

July 15, 2010
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2010

32 V.S.A. § 305a(c) requires a year end report on Medicaid and Medicaid related expenditures and caseload. In January the Emergency Board is required to adopt specific caseload and expenditure for Medicaid and Medicaid-related programs. Action is not required at the July meeting of the board unless the Board determines a new forecast is needed as result of the year-end report. Staff does not recommend a new forecast as the year-end expenditure information does not at this time indicate a revision to the forecast. However issues related to the Federal Medical Assistance Percentage (FMAP) may significantly impact the FY11 budget.

This report contains the following:

Year End Summaries:

- Summary of Enrollment
- Summary of Total Expenditures
- Global Commitment Fund Summary
- Catamount and State Health Care Resources Fund Summaries
- Catamount Fund Detail
- State Health Care Resources Fund Detail

Key Issues

The data in this report reflects current estimates to date. There may be changes as the financial close out for fiscal year is completed and finalized. If necessary, significant changes will be included in a subsequent revised report.

Enrollment: Actual FY10 enrollment appears to have ended mostly on target in almost all eligibility groups. Overall total enrollment was 0.35% above the target adopted for FY10 in January of this year. New enrollment estimates for Federal FY11 will be made in September, the consensus process for that is underway. The trend analysis thus far is indicating continued growth in the adult category, particularly the VHAP program the program that we expect the greatest volatility in as a result of economic factors. At this point, little impact from the federal health care reform is anticipated in the current FY11 enrollment estimates, but as we look ahead such impacts will continue to be analyzed.

Expenditures: Final close out is not complete in all departments but we appear to be essentially on target overall for FY10 expenditures. Areas where spending is below expectation, such as long term care, will carryforward funds for FY11 needs. The FY11 budget reflects the totals included in the budget as passed. Approximately \$17m (gross) of funding reductions were estimated with the passage of the Challenge for Change implementation bill. These in addition to any other challenge funding reductions, will be reflected in the total as the appropriations adjustments are made as authorized in the Challenge bills. All of the Catamount enrollees between 200%-300% of the Federal Poverty Limit (FPL) are now included in the Global Commitment Waiver.

Global Commitment Fund: The Global Commitment Fund (GCF) is on target to close FY10 with the \$43 million (gross) balance expected in building the FY11 budget. We may modestly exceed this target once all departments are closed out. Under the GC waiver the state draws federal funds by payment of set actuarially determined rates to the managed care organization (MCO). FY10 cash capitated payments reflect the full current-year per-member per-month payment obligation. As a result, the FY11 capitation payments do not assume any payments for prior years (as was the case in FY09 and FY10) other than technical adjustments associated with retroactive enrollment. Over July and August, the actuary will be analyzing the most recent expenditure information. The Agency of Human Services, in consultation with the Agency of Administration and the Joint Fiscal Office, will be setting the Global Commitment actuarial rates for federal fiscal year 2011 in August; the rates are due to CMS on or before September 1. This analysis will further inform any revisions that may be required for the FY11 estimates and developing the initial FY12 estimates in January.

Catamount Fund: FY10 revenues in the Catamount Fund were below expectations primarily to lower than expected premium revenue being collected. The cause of this is not yet understood will continue to be analyzed. Instead of ending FY10 with \$730k balance, FY10 has a \$110k deficit. This results in an \$800k+ deficit in FY11 which may increase if the premium issue described herein reflects a new baseline versus a one-off timing event.

State Health Care Resources Fund: The FY10 balance is estimated to be \$3.9m which is \$2.6m higher than the amount anticipated in the budget. This is mainly because cigarette tax revenues and legal settlement revenues came in higher than expected. This \$2.6m will be available in FY11. The main reason FY11 revenues in total are estimated to be significantly higher than in FY10 is the change in the base year for the hospital provider tax that was included in the budget this year.

Federal Medical Assistance Percentage (FMAP): The budget assumed an extension to the enhanced FMAP until the end of state fiscal year 2011. The total estimated value of the enhancement was \$62.264 million. These funds were removed from the budget and placed into the human services caseload reserve and will be allocated from the reserve if a federal extension is enacted. Without an extension the funds will be restored to the Medicaid programs and the allocations will not go forward from the reserve.

In addition to the allocations not being funded, one other issue that we are facing as a result of not having an extension is the base estimate FMAP for FY11 and the impact of the our actual unemployment rate. The assumption for the FY11 base FMAP assumed we would remain in the highest adjustment tier under ARRA for the first two quarters of this year. The good news is our unemployment rate did not stay at the level that would have allowed us remain in this tier. The bad news is we are facing a 0.56% increase in the state share from 35.67% to 36.23% which is a \$6.8 million increase in state fund need. Extension of the enhanced FMAP would eliminate this problem, if an ARRA extension includes language continuing the unemployment hold harmless provision which expired effective July 1, 2010.

