VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE
CHAIRMAN BARRY D. KNIGHT

Medicaid Forecast

House Appropriations Committee Retreat

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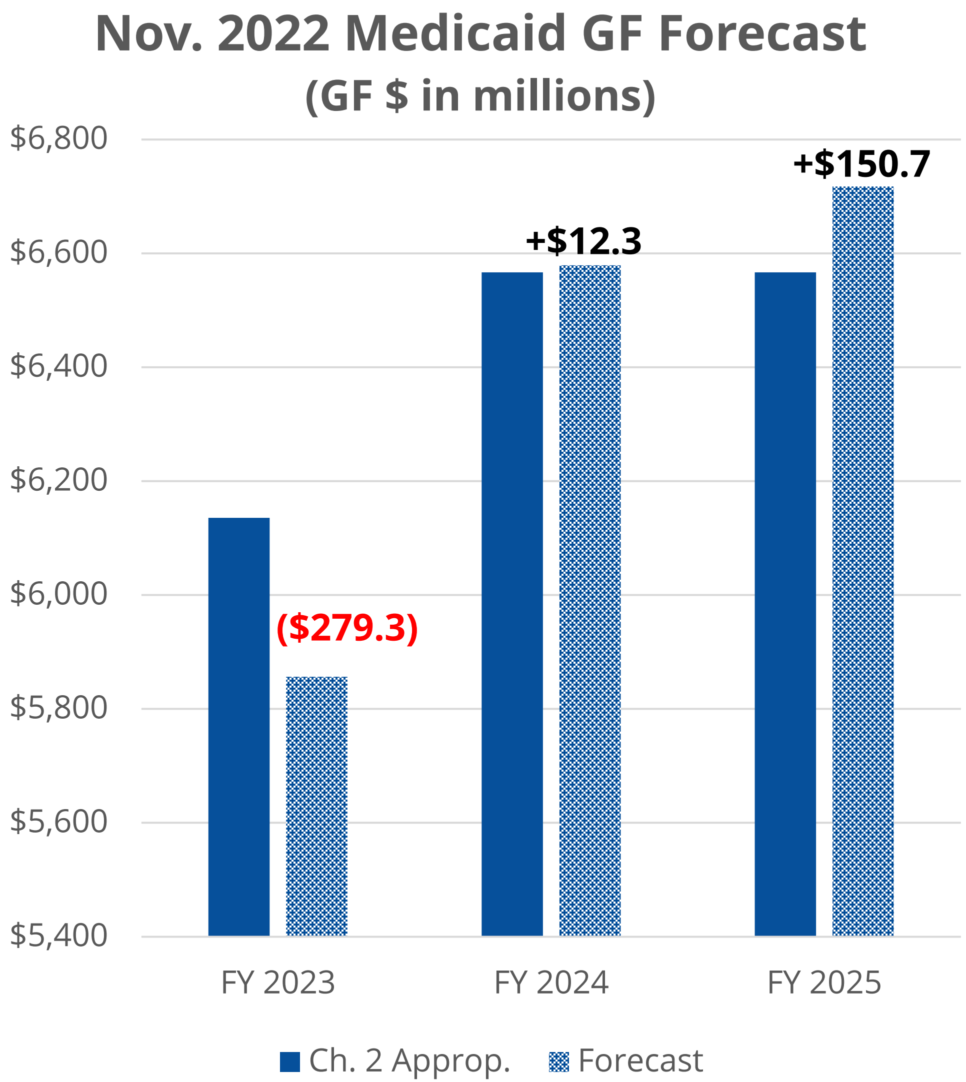
November 14, 2022

Medicaid Forecast

- Official Medicaid forecast updated every November
- 2022 Official Medicaid forecast updates projected spending for FY 2023 and FY 2024 for the current Medicaid program
- Virginia Health Care Fund (VHCF) revenues will influence how much general fund is required to meet the forecast costs of the Medicaid program
  - Comprised of tobacco taxes, Medicaid recoveries (including drug rebates) and 41.5% of the Master Tobacco Settlement Agreement
  - Revenues in the fund are used as a portion of the state's match for the Medicaid program
- The VHCF ended FY 2022 with a $148.9 million balance which will be used to offset GF costs in the Medicaid program in FY 2023
  - Attributable to late Medicaid managed care organization (MCO) remittances from not meeting medical loss ratios and exceeding profit caps
- Revenue changes in the VHCF are not included in Official Medicaid forecast, but will be included in the introduced budget for the 2023 Session

