

July 24, 2014
Emergency Board Meeting
Report on Medicaid for Fiscal Year 2014

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. 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
- Choice for Care Year End Summary

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.

The significant operational changes resulting from the rollout of Vermont Health Connect (VHC) continue to challenge Vermonters, providers, administrators and policy makers. Medicaid eligible Vermonters enrollment through the VHC means they are impacted by many of the same issues that other individuals purchasing qualified health plans on VHC have encountered. These include the change of circumstance backlog, and timeliness in having other changes or corrections completed. This has impacted the anticipated enrollment levels in some Medicaid Eligibility Groups (MEGs) and, possibly expenditures in the program overall. Readers of this report should keep these ACA rollout impacts in the frame of reference when reviewing the fiscal summaries. A workgroup consisting of staff from Finance and Management, the Agency of Human Services, the Department of Vermont Health Access and the Joint Fiscal Office is required to update enrollment and cost estimates and will continue to analyze Medicaid data and work to understand these impacts and their interaction with traditional Medicaid program growth and trends.

Enrollment: In FY14, there was significant movement of some eligibility groups within Medicaid and into VHC. Enrollees in VHAP and Catamount below 133% FPL¹ moved into a new Medicaid eligibility group and those above 133% FPL could seek coverage in the exchange with state premium assistance and cost sharing subsidies over the amount provided at the federal level. The VHAP and Catamount MEG transitions were extended from January through March. The average enrollment for these MEGs on the enrollment summary is through

¹ The income eligibility calculations were changed under the Affordable Care Act (ACA). A Federal Poverty Level of 133% in the new Modified Adjusted Gross Income (MAGI) is equivalent to 138% under the pre ACA method.

December 2013, with the three-month January to March 2014 extension average reported in a break out box below. Some enrollees were initially transitioned to an incorrect MEG and these are being corrected. In addition, the new eligibility criteria under ACA means over time there is anticipation of more movement across MEGs as re-enrollments occur. This may take some time, as CMS has approved a temporary delay of Medicaid renewals, with extended eligibility while VHC enrollment issues are resolved.

Global Commitment (GC): The Global Commitment Fund (GCF) FY14 balance sheet shows, after encumbrances, a \$20.6 million cash balance in the GCF. This is very different from what was expected. The FY14 budget adjustment anticipated and funded increases in the GCF driven by slightly higher FY13 year-end trends and higher than projected expenditures in the first six months of FY14 in certain cost categories. Also, at that time it was known that the state would be facing costs not initially budgeted related to the extension of the Catamount program through March. This means in the second half of FY14, GC spending slowed below expectation not only by the amount of the current cash balance, but also by the amount needed to cover the roughly \$10 million in Catamount extension costs from January through March.

The challenge is in determining just how much good news this represents. Analysis is required to determine how much of this cost underage is timing related and/or due to enrollment issues. Once these issues and backlogs are resolved, will there be “catch up” increases in some expense categories? The accuracy of initial estimates of enrollment in the MEGs most impacted by the ACA, as well as underlying utilization trend changes also need to be determined for impact on future program and enrollment costs. As enrollment issues and backlogs are resolved, there will be a better understanding of the nature of this surplus and long term impact.

State Health Care Resources Fund (SHCRF): The SHCRF closed FY14 in balance. However, this can be viewed as a bit of a disappointment since a \$4 million balance was anticipated in January based the FY14 adopted forecast. This anticipated balance was not counted on in building the FY15 budget, it was instead held for the anticipated Catamount extension cost if needed. The major reasons this fund did not end at the anticipated level are: the hospital provider tax came in under forecast; an adjustment to the beginning balance due to cash versus accrual accounting in the FY13 cash balance estimate; and an excess spending authorization to close out the Agency of Human Services.

The updated revenue estimate for FY15 indicates the fund is projected to be \$4 million in deficit based on the as passed fund appropriation for FY15. The fund does not have a reserve requirement so this gap will need to be addressed in the General Fund during the budget adjustment if it remains.

Choices for Care (CFC): Sec. E.308 of 2014 Act 179 outlined the methodology for calculating “savings” in the Choices for Care Program and outlined several spending priorities. At the end of the 2014 Fiscal Year (FY) the Choices for Care program had \$6,347,587 (\$2,761,835 General Fund (GF)) unspent. The priorities for reinvestment of these funds are as follows:

- 1) The reinvestment plan presented at the close of FY 2013 included bringing funds forward into FY 2015 to pay for moderate needs services. The total amount needed to cover these services is \$2,804,691 (\$1,220,321 GF).

