## *State of Rhode Island and Providence Plantations*

### *Caseload Estimating Conference*

Room 305, STATE HOUSE, PROVIDENCE, RI 02903

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**MEMORANDUM**

To: The Honorable Nicholas A. Mattiello, Speaker of the House
The Honorable Gina M. Raimondo, Governor
The Honorable Dominick J. Ruggerio, President of the Senate

From: Sharon Reynolds Ferland, House Fiscal Advisor
Thomas A. Mullaney, State Budget Officer
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Date: May 18, 2018

Subject: **May 2018 Caseload Estimating Conference**

**Summary**


The Caseload Estimating Conference convened on May 2, 2018 in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY 2018 and FY 2019. In comparison to the November 2017 conference estimate, the adopted estimate for FY 2018 increases funding by $10.1 million to $2,515.8 million. The increase over the November estimate for FY 2018 includes $12.3 million more for medical assistance and $2.3 million less for cash assistance. FY 2019 program costs are estimated to total $2,610.5 million, an increase of $30.7 million from the November estimate. The estimates are still impacted by functionality issues surrounding the implementation of the Unified Health Infrastructure Project (UHIP) as it relates to timely eligibility determination and monthly financial and caseload data.

Specifically, there is a backlog of long term care applications; the state continues to make "offline" payments to nursing facilities for applications they have submitted. The state has also recently begun the process of reconciling payments previously made to nursing facilities in order to properly claim Medicaid match. The FY 2018 nursing facilities estimate assumes that 10 percent of the advanced payments will not be eligible for Medicaid reimbursement and assumes the need

for $5.3 million from general revenues to make up the difference. Forecasts for FY 2019 assume that issues with the system will be corrected and that trends will align more closely with historical experience.

General revenues are reduced by $8.5 million for FY 2018 and $22.7 million for FY 2019 with both fiscal years reflecting the reauthorization of the Children's Health Insurance Program. The November estimate required general revenues of $7.0 million for FY 2018 and $28.5 million for FY 2019 to backfill the loss of enhanced federal funding because Congress had not yet reauthorized the program; the reauthorization occurred in March 2018.

Other federal changes impacting costs include the delay of the phased-in reduction in federal disproportionate share to hospitals' payments for uncompensated care. This delay increases the FY 2019 payment to $138.6 million from the November adopted total of $106.2 million, consistent with the authority under current state law.

The FY 2018 and FY 2019 estimates also reflect general revenue savings of $2.7 million and $5.6 million, respectively, from the federal moratorium on the collection for the health insurer fee included in the Affordable Care Act. This reduces the rates the state pays to United Healthcare and Tufts for those enrolled in the managed care plans to account for the reduced fee.

| May 2018 Caseload Estimates | FY 2018 May CEC | Change to Nov CEC | FY 2019 May CEC | Change to Nov CEC | Change to May Revised |
|---|---|---|---|---|---|
| **Cash Assistance** | | | | | |
| All Funds | $ 111,709,852 | $ (2,253,188) | $ 115,819,290 | $ (4,434,050) | $ 4,109,438 |
| General Revenues | 30,975,513 | (344,306) | 31,885,866 | (5,161,387) | 910,353 |
| **Medical Assistance** | | | | | |
| All Funds | $2,404,064,032 | $ 12,326,061 | $2,494,650,314 | $ 35,111,324 | $ 90,586,282 |
| General Revenues | 957,775,488 | (8,110,669) | 986,176,726 | (17,490,053) | 28,401,238 |
| **Consensus Caseload Total** | | | | | |
| All Funds | $2,515,773,884 | $ 10,072,873 | $2,610,469,604 | $ 30,677,274 | $ 94,695,720 |
| General Revenues | 988,751,001 | (8,454,975) | 1,018,062,592 | (22,651,440) | 29,311,591 |

## Cash Assistance

Cash assistance programs for FY 2018 are estimated to total $111.7 million, a decrease of $2.3 million from the November estimate. Those funded from general revenues are estimated to be $31.0 million, which is $0.3 million less than the November estimate. FY 2019 expenditures are estimated to total $115.8 million, $4.4 million less than the November estimate. The FY 2019 general revenue estimate of $31.9 million is $5.2 million less than the November estimate.

