



State of Rhode Island and Providence Plantations

Caseload Estimating Conference

Room 117, STATE HOUSE, PROVIDENCE, RI 02903

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MEMORANDUM

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

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

Date: November 16, 2017

Subject: **November 2017 Caseload Estimating Conference**

Summary

The Caseload Estimating Conference convened on November 7, 2017, in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY2018 and FY2019. In comparison to the FY2018 enacted budget, the adopted estimate for FY2018 increases funding by \$27.3 million, with an estimate totaling \$2,505.7 million, including \$997.2 million from general revenues. This includes \$25.3 million more for Medical Assistance programs and \$2.1 million more for Cash Assistance programs. The combined add from general revenues is \$29.3 million for FY2018. The upward adjustment for medical assistance restores savings of \$6.1 million from general revenues, in the FY2018 enacted budget from three initiatives that will not be implemented, as testified to by the Executive Office of Health and Human Services (EOHHS).

FY2019 program costs are estimated to total \$2,579.8 million, an increase of \$101.4 million from the FY2018 enacted budget. This includes \$93.1 million attributed to Medical Assistance programs and \$8.4 million attributed to Cash Assistance. Increased expenditures reflect expected medical inflation and increased enrollment in both areas. This is also \$74.1 million higher than the revised estimate for FY2018.

There are two notable changes that may be impacted by pending federal legislation. First, Congress has not reauthorized the Children’s Health Insurance Program which provides an enhanced match rate for Medicaid coverage for certain populations. Because of this, the estimate includes addition state spending of \$7.0 million in FY2018 and \$28.5 million to offset the lost federal funds. If the program is reauthorized, that expense would shift back to federal funds but not affect the total estimated cost. The second concerns uncompensated care payments to hospitals. Long planned reductions in these federal payments will reduce FY2019 spending on hospitals by \$32.3 million. The expectation is that any federal action to delay the reduction, which is currently pending in Congress and done in prior years, would result in a restoration of the state match that goes with it.

November 2017 Caseload Estimates

	FY2018	FY2018 Nov.	Change to	FY2019 Nov.	Change to FY2018
All Funds	Enacted	Adopted	Enacted	Adopted	Nov. Adopted
Cash Assistance	\$111.9	\$114.0	\$2.1	\$120.3	\$6.3
Medical Assistance	2,366.5	2,391.7	25.3	2,459.5	67.8
Total	\$2,478.4	\$2,505.7	\$27.3	\$2,579.8	\$74.1

General Revenue

Cash Assistance	\$30.6	\$31.3	\$0.7	\$37.0	\$5.7
Medical Assistance	937.3	965.9	28.6	1,003.7	37.8
Total	\$967.9	\$997.2	\$29.3	\$1,040.7	\$43.5

\$ in millions

Cash Assistance

Cash assistance programs for FY2018 are estimated to total \$114.0 million, an increase of \$2.1 million from the FY2018 Budget as Enacted. FY2018 general revenue expenditures are estimated to total \$31.3 million, \$680,000 more than enacted. FY2019 expenditures are estimated to total \$120.3 million, \$6.3 million more than the FY2018 November adopted estimate. The FY2019 general revenue estimate is \$37.0 million, \$5.7 million more than the FY2018 November estimate.

Rhode Island Works

For FY2018, the estimators project a caseload of 9,800 persons, 54 more than enacted, at an average monthly per person cost of \$187.50, \$7.50 more than enacted. The FY2019 estimate includes 10,200 persons at an average monthly cost of \$187.50. Rhode Island Works program expenses are funded entirely by the Temporary Assistance for Needy Families block grant. Expenditures total \$23.9 million in FY2018 and \$24.8 million in FY2019.

These estimates assume no more than 20.0 percent of the overall Rhode Island Works caseload will retain their benefits through the hardship provision. This limit is consistent with federal requirements allowing a state to exempt this portion of its caseload from the time limits while continuing to pay the benefits from federal funds.

Child Care Assistance

The FY2018 revised November caseload estimate for child care assistance includes \$69.4 million to provide 9,612 children with subsidized care, at an average yearly cost of \$7,220 per subsidy.

This estimate assumes \$58.8 million in federal Temporary Assistance for Needy Families (TANF) and Child Care Development Block Grant (CCDBG) funds and \$10.6 million in general revenue funds. Projected program expenses are anticipated to increase by \$400,000 from the FY2018 enacted budget. This increase in cost will be funded via federal TANF funds.

Reauthorization of the federal CCDBG requires changes to the state's child care assistance program. The FY2018 Budget as Enacted made the Transitional Child Care Pilot Program, which began in FY2014, permanent. The Transitional Child Care Program meets the "graduated phase out" requirement set forth in CCDBG. The Department plans to implement the remaining CCDBG requirements by October 1, 2018.

