



State of Rhode Island and Providence Plantations

Caseload Estimating Conference

Room 117, STATE HOUSE, PROVIDENCE, RI 02903

STEPHEN H. WHITNEY
Senate Fiscal Advisor
May 2019 Conference Chair

SHARON REYNOLDS FERLAND
House Fiscal Advisor

THOMAS A. MULLANEY
State Budget Officer

MEMORANDUM

To: The Honorable Dominick J. Ruggerio, President of the Senate
The Honorable Nicholas A. Mattiello, Speaker of the House
The Honorable Gina M. Raimondo, Governor

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

Three handwritten signatures in blue ink. The top signature is Stephen H. Whitney, the middle is Sharon Reynolds Ferland, and the bottom is Thomas A. Mullaney.

Date: May 16, 2019

Subject: **May 2019 Caseload Estimating Conference**

SUMMARY

The Caseload Estimating Conference convened on May 6, 2019, in an open public meeting to estimate cash assistance caseload and medical assistance expenditures for FY 2019 and FY 2020. In comparison to the November 2018 conference estimate, the adopted estimate for FY 2019 reduces funding by \$36.3 million to \$2,538.6 million. This includes a reduction of \$4.2 million for cash assistance and \$32.1 million less for medical assistance. FY 2020 program costs are estimated to total \$2,601.6 million, or \$46.4 million less than the November estimate. The reduction from the November estimate for FY 2020 includes \$38.8 million less for medical assistance and \$7.6 million less for cash assistance.

May 2019 Consensus Caseload Estimates	FY 2019 Nov CEC	FY 2019 May CEC	Change to Nov CEC	FY 2020 Nov CEC	FY 2020 May CEC	Change to Nov CEC
Cash Assistance						
All Funds	\$117,962,706	\$113,730,450	<i>(\$4,232,256)</i>	\$124,194,420	\$116,635,800	<i>(\$7,558,620)</i>
General Revenues	\$31,657,366	\$30,034,882	<i>(\$1,622,484)</i>	\$31,882,874	\$29,990,332	<i>(\$1,892,542)</i>
Medical Assistance						
All Funds	\$2,457,014,223	\$2,424,914,010	<i>(\$32,100,213)</i>	\$2,523,796,714	\$2,484,973,639	<i>(\$38,823,075)</i>
General Revenues	\$966,118,136	\$948,471,168	<i>(\$17,646,968)</i>	\$997,879,896	\$984,786,594	<i>(\$13,093,302)</i>
Total						
All Funds	\$2,574,976,929	\$2,538,644,460	<i>(\$36,332,469)</i>	\$2,647,991,134	\$2,601,609,439	<i>(\$46,381,695)</i>
General Revenues	\$997,775,502	\$978,506,050	<i>(\$19,269,452)</i>	\$1,029,762,770	\$1,014,776,926	<i>(\$14,985,844)</i>

The reductions in medical assistance are driven by changes in the projected costs of covering Hepatitis C treatment. The November estimate included \$35.5 million in FY 2019 and \$39.0 million in FY 2020 to account for the modification of Medicaid’s prior authorization policy which expanded access to the curative treatment as of July 1, 2018. The adopted estimate, using updated price and utilization projections, reduces these expenses by \$12.6 million in FY 2019 and \$11.0 million in FY 2020.

The estimates are still impacted by functionality issues surrounding the implementation of the Unified Health Infrastructure Project (UHIP) as it relates to timely eligibility determination and monthly financial and caseload data. The State continues to make “offline” payments to nursing facilities for applications they have submitted. While advances are being made, the State has also begun reconciling payments previously made to nursing facilities in order to properly claim Medicaid match. The FY 2019 nursing facilities estimate assumes that 10 percent of the advanced payments will not be eligible for Medicaid reimbursement and assumes the need for \$2.4 million from general revenues to make up the difference. Forecasts for FY 2020 also include advances, but assume that the entirety of these payments will be eligible for federal reimbursement.

CASH ASSISTANCE

Cash assistance programs for FY 2019 are estimated to total \$113.7 million, a reduction of \$4.2 million from the November estimate. General revenue expenditures for FY 2019 are estimated to be \$30.0 million, or \$1.6 million less than the November estimate. FY 2020 expenditures are estimated to total \$116.6 million, \$7.6 million less than the November estimate. The FY 2020 general revenue estimate of \$30.0 million is \$1.9 million less than the November estimate.

