

Governor's FY 2019 Budget: Articles

Staff Presentation to the House Finance
Committee
March 15, 2018

Introduction

- Tonight – Hospitals & Long Term Care
 - Hospital Payments
 - Inpatient & outpatient rates
 - UPL/Graduate Medical Education Payments
 - Hospital License Fee
 - Long Term Care
 - Eligibility & Asset Verification/Transfers
 - Integrated Care Initiative Redesign
 - Services & Supports & Community First Choice

Introduction

- March 14th – Managed Care Plans, Transportation & BHDDH programs
 - Managed Care Payments
 - Co-payments
 - Rite Share expansion
 - Non-emergency transportation
 - Alternative payments for at risk youth
 - Criteria for direct services & case mgmt.
 - Adults with developmental disabilities
 - Opioid and BH crisis management

Medicaid Overview

- Major part of state budget and economy
 - 30% 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

EOHHS

- Principal agency to manage the 4 health and human service agencies
 - Behavioral Healthcare, Developmental Disabilities and Hospitals
 - Children, Youth and Families
 - Human Services
 - Health
- Medicaid funded programs in each of the agencies

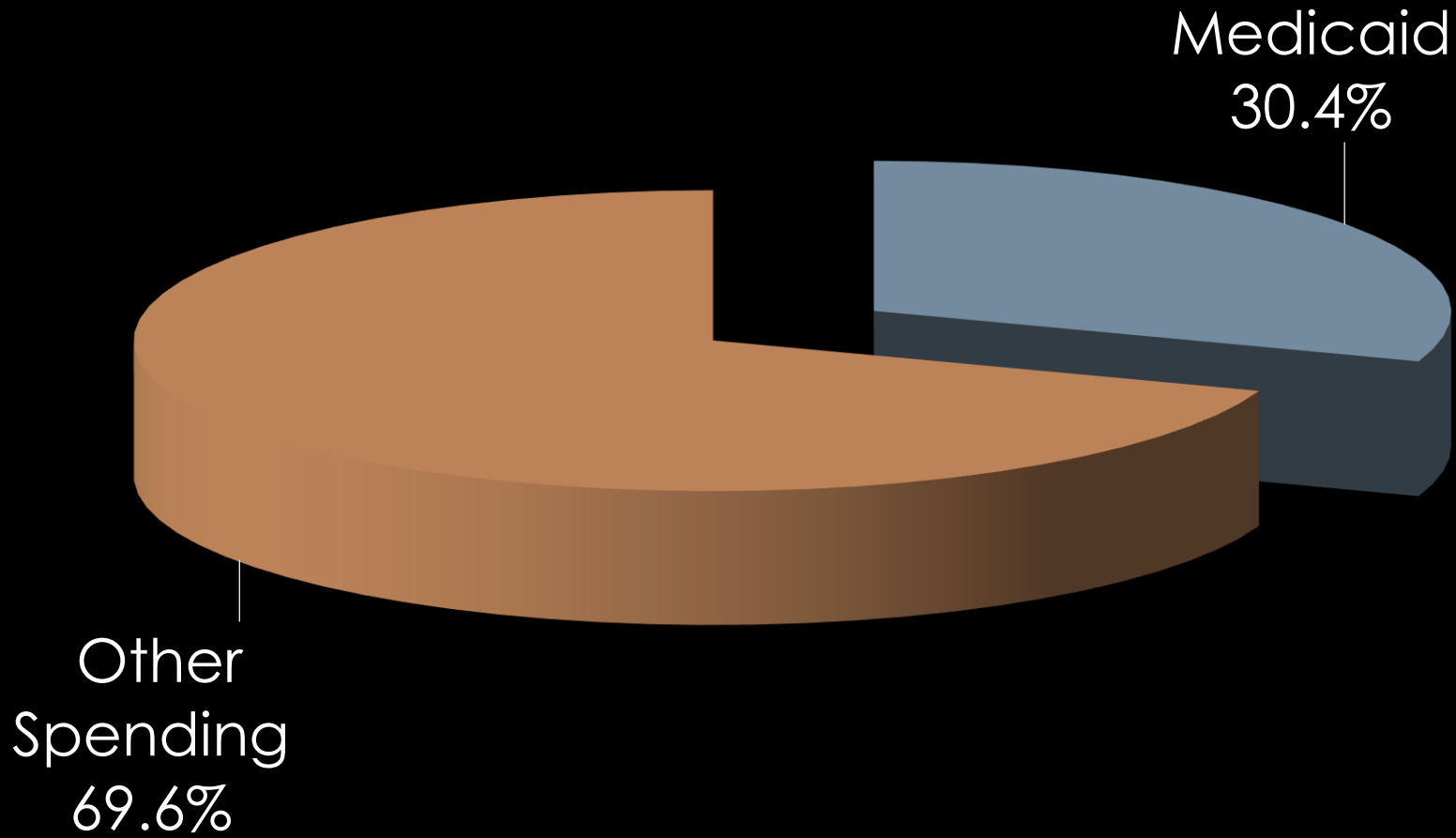
EOHHS

- Governor appoints the directors of the 4 agencies under the EOHHS umbrella
 - EOHHS is responsible for managing and providing strategic leadership and direction to the 4 departments
 - Ideally issues and impacts are coordinated across agencies
 - Directors retain statutory authority

