



DATA POINTS

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HHS Spending, Uncompensated Care, and the Rainy Day Fund

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Summary: The current FY14-15 budget spends \$30.5 million more on Health and Human Services than the House Budget proposed, when Uncompensated Care is removed. Revenue projections for the Medicaid Enhancement Tax (MET), which funds Uncompensated Care, were revised downwards in the Enacted Budget on the advice of HHS. Taking into account all back of the budget reductions, the Enacted Budget spends nearly \$23.5 million more over the biennium than the House Budget in General Funds.

The last budget created a surplus of \$72 million dollars. \$57 million was spent in the current budget and legislators are now debating what to do with the remaining \$15.3 million. The Senate position is to place the entire sum into the Rainy Day Fund, which currently stands at \$9.3 million. The House has passed measures that would spend \$7 million to restore reductions made in the Health and Human Services Budget, while placing the remaining balance in the rainy day fund.

A previous piece went into greater detail last May¹ about these cuts, but given recent events, it is worth discussing again. The Enacted FY14-15 budget actually spends roughly \$30.5 million more on HHS than the House proposed budget. The only really difference was how much the Medicaid Enhancement Tax was expected to raise and therefore spent on Uncompensated Care.

HHS Spending, Less Uncompensated Care						
<i>Figures in millions</i>						
	House FY14	Enacted FY14	Difference	House FY15	Enacted FY15	Difference
TOTAL SPENDING	\$2,141.22	\$2,109.30		\$2,173.25	\$2,070.10	
<i>Less Uncompensated Care</i>	\$147.21	\$101.87		\$172.94	\$52.65	
ADJUSTED SPENDING	\$1,994.01	\$2,007.43	+\$13.42	\$2,000.31	\$2,017.45	+\$17.14

Uncompensated Care

The House and Enacted Budgets had similar spending levels for HHS. Developmental Services and Behavioral Health, the two agencies tasked with helping the disabled and mental health

¹ <http://www.jbartlett.org/governor-house-and-senate-budgets-largely-the-same-in-health-and-human-services-spending>

respectively, spending was virtually identical.

Select HHS Spending Levels					
	House '14	Enacted '14	House '15	Enacted '15	Biennial Difference
Behavioral Health	\$60,713,707	\$60,674,166	\$66,974,298	\$66,932,774	\$81,065
Developmental Services	\$138,486,334	\$138,486,334	\$148,758,998	\$148,758,998	\$0

The only part of the HHS budget that had a major difference is Uncompensated Care.

Within Uncompensated Care, the funding levels between the House and Enacted Budgets differ by more than \$165 million over the biennium, in contrast to the bottom line difference of \$135 million across the entire HHS budget.

This funding difference is not a result of a policy choice but of revenues. Uncompensated Care is paid for by Medicaid Enhancement Tax (MET) revenues, matched with Federal Funds.² The House was optimistic on MET revenue, while the Senate, and ultimately the Enacted Budget, on the advice of HHS, lowered the estimates the tax would raise.³ Spending for Uncompensated Care was then reduced to match the lower estimates.

Uncompensated Care Fund						
<i>Figures in Millions</i>						
	House FY14	Enacted FY14	Difference	House FY15	Enacted FY15	Difference
Federal Funds	\$69.22	\$50.96	-\$18.26	\$86.54	\$26.34	-\$60.2
Private Local Funds	\$77.99	\$30.91	-\$47.08	\$86.4	\$26.31	-\$60.09
General Fund	\$0	\$20	\$20	\$0	\$0	\$0
TOTAL FUNDS	\$147.21	\$101.87	-\$45.34	\$172.94	\$52.65	-\$120.29

With Uncompensated Care removed from both budgets, the Enacted Budget spends more than the House Budget by just over \$30.5 million in total funds over the biennium.

Back of the Budget Cuts:

The \$7 million increase sought by the House is meant to eliminate a specific back of the budget cut. The Enacted Budget requires \$7 million in General Fund spending to be cut by the Commissioner, who has full discretion as to how and where to make these cuts.

² For an in-depth discussion of the issue, read "Meet the MET" <http://www.jbartlett.org/meet-the-met>

³ Katie Dunn, the State Medicaid Director testified to the House Finance Committee that "SFY 2014/2015 projected MET revenue needs adjustment downward, consistent with actual collections in SFY 2013, which will impact amounts available for distribution." While the House pared back projections slightly, the Senate Finance Committee heeded Dunn's advice and used MET revenues collected in FY13 as a base line with 2% growth each year. This resulted in lower levels of funding for Uncompensated Care.

Source: SFY 2014/2015 Budget Worksession, House Finance Division III, NH Department of Health and Human Services, Office of Medicaid Business and Policy
<http://www.dhhs.nh.gov/ocom/documents/diviii-03042013.pdf>

Another point of contention during the budget debate last summer was the requirement to cut \$20 million statewide in General Fund personal spending, of which HHS's share is roughly between \$5.6 and \$9.4 million.⁴

When all of the back of the budget cuts are included, the Enacted Budget spends \$23.46 million more in General Fund money than the House Budget.