PROGRAM ENROLLMENT						
	FY08 Actual	FY09 Actual	FY10 Budget (Jan '10 Ebrd)	FY10 Final Est	FY11 Budget (Jan '10 Ebrd)	
Adults						
Aged, Blind, or Disabled (ABD)/Medically Needy	11,804	12,547	13,184	13,337	13,866	
Dual Eligibles	14,197	14,779	15,111	15,192	15,536	
General	9,258	9,858	10,297	10,358	10,786	
VHAP	24,763	28,214	32,429	33,249	36,862	
VHAP ESI	274	329	1,195	949	1,564	
Catamount	2,296	6,353	9,081	8,985	11,862	
ESIA	176	476	710	677	930	
Subtotal Adults	62,767	72,556	82,007	82,746	91,406	
Children						
Blind or Disabled (BD)/Medically Needy	3,491	3,608	3,680	3,610	3,771	
General	50,674	52,242	53,863	54,232	55,631	
Underinsured	1,147	1,212	1,248	1,176	1,282	
SCHIP (Uninsured)	3,280	3,414	3,721	3,510	3,966	
Subtotal Children	58,591	60,476	62,512	62,528	64,650	
Pharmacy Only Programs						
	12,727	12,453	12,659	12,550	12,580	
Choices for Care						
Nursing Home, Home & Community Based, ERC	4,062	4,016	4,010	3,929	4,010	
Total Direct Services	138,147	149,501	161,188	161,754	172,646	

Summary of Total Expenditures

	FY08 Actual	FY09 Actual	FY10 Budgeted	FY10 Final Est.	FY11 Budget As Passed	Challenge Estimate As Passed
Non Capitated Administration	5,764,748	6,116,390	6,078,177	6,128,458	6,033,133	
Global Commitment Waiver						
GC - Administration	70,078,963	74,349,470	80,992,624	78,470,772	82,244,844	
GC - Program	688,768,873	779,104,938	852,092,860	856,585,269	969,668,432	
GC - Investments (CNOM)	50,961,849	53,463,741	56,509,033	55,667,759	54,712,118	
GC - Certified (non -cash program & cnom)	23,989,739	28,079,069	28,984,660	28,984,660	25,674,647	
	833,799,424	934,997,218	1,018,579,177	1,019,708,459	1,136,536,461	(12,382,669)
Choices For Care Waiver (LTC)	189,742,595	197,954,288	198,503,702	194,600,000	206,544,910	(5,000,000)
Pharmacy - State Only	7,055,010	6,534,312	1,399,166	1,700,000	3,183,320	
Catamount - State Only >200% -Administration	1,270,333	905,626	175,814	628,951	*	100% incl in GC
Catamount - State Only >200% -Program	3,981,434	8,682,014	6,960,389	6,675,825	*	100% incl in GC
DSH	49,003,898	35,648,781	37,448,781	37,448,781	37,448,781	
Clawback	20,339,254	20,779,093	13,213,134	13,300,000	17,614,748	
SCHIP	6,193,009	7,231,315	7,575,658	7,200,000	8,452,339	
Total	1,117,149,705	1,218,849,037	1,289,933,998	1,287,390,474	1,415,813,692	

* FY10 >200% Catamount is 1/2 year - these expenses are moved into GC after Jan 1, 2010.
Most of the Buy-In program is included in the GC waiver and a small portion is in the CFC waiver

Global Commitment - Cash Balance Sheet - FY09 to FY11 (Appropriated)

	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 ESTIMATED Final (4)</u>	<u>FY11 Appropriated</u>
Cash Carryforward from Prior Year	38,913,512	42,285,554	25,026,759	43,167,252
Revenues - Cash Capitated Payments (5)	813,181,969	889,659,354	1,008,864,292	1,063,528,627
Expenses - Cash Capitated Administration Program <u>Investment</u>	70,078,963 688,768,873 50,961,849	74,349,470 779,104,938 53,463,741	78,470,772 856,585,269 55,667,759	82,244,844 969,668,432 54,712,118
Total Cash Expenses	809,809,685	906,918,149	990,723,799	1,106,625,394
End-of-Year Cash Balance	42,285,798	25,026,759	43,167,252	70,485
Non-capitated administrative expenses (1)	5,764,748	6,116,390	6,128,458	6,033,133
Non-cash expenses (2)	23,989,739	28,079,069	28,984,660	29,911,067
Non-cash revenues (3)	32,448,537	31,170,027	29,758,594	30,608,548

Notes:

- (1) Non-capitated expenses are cash expenses but are paid outside of capitation pmt and do not affect fund balance.
- (2) Non-cash expenses include 3 certified programs in which non-federal expenses are not State cash expenses.
- (3) Non-cash revenues include 4 certified programs in which non-federal revenues are not State cash revenues.
- (4) FY10 revenues and expenses are **ESTIMATED ONLY** - actual revenues and expenses may be different based on final closeout, and may vary between administration, program, and MCO investment.

