

Budget Issues in Health and Human Resources for the 2019 Session

VML / VACO Finance Forum

January 8, 2019

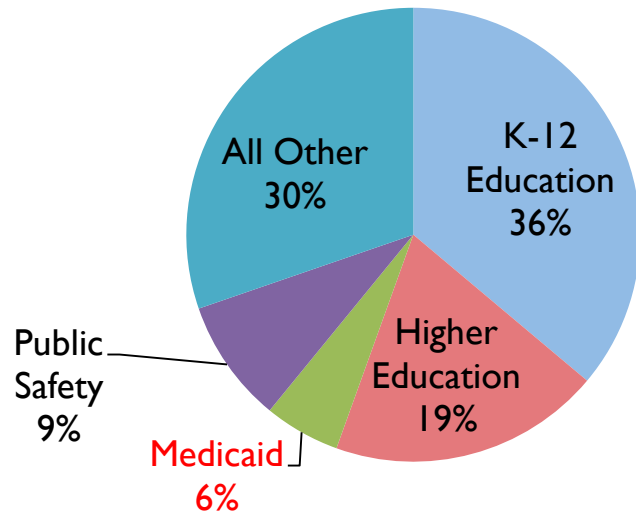
HHR Major Budget Highlights for 2019

- Medicaid Expenditure Forecast
- Impact of Medicaid Expansion
- Medicaid Provider Rates
- Continued Investment in Community Behavioral Health Services
- Addressing Census Pressures at State Mental Hospitals

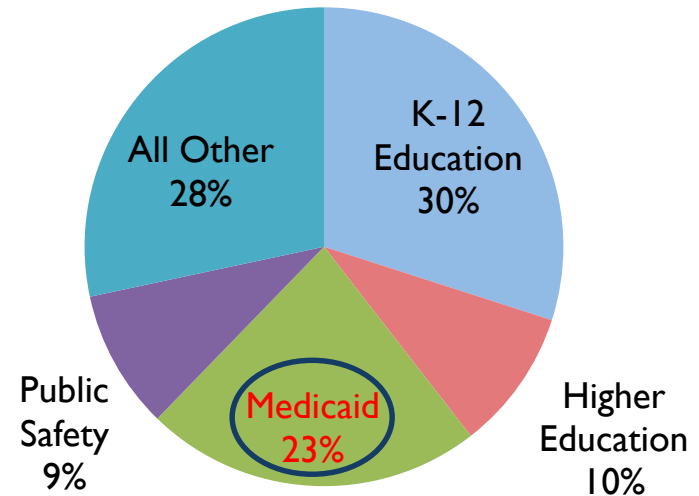
Medicaid's Share of the State Budget Has Grown

Percent of General Budget by Major Area

FY 1985



FY 2018



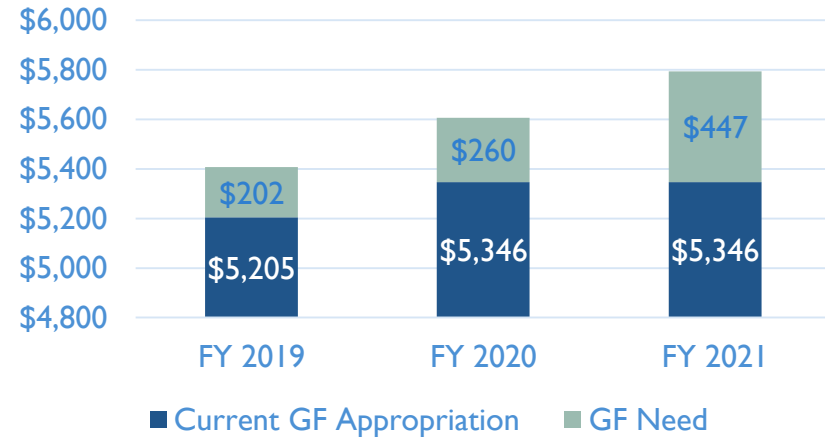
Source: Chapter 221, 1986 Acts of Assembly and Chapter 836, 2017 Acts of Assembly.

