



State of Rhode Island and Providence Plantations

Caseload Estimating Conference

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MEMORANDUM

To: The Honorable Gina M. Raimondo, Governor
The Honorable Nicholas A. Mattiello, Speaker of the House
The Honorable M. Teresa Paiva Weed, President of the Senate

From: Thomas A. Mullaney, State Budget Officer *Thomas A. Mullaney*
Sharon Reynolds Ferland, House Fiscal Advisor *Sharon Reynolds Ferland*
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Date: November 20, 2015

Subject: **November 2015 Caseload Estimating Conference**

The Caseload Estimating Conference convened on October 26 and November 4, 2015, in open public meetings to hear testimony and estimate cash assistance caseload and medical assistance expenditures for FY 2016 and FY 2017. In comparison to the FY 2016 enacted budget, the adopted estimate for FY 2016 increased total funding by \$10.0 million, due to increased enrollment in RItE Care, increased Medicare Part B premiums, and increased acuity among nursing home residents. FY 2016 increases are partially offset by lower anticipated costs for pharmacy treatment for Hepatitis C.

Additionally, November consensus estimates reduced savings associated with Reinventing Medicaid initiatives, though Conference principals' individual assumptions on the savings and timing of these initiatives varied. The caseload estimate reflects less progress being made towards meeting those savings in FY 2016 based on the current status for implementation of each item. For FY 2017, the principals assumed implementation would be on track, but still differed as to the level of savings that would be achieved. The consensus estimates account for the various assumptions of the conferees, but do not delineate specific savings projections by initiative.

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The FY 2017 program costs are estimated to total \$2,438.7 million, an increase of \$73.4 million over the FY 2016 revised estimate, due to lower projected expenditures for the federally-funded expansion program, fee-for-service hospital costs and long term care costs.

FY 2016 general revenue expenditures are expected to be \$14.9 million more than enacted and FY 2017 general revenue expenditures are expected to be \$25.0 million more than the revised FY 2016 estimate. A July 2015 current services estimate prepared by the Budget Office projected that the FY 2017 budget would require \$43.5 million in additional general revenue to fund entitlement programs. The Conference estimate is \$3.7 million below that current services estimate.

All Funds	FY 2016 Enacted	FY 2016 Nov Adopted	Change to Enacted	FY 2017 Nov Adopted	Change to FY2016 Adopted
Cash Assistance	\$ 110.6	\$ 109.8	\$ (0.8)	\$ 116.2	\$ 6.4
Medical Assistance	2,244.7	2,255.5	10.8	2,322.5	67.0
Total	\$ 2,355.3	\$ 2,365.3	\$ 10.0	\$ 2,438.7	\$ 73.4

General Revenue

Cash Assistance	\$ 31.5	\$ 31.1	\$ (0.4)	\$ 35.9	\$ 4.8
Medical Assistance	884.1	899.4	15.3	919.6	20.2
Total	\$ 915.6	\$ 930.5	\$ 14.9	\$ 955.5	\$ 25.0

\$ millions

CASH ASSISTANCE

Cash assistance programs for FY 2016 are estimated to total \$109.8 million, a decrease of \$0.8 million from the enacted budget. General revenue expenditures are estimated to be \$31.1 million, \$0.4 million less than the FY 2016 enacted amount. FY 2017 expenditures are estimated to total \$116.2 million, \$5.6 million more than the FY 2016 enacted amount. The FY 2017 general revenue estimate of \$35.9 million is \$4.4 million more than the FY 2016 enacted amount.

Rhode Island Works

The estimators project a caseload of 11,524 persons or 692 less than enacted for FY2016 and 10,744 persons or 1,472 less than enacted for FY2017. The average monthly per-person cost is projected to be \$180.40 or \$1.31 less than enacted in FY 2016 and \$180.57 or \$1.14 less in FY 2017 compared to the FY 2016 enacted level. Total program expenses in FY 2016 and FY 2017 are estimated to be \$27.3 million and \$25.5 million, respectively, or \$1.8 million less in FY 2016 and \$3.7 million less in FY 2017, as compared to the FY 2016 enacted budget. The costs are funded entirely by the federal Temporary Assistance to Needy Families (TANF) block grant.

