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**July 20, 2012  
Emergency Board Meeting  
Report on Medicaid for Fiscal Year 2012**

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 a result of the year-end report.

This report contains the following:

**Year End Summaries:**

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

**Key Issues**

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

**Enrollment:** Actual FY12 enrollment is slightly below the level that was estimated and adopted in January. In total we had estimated average enrollment of 173,563; the actual to date is 171,432 or 1.3% below estimate. Adjustments may be made to this as retroactive enrollments are included over the next few months. Most of the under-enrollment is in the VHAP program which is generally the most volatile enrollment group. FY12 VHAP growth was anticipated to be 5.7% but came in at only 1% (growth in this group ranged from 10% to 18% between FY08 and FY11). The working group of legislative and administration staff met in June to review enrollment and make recommendations for the next federal fiscal year beginning in October. Currently very little change to the enrollment estimates was made. The working group will continue to monitor the caseload information and will update FY13 and make FY14 recommendations to the emergency board in January 2013.

**Global Commitment (GC):** The current waiver was extended beginning in January 1, 2011 and expires January 1, 2014. The financial benefit of the waiver is that expenditures for four purposes<sup>1</sup> is allowed if these fit within the actuarially determined rates for the program.

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<sup>1</sup> (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.

In January of this year, the budget adjustment process reduced the original as passed FY12 DVHA Global Commitment budget by approximately \$32 million due to lower caseload and utilization trends. The FY12 amount was further reduced by another \$7.1 million in the big bill process as DVHA GC costs continued to come in below expectation, freeing up \$3 million of state funds to balance the FY13 budget. The budget adjustment process also included the addition of \$30 million of pass-through funding for Graduate Medical Education (GME) and the addition of over \$26 million to the GC budget due to the closure of the state hospital and the provision of services to this population in other Medicaid fundable settings.

The Global Commitment came in below the adjusted spending level and is ending with a positive unallocated balance of \$27.4 million in combined state and federal funds, at the FY13 state match rate of 43.57%. This is \$12 million of state funds. There are several reasons the spending total is below expectations:

- Approval from CMS for the GME proposal was not received in time to make this expenditure in FY12, but this initiative remains pending for FY13. As this is essentially a pass-through funding source, the spending total is lower but it has no fiscal impact on the state and does not contribute to the ending fund balance.
- There is an estimated \$21 million of funds that were not expended in FY12 but are encumbered, reducing current year spending, allowing the funds to be brought forward to cover the expenses in the next year.
- Lower than expected caseload and utilization in DVHA and lower expenditures in other departments result in the unobligated balance for FY12.

In addition to the balance in the Global Commitment Fund, the General Funds appropriated to the agency in FY12 did not need to be fully expended, \$7.3 million remained unexpended. However, of this amount, \$3 million was expected; as part of the adjustment made in Act 162 during the session and is thus obligated to balance the FY13 budget. The unobligated general fund appropriation is \$4.3 million.

**Choices for Care (CFC):** This waiver covers the nursing home and community based care for Medicaid elderly and disabled Vermonters. During both budget adjustment and the big bill budget process, tracking of the CFC expenses indicated that spending was running below expectation for these services. This anticipated lower trend was used to balance FY13 (\$2.5 million), and offset proposed service reductions in FY13 (\$800k), and was allocated for new CFC investments in FY13 (at least \$1.1 million).

The Department of Disabilities, Aging and Independent Living indicates that \$1.42 million of CFC general funds was unobligated at the end of FY12. The department will make recommendations for expenditure of these funds in the upcoming session. At the FY13 match rate of 43.57%, the \$1.42 million of general funds could be matched by \$1.84 million of federal funds resulting a total additional FY13 funding of \$3.26 million.

**State Health Care Resources Fund (SHCRF):** At the close of FY12, the Catamount Fund is to be folded in to the SHCRF. The detailed fund summaries in this report show these funds individually and as a combined entity for FY12. In the SHCRF, the pass-through revenue from the GME was not available in FY12 accounting for the primary down in the fund, but

cigarette/tobacco products tax revenue was over by \$1.8 million. Both the employer assessment and cost savings adjustment revenue in Catamount came in slightly above expectation as well. A combined balance of \$4.35 million was anticipated for FY12. The actual ending balance was \$4.9 million, exceeding expectation by \$550k.

The revised FY13 revenue estimate for the fund indicates a potential additional available revenue of \$4 million based on the as-passed budget.

