



**CASELOAD ESTIMATING CONFERENCE  
NOVEMBER 2014**

**To:** The Honorable Lincoln D. Chafee, Governor  
The Honorable Nicholas A. Mattiello, Speaker of the House  
The Honorable M. Teresa Paiva Weed, President of the Senate

**From:** Stephen H. Whitney, Senate Fiscal Advisor  
Thomas A. Mullaney, State Budget Officer  
Sharon Reynolds Ferland, House Fiscal Advisor

**Date:** November 25, 2014

**Subject:** November 2014 Caseload Estimating Conference

The Caseload Estimating Conference convened on November 5, 2014, in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY2015 and FY2016. In comparison to the FY2015 enacted budget, the adopted estimate for FY2015 increased total funding by \$117.7 million, primarily due to higher than anticipated costs for the expansion of Medicaid to adults without dependent children and costs related to new treatments for hepatitis C. FY2016 program costs are estimated to total \$2,566.4 million, an increase of \$95.5 million over the FY2015 revised estimate.

General revenue expenditures are expected to be \$37.0 million more than enacted in FY2015 and \$35.2 million more than the revised FY2015 estimate in FY2016. A July 2014 current services estimate prepared by the Budget Office projected that the FY2016 budget would require \$47.3 million additional general revenue to fund entitlement programs. The Conference estimate is \$25.0 million above that current services estimate.

<b>All funds</b>	<b>FY2015 Enacted</b>	<b>FY2015 Adopted</b>	<b>Change to Enacted</b>	<b>FY2016 Adopted</b>	<b>Change to FY2015 Adopted</b>
Cash assistance	\$106.7	\$106.0	(\$0.7)	\$108.7	\$2.8
Medical assistance	2,246.5	2,364.9	118.4	2,457.7	92.7
<b>Total</b>	<b>\$2,353.2</b>	<b>\$2,470.9</b>	<b>\$117.7</b>	<b>\$2,566.4</b>	<b>\$95.5</b>
<b>General revenue</b>					
Cash assistance	\$29.7	\$29.5	(\$0.1)	\$29.8	\$0.3
Medical assistance	876.6	913.7	37.2	948.7	34.9
<b>Total</b>	<b>\$906.2</b>	<b>\$943.3</b>	<b>\$37.0</b>	<b>\$978.5</b>	<b>\$35.2</b>

*in millions*

**CASH ASSISTANCE**

Cash assistance programs for FY2015 are estimated to total \$106.0 million, a decrease of \$729,807 from the enacted budget. General revenue expenditures are estimated to be \$29.5 million, \$108,973 less than the FY2015 enacted amount. FY2016 expenditures are estimated to total \$108.7 million, \$2.0 million more than the FY2015 enacted amount. The FY2016 general revenue estimate of \$29.8 million is \$165,687 more than enacted.

### ***Rhode Island Works***

The estimators project a caseload of 13,475 persons or 975 less than enacted, at an average monthly per-person cost of \$183.00 or \$1.00 more than enacted in both FY2015 and FY2016. Total program expenses in both years are estimated to be \$33.3 million, \$2.2 million less than enacted, funded entirely by the federal Temporary Assistance to Needy Families block grant.

The FY2015 estimate reflects a modest reduction in caseload while the FY2016 estimate anticipates a leveling off of caseload. The estimates assume that no more than 20 percent of the overall Rhode Island Works caseload will retain their benefits through the hardship provision, consistent with federal requirements allowing a state to exempt that portion of its caseload from the time limits while continuing to pay the benefits from federal funds.

### ***Child Care Assistance***

The FY2015 caseload estimate for child care assistance includes \$52.8 million to provide 7,590 children with subsidized care at an average yearly cost of \$6,950 per subsidy. Projected program expenses are anticipated to increase by \$1.6 million over the enacted budget based on updated enrollment projections for the pilot program that allows a family whose income increases above 180 to up to 225 percent of the federal poverty level to continue to receive child care subsidies throughout FY2015.

For FY2016, program costs are estimated to be \$55.3 million, or 7,950 subsidies at an average yearly cost of \$6,950 per subsidy. The estimate for FY2016 assumes continued program growth.

General revenues for child care assistance are estimated to be \$9.7 million or 18.3 percent of total child care costs in FY2015 and 17.5 percent in FY2016. General revenue financing for the Child Care Assistance Program reflects fulfillment of the Maintenance of Effort requirement under the federal Child Care Development Fund.

