

Financial Trends in the Connecticut HUSKY Health Program

Presentation to the
Medical Assistance Program Oversight Committee

February 10, 2023

- Financial Trends Review
 - Spending by Category of Service
 - State Share by Major Medical Category of Service
 - Medicaid Growth Trends
 - Connecticut Medicaid as a Percentage of the State Budget
 - Medicaid Administrative Cost Ratio

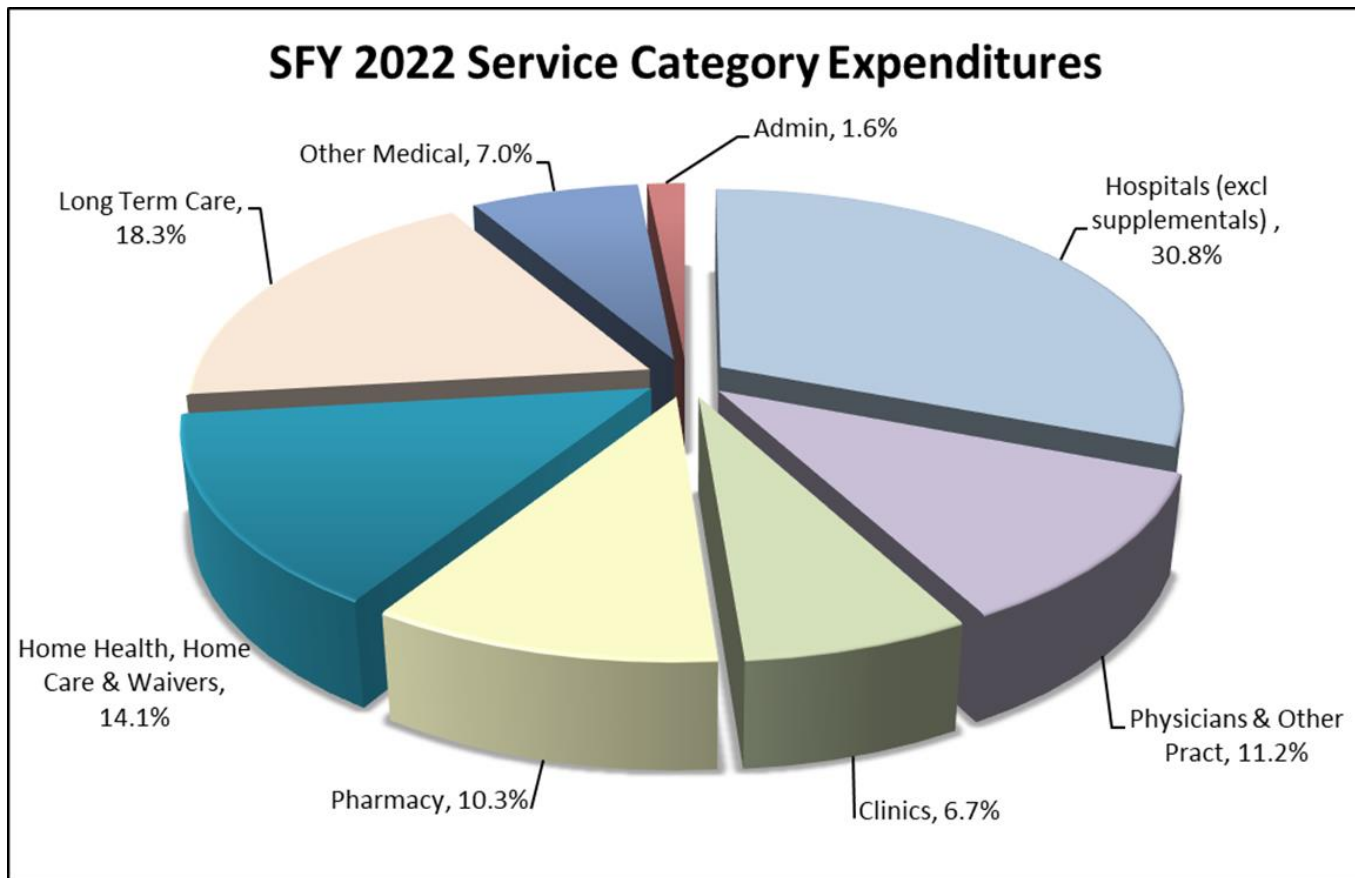
What trends are we seeing?

