State of Rhode Island and Providence Plantations

Caseload Estimating Conference

Room 117, STATE HOUSE, PROVIDENCE, RI 02903

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May 2016 Conference Chair

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MEMORANDUM

To: The Honorable Gina M. Raimondo, Governor
The Honorable M. Teresa Paiva Weed, President of the Senate
The Honorable Nicholas A. Mattiello, Speaker of the House

From: Stephen H. Whitney, Senate Fiscal Advisor
Sharon Reynolds Ferland, House Fiscal Advisor
Thomas A. Mullaney, State Budget Officer

Date: May 19, 2016

Subject: **May 2016 Caseload Estimating Conference**

SUMMARY

The Caseload Estimating Conference convened on May 6, 2016, in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY 2016 and FY 2017. In comparison to the November 2015 conference estimate, the adopted estimate for FY 2016 decreases total funding by $49.0 million, with a total estimate of $2,316.2 million. Savings are primarily due to lower than projected costs for the Medicaid expansion population, savings associated with Post Eligibility Verification, and a $2.9 million savings in the Cash Assistance Program. The FY 2016 estimate incorporates all expected current year savings that are not the result of law changes, but general revenue expenditures are higher than the Governor's FY 2016 revised budget which assumed $8.0 million in general revenue savings not tied to any proposal and in conflict with current law.

FY 2017 program costs are estimated to total $2,342.3 million, a decrease of $96.3 million from the November estimate, with $84.7 million attributed to Medicaid Expansion. Expenditures increase by $26.1 million from the FY 2016 May revised conference estimate reflecting medical inflation, partially offset by continued cost reductions for covering those in the Medicaid expansion program.

All funds	FY 2016 Nov Adopted	FY 2016 May Adopted	Change to Nov Adopted	FY 2017 Nov Adopted	FY 2017 May Adopted	Change to Nov Adopted
Cash assistance	$109.8	$106.8	($2.9)	$116.2	$112.8	($3.3)
Medical assistance	2,255.5	2,209.4	(46.1)	2,322.5	2,229.5	(93.0)
Total	**$2,365.3**	**$2,316.2**	**($49.0)**	**$2,438.7**	**$2,342.3**	**($96.3)**
General revenue						
Cash assistance	$31.1	$31.2	$0.2	$35.9	$34.6	($1.3)
Medical assistance	899.4	893.4	(6.0)	919.6	910.2	(9.4)
Total	**$930.5**	**$924.7**	**($5.8)**	**$955.5**	**$944.8**	**($10.6)**

in millions

Cash Assistance

Cash assistance programs for FY 2016 are estimated to total $106.8 million, a decrease of $2.9 million from the November estimate. General revenue expenditures are estimated to be $31.2 million, $156,437 more than the November estimate. FY 2017 expenditures are estimated to total $112.8 million, $3.3 million less than the November estimate. The FY 2017 general revenue estimate of $34.6 million is $1.3 million less than the November estimate.

Rhode Island Works

The estimators project a caseload of 11,040 persons, or 484 less than the November estimate, at an average monthly per person cost of $178.21 or $2.19 less than November. Expenditures total $25.5 million in FY 2016. For FY 2017, the estimate includes 9,920 individuals at an average monthly cost per person of $178.30, for total program costs of $23.1 million. Program expenses are funded entirely by the federal Temporary Assistance to Needy Families block grant.

The FY 2016 and FY 2017 estimates reflect a reduction to caseload and monthly costs. The estimates assume that no more than 20 percent of the overall Rhode Island Works caseload will retain their benefits through the hardship provision. This limit is consistent with federal requirements allowing a state to exempt this portion of its caseload from the time limits while continuing to pay the benefits from federal funds.

Child Care Assistance

The FY 2016 caseload estimate for child care assistance includes $61.5 million to provide 8,688 children with subsidized care at an average yearly cost of $7,075 per subsidy. The revised estimate assumes use of $50.1 million in federal Temporary Assistance to Needy Families (TANF) block grant funds and $11.4 million in general revenue funds. Projected program expenses are anticipated to decrease by $1.2 million from the November estimate based on updated enrollment data.

For FY 2017, program costs are estimated to be $69.9 million, for 9,603 subsidies at an average yearly cost of $7,274 per subsidy. Expenses would be funded from $55.1 million in federal TANF block grant funds and $14.7 million in general revenue funds. The total cost is $0.9 million less than the November estimate, but $1.3 million less from general revenues as a result of availability of additional TANF funds. The Transitional Child Care Pilot program expires on September 30, 2016; however, the estimate assumes continued growth primarily related to the implementation of required federal changes to the program under the reauthorization of the Child Care and Development Block Grant Fund. These federal changes, which are effective October 1 2016, include a 12-month recertification period; at least three months of continued eligibility for families who lose their jobs; and, expanded outreach to homeless children and families.

