



**CASELOAD ESTIMATING CONFERENCE
MAY 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: Thomas A. Mullaney, State Budget Officer *Thomas A. Mullaney*
Sharon Reynolds Ferland, House Fiscal Advisor *Sharon Reynolds Ferland*
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Date: May 19, 2014

Subject: May 2014 Caseload Estimating Conference

The Caseload Estimating Conference convened on May 5, 2014, in an open public meeting to review and revise cash assistance caseload and medical assistance expenditures for FY 2014 and FY 2015. In comparison to the November estimate, the adopted estimate increased total funding for FY 2014 by \$100.1 million, of which \$90.6 million is from federal funds for the Medicaid expansion program. The FY 2015 budget for caseload programs is estimated to be \$234.0 million more than adopted in November, including \$185.3 million more from federal funds for the expansion program. In both fiscal years, the upward revision to total program expenditures is driven by significant increases to funding for the Medical Assistance (Medicaid) program as noted, partially offset by estimated decreases in required appropriations for the cash assistance programs. These atypically large increases relative to the November consensus estimates for Medical Assistance are largely the result of two salient factors: a significant increase in the estimated growth of the RIte Care caseload and an upward revision to the population size of individuals rendered eligible under the Medicaid expansion provisions of the Affordable Care Act. Both of these effects are discussed in further detail in the "Medical Assistance" section below.

FY 2014 caseload expenditures funded from general revenues are expected to be \$7.8 million greater than previously estimated, while FY 2015 expenditures funded from general revenues are expected to be \$26.1 million above previous estimates. Although these increases mirror the all-funds changes discussed above, they are of substantially lower magnitude because of enhanced federal financial participation received for the Medicaid expansion program.

	FY 2014	FY 2014	Change to	FY 2015	FY 2015	Change to
All Funds	Nov Adopted	May Adopted	Nov Adopted	Nov Adopted	May Adopted	Nov Adopted
Cash Assistance	\$108,522,770	\$105,520,747	(\$3,002,023)	\$107,995,063	\$105,569,860	(\$2,425,203)
Medical Assistance	1,730,254,416	1,833,322,903	103,068,487	2,025,286,149	2,261,662,072	236,375,923
Total	\$1,838,777,186	\$1,938,843,650	\$100,066,464	\$2,133,281,212	\$2,367,231,932	\$233,950,720
General Revenue						
Cash Assistance	\$29,915,745	\$29,753,147	(\$162,598)	\$29,761,628	\$29,653,915	(\$107,713)
Medical Assistance	815,333,861	823,325,271	7,991,410	861,317,199	887,551,242	26,234,043
Total	\$845,249,606	\$853,078,418	\$7,828,812	\$891,078,827	\$917,205,157	\$26,126,330

CASH ASSISTANCE

Cash assistance programs for FY 2014 are estimated to total \$105.5 million, a decrease of \$3.0 million from the November estimate. General revenue expenditures are estimated to be \$29.8 million, \$0.2 million less than November. Expenditures for FY 2015 are estimated to total \$105.6 million, \$2.4 million less than the November estimate. Estimated general revenues of \$29.7 million are \$0.1 million less than the November estimate.

Rhode Island Works

The estimators project a caseload of 14,570 persons for FY 2014, 555 persons below the November estimate, at an average monthly per-person cost of \$182.53, \$0.47 less than estimated in November. Total program expenses are estimated to be \$35.9 million, \$1.3 million less than estimated in November. For FY 2015, total costs are estimated to be \$35.6 million, \$1.6 million less than the November estimate, with a caseload of 14,450 persons at an average monthly cost of \$182.00 each. In both years, Rhode Island Works program expenditures are fully federally funded via the State Family Assistance Grant provided under the Temporary Assistance for Needy Families Program (often referred to as the “TANF block grant”).

