

**DHS BUDGET REQUEST FOR FY 2016-2017**  
(\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
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E30.36, E30.37

APPROPRIATION:  
Medical Assistance - Capitation

**I. SUMMARY FINANCIAL DATA**

	<u>2014-2015</u> Actual	<u>2015-2016</u> Available	<u>2016-2017</u> Budgeted
<b>State Funds</b>	\$3,823,434	\$3,907,202 <sup>1</sup>	\$4,086,032
<b>Federal Funds Total</b>	\$8,143,585	\$9,049,328	\$10,370,857
<b>Federal Sources Itemized</b>			
<i>Medical Assistance - Capitation</i>	\$6,115,288	\$9,049,328	\$10,370,857
<i>Healthy PA</i>	\$2,028,297	\$0	\$0
<b>Other Funds Total</b>	\$1,017,373	\$1,115,600	\$1,295,643
<b>Other Fund Sources Itemized</b>			
<i>Medicaid Managed Care Gross Receipt Tax</i>	\$761,704	\$860,118	\$111,927 <sup>2</sup>
<i>MA - MCO Assessment</i>	\$0	\$0	\$918,840
<i>Statewide Quality Care Assessment</i>	\$255,669	\$255,482	\$264,876
<b>Total</b>	<b>\$12,984,392</b>	<b>\$14,072,130</b>	<b>\$15,752,532</b>

**IA. REQUESTED SUPPLEMENTALS (Included above)**

<b>State Funds Total</b>	\$1,947,601
<b>State Sources Itemized</b>	
<i>Medical Assistance - Capitation</i>	\$1,947,601
<b>Federal Funds Total</b>	\$0
<b>Federal Sources Itemized</b>	
<i>Medical Assistance - Capitation</i>	\$0
<b>Total</b>	<b>\$1,947,601</b>

<sup>1</sup> Reflects a recommended supplemental appropriation of \$1,947.601 million. Appropriation Act 10-A of 2015 provided \$1,959.601 million for this program in Fiscal Year 2015-2016.

<sup>2</sup> The amount shown is more than the \$70.000 million shown in the Governor's Executive Budget to reflect an updated estimate of assessment revenue for Fiscal Year 2016-2017.

II. DETAIL BY MAJOR OBJECT (\$ Amounts in Thousands)		APPROPRIATION: Medical Assistance - Capitation			
		2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted	Change Budgeted vs. Available
<b>PERSONNEL</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Personnel</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>OPERATING</b>					
State Funds	\$28,676	\$32,172	\$34,984	\$2,812	8.74%
Federal Funds	\$53,343	\$53,103	\$48,207	(\$4,896)	-9.22%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Operating</b>	<b>\$82,019</b>	<b>\$85,275</b>	<b>\$83,191</b>	<b>(\$2,084)</b>	<b>-2.44%</b>
<b>FIXED ASSETS</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Fixed Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>GRANT &amp; SUBSIDY</b>					
State Funds	\$3,792,317	\$3,865,264	\$4,041,282	\$176,018	4.55%
Federal Funds	\$8,015,711	\$8,416,613	\$10,248,806	\$1,832,193	21.77%
Other Funds	\$1,017,373	\$1,115,600	\$1,295,643	\$180,043	16.14%
<b>Total Grant &amp; Subsidy</b>	<b>\$12,825,401</b>	<b>\$13,397,477</b>	<b>\$15,585,731</b>	<b>\$2,188,254</b>	<b>16.33%</b>
<b>NONEXPENSE</b>					
State Funds	\$2,441	\$9,766	\$9,766	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Nonexpense</b>	<b>\$2,441</b>	<b>\$9,766</b>	<b>\$9,766</b>	<b>\$0</b>	<b>0.00%</b>
<b>BUDGETARY RESERVE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$74,531	\$579,612	\$73,844	(\$505,768)	-87.26%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Budgetary Reserve</b>	<b>\$74,531</b>	<b>\$579,612</b>	<b>\$73,844</b>	<b>(\$505,768)</b>	<b>-87.26%</b>
<b>UNCOMMITTED</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Uncommitted</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>OTHER</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Other</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>TOTAL FUNDS</b>					
State Funds	\$3,823,434	\$3,907,202	\$4,086,032	\$178,830	4.58%
Federal Funds	\$8,143,585	\$9,049,328	\$10,370,857	\$1,321,529	14.60%
Other Funds	\$1,017,373	\$1,115,600	\$1,295,643	\$180,043	16.14%
<b>Total Funds</b>	<b>\$12,984,392</b>	<b>\$14,072,130</b>	<b>\$15,752,532</b>	<b>\$1,680,402</b>	<b>11.94%</b>

**APPROPRIATION:**  
**Medical Assistance - Capitation**

III. HISTORY OF LAPSES (\$ Amounts in Thousands)	2013-2014	2014-2015	2015-2016 Estimated
State Funds	\$1,422	\$0	\$0

IV. COMPLEMENT INFORMATION	12/31/2014	12/31/2015	2016-2017 Budgeted
<b>State/Federally Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Federally Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Other Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Total</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Benefit Rate</b>	N/A	N/A	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

**Derivation of Request:**

Funding projections are derived from actuarial forecasting models developed on the basis of persons estimated to be eligible for Medical Assistance by recipient aid category and monthly managed care per capita rates adjusted to reflect inflation and/or technical adjustments to reimbursements. Estimates also include impacts of changes in program policies, cash flow adjustments and contracts.