2018 Medicaid Forecast Reflects Higher Need Than Previously Projected in Last Year's Forecast

- New forecast requires additional funding of **\$462.5 million GF** for 2018 - 20 biennium.
- Last year, the 2017 Forecast for the 2018-20 Biennium required **\$576 million GF**.
- Forecast does incorporate Medicaid Expansion savings, which reduces the growth rate.
- Base Medicaid spending is projected to increase by:

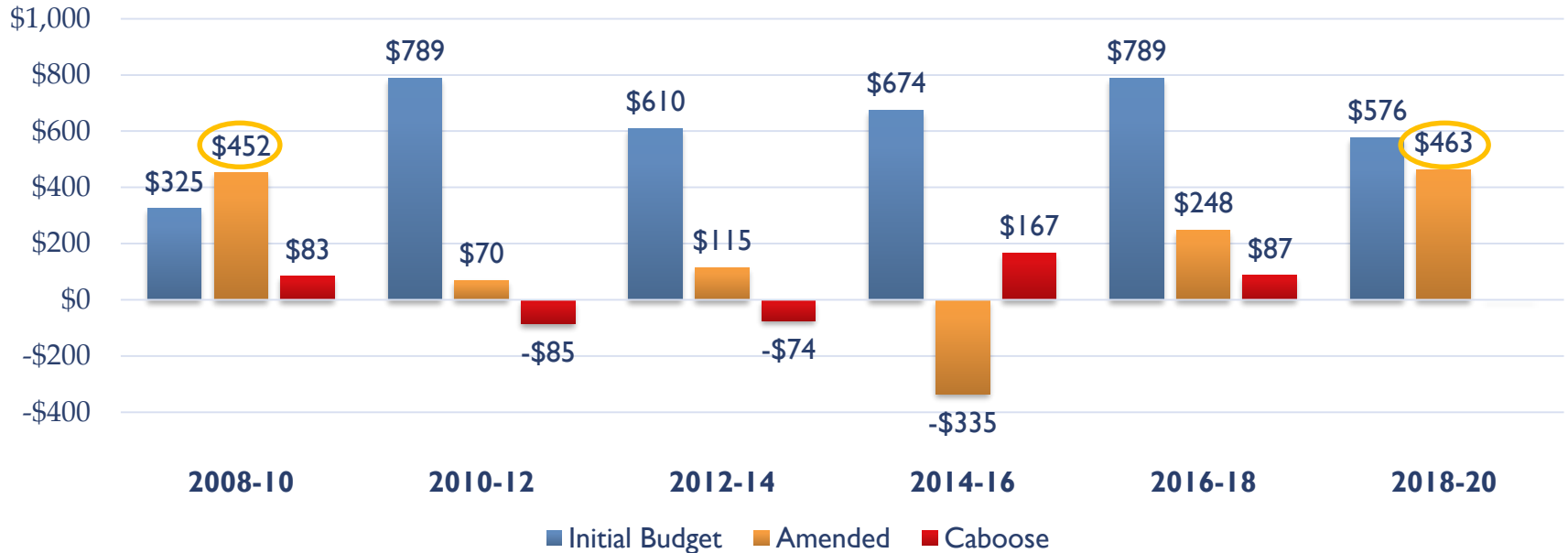
Fiscal Year	2019	2020	2021
2018 Forecast	6.2%	2.6%	3.5%
2017 Forecast	2.5%	3.4%	N/A

November 2018 Medicaid Forecast
(Dollars in Millions)



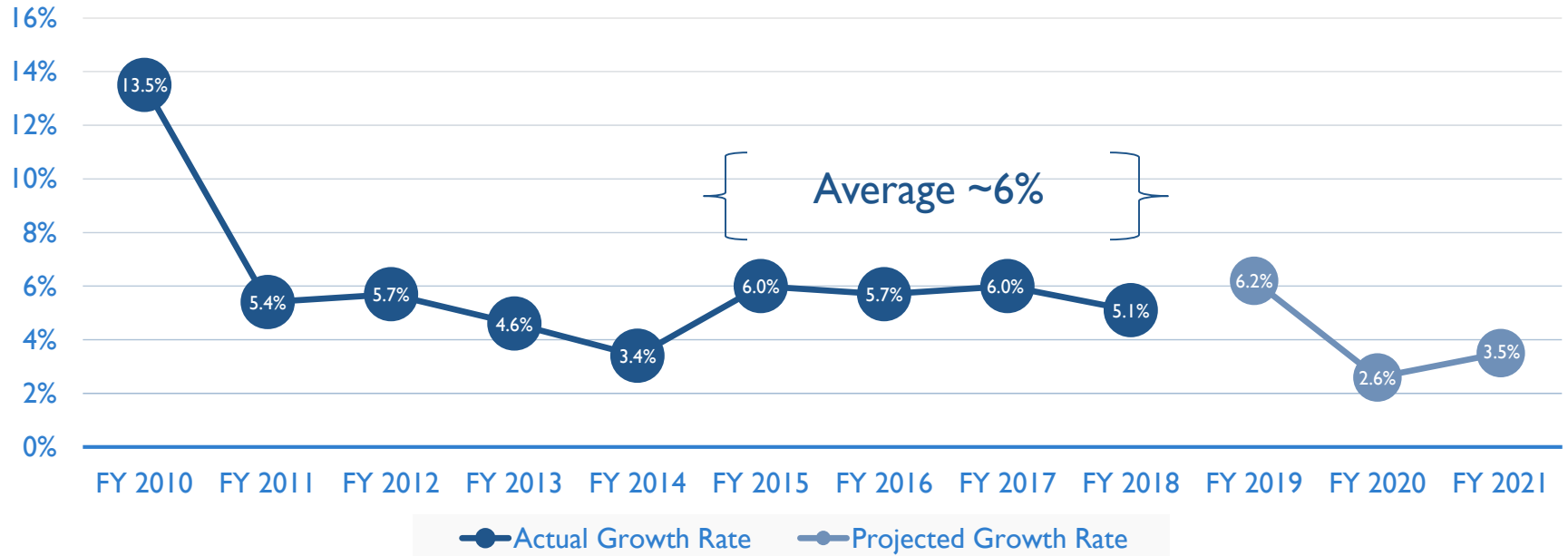
Last Increase in an Amended Year of this Magnitude was the 2008 -10 Biennium

