



# MEDICAID OPTIONAL SERVICES

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
STAFF: RUSSELL FRANSDEN

BUDGET BRIEF

**SUMMARY**

The Analyst’s base budget recommendation is \$825,196,600 for Medicaid Optional Services in FY 2013. This recommendation is \$4,865,200 lower than the base budget. This includes a \$1,432,700 General Fund decrease in FY 2012 and \$1,500,900 ongoing General Fund beginning in FY 2013 for unanticipated savings in the pharmacy program. This brief highlights some issues in Medicaid Optional 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 \$825,196,600 base budget.

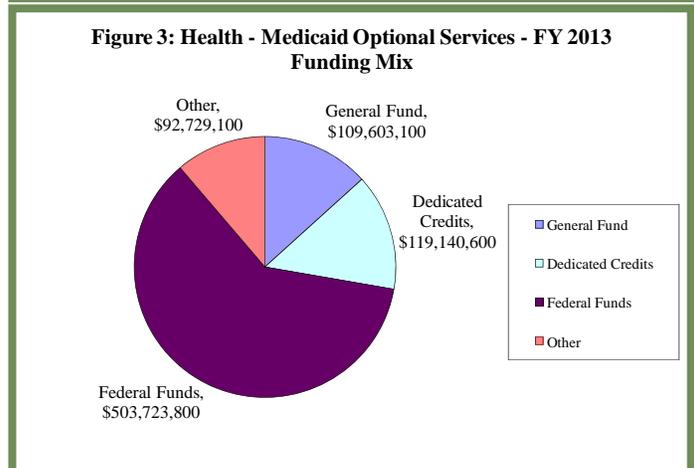
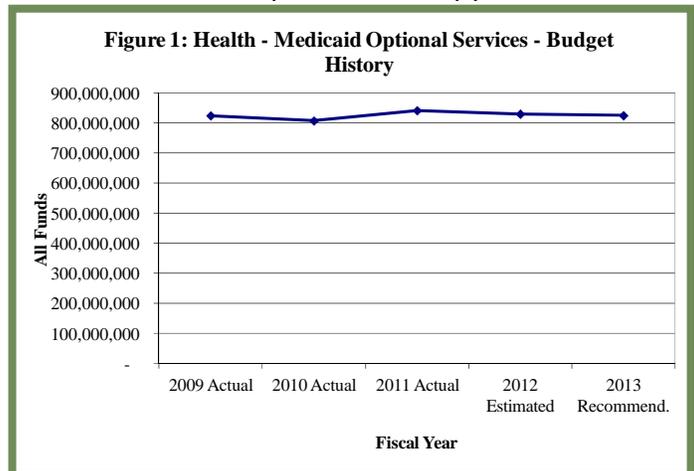
**Overview**

Medicaid Optional Services are designated by the federal Centers for Medicare and Medicaid Services (CMS) as not required for most Medicaid clients. These include pharmacy, dental, medical supplies, ambulatory surgery, chiropractic, podiatry, physical therapy, vision care, substance abuse treatment, speech and hearing services. Some of these services may be mandatory for certain populations or in certain settings. It should also be noted that while the service as a whole may be optional, once the State elects to offer that service to a specific group, it must make it available to all qualified eligibles in that group. Alternatively, when the State decides to stop or start providing a particular service, it must submit a State Plan Amendment to CMS, notify clients thirty days in advance, and provide a public notice at least one day before the change. There are 11 optional services that Utah does not provide in its Medicaid program: adult dental, home health occupational therapy; home health speech and language; eyeglasses; home health audiology; speech, hearing and language; nurse anesthetist; chiropractor; Program of All-Inclusive Care for the Elderly; respiratory care; and qualified Religious Nonmedical Health Care Institutions.

