



*Delaware Health and Social Services*

## **Division of Medicaid and Medical Assistance**

### **FY 2017 Governor's Recommended Budget Overview**

*Joint Finance Committee Hearing*

***Stephen Groff***

*Division Director*

*Wednesday, February 24, 2016*

---

*Delaware Health and Social Services*

Good afternoon Senator McDowell, Representative Smith, members of the Joint Finance Committee and members of the public. I am Steve Groff, Director of the Division of Medicaid and Medical Assistance. Also with me are Lisa Zimmerman, Deputy Director, and Beth Laucius, Chief of Administration.

The material distributed today is comprised of two handouts. The first handout details our FY '17 Governor's Recommended Budget (GRB), which I'll be talking about shortly. The other packet contains an overview of our agency, program updates, as well as some of our accomplishments since we were here last year.



Delaware Health and Social Services

## Division of Medicaid and Medical Assistance

### FY 2017 Governor's Recommended Budget

	<u>FTEs</u>	<u>Amount</u>
General Fund	75.6	\$741,880.2
Appropriated Special Funds	1.0	\$70,695.9
Non-Appropriated Special Funds	106.3	\$1,024,902.0

---

Delaware Health and Social Services

Our Division's FY 2017 Governor's Recommended Budget (GRB) is:

- \$741,880.2 GF;
- \$70,695.9 ASF; and
- \$1,024,902.0 NSF.



Delaware Health and Social Services

## Division of Medicaid and Medical Assistance

### FY 2017 Governor's Recommended Budget

<u>Base Adjustments</u>	<u>Amount</u>
Delaware Healthy Children Program	(\$1,462.2)
Tobacco Adjustments	(\$1,120.8)
Delaware Healthy Children Program	(\$361.5)
Medical Assistance Transition	(\$771.3)
Medicaid Women/Infants	\$67.0
Breast and Cervical Cancer Program	(\$45.0)
Money Follows the Person	(\$10.0)

Delaware Health and Social Services

Highlights from the FY '17 GRB include base adjustments to our budget of:

- (\$1,462.2) reduction to the Delaware Healthy Children Program to reflect an increase in the Federal Matching Assistance Percentage (FMAP). This increase in federal funds allows us to leverage more federal funds and reduce our state share, while providing the same level of service to our clients.
- (\$1,120.8) ASF in Tobacco Adjustments to reflect the projected expenditures for the following program:
  - (\$361.5) for the Delaware Healthy Children Program, again leveraging additional federal funding;
  - (\$771.3) for the Medicaid Assistance Transition (MAT) program which provides Medicaid coverage for individuals transitioning to Medicare coverage;
  - \$67.0 increase to the Medicaid funding for women/infants;
  - (\$45.0) reduction to the Breast and Cervical Cancer Program attributable to lower utilization most likely due to alternative health coverage options now available through the Affordable Care Act (ACA); and
  - (\$10.0) reduction to the Money Follow the Person program to reflect projected program expenditures.



Delaware Health and Social Services

## Division of Medicaid and Medical Assistance

### FY 2017 Governor's Recommended Budget

<u>Enhancements</u>	<u>Amount</u>
Personal Needs Allowance	\$60.5
Bed Hold Days Policy Change	\$25.0
Delaware Medicaid Enterprise System Operations	\$936.3
Provider increase	\$567.9

Delaware Health and Social Services

We also have some new initiatives:

- \$60.5 will be utilized to increase the Personal Needs Allowance for clients in nursing homes from \$44 per month to \$50 per month;
- \$25.0 will be used to increase the Bed Hold Day Policy for the Mary Campbell Center and Stockley Center from 7 days to 14 days, allowing clients who leave the facility (often due to hospitalization) to return without fear of losing their bed;
- \$936.3 for ongoing operations of the new Delaware Medicaid Enterprise System which will be operational in July 2016; and
- \$567.9 for a provider increase.



Delaware Health and Social Services

## Division of Medicaid and Medical Assistance

### FY 2017 Governor's Recommended Budget

<u>Inflation and Volume</u>	<u>Amount</u>
Medicaid Growth	\$40,100.0

### FY 2017 Revised Projection

<u>Inflation and Volume</u>	<u>Amount</u>
Medicaid Growth	\$68,600.0

Delaware Health and Social Services

As Secretary Landgraf mentioned yesterday, our Medicaid projections have changed since the time when the Governor's Recommended Budget was being developed. I'd like to take a few minutes to explain the major cost drivers and changes between December and now which have resulted in additional projected funding needs of \$28.5 million.



