



Medicaid Forecast and Major HHR Budget Issues for the 2022 Session

November 19, 2021

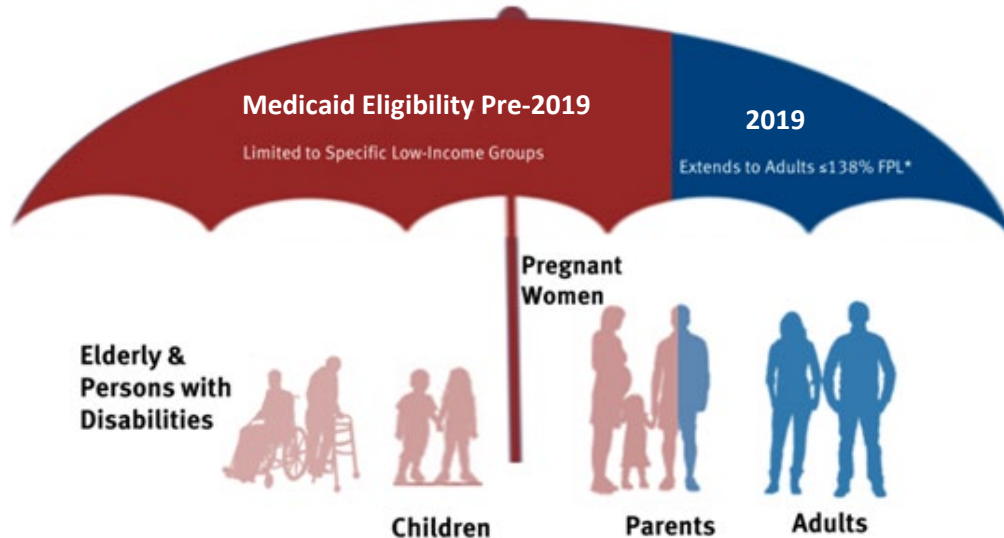
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Brief Overview of Medicaid

Medicaid Eligibility: Covers Most Low-Income Individuals



- Prior to Virginia’s expansion of Medicaid in 2019, eligibility was limited to certain groups (i.e. disabled, elderly, children, parents and pregnant women).
- Since expansion, higher-income parents and primarily childless adults were added.
- Income alone can now qualify a person for Medicaid.
- Expansion converted the program into a broader health insurance program, rather than solely a safety net program.

*FPL is the Federal Poverty Level.

Source: Graphic adapted from Kaiser Family Foundation briefs.

Medicaid is a Comprehensive Health Insurance Program

Medical Care

- Hospital
- Physician
- Clinic
- Prescriptions
- Lab and Imaging
- Home Health
- Family Planning
- Medicare Premiums*
- Early and Periodic Screening, Diagnostic and Treatment*
- Dental*
- Transportation*

Long-Term Care

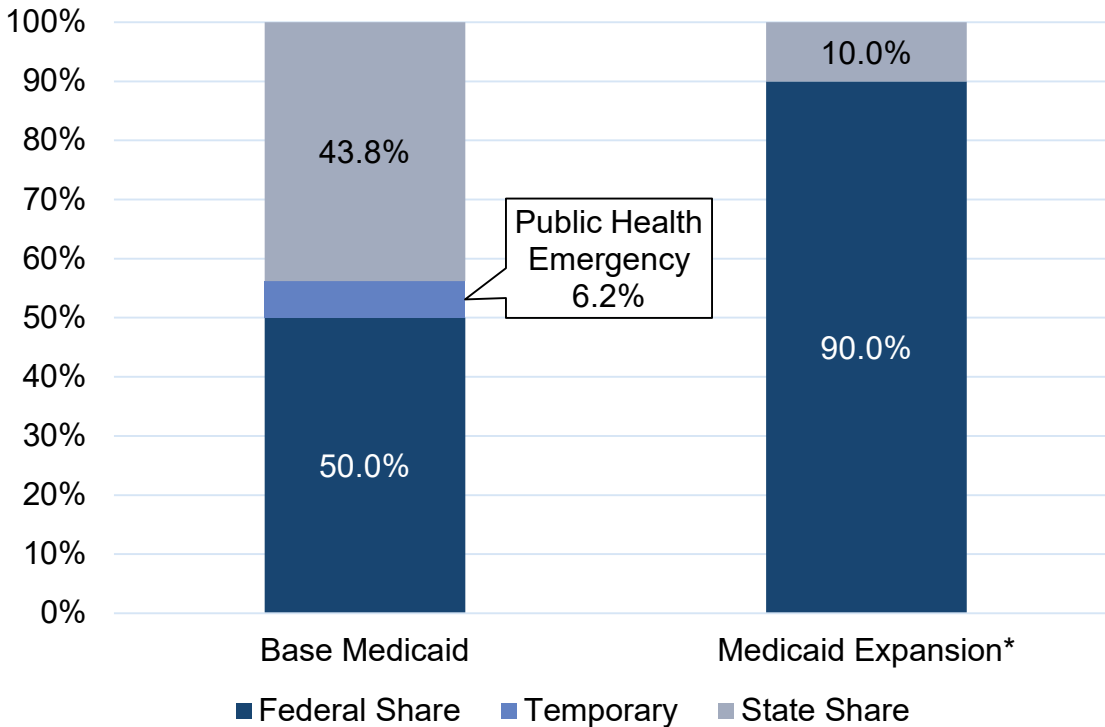
- Nursing Facility*
- Private Intermediate Care Facilities for the Intellectually Disabled*
- Program for All-Inclusive Care for the Elderly (PACE)*
- Waiver Services*:
 - Personal Care
 - Group Homes
 - Day Support
 - Other

