



# MEDICAID MANDATORY SERVICES

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
STAFF: RUSSELL FRANDBEN

BUDGET BRIEF

**SUMMARY**

The Analyst’s base budget recommendation is \$988,745,500 for Medicaid Mandatory Services in FY 2013. This recommendation is \$17,216,300 higher than the base budget. This funding level supports 72 FTE and 1 vehicle. This brief highlights some issues in Medicaid Mandatory Services as well as some uses of the funding provided. The Subcommittee annually reviews each base budget to propose any changes and to vote to approve it. The Analyst recommends that the Subcommittee approve the \$988,745,500 base budget.

**Overview**

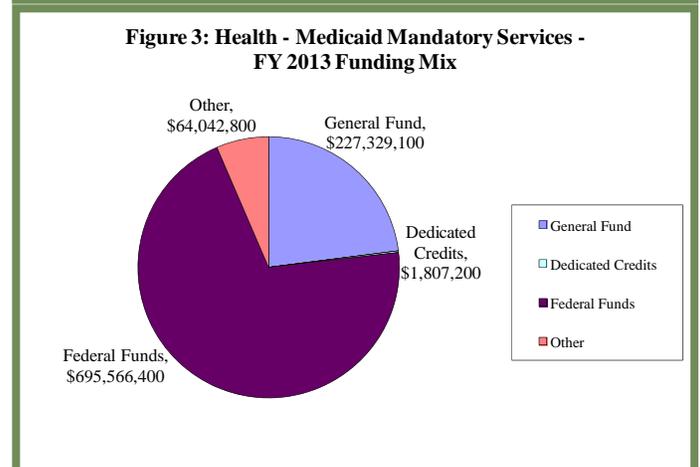
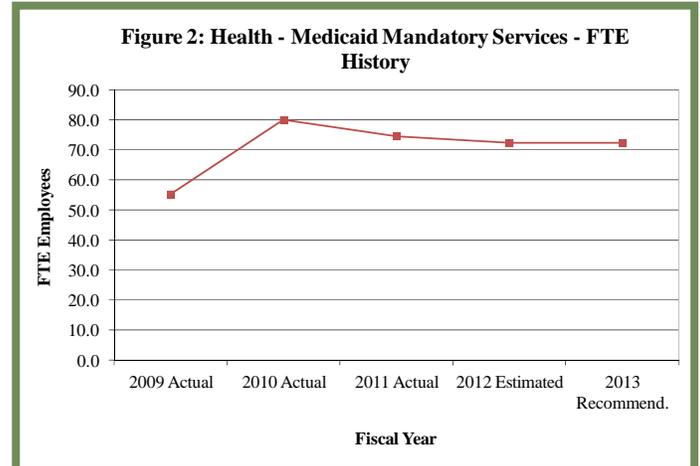
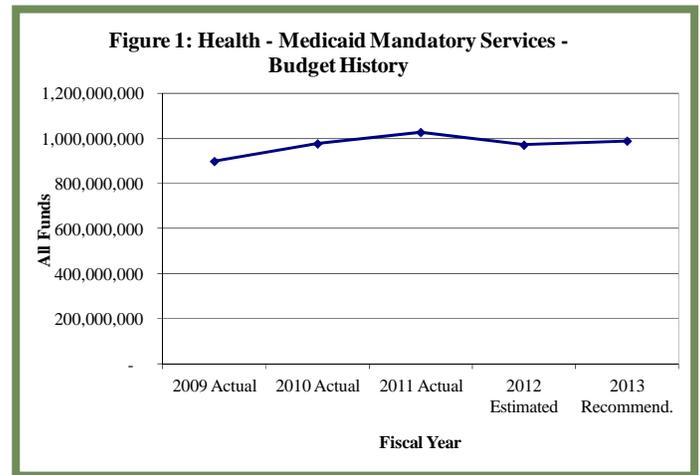
Mandatory services in the Medicaid Program are those that the federal government requires to be offered if a state has a Medicaid program. These include: inpatient and outpatient hospital, physician services, skilled and intermediate care nursing facilities, medical transportation, home health, nurse midwife, pregnancy-related services, lab and radiology, kidney dialysis, Early Periodic Screening Diagnosis and Treatment, and special reimbursement to community and rural health centers. For more detailed information please visit the online Compendium of Budget Information for the 2012 General Session at [http://le.utah.gov/lfa/reports/cobi2012/LI\\_LHB.htm](http://le.utah.gov/lfa/reports/cobi2012/LI_LHB.htm).