The FY2019 caseload estimate includes costs for these remaining requirements: 12-months of continuous eligibility; at least three months of continued eligibility for families who experience job loss; expanded outreach to homeless children and families; and infant/toddler prioritization. The Department projected \$3.0 million in additional FY2019 expenditures.

The FY2019 estimate projects a program cost of \$74.6 million to provide 10,327 children with subsidized care, at an average yearly cost of \$7,220 per subsidy. This estimate assumes \$58.4 million in TANF and CCDBG funds and \$16.2 million in general revenues. The FY2019 estimate includes a general revenue increase of \$5.6 million above the FY2018 estimate due to the assumption that TANF funding has been maximized. However, some of this cost increase could shift to TANF funding, if that became available. Increased expenditures reflect 715 more children than the FY2018 estimate, primarily driven by the new federal reauthorization provisions noted above.

Supplemental Security Income

The caseload for the Supplemental Security Income program is revised to 34,400 in FY2018, 715 individuals above the FY2018 Budget as Enacted. The estimated average monthly cost per person is revised to \$47.00, \$1.00 above the FY2018 enacted level. For FY2019, an estimated 34,600 individuals will receive an average monthly payment of \$47.00. Additionally, the State pays the federal government to administer a small portion of these state supplemental payments; these fees, included in the total cost, are expected to total \$60,000 annually in FY2018 and FY2019. Total expenditures are estimated to be \$19.5 million in FY2018 and \$19.6 million in FY2019.

General Public Assistance

The Conference revised the FY2018 estimate for the General Public Assistance program to include 350 individuals at a monthly cost of \$137.00. For FY2019 the estimate includes 350 individuals at a monthly cost of \$142.00. Total expenditures are estimated to be \$1.2 million in FY2018 and \$1.3 million in FY2019.

Medical Assistance

The Conference projects total medical assistance spending of \$2,391.7 million in FY2018, including \$1,414.6 million from federal funds, \$965.9 million from general revenues, and \$11.3 million from restricted receipts, which is \$25.3 million more than the enacted from all sources. General revenues are expected to increase in FY2018 by \$28.6 million related to increased expenditures for nursing facilities and increased enrollments in managed care organizations. As previously noted, the enacted budget includes savings of \$5.1 million from a reduction in the nursing home census, \$5.0 million from automating the collection of patient liability and \$0.5 million for the coordination of benefits for those who are also covered by Medicare and the Veterans Administration.

For FY2019, the Conference projects spending of \$2,459.5 million including \$1,444.6 million from federal funds, \$1,003.7 million from general revenues, and \$11.3 million from restricted receipts. The estimate is \$67.8 million more than the revised November estimate of which \$30.0 million is federal funds and \$37.8 million is from general revenues. This largely reflects increased medical inflation costs in the managed care programs.

Hospitals

FY2018 hospital expenditures are estimated to be \$194.2 million, a \$3.8 million decrease from all fund sources from the enacted budget to bring projected costs closer to alignment with historical spending. The estimate also includes a disproportionate share hospital (DSH) payment made to the state's community hospitals totaling \$139.7 million and \$4.0 million for Graduate Medical Education activities.

FY2019 hospital expenditures are estimated to be \$161.2 million including DSH payments of \$106.2 million and \$4.0 million for the Graduate Medical Education Program, a decrease in spending by \$33.0 million from all funds and \$16.1 million from general revenues from the November FY2018 revised estimate. Current state law authorizes up to \$138.6 million based on a federal payment of \$71.3 million.

Passage of the Affordable Care Act included a phase down of federal Disproportionate Share (DSH) to Hospitals payment made to states for uncompensated care. This phase down has been postponed by Congress in previous fiscal years; under current federal law the scheduled reduction has an impact on state fiscal year 2019 spending. Absent a further delay, the impact to Rhode Island hospitals is a \$32.3 million reduction in the payment, including the state matching funds, and the FY2019 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, including costs for services provided in nursing facilities and in community and home settings, are estimated to be \$247.0 million for FY2018 and \$255.7 million for FY2019. These are increases of \$8.3 million in FY2018 over the enacted and \$8.7 million in FY2019 compared to the November revised estimate. The estimate includes restoration of \$7.6 million, of which \$3.7 million is general revenue for unachieved savings from two initiatives

included in the enacted budget: the nursing home census reduction and collection of patient's share of cost of care.

The Conference included \$188.5 million for nursing facilities in FY2018 and \$195.7 million for FY2019; \$9.7 million more than enacted for FY2018 and \$7.2 million more than the revised November FY2018 adopted estimate for FY2019. The increased costs are related to the less than fully functional Unified Infrastructure Health Project (UHIP) and the inability to process long-term care eligibility applications. This has resulted in a back-log for approving eligibility and delayed payments to nursing facilities. To address this ongoing issue of eligibility and payments, the EOHHS has paid nursing facilities on an interim basis, making accurate estimates of both current and future liabilities difficult.

