



Department of Health
and Mental Hygiene
Office of
Health Care Financing

FY 2016 Medicaid Budget Overview

House Appropriations Committee
Health and Human Resources Subcommittee

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Department of Health and Mental Hygiene

February 26, 2015

Overview

1. DLS Responses
2. Background Information
3. Items of Interest
 - Chronic Health Homes
 - Rebalancing Efforts
 - The In-Home Supports Assurance System (ISAS)

DHMH agrees with the following recommendations:

- ❑ Recommendation 1: Prohibiting certain budget transfers.
- ❑ Recommendation 2: Eliminate contingency provision related to CRF.
- ❑ Recommendation 3: Authorizes transfer of funds from CRF to Medicaid due to reduction in support of nonpublic textbooks.
- ❑ Recommendation 4: Reduces general funds by delaying savings due to the Medicaid Deficit Assessment.
- ❑ Recommendation 6: Transfer funds from CRF Academic Health Centers Cancer research to Medicaid.

DHMH agrees with the following recommendations:

- ❑ Recommendation 7 : Transfer funds from CRF for Nonpublic School Textbooks to Medicaid.
- ❑ Recommendation 9: Reduce grant funding to LHD for eligibility determinations.
- ❑ Recommendation 12: Reduce funding for Health Homes.
- ❑ Recommendation 13: Evaluate the Health Home Program and produce a report by November 1, 2015.
- ❑ Recommendation 17 : Reduce deficiency need based on most recent estimate for fiscal 2015 expenditures.
- ❑ Recommendation 18 : Authorizes the use of MHIP funds for Medicaid.

DHMH disagrees with the following recommendations:

- ❑ Recommendation 5 : Disagree with eliminating the MHIP assessment.
- ❑ Recommendation 8 : Disagree with deleting early takeover funds.
- ❑ Recommendation 10 : Disagree with reducing funding for non emergency transportation grants.
- ❑ Recommendation 11: Disagree with reducing funds for hospital presumptive eligibility.
- ❑ Recommendation 14: Disagree with reducing funds for contractual assistance.
- ❑ Recommendation 15: Disagree with requiring submission of a revised ITPR for approval prior to spending any new funding on the current MERP contract.
- ❑ Recommendation 16: Disagree with deleting FY 16 funds and recognize that FY 15 funds remain available.

Background Information

Maryland Medicaid: Facts at a Glance

- ❑ As of January 2015, Medicaid covers 23% of all Maryland residents
- ❑ As of January 2015, Medicaid or MCHP covers 39% of all Maryland children
- ❑ In 2014, Medicaid paid for 73% of all nursing facility days in the state
- ❑ The current number of enrolled Maryland Medicaid providers is approximately 55,000
- ❑ In federal fiscal year 2014, Medicaid reimbursed services in the amount of \$8.9 billion Statewide, including funding of DDA, MHA, and MSDE Medicaid services
- ❑ The projected Statewide Medicaid spending in FY 2015 exceeds \$10 billion

Federal Medicaid Basics

- ▶ **Within federal parameters, each state can design its own:**
 - Eligibility standards
 - Benefits package
 - Provider requirements
 - Payment rates
- ▶ **Federal Rules for Services:**
 - Services must be adequate in amount, duration, and scope
 - Services must be statewide
 - States cannot vary services based on individual's diagnosis or condition
 - States may impose nominal cost-sharing on some services (e.g., drugs)
 - Children, pregnant women, and nursing home residents are excluded
 - Higher cost sharing amounts are allowed for individuals with income above 100 percent of FPL

Populations Exempt from Mandatory Enrollment in HealthChoice

- ▶ Some individuals DO NOT qualify for HealthChoice and are enrolled in Medicaid on a fee-for-service (FFS) basis:
 - Dually eligible for Medicaid and Medicare
 - Institutionalized
 - Spend-down
 - Participants in the Model Waiver for Medically Fragile Children
 - Participants in the Family planning program waiver
 - New Medicaid eligibles until enrolled in MCO
 - Enrollees in rare and expensive case management (REM) (within HealthChoice program)

Maryland's Medicaid Managed Care

- ▶ Under HealthChoice, Maryland requires most Medicaid beneficiaries to enroll in 1 of 8 participating MCOs:
 1. AMERIGROUP Community Care
 2. Jai Medical Systems
 3. Kaiser Permanente
 4. Maryland Physicians Care
 5. MedStar Family Choice
 6. Priority Partners
 7. Riverside Health of Maryland
 8. United Healthcare

MCO CY 15 Rate Considerations

- ▶ **Impact of New Substance Use Carve Out (\$235 Million)**
 - The ASO and MCO will need to coordinate care between somatic and behavioral health services
- ▶ **Impact of New Hospital Waiver**
 - New waiver has unknown implications as almost all hospitals are under a Global Budget with HSCRC
- ▶ **Impact of ACA New Enrollment**
 - Impact of Open Enrollment was estimated based on previous open enrollment actions
- ▶ **Significant losses projected for Program by MCOs**
 - 5% profit projected by MCOs for CY 2014
 - Rates have been reduced to bottom of actuarially sound rate range for HealthChoice population excluding Childless Adults in CY 2015
- ▶ **Federal Approval of the MCO Rates**
 - Given the large increase in federal dollars for the new population, CMS is scrutinizing the rate setting process more and taking longer to approve.

Eligibility & Enrollment System Accomplishments



Single Streamlined Application: Medicaid, MCHP, QHP



More People Covered: 296,802 new Medicaid Enrollees



Coordination Across State Agencies and between consumer assistance workers (DHMH, DHR, MHBE)



