

Low-Income Medical Assistance Budget Work Session

Trends and Current Budget Issues

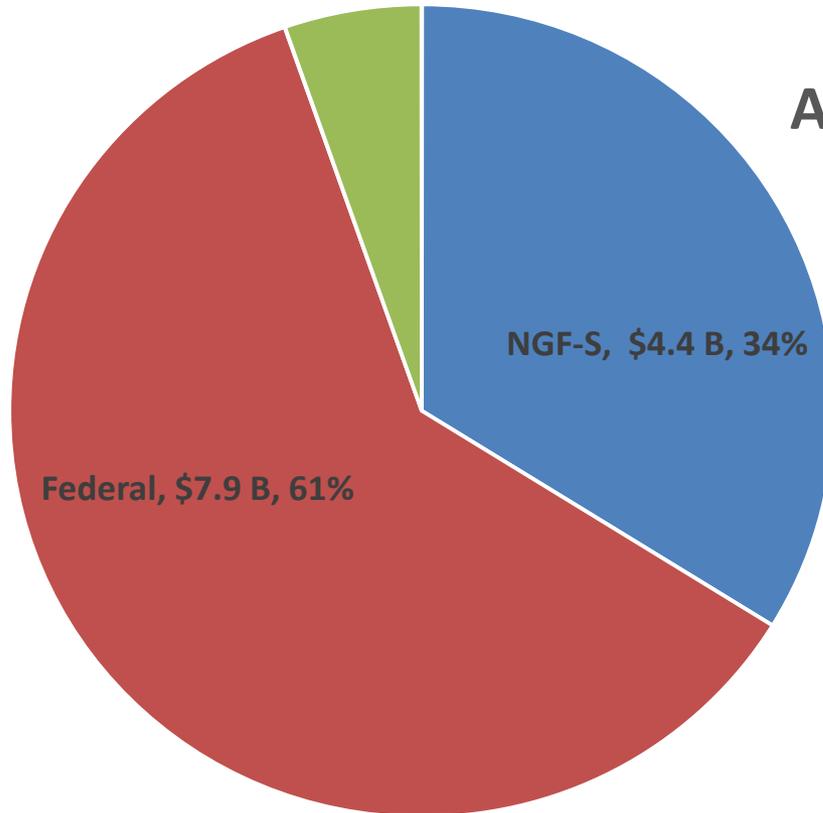


Senate Ways and Means Staff Presentation
February 4, 2015

FY 2013-2015 Low Income Health Budget = \$13.2 Billion

Hospital Safety Net
Assessment, \$0.7 B, 5%

FY 2013-15 Appropriations

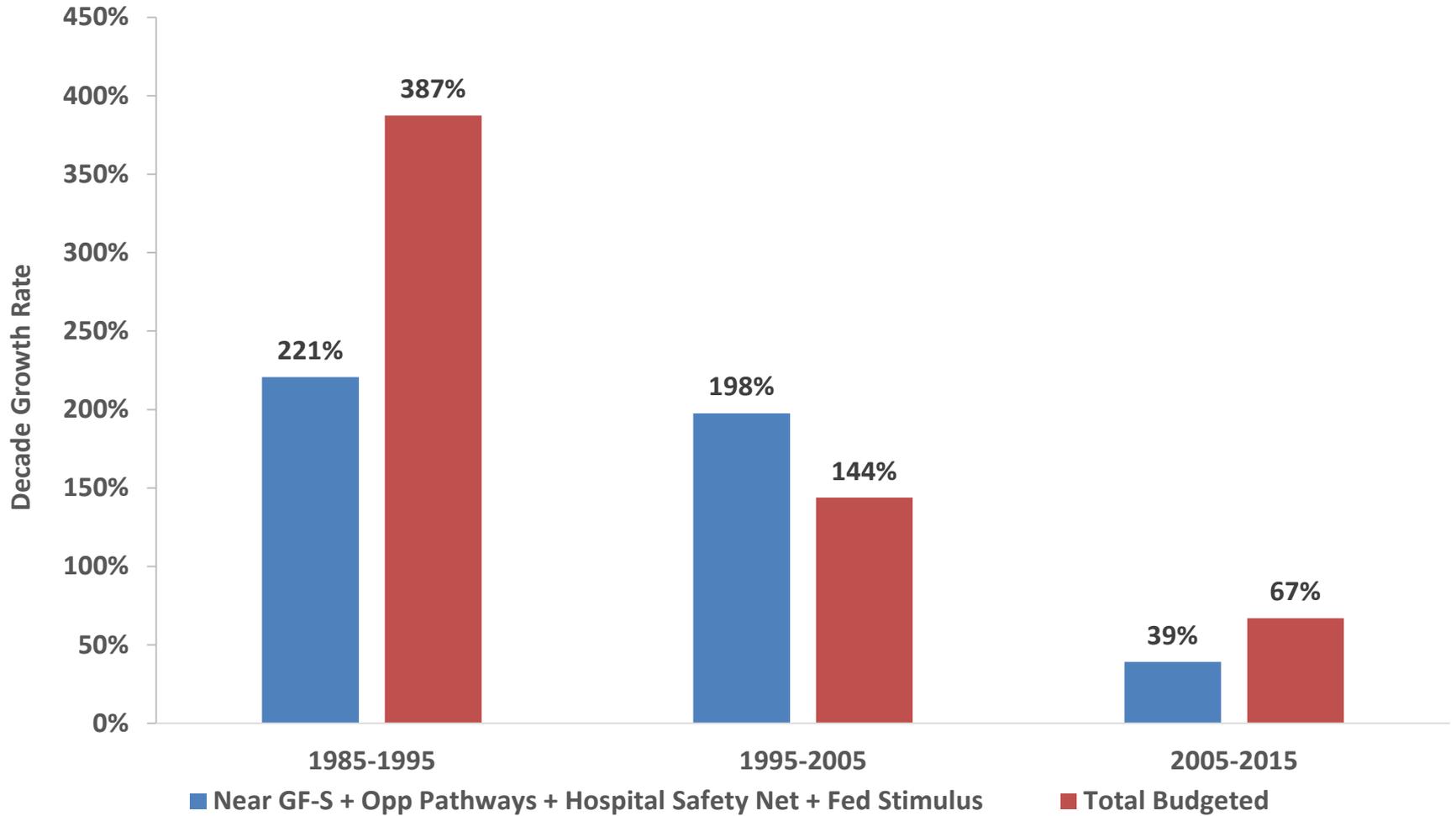


* NGF-S includes
Trauma, Health
Benefit Exchange, and
Medicaid Fraud
Penalty Account.

