

DHHS-DIVISION OF MEDICAL SERVICES (755) - 2007-09 BIENNIUM

BUDGET INFORMATION ACCORDING TO ACT 1236 & 1284 of 2007

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

This 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, and Prescription Drugs. The Division is also responsible for administering ARKids First.

TOTAL BIENNIAL BUDGET

The total budget of the 2007-09 biennium is \$4,033,103,736 for FY2008 and \$4,366,901,825 for FY09.

FUNDING SOURCES

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

II) SIGNIFICANT CHANGES

- Revenue Stabilization Act allocated additional General Revenue of \$66,158,118 for FY2009 only above FY2007 General Revenue Forecasted Distribution.
- The Nursing Assistant Training Program appropriation, funded by Federal Revenues and funds from the State Board of Collection Agencies, provides for the transfer of this appropriation along with the funding source to the Private Nursing Home Care appropriation to allow billing from one appropriation.
- The New Nursing Home Quality appropriation, funded by other revenues as indicated from the Long-Term Care Trust Fund, provides for the establishment of the Nursing Home Quality of Life appropriation at \$1,500,000 each year.
- The Medicaid Expansion Program - Prescription Drugs appropriation, funded through Tobacco Settlement Funds and Federal revenues, provides additional unfunded appropriation of \$1,000,000 in FY08 and \$1,080,000 in FY09 to allow the Division the capability to respond to federal and/or state mandates.
- The Medicaid Expansion Program - Hospital and Medical Services appropriation, funded through Tobacco Settlement Funds and Federal revenues, provides for:
 1. \$11,264,839 in FY2009 for the Health Insurance Flexibility and Accountability (HIFA) Safety Net Benefits Demonstration Waiver.
 2. \$12,500,000 in FY2008 and \$13,500,000 in FY2009 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.

- The Operations appropriation for Medical Services, funded through General Revenues, Federal and Other revenues, provides for:
 1. Transfer of two (2) positions to OCC along with salary and matching appropriation.
 2. One (1) position to be transferred from the Division of Behavioral Health Services with salary and matching appropriation.
 3. Eight (8) New positions are provided along with the associated salary and matching appropriation.
 4. Four (4) New positions for Medicaid Quality Assurance Functions with the associated salary and matching appropriation.
 5. Capital Outlay increased by \$195,000 each year to allow for the purchase of 15 vehicles each year. 10 vehicles would be replacement and 5 would be additional vehicles each year.
 6. Data Processing increased by \$30,000 each year to allow for increased costs of data processing services from the Department of Information Services.
- The Private Nursing Home Care Appropriation, funded by General Revenues, Federal and Other funds, provides for:
 1. Transfer \$230,000 each year from the Private Nursing Home Care - Expanded Nursing Assistant Training Program appropriation to Private Nursing Home Care appropriation.
 2. \$44,709,609 in FY08 and \$86,380,171 in FY09 based on growth rates of 8.59% in FY08 and 7.37% in FY09.
 3. \$15,000,000 in FY08 and \$16,200,000 in FY09 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
- The Prescription Drugs Appropriation, funded by General Revenues, Federal and Other revenues, provides for:
 1. \$34,640,309 in FY08 and \$72,869,148 in FY09 based on growth rates of 10.32% in both FY08 and in FY09.
 2. \$20,000,000 in FY08 and \$21,600,000 in FY09 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 Revenues, Federal and Other revenues, provides for:
 1. \$184,875,958 in FY08 and \$387,023,861 in FY09 based on growth rates of 8.53% in FY08 and 8.41% in FY09.
 2. \$10,000,000 in FY08 and \$10,908,000 in FY09 for a rate increase for dental services for adults age 21 and over to include preventative care and restorative care.
 3. \$2,500,000 in FY08 and \$2,727,000 in FY09 to expand nutrition services to the general population of Medicaid children.
 4. \$4,906,563 each year of the biennium for school based vision and hearing screenings. {Requested to comply with Act 1438 of 2005}
 5. \$1,500,000 in FY08 and \$1,636,200 in FY09 to implement a pay for performance for Early and Periodic Screening and Diagnosis and Treatment (EPSDT) services.
 6. \$500,000 each year of the biennium to provide an Aging Waiver transition program to allow persons to transition from an institution to a waiver.
 7. \$10,493,229 each year of the biennium to provide a rate increase for physical, occupational and speech therapy. {Requested to

