

Governor's FY 2023 Budget: Articles & ARPA Proposals

Staff Presentation to the House Finance
Committee
March 10, 2022

Article 12 & ARPA Projects

- Hearings on March 3 and March 10
- Article 12 - Medicaid
 - March 3
 - Expansion Programs
 - Home and Community Based Services
 - Background Checks
 - March 10
 - Hospitals
 - Nursing Facilities

Article 12 & ARPA Projects

- Section 1 – Section 16 ARPA Projects
 - March 3
 - Early Intervention & Pediatric Recovery Payments
 - Health Care Spending Accountability and Transparency Program
 - HealthSource RI Auto-Enrollment Program
 - Eligibility Extension Compliance
 - March 10
 - Ongoing COVID-19 Response
 - Emergency Staffing

Medicaid Overview

- Major part of state budget & economy
 - Approximately 1/3 of state residents receive some Medicaid funded services
 - 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 Comprehensive Demonstration
- ACA - state expanded Medicaid to approximately 100,000 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

Governor's FY 2023 Budget by Department

Department	General Revenues	All Funds
EOHHS	\$1,163.2	\$3,285.3
BHDDH	305.7	596.5
Children, Youth & Families	200.4	295.5
Human Services	127.9	882.5
Health	32.8	373.0
Total	\$1,829.9	\$5,432.7
Total State Budget	\$4,731.3	\$12,825.0
EOHHS Agencies % of Total	38.7%	42.4%

