Maryland Department of Health
Fiscal Year 2021 Operating Budget
Response to the Department of Legislative Services
Medical Care Programs Administration Budget Analysis

House Appropriations Committee
Health and Social Services Subcommittee
Chair Kirill Reznik
February 20, 2020

Senate Budget and Taxation Committee
Health and Human Services Subcommittee
Chair Melony Griffith
February 24, 2020

Policy Questions

DLS recommends the adoption of narrative requesting that Medicaid undertake that additional research [regarding the Baltimore Capitation Project]. DLS also recommends releasing the funding withheld by Chapter 565. (pg. 45)

The Department concurs with the recommendation. An audit of the current program by the Office of the Inspector General will be the next step.

DLS recommends narrative requesting Medicaid to report on Hepatitis C treatment, treatment adherence, and cost including MCO specific data. (pg. 51)

The Department agrees in part. The Department is required by Health-General Article, §18-1002, to provide an annual report on its implementation of Hepatitis B and Hepatitis C Prevention and Control in Maryland. If the Budget Committees requests additional data points, it can be included in the next annual Hepatitis report.

DLS recommends the adoption of narrative requesting financial information on the Community First Choice program. (pg. 56)

The Department concurs with the recommendation.

DLS recommends narrative requesting an updated implementation timeline of the recommendations proposed in the December 2018 Medicaid Business Process and Organizational Structure report. (pg. 56).

The Department concurs with the recommendation.

DLS recommends narrative requesting information on the implementation of programs being implemented by the Health Services Cost Review Commission that impact the dually eligible. (pg. 57).

The Department concurs with the recommendation.

<u>Budget Questions</u>

DLS recommends adding a provision to the Budget Reconciliation and Financing Act (BRFA) clarifying that any secondary distribution may not be awarded to an MCO with more disincentives than incentives and that funding not awarded under the secondary distribution be retained in the HealthChoice Performance Incentive Fund as a hedge against future need for additional general fund support and one-time health improvement pilots in the HealthChoice program only. (pg. 12)

The Department respectfully disagrees with the recommendation. The normalization methodology for the second round distribution determines how close MCOs are to reaching the incentive targets for each measure. This approach considers improved performance that may not have earned an incentive in the first round. The results of the first payout may show that an MCO has more disincentives than another MCO, but the normalized scoring is based on how closely the MCO scored to the incentive target. Therefore, if multiple MCOs receive disincentives on a measure, they are actually scored based on how close they were to reaching the incentive target, *not* the number of incentives or disincentives.

The targets set in the Value Based Purchasing (VBP) Initiative are intended to present a challenging bar for MCOs to meet when serving the Medicaid population. For CY 2018, of the 10 HEDIS measures that are part of VBP, all of the disincentive targets either meet or exceed the Medicaid National HEDIS Mean from the previous year. Four disincentive targets exceed the 90th percentile for all Medicaid plans nationally, and three exceed the 75th percentile. In other words, earning a disincentive in VBP is not an indicator of poor quality. Plans, therefore, should not be barred from award if they have demonstrated measurable improvement that brings them closer to the measure incentives.

In addition, as the analyst notes, this recommendation would put the funding at risk to be used to balance the budget instead of invested in HealthChoice program quality. The Department strongly prefers to build the quality program into the capitation rates.

DLS recommends recognizing this additional $3.0 million [from the FY 2019 accrual] as revenue in the fiscal 2021 budget plan. (pg. 20)

The Department concurs with the recommendation.

DLS recommends a BRFA action to end, beginning in fiscal 2022, the allocation of premium tax revenue to the [Rate Stabilization Fund] RSF and instead direct the revenue to the General Fund. (pg. 25)

The Department concurs with the recommendation.

DLS recommends that a BRFA provision is adopted that keeps the Medicaid deficit assessment at the fiscal 2020 level, resulting in an additional $15.0 million general fund reduction. Further, given the poor structural budget outlook, DLS recommends that the fiscal 2020 level be maintained going forward. (pgs. 29-30)

The Department respectfully disagrees with the recommendation. The Department supports the Governor's budget as submitted.

