State of Rhode Island and Providence Plantations

Caseload Estimating Conference

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MEMORANDUM

To: The Honorable Gina M. Raimondo, Governor

The Honorable Nicholas A. Mattiello, Speaker of the House

The Honorable Dominick J. Ruggerio, President of the Senate

From: Thomas A. Mullaney, State Budget Officer

Sharon Reynolds Ferland, House Fiscal Advisor

Stephen H. Whitney, Senate Fiscal Advisor

Date: May 18, 2017

Subject: **May 2017 Caseload Estimating Conference**

SUMMARY

The Caseload Estimating Conference convened on May 5, 2017, in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY 2017 and FY 2018. In comparison to the November 2016 conference estimate, the adopted estimate for FY 2017 increases total funding by $32.7 million, with a total estimate of $2,443.3 million. FY 2018 program costs are estimated to total $2,514.9 million, a decrease of $10.1 million from the November estimate. The increase over the November estimate in the current year is primarily driven by the functionality issues surrounding the implementation of the Unified Health Infrastructure Project (UHIP) and its ability to determine eligibility for the Cash Assistance and Medical Assistance programs. As of May 2017, the UHIP eligibility system is not fully functional from its initial rollout of September 2016. As a result, caseloads have increased significantly in FY 2017. The majority of system and process issues are scheduled to be completed by the beginning of FY 2018. Forecasts for FY 2018 assume that issues with the UHIP system will be

corrected with trends returning to closer alignment with historical trends as post eligibility verification and renewal process functionality returns, leading to appropriate adjustments to enrollment and provider payments.

May 2017 Caseload Estimates	FY 2017 Nov. Adopted	FY 2017 May Adopted	Change to Nov. Adopted	FY 2018 Nov. Adopted	FY 2018 May Adopted	Change to Nov. Adopted
Cash Assistance						
All Funds	$ 108.2	$ 112.3	$ 4.1	$ 110.8	$ 111.9	$ 1.0
General Revenues	$ 29.8	$ 30.1	$ 0.4	$ 33.4	$ 33.4	$ 0.0
Medical Assistance						
All Funds	$ 2,302.4	$ 2,331.0	$ 28.6	$ 2,414.1	$ 2,403.0	$ (11.2)
General Revenues	$ 914.0	$ 921.6	$ 7.6	$ 952.3	$ 959.2	$ 6.9
Consensus Caseload Total						
All Funds	$ 2,410.6	$ 2,443.3	$ 32.7	$ 2,525.0	$ 2,514.9	$ (10.1)
General Revenues	$ 943.8	$ 951.7	$ 7.9	$ 985.8	$ 992.6	$ 6.9

$ in millions

Cash Assistance

Cash assistance programs for FY 2017 are estimated to total $112.3 million, an increase of $4.1 million from the November estimate. General revenue expenditures are estimated to be $30.1 million, $0.4 million more than the November estimate. FY 2018 expenditures are estimated to total $111.9 million, $1.0 million more than the November estimate. The FY 2018 general revenue estimate of $33.4 million is essentially the same as the November estimate.

Rhode Island Works

The estimators project a FY 2017 caseload of 10,675 persons, or 631 more than the November estimate, at an average monthly per person cost of $183.00 or $4.95 more than November. Expenditures, including monthly bus passes and other Rhode Island Works (RIW) programs, total $25.4 million in FY 2017. For FY 2018, the estimate includes 9,746 individuals at an average monthly cost per person of $180.00, for total program costs of $22.9 million. Program expenses are funded entirely by the federal Temporary Assistance to Needy Families (TANF) block grant.

Child Care Assistance

The FY 2017 caseload estimate for child care assistance includes $66.6 million to provide 9,000 children with subsidized care at an average yearly cost of $7,400 per subsidy. The revised estimate assumes use of $56.7 million in federal Temporary Assistance to Needy Families (TANF) block grant funds and $9.9 million in general revenue funds. Projected program expenses are anticipated to increase by $1.6 million from the November estimate based on updated enrollment data.

For FY 2018, program costs are estimated to be $69.0 million, for 9,422 subsidies at an average yearly cost of $7,323 per subsidy. Expenses would be funded from $55.6 million in federal TANF block grant funds and $13.4 million in general revenue funds. The total cost is $0.5 million more than the November estimate.