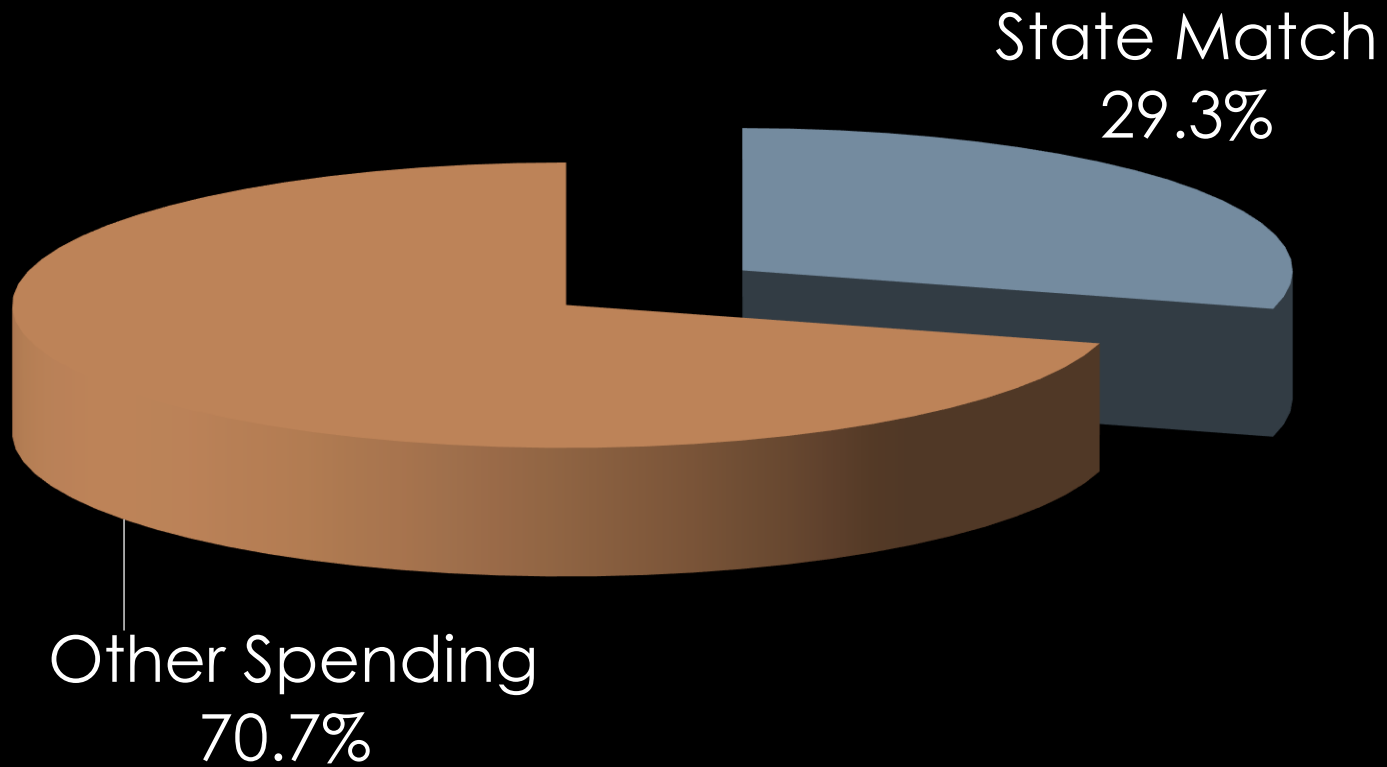
\$ in millions

Governor's FY 2023 Budget Medicaid by Department

Department	General Revenues	All Funds	% of Medicaid
EOHHS	\$1,152.8	\$3,131.1	86.3%
BHDDH	191.6	399.6	11.0%
DCYF	30.7	71.8	2.0%
Human Services	11.5	24.7	0.7%
Health	1.5	2.6	0.1%
Medicaid Total	\$1,388.1	\$3,629.9	100%
Total State Budget	\$4,731.3	\$12,825.0	
Medicaid % of Total	29.3%	28.3%	

\$ in millions

Medicaid % of FY 2023 Budget - General Revenues



Medicaid Programs

- EOHHS
 - Low income children and parents
 - Elderly/Disabled/Non-Disabled without dependent children
 - Medical benefits for those receiving community based services
 - Through BHDDH or DCYF
- BHDDH
 - Services to developmentally disabled adults
 - Patients at Eleanor Slater Hospital

Medicaid Programs

- DCYF
 - Non-medical services for children
 - Residential and community based services
- DHS
 - Medical services administration
 - Office of Healthy Aging programs
- DOH
 - Inspections
 - Administrative expenses

Caseload Estimating Conference

- House Fiscal, Senate Fiscal and State Budget Office staff estimate
 - Expenditures for medical benefits, cash assistance & programs for individuals with developmental disabilities in EOHHS, DHS & BHDDH
- Estimates based on current law only
- Convenes 2X a year November & May
 - November is starting point for the Governor's revised and recommended budgets
 - Enacted budget reflects May estimates

Medical Assistance: CEC

Program – All Funds	FY 2022 Enacted	FY 2022 Gov. Rec.	FY 2023 Nov CEC	FY 2023 Gov. Rec.
Hospitals	\$215.1	\$218.5	\$219.7	\$219.7
Long Term Care	451.4	420.3	441.3	405.4
Managed Care	853.5	864.2	864.0	870.5
Expansion	746.2	790.0	706.0	706.1
RH Partners	298.8	304.0	315.7	315.7
RH Options	144.8	142.7	193.8	194.5
Pharmacy	69.2	71.9	86.6	86.6
Other Medical	144.1	170.4	162.7	162.7
Total – All Funds	\$2,923.3	\$2,982.0	\$2,989.8	\$2,961.1

\$ in millions

Medical Assistance: CEC

Program – General Revenues	FY 2022 Enacted	FY 2022 Gov. Rec.	FY 2023 Nov CEC	FY 2023 Gov. Rec.
Hospitals	\$94.8	\$86.6	\$98.3	\$98.3
Long Term Care	190.7	170.9	202.2	185.7
Managed Care	344.3	335.2	377.6	382.3
Expansion	80.0	83.2	75.4	75.4
RH Partners	127.1	124.5	145.4	145.4
RH Options	61.3	58.1	88.9	89.2
Pharmacy	69.1	72.4	87.0	87.0
Other Medical	48.9	48.0	57.6	57.6
Total – General Revenues	\$1,016.2	\$978.9	\$1,132.3	\$1,121.0

\$ in millions

Medical Assistance: CEC

- States receive a 6.2% increase in Medicaid rate during the Public Health Emergency
 - Must provide continuous coverage – pause on eligibility redeterminations until PHE ends