To preserve the level of savings achieved by the proposed rate reduction but also recognize the need to raise rates, DLS proposes that the BRFA of 2020 be amended to restore the fiscal 2021 provider rate increase to 4% but defer the implementation of the increase until January 1, 2021. (pg. 33)

The Department respectfully disagrees with the recommendation to delay and then implement the full 4% provider rate increase. Although the recommendation does not have a fiscal impact in FY 2021, there would be a significant out-year fiscal impact from future rate increases building off of a 4% increase as opposed to the 2% increase included in the Governor's budget.

DLS recommends deferring the funding change proposed in the BRFA [to prioritize funding for Senior Prescription Drug Assistance Program] until fiscal 2022. (pg. 52)

The Department respectfully disagrees with the recommendation. As proposed by the Governor, the BRFA language reprioritizes CareFirst revenue so that the Senior Prescription Drug Assistance Program (SPDAP) will receive its full $14 million before the Community Health Resources Commission receives its $8 million or lesser thereof. The Governor's proposal ensures that the SPDAP will have a robust fund balance to maintain benefits for CY 2020 and possibly increase benefits for CY 2021 and in future years.

Delete 8 positions that have been vacant for over one year (PIN# 016260, 019016, 021502, 062270, 051181, 060502, 024370, and 083276). The reduction is taken in the Office of Systems, Operations and Pharmacy but may be allocated across the Administration as appropriate. (pg. 53)

The Department respectfully disagrees with the recommendation. The current status of the PINs recommended for deletion are below:

#016260 – EXEC VI – Transferred to PHPA eff. 10/2019

This PIN was recently transferred from Medicaid to Public Health to support data informed diabetes and other population health improvement goal interventions in alignment with Maryland's Total Cost of Care population health improvement goals. This senior level position, requiring quantitative, analytical and executive skill sets, will serve as the Department's Chief Data Officer to provide informatic analysis, data coordination and leadership across internal and external data stewards. This is a senior level position essential to successfully achieving the TCOC population health deliverables; recruitment is underway with interviews being scheduled.

#019016 – Admin IV – OPASS Technical Writer - working with University of Baltimore to fill vacancy.

#021502 – Admin IV – OPASS Technical Writer - working with University of Baltimore to fill vacancy.

#062270 – Certified Network Specialist II - FILLED – eff. 02/03/2020

#051181 – Program Manager II – Pin was reclassified then frozen for requisition or hiring by DBM effective 05/09/2019. Position posted until 02/21/2020. Appointment eff. 03/11/2020.

#060502 – Program Admin V Health Services - DRAFS Division Chief

#024370 – Administrator V – Reclassed eff 01/21/2020 – Posted until 03/09/2020

#083276 – Med Care Prgrm Assoc II – Reallocated to Pharmacy 01/15/2020 reclass to Div Chief for new Data and Analytics team awaiting DBM approval.

The Department, and Medicaid in particular, is being very aggressive in repurposing long-vacant PINs, as evidenced by the chart above. One PIN has already been transferred to PHPA, and two are being repurposed as Medicaid-focused technical writers in the Office of Procurement and Support Services, MDH's procurement office. Additionally, two positions have been transferred to the Office of Pharmacy Services, which per the Business Process and Organizational Structure report produced by Public Consulting Group, is taking on a much larger role within the organization, including leading the effort to understand the use of pharmacy benefit managers by Medicaid Managed Care Organizations.

Add the following language to the general fund appropriation: Further provided that $199,517 of this appropriation shall be reduced contingent upon the enactment of legislation

authorizing the transfer of a like amount of special funds from the Board of Physicians Fund. (pg. 54)

The Department respectfully disagrees with the recommendation. While DLS asserts there is no "outstanding receivable" for which the Board of Physicians' $199,517 will be used in the Department's Office of the Secretary budget, the Department is actually in the process of hiring new staff—comprised of both high-salary PIN positions and contractual positions that are currently unbudgeted—to support the Department's Diabetes Action Plan. The Diabetes Action Plan is Maryland's framework to prevent and control diabetes, which is a leading cause of preventable death and disability and Maryland's first population health improvement goal aligned with the Total Cost of Care model. These staff will engage key organizations and stakeholders to align with the Plan's action steps and lead statewide implementation and evaluation of the Plan. The Department feels that ensuring the success of the Diabetes Action Plan through a $199,517 one-time transfer from the Board of Physicians to the Department's Office of the Secretary budget is a higher priority and better satisfies the Department's mission than to instead generate $199,517 in savings in Medicaid's $3.1 billion general fund budget.

