Enrolled Copy	S.B. 1	80

MEDICAID REFORM	
2011 GENERAL SESSION	
STATE OF UTAH	
Chief Sponsor: Daniel R. Liljenquist	
House Sponsor: John Dougall	
LONG TITLE	=
General Description:	
This bill amends the Medical Assistance Act and the Budgetary Procedures Act.	
Highlighted Provisions:	
This bill:	
requires the Department of Health to develop a proposal to modify the Medicaid	
program in a way that maximizes replacement of the fee-for-service delivery model	
with one or more risk-based delivery models;	
specifies criteria for the proposal;	
requires the department, to the extent possible, to develop the proposal with the	
input of stakeholder groups representing those who will be affected by the proposal.	
requires the department to report to the Legislature on the development of the	
proposal;	
requires the department to submit a request to the Centers for Medicare and	
Medicaid Services for waivers from federal law to implement the proposal;	
 directs the department to implement the proposal in the fiscal year following the 	
fiscal year in which the waivers are approved;	
provides definitions;	
 creates the Medicaid Growth Reduction and Budget Stabilization Account restricted 	
account;	
 specifies conditions under which Medicaid growth savings shall be transferred or 	
appropriated to the account;	
 provides that Medicaid growth savings not transferred into the account shall be 	

30	included in the base budget for the second following fiscal year;
31	 specifies the priority of the account's claim on General Fund revenue surplus;
32	specifies how money in the account may be used;
33	makes conforming amendments; and
34	 makes technical corrections.
35	Money Appropriated in this Bill:
36	None
37	Other Special Clauses:
38	None
39	Utah Code Sections Affected:
40	AMENDS:
41	63J-1-312, as renumbered and amended by Laws of Utah 2009, Chapter 183
42	63J-1-314, as last amended by Laws of Utah 2009, Chapter 389 and renumbered and
43	amended by Laws of Utah 2009, Chapter 183
44	63M-1-905, as last amended by Laws of Utah 2010, Chapters 245 and 278
45	ENACTS:
46	26-18-405 , Utah Code Annotated 1953
47	63J-1-315, Utah Code Annotated 1953
48 49	Be it enacted by the Legislature of the state of Utah:
50	Section 1. Section 26-18-405 is enacted to read:
51	26-18-405. Waivers to maximize replacement of fee-for-service delivery model.
52	(1) The department shall develop a proposal to amend the state plan for the Medicaid
53	program in a way that maximizes replacement of the fee-for-service delivery model with one or
54	more risk-based delivery models.
55	(2) The proposal shall:
56	(a) restructure the program's provider payment provisions to reward health care
57	providers for delivering the most appropriate services at the lowest cost and in ways that,

58	compared to services delivered before implementation of the proposal, maintain or improve
59	recipient health status;
60	(b) restructure the program's cost sharing provisions and other incentives to reward
61	recipients for personal efforts to:
62	(i) maintain or improve their health status; and
63	(ii) use providers that deliver the most appropriate services at the lowest cost;
64	(c) identify the evidence-based practices and measures, risk adjustment methodologies,
65	payment systems, funding sources, and other mechanisms necessary to reward providers for
66	delivering the most appropriate services at the lowest cost, including mechanisms that:
67	(i) pay providers for packages of services delivered over entire episodes of illness
68	rather than for individual services delivered during each patient encounter; and
69	(ii) reward providers for delivering services that make the most positive contribution to
70	a recipient's health status;
71	(d) limit total annual per-patient-per-month expenditures for services delivered through
72	fee-for-service arrangements to total annual per-patient-per-month expenditures for services
73	delivered through risk-based arrangements covering similar recipient populations and services;
74	<u>and</u>
75	(e) limit the rate of growth in per-patient-per-month General Fund expenditures for the
76	program to the rate of growth in General Fund expenditures for all other programs, when the
77	rate of growth in the General Fund expenditures for all other programs is greater than zero.
78	(3) To the extent possible, the department shall develop the proposal with the input of
79	stakeholder groups representing those who will be affected by the proposal.
80	(4) No later than June 1, 2011, the department shall submit a written report on the
81	development of the proposal to the Legislature's Executive Appropriations Committee, Social
82	Services Appropriations Subcommittee, and Health and Human Services Interim Committee.
83	(5) No later than July 1, 2011, the department shall submit to the Centers for Medicare
84	and Medicaid Services within the United States Department of Health and Human Services a
85	request for waivers from federal statutory and regulatory law necessary to implement the