Behavioral Health

- Case Management*
- Residential*
- Rehabilitative Services*

* Denotes a service not typically provided in a commercial insurance product.

Funding for Medicaid is Shared with the Federal Government



- Federal Match Rate for Virginia has been at 50 percent since 2004.
- During the federal Public Health Emergency (PHE) the federal match rate was increased by 6.2 percentage points.
- The PHE enhanced match is expected to end on March 31, 2022.

* The state share of Medicaid Expansion is covered by the provider assessment on private hospitals.

Federal Match Rate for Virginia Likely to Increase

- Since Federal FY 2004, Virginia's federal match rate for Medicaid has been at the floor of 50 percent.
- It is expected that Virginia's federal match rate may increase to 50.65 percent for Federal FY 2023.
- While this means the federal government will assume a slightly larger share, the match rate will likely change every year creating annual budget impacts.
- This change for the 2022-24 biennium will likely result in **\$124 million in additional General Fund savings.**

Federal Medical Assistance Percentage (FMAP):

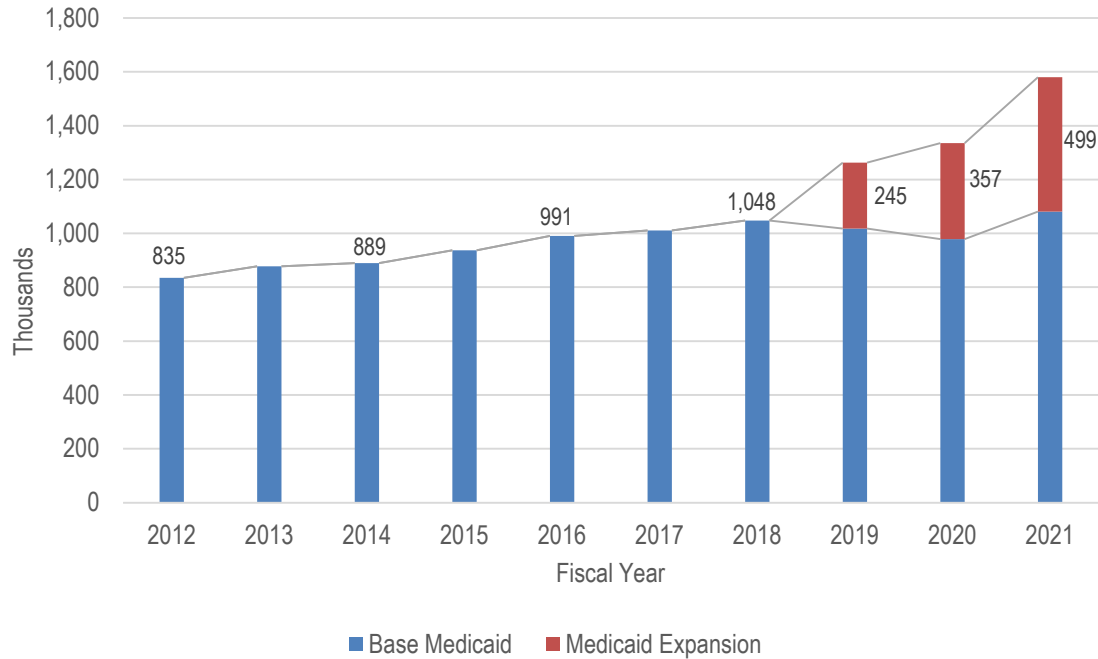
- Calculated based on state three-year average of per capita personal income compared to the national average.
- Federal FY 2023 is based on 2018-2020 per capita personal income.
- An increase in FMAP reflects a decline in a state's share of U.S. average per capita income.



