Agency for Health Care Administration: Schedule VIII-B Reductions

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Agency for Health Care Administration

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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

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