

December 2024 Medicaid Forecast

Indiana Family and Social Services Administration
Office of Medicaid Policy and Planning
December 17, 2024



Medicaid Forecast Development and Financial Oversight



FSSA has been engaged in dedicated efforts to **improve the reliability and accuracy of the Medicaid forecast process and budget**, including **the establishment of two oversight bodies** to further transparency, provide guidance and monitor the Medicaid program: the Policy Change Review and the Financial Reporting Groups.

Overall Objectives

Perform a more **detailed review of forecast assumptions** and trends; **reduce lag in data** used to develop forecast



Improve internal processes to ensure **understanding of impact of policy changes**



Produce **more robust reporting** to ensure agile response to unanticipated trends



Monitor data to **continuously review** how experience compares to projections



Key Actions Taken

Program SMEs and the Financial Reporting Group **evaluated forecast assumptions**

Forecast incorporates **more recent data** through October 2024

Policy Change Review Group established to evaluate both required and recommended policy decisions for **fiscal impact**

Medicaid Financial Reports developed and **published monthly**

Financial Reporting Group established and conducting **detailed monthly reviews of reports**, monitoring trends and comparing forecasted projections to experience

Policy Change Review Process

The **Policy Change Review Group**, made up of **agency and division leadership**, reviews and approves prospective Medicaid policy changes to ensure all financial, operational, systems, compliance, and member impacts are fully considered and appropriately addressed prior to implementation.

Inputters submit an Initial Form per Established Internal Process

Includes questions pertaining to anticipated impact on members, fiscal estimates, implementation needs, and regulatory impacts

Policy Change Review Group

Iterative review of initial submission, including fiscal impact estimates, to inform a recommendation for action

Steering Committee

The Policy Change Review Process applies to any changes in programming and services covered by Medicaid that will result in a **fiscal or utilization impact**.

Monthly Medicaid Financial Reporting

Monthly Medicaid financial reports are now published on an ongoing basis on the FSSA website.

- The Financial Reporting Group leading this work maintains ownership of the monthly financial reports, reviews financial data, and advises on data trends.
- Program subject matter experts (SMEs) and agency leadership review the reports to identify trends and risks.
- A commentary mirroring the monthly Revenue Reports accompanies the financials to provide additional context.

Program SMEs

review monthly report sections based on programmatic expertise and provide feedback on trends and potential risks or opportunities

Financial Reporting Group

reviews inputs and overall financials for validation

Steering Committee

collaborates with **SBA** on commentary development

Monthly report and commentary are posted to the FSSA website

Note: Reports are posted approximately 2 months after the data being reported (e.g., May data reported in July)

December 2024 Medicaid Forecast update

State of Indiana
Family and Social Services Administration

Projections through SFY 2027

Data through October 2024

DECEMBER 2024



December 2024 Medicaid Assistance Forecast

Data Through October 2024

EXPENDITURES, in \$millions	FY 2023	<i>Growth</i>	FY 2024	<i>Growth</i>	FY 2025	<i>Growth</i>	FY 2026	<i>Growth</i>	FY 2027
Healthy Indiana Plan	\$6,306.2	(6.7%)	\$5,881.8	(0.6%)	\$5,846.4	9.3%	\$6,389.6	3.1%	\$6,586.6
Hoosier Care Connect	1,505.0	14.7%	1,725.5	(11.3%)	1,530.2	(13.0%)	1,331.8	18.2%	1,573.9
Hoosier Healthwise	2,206.1	24.6%	2,749.5	4.7%	2,879.0	6.5%	3,066.7	4.0%	3,188.3
Pathways (MLTSS)					4,224.9	14.0%	4,815.0	6.0%	5,105.6
Fee for Service - non-LTSS	2,201.0	13.9%	2,505.9	(9.5%)	2,267.2	11.0%	2,516.9	8.3%	2,726.0
Fee for Service LTSS - Institutional	2,413.7	8.8%	2,626.2	(63.9%)	947.3	(14.3%)	811.8	5.1%	852.9
Fee for Service LTSS - Community	2,146.6	66.4%	3,572.8	(35.0%)	2,323.6	(2.7%)	2,260.7	1.8%	2,301.5
Medicare Buy-In, Clawback	774.3	3.4%	800.9	5.1%	841.9	7.2%	902.1	4.6%	943.7
Rebates and Collections	(1,396.1)	2.9%	(1,436.2)	18.5%	(1,701.7)	(5.8%)	(1,602.6)	5.6%	(1,692.3)
Remove CHIP and MFP	(320.7)	31.2%	(420.7)	1.9%	(428.7)	7.5%	(461.0)	5.4%	(485.9)
Other Expenditures (DSH, UPL, etc.)	2,063.6	(32.8%)	1,387.6	37.8%	1,912.1	0.2%	1,916.9	3.6%	1,986.5
Medicaid Expenditures (State and Federal)	\$17,899.8	8.3%	\$19,393.3	6.4%	\$20,642.4	6.3%	\$21,947.8	5.2%	\$23,086.9
FUNDING, in \$millions	FY 2023	<i>Growth</i>	FY 2024	<i>Growth</i>	FY 2025	<i>Growth</i>	FY 2026	<i>Growth</i>	FY 2027
Federal Funds	\$13,416.5	0.6%	\$13,497.9	4.3%	\$14,078.2	6.7%	\$15,015.5	5.0%	\$15,771.9
IGTs	422.6	2.5%	433.1	12.1%	485.6	10.3%	535.7	2.5%	549.2
Provider Tax Receipts	181.7	(8.4%)	166.5	53.9%	256.2	(25.6%)	190.5	2.5%	195.2
HAF Funding	676.6	7.9%	729.8	31.3%	958.6	(9.4%)	868.9	1.9%	884.9
HIP Funding	566.1	(13.3%)	490.9	(2.8%)	477.0	11.9%	533.8	2.7%	547.9
QAF Transfer to SBA	(41.8)	(2.0%)	(40.9)	3.8%	(42.5)	2.2%	(43.4)	3.0%	(44.7)
Non-Medicaid Assistance Funds	\$15,221.7	0.4%	\$15,277.2	6.1%	\$16,213.1	5.5%	\$17,100.8	4.7%	\$17,904.4
Forecasted Medicaid GF Assistance Need	\$2,678.1	53.7%	\$4,116.1	7.6%	\$4,429.3	9.4%	\$4,846.9	6.9%	\$5,182.4
General Fund Medicaid Assistance Appropriation	\$2,931.9	26.9%	\$3,721.5	12.8%	\$4,196.6				
Sub-total (Shortfall)/Surplus	\$253.8		(\$394.6)		(\$232.7)				
Augmentation/(Reversion) amount	(\$525.0)		\$255.2						
Balance After Augmentation/(Reversion)	(\$271.2)		(\$139.4)						

