Connecticut Department of Social Services

Making a Difference

Testimony before the Appropriations Committee

Roderick L. Bremby, Commissioner

November 14, 2011

Good afternoon, Senator Harp, Representative Walker, and members of the Appropriations Committee. My name is Roderick Bremby, and I am the Commissioner of the Department of Social Services. I am accompanied today by senior staff who are prepared to address detailed questions relevant to their areas of expertise. Thank you for allowing me the opportunity to review with the committee the current status of the Department of Social Services' budget.

Our initial estimates for deficiency requirements were in the range of $30 million. Given the preliminary nature of this estimate at this early stage of the fiscal year, we believe that this represents the high end of our potential deficiency. Based upon the most recent estimates, the potential deficiency for SFY 2012 for the department's Medicaid account is approximately $19.7 million. If this level of Medicaid expenditures continues, based upon recent favorable information, we believe that the estimate for the agency as a whole could be as low as $1.7 million against our appropriation of $5.8 billion, after factoring in projected surplus accounts.

Medicaid for Low-Income Adults

The significant growth in the Medicaid for Low-Income Adults (MLIA) eligibility group, the program that serves Connecticut adults aged 19 through 64, has a substantive impact on our funding needs. MLIA caseloads have grown from 46,156 in June 2010, to 73,320 in October 2011, an increase of 27,164 enrollees, or 59% over the 16-month period. These trends contributed to our initial estimate of up to a $90 million shortfall in the MLIA program. More recent caseloads, which have remained in the range of 73,000 for the past four months, may translate into a less rapid increase in expenditures, reducing the need for deficiency funds. We will monitor this area closely as the fiscal year progresses.

As indicated in prior department testimony, the Medicaid for Low-Income Adults expansion required the addition of benefits not previously covered under the former SAGA program, including home health care, hospice, nursing home care, and expanded non-emergency medical transportation. Given the rapid caseload growth experienced up to the beginning of this fiscal year, we have been looking at different ways to control growth and costs, such as the addition of an asset test, counting family income, limiting skilled nursing facility admissions to 90 days, and establishing an alternative benefit package. Under current law, only the last of these options appears to be permissible, but it is unlikely to result in a significant mitigation of program costs. For that reason, we have submitted a concept paper to the Centers for Medicare and Medicaid

Services regarding potential options the state may pursue to better control expenditures in this area. With the current federal health care reform focus, we must express caution regarding the potential for savings in this area.

Prescription Drug Rebates

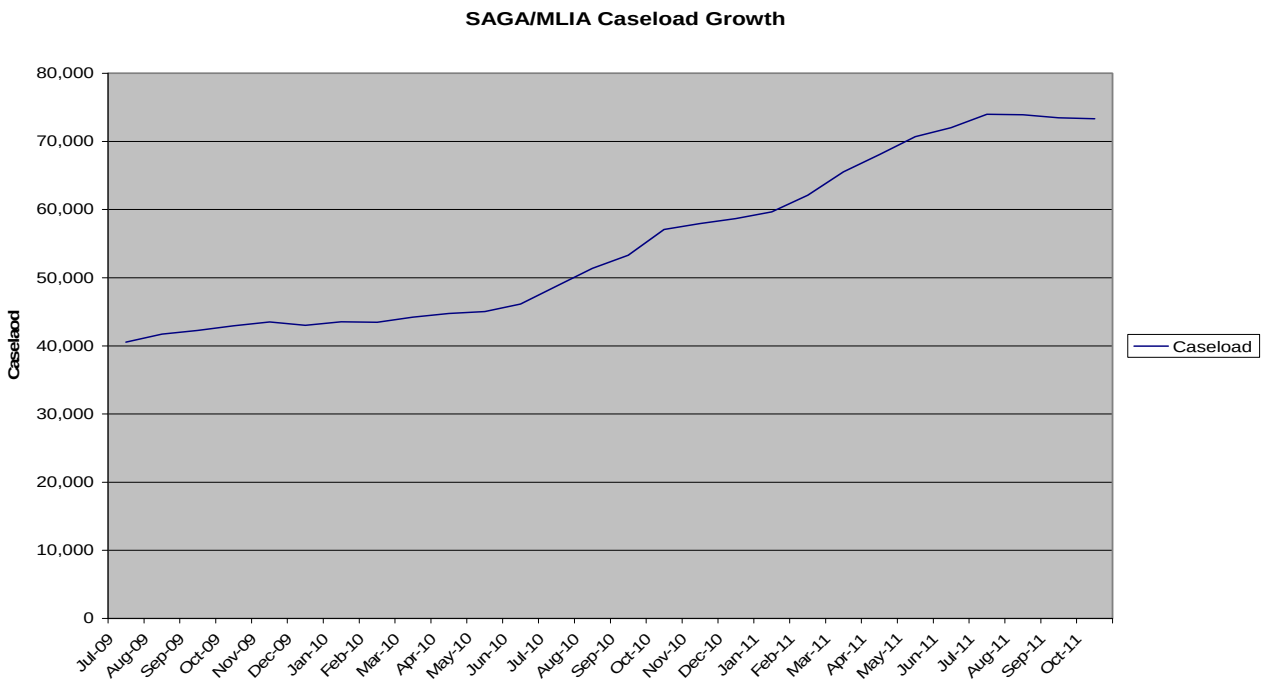
With the changes in federal rebates as a result of the Patient Protection and Affordable Care Act (PPACA), we have been receiving significantly larger pharmacy rebate amounts. As rebates are posted as an offset to our expenditures, this helps to reduce our deficiency requirements. The level of rebates received as a percentage of our overall Medicaid pharmacy expenditures has increased from approximately 33% in SFY 2009 and SFY 2010, prior to the federal changes, to almost 54% after the federal changes in SFY 2011. In the first quarter of SFY 2012 alone, we have received approximately $90 million in drug rebates: $68 million in Medicaid and $22 million for MLIA. We are estimating total Medicaid and MLIA rebates to reach approximately $352 million in SFY 2012. It should be noted that while the increase in rebates benefits us on the expenditure side, a significant portion of these enhanced rebates are returned to the federal government through an adjustment to the federal Medicaid reimbursement we receive.

Before I conclude today's testimony, I would like to mention that the new administrative services organization (ASO) for delivery of medical services to all of the department's medical assistance recipients is on schedule to begin January 1, 2012. As you know, this will replace our current managed care delivery system. After a competitive procurement process, DSS has selected Community Health Network of Connecticut as the organization to serve as the ASO.

The recently passed SFY 2012 and SFY 2013 biennial budget included a substantial savings amount based on the state's decision to restructure the current healthcare delivery system and transition from a managed care model to an ASO model. The budget included savings in SFY 2012 in the Medicaid program of $45.4 million. While the Department is working toward implementing this restructuring of the current delivery system, it is too early to determine the final impact of this change. This will be another area where we will closely monitor the fiscal impact of these changes and we will continue to keep you updated as that impact becomes clearer.

The department continues in its efforts to identify additional ways to achieve savings that will mitigate the deficiency going forward.

Once again, thank you for the opportunity to come before you to address this issue. I appreciate your continued support of the department's programs and services on behalf of children, families, elders and persons with disabilities throughout Connecticut.


SAGA/MLIA Caseload Growth
Caseload
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-10
Jun-10
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Caseload