Aligned Eligibility Rules



Electronic Verification



Real-time Eligibility Determinations



Change Reporting

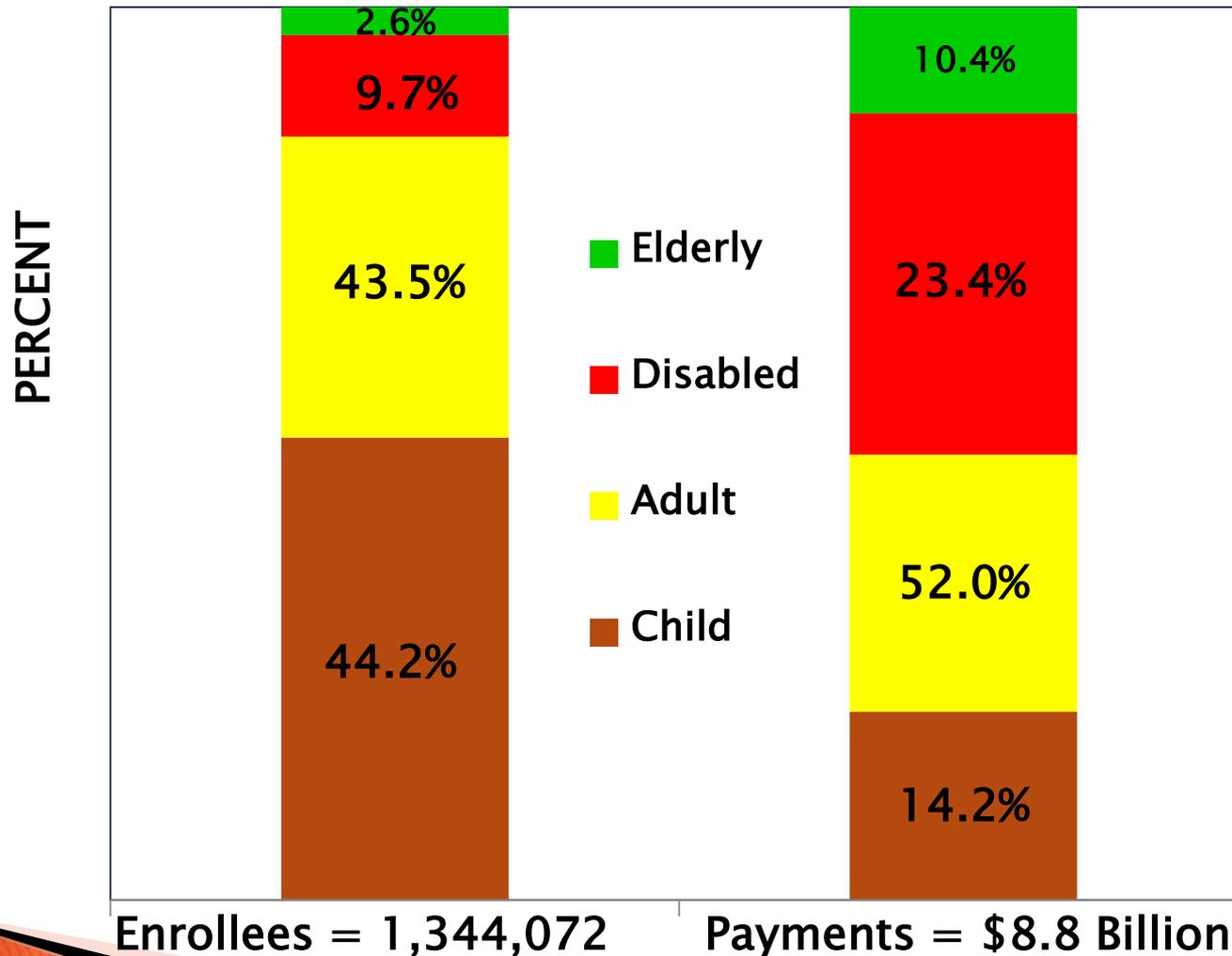
January									
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday
14	15	16	17	18	19	20	21	22	23
24	25	26	27	28	29	30	31		
1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31									

Automated Renewal Process



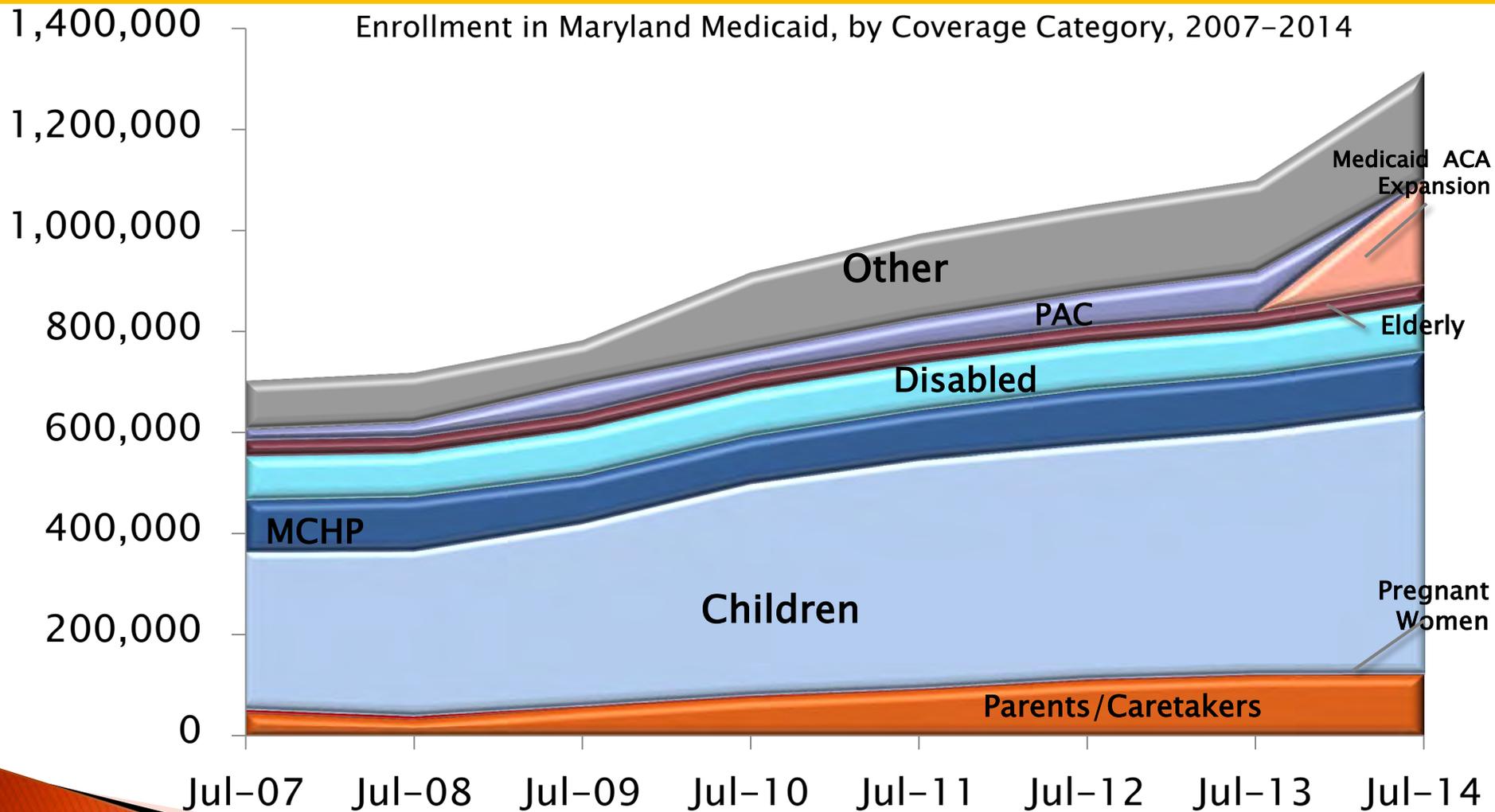
Coordinated Appeals Process

Enrollees and Expenditures by Enrollment Group FY 2016 Medical Care Programs Q0103 (Medicaid) & Q0107 (CHIP)

