

Program 080

DSHS - Medical Assistance Payments

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2007-09 Expenditure Authority	1,196.6	3,254,570	5,058,393	8,312,963
Supplemental Changes				
Federal Funds Technical Adjustment				
Nurse Hotline for Foster Parents		44	44	88
Adoption Support Medical Funding		(20,885)	20,885	
Healthy Options Premium Growth		(3,124)	(9,961)	(13,085)
Medicare Part D Clawback Adjustment		(9,407)		(9,407)
Reduced Federal Financial Participation		782	(782)	
Federal Audit Requirements	2.7	(467)	(467)	(934)
Provider One Carry Forward Funding		1,073	8,782	9,855
Hospital Hold Harmless Adjustment		9,960	26,829	36,789
Citizenship Verification Workload		835	833	1,668
Pension Plan 1 COLA Funding		8	22	30
PEBB Rate Reduction		(593)	(1,532)	(2,125)
Mileage Rate Adjustments		2	8	10
Postage Rate Adjustments		26	20	46
Mandatory Caseload Adjustments		(51,481)	42,947	(8,534)
FMAP Match Adjustment		15,725	(13,032)	2,693
Utilization Changes, DSHS		55,693	(50,078)	5,615
Transfers	(6.5)	(1,232)	(533)	(1,765)
Subtotal - Supplemental Changes	(3.9)	(3,041)	23,985	20,944
Total Proposed Budget	1,192.7	3,251,529	5,082,378	8,333,907
Difference	(3.9)	(3,041)	23,985	20,944
Percent Change	(0.3)%	(0.1)%	0.5%	0.3%

SUPPLEMENTAL CHANGES

Federal Funds Technical Adjustment

A technical adjustment is made to properly align expected federal earnings between federal fund types. (General Fund-Federal)

Nurse Hotline for Foster Parents

A 24-hour nurse hotline is established to provide access to foster parents for medical consultation and advice to assist them with emerging medical issues for children in their care. (General Fund-State, General Fund-Federal)

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Adoption Support Medical Funding

In the 2007-09 budget the cost of medical services for children within the adoption support program was transferred to Medical Assistance. The state share of the program was transferred as General Fund-State. However, these children are now accounted for in a program which uses the Health Services Account (HSA) as the state match for federal programs. The fund source for this activity is switched from General Fund-State to the HSA and nets to zero. (General Fund-State, Health Services Account-State)

Healthy Options Premium Growth

The forecast for the Healthy Options program currently assumes a 5.6 percent premium increase beginning with calendar year 2008. In addition, a 5.0 percent placeholder was included in anticipation of increases needed for calendar year 2009. Increases for Healthy Options premiums have been growing at slower rates since 2006. The increase for calendar year 2008 includes the impact of rate adjustments implemented for hospitals and pediatricians. The forecast is adjusted to reduce calendar year 2009 premium increases from 5.0 percent to 2.35 percent. This level of growth is consistent with anticipated trends in Healthy Options premiums. (General Fund-State, Health Services Account-State, General Fund-Federal)

Medicare Part D Clawback Adjustment

The Centers of Medicare and Medicaid Services (CMS) has recently released new factors used to determine the amount states are required to pay back for services shifted to the Part D prescription drug program. This pay back is referred to as the 'clawback' and is anticipated to decrease by 0.3 percent in calendar year 2008. This reduction is in part due to an overpayment made by states in calendar year 2007. This information was not available when the Medicaid forecast was completed in mid-October and is anticipated to lower General Fund-State obligations by \$9.4 million for the biennium.

Reduced Federal Financial Participation

The Centers for Medicare and Medicaid Services (CMS) has ruled that professionals performing administrative work rather than direct care are not eligible for an enhanced federal match rate of 75 percent. In addition, CMS has ruled that expenditures for staff who apply for Social Security benefits on behalf of children in foster care cannot be charged exclusively to Medicaid Title XIX. These staff will be allocated across all funding sources using a cost allocation process similar to the one used for social worker staff. Funding is provided to cover the reduced federal participation. (General Fund-State, General Fund-Federal)

Federal Audit Requirements

The Centers for Medicaid and Medicare Services (CMS) is currently engaged in audits authorized by federal legislation to combat fraud, abuse and waste within the Medicaid program. The department must review a sample of cases to determine eligibility accuracy, as well as accommodate additional billing and payment audits. Although these activities will increase administrative costs, it is anticipated the audits will eventually improve payment error rates and lower forecasted expenditure growth. While reductions in the forecast are not anticipated to be large, beginning in FY 2008 they will offset the anticipated expenditures required to comply with federal audits. These audits, when combined with existing efforts from CMS, the Office of the Inspector General, and the State Auditor's Office, require additional coordination and vendor relations management. Funding is provided to improve audit coordination within the Medicaid portfolio. (General Fund-State, General Fund-Federal)

