July 27, 2018
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2018

32 V.S.A. § 305a(c) requires a year-end report on Medicaid and Medicaid-related expenditures and caseload. Each January the Emergency Board is required to adopt specific caseload and expenditure estimates for Medicaid and Medicaid-related programs. Action is not required at the July meeting of the Emergency Board unless the Board determines a new forecast is needed as a result of the year-end report. The data in this report reflects the most current actual FY18 information to date. The comparison of actual to the budgeted amount for FY18 reflects the changes made through budget adjustment and big bill processes. There may be adjustments to actual year-end amounts as the financial close-out for the fiscal year is completed and finalized. If necessary, changes will be included in a subsequent report.

Executive Summary
The bullet points below provide the primary results of FY18 in the Vermont Medicaid/GC Waiver /SCHIP and related programs; followed by a brief summary of issues to be aware of looking forward. Detailed multiyear charts for overall program expenditure, enrollment and fund balances follow this summary.

- The State's Medicaid/Global Commitment/SCHIP and related programs ended FY18 in a positive fiscal position.
    - In the aggregate across all funding sources and programs, FY18 total expenditure came in $24.4m 1.4% below the level appropriated. This includes (i.e. after) making the payment that was not budgeted of $4.5m GF to BCBS for the negotiated agreement regarding reconciling the 2016 insurance year for VHC enrollment.
    - None of the $7.1 million of onetime GF allocated for FY18 Medicaid financial year end was needed to close out these programs for the year. The budget allows these unused funds to be allocated for other purposes, including critical providers and substance use disorder related expenditures.
    - Most of the underspending results from pharmacy rebates coming in $22m over expectations, with $10m of this coming in on the last few days of June. These end-of-year rebate payments are the primary reason that none of the $7.1m one time GF funds were needed to close the fiscal year. It remains to be determined if the timing of these rebate payments will impact the FY19 budget.
    - Other areas of note in DVHA include under spending in physician services and the 'Clawback' payment. Some areas came in modestly over expectation, including the Medicare buy-in, hospice services, and payments to the ACO.
    - The other areas of significant Medicaid expenditure include Mental Health and VDH/Substance Use Disorders which ended FY18 on budget, including encumbrances. The Development Disabilities Services program spending was below the amount budgeted. This underspending is netted within the total $24.4 million gross underspending across all programs. This does not impact the DDS

FY19 budget which fully funds the projected need made last December. The FY18 experience will influence the FY20 budget estimating process.

- The new GC Waiver agreement which began in Jan. 2017, establishes annual calendar year caps on the total amount of Waiver Investments. For the 2017 waiver year, which ended Dec. 31 2017 the total cap was $142.5m. This is also the total spend on waiver investments for this period. The CY2018 cap is $148.5m and AHS anticipates fully utilizing this cap capacity.

- As a result of 2018 Medicaid program underspending; there is a total of $4.5m of GF available to carryforward into FY19. These funds are allocated as follows: $1.5m for required carried forward for FY19 Medicaid budget balance, $1.1m for continued premium processing in FY19, $1m for the Choices for Care reserve, the remainder is allocated for identified onetime contractual encumbrances.
- Childless New Adults: The primary reason the gross underspending in the Medicaid program does not result in a GF amount close to the 46% base match rate of the program is the continued shift in expenditures within the New Adult population. The portion of the Childless New Adult expenditures continues to come in below our reduced budget projections. The match rate for this population is roughly 90%. The lower Childless New Adult spending relative to higher proportion for other eligibility groups resulted in approximately a $4.9m more GF needed to fund the same level of total expenditure in FY18. This will have an impact on the Medicaid GF need for FY19 and FY20.
- Caseload has stabilized and continues to decline modestly. Vermont is following an annual eligibility redetermination process. In total, the FY18 caseload came in 2% below the level adopted in January 2018. Multi-year detailed caseload data is provided on page 4 of this report.
- SHCRF: The State Health Care Resources Fund ended the year with a positive balance of $1.65m. This was primarily due to the claims assessment coming in above expectation. This tax and the employer assessment are now collected by the Tax Dept. and this appears to have resulted in better compliance in the collections from insurers. Act 11 of 2018 special session allows the Administration to consider including a unification of this fund into the GF in FY19 as part of the budget adjustment process.