86	proposal.
87	(6) After the request for waivers has been made, and prior to its implementation, the
88	department shall report to the Legislature in accordance with Section 26-18-3 on any
89	modifications to the request proposed by the department or made by the Centers for Medicare
90	and Medicaid Services.
91	(7) The department shall implement the proposal in the fiscal year that follows the
92	fiscal year in which the United States Secretary of Health and Human Services approves the
93	request for waivers.
94	Section 2. Section 63J-1-312 is amended to read:
95	63J-1-312. Establishing a General Fund Budget Reserve Account Providing for
96	deposits and expenditures from the account Providing for interest generated by the
97	account.
98	(1) As used in this section:
99	(a) "Education Fund budget deficit" means a situation where appropriations made by
100	the Legislature from the Education Fund for a fiscal year exceed the estimated revenues
101	adopted by the Executive Appropriations Committee of the Legislature for the Education Fund
102	in that fiscal year.
103	(b) "General Fund appropriations" means the sum of the spending authority for a fiscal
104	year that is:
105	(i) granted by the Legislature in all appropriation acts and bills; and
106	(ii) identified as coming from the General Fund.
107	(c) "General Fund budget deficit" means a situation where General Fund appropriations
108	made by the Legislature for a fiscal year exceed the estimated revenues adopted by the
109	Executive Appropriations Committee of the Legislature for the General Fund in that fiscal year.
110	(d) "General Fund revenue surplus" means a situation where actual General Fund
111	revenues collected in a completed fiscal year exceed the estimated revenues for the General
112	Fund for that fiscal year that were adopted by the Executive Appropriations Committee of the
113	Legislature.

114 (e) "Operating deficit" means that, at the end of the fiscal year, the [unreserved and 115 undesignated] unassigned fund balance in the General Fund is less than zero. 116 (2) There is created within the General Fund a restricted account to be known as the 117 General Fund Budget Reserve Account, which is designated to receive the legislative 118 appropriations, investment earnings, and the surplus revenue required to be deposited into the 119 account by this section. 120 (3) (a) (i) Except as provided in Subsection (3)(a)(ii), at the end of any fiscal year in 121 which the Division of Finance, in consultation with the Legislative Fiscal Analyst and in 122 conjunction with the completion of the annual audit by the state auditor, determines that there 123 is a General Fund revenue surplus, the Division of Finance shall transfer 25% of the General 124 Fund revenue surplus to the General Fund Budget Reserve Account. 125 (ii) If the transfer of 25% of the General Fund revenue surplus to the General Fund 126 Budget Reserve Account would cause the balance in the account to exceed 6% of General Fund 127 appropriations for the fiscal year in which the revenue surplus occurred, the Division of 128 Finance shall transfer only those funds necessary to ensure that the balance in the account 129 equals 6% of General Fund appropriations for the fiscal year in which the General Fund 130 revenue surplus occurred. 131 (iii) The Division of Finance shall calculate the amount to be transferred under this 132 Subsection (3)(a): 133 (A) after making the transfer of General Fund revenue surplus to the Medicaid Budget Stabilization Restricted Account, as provided in Section 63J-1-315; 134 135 [(A)] (B) before transferring from the General Fund revenue surplus any other year-end 136 contingency appropriations, year-end set-asides, or other year-end transfers required by law; 137 and 138 [(B)] (C) excluding the investment earnings for the fiscal year and excluding any direct legislative appropriation made to the General Fund Budget Reserve Account for the fiscal year. 139 140 (b) (i) Except as provided in Subsection (3)(b)(ii), in addition to Subsection (3)(a)(i), if

a General Fund revenue surplus exists and if, within the last 10 years, the Legislature has

