

Illinois Department of Healthcare and Family Services

Fiscal Year 2017 Budget Overview

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HFS Mission

- Ensuring quality healthcare coverage at *sustainable costs*, empowering people to make sound decisions about their well-being and maintaining the highest standards of program integrity on behalf of the citizens of Illinois
- Ensuring families have the *opportunities they deserve* by enforcing child support obligations throughout the state



Child Support Services

- Division of Child Support Services (DCSS) serves almost 500,000 families who receive TANF and Medical Assistance or who are not receiving government assistance, but still need child support services
 - In FY 2015, for the tenth straight year, the Department achieved collections of more than \$1 billion, with a total of \$1.416 billion – most of it passed on to families
- FY 2017 budget assumes that only 14 cents of every child support services operational dollar comes from the General Revenue Fund

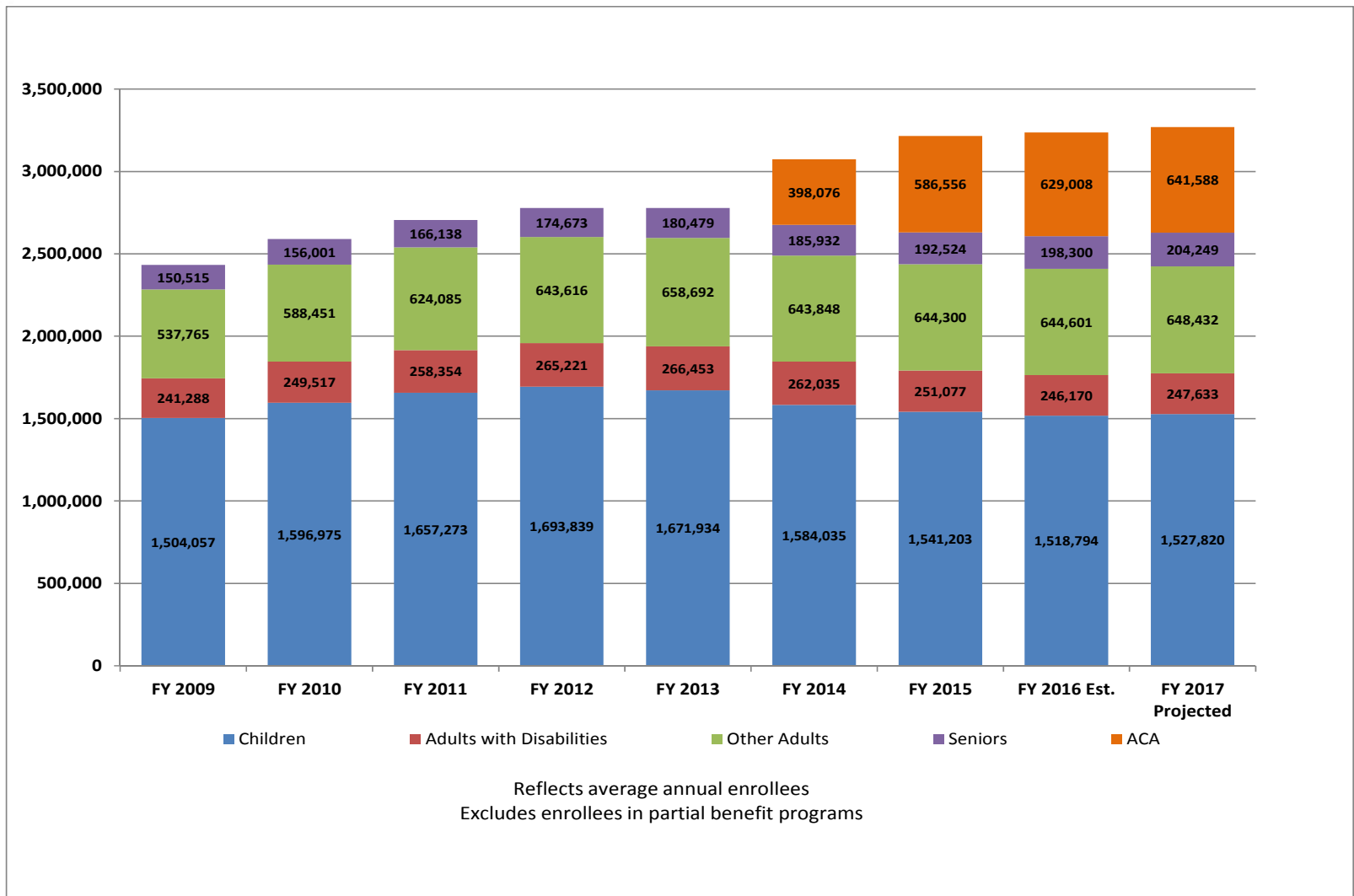


Providing Healthcare Coverage

- HFS is the largest insurer in Illinois
- Current Medical Assistance Enrollment (Nov. 2015): 3.17 million*
 - Children: 1.50 million
 - Seniors: 190,800
 - Adults with Disabilities: 235,100
 - Other Adults: 614,400
 - ACA Adults: 632,400

* Excludes enrollees in partial benefit programs

Medical Assistance Average Enrollment



Medical Assistance Fiscal Year 2017 Budget Highlights

- Maintains eligibility and healthcare services for low income residents and individuals enrolled under the Affordable Care Act
