

Department of Healthcare and Family Services Fiscal Year 2014 Budget Overview



March 6, 2013

**Pat Quinn, Governor
Julie Hamos, Director**

**DEPARTMENT OF HEALTHCARE & FAMILY SERVICES
PROGRAM AREA APPROPRIATIONS COMPARISON
(Dollars in Millions)**

All Funds

Total By Program	<u>FY 2013</u>	<u>FY 2014</u>	<u>\$ Change</u>
Medical Assistance	\$17,203.1	\$17,186.0	(\$17.1)
Child Support Services	240.3	242.6	2.4
Program Operations	199.1	245.7	46.6
Cost Recoveries	42.4	42.8	0.4
Inspector General	26.7	29.7	3.0
Total	<u>\$17,711.5</u>	<u>\$17,746.8</u>	<u>\$35.3</u>

General Revenue Fund

Medical Assistance	\$6,640.0	\$6,908.8	\$268.8
Child Support Services	29.9	29.9	0.0
Program Operations	89.8	113.5	23.7
Inspector General	8.1	8.0	(0.1)
Total	<u>\$6,767.7</u>	<u>\$7,060.2</u>	<u>\$292.5</u>

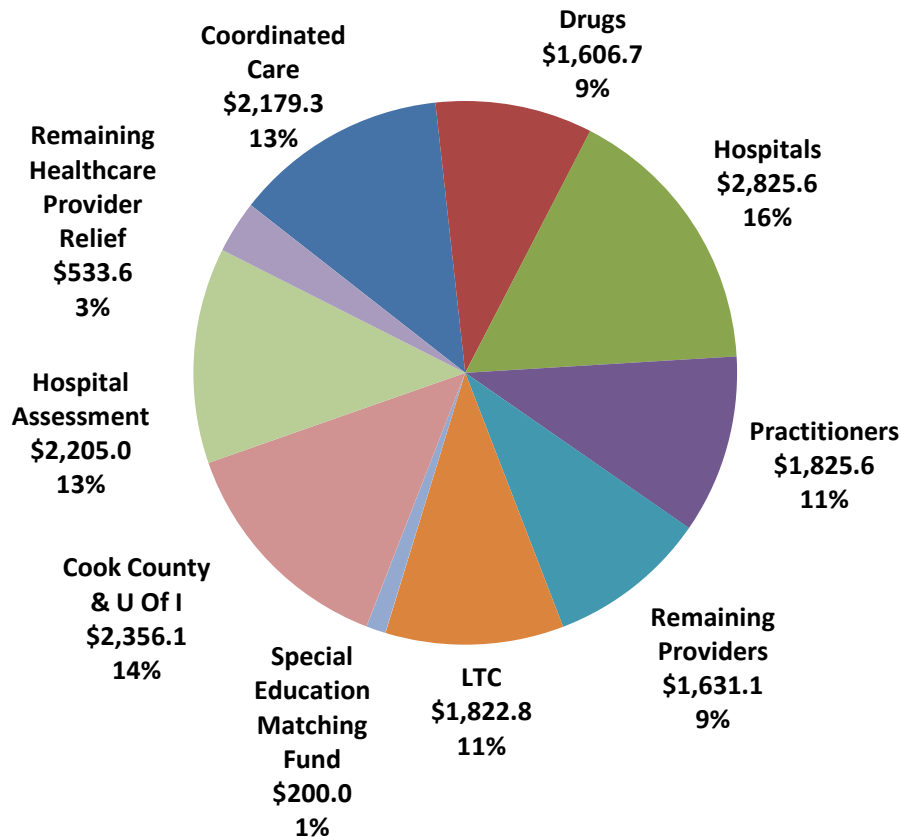
Fiscal Year 2014 Program Overviews

Medical Programs

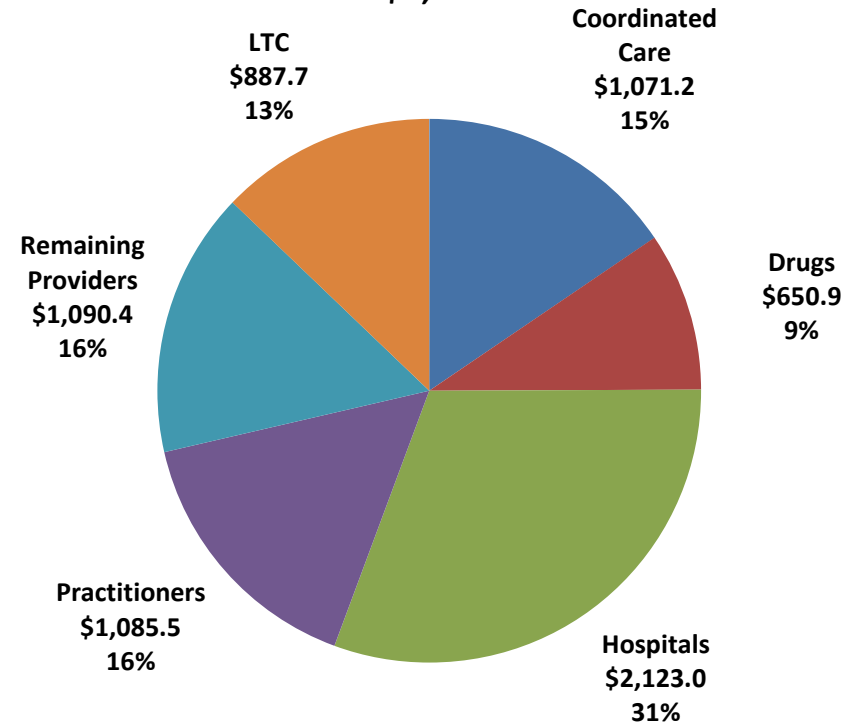
FISCAL YEAR 2014 MEDICAL PROGRAMS APPROPRIATIONS

By Category of Expenditure (Dollars in Millions)