Medicaid Enrollment and Spending Trends

Medicaid Enrollment Reflects Medicaid Expansion and Federal Maintenance of Eligibility Requirement

Enrollment increased at an average 3.9% a year from 2012 to 2018, and since 2019 is averaging 14.8%.

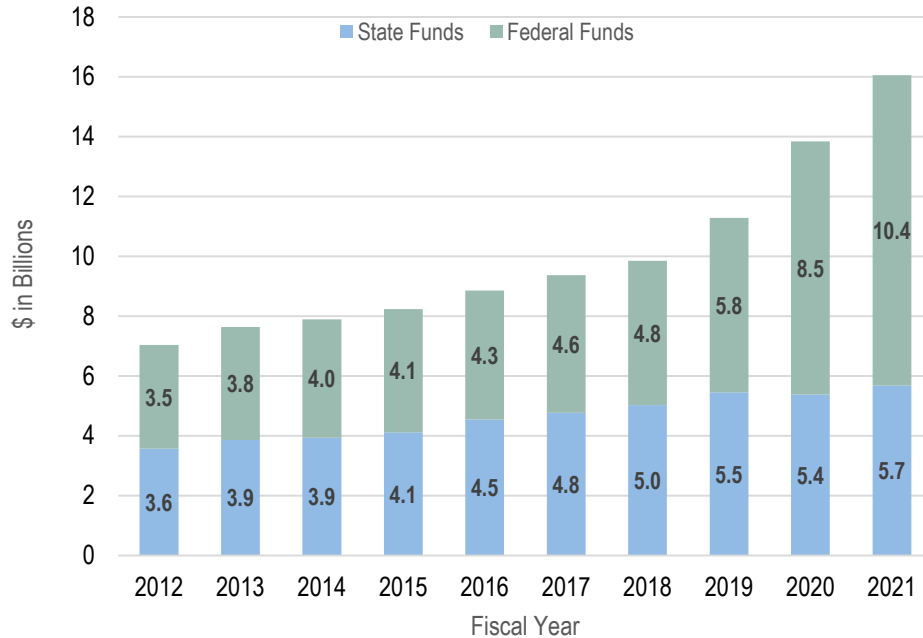


Source: DMAS monthly enrollment report for October 2021; numbers reflect average monthly enrollment.

- Enrollment is the primary driver of Medicaid spending.
- FY 2021 average monthly enrollment was nearly 1.6 million.
- Since 2019, enrollment has increased more rapidly reflecting the expansion of Medicaid and the federal requirement to maintain eligibility to qualify for enhanced federal matching funds during the COVID-19 pandemic.
- In FY 2021, Medicaid Expansion enrollment represented 32 percent of the total enrollment.

