



State of Rhode Island and Providence Plantations

Revenue & Caseload Estimating Conference

Room 305, STATE HOUSE, PROVIDENCE, RI 02903

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To: The Honorable Lincoln D. Chafee, Governor
The Honorable Gordon D. Fox, Speaker of the House
The Honorable M. Teresa Paiva Weed, President of the Senate

From: Sharon Reynolds Ferland, House Fiscal Advisor
Peter M. Marino, Senate Fiscal Advisor
Thomas A. Mullaney, State Budget Officer

Handwritten signatures of Sharon Reynolds Ferland, Peter M. Marino, and Thomas A. Mullaney.

Date: May 17, 2012

Subject: May 2012 Caseload Estimating Conference

The Caseload Estimating Conference convened on May 7, 2012 in an open public meeting to review and revise cash assistance caseload and medical assistance expenditures for FY 2012 and FY 2013. In comparison to the November estimate, the adopted estimate decreased total funding for FY 2012 by \$62.5 million to \$1,670.1 million. The FY 2013 estimate of \$1,736.6 million is \$69.0 million less than the November conference.

Table with 5 columns: Category, FY 2012 May CEC, Change to Nov CEC, FY 2013 May CEC, Change to Nov CEC. Rows include Cash Assistance, Medical Assistance, and Consensus Caseload Total.

Compared to the November caseload estimate, expenditures funded from general revenues are expected to be \$27.9 million less in FY 2012 and \$31.6 million less in FY 2013.

The FY 2013 medical caseload projection includes savings assumed in the Governor's recommended budget that do not require a change to current law or policy and can be assumed in the estimates. This includes an experience based reduction to managed care plan payments totaling \$28.9 million and \$6.3 million in savings in home and community care for a utilization review process. Accounting for the additional general revenue savings already included in the Governor's budget, general revenue expenses decrease by \$11.5 million for FY 2013.

Cash Assistance

Cash assistance programs for FY 2012 are estimated to total \$109.8 million, a decrease of \$37,648 from the November estimate. General revenue expenditures are estimated to be \$31.0 million, \$0.2 million more than November. Expenditures for FY 2013 are estimated to total \$111.3 million, \$1.3 million less than November with estimated general revenues of \$30.3 million, \$0.4 million less than the November estimate.

Rhode Island Works. The estimators project a caseload of 15,950 persons for FY 2012, which is 210 fewer persons than the November estimate at an average monthly per-person cost of \$191.00 or \$1.00 less than adopted at the November conference. Total program expenses are estimated to be \$40.2 million which is \$0.6 million lower than November.

For FY 2013, total costs are estimated to be \$40.8 million, which is a decrease of \$1.7 million compared to November. This includes a caseload of 16,100 persons at an average monthly cost of \$192.00 each. In both years, Rhode Island Works program expenditures are funded entirely from the federal Temporary Assistance to Needy Families block grant.

The estimates in both years assume that 20 percent of the overall Rhode Island Works caseload will temporarily retain their benefits through the hardship provision, consistent with federal requirements allowing a state to exempt that portion of its caseload from the time limits while continuing to pay the benefits from federal funds.

Child Care. The child care assistance program is projected to spend \$47.9 million in FY 2012, reflecting 6,745 children receiving subsidies at an average yearly cost of \$7,100 each. This is an increase of \$0.8 million compared to the November estimate, reflecting an increase in the number of children receiving subsidized child care services and a slight decrease in the average cost per subsidy. For FY 2013, program costs are estimated to be \$49.0 million for 6,860 children for an average yearly cost of \$7,150.

General revenues are estimated to be \$9.7 million in both FY 2012 and FY 2013. The caseload estimate continues to include the current cost sharing requirement for low income

families receiving child care assistance and does not include the increase that is assumed in the Governor's FY 2013 recommended budget.

