Medicaid Budget Briefing

Prepared for House Appropriations Committee

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MISSISSIPPI DIVISION OF MEDICAID

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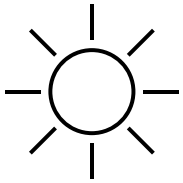
Mississippi Medicaid Budget Outlook

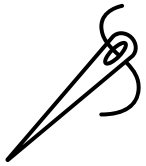


FY19-FY24: Best fiscal condition in Medicaid's history. Record surplus & record enrollment. No state support deficit in 6 years. Request bump in federal spending authority for MHAP changes.

FY25: Projected increase of $83M in state support to avoid state support deficit during FY25.

FY26 and Beyond: With cash balance exhausted in FY25, a dramatic increase in state support in FY26 is looming.

With declining federal funding %, new federal policies on eligibility, potential utilization management restrictions, and rising labor costs, Medicaid program could cost substantially more to fund with fewer levers to control those costs.



New state funding demands will require a delicate balancing act, trying on one hand to maintain positive momentum in the Medicaid program while minimizing spillover effects.

2023: Medicaid on the Move

1. Hospital industry gains extra $600 million in Medicaid funding after CMS approves the largest component of a hospital payment reform plan that reimburses near average commercial rate for hospital services provided to Medicaid managed care members
2. Permanent, 12-month postpartum coverage for pregnant women implemented
3. Unwinding of continuous enrollment condition is initiated. DOM adopts balanced approach aimed at making accurate redeterminations that ensure continuity of coverage for eligible individuals while also protecting taxpayers by promptly removing those who don't qualify
4. Member copays eliminated
5. Certain anti-obesity drugs included on preferred drug list
6. Medicaid member self-service portal released
7. Mississippi receives best score in country in percentage of women delivering a live birth who had a timely postpartum care visit
8. New ambulance UPL and directed payment program implemented
9. Numerous provider types receive reimbursement increases
10. Hospitals receive $137M one-time PHE-related payment with Medicaid funding
11. New utilization management/QIO vendor, Telligen, is selected. Largest Medicaid procurement not protested by a losing party since 2020. (Go-live 2/1/24)
12. Division of Medicaid continues to deepen its talent pool in ongoing effort to elevate performance and provide better service to customers

Add-On Payments Boost Hospital Industry

Major increase in hospital directed payments approved by CMS in late 2023; financing non-federal share of payments through hospital assessment minimized state support impact.

Fiscal Year	Directed & Supplemental Payment Payouts	Bed Assessment	Total Assessment Amount	Difference in Add-on Payment to Hospitals and Assessments
2017	$757.2	$104.0	$296.7	$460.4
2018	$759.7	$104.0	$290.3	$469.4
2019	$762.2	$102.4	$283.5	$478.7
2020	$764.8	$89.2	$238.8	$526.0
2021	$765.9	$74.9	$198.7	$567.1
2022	$776.2	$74.0	$199.6	$576.7
2023	$858.6	$85.5	$201.8	$656.8
2024*	**$1703.0**	**$94.9**	**$464.7**	**$1,238.3**
2025*	$1707.8	$100.2	$493.4	$1,214.4

Funding Source Breakdown of Medicaid Expenditures

Medicaid is jointly funded through federal and state sources.

		Comments	FY24 Est. Expenditure
Federal Share ($6.4B)		▪ FMAP (78.42%) – regular medical expenses ▪ eFMAP (84.55%) – SCHIP expenses; breast and cervical cancer ▪ 50% - general administration; program integrity ▪ 75% - QIO expenses; PASRR; EQRO; IT M&O ▪ 90% - family planning expenses; IT DDI ▪ 100% - Indian Health Services	▪ $6.4 billion
Non-Federal Share ($1.8B)	General Funds	▪ Historically used to cover most of the non-federal share cost ▪ Funds Medicare Part D contribution, or “clawback” (100% state)	▪ $846 million
	State Support Special	▪ Healthcare expendable fund ▪ Capital expense fund and BCF rarely used in recent times	▪ $63 million
	Other State Agency	▪ Non-federal share contributions of agency-administered programs ▪ DMH, MDRS, DOH, and MDOC among participants	▪ $74 million
	Provider Taxes & IGTs	▪ Taxes and IGTs to draw down supplemental payments ▪ Some taxes also used to help finance part of total non-federal share	▪ $512 million
	Carryforward	▪ Remaining cash balance that can be applied to non-federal share	▪ $326 million
	Drug Rebates	▪ Pharmacy drug rebates	