The current estimated state funds that are available as result of FY12 close out are \$12 million GCF, \$4.3 million GF, and \$550 SHCRF; and available as a result of revised FY13 SHCRF revenue estimate are \$4 million. These funds may be to used bridge FY13 budget adjustment needs and/or used to help balance the FY14 budget.

### **FY14 Challenges**

**Federal Medical Assistance Percentage (FMAP):** The match rate is calculated annually by the federal government. Because Vermont has fared better than many states (lower unemployment, higher per capita income) in recent years, our federal match rate has fallen meaning our state share has increased. State share in FY12 was 42.14%, and rose to 43.57% in FY13, placing over \$22 million of pressure on the state funds budget. The preliminary FY14 FMAP estimates released by the federal government in the spring indicate another substantial drop in federal funding and an increase in state share. With a current projected rate close to 45%, this means another \$20 million of pressure on the state budget.

**Health Care Exchange (Implementation and Transition):** Vermont's Healthcare Exchange will begin in January 2014, half-way through the state's fiscal year. This coincides with the renewal of our two waiver programs. The initial challenge of the staff working group will be estimating caseload and program expense and revenue as some or all of certain programs shift to the exchange mid-year.

**PROGRAM ENROLLMENT**

	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Bud	FY12 Act Est	FY13 Bud
<b>Adults</b>							
Aged, Blind, or Disabled (ABD)/Medically Needy	11,804	12,547	13,337	13,783	14,101	13,940	14,445
Dual Eligibles	14,197	14,779	15,192	16,026	16,582	16,546	17,155
General	9,258	9,858	10,358	10,897	11,260	11,191	11,686
VHAP	24,763	28,214	33,249	36,698	38,799	36,990	38,799
VHAP ESI	274	329	949	903	845	824	810
Catamount	2,296	6,353	8,985	9,920	10,751	10,716	11,440
ESIA	176	476	677	747	817	729	874
<b>Subtotal Adults</b>	<b>62,767</b>	<b>72,556</b>	<b>82,746</b>	<b>88,974</b>	<b>93,105</b>	<b>90,936</b>	<b>95,209</b>
<b>Children</b>							
Blind or Disabled (BD)/Medically Needy	3,491	3,608	3,610	3,697	3,657	3,697	3,614
General	50,674	52,242	54,232	55,057	56,244	55,146	55,564
Underinsured	1,147	1,212	1,176	1,131	1,041	1,064	943
SCHIP (Uninsured)	3,280	3,414	3,510	3,686	3,863	3,900	4,017
<b>Subtotal Children</b>	<b>58,591</b>	<b>60,476</b>	<b>62,528</b>	<b>63,571</b>	<b>63,805</b>	<b>63,807</b>	<b>64,138</b>
<b>Pharmacy Only Programs</b>							
	12,727	12,453	12,550	12,749	12,828	12,698	12,698
<b>Choices for Care</b>							
Nursing Home, Home & Community Based, ERC	3,973	4,016	3,929	3,891	3,825	3,900	3,758
<b>Total Direct Services</b>	<b>138,058</b>	<b>149,501</b>	<b>161,754</b>	<b>169,184</b>	<b>173,563</b>	<b>171,342</b>	<b>175,803</b>

## Summary of Total Expenditures

	FY08 Actual	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Budget/Act./Est.	FY12 Final Est	FY13 Budgeted
Non Capitated Administration	5,764,748	6,116,390	5,698,974	6,516,131	5,982,500	6,516,131	5,997,750
Global Commitment Waiver							
GC - Administration	70,078,963	74,349,470	75,955,385	72,314,139	81,571,072	75,063,020	85,328,412
GC - Program	688,768,873	779,104,938	850,692,110	900,949,532	986,280,080	935,197,371	1,001,710,280
GC - Program - GME					30,000,000	-	30,000,000
GC - Investments (CNOM)	50,961,849	53,463,741	46,598,068	49,287,654	55,536,966	51,161,228	58,157,883
GC - Certified (non -cash program & cnom)	23,989,739	28,079,069	29,600,582	24,782,283	28,671,145	26,938,357	28,308,986
	833,799,424	934,997,218	1,002,846,145	1,047,333,608	1,182,119,263	1,088,359,976	1,203,505,562
Choices For Care Waiver (LTC)	189,742,595	197,954,288	194,618,136	191,968,805	202,453,817	196,477,952	201,240,298
Pharmacy - State Only	7,055,010	6,534,312	1,718,090	1,812,342	1,925,197	(4,082,889)	2,052,566
Catamount - State Only >200% -Administration	1,270,333	905,626	314,476	* 100% incl in GC	* 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	* 100% incl in GC
DSH	49,003,898	35,648,781	37,448,782	37,448,782	37,448,782	37,448,782	37,448,782
Clawback	20,339,254	20,779,093	13,332,383	17,684,471	24,019,167	23,784,030	25,755,735
SCHIP	6,193,009	7,231,315	6,972,994	7,642,495	8,475,162	8,469,003	8,961,832
Total	1,117,149,705	1,218,849,037	1,270,702,088	1,310,406,634	1,462,426,978	1,356,972,985	1,484,962,525