Supplemental Security Income. The caseload for the Supplemental Security Income program is estimated to be 33,510 in FY 2012, 290 less than the November estimate. The estimated monthly cost per person of \$46.00 is consistent with adopted estimate for total program costs of \$18.6 million from general revenues. In FY 2013, an estimated 33,800 individuals will receive payments averaging \$44.75, for total costs of \$18.2 million.

The state pays transaction fees to the federal government to administer these state supplemental payments for a small portion of the caseload. These fees are expected to total \$102,000 in FY 2012 and \$90,000 in FY 2013.

General Public Assistance. The estimators include the adopted level of 640 program recipients in FY 2012 and increase that by 10 to 650 in FY 2013. The estimate includes monthly cash payments of \$108.41 in FY 2012 and \$109.40 in FY 2013 in addition to indigent burials and limited medical benefits, for total costs of \$3.1 million in FY 2012 and \$3.2 million in FY 2013. The conference recognizes the state's continued ability to leverage Medicaid funding through the Global Waiver for medical services provided to these clients, and includes \$0.8 million in federal funds in FY 2013 offsetting costs that were previously state-only. The FY 2012 estimate includes \$0.4 million for a one-time adjustment to prior year expenses.

Medical Assistance

The conferees project total medical assistance spending of \$1,560.3 million in FY 2012, \$62.5 million less than the November adopted estimate. General revenue expenditures in FY 2012 are estimated to be \$28.1 million less than adopted totaling \$756.0 million. The FY 2012 projection includes one-time pharmacy savings of \$12.5 million and \$4.4 million in savings from the risk share/gain share agreement with the managed care plans.

For FY 2013, the estimators project spending of \$1,625.4 million, \$67.7 million less than November and \$65.1 million more than the FY 2012 estimate; general revenues are expected to decrease by \$31.3 million compared to November and are \$40.2 million over the FY 2012 estimate. As previously noted, the FY 2013 medical caseload projection includes initiatives totaling \$41.0 million from all sources in the Governor's recommended budget that do not require a change to current law that do not require a change to current law or policy and are assumed in the estimates.

Hospitals. Hospital expenditures in FY 2012, excluding payment for services provided to Medicaid enrollees in a managed care plan, are estimated to be \$221.4 million, \$17.7 million less compared to the November estimate. These expenditures include a disproportionate share hospital (DSH) payment that covers a portion of hospitals' cost of providing uncompensated

care. Expenditures for FY 2013 are estimated at \$211.1 million, \$21.6 million less than adopted. Savings in both fiscal years are the result of lower utilization attributable to lower than anticipated inpatient hospital days.

Medicaid payments to hospitals in FY 2012 include a supplemental outpatient upper payment limit (UPL) reimbursement of \$12.1 million and a state-only supplemental payment of \$1.0 million. These payments are not included in the FY2013 estimate due to the lack of statutory authority for these payments in FY 2013.

In both the November and May testimony from the Office of Health and Human Services, it was reported that the disproportionate share payment made to community hospitals in July 2011 was based on an incorrect federal Medicaid payment cap. As a result, the state made an overpayment of \$7.0 million.

The November estimate maintained the overall disproportionate share payment estimate for FY 2012 at the enacted level of \$126.9 million, but increased the general revenue share of disproportionate share payment in FY 2012 by \$3.7 million to \$63.4 million. The May caseload estimate did not alter that assumption and includes a \$129.6 million payment to the community hospitals for uncompensated care. The disproportionate share payment for FY 2013 is estimated to be \$127.7 million.

Long Term Care. Long term care expenditures, including costs for services provided in nursing facilities and in community settings, are now estimated to be \$417.1 million in FY 2012, \$1.8 million less than the November estimate. FY 2013 expenditures are estimated to be \$431.2 million. Nursing home and hospice expenses are estimated at \$344.4 million in FY 2012 and \$357.1 million in FY 2013. Subsequent to the November caseload estimate, the Office reported that it was reversing a previous reduction applied to the nursing home rates that was retroactive to July 1, 2011. That rate increase was not part of the November estimate but was included in the May caseload estimate for FY 2012 and FY 2013.