comply with the Arkansas Medical Society vs. Reynolds consent decree.}

8. \$10,645,695 in FY08 and \$11,390,791 in FY09 to provide a rate increase for Outpatient Hospital/Ambulatory Surgical for continued access.
 9. \$150,000,000 in FY08 and \$162,000,000 in FY09 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
 10. Various Program Support of \$25,784,204 in FY09 is allocated from the DHHS Federal Reimbursement/Other Holding Fund to offset the agency General Revenue request.
 11. Medicaid Expansion Program Account excess balances of \$33,902,992 are to be used to fund Hospital and Medical Services in the 2007 - 2009 Biennium to offset the agency General Revenue request in FY2009. {Section 8 of Initiated Act 1 of 2000 which provides for the carry forward Tobacco Settlement Fund balance into a new biennium. Section 11 of Act 2 of the First Extraordinary Session of 2002}
- The ARKIDS B Program Appropriation, funded by General Revenues, Federal and Other revenues, provides for:
 1. \$3,070,522 in FY08 and \$6,616,976 in FY09 based on growth rates of 15.5% each year of the biennium for the Prescription Drugs component.
 2. \$9,030,073 in FY08 and \$19,459,807 in FY09 based on growth rates of 15.5% each year of the biennium for the Hospital/Medical component.
 3. \$2,500,000 in FY08 and \$2,700,000 in FY09 in unfunded appropriation for the Prescription Drugs component to allow the Division the capability to respond to federal and/or state mandates.
 4. \$7,500,000 in FY08 and \$8,100,000 in FY09 in unfunded appropriation for the Hospital/Medical component to allow the Division the capability to respond to federal and/or state mandates.
 - The Infant Infirmary Appropriation, funded by General Revenue and Federal revenues, provides for:
 1. \$575,057 in FY08 and \$1,167,941 in FY09 based on a growth rate of 3.1% in both FY08 and in FY09.
 2. \$1,500,000 in FY08 and \$1,620,000 in FY09 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 Revenues, Federal and Other revenues, provides for:
 1. \$6,283,106 in FY08 and \$12,823,806 in FY09 based on growth rates of 9.12% in FY08 and 9.24% in FY09.
 2. \$3,000,000 in FY08 and \$3,240,000 in FY09 in unfunded appropriation to allow the Division the capability to respond to federal and/or state mandates.
 - New Alcohol and Drug Abuse Prevention appropriation, funded by Special Revenues, provides \$1.25 million each year for Future Medicaid Waivers for Substance Abuse Services.

III) ADDITIONAL POSITIONS

Total positions for FY 200-09: 305

Total positions for FY 2007: 294

Increase(Decrease): 11

- * 2 Positions transferred to Office of Chief Counsel
- * 1 Position transferred from Division of Behavioral Health
- * 8 New Positions for Administration Staff and Support
- * 4 New Positions for Medicaid Quality Assurance Functions

IV) SPECIAL LANGUAGE

- DEPARTMENT OF HUMAN SERVICES GRANTS FUND ACCOUNT: Shows what grant programs are funded from the Grants Fund Account.
- CARRY FORWARD: Any unexpended balances of federal appropriations can be carried forward from the 1st to the 2nd fiscal year.
- 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.
- FUNDING TRANSFERS: The State CFO shall transfer the balance in the DHS Grants Fund account from monies imposed by Arkansas Code 26-57-1102 to the University of Arkansas Medical Center Fund; Also, transfer monies from the Arkansas Rx Program Fund to the Mental Health Services Fund Account. **NEW**

MEDICAID EXPANSION PROGRAM

- MEDICAID EXPANSION PROGRAM-CARRY FORWARD: Language stating that unexpended balances of appropriations can be carried forward from the 1st to the 2nd fiscal year.
- 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.
- TRANSFER 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.