- Total **gross expenditures** have increased due to increases in enrollment, largely driven by the Maintenance of Effort (MOE) requirements associated with the Public Health Emergency (PHE).
- While gross expenditures in the DSS Medicaid account have been increasing, **the PHE enhanced federal matching percentage (EFMAP) of 6.2%** has allowed the **state share of HUSKY Health costs to decrease since 2019** despite the reduction of the federal HUSKY D newly eligible reimbursement from 93% to 90% in CY 2020.
- HUSKY Health **program and administrative cost trends compare very favorably with national Medicaid trends.**



Review of Medicaid Spending by Service Category

- Hospital services account for the largest share of the DSS Medicaid spend at 31%, followed by nursing homes and LTC facilities at 18.3%. Waiver/CFC services account for 14.1%. Physician expenses comprise 11.2%.



Note: Represents both state and federal shares of Medicaid funding. Excludes hospital supplemental payments of \$568.3 million which were paid outside of the Medicaid account.

Category of Service	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	6 Year Change
Hospitals (excl supplementals)	26.3%	28.0%	29.7%	29.1%	31.4%	30.8%	4.6%
Physicians & Other Pract	10.2%	10.3%	10.7%	10.5%	10.8%	11.2%	1.0%
Clinics	7.0%	6.9%	6.9%	6.9%	6.9%	6.7%	-0.3%
Pharmacy	10.5%	9.8%	9.2%	10.2%	10.9%	10.3%	-0.3%
Home Health, Home Care & Waivers	12.6%	13.4%	13.3%	13.6%	14.0%	14.1%	1.5%
Long Term Care	23.3%	22.1%	21.3%	21.5%	17.5%	18.3%	-5.0%
Other Medical	8.0%	7.7%	7.1%	6.5%	6.8%	7.0%	-1.0%
Admin	2.2%	1.8%	1.8%	1.8%	1.7%	1.6%	-0.6%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

Over the past six years, the Medicaid budget has seen a significant shift in the percentage of costs for several categories of service. The largest increase being a 4.6% shift in Hospitals offset nearly in total by the largest decrease under Long-Term Care (primarily Skilled Nursing Facilities) of 5%.

- The additional 6.2% EFMAP has resulted in an average decrease of 3.56% in the Medicaid state share percentage across the major medical categories shown below between SFY 2019 and SFY 2022.
- The decrease in the Medicaid state share percentage of 3.56% includes the reduction in the HUSKY D newly eligible FMAP to 90% in CY 2020. Without that impact, the overall state share percentage change would have been 4.76%.

Category of Service	State Share Percentage 2019	State Share Percentage 2022	Difference
Hospital Inpatient	34.78%	31.54%	-3.25%
Hospital Outpatient	34.51%	31.22%	-3.29%
Physician Services	38.35%	33.73%	-4.62%
Clinic Services	36.09%	33.53%	-2.55%
Dental Services	41.94%	37.54%	-4.40%
Other Practitioner	37.21%	32.36%	-4.84%
Pharmacy	31.99%	29.27%	-2.72%
Medicaid Drug Rebates	32.21%	29.43%	-2.78%
Average	35.89%	32.33%	-3.56%