Comparison to the December 2023 Medicaid Forecast

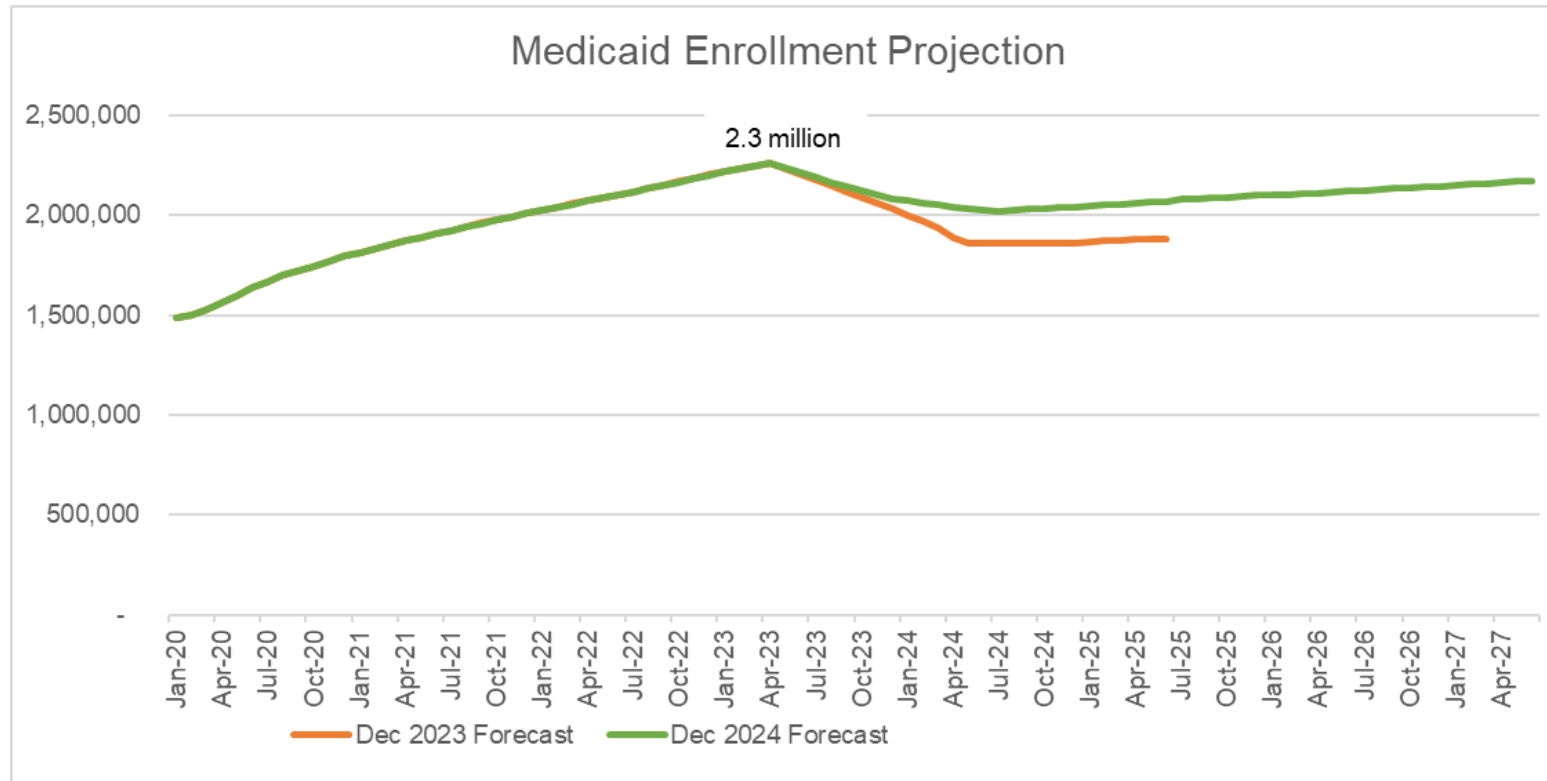
Total Expenditures, in \$millions	SFY 2024 (actual)	SFY 2025 (estimated)
December 2023 forecast expenditures	\$19,379.1	\$20,604.9
Managed care enrollment growth	349.8	879.4
Capitation changes and acuity, P4O payment timing	(178.6)	(62.2)
PathWays expenditures		(642.5)
CCBHC		119.0
Fee for Service non-LTSS expenditures	(40.1)	(128.8)
Institutional FFS expenditures	73.3	150.1
Home and Community FFS expenditures	14.2	(177.5)
Pharmacy Rebates, DSH, NF UPL, and other non-claims	(87.5)	(35.2)
CHIP	(71.8)	(88.5)
Other	(45.1)	23.7
<i>Total changes</i>	<i>14.2</i>	<i>37.5</i>
December 2024 Forecast expenditures	\$19,393.3	\$20,642.4

