Medicaid and Global Commitment

September 27, 2018 | Joint Fiscal Committee

Al Gobeille, Secretary

Vermont Agency of Human Services

Bottom Line: 1115 Waivers and Budget Neutrality

- Situation
  - New rules govern our 1115 waiver

- Complications
  1. We have to pay attention to the new rules
  2. There is no additional money
  3. We have to manage to the cap

- Recommendations
  - Analyze every Medicaid policy decision against the cap – including investments
    - Each investment pushes us closer to the budget neutrality cap and needs to be examined carefully

The 1115 Waiver Sets How Budget Neutrality is Calculated

- Longstanding CMS policy requires that Medicaid Section 1115(a) demonstrations be budget neutral to the federal government; meaning that federal Medicaid expenditures for a state cannot be allowed to exceed what would have occurred without the waiver.

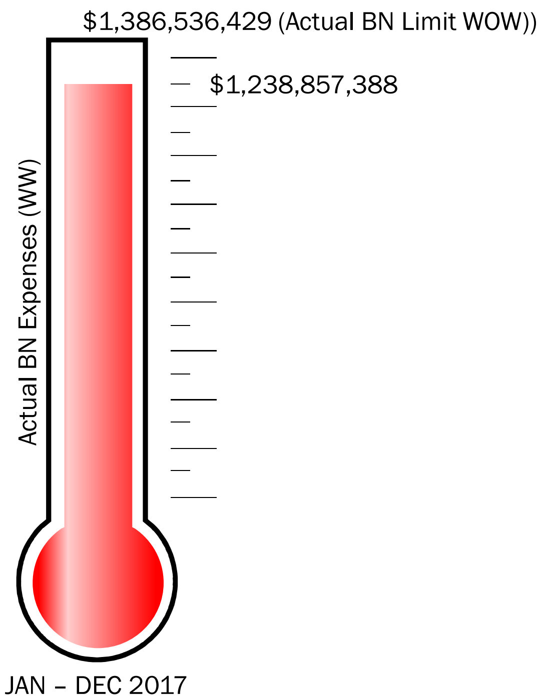
- The "without waiver" budget ceiling is calculated using a CMS and State agreed upon methodology with growth trends that estimate what the cost of Medicaid services would be absent the demonstration.

- For a waiver to be budget neutral, actual Medicaid service expenditures – plus the cost of any expenditure authorities authorized under the demonstration – cannot be greater than the projected "without waiver" expenditures.

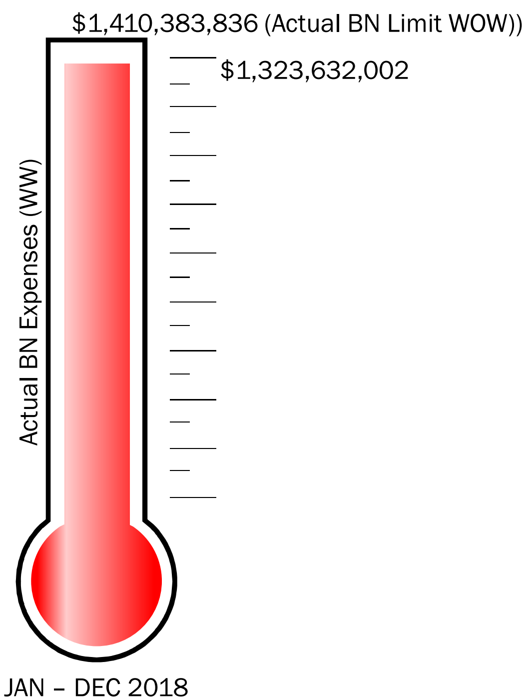
The New Cap is Real and We are Approaching it

- Enrollment (member months) declining (reducing the limit for GC spending)
  - Original CY 2017 enrollment forecast 1,577,559 member months
  - Actual CY 2017 enrollment 1,267,529 member months
- Enrollment mix changed with re-determinations
  - ABD Adults were re-determined as New Adults (quicker eligibility determination process)
  - Existing New Adults were deemed ineligible
  - Cannot accrue budget neutrality savings for New Adults
- **Actual GC expenses are approaching the ceiling – Why?**
  - Increased utilization (DS caseload, Success Beyond Six)
  - Rate increases (DHMC, Brattleboro Retreat, DA wages)
  - New services (Nasal Endoscopy, Colorectal Cancer Screening, additional Cystic Fibrosis test)

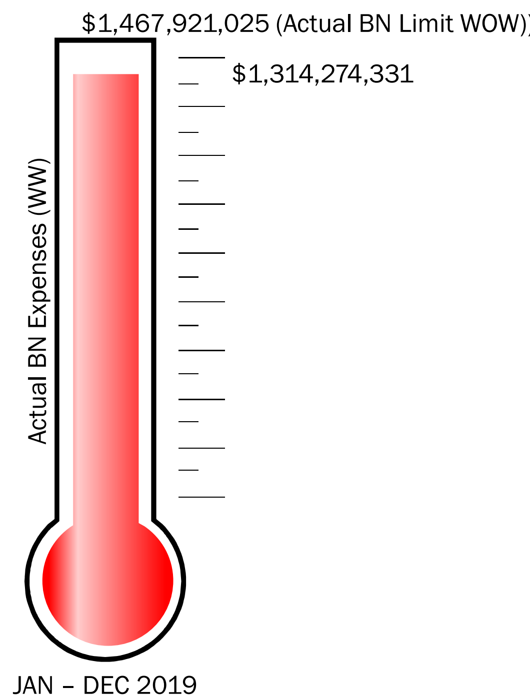
Budget Neutrality



(Difference) Savings:
$147,679,041 or 11%



(Difference) Savings:
$86,751,834 or 6%



(Difference) Savings:
$153,646,693 or 10%

The Problem for Policymakers has Changed from Finding State Match to Managing to the Cap

- The problem to solve has changed:
  - Old 1115 Waiver created plenty of room for spending *if you could find state dollars to get ffp*
  - *New waiver has very little room for spending and leaders need to be mindful of the cap in all decisions*
- We expect this pressure to continue:
  - The next renewal period at the end of CY2021, the GC WOW pmpm rates will be rebased for CY2022-2026
  - The same methodology will apply – MEG pmpm at either the trend rate based on the last 5 demonstration years (2016-2020), or the trend rate based on the President's budget, whichever rate is <u>lower</u> between the two scenarios
  - This could reduce the amount available for Investments, expansion services, and the State's ability to deal with price pressures
- What should you be doing?
  - Use the upcoming budget exercise to evaluate all Waiver spending
  - Scrutinize every Investment