



CABINET FOR HEALTH  
AND FAMILY SERVICES

## **Budget Overview for the Department for Medicaid Services**

**Prepared for the Budget Review Subcommittee on Human Resources**

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**September 20, 2023**

# Kentucky Medicaid at a Glance

- Approximately 1,665,114 Eligibles  
(as of July 31, 2023)
  - 129,100 children covered under Kentucky Children's Health Insurance Program (KCHIP)
  - 615,846 covered under Medicaid Expansion (ACA)
  - 920,168 covered under Traditional (Non-ACA)
  
- Over 69,000 enrolled providers
  
- \$16.8 billion in total SFY 2023 expenditures  
(Administrative and Benefits combined)

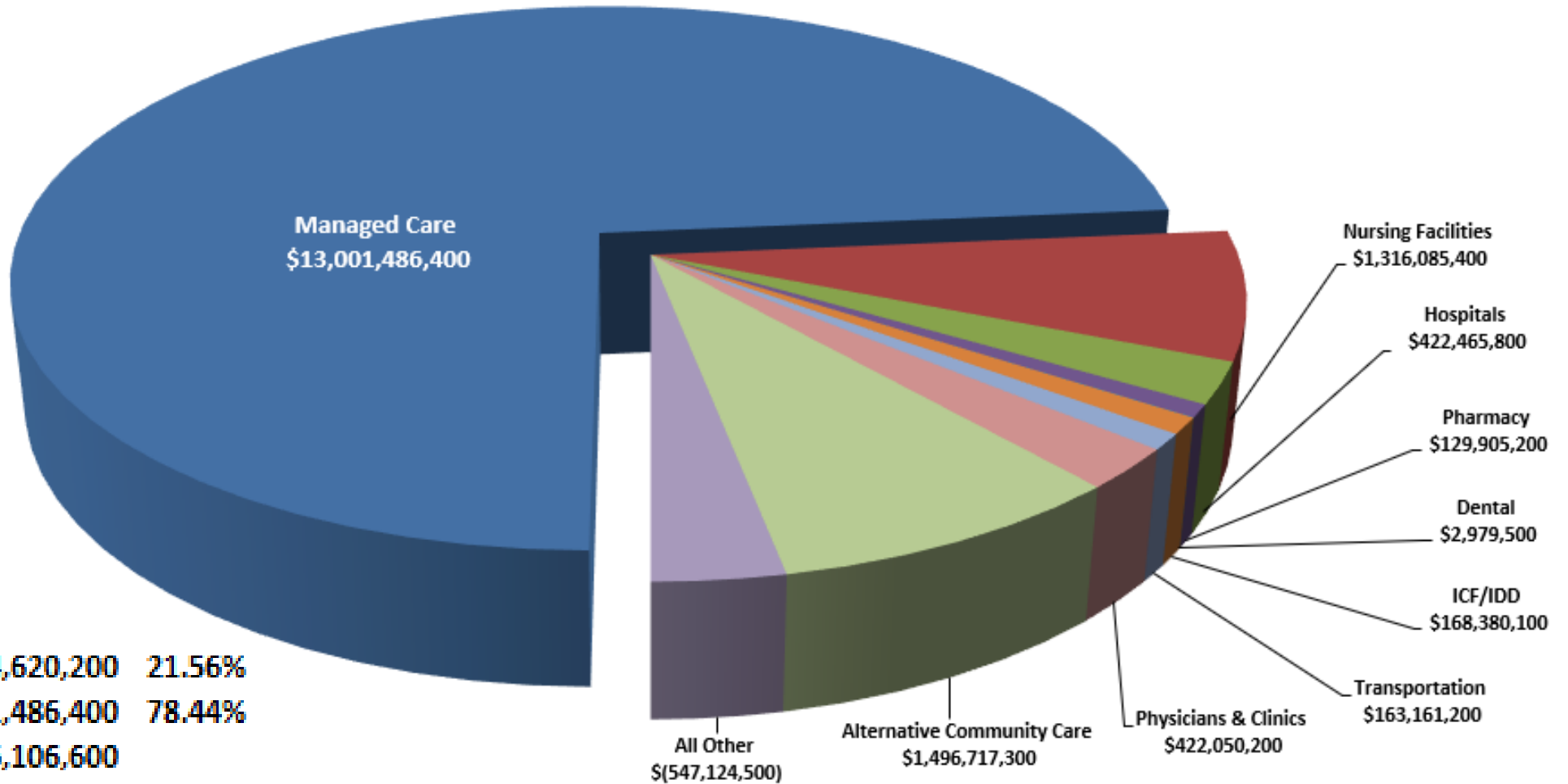
# Medicaid Benefits Budget

Benefits w/KCHIP (Dept 748)

	SFY 2021 ACTUAL	SFY 2022 ACTUAL	SFY 2023 ACTUAL	SFY 2024 Budgeted
<b>General Fund</b>	\$2,018,893,700	\$1,934,395,200	\$1,962,892,300	\$2,402,688,700
<b>Restricted Agency Funds</b>	\$662,841,900	\$599,576,300	\$1,042,272,300	\$1,705,580,100
<b>Federal Funds</b>	\$11,703,230,300	\$12,358,299,200	\$13,570,941,900	\$13,204,648,600
<b>TOTAL</b>	\$14,384,965,900	\$14,892,270,700	\$16,576,106,500	\$17,312,917,400

# Medicaid Benefits

(Actual SFY 2023)



Total FFS: \$3,574,620,200 21.56%  
Total MCO: \$13,001,486,400 78.44%  
Grand Total: \$16,576,106,600

# Medicaid Benefits Budget

	SFY 2022	SFY 2023	Increase/Decrease	% change from 2022
Managed Care (MCO)	\$ 11,796,575,900	\$ 13,001,486,400	\$ 1,204,910,500	10.21%
Non-Emergency Medical Transportation (NEMT)	\$ 140,657,700	\$ 155,004,800	\$ 14,347,100	10.20%
Drug Rebate	\$ (1,246,971,900)	\$ (1,500,857,500)	\$ (253,885,600)	20.36%
