



HEALTH CARE FINANCING

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANDBEN

BUDGET BRIEF

SUMMARY

The Analyst's base budget recommendation is \$101,650,100 for Health Care Financing in FY 2013. This recommendation is \$138,500 lower than the base budget. This includes a \$56,100 ongoing General Fund decrease beginning in FY 2012 to use the 3% maximum for administration from the Nursing Care Facilities Account. This funding level supports 193 FTE and 1 vehicle. This brief highlights some issues in Health Care Financing 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 \$101,650,100 base budget and the one proposed intent language statement.

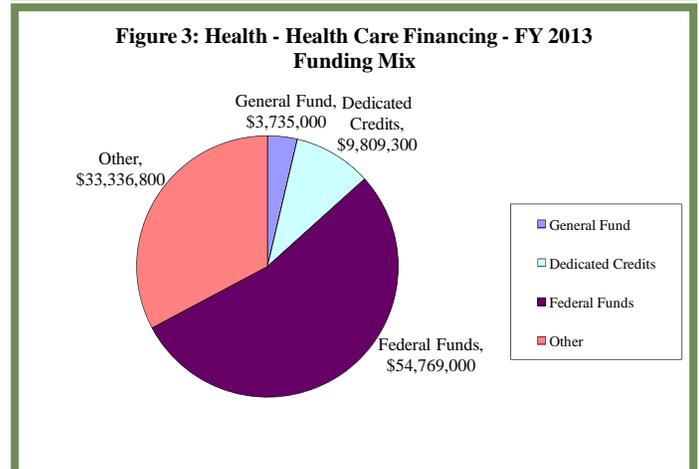
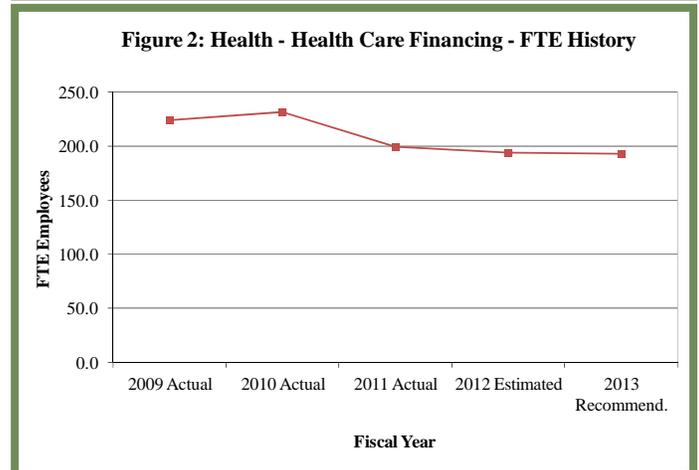
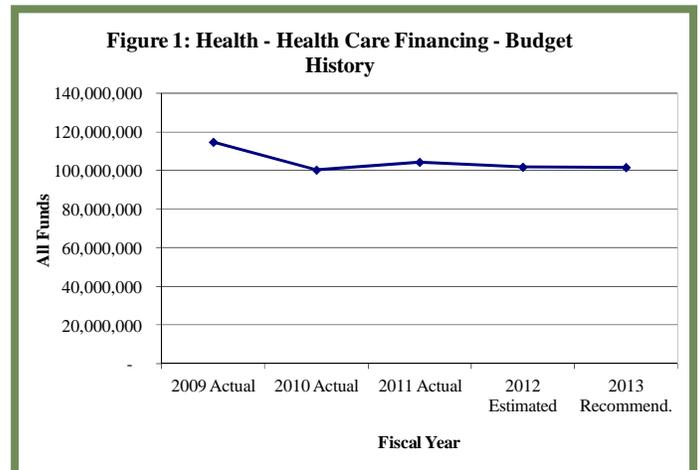
Overview

The Division of Health Care Financing is the administrative agency for Utah's Medical Assistance Programs (Medicaid, Children's Health Insurance Program, Utah's Premium Partnership for Health Insurance, and Primary Care Network). The Division administers all the State and federal funds as well as contracts with providers. It also gathers and analyzes data as well as pays for the services provided. 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_LGA.htm.