Supplemental Security Income
The caseload for the Supplemental Security Income program is estimated to be 33,720 in FY 2016, 180 individuals below the November estimate. The estimated monthly cost per person is revised to $45.57 for total costs of $18.5 million. For FY 2017, an estimated 33,730 individuals will receive payments averaging $45.57, for total costs of $18.5 million. The state pays the federal government to administer a small portion of these state supplemental payments; these fees, included in the total cost, are expected to total $53,000 in FY 2016 and $52,000 in FY 2017.

General Public Assistance
The Conference revised its FY 2016 estimate to include 394 individuals at a monthly cost of $136.61. For FY 2017 the estimate includes 400 individuals and $136.00 monthly. Total expenditures are estimated to be $1.4 million in both FY 2016 and FY 2017.

Medical Assistance

The Conference projects total medical assistance spending of $2,209.4 million in FY 2016, including $1,305.3 million in federal funds, $893.4 million in general revenue, and $10.6 million in restricted receipts, which is $46.1 million less than the November estimate from all sources.

For FY 2017, the Conference projects spending of $2,229.5 million including $1,309.7 million in federal funds, $910.2 million in general revenue, and $9.6 million in restricted receipts. The estimate is $93.0 million less than the November estimate of which $82.6 million is federal funds largely reflecting updated costs for the expansion population.

General revenues are expected to decrease in FY 2016 by $6.0 million from the November 2015 estimate, and decrease by $9.4 million in FY 2017 from the November estimate.

Hospitals
FY 2016 hospital expenditures are estimated to be $209.1 million, and include a disproportionate share hospital payment totaling $140.5 million and $2.0 million for Graduate Medical Education. This is a $9.1 million decrease in all fund sources from the November estimate, including a $3.7 less general revenues. The FY 2016 estimate includes $4.5 million from general revenues in lieu of federal funds because the state made upper payment limit reimbursements prior to receiving federal approval, rendering them ineligible for Medicaid match.

FY 2017 hospital expenditures are estimated to be $194.0 million including disproportionate share hospital payments of $140.5 million and $2.0 million for the Graduate Medical Education Program. The estimate lowers spending by $15.1 million in all funds and $9.2 million in general revenues from revised estimates. The decreases are the result of lower hospital days and associated Upper Payment Limit payments as well as shifts in spending to managed care programs.

Long Term Care
Long term care expenditures, including costs for services provided in nursing facilities and in community and home settings, are estimated to be $242.0 million in FY 2016 and $236.3 million in FY 2017. Decreases of $11.8 million in FY 2016 and $23.4 million in FY 2017 compared to the November estimate reflect the shift of resources to the Rhody Health Options program as enrollment levels off in the managed care program. The total caseload estimate in FY 2016

includes a $2.2 million general revenue payment in lieu of federal funds because the state implemented its acuity-based payment methodology prior to receiving federal approval.

The Conference estimates include reductions of $4.1 million in FY 2016 and $9.7 million in FY 2017 in fee-for-service funding for home and community-based services. This also reflects the shift of resources and service delivery to the Rhody Health Options managed care program.

Managed Care

FY 2016 expenditures for managed care (including the RIte Care and RIte Share programs) are estimated to be $640.0 million, a $15.7 million increase from November estimate. Increased enrollment and higher than anticipated monthly capitated rates account for $12.2 million of the increase. Also included is $6.0 million more for payments to the federally qualified health centers and $4.3 million for unachieved savings for neo-natal intensive care services. These increases are offset by lower RIte Share enrollment and fee-for-service costs. Costs for FY 2017 are estimated to total $653.0 million, $13.0 million over the FY 2016 May estimate, due to medical inflation costs and updated rates and enrollment growth.

Both the FY 2016 revised and FY 2017 estimates include general revenue savings from the ability to leverage the higher Medicaid match through the Children's Health Insurance Program (CHIP). Savings total $5.9 million in FY 2016 and $6.6 million in FY 2017. The Executive Office testified that the opportunity to claim more expenses than previously projected resulted from a review of all claims for Medicaid populations that were potentially eligible for the higher match rate.

Rhody Health Partners

The Rhody Health Partners program is estimated to cost $260.0 million in FY 2016, $6.4 million less than the November estimate. The estimate includes additional costs through the monthly capitated payments, lower than projected costs to treat individuals with Hepatitis C, a reduction in fee-for-service behavioral health care costs from moving some services in-plan and lower than projected costs anticipated through the year-end settlement agreement with the managed care plans.

