

**DHS-DIVISION OF MEDICAL SERVICES (755) - 2011-13 BIENNIUM
BUDGET INFORMATION ACCORDING TO 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 appropriation for the 2011-13 biennium is \$5,064,203,224 the first year and \$5,327,946,357 the second year.

FUNDING SOURCES

The Medicaid program is funded by General Revenue (19%); Federal funds from reimbursement (71%); fees for services, Quality Assurance Fees, Medicaid Trust Fund, Soft Drink Tax, Tobacco Settlement funds, and drug rebates (10%).

II) SIGNIFICANT CHANGES

- The **Nursing Home Quality** appropriation, funded by money and interest from civil penalties deposited into a Trust Fund, provides Base Level appropriation of \$1,500,000 each year of the biennium with no Change Levels.
- The **Medicaid Expansion Program-Administration** appropriation, funded by Tobacco Settlement and Federal Revenues, provides Base Level appropriation of \$113,189 each year of the biennium with 2 budgeted Base Level positions and no Change Levels.
- The **Medicaid Expansion Program-Prescription Drugs** appropriation, funded by Tobacco Settlement and Federal Revenues, provides a total appropriation of \$4,230,636 for FY12 and \$5,367,414 for FY13 with Base Level of \$2,079,878 each year with Change Levels of \$2,150,758 in FY12 and \$3,287,536 in FY13, which includes:
 1. \$1,150,758 in FY12 and \$1,287,536 in FY13 for growth.
 2. \$1,000,000 in FY12 and \$2,000,000 in FY13 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 Tobacco Settlement and Federal Revenues, provides a total appropriation of \$74,770,861 for FY12 and \$93,463,577 for FY13 with Base Level of \$48,801,739 each year with Change Levels of \$25,969,122 in FY12 and \$44,661,838 in FY13, which includes:
 1. \$13,969,122 in FY12 and \$29,661,838 in FY13 for growth.
 2. \$12,000,000 in FY12 and \$15,000,000 in FY13 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 money and interest from civil penalties deposited into a

Trust Fund, provides Base Level appropriation of \$50,000 each year of the biennium with no Change Levels.

- The **Long Term Care Facility Receivership** appropriation, funded by reimbursements for services, provides Base Level appropriation of \$100,000 each year of the biennium with no Change Levels.
- The **Operations** appropriation, funded by General, Federal and Other Revenues, provides a total appropriation of \$25,639,564 each year of the biennium with Base Level of \$24,615,339 each year with 318 budgeted base level positions with Change Levels of \$1,024,225 each year, which include:
 1. Regular Salaries increased by \$610,092 each year for the restoration of six (6) positions and transfer of ten (10) positions to the Division from other DHS Divisions.
 2. Personal Services Matching increased by \$197,269 each year for matching requirements.
 3. Operating Expenses increased by \$21,864 each year for rent of facilities.
 4. Capital Outlay increased by \$195,000 each year for equipment and the sales tax on three (3) replacement vehicles each year if funds become available and any equipment costs associated with the replacement of the Medicaid Management Information System.
- The **Private Nursing Home Care** appropriation, funded by General, Federal and Other Revenues, provides a total appropriation of \$639,794,311 for FY12 and \$670,810,091 for FY13 of the biennium with Base Level of \$571,374,213 each year with Change Levels of \$68,420,098 in FY12 and \$99,435,878 in FY13 with new General Revenue of \$42,245,234 in FY2013, which includes:
 1. \$53,420,098 in FY2012 and \$83,235,878 in FY2013 for growth.
 2. \$15,000,000 in FY2012 and \$16,200,000 in FY2013 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
- The **Prescription Drugs** appropriation, funded by General, Federal and Other Revenues, provides a total appropriation of \$378,738,146 in FY12 and \$385,275,742 in FY13 of the biennium with Base Level of \$330,998,852 each year with Change Levels of \$47,739,294 in FY12 and \$54,276,890 in FY13 with new General Revenue of \$30,690,251 in FY13, which includes:
 1. \$27,739,294 in FY2012 and \$32,676,890 in FY2013 for growth.
 2. \$20,000,000 in FY2012 and \$21,600,000 in FY2013 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
- The **Hospital & Medical Services** appropriation, funded by General, Federal and Other Revenues, provides a total appropriation of \$3,584,528,631 for FY12 and \$3,776,570,716 in FY13 of the biennium with Base Level of \$3,074,471,484 each year with Change Levels of \$510,057,147 in FY12 and \$702,099,232 in FY13 with new General Revenue of \$98,478,362 in FY13, which includes:
 1. \$278,898,821 in FY2012 and \$470,099,232 in FY2013 for growth.
 2. \$80,000,000 in FY2012 and \$70,000,000 in FY2013 for a new Medicaid Management Information System (MMIS).
 3. \$151,158,326 in FY2012 and \$162,000,000 in FY2013 in unfunded

appropriation to allow the Division the capability to respond to federal and/or state mandates.

- The **ARKids B Program** appropriation, funded by General, Federal and Other Revenues, provides a total appropriation of \$115,642,425 for FY12 and \$118,873,417 for FY13 of the biennium with Base Level of \$109,108,809 each year with Change Levels of \$6,533,616 in FY12 and \$9,764,608 in FY13 with a *General Revenue reduction of (\$333,650) in FY13*, which includes adjustments for the FMAP reduction and suspension of 11 million in optional ARKids expansions that were included in base level.
- The **Child & Family Life Institute** appropriation, funded by General Revenues, provides Base Level appropriation of \$2,100,000 each year of the biennium with no Change Levels.
- The **Infant Infirmary** appropriation, funded by General, Federal and Other Revenues, provides a total appropriation of \$25,389,673 in FY12 and \$26,100,584 in FY13 of the biennium with Base Level of \$21,716,788 each year with Change Levels of \$3,672,885 in FY12 and \$4,383,796 in FY13 with *new General Revenue of \$1,639,795 in FY13*, which includes:
 1. \$1,672,885 in FY2012 and \$2,327,796 in FY2013 for growth.
 2. \$2,000,000 in FY2012 and \$2,056,000 in FY2013 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
- The **Public Nursing Home Care** appropriation, funded by General, Federal and Other Revenues, provides a total appropriation of \$211,605,788 in FY12 and \$221,982,063 in FY13 of the biennium with Base Level of \$185,670,840 each year with Change Levels of \$25,934,948 in FY12 and \$36,311,223 in FY13 with *new General Revenue of \$1,612,763 in FY2013*, which includes:
 1. \$15,934,948 in FY2012 and \$25,511,223 in FY2013 for growth.
 2. \$10,000,000 in FY2012 and \$10,800,000 in FY2013 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.

III) ADDITIONAL POSITIONS

Total Positions for FY 2011-13: 335

Total Budgeted Base Level Positions for FY 2011: 320

Increase(Decrease): 15

* 6 Restorations

* 10 Transferred from Other DHS Divisions

* (1) Transferred to Division of Aging and Adult Services

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.