Detail on the appropriation request is outlined in Section VI entitled "Explanation of Changes" on the following pages.

**Legislative Citations:**

62 P.S. § 443.5

**Disbursement Criteria:**

The capitation Managed Care Organization (MCO) must be a Medical Assistance Program contractor; the recipient of the services must be deemed eligible for Medical Assistance benefits, and must be enrolled in the capitation MCO; and the billed monthly premium must be in accordance with the negotiated rate. Payments are disbursed upon successful completion of pre-payment reviews and availability of funding.

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
<b>OPERATING</b>				
1. Reflects a decrease in the Maximus enrollment broker contract to provide assistance to new and existing enrollees in selecting and changing their Managed Care Organization (MCO):	(150)	(150)	\$0	(\$300)
2. Reflects a decrease in the contract with Hewlett-Packard Enterprise Services as a result of costs relating to non-recurring projects in Fiscal Year 2015-2016 not anticipated to continue in Fiscal Year 2016-2017:	(930)	(\$4,046)	\$0	(\$4,976)
3. Reflects a decrease in the Physical Health and Behavioral Health actuarial contracts with Mercer:	(495)	(495)	\$0	(\$990)
4. Provides for an increase in technical assistance contracts with Deloitte for Behavioral Health and Physical Health:	\$130	\$120	\$0	\$250
5. Provides for an increase in contracts with Health Management Systems, Inc. relating to Third Party Liability (TPL) Data Exchange:	\$400	\$400	\$0	\$800
6. Provides for an increase in contracted clinical consultant services with InGenesis, Inc. and MHM Solutions, Inc.:	\$271	\$263	\$0	\$534
7. Reflects the decrease in contracts with Deloitte for Medicaid Management Information Systems (MMIS) Reprourement based on revised estimates:	(\$3)	(\$25)	\$0	(\$28)
8. Provides for an increase in contracts for the Medicaid Outreach program:	\$650	\$650	\$0	\$1,300
9. Provides for a contract with Sellers Dorsey to provide technical assistance related to the managed care assessment proposal:	\$3,977	\$0	\$0	\$3,977
10. Reflects non-recurring operating costs relating to the implementation of several Affordable Care Act (ACA) provisions:	<u>(\$1,038)</u>	<u>(\$1,613)</u>	<u>\$0</u>	<u>(\$2,651)</u>
Subtotal Operating	\$2,812	(\$4,896)	\$0	(\$2,084)

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
<b>GRANT &amp; SUBSIDY</b>				
<b>1. Physical Health Program</b>				
A. Provides for the annualization of a rate increase effective January 1, 2016, in addition to a proposed rate increase effective January 1, 2017:	\$58,928	\$364,493	\$0	\$423,421
B. Provides for projected enrollment increases in Fiscal Year 2016-2017:	\$156,474	\$953,571	\$0	\$1,110,045
<b>2. Behavioral Health Program</b>				
A. Provides for the net change in rates offset by the removal of the Gross Receipts Tax adjustment:	(\$7,637)	(\$124,105)	\$0	(\$131,742)
B. Provides for projected enrollment increases in Fiscal Year 2016-2017:	\$14,022	\$227,883	\$0	\$241,905
<b>3. Maternity Care</b>				
A. Provides for a projected increase in the average per capita rate from \$9,130.53 in Fiscal Year 2015-2016 to \$9,138.83 in Fiscal Year 2016-2017:	\$887	\$952	\$0	\$1,839
B. Provides for an increase in projected utilization from 51,543 in Fiscal Year 2015-2016 to 51,716 in Fiscal Year 2016-2017:	\$762	\$818	\$0	\$1,580
<b>Subtotal Physical Health, Behavioral Health and Maternity Care Cost and Utilization</b>	<b>\$223,436</b>	<b>\$1,423,612</b>	<b>\$0</b>	<b>\$1,647,048</b>
<b>OTHER PROVIDER PAYMENTS</b>				
1. Reflects a reduction in the collection of unexpended Behavioral Health reinvestment funds:	\$6,028	\$13,169	\$0	\$19,197
2. Provides for an increase in the Physician and MCO Pay-for-Performance (P4P) program funding as a result of more providers and MCOs exceeding Health Effectiveness Data and Information Set (HEDIS) performance measures:	\$4,944	\$5,574	\$0	\$10,518
3. Impact of increased Health Insurance Provider Fee reimbursements for Behavioral Health and Physical Health as required by contractual agreements with the MCOs:	\$1,230	\$1,302	\$0	\$2,532