- 2) Sec E.308(a) states that “an amount equal to one-percent of the previous fiscal year total Choices for Care expenditures to function as a reserve to be used in the event of a fiscal need to freeze Moderate Needs Group enrollment.” One-percent of the FY 2014 Choices for Care expenditures equates to \$1,775,144 (\$772,365 GF).
- 3) Sec. E.308(g) requires any savings from FY 2014 to “first be allocated for expenditure increase in the Choices for Care home- and community-based programs due to the negotiated agreements related to independent direct care in those programs”. The additional costs due to the negotiated agreement amount to \$816,726 (\$355,357).
- 4) Sec. E.308(g) requires that the funds “secondly be allocated for the purposes of 2014 Acts and Resolves No.95, Sec. 75a”. This section authorizes the Department of Disabilities Aging and Independent Living “to use up to \$1,000,000 in fiscal years 2014 and 2015 on one-time investments that directly benefit eligible choices for care enrollees and one-time investments to home- and community-based providers that are consistent with and prioritized based on current needs analysis to meet the overall strategic goals and outcomes of the waiver.” The remaining \$951,025 (\$413,791 GF) will be used for this purpose.

FY 2014 Choices For Care funds available for reinvestment

| Calculation of "savings" | <u>General Fund</u> | <u>Gross</u> |
|---|----------------------------|---------------------|
| FY 2014 Funds Appropriated | | \$210,598,907 |
| Less Allocation for Acute Care Services | | 27,491,139 |
| Less C4C expenditures | | 177,514,437 |
| Gross Dollars Remaining | | \$ 5,593,331 |
| General Fund Share | \$ 2,761,835 | |

* General fund share is based on the actual federal match including the Money Follows the Person Enhanced match

| | <u>General Fund</u> | <u>Gross</u> |
|--|----------------------------|---------------------|
| FY14 Reinvestment Funds | \$ 2,761,835 | \$ 6,347,587 |
| Less Reinvestments approved in the FY14 for expenditure in FY 2015 | 1,220,321 | 2,804,691 |
| Less 1% Contingency | 772,365 | 1,775,144 |
| Less Costs of the Direct Care Workers | 355,357 | 816,726 |
| Remaining Balance for one time investments | \$ 413,791 | \$ 951,026 |

** Note FY15 State Share Match Rate = 43.51%

Federal Medical Assistance Percentage (FMAP): Base FMAP remains an area of pressure in for FY16. In the underlying base FMAP rate, i.e. the state share is going up by 0.9%. On a Medicaid base of \$1.6 billion, this change translates into roughly \$14 million of addition state funds pressure as we begin to build the FY16 budget.