All Funds
Total \$17,186.0



General Revenue Fund
Total \$6,908.8

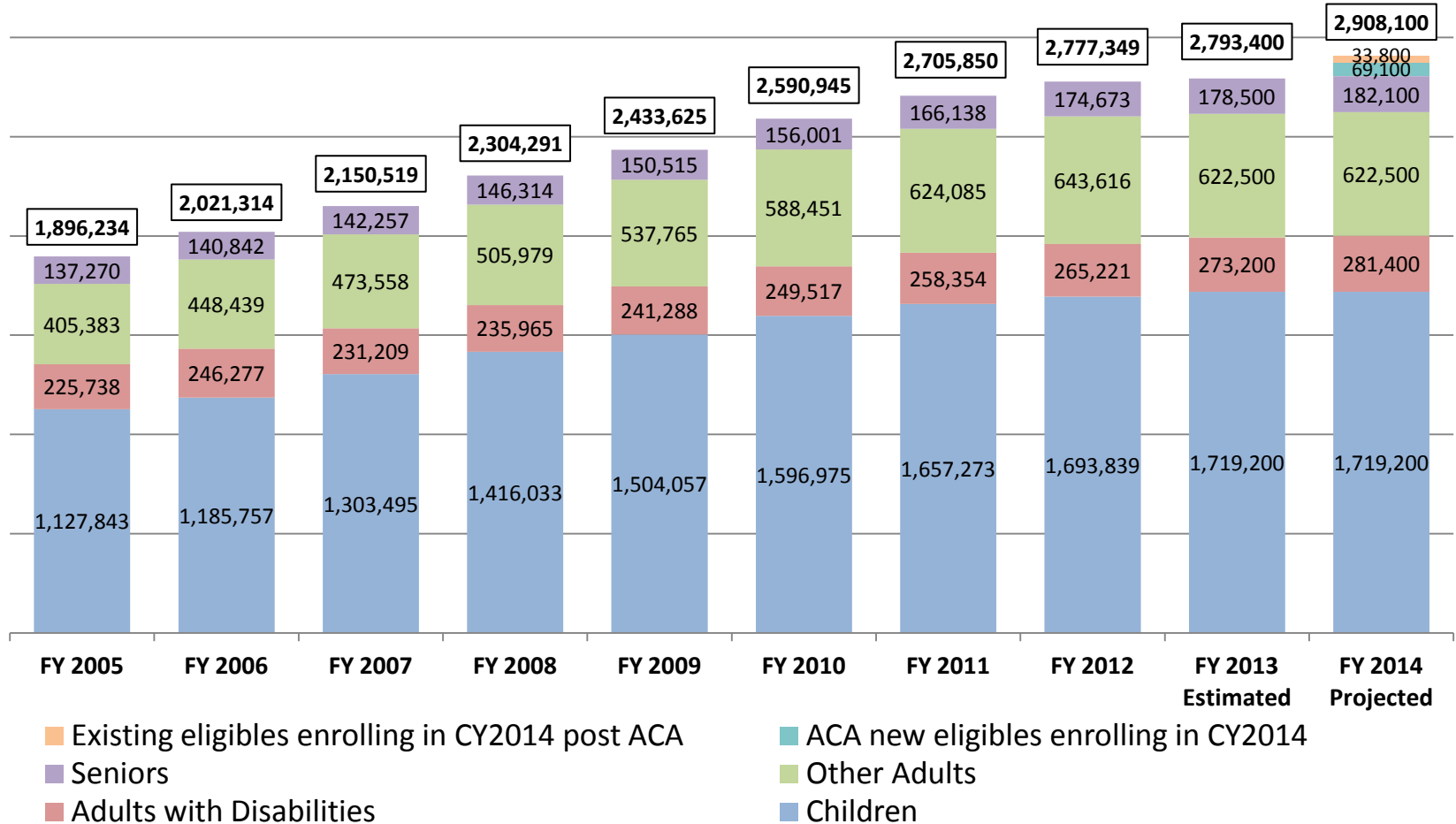


Providing Healthcare Coverage

- HFS is the largest insurer in Illinois
- Current Medical Programs Enrollment (11/30/12): 2.75 million*
 - Children: 1.67 million
 - Seniors: 179,000
 - Adults with Disabilities: 263,000
 - Other Adults: 636,000

** Excludes enrollees in partial benefit programs*

Historical Medical Programs Enrollment



Reflects average annual enrollees
Excludes enrollees in partial benefit programs

Medical Programs FY 2014 Goals

- Redesigning the Medicaid healthcare delivery system – more integrated and person-centered
- Rebalancing the long-term care system - more integrated and person-centered
- Managing Medicaid budget growth
- Implementing the Affordable Care Act

Redesigning the Medicaid Healthcare Delivery System

- 2 million Medicaid clients will be enrolled in coordinated care/managed care by end of calendar year 2014
 - Requires extensive work with providers of medical, behavioral and community services
- Reimbursement systems for hospitals will be modernized
- Performance indicators will measure health outcomes and create accountability
- Incentivize more collaboration among providers toward holistic needs of individuals

Rebalancing the Long-Term Care System

- Focus on integration of services around individual needs
- Colbert consent decree implementation plan will transition 500 residents of Cook County nursing facilities to community settings by the end of FY14
- Balancing Incentive Program (BIP) award, with enhanced federal match, will increase community capacity
- Reimbursement system for nursing homes will be modernized

Managing Medicaid Budget Growth

- Plan and implement a multi-year effort, not a one-time fix
- Delivery system improvements will result in long term cost containment
- Other reforms will drive cost containment as well:
 - Complete Saving Medicaid Access and Resources Together (SMART) Act reforms
 - Ensure integrity of the program by preventing provider and client fraud
 - Review and redesign utilization controls, benefit packages, level of care assessments
 - Expand cost-sharing by clients

Managing Medicaid Budget Growth cont.