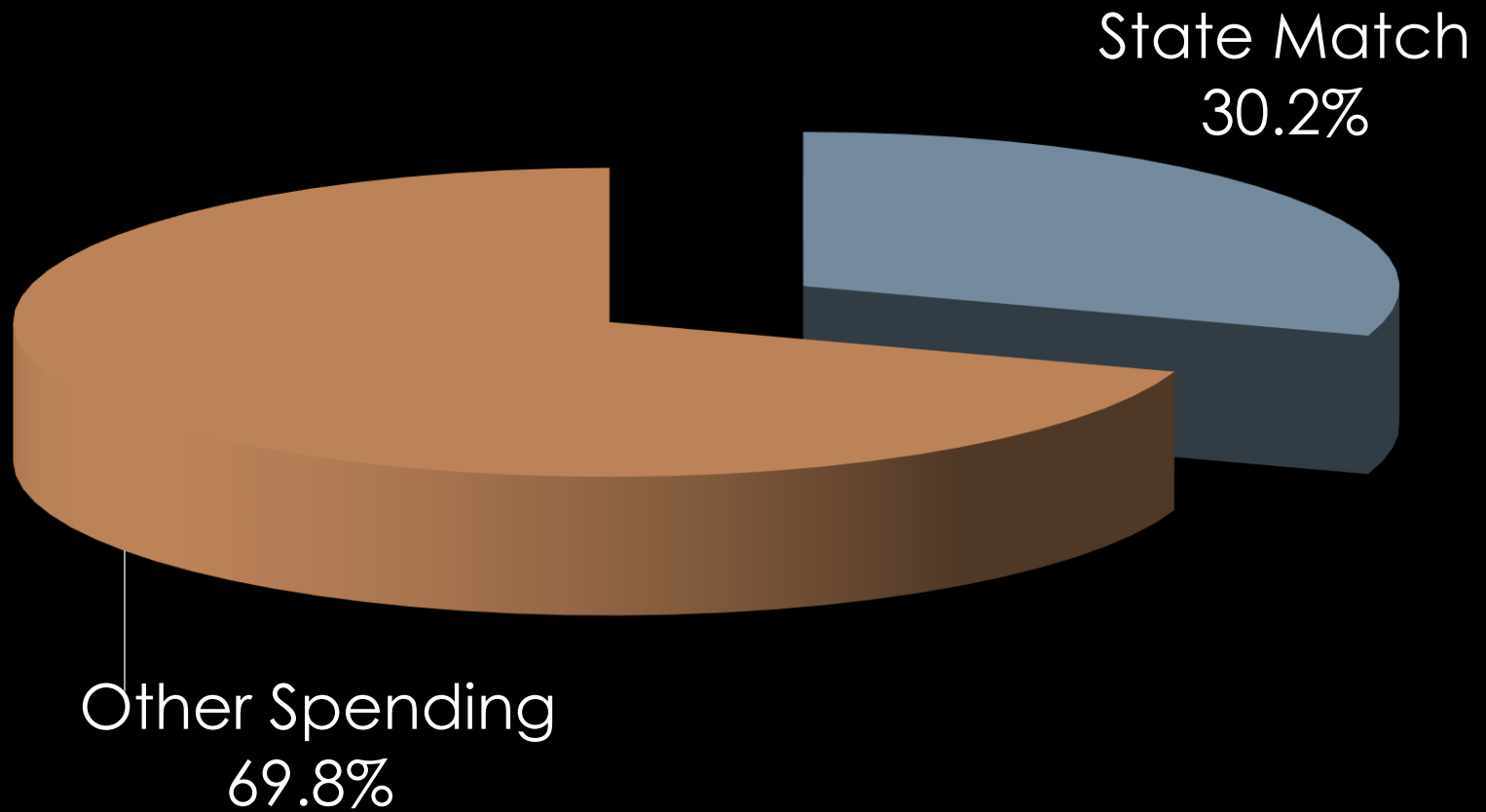
Governor's FY 2019 Budget Medicaid by Department

Department	General Revenues	All Funds	% of Medicaid
EOHHS	\$955.0	\$2,427.7	85.0%
BHDDH	172.2	361.9	12.7%
Children, Youth & Families	18.0	36.5	1.3%
Human Services	10.5	26.5	0.9%
Health	0.8	2.5	0.1%
Medicaid Total	\$1,156.5	\$2,855.1	100%
Total State Budget	\$3,829.3	\$9,377.7	
<i>Medicaid % of Total</i>	30.2%	30.4%	<i>\$ in millions</i>

