



State of Rhode Island and Providence Plantations

Caseload Estimating Conference

Room 305, STATE HOUSE, PROVIDENCE, RI 02903

SHARON REYNOLDS FERLAND
House Fiscal Advisor
November 2019 Conference Chair

THOMAS A. MULLANEY
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MEMORANDUM

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

From: Sharon Reynolds Ferland, House Fiscal Advisor
Thomas A. Mullaney, State Budget Officer
Stephen H. Whitney, Senate Fiscal Advisor

Date: November 14, 2019

Subject: **November 2019 Caseload Estimating Conference**

SUMMARY

The Caseload Estimating Conference convened on November 5, 2019, in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY 2020 and FY 2021. Compared to the FY 2020 enacted budget, the adopted estimate for FY 2020 decreases funding by \$22.4 million. This assumes lower enrollment in managed care plans, fewer individuals receiving the curative treatment for Hepatitis C and increased expenditures in long term care services and supports. Estimated expenditures for cash assistance also decline, primarily from reductions in the estimated cost for child care subsidies and Supplemental Security Income payments.

FY 2021 program costs are estimated to total \$2,586.0 million, an increase of \$2.4 million over the FY 2020 enacted budget. This includes \$1.9 million more for medical assistance and \$0.5 million more for cash assistance. The estimate includes medical benefits inflation, provider rate increases and enrollment trends offset by a significant reduction to uncompensated care payments based on a change in federal

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authority. Increased expenditures are also anticipated for child care assistance. General revenue expenditures are expected to total \$999.9 million, a decrease of \$7.1 million compared to the FY 2020 enacted budget.

November 2019 Caseload Estimates	FY 2020 Enacted	FY 2020 Nov. CEC	Change to Enacted	FY 2021 Nov. CEC	Change to Enacted	Change to FY 2020 Nov.
Cash Assistance						
All Funds	\$ 117,267,800	\$ 115,686,097	\$ (1,581,703)	\$ 117,757,215	\$ 489,415	\$ 2,071,118
General Revenues	30,433,332	29,160,907	(1,272,425)	28,984,072	(1,449,260)	(176,835)
Medical Assistance						
All Funds	\$2,466,348,886	\$2,445,539,356	\$(20,809,530)	\$2,468,245,949	\$1,897,063	\$ 22,706,593
General Revenues	976,559,149	965,339,057	(11,220,092)	970,912,642	(5,646,507)	5,573,585
Consensus Caseload Total						
All Funds	\$2,583,616,686	\$2,561,225,453	\$(22,391,233)	\$2,586,003,164	\$2,386,478	\$ 24,777,711
General Revenues	1,006,992,481	994,499,964	(12,492,517)	999,896,714	(7,095,767)	5,396,750

There are two changes included in the FY 2021 estimate related to revisions in federal law. First, the federal moratorium on the collection of the health insurer fee included in the Affordable Care Act has ended which impacts the rates paid to United Healthcare and Tufts for managed care enrollees. The estimate assumes \$17.1 million, of which \$5.8 million is from general revenues, for this fee.

The second change concerns uncompensated care payments to hospitals. Long planned reductions in these federal payments are currently scheduled and will lower hospital spending in FY 2021 by \$64.5 million, including \$30.6 million from general revenues. The expectation is that any federal action to further delay the reduction, which is currently pending in Congress and has been done in prior years, would result in a restoration of the state match that goes with it.

A July 2019 current services estimate prepared by the Budget Office projected that the FY 2021 budget would require \$51.6 million from general revenues above the FY 2020 enacted level to fund entitlement programs. The Conference estimate is \$57.3 million below that current services estimate. Excluding the impact of the uncompensated care payment adjustment, the estimate is \$26.9 million below current services.

The estimates are still impacted by functionality of the Unified Health Infrastructure Project (UHIP) primarily for long term care services. Specifically, there is still a backlog of long term care applications and the state continues to make advanced, "offline", payments to nursing facilities for applications they have submitted. The state is in the process of reconciling payments previously made to nursing facilities in order to properly claim Medicaid match. The FY 2020 and FY 2021 nursing facilities estimates assume that 10 percent of these advanced payments will not be eligible for Medicaid reimbursement and includes \$1.5 million and \$1.2 million, respectively, from general revenues to make up the difference. Prior functionality issues not related to long term care have improved, which appears to contribute to the decline in overall enrollment.

Cash Assistance

Cash assistance programs for FY 2020 are estimated to total \$115.7 million, a decrease of \$1.6 million from the enacted budget. Those funded from general revenues are estimated to be \$29.2 million, which is \$1.3 million less than enacted. FY 2021 expenditures are estimated to total \$117.8 million, \$2.1 million more than the revised November estimate for FY 2020; general revenues are estimated at \$29.0 million or \$0.2 million less than the revised.