Fee-For-Service (FFS)	\$ 4,202,009,000	\$ 4,920,472,900	\$ 718,463,900	17.10%
	\$ 14,892,270,700	\$ 16,576,106,600	\$ 1,683,835,900	11.31%

- SFY 2023 expenditures increased by \$1.68B (11.31%) over SFY 2022 expenditures.
- Approximately 59% of the increase in FFS spending was due to increase expenditures in waiver and nursing facility.
- The 10.21% increase in managed care payments were mainly due to the following:
  - \$581.5M (48.3%) increase due to increased enrollment
  - \$344.0M (28.5%) increased spending on services
  - \$217.3M (18.0%) increase in Hospital Reimbursement Improvement Plan (HRIP)
  - \$ 57.3M (4.8%) increase in University Directed Payments
  - \$ 5.2M (0.4%) increase in Ambulance Provider Assessment Program (APAP)

# Medicaid Benefits Budget

➤ Approximately 22.75% of the managed care payments are related to directed payments. The following are the SFY 2023 Directed Payments that totaled \$2,957,751,400 paid in SFY 2023:

- University Directed Payments - \$1,548,118,300
- Hospital Rate Improvement Program (HRIP) - \$1,362,928,400
- Ambulance Provider Assessment Program (APAP) - \$46,704,700

	SFY 2020	SFY 2021	SFY 2022	SFY2023	<u>Total</u>
HRIP	\$98,359,000	\$781,227,100	\$1,145,677,000	\$1,362,928,400	\$3,388,191,500
APAP	\$0	\$26,248,700	\$41,463,500	\$46,704,700	\$114,416,900
University	\$831,091,500	\$1,162,908,100	\$1,490,850,400	\$1,548,118,300	\$5,032,968,300
<b>Total Directed Payments</b>	<u>\$929,450,500</u>	<u>\$1,970,383,900</u>	<u>\$2,677,990,900</u>	<u>\$2,957,751,400</u>	<u>\$8,535,576,700</u>
<b>% of Expenditures</b>	7.8%	13.7%	18.0%	17.8%	