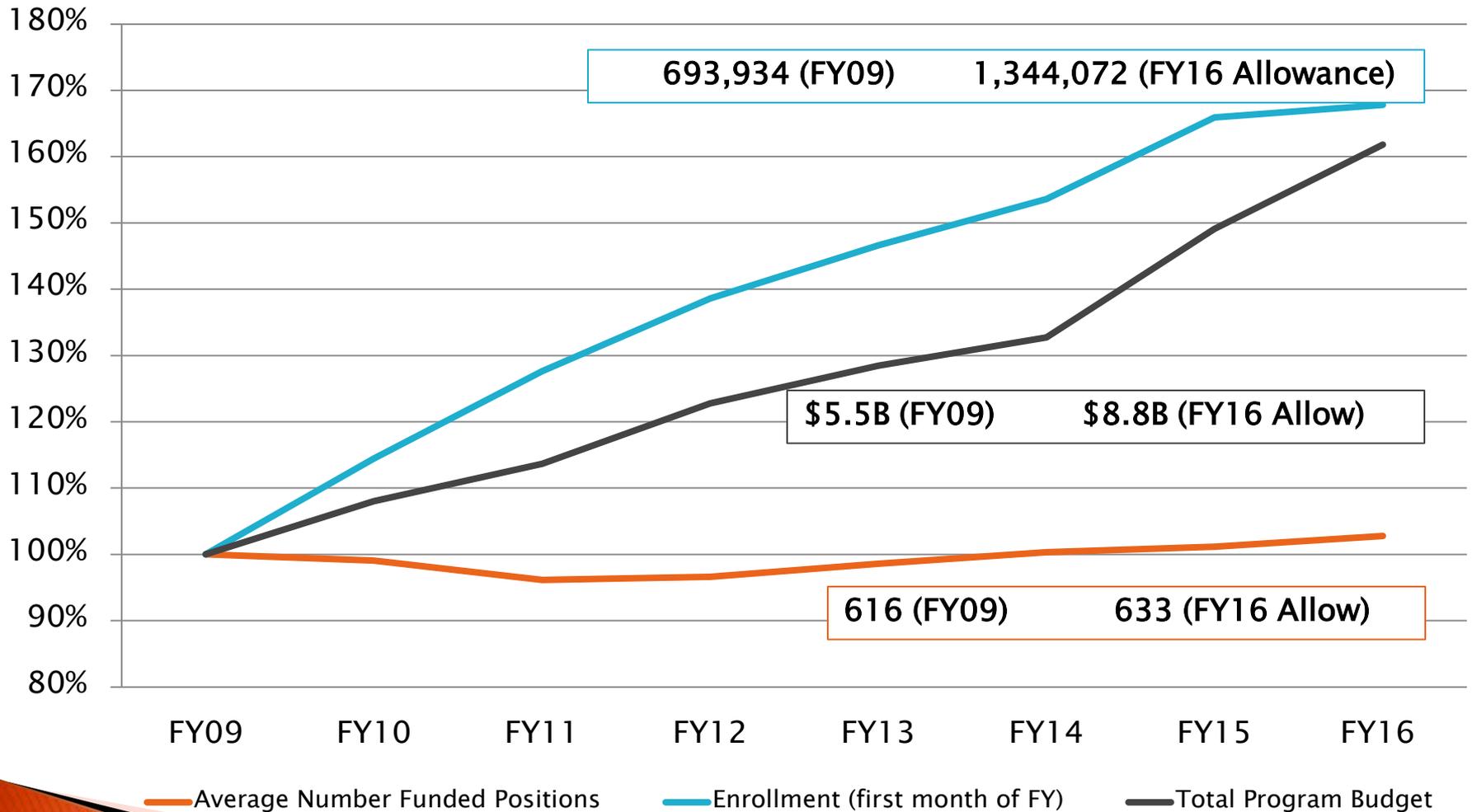




2008 and 2014 Expansions are Main Drivers of Enrollment Increases

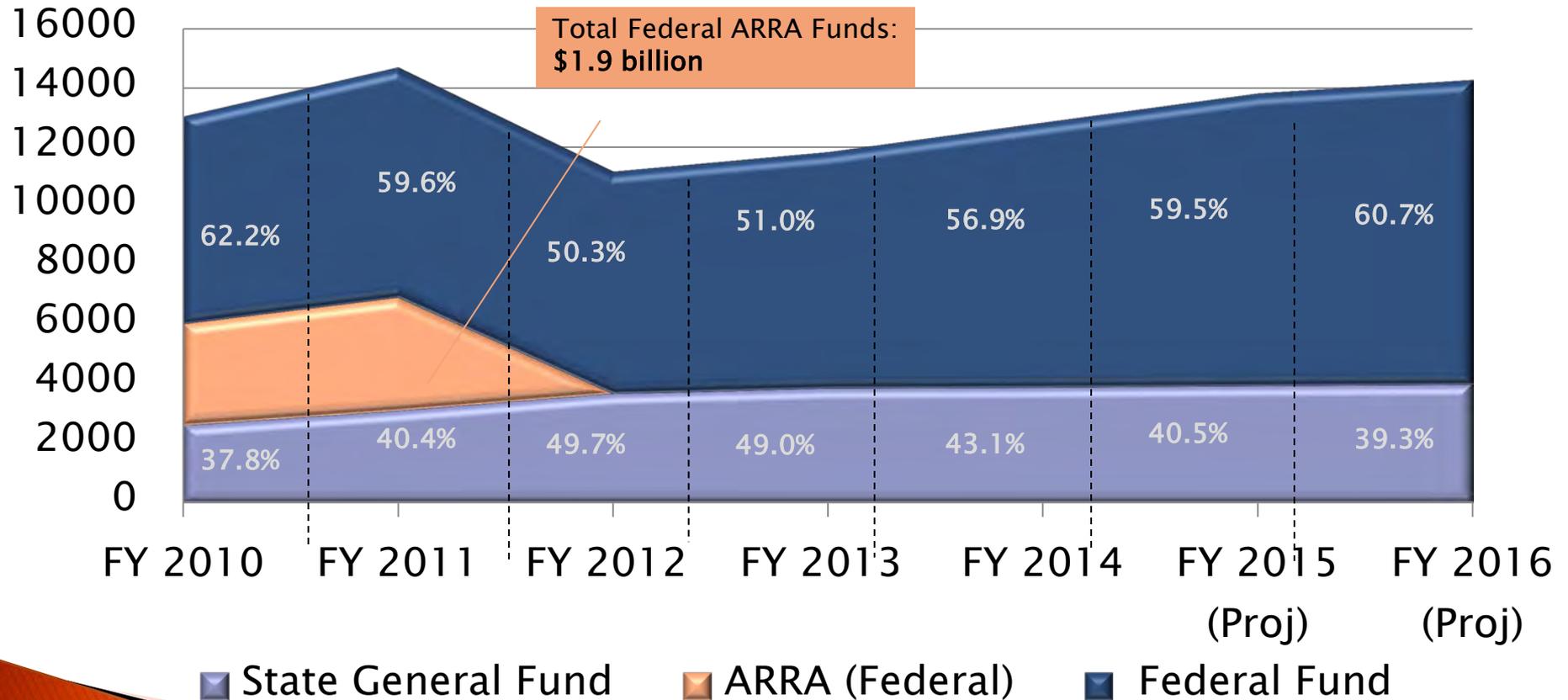


Medicaid enrollment growth occurred during an era that saw a constant level of Medicaid staffing



