Alabama Medicaid agency

General Fund Presentation

All Funds Shown are On a Cash Basis

February 20, 2013

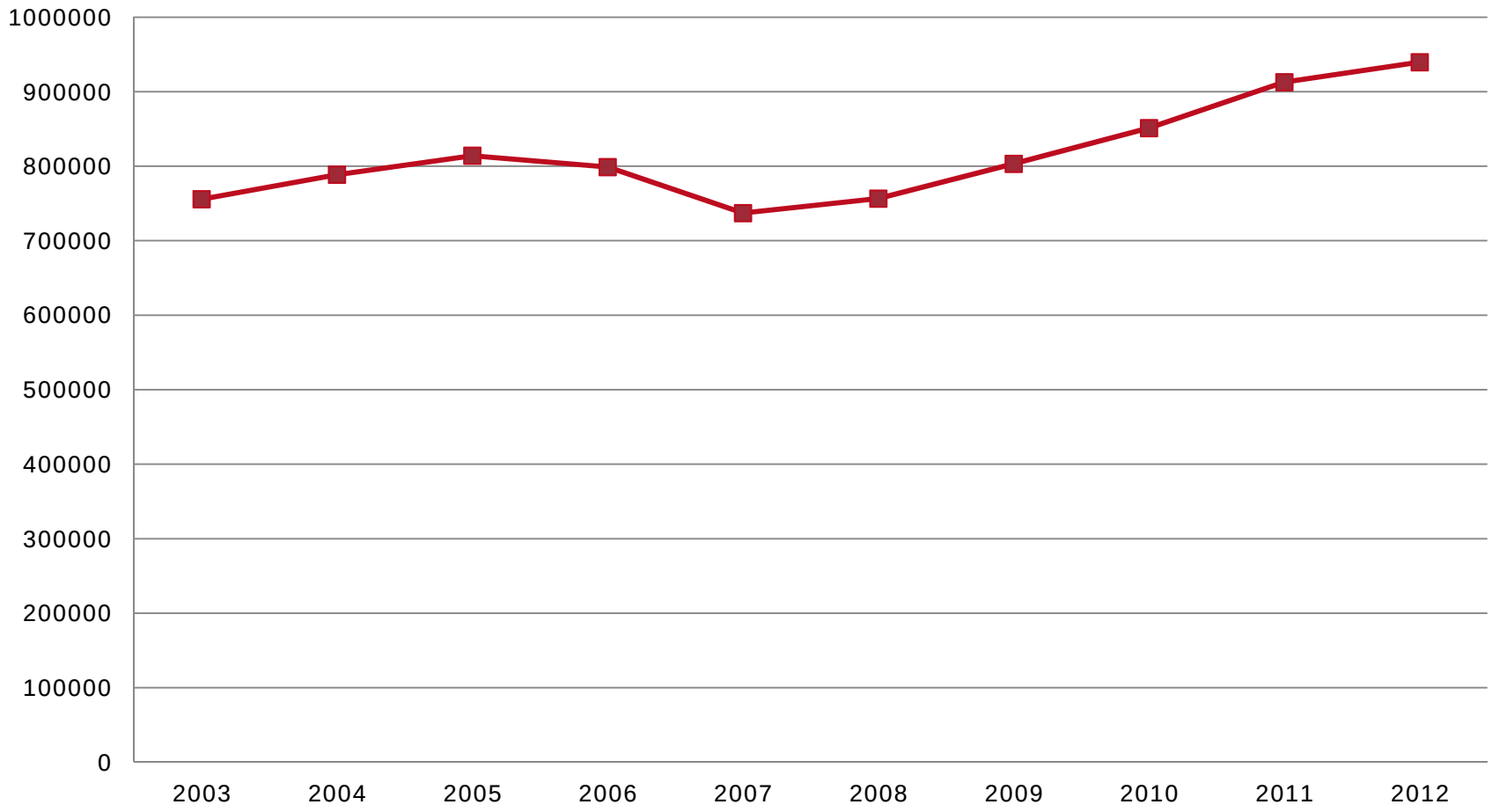
Impact of level funding Medicaid

- Level funding of $615m GF will present difficult challenges
- Strategies must include hard choices
  - Increases in provider assessments
  - Cuts in provider payments/rates
  - Increases in recipient co-pays
- To achieve general fund savings, three dollars in cuts are required to save one dollar of state share
- Cuts will have consequences

