

NC Department of Health and Human Services

Division of **Medical Assistance**



LEGISLATIVE OVERSIGHT COMMITTEE

MEDICAID BUDGET UPDATE

NOVEMBER 13, 2012

Steve Owen, Chief Business Operating Officer

MEDICAID BUDGET UPDATE

- Cash Position of Medicaid – All Funds
- Enrollment, Utilization and Expenditure Trends
- CCNC Savings Status
- Forecasted SFY 2013 Claims

DMA CASH POSITION 11/2/12

- Medicaid budgets an annual amount for all funds.
- This year the Division has converted this to weekly estimates based on history, planning implementation of reductions and enrollment projections.

DMA CASH POSITION 11/2/12

- **\$33,500,000 Overall State cash shortfall for all funds through November 2, 2012 (Databook page 1); the components are:**
 - *Claims and service expenditures \$25,900,000 cash shortfall*
 - *Administration and contracts \$3,700,000 cash shortfall*
 - *Program Integrity net recoveries \$500,000 cash surplus*
 - *Settlements, GAP Plan and other payments/ receipts \$4,400,000 cash shortfall*

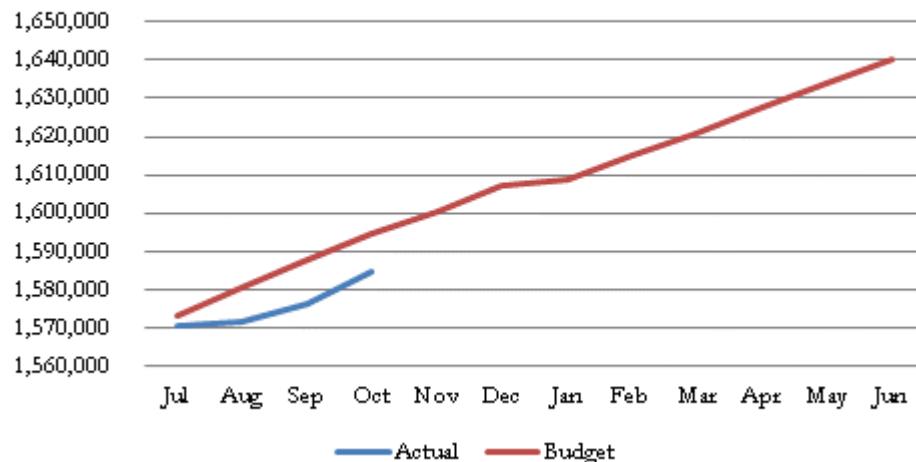
Spread has been adjusted for timing variations that will correct in November
- **Claims expenditures represent 95% of state Medicaid costs, settlements and adjustments are 3% and administration/contracts represent 2% of state costs budgeted in SFY 2013 (Databook page 2)**
- **Based on the full year forecast in October, the claims variation identified is expected to reduce significantly through the year**

ENROLLMENT, UTILIZATION and EXPENDITURE TRENDS

- Overall enrollment averaging 8,261 less recipients per month than budgeted
- Enrollment mix reflects higher proportion of more expensive disabled population and less children than budgeted. In October the AFDC>21 population reflected a spike in enrollment
- Creates positive volume variance (*Databook 3*)
- Expenditure variance not proportional to overall enrollment variance (*Databook page 4*)

ENROLLMENT, UTILIZATION and EXPENDITURE TRENDS

Enrollment Trends



Significance of the variance in mix on spending:

<i>ABD</i>	<i>\$1,415</i>
<i>AFDC>21</i>	<i>\$ 583</i>
<i>Children</i>	<i>\$ 224</i>
<i>Other</i>	<i>\$ 414</i>