### Rhode Island Works

The estimators project a FY 2018 caseload of 10,025 persons, or 225 more than the November estimate, at an average monthly cost per person of $193.00, or $5.50 more than November. Expenditures, including monthly bus passes and other Rhode Island Works programs, total $25.4 million in FY 2018. For FY 2019, the estimate includes 10,025 individuals at an average monthly cost per person of $193.00, consistent with the FY 2018 estimate. Total program costs are estimated to be $25.3 million. Program expenses are funded entirely by the federal Temporary Assistance to Needy Families block grant.

**Child Care Assistance**
The FY 2018 caseload estimate for child care assistance includes $65.2 million to provide 8,750 children with subsidized care at an average yearly cost of $7,457 per subsidy. The revised estimate assumes use of $55.4 million in federal Temporary Assistance to Needy Families block grant funds and $9.9 million from general revenues. Projected program expenses are anticipated to decrease by $4.1 million from the November estimate based on updated enrollment data, including 862 fewer subsidies.

For FY 2019, program costs are estimated to be $69.4 million, for 9,300 subsidies at an average yearly cost of $7,457 per subsidy. Expenses would be funded from $58.6 million in federal block grant funds and $10.7 million from general revenues. The total cost is $5.2 million less than the November estimate, including 1,027 fewer subsidies.

In October 2016, the state received a 12-month waiver related to the implementation of various aspects of the Child Care Development Block Grant reauthorization requirements and has received approval to further delay the program changes until October 1, 2018. Consistent with the November estimate, the current FY 2019 estimate includes funding equivalent to 428 subsidies to reflect the impact of the new requirements.

**Supplemental Security Income**
The caseload for the Supplemental Security Income program is estimated to be 34,900 in FY 2018 and 35,000 in FY 2019. The estimated monthly cost per person is $47.50 for total funding of $20.0 million in each year.

**General Public Assistance**
The Conference revised its FY 2018 and FY 2019 estimates to include 270 individuals at a monthly cost of $137.00. Total expenditures are estimated to be $1.1 million in both years.

## Medical Assistance

The Conference projects total medical assistance spending of $2,404.1 million in FY 2018, including $1,435.0 million from federal funds, $957.8 million from general revenues, and $11.3 million from restricted receipts, which is $12.3 million more than the November conference estimate from all sources. General revenues are expected to decrease in FY 2018 by $8.1 million from the November 2018 estimate. As noted earlier, federal action resulted in several adjustments beyond regular caseload experience. Those adjustments are noted where appropriate by program in the paragraphs that follow.

For FY 2019, the Conference projects spending of $2,494.7 million including $1,499.4 million from federal funds, $986.2 million from general revenues, and $9.0 million from restricted receipts. The estimate is $35.1 million more than the November conference estimate of which $54.9 million is from federal funds offset by reductions of $17.5 million from general revenues and $2.3 million from restricted receipts.

**Hospitals**
FY 2018 hospital expenditures are estimated to be $192.7 million including a disproportionate share hospital payment totaling $139.7 million and $4.0 million for Graduate Medical Education. This is a $1.5 million decrease from the November conference estimate, including $0.7 million less from general revenues. The FY 2018 estimate reflects lower utilization of both inpatient and

outpatient hospital services as well as enhanced federal claiming for upper payment limit reimbursements based on updated information regarding which programs incurred that expense. The upper payment reimbursement limit compensates hospitals for the difference between the Medicaid and Medicare fee-for-service rates of reimbursement.

FY 2019 hospital expenditures are estimated to be $188.6 million, including disproportionate share hospital payments of $138.6 million to reflect current law and the federal action delaying the phase-in of the payment reduction. The hospital estimate is $5.0 million less than November and reflects the updated upper payment limit reimbursement based on updated data and the share of expenses that appear in managed care programs. It also includes $4.0 million for the Graduate Medical Education program.

**Long Term Care**

Long term care expenditures are estimated to be $246.6 million in FY 2018 and $253.1 million in FY 2019. An increase of $4.5 million in FY 2018 for nursing facilities primarily reflects year-to-date payments, including interim payments to address the applications that are pending for more than 90 days. The caseload estimate assumes that $5.3 million in advanced payments will not be eligible for Medicaid reimbursement and adjusts state funding accordingly.