Medicaid GF Forecast Need by Biennium (Dollars in Millions)



Recent Medicaid Expenditure Growth has Averaged Closer to 6% - Projected Growth May Still be Too Low

Medicaid Expenditure Growth Rate



Note: Expenditures in FY 2011, FY 2012, FY 2015 and FY 2016 have been adjusted to reflect payment shifts between fiscal years in order to better reflect realistic expenditure patterns in the program.

2018 Forecast Driven Largely by Managed Care Rates

Managed Care Rates:

- Managed care savings built into the rates for Commonwealth Coordinated Care (CCC) Plus were not fully realized.
- Medallion 4.0 managed care rates are slightly higher.

Hospital Fee-For-Service (FFS) Claims:

- A slower transition of the population from fee-for-service to the new CCC Plus managed care program results in higher FFS claims.

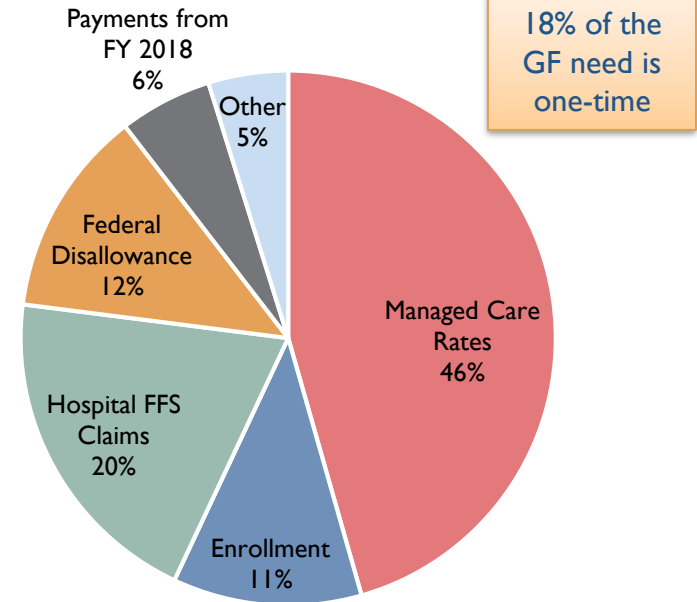
Enrollment:

- Children's enrollment higher than projected.

Piedmont and Catawba Hospital Disallowance:

- \$58 million GF for FY 2019.

Sources of \$462.5 million Medicaid GF Need



Managed Care Rate Assumptions Were Too Low

	Last Year's Forecast		New Rate Assumptions				
	2019	2020	2019	2020	2021		
CCC Plus Rates	2.4%	3.5%	5.4%	+3	4.8%	+1.3	4.3%
Medallion 4.0 Rates	NC*	3.8%	NC*		4.1%		4.2%

CCC Plus - The newer managed care program for long-term care services, which began August 2017.

Medallion 4.0 - The traditional managed care program to cover mostly children and low-income adults.

* NC means "No Change" as the rates for Medallion 4.0 are set on a fiscal year basis so the 2019 column reflects FY 2019 for which those rates are in place. CCC Plus rates are set by calendar year and therefore the 2019 rates are not final.