AVERAGE ENROLLMENT

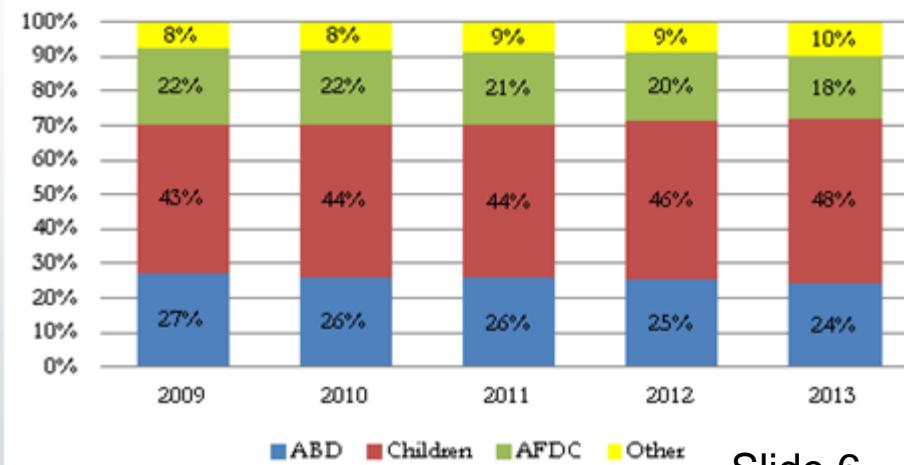
	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
ABD	383,578	385,094	1,517
AFDC>21	134,825	135,775	950
Children	908,098	900,024	(8,074)
Other	156,582	154,972	(1,610)

MEDICAID ENROLLMENT TRENDS

	<i>ABD</i>	<i>Children</i>	<i>AFDC</i>	<i>Other</i>
2009	359,374	561,565	290,528	99,726
2010	365,038	619,957	301,216	114,157
2011	373,191	642,940	303,644	125,552
2012	381,391	698,728	300,123	130,572
2013	386,614	753,263	289,333	155,372

Enrollment represents
the number of
recipients at year end,
for SFY 2013
Enrollment at
10/31/012

Trends in Enrollment



BREAKING DOWN MEDICAID EXPENDITURES

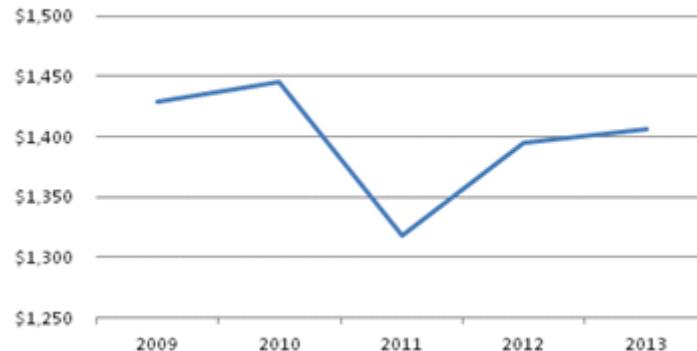
- Aid Category Groupings
 - Aged, Blind, Disabled – ABD
 - Children
 - Other – MPW, Aliens, AFDC >21, B&C, Duals
- Service Groupings
 - a) Foundation
 - b) Medical
 - c) Long Term/Residential
 - d) Behavioral
 - e) Financing

THE CHANGING FACE OF MEDICAID

ABD

	2009	2010	2011	2012	2013
Foundation	291.28	289.63	279.17	305.58	298.74
Medical	256.64	270.10	239.80	268.46	264.90
Long Term/Residential	468.80	462.21	409.52	421.77	418.08
Behavioral	341.29	347.16	304.74	323.39	349.66
Financing	71.18	76.25	84.53	76.28	74.37

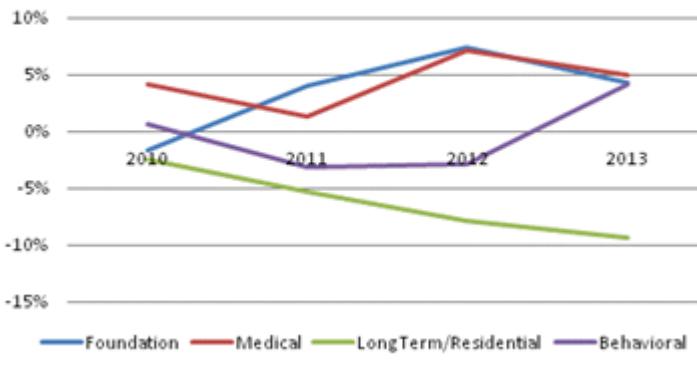
ABD



ABD

	2009	2010	2011	2012	2013
Foundation	20%	20%	21%	22%	21%
Medical	18%	19%	18%	19%	19%
Long Term/Residential	33%	32%	31%	30%	30%
Behavioral	24%	24%	23%	23%	25%
Financing	5%	5%	6%	5%	5%

