

DEPARTMENT OF HUMAN SERVICES - STATUS OF SELECT GRANT PROGRAM EXPENDITURES

This memorandum provides a status report on the temporary assistance for needy families (TANF), medical assistance, service payments for elderly and disabled (SPED), and expanded SPED programs. Appendix A is a summary of expenditures to date as compared to estimates for these programs.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

The 2003 Legislative Assembly appropriated \$29.5 million of federal funds for the TANF program for the 2003-05 biennium. Temporary assistance for needy families program expenditures through June 2004 were \$13 million, which is \$1.6 million less than estimated expenditures of \$14.6 million. Actual expenditures were less than estimated due to the number of cases being an average of 88 cases per month less than estimated during the first year of the biennium. In addition, average monthly payments have ranged from \$13 to \$52 per month less than estimated (see Appendix B). For the biennium, the department anticipates actual expenditures to be \$5.1 million less than appropriated. During the 2003 legislative session, the department estimated a carryforward of \$2.2 million of federal TANF block grant funds to the 2005-07 biennium. The department now estimates to carry forward \$8 million.

MEDICAL ASSISTANCE

The 2003 Legislative Assembly appropriated \$902.6 million, of which \$265.4 million is from the general fund, for medical assistance grants for the 2003-05 biennium. The department reprojected Medicaid expenditures in December 2003, March 2004, and June 2004. Compared to the legislative appropriation, the June 2004 revised projections increase estimated expenditures by \$23.1 million. In addition, actual expenditures in June exceeded estimates by \$5.3 million. Therefore, the department now anticipates medical assistance expenditures to exceed legislative appropriations by \$28.4 million (see Appendix C). Although total expenditures are anticipated to be \$28.4 million more than appropriated, the general fund share of Medicaid expenditures is anticipated to be \$2.2 million less than appropriated. General fund expenditures are anticipated to be less because of the enhanced federal medical assistance percentage

(FMAP) approved by Congress for a portion of the 2003-05 biennium.

Major factors causing the projected increase in Medicaid expenditures based on the June 2004 revised projection include:

1. Increased usage of inpatient hospital services. Inpatient hospital expenditures have exceeded the original projection by 18.8 percent.
2. The utilization of outpatient hospital services exceeding original estimates by 17.9 percent.
3. The utilization of prescription drugs exceeding original estimates by 10.4 percent.
4. The utilization of physician services exceeding original estimates by 23.3 percent.

As a result of the enhanced FMAP, the department originally anticipated general fund savings of \$19.6 million. However, it also projected that \$8 million of the \$19.6 million would be needed for increased Medicaid expenditures during the 2003-05 biennium, leaving \$11.6 million of unspent appropriation authority (turnback). The department has deposited \$6.5 million of the \$11.6 million in the general fund relating to the enhanced FMAP savings that related to 2001-03 biennium Medicaid expenditures. Therefore, based on the original estimate, the department should have related general fund savings of \$5.1 million. Based on actual expenditures through June 2004, the department's savings estimate is now \$2.2 million, or \$2.9 million less than the original projection. The department will continue to monitor expenditures throughout the biennium.

SERVICE PAYMENTS FOR ELDERLY AND DISABLED

The 2003 Legislative Assembly appropriated \$15.4 million, of which \$13.7 million is from the general fund, for the SPED program for the 2003-05 biennium. Through June 2004, the department has spent \$5.3 million, \$1.6 million less than the original appropriation estimate of \$6.9 million. Actual expenditures have been less than estimated due to the number of cases ranging from 400 to 500 fewer per month. Average monthly payments under the program have ranged from \$10 to \$60 per month more than estimated (see Appendix D). The department attributes the lower number of cases to the effects of not accepting any new cases into the program during the second year of the 2001-03 biennium due to a lack of program funding.

As a result, fewer providers are now available and fewer referrals are being made. Average monthly payments have been more than estimated due to a delay in receiving federal approval to pay for personal care expenses for certain eligible individuals under the Medicaid program.

EXPANDED SERVICE PAYMENTS FOR ELDERLY AND DISABLED

The 2003 Legislative Assembly appropriated \$835,000 from the general fund for the expanded SPED program for the 2003-05 biennium. Through June 2004,

actual expenditures were \$485,000, which is \$115,000 or 31 percent more than the original appropriation estimate of \$370,000. Although the program's caseload has been averaging 36 fewer cases per month, the average monthly payment per case is averaging \$312 per month, which is \$123 or 65 percent more than the estimated cost of \$189 per month. Average monthly payments have been more than estimated due to a delay in receiving federal approval to pay for personal care expenses for certain eligible individuals under the Medicaid program.

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