

What's In the Proposed FY 2018 Budget for Health Care?

The District has a variety of programs that are aimed at improving health and health care access for District residents. The following agencies run these programs:

- **The Department of Health Care Finance** manages the District's Medicaid and Healthcare Alliance programs. These programs provide health insurance for low income residents and are a large reason why the District has near universal health coverage.
- **The Department of Health** manages public health programs like school nursing, HIV/AIDS prevention and screening, maternal and child health home visiting programs, and some nutrition programs.
- **The Department of Behavioral Health** funds and manages mental health and substance use disorder clinics throughout the city. The program also operates mental health programs in schools and the District's psychiatric hospital, St. Elizabeth's.

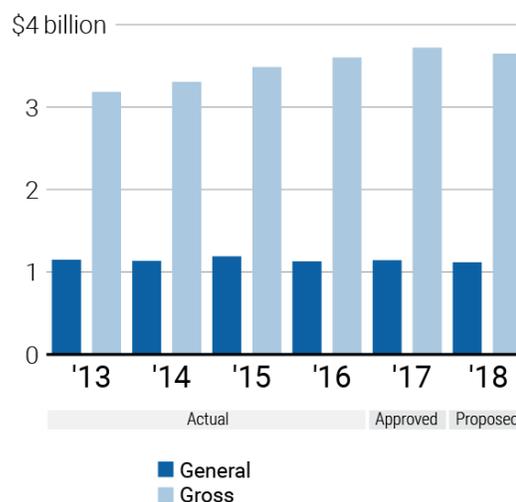
The proposed FY 2018 budget for these agencies totals \$3.65 billion in local and federal funding. This represents a \$7 million (0.1 percent) decrease from the FY 2017 budget after adjusting for inflation (*Figure 1*). While the budget reflects essentially flat funding from combined local sources and federal funds, local funding will fall by 2 percent, and federal funding will rise. (Unless otherwise noted, all figures are adjusted for inflation.)

The District also budgets for the DC Health Benefit Exchange Authority—a fund outside of the District's general operating budget, which is not reflected in the totals above. The Exchange operates DC Health Link, the District's online portal for health insurance plans and financial

assistance for those plans. The Exchange's funding for FY 2018 is \$28 million, a 20 percent decrease from last year.

FIGURE 1.

Health Spending Largely Flat in FY 2018



Note: Includes Departments of Health Care Finance, Health, and Behavioral Health. All figures adjusted for inflation equal to 2018 dollars. Source: Fiscal Year 2015-18 Budget & Financial Plans.

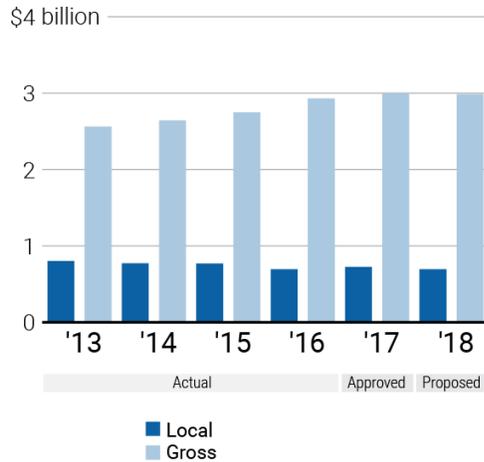
DC FISCAL POLICY INSTITUTE | DCFPI.ORG

Little Change in Overall Medicaid Spending for FY 2018

Total funding for Medicaid provider payments, including both local funds and the federal match, equals nearly \$3 billion in the proposed FY 2018 budget. This is roughly the same as in the past two fiscal years (*Figure 2*, pg. 2). Medicaid is administered by the Department of Health Care Finance (DHCF) and now accounts for 94 percent of the agency's budget. About 242,000 residents—more than one-third of DC residents—receive health care through Medicaid.

FIGURE 2.

