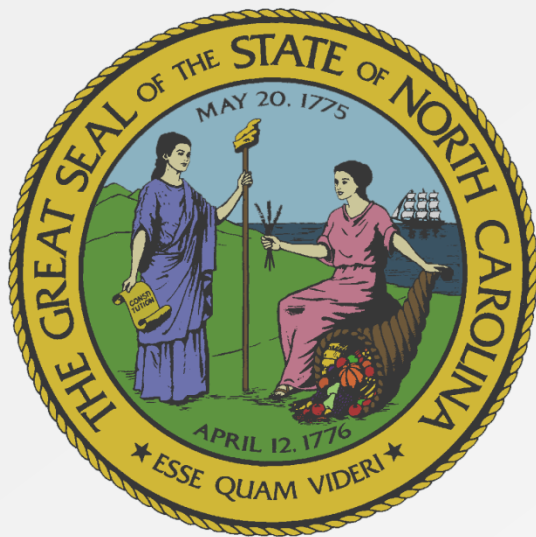




Office of State Budget and Management
Balancing Needs - Improving Government



Department of Health and Human Services Budget Update

Prepared by:

The Office of State Budget and Management

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November 19, 2013



Department of Health and Human Services Budget and Expenditures Update through October 31, 2013

1. DHHS Total Budget
2. Medicaid Budget
3. Total DHHS Expenditures – Year to Date
4. Medicaid Expenditures – Year to Date



DHHS Certified Budget

Total Department of Health and Human Services Budget, SFY 2013-14

Division	Total Requirements		Receipts		General Fund Appropriation	% of GFA
Central Management and Support	\$	143,382,031	\$	69,595,902	\$ 73,786,129	1.5%
Aging and Adult Services		114,140,206		59,997,865	54,142,341	1.1%
Child Development and Early Education		669,932,356		415,617,747	254,314,609	5.1%
Public Health		828,517,538		684,363,451	144,154,087	2.9%
Social Services		1,651,064,551		1,476,456,119	174,608,432	3.5%
Medical Assistance		13,071,194,944		9,609,244,825	3,461,950,119	69.3%
Health Choice		283,700,664		215,751,504	67,949,160	1.4%
Services for the Blind/Deaf/Hard of Hearing		32,639,127		24,460,509	8,178,618	0.2%
Mental Health/Developmental Disabilities/Substance Abuse Services		1,382,183,524		682,647,922	699,535,602	14.0%
Health Services Regulation		65,245,051		48,848,994	16,396,057	0.3%
Vocational Rehabilitation		139,623,674		100,850,505	38,773,169	0.8%
TOTAL	\$	18,381,623,666	\$	13,387,835,343	\$ 4,993,788,323	100.0%

Total Requirements represents total spending from all sources (state, federal, gifts, grants and all other revenues). Medicaid is 71% of the department's total budget and makes up 69.3% of the state funds appropriated to DHHS.



DHHS Certified Budget

Comparison of Total DHHS Certified Budgets – Prior Year/Current Year

	SFY 2012-13 Certified Budget	SFY 2013-14 Certified Budget	Change in Certified Budget
Total Requirements	\$ 18,339,453,915	\$ 18,381,623,666	\$ 42,169,751
Receipts	13,642,025,549	13,387,835,343	(254,190,206)
Appropriation	\$ 4,697,428,366	\$ 4,993,788,323	\$ 296,359,957

Change in the certified budget reflects the net of all legislative adjustments. Compared to last year's certified budget, DHHS has:

- *A net increase in total spending authority of \$42M,*
- *A net decrease in budgeted receipts of \$254M*
- *A net increase in state funds of \$296M*



Medicaid Budget

Medicaid certified budget adjustments resulted in increased funding for SFY 2013-14 (budget to budget comparison)

	SFY 2012-13 Certified Budget	SFY 2013-14 Certified Budget	Change in Certified Budget
<u>Medicaid</u>			
Total Requirements	\$ 13,049,335,711	\$ 13,071,194,944	\$ 21,859,233
Receipts	9,947,368,213	9,609,244,825	(338,123,388)
Appropriation	\$ 3,101,967,498	\$ 3,461,950,119	\$ 359,982,621

- The enacted budget replaced under collected receipts with state General Funds, providing structural soundness to the Medicaid budget
- \$434M was appropriated in state General Funds for the Medicaid rebase
- Funds were expanded for provider cost settlements - \$18M; contracts - \$11M; and anticipated “woodworking” effect of the Affordable Care Act - \$49.7M



Medicaid Budget

Comparison of Enacted Medicaid Budget to Prior Year Spending

Total Certified 2014 Budget	\$ 13,071,194,944
SFY 2013 Total Spending	\$ 12,643,008,322
Growth in 2014 Budget Compared to PY Actual Medicaid Spending	\$ 428,186,622
	3.4%

Final enacted budget allows for net growth in spending over FY 2013 of \$428M

No adjustment has been made to reflect one-time expenditures in 2013



DHHS Expenditures Overview

YEAR TO DATE EXPENDITURES Total DHHS Budget & Expenditures as of October 31, 2013

State Fiscal Year 2013-14				
	Certified Budget	Year-to-Date October 31, 2013	Year-to-Date Percent of Budget	Prior Year Oct Percent of Budget
<u>Department Total</u>				
Total Requirements	\$ 18,381,623,666	\$ 6,637,504,374	36%	31%
Receipts	\$ 13,387,835,343	\$ 5,032,050,579	38%	29%
Appropriation	\$ 4,993,788,323	\$ 1,605,453,795	32%	37%

Total spending is 36% through October. While spending does not necessarily occur at a rate of 1/12th per month, 4 months represents 33.3% of the fiscal year.



