



**Medicaid SFY17 Budget Presentation to Legislature  
May 3, 2016**

**Department of Health and Human Services  
Division of Medical Assistance**



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# Executive summary

- Recommended adjustments include the expansion of critical services and funding for the proper administration of the NC Medicaid program (\$10.7M)
- Rebase request for SFY17 represents a \$318.6M reduction from the biennial budget developed in 2015
- Over 60% of the reduction is due to lower than anticipated enrollment and a more favorable federal match
- Drug spending, drug rebates, and other changes account for the balance of the reduction
- DHHS believes the proposed budget will adequately fund the Medicaid program in SFY17



# Recommended Adjustments

**Expand support for Alzheimer's patients and their families through Community Alternatives Program for Disabled Adults (CAP/DA) Waiver slots**

**\$3.0M**

- Expand the CAP/DA program for individuals who qualify for institutional level care due to a disability, but can be served under a community alternatives program in their homes

**Reduce backlog and expand Medicaid services for individuals with developmental disabilities**

**\$2.6M**

- Add 250 slots to NC Innovations Waiver for individuals with intellectual or developmental disabilities



# Recommended Adjustments

## Retain and Train Medicaid Workforce

**\$2.0M**

- Provides funding to retain and train critical Division of Medical Assistance (DMA) personnel during the transition to Medicaid managed care, with goal of preventing interruptions in DMA operations and loss of critical personnel during transition

## Medicaid Critical Personnel

**\$2.1M**

- Provides necessary funding for DMA to adequately staff and operate critical organizational units

## Invest in Medicaid Reform

**\$1.0M**

- Increase funding for transfer to the Division of Health Benefits (DHB), allowing DHB to continue efforts to transform Medicaid and Health Choice programs



# Recommended Adjustments

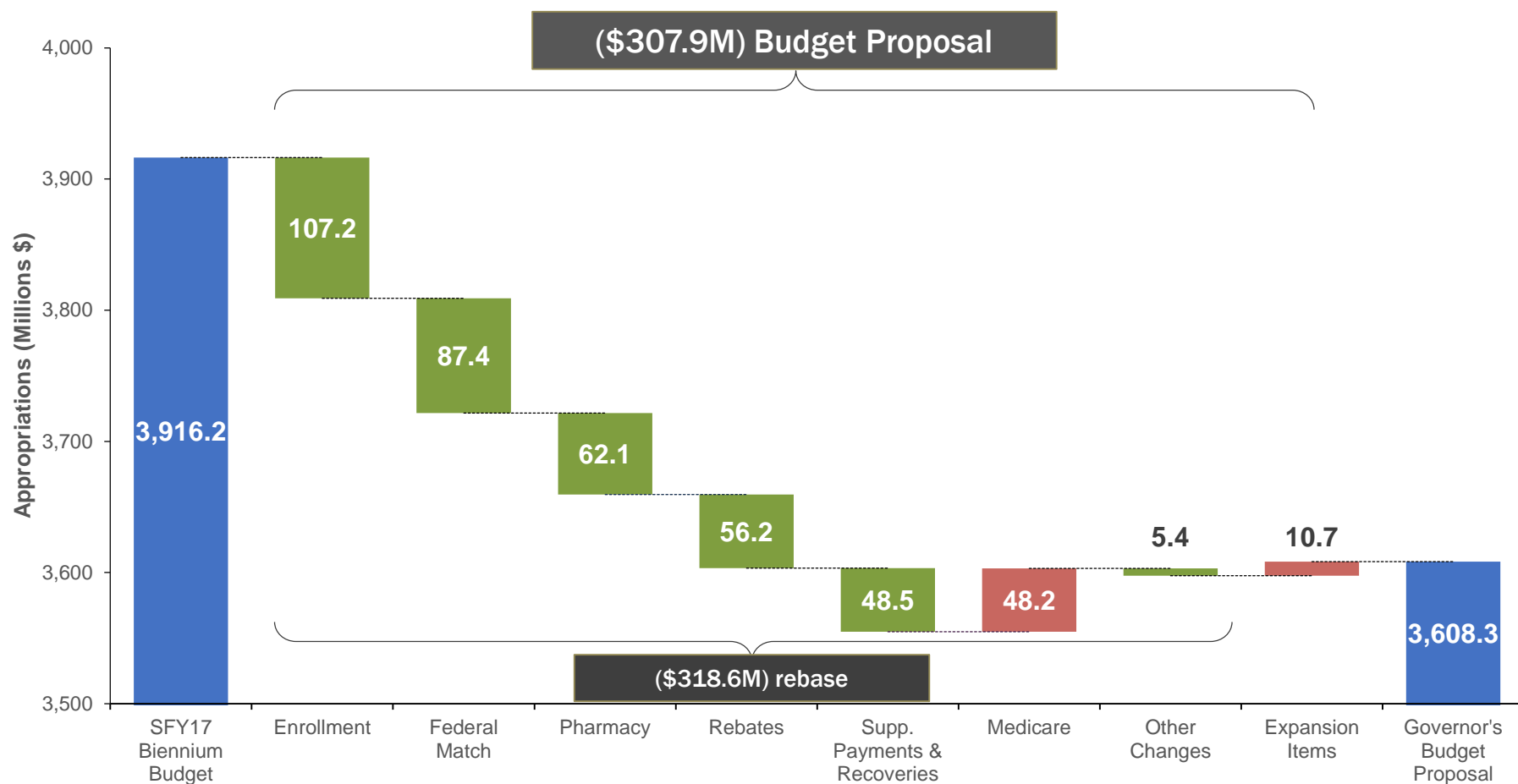
In addition to the programmatic and operational requests, SFY17 budget adjustments include a rebase reduction of \$318.6M

Adjustment	Expansion / (Reduction)
Expand Support for Alzheimer's Patients and Their Families Through Community Alternatives Program for Disabled Adults (CAP/DA) Waiver Slots	\$3.0
Reduce Backlog and Expand Medicaid Services for Individuals with Developmental Disabilities	\$2.6
Retain and Train Medicaid Workforce	\$2.0
Medicaid Critical Personnel	\$2.1
Invest in Medicaid Reform	\$1.0
Medicaid Rebase	(\$318.6)
<b>Total Adjustment</b>	<b>(\$307.9)</b>