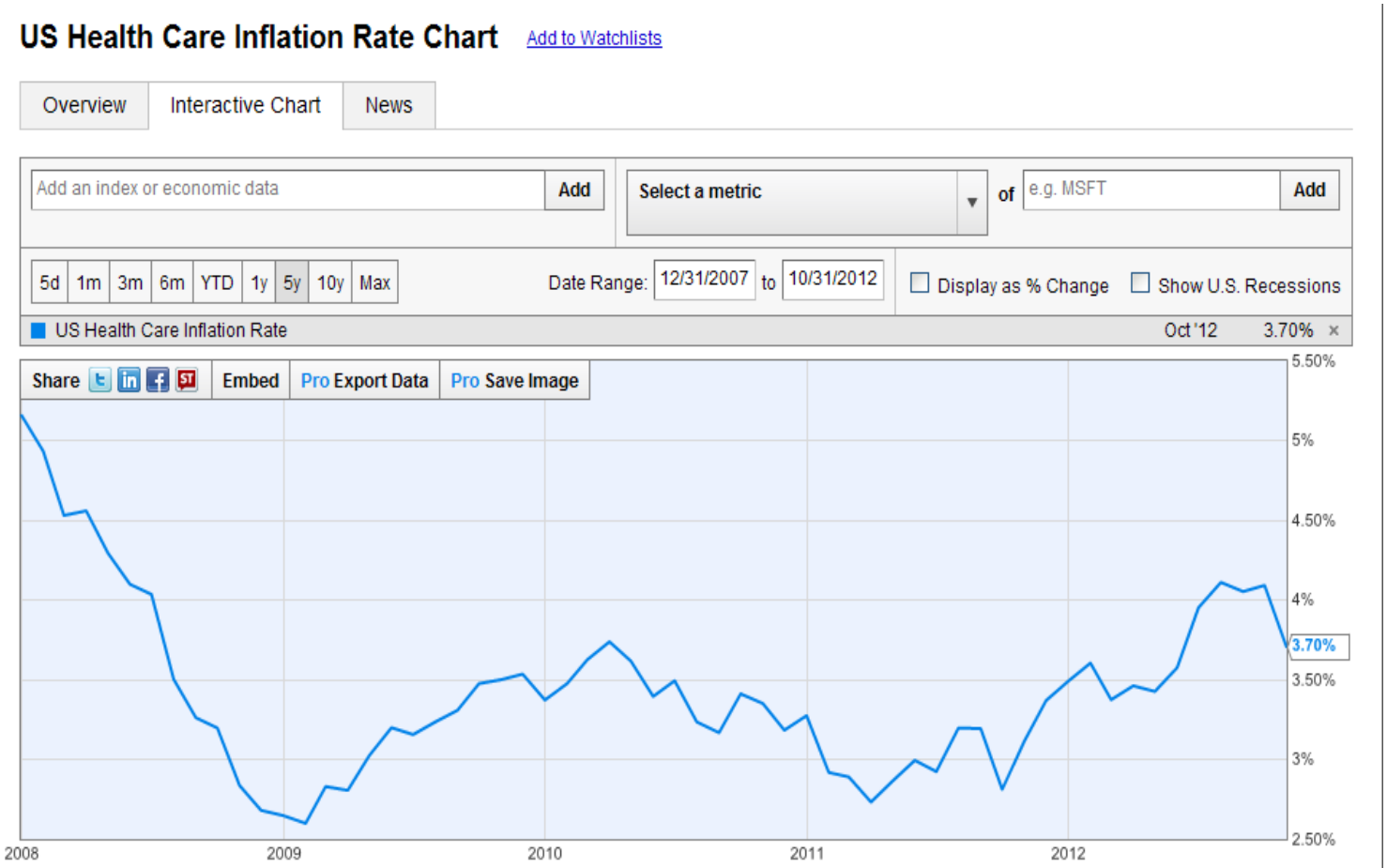
Drivers for state share

- Enrollment
- Medical inflation
- Benefit changes
- Matching rate changes
- Utilization