Appropriation Breakdown for Medicaid

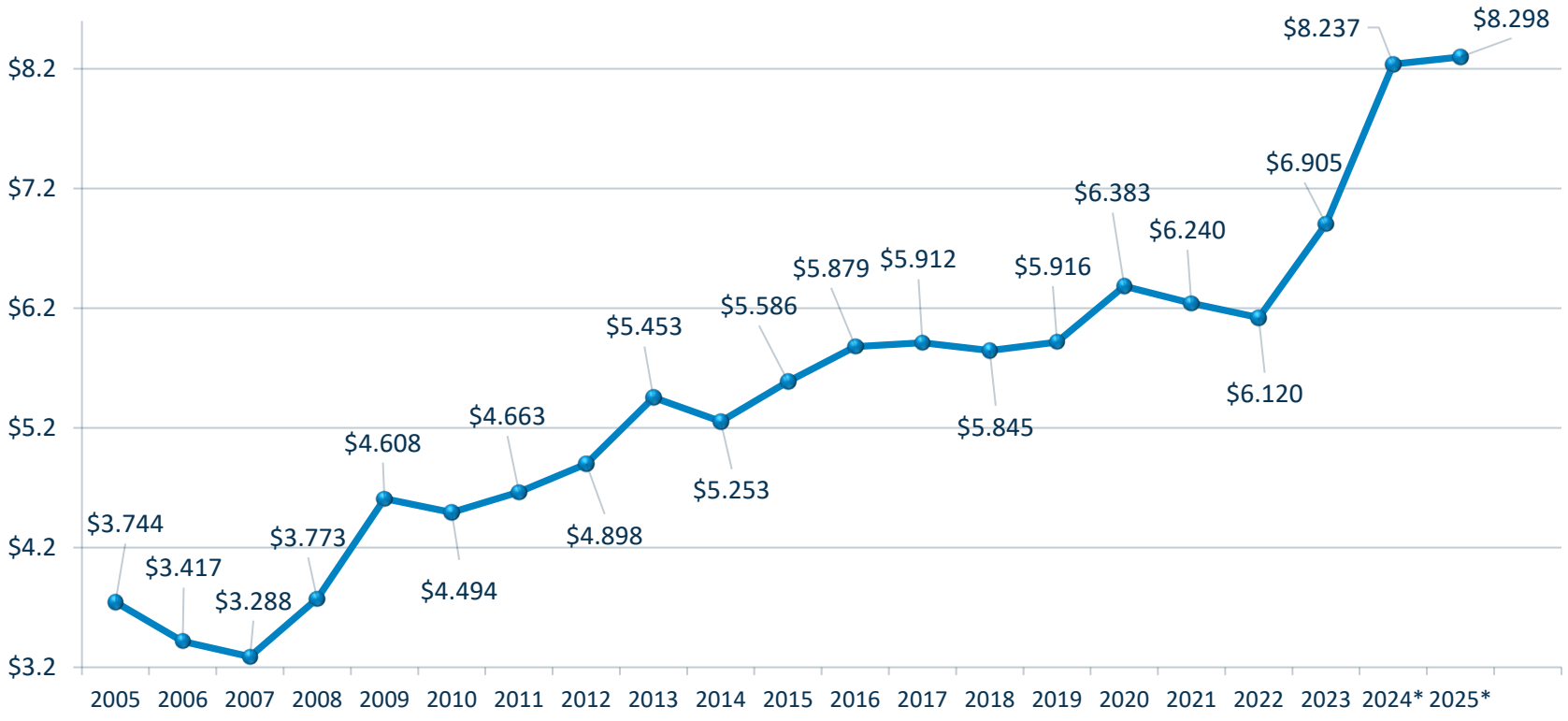
Annual appropriation bill sets maximum sum DOM can spend in each category.