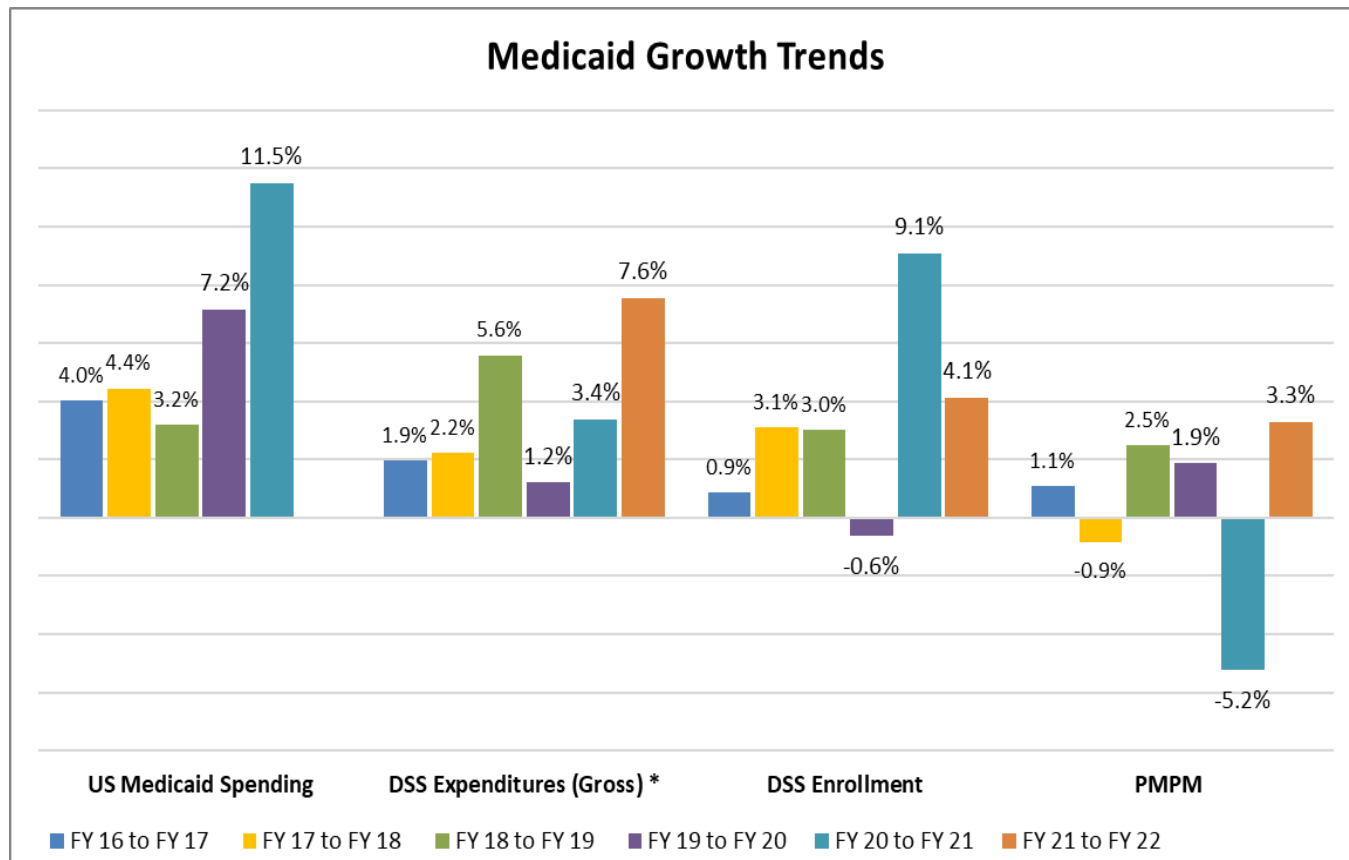
- Without the 6.2% EFMAP the state share of expenses for the categories of service below would have been on average 4% higher in SFY 2022.
- The additional EFMAP accounted for \$166 million in additional federal revenue for the categories of service shown below, and total additional federal revenue for the DSS Medicaid account of \$314 million in SFY 2022.

Category of Service	State Share Percentage 2022 W/EFMAP	State Share Percentage 2022 W/O EFMAP	Difference
Hospital Inpatient	31.54%	35.32%	3.78%
Hospital Outpatient	31.22%	35.05%	3.83%
Physician Services	33.73%	37.97%	4.24%
Clinic Services	33.53%	37.71%	4.18%
Dental Services	37.54%	42.58%	5.04%
Other Practitioner	32.36%	36.46%	4.10%
Pharmacy	29.27%	32.79%	3.51%
Medicaid Drug Rebates	29.43%	32.99%	3.56%
Average	32.33%	36.36%	4.03%

Review of Medicaid Per Member Per Month (PMPM) Trends

- The per member per month (PMPM) costs are presented in two distinct ways:
 - Medicaid expenses under the DSS Medicaid account, including both state and federal shares
 - Total Medicaid program expenses included in our CMS-64 expenditure report – all federally reimbursable expenses including our Medicaid account, hospital supplemental payments, disproportionate share hospital (DSH) payments, eligible other state agency expenses (DDS, DMHAS, others)