141

142

143

144

145

146

147

148

149

150

151

152

153

154

155

156

157

158

159

160

161

162

163

164

165

166

167

168

169

appropriated any money from the General Fund Budget Reserve Account that has not been replaced by appropriation or as provided in this Subsection (3)(b), the Division of Finance shall transfer up to 25% more of the General Fund revenue surplus to the General Fund Budget Reserve Account to replace the amounts appropriated, until direct legislative appropriations, if any, and transfers from the General Fund revenue surplus under this Subsection (3)(b) have replaced the appropriations from the account. (ii) If the transfer under Subsection (3)(b)(i) would cause the balance in the account to exceed 6% of General Fund appropriations for the fiscal year in which the revenue surplus occurred, the Division of Finance shall transfer only those funds necessary to ensure that the balance in the account equals 6% of General Fund appropriations for the fiscal year in which the revenue surplus occurred. (iii) The Division of Finance shall calculate the amount to be transferred under this Subsection (3)(b): (A) after making the transfer of General Fund revenue surplus to the Medicaid Budget Stabilization Restricted Account, as provided in Section 63J-1-315; [(A)] (B) before transferring from the General Fund revenue surplus any other year-end contingency appropriations, year-end set-asides, or other year-end transfers required by law; and [(B)] (C) excluding the investment earnings for the fiscal year and excluding any direct legislative appropriation made to the General Fund Budget Reserve Account for the fiscal year. (c) For appropriations made by the Legislature to the General Fund Budget Reserve Account, the Division of Finance shall treat those appropriations, unless otherwise specified in the appropriation, as replacement funds for appropriations made from the account if funds were appropriated from the General Fund Budget Reserve Account within the past 10 years and have not yet been replaced. [(4) (a) If, at the close of any fiscal year, there appear to be insufficient monies to pay

additional debt service for any bonded debt authorized by the Legislature, the Division of

Finance may hold back from any General Fund revenue surplus monies sufficient to pay the

170 additional debt service requirements resulting from issuance of bonded debt that was 171 authorized by the Legislature. 172 [(b) The Division of Finance may not spend the hold back amount for debt service 173 under Subsection (4)(a) unless and until it is appropriated by the Legislature. 174 [(c) If, after calculating the amount for transfers to the General Fund Budget Reserve 175 Account, the remaining General Fund revenue surplus is insufficient to cover the hold back for 176 debt service required by Subsection (4)(a), the Division of Finance shall reduce the transfer to 177 the General Fund Budget Reserve Account by the amount necessary to cover the debt service 178 hold back. 179 [(d) Notwithstanding Subsection (3), the Division of Finance shall hold back the 180 General Fund balance for debt service authorized by this Subsection (4) before making any 181 transfers to the General Fund Budget Reserve Account or any other designation or allocation of 182 General Fund revenue surplus. 183 [(5) Notwithstanding Subsection (3), if, at the end of a fiscal year, the Division of 184 Finance determines that an operating deficit exists and that holding back the transfers to the 185 State Disaster Recovery Restricted Account under Section 63J-1-314 does not eliminate the 186 operating deficit, the Division of Finance may reduce the transfer to the General Fund Budget 187 Reserve Account by the amount necessary to eliminate the operating deficit. 188 [(6)] (4) The Legislature may appropriate [monies] money from the General Fund 189 Budget Reserve Account only to: 190 (a) resolve a General Fund budget deficit, for the fiscal year in which the General Fund 191 budget deficit occurs; 192 (b) pay some or all of state settlement agreements approved under Title 63G, Chapter 193 10, State Settlement Agreements Act; 194 (c) pay retroactive tax refunds; or 195 (d) resolve an Education Fund budget deficit. 196 [(7)] (5) Interest generated from investments of money in the General Fund Budget 197 Reserve Account shall be deposited into the General Fund.