		Comments	SFY 24 Appropriation
Budget Bill	General Funds	▪ Section 1 (for non-federal share) ▪ Purpose to provide for medical assistance & defraying administration	▪ $846.3 million
	Medical Care Fund	▪ Section 2 (for non-federal share) ▪ Special fund; purpose to provide for medical assistance	▪ $352.7 million (current) ▪ Requesting revision
	Health Care Expendable	▪ Section 4 (for non-federal share) ▪ State support; purpose to defray medical expenses	▪ $63.2 million
	Special Source Funds	▪ Section 3 (for non-federal and federal share) ▪ Spending authority to use federal grant funds ▪ Spending authority to use special funds to fund non-federal share	▪ $6.046 billion (current) ▪ Requesting revision

Total Medicaid Actual and Projected Spending

Gross increase in hospital directed payments helps propel projected total spending over $8B in 2024.

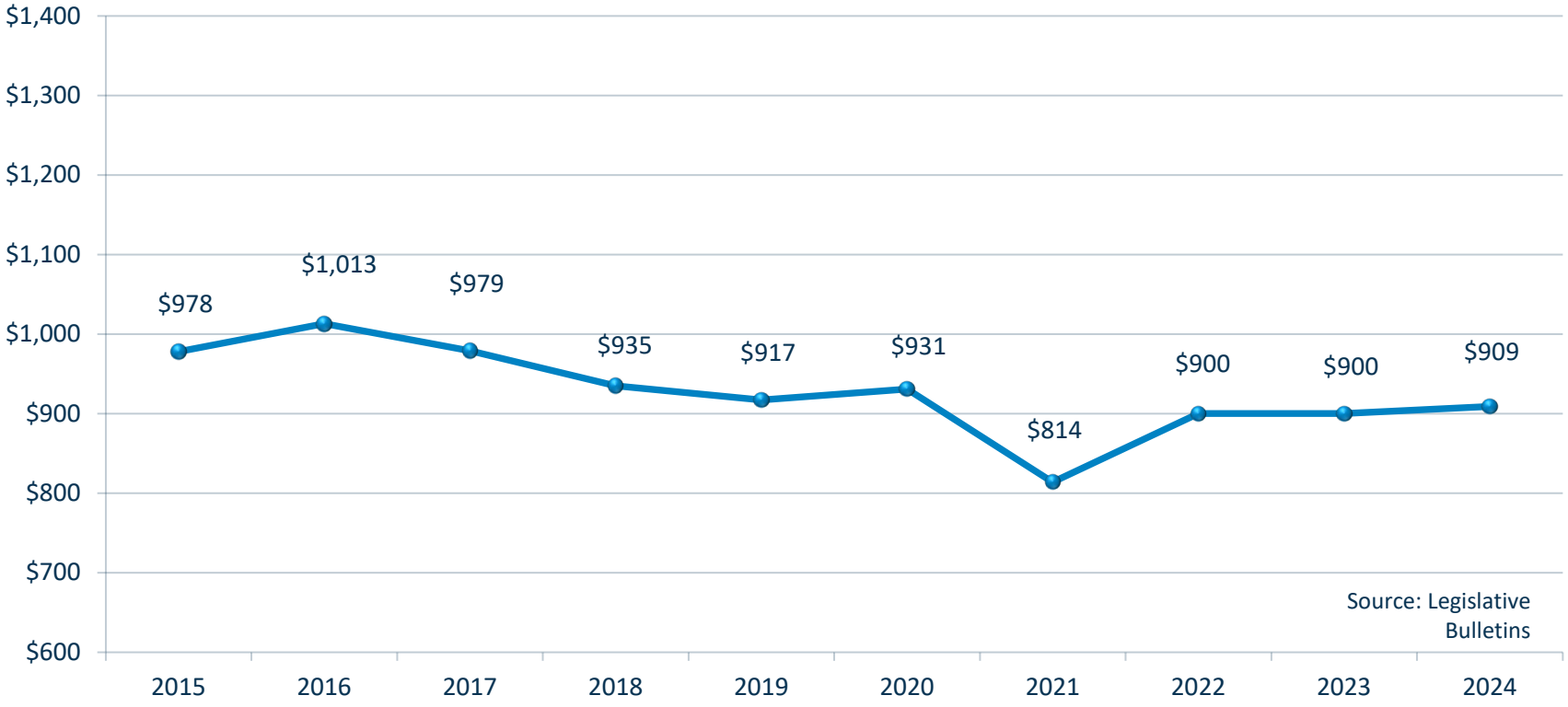
Total Medicaid expenditures (in billions) FY12-23; FY24-25 projected*



