



State of Rhode Island and Providence Plantations

Caseload Estimating Conference

One Capitol Hill, Providence, RI 02908

THOMAS A. MULLANEY
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November 2018 Conference Chair

STEPHEN H. WHITNEY
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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
Stephen H. Whitney, Senate Fiscal Advisor
Sharon Reynolds Ferland, House Fiscal Advisor

Date: November 21, 2018

Subject: November 2018 Caseload Estimating Conference

The Caseload Estimating Conference convened on November 7, 2018, in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY 2019 and FY 2020. In comparison to the FY 2019 enacted budget, the adopted estimate for FY 2019 increases funding by \$27.5 million, largely attributable to the modification of Medicaid's Hepatitis C pharmaceutical prior authorization policy effective in July 2018 to cover treatment for all patients regardless of the stage of the disease, coupled with increased expenditures in Hospitals and Long-Term Care. These increases are partially offset by moderate declines in estimated expenditures for cash assistance, primarily attributable to a slight reduction in the estimated number of child care subsidies. The adopted estimate also restores net savings of \$8.8 million from all funds, of which \$5.3 million is from general revenue, for savings initiatives in the FY 2019 enacted budget that will not be fully achieved.

FY 2020 program costs are estimated to total \$2,648.0 million, an increase of \$100.5 million over the FY 2019 enacted budget. The increase over the enacted budget includes \$96.3 million more for medical assistance and \$4.2 million more for cash assistance. The increased expenditures are also attributable to the modification of Medicaid's Hepatitis C pharmaceutical prior authorization policy, combined with increased expenditures in Hospitals, Long Term Care, and more moderate increases across Managed Care to account for medical benefits inflation, partially offset by an anticipated decline in overall caseload. Increased expenditures are also anticipated for child care assistance. General revenue expenditures are expected to be \$11.7 million more than enacted in FY 2019 and \$43.7 million more than enacted in FY 2020. A July 2018

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current services estimate prepared by the Budget Office projected that the FY 2020 budget would require \$45.2 million additional general revenue to fund entitlement programs. The Conference estimate is \$1.5 million below that current services estimate.

November 2018 Consensus Caseload Estimates	FY 2019 Enacted	FY 2019 Nov CEC	Change to Enacted	FY 2020 Nov CEC	Change to FY 2019 Nov	Change to Enacted
Cash Assistance						
All Funds	\$ 119,950,547	\$ 117,962,706	\$ (1,987,841)	\$ 124,194,420	\$ 6,231,714	\$ 4,243,873
General Revenue	31,785,866	31,657,366	(128,500)	31,882,874	225,508	97,008
Medical Assistance						
All Funds	\$ 2,427,534,674	\$ 2,457,014,223	\$ 29,479,549	\$ 2,523,796,714	\$ 66,782,491	\$ 96,262,040
General Revenue	954,256,896	966,118,136	11,861,240	997,879,896	31,761,760	43,623,000
Consensus Caseload Total						
All Funds	\$ 2,547,485,221	\$ 2,574,976,929	\$ 27,491,708	\$ 2,647,991,134	\$ 73,014,205	\$ 100,505,913
General Revenue	986,042,762	997,775,502	11,732,740	1,029,762,770	31,987,268	43,720,008

CASH ASSISTANCE

Cash assistance programs for FY 2019 are estimated to total \$118.0 million, a decrease of \$2.0 million from the enacted budget. General revenue expenditures are estimated to be \$31.7 million, \$0.1 million less than enacted. The decrease from enacted is primarily attributable to a slight reduction in the estimated number of child care subsidies, coupled with more moderate declines in the estimated number of recipients in other cash assistance programs. Expenditures for FY 2020 are estimated to total \$124.2 million, \$4.2 million more than enacted, primarily attributable to an anticipated uptick in the number of child care subsidies and costs per subsidy. Estimated general revenues of \$31.9 million are \$0.1 million more than enacted.

Rhode Island Works

The estimators project a caseload of 9,700 persons for FY 2019, 325 persons below the enacted estimate, at an average monthly per-person cost of \$194.65, \$1.65 more than enacted. Total program expenses are estimated to be \$24.8 million, \$0.5 million less than enacted. For FY 2020, total costs are estimated to be \$24.9 million, \$0.4 million less than enacted, with a caseload of 9,700 persons at an average monthly cost of \$195.64. In both years, Rhode Island Works program expenditures are fully federally funded under the Temporary Assistance for Needy Families Program (often referred to as the “TANF block grant”).