Rhode Island Works

The estimators project a caseload of 9,275 at an average monthly cost of \$186.05 in both FY 2020 and FY 2021, which is 59 individuals less than enacted and a \$1.95 lower monthly cost. Expenditures for Rhode Island Works, including monthly bus passes and other supportive services, total \$23.1 million in each year. Program expenses are funded entirely by the federal Temporary Assistance for Needy Families block grant.

Child Care Assistance

The FY 2020 caseload estimate for child care assistance includes \$72.9 million to provide 9,294 children with subsidized care at an average yearly cost of \$7,840 per subsidy. The revised estimate assumes use of \$63.4 million from federal block grant funds and \$9.4 million from general revenues. Projected program expenses are anticipated to decrease by \$0.7 million from the enacted budget based on updated enrollment data, including a lower cost per subsidy based on the distribution among age groups, income level and hours of attendance.

For FY 2021, program costs are estimated to be \$75.0 million, for 9,550 subsidies at an average yearly cost of \$7,854 per subsidy. Expenses assume \$65.7 million from federal block grant funds and \$9.3 million from general revenues. The total cost is \$2.1 million more than the revised estimate based on an additional 256 subsidies and updated estimates of costs based on projected growth in higher tier reimbursements.

Supplemental Security Income

The caseload for the Supplemental Security Income program is estimated to be 33,887 in FY 2020 and 33,800 in FY 2021. The estimated monthly cost per person is \$46.40 in each year for total funding of \$18.9 million from general revenues annually.

General Public Assistance

For FY 2020, the Conference lowered the enacted estimate by \$0.1 million and assumes 115 individuals at a monthly cost of \$151.00. The FY 2021 estimate assumes 104 individuals at \$150.00 per month. Total expenditures in both years are estimated to be \$0.2 million for the payments and \$0.6 million for burials.

Medical Assistance

The Conference projects total medical assistance spending of \$2,445.5 million in FY 2020, including \$1,470.1 million from federal funds, \$965.3 million from general revenues, and \$10.1 million from restricted receipts. This is \$20.8 million less than enacted from all sources including \$11.2 million less from general revenues.

For FY 2021, the Conference projects spending of \$2,468.2 million including \$1,487.2 million from federal funds, \$970.9 million from general revenues, and \$10.1 million from restricted receipts. The estimate is \$22.7 million more than the revised November estimate for FY 2020 of which \$17.1 million is from federal funds and \$5.6 million is from general revenues. As noted earlier, the estimate reflects a \$64.5 million reduction related to federal support for uncompensated care payments to hospitals.

The FY 2021 estimate also reflects the end of the two-year federal moratorium on the collection of the health insurer fee included in the Affordable Care Act. This will increase the rates the state pays to United Healthcare and Tufts for those enrolled in the managed care plans. The estimate includes \$17.1 million to account for the fee, of which \$5.8 million is from general revenues.

Modifications to the prior authorization policy for Hepatitis C pharmaceuticals, implemented in July 2018, allowed for treatment for all patients regardless of the stage of the disease. The Executive Office reported that there are at least 2,600 beneficiaries with a diagnosis that may be eligible for the treatment. Approximately 600 received treatment in FY 2019. The current estimate assumes most of the remaining

beneficiaries would be treated by the end of FY 2021, with 825 in FY 2020 and 925 in FY 2021. Related adjustments are included where appropriate by program in the paragraphs that follow.

Hospitals

FY 2020 hospital expenditures are estimated to be \$195.1 million, and include a \$142.3 million disproportionate share hospital payment as well as \$1.0 million for Graduate Medical Education. This is \$0.2 million more than the enacted budget, including \$0.1 million from general revenues and reflects increased utilization of both inpatient and outpatient hospital services.

FY 2021 hospital expenditures are estimated to be \$132.7 million including disproportionate share hospital payments of \$77.8 million to reflect the impact of the scheduled reduction. The estimate is \$2.1 million more than the revised FY 2020 estimate for direct services and \$64.5 million less for the uncompensated care payment. It includes \$4.6 million for the outpatient upper payment limit reimbursement and \$1.0 million for the Graduate Medical Education program. The upper payment reimbursement limit compensates hospitals for the difference between the Medicaid and Medicare fee-for-service rates of reimbursement.

The Affordable Care Act included a phase-down of federal Disproportionate Share Hospital payments made to states for uncompensated care. It has been postponed by Congress in previous fiscal years; however, under current federal law, the scheduled reduction will impact state fiscal year 2021 spending. Absent a further delay, the impact to Rhode Island hospitals is a \$64.5 million reduction in the payment, including \$30.6 million in state matching funds. The FY 2021 caseload estimate reflects that loss. The expectation is that any federal action to delay the reduction, which is currently pending in Congress, would result in a restoration of the state match that goes with it.