The FY 2016 and FY 2017 estimates reflect a modest reduction in 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 FY 2016 caseload estimate for child care assistance includes \$62.7 million to provide 8,832 children with subsidized care at an average yearly cost of \$7,100 per subsidy. Projected program expenses are anticipated to increase by \$1.4 million over the enacted budget based on continued growth in the caseload.

The enacted budget includes a 3 percent increase in provider rates that went into effect in July 2015 impacting FY 2016 and FY 2017.

For FY 2017, program costs are estimated to be \$70.8 million, or 9,500 subsidies at an average yearly cost of \$7,450 per subsidy. The estimate assumes continued program growth and the impact of the new federal requirements which are anticipated to begin in FY 2017. These new requirements include such changes as 12 months of uninterrupted child care benefits, three months of continued eligibility when a family faces a job loss, and increased funding allocated towards quality improvement activities.

General revenues for child care assistance are estimated to be \$11.4 million or 18.1 percent of total child care costs in FY 2016 and \$16.0 million or 22.6 percent in FY 2017. General revenue funding increases by \$4.6 million in FY 2017. The estimate includes \$4.9 million in TANF funds available from cash assistance caseload savings and prior year carry forward. It does not assume changes to enacted non-caseload expenditures from the \$95 million block grant.

Supplemental Security Income

The caseload for the Supplemental Security Income program is estimated to be 33,900 persons in FY 2016, 201 individuals below the enacted estimate. The estimated monthly cost per person is revised downward by \$0.59 to \$45.00 for total costs of \$18.3 million. In FY 2017, an estimated 34,165 individuals are anticipated to receive monthly payments averaging \$45.00, for total costs of \$18.4 million, which represents a reduction of \$0.2 million from the enacted level.

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 \$53,000 in FY 2016 and FY 2017.

General Public Assistance

Based upon recent program trends, the Conference revised its FY 2016 estimate to include 395 individuals at a monthly cost of \$135.00 and adopted FY 2017 estimates at the same level. Total expenditures are estimated at \$1.4 million in both years, approximately \$0.1 million less than the enacted level.

MEDICAL ASSISTANCE

The Conference projects total medical assistance spending of \$2,255.5 million in FY 2016, \$10.8 million more than the enacted level. General revenue expenditures in FY 2016 are estimated to be \$899.4 million, or \$15.3 million more than enacted. For FY 2017, the Conference projects spending of \$2,322.5 million, \$67.0 million more than the November adopted level amount for FY 2016. General revenue costs are expected to increase by \$20.2 million over the FY 2016 November adopted level to \$919.6 million.

Most medical assistance expenditures are matched at the State's base federal medical assistance percentage rate. The effective federal share is 50.32 percent in FY 2016 and 50.87 percent in FY 2017.

Hospitals

FY 2016 hospital fee-for-service expenditures are estimated to be \$218.2 million including disproportionate share hospital payments of \$140.5 million and \$27.9 million in Upper Payment Limit payments. The FY 2016 estimate includes \$6.0 million in Graduate Medical Education payments, including a \$2.0 million FY 2015 payable. The November adopted FY 2016 amount for hospital payments is \$1.6 million lower than enacted to reflect fewer fee-for-service inpatient and outpatient hospital days.

FY 2017 hospital expenditures are estimated to be \$213.7 million or \$4.6 million lower than the FY 2016 November adopted amount, and include disproportionate share hospital payments of \$140.4 million. The estimate reflects a continued reduction in fee-for-service hospital payments as resources shift from this fee-

for-service program to the Rhode Health Options managed care program. The estimate also includes Graduate Medical Education payments of \$4.0 million, including \$2.0 million from general revenue. The estimate does not reflect a hospital incentive program; the Office included \$30.9 million in its projections. While current law allows for a program, it is not defined and therefore outside the purview of the consensus estimate.

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 \$253.8 million in FY 2016 and \$259.7 million in FY 2017. This represents a decrease of \$0.1 million in FY 2016 compared to the enacted level and an increase of \$5.9 million in FY 2017 compared to the FY 2016 adopted estimate. The estimate does not fund the nursing facilities incentive program; the Office included \$16.6 million in its projections. While current law allows for a program it is not defined and therefore outside the purview of the consensus estimate.