Medicaid Funding Sources

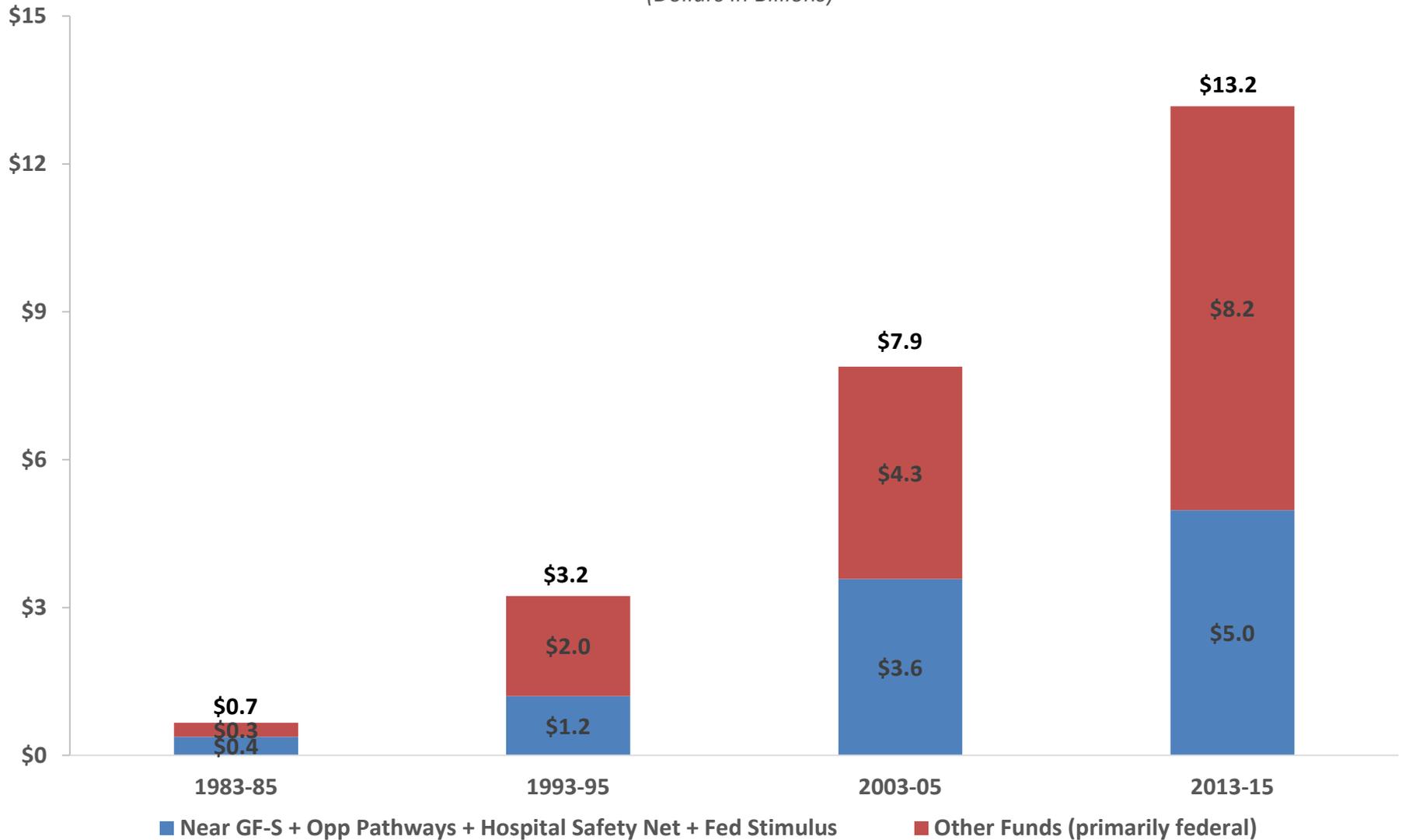
- Washington's participation in the Medicaid program is voluntary. This includes:
 - Traditional Medicaid (classic)
 - Expansion under the Affordable Care Act (federal health reform)
- Federal funds are received through matching funds, not through grants.
 - 50-65% of allowable expenditures for classic Medicaid
 - 75-100% of allowable expenditures for expansion populations
- Matching funds for Medicaid under the ACA decrease beginning in 2017
 - 95% in 2017
 - 94% in 2018
 - 93% in 2019
 - 90% in 2020

Comparison of Low Income Health Spending Growth Rates *By Decade*



Low Income Health Care Budget Over Time

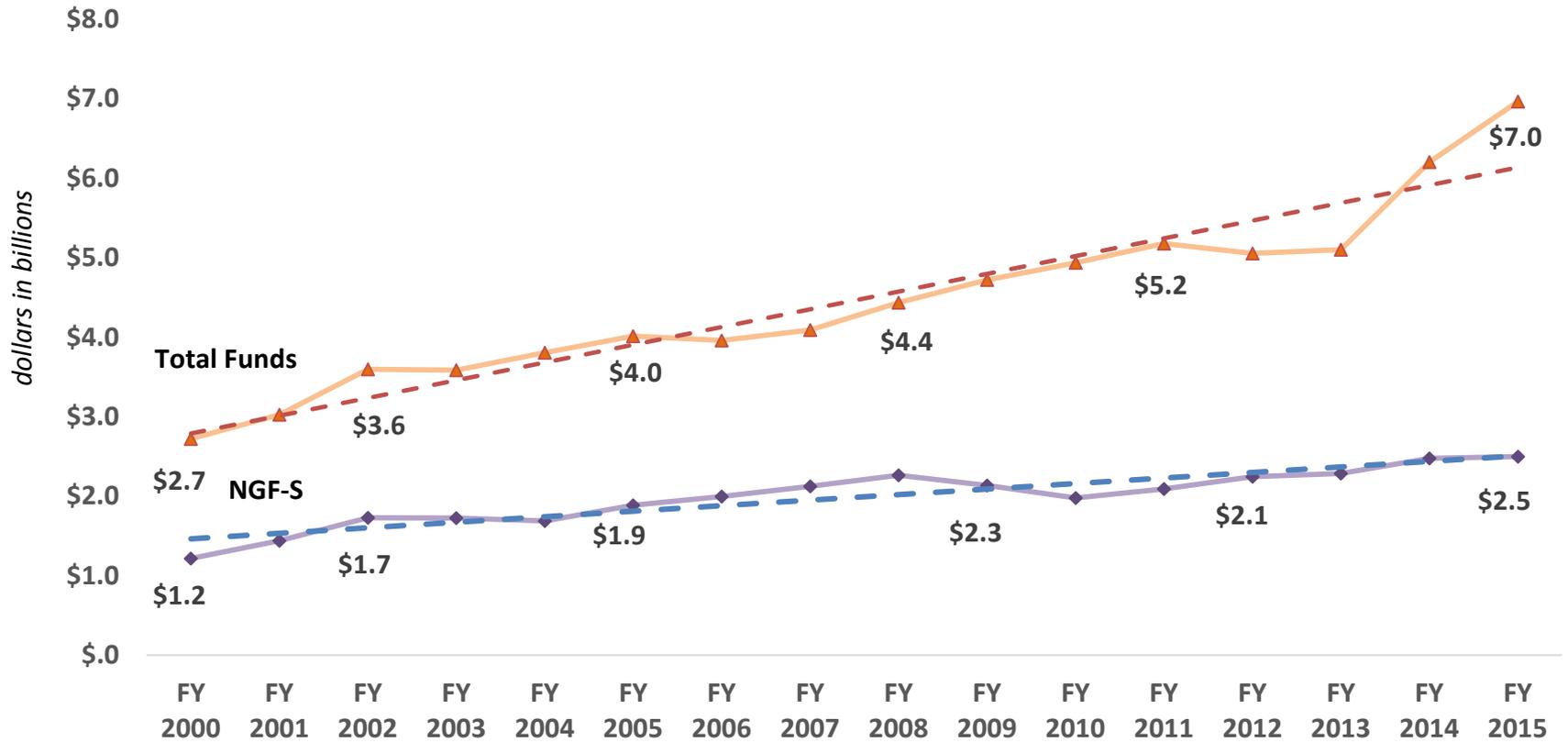
(Dollars in Billions)