Cash Assistance

May 2019 Consensus Caseload Estimates	FY 2019 Nov CEC	FY 2019 May CEC	Change to Nov CEC	FY 2020 Nov CEC	FY 2020 May CEC	Change to Nov CEC
Rhode Island Works						
Persons	9,700	9,250	(450)	9,700	9,250	(450)
Monthly Cost per Person	\$194.65	\$188.00	(\$6.65)	\$195.64	\$188.00	(\$7.64)
Cash Payments	\$22,657,260	\$20,868,000	(\$1,789,260)	\$22,772,496	\$20,868,000	(\$1,904,496)
Monthly Bus Passes	\$1,716,066	\$1,638,700	(\$77,366)	\$1,721,051	\$1,641,700	(\$79,351)
Supportive Services	\$246,000	\$415,000	\$169,000	\$250,000	\$415,000	\$165,000
Clothing - Children	\$150,000	\$150,000	-	\$142,000	\$150,000	\$8,000
Catastrophic	\$9,000	\$1,500	(\$7,500)	\$9,000	\$2,400	(\$6,600)
Total Costs (TANF)	\$24,778,326	\$23,073,200	(\$1,705,126)	\$24,894,547	\$23,077,100	(\$1,817,447)
Child Care						
Subsidies	9,125	9,040	(85)	9,517	9,240	(277)
Annual Cost per Subsidy	\$7,912	\$7,800	(\$112)	\$8,205	\$7,950	(\$255)
Total Costs	\$72,197,000	\$70,512,000	(\$1,685,000)	\$78,086,985	\$73,458,000	(\$4,628,985)
<i>Federal Funds</i>	<i>\$61,527,014</i>	<i>\$60,622,368</i>	<i>(\$904,646)</i>	<i>\$67,416,999</i>	<i>\$63,568,368</i>	<i>(\$3,848,631)</i>
<i>General Revenue</i>	<i>\$10,669,986</i>	<i>\$9,889,632</i>	<i>(\$780,354)</i>	<i>\$10,669,986</i>	<i>\$9,889,632</i>	<i>(\$780,354)</i>
SSI						
Persons	34,500	33,750	(750)	34,883	33,750	(1,133)
Monthly Cost per Person	\$48.00	\$47.33	(\$0.67)	\$48.00	\$47.22	(\$0.78)
Cash Payments	\$19,872,000	\$19,168,650	(\$703,350)	\$20,092,608	\$19,124,100	(\$968,508)
Transaction Fees	\$72,100	\$70,000	(\$2,100)	\$77,000	\$70,000	(\$7,000)
Total Costs	\$19,944,100	\$19,238,650	(\$705,450)	\$20,169,608	\$19,194,100	(\$975,508)
GPA						
Persons	210	162	(48)	210	162	(48)
Monthly Cost per Person	\$164.00	\$150.00	(\$14.00)	\$164.00	\$150.00	(\$14.00)
Cash Payments	\$413,280	\$291,600	(\$121,680)	\$413,280	\$291,600	(\$121,680)
Burials	\$630,000	\$615,000	(\$15,000)	\$630,000	\$615,000	(\$15,000)
Total Costs	\$1,043,280	\$906,600	(\$136,680)	\$1,043,280	\$906,600	(\$136,680)
Cash Assistance Total	\$117,962,706	\$113,730,450	(\$4,232,256)	\$124,194,420	\$116,635,800	(\$7,558,620)
<i>Federal Funds</i>	<i>\$86,305,340</i>	<i>\$83,695,568</i>	<i>(\$2,609,772)</i>	<i>\$92,311,546</i>	<i>\$86,645,468</i>	<i>(\$5,666,078)</i>
<i>General Revenue</i>	<i>\$31,657,366</i>	<i>\$30,034,882</i>	<i>(\$1,622,484)</i>	<i>\$31,882,874</i>	<i>\$29,990,332</i>	<i>(\$1,892,542)</i>

Rhode Island Works

The Conference revised its FY 2019 and FY 2020 estimates for Rhode Island Works to include 9,250 individuals at a monthly cost of \$188.00. This is a reduction of 450 persons compared to the November estimate. Total expenditures, including monthly bus passes and other Rhode Island Works programs, are estimated to be \$23.1 million in each year. Program expenses are funded entirely by the federal Temporary Assistance for Needy Families block grant.

Child Care Assistance

The FY 2019 caseload estimate for child care assistance includes \$70.5 million to provide 9,040 children with subsidized care at an average annual cost of \$7,800 per subsidy. The revised estimate assumes the use of \$60.6 million in federal block grant funds and \$9.9 million from general revenues. Projected program expenses are anticipated to decrease by \$1.7 million relative to the November estimate based on updated enrollment data and a reduction in the cost per subsidy.