Change in PMPM Since 2009



All service category costs, excluding Behavioral, decreased by \$10.27 PMPM in 2013 as CCNC enrollment increases. Behavioral reflects expanded MCO activity and early claims lag

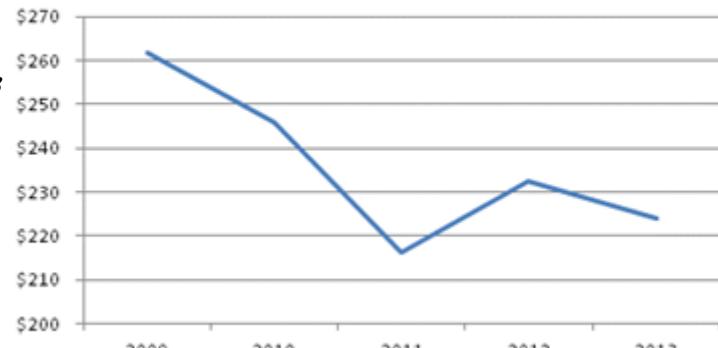
THE CHANGING FACE OF MEDICAID

Children	2009	2010	2011	2012	2013
Foundation	118.86	115.41	103.77	113.50	110.17
Medical	67.62	65.66	59.04	58.15	54.79
Long Term/Residential	0.46	0.34	0.30	0.29	0.33
Behavioral	74.70	64.54	52.16	60.45	58.63
Financing	-	-	1.00	-	-

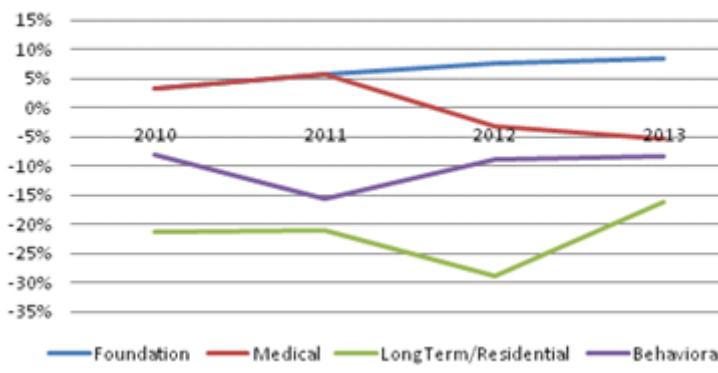
Children	2009	2010	2011	2012	2013
Foundation	45%	47%	48%	49%	49%
Medical	26%	27%	27%	25%	24%
Long Term/Residential	0%	0%	0%	0%	0%
Behavioral	29%	26%	24%	26%	26%
Financing	0%	0%	0%	0%	0%

Overall PMPM decreased by \$8.47 in 2013, decrease in 2011 attributable to annualized rate decrease from 2010, reduced utilization of physicians, hospital inpatient and emergency room. Increased generic utilization reduced drug expenditures

