Attachment 8b
May 2020 CEC

EOHHS' Responses to Follow-Up Questions

1. **Please provide Excel workbook of all backup documentation.**

See attached Excel workbook:

May 2020 CEC - Workbook.xlsx

Also, EOHHS has updated its "May 2020 CEC - Interactive Model" to account for following:

i. *a change in enrollment assumptions will also increase/(decrease) DRE/J-Code rebates as well as capitation payments.*
ii. *Enhanced COVID-19 FMAP Line Sequences added to summary and RIFANS line sequence*

Please download the file from the SharePoint link provided with this email..

2. **FY 2021 FMAP Rate**

The GR splits presented by EOHHS already reflected the correct FMAP rate of 54.09% for FFY 2021 (effective October 1, 2020) and blended FMAP rate of 53.81% for SFY 2021.

***Attachment 1c** has been updated.*

Attachment 1c - FMAP

3. **Provide FFS activity by Month.**

See attached for FY18, FY19 and FY20 (paid through April 17, 2020) fee-for-service claims data from MMIS, both on a paid-basis and service-basis.

May 2020 CEC - FFS data

a. **Hospice Update:**

House Fiscal had a follow-up question regarding the EOHHS' Hospice estimate that appeared to be low relative to paid activity.

Overall, through April 14, 2020, EOHHS has paid $28.9 million in Hospice claims in FY 2020. This compares unfavorably to EOHHS estimate of $26.1 million for FY20.

However, of the paid amount, only $15.3 million is for FY20 activity. The remaining $13.6 million was for prior period activity, including $11.3 million for FY19 activity and $2.3 million for FY18 or earlier activity.

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AGENCY	Medicaid											
CEC_GRP_LVL_2	Hospice											
Incurred thru Dec-2		Paid SFY	Paid Month									
		2020										2020 Total
Service SFY	Service Month	201907	201908	201909	201910	201911	201912	202001	202002	202003	202004	
2016		$5,941	$8,509	$6,451	$20,384		$4,417	$857	$43,118	$13,580	$757	$104,014
2017		$134,614	$40,698	$25,576	$90,261	$75,058	$35,887	$99,419	$30,884	$89,254	$50,460	$672,111
2018		$527,610	$69,243	$80,370	$146,649	$156,599	$70,355	$212,734	$109,103	$69,251	$36,075	$1,477,990
2019		$3,489,928	$1,472,800	$1,340,420	$1,836,825	$395,573	$660,647	$1,058,246	$418,356	$239,928	$356,240	$11,268,962
2020	201907		$733,226	$929,584	$461,005	$61,311	$66,310	-$76,982	-$156,484	$23,785	$58,268	$2,100,023
	201908			$678,563	$1,297,988	$112,592	$130,265	-$24,191	-$197,475	$12,017	$70,720	$2,080,479
	201909				$772,313	$921,326	$182,260	$105,717	-$171,855	$63,148	$94,435	$1,967,343
	201910				$4,233	$564,929	$872,943	$391,780	-$106,061	$106,629	$118,609	$1,953,061
	201911						$520,482	$1,053,941	-$2,955	$105,850	$131,996	$1,809,314
	201912						$376	$1,123,547	$318,806	$156,677	$133,697	$1,733,102
	202001								$589,539	$772,834	$275,013	$1,637,386
	202002									$582,901	$779,382	$1,362,282
	202003										$681,399	$681,399
Grand Total		$4,158,093	$2,324,477	$3,060,963	$4,629,657	$2,287,389	$2,543,941	$3,945,068	$874,975	$2,235,855	$2,787,050	$28,847,468

EOHHS' May CEC estimate reflects current year activity only and was based on activity paid through the end of March 2020 by annualizing a monthly estimate derived from July 2019 through January 2020 activity completed at 100%.

After updating with data through April 17, 2020, it appears that EOHHS paid $13.3 million for activity during the first 7 months of the fiscal year. After completion, this is equal to an estimated $15.3 million in total claims activity or $2.2 million per month. Annualized this would be equivalent to $26.4 million; an increase of $300,000 over our original estimate for May CEC. However, COVID-19 could increase or decrease this amount and so at present EOHHS is not recommending a change from its current year estimate.

	Incurred SFY (thru Jan-20) →:			Incurred SFY (thru Jan-20; paid@100%) →:		
Paid SFY ↓:	2018	2019	2020	2019	2020
2019	$5,488,780	$16,452,740		$16,558,006	
2020	$2,254,115	$11,268,962	$13,280,709	$11,457,621	$15,344,130
Grand Total	**$7,742,895**	**$27,721,703**	**$13,280,709**	**$28,015,627**	**$15,344,130**

However, as it relates to prior period activity, EOHHS would like to acknowledge a likely shortfall in its FY20 final position. Specifically, while EOHHS accrued $6.1 million for FY19 hospice FFS claims activity this grossly understates the prior period activity paid in FY20 as noted above. The shortfall is attributed to EOHHS applying a maximum of a 9-month lag as opposed to a more traditional 24-month lag in calculating prior period activity (but the $6.1 million figure was comparable to $5.5 million in prior period activity paid in FY19). Had EOHHS used the estimated from applying a 24-month lag, EOHHS would have accrued $10.3 million at its FY19 close; while still short of the actual prior period activity paid in FY20 this higher amount would have been significantly closer to the actual experience.