**ISSUES AND RECOMMENDATIONS**

This budget funds thirteen programs:

Pharmacy	\$132,151,900
Home and Community Based	
Waiver Services	\$105,856,700
Capitated Mental Health Services	\$144,111,300
Intermediate Care Facilities for the	
Mentally Retarded	\$ 82,489,300
Non-service Expenses	\$ 89,827,000
Buy-In/Buy-Out	\$ 39,240,100
Dental Services	\$ 35,658,400
Clawback Payments	\$ 27,000,000
Disproportionate Hospital	
Payments	\$ 26,000,000
Mental Health Inpatient Hospital	\$ 20,685,400
Hospice Care Services	\$ 14,197,400
Vision Care	\$ 2,289,500
Other Optional Services	\$105,689,600



The Analyst recommends a base budget for the Medicaid Optional Services line item for FY 2013 in the amount of \$825,196,600. This budget also supports three FTE.

### ***Analyst-recommended Changes***

The Analyst recommends using unanticipated General Fund savings of \$1,432,700 in FY 2012 and \$1,500,900 ongoing beginning in FY 2013 to reduce the shortfall in Tobacco Settlement funding for the Children's Health Insurance Program. The General Fund savings of \$1,432,700 in FY 2012 and \$1,500,900 ongoing beginning in FY 2013 come from the following two sources of unanticipated savings in the pharmacy program:

1. **Preferred Drug List** - \$1,410,300 in FY 2012 and \$1,477,400 ongoing in FY 2013 from higher than anticipated savings in the Preferred Drug List.
2. **SB 41 from 2011 General Session** - \$22,400 in FY 2012 and \$23,500 ongoing in FY 2013 for higher than anticipated savings from SB 41 from the 2011 General Session.

### ***Building Block Requests Included in the Governor's Budget***

1. **Dental Runout** - \$486,000 one-time General Fund (\$1,677,400 total funds) to pay for FY 2012 dental service claims that can be submitted up to June 30, 2013 if Medicaid transitions to a prospective payment system model.
2. **New Clawback Payment** - \$5,800,000 one-time General Fund in FY 2012 and \$5,800,000 ongoing General Fund in FY 2012 for a new clawback payment to the federal government. Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) and mandated that federal rebates be increased effective January 1, 2010. The cost estimate comes from the actual amount paid to the federal government for FY 2011 for this provision. *The Fiscal Analyst recommends that the subcommittee forward to the Executive Appropriations Committee for further consideration the increase as discussed above.*

### ***Building Block Requests Not Included in the Governor's Budget***

- **Restore Adult Dental Services** - \$2,979,000 General Fund (\$10,268,900 total funds) to provide dental benefits to all Medicaid adults.

For more detailed information on Utah's Medicaid Program please visit the following sources:

1. Online Compendium of Budget Information for the 2012 General Session at [http://le.utah.gov/lfa/reports/cobi2012/LI\\_LJA.htm](http://le.utah.gov/lfa/reports/cobi2012/LI_LJA.htm)
2. "An In-Depth Follow-Up of Utah Medicaid's Implementation of Audit Recommendations," Office of the Legislative Auditor General, [http://le.utah.gov/audit/12\\_03rpt.pdf](http://le.utah.gov/audit/12_03rpt.pdf)
3. "Utah Annual Report of Medicaid & CHIP" - [http://health.utah.gov/medicaid/pdfs/annual\\_report2011.pdf](http://health.utah.gov/medicaid/pdfs/annual_report2011.pdf)
4. "Understanding Medicaid; A Policymaker's Introduction," Office of Legislative Research and General Counsel – this document is from December 2005 but the concepts are all very relevant just the dollar amounts are larger. <http://www.le.state.ut.us/lrgc/briefingpapers/understandingmedicaid2005.pdf>
5. "Medicaid Review" - <http://www.le.state.ut.us/interim/2010/pdf/00000295.pdf> & follow up report on recommendations <http://le.utah.gov/interim/2011/pdf/00002029.pdf>

### **ACCOUNTABILITY DETAIL**

#### ***Use of Recent Appropriations***

The following paragraphs discuss recent appropriations and how they were used by the agency (some of these items affect both line items, Medicaid Mandatory Services and Medicaid Optional Services):

- **Physical and Occupational Therapy (FY 2011):** the budget included \$76,000 General Fund (\$266,100 total funds) to provide ongoing funding in Medicaid for about 2,100 physical therapy clients and 300 occupational therapy clients.