For FY 2020, program costs are estimated to be \$73.5 million for 9,240 subsidies at an average annual cost of \$7,950 per subsidy. The estimate assumes the use of \$63.6 million in federal block grant funds and \$9.9 million from general revenues. The total cost is \$4.6 million less than the November estimate.

The child care reconciliation process for FY 2017 is expected to be completed in FY 2020. In FY 2019, the Department of Human Services sent reconciliation payments to providers who were underpaid for child care in FY 2017. Payments totaling \$0.9 million were made to 337 providers. In FY 2020, the Department of Human Services anticipates recouping approximately \$0.8 million from providers who were overpaid for child care in FY 2017. The adopted estimate recognizes this recoupment and reduces expenditures by \$0.8 million in FY 2020.

Supplemental Security Income

The caseload for the Supplemental Security Income program is estimated to be 33,750 in FY 2019, a decrease of 750 persons below the November estimate. The estimated monthly cost per person is revised downward by \$0.67 to \$47.33 for total costs of \$19.2 million. In FY 2020, an estimated 33,750 persons will receive payments of \$47.22 per month, for total costs of \$19.2 million. The program is funded entirely through general revenues.

The FY 2019 estimate includes an enhanced Supplemental Security Income (Category F) room and board payment for individuals in assisted living facilities who are enrolled in Rhody Health Options, as permitted by current law. The estimate also includes approximately 50 individuals who were transitioned out of Rhody Health Options when the first phase of the program was eliminated in October 2018. This second group is no longer eligible to receive the higher payment; however, the payment is still being made and \$0.3 million is included for FY 2019 to recognize this. The Governor has submitted legislation to allow the State to continue making the Category F payment to the 50 individuals but, since it is not current law, the expenses projected for this program have been reduced by \$0.3 million in FY 2020. The individuals remain on the caseload but are projected to receive the lower payment for assisted living room and board.

General Public Assistance

The Conference revised its FY 2019 and FY 2020 estimates for General Public Assistance to include 162 individuals at a monthly cost of \$150.00, a decrease of 48 persons from the November estimate. Total expenditures are estimated to be \$0.9 million in both years. The program is funded entirely through general revenues.

MEDICAL ASSISTANCE

The Conference projects total medical assistance spending of \$2,424.9 million in FY 2019, including \$1,467.4 million from federal funds, \$948.5 million from general revenues, and \$9.0 million from restricted receipts. This is \$32.1 million less than the November conference estimate from all sources. General revenues are expected to decrease in FY 2019 by \$17.6 million relative to the November 2018 estimate.

For FY 2020, the Conference projects spending of \$2,485.0 million, including \$1,490.1 million from federal funds, \$984.8 million from general revenues, and \$10.1 million from restricted receipts. The estimate is \$38.8 million less than the November conference estimate, of which \$26.8 million is from federal funds and \$13.1 million is from general revenues, offset by \$1.1 million more from restricted receipts, reflecting an anticipated increase in collections for the Children's Health Account.

The primary drivers of the surpluses in both FY 2019 and FY 2020 are changes in the price and utilization assumptions for Hepatitis C treatment as well as reduced fee-for-service activity attributable to the Rhody Health Options transition population.