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
4. Impact of decreased risk corridor payments to Behavioral Health and Physical Health MCOs:	<u>(\$4,390)</u>	<u>(\$6,210)</u>	<u>\$0</u>	<u>(\$10,600)</u>
Subtotal Other Provider Payments	\$7,812	\$13,835	\$0	\$21,647
<b>ADMINISTRATIVE/CASH FLOW IMPACTS</b>				
1. Provides for a projected increase in the transfer to the Medical Assistance for Workers with Disabilities program:	(\$3,869)	(\$4,187)	\$0	(\$8,056)
2. Provides for projected increases in pharmacy rebates in Fiscal Year 2016-2017 due to increased drug costs and utilization:	(\$11,220)	(\$8,817)	\$0	(\$20,037)
3. Impact of the one-time recovery of ACA Primary Care Physician Fee Increases in Fiscal Year 2015-2016 not anticipated in Fiscal Year 2016-2017:	\$3,033	\$102,869	\$0	\$105,902
4. Impact of non-recurring Fiscal Year 2015-2016 Behavioral Health rate adjustments primarily due to the conversion from Healthy PA to Medicaid Expansion:	(\$5,202)	(\$7,375)	\$0	(\$12,577)
5. Annualized impact of a program beginning January 1, 2016 that will transition individuals from forensic units at state hospitals into community placements:	\$1,339	\$1,451	\$0	\$2,790
6. Net impact of a non-recurring rollback of expenditures from Fiscal Year 2015-2016 to Fiscal Year 2014-2015:	\$61,306	\$66,382	\$0	\$127,688
7. Impact of an application for a new Federal Children's Health Insurance Program (CHIP) grant in Fiscal Year 2016-2017:	\$0	\$1,000	\$0	\$1,000
8. Savings from increased Federal funds for Fiscal Year 2015-2016 applicable to additional populations according to CMS guidance:	(\$28,783)	\$28,783	\$0	\$0
9. Savings from increased Federal funds for Fiscal Year 2016-2017 applicable to additional populations according to CMS guidance:	(\$65,556)	\$65,556	\$0	\$0
10. Reflects the net impact of the discontinuation of Gross Receipts Tax related managed care payments and recoupments effective December 31, 2016:	(\$244,851)	(\$402,832)	\$0	(\$647,683)

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
11. Impact of assessment payments related to the new MCO assessment effective July 1, 2016:	\$318,840	\$572,882	\$0	\$891,722
12. Impact of implementing the MCO assessment:	(\$918,839)	\$0	\$918,839	\$0
13. Impact of an increase in Statewide Quality Care Assessment Revenue:	(\$9,394)	\$0	\$9,394	\$0
14. Impact of phasing out the Gross Receipts Tax payments relating to MCO actual receipts:	\$748,190	\$0	(\$748,190)	\$0
15. Impact of the change in the Federal Medical Assistance Percentage (a decrease from 52.01 percent to 51.78 percent, effective October 1, 2016). Full-year blended rate decreases from 51.9625 percent to 51.8375 percent:	\$6,702	(\$6,702)	\$0	\$0
16. Impact of the change in the Federal Medical Assistance Percentage for recipients paid at an enhanced rate as per the Affordable Care Act (a decrease from 100 percent to 95 percent effective January 1, 2017):	\$55,173	(\$55,173)	\$0	\$0
Subtotal Administrative/Cash Flow Impacts	(\$93,131)	\$353,837	\$180,043	\$440,749
<b>BUDGETARY RESERVE</b>				
1. Impact of excess Federal appropriation authority in Fiscal Year 2015-2016 and Fiscal Year 2016-2017:	\$0	(\$505,768)	\$0	(\$505,768)
<b>FISCAL YEAR 2016-2017 INITIATIVES</b>				
1. Express Lane Eligibility				
A. Provides funding to support a strategy that uses income and household information gathered through the eligibility process from other child-serving, means-tested programs to confer eligibility for Medicaid or CHIP for uninsured children:				
	\$21,240	\$22,860	\$0	\$44,100
2. Combatting the Heroin Epidemic				
A. Provides funding for 50 Substance Use Disorder Health Homes for Medication Assisted methadone and Suboxone providers, 25 of which will be implemented in the managed care program:				
	\$16,661	\$18,049	\$0	\$34,710
Subtotal Fiscal Year 2016-2017 Initiatives	\$37,901	\$40,909	\$0	\$78,810

**VI. EXPLANATION OF CHANGES**  
 (\$ Amounts in Thousands)

**APPROPRIATION:**  
 Medical Assistance - Capitation

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
Total Operating	\$2,812	(\$4,896)	\$0	(\$2,084)
Total Grant and Subsidy	\$176,018	\$1,832,193	\$180,043	\$2,188,254
Total Budgetary Reserve	<u>\$0</u>	<u>(\$505,768)</u>	<u>\$0</u>	<u>(\$505,768)</u>
<b>GRAND TOTAL</b>	<u><u>\$178,830</u></u>	<u><u>\$1,321,529</u></u>	<u><u>\$180,043</u></u>	<u><u>\$1,680,402</u></u>