- **Restore Dental Rates (FY 2011):** the Legislature provided \$2,282,700 General Fund (\$9,302,000 total funds) to raise Medicaid dental provider rates 17% effective July 1, 2011. On January 8, 2010 the federal government indicated that it intended to not approve the 25% dental rate reduction that had been implemented on May 25, 2009.
- **Medicaid Inflation and Caseload/Utilization Increases:** \$158,950,800 ongoing (\$64,955,100 General Fund) in FY 2012 and \$84,894,800 one-time (\$24,382,600 General Fund) in FY 2011 for anticipated caseload growth. Caseloads from June 2010 to June 2011 increased 10%. The Legislature also provided \$9,182,400 ongoing (\$2,660,600 General Fund) for inflationary rate increases in pharmacy and reimbursement based on paying a percentage of billed charges.
- **Prader-Willi Syndrome Respite Care:** the Legislature provided \$60,000 one-time General Fund in FY 2011 and FY 2012 for respite care to families with Prader-Willi Syndrome.
- **Nursing Home Assessment (FY 2012):** \$1,870,600 increase in the General Fund Restricted - Nursing Care Facilities Restricted Account to increase reimbursement to nursing home provider rates by a net of \$4,577,500 or 3.7%. The appropriation is funded by an increase in the assessment paid by nursing facilities.

**Caseload Trends -**

Below is a discussion of the three Medicaid programs and their FY 2011 vs FY 2010 caseloads:

1. **Medicaid** - caseloads went from 222,000 in June 2010 to 244,700 in June 2011, an increase of 10%. Two of the five groups in Medicaid, children and family, have grown faster than the overall caseload growth rate. The disabled and aged client population has grown 8% and 4% respectively. The number of pregnant women on Medicaid has decreased by 4%. This growth in Medicaid is likely because of the situation in the economy with individuals losing employment and the associated health insurance coverage. The growth in Medicaid by category is shown in the table below:

Category	Clients June 10	Clients June 11	Increase	% Increase	% Pop. 6/10	% Pop. 6/11	Change in % of Pop.
Family-Mostly Adults	85,008	101,542	16,534	73%	38%	41%	3%
Children	83,105	87,535	4,430	19%	37%	36%	-2%
Disabled	33,658	35,570	1,912	8%	15%	15%	-1%
Aged	12,363	13,273	910	4%	6%	5%	0%
Pregnant Women	7,820	6,819	(1,001)	-4%	4%	3%	-1%
<b>Total</b>	<b>222,000</b>	<b>244,700</b>	<b>22,800</b>	<b>10%</b>			

2. **Primary Care Network** – caseloads went from 18,300 to 17,400, a decrease of 5%. The program has had two recent open enrollment periods in May and November of 2010. The open enrollment periods resulted in 9,000 new clients being served. The program provides a limited array of health services to individuals with incomes up to 150% of the Federal Poverty Level (\$2,800 monthly for a family of 4 in 2011). Covered services include: primary care, up to four prescriptions monthly, routine dental cleaning and examination, family planning services, immunizations, and routine lab services and x-rays. In FY 2011 the program had over \$20 million total funds in medical claims paid.
3. **Utah’s Premium Partnership for Health Insurance** - caseloads went from 306 to 293 adults, a decrease of 4%. This program pays monthly up \$150 per adult to pay the premiums of qualifying employee-sponsored health insurance. Adults who qualify can make up to 150% of the Federal Poverty Level (\$2,800 monthly for a family of 4 in 2011).