\* FY10 >200% Catamount is 1/2 year - these expenses are moved into GC after Jan 1, 2010.

\*\* DVHA has worked aggressively to ensure rebates are collected to the fullest extent possible. One result of this effort has resulted in rebate collections higher than expected in the State Only program due to DVHA only paying cost-sharing for these prescriptions yet collecting full rebates. Therefore, it has been determined that we need to change the state-only rebate billing processes to only collect a proportionate rebates. This change, codified in Act 162 Section E.307.6 changed 33 V.S.A. § 1901 (a)(4). We do not expect this year's activity to recur. As a result of these changes, we expected to increase overall compliance but see reduced collections from the manufacturers from which we have collected rebates. Projections for next year will be affected by these changes.

**Global Commitment - Cash Balance Sheet - FY09 to FY12 (Estimated)**

(these are gross combined federal and state funds)

	<u>FY08 Actual</u>	<u>FY09 Actual</u>	<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY12 Act (4)</u>	<u>FY13 Bud</u>
Cash Carryforward from Prior Year	38,913,512	42,285,554	25,026,759	61,860,271	80,094,089	86,673,269	65,603,573
Revenues - Cash Capitated Payments (5)	813,181,969	889,659,354	1,010,079,082	1,047,364,322	1,104,959,752	1,061,421,619	1,137,011,675
Expenses - Cash Capitated Administration	70,078,963	74,349,470	75,955,385	72,314,139	81,571,072	75,063,020	85,328,412
Program (incl. GME, excl. non-cash)	688,768,873	779,104,938	850,692,110	900,949,532	1,016,280,080	935,197,371	1,031,710,280
Investment	50,961,849	53,463,741	46,598,068	49,287,654	55,596,966	51,161,228	58,157,883
Total Cash Expenses	809,809,685	906,918,149	973,245,562	1,022,551,324	1,153,448,118	1,061,421,618	1,175,196,576
End-of-Year Cash Balance	42,285,798	25,026,759	61,860,279	86,673,269	31,605,723	86,673,270	27,418,672
Less encumbrances						(21,069,697)	
Available End-of-Year Cash Balance						65,603,573	27,418,672
Carryforward from SFY11 Already Booked in FY13 Budget						38,184,901	
Unallocated FY12 Carryforward						27,418,672	
Non-capitated administrative expenses (1)	5,764,748	6,116,390	5,698,974	6,516,131	5,982,500	6,516,131	5,997,750
Non-cash expenses (2)	23,989,739	28,079,069	29,600,582	24,782,283	28,671,145	26,938,357	28,308,986
Non-cash revenues (3)	32,448,537	31,170,027	30,722,883	24,782,283	28,671,145	26,938,357	28,308,986