State Support Medicaid Spending Down 11% Since FY16 Peak

State support spending has stayed below $1B mark for 7 consecutive fiscal years.

State support spending (in millions), FY15-24



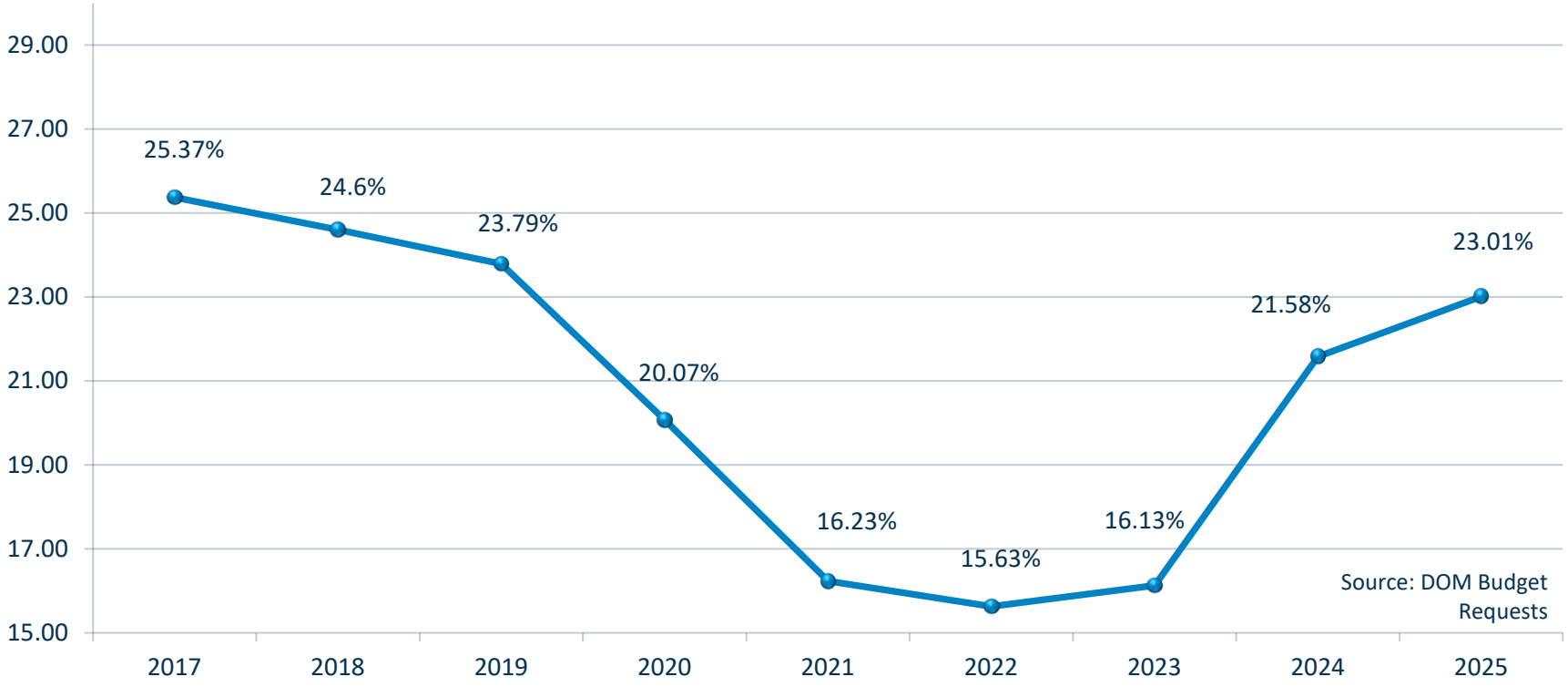
Some State Support Spending Cost Considerations