Children

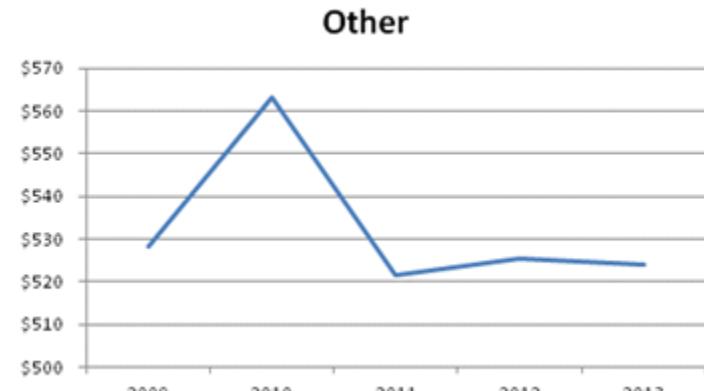


Change in PMPM Since 2009

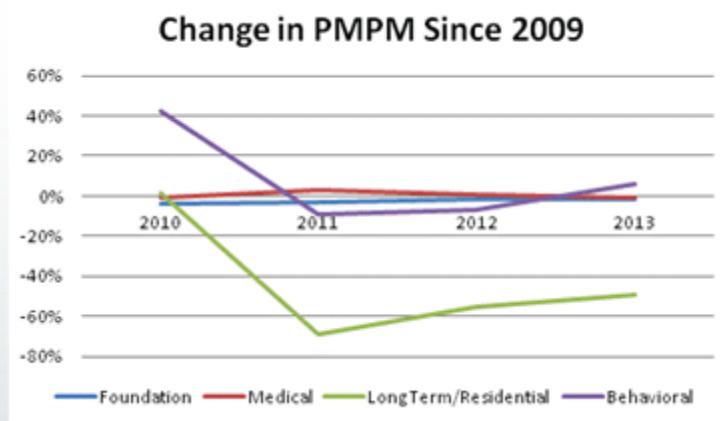


THE CHANGING FACE OF MEDICAID

Other	2009	2010	2011	2012	2013
Foundation	244.05	250.84	234.08	239.33	238.76
Medical	238.56	252.06	242.47	238.97	235.39
Long Term/Residential	3.56	3.85	1.10	1.59	1.80
Behavioral	22.57	34.19	20.31	20.88	23.68
Financing	19.35	22.23	23.59	24.75	24.55



Other	2009	2010	2011	2012	2013
Foundation	46%	45%	45%	46%	46%
Medical	45%	45%	46%	45%	45%
Long Term/Residential	1%	1%	0%	0%	0%
Behavioral	4%	6%	4%	4%	5%
Financing	4%	4%	5%	5%	5%



All service category costs, excluding Behavioral, decreased slightly in 2013. Behavioral reflects expanded MCO activity and early claims lag

CCNC CARE MANAGEMENT IMPACT ON MEDICAID EXPENDITURES

Milliman report from December 15, 2011 actuarially determined care management reduced expenditures:

	<i>ABD</i>	<i>Children</i>	<i>Other Adults</i>	<i>Total</i>	<i>Average Members</i>	<i>Annual savings in total requirements, net of PMPM paid for care management</i>
SFY 2007	\$ (96,000,000)	\$ 177,000,000	\$ 22,000,000	\$ 103,000,000	983,356	
SFY 2008	\$ (43,000,000)	\$ 202,000,000	\$ 45,000,000	\$ 204,000,000	1,083,636	
SFY 2009	\$ (24,000,000)	\$ 261,000,000	\$ 58,000,000	\$ 295,000,000	1,176,778	
SFY 2010	\$ 47,000,000	\$ 238,000,000	\$ 97,000,000	\$ 382,000,000	1,253,292	

Additional savings included in the SFY 2013 budget:
 \$149,200,000 in state dollars - \$426,300,000 in total requirements

ABD highlights that care management savings lag enrollment in CCNC because it takes time for initiatives to impact the costs of downstream care

CCNC SFY 2013 SAVINGS STATUS

	<i>Original State Savings Target</i>
• ABD Enrollment 5% less than the 75% target .1 % improvement in October (<i>Databook page 5</i>)	(\$67.7M)
• Non-ABD Enrollment 1.3% more than target	(\$18.0M)
• Savings based on more than enrollment:	
- <i>Enhanced Plan</i>	(\$13.8M)
- <i>High Cost/High Risk</i>	(\$ 6.9M)
- <i>Chronic Pain</i>	(\$16.2M)
- <i>Mental Health Drugs & Pharmacy Utilization</i>	(\$16.0M)
- <i>Emergency Physicians</i>	(\$ 2.3M)
- <i>Enhanced management of Adult Care Home residents</i>	(\$ 8.3M)

CCNC SFY 2013 SAVINGS STATUS

- **Savings \$4.9M less than budgeted for the 4 months ending October 31, 2012, a \$2.6M improvement in the month**
- Based on ABD savings achieved the variance in enrollment accounts for only \$1,606,000 of the variance through 10/31/12
- *The primary area of variance exists for the ABD population management, primarily hospital emergency services and drugs, which account for a \$6.3M in CCNC savings variance*

CCNC and DMA have formed a collaborative task force to review emergency service expenditures to understand trends and determine initiatives to impact spending

UPDATED MEDICAID CLAIMS FORECAST

- **SAS forecast of enrollment based on data through 9/30/12**
- **Current PMPM expenditures foundation for base forecast**
- **Base forecast modified for impact of budgeted program and service changes that have not fully impacted base period spending**
- **Factors incorporated for the impact of consumption, federal mandates and costs for the balance of the year**
- **All known factors impacting claims and utilization have been reflected in the annual forecast**

