

FSSA
Budget Forecast
Data through October '05

Summary

Forecast for FY '06 meets 5% growth budget.

FY '07 remains a challenge.

FY '08 and '09 are a problem.

Significant program changes are required:

Care model for mothers and children must change.

Waiver programs must be rationalized - cost, care, and need.

Nursing Home utilization must decline.

Efficiency of operations must improve.

Major Changes

MRT (Medical Review Team) backlog has been eliminated.

Fort Wayne Dev. Center – new management and closure have been announced.

Capitation rates for managed care have been increased.

Waiver review process for is more efficient.

Nursing home rates have been reduced.

Pharmacy discounts have been increased.

DD Waivers have moved to annual plans.

Risk Based Manage Care expansion has lowered costs.

Effective Results

FSSA is managing to 5% growth.

Budgets have been established for all programs.

No eligible recipients have been removed from services.

Improved service to recipients and providers remains the goal.

EXPENDITURE FORECAST: FY 2002 - FY 2007

MEDICAID AND CHIP PROGRAMS

October 2005 Budget Forecast - Submitted with Data through October 2005

(State and Federal Dollars in Millions)

EXPENDITURES	Incurred Claims Basis						
	FY 2004	Growth	FY 2005	Growth	FY 2006	Growth	FY 2007
Non-Long Term Care Services							
Hospital -- Inpatient and Outpatient	\$551.2	(7.9%)	\$507.7	(15.2%)	\$430.6	5.4%	\$453.9
Inpatient Psychiatric	42.3	2.6%	43.4	6.5%	46.2	11.9%	51.8
Drugs	722.3	6.3%	767.8	(27.3%)	557.9	(26.9%)	407.6
Physician Services	220.6	(3.3%)	213.4	(21.0%)	168.6	6.7%	179.8
Lab and X-ray Services	33.9	(8.8%)	30.9	(16.7%)	25.8	9.2%	28.1
Dental	128.3	5.2%	135.0	7.1%	144.5	7.7%	155.6
Home Health Services	60.1	20.3%	72.3	10.0%	79.6	10.4%	87.8
Mental Health Services	45.8	7.1%	49.1	8.3%	53.2	10.4%	58.7
Other Services	202.7	5.0%	212.8	(4.0%)	204.3	9.7%	224.0
Subtotal - Non-LTC	\$2,007.4	1.2%	\$2,032.5	(15.8%)	\$1,710.6	(3.7%)	\$1,647.3
Capitation Payments and PCCM Fees							
Capitation Payments	445.1	32.7%	590.7	54.2%	910.6	12.3%	1,022.6
PCCM Fees	9.9	(10.6%)	8.8	(61.7%)	3.4	(17.2%)	2.8
Subtotal - Other Non-LTC Payments	\$455.0	31.8%	\$599.5	52.4%	\$914.0	12.2%	\$1,025.4
Total Non-LTC Payments	\$2,462.4	6.9%	\$2,632.0	(0.3%)	\$2,624.5	1.8%	\$2,672.7
Long Term Care & Waiver Services							
Nursing Facility	786.9	0.8%	793.2	(0.4%)	790.1	(0.1%)	789.0
Nursing Facility QAF	215.3	(3.8%)	207.0	(2.2%)	202.4	(1.4%)	199.5
ICF/MR	335.5	(5.1%)	318.4	6.5%	339.0	4.3%	353.5
Small Group / Private Facilities	232.9	1.0%	235.1	5.9%	249.0	4.6%	260.4
State Facilities	102.7	(18.9%)	83.3	8.0%	90.0	3.4%	93.1
Waivers (including Case Management Services)	404.7	2.2%	413.8	3.3%	427.3	7.7%	460.0
OMPP	175.7	(1.2%)	173.5	1.5%	176.1	6.7%	187.8
DDARS	229.0	4.9%	240.2	4.5%	250.9	8.4%	271.9
DMHA			0.1	282.2%	0.3	8.0%	0.3
Subtotal - LTC & Waiver (excl QAF)	\$1,527.1	(0.1%)	\$1,525.4	2.0%	\$1,556.4	3.0%	\$1,602.5
Medicare Buy-In	\$97.0	25.2%	\$121.5	23.3%	\$149.8	24.5%	\$186.5
Medicare Part D Clawback	\$0.0	0.0%	\$0.0	0.0%	\$141.2	111.9%	\$299.3
HCI	53.1	5.1%	55.8	(100.0%)	0.0	0.0%	0.0
Disproportionate Share Payments	94.2	(0.6%)	93.7	2.4%	95.9	2.3%	98.1
Rebates and Collections	(\$193.2)	20.3%	(\$232.4)	(21.8%)	(\$181.8)	(21.3%)	(\$143.0)
Total Expenditures - Direct	\$4,040.7	3.8%	\$4,195.9	4.5%	\$4,386.0	7.5%	\$4,716.1
Mental Health Rehab	252.6	11.1%	280.7	12.7%	316.3	7.4%	339.8
ARCH	5.5	0.0%	5.5	0.0%	5.5	0.0%	5.5
Psychiatric Residential Treatment Facilities	1.7	1007.5%	19.3	60.2%	30.9	12.5%	34.7
Total Expenditures (State and Federal) - Excl. QAF	\$4,300.5	4.7%	\$4,501.4	5.3%	\$4,738.6	7.5%	\$5,096.1
Medicaid Assistance (Incl. ARCH)	4,216.7	4.5%	4,408.5	5.2%	4,638.5	7.5%	4,985.7
CHIP Assistance	83.8	10.9%	92.9	7.8%	100.1	10.2%	110.4
Total Expenditures (State Share) Excl. QAF	1,489.7	12.1%	1,670.0	4.5%	1,745.5	8.4%	1,891.8