1 Declining federal share for medical expenses			
2 Federal regulatory landscape, particularly around eligibility	**3** Carryforward depleted by FY26	**4** Medicare Part D "clawback" and Part B premium expenses	**5** Home and community-based services growth and unit costs
6 Utilization bounce back post-pandemic	**7** Potential utilization management changes	**8** New gene therapies and other high-dollar pharmaceuticals	**9** Increasing demand and personnel costs in long-term care facilities

42% increase in non-federal share burden for medical expenses

Significant decline in federal share largely due to the end of the PHE 6.2% FMAP increase

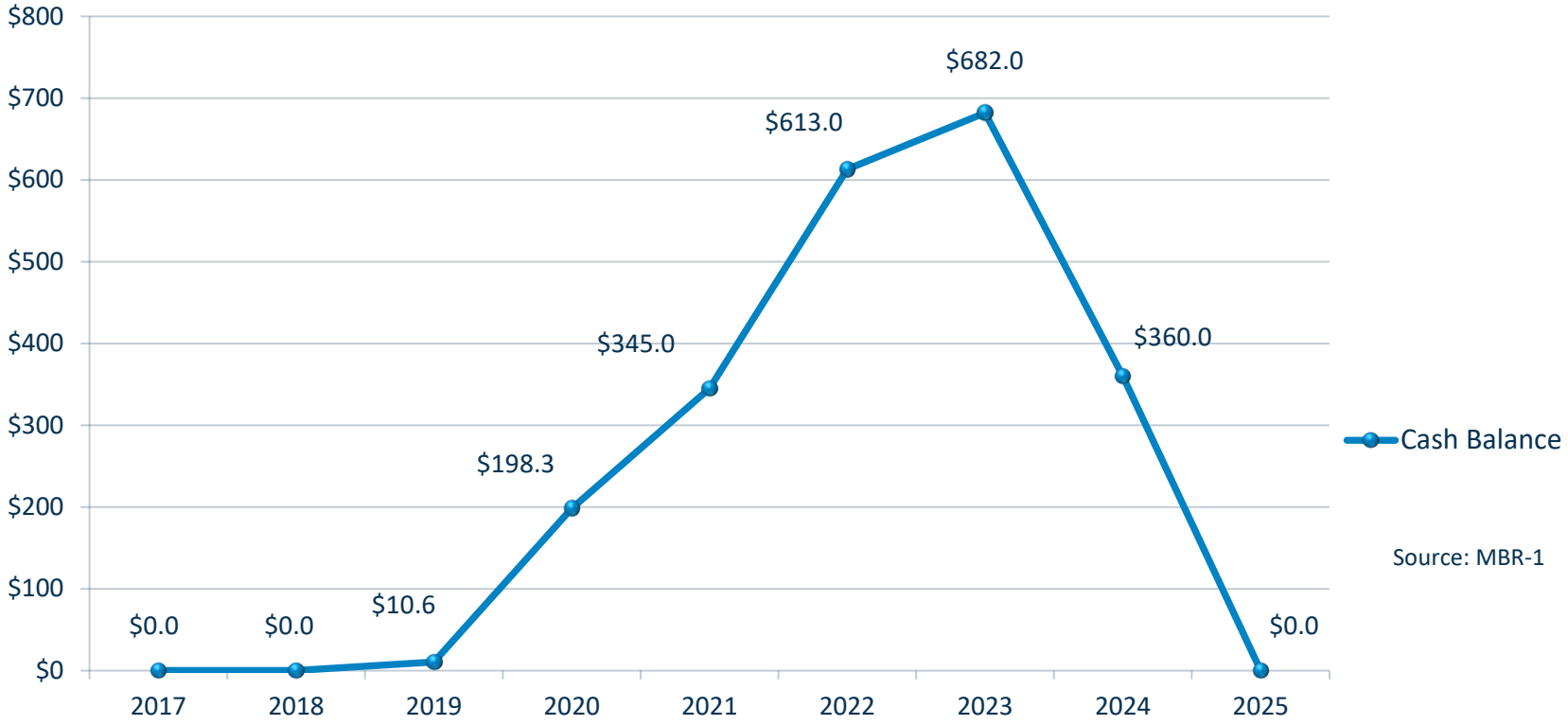
Non-federal (state) share of medical assistance expenses (FY17 to FY25)