# Medicaid Benefits Budget

➤ Below are the top 5 increase in managed care claims:

	SFY2021	SFY2022	Year-to-Year Change	
Retail Pharmacy	\$ 1,854,803,500	\$ 2,382,925,400	\$ 528,121,900	28.47%
Outpatient Hospital	\$ 1,360,864,100	\$ 1,534,826,500	\$ 173,962,400	12.78%
Professional	\$ 1,648,907,500	\$ 1,813,123,000	\$ 164,215,500	9.96%
Inpatient Hospital	\$ 1,671,556,200	\$ 1,794,844,900	\$ 123,288,700	7.38%
FQHC/RHC	\$ 136,254,000	\$ 174,624,500	\$ 38,370,500	28.16%

	SFY2022	SFY2023 (Annualized)*	Year-to-Year Change	
Retail Pharmacy	\$ 2,382,925,400	\$ 2,727,501,700	\$ 344,576,300	14.46%
Outpatient Hospital	\$ 1,534,826,500	\$ 1,608,503,000	\$ 73,676,500	4.80%
Professional	\$ 1,813,123,000	\$ 1,868,436,300	\$ 55,313,300	3.05%
FQHC/RHC	\$ 174,624,500	\$ 187,276,200	\$ 12,651,700	7.25%
Inpatient Hospital	\$ 1,794,844,900	\$ 1,671,551,600	\$ (123,293,300)	-6.87%

\*2023 data is incomplete due to claim runout so this is annualized data

# Medicaid Benefits Budget

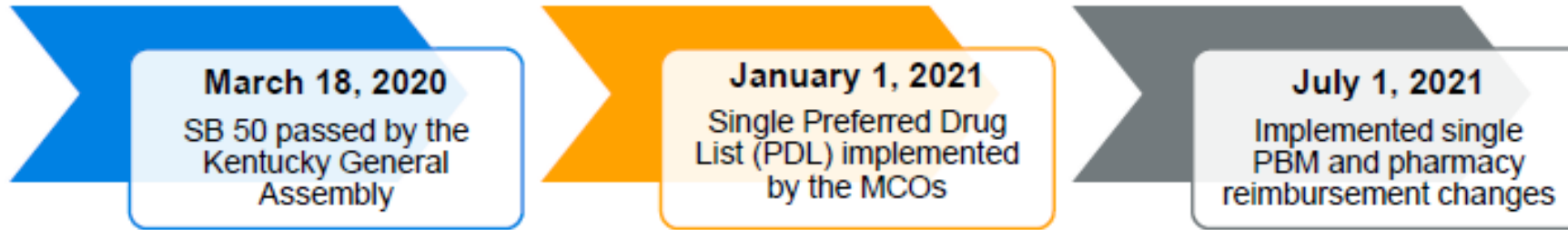
	SFY 2022	SFY 2023	Increase/Decrease	% change from 2022
Supports for Community Living Waiver	\$ 395,915,100	\$ 482,832,100	\$ 86,917,000	21.95%
Michelle P Waiver	\$ 346,373,800	\$ 378,348,000	\$ 31,974,200	9.23%
HCB Waiver	\$ 284,960,900	\$ 491,749,300	\$ 206,788,400	72.57%
Model Waiver	\$ 1,691,700	\$ 1,737,700	\$ 46,000	2.72%
Brain Injury Waiver	\$ 26,760,500	\$ 30,477,500	\$ 3,717,000	13.89%
ABI LTC Waiver	\$ 31,168,500	\$ 40,428,500	\$ 9,260,000	29.71%
	\$ 1,086,870,500	\$ 1,425,573,100	\$ 338,702,600	31.16%

- In aggregate, the six Medicaid Waiver programs experienced a \$339m (31.16%) increase in total expenditures in SFY 2023 when compared to SFY 2022.
- House Bill 1 requires another 10% increase in rates in SFY 2024 for all waivers except Model Waiver.