Enrollment Growth, 2003 -2012

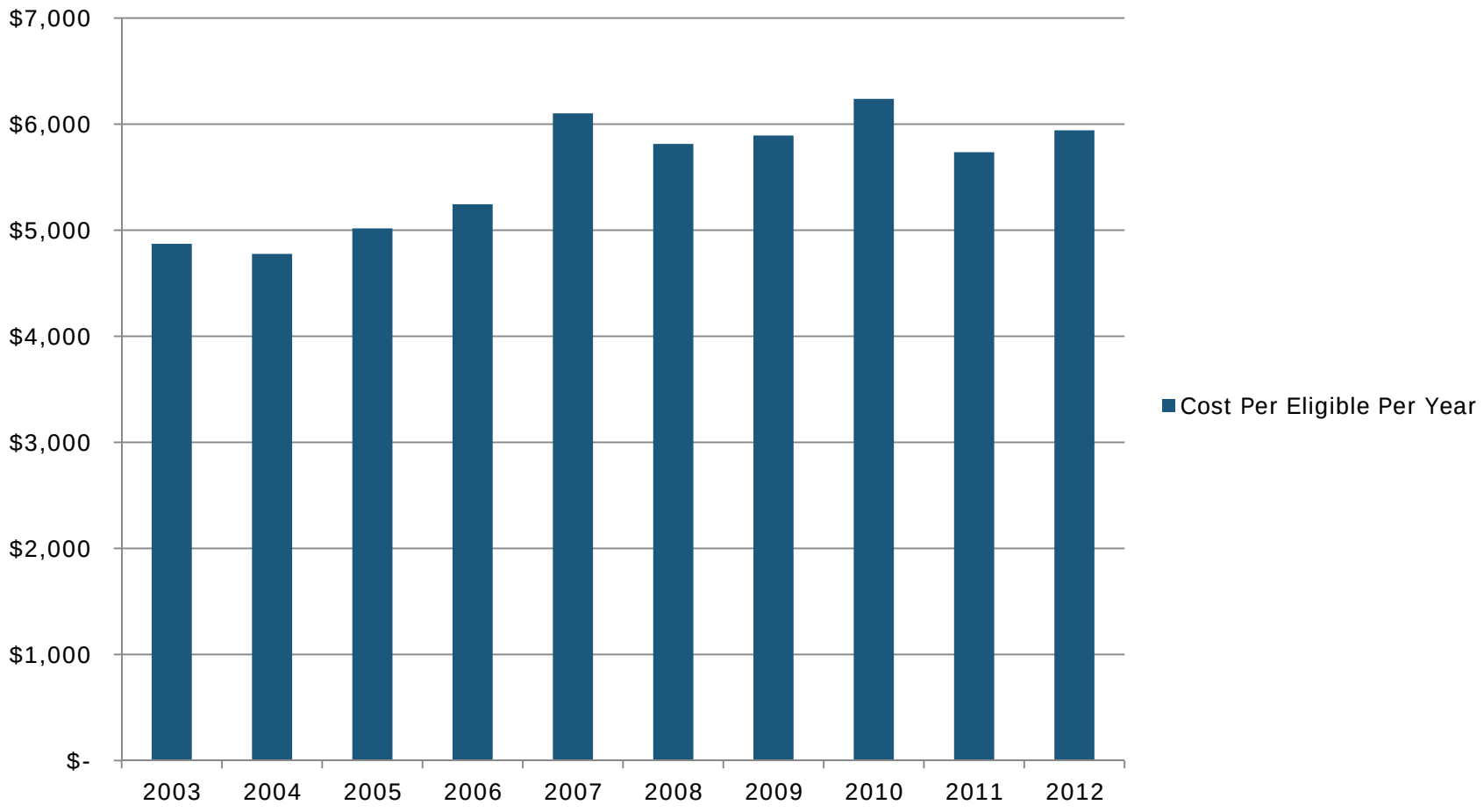


US Health Care Inflation

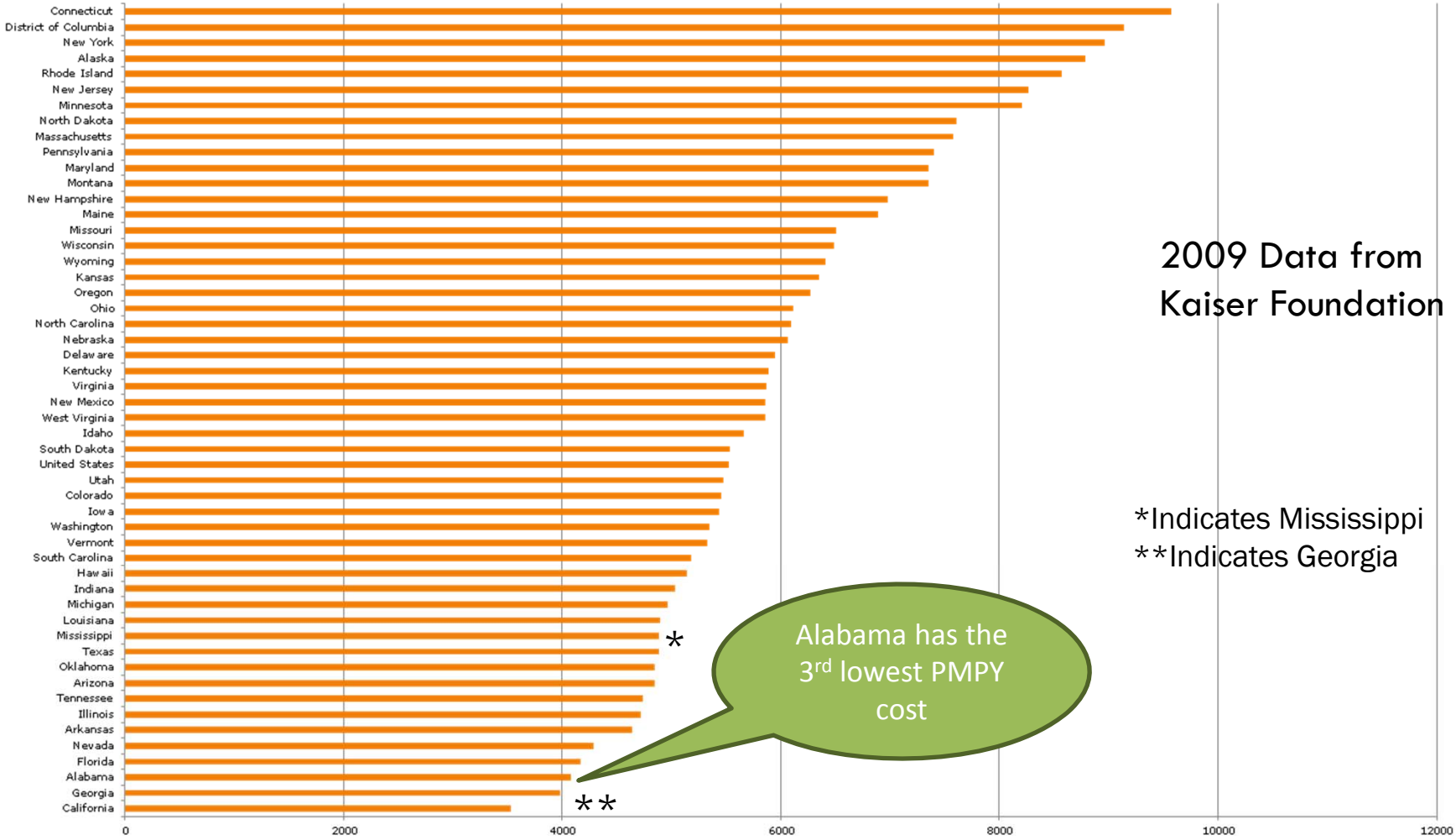


Source: US Bureau of Labor Statistics

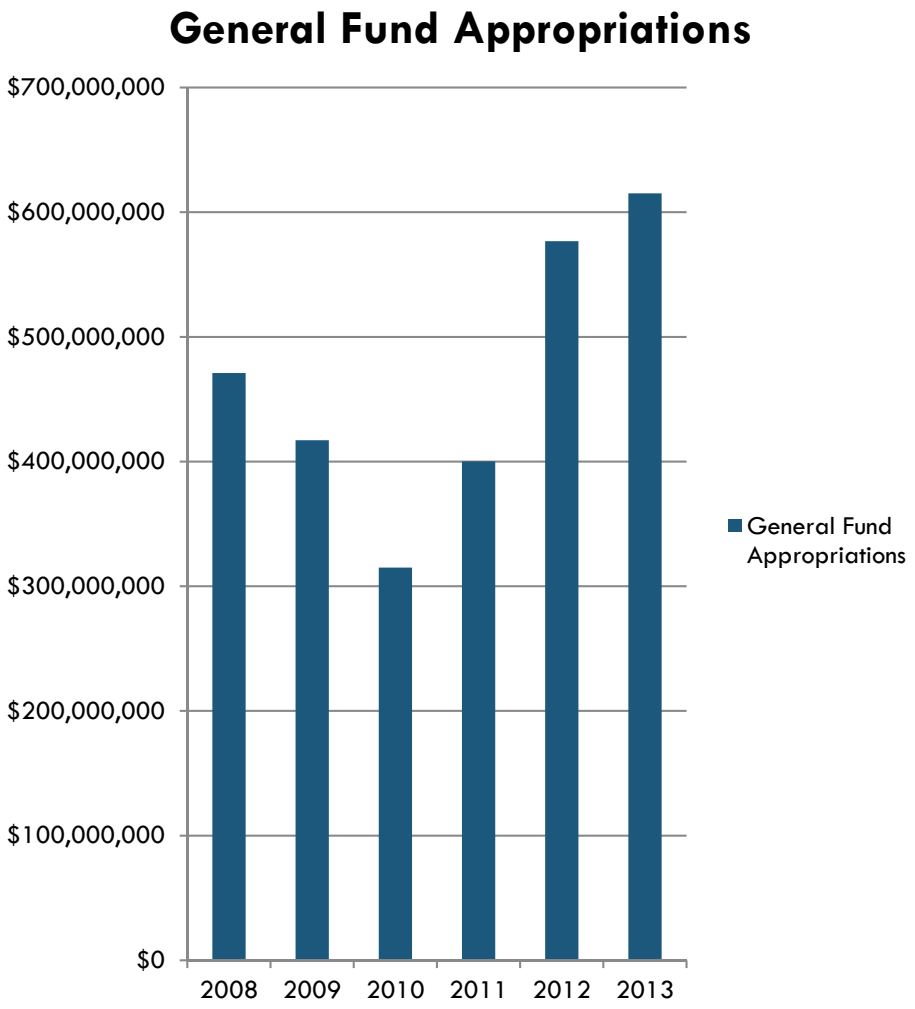
Cost per Eligible Per Year

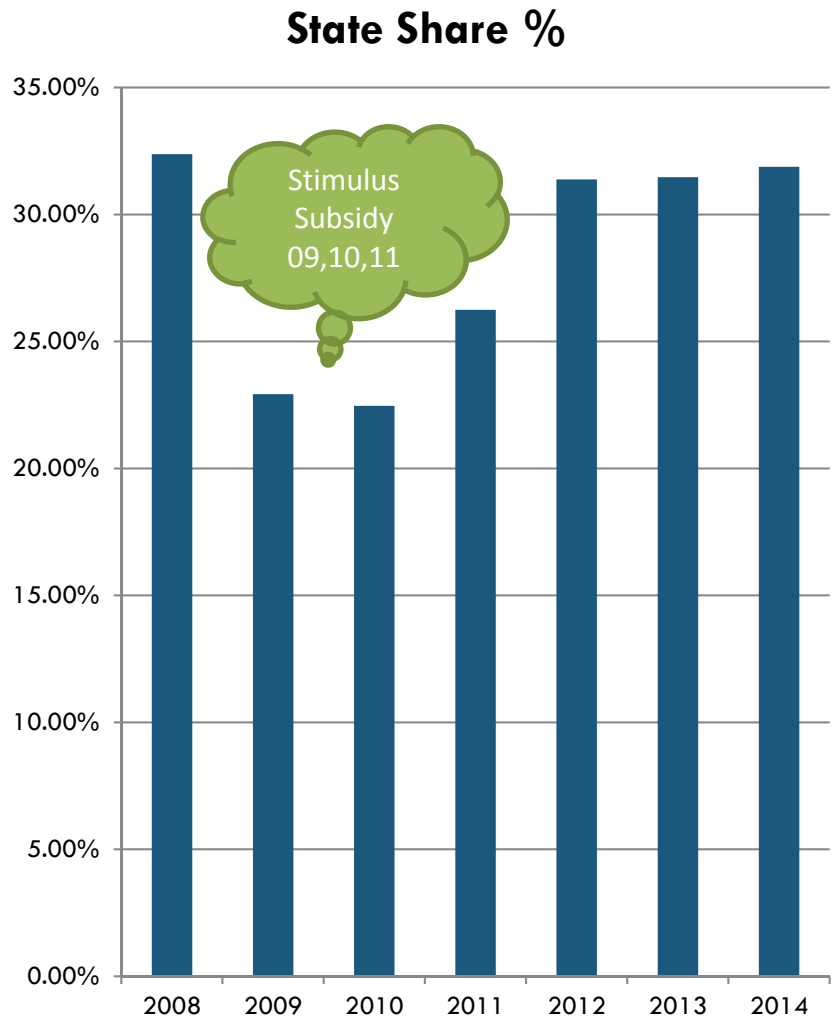


Comparison of cost per member per year