Medical Assistance						
May 2019 Consensus Caseload Estimates	FY 2019 Nov CEC	FY 2019 May CEC	Change to Nov CEC	FY 2020 Nov CEC	FY 2020 May CEC	Change to Nov CEC
Hospitals						
Regular	56,600,000	60,000,000	3,400,000	59,300,000	60,100,000	800,000
Disproportionate Share	138,519,196	138,519,196	-	139,708,966	139,700,000	(8,966)
Total	\$195,119,196	\$198,519,196	\$3,400,000	\$199,008,966	\$199,800,000	\$791,034
Long-Term Care						
Nursing and Hospice Care	321,000,000	308,000,000	(13,000,000)	362,400,000	364,900,000	2,500,000
Home and Community Care	81,000,000	69,400,000	(11,600,000)	91,900,000	75,600,000	(16,300,000)
Total	\$402,000,000	\$377,400,000	(\$24,600,000)	\$454,300,000	\$440,500,000	(\$13,800,000)
Managed Care						
Managed Care	723,700,000	725,700,000	2,000,000	744,000,000	749,800,000	5,800,000
Rhody Health Partners	254,500,000	237,600,000	(16,900,000)	274,000,000	247,000,000	(27,000,000)
Rhody Health Options	205,300,000	211,000,000	5,700,000	140,000,000	156,000,000	16,000,000
Other Medical Services	127,600,000	126,800,000	(800,000)	140,100,000	137,800,000	(2,300,000)
Medicaid Expansion	480,000,000	478,700,000	(1,300,000)	498,200,000	480,000,000	(18,200,000)
Total	\$1,791,100,000	\$1,779,800,000	(\$11,300,000)	\$1,796,300,000	\$1,770,600,000	(\$25,700,000)
Pharmacy						
Pharmacy	(576,103)	(258,638)	317,465	(519,052)	(142,168)	376,884
Clawback	69,371,130	69,453,452	82,322	74,706,800	74,215,807	(490,993)
Total	68,795,027	69,194,814	399,787	74,187,748	74,073,639	(114,109)
Medical Assistance Total	\$2,457,014,223	\$2,424,914,010	(\$32,100,213)	\$2,523,796,714	\$2,484,973,639	(\$38,823,075)
<i>Federal Funds</i>	<i>\$1,481,871,882</i>	<i>\$1,467,418,637</i>	<i>(\$14,453,245)</i>	<i>\$1,516,892,613</i>	<i>\$1,490,092,845</i>	<i>(\$26,799,768)</i>
<i>General Revenue</i>	<i>\$966,118,136</i>	<i>\$948,471,168</i>	<i>(\$17,646,968)</i>	<i>\$997,879,896</i>	<i>\$984,786,594</i>	<i>(\$13,093,302)</i>
<i>Restricted Receipts</i>	<i>\$9,024,205</i>	<i>\$9,024,205</i>	<i>-</i>	<i>\$9,024,205</i>	<i>\$10,094,200</i>	<i>\$1,069,995</i>

Hospitals

FY 2019 hospital expenditures are estimated to be \$198.5 million. This includes a disproportionate share hospital payment totaling \$138.5 million, \$15.7 million for Upper Payment Limit reimbursement, and a \$1.0 million State-only payment for Graduate Medical Education. FY 2019 hospital expenditures increase by \$3.4 million relative to the November conference estimate, based on year-to-date utilization of both inpatient and outpatient hospital services.

FY 2020 hospital expenditures are estimated to be \$199.8 million, including disproportionate share hospital payments of \$139.7 million to reflect current law. The FY 2020 hospital estimate is \$0.8 million more than November. This estimate maintains the current trend for inpatient and outpatient services but incorporates a lower Upper Payment Limit reimbursement of \$14.0 million. The UPL payment compensates hospitals for the difference between the Medicaid and Medicare fee-for-service rates of reimbursement. The FY 2020 estimate also includes \$1.0 million from general revenues for the Graduate Medical Education program.

Long Term Care

Long term care expenditures, which include fee-for-service payments for services provided in nursing facilities and community settings, are estimated to be \$377.4 million in FY 2019 and \$440.5 million in FY 2020. This is \$24.6 million less than the November estimate for FY 2019 and \$13.8 million less than the November estimate for FY 2020.

A reduction of \$13.0 million in FY 2019 for nursing facilities primarily reflects a reduction in the number of individuals who were transitioned to fee-for-service as part of the Rhody Health Options

redesign. The estimate also reflects a reduction in interim payments. The November estimate assumed that the State would make \$33.0 million in nursing home advances in the current year. The adopted estimate reduces this projection to \$23.9 million. The caseload estimate assumes that 10 percent of these advanced payments, or \$2.4 million, will not be eligible for federal Medicaid reimbursement and adjusts State funding accordingly. The adopted estimate also includes \$1.0 million in advances to hospice providers which was not included in November, all of which are assumed eligible for federal financial participation.

The FY 2020 estimate for nursing facilities increases by \$2.5 million relative to the November estimate. The November conference assumed that the State would no longer make interim payments in FY 2020; however, the Executive Office revised its projection to include \$17.2 million for these payments in FY 2020, 10 percent of which were State-only. The estimate includes this revision but assumes that all of these payments will be eligible for federal reimbursement. The increase in interim payments is offset by a reduction in bed days related to the annualized impact of the Rhody Health Options redesign initiative.

