

Department of Health and Human Services Division of Medical Assistance Overview

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Presentation Outline

- Budget Overview
- Historical Budget Issues
- Current Budget Status

Medicaid Program

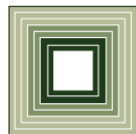
- *What* is Medicaid?
- *Who* receives Medicaid?

Division of Medical Assistance

Mission Statement

“The mission of the Division of Medical Assistance (DMA) is to provide access to high quality, medically necessary health care for eligible North Carolina residents through cost-effective purchasing of health care services and products.”

Source: Division of Medical Assistance <http://www.ncdhhs.gov/dma/whoweare.htm>



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Medicaid Program

What is Medicaid?

Medicaid is an *entitlement* program designed to pay for medical care for low-income children and working families, people with disabilities and the elderly. Costs for the program are shared by states and the federal government. Eligibility is determined by income, assets, age, and medical need.

Source: TITLE XIX of the Social Security Act—Grants to States for Medical Assistance Programs.

Medicaid Program

What is Medicaid?

Medicaid is a federal entitlement program. Entitlement means individuals found eligible for Medicaid have legal rights to receive services under the Medicaid Program and cannot be denied coverage. Federal guidelines require that children receive comprehensive services.

Implications:

- All Medicaid recipients must be served.
- Their medical bills must be paid.
- If appropriations for the Medicaid Program are inadequate, funding must come from other areas of State government.

Medicaid Program

What is Medicaid?

Within broad federal guidelines set by the Centers for Medicare and Medicaid Services (CMS), each state has the authority to:

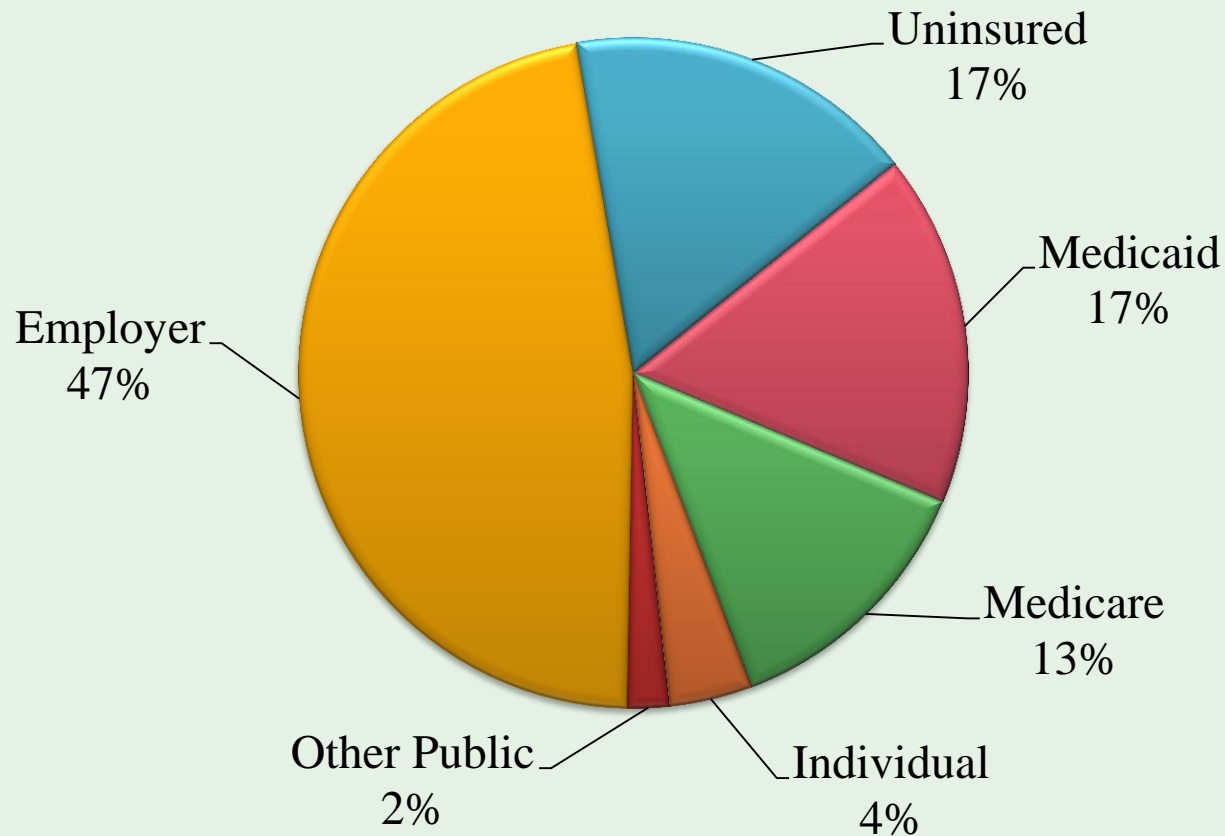
1. *Establish* its own eligibility standards (currently restricted by the Affordable Care Act);
2. *Determine* the type, amount, duration, and scope of covered services;
3. *Set* the payment rate for services; and
4. *Administer* its own program, in accordance with the state plan (changes to the state plan have to be approved by CMS).