Loss of stimulus subsidy is A primary driver of increased general fund demand



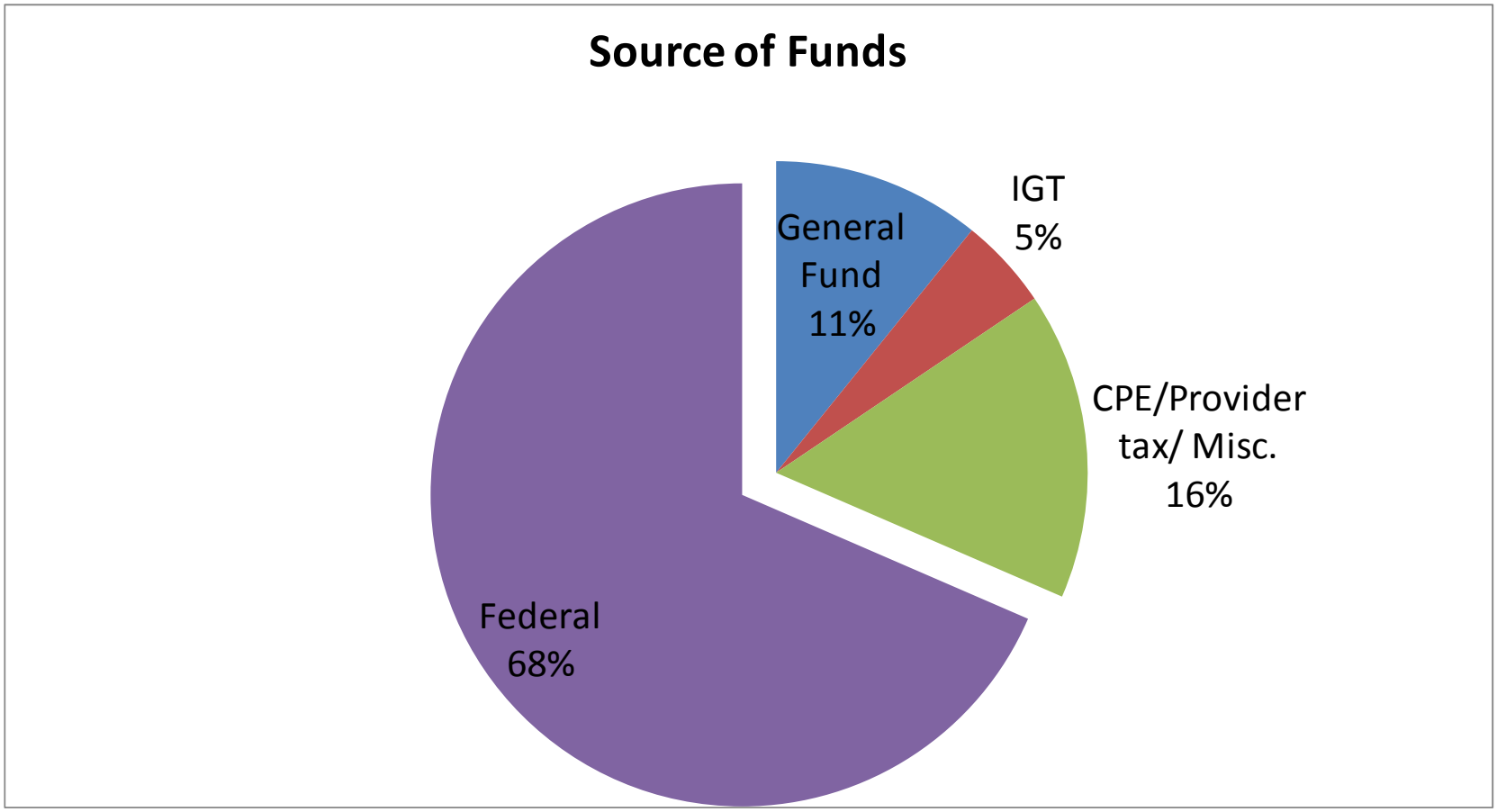


Hospital Utilization

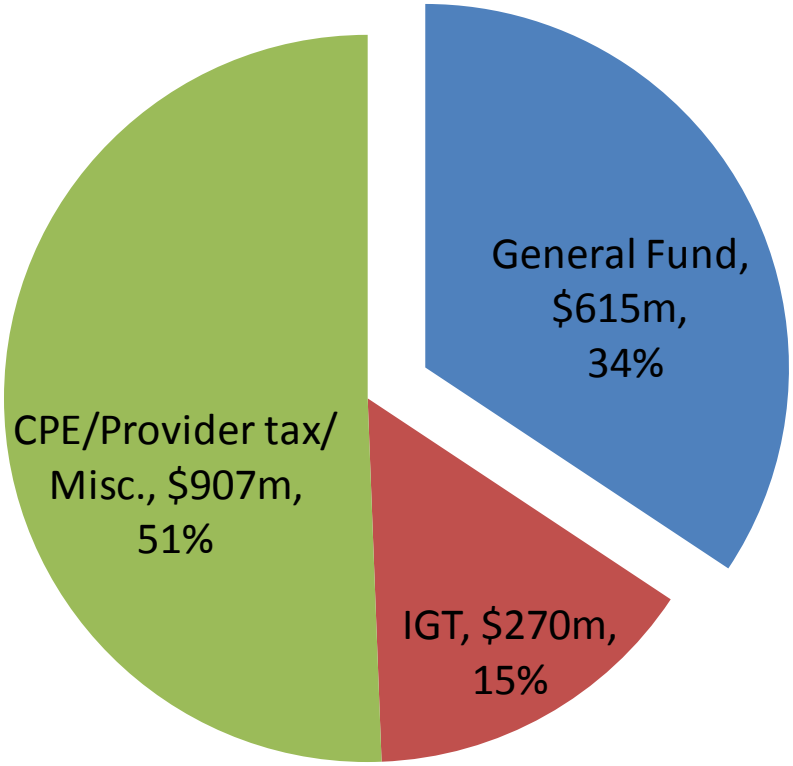
Indicators per 1,000 Population	Alabama	United States	Percent Differential
Admissions	134	114	17.5%
Emergency Room Visits	482	411	17.3%
Inpatient Days	697	613	13.7%