Annual claims are forecasted to be \$11.5M under appropriations for SFY 2013 or a .36% variance

UPDATED MEDICAID CLAIMS FORECAST

- Elements of the variance in the claims forecast and the budget:

	<i>Total</i>	<i>State</i>
<i>Mix of Enrollment</i>	<i>\$ 113.1 M</i>	<i>\$ 23.4 M</i>
<i>Enrollment</i>	<i>(\$ 93.7) M</i>	<i>(\$ 32.8) M</i>
<i>Consumption/Service Mix</i>	<i>(\$ 5.9) M</i>	<i>(\$ 2.1) M</i>

Enrollment mix variance attributable to the higher proportion of ABD and lower children in SFY 2013 than budgeted (Slide 5)

OVERALL MEDICAID FORECAST SFY 2013

***FORECAST BASED ON OCTOBER
INFORMATION REFLECTS TOTAL
MEDICAID SPENDING AT OR BELOW
BUDGET FOR STATE APPROPRIATIONS***

SUMMARY

- Reporting and monitoring enhanced to expedite variance and trend identification
- DMA and CCNC collaborating to enhance savings from care management
- Forecasts for all Medicaid expenditures are close to budget



QUESTIONS?

DATABOOK

MEDICAID CASHFLOW

DMA APPROPRIATIONS COMPARED TO TOTAL FORECASTED

WEEK BEGINNING	SEPT 24	OCT 1	OCT 8	OCT 15	OCT 22	OCT 29
YTD Appropriation Variance in State Dollars						
Claims (Checkwrite)	5,529,746	(13,251,322)	(26,127,740)	(33,342,661)	(37,489,782)	(37,489,782)
Claims (Non Checkwrite)	1,631,260	1,450,867	1,864,488	2,375,811	2,908,735	2,855,654
Administration	(4,080,967)	(5,574,648)	(5,160,372)	(4,746,097)	(4,436,173)	(5,312,248)
Contracts	1,545,471	2,655,590	1,332,889	1,601,965	1,778,847	1,589,576
Settlements	691,961	623,561	622,521	(7,237,260)	(6,577,260)	(7,481,022)
Hospital Plan	(3,088,187)	(3,088,187)	(3,088,187)	2,670,341	(3,668,372)	(3,668,372)
Misc Receipts (PI, Settlements, Chipra)	(26,799,070)	(26,799,070)	(26,799,070)	494,257	494,257	494,257
Rebates	40,739,731	18,868,711	3,919,141	(29,330,376)	(31,675,176)	(32,807,810)
Assessments	(5,044,704)	(5,905,968)	(6,800,779)	(1,916,205)	(4,984,365)	(8,066,206)
Transfers	(55,892)	(108,012)	(108,012)	(338,102)	(54,768)	(54,768)
Other Receipts & Paybacks	6,233,709	6,774,686	6,756,434	5,913,964	6,956,249	7,081,488
YTD Appropriation Variance						
Surplus/(Shortfall) 14445	17,303,058	(24,353,791)	(53,588,688)	(63,854,362)	(76,747,807)	(82,859,232)

VARIANCE NOTES AND ANALYSIS

Total Shortfall	\$ (82,859,232)
<u>Transaction Items:</u>	
Timing for Rebate	
Payment to CMS	32,807,810
Timing of Settlement	
Payments	7,859,781
Health Home	8,728,101
Operational Shortfall	\$ (33,463,540)
<u>Annual Appropriation Variance</u>	
Claims	-1.1%
Administration and Contracts	\$ (25,906,027)
Other	(3,722,672)
Total Variance	\$ (33,463,540)