Health and Human Services : General Fund Spending				
<i>Back of the Budget Cuts</i>				
	House FY14	Enacted FY14	House FY15	Enacted FY15
PROPOSED SPENDING	\$651,956,762	\$677,907,603	\$658,259,262	\$667,271,437
<i>Adjustments</i>				
GF Appropriation Reduction	-\$2,250,000	-\$3,500,000	-\$2,250,000	-\$3,500,000
Sununu Center Reduction	-\$500,000	-\$500,000	-\$750,000	-\$750,000
Medicaid Off-set	-\$4,500,000	-\$4,500,000	-\$4,500,000	-\$4,500,000
GF Statewide Personnel Reduction		-\$4,500,000		-\$4,500,000
<i>Adjustments: Total</i>	-\$7,250,000	-\$13,000,000	-\$7,500,000	-\$13,250,000
Adjusted Total Spending	\$644,706,762	\$664,907,603	\$650,759,262	\$654,021,437
Fiscal Year Difference		+\$20,200,841		+\$3,262,175
Biennial Difference				+\$23,463,016

Taking in a step further, if you were to subtract the \$20 million in General Fund money added by the Senate to bolster Uncompensated Care, the Enacted Budget spends roughly \$3.5 million more than the House.

The Courts and Bond Rating Agencies:

In mid-April, a New Hampshire Superior Court Judge ruled in a lawsuit brought by 6 of the state's hospitals that the Medicaid Enhancement Tax was unconstitutional, creating a potential \$300 million dollar hole in the current budget. Two of the big three bond rating agencies (S&P and Moody's) took note and revised their outlook on New Hampshire's debt from 'stable' to 'negative', indicating the potential for a credit rating downgrade in the future.

In their respective opinions, the rating agencies cited three specific causes for the downward revision: the previously mentioned court ruling, the funding level of the state pension system, and the low balance in the Rainy Day Fund.

Conclusion:

The difference in MET revenue estimates and Uncompensated Care spending between the House and Senate are the main driver in the bottom line difference that shows the Enacted Budget 'cut' more nearly \$135 million in HHS spending from the House Budget.

⁴ The Back of the Budget Reductions call for \$50 million in personnel reductions to be made, \$20 million of which must be General Funds. The HHS portion of \$20 million reduction could be anywhere from \$5.6 based on number of positions to \$9.4 million based on share of General Fund money spent. \$9 million was used as an estimate for the purposes of this chart.

Uncompensated Care aside, the Enacted Budget passed last June spends \$30.5 million more than the House Budget in all funds. Accounting for all of the back of the budget cuts to Health and Human Services, General Fund spending is roughly \$23.5 million higher in the Enacted Budget than what the House Budget proposed.

Considering the potential \$300 million shortfall in the current budget, the last thing the Legislature should be doing is increasing spending. In addition, given the concern over the balance of the Rainy Day Fund highlighted by the bond rating agencies, the entirety of the remaining surplus should be deposited into the Rainy Day Fund.

Health and Human Services : General Fund Spending

Back of the Budget Cuts

	House FY14	House FY15	Enacted FY14	Enacted FY15
PROPOSED GF SPENDING	\$651,956,762	\$658,259,262	\$677,907,623	\$667,271,457
<i>Adjustments</i>				
GF Appropriation Reduction	-\$2,250,000	-\$2,250,000	-\$3,500,000	-\$3,500,000
Sununu Center Reduction	-\$500,000	-\$750,000	-\$500,000	-\$750,000
Medicaid Off-Set	-\$4,500,000	-\$4,500,000	-\$4,500,000	-\$4,500,000
GF Statewide Personnel Reduction			-\$4,500,000	-\$4,500,000
<i>Adjustments: Biennial Total</i>		-\$14,750,000		-\$26,250,000
ADJUSTED TOTAL BIENNIAL GENERAL FUND SPENDING		\$1,295,466,024		\$1,318,929,080

Uncompensated Care Fund

	House FY14	Enacted FY14	Difference	House FY15	Enacted FY15	Difference
Federal Funds	\$69,221,089	\$50,959,810	-\$18,261,279	\$86,540,786	\$26,335,186	-\$60,205,600
Private Local Funds	\$77,985,543	\$30,908,851	-\$47,076,692	\$86,400,000	\$26,308,851	-\$60,091,149
General Fund	\$0	\$20,000,000	\$20,000,000	\$0	\$0	\$0
TOTAL FUNDS	\$147,206,632	\$101,868,661	-\$45,337,971	\$172,940,786	\$52,644,037	-\$120,296,749

Total Health and Human Services Funding

	House FY14	Enacted FY14	Difference	House FY15	Enacted FY15	Difference
Federal Funds	\$1,064,306,082	\$1,053,416,276	-\$10,889,806	\$1,066,082,402	\$1,015,581,613	-\$50,500,789
Other Funds	\$424,945,387	\$377,941,681	-\$47,003,706	\$448,911,852	\$387,215,101	-\$61,696,751
General Fund	\$651,956,762	\$677,927,603	\$25,970,841	\$658,259,262	\$667,291,437	\$9,032,175
TOTAL FUNDS	\$2,141,208,231	\$2,109,285,560	-\$31,922,671	\$2,173,253,516	\$2,070,088,151	-\$103,165,365