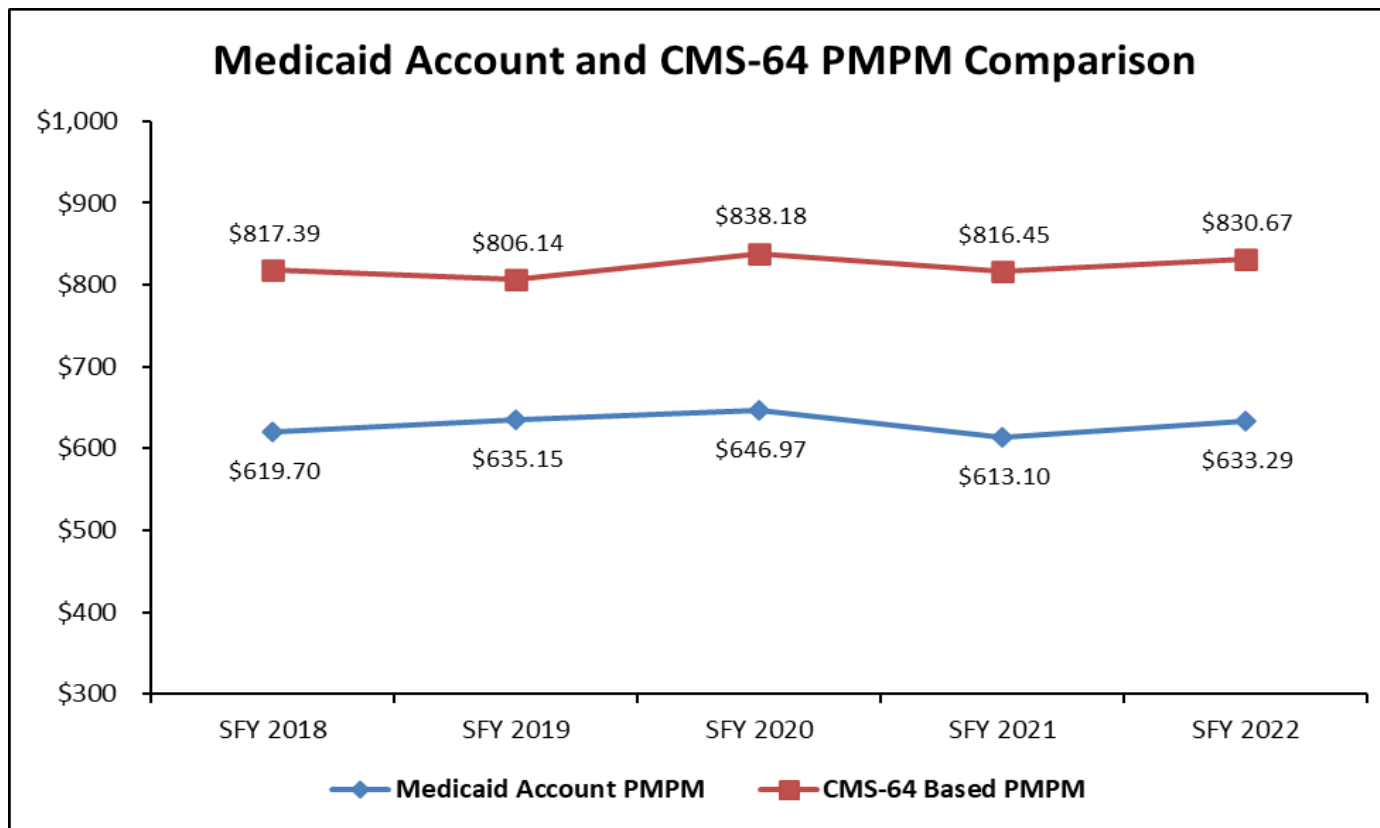
- Overall, DSS' Medicaid expenditure growth since SFY 2016, including both federal and state shares, ranged from as high as 7.6% from SFY 2021 to SFY 2022 to a low of 1.2% from SFY 2019 to SFY 2020.
- Medicaid enrollment growth in DSS has varied from a high of 9.1% from SFY 2020 to SFY 2021 to a small decrease of 0.6% from SFY 2019 to SFY 2020.
- DSS' Medicaid per member per month (PMPM) cost growth was as low as a 5.2% decrease from SFY 2020 to SFY 2021, and at its highest, reached 3.3% from SFY 2021 to SFY 2022. Comparing SFY 2022 to SFY 2016, the PMPM increased by only 2.4% over that six-year period, an annual rate of only 0.4%.