- (5) FY10 cash capitated payments reflect the full current-year per-member per-month payment obligation. As a result, the FY11 capitation payments do not assume any payments for prior years other than technical adjustments associated with retroactive enrollment. FY09 and FY10 capitation payments included payments for prior-year shortfalls of \$21,379,986 and \$25,972,014.

Catamount Fund

	FY08 Actual	FY09 Actual	FY10 Final Est	FY11 Budgeted	
Beg. Balance	4,644,780	9,775,791	7,311,891	(109,156)	estimate was +\$732k
Total Catamount Revenue	15,742,568	20,216,600	18,169,364	21,689,254	
Revenue from GF	3,500,000	0	0	0	
Total Catamount Expenses	14,111,558	22,680,501	25,590,411	30,243,322	approp= 21,980,856
Expense moved to GF	0	0	0	(7,822,019)	22,421,303
End. Balance	<u>9,775,791</u>	<u>7,311,891</u>	<u>(109,156)</u>	<u>(841,205)</u>	<u>(440,447)</u>

State Healthcare Resources Fund

	FY08 Actual	FY09 Actual	FY10 Actual Est	FY11 Budgeted
Beg. Balance	8,766,595	(582,703)	(1,432,526)	3,904,842
Total Revenue	138,976,113	146,828,492	158,188,830	175,109,034
Total Expenses	148,325,411	147,678,315	152,851,462	176,395,700
End. Balance	<u>(582,703)</u>	<u>(1,432,526)</u>	<u>3,904,842</u>	<u>2,618,176</u>

CATAMOUNT BALANCE SHEET

	SFY '08 Actuals		SFY '09 Actuals		SFY '10 Estimate		SFY '11 Appropriated	
	≤200%	>200%	≤200%	>200%	≤200%	>200% before	>200% after	>200% FPL
Catamount Health	3,593,323	3,645,009	21,965,764	9,327,448	31,140,504	6,436,111	7,368,521	45,091,811
Catamount Eligible Employer-Sponsored Insurance	121,883	139,425	720,889	354,566	1,048,781	239,713	278,261	16,621,443
Subtotal New Program Spending	3,715,206	3,884,434	22,686,653	9,682,014	32,189,285	6,675,825	7,646,782	61,713,254
Catamount and ESI Administrative Costs	1,688,833	1,270,333	1,278,217	905,626	1,254,021	628,951	314,476	17,485,153
TOTAL GROSS PROGRAM SPENDING	5,404,039	5,251,766	23,964,870	9,587,640	33,443,306	7,304,776	7,961,258	83,653,854
TOTAL STATE PROGRAM SPENDING	2,215,116	5,251,766	8,191,169	9,587,640	10,046,369	7,304,776	3,271,281	25,296,187
Immunizations Program	-	4,000,000	-	2,254,334	-	1,327,000	1,250,000	2,500,000
VT Dept. of Labor Admin Costs Assoc. With Employer Assess.	-	258,466	-	384,046	-	197,036	197,036	394,072
Marketing and Outreach	1,316,167	1,316,167	500,000	2,092,381	500,000	923,357	846,713	500,000
Blueprint	-	1,846,713	-	4,730,761	-	2,447,393	2,370,393	1,846,713
TOTAL OTHER SPENDING	1,316,167	6,105,179	500,000	4,730,761	500,000	2,447,393	2,370,393	5,240,785
TOTAL STATE OTHER SPENDING	539,497	6,105,179	170,900	4,730,761	150,200	2,437,393	2,370,393	4,947,135
TOTAL ALL STATE SPENDING	2,754,613	11,356,946	8,362,069	14,318,401	10,196,569	9,742,169	5,641,674	30,243,322
Catamount Health Premiums	396,065	1,028,066	3,533,637	2,556,638	4,748,770	1,704,249	2,216,648	6,230,445
Catamount Eligible Employer-Sponsored Insurance Premiums	90,854	67,134	225,665	160,898	315,618	115,175	150,941	517,094
Subtotal Premiums	423,949	1,095,200	3,759,301	2,717,536	5,064,388	1,819,424	2,367,589	6,747,539
Federal Share of Premiums	(253,713)	-	(2,474,701)	-	(3,543,046)	-	(1,394,747)	(4,320,029)
TOTAL STATE PREMIUM SHARE	176,236	1,095,200	1,286,100	2,717,536	1,521,342	1,819,424	972,842	2,427,510
Cigarette Tax Increase (\$60 / \$80)	8,686,425	-	-	9,361,695	-	-	-	9,408,500
Floor Stock	29,329	-	-	348,117	-	-	-	7,600,000
Employer Assessment	5,421,491	-	-	6,378,000	-	-	-	3,858,361
Interest	333,887	-	-	125,951	-	-	-	3,963,658
General Fund - Gov. Rec	-	-	-	-	-	-	-	-
General Fund - Legislature	-	-	-	-	-	-	-	-
State Fund Transfer due to Enhanced ARRA	-	-	-	-	-	-	-	-
TOTAL OTHER REVENUE	14,471,132	-	-	16,213,764	-	-	-	24,830,519
TOTAL STATE REVENUE	176,236	1,095,200	1,286,100	2,717,536	1,521,342	1,819,424	972,842	29,511,974
State-Only Balance	1,631,010	-	-	(2,483,900)	-	-	-	(732,049)
Carryforward	4,644,760	-	-	9,775,781	-	-	-	732,049
DEFICIT/SURPLUS	6,275,781	-	-	7,291,681	-	-	-	0
Reserve Account Funding	3,500,000	-	-	7,311,891	-	-	-	0
REVISED DEFICIT/SURPLUS WITH RESERVE FUNDING	9,775,781	-	-	7,311,891	-	-	-	0

