OCTOBER 26, 2022

CASELOAD ESTIMATING CONFERENCE

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES

MEDICAL ASSISTANCE

Table of Contents

Attachments

1. FY 2023 and FY 2024 Forecast

a. FY 2023 Revised Projection – Medical Benefits
b. FY 2024 Revised Projection – Medical Benefits
c. FMAP Rates
d. CY 2022 Federal Poverty Level (FPL Guidelines by Family Size)

2. Budget Initiatives

3. Hospitals

a. Hospital Discharges – FFS Inpatient Only (Excludes Crossover)

4. Nursing Facilities

a. Fee-for-Service Nursing Facility Days and Hospice Days

5. Caseload

a. FY 2021 Enrollment, Actual
b. FY 2022 Enrollment, Actual and Projected, as of September 30, 2022
c. FY 2023 Enrollment, Projected, as of September 30, 2022
d. Summary Monthly Medicaid Population Report

6. Medicaid Reports

a. FY 2023 Monthly Medicaid Expenditure Report through September 2022 (RIFANS)
b. FY 2023 Expanded Monthly Medicaid Expenditure Report (MMIS)
c. FY 2023 Additional Monthly Medicaid Caseload Indicators through September 2022 (MMIS)

7. Miscellaneous Reports

a. Summary of Caseload + PMPM
b. Impact of Rate Changes on Provider Reimbursements

8. Responses to Conferees' Questions for RI EOHHS – Medical Assistance

I. General Considerations

Medical Benefits			
		All Funds	**General Revenue**
FY 2020	Final	$2,420,224,903	$871,590,802
FY 2021	Final	$2,652,589,867	$875,796,936
FY 2022	Revised Enacted	$3,125,812,439	$982,512,845
	Preliminary Final	**$3,110,997,990**	**$952,949,835**
	Surplus over Enacted	*$14,814,449*	*$29,563,010*
FY 2023	Enacted	$3,290,073,082	$1,147,404,580
	Current	**$3,258,116,528**	**$1,074,749,345**
	Surplus over Enacted	*$31,956,554*	*$72,655,235*
FY 2024	Current	**$3,295,883,142**	**$1,212,472,240**

For FY 2023, Rhode Island's Executive Office of Health and Human Services (EOHHS) anticipates benefits expenditures of $3.258 billion, including **$1.075 billion General Revenue** (GR) among the Caseload Estimating Conference budget lines. This is a $32.0 million (**$72.7 million GR**) surplus compared to the Enacted.

For FY 2024, EOHHS projects expenditures of $3.296 billion, including **$1.212 billion GR**, a 1.2% All Funds/12.7% GR increase over FY 2023 spending. Significantly, this reflects a $341 million GR increase compared to EOHHS benefit spending at the start of Covid-19 pandemic.

Table I-1 compares EOHHS' All Funds closing position for FY 2022, the revised forecast for FY 2023, and forecast for FY 2024 and compares such estimates to the FY 2022 Revised Enacted and FY 2023 Enacted.

Table I-2 compares these estimates by Fund Source. To provide further historical baseline, FY 2021 actuals are included in most exhibits.

Attachment 1a and ***Attachment 1b*** provide summaries of EOHHS' current forecast by budget program/category and funding source and include a comparison against FY 2021 Final and FY 2022 Enacted.

Following discussion with the Conference principals, EOHHS' FY 2023 forecast includes three quarters of the increase to the Federal Medical Assistance Percentage (FMAP) allowed for under Section 1905(b) of the Social Security Act and resulting from the continued extension of the current Public Health Emergency (PHE) by US Secretary of Health and Human Services Xavier Becerra. EOHHS' estimate assumes that the PHE will end sometime in January 2023 thereby affording Rhode Island with the enhanced FMAP through March 30, 2023.[1]

As shown in **Table I-3**, with respect to FY 2023, EOHHS has revised the estimate of the average number of Medicaid clients with Full Medical Assistance Benefits compared to May CEC, from **345,377** to **360,120**. The resumption of redetermination activity, with terminations likely to reduce caseload beginning April 1, 2023, will reduce the average enrollment to **338,656** in FY 2024.

A summary of caseload in limited benefits programs is shown in **Table I-4**.

Details of EOHHS' revised caseload forecast for FY 2023 and FY 2024 are included in ***Attachment 5b*** and ***Attachment 5c***, respectively. EOHHS has also included historical caseload for FY 2021 in ***Attachment 5a*** as well as a

[1] Secretary Becerra last extended the current Public Health Emergency (PHE) on October 13, 2022.

new summary of month-end actuals in ***Attachment 5d***. A discussion of the trend assumptions is included in **Major Developments**.

Table I-1. Summary of Rhode Island Medicaid – Medical Benefits, by Budget Line

	SFY 2021	SFY 2022			SFY 2023			SFY 2024
CEC Budget Line	Final	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Managed Care	$ 780,760,148	$ 852,900,000	$ 852,621,018	$0.3 M	$ 960,857,772	$ 967,800,000	($6.9 M)	$ 983,700,000
Rhody Health Partners	287,787,669	303,100,000	227,334,745	75.8 M	318,336,605	305,600,000	12.7 M	321,900,000
Rhody Health Options	125,489,260	133,800,000	132,508,958	1.3 M	178,628,398	167,800,000	10.8 M	184,900,000
Expansion	643,785,240	745,000,000	802,688,861	(57.7 M)	860,432,687	859,900,000	0.5 M	803,800,000
Hospitals - Regular	48,594,097	70,000,000	68,470,982	1.5 M	69,198,590	62,300,000	6.9 M	62,700,000
Hospitals - DSH	142,301,035	287,573,859	290,942,646	(3.4 M)	145,079,879	145,079,879	0.0 M	136,338,847
Nursing and Hospice Care	285,519,500	314,300,000	309,213,322	5.1 M	311,623,884	338,200,000	(26.6 M)	366,000,000
Home and Community Care	90,670,254	98,600,000	99,973,611	(1.4 M)	137,765,970	122,600,000	15.2 M	127,500,000
Pharmacy	(449,342)	100,000	1,923,137	(1.8 M)	300,000	500,000	(0.2 M)	500,000
Clawback	64,561,261	68,800,000	69,358,996	(0.6 M)	87,100,000	78,100,000	9.0 M	91,400,000
Other Services	134,670,797	146,500,000	149,996,281	(3.5 M)	160,510,717	165,200,000	(4.7 M)	174,900,000
Subtotal - CEC Benefits	**$ 2,603,689,919**	**$ 3,020,673,859**	**$ 3,005,032,557**	**$15.6 M**	**$ 3,229,834,502**	**$ 3,213,079,879**	**$16.8 M**	**$ 3,253,638,847**
Health System Transformation Project	31,648,859	25,000,000	24,674,903	0.3 M	25,000,000	24,036,649	1.0 M	20,880,047
Special Education	17,251,089	19,538,580	19,836,866	(0.3 M)	19,538,580	19,500,000	0.0 M	19,500,000
ARPA HCBS Investments[1]	0	60,600,000	61,453,664	(0.9 M)	15,700,000	1,500,000	14.2 M	1,864,248
Total - Benefits	**$ 2,652,589,867**	**$ 3,125,812,439**	**$ 3,110,997,990**	**$14.8 M**	**$ 3,290,073,082**	**$ 3,258,116,528**	**$32.0 M**	**$ 3,295,883,142**

Note 1. ARPA HCBS Investments are a non-CEC benefit expenditures financed by combination of Restricted Receipts and Federal Funds. These investments support activities at DHS, DCYF, BHDDH, and Medicaid. Additional ARPA HCBS investments are reflected in EOHHS' Central Management budget.

Table I-2. Summary of Rhode Island Medicaid - Medical Benefits, by Funding Source (including non-CEC)

	SFY 2021	SFY 2022			SFY 2023			SFY 2024
Funding Source	Final	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Nov CEC
General Revenue	$ 875,796,936	$ 982,512,845	$ 952,949,835	$29.6 M	$ 1,147,404,580	$ 1,074,749,345	$72.7 M	$ 1,212,472,240
Federal Funds	1,752,637,137	2,101,944,594	2,107,113,329	(5.2 M)	2,117,918,502	2,162,790,777	(44.9 M)	2,064,065,596
Restricted Receipts	24,155,794	41,355,000	50,934,826	(9.6 M)	24,750,000	20,576,406	4.2 M	19,345,306
Total - Benefits	**$ 2,652,589,867**	**$ 3,125,812,439**	**$ 3,110,997,990**	**$14.8 M**	**$ 3,290,073,082**	**$ 3,258,116,528**	**$32.0 M**	**$ 3,295,883,142**

Table I-3. Summary of Rhode Island Medicaid Caseload (Full Medical Assistance Only)

	SFY 2021	SFY 2022			SFY 2023			SFY 2024
Enrolled - Full Benefits:	Final	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
Rite Care Core	158,258	166,751	166,850	99	165,641	171,847	6,206	163,180
Rite Care CSHCN	9,861	9,775	9,802	27	9,415	9,901	486	9,927
Expansion	88,341	101,428	101,367	(61)	101,234	109,421	8,187	96,022
Rhody Health Partners	14,651	14,607	14,586	(21)	14,506	14,152	(354)	14,127
Rhody Health Options (Phase II)	12,838	12,888	12,873	(15)	13,428	13,360	(68)	13,990
PACE	353	356	356	0	375	427	52	446
Rite Share	2,539	2,830	2,805	(25)	2,868	2,826	(42)	2,822
Subtotal Enrolled	**286,841**	**308,635**	**308,639**	**4**	**307,467**	**321,935**	**14,468**	**300,514**
Remaining in FFS - Full Benefits:								
Children and Families	7,522	6,411	6,416	5	6,156	6,257	101	6,131
Children with Special Healthcare Needs	2,269	2,209	2,238	29	2,319	2,149	(171)	2,136
Expansion	3,597	2,816	2,715	(101)	2,985	2,396	(589)	3,143
Aged, Blind, and Disabled	24,964	26,086	26,124	38	26,450	27,383	933	26,731
Subtotal Fee-for-Service	***38,352***	***37,522***	***37,493***	**(29)**	***37,910***	***38,184***	**274**	***38,142***
Grand Total - Full Benefits:	***325,193***	***346,157***	***346,132***	**(25)**	***345,377***	***360,120***	**14,743**	***338,656***
Composite PMPM	***$667***	***$727***	***$723***	***-$4***	***$779***	***$745***	***-$35***	***$802***

Table I-4. Summary of Other Rhode Island Medicaid Caseload Metrics (Limited Benefits)

	SFY 2021	SFY 2022			SFY 2023			SFY 2024
	Final	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
Other Capitated Arrangements:								
Rite Smiles	121,183	130,843	130,778	(65)	136,068	137,683	1,615	141,834
Rite Care EFP	1,676	1,329	1,317	(12)	1,236	1,142	(94)	1,140
SOBRA	4,481	5,049	4,555	(494)	5,071	4,820	(251)	4,573
Transportation Broker	319,143	344,093	344,153	60	342,450	358,453	16,003	338,242
Medicare Premium Payments:								
Part A (Hospital)	1,179	1,241	1,244	3	1,320	2,624	1,304	3,340
Part B (Professional Services)	39,674	39,490	39,499	9	39,518	40,081	563	40,610
Part D (Prescription Drugs)	38,229	39,816	40,158	342	41,492	41,495	3	43,096

II. Major Developments

EOHHS' budget update for FY 2023 and preliminary forecast for FY 2024 are reflected in the subsequent sections and attachments. This section highlights major developments that contribute to the current fiscal year's $16.8 million favorable variance across EOHHS' CEC Benefits budget lines, that represent a meaningful fiscal or policy change anticipated for FY 2023 or FY 2024, or that involve programs that cross several budget lines.

A. Summary of FY 2022 Fiscal Close

EOHHS preliminary close for FY 2022 reflected a $14.8 million surplus including $29.6 million GR. Noteworthy, this significant surplus reflected two errors in assigning EOHHS' accruals to the appropriate line sequences. Correcting these two unforced errors would not change EOHHS' All Funds surplus; however, allocating these accruals to the appropriate line sequences would reduce the GR surplus to $10.6 million as the largest error was attributed to EOHHS incorrectly assigning the Expansion gain share to the Rhody Health Partners line sequences.

Further assessment of EOHHS' close, however, suggests that the agency will likely recommend further accrual adjustments as it reviews the underlying data with the State's auditors. These additional adjustments, discussed below, will increase the All Funds surplus and should recapture much of the general revenue savings lost from correcting the two line sequence errors. Despite this caveat and the likelihood of revisions, **Table II-1** summarizes the variances by Budget Line between Revised Enacted and Preliminary Close for FY 2022.

Table II-1. Summary of Variances Between Revised Enacted and Preliminary Close, FY 2022

	SFY 2022		
CEC Budget Line	Revised Enacted	Prelim Final	Surplus/ (Deficit)
Managed Care	$ 852,900,000	$ 852,621,018	$0.3 M
Rhody Health Partners	303,100,000	227,334,745	75.8 M
Rhody Health Options	133,800,000	132,508,958	1.3 M
Expansion	745,000,000	802,688,861	(57.7 M)
Hospitals - Regular	70,000,000	68,470,982	1.5 M
Hospitals - DSH	287,573,859	290,942,646	(3.4 M)
Nursing and Hospice Care	314,300,000	309,213,322	5.1 M
Home and Community Care	98,600,000	99,973,611	(1.4 M)
Pharmacy	100,000	1,923,137	(1.8 M)
Clawback	68,800,000	69,358,996	(0.6 M)
Other Services	146,500,000	149,996,281	(3.5 M)
Subtotal - CEC Benefits	**$ 3,020,673,859**	**$ 3,005,032,557**	**$15.6 M**
Health System Transformation Project	25,000,000	24,674,903	0.3 M
Special Education	19,538,580	19,836,866	(0.3 M)
ARPA HCBS Investments[1]	60,600,000	61,453,664	(0.9 M)
Total - Benefits	**$ 3,125,812,439**	**$ 3,110,997,990**	**$14.8 M**

In terms of unfavorable variances, EOHHS' May forecast that grossly understated its Medicare premium payment liability for Part B premiums contributed to the **Other Services** deficit. The unfavorable variance in **Expansion**, **Hospital – DSH**, and **Pharmacy** are primarily attributed to errors in EOHHS' accruals that should be redressed by EOHHS' recommended adjustments to the auditors that the agency will put forward in November.

These unfavorable variances are more than offset by favorable variances. Such variances included a significant reduction to EOHHS' fee-for-service estimates for nursing home and hospice activity as well as FFS spending within the **Managed Care** and **Expansion** budget lines. Additionally, updated reporting by the health plans revealed significantly greater gain share positions relative to what was known to EOHHS staff in May.

The last driver of the favorable position is that the FY 2021 accruals for outstanding FFS activity (which in turn impacted FY 2022's starting position in RIFANS) were overestimated. Similarly, the **Nursing and Hospice Care**

budget line was favorably impacted by the FY 2021 accrual for the outstanding liabilities associated with older contingency payments. The latter of these favorable accruals persisted even after significant reductions to the nursing home liability was applied in November 2021. These overestimations can be attributed to the general uncertainty around how Covid-19 and the public health emergency was impacting FFS activity.

Potential Adjustments to FY 2022 Preliminary Close

As part of the State's fiscal close, EOHHS prepares accruals for payments from the prior fiscal year's activity that have been incurred but not yet paid. Of note, some accruals represent items that are known with certainty (or near-certainty) and simply not invoiced and/or paid by the end of the fiscal year, like withhold payments owed to the MCOs and capitation adjustments; others are general estimates of liabilities that EOHHS thinks it has incurred, like certain claims' activity or rebates not yet received.

This year, EOHHS prepared its accruals for FY 2022 in July and the accruals reflected the limited information available for the last quarter of the fiscal year at that time. For example, EOHHS had not yet received any invoicing (let alone collections) for DRE/J-Codes for the last quarter and so estimated its accrual with invoices through March 2022. Additionally, EOHHS' estimates for its outstanding FFS IBNR appear as if they may be overstated due to how some of the ARPA HCBS investments inflated the underlying data. With more claims runout, EOHHS is better capable of differentiating the impact of the temporary rate increases from normal claims activity in determining its outstanding its liability.

During the subsequent weeks, EOHHS will work with the OAG to assess the completeness and accuracy of EOHHS' accruals and consider restatements if necessary. As of the November testimony, EOHHS is preparing potential journal entries to capture several adjustments to its FY 2022 fiscal close as currently reported in RIFANS that would have a net favorable impact to agency's surplus for FY 2022.

The potential journal entry adjustments and their impact on the currently reported fiscal close position include:

- Improved FY 2022 Gain Share that will increase likely recoupments by as much as $15.1 million and result in a net increase of $17.4 million GR when compared to EOHHS' preliminary close.[2]
- Improved DRE/J-Code collections of $11.6 million ($3.8 million GR), including an additional $7.7 million invoiced in August 2022 for the prior-period quarter ending June 2021. This adjustment also corrects for the incorrect application of line sequences for the Expansion rebate, thereby eliminating the **Pharmacy** deficit.
- Recording of a DSH receivable of $3.4 million ($1.7 million GR) associated with the budget-neutral redistribution of FFY 2019 DSH allotment.
- Adjustment for original IBNR overstatement will reduce FFS-related accruals by as much as $22.2 million ($7.8 million GR).

The approximate impact of these four potential adjustments is a $52.3 million reduction in overall spending and a $4.1 million GR increase in spending compared to EOHHS' preliminary close. Final adjustments may differ from these calculations, however, and will be subject to review with the state's auditors.

In each of the sections that follow, EOHHS establishes the FY 2022 baseline reflective of the activities that incurred within the fiscal year. These baselines use the latest data available to EOHHS and therefore reflect the adjustments noted above. The FY 2022 incurred financial transactions are reflected in each of the budget line sections by separating out prior period activities and any updates and/or errors in EOHHS' accruals that may impact the preliminary final. These estimates are intended to offer a basis for an apples-to-apples comparison for EOHHS' revised estimates for FY 2023. As necessary, EOHHS offers additional commentary to support each of the summary tables.

[2] Holding all else constant, if EOHHS only corrected for the line sequence-related clerical error that applied the Expansion gain share to the Rhody Health Partners budget line (and vice versa), GR expenditures would increase by $19.1 million. Updating all the gain share figures will reduce the magnitude of this GR increase.

B. Summary of Changes in EOHHS Revised Forecast for FY 2023

With respect to FY 2023, the $16.8 million All Funds surplus, including a $72.7 million GR surplus represent favorable variances of 0.5% All Funds and 6.3% GR against the CEC Benefits.[3] Overall, in comparison to the Enacted, savings attributed to a reduction in per member costs exceed the additional costs associated with the increased caseload. Underlying the net surplus, however, are significant deficits and surplus to specific budget line estimates and the types of expenditures. **Table II-2** summarizes the components of this variance and **Table II-3** summarizes the composite price-volume variance of EOHHS revised estimate for FY 2023 over Enacted (as well between FY 2023 and FY 2022 and between FY 2023 and FY 2024).

The significant GR surplus is largely and unsurprisingly attributed to the continued public health emergency and the availability of the enhanced FMAP rate—6.20% for Regular Medicaid and 4.34% for CHIP—for an additional two quarters than assumed in the Enacted budget. Each quarter of the enhanced FMAP provides an additional estimated $31.7 million GR relief. The state similarly accrues savings against its BHDDH and DCYF budgets for any services financed by Medicaid. Medicaid Expansion and Central Management expenditures are ineligible for the enhanced FMAP.

A combination of lower per member costs and lower than anticipated caseload account for the reduction against Enacted for both Rhody Health Partners and Rhody Health Options. Neither of these products were impacted by the moratorium on terminations.

The continued depression in eligibility churn (i.e., the number of members who lose eligibility and subsequently return to Medicaid) contributes to the reduction in FFS spending within the **Expansion** and **Managed Care** budget lines. And a reduction in the proportion of births relative to Medicaid women of child-bearing age is associated with a reduction in NICU and SOBRA expenditures. And while the SOBRA payment is up 18.3% relative to FY 2022 rates (i.e., $13,611 for FY 2022 compared to $16,100 for FY 2023), reflecting a 56.9% increase to the amount of funding included for the projected experience specific to inpatient hospital services for maternity care and deliveries (i.e., $4,288 in the FY 2022 rate development versus $6,729 included in the FY 2023 rate development), the net increase remains less than what was included in the Enacted.

The "Other FFS" savings of $37.9 million is somewhat misleading. The entirety of the investment attributed to the Perry-Sullivan appropriation ($34.4 million) was included in the **Home and Community Care** budget line. However, the actual implementation of the mandated rate adjustments will hit other budget lines and/or are included in adjustments to capitation rates. For example, the increase for Home-Based Therapeutic Services and Respite will be realized in increased payments for Rite Care CHSCN in **Managed Care** and higher FFS spending in **Other Medical Services** and not in **Home and Community Care**. And the home care rate increases impacted **Rhody Health Options**.

Other current year savings are attributed to reduced estimate for Covid-19 vaccinations (federal only expenditure) and lower UPL payments. The former reflects lower reporting for FY 2022 and the latter incorporates the hospitals' completed cost reports that were not available to EOHHS in May or the legislature in June.

Among the unfavorable variances, increases in enrollment and therefore capitation payments, particularly among Medicaid Expansion, Rite Care Core, PACE, and the non-emergency transportation Broker are among the greatest contributing factors to the deficit spending. These changes are unsurprising given that the Enacted assumed the resumption of redeterminations in September 2022 and EOHHS' revised caseload forecast assumes that redeterminations will not recommence until March 2023, thereby first reducing EOHHS' April caseload. In contrast, only Rhody Health Partners and Rhody Health Options are showing moderating caseload and capitation payments; the favorable variance in Rite Smiles capitation is attributed exclusively to lower capitation rates and not any reduction in caseload.

Nursing home FFS activity is up significantly compared to Enacted. Additional information is provided in the **Nursing Home and Hospice** section, but the general reason for the increase is that Rhode Island's Medicaid nursing home census appears to be trending upwards following the unprecedented decline during peak of Covid-19

[3] Please note that this surplus does not include the Non-CEC benefit expenditures. Inclusion of changes in appropriations for HSTP and ARPA HCBS Investments increases EOHHS' All Funds surplus to $32.7 million (with no change to the GR surplus).

(although total census across RHO and FFS remains well below the pre-Covid, i.e., February 2020, census). Further, EOHHS is not including a below-the-line adjustment to the FFS lines to reflect savings attributed to the passive enrollment into Rhody Health Options (i.e., CMS Demonstration). While EOHHS continues to passively enroll members into Rhody Health Options, the net change month-over-month is modest and appears to be fully reflected in the underlying FFS and caseload trends.

Medicare Premium Payments for Part A and Part B exhibit significant deficits for two reasons discussed in **Other Medical Services**, including the above-mentioned error related to the Part A multiplier used in May CEC as well the more than doubling of the Part A buy-in caseload. In contrast, the Part D payments are below Enacted due to the anticipated reduction in the multiplier resulting from continued PHE.

