

Governor's FY 2018 Budget: Articles

Staff Presentation to the House Finance
Committee
March 7, 2017

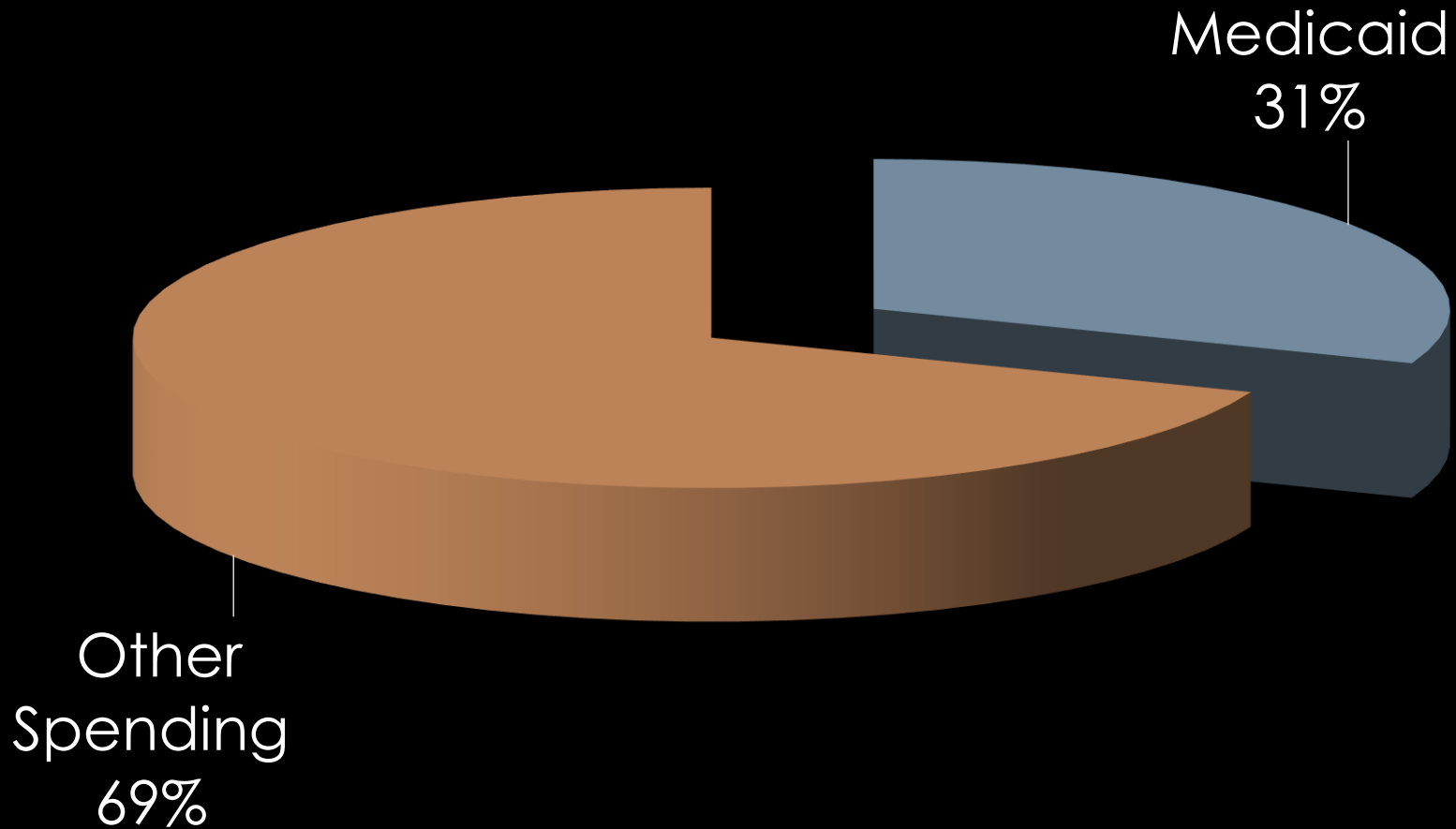
Introduction

- **Article 12 – Medicaid Resolution**
 - **Section 1 (a) (i) & (iii) – tonight**
 - All other components being heard March 9th
- **Article 13 – Medical Assistance Programs**
 - **Section 1 (Hospitals only), 2, 5 tonight**
 - Section 1 (all others), 3, 4 - March 9th
 - Managed Care/Long Term Care/Health Insurers
- **Article 14 – Hospital License Fee - tonight**