Comparison to the December 2023 Medicaid Forecast

Appropriation Need, in \$millions	SFY 2024 (actual)	SFY 2025 (estimated)
December 2023 forecast appropriation need	\$3,976.7	\$4,654.5
Managed care enrollment growth	26.5	76.3
Capitation changes and acuity, P4O payment timing	(20.8)	68.8
PathWays expenditures		(217.6)
CCBHC		(2.5)
Fee for Service non-LTSS expenditures	(13.8)	(40.5)
Institutional FFS expenditures	25.2	52.4
Home and Community FFS expenditures	4.9	(62.0)
Pharmacy Rebates, buy-in, and other non-claims	2.1	(82.4)
HAF/HIP	131.1	(0.2)
QAF taxes, PFAC IGT, and ARPA HCBS funding	17.0	(5.3)
Other	(32.8)	(12.2)
<i>Total changes</i>	<i>139.4</i>	<i>(225.2)</i>
December 2024 Forecast appropriation need	\$4,116.1	\$4,429.3

Enrollment projection

Compared to the December 2023 forecast update



Projection notes

- Return to normal operations: April 2023
- Renewal processing occurred over 12 months – from mid-May 2023 to mid-May 2024
- As of May 2024, the Dec 2023 forecast projected a net reduction of approximately **400,000** members. Actual reduction as of May 2024 was **225,000** members
- There are **175,000** more members than projected

Medicaid grew by approximately 772,000, from 1.49 million as of January 2020 to 2.26 million as of April 2023. It declined to 2.03 million as of May 2024

Enrollment by Population – Medicaid/CHIP

Population	Jan 2020 Pre-PHE	Growth	Apr 2023	Growth	May 2024	Net Growth 2020 - 2024
Healthy Indiana Plan (HIP)						
Pregnant Women	17,388	41,954	59,342	(13,175)	46,167	28,779
All Other HIP	390,670	368,059	758,729	(94,683)	664,046	273,376
Hoosier Care Connect (HCC)	90,402	10,528	100,930	(5,915)	95,015	4,613
Hoosier Healthwise (HHW)						
Children/CHIP	598,118	283,167	881,285	(128,327)	752,958	154,840
Pregnant Women	3,528	18,652	22,180	(5,525)	16,655	13,127
LTSS	90,798	13,731	104,529	3,859	108,388	17,590
Other Fee-for-service (FFS)	296,839	35,551	332,390	18,328	350,718	53,879
Total	1,487,743	771,642	2,259,385	(225,439)	2,033,946	546,203

Enrollment by Population – HIP Detail

Population	Jan 2020 Pre-PHE	Growth	Apr 2023	Growth	May 2024	Net Growth 2020 - 2024
Healthy Indiana Plan (HIP)						
Low Income Caretakers - Basic	29,824	25,562	55,386	(16,249)	39,137	9,313
Low Income Caretakers - Plus	48,971	82,666	131,637	(41,159)	90,478	41,507
Expansion - Basic	55,632	(55,086)	546	(39)	507	(55,125)
Expansion - Plus	143,467	174,075	317,542	23,244	340,786	197,319
Expansion Medically Frail - Basic	23,006	18,796	41,802	(16,906)	24,896	1,890
Expansion Medically Frail - Plus	75,861	133,766	209,627	(46,337)	163,290	87,429
Pregnant Women - State	15,191	36,718	51,909	(9,596)	42,313	27,122
Pregnant Women - Expansion	2,197	5,236	7,433	(3,579)	3,854	1,657
Hospital Presumptive Eligibility	13,909	(11,720)	2,189	2,762	4,951	(8,958)
Total HIP	408,058	410,013	818,071	(107,859)	710,212	302,154

December 2024 Medicaid Assistance Forecast

Average monthly enrollment, projected with data through October 2024 – Managed Care