# State Health Care Resources Fund

# SHCRF & Catamount Fd Combined

	FY11 Actuals	FY12 BAA	FY12 Actuals	FY11 Actuals	FY12 Actuals	FY13 Bud	FY13 July 2012	FY14* July 2012
<b>State Health Care Resources Fund</b>								
Beg. Balance	3,904,454	5,093,196	5,093,196	3,904,454	5,093,196	-	142,300	3,977,333
Catamount Fd Balance	<u>3,904,454</u>	<u>5,093,196</u>	<u>5,093,196</u>	<u>793,641</u>	<u>7,305,526</u>	<u>4,348,898</u>	<u>4,757,167</u>	<u>3,977,333</u>
<b>Revenue</b>								
Cig Tax Revenue	56,159,300	60,661,500	62,267,000	66,448,755	72,811,427	69,403,427	70,600,000	68,600,000
Cig Floor Stock Tax								
Tobacco Products Tax - 100%	6,511,841	6,300,000	6,868,340	6,511,841	6,868,340	6,200,000	6,800,000	6,700,000
Claims Assessment		11,970,000	12,603,108	-	12,603,108	11,970,000	12,978,000	13,367,340
Dental Claims Assessment		305,000	-	-	-	610,000	915,000	610,000
Employer Assessment - Catamount			537,311	9,316,000	11,168,000	9,800,000	11,200,000	11,200,000 *
11% Adj - >300% - Catamount			-	-	1,442,038	1,277,100	1,586,242	793,121 *
Graduate Med Education revenue								
Prov Tax - Hospital	94,739,392	12,642,000	110,642,636	94,739,392	110,642,636	13,071,000	13,071,000	13,071,000
Prov Tax - NH	12,842,419	108,139,233	15,749,272	12,842,419	15,749,272	115,275,193	114,791,735	119,096,425
Prov Tax - HH	3,957,011	15,852,879	4,548,206	3,957,011	4,548,206	16,190,173	16,190,173	16,190,173
Prov Tax - ICF-MR	70,236	4,548,206	82,098	70,236	82,098	4,654,929	4,654,929	4,654,929
Pharmacy \$0.10/script	790,315	75,682	789,877	790,315	789,877	76,987	76,987	76,987
Bene Prems - Catamount		800,000				800,000	800,000	800,000
Bene Prems - VHAP (mgd care)	2,205,367	3,783,535	2,858,383	3,912,593	4,597,688	4,865,688	4,865,688	2,432,844 *
Bene Prems - Dr. D (medicaid)	155,259	280,770	180,401	2,205,367	2,858,383	3,908,492	3,000,000	1,500,000 *
Bene Prems - SCHIP	478,300	512,620	507,101	155,259	180,401	284,918	284,918	284,918 *
Bene Prems - VPH1	1,261,425	1,292,515	1,246,699	478,300	507,101	551,316	551,316	551,316 *
Bene Prems - VPH2	614,515	663,547	593,764	1,261,425	1,246,699	1,305,050	1,305,050	1,305,050
Bene Prems - VPH3	1,415,144	1,284,841	1,319,131	614,515	593,764	668,579	668,579	668,579
Bene Prems -VHAP Rx	75	-	60	1,415,144	1,319,131	1,162,196	1,162,196	1,162,196
Bene Prems -Vscript	180	-	360	75	60			
Bene Prems -Vscript Exp	870	-	250	180	360			
Premium Fees - future	(340,151)	-	(28,741)	870	250			
Abandoned Property	969	-	1,345	(340,151)	(28,741)			
Recoveries	771,362	-	625,996	969	1,345			
Interest Income	(3,497)	-	(11,978)	771,362	625,996			
<b>Total Fund Revenue</b>	<b>181,630,332</b>	<b>229,112,328</b>	<b>221,380,619</b>	<b>205,151,223</b>	<b>249,152,435</b>	<b>262,075,049</b>	<b>265,501,813</b>	<b>263,064,879</b>
Total Available	185,534,786	234,205,524	226,473,815	209,849,318	256,457,961	266,423,947	270,401,280	270,948,795
<b>Expenditures</b>								
AHS GC appropriation	180,441,590	234,205,524	226,331,515	202,543,792	251,558,494	266,423,947	266,423,947	
Total Expend	<u>180,441,590</u>	<u>234,205,524</u>	<u>226,331,515</u>	<u>202,543,792</u>	<u>251,558,494</u>	<u>266,423,947</u>	<u>266,423,947</u>	
<b>End. Balance</b>	<b>5,093,196</b>	<b>-</b>	<b>142,300</b>	<b>7,305,526</b>	<b>4,899,467</b>	<b>-</b>	<b>3,977,333</b>	

**\*July 2012 Footnote to FY14:**

Some programs will transition to the healthcare exchange beginning Jan. 2014. Several assumptions as follows are made in the FY14 revenue estimate proposed for July 2012 Emergency Board consideration. 1) Employer Assessment is assumed to be in place for the entirety of FY14, this may change pending administration and legislative action. 2) Catamount 11% adjustment revenue and beneficiary premiums are assumed for half the year but are likely to change pending actual program transition. 3) Beneficiary premiums for the VHAP program are assumed for half the year but are likely to change pending actual program transition. 4) Dr. Dynasaur and SCHIP premiums are assumed for the full year but may change subject to administrative and legislative action and/or family decisions regarding coverage through the exchange.