Current Medicaid Forecast May Not Adequately Fund All Needs

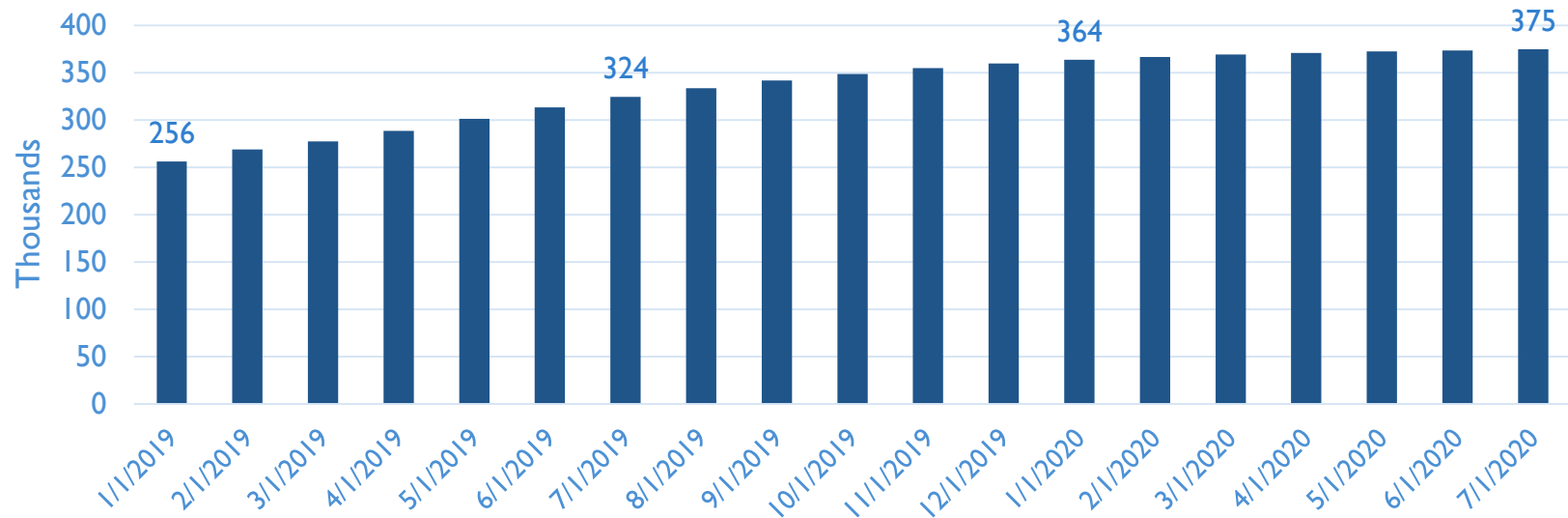
Two Major Areas of Uncertainty:

- **Managed Care Rates**
 - **With limited experience in the CCC Plus program the rates for calendar year 2020 could end up being higher than projected if actual trends are higher.**
- **Woodwork Effect from Medicaid Expansion**
 - **Outreach efforts will likely result in individuals currently eligible but not enrolled to sign-up for the program.**
 - These are traditional enrollees funded at a 50% state match.
 - The 2018 forecast only assumes 1,000 woodwork individuals over the biennium will enroll.
 - In a September 1, 2017 report to the General Assembly, the Department of Medical Assistance Services estimated 28,000 adults were eligible but not enrolled in Medicaid.
 - 2016 data* from the U.S. Census Bureau indicates as many as 42,000 children are uninsured with family income at 200 percent or less of the federal poverty level.

* Source: *Staff Analysis of Urban Institute Report, March 2018, for the Health Care Foundation. Based on 2016 American Community Survey data.*

Medicaid Expansion Enrollment Projections

- Enrollment began November 1.
- The Departments of Medicaid Assistance Services and Social Services have implemented automatic enrollment for enrollees in the GAP waiver and family planning program. In addition, expedited enrollment has been implemented for SNAP enrollees and parents of low-income Medicaid children.