The Division of Medicaid Assistance (DMA) and local Departments of Social Services administer NC's program.

Medicaid Program

What is Medicaid?

NC INSURANCE STATUS, 2010-11



Source: Kaiser Family Foundation, statehealthfacts.org

Medicaid Program

Who Receives Medicaid?

2013 Federal Poverty Guidelines

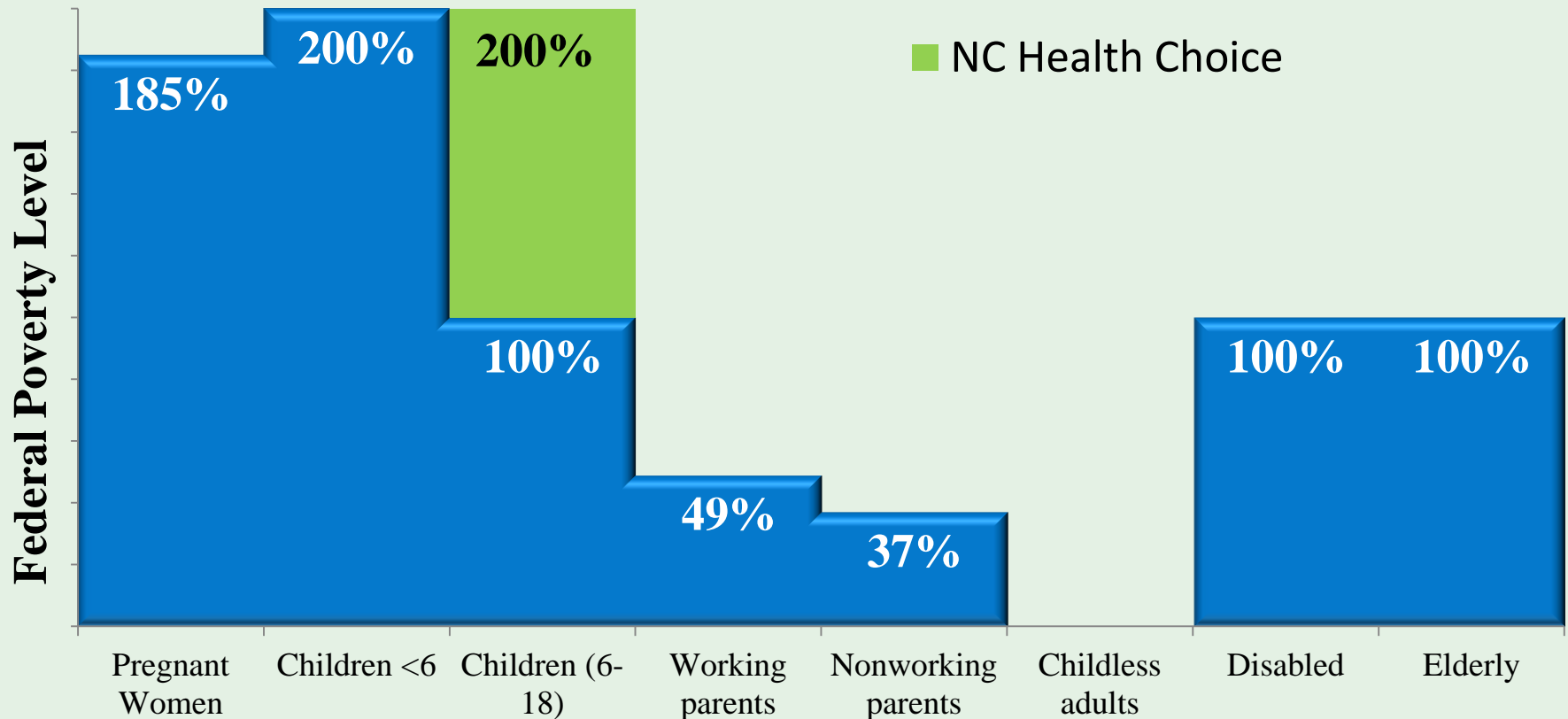
<u>Persons in family/household</u>	<u>Poverty Guideline</u>
1	\$11,490
2	15,510
3	19,530
4	23,550
5	27,570
6	31,590
7	35,610
8	39,630

For families/households with more than 8 persons,
add \$4,020 for each additional person.

Source: Federal Register, Department of Health and Human Services, Effective January 24, 2013

Medicaid Program

Who Receives Medicaid?

