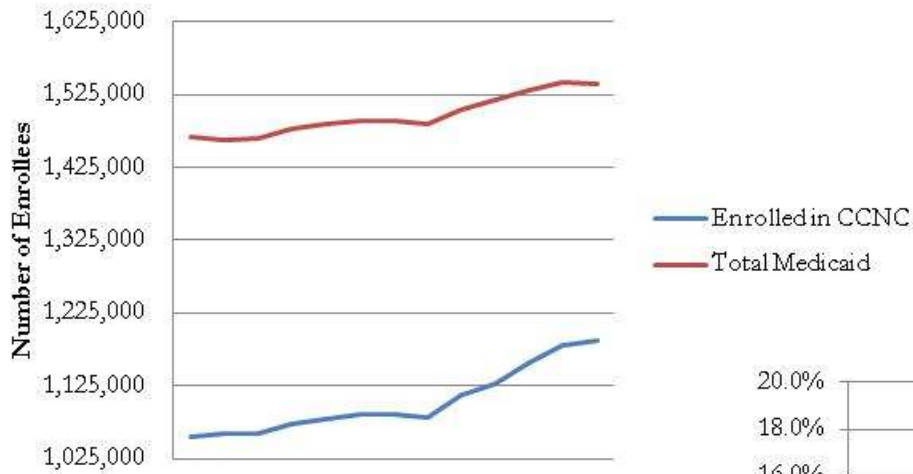


UPDATE ON MEDICAID BUDGET MEDICAL CARE ADVISORY COMMITTEE

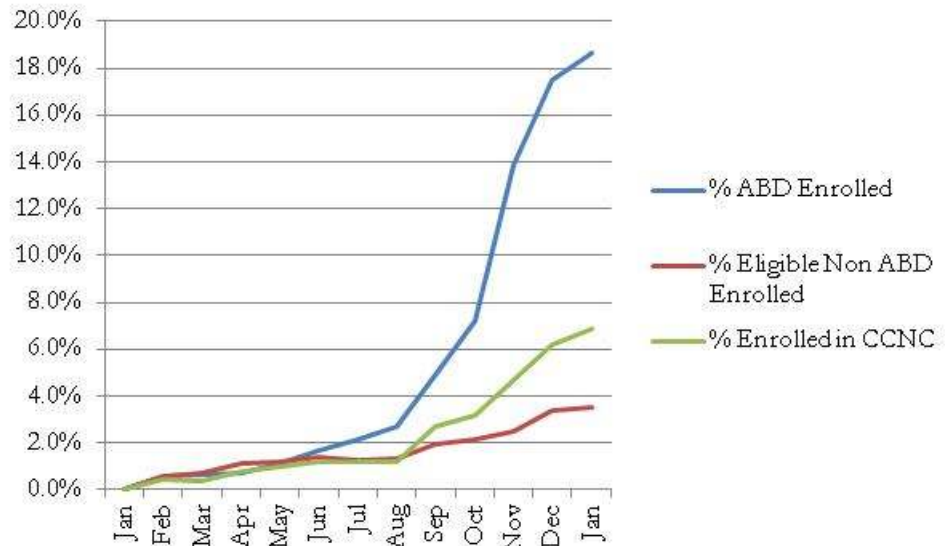
January 20, 2012

*Steve Owen, Chief Business Operating Officer
Division of Medical Assistance*

CALENDER YEAR 2011 MEDICAID ENROLLENT and CCNC Medicaid Enrollment



*CCNC enrollment
growing all categories*





MEDICAID REDUCTIONS

	<i>SFY 2012</i>		<i>SFY 2013</i>	
	<i>Governor's Proposed Reduction</i>	<i>Legislature Reduction</i>	<i>Governor's Proposed Reduction</i>	<i>Legislature Reduction</i>
Rebase	\$ -	\$ -	\$ (252,685,225)	\$ (109,693,468)
Inflation **	-	62,853,775	-	130,874,505
Assessments	60,183,120	68,109,242	62,798,614	73,366,777
Rate Reduction	8,453,125	46,420,719	9,000,000	46,458,260
Enhanced Health Homes	16,146,384	16,146,384	24,739,541	24,739,541
Program Integrity	16,000,000	19,200,000	23,000,000	23,000,000
Modify Pharmacy	15,870,346	25,845,442	19,461,505	50,436,600
Modify Optional Services	16,732,334	16,508,903	22,302,478	22,072,343
Programming Changes	(550,000)		-	
Pregnancy Home	528,960	528,960	3,457,596	3,457,596
Behavioral Health Waiver	-	10,537,931	-	52,551,082
CCNC Savings	-	90,000,000	-	90,000,000
TOTAL 2012 Reduction	\$ 133,364,269	\$ 356,151,356	\$ (87,925,491)	\$ 407,263,236
Total Requirements	\$ 239,757,404	\$ 861,100,569	\$ (413,786,548)	\$ 981,411,799

State Dollars

**** INFLATION** represents factors in the Medicaid rebase that increase annual expenditures that are either federally mandated (such as Part B & D premiums, FQHC costs and Hospice rates), recognize increased case mix of patients in nursing homes, rates established outside of Medicaid (such drugs and HIPP premiums) and providers paid on a cost basis (such as hospital outpatient and emergency departments).

MEDICAID 2012 SHORTFALL

Reduction Shortfall	\$ (120,260,722)
Health and Wellness Funding	10,904,411
Mix and Enrollment Variance	37,396,088
Consumption	(24,722,266)
OAH Appeal Impact on Claims	(5,968,757)
Recovery of 2011 GAP plan funding following SPA approval	21,500,000
Repayment of 2008 Overdraw	(40,923,072)
Repayment of 2011 PCS Audit	(41,734,368)
Federal Portion of June 2011 Drug Rebates	(28,074,087)
Recovery of State Advance of QPH Claims	61,750,000
Contracts and Administration	(8,634,432)
Access Study for CMS	<u>(1,100,000)</u>
 Subtotal	 \$ (139,867,205)