CHECKWRITE SUMMARY - In Total Dollars

Forecast SFY 2013	\$155,670,493	\$180,798,148	\$162,704,290	\$148,718,174	\$148,718,174	\$0	\$402,315,767
Actual SFY 2013	<u>(\$168,675,139)</u>	<u>(\$235,841,603)</u>	<u>(\$200,293,709)</u>	<u>(\$169,837,601)</u>	<u>(\$161,122,056)</u>	\$0	<u>(\$405,756,198)</u>
Variance (Over)/Under	<u>(\$13,004,646)</u>	<u>(\$55,043,455)</u>	<u>(\$37,589,419)</u>	<u>(\$21,119,427)</u>	<u>(\$12,403,882)</u>	\$0	<u>(\$3,440,431)</u>
Percent Variance	8.4%	30.4%	23.1%	14.2%	8.3%	0.9%	
YTD Cumulative Variance (Over)/Under	\$15,365,817	<u>(\$39,677,639)</u>	<u>(\$77,267,057)</u>	<u>(\$98,386,484)</u>	<u>(\$110,790,367)</u>	<u>(\$110,790,367)</u>	<u>(\$114,230,797)</u>
Percent of Total Expenditures	-0.45%	1.15%	2.25%	2.86%	3.22%	3.22%	3.32%
Actual SFY 2012	0	346,430,319	221,865,516	190,359,701	170,947,291	186,572,325	203,824,101
YTD Cumulative Variance (Over)/Under	<u>(\$21,550,882)</u>	<u>\$89,037,834</u>	<u>\$110,609,641</u>	<u>\$131,131,742</u>	<u>\$140,956,977</u>	<u>\$327,529,302</u>	<u>\$125,597,204</u>
Percent of Total Expenditures	-0.59%	2.42%	3.00%	3.56%	3.83%	8.90%	3.41%

NOTE: Transactional Items reflect variation in the forecast for items that are attributable to timing only and will ultimately reflect in offsetting variances in November.

Specifically, the rebates variance reflects amounts received in September, that were forecasted to be received in October. The receipt of rebates early resulting in repayment to CMS in October rather than November.

Settlements were paid earlier than forecast and will not be repeated.

The most recent claims forecast indicates that expenditures for the year should be at or below budget. Based on that forecast the current year to date variance, less the transactional items reflects a variance against the total Medicaid spending for all funds of 2.3% and for the year would reduce to only .9% over budget