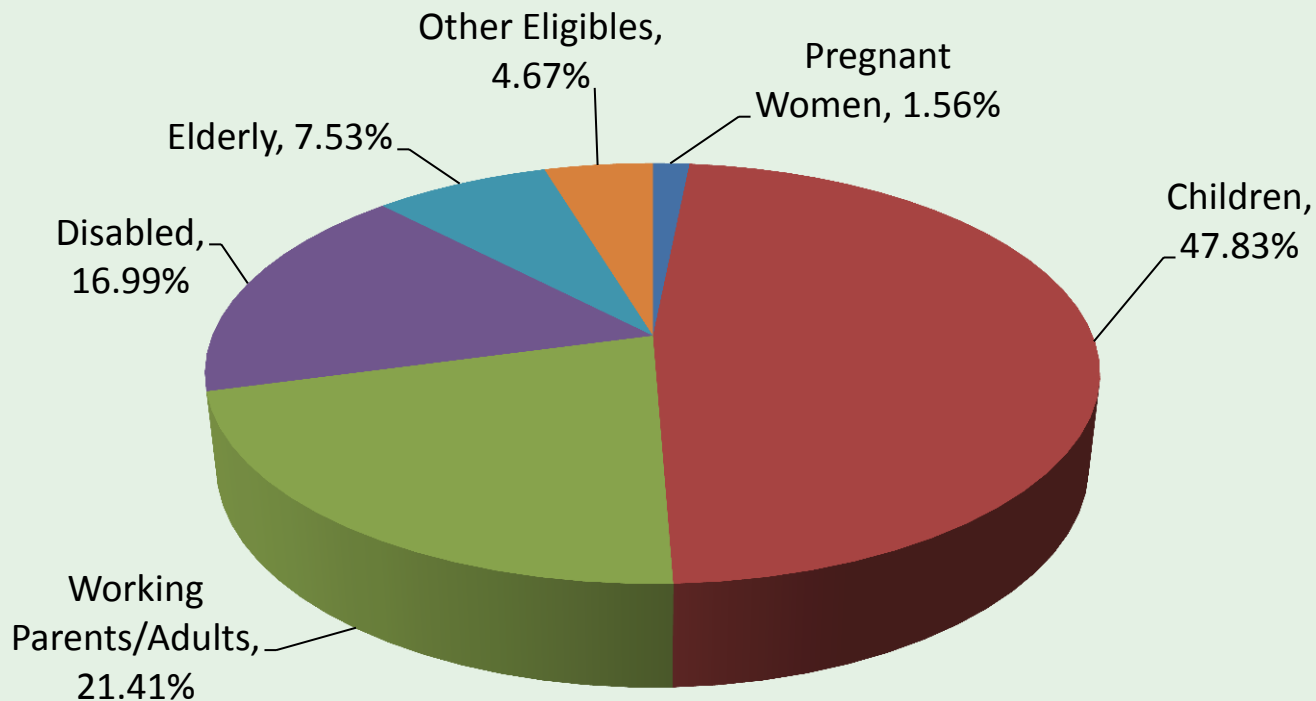


Source: NC Institute of Medicine - Eligibility based on % of the Federal Poverty Guideline.

Medicaid Program

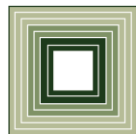
Who Receives Medicaid?

Total: 1,580,198 People



Source: DMA Annual Unduplicated Medicaid Eligibles

Significant Legislative Actions (2011-2013)



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Significant Legislative Actions:

2011 Session	FY 2011-12*	FY 2012-13*
Provider Assessments	(\$60,183,120)	(\$62,798,614)
Program Integrity Efforts	(\$19,200,000)	(\$28,000,000)
Pharmacy Services	(\$10,845,441)	(\$14,436,600)
Modify Generic Prescription Dispensing Fees	(\$15,000,000)	(\$24,000,000)
1915 B/C Waiver (Mental Health)	(\$10,537,931)	(\$52,551,082)
Community Care of North Carolina	(\$90,000,000)	(\$90,000,000)
Modify Optional and Mandatory Services	(\$16,508,903)	(\$22,072,343)
Eliminate Inflationary Increases	(\$62,853,775)	(\$130,874,505)
Adjust Provider Rates	(\$46,420,718)	(\$46,458,260)
Medicaid Rebase	0	\$109,693,468

***Represents General Funds only.**

Significant Legislative Actions:

2012 Session (Additional Adjustments)	FY 2012-13*
Medicaid Rebase	\$212,476,461
Repayment of Federal Overdraw	\$31,300,776
Federal Drug Repayment	\$24,606,148
Additional Community Care of NC Savings	(\$59,000,000)
Reduce Personal Care Services	(\$6,000,000)
Additional Pharmacy Improvements	(\$6,671,507)

***Represents General Funds only.**

Significant Legislative Actions:

Session Law 2012-142:

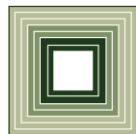
- Section 10.9A – State Audit of Medicaid
- Section 10.9B – Performance Evaluation and Fiscal Research Division Study Medicaid Organization

Session Law 2012-2:

- Provided \$205,000,000 in transfers to the Division to cover a budget shortfall in FY 11/12.