198	Section 3. Section 63J-1-314 is amended to read:
199	63J-1-314. Deposits related to the Disaster Recovery Funding Act.
200	(1) As used in this section, "operating deficit" means that, at the end of the fiscal year,
201	the [unreserved and undesignated] unassigned fund balance in the General Fund is less than
202	zero.
203	(2) Except as provided under Subsection (3), [beginning with the fiscal year ending
204	June 30, 2007,] at the end of each fiscal year and after the transfer of surplus General Fund
205	revenues has been made to the Medicaid Budget Stabilization Restricted Account, as provided
206	in Section 63J-1-315, and the General Fund Budget Reserve Account, as provided in Section
207	63J-1-312, the Division of Finance shall deposit an amount into the State Disaster Recovery
208	Restricted Account, created in Section 53-2-403, calculated by:
209	(a) determining the amount of surplus General Fund revenues after the transfer to the
210	Medicaid Budget Stabilization Restricted Account under Section 63J-1-315 and the General
211	Fund Budget Reserve Account under Section 63J-1-312 [that is unrestricted and undesignated];
212	(b) calculating an amount equal to the lesser of:
213	(i) 25% of the amount determined under Subsection (2)(a); or
214	(ii) 6% of the total of the General Fund appropriation amount for the fiscal year in
215	which the surplus occurs; and
216	(c) adding to the amount calculated under Subsection (2)(b) an amount equal to the
217	lesser of:
218	(i) 25% more of the amount described in Subsection (2)(a); or
219	(ii) the amount necessary to replace, in accordance with this Subsection (2)(c), any
220	amount appropriated from the State Disaster Recovery Restricted Account within 10 fiscal
221	years before the fiscal year in which the surplus occurs if:
222	(A) a surplus exists; and
223	(B) the Legislature appropriates money from the State Disaster Recovery Restricted
224	Account that is not replaced by appropriation or as provided in this Subsection (2)(c).
225	(3) Notwithstanding Subsection (2)[: (a) if], if at the end of a fiscal year, the Division

226	of Finance determines that an operating deficit exists, the [Division of Finance] division shall
227	reduce the transfer to the State Disaster Recovery Restricted Account by the amount necessary
228	to eliminate the operating deficit[; and].
229	[(b) for FY 2008-09 and FY 2009-10 only, the Division of Finance shall suspend the
230	deposit provided under Subsection (2) to the State Disaster Recovery Restricted Account
231	created under Section 53-2-403.]
232	Section 4. Section 63J-1-315 is enacted to read:
233	63J-1-315. Medicaid Growth Reduction and Budget Stabilization Restricted
234	Account Transfers of Medicaid growth savings Base budget adjustments.
235	(1) As used in this section:
236	(a) "Department" means the Department of Health created in Section 26-1-4.
237	(b) "Division" means the Division of Health Care Financing created within the
238	department under Section 26-18-2.1.
239	(c) "General Fund revenue surplus" means a situation where actual General Fund
240	revenues collected in a completed fiscal year exceed the estimated revenues for the General
241	Fund for that fiscal year that were adopted by the Executive Appropriations Committee of the
242	<u>Legislature.</u>
243	(d) "Medicaid growth savings" means the Medicaid growth target minus Medicaid
244	program expenditures, if Medicaid program expenditures are less than the Medicaid growth
245	target.
246	(e) "Medicaid growth target" means Medicaid program expenditures for the previous
247	year multiplied by 1.08.
248	(f) "Medicaid program" is as defined in Section 26-18-2.
249	(g) "Medicaid program expenditures" means total state revenue expended for the
250	Medicaid program from the General Fund, including restricted accounts within the General
251	Fund, during a fiscal year.
252	(h) "Medicaid program expenditures for the previous year" means total state revenue
253	expended for the Medicaid program from the General Fund, including restricted accounts