Medicaid Provider Payments Largely Flat in FY 2018



Note: All figures adjusted for inflation equal to 2018 dollars. Medicaid Local is the Subsidy and Transfer General Fund total (Comptroller Source Code 50) for Health Care Finance (5000) found in Operating Appendices Schedule 40-PBB. Gross payments do not include Provider Relations (7800)
 Source: Fiscal Year 2015-18 Budget & Financial Plans.

DC FISCAL POLICY INSTITUTE | DCFPI.ORG

The District's local contribution to Medicaid will fall to \$694 million in FY 2018, which is \$31 million less than FY 2017, but no different than FY 2016 after adjusting for inflation. However, the proposed FY 2018 budget increases for DHCF are largely the result of three drivers:

- **Medicaid Provider Payments.** DHCF's proposed FY 2018 budget calls for a net increase of nearly \$46 million for Medicaid provider payments, due largely to an increase of two factors: payment rates to the managed care organizations that provide health services for about three-fourths of DC's Medicaid recipients; and an 8 percent increase in DC's Medicaid expansion population (the group of adults under 210 percent of the federal poverty line who gained coverage as a part of DC's implementation of the Affordable Care Act).
- **Public Provider Payments.** DHCF includes a net increase of about \$200,000 for Child and Family Services.

SUMMARY

- The final FY 2018 includes \$3.6 billion in federal and local funds for health care, a 0.1 percent decrease from FY 2017 after adjusting for inflation. The health budget reflects essentially flat funding from both local and federal sources.
- Total funding for Medicaid provider payments is nearly \$3 billion in FY 2018, roughly the same as FY 2017 and FY 2016 after adjusting for inflation. Local contributions to Medicaid will fall in FY 2018 with a corresponding increase in federal payments.
- The budget includes additional funding for the Program of All-Inclusive Care for the Elderly (PACE), which provides care to Medicaid beneficiaries age 55 and older who are in need of nursing home-level care, but are not able to live in a community-based setting.
- A rule that restricts participation in the DC Healthcare Alliance program will be maintained. The Alliance provides health care to low-income residents who are not eligible for Medicaid. The program requires a 6-month, face-to-face interview for beneficiaries to maintain their eligibility, a requirement which has proved a barrier for eligible residents to keep the benefit.
- The budget also includes changes to several public health services. Some programs like school based health centers and disease prevention will see cuts, while emergency response initiatives, substance use disorder treatment, and pregnancy prevention will see increases.
- FY 2018 budget does not include funding needed to implement recently enacted legislation from the DC City Council that increases the smoking age in the District to 21, and was anticipated to reduce youth take-up of smoking.
- Funding for mental health rehabilitative services will increase in FY 2018 due to a 2.3 percent increase in the Medicaid growth rate, based on the cost of health care services in the District.
- The 2018 budget for the DC Health Benefit Exchange Authority, which operates DC Health Link, will decrease by 20 percent. This largely reflects earlier investments and subsequent programmatic cost savings, and still maintains funding needed for the agency's operations for DC's local health insurance marketplace.

- **DC Healthcare Alliance Payments.**

DHCF's budget includes a net increase of \$6.5 million due to a substantial increase in managed care rates for the DC Healthcare Alliance program (discussed in detail below).

There are two notable decreases in health care spending for FY 2018:

- **Disproportionate Share Hospital Payments.** The budget includes a decrease of \$14 million, due to lower projections associated with disproportionate share hospital (DSH) payments. DSH payments are allotments from the federal government to qualifying hospitals that serve a large number of Medicaid and uninsured individuals. The Affordable Care Act called for reductions in federal DSH payments from FY 2014 through FY 2020, under the assumption that increased health care coverage would reduce uncompensated care that hospitals face and thus lessen the need for DSH.¹ It's likely that the District is receiving less in DSH payments due to the ACA requirement and the city's low number of uninsured District residents.
- **Hospital Provider Tax.** The budget includes a decrease of \$9 million in dedicated taxes from the expiration of a hospital provider tax, which was collected from District hospitals in FY 2016 and FY 2017 and helped maintain Medicaid reimbursement rates to hospitals for in-patient services for the District's "fee-for-service" beneficiaries. These are hospital services for Medicaid beneficiaries not in the city's managed care program—largely elderly residents or residents with disabilities or chronic conditions. The District reimburses hospitals for 98 percent of the costs, far above the national average of 87 percent. The tax is not maintained in the proposed budget, meaning the District will lose federal Medicaid matching fund and that Medicaid reimbursement rates to hospital will be

reduced. Given this impact, it is likely that the DC City Council will consider reinstating the tax for FY 2018.