As noted previously, backlogs related to UHIP functionality issues have impacted the ability to make accurate payments and collect patient share. The state has instead made interim advance payments to the facilities, which require eventual reconciliation. The FY 2019 estimate reflects $0.3 million more in payments to nursing facilities compared to November.

The Conference estimates include reductions of $4.9 million in FY 2018 and $2.9 million in FY 2019 in fee-for-service funding for home and community-based services based on lower utilization than projected.

**Managed Care**

FY 2018 expenditures for managed care (including the RIte Care and RIte Share programs) are estimated to be $717.2 million, a $4.2 million increase from the November estimate. The increase is partially related to delays in the redetermination process which can result in beneficiaries remaining eligible when income or other circumstances have changed that would otherwise result in termination of benefits. There is also higher utilization of services through the federally qualified health centers which increases program expenses, offset by higher pharmacy rebates and reduced fee-for-service expenditures.

Costs for FY 2019 are estimated at $753.0 million which is consistent with the November caseload estimate. However, the $6.9 million savings from the health insurer fee moratorium in the managed care program is offset by increased caseloads and increased expenditures for the federally qualified health centers. The estimate lowers the caseload increase compared to the Executive Office's projections by assuming enrollment will stabilize once the redetermination process is renewed.

**Rhody Health Partners**

The Rhody Health Partners program expenses are estimated at $233.2 million for FY 2018, which is $10.7 million less than the November estimate. The estimate includes fewer members enrolled

in the managed care plans compared to November, higher pharmacy rebates and lower costs anticipated through the year-end settlement agreement with the managed care plans.

FY 2019 expenditures are estimated to be $248.6 million, which is $10.6 million less than the November estimate. The FY 2019 estimate includes the continued trend of higher pharmacy rebates, as well as lower capitated payments driven by a reduced caseload.

**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 $373.0 million for FY 2018. This represents an increase of $5.4 million compared to the November estimate for updated projections. The estimate also includes a $0.8 million quality payment to Neighborhood Health that was not included in the November estimate.

The FY 2019 estimate of $393.0 million is $7.0 million more than the November conference estimate. This reflects increases in projected enrollment but decreases in the monthly cost per person based on case mix. There are also adjustments to transportation costs and pharmacy rebates.

**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 newly covered population to the state's medical assistance program. Costs related to this expansion were fully federally funded through CY 2016 with federal support phased down from 95.0 percent in CY 2017 to 90.0 percent by CY 2020.

The FY 2018 estimate of $469.1 million is $12.1 million more than the November conference estimate resulting from an increase in both enrollment and fee-for-service expenditures. These higher costs are offset by a reduction in the monthly cost per person, which includes an adjustment for the health insurer fee moratorium, and increased pharmacy rebates.

The FY 2019 estimate of $480.6 million is $8.6 million more than the November estimate and assumes trends similar to the revised FY 2018 estimates, noted above.

**Pharmacy**
Pharmacy expenses are estimated at $63.3 million for FY 2018 and $65.3 million for FY 2019. Nearly all of the funding is for the Medicare Part D clawback payment, which is 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 overall estimate increases by $1.2 million for FY 2018 and $2.9 million for FY 2019 compared to the November conference estimate.

**Other Medical Services**
Expenditures for other medical services are estimated to be $109.0 million for FY 2018 and $112.5 million for FY 2019. The estimate includes Medicare Part A and B payments for certain individuals, fee-for-service payments for rehabilitation, and other medical services and payments to the Tavares pediatric facility. The FY 2018 estimate is $2.0 million more than the November

conference estimate and the FY 2019 estimate is $2.5 million more than November. The Executive Office testified that about 1,000 individuals, for whom the state makes the Part B premium payment, were improperly terminated between October 2016 and December 2017 and the state restored that coverage; the estimates reflect this change.