### ***Supplemental Security Income***

The caseload for the Supplemental Security Income program is estimated to be 33,900 in FY2015, 30 individuals below the enacted estimate. The estimated monthly cost per person is revised downward by \$0.25 to \$45.25 for total costs of \$18.4 million. In FY2016, an estimated 34,239 individuals will receive payments averaging \$45.40, for total costs of \$18.7 million.

The state pays transaction fees to the federal government to administer a small portion of these state supplemental payments. These fees are expected to total \$52,500 in FY2015 and \$52,000 in FY2016.

### ***General Public Assistance***

Based upon recent program trends, the Conference revised its FY2015 estimate of the number of persons receiving general public assistance from 500 to 455. The FY2016 estimate of 465 persons, though slightly higher than the revised FY2015 estimate, is also below the current enacted level. Total expenditures are estimated to be \$1.4 million in both FY2015 and FY2016. Some residual costs for the now-discontinued medical benefit program are included in the FY2015 estimate (\$4,614 all funds).

## **MEDICAL ASSISTANCE**

The Conference projects total medical assistance spending of \$2,364.9 million in FY2015, \$118.4 million more than currently enacted for FY2015. General revenue expenditures in FY2015 are estimated to be \$913.7 million or \$37.2 million more than enacted. For FY2016, the Conference projects spending of \$2,457.7 million, \$211.1 million more than currently enacted for FY2015. General revenue is expected to increase by \$72.1 million over the enacted base to \$948.7 million.

Costs for Sovaldi and Harvoni, newly approved medications for the treatment of chronic hepatitis C, are a primary driver of the increases. Although there has been no experience to date, OHHS developed an estimate for potential costs of \$110.8 million (\$26.5 million general revenue) in FY2015 and FY2016 for

the treatments. This estimate is based on the incidence of hepatitis C infections and the potential pool of patients that may qualify under the restrictive treatment protocols established by the Office.

Most medical assistance expenditures are matched at the State's base federal medical assistance percentage (FMAP). The effective rate is 50.0 percent in FY2015 and 50.3 percent in FY2016.

### **Hospitals**

FY2015 hospital fee-for-service expenditures are estimated to be \$217.1 million including disproportionate share hospital (DSH) payments of \$138.3 million. The estimate includes \$22.6 million in Upper Payment Limit (UPL) payments and \$1.0 million for a Graduate Medical Education Program. The estimate adds \$3.3 million resulting from lower than anticipated enrollment in the Rhody Health Options managed care program, which will cause more expenses to accrue within the hospital fee-for-service program.

FY2016 hospital expenditures are estimated to be \$218.8 million, and include DSH and UPL payments unchanged from their FY2015 levels.

### **Long Term Care**

Long term care expenditures, including costs for services provided in nursing facilities and in community and home settings, are estimated to be \$246.3 million in FY2015 and \$266.6 million in FY2016. Increases of \$30.4 million in FY2015 and \$50.7 million in FY2016 compared to the enacted level reflect the shift of resources from the Rhody Health Options program as uptake rates in this program lag those anticipated in May.

Based upon the decrease from FY2013 to FY2014 in the number of fee-for-service nursing home and hospice days, and pursuant to the long term care finance reform contained in Rhode Island General Law 40-8.9-4, the Conference increased FY2016 funding for home and community-based services by \$600,000.

### **Managed Care**

FY2015 expenditures for managed care (including the RIte Care and RIte Share programs) are estimated to be \$636.5 million, \$21.1 million more than enacted, primarily due to the cost of new hepatitis C treatments and to revisions to the caseload demographics..

Costs for FY2016 are estimated to increase to \$660.4 million or by 3.8 percent over the FY2015 estimate, based on expected medical inflation and increases in enrollment.

### **Rhody Health Partners**

FY2015 costs of \$280.3 million for the Rhody Health Partners program are projected to be \$28.0 million more than enacted. FY2016 expenditures are estimated to be \$301.0 million, \$48.7 million more than enacted. The revised estimates incorporate updated monthly per member costs and enrollment data and the cost of new treatments for hepatitis C.