- Base FY 14 GRF and related fund medical liability estimated to grow by 3.9% with initial ACA enrollment, from \$9.8 billion in FY13 to \$10.2 billion in FY14 (2.2% growth without ACA)
 - Costs for new ACA eligibles are 100% federally funded in FY14
 - Costs for current eligibles under ACA are 50% federally funded in FY14
 - In addition to the above costs, HFS is implementing ACA physician rate adjustments funded at 100% federal match from January 2013-January 2015
- New Section 25 caps
 - Require budgeting that allows payment of GRF and related fund medical bills received by June 30th from current year appropriations
 - Eliminate long “budgeted” payment cycles
 - HFS plans to process bills to the Comptroller in less than 30 days in FY13 and FY14
 - GRF cash-flow payment delays may continue

SMART Act Summary

- Initial \$2.7 billion Medicaid funding shortfall for FY13
- SMART Act assumed \$1.6 billion in 62 program reductions, including:
 - eligibility reductions
 - optional services reductions
 - utilization control efforts
 - client cost sharing
 - provider rate reductions

SMART Act Summary cont.

- Remaining \$1.1 billion funding shortfall was addressed by new program revenue
 - \$350 million net revenue from a cigarette/tobacco tax increase (\$700 million gross spending with federal match)
 - \$50 million net revenue from the new hospital assessment (\$100 million gross spending with federal match)
 - \$151 million GRF transfer to the Healthcare Provider Relief Fund (\$300 million gross spending with federal match)