The Transitional Child Care Program, a subprogram within the Child Care Assistance Program, is due to sunset at the end of the first quarter of FY 2018 (September 30, 2017). This program expands access to child care assistance by increasing the exit income threshold for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent

FPL, or from $36,756 in annual income to $45,945 in annual income for a family of three, respectively. Consistent with the November estimate, the estimators included funding equivalent to a full year of the expiring Transitional Child Care Program, for FY 2018 to reflect the impact of new federal requirements.

Supplemental Security Income
The caseload for the Supplemental Security Income program is estimated to be 33,600 in FY 2017, 77 individuals below the November estimate. The estimated monthly cost per person is revised to $46.77 for total costs of $18.9 million. For FY 2018, an estimated 33,685 individuals will receive payments averaging $46.00, for total costs of $18.6 million.

General Public Assistance
The Conference revised its FY 2017 estimate to include 364 individuals at a monthly cost of $146.91. For FY 2018, the estimate includes 364 individuals and $146.28 monthly. Total expenditures are estimated to be $1.4 million in both FY 2017 and FY 2018.

Medical Assistance

The Conference projects total medical assistance spending of $2,331.0 million in FY 2017, including $1,399.9 million in federal funds, $921.6 million in general revenue, and $9.6 million in restricted receipts, which is $28.6 million more than the November conference estimate from all sources. General revenues are expected to increase in FY 2017 by $7.5 million from the November 2016 estimate.

For FY 2018, the Conference projects spending of $2,403.0 million including $1,435.6 million in federal funds, $959.2 million in general revenue, and $8.2 million in restricted receipts. The estimate is $11.2 million less than the November conference estimate of which $16.6 million reflects less federal funds and $6.9 million reflects additional general revenue funds.

The major developments affecting the Medical Assistance caseload costs include enrollment growth and reduced CHIP claiming resulting from the UHIP functionality issues.

Hospitals
FY 2017 hospital expenditures are estimated to be $194.5 million, and include a disproportionate share hospital payment totaling $140.5 million and $2.0 million for Graduate Medical Education. This is a $5.1 million decrease from the November conference estimate, including a $2.4 million less general revenues. The FY 2017 estimate reflects lower utilization of both inpatient and outpatient hospital services as well as enhanced federal claiming for Upper Payment Limit payments for a higher proportion of members determined eligible under the new Expansion eligibility criteria. The Upper Payment Limit compensates hospitals for the difference between the Medicaid and Medicare fee-for-services rates of reimbursement.

FY 2018 hospital expenditures are estimated to be $198.7 million including disproportionate share hospital payments of $139.7 million and $2.0 million for the Graduate Medical Education Program. The estimate lowers spending by $1.0 million in all funds from estimates adopted at the November Conference. The decreases reflect the continued shift in spending to managed care programs and includes an increase in the Upper Payment Limit reimbursement partially related to the FY 2016 hospital rate reduction.

Long Term Care
Long term care expenditures are estimated to be $245.0 million in FY 2017 and $248.2 million in FY 2018. An increase of $11.6 million in FY 2017 for nursing facilities primarily reflects an additional $6.3 million due to the statutory requirement pertaining to payment for services provided to beneficiaries whose applications are pending for more than ninety days and resolution to long-term backlogged long-term care eligibility. As with the managed care programs, nursing facilities have experienced backlogs due to the UHIP functionality issues, which have impacted the ability to make accurate payments and collect patient share resulting in the need to make interim advance payments to the facilities, which will require eventual payment reconciliation. An increase of $5.4 million in payments to nursing facilities in FY 2018 compared to the November conference estimate is due primarily to scheduled rate increases.

The Conference estimates include reductions of $1.9 million in FY 2017 and $0.9 million in FY 2018 in fee-for-service funding for home and community-based services. The Conference estimate also increased the cost of complying with the requirement that resources be added to the home and community care program if there has been a reduction in nursing home days from $4.7 million to $6.0 million. The calculation done for the November estimate was done so without complete data, and the new estimate reflects the final information.

Managed Care
FY 2017 expenditures for managed care (including the RIte Care and RIte Share programs) are estimated to be $678.0 million, a $20.9 million increase from November estimate. The increase is primarily due to technical problems surrounding the implementation of the UHIP. Specifically, the estimate adjusts for an increased enrollment trend related to unachieved savings from conducting post eligibility verification (PEV) assumed in November. Those savings assumed more efficient termination of ineligible Medicaid beneficiaries. Due to technical problems with the UHIP system, Medicaid beneficiaries have not been terminated and has resulted in the increased enrollment and costs. A higher utilization of services through the federally qualified health centers is also contributing to the increase. Managed Care spending also includes one-time payments, including a settlement of the health insurance fee payment and adjustments for neo-natal intensive care unit (NICU) stays. These increases are offset by higher pharmacy rebates and reduced fee-for-service expenditures.