Session Law 2012-57:

- Allowed up to \$94,000,000 in repair and renovation funds to be transferred to help cover a budget shortfall in FY 2011/12.



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Medicaid Budget

- **Source of Funds**
- **Historical Expenditures**

Medicaid Budget

What drives Medicaid Costs?

Caseload: Number of people enrolled.

Case Mix: Type of people served. (Example: Elderly and Disabled populations are more expensive than families and children.)

Utilization and mix of services.

Price of services.

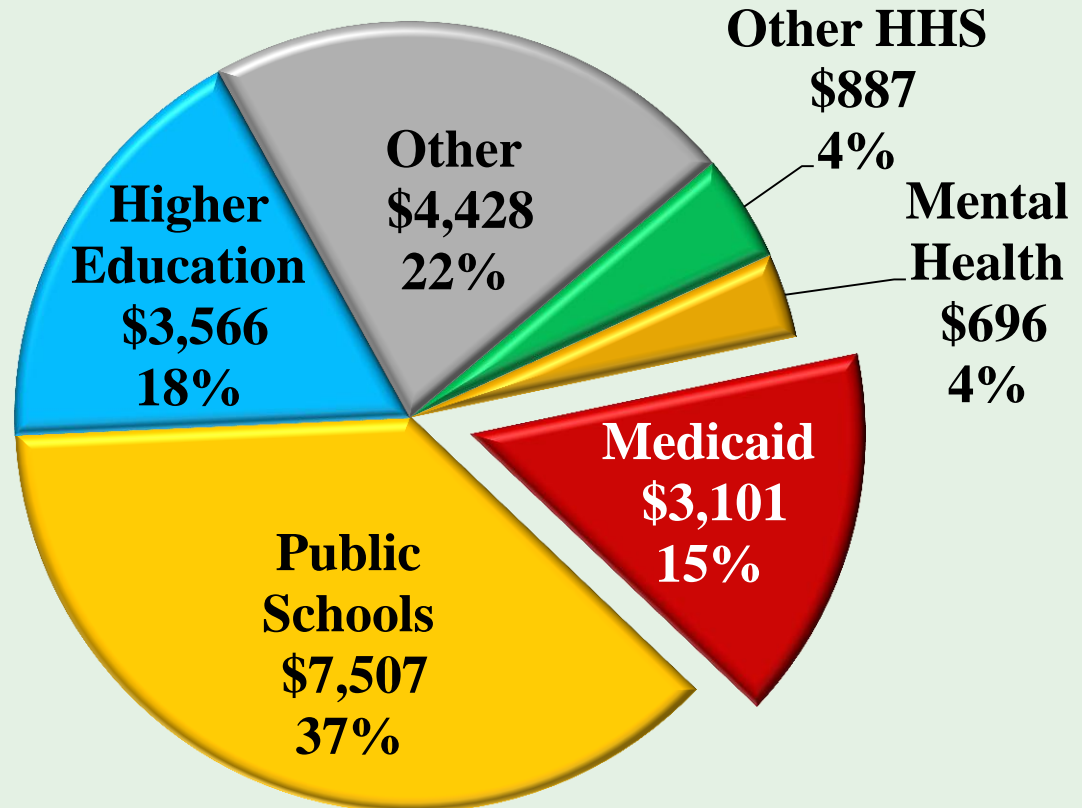
Some costs are controllable at the state level, other impacts on cost occur due to changes outside the state's control.

