Governor’s FY 2018 Budget: Articles

Staff Presentation to the House Finance Committee
March 9, 2017
Introduction

- **Article 12 – Medicaid Resolution**
  - Section 1 (a) (i) & (iii) – March 7\(^\text{th}\)
  - All other components being heard tonight
- **Article 13 – Medical Assistance Programs**
  - Section 1 (Hospitals only), 2, 5 – March 7\(^\text{th}\)
  - Section 1 (all others), 3, 4 - March 9\(^\text{th}\)
    - Managed Care/Long Term Care/Health Insurers
Medicaid Overview

- Major part of state budget and economy
  - ¼th 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 31%

Other Spending 69%
Medicaid % of Governor’s FY 2018 Budget - General Revenues

- Other Spending: 70%
- State Match: 30%
## Governor’s FY 2018 Budget Medicaid by Department

<table>
<thead>
<tr>
<th>Department</th>
<th>General Revenues</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOHHS</td>
<td>$931.2</td>
<td>$2,428.9</td>
</tr>
<tr>
<td>BHDDH</td>
<td>172.2</td>
<td>351.9</td>
</tr>
<tr>
<td>Children, Youth and Families</td>
<td>18.9</td>
<td>39.0</td>
</tr>
<tr>
<td>Human Services</td>
<td>16.6</td>
<td>37.2</td>
</tr>
<tr>
<td>Health</td>
<td>0.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Medicaid Total</td>
<td>$1,139.5</td>
<td>$2,858.4</td>
</tr>
<tr>
<td><strong>Total State Budget</strong></td>
<td><strong>$3,792.7</strong></td>
<td><strong>$9,248.1</strong></td>
</tr>
</tbody>
</table>
FY 2017 Enacted: EOHHS All Funds

- Rhody Health Options (ICI): 15.2%
- Rhody Health Partners: 11.2%
- Medicaid Expansion: 17.5%
- Other Medical: 4.2%
- Pharmacy: 2.5%
- Hospitals: 9.0%
- Rite Care/Rite Share: 29.0%
- Long Term Care: 11.3%
FY 2017 Enacted: EOHHS General Revenues

- Rite Care/Rite Share: 32.6%
- Rhody Health Options (ICI): 18.5%
- Hospitals: 10.4%
- Long Term Care: 13.4%
- Pharmacy: 6.3%
- Other Medical: 4.0%
- Medicaid Expansion: 1.1%
- Rhody Health Partners: 13.7%
FY 2017 Enacted: Long Term Care

All Funds = $591.2 million

- Nursing Homes: $338.6 million (57%)
- Home & Community Care: $67.4 million (12%)
- Rhody Health Options (ICI): $185.2 million (31%)

Gen. Rev. = $278.0 million

- Nursing Homes: $87.7 million (30%)
- Home & Community Care: $33.4 million (12%)
- Rhody Health Options (ICI): $167.2 million (58%)
<table>
<thead>
<tr>
<th>Providers</th>
<th>Gen Rev</th>
<th>Total</th>
<th>UHIP Reliant?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>($12.1)</td>
<td>($29.5)</td>
<td>No</td>
</tr>
<tr>
<td>Nursing Homes &amp; Comm. Care</td>
<td>(4.2)</td>
<td>(8.7)</td>
<td>Partial</td>
</tr>
<tr>
<td>Managed Care Plans</td>
<td>(14.4)</td>
<td>(30.6)</td>
<td>No</td>
</tr>
<tr>
<td>Health Insurers</td>
<td>(3.6)</td>
<td>-</td>
<td>No</td>
</tr>
<tr>
<td>Total</td>
<td>($34.3)</td>
<td>($68.8)</td>
<td></td>
</tr>
</tbody>
</table>