Provider One Carry Forward Funding

Fiscal Year 2007 actual expenditures for Provider One, the new Medicaid payment system, were less than appropriated due to adjusted timelines. The system is now scheduled to be operational on July 1, 2008. Additional expenditure authority is provided in Fiscal Year 2008 to recognize the funds not spent during Fiscal Year 2007. (General Fund-State, General Fund-Federal)

Hospital Hold Harmless Adjustment

Hold harmless obligations begun in 2003-05, require the state to provide 'grants' to hospitals prospectively, based on projected revenue using the system of calculating payments from Fiscal Year 2003. Grants are projected forward and the resources are provided to hospitals at the beginning of a billing year. Each year the Department reconciles actual claims and identifies what grants should have been with what was paid to hospitals at the beginning of the billing year. There is a two-year lag in this process and billing year 2006 is currently being reconciled. In addition, the Department updates the projected need for hold harmless grants in the budget fiscal years. The funding provided will cover the projected need for hold harmless grants through Fiscal Year 2009 and are the net of anticipated reconciliation activities for 2006. (General Fund-State, General Fund-Federal)

Citizenship Verification Workload

Federal regulations require that the state review and verify citizenship expeditiously. One-time funding is provided for clients whose annual review is back-logged. (General Fund-State, General Fund-Federal)

Pension Plan 1 COLA Funding

Funding was provided in the 2007-09 budget for the additional employer contributions to retirement systems required by modifications to the eligibility criteria for the uniform COLA in the Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) in Senate Bill 5175. This item moves that funding from the State Employee Compensation Adjustments agency into individual agency budgets. (General Fund-State, other funds)

PEBB Rate Reduction

The state contributes 88 percent of the total weighted average of the employee health care premium and also pays for the cost of dental, life and long-term disability insurance. Total Public Employees Benefit Board (PEBB) expenditures for the 2007-09 Biennium are anticipated to be lower than budgeted because (1) health plan costs for calendar year 2008 are lower than expected, which will benefit both the state and its employees; (2) the Uniform Medical Plan continues to perform better than projected; and (3) funding was removed from the PEBB administrative cost allocation for an information technology system replacement due to the restrictive nature of federal funding. The state employer contribution rate will be reduced from \$732 per month to \$575 per month. This one-time reduction will leave an unrestricted fund balance of \$19.2 million at the end of Fiscal Year 2009. (General Fund-State, various other funds).

Mileage Rate Adjustments

Reimbursements for client-related travel are increased to the allowable automobile mileage of \$.485 per mile. (General Fund-State, General Fund-Federal)

Postage Rate Adjustments

Funding is provided to address the 5.1 percent postage rate increase for first-class mail. (General Fund-State, General Fund-Federal)

Mandatory Caseload Adjustments

The November 2007 Caseload Forecast Council's medical forecast increased caseloads for Categorically Needy Children which will increase the 2007-09 Health Services Account appropriations by \$51.9 million. Declining caseloads in Categorically Needy Families, Categorically Needy Aged, and General Assistance Unemployable Medical result in a \$51.5 million reduction in General Fund-State appropriations. Total caseload adjustments will reduce federal participation by \$9.0 million. (General Fund-State, General Fund-Federal, Health Services Account-State)

FMAP Match Adjustment

Washington State's federal medical assistance percentage (FMAP) was released for FFY 2009 at a rate of 50.94 percent. When translated into a state fiscal year for 2009, the assumed FMAP for Title XIX services will be 51.09 percent. Current assumptions in the 2007-09 budget held the FMAP at 2008 levels at 51.52 percent. Growth in personal income, especially for western states, is causing the decreased federal participation. Additional General Fund-State appropriations are needed to offset declining federal revenues. (General Fund-State, General Fund-Federal)

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Utilization Changes, DSHS

Adjustments to the Medical forecast are made to reflect changes in utilization patterns and shifting funding sources. These adjustments are anticipated to increase the state's General Fund-State 2007-09 obligations by \$55.7 million and the Health Services Account obligations by \$10.8 million. Conversely, General Fund-Federal obligations are anticipated to decrease by \$39.3 million. (General Fund-State, General Fund-Federal, Health Services Account-State)

Transfers

Transfers between DSHS programs are made to properly align FTE staff and appropriations with those programs expected to realize the expenditures or savings. These transfers net to zero agency-wide. (General Fund State, General Fund Federal)