Medicaid and Medicaid Related Enrollment

| PROGRAM ENROLLMENT | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY09 Actual | FY10 Actual | FY 11 Actual | FY 12 Actual | FY13 Actual | FY14 BAA | FY14 Actual | FY15 Budget |
| Adults | | | | | | | | |
| Aged, Blind, or Disabled (ABD)/Medically Needy | 12,550 | 13,337 | 13,786 | 13,977 | 14,304 | 14,660 | 14,578 | 15,004 |
| Dual Eligibles | 14,753 | 15,192 | 16,014 | 16,634 | 17,118 | 17,351 | 17,323 | 17,558 |
| General | 9,847 | 10,358 | 10,896 | 11,235 | 11,375 | 11,550 | 12,730 | 11,679 |
| VHAP (see note for FY14) | 28,224 | 33,249 | 36,706 | 36,991 | 37,486 | 37,921 | 36,812 | n/a |
| VHAP ESI (see note for FY14) | 821 | 949 | 904 | 825 | 791 | 764 | 739 | n/a |
| Catamount (see note for FY14) | 6,350 | 9,058 | 9,921 | 10,713 | 11,486 | 13,208 | 13,043 | n/a |
| ESIA (see note for FY14) | 478 | 682 | 747 | 726 | 746 | 772 | 714 | n/a |
| New Adult | n/a | n/a | n/a | n/a | n/a | 34,834 | 43,018 | 35,059 |
| Subtotal Adults | 73,023 | 82,825 | 88,974 | 91,101 | 93,306 | 131,061 | 138,957 | 79,301 |
| Exchange <300% FPL - Premium Subsidy | | | | | | 40,748 | 10,626 | 42,785 |
| Exchange <300% FPL - Cost Share Subsidy | n/a | n/a | n/a | n/a | n/a | 15,094 | 3,369 | 15,849 |
| Subtotal Subsidy | - | - | - | - | - | 55,842 | 13,994 | 58,635 |
| Children | | | | | | | | |
| Blind or Disabled (BD)/Medically Needy | 3,605 | 3,606 | 3,696 | 3,712 | 3,695 | 3,712 | 3,555 | 3,714 |
| General | 52,224 | 54,266 | 55,053 | 55,274 | 55,361 | 55,646 | 55,641 | 55,846 |
| Underinsured | 1,212 | 1,176 | 1,131 | 1,068 | 977 | 874 | 1,154 | 775 |
| SCHIP (Uninsured) | 3,412 | 3,523 | 3,686 | 3,909 | 3,977 | 4,174 | 3,795 | 4,329 |
| Subtotal Children | 60,453 | 62,571 | 63,566 | 63,963 | 64,010 | 64,406 | 64,145 | 64,664 |
| Pharmacy Only Programs | 12,456 | 12,550 | 12,751 | 12,655 | 12,546 | 12,510 | 13,771 | 12,489 |
| Choices for Care | 4,016 | 3,925 | 3,889 | 3,891 | 3,886 | 3,884 | 4,007 | 3,875 |
| Nursing Home, Home & Community Based, ERC | | | | | | | | |
| Total | 149,948 | 161,871 | 169,180 | 171,610 | 173,748 | 252,609 | 231,504 | 203,115 |

Notes
 VHAP, VHAP ESI, Catamount, and ESIA, and 6 month average, Jul '13 to Dec '13
 Premium and Cost Sharing subsidies are 6 month average, Jan '14 thru Jun '14
 Jan thru June - ABD reduced by 3,500 MR/M8 eligibility codes, which were then included in New Adults

| Average For | Jan-Mar 2014 |
|-------------|--------------|
| VHAP | 3,437 |
| VHAP ESI | 316 |
| Catamount | 7,683 |
| ESIA | 618 |

Summary of Total Expenditures

Medicaid and Medicaid Related

| | FY09 Actual | FY10 Actual | FY11 Actual | FY12 Actual | FY14 BAA | FY14 Final Est | FY15 Budgeted |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Non Capitated Administration | 6,116,390 | 5,698,974 | 6,516,131 | 5,700,438 | 6,292,136 | 6,291,473 | 6,502,870 |
| Global Commitment Waiver | | | | | | | |
| GC - Administration | 74,349,470 | 75,955,385 | 72,314,139 | 74,150,382 | 89,030,291 | 86,325,395 | 89,843,871 |
| GC - Program | 779,104,938 | 850,692,110 | 900,949,532 | 913,875,330 | 1,097,264,567 | 1,063,927,741 | 1,107,291,627 |
| GC - Investments (CNOM) | 53,463,741 | 46,598,068 | 49,287,654 | 83,277,460 | 99,988,919 | 106,856,666 | 109,236,349 |
| GC - Certified (non -cash program & cnom) | 28,079,069 | 29,600,582 | 24,578,280 | 26,938,357 | 27,469,572 | 27,799,832 | 28,065,597 |
| | 934,997,218 | 1,002,846,145 | 1,047,129,605 | 1,098,241,529 | 1,313,753,349 | 1,284,909,633 | 1,334,437,444 |
| Exchange Cost Sharing Subsidy (State Only) | | | | | 1,484,460 | 332,623 | 3,117,367 |
| Exchange Vermont Premium Assistance (State Only) | | | | | | 610,022 | |
| Choices For Care Waiver (LTC) | 197,954,288 | 194,618,136 | 191,968,805 | 196,477,952 | 206,058,919 | 205,224,249 | 206,894,740 |
| Pharmacy - State Only | 6,534,312 | 1,718,090 | 1,812,342 | (4,082,889) * | 2,000,880 | 1,004,506 | 3,170,931 |
| Catamount - State Only >200% -Administration | 905,626 | 314,476 | 100% incl in GC | 100% incl in GC | 100% incl in GC | 100% incl in GC | 100% incl in GC |
| Catamount - State Only >200% -Program | 8,682,014 | 7,752,108 | 100% incl in GC | 100% incl in GC | 100% incl in GC | 100% incl in GC | 100% incl in GC |
| DSH | 35,648,781 | 37,448,782 | 37,448,782 | 37,448,782 | 37,448,782 | 37,448,781 | 37,448,781 |
| Clawback (state only funded) | 20,779,093 | 13,332,383 | 17,684,471 | 23,784,030 | 26,480,467 | 25,833,314 | 26,618,207 |
| SCHIP | 7,231,315 | 6,972,994 | 7,642,495 | 8,598,982 | 9,688,900 | 9,584,604 | 10,072,000 |
| Total | 1,218,849,037 9.1% | 1,270,702,088 4.3% | 1,310,202,631 3.1% | 1,366,168,824 4.3% | 1,603,207,893 6.6% | 1,571,239,205 4.4% | 1,628,262,340 1.6% |