The following table shows the May Caseload Conference estimates for cash and medical assistance benefits for FY 2018 and FY 2019.

| May 2018 Consensus Caseload Estimates | FY 2018 Nov CEC | FY 2018 May CEC | Change to Nov CEC | FY 2019 May CEC | Change to Nov CEC |
|---|---|---|---|---|---|
| ***Cash Assistance*** | | | | | |
| **TANF/RI Works** | | | | | |
| Persons | 9,800 | 10,025 | 225 | 10,025 | (175) |
| Monthly Cost per Person | $187.50 | $193.00 | $ 5.50 | $193.00 | $5.50 |
| **Total /TANF Funds** | $ 23,857,400 | $ 25,375,222 | $ 1,517,822 | $ 25,303,310 | $ 481,710 |
| **Child Care** | | | | | - |
| Subsidies | 9,612 | 8,750 | (862) | 9,300 | (1,027) |
| Annual Cost per Subsidy | $ 7,220 | $ 7,457 | $ 237 | $ 7,457 | $ 237 |
| **Total** | $ 69,398,640 | $ 65,248,750 | $ (4,149,890) | $ 69,350,100 | $ (5,210,840) |
| **Federal Funds** | 58,785,821 | 55,359,117 | (3,426,704) | 58,630,114 | 245,627 |
| **General Revenues** | 10,612,819 | 9,889,633 | (723,186) | 10,719,986 | (5,456,467) |
| **SSI** | | | | | - |
| Persons | 34,400 | 34,900 | 500 | 35,000 | 400 |
| Monthly Cost per Person | $ 47.00 | $47.50 | $ 0.50 | $47.50 | $0.50 |
| **Total/General Revenues** | $ 19,461,600 | $ 19,962,000 | $ 500,400 | $ 20,022,000 | $ 447,600 |
| **GPA Bridge** | | | | | - |
| Persons | 350 | 270 | (80) | 270 | (80) |
| Monthly Cost per Person | $137.00 | $137.00 | $ - | $137.00 | ($5.00) |
| **Total/General Revenues** | $ 1,245,400 | $ 1,123,880 | $ (121,520) | $ 1,143,880 | $ (152,520) |
| **Total Cash Assistance** | $ 113,963,040 | $ 111,709,852 | $ (2,253,188) | $ 115,819,290 | $ (4,434,050) |
| **General Revenues** | 31,319,819 | 30,975,513 | (344,306) | 31,885,866 | (5,161,387) |
| ***Medical Assistance*** | | | | | - |
| Hospitals | $ 54,500,000 | $ 53,000,000 | $ (1,500,000) | $ 50,000,000 | $ (5,000,000) |
| Hospitals - DSH | 139,703,581 | 139,703,581 | - | 138,600,000 | 32,360,680 |
| Nursing Facilities | 188,500,000 | 193,000,000 | 4,500,000 | 196,000,000 | 300,000 |
| Home & Comm Care | 58,500,000 | 53,600,000 | (4,900,000) | 57,100,000 | (2,900,000) |
| Managed Care/RIte Care | 713,000,000 | 717,200,000 | 4,200,000 | 753,000,000 | - |
| Rhody Health Partners | 243,900,000 | 233,200,000 | (10,700,000) | 248,600,000 | (10,600,000) |
| Rhody Health Options | 367,600,000 | 373,000,000 | 5,400,000 | 393,000,000 | 7,000,000 |
| Medicaid Expansion | 457,000,000 | 469,100,000 | 12,100,000 | 480,600,000 | 8,600,000 |
| Pharmacy | (1,454,974) | (766,754) | 688,220 | (739,787) | 706,796 |
| Pharmacy Part D Clawback | 63,489,364 | 64,027,205 | 537,841 | 65,990,101 | 2,143,848 |
| Other Medical | 107,000,000 | 109,000,000 | 2,000,000 | 112,500,000 | 2,500,000 |
| **Total Medical Assistance** | $ 2,391,737,971 | $ 2,404,064,032 | $ 12,326,061 | $ 2,494,650,314 | $ 35,111,324 |
| **Federal Funds** | $ 1,414,577,546 | $ 1,435,014,276 | $ 20,436,730 | $ 1,499,449,383 | $ 54,851,440 |
| **General Revenues** | 965,886,157 | 957,775,488 | (8,110,669) | 986,176,726 | (17,490,053) |
| **Restricted Receipts** | 11,274,268 | 11,274,268 | - | 9,024,205 | (2,250,063) |
| **Total Expenditures** | $ 2,505,701,011 | $ 2,515,773,884 | $ 10,072,873 | $ 2,610,469,604 | $ 30,677,274 |
| **General Revenues** | $ 997,205,976 | $ 988,751,001 | $ (8,454,975) | $ 1,018,062,592 | $ (22,651,440) |