The estimate for FY 2014 reflects the continuation of a decreasing caseload trend witnessed since the second quarter of FY 2014 for the remainder of the year. Although the FY 2015 estimate assumes a further reduction in the average Rhode Island Works annual caseload, it incorporates a moderation of the recent downward trend. Reductions in the Rhode Island Works caseload emanate from a variety of sources, including families reaching statutory time limits, slowly improving economic conditions, and more intensive casework with parents with hardship extensions of benefits. The FY 2014 and FY 2015 estimates assume that no more than 20 percent of the overall Rhode Island Works caseload will temporarily 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

The Child Care Assistance Program is projected to spend \$49.2 million in FY 2014, reflecting 7,060 children receiving subsidies at an average yearly cost of \$6,967 each. For FY 2015, program costs are estimated to be \$50.0 million, or 7,146 subsidies at an average yearly cost of \$7,000. In both years, consensus estimates incorporate the anticipated effects of two child care pilot programs that temporarily extend eligibility to previously ineligible populations: Back to Work RI and The Child Care Subsidy Transition Program. By statute, expanded eligibility pursuant to these pilot initiatives expires on December 31, 2014, and September 30, 2014, respectively.

General revenue expenditures are estimated to be \$9.7 million in FY 2014, 19.7 percent of total child care costs, and \$9.7 million in FY 2015, 19.3 percent of total costs. General revenue financing for the Child Care Assistance Program reflects fulfillment of the Maintenance of Effort (MOE) requirement under the federal Child Care Development Fund (CCDF).

Supplemental Security Income

The caseload for the Supplemental Security Income program is estimated to be 33,600 in FY 2014, 10 above the November estimate. The estimated monthly cost per person is revised downward by \$0.12 to \$45.50 for total costs of \$18.3 million in general revenue. In FY 2015, an estimated 33,930 individuals will receive payments averaging \$45.50, for total costs of \$18.5 million in general revenue, exclusive of transaction fees.

The state pays transaction fees to the Social Security Administration to administer a small portion of these state supplemental payments. These fees are expected to total \$53,500 in both FY 2014 and FY 2015.

General Public Assistance

Relative to November consensus estimates, the estimators project a decline in persons receiving general public assistance in both FY 2014 and FY 2015, based upon recent program trends. Expenditures, including monthly “bridge” program, indigent burials, and limited medical benefits, are estimated to be \$2.0 million in FY 2014 and \$1.4 million in FY 2015. The conference recognizes the state’s continued ability to leverage Medicaid funding through the Comprehensive Waiver for medical services provided to these clients, and includes \$0.3 million of federal funds in FY 2014. Since January 1, 2014, however, individuals have access to Medicaid benefits as part of the state expansion providing coverage to certain adults at or below 138 percent of the federal poverty level. Therefore, the medical care component of general public assistance is not required in FY 2015 or thereafter.

MEDICAL ASSISTANCE

The conference projects total medical assistance spending of \$1,833.3 million in FY 2014, \$103.1 million greater than projected in November. General revenue expenditures are estimated at \$823.3 million in FY 2014, an \$8.0 million increase to the November estimates. For FY 2015, the estimators project total spending of \$2,261.7 million, \$236.4 million more than November estimates, while general revenues expenditures totaling \$887.6 million reflect an increase of \$26.2 million compared to the November estimates.

Most medical assistance expenditures are matched at the state’s base federal medical assistance percentage (FMAP). The effective rate is 50.4 percent for FY 2014 and 50.0 percent for FY 2015.

Rhody Health Options

As in November, the FY 2014 and FY 2015 estimates include the new Rhody Health Options program, the state’s primary integrated care initiative to provide acute care and residential nursing services to approximately 30,000 individuals, the vast majority of whom are eligible for both Medicare and Medicaid (commonly referred to as “dual eligibles”). A much smaller subset of this population are Medicaid-only beneficiaries eligible for either community or facility-based long term services and supports. The Rhody Health Options program was launched in November 2013, and the beneficiary pool has been phased-in over the course of the past six months. In November, adopted expenditure projections reflected an anticipated year-end caseload of 20,133 individuals, with financial resources redistributed from other areas of the Medical Assistance budget, including nursing care, home and community care, hospitals, managed care, Rhody Health Partners, and pharmacy.

Due to rates of program uptake lagging those originally anticipated in November, the conferees downwardly revised both the FY 2014 and FY 2015 estimates for Rhody Health Options. The adopted estimates include \$116.7 million in FY 2014 and \$299.9 million in FY 2015, which represent decreases of \$9.6 million and \$30.1 million from the November estimates, respectively. The caseload is now expected to reach 17,640 by June 2014, with continued monthly increases throughout FY 2015 yielding a caseload of approximately 18,330 by June 2015.

