Governor’s FY 2015 Budget: Articles

Staff Presentation to the House Finance Committee
February 12, 2014

Introduction

- Articles in Governor’s FY 2015 Budget
- Five articles today
- Office of Health and Human Services
- Department of Children, Youth and Families
2:30 pm

- Article 26 – 19 to 21 year olds to BHDDH
- Article 27 – Medical Assistance Recoveries

At the Rise:
- Article 23 – Hospital License Fee
- Article 24 – Hospital Payments
- Article 25 – Medical Assistance Programs

**Article 23 – Hospital Licensing Fee**

- Extends current licensing fee of 5.246%
- Two-tiered fee with South County & Westerly paying 3.3 percent
- Fee charged to $2.7 billion revenues (2012)
- License fee revenues total $141.3 million
  - $136.0 million – community hospitals
  - $5.3 million – Eleanor Slater Hospital
Article 24 – Section 1
Uncompensated Care

- Federal formula determines state allocation – with general revenue match
- Distribution based on hospitals’ share of statewide uncompensated care total
  - RI uncompensated care total is $284.3 million
    - 10.5% of hospital expenses
  - UCC allocation is $128.3 million or 45.1% of total
    - Individual hospital will receive 45.1% of its costs

Uncompensated Care

- Annual Article
- Provides for a $128.3 million payment in FY 2016 to the community hospitals
- Equates to hospital FY 2015
  - Alignment of years is different because of an accounting adjustment to close budget gap
  - State did not make a payment in FY 2007
  - Did include legislation for payment in FY 2008
Uncompensated Care

- Affordable Care Act – phases in a lower federal allotment to states
- Based on number of uninsured individuals in a state beginning with the FY 2014 cap
  - Reduction has been delayed to FY 2016

Section 2 - Hospital Payments

- Eliminates the outpatient upper payment limit reimbursement to community hospitals
- Savings of $11.1 million
  - $5.5 million from general revenues
  - Makes up the difference between what Medicare would pay for the same services
  - First made in FY 2009 budget and each year after
Article 25 - Medical Assistance

- Section 1 - Transitional Medical Assistance
- Section 2 - Medical Assistance
  - Nursing Home and Hospital Rates
- Section 3 - Resolution
  - Changes under global waiver

Transitional Medical Assistance

- RI Works participants receive RIte Care benefits
- A parent may become employed & will be no longer eligible for either benefit because of income
- Federal government authorizes the transitional medical assistance program to continue coverage
Transitional Medical Assistance

- Current law - 12 month of benefits or until employer paid coverage begins
- Coverage continues as long as there is a federal Medicaid match
- FY 2015 - 3,100 covered
  - $9.3 million; $4.7 million general revenues

Federal government reauthorized program until March 2014
- Article continues the program as long as there is a federal match
- Governor does not include any savings
### Article 25 – Governor’s Proposals

#### Proposals (in millions)

<table>
<thead>
<tr>
<th></th>
<th>Gen. Rev.</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Home Rates*</td>
<td>($3.3)</td>
<td>($7.5)</td>
</tr>
<tr>
<td>Hospital Rates*</td>
<td>(3.8)</td>
<td>(7.9)</td>
</tr>
<tr>
<td>Managed Care Rates*</td>
<td>(10.4)</td>
<td>(21.7)</td>
</tr>
<tr>
<td>High Utilizers*</td>
<td>(7.8)</td>
<td>(16.3)</td>
</tr>
</tbody>
</table>

*Includes loss of revenue

#### Article 25 – Governor’s Proposals

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Gen. Rev.</th>
<th>All Funds</th>
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</thead>
<tbody>
<tr>
<td>Katie Beckett Option</td>
<td>($1.5)</td>
<td>($2.9)</td>
</tr>
<tr>
<td>Community First Choice</td>
<td>(3.0)</td>
<td>-</td>
</tr>
<tr>
<td>Qualified Health Plan Coverage</td>
<td>(0.6)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Extended Family Planning</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Total (millions)</td>
<td>($30.2)</td>
<td>($57.1)</td>
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</tbody>
</table>
Article 25 – Medicaid

- Sections 2 and 3 make changes to Medicaid program affecting:
  - Nursing Home Rates
  - Hospital Payments

- Eliminates scheduled October 1, 2014 rate adjustment for nursing homes
- Expenses reduced by $7.5 million
  - $3.7 million from general revenues
  - Loss of $0.4 million in revenue; $3.3 million net savings to the state
- Change also made in FY 2014 budget
- Resolution in Section 3 to make the change
Nursing Homes

<table>
<thead>
<tr>
<th>FY</th>
<th>Total*</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>($10.5)</td>
<td>October 1, 2014 rate elimination</td>
</tr>
<tr>
<td>2013</td>
<td>$7.8</td>
<td>Adjust base &amp; transition to new method</td>
</tr>
<tr>
<td>2012</td>
<td>($6.3)</td>
<td>Eliminated principles of reimbursement and 5% reduction</td>
</tr>
<tr>
<td>2011</td>
<td>($5.2)</td>
<td>New methodology with no more than a 2.2% gain or loss</td>
</tr>
<tr>
<td>2010</td>
<td>($2.6)</td>
<td>Rate reduction</td>
</tr>
</tbody>
</table>