Some Areas of Promise with the FY 2018 Budget for Health Coverage

Health reform implementation. The budget would devote \$2 million more to DHCF's Health Care Reform and Innovation division, which identifies and shares information on new health care models and payment approaches that serve Medicaid beneficiaries. This will help the District pursue and test promising strategies to improve Medicaid costs and outcomes, and facilitate information-sharing between health stakeholders.

PACE Program. The proposed DHCF budget includes an additional \$50,600 for the Program of All-Inclusive Care for the Elderly (PACE), which provides care to Medicaid beneficiaries age 55 and older who are in need of nursing home-level care, but are not able to live in a community-based setting. This enhancement has a corresponding Federal Medicaid Payment increase of \$39,500, and will support one staff position.

Some Concerns with the FY 2018 Budget for Health Coverage

More than \$53 million in managed care expenses were potentially avoidable. DHCF assesses the efforts of health plans to coordinate care, and has a goal of achieving high value in health care for beneficiaries. Currently, there are three health plans that serve District Medicaid and DC Healthcare Alliance beneficiaries in managed care programs. DHCF found that more than \$53 million in managed care expenses, amounting to 6 percent of plan revenue, were potentially avoidable in 2016. The majority of this is driven by hospital readmissions, when a patient returns to a hospital within 30 days of a prior hospitalization. About a quarter of this is due to

¹ Kaiser Family Foundation, "How Do Medicaid Disproportionate Share Hospital (DSH) Payments Change Under the ACA?" November 2013.

avoidable readmissions, wherein re-admission to a hospital could have been avoided with access to primary or preventative care. A smaller share of expenses were due to visits to ERs that could have been potentially avoided.² As DHCF continues monitoring and assessing health plan performance and pay-for-performance initiatives, it will be important to note whether future savings will be realized.

No change to rules that restrict access to health care for immigrants. The DC Healthcare Alliance program provides health insurance coverage to low-income residents who are not eligible for Medicaid. In recent years, as Medicaid eligibility has expanded in DC under the federal Affordable Care Act, participants in the Alliance are largely immigrants who are ineligible for Medicaid under federal law, including undocumented immigrants.

While the DC Healthcare Alliance plays a critical role in ensuring access to care for DC residents, program rules implemented in 2011 have made it hard for eligible residents to maintain their health coverage, leading to a substantial drop in participation. Despite clear indications of this problem, the proposed FY 2018 budget takes no steps to improve access to the Alliance.

Since October 2011, the program has required participants to have a face-to-face interview every six months at a DC social service center to maintain their eligibility. This has proved to be a barrier for eligible residents trying to maintain Alliance coverage. Enrollment in the Healthcare Alliance declined sharply in 2012, and has largely remained unchanged since then (*Figure 3*).³ During the first year of the policy from October 2011 to

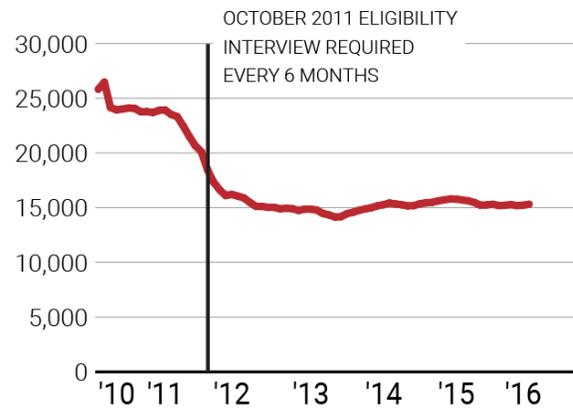
October 2012, the number of DC residents in the Alliance dropped by one-third, from 24,000 to 16,000. Enrollment has fallen and risen modestly since then, but currently stands around 15,300.⁴

The intent of the six-month recertification was to discourage ineligible people from applying for the Alliance, but evidence among legal service provider cases and data analysis by the Department of Health Care Finance suggests that it is creating a barrier for eligible enrollees to maintain coverage under the program. In 2016, nearly half of all Alliance enrollees had left the program after 12 months.⁵

FIGURE 3.