($ in millions)
## Medicaid

<table>
<thead>
<tr>
<th>Providers</th>
<th>Article 12 Section 1</th>
<th>Article 13 Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>(a)</td>
<td>1, 2, 5</td>
</tr>
<tr>
<td>Long Term Care</td>
<td>(a), (b), (d) &amp; (f)</td>
<td>1, 3</td>
</tr>
<tr>
<td>Managed Care</td>
<td>(a), (c), (e), (g) &amp; (h)</td>
<td>1</td>
</tr>
<tr>
<td>Health Insurers</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Cat</th>
<th>Change</th>
<th>Approval</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Administrative</td>
<td>CMS (notification only)</td>
<td>General operating procedures, prior authorization change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>Payments and optional benefits</td>
<td>Assembly &amp; CMS</td>
<td>Payment change &amp; adding benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>Eligibility/New Benefit</td>
<td>Assembly &amp; CMS</td>
<td>Lowering Rite Care threshold for parents</td>
</tr>
</tbody>
</table>
# Article 12 – Resolution

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

*Related statute change included in Article 13 Section 1
## Article 12 – Resolution

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Gen Rev</th>
<th>All Funds</th>
<th>UHIP Reliant?</th>
</tr>
</thead>
<tbody>
<tr>
<td>(d) Healthy Aging &amp; Long Term Support Services*</td>
<td>($12.3)</td>
<td>($25.2)</td>
<td>?</td>
</tr>
<tr>
<td>(e) Adult Dental Services*</td>
<td>-</td>
<td>-</td>
<td>No</td>
</tr>
<tr>
<td>(f) Estate Recoveries &amp; Liens</td>
<td>(0.3)</td>
<td>(0.5)</td>
<td>??</td>
</tr>
<tr>
<td>(g) Asthma Treatment*</td>
<td>-</td>
<td>-</td>
<td>No</td>
</tr>
<tr>
<td>(h) Centers of Excellence – Treatment for Opioid Disorders</td>
<td>-</td>
<td>-</td>
<td>No</td>
</tr>
<tr>
<td>(i) Federal Opportunities</td>
<td>-</td>
<td>-</td>
<td>Maybe</td>
</tr>
</tbody>
</table>

*GBA requested on 3/7 deletes (e) & (g), adds to (d)
Long Term Care Changes
- Nursing Facility payment rates
- Healthy Aging in the Community Initiative
  - Integrated Care Initiative scope reduction
  - Home and community care expansion
- Payment recovery enhancement

Managed Care Changes
- Rates and programs
- Community Health Centers
- Insurers – Children’s Health Account
Article 13 Sec 1: Nursing Facility Rates

- Change also included in Section 1(a)(ii) of Article 12 – resolution
- Eliminates October 1, 2017 rate increase
  - Savings of $11.5 million, $5.6 million from GR
  - Governor’s recommended budget includes the $0.6 million revenue loss from nursing home assessment, net savings $5.0 million
  - Value of savings overstated by $1.0 million GR
    - Appears to capture value of other components of the rates paid
# Reimbursements

<table>
<thead>
<tr>
<th>FY</th>
<th>Total*</th>
<th>Previous Budget Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$7.9</td>
<td>Rates increased by 3% Oct 1 &amp; 4-year phase out of direct care adjustment</td>
</tr>
<tr>
<td>2016</td>
<td>($17.5)</td>
<td>Rate freeze, 2.0% reduction &amp; acuity delay</td>
</tr>
<tr>
<td>2015</td>
<td>($4.9)</td>
<td>6 mo. delay on October rate increase</td>
</tr>
<tr>
<td>2014</td>
<td>($10.5)</td>
<td>No October rate increase</td>
</tr>
<tr>
<td>2013</td>
<td>$2.0</td>
<td>Adjust base &amp; transition to new method</td>
</tr>
<tr>
<td>2012</td>
<td>($6.3)</td>
<td>Replaced principles of reimbursement and 5% reduction</td>
</tr>
<tr>
<td>2011</td>
<td>($5.2)</td>
<td>Acuity adjustor with no more than a 2.2% gain or loss: 4-year phase in</td>
</tr>
</tbody>
</table>