Hospitals

Hospital expenditures in FY 2014, excluding payment for services provided to Medicaid enrollees in a managed care plan, are estimated to be \$204.8 million, \$5.7 million above the November estimate. These expenditures include a disproportionate share hospital (DSH) payment totaling \$129.8 million, reimbursing a portion of hospitals’ cost of providing uncompensated and charity care. Expenditures for FY 2015 are estimated to be \$189.2 million, \$11.8 million greater than the November estimate, and are inclusive of \$131.2 million in anticipated DSH payments.

Medicaid payments to hospitals in each year also include a supplemental outpatient “Upper Payment Limit” (UPL) reimbursement of \$11.1 million in FY 2014 and FY 2015, pursuant to Rhode Island General Law 40-8.3-10.

Long Term Care

Long term care expenditures, which include fee-for-service payments for services provided in nursing facilities and in community settings, are now estimated to be \$360.5 million in FY 2014, \$3.5 million less than estimated in November due to the downward trend in reimbursable nursing home days associated with the integrated care initiative. FY 2015 expenditures are estimated to be \$219.8 million, an increase of \$0.8 million from the November adopted estimate.

Please note that the significant year-over-year decrease within this category is primarily reflective of fiscal resources shifting from this traditional mechanism of service delivery to a managed long-term care model under the integrated care initiative. Through the Rhody Health Options program, the Executive Office of Health and Human Services has contracted with Neighborhood Health Plan of Rhode Island to provide services that include both institutional and community-based long term services and supports. As of April 18, 2014, 83 nursing homes have signed contracts with the managed care plan.

Managed Care

FY 2014 expenditures for managed care (including the RIte Care and RIte Share programs) are estimated to be \$610.0 million, \$19.0 million above November estimates. Costs for FY 2015 are estimated to increase to \$684.0 million, a 12.1 percent increase over the FY 2014 estimate and \$62.4 million above the November estimate.

Testimony by the Executive Office of Health and Human Services indicates four primary drivers of the sizeable cost increases in both FY 2014 and FY 2015: (1) The impact of a very recent surge in caseloads following the marketing and outreach efforts associated with the open enrollment period of the state’s health benefits exchange, HealthSource RI; (2) Significantly fewer than anticipated RIte Care parents being removed from the program following the reduction of the income eligibility threshold from 175 percent of federal poverty to 133 percent (effective on January 1, 2014); (3) A planned deferral of 2014 eligibility re-determinations for Medicaid beneficiaries until January 2015; and (4) A shift in the RIte Care case mix toward higher cost per member population subgroups. Although these largely unforeseen factors combine to produce an FY 2015 RIte Care enrollment projection that is considerably higher than that of November, the caseload is expected to crest in December 2014, after which the resumption of the re-determination process in January 2015 should lead to declining enrollment. It should be noted that the Office of Health and Human Services can notify the Centers for Medicare and Medicaid Services that the redetermination process will begin earlier than January 2015 which will impact the FY 2015 expenses in the RIte Care program.

The managed care estimate includes enhanced federal financial participation (FMAP) through the Children’s Health Insurance Program (CHIP) of \$27.6 million in FY 2014 and \$28.2 million in FY 2015.

Rhody Health Partners

Projected FY 2014 costs of \$198.5 million for the Rhody Health Partners program are \$0.5 million above November projections. FY 2015 expenditures are estimated to be \$209.0 million, \$3.0 million more than November. These revisions incorporate updated enrollment data, which are trending somewhat higher than the November estimates. There are no significant modifications to the monthly costs per enrollee in the May forecast(s).

Pharmacy

Pharmaceutical expenses, which are estimated net of anticipated rebates, are estimated to be \$0.7 million in FY 2014, equivalent to the November estimate. Following a comprehensive re-estimation of fee-for-

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service claiming patterns in FY 2015, expenditures are now estimated at \$1.4 million, or \$1.2 million above the November estimate for FY 2015.

The Medicare Part D clawback payment is estimated to be \$50.6 million in FY 2014, \$0.1 million below the November estimate. The FY 2015 clawback estimate is unchanged at \$50.4 million. Clawback payments consist solely of general revenues.