Average Monthly Enrollment	FY 2023	<i>Growth</i>	FY 2024	<i>Growth</i>	FY 2025	<i>Growth</i>	FY 2026	<i>Growth</i>	FY 2027
Healthy Indiana Plan									
HIP State Plan Benefits Package	177,549	(18.1%)	145,414	(13.9%)	125,191	0.6%	125,951	0.5%	126,581
HIP Expansion	313,955	5.7%	331,973	5.3%	349,507	0.8%	352,175	0.5%	353,936
HIP Expansion - Medically Frail	238,137	(14.0%)	204,760	(9.6%)	185,140	0.8%	186,538	0.5%	187,471
HIP Pregnant Women	59,667	(14.5%)	51,031	(21.9%)	39,860	(4.0%)	38,263	(0.5%)	38,072
HIP Bridge					0		0		0
HIP Hospital Presumptive Eligibility	2,527	74.9%	4,420	10.6%	4,888	0.7%	4,924	0.5%	4,949
Total Healthy Indiana Plan	791,835	(6.8%)	737,597	(4.5%)	704,586	0.5%	707,852	0.4%	711,009
Hoosier Care Connect									
Adult	62,122	(7.5%)	57,437	(31.3%)	39,454	0.8%	39,754	0.5%	39,952
Child	23,572	(6.2%)	22,104	0.5%	22,220	1.3%	22,506	1.0%	22,732
Foster	15,738	5.4%	16,582	9.3%	18,118	4.4%	18,918	2.5%	19,382
Total Hoosier Care Connect	101,432	(5.2%)	96,123	(17.0%)	79,792	1.7%	81,178	1.1%	82,066
Hoosier Healthwise									
Adults	846	1.2%	856	(70.0%)	257	1.0%	260	0.5%	261
Children	726,902	(11.6%)	642,895	(4.3%)	614,975	1.4%	623,889	1.0%	630,128
Pregnant Women	21,037	(8.7%)	19,200	(32.7%)	12,920	(6.8%)	12,041	(0.5%)	11,981
CHIP	128,883	4.1%	134,175	4.1%	139,649	1.7%	142,030	1.1%	143,657
Total Hoosier Healthwise	877,667	(9.2%)	797,126	(3.7%)	767,800	1.4%	778,220	1.0%	786,027
PathWays									
Nursing Home					22,777	4.6%	23,821	3.9%	24,741
HCBS					28,906	10.8%	32,036	(1.1%)	31,681
Acute					67,936	2.7%	69,803	2.9%	71,845
Total PathWays					119,619	5.1%	125,660	2.1%	128,267

December 2024 Medicaid Assistance Forecast

Average monthly enrollment, projected with data through October 2024 – FFS and Total

Average Monthly Enrollment	FY 2023	<i>Growth</i>	FY 2024	<i>Growth</i>	FY 2025	<i>Growth</i>	FY 2026	<i>Growth</i>	FY 2027
Fee For Service									
Institutionalized	31,708	(0.4%)	31,572	(73.0%)	8,533	(4.9%)	8,117	0.4%	8,153
Waiver\State Plan HCBS	70,473	8.8%	76,664	(37.7%)	47,758	2.1%	48,781	1.9%	49,710
No Level of Care									
Hoosier Healthwise FFS	29,285	45.2%	42,530	(6.4%)	39,824	1.0%	40,211	0.7%	40,503
Dual	105,830	(10.7%)	94,528	(61.0%)	36,830	0.4%	36,978	0.5%	37,163
Non-Dual	33,650	(3.0%)	32,653	(9.5%)	29,566	2.8%	30,382	2.2%	31,063
Medicare Savings Program	64,306	5.8%	68,016	12.2%	76,284	3.5%	78,933	3.0%	81,301
Limited Benefit Populations, HIP ESO	94,026	21.7%	114,426	18.3%	135,394	19.8%	162,178	20.0%	194,613
Total Fee For Service	429,278	7.2%	460,389	(18.7%)	374,188	8.4%	405,580	9.1%	442,506
OVERALL TOTAL	2,200,212	(5.0%)	2,091,235	(2.2%)	2,045,985	2.6%	2,098,491	2.4%	2,149,875

Key enrollment projection assumptions:

- Actual data through October 2024, with adjustments for completion
- Baseline growth of approximately 2,000 per month for the overall program, with annual growth rates varying by population: 0.5% for HIP, 1.0% for children, 3% for the aged.
- The forecast increased foster child trends and added 3,000 legal permanent resident children as required by HEA 1091 (2023)
- Actual waiver enrollment through October is currently reflected, along with current levels of waitlist invitations until slots are exhausted and no slot growth for H&W and PathWays from SFY 2025 through SFY 2027
- The forecast reflects higher (20%) annual trend for the Limited Benefit/HIP ESO population, based on the last few years' experience

CHIP

Funding Projections

- Increasing cost due to enrollment growth, PMPM growth, and phase out of the enhanced FMAP
- Reflects no ABA utilization management
- FMAPs through FFY 2026 are final, as provided by Federal Funds Information for States (FFIS)

State of Indiana Family and Social Services Administration Analysis of CHIP State Funding, in \$millions					
	SFY 2023	SFY 2024	SFY 2025	SFY 2026	SFY 2027
Projected CHIP expenditures	\$ 305.2	\$ 388.8	\$ 403.4	\$ 444.5	\$ 460.6
Applicable FMAP	80.12%	76.56%	75.56%	75.35%	75.32%
State share	60.7	91.1	98.6	109.6	113.7
Projected HAF Funding	7.9	4.7	15.1	15.6	15.8
SFY 2024 HAF Funding Adjustment			<u>9.3</u>		
Projected appropriation need	\$ 52.8	\$ 86.4	\$ 74.3	\$ 94.0	\$ 97.8
Appropriation - CHIP Assistance	51.1	67.6	64.6		
Surplus / (Shortfall)	(\$ 1.7)	(\$ 18.8)	(\$ 9.7)		

