

**July 21, 2011
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2011**

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 Board unless the Board determines a new forecast is needed as result of the year-end report. While FY11 caseload and expenditures both came in below expectations, staff does not recommend a new forecast at this time. Year end information along with the most current experience will be analyzed this Summer and Fall and incorporated into the new forecasts for the budget adjustment and new budget year in January.

This report contains the following:

Year End Summaries:

- Summary of Enrollment
- Summary of Total Expenditures
- Global Commitment Fund Summary and Long Term Care GF Summary
- 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 the fiscal year is completed and finalized. If necessary, significant changes will be included in a subsequent revised report.

Enrollment: Actual FY11 enrollment is slightly below the level that was estimated and adopted in January. Both Catamount and VHAP were 1,000 people below the estimated levels of enrollment. Catamount as a program seems to be leveling off. VHAP remains the most volatile group as this is the enrollment group that is most impacted by recent economic conditions.

Expenditures: Total expenditures were below the budgeted level for FY11. In the Global Commitment (GC) program, \$48 million of carry forward was anticipated and relied upon in building the FY12 budget. The GC ended FY11 with an addition \$31 million beyond the anticipated amount. GC funds are gross, combined state and federal funds, so the state share of this amount based upon the FMAP rate is approximately \$10 million.

In the Choices for Care/Long Term Care (LTC) program gross total expenditures were below expectations by \$11 million. The state share of the LTC total is \$4.4 million, however much of the unexpended amount was anticipated when building the FY12 budget and most of these state funds were allocated. The unallocated total of in LTC is \$471,222.

Global Commitment: Midway through FY11 the extension of the GC waiver was granted by the Center for Medicare/Medicaid Services. The waiver extension contained one significant financial change in regard to the matching event for federal funds. Under the initial waiver terms, per member per month (PMPM) rates were set prospectively on a Federal fiscal year (FFY) basis, and once selected, could not change. If the actual program expenditures were less than the PMPM payments, the State was allowed to carry forward the surplus and use them on the four allowed purposes¹. If the actual program expenditures were greater than the PMPM payments the State would have had to utilize prior year GC surplus dollars or State-only funding to cover the costs.

Accordingly, there was a great deal of risk in selecting the PMPM rate requiring a variety of analysis to project underlying expenditures, available State funding, and actual caseload. Setting the PMPM rate required a recommendation from the Agency of Human Services (AHS) and Dept. of Vermont Health Access (DVHA) along with consensus from the Administration, and the Legislature. The process needed completion by September 1 for submission to CMS.

Effective with the January 1, 2011 Global Commitment Waiver Renewal, the Standard Terms and Conditions (STCs) now required the State's Medicaid claim to reflect actual expenditures incurred (inclusive of GC Administration, Program, and Investments). The STCs still require an actuarial vendor to construct PMPM rate ranges. The high end of the PMPM range serves as the spending limit for the State. If actual expenditures are less than the PMPM high rate, the State will carry forward a "virtual surplus" that creates additional spending authority for subsequent years. If actual expenditures are greater than the PMPM high rate, Federal matching dollars would still be available but the State would have a "virtual deficit" that would need to be addressed by the end of the demonstration.

PMPM rates are still required to be selected prospectively on an FFY basis, and cannot be changed once set. The GC waiver renewal STCs allow the State to set PMPMs at the highest level within the actuarially certified rate ranges, while making the monthly capitation payments to DVHA at a percentage of the PMPM limit. This allows the State to continue an initial FFP claim on the 1st of the month, but maintaining compliance with the Cash Management Improvement Act (CMIA) pertaining to drawing down of Federal funds. Setting the PMPM rates at the highest end of the ranges creates the opportunity to create a "virtual surplus" and will create spending authority under the GC Waiver cap for waiver closeout activities (i.e. claims incurred during the waiver period but paid subsequent to the end of the demonstration, the "claims tail".)

One other major fiscal impact of the waiver renewal was a change in the how we could count certified expenditures as state match. Under the initial waiver, the entire certified expenditure was counted as state funds for matching purposes. Counting the entire certified expenditure as state match provided a fiscal benefit to the state. Under the renewal the certified expenditures

¹ (1) Reduce the rate of uninsured and underinsured; (2) Increase access to quality health care for the uninsured, underinsured, and Medicaid beneficiaries; (3) Fund public health programs that improve outcome and quality of life for Medicaid beneficiaries; (4) Support public-private partnerships in health care.

remain as allowed expenditures but the match is limited to the state share. In the FY12 budget state funding was needed to make up the benefit which is no longer available as result of this change, the amount was equal to the federal share of the certified expenditures.