Add the following language to the general fund appropriation: Further provided that $750,000 of this appropriation shall be reduced contingent upon the enactment of legislation authorizing the transfer of a like amount of special funds from the Board of Pharmacy Fund. (pg. 54)

The Maryland Board of Pharmacy concurs with the recommendation and is in support of the budget transfer of $750,000 to the Medical Care Programs Administration for the expansion of access to small pharmacies.

Reduce general funds in the nonemergency transportation program to align with the most recent federal fund participation rate in that program. (pg. 54)

The Department respectfully disagrees with the recommendation. The Department, as recommended in the Business Process and Organizational Structure report produced by Public Consulting Group, is in the process of implementing the first phase of a transition to a new NEMT delivery model in the second quarter of FY 2021. The fiscal impact of that transition is currently unknown, therefore it would not be recommended to reduce funding to NEMT at this time.

Reduce general funds based on the availability of special funds from the Cigarette Restitution Fund. (pg. 54)

The Department respectfully disagrees with the recommendation because the recommendation reflects reductions to the Maryland State Department of Education's budget that is contrary to the Governor's budget as proposed.

Reduce funding for fiscal 2021 provider reimbursements based on the expectation of repayments required under the calendar 2018 HealthChoice program based on failure to meet Medical Loss Ratio requirements. (pg. 54)

The Department concurs with the recommendation.

Reduce funding based on expectations of revenues received as a result of improved auditing of hospital claim payments. This reduction is based on the Maryland Department of Health's response to a recent audit finding noting that few audits of hospital claims were done since 2007 to ensure that Medicaid was not paying for services that were not provided, medically necessary, or were not appropriately priced. (pg. 55)

The Department respectfully disagrees with the recommendation. To date, the new hospital claim audit contractor has completed one audit and collected approximately $4,000. Five audits of the audit backlog have been completed in-house and have yielded approximately $100,000. Therefore, a $3 million general fund savings in one fiscal year is unlikely.

Reduce funding for the Medicaid Management Information System II replacement information technology development project based on expectations of program spending in fiscal 2020 and 2021. A general fund reduction of $1.0 million is proposed in the Department of Information Technology budget. (pg. 58)

The Department respectfully disagrees with the recommendation. The MMT project Roadmap was recently updated to include new MMT projects, additional project resource requests, and change in priorities. FY 2020 and FY 2021 MMT project estimated costs have now increased since the FY 2021 ITPR was submitted in November 2019. MDH and DoIT are working on revisions to the ITPR funding request for FY 2020 and FY 2021. The Department also notes that approximately $30 million total funds in the FY 2021 spend plan is operational costs for the new behavioral health administrative services organization and pharmacy point of sale system.

Reduce deficiency funding based on lower estimates of fiscal 2020 need. (pg. 58)

The Department respectfully disagrees with the recommendation. The Department's second quarter projections show a general fund deficit of $38.5 million almost entirely offset by a $37.3 million deficiency included in the Governor's proposed budget. The Department projects that reducing the Medicaid Provider Reimbursement budget by $15 million in general funds may lead to a $16.2 million general fund deficit by fiscal year-end.

Reduce deficiency funding for the calendar 2018 value-based purchasing program pending the resolution of award appeals. The appeals are currently in front of the Office of Administrative Hearings and the timing of any outcome is unknown. (pg. 58)

The Department respectfully disagrees with the recommendation. MCOs were informed of their Calendar Year 2018 Value Based Purchasing amounts and that the round one payout would not be stayed pending appeal. The round one payouts have already been made.