Participation in Alliance Program Remains Low Under Interview Requirements Maintained in FY 2018 Budget

DC Healthcare Alliance Enrollment



Source: October 2010 to September 2016 MCAC Enrollment Reports, Department of Health Care Finance.

DC FISCAL POLICY INSTITUTE | DCFPI.ORG

² District of Columbia Primary Care Association and District of Columbia Hospital Association, Public Health & Finance Budget Briefing, April 13 2017.

³ Medicaid expansion through the ACA in 2010 shifted 32,000 residents from the Alliance program to Medicaid. However, after a period of stable enrollment, caseloads began to decrease after a six-month, in-person

recertification requirement began for all enrollees in FY 2012.

⁴ Department of Health Care Finance, Monthly Enrollment Report - January 2017.

⁵ District of Columbia Primary Care Association and District of Columbia Hospital Association, Public Health & Finance Budget Briefing, April 13 2017.

The six-month recertification requirement also creates problems for other residents seeking public benefits. Alliance applicants represent a large share of residents at DC's five social service intake centers each day, and their applications take longer than the average visit to these centers. The Alliance recertification rules thus contribute to long lines and wait times – and to clerical errors such as lost paperwork – at the social service centers. Data collected in 2015 suggest that Alliance recipients make up one-fourth of service center traffic in a given month, even though they represent a very small portion of service center clients,⁶ and less than 10 percent of individuals covered under DC's health insurance programs.⁷ Wait times for Alliance recipients seeking to recertify at service centers are longer than wait times for Medicaid recipients⁸ — reflecting the language and case-management needs of the Alliance population.

Proposed funding for the DC Healthcare Alliance in FY 2018 is \$65 million, a 9 percent increase from last year (*Figure 4*). The increase does not reflect an anticipated increase in enrollment or notable changes in how the program is delivered. Instead it merely reflects an increase in per-participant costs, which also happened in FY 2017. This suggests that the Alliance membership includes residents with serious health problems.

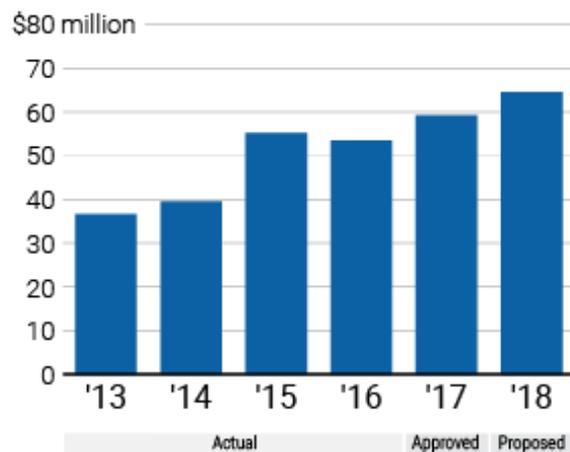
Recent attention on the program may help highlight its barriers and encourage policy changes to the eligibility process. The Department of Health Care Finance is currently analyzing the Alliance program to better understand program costs and enrollment trends. Furthermore, two pieces of legislation recently introduced in the DC Council would allow Alliance beneficiaries to recertify over the phone or at a community health center, and one of the bills would expand the

⁶ Wes Rivers, DC Fiscal Policy Institute Chelsea Sharon, Legal Aid Society of the District of Columbia, "[Testimony for Public Oversight Hearing on the Performance of the Economic Security Administration of the Department of Human Services.](#)" District of Columbia Council Committee on Health and Human Services, March 12, 2015.

recertification period back to 12 months. Both of these bills hold promise of eliminating barriers to accessing health care coverage through the Alliance.

