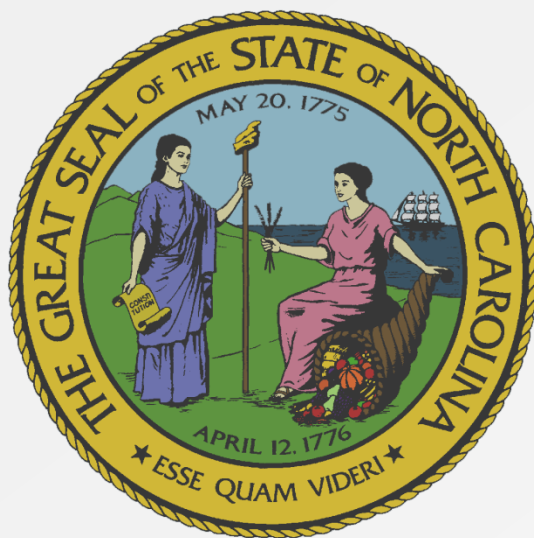




Office of State Budget and Management
Balancing Needs - Improving Government



Department of Health and Human Services Budget Update

Prepared by:

The Office of State Budget and Management

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Agenda

1. DHHS State Fiscal Year 2013-14 Budget Overview
2. Medicaid Budget Update
3. Federal Shutdown



DHHS Budget Overview

CERTIFIED BUDGET Total Department of Health and Human Services, 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 fo 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%

Source: OSBM, Integrated Budget Information System, BD307 Report



DHHS Budget Overview

Comparison of Certified Budgets

	SFY 2012-13 Certified Budget	SFY 2013-14 Certified Budget	Change in Certified Budget
<u>Department Total</u>			
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

For 2013-14:

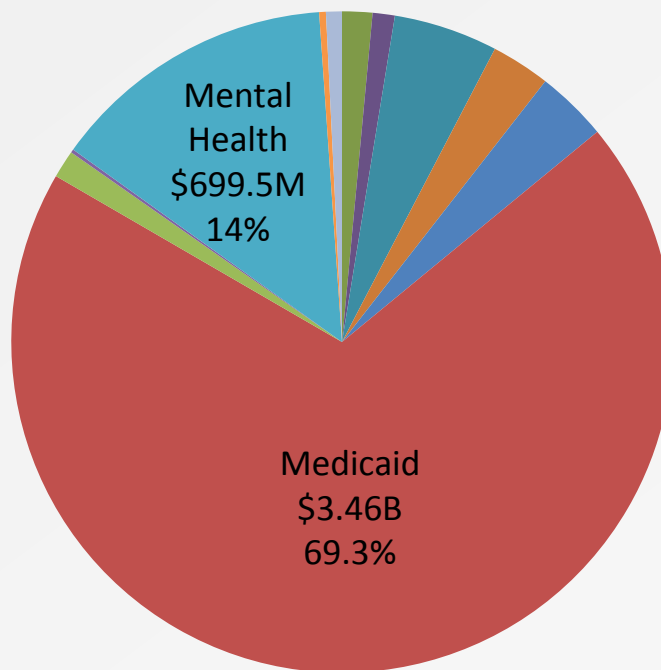
- *Net decrease* in total budget for Aging, Child Development, Health Choice, Blind/Deaf/Hard of Hearing, and Mental Health
- *Net increase* in total budget for Central Management, Public Health, Social Services, Medicaid, Health Service Regulation, and VR.



DHHS Budget Overview

CERTIFIED BUDGET

Distribution of DHHS State General Fund Appropriations, SFY 2013-14



- SFY 2013-14 state General Fund Appropriation for DHHS is \$ 4.99 billion
- Medicaid and Mental Health comprise 83.3% of state GF Appropriation



DHHS Budget Overview

YEAR TO DATE Total DHHS Budget & Expenditures as of September 30, 2013

State Fiscal Year 2013-14			
	Certified Budget	Year-to-Date September 30, 2013	Year-to-Date Percent of Budget
			Prior Year 1st Qtr Percent of Budget
<u>Department Total</u>			
Total Requirements	\$ 18,381,623,666	\$ 4,904,020,904	27%
Receipts	\$ 13,387,835,343	\$ 3,677,153,342	28%
Appropriation	\$ 4,993,788,323	\$ 1,226,867,562	25%

Source: All expenditure data from NCAS, BD701 Report as of 9/30/2013 (preliminary, not certified)



DHHS Budget Overview

DHHS Divisions Budget & Expenditures as of 9/30/2013

The following divisions are at or below 25% 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** (18%)
- **Aging and Adult Services** (22%)
- **Child Development** (21%)
- **Public Health** (22%)
- **Social Services** (25%)
- **NC Health Choice** (22%)
- **Blind, Deaf and Hard of Hearing** (21%)
- **Health Service Regulation** (23%)
- **Vocational Rehabilitation** (23%)

Mental Health and Medicaid are the outliers.