Overall Federal Funding for Maryland Medicaid has Increased Between FY 2010 and FY 2016

Maryland Medicaid State, Federal, and ARRA Expenditures, in Millions: FY 2010– 2016



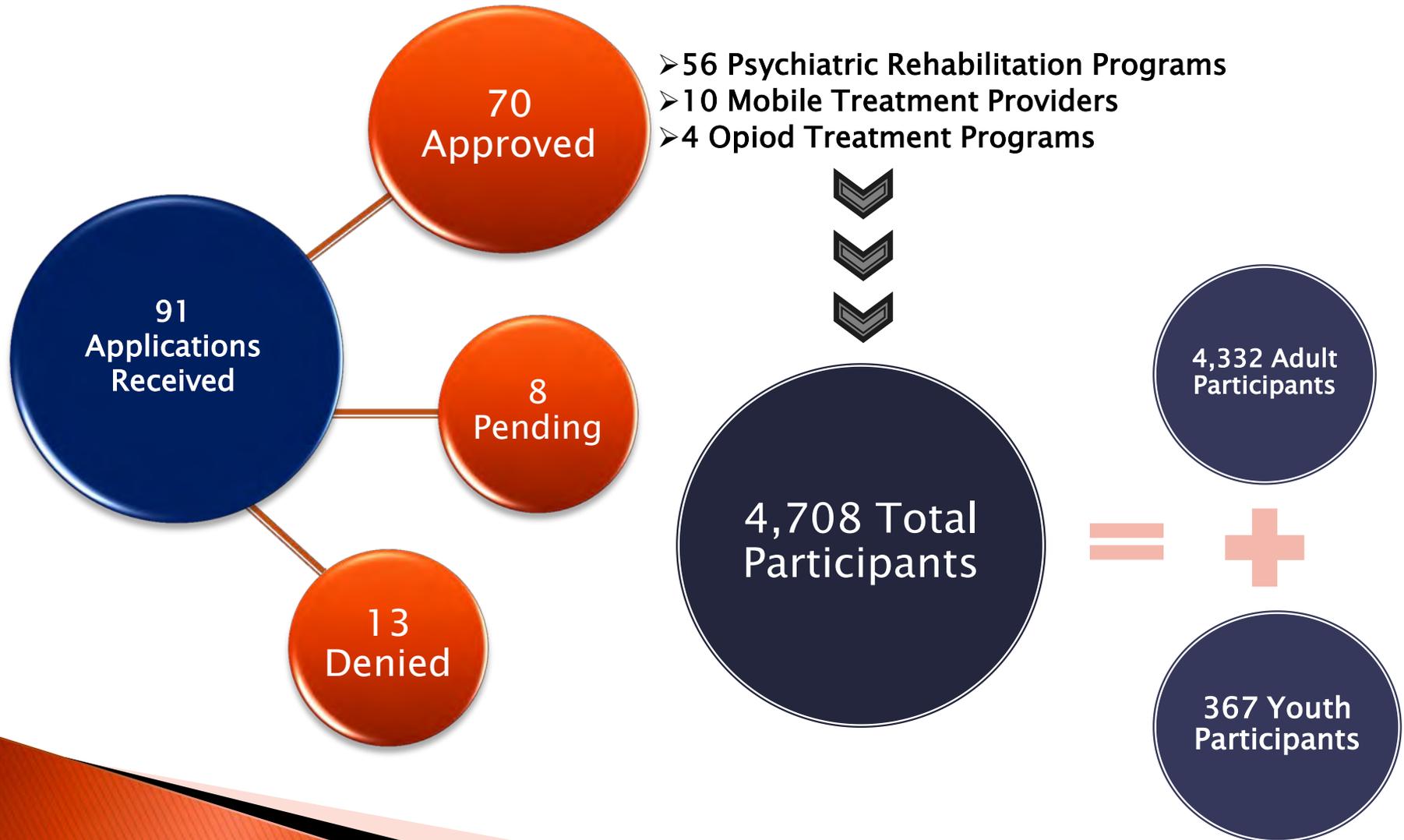
Initiatives



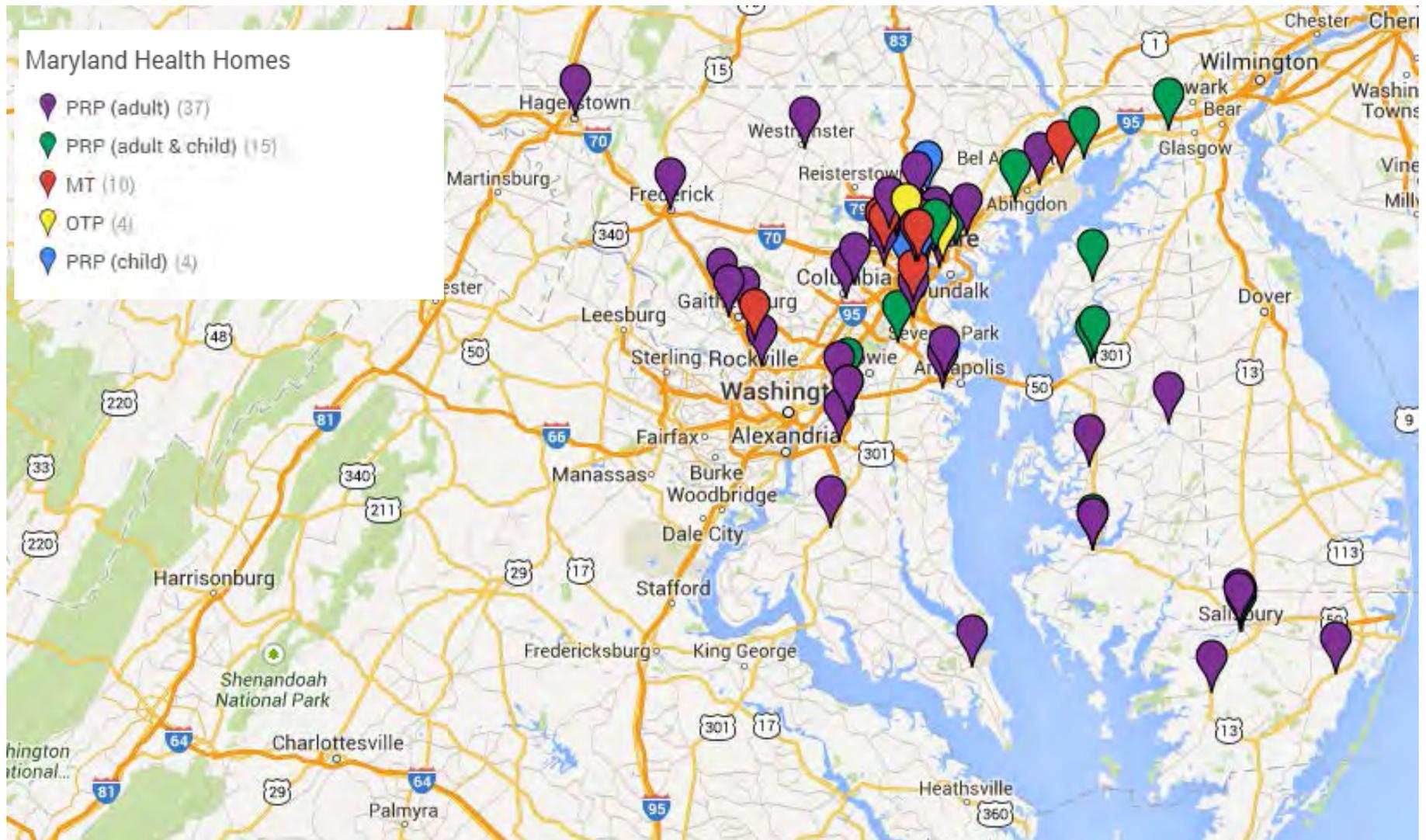
Key Initiatives to Promote Better Care for High Need/High Cost Individuals in Medicaid