**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2015-2016**

Month of Payment	Total	Federal	State	Total Enrollment	Average Per Capita
<b><u>PHYSICAL HEALTH</u></b>					
July 2015	\$2,247,278,536	\$1,329,234,901	\$918,043,635	4,778,242	\$470.31
August	\$940,011,807	\$608,128,411	\$331,883,396	1,972,784	\$476.49
September	\$813,142,716	\$485,499,664	\$327,643,052	1,995,139	\$407.56
October	\$935,421,422	\$609,026,643	\$326,394,779	1,962,663	\$476.61
November	\$943,904,317	\$619,721,151	\$324,183,166	2,114,516	\$446.39
December	\$918,015,777	\$595,451,272	\$322,564,505	2,054,091	\$446.92
January 2016	\$787,114,478	\$469,235,163	\$317,879,315	2,070,156	\$380.22
February	\$988,832,565	\$640,688,544	\$348,144,021	2,089,735	\$473.19
March	\$995,667,836	\$648,522,274	\$347,145,562	2,106,590	\$472.64
April	\$998,528,167	\$651,896,130	\$346,632,037	2,116,060	\$471.88
May	\$211,688,898	\$139,312,965	\$72,375,933	535,383	\$395.40
Subtotal Physical Health	\$10,779,606,519	\$6,796,717,118	\$3,982,889,401	23,795,359	\$453.01
<b><u>BEHAVIORAL HEALTH</u></b>					
July 2015	\$674,580,307	\$383,799,943	\$290,780,364	5,453,118	\$123.71
August	\$262,605,747	\$157,748,299	\$104,857,448	2,217,654	\$118.42
September	\$260,337,935	\$153,792,656	\$106,545,279	2,304,966	\$112.95
October	\$263,525,836	\$157,475,299	\$106,050,537	2,342,611	\$112.49
November	\$263,954,750	\$157,661,029	\$106,293,721	2,376,950	\$111.05
December	\$264,018,490	\$157,794,509	\$106,223,981	2,383,192	\$110.78
January 2016	\$275,380,724	\$168,063,529	\$107,317,195	2,433,163	\$113.18
February	\$275,204,139	\$167,971,687	\$107,232,452	2,436,418	\$112.95
March	\$276,112,041	\$168,882,268	\$107,229,773	2,453,820	\$112.52
April	\$275,954,684	\$168,800,427	\$107,154,257	2,457,295	\$112.30
May	\$50,513,231	\$30,338,551	\$20,174,680	501,475	\$100.73
June	\$50,437,421	\$30,299,124	\$20,138,297	501,734	\$100.53
Subtotal Behavioral Health	\$3,192,625,305	\$1,902,627,321	\$1,289,997,984	27,862,396	\$114.59
<b><u>MATERNITY</u></b>					
July 2015	\$30,557,290	\$15,989,995	\$14,567,295	3,368	\$9,072.83
August	\$38,348,630	\$20,352,904	\$17,995,726	4,339	\$8,838.13
September	\$32,837,770	\$17,528,237	\$15,309,533	3,672	\$8,942.75
October	\$41,013,682	\$22,502,163	\$18,511,519	4,413	\$9,293.83
November	\$45,134,949	\$24,307,094	\$20,827,855	4,951	\$9,116.33
December	\$40,269,206	\$20,944,015	\$19,325,191	4,430	\$9,090.11
January 2016	\$41,196,171	\$21,426,129	\$19,770,042	4,527	\$9,100.10
February	\$39,206,181	\$20,391,135	\$18,815,046	4,307	\$9,102.90
March	\$40,738,212	\$21,187,944	\$19,550,268	4,481	\$9,091.32
April	\$41,422,593	\$21,543,891	\$19,878,702	4,452	\$9,304.27
May	\$38,449,413	\$19,997,540	\$18,451,873	4,147	\$9,271.62
June	\$41,440,777	\$21,553,348	\$19,887,429	4,456	\$9,299.99
Subtotal Maternity	\$470,614,874	\$247,724,395	\$222,890,479	51,543	\$9,130.53