State of Indiana
Office and Medicaid Policy and Planning
Summary of Medicaid and CHIP Funding Sources for SFY06 and SFY07
(State Dollars in Millions)

	SFY 06		SFY07		Biennium
<i>Appropriations and Transfers</i>					
Initial State Appropriation	\$1,397.1		\$1,467.0		\$2,864.1
<i>Intergovernmental Transfers</i>					
HCI Fund Transfer	\$21.7		\$21.7		\$43.4
CHIP Transfer	\$28.6		\$32.5		\$61.1
<i>Division of Aging</i>					
Group Home Day Services	\$7.4		\$7.4		\$14.8
In-Home Services (CHOICE)	\$6.7		\$7.0		\$13.7
<i>Division of Mental Health and Addiction:</i>					
Community Mental Health Rehab Option	\$117.3		\$126.0		\$243.2
Seriously Emotionally Disturbed	\$0.3		\$0.3		\$0.6
State Institutional DSH Transfers	\$35.7		\$36.7		\$72.4
<i>Developmentally Disabled</i>					
Residential Services (Waivers)	\$91.9		\$106.2		\$198.1
<i>Division of Family and Children</i>					
Psychiatric Residential Treatment Facilities	\$8.4		\$10.9		\$19.3
DOE Transfer	\$3.8		\$3.9		\$7.7
Medicaid ICF/MR Assessment Account	\$11.6		\$12.4		\$24.0
County Medical Assistance to Wards	\$8.4		\$8.4		\$16.8
<i>IGT Subtotal</i>	\$341.8		\$373.3		\$715.1
Additional Revenue - (Hospital DSH, Rebate Lag)	\$23.8		\$11.7		\$35.5
TOTAL STATE DOLLARS AVAILABLE	\$1,762.7		\$1,852.0		\$3,614.7
<i>Expenditures</i>					
Incurred Forecast Expenditures	1,745.5		1,891.8		\$3637.2
<i>Incurred to Paid Cash Adjustment</i>	(\$8.9)		(\$14.9)		(\$23.7)
Total Projected State Dollars Needed	\$1736.6		\$1876.9		\$3613.5
(Shortfall)/Surplus	\$26.1		(\$24.9)		\$1.2

STATE OF INDIANA
OFFICE OF MEDICAID POLICY AND PLANNING
Reconciliation of October 2005 Budget Forecast to February 2005 Forecast
(State Dollars in millions)