254	within the General Fund, during the fiscal year immediately preceding a fiscal year for which
255	Medicaid program expenditures are calculated.
256	(i) "Operating deficit" means that, at the end of the fiscal year, the unassigned fund
257	balance in the General Fund is less than zero.
258	(j) "State revenue" means revenue other than federal revenue.
259	(k) "State revenue expended for the Medicaid program" includes money transferred or
260	appropriated to the Medicaid Growth Reduction and Budget Stabilization Account only to the
261	extent the money is appropriated for the Medicaid program by the Legislature.
262	(2) There is created within the General Fund a restricted account to be known as the
263	Medicaid Growth Reduction and Budget Stabilization Account.
264	(3) (a) (i) Except as provided in Subsection (6), if, at the end of a fiscal year, there is a
265	General Fund revenue surplus, the Division of Finance shall transfer an amount equal to
266	Medicaid growth savings from the General Fund to the Medicaid Growth Reduction and
267	Budget Stabilization Account.
268	(ii) If the amount transferred is reduced to prevent an operating deficit, as provided in
269	Subsection (6), the Legislature shall include, to the extent revenue is available, an amount
270	equal to the reduction as an appropriation from the General Fund to the account in the base
271	budget for the second fiscal year following the fiscal year for which the reduction was made.
272	(b) If, at the end of a fiscal year, there is not a General Fund revenue surplus, the
273	Legislature shall include, to the extent revenue is available, an amount equal to Medicaid
274	growth savings as an appropriation from the General Fund to the account in the base budget for
275	the second fiscal year following the fiscal year for which the reduction was made.
276	(c) Subsections (3)(a) and (3)(b) apply only to the fiscal year in which the department
277	implements the proposal developed under Section 26-18-405 to reduce the long-term growth in
278	state expenditures for the Medicaid program, and to each fiscal year after that year.
279	(4) The Division of Finance shall calculate the amount to be transferred under
280	Subsection (3):
281	(a) before transferring revenue from the General Fund revenue surplus to:

282	(i) the General Fund Budget Reserve Account under Section 63J-1-312 and;
283	(ii) the State Disaster Recovery Restricted Account under Section 63J-1-314;
284	(b) before earmarking revenue from the General Fund revenue surplus to the Industrial
285	Assistance Account under Section 63M-1-905; and
286	(c) before making any other year-end contingency appropriations, year-end set-asides,
287	or other year-end transfers required by law.
288	(5) (a) If, at the close of any fiscal year, there appears to be insufficient money to pay
289	additional debt service for any bonded debt authorized by the Legislature, the Division of
290	Finance may hold back from any General Fund revenue surplus money sufficient to pay the
291	additional debt service requirements resulting from issuance of bonded debt that was
292	authorized by the Legislature.
293	(b) The Division of Finance may not spend the hold back amount for debt service
294	under Subsection (5)(a) unless and until it is appropriated by the Legislature.
295	(c) If, after calculating the amount for transfer under Subsection (3), the remaining
296	General Fund revenue surplus is insufficient to cover the hold back for debt service required by
297	Subsection (5)(a), the Division of Finance shall reduce the transfer to the Medicaid Growth
298	Reduction and Budget Stabilization Account by the amount necessary to cover the debt service
299	hold back.
300	(d) Notwithstanding Subsections (3) and (4), the Division of Finance shall hold back
301	the General Fund balance for debt service authorized by this Subsection (5) before making any
302	transfers to the Medicaid Growth Reduction and Budget Stabilization Account or any other
303	designation or allocation of General Fund revenue surplus.
304	(6) Notwithstanding Subsections (3) and (4), if, at the end of a fiscal year, the Division
305	of Finance determines that an operating deficit exists and that holding back earmarks to the
306	Industrial Assistance Account under Section 63M-1-905, transfers to the State Disaster
307	Recovery Restricted Account under Section 63J-1-314, transfers to the General Fund Budget
308	Reserve Account under Section 63J-1-312, or earmarks and transfers to more than one of those
309	accounts, in that order, does not eliminate the operating deficit, the Division of Finance may