The GC fund has a balance at the close of FY11 of \$80 million. Of this amount, \$48 million was anticipated and incorporated in the FY12 budget. There is \$31 million in unallocated fund balance which will be available to be carried forward for the FY13 budget. The state share of this unallocated balance is approximately \$10 million.

Catamount Program and Catamount Fund: There were several changes made to the Catamount program in FY12. In January 2011, the lowest cost premium for FY12 under Catamount was projected to increase to \$452/month, on average. At that time the program was projected to be \$8 million in deficit without any other changes in the program. As a result of the projected deficit, the administration initially proposed collapsing Catamount into VHAP this would have significantly reduced payments to providers. They also proposed increasing the deductible to \$1,500 further impacting subscribers.

As an alternative to the Governor's proposal, the Legislature and the Administration worked to find a solution that would be less disruptive to subscribers and less detrimental to providers. The acceptance of a less drastic reduction in reimbursement on the part of providers and the insurance carriers combined with maintaining the monthly cost of the program at the projected level allows the program to remain fiscally sustainable for FY12 with no increase in deductibles or conversion of the program to the VHAP program. As part of these changes all anniversary dates were reset to July 1, 2011. Currently, beneficiary premiums are tied to the anniversary date of their enrollment in the program. As a result, many beneficiaries saw changes in their premium earlier than they would have otherwise. An 11% adjustment is now applied to the premium. However, since the underlying premium decreased as a result of reimbursement changes, beneficiaries are not paying anymore than they would have in the absence of these policy changes. The FY12 actual monthly rate including the adjustment for the lowest cost plan is \$434 this is lower than the initially expected rate.

The FY11 balance in the Catamount fund is projected to be \$2.2 million. In FY12 the fund revenues reflect the 11% premium adjustment and a portion of the \$0.38 cigarette tax increase. Based on the budget as passed and projected revenue, the Catamount fund has a projected \$4 million balance in FY12.

RECOMENDATION: This report presents information on the Catamount program and fund in a new format. Both the legislative and the administration fiscal staff are recommending that the Catamount Fund be collapsed into the State Health Care Resources Fund (SHCRF). The Catamount Program enrollment and cost will continue to be reported separately and tracked on a monthly basis. The Catamount revenues would be identified and tracked in the SHCRF. There are several reasons for this recommendation:

- 1) For several years the Catamount Fund expenditure has not been the same as the actual Catamount Program expenditure and the difference has lodged in the General Fund. This has lead to some confusion.

- 2) The Catamount program is now entirely matched under the global commitment waiver.
- 3) Blueprint and Immunization expenses are now matched in the GC waiver and only a portion of the funding is reflected in Catamount. The Health Department will continue to provide the information on the Blueprint and our Immunization programs in their entirety.
- 4) Finally, this will allow greater administration efficiency and will still provide the detailed programmatic and revenue data that both the legislature and the administration require.

State Health Care Resources Fund: The FY11 balance is estimated to be \$5.1 million which is inline with the amount expected in the budget adjustment and FY 12 budget process. The revenue from the change in the base of year of provider tax and the rate are reflected in the fund in FY12. Most of the change in the rate on the cigarette tax is reflected in this fund. Currently the fund in FY12 is projected to have a positive balance.

Federal Medical Assistance Percentage (FMAP): During the 2010 legislative session, the FY11 budget assumed an extension to the enhanced FMAP until the end of state fiscal year 2011. At that time the total estimated value of the enhancement was \$62.26 million but this estimate was revised to \$37.7 million in August 2010 after the impact of the congressional action was clear which extended the enhancement at a lesser rate. These funds were removed from the budget and placed into the human services caseload reserve and allocated from the reserve for a variety of purposes in FY11. The estimate of Vermont's FY11 enhanced match rate (eFMAP) changed again for the final two quarters of the year. Vermont was not notified of a negative change in our FMAP rate by CMS that was assumed based on our unemployment rate. So a total of \$3.6m in the 3rd quarter was available to be used to balance the FY12 budget, and \$3.6 million was available for deposit in the human services caseload reserve as a result of the 4th quarter rate not changing. The final quarter of funds will be available to use in FY13.