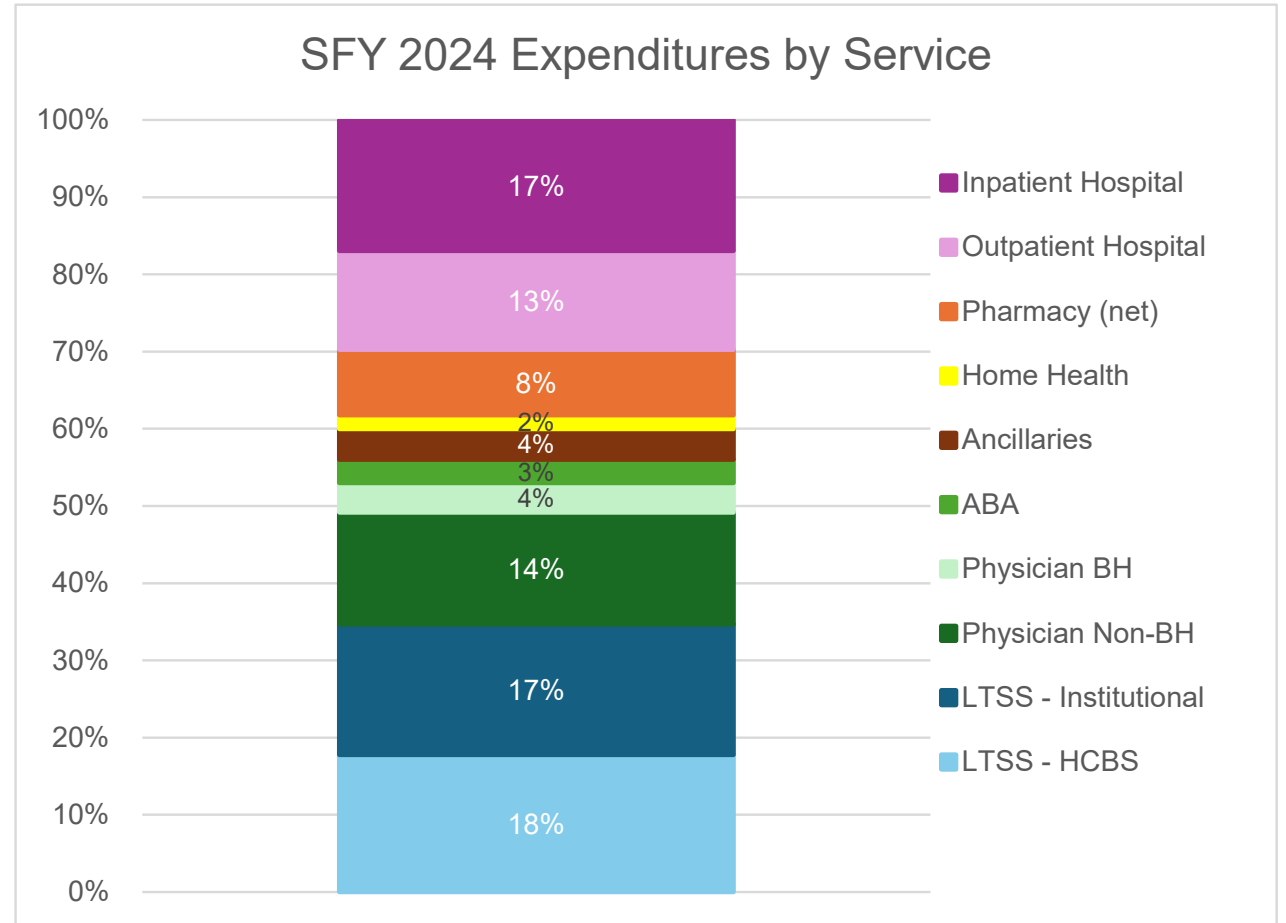
Expenditures by Category of Service

Services delivered during SFY 2024

During SFY 2024, Indiana Medicaid program expenditures for services delivered to Medicaid and CHIP enrollees were approximately \$20 billion dollars.

These services included:

- LTSS: In blue, on the bottom, is split between institutional (17%) and community (18%)
- Hospital: In pink/purple, on the top, is split between inpatient (17%) and outpatient services (13%)
- Pharmacy: in orange, illustrated net of rebates, 8%
- Physician services: in green
 - 14% non-Behavioral Health
 - 4% Behavioral Health
 - 3% Applied Behavioral Analysis (ABA)
- Ancillaries: brown, 4%
- Home health: yellow, 2%



Note: Percentages may not sum to 100% due to rounding.