FY13 GC Program includes \$60m for GME representing both the FY12 and FY13 years
 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.

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 FY14 (Estimated)

(these are gross combined federal and state funds)

| | <u>FY09 Actual</u> | <u>FY10 Actual</u> | <u>FY11 Actual</u> | <u>FY12 Actual</u> | <u>FY13 Actual</u> | <u>FY14 Estimated</u> | <u>FY15 Budget</u> |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|
| Cash Carryforward from Prior Year | 42,285,554 | 25,026,759 | 61,860,271 | 86,673,268 | 86,662,450 | 86,542,106 | 0 |
| Revenues - Cash Capitated Payments (4) | 889,659,354 | 1,010,079,082 | 1,047,364,322 | 1,061,421,619 | 1,192,428,821 | 1,190,118,931 | 1,298,038,139 |
| Expenses - Cash Capitated | | | | | | | |
| Administration | 74,349,470 | 75,955,385 | 72,314,139 | 74,150,382 | 83,170,036 | 86,325,395 | 89,843,871 |
| Program | 779,104,938 | 850,692,110 | 900,949,532 | 913,875,108 | 1,025,039,145 | 1,063,927,741 | 1,107,291,627 |
| Investment | 53,463,741 | 46,598,068 | 49,287,654 | 73,406,946 | 84,339,985 | 96,951,080 | 100,902,641 |
| Total Cash Expenses | 906,918,149 | 973,245,563 | 1,022,551,325 | 1,061,432,436 | 1,192,549,166 | 1,247,204,215 | 1,298,038,139 |
| End-of-Year Cash Balance | 25,026,759 | 61,860,278 | 86,673,268 | 86,662,450 | 86,542,106 | 29,456,822 | 0 |
| Less encumbrances | | | | | | (8,797,926) | |
| Available End-of-Year Cash Balance | | | | | | 20,658,896 | |
| | | | | | | | |
| Non-capitated administrative expenses (1) | 6,116,390 | 5,698,974 | 6,516,131 | 5,700,438 | 6,098,492 | 6,291,473 | 6,502,870 |
| Non-cash expenses (2) | 28,079,069 | 29,600,582 | 24,782,283 | 26,938,357 | 26,914,096 | 27,799,832 | 28,065,597 |
| Non-cash revenues (3) | 31,170,027 | 30,722,883 | 24,782,283 | 26,938,357 | 26,914,096 | 27,799,832 | 28,065,597 |

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 5 certified programs in which non-federal expenses are not State cash expenses.
- (3) Non-cash revenues include 5 certified programs in which non-federal revenues are not State cash revenues.
- (4) FY10 cash capitated payments reflect the full current-year per-member per-month payment obligation. As

