Joint Legislative Oversight Committee on Health and Human Services

Medicaid Budget Update

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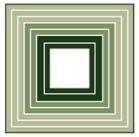
December 10, 2013

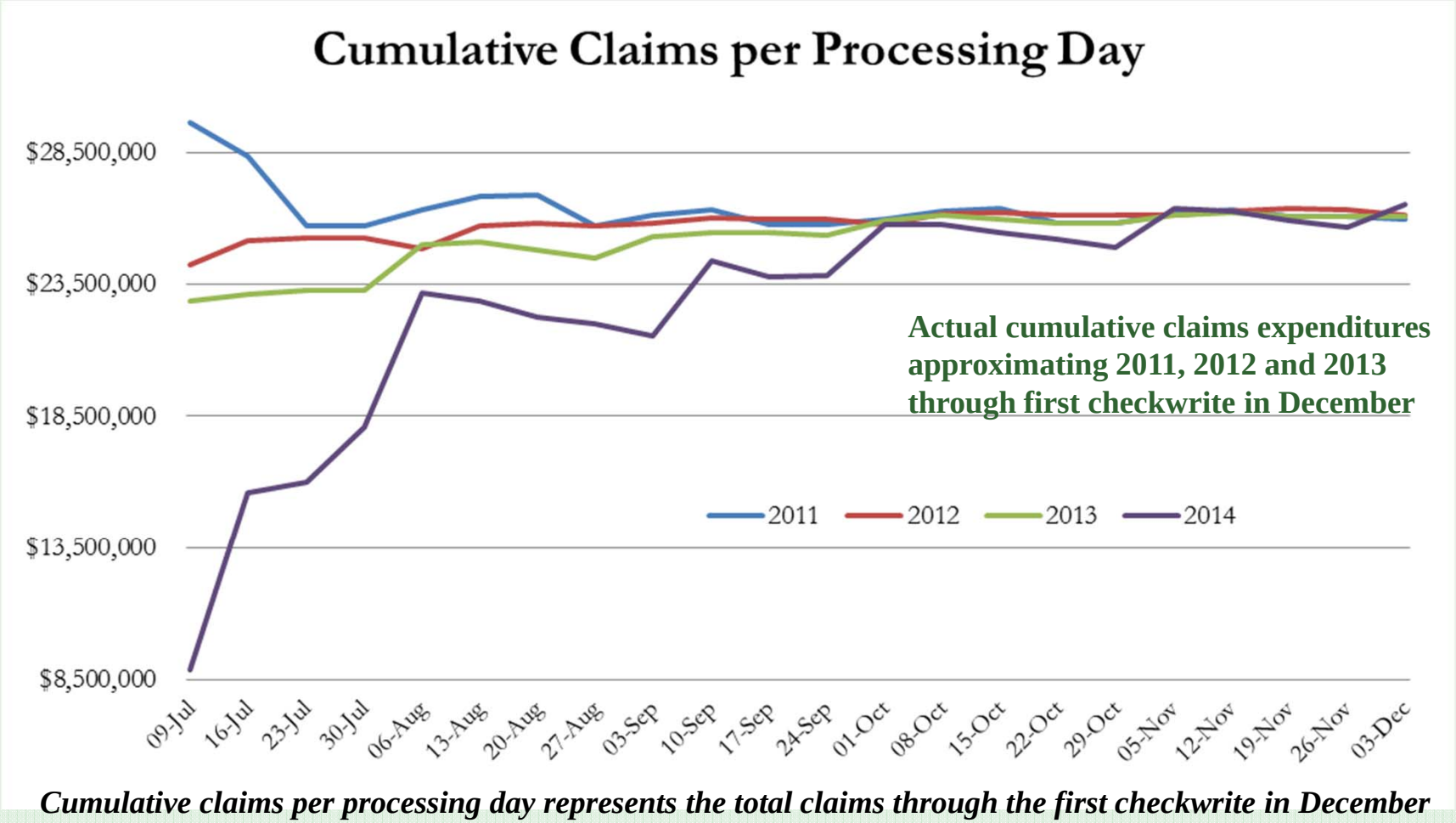


FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Medicaid Budget Review Summary

