

State of Indiana  
Family and Social Services Administration

**Medicaid Forecast Presentation**

Medicaid Advisory Committee

SFY 2014 through SFY 2017

Data through September, 2014

Presented by

Robert M. Damler, FSA, MAAA

Principal and Consulting Actuary

February 13, 2015

# Medicaid Forecast – New Programs

*Healthy Indiana Plan 2.0* – projected effective January 1, 2015  
(approved effective February 1, 2015)

- Covered populations
  - New adult group (under 138% FPL) at the enhanced federal match (100% through CY 2016, 95% in CY 2017)
  - HIP 1.0 at the enhanced federal match rate
  - HHW adults (age 19 and over) at regular match rate
- Projected fiscal impact
  - No impact to the Medicaid Assistance appropriation
    - SFY 2015 and SFY 2016 costs funded by Indiana check-up fund
    - SFY 2017 and later funded by hospital assessment fee and cigarette tax
  - Costs
    - State share for new adult group, starting January 2017
    - Physician reimbursement increase for Medicaid, to 75% Medicare

# Physician Reimbursement Increase Impact

## *General Approach*

- 2014 Medicare Relative Value Units (RVUs)
- July 2014 Geographic Practice Index (GPCI) for Indiana
- 75% of the July 2014 Medicare conversion factor

## *Main Exceptions*

- Maternity services receive 100% Medicare reimbursement
  - Prenatal care per visit rates were developed by dividing the Medicare bundled rate by the expected number of visits
- Behavioral health set to 80% Medicare reimbursement
- For initial visits, EPSDT rate increased from \$75 to \$100, and for established visits, from \$62 to \$87

# Physician Reimbursement Increase Impact

| 2013 HHW (excluding parents) and Non-Dual FFS Expenditures |                                  |                             |                   |                    |
|--|----------------------------------|-----------------------------|-------------------|--------------------|
| Service Category   | Service Description              | At Calculated Current Rates | At Proposed Rates | Percent Difference |
| 501  | Inpatient and Outpatient Surgery | \$59.4                      | \$69.8            | 17.4%              |
| 502  | Maternity Delivery               | \$24.2                      | \$28.7            | 18.9%              |
| 503  | Maternity Non-Delivery           | \$14.7                      | \$29.0            | 96.4%              |
| 504  | Office Visits/Consults           | \$85.9                      | \$131.6           | 53.1%              |
| 505  | Well Baby Exams/Physical Exams   | \$34.6                      | \$47.7            | 37.7%              |
| 506  | Hospital Inpatient Visits        | \$54.0                      | \$62.1            | 15.0%              |
| 507  | Emergency Room Visits            | \$37.0                      | \$40.5            | 9.2%               |
| 508  | Radiology/Pathology              | \$35.7                      | \$33.1            | (7.1%)             |
| 509  | Outpatient Behavioral Health     | \$56.2                      | \$57.6            | 2.5%               |
| 510  | Self Referral                    | \$13.2                      | \$20.8            | 57.3%              |
| 511  | Other Professional               | \$44.9                      | \$57.3            | 27.5%              |
|  | Anesthesiology                   | \$15.6                      | \$18.4            | 17.8%              |
|  | <b>Total</b>                     | <b>\$475.5</b>              | <b>\$596.5</b>    | <b>25.4%</b>       |

Values illustrated in millions

# Medicaid Forecast – New Programs

***Hoosier Care Connect*** – projected effective April 1, 2015

- Managed care for aged, blind, and disabled (ABD) enrollees
  - Excludes Medicare eligible
  - Excludes long term care recipients (institutionalized or on waiver)
- Projected fiscal impact
  - First year catch-up (timing)
  - Savings of 3% to 5% are projected for subsequent years

## ***Other managed care changes***

- Health insurer fee to be paid for the first time SFY 2015
- Carve-ins – HIP 2.0 and HCC
  - Pharmacy
  - Dental