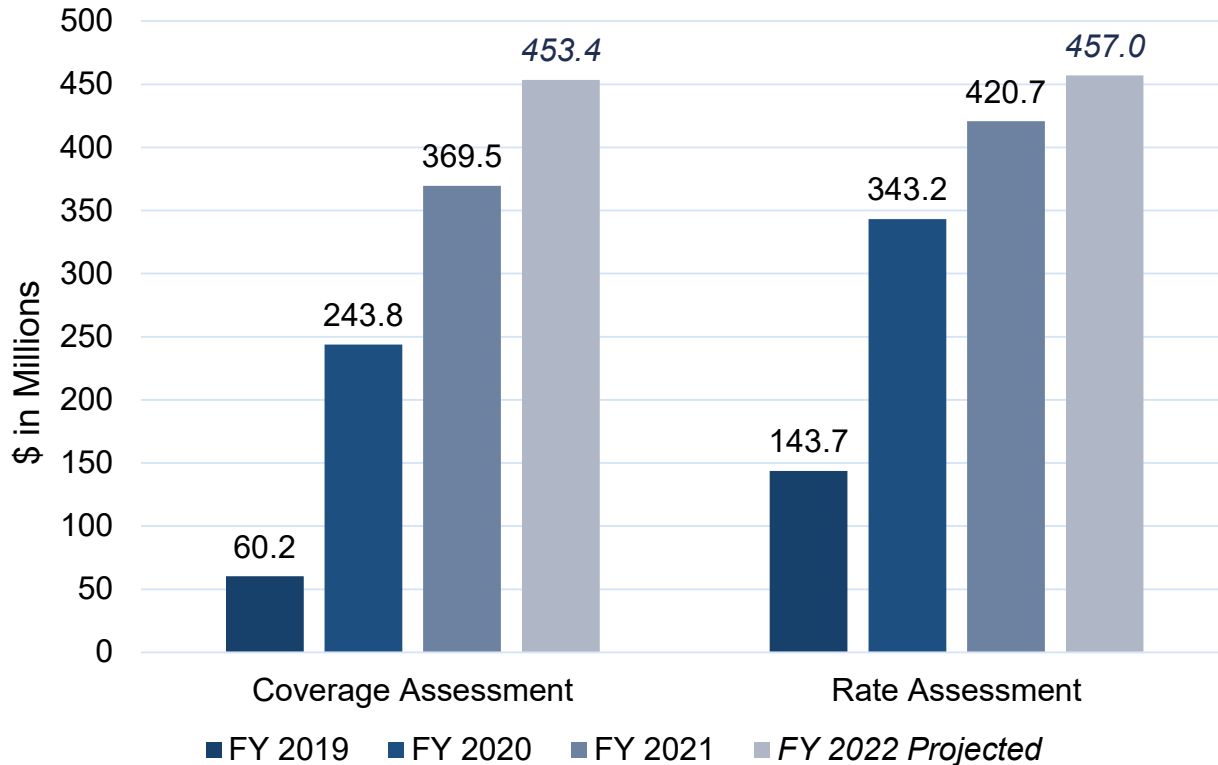
Since 2019, Medicaid Spending Reflects Expansion, the Temporary Federal Eligibility Requirement, and Additional Services

Medicaid spending increased an average 5.8% a year from 2012 to 2018 and since 2019 is averaging 17.7%.



- From 2012 to 2018, spending growth averaged 5.8 percent a year, prior to Medicaid Expansion.
- Total spending has increased from \$7.1 billion in FY 2012 to \$16.1 billion in FY 2021.
- Federal funds make up nearly 65 percent of all spending.
 - Prior to Medicaid Expansion federal funds were closer to 50 percent.
- Since 2019, spending has reflected the expansion of Medicaid.
 - Medicaid Expansion spending was \$3.7 billion in FY 2021; 23 percent of total Medicaid spending.
 - The state share of Expansion's costs are paid from the hospital provider assessment.

Hospital Provider Assessment Trends



- The private hospitals pay two assessments.
- The coverage assessment pays for the 10 percent state match for Expansion.
- The rate assessment pays the enhanced Medicaid rates for hospitals.
- In FY 2021, the \$420.7 million in rate assessment revenue generated \$1.5 billion in additional Medicaid revenue for hospitals; a net benefit of over \$1.0 billion to hospitals.