Medicaid % of Governor's FY 2019 Budget – All Funds

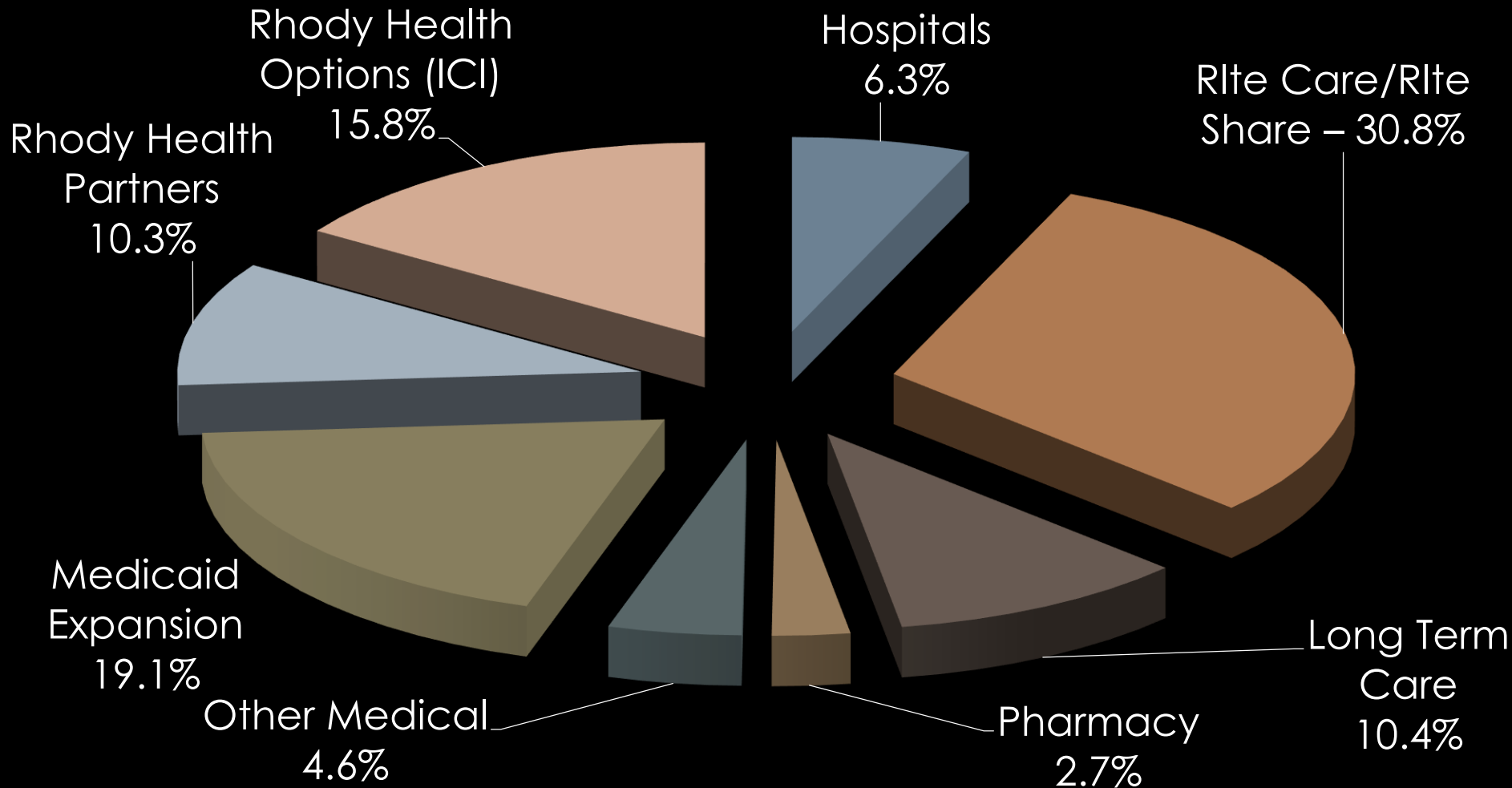


Medicaid % of Governor's FY 2019 Budget - General Revenues

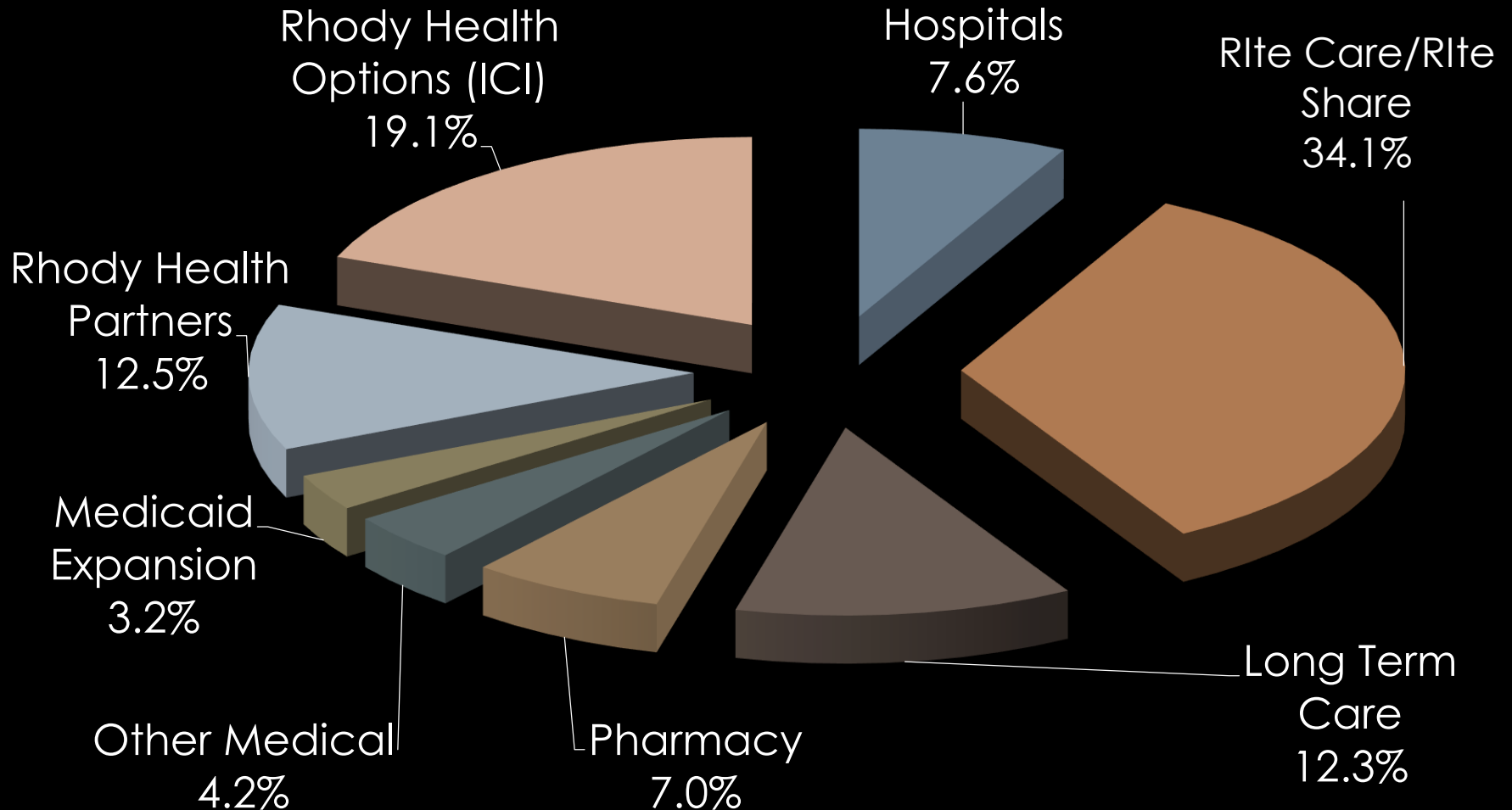