The estimate for FY 2019 reflects the declining caseload trend consistent with prior year trends, while FY 2020 is held at the FY 2019 level. Reductions in the Rhode Island Works caseload emanate from a variety of sources, including improving economic conditions, families reaching statutory time limits, and more intensive requirements for parents with hardship extensions of benefits. The FY 2019 and FY 2020 estimates assume that no more than 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. Rhode Island’s hardship cases constitute approximately 13 percent of the current caseload.

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November 2018 Consensus Caseload Estimates	FY 2019 Enacted	FY 2019 Nov CEC	Change to Enacted	FY 2020 Nov CEC	Change to FY 2019 Nov	Change to Enacted
Cash Assistance						
Rhode Island Works						
Persons	10,025	9,700	(325)	9,700	-	(325)
Monthly Cost per Person	\$ 193.00	\$ 194.65	\$ 1.65	\$ 195.64	\$ 0.99	\$ 2.64
Cash Payments	23,164,600	22,657,260	(507,340)	22,772,496	115,236	(392,104)
Monthly Bus Passes	1,768,710	1,716,066	(52,644)	1,721,051	4,985	(47,659)
Tax intercepts	(80,000)	-	80,000	-	-	80,000
Supportive Services	225,000	246,000	21,000	250,000	4,000	25,000
Clothing - Children	165,000	150,000	(15,000)	142,000	(8,000)	(23,000)
Catastrophic	10,000	9,000	(1,000)	9,000	-	(1,000)
Total Costs (TANF)	\$ 25,253,310	\$ 24,778,326	\$ (474,984)	\$ 24,894,547	\$ 116,221	\$ (358,763)
Child Care						
Subsidies	9,300	9,125	(175)	9,517	392	217
Annual Cost per Subsidy	\$ 7,911.97	\$ 7,912.00	\$ 0.03	\$ 8,205.00	\$ 293.00	\$ 293.03
Total Costs	\$ 73,581,357	\$ 72,197,000	\$ (1,384,357)	\$ 78,086,985	\$ 5,889,985	\$ 4,505,628
<i>Federal Funds</i>	<i>62,911,371</i>	<i>61,527,014</i>	<i>(1,384,357)</i>	<i>67,416,999</i>	<i>5,889,985</i>	<i>4,505,628</i>
<i>General Revenue</i>	<i>10,669,986</i>	<i>10,669,986</i>	<i>-</i>	<i>10,669,986</i>	<i>-</i>	<i>-</i>
SSI						
Persons	35,000	34,500	(500)	34,883	383	(117)
Monthly Cost per Person	\$ 47.50	\$ 48.00	\$ 0.50	\$ 48.00	\$ -	\$ 0.50
Cash Payments	19,950,000	19,872,000	(78,000)	20,092,608	220,608	142,608
Transaction Fees	72,000	72,100	100	77,000	4,900	5,000
Total Costs	\$ 20,022,000	\$ 19,944,100	\$ (77,900)	\$ 20,169,608	\$ 225,508	\$ 147,608
GPA						
Persons	270	210	(60)	210	-	(60)
Monthly Cost per Person	\$ 137.00	\$ 164.00	\$ 27.00	\$ 164.00	\$ -	\$ 27.00
Total Payments	393,880	413,280	19,400	413,280	-	19,400
Burials	700,000	630,000	(70,000)	630,000	-	(70,000)
Total Costs	\$ 1,093,880	\$ 1,043,280	\$ (50,600)	\$ 1,043,280	\$ -	\$ (50,600)
Total Cash Assistance	\$ 119,950,547	\$ 117,962,706	\$ (1,987,841)	\$ 124,194,420	\$ 6,231,714	\$ 4,243,873
<i>Federal Funds</i>	<i>88,164,681</i>	<i>86,305,340</i>	<i>(1,859,341)</i>	<i>92,311,546</i>	<i>6,006,206</i>	<i>4,146,865</i>
<i>General Revenue</i>	<i>31,785,866</i>	<i>31,657,366</i>	<i>(128,500)</i>	<i>31,882,874</i>	<i>225,508</i>	<i>97,008</i>

Child Care

The Child Care Assistance Program is projected to spend \$72.2 million in FY 2019, reflecting 9,125 children receiving subsidies at an average yearly cost of \$7,912. For FY 2020, program costs are estimated to be \$78.1 million, or 9,517 subsidies at an average yearly cost of \$8,205. In both years, consensus estimates incorporate costs associated with the SEIU 1199 child care provider union contract and the Child Care and Development Block Grant Act of 2014.

