

## Safety Net 2004 Report of Fiscal Issues

### *Introduction*

Information provided by 47 boards in 2004 on fiscal issues covered revenue trends in Medicaid and non-Medicaid funding, service system expenditures, agency and board stability, and ranking of financial stressors. For the purpose of this report, a denominator of 50 boards will be used.

*Levy units* were created by dividing a board's total levy dollars by the board's average population density. Although multi-county boards may not share levy dollars across all counties in their service area, levy units allowed OPER staff to analyze differences between boards on a number of variables. As expected, boards with higher levy units had significantly higher proportion of non-Medicaid expenditures and significantly lower proportion of Medicaid-match expenditures in 2004.

### *Revenue Trends*

- ✓ **Most boards project their revenue declines and decreased funding for non-Medicaid services in the range of 3%.**
- ✓ **The number of boards expecting a decline in GRF/levy revenue has increased appreciably in two years.** In 2004, three-fifths of all boards (30/50) said they expected decreased levels of GRF/levy funding in the coming year; this reflects a 20% increase over the number of boards (20/50) in 2002 that expected a decrease in GRF/levy funding.
- ✓ **The number of boards expecting fewer resources for non-Medicaid services also has increased appreciably in two years.** In 2004, 70% of boards (35/50) said they expected decreased resources for non-Medicaid services; this reflects a 30% increase over the number of boards (20/50) expecting fewer resources for non-Medicaid services.

Boards that predicted a net loss in the level of resources available for non-Medicaid services were no different with regard to number of levy units than the boards that predicted no change or an increase in their level of resources

- ✓ **Higher utilization of the state hospital and amount of low levy resources are significantly related.** Compared to boards with high levy units, boards with low levy units were significantly more likely to predict an increase in hospitalization costs if the per diem did not change. Conversely, boards with high levy units were significantly more likely to predict a decrease in hospitalization costs if the per diem did not change.

- ✓ **Increasing numbers of consumers are covered by Medicaid rather than non-Medicaid funding sources.** Between 2002 and 2004, the total number of consumers served increased by 8%. (See Table 1). During that same period, there was a 2% decrease in *total number* of consumers covered by non-Medicaid funding reported in the MACSIS fee-for-service billing system. However, the total number of consumers covered by Medicaid increased by 14%.

Looking at the change in the *proportion* of consumers covered by non-Medicaid funding to total consumers served over the two-year period, we see a 10% decline. When compared to the 7% increase in the percentage of Medicaid consumers over total consumers served, there appears to be a decrease in number of consumers covered by non-Medicaid funding sources.

### *Expenditures*

- ✓ **Board costs for Medicaid grew by 12% between 2002 and 2004, while non-Medicaid costs increased by 2%.** Looking at the change in the *proportion* of non-Medicaid costs to the total board costs reported in Table 2, there is a 7% decline in the proportion of all non-Medicaid expenditures to total costs reported in the MACSIS fee-for-service billing system. Looking at the change in the proportion of Medicaid costs to total board costs, there is a 4% increase in the percentage of all services reimbursed by Medicaid.
- ✓ **In 2004, over one-third of boards (19/50) projected an increase in Medicaid match requirement in excess of 5%.** Projecting an increased Medicaid match requirement was not related to a board's proportion of Medicaid reimbursement over total expenditures or to a board's number of levy units. Boards that estimated match requirements in excess of 5% were no different from boards that estimated 5% or less.

A projected 5% increase in Medicaid match requirement is in line with the 4% increase in match over total expenditures reported in the MACSIS fee-for-service billing system between 2002 and 2004. (See Table 2.)

- ✓ **Half of boards (25/50) report Medicaid match requirements in the range of 30% to 50% of total service system expenditures.** One-fourth of boards (13/50) report match requirements make up more than half of their total system expenditures.

When boards were distributed into low, medium and high groups based on the range of Medicaid reimbursement to total expenditures, 19 boards fell in the range of 40% or lower, 13 were in the range of 41% to 50%, and 13 were in the 51% or greater range. Those in the highest range of Medicaid reimbursement to total expenditures had significantly fewer levy units than those in the middle range.

- ✓ **Forty percent of boards (20/50) report that non-Medicaid reimbursable expenses account for less than half of their total service system outlay.** The 60% of boards with high non-Medicaid expenditures relative to total system costs had significantly more levy units than the 40% of boards with low non-Medicaid expenditures.

