

Joint Legislative Oversight Committee on Health and Human Services

Medicaid Budget Reduction Items

**Susan Jacobs
Fiscal Research Division**

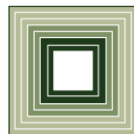
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FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Overview

- **Potential Budget Shortfall**
- **Claims and Application “Backlogs”**
- **Impact of Reductions/S.L. 2013-184**
- **Best Case and Worst Case Scenarios**



Potential Medicaid Budget Shortfall:

- We do not have a Medicaid forecast. We have a preliminary estimate for the current Medicaid Budget status and the potential impact on FY 14/15.
- We have used *overall expenditure* data through February to try and estimate what the current budget situation is. Once we have complete claims and enrollment data and a forecast, these numbers *could drastically change*.
- The preliminary estimate for the current fiscal year is a **net** shortfall of (\$69 million - \$131 million)¹.
- The preliminary estimate for FY 14/15 is a **net** shortfall of (\$126 million - \$257 million)¹.
- A significant portion of the estimated shortfall is associated with budget reductions not implemented.
- At this point, it is doubtful that **all data, claims and application issues** will be completely resolved by June 30th, therefore the need for a Medicaid Reserve should be discussed/considered.

Note: Estimates based on Office of the State Controller expenditure data through February 2014. The total Medical estimated shortfall has been offset by estimated surpluses in the NC Healthchoice Program (see slides 7 and 8) .

Claims and Applications “Backlog”

- Our estimates assume that there are over \$356 million in unpaid claims pending (total funds) either due to pending payments or pending applications at the local level.
- If this estimate is accurate and not resolved by year-end, there may be cash on the “bottom line” in the Medicaid Budget that will need to be encumbered to pay bills associated with these unpaid claims in the next fiscal year. It will be critical to know the real amount of the backlog in order to anticipate recurring and non-recurring budget needs in FY 14/15.
- Delays in Medicaid applications at the local level will have an impact on the Medicaid budget in the future. For example, delays in prenatal care, preventive care or health screening **will result in delays in treatment and higher costs** for the Medicaid Program in the future.

Impact of Reductions:

- For FY 13/14, the Medicaid Budget includes \$147,320,146 in reductions. These reductions were based on specifically required policy changes generally effective January 1, 2014.
- For FY 14/15, the amount of reductions increase to \$221,656,839.
- Language was included in S.L. 2013-184 (Continuing Resolution) to direct the Department to initiate the *early* preparation and submission of state plan amendments (SPAs) to the Centers for Medicare and Medicaid Services (CMS) to ensure that reductions were achieved.

Impact of Reductions on Shortfall Range:

Best and Worst Case Scenarios For Current Fiscal Year:

- Our “best case” scenario for FY 13/14 assumes that we realize 81% of the budgeted reductions this fiscal year (approximately \$119 million of the \$147 million budgeted).
- Our “worst case” scenario for FY 13/14 assumes that we will receive only 59% of the budgeted reductions this fiscal year (approximately \$87 million of the \$147 million budgeted) .

Best and Worst Case Scenarios For FY 14/15:

- Our “best case” scenario for FY 14/15 assumes that we receive 100% of the budgeted reductions.
- Our “worst case” scenario for FY 14/15 assumes that we will receive only 53% of the budgeted reductions.

Note: If State Plan Amendments are submitted and approved by the Centers for Medicare and Medicaid Services to be applied “retroactively”; *and* if the Department is successful in implementing the necessary changes in the NC Tracks system, the estimates for budget reductions would improve significantly.

Estimated Shortfall Range SFY 2013-14

SFY 2013-14

	<i>WORST CASE</i>		<i>BEST CASE</i>	
	<i>Budget</i>	<i>Not Achieved</i>	<i>Budget</i>	<i>Not Achieved</i>
<u>MEDICAID</u>				
Budget Reduction Items	\$ 147,320,146	\$ (60,258,199)	\$ 147,320,146	\$ (28,021,239)
Presumptive Eligibility		(11,033,197)		(5,360,365)
MAGI Recertification Delay		(2,800,000)		(2,800,000)
Additional Children Shifted from NCHC		(10,101,961)		(10,101,961)
Other		(55,930,512)		(34,135,069)
POTENTIAL MEDICAID SHORTFALL SFY 2013-14		<u>\$ (140,123,869)</u>		<u>\$ (80,418,634)</u>
<u>HEALTH CHOICE</u>				
Budget Reduction Items	\$ 15,558,388	\$ (1,839,870)	\$ 15,558,388	\$ (1,318,598)
Additional Children Shifted from NCHC		\$ 4,222,037		\$ 4,222,037
Other		\$ 6,535,845		\$ 8,950,245
POTENTIAL HEALTH CHOICE SURPLUS SFY 2013-14		<u>\$ 8,918,012</u>		<u>\$ 11,853,684</u>
POTENTIAL NET SHORTFALL SFY 2013-14		<u>\$ (131,205,856)</u>		<u>\$ (68,564,950)</u>

Estimated Shortfall Range SFY 2014-15

SFY 2014-15

	<i>WORST CASE</i>		<i>BEST CASE</i>	
	<i>Budget</i>	<i>Not Achieved</i>	<i>Budget</i>	<i>Not Achieved</i>
<u>MEDICAID</u>				
Budget Reduction Items	\$ 221,656,839	\$ (104,123,465)	\$ 221,656,839	\$ -
Presumptive Eligibility		(9,193,812)		(4,596,906)
MAGI Recertification Delay		-		-
Additional Children Shifted from NCHC		(9,407,193)		(9,407,193)
Increase in Processing Days		(66,149,581)		(64,584,989)
Change in FMAP		14,780,151		14,377,009
Other		(100,610,651)		(81,972,734)
POTENTIAL MEDICAID SHORTFALL SFY 2014-15		<u>\$ (274,704,550)</u>		<u>\$ (146,184,812)</u>
<u>HEALTH CHOICE</u>				
Budget Reduction Items	\$ 30,762,023	\$ (2,493,967)	\$ 30,762,023	\$ -
Additional Children Shifted from NCHC		6,269,727		6,269,727
Other		14,108,864		14,243,553
POTENTIAL HEALTH CHOICE SURPLUS SFY 2014-15		<u>\$ 17,884,625</u>		<u>\$ 20,513,280</u>
POTENTIAL NET SHORTFALL SFY 2014-15		<u>\$ (256,819,926)</u>	<u>\$ (125,671,532)</u>	

Questions?

Fiscal Research Division

Room 619, LOB

919-733-4910

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