

Agency for Health Care Administration: Schedule VIII-B Reductions

Beth Kidder
Deputy Secretary for Medicaid
Agency for Health Care Administration

House Health Care Appropriations Subcommittee
January 25, 2017



Reduction Target and Proposals

- The Agency's target reduction is 10% in General Revenue and State Trust Fund:
 - General Revenue \$536,747,275
 - State Trust Fund \$266,288,969
 - Total **\$803,036,244**
- Agency proposes the following reductions:
 - Medically Needy Reduction Excluding Children and Pregnant Women
 - Hospital Inpatient Reduction (Includes health plan impact)
 - Hospital Outpatient Reduction (Includes health plan impact)
 - Prepaid Health Plan Capitation Rate Reduction



Reduction Detail

Issues	General Revenue	State Trust Funds	Federal Funds	Total All Funds
Medically Needy Reduction Excluding Children and Pregnant Women	(\$193,810,178)	(\$29,354,840)	(\$333,025,639)	(\$556,190,657)
Hospital Inpatient Rate Reduction (Includes health plan impact)	(\$260,738,526)	\$0	(\$421,760,602)	(\$682,499,128)
Hospital Outpatient Rate Reduction (Includes health plan impact)	(\$62,160,561)	\$0	(\$100,548,851)	(\$162,709,412)
Prepaid Health Plan Capitation Rate Reduction	(\$256,972,139)	\$0	(\$415,270,631)	(\$672,242,770)
Total Reductions	(\$773,681,404)	(\$29,354,840)	(\$1,270,605,723)	(\$2,073,641,967)



Medically Needy Background

- Available to families and pregnant women who have income or assets that exceed the normal limits for Medicaid.
- Individuals must incur a monthly share of cost for medical expenses before becoming Medicaid eligible for the month.
 - Share of cost is similar to an insurance deductible.
 - Share of cost amount varies depending on the family's size and income.
- Medically Needy is an optional program.



Medically Needy Reduction Excluding Children and Pregnant Women

- Proposes a total reduction in General Revenue of \$193,810,178.
- Limits eligibility for Medically Needy program to pregnant women and children.
- 27,521 individuals estimated for coverage in FY 2017-18.
 - Estimated 1,542 pregnant women and children would continue to receive services through the Medically Needy program.



Hospital Inpatient Reduction

(Includes Health Plan Impact)

- Proposes a total reduction in General Revenue of \$260,738,526.
- Eliminates Diagnosis Related Group reimbursement rate enhancement for hospitals whose profit margin is greater than the statewide profit margin.
- Decreases Diagnosis Related Group base rate or policy adjustors for all hospital inpatient services by 15.9%.
- Overall impact:
 - 22.5% hospital inpatient fee-for-service rate reduction
 - 4.5% Medicaid health plan capitation rate reduction



Hospital Outpatient Reduction

(Includes Health Plan Impact)

- Proposes a total reduction in General Revenue of \$62,160,561.
- Eliminates the hospitals' outpatient reimbursement rate enhancement for hospitals whose profit margin is greater than the statewide profit margin.
- Decreases the reimbursement rates for hospital outpatient services by 17.3%.
- Overall impact:
 - 23.2% hospital outpatient fee-for-service rate reduction
 - 1.2% Medicaid health plan capitation rate reduction



Prepaid Health Plan Rate Reduction

- Proposes a total reduction in General Revenue of \$256,972,139.
- Decreases the capitation rate paid to the Medicaid health plans for providing Medicaid benefits to Medicaid recipients as a result of policy changes to the Medicaid program.
- Reduction can only occur if the capitation rates can achieve actuarial soundness.
- Overall impact:
 - 6.66% Medicaid health plan capitation rate reduction



Questions