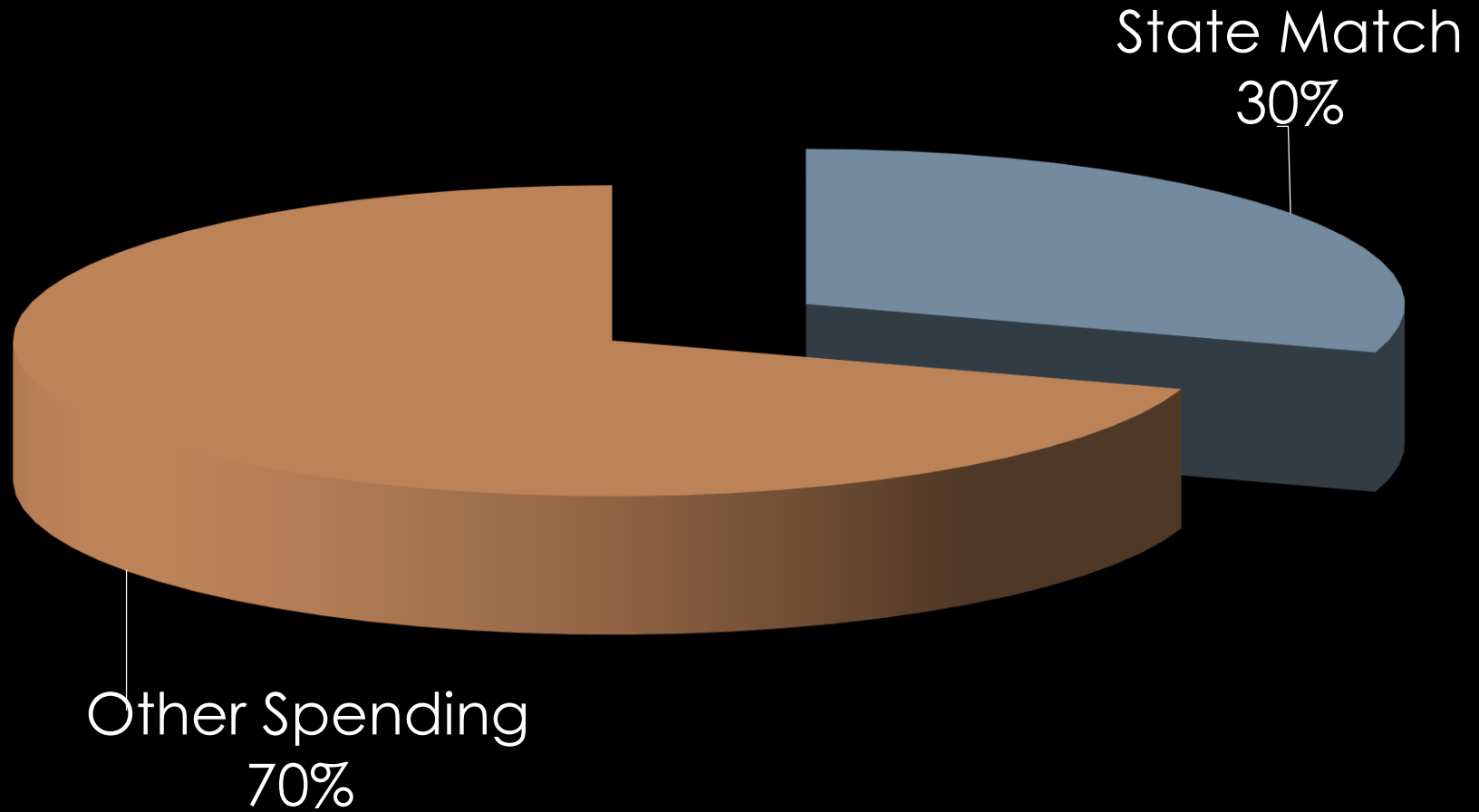
Medicaid Overview

- Major part of state budget and economy
 - 1/4th of state residents receive Medicaid
 - Majority of costs on small % of population
- Federal requirements and limitations
 - Can expand programs through waivers
 - to cover populations & provide services through different pathways
 - RI Global Consumer Choice Compact Waiver
- ACA - state expanded Medicaid to approximately 70,000 individuals