FIGURE 4.

Funding for the Alliance Will Rise in FY 2018 Due to Higher Per-Participant Costs



Note: All figures adjusted for inflation.
Source: Fiscal Year 2015-18 Budget & Financial Plans.

DC FISCAL POLICY INSTITUTE | DCFPI.ORG

Some Public Health Programs Will Be Cut in FY 2018, and Others Will See Increases

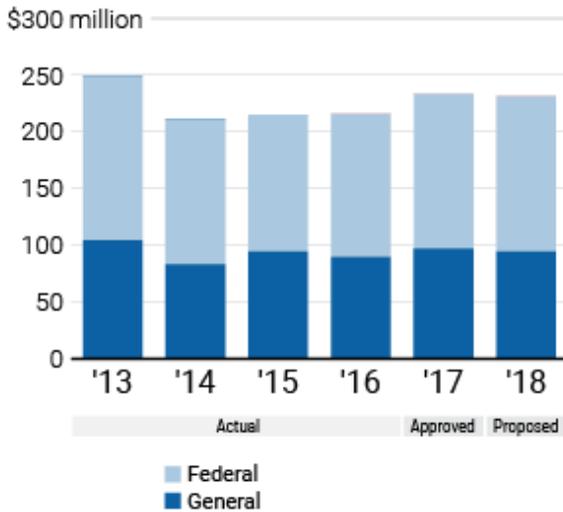
The proposed FY 2018 budget for the Department of Health is \$232 million, a \$68 million decrease from FY 2017 after adjusting for inflation (*Figure 5*, pg. 6). However, this figure is slightly misleading and does not reflect a reduction in services. Most of that change stems from a discontinuation of the DC's methods to do bulk purchasing of pharmaceuticals, through the DC Pharmacy Warehouse. The Pharmacy

⁷ Department of Health Care Finance, Monthly Enrollment Report - January 2017.

⁸ Ibid.

FIGURE 5.

Little Change in DOH Funding in FY 2018



Note: All figures adjusted for inflation. Private funds too small to appear. Intra-District funds excluded. Source: Fiscal Year 2015-18 Budget & Financial Plans.

DC FISCAL POLICY INSTITUTE | DCFPI.ORG

Warehouse is a licensed drug distribution center that administers the drug component of the Department of Health, the Department of Health Care Finance (DHCF) and other DC programs that require prescription medications as a part of their protocol, including DC AIDS Drug Assistance Program (ADAP) and DC Healthcare Alliance program clients. For FY 2018, both DHCF and DOH will incorporate a new business model for the pharmaceuticals program, with no negative impact to the public.

Excluding this change, and focusing on general and federal funds (which make up the vast majority of the DOH budget) the changes to the proposed FY 2018 budget for the Department of Health are much smaller, representing a 1 percent decrease, or \$2.5 million less, than the FY 2017 budget adjusting for inflation.

There are proposed changes to a number of public health services, including both expansions and cuts.

- School Based Health Centers and Disease Prevention.** The FY 2018 budget for DOH includes a net reduction of \$2.2 million mainly in sub-grants that supported School Based Health Centers, and in preventive services at the HIV/AIDS, Hepatitis, STD, and TB Administration division.
- Tobacco Prevention Law.** The FY 2018 budget for DOH does not include \$674,000 in funding needed to implement recently enacted legislation from the DC Council, which increases the smoking age to 21 in the District. The law would help reduce tobacco use by DC’s youth over time.
- Emergency Response.** The budget reflects an increase of \$480,000 from federal grant funds to the Health Emergency Preparedness and Response Administration, which will help with Ebola treatment centers and infection control.
- Substance Use Disorder.** For FY 2018, the proposed budget for the Department of Health (DOH) includes an enhancement of \$850,000 to expand substance abuse treatment for opioids and reduce the number of active opioid users in the District, as well as overdoses and overdose fatalities.
- Joyful Food Markets.** The FY 2018 budget provides \$1 million for the Joyful Food Markets, a slight drop from FY 2017 funding of \$1.1 million. Joyful Food Markets are monthly pop-up grocery stores operating in Wards 7 and 8 elementary schools.
- Pregnancy Prevention.** The budget adds \$625,000 in one-time funding to support Teen Pregnancy prevention programs and initiatives at the Crittenton Hospital, a modest increase from one-time funding of \$500,000 in FY 2017.