*In millions, all funds*
### Governor’s Recommendation

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>General Revenues</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Care – Exclude longer term nursing home residents from managed care</td>
<td>($7.9)</td>
<td>($16.2)</td>
</tr>
<tr>
<td>NH – Acuity rate reduction</td>
<td>(5.2)</td>
<td>(10.7)</td>
</tr>
<tr>
<td>NH - Census reduction – 2.5%</td>
<td>(2.5)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Home &amp; community based services expansion</td>
<td>3.3</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>($12.3)</strong></td>
<td><strong>($25.2)</strong></td>
</tr>
</tbody>
</table>

($ in millions)
2011 Assembly passed legislation to mandate enrollment in managed care plan for individuals 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
EOHHS entered into an agreement with Neighborhood Health Plan of RI
- Rhody Health Options
- Individuals enroll in the managed care plan – chose to opt out
- NHP has contracts with each of the state’s nursing facilities
- Two phase process
  - Second phase includes Medicare
Proposal excludes residents who have a nursing home stay of over 90 days from enrolling in Rhody Health Options

- Savings of $16.2 million, $7.9 million from general revenues
- No payment to NHP to manage this pool
- Enrollment would only be for those living in the community or who have a short term nursing home stay
### March 2017 Enrollment – ICI Report

<table>
<thead>
<tr>
<th>Category</th>
<th>RHO</th>
<th>FFS/PACE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community w/o long term care supports</td>
<td>14,397</td>
<td>3,845</td>
<td>18,242</td>
</tr>
<tr>
<td>Nursing Home with long term care supports</td>
<td>2,829</td>
<td>1,927</td>
<td>4,756</td>
</tr>
<tr>
<td>Community w/long term care supports</td>
<td>2,034</td>
<td>1,149</td>
<td>3,183</td>
</tr>
<tr>
<td>Developmentally Disabled Adults</td>
<td>2,095</td>
<td>639</td>
<td>2,734</td>
</tr>
<tr>
<td>Individual with a severe and persistent mental illness</td>
<td>1,917</td>
<td>520</td>
<td>2,437</td>
</tr>
<tr>
<td>Medicaid w/long term care supports</td>
<td>585</td>
<td>296</td>
<td>881</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,857</td>
<td>8,376</td>
<td>32,233</td>
</tr>
</tbody>
</table>
Article 12 (a) (ii): Nursing Facility Rates

- Eliminate October 1, 2017 adjustment
- Further reduce rates “acuity based payment rates”
  - Acuity is a component of rate structure made based on a resident’s need and level of care
    - Higher for those with dementia
  - Savings of $5.1 million, $2.5 million from GR
Article 12 (d)(ii): Health Aging in the Community: Process Review & Reform

- Building Age Friendly Community:
  - Improving support services
    - Additional training programs, promoting volunteer programs, transportation
  - New website to promote resources available
  - Nurse delegation authority so agencies can provide services in a more cost effective manner
**Article 12 (d)(ii): Health Aging in the Community - Process Review & Reform**

- **Enhanced Community Living & Respite**
  - Supports those with dementia
  - Enhancing assisted living capacity
  - Expand adult day center capacity
  - Respite and caregiver support for those with Alzheimer's

- **Strengthen & promote community living**
  - Streamline eligibility process
  - Expand co-pay programs
Healthy Aging Initiative adds $6.8 million to expand home & community based services
- $3.3 million from general revenues
- Recent amendment request expands home care & adult day co-pay programs
  - Funding is in DHS/Division of Elderly Affairs
  - FY 2018 - $6.3 million, $3.1 million from general revenues for both programs
## Article 12 (d)(iii): Co-Pay Programs