Home and community based services are estimated to be \$72.7 million in FY 2012 and \$74.1 million in FY 2013. The November estimate for home and community based services assumed that an enhanced Medicaid match is available in both years through the Money Follows the Person grant, offsetting a portion of the state cost with federal funds based on the Office's testimony; however it was later determined by the Office that this was an incorrect interpretation of the use of this federal funding and the savings were restored.

Managed Care. FY 2012 expenditures for managed care, including the RItE Care and RItE Share programs, are estimated to be \$576.0 million, \$26.0 million less than the November estimate. Consistent with its testimony in November, the Office cites lower enrollment than anticipated, lower RItE Share costs and fewer state-funded births and neonatal intensive care unit stays. The savings also include a \$4.4 million adjustment for its risk share/gain share settlement process and one time savings from additional drug rebates.

FY 2013 managed care expenses are estimated at \$598.8 million from all sources which is \$39.2 million lower than the November estimate and \$22.8 million, or 3.4 percent higher than the revised FY 2012 costs. The estimate continues to assume the experience based reduction in the revised estimate for lower enrollment and fewer hospital stays.

The managed care estimate includes funding through the Children's Health Insurance Program (CHIP) of \$34.3 million in FY 2012 and \$34.6 million in FY 2013.

Rhody Health Partners. FY 2012 costs of \$182.4 million for the Rhody Health Partners program are projected to be \$10.6 million less than November. FY 2013 expenditures are estimated to be \$210.7 million, \$4.3 million less than November and \$28.3 million more than FY 2012. Projected expenses include additional rebates of \$3.3 million above what was included in the November estimate for savings in FY 2012 and FY 2013.

Pharmacy. Pharmaceutical expenses are estimated to be \$0.1 million in FY 2012, \$5.5 million less than enacted. The decrease is due primarily to larger-than-anticipated pharmaceutical rebate collections. Expenditures for FY 2013 are projected to be \$3.9 million, \$1.9 million less than November to also include higher than anticipated rebates.

The Medicare Part D clawback payment is estimated to be \$47.3 million, \$0.4 million less than November, in FY 2012 and \$49.7 million, \$1.3 million less than adopted, in FY 2013. Clawback payments consist solely of general revenues.

Other Medical Services. Expenditures for other medical services are estimated to be \$116.0 million in FY 2012, \$0.5 million less than November, and \$119.9 million in FY 2013, a reduction of \$1.1 million compared to the November estimate. The estimators include enhanced federal funding through the Health Homes initiative, which permits a portion of state funding to be shifted to federal funds to \$1.3 million in FY 2012 and \$2.0 million in FY 2013.

The table on the next page shows the November and May caseload conference estimates for cash and medical assistance benefits for FY 2012 and FY 2013.