Medicaid Budget

General Fund Appropriations

**General Fund
Appropriations for All
Agencies
FY 2012-13**

Total: \$20,184.2 million



Medicaid Budget

General Fund Appropriations

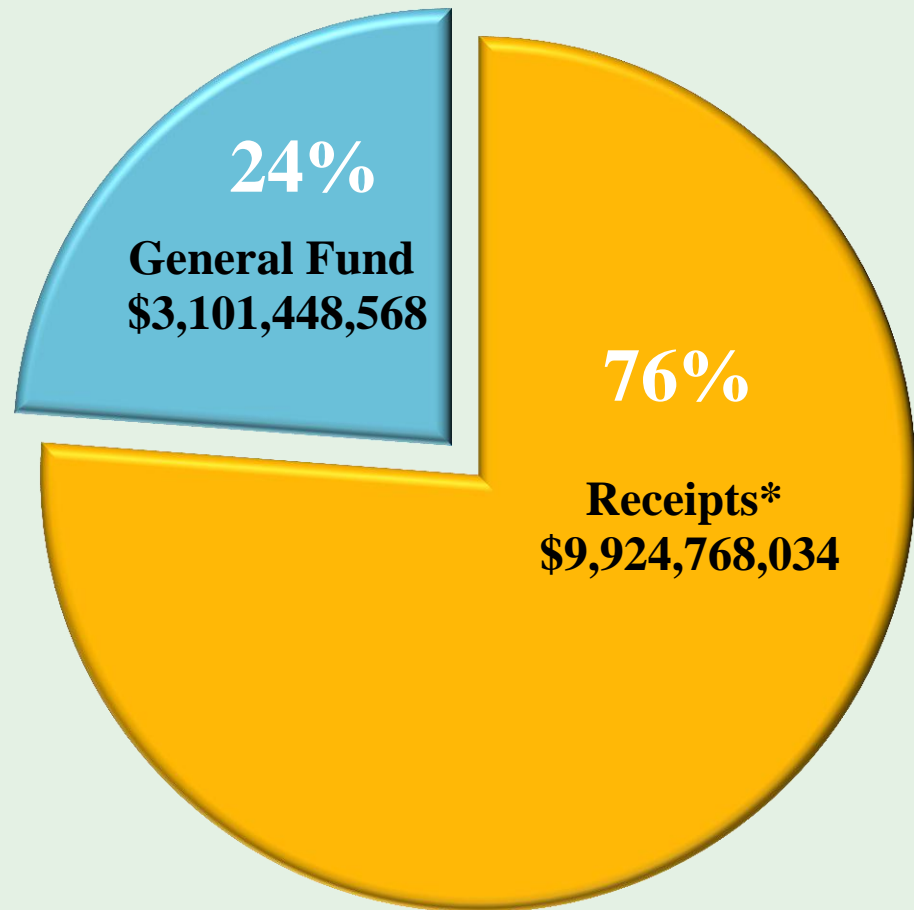
2012-13 General Fund Budget

DHHS Agency	2012-13	% of Total
Blind and Deaf / Hard of Hearing Services	8,204,550	0.18%
Health Service Regulation	17,925,590	0.38%
Vocational Rehabilitation	37,528,128	0.80%
Central Management and Support	45,885,628	0.98%
NC Health Choice	81,710,435	1.74%
Aging and Adult Services	87,019,667	1.86%
Public Health	168,923,612	3.61%
Social Services	177,103,952	3.78%
Child Development	262,602,933	5.61%
Mental Health, Dev. Disabilities and Sub. Abuse	695,515,251	14.85%
Medical Assistance	3,101,448,568	66.22%
Total Health and Human Services	\$4,683,868,314	100.00%