State Health Care Resources Fund

Catamount Fund was incorporated into SHCRF Fund in FY13

FY11 and FY12 have been adjusted for comparison

| | FY11 Actuals | FY12 Actuals | Cash/Accrual mix FY13 Actuals | BAA - 5/14 FY14 | Jul-14 FY14 Act. Est. | Conf - 5/14 FY15 Est | Ebrd FY15 | Ebrd FY16 |
|---|--------------------|--------------------|----------------------------------|--------------------|--------------------------|-------------------------|--------------------|--------------------|
| State Health Care Resources Fund | | | | | | | | |
| Beg. Balance | 3,904,454 | 5,093,196 | 142,300 | 6,319,567 | 5,401,893 | - | - | - |
| Catamount Fd Balance (incorp FY13) | 793,641 | 2,212,330 | 4,757,969 | - | - | - | - | - |
| | <u>4,698,095</u> | <u>7,305,526</u> | <u>4,900,269</u> | <u>6,319,567</u> | <u>5,401,893</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenue | | | | | | | | |
| Cig Tax Revenue | 66,448,755 | 72,811,427 | 67,338,387 | 65,700,000 | 64,727,447 | 64,900,000 | 64,070,000 | 62,070,000 |
| Tobacco Products Tax - 100% | 6,511,841 | 6,868,340 | 6,931,690 | 6,900,000 | 7,125,892 | 7,700,000 | 8,090,000 | 8,100,000 |
| Cig Floor Stock Tax | - | 550,272 | - | - | 88 | - | 180,000 | - |
| Claims Assessment | - | 12,603,108 | 11,470,283 | 13,600,000 | 13,073,292 | 14,000,000 | 14,000,000 | 14,280,000 |
| Employer Assessment | 9,316,000 | 11,168,000 | 11,886,600 | 12,700,000 | 12,995,400 | 15,738,631 | 15,623,960 | 16,800,000 |
| Catamount 11% Adj - >300% | - | 1,442,038 | 1,855,062 | 800,000 | 1,467,338 | - | - | - |
| Graduate Med Education | - | - | 25,756,529 | 13,068,000 | 13,228,943 | 12,873,000 | 12,873,000 | 12,873,000 |
| Nursing Home Sale Assessment | - | - | 320,000 | 746,400 | 746,400 | - | - | - |
| Prov Tax - Hospital | 94,739,392 | 110,642,636 | 115,505,466 | 122,576,799 | 120,087,900 | 127,639,915 | 124,104,709 | 127,207,327 |
| Prov Tax - Nursing Home | 12,842,419 | 15,749,272 | 16,268,103 | 15,822,028 | 15,998,993 | 15,801,530 | 15,801,530 | 15,860,000 |
| Prov Tax - Home Health | 3,957,011 | 4,548,206 | 4,529,917 | 4,142,372 | 4,097,040 | 4,233,302 | 4,218,421 | 4,218,421 |
| Prov Tax - ICF-MR | 70,236 | 82,098 | 69,695 | 71,629 | 71,629 | 73,759 | 73,759 | 73,759 |
| Pharmacy \$0.10/script | 790,315 | 789,877 | 795,192 | 800,000 | 780,174 | 800,000 | 780,000 | 780,000 |
| Premiums - Catamount | 3,912,593 | 4,597,688 | 4,984,683 | 2,975,315 | 3,164,335 | - | - | - |
| Premiums - VHAP (mgd care) | 2,205,367 | 2,858,383 | 2,951,004 | 2,163,440 | 1,634,739 | - | - | - |
| Premiums - Dr. D (medicaid) | 155,259 | 180,401 | 183,944 | 57,112 | 88,237 | 50,607 | 50,607 | 50,000 |
| Premiums - SCHIP | 478,300 | 507,101 | 536,649 | 587,189 | 359,025 | 623,382 | 623,382 | 600,000 |
| Premiums - Rx programs | 3,292,209 | 3,160,264 | 3,180,120 | 3,050,651 | 3,163,777 | 3,045,450 | 3,045,450 | 3,045,450 |
| Recoveries | 771,362 | 625,996 | 5,049,628 | 300,000 | 1,279,529 | 500,000 | 500,000 | 500,000 |
| Other (Misc, Interest) | (339,836) | (32,672) | 194,977 | 52,782 | (165,647) | 13,323 | - | - |
| Total Fund Revenue | 205,151,223 | 249,152,435 | 279,807,929 | 266,113,718 | 263,924,531 | 267,992,899 | 264,034,818 | 266,457,957 |
| Total Available | 209,849,318 | 256,457,961 | 284,708,198 | 272,433,284 | 269,326,423 | 267,992,899 | 264,034,818 | 266,457,957 |
| Expenditures | | | | | | | | |
| Global Commitment | 202,543,792 | 251,558,494 | 278,388,631 | 268,303,555 | 268,303,555 | 267,992,899 | 267,992,899 | 266,457,957 |
| Excess receipt | | | | | 1,022,868 | | - | |
| Total Expend | 202,543,792 | 251,558,494 | 278,388,631 | 268,303,555 | 269,326,423 | 267,992,899 | 267,992,899 | 266,457,957 |
| End. Balance | 7,305,526 | 4,899,467 | 6,319,567 | 4,129,729 | 0 | 0 | (3,958,081) | - |