 Judicial Decision regarding PCS	 <u>(9,435,983)</u>
 TOTAL Shortfall	 <u>\$ (149,303,188)</u>

State dollars

FORECASTING MEDICAID CASH NEEDS

- **Forecast based on current year trends and costs – *driven by enrollment numbers, consumption trends, mix of services and program aid categories and reduction items***
- **Other routine operating factors include provider settlements, DSH plan, provider assessments, adjustments and Medicaid administrative cost**
- **Other cash flow factors include CMS repayments, receipts and expenditures from prior years in SFY 2012 and recent DOJ decisions**

REDUCTIONS FACTORS IMPACTING ACHIEVABILITY IN SFY 2012

- **Overstatements**
- **Reduction items double counted impact, omission of programming cost for reductions and reductions used to balance budget**
- **Implementation**
- **Operational reality of implementing reductions**
- **Reduction impact adverse to recipient care and access – *nursing home case mix index***

IMPLEMENTATION FACTORS

- **Issues with inflation reduction**
- **Rates**
 - Nursing home case mix adjustments not frozen
 - Pharmacy inflation impact changed to a rate reduction and increased generic prescribing targets
 - Physician Assistant and Nurse Practitioner rates not reduced with “incident to” billing elimination
 - November 1, 2011 effective date for rate reductions

FACTORS IMPACTING REDUCTION ITEMS ACHIEVABILITY IN SFY 2012

- **Federal Mandate**
- **Federal(CMS) mandates payment basis or methodology that prohibits implementing some reductions**
- **Standard Approval Process**
- **Changes that require CMS approval prior to implementation**

OTHER FACTORS IMPACTING MEDICAID CASHFLOW IN SFY 2012

- **Base expenditure variables — Changes in enrollment, mix and consumption**
- **Additional funding — Health and Wellness**
- **Judicial decisions — PCS services**
- **Receipts — One time 2011 dollars received in 2012**
- **Repayments — One time payments to CMS**
- **Operating variances — Contracts and administrative expenses**
- **Federal Mandates — CMS Access studies**

FORECAST FOR SFY 2013

- Many of the same factors exist for SFY 2013
- Some new factors in SFY 2013
- CMS restrictions on achievability
- Errors in base budget
- Implementation decisions
- Inflation double counted
- Implementation delays in 2012 affect 2013
- CCNC implementation