Medicaid Forecast

- Compared to Ch. 2, the revised Medicaid forecast for the 2022-24 biennium results in:
  - $279.3 million GF savings in FY 2023
    - Largely due to the enhanced federal match rate of 6.2% from the extension of the federal Public Health Emergency
  - $12.3 million GF needed in additional funding in FY 2024
- Costs for Medicaid expansion are funded through hospital assessments and federal funds
- Bigger issue is next biennium
  - $150.7 million GF need in FY 2025
  - Doesn't account for further inflationary pressure, which could impact next biennium's MCO rates
  - Doesn't account for anticipated lower GF offset from the VA Health Care Fund



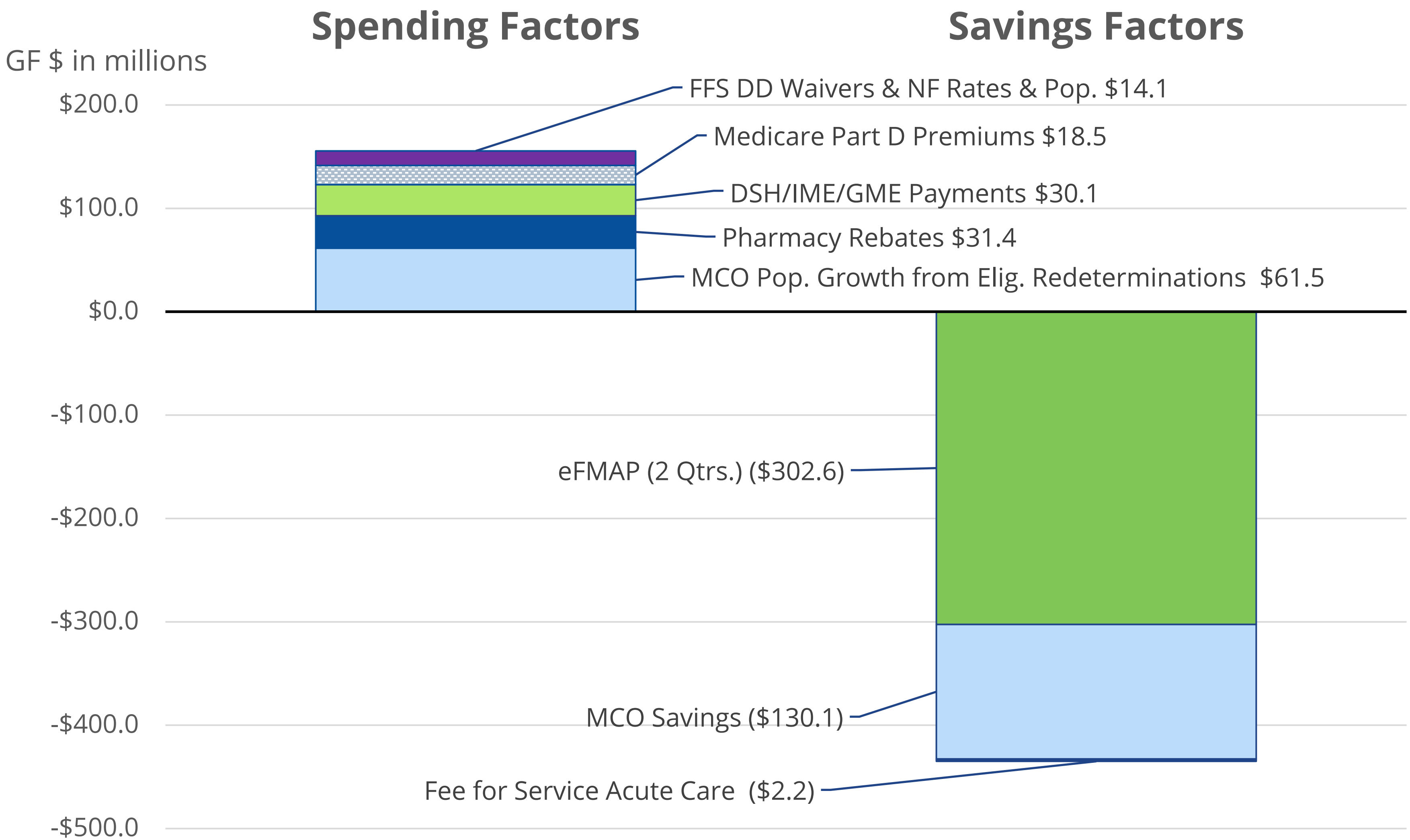
Nov. 1 Medicaid Forecast

($ in millions)

FY 2023	Forecast	Appropriation	Difference
General Fund	**$5,856.3**	**$6,135.6**	**($279.3)**
Federal Funds	$13,823.7	$12,525.4	$1,298.3
Hospital Assessment for Expansion	$563.7	$527.2	$36.5
Rate Assessment	$654.4	$505.5	$148.9
Total Funds	**$20,898.2**	**$19,693.8**	**$1,204.4**
FY 2024	**Forecast**	**Appropriation**	**Difference**
General Fund	**$6,579.1**	**$6,566.8**	**$12.3**
Federal Funds	$13,670.9	$12,586.0	$1,084.9
Hospital Assessment for Expansion	$588.5	$522.3	$66.2
Rate Assessment	$720.9	$516.0	$204.9
Total Funds	**$21,559.4**	**$20,191.1**	**$1,368.3**
FY 2025	**Forecast**	**FY 2024 Base**	**Difference**
General Fund	**$6,717.5**	**$6,566.8**	**$150.7**
Federal Funds	$14,108.3	$12,586.0	$1,522.3
Hospital Assessment for Expansion	$605.1	$522.3	$82.8
Rate Assessment	$761.6	$516.0	$245.6
Total Funds	**$22,192.5**	**$20,191.1**	**$2,001.4**