**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2015-2016**

	Total	Federal	State
<b><u>OTHER PROVIDER PAYMENTS</u></b>			
PH Rate Adjustments - Home Nursing Risk Sharing	\$43,281,276	\$27,145,189	\$16,136,087
BH Reinvestment Sharing	(\$24,197,633)	(\$16,599,372)	(\$7,598,261)
GRT Advance	\$660,829,608	\$409,914,459	\$250,915,149
GRT Recoupment	(\$594,557,019)	(\$320,301,123)	(\$274,255,896)
PH MCO Pay-for-Performance Program (P4P)	\$47,692,707	\$23,841,303	\$23,851,404
Physician Pay-for-Performance Program (P4P)	\$23,962,493	\$15,028,818	\$8,933,675
Health Insurance Provider Fee PH & BH	\$178,968,062	\$91,995,972	\$86,972,090
Risk Corridor PH	\$17,271,885	\$9,094,613	\$8,177,272
Risk Corridor BH	\$11,327,854	\$11,327,854	\$0
<b>Subtotal Other Provider Payments</b>	<b>\$364,579,233</b>	<b>\$251,447,713</b>	<b>\$113,131,520</b>
<b>TOTAL PROVIDER PAYMENTS</b>	<b>\$14,807,425,931</b>	<b>\$9,198,516,547</b>	<b>\$5,608,909,384</b>
<b><u>ADMINISTRATIVE/CASH FLOW IMPACTS</u></b>			
Expenditure Adj for Workers with Disabilities	(\$257,054,253)	(\$133,603,202)	(\$123,451,051)
Expenditure Adj for Family Planning Svcs (4/15-3/16)	\$0	\$22,195,243	(\$22,195,243)
Third Party Liability Recoveries	(\$28,432,713)	(\$14,774,348)	(\$13,658,365)
Pharmacy Rebates	(\$888,659,662)	(\$461,769,777)	(\$426,889,885)
Quarterly Rebate Offset Amount (QROA)	(\$54,735,703)	(\$54,735,703)	\$0
Transfer to Physician Practice Plans	(\$25,063,067)	(\$12,992,067)	(\$12,071,000)
ACA Primary Care Physician Fee	(\$105,902,322)	(\$102,902,322)	(\$3,000,000)
Mid Year Adjustments (BH)	\$10,000,000	\$5,201,000	\$4,799,000
State Hospital CHIPPs	\$9,720,000	\$5,055,372	\$4,664,628
Jail Diversion Program	\$25,000,000	\$13,002,500	\$11,997,500
Department of Justice Settlement	\$9,765,598	\$0	\$9,765,598
Phase 0 Rate Adjustments	\$12,577,149	\$7,375,082	\$5,202,067
Care Management Program	\$17,500,000	\$10,975,666	\$6,524,334
Hospital Bed Transitions	\$2,790,000	\$1,451,079	\$1,338,921
Rollback of Expenditures to Fiscal Year 2014-2015	(\$127,687,463)	(\$66,381,888)	(\$61,305,575)
<b>Subtotal Administrative/Cash Flow Impacts</b>	<b>(\$1,400,182,436)</b>	<b>(\$781,903,365)</b>	<b>(\$618,279,071)</b>
<b><u>CONTRACTS</u></b>			
External Quality Review	\$2,000,000	\$1,500,000	\$500,000
Enrollment Assistance Program	\$16,300,000	\$8,150,000	\$8,150,000
Contracted Legal Support	\$600,000	\$0	\$600,000
Claims Processing and PROMISE contract costs	\$38,757,766	\$28,969,985	\$9,787,781
MITA	\$240,000	\$216,000	\$24,000
Actuarial Contract (PH and BH)	\$11,850,000	\$5,925,000	\$5,925,000
Technical Assistance Contract (PH)	\$3,937,984	\$1,902,046	\$2,035,938
Technical Assistance Contract (BH)	\$1,816,569	\$871,953	\$944,616
TPL Data Exchange	\$2,000,000	\$1,000,000	\$1,000,000
Clinical Consultants	\$1,471,710	\$837,310	\$634,400
MMIS Reprocurement	\$369,680	\$332,712	\$36,968
Dell Marketing LP Casenet Case Management	\$579,488	\$434,616	\$144,872
Medicaid Outreach	\$2,700,000	\$1,350,000	\$1,350,000
<b>Subtotal Operating</b>	<b>\$82,623,197</b>	<b>\$51,489,622</b>	<b>\$31,133,575</b>
<b><u>FISCAL YEAR 2014-2015 PRRs / INITIATIVES</u></b>			
ACA and Medicaid Expansion Administration - Operating Cost	\$2,651,000	\$1,613,000	\$1,038,000
Uncommitted Federal	\$579,612,196	\$579,612,196	\$0
<b>FY 2015-2016 Cash Requirement Before Adjustments</b>	<b>\$14,072,129,888</b>	<b>\$9,049,328,000</b>	<b>\$5,022,801,888</b>
<b>LESS Other Revenue:</b>			
Quality Care Assessment Revenue	\$255,482,020	\$0	\$255,482,020
Statewide MCO Gross Receipts Tax Assessment	\$860,117,868	\$0	\$860,117,868
<b>Total FY 2015-2016 Program Requirement</b>	<b>\$12,956,530,000</b>	<b>\$9,049,328,000</b>	<b>\$3,907,202,000</b>
Act 10-A of 2015		\$9,049,328,000	\$1,959,601,000
Surplus/(Deficit)		\$0	(\$1,947,601,000)