Long term care estimates also include reductions of \$11.6 million in FY 2019 and \$16.3 million in FY 2020 in fee-for-service funding for home and community based services. The November conference estimate reflected the anticipated transition of members who were enrolled in Phase I of Rhody Health Options, which was eliminated on October 1, 2018, into the fee-for-service program. The May caseload estimate reflects an unexpected increase in the number of members enrolling in Phase II of Rhody Health Options rather than transitioning into long term care.

Managed Care

FY 2019 expenditures for managed care (including the RItE Care and RItE Share programs) are estimated to be \$725.7 million, a \$2.0 million increase from the November estimate. This is related to higher average enrollment and increased utilization of services through the federally qualified health centers, offset by moderate reductions in hospital payments for births and a reduction in the average per member per month price for children with special healthcare needs from a change in the assumed case mix.

Costs for FY 2020 are estimated at \$749.8 million, or \$5.8 million more than the November estimate. This is related to the continuation of the trends experienced in FY 2019. The estimate includes an increase in monthly capitation payments.

Rhody Health Partners

The Rhody Health Partners program expenses are estimated at \$237.6 million for FY 2019, which is \$16.9 million less than the November estimate. This is primarily driven by a \$15.0 million reduction in anticipated costs for Hepatitis C treatment. The estimate also includes reduced capitation payments due to a reduction in the number of individuals transitioned from Rhody Health options. These savings are offset by higher costs for risk share, pharmacy, and non-emergency medical transportation.

FY 2020 expenditures are estimated to be \$247.0 million, which is \$27.0 million less than the November estimate. The FY 2020 estimate also includes savings related to Hepatitis C treatment and reductions in average anticipated enrollment, offset by higher costs for pharmacy and transportation.

Rhody Health Options

Expenses for Rhody Health Options, 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 \$211.0 million for FY 2019. This represents an increase of \$5.7 million compared to the November estimate due to updated enrollment projections, increased quality withhold and risk share payments, and significantly lower pharmacy rebate collections. These increases are offset slightly by savings related to Hepatitis C treatment and non-emergency medical transportation.

The FY 2020 estimate of \$156.0 million is \$16.0 million more than the November conference estimate. This reflects increases in projected enrollment and pharmacy expenditures.

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 below 138 percent of the federal poverty level and without dependent children were added to the State's medical assistance program. Costs related to this expansion were fully federally-funded through calendar year (CY) 2016 with federal support phased down from 95 percent in CY 2018 to 90 percent by CY 2020. The State share for this population is 6.5 percent in FY 2019 and 8.5 percent in FY 2020.

The FY 2019 estimate of \$478.7 million is \$1.3 million less than the November conference estimate. This is the result of reductions in projected capitation payments and spending for Hepatitis C treatment, offset by additional risk share payments which were not included in the November estimate. The adopted estimate for FY 2019 also includes slightly higher projections for fee-for-service expenses based on year-to-date utilization.

The FY 2020 estimate of \$480.0 million is \$18.2 million less than the November estimate and assumes trends based on the revised FY 2019 estimate, noted above.

Other Medical Services

Expenditures for other medical services are estimated to be \$126.8 million for FY 2019 and \$137.8 million for FY 2020. The estimate includes Medicare Part A and B payments for certain individuals, fee-for-service payments for rehabilitation, and other medical services and payments to the Tavares pediatric facility.

The FY 2019 estimate is \$0.8 million less than the November conference estimate, and the FY 2020 estimate is \$2.3 million less than November. The FY 2019 estimate includes savings of \$1.0 million related to a penalty assessed against Medical Transportation Management (MTM), the State's new transportation broker as of January 2019. This one-time payment serves as restitution for an array of issues experienced with the rollout of the contract between the Medicaid program and MTM. The FY 2019 estimate also includes slightly lower projections for Medicare Part A and B payments and other medical services. These reductions are offset by a one-time prior period adjustment of \$1.2 million as well as \$1.4 million less in estate recoveries. The FY 2020 estimate projects lower Part A/B payments than assumed in November as well as reduced utilization of transportation and other medical services, offset by a \$1.4 million reduction in estate recoveries.

Pharmacy

Pharmacy expenses are estimated at \$69.2 million for FY 2019 and \$74.1 million for FY 2020. Nearly all of the funding is for the Medicare Part D clawback payment, which is funded solely by

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general revenues. The payment is 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 overall estimate increases by \$0.4 million for FY 2019 and decreases by \$0.1 million for FY 2020 compared to the November conference estimate.

The next required meeting of the Conference is November 2019.

cc: The Honorable William J. Conley, Jr., Chairman
 Senate Finance Committee

 The Honorable Marvin L. Abney, Chairman
 House Finance Committee