* In millions

Hospital Payments

- Freezes FY 2015 rates at current levels
  - Fee-for-service and managed care plans
  - Outpatient and Inpatient Services
  - Savings of $7.9 million; $3.9 million from general revenues
  - Loss of $0.1 million in revenue
  - Net savings of $3.8 million
Hospital Payments

- Change also made in FY 2014 budget
  - Current rates at FY 2013 level
  - Includes resolution in Section 3 to make the change

Medicaid Resolution

- Global Waiver requires certain changes to receive Assembly approval even if a statutory change is not required
  - Change to payment methodology, service definition
  - Requires state plan amendment, CMS approval and public hearing
Managed Care Payments

- Allows the state to reduce growth in costs to managed care plans
  - Nov CEC estimated a 2.95% increase
  - Governor assumes no increase
  - Includes savings of $21.7 million
    - $10.8 million with loss of $0.4 million in revenue
    - Net state savings of $10.4 million
  - Rite Care & Rhody Health Partners

High Cost Care & Utilizers

- Address 2 populations:
  - Children with special health care needs
  - Elderly and Disabled Adults
- Savings of $16.3 million
  - $8.2 million from general revenues and loss of $0.3 million in revenue
High Cost Care & Utilizers

Children with special health care needs
- Savings of $11.1 million
  - $5.5 million from general revenues
- May expand behavioral health care services instead of hospitalization
- Address use of psychotropic drugs
- No specific plan – is resolution necessary?

High Cost Care & Utilizers

Elderly and Disabled Adults
- Savings of $5.2 million
  - $2.6 million from general revenues
- May address behavioral health services
- Overuse of emergency room
- Housing/employment opportunities
- No specific plan – is resolution necessary?
Katie Beckett Option

- States have the option to provide certain benefits to disabled children who require an institutional level of care
- Institutions - hospital, nursing facility or intermediate care facility

Katie Beckett Option

- Hospital - extensive array of health care services throughout the day
  - observation multiple times during a 24-hour period; intensive medication routine; and monitoring for life-threatening episodes
- Psychiatric Hospital - child’s behavioral health condition causes significant disruption in his or her ability to function at home, school or in the community
Katie Beckett Option

- Nursing facility – requires complex skilled care
  - assistance with bathing, eating, dressing, mobility
- Intermediate care facility – requires active treatment provided a facility that includes health and rehabilitative services
  - Tavares pediatric and 4 Zambarano group homes

20 states opted to do provide services through the Katie Beckett option
- VT, NH, ME, CT
- MA (Kaileigh Mulligan option)
- Rhode Island – FY 2013 expenses were $27.5 million
Katie Beckett Option

- Article does not change eligibility
  - Continues to be based on child’s income
- Allows OHHS to implement a monthly payment through rules & regs process
- Savings: $2.9 million
  - $1.5 million general revenues
  - Assumes a $250 monthly payment for those above 250% of poverty
  - Family of four – $59,625

1,100 children receiving services
- Include: physical & occupational therapy; private duty nursing; personal care attendants
- 90% of families have private coverage
- Family income is above Rite Care limits or have access to commercial insurance
- If family income is at or below 250% - the child would be eligible for Rite Care
Community First Choice Option

- States can provide certain services to individuals so that can stay in the community
- $3.0 million in general revenue savings
  - Leverage a higher Medicaid rate
  - 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)
  - May have an impact on expenses in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
  - Example: pay for first and last month rent, bedding, basic kitchen supplies
Qualified Health Plan Coverage

- Pregnant & post-partum women are eligible for Rite Care benefits if income is under 250%
- With ACA - women will have coverage through a qualified health plan
- If become pregnant will be Rite Care eligible

Qualified Health Plan Coverage

- Proposal would pay for out of pocket premiums & wrap around services
  - Prevent full enrollment in Rite Care
  - Continued coverage through a qualified health plan
- Savings of $1.2 million; $0.6 million from general revenues
Extended Family Planning

- Provide benefits to uninsured and underinsured individuals
  - at or below 250% of poverty
- Currently provided only to women for 24 months after giving birth
- Services are included as an essential benefit under ACA
- Adds $0.4 million; $0.2 million gen rev
  - Some of services are 90/10 Medicaid match

Waiver Demonstration Extension

- Allows OHHS to implement the authority approved in its 1115 waiver demonstration extension request
  - Approved until December 31, 2018
- Continuing re-balancing efforts for long term care
- Utilizing health home models
- Access to non-medical services & supports: housing & employment supports
Article 25 – Medicaid Resolution

- Agency to pursue any opportunities under ACA that does not adversely impact FY 2015 budget
  - Same language as used for FY 2013/FY 2014 budgets

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