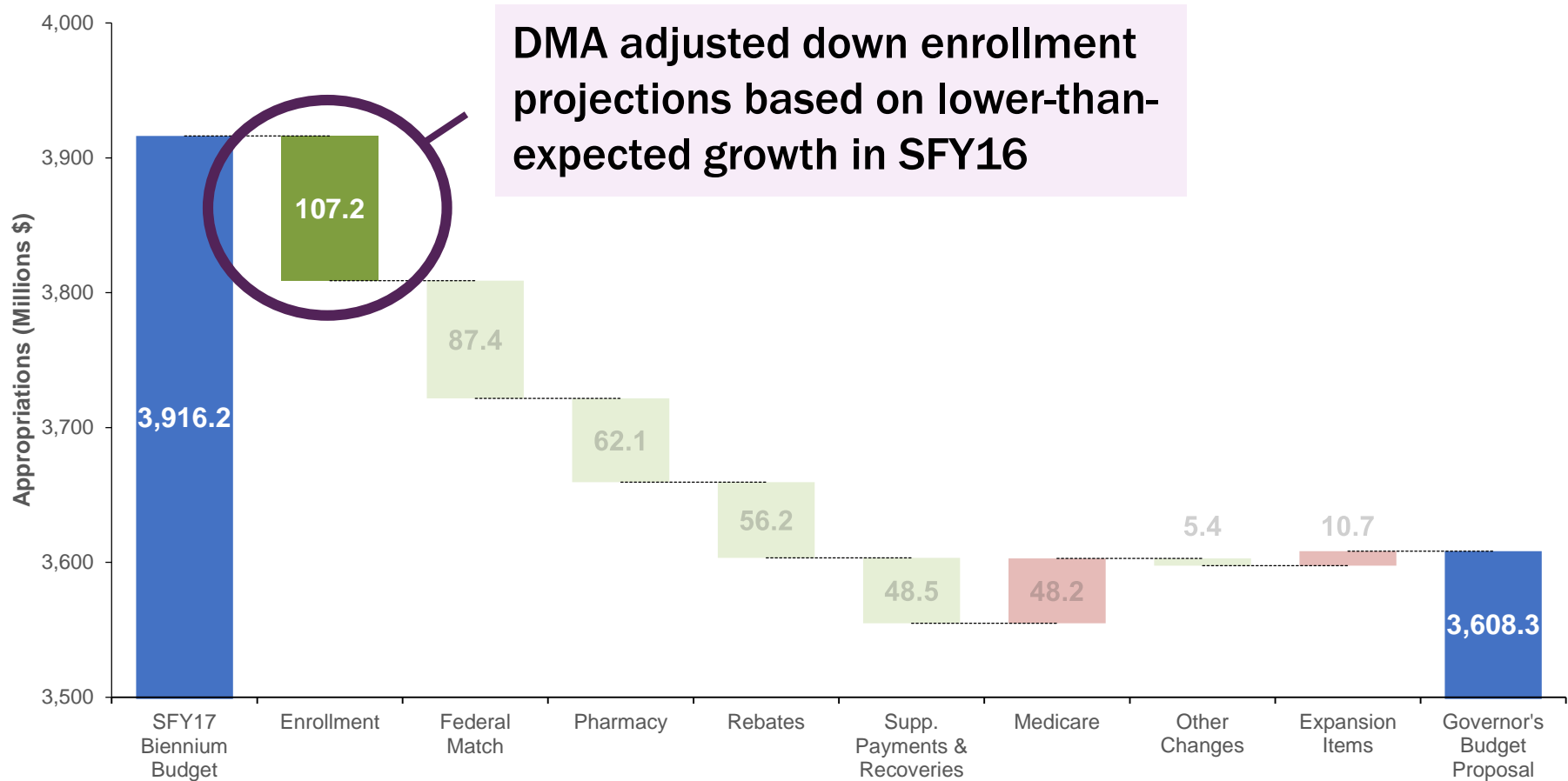
# Drivers for SFY17 budget reduction

More than 60% of DMA's reduction is driven by increases in the federal funding rate and favorable enrollment trends



Sources: DMA Forecast Model v195 – this exhibit only covers factors affecting the rebased funds. It is a descriptive estimate but can be sensitive to changes in the order in which estimates are obtained. SFY17 budget is the certified budget appearing on the BD-307 used to compute the rebase