Other Medical Services

Expenditures for other medical services are upwardly revised to \$291.4 million in FY 2014 and \$608.0 million in FY 2015. Increases totaling \$91.1 million and \$187.3 million relative to the November estimates for FY 2014 and FY 2015, respectively, are almost wholly attributable to a reassessment of the “Medicaid expansion” caseload based on actual program experience since January 1, 2014. Pursuant to the Affordable Care Act and the State’s implementing statute, RIGL 40-8.12, non-pregnant adults without dependent children with incomes at or below 138 percent of the federal poverty level became Medicaid-eligible on January 1. In the four months since this program’s inception, enrollment has rapidly outpaced initial expectations. Having reached 45,000 individuals in mid-April 2014, the number of beneficiaries is expected to grow to an average of 56,640 in FY 2015. Adopted expenditures for this population total \$172.0 million in FY 2014 and \$492.4 million in FY 2015, and are entirely federally funded until the third quarter of FY 2017.

The estimate for other medical services also includes the Medicare Part B payment for certain individuals, fee-for-service payments for rehabilitation, optometry services, and the Tavares pediatric facility. It also includes funding for the Connect Care Choice Community Partners program which is also part of the integrated care initiative along with the Rhody Health Options program.

The following table displays the May caseload conference estimates for cash and medical assistance benefits for FY 2014 and FY 2015.

cc: The Honorable Raymond Gallison, Chairman
House Finance Committee

The Honorable Daniel DaPonte, Chairman
Senate Finance Committee

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	FY 2014 Nov Adopted	FY 2014 May Adopted	Change to Nov Adopted	FY 2015 Nov Adopted	FY 2015 May Adopted	Change to Nov Adopted
Grand Total						
Total Costs	\$1,838,777,186	\$1,938,843,650	\$100,066,464	\$2,133,281,212	\$2,367,231,932	\$233,950,720
Federal Funds	984,512,580	1,075,650,232	91,137,652	1,233,687,385	1,439,411,775	205,724,390
General Revenue	845,249,606	853,078,418	7,828,812	891,078,827	917,205,157	26,126,330
Restricted Receipts	9,015,000	10,115,000	1,100,000	8,515,000	10,615,000	2,100,000

Cash Assistance

	FY 2014 Nov Adopted	FY 2014 May Adopted	Change to Nov Adopted	FY 2015 Nov Adopted	FY 2015 May Adopted	Change to Nov Adopted
Rhode Island Works						
Persons	15,125	14,570	(555)	15,125	14,450	(675)
Monthly Cost per Person	\$183.00	\$182.53	(\$0.47)	\$182.50	\$182.00	(\$0.50)
Cash Payments	\$33,214,500	\$31,913,545	(\$1,300,955)	\$33,123,750	\$31,558,800	(\$1,564,950)
Monthly Bus Passes	3,826,020	3,794,028	(31,992)	3,826,020	3,762,780	(63,240)
Supportive Services	(230,000)	(210,000)	20,000	(230,000)	(210,000)	20,000
Tax intercepts	177,100	200,000	22,900	180,000	200,000	20,000
Clothing - Children	222,400	221,814	(586)	222,400	221,000	(1,400)
Catastrophic	48,000	23,700	(24,300)	48,000	28,000	(20,000)
Work Supplementation	1,800	200	(1,600)	2,400	2,000	(400)
Total Costs	\$37,259,820	\$35,943,287	(\$1,316,533)	\$37,172,570	\$35,562,580	(\$1,609,990)
TANF Block Grant	37,259,820	\$35,943,287	(1,316,533)	37,172,570	\$35,562,580	(1,609,990)
General Revenue	-	-	-	-	-	-

Child Care

Subsidies	7,170	7,060	(110)	7,145	7,146	1
Annual Cost per Subsidy	\$7,060	\$6,967	(\$93)	\$7,100	\$7,000	(\$100)
Total Costs	\$50,620,200	\$49,187,020	(\$1,433,180)	\$50,729,500	\$50,022,000	(\$707,500)
Federal Funds	40,951,565	39,518,385	(1,433,180)	41,060,865	40,353,365	(707,500)
General Revenue	9,668,635	9,668,635	-	9,668,635	9,668,635	-

Supplemental Security Income (SSI)