Spenddown of cash balance delays budget hike until FY26

Using $682M cash balance in FY24 & FY25 reduces immediate negative impact of FMAP decline

DOM cash balance, June 30 of fiscal year end (in millions)

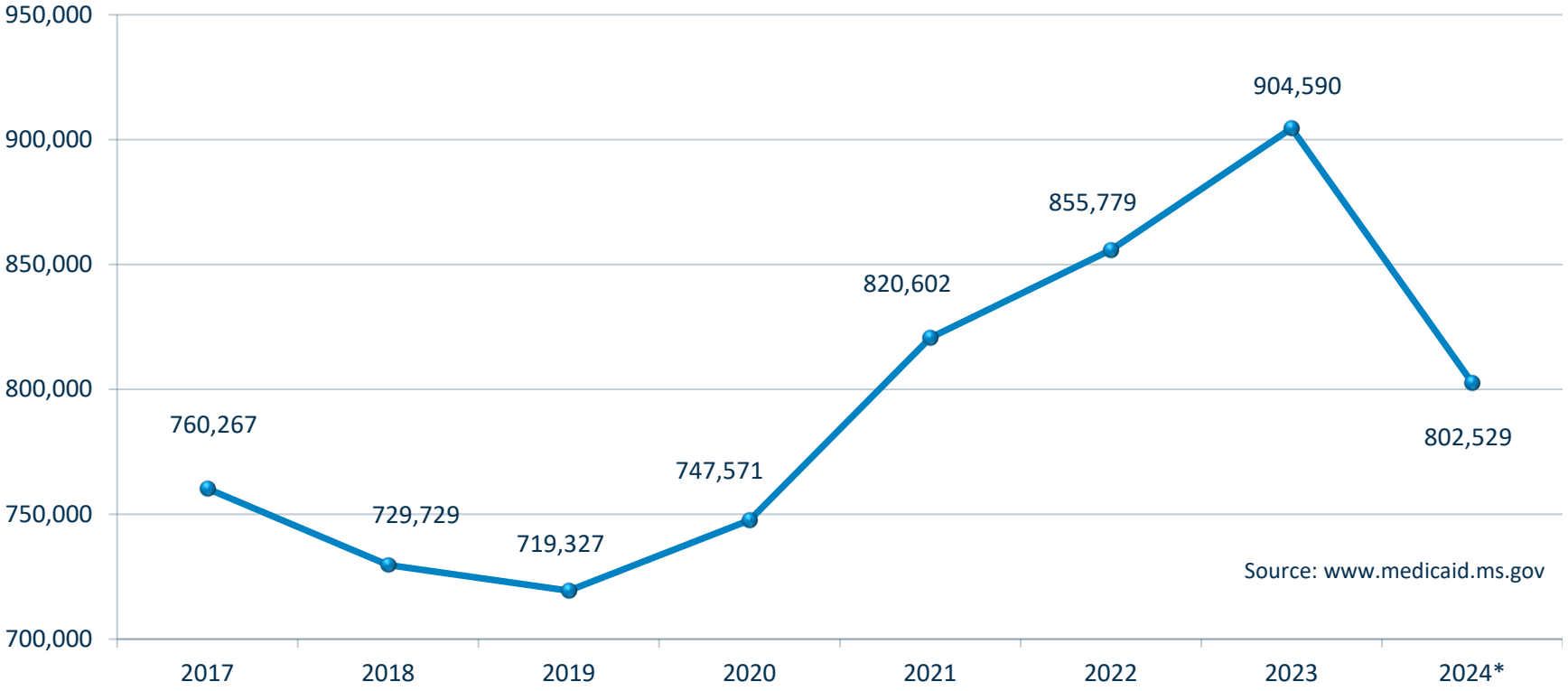


Source: MBR-1

Medicaid and CHIP enrollment

Enrollment peaked at 904K in June 2023. While enrollment is down 100K after unwinding, it remains – and is expected to remain – slightly above pre-pandemic levels.

