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December 9, 2011

To: Members of Legislative Leadership  
Members of the Appropriations and Financial Affairs Committee  
Members of the Health and Human Services Committee

From: Mary C. Mayhew, Commissioner, Department of Health and Human Services

Please find attached the following documents pertaining to the SFY12 MaineCare shortfall:

1. MaineCare Analysis of the Contributing Factors Resulting in the Shortfall
2. MaineCare Financial Projection and Shortfall Analysis – Attachment A
3. MaineCare Enrollment – Attachment B

# DHHS Analysis of Projected MaineCare Shortfall -- SFY 2012

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The Department of Health and Human Services is projecting a significant shortfall in the General Fund for SFY 2012. This document provides a description of the issues underlying this estimated shortfall.

## A. Crossover payments

**Description of Issue:** These are hospital claims for members who have both Medicare and MaineCare coverage at 150% federal poverty level (FPL).

- MaineCare is responsible for paying the co-insurance, deductibles and co-payments for these claims.
- MeCMS was not able to process these claims and they were handled at settlement with the hospitals and have not been included as part of the baseline budget for the program.
- With the implementation of MIHMS in September 2010, these claims are processed on a real time basis. This change was not included in the SFY 2012 baseline projection, which resulted in the entire amount paid for Crossover payments as a variance from budget.

State Fiscal Year	FY Crossover Expenses	Membership Total	Cost per Member
2009	\$ 27,355,100 <sup>(1)</sup>	27,880	\$ 981
2010	\$ 28,774,400 <sup>(1)</sup>	29,376	\$ 979
2011	\$ 33,228,000 <sup>(2)</sup>	30,188	\$ 1,100
2012	\$ 36,258,000 <sup>(3)</sup>	31,250 <sup>(4)</sup>	\$ 1,160

(1) Expenditures for SFY 09-10 are based on calculations provided by Baker Newman Noyes. (MeCMS)

(2) SFY 2011 is based on MIHMS processing of 10 months, September 2010 through June 2011, of \$27,690,000, annualized.

(3) SFY 2012 is based on current experience of \$13,248,460 for 19 weeks of MaineCare claims cycles, annualized.

(4) Membership trended forward based on year-to-date actual increase.

<b>General Fund Impact: \$13,270,428</b> (\$36,258,000 * 36.6%)
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## B. Adjustments to claims previously paid using ARRA funds

**Description of Issue:** These are prior period claims that have been rebilled due to errors that were originally paid at a higher FMAP rate, and then reprocessed at the current lower FMAP rate. (Examples of errors include: rate change, incorrect number of units, etc.).

- The resulting transaction is an increase in unbudgeted General Fund Expenditures.
- There is an audit being conducted by the Office of the Inspector General which will determine how these adjustments will be handled going forward.

<b>ARRA Adjustments Through November 28<sup>th</sup></b>		Totals
	Monthly Totals	
July	\$557,536	
August	1,292,991	
September	1,157,298	
October	358,821	
November	910,220	
Actual adjustments to date		\$4,276,866
Adjustment Average Per Month	\$855,373	
Projection - Remaining 7 Mos.		<u>5,987,612</u>
<b>Projected Annual Impact</b>		<b><u>\$10,264,478</u></b>

**General Fund Impact: \$10,264,478**

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## C. SFY 2011 claims paid in SFY 2012 exceeded expectations

**Description of Issue:** The number of claims carried over from SFY 2011 to SFY 2012 was higher than expected due to several MIHMS system defects. Typically, there are carryover claims from one year to the next; however, SFY 2012 is higher than normal.

	<b>SFY 2011 Paid, <u>Incurred in SFY 2010</u></b>	<b>SFY 2012 Paid, <u>Incurred in SFY 2011</u></b>	<b><u>Difference</u></b>
Actual paid through 10/31/11	\$139,300,000	\$161,509,073	(22,209,073)
Estimate of amount to be paid between 11/1/11-6/30/12	<u>0</u>	<u>59,460,000</u>	<u>(59,460,000)</u>
<b>TOTAL</b>	<b><u>\$139,300,000</u></b>	<b><u>\$220,969,073</u></b>	<b><u>(81,669,073)</u></b>
Federal Share	\$101,661,140	\$140,094,392	(38,433,252)
<b>State Share</b>	<b>37,638,860</b>	<b>80,874,681</b>	<b>(43,235,821)</b>
ARRA/FMAP Adjustment -- SFY 2011	50,983,800		
<b>State Share</b>	<b>50,983,800</b>	<b>80,874,681</b>	<b>(29,890,881)</b>

\*Source of actual paid data: Deloitte actuarial "Incurred, but not Paid" Annual Medicaid Analysis

<b>General Fund Impact: \$29,890,881</b>
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## D. PNMI Room and Board expenditures

**Description of Issue:** The PNMI room and board account has historically been underfunded. Historically, transfers from the Medical Assistance Payments (MAP) account have occurred to cover the State funded room and board costs.