**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2016-2017**

Month of Payment	Total	Federal	State	Total Enrollment	Average Per Capita
<b><u>PHYSICAL HEALTH</u></b>					
July 2016	\$2,838,427,776	\$1,867,027,969	\$971,399,807	5,956,892	\$476.49
August	\$1,039,747,711	\$685,061,407	\$354,686,304	2,187,418	\$475.33
September	\$1,039,826,574	\$685,372,667	\$354,453,907	2,189,288	\$474.96
October	\$1,039,616,870	\$684,575,560	\$355,041,310	2,190,898	\$474.52
November	\$1,038,937,696	\$684,422,714	\$354,514,982	2,192,665	\$473.82
December	\$2,053,399,377	\$1,353,776,369	\$699,623,008	4,344,807	\$472.61
January 2017	\$20,734,469	\$13,672,720	\$7,061,749	43,906	\$472.25
February	\$1,011,589,102	\$654,382,058	\$357,207,044	2,195,864	\$460.68
March	\$1,009,937,242	\$653,611,278	\$356,325,964	2,195,800	\$459.94
April	\$1,009,838,942	\$653,916,025	\$355,922,917	2,197,947	\$459.45
May	\$212,427,828	\$138,698,899	\$73,728,929	550,236	\$386.07
Subtotal Physical Health	\$12,314,483,587	\$8,074,517,666	\$4,239,965,921	26,245,721	\$469.20
<b><u>BEHAVIORAL HEALTH</u></b>					
July 2016	\$732,227,222	\$449,095,348	\$283,131,874	6,434,323	\$113.80
August	\$278,424,503	\$170,355,636	\$108,068,867	2,488,522	\$111.88
September	\$279,277,674	\$170,881,273	\$108,396,401	2,492,021	\$112.07
October	\$279,118,077	\$170,279,126	\$108,838,951	2,495,521	\$111.85
November	\$278,958,480	\$170,196,487	\$108,761,993	2,499,021	\$111.63
December	\$278,798,884	\$170,113,848	\$108,685,036	2,502,521	\$111.41
January 2017	\$269,137,629	\$161,648,447	\$107,489,182	2,506,021	\$107.40
February	\$272,284,675	\$163,517,157	\$108,767,518	2,509,521	\$108.50
March	\$269,281,365	\$161,752,460	\$107,528,905	2,513,021	\$107.15
April	\$269,129,658	\$161,673,906	\$107,455,752	2,516,521	\$106.95
May	\$48,111,696	\$28,464,504	\$19,647,192	508,123	\$94.69
June	\$48,038,168	\$28,426,431	\$19,611,737	508,385	\$94.49
Subtotal Behavioral Health	\$3,302,788,031	\$2,006,404,623	\$1,296,383,408	29,973,521	\$110.19
<b><u>MATERNITY</u></b>					
July 2016	\$40,002,794	\$20,805,454	\$19,197,340	4,315	\$9,270.64
August	\$40,549,407	\$21,089,747	\$19,459,660	4,389	\$9,238.87
September	\$39,476,000	\$20,531,468	\$18,944,532	4,278	\$9,227.68
October	\$40,559,053	\$21,001,477	\$19,557,576	4,421	\$9,174.18
November	\$40,554,947	\$20,999,352	\$19,555,595	4,424	\$9,167.03
December	\$39,365,604	\$20,383,509	\$18,982,095	4,297	\$9,161.18
January 2017	\$40,221,709	\$20,826,801	\$19,394,908	4,388	\$9,166.30
February	\$38,445,756	\$19,907,212	\$18,538,544	4,192	\$9,171.22
March	\$39,956,849	\$20,689,657	\$19,267,192	4,360	\$9,164.41
April	\$38,746,905	\$20,063,148	\$18,683,757	4,318	\$8,973.35
May	\$35,919,372	\$18,599,051	\$17,320,321	4,001	\$8,977.60
June	\$38,825,436	\$20,103,811	\$18,721,625	4,333	\$8,960.41
Subtotal Maternity	\$472,623,832	\$245,000,687	\$227,623,145	51,716	\$9,138.83