Looking Ahead – Concerns, Considerations and Areas of Focus

- Changes required by the current Global Commitment Waiver include phase out and phase down of federal match for several waiver investments. These include the school nurses & HIT investment (phase out complete), as well as room and board and UVM grant funded physician training which began partial year step down of Medicaid funding in FY19 with full phase out by FY22. The continued budgetary impacts of these no longer federal matched investments will be included in the FY20 Medicaid budget.
- Agreement on the new Substance Use Disorder (SUD) amendment to the GC Waiver was reached and began this July 1st. Although it is starting a bit later than hoped, this amendment was anticipated with the renewal of the GC Waiver. This allows Vermont to pay for SUD services provided at an IMD with GC Program funds. Previously, these costs, estimated at approximately $8M, were claimed as GC Investment.

- The current waiver allows the continuation of the investments for inpatient psychiatric treatment at the Brattleboro Retreat and the Vermont Psychiatric Care Center for this waiver period which ends Dec. 31, 2021 (mid-FY22). These are significant investments that totaled $29.4m in FY18 of which $15.9m is the federal match. However the federal matching funds for these Level 1 services is expected to begin being phased out at the very end of this waiver cycle and throughout the next extension. These facilities are classified as IMDs (Institutes of Mental Disease) and are ineligible for Medicaid funds.
    - The current waiver requires that no later than December 31, 2018, the state must submit a phase-down schedule for the Vermont Psychiatric Care Hospital and other IMD-expenditures (i.e. Brattleboro Retreat). The state must propose a lower amount for the IMD expenditures starting January 1, 2021 with a plan to get to $0 by the end of 2025.
    - The 12 new beds coming on at The Retreat will need to be included in analyses of both the phase down and waiver investment capacity during this period.
- Childless New Adults: The staff work group will continue to work to understand the expenditure trend for the Childless New Adults eligibility group and the budgetary implications. To the extent SUD expenditures for this population are paid through investments and are included in the new SUD amendment the opportunity to draw the enhanced match for these expenditures will need to be analyzed.
- Rx Rebates: The staff work group will continue to work to understand the trend for pharmacy rebates both in terms of scope and normal cycle and timing of these payments particularly if the payments made in the last few days of June 2018 impact the FY19 budget and/or if we are now in a new rebate timing cycle. There remains a fiscal liability in the form of manufacturer credits related to the over collection of pharmacy rebates two years ago. These credits are being slowly reduced over time; however one large manufacturer has reached an agreement with DVHA to true up the balance of these credits within a two year period. The fiscal impacts of this agreement and potential of additional expedited true up requests from other manufacturers needs to be analyzed for FY19 and FY20.
- The Vermont Medicaid Next Generation (VMNG) ACO program is in its second year of operation. The program began calendar year 2018 with approximately 42,000 Medicaid members, a 45% increase from 2017. DVHA and OneCare continue to work towards finalizing 2017 financial and quality results. DVHA anticipates presenting these results no later than the ACO report due to the legislature on September 15, 2018 as required by Act 124 of 2018. Concurrently, negotiations have begun between DVHA and OneCare Vermont for the calendar year 2019 program. DVHA submitted an ACO progress report to the legislature on June 15, 2018 available on the legislature's report website.
- CHIP is funded by Congress through FFY2023. However, the ACA based federal enhanced match rate for CHIP will be phased down over two years and will have a significant fiscal impact. An initial $6.3m hit will be in our FY21 budget, growing to a fully annualized $12.3 million reduction to be entirely absorbed by FY22.
- Uncertainties related to federal funding and policy changes related to health care will likely remain a challenge for these programs.

Average Medicaid Caseload

Budgeted

(Based on Monthly Enrollment Through June 2018)