State Health Care Resources Fund

	FY08 Actual	FY09 Actual	FY10 BAA	FY10 Actuals (projected)	FY11 As Passed
State Health Care Resources Fund					
Beg. Balance	8,766,595	(582,703)	(1,432,526)	(1,432,526)	1,286,665
Onetime '06 GF Waterfall	8,766,595	(582,703)	(1,432,526)	(1,432,526)	1,286,665
Revenue					
Cig Tax @ 84.5% ('07 was 91.1%)	47,350,202	51,036,337	53,085,700	54,476,275	52,346,132
Tobacco Products Tax - 100%	3,180,785	3,398,280	5,100,000	5,244,840	5,000,000
Prov Tax - Hospital	62,563,216	67,299,073	73,134,572	73,163,741	94,997,944
Prov Tax - NH	14,559,205	13,004,774	13,536,996	13,445,884	13,060,927
Prov Tax - HH	4,426,736	3,864,347	4,101,901	3,994,644	4,088,575
Prov Tax - ICF-MR	61,104	62,059	66,002	66,002	66,002
Pharmacy \$0.10/script	603,986	835,186	800,000	802,905	800,000
Bene Prens - VHAP (mgd care)	2,005,226	1,883,041	2,127,112	1,935,145	2,931,829
Bene Prens - Dr. D (medicaid)	189,559	170,189	217,896	147,920	409,855
Bene Prens - SCHIP	291,108	442,231	460,586	459,898	838,979
Bene Prens - VPH1	1,259,642	1,391,274	1,129,678	1,231,353	1,129,756
Bene Prens - VPH2	614,967	680,716	504,727	613,706	536,336
Bene Prens - add'l Fed giveback (Waiver Amendment)			(100,000)		(2,022,631)
Enhanced ARRA FMAP extension					(545,451)
Bene Prens - VPH3	1,306,084	1,512,963	1,405,481	1,518,711	1,470,781
Bene Prens -VHAP Rx	704	230	-	255	-
Bene Prens -Vscript	4,935	434	-	20	-
Bene Prens -Vscript Exp	11,385	2,340	-	200	-
Premium Fees - future	99,762	45,900	-	129,352	-
Abandoned Property	(4,091)	1,287	-	(177)	-
Recoveries	204,092	1,251,168	-	979,964	-
Interest Income	247,506	(53,337)	-	(21,808)	-
Total Fund Revenue	138,976,113	146,828,492	155,570,651	158,188,830	175,109,034
Total Available	147,742,708	146,245,789	154,138,125	156,756,304	176,395,699
Expenditures					
AHS GC appropriation	148,325,411	147,678,315	156,955,519	152,851,462	176,395,700
Rescission			(1,516,973)		
BAA Estimate			(1,432,526)		
BAA Estimate			(1,154,560)		
End. Balance	(582,703)	147,678,315	152,851,460	152,851,462	176,395,700
		(1,432,526)	1,286,665	3,904,842	(1)