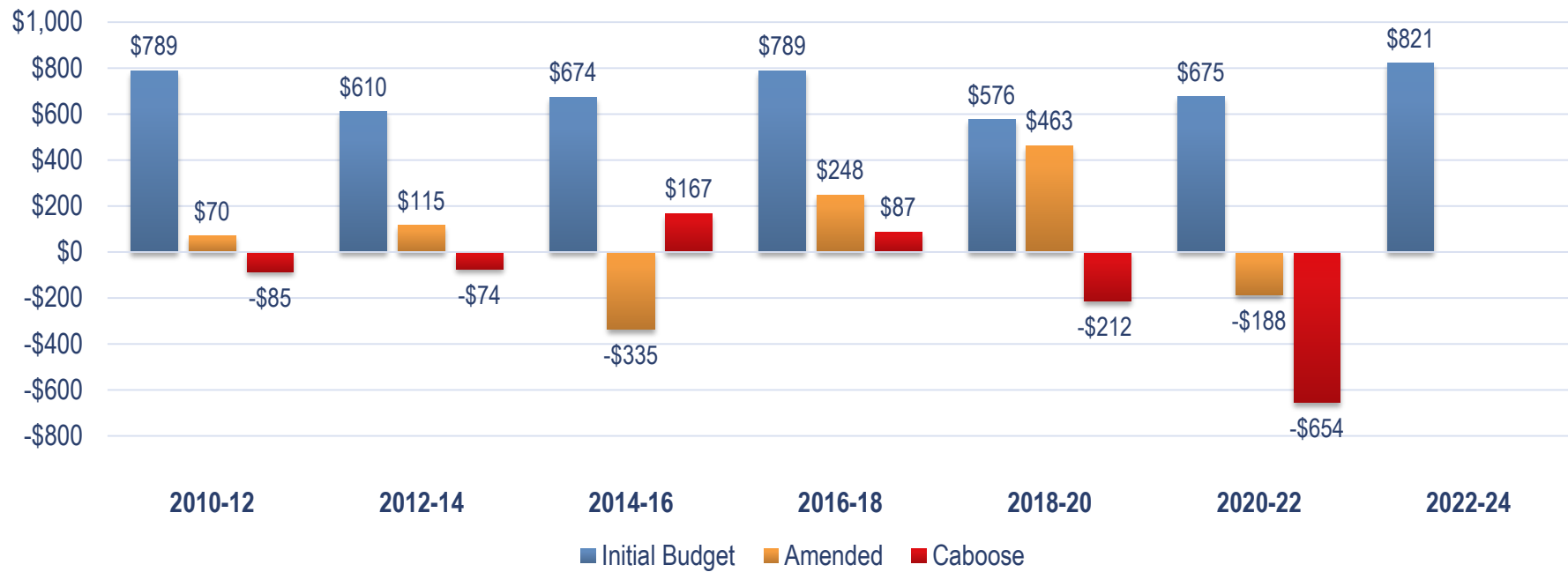
2021 Medicaid Forecast

Medicaid Forecast Reflects Disruption of COVID-19 on Health Care Utilization and Additional Federal Support

Fund Source (\$ in Millions)	FY 2022 (Surplus) / Need	FY 2023 (Surplus) / Need	FY 2024 (Surplus) / Need
General Fund	(\$653.7)	\$291.3	\$529.9
Coverage Assessment	18.0	30.4	77.2
Rate Assessment	(70.1)	(21.6)	(11.1)
Federal Funds	1,137.5	311.9	1,002.6
Growth Over Prior Year	12.6%	1.0%	5.4%

Medicaid Adjustment for FY 2022 Provides Significant Savings Due to COVID-19; Next Biennium's Forecast More Typical

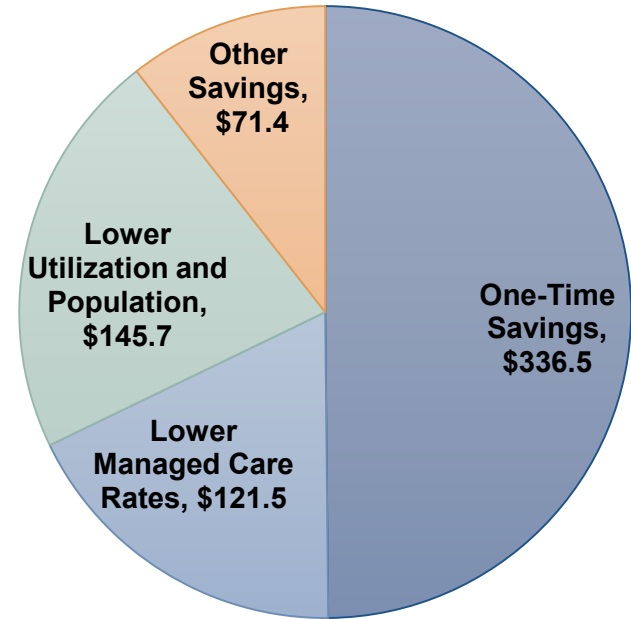
Medicaid GF Forecast Need by Biennium
(\$ in Millions)



FY 2022 Surplus a Result of One-Time Savings and COVID-19 Disruption of Health Care Utilization

- Total spending is projected to increase in FY 2022 by **\$431.7 million** in total funds.
- The General Fund surplus contains one-time savings from:
 - ARPA Home and Community-Based Services enhanced match;
 - Extension of 6.2 percent enhanced federal match due to the public health emergency; and
 - Advance payment to maximize federal match.