Medicaid Budget

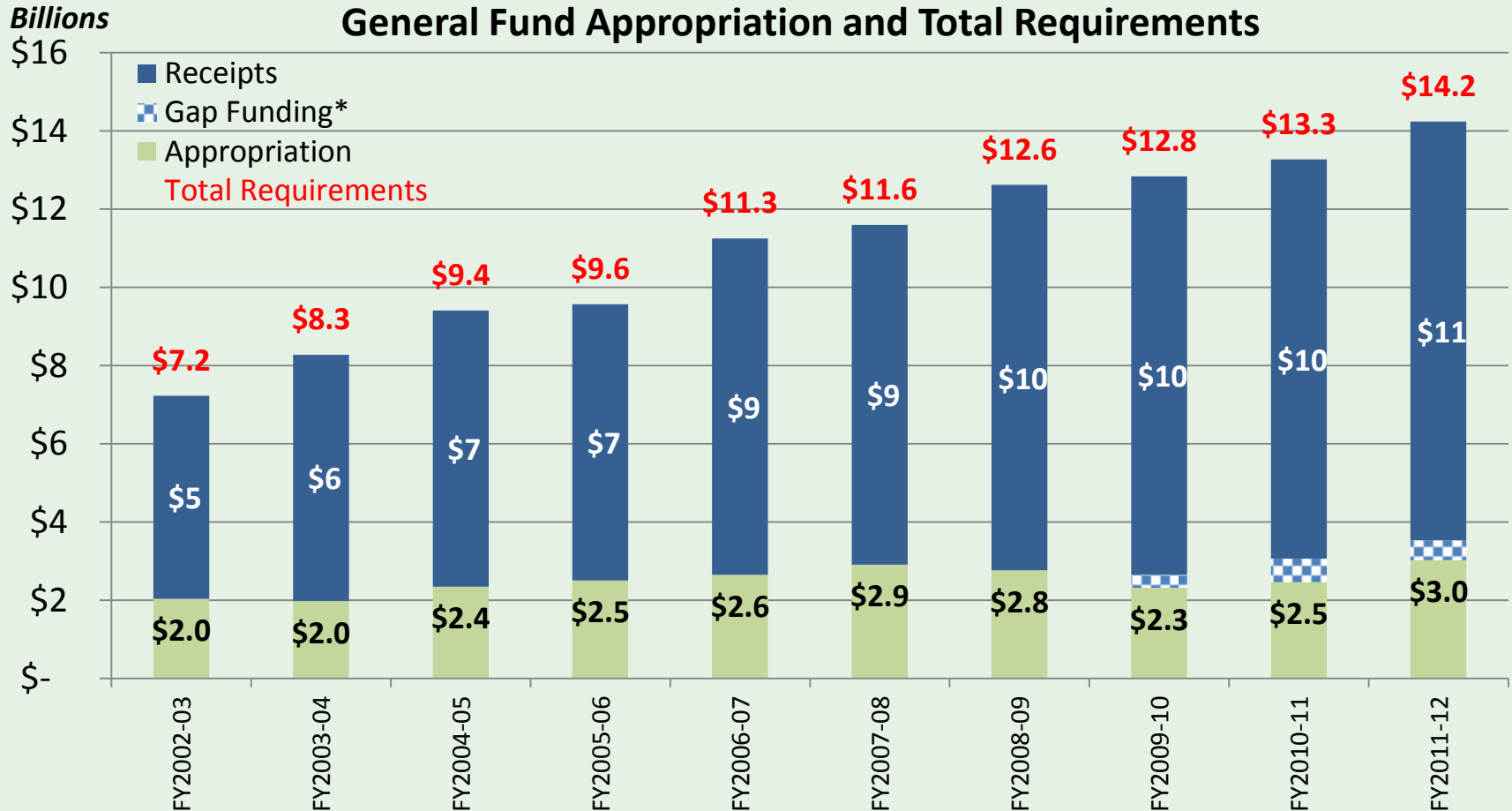
Total Funds From All Sources

**FY 2012-13 Certified
Medicaid Budget from
All Sources: \$13 Billion**



Medicaid Expenditures

**Medicaid Annual Expenditures:
General Fund Appropriation and Total Requirements**



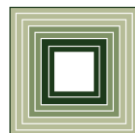
***Shortfall reported and/or managed by the Department of Health and Human Services and the Office of State Budget and Management.**

Medicaid Expenditures

Historical Expenditures and FY 2012-13 Certified Budget

Fund/Purpose	FY 09/10 Actual	FY10/11 Actual	FY11/12 Actual	FY12/13
				Certified Budget
Administration	\$ 36,089,709	\$ 37,086,654	\$ 89,988,710	\$ 35,785,249
Contracts and Agreements	126,539,892	165,733,934	178,388,097	158,409,985
County Administration	2,093,105	1,928,231	1,319,151	1,574,377
Medical Payments	10,178,992,817	10,097,489,827	12,044,418,138	9,840,661,009
Provider Cost Settlements	2,060,314,620	2,003,108,804	1,206,450,788	2,690,454,063
Adjustments and Refunds	-424,712,239	-538,511,432	-497,198,930	-501,070,032
Disproportionate Share Payments	683,708,671	1,286,046,250	974,412,001	687,664,883
Undispositioned Receipts	18,001,043	5,139,529	-1,741,046	0
Miscellaneous Periodic Payments	1,043,318	158,948	-20,000	0
Reserves and Transfers	124,995,157	135,000,034	115,000,049	115,000,000
Prior Year Earned Revenue	18,392,003	14,200,000	11,833,330	14,200,000
Other Prior Year Audits and Adjustments	4,653,151	40,421,439	118,600,183	53,018,353
American Recovery and Reinvestment Act	8,010,353	22,548,286	0	0
TOTAL EXPENDITURES	\$12,838,121,598	\$13,270,350,502	\$14,241,450,471	\$13,095,697,887

Source: Office of the State Controller North Carolina Accounting System



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Medicaid Expenditures

Year-To-Date Expenditures and FY 2012-13 Certified Budget

Fund/Purpose	FY11/12 Actual	FY12/13 Budgeted	FY 12/13 Year-To-Date
Administration	\$ 89,988,710	\$ 35,785,249	\$ 83,921,450
Contracts and Agreements	178,388,097	158,409,985	105,776,083
County Administration	1,319,151	1,574,377	85,034
Medical Payments	12,044,418,138	9,840,661,009	7,652,066,007
Provider Cost Settlements	1,206,450,788	2,690,454,063	210,626,676
Adjustments and Refunds	-497,198,930	-501,070,032	-311,925,609
Disproportionate Share Payments	974,412,001	687,664,883	268,043,146
Undispositioned Receipts	-1,741,046	0	-19,956,357
Miscellaneous Periodic Payments	-20,000	0	206,283
Reserves and Transfers	115,000,049	115,000,000	95,000,002
Prior Year Earned Revenue	11,833,330	14,200,000	9,466,664
Other Prior Year Audits and Adjustments	118,600,183	53,018,353	42,249,742
TOTAL EXPENDITURES	\$14,241,450,471	\$13,095,697,887	\$8,135,601,217