Managed Care

FY 2016 expenditures for managed care (including the RItE Care and RItE Share programs) are estimated to be \$624.3 million, \$11.9 million more than enacted, primarily due to an increase in enrollment and a change in caseload mix.

Costs for FY 2017 are estimated to increase to \$646.0 million or by \$21.7 million over the FY 2016 estimate, based on expected medical inflation and increases in enrollment.

Rhody Health Partners

Rhody Health Partners is projected to cost \$266.4 million in FY 2016, \$9.1 million lower than the enacted level. FY 2017 expenditures are estimated to be \$258.9 million; \$7.5 million lower than the FY 2016 estimate. The revised estimate incorporates a reallocation of behavioral health costs to Rhody Health Options.

Rhody Health Options

Expenses for the Rhody Health Options program, the State's integrated care initiative that provides acute care and long term care services to an individual eligible for both Medicare and Medicaid, are estimated to be \$291.2 million in FY 2016. This represents an increase of \$37.4 million compared to the currently enacted level due to a reallocation of expenses for behavioral health services to the program.

The FY 2017 estimate of \$317.0 million is \$25.8 million more than the FY 2016 revised estimate due to an anticipated increases in capitation rates and enrollment in the Integrated Care Initiative.

Medicaid Expansion

The Rhode Island Medicaid program was expanded as of January 1, 2014 and certain adults were added to the State's medical assistance program as a newly covered population. Costs related to this expansion are fully federally-funded through CY 2016 with federal support phased down to 90.0 percent by CY 2020.

In FY 2016, enrollment is projected to average 60,682 at a cost of \$450.8 million. In FY 2017, enrollment is projected to average 61,653 at a cost of \$478.5 million. There is no general revenue cost in FY 2016 but the FY 2017 estimate includes \$12.1 million for the 5.0 percent state share of program costs beginning January 1, 2017. An all funds increase of \$27.7 million in FY 2017 compared to FY 2016 estimate is due to a projected increase in medical costs and enrollment.

Other Medical Services

Expenditures for other medical services are estimated to be \$97.0 million in FY2016 or \$8.7 million lower than enacted and \$92.1 million in FY2017, or \$4.9 million lower than FY2016 revised estimate. The reduction is mainly due to the impact of moving out-of-plan services for children with special health care needs from this fee-for-service program into managed care.

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

Pharmacy

Medicare Part D clawback payments are estimated to total \$53.7 million in FY 2016 and \$56.5 million in FY 2017 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 FY 2016 and FY 2017.

Cash Assistance

	FY 2016 Enacted	FY 2016 Nov Adopted	Change to Enacted	FY 2017 Nov Adopted	Change to FY2016 Adopted
Rhode Island Works					
Persons	12,216	11,524	(692)	10,744	(780)
Monthly Cost per Person	\$ 181.71	\$ 180.40	\$ (1.31)	\$ 180.57	\$ 0.17
Cash Payments	26,637,232	24,947,155	(1,690,077)	23,280,529	(1,666,626)
Monthly Bus Passes	2,272,176	2,143,464	(128,712)	1,998,384	(145,080)
Tax intercepts	(150,000)	(150,000)	-	(150,000)	-
Supportive Services	200,000	178,900	(21,100)	200,000	21,100
Clothing - Children	187,000	183,300	(3,700)	166,000	(17,300)
Catastrophic	24,000	20,200	(3,800)	24,000	3,800
Work Supplementation	2,400	1,800	(600)	2,400	600
Total Costs	\$ 29,172,808	\$ 27,324,819	\$ (1,847,989)	\$ 25,521,313	\$ (1,803,506)
TANF Block Grant	29,172,808	27,324,819	(1,847,989)	25,521,313	(1,803,506)
Child Care					
Subsidies	8,629	8,832	203	9,500	668.0
Annual Cost per Subsidy	\$ 7,100.00	\$ 7,100.00	\$ -	\$ 7,450.00	\$ 350.00
Total Costs	\$ 61,265,900	\$ 62,707,200	\$ 1,441,300	\$ 70,775,000	\$ 8,067,800
Federal Funds	49,897,265	51,338,565	1,441,300	54,764,643	3,426,078
General Revenue	11,368,635	11,368,635	-	16,010,357	4,641,722
SSI					
Persons	34,101	33,900	(201)	34,165	265
Monthly Cost per Person	\$ 45.59	\$ 45.00	\$ (0.59)	\$ 45.00	\$ -
Cash Payments	18,654,478	18,306,000	(348,478)	18,449,100	143,100
Transaction Fees	52,000	53,000	1,000	53,000	-
Total Costs	\$ 18,706,478	\$ 18,359,000	\$ (347,478)	\$ 18,502,100	\$ 143,100
GPA					
Persons	434	395	(39)	395	-
Monthly Cost per Person	\$ 135.00	\$ 135.00	\$ -	\$ 135.00	\$ -
Total Payments	703,080	639,900	(63,180)	639,900	-
Burials	745,800	720,000	(25,800)	720,000	-
Total Costs	\$ 1,448,880	\$ 1,359,900	\$ (88,980)	\$ 1,359,900	\$ -
General Revenue	1,448,880	1,359,900	(88,980)	1,359,900	-
Cash Assistance Total					
Total Costs	\$ 110,594,066	\$ 109,750,919	\$ (843,147)	\$ 116,158,313	\$ 6,407,394
Federal Funds	79,070,073	78,663,384	(406,689)	80,285,956	1,622,572
General Revenue	31,523,993	31,087,535	(436,458)	35,872,357	4,784,822