Population by Eligibility Category

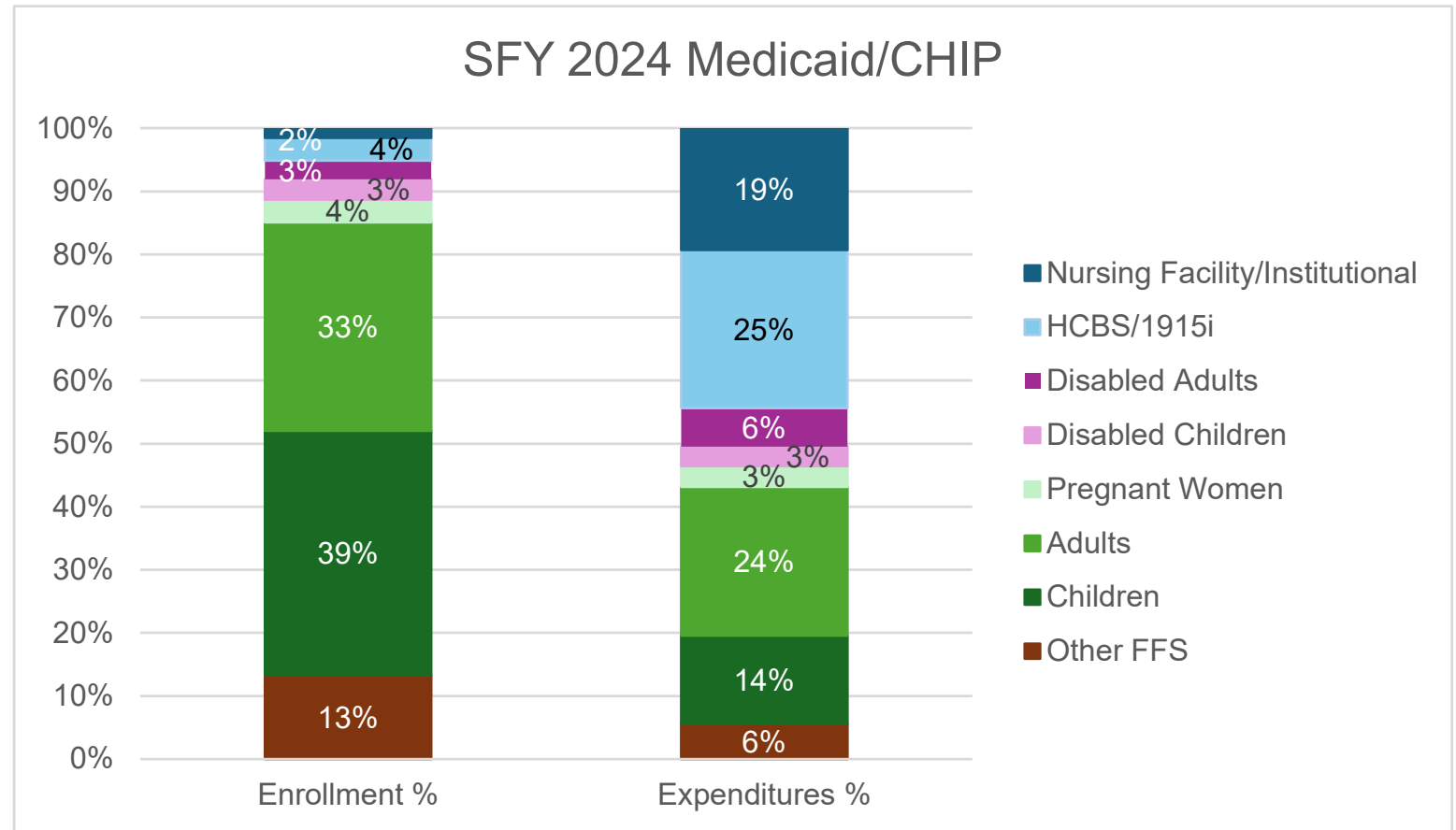
Percent of enrollment for each population vs percent of expenditures: SFY 2024, paid basis

The left bar illustrates the mix of populations enrolled in Indiana’s Medicaid and CHIP programs, while the right bar illustrates the percent of expenditures for each population.

LTSS: In blue, this group represented only 6% (2% + 4%) of the overall population, but almost half (19% + 25% = 44%) of Medicaid and CHIP payments during SFY 2024

Healthy adults and children:

In dark and medium green, this group comprised 72% of the population, but only 38% of expenditures.



Trends over Time

Indiana Medicaid Assistance Increases compared with national (NHE) Medicaid increases