Costs for FY 2018 are estimated to total $703.4 million, $30.9 million over the FY 2017 November conference estimate, and reflect a carry over into FY 2018 of the significant increase in caseload experienced in the latter months of FY 2017, as well as increased expenditures for the federally qualified health centers. The estimate includes a reduction in enrollment resulting from a functioning UHIP system as a significant proportion of the reduction is attributed to the resumption of post eligibility verification processing impacting enrollment in the RIte Care program.

Rhody Health Partners
The Rhody Health Partners program is estimated to cost $233.5 million in FY 2017, $6.9 million less than the November estimate. The estimate includes higher pharmacy rebates and lower than projected costs anticipated through the year-end settlement agreement with the managed care plans.

FY 2018 expenditures are estimated to be $237.8 million, $9.2 million less than the November estimate. The FY 2018 estimate includes the continued trend of higher pharmacy rebates, as well

as lower capitation payments driven by a reduced caseload. Specifically, the estimate assumes that the functionality issues surrounding the Unified Health Infrastructure Project's inability to terminate enrollees who are ineligible for the program will be resolved by July 2017, which will lead to a reduction to the caseload that is more in line with expected trends.

Rhody Health Options
Expenses for Rhody Health Options, the state's integrated care initiative that provides acute care and long term care services to individual's eligible for both Medicare and Medicaid, are estimated to be $350.7 million in FY 2017. This represents an increase of $2.8 million compared to the November estimate for updated projections. The capitated Medicaid managed care program was established in November 2013. Enrollment in Phase II began in July 2016, which established a fully integrated capitated Medicare-Medicaid plan for beneficiaries with full Medicare and Medicaid coverage.

The FY 2018 estimate of $362.4 million is $1.2 million less than November conference estimate which increasing projected enrollment but decreases the monthly cost per person which lowers payments to the Neighborhood Health. There are also adjustment to transportation costs.

Medicaid Expansion
The Rhode Island Medicaid program was expanded as of January 1, 2014, as part of the state's implementation of the Affordable Care Act. Adults with an income less than 138 percent of the federal poverty level and without dependent children were added as a new covered population to the state's medical assistance program. Costs related to this expansion were fully federally-funded through CY 2016 with federal support phased down from 95.0 percent in CY 2017 to 90.0 percent by CY2020.

The FY 2017 estimate of $467.0 million is $17.0 million more than the November conference estimate due to an increase in both enrollment and monthly cost per person. These higher costs are offset by increasing pharmacy rebates and a reduction in fee-for-service expenditures.

The FY 2018 estimate of $482.3 million is $21.7 million less than the November estimate due primarily to a reduction in the number of individuals eligible under Expansion eligibility criteria following the expected terminations that will result from increased UHIP Phase II functionality. The caseload growth assumption is consistent with trends that preceded the UHIP system issues.

Other Medical Services
Expenditures for other medical services are estimated to be $104.7 million in FY 2017 and $108.1 million in FY 2018. The estimate includes Medicare Part A and B payments for certain individuals, fee-for-service payments for rehabilitation, and other medical services and payments to the Tavares pediatric facility. The May 2017 estimate is $10.9 million less than the November conference estimate and the May 2018 estimate is $11.7 million less than the November conference estimate primarily due to lower expenditures for Medicare Part B Premiums, as well as rehabilitation services and reallocating behavioral health care expenses to the Rhody Health Partners program from the fee-for-service program.

Pharmacy
Pharmacy expenses are estimated to be $57.6 million in FY 2017 and $62.1 million in FY 2018. Nearly all of the funding is for the Medicare Part D clawback payment funded solely from general

revenues. The payment is the state's portion of the federal Medicare pharmacy costs for its population that are enrolled in both Medicare and Medicaid (commonly referred to as "dual-eligibles"). The overall estimate decreases $0.8 million in FY 2017 and $1.8 million in FY 2018 compared to the November conference estimate.

The following tables show the May Caseload Conference estimates for cash and medical assistance benefits for FY 2017 and FY 2018.