General revenue expenditures are estimated to be \$10.7 million in FY 2019 and FY 2020. General revenue financing for the Child Care Assistance Program reflects fulfillment of the Maintenance of Effort requirement under the federal Child Care Development Fund. In both years, the additional funding requirement for this program adopted by the Conferees is covered through increased reliance on the TANF block grant, coupled with additional resources under the discretionary portion of the Child Care and Development Block Grant, which were first made available in federal fiscal year 2018, and subsequently extended by federal fiscal year 2019 final appropriations.

Supplemental Security Income

The caseload for the Supplemental Security Income program is estimated to be 34,500 in FY 2019, 500 persons below the enacted estimate. The estimated monthly cost per person is revised upward by \$0.50 to \$48.00 for total costs of \$19.9 million in general revenue. In FY 2020, an estimated 34,883 individuals will

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receive payments averaging \$48.00 per month, for total costs of \$20.2 million in general revenue. The estimates in both years include transaction fees that the State pays to the Social Security Administration to administer a portion of these state supplemental payments. These fees are expected to total \$72,100 in FY 2019 and \$77,000 in FY 2020.

General Public Assistance

Relative to the enacted level, the estimators project a decline in persons receiving general public assistance, based upon recent program trends. The caseload is estimated at 210 individuals at an average monthly cost per person of \$164.00 in both FY 2019 and FY 2020, a decline of 60 persons from the enacted level. Total expenditures, including funding for indigent burials, are estimated to be \$1.0 million in FY 2019 and FY 2020, all from general revenue.

MEDICAL ASSISTANCE

The conference projects total medical assistance spending of \$2,457.0 million in FY 2019, \$29.5 million greater than the enacted level, largely attributable to the modification of Medicaid’s Hepatitis C pharmaceutical prior authorization policy effective July 2018 to cover treatment for all patients regardless of the stage of the disease, coupled with increased expenditures in Hospitals and Long-Term Care. General revenue expenditures are estimated at \$966.1 million in FY 2019, \$11.9 million greater than the enacted level. For FY 2020, the estimators project total spending of \$2,523.8 million, \$96.3 million more than the FY 2019 enacted level. The increased expenditures are also attributable to the modification of Medicaid’s Hepatitis C pharmaceutical prior authorization policy, combined with increased expenditures in Hospitals, Long Term Care, and more moderate increases across other programs to account for medical benefits inflation, partially offset by an anticipated decline in overall caseload. General revenue expenditures in FY 2020 are estimated at \$997.9 million, \$43.6 million greater than the FY 2019 enacted level.

November 2018 Consensus Caseload Estimates	FY 2019 Enacted	FY 2019 Nov CEC	Change to Enacted	FY 2020 Nov CEC	Change to FY 2019 Nov	Change to Enacted
<i>Medical Assistance</i>						
Hospitals						
Hospitals	\$ 52,569,580	\$ 56,600,000	\$ 4,030,420	\$ 59,300,000	\$ 2,700,000	\$ 6,730,420
Hospitals - DSH	138,600,000	138,519,196	(80,804)	139,708,966	1,189,770	1,108,966
Total	\$ 191,169,580	\$ 195,119,196	\$ 3,949,616	\$ 199,008,966	\$ 3,889,770	\$ 7,839,386
Long Term Care						
Nursing and Hospice Care	313,806,417	321,000,000	7,193,583	362,400,000	41,400,000	48,593,583
Home and Community Care	82,504,715	81,000,000	(1,504,715)	91,900,000	10,900,000	9,395,285
Total	\$ 396,311,132	\$ 402,000,000	\$ 5,688,868	\$ 454,300,000	\$ 52,300,000	\$ 57,988,868
Managed Care and Acute Care Services						
Managed Care	732,145,223	723,700,000	(8,445,223)	744,000,000	20,300,000	11,854,777
Rhody Health Partners	258,095,701	254,500,000	(3,595,701)	274,000,000	19,500,000	15,904,299
Rhody Health Options	192,574,890	205,300,000	12,725,110	140,000,000	(65,300,000)	(52,574,890)
Other Medical Services	122,606,210	127,600,000	4,993,790	140,100,000	12,500,000	17,493,790
Medicaid Expansion	469,163,730	480,000,000	10,836,270	498,200,000	18,200,000	29,036,270
Total	\$ 1,774,585,754	\$ 1,791,100,000	\$ 16,514,246	\$ 1,796,300,000	\$ 5,200,000	\$ 21,714,246
Pharmacy						
Pharmacy	(521,893)	(576,103)	(54,210)	(519,052)	57,051	2,841
Pharmacy Part D Clawback	65,990,101	69,371,130	3,381,029	74,706,800	5,335,670	8,716,699
Total	\$ 65,468,208	\$ 68,795,027	\$ 3,326,819	\$ 74,187,748	\$ 5,392,721	\$ 8,719,540
Total Medical Assistance	\$ 2,427,534,674	\$ 2,457,014,223	\$ 29,479,549	\$ 2,523,796,714	\$ 66,782,491	\$ 96,262,040
<i>Federal Funds</i>	<i>1,464,253,573</i>	<i>1,481,871,882</i>	<i>17,618,309</i>	<i>1,516,892,613</i>	<i>35,020,731</i>	<i>52,639,040</i>
<i>General Revenue</i>	<i>954,256,896</i>	<i>966,118,136</i>	<i>11,861,240</i>	<i>997,879,896</i>	<i>31,761,760</i>	<i>43,623,000</i>
<i>Restricted Receipts</i>	<i>9,024,205</i>	<i>9,024,205</i>	<i>-</i>	<i>9,024,205</i>	<i>-</i>	<i>-</i>