Enrollment	FY 2019	FY 2020	FY 2022 Enacted	FY 2022 Gov.	FY 2023 Gov.
Managed Care	177,795	169,930	183,592	187,466	176,763
RH Partners	14,680	14,588	14,608	14,576	14,633
RH Options	17,887	14,225	13,708	13,064	13,876
Expansion	76,408	75,568	99,657	102,835	88,047
Total	286,770	274,311	311,565	317,941	293,319

Article 12 – Hospitals

Uncompensated Care

- Payment for Uncompensated Care
 - Also referred to as: Disproportionate Share Payments (DSH)
 - Made to hospitals serving a high volume of Medicaid or low-income patients
- Hospital costs minus payments made
 - Can include “underinsured” or “uninsured”
 - Includes cases where Medicaid payments do not cover actual cost

Article 12 – Hospitals

Uncompensated Care

- Federal formula determines allocation
 - States match with general revenues
- Distribution based on hospitals' share of statewide uncompensated care total
 - RI uncompensated care totals \$224.5 million
 - 7.3% of all hospital expenses
 - 2020 data
 - DSH payments: \$142.5 million – 63.5% of total
 - Same share to each Individual hospital

Article 14 – Uncompensated Care

- Enhanced Medicaid match (6.2%) had not applied to this payment
 - Works as federal dollar cap matched by state funds so fixed amount of federal funds available regardless of match rate
 - American Rescue Plan Act passed in March fixed this issue allowing states to get match savings without reducing payments to hospitals
 - Savings in FY 2021 still pending federal change

Article 12 – Hospitals

Uncompensated Care

- Article 12 establishes maximum FY 2023 payment of \$142.5 million
 - \$65.4 million from general revenues
- Also lowers FY 2022 maximum payment to \$142.5 million
 - Budget includes \$56.6 million from general revenues
 - Assumes enhanced Medicaid match

Article 14– Hospitals

Uncompensated Care

- Affordable Care Act – phases in a lower federal allotment to states
 - Originally to be based on # of uninsured individuals in a state beginning with FY 2014
 - Delayed in previous fiscal years
 - Congress extended to December 11, 2023
- RI's 2022 allotment is \$88.6 million, matched by general revenues
 - Budget assumes \$142.5 million payment
 - \$64.3 million from general revenues assuming regular match rate

Article 6 – Hospital Licensing Fee

- Adopted annually – except once
 - 2019 Assembly adopted 2-year rate
 - 6% for FY 2020 and 5% for FY 2021
 - Two-tiered fee with South County & Westerly paying less
 - 2018 base year revenues - \$3.2 billion is basis for fee
 - FY 2022 – rate of 5.725%
 - Same two-tiered fee
 - 2020 base revenues - \$3.1 billion
 - Payment of \$170.2 million
 - \$169.9 million for hospitals & \$0.4 million for Eleanor Slater
 - FY 2023 – Governor recommends 5.725%