# Senate Bill 50 Analysis

## ➤ Key dates to remember:



## ➤ Methodology of analysis:

- Analyzed time periods before (CY 2018-2020) and after (CY 2021-2022) provisions of Senate Bill 50 were implemented.
- Evaluated the total managed care pharmacy costs defined as:

*Total pharmacy cost = MCO claim expenditures + MCO report non-benefit expenses – estimated rebates*

- All amounts (including rebates) are on an incurred date of service basis.
  - Claims plus non-benefit expenses underlie the future capitation rates paid to the MCOs.
  - 340B, Title XXI CHIP, and zero paid claims are not eligible for rebates.
- Per member per month (PMPM) amounts were adjusted to normalize for enrollment mix changes that have occurred, particularly during the COVID-19 public health emergency.

# Senate Bill 50 Analysis

CY	Average MCO Enrollment	Total Pharmacy PMPM	PMPM Percentage Change vs. prior year
CY2018	1,228,000	\$52.23	
CY2019	1,197,000	\$59.42	13.8%
CY2020	1,231,000	\$65.74	10.6%
CY2021	1,357,000	\$60.07	-8.6%
CY2022	1,434,000	\$69.60	15.9%

- **Annual total PMPM trends were above 10% prior to SB 50**
  - Claim PMPMs increased 5.7% on average between CY 2018 and CY 2020 under MCO management.
  - Rebate PMPMs declined 6.9% in that same period primarily due increased 340B utilization and MCOs switching to newly launched generics with lower rebates.
  
- **The 8.6% reduction in CY 2021 is due to rebates outpacing the increase in MCO claim expenditures.**
  - This is due to maximization of rebates after implementation of the single Preferred Drug List (PDL).
  - This reduction could have been larger if not for the continued increase in 340B utilization.
  
- **The 15.9% increase in CY 2022 is due to MCO claim expenditures outpacing the increase in rebates.**

# Senate Bill 50 Analysis

	A	B	C	D = (A * C) * 12mths	E = (A * B) * 12mths	F = D - E	G = F * 80%	H = F * 20%
CY	Average MCO Enrollment	Total Pharmacy PMPM	Estimated Pharmacy PMPM (without SB 50)	Total Estimated Costs (without SB 50)	Actual Total Costs	Difference in Costs	Federal Share (Blended @ 80%)	State Share (Blended @ 20%)
CY2018	1,228,000	\$52.23	\$52.23	\$769,661,300	\$769,661,300	\$0	\$0	\$0
CY2019	1,197,000	\$59.42	\$59.42	\$853,508,900	\$853,508,900	\$0	\$0	\$0
CY2020	1,231,000	\$65.74	\$65.74	\$971,111,300	\$971,111,300	\$0	\$0	\$0
CY2021	1,357,000	\$60.07	\$70.67	\$1,150,708,900	\$978,179,900	\$172,529,000	\$138,023,200	\$34,505,800
CY2022	1,434,000	\$69.60	\$76.01	\$1,307,894,000	\$1,197,676,800	\$110,217,200	\$88,173,800	\$22,043,400

- **This illustrates that had the provisions of SB 50 not gone into effect the total pharmacy expenditures would have been higher by the following estimates:**
  - \$172.5M in CY2021 (\$138M federal funds and \$34.5M state funds)
  - \$110.2M in CY2022 (\$88.2M federal funds and \$22.0M state funds)
- **Rebates have increased year over year but so has the overall pharmacy cost**
  - This is primarily due to brand drugs being preferred over generic due to maximizing rebates to have a lower net cost.
  - A significant increase in high-cost brand drugs.
    - Some of these high-cost drugs are relatively new to the market and we have observed significant increases in utilizations for these drugs.

# QUESTIONS and/or Comments?