Table II-2. Summary of Changes to FY 2023 Fiscal Position Compared to Enacted (excludes non-CEC Benefits)

	SFY 2023:		
	Enacted	**Current**	**Variance**
Unfavorable Variance			
Rite Care Capitation	$798.5 M	$842.7 M	($44.3 M)
Nursing Home & Hospice	$311.6 M	$338.1 M	($26.5 M)
Expansion Capitation	$844.3 M	$865.4 M	($21.1 M)
Medicare - Part A/B (Hospital/Professional)	$85.3 M	$97.3 M	($12.0 M)
NEMT Broker	$35.3 M	$37.8 M	($2.5 M)
PACE	$18.2 M	$21.0 M	($2.7 M)
Other/Miscellaneous	($15.5 M)	($14.9 M)	($0.6 M)
Subtotal Unfavorable	**$2,077.8 M**	**$2,187.5 M**	**($109.7 M)**
Favorable Variance			
Other FFS	$295.9 M	$258.0 M	$37.9 M
Drug Rebates	($155.3 M)	($168.0 M)	$12.7 M
Expansion FFS	$55.5 M	$44.4 M	$11.1 M
Rhody Health Partners	$352.5 M	$339.1 M	$13.4 M
Rhody Health Options	$175.3 M	$164.6 M	$10.7 M
SOBRA Births	$87.0 M	$77.6 M	$9.4 M
Medicare - Part D (Pharmacy)	$87.1 M	$78.1 M	$9.0 M
Rite Smiles	$34.5 M	$27.5 M	$7.1 M
UPL/GME	$31.9 M	$25.9 M	$6.1 M
COVID-19 Vaccinations	$11.7 M	$5.0 M	$6.7 M
NICU Stays	$30.7 M	$28.3 M	$2.4 M
Subtotal Favorable	**$1,007.0 M**	**$880.5 M**	**$126.5 M**
Total Variance	**$3,084.8 M**	**$3,068.0 M**	**$16.8 M**
By Funding Source:			
General Revenue	$1,147.4 M	$1,074.7 M	$72.7 M
Federal Funds	$2,073.1 M	$2,129.0 M	($55.9 M)
Restricted Receipts	$9.3 M	$9.3 M	$0.0 M
All Funds	**$3,229.8 M**	**$3,213.1 M**	**$16.8 M**

Table II-3. Summary of Price-Volume Analysis, All Funds (includes non-CEC Benefits)

	Price	**Volume**	**Net**
FY 2023 over FY 2022 (Current)	$83.2 M	$124.8 M	$208.0 M
	2.8%	4.0%	6.9%
FY 2023: Current over Enacted	($148.3 M)	$131.5 M	($16.8 M)
	-4.6%	4.3%	-0.5%
FY 2024 over FY 2023 (Current)	$246.8 M	($206.2 M)	$40.6 M
	7.7%	-6.0%	0.7%

C. Disproportionate Share Hospitals

DSH 2018 Audit

The independent audit of Rhode Island's 2018 DSH payments was completed in December 2021. The audit found that four hospitals received DSH payments that exceeded their total eligible uncompensated care costs (UCC). Estimated DSH limits are based on prior year data updated for inflation. This prior year data can differ from actual data available after the close of the rate year and lead to over payments. Pursuant to the Rhode Island Medicaid State Plan, EOHHS recouped from the affected hospitals the amount by which the DSH payment exceeded eligible UCC and redistributed these funds to the other qualifying hospitals. **Table II-4** below details the transfer of payments.

EOHHS will complete recoupment from Rhode Island Hospital by December 14, 2022. Two of the three hospital recoupments were not completed prior to the end of FY 2022 but were excluded from EOHHS year-end accruals. EOHHS will request an accrual adjustment to reflect the $3.4 million inadvertently not included.

Table II-4. FFY 2018 DSH (paid in SFY 2019) Adjustment – Recoupments and Distributions by Hospital

	Distribution	Recoupment	SFY 22 Accrual
Rehab Hospital	$ -	$ -	$ -
Kent Hospital	-	(62,997)	-
Landmark Hospital	-	(93,340)	-
Miriam Hospital	1,637,646	-	-
Memorial Hospital	-	(5,060,910)	(3,036,546.00)
Newport Hospital	741,489	-	-
Rhode Island Hospital	-	(3,763,833)	(376,383.30)
Roger Williams Medical Centere	1,627,141	-	-
St. Joseph Hospital	1,401,346	-	-
South County Hospital	493,656	-	-
Westerly Hospital	421,952	-	-
Women & Infants Hospital	$ 2,657,850	$ -	$ -
	$ 8,981,080	$ (8,981,080)	$ (3,412,929.30)

SFY 2023 DSH Allotment

On September 27, 2022, CMS communicated to the states its preliminary DSH allotments for FFY 2022. This is the maximum amount that EOHHS could pay in SFY 2023 subject to the General Assembly's appropriation. Contrary to prior years, these preliminary allotments provide for different scenarios depending on the continuation of the Public Health Emergency and availability of the enhanced FMAP.

EOHHS' current estimate for the DSH payments assume the Enacted amount with the payments to be made prior to the cessation of the Public Health Emergency (potentially as early as in March 2022 if necessary). This should allow EOHHS to leverage the enhanced FMAP and reduce its GR cost to the State. Such an approach is consistent with the assumption implied in the Enacted.[4]

Although the appropriated DSH amount ($145.1 million) in EOHHS testimony is less than the maximum amount available to Rhode Island ($158.9 million), it is consistent with current law. Additional information is provided in the **Hospitals – DSH** with respect to the (potential) maximum allotment and options that may be available to the legislature for the Revised Enacted should they choose to amend their appropriation.

[4] The FY 2023 Enacted included DSH payment of $145.1 million including $56.5 million GR which presumes the payment was made during the Public Health Emergency. While this is contrary to what was included in EOHHS' May CEC testimony (based on assumption that PHE would end prior to start of FFY 2023 and so would be unavailable for the FFY 2023 DSH payment), it is reasonable given the extension of the PHE beyond September 30, 2022.

SFY 2024 Allotment

The *Consolidated Appropriations Act for 2021*, further delayed the Medicaid DSH allotment reductions originally included in the Affordable Care Act until FFY 2024. These will affect Rhode Island's SFY 2024 DSH payment, reducing it to $75.0M as part of an $8.0 billion reduction set to affect all states' DSH allotments. The federal government will reduce DSH State allotments by $8.0 billion for FFY 2024 through FFY 2027. More information on the scheduled reductions and calculation methodology is available in the Medicaid and CHIP Payment and Access Commission's *March 2022 Report to Congress on Medicaid and Chip.*[5]

D. LTSS Interim Payments and Recoupments

EOHHS has made interim payments to nursing facilities, assisted living, home care, and hospice facilities. As with nursing facilities and assisted living providers, EOHHS will offset interim payments owed to the state from nursing facilities' ongoing fee-for-service claims activity for hospice and homecare providers. EOHHS assumes that recoupments of hospice and home care interim payments will begin in SFY 2023 Q2. A summary of payments and recoupments is found in **Table II-5**. EOHHS has collected $134.0 million in recoveries against the $156.0 million in interim payments.

As a reminder, at FY 2022 fiscal close, EOHHS had paid out $149.0 million in interim payments, assumed 10% of those would not be recovered (i.e., $14.9 million), and had already recovered $132.5 million. As a result of these assumptions, EOHHS accrued an outstanding receivable of $1.6 million. Because $9.2 million are "denied" (and therefore not recoupable) EOHHS currently expects to remain within these projections.

Table II-5. Interim Payments and Recoupments through October 2022, by Case Status

	Interim Payments through 10/12/22	Recoupments through 10/12/22	Outstanding through 10/12/22	Recoverable
TOTAL	$155,983,298	$134,043,678	$21,939,620	$6,707,491
Nursing Home	149,027,132	132,741,350	16,285,782	1,632,457
Assisted Living	2,424,504	982,217	1,442,287	1,275,864
Hospice	3,124,322	312,752	2,811,570	2,530,412
Home Care	1,407,340	7,359	1,399,981	1,268,758

E. Rhody Health Options/CMS Demonstration Update

NHPRI, EOHHS, and CMS are presently operating within Demonstration Year 6 of the Integrated Care Initiative (ICI) also known as Rhody Health Options (RHO) Phase II. The ICI or RHO II provides managed care services to some of Rhode Island's dually eligible Medicare-Medicaid recipients. Since January 2021, EOHHS has been passively enrolling approximately 150 members per month into RHO II. In January 2022, this number increased to 250 with 100 nursing facility residents being added to EOHHS' monthly passive enrollment schedule. EOHHS' May testimony assumed the continued passive enrollment of nursing home members and their enrollment necessitated a below-the-line adjustment.

However, EOHHS stopped enrolling nursing facility residents in June 2022, negating the need for the below-the-line adjustment to the **Nursing and Hospice Care** budget line. The absence of this adjustment contributes to a significant deficit against that specific budget line; but a partially offsetting surplus to **Rhody Health Options**.

Despite the continued practice of passively non-LTSS enrolling members each month, EOHHS is not assuming any below-the-line adjustment to the FFS lines because the current results do not warrant the adjustment and enrollment in RHO remains stable. Enrollment increased from 12,704 to 12,975 over the entirety of CY 2021 and ended in June 2022 with 12,976. This suggests that despite the passive enrollment the number of newly enrolled members is being offset by an increasing number of terminations. This is not unexpected given the age and frailty of the membership.

[5] Medicaid and CHIP Payment and Access Commission. *March 2022 Report to Congress on Medicaid and CHIP.* March 2022. https://www.macpac.gov/publication/march-2022-report-to-congress-on-medicaid-and-chip/. See Chapter 3.

F. COVID-19 State Plan Amendments

Under section 6008(b)(4) of the FFCRA, to receive the temporary FMAP increase, a state or territory must cover COVID-19 testing services and treatments, including vaccines and their administration, specialized equipment, and therapies, for Medicaid enrollees without cost sharing.[6] EOHHS received guidance on how to implement these requirements from CMS via State Health Official (SHO) Letters that clarify requirements. The coverage requirements and cost-sharing prohibitions generally end on the last day of the first calendar quarter that begins one year after the last day of the COVID-19 emergency period described in section 1135(g)(1)(B) of the Act.

Updated estimates based on current guidance are below.

COVID Vaccine Administration and COVID Vaccine Counseling for Children

Section 9811 and section 9821 of the American Rescue Plan Act required (and provided 100% federal financing to the States for the cost of) COVID-19 vaccine administration.[7] In December 2021, CMS clarified that this included visits for COVID vaccine counseling at which no vaccine is administered after counseling.[8] The enhanced FMAP here is available through one year after the last day of the quarter in which the Public Health Emergency associated with COVID-19 ends; EOHHS' estimate assumes the PHE will end March 31, 2023 so the 100% federal funding will be available through most of SFY 2024.

Rhode Island pays the geographically adjusted Medicare reimbursement rate, which is $41.29 as of April 1, 2021. CMS will periodically update this reimbursement rate. Since last caseload, there have been no additional updates to this rate.

In EOHHS' May testimony, staff used RIDOH reported vaccine data through March 2022 for Medicaid recipients, which showed 128,090 vaccinated individuals. EOHHS estimated that these individuals received two doses and a total of 47,145 boosters. EOHHS used this data to determine a per month number of vaccines and extrapolated the FY 2023 estimate assuming an additional 20,500 vaccinations per month at a cost of approximately $10 million. EOHHS has since revised the spending amounts downward to $5.0 million in FY 2023 to align with the total requests for reimbursements from the managed care organizations for FY 2022. The agency reduced spending to $2.5 million in FY 2024.

COVID-19 Testing and Treatment

Sections 9811 and 9821 of the American Rescue Plan Act mandated insurance coverage for COVID-19 testing and SHO Letter #21-003 released in August 2021 further clarified that this included at-home tests.[9] In Rhode Island, most lab-based tests are funded from other sources. Coverage for at-home tests is included in EOHHS' Medicaid managed care contracts and paid by Medicare for those dually covered by Medicare. For the small number of Medicaid-only members remaining in FFS who do not have TPL, EOHHS implemented payment for at-home testing in March 2022. Although it may be understated, any associated costs, if any, should be partially reflected in EOHHS' base data. As such, no explicit below the line adjustment is necessary at this Caseload.

[6] CMS (2022, February 11) "Coverage and Reimbursement of COVID-19 Vaccines, Vaccine Administration and Cost Sharing under Medicaid, CHIP, and Basic Health Program" Retrieved on April 20, 2022, from https://www.medicaid.gov/state-resource-center/downloads/covid-19-vaccine-toolkit.pdf.

[7] CMS (2021, August 30) "SHO #21-004 Re. Temporary increase to FMAP under sections 9811, 9814, 9815, and 9821 of ARP and administrative claiming for vaccine incentives." Retrieved on April 20, 2022, from: https://www.medicaid.gov/federal-policy-guidance/downloads/sho-21-004.pdf.

[8] CMS (2021, December 2) "Press Release: Biden-Harris Administration Makes 100% Federal Medicaid Matching Funds Available for State Expenditures on Certain COVID-19 Vaccine Counseling Visits for Children and Youth" Retrieved on April 20, 2022, from: https://www.cms.gov/newsroom/press-releases/biden-harris-administration-makes-100-federal-medicaid-matching-funds-available-state-expenditures

[9] CMS (2021, August 30) "CMS SHO #21-003 Re: Medicaid and CHIP Coverage and Reimbursement of COVID-19 Testing under the American Rescue Plan Act of 2021 and Medicaid Coverage of Habilitation" Retrieved on April 20, 2022, from: https://www.medicaid.gov/federal-policy-guidance/downloads/sho-21-003.pdf

Sections 9811 and 9821 of the American Rescue Plan Act mandated coverage for treatment for COVID-19 as clarified in SHO #21-006 from October 2021.[10] EOHHS estimates include monoclonal antibody treatments which are reflected in claims data.

Unlike the Covid-19 vaccination and vaccine administration costs, Covid-19 testing and treatment are subject to Rhode Island's usual federal financial participation provisions (i.e., either Regular FMAP or 90/10 Expansion FMAP depending on beneficiary's eligibility category). **Table II-6** summarizes the COVID-19 coverage requirements and the financing available.

Table II-6 COVID-19 SPA Summary

Item	Financing
Vaccine Administration	100% FF
Vaccine Counseling for Children	100% FF
COVID Testing	FMAP
COVID Treatment	FMAP

G. Enhanced FMAP for Home and Community Based Services

Through Section 9817 of the American Rescue Plan Act, Rhode Island was eligible for enhanced FMAP of 10% on certain Home and Community Based Services, as defined by CMS in Appendix B of their guidance "SMD# 21-003 RE: Implementation of American Rescue Plan Act of 2021 Section 9817." This enhanced FMAP was available for eligible spending incurred between April 1, 2021, and March 31, 2022.[11,12] (Services paid for Expansion-eligible members are entitled for an enhanced FMAP of 5%.)

The enhanced FMAP provides new federal funds that must be re-invested to enhance, expand, or strengthen HCBS as defined by CMS in Appendix C and D of SMD #21-003.[13] Rhode Island is implementing this requirement with Restricted Receipt accounts. Into these accounts EOHHS will deposit this new federal revenue to finance the state share of investments made through March 31, 2025.[14] To qualify for these new revenues Rhode Island cannot reduce its spending on any HCBS service below the rate in effect as of April 1, 2021.

As shown in Rhode Island's October Spending Plan,[15] the State will have approximately $71.9 million in restricted receipts to reinvest in home and community-based services in a manner approved by CMS. As spending occurs out of the Restricted Account, additional federal match will be drawn down per federal regulations and outlined in Appendix E of the CMS Guidance. Based on the most recently submitted spending plan (October 18, 2022) and assumptions about the eligible federal match rates, EOHHS projects spending $147 million All Funds on new investments.

Overall, EOHHS has made investments worth $67.5 million using $29.3 million in Restricted Receipts, leaving a cash balance of $48.1 million in its ARPA HCBS restricted accounts. Please note that EOHHS' benefit spend for FY 2022, reflects spending of $61.4 million; however, this includes a $10.5 million transfer to the ARPA HCBS Central

[10] CMS (2021, October 22) "SHO #21-006 Re. Mandatory Medicaid and CHIP Coverage of COVID-19-Related Treatment under the American Rescue Plan Act of 2021" Retrieved on April 20, 2022, from: https://www.medicaid.gov/federal-policy-guidance/downloads/sho102221.pdf
[11] CMS (2021, May 13) "SMD No. 21-003 Re. Implementation of ARPA Section 9817: Additional Support for Medicaid HCBS during COVID-19 Emergency" Retrieved on April 20, 2022, from: https://www.medicaid.gov/federal-policy-guidance/downloads/smd21003.pdf
[12] Of note, Appendix B included with CMS' guidance affirms that "Rehabilitative Services" are defined by a State's State Plan which includes a significant proportion of Rhode Island's behavioral health spending at community mental health centers. See **f.n. 11**.
[13] See **f.n. 11**.
[14] in June 2022, CMS notified states that they have an additional year to spend the revenue. CMS (2022, June 3) "HHS Extends American Rescue Plan Spending Deadline for States to Expand and Enhance Home- and Community-Based Services for People with Medicaid" Press Release. Retrieved October 11, 2022, from: https://www.cms.gov/newsroom/press-releases/hhs-extends-american-rescue-plan-spending-deadline-states-expand-and-enhance-home-and-community.
[15] Rhode Island EOHHS. "Home and Community-Based (HCBS) Enhancement" website Last accessed on April 20, 2022, from: https://eohhs.ri.gov/initiatives/home-and-community-based-services-hcbs-enhancement.

Management account of which $5.5 million was used for direct provider payments and contract support, leaving a $5.0 million balance in the Restricted Receipt account.

EOHHS is tracking all claiming and expenditures (state and federal share) out of the below Restricted Receipts and Federal Fund accounts—for relevant Medical Assistance and Central Management expenditures—to ensure compliance with the CMS guidelines and to finance the state share with the restricted receipt balance.

All enhanced FMAP claimed by Rhode Island were credited to a new federal account (201317.02) and debited to one of two new restricted receipt accounts (2014104.03 or 2019115.03) that have been created to serve as a clearing account for the enhanced FMAP. Monies deposited into these restricted accounts will be subsequently used to fund the state share of the new investments. The federal share associated with these investments will be journaled to one of two new federal accounts (2013108.02 and 2018162.02). The result is that any additional federal claiming and the one-time investments can be separately tracked by EOHHS and thereby not impact base Medicaid spending.

The relevant RIFANS accounts include:

Line Sequence	Description
2013107.02	ARPA-Enhanced HCBS – Claiming
2013108.02	ARPA-Enhanced HCBS Federal – Benefits Investments
2014104.03	ARPA-Enhanced HCBS Benefits
2018162.02	ARPA-Enhanced HCBS Federal – Admin Support
2019115.03	ARPA-Enhanced HCBS Admin Support

H. 1115 Waiver Update

Rhode Island is in the process of submitting an extension request for its 1115 waiver. Section 1115 waivers are utilized to implement experimental, pilot, or demonstration projects found to be likely to assist in promoting the objectives of the Medicaid program. Rhode Island's 1115 waiver has been in place since 2009. The Demonstration offers a complete array of services, including medical, behavioral health, and Home and Community-Based Services (HCBS), to multiple eligibility groups.

The State sees this waiver extension as an opportunity to continue to build upon its foundational aims while implementing new focused enhancements targeted at behavioral health, social determinants of health, and long-term services and supports. The State has also utilized this waiver renewal to request several administrative enhancements to the waiver that will promote efficiency, transparency, and flexibility. All existing beneficiaries covered by the waiver will be impacted by the extension.

EOHHS posted the waiver extension request for public comment on September 30, 2022. The comment period will run through November 1, 2022. Thereafter, EOHHS will produce a summary of state responses, including any changes to the waiver resulting from public comment. EOHHS will submit the extension request to CMS by December 31, 2022 and will engage with CMS during CY 2023 to negotiate the terms of the extension. The extended waiver will go into effect on January 1, 2024.

EOHHS has requested the following new services for which FY 2025 budget authority would be necessary to implement:

1. Enhanced Home Stabilization Service: EOHHS plans to request to make this service available to families (i.e., people with children), youth aging out of care, and those impacted by a criminal record, in addition to individuals with a mental health or complex physical health need. EOHHS also plans to request to add to the scope of home stabilization services, by including one-time transition-related payments such as first and last months' rent and security deposits.
2. Restorative and Recuperative Care Pilot: EOHHS plans to request to establish a pilot program to provide short-term residential care to individuals experiencing homelessness in a Recuperative Care Center, so that such individuals can rest and recuperate from illness or injury in a safe environment.

3. Remote Supports: EOHHS plans to request authority for remote supports, also known as surveillance monitoring, as a new core HCBS service. Remote supports uphold a member's independence by combining technology for service delivery with limited contact with trained staff when the individual requires assistance. Technology, including equipment such as motion sensors, door sensors and two-way communication devices, can be leveraged to aid the individual in completing necessary daily activities and tasks with minimal direct interventions to support the individual in retaining maximum levels of independence. This is likely to be budget-neutral or even cost-saving because it replaces the need for more intensive staff time with the beneficiary.
4. Pre-Release Coverage: To support individuals who are transitioning back to the community following release from custody, especially individuals with SUD or mental illness, EOHHS plans to request authority to provide Medicaid coverage 30 days prior to their release from state custody, including the provision of "reach-in" services provided by the MCOs. This authority would allow the state to access federal Medicaid matching funds for this time period, which is not currently possible. Therefore, it is likely to be primarily a cost-saving measure.
5. Expand financial eligibility for a specific population: EOHHS plans to request to increase the financial eligibility limits for adults living with disabilities to receive HCBS waiver like services. This population is currently composed of those with incomes at or below 300 percent of the Social Security Federal Benefit Rate (FBR) but with income and resource levels above the Medicaid limits. The state would like to request to increase the income level to 400 percent of the FBR. Because other eligibility categories have expanded to reach the 300 percent level, individuals are not able to qualify for and benefit from this group. Increasing the income level to 400 percent will capture the intended population.

I. Perry Sullivan Appropriation

RIGL Chapter 40-8.9 "Medical Assistance – Long-Term Care Service and Finance Reform" also known as the Perry Sullivan or Sullivan Perry statute requires the conferees to include an additional appropriation for Medicaid HCBS in the subsequent fiscal year (i.e., FY 2024 forecast) that is equivalent to the reduction in nursing home days, if any, over the prior two completed fiscal years (i.e., FY 2022 days over FY 2021 days), multiplied by the average per diem assumed in the subsequent fiscal year (i.e., FY 2024 per diem).[16] This appropriation is intended to support additional investments in home and community-based services necessary to sustain the desired reduction in institutional-based care.

As noted by EOHHS' testimonies in November 2021 and May 2022, the unprecedented decline in the number of nursing home days was somewhat spurious and at least partially attributed to the effects of the COVID-19 pandemic on declining census. Some of the decline experienced between 2020 and 2021 was reversed in 2022. While the Medicaid census remains well below the pre-COVID-19 census, EOHHS anticipates a further increase in net nursing home days in 2023.

Overall, there was at least a 6.1 percent increase in the number of days paid by Medicaid (even before applying IBNR for missing data). See **Figure II-1** below for a summary of the Perry Sullivan calculation. The increase in the number of nursing home days between FY 2021 and FY 2022 negates the need for any additional appropriation under the Perry Sullivan law for FY 2024.

Additional information on changing nursing home authorizations and paid days is provided in the **Nursing and Hospice Care** section.

[16] Specifically, for the current calculation, the reduction in days between FY 2021 and FY 2022 and the average per diem for FY 2024 serve as the base components of the Perry Sullivan appropriation for FY 2024 that the November Conference calculates in FY 2023.

Figure II-1. Calculation for Perry-Sullivan Appriopriation

	2019	2020	2021	2022	
	SFY 2019	**SFY 2020**	**SFY 2021**	**SFY 2022**	
Monthly LTSS Authorizations (i.e., Custodial Day)					
Fee-for-Service	54,934	61,239	55,087	55,577	[1]
Rhody Health Options	13,835	5,235	3,596	4,631	[2]
Subtotal - Custodial Day Authorizations	**68,769**	**66,474**	**58,683**	**60,208**	[3] = [1] + {2]
% Authorizations in FFS	*79.9%*	*92.1%*	*93.9%*	*92.3%*	
Fee-for-Service Nursing Home Days (Paid @100%)					
Medicaid Custodial Days	1,444,669	1,633,125	1,396,191	1,456,199	[4]
Days per FFS Authorization	26.3	26.7	25.3	26.2	*[5]= [4] ÷ [1]*
Not Included:					
Medicare Free Days	11,502	17,974	26,208	19,464	
Medicare Co-Pay Days	11,751	17,211	17,263	12,456	
Imputed Custodial Days (inc. RHO)	***1,808,506***	***1,772,732***	***1,487,332***	***1,577,539***	*[6] = [5] × [3]*

J. FY 2023 Budget Initiative Implementation – Fiscal Impact

As outlined in **Attachment 2**, initiatives are in progress, though there have been some delays in effective dates. Major implementation changes since our May testimony are detailed below.