**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2016-2017**

	Total	Federal	State
<b><u>OTHER PROVIDER PAYMENTS</u></b>			
PH Rate Adjustments - Home Nursing Risk Sharing	\$43,281,276	\$28,379,219	\$14,902,057
BH Reinvestment Sharing	(\$5,000,000)	(\$2,600,500)	(\$2,399,500)
GRT Recoupment	(\$581,412,715)	(\$358,404,243)	(\$223,008,472)
PH MCO Pay-for-Performance Program (P4P)	\$55,725,325	\$30,177,091	\$25,548,234
Physician Pay-for-Performance Program (P4P)	\$26,448,351	\$17,341,992	\$9,106,359
Health Insurance Provider Fee PH & BH	\$181,500,000	\$113,384,512	\$68,115,488
Risk Corridor PH	\$8,000,000	\$5,083,191	\$2,916,809
Risk Corridor BH	\$10,000,000	\$10,000,000	\$0
Subtotal Other Provider Payments	(\$261,457,763)	(\$156,638,738)	(\$104,819,025)
<b>TOTAL PROVIDER PAYMENTS</b>	<b>\$15,828,437,687</b>	<b>\$10,169,284,238</b>	<b>\$5,659,153,449</b>
<b><u>ADMINISTRATIVE/CASH FLOW IMPACTS</u></b>			
Expenditure Adj for Workers with Disabilities	(\$265,110,117)	(\$137,421,705)	(\$127,688,412)
Expenditure Adj for Family Planning Svcs (4/16-3/17)	\$0	\$22,195,243	(\$22,195,243)
Third Party Liability Recoveries	(\$28,432,713)	(\$14,738,808)	(\$13,693,905)
Pharmacy Rebates	(\$908,697,428)	(\$469,436,321)	(\$439,261,107)
Quarterly Rebate Offset Amount (QROA)	(\$54,735,703)	(\$54,735,703)	\$0
Transfer to Physician Practice Plans	(\$25,063,067)	(\$12,992,067)	(\$12,071,000)
Mid Year Adjustments (BH)	\$10,000,000	\$5,178,000	\$4,822,000
State Hospital CHIPPs	\$9,720,000	\$5,033,016	\$4,686,984
Jail Diversion Program	\$25,000,000	\$12,945,000	\$12,055,000
Department of Justice Settlement	\$9,765,598	\$0	\$9,765,598
Care Management Program	\$17,500,000	\$11,474,623	\$6,025,377
Hospital Bed Transitions	\$5,580,000	\$2,889,324	\$2,690,676
CHIP Enrollment Grant	\$1,000,000	\$1,000,000	\$0
Prior Year Reclassification of former MNO recipients	\$0	\$28,782,787	(\$28,782,787)
Current Year Reclassification of former MNO recipients	\$0	\$65,556,000	(\$65,556,000)
MCO Assessment Payments	\$891,722,204	\$572,882,475	\$318,839,729
Subtotal Administrative/Cash Flow Impacts	(\$311,751,226)	\$38,611,864	(\$350,363,090)
<b><u>CONTRACTS</u></b>			
External Quality Review	\$2,000,000	\$1,500,000	\$500,000
Enrollment Assistance Program	\$16,000,000	\$8,000,000	\$8,000,000
Contracted Legal Support	\$600,000	\$0	\$600,000
Claims Processing and PROMISE contract costs	\$33,780,980	\$24,923,685	\$8,857,295
MITA	\$240,000	\$216,000	\$24,000
Actuarial Contract (PH and BH)	\$10,860,000	\$5,430,000	\$5,430,000
Technical Assistance Contract (PH)	\$4,007,520	\$1,935,632	\$2,071,888
Technical Assistance Contract (BH)	\$2,000,000	\$960,000	\$1,040,000
TPL Data Exchange	\$2,800,000	\$1,400,000	\$1,400,000
Clinical Consultants	\$2,005,740	\$1,100,575	\$905,165
MMIS Reprourement	\$341,600	\$307,440	\$34,160
Dell Marketing LP Casenet Case Management	\$579,488	\$434,616	\$144,872
Medicaid Outreach	\$4,000,000	\$2,000,000	\$2,000,000
Revenue Maximization	\$3,976,750	\$0	\$3,976,750
Subtotal Operating	\$83,192,078	\$48,207,948	\$34,984,130
<b><u>FISCAL YEAR 2016-2017 PRRs / INITIATIVES</u></b>			
Express Lane Eligibility	\$44,100,000	\$22,860,000	\$21,240,000
Combating the Heroin Epidemic	\$34,710,000	\$18,049,000	\$16,661,000
Subtotal 2016-2017 PRRs/Initiatives	\$78,810,000	\$40,909,000	\$37,901,000
Uncommitted Federal	\$73,843,950	\$73,843,950	\$0
<b>FY 2016-2017 Cash Requirement Before Adjustments</b>	<b>\$15,752,532,489</b>	<b>\$10,370,857,000</b>	<b>\$5,381,675,489</b>
<b>LESS Other Revenue:</b>			
Quality Care Assessment Revenue	\$264,875,596	\$0	264,875,596
MCO Assessment	\$918,839,729	\$0	918,839,729
Statewide MCO Gross Receipts Tax Assessment	\$111,928,162	\$0	111,928,162
<b>Total FY 2016-2017 Program Requirement</b>	<b>\$14,456,889,002</b>	<b>\$10,370,857,000</b>	<b>\$4,086,032,002</b>

## **MEDICAL ASSISTANCE – CAPITATION**

### **PROGRAM STATEMENT**

HealthChoices is Pennsylvania's comprehensive, mandatory managed care Medical Assistance (MA) program. Managed Care Organizations (MCOs) provide MA benefits and ensure access to necessary health care services and limit waste and abuse through comprehensive management of services to meet the needs of their members. The MCOs provide each recipient with a Primary Care Provider, or "medical home," to promote continuity of medical care and encourage early detection and preventive medicine. HealthChoices serves more than two million MA consumers across the State.

### **HEALTHCHOICES – PHYSICAL HEALTH**

The Physical Health managed care program is managed by the Office of Medical Assistance Programs. Enrollment in the HealthChoices Physical Health program is mandatory for most MA recipients. The program is administered through grant agreements with MCOs in five distinct zones:

- The HealthChoices Southeast Zone (five counties, implemented 1997): Aetna Better Health, Health Partners of Philadelphia, Inc., United Healthcare Community Plan of PA and Vista Health Plan (KeystoneFirst)
- The HealthChoices Southwest Zone (14 counties, implemented 1999): Aetna Better Health, Gateway Health Plan, United Healthcare Community Plan of PA and UPMC for You, Inc.
- The HealthChoices Lehigh/Capital Zone (13 counties, implemented 2001): Vista Health Plan (AmeriHealth Caritas), Gateway Health Plan, United Healthcare Community Plan of PA, Aetna Better Health and UPMC for You, Inc.
- The HealthChoices New West Zone (13 counties, implemented 2012): Aetna Better Health, Vista Health Plan (AmeriHealth Caritas), Gateway Health Plan, and UPMC for You, Inc.
- The HealthChoices New East Zone (22 counties, implemented 2013): Aetna Better Health, Amerihealth Northeast, and Geisinger Health Plan/GHP Family.