**BUDGET DETAIL**

Health - Medicaid Optional Services						
Sources of Finance	FY 2011 Actual	FY 2012 Appropriated	Changes	FY 2012 Revised	Changes	FY 2013* Recommended
General Fund	112,580,100	111,104,000	0	111,104,000	(1,500,900)	109,603,100
General Fund, One-time	(36,192,900)	(282,800)	(1,432,700)	(1,715,500)	1,715,500	0
Federal Funds	534,111,300	494,327,300	7,081,300	501,408,600	2,315,200	503,723,800
American Recovery and Reinvestment	29,401,600	0	0	0	0	0
Dedicated Credits Revenue	119,140,600	101,492,300	17,648,300	119,140,600	0	119,140,600
GFR - Nursing Care Facilities Account	1,589,000	1,654,300	0	1,654,300	0	1,654,300
Transfers - Fed Pass-thru	3,330,100	0	3,330,100	3,330,100	0	3,330,100
Transfers - Intergovernmental	3,790,700	22,911,900	(6,403,600)	16,508,300	(192,800)	16,315,500
Transfers - Medicaid - DHS	64,528,900	68,131,100	528,600	68,659,700	(192,000)	68,467,700
Transfers - Medicaid - DWS	0	157,500	(157,500)	0	0	0
Transfers - Medicaid - Internal DOH	1,024,700	0	2,260,000	2,260,000	0	2,260,000
Transfers - Medicaid - USDB	540,200	0	277,600	277,600	0	277,600
Transfers - Within Agency	549,600	0	423,900	423,900	0	423,900
Beginning Nonlapsing	13,989,300	0	7,010,200	7,010,200	(7,010,200)	0
Closing Nonlapsing	(7,010,200)	0	0	0	0	0
<b>Total</b>	<b>\$841,373,000</b>	<b>\$799,495,600</b>	<b>\$30,566,200</b>	<b>\$830,061,800</b>	<b>(\$4,865,200)</b>	<b>\$825,196,600</b>
<b>Programs</b>						
Buy-in/Buy-out	32,717,900	39,240,100	0	39,240,100	0	39,240,100
Capitated Mental Health Services	143,517,800	111,836,900	31,680,900	143,517,800	593,500	144,111,300
Clawback Payments	0	27,000,000	0	27,000,000	0	27,000,000
Dental Services	35,658,400	31,562,400	4,096,000	35,658,400	0	35,658,400
Disproportionate Hospital Payments	0	26,000,000	0	26,000,000	0	26,000,000
Home and Community Based Waiver S	157,761,200	158,390,100	(52,512,600)	105,877,500	(20,800)	105,856,700
Hospice Care Services	14,197,400	14,893,800	(696,400)	14,197,400	0	14,197,400
Intermediate Care Facilities for Intelle	82,712,900	84,584,100	(1,871,200)	82,712,900	(223,600)	82,489,300
Mental Health Inpatient Hospital	0	23,859,800	(3,174,400)	20,685,400	0	20,685,400
Non-service Expenses	100,512,200	56,614,400	15,212,600	71,827,000	18,000,000	89,827,000
Other Optional Services	105,689,600	59,728,600	45,961,000	105,689,600	0	105,689,600
Pharmacy	166,316,100	163,692,900	(8,326,700)	155,366,200	(23,214,300)	132,151,900
Vision Care	2,289,500	2,092,500	197,000	2,289,500	0	2,289,500
<b>Total</b>	<b>\$841,373,000</b>	<b>\$799,495,600</b>	<b>\$30,566,200</b>	<b>\$830,061,800</b>	<b>(\$4,865,200)</b>	<b>\$825,196,600</b>
<b>Categories of Expenditure</b>						
Personnel Services	382,400	0	290,500	290,500	0	290,500
Current Expense	25,600	(100)	25,300	25,200	0	25,200
DP Current Expense	900	0	0	0	0	0
Other Charges/Pass Thru	840,964,100	799,495,700	30,250,400	829,746,100	(4,865,200)	824,880,900
<b>Total</b>	<b>\$841,373,000</b>	<b>\$799,495,600</b>	<b>\$30,566,200</b>	<b>\$830,061,800</b>	<b>(\$4,865,200)</b>	<b>\$825,196,600</b>
<b>Other Data</b>						
Budgeted FTE	0.6	0.0	3.0	3.0	0.0	3.0
Actual FTE	2.3	0.0	0.0	0.0	0.0	0.0

\*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 Optional Services in the amount of \$825,196,600 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 item for further consideration as discussed in this brief.