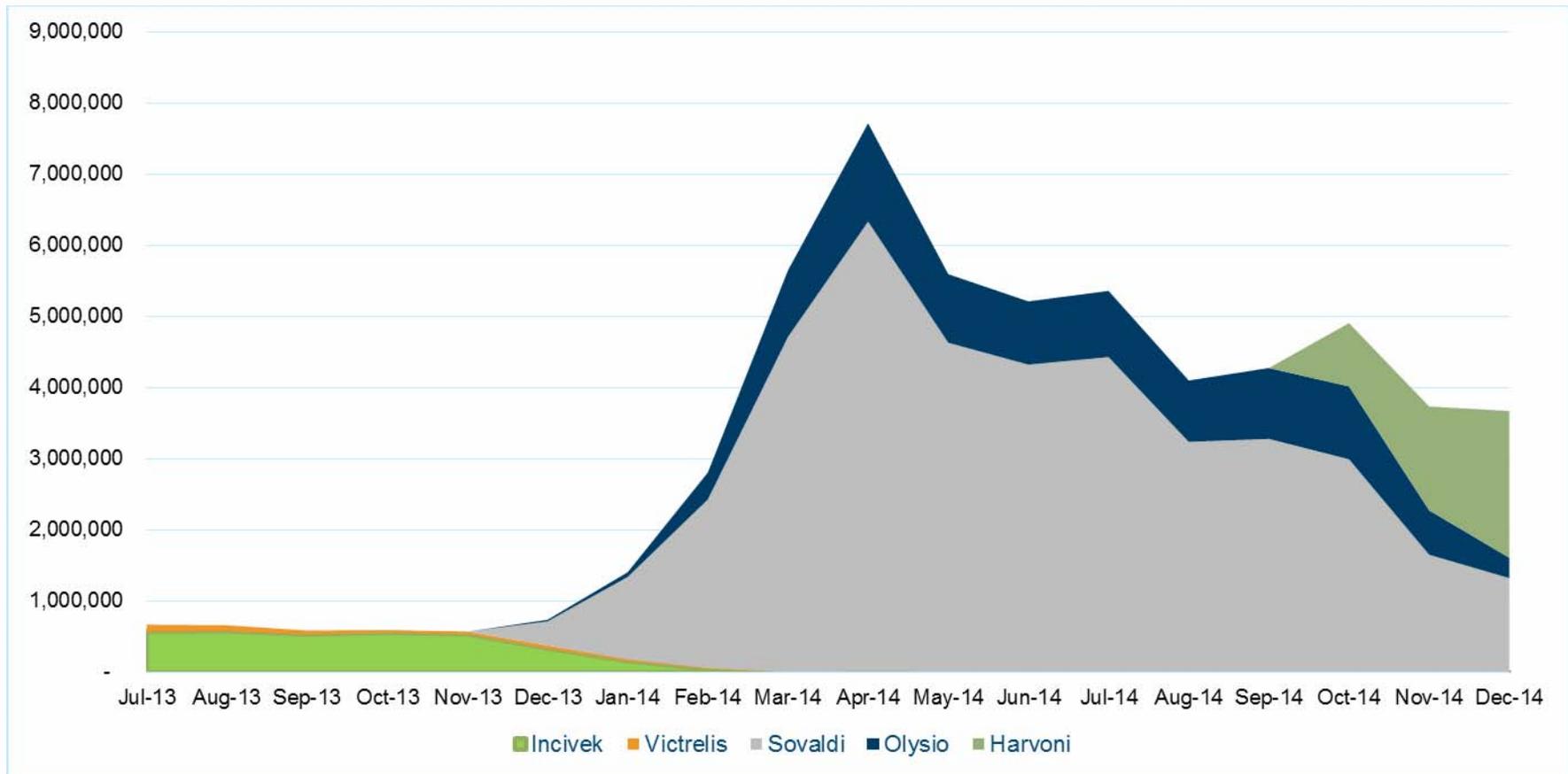
# CHIP Program

- SFY 2014 CHIP Expenditures were \$142 million (state and federal)
  - Funded by General Fund CHIP appropriation and HAF Fund
  - Admin costs are estimated at \$10 million per year
- FMAPs
  - Regular FMAP – FFY 2015 - 66.52%, FFY2016 – 66.60%
  - Enhanced FMAP – FFY 2015 76.56%, FFY 2016 – 76.62%
  - ACA Enhanced FMAP – Increase of 23% to 99.62% in FFY 2016
- Projected to have sufficient funds to continue the program through FFY 2016 using FFY 2014 and FFY 2015 allotments
- If no additional funding is approved by Congress, federal funding will be limited to the Regular FMAP beginning October 1, 2016.