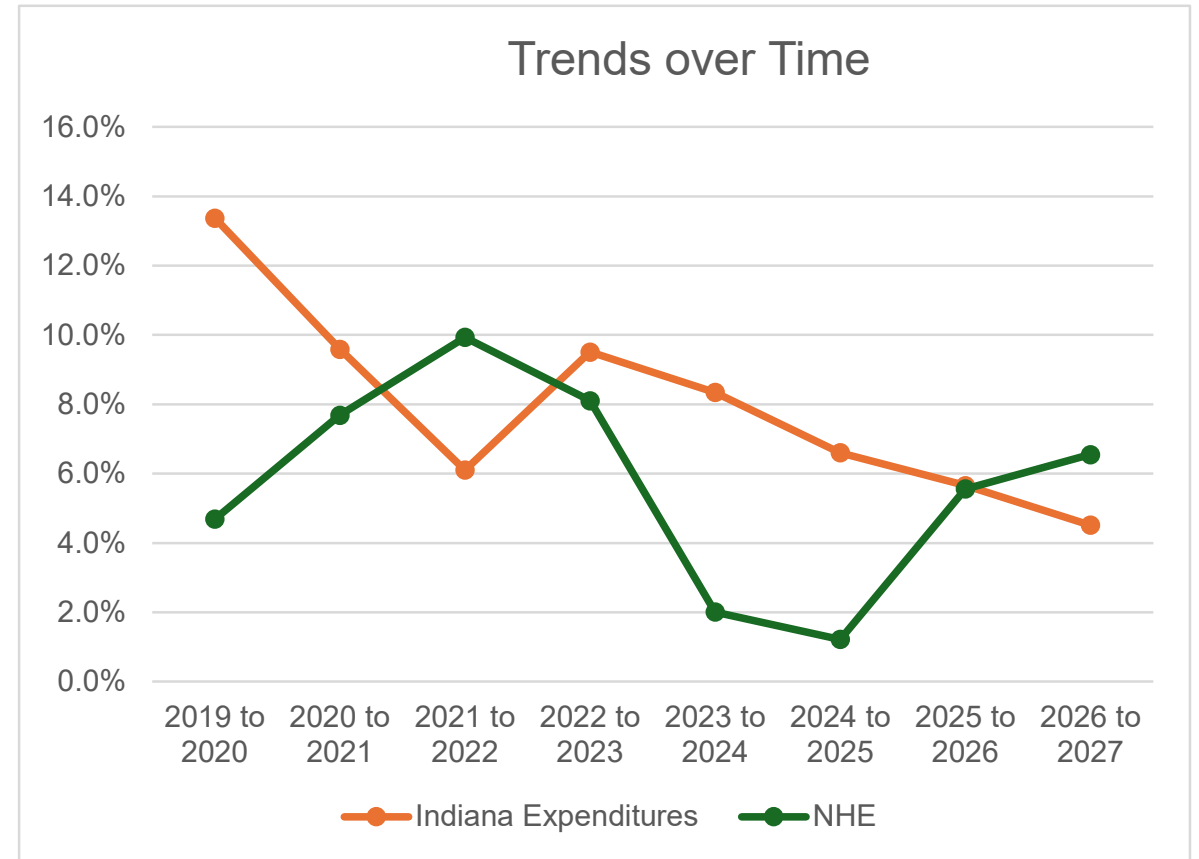
Trends in Indiana were higher than national trends during the initial part of the PHE and also during the “unwind”. At the beginning of the PHE, enrollment in Indiana grew faster than in other states; later, it declined less during the return to normal operations.

Composite annualized growth from 2019 to 2027:

- Indiana Medicaid Assistance: 7.9%
- NHE – National Medicaid expenditures: 5.7%

Medicaid Assistance increases through SFY 2024 are actual values from close-out. Values for SFY 2025 through SFY 2027 are from the December 2024 Forecast.

NHE increases were converted to Indiana’s fiscal year by averaging across two calendar years, with increases weighted using the Indiana Medicaid service distribution.



Trends over Time

Indiana Medicaid Assistance Increases compared with appropriation need increases

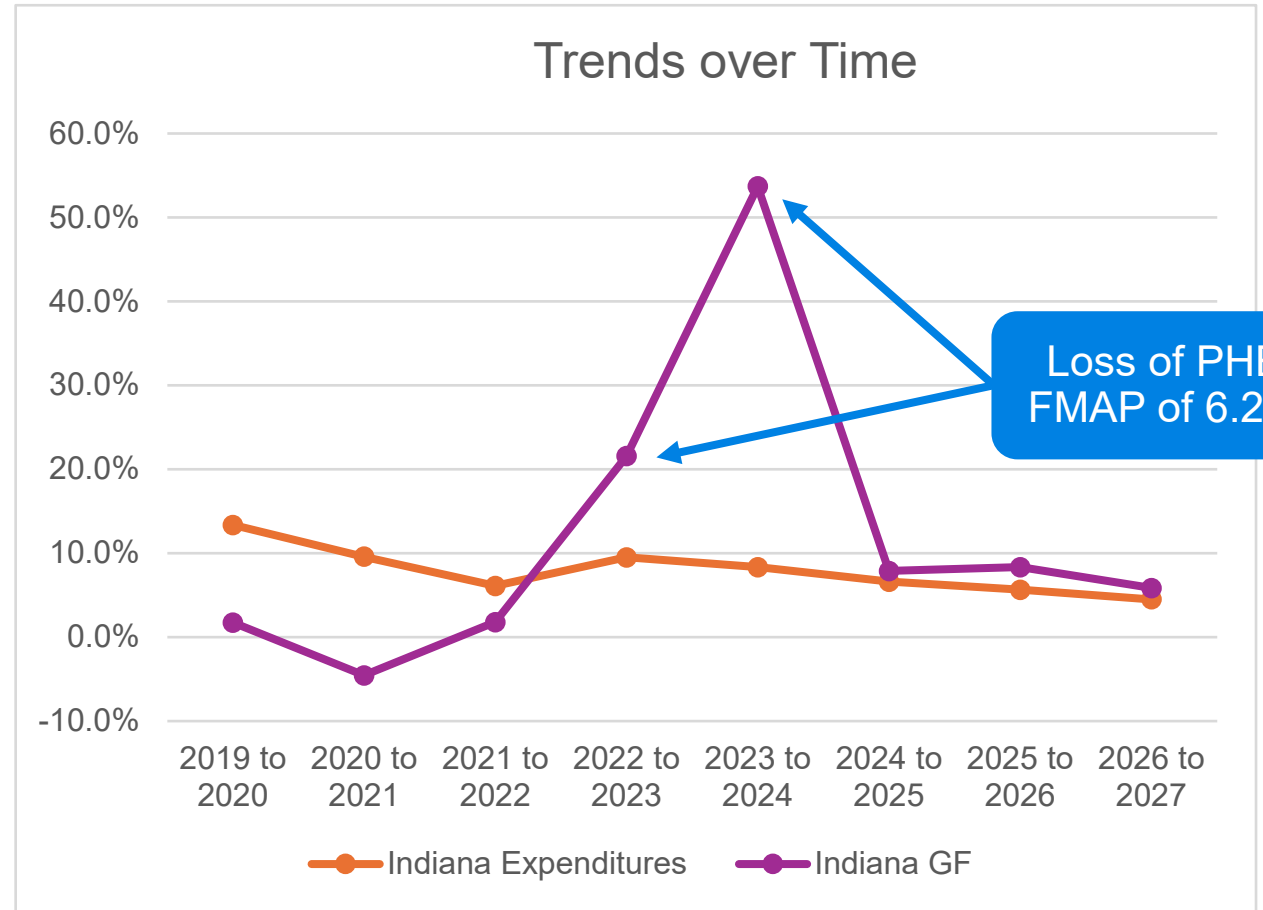
This graph compares trends in GF appropriation need to total expenditure trends.