The FY12 budget anticipates an average state share rate of 42.14%. Based on information from CMS this is projected to go to 43.00% in FY13 placing \$12-13 million of pressure on the budget.

PROGRAM ENROLLMENT						
Adults	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Jan 2011 Ebrd	FY11 Actual	FY12 Jan 2011 Ebrd
Aged, Blind, or Disabled (ABD)/Medically Needy	11,804	12,547	13,337	14,081	13,744	14,772
Dual Eligibles	14,197	14,779	15,192	15,806	15,948	16,270
General	9,258	9,858	10,358	10,852	10,844	11,127
VHAP	24,763	28,214	33,249	37,678	36,678	41,240
VHAP ESI	274	329	949	935	903	866
Catamount	2,296	6,353	8,985	10,922	9,933	10,751
ESIA	176	476	677	808	750	817
Subtotal Adults	62,767	72,556	82,746	91,082	88,800	95,843
Children						
Blind or Disabled (BD)/Medically Needy	3,491	3,608	3,610	3,688	3,678	3,707
General	50,674	52,242	54,232	55,427	54,887	55,985
Underinsured	1,147	1,212	1,176	1,223	1,124	1,236
SCHIP (Uninsured)	3,280	3,414	3,510	3,703	3,672	3,710
Subtotal Children	58,591	60,476	62,528	64,041	63,361	64,638
Pharmacy Only Programs						
	12,727	12,453	12,550	13,088	12,780	13,113
Choices for Care						
Nursing Home, Home & Community Based, ERC	4,062	4,016	3,929	4,010	4,010	4,010
Total Direct Services	138,147	149,501	161,754	172,221	168,951	177,604

Summary of Total Expenditures

	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Budget/Adj Est	FY11 Final Est	FY12 Budgeted
Non Capitated Administration	5,764,748	6,116,390	5,698,974	6,033,133	6,268,275	5,756,453
Global Commitment Waiver						
GC - Administration	70,078,963	74,349,470	75,955,385	82,244,844	79,803,374	88,004,079
GC - Program	688,768,873	779,104,938	850,692,110	917,200,088	893,789,172	985,636,186
GC - Investments (CNOM)	50,961,849	53,463,741	46,598,068	54,712,118	48,958,781	53,989,853
GC - Certified (non -cash program & cnom)	23,989,739	28,079,069	29,600,582	25,674,647	24,782,283	35,813,553
	833,799,424	934,997,218	1,002,846,145	1,079,881,697	1,047,333,610	1,163,443,671
Choices For Care Waiver (LTC)	189,742,595	197,954,288	194,618,136	203,158,019	191,968,507	205,289,676
Pharmacy - State Only	7,055,010	6,534,312	1,718,090	2,067,869	1,812,342	1,989,408
Catamount - State Only >200% -Administration	1,270,333	905,626	314,476	* 100% incl in GC	* 100% incl in GC	* 100% incl in GC
Catamount - State Only >200% -Program	3,981,434	8,682,014	7,752,108	* 100% incl in GC	* 100% incl in GC	* 100% incl in GC
DSH	49,003,898	35,648,781	37,448,781	37,448,781	37,448,782	37,448,781
Clawback	20,339,254	20,779,093	13,332,383	17,614,748	17,684,471	23,892,185
SCHIP	6,193,009	7,231,315	6,972,994	8,452,339	7,664,905	8,475,152
Total	1,117,149,705	1,218,849,037	1,270,702,087	1,354,606,586	1,310,180,892	1,446,295,326

* 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 (Estimated)

(these are gross combined federal and state funds)

	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Estimated Final (4)</u>
Cash Carryforward from Prior Year	38,913,512	42,285,554	25,026,759	61,860,279
Revenues - Cash Capitated Payments (5)	813,181,969	889,659,354	1,010,079,082	1,047,364,321
Expenses - Cash Capitated				
Administration	70,078,963	74,349,470	75,955,385	79,803,374
Program	688,768,873	779,104,938	850,692,110	893,789,172
Investment	50,961,849	53,463,741	46,598,068	48,958,781
Total Cash Expenses	809,809,685	906,918,149	973,245,562	1,022,551,326
End-of-Year Cash Balance	42,285,798	25,026,759	61,860,279	86,673,273
Less encumbrances				(6,579,184)
Available End-of-Year Cash Balance				<u>80,094,089</u>
Carryforward from SFY11 Already Booked in FY12 Budget				48,488,366
Unallocated FY11 Carryforward				31,605,723
Non-capitated administrative expenses (1)	5,764,748	6,116,390	5,698,974	6,268,275
Non-cash expenses (2)	23,989,739	28,079,069	29,600,582	24,782,283
Non-cash revenues (3)	32,448,537	31,170,027	30,722,883	24,782,283

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) FY11 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.