May 2017 Consensus Caseload Estimates	FY 2017 Nov. Adopted	FY 2017 May Adopted	Change to Nov. Adopted	FY 2018 Nov. Adopted	FY 2018 May Adopted	Change to Nov. Adopted
Cash Assistance						
TANF/RI Works						
Persons	10,044	10,675	631	9,600	9,746	146
Monthly Cost per Person	$ 178.05	$183.00	$4.95	$178.05	$180.00	$1.95
Total Costs	$ 23.3	$ 25.4	$ 2.1	$ 22.3	$ 22.9	$ 0.6
TANF Block Grant	$ 23.3	$ 25.4	$ 2.1	$ 22.3	$ 22.9	$ 0.6
General Revenues	-	-	-	-	-	-
Child Care						
Subsidies	9,023	9,000	(23)	9,386	9,422	36
Annual Cost per Subsidy	$ 7,200	$ 7,400	$ 200	$ 7,300	$ 7,323	$ 23
Total Costs	$ 65.0	$ 66.6	$ 1.6	$ 68.5	$ 69.0	$ 0.5
Federal Funds	$ 55.1	$ 56.7	$ 1.6	$ 55.1	$ 55.6	$ 0.5
General Revenues	$ 9.9	$ 9.9	-	$ 13.4	$ 13.4	$ -
SSI						
Persons	33,677	33,600	(77)	33,777	33,685	(92)
Monthly Cost per Person	$ 45.65	$ 46.77	$ 1.12	$45.65	$46.00	$0.35
Total Costs	$ 18.5	$ 18.9	$ 0.4	$ 18.6	$ 18.6	$ 0.1
GPA Bridge						
Persons	400	364	(36)	400	364	(36)
Monthly Cost per Person	$ 142.00	$ 146.91	$ 4.91	$ 142.31	$ 146.28	$ 3.97
Total Costs	$ 1.4	$ 1.4	$ (0.0)	$ 1.5	$ 1.4	$ (0.1)
Total Cash Assistance	$ 108.2	$ 112.3	$ 4.1	$ 110.8	$ 111.9	$ 1.0
General Revenues	$ 29.8	$ 30.1	$ 0.4	$ 33.4	33.4	0.0
Medical Assistance						
Hospitals	$ 59.1	$ 54.0	$ (5.1)	$ 60.0	$ 59.0	$ (1.0)
Hospitals - DSH	$ 140.5	$ 140.5	$ -	$ 139.7	$ 139.7	$ (0.0)
Nursing Facilities	$ 177.0	$ 190.5	$ 13.5	$ 183.0	$ 188.4	$ 5.4
Home & Comm Care	$ 56.4	$ 54.5	$ (1.9)	$ 60.7	$ 59.8	$ (0.9)
Managed Care	$ 657.1	$ 678.0	$ 20.9	$ 672.5	$ 703.4	$ 30.9
Rhody Health Partners	$ 240.4	$ 233.5	$ (6.9)	$ 247.0	$ 237.8	$ (9.2)
Rhody Health Options	$ 347.9	$ 350.7	$ 2.8	$ 363.6	$ 362.4	$ (1.2)
Pharmacy	$ (0.9)	$ (1.4)	$ (0.5)	$ (0.9)	$ (1.4)	$ (0.5)
Pharmacy Part D Clawback	$ 59.2	$ 59.0	$ (0.2)	$ 64.7	$ 63.4	$ (1.3)
Medicaid Expansion	$ 450.0	$ 467.0	$ 17.0	$ 504.0	$ 482.3	$ (21.7)
Other Medical	$ 115.6	$ 104.7	$ (10.9)	119.8	$ 108.1	$ (11.7)
Total Medical Assistance	$ 2,302.4	$ 2,331.0	$ 28.6	$ 2,414.1	$ 2,403.0	$ (11.2)
Federal Funds	$ 1,378.8	$ 1,399.9	$ 21.1	$ 1,452.1	$ 1,435.6	$ (16.6)
General Revenues	$ 914.0	$ 921.6	$ 7.6	$ 952.3	$ 959.2	$ 6.9
Restricted Receipts	$ 9.6	$ 9.6	$ -	$ 9.6	$ 8.2	$ (1.4)
Total Expenditures	$ 2,410.6	$ 2,443.3	$ 32.7	$ 2,525.0	$ 2,514.9	$ (10.1)
General Revenues	$ 943.8	$ 951.7	$ 7.9	$ 985.8	$ 992.6	$ 6.9

$ are in millions (other than costs per person or monthly subsidy amounts)