	FY2006	FY2007
Proposed Medicaid Budget - December 2004	\$1,881.2	\$2,087.0
Cost Containment Programs - Implemented		
Waivers - Changed Management Review	(18.9)	(18.2)
Statewide Mandatory Managed Care by November 1st - Hoosier Healthwise	(10.8)	(15.9)
Waiver Cost Containment Initiatives	(11.3)	(20.6)
Remove Physician Fee Schedule Increase	(13.4)	(15.1)
Nursing Homes - Rate Reduction of \$5.00 per Day	(8.5)	(17.0)
Pharmacy - Increased Pricing Discount from 13.5% to 16.0%	(2.3)	(2.6)
DD Waiver - Implemented Annual Plans	(5.5)	(10.0)
Eliminate Double Payment for First Steps Services	(2.2)	(2.2)
CHIP II - Increased Premiums	(0.3)	(0.7)
Subtotal	(\$73.2)	(\$102.4)
Additional Initiatives		
MRT Process - Eliminated Backlog	12.8	14.1
Ft. Wayne Dev. Center - Transition Residents into Community	7.1	9.6
Subtotal	\$19.9	\$23.8
Management Changes		
Hoosier Healthwise Enrollment	(21.0)	(38.9)
Nursing Home Growth	(12.9)	(21.3)
Waiver Enrollment/Growth	(11.6)	(16.9)
Subtotal	(45.5)	(77.0)
Statistical Growth		
Capitation Rates - Higher Increases	5.0	12.3
Medicare Part D Clawback	(8.7)	(19.7)
Pharmacy - Cost/Utilization Adjustment	(32.5)	(15.9)
Non-LTC - Cost / Utilization (Hospital, Physician, Dental)	(3.3)	(13.9)
ICF/MR Adjustment	0.9	0.8
Mental Health Rehab Option	(2.1)	(9.2)
Premiums, Medicare Buy-in, HCI, DSH, ARCH, & PRTF	3.6	6.2
Subtotal	(\$37.0)	(\$39.6)
Medicaid - October 2005 Incurred Forecast	\$1,745.5	\$1,891.8

State of Indiana
Office of Medicaid Policy and Planning
Key Forecast Assumptions
(State dollars in millions)

12/14/2005

Category	Impact		April 2005 Forecast (Budget basis)	Current Forecast (data through October 2005)
	Savings/(Additional Cost)			
	SFY 2006	SFY 2007		
Enrollment				
June Enrollment SFY 2006 / SFY 2007				
Aged	\$1.6	\$1.6	June 2006 = 57,377; June 2007 = 57,950, excluding partials	June 2006 = 55,302; June 2007 = 55,855, excluding partials
Blind and Disabled Dual	(\$0.1)	\$0.2	June 2006 = 40,685; June 2007 = 42,922	June 2006 = 39,940; June 2007 = 42,002
Blind and Disabled Non-Dual	(\$12.8)	(\$14.3)	June 2006 = 68,019; June 2007 = 70,739	June 2006 = 70,662; June 2007 = 73,489
TANF and CHIP	\$5.5	\$11.6	June 2006 = 683,730; June 2007 = 708,814	June 2006 = 000; June 2007 = 000
Total Enrollment Impact	(\$5.7)	(\$0.9)		
Pharmacy				
Medicare Part D Clawback	\$6.7	\$14.5	CY 2006 Clawback PMPM \$272.34; CY 2007 Clawback PMPM \$293.37; Enrollment basis SFY 2006 = 585,132 member months; SFY 2007 = 1,194,886 member months	CY 2006 Clawback PMPM \$263.24; CY 2007 Clawback PMPM \$283.57; Enrollment basis SFY 2006 = 536,476 member months; SFY 2007 = 1,094,466 member months
Dispensing Fee	(\$3.5)	(\$4.7)	Reduction in dispensing fee from \$4.90 per script to \$2.00 per script	No Reduction in dispensing fee from \$4.90 per script to \$2.00 per script
Brandname Pricing	\$2.3	\$2.6	Lesser of submitted charges or AWP less 13.5%	Lesser of submitted charges or AWP less 16% effective October 1, 2005
Generic Pricing	No Change	No Change	Generic-Lesser of submitted charge, AWP-20%, Federal upper limit, or State maximum allowable cost. Note: Majority of expenditures for generic drug claims are reimbursed using the State maximum allowable cost schedule.	Generic-Lesser of submitted charge, AWP-20%, Federal upper limit, or State maximum allowable cost. Note: Majority of expenditures for generic drug claims are reimbursed using the State maximum allowable cost schedule.
Pharmacy Trends and Selection	\$4.8	\$1.6		The PCCM population remaining after implementation of mandatory managed care for the Hoosier Healthwise population has different cost characteristics. Also, SFY 2005 and SFY 2006 trends are lower than historic.
Other Non-LTC Services				
Chiropractic Services	(\$1.1)	(\$1.2)	Service excluded effective July 1, 2005	Service included, no change from current policy
Other Trends and Selection	(\$25.2)	(\$24.0)		The PCCM population remaining after implementation of mandatory managed care for the Hoosier Healthwise population has different cost characteristics. Also, SFY 2005 and SFY 2006 trends are lower than historic.
Capitation				
Hoosier Healthwise RBMC	No Change	No Change	Implementation of Statewide Mandatory RBMC for Hoosier Healthwise population by November 1, 2005	Implementation of Statewide Mandatory RBMC for Hoosier Healthwise population by November 1, 2005
Medicare Select RBMC	\$0.0	(\$1.8)	Implementation of Mandatory RBMC for 8,000 of the Blind and Disabled non-Dual Medicaid Select population effective July 1, 2007	No RBMC for Medicaid Select population
2006 Rate Increase	(\$5.0)	(\$12.3)	4.0% as of January 1, 2006; 4.0% as of January 1, 2007	7.0% as of January 1, 2006; 5.0% as of January 1, 2007
Total Non-LTC, incl. Clawback and Rebates	(\$26.6)	(\$26.3)		
Nursing Home				
Rate Hold	(\$6.1)	(\$19.4)	0% rate hold effective from July 1, 2005 through June 30, 2007	No rate hold
Annual Trend Projection - Daily Rates	No Change	No Change	4% Aged, 4.5% Blind & Disabled - prior to rate hold	4% Aged, 4.5% Blind & Disabled
\$5.00 Per Day Rate Reduction	\$8.5	\$17.0		\$5 per day rate reduction from January 1, 2006 through June 30, 2007
Emerging experience and Average Monthly Bed Days - Full Medicaid	\$1.0	\$3.0	SFY 2006 = 759,512; SFY 2007 = 750,774	SFY 2006 = 770,809; SFY 2007 = 759,805; increase partially due to slower than expected growth of A&D Waiver slots
Quality Assessment Fee (QAF)	Not in Total	Not in Total	Not in the forecast	SFY06 QAF paid: \$603.0 million; SFY07 QAF paid: \$199.8 million