Article 6 – Hospital Licensing Fee

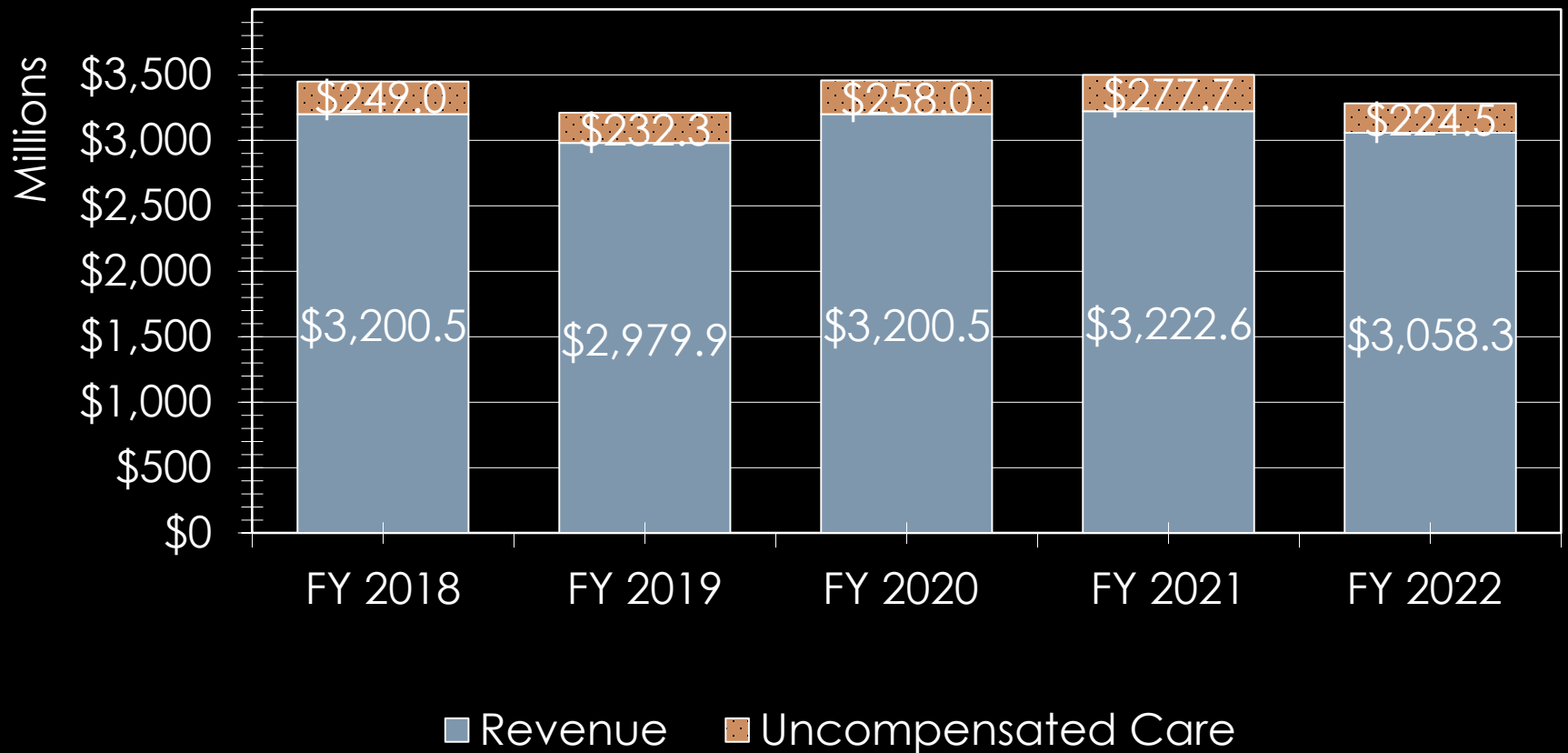
Hospital License Fee	FY 2023 Gov. Rec.
Base Year	2020
Tax Rate	5.725%
Hospital Revenue	\$3,064.4
Community Hospital License Fee	\$175.1
Washington County Waiver	(5.2)
Community Hospitals Total	\$169.9
Eleanor Slater Revenue	6.1
Eleanor Slater License Fee	\$0.4
Total Hospital License Fee	\$170.2

\$ in millions/consistent with enacted budget

Article 6 – Hospital Licensing Fee

- Washington County Waiver
 - 2012 Assembly enacted the lower fee
 - Westerly Hospital & South County Hospital pay a lower licensing fee
 - 37% less than other hospitals
- EOHHS applied for approval in 2012
 - No formal denial or further inquiry from CMS
 - proceeded with two-tiered structure
 - Structure has recently come under new scrutiny that may affect future viability

Hospitals



Hospitals – FY 2022 Enacted

Hospital/ Network	Revenue	Uncomp. Care	DSH Payment	UPL	GME	License Fee
Lifespan	\$1,723.3	\$110.1	\$77.0	\$13.4	\$1.0	\$98.7
Care New England	692.6	58.6	27.3	10.4	1.0	39.7
CharterCare	269.4	32.8	20.3	4.0	-	15.4
Landmark	127.9	12.1	12.0	1.1	-	7.3
South County	163.6	5.4	4.0	0.3	-	5.9
Westerly	81.4	5.5	1.8	0.2	-	2.9
Eleanor Slater	6.1	-	-	-	-	0.4
Total	\$3,064.4	\$224.5	\$142.5	\$29.4	\$2.0	\$170.2