ISSUES AND RECOMMENDATIONS

The Analyst recommends a base budget for Health Care Financing line item for FY 2013 in the amount of \$101,650,100. This budget funds ten programs within the line item, including:

Director's Office	\$ 2,774,300
Financial Services	\$ 8,937,400
Medicaid Operations	\$ 4,458,900
Managed Health Care	\$ 3,426,000
Long-Term Care	\$ 1,966,700
Contracts	\$13,854,000
Coverage and Reimbursement	\$ 2,123,400
Eligibility Policy	\$ 1,879,400
Workforce Services Seeding	\$35,883,000
Other Seeded Services	\$26,347,000



The funding level supports 193 FTE and 1 vehicle.

Intent Language – Similar to Last Year

Under Section 63J-1-603 of the Utah Code the Legislature intends that appropriations provided for Health Care Financing in Item 5 of Chapter 4 Laws of Utah 2011 not lapse at the close of Fiscal Year 2012. The use of any nonlapsing funds is limited to \$50,000 for the purchase of computer equipment.

Unspent General Fund for Administration	
FY 2007	\$ 353,600
FY 2008	\$ 147,400
FY 2009	\$ 43,600
FY 2010	\$ 242,300
FY 2011	\$ 40,400
Average	\$ 165,500

Analyst-recommended Changes

The Analyst recommends using the 3% maximum for administration from the Nursing Care Facilities Account as permitted by [UCA 26-35a-106](#). There is \$56,100 ongoing available beginning in FY 2012. The Analyst recommends replacing \$56,100 ongoing General Fund with these funds and using these General Fund to reduce the shortfall in Tobacco Settlement funding for the Children’s Health Insurance Program.

Building Block Requests Included in the Governor’s Budget

- **Accountable Care Organization Administration** - \$670,000 General Fund (\$1,340,000 Total Funds) for: (1) \$386,600 General Fund for increase costs for contract actuary reviewing more rates for more plans, (2) \$225,900 for additional DTS programming costs, and (3) \$57,500 net increased staff cost estimated by the Department of Health.
- **Medicaid Administration** - \$62,000 General Fund (\$193,100 Total Funds) in FY 2012 and \$247,000 General Fund (\$770,500 Total Funds) in FY 2013 for 11 FTEs to address caseload growth, federal mandates, and additional reporting requirements. The table above shows annual unspent General Fund from FY 2007 through FY 2011, which averaged \$165,500.

ACCOUNTABILITY DETAIL

Use of Recent Appropriations

1. **Cost Containment (FY 2011)** \$200,000 General Fund transferred from Medicaid Mandatory Services to fund a program designed to reduce usage of the emergency department. From October 2008 to October 2009, the Department conducted an experiment to reduce client use of the emergency room which resulted in 11% of the intervention group continuing to use the emergency room for non-emergencies vs the control group (without intervention) usage of 24%. The Department estimates net savings of \$2,019,000 total fund from the intervention. Since August 2009, the Department has been intervening with all inappropriate Medicaid users of the emergency department. This General Fund continues this program which was originally funded with a federal grant. For more information on the interventions used please visit www.health.utah.gov/safetowait.
2. **Houghton v. Utah Lawsuit Settlement (FY 2011):** \$2,842,400 one-time (\$946,200 General Fund) for the final payment to settle the *Houghton v. Utah* Lawsuit.
3. **Medicaid Federal Administrative Policy Changes:** \$550,000 ongoing (\$395,000 General Fund) in FY 2012 and \$550,000 one-time (\$395,000 General Fund) in FY 2011 to make up for a reduction in federal match rate for certain administrative staff.

Hits	Reason
8,789	Duplicate of a paid claim
8,000	Invalid client age for code
6,038	Not eligible on service date
5,054	Code not covered on service date
3,543	Code not payable to provider type
3,512	Drug refill too soon
3,127	Exceeds allowed cumulative amount
2,653	Healthy U client received fee for service
2,487	Invalid ICD-9 on pharmacy claim
2,009	Medicare eligible bill part D plan