<table>
<thead>
<tr>
<th>Home &amp; Day Programs</th>
<th>Current Program</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Recipients</td>
<td>Age 65 &amp; older</td>
<td>Add 19-64 with dementia</td>
</tr>
<tr>
<td># of Recipients</td>
<td>378</td>
<td>40</td>
</tr>
<tr>
<td>Income Threshold</td>
<td>200%</td>
<td>250%</td>
</tr>
<tr>
<td>Co-Payment (income based)</td>
<td>$4.50 or $7.50 per hour</td>
<td>Same as current program?</td>
</tr>
<tr>
<td></td>
<td>$7 or $15 per day</td>
<td></td>
</tr>
<tr>
<td>FY 2018 Recommendation</td>
<td>$6.3 million</td>
<td>$2.1 million</td>
</tr>
</tbody>
</table>
Article 13 Sec. 3: Home Care Rates

- Increases rates paid for personal care attendants & home health aides
  - Serving those receiving long-term care
  - Subject to appropriation
- FY 2018 budget includes $5.2 million, $2.5 million gen rev
  - To be implemented by 10/1/2017
- 2nd year for similar increase
Article 13 Sec. 3: Home Care Rates

- FY 2017 increase began on January 1, 2017
  - Retroactive payments made to cover back to 10/1/2016
    - Non managed care payments are reported to be complete and up to date
    - Payments made through managed care plans mostly made and expected to be completed by April
  - Different reporting requirements
## Article 13 Sec. 3: Home Care Rates

<table>
<thead>
<tr>
<th>Rate Increase</th>
<th>General Revenues</th>
<th>All Funds</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018</td>
<td>$2.5</td>
<td>$5.2</td>
<td>Implement rate increase in a manner that meets specifications and reporting as approved by the Secretary</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$2.0</td>
<td>$4.1</td>
<td>By 9/1/2016 providers were to submit a written plan as to who the increase would be passed through to the workers. Provider may be required to pay back increase if not approved by the Secretary</td>
</tr>
</tbody>
</table>

($ in millions)
Some individuals who receive Medicaid benefits are required to pay towards services they receive

Primarily those in long term care setting
- Nursing facilities
- At home receiving community based services
- Developmentally disabled adults – BHDDH
Article 12 (b): Patient Liability Collections

- Same language as passed last year
- Budget assumes savings of $3.1 million; $1.5 million from general revenues
  - It is not based on the number of individuals who owe and what they owe
  - Information appears incomplete
  - Can also be situation where reported patient share is different for same person
  - Automation through UHIP?
Article 12 (b): Patient Liability Collections – Examples

- Nursing Facilities
  - A resident is obligated to pay $400 or 2 days/per month
  - State reports what is to be collected by facility from the resident & state pays rest

- Home Care Provider
  - Beneficiary in example and owes $400
    - Provider collects the share but the provider may change and is not told what person has to pay
    - Or might have several providers – who collects?
State recovers some nursing home costs paid on behalf of Medicaid eligible residents who have certain real property assets
- Collected $3.0 million in FY 2016
- Article 12 allows unidentified changes to these recoveries
  - No accompanying statutory changes
- Governor assumes $0.3 million in general revenue savings
Article 12 (f): Estate Recoveries

- Amendment requested to expand estate notification to cover more assets
  - Adds “small estates”
    - Appears to be designed to extend recovery to non real property assets
- Amendment seeks authority for EOHHS to make changes through rules & regulations process
  - May include limits on allowable medical expenses prior determining Medicaid eligibility
Managed Care Administrative Rates

- Savings of $2.5 million, including $0.8 million from a 2% reduction to administrative rates
- Administrative rates are portion of a capitated payment - is 9.2% to 9.1% - freezing growth rate
- $148.5 million in anticipated payments
Article 12 (e): Adult Dental Services

- Article proposes to change payment & delivery system for adult dental services
  - Includes change to oral surgery rates
  - Intent was to increase rates
- Governor’s budget does not include funding to support rate increases
  - She requested an amendment to delete the proposal
HARP

- Started using federal funds from DOH
- Asthma intervention program to reduce ER visits and hospitalization

Governor does not include any additional funding for the program in FY 2018

- She requested an amendment to remove the language from the resolution b/c there is a fiscal impact
Article 12 (h): Centers of Excellence