\$ in millions

Article 12: Nursing Facility Rates

- Current law requires NH rates increase annually Oct. 1 using national index
 - Nov CEC assumed 1.9% increase
 - \$ 5.4 million including \$2.4 million general revenues
- Article sets 3% increase – no index used
 - Adds of \$3.1 million, \$1.4 million from GR
 - Budget includes the \$0.2 million revenue gain from provider tax, net increase of \$1.2 million
 - Rate increase totals \$8.5 million
 - \$3.8 million from general revenues

Reimbursements

FY	Total	Previous Budget Actions
2023	\$3.1	3% increase/1.0% for minimum staffing
2022	-	No change to current law increase plus 0.5% for minimum staffing
2021	-	No change to current law increase
2020	(\$7.5)	Limit to 1%
2019	\$5.9	Assembly provided a 1.5 % increase effective July 1 to settle a lawsuit w/facilities
	(\$5.4)	Limit October rate increase to 1 %

\$ In millions

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	(\$15.6)	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	\$7.8	Adjusted based methodology and transitioned to new payment model
2012	(\$6.3)	No October rate increase

\$ In millions

Long Term Care Services & Supports

- State has 80 licensed nursing facilities
 - January Medicaid Census:
 - FY 2022: 3,900/FY 2021: 3,700 & FY 2020: 4,500

LTC Services & Supports	FY 2019 Final	FY 2021 Final	FY 2022 Gov.	FY 2023 Gov.
Nursing Homes	\$316.7	\$285.5	\$320.2	\$307.5
Home & Comm. Based Services	70.2	90.6	100.1	97.9
RH Options	200.5	125.5	142.7	194.5
MC Programs	12.4	11.5	14.9	15.0
Total	\$599.8	\$513.2	\$577.9	\$614.9

\$ in millions

Introduction

- Section 1 – Section 16 ARPA Projects
 - March 3
 - Early Intervention & Pediatric Recovery Payments
 - Health Care Spending Accountability and Transparency Program
 - HealthSource RI Auto-Enrollment Program
 - Eligibility Extension Compliance
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COVID-19 Relief

- 6 federal acts enacted to address crisis
 - Coronavirus Preparedness & Response Supplemental Appropriations – Mar 6
 - Families First Coronavirus Response – Mar 18
 - CARES – Mar 27
 - Paycheck Protection Program & Health Care Enhancement – April 24
 - Consolidated Appropriations Act – Dec 27
 - American Rescue Plan – March 11, 2021

COVID-19 Relief

- Public Health Response
 - Tracing, testing, vaccination efforts, surge, community mitigation, quarantine and isolation
 - Funded from various sources
 - Coronavirus Relief Funds
 - Exhausted and expired
 - FEMA reimbursements
 - Direct agency grants
 - Primarily awarded to Department of Health
 - General revenues

COVID-19 – CDC Direct Grants

Federal Legislation	Grant Amount
Families First Coronavirus Reponses Act	\$6.9
Coronavirus Aid, Relief, & Economic Security Act (CARES)	15.6
Paycheck Protection Program & Health Care Enhancement Act	87.6
Consolidated Appropriations Act, 2021	90.2
American Rescue Plan Act	84.8
Total	\$285.1