**The Department is reprocurring HealthChoices agreements in all five zones. The new agreements will be effective January 1, 2017.**

### **HEALTHCHOICES – BEHAVIORAL HEALTH**

The Behavioral Health managed care program is currently managed by the Office of Mental Health and Substance Abuse Services. The HealthChoices Behavioral Health program has been mandatory for most recipients across the State since 2007. The statewide HealthChoices Behavioral Health program is provided through contracts with counties that use independent Behavioral Health MCOs or, in some cases, through direct contracts with Behavioral Health MCOs.

- In the Southeast zone, the behavioral health component is managed under separate contracts between the Department and each of the five county governments. Philadelphia uses its own behavioral health managed care organization known as Community Behavioral Health. Chester County contracts with Community Care Behavioral Healthcare Organization. The remaining three counties contract with Magellan Behavioral Health of PA, Inc.
- In the Southwest zone, Allegheny County contracts with the Community Care Behavioral Health Organization. Other counties and, in some cases, the Department contract with Value Behavioral Health of Pennsylvania, Inc.

- For Lehigh/Capital zone, counties contract with Community Care Behavioral Healthcare Organization, Magellan Behavioral Health, and Community Behavioral HealthCare Network of Pennsylvania.
- For the Northeast zone, the Department contracts directly with the Northeast Behavioral Health Care Consortium (NBHCC). The NBHCC is a county-sponsored, non-profit agency that contracts with Community Care Behavioral Health Organization.
- In the North Central zone, the Department contracts directly with Community Care Behavioral Health Organization to provide services in these counties and manages the program in partnership with the 23 counties in this region.
- For the remaining 15 counties (Bedford, Blair, Cambria, Carbon, Clinton, Crawford, Erie, Franklin, Fulton, Lycoming, Mercer, Monroe, Pike, Somerset and Venango), services are provided through contracts with individual counties.

### **AFFORDABLE CARE ACT – HEALTH INSURANCE PROVIDERS FEE/INSURER FEE**

The Affordable Care Act includes a Health Insurance Providers Fee (HIPF) to help finance the law. The provider fees impose a new cost on health insurance premiums that were assessed annually since 2014. Due to actuarial soundness requirements, MCOs will need to pass this tax along to the State in the form of higher rates. The State and the Federal government will share in the additional costs. This tax does not apply to non-profit MCOs whose revenue is at least 80 percent derived from Medicaid, Medicare and the Children's Health Insurance Program.

### **MCO ASSESSMENT**

A new Commonwealth MCO Assessment on HealthChoices and some commercial health insurance products will be effective July 1, 2016. This is intended to replace the existing Gross Receipts Tax on HealthChoices revenue.

### **JAIL DIVERSION PROGRAM**

The Jail Diversion Program has been created to develop policy and procedures for expedited processing of MA applications for inmates being released from county prisons and immediately being transferred to a Residential Drug and Alcohol Treatment Facility.

### **FISCAL YEAR 2016-2017 INITIATIVE – EXPRESS LANE ELIGIBILITY**

The Fiscal Year 2016-2017 "Express Lane Eligibility" initiative will improve the ability of the department to rapidly confer eligibility for either Medicaid or CHIP for uninsured children. Uninsured eligible children will be enrolled into Medicaid or the Children's Health Insurance Program (CHIP) using current eligibility information available from non-health care benefits, including Supplemental Nutrition Assistance Program (SNAP) and child care subsidy. This program is intended to positively affect health care outcomes for children and lower health care costs throughout the state.

### **FISCAL YEAR 2016-2017 INITIATIVE – COMBATting THE HEROIN EPIDEMIC**

The Fiscal Year 2016-2017 "Combatting the Heroin Epidemic" initiative will implement 50 Health Homes for persons living with Substance Use Disorder (SUD). This initiative will fund the expansion of narcotic treatment programs to include Suboxone treatment at facilities and will increase the capacity to care for those seeking treatment for SUD, as well as increase the quality of care. Each SUD Health Home will be given funding to: deploy a community-based care management team, track/report aggregate consumer outcomes, meet defined referral standards for drug and alcohol as well as mental

health counseling, report on standard quality outcomes, and participate in a learning network. DHS' Office of Mental Health and Substance Abuse Services will work with the Single County Authorities in selecting the Health Homes based on factors such as meeting the common set of DHS requirements for becoming a SUD Health Home, volume of Medical Assistance consumers already treated for SUD, number of opiate overdoses/deaths in a geographic region, and willingness of the current provider network to expand capacity to see more patients. A total of \$34.710 million is provided for this initiative.