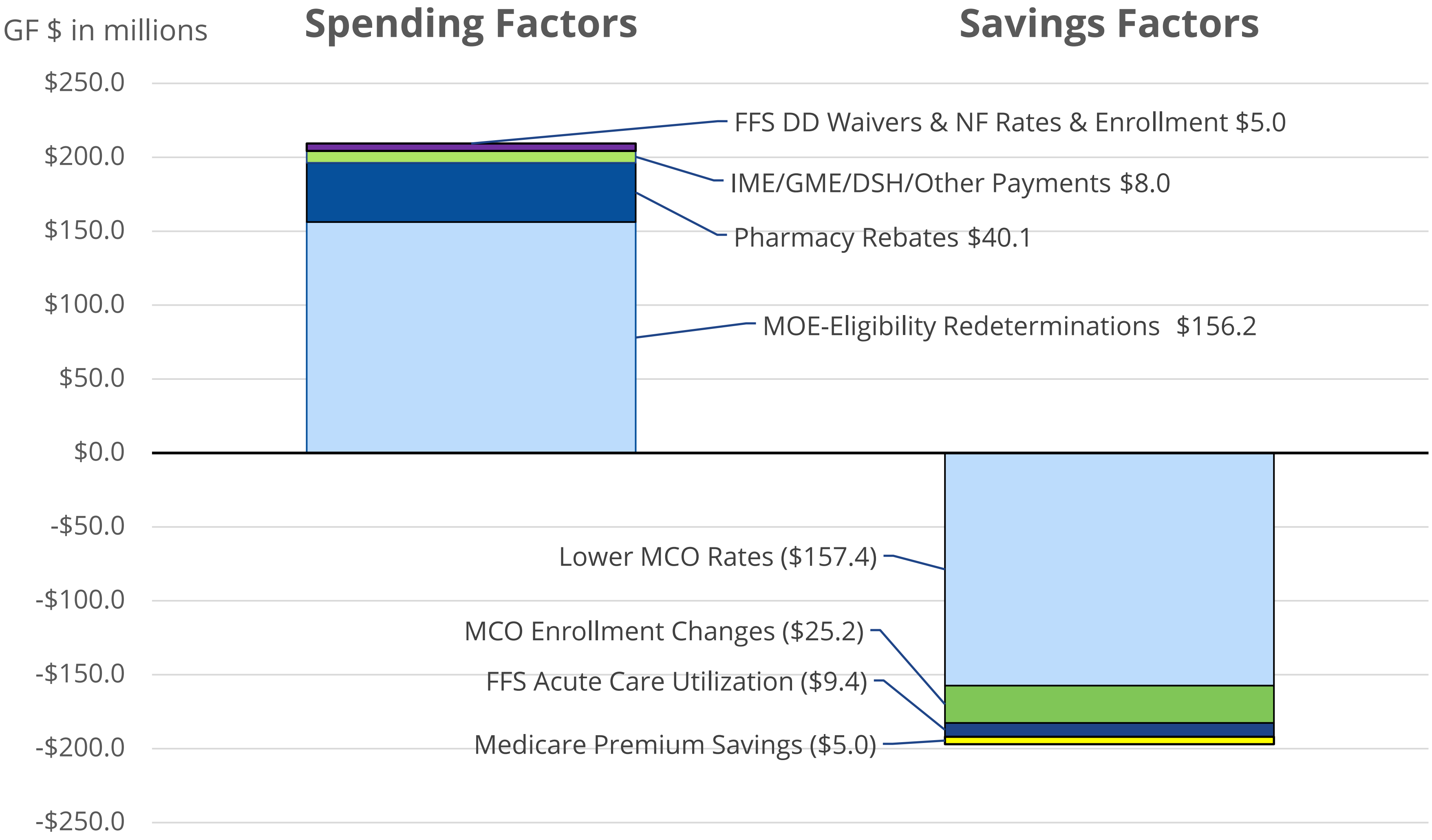
Factors Driving FY 2023 Forecast

Net Savings of $279.3 million GF



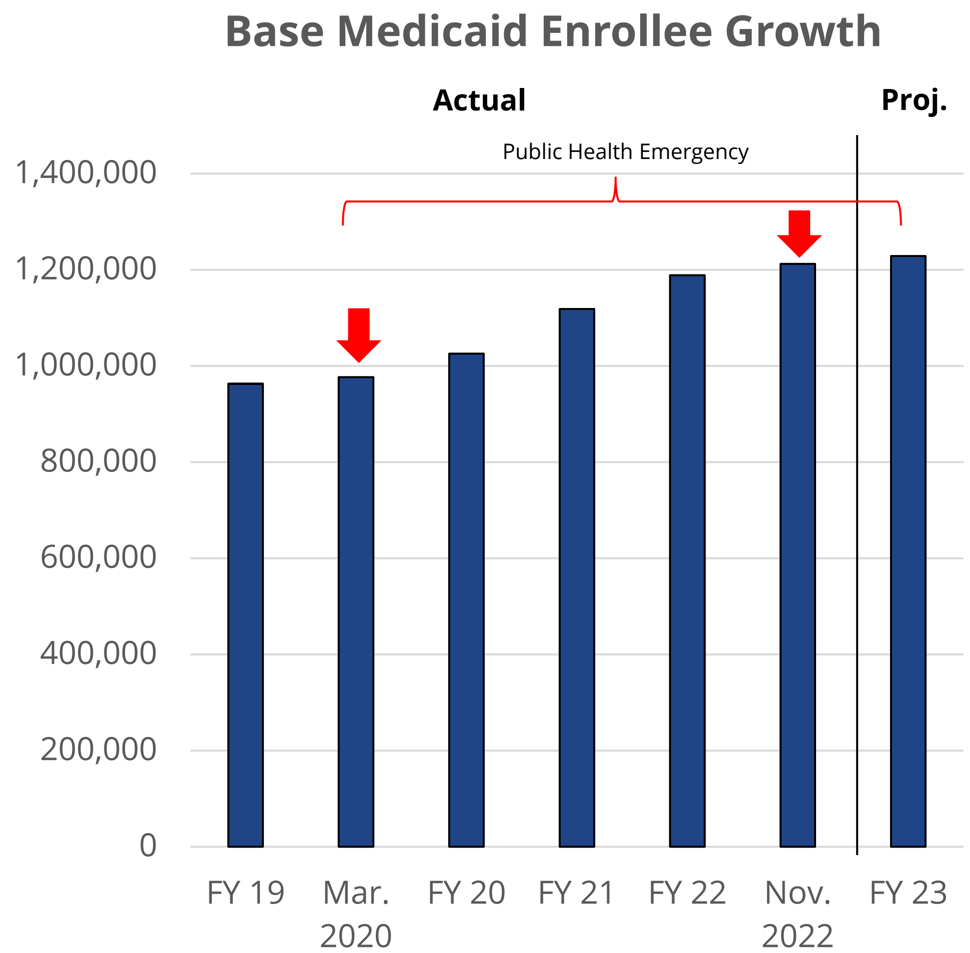
Factors Driving FY 2024 Forecast

Net Additional Spending of $12.3 million GF

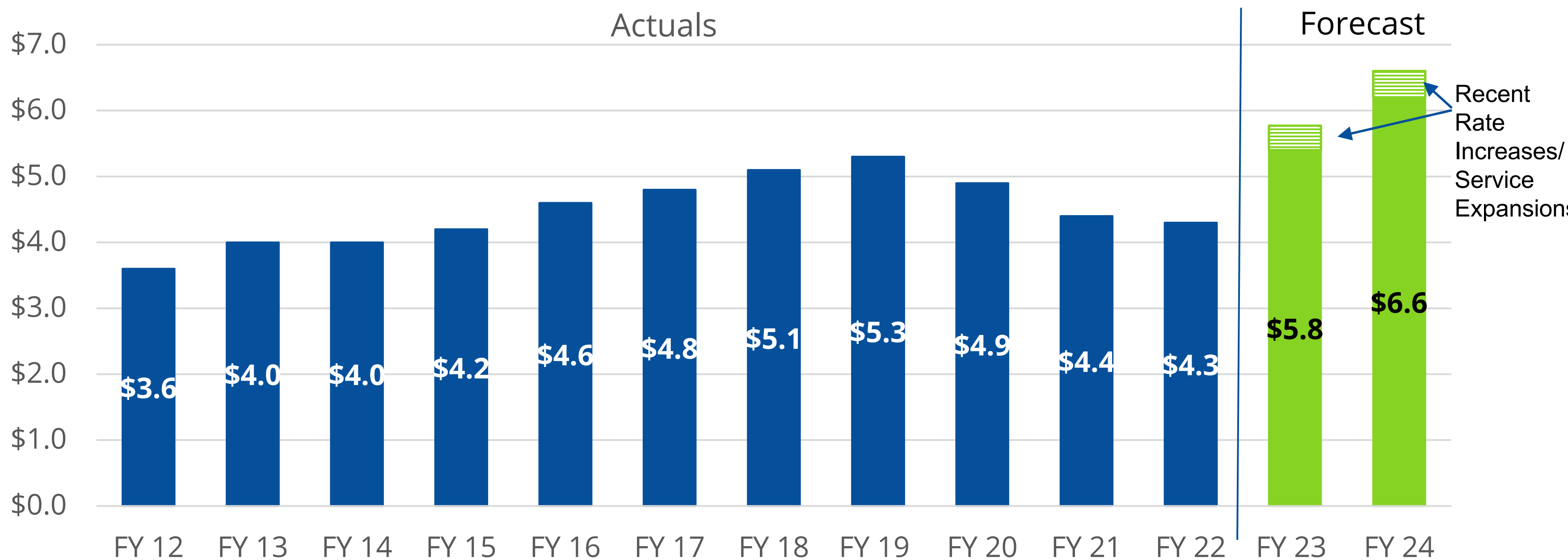


Medicaid Enrollment Continues to Grow

- Enrollment is the primary driver of Medicaid spending
- Base Medicaid (GF) program enrollment has grown by 24% during the Public Health Emergency
  - 235,636 added enrollees in GF base Medicaid program since March 2020 through Nov. 1, 2022
- Enrollment growth reflects federal policy to receive eFMAP
  - States cannot disenroll individuals unless they move out of state (maintenance of effort or MOE)
- MOE will continue until at least April 2023