**ISSUES AND RECOMMENDATIONS**

This budget funds nine programs within the line item, including:

|  |               |
|--|---------------|
| Inpatient Hospital                     | \$321,198,100 |
| Managed Health Care                    | \$216,298,800 |
| Nursing Home                           | \$160,799,100 |
| Outpatient Hospital                    | \$103,799,500 |
| Physician Services                     | \$ 97,277,600 |
| Crossover Services                     | \$ 14,661,000 |
| Medical Supplies                       | \$ 14,044,000 |
| State-run Primary Care Case Management | \$ 484,000    |
| Other Mandatory Services               | \$ 60,183,400 |

The Analyst recommends a base budget for the Medicaid Mandatory Services line item for FY 2013 in the amount



of \$988,745,500. The funding level supports 72 FTE and 1 vehicle.

**Where Has the Growth in Medicaid Been from FY 1998 to FY 2011?**

Medicaid has grown 177% from FY 1998 to FY 2011. The growth by category of service during this same time frame is shown in the table to the right. The table also indicates if the category listed has grown above or below (more or less than) the rate of the overall Medicaid program.

| Category                                  | Annual Growth | Total Growth | FY 2011 Exp.     | Above/Below Average |
|---|---------------|--------------|------------------|---------------------|
| Inpatient Hospital Care                   | 14%           | 493%         | \$ 464,008,900   | Above               |
| Other Seeding                             | 14%           | 372%         | \$ 44,829,300    | Above               |
| Other Care                                | 12%           | 290%         | \$ 565,337,000   | Above               |
| All Medicaid                              | 8%            | 177%         | \$ 1,868,872,700 |                     |
| Long Term Care                            | 6%            | 96%          | \$ 204,508,700   | Below               |
| Department of Human Services              | 6%            | 95%          | \$ 201,622,000   | Below               |
| Mental Health                             | 5%            | 79%          | \$ 124,645,800   | Below               |
| Health Maintenance Organizations          | 3%            | 54%          | \$ 236,932,800   | Below               |
| Capitated Mental Health (FY 1999)         | 4%            | 53%          | \$ 17,672,700    | Below               |
| State Health and Dental Clinics (FY 2004) | N/A           | N/A          | \$ 9,315,500     | Below               |

**Assignment of clients to HMOs**

Medicaid clients, living in Utah, Salt Lake, and Davis Counties, that do not make a plan selection are assigned among the three managed care plans by Medicaid staff. Staff considers the following in making a plan assignment: client history of provider usage and if a client has private insurance that prefers a particular provider network. The Department indicates that there is no option available to assign based on price and quality.

**How does Utah Medicaid Compare to Other States?**

The following Utah Medicaid rankings as compared to the 50 States and the District of Columbia all come [www.statehealthfacts.org](http://www.statehealthfacts.org), part of the Henry J. Kaiser Family Foundation:

1. 13<sup>th</sup> for highest percent of long term care budget spent on home & personal health care (49% in FY 2009)
2. 18<sup>th</sup> highest percentage of Medicaid clients enrolled in managed care plans (83% as of July 1, 2010)
3. 20<sup>th</sup> in lowest spending per enrollee (\$5,173 in FY 2008)
4. 32<sup>nd</sup> for highest physician fees paid (82% of Medicare rates in 2008)

Medicaid is a joint federal/state entitlement service consisting of three programs that provide health care to selected low-income populations: (1) a health insurance program for low-income parents (mostly mothers) and children; (2) a long-term care program for the elderly; and (3) services program to people with disabilities.

The State is also required to pay Medicare premiums and co-insurance deductibles for aged, blind, and disabled persons with incomes up to 100 percent of the Federal Poverty Level. Additionally, the State pays for Medicare premiums for qualifying individuals with incomes up to 120 percent of the Federal Poverty Level.

**Department Has Deep Concerns With Proposed Federal Rule Regarding Provider Rate Changes**

The Department of Health has deep concerns over the CMS 2328-P proposed federal rule. The Department indicates that the federal rule proposes to add exceedingly burdensome requirements for provider rate changes. Specifically the rule proposes the following:

§447.203(b)(3) "...the State must submit with any State plan amendment that would reduce provider payment rates or restructure provider payments in circumstance when the changes could result in access issues, an access review described under paragraph (b)(1) of this section completed within the prior 12 months. That access review must demonstrate sufficient access for any service for which the State agency proposes to reduce payment rates or restructure provider payments in circumstance when the changes could result in access issues."

The Department feels that this would require an annual review of all rates in order to anticipate any possible changes that the Legislature might make during January to March for the fiscal year starting the following July. Additionally, the federal rule proposes to require that all covered services have a full rate review every five years. For more information regarding this proposed federal rule please visit <http://www.gpo.gov/fdsys/pkg/FR-2011-05-06/html/2011-10681.htm>.