FY15- FY17 impacted by eligibility redetermination suspension and resumption

	actual FY13	actual FY14	actual FY15	actual FY16	actual FY17	EBoard Jan.'18 FY18	est. actual FY18	Eboard Jan.'18 FY19
Full/Primary Coverage (note1)								
Adult								
Aged, Blind, or Disabled (ABD) Adults	14,294	15,559	15,967	14,883	8,759	7,218	6,799	7,141
General Adults	11,387	12,959	17,339	20,050	14,876	12,984	12,664	12,958
New Adult Childless- began 1/1/2014	n/a	35,935	42,814	49,895	42,412	41,165	39,967	39,795
New Adult w/Kids - began 1/1/2014	n/a	7,522	10,379	12,810	17,787	18,439	18,568	20,309
Childless % of total New Adult	n/a	83%	80%	80%	70%	69%	68%	66%
VHAP Adults - ended in 2014	37,468	36,817	n/a	n/a	n/a	n/a	n/a	n/a
Adult subtotal	63,149	71,975	86,499	97,638	83,834	79,807	77,998	80,203
Children								
Blind or Disabled (BD) Kids	3,702	3,652	3,654	3,243	2,579	2,439	2,241	2,379
General Kids	55,400	56,536	60,894	63,354	60,024	60,360	59,821	60,372
SCHIP (Uninsured) Kids	3,986	3,835	4,416	4,509	5,136	4,817	4,667	4,905
Child subtotal	63,089	64,023	68,964	71,106	67,739	67,616	66,729	67,656
Subtotal -Full/Primary	**126,237**	**135,998**	**155,462**	**168,744**	**151,573**	**147,423**	**144,727**	**147,859**
Partial/Supplemental Coverage								
Choices for Care	3,917	4,072	4,101	4,263	4,302	4,350	4,232	4,390
ABD Dual Eligibles	17,179	17,481	18,309	18,734	17,651	17,645	17,659	17,772
Rx -Pharmacy Only Programs	12,529	13,737	11,974	11,583	11,389	11,182	10,717	10,913
VPA-Vermont Premium Assistance (note2)	n/a	10,886	16,906	14,893	17,961	19,023	18,275	20,524
CSR-Cost Sharing Reduction - subset of VPA	*n/a*	*3,447*	*5,322*	*4,976*	*5,816*	*6,483*	*6,141*	*7,099*
Underinsured Kids (ESI upto 312% FPL)	979	1,235	907	834	873	831	601	800
Catamount - ended in 2014	11,483	12,387	n/a	n/a	n/a	n/a	n/a	n/a
ESI progs (VHAP&Catamount) - ended in 2014	1,534	1,207	n/a	n/a	n/a	n/a	n/a	n/a
Subtotal -Partial/Supplemental Coverage	**48,128**	**47,411**	**52,197**	**50,307**	**52,177**	**53,031**	**51,485**	**54,399**
Total Medicaid Enrollment	**174,366**	**183,408**	**207,659**	**219,051**	**203,750**	**200,454**	**196,212**	**202,258**

Notes
1 Some Full Coverage enrollees may have other forms of insurance.
2 VPA-Vermont Premium Assistance counts are subscribers not individuals

VT LEG #312754 v.11

Summary of Total Expenditures						
Medicaid and Medicaid Related						
	FY15 Actual	FY16 Actual	FY17 Actual	FY18 BAA	Est. FY18 Actual	FY19 Budgeted
Total All Admin	*91,477,957*	*114,941,963*	*131,455,574*	*127,962,072*	*128,836,996*	*135,676,999*
Non Capitated Administration 50/50	2,468,599		42,336,781	80,611,022	78,534,543	83,545,837
Non Capitated Administration 75/25 MMIS M&O			6,576,855	13,259,096	13,329,352	15,328,675
Non Capitated Administration 75/25 SPMP			4,609,334	6,969,212	6,316,169	6,576,291
Non Capitated Administration 75/25 E&E M&O		13,063,756	23,949,052	27,122,742	30,656,932	30,226,196
Global Commitment Waiver						
GC - Administration	89,009,358	101,878,207	53,983,552	n/a	n/a	n/a
GC - Program	1,218,350,870	1,376,800,946	1,363,173,002	1,395,189,895	1,370,537,971	1,440,856,044
GC - VT Premium Assistance	5,471,173	5,256,145	6,162,611	6,649,761	6,332,790	7,112,797
GC - Choices for Care (CY 2015 in GC)	102,782,659	183,841,818	190,393,133	196,011,736	193,956,348	204,515,915
GC - Waiver Investments	121,609,350	119,743,698	135,234,008	141,870,622	139,114,731	131,401,492
GC - Certified (non -cash program & investment)	29,279,458	32,698,831	28,059,203	26,453,027	27,307,277	26,413,016
	1,463,720,209	1,636,377,827	1,586,612,376	1,570,163,305	1,543,292,769	1,605,783,349
~~Choices For Care~~ / Money Follows the Person	108,013,364	3,263,786	2,244,110	1,650,000	2,607,149	-
Exchange Cost Sharing Subsidy (State Only)	1,138,775	1,186,720	1,355,318	2,640,929	1,533,802	1,427,176
Exchange Vermont Premium Assistance (State Only)	140,293	10,097	(62,232)		74,896	
Pharmacy - State Only	1,256,966	(2,752,230)	(258,671)	1,104,186	1,054,658	1,586,829
DSH	37,448,781	37,448,781	37,448,780	27,448,781	27,448,780	22,704,471
Clawback (100% GF funded)	25,888,658	29,011,845	31,738,186	35,048,981	33,676,089	36,660,158
SCHIP	10,373,932	9,787,010	13,081,552	12,453,294	11,055,931	12,651,368
Total	1,650,449,577	1,714,333,836	1,749,631,439	1,778,471,548	1,749,581,070	1,816,490,351
	5.1%	*3.9%*	*2.1%*		*0.0%*	*2.1%*
GF Reconciliation Payments (VHC/premiuim)		1,600,000	3,500,000	-	4,500,000	
Notes						
FY15 Choice For Care was incorporated into the GC waiver on Jan 1. 2015						
Jan 1 2015 Non-capitated Administration moved to GC - Administration.						
Jan 1, 2017 All Admin removed from the GC waiver						
FY17 and thereafter the GC Program line includes capitated payments to ACO						VT LEG #302110