# Enrollment growth lower than expected

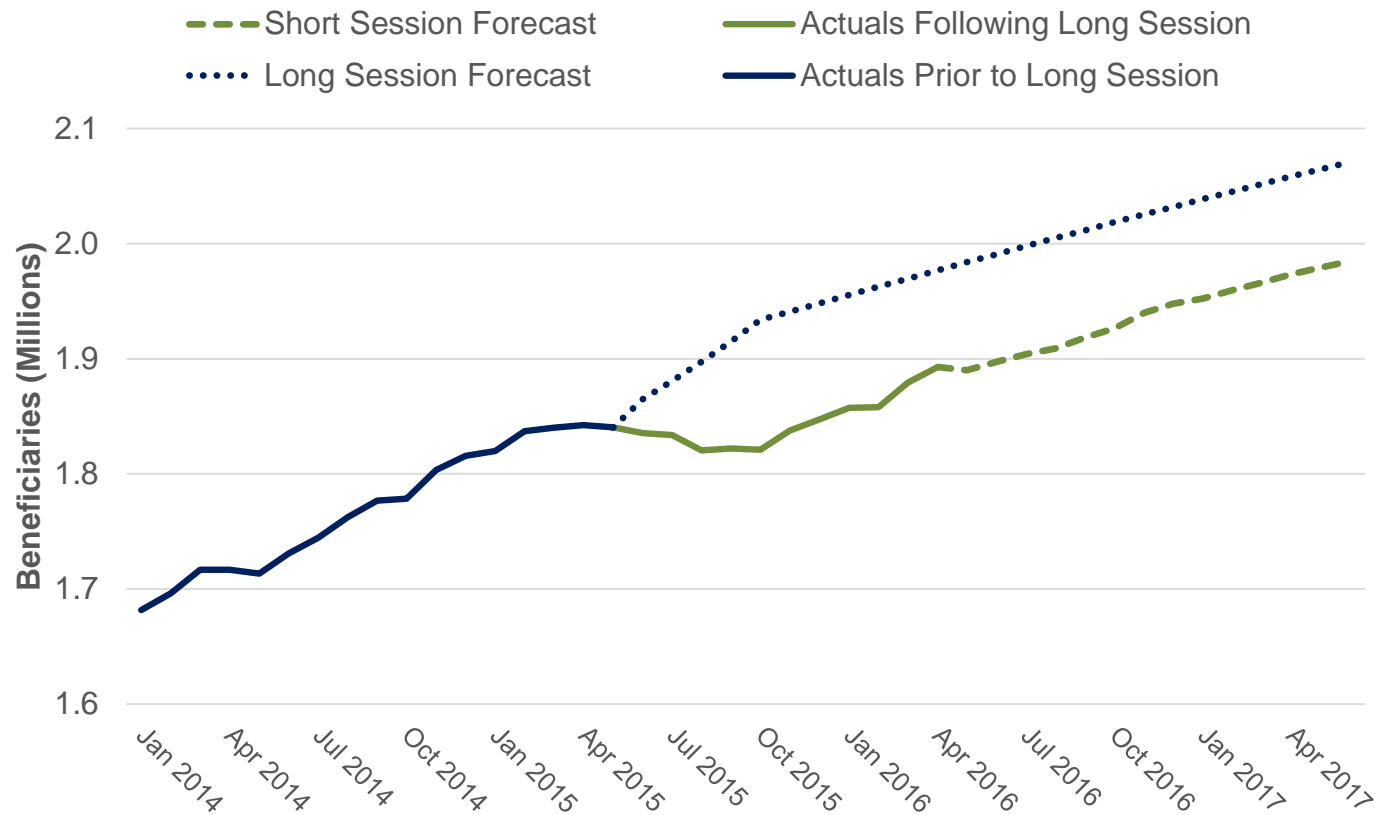


Sources: DMA Forecast Model v195



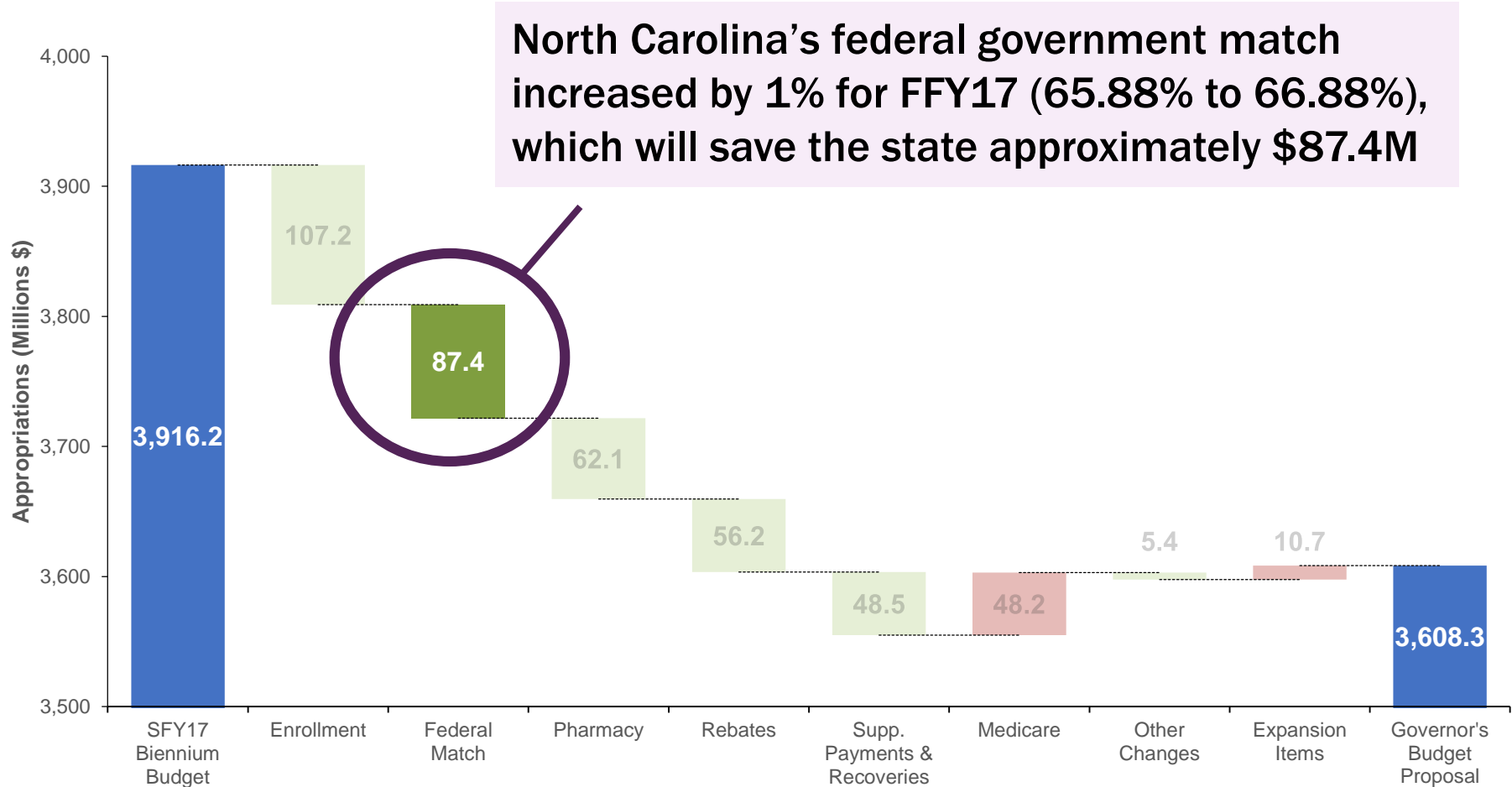
# New enrollment expectations

Enrollment growth has resumed over the last two quarters;  
DMA expects this growth to continue in SFY17



Sources: DMA BIO point-in-time enrollment count, Jan 2014 to March 2016

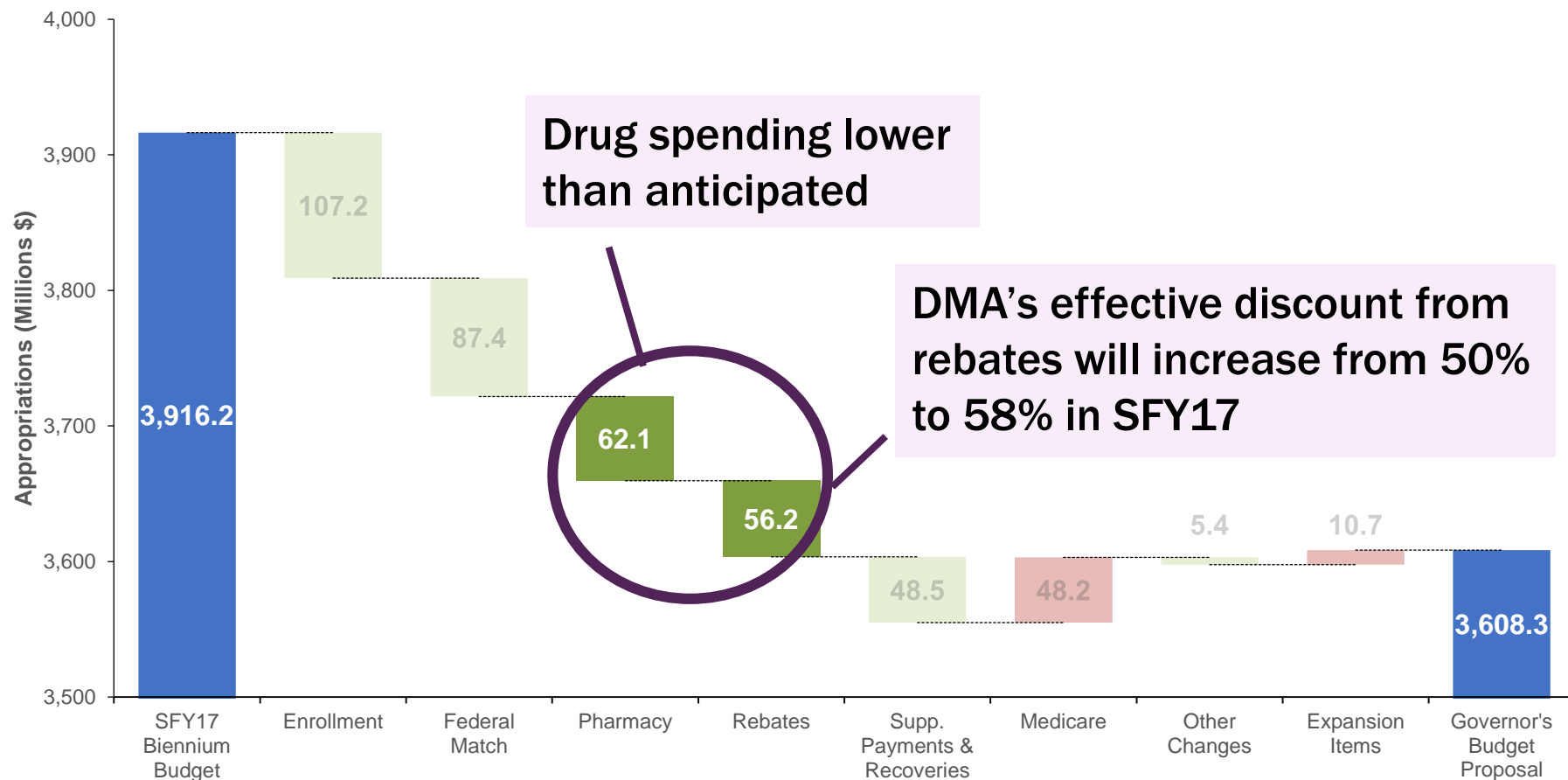
# Increased federal funding



Sources: DMA Forecast Model v195

# Increased rebates, lower pharmacy spending

Between reduced expenditures and improved management of rebates, DMA will save \$118.3M next year on drug spending

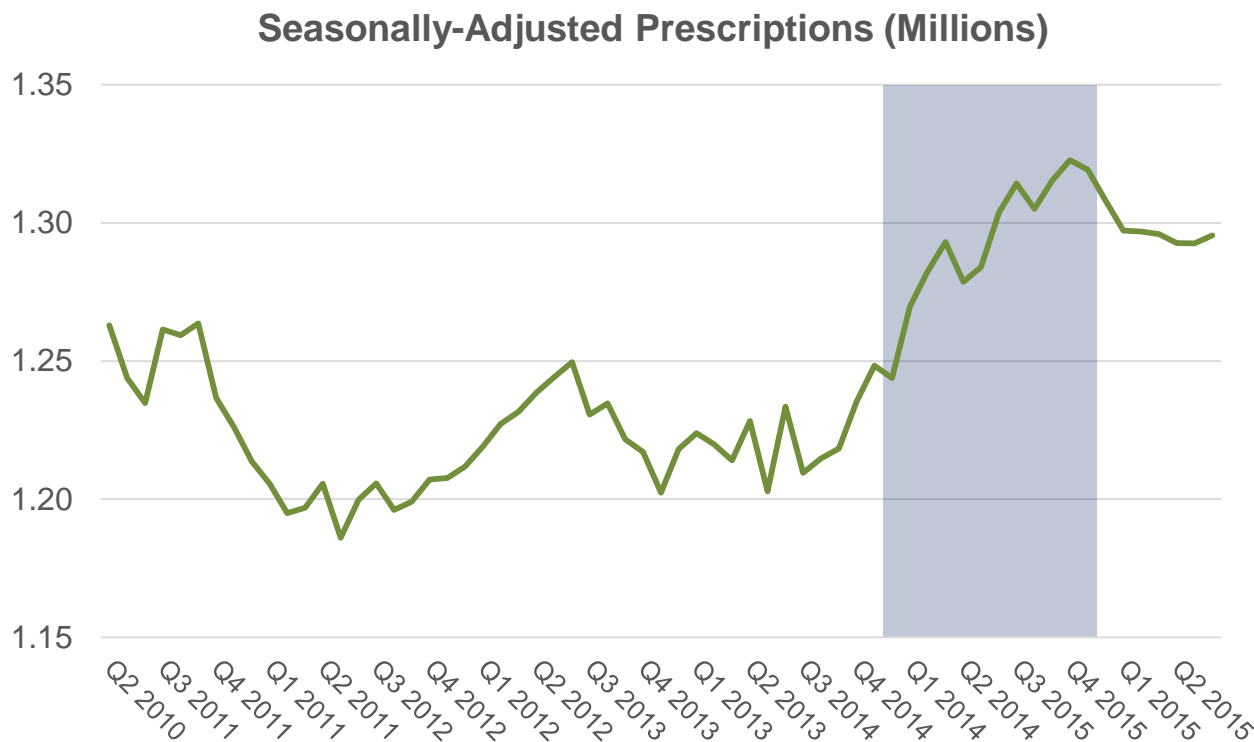


Sources: DMA Forecast Model v195

# Drug growth slowed dramatically in SFY16

SFY16 budget was based on aggressive growth trends in pharmacy expenditures leading up to the biennial budget process