FY 2019 Governor's Rec : EOHHS

All Funds

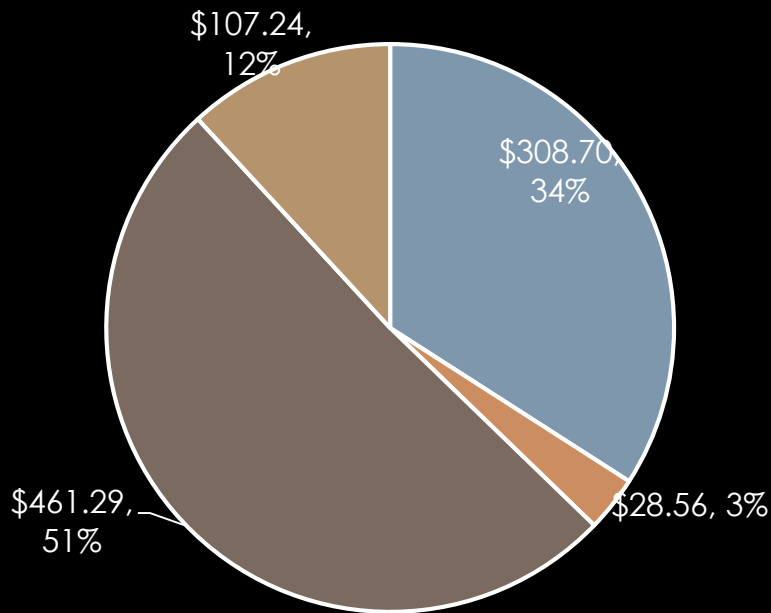


FY 2019 Governor's Rec: EOHHS General Revenues



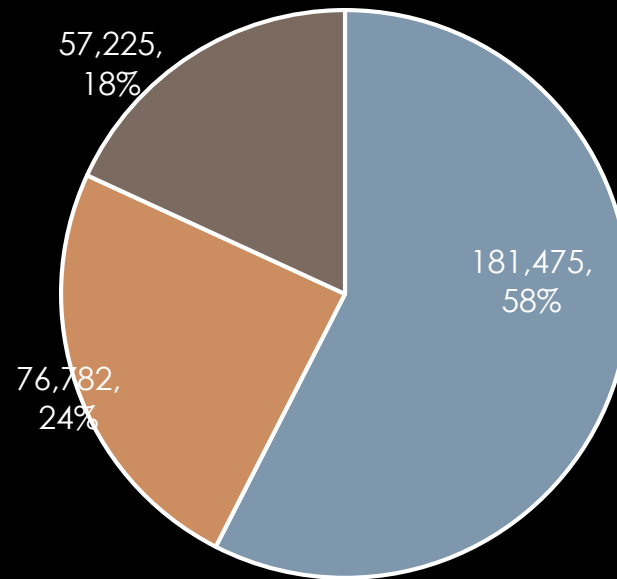
FY 2019 Governor's Rec: EOHHS by Population