Medicaid % of Governor's FY 2018 Budget – All Funds



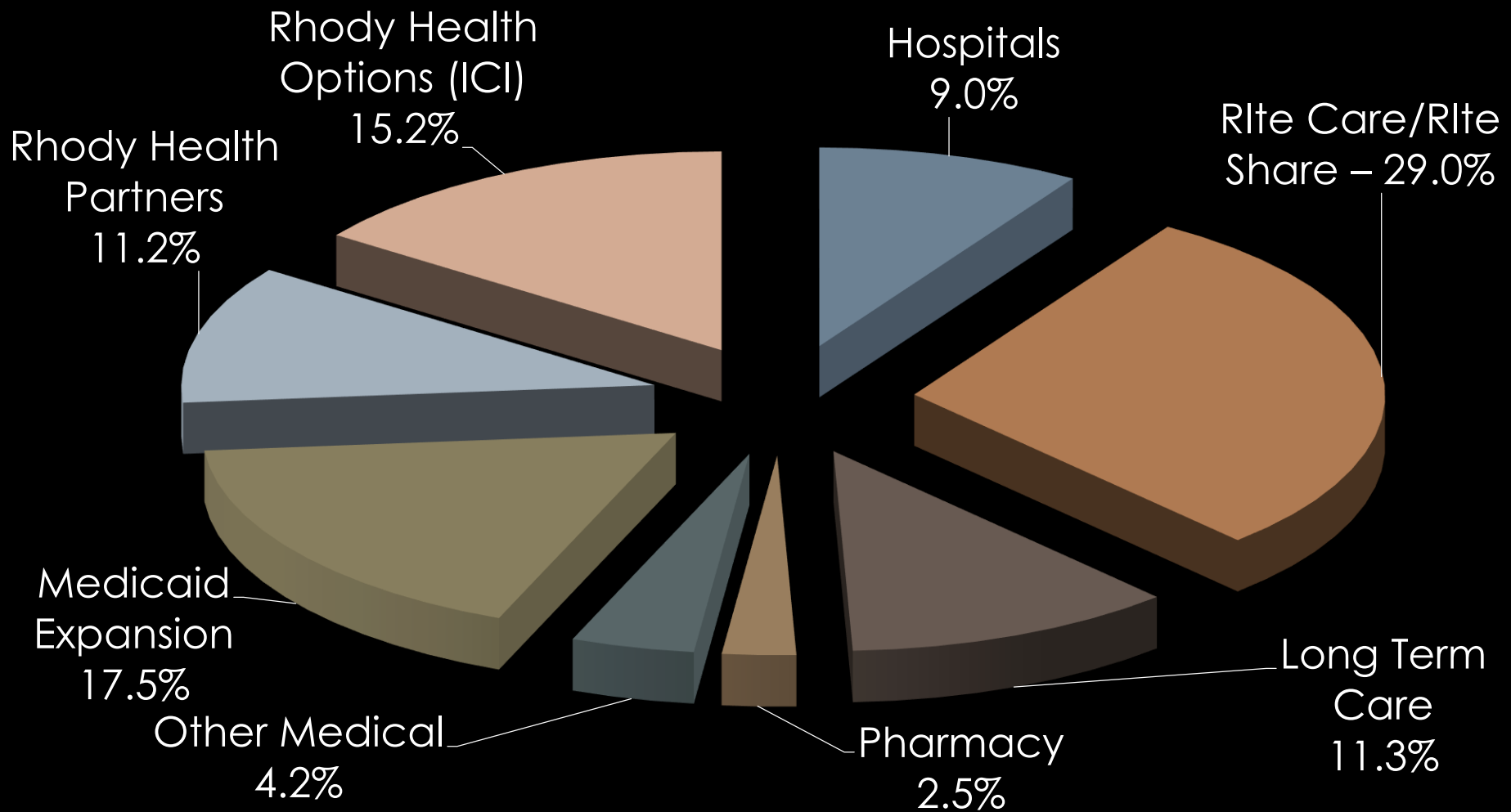
Medicaid % of Governor's FY 2018 Budget - General Revenues