Choices for Care Year End Summary - SFY18

CFC is managed as one budget, categories are estimated but funding is fluid within them.

DeptID - 34100160000

LTC		SFY18 Plan$s Available (Final Appropriation)	SFY18 Expend and Obligated	Balance of SFY18 Approp by fund	State Share Amt as of FY18 Year End Available for CF/Savings Reinvestment	State Share converted to Gross GC Amt Available For CF/Savings Reinvestment	
	H&CB Money Follows the Person GF	$ 753,720	$ 603,428	$ 150,292	$ 150,292	$ -	GF staying as GF for Money Follows the Person expenditures. Program expenditures
	H&CB Money Follows the Person FF	$ 2,196,280	$ 2,003,722	$ 192,558	$ -	$ -	
	H&CB GC	$ 71,082,513	$ 71,477,995	$ (395,482)	$ (183,029)	$ (396,081)	
	Nursing Home GC	$ 124,929,223	$ 122,478,353	$ 2,450,870	$ 1,134,263	$ 2,454,583	
LTC Subtotal all funds		$ 198,961,736	$ 196,563,497	$ 2,398,239	$ 1,101,526	$ 2,058,502	Carryforward from SFY18 into SFY19 available before obligations. (1% of SFY18 CFC-LTC expenses)
						$ (100,000)	Less: Obligation for SFY19 Emergency Financial Relief expenditures.
						$ 1,958,502	Balance of carryforward not obligated
						$ 1,965,635	1% reserve requirement, calculated by taking 1% of SFY18 expenses (if available)
						$ -	amount available for "reinvestment" (if available)

Global Commitment - Cash Balance Sheet - FY15 to FY19						
	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Budgeted	FY18 Actual	FY19 Budgeted
Revenues - Cash Capitated Payments	**1,442,945,241**	**1,633,975,029**	**1,554,409,832**	**1,540,133,246**	**1,512,050,358**	**1,575,788,640**
Expenses - Cash Capitated						
Administration	89,009,358	101,878,207	53,983,552	-		
Program	1,223,822,043	1,382,057,091	1,369,335,613	1,401,839,656	1,376,870,761	1,447,968,841
Investment	112,000,874	110,777,644	131,087,882	138,293,590	135,179,597	127,819,799
Total Cash Expenses	**1,424,832,275**	**1,594,712,942**	**1,554,407,047**	**1,540,133,246**	**1,512,050,358**	**1,575,788,640**
Transfer to 27/53 Reserve- 53rd week portion	n/a	n/a	**(5,287,591)**	**(1,700,000)**	**(1,700,000)**	**(1,760,000)**
Transfer to Human Service CR - IBNR						**(64,022,729)**
Transfer to Human Service CR - Medicaid						**(14,064,254)**
Change in Fund Balance	**18,112,966**	**39,262,087**	**(5,284,806)**	**(1,700,000)**	**(1,700,000)**	**(79,846,983)**
Prior Year Fund Balance	**29,456,821**	**47,569,787**	**86,831,874**	**81,547,068**	**81,547,068**	**79,847,065**
Total Fund Balance	**47,569,787**	**86,831,874**	**81,547,068**	**79,847,068**	**79,847,068**	**82**
Non-capitated administrative expenses (1)	2,468,599	-				
Non-cash expenses (2)	29,311,669	32,698,831	28,059,203	26,453,027	27,307,277	26,413,016
Non-cash revenues (3)	29,311,669	32,698,831	28,059,203	26,453,027	27,307,277	26,413,016

Notes:

(1) Non-capitated expenses are cash expenses but are paid outside of capitation pmt and do not affect fund balance. Effective 1/1/15,with consolidation of CFC into GC these expenses are now part of the GC Admin.