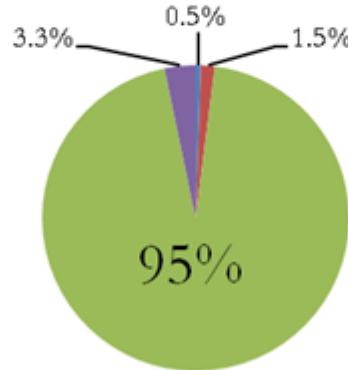
State Dollars for
all Medicaid Funds

Total
Requirement
s for HP
Claims
Payments
Only

MEDICAID MACRO TRENDS IN SFY 2013

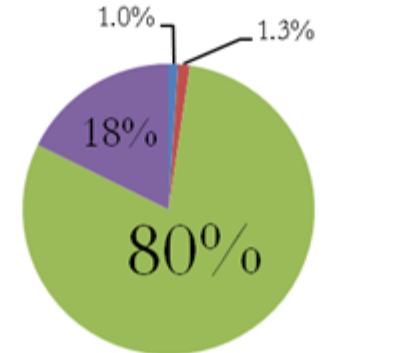
MEDICAID STATE APPROPRIATIONS

■ Administration ■ Contracts ■ Claims ■ Settlements/ADJ/DSH



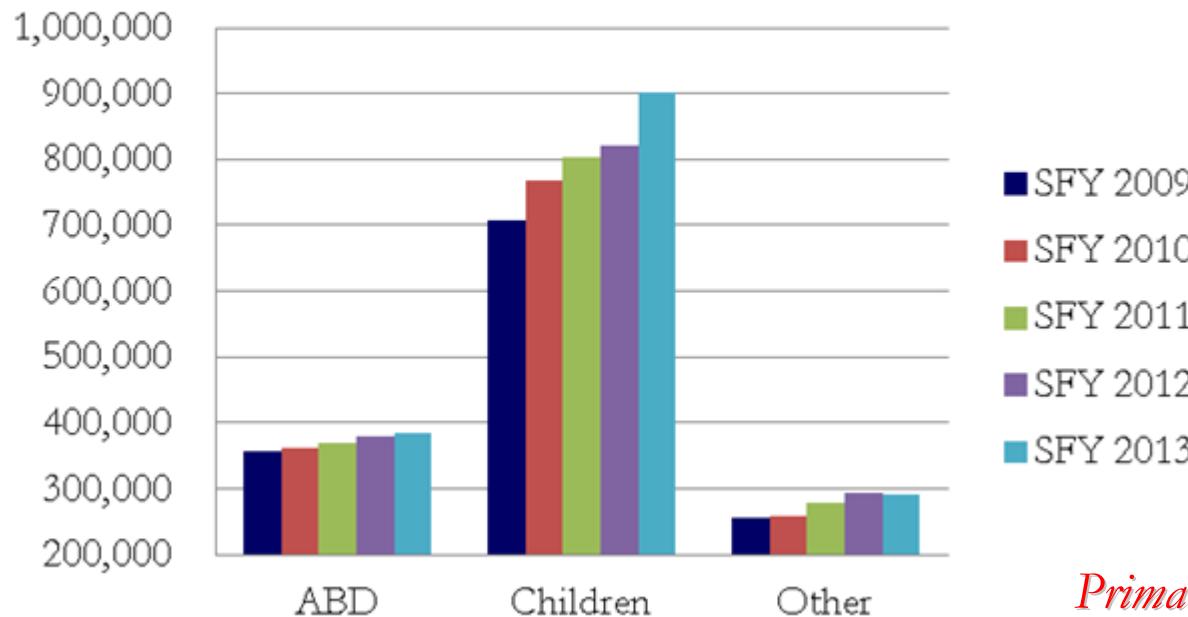
MEDICAID TOTAL REQUIREMENTS

■ Administration ■ Contracts ■ Claims ■ Settlements/Adj/DSH

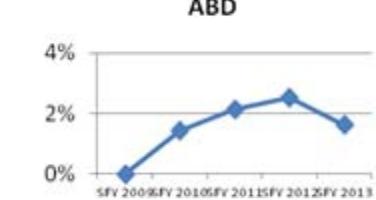


MEDICAID MACRO TRENDS IN SFY 2013

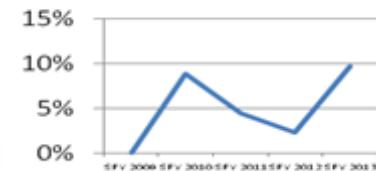
MEDICAID ENROLLMENT TRENDS



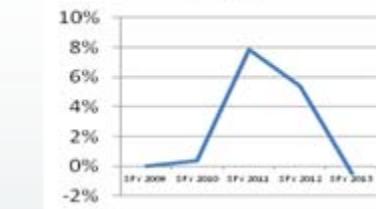
- SFY 2009
- SFY 2010
- SFY 2011
- SFY 2012
- SFY 2013



Children



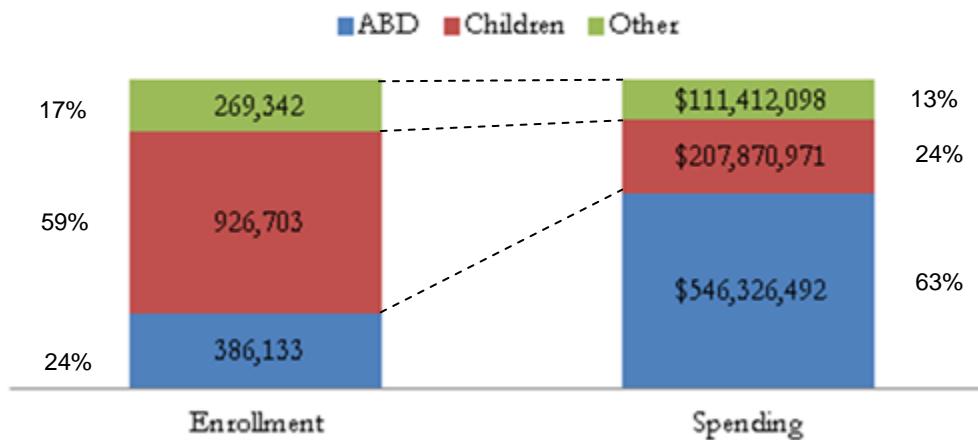
Other



Primary area of growth in ABD focused in the Disabled population

MEDICAID MACRO TRENDS IN SFY 2013

COMPARISON OF ENROLLMENT AND SPENDING SFY 2013



Enrollment and Mix of Enrollment equally important in forecasting Medicaid Expenditures