# Medicaid Forecast – Reimbursement

- Hospital Assessment Fee (HAF) program, effective August 1, 2014
  - Factors reduced to rebalance to updated Medicare values
  - 15% to 20% reduction in gross hospital reimbursement
- Cost savings initiative assumed to continue through SFY 2017
  - Currently scheduled to expire June 30, 2015
  - Include 3% reduction to hospital services, home health services and nursing home, a 1% reduction to ICF/MR, and maintaining the maximum pharmacy dispensing fee at \$3.90.
- Pharmacy cost increase - Hepatitis C treatment advancements
  - Sovaldi and Olysio impact on short term pharmacy expenditures
  - Harvoni approved by FDA October 10<sup>th</sup>, 2014

# Hepatitis C treatment – Pharmacy Expenditures



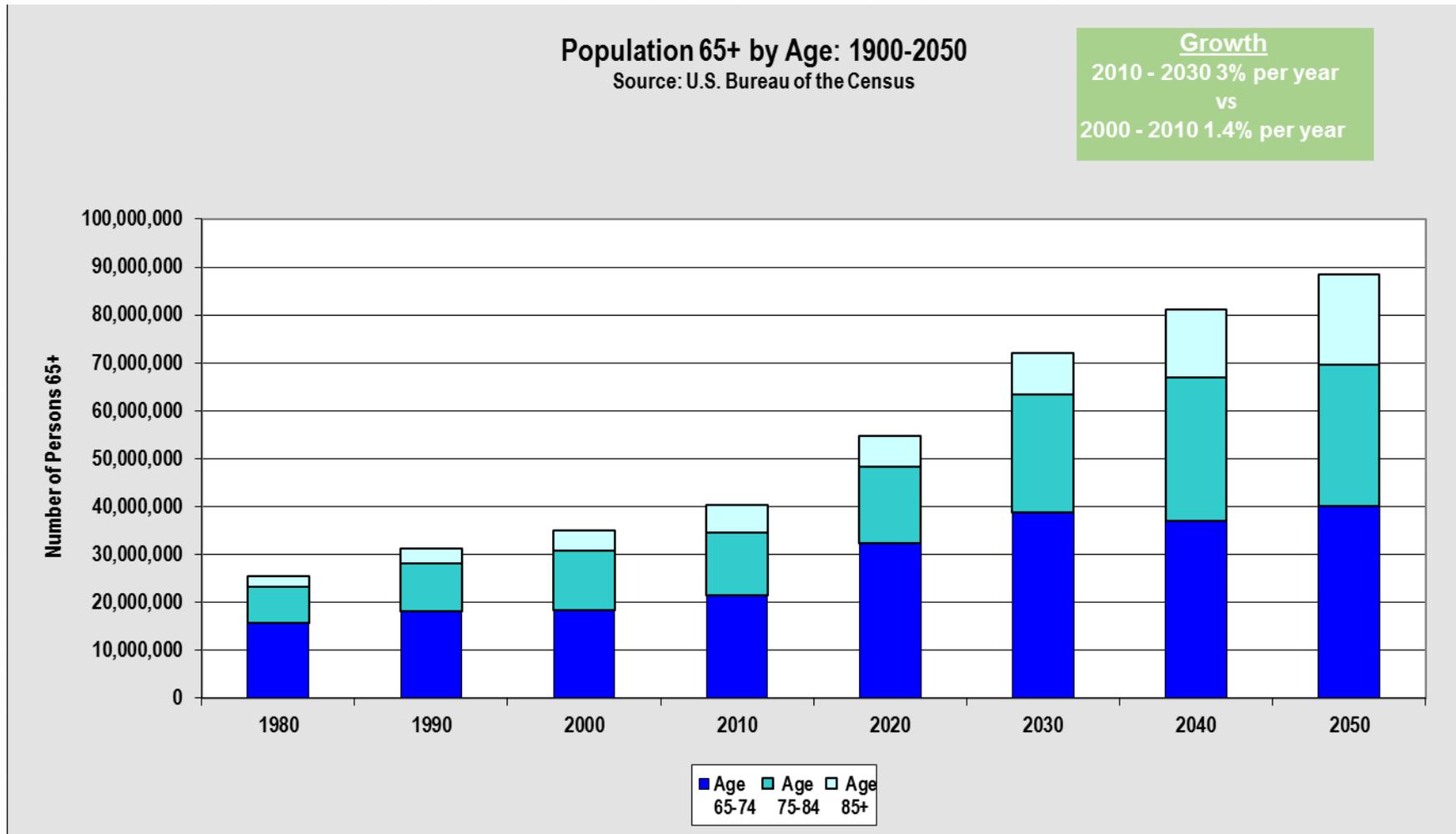
# Medicaid Forecast – Reimbursement

- Primary Care Physician Fee Schedule temporary increase mandated by Affordable Care Act for CY 2013 and 2014
  - 100% Federally Funded
- Home Health Expenditures increase
  - Waiver recipients are the highest utilizers of this service
  - Subject to required annual increases
- Telehealth implemented effective October 1, 2014
- Applied Behavioral Analysis (ABA) to be included in the state plan effective July 1, 2015

# Medicaid Forecast – Eligibility

- 1634 transition
  - Spend down enrollees transitioned
  - Additional shifts from non-disabled to disabled status
  - Auto-enrollment of unenrolled SSI recipients
  - Behavioral and Primary Healthcare Coordination 1915(i) state program
- Eligible but unenrolled – healthy adults and children
  - 2014 actual estimate not realized
  - Future potential enrollment impact with HIP 2.0
  - DOC enrollees – program effective December 19, 2014
- Long term care planning
  - Projected demand growth from demographics
  - Rebalancing to community solutions

# Long term care – growing fast (Aged)



## December 2014 Medicaid Assistance Forecast

| EXPENDITURES  | FY 2014          | <i>Growth</i> | FY 2015           | <i>Growth</i> | FY 2016           | <i>Growth</i> | FY 2017           |
|---|------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|
| Fee for Service                                       | \$3,341.8        | (0.3%)        | \$3,332.8         | (42.4%)       | \$1,921.1         | 1.5%          | \$1,949.4         |
| Capitation Payments and PCCM Fees                     | 1,648.0          | 4.0%          | 1,714.3           | 53.9%         | 2,637.6           | 3.2%          | 2,721.8           |
| HIP 1.0   | 247.4            | (0.5%)        | 246.2             | (100.0%)      | 0.0               | 0.0%          | 0.0               |
| HIP 2.0   | 0.0              | 0.0%          | 1,320.2           | 119.4%        | 2,897.1           | 3.3%          | 2,992.2           |
| Long Term Care Institutional Care                     | 1,580.4          | 11.0%         | 1,753.9           | 2.1%          | 1,790.3           | 4.6%          | 1,872.4           |
| Long Term Care Community Care                         | 744.9            | 12.9%         | 840.9             | 7.2%          | 901.1             | 6.3%          | 957.5             |