** Expenditures are net of drug rebates and exclude hospital supplemental payments given the significant variance in that area over the years. Enrollment and PMPM figures exclude the limited benefit COVID-19 testing group.*

- PMPM Review Using the Federal CMS-64 Report
 - CMS-64 report is the federally-required report used by the federal government to document all Medicaid services subject to federal reimbursement
 - Differences between the Medicaid account and CMS-64 report include, but are not limited to:
 - Medicaid account includes state-funded elements and Administrative Services Organization (ASO) expenses
 - CMS-64 report includes DSH expenses, reimbursable other state agency expenditures, hospital supplemental payments, and Medicare premiums (MSP)

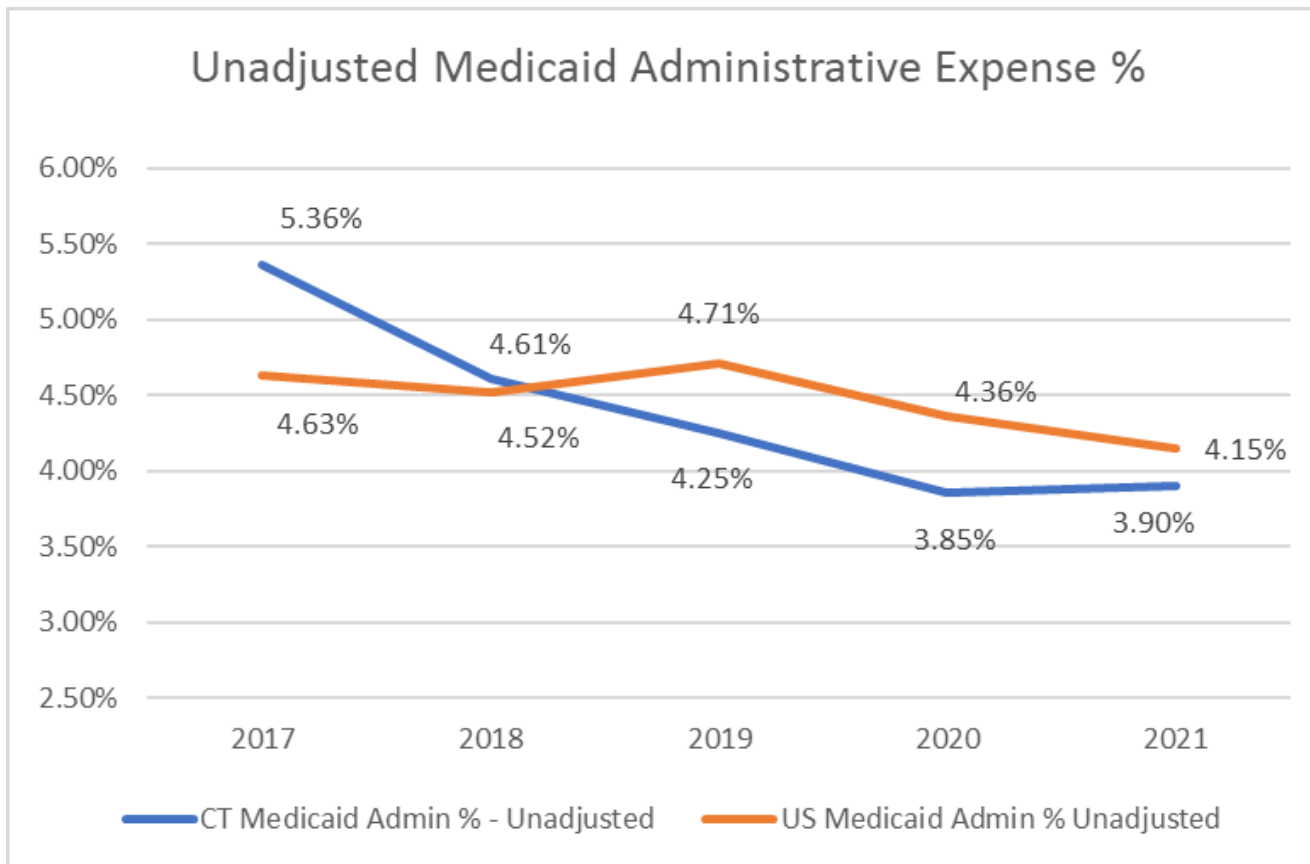
- PMPM Review Using the Federal CMS-64 Report*
 - Both the global CMS-64 and the Medicaid account PMPM's have been favorable over the period since SFY 2018 as shown below
 - Comparing SFY 2018 to SFY 2022, the global CMS-64 PMPM increased by 1.6% over that period while the Medicaid account PMPM increased by 2.2%



