



State of New Hampshire

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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JEFFREY A. MEYERS
COMMISSIONER

October 4, 2019

The Honorable Erin Hennessey, Chair
Commission on Demographic Trends
Legislative Office Building
33 North State Street
Concord, NH 03301

Dear Chairperson Hennessey:

In accordance with RSA 9:9-e, the Department of Health and Human Services has prepared the attached ten-year cost projections for the following items:

- (a) Uncompensated care
- (b) Medicaid care management
- (c) Medicaid-funded home and community based waiver services: Choices for Independence, Developmental Services, Acquired Brain Disorder, and Children's In Home Services
- (d) Nursing home services

As you are aware, HB 4, Laws of 2019 postponed the hiring of a State Demographer as established by HB 1817, Laws of 2018, and directed the Department to work with the Director of the Office of Strategic Initiatives (OSI). The Department utilized the *State and County Population Projections* published by OSI in September 2016 in order to develop the cost projections. We applied the calendar year projections (January to December) to each State Fiscal Year (July to June) for the ten years 2020 through 2029.

Because the demographic data in the *State and County Population Projections* is provided in five-year increments, we assumed an even trend in the intervening years. The demographic data was applied by age groups, but not by gender.

Additionally, for Medicaid managed care, the following assumptions and methodology were used:

- 1) We considered demographic changes in age groups relating to MCM rate cells for age groups 0 to 19, 20 to 64, and over 64 years of age.
- 2) We used birth estimates in the 10-year demographic trend data to consider the likely number of maternity kick payments (lump-sum single payment to the State's contracted managed care organizations) will remain flat.

- 3) The projections incorporate the \$8 million mental health and substance use disorder and the general 3.1 percent provider rate increases in HB 4, passed by the Legislature on September 25, 2019.
- 4) We assumed a cost increase each year of a 3.8 percent trend seen in the first few years of managed care, will continue. We applied the trend in SFY 2021 going forward to reflect expanded services contemplated in the 2020-2021 budget such as transitional housing beds and repurposing New Hampshire Hospital childrens beds for adults.
- 5) We added a 1.5 percent increase to reflect the portion of these projections related to pharmacy. The Centers for Medicare and Medicaid Services, Office of the Actuary currently projects pharmaceutical cost increases of 6 percent for Medicaid in 2020-2027 (the last year projections are available).¹
- 6) We added \$13 million in years 2020-2024 to reflect the increased Medicaid rate payments to Hospitals required in RSA 167:64.

For waiver services, we aggregated the average cost per participant in SFY 2019 into three age groups (0 to 19, 20 to 64, and over 64 years of age) to mitigate variances caused by small participation groups. We then applied the costs to demographic changes in each discrete age group identified in the *State and County Population Projections* for SFYs 2020-2029.

For Nursing Facility, the current budget requires the budget to be spent, regardless of population; therefore, the estimated costs reflect the current budget through SFY 2024. In SFY 2024, the population would bring the nursing facility census past the current budget, thereby increasing costs.

The Department assumes for the purposes of the bill, “uncompensated care” refers to uncompensated care cost (UCC) at 26 private hospitals in New Hampshire and reimbursed through the Uncompensated Care and Medicaid Fund established per RSA 167:64, I(a). The Department has been discussing potential UCC projections with the New Hampshire Hospital Association, but is unable to estimate 10-year costs at this time. The Department included the assumed Disproportionate Share Hospital (DSH) payments as estimated in the current settlement agreement with the hospitals, which is established through 2024. The Department assumed a continuation of the final year cost through 2029.

Over the next two years, the Department hopes to refine the process for the cost projections by working with our actuaries to utilize gender projection data on the cost per enrollee to consider both age and gender; considering the relationship of the CMS Office of the Actuary cost projections on actual rates in New Hampshire; considering the impact of the broader economy on Medicaid enrollment; and reviewing the accuracy of the projections in this report in order to establish more accurate projections going forward.

¹ *National Health Expenditure Projections, 2018-2027*, CMS Office of the Actuary, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>

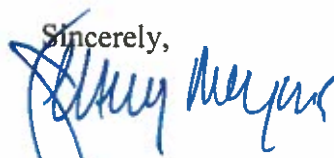
The Honorable Erin Hennessey, Chair

October 4, 2019

Page 3 of 3

In addition, in the future, the Department anticipates known budget needs will be established by June 30 of the reporting year, allowing a full three-month period to incorporate Medicaid, Long-Term Care, or Uncompensated Care policy changes to be incorporated into the future 10-year reporting period.

Sincerely,



Jeffrey A. Meyers
Commissioner

	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024
Uncompensated Care	\$224,360,000	\$232,420,000	\$240,800,000	\$249,460,000	\$258,440,000
Managed Care	\$1,120,120,596	\$1,195,851,780	\$1,205,006,321	\$1,201,210,757	\$1,197,435,193
Waiver Services	\$414,938,298	\$415,658,838	\$416,379,377	\$417,099,917	\$417,820,456
Nursing Facility	\$204,197,921	\$204,197,921	\$204,197,921	\$204,197,921	\$204,798,072

	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029
Uncompensated Care					
Managed Care	\$1,178,119,628	\$1,175,776,979	\$1,173,434,330	\$1,171,091,680	\$1,168,749,031
Waiver Services	\$418,540,995	\$419,273,523	\$420,006,050	\$420,738,577	\$421,471,104
Nursing Facility	\$211,311,804	\$220,747,560	\$230,183,317	\$239,619,074	\$249,054,831