	\$23,544,600	\$0

Purpose Contracts are for eligibility determination, recovery services, and other services performed for the Division by the Departments of Human Services and Workforce Services.

3.8 Health Care Financing-Utah Medical Assistance Program (UMAP) Administration

Recommendation The Analyst has recommended an appropriation of \$739,100 for the administration of the Utah Medical Assistance Program (UMAP) for FY 2001. Almost all of the recommended funding comes from the General Fund.

	FY 1999	FY 2000	FY 2001	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	\$607,100	\$718,157	\$731,800	\$13,643
General Fund, One-time		2,400		(2,400)
Federal Funds	3,249	43		(43)
Dedicated Credits Revenue	300	300	300	
Transfers			7,000	7,000
Lapsing Balance	99,863			
Total	\$710,512	\$720,900	\$739,100	\$18,200
Expenditures				
Personal Services	\$548,495	\$595,900	\$601,100	\$5,200
In-State Travel	3,014	3,100	3,100	
Out of State Travel	2,111	1,000	100	(900)
Current Expense	108,656	76,400	89,400	13,000
DP Current Expense	23,236	19,500	20,400	900
Other Charges/Pass Thru	25,000	25,000	25,000	
Total	\$710,512	\$720,900	\$739,100	\$18,200
FTE	24.0	14.0	14.0	

Purpose UMAP is a state-funded medical program that provides Statewide medical coverage to low income individuals who do not qualify for Medicaid or Medicare. This budget represents the administration of the program; the services portion of the budget is found in the Medical Assistance section of the Budget Analysis book.

4.0 Additional Information: Health Care Financing

4.1 Funding History

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund	\$9,053,300	\$9,120,800	\$9,554,900	\$9,985,000	\$9,739,700
General Fund, One-time				29,100	
Federal Funds	23,905,168	27,575,373	27,782,979	40,697,326	34,501,100
Dedicated Credits Revenue	916,127	878,008	1,663,814	1,597,420	1,597,400
GFR - Nursing Facility Account	31,900	31,900	31,900	31,900	31,900
Transfers	9,660,208	12,677,197	11,916,486	11,094,754	11,101,800
Lapsing Balance	(399,773)	(32,230)	(694,426)		
Total	\$43,166,930	\$50,251,048	\$50,255,653	\$63,435,500	\$56,971,900
% Change		16.4%	0.0%	26.2%	-10.2%
Programs					
H.C.F. Director's Office	\$2,680,346	\$3,242,630	\$3,193,984	\$3,285,000	\$3,820,800
Financial Services	4,039,811	5,095,120	4,807,129	17,191,300	10,794,100
Managed Health Care	1,965,217	1,833,147	2,063,529	2,289,900	2,219,200
Medicaid Operations	2,402,156	2,500,024	2,621,376	2,739,800	2,759,600
Eligibility Services	7,940,135	8,982,411	10,309,612	10,696,500	10,112,400
Coverage and Reimbursement	2,696,325	2,903,681	3,005,215	2,967,500	2,982,100
Contracts	20,427,430	24,961,802	23,544,296	23,544,600	23,544,600
Utah Medical Assistance	1,015,510	732,233	710,512	720,900	739,100
Total	\$43,166,930	\$50,251,048	\$50,255,653	\$63,435,500	\$56,971,900
Expenditures					
Personal Services	\$14,929,013	\$16,528,960	\$18,377,427	\$19,049,500	\$18,755,600
In-State Travel	64,814	82,125	74,984	77,100	77,100
Out of State Travel	28,884	40,995	51,260	92,200	91,300
Current Expense	6,585,369	17,657,103	6,398,729	18,885,600	12,715,900
DP Current Expense	2,836,193	3,085,307	3,023,134	3,012,800	3,013,700
DP Capital Outlay	12,000	67,501	5,150		
Capital Outlay			6,715		
Other Charges/Pass Thru	18,710,657	12,789,057	22,318,254	22,318,300	22,318,300
Total	\$43,166,930	\$50,251,048	\$50,255,653	\$63,435,500	\$56,971,900
FTE	337.0	350.6	431.0	423.7	421.7

4.2 Federal Funds

Program		FY 1999 Actual	FY 2000 Estimated	FY 2001 Analyst
Director's Office	Federal	\$2,056,281	\$2,134,352	\$2,152,900
Medicaid Admsintration	Required State Match	<u>387,080</u>	<u>227,652</u>	<u>210,918</u>
	Total	2,443,361	2,362,004	2,363,818
Financial Services	Federal	3,412,155	15,026,350	8,969,800
Medicaid Admsintration	Required State Match	<u>1,363,074</u>	<u>2,133,050</u>	<u>2,161,340</u>
	Total	4,775,229	17,159,400	11,131,140
Managed Health Care	Federal	1,073,756	1,183,580	1,190,100
Medicaid Admsintration	Required State Match	<u>891,826</u>	<u>1,066,320</u>	<u>1,085,689</u>
	Total	1,965,582	2,249,900	2,275,789
Medical Claims	Federal	1,957,873	2,046,628	2,061,300
Medicaid Admsintration	Required State Match	<u>649,810</u>	<u>679,472</u>	<u>686,157</u>
	Total	2,607,683	2,726,100	2,747,457
Eligibility Services	Federal	5,126,466	5,991,882	5,918,400
Medicaid Admsintration	Required State Match	<u>4,828,259</u>	<u>4,328,898</u>	<u>4,070,072</u>
	Total	9,954,725	10,320,780	9,988,472
Coverage/Reimbursement	Federal	1,730,807	1,805,673	1,775,600
Medicaid Admsintration	Required State Match	<u>707,743</u>	<u>595,173</u>	<u>641,611</u>
	Total	2,438,550	2,400,846	2,417,211
Contracts	Federal	12,422,392	12,508,818	12,433,000
Medicaid Admsintration	Required State Match	<u>20,145</u>	<u>718,282</u>	<u>794,134</u>
	Total	12,442,537	13,227,100	13,227,134
UMAP	Federal	3,249	43	
Medicaid Admsintration	Required State Match	<u>706,963</u>	<u>720,557</u>	<u>727,815</u>
	Total	710,212	720,600	727,815
	Federal	27,782,979	40,697,326	34,501,100
	Required State Match	<u>9,554,900</u>	<u>10,469,404</u>	<u>10,377,736</u>
	Total	<u>\$37,337,879</u>	<u>\$51,166,730</u>	<u>\$44,878,836</u>