

Governor's FY 2017 Budget: Articles

Staff Presentation to the House Finance
Committee
March 24, 2016

Introduction

- Articles in Governor's FY 2017 Budget
- Article 7 – Medicaid Resolution
 - Also heard on March 23th
- Article 8 – Hospital License Fee
- Article 9 – Medical Assistance Programs
 - Hospitals/Long Term Care
 - March 23rd
 - Managed Care/Health Insurers/All Others

Articles 7 & 9

Providers	Gen Rev	Total
Hospitals	(\$10.3)	(\$18.9)
Nursing Homes & Community Care*	6.8	13.8
Managed Care Organizations*	(5.5)	(15.6)
Health Insurers	(4.0)	-
Total	(\$12.9)	(\$20.7)

(millions)

*FY 2017 recommended budget does not include revenue loss

Reinventing Medicaid - Rate Reductions

FY 2016 Enacted Budget	Gen Rev	Total
Hospitals	(\$13.0)	(\$34.8)
Nursing Facilities	(8.7)	(17.5)
Managed Care Organizations	(5.6)	(11.2)
Total	(\$27.3)	(\$63.5)
<i>(millions)</i>		

Medicaid

Providers	Article 7* & 8	Article 9 Section
Long Term Care	7 (a), (b), (e), (g) & (f)	2, 7 & 8
Hospitals	7 (g) & 8	2, 3, 4 & 11
Managed Care	7 (c) & (d)	5 & 6
Health Insurers	-	1,10

**Article 7 savings in OHHS unless noted otherwise*

Resolution - Medicaid Waiver

- Medicaid waiver classifies proposed changes into 3 categories
- Each requires a different level of approval to make a change
 - Approval by the Centers for Medicare and Medicaid Services (CMS)
 - Formal approval
 - Written or oral notification of a change
 - Approval by the General Assembly
 - Statutory change & resolution allowing the change

Resolution - Medicaid Waiver

Cat	Change	Approval	Example
I	Administrative	CMS (notification only)	General operating procedures, prior authorization change
II	Payments and optional benefits	Assembly & CMS	Payment change & adding benefits
III	Eligibility/New Benefit	Assembly & CMS	Lowering Rlte Care threshold for parents

Article 7– Resolution

Proposal	Art 9 Sec	Gen Rev	All Funds
(a) Nursing Facility Rates	2	(\$2.0)	(\$4.1)
(b) Patient Liability Collections	N/A	(\$1.5)	(\$3.1)
(c) Managed Care Admin Rates	N/A	(\$3.3)	(\$8.8)
(d) MC Re-procurement	N/A	(\$2.0)	(\$6.8)
(e) Home Care Rates	7	\$2.0	\$4.1
(f) Integrated Care Enrollment	8	-	-
(g) Alternative Payment Arrang.	N/A	-	-
(i) Federal Opportunities	N/A	-	-

Article 7– Resolution

Proposal (h)	Art 9 Sec	Gen Rev	All Funds
(1) Coverage for certain adults w/dementia – DHS	2	-	-
(2) Rebalancing efforts for expedited eligibility*	N/A	(\$0.2)	(\$0.4)
(3) Authority for care management models*	N/A	(\$3.0)	(\$6.0)
(4) Authority to provide non-medical services & supports*	N/A	(\$1.8)	(\$3.5)

* Savings in FY 2016 enacted budget

Health Insurers

Art/Sec	Action	State Impact
9/1	Reinstates minimum threshold for commercial insurers for Early Intervention Services	Not identified
9/10	Increases threshold from \$7,500 to \$12,500 for services assessed through the Children's Health Account	(\$2.7)

Art 9/Sec 1: Early Intervention

- FY 2016 budget eliminated \$5,000 per child per policy cap
 - Federal requirement under ACA
- Also eliminated minimum amount private insurers must pay for EI services
 - At least as much as Medicaid pays
- Section restores that language
 - Insurers must pay at least the Medicaid rate

Art 9/Sec 10: Children's Health Account

- Increases from assessment from \$7,500 to \$12,500 charged to third party insurers for services provided to children with special health care needs
- Assessment on CEDARR services, home health services & children and adolescent treatment intensive services

Art 9/Sec 10: Children's Health Account

- Budget includes additional revenue of \$4.0 million
 - Direct offset to state expenses
 - FY 2016 includes \$10.6 million
- Proposed in Governor Reinventing Medicaid package for FY 2016
- Not accepted by the Assembly

Managed Care

Art/Sec	Proposal	Gen Rev	All Funds
9/5	Premium Assistance Program	(\$0.2)	-
9/6	Managed Care Delivery	-	-
7 (c)	Administrative Rates	(\$3.3)	(\$8.8)
7 (d)	Contract Re-procurement	(\$2.0)	(\$6.8)

Art 9/Sec 5 – Premium Assistance Program

- Rite Care families with access to employer sponsored insurance (ESI) participates in the state's premium assistance program
 - Rite Share
- Rite Care eligibility – family income
 - Children at or below 250% of poverty
 - Parents at or below 133% of poverty
- Those with ESI state pays monthly co-pays, deductibles & provides wrap around - if it is less costly

Art 9/Sec 5 – Premium Assistance Program

- No such program for those on Medicaid who are disabled, enrolled through the expansion or optional programs
- Section 5 allows ESI to include plans purchased through the exchange
- Extends premium assistance to all Medicaid beneficiaries
 - Appears to assume that expansion and optional populations have access to commercial coverage