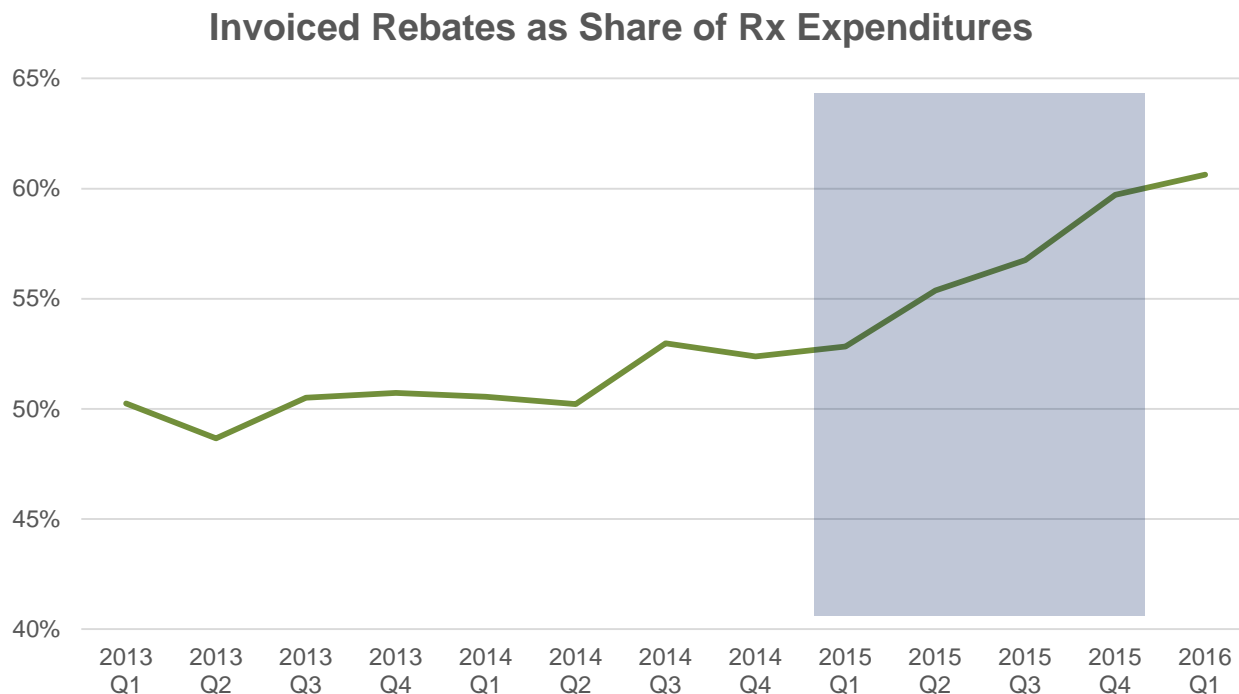
As SFY15 ended, prescription growth declined. The budget for SFY17 reflects the change in pharmacy trends



Sources: AdvantageSuite prescription counts, seasonally adjusted estimate from forecast model

# Continuous management, better data on rebates

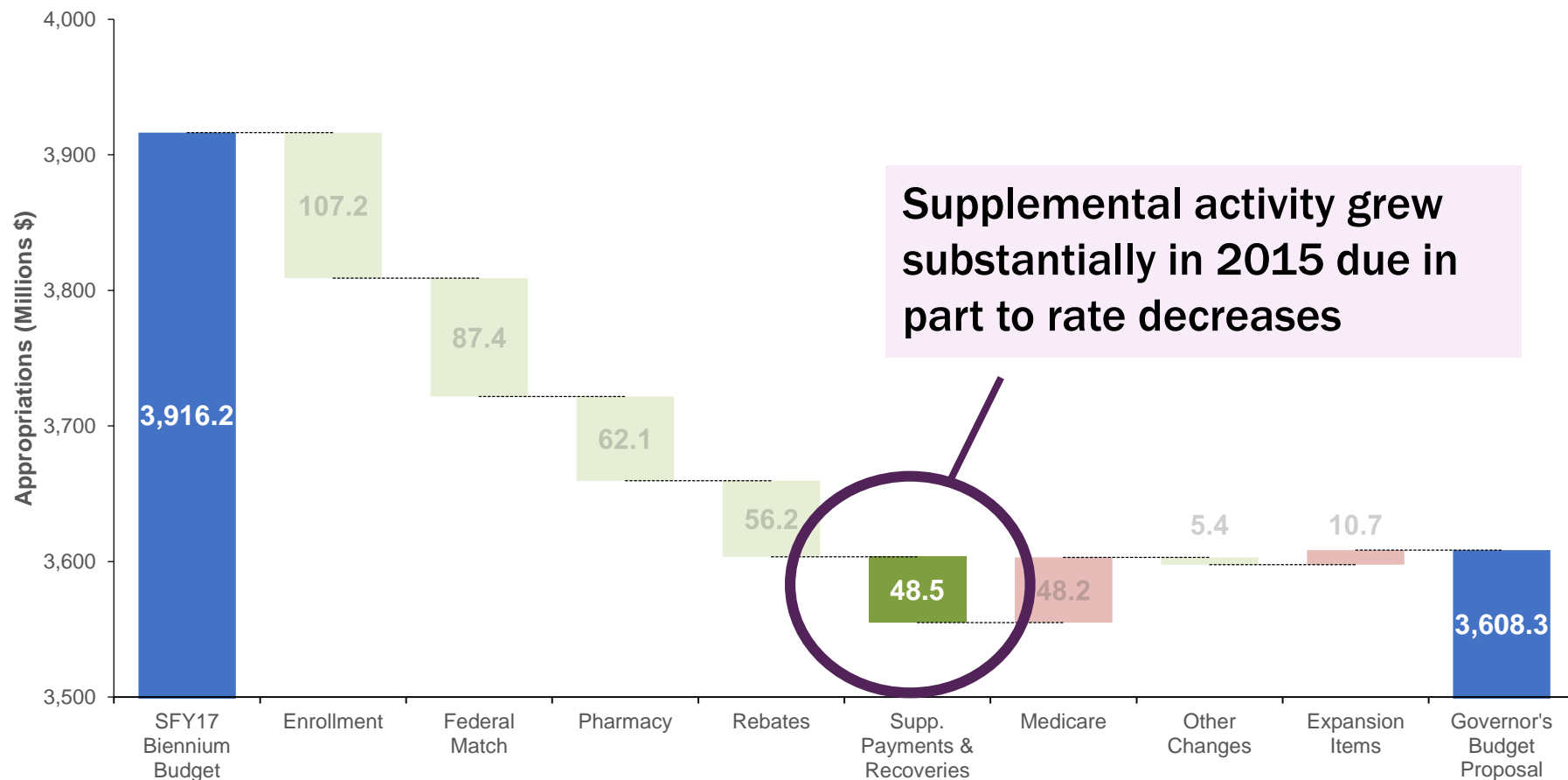
Rebate rates tracked higher through SFY15



Forecast now uses invoiced rebates to predict collections two quarters in advance