**PROGRAM EXPENSES:
GENERAL REVENUES**



- Children & Parents
- Elderly & Disabled
- Expansion
- Other

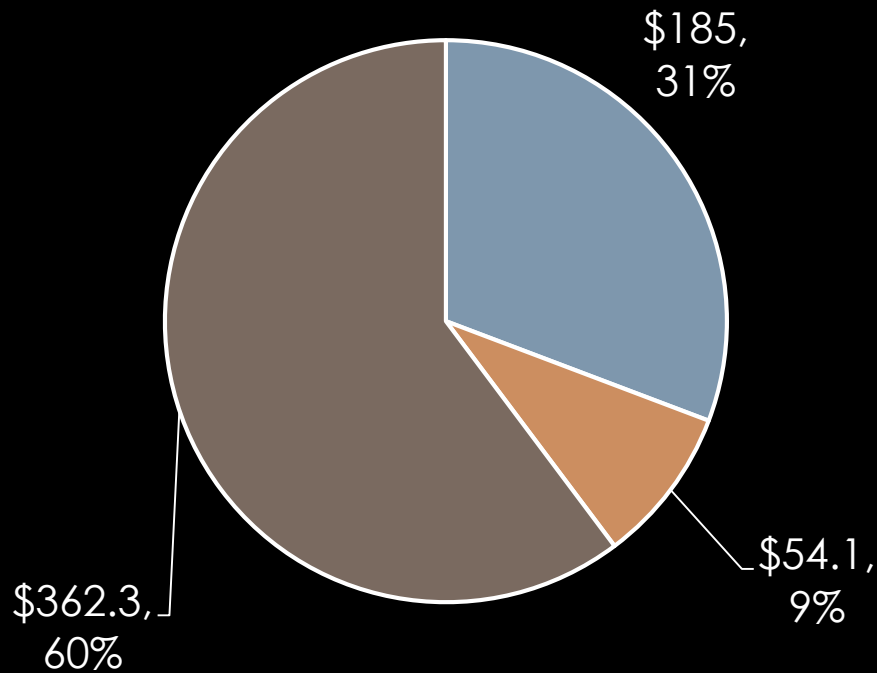
ENROLLMENT



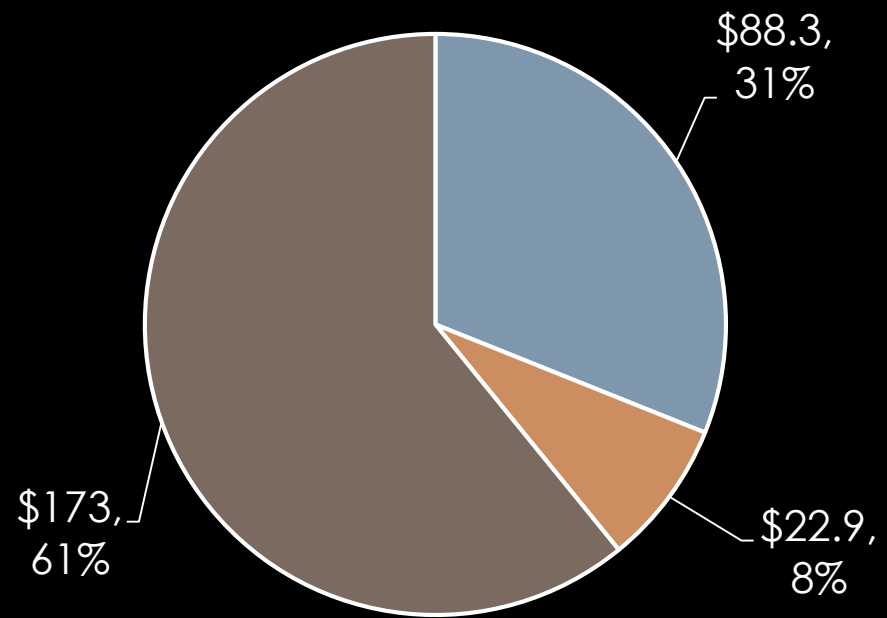
- Children & Parents
- Elderly & Disabled
- Expansion

FY 2019 Gov. Rec.: Long Term Care

All Funds = \$601.4 million



Gen. Rev. = \$284.2 million



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

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	Notify CMS	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

Articles 13 & 14

Providers	Gen Rev	Total	UHIP Reliant?
Hospitals	(\$14.2)	(\$32.0)	No
Nursing Homes & Comm. Care	(18.2)	(31.9)	Partial
Managed Care Plans	(57.0)	(83.2)	Partial
Transportation	(3.8)	(9.5)	No
Total	(\$93.3)	(\$156.7)	
<i>(\$ in millions)</i>			

Medicaid – March 15

Providers	Art. 7 Sec.	Art.13 Sec.	Art. 14 Sec. 1
Hospitals	2	1,2,4	(a) (i)
Long Term Care	N/A	1	(a) (ii)/(b) (i) (ii) (c) (i)/(d) (e) (i)/(g)

Medicaid – March 14

Providers	Art.13 Section	Art. 14 Sec. 1
Managed Care	3	(a)(iii)
Transportation	N/A	(f)
BHDDH - Level of Care	N/A	(b)(iii)
Alternative Payment Methods (BHDDH)	N/A	(h)
Behavioral Healthcare Link	N/A	(i)

Article 14 – Resolution

Proposal	General Revenues	All Funds	UHIP Reliant?
(a) Provider Rates	(\$17.6)	(\$41.9)	No
(i) Hospitals*	(\$5.2)	(\$15.1)	No
(ii) Nursing Facilities*	(\$10.8)	(\$22.2)	No
(iii) Managed Care Plans**	(\$23.7)	(\$70.3)	No
(b) Long Term Services & Supports	-	-	No
(c) Alternative Payments	-	-	No

*Related statute change included in Article 13 Section 1

**Governor requested an amendment to add 2 other managed care plan changes included in the total

Article 14 – Resolution

Proposal	General Revenues	All Funds	UHIP Reliant?
(d) LTC – Asset verification & transfer	(\$5.3)	(\$11.1)	?
(e) Restructure ICI	(7.3)	(15.4)	?
(f) Non-Emergency Transp.	(3.8)	(9.5)	?
(g) Community First Choice	(3.0)	-	?
(h) Alternative Payment Model	-	-	?
(i) Opioid & BH Crisis Mgt.	-	-	?
(j) Federal Opportunities	-	-	Maybe

Hospitals

Art/Sec	Proposal	State Impact
13 -1/14 - 1(a)(i)	Rate Freeze	(\$5.1)
13-2	UPL Payments	(\$5.6)
13-4	GME Payment	(\$3.3)
7-2	License Fee at 5.856%	\$182.0

Article 13 Sec. 1 – Hospital Payments

- Article 13 freezes hospital rates at FY 2018 level
 - Payments reduced by \$15.5 million - \$5.4 million from general revenues
 - \$5.1 million impact net of provider tax revenue loss
 - Rates are tied to national index
 - Governor requested an amendment to clarify date of rate freeze