| Medicare Buy-In, Clawback                             | 329.5            | 8.3%          | 356.7             | 4.6%          | 373.1             | 5.9%          | 395.3             |
| Medicaid Rehabilitation Option                        | 234.3            | 25.3%         | 293.7             | 15.5%         | 339.3             | 4.9%          | 356.0             |
| Rebates and Collections                               | (556.5)          | 3.8%          | (577.4)           | 34.0%         | (773.9)           | 18.3%         | (915.4)           |
| Remove CHIP, HIP 1.0, MFP, CA-PRTF                    | (230.5)          | (2.4%)        | (224.9)           | (32.5%)       | (151.8)           | 3.6%          | (157.2)           |
| Other Expenditures (DSH, UPL, etc.)                   | 1,128.5          | 31.2%         | 1,480.8           | (4.1%)        | 1,419.4           | 5.5%          | 1,497.3           |
| <b>Medicaid Expenditures (State and Federal)</b>      | <b>\$8,467.8</b> | <b>24.4%</b>  | <b>\$10,537.2</b> | <b>7.7%</b>   | <b>\$11,353.4</b> | <b>2.8%</b>   | <b>\$11,669.2</b> |
| FUNDING   | FY 2014          | <i>Growth</i> | FY 2015           | <i>Growth</i> | FY 2016           | <i>Growth</i> | FY 2017           |
| Federal Funds   | 5,667.3          | 28.7%         | 7,291.8           | 11.6%         | 8,139.1           | 1.7%          | 8,275.6           |
| IGTs  | 515.8            | 19.2%         | 614.8             | 3.3%          | 635.3             | (1.5%)        | 626.1             |
| Provider Tax Receipts                                 | 179.4            | 2.3%          | 183.4             | 0.8%          | 184.8             | 1.6%          | 187.9             |
| HAF Funding   | 519.8            | (16.8%)       | 432.3             | (13.4%)       | 374.2             | 9.6%          | 410.2             |
| HIP 2.0 and Physician Increase Funding                | 0.0              | 0.0%          | 68.1              | (16.0%)       | 57.3              | 105.7%        | 117.8             |
| QAF Transfer to SBA                                   | (47.2)           | 2.3%          | (48.3)            | 0.6%          | (48.6)            | 1.5%          | (49.4)            |
| <b>Non-Medicaid Assistance Funds</b>                  | <b>\$6,835.1</b> | <b>25.0%</b>  | <b>\$8,542.1</b>  | <b>9.4%</b>   | <b>\$9,342.1</b>  | <b>2.4%</b>   | <b>\$9,568.1</b>  |
| <b>Forecasted Medicaid GF Assistance Need</b>         | <b>\$1,632.7</b> | <b>22.2%</b>  | <b>\$1,995.2</b>  | <b>0.8%</b>   | <b>\$2,011.3</b>  | <b>4.5%</b>   | <b>\$2,101.1</b>  |
| <b>General Fund Medicaid Assistance Appropriation</b> | <b>\$1,815.4</b> | <b>10.7%</b>  | <b>\$2,008.8</b>  |               |                   |               |                   |
| <b>Sub-total (Shortfall)/Surplus</b>                  | <b>\$182.6</b>   |               | <b>\$13.6</b>     |               |                   |               |                   |