- **MHPRR Enhanced Rates**. Delayed from July 2022 to January 2023 due to CMS review of State Plan amendment and RICR amendments.
- **Enhanced BH Rates for Nursing Facilities.** Delayed from July 2022 to January 2023 due to completion of MMIS reconfiguration, anticipated in December, and pending CMS approval of State Plan amendment
- **Community Health Workers.** CMS approved the SPA in March 2022, and EOHHS conducted several months of outreach and training to prepare Community health Workers for Medicaid billing. Claims have only recently been submitted; therefore, EOHHS decreased the State Plan Amendment expenditure estimate by 75% in the current year. EOHHS will update the estimate once more claims have been submitted. EOHHS did not include any savings in SFY 23.
- **Third Party Liability.** The savings associated with this budget item were calculated with the assumption that our existing contract for MAIS (Medical Assistance Intercept System) would be reprocured or renegotiated with improved terms upon renewal in 2021. Instead, this contract was extended as-is, by one year due to staff turnover. EOHHS is assessing needs and a path forward.
- **Program Integrity Optimization.** EOHHS made no explicit adjustment for any additional cost avoidance related to this initiative in FY 2023 or FY 2024. EVV (Electronic Visit Verifications) were rolled-out to home health agencies at the start of CY 2021. The complexity of validating claims against the EVV data has caused delays with the identification of any cost avoidance in both the FFS and MCO claims processing. If, in the future, there will be additional recoveries related to Program Integrity optimization, EOHHS will incorporate the additional recoveries into our testimony.
- **Cover All Kids.** EOHHS implemented this initiative effective July 1, 2022, instead of October 1, 2022. Despite the earlier implementation, EOHHS does not anticipate any substantial budgetary implication; however, EOHHS updated the OMB estimate for updated managed care PMPMs. The estimate still assumes the same number of children becoming eligible.
- **Inpatient Labor and Delivery Rates.** EOHHS applied the enacted 20% increase to projected hospital experience for select SOBRA line items that included inpatient labor and delivery DRGs.
- **Biomarker Testing.** Expenditures moved from FY 2023 to FY 2024. The authorizing legislation had an effective date of January 2024 (FY 2024).

K. Hospital License Fee

CMS found that Rhode Island's current Hospital License Fee (HLF) is noncompliant with 42 C.F.R. § 433.68, which places the State at risk for loss for federal financial participation in the Medicaid program. As a reminder, 42 CFR 433.68 mandates that:

1. The tax must be applied on permissible classes as listed in Section 1903(w)(7) of the Social Security Act and 42 C.F.R. § 433.56.
2. The tax must be broad-based or imposed on all services of the same class
3. The tax must be uniformly imposed on all providers of a class throughout a jurisdiction, or equal in amount of percentage or by bed
4. The tax must not violate the hold harmless provisions contained in the Federal regulations which prevent States from directly or indirectly repaying taxpayers (hospitals) or offsetting their tax burden.

States can request waivers from requirements (2) and three (3). The hold harmless provision cannot be waived. The waiver request entails a mathematical calculation to determine if the HLF is generally redistributive. The calculation compares the amount of tax revenue if tax on the class is broad based and uniform (numerator) versus amount of tax revenue generated in state defined tax (including exclusions/discounts) (denominator).

In April 2022, EOHHS sent a commitment letter to CMS noting the State's intention to evaluate and modify the Hospital License Fee structure, pursuant to the requirements set forth in 42 C.F.R. § 433.68, by 7/31/23. EOHHS' October budget submission reiterates the need to address the State's licensing fee and reminds State leadership of EOHHS' commitment to CMS.

- Any proposal must pass CMS review and adhere to 42 C.F.R. § 433.68.
- The State must utilize objective criteria to discern whether any discount is appropriate for eligible hospitals in compliance with the redistributive requirements contained in 42 C.F.R. § 433.68, which shall include calculating the proportion of the tax revenue applicable to Medicaid if the tax were broad based and applied to all providers.
- No tax discount must be given based on the lack of or relatively lower levels of Medicaid participation among providers subject to the tax.
- The State must ensure that the basis of taxation aligns with the permissible classes listed in Section 1903(w)(7) of the Social Security Act and 42 C.F.R. § 433.56.
    - This includes a clear separation of the revenues attributable for each permissible class, for example inpatient hospital services and outpatient hospital services.
    - The demonstration sent to CMS shall include rehabilitative, psychiatric, and state-owned hospitals, and include separate statistical calculations for each permissible class if health-care related tax waivers are required.

L. Public Health Emergency, Enhanced FMAP Rate and GR Savings

On March 18, 2020, the Families First Coronavirus Response Act (FFCRA; Pub. L. 116-127) was enacted. Section 6008 of the law provided for a temporary 6.2 percentage point increase to the Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act, effective January 1, 2020, and extending through the last day of the calendar quarter in which the Public Health Emergency (PHE) declared by the Secretary of Health and Human Services terminates, if states meet the requirements set out in that law. The requirements for receiving the enhanced FMAP that are included in the FFCRA are summarized in **Table II-7**.

The enhanced rate does not apply to the Expansion FMAP rate or the Family Planning FMAP (both presently 90%). However, the increased FMAP does apply to CHIP expenditures. Based on the formulary for calculating the states' CHIP Enhanced FMAP, Rhode Island will get an additional 4.34% general revenue relief for CHIP expenditures claimed during the emergency period.

The FY 2023 Enacted assumed the continuation of the PHE through September 30, 2022. Based on conversations with the principals and the recent extension of the PHE, EOHHS' estimate assumes that Rhode Island Medicaid will retain the enhanced FMAP rates through March 31, 2023.

Table II-7. Section 6008(b) Conditions of Family First Coronavirus Relief Act for 6.2% FMAP Increase

FFCRA 6008(b) Condition	Termination Date of Condition	Enacted	Nov CEC
6008(b)(1): **Maintenance of Effort** i.e. maintain eligibility standards, methodologies, procedures	Expires the last day of the **quarter** in which the PHE ends.	September 30, 2022	March 31, 2023
6008(b)(2): **Premium Restrictions** Rhode Island does not presently charge any premiums	Expires the last day of the **quarter** in which the PHE ends.	n/a	n/a
6008(b)(3): **Continuous Coverage**[17] this prevents most terminations	Expires the last day of the **month** in which the PHE ends.	June 30, 2022	January 31, 2023
6008(b)(4): **Cost sharing exemption for Testing and Treatment**	Expires the last day of the **quarter** in which the PHE ends.	September 30, 2022	March 31, 2023
Enhanced FMAP	Expires the last day of the **quarter** in which the PHE ends.	September 30,2022	March 31, 2023

FY 2023 General Revenue Savings

Secretary Becerra last extended the PHE on October 13, 2022. Per federal law, a PHE is effective for 90 days or until the secretary determines that the emergency no longer exists, whichever occurs first. Relatedly, the Biden administration indicated that the federal government would provide at least 60-days' notice of the PHE's end.

Given the recent extension, EOHHS' estimate assumes that the PHE will not end prior to January 1, 2023 and therefore the enhanced FMAP will remain available through at least March 31, 2023.

While this approach is reasonable, it remains strictly possible that the states will receive their 60 days' notice in the week following testimony and the PHE expires on December 31. If such a scenario occurs, EOHHS' general assumptions around its caseload and All Funds forecast still stand but EOHHS' general revenue expenditures will increase by approximately $33.7 million. Fortunately, the Principals who will be conferencing after November 1 to reach their consensus estimate will know with greater certainty whether the PHE will extend at least through Q3.

Overall, the FY 2023 Enacted includes GR savings of $42.7 million attributed to the Enhanced FMAP. This revised estimate includes savings of $113.0 million. This amount includes reduced state spending in the Pharmacy **Clawback** budget line that is not reflected in the separate Covid-19 Enhanced FMAP line sequences (as it is a state-only payment). Additionally, the extension of the PHE offers further GR relief to Rhode Island, against its Medicaid spending by BHDDH, DCYF, and DHS that are not reflected herein.

Table II-8 compares GR savings attributed to the PHE between FY 2020 and FY 2023, comparing EOHHS' revised forecast for FY 2023 to the Enacted.

[17] Note that in regard to the continuous coverage requirement in **Table II-7**, CMS clarified in an Interim Final Rule released in late October 2020 and further in follow-up CMS All State Calls in November 2020 that if "the state has determined that a beneficiary one, is no longer eligible for the group in which he or she is currently enrolled and two, is eligible for another group providing the same tier of coverage, the state must transition the beneficiary to that new eligibility group." Previously, in November CEC, beneficiaries were not moved within eligibility groups.

Table II-8. Covid-19 Related GR savings, FY 2020 through FY 2023, including Current change to Enacted

	SFY 2021	SFY 2020	SFY 2021	SFY 2022	SFY 2023		
	Final				Enacted	Current	Change
CEC Budget Line							
Managed Care	$ 780,760,148	$ 19,290,260	$ 45,032,803	$ 49,400,185	$ 13,616,160	$ 43,011,117	$29.4 M
Rhody Health Partners	287,787,669	6,288,961	17,795,203	14,093,841	4,891,800	14,054,600	9.2 M
Rhody Health Options	125,489,260	3,650,392	8,528,379	7,872,207	2,668,024	7,802,700	5.1 M
Expansion	643,785,240	0	0	0	0	0	0.0 M
Hospitals - Regular	48,594,097	2,228,540	2,993,388	3,716,403	925,294	2,544,362	1.6 M
Hospitals - DSH	142,301,035	0	0	26,649,506	8,994,952	8,994,952	0.0 M
Nursing and Hospice Care	285,519,500	20,934,648	13,604,145	19,414,052	4,792,600	15,726,300	10.9 M
Home and Community Care	90,670,254	3,549,580	4,972,921	6,475,934	1,606,263	5,642,775	4.0 M
Pharmacy	(449,342)	(261,050)	(23,241)	115,828	3,875	23,250	0.0 M
Clawback	64,561,261	4,697,726	9,951,737	10,988,663	2,899,928	8,757,888	5.9 M
Other Services	134,670,797	4,180,641	8,289,301	8,937,653	2,313,811	6,427,484	4.1 M
Subtotal - CEC Benefits	**$ 2,603,689,919**	**$ 64,559,698**	**$ 111,144,636**	**$ 147,664,272**	**$ 42,712,707**	**$ 112,985,429**	**$70.3 M**

Note 1. **Hospital - DSH** GR savings for FY 2022 is overstated as it includes relief for FY 2020 through FY 2022.
Note 2. **Clawback** GR savings is an approximation based on adjustment to State-Only multiplier.

M. Caseload Growth and Trend Development

Caseload Growth

Rhode Island's recent experience during the PHE has been consistent with regional trends per CMS data. From February 2020 through September 2022, Rhode Island Medicaid enrollment increased by 63,726 members, or 21.3%. Comparatively, among other New England states (i.e., CT, MA, NH, VT, and ME) enrollment increased an average of 25.6% (ranging from 15.2% to 32.5%).[18]

EOHHS expects the enrollment to continue increasing through March 2023 (as it will take 60-days following the end of the PHE to effectuate the first batch of terminations) peaking at 366,146 members with full Medicaid benefits. **Figure II-2,** reflects this increase over the current PHE and assumed caseload for the end of FY 2024 as incorporated into EOHHS' current estimates. **Table II-9** shows annualized trends for various time components of the historical data, as well as EOHHS' projections. **Figure II-3** compares EOHHS' current estimate to both the November 2021 CEC Adopted and May 2022 CEC Adopted with updated actuals through September 2022.

[18] Currently, CMS data is through June 2022. Percentages reflected are from February 2020 – June 2022.
Retrieved on October 11, 2022, from: https://www.kff.org/health-reform/state-indicator/total-monthly-medicaid-and-chip-enrollment/.

Figure II-2. Change in caseload between Feb-20, end of PHE (in Mar-23) and Jun-24 (end of SFY 2024)

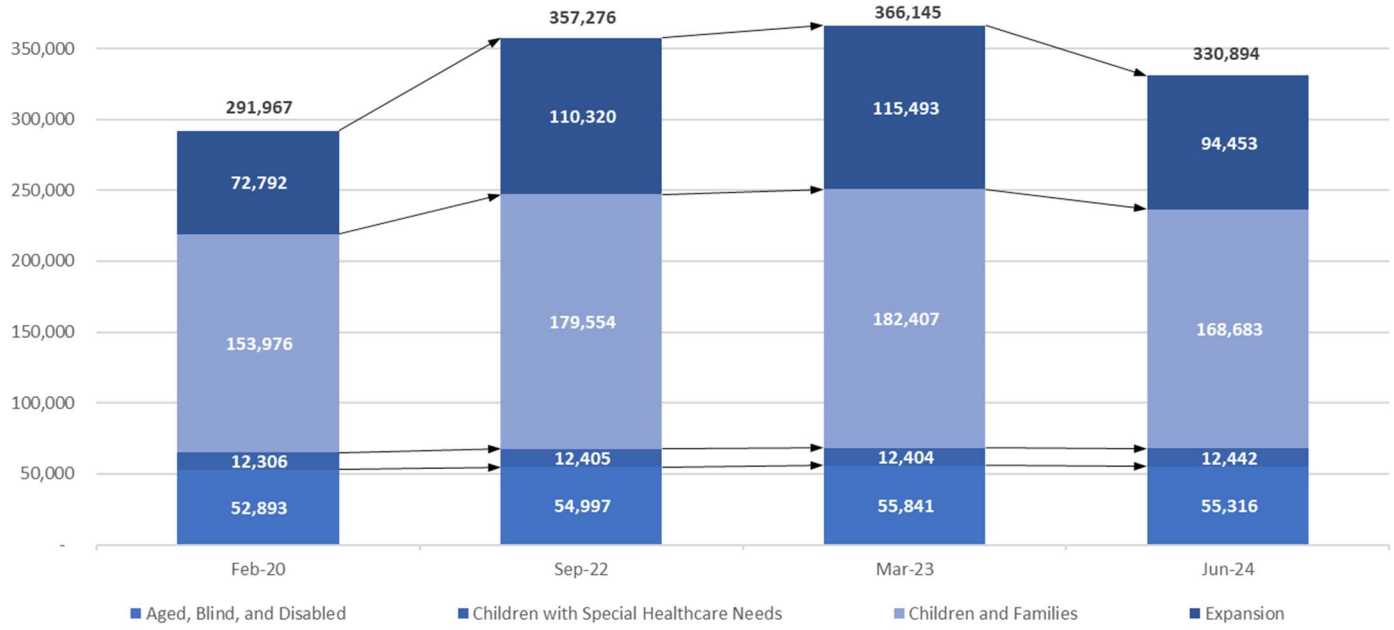


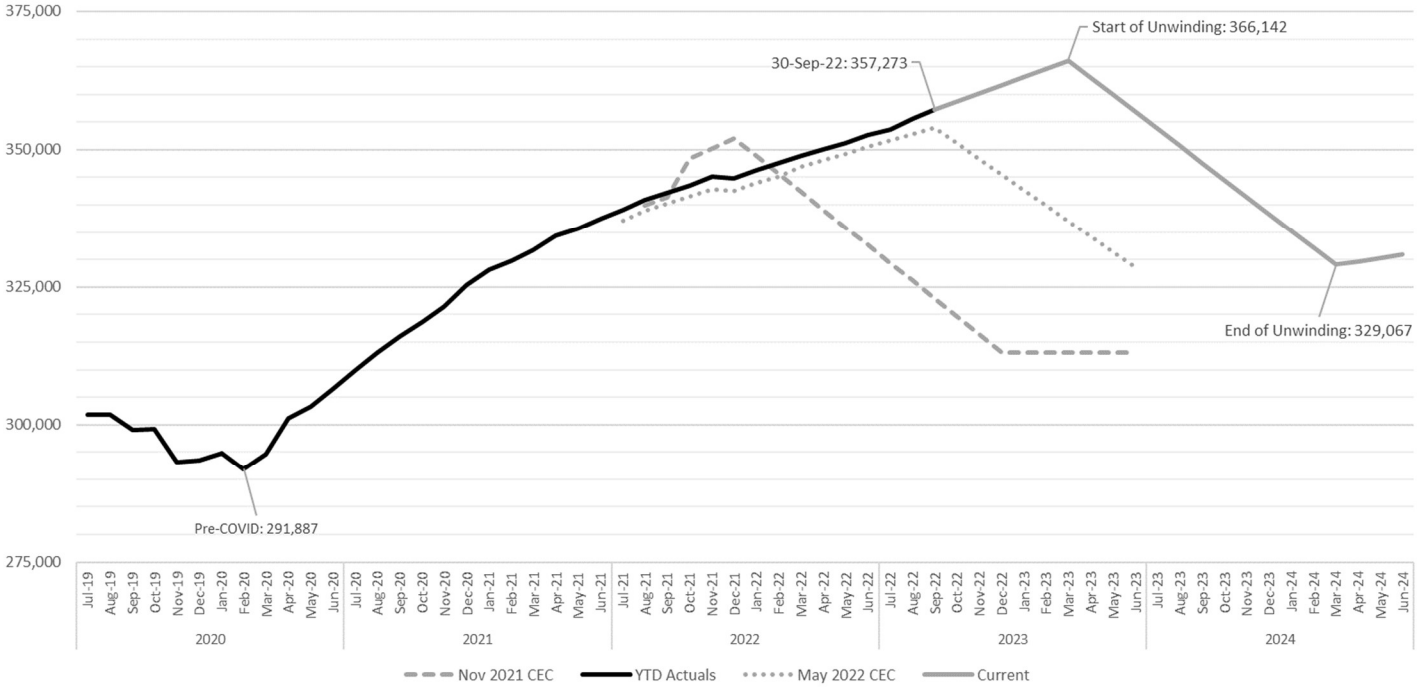
Table II-9. Current Annualized Trends for Enrollment Activity based on Actuals through Mar-22

	Historical 2-Year: Mar-18 → Feb-20	Entire PHE: Feb-20 → Sep-22	"Current" PHE: Jan-22 → Sep-22	Remaining PHE:[2] Sep-22 → Mar-23	Clean-up: Mar-23 → Mar-24
Managed Care					
RIte Care Core	-4.2%	7.0%	3.8%	3.4%	-8.3%
RIte Care CSHCN	-3.1%	1.4%	0.9%	0.7%	0.0%
Expansion	-4.6%	19.8%	8.3%	9.8%	-20.1%
Rhody Health Partners	-1.8%	-1.1%	-3.9%	0.0%	0.0%
Rhody Health Options Phase II	-1.2%	-0.3%	3.0%	5.6%	3.6%
PACE	8.0%	7.3%	22.6%	18.3%	0.0%
Rite Share	-27.5%	1.5%	-2.5%	1.5%	0.1%
All Managed Care	-4.4%	9.7%	4.7%	5.4%	-11.2%
Overall:[3]					
Children and Families	-4.4%	6.1%	3.4%	3.2%	-8.1%
Children with Special Healthcare Needs	-2.5%	0.3%	-0.5%	0.0%	0.0%
Expansion	-3.5%	17.5%	7.1%	9.6%	-18.7%
Aged, Blind, and Disabled	-1.1%	1.5%	2.4%	3.1%	-1.2%
All Eligibility Groups	-3.5%	8.1%	4.2%	5.0%	-10.1%

Note.

1. All trends are annualized.
2. PHE assumed to end by December 31, 2022 with initial terminations to be effectuated on February 28, 2023.
2. Overall trends by eligilibity group include members enrolled in Rite Share and Remaining in FFS.

Figure II-3 Current full Medicaid forecast compared to Nov 2021 CEC and May 2022 CEC Adopted



Trend Development

EOHHS' revised caseload forecast for FY 2023 is higher than adopted in May 2022 and reflected in Enacted. The increase in caseload is due to the further extension of the PHE; at least through January 2023 with a corresponding delay to the resumption of routine redetermination activities.

EOHHS' revised forecast assumes that beginning in February 2023, EOHHS will initiate renewal activities as outlined in its redetermination plan. Consistent with CMS regulations, EOHHS must renew all members and intends to do so over 12 months. Conducting renewal activity over 12 months will distribute renewals on a normal 12-month cycle, and thereby effectively allow for workload distribution and operational management with our DHS and HSRI partners.

The first batch of terminations will end Medicaid eligibility on March 31, 2022, thereby impacting EOHHS' April 2023 caseload.

Overall, EOHHS forecast assumes that half of the growth seen between February 2020 and March 2023 will be reduced over the twelve-month period beginning April 2023. This assumption impacts Rite Care Core and Medicaid Expansion exclusively.

The same growth seen in the MAGI-eligible (i.e., the primarily income-based eligibility groups) was not experienced by Children with Special Healthcare Needs and Aged, Blind and Disabled. This variance is not surprising given they have typically demonstrated more stable/predictable growth patterns. As such, EOHHS staff continued to model growth in these groups using linear regression where the trend was positive and assumed no change in caseload where the population exhibited any negative growth pattern.

Table II-9 contains the effective trends that EOHHS applied to its caseload through the end of the PHE and then the trend for the 12-month period post-PHE renewal period.

In summary, EOHHS' projections as reflected in **Attachment 5b** and **Attachment 5c**, assumes that:

- Through the end of the PHE:

- Rite Care Core and Expansion use the observed trend over the current calendar year for the remaining months in the PHE and period prior to when terminations are expected to commence (i.e., through March 2023).
- Rhody Health Partners experienced a modest decline in caseload over the past 9 months; however, EOHHS does not presume this persists for the remaining months of the PHE and holds enrollment flat.
- Rhody Health Option underlying trend is positive due to passive enrollment and this trend is not expected to be meaningfully impacted by the cessation of the PHE and resumption of regular redeterminations and so its trend reflects the ordinary least square (OLS) regression of this activity. Beginning in January 2024 the trend is flat as EOHHS will likely end continued passive enrollment during the final year of the Demonstration.
- Rite Care CSHCN experienced a less than 1.0% annualized trend over the past 9-months and so its trend reflects the ordinary least square (OLS) regression of this activity.

- The PHE will extend through January 31, 2023, and terminations will result in a reduction in caseload effective April 2022. The Biden Administration has stated it will give States a 60-day notice before it ends the Public Health Emergency. This means we expect to get notice by November 30, 2022. If no notice is received by then, these assumptions must be updated.
- Once the PHE ends, EOHHS and DHS will process renewals for all individuals by extending forward the member's original renewal date. Terminations will be spread across the 12 months as allowed by CMS.
  - EOHHS' projections assume a reduction (net of new additions) of 35,251 members among Rite Care Core and Expansion, between April 2023 and March 2024.
    - EOHHS' forecast assumes that over the 12-month unwinding, aggregate caseload will decline by one-half of the growth experienced through the entire PHE period (i.e., between March 2020 and March 2023) with terminations evenly distributed in our fiscal model over that time period.
    - This net decline is not equivalent to the gross number of terminations as new members will gain eligibility at the same time.
  - For Rite Care CSHCN and Rhody Health Options, EOHHS continues to apply the current observed trend.
  - For Rhody Health Partners, enrollment will continue to remain flat.
- For the final quarter of FY 2024, following the end up the PHE clean-up period, EOHHS applied a modest trend of 2.5% annualized for Rite Care Core and Expansion and a 1.25% annualized trend for the various Aged, Blind, and Disabled and Children with Special Healthcare population groups.

Impact of Potential Economic Downturn on Caseload

On October 17, 2022, a Bloomberg Economics model forecasted with effective certainty that the US would experience a recession in the next 12 months. Despite the continued robustness of the labor market such a dire warning is not unexpected. With such blue-eyed prescience, therefore, EOHHS' assumption for a significant reduction in caseload, despite the cessation of the PHE and resumption of terminations, may seem overly optimistic; especially given the counter-cyclical nature of Medicaid eligibility. However, there are two reasons for maintaining the course until more current and reliable data points are available.

First, the timing of the recession, its severity, how long it will persist, and how it will translate into increased Medicaid eligibility, especially given its already inflated caseload volume, involves a lot of variables whose impact on overall caseloads is more meaningful than the general warning of a contraction alone. Put simply, there are too many unknowns to add any refinement to a trend that is already a gross simplification of what may happen when we resume redeterminations would have been held for three years.

Second, the simplified assumption incorporated does reflect a level of caution in overstating the number of terminations. While the assumption that 50% of the growth experienced during the PHE will be cleaned-up over 12 months is the same as assumed in May, this is a moderation of the trends assumed in November 2021. Part of the justification, at least internally, for the reduction in trends from two-thirds to one-half of members being terminated and doing so over a more-extended period (6 months versus 12 months) was due to concerns around how a slackening economy may place upward cost pressures on Medicaid.

Estimating an Alternative to EOHHS' Managed Care Forecast

In summary, EOHHS' revised forecast for Rite Care Core and Expansion reflects a linear increase in enrollment for the next six months (reflecting the growth over the past nine months) followed by a linear termination schedule. Rite Smiles follows this same pattern with an adjustment for the aging of 600 new members each month. The growth among the other population reflects their historical trends with no adjustment.

This approach is unsophisticated; but reasonable. Rhode Island's experience during the PHE is consistent with other states in New England and any expectation for a moderation to Rhode Island's enrollment growth has yet to materialize—in fact, growth in August and September exceeded the monthly average over the preceding 12-months—and so forecasting further growth through March remains appropriate. Additionally, while EOHHS recognizes that terminations are unlikely to occur in as smooth a manner as modeled, any large exodus of members will likely be followed by a greater proportion of those members becoming eligible in later months. The result may be a less even distribution of member months but not a meaningful difference in aggregate number of member months paid. EOHHS considered alternatives but concluded that further complications to the model would have the illusion of greater precision but not materially improve the confidence interval around the resulting estimates. Overall, given the unprecedented nature of the public health emergency the average membership and total member months of enrollment remain appropriate proxies.