The Rhody Health Partners estimate now includes the Medicaid-funded fee-for-service behavioral health benefits that were transferred from the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals in the FY2015 Budget as Enacted. The FY2015 estimate adds \$4.2 million to the current enacted level for these services for total funding of \$65.0 million based on FY 2014 spending. The FY2016 estimate adds \$4.8 million for total funding of \$69.8 million based on medical inflation. OHHS is currently working to integrate these services into managed care contracts by April 2015.

### **Rhody Health Options**

Expenses for Rhody Health Options program, the State's integrated care initiative that provides acute care and long term care services to individuals eligible for both Medicare and Medicaid, are estimated to be \$277.5 million in FY2015. This represents a decrease of \$19.5 million compared to the currently enacted

level due to lower than anticipated enrollment rates in the program. The current estimate recognizes that related costs are anticipated to shift from Rhody Health Options to programs such as hospitals, nursing homes, and home and community care.

The FY2016 estimate of \$290.1 million is \$12.6 million more than FY 2015 revised and includes the start of Phase II of the Integrated Care Initiative.

**Medicaid Expansion**

The Rhode Island Medicaid program was expanded as of January 1, 2014, as part of the State's implementation of the Affordable Care Act. Adults with income less than 138 percent of the federal poverty level and without dependent children were added to the State's medical assistance program as a newly covered population. Costs related to this expansion are fully federally-funded through CY2016 with federal support phased down to 90.0 percent by CY2020.

As of September 30, 2014, 52,432 individuals had enrolled through the expanded eligibility. In FY2015, enrollment is projected to average 54,385 at a cost of \$539.1 million. In FY2016, enrollment is projected to average 55,622 at a cost of \$547.1 million. There is no general revenue cost in either year.

**Other Medical Services**

Expenditures for other medical services are estimated to be \$114.0 million in FY2015 and \$117.6 million in FY2016.

The estimate includes Medicare Part B payments for certain individuals, fee-for-services payments for rehabilitation and other medical services and payments to Tavares pediatric facility. It also includes case management costs associated with Connect Care Choice Community Partners.

**Pharmacy**

Pharmacy expenses are estimated to be \$3.6 million in FY2015 and \$4.0 million for FY2016.

The Medicare Part D clawback payments are estimated to be \$50.5 million in FY2015 and \$52.0 million in FY2016 and consist solely of general revenues. The payments are the state's portion of the federal Medicare pharmacy costs for its population that are enrolled in both Medicare and Medicaid (commonly referred to as dual-eligibles).

*The following tables show the November Caseload Conference estimates for cash and medical assistance benefits for FY2015 and FY2016.*

### Cash Assistance

Rhode Island Works	FY 2015 Enacted	FY 2015 Nov Adopted	Change to Enacted	FY 2016 Nov Adopted	Change to FY2015 Adopted
Persons	14,450	13,475	(975)	13,475	-
Monthly Cost per Person	\$182.00	\$183.00	\$1.00	\$183.00	-
Cash Payments	\$31,558,800	\$29,591,100	(\$1,967,700)	\$29,591,100	-
Monthly Bus Passes	3,762,780	3,508,890	(253,890)	3,508,890	-
Tax Intercepts	(210,000)	(200,000)	10,000	(200,000)	-
Supportive Services	200,000	200,000	-	200,000	-
Clothing - Children	221,000	205,949	(15,051)	207,000	1,051
Catastrophic	28,000	28,000	-	28,000	-
Work Supplementation	2,000	2,000	-	2,000	-
<b>Total Costs</b>	<b>\$35,562,580</b>	<b>\$33,335,939</b>	<b>(\$2,226,641)</b>	<b>\$33,336,990</b>	<b>\$1,051</b>
TANF Block Grant	35,562,580	33,335,939	(2,226,641)	33,336,990	1,051
General Revenue	-	-	-	-	-

### Child Care

Subsidies	7,146	7,590	444	7,950	360
Annual Cost per Subsidy	\$7,000	\$6,950	(\$50)	\$6,950	-
<b>Total Costs</b>	<b>\$51,147,000</b>	<b>\$52,750,500</b>	<b>\$1,603,500</b>	<b>\$55,252,500</b>	<b>\$2,502,000</b>
Federal Funds	41,478,365	43,081,865	1,603,500	45,583,865	2,502,000
General Revenue	9,668,635	9,668,635	-	9,668,635	-