- Assumes over 66% of clients enrolled in risk-based managed care
 - Begins Managed Care in Long Term Supports and Services (MLTSS) for Medicare/Medicaid dual eligibles
- Continues efforts to rebalance the long term care system



Medical Assistance Program Integrity Efforts

- Medical Assistance Redeterminations
 - Average of 3.3 million monthly Medical Assistance clients in FY 2017
 - FY 2017 budget includes resources for timely redeterminations
 - Requires cooperation with the Department of Human Services
 - FY 2017 General Revenue Fund estimated savings: \$140 million



Inspector General – Fraud & Abuse Prevention

- In FY 2015, the Inspector General achieved \$204 million in savings, cost avoidance and recoveries
- FY 2017 budget assumes resources for the Inspector General to combat waste, fraud and abuse in the Illinois Medical Assistance program
 - Quality control on Medical Assistance eligibility determinations and provider claims
 - Data analytics to identify outlier provider and client behavior
 - Provider payment audits
 - Client asset discovery
 - Provider and client investigations

Affordable Care Act (ACA) Enrollment

- 622,400 have enrolled under the ACA as of January 2016
- Costs offset by high federal match rate
 - Federal government will pay 100% for Medicaid clients who are newly eligible through December 31, 2016
 - Match rate declines to 95% on January 1, 2017
 - Continues phase down to 90% by January 1, 2020
- 629,000 estimated average monthly enrollment in FY 2016
- 641,600 projected average monthly enrollment in FY 2017