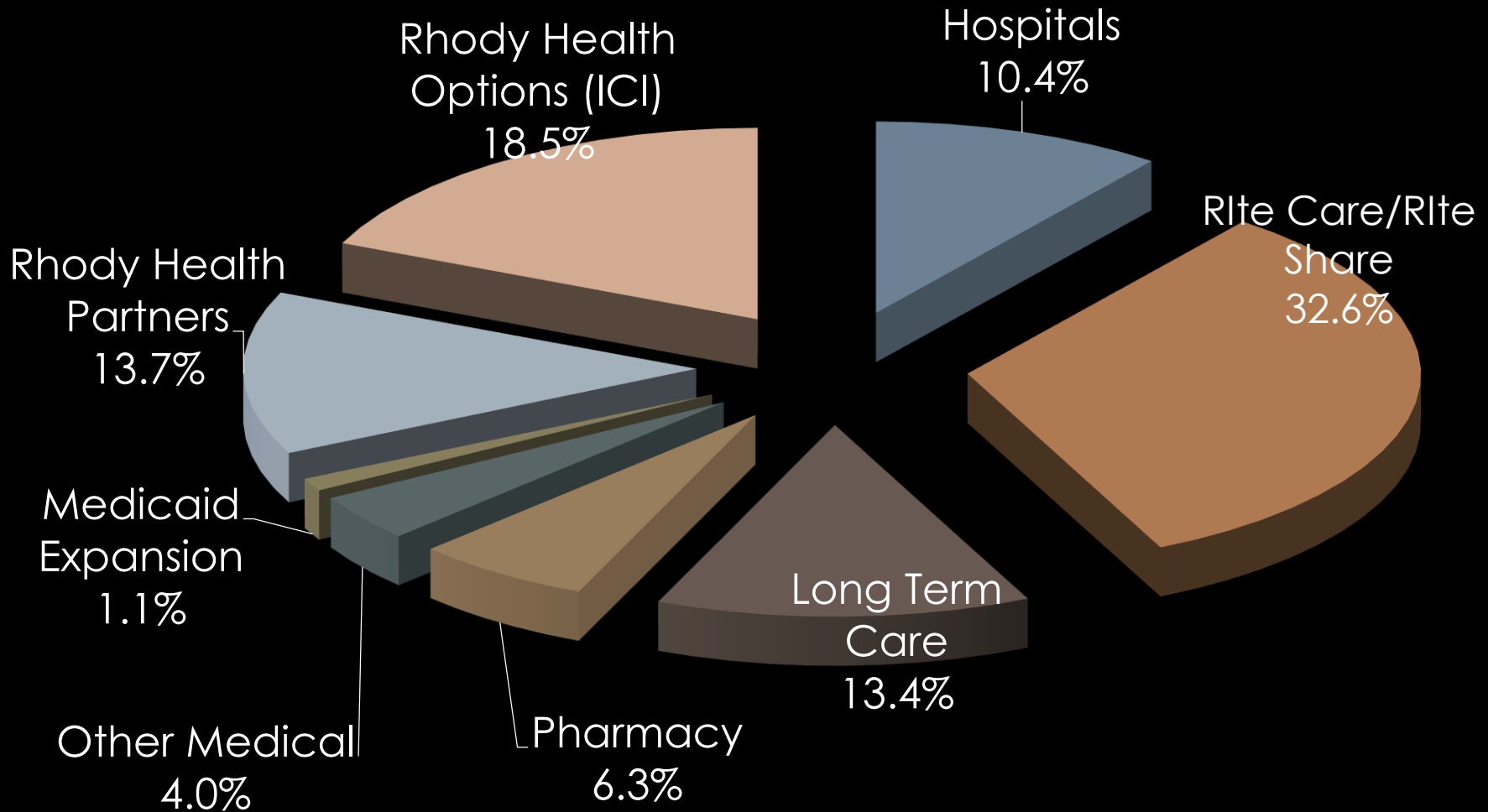
Governor's FY 2018 Budget Medicaid by Department

Department	General Revenues	All Funds
EOHHS	\$931.2	\$2,428.9
BHDDH	172.2	351.9
Children, Youth and Families	18.9	39.0
Human Services	16.6	37.2
Health	0.5	1.5
Medicaid Total	\$1,139.5	\$2,858.4
Total State Budget	\$3,792.7	\$9,248.1