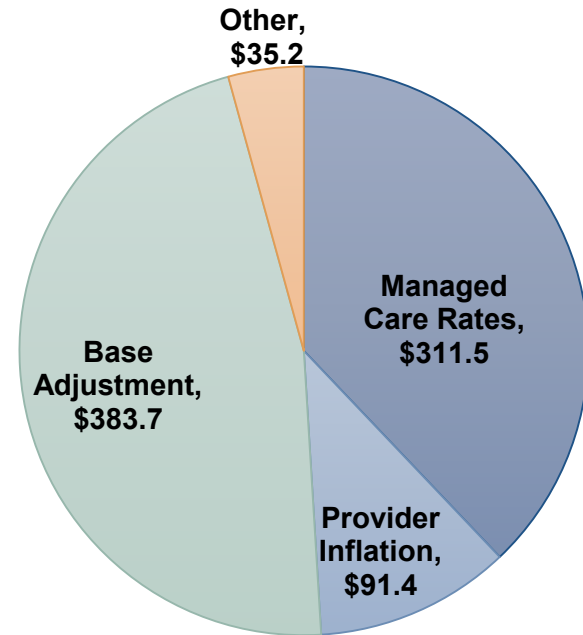
General Fund Surplus of \$653.7 million GF
(\$ in Millions)



FY 2022-24 Biennium General Fund Need

- Total spending is projected to increase in the 2022 – 2024 biennium by \$2.2 billion in total funds. The General Fund share of this increase is \$821.2 million.
- The General Fund need reflects:
 - Enrollment changes;
 - Managed care rate increases;
 - Provider inflationary increases; and
 - Adjustment for the FY 2022 base reflects the temporary federal match savings.

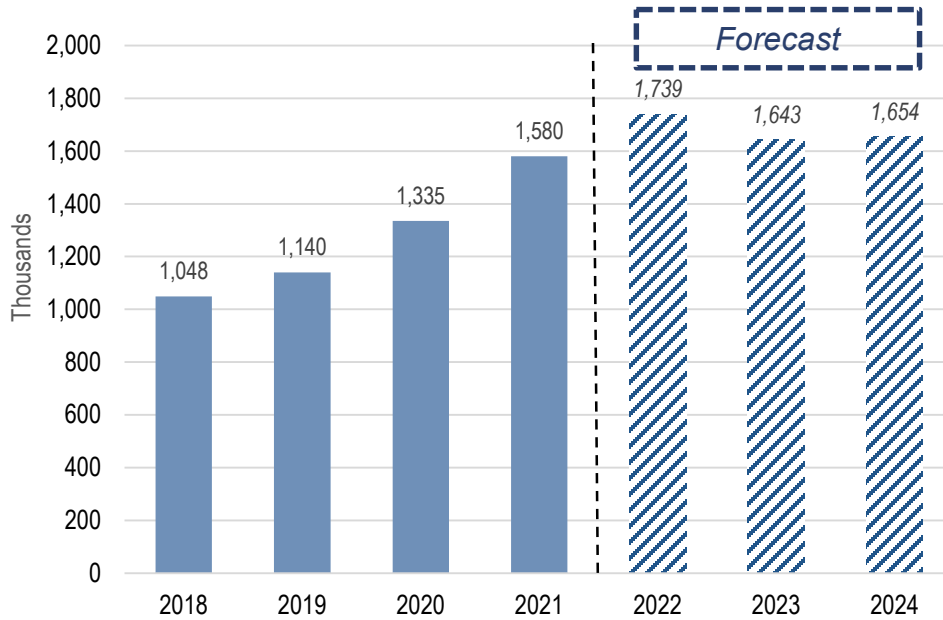
General Fund Need of \$821.2 million GF
(\$ in Millions)



Note: The forecast does not include the impact of several items that have not been finalized. This includes Medicare Premiums, any change in the base Medicaid match rate, or the result of the rebasing of outpatient hospital rates.

Enrollment Projected to Decline in FY 2023 Due to End of the Federal Public Health Emergency

Average monthly Medicaid enrollment has increased due to the Federal Requirement to Maintain Eligibility.



- During the federal Public Health Emergency (PHE) states cannot disenroll anyone as a requirement to receive the enhanced federal match of 6.2 percent.
- FY 2021 enrollment increased 18.3 percent and FY 2022 enrollment is expected to increase 10.1 percent.
- After the PHE ends, enrollment is projected to decline 5.5 percent in FY 2023 and then increase slightly in FY 2024 by 0.7 percent.