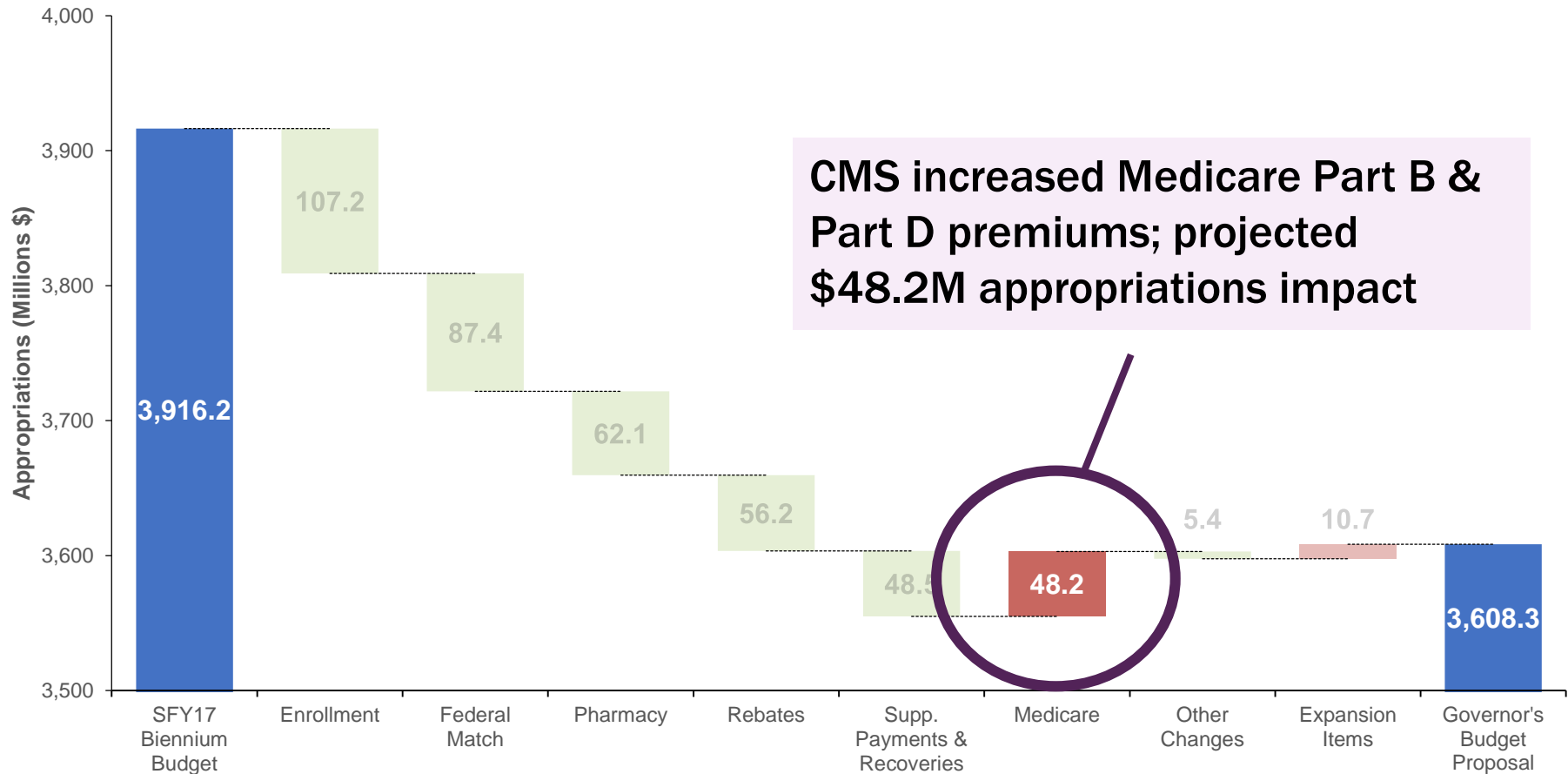
# Supplemental payments and recoveries

DMA will increase its recoveries by \$28.5M and supplemental payments retention by \$20.0M



Sources: DMA Forecast Model v195

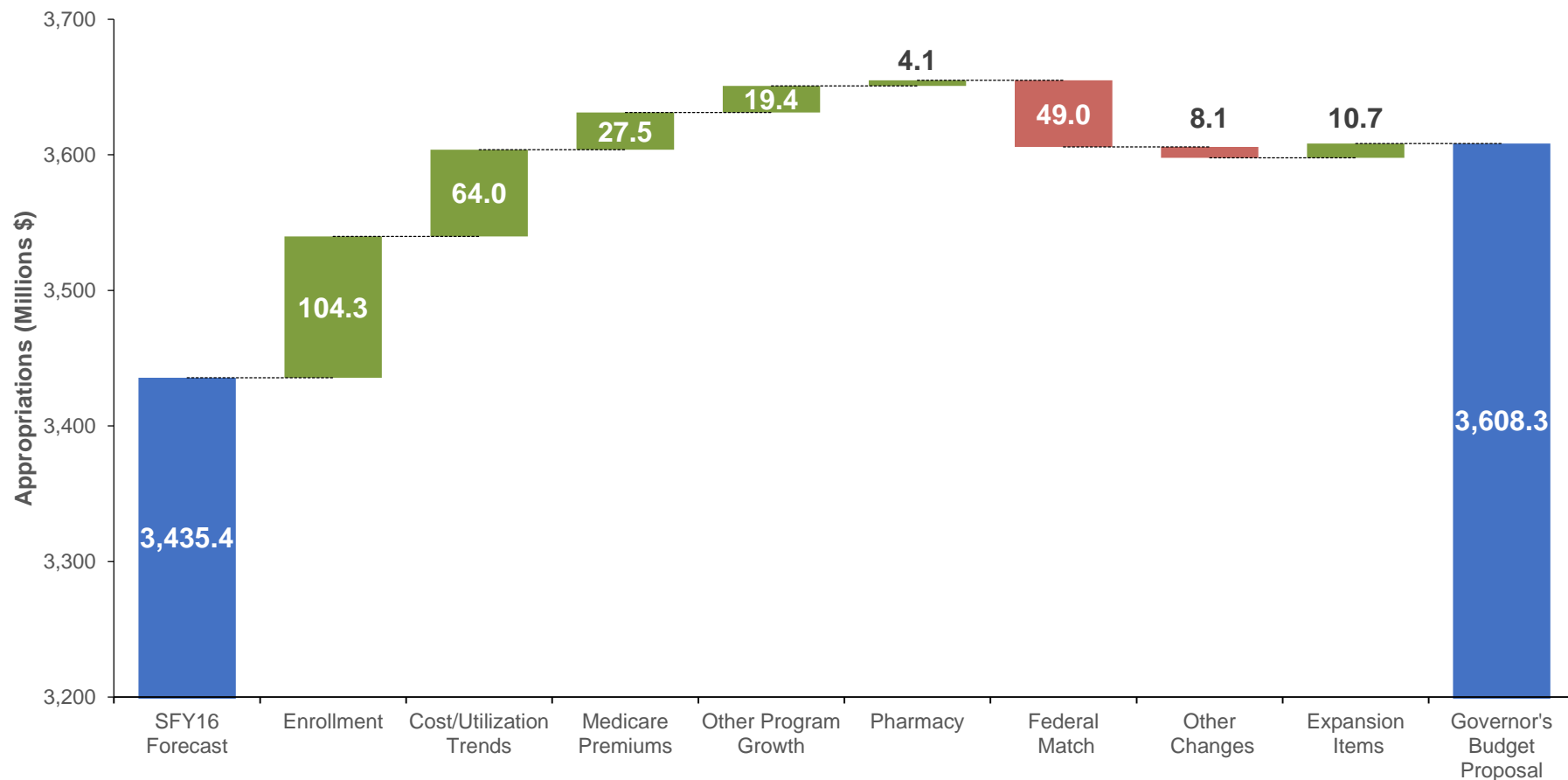
# Medicare premiums



Sources: DMA Forecast Model v195

# Drivers for growth over current year

SFY17 budget proposal represents an increase of 5% over the current year forecast