***Analyst-recommended Changes***

The Analyst recommends the ongoing transfer of \$56,100 beginning in FY 2012 from the General Fund Restricted – Nursing Care Facilities Account from this line item to Health Care Financing to facilitate using the maximum 3% of this fund for administration as permitted by [UCA 26-35a-106](#). This change results in federal funds reductions of \$137,300 in FY 2012 and \$128,500 in FY 2013.

***Building Block Requests Included in the Governor’s Budget***

The three items below affect both of Medicaid’s service line items (Medicaid Mandatory Services & Medicaid Optional Services):

1. **Accountable Care Organizations Run Out** - \$8,472,000 one-time General Fund (\$29,234,800 total funds) to pay for FY 2012 service claims that can be submitted up to June 30, 2013 if Medicaid transitions to a prospective payment system model.
2. **Federal match rate** - \$13,100,000 General Fund to replace a reduction in federal funds due to a 1.07% unfavorable change in the federal match rate effective October 1, 2012. *The Fiscal Analyst recommends that the subcommittee forward to the Executive Appropriations Committee for further consideration this increase as discussed above together with an increase of \$8,000 ongoing General Fund.*
3. **Utilization/Caseload Increase** - \$44,300,000 one-time General Fund (\$152,890,400 total funds) for caseload growth in FY 2012 and \$57,200,000 ongoing and \$11,000,000 one-time (\$226,992,800 total funds) General Fund for FY 2013 caseload growth. The consensus forecast is a caseload increase of approximately 8.3% in FY 2012 and 5.5% for FY 2013. Additionally, FY 2013 utilization increase is about 5%. *The Fiscal Analyst recommends that the subcommittee forward to the Executive Appropriations Committee for further consideration, an increase of \$44,300,000 General Fund in FY 2012 and \$68,200,000 ongoing General Fund in FY 2013 for this purpose.*
4. **Forced Provider Inflation** - \$4,891,000 General Fund (\$13,139,400 total funds) for Medicaid services that the agency indicates the State cannot control the increase in the cost of the service. *The Fiscal Analyst recommends that the subcommittee forward to the Executive Appropriations Committee for further consideration this increase as discussed above.*

**ACCOUNTABILITY DETAIL**

***Use of Recent Appropriations***

1. **Medicaid Physician Provider Rate Add-back (FY 2011):** \$284,000 General Fund (\$1,002,900 total funds) to restore some of the prior reductions in physician provider reimbursement rates. The agency used this money to restore physician rates to FY 2010 levels.
2. **Medicaid Managed Care One-time Add Back (FY 2012):** \$2,933,600 one-time (\$850,000 General Fund) to delay until July 1, 2012 reductions to the administrative reimbursement for contracted Health Maintenance Organizations.

**BUDGET DETAIL**

The budget listed in the table below details the budget allocations in the base budget bill.