Outpatient Visits	1,839	2,106	-12.6%

Source: Kaiser State Health Facts, 2010 data

Medicaid total FY2013 funding $5.7billion

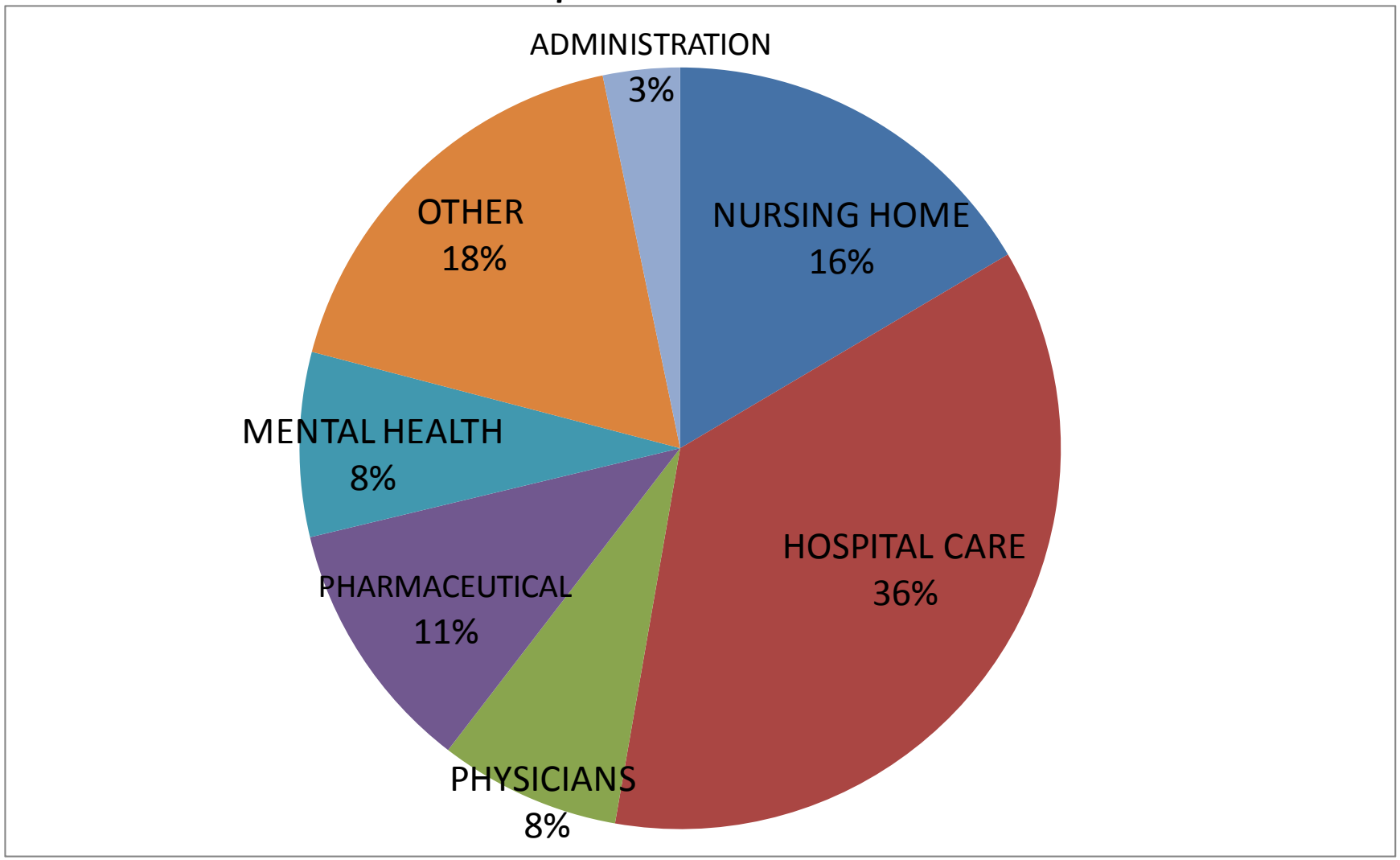


FY2013 State-Share Funding Mechanisms (CMS Approved)
$1.8billion



Projected Medicaid Expenditures by Provider 2013

$5.7 Billion



Overview of Medicaid funding

- Shortfall for FY2013 projected at approximately $33m
- $98m CPEs from FY2011 that were identified at the end of FY2012.
  - $24m used to cover shortfall of FY2012.
  - $33m used to cover shortfall of FY2013
  - $41m available for FY2014. At the end of FY2014 no carry forward will remain.
- Costs will increase – some are controllable and some are not