Long Term Care

Long term care expenditures are estimated to be \$440.4 million in FY 2020 and \$457.5 million in FY 2021. An increase of \$9.5 million in FY 2020 for nursing facilities primarily reflects year to date payments, including interim payments still being made to address the applications pending for more than ninety days and recoupments from advanced payments made in prior fiscal years.

The FY 2021 estimate for nursing facilities is \$13.0 million more than FY 2020 and includes the October 1, 2020, rate increase, increased use of hospice services, and an increase in the number of individuals requiring long term care services and supports.

As noted previously, backlogs related to UHIP functionality issues still impact the ability to make accurate payments and collect patient share. The state instead makes interim advanced payments to the long term care facilities, which require eventual reconciliation. The caseload estimate assumes that 10 percent of the advanced payments made in FY 2020 and FY 2021 will not be eligible for Medicaid reimbursement and includes \$1.5 million and \$1.2 million, respectively, to adjust state funding accordingly.

The Conference estimates \$78.4 million for FY 2020 and \$82.5 million for FY 2021 in fee-for-service funding for home and community-based services, an increase of \$2.8 million and \$6.9 million, respectively, relative to the enacted budget, based on higher utilization.

Managed Care

FY 2020 expenditures for managed care (including the RItE Care and RItE Share programs) are estimated to be \$719.0 million, a \$28.7 million decrease from the enacted budget. The decrease is primarily related to fewer children and parents enrolled in RItE Care than originally projected.

Costs for FY 2021 are estimated at \$740.0 million, which is \$21.0 million above the FY 2020 revised estimate and assumes modest enrollment declines. The estimate includes \$7.4 million from the health insurer fee and a 3.5 percent increase in the monthly cost per person.

Rhody Health Partners

Rhody Health Partners program expenses are estimated at \$255.1 million for FY 2020, which is \$5.6 million more than enacted. The estimate includes an increase in the monthly cost per person for the 14,600 individuals enrolled in the managed care plan, offset by a reduction in Hepatitis C treatment costs.

FY 2021 expenditures are estimated to be \$267.0 million, which is \$11.9 million more than the FY 2020 revised estimate. The estimate includes a 3.5 percent increase in the monthly cost per person, the impact of the health insurer fee, and fairly stable enrollment.

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 eligible for both Medicare and Medicaid, are estimated to be \$145.2 million for FY 2020. This represents a decrease of \$7.4 million compared to the enacted budget reflecting fewer enrollees and a higher monthly cost per person based on the care levels for enrollees.

The FY 2021 estimate of \$149.3 million is \$3.3 million less than enacted and \$4.1 million more than the revised estimate. This reflects an increase in the monthly cost per person and keeps enrollment consistent with FY 2020. There are also adjustments to transportation costs and pharmacy rebates.

Medicaid Expansion

The FY 2020 estimate of \$481.0 million is \$2.1 million less than enacted, reflecting a reduction in enrollment and Hepatitis C treatment costs, offset by an increase in the monthly cost per person.

The FY 2021 estimate of \$500.0 million is \$19.0 million more than the FY 2020 revised estimate and assumes an increase in the monthly per person cost and reinstatement of the health insurer fee. Enrollment trends are projected to be similar to the revised FY 2020 estimate. The state match of \$50.0 million reflects the full ten percent share for these expenses. The first three years were federally-funded, after which the state share has been phased in at 2.5 percentage point increments over four years.

Other Medical Services

Expenditures for other medical services are estimated to be \$138.0 million for FY 2020 and \$147.0 million for FY 2021. 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 Center. The FY 2020 estimate is \$1.7 million more than the enacted budget. This includes \$0.5 million for the increased cost of contract changes for the transportation broker related to ambulance services. Another \$1.9 million from this change is spread among all other managed care plans but not specifically noted.

The FY 2021 estimate is \$9.0 million more than the revised FY 2020 estimate of which \$7.0 million relates to anticipated increases in Medicare payments. The estimate excludes the adjustment to the transportation broker contract as that adjustment is effective only for FY 2020.

Pharmacy

Pharmacy expenses are estimated to be \$71.7 million for FY 2020 and \$74.7 million for FY 2021. Nearly all of the funding is for the Medicare Part D clawback payment, which is funded solely from general revenues and is revised downward for FY 2020. 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 by \$2.3 million for FY 2020 compared to the enacted

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budget. The FY 2021 estimate is \$3.0 million above the FY 2020 revised estimate based on updated clawback projections.

The following table shows the November Caseload Conference estimates for cash and medical assistance benefits for FY 2020 and FY 2021.