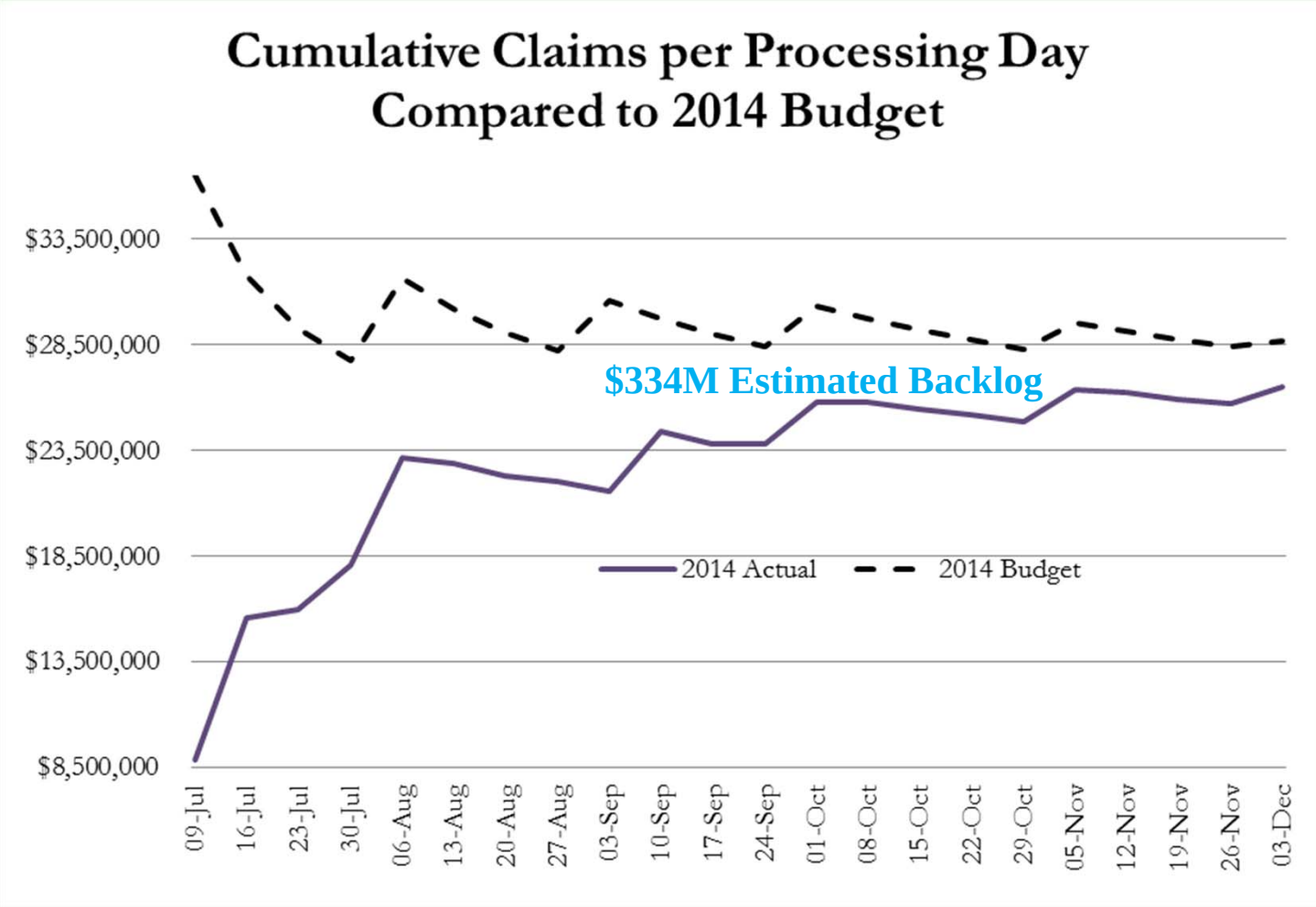
- What we "don't" have
  - Clean, complete YTD claims data to prepare an annual forecast for FY 2013-14
  - November 2013 closing reports for current year expenditures by fund
  - Impact of "risk" factors
- What we "do" have
  - Checkwrite data – amounts paid, accuracy of payments not validated
  - Actual monthly enrollment reported by program aid category as reported
- Follow up from 11/19 LOC
  - How did FY 2012-13 spending compare to the annual through October 2013

Checkwrite Summary



Cumulative claims per processing day represents the total claims through the first checkwrite in December divided by the total number of days providers have to process claims

Checkwrites Compared to Budget **



Difference in budget and actual represents the estimated backlog in payments against expected

***** - Budget spread based on Fiscal Research Division analysis***

Enrollment Summary

- Enrollment data is critical to being able to monitor expenditures and prepare a forecast
- Beginning 10/1/13 all counties were processing new Medicaid applications through NCFast
- Working with DMA to determine most accurate source of enrollment data

How does 2014 compare to 2013 through October?