May 2012 Consensus Caseload Estimates	FY 2012 Nov CEC	FY 2012 May CEC	Change to Nov CEC	FY 2013 Nov CEC	FY 2013 May CEC	Change to Nov CEC
Cash Assistance						
TANF/RI Works						
Persons	16,160	15,950	(210)	16,650	16,100	(550)
Monthly Cost per Person	\$ 192.00	\$ 191.00	\$ (1.00)	\$ 194.00	\$ 192.00	\$ (2.00)
Total Costs	\$ 40,829,172	\$ 40,245,360	\$ (583,812)	\$ 42,480,604	\$ 40,818,120	\$ (1,662,484)
TANF Block Grant	40,829,172	40,245,360	(583,812)	42,480,604	40,818,120	(1,662,484)
General Revenues	-	-	-	-	-	-
Child Care						
Subsidies	6,615	6,745	130	6,708	6,860	152
Annual Cost per Subsidy	\$ 7,115	\$ 7,100	\$ (15)	\$ 7,200	\$ 7,150	\$ (50)
Total Costs	\$ 47,065,725	\$ 47,889,500	\$ 823,775	\$ 48,297,600	\$ 49,049,000	\$ 751,400
Federal Funds	37,397,090	38,220,865	823,775	38,628,965	39,380,365	751,400
General Revenues	9,668,635	9,668,635	-	9,668,635	9,668,635	-
SSI						
Persons	33,800	33,510	(290)	34,300	33,800	(500)
Monthly Cost per Person	\$ 46.00	\$ 46.00	\$ -	\$ 45.00	\$ 44.75	\$ (0.25)
Total Costs	\$ 18,777,600	\$ 18,599,520	\$ (178,080)	\$ 18,622,000	\$ 18,240,600	\$ (381,400)
GPA Bridge						
Persons	640	640	-	640	650	10
Monthly Cost per Person	\$ 109.00	\$ 108.41	\$ (0.59)	\$ 109.00	\$ 109.40	\$ 0.40
Total Costs	\$ 3,207,120	\$ 3,107,589	\$ (99,531)	\$ 3,207,120	\$ 3,168,320	\$ (38,800)
General Revenues	2,317,510	2,697,715	380,205	2,331,960	2,362,658	30,698
Federal Funds	889,610	409,874	(479,737)	875,160	805,662	(69,498)
Total Cash Program	\$ 109,879,617	\$ 109,841,969	\$ (37,648)	\$ 112,607,324	\$ 111,276,040	\$ (1,331,284)
General Revenues	30,763,745	30,965,870	202,125	30,622,595	30,271,893	\$ (350,702)
Medical Assistance						
Hospitals	\$ 112,200,000	\$ 94,500,000	\$(17,700,000)	\$ 105,000,000	\$ 83,400,000	\$(21,600,000)
Hospitals - DSH	126,862,103	126,865,057	2,954	127,715,725	127,715,725	-
Total Hospitals	\$ 239,062,103	\$ 221,365,057	\$ (17,697,046)	\$ 232,715,725	\$ 211,115,725	\$(21,600,000)
Nursing Facilities	342,500,000	344,400,000	1,900,000	345,500,000	357,100,000	11,600,000
Home & Comm Care	76,400,000	72,700,000	(3,700,000)	84,000,000	74,100,000	(9,900,000)
Total Long Term Care	\$ 418,900,000	\$ 417,100,000	\$ (1,800,000)	\$ 429,500,000	\$ 431,200,000	\$ 1,700,000
Managed Care	602,000,000	576,000,000	(26,000,000)	638,000,000	598,800,000	(39,200,000)
Rhody Health	193,000,000	182,400,000	(10,600,000)	215,000,000	210,700,000	(4,300,000)
Pharmacy	5,600,000	108,651	(5,491,349)	5,800,000	3,944,179	(1,855,821)
Pharmacy Part D Clawback	47,700,000	47,300,000	(400,000)	51,000,000	49,700,000	(1,300,000)
Other Medical	116,500,000	116,000,000	(500,000)	121,000,000	119,900,000	(1,100,000)
Total Medical Assistance	\$ 1,622,762,103	\$ 1,560,273,708	\$(62,488,395)	\$ 1,693,015,725	\$ 1,625,359,904	\$(67,655,821)
Federal Funds	\$ 827,569,634	\$ 793,146,481	\$(34,423,153)	\$ 854,379,925	\$ 817,617,758	\$(36,762,167)
General Revenues	784,058,474	755,988,584	(28,069,890)	827,501,805	796,227,146	(31,274,659)
Restricted Receipts	11,133,995	11,138,643	4,648	11,133,995	11,515,000	381,005
Total Expenditures	\$ 1,732,641,720	\$ 1,670,115,677	\$(62,526,043)	\$ 1,805,623,049	\$ 1,736,635,944	\$(68,987,105)
General Revenues	\$ 814,822,219	\$ 786,954,454	\$(27,867,765)	\$ 858,124,400	\$ 826,499,039	\$(31,625,361)