Source: Office of the State Controller North Carolina Accounting System

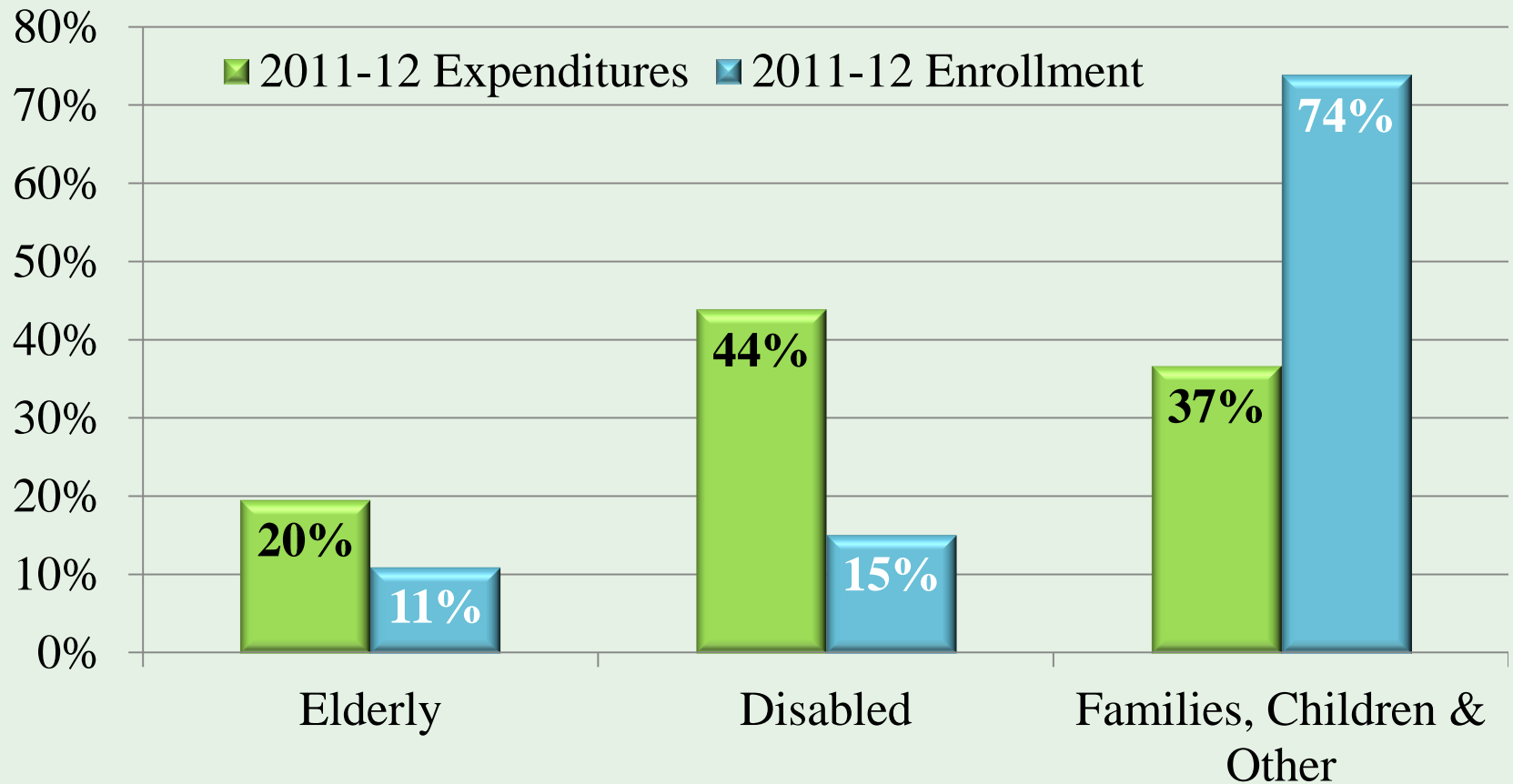
Medicaid Expenditures

“Top 10” Major Service Expenditure Categories

<u>Type of Service</u>	Total Expenditures FY 2012	% of Total
Nursing Facility	1,201,472,054	11.79%
Prescribed Drugs	1,189,415,120	11.67%
Physician	1,188,147,670	11.66%
Inpatient Hospital	1,034,266,583	10.15%
Outpatient Hospital	860,935,862	8.45%
Practitioner-Non Physician	733,345,892	7.20%
Community Alternatives (Mentally Retarded)	486,503,365	4.77%
Intermediate Care Facility (Mentally Retarded)	473,310,216	4.64%
Health Maintenance Organization Premiums	443,213,411	4.35%
Medicare, Part B Premiums	389,246,784	3.82%