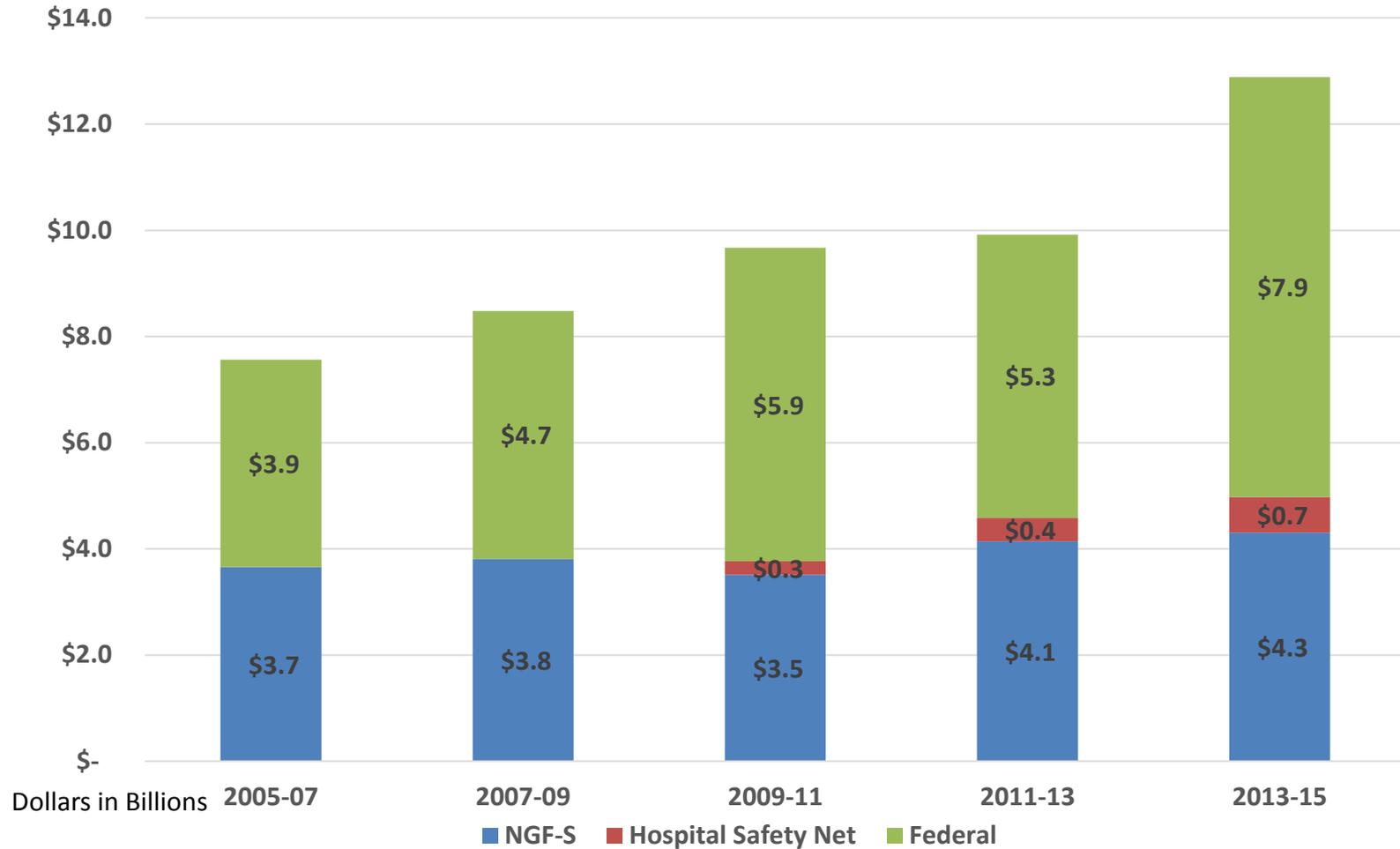
NGF-S Contribution to Low Income Growth Has Slowed Since 2008

Average Annual Growth	2000-2008	
	\$ in millions	Percentage
NGF-S	\$115.7	8.1%
Total Funds	\$186.6	6.3%

Average Annual Growth	2008-2015	
	\$ in millions	Percentage
NGF-S	\$63.4	1.4%
Total Funds	\$308.8	6.7%