310	reduce the transfer to the Medicaid Growth Reduction and Budget Stabilization Account by the
311	amount necessary to eliminate the operating deficit.
312	(7) The Legislature may appropriate money from the Medicaid Growth Reduction and
313	Budget Stabilization Account only:
314	(a) if Medicaid program expenditures for the fiscal year for which the appropriation is
315	made are estimated to be 108% or more of Medicaid program expenditures for the previous
316	year; and
317	(b) for the Medicaid program.
318	(8) The Division of Finance shall deposit interest or other earnings derived from
319	investment of Medicaid Growth Reduction and Budget Stabilization Account money into the
320	General Fund.
321	Section 5. Section 63M-1-905 is amended to read:
322	63M-1-905. Loans, grants, and assistance Repayment Earned credits.
323	(1) (a) A company that qualifies under Section 63M-1-906 may receive loans, grants,
324	or other financial assistance from the Industrial Assistance Account for expenses related to
325	establishment, relocation, or development of industry in Utah.
326	(b) A company creating an economic impediment that qualifies under Section
327	63M-1-908 may in accordance with this part receive loans, grants, or other financial assistance
328	from the restricted account for the expenses of the company creating an economic impediment
329	related to:
330	(i) relocation to a rural area in Utah of the company creating an economic impediment;
331	and
332	(ii) the siting of a replacement company.
333	(c) An entity offering an economic opportunity that qualifies under Section 63M-1-909
334	may:
335	(i) receive loans, grants, or other financial assistance from the restricted account for
336	expenses related to the establishment, relocation, retention, or development of industry in the
337	state; and

• •
(ii) include infrastructure or other economic development precursor activities that act
as a catalyst and stimulus for economic activity likely to lead to the maintenance or
enlargement of the state's tax base.
(2) (a) Subject to Subsection (2)(b), the administrator has authority to determine the
structure, amount, and nature of any loan, grant, or other financial assistance from the restricted
account.
(b) Loans made under Subsection (2)(a) shall be structured so the intended repayment
or return to the state, including cash or credit, equals at least the amount of the assistance
together with an annual interest charge as negotiated by the administrator.
(c) Payments resulting from grants awarded from the restricted account shall be made
only after the administrator has determined that the company has satisfied the conditions upon
which the payment or earned credit was based.
(3) (a) (i) Except as provided in Subsection (3)(b), the administrator may provide for a
system of earned credits that may be used to support grant payments or in lieu of cash
repayment of a restricted account loan obligation.
(ii) The value of the credits described in Subsection (3)(a)(i) shall be based on factors
determined by the administrator, including:
(A) the number of Utah jobs created;
(B) the increased economic activity in Utah; or
(C) other events and activities that occur as a result of the restricted account assistance.
(b) (i) The administrator shall provide for a system of credits to be used to support
grant payments or in lieu of cash repayment of a restricted account loan when loans are made to
a company creating an economic impediment.
(ii) The value of the credits described in Subsection (3)(b)(i) shall be based on factors
determined by the administrator, including:
(A) the number of Utah jobs created;

(C) other events and activities that occur as a result of the restricted account assistance.

(B) the increased economic activity in Utah; or

366	(4) (a) A cash loan repayment or other cash recovery from a company receiving
367	assistance under this section, including interest, shall be deposited into the restricted account.
368	(b) The administrator and the Division of Finance shall determine the manner of
369	recognizing and accounting for the earned credits used in lieu of loan repayments or to support
370	grant payments as provided in Subsection (3).
371	(5) (a) (i) At the end of each fiscal year, the [unrestricted, undesignated] General Fund
372	revenue surplus balance after the transfers of surplus of General Fund revenues described in
373	this Subsection (5)(a) shall be earmarked to the Industrial Assistance Account in an amount
374	equal to any credit that has accrued under this part.
375	(ii) The earmark under Subsection (5)(a)(i) shall be capped at \$50,000,000, at which
376	time no subsequent contributions may be made and any interest accrued above the \$50,000,000
377	cap shall be deposited into the General Fund.
378	(b) The earmark required by Subsection (5)(a) shall be made after the transfer of
379	surplus General Fund revenues is made:
380	(i) to the Medicaid Growth Reduction and Budget Stabilization Restricted Account, as
381	provided in Section 63J-1-315;
382	[(i)] (ii) to the General Fund Budget Reserve Account, as provided in Section
383	63J-1-312; and
384	[(ii) beginning with the fiscal year ending June 30, 2007]
385	(iii) to the State Disaster Recovery Restricted Account, as provided in Section
386	63J-1-314.
387	(c) These credit amounts may not be used for purposes of the restricted account as

provided in this part until appropriated by the Legislature.

388