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Hospitals

Hospital expenditures in FY 2019 are estimated to be \$195.1 million, \$3.9 million above the FY 2019 enacted budget. In FY 2019, the increased expenditures over the enacted level are primarily attributable to an increase in inpatient hospital utilization. Over the last six months, total inpatient discharges are up 13.5 percent compared to the same period in 2017.

These expenditures include a disproportionate share hospital (DSH) payment totaling \$138.5 million. Expenditures for FY 2020 are estimated to be \$199.0 million, \$7.8 million greater than the FY 2019 enacted budget, and are inclusive of \$139.7 million in anticipated DSH payments. The increase is attributable to additional inpatient hospital utilization, couple with anticipated medical benefits inflation. Medicaid payments to hospitals in each year also include a supplemental inpatient and outpatient “Upper Payment Limit” (UPL) reimbursement of \$15.7 million in FY 2019 and FY 2020.

Long Term Care

Long term care expenditures, which include fee-for-service payments for services provided in nursing facilities and in community settings, are now estimated to be \$402.0 million in FY 2019, \$5.7 million greater than the FY 2019 enacted budget. In FY 2020 total expenditures are estimated at \$454.3 million, \$58.0 million greater than enacted.

The increase from the enacted level in FY 2019 is largely attributable to a more expansive application of a hospice rate increase contained in Article 13, Section 4 of the 2018 Appropriations Act. The Act provided for a base rate increase of 10 percent for home care providers, home nursing care providers, and hospice providers delivering personal care attendant services. It also provided for a base rate increase of 20 percent to providers delivering skilled nursing and therapeutic services and hospice care. As interpreted by EOHHS, this rate increase was applied to all components of the hospice care payment, including the room and board rate paid to providers who deliver such care in a nursing facility that is passed through the facility. The value of this expanded application rate was estimated to be \$4.6 million in FY 2019.

In FY 2020, the increase from the enacted level includes \$5.5 million attributable to the hospice rate increase described above, as well as the annualized impact of shifting resources from Managed Care to Long Term Care due to the Rhody Health Options Redesign. In FY 2020, the annual cost of this population is fully reflected in fee-for-service Medicaid, with a small portion remaining in RHO Phase II.

The estimate in FY 2019 continues to be impacted by functionality issues surrounding the implementation of the Unified Health Infrastructure Project (UHIP) as it relates to timely eligibility determination and monthly financial and caseload data. Specifically, there is a backlog of long term care applications which has resulted in the State making “offline” payments to nursing facilities for applications they have submitted but are still pending approval, in accordance with RIGL 40-8-6.1(b)(2). The State began the process of reconciling payments previously made to nursing facilities to properly claim a Medicaid match in FY 2018 and this work continues through FY 2019. The FY 2019 nursing facilities estimate assumes that 10 percent of the advanced payments will not be eligible for Medicaid reimbursement and assumes the need for \$3.3 million from general revenues to make up the difference. In FY 2020, the Conferees assume that all nursing home payments, whether a paid claim or interim payment, will be eligible for federal financial participation and thus include no state-only expenditures for nursing facilities.

Managed Care

FY 2019 expenditures for managed care (including the RItE Care and RItE Share programs) are estimated to be \$723.7 million, \$8.4 million below the FY 2019 enacted budget. Costs for FY 2020 are estimated to increase to \$744.0 million, a 2.8 percent increase over the FY 2019 estimate and 1.6 percent above the FY 2019 enacted budget.

