

# **Joint HHS Appropriations Subcommittee FY 2017-19**

## **Overview of Medicaid Program**

**Steve Owen,  
Fiscal Research Division**

**March 8, 2017**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Overview of Medicaid

## WHAT IS MEDICAID?

Medicaid is funded through Title XIX of the Social Security Act as a federal entitlement program for certain individuals and families with low income or resources. It became law in 1965 as a cooperative venture funded jointly by the federal and state governments to assist states in funding medical and health related services for eligible persons.

Within broad guidelines in federal statutes states set eligibility standards, covered services, rates of payments and administer individual programs.

- *Medicaid Enrollment*
- *Medicaid Benefits*
- *Medicaid Waivers*
- *Medicaid Funding Sources*
- *Medicaid Spending Trends*

*Source: Centers for Medicare and Medicaid Services and DMA website*

# Medicaid Enrollment

- **Mandatory Categories**
  - Aged, Blind, Disabled (ABD) receiving Supplemental Security Income (SSI)
  - Pregnant Women up to 133% of the Federal Poverty Level (FPL)
  - Newborns up to 1 year 196% of FPL
  - Children age 18 or less up to 133% of FPL
  - Foster Children and Adoptive Children under Title IV-E, including former foster care children up to age 26
  - Families with Children under age 19 who would have been eligible for Aid to Families with Children (AFDC) in May 1988

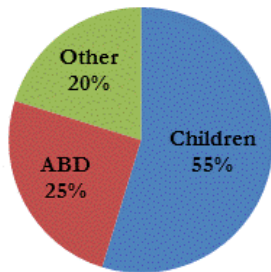
***Total Mandatory and Optional enrollment at February 1, 2017 is 1,973,084 for Medicaid and 90,391 for Health Choice***

*Source: DHHS enrollment files and DMA website*

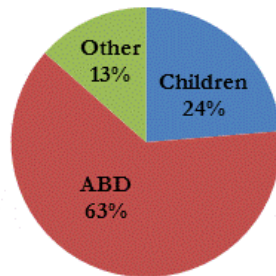
# Medicaid Enrollment

- NC Optional Categories

Enrollment



Spending



- ABD up to 100% of FPL
- Children age 19 and 20 up to 133% of FPL
- Pregnant Women from 134% to 196% of FPL
- Family Planning up to 196% FPL
- Breast and Cervical Cancer up to 250% of FPL
- Medically Needy up to 29% of FPL after medical expenses
- Health Care for Workers with Disabilities
- Children from 134% to 210% FPL covered under Health Choice
- State/County Special Assistance recipients

Source: DHHS enrollment files and DMA PER files

# Medicaid Benefits

- **Mandatory Benefits**
  - Ambulance and other medical transportation
  - Children's dental, health check, hearing aids and routine eye exams and visual aids
  - Durable medical equipment
  - Family planning
  - Federally Qualified and Rural Health Centers
  - Hospital inpatient and outpatient services
  - Physicians, midwives and nurse practitioners
  - Nursing facility
  - Other lab and x-ray
  - Psychiatric Residential Treatment Facilities and Residential Services under age 21

*Source: DMA website and 2008 annual report*

# Medicaid Benefits

- Optional Benefits
  - Prescription drugs
  - Case management
  - Chiropractor and podiatry
  - Community Alternative Programs (CAP)
  - Adult dental
  - Home infusion therapy
  - Hospice
  - Intermediate Care Facilities (ICF-MR)
  - Outpatient mental health
  - Nurse anesthetist
  - Orthotic and prosthetic devices
  - Personal Care Services (PCS)
  - Respiratory care
  - Private duty nursing
  - PACE

*Source: DMA website and 2008 annual report*

# Pricing Structure in NC

- Fee for service
- Negotiated rates
- Cost based rates
- Rates tied to external benchmark
- Invoiced based rates
- Rates or methodologies set by external entity
- Hospital inpatient, dental, physician services, other professional, nursing homes, home care/PCS, lab, optical, DME, hearing aids
- LME/MCO behavioral health capitation rates, High tech imaging capitation rates, PACE premiums
- UNC/ECU inpatient, Hospital emergency and outpatient, critical access hospitals, health departments (federal share only)
- Drugs, case mix and facility components of nursing home rate system
- Dentures and selected DME/optical supplies
- Medicare Part A, B and D premiums, third party insurance, hospice, FQHC/RHC

# Medicaid Waivers

- Behavioral Health – 1915 (b)/(c) waivers: allows NC to offer behavioral health services under a capitated arrangement for different regions of the state and serve individuals in Intermediate Care Facility for Individuals with Developmental Disabilities (ICF-IDD) level of care.
- CAP/DA waiver: serves the elderly and disabled adults, allows caps on enrollment/budget and waives state-wideness.
- CAP/Children waiver: serves medically fragile children aged 0 to 20, allows caps on enrollment/budget and waives state-wideness.
- North Carolina Be Smart waiver: allows coverage for contraceptives to achieve savings in pregnancy related services.