Hospital Rates

FY	Inpatient	Outpatient	Disposition of Scheduled Increase
2019	2.8%	1.8%	Gov.: Eliminate increase
2018	3.0%	1.6%	Gov.: no increase & reduce rates by 1%/Assembly - did not concur
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

Statutory adjustments source: Inpatient Rates adjusted by CMS Prospective Payment System national index; Outpatient by Global Insight index

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 eliminates the inpatient (UPL) reimbursements
 - Savings of \$14.1 million - \$5.6 million general revenues
 - Keeps the \$6.4 million outpatient payment

Article 13 Sec. 4 – GME Payment

- Graduate Medical Education (GME)
 - Provided to Level I Trauma Center
 - Lifespan is the only one in RI
 - Level I trauma center certified by the Committee on Trauma of the American College of Surgeons
- FY 2018 enacted budget includes a \$4.0 million payment
 - Article 10 eliminates the \$4.0 million payment
 - Budget indicates reduction is to help achieve \$25.0 million in undistributed savings

Article 13 Sec. 4 – GME Payment

- FY 2019 – Budget includes \$1.5 million from all funds - \$0.8 million general revenues
 - New pool for all teaching hospitals
- Governor requested an amendment to correct continued limitation to hospitals with Level 1 trauma centers

Article 7 – Hospital Licensing Fee

- Extends current licensing fee of 5.856%
 - Same two-tiered fee with South County & Westerly paying 3.55%
- FY 2019 budget assumes same \$182.0 million as FY 2018
- Revenues based on 2016 base year
 - Article changes to 2017 base year
 - Governor requested an amendment to correct drafting error

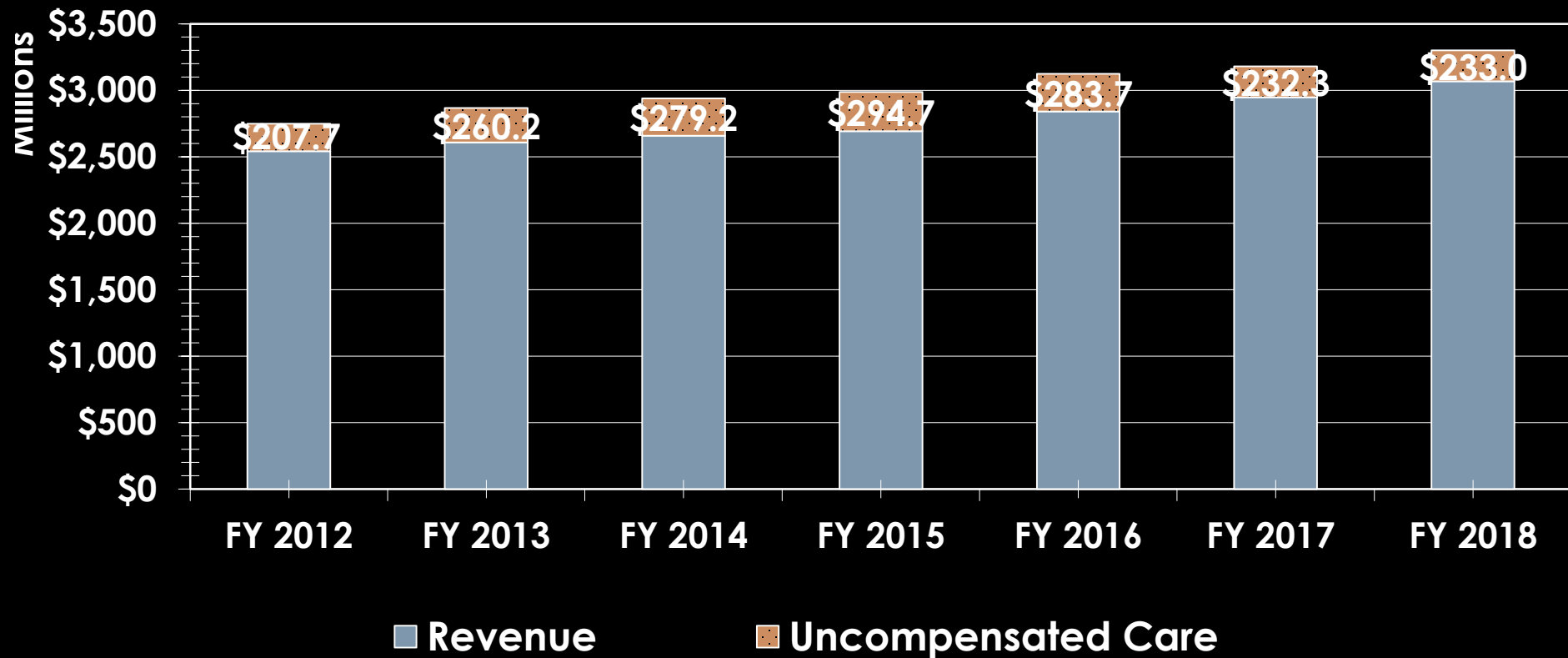
Article 7 – Hospital Licensing Fee

- FY 2019 - fee charged on \$3.2 billion in revenues using 2016 base year
 - Same rate as FY 2018 until receive updated 2017 revenues
 - Rate and base year updated annually
- License fee revenues total \$182.0 million
 - \$175.2 million – community hospitals
 - \$6.8 million – Eleanor Slater Hospital

