

DHS-DIVISION OF MEDICAL SERVICES (755)
FISCAL YEAR 2014 & 2015 - EXECUTIVE RECOMMENDATION

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Division is responsible for administering the Medicaid program, which includes the Child Health Insurance Program (S-CHIP) and the Office of Long Term Care in Arkansas. The Medicaid program also includes Hospital & Medical services, Public and Private Nursing Home care, Prescription Drugs, and ARKids First.

TOTAL BIENNIAL BUDGET

The total budget is \$5,461,015,025 the first year and \$5,783,296,812 the second year.

FUNDING SOURCES

The Medicaid program is funded by General Revenue (21%); Federal funds from reimbursement (70%); fees for services, Quality Assurance Fees, Medicaid Trust Fund, Soft Drink Tax, Tobacco Settlement funds, and drug rebates (9%).

II) SIGNIFICANT CHANGES

- The **Nursing Home Quality** appropriation, funded by Trust Funds, provides Base Level of \$1,500,000 each year with no Change Levels for a total appropriation of \$1,500,000 each year of the biennium.
- The **Medicaid Expansion Operations** appropriation, funded by Federal and Tobacco Settlement Revenues, provides Base Level of \$119,679 in FY14 and \$119,804 in FY15 with no Change Levels for a total appropriation of \$119,679 in FY14 and \$119,804 in FY15.
- The **Medicaid Expansion Program - Prescription Drugs** appropriation, funded by Federal and Tobacco Settlement Revenues, provides Base Level of \$3,540,719 each year with Change Levels of \$1,073,549 in FY14 and \$2,187,523 in FY15 for a total appropriation of \$4,614,268 in FY14 and \$5,728,242 in FY15, which includes:
 1. \$73,549 in FY14 and \$187,523 in FY15 for growth.
 2. \$1,000,000 in FY14 and \$2,000,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
- The **Medicaid Expansion Program - Hospital and Medical Services** appropriation, funded by Federal and Tobacco Settlement Revenues, provides Base Level of \$61,992,289 each year with Change Levels of \$19,007,084 in FY14 and \$30,032,644 in FY15 for a total appropriation of \$80,999,373 in FY14 and \$92,024,933 in FY15, which includes:
 1. \$7,007,084 in FY14 and \$15,032,644 in FY15 for growth.

2. \$12,000,000 in FY14 and \$15,000,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
- The **Nursing Home Closure Costs** appropriation, funded by Trust Funds, provides Base Level of \$50,000 each year with no Change Levels for a total appropriation of \$50,000 each year of the biennium.
 - The **Long Term Care Facility Receivership** appropriation, funded by State Apportionment Funds, provides Base Level of \$100,000 each year with no Change Levels for a total appropriation of \$100,000 each year of the biennium.
 - The **Division of Medical Services Operations** appropriation, funded by General, Federal and Other Revenues, provides Base Level of \$27,693,894 in FY14 and \$27,710,077 in FY15 Change Levels of \$396,527 each year for a total appropriation of \$28,090,421 in FY14 and \$28,106,604 in FY15, which includes:
 1. Regular Salaries/Personal Services Matching increased by \$246,527 each year to transfer one (1) position from the Office of Chief Counsel to assist with data activities related to payment improvement; restoration of six (6) positions to assist in meeting established staffing patterns; and reclassification on one (1) position to align the Director's position.
 2. Capital Outlay increased by \$150,000 each year for any equipment replacements that may arise.
 - The **ARKids B Program** appropriation, funded by General, Federal and Other Revenues, provides Base Level of \$117,845,957 each year with Change Levels of \$19,490,835 in FY14 and \$30,590,725 in FY15 for a total appropriation of \$137,336,792 in FY14 and \$148,436,682 in FY15 with *NEW General Revenue of \$4,440,951 in FY14 and \$7,601,237 in FY15*, which includes:
 1. \$9,490,835 in FY14 and \$19,790,725 in FY15 for growth.
 2. \$10,000,000 in FY14 and \$10,800,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
 - The **Hospital and Medical Services** appropriation, funded by General, Federal and Other Revenues, provides Base Level of \$3,548,904,663 each year with Change Levels of \$356,938,288 in FY14 and \$602,493,290 in FY15 for a total appropriation of \$3,905,842,951 in FY14 and \$4,151,397,953 in FY15 with *NEW General Revenue of \$45,948,997 in FY14 and \$157,888,725 in FY15*, which includes:
 1. \$234,368,412 in FY14 and \$487,923,414 in FY15 for growth.
 2. \$150,000,000 in FY14 and \$162,000,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
 3. (\$10,000,000) in FY14 and (\$30,000,000) in FY15 for reductions to Base Level related to the Medicaid Management Information System (MMIS).