\$ in millions

FFIS as of January 4, 2022

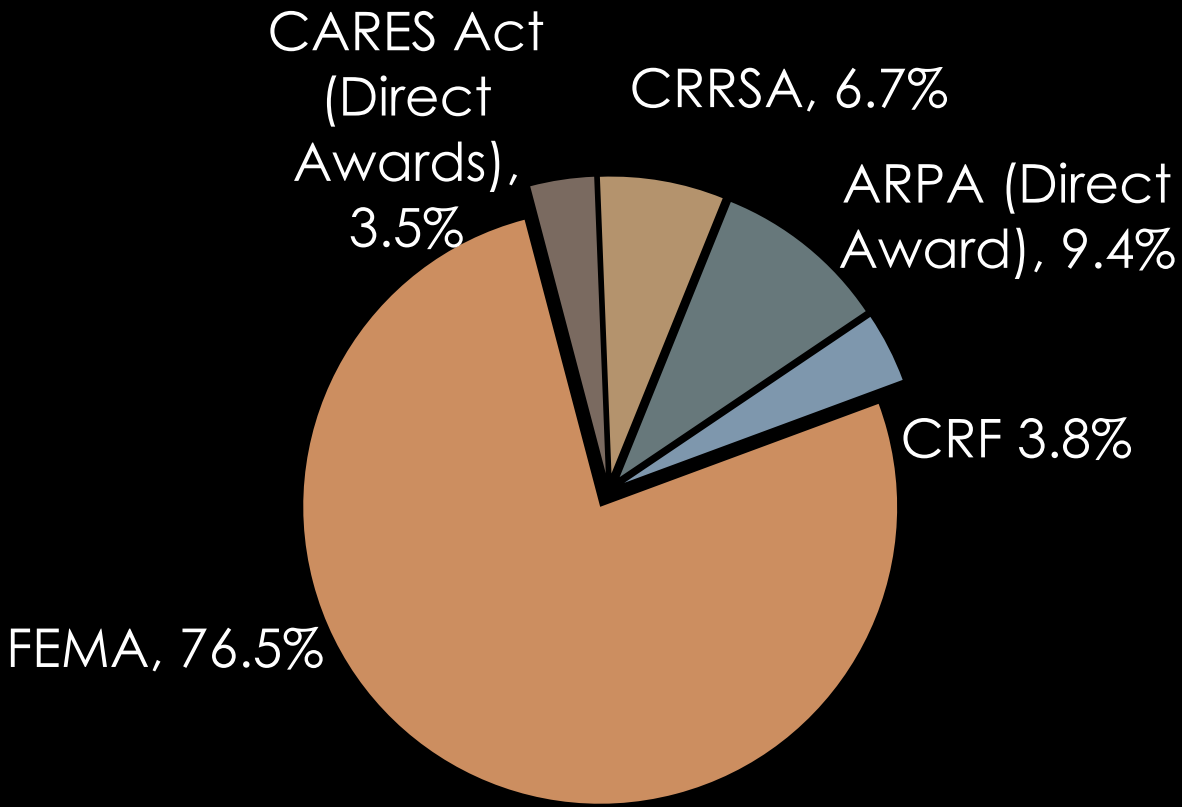
COVID-19 Expenses

	FY 2020	FY 2021	FY 2022*	FY 2022 Remaining	Total
Testing	\$12.1	\$160.0	\$147.1	\$61.1	\$380.3
Contact Tracing	1.6	47.2	39.0	23.7	111.5
Supplies	61.0	30.6	2.1	2.2	95.9
Surge	25.7	49.7	8.9	5.1	89.4
Vaccination Campaign	-	30.2	35.9	20.5	86.6
Emergency Response Supports	2.2	28.4	19.4	23.5	73.5
Individual Support	1.7	12.5	10.8	23.4	48.4
Community Mitigation	-	7.9	5.0	9.1	22.0
Total	\$104.3	\$366.4	\$268.3	\$168.6	\$907.6

*\$ in millions; * data through January 2022*

COVID Spending Update Report

COVID-19 Funding Sources



Ongoing COVID-19 Response

- Governor recommends \$150.1 M in Department of Administration's budget
 - Help state continue its response to pandemic
 - Testing
 - Case investigation and contact tracing
 - Vaccine campaign
 - Public Health Emergency Response
 - Data and reporting
 - Information technology solutions
 - Communications
 - Administrative

Ongoing COVID-19 Response

- Eligibility Category – A1:

	FY 2022	FY 2023	FY 2024	Total
COVID-19 Response	\$25.0	\$50.0	\$25.1	\$100.1
Health Care Facilities	25.0	25.0?	-	50.0
Total	\$50.0	\$75.0	\$25.1	\$150.1