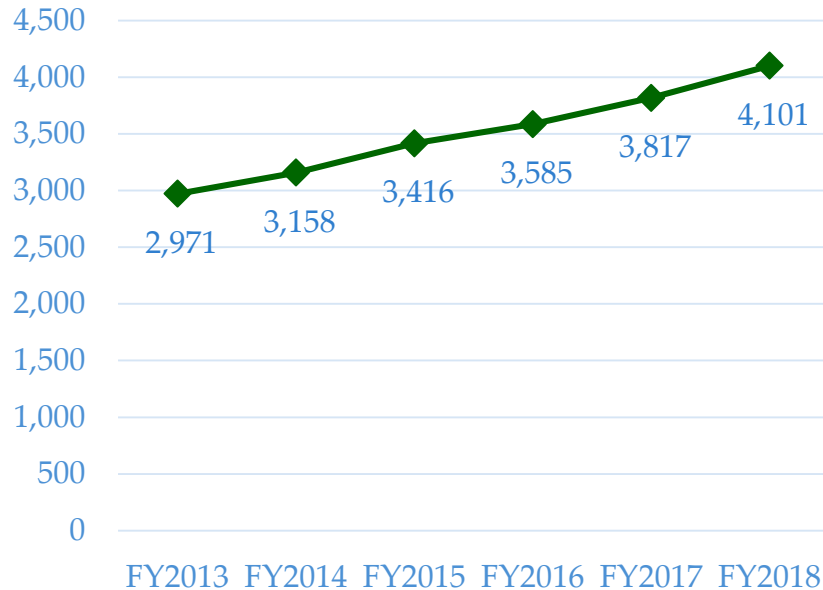


Medicaid Expansion Costs and Savings - Virginia

Item (\$ in millions)	FY 2019 State Costs	FY 2020 State Costs	FY 2019 Federal	FY 2020 Federal
Coverage of Newly Eligible Adults	\$70.5	\$276.9	\$936.8	\$2,983.3
Administrative Costs (DMAS and DSS)	15.7	16.3	40.2	37.1
1115 Waiver Administrative Costs (DMAS)	1.7	3.2	1.7	7.2
1115 Waiver Administrative Costs (DSS)	-	2.2	-	<u>6.4</u>
<u>Total Costs</u>	<u>\$87.9</u>	<u>\$298.6</u>	<u>\$978.7</u>	<u>\$3,034.0</u>
Indigent Care Savings	(\$47.5)	(\$110.3)	(\$47.5)	(\$110.3)
State-funded Behavioral Health Services	(11.1)	(25.0)	-	-
Inpatient Hospital Costs of State Prisoners	(10.3)	(23.4)	-	-
Elimination / Substitution of State-funded Coverage for Newly Eligible	(32.4)	(111.0)	(33.8)	(116.4)
<u>Total Savings</u>	<u>(\$101.3)</u>	<u>(\$269.7)</u>	<u>(\$81.3)</u>	<u>(\$226.7)</u>

Children's Services Act – Private Day Special Education Services

Youth Served



CSA Expenditures for Private Day



Source: CSA Data Set (pre-2017) and Local Expenditure and Data Reimbursement System (LEDRS)

CSA – Private Day Placements

- **Recent Activities**

- Commission on Youth Studied the issue in 2014 and 2015.
- In 2016 the State Executive Council had a workgroup to develop options for consideration by the General Assembly.
- In 2017 and 2018 the House Appropriations and Senate Finance Committees have been evaluating the issue.

- **Actions To Date**

- In 2018, a workgroup on private day outcomes completed its work.
- Rate study of costs is under way with report due in 2019.
- JLARC may undertake a comprehensive review of Special Education.

STEP-VA Implementation

STEP-VA Service	GA Implementation Date Requirement	Funds Allocated
Same Day Access	July 1, 2019	2017: \$6.2M GF / \$1.3M NGF (Medicaid); covers 18 of 40 CSBs 2018: \$15M GF / \$3.2M NGF
Primary Care Screening & Monitoring	July 1, 2019	2018: \$11.1M for FY19 and FY20
Behavioral Health Crisis Services	July 1, 2021	2018: \$2M in FY20
Outpatient Behavioral Health	July 1, 2021	2018: \$15M in FY20
Psychiatric Rehabilitation	July 1, 2021	–
Peer/Family Support Services	July 1, 2021	–
Veterans Behavioral Health	July 1, 2021	–
Care Coordination	July 1, 2021	–
Targeted Case Management (Adults and Children)	July 1, 2021	–

Community Services Boards Funding

- Medicaid Expansion Savings
 - \$11.1 million in FY19 and \$25 million in FY20.
 - Savings impact will vary by CSB – how many current clients will become Medicaid eligible?
- Managed Care Payments – Behavioral Health
 - Medicaid managed care payments require billing six different companies.
 - Billing issues can be disruptive to cash flow.

Social Services – Family First Prevention Services Act

- Allows federal funding for foster care prevention services.
- Governor proposes six positions at the Department of Social Services for implementation.
- Focus is on evidenced-based practices, which may require state assistance to move providers in that direction or to create new services.
- JLARC Foster Care report may also result in additional changes for the system (i.e. new requirements, training, staffing standard).