In addition to the enrollment forecasts for the rest of the current fiscal year and next fiscal year, EOHHS' overall estimate is driven by its price factors.

With respect to EOHHS' managed care expenditures—spending that account for nearly three quarters of total budget—EOHHS maintained a simple 5.0% trend factor for FY 2024. The exception is Medicare Premium Payments, and non-emergency transportation broker that use alternative price factors.

In general, the 5.0% trend reflects a combination of pricing and utilization changes and Rhode Island statute and contracting provisions that limit the ability of our managed care partners to negotiate alternative payments arrangements with providers. The 5.0% proxy trend compares to an overall composite price factor of 5.3% for FY 2023 and 4.9% for FY 2022 compared to their prior fiscal year.

The conferees can manually estimate changes to EOHHS' estimates by calculating the costs associated with a marginal increase or decrease in the number of member months paid for by Medicaid and/or changes to the average PMPM. To assist the conferees, **Table II-10** and **Attachment 7a** consolidates discrete information included in multiple tables across the subsequent sections. The PMPM in the table reflects the composite monthly premium for each product line.

Table II-10. FY 2022 through FY 2024 (estimate): Caseload and Composite PMPM with Trends

	Caseload:			Price:				Caseload Trend:		Price Trend:	
	2022	2023	2024	2021	2022	2023	2024	22→23	23→24	22→23	23→24
Full Benefits:											
Rite Care Core	166,850	171,851	163,185	$294	$306	$330	$347	3.0%	-5.0%	8.0%	5.2%
Rite Care CSHCN	9,802	9,906	9,939	$1,118	$1,157	$1,345	$1,412	1.1%	0.3%	16.3%	5.0%
Expansion	101,367	109,428	96,028	$617	$656	$659	$692	8.0%	-12.2%	0.4%	5.0%
Rhody Health Partners	14,586	14,146	14,123	$1,797	$1,924	$1,997	$2,097	-3.0%	-0.2%	3.8%	5.0%
CMS Demonstration	12,873	13,363	13,982	$812	$846	$1,054	$1,111	3.8%	4.6%	24.7%	5.4%
PACE [1]	356	425	445	$3,980	$4,870	$4,086	$4,292	19.4%	4.7%	-16.1%	5.1%
RIte Share [3]	2,805	2,827	2,820	$63	$66	$69	$73	0.8%	-0.2%	5.0%	5.0%
Subtotal	308,639	321,946	300,522	$524	$550	$579	$614	4.3%	-6.7%	5.3%	6.0%
Other Capitated Arrangements:											
Rite Smiles	130,778	137,691	141,835	$20	$20	$17	$17	5.3%	3.0%	-18.8%	3.1%
Rite Care EFP	1,317	1,143	1,141	$20	$19	$18	$19	-13.2%	-0.2%	-2.4%	5.0%
SOBRA Payment	4,555	4,820	4,573	$13,304	$13,611	$16,100	$16,905	5.8%	-5.1%	18.3%	5.0%
Non-Emergency Transportation [3]	344,153	358,461	338,249	$9	$9	$9	$10	4.2%	-5.6%	1.4%	7.0%
Medicare Premium Payment:											
Part A (Hospital)	1,243	2,624	3,340	$456	$471	$489	$505	111.1%	27.3%	4.0%	3.2%
Part B (Professional Services)	39,500	40,081	40,610	$149	$162	$170	$172	1.5%	1.3%	5.5%	0.9%
Part D (Prescription Drugs)	40,157	41,495	43,096	$140	$144	$157	$177	3.3%	3.9%	9.0%	12.6%

Notes:

1. Rite Share PMPM includes employee premium payments only and does not include wrap-around payments.
2. FY 2022 PACE rates include a $3.4 million directed payment for ARPA HCBS investments. Excluding this additional payments, capitaiton rates were the same in SFY 2023 as in SFY 2022.
3. Non-Emergency Medical Transportation includes enrollment of OHA Copay clients funded by the Office of Healthy Aging.

Please note that these estimates do not include the members remaining in FFS nor the non-capitated costs budgeted against each program. EOHHS experience suggests these expenditures are less correlated with changes in aggregate trends due to either the nature of the expenditures and/or the small number of members driving the costs. For example, most of the FFS spending within Managed Care and Expansion is tied to the interim period prior to enrollment in managed care. These expenditures could increase as terminations increase if the result is additional churn. Additionally, FFS spending on Nursing Home, Hospitals, and Other Services are generally tied to the Aged, Blind, and Disabled or Children with Special with Healthcare Needs eligibility groups that experience less overall variance in caseload.

N. Cross Budget Line Summaries: Rebates and NEMT

Drug Rebates and J-Code Collections

Rebates on prescriptions provided in a pharmacy (i.e., DRE) and in an outpatient setting (i.e., J-Code) significantly offset the federal and state costs of most prescription drugs dispensed to Medicaid patients. EOHHS' Medicaid rebate collections reduce the program's gross pharmacy spend by over 40%. **Table II-11** summarizes EOHHS' current DRE and J-Code invoices for FY 2022 and provides forecasts for FY 2023 and FY 2024.

Overall, rebates are continuing to trend upwards.

With respect to its revised estimates, EOHHS derived its rebate forecast by dividing the average quarterly rebate amounts invoiced to the drug manufacturers in FY 2022 by the average managed care enrollment for the same period. The resulting PMPM multiplier, calculated by product line, was then applied to EOHHS' current enrollment forecast for FY 2023 and FY 2024. The increase in gross collections in FY 2023 over FY 2022 is tied to increase in member months of enrollment whereas the decline in FY 2024 is attributed to the winddown of the PHE and reduction in caseload. Due to general uncertainty in this estimate no price factor was applied.

Noteworthy, in addition to the drug rebates directly collected by EOHHS' fiscal intermediary, the health plans also maintain their own financial arrangements with the pharmaceutical manufacturers. These rebates are not included above and instead are reflected in the health plans' medical experience used to establish their capitation rates. Over the last few fiscal years, these collections have totaled approximately $12 million per year.

FFS rebates and J-Code are not converted to a PMPM and instead treated as a monthly average that is kept constant.

Table II-11. Summary of Drug Rebate Collections

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
DRE							
Managed Care	$ (40,144,698)	$ (42,975,206)	$2.8 M	$ (40,787,757)	$ (44,223,038)	$3.4 M	$ (42,163,716)
Rhody Health Partners	(36,048,976)	(37,695,881)	1.6 M	(36,836,632)	(36,583,903)	(0.3 M)	(36,518,847)
Rhody Health Options	(3,481)	(10,533)	0.0 M	(3,733)	(10,934)	0.0 M	(11,449)
Expansion	(65,768,193)	(69,287,750)	3.5 M	(66,380,265)	(74,800,593)	8.4 M	(65,640,738)
Fee-for-Service	(4,691,006)	(4,646,282)	(0.0 M)	(4,691,006)	(4,804,256)	0.1 M	(4,914,754)
Subtotal DRE	**(147,387,005)**	**(155,329,892)**	**7.9 M**	**(149,430,043)**	**(161,161,249)**	**11.7 M**	**(150,005,015)**
J-Code							
Managed Care	$ (1,717,956)	$ (1,984,105)	$0.3 M	$ (1,745,952)	$ (2,041,554)	$0.3 M	$ (1,944,040)
Rhody Health Partners	(764,839)	(912,545)	0.1 M	(781,550)	(885,626)	0.1 M	(884,051)
Rhody Health Options	0	0	0.0 M	0	0	0.0 M	0
Expansion	(1,925,119)	(2,206,203)	0.3 M	(1,943,035)	(2,381,739)	0.4 M	(2,090,078)
Fee-for-Service	(1,388,453)	(1,438,334)	0.0 M	(1,388,453)	(1,487,237)	0.1 M	(1,521,444)
Subtotal J-Code	**(5,796,367)**	**(6,541,187)**	**0.7 M**	**(5,858,990)**	**(6,796,156)**	**0.9 M**	**(6,439,613)**
Total Rebates	**$ (153,183,371)**	**$ (161,871,079)**	**$8.7 M**	**$ (155,289,033)**	**$ (167,957,405)**	**$12.7 M**	**$ (156,444,628)**

Non-Emergency Medical Transportation

Medical Transportation Management, Inc (MTM) provides services to Medicaid members and seniors using the State's Elderly Transportation Program. Additionally, MTM issues RIPTA bus passes to TANF recipients.

EOHHS allocates spending for the members in its Aged, Blind and Disabled eligibility groups based on whether the member is enrolled in Rhody Health Options, Rhody Health Partners or remains in FFS. Previously EOHHS constructed three age-adjusted composites for each of the three populations. To simplify the accounting of this reallocation, EOHHS will apply the same composite PMPM to all these subpopulations.

EOHHS recently issued a Request for Qualification (RFQ) for its NEMT contract. This new contract will be effective July 1, 2023. The rates included in EOHHS' testimony reflect the rates calculated by EOHHS staff and included in the RFQ. However, these PMPM remain subject to change. EOHHS anticipates the total contract value to remain consistent with what is included in this testimony (i.e., the PMPM may either increase or decrease based on revisions to enrollment forecast in May 2023 to maintain targeted funding level for transportation services).

The overall forecast for the budget for the MTM contract is reflected in **Table II-12** and average monthly enrollment shown in **Table II-13.**

Table II-12. Non-Emergency Transportation - Capitation

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Budget Line							
Managed Care	$ 10,113,833	$ 10,129,870	($0.0 M)	$ 9,598,211	$ 10,208,923	($0.6 M)	$ 11,316,614
Expansion	12,717,343	12,705,536	0.0 M	13,137,417	14,936,233	(1.8 M)	14,623,647
Rhody Health Partners	3,591,528	3,585,566	0.0 M	3,446,428	3,350,529	0.1 M	3,254,726
Rhody Health Options	3,168,779	3,164,558	0.0 M	3,190,433	3,163,114	0.0 M	3,222,989
Other Services	5,758,678	6,034,489	(0.3 M)	5,948,554	6,158,305	(0.2 M)	5,850,451
Subtotal	**35,350,161**	**35,620,019**	**(0.3 M)**	**35,321,042**	**37,817,103**	**(2.5 M)**	**38,268,428**
TANF Charge Back	(551,162)	(435,429)	(0.1 M)	(784,214)	(611,065)	(0.2 M)	(676,978)
Subtotal Medicaid	**$ 34,798,999**	**$ 35,184,590**	**($0.4 M)**	**$ 34,536,828**	**$ 37,206,038**	**($2.7 M)**	**$ 37,591,450**

Table II-13. Non-Emergency Transportation - Average Monthly Enrollment

	SFY 2022			SFY 2023			SFY 2024
Medicaid	**Revised Enacted**	**Prelim Final**	**Increase/ (Decrease)**	**Enacted**	**Current**	**Increase/ (Decrease)**	**Current**
Children and Families	186,878	187,174	296	186,012	192,476	6,464	184,912
Expansion	103,494	103,397	(97)	101,822	111,232	9,410	98,675
Rhody Health Partners	14,607	14,581	(26)	14,505	14,152	(353)	14,126
Rhody Health Options	12,888	12,869	(19)	13,428	13,360	(68)	13,989
Other ABD	24,563	24,542	(21)	25,036	26,011	975	25,393
Subtotal Medicaid	342,430	342,563	133	340,803	357,230	16,427	337,095
Overall PMPM	*$8.60*	*$8.67*	*($0.06)*	*$8.64*	*$8.82*	*($0.19)*	*$9.46*

III. Managed Care

Managed Care			
		All Funds	**General Revenue**
FY 2020	Final	$692,688,241	$276,766,454
FY 2021	Final	$780,760,148	$299,462,222
FY 2022	Revised Enacted	$852,900,000	$317,431,193
	Prelim Final	**$852,621,018**	**$317,268,422**
	Surplus over Enacted	*$278,982*	*$162,771*
FY 2023	Enacted	$960,857,772	$407,943,888
	Current	**$967,800,000**	**$378,256,411**
	Deficit over Enacted	*($6,942,228)*	*$29,687,477*
FY 2024	Current	**$983,700,000**	**$423,981,659**

The revised forecast of $967.8 million for FY 2023 reflects a $6.9 million deficit over Enacted.

Overall, EOHHS forecasts an average fiscal year enrollment of 192,980 RIte Care eligible members in FY 2023, an increase of 6,581 members (3.5%) compared to the Enacted. This includes: 171,847 members enrolled in RIte Care Core, 9,901 in Rite Care CSHCN, 2,826 enrolled in RIte Share, and an average of 8,406 remaining in fee-for-service each month.

For FY 2024, EOHHS forecasts spending of $983.7 million, a $15.9 million (1.6%) increase over current year. EOHHS forecasts its caseload to continue to decline considerably through March 2024 before experiencing a modest increase of 2.5% annualized during the last quarter of FY 2024. EOHHS forecasts a monthly average of 184,197 a reduction of just 8,873 members compared to current fiscal year. This forecast includes 163,180 enrolled in Rite Care Core, 9,927 in Rite Care CSHCN, 2,822 in Rite Share, and 8,268 remaining in FFS each month.

Table III-1 summarizes all expenditures by capitated payments by product line to the health plans as well as various fee-for-service payments. EOHHS' revised average caseload forecast and a comparison to prior estimates is summarized in **Table III-2** and the forecast for the number of births and NICU stays are presented in **Table III-3**.

Table III-4 reflects a variance analysis of the changes between EOHHS' current forecasts for this year and next and the FY 2022 Final, FY 2023 Enacted. The average monthly RIte Care and RIte Smiles capitation rates paid to the health plans are summarized in **Table III-5** and **Table III-6**. The FY 2024 capitation rates reflect a 5.0% price increase.

Table III-7 and **Table III-8** identify changes to total CHIP and EFP claiming activities that provide general revenue savings through enhanced federal claiming.

Additional month-by-month detail is provided in **Attachment 5**.

FY 2023

- EOHHS' revised forecast for FY 2023 reflects a $115.2 million (13.5%) increase over the preliminary close for FY 2022. While a component of this significant increase is driven by the higher caseload (2.6%) resulting from the extension of the PHE, the increase in expenditures is dominated by price factors significantly increasing the effective cost per member (10.6%)

- Overall, the managed care forecast of $967.8 million for FY 2023 reflects a $6.9 million deficit compared to Enacted. This increase consists of a $31.3 million deficit for health plan payments and a $24.6 million surplus for other payments; although some of the partially offsetting variances are attributed to certain spending assumed to be in the FFS (in the Enacted) are now included in-plan (such as at-home testing kits for Covid-19 and a portion of the Early Intervention rate increase)
- The primary drivers for the deficit over the Enacted are:
    - Higher average monthly enrollment compared to Enacted, including an additional 6,206 members enrolled in Rite Care Core and 486 members enrolled in Rite Care CSHCN, due to extension of the PHE prior to presumption of termination, contributed to additional Rite Care Core/CSHCN premiums and withholds ($44.3 million)
    - Higher managed care trend factors than the 5.0% trend assumed in May CEC
        - Composite price trend between FY 2022 and FY 2023, for Rite Care Core and Rite Care CSHCN, were, 8.0% and 16.3%, respectively; however, some portion of this inflated price trends were impacted by legislatively mandated rate adjustments not assumed in May, including the 5.0% hospital rate increase, 45% increase to early intervention services, increases to home-based therapeutic services
- Offsetting savings include:
    - A reduction in Rite Smiles capitation payments ($6.3 million) following two years of significant gain shares in FY 2021 and FY 2022
    - Reduced births compared to prior forecast thereby resulting in lower SOBRA and NICU payments ($9.0 million)
    - Elimination of the any below-the-line adjustment for Covid-19 testing ($17.8 million) as it is covered in-plan and any FFS spending should already be reflected in the base experience from FY 2022 used in forecast FY 2023 FFS experience across all budget lines
- For purposes of EOHHS' modeling, it is worth noting the following:
    - The managed care payments include $1.4 million in additional premiums for the Cover-All-Kids initiative to enroll all undocumented children under 19 into Medicaid managed care
        - OMB estimates that an average of 434 children will gain such coverage in FY 2023
        - MAGI-eligible households, Katie Beckett, or children in DCYF custody will be enrolled in the appropriate Rite Care Core or Rite Care CSHCN rate cell
    - Covid-19 testing is an in-plan benefit for Rite Care members and, for any member remaining in FFS, their utilization of tests should be reflected in the baseline FFS experience from FY 2022 and so is included in Core FFS line in **Table III-1**
    - The revised Core FFS line also reflect adjustments for certain FY 2022 and FY 2023 initiatives not yet reflected in the baseline FFS spending, including:
        - $325,000 for community health workers (with balance in **Expansion** and **Other Medical Services**)
        - $2.2 million rate adjustments for adult dental services (with balance in **Expansion** and **Other Medical Services**)
    - CSHCN FFS includes a $1.4 million rate increase for home based therapeutic services for children (with balance of investments in Rite Care CSHCN or **Other Medical Services**)
    - Early Intervention FFS reflects the enacted 45% rate increase ($1.7 million) with the balance of the investments incorporated into Rite Care Core/CSHCN capitation
    - EOHHS assumed that any caseload attributed to the post-partum extension coverage initiative included in the Enacted is already reflected in the historical experience
        - This new eligibility criteria extends full benefits coverage, from 2 months to 12 months, to all women following the birth of a child; however, due to the PHE that has been in existence for the past 2.5 years, EOHHS has not been actively disenrolling members

from full coverage to the limited benefit EFP only program and as such the costs associated with this new eligibility group is already reflected in the experience.

- Overall, the enhanced FMAP associated with the COVID-19 emergency period provides an additional $29.4 million in GR relief against this budget line in FY 2023 over Enacted, for total GR relief of$43.0M.

FY 2024

- Overall, the **Managed Care** forecast of $983.7 million reflects a modest $15.9 million (1.6%) increase over the current year's revised estimate
- The drivers behind the net increase in spending over FY 2024, as summarized in **Table III-4**, are exclusively related to price, including a 5.0% price increase for Rite Care Core, CSHCN, and SOBRA and reduction in rebate collections due to reduced caseload
- With terminations assumed to begin being effectuated in EOHHS' April 2023 census, the impact of the PHE winddown will be fully realized in FY 2024 as increased termination activity is expected to continue through March 2024; Overall, EOHHS forecasts a decline of 1,213 members per month
- The **Managed Care** estimate for FY 2024 includes the following adjustments related to FY 2022 and FY 2023 budget initiatives:
    - $650,000 for Community Health Worker services doubles the FY 2023 investment to reflect the annualization of the FY 2022 initiative not expected to reach full utilization in current fiscal year no explicit savings (i.e., return on investment) are assumed in the FY 2024 estimate.
    - The $2.2 million rate adjustments for adult dental services is carried over into FY 2024 with no increase
    - The $1.4 million rate increase for FFS home based therapeutic services for children is carried forward into FY 2024 with not additional increase
- Early Intervention FFS reflects the enacted 45% rate increase for FY 2023 with no further increase assumed in FY 2024

Rite Share Enrollment

Due to the public health emergency (PHE) and the provisions contained in the Families First Coronavirus Response Act (FFCRA), EOHHS is prohibited from "sanctioning" individuals who are eligible for RIte Share and have not enrolled in Employer Sponsored Insurance (ESI). Sanctioning means suspending Medicaid coverage. As such, sanctioning serves as an important prompt for individuals to enroll in ESI. EOHHS's inability to sanction is leading to depressed RIte Share enrollment during the PHE. We currently have 606 individuals who would be sanctioned but for the restrictions due to the PHE.

EOHHS is not proactively making any adjustments to its underlying trends for Rite Care Core as timing of such transitions to Rite Share with cessation of PHE will be difficult to forecast with any degree of confidence. Further, these members with active ESI may the members most likely to lose their underlying Medicaid eligibility with the resumption of redeterminations and therefore never be moved from Rite Care Core to Rite Share.

Overview of Department of Justice Settlement for Katie Beckett Program

In May 2022, the State entered into a Settlement Agreement with the Department of Justice with regards to children eligible for Medicaid under the "Katie Beckett" Waiver.[19] Individuals eligible for Medicaid benefits under the Katie Beckett Waiver are children who have, or are suspected of having a severe mental illness, severe emotional disturbance, or a chronic health condition(s). As a result of this settlement agreement, EOHHS will bring Katie Beckett children in-plan for case management services only. Most Katie Beckett youth are <u>not</u> currently enrolled in Medicaid managed care; only 81 of the 829 Katie Beckett eligible children (as of September 30, 2022) are enrolled in Rite Care. The preponderance of Katie Beckett-eligible children who remain in FFS are youth with access to alternative health insurance coverage, such as a parent's employer sponsored family coverage. These

[19] https://www.justice.gov/usao-ri/press-release/file/1506926/download

children receive their acute care services (e.g., hospital coverage, primary care services, pharmaceuticals, etc.) from their commercial plan with Medicaid wrapping around this coverage with certain long-term home and community-based care not traditionally covered with commercial insurance. As part of the Settlement Agreement these Katie Beckett children will be enrolled in one of the managed care organizations to receive case management services which neither their commercial plans nor FFS Medicaid currently provides.

There is no action at the time of the October conference; EOHHS is providing this information to alert conferees to this potential shift due to the settlement needs. EOHHS is currently evaluating settlement needs and working on a fiscal estimate.

Table III-1. Summary of Managed Care Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Payments to Plans							
RIte Care Core	$ 609,033,009	$ 609,555,979	($0.5 M)	$ 652,135,346	$ 677,886,403	($25.8 M)	$ 677,024,916
RIte Care CSHCN	135,057,991	135,359,332	(0.3 M)	141,055,283	159,045,577	(18.0 M)	167,407,580
Rite Care Cover-All-Kids	200,000	0	0.2 M	1,297,106	1,355,382	(0.1 M)	3,791,424
Rite Care EFP	96,473	293,796	(0.2 M)	89,513	248,691	(0.2 M)	260,779
SOBRA	57,847,770	53,206,337	4.6 M	73,196,882	66,590,469	6.6 M	66,336,083
Withhold	3,737,007	3,742,048	(0.0 M)	3,896,801	4,203,257	(0.3 M)	4,241,896
Risk Share	(21,757,586)	(11,620,996)	(10.1 M)	0	0	0.0 M	0
Rite Smiles	30,243,902	29,922,867	0.3 M	31,794,053	25,458,014	6.3 M	27,033,988
Subtotal - Payments to Plans	**814,458,567**	**820,459,364**	**(6.0 M)**	**903,464,985**	**934,787,793**	**(31.3 M)**	**946,096,666**
Other Payments							
Non-Emergency Transportation	10,113,833	10,129,870	($0.0 M)	9,598,211	10,208,923	($0.6 M)	11,316,614
TANF Offset	(551,162)	(435,429)	(0.1 M)	(784,214)	(611,065)	(0.2 M)	(676,978)
RIte Share	2,128,049	2,210,755	(0.1 M)	2,264,522	2,342,974	(0.1 M)	2,457,317
Premium Assistance Program	97,612	93,560	0.0 M	93,787	81,074	0.0 M	91,672
Core FFS	27,689,533	26,867,858	0.8 M	30,142,195	30,423,121	(0.3 M)	31,405,866
CSHCN FFS	3,484,865	5,349,625	(1.9 M)	3,576,645	4,706,286	(1.1 M)	4,826,564
Early Intervention FFS	2,707,014	2,773,435	(0.1 M)	6,707,014	3,982,592	2.7 M	4,181,722
Covid-19 Testing	4,541,248	0	4.5 M	17,799,264	0	17.8 M	0
NICU	30,200,300	26,172,812	4.0 M	30,679,072	28,254,107	2.4 M	28,168,489
Rebates	(41,862,654)	(44,959,310)	3.1 M	(42,533,709)	(46,264,592)	3.7 M	(44,107,755)
Premium Collection	(50,000)	(54,036)	0.0 M	(50,000)	(50,000)	0.0 M	(50,000)
Tax Intercept	(100,000)	(115,604)	0.0 M	(100,000)	(100,000)	0.0 M	(100,000)
Subtotal - Other Payments	**38,398,637**	**28,033,536**	**10.4 M**	**57,392,787**	**32,973,419**	**24.4 M**	**37,513,511**
Subtotal - Managed Care	**$ 852,857,204**	**$ 848,492,900**	**$4.4 M**	**$ 960,857,772**	**$ 967,761,213**	**($6.9 M)**	**$ 983,610,177**
Balance to RIFANS/CEC Rounding	42,796	4,128,118	(4.1 M)	0	38,787	(0.0 M)	89,823
Total - Managed Care	**$ 852,900,000**	**$ 852,621,018**	**$0.3 M**	**$ 960,857,772**	**$ 967,800,000**	**($6.9 M)**	**$ 983,700,000**
General Revenue	*$ 317,431,193*	*$ 317,268,422*	*$0.2 M*	*$ 407,943,888*	*$ 378,256,411*	*$29.7 M*	*$ 423,981,659*
Federal Funds	*$ 535,468,807*	*$ 535,352,596*	*$0.1 M*	*$ 552,913,884*	*$ 589,543,589*	*($36.6 M)*	*$ 559,718,341*

Table III-2. Average Managed Care Caseload

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
Full Benefits by Delivery System							
Rite Care Core	166,751	166,850	99	165,641	171,847	6,206	163,180
Rite Care CSHCN	9,775	9,802	27	9,415	9,901	486	9,927
Rite Share	2,830	2,805	(25)	2,868	2,826	(42)	2,822
Remaining in FFS - Core	6,411	6,416	5	6,156	6,257	101	6,131
Remaining in FFS - CSHCN	2,209	2,238	29	2,319	2,149	(171)	2,136
Total - Full Benefits	**187,976**	**188,111**	**135**	**186,399**	**192,980**	**6,581**	**184,197**
Overall PMPM	*$378*	*$378*		*$430*	*$418*		*$445*
% Enrolled in Managed Care	*94%*	*94%*		*94%*	*94%*		*94%*
Other Caseload Factors							
EFP Only	1,329	1,317	(12)	1,236	1,142	(94)	1,140
Rite Smiles	130,843	130,778	(65)	136,068	137,683	1,615	141,834
Non-Emergency Transportation	186,878	187,174	296	186,012	192,476	6,464	184,912

Table III-3. Medicaid Births and NICU Stays

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
SOBRA Births							
RIte Care	4,250	3,909	(341)	4,268	4,136	(132)	3,924
Expansion	799	646	(153)	803	684	(119)	649
Total - SOBRA Births	5,049	4,555	(494)	5,071	4,820	(251)	4,573
Cost per SOBRA Birth	*$13,611*	*$13,611*	*$0*	*$17,150*	*$16,100*	*-$1,050*	*$16,905*
NICU Stays	562	564	2	564	594	30	564
Cost per NICU Stay	*$53,737*	*$46,406*	*-$7,331*	*$54,396*	*$47,566*	*-$6,830*	*$49,944*

Table III-4. Managed Care Price-Volume Comparison to May CEC and Prior SFY

	Price	Volume	Net
FY 2023 over FY 2022 (Current)	$90.8 M	$24.4 M	$115.2 M
	10.6%	2.6%	13.5%
FY 2023: Current over Enacted	($26.1 M)	$33.0 M	$6.9 M
	-2.7%	3.5%	0.7%
FY 2024 over FY 2023 (Current)	$62.8 M	($46.9 M)	$15.9 M
	6.5%	-4.6%	1.6%

Note 1. FY 2022 reflects adjustments to Preliminary Close (Adjusted).