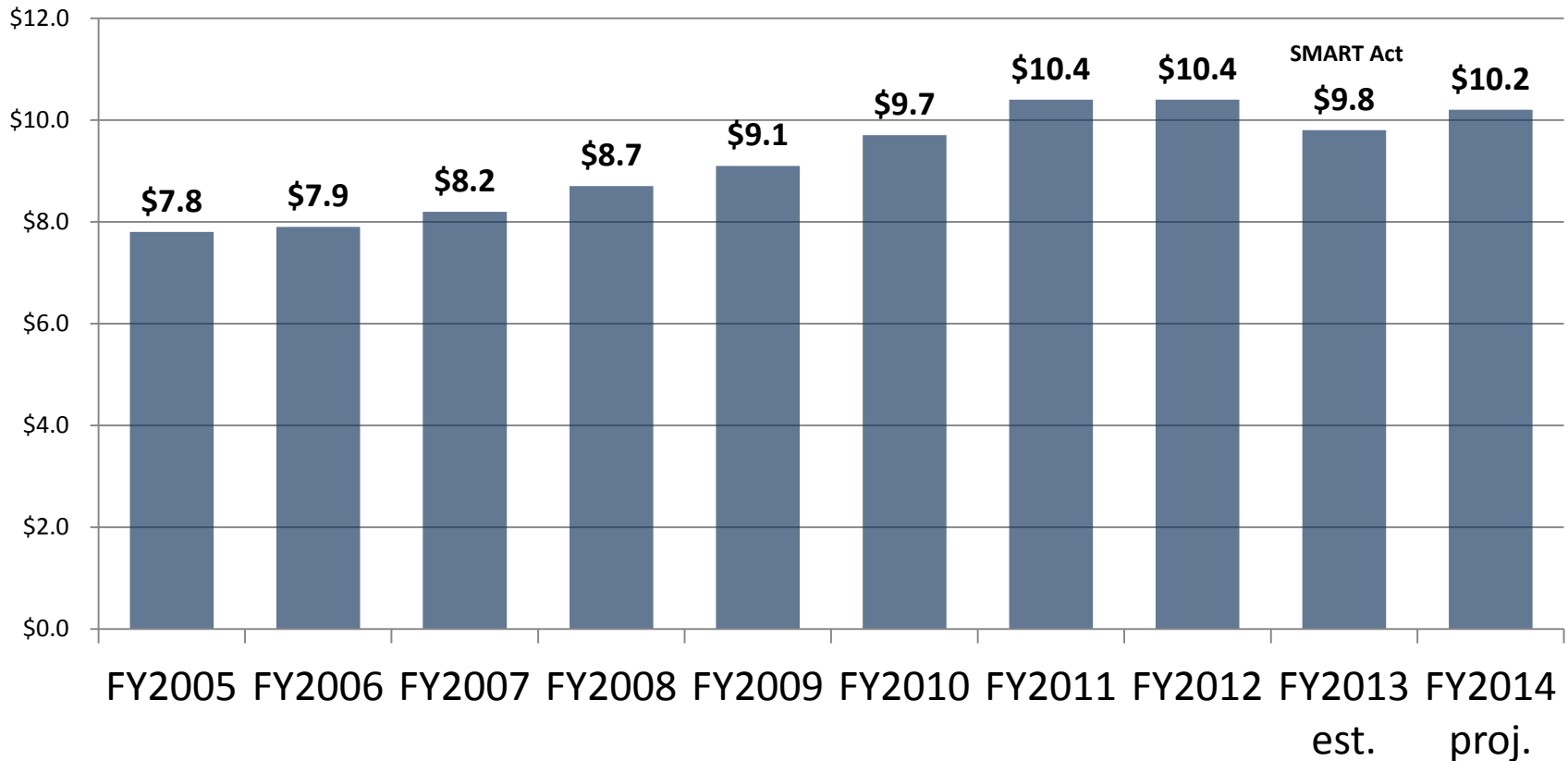
SMART Act Implementation

- HFS now expects to achieve \$1.1 billion in FY13 SMART Act savings
- \$495 million less than the original \$1.6 billion estimate
- Savings variance caused by:
 - state procurement timeframes
 - legislative prohibition of certain administrative rules
 - delays in federal approvals and denial of some items
 - pending litigation
 - operational issues
- Lower than estimated FY12 medical liability mitigates the budgetary impact of the SMART Act savings variance

Historical Medical Programs Liability

GRF and Related Funds

Total Liability in Billions



Implementing the Affordable Care Act (ACA)

Getting the Facts Right: The Uninsured in Illinois

- 1.1-1.2 million uninsured citizens in Illinois
 - ½ will qualify to buy health insurance in the “State Partnership Marketplace”
 - Other ½ will qualify for Medicaid coverage, based on income (if General Assembly approves)
 - Estimated that 10% will never enroll
- This includes only citizens and legal residents, not undocumented residents

Getting the Facts Right: Medicaid Enrollment Under ACA

- In Illinois, an additional 509,000 persons are expected to enroll in Medicaid by CY2017 (not in first year)
 - 2/3 could be “newly eligible” adults = 342,000
 - 1/3 could be currently eligible but are not yet enrolled (“current eligibles”) = 167,000
- “Cook County Waiver” made about 115,000 patients “newly eligible” for Medicaid as they enroll; this is included in 342,000 enrollment number -- not in addition

Getting the Facts Right: Medicaid Costs for “Newly Eligibles”

- Federal government will pay 100% of costs for 342,000 “newly eligible” enrollees in CY2014, CY2015 and CY2016; then 95% in CY2017; then 94% in CY2018; then 93% in CY2019, then 90% in CY2020 and beyond
 - Legislation specifies that eligibility category will cease within three months, if federal financial participation goes below 90%
- May result in up to \$12 billion for healthcare spending from the federal government between CY2014 and CY2020
- Requires up to \$570 million spending by Illinois between CY2014 and CY2020

Getting the Facts Right: Medicaid Costs For Current Eligibles

- Federal government will pay 50% (current Medicaid 50/50% split) for 167,000 Medicaid clients who are already eligible, but have not yet applied
- Whether or not new ACA legislation is adopted, these Illinois residents are entitled to Medicaid benefits
- The FY14 budget assumes approximately \$56 million for the initial six-month enrollment of current eligibles (\$28 million from the federal government and \$28 million from the state)