**State of Indiana
Office of Medicaid Policy and Planning
Key Forecast Assumptions
(State dollars in millions)**

Category	Impact		April 2005 Forecast (Budget basis)	Current Forecast (data through October 2005)
	Savings/(Additional Cost)	SFY 2007		
	SFY 2006	SFY 2007		QAF payments for recent and future bed days estimated to average \$21.83 per day
Total Nursing Home	\$3.4	\$0.6		
ICF/MR				
Annual Trend Projection - Monthly Rates	(\$1.0)	(\$2.3)	Held at 3% for SFY 2006 and SFY 2007	4.5% for SFY 2006 and SFY 2007
Transfer 50 Residents from FWSDC to Logansport and Group Homes	\$0.0	(\$1.8)		Transfer 20 FWSDC residents to Logansport and 30 to Group Homes on 6/30/2006. No decrease in fixed FWSDC costs, but per resident cost incurred in new facility.
Other Actuarial Assumptions including change in monthly recipients	(\$1.5)	(\$2.0)	SFY 2006 = 3,782; SFY 2007 = 3,703	SFY 2006 = 3,963; SFY 2007 = 3,848; Increase primarily in Small Group Facilities
FWSDC	(\$7.1)	(\$7.8)	\$54.8 million for SFY 2006 and \$53.0 million for SFY 2007 per OMPP	\$74.0 million for SFY 2006 and \$74.0 million for SFY 2007 per OMPP
Total ICF/MR	(\$9.7)	(\$14.0)		
Home and Community Based Waivers				
Projected Slots				
Aged and Disabled	\$1.6	\$1.6	SFY 2006 = 3,603; SFY 2007 = 4,076	SFY 2006 = 3,244; SFY 2007 = 3,759
Developmentally Disabled	\$3.5	\$5.5	SFY 2006 = 5,474; SFY 2007 = 5,607	SFY 2006 = 5,330; SFY 2007 = 5,402
Support Services	\$0.4	\$0.4	SFY 2006 = 3,709; SFY 2007 = 3,876	SFY 2006 = 3,588; SFY 2007 = 3,768
Other	(\$0.3)	(\$0.4)	SFY 2006 = 705; SFY 2007 = 764	SFY 2006 = 750; SFY 2007 = 803
Total Impact of Change in Slots	\$5.2	\$7.2		
Enhanced Management of Waiver Changes	\$18.9	\$18.2		SFY 2005 and emerging SFY 2006 cost per recipient trends are 6% to 8% lower than historic trends for key waiver categories at -2% to 2% annual growth (likely due to historic cost containment measures and staff effectiveness)
DD Annual Plan - Nov 2005	\$5.5	\$10.0	\$22.2 million for SFY 2006 and \$40.3 million for SFY 2007	\$14.9 million for SFY 2006 and \$26.8 million for SFY 2007 Annual Plan Implementation savings based upon \$7.5 million annualized savings off of SFY 2005 (reduced from \$15 million est.)
SED Waiver	\$0.7	\$1.0		Fewer than projected recipients with expenditures incurred as MRO instead of waiver services
Total Waivers	\$30.3	\$36.4		
Collections				
CHIP II Premiums	\$0.3	\$0.7		CHIP II Premiums double effective February 1, 2006
Total Collections	\$0.3	\$0.7		