Cost increases in 2014

2013 GF Budget		$615
Carryforward used in 2013		$33
Additional CPE		$17
Total FY2013 Spend		$665
2014 Factors		
FMAP Decrease	$22	
Medicare Ins Increase	$5	
Woodwork Effect	$8	
Pharmacy Increase	$9	
Nursing Home increase	$7	
Other program increases	$3	
Demand Letter	$24	$78
Total		$743

Options to Balance FY2014 at $615m

- Cut provider reimbursements
- Increase provider assessments/contributions
- Improvement in the economy
- Increase co-pays for Medicaid recipients
- Increase Collections on Property Liens
- Continue to Improve Fraud and Abuse detection

Cut provider reimbursements

Cuts in 4/1/13-9/30/14:	
5% cut in dental	2.1
Non Primary Care MD 5% cut (or 7.5% for 12mo)	4.7
DME 5%	0.9
Lab and x-ray 5%	0.6
Other practitioners 5%	0.2
Physician Lab and x-ray 5%	1.0
Limit glasses for adults	0.5
Change Adult Eye Exam to every 3yrs.	0.8
Administrative 5%	5.8
Dialysis 5%	0.3
Savings from Cuts	16.9

Increase provider taxes/contributions

- FQHC Provider Assessment
- Pharmacy Assessment
- IGTs/CPEs
  - Unclaimed cost of services to Medicaid clients by local governments
  - Other

Improvement in economy

- As shown in the table below, if the AL unemployment rate returns to levels consistent with before the economic recession in 2008, about $67M could be removed from overall Medicaid spend which is equivalent to about $22M State savings

	Current Economy (8%)			Unemployment 8%->7%			Unemployment 8%->6%			Unemployment 8%->5%			Unemployment 8%->4%		
Aid Category	FY12 MMs	Current PMPM		MMs		PMPM	MMs		PMPM	MMs		PMPM	MMs		PMPM
MLIF	968,135	$	200.24	886,289	$	206.17	817,049	$	211.50	735,592	$	219.05	667,532	$	226.77
SOBRA Child	5,153,900	$	142.42	5,119,254	$	142.42	5,085,595	$	142.42	5,040,778	$	142.42	4,996,656	$	142.42
Implied Total Savings		**$**	**-**			**$(16,059,808)**			**$(30,776,936)**			**$(48,834,092)**			**$(64,872,050)**
Implied State Savings		**$**	**-**			**$ (5,299,737)**			**$(10,156,389)**			**$(16,115,250)**			**$(21,407,776)**

[1] Includes LTC and Waiver populations

Increase co-pays for Medicaid recipients

- Adults currently are charged co-payments between $0.5 and $3 for office and outpatient hospital visits, prescriptions, durable medical equipment and supplies.
- Federal law establishes the maximum copayment amounts and a change will require a State Plan amendment.
- Current Cost Reduction due to Co-pays is approx. $9m year ($3m state share).
- If Co-pays are increased to the Federal maximum, cost reduction increases to $11.1m per year ($3.7m state share)
- By Federal law, recipients cannot be denied service because of inability to pay the co-pay, thus the provider often must incur the loss.

Strategies under evaluation to achieve level funding

Total funding need 2014		$ 743
Conditional funding for Demand Letter	$ 24	
Additional Provider taxes	$ 13	
Economic Improvement	$ 8	
Carryover Balance	$ 41	
Provider Cuts	$ 17	
Pharmacy Options	$ 15	
UPL/CPE/Other	$ 10	
2014 General Fund Request		$ 615

The New Medicaid

Characteristics of a Reformed System

- Health Care System
  - Improve health outcomes through integrated care and better patient compliance
  - Reduce unnecessary hospital and ER visits
- Financial and Operational
  - Preserve and enhance provider contributions
  - Control and/or reduce cost
  - Reduce fraud and abuse of system
  - Shift payments from volume to accountability and outcome basis
  - Improve service and administration through improvement of data systems