- ❑ Promoting Behavioral Health Integration
 - ✓ Full Implementation of the Chronic Health Home model
 - ✓ Carve out services for substance use disorders
- ❑ Promoting long-term care rebalancing
 - ✓ Fully implement Community First Choice
 - ✓ Merge Living at Home Waiver and Older Adults Waivers to establish the Home and Community Based Options Waiver
 - ✓ Implement standardized assessment (InterRAI) for long term services and supports
 - ✓ Improve the accuracy and timeliness of reimbursements for personal care providers

As of Dec 31, 2014 there are currently 70 approved Health Home sites throughout Maryland. In the 21 participating counties, over 4,708 participants are enrolled in the Health Homes program.



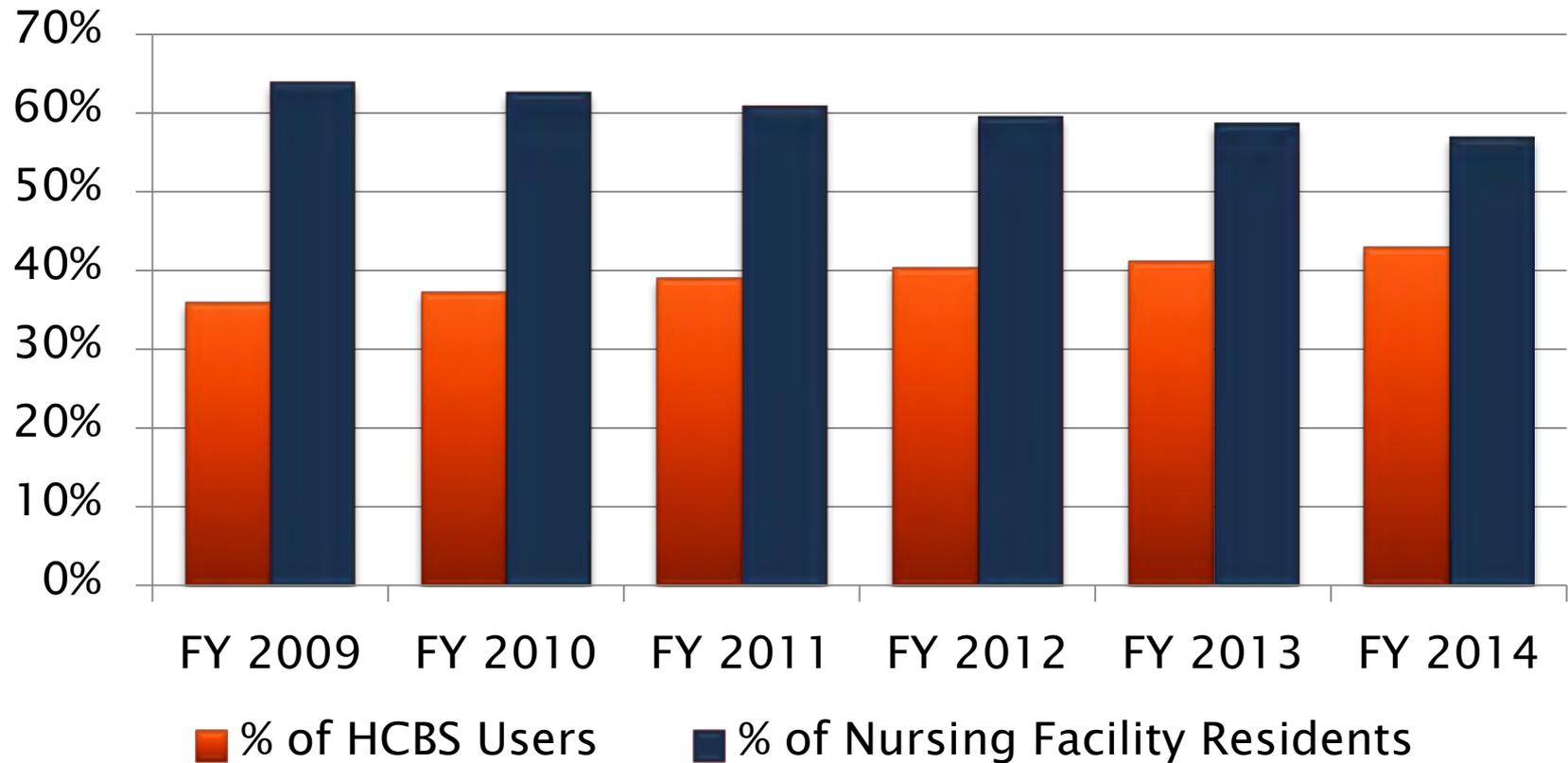
The 70 Health Homes sites span 21 of Maryland's 24 counties. As of December 31, 2014, Baltimore City has the most participating Health Homes.