Mental Health and Substance Use Disorder Services

The proposed FY 2018 budget for the Department of Behavioral Health (DBH) is \$271 million, a \$9 million decrease from last year after adjusting for inflation. It is funded primarily through local funds, with only a portion of mental health services drawing a federal match. Federal matching funds for mental health and substance use disorder services are included in DHCF's budget, while local matching funds are included within the DBH's budget.

The FY 2018 budget includes a decrease of \$2.7 million in local funding for the Medicaid Mental Health Rehabilitative Services (MHRS); however, MHRS spending overall—including federal funds—will increase in FY 2018, due to a 2.3 percent Medicaid growth rate projected by the Department of Health Care Finance based on the cost of health care services in the District.

For FY 2018, DBH will undergo a major restructuring, as some divisions are eliminated, and some new and existing activities are added to new divisions. The stated goal of the realignment is to improve access and accountability, increase efficiency and effectiveness, create clarity among service areas, and reduce silos.

Other changes in the proposed FY 2018 budget:

- **Comprehensive Psychiatric Emergency Program.** An increase of \$1.5 million will go primarily toward the Comprehensive Psychiatric Emergency Program (CPEP) and forensics studies. CPEP is a twenty-four hour, seven day a week operation that provides emergency psychiatric services, mobile crisis services, and extended observation beds for individuals 18 years of age and older.
- **St. Elizabeth's Hospital.** St. Elizabeth's, the state psychiatric hospital for the District, will see an increase of just over \$4 million, primarily due to union collective bargaining agreements and right-sizing of overtime hours.

This does not reflect an increase in services, however.

- **Wayne Place.** The FY 2018 budget includes an additional \$844,000 for Wayne Place, a transitional home for young adults who need support to live independently and succeed.
- **Level of Care Utilization.** A Local funds reduction of \$826,600 is anticipated through scope of coverage reviews for individuals with a particular Level of Care Utilization System (LOCUS) score.
- **Patient Transfers.** The FY 2018 budget includes a reduction of \$1.2 million, as 30 consumers are moved to more independent living.

Funding for the DC Health Benefit Exchange Authority Reflects Programmatic Savings While Maintaining Access to Critical Services

The FY 2018 budget allocates \$28 million in funding for the DC Health Benefit Exchange Authority (Exchange), which operates DC Health Link. DC Health Link is the District's online portal for Medicaid, private health insurance plans and financial assistance for those plans. This budget is a 20 percent decrease from FY 2017 after adjusting for inflation, largely reflecting multiple realized programmatic cost savings after prior investments in technical infrastructure. Even with the reduction, this budget maintains the funding needed for the agency's operations for DC Health Link.

The Exchange generates funds through a broad-based assessment on health insurance plans operating in the District. The largest shares of its budget are devoted to information technology (IT) operations, assistance to help consumers access insurance and benefits through the Exchange.

Since it first opened, DC Health Link has served nearly 312,000 individuals, including 43,177 DC

residents enrolled in private coverage, 80,552 enrolled through the small business marketplace (SHOP), and 187,894 residents who have been found eligible for Medicaid. Although some marketplaces across the country had expensive starts due to the large costs involved up front for technology and consumer assistance, DC Health Link has been able to reap the benefits of its

investments, including a first of its kind state partnership with Massachusetts where it will be providing the technology and operational support for their SHOP marketplace, and being recently recognized as the top exchange marketplace in the country for its consumer comparison shopping tools.