Medical Assistance

	FY 2016 Enacted	FY 2016 Nov Adopted	Change to Enacted	FY 2017 Nov Adopted	Change to FY2016 Adopted
Hospitals					
Regular	\$ 79.3	\$ 77.7	\$ (1.6)	\$ 73.3	\$ (4.4)
Incentive	-	-	-	-	-
Disproportionate Share	140.5	140.5	-	140.4	(0.2)
Total	\$ 219.8	\$ 218.2	\$ (1.6)	\$ 213.7	\$ (4.6)

Long Term Care

Nursing and Hospice Care	\$ 180.8	\$ 183.7	\$ 2.9	\$ 186.0	\$ 2.3
Incentive	-	-	-	-	-
Home and Community Care	73.1	70.1	(3.0)	73.7	3.6
Total	\$ 253.9	\$ 253.8	\$ (0.1)	\$ 259.7	\$ 5.9

Managed Care and Acute Care Services

Managed Care	\$ 612.4	\$ 624.3	\$ 11.9	\$ 646.0	\$ 21.7
Rhody Health Partners	275.5	266.4	(9.1)	258.9	(7.5)
Rhody Health Options	253.8	291.2	37.4	317.0	25.8
Medicaid Expansion	468.9	450.8	(18.1)	478.5	27.7
Other Medical Services	105.7	97.0	(8.7)	92.1	(4.9)
Total	\$ 1,716.3	\$ 1,729.7	\$ 13.4	\$ 1,792.5	\$ 62.8

Pharmacy

Pharmacy	\$ 0.9	\$ 0.0	\$ (0.9)	\$ 0.1	\$ 0.1
Clawback	53.8	53.7	(0.0)	56.5	2.8
Total	\$ 54.7	\$ 53.8	\$ (0.9)	\$ 56.6	\$ 2.8

Medical Assistance Total

Total Costs	\$ 2,244.7	\$ 2,255.5	\$ 10.8	\$ 2,322.5	\$ 67.0
Federal Funds	1,349.9	1,345.5	(4.5)	1,392.3	46.8
General Revenue	884.1	899.4	15.3	919.6	20.2
Restricted Receipts	10.6	10.6	-	10.6	-

Conference Total

	FY 2016 Enacted	FY 2016 Nov Adopted	Change to Enacted	FY 2017 Nov Adopted	Change to FY2016 Adopted
Grand Total					
Total Costs	\$ 2,355.3	\$ 2,365.3	\$ 10.0	\$ 2,438.7	\$ 73.4
Federal Funds	1,429.0	1,424.1	(4.9)	1,472.6	48.5
General Revenue	915.6	930.5	14.9	955.5	25.0
Restricted Receipts	10.6	10.6	-	10.6	-

\$ millions