Hospitals – FY 2018 Data

Hospital/ Network	Revenue	Uncomp. Care	License Fee	DSH	UPL	GME
Lifespan	\$1,626.2	\$106.8	\$95.2	\$63.5	\$8.4	\$4.0
Care New England	832.1	77.5	48.7	46.1	8.7	-
CharterCare	286.0	27.8	16.7	16.5	2.2	-
Landmark	117.4	10.0	6.9	6.0	0.7	-
So. County	142.9	5.7	5.3	3.4	0.3	-
Westerly	63.2	5.2	2.3	3.1	0.1	-
Eleanor Slater	115.7	-	6.8	-	-	-
Total	\$3,183.4	\$233.0	\$182.0	\$138.5	\$20.5	\$4.0
<i>\$ in millions/based on CY 2016 data</i>						

Hospitals



Articles 13 and 14 – Long Term Care

- Long Term Care Changes
 - Nursing Facility payment rates
 - Services and Supports
 - Estate Recovery
 - Eligibility
 - Community First Choice

Article 13 Sec 1: Nursing Facility Rates

- Limits October 1, 2018 rate increase to 1%
 - November CEC assumed 2.7% increase
 - Savings of \$5.4 million, \$2.6 million from GR
 - Governor's recommended budget includes the \$0.2 million revenue loss from nursing home assessment, net savings \$2.4 million
- Change also included in Section 1 (a) (ii) of Article 14 – resolution

Reimbursements

FY	Total	Previous Budget Actions
2018	(\$10.8)	No October rate increase
2017	\$7.9	Rates increased by 3% Oct 1 & 4-year phase out of direct care adjustment
2016	(\$17.5)	Rate freeze, 2.0% reduction & acuity delay
2015	(\$4.9)	6 mo. delay on October rate increase
2014	(\$10.5)	No October rate increase
2013	\$2.0	Adjust base & transition to new method
2012	(\$6.3)	Replaced principles of reimbursement and 5% reduction

\$ In millions, all funds

Long Term Care Services

March 2018 Enrollment – ICI Report	RHO	FFS/PACE	Total
Community w/o long term care supports	16,308	4,150	20,458
Nursing Home with long term care supports	2,855	1,566	4,421
Community w/long term care supports	2,240	1,201	3,441
Developmentally Disabled Adults	2,077	469	2,546
Individual with a severe and persistent mental illness	1,878	524	2,402
Medicaid w/long term care supports	595	330	925
Total	25,953	8,240	34,193

Long Term Care Services

Article 14 Proposal	Gen Rev	Total
Integrated Care Initiative (e) (i)	(\$7.3)	(\$15.4)
Retroactive Coverage (b) (i)	(2.3)	(4.8)
Expand Expedited Eligibility (b) (ii)	-	-
Alternative Payment Model (c) (1)	-	-
Asset Verification and Transfers (d)	(0.5)	(1.1)
Community First Choice (g)	(3.0)	-
Subtotal	(\$13.1)	(\$21.3)
<i>5 new full-time positions</i>	0.3	0.7
<i>System Changes</i>	0.3	1.8
<i>Revenue Loss</i>	0.7	
Total	(\$11.8)	(\$18.8)

Long Term Care Services

Responsibility/Activity	Personnel	Gen Rev	Total
Develop & design alternative programs, complete state plan changes & customer outreach	2.0 FTE	\$125,002	\$250,004
Oversight plan for vendors, state plan changes, provider outreach	1.0 FTE	62,501	125,002
AVS contract oversight/design changes with UHIP & MMIS	1.0 FTE	62,501	141,002
Financial Manager for all EOHHS initiatives	1.0 FTE	62,501	141,002
Asset Verification System/System Changes	Contracted Services	250,000	1,750,000
	Total	\$562,505	\$2,407,010

Integrated Care Initiative

- 2011 Assembly mandated development of long term managed care plan for those eligible for Medicare & Medicaid
 - Also called “dual eligible”
- Intent to integrate medical, behavioral health & long term care supports
 - Includes home and community based care and nursing homes
 - Delay entry into institutional care
 - Improve health outcomes

Integrated Care Initiative

- EOHHS entered into an agreement with Neighborhood Health Plan of RI
 - Rhody Health Options
- NHP has contracts with each of the state's nursing facilities
 - Optional enrollment
- Two phase process
 - Phase I – Medicaid – Unity
 - Phase II – Medicare & Medicaid – Integrity

Article 14 Sec 1 (e)(1)

Integrated Care Initiative

- Article 14 calls for redesign of Rhody Health Options
 - Impact only Integrity (Medicaid only)
 - Contract thru 6/18 -1 remaining option year
- EOHHS would re-assume responsibility for processing claims: fee-for-service again
 - About 11,000 individuals
 - Proposal assumes NHP will provide customer service & care management functions
 - No further details

Article 14 Sec 1 (e)(1)

Integrated Care Initiative

- Savings of \$15.4 million
 - \$7.3 million from general revenues
 - Administrative savings
- Governor's budget does not move the funding into the programs where it would appear under the new plan
 - Out of managed care into fee-for-service
 - Long term care, hospitals & other services
- EOHHS has not provided redistribution

Article 14 Sec 1 (b)(i)

Retroactive Coverage

- This section eliminates 90-day retroactive coverage for those in long term care
- State pays for outstanding medical bills for individuals who become eligible for Medicaid
 - Bills incurred prior to eligibility
- Savings of \$4.8 million
 - \$2.3 million from general revenues

Article 14 Sec 1 (b)(i)

Retroactive Coverage

- FY 2016: state paid \$8.6 million from all funds as part of retroactive coverage
 - Including those eligible for long term care services through Medicaid program
 - What Medicare does not pay for
 - Mainly for long term care services
 - Small portion of hospital expenses

