

Appropriations Committee
Budget Hearing – DHHS Division of Medicaid and Long Term Care
March 16, 2015

Calder Lynch, Director
Division of Medicaid and Long-Term Care

Good afternoon, Senator Mello and members of the Appropriations Committee. For the record, I am Calder Lynch (C-A-L-D-E-R L-Y-N-C-H) Director of the DHHS Division of Medicaid and Long-Term Care. I'm pleased to be in Nebraska – today is my one week anniversary – and I look forward to working with you and other members of the Legislature.

Autism Spectrum Disorder (ASD)

The Department of Health and Human Services is currently involved in litigation regarding the provision of Medicaid behavioral health services for children with autism spectrum disorder (ASD) and developmental disabilities. Intensive Behavioral Interventions, or IBI, has been requested as an appropriate Medicaid covered service in many states that have faced litigation. At this time, it's estimated that 2,305 children would be eligible to receive IBI services over a full twelve months.

The Department may be mandated by court order to provide IBI services to children with diagnoses outside the Autism Spectrum Disorder. At a minimum, an additional 781 children currently on the Registry of Needs for persons with Developmental Disabilities and also eligible for Medicaid and CHIP, would be eligible to receive IBI services.

With the uncertainty of the resolution and the potential for significant cost, we request that the balance of unexpended and unencumbered state and federal funds in programs 344 and 348 be reappropriated in the Medicaid/CHIP programs.

CHIP

I want to also make the Committee aware that Congress is currently considering legislation to reauthorize the Children's Health Insurance Program (CHIP) beyond the end of this federal fiscal year. While we believe that Congress will ultimately reauthorize CHIP, there remains considerable uncertainty regarding a provision of the Affordable Care Act that provides for a 23 percentage point enhancement on the match rate for CHIP services beginning next federal fiscal year. The Governor's recommendation, as well as the Committee preliminary recommendation is based on the 23% enhanced CHIP match rate as it stands in existing federal law. Should Congress choose to repeal this provision, these services would continue to be financed at the regular CHIP match rate, 65.81% for FFY16, requiring an additional \$17.4 million

General Funds in FY16 and \$23.7 million General Funds in FY17. The reappropriation for this program provides the Department and the State resources to begin to address such costs if necessary.

Medicaid Prescription Drug program

In regards to reappropriation, the Medicaid Prescription Drug program, 032, requires additional funding, as a result of a recent RFP and contract award process that resulted in a current annual contract that exceeds the annual appropriation. A reappropriation of \$55,000 state general funds and \$55,000 federal funds, for a total of \$110,000, in Fiscal Year 16 and an estimated \$65,000 state general funds and \$65,000 federal funds, for a total of \$130,000, for Fiscal Year 17 would be sufficient for this need. The need to address the appropriate base funding amount can be addressed in the next biennial budget request.

Hepatitis C

We wish to address the need for \$3,236,770 general funds and \$3,463,230 federal funds as recommended by the Governor each year of the biennium towards Hepatitis C medications. Treatment with new oral-only regimens is projected to cost \$161,000 per treatment course. Treating 42 to 167 Medicaid patients would correlate to a cost of \$6.7 million to \$27 million per year. We projected the low end (\$6.7 million), rather than the high end, and continue to use that estimate. Any cost savings from additional rebates will be offset by an increased demand for the more easily tolerated treatment.

Because treatment with Harvoni and Viekira, the latest Hep C drugs, do not require additional treatment with interferon (as Sovaldi did) we anticipate that the number of requests for Harvoni and Viekira will increase. The interferon-free treatments are more desirable, due to frequent toxicities of interferon. Although the cost per treatment will decrease, it is expected that the number of treatments will increase.

Minimum Wage

Passage of the state minimum wage increases in January 2015 and January 2016 creates a need in the Medical Assistance program since Home and Community-Based Waiver providers of chore and respite care are required to be paid the minimum wage. In Fiscal Year 16, we request an appropriation increase of \$161,157 state general funds and \$172,432 federal funds. In Fiscal Year 17, we request an increase of \$228,095 general funds and \$238,930 federal funds. This funding was included in the Governor's recommendation but is not included in the Committee preliminary recommendation.

Thank you for your consideration of these items. I'm happy to answer any questions you have.