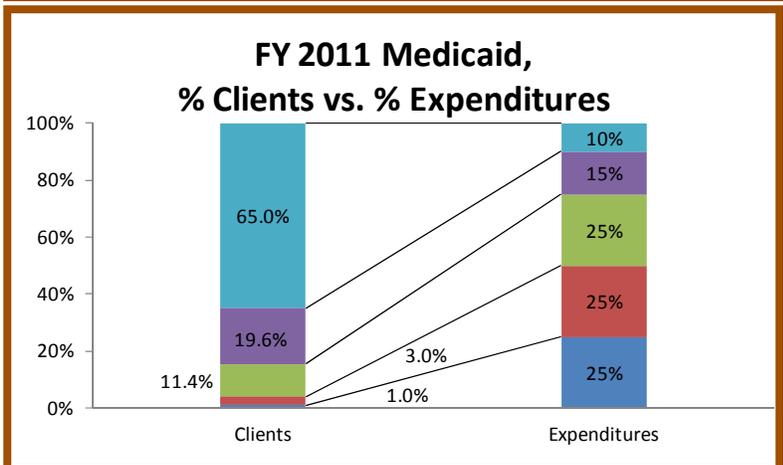
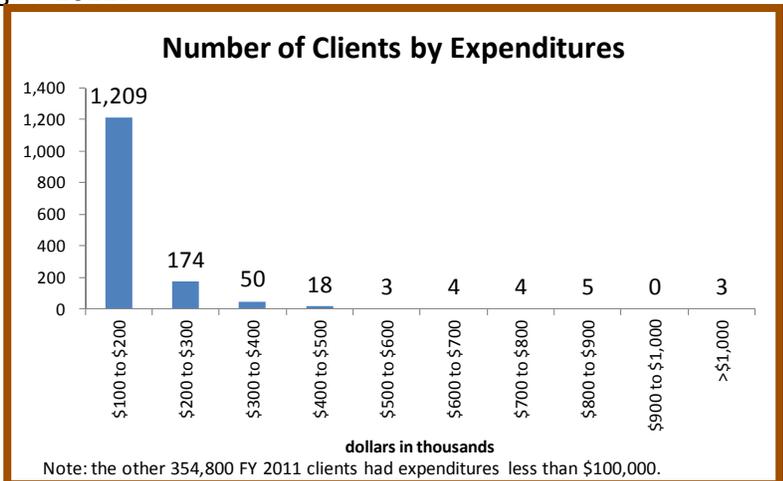
Cost Avoidance Measures

1. **Client co-pays** – in FY 2011 the Department assessed \$6,488,000 in co-pays for Medicaid services. This represents 0.35% (less than 1%) of all medical services provided.
2. **New Choices Wavier** – moved 100 Medicaid clients in nursing home in FY 2011 to less costly service locations (such as assisted living) for savings of about \$1,270,000 total funds.
3. **Automated checks** - The Department runs 999 automated checks on all medical claims to ensure a claim is eligible for payment. The table above shows the most common findings from these checks during FY 2010.
4. **Pre-payment Editing System** – Bloodhound Technologies won the request for proposal process and has been operational since January 2011. Bloodhound Technologies is reviewing most professional and outpatient facility claims. The Department of Health plans to review all claims with the new fraud and abuse detection system discussed below. In 2011, the Department reimbursed the contractor via a 20% contingency fee for cost savings in excess of \$250,000. Beginning in 2012, the Department will reimburse the contractor \$375,000 total funds (\$187,500 General Fund) annually. These payments will come out of the Medicaid Services line items. Through December 2011 this system has saved \$2,024,400 total funds.

Medicaid FY 2011 Expenditure Overview

The complete distribution of expenditures for medical services in Medicaid for FY 2011 clients vs percent of expenditures and the cost per client for FY 2011 are detailed in the two tables below. This includes clients served by the two managed care plans which have one claim per month for the fixed per member per month rate for the services provided by the managed care plan. The following bullets provide an overview of Medicaid expenditures on medical and dental services during FY 2011:

- 99% of enrolled clients had medical and/or dental services paid on their behalf
- About 13.4 M claims were paid totaling \$1.6 billion in total funds expended
- 1.0% or 3,551 clients accounted for 25% of all expenditures
- 3.8% or 14,155 clients accounted for 50% of all expenditures
- 1,470 clients had expenditures over \$100,000
- Cost per client with claims ranged from \$0 to \$1,539,400 with an average cost of \$4,500 and median of \$1,200
- Claims per client averaged 38 and ranged from 0 to 1,210 with a median of 33 claims
- 17,496 client refunds from providers totaling \$3.1 M