Retroactive Coverage: Example

- Mrs. Smith has \$4,000 and meets the income limit for Medicaid
 - Also has \$1,000 in nursing home bills
- With retroactive coverage the state will pay outstanding bills (\$1,000)
 - She retains her \$4,000
- With no retroactive coverage, the outstanding bill must be paid by the person

Article 14 Sec 1 (b)(ii)

Expedited Eligibility

- This section expands expedited eligibility for long term care services for those who are transitioning to a home or community based setting from a hospital or nursing home
 - More efficient, clinical/functional expedited review process
 - Shortened concise application
 - Prior resolution allowed for LTC expedited eligibility – not implemented

Article 14 Sec 1 (b)(ii)

Expedited Eligibility

- EOHHS indicates that it would expand the benefit package to include:
 - Increasing #of days for adult day care from 3 to 5 days per week
 - An option for additional hours of personal care/homemaker services
 - Above 20 hours currently allowed for beneficiaries with the highest clinical/functional need for an institutional level of care
- No funding for this service expansion

Article 14 Sec 1 (c) (i) Alternative Payment Models

- Article 14 proposes to pursue alternative payment models for services
 - Expand efforts to identify and provide preventive services to person at risk of long term care services and supports and other high risk interventions
 - Adaptive & home based monitoring technologies
- EOHHS reports that explanatory information is not available at time

Article 14 Sec 1 (d) Asset Verification & Transfers

- Article identifies asset verification change
 - Implement automated asset verification
 - To comply with federal mandates
 - Had extension to December 2017
- Savings of \$5.2 million/\$2.5 million general revenues
 - Excludes system costs and positions
- EOHHS has started the process to make the change to the state plan
 - Public notice for comment

Article 14 Sec 1 (d) Asset Verification & Transfers

- Article also has separate initiative for asset transfers
 - Savings of \$1.1 million, \$0.5 million gen rev
- State pays for nursing home care for - Medicaid eligible
 - Exhausted “countable resources”
 - Savings, stock, bonds
- One current practice used to reduce countable resources and speed eligibility
 - Irrevocable Medicaid annuity

Article 14 Sec 1 (d) Asset Verification & Transfers

- Example
 - Individual enters a nursing home and leaves a spouse at home
 - Assets worth \$200,000 are split jointly
 - Spouse at home keeps \$100,000
 - Nursing home spouse applying for Medicaid has \$100,000
 - Which makes him ineligible for Medicaid until he spends resources
 - Must spend \$96,000 keeping allowable \$4,000

Article 14 Sec 1 (d) Asset Verification & Transfers

- One practice to shelter some of this remaining assets is to enter into an Medicaid annuity contract
 - Reduce asset through transfer to the spouse
- \$96,000 gets converted to annuity
 - No longer a countable resource for nursing home resident – now Medicaid eligible
 - Paid monthly to the community spouse
 - Generally over 3 to 5 years

Article 14 Sec 1 (d) Asset Verification & Transfers

- Upon death of spouse in nursing home the surviving spouse keeps the balance of the annuity
- Upon death of community spouse RI is currently able to recover the balance of the annuity contract
- Resolution does not specify what changes are being contemplated

Article 14 Sec 1 (d) Asset Verification & Transfers

- Could seek to cap the size of the initial resource transfer
- Could begin counting resources currently excluded
 - IRA
- Extension of assets rules to expansion population eligible for long term care
- Alter treatment of medical expenses prior to eligibility

Community First Choice Option

- States can provide certain services otherwise not covered to help keep individuals in the community
 - Assistance with activities of daily living (ADL)
 - Bathing, eating, mobility
 - Instrumental ADL
 - Medication management, housekeeping

Community First Choice Option

- Individuals moving from a hospital, nursing facility or behavioral health residential facility (IMD)
 - Example: pay for first and last month rent, bedding, basic kitchen supplies
- \$3.0 million in general revenue savings
 - Higher Medicaid rate for these services
 - Lower utilization of higher cost services

Long Term Care Services

- Community First Choice
 - Part of the FY 2015 enacted budget
 - Savings of \$3.0 million
 - EOHHS withdrew the proposal after a year
 - Could not make the extensive changes necessary to implement the program
 - EOHHS currently evaluating the appropriate path forward in light of previous issues
 - Timeline will be based on path selected
 - Calculation of savings unclear

Issues to Consider

- Potential impacts to direct Medicaid services
 - Not expressly funded
 - Or reflected in the out-years
- Changes in the resolution with no explanations

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?
 - Approval for rate changes for actuarial soundness
 - What is the timeline for other proposals?
 - If CMS raises issues to be addressed, time is added to already months long process

Issues to Consider

- Implementation plans
 - \$4.5 million - \$1.7 million general revenues
 - Governor adds 10 positions
 - Funding for system changes
- Many FY 2018 initiatives not achieved
 - \$5.2 million from general revenues
 - 84.5 % of initiatives that were not rate reductions
 - EOHHS reported did not have the resources to make the changes

Administrative Costs

Proposal	New Positions	General Revenues	Total
Co-Pays	2.0	\$250,002	\$500,004
RHO Redesign	3.0	187,500	375,000
LTSS Eligibility	2.0	125,002	282,004
NEMT Services	1.0	125,001	250,002
Rlte Share Expansion	2.0	125,002	250,004
Total	10.0	\$812,507	\$1,657,014

Administrative Costs

Contracted Services/System Changes		
Proposal	General Revenues	Total
Co-Pays	\$50,000	\$500,000
RHO Redesign	62,500	250,000
LTSS Eligibility	187,500	1,500,000
Rite Share Expansion	150,000	500,000
Health Home - BHDDH	470,000	470,000
Total	\$920,000	\$3,220,000

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