Table III-5. Summary of RIte Care Core and CSHCN Monthly Premiums

	SFY 2022	SFY 2023	SFY 2024	FY22→FY23 Trend	FY23→FY24 Trend
RIte Care Core					
MF < 1 y.o.	$668	$650	$683	-2.7%	5.0%
MF 1-4 y.o.	$189	$233	$244	22.9%	5.0%
MF 5-14 y.o.	$178	$215	$226	20.4%	5.0%
M 15-44 y.o.	$257	$275	$288	7.0%	5.0%
F 15-44 y.o.	$412	$423	$444	2.6%	5.0%
MF 45+ y.o.	$613	$602	$632	-1.8%	5.0%
Composite	$306	$330	$347	8.0%	5.2%
Average Member Months	166,848	171,847	163,180	3.0%	-5.0%
RIte Care CSHCN					
Substitute Care	$864	$957	$1,005	10.8%	5.0%
SSI <15	$1,657	$2,039	$2,141	23.0%	5.0%
SSI 15-20	$1,285	$1,411	$1,481	9.7%	5.0%
Katie Beckett	$3,594	$4,633	$4,865	28.9%	5.0%
Adoption Subsidy	$660	$779	$818	18.1%	5.0%
Composite	$1,157	$1,345	$1,412	16.3%	5.0%
Average Member Months	9,800	9,901	9,927	1.0%	0.3%
SOBRA Payment	$13,611	$16,100	$16,905	18.3%	5.0%
EFP Only	$19	$18	$19	-2.4%	5.0%
Rite Share	$66	$66	$69	0.2%	5.0%

Table III-6. Summary of RIte Smiles Monthly Premiums

	SFY 2022	SFY 2023	SFY 2024	FY22→FY23 Trend	FY23→FY24 Trend
Rite Smiles					
MF 0-2	$5	$4	$4	-14.6%	5.0%
MF 3-5	$18	$15	$16	-16.6%	5.0%
MF 6-10	$26	$21	$22	-16.0%	5.0%
MF 11-15	$28	$23	$24	-17.3%	5.0%
MF 16-19	$20	$15	$16	-25.1%	5.0%
MF 20+	$14	$15	$16	6.1%	5.0%
Composite	$20	$17	$17	-18.8%	3.1%
Average Member Months	130,769	137,683	141,834	5.3%	3.0%

Enhanced Claiming: CHIP and EFP Activity

Table III-7 and **Table III-8** summarize the enhanced federal financial participation that Rhode Island claims against medical benefits for overall CHIP activity and Family Planning Services.

EOHHS continues to make manual retroactive adjustments to its CHIP claiming at the end of each fiscal year to capture the enhanced rate as it applies to children between the age of one and 18 in households with incomes between 138% and 155% of the FPL. With respect to its family planning claiming, EOHHS makes a year-end adjustment to its prior period claiming based on overall capitation payments and an allocation methodology based on enrollment and the certified managed care rates. Any adjustment that is not completed within the fiscal year will be included in EOHHS' accrual and the amounts budgeted reflect this accrual basis accounting.

The PHE's 6.2 percentage point FMAP increase applies to the Children's Health Insurance Program, but indirectly. For Rhode Island, the PHE increase to the Enhanced (CHIP) FMAP is 4.34 percentage points according to the formula provided by CMS.

Table III-7. CHIP Offsets

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
CHIP Offset	$ 124,549,379	$ 127,658,575	$3.1 M	$ 136,253,019	$ 138,247,846	$2.0 M	$ 135,663,177
Additional GR Relief	*$ 16,938,716*	*$ 17,361,566*	*$0.4 M*	*$ 18,721,165*	*$ 18,995,254*	*$0.3 M*	*$ 19,467,666*

Table III-8. EFP Claiming

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Extended Family Planning	$ 11,265,276	$ 10,817,404	($0.4 M)	$ 11,703,640	$ 12,183,132	$0.5 M	$ 12,193,560
Additional GR Relief	*$ 3,978,895*	*$ 3,820,707*	*($0.2 M)*	*$ 4,191,073*	*$ 4,362,779*	*$0.2 M*	*$ 4,298,230*

IV. Rhody Health Partners

Rhody Health Partners			
		All Funds	**General Revenue**
FY 2020	Final	$259,995,219	$116,717,432
FY 2021	Final	$287,787,669	$116,456,194
FY 2022	Revised Enacted	$303,100,000	$119,634,720
	Prelim Final	**$227,334,745**	**$89,764,555**
	Surplus over Enacted	*$75,765,255*	*$29,870,165*
FY 2023	Enacted	$318,336,605	$142,019,764
	Current	**$305,600,000**	**$126,482,660**
	Surplus over Enacted	*$12,736,605*	*$15,537,104*
FY 2024	Current	**$321,900,000**	**$146,207,250**

EOHHS' revised FY 2023 forecast for Rhody Health Partners (RHP) reflects a surplus of $12.7 million over Enacted for total expenditures of $305.6 million. Overall, EOHHS forecasts an average fiscal year enrollment of 14,152 members in RHP in FY 2023, a decrease of 354 average member months over the Enacted.

EOHHS' revised FY 2024 forecast for Rhody Health Partners includes spending of $321.9 million for an average enrollment of 14,127 members.

The resumption of regular redeterminations following the termination of the PHE is not expected to impact the observed trend that is carried forward using linear regression through FY 2023. For RHP, to avoid a negative trend, EOHHS assumes flat trend relative to September 2022.

The following tables summarize EOHHS' revised forecasts for Rhody Health Partners for FY 2023 and FY 2024. **Table IV-1** summarizes all expenditures by capitated payments by product line to the health plans as well as various fee-for-service payments. EOHHS' revised average caseload forecast and a comparison to prior estimates is summarized in **Table IV-2**, with additional month-by-month detail provided in **Attachment 5a** and **Attachment 5b**. **Table IV-3** considers the changes in spending and caseload to summarize the price and volume variances for FY 2022 through FY 2024. The average monthly RHP capitation rate, by pay level, is summarized in **Table IV-4**.

FY 2022 – Adjusted Close

- The FY 2022 Preliminary Close incorrectly assigned the Expansion products' gain shares to Rhody Health Partners thereby creating an artificial surplus for the **Rhody Health Partners** budget line
- **Table VI-1** reflects correctly accounting for the gain share (while also updating it for reporting from MCOs received in September 2022), as well as for additional rebate collections invoiced through August 2022 for FY 2022 (and FY 2021)
- Overall, after reviewing materials with the state's auditors, EOHHS anticipates a surplus of about $5 million in contrast to the current $75.7 million deficit for FY 2022

FY 2023

- The Rhody Health Partners forecast reflects $12.7 million surplus compared to the Enacted. This surplus is primarily attributed to:
    - Reduced premium and withhold payments ($13.4 million) due to a lower composite PMPM compared to Enacted: revised estimate reflects a 3.8% composite trend instead of the 5.0%

assumed in Enacted; however, it is worth noting that the rate-specific price factors ranged from -2.4% to 9.9% and so a change in the distribution across rate cells also contributed to the lower-than-anticipated composite trend
    - Reduction in caseload compared to Enacted: between August and July 2022, RHP enrollment fell from 14,455 to 14,174. Enrollment as of September 30, 2022, was 14,120. EOHHS maintains this enrollment for the rest of FY 2023 and FY 2024.
- The enhanced FMAP associated with the COVID-19 emergency period provides $9.2 million in GR relief against this budget line in FY 2023.

FY 2024

- The Rhody Health Partners forecast reflects an increase of $16.3 million over FY 2023.
- The growth in spending compared to FY 2022 is almost entirely driven by the 5.0% price factor applied to the FY 2022 rates as enrollment is assumed to be flat and all other payments remain consistent with the current year.
- It is worth noting that the enrollment in September 2022 and maintained through FY 2024 reflects a historically low enrollment level in Rhody Health Partners.
    - The fiscal year-end snapshot for FY 2017 through FY 2020 narrowly ranged between 14,628 to 14,795, 3.6% to 4.8% higher than current enrollment as of September.
        - Increasing RHP enrollment to the historical average while maintaining the composite PMPM would increase spending by $14.1 million.
    - However, EOHHS forecast assumes that the current decline in enrollment is permanent as the decline is likely due to the increase in the number of previously eligible members who would have otherwise been enrolled as Aged, Blind, and Disabled, and therefore enrolled in Rhody Health Partners.
    - Instead of enrolling in RHP these previously eligible Expansion members are enrolled into the Expansion product. (Because these members are identified as "previously eligible adults" their expenditures are not eligible for the enhanced 90% federal financing.)

Table IV-1. Summary of RHP Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Payments to Plans							
Rhody Health Partners	$ 335,791,235	$ 334,926,714	$0.9 M	$ 350,743,112	$ 337,447,987	$13.3 M	$ 353,677,301
Withhold	1,686,009	1,683,009	0.0 M	1,754,895	1,695,400	0.1 M	1,777,145
Risk Share	(1,191,773)	(4,329,093)	3.1 M	0	0	0.0 M	0
Subtotal - Payment to Plans	**336,285,470**	**332,280,629**	**4.0 M**	**352,498,006**	**339,143,387**	**13.4 M**	**355,454,446**
Other Payments							
Non-Emergency Transportation	$ 3,591,528	$ 3,585,566	$0.0 M	$ 3,446,428	$ 3,350,529	$0.1 M	$ 3,254,726
FFS	10,353	133,936	(0.1 M)	10,353	525,939	(0.5 M)	554,444
Rebates	(36,813,815)	(38,608,426)	1.8 M	(37,618,182)	(37,469,529)	(0.1 M)	(37,402,899)
Subtotal - Other Payments	**(33,211,934)**	**(34,888,925)**	**1.7 M**	**(34,161,401)**	**(33,593,062)**	**(0.6 M)**	**(33,593,728)**
Subtotal - Rhody Health Partners	**$ 303,073,537**	**$ 297,391,705**	**$5.7 M**	**$ 318,336,605**	**$ 305,550,325**	**$12.8 M**	**$ 321,860,718**
Balance to RIFANS/CEC Rounding	26,463	(70,056,960)	70.1 M	0	49,675	(0.0 M)	39,282
Total - Rhody Health Partners	**$ 303,100,000**	**$ 227,334,745**	**$75.7 M**	**$ 318,336,605**	**$ 305,600,000**	**$12.7 M**	**$ 321,900,000**
General Revenue	*$ 119,634,720*	*$ 89,764,555*	*$29.9 M*	*$ 142,019,764*	*$ 126,482,660*	*$15.5 M*	*$ 146,207,250*
Federal Funds	*$ 183,465,280*	*$ 137,570,190*	*$45.9 M*	*$ 176,316,841*	*$ 179,117,340*	*($2.8 M)*	*$ 175,692,750*

Table IV-2. RHP Average Enrollment

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
Rhody Health Partners							
SSI 21-44	3,866	3,868	2	3,870	3,817	(53)	3,810
SSI 45+	7,199	7,188	(11)	7,127	6,918	(209)	6,903
SPMI	2,589	2,578	(11)	2,552	2,430	(122)	2,426
I/DD	953	952	(1)	957	987	30	989
Total	14,607	14,586	(21)	14,506	14,152	(354)	14,127
Overall PMPM	*$1,729*	*$1,699*	*($30)*	*$1,829*	*$1,799*	*($29)*	*$1,899*
Other Caseload Factors							
Non-Emergency Transportation	14,607	14,581	(26)	14,505	14,152	(353)	14,126

Table IV-3. RHP Price-Volume Comparison to May CEC and Prior SFY

	Price	Volume	Net
FY 2023 over FY 2022[1] (Current)	$17.6 M	($9.4 M)	$8.2 M
	5.9%	-3.0%	2.8%
FY 2023: Current over Enacted	($5.1 M)	($7.6 M)	($12.7 M)
	-1.6%	-2.4%	-4.0%
FY 2024 over FY 2023 (Current)	$16.9 M	($0.6 M)	$16.3 M
	5.5%	-0.2%	5.3%

Note 1. FY 2022 reflects adjustments to Preliminary Close (Adjusted).

Table IV-4. RHP Monthly Premiums

	SFY 2022	SFY 2023	SFY 2024	FY22→FY23 Trend	FY23→FY24 Trend
Rhody Health Partners					
SSI 21-44	$1,244	$1,368	$1,436	9.9%	5.0%
SSI 45+	$1,920	$2,023	$2,124	5.4%	5.0%
SPMI	$3,156	$3,176	$3,335	0.6%	5.0%
I/DD	$1,379	$1,346	$1,413	-2.4%	5.0%
Composite	$1,924	$1,997	$2,097	3.8%	5.0%
Average Member Months	14,583	14,152	14,127	-2.9%	-0.2%

V. Rhody Health Options

Rhody Health Options			
		All Funds	**General Revenue**
FY 2020	Final	$133,751,933	$59,363,164
FY 2021	Final	$125,489,260	$48,976,461
FY 2022	Revised Enacted	$133,800,000	$52,342,560
	Prelim Final	**$132,508,958**	**$52,307,488**
	Surplus over Enacted	*$1,291,042*	*$35,072*
FY 2023	Enacted	$178,628,398	$79,093,617
	Current	**$167,800,000**	**$69,066,480**
	Surplus over Enacted	*$10,828,398*	*$10,027,137*
FY 2024	Current	**$184,900,000**	**$83,667,250**

The revised FY 2023 forecast of $167.8 million for Rhody Health Options (RHO) reflects a surplus of $10.8 million over Enacted with average monthly caseload of 13,360 in the CMS Demonstration. The caseload forecast reflects a decline of 68; however, this decline disproportionately impacted the enrollment of members in nursing home because EOHHS ceased passively enrolling members in this care setting in October 2022.

General passive enrollment, however, is expected to continue through the end of the fiscal year.

The following tables summarize EOHHS' revised forecasts for RHO for FY 2023 and FY 2024. **Table IV-1** summarizes RHO expenditures. EOHHS' revised average caseload forecast and a comparison to prior estimates is summarized in **Table V-2**, with additional month-by-month detail provided in **Attachment 5a** and **Attachment 5b**. **Table V-3** calculates the price and volume related changes between FY 2022 and FY 2024.

The average monthly Rhody Health Option capitation rates, by pay level, reflected rates certified in September 2022 are summarized in **Table V-4.**

Certain Perry Sullivan related budget initiatives impacting home and community-based services are reflected in the final rate certifications but not separately identified for purposes of caseload. Also reflected in the rates is the continued implementation of the minimum staffing requirement for nursing homes (i.e., additional 1.0% applied to FY 2023 per diem)

FY 2023

- The forecast of $167.8 million reflects an overall surplus of $10.8 million compared to the Enacted
- The net surplus attributed to:
    - Lower caseload:
        - Although EOHHS continues to passively enroll members, the net volume is less than anticipated in May and given the age and frailty of members the number of new members enrolled each month is only slightly more than the number of enrolled members who pass away each month
    - Lower composite PMPM than assumed in Enacted
        - Although the composite PMPM has increased significantly over FY 2022 (+24.7%), the change is less than assumed in the Enacted ($1,109 PMPM in Enacted versus $1,075 in Current); this difference is attributed to the fact that fewer Nursing Home

members are being passively enrolled than EOHHS has previously forecasted would enroll

- It is worth noting that the FY 2023 surplus would have been marginally higher had a portion of the Perry Sullivan investments included in **Home and Community Care** been allocated to the **Rhody Health Options** budget line
- Additional payments of up to $4.4 million are expected to be paid to NHPRI as part of the LTSS alternative payment mechanism (APM) for home health agencies; however, this is a non-risk-based payment under its own separate payment terms and is to be financed with HSTP resources. It is costs are included in the non-CEC benefits line for **Health Systems Transformation Program**
- The enhanced FMAP associated with the COVID-19 emergency period provides $5.1 million in GR relief against this budget line in FY 2023

FY 2024

- The forecast of $184.9 million reflects a $17.1 million, or 10.2%, increase over FY 2023
- The increase over FY 2023 is attributed to continued passive enrollment of members through end of CY 2023, leading to a 4.7% increase in caseload as reflected in **Table V-3**
- EOHHS applied a 5.0% rate increase to each of the discrete rating category PMPMs contributing to a composite 5.2% price factor (compared to the 24.7% composite trend in FY 2023 over FY 2022)

Table V-1. Summary of Rhody Health Options Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/	Enacted	Current	Surplus/	Current
Payments to Plans							
CMS Demonstration (RHO II)	$ 125,437,453	$ 125,372,545	$0.1 M	$ 169,142,307	$ 158,037,794	$11.1 M	$ 174,405,174
Withhold	5,099,026	5,223,897	(0.1 M)	6,207,620	6,585,319	(0.4 M)	7,267,551
Subtotal - Payment to Plans	**130,536,479**	**130,596,442**	**(0.1 M)**	**175,349,927**	**164,623,113**	**10.7 M**	**181,672,725**
Other Payments							
Non-Emergency Transportation	$ 3,168,779	$ 3,164,558	$0.0 M	$ 3,190,433	$ 3,163,114	$0.0 M	$ 3,222,989
Rebates	(3,481)	(10,533)	0.0 M	(3,733)	(10,934)	0.0 M	(11,449)
Initiatives	0	0	0.0 M	0	0	0.0 M	0
Subtotal - Other Payments	**3,165,297**	**3,154,024**	**0.0 M**	**3,186,701**	**3,152,180**	**0.0 M**	**3,211,540**
Subtotal - Rhody Health Options	**$ 133,701,776**	**$ 133,750,466**	**($0.0 M)**	**$ 178,536,628**	**$ 167,775,293**	**$10.8 M**	**$ 184,884,265**
Balance to RIFANS/CEC Rounding	98,224	(1,241,508)	1.3 M	91,770	24,707	0.1 M	15,735
Total - Rhody Health Options	**$ 133,800,000**	**$ 132,508,958**	**$1.3 M**	**$ 178,628,398**	**$ 167,800,000**	**$10.8 M**	**$ 184,900,000**
General Revenue	*$ 52,342,560*	*$ 52,307,488*	*$0.0 M*	*$ 79,093,617*	*$ 69,066,480*	*$10.0 M*	*$ 83,667,250*
Federal Funds	*$ 81,457,440*	*$ 80,201,470*	*$1.3 M*	*$ 99,534,781*	*$ 98,733,520*	*$0.8 M*	*$ 101,232,750*

Table V-2. Rhody Health Options Average Enrollment

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
Rhody Health Options							
SPMI	1,159	1,141	(18)	1,148	1,196	48	1,260
I/DD	1,418	1,407	(11)	1,424	1,491	67	1,566
Community LTSS	1,677	1,729	52	1,675	1,750	75	1,839
Institutional LTSS	441	473	32	918	765	(153)	806
Community Non-LTSS	8,193	8,123	(70)	8,263	8,157	(106)	8,518
Total	12,888	12,873	(15)	13,428	13,360	(68)	13,990
Overall PMPM	*$865*	*$866*	*$1*	*$1,109*	*$1,047*	*($62)*	*$1,101*
Other Caseload Factors							
Non-Emergency Transportation	12,888	12,869	(19)	13,428	13,360	(68)	13,989

Table V-3. RHO Price-Volume Comparison to Enacted and Prior SFY

	Price	Volume	Net
FY 2023 over FY 2022 (Current)	$27.9 M	$6.1 M	$34.0 M
	20.9%	3.8%	25.5%
FY 2023: Current over Enacted	($10.0 M)	($0.9 M)	($10.8 M)
	-5.6%	-0.5%	-6.1%
FY 2024 over FY 2023 (Current)	$8.8 M	$8.3 M	$17.1 M
	5.2%	4.7%	10.2%

Note 1. FY 2022 reflects adjustments to Preliminary Close (Adjusted).

Table V-4. Summary of Rhody Health Options Monthly Premiums

Rhody Health Options	SFY 2022	SFY 2023	SFY 2024	FY22→FY23 Trend	FY23→FY24 Trend
SPMI	$1,127	$1,124	$1,180	-0.3%	5.0%
I/DD	$150	$142	$149	-5.2%	5.0%
Community LTSS	$3,560	$4,176	$4,384	17.3%	5.0%
Institutional LTSS	$3,560	$4,176	$4,384	17.3%	5.0%
Community Non-LTSS	$191	$203	$214	6.5%	5.0%
Composite	$846	$1,027	$1,082	21.4%	5.4%
Average Member Months	12,870	13,360	13,990	3.8%	4.7%

VI. Medicaid Expansion

Medicaid Expansion			
		All Funds	**General Revenue**
FY 2020	Final	$487,344,918	$42,855,710
FY 2021	Final	$643,785,240	$68,760,727
FY 2022	Revised Enacted	$745,000,000	$78,820,688
	Prelim Final	**$802,688,861**	**$85,586,841**
	Deficit over Enacted	*($57,688,861)*	*($6,766,153)*
FY 2023	Enacted	$860,432,687	$90,608,631
	Current	**$859,900,000**	**$92,853,999**
	Surplus over Enacted	*$532,687*	*($2,245,368)*
FY 2024	Current	**$803,800,000**	**$86,623,294**

EOHHS' revised forecast for Expansion of $860 million for FY 2023 reflects a $0.5 million surplus compared to the Enacted. The $2.3 million GR deficit is attributed to a greater number of Expansion members also meeting eligibility criteria that existed prior to January 1, 2014. These so-called previously eligible Expansion members are not eligible for 90% federal financing. Overall, EOHHS forecasts an average fiscal year enrollment of 112,026 members in Expansion in FY 2023, an increase of 7,620 over Enacted. The increase is due to the 6-month extension of the public health emergency assumed in EOHHS revised forecast compared to Enacted.