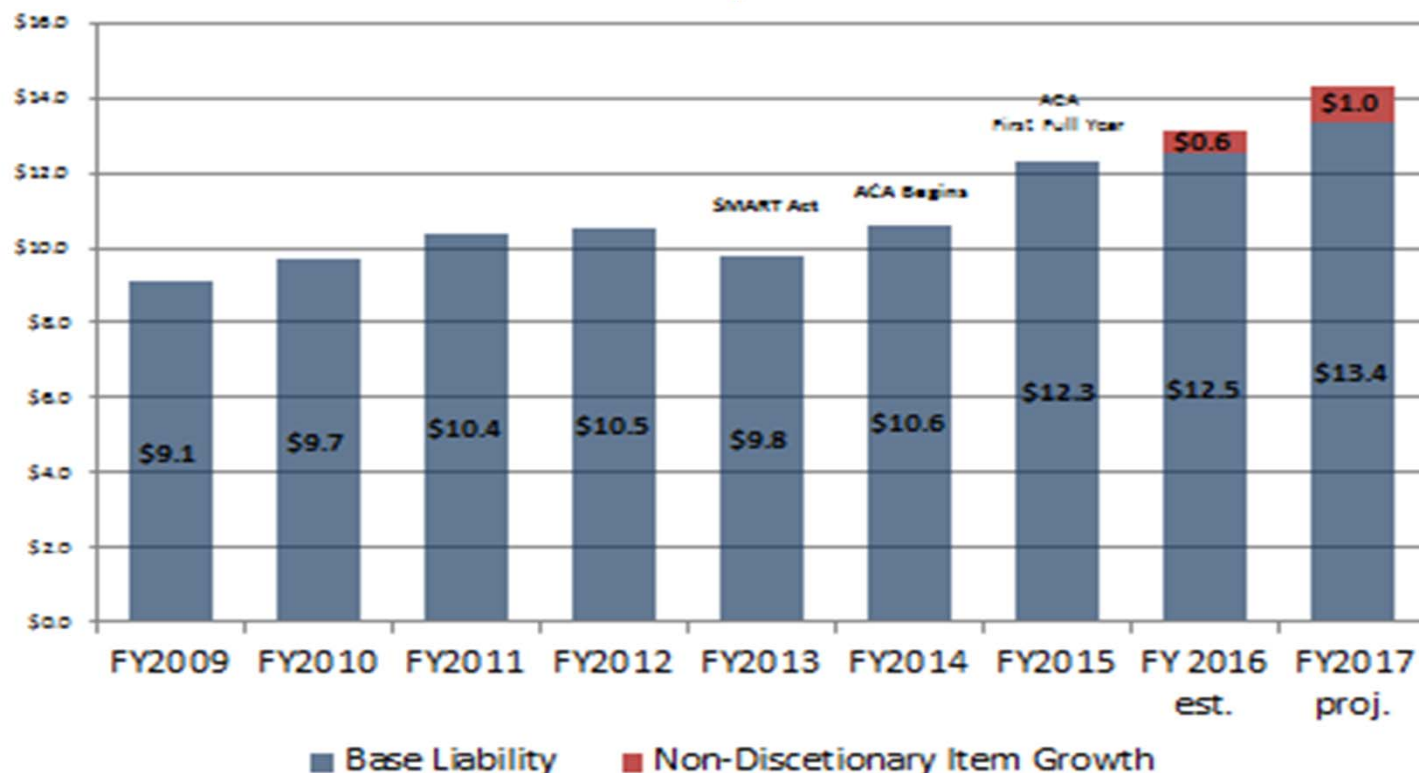


Affordable Care Act (ACA) Estimated Cost

- Fiscal Year 2016: \$2.78 billion
 - General Revenue & Related Funds: \$2.14 billion
 - Cook County: \$0.64 billion
 - \$0 net state cost (100% federally-funded)
- Fiscal Year 2017: \$2.94 billion
 - General Revenue & Related Funds: \$2.3 billion
 - \$57.6 million net state cost
 - Cook County: \$0.64 billion
 - \$16.0 million net Cook County cost
 - Federal match rate declines to 95% on January 1, 2017

Historical Medical Assistance Liability GRF and Related Funds

Total Liability in Billions



Fiscal Year 2016 Medical Assistance Budget Management Actions

- HFS is limited in Medical Assistance budget reductions it can implement without legislative action - most eligibility, service and reimbursement requirements are in state statute
- Within these limitations, HFS continues to implement Medical Assistance cost savings measures



Fiscal Year 2016 Medical Assistance Budget Management Actions

- Improve timeliness of Medical Assistance redeterminations: **\$53 million savings** (\$140 million annualized savings in FY17)
- Eliminate Accountable Care Entity/Coordinated Care Entity fees - transition to risk-based managed care: **\$30 million savings** (\$60 million annualized savings in FY17)
- Reduce managed care capitation rates: **\$25 million savings**
- Discontinue certain hospital fixed payments: **\$8 million**



Fiscal Year 2017 Medical Assistance Cost Growth Driven By Non-Discretionary Items