BUDGET DETAIL

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

Health - Health Care Financing						
Sources of Finance	FY 2011	FY 2012	Changes	FY 2012	Changes	FY 2013*
	Actual	Appropriated		Revised		Recommended
General Fund	3,792,000	3,791,100	0	3,791,100	(56,100)	3,735,000
General Fund, One-time	1,067,000	(60,100)	(56,100)	(116,200)	116,200	0
Federal Funds	55,062,600	55,099,900	(303,300)	54,796,600	(27,600)	54,769,000
American Recovery and Reinvestment	184,200	0	0	0	0	0
Dedicated Credits Revenue	9,720,900	2,263,500	7,545,800	9,809,300	0	9,809,300
GFR - Nursing Care Facilities Account	547,200	585,200	56,100	641,300	0	641,300
Transfers - Intergovernmental	0	1,231,000	(1,231,000)	0	0	0
Transfers - Medicaid - DHS	8,958,100	11,099,700	(1,745,300)	9,354,400	(400)	9,354,000
Transfers - Medicaid - DWS	20,648,200	23,616,500	(5,392,600)	18,223,900	(282,400)	17,941,500
Transfers - Medicaid - GOPB	0	0	994,900	994,900	0	994,900
Transfers - Medicaid - Internal DOH	1,395,200	0	885,000	885,000	0	885,000
Transfers - Medicaid - UDC	0	0	25,000	25,000	0	25,000
Transfers - Medicaid - USDB	25,900	0	32,400	32,400	0	32,400
Transfers - Within Agency	2,467,200	1,935,500	1,415,400	3,350,900	111,800	3,462,700
Beginning Nonlapsing	492,300	0	40,400	40,400	(40,400)	0
Closing Nonlapsing	(40,400)	0	(40,400)	(40,400)	40,400	0
Total	\$104,320,400	\$99,562,300	\$2,226,300	\$101,788,600	(\$138,500)	\$101,650,100
Programs						
Contracts	13,854,100	2,240,200	11,613,800	13,854,000	0	13,854,000
Coverage and Reimbursement	1,863,300	2,047,700	69,100	2,116,800	6,600	2,123,400
Department of Workforce Services' Se	41,356,200	47,164,600	(10,939,600)	36,225,000	(342,000)	35,883,000
Director's Office	2,580,500	2,552,300	177,100	2,729,400	44,900	2,774,300
Eligibility Policy	2,217,000	1,669,900	203,800	1,873,700	5,700	1,879,400
Financial Services	9,223,700	12,036,900	(3,335,400)	8,701,500	235,900	8,937,400
Long-term Care	2,955,200	2,474,700	(341,200)	2,133,500	(166,800)	1,966,700
Managed Health Care	3,132,300	3,206,400	209,700	3,416,100	9,900	3,426,000
Medicaid Operations	4,521,000	4,170,700	270,900	4,441,600	17,300	4,458,900
Other Seeded Services	22,617,100	22,004,200	4,292,800	26,297,000	50,000	26,347,000
Program Integrity	0	(5,300)	5,300	0	0	0
Total	\$104,320,400	\$99,562,300	\$2,226,300	\$101,788,600	(\$138,500)	\$101,650,100
Categories of Expenditure						
Personnel Services	13,815,800	13,238,600	448,100	13,686,700	12,100	13,698,800
In-state Travel	20,200	26,600	(6,000)	20,600	(900)	19,700
Out-of-state Travel	21,500	12,500	9,300	21,800	(4,600)	17,200
Current Expense	4,202,400	9,610,700	(5,536,000)	4,074,700	14,100	4,088,800
DP Current Expense	7,483,200	7,280,000	497,500	7,777,500	132,800	7,910,300
DP Capital Outlay	834,700	0	0	0	0	0
Other Charges/Pass Thru	77,942,600	69,393,900	6,813,400	76,207,300	(292,000)	75,915,300
Total	\$104,320,400	\$99,562,300	\$2,226,300	\$101,788,600	(\$138,500)	\$101,650,100
Other Data						
Budgeted FTE	199.4	193.9	(0.2)	193.7	(1.0)	192.7
Actual FTE	182.5	0.0	0.0	0.0	0.0	0.0
Vehicles	3.0	3.0	(2.0)	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

1. The Analyst recommends approving a base budget for FY 2013 for the Health Care Financing line item in the amount of \$101,650,100 with funding as listed in the Budget Detail Table. This includes the Analyst-recommended changes from internal reallocations.
2. The Analyst recommends adopting the intent language included in this brief.