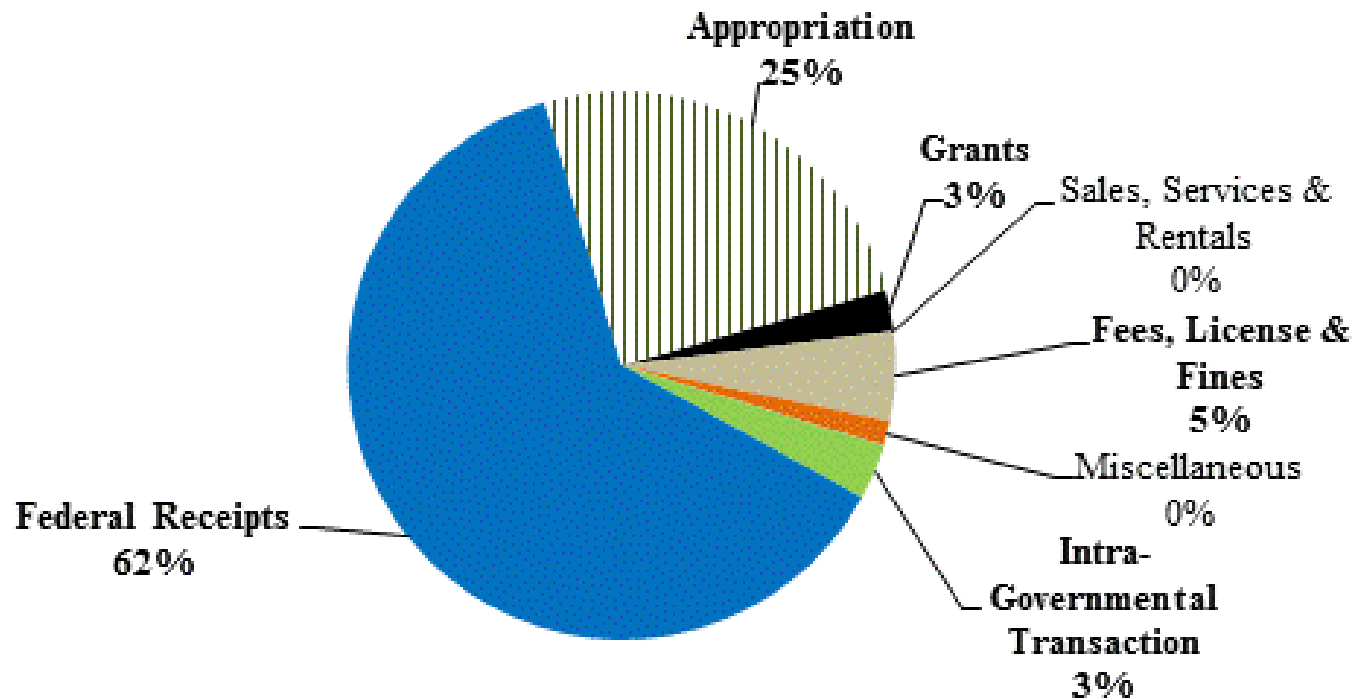
*Source: DMA website*



# Medicaid Funding Sources – FY 2017-18

## Base Budget

### FY 2017-18 FUNDING SOURCES

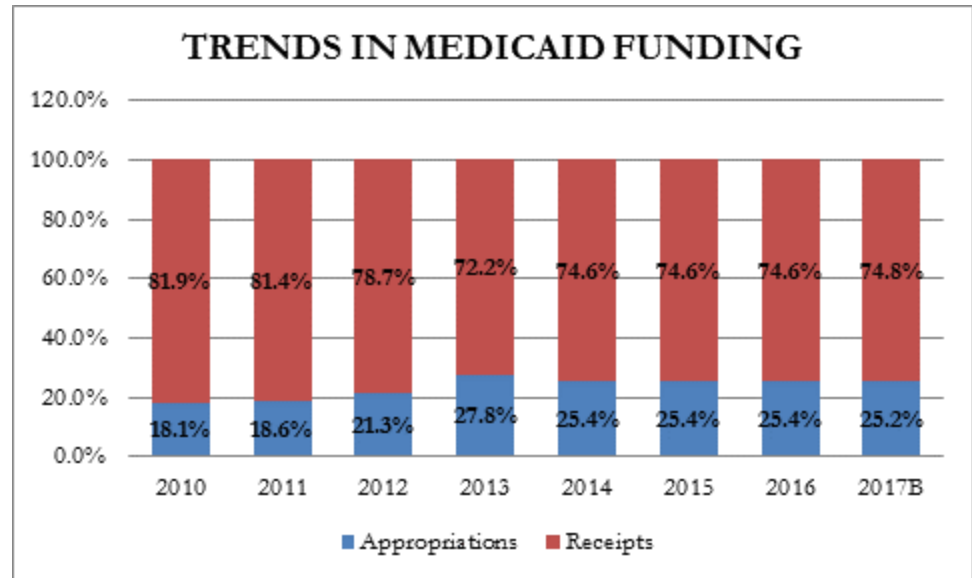


Source: Worksheet I from NCIBIS

# Medicaid Spending Trends

## DRIVERS:

- ❖ *Enrollment – number of people enrolled*
- ❖ *Mix – categories of service & enrollment*
- ❖ *Utilization – quantity or frequency of services provided*
- ❖ *Price – rates paid*



	2010	2011	2012	2013	2014	2015	2016	2017B
TOTAL SPENDING	\$ 12,838,121,598	\$ 13,270,350,502	\$ 14,241,450,471	\$ 12,643,008,323	\$ 13,266,959,952	\$ 13,647,090,495	\$ 13,771,114,174	\$ 14,271,734,286
<b>Factors</b>	ARRA Enhanced FMAP CHIPRA Bonus	ARRA Enhanced FMAP CHIPRA Bonus	CHIPRA Bonus Hospital GAP Plan	CHIPRA Bonus Hospital GAP Plan	CHIPRA Bonus Hospital GAP Plan ACA Implemented	Hospital GAP Plan ACA Implemented	Hospital GAP Plan ACA Implemented ACA Enhanced Match	Hospital GAP Plan ACA Implemented ACA Enhanced Match
Change in FMAP		-4.9%	-4.9%	0.4%	0.2%	0.2%	0.2%	0.5%

Source: North Carolina Accounting System BD 701

# Differences Between Medicaid and Health Choice

- Eligibility criteria – Children from 133% to 210% of FPL
- Enrollees may be required to pay an annual enrollment fee
- NCHC a federal allotment – Medicaid an entitlement
- Deductibles
- No assessments and supplemental payments

# Current Challenges

- Ongoing planning, discussions and implementation for reform and reorganization.
- Repeal of ACA and what replaces it
  - SCHIP enhanced match rate currently effective until 9/30/19
  - Disproportionate Share Hospital (DSH) Allotment
  - Block Grant vs Entitlement Funding
    - *How grant set – per capita, risk adjusted, global*
    - *Are benefits an entitlement or do States have flexibility*
    - *How are grants or rates adjusted over time*

# QUESTIONS

**Steve Owen – [steve.owen@ncleg.net](mailto:steve.owen@ncleg.net)  
919-733-4910**