SFY 2011 (Final 3 Quarters) Actual Expenditures	\$20,923,666	
SFY 2012 Q1 Actual Expenditures	<u>10,397,877</u>	
Total Estimated Expenditures for SFY 2012	\$31,321,543	
Less: Budget	<u>6,274,174</u>	
Expenditures Over Budget		\$ 25,047,369
SFY 2012 Savings Initiative for SFY 2011 Cost of Care (COC)	\$4,200,000	
SFY 2012 Savings Initiative for SFY 2012 Cost of Care (COC)	<u>4,200,000</u>	
Total Cost of Care Savings Initiatives		<u>8,400,000</u>
Subtotal Shortfall		\$ 33,447,369
Less:		
SFY 2011 COC collected in SFY 2012 towards Savings Initiative	\$4,200,000 <sup>(1)</sup>	
Additional SFY 2011 COC collected in SFY 2012	7,800,000 <sup>(2)</sup>	
SFY 2012 COC collected in 2012 towards Savings Initiative	<u>2,100,000</u> <sup>(3)</sup>	
Subtotal additional COC collected		<u>14,100,000</u>
<b>TOTAL SHORTFALL</b>		<b><u>\$ 19,347,369</u></b>

(1) Will be recouped with invoices sent September, 2011.

(2) Will be recouped with invoices sent November, 2011 and January, 2012.

(3) Will recoup half of the invoices sent March, 2012.

<b>General Fund Impact: \$19,347,369</b>
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# DHHS Analysis of Projected MaineCare Shortfall -- SFY 2012

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## E. Savings Initiatives that will not be realized

**Description of Issue:** The dollar amount represented below shows savings initiatives that reduced our SFY 2012 baseline. We do not think, however, that we will realize the full savings.

	SFY 2012 <u>Original</u>	Will Be <u>Achieved</u>	Will Not Be <u>Achieved</u>
Reduces funding by implementing medication therapy	\$ 600,000	\$ 300,000	\$ 300,000
Reduces funding by limiting medical assistance benefits	2,559,110	1,279,555	1,279,555
Reduces funding from savings in children's waiver	522,068	130,517	391,551
Reduces funding to establish Maine Rx program fee	29,500	0	29,500
Reduces funding for proper application of Cost of Care	<u>4,200,000</u>	<u>2,100,000</u>	<u>2,100,000</u>
<b>Total</b>	<b><u>\$7,910,678</u></b>	<b><u>\$3,810,072</u></b>	<b><u>\$4,100,606</u></b>

**General Fund Impact: \$4,100,606**

## F. Physician claims exceeding projected budget

**Description of Issue:** The SFY 2012 CMS Form 1500 Professional Claims have exceeded the amount the Department budgeted.

Total Form 1500 Professional Claims through 13 weeks	\$17,848,969
Average per Week	\$ 1,372,998
Average Annualized	\$71,395,876
Estimated Budget for Hospital Based Physicians	<u>42,738,369</u>
Amount Over Budget	<u>\$28,657,507</u>
<b>State Portion (36.6%)</b>	<b>\$10,488,647</b>

**General Fund Impact: \$10,488,647**

# DHHS Analysis of Projected MaineCare Shortfall -- SFY 2012

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## G. Membership increase

**Description of Issue:** The anticipated growth in SFY 2012 had not been accounted for in the biennial budget.

- The increase is based on the trends in membership back to July 2007. See **Attachment A**
- The total of additional member months was estimated by eligibility groups.
- The total member months (including additional estimate of member months) were multiplied by the PMPM for each group.

	<u>Member Months</u>	<u>PMPM SFY 2012</u>	<u>Estimated Impact</u>	<u>Federal</u>	<u>State</u>	<u>Federal Percentage</u>
Traditional Medicaid	25,614	\$ 533.73	\$ 13,670,636	\$ 8,721,866	\$ 4,948,770	63.80%
CHIP Medicaid Expansion	6,122	145.40	890,208	661,335	228,872	74.29%
CHIP Cub Care	1,339	137.71	184,337	136,944	47,393	74.29%
Medicaid Parent Expansion 101% 150% Federal Poverty Level (FPL)	8,697	132.73	1,154,379	730,375	424,003	63.27%
Medicaid Parent Expansion 151% 200% FPL	2,147	109.32	234,706	148,498	86,207	63.27%
Childless Adult Waiver	6,382	158.15	1,009,316	638,595	370,722	63.27%
MaineCare and Drugs for the Elderly (DEL) MeRX	21,180	50.83	<u>1,076,478</u>	<u>681,088</u>	<u>395,392</u>	63.27%
<b>TOTAL</b>			<b><u>\$ 18,220,060</u></b>	<b><u>\$ 11,718,701</u></b>	<b><u>\$ 6,501,359</u></b>	

<b>General Fund Impact: \$6,501,359</b>
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# DHHS Analysis of Projected MaineCare Shortfall -- SFY 2012

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## H. Structural Shortage

**Description of Issue:** The following analysis compares SFY 2012 budget to SFY 2011 actual expenditures, to determine whether the SFY 2012 MaineCare funding aligns with SFY 2011 actual spending. Adjustments have been made to reflect the loss of federal revenue, SFY 2012 savings initiatives, etc.