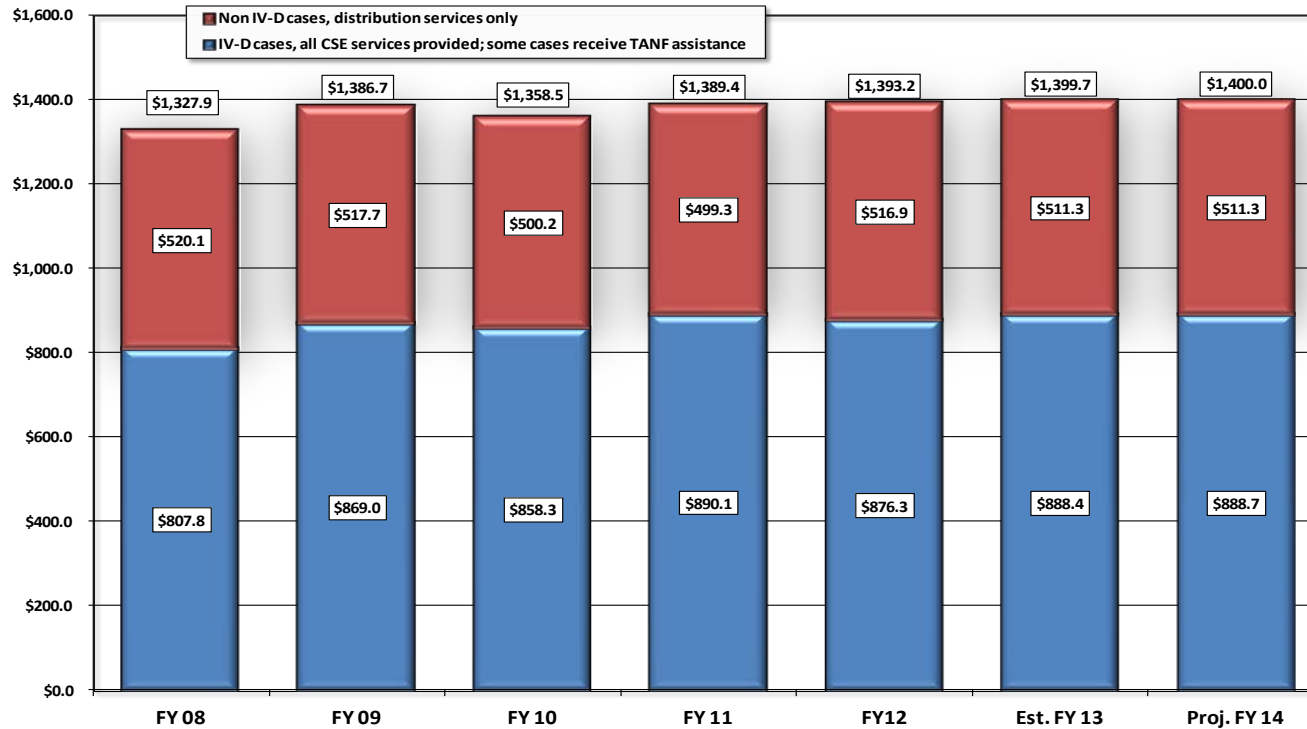
Status of ACA Implementation

- Of the 509,000 expected new enrollees post-ACA, 241,500 are expected to enroll by the end of FY14 (if the General Assembly authorizes “newly eligibles”)
- Enrollment to be required in coordinated care/managed care for both groups of new enrollees
- HFS is implementing ACA physician rate adjustments funded at 100% federal match from January 2013-January 2015
- First phase of new Integrated Eligibility System (IES) implemented, overhauling an antiquated computer system, with 90% federal funding – called “ABE”
- HFS is adding 47 headcount in FY14 to implement ACA