November 2019 Consensus Caseload Estimates	FY 2020 Enacted	FY 2020 Nov. CEC	Change to Enacted	FY 2021 Nov. CEC	Change to Enacted	Change to FY 2020 Nov.
<i>Cash Assistance</i>						
TANF/RI Works						
Persons	9,334	9,275	(59)	9,275	(59)	-
Monthly Cost per Person	\$ 188.00	\$ 186.05	\$ (1.95)	\$ 186.05	\$ (1.95)	\$ -
Total /TANF Funds	\$ 23,266,100	\$ 23,093,475	\$ (172,625)	\$ 23,093,475	\$ (172,625)	\$ -
Child Care						
Subsidies	9,240	9,294	54	9,550	310	256
Annual Cost per Subsidy	\$ 7,966	\$ 7,840	\$ (126)	\$ 7,854	\$ (112)	\$ 14
Total	\$ 73,608,000	\$ 72,864,960	\$ (743,040)	\$ 75,005,700	\$ 1,397,700	\$ 2,140,740
Federal Funds	63,568,368	63,431,715	(136,653)	65,679,668	2,111,300	2,247,953
General Revenues	10,039,632	9,433,245	(606,387)	9,326,032	(713,600)	(107,213)
SSI						
Persons	33,750	33,887	137	33,800	50	(87)
Monthly Cost per Person	\$ 47.94	\$ 46.40	\$ (1.54)	\$ 46.40	\$ (1.54)	\$ -
Total/General Revenues	\$ 19,487,100	\$ 18,938,282	\$ (548,818)	\$ 18,889,840	\$ (597,260)	\$ (48,442)
GPA Bridge						
Persons	162	115	(47)	104	(58)	(11)
Monthly Cost per Person	\$ 150.00	\$ 151.00	\$ 1.00	\$ 150.00	\$ -	\$ (1.00)
Total/General Revenues	\$ 906,600	\$ 789,380	\$ (117,220)	\$ 768,200	\$ (138,400)	\$ (21,180)
Total Cash Assistance	\$ 117,267,800	\$ 115,686,097	\$ (1,581,703)	\$ 117,757,215	\$ 489,415	\$ 2,071,118
General Revenues	30,433,332	29,160,907	(1,272,425)	28,984,072	(1,449,260)	(176,835)
<i>Medical Assistance</i>						
Hospitals	\$ 52,629,456	\$ 52,800,000	\$ 170,544	\$ 54,900,000	\$ 2,270,544	\$ 2,100,000
Hospitals - DSH	142,301,035	142,293,259	(7,776)	77,800,000	(64,501,035)	(64,493,259)
Nursing Facilities	352,504,239	362,000,000	9,495,761	375,000,000	22,495,761	13,000,000
Home & Comm. Care	75,600,000	78,400,000	2,800,000	82,500,000	6,900,000	4,100,000
Managed Care/RIte Care	747,685,347	719,000,000	(28,685,347)	740,000,000	(7,685,347)	21,000,000
Rhody Health Partners	249,544,362	255,100,000	5,555,638	267,000,000	17,455,638	11,900,000
Medicaid Expansion	483,138,365	481,000,000	(2,138,365)	500,000,000	16,861,635	19,000,000
Rhody Health Options	152,572,443	145,200,000	(7,372,443)	149,300,000	(3,272,443)	4,100,000
Pharmacy	(142,168)	85,312	227,480	222,357	364,525	137,045
Pharmacy Part D Clawback	74,215,807	71,660,785	(2,555,022)	74,523,592	307,785	2,862,807
Other Medical	136,300,000	138,000,000	1,700,000	147,000,000	10,700,000	9,000,000
Total Medical Assistance	\$ 2,466,348,886	\$ 2,445,539,356	\$ (20,809,530)	\$ 2,468,245,949	\$ 1,897,063	\$ 22,706,593
Federal Funds	\$ 1,479,695,537	\$ 1,470,100,000	\$ (9,595,537)	\$ 1,487,239,107	\$ 7,543,570	\$ 17,139,107
General Revenues	976,559,149	965,339,057	(11,220,092)	970,912,642	(5,646,507)	5,573,585
Restricted Receipts	10,094,200	10,094,200	-	10,094,200	-	-
Total Expenditures	\$ 2,583,616,686	\$ 2,561,225,453	\$ (22,391,233)	\$ 2,586,003,164	\$ 2,386,478	\$ 24,777,711
General Revenues	\$ 1,006,992,481	\$ 994,499,964	\$ (12,492,517)	\$ 999,896,714	\$ (7,095,767)	\$ 5,396,750

The next required meeting of the conference is May 2020.

cc: The Honorable Marvin L. Abney, Chairman
House Finance Committee

The Honorable William J. Conley, Jr., Chairman
Senate Finance Committee