FY 2017 expenditures are estimated to be $256.2 million, $2.7 million less than the November estimate, and $3.8 million less than the FY 2016 revised May estimate. The FY 2017 estimate also includes savings associated with the Post Eligibility Verification initiative totaling $8.1 million, $3.9 million from general revenues from enhancements that will be available when the second phase of the Unified Health Infrastructure Project begins in July.

Rhody Health Options

Expenses for Rhody Health Options, the state's integrated care initiative that provides acute care and long term care services to individuals eligible for both Medicare and Medicaid, are estimated to be $303.0 million in FY 2016. This represents an increase of $11.8 million compared to the November estimate due to increased enrollment as well as the transition of fee-for-service benefits into the Rhody Health Options program.

The FY 2017 estimate of $344.1 million is $27.1 million more than November estimate and $41.1 million more than the FY 2016 revised May estimates to reflect continued enrollment in the managed care plan. The estimate also includes savings associated with the Post Eligibility Verification) initiative totaling $2.1 million, including $1.0 million from general revenues.

Medicaid Expansion

The Rhode Island Medicaid program was expanded as of January 1, 2014, as part of the state's implementation of the Affordable Care Act. Adults with an income less than 138 percent of the federal poverty level and without dependent children were added as a new covered population to the state's medical assistance program. Costs related to this expansion are fully federally-funded through CY2016 with federal support phased down to 90.0 percent by CY2020.

As of March 31, 2016, 67,193 individuals had enrolled in the expansion program. In FY 2016, enrollment is projected to average 62,542 at a cost of $404.3 million. This is $46.5 million less than the November estimate based on updated data showing lower per enrollee costs. In FY 2017, enrollment is projected to average 65,617 at a cost of $393.8 million. There is no general revenue cost in FY 2016; however, in FY 2017 the state contribution begins and is expected to cost $9.9 million from general revenues.

Other Medical Services

Expenditures for other medical services are estimated to be $97.6 million in FY 2016 and $94.4 million in FY 2017. The estimate includes Medicare Part B payments for certain individuals, fee-for-services payments for rehabilitation, and other medical services and payments to Tavares pediatric facility.

Pharmacy

Pharmacy expenses are estimated to be $53.3 million in FY 2016 and $57.7 million in FY 2017. Nearly all of it relates to the Medicare Part D clawback payment funded solely from general revenues. The payment is the state's portion of the federal Medicare pharmacy costs for its population that are enrolled in both Medicare and Medicaid (commonly referred to as "dual-eligibles").

The following tables show the May Caseload Conference estimates for cash and medical assistance benefits for FY 2016 and FY 2017.

Conference Total

	FY 2016 Nov Adopted	FY 2016 May Adopted	*Change to Nov Adopted*	FY 2017 Nov Adopted	FY 2017 May Adopted	*Change to Nov Adopted*
Total Costs	**$2,365.3**	**$2,316.2**	***($49.0)***	**$2,438.7**	**$2,342.3**	***($96.3)***
Federal Funds	1,424.2	1,380.9	*(43.3)*	1,472.6	1,387.9	*(84.7)*
General Revenue	930.5	924.7	*(5.8)*	955.5	944.8	*(10.6)*
Restricted Receipts	10.6	10.6	-	10.6	9.6	*(1.0)*