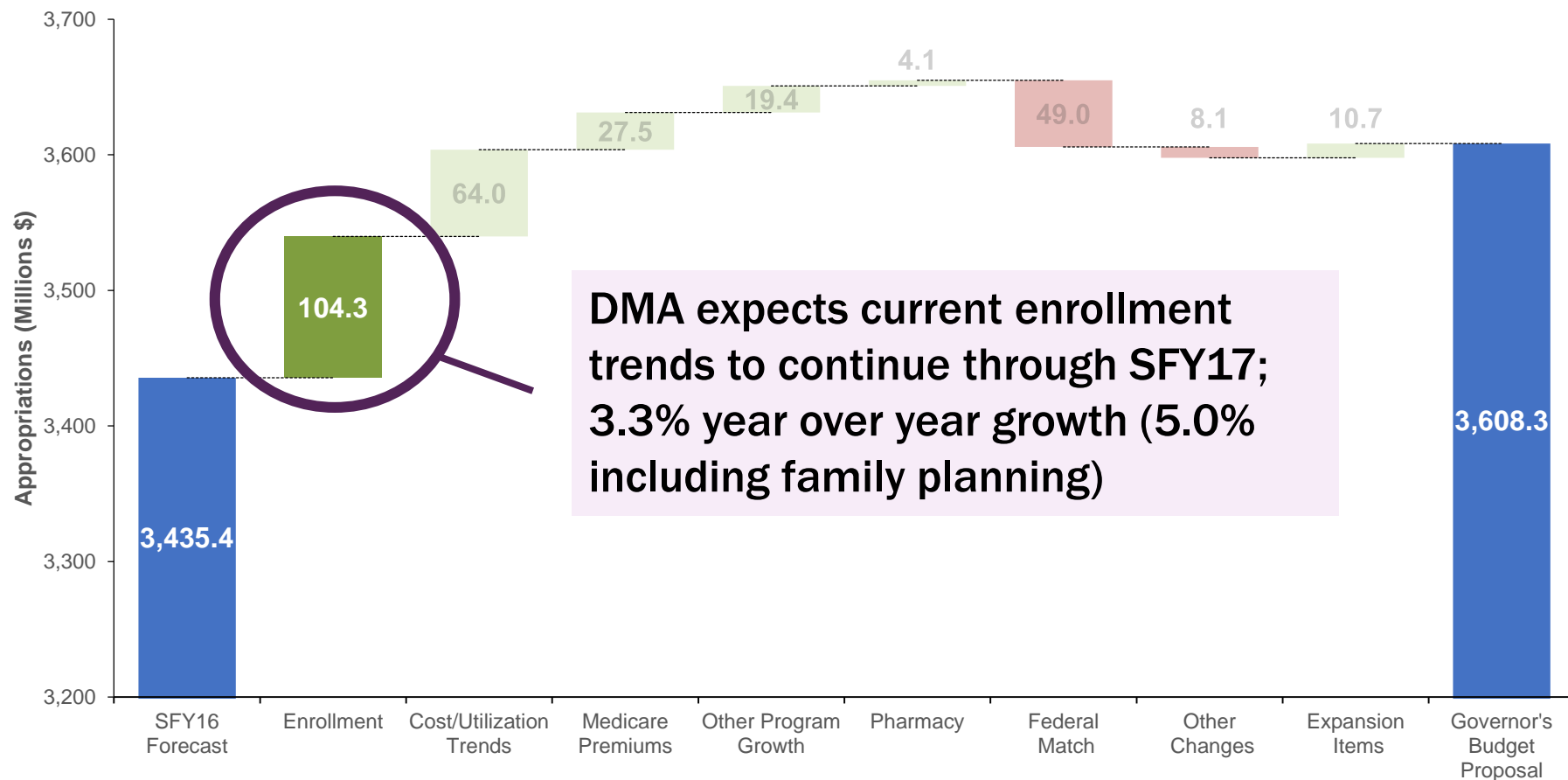


Sources: DMA Forecast Model v195 – this exhibit covers rebased funds (1310-1337) only. It should not be interpreted as a reversion or rebase estimate. This result can be sensitive to the order in which estimates are obtained.