Child Support Services

- In FY12, for the eighth straight year, the Department achieved collections over \$1 billion, with a total of \$1.39 billion
- In FY12, collected more than \$222 million in past due child support through administrative enforcement tools: driver's license suspensions, passport denial, tax refund intercepts, bank account seizures, liens on real property and other methods. This represents a 10.5% increase over FY11.
 - More than \$132 million was collected from delinquent non-custodial parents due to the administrative driver's license suspension remedy in FY12, a 19% increase over FY11
 - More than \$20 million in assets were successfully seized in 2012
- In FY13, HFS received credit for federal earned incentives of \$15.7 million, based upon improved performance during federal fiscal year 2011
- The FY14 budget assumes that only 14 cents of every child support services operational dollar comes from the General Revenue Fund

Child Support Services Collections



Dollars in Millions

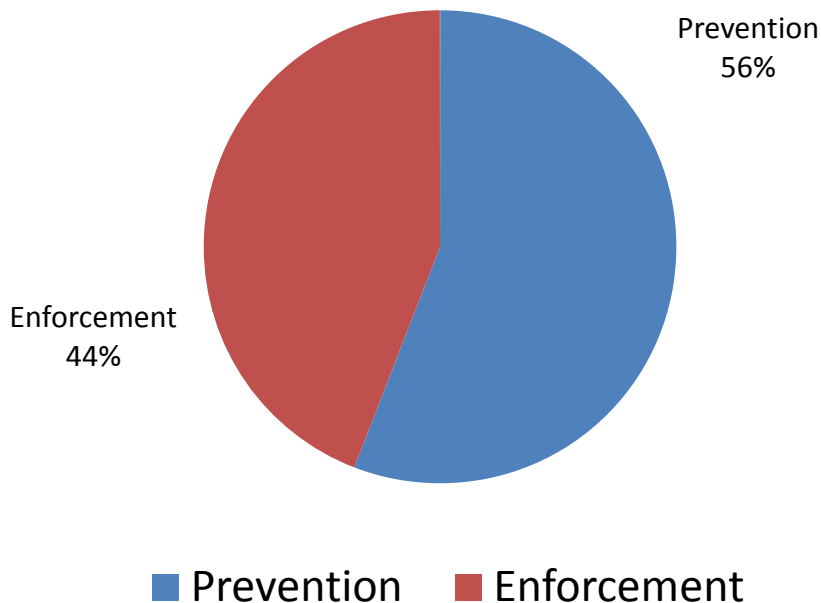
- Collections include amounts on behalf of clients in other states
- Beginning in SFY06, collections data includes adjustments which give non-custodial parents credit for payments sent to the custodial parent where there was no cash receipt by the Department

Office of Inspector General

- Mission is to prevent, detect, and eliminate fraud, waste, abuse, mismanagement and misconduct in HFS programs
- In FY12, OIG collected \$38 million in provider overpayments through the audit administrative process; also approximately \$11.1 million from established overpayments from audits completed during FY12 and prior years
- Fraud Prevention Investigations (FPI) program, in partnership with DHS, works to ensure that only those who are eligible for Medicaid receive the benefit
 - FPI prevented \$8.6 million in improper benefits from being issued in FY 2012
 - FPI's return on investment has been \$8.06 to \$1
- Long-Term Care Asset Discovery Investigations (LTC-ADI) program, in partnership with DHS, uncovers undisclosed assets and improper asset transfers in the Long-Term Care program
 - Estimated cost savings was \$14.9 million in FY12
 - LTC-ADI's return on investment was \$7.26 to \$1

Office of Inspector General

FY2012 Fiscal Impact \$58 million in Savings and Collections



Prevention Activities:

- Recipient Restrictions
- Fraud Prevention Investigations
- SNAP Cost Avoidance
- Long Term Care – Asset Discovery Investigations
- New Provider Verification
- Provider Sanctions Cost Avoidance

Enforcement Activities:

- Provider Audit Collections
- Client Overpayments
- Provider Sanctions Cost Savings
- SNAP Overpayments
- Restitution
- Fraud Science Team Overpayments
- Global Settlements
- Child Care Overpayments