- Authorizes EOHHS to seek Medicaid funding for Centers of Excellence for Opioid Use Disorders.
- It appears that EOHHS has already applied for and received this approval.
  - Not clear why approval not sought during the 2016 session – Category II change.
  - State filed notice with CMS in October, 2016 for November 1 start.
Article 12 (h): Centers of Excellence

- Licensed through BHDDH
  - $1.0 million federal Medication Assistance Treatment grant provided start up funding
  - Approved one for CODAC
  - Recently licensed a unit in ESH, Regan building in Cranston
- Costs for service would appear in EOHHS’ Medicaid budget
Article 12 (h): Centers of Excellence

- FY 2017 budget includes $1.5 million assuming Medicaid match to fund Overdose Taskforce recommendations
  - Peer recovery coaches, infrastructure costs and Centers of Excellence
- FY 2018 Budget retains that funding
- Governor’s requested amendment
  - EOHHS/BHDDH reassessing cost projections and intend to structure the program to remain within “available appropriations”
Article 12 (c): Community Health Centers

- 9 community health centers
  - 8 federally qualified health centers
  - Block Island Health Center
- Expenses for insured patients paid through managed care plans
- Also separate monthly state payment based on people served
- Reconciliation process at year end
  - Applies only to federally qualified centers
Article 12 (c): Community Health Centers

- Also statutory change in Article 13 Sec 1
- Savings of $3.0 million, $1.2 million GR
  - Assumes reduced visits to health centers
    - Care would be delivered in another setting
  - Managed care plans would make payments and have increased oversight over which members go to health center
- Any changes to methodology has to have agreement from each of the federally qualified health centers
Community Health Centers Payments

Current Law
- Managed Care plan payments
- Monthly state payment
- State does year end reconciliation compares costs to payments and covers difference

Article 13 Sec 1
- All payment through managed care plans
- Plans reconcile costs and payments and cover difference
Article 12 (f): Federal Opportunities

- Allows EOHHS to take advantage of any federal opportunities that do not have an adverse impact on the FY 2018 budget
- Has been included in previous budgets
  - No actions have been taken under this provision
Article 13 Sec 4: Children’s Health Account

- Assessment for services provided to children w/special health care needs who have commercial coverage
  - CEDARR services, certified private duty nursing & nursing assistant services, home based & children and adolescent intensive treatment intensive services
  - Charged to insurers up to $7,500 per service per child
  - Article 13 increases to $12,500
Budget assumes charges will yield $3.6 million more in restricted receipts
- Direct offset to state expenses
- FY 2017 enacted budget includes $9.6 million
- FY 2018 recommended budget anticipates collecting $13.2 million

Proposed in FY 2016 and again in FY 2017
Not accepted by the Assembly
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

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Action</th>
<th>Funding</th>
</tr>
</thead>
</table>
| FY 2016    | Art 5 of 2016 budget included hospital & nursing home incentives programs.  
  • 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

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Action</th>
<th>Funding</th>
</tr>
</thead>
</table>
| FY 2017       | Article 9 of 2017 budget request federal authority to fund RI Health System Transformation Program & Designated State Health Program  
• Medicaid match through partnerships with URI, RIC & CCRI | FY 2017 - $18.8 m. from fed. funds |
| 2017 Gov. Rev. Rec | EOHHS entered into a 2 month contract in August 2016 with UMASS Medical School to establish partnership with URI/RIC & CCRI for program | $0.2 m all funds/ $0.1 m gen rev |
## Health System Transformation Program

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Action</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017 Gov. Rev</td>
<td>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 &amp; certified affordable entities.</td>
<td>No</td>
</tr>
<tr>
<td>FY 2018 Gov. Rec</td>
<td>Shared savings incentive programs are: 1. Hospital &amp; Nursing Home Incentive program - operate for 9 months 2. Accountable Entity Incentive Program – managed long term services and supports through rebalancing strategy</td>
<td>No</td>
</tr>
</tbody>
</table>
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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