For FY 2024, EOHHS' expenditures forecast for Expansion reflects a 6.5% decrease over FY 2023 to $803.8 million. The FY 2024 forecast includes an average enrollment of 99,374, a decrease of 12,653 over FY 2022. The decrease in caseload and spending over revised Current is attributed to the wind-down of the Public Health Emergency beginning in April 2023 and anticipated to completed in March 2024.

The following tables summarize EOHHS' revised forecasts for Expansion for FY 2023 and FY 2024. **Table VI-1** summarizes all expenditures by capitated payments by product line to the health plans as well as various fee-for-service payments. EOHHS' revised average caseload forecast and a comparison to prior estimates is summarized in **Table VI-2** with additional month-by-month detail provided in **Attachment 5**. **Table VI-3** calculates the price and volume related changes for FY 2022 Final, FY 2023 Enacted and Revised and FY 2024 over FY 2023. The average monthly Expansion capitation rates, by pay level, are summarized in **Table VI-4**.

A five-year forecast that takes into consideration the impact of the changing FMAP rate for the Expansion population is presented in **Table VI-5**.

FY 2022 – Adjusted Close

- The FY 2022 Preliminary Close incorrectly assigned the Expansion products' gain shares to Rhody Health Partners thereby creating an artificial deficit for the **Expansion** budget line
- **Table VI-1** reflects correctly accounting for the gain share (while also updating it for reporting from MCOs received in September 2022), as well as for additional rebate collections invoiced in August 2022 for FY 2021 and updated IBNR calculations
- Overall, after reviewing materials with the state's auditors, EOHHS anticipates a surplus around $10 million in contrast to the current $57.8 million deficit for FY 2022

FY 2023

- The forecast is consistent with Enacted with just a $0.5 million (less than 0.1%) surplus compared to Enacted
- This balanced budget exists despite a significant increase in caseload—of an additional 8,187 members per month enrolled in Expansion product—contributing $58.5 million in additional costs to **Expansion** compared to the Enacted, as summarized in **Table VI-3**
- The offset reduction in prices was driven by a low 0.4% composite price trend for the FY 2023 rates over FY 2022 rates (that compared quite favorably to the 5.0% managed care trend assumed in May and incorporated into the Enacted)
- The caseload-driven costs were further mitigated by a reduction in FFS spending ($11.5 million) and higher drug rebates ($8.9 million) and reduced SOBRA expenditures ($2.8 million)
    - Higher drug rebates ($8.9 million) are tied to additional rebates invoiced in FY 2022, thereby raising the effective rebates collected per member per month, and using this multiplier against the increased caseload compared to Enacted
    - Lower FFS spending ($11.5 million) is attributed to the elimination of any Covid-19 testing adjustment as well as a decrease in the number of members remaining in FFS
    - SOBRA payments are down $2.8 million compared to Enacted with the allocation of births to Expansion budget line being based on proportion of deliveries by an Expansion mother over the past 9 months.
- Please note that the FY 2022 and FY 2023 initiatives included as below-the-adjustments include a $325,000 investment in Community Health Workers enacted in FY 2022 but not yet implemented as well as an estimate of $2.6 million for the costs associated with raising the fee schedule for adult dental services.
- The enhanced FMAP associated with the COVID-19 emergency period does not impact the Medicaid Expansion budget line

FY 2024

- The FY 2024 forecast of $803.8 million reflects a 6.5% decline over FY 2023
- The decline is driven by one factor:
    - A reduction of 12,653 (11.3%) to the average monthly caseload driven by the assumption that beginning in April 2023, the Expansion caseload will decline by an average net amount of 1,803 each month through March 2024
- EOHHS applied a price trend of 5.0% to all capitation payments
- Cost of adult dental services remains at the FY 2022 level but the investment in Community Health Worker is doubled in FY 2024 to $650,000

Previously Eligible Expansion-Eligible Members

Both FY 2023 and FY 2024 include an adjustment for Expansion members who would have been previously eligible for Medicaid under criteria in place prior to January 1, 2014 (e.g., individuals who meet specific disability standards but otherwise meet Expansion eligibility criteria). These members are not eligible for the enhanced 90% federal financial participation and Rhode Island must return any enhanced FMAP claimed on behalf of these members. Until the eligibility system is properly configured to prospectively identify these members, EOHHS fiscal staff must make adjusting entries at the end of each fiscal year.

As noted above, much of the GR deficit in FY 2023 is attributed to a higher proportion of these previously eligible members within the Expansion population. EOHHS' revised estimate includes $18.7 million and $17.2 million in FY 2023 and FY 2024, respectively, as being not eligible for 90/10 match. Although this compares unfavorably to the

$11.9 million assumed in FY 2022 Enacted, these higher amounts are consistent with the $17.3 million reported in FY 2022.

Rite Smiles Adjustment

EOHHS' projections include spending on Rite Smiles for Expansion-eligible members in the Expansion budget line. EOHHS' estimate includes $2.0 million in FY 2023 and $2.1 million in FY 2023, respectively, based on current Rite Smiles spending allocated to the Expansion funding source. As the Rite Smiles program continues to enroll older young adults (up to age 25) a greater proportion of membership will be eligible as Expansion Adults.

This adjustment is modeled as a shift in funding sources and budget line for EOHHS' overall Rite Smiles enrollment.

Table VI-1. Summary of Medicaid Expansion Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Payments to Plans							
Expansion	$ 794,998,907	$ 794,397,261	$0.6 M	$ 840,178,903	$ 861,083,014	($20.9 M)	$ 793,520,316
RIte Smiles	1,886,140	2,193,395	(0.3 M)	2,750,989	2,013,723	0.7 M	2,138,382
SOBRA	10,875,381	8,792,861	2.1 M	13,771,945	11,012,544	2.8 M	10,971,488
Withhold	3,996,385	3,993,193	0.0 M	4,130,219	4,325,814	(0.2 M)	3,987,079
Risk Share/Stop Loss	(55,598,200)	(56,376,250)	0.8 M	0	0	0.0 M	0
Subtotal - Payments to Plans	**756,158,613**	**753,000,460**	**3.2 M**	**860,832,057**	**878,435,095**	**(17.6 M)**	**810,617,265**
Other Payments							
Non-Emergency Transportation	$ 12,717,343	$ 12,705,536	$0.0 M	$ 13,137,417	$ 14,936,233	($1.8 M)	$ 14,623,647
Expansion FFS	44,505,175	39,050,271	5.5 M	52,966,851	41,499,743	11.5 M	43,774,707
Rebates	(68,423,962)	(72,208,194)	3.8 M	(69,053,951)	(77,920,857)	8.9 M	(68,486,327)
FY22/FY23 Initiatives	0	0	0.0 M	2,550,313	2,875,313	(0.3 M)	3,200,313
Subtotal - Other Payments	**(11,201,444)**	**(20,452,387)**	**9.3 M**	**(399,370)**	**(18,609,568)**	**18.2 M**	**(6,887,660)**
Subtotal - Expansion	**$ 744,957,169**	**$ 732,548,073**	**$12.4 M**	**$ 860,432,687**	**$ 859,825,528**	**$0.6 M**	**$ 803,729,605**
Balance to RIFANS/CEC Rounding	42,831	70,140,788	(70.1 M)	0	74,472	(0.1 M)	70,395
Total - Expansion	**$ 745,000,000**	**$ 802,688,861**	**($57.7 M)**	**$ 860,432,687**	**$ 859,900,000**	**$0.5 M**	**$ 803,800,000**
General Revenue	*$ 78,820,688*	*$ 85,586,841*	*($6.8 M)*	*$ 90,608,631*	*$ 92,853,999*	*($2.2 M)*	*$ 86,623,294*
Federal Funds	*$ 666,179,312*	*$ 717,102,020*	*($50.9 M)*	*$ 769,824,056*	*$ 767,046,001*	*$2.8 M*	*$ 717,176,706*

Table VI-2. Summary Medicaid Expansion Average Enrollment

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
Enrolled							
F 19-24	10,519	10,487	(32)	10,296	10,870	574	9,533
F 25-29	6,406	6,393	(13)	6,384	6,837	453	6,000
F 30-39	6,584	6,579	(5)	6,626	7,294	668	6,409
F 40-49	5,809	5,811	2	5,752	6,245	493	5,480
F 50-64	16,849	16,847	(2)	16,951	18,357	1,406	16,107
M 19-24	11,215	11,210	(5)	10,993	11,731	738	10,284
M 25-29	8,681	8,673	(8)	8,644	9,263	619	8,126
M 30-39	13,087	13,086	(1)	13,158	14,397	1,239	12,644
M 40-49	8,045	8,043	(2)	8,083	8,811	728	7,734
M 50-64	14,233	14,238	5	14,347	15,616	1,269	13,705
Subtotal - Enrolled	***101,428***	***101,367***	**(61)**	***101,234***	***109,421***	**8,187**	***96,022***
Rite Share	185	185	0	187	209	22	209
Remaining in FFS	2,816	2,715	(101)	2,985	2,396	(589)	3,143
Total - Expansion	104,429	104,267	(162)	104,406	112,026	7,620	99,374
Overall PMPM	*$595*	*$585*	*-$9*	*$687*	*$640*	*-$47*	*$674*
% Enrolled in Managed Care	*97%*	*97%*		*97%*	*98%*		*97%*
Other Caseload Factors							
Non-Emergency Transportation	103,494	103,397	(97)	101,822	111,232	9,410	98,675
SOBRA Births	799	646	(153)	803	684	(119)	649

Table VI-3. Expansion Price-Volume Comparison to May CEC and Prior SFY

	Price	Volume	Net
FY 2023 over FY 2022 (Current)	$67.8 M	$59.6 M	$127.4 M
	9.3%	7.4%	17.4%
FY 2023: Current over Enacted	($59.0 M)	$58.5 M	($0.5 M)
	-6.9%	7.3%	-0.1%
FY 2024 over FY 2023 (Current)	$46.2 M	($102.3 M)	($56.1 M)
	5.4%	-11.3%	-6.5%

Note 1. FY 2022 reflects adjustments to Preliminary Close (Adjusted).

Table VI-4. Summary of Medicaid Expansion Effective Monthly Premiums

Expansion	SFY 2022	SFY 2023	SFY 2024	FY22→FY23 Trend	FY23→FY24 Trend
F 19-24	$326	$334	$350	2.3%	5.0%
F 25-29	$474	$486	$510	2.5%	5.0%
F 30-39	$711	$737	$774	3.7%	5.0%
F 40-49	$917	$880	$924	-4.0%	5.0%
F 50-64	$857	$834	$875	-2.8%	5.0%
M 19-24	$234	$255	$267	8.9%	5.0%
M 25-29	$437	$421	$442	-3.7%	5.0%
M 30-39	$653	$663	$696	1.5%	5.0%
M 40-49	$859	$860	$903	0.2%	5.0%
M 50-64	$968	$960	$1,008	-0.8%	5.0%
Composite	$656	$659	$692	0.4%	5.0%
Average Member Months	101,357	109,421	96,022	8.0%	-12.2%

5-Year Extended Forecast

- EOHHS' extended five-year forecast assumes only a modest reduction in FY 2024 relative to FY 2023 followed by a further reduction in FY 2025 (to allow for the full 12-months of redeterminations to complete following end of Public Health Emergency)
- This is followed by moderate growth of 2.5% in FY 2025 and FY 2026, respectively.
- The composite PMPM trend reflects a 5.0% overall price factor each year
- In January 2020, the FMAP rate transitioned to 90 percent for this population.

Table VI-5. Medicaid Expansion FY 2022 + Extended 5-Year Fiscal Year Forecast

	PMPM	All Funds	FMAP	General Revenue
FY 2022 - Final	$585	$643.8 M	13%	$85.6 M
FY 2023 - Current	$640	$859.9 M	11%	$92.9 M
FY 2024 - Current	$674	$803.8 M	11%	$86.6 M
FY 2025	$708	$734.7 M	11%	$79.2 M
FY 2026	$743	$790.7 M	11%	$85.2 M
FY 2027	$780	$851.0 M	11%	$91.7 M

VII. Hospitals – Regular

Hospitals - Regular			
		All Funds	**General Revenue**
FY 2020	Final	$47,109,165	$20,116,400
FY 2021	Final	$48,594,097	$19,312,305
FY 2022	Revised Enacted	$70,000,000	$26,448,111
	Prelim Final	**$68,470,982**	**$26,096,010**
	Surplus over Enacted	*$1,529,018*	*$352,101*
FY 2023	Enacted	$69,198,590	$29,690,188
	Current	**$62,300,000**	**$25,529,963**
	Surplus over Enacted	*$6,898,590*	*$4,160,225*
FY 2024	Current	**$62,700,000**	**$27,948,690**

FY 2023

EOHHS' Hospital expenditure estimate of $62.3 million for FY 2023 reflects a $6.9 million surplus against Enacted. The surplus is driven primarily by a decline in UPL payments totaling $6.1 million. UPL modeling incorporates data from Medicare cost reports that each hospital submits to EOHHS. Some hospitals have differencing fiscal years which determine the due date of each hospital's Medicare cost report. The Enacted budget included the most up-to-date information at that time. Since then, EOHHS received updated and new cost reports from six hospitals (four whose fiscal years were on a calendar year and two from hospitals who had to revise and resubmit their cost reports to CMS).

As Rhode Island continues to increase its FFS service rates the difference between its fee schedule and the upper payment limit set by Medicare reimbursement narrows. For example, the 5.0% price factor included in the Enacted reduced the amount available under the UPL. EOHHS is required by law to make quarterly UPL payments. The SFY 23 Q1 payment was paid at the enacted UPL amounts; however, EOHHS will reduce the future UPL payments to reflect the updated model. Doing so will prevent large recoupments from each hospital at the end of the SFY.

Reduced inpatient utilization also contributes to the surplus compared to the Enacted budget.

The inpatient hospital and outpatient hospital FFS forecasts for FY 2023 are based on the FY 2022 spend, adjusted by an IBNR factor, and repriced with the legislatively mandated 5.0% price factor, which was effective 7/1/2022.

FY 2024

The hospital estimates for FY 2024 totals $62.7 million, a net $400,000 increase over the current year attributable to inflationary increases effective 7/1/2023, offset but adjustments for the Medicare Part A Buy In detailed on the next page. The FY 2024 hospital estimate takes the SFY 2022 monthly and inflates it by the applicable rate increase (4.10%) for both inpatient and outpatient hospitals. EOHHS assumes no meaningful change in utilization.

As of the November CEC, the index that Rhode Island statute requires EOHHS to use for outpatient services is not yet available. Given this absence, EOHHS' forecast reflects the same price factor for outpatient services as it uses for Inpatient services. Historically, the Inpatient and Outpatient have mirrored each other despite the different periodization of the estimates (i.e., federal fiscal year for inpatient versus calendar year for outpatient). Applying the current inpatient market basket update is an increase against the last available estimate for outpatient services

(i.e., the 2.70% market basket update for CY 2022).[20] If necessary, EOHHS will update its FY 2024 estimate in May based on regulated market basket updates.

A summary of the revised estimates for FY 2023 and preliminary forecast for FY 2024 are shown in **Table VII-1**. A summary of the price changes for FY 2024 are included in **Table VII-2**.

Medicare Part A Buy In

In October 2022, EOHHS completed enrolling 1,766 partial Duals (i.e., members with only Part B coverage) into CMS' Medicare Part A Buy-In program. These members who were already enrolled in Medicaid did not have coverage for hospital-based services from Medicare. As such if these members had a hospitalization it was financed by Medicaid FFS (due to them being partial Duals they were generally ineligible from enrollment into any Medicaid managed care product). EOHHS staff reviewed the Inpatient hospital claims of these members over the past two fiscal years and reduced EOHHS' current estimate by their average annual claims' expenditures: $3.1 million in FY 2023 and annualized to $4.3 million in FY 2024.

This cost avoidance can be viewed as a partial offset of the new cost added to **Other Medical Services** that is associated with the additional Medicare premium payments made on these member's behalf.

Table VII-1. Summary of Hospital – Regular Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Supplemental Payments							
Inpatient UPL	$ 21,401,168	$ 21,401,168	$0.0 M	$ 21,401,168	$ 16,805,529	$4.6 M	$ 16,805,529
Outpatient UPL	8,036,040	8,036,040	0.0 M	8,036,040	6,575,860	1.5 M	6,578,894
GME	4,518,257	4,518,257	0.0 M	2,500,000	2,500,000	0.0 M	2,500,000
Subtotal - Supplemental Payments	**33,955,465**	**33,955,465**	**0.0 M**	**31,937,208**	**25,881,389**	**6.1 M**	**25,884,423**
FFS Activity							
Inpatient FFS	$ 30,190,013	$ 31,912,320	($1.7 M)	$ 31,298,254	$ 33,507,936	($2.2 M)	$ 34,881,762
Medicare Part A Buy-In Savings	0	0	0.0 M	0	(3,071,250)	3.1 M	(4,262,895)
Outpatient FFS	5,806,356	5,276,074	0.5 M	5,963,128	5,886,951	0.1 M	6,128,316
Subtotal - FFS Activity	**$ 35,996,369**	**$ 37,188,394**	**($1.2 M)**	**$ 37,261,382**	**$ 36,323,637**	**$0.9 M**	**$ 36,747,183**
Subtotal - Hospitals - Regular	**$ 69,951,834**	**$ 71,143,859**	**($1.2 M)**	**$ 69,198,590**	**$ 62,205,026**	**$7.0 M**	**$ 62,631,606**
Balance to RIFANS/CEC Rounding	48,166	(2,672,877)	2.7 M	0	94,974	(0.1 M)	68,394
Total - Hospitals - Regular	**$ 70,000,000**	**$ 68,470,982**	**$1.5 M**	**$ 69,198,590**	**$ 62,300,000**	**$6.9 M**	**$ 62,700,000**
General Revenue	*$ 26,448,111*	*$ 26,096,010*	*$0.4 M*	*$ 29,690,188*	*$ 25,529,963*	*$4.2 M*	*$ 27,948,690*
Federal Funds	*$ 43,551,889*	*$ 42,374,972*	*$1.2 M*	*$ 39,508,402*	*$ 36,770,037*	*$2.7 M*	*$ 34,751,310*

Table VII-2. FY 2024 Hospital Trend Assumptions (Excludes Managed Care and Expansion FFS)

Hospitals (Excludes Expansion and Managed Care Lines)			
Price	**Percent**	**Dollar Impact**	**Source**
Inpatient	4.10%	$ 1,373,825	CMS FFY 2023 Inpatient Hospital PPS Market Basket Update
Outpatient	4.10%	$ 241,365	CMS FFY 2023 Inpatient Hospital PPS Market Basket Update
		$ 1,615,190	
Utilization	**Percent**	**Dollar Impact**	**Source**
Inpatient	0.00%	$ -	EOHHS
Outpatient	0.00%	$ -	EOHHS
		$ -	
Total Price/Volume		**$ 1,615,190**	

[20] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/MarketBasketData . Accessed 9/15/2022.

Note: Inpatient Price Impact shows the impact of the 4.10% increase on **Hospital – Regular**. It does not incorporate the below the line adjustment for the Medicare Part A Buy-In savings.

Hospital Supplemental Payments – Upper Payment Limit (UPL)

FY 2023 UPL Payment

The FY 2023 Enacted included $8.0 million for outpatient and $21.4 million for inpatient UPL payments. EOHHS' testimony revises these to $6.6 million and $16.8 million, respectively. **Table VII-3** shows the projected FY 2022 Inpatient and Outpatient UPL payments made to each hospital.

Based on EOHHS' analysis of the proportion of hospital fee-for-service expenditures attributed to Expansion-eligible members, approximately one third of EOHHS outpatient UPL payments are eligible for 90% federal financial participation. This allocation is reflected in the state-federal splits for the Hospital budget line with the Expansion share of the supplemental payments assigned to the newly created line sequences.

FY 2024 UPL Payment

The FY 2024 estimated for UPL payments remain consistent with current year levels.

Hospital Supplemental Payments – Graduate Medical Education (GME)

FY 2023 GME Payment

Our caseload testimony assumes $2.5 million GR for GME: $1.0 million each to Rhode Island Hospital and Women & Infants Hospitals, and $0.5 million to Landmark Hospital. These payments are necessarily state-only because Rhode Island pays its hospitals supplemental payments that bring them to 100% of the UPL allowed by CMS.

FY 2024 GME Payment

EOHHS maintains the same assumption and includes $2.5 million GR for GME payments in FY 2024.

Table VII-3. Final Supplemental Payments by Hospital, FY 2022

	Outpatient UPL	Inpatient UPL	GME	DSH - July 2021	DSH - June 2022
Rehab Hospital	$ 1,691	$ -	$ -	$ -	$ -
Kent Hospital	708,995	1,287,043	-	6,661,302	10,222,773
Landmark Medical Center	412,068	730,499	-	12,007,889	8,120,444
Miriam Hospital	1,191,882	1,634,145	-	9,635,105	7,074,335
Newport Hospital	261,669	368,482	-	5,498,955	5,205,292
Rhode Island Hospital	3,303,462	6,573,734	3,518,257	61,904,329	60,288,233
Roger Williams Medical Center	630,153	1,154,942	-	12,667,970	15,982,004
Our Lady of Fatima Hospital	250,326	2,001,151	-	7,604,732	5,222,842
South County Hospital	174,419	114,267	-	4,042,460	3,778,260
Westerly Hospital	126,847	80,842	-	1,840,838	3,884,944
Women & Infants Hospital	$ 967,776	$ 7,400,155	$ 1,000,000	$ 20,630,400	$ 25,256,609
Total	$ 8,029,288	$ 21,345,260	$ 4,518,257	$ 142,493,980	$ 145,035,736

VIII. Hospitals - DSH

Hospitals - DSH Payments			
		All Funds	**General Revenue**
FY 2020	Final	$142,083,257	$67,489,693
FY 2021	Final	$142,301,035	$66,290,193
FY 2022	Revised Enacted	$287,573,859	$113,049,447
	Prelim Final	**$290,942,646**	**$106,529,022**
	Deficit over Enacted	*($3,368,787)*	*$6,520,425*
FY 2023	Enacted	$145,079,879	$56,465,088
	Current	**$145,079,879**	**$57,799,824**
	Deficit over Enacted	*$0*	*($1,334,736)*
FY 2024	Current	**$136,338,847**	**$61,338,847**

FY 2023 Payment

EOHHS' current forecast for DSH is consistent with the Enacted. EOHHS assumes payment will be made prior to the cessation of the Public Health Emergency (potentially as early as in March 2023 if necessary). This should allow EOHHS to leverage the enhanced FMAP and reduce its GR cost to the State. Such an approach is consistent with the assumption implied in the Enacted.[21]

In September 2022, CMS communicated to the states its preliminary DSH allotments for FFY 2023. This is the maximum amount that EOHHS could pay in SFY 2023 subject to the General Assembly's appropriation. Contrary to prior years, these preliminary allotments provide for different scenarios depending on the continuation of the Public Health Emergency and availability of the enhanced FMAP.

Although the appropriated DSH amount is less than the maximum amount available to Rhode Island it is consistent with current law. At the direction of the General Assembly and its inclusion in the FY 2023 Revised Enacted, EOHHS could make a subsequent payment of up to $13.8 million for total DSH payments of $158.9 million in FY 2023. The additional general revenue cost of this subsequent payment, relative to Enacted, could be as much as between $6.8 million and $16.7 million. **Table VIII-2** details the DSH payment options for Rhode Island.

FY 2024 Payment

The *Consolidated Appropriations Act for 2021* delayed the reductions to the Medicaid DSH allotments included in the Affordable Care Act until FFY 2024. Beginning in SFY 2023, the Enacted Budget aligned the SFY DSH payment to the corresponding FFY (i.e., the SFY 2023 will be made in FFY 2023). As such, the projected FFY 2024 DSH reductions scheduled for FFY 2024 are reflects in EOHHS's SFY 2024 projections.

As of this October 2022, CMS has not provided EOHHS with a preliminary allotment; therefore, EOHHS used the projected FY 2024 reduced allotments provided in MACPAC's *March 2022 Report to Congress on Medicaid and*

[21] The FY 2023 Enacted included DSH payment of $145.1 million including $56.5 million GR which presumes the payment was made during the Public Health Emergency. While this is contrary to what was included in EOHHS' May CEC testimony (based on assumption that PHE would end on September 30, 2022 and so would be unavailable for the FFY 2023 DSH payment) it is reasonable outcome given the extension of the PHE beyond September 30, 2022.

CHIP.[22]. Rhodes Island's allotment is expected to decrease from $85.6 million (or $95.6 million) in FFY 2023 to $75.0 million in FFY 2024. EOHHS will update the conferees when it receives a preliminary allotment from CMS.