# SFY2014 and 2015 Appropriation Summary

|   | SFY 2014  | SFY 2015  |
|---|-----------|-----------|
| <b>Appropriation</b>  | \$1,815.4 | \$2,008.8 |
| <b>Less state share expenditures</b>  | \$1,632.7 | \$1,995.2 |
| <b>Surplus</b>  | \$182.6   | \$13.6    |
| <b>Reconciliation of state share expenditure growth from SFY 2014 to SFY 2015</b> |           |           |
| Nursing facility and ICF/ID rate increases for SFY 2014 paid in SFY 2015          |           | 22.6      |
| Higher drug spending, including new therapies (less Rx rebates)                   |           | 35.8      |
| Increased hospital expenditures due to disabled growth                            |           | 66.5      |
| January 2014 rate reduction expirations (excluding nursing home)                  |           | 9.7       |
| 100% State collections in SFY 2014 (one time)                                     |           | 19.7      |
| Other One-Time Expenditures   |           | 29.5      |
| Hoosier Care Connect claims payout  |           | 37.8      |
| <u>Program expenditure growth</u>   |           |           |
| Nursing homes and other long term care facilities                                 |           | 33.5      |
| Home and Community Based service (HCBS) waiver                                    |           |           |
| Division of Aging   |           | 24.2      |
| DDRS  |           | 32.1      |
| Normal growth   |           | 50.9      |

Values illustrated in state share in millions.