Long Term Care Appropriation - SFY11 General Fund

	NH & Homebased	Acute	
\$	68,238,682	\$	10,181,211
\$	58,057,471	\$	GF Available in LTC
\$	63,784,041	\$	9,825,266
\$	4,454,641	\$	GF Expended in LTC
			355,945
			GF not expended in FY11

Allocation of Unexpended Funds

Booked in Budget			
\$	559,556	\$	485,372
\$	632,100	\$	632,100
\$	1,191,656	\$	1,117,472
			74,184
			QE0311 increased ARRA value - built into GC at 3.6M
			\$1.5M LTC Portion - GF booked in SFY12

FMAP Contingent items Sec. C.104

\$	574,041	\$	492,208	\$	81,833
					Estimated - QE0611 increased ARRA value Act 63 C.104

Spending Contingent Items Sec.300 (a)

\$	444,998	\$	444,998	IADL GF booked in SFY12 - fully funds IADLs
\$	432,724	\$	432,724	Respite GF booked in SFY12 - fully fund respite
\$	1,340,000	\$	1,140,072	SFY12 Act 63 Sec.E.300(a) - savings deposited in reserve
\$	2,217,722	\$	2,017,794	FY11 GF "savings" need to fund contingent in FY12 LTC

\$	3,983,419	\$	3,627,474	\$	355,945
					Total GF need in FY12 for booked & contingent commitments

\$	4,454,641	\$	4,098,696	\$	355,945
					Unspent LTC at blended FMAP

\$	471,222	\$	471,222	\$	-
					Unallocated Carryforward

State Health Care Resources Fund

	FY08 Actual	FY09 Actual	FY10 Actuals	FY11 BAA	07/18/11 FY11 Actuals (projected)	FY12 As Passed
State Health Care Resources Fund						
Beg. Balance	8,766,595	(582,703)	(1,432,526)	3,904,842	3,904,454	5,093,684
Onetime '06 GF Waterfall	8,766,595	(582,703)	(1,432,526)	3,904,842	3,904,454	5,093,684
Revenue						
Cig Tax @ 84.5% ('07 was 91.1%)	47,350,202	51,036,337	54,476,275	55,770,000	56,159,300	59,251,500
Tobacco Products Tax - 100%	3,180,785	3,398,280	5,244,840	6,200,000	6,511,841	6,300,000
Claims Assessment						11,970,000
Dental Claims Assessment						610,000
Prov Tax - Hospital	62,563,216	67,299,073	73,163,741	94,997,944	94,739,392	109,850,882
Prov Tax - NH	14,559,205	13,004,774	13,445,884	13,060,927	12,862,549	15,875,054
Prov Tax - HH	4,426,736	3,864,347	3,994,644	4,088,575	3,936,881	4,325,879
Prov Tax - ICF-MR	61,104	62,059	66,002	66,002	70,236	70,961
Pharmacy \$.10/script	603,986	835,186	802,905	800,000	790,315	800,000
Bene Pirms - VHAP (mgd care)	2,005,226	1,883,041	1,935,145	2,931,829	2,205,367	4,018,500
Bene Pirms - Dr. D (medicaid)	189,559	170,189	147,920	409,855	155,259	282,444
Bene Pirms - SCHIP	291,108	442,231	459,898	838,979	478,300	495,675
Bene Pirms - VPH1	1,259,642	1,391,274	1,231,353	1,129,756	1,261,425	1,365,407
Bene Pirms - VPH2	614,967	680,716	613,706	536,336	614,515	669,887
Enhanced ARRA FMAP extension				(545,451)		
Bene Pirms - VPH3	1,306,084	1,512,963	1,518,711	1,470,781	1,415,144	1,536,000
Bene Pirms -VHAP Rx	704	230	255		75	-
Bene Pirms -Vscript	4,935	434	20		180	-
Bene Pirms -Vscript Exp	11,385	2,340	200		870	-
Premium Fees - future	99,762	45,900	129,352		(340,151)	-
Abandoned Property	(4,091)	1,287	(177)		969	-
Recoveries	204,092	1,251,168	979,964		771,362	-
Interest Income	247,506	(53,337)	(22,196)		(3,007)	-
Total Fund Revenue	138,976,113	146,828,492	158,188,442	181,755,533	181,630,822	217,422,189
Total Available	147,742,708	146,245,789	156,755,916	185,660,375	185,535,276	222,515,873
Expenditures						
AHS GC appropriation	148,325,411	147,678,315	152,851,462	181,036,510	180,441,592	221,579,040
Rescission						
BAA Estimate						
BAA Estimate	148,325,411	147,678,315	152,851,462	181,036,510	180,441,592	221,579,040
End. Balance	(582,703)	(1,432,526)	3,904,454	4,623,865	5,093,684	936,833