The Conference estimates include \$58.5 million for home and community care services for FY2018, a reduction of \$1.4 million, and \$60.0 million for FY2019, an increase of \$1.5 million over the revised FY2018 November estimate. These estimates include the enacted amounts of \$3.1 million for enhanced services through the Perry-Sullivan provision of state law. It should be noted that, as there was not a reduction in nursing home days to trigger a new allotment, no additional funding was included.

Managed Care

FY2018 expenditures for managed care (including the RItE Care and RItE Share programs) are estimated to be \$713.0 million, a \$22.5 million increase over the enacted budget, including an \$18.0 million general revenue increase. The general revenue increase is related to increased enrollments and unachieved terminations that were included in the FY2018 enacted budget. Enrollments in the managed care plan are also impacted by functionality of the Unified Health Infrastructure Project (UHIP).

In addition, Congress has not reauthorized the Children's Health Insurance Program which provides an enhanced match rate for Medicaid coverage for certain children and pregnant women through the RItE Care program. If Congress does not reauthorize the program, Rhode Island will lose \$7.0 million in federal funds in FY2018 and \$28.5 million in FY2019 and that loss is reflected in the estimate. If the program is extended, an adjustment shifting costs back to federal funds would be expected.

Costs for FY2019 are estimated to total \$753.0 million, \$62.5 million more than enacted and \$40.0 million over the revised FY2018 November estimate, reflecting a 4.0 percent increase in monthly capitated payments and increased enrollment trends. This includes a general revenue increase of \$35.6 million compared to the November 2018 revised estimate and \$54.1 million more than the enacted budget with the expiration of the CHIP program accounting for \$28.5 million of this increase.

Rhody Health Partners

The Rhody Health Partners program is estimated to cost \$243.9 million in FY2018, \$7.6 million more than enacted, including \$3.6 million from general revenues. FY2019 expenditures are estimated to be \$259.2 million, \$15.3 million more than the November FY2018 estimate, and \$22.9 million more than the enacted budget. The FY2019 estimate increases capitated payments by 4.0 percent and updated enrollment 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 \$367.6 million in FY2018. This represents an increase of \$12.3 million all funds and \$6.0 million in general revenue compared to the enacted budget. Rising expenditures are related to increased enrollment, \$2.5 million in unachieved savings from budget initiatives and increased medical costs per enrollee.

The FY2019 estimate of \$386.0 million is \$18.4 million more than the FY2018 revised November estimates to reflect continued enrollment in the managed care plan and a 4.0 percent increase in monthly capitated payments.

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 138.0 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 are fully federally-funded through CY2016 with federal support phased down to 90.0 percent by CY2020.

The Medicaid Expansion program is estimated to cost \$457.0 million in FY2018, an all funds reduction of \$21.5 million, and a \$1.2 million decrease from general revenues. FY2019 expenditures are estimated to be \$472.0 million. This is an increase of \$15.0 million from all funds and \$5.5 million more from general revenues over the November FY2018 revised estimate. It includes a 4.0 percent rate increase and lower utilization.

Other Medical Services

Expenditures for other medical services are estimated to be \$107.0 million in FY2018 and \$110.0 million in FY2019. The estimate includes Medicare Part B payments for certain individuals, fee-for-services payments for rehabilitation, and other medical services and payments to Tavares pediatric facility.

Pharmacy

Pharmacy expenses are estimated to be \$62.4 million in FY2018 and \$63.8 million in FY2019. Nearly all if this relates to 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"). This is a 3.0 percent increase in the revised estimate to reflect updated federal projections to reflect state costs.

The following tables show the November Caseload Conference estimates for cash and medical assistance benefits for FY2018 and FY2019.