in millions

Cash Assistance

Rhode Island Works	FY 2016 Nov Adopted	FY 2016 May Adopted	*Change to Nov Adopted*	FY 2017 Nov Adopted	FY 2017 May Adopted	*Change to Nov Adopted*
Persons	11,524	11,040	*(484)*	10,744	9,920	*(824)*
Monthly Cost per Person	$180.40	$178.21	*($2.19)*	$180.57	$178.30	*($2.27)*
Cash Payments	$24,947,155	$23,609,261	*($1,337,894)*	$23,280,529	$21,224,832	*($2,055,697)*
Monthly Bus Passes	2,143,464	1,729,659	*(413,805)*	1,998,384	1,699,891	*(298,493)*
Tax Intercepts	(150,000)	(150,000)	-	(150,000)	(150,000)	-
Supportive Services	178,900	117,000	*(61,900)*	200,000	144,000	*(56,000)*
Clothing - Children	183,300	183,000	*(300)*	166,000	160,000	*(6,000)*
Catastrophic	20,200	15,000	*(5,200)*	24,000	20,000	*(4,000)*
Work Supplementation	1,800	-	*(1,800)*	2,400	-	*(2,400)*
Total Costs	**$27,324,819**	**$25,503,920**	***($1,820,900)***	**$25,521,313**	**$23,098,723**	***($2,422,590)***
TANF Block Grant	27,324,819	25,503,920	*(1,820,900)*	25,521,313	23,098,723	*(2,422,590)*
General Revenue	-	-	-	-	-	-
Child Care						
Subsidies	8,832	8,688	*(144)*	9,500	9,603	*103*
Annual Cost per Subsidy	$7,100	$7,075	*($25)*	$7,450	$7,274	*($176)*
Total Costs	**$62,707,200**	**$61,467,600**	***($1,239,600)***	**$70,775,000**	**$69,852,222**	***($922,778)***
Federal Funds	51,338,565	50,098,965	*(1,239,600)*	54,764,643	55,104,981	*340,338*
General Revenue	11,368,635	11,368,635	-	16,010,357	14,747,241	*(1,263,116)*
SSI						
Persons	33,900	33,720	*(180)*	34,165	33,730	*(435)*
Monthly Cost per Person	$45.00	$45.57	*$0.57*	$45.00	$45.57	*$0.57*
Cash Payments	$18,306,000	$18,439,445	*$133,445*	$18,449,100	$18,444,913	*($4,187)*
Transaction Fees	53,000	53,000	-	53,000	52,000	*(1,000)*
Total Costs	**$18,359,000**	**$18,492,445**	***$133,445***	**$18,502,100**	**$18,496,913**	***($5,187)***
GPA						
Persons	395	394	*(1)*	395	400	*5*
Monthly Cost per Person	$135.00	$136.61	*$1.61*	$135.00	$136.00	*$1.00*
Total Payments	$639,900	$645,892	*$5,992*	$639,900	$652,800	*$12,900*
Burials	720,000	737,000	*17,000*	720,000	720,000	-
Medical	-	-	-	-	-	-
Total Costs	**$1,359,900**	**$1,382,892**	***$22,992***	**$1,359,900**	**$1,372,800**	***$12,900***
Federal Funds	-		-	-		-
General Revenue	1,359,900	1,382,892	*22,992*	1,359,900	1,372,800	*12,900*
Cash Assistance Total						
Total Costs	**$109,750,919**	**$106,846,857**	***($2,904,063)***	**$116,158,313**	**$112,820,658**	***($3,337,655)***
Federal Funds	78,663,384	75,602,885	*(3,060,500)*	80,285,956	78,203,704	*(2,082,252)*
General Revenue	31,087,535	31,243,972	*156,437*	35,872,357	34,616,954	*(1,255,403)*

Medical Assistance

Hospitals	FY 2016 Nov Adopted	FY 2016 May Adopted	*Change to Nov Adopted*	FY 2017 Nov Adopted	FY 2017 May Adopted	*Change to Nov Adopted*
Regular	77.7	68.6	*(9.1)*	73.3	53.5	*(19.8)*
Disproportionate Share	140.5	140.5	-	140.4	140.5	*0.1*
Total	**$218.2**	**$209.1**	***($9.1)***	**$213.7**	**$194.0**	***($19.7)***
Long Term Care						
Nursing and Hospice Care	183.7	176.0	*(7.7)*	186.0	172.3	*(13.7)*
Home and Community Care	70.1	66.0	*(4.1)*	73.7	64.0	*(9.7)*
Total	**$253.8**	**$242.0**	***($11.8)***	**$259.7**	**$236.3**	***($23.4)***
Managed Care and Acute Care Services						
Managed Care	624.3	640.0	*15.7*	646.0	653.0	*7.0*
Rhody Health Partners	266.4	260.0	*(6.4)*	258.9	256.2	*(2.7)*
Rhody Health Options	291.2	303.0	*11.8*	317.0	344.1	*27.1*
Other Medical Services	97.0	97.6	*0.6*	92.1	94.4	*2.3*
Medicaid Expansion	450.8	404.3	*(46.5)*	478.5	393.8	*(84.7)*
Total	**$1,729.7**	**$1,704.9**	***($24.8)***	**$1,792.5**	**$1,741.5**	***($51.0)***
Pharmacy						
Pharmacy	0.0	-	*(0.0)*	0.1	0.2	*0.1*
Clawback	53.7	53.3	*(0.4)*	56.5	57.5	*1.0*
Total	**$53.8**	**$53.3**	***($0.4)***	**$56.6**	**$57.7**	***$1.1***
Medical Assistance Total						
Total Costs	**$2,255.5**	**$2,209.4**	***($46.1)***	**$2,322.5**	**$2,229.5**	***($93.0)***
Federal Funds	1,345.5	1,305.3	*(40.2)*	1,392.3	1,309.7	*(82.6)*
General Revenue	899.4	893.4	*(6.0)*	919.6	910.2	*(9.4)*
Restricted Receipts	10.6	10.6	-	10.6	9.6	*(1.0)*