DHHS Expenditures Overview

DHHS Divisions Budget & Expenditures as of 10/31/2013

The following divisions are at or below 33% of budget expended, receipts collected, and state General Fund appropriations used through the first quarter of the FY. *Percent of total budget* expended is shown.

- **Central Administration (25%)**
- **Aging and Adult Services (29%)**
- **Child Development (29%)**
- **Public Health (29%)**
- **Social Services (33%)***
- **Blind, Deaf and Hard of Hearing (27%)**
- **Health Service Regulation (29%)**
- **Vocational Rehabilitation (31%)**

*Social Services rate of expenditure for state funds is at 34% due to under collecting federal receipts

Mental Health actual spending is above the 33% threshold; however, when adjusted for the timing of DSH payments , it falls within the threshold.

The outlier is Medicaid at 38% (and Health Choice at 34%).



Medicaid Expenditures

Medicaid Budget & Expenditures as of 10/31/2013

	State Fiscal Year 2013-14			
	Certified Budget	Year-to-Date October 31, 2013	Year-to-Date Percent of Budget	Prior Year Oct Percent of Budget
Total Requirements	\$ 13,071,194,944	\$ 4,902,390,719	38%	31%
Receipts	\$ 9,609,244,825	\$ 3,745,357,402	39%	28%
Appropriation	\$ 3,461,950,119	\$ 1,157,033,317	33%	41%

Through October, 38% of total budget and 33% of state General Fund appropriations have been expended. 39% of budgeted receipts have been collected.

Spending includes significant hospital Upper Payment Limit (UPL) and Disproportionate Share (DSH) payments (receipts funded)

Provider payments (referred to as “checkwrites”) through **November 13 total \$3.7B.**



Medicaid Expenditures

Medicaid typically spends more in the second half of the fiscal year

	June - December	January - July
SFY 2010	47.07%	52.93%
SFY 2011	59.56%	40.44%
SFY 2012	44.10%	55.90%
SFY 2013	44.56%	55.44%

Current Year to Date spending of 38% in the first 4 months equates to 9.5% per month. If spending continues at this rate through December, Medicaid would expend 57% in the first half of the year.

A number of variables have and will impact the budget-to-actual outlook – timing of payments, amount of payments, reductions, expansions, other factors



VARIABLES AND CONSIDERATIONS

NC TRACKS

- Impact on provider and total payments. “Pended claims” (claims submitted but not paid) are not reflected in total expenditures. Value of pended claims varies (state share is approximately one-third of this amount)
- Review of expenditure data by Category of Service would indicate claims paid are not charged to correct line items – impacts federal match rates and program integrity/third party payment recoveries

Affordable Care Act

- Enacted budget anticipated “woodworking” of existing eligible populations becoming Medicaid enrolled (includes \$34.4M state GF), which has not impacted spending yet
- Changes in presumptive eligibility were not factored into the budget. DHHS early estimates are \$60M - \$70M impact (state share is one-third of this amount)



Budget savings

Enacted budget includes \$147M in state General Fund appropriation savings. DHHS must file amendments to the State Medicaid Plan, implement changes, and changes must have the intended consequence to achieve savings.

MEDICAID SAVINGS MEASURES IN THE SFY 2013-14 ENACTED BUDGET

	SFY 2013-14
1 Health Homes Chronically Ill Enhanced FMAP	(3,757,682)
2 Hospital Provider Assessment Change to % vs Fixed Amount	(52,000,000)
3 Medicaid Copays at CMS Allowable Rate	(3,308,100)
4 Cost Savings Through Drug Pricing Adjustments	(14,616,627)
5 Hospital Outpatient Payments at 70% of Cost	(23,122,268)
6 Shared Savings Plan	(26,924,941)
7 Rehabilitation Services Limitation	(2,478,350)
8 Physician Office Visits Limitation	(3,676,525)
9 Rate Freeze for Services Subject to Automatic Increases	(17,165,653)
Total Savings to be Achieved in SFY 2013-14	(147,050,146)



Medicaid Budget

Summary

- Medicaid total spending of 38% through October is ahead of target. Use of state appropriations is 33%
- Normal variables of trends in consumption, utilization, mix of services and enrollment will continue to unfold throughout the year, as will collection of receipts
- Budget savings will be impacted by the timing and success of State Plan Amendments and DHHS implementation. ACA related budget impacts are also variables
- NC TRACKS creates new variables and considerations, such as the amount and value of pended claims, issues with accounting for payments by category of service (and related impacts on federal funds), and absence of data to understand factors contributing to rates of spending, receipts, and General Fund consumption

OSBM will continue to collaborate on data, trends, assumptions and expectations



Thank You

Health and Human Services Joint Legislative Oversight Committee

Presentation by:

The Office of State Budget and Management

November 19, 2013

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