- MLTSS managed care - transfer other agency fee-for-service costs to HFS: **\$299 million**
- Annualization of Heroin Bill (PA 99-480): **\$267.0 million** (\$335.9 million FY 2017 total gross cost)
- ACA liability growth: **\$160.5 million**
- Annualization of ACA hospital presumptive eligibility: **\$95.4 million** (\$121.1 million FY 2017 total gross cost)

Fiscal Year 2017 Medical Assistance Cost Growth Driven By Non-Discretionary Items

- Annualization of federal Medicare Part B and Part D cost increases: **\$72.6 million** (\$127.7 million FY 2017 total gross cost)
- Other non-discretionary items: **\$76.6 million**
- GRF and related fund Medical Assistance liability grows **1.9%** absent non-discretionary items

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Medical Assistance Payment Processing

- Section 25 statutory caps
 - Require payment of GRF and related fund medical bills received by June 30th from current year appropriations
 - Eliminate long “budgeted” payment cycles – cannot push large amounts of unpaid medical bills into future fiscal years
- HFS is generally processing GRF-related bills to the Comptroller in less than 30 days in FY 2016
- FY 2017 introduced budget will allow HFS to continue meeting the Section 25 caps

Transforming Medical Assistance

Paying for quality, value and outcomes

Maintaining healthcare coverage for **core low income beneficiaries** while driving quality care at supportable costs.

Actions include:

- Pay for Performance (P4P) measures for Managed Care Organizations (MCOs) to drive improvements in key quality measures for children and adults
- Assignment of beneficiaries to MCOs based on quality
- Ensure beneficiaries receive the right care, at the right place and at the right cost

Transforming Medical Assistance

Paying for quality, value and outcomes

- Continued shift to Care Coordination
 - Incorporating populations that are now mainly receiving fee for service care
- Uniformly administered Long Term Supports and Services (LTSS) assessment instrument
- Robust nursing home audits to ensure proper alignment of care and costs
- Expand community-based programs
- Integrate physical, behavioral and mental health care coordination

Transforming Care Coordination

Saving money while providing better care

- Collaboration between MCOs, ACEs and CCEs is leading to powerful alignments that mean improved coordination and quality
- Combining best of both worlds:
 - Managed Care Organizations offer superior risk and quality management, analytics and contracting expertise
 - ACEs/CCEs offer vital clinical, community and frontline experience
- Transforming approach from *paying for quantity* to paying for value and outcomes



Transforming Information Technology

Developing a state-of-the-art technology platform

- Replacing *decades old systems* that inhibit efficient and effective reporting, analytics and timely decision making
- New systems increase efficiency and program integrity while *reducing costs*
- Major system milestones:
 - Provider Enrollment System (IMPACT – Phase I)
 - Integrated Eligibility System – Phase II
 - Pharmacy Benefit Management System
 - Data Analytics Platform (MedInsight) Implementation
 - Medicaid Management Information System (IMPACT – Phase II)
 - Enterprise Resource Planning (ERP) System

Program Area Appropriations Comparison (Dollars in Millions)

All Funds*

Total By Program	FY2016 <u>Estimated Necessary Spending Authority</u>	FY2017 <u>Appropriation Request</u>	<u>\$ Change</u>
Medical Assistance	\$20,817.4	\$21,600.6	\$783.2
Child Support Services	215.4	217.4	2.0
Program Operations	269.9	255.7	(14.3)
Cost Recoveries	29.0	28.9	(0.1)
Inspector General	25.1	25.2	0.1
Total	\$21,356.8	\$22,127.7	\$770.9

General Revenue Fund*

Medical Assistance	\$7,409.3	\$8,091.9	\$682.6
Child Support Services	24.1	27.0	2.9
Program Operations	57.7	49.2	(8.4)
Inspector General	5.2	5.2	0.0
Total	\$7,496.2	\$8,173.3	\$677.0

1. An FY 2016 budget has not been enacted for most items. 2. Numbers may not appear to add due to rounding.