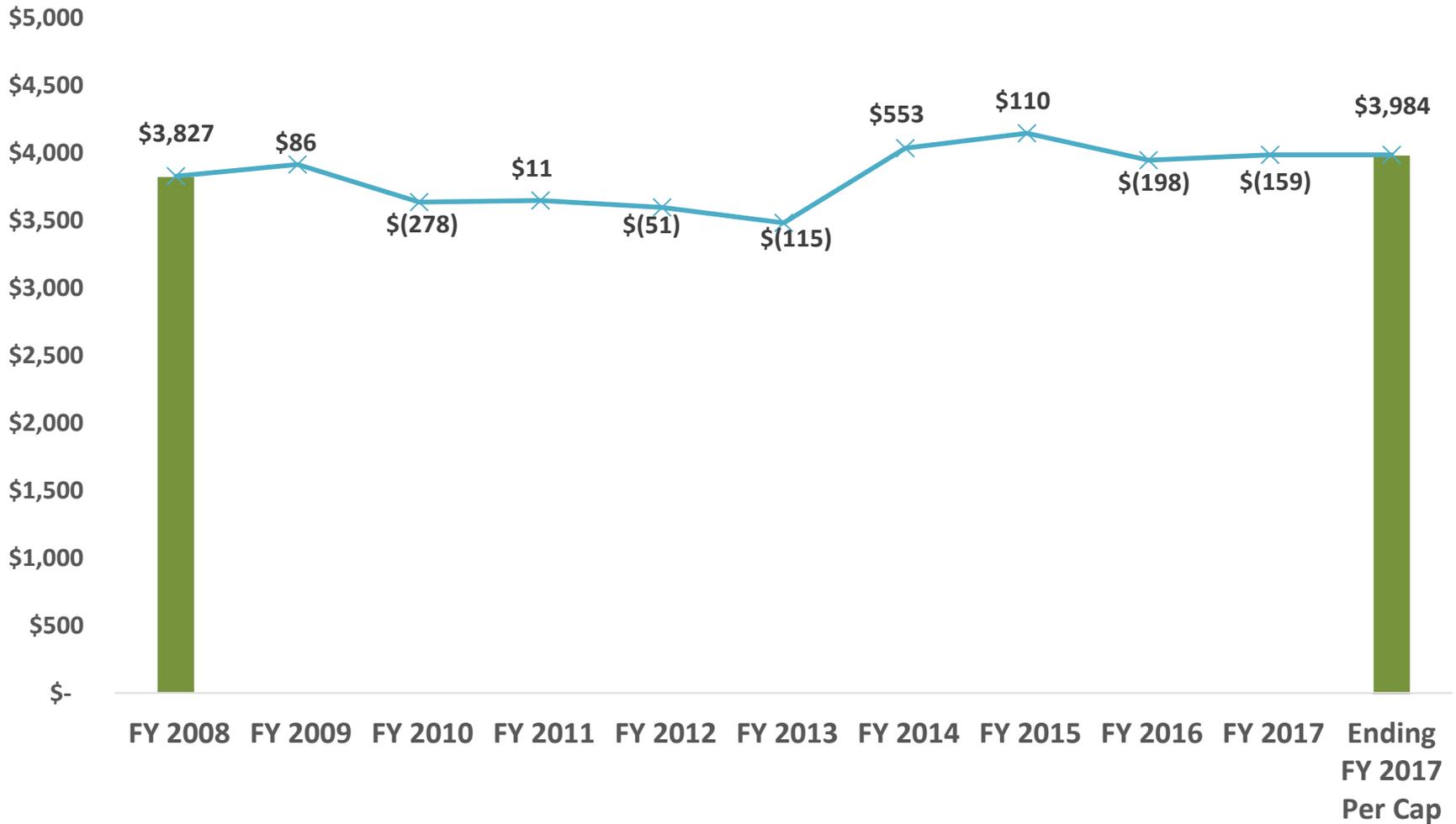


Medicaid Funding Over Time

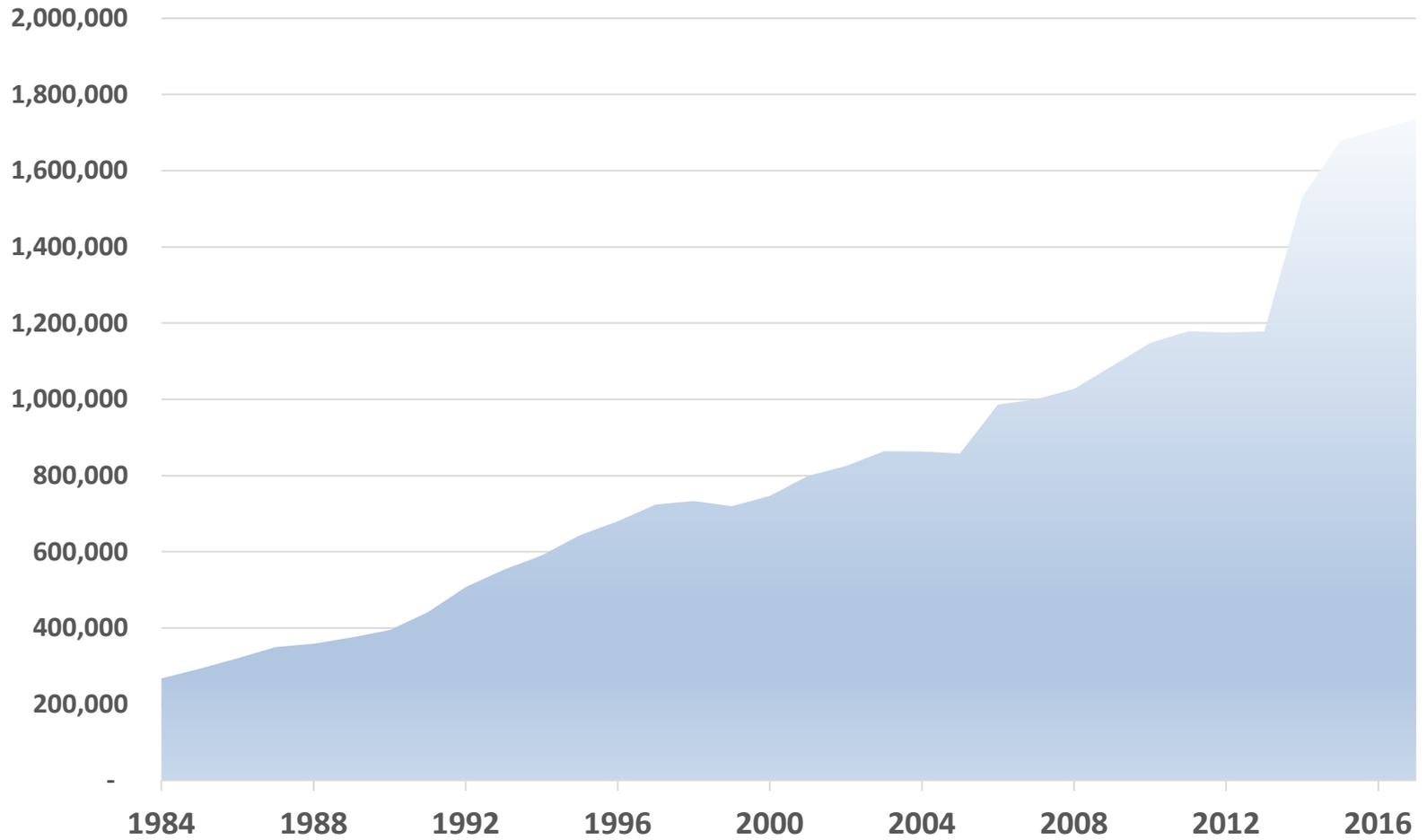


Average Annual Per Capita Costs Have Grown by .45% Over 10 Years

Change in Annual Average Per Capita Costs for Total Forecasted Medicaid Population