SFY 2011 General Fund Expenditures	\$515,371,155	
Less: GF Share of Hospital Settlements	(68,663,750)	
Add: Base FMAP (Base FMAP Higher in SFY 2011 - Accounted for in 2012/2013 Biennial)	<u>32,437,853</u>	
SFY 2011 General Fund Expenditures (normal operations)		\$ 479,145,258
SFY 2011 ARRA Expenditures	\$198,997,107	
Less: ARRA Share of Hospital Settlements	<u>20,203,885</u>	
SFY 2011 ARRA Expenditures (normal operations)		<u>178,793,222</u>
SFY 2011 Operations Expenditures		<u>\$ 657,938,480</u>
SFY 2012 General Fund Budget*	\$662,057,680	
SFY 2011 Operations Expenditures	<u>657,938,480</u>	
SFY 2012 General Fund Budget in Excess of SFY 2011 Expenditures		<u>\$ 4,119,200</u>
SFY 2012 General Fund Budget in Excess of SFY 2011 Expenditures	\$ 4,119,200	
Less: SFY 2012 TCM Appropriation/Payment to the Federal Government	(29,807,000)	
Add: Savings Initiatives to be Achieved in SFY 2012	<u>13,818,000</u>	
<b>SFY 2012 General Fund Budget GAP from SFY 2011 Actual Level</b>		<b><u>\$11,869,800</u></b>

\*SFY 2012 General Fund Budget amount does not include Drugs for the Elderly account (020201) or subsequent Financial Orders.

<b>General Fund Impact: \$11,869,800</b>
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# DHHS Analysis of Projected MaineCare Shortfall -- SFY 2012

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## I. Changes in Medicare A, B, and D premiums

**Description of Issue:** This variance results from changes to the Medicare premiums that were not budgeted.

- Medicare Part A and B premiums increased from \$110.50 to \$115.40 on 1/1/11, but will be dropping from \$115.40 down to \$99.90 on 01/01/12.
- Medicare Part D increased from the ARRA period premium average of \$60.89 per member per month to a post ARRA premium average of \$82.99. The Part D premium is state only funds which has a much bigger impact on General Fund Dollars

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Change in Parts A and B from SFY 2011 to SFY 2012 - Adjusted for ARRA	\$ (1,306,119)	\$ (2,427,785)	\$ (3,733,904)
Change in Part D from SFY 2011 to SFY 2012	<u>12,808,629</u>	<u>0</u>	<u>12,808,629</u>
<b>Total Change</b>	<b><u>\$ 11,502,510</u></b>	<b><u>\$ (2,427,785)</u></b>	<b><u>\$ 9,074,725</u></b>

<b>General Fund Impact: \$11,502,510</b>
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## J. Prospective Interim Payments (PIP)

**Description of Issue:** Mount Desert Island Hospital (MDI) and Stephens Memorial Hospital (Stephens) had major changes in their cost structure that required an increase to the weekly PIP they received. Since the PIP update was made after the PIP budget had been allocated to the hospitals, the result is higher PIP payments than budgeted.

Mount Desert Island Hospital	\$267,075
Stephen's Memorial Hospital	<u>265,725</u>
<b>TOTAL</b>	<b><u>\$532,800</u></b>

<b>General Fund Impact: \$532,800</b>
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## K. Special Revenue Shortfall

**Description of Issue:** November tax revenue projections for the MaineCare Program indicate that approximately \$1.8MM of budgeted tax revenues will not be realized in SFY 2012. Reductions in the tax revenue prevent the Department from transferring costs from the General Fund to the Other Special Revenue Fund.

<b>General Fund Impact \$1,800,000</b>
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## L. MeCMS claims not paid during curtailment

**Description of Issue:** Some MeCMS claims or adjustments with a date of service prior to September 1, 2010, were not processed prior to the MeCMS shutdown in February, 2011. These claims continue to be processed manually.

MeCMS claims paid in offline process through 11/23/2011	\$7,215,700
Estimate of remaining claims to be processed	<u>2,317,100</u>
Total State and Federal	<u>\$9,532,800</u>
<b>Total State Share (\$9,532,800 * 36.6%)</b>	<b><u>\$3,489,004</u></b>

<b>General Fund Impact: \$3,489,004</b>
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## Summary of Analysis

	<b>General Fund Impact (in Millions)</b>
<b><u>Identified Issue</u></b>	
<b>Posted MaineCare Cycle Payments</b>	
A. Crossover payments	\$ 13,270,428
B. Adjustments to claims previously paid using ARRA funds	10,264,478
C. SFY 2011 claims paid in SFY 2012 exceeded expectations	29,890,881
D. PNMI Room and Board expenditures	19,347,369
E. Savings Initiatives that will not be realized	4,100,606
F. Physician claims exceeding projected budget	10,488,647
G. Membership increase	6,501,359
H. Structural shortage	11,869,800
<b>Monthly Non-Cycle Payments</b>	
I. Medicare A, B, D premiums	11,502,510
J. PIP payments	532,800
<b>Other Non-Cycle Items</b>	
K. Special Revenue Shortfall	1,800,000
L. MeCMS claims not paid during curtailment	<u>3,489,004</u>
<b>TOTAL</b>	<b><u>\$ 123,057,882</u></b>