# Long Term Trend Assumptions

## Cost trends include both Utilization and Intensity

|                                    | Forecast | Historical |   | Forecast   | Historical |
|------------------------------------|----------|------------|---|------------|------------|
| <b>Baseline Enrollment Growth</b>  |          |            |   |            |            |
| Low Income Adults                  | 1.0%     | 1.1%       | Mental Health Rehabilitation                | 1.0%       | 4.6%       |
| Children and CHIP                  | 1.0%     | 1.9%       | PRTF Services                               | 1.0%       |            |
| Pregnant Women                     | 0.0%     | (2.3%)     | <b>Long Term Care &amp; Waiver Services</b> |            |            |
| Aged                               | 2.0%     | 3.4%       | Hospice                                     | 3.0%       | 3.7%       |
| Disabled                           | 3.0%     | 6.7%       | Nursing Facility                            | 3.0%       | 3.7%       |
| <b>Non-Long Term Care Services</b> |          |            | ICF/ID                                      | 3.0%       | (0.5%)     |
| Hospital Services                  |          |            | HCBS Waiver Services                        | 1.0%       | 1.5%       |
| Inpatient Hospital                 | 0.5%     |            | <b>Other Expenditures</b>                   |            |            |
| Outpatient Hospital                | 2.0%     |            | Medicare Buy-In/ Part D Clawback            | Actual/CMS |            |
| Rehabilitation Facility            | 1.0%     |            | Pharmacy Rebates                            | 53% of Rx  |            |
| Non-Hospital Services              |          |            | CHIP II and MedWorks Premiums               | 0.0%       |            |
| Physician Services                 | 1.5%     | 3.0%       | Nursing Facility Quality Assessment Fee     | 1.5%       |            |
| Lab and Radiology Services         | 1.5%     | 3.0%       | ICF/ID Assessment Fee                       | 0.0%       |            |
| Other Practitioner Services        | 1.5%     | 3.0%       | Other Payments                              | 0.0%       |            |
| Clinic Services                    | 1.5%     | 3.0%       | <b>Capitation Payments and PCCM Fees</b>    |            |            |
| DME/Prosthetics                    | 1.5%     | 0.5%       | Capitation Payments                         | 1.5%       |            |
| Medical Supplies                   | 1.5%     | 0.5%       | Kick Payments                               | 1.5%       |            |
| Transportation                     | 1.5%     | 0.5%       | PCCM Fees                                   | 0.0%       |            |
| Other Non-Hospital                 | 1.5%     |            | <b>Healthy Indiana Plan</b>                 |            |            |
| Pharmacy                           | 3.5%     | 6.8%       | HIP Capitation Payments                     | 1.5%       |            |
| Dental Services                    | 1.5%     | 3.7%       | HIP POWER Accounts                          | 0.0%       |            |
| Home Health Services               | 3.0%     | 11.0%      |   |            |            |
| First Steps                        | 1.0%     |            |   |            |            |
| Inpatient Psychiatric Services     | 1.5%     |            |   |            |            |
| Other Mental Health Services       | 1.5%     |            |   |            |            |

<sup>1</sup>Historical trends generally reference the time period from SFY 2010 through SFY 2014.

# Enrollment Forecast - SFY 2014 – SFY 2017

## Average Monthly Enrollment - Adults and Children

| Average Monthly Enrollment            | FY 2014        | <i>Growth</i>  | FY 2015        | <i>Growth</i> | FY 2016          | <i>Growth</i> | FY 2017          |
|---------------------------------------|----------------|----------------|----------------|---------------|------------------|---------------|------------------|
| <b>HOOSIER HEALTHWISE</b>             |                |                |                |               |                  |               |                  |
| Adults                                | 117,470        | (33.9%)        | 77,655         | (65.7%)       | 26,661           | (8.3%)        | 24,441           |
| Children                              | 553,183        | (0.5%)         | 550,459        | 1.0%          | 555,947          | 1.0%          | 561,507          |
| Mothers                               | 27,242         | (7.9%)         | 25,096         | (41.9%)       | 14,577           | 5.8%          | 15,422           |
| CHIP                                  | 80,472         | (5.6%)         | 75,925         | 1.4%          | 76,961           | 1.0%          | 77,731           |
| <b>Total Hoosier Healthwise</b>       | <b>778,366</b> | <b>(6.3%)</b>  | <b>729,135</b> | <b>(7.5%)</b> | <b>674,147</b>   | <b>0.7%</b>   | <b>679,100</b>   |
| <b>Healthy Indiana Plan 1.0</b>       |                |                |                |               |                  |               |                  |
| Non-Caretakers                        | 13,951         | 20.0%          | 16,743         |               |                  |               |                  |
| Caretakers                            | 23,950         | (48.9%)        | 12,246         |               |                  |               |                  |
| ESP                                   | 790            |                |                |               |                  |               |                  |
| <b>Total Healthy Indiana Plan 1.0</b> | <b>38,690</b>  | <b>(25.1%)</b> | <b>28,989</b>  |               |                  |               |                  |
| <b>Healthy Indiana Plan 2.0</b>       |                |                |                |               |                  |               |                  |
| HIP State Plan Benefit Package        |                |                | 40,295         | 128.7%        | 92,142           | 3.7%          | 95,544           |
| HIP Expansion                         |                |                | 66,581         | 312.6%        | 274,694          | 15.5%         | 317,220          |
| HIP Pregnant                          |                |                | 2,111          | 501.7%        | 12,699           | (5.7%)        | 11,972           |
| HIP Medically Frail                   |                |                | 6,436          | 278.4%        | 24,351           | 12.1%         | 27,289           |
| HIP Link                              |                |                | 5,313          | 900.0%        | 53,125           | 60.8%         | 85,425           |
| HIP Hospital Presumptive Eligibility  |                |                | 55             | 101.5%        | 112              | 1.0%          | 113              |
| <b>Total Healthy Indiana Plan 2.0</b> |                |                | <b>120,790</b> | <b>278.4%</b> | <b>457,122</b>   | <b>17.6%</b>  | <b>537,563</b>   |
| <b>LIMITED BENEFIT POPULATIONS</b>    | 25,592         | (26.4%)        | 18,842         | (76.6%)       | 4,410            | 0.9%          | 4,449            |
| <b>Subtotal Adults and Children</b>   | <b>842,648</b> | <b>6.5%</b>    | <b>897,756</b> | <b>26.5%</b>  | <b>1,135,679</b> | <b>7.5%</b>   | <b>1,221,112</b> |