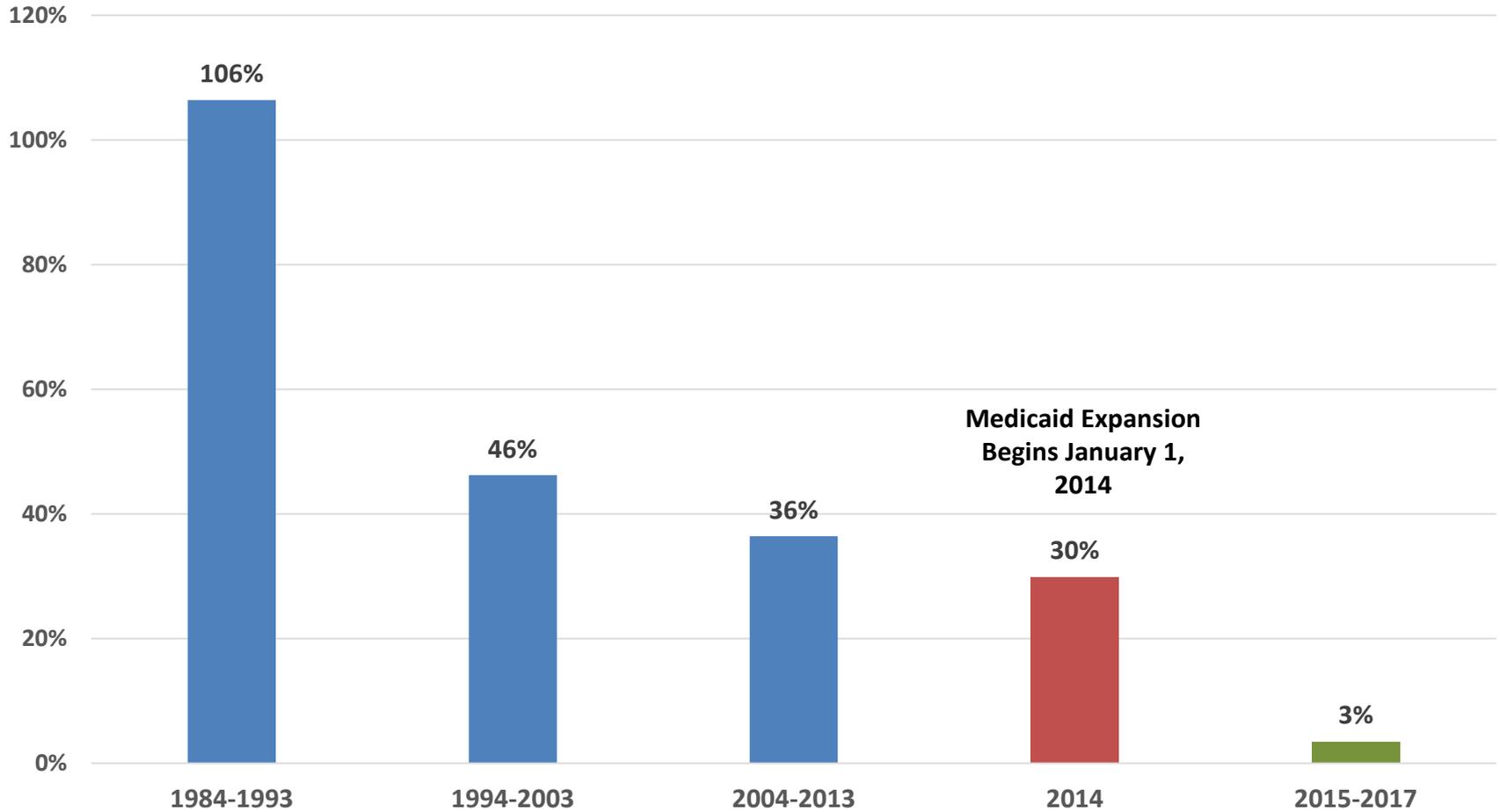


Medicaid Caseloads



Medical Assistance Caseload Over Time

Total Caseload Growth
by decade



States are required to cover certain services

Mandatory Benefits – Classic Medicaid	
Inpatient hospital services	Outpatient hospital services
Physician services	Nurse Midwife services
EPSDT: Early and Periodic Screening, Diagnostic, and Treatment Services	Certified Pediatric and Family Nurse Practitioner services
Nursing Facility Services	Home health services
Federally qualified health center services	Rural health clinic services
Freestanding Birth Center services (when licensed or otherwise recognized by the state)	Family planning services
Laboratory and X-ray services	Transportation to medical care
Tobacco cessation counseling for pregnant women	
Mandatory Benefits – Expansion Medicaid	
Prescription Drugs	Hospice
Physical therapy, occupational therapy, speech, hearing and language disorder services	

Optional Benefits

Optional Benefits	
Prescription Drugs	Chiropractic services
Clinic services	Other practitioner services
Physical therapy, occupational therapy, speech, hearing and language disorder services	Private duty nursing services
Respiratory care services	Personal Care
Optometry services	Hospice
Podiatry services	Case management
Other diagnostic, screening, preventive and rehabilitative services	Services for Individuals Age 65 or Older in an Institution for Mental Disease (IMD)
Dental Services, dentures	Services in an intermediate care facility for the mentally retarded
Prosthetics	State Plan Home and Community Based Services- 1915(i)
Eyeglasses	Self-Directed Personal Assistance Services- 1915(j)
Community First Choice Option- 1915(k)	Community First Choice Option- 1915(k)
Inpatient psychiatric services for individuals under age 21	Other services approved by the Secretary*
Health Homes for Enrollees with Chronic Conditions – Section 1945	Highlighted services are mandatory for the expansion population.

Major Budget Themes

- Maintenance Level Changes
- Healthcare Innovation
- Health Benefit Exchange Operations
- Hospital Safety Net Assessment