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An overall decline in the number of enrollees, particularly children with special health care needs (which have significantly higher costs), is partially offset by higher than enacted capitated rates. In FY 2020, anticipated medical benefits inflation is moderated by an overall decline in the number of enrollees year-over-year across most product lines, including RIte Care Core, Children with Special Healthcare Needs, and RIte Share, consistent with national trends in Medicaid enrollment.

Rhody Health Options

FY 2019 expenditures for Rhody Health Options are estimated to be \$205.3 million, \$12.7 million above the FY 2019 enacted budget. Costs for FY 2020 are estimated to decrease to \$140.0 million, a 31.8 percent decrease over the FY 2019 estimate and a 27.3 percent decrease from the FY 2019 enacted budget.

The increase in FY 2019 compared to the enacted level is the result of higher than anticipated enrollment in Rhody Health Options Phase II, coupled with higher than enacted capitation rates across all pay levels. The significant decline in FY 2020 as compared to the FY 2019 enacted and FY 2019 adopted estimate is attributable to the transition of Rhody Health Option Phase I members to Medicaid fee-for-service as part of the Rhody Health Options Redesign. As described under Long Term Care, in FY 2019, the transition to fee-for-service Medicaid for the population previously covered under RHO Phase I became effective as of October 1, 2018. In FY 2020, the annual cost of this population is fully reflected in fee-for-service Medicaid, with a small portion of this population transitioning to RHO Phase II.

Rhody Health Partners

Projected FY 2019 costs of \$254.5 million for the Rhody Health Partners program are \$3.6 million lower than the FY 2019 enacted budget, attributable to a decline in enrollment, increased pharmaceutical rebates, and a lower than anticipated shift to Rhody Health Partners from Rhody Health Options following the program redesign, partially offset by an anticipated increase attributable to the modification of Medicaid's Hepatitis C policy to cover treatment for all patients regardless of the stage of the disease. Approximately 45.5 percent of the costs associated with Hepatitis C treatment are expected to fall under the Rhody Health Partners program.

FY 2020 expenditures for Rhody Health Partners are estimated at \$274.0 million, an increase of \$15.9 million from enacted and \$19.5 million from the FY 2019 revised estimate. The increase year-over-year is attributable to the annualization of members who transitioned from RHO Phase I, anticipated medical benefits inflation, and the modification of Medicaid's Hepatitis C policy, moderated by a slight decline in overall caseload.

Medicaid Expansion

Projected FY 2019 costs of \$480.0 million for the Medicaid Expansion program are \$10.8 million greater than the FY 2019 enacted budget, attributable to a slight decline in enrollment, which is more than offset by anticipated expenditure increases attributable to the modification of Medicaid's Hepatitis C policy to cover treatment for all patients regardless of the stage of the disease. Approximately 49.7 percent of the costs associated with Hepatitis C treatment are expected to fall under the Medicaid Expansion program.

FY 2020 expenditures for the Medicaid Expansion program are estimated at \$498.2 million, an increase of \$29.0 million from enacted and \$18.2 million from the FY 2019 revised estimate. The increase year-over-year is attributable to expected medical benefits inflation and the modification of the Hepatitis C policy which is somewhat moderated by an expected decline in caseload, consistent with national Medicaid enrollment trends.

Other Medical Services

The estimate for other medical services includes: the Medicare Part A/B payment for certain individuals known as the Medicare Premium Payment Program; fee-for-service payments for a variety of medical

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services, including physician services, durable medical equipment, optometry, dialysis, and the Tavares pediatric facility; services provided to clients of the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; and rehabilitation services, among others.

Projected FY 2019 costs of \$127.6 million for Other Medical Services are \$5.0 million greater than the FY 2019 enacted budget, primarily attributable to greater than anticipated enrollment in the Medicaid Premium Payment Program, coupled with a technical correction to show expenses associated with the non-emergency transportation program for those members who transitioned out of RHO Phase I to Medicaid fee-for-service in October. The latter adjustment effectively overstates the deficit to the enacted in Other Medical Services and understates the deficit to enacted in Rhody Health Options.

FY 2020 expenditures for Other Medical Services are estimated at \$140.1 million, \$17.5 million greater than enacted and \$12.5 million greater than the revised estimate in FY 2019. The increase is driven by further enrollment growth in the Medicare Premium Payment Program and anticipated medical benefits inflation.

Pharmacy

Pharmacy expenses are estimated to be \$68.8 million in FY 2019 and \$74.2 million in FY 2020. Nearly all of this relates to the Medicare Part D clawback payment, which is 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 next required meeting of the Conference is May 2019.

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

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