FY 2017 Enacted: EOHHS All Funds

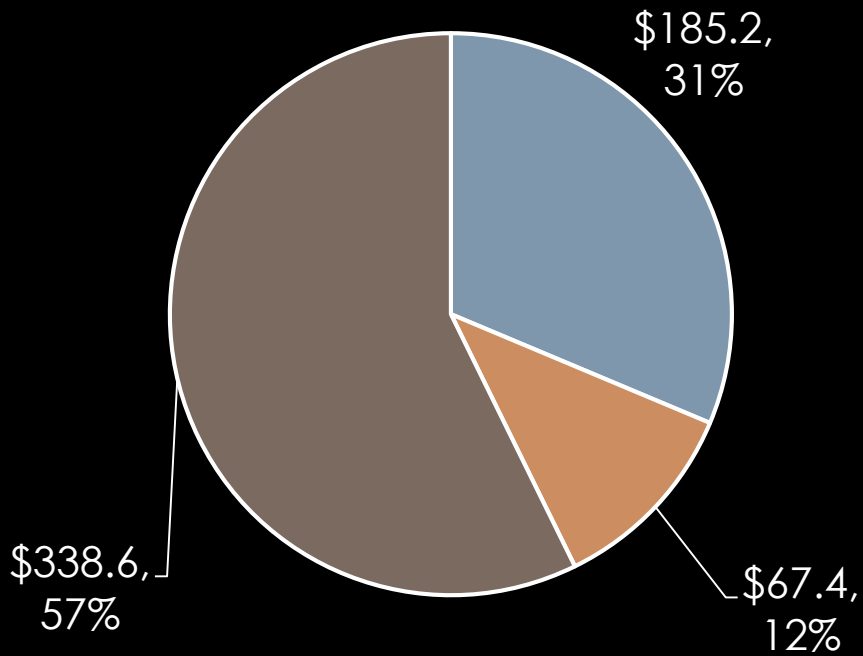


FY 2017 Enacted: EOHHS General Revenues

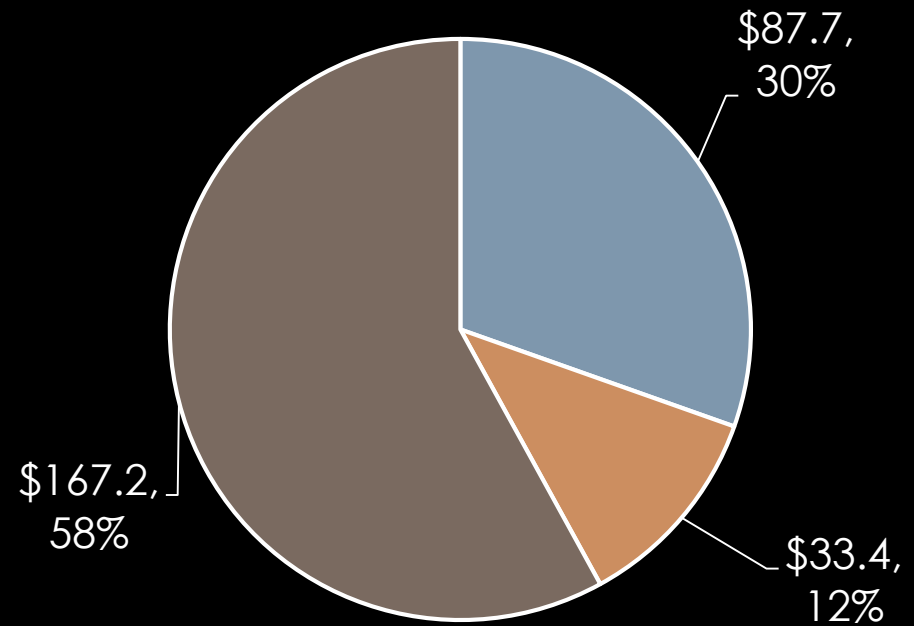


FY 2017 Enacted: Long Term Care

All Funds = \$591.2 million



Gen. Rev. = \$278.0 million



- Nursing Homes
- Home & Community Care
- Rhody Health Options (ICI)

Articles 12 & 13

<i>Providers</i>	<i>Gen Rev</i>	<i>Total</i>	<i>UHIP Reliant?</i>
Hospitals	(\$12.1)	(\$29.5)	No
Nursing Homes & Comm. Care	(4.2)	(8.7)	Partial
Managed Care Plans	(14.4)	(30.6)	No
Health Insurers	(3.6)	-	No
Total	(\$34.3)	(\$68.8)	
<i>(\$ in millions)</i>			

Medicaid

Providers	Article 12 Section 1	Article 13 Section
Hospitals	(a)	1, 2, 5
Long Term Care	(a), (b), (d) & (f)	1, 3
Managed Care	(a), (c), (e), (g) & (h)	1
Health Insurers	-	4

