



N.C. Department of Health  
and Human Services

# **MEDICAID BUDGET STATUS 2013**

**MARCH 12, 2013**

**Carol H. Steckel, Director**



## PROJECTED OPERATING SHORTFALL FOR 2013

*INCLUDES THE IMPACT OF EXPENDITURES FOR CLAIMS, ADMINISTRATION, CONTRACTS, SETTLEMENTS AND PROGRAM INTEGRITY*

|                           | Low                      | High                      |
|---------------------------|--------------------------|---------------------------|
| Volume                    | \$ (47,400,000)          | \$ (47,400,000)           |
| Program Aid Category Mix  | 46,600,000               | 46,600,000                |
| Utilization               | (12,000,000)             | 42,400,000                |
| CCNC                      | 19,800,000               | 21,700,000                |
| Delay in MCO              | 16,800,000               | 20,100,000                |
| Pharmacy Pricing          | 11,000,000               | 11,000,000                |
| Flu                       | <u>8,400,000</u>         | <u>8,400,000</u>          |
| <br>TOTAL Claims          | <br>43,200,000           | <br>102,800,000           |
| <br>Settlements/DSH/Other | <br>25,200,000           | <br>27,700,000            |
| Contracts                 | 800,000                  | 900,000                   |
| Administration            | <u>1,100,000</u>         | <u>1,200,000</u>          |
| <br>TOTAL                 | <br><u>\$ 70,300,000</u> | <br><u>\$ 132,600,000</u> |

***DOES NOT INCLUDE PAYMENT OF DRUG REBATES AT YEAR END or HEALTH CHOICE SHORTFALL***



## COMPONENTS OF 2013 OPERATING SHORTFALL

- Volume
  - *Impact of variances in overall enrollment*
  - Average 20,000 less enrollees
- Program Aid Category Mix
  - *Impact of variances in enrollment between 15 different aid categories*
  - Greater than expected in higher cost categories
- Utilization  
(excluding CCNC, MCO, Pharmacy Pricing and Flu)
  - *Impact of variances in the rate, type or amount of services utilized*



## COMPONENTS OF 2013 OPERATING SHORTFALL

- CCNC
  - *Impact of actual savings achieved compared to budgeted amount*
  - 1/3 of reduced savings attributable to DMA assignment process – balance reflected in various initiatives included in budget
- Delay in MCO
  - *Impact on savings of the revision to the budgeted schedule for implementation*
  - Budget assumed all MCO's operational in October – Last MCO's implemented March
- Pharmacy Pricing
  - *Impact of the variance in budgeted increases in drug costs and actual increases*
  - Budget assumed 8% increase for drug prices, actual brand up 9% and generics up 15%



## COMPONENTS OF 2013 OPERATING SHORTFALL

- Flu
- *Impact of a more severe flu season in 2013 than budgeted*
- Physician and ER visits up 300% to 400% from 2012
- Settlements/DSH/Program Integrity/Other
- Provider settlement payments and program integrity
- Contracts
- *All outsourced services*
- Prior authorization and PI support
- Administration
- *Salaries, supplies, space, postage and other expenses*
- Audit services, software purchases and postage



## KEY FEBRUARY UTILIZATION VARIANCES

- Inpatient admissions increased by 8%, shift in admissions for lower cost maternity to higher costs diagnoses and increased proportion of admissions in higher cost facilities
- Hospital outpatient visits increased in surgery, cancer treatment, respiratory and imaging. Also increases larger in higher cost facilities
- 1% overall increase in physician office visits, increase in average cost per recipient reflects mix of services and physician specialty



N.C. Department of Health  
and Human Services

# QUESTIONS

Carol H. Steckel, Director

*Carol.Steckel@dhhs.nc.gov*