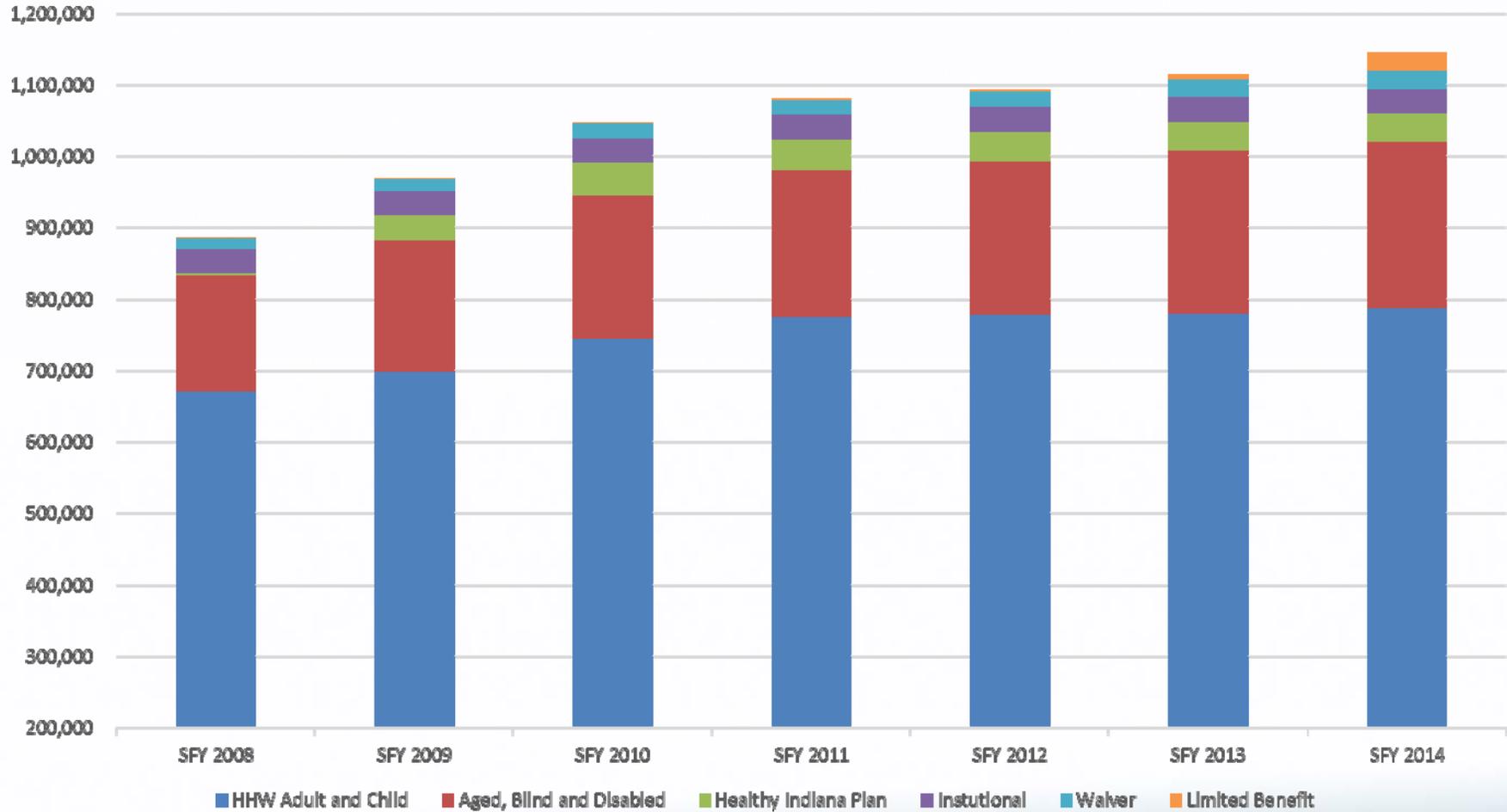
# Enrollment Forecast - SFY 2014 – SFY 2017