# Drivers for growth over current year

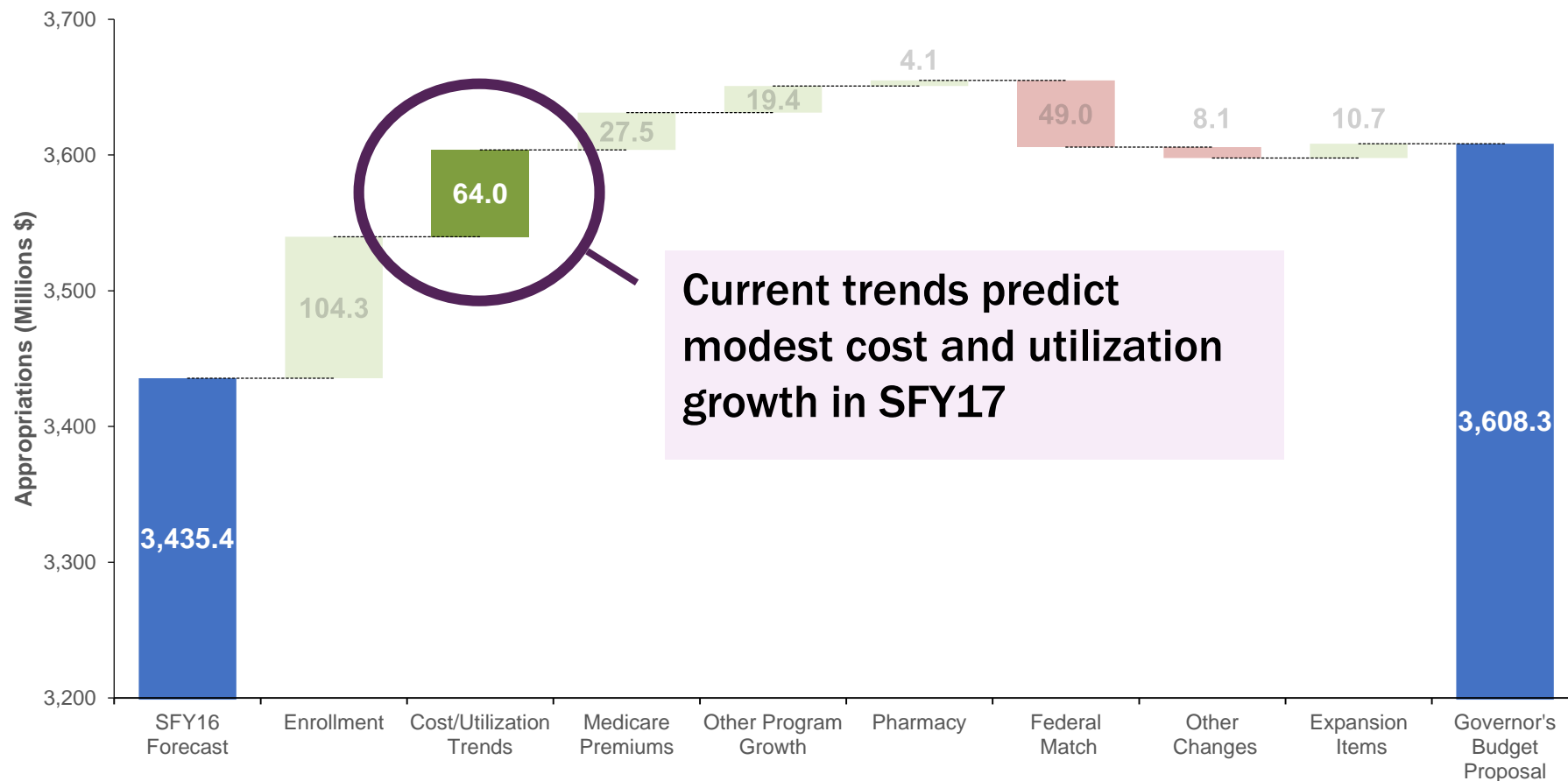
## Enrollment



Sources: DMA Forecast Model v195 – only covers rebased funds

# Drivers for growth over current year

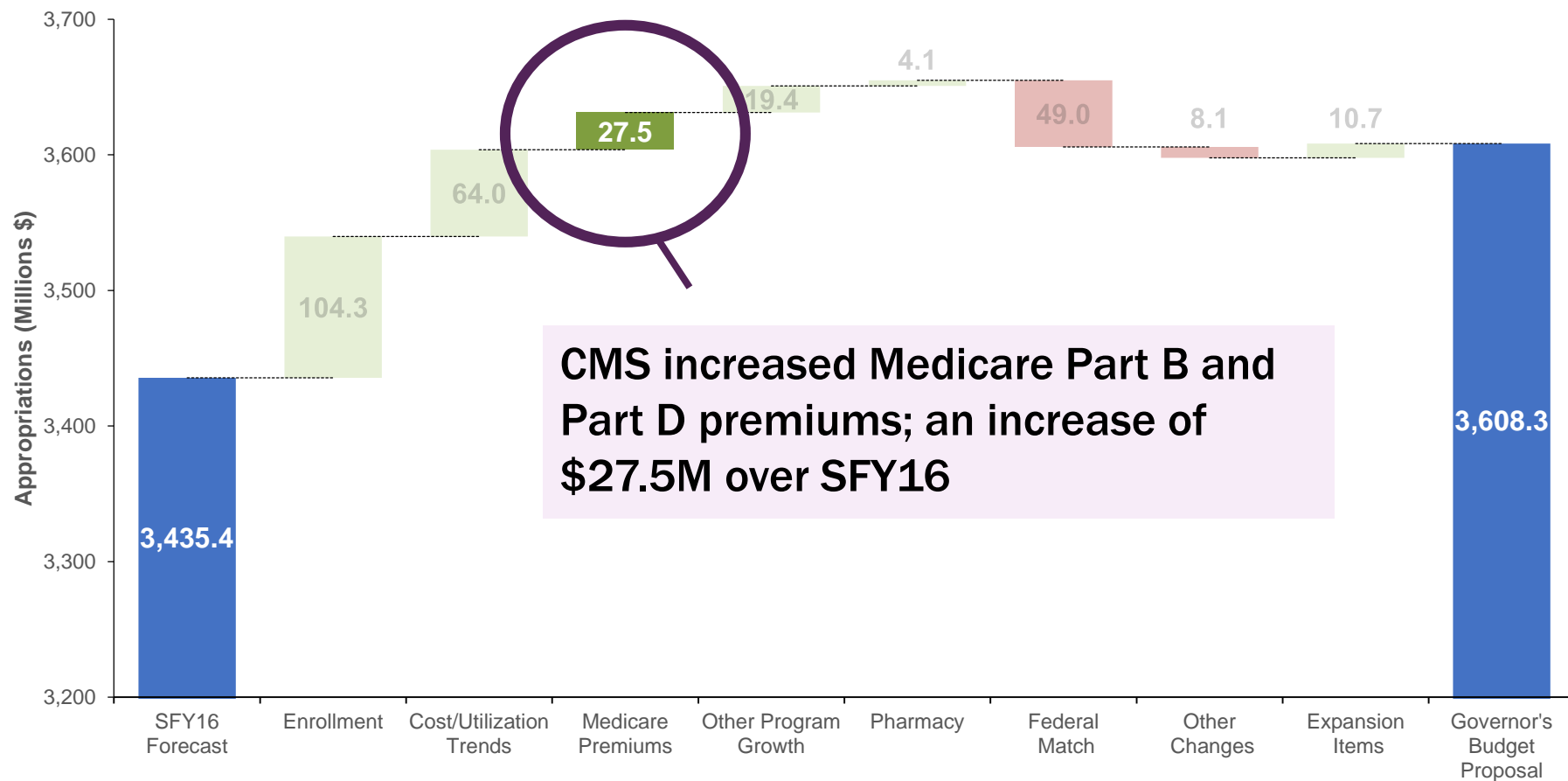
## Cost and Utilization



Sources: DMA Forecast Model v195 – only covers rebased funds

# Drivers for growth over current year

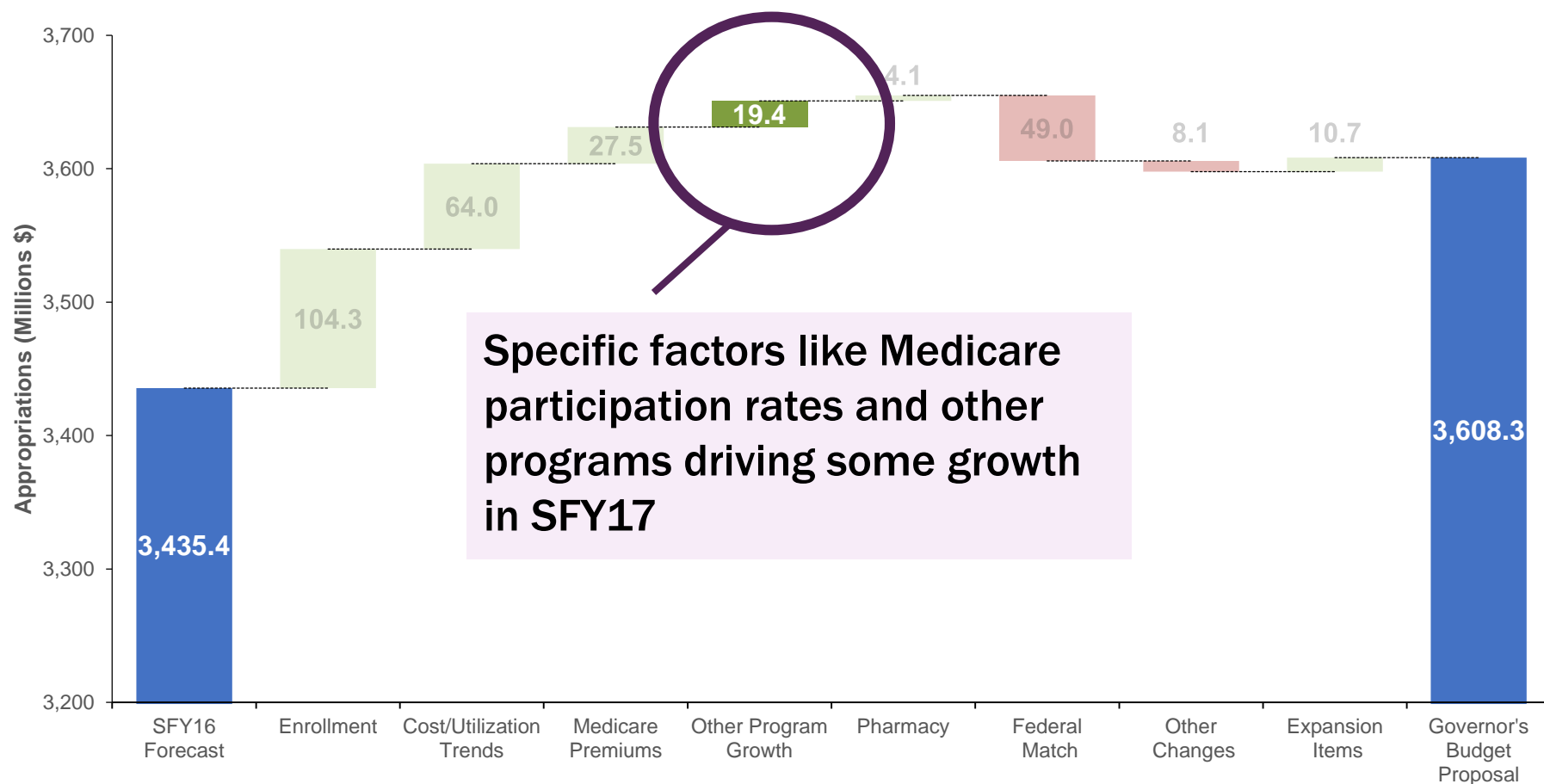
## Medicare Premiums



Sources: DMA Forecast Model v195 – only covers rebased funds

# Drivers for growth over current year

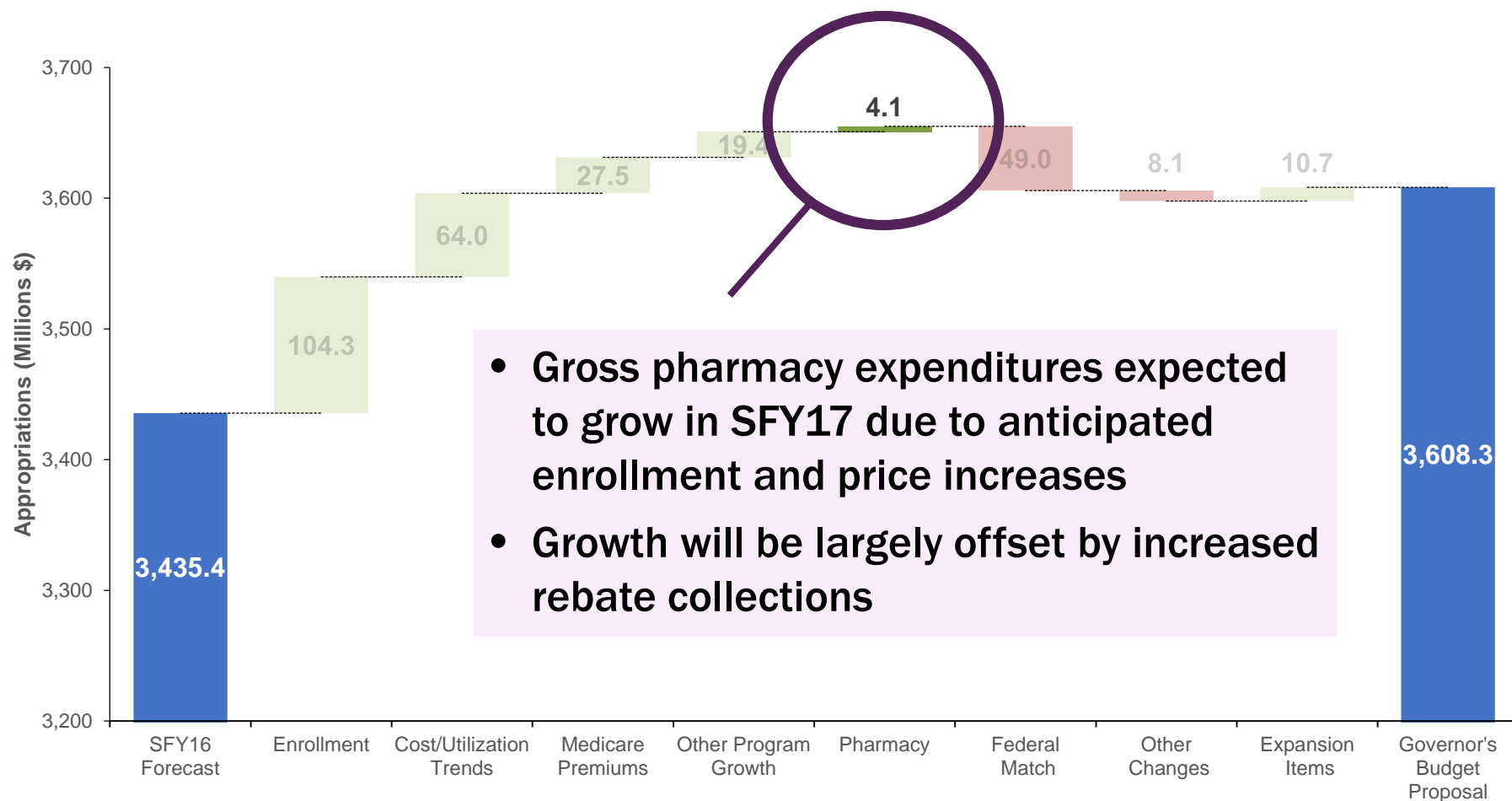
## Increases in program participants



Sources: DMA Forecast Model v195 – only covers rebased funds

# Drivers for growth over current year

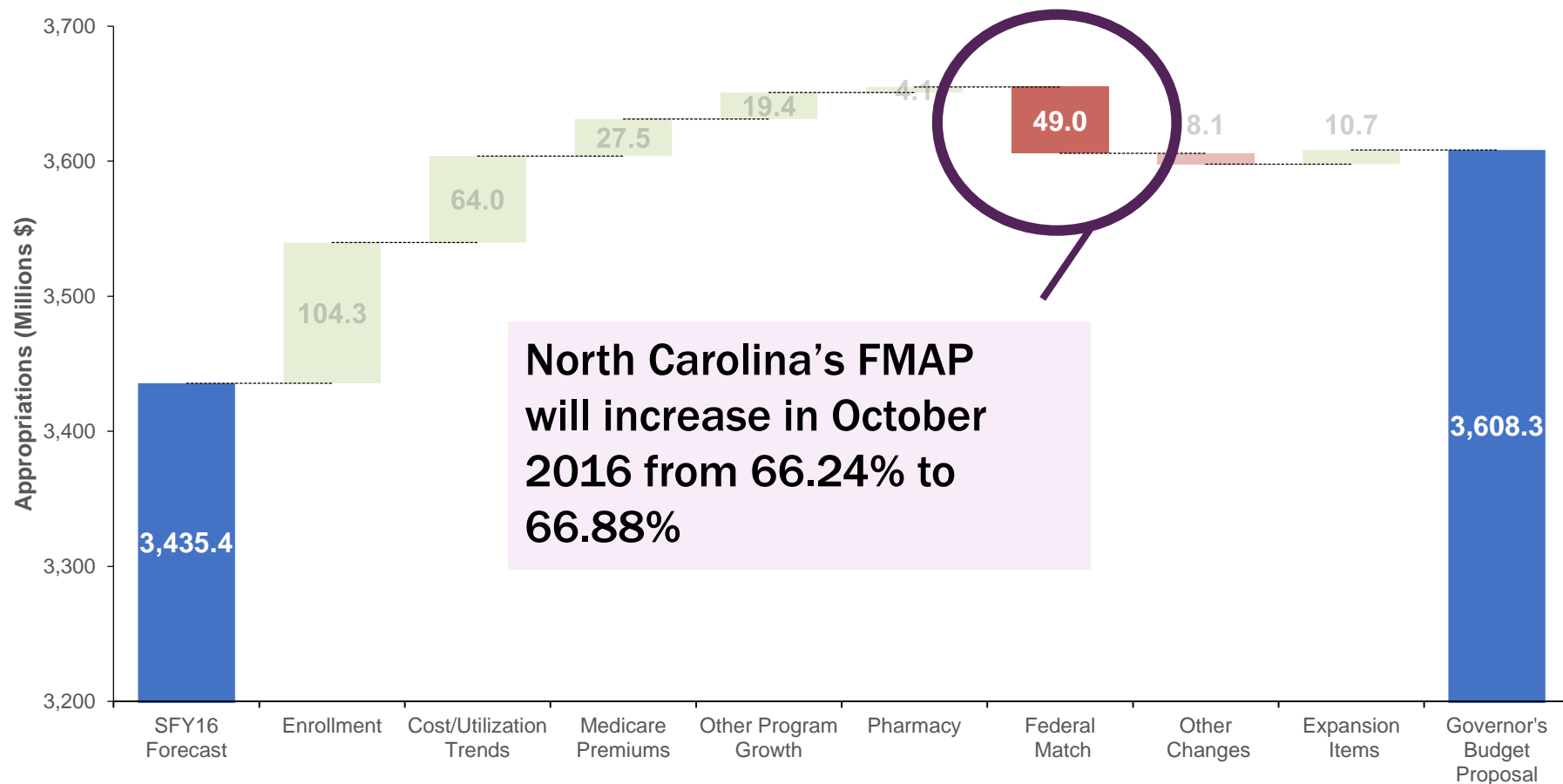
## Net pharmacy expenditure



Sources: DMA Forecast Model v195 – only covers rebased funds

# Drivers for growth over current year

## Increases in federal funding



Sources: DMA Forecast Model v195 – only covers rebased funds

# Historical context

Recent favorable trends in the use of appropriations per beneficiary  
(expressed as per-member, per-month or “PMPM”)

<i>\$ millions</i> (except per enrollee)	Medicaid Summary				