*Using updated enrollment data from the Open Data portal; CMS data may differ

Review of Medicaid Administrative Spending – Administrative Load

- Recent MACPAC* report cites CT Medicaid administrative costs at 3.9% in FFY 2021, in line with the national average of 4.2%.



*<https://www.macpac.gov/wp-content/uploads/2022/12/EXHIBIT-31.-Total-Medicaid-Administrative-Spending-by-State-and-Category-FY-2021-millions.pdf>

- The MACPAC data includes costs associated with all eligibility staff and systems operations and development. **CT incurred over \$97 million in eligibility staff and system support costs in FFY 2021.**
- Additionally, the exclusion of managed care administrative costs from the CMS data used by MACPAC has a major impact on these statistics.
- If eligibility and systems costs are removed and adjustment added for managed care administrative costs, the MACPAC adjusted administrative load for **CT would be 2.75% which would be far less than the adjusted national average of 8.5%** - by this adjusted measure, CT would place 1st nationally for the lowest administrative load.
- For an illustrative example of the math behind this adjustment for Medicaid managed care administrative expenses that are not captured in the traditional Medicaid administration expenditure comparisons, please see Appendix A

- DSS continues all possible efforts to maximize federal reimbursement for Medicaid administrative and eligibility costs.
- Based upon efforts with Access Health CT on the health insurance exchange, and DSS' work on the ImpaCT system, we receive 75% on all Medicaid allocable eligibility staff and systems operation costs.
- Inclusive of one-time system development costs, which are generally reimbursable at 90%, the federal share of administrative costs has increased to **66% in FFY 2021 from 56.7% in FFY 2013.**

Connecticut Medicaid as a Share of the Overall State Budget

- In SFY 2022, the “all states” average Medicaid expenditures as a percentage of total State expenditures: 27.6%*
- Connecticut’s SFY 2022 Medicaid expenditures as a percentage of total State expenditures: 22.6%*
- Between SFY 2015 and SFY 2022, Connecticut ranked first or second lowest out of eight peer states in all years except for SFY 2021.

*Per the most recent National Association of State Budget Officers (NASBO) State Expenditure Report; includes both federal and state Medicaid shares

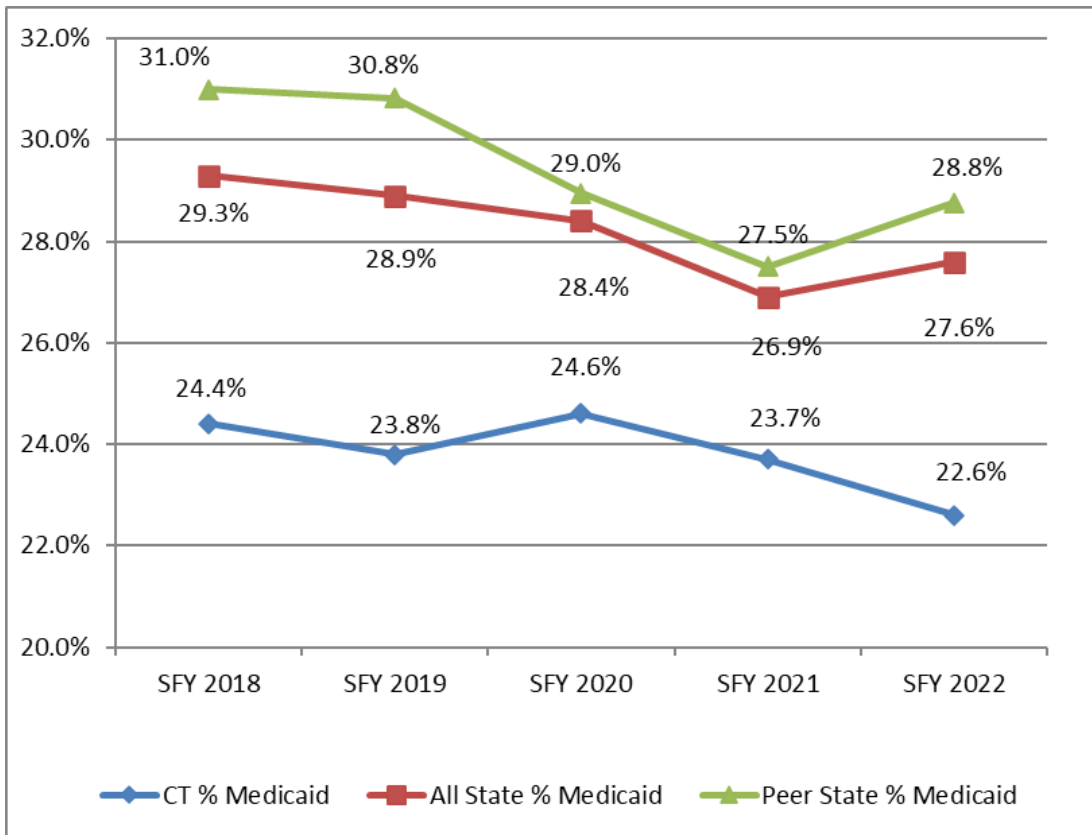
- Total Medicaid expenditures as a percentage of the total state budget - detail on peer states and national data*