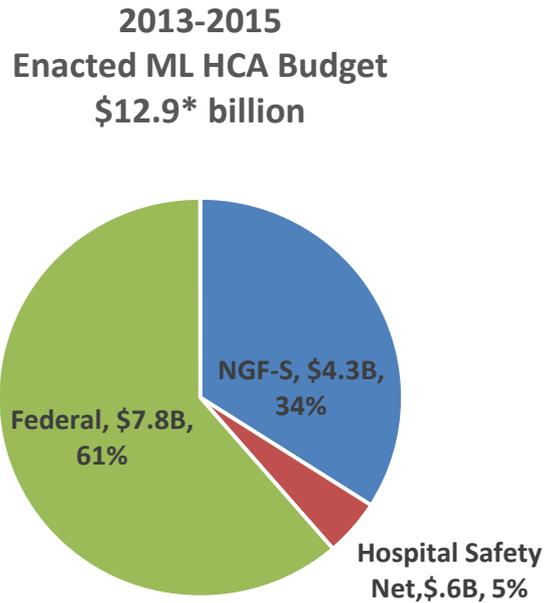
Maintenance Level Changes

Maintenance Level Changes

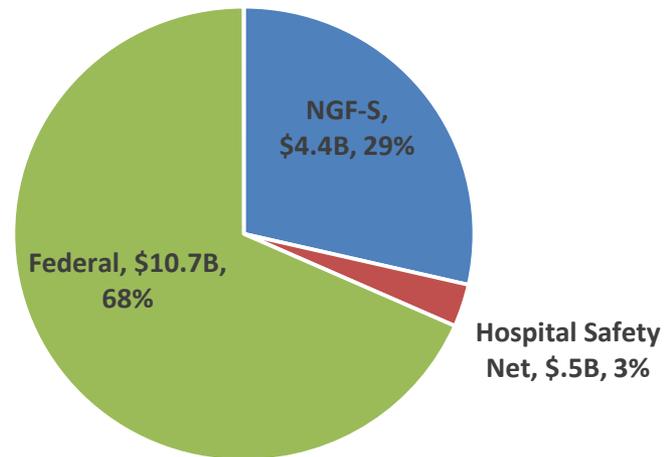
FY 2015-2017 Governor's Maintenance Level

	NGF-S	HSNA	Federal	Total Funds
Caseload and Utilization (and CPE)	\$ (90,301)	\$ (2,567)	\$ 3,736,878	\$ 3,635,405
HealthCare Innovation Plan	\$ (44,231)	\$ -	\$ (42,819)	\$ (87,050)
LEAN Savings	\$ (22,918)	\$ -	\$ -	\$ (22,918)
Compensation Changes	\$ 1,046	\$ -	\$ 1,191	\$ 2,246
Central Service Items	\$ 3,172	\$ -	\$ 3,644	\$ 6,816
Optional Programs	\$ 13,176	\$ -	\$ (38,024)	\$ (24,848)
Federal Funding Adjustments	\$ 52,876	\$ -	\$ 26,260	\$ 79,148
Hospital Safety Net Assessment	\$ 60,240	\$ (297,249)	\$ (17,621)	\$ (254,630)
Hepatitis C	\$ 90,200	\$ -	\$ 283,710	\$ 373,910
Managed Care	\$ 109,377	\$ -	\$ (1,689,682)	\$ (1,580,305)
	\$ 172,637	\$ (299,816)	\$ 2,263,537	\$ 2,127,774

Maintenance Level Changes Shift the Fund Split



2015-2017
Governor's Proposed
ML HCA Budget
\$15.8 billion



*total enacted 13-15 budget = \$13.2 billion



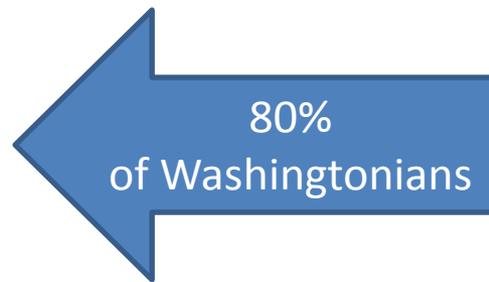
Healthcare Innovation - Healthier Washington

Healthcare Innovation (Healthier Washington)

In 2014, Health Care Authority began an initiative to transform the healthcare system.

Under its five-year State Health Care Innovation Plan it developed strategies to achieve:

- Better health
- Better care
- Lower costs



To achieve these goals, HCA began early implementation activities of the Plan. Their activities included:

- Pilot projects for Accountable Communities of Health.
- Work toward design and implementation for Medicaid purchasing of physical and behavioral health with a transition toward a fully integrated managed care system by 2020.
- Use purchasing and payment incentives for Medicaid and PEB to promote quality, efficiency, cost savings and health improvement.

Healthcare Innovation (Healthier Washington)

Under HB2572, funding was provided to conduct two pilot projects for communities of health.

- Pilot #1
 - Awarded grants to 10 entities
 - Totaled approximately \$500,000 (~\$50,000 each)
 - Concluded December 2014
- Pilot #2
 - Awarded grants to 2 entities
 - Totals approximately \$300,000
 - Begins January 2015

In December 2014, HCA secured a \$65 million innovation grant to be used over 4 years. Savings were booked in the budget based on the original grant application that assumed \$51 million in grants over 3 years. Savings were assumed as follows:

- **SFY 2016:**
 - \$13.9 million GF-S to HCA
 - \$5 million to PEBB for claims
- **SFY 2017:**
 - \$30.3 million GF-S to HCA
 - \$7.8 million to PEBB for claims



Health Benefit Exchange

Health Benefit Exchange

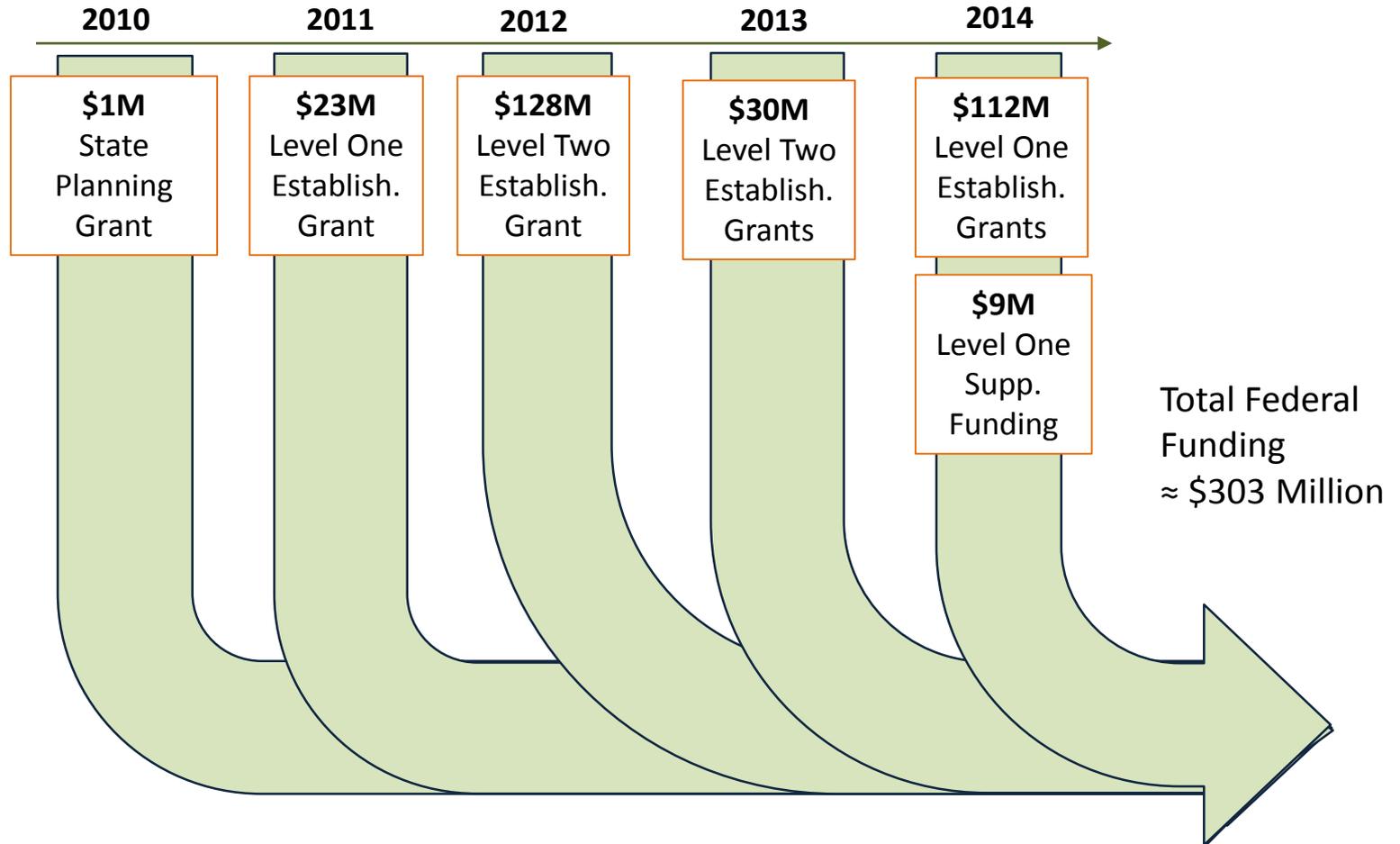
During the first year of operations (2014), the Health Benefit Exchange (HBE) enrolled approximately 147,000 Washington residents in Qualified Health Plans.