	SFY13	SFY14	SFY15	SFY16F	SFY17B
Expenditure	\$12,643	\$13,303	\$13,744	\$13,484	\$14,287
Federal Revenue	7,720	8,433	8,752	8,681	9,256
Other Revenue	1,406	1,467	1,435	1,369	1,423
Appropriations	\$3,518	\$3,404	\$3,558	\$3,434	\$3,608
% Change		-3.24%	4.52%	-3.48%	5.08%
Avg. Enrollment	1,583,720	1,655,477	1,807,996	1,855,035	1,947,903
Approp/Avg Enroll	\$2,221	\$2,056	\$1,968	\$1,851	\$1,852
<b>Approp/PMPM</b>	<b>\$185</b>	<b>\$171</b>	<b>\$164</b>	<b>\$154</b>	<b>\$154</b>

Sources: SFY16 forecast generated using version 195 of DMA's forecast model. SFY17 budget comes from the Governor's budget proposal. Historical activity from NCAS report BD-701



# Conclusion

**Additional funding requests will provide:**

- **Critical services to vulnerable populations including Alzheimer's patients and individuals with developmental disabilities**
- **Further support to ensure the success of the Medicaid program and its reform efforts**

**Rebase request for SFY17 represents a \$318.6M reduction from the biennial budget developed in 2015**

**SFY17 budget proposal represents an increase of 5% over the current year forecast**

**DHHS believes the proposed budget will adequately fund the Medicaid program in SFY17**