Table VIII-1. Summary of Hospital – DSH Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
DSH	$ 287,573,859	$ 287,529,715	$0.0 M	$ 145,079,879	$ 145,079,879	$0.0 M	$ 136,338,847
Accrual	0	3,412,929	(3.4 M)	0	0	0.0 M	0
Total - Hospitals - DSH	**$ 287,573,859**	**$ 290,942,644**	**($3.4 M)**	**$ 145,079,879**	**$ 145,079,879**	**$0.0 M**	**$ 136,338,847**
General Revenue	*$ 113,049,447*	*$ 106,529,022*	*$6.5 M*	*$ 56,465,088*	*$ 57,799,824*	*($1.3 M)*	*$ 61,338,847*
Federal Funds	*$ 174,524,412*	*$ 184,413,624*	*($9.9 M)*	*$ 88,614,791*	*$ 87,280,055*	*$1.3 M*	*$ 75,000,000*

Table VIII-2. Summary of FY 23 DSH Payment Options

Scenario	Federal Funds	General Revenue	All Funds	General Revenue Variance to Enacted	All Funds Variance to Enacted	Effective FMAP
Enacted Budget	$ 88,614,791	$ 56,465,088	$ 145,079,879	$ -	$ -	61.08%
EOHHS Testimony	87,280,055	57,799,824	145,079,879	1,334,736	-	60.16%
Option A (Max Federal Share at eFMAP)	95,607,082	63,314,265	158,921,347	6,849,177	13,841,468	60.16%
Option B (Max Federal Share Regular FMAP)	$ 85,753,959	$ 73,167,388	$ 158,921,347	$ 16,702,300	$ 13,841,468	53.96%

[22]Medicaid and CHIP Payment Commission. (March 2022) "March 2022 Report to Congress on Medicaid and CHIP" Internet: https://www.macpac.gov/wp-content/uploads/2022/03/Chapter-3-Annual-Analysis-of-Disproportionate-Share-Hospital-Allotments-to-States.pdf, Appendix Table 3A-2.

IX. Nursing and Hospice Care

Nursing and Hospice Care			
		All Funds	**General Revenue**
FY 2020	Final	$344,084,010	$146,519,287
FY 2021	Final	$285,519,500	$112,821,180
FY 2022	Revised Enacted	$314,300,000	$122,954,160
	Prelim Final	**$309,213,322**	**$117,567,760**
	Surplus over Enacted	*$5,086,678*	*$5,386,400*
FY 2023	Enacted	$311,623,884	$137,967,876
	Current	**$338,200,000**	**$139,203,120**
	Deficit over Enacted	*($26,576,116)*	*($1,235,244)*
FY 2024	Current	**$366,000,000**	**$165,615,000**

FY 2023

EOHHS' FY 2023 revised estimate is $338.2 million, a $26.6 million increase above the enacted. The increase is due to higher nursing home utilization resulting from: (a) a modestly increasing daily census, and (b) the lower than anticipated enrollment of nursing home residents into Rhody health Options.

For the FY 2023 estimate, EOHHS took the October 2021 through June 2022 spend adjusted for IBNR, inflated by a rate increase of 4.0% to account for a 3.0% rate increase included in the Enacted and additional 1.0% rate increase for continued implementation of the minimum staffing increase.[23] EOHHS then applied a 2.5% utilization increase. The rate and utilization adjustments are effective October 1, 2022, and so impact 9 months of the current year's estimate.

Please note that eliminating the utilization trend would reduce the forecast in FY 2023 by $5.5 million (approximately $500,000 per month on an annual basis). This assumption is repeated (and therefore compounded) in FY 2024, is discussed below.

The significant deficit to the budget line is due to the elimination of the below-the-adjustment for passive enrollment of nursing home residents into Rhody Health Options. In contrast to the May CEC Adopted, and therefore Enacted, EOHHS is no longer applying a $33.2 million reduction to the **Nursing and Hospice Care** budget line for the passive enrollment of 100 nursing home residents into Rhody Health Options. EOHHS ceased enrolling nursing home residents in October 2022 and the enrollment over the first quarter of the fiscal year resulted in only modest net growth within the nursing home rate cell.[24]

The hospice estimate used the same methodology as above, including both adjustments for minimum staffing and utilization. EOHHS reimburses nursing facility-based hospice at 95.0% of the nursing facility per diem.

Finally, EOHHS adjusted its baseline spend to account for the $175 behavioral health add-on, effective January 2023, estimated to cost $1.4 million in the current year.

[23] Please note that the 0.5% increase to nursing facilities rates for the FY 2022 minimum staffing adjustment was retroactively paid in July 2022 (due to delayed CMS approval) and therefore is reflected in the base data used for estimating FY 2023.

[24] NHPRI will continue to see changes to its Nursing Home rate cells (i.e., IC60) during the fiscal year and next as enrolled members transition between pay levels. This is reflected in the underlying trends and distribution of members across the pay levels within RHO II.

FY 2024

The FY 2024 estimate totals $366.0 million, an increase of $27.8 million above FY 2023. The increase is attributed to the projected 6.9% rate increase, an additional 2.5% utilization increase, and the annualization of the $175 behavioral health add-on budget initiative.

For FY 2024, the rate increase reflects the 5.4% market basket increase and 1.5% for minimum staffing requirements. The 5.4% represents the CMS Actual Regulation Skilled Nursing Facility PPS Market Basket for FFY 2023 as posted on the CMS Market Basket Data website[25] and summarized in **Table IX-3** below. The published table clarified that the previously published estimate of 3.9% was in error, and should be increased by 1.5%, for a net market basket without productivity adjustment of 5.4%. The official regulation detailing the forecast error is available in the Federal Register.[26] The additional 1.5% reflects the final disbursement of the rate increases associated with the minimum staffing requirements enacted in FY 2022.

Overall, the FY 2024 nursing facility estimate takes the monthly average for FY 2023, after the October 1, 2022, price adjustment, and assumes three months at the October 1, 2022, rate and then nine months with an additional 2.5% utilization factor applied along with a 6.9% price factor, applicable October 1, 2023. The hospice estimate uses the same methodology. EOHHS then added $2.9 million to annualize the $175 behavioral health add-on.

Overall, for FY 2024, the value of the utilization adjustments is $8.0 million for the initial adjustment from FY 2022 carried into FY 2023 and an additional $6.1 million for the 2.5% factor applied in October of FY 2023. Total cost of the utilization assumption in FY 2024 is $14.1 million.

The components of EOHHS' estimate are summarized in **Table IX-1**. **Table IX-2** shows the average nursing facility per diem before and after patient share. Rate and utilization assumptions used as presented in **Table IX-4**. Additional information on paid days is presented in **Attachment 4.**

Table IX-1: Summary of Nursing Home and Hospice Expenditures

	SFY 2022			SFY 2023			SFY 2024
FFS Activity	**Revised Enacted**	**Prelim Final**	**Surplus/ (Deficit)**	**Enacted**	**Current**	**Surplus/ (Deficit)**	**Current**
Hospice	$ 26,573,339	$ 26,479,410	$0.1 M	$ 24,861,312	$ 28,036,730	($3.2 M)	$ 30,224,822
Nursing Home	287,632,836	290,502,575	(2.9 M)	286,762,572	310,113,234	(23.4 M)	335,716,720
Subtotal FFS	**$ 314,206,175**	**$ 316,981,984**	**($2.8 M)**	**$ 311,623,884**	**$ 338,149,964**	**($26.5 M)**	**$ 365,941,542**
Balance to RIFANS/CEC Rounding	93,825	(7,768,662)	7.9 M	0	50,036	(0.1 M)	58,458
Grand Total - Nursing and Hospice Care	**$ 314,300,000**	**$ 309,213,322**	**$5.1 M**	**$ 311,623,884**	**$ 338,200,000**	**($26.6 M)**	**$ 366,000,000**
General Revenue	*$ 122,954,160*	*$ 117,567,760*	*$5.4 M*	*$ 137,967,876*	*$ 139,203,120*	*($1.2 M)*	*$ 165,615,000*
Federal Funds	*$ 191,345,840*	*$ 191,645,562*	*($0.3 M)*	*$ 173,656,008*	*$ 198,996,880*	*($25.3 M)*	*$ 200,385,000*

[25] Actual Regulation Market Basket Updates, Summary Web Table – Actual 2022 Q2. Internet: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/MarketBasketData (Accessed 9/15/2022)

[26] Internet: https://www.federalregister.gov/documents/2022/08/03/2022-16457/medicare-program-prospective-payment-system-and-consolidated-billing-for-skilled-nursing-facilities (Accessed 10/14/2022)

Table IX-2. Nursing Home Medicaid Per Diem (Average)

Rate Effective Date	Average Per Diem	Less Patient Share
1-Oct-20	$239	$198
1-Oct-21	$245	$205
1-Oct-22	$250	$209
1-Oct-23	$267	$223

Table IX-3. Skilled Nursing Facility PPS Market Basket Data for SFY 2024

Skilled Nursing Facility PPS	SFY 2024 Proposed *Based on FFY 2023*
(A) Market Basket Update	3.9%
(B) Productivity Adjustment	0.3%
(C) CMS Forecast Error	1.5%
Market Basket Update (A + C)	**5.4%**

Table IX-4. FY 2024 Nursing and Hospice Care Trend Assumption (Excludes Managed Care and Expansion Lines)

	Percent	Dollar Impact[1,2]	Source
Price Factor	6.90%	$17,426,921	FFY 2023 Skilled Nursing Facility PPS and RIGL 40-8-19
Utilization	2.50%	$8,854,476	EOHHS
Total		**$26,281,397**	

Note 1. The value of the rate change pertains to the Nursing and Hospice Care baseline only. Additional nursing home spending is in Expansion, Managed Care, and included in each of the managed care products.

Note 2. The "Price Factor" illustrates the impact of the annual rate increase to the State and not the full value of the rate increase received by the nursing facility. All else equal, the component of the rate paid by Medicaid (i.e., not paid by the resident) will increase by a larger percentage than the rate increase seen by the facility, as patient share collections do not necessarily increase by the same percentage as the nursing home rate increase each year. However, in consideration of the 5.9% and 8.7% Social Security (and SSI) cost of living adjustment for CY 2022 and CY 2023, EOHHS assumes that both the cost to the state and the rate increase seen by the nursing facilities will be equivalent, i.e., that patient share collections will increase proportionately (by the same percentage) to the increase in payments to the nursing facilities.

Nursing Home Utilization Adjustment

Rhode Island's nursing facility industry was significantly impacted by Covid-19. Early in the pandemic nursing homes saw their average census decline by over 20% percent, from an average census between 7,800 and 7,900 to around 6,100 in winter of 2020/21. The decline was attributed to multiple factors not just a higher mortality rate among the elderly population. For example, for several months the number of new admissions was significantly less as, for example, (a) hospitals reduced the number of elective surgeries that in the past would have been followed by rehabilitative care treatment in a nursing facility, and (b) families likely kept their aging spouse or parent in the home beyond when they would have in the past. As of September 2022, the average daily census was just under 7,000, still more than 10% below the pre-Covid average.

Changing norms and nature of the nursing home census can also be seen in the decline in the average length of stay of residents. For example, 55-60% of the average daily census in FY 2018 and FY 2019 had a length of stay greater than 1 year; that percentage was 52.5% during the last half of FY 2022. Given this trend in length of stay it is not surprising that the percentage of residents with a Medicaid eligibility is also significantly less now than it was

pre-Covid: approximately 70% of nursing facilities residents were Medicaid eligible in the first quarter of FY 2023 compared to 75-80% in the pre-Covid period.[27]

Given the current status of the nursing home census there are two pressures that could lead to an increase in Medicaid costs. First, overall census is likely to continue to increase. Rhode Island nursing facilities have regained approximately half of the occupants that they lost during the pandemic and this trend will continue. How much and how fast is challenging to predict. Additionally, prior to the pandemic, Rhode Island was implementing general policies to reduce the number nursing home residents (e.g., higher home care rates, new assisted living tiers, additional options for personal choice) and so EOHHS does not expect the census to return to the pre-Covid level (at least as it relates to Medicaid-paid days). However, the 10 percent decline remains a significant (and likely unsustainable) decline given the general aging of Rhode Islanders.

The second pressure will be the transition of the any new nursing home residents to Medicaid and Medicaid LTSS. In general, the 900 nursing beds that have been filled since the Winter 2020/21 has resulted in a greater proportion of shorter-term stays (i.e., not Medicaid paid) may soon become Medicaid LTSS authorized as they deplete their assets. EOHHS concern is that this transition from private pay to Medicaid eligible could happen suddenly.

Overall, while EOHHS does not presume we will return to the pre-Covid Medicaid census immediately (or, hopefully, ever), there is enough uncertainty in the future state that applying the 2.5% utilization adjustments in FY 2023 and again in FY 2024 seems reasonable. Even with this adjustment, EOHHS will remain well below their pre-Covid census. Given the legislatively mandated rate increases of 4.00% in FY 2023 and another 6.90% in FY 2024 underestimating the growth in paid bed days EOHHS has elected to err on the side of overstating utilization than understating utilization.

[27] Medicaid eligibility does not mean that Medicaid is paying for the nursing facility stay. Medicaid LTSS authorizations are a better indicator of Medicaid charges; however, there is a more significant delay in LTSS authorizations and so a more recent comparison would not be meaningful.

X. Home and Community Care

Home and Community Care			
		All Funds	**General Revenue**
FY 2020	Final	$82,506,503	$34,704,126
FY 2021	Final	$90,670,254	$35,969,944
FY 2022	Revised Enacted	$98,600,000	$38,572,320
	Prelim Final	**$99,973,611**	**$38,829,414**
	Deficit over Enacted	*($1,373,611)*	*($257,094)*
FY 2023	Enacted	$137,765,970	$61,054,127
	Current	**$122,600,000**	**$50,520,285**
	Surplus over Enacted	*$15,165,970*	*$10,533,842*
FY 2024	Current	**$127,500,000**	**$57,693,750**

FY 2023

EOHHS projects Home and Community Based Services (HCBS) expenditures[28] in FY 2023 to total $122.6 million, a surplus of $15.2 million compared to the Enacted. The decrease is driven by a shift in expenditures associated with the Perry Sullivan appropriation to different budget lines. The Perry Sullivan Appropriation in the Enacted included $34.4 million in new spending on home and community-based services, of which $11.7 million remains in the **Home and Community Care** budget line. The remaining investments are either reflected in the FFS spending in **Managed Care** and **Other Medical Services** or reflected as adjustments to the capitation rates paid in the various managed care products. Noteworthy, if controlling for the Perry Sullivan appropriation, the **Home and Community Care** budget line has a deficit of $7.5 million as it relates to PACE and its FFS spending.

Table X-1 below shows the summary of Home and Community Care Expenditures over FY 2023 and FY 2024 versus the Enacted budget. **Table X-2** summarizes changes in authorizations for HCBS services. Please note that the count of people authorized for HCBS and is not equivalent to number of members utilizing LTSS services. EOHHS derives its fee-for-service estimates from actual utilization with prospective adjustments for any anticipated changes in price and/or utilization. This approach is unlike the PMPM basis EOHHS uses for its managed care estimates.

In general, EOHHS' continues to see increased FFS spending across its home and community-based services when compared to pre-COVID activity: overall, EOHHS was spending $5.4 million per month in the 6 months prior to March 2020 but appears to have spent $7.6 million per month in the last quarter of FY 2022.

EOHHS' methodology for revising its current year estimate looked at FY 2022 claims activity adjusted for IBNR. To avoid carrying-forward the temporary rate increases paid to certain providers as part of the ARPA HCBS investments, EOHHS considered the selection of its base period and therefore depending on the type of service used only the months between July-November 2021 and April-June 2022. For services not impacted by the ARPA HCBS investments (such as Assisted Living), EOHHS considered experience through the entirety of FY 2022.

For personal care services, the selected FY 2022 base was inflated by 2.43%. No utilization increases were included for any service type, except for a 2.5% increase applied to the base Assisted Living experience. Due to the newly implemented tiered payment system and ability of assisted living facilities to attain a Tier B or Tier C status which

[28] Please note that spending in this budget line does not reflect all HCBS spending by Medicaid. Any non-EOHHS spending on home and community-based services by other agencies (such as I/DD community services spending paid by BHDDH or OHA Copay program expenditures at DHS) as well as any non FFS spending on HCBS included in managed care products (such as Rhody Health Options) are not reflected here.

may result in higher payments, EOHHS included this modest inflater to account for facilities who may become certified to provide Tier B and C services during the fiscal year.

Once EOHHS estimated its baseline HCBS spending for FY 2023, it added all budget initiatives not in the base claims data. **Table X-7** below summarizes all changes between the enacted in revised EOHHS estimate as it pertains to the Perry Sullivan appropriation.

Program of All Inclusive Care for the Elderly (PACE)

EOHHS' revised FY 2023 forecast for PACE of $21.0 million reflects a deficit of $2.7 million compared to the Enacted. Overall, EOHHS forecasts an average fiscal year enrollment of 427 members in PACE in FY 2023, an increase of 55 members per month on average (636 member months) compared to the Enacted. At this time, EOHHS has no reason to presume the trend observed over the past 6 months will moderate and so this accounts for the growth in enrollment over Enacted.

Under EOHHS' approved SPA for PACE[29], the rates are rebased every 3 years, and trended by the change in the CMS Home Health Agency Market Basket during the intervening years. This latest rebasing occurred in FY 2022. Under the CMS methodology,[30] rates for PACE organizations are set based on an estimate of the amount the state otherwise would have paid (AWOP), had the PACE program not existed. This amount is calculated based on what Medicaid would have paid for these members under Medicaid Fee for Service.

FY 2024

The FY 2024 forecast of $127.5 million is $4.9 million higher than FY 2023. The most significant factor for the increase over FY 2022 is the projected rate increase for personal care services and an increase in PACE capitation payments.

For all HCBS categories the FY 2024 estimate annualizes the monthly average of the projected FY 2023 spend adjusted for any necessary price changes. Certain HCBS services are eligible for an annual rate increase on July 1 of each year. Pursuant to the Medicaid State Plan, EOHHS uses the March release, containing the February data, of the New England CPI-U for Medical Care. This data is not yet available and so EOHHS used the September 2022 release that showed a 5.42% increase, as shown in **Table X-3.**

The FY 2023 Enacted authorized EOHHS to pursue a waiver amendment to provide annual inflationary increase to home delivered meals rates effective July 1, 2023. Like the select HCBS codes that receive an increase, EOHHS will use the March release, containing the February data, of the New England CPI-U for Food at Home. This data is not yet available and so EOHHS used the September 2022 release that showed a 9.69%% increase, as shown in **Table X-3.** in **Table X-4** shows the estimated value of this increase.

Program of All Inclusive Care for the Elderly (PACE)

EOHHS' forecast for PACE of $23.0 million for FY 2024 reflects an increase of $2.0 million over current. Overall, EOHHS forecasts average fiscal year enrollment of 446, an increase of 19 members per month over FY 2023. EOHHS does not expect that the end of the Public Health Emergency will reduce PACE enrollment.

As noted above the PACE rates reflect the methodology in Rhode Island's CMS-approved approach and applies the most current Home Health Prospective Payment System (PPS) market basket increase less productivity adjustment, as released by CMS. The rate for FY 2023 is not yet available and so EOHHS elected to apply the same 5.0% price factor used across all managed care products. The updated value should be available prior to EOHHS' testimony at the May CEC.

After estimating the baseline HCBS spending, EOHHS factored in 2023 Investments not yet reflected in the selected base experience. **Table X-5** summarizes PACE monthly caseload and premiums. **Table X-6** summarizes the price-volume comparison for PACE expenditures between FY 2022 Final and FY 2023 Current, between FY 2023 Enacted and Current, and between FY 2023 Current and FY 2024.

[29] https://www.medicaid.gov/sites/default/files/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/RI/RI-18-007.pdf
[30] https://www.medicaid.gov/sites/default/files/2019-12/pace-medicaid-capitation-rate-setting-guide.pdf

Table X-1. Summary of Home and Community Care Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
PACE	$ 17,233,023	$ 17,595,995	($0.4 M)	$ 18,249,685	$ 20,957,450	($2.7 M)	$ 22,981,640
FFS Activity							
Personal Care	$ 43,450,471	$ 43,813,510	*($0.4 M)*	$ 45,582,907	$ 48,044,069	*($2.5 M)*	$ 50,628,013
Adult Day	4,052,424	4,355,107	*($0.3 M)*	4,150,543	4,721,865	*($0.6 M)*	4,721,865
Personal Choice	11,638,515	11,108,863	*$0.5 M*	11,654,937	11,103,470	*$0.6 M*	11,103,470
Shared Living	5,532,179	5,925,666	*($0.4 M)*	5,532,179	6,506,856	*($1.0 M)*	6,506,856
Assisted Living	13,516,346	15,547,697	*($2.0 M)*	15,153,456	15,936,389	*($0.8 M)*	15,936,389
Other HCBS	3,147,696	2,828,541	*$0.3 M*	3,076,290	3,615,433	*($0.5 M)*	3,634,813
Subtotal FFS	**$ 81,337,632**	**$ 83,579,383**	**($2.2 M)**	**$ 85,150,312**	**$ 89,928,082**	**($4.8 M)**	**$ 92,531,406**
Initiatives	0	0	*$0.0 M*	34,365,972	11,699,189	*$22.7 M*	11,950,078
Subtotal - Home and Community Care	**$ 98,570,655**	**$ 101,175,378**	**($2.6 M)**	**$ 137,765,969**	**$ 122,584,721**	**$15.2 M**	**$ 127,463,124**
Balance to RIFANS/CEC Rounding	29,345	(1,201,767)	*$1.2 M*	1	15,279	*($0.0 M)*	36,876
Total - Home and Community Care	**$ 98,600,000**	**$ 99,973,611**	**($1.4 M)**	**$ 137,765,970**	**$ 122,600,000**	**$15.2 M**	**$ 127,500,000**
General Revenue	*$ 38,572,320*	*$ 38,829,414*	*($0.3 M)*	*$ 61,054,127*	*$ 50,520,285*	*$10.5 M*	*$ 57,693,750*
Federal Funds	*$ 60,027,680*	*$ 61,144,197*	*($1.1 M)*	*$ 76,711,843*	*$ 72,079,715*	*$4.6 M*	*$ 69,806,250*

Table X-2. PACE and FFS Home and Community Based Services Authorizations

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
PACE	357	356	(1)	372	427	55	446
Remaining in FFS							
Assisted Living	576	601	25	611	638	27	659
Shared Living	242	247	5	276	292	16	300
Personal Choice	464	490	26	480	515	35	534
Home Care	2,339	2,341	2	2,399	2,401	2	2,475
Other HCBS	35	24	(11)	36	24	(12)	26
Subtotal HCBS	***3,656***	***3,703***	**47**	***3,802***	***3,870***	**68**	***3,994***

Note 1. Approximately one-third of LTSS-authorized members in the community are enrolled in Rhody Health Options and not reflected herein.
Note 2. Independent Provider authorizations are included in Personal Choice authorizations.

Table X-3. Calculation of Price Factors for Personal Care Services and Home Delivered Meals

		Series Title:	Medical care in new England, all urban consumers, not seasonally adjusted	Food at home in New England, all urban consumers, not seasonally adjusted
		Series ID:	CUUR0110SAM	CUUR0110SAM
Year	Period	Label	Observation Value	Observation Value
2021	M08	2021 Aug	110.545	108.383
2022	M08	2022 Aug	116.541	118.882
		Annual Trend:	**5.42%**	**9.69%**

Table X-4. FY 2024 HCBS and Home Delivered Meals Trend Assumptions

	Percent	Dollar Impact	Source
Personal Care			
Price Factor	5.42%	$2,588,945	New England CPI-U for Medical Care (September Release)
Utilization	0.00%	$0	EOHHS
TOTAL – Personal Care		**$2,588,945**	
Home Delivered Meals			
Price Factor	9.69%	$19,380	New England CPI-U for Food at Home (September Release)

Utilization	0.00%	$0	EOHHS
TOTAL – Home Delivered Meals		$19,380	

Table X-5. Summary of PACE Monthly Premiums

PACE	SFY 2022	SFY 2023	SFY 2024	FY22→FY23 Trend	FY23→FY24 Trend
Medicaid Only	$5,783	$5,191	$5,451	-10.2%	5.0%
Dual, 55-64 y.o.	$4,516	$3,740	$3,927	-17.2%	5.0%
Dual, 65+ y.o.	$4,798	$3,961	$4,159	-17.4%	5.0%
Composite	$4,870	$4,086	$4,292	-16.1%	5.1%
Average Member Months	360	427	446	18.9%	4.4%

Note 1. The FY 2022 rates included one-time distribution of $3.4 million paid to PORI for staff retention consistent with EOHHS ARPA HCBS
Note 2. The FY 2024 trend is based on current home care market basket. This percentage will be updated in May CEC.

