



Paul R. LePage, Governor

Mary C. Mayhew, Commissioner

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To: Senator Richard Rosen, Senate Chair
Representative Patrick Flood, House Chair,
Members of the Joint Standing Committee on Appropriations and Financial Affairs

Senator Earle McCormick, Chair
Representative Meredith Strang-Burgess, Chair
Members of the Joint Standing Committee on Health and Human Services

From: Mary C. Mayhew, Commissioner, Department of Health and Human Services

Re: Information provided by the Department of Health and Human Services in response to questions from January 10th work session regarding the shortfall.

1. Structural Issues (Page 14) – why are we showing prior year claims beyond expectation of 11.7 for 2013? Shouldn't the difference between 29.9 in 2012 and 11.7 in 2013 be considered a one-time?

Response: The \$11.7 million for SFY 2013 is based on the expected impact of on-going claims processing issues. Because of a number of reimbursement changes currently in development (5010 and ICD-10 code sets), we believe a higher level of claims processing issues will continue. We therefore regard this as a structural issue.

The shortfall amounts for both fiscal years for this item are established relative to the level of the prior year's unpaid claims at year end. To the extent SFY 2011 unpaid claims could have been funded and paid in SFY 2011, there would have been a decrease in the unpaid claims at year end, and the amount needed for this item. But a corresponding increase in the SFY 2011 Operational Expenditures in the Structural Shortfall Analysis (page 8 of the December 13th presentation) would also have resulted. This argues strongly that this item is structurally related to funding levels. We do allow, however, that the \$18.2 million (the difference between \$29.9 million for SFY 2012 and \$11.7 million for SFY 2013), is at least partly related to the full system implementation and can be treated as a one-time issue confined to SFY 2012.

In conclusion and to provide additional perspective on this issue and how it relates to the overall structural shortfall, it is important to note that if these claims had been paid in SFY 2011 the structural shortfall (December 13, page 8) between SFY 2012 Budget and SFY 2011 Actual Expenditures would have been greater by the \$29.7M. As previously noted, this funding is needed in the Department's baseline, whether the claims had been paid in SFY 2011 or SFY 2012. The \$18.2 not captured in the SFY 2013 request is now part of the SFY 2012 current year "Cycle Projection" because the Department is paying the claims in this current year and they are not getting "hung-up" in the claims system.

Because of a number of reimbursement changes currently in development (5010 and ICD-10 code sets), we believe a higher level of claims processing issues will continue into SFY 2014. Therefore, we regard this as a structural issue. However, we do agree that the \$18.2 million (the difference between \$29.9 million for SFY 2012 and \$11.7 million for SFY 2013), associated with a full system implementation, can be treated as a one-time issue confined to SFY 2012.

2. Structural Issues (Page 14) – why are we budgeting \$15m in 2013 if MIHMS is now processing crossover payments?

Response: MeCMS was unable to process these claims and they were therefore not a component of the baseline in the biennial budget. The budgeted amount for Crossovers for both SFY 2012 and SFY 2013 is zero. The full amount of Crossover claims expected to be processed in each year is therefore regarded as a variance from budget. Please refer to the December 13th Shortfall Analysis, page 2 for a full analysis.

3. Structural Issues (Page 14) - membership increase – how can we say our membership will be increasing? Was this based on poverty/unemployment rates?

Response: Please refer to the Shortfall Analysis presentation of December 13th, page 7 and Attachment A for a full analysis of the growth projection.

4. It was agreed there would be more discussion around the request to provide an analysis of how the General Fund has been spent by quarter rather than by the full year.

Response: We believe that the one-page MaineCare Review (included as page one in the 1/10/2012 presentation) we have provided is comprehensive and accurate. The Weekly Cycle activity for recent years shows expenditures to be at a consistent level throughout the year. Lower activity in the fourth quarter has historically been caused by one-time responses to cash needs. Factoring these responses into a projection would understate the forecast.

5. Drug rebates – Wasn't this dealt with in the '12 – '13 budget? Did we not get enough funding to deal with reduction?

Response: Yes, we received adequate funding for the drug rebate changes implemented due-to the Affordable Care Act. The reference to Drug Rebates in the 1/10/12 presentation was in response to the higher percentage of Stare share of expenditures in the Prescription Object Code line (6780).

6. Are there one time issues each year? Do we budget for these issues?

Response: There are one-time issues each year. By their nature, they are usually not planned for beyond general contingency funds. General contingencies are less frequent in a deficit budgeting environment.

7. Is there consensus with OFPR on FY13 need?

Response: Primary focus with OFPR has been on SFY 2012, there has been less emphasis placed on the SFY 2013. The methodology used to project SFY 2012 was the same as that used for SFY 2013.

Cc: Governor Paul R. LePage
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