Resolution - Medicaid Waiver

- Current waiver classifies proposed changes into 3 categories
- Approval for each follows different process with state & federal authorities
 - Centers for Medicare & Medicaid Services
 - Formal approval
 - Written or oral notification of a change
 - 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 12 – Resolution

Proposal	Gen. Rev.	All Funds	UHIP Reliant?
(a) Provider Rates	(\$17.6)	(\$41.9)	No
<i>(i) Hospitals*</i>	(\$5.2)	(\$15.1)	No
<i>(ii) Nursing Facilities*</i>	(\$10.8)	(\$22.2)	No
<i>(iii) Behavioral Health Inpatient Rates</i>	(\$0.9)	(\$2.2)	No
<i>(iv) Managed Care Plans</i>	(\$0.8)	(\$2.5)	No
(b) Patient Liability Collections	(\$1.2)	(\$2.5)	Yes
(c) Community Health Centers*	(\$1.2)	(\$3.0)	No

*Related statute change included in Article 13 Section 1

Article 12 – Resolution

Proposal	Gen Rev	All Funds	UHIP Reliant?
(d) Healthy Aging & Long Term Support Services	(\$12.3)	(\$25.2)	?
(e) Adult Dental Services*	-	-	?
(f) Estate Recoveries & Liens	(0.3)	(0.5)	?
(g) Asthma Treatment*	-	-	?
(h) Centers of Excellence – Treatment for Opioid Disorders	-	-	?
(i) Federal Opportunities	-	-	Maybe

**GBA requested on 3/7 deletes these, adds others*

Hospitals

Art/Sec	Proposal	State Impact
12 -1 (a) (iii)	Inpatient Behavioral Healthcare Rates	(\$0.9)
13 -1	Rate Freeze & Reduction	(\$5.2)
13 -2	Uncompensated Care	-
13 -2	UPL Payments	(\$4.0)
13 -5	GME Payment	(\$2.0)
14	License Fee at 5.652%	\$169.0

Article 12 Sec. 1 – Behavioral Health Services Rates

- Section 1 (a) (iii) – Reduces inpatient behavioral health services rates by 3.0%
 - Savings of \$2.5 million, \$0.9 million GR
- November caseload estimate included \$82.9 million from all funds
 - Spending mostly through managed care plans

Article 13 Sec. 1 – Hospital Payments

- Freezes hospital rates at FY 2017 level
 - Savings of \$12.5 million - \$4.3 million GR
 - Rates are tied to national index
- Further reduces rates by 1% starting January 1, 2018
 - Governor requested an amendment to clarify date of reduction
 - Savings of \$2.6 million - \$0.9 million GR

Hospital Rates

Fiscal Year	Inpatient	Outpatient	Action
2018*	3.0%	1.6%	FY 2018 budget eliminates increase & reduces rates by 1%
2017	2.7%	1.9%	Eliminated rate increases
2016	2.4%	1.7%	Rate freeze & further rate reduction
2015	2.5%	2.2%	Eliminated rate increases
2014	2.6%	1.7%	Eliminated rate increases
2013	2.6%	1.9%	Included rate increase

* projected

Source: Inpatient Rates adjusted by CMS Prospective Payment System national index/Outpatient by Global Insight index

Article 13 Sec. 2 – Hospital Payments

- Payment for Uncompensated Care
 - Also referred to as: Disproportionate Share Payments (DSH)
 - Made to hospitals serving a high volume of Medicaid or low-income patients
- Hospital costs minus payments made
 - Can include “underinsured” or “uninsured”
 - Does include cases where Medicaid payments do not cover actual cost

Uncompensated Care

Category	Lifespan	Care New England	Charter Care	Others	Total
Managed Care*	\$40.4	\$40.7	\$17.7	\$10.2	\$109.0
Dual Medicare*	24.3	6.9	2.9	6.7	40.9
Fee-for-Service*	8.1	10.7	1.6	0.7	21.1
Other**	34.1	11.9	4.2	3.0	53.1
Total	\$106.8	\$70.2	\$26.4	\$20.6	\$224.1

2015 Information from the Hospital Association of RI

Medicaid underpayments includes uninsured and out-of-state plans*

Article 13 Sec. 2 – Uncompensated Care

- Federal formula determines state allocation – w/general revenue match
- Distribution based on hospitals' share of statewide uncompensated care total
 - Total RI uncompensated care is \$224.1 million
 - 7.6% of hospital expenses
 - 2015 data
 - UCC allocation: \$140.1 million or 60.3% of total
 - Individual hospital will receive 60.3% of its costs