Rebalancing Efforts are Moving More People to the Community

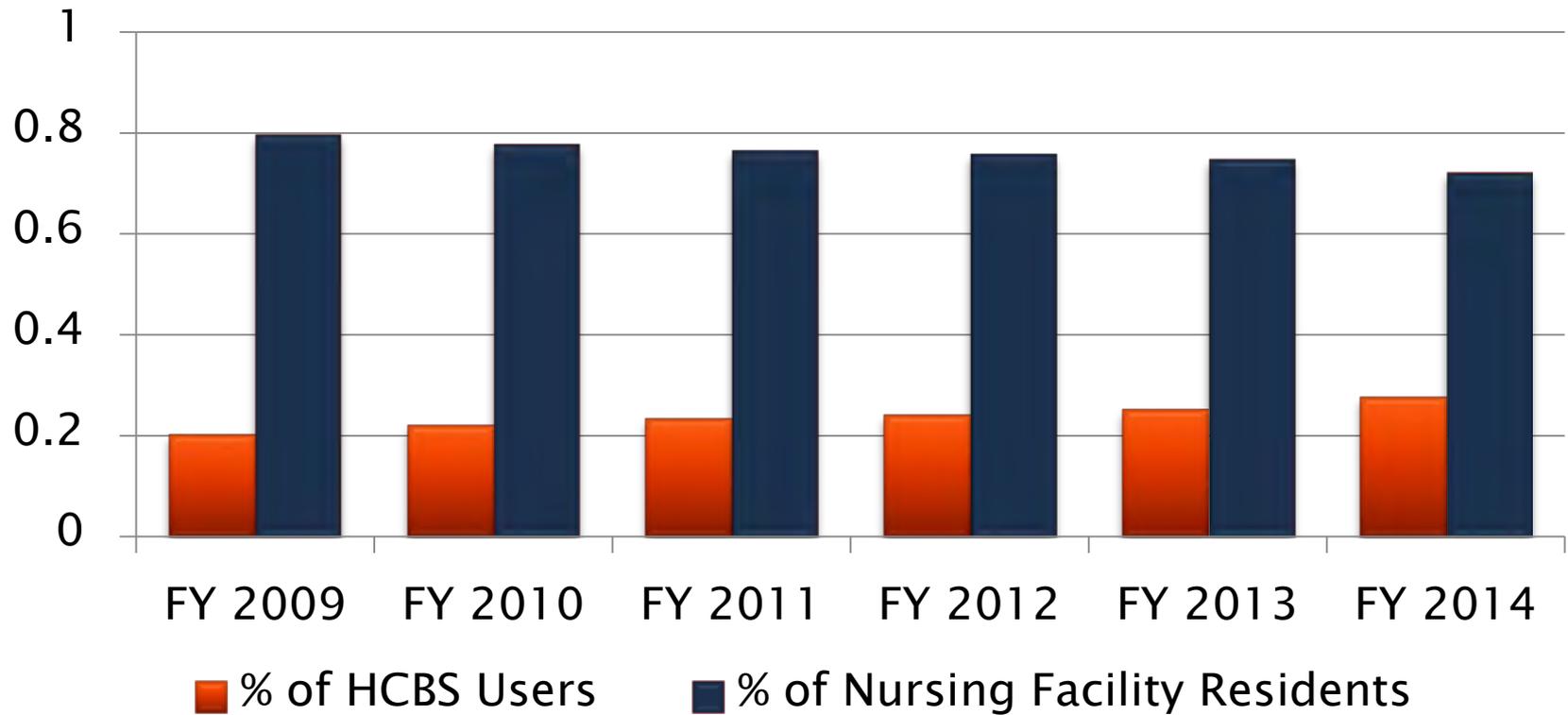
Proportion of Home- and Community Based Users and Nursing Facility Residents, FY 2009-2014



Note: For purposes of this chart, HCBS refers to waiver programs targeting older adults and younger adults with disabilities (specifically the LAH, OAW, MAPC and Medical Day Care programs) and does not include services for individuals with developmental or intellectual disabilities. FY13 numbers may be adjusted based on claims not yet submitted.

Between FY 2009 and FY 2014, Medicaid spending for HCBS grew five times as fast as spending on nursing facilities

Proportion of Home- and Community Based Users and Nursing Facility Residents, FY 2009–2014



Note: For purposes of this chart, HCBS refers to waiver programs targeting older adults and younger adults with disabilities (specifically the LAH, OAW, MAPC and Medical Day Care programs) and does not include services for individuals with developmental or intellectual disabilities. FY14 numbers may be adjusted based on claims not yet submitted.

The In-Home Supports Assurance System (ISAS) was implemented to ensure accurate and quick provider reimbursement. From January 2014 – January 2015, MMIS paid 1.1 million claims (with a 99% payment rate).

Community Options and Community First Choice
January 2014 – January 2015 Totals

Agency Providers



1,137,823
Claims Processed

1,125,221 Claims
Paid

\$134.5 Million
Paid by MMIS

Independent Providers

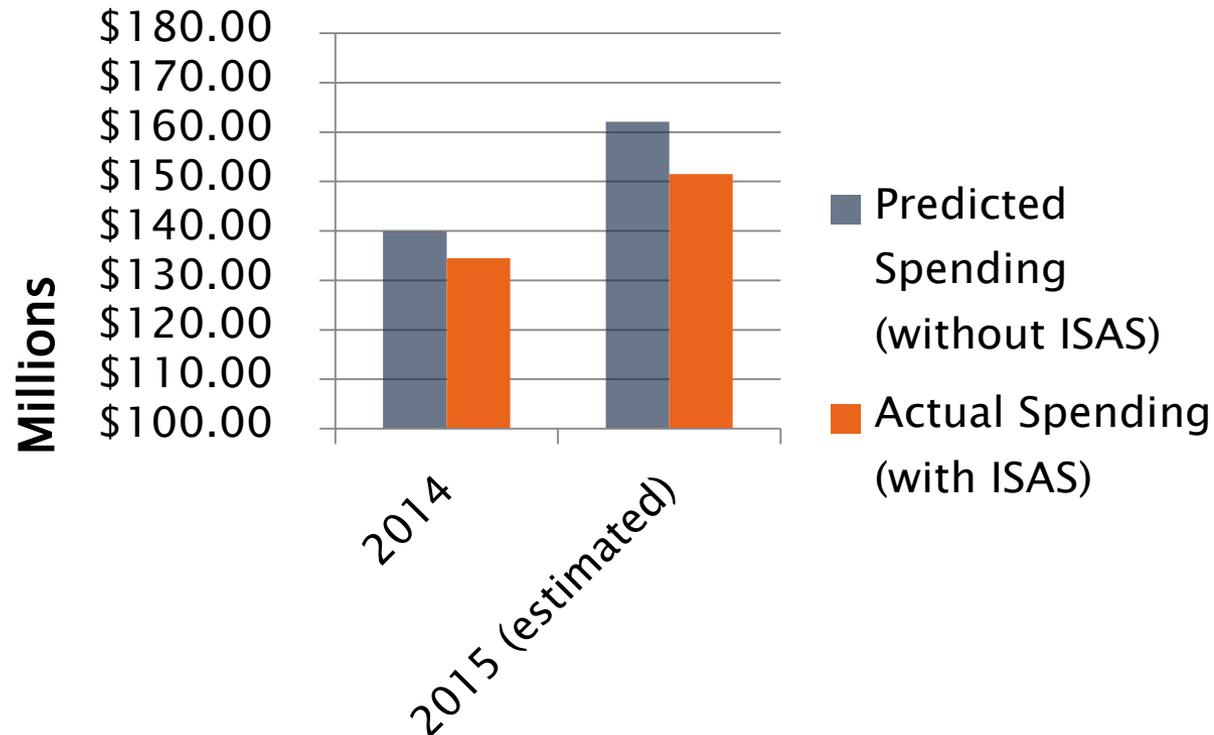


Note: Effective January 6th, the Department merged the Living at Home waiver (LAH) and the Waiver for Older Adults (WOA), and enrolled providers in the Community Options Program.

ISAS contains costs while providing Maryland with greater oversight over the provision of care.