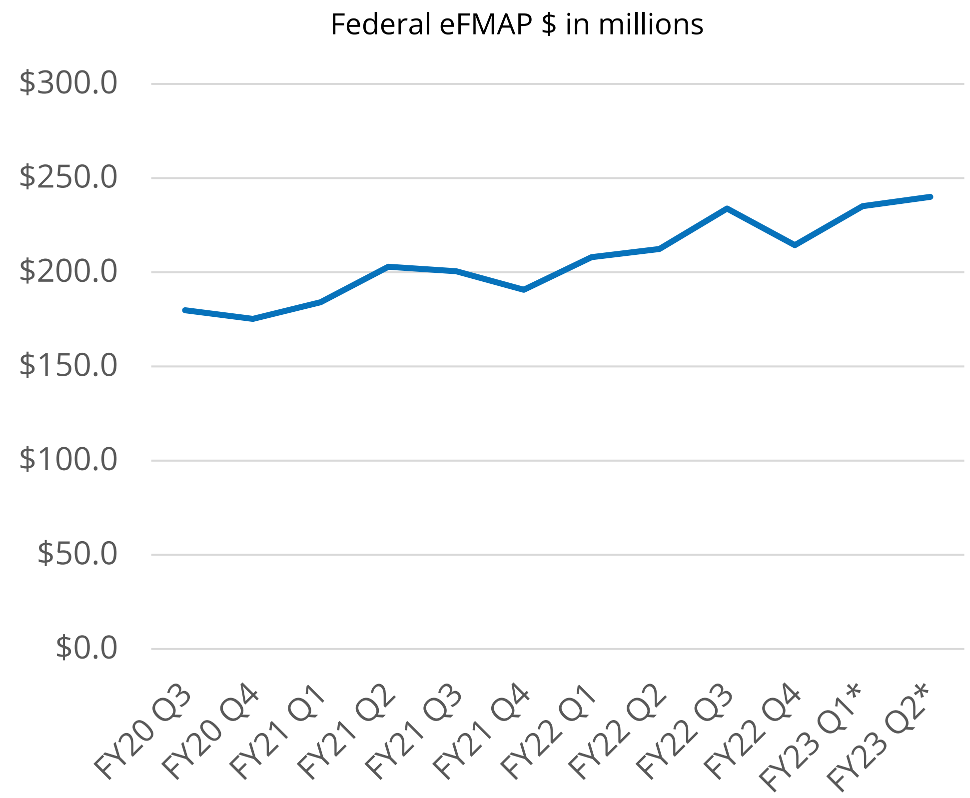
Base Medicaid Expenditure Growth
(GF $ in billions)



- State funded **actual** Medicaid expenditures have declined during the Public Health Emergency
  - Federal funding has offset much of the program growth
    - More than $2.0 billion in eFMAP provided in two quarters of FY 2020, four quarters in FY 2021 and FY 2022
    - Expecting to receive four quarters in FY 2023
    - $407.0 million in a one-time 10% enhanced federal match for Home and Community Based Services from April 1, 2021 through March 31, 2022
    - $80.0 million in ARPA funding
- The expenditure forecast for the 2022-24 biennium includes more than $762.0 million GF appropriated by the 2022 General Assembly to increase Medicaid provider rates and expand services