### FY 2017 Comparison

Medicaid GRB - Breakout (December 2015)	
Cost Drivers	Amount (in millions)
Inflation/Volume	\$ 35.3
MCO Negotiations	\$ 21.6
Risk Corridor	\$ -
Decrease in FMAP	\$ 6.6
Part B Premiums	\$ 1.3
<b>Subtotal</b>	<b>\$ 64.8</b>
Cost Savings	Amount (in millions)
Carryover - Prior Year	(\$13.2)
Add'l ACA Savings	(\$11.5)
<b>Subtotal</b>	<b>(\$24.7)</b>
<b>Total GRB Amount</b>	<b>\$ 40.1</b>

Medicaid February 2016 Projection - Breakout	
Cost Drivers	Amount (in millions)
Inflation/Volume	\$ 45.6
MCO Negotiations	\$ 21.6
Risk Corridor	\$ 14.2
Decrease in FMAP	\$ 6.6
Part B Premiums	\$ 1.3
<b>Subtotal</b>	<b>\$ 89.3</b>
Cost Savings	Amount (in millions)
Carryover - Prior Year	\$0.0
Add'l ACA Savings	(\$20.7)
<b>Subtotal</b>	<b>(\$20.7)</b>
<b>Total Projected Need</b>	<b>\$ 68.6</b>

**Difference (GRB - Feb) (\$28.5)**

\$40.1 million is included in the Governor’s Recommended Budget for Medicaid growth. This is the result of several factors:

- \$35.3 million for volume growth and inflation in our fee-for-service programs;
- \$21.6 million reflecting the final MCO negotiations for Calendar Year 2016;
- \$6.6 million to offset a ½ percentage point decrease in our standard Federal Medical Assistance Percentage (FMAP) rate;
- \$1.3 million for increased Medicare Part B premiums for dual Medicaid/Medicare beneficiaries resulting from the lack of a Social Security COLA increase in 2016;
- Projected carryover from FY 2015 of \$13.2 million; and
- Additional ACA savings of \$11.5 million for enhanced FMAP for the Medicaid Adult population.



### FY 2017 Comparison

Medicaid GRB - Breakout (December 2015)	
Cost Drivers	Amount (in millions)
Inflation/Volume	\$ 35.3
MCO Negotiations	\$ 21.6
Risk Corridor	\$ -
Decrease in FMAP	\$ 6.6
Part B Premiums	\$ 1.3
<b>Subtotal</b>	<b>\$ 64.8</b>
Cost Savings	Amount (in millions)
Carryover - Prior Year	(\$13.2)
Add'l ACA Savings	(\$11.5)
<b>Subtotal</b>	<b>(\$24.7)</b>
<b>Total GRB Amount</b>	<b>\$ 40.1</b>

Medicaid February 2016 Projection - Breakout	
Cost Drivers	Amount (in millions)
Inflation/Volume	\$ 45.6
MCO Negotiations	\$ 21.6
Risk Corridor	\$ 14.2
Decrease in FMAP	\$ 6.6
Part B Premiums	\$ 1.3
<b>Subtotal</b>	<b>\$ 89.3</b>
Cost Savings	Amount (in millions)
Carryover - Prior Year	\$0.0
Add'l ACA Savings	(\$20.7)
<b>Subtotal</b>	<b>(\$20.7)</b>
<b>Total Projected Need</b>	<b>\$ 68.6</b>

**Difference (GRB - Feb) (\$28.5)**

Our latest projection reflects an estimated shortfall of \$28.5 million. This is the result of several factors:

- \$14.2 million to reflect the additional costs of a negotiated risk corridor to offset additional costs incurred as a result of adverse selection among the pediatric membership;
- \$13.2 million resulting from the loss of projected carryover from FY 2015 reflecting cost increases in the current year;
- \$10.3 million additional inflation/volume reflecting a small \$1.4 million increase in projected spending and \$8.9 million adjustment to reflect the actual state share of fee-for-service spending; and
- Additional ACA savings of \$9.2 million reflecting updated projections.



*Delaware Health and Social Services*

# **Thank You**

---

*Delaware Health and Social Services*

I wish to thank you for this time, and now I am happy to answer any questions you may have.