## Average Monthly Enrollment - Aged, Blind, and Disabled, and Total

| Average Monthly Enrollment                       | FY 2014          | <i>Growth</i> | FY 2015          | <i>Growth</i> | FY 2016          | <i>Growth</i> | FY 2017          |
|--|------------------|---------------|------------------|---------------|------------------|---------------|------------------|
| <b><i>AGED, BLIND AND DISABLED</i></b>           |                  |               |                  |               |                  |               |                  |
| Institutionalized                                | 34,729           | 2.2%          | 35,490           | 0.9%          | 35,799           | 1.1%          | 36,175           |
| Waiver\State Plan HCBS                           | 27,672           | 27.4%         | 35,253           | 11.3%         | 39,227           | 6.8%          | 41,877           |
| No Level of Care                                 |                  |               |                  |               |                  |               |                  |
| Dual   | 109,176          | (24.9%)       | 81,983           | 2.1%          | 83,715           | 2.4%          | 85,763           |
| Care Select                                      | 33,611           | (22.9%)       | 25,917           |               |                  |               |                  |
| Hoosier Care Connect                             |                  |               | 25,421           | 392.6%        | 125,233          | 2.6%          | 128,456          |
| Other Non-Dual                                   | 76,400           | 14.9%         | 87,784           | (79.6%)       | 17,874           | 2.6%          | 18,334           |
| Medicare Savings Program                         | 22,955           | 110.2%        | 48,243           | 1.1%          | 48,789           | 1.0%          | 49,277           |
| <b><i>Subtotal Aged, Blind, and Disabled</i></b> | <b>304,544</b>   | <b>11.7%</b>  | <b>340,091</b>   | <b>3.1%</b>   | <b>350,637</b>   | <b>2.6%</b>   | <b>359,882</b>   |
| <b><i>OVERALL TOTAL</i></b>                      | <b>1,147,191</b> | <b>7.9%</b>   | <b>1,237,847</b> | <b>20.1%</b>  | <b>1,486,316</b> | <b>6.4%</b>   | <b>1,580,994</b> |

# Historical Enrollment

Average Monthly Medicaid Enrollment



# Enrollment Highlights – by population

- HHW Adults and Children
  - Enrollment increase beginning in SFY 2009 due to high unemployment rates as a result of the recession
- Aged, Blind and Disabled
  - Enrollment increase beginning in SFY 2009 due to high unemployment rates as a result of the recession
  - Aging population increase
- Healthy Indiana Plan
  - Effective January 1, 2008 (eligibility standard up to 200% FPL)
  - Eligibility standard reduced to 100% FPL effective April 30, 2014
  - Cap in place to limit the enrollment to 45,000

# Enrollment Highlights – by population

- Waiver
  - Aged & Disabled Waiver waitlist eliminated
  - Closure of Large ICF/ID facilities and State ICF/ID facilities transitioned members to the Community Integration and Habilitation Waiver
  - CA-PRTF Waiver is closed to new entrants effective October 1, 2012 and is currently being supplemented by the 1915(i) Child Mental Health Wraparound state program
- Limited Benefits Population
  - Enrollment increase effective January 1, 2013 when the Family Planning program began enrollment of uninsured women with under 133% FPL
  - Hospital Presumptive Eligibility effective January 1, 2014

# Limitations

The information contained in this correspondence, including any enclosures, has been prepared solely for the business use of FSSA, related Divisions, and their advisors. The forecast and other information included in this report has been developed to assist with planning and budget development, and may not be appropriate for any other purpose.

These results are expected to be made publicly available. Milliman makes no representation or warranties regarding the contents of this correspondence to third parties. Likewise, third parties are instructed to place no reliance upon this correspondence prepared for FSSA by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

In performing this analysis, we relied on data and other information provided by FSSA and its vendors. The values in this correspondence are dependent upon this reliance. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Guidelines issue by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. We are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report.

The services provided for this project were performed under the contract between Milliman and FSSA approved May 14, 2010, as amended October 21, 2014.