4. (\$17,430,124) each year for reductions to Base Level related to the Health Information Technology (HIT).
- The **Prescription Drugs** appropriation, funded by General, Federal and Other Funds, provides Base Level \$342,956,289 each year with Change Levels of \$30,186,134 in FY14 and \$42,827,264 in FY15 for a total appropriation of \$373,142,423 in FY14 and \$385,783,553 in FY15 with *NEW General Revenue of \$28,070,828 in FY14 and \$32,015,401 in FY15*, which includes:
 1. \$10,186,134 in FY14 and \$21,227,264 in FY15 for growth.
 2. \$20,000,000 in FY14 and \$21,600,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
 - The **Private Nursing Home Care** appropriation, funded by General, Federal and Other Revenues, provides Base Level of \$643,040,844 each year with Change Levels of \$44,746,918 in FY14 and \$73,824,203 in FY15 for a total appropriation of \$687,787,762 in FY14 and \$716,865,047 in FY15 with *NEW General Revenue of \$8,794,505 in FY14 and \$21,223,462 in FY15*, which includes:
 1. \$29,746,918 in FY14 and \$57,624,203 in FY15 for growth.
 2. \$15,000,000 in FY14 and \$16,200,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
 - The **Child and Family Life Institute** appropriation, funded by General Revenue, provides Base Level of \$2,100,000 each year with no Change Levels for a total appropriation of \$2,100,000 each year of the biennium.
 - The **Infant Infirmary** appropriation, funded by General, Federal and Other Revenues, provides Base Level of \$23,989,472 each year with Change Levels of \$2,743,674 in FY14 and \$3,566,401 in FY15 for a total appropriation of \$26,733,146 in FY14 and \$27,555,873 in FY15 with *NEW General Revenue of \$1,781,862 in FY14 and \$1,901,810 in FY15*, which includes:
 1. \$743,674 in FY14 and \$1,510,401 in FY15 for growth.
 2. \$2,000,000 in FY14 and \$2,056,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
 - The **Public Nursing Home** appropriation, funded by General, Federal and Other Revenues, provides Base Level of \$193,374,258 each year with Change Levels of \$19,223,952 in FY14 and \$30,153,863 in FY15 for a total appropriation of \$212,598,210 in FY14 and \$223,528,121 in FY15 with *NEW General Revenue of \$962,857 in FY14 and \$1,369,365 in FY15*, which includes:
 1. \$9,223,952 in FY14 and \$19,353,863 in FY15 for growth.
 2. \$10,000,000 in FY14 and \$10,800,000 in FY15 in unfunded appropriation to allow the Division the capability to respond to

federal and/or state mandates.

III) ADDITIONAL POSITIONS

Total Budgeted Positions for FY2013: 347

Total Positions for FY2014: 354

Total Positions for FY2015: 354

Increase(Decrease): 7

* 6 Restorations

* 10 Transferred from Office of Chief Counsel

IV) SPECIAL LANGUAGE

- DEPARTMENT OF HUMAN SERVICES GRANTS FUND ACCOUNT: Shows what grant programs are funded from the Grants Fund Account.
- CHILD HEALTH AND FAMILY LIFE INSTITUTE (CHFLI): Funds appropriated for the Child Health and Family Life Institute (CHFLI) must be administered by the Arkansas Children's Hospital through a cooperative agreement or contract with the University of Arkansas for Medical Sciences.
- PHARMACEUTICAL DISPENSING FEE SURVEY: Language which provides for a pharmaceutical dispensing fee survey, so that the Division is required to conduct a survey at least every two years.
- MEDICAID RATE METHODOLOGY: Provides that CMS methodologies shall be used to establish rates. Rates may be increased or decreased for good cause. This section also provides that cost of living adjustments are to be based on the CMS Market Basket Index.
- FUND USAGE AUTHORIZED: The Division of Medical Services to retain an amount not to exceed \$2,100,000 in the DHS Grants Fund to match federal funds for supplemental Medicaid payments to the Arkansas Children's Hospital.
- STATE PLAN: Updated the State Medicaid Plan concerning EPSDT services.
- STATE MEDICAID PROGRAM/PERSONAL CARE PROGRAM: Allows reimbursable personal care services seven days a week. Private care agencies licensed by the Department of Labor, certified as ElderChoices Providers, who also furnish in-home staffing services for respite, chore services, and homemaker services and carry \$1 million of liability insurance to offer Medicaid reimbursable personal care services seven days a week. These private care agencies will be supervised by the Arkansas Department of Health (ADH) and shall acquire a separate license established by ADH for the provision of this weekend care.
- REVIEW OF RULES IMPACTING STATE MEDICAID COSTS: Authorizes the review of proposed changes to existing Medicaid rules

and the Arkansas Medicaid Plan by various Public Health, Welfare and Labor Committees and the Joint Budget Committee.

MEDICAID EXPANSION PROGRAM

- **MEDICAID EXPANSION PROGRAM-PAYING ACCOUNTS:** Separate Paying Accounts will be established by the Department for each component of the Medicaid Expansion Program to draw federal funds.
- **ACCOUNTS:** Appropriation and Fund Accounts will be established on the books of the Treasurer and Auditor of the State.
- **POSITIONS:** General revenue funds will not be used to replace Tobacco Settlement funds when funds expire. No positions paid from the Tobacco Settlement will be construed as a commitment.
- **TRANSFER RESTRICTIONS:** No funds in the Medicaid Expansion Program Appropriation act shall be transferred, but only as provided by this act.
- **TRANSFERS OF APPROPRIATIONS:** Provides the process in which transfers can be made within appropriations. The Director can request the transfer of appropriation only in the Hospital and Medical Services and Prescription Drug line items.
- **COMPLIANCE WITH OTHER LAWS:** Disbursement of funds authorized shall be limited to the appropriation for such agency and funds made available by law and shall be strictly complied.
- **LEGISLATIVE INTENT:** Any funds disbursed in this act shall be in compliance with Initiated Act 1 of 2000.