FORECAST FOR SFY 2013

- **Other Factors**
 - **Variations in enrollment, mix and consumption**
 - **CMS repayments**
 - **Judicial decision in 2012**
 - **Non-claims variances**

MEDICAID 2013 CASH PROJECTION

	<i>Legislature Reduction</i>	<i>Unachievable 2013</i>			<i>Achievable Reduction</i>
		<i>Fed Mandate</i>	<i>Approval Delay</i>	<i>Overstatement Implementation</i>	
Rebase	\$ (109,693,468)			\$ (139,290,680)	\$ (248,984,148)
Inflation **	130,874,505	(11,346,300)	-	-	101,212,028
Assessments	73,366,777	(5,512,700)	-	(3,698,857)	64,155,220
Rate Reduction	46,458,259	-	-	-	46,458,259
Enhanced Health Homes	24,739,541	-	-	-	24,739,541
Program Integrity	28,000,000	-	✓	(5,000,000)	23,000,000
Modify Pharmacy	45,436,601	-	✓	(4,723,071)	40,713,530
Modify Optional Services	22,072,343	-	✓	(305,292)	21,767,051
Programming Changes				-	-
Pregnancy Home	3,457,596	-	✓	(728,000)	2,729,596
Behavioral Health Waiver	52,551,082	-	-	(1,063,631)	52,117,923
CCNC Savings	90,000,000	-	-	(3,045,738)	149,241,142
TOTAL 2013 Reduction	\$ 407,263,235	\$ (16,859,000)	\$ -	\$ (157,855,269)	\$ 44,601,175
					\$ 277,150,141

2013 Variance in Reduction Items= \$130,113,094

**** See Inflation definition on slide 2**

All values presented in State dollars

FORECAST FOR SFY 2013

Reduction Shortfall	\$	(130,113,094)	
Mix and Enrollment Variance		(5,915,817)	
Consumption		1,898,473	
Repayment of 2008 Overdraw		(31,300,776)	
Federal Portion of June 2011 Drug Rebates		(24,606,148)	
Contracts and Administration		(5,000,000)	
Other Shortfalls		<u>(15,000,000)</u>	
 Subtotal	\$	 (210,037,363)	
 Judicial Decision regarding PCS		 <u>(32,794,711)</u>	State Dollars
 TOTAL Shortfall	\$	 <u><u>(242,832,073)</u></u>	←

SOLUTIONS - PRINCIPLES

- Pursue changes and strategies based on their ability to increase quality and decrease unnecessary utilization using evidenced based medicine.
- Prefer targeted rate reductions and targeted program modifications, while trying to avoid service eliminations.
- Consider the benefits impact of primary care. Make every effort to both preserve access to primary care and expand access of CCNC and other primary care models that use proven clinical management protocols to manage patient conditions.

SOLUTIONS - PRINCIPLES

- Limit impact on life-saving procedures but ensure that Medicaid protocols are consistent with other payers.
- Consider reducing the allowable number of visits by service, with appropriate prior authorization criteria for higher need patients.
- Manage drug classes equitably, consider eliminating some drug classes.
- Standardize rates for same service across like programs.

SOLUTIONS - PRINCIPLES

- Review what we pay and how we pay. Consider alternative rate methodologies (code limits, case rates, global rates, etc.) that will have the impact of improving the quality and utilization equations through both patient and provider behavior changes.
- Support person-centered care and services, with community options and placements that can be supported with evidence that they reduce facility-based options.
- Protect the safety net.

SOLUTIONS – MCAC RECOMMENDATIONS

1. No across the board rate reductions, should be targeted
2. Convert Hospital Outpatient imaging to Fee Schedule
3. Reduce Outpatient Hospital other services
4. Modify Private Duty Nursing Rates
5. Move to global funding methodology and case rates
6. Restructure Emergency Department payments for non-emergent care
7. Implement Specialty Pharmacy Network for hemophilia
8. Expand 340B pharmacy program participation
9. Implement clinical restrictions on mental health drugs
10. Increase Home Health management by Community Care of North Carolina (CCNC)

Division of **Medical Assistance**



NC DEPARTMENT OF
HEALTH AND HUMAN SERVICES

PLANS and QUESTIONS?