#### *Agency Stability*

- ✓ **Fewer providers account for the increased proportions of Medicaid expenditures and Medicaid clients.** Looking at Table 3, the number of Medicaid contracts, the total number of providers, and total number of Medicaid and Medicaid-only providers each have declined. Within this overall decline in the number of differing classifications of providers, the proportion of Medicaid-only providers to the number of Medicaid contracts has declined by 18%.
- ✓ **Boards estimated that Medicaid-only providers make up an average 20% of all agencies in the statewide system of care.** This estimate is slightly higher than a calculation of 17.6% for the proportion of Medicaid-only providers to the total number of providers reimbursed in 2004. (See Table 3.) The perception that there are large numbers of Medicaid-only providers may be based on the fact that many providers are reimbursed primarily for Medicaid. For example, in 2004 there were 31 providers that received a non-Medicaid reimbursement for only one client. If these agencies were added to the group of Medicaid-only providers, approximately 23% of ODMH certified agencies (93/404) would be “Medicaid only.”
- ✓ **Forty percent of boards (20/50) report that the number of agencies expressing financial difficulties has increased in the past two years.** Boards estimate about 50% of all ODMH certified agencies (212/413) have expressed financial difficulties.

#### *Board Stability*

- ✓ **Over two-thirds of boards (34/50) reported a deficit in the percent of their total expenditures over total revenues.** Boards collectively estimated their deficit in percent of total expenditures over total revenues in the 3% to 4% range. Over half of boards say the percent of their deficit has increased in the past two years. There is no statistical relationship between a board’s estimated percentage of total expenditures over total revenues to the board’s number of levy units or percentage of Medicaid or non-Medicaid expenditures over total expenses.
- ✓ **Among the two-thirds of boards (34/50) with deficits, about a third (11/34) reported their deficits were unplanned due to unexpected fiscal demands.** There was no relationship between number of levy units and whether a board

reported unplanned deficits in revenues over expenditures due to unexpected financial stressors. While over half the boards with unplanned deficits identified out-of-county Medicaid match as a major stressor, there was no single unexpected fiscal demand reported by boards that associated significantly with unplanned deficits.

- ✓ **The proportion of out-of-board Medicaid reimbursement to total Medicaid costs has increased more than the proportion of Medicaid costs.** (See Table 4.) Between 2002 and 2004, out-of-board Medicaid costs increased by 29%, while total Medicaid costs have increased by only 12%.
- ✓ **Nearly two-thirds of boards (31/50) ranked increased demand for services from other systems (e.g., juvenile justice, child welfare) as causing “quite a lot” to “a great deal” of fiscal pressure.** Over half of all boards (29/50) ranked increased demand for Medicaid match as causing “quite a lot” to “a great deal” of fiscal pressure. Slightly more than a third of all boards (18/50) identified decreased income or failure to pass levies as causing “quite a lot” to “a great deal” of pressure.

Boards that identified pressure from other systems as highly stressful were significantly more likely to rank decreased income from levies or levy failures and demand for evidence-based practices as highly stressful.

**Table 1.**  
**Two-Year Comparison of Medicaid and Non-Medicaid Funding Source**  
**by Number of Consumers**

	2002 <i>a</i>	2004 <i>b</i>	Proportion of Change $P = (b-a)/b$
Total Consumers	254,490	276,208	8%
# MDC Consumers	158,253	184,557	14%
# NonMDC Consumers	134,598	131,688	(2%)
% MCD / Total Consumers	62%	67%	7%
% NonMDC / Total Consumers	53%	48%	(10%)

**Table 2.**  
**Two-Year Comparison of Medicaid and Non-Medicaid Funding Source**  
**by Amount of Board Costs**

	2002 <i>a</i>	2004 <i>b</i>	Proportion of Change $P = (b-a)/b$
MCD Board Costs	\$323,916,192	\$369,868,105	12%
Non-MDC Board Costs	\$212,794,396	\$217,473,928	2%
Total Costs*	\$536,710,588	\$587,342,928	9%
Non-MDC / Total Board Costs	40%	37%	(7%)
MDC / Total Board Costs	60%	63%	4%
*MACSIS fee-for-service billing system			

**Table 3.**  
**Two-Year Comparison of Medicaid and Non-Medicaid Reimbursement**  
**by Number of Providers**

	2002 <i>a</i>	2004 <i>b</i>	Proportion of Change $P = (b-a)/b$
Total Providers*	443	352	(26%)
Total MDC Providers	436	344	(27%)
MDC-Only Providers	90	62	(45%)
MDC-Only Providers / Total Providers	20%	17.6%	(18%)
MCD-Only Providers / Total MDC Providers	20%	17.6%	(18%)
Medicaid Contracts‡	348	278	(25%)
MCD-only Providers / MCD Contracts	26%	22%	(18%)
*MACSIS fee-for-service billing system ‡ODMH Office of Medicaid			

**Table 4.**  
**Two-Year Comparison of Out-Of-Board Medicaid Costs**

	2002 <i>a</i>	2004 <i>b</i>	Proportion of Change $P = (b-a)/b$
OOB MCD Costs	22,169,879	31,223,746	29%
Total MCD Costs	323,916,192	369,868,105	12%
OOB / Total MDC Costs	6.8%	8.4%	19%