ISAS Cost-Containment

Predicted Spending *without* ISAS vs. Actual Spending *with* ISAS



- ❑ In 2014, ISAS generated 4% savings
- ❑ In 2015, ISAS is estimated to generate 7% savings

**Department of Health and Mental Hygiene
Health Care Financing Administration
M00.Q01**

Response to Recommended Actions

Recommendation #1:

Add the following language:

All appropriations provided for program M00Q01.03 Medical Care Provider Reimbursements are to be used for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose.

Response: The Department concurs.

Recommendation #2:

Strike the following language to the general fund appropriation.

~~Further provided that this appropriation shall be reduced by \$7,200,000 contingent upon to enactment of legislation reducing funding for other programs supported by the Cigarette Restitution Fund.~~

Explanation: The action strikes a contingency provision related to the Cigarette Restitution Fund. The legislature has the authority to make this reduction absent legislation

Response: The Department concurs.

Recommendation #3:

Amend the following language to the general fund appropriation:

Authorization is hereby provided to process a Special Fund amendment up to ~~\$7,200,000~~ \$7,530,000 from the Cigarette Restitution Fund to support the Medical Assistance Program.

Explanation: Amend language authorizing the transfer of funds from the Cigarette Restitution Fund to Medicaid to reflect additional funding made available as a result of reducing Cigarette Restitution Fund support for nonpublic textbooks in the Funding for Educational Organization budget analysis.

Response: The Department concurs.

Recommendation #4:

Add the following language to the general fund appropriation:

Further provided that this appropriation shall be reduced by \$14,500,000 contingent upon the enactment of legislation removing the requirement that the Medicaid Deficit Assessment be reduced by an amount equal to general fund savings to the Medicaid program attributable to implementation of the All-Payer Model Contract.

Explanation: The language implements a proposal in the fiscal 2016 budget to cut \$14.5 million in general funds by delaying the application of savings attributable to the implementation of the all-payer model contract to the Medicaid Deficit Assessment. That delay is part of the Budget Reconciliation and Financing Act of 2015.

Response: The Department concurs.

Recommendation #5:

Add the following language to the general fund appropriation:

Further provided that this appropriation shall be reduced by \$3,155,000 contingent upon the enactment of legislation eliminating the Maryland Health Insurance Plan assessment.

Explanation: The language reduces Medicaid general funds by \$3.155 million contingent on legislation eliminating the Maryland Health Insurance Plan (MHIP) assessment. That assessment, currently 9.3% of net hospital patient revenue, currently goes into the MHIP fund and generates an estimated \$39.0 million annually based on current hospital patient revenue estimates. The \$3.155 million represents the Medicaid general fund share payment of that assessment.

Response: The Department does not concur. The Department needs more time to determine the future of the MHIP Assessment.

**Amount
Reduction**

Recommendation #6:

Reduce general funds based on the availability of Cigarette Restitution Funds. This funding is available based on a reduction in funding for academic health center cancer research. This action implements the Governor's proposal in HB 72, the Budget Reconciliation and financing Act of 2015.

\$7,200,000 GF

Response: The Department concurs.

Recommendation #7:

Reduce general fund support based on the availability of funding from the Cigarette Restitution Fund. This funding is available from a proposed reduction to Nonpublic School Textbooks. 330,000 GF

Response: The Department concurs.

Recommendation #8:

Delete fiscal agent early takeover funding. The need to restructure the Medicaid Enterprise Restructuring Project means that these funds will not be required in fiscal 2016. 4,966,937 GF
14,900,751 FF

Response:

The Department does not concur. Due to the complexity of the MERP project, the new administration requests the opportunity to conduct a thorough analysis of our options moving forward.

Recommendation #9:

Reduce grant funding to Local Health Departments for Eligibility Determination assistance. The fiscal 2016 budget includes \$15.0 million in grant funding for local health departments for eligibility determination assistance, an increase of \$2.3 million. This reduction still provides for a \$1.3 million increase over fiscal 2015. 250,000 GF
750,000 FF

Response:

The Department concurs.

Recommendation #10:

Reduce funding for nonemergency transportation grants. The fiscal 2016 budget is \$3.2 million, 9%, above the most recent actual. Program expenditures have been falling since fiscal 2012. Although additional demand might be anticipated because of the recent Medicaid expansion, fuel costs have fallen significantly. The proposed reduction still allows for a \$2.2 million, 6%, increase over fiscal 2015 funding. 500,000 GF.
500,000 FF

Response:

The Department does not concur. During the last month, we received a request from local health officers throughout the state for over \$2.86 million in supplemental grants in FY 15.

Nonemergency transportation is a required service under federal Medicaid rules and DHMH must pay all expenditures for this service.

Recommendation #11:

Reduce funding for hospital presumptive eligibility.	10,000,000 GF
Under the Affordable Care Act, at the request of hospitals, states have to establish a presumptive eligibility program that provides temporary Medicaid coverage for individuals pending full eligibility review. The fiscal 2016 budget includes \$50 million to cover the costs of the program which began in the fall of 2014. Initial utilization suggests actual costs will be lower.	10,000,000 FF

Response:

The Department does not concur. It is a new Hospital program that began in October 2014 and the volume has not materialized yet, however, feedback from the hospitals is that they have been trained and intend to use this vehicle in the future.

Recommendation #12:

Reduce funding for health homes. The fiscal 2016 budget includes \$16.6 million in funding for health homes. Based on current utilization trends and cost data, the program can continue to grow and still be adequately funded even with the proposed reduction.	4,000,000 GF
	6,000,000 FF

Response:

The Department concurs.

Recommendation #13:

Health Homes: The committees request the Department of Health and Mental Hygiene (DHMH) to report on patient outcomes for participants in health homes. The report should include a comparison with Medicaid enrollees with similar chronic conditions who are not in health homes as well as a comparison of outcomes between health homes (both of the same provider type and between health home provider types).

Information Request	Author	Due Date
Health Homes	DHMH	November 1, 2015

Response:

The Department concurs.

Recommendation #14:

Reduce funding for additional contractual assistance.	240,000 GF
The budget includes a \$1.2 million increase for additional contractual employment, 36.29 full-time equivalents. The reduction reduces this increase by 50%.	343,000 FF

Response:

The Department does not concur.

Twenty-six (26) of the contractual positions have already been hired with 03 Balancing Incentive Program (BIP) money. The proposal is to move those 26 positions along with the BIP from the 03 budget into the 04 budget. These positions are critical to complete the rebalancing programs implemented in the last year. Specifically, this money will be used to fund 16 contractual employees who enroll patients and providers into the Community First Choice program and review and approve plans of care to ensure that those patients are provided with sufficient personal assistance services to live safely in the community rather than in institutions. This program allows the Department to receive an extra 6 percent match from the Centers for Medicare and Medicaid services. Five positions are used to help adjudicate claims in a timely and efficient manner for an electronic sign-in and sign-out system (ISAS) which generates bills automatically based on the actual time spent in the home. The system also interfaces with the approved plan of care to make sure the hours provided are appropriate and that the provider has been approved to provide the care. The ISAS program, which was implemented at the urging of the Legislature, is estimated to save approximately \$7.7 million a year. The remaining five positions help local health departments provide assessment services to ensure that patients meet the level of care necessary to receive the services.