Any shortfall in the FY19 accrual does not impact the FY21 estimate nor current year activity; however, ***upwards of a $6.0 million increase in prior period liabilities not accounted for in FY19 close should be considered as an added expense to the FY20 budget****.*

b. Tavares Update:

EOHHS is comfortable with a reduction in the Tavares estimate for FY 2019 and FY 2020. After considering a provider-specific completion factor for Tavares, ***EOHHS recommends reducing the estimate for Tavares (within Other Services) by $1,500,000 in FY 2020 and $2,000,000 in FY 2021.***

EOHHS' original estimate applied the overall Inpatient Hospital completion factor to the Tavares claims activity. Inpatient hospital claims typically take a long time to complete.

While this factor may be appropriate in the aggregate, for, say, Rhode Island Hospital or Women's and Infants or Out-of-State hospitals paid on a FFS basis, it appears less appropriate, specifically for Tavares.

Additionally, Conferees' asked about the last time the rate was changed and the amount of this change. The facility's per diem rate was increased to $710 from $692.87 as of 3/1/2019, retroactive to the start of calendar year 2019. The facility is reimbursed on a cost-basis and updated rates are finalized once cost reports have been received and reviewed by EOHHS staff. In developing its estimate for FY 2021 EOHHS increased the SFY 2020 estimate by 2.6% (the value of the IPPS Less Productivity Adjustment) for the entire fiscal year. Since this rate is adjusted each January, Conferees could consider revising this estimate to reflect 6 months of this increase in SFY 2021. Finally, the current SFY estimate does not reflect a rate increase in the current year, which will occur retroactive to January 1st. Cost report information from Tavares is currently under review so the final rate change effective for CY 2020 is not known at this time. However, it would be reasonable to assume a rate increase comparable to that estimate for FY 2021, for the remaining 6 months of the fiscal year.

c. Shared Living Update:

In error, EOHHS had not included Shared Living in its November estimates for FY20 and FY19*. The expenditure was mislabeled as a BHDDH provider type and so was inadvertently excluded from its calculation of the Medicaid medical benefits.*

All formulas had been verified and only funding source is the only criteria being used to exclude non-Medicaid benefits and so this potential for error has been corrected.

4. Provide an estimate of the costs specific to COVID-19 related changes.

An estimate was made by holding caseload trends constant (based on an OLS regression analysis by program) through the end of SFY 2020 and then applying a -1.4% trend in FY 2021 consistent with the November CEC Adopted. This fixed trend applied to FY21 attenuates the observed EOHHS trend in FY20.

Separately, EOHHS has estimated the cost of delaying the final termination activity associated with the MMIS-RI Bridges optimization. These members had been notified for an effective termination date of April 30, 2020 but have had their termination shielded until the end of the emergency period. The assumption at present is that they will be terminated on June 30, 2020. Additional costs would be incurred if there was a further delay.

Overall, the direct costs attributed to COVID-19 are $65.3 million All Funds in FY20 and $305.0 million All Funds in FY21. The added GR cost of $23.1 million in the current year is offset by an estimated $53.1 million in additional federal financing. Without a similar increase to the FMAP in FY21 the added GR impact is $97.9 million.

FY 2020 Adjustments:

FY20 COVID-19 Adjustments included May EOHHS		
	General Revenue	**All Funds**
Delayed Redeterminations	5,046,059	17,996,520
Increased FFS Rates/Utilization	6,994,022	14,835,131
Unemployment	10,249,098	34,068,010
Delayed Category I Disenrollments	854,590	2,046,311
Enhanced FMAP	(53,081,163)	(3,698,126)
Subtotal	*(29,937,394)*	*65,247,846*

FY 2021 Adjustments:

FY21 COVID-19 Adjustments included May EOHHS		
	General Revenue	**All Funds**
Delayed Redeterminations	5,308,267	18,939,354
Increased FFS Utilization	2,492,614	5,395,852
Unemployment	90,093,440	280,688,170
Category I assume to happen in July 2020	0	0
Enhanced FMAP	0	0
Subtotal	*97,894,321*	*305,023,376*

5. **State Only Charges**

*The **Other Services** includes a state only expenditure of $956,856 for a settlement payment to Care New England for hospital expenditures associated with children in DCYF custody. EOHHS testimony and GR splits reflect this correct treatment of this expenditure.*

6. **Is the 10% discount against the current FY advances necessary given experience on actual collections against nursing home contingency payments and eligibility of eventual claims activity for eligibility for FFP?**

To date, approximately 2.2 percent of advances with a corresponding eligibility determination have been denied. Given that history, maintaining the 10% state-only assumption is overly conservative. As such, EOHHS recommends that this be reduced to 2.25 percent in both FY 2020 and FY 2021. This would result in state-only costs of $178,386 in FY 2020 and $145,274 in FY 2021.

7. **Provide summary of impact of rate changes across budget lines.**

See the attached workbook. The allocation of each of the budget lines by provider groups reflects the overall price change projected for FY 2021. This price change reflect a combination of utilization and price change as reflected in the experience reviewed by the actuary. This is a preliminary estimate of the expected increase in rates as the actuary has not completed reviewing the base data and certifying the FY 2021 rates.

For purposes of the requested proxy of expenditures by type of service EOHHS has applied the allocation in the FY 2020 rates to the FY 2021 capitation. There is likely to be variance from this allocation in the actual rates with the effective change being greater or lesser than the overall price change when considered at the provider level.

For example, where Expansion may experience an overall 9.0% rate increase, the products administrative component when measured on a PMPM-basis will not increase beyond the CPI for health care administration (which is generally less than 3.0%) and could be less when fixed costs are considered relative to higher enrollment. The allocation by type of service presented here is therefore likely to overstate the aggregate spending for this type of service.

8. **Provide summary of COVID-19 related waiver changes requested and fiscal impact.**

See attached completed workbook.

SPA - WAIVER.xlsx