Table X-6. PACE Price-Volume Comparison

	Price	Volume	Net
FY 2023 over FY 2022 (Current)	($0.1 M)	$3.5 M	$3.4 M
	-0.8%	20.1%	19.1%
FY 2023: Current over Enacted	($0.0 M)	$2.7 M	$2.7 M
	-0.1%	14.9%	14.8%
FY 2024 over FY 2023 (Current)	$1.1 M	$1.0 M	$2.0 M
	5.1%	4.4%	9.7%

Table X-7: FFS FY 23 HCBS Budget Initiative Expenditures

Initiative	FY 2023 Enacted	FY 2023 Current	FY 2023 Variance	FY 2024	Notes
Meals on Wheels Rates	$229,882	$229,882	$0	$252,158	FY 2024 reflects 9.69% rate increase
Home Health Agency Rates	$4,117,894	$4,217,959	$100,065	$4,446,572	Reflect more recent claims data and shift to **Rhody Health Options**; 5.42% increase in FY 2024
Independent Provider Rates	$265,574	$132,354	($133,220)	$132,354	Updated to reflect more recent claims data and shift to **Rhody Health Options**
Personal Choice Rates	$9,565,183	$7,118,994	($2,446,189)	$7,118,994	Updated to reflect more recent claims data and shift to **Rhody Health Options**
Children's Therapeutic Rates	$20,187,439	$0	($20,187,439)	0	Shifted to **Other Medical Services** and **Managed Care**
TOTAL	**$34,365,972**	**$11,699,189**	**($22,666,783)**		

XI. Pharmacy

Pharmacy			
		All Funds	**General Revenue**
FY 2020	Final	($2,611,387)	($819,557)
FY 2021	Final	($449,342)	$120,156
FY 2022	Revised Enacted	$100,000	$92,220
	Prelim Final	**$1,923,137**	**$986,052**
	Deficit over Enacted	*($1,823,137)*	*($893,832)*
FY 2023	Enacted	$300,000	$183,555
	Current	**$500,000**	**$341,275**
	Deficit over Enacted	*($200,000)*	*($157,720)*
FY 2024	Current	**$500,000**	**$363,125**

FY 2022 – Adjusted Close

EOHHS preliminary close included an error. The anticipated rebate collections to be invoiced for the quarter ending June 30, 2022, and those collections already invoiced but still outstanding were incorrectly credited to **Expansion**. After correcting for the erroneous application of Line Sequences and considering the updated invoices submitted to EOHHS in September 2022, EOHHS is anticipating a more modest deficit of $0.2 million with total spending generally consistent with FY 2023 estimates.

FY 2023

EOHHS' revised forecast for FY 2023 of $0.5 million is $0.2 million deficit over Enacted. EOHHS' pharmacy projections take actual FY 2022 spend adjusted for services incurred but not reported (IBNR) and applied the IHS Markit market basket forecast of 3.40% included in the Enacted Budget. Unlike with hospital, home care, or nursing home trends, EOHHS does not automatically apply this retrospective trend to its pharmacy reimbursements. Actual trends will depend upon changes in wholesale prices as well as changes to EOHHS' preferred formulary that attempts to mitigate general price changes among certain manufacturers by substituting alternative drugs if appropriate.

Rebate information is based on invoices issues to manufacturers through September 26, 2022, for prescriptions incurred through June 30, 2022.

FY 2024

EOHHS projects constant $0.5 million, consisted with FY 2023. EOHHS is not statutorily required to apply an inflationary index, an inflationary factor for the budget year due to the fluctuation of drug costs is reasonable for budgeting purposes. The FY 2024 forecast assumes a 2.3% increase, based on the IHS Markit 2022 Q2 forecast for pharmacy in CY 2024 Q2, which corresponds to the end of FY 2024

Revised FY 2023 and preliminary FY 2024 pharmacy expenditures and rebates are presented in **Table XI-1** as well as in **Major Developments**.

Generally, rebate fluctuates due to several reasons:

(1) CMS' rebate formula, which, for certain drugs, can compensate for significant price changes
(2) Medicaid being entitled to the full rebate amount even if it only pays a portion of a drug claim (excluding Part D drugs); and

(3) the Pharmacy budget line reflects J-Code rebates collected against pharmaceuticals delivered in an outpatient hospital setting which may vary dramatically with acuity of patient and amount of FFS utilization

Table XI-1. Summary of Pharmacy Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
FFS Activity	$ 6,213,673	$ 6,501,187	*($0.3 M)*	$ 6,379,459	$ 6,722,228	*($0.3 M)*	$ 6,876,839
Rebates							
DRE	(4,691,006)	(4,646,282)	*($0.0 M)*	(4,691,006)	(4,804,256)	*$0.1 M*	(4,914,754)
J-Code	(1,422,667)	(1,438,334)	*$0.0 M*	(1,388,453)	(1,487,237)	*$0.1 M*	(1,521,444)
Subtotal - Pharmacy	**$ 100,000**	**$ 416,571**	**($0.3 M)**	**$ 300,000**	**$ 430,735**	**($0.1 M)**	**$ 440,641**
Balance to RIFANS - Accruals/Rounding	0	1,506,566	*($1.5 M)*	(0)	69,265	*($0.1 M)*	59,359
Grand Total - Pharmacy	**$ 100,000**	**$ 1,923,137**	**($1.8 M)**	**$ 300,000**	**$ 500,000**	**($0.2 M)**	**$ 500,000**
General Revenue	*$ 92,220*	*$ 986,052*	*($0.9 M)*	*$ 183,555*	*$ 341,275*	*($0.2 M)*	*$ 363,125*
Federal Funds	*$ 7,780*	*$ 937,085*	*($0.9 M)*	*$ 116,445*	*$ 158,725*	*($0.0 M)*	*$ 136,875*

XII. Pharmacy Claw Back (Medicare Part D)

Pharmacy Claw Back (Medicare Part D)			
		All Funds	**General Revenue**
FY 2020	Final	$64,978,689	$64,978,689
FY 2021	Final	$64,561,261	$64,561,261
FY 2022	Revised Enacted	$68,800,000	$68,800,000
	Prelim Final	**$69,358,996**	**$69,358,996**
	Deficit over Enacted	*($558,996)*	*($558,996)*
FY 2023	Enacted	$87,100,000	$87,100,000
	Current	**$78,100,000**	**$78,100,000**
	Surplus over Enacted	*$9,000,000*	*$9,000,000*
FY 2024	Current	**$91,400,000**	**$91,400,000**

EOHHS' revised FY 2023 estimate of $78.1 million for Pharmacy Claw Black is $9.0 million below Enacted. The surplus position reflects savings from the continuation of the Public Health Emergency that reduces the Claw Back multiplier through March 2023 (instead of just through September 2022). Caseload remains on target. This revised forecast is based on actual invoices through August 2022.[31]

The increase in FY 2024 over FY 2023 is attributed to the elimination of the enhanced COVID-19 FMAP for the fiscal year. Unlike general enrollment among the Aged, Blind, and Disabled population, the caseload for Part D reimbursement has increased steadily throughout the Public Health Emergency and this is expected to remain so through FY 2023 without being impacted in a meaningful way by the resumption of routine redeterminations.

Table XII-1. Summary of Pharmacy Claw Back Expenditures

	SFY 2022			**SFY 2023**			**SFY 2024**
	Revised Enacted	**Prelim Final**	**Surplus/ (Deficit)**	**Enacted**	**Current**	**Surplus/ (Deficit)**	**Current**
Part D Premium Payments	$ 68,730,937	$ 69,334,921	*($0.6 M)*	$ 87,100,000	$ 78,076,845	*$9.0 M*	$ 91,322,125
Balance to RIFANS/CEC Rounding	69,063	24,075	0.0 M	0	23,155	(0.0 M)	77,875
Grand Total - Pharmacy Clawback	**$ 68,800,000**	**$ 69,358,996**	**($0.6 M)**	**$ 87,100,000**	**$ 78,100,000**	**$9.0 M**	**$ 91,400,000**
General Revenue	*$ 68,800,000*	*$ 69,358,996*	*($0.6 M)*	*$ 87,100,000*	*$ 78,100,000*	*$9.0 M*	*$ 91,400,000*
Part D Muliplier	*$ 143.85*	*$ 143.88*	*$ 0.03*	*$ 174.93*	*$ 156.80*	*$ (18.13)*	*$ 176.59*
July - September	*$ 140.89*	*$ 140.89*	*$ 0.00*	*$ 148.18*	*$ 148.18*	*$ 0.00*	*$ 175.28*
October - December	*$ 138.09*	*$ 138.09*	*$ 0.00*	*$ 175.29*	*$ 151.68*	*$ (23.61)*	*$ 171.28*
January - March	*$ 148.18*	*$ 148.18*	*$ 0.00*	*$ 184.05*	*$ 151.68*	*$ (32.37)*	*$ 179.84*
April - June	*$ 148.18*	*$ 148.18*	*$ 0.00*	*$ 184.05*	*$ 175.28*	*$ (8.77)*	*$ 179.84*
Average Enrollment	39,816	40,158	342	41,492	41,495	3	43,096

[31] Generally, for its November testimony, EOHHS has received the September invoice. However, on October 7, 2022, EOHHS received its September invoice for just $4,742 for 32 member months of enrollment. This is an error as the typical invoice is for around 40,000 members and over $6.1 million. EOHHS anticipates being properly billed for both September and October in its next invoice.

Table XII-2. Pharmacy Claw Back Price-Volume Comparison

	Price	Volume	Net
FY 2023 over FY 2022 (Current)	$6.2 M	$2.5 M	$8.7 M
	9.0%	3.3%	12.6%
FY 2023: Current over Enacted	($9.0 M)	$0.0 M	($9.0 M)
	-10.4%	0.0%	-10.3%
FY 2024 over FY 2023 (Current)	$9.9 M	$3.4 M	$13.2 M
	12.6%	3.9%	17.0%

XIII. Other Medical Services

Other Medical Services			
		All Funds	**General Revenue**
FY 2020	Final	$125,511,027	$42,899,404
FY 2021	Final	$134,670,797	$43,066,293
FY 2022	Revised Enacted	$146,500,000	$44,367,426
	Prelim Final	**$149,996,281**	**$48,655,275**
	Deficit over Enacted	*($3,496,281)*	*($4,287,849)*
FY 2023	Enacted	$160,510,717	$55,277,846
	Current	**$165,200,000**	**$56,595,329**
	Deficit over Enacted	*($4,689,283)*	*($1,317,483)*
FY 2024	Current	**$174,900,000**	**$67,633,375**

FY 2023

EOHHS' revised FY 2023 estimate of $165.2 million for Other Medical Services reflects a $4.7 million deficit against Enacted.

As with FY 2022 close, the deficit is largely driven by adverse changes against EOHHS' estimate for its Medicare Premium Payment with higher Part A enrollment and error in the Part B multiplier contributing to a $12.0 million shortfall against these components within the budget line. Both are discussed in greater detail below. The deficit is also driven by the shift of FFS expenditures ($4.2 million) in the Children's Therapeutic Rate Increase from **Home and Community Care** to the **Other Medical Services** budget line to reflect where such claims will be paid. The deficit is offset by a $6.7 million decrease in anticipated COVID-19 vaccination administration costs.

Note that the "Other Practitioners" spending for FY 2023 includes an additional $1.3 million for home stabilization; a reduction from the $2.5 million included in Enacted. The FY 2022 FFS experience reflects total spending of $250,000 on home stabilization services (Procedure Code H0044) in FFS; an increase from $20,500 in FY 2021. The additional funding is due to EOHHS' expectation that additional providers will be certified and begin providing the service in the current fiscal year. Related, beginning in January 2023, the Coalition to End Homelessness will begin enrolling Medicaid-eligible members into the State's Pay For Success program that helps Rhode Islanders find and maintain permanent supportive housing. While this program is a state-only investment ($1.5 million each year for 4 years), participation in the program will contribute to an increase in the use of home stabilization services financed by Medicaid thereby warranting the increase to the FY 2022 baseline.

A summary of expenditures for both FY 2023 and FY 2024, by type of service, is presented in **Table XIII-1**. EOHHS' methodology for revising its current year estimate looked at FY 2022 claims activity adjusted for IBNR. To avoid carrying-forward the temporary ARPA HCBS investment-related rate increases paid to certain providers—many of whom have their FFS expenditures appear in **Other Medical Services**—EOHHS considered the selection of its base period and therefore depending on the type of service used only the months between July-November 2021 and April-June 2022. For services impacted by the ARPA HCBS investments EOHHS backed out from the MMIS fee-for-service data reflected in the FY 2022 close column in **Table XIII-1** the amount associated with the $33 million in temporary rate adjustments that was due to the ARPA HCBS investments.

Please note that the $516,000 included in the summary table as "State Only" for FY 2023 is for regular Medicaid benefits. The amount reflects a return of federal funds for services previously classified as Ryan White. Instead of being eligible for 100% federal financing these expenses are eligible for regular FMAP.

After establishing its baseline claims estimate, EOHHS layered in initiatives not captured in the claims data. These are summarized in **Table XIII-2** and include those from FY 2022 that have had a delayed implementation and those for FY 2023 not reflected in our baseline expenditures.

FY 2024

The FY 2024 estimate totals $174.9 million, an increase of $9.7 million above the FY 2023 estimate, due to increases of $4.8 million for annualization of the expansion to Rhode Island's Medicaid Part A Buy-in program and CY 2024 price increase, $4.0 million for the annualization of the MHPRR $525 budget initiative, and $1.8 million for Medicaid Part B premium price increase. These increases are offset by a $2.5 million decrease for estimate COVID-19 vaccinations and $0.3 million for non-emergency medical transportation (NEMT). EOHHS halved its FY 2023 estimate for COVID vaccines for FY 2024. NEMT expenditures are slated to decrease because of an anticipated reduction to the 65+ year old rating category for the new contract.

For all Other Services categories, the FY 2024 estimate annualizes the monthly average of the projected FY 2023 spend.

Table XIII-3 summarizes all Other Medical Services expenditures subject to a non-regular matching rate.

Medicare Part A/B Premium Payments

A primary contributing factor to EOHHS' deficit is the same error in EOHHS' May CEC testimony that impacted EOHHS' fiscal close. EOHHS applied the incorrect multiplier for Part B Medicare premium payments for the second half of the fiscal year due to an unfortunate cell reference in the agency's underlying forecasting workbook. Please note that the correct multiplier for CY 2022 was known at the time of EOHHS' testimony and it remains the same Part B multiplier (with slight variances month-to-month due to the mix of members with at least 20 quarters of work history) for the first half of SFY 2023. This error contributed to a $4.0 million deficit for Medicare Part B that carried forward into the FY 2023 estimate.

Overall, for FY 2023 total premium payments are projected to be $97.3 million reflecting a $12.0 million deficit compared to Enacted: $4.5 million attributed to an error in Part B PMPM and $7.5 million for Part A caseload increase. Costs are expected to increase to $104.0 million in SFY 2024. For Part A, EOHHS' revised forecast assumes average Part A enrollment of 2,624 in FY 2023, increasing to an average of 3,340 in FY 2024. For Part B, EOHHS' forecast assumes average Part B enrollment of 40,081 in FY 2022 and 40,610 in FY 2023.

On September 27, 2022, CMS announced that the standard monthly premium for Medicare Part B enrollees will be $164.90 for 2023, a decrease of $5.20 from $170.10 in 2022. EOHHS' forecast is updated to reflect this new information.[32] A 5.0% price factor is applied for CY 2024 (i.e., the second half of SFY 2024) in the absence of any other information.

For FY 2023, there is another, more significant, contributor to the variance against Enacted as it pertains to Medicare Premium Payments: the additional enrollment of 1,766 elders into Part A coverage, effective October 1, 2022. While most elders are automatically entitled to Part A coverage, these 1,766 elders represent Medicaid recipients aged 65 or older who did not have the requisite 40 quarters of work history or were otherwise not eligible for Medicare and so were not automatically enrolled in Part A. To get into compliance with CMS regulations, EOHHS must "buy-in" for the Part A coverage for any elder with full Medicaid benefits who is not already eligible for Medicare Part A. The result was a more than doubling the number of Rhode Islanders for whom Medicaid is financing the cost of their Part A insurance: from 1,348 in September 2022 to 3,146 in October 2022.

The additional cost of $7.8 million in FY 2023 and $10.7 million in FY 2024 for these 1,766 additional elders is partially offset with savings of $3.1 million and $4.3 million, respectively, to EOHHS' **Hospital – Regular** budget line.

[32] Please note that the average Part B PMPM for CY 2022 included in **Table XIII-4** (i.e., $172.52) is based on actual invoices; the higher paid PMPM is attributed to the fact that in a member's initial month of coverage CMS is typically charged for two or more months of enrollments raising the effective cost per month. The modest inflator relative to the underlying PMPM and caseload is carried into CY 2023.

EOHHS estimated these savings by reviewing the historical FFS spending for inpatient hospital services on behalf of the 1,766 new Part A enrollees whose hospital costs will now be covered by Medicare.

Overall, with respect to Part A coverage, the cost to purchase Part A coverage on the member's behalf is generally $499 per month. However, for those who have worked 40 quarters but are not otherwise eligible for Part A coverage the cost is $274 per month. For CY 2023, the premium amounts are $506 per month or $287 per month depending in member's history of work experience. As with Part B, a 5.0% price factor is applied for CY 2024 in the absence of any other information.

Finally, with respect to overall caseload, EOHHS is not adjusting the realized trends for the resumption of redeterminations for two reasons. First, the aged, blind and disability population did not experience the same growth as observed among Expansion and Children and Families populations. Second, it is reasonable to assume that many of the Medicaid members who lose full Medicaid benefits would retain their supplemental Medicare coverage from Medicaid as they move from a full benefits eligibility group to a QMB Only, SLMB or QI-1 eligibility group.

See **Table XIII-4** for summary of EOHHS' average monthly caseload and composite PMPM for Part A and Part B.

Recoveries

The revised FY 2023 forecast for recoveries is $17.0 million and consistent with Enacted. This is increase of approximately $250,000 compared to FY 2022. This number does not include any savings attributed to enhanced Third Part Liability as such savings would likely appear as cost avoidance and lower fee-for-service claims expenditures.

Table XIII-1. Summary of Other Medical Services Expenditures

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Surplus/ (Deficit)	Enacted	Current	Surplus/ (Deficit)	Current
Medicare Premium Payments							
Part A	$ 7,005,579	$ 7,019,452	($0.0 M)	$ 7,873,775	$ 15,410,023	($7.5 M)	$ 20,237,148
Part B	72,553,243	76,552,681	(4.0 M)	77,429,344	81,917,309	(4.5 M)	83,764,434
Subtotal - Supplemental Payments	**79,558,822**	**83,572,133**	**(4.0 M)**	**85,303,118**	**97,327,332**	**(12.0 M)**	**104,001,582**
Non-Emergency Transportation	5,758,678	6,034,489	(0.3 M)	5,948,554	6,158,305	(0.2 M)	5,850,451
Recoveries	(16,000,000)	(16,739,617)	0.7 M	(17,000,000)	(17,000,000)	0.0 M	(17,000,000)
FFS Activity							
BHDDH Medical Services	$ 22,050,947	$ 22,304,101	($0.3 M)	$ 23,711,822	$ 21,974,530	$1.7 M	$ 21,974,530
Rehab & TCM	16,047,021	17,880,465	(1.8 M)	14,361,571	15,459,206	(1.1 M)	15,459,206
Tavares	7,455,370	7,169,968	0.3 M	7,556,018	7,578,334	(0.0 M)	7,733,690
DME	3,256,636	3,181,269	0.1 M	3,256,636	3,212,536	0.0 M	3,212,536
Physician Services	10,807,435	10,104,965	0.7 M	13,193,380	10,059,876	3.1 M	10,059,876
Other Practitioners	6,819,344	5,041,542	1.8 M	7,374,703	6,118,966	1.3 M	7,082,848
FY22/23 Budget Initiatives	0	0	0.0 M	5,096,167	9,289,339	(4.2 M)	13,926,414
State Only	71,406	3,862,601	(3.8 M)	0	0	0.0 M	0
COVID-19 Vaccinations (Federal Only)	10,629,842	5,879,484	4.8 M	11,708,748	5,000,000	6.7 M	2,500,000
Subtotal - FFS Activity	**77,138,001**	**75,424,395**	**1.7 M**	**86,259,045**	**78,692,787**	**7.6 M**	**81,949,100**
Subtotal - Other Services	**$ 146,455,502**	**$ 148,291,400**	**($1.8 M)**	**$ 160,510,717**	**$ 165,178,424**	**($4.7 M)**	**$ 174,801,133**
Balance to RIFANS/CEC Rounding	44,498	1,704,881	(1.7 M)	0	21,576	(0.0 M)	98,867
Total - Other Services	**$ 146,500,000**	**$ 149,996,281**	**($3.5 M)**	**$ 160,510,717**	**$ 165,200,000**	**($4.7 M)**	**$ 174,900,000**
General Revenue	*$ 44,367,426*	*$ 48,655,275*	*($4.3 M)*	*$ 55,277,846*	*$ 56,595,329*	*($1.3 M)*	*$ 67,633,375*
Federal Funds	*$ 92,617,574*	*$ 91,842,873*	*$0.8 M*	*$ 95,922,871*	*$ 99,296,569*	*($3.4 M)*	*$ 97,956,625*
Restricted Receipts	*$ 9,515,000*	*$ 9,498,133*	*$0.0 M*	*$ 9,310,000*	*$ 9,308,102*	*$0.0 M*	*$ 9,310,000*

Table XIII-2. FY 2022 & FY 2023 Budget Initiatives (i.e., not in FFS spending)

	FY 23 Enacted	FY 2023 Rev	FY 2024	Note
MHPRR $525	$1,647,450	$1,000,125	$5,027,400	Delayed FY22 Initiative
NF $175 Add-On PASSR Billing	$38,000	$289,600	$574,400	Delayed FY22 Initiative
Community Health Workers	$0	$325,000	$650,000	Delayed FY22 Initiative (balance in **Managed Care** and **Expansion**)
Adult Dental – Rate Increases	$3,410,718	$3,410,718	$3,410,718	Also included in **Managed Care** & **Expansion**
Children Therapeutic Services	$0	$4,263,896	$4,263,896	Included in **Home and Community Care** in Enacted
Total Adjustments	**$5,096,168**	**$9,289,339**	**$13,926,414**	

Table XIII-3. Non-Regular FMAP Sources of Funds Applied to Other Medical Services

	FY 2023	FY 2024	Note
Children's Health Account	$9,293,102	$9,295,000	Restricted Receipt (i.e., 100% GR Offset)
Organ Transplant Fund	$15,000	$15,000	Restricted Receipt (i.e., 100% GR Offset)
Covid-19 Vaccination Administration	$5,000,000	$2,500,000	100% Federal
QI-1 Offset	($1,750,000)	($1,750,000)	100% Federal
Breast & Cervical Cancer Program	($200,000)	($200,000)	100% Federal

Table XIII-4. Medicare Monthly Part A and Part B Premiums

	SFY 2022			SFY 2023			SFY 2024
	Revised Enacted	Prelim Final	Increase/ (Decrease)	Enacted	Current	Increase/ (Decrease)	Current
Part A PMPM	$ 470.43	$ 470.22	$ (0.21)	$ 497.08	$ 489.47	$ (7.61)	$ 504.89
July-December	$ 455.14	$ 455.14	$ 0.00	$ 484.91	$ 485.46	$ 0.55	$ 492.27
January-June	$ 484.91	$ 485.46	$ 0.55	$ 509.16	$ 492.27	$ (16.89)	$ 516.88
Part A - Average Enrollment	1,241	1,244	3	1,320	2,624	1,304	3,340
Part B PMPM	$ 153.10	$ 161.51	$ 8.40	$ 163.28	$ 170.32	$ 7.04	$ 171.89
July-December	$ 148.50	$ 150.47	$ 1.97	$ 157.70	$ 172.97	$ 15.27	$ 167.68
January-June	$ 157.70	$ 172.52	$ 14.82	$ 165.59	$ 167.68	$ 2.10	$ 176.07
Part B - Average Enrollment	39,490	39,499	9	39,518	40,081	563	40,610

XIV. Attachments