FY 2012-13 October YTD Actual Appropriations

- $1,303,168,627 – *35% of the annual ongoing appropriation*

DMA forecast a $52.3M shortfall in December 2012

FY 2013-14 October YTD Adjusted Appropriations

- $1,302,408,277

Non-recurring factors in 2013 impacting the comparison between the years include CMS paybacks, catch up payment of rebate federal shares and duplicate payments resulting from MCO implementation

Factors in 2014 impacting the comparison between the years include timing for reductions predominately impact 2014 expenditures beginning in January 2014

Budget funded the structural shortfall and provided for 4.3% growth in Medicaid spending

Summary

- There is not sufficient clean claims data from NCTracks to prepare an accurate forecast for FY 2013-14
- Relying on the DMA accounting system reports, all that we "do" know and assuming that all reductions will be achieved it is still too early to predict where Medicaid will end the year
- Factors that will impact expenditures during the remainder of the year, include:
  - *enrollment and utilization trends and potential backlog*
  - *actual claims backlog and recovery of 'hardship" payments*
  - *timing and degree reduction items are achieved*
  - *actual experience of "woodwork" population and presumptive eligibility*
  - *impact of known variances; such as personal care services*
  - *unknown non-recurring liabilities*

January 2014 FRD Areas of Focus

- Impact on Medicaid enrollment processing as all counties transitioned to NCFast effective 10/1/13
- Determine a preliminary per member per month (PMPM) spending by major category to provide an understanding of spending trends based on the best available data
- Assign economic values to each “risk” factor
- Medicaid data and indicators

Description of Shared Savings Plan

Budget Bill Language

Section 12H.18

"Funds from payments
thheld under this section
are **budgeted** to be shared
providers shall not revert
to the General Fund"

- DHHS shall consult with providers to develop a plan to implement 7/1/14 with <u>payments to providers beginning by 1/1/15</u>
  - *Inpatient hospitals*
  - *Physicians (excluding PCP until 1/1/15)*
  - *Dental*
  - *Optical*
  - *Podiatry*
  - *Chiropractors*
  - *Hearing Aids*
  - *PCS*
  - *Nursing Homes*
  - *Adult Care Homes*
  - *Drug Dispensing*

"…provide incentives to provide effective and efficient care that results in positive outcomes…"

Money Report

FY 2013-14

- 3% “withhold” effective 1/1/14 $14.7M in 2014
- GAP Plan retention and lowered service costs impact $12.2M in 2014

FY 2014-15

- 3% “withhold” continues, $30.6M in 2015
- GAP Plan retention and lowered service costs impact $23.0M in 2015
- Supplemental payments to providers $8.9M in 2015

Components of Reduction Line Item

3% "Withhold" from Selected Provider Rates (2013-14 and 2014-15)

Impact on spending for improved efficiency and effectiveness of care management and delivery (2013-14 and 2014-15)

Impact on hospital GAP plan and state retention (2013-14 and 2014-15)

Provider supplemental payments sharing in savings realized by the state from improved efficiency and effectiveness (2014-15 only)

Key Elements of the Shared Savings Calculation and Impact

There are no budgeted shared savings payments to providers in FY 2013-14

Savings to be shared are based on the impact of improved effectiveness and efficiency in care throughout the Medicaid program

DHHS establishes the measures and the basis for sharing savings

Measures are not restricted to improvements solely within the provider category

The 3% "withhold" sets a cap on the aggregate amount that providers in a category can receive as a shared savings payments

Assuming there is variation in performance among providers, some providers could receive no shared savings payments, and some providers could receive payments greater than the amount their fees were reduced

Questions?

Fiscal Research Division

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