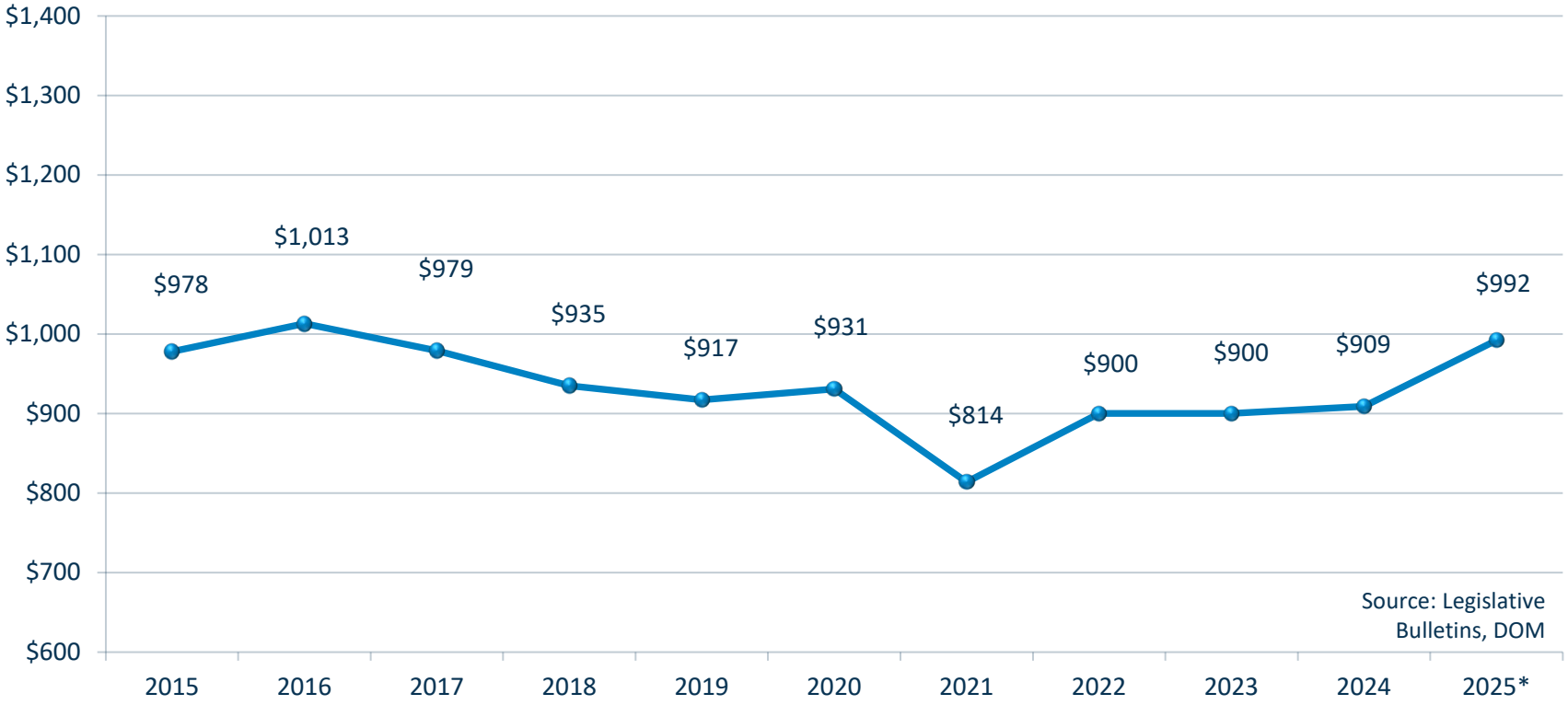
Medicaid and CHIP enrollment, June 2017-June 2023; December 2023*



FY25 state support request: $992M

Currently requesting an $83M increase over FY24.

State support appropriation (in millions), FY15-24, projected FY25*



State support request could rise to $1.449 billion in FY26

Potential $500M+ increase in state support spending between FY24 and FY26

State support appropriation (in millions), FY15-24; projected FY25-26*