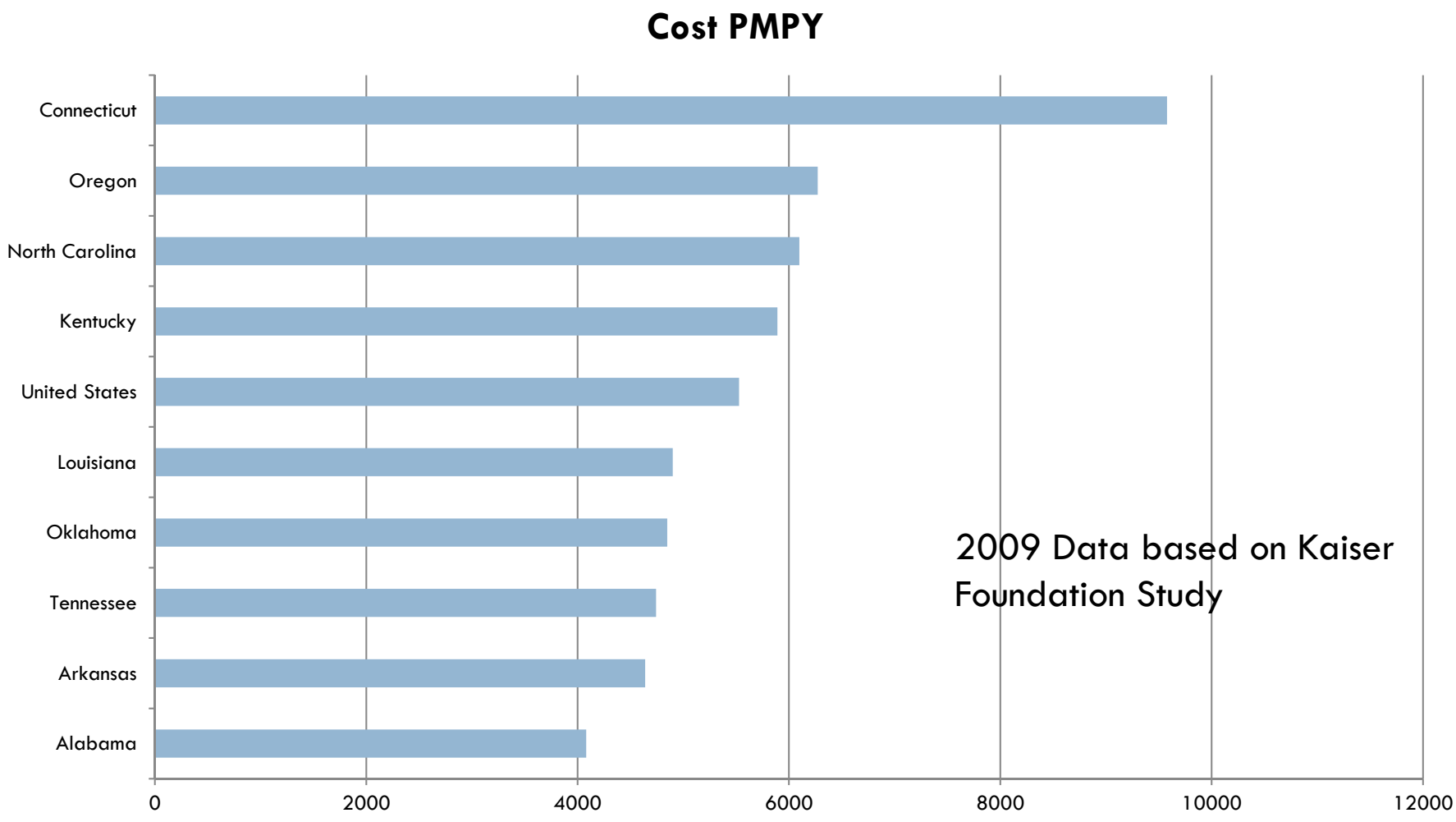
Improvements Underway to Date

- Enhanced fraud and abuse detection tools
- New enrollment and eligibility system
- Improvements to existing financial accounting system and employment of a Chief Financial Officer
- Reconciliation of federal and state accounting systems
  - Reliable and timely financial data
  - Discovery of unreimbursed federal funds
- Development of analytical capabilities
  - Analytic Unit
  - Actuary

Governor's Medicaid Advisory Commission

- First meeting 11/01/2012
- Four full commission meetings and four executive committee meetings
- Presentations outlining alternative delivery models
- Presentations from 7 other Medicaid programs
- Actuarial comparison between alternative delivery models

Cost PMPY of States Commission Has Interviewed Compared to Alabama



Commission Recommendations

- Regional community-based coordinated care
- Transition to risk-bearing regional care organizations
- Medicaid expenditure cap
- Implementation time-line
- Renewal of nursing home and hospital assessments
- Conversion from CPE to IGT
- Conversion from per diem and encounter-based payment to outcome-based
- Pursue 1115 Waiver

RCO Approach: Phased Implementation

	2013	2014	2015	2016	2017
Population	• Non-LTC; non-duals	• Non-LTC; non-duals	• Non-LTC; non-duals	• Non-LTC; non-duals	• Non-LTC; duals & non-duals
Benefits	• Care coordination	• Pilots: Primary and acute care	• Primary, acute and behavioral health	• Primary, acute and behavioral health	• Full scope of benefits
Financing	• FFS w/care coordination fee	• Pilots: capitation set in negotiation with state	• Capitation set in negotiation with state	• Risk-adjusted capitation	• Risk-adjusted capitation
Organization	• Some regional PCNs	• PCNs statewide	• RCOs statewide	• RCOs statewide	• RCOs statewide

Summary

- FY2013
  - Budget appears stable with a small carry-forward
  - FY2013 Operating deficit will reduce carry-forward available for FY2014
- FY2014
  - Level funding of $615m GF requires cuts to providers, increases in assessments, and success at obtaining other non-recurring funding
  - Cost increases exacerbate operating deficit
  - System reforms will not be in place to materially effect funding/costs during 2014
  - At best, FY2014 will end with no carry-forward, alternatively, payment deferrals may be required into 2015.
- FY2015
  - High probability that an approximate $100 million of additional state revenue will be required for minimal funding in FY2015
    - $41m of carry forward not available
    - $24m supplemental for demand letter in FY2014
    - $24m for demand letter in FY2015
    - $16m for likely Nursing Home and Pharmacy increase
    - $11m to reverse unsustainable provider cuts
  - To achieve this level, reforms must be underway in FY2014