Connecticut Rank	1	2	1	2	4	2
	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022
Connecticut	22.9%	24.4%	23.8%	24.6%	23.7%	22.6%
Maine	32.2%	33.6%	33.8%	30.9%	28.9%	31.5%
Massachusetts	28.0%	30.5%	29.8%	29.3%	28.8%	28.9%
New Hampshire	36.6%	35.5%	35.2%	30.0%	32.1%	33.8%
Rhode Island	29.9%	29.3%	28.6%	22.8%	22.0%	21.9%
Vermont	28.8%	28.2%	28.7%	27.0%	22.6%	23.9%
New Jersey	24.5%	24.3%	24.4%	24.8%	22.9%	26.0%
New York	34.3%	35.6%	35.3%	37.9%	35.2%	35.4%
Peer State Avg (w/o CT)	30.6%	31.0%	30.8%	29.0%	27.5%	28.8%
All States	28.9%	29.3%	28.9%	28.4%	26.9%	27.6%

CT's Medicaid to total state budget cost ratio was lower than the all states average and the average of its peer states from SFY 2017 through 2022

*Per National Association of State Budget Officers (NASBO) State Expenditure Reports; includes both federal and state Medicaid shares

- CT Medicaid expenditures as a percentage of the total state budget - detail on peer states and national data*



CT has maintained a favorable position compared to other states, having a much lower Medicaid expense as a percentage of the total state budget compared to its peers and to the national average

*Per National Association of State Budget Officers (NASBO) State Expenditure Reports; includes both federal and state Medicaid shares

Managed Care Adjusted Medicaid Admin Costs

- Hypothetical state example and assumptions:
 - MCO administrative costs, including profit, conservatively estimated at 10%
 - MCO administrative costs are included in capitation and reported as a program expense
 - MCO program service expenditure volume at 50% (50% of service costs provided by MCOs)
 - State administrative expenses calculated at 4.5% against all program expenses, but do not include MCO administration and profit

- *Results:*
 - *If MCO administrative expenses were included in this hypothetical state administrative cost structure, administrative expenses would be 5% higher*

- Potential impact of MCO administrative costs reported as program services for a “hypothetical” managed care state

Total program expense \$10 billion

MACPAC reported administrative cost at 4.5%, or \$450 million



MCO program component at 50%, or \$5 billion

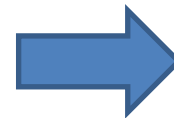
MCO administration at 10%, or \$500 million, but not included



Adjusted administrative expenses at \$950 million

Adjusted program expenditures of \$9.5 billion

Adjusted administrative expense ratio at 10%



CT’s managed fee-for-service system demonstrates clear admin cost efficiencies – if MCO admin costs were considered, CT would rank best in the nation for lowest percent of administrative spending