Medicaid Part D Comparison

November 9, 2005

12/14/2005

	Federal Part D Calculation	Indiana Experience
Total Dollars Spent on Duals in 2003	324,582,341	350,156,123
Total Dual Member months in 2003	1,144,952	1,145,156
Total OVERALL Rebate percentage in 2003	23.88%	21.78%
TOTAL State and Federal Spend PMPM on Duals in 2003	\$ 215.79	\$ 239.17
2003 to 2006 Trend Factor	1.3554	1.229
2006 PMPM State and Federal unadjusted cost	\$ 292.49	\$ 293.95
Adjusted PMPM to Reflect Phase-down factor (.90 for 2006)	\$ 263.24	\$ 264.55
State Dollar PMPM for CALENDAR YEAR 2006	97.58	98.07
Total State dollars paid by Indiana in SFY2006 (5 months) ¹	44,534,650.00	44,817,545
ANNUALIZED Part D Payments		
State and Federal Dollars	\$ 288,717,973	\$ 290,159,449
State Dollars ONLY	107,027,753	107,562,108
Loss of Rebates - STATE DOLLARS ONLY ²		
Federal OBRA-90		\$ 3,905,430
Supplemental		\$ 339,602
Decreased Supplemental Rates due to loss of Volume ³		\$ 644,371
TOTAL ADDITIONAL COST to Indiana due to Part D⁴		\$ 4,355,049

¹ALL 2006 projections were based on an average of 91,400 Full benefit Dual Eligibles per month. To the extent the actual number is higher or lower, total Phase-down payments made by Indiana will change.

²Indiana has historically received a higher percentage of rebates from dual eligibles than from non-duals. Because the Federal calculation assume an average, Indiana would loose the difference between the average and the actual percentage.

³This calculation assumes that Supplemental rebates will decrease by 20% due to loss of volume purchasing by Indiana Medicaid

⁴This Cost does not factor in any additional Administrative costs at the state or county level in managing or processing Part D related items

State of Indiana Office of Medicaid Policy and Planning Fiscal Year End Enrollment Summary (Data through October 2005)							
Population	Eligible Members						
	<u>June 2004</u>	<u>% Increase</u>	<u>June 2005</u>	<u>% Increase</u>	<u>June 2006</u>	<u>% Increase</u>	<u>June 2007</u>
Aged	56,642	-3.4%	54,729	1.0%	55,302	1.0%	55,855
Blind & Disabled (Non-Dual)	64,823	4.5%	67,753	4.3%	70,650	4.0%	73,476
Blind & Disabled (Dual)	36,727	3.4%	37,984	5.1%	39,940	5.2%	42,002
Total Aged, Blind & Disabled	158,196	1.4%	160,480	3.4%	165,904	3.3%	171,346
Partials	17,811	23.7%	22,028	51.0%	33,270	39.3%	46,351
Total Partials	17,811	23.7%	22,028	51.0%	33,270	39.3%	46,351
TOTAL TANF & CHIP							
Adults	100,967	2.2%	103,186	3.4%	106,659	2.5%	109,325
Children	440,425	3.3%	454,828	2.7%	467,210	2.3%	477,723
CHIP I	47,728	6.0%	50,590	3.8%	52,532	3.0%	54,108
CHIP II	16,075	12.0%	17,996	14.9%	20,674	10.0%	22,741
Mothers	23,415	4.6%	24,486	4.0%	25,467	2.0%	25,976
Total TANF & CHIP	628,610	3.6%	651,087	3.3%	672,542	2.6%	689,873
TOTAL	804,617	3.6%	833,595	4.6%	871,716	4.1%	907,570