DHHS Budget Overview

Mental Health Budget & Expenditures as of 9/30/2013

State Fiscal Year 2013-14				
	Certified Budget	Year-to-Date September 30, 2013	Year-to-Date Percent of Budget	Prior Year 1st Qtr Percent of Budget
Total Requirements	\$ 1,382,183,524	\$ 431,823,022	31%	21%
Receipts	\$ 682,647,922	\$ 256,976,354	38%	16%
Appropriation	\$ 699,535,602	\$ 174,846,668	25%	25%

Spending this year ahead of same period last year, while state General Fund appropriation use approximately the same as last year.

DSH payments recorded as an expenditure earlier than previous fiscal year.

Overall budget concerns, including absorbing FY2013 Mental Health liabilities (\$22M).



Medicaid Budget

Medicaid Budget & Expenditures as of 9/30/2013

State Fiscal Year 2013-14				
	Certified	Year-to-Date	Year-to-Date	
	Budget	September 30, 2013	Percent of	Prior Year 1st Qtr
			Budget	Percent of Budget
Total Requirements	\$ 13,071,194,944	\$ 3,576,425,824	27%	24%
Receipts	\$ 9,609,244,825	\$ 2,693,977,133	28%	22%
Appropriation	\$ 3,461,950,119	\$ 882,448,690	26%	31%

Medicaid budget is 73% receipt funded, with the balance from state General Fund appropriation

At the first quarter mark, use of state General Fund appropriation is 26%



Medicaid Budget

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

VARIABLES AND CONSIDERATIONS

- **NC TRACKS has impacted providers/provider payments.** DHHS estimates the value of delayed claims at \$350M-\$400M (state share is approximately one-third of this amount).
- **Affordable Care Act.** Enacted budget anticipated “woodworking” impact of existing eligible populations becoming Medicaid enrolled (includes \$34.4M state GF). Changes in presumptive eligibility were not factored into the budget.
- **Budget savings.** Enacted budget includes \$143.5M in state General Fund appropriation savings from actions such as rate freezes, shared savings plans and targeted program limitations and co-pays. DHHS must file amendments to the State Medicaid Plan, implement changes, achieve savings.
- **“Normal” variables.** Enrollment/volume, utilization and mix of services consumed, how actual activity tracks the forecast
- **Concerns regarding the enacted budget.**



Medicaid Budget

Things we know...

- Medicaid budget was increased for 2013-14

	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

- Medicaid total spending is ahead of target
- It's too early to evaluate actual Medicaid performance to budget/forecast



Medicaid Budget

The General Assembly enacted legislation to provide additional state General Fund appropriations for the 2013 Medicaid budget (HB980 & HB336)

MEDICAID 2012-13 GAP AND MEASURES TO BALANCE
(State General Fund Appropriations)

1	Drug Rebates within Division of Medical Assistance	\$	74,000,000
2	Medicaid Contingent Appropriations		20,907,727
	<i>Public Health (\$4,894,797)</i>		
	<i>Child Development Early Literacy Pilot (\$3,500,000)</i>		
	<i>Mental Health Crisis & Broughton Hospital (\$12,513,000)</i>		
3	Transfers from DHHS Divisions		84,539,900
4	State Unreserved June 30, 2012 Balance		213,432,878
5	State Revenue Over Collections in 2012-13		94,667,122
	Total	\$	487,547,627

October 1, 2013 joint report from OSBM, DHHS and Office of State Controller provides full accounting of gap and measures to balance



Federal Shutdown

Congress failed to enact a budget or a continuing resolution for Federal Fiscal Year 2014 and a partial Federal Shutdown began October 1

- Impacts selected programs wholly or partially funded by the Federal government
- OSBM guidance issue September 30th
 - Federally funded programs shall not incur obligations after September 30 in the absence of federal cash on hand or funding from a prior fiscal period
 - Departments shall not spend any state monies on programs which are 100% federally funded or increase state funding of partially funded federal programs
- Major DHHS Affected programs include:

BLOCK GRANTS: TANF, SSBG, and CCDF block grants are mandatory federal programs; however, funding authorization expired on September 30, 2013. Authorization for the MCH Block Grant expired as well.

WIC: WIC is a discretionary federal program and no funds are available except that states may carry over 1% of their grant to the following year.



Conclusion and Thank You