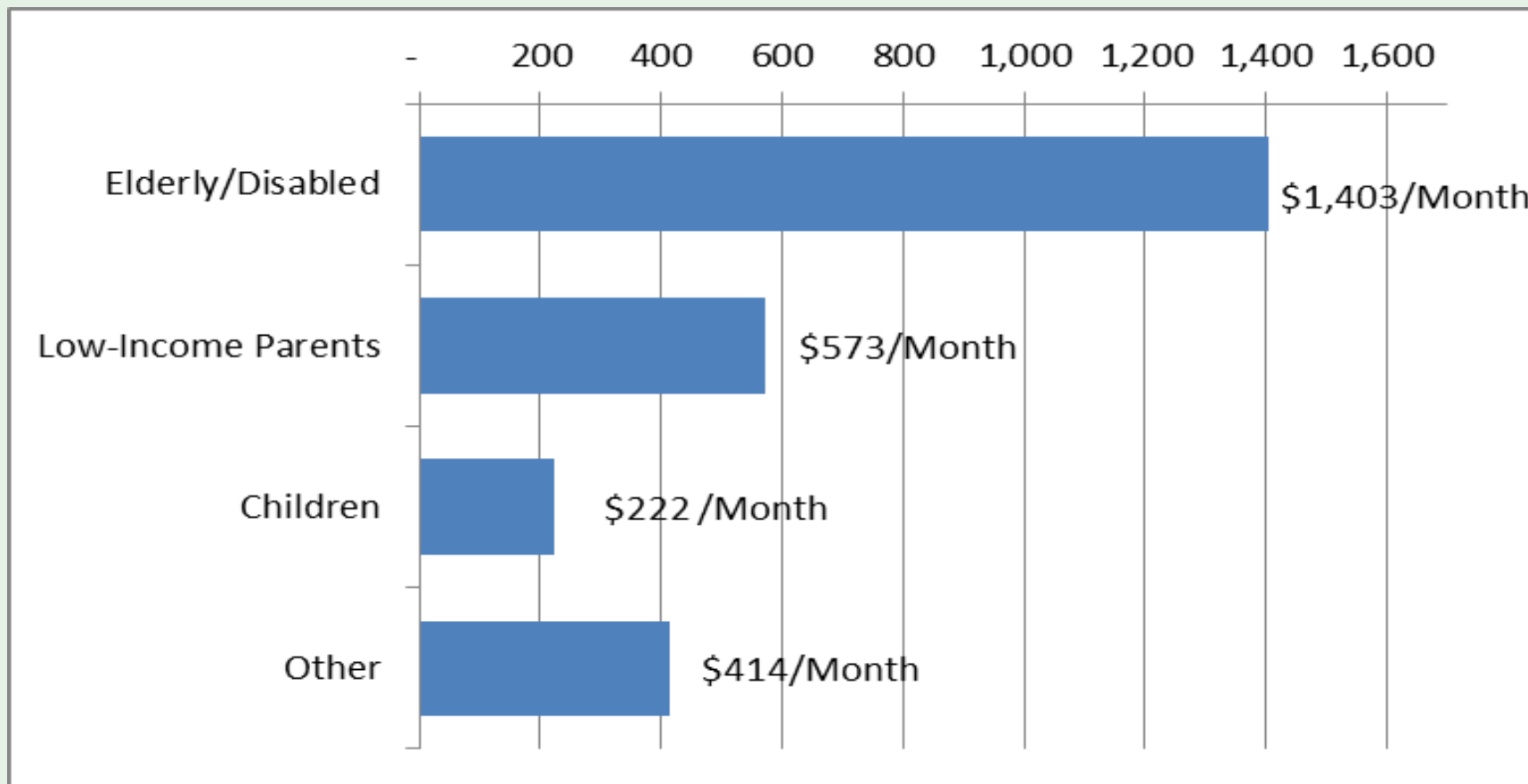
Source: Office of State Budget and Management, Division of Medical Assistance Annual Report.

Medicaid Expenditures Expenditures and Enrollment



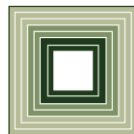
Medicaid Budget

2012 Average Payment Per Eligible Per Month



Source: DHHS, DMA Report to Legislative Oversight Committee on Health & Human Services, December 2012

Historical Budget Issues and Current Budget Status



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Recent Budget Shortfalls

General Fund Appropriations

Fiscal Year	Size of Funding Gap	Management
2010	<i>\$335 Million</i>	Covered by the Department of Health and Human Services, however \$271 million liability carried into next fiscal year.
2011	<i>\$601 Million</i>	Funded through legislative contingency plan due to unknown federal match rate, and other state budget actions.
2012	<i>\$375 Million + \$132 Million = \$507 Million</i>	\$375 million managed by Office of State Budget and Management, plus drug rebate liability. General Assembly enacted legislation to cover the budget shortfall.
2013	<i>Range: \$70-\$134 Million</i>	Ongoing

Source: Office of State Budget and Management.

Medicaid Budget Comparison

General Fund Appropriation

	<u>2011-12 (Actual)</u>	<u>2012-13 (Certified)</u>	<u>Difference¹</u>
Certified Appropriation	\$2,958,388,184	\$3,101,448,568	
Office of State Budget and Management Gap	\$375,369,958		
FY11-12 drug rebate liability ²	\$132,696,266		
Subtotal: Gap & Liability	\$508,066,224		
Total	\$3,466,454,408	\$3,101,448,568	\$(365,005,840)

¹Difference reported is not an estimated shortfall for the current year, but a comparison of the current budget to the previous year's actual expenditures.

²Drug rebates received in June and due to the federal government were repaid in July rather than June.

Questions

Fiscal Research Division

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www.ncleg.net/fiscalresearch/