Persons	33,590	33,600	10	33,951	33,930	(21)
Monthly Cost per Person	\$45.62	\$45.50	(\$0.12)	\$45.62	\$45.50	(\$0.12)
Cash Payments	\$18,388,510	\$18,345,600	(\$42,910)	\$18,586,135	\$18,525,780	(\$60,355)
Transaction Fees	53,000	53,500	500	53,000	53,500	500
Total Costs	\$18,441,510	\$18,399,100	(\$42,410)	\$18,639,135	\$18,579,280	(\$59,855)

General Public Assistance (GPA)

Persons	524	495	(29)	550	500	(50)
Monthly Cost per Person	\$105.00	\$111.00	\$6.00	\$105.13	\$113.50	\$8.37
Total Payments	\$660,240	\$659,340	(\$900)	\$693,858	\$681,000	(\$12,858)
Burials	756,000	725,000	(31,000)	760,000	725,000	(35,000)
Medical	785,000	607,000	(178,000)	-	-	-
Total Costs	\$2,201,240	\$1,991,340	(\$209,900)	\$1,453,858	\$1,406,000	(\$47,858)
Federal Funds	395,640	305,928	(89,712)	-	-	-
General Revenue	1,805,600	1,685,412	(120,188)	1,453,858	1,406,000	(47,858)

Cash Assistance Total

Total Costs	\$108,522,770	\$105,520,747	(\$3,002,023)	\$107,995,063	\$105,569,860	(\$2,425,203)
Federal Funds	78,607,025	75,767,600	(2,839,425)	78,233,435	75,915,945	(2,317,490)
General Revenue	29,915,745	29,753,147	(162,598)	29,761,628	29,653,915	(107,713)

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Medical Assistance

	FY 2014 Nov Adopted	FY 2014 May Adopted	Change to Nov Adopted	FY 2015 Nov Adopted	FY 2015 May Adopted	Change to Nov Adopted
Hospitals						
Regular	\$69,300,000	\$75,000,000	\$5,700,000	\$46,200,000	\$58,000,000	\$11,800,000
Disproportionate Share	129,846,056	129,846,056	-	131,159,449	131,159,449	-
Total	\$199,146,056	\$204,846,056	\$5,700,000	\$177,359,449	\$189,159,449	\$11,800,000
Long Term Care						
Nursing and Hospice Care	\$285,800,000	\$279,600,000	(\$6,200,000)	\$175,500,000	\$165,000,000	(\$10,500,000)
Home and Community Care	78,200,000	80,900,000	2,700,000	43,500,000	54,800,000	11,300,000
Total	\$364,000,000	\$360,500,000	(\$3,500,000)	\$219,000,000	\$219,800,000	\$800,000
Managed Care and Other Acute Care Services						
Managed Care	\$591,000,000	\$610,000,000	\$19,000,000	\$621,600,000	\$684,000,000	\$62,400,000
Rhody Health Partners	198,000,000	198,500,000	500,000	206,000,000	209,000,000	3,000,000
Rhody Health Options	126,300,000	116,700,000	(9,600,000)	330,000,000	299,900,000	(30,100,000)
Other Medical Services	200,300,000	291,400,000	91,100,000	420,700,000	608,000,000	187,300,000
Total	\$1,115,600,000	\$1,216,600,000	\$101,000,000	\$1,578,300,000	\$1,800,900,000	\$222,600,000
Pharmacy						
Pharmacy	\$752,495	\$728,812	(\$23,683)	\$190,320	\$1,359,190	\$1,168,870
Clawback	50,755,865	50,648,035	(107,830)	50,436,380	50,443,433	7,053
Total	\$51,508,360	\$51,376,847	(\$131,513)	\$50,626,700	\$51,802,623	\$1,175,923
Medical Assistance Total						
Total Costs	\$1,730,254,416	\$1,833,322,903	\$103,068,487	\$2,025,286,149	\$2,261,662,072	\$236,375,923
Federal Funds	905,905,555	999,882,632	93,977,077	1,155,453,950	1,363,495,830	208,041,880
General Revenue	815,333,861	823,325,271	7,991,410	861,317,199	887,551,242	26,234,043
Restricted Receipts	9,015,000	10,115,000	1,100,000	8,515,000	10,615,000	2,100,000