<b>Catamount Program Expenses</b>	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Est. Final	FY2012 Budg Adj	FY2012 Est
Catamount Health						
Members <200%	3,593,323	21,965,784	31,258,773	36,315,217	50,501,258	52,066,782
Members >200%	3,845,009	8,327,448	13,951,713	17,286,247		
Catamount ESI						
Members <200%	121,883	720,889	866,035	1,128,644	1,645,682	954,128
Members >200%	136,425	354,566	476,220	500,744		
Catamount Health Admin						
Members <200%	1,688,833	1,278,217	1,254,021	1,554,749	2,171,888	3,059,203
Members >200%	1,270,333	905,626	921,509	1,142,276	887,315	
<b>Catamount Program</b>	<b>10,655,805</b>	<b>33,552,530</b>	<b>48,728,271</b>	<b>57,927,877</b>	<b>55,206,143</b>	<b>56,080,113</b>
Other						
Immunizations Program	4,000,000	2,254,334	2,510,319	2,510,319	2,500,000	2,500,000
VDOL - employer assess	258,466	384,046	374,677	374,677	401,993	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	2,866,366	1,846,713	1,846,713
	7,421,346	5,230,761	6,251,362	6,251,362	5,248,706	5,248,706
<b>Total Expenses</b>	<b>18,077,152</b>	<b>38,783,291</b>	<b>54,979,633</b>	<b>64,179,239</b>	<b>60,454,849</b>	<b>61,328,819</b>
<b>State Share of Expenses</b>	<b>14,111,558</b>	<b>22,680,501</b>	<b>25,219,433</b>	<b>24,392,495</b>	<b>26,200,263</b>	<b>26,555,378</b>
<b>Catamount Fund</b>	<b>FY2008 Actual</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Est. Final</b>	<b>FY2012 Jan. 2012</b>	<b>FY2012 Est Final</b>
Revenues						
Catamount Health						
Members <200%	399,085	3,533,837	4,773,771	5,311,846	10,052,097	10,128,334
Members >200%	1,028,066	2,556,838	3,939,864	4,773,426		
Catamount ESI						
Members <200%	30,864	225,965	305,240	345,284	797,314	781,367
Members >200%	67,134	160,898	252,161	270,294		
Less Federal Share	(253,713)	(2,474,701)	(4,950,975)	(6,788,257)	(6,277,131)	(6,312,013)
<b>Premiums-State share</b>	<b>1,271,436</b>	<b>4,002,836</b>	<b>4,320,061</b>	<b>3,912,593</b>	<b>4,572,280</b>	<b>4,597,688</b>
Cigarette Tax - % of total	8,686,425	9,361,695	9,995,005	10,289,455	9,998,067	10,544,427
Floor Stock	29,329	348,117	341,858	-	600,000	550,272
Employer Assessment	5,421,491	6,378,000	7,233,000	9,316,000	10,800,000	11,168,000
Interest	333,887	125,951	17,785	2,843		6,702
General Fund Transfer	3,500,000	-	-	-		
11% Adjustment (>200%)	-	-	-	-	1,393,200	904,727
<b>Other Revenue</b>	<b>17,971,132</b>	<b>16,213,764</b>	<b>17,587,648</b>	<b>19,608,298</b>	<b>22,791,267</b>	<b>23,174,128</b>
<b>Total Fund Revenue</b>	<b>19,242,568</b>	<b>20,216,600</b>	<b>21,907,709</b>	<b>23,520,891</b>	<b>27,363,547</b>	<b>27,771,816</b>
Carryforward balances	4,644,780	9,775,791	7,311,891	793,641	2,212,330	2,212,330
<b>Total Available Resources</b>	<b>23,887,349</b>	<b>29,992,391</b>	<b>29,219,599</b>	<b>24,314,532</b>	<b>29,575,877</b>	<b>29,984,146</b>
Uses						
Total Approps/Uses	14,111,558	22,680,501	28,425,958	21,961,191	25,226,979	25,226,979
Other/Adjustment to Vision				141,011		
<b>Fund Balance</b>	<b>9,775,791</b>	<b>7,311,891</b>	<b>793,641</b>	<b>2,212,330</b>	<b>4,348,898</b>	<b>4,757,167</b>
<b>GF Support of Catamount</b>	<b>3,500,000</b>	<b>-</b>	<b>(3,206,525)</b>	<b>2,431,304</b>	<b>973,284</b>	<b>1,328,399</b>