An additional five contract positions were requested to help with the HealthChoice complaint resolution line. These individuals were hired last year through a contract with the Exchange. This funding source is coming to an end this fiscal year. Meanwhile, total call volume is up from an average of 800 to 1200 calls per day. These individuals triage calls, educate Medicaid beneficiaries about our program, identify and assist recipients with complaints concerning MCO services. If we are unable to replace these contracts, recipients will not receive timely assistance.

The ACA allowed for a new opportunity to better connect eligible patients to Medicaid. Using presumptive eligibility, hospitals will be able to enroll patients and their families who are likely to be eligible for Medicaid immediately without waiting for an eligibility determination from DHMH. As a result, an additional 6 contract positions were requested to assist the Division of Recipient Programs in the Office of Eligibility Services with implementing this federal initiative. These positions have already been hired with Program 03 funds. The proposal is to move those 6 positions from the 03 budget into the 09 budget. If we are unable to maintain these positions, then eligible recipients will not receive timely Medicaid coverage for covered hospital services.

Recommendation #15:

Provided that no funding that has not been previously appropriated may be expended on the Medicaid Enterprise Restructuring Project until the Department of Health and Mental Hygiene and the Department of Information Technology submit a revised Information Technology Project Request (ITPR) to the budget committees for review and comment. That the (ITPR) shall include revised timelines based on an integrated master schedule that meets best practices, as well as updated cost estimates. The budget committees shall have 45 days to review and comment on the ITPR.

Explanation: The current effort to replace the legacy Medicaid Management Information System has stalled. The Department of Health and Mental Hygiene (DHMH) has issued two cure notices and a stop work order to the current vendor. However, there is no sign of any progress in responding to the concerns raised by DHMH and the Department of Information Technology (DoIT) about work quality and project documentation. The language requires DHMH and DoIT to submit a revised Information Technology Project Request (ITPR) to the budget committees for review prior to spending any new funding on the project. At this point, virtually all of the fiscal 2015 appropriation for the Medicaid Enterprise Restructuring Project (MERP) remains available for the project and is not subject to this language.

Information Request	Authors	Due Date
Revised MERP ITPR	DHMH DOIT	Prior to the expenditure of new funding on MERP

Response:

The Department does not concur. Work on the MERP project is currently suspended until March 20, 2015. Due to the complexity of the MERP project, the new administration requests the opportunity to conduct a thorough analysis of our options moving forward. DHMH is committed to continued communication with the General Assembly about our analysis.

Recommendation #16:

Delete funding for the Medicaid Enterprise Restructuring Project. 49,741,715 FF
The project is significantly behind schedule and has been subject to a stop work order for the past six months. There are still available fiscal 2015 funds to move forward with the project depending on the directive chosen by the Department.

Response:

The Department does not concur. Due to the complexity of the MERP project, the new administration requests the opportunity to conduct a thorough analysis of all of our options moving forward. While 2015 funds remain available, deleting MERP funding for 2016 would limit our options.

Recommendation #17:

Reduce deficiency need based on most recent estimate 20,000,000 GF
of fiscal 2015 overall Medicaid expenditures.

Response:

The Department concurs.

Recommendation #18:

Add the following language to the general fund appropriation:
, provided that this appropriation shall be reduced by \$45,000,000 contingent upon the enactment of legislation authorizing the use of the Maryland Health Insurance Plan Fund for Medicaid provider reimbursements

Explanation: The language reduces general funds by \$45 million contingent upon legislation authorizing the use of a surplus in the Maryland Health Insurance Plan Fund for Medicaid Authorization is included in the Budget Reconciliation and Financing Act of 2015.

Response:

The Department concurs.

**Department of Health and Mental Hygiene
Health Care Financing Administration
M00.Q01**

Response to Issues

Issue #1 page 29:

DLS recommends increasing the fund balance transfer by \$8.0 million as part of a broader recommendation below to strike from the BRFA provision requiring the Health Services Cost Review Commission (HSCRC) to adjust rates related to uncompensated care in fiscal 2015.

Response: The Department does not concur.

The Maryland Health Progress Act of 2013 (MHPA) authorized the State to administer a State Reinsurance Program. Additionally, the MHPA authorized the MHIP fund revenue to support the State Reinsurance Program. The Maryland Health Benefit Exchange is the Reinsurance Oversight Entity for the State of Maryland. The MHBE is currently working on the analysis to determine how to design a reinsurance program.

The existing proposal for consideration reduces the fund balance and transfers \$8 million to offset the FY 15 uncompensated care cut to hospitals. An alternative to calculating the uncompensated care cut and adjusting the hospital rates in FY 15 would be to simply transfer MHIP money to Medicaid. While attractive, doing so ignores that current hospital rates includes a factor for uncompensated care that is too high. Medicaid enrollment has grown by over 290,000 individuals since January 1, 2014. HSCRC adjusted uncompensated care in July 1, 2014, but it based its adjustment only on a small number of the newly insured – the 96,000 individuals who received a limited benefit package under the former Primary Adult Care Program.

From a policy perspective, the preferred and more economical approach is to adjust uncompensated care rates to account for all of those newly enrolled on Medicaid.

Issue #2 page 46:

Even after taking that into account, DLS recommends a reduction of \$20 million in the 2015 deficiency appropriation

Response:

The Department concurs.

Issue #3 page 57:

DHMH should comment on its provider network oversight activities and whether it should strengthen its direct testing strategies.

Response:

The Department concurs with the need to monitor provider networks. DHMH receives a monthly MMIS report on PCP adequacy by local access areas. In addition, we receive a quarterly report on network adequacy for certain core specialists from our partners at The Hilltop Institute at the University of Maryland Baltimore County. We also monitor network adequacy problems through local health department grantees and through recipient and provider calls to the HealthChoice Help Line. If there are problems identified, we seek additional data from MCOs. If we confirm a problem, we require corrective actions. If there are shortages in key areas such as obstetrical care, we freeze MCO enrollment and allow patients to select alternative MCOs.

We will continue to be vigilant in reviewing these reports as MCOs implement the physician fee decreases. In addition, we have asked MCOs to send us copies of letters from providers that cancel MCO contracts related to fee decreases.

Issue #4 page 64:

DLS recommends eliminating all fiscal 2016 funding for the project: \$7,775,410 general funds in the Major Information Technology Project Development Fund and \$49,741, 715 federal funds in the Medicaid budget. DLS further recommends budget bill language requiring DHMH to submit a revised Information Technology Project Request when it has decided on the best approach to move forward with the project.

Response:

The Department does not concur. Due to the complexity of the MERP project, the new administration requests the opportunity to conduct a thorough analysis of our options moving forward.

DLS recommends elimination of the fiscal agent funding.

Response:

The Department does not concur. Due to the complexity of the MERP project, the new administration requests the opportunity to conduct a thorough analysis of our options moving forward.

Issue #5 page 92:

DLS recommends releasing the withheld funding and will write a letter to that effect after the budget hearings, absent any concerns raised by the relevant budget subcommittees.

Response:

The Department concurs.