Cash Assistance

	FY2018 Enacted	FY2018 Nov Adopted	Change to Enacted	FY2019 Nov Adopted	Change to FY2018 Adopted	Change to Enacted
Rhode Island Works						
Persons	9,746	9,800	54	10,200	400	454
Monthly Cost per Person	\$180.00	\$187.50	\$7.50	\$187.50	\$0.00	\$7.50
Total Cash Payments	\$21,051,360	\$22,050,000	\$998,640	\$22,950,000	\$900,000	\$1,898,640
Monthly Bus Passes	1,637,328	1,646,400	9,072	1,713,600	67,200	76,272
Tax intercepts	(130,000)	(130,000)	-	(130,000)	-	-
Supportive Services	144,000	116,000	(28,000)	122,000	6,000	(22,000)
Clothing - Children	153,780	165,000	11,220	156,000	(9,000)	2,220
Catastrophic	9,600	10,000	400	10,000	-	400
Total Cost	\$22,866,068	\$23,857,400	\$991,332	\$24,821,600	\$964,200	\$1,955,532
TANF Block Grant	22,866,068	23,857,400	991,332	24,821,600	964,200	1,955,532
General Revenue	-	-	-	-	-	-
Child Care						
Subsidies	9,422	9,612	190	10,327	715	905
Annual Cost per Subsidy	\$7,323	\$7,220	(\$103)	\$7,220	-	(\$103)
Total Costs	\$68,997,306	\$69,398,640	\$401,334	\$74,560,940	\$5,162,300	\$5,563,634
Federal Funds	58,384,487	58,785,821	401,334	58,384,487	(401,334)	-
General Revenue	10,612,819	10,612,819	-	16,176,453	5,563,634	5,563,634
SSI						
Persons	33,685	34,400	715	34,600	200	915
Monthly Cost per Person	\$46.00	\$47.00	\$1.00	\$47.00	-	\$1.00
Total Cash Payments	\$18,594,120	\$19,401,600	\$807,480	\$19,514,400	\$112,800	\$920,280
Transaction Fees	54,000	60,000	6,000	60,000	-	6,000
Total Costs	\$18,648,120	\$19,461,600	\$813,480	\$19,574,400	\$112,800	\$926,280
GPA						
Persons	364	350	(14)	350	-	(14)
Monthly Cost per Person	\$146.28	\$137.00	(\$9.28)	\$142.00	\$5.00	(\$4.28)
Total Payments	\$638,951	\$575,400	(\$63,551)	\$596,400	\$21,000	(\$42,551)
Burials	740,000	670,000	(70,000)	700,000	30,000	(40,000)
Medical	-	-	-	-	-	-
Total Costs	\$1,378,951	\$1,245,400	(\$133,551)	\$1,296,400	\$51,000	(\$82,551)
General Revenue	1,378,951	1,245,400	(133,551)	1,296,400	51,000	(82,551)
Cash Assistance Total						
Total Costs	\$111,890,445	\$113,963,040	\$2,072,595	\$120,253,340	\$6,290,300	\$8,362,895
Federal Funds	81,250,555	82,643,221	1,392,666	83,206,087	562,866	1,955,532
General Revenue	30,639,890	31,319,819	679,929	37,047,253	5,727,434	6,407,363

Medical Assistance

	FY2018 Enacted	FY2018 Nov Adopted	Change to Enacted	FY2019 Nov Adopted	Change to FY2018 Adopted	Change to Enacted
Hospitals						
Regular	58.3	54.5	(3.8)	55.0	0.5	(3.3)
Disproportionate Share	139.7	139.7	(0.0)	106.2	(33.5)	(33.5)
Total	\$198.0	\$194.2	(\$3.8)	\$161.2	(\$33.0)	(\$36.7)

Long Term Care

Nursing and Hospice Care	178.8	188.5	9.7	195.7	7.2	16.9
Home and Community Care	59.9	58.5	(1.4)	60.0	1.5	0.1
Total	\$238.7	\$247.0	\$8.3	\$255.7	\$8.7	\$17.0

Managed Care and Acute Care Services

Managed Care	690.5	713.0	22.5	753.0	40.0	62.5
Rhody Health Partners	236.3	243.9	7.6	259.2	15.3	22.9
Rhody Health Options	355.3	367.6	12.3	386.0	18.4	30.7
Other Medical Services	107.1	107.0	(0.1)	110.0	3.0	2.9
Medicaid Expansion	478.5	457.0	(21.5)	472.0	15.0	(6.5)
Total	\$1,867.7	\$1,888.5	\$20.8	\$1,980.2	\$91.7	\$112.5

Pharmacy

Pharmacy	(1.4)	(1.5)	(0.1)	(1.4)	0.0	(0.1)
Clawback	63.4	63.5	0.1	63.8	0.4	0.4
Total	\$62.1	\$62.0	(\$0.0)	\$62.4	\$0.4	\$0.3

Medical Assistance Total

Total Costs	\$2,366.5	\$2,391.7	\$25.3	\$2,459.5	\$67.8	\$93.1
Federal Funds	1,417.9	1,414.6	(3.3)	1,444.6	30.0	26.7
General Revenue	937.3	965.9	28.6	1,003.7	37.8	66.4
Restricted Receipts	11.3	11.3	-	11.3	0.0	0.0

\$ millions

Conference Total

	FY 2018 Enacted	FY 2018 Nov Adopted	Change to Enacted	FY 2019 Nov Adopted	Change to FY2018 Adopted	Change to Enacted
Total Costs	\$2,478.4	\$2,505.7	\$27.3	\$2,579.8	\$74.1	\$101.4
Federal Funds	1,499.1	1,497.2	(1.9)	1,527.8	30.6	28.7
General Revenue	967.9	997.2	29.3	1,040.7	43.5	72.8
Restricted Receipts	11.3	11.3	-	11.3	0.0	0.0

\$ millions