Article 13 Sec. 2 – Uncompensated Care

- Annual Article
- 2016 Assembly included a \$139.7 million payment for FY 2018
 - Made to the community hospitals
 - Previously included state hospital
- Alignment of years is different because of previous action to close a budget gap
 - State did not make a payment in FY 2007
 - Did include legislation for payment in FY 2008

Article 13 Sec. 2 – Uncompensated Care

- Prior fiscal years a payment was made for “uncompensated” costs at Eleanor Slater Hospital
 - All costs at the state hospital reimbursed through appropriations act
- Also in prior budgets a payment for the next fiscal year was included
 - FY 2018 budget would include FY 2019 payment

Article 13 Sec 2 – Uncompensated Care

- Affordable Care Act – phases in a lower federal allotment to states
- Originally to be based on number of uninsured individuals in a state beginning with FY 2014
 - Reduction has been delayed to FY 2019
- RI's 2016 allotment is \$70.4 million, matched by general revenues
 - Total - \$140.1 million

Article 13 Sec. 2 – Uncompensated Care

- As submitted the Governor's budget does not include an FY 2019 payment
 - Amendment requested to provide for a \$139.7 million payment in FY 2019
- Article 13 adds “government” or “psychiatric” to definition of hospital
 - Appears to be proposed in order to include ESH in DSH distribution again, but other related changes are not included
 - Actual plan and impacts unclear

Article 13 Sec. 2 - Hospital Payments

- Upper Payment Limit (UPL)
 - State makes payments to hospitals to match fee-for-service rates paid by Medicare if Medicaid pays less for same services
 - First made in FY 2009 budget
- Article 13 reduces inpatient & outpatient (UPL) reimbursements by 50%
 - Savings of \$9.9 million - \$4.0 million general revenues

Article 13 Sec. 5 – GME Payment

- Graduate Medical Education (GME) Activities
 - FY 2017 - enacted budget includes a \$2.0 million payment to Lifespan
 - FY 2018 – Governor eliminates the payment

Article 14 – Hospital Licensing Fee

- Extends current licensing fee of 5.652%
 - Same two-tiered fee with South County & Westerly paying 3.55 percent
- FY 2018 budget assumes same \$169.0 million as FY 2017
- Revenues based on 2015 base year
 - Article changes to 2016 base year
 - Corrected back to 2015 in subsequent amendment request