Between November 2014 and February 2015, HBE will be going through its second open enrollment period. HBE has provided an initial estimate of 213,000 enrollees for 2015.

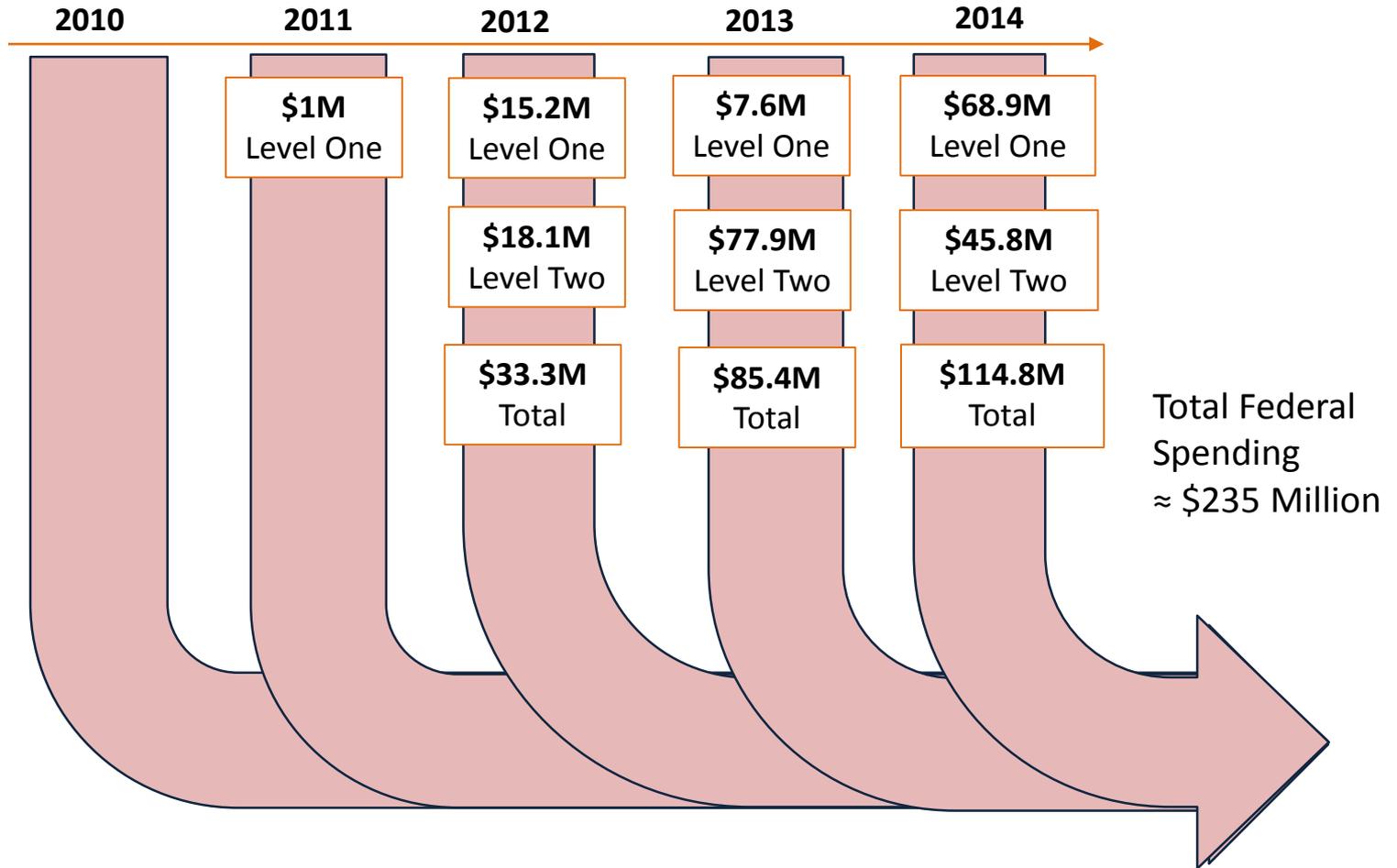
HBE's was provided an initial budget of approximately \$40 million per state fiscal year (\$80 million per biennium).