Composite annualized growth from 2019 to 2027:

- Medicaid Assistance total expenditures: 7.9%
- Medicaid Assistance appropriation: 10.9%

The percentage growth in appropriation need was higher than for total expenditures for several reasons:

- Higher expenditure growth for regular FMAP populations, most notably LTSS
- Proportionately less growth in services with the state share funded by an IGT, such as MRO
- Reduction in the standard FMAP, increasing the state share percentage from 34.04% in FFY 2019 to 35.26% in FFY 2026



Areas with highest likelihood of assumption risk

Cautions and top areas to watch

- **PathWays**

- Enrollment may grow beyond current assumption. Reduction from Dec. 2023 Medicaid forecast is significant due to cost containment measures and lower than projected enrollment.
- Capitation may increase over time if institutional/community mix is higher than projected, if attendant care costs continue to grow, or general costs rise.

- **Waiver**

- The waitlist is currently a significant curb on costs, and no waiver growth is assumed.
- Utilization of attendant care may grow on a per enrollee basis, particularly in excess of 40 hours per week.

- **Home Health:** higher utilization is observed by Health & Wellness waiver, Family Supports Waiver and Dual members.

- **Managed care:**

- Capitation rates: projected amendments reflect rate changes for acuity and improved ABA utilization management.
- HIP: future benefit category shifts will cause higher capitation payments until rates are amended.

- **Medicare physician fee schedule (PFS):** 2025 Medicare PFS reductions (2.83%) may be reversed by Congress.

- **Anti-Obesity medications:** HHS may expand access to anti-obesity medications. If this occurs, FSSA has estimated approximately 5% to 20% of eligible members will be prescribed a drug, which will cost between \$11M - \$70M annually, on a state share basis, net of rebates.

- **Applied Behavioral Analysis:** Additional utilization management policies are being proposed to curb rapid utilization and recipient growth.

Cost Containment

Initiatives announced in January 2024 following the December 2023 forecast

The baseline December 2023 forecast projected status quo expenditure growth.

In January, FSSA committed to a number of initiatives to contain expenditure growth and maintain program sustainability. These initiatives included:

- **Reimbursement initiatives:**
 - Removed July 2024 rate indexing from HCBS services, dental, home health, ABA, and made no changes to DME reimbursement
- **HCBS enrollment initiatives:**
 - Limited slot growth on the A&D waiver, continuing now with limitations on the PathWays and Health & Wellness waivers
 - Paused expedited waiver eligibility (EWE) and reviewed any members who entered through EWE to confirm eligibility
- **HCBS service utilization initiatives:**
 - Transitioned caregiving by Legally Responsible Individuals (LRIs) to Structured Family Caregiving or non-LRI Attendant Care, in alignment with approved waiver authority
 - Reviewed outlier waiver service plans with high utilization and enhanced compliance with waiver service definitions including home modifications, vehicle modifications, and specialized medical equipment

In total, these initiatives were projected to result in **\$864.4 million** in total expenditure cost avoidance or **\$298.3 million** in appropriation basis cost avoidance during SFYs 2024-2025.

Cost Containment

Initiatives announced in January 2024 following the December 2023 forecast

The December 2024 forecast reflects the progress on cost containment initiatives:

- **Reimbursement initiatives:** Fully implemented rate indexing pause.
- **HCBS enrollment initiatives:** Savings from HCBS enrollment represent the largest impact, with approximately 60% of the savings from PathWays, 40% from H&W.
- **HCBS service utilization initiatives:** Savings from service utilization initiatives were limited in some ways, including higher than projected amounts of Tier 3 Structured Family Caregiving and offsetting home health services.

In total, the cost containment initiatives and related activity are projected to yield **\$996.7 million** in total expenditure cost avoidance, **\$348.1 million** in appropriation basis cost avoidance during SFYs 2024-2025.

Cost containment update	Total Impact	GF Impact
Reimbursement Initiatives	(\$ 83.5)	(\$ 29.2)
HCBS enrollment initiatives	(664.9)	(232.2)
HCBS service utilization initiatives	<u>(248.3)</u>	<u>(86.7)</u>
Total cost/(savings) impact in the December 2024 Forecast	(\$ 996.7)	(\$ 348.1)
Jan 2024 projected cost containment impact	(\$ 864.4)	(\$ 298.3)