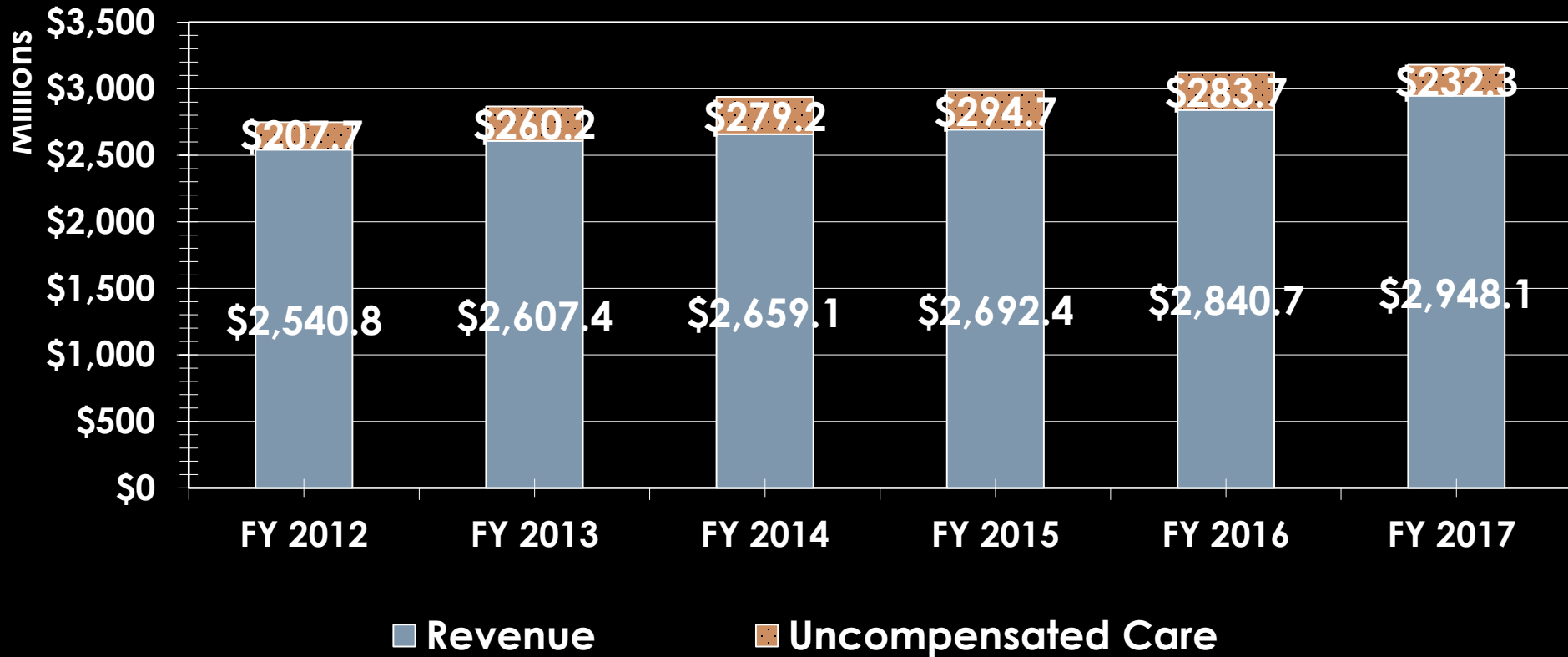
Article 14 – Hospital Licensing Fee

- FY 2018 - fee charged to \$3.1 billion in revenues/2015 base year
 - Same as FY 2017 until receive updated 2016 revenues
- License fee revenues total \$169.0 million
 - \$162.4 million – community hospitals
 - \$6.6 million – Eleanor Slater Hospital

Hospital Payments

Hospital/ Network	Hospital Revenues	Uncomp. Care	License Fee	DSH Payment	UPL Payment	GME
Lifespan	\$1,536.8	\$110.3	\$86.9	\$66.3	\$8.1	\$2.0
Care New England	810.4	69.8	45.8	42.0	8.1	-
CharterCare	282.2	30.6	16.0	18.4	1.7	-
Landmark	116.1	10.5	6.6	6.3	0.8	
South County	132.1	6.0	4.7	3.6	0.3	
Westerly	70.4	5.2	2.5	3.1	0.1	-
ESH	116.3	-	6.6	-	-	-
Total	\$3,064.4	\$232.3	\$169.0	\$139.7	\$19.2	\$2.0
<i>\$ in millions/based on 2015 data</i>						

Hospitals



Health System Transformation Program

- Article and budget is silent on pending program that affects state support to hospitals and nursing facilities
- Governor announcement federal approval for about \$130 million from federal funds for the health system transformation program
- Authority for the program started in FY 2016

Health System Transformation Program

Timeline	Action	Funding
FY 2016	<p>Art 5 of 2016 budget included hospital & nursing home incentives programs.</p> <ul style="list-style-type: none">• No sooner than 7/1/2016 – get paid for achieving performance goals set by the Secretary• Part of “Reinventing Medicaid”	No

Health System Transformation Program

Timeline	Action	Funding
FY 2017	<p>Article 9 of 2017 budget request federal authority to fund RI Health System Transformation Program & Designated State Health Program</p> <ul style="list-style-type: none"> • Medicaid match through partnerships with URI, RIC & CCRI 	<p>FY 2017 - \$18.8 m. from fed. funds</p>
2017 Gov. Rev. Rec	<p>EOHHS entered into a 2 month contract in August 2016 with UMASS Medical School to establish partnership with URI/RIC & CCRI for program</p>	<p>\$0.2 m all funds/ \$0.1 m gen rev</p>

Health System Transformation Program

Timeline	Action	Funding
FY 2017 Gov. Rev	Notified on 10/20/2016 that awarded 5 year grant totaling \$129.7 million. State to develop shared savings incentive programs between managed care health plans & certified affordable entities.	No
FY 2018 Gov. Rec	Shared savings incentive programs are: 1. Hospital & Nursing Home Incentive program - operate for 9 months 2. Accountable Entity Incentive Program – managed long term services and supports through rebalancing strategy	No

Issues to Consider

- UHIP Reliant proposals?
 - How will functioning of UHIP impede or complicate implementation or availability of data for accurate financial estimates?
- Need CMS approval?
 - What is the timeline?
 - If CMS raises issues to be addressed, time is added to already months long process
- Affordable Care Act changes?
 - Unknown, but proposals now taking shape

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