Impact of Federal Enhanced FMAP

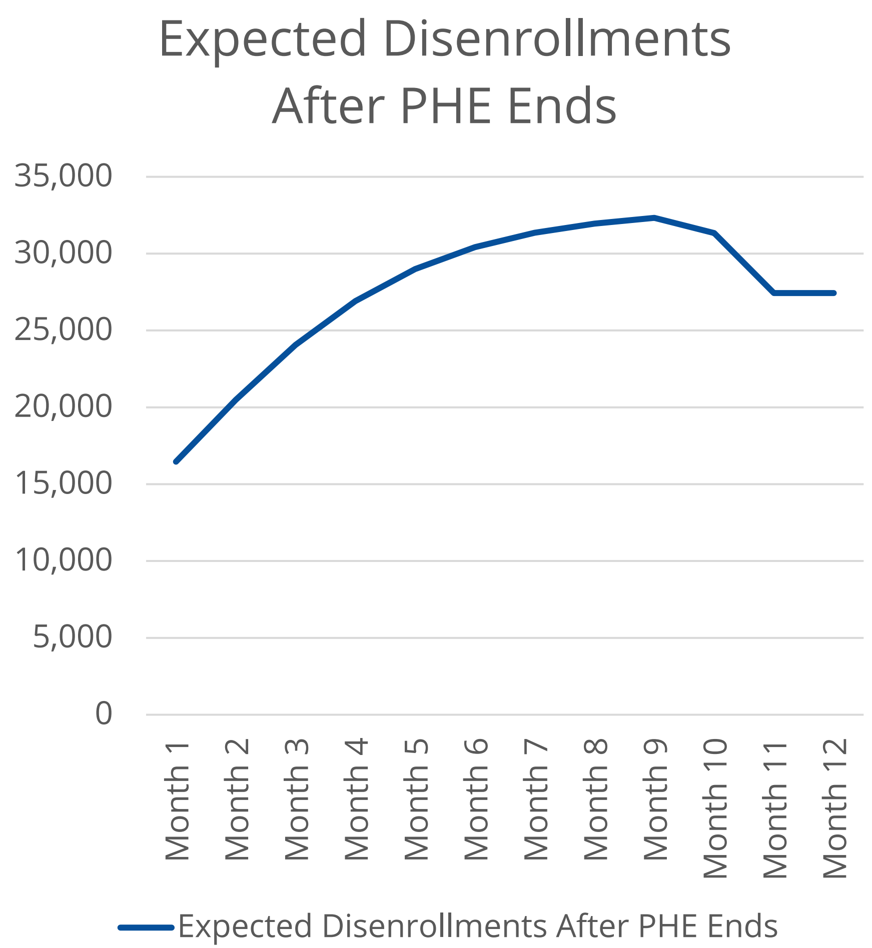
- Enhanced FMAP (eFMAP) has helped to cover the cost of maintaining Medicaid eligibility during the Public Health Emergency (PHE)
- With the end of the PHE, eligibility redeterminations will begin on all Medicaid enrollees
- After the PHE ends, the enhanced federal match of 6.2% will not continue and the state will bear a higher cost to maintain individuals in base Medicaid program



*Estimated amount

Post PHE Enrollment Decline Will Be Gradual

- Federal rules will result in gradual decline in monthly enrollment
  - Currently estimated to take 12 month, likely to begin in April 2023
- As eligibility redeterminations occur, some individuals may be moved into another Medicaid eligibility category
  - Some children aging out of base Medicaid may move into the Medicaid expansion category which is not funded with general fund
  - Adults age 65 and older may move into base Medicaid program for aged, blind and disabled
  - Individuals who are no longer eligible for Medicaid and do not have employer coverage will be referred to the health insurance exchange



Managed Care Rates

- Managed care rates also drive Medicaid expenditures
  - Medicaid makes capitated payments on behalf of 91% of Medicaid enrollees who participate in managed care programs
- Rates are required to be actuarially sound by federal government
- MCO rates result in general fund savings in FY 2023 and FY 2024
  - Rates dropped about 7% for Medallion and 6% for CCC Plus below last year's forecast, creating substantial savings in the current forecast
  - Final FY 2024 rates set in late Spring/early Summer could increase based on potential changes in health care inflation

Managed Care Rates	FY 2023	FY 2024
CCC Plus (non-expansion)	-2.6%	5.9%
Medallion 4.0 (non-expansion)	-4.1%	4.8%

- Key drivers of MCO rates
  - Increasing medical and behavioral health utilization
  - Inflation
  - Slight increase in population using nursing home and other long-term care services

Post Forecast Factors Could Impact Medicaid Expenditures

- Federal FMAP will decline by 6.2% with the end of the Public Health Emergency
  - If Virginia experiences slower than projected unwinding of Medicaid eligibility, the program will require additional state funding to maintain enrollment in the state funded portion of the program until redeterminations are complete
- Higher utilization of services
- Inflation
- Lower GF offset from the Virginia Health Care Fund (VHCF)
  - VHCF revenues are high this biennium due to MCO medical loss ratios and underwriting gains (exceeding the profit caps)
  - Pharmacy rebates may be less than projected in this biennium