Ongoing COVID-19 Response

COVID-19 Response	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
7122 & 7123	\$25.0	\$50.0	\$25.1	\$-	\$-	\$-	\$100.1
Baseline Response	\$-	\$-	\$30.0	\$-	\$-	\$	\$30.0
Variant Contingency	-	55.0	-	-	-	-	55.0
Supplies Warehouse	-	2.0	2.0	2.0	1.0	1.0	8.0
FEMA Risk	-	5.0	-	-	-	-	5.0
Q & I/Other Contingency	-	2.1	-	-	-	-	2.1
Total	\$-	\$64.1	\$32.0	\$2.0	\$1.0	\$1.0	\$100.1

Ongoing COVID-19 Response

- Governor allocates \$50.0 million to health care facilities
 - Nature of support is not defined
- Prior Coronavirus Relief Fund Support
 - Hospital Assistance Partnership Program
 - \$220.4 million in FY 2020 and FY 2021 to maintain responsive hospital system
 - Nursing Homes
 - \$33.2 million financial assistance
 - \$13.7 million for long-term care facilities
 - \$19.5 million for workforce stabilization

Emergency Staffing

- Governor recommends \$0.6 million to address urgent staffing needs in FY 2023
 - Eleanor Slater Hospital - \$0.5 million
 - Cranston Campus
 - Including new State Psychiatric Hospital
 - Zambarano Unit in Burrillville
 - Veterans' Home - \$0.1 million

American Rescue Plan Act

- State & Local Fiscal Recovery Funds
 - RI to get \$1.8 billion over 2 years
 - \$1,131.1 million to the state
 - \$112.3 million for capital project expenses
 - \$536.8 million to locals
- Use spans several state fiscal years
 - Must obligate by Dec. 31, 2024 - **FY 2025**
 - Funded projects must be completed by Dec. 31, 2026 - **FY 2027**
 - Governor programs all funding from FY 2022 through FY 2027

ARPA State Fiscal Recovery Funds Timeline

FY 2021: March 2021 ARPA becomes law

- \$1,131M - fiscal recovery funds
 - May 2021 interim final rule
 - June 2021 compliance & reporting guidance
 - July 2021 (FY 2022) most recent FAQs updated
 - Dec. 31, 2024 funds must be obligated by (FY 2025)
- \$112M capital projects fund
 - Sept. 2021 guidance
 - Sept. 24 application opens
 - December 27, 2021 deadline to request funding (FY 2022)
 - September 24, 2022 deadline to submit grant plan (FY 2023)

FY 2027: All funds must be spent by December 31, 2026

American Rescue Plan Act

- Governor programs all funding from FY 2022 through FY 2027 to over 50 projects
 - FY 2022 allocation appear in 2022-H 7122
 - Includes \$119 million approved on Jan 4
 - Remaining allocations in Art 1 2022-H 7123
 - Sec.1 - FY 2023 allocations
 - Sec. 16 - FY 2024-27 & item descriptions by agency
 - Projects mostly one time
 - Some likely create expectation of future support
 - Some funding replaces current state support

ARPA Projects

State Fiscal Recovery Funds - Category	Amount
Housing	\$250.0
Economic and Workforce Development	211.8
Small Business & Impacted Industry	180.5
Public Health	152.3
Children, Families and Education	118.6
Behavioral Health	42.4
Public Infrastructure & Technology	26.5
Climate	132.0
Administration	17.0
Total	\$1,131.1

\$ in millions

State & Local Fiscal Recovery Funds

A. Respond to the public health emergency (PHE) and its economic impacts

B. Respond to workers performing essential work during COVID-19 PHE by providing premium pay to eligible workers

**ARPA specifies
four eligible
uses**

C. Provision of government services to the extent of the reduction in revenue due to the COVID-19 PHE

D. To make necessary investments in water, sewer or broadband infrastructure

State & Local Fiscal Recovery Funds

U.S. Treasury Eligibility Categories	Code	Share of Total	Project Count
Support public health	A-1	19.4%	9
Address negative economic impacts	A-2	19.0%	11
Services to disproportionately impacted communities	A-3	17.9%	9
Premium pay	B	1.1%	1
Revenue replacement	C	41.0%	21
Infrastructure – water, sewer, broadband	D	0.0%	1

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