# MEDICAID MANDATORY SERVICES

| Health - Medicaid Mandatory Services  |                        |                      |                     |                      |                     |                      |
|---------------------------------------|------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| Sources of Finance                    | FY 2011                | FY 2012              |                     | FY 2012              |                     | FY 2013*             |
|                                       | Actual                 | Appropriated         | Changes             | Revised              | Changes             | Recommended          |
| General Fund                          | 213,765,500            | 227,329,100          | 0                   | 227,329,100          | 0                   | 227,329,100          |
| General Fund, One-time                | (31,885,800)           | (5,884,400)          | 0                   | (5,884,400)          | 5,884,400           | 0                    |
| Federal Funds                         | 714,725,800            | 583,505,200          | 100,080,000         | 683,585,200          | 11,981,200          | 695,566,400          |
| American Recovery and Reinvestment    | 71,594,400             | 0                    | 0                   | 0                    | 0                   | 0                    |
| Dedicated Credits Revenue             | 1,885,500              | 2,166,600            | (359,400)           | 1,807,200            | 0                   | 1,807,200            |
| GFR - Medicaid Restricted             | 1,847,600              | 0                    | 0                   | 0                    | 0                   | 0                    |
| GFR - Nursing Care Facilities Account | 17,304,800             | 19,137,400           | (56,100)            | 19,081,300           | 0                   | 19,081,300           |
| Hospital Provider Assessment          | 32,443,900             | 41,500,000           | 0                   | 41,500,000           | 0                   | 41,500,000           |
| Transfers                             | 0                      | 558,900              | (558,900)           | 0                    | 0                   | 0                    |
| Transfers - Intergovernmental         | 183,600                | 125,400              | 668,100             | 793,500              | (186,400)           | 607,100              |
| Transfers - Medicaid - DHS            | 156,000                | 0                    | 154,100             | 154,100              | 0                   | 154,100              |
| Transfers - Medicaid - DWS            | 29,900                 | 7,400                | 22,500              | 29,900               | 111,400             | 141,300              |
| Transfers - Medicaid - Internal DOH   | 2,543,600              | 0                    | 1,510,700           | 1,510,700            | 0                   | 1,510,700            |
| Transfers - Medicaid - UDC            | 0                      | 0                    | 600,000             | 600,000              | 0                   | 600,000              |
| Transfers - Within Agency             | 470,800                | 3,127,300            | (2,679,000)         | 448,300              | 0                   | 448,300              |
| Beginning Nonlapsing                  | 3,008,100              | 0                    | 574,300             | 574,300              | (574,300)           | 0                    |
| Closing Nonlapsing                    | (574,300)              | 0                    | 0                   | 0                    | 0                   | 0                    |
| <b>Total</b>                          | <b>\$1,027,499,400</b> | <b>\$871,572,900</b> | <b>\$99,956,300</b> | <b>\$971,529,200</b> | <b>\$17,216,300</b> | <b>\$988,745,500</b> |
| <b>Programs</b>                       |                        |                      |                     |                      |                     |                      |
| Crossover Services                    | 14,661,000             | 12,369,100           | 2,291,900           | 14,661,000           | 0                   | 14,661,000           |
| Inpatient Hospital                    | 359,765,200            | 259,060,000          | 44,933,400          | 303,993,400          | 17,204,700          | 321,198,100          |
| Managed Health Care                   | 216,298,700            | 201,892,400          | 14,406,400          | 216,298,800          | 0                   | 216,298,800          |
| Medical Supplies                      | 14,044,000             | 10,843,000           | 3,201,000           | 14,044,000           | 0                   | 14,044,000           |
| Nursing Home                          | 160,983,700            | 150,906,800          | 9,883,500           | 160,790,300          | 8,800               | 160,799,100          |
| Other Mandatory Services              | 60,185,600             | 50,985,600           | 9,195,000           | 60,180,600           | 2,800               | 60,183,400           |
| Outpatient Hospital                   | 103,799,500            | 97,632,800           | 6,166,700           | 103,799,500          | 0                   | 103,799,500          |
| Physician Services                    | 97,277,700             | 87,402,500           | 9,875,100           | 97,277,600           | 0                   | 97,277,600           |
| State-run Primary Care Case Managen   | 484,000                | 480,700              | 3,300               | 484,000              | 0                   | 484,000              |
| <b>Total</b>                          | <b>\$1,027,499,400</b> | <b>\$871,572,900</b> | <b>\$99,956,300</b> | <b>\$971,529,200</b> | <b>\$17,216,300</b> | <b>\$988,745,500</b> |
| <b>Categories of Expenditure</b>      |                        |                      |                     |                      |                     |                      |
| Personnel Services                    | 5,018,100              | 4,753,800            | (105,900)           | 4,647,900            | 0                   | 4,647,900            |
| In-state Travel                       | 21,100                 | 28,300               | (7,000)             | 21,300               | 0                   | 21,300               |
| Out-of-state Travel                   | 6,200                  | 2,300                | 3,900               | 6,200                | 0                   | 6,200                |
| Current Expense                       | 2,065,100              | 2,333,000            | (313,600)           | 2,019,400            | 2,100               | 2,021,500            |
| DP Current Expense                    | 63,600                 | 41,200               | 19,100              | 60,300               | 0                   | 60,300               |
| Other Charges/Pass Thru               | 1,020,325,300          | 864,414,300          | 100,359,800         | 964,774,100          | 17,214,200          | 981,988,300          |
| <b>Total</b>                          | <b>\$1,027,499,400</b> | <b>\$871,572,900</b> | <b>\$99,956,300</b> | <b>\$971,529,200</b> | <b>\$17,216,300</b> | <b>\$988,745,500</b> |
| <b>Other Data</b>                     |                        |                      |                     |                      |                     |                      |
| Budgeted FTE                          | 74.6                   | 79.0                 | (6.6)               | 72.4                 | 0.0                 | 72.4                 |
| Actual FTE                            | 65.3                   | 0.0                  | 0.0                 | 0.0                  | 0.0                 | 0.0                  |
| Vehicles                              | 1.0                    | 1.0                  | 0.0                 | 1.0                  | 0.0                 | 1.0                  |

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

## LEGISLATIVE ACTION

The Analyst recommends that the Social Services Appropriations Subcommittee take the following action:

1. Approve a base budget for FY 2013 for Medicaid Mandatory Services in the amount of \$988,745,500 with funding as listed in the Budget Detail Table. This includes the Analyst-recommended changes from internal reallocations.
2. Forward to the Executive Appropriations Committee the Analyst-recommended items for further consideration as discussed in this brief.