# What is the Medicaid Rebase

- The rebase is the change Medicaid spending from the base budget that is expected without any changes to benefits, eligibility or services whose rates are tied to outside pricing.
- The Medicaid budget is not merely an appropriation of what the Department can spend, but rather an appropriation of a forecast of what the Department expects to spend based on several factors.

# Factors to Consider in Medicaid's Rebase

- Enrollment
- Enrollment Mix
- Utilization
- The forecasted number of people enrolled each month
- The distribution of enrollees by program category
- The proportion of enrollees accessing each of the 85 categories of services covered by Medicaid

# Factors to Consider in Medicaid's Rebase

- Utilization continued
- The mix of services consumed, the types of services, the frequency of services, provider practice changes, new technology or medical changes
- Cost per recipient
- The average claims paid per enrollee and the underlying prices for services



# Factors to Consider in Medicaid's Rebase

- Variation in impact of previously budgeted actions
- Federal changes
- Timing variances, impact variances, CMS approval, availability of substitutes for services
- Match rates and other changes in Medicare or from CMS that impact or influence Medicaid spending

# Rebase - Claims Spending Formula

**Forecasted Enrollment** x 14 program aid categories  
*times*

**Forecasted Utilization** x 85 Categories of services  
*times*

**Forecasted Cost per Recipient**  
*equals*

**Forecasted Claims Spending (State and Federal)**

# FY 2017-18 Governor's Rebase

**Net Rebase**  
**\$3.8 m**

Reinstate ACA Match Rates	( \$62 m)
Increased FMAP	( \$63 m)
Utilization, Annualization, Pricing, Enrollment	\$129 m

**Governor's rebase a net based on the forecast  
prepared by DMA that is the aggregate of many  
factors**

# QUESTIONS

**Steve Owen – [steve.owen@ncleg.net](mailto:steve.owen@ncleg.net)  
919-733-4910**