Managed Care Rates are a Budget Driver

- After enrollment, Managed Care rates are the primary driver of Medicaid spending.
 - 69 percent of Medicaid spending is through managed care capitation payments.
- Managed Care rates are set by a contracted actuary and are required per federal policy to be actuarially sound.
- In FY 2022, the rates dropped about 5.8 percent for Medallion and 3.2 percent for Commonwealth Coordinated Care (CCC) Plus creating savings in the budget as compared to the assumptions used last year.
- For FY 2023 and FY 2024 the actuary projects modest increases in managed care rates.

Managed Care Program	FY 2023	FY 2024
CCC Plus (Non-expansion)	1.9%	4.3%
Medallion 4.0 Rates (Non-expansion)	4.4%	4.1%



Medicaid Outlook for the 2022 Session

Medicaid Outlook for the 2022 Session

- Disruption of COVID-19 on health care utilization continues and creates uncertainty as to when utilization and the associated costs return.
- Medicaid enrollment will likely decline as the federal maintenance of eligibility requirement expires in January 2022; however, the depth of the decline is uncertain.
- The impact of inflationary pressures and labor shortages on wages may eventually translate into higher Medicaid costs.
- Costs of other policy changes and necessary rate changes will likely increase costs in the next biennium.
 - Rates for personal care and other services will require increases to reflect the annual increases already set by statute to the state's minimum wage.
 - Rates of certain services (i.e. dental) may need to be increased to ensure adequate provider networks and access to care.

Investment in Home and Community Based Services is Required in the 2022 Session

- The American Rescue Plan Act of 2021 provides a 12-month temporary increase of 10 percent in the federal match rate for all Medicaid Home and Community-based Services (HCBS).
 - State savings estimated at \$273.2 million must be reinvested in HCBS services.
 - Because the savings are one-time the state will be required to cover the on-going costs resulting from reinvestment of the one-time savings.


(\$ in millions)	FY 2022	FY 2023
Available GF Savings	\$273.2	
Approved 12.5% Rate Increase for HCBS Services	(101.2)	(12.1)
\$1,000 Payments for Personal Care Attendants	(22.7)	0.0
Remaining Balance for Investment in the 2022 Session	\$137.2	

Provider Rate Changes Under Consideration

- **Dental Rates:**
 - Recent expansion of dental benefits to adults has highlighted the shortage of dental providers.
 - Rates have not increased since 2005.
 - A 30 percent increase is estimated to cost \$84.9 million GF over the 2022-2024 biennium.
- **Developmental Disability Waiver Rates:**
 - Impact of minimum wage increases and labor shortages may require consideration of additional increases for these services.
 - DMAS has submitted a proposal, based on a updated rate study, with a cost of \$294.1 million GF over the 2022-24 biennium; however, multiple options could be considered.
- **Other Provider Rates Impacted by the Minimum Wage Increase**
 - Personal Care rates are the most directly impacted service; and have already been adjusted to reflect previous minimum wage rate changes.
 - Nursing facility, hospital, intermediate care facilities, and other smaller services will likely require rate increases.

Key Takeaways for Medicaid

- Medicaid has provided continuous health care coverage for hundreds of thousands of Virginians through the pandemic.
- COVID-19 has disrupted program spending; expectation is that the program will return to normal in the next biennium.
- Spending is lower than expected; but there is much uncertainty.
 - Enhanced federal match rate expires in FY 2022 and the base rate may change on an annual basis going forward.
 - Utilization of services is expected to return to pre-pandemic levels.
 - Labor shortages and wage inflation may add upward pressure to a variety of provider rates.
 - Next year's forecast could be higher depending on how certain factors affect the program as the impact of COVID-19 subsides; and should result in the ability to better evaluate enrollment.
- The program has undergone many policy changes in recent years and implementation of many of those changes is still underway.



Update on Department of Behavioral Health and Developmental Services Bed Census and Staffing

DBHDS Census Remains High and Staffed Beds Remain Below Capacity

- The Department of Behavioral Health and Developmental Services (DBHDS) bed census for the mental health hospitals:

	Jun. 1	Jul. 1	Aug. 1	Aug. 16	Sept. 1	Sept. 16	Oct. 4	Nov. 11
Total Capacity (all admission types)	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332
Staffed Beds (percent of total beds)	100%	100%	98.1%	89.7%	89.7%	81.4%	83.0%	83.7%
Total Census	1,288	1,271	1,127	1,092	1,051	1,060	1,069	1,065
Total Utilization	96.7%	95.4%	86.2%	91.4%	87.9%	97.8%	96.7%	95.5%

Source: Adapted and updated from a presentation provided by Commissioner Alison Land to the Joint Subcommittee for Health and Human Resources Oversight, October 2, 2021.