Nationally in 2009

ABD
Children
Other

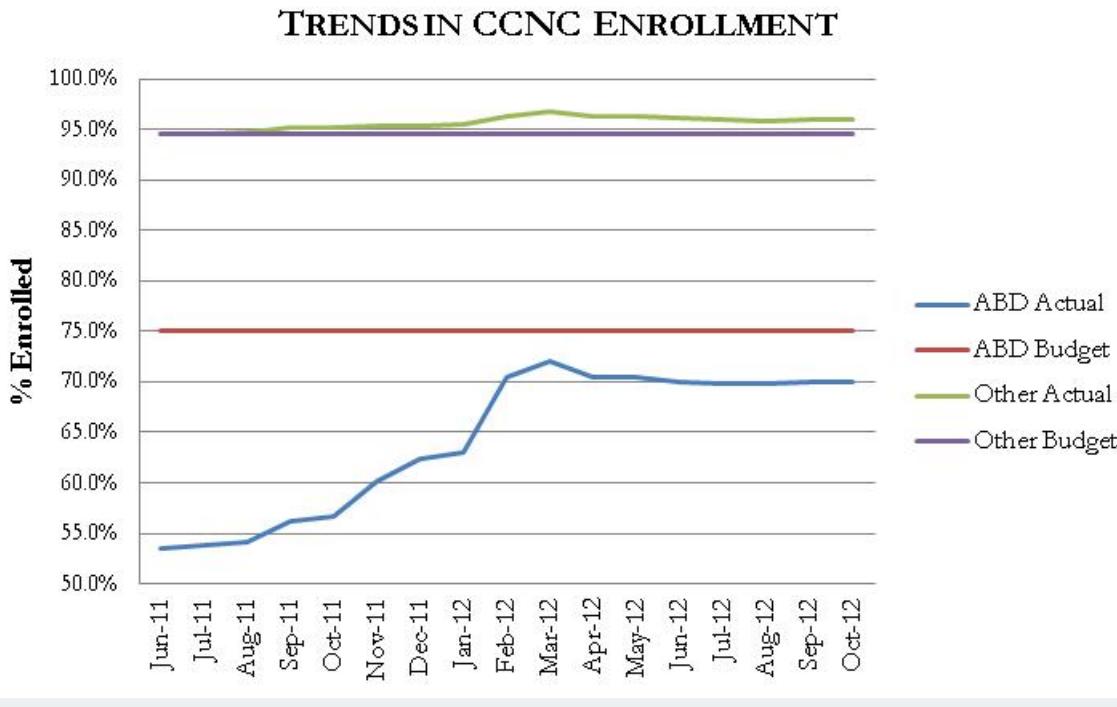
Enrollment

28%
49%
23%

Spending

66%
20%
14%

CCNC ENROLLMENT TRENDS



- *Reinstated auto assignment process week beginning 10/15/12*
- *Rehired temporary staff for recipient follow up by 10/5/12*
- *Non-ABD enrollment in CCNC averaged 1.3% over target*

- *ABD enrollment in CCNC is 5% under target, reflects a .1% point improvement in October 2012*

ENROLLMENT, UTILIZATION and EXPENDITURE TRENDS

- Inpatient Hospital
- Hospital Emergency Services
- Dental Services
- PCS (In-home and ACH)
- Nursing Homes
- Physician Services
- Drugs

- *11% decrease in recipients/1,000 and 7% decrease in average cost*
- *1% increase in recipients/1,000 and 4% increase in average cost*
- *10% increase in recipients/1,000 and 17% decrease in average cost*
- *6% decrease in recipients/1,000 and 6% increase in average cost*
- *4% decrease in recipients/1,000 and no change in average cost*
- *3% increase in recipients/1,000 and 10% decrease in average cost*
- *2% decrease in recipients/1,000 and 3% increase in average cost*

Sept 2012 Compared to SFY 2012

CHANGES IN MEDICAID CONSUMPTION

	2013	2012	2011
Medical Admissions/1,000	128.1	129.2	136.2
Surgical Admissions/1,000	29.9	30.1	32.3
ER Visits/1,000	855.2	849.0	846.6
Births/1,000	63.3	63.8	67.2
ABD Nursing Home Days/1,000	24,315	24,412	27,907
ICF and CAP MR Days/1,000	1,237	1,362	1,142

- CCNC lowering utilization of inpatient hospital services
- Growth in emergency room utilization an opportunity
- ABD population distributions shifting to more disabled recipients where nursing home utilization lowest

- Number of births remaining stable, in an environment of growing enrollment reflects in lower births per 1,000 enrollees – reflects decreasing proportional Medicaid hospital costs for maternity services

NOTE: October information will available soon