(2) Non-cash expenses include certified programs in which non-federal expenses are not State cash expenses.

(3) Non-cash revenues include certified programs in which non-federal revenues are not State cash revenues.

VT LEG #259687

	State Health Care Resources Fund				A	B		C		D
					Jan. 2018 Eboard		Jan. 2018 Eboard	July 2018 Eboard	Jan. 2018 Eboard	July 2018 Eboard
		FY15 Actuals	FY16 Actual	FY17 Actual	FY18	Est. FY18 Actual	FY19	FY19	FY20	FY20
	State Health Care Resources Fund									
	Beg. Balance	(748)	7,337,508	4,729,431	(12,694)	(12,694)	-	1,647,034	-	
	Catamount Fd Bal (incorp FY13)	n/a	n/a	n/a	n/a					
	Total Beginning balance	(748)	7,337,508	4,729,431	(12,694)	(12,694)	-	1,647,034	-	TBD
	Revenue									
1	Cigarette Tax Revenue	68,302,786	70,007,845	67,556,831	62,600,000	61,785,442	61,150,000	59,050,000	60,060,000	56,560,000
2	Tobacco Products Tax - 100%	8,104,758	9,012,347	9,134,862	9,140,000	9,286,787	9,190,000	9,450,000	9,270,000	9,610,000
3	Cigarette Floor Stock Tax	347,610	897,670	-	-	-	-	-	-	-
4	Claims Assessment	13,978,648	13,767,674	14,055,360	14,100,000	15,912,905	14,100,000	15,100,000	14,100,000	15,100,000
5	Employer Assessment	15,879,665	17,896,335	19,159,000	20,092,838	19,843,461	20,800,000	20,450,000	21,000,000	21,063,500
6	Graduate Med Education	13,054,500	13,491,750	13,462,714	13,884,000	13,884,750	13,863,000	13,863,000	13,863,000	13,863,000
7	Nursing Home Sale Assessment	-	593,400	3,683,218	-	-	-	-	-	-
8	Prov Tax - Ambulance	-	-	736,924	1,044,646	936,174	925,000	935,000	925,000	935,000
9	Prov Tax - Hospital	125,293,302	131,712,103	137,296,343	141,050,599	141,544,568	141,050,598	146,495,231	143,166,357	150,157,612
10	Prov Tax - Hospital A/R	-	-	-	1,953,910	1,953,910	-	1,239,183	-	-
11	Prov Tax - Nursing Home	15,595,924	15,681,383	15,000,491	15,000,365	14,847,278	14,709,394	14,330,590	14,709,394	14,330,590
12	Prov Tax - Nursing Home A/R	-	-	-	-	-	-	46,046	-	-
13	Prov Tax - Home Health	4,373,603	4,488,435	5,467,427	4,466,892	4,699,521	4,542,437	4,700,000	4,542,437	4,700,000
14	Prov Tax - ICF-MR	73,759	73,308	73,308	73,828	73,828	73,828	74,000	73,828	74,000
15	Pharmacy $0.10/script	775,297	783,689	782,910	780,000	812,375	780,000	800,000	780,000	800,000
16	Premiums - Dr. D (medicaid)	192,949	130,524	183,318	185,000	204,640	185,000	160,000	185,000	160,000
17	Premiums - SCHIP	928,108	163,865	102,313	105,000	132,739	105,000	100,000	105,000	100,000
18	Premiums - Rx programs	3,112,356	2,918,910	2,799,719	2,800,000	2,617,496	2,730,000	2,500,000	2,661,750	2,350,000
19	Recoveries	435,377	2,831,833	55,117	885,708	985,651	276,468	276,468	442,501	442,501
20	Other *(Misc, Interest)*	(39,319)	(962,512)	(77,088)	-	288,327	-	-	-	-
21	Total Fund Revenue	270,409,063	283,488,521	289,472,721	288,162,786	289,809,819	284,480,725	289,569,518	285,884,267	290,246,203
	Total Available	270,408,315	290,826,029	294,202,152	288,150,091	289,797,125	284,480,725	291,216,552	285,884,267	290,246,203
	Expenditures									
	Total GC Expend	263,070,807	286,096,598	294,214,846	288,150,091	288,150,091	284,480,725	284,480,725	TBD	TBD
	End. Balance	**7,337,508**	**4,729,431**	**(12,694)**		**1,647,034**		**6,735,827**		TBD
										VT LEG # 313575