### SSI

Persons	33,930	33,900	(30)	34,239	339
Monthly Cost per Person	\$45.50	\$45.25	(\$0.25)	\$45.40	\$0.15
Cash Payments	\$18,525,780	\$18,407,700	(\$118,080)	\$18,653,407	\$245,707
Transaction Fees	53,500	52,500	(1,000)	52,000	(500)
<b>Total Costs</b>	<b>\$18,579,280</b>	<b>\$18,460,200</b>	<b>(\$119,080)</b>	<b>\$18,705,407</b>	<b>\$245,207</b>

### GPA

Persons	500	455	(45)	465	10
Monthly Cost per Person	\$113.50	\$130.00	\$16.50	\$132.00	\$2.00
Total Payments	\$681,000	\$709,800	\$28,800	\$736,560	\$26,760
Burials	725,000	704,000	(21,000)	709,000	5,000
Medical	-	4,614	4,614	-	(4,614)
<b>Total Costs</b>	<b>\$1,406,000</b>	<b>\$1,418,414</b>	<b>\$12,414</b>	<b>\$1,445,560</b>	<b>\$27,146</b>
Federal Funds	-	2,307	2,307	-	(2,307)
General Revenue	1,406,000	1,416,107	10,107	1,445,560	29,453

### Cash Assistance Total

<b>Total Costs</b>	<b>\$106,694,860</b>	<b>\$105,965,053</b>	<b>(\$729,807)</b>	<b>\$108,740,457</b>	<b>\$2,775,404</b>
Federal Funds	77,040,945	76,420,111	(620,834)	78,920,855	2,500,744
General Revenue	29,653,915	29,544,942	(108,973)	29,819,602	274,660

**Medical Assistance**

	FY 2015 Enacted	FY 2015 Nov Adopted	Change to Enacted	FY 2016 Nov Adopted	Change to FY2015 Adopted
<b>Hospitals</b>					
Regular	68.3	78.8	10.5	80.5	1.7
Disproportionate Share	138.3	138.3	-	138.3	-
<b>Total</b>	<b>\$206.6</b>	<b>\$217.1</b>	<b>\$10.5</b>	<b>\$218.8</b>	<b>\$1.7</b>

**Long Term Care**

Nursing and Hospice Care	162.1	176.0	13.9	191.0	15.0
Home and Community Care	53.8	70.3	16.5	75.6	5.3
<b>Total</b>	<b>\$215.9</b>	<b>\$246.3</b>	<b>\$30.4</b>	<b>\$266.6</b>	<b>\$20.3</b>

**Managed Care and Acute Care Services**

Managed Care	615.4	636.5	21.1	660.4	23.9
Rhody Health Partners	252.3	280.3	28.0	301.0	20.7
Rhody Health Options	297.0	277.5	(19.5)	290.1	12.6
Other Medical Services	115.1	114.0	(1.1)	117.6	3.6
Medicaid Expansion	492.4	539.1	46.7	547.1	8.0
<b>Total</b>	<b>\$1,772.2</b>	<b>\$1,847.4</b>	<b>\$75.2</b>	<b>\$1,916.2</b>	<b>\$68.8</b>

**Pharmacy**

Pharmacy	1.4	3.6	2.3	4.0	0.4
Clawback	50.4	50.5	0.0	52.0	1.5
<b>Total</b>	<b>\$51.8</b>	<b>\$54.1</b>	<b>\$2.3</b>	<b>\$56.0</b>	<b>\$1.9</b>

**Medical Assistance Total**

<b>Total Costs</b>	<b>\$2,246.5</b>	<b>\$2,364.9</b>	<b>\$118.4</b>	<b>\$2,457.7</b>	<b>\$92.7</b>
Federal Funds	1,359.3	1,440.6	81.2	1,498.4	57.8
General Revenue	876.6	913.7	37.2	948.7	34.9
Restricted Receipts	10.6	10.6	-	10.6	-

**Conference Total**

	FY 2015 Enacted	FY 2015 Nov Adopted	Change to Enacted	FY 2016 Nov Adopted	Change to FY2015 Adopted
<b>Total Costs</b>	<b>\$2,353.2</b>	<b>\$2,470.9</b>	<b>\$117.7</b>	<b>\$2,566.4</b>	<b>\$95.5</b>
Federal Funds	1,436.4	1,517.0	80.6	1,577.3	60.3
General Revenue	906.2	943.3	37.0	978.5	35.2
Restricted Receipts	10.6	10.6	-	10.6	-

*in millions*