Art 9/Sec 5 – Premium Assistance Program

- Individual who has a disability but is not eligible for Medicaid based on income can still receive coverage
 - Through “medically needy” provision
 - Apply to DHS through Medical Assistance Review Team (MART) & have to meet medical needy income requirements

Art 9/Sec 5 – Premium Assistance Program

- Issues
 - Which Medicaid populations are being targeted for this expansion
 - Savings would only occur if this reduces a state cost
 - Medicaid expansion has maximum 10% state cost in FY 2021
 - Current law requires all Medicaid recipients to be in compliance with ACA
 - This ensures state is payer of last resort
 - Advent of ACA should reduce or eliminate incidence of access through medically needy option except in the case of long-term care

Art 9/Sec 6 – Managed Care Delivery

- Adds community health teams and “other such arrangements” to the definition of managed care systems
- Intent to deliver integrated services through managed care plans
- Reinventing Medicaid FY 2016 savings of \$2.0 million, \$1.0 million from general revenues
 - No additional information on what “other arrangements” might be

Article 7 (c) Managed Care Organizations

- Managed Care Administrative Rates
 - Savings of \$8.8 million from applying a fixed administrative rate – supporting documents
 - \$3.3 million from general revenues
- Currently pay a different administrative rate within the populations served
 - More costly population have a higher administrative rate
- But savings reflect a 5% rate reduction to the existing rates

Article 7 (d) Managed Care Organizations

- Managed Care Contract Re-procurement
 - Savings of \$6.8 million from re-procurement
\$2.0 million from general revenues
 - Neighborhood Health Plan of RI and UnitedHealthcare
- Current contract expires June 30, 2017
- EOHHS has the option to end the contract
 - Opted to end on January 1, 2017
- Budget does not account for the \$0.4 million revenue loss

Managed Care Organizations

FY	Total*	Prior Budget Actions
2016	(\$11.2)	0.9% rate reduction/reduce admin rates & modify risk share
2015	(\$23.4)	2.95% rate reduction & hospital rate freeze
2014	(\$9.0)	1.4 % rate reduction
2013	(\$32.9)	4.14 % rate reduction & alternative services
2012	-	No actions taken

**In millions, all funds*

Other Program Changes

Art/Sec	Proposal	Gen Rev	All Funds
9/9	FY 2016 Fiscal Controls	(\$8.0)	(\$16.1)
7(h)(1)	DHS CNOM expansion for non-elderly adults w/dementia	-	-
7(h)(2)	<i>Rebalancing efforts for expedited eligibility in long term care*</i>	(\$0.2)	(\$0.4)
7 (h)(3)	<i>Care management models*</i>	(\$3.0)	(\$6.0)
7 (h)(4)	<i>Non-medical services & supports*</i>	(\$1.8)	(\$3.5)
7 (i)	Federal Financing Opportunities	-	-

*Savings in FY 2016 budget

Art 9/Sec 9 – Fiscal Controls

- Instructs the Secretary to identify and implement fiscal controls to achieve the full savings in FY 2016 tied to the Reinventing Medicaid Initiative
- Savings of \$16.1 million
 - \$8.0 million from general revenues
 - Taken in the Rite Care managed care program for budgetary purposes only -- may appear in other programs

Art 9/Sec 9 – Fiscal Controls

- The budget does not specify proposals to achieve these savings
 - Concerns have been raised about the granting of this new authority
- If no specific changes are identified or thought to be needed, then the savings included are contrary to current law on adhering to the caseload estimate
 - Adjustment to consensus estimates must be accompanied by specific policy or statutory changes

Article 7 (h) (1)

- Extends home and community care coverage to non-elderly adults with dementia
 - DHS' Division of Elderly Affairs CNOM program
- Recommended budget does not include funding and unclear how many individuals would be eligible for services

Article 7 (h) (2-4)

- Three proposals in Reinventing Medicaid
 - Appears to repeat language for emphasis
- Non-medical supports
- Expedited eligibility for long term care
- Care management model
- Savings have been updated for several programs for FY 2016 revised budget

Article 7 (h) (2-4)

- Non-medical support changes submitted in November
 - Housing Stabilization – January start
 - Original savings \$3.5 million/\$1.8 million from gen rev
 - Nov testimony suggested \$1.2 million total savings
 - It now appears to be only \$100,000
 - Peer navigation – February start
 - FY 2017 – Gov. adds \$1.5 million/\$0.7 million gen rev
 - FY 2016 – No funding provided but appears program is operational

Article 7 (h) (2-4)

- Expedited eligibility
 - Enacted savings of \$0.4 million/\$0.2 million from general revenues
 - Updated to \$0.2 million/\$0.1 million from general revenues
- Care management model – Health Homes
 - Enacted savings of \$6.0 million/\$3.0 million from general revenues
 - Updated to \$5.0 million/\$2.1 million from general revenues

Article 7 (i)

- Federal Financing Opportunities
 - Allows OHHS to take advantage of any federal opportunities with having an adverse impact on the FY 2017 budget
 - Has been included in previous budgets
 - No actions have been taken under this provision

Issues to Consider

- Timeframe for the changes? What does state have to do to implement?
 - Federal approval, state rules & regulations
 - State public hearing process can be 2 - 3 months
- Reinventing Medicaid Savings Tracking
 - Tied to managed care contracts & any unachieved savings part of settlement process?
 - Risk Share?

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