Recent Funds Added to Reduce Census Pressure

2021 Special Session II allocated bonuses for Direct Care Staff at Behavioral Health Hospitals and Training Centers

- FY 2022 - \$45.0 million in ARPA funds for bonuses to direct care staff
- FY 2023 - Governor's intention to fund \$76.9 million for salary adjustments

ARPA funds will expand pilot programs for individuals with dementia who are ready for discharge and need nursing care

- FY 2022 - \$1.65 million
- FY 2023 - Governor's intention to fund \$1.65 million

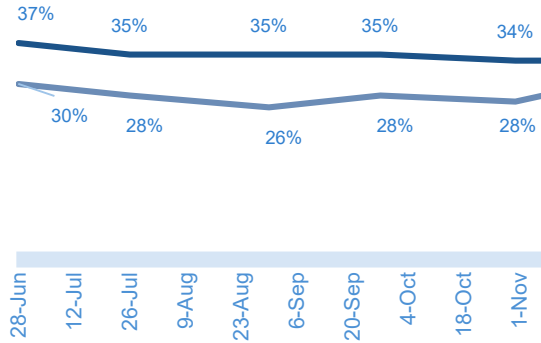
ARPA funds for permanent supportive housing

- \$5.0 million for Permanent Supportive Housing in Northern Virginia to assist with bed crisis at state facilities

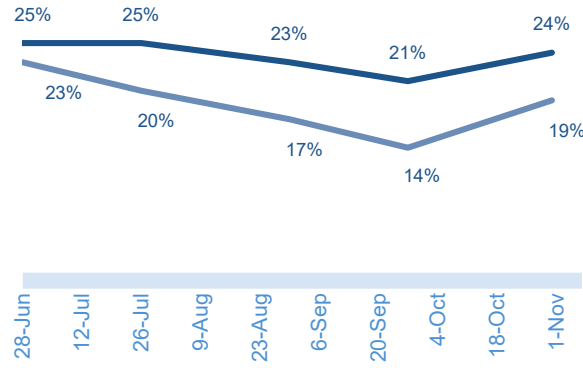
Vacancy Rates have Declined Slightly but Staffing Issues Persist and Will Continue to be an Issue in the 2022 Session

- Vacancy rates at Department of Behavioral Health and Developmental Services state mental hospitals have decreased slightly.

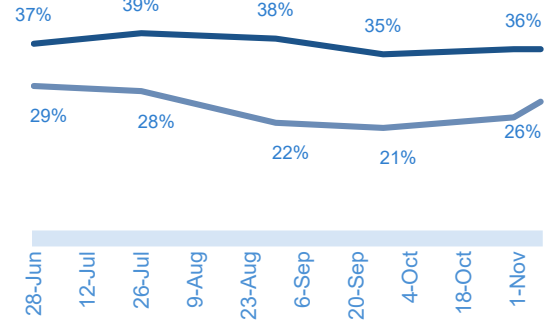
Direct Care Associates



Registered Nurses



Licensed Practical Nurses



- Vacancy Rates
- Vacancy Rates including Contract Workers

Source: Adapted and updated from a presentation provided by Commissioner Alison Land to the Joint Subcommittee for Health and Human Resources Oversight, October 2, 2021.



HHR High Priority Budget Requests for the 2022 Session

Summary of High Priority HHR Funding Requests

Funding Request (\$ in millions)	FY 2022 Amount	2022-24 Biennial Amount
Medicaid Provider Rates (Dental, Dev. Disability Waivers)	-	\$378.9
Behavioral Health Facilities (Compensation and Staffing)	21.7	204.1
Discharge / Diversion from State Mental Health Hospitals	-	162.7
Community Behavioral Health (Housing, Crisis, and STEP-VA)	-	127.5
Reinsurance Program (State Corporation Commission)	-	68.0
Children's Health Insurance Programs	(11.3)	52.5
Administrative / Information Technology	-	43.2
Other Program Needs	-	42.3
Foster Care / Adoption Forecast and Family First Prevention	-	41.1
Developmental Disability Waiver Slots (1,200)	-	39.0
Total High Priority Requests for HHR	\$10.4	\$1,159.3