Catamount Program Expenses	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Budget '01/11	FY2011 Est. Final	FY2012 Budgeted
Catamount Health						
Members <200%	3,593,323	21,965,784	31,258,773	41,787,258	36,315,217	37,583,124
Members >200%	3,845,009	8,327,448	13,951,713	15,432,576	17,286,247	14,894,418
Catamount ESI						
Members <200%	121,883	720,889	866,035	1,557,244	1,128,644	1,549,861
Members >200%	136,425	354,566	476,220	802,257	500,744	1,093,183
Catamount Health Admin						
Members <200%	1,688,833	1,278,217	1,254,021	1,554,749	1,554,749	2,171,888
Members >200%	1,270,333	905,626	921,509	1,142,276	1,142,276	887,315
Catamount Program	10,655,805	33,552,530	48,728,271	62,276,360	57,927,877	58,179,789
Other						
Immunizations Program	4,000,000	2,254,334	2,510,319	2,500,000	2,510,319	2,500,000
VDOL - employer assess	258,466	384,046	374,677	394,072	374,677	401,993
Marketing and Outreach	1,316,167	500,000	500,000	500,000	500,000	500,000
Blueprint	1,846,713	2,092,381	2,866,366	1,846,713	2,866,366	1,846,713
	7,421,346	5,230,761	6,251,362	5,240,785	6,251,362	5,248,706
Total Expenses	18,077,152	38,783,291	54,979,633	67,517,145	64,179,239	63,428,495
State Share of Expenses	14,111,558	22,680,501	25,219,433	28,309,890	24,392,495	26,963,029
Catamount Fund	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Budget	FY2011 Est. Final	FY2012 Budgeted
Revenues						
Catamount Health						
Members <200%	399,085	3,533,837	4,773,771	5,775,190	5,311,846	5,118,571
Members >200%	1,028,066	2,556,838	3,939,864	4,653,264	4,773,426	4,933,526
Catamount ESI						
Members <200%	30,864	225,965	305,240	411,090	345,284	356,157
Members >200%	67,134	160,898	252,161	355,978	270,294	441,156
Less Federal Share	(253,713)	(2,474,701)	(4,950,975)	(6,906,593)	(6,788,257)	(6,277,130)
Member Premiums- State share	1,271,436	4,002,836	4,320,061	4,288,929	3,912,593	4,572,280
Cigarette Tax - % of total	8,686,425	9,361,695	9,995,005	10,230,000	10,289,455	10,048,500
Floor Stock	29,329	348,117	341,858	-	-	600,000
Employer Assessment	5,421,491	6,378,000	7,233,000	7,600,000	9,316,000	9,800,000
Interest	333,887	125,951	17,785	-	2,843	-
General Fund Transfer	3,500,000	-	-	-	-	-
11% Adjustment (>200%)	-	-	-	-	-	-
Other Revenue	17,971,132	16,213,764	17,587,648	17,830,000	19,608,298	21,725,600
Total Fund Revenue	19,242,568	20,216,600	21,907,709	22,118,929	23,520,891	26,297,880
Carryforward balances	4,644,780	9,775,791	7,311,891	793,641	793,641	2,211,889
Total Available Resources	23,887,349	29,992,391	29,219,599	22,912,570	24,314,532	28,509,769
Uses						
Total Approps/Uses	14,111,558	22,680,501	28,425,958	21,961,191	21,961,191	24,350,693
Other/Adjustment to Vision					141,452	
Fund Balance	9,775,791	7,311,891	793,641	951,379	2,211,889	4,159,076
GF Support of Catamount	3,500,000	-	(3,206,525)	6,348,699	2,431,304	2,612,336