- Premium tax
- Title XIX – Medicaid
- Any difference up to the appropriated level in carrier assessments

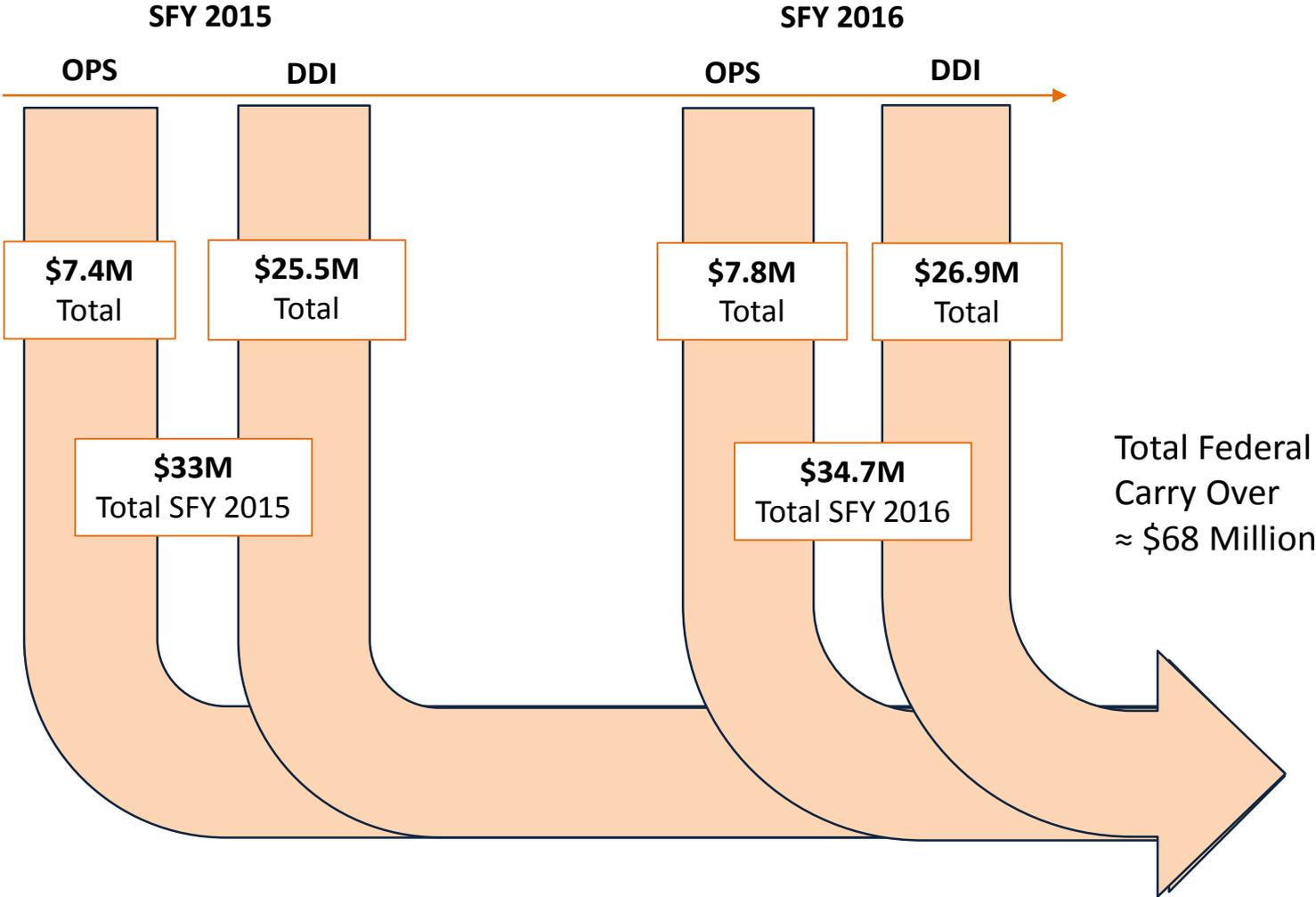
Health Benefit Exchange Federal Grants - Received



Health Benefit Exchange Federal Grants - Expended



Health Benefit Exchange Federal Grants – Carry Over



Health Benefit Exchange

Governor's Budget

- Increases overall expenditure authority
- Assumes updated Medicaid cost allocation methodology
- Adds Federal (Medicaid) dollars
- Adds General Fund-State dollars
- Transfers eligibility functions to Economic Services Administration

Governor's Budget

	2016		2017		Total
NGF-S	\$	7,312	\$	6,341	\$ 13,653
Federal	\$	12,522	\$	13,872	\$ 26,394
17T	\$	<u>40,000</u>	\$	<u>43,503</u>	<u>\$ 83,503</u>
Total	\$	56,936	\$	63,716	\$ 123,550

Health Benefit Exchange

Exchange Budget

- Requests increase in expenditure authority
- Assumes updated Medicaid cost allocation methodology
- Adds Federal Medicaid dollars
- Adds increased carrier fees (assessments)

	HBE Request			Total
	2016	2017		
NGF-S	\$ -	\$ -	\$ -	-
Federal	\$ 25,183	\$ 28,311	\$	53,494
17T	<u>\$ 43,991</u>	<u>\$ 49,455</u>	<u>\$</u>	<u>93,446</u>
Total	\$ 69,174	\$ 77,766	\$	146,940



Hospital Safety Net Assessment

Hospital Safety Net Assessment

- Program created in 2010 under E2SHB 2956
 - Assessed hospitals a fee on non-Medicare bed days
 - Fee is used in place of state funds
 - Restored July 2009 4% rate cut to inpatient and outpatient hospital rates
 - Provided inpatient and outpatient rate increases
 - Created an access payment for Critical Access Hospitals
 - Restored Small Rural Disproportionate Share Hospital (DSH) payments
 - Created quality incentive payment program
 - Offset General Fund-State funding to the Health Care Authority, in lieu of payments to hospitals

Hospital Safety Net Assessment

- Amended in 2011 under EHB 2069
 - Reduced payments to prospective payment system hospitals
 - Increased General Fund-State offset funding for 2011-2013
- Amended in 2014 under ESSB 5913
 - Changes payment methodology from rate-based to aggregate methodology
 - Phases down the program by the end of the 2017-2019 biennium

HSNA Financing - How it works

- Safety net assessment financing maximizes federal revenue while offsetting state costs.
- With current expansion population and overall fund split, overall match is approximately 35% GF-S, 65% GF-F.

	<u>Hospitals</u>	<u>State</u>	<u>Federal</u>
Step 1: Collect assessments from hospitals based on (non-Medicare) inpatient days	(\$10)	\$10	
Step 2: Pay state/federal share for Medicaid patients to hospitals	\$17.53	(\$6.10)	(\$11.44)
Balance	\$7.53	\$3.90	(\$11.44)

Hospital Safety Net Assessment

- Governor's Proposal
 - Eliminates the 4-year phase down
 - Increases payments to hospitals by approximately \$35 million per year
 - Increases General-Fund State offset funding to the Health Care Authority by approximately \$41 million per year



Considerations

Considerations for the 2015 Legislative Session

- Healthcare Innovation
 - How will savings be achieved under this program?
 - What is the appropriate return on investment?
 - How should other programs such as behavioral health integration be considered when considering savings under this plan?
 - Should savings assumptions be revisited in light of the new grant received?
- Health Benefit Exchange
 - What value does the state gain from the “private” attributes of the HBE?
 - What level of funding is necessary to fund HBE operations?
 - Does the legislature want to place any controls on federal grant funds the HBE receives or spending controls of any kind? If so, what are these controls?
- Hospital Safety Net Assessment
 - Does the legislature want to continue the HSNA program beyond its current life span? If so, under what conditions?