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Legislature Approves \$3 Million for Medicaid Program Amid Funding Concerns; Temporary Service Limits Announced Effective July 1, 2024

In response to a \$3 million funding request by the DHS to cover Medicaid program costs, the Legislature has approved the allocation. DHS has announced temporary limits on services

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On Monday, the V.I. Department of Human Services requested the support of the 35th Legislature's Committee of the Whole in appropriating \$3 million to pay providers and vendors that participate in the Medicaid program and for other related purposes. The request was detailed under Bill 35-0291, which asked that the sum be appropriated from the territory's general fund.

Finance Committee Chair Senator Donna Frett-Gregory quickly questioned the funding source, as DHS had indicated that the \$3 million should be taken from any available source. “Any place means that something else that needs attention as well is going to be impacted,” Frett-Gregory warned. However, Kimika Woods, acting director of the Office of Management and Budget, explained that the GVI had a pool of funds available that had not yet been assigned. “We received a payment from the Limetree Bay refinery of \$5.2 million,” said Ms. Woods. “We have been holding it in the event that there was any litigation against the government.” According to Ms. Woods, that money is now being made available to meet the pressing needs of DHS. Frett-Gregory suggested that an amendment in the nature of a substitute would be fitting, to clearly state the source of funds.?

Legislators were also skeptical that [the requested \\$3 million](#) would be enough, with several describing the sum as “insufficient” to meet the current needs of the Medicaid program. Senator Ray Fonseca, who chairs the Committee on Health, Hospitals, and Human Services, was the first to appeal to his colleagues to “consider the amount that is being requested here,” alluding to a larger cash injection being needed.

According to DHS Commissioner Averil George, the money is being requested to “support a shortfall in the local match for claims to pay pass-through expenses to providers and to support the continued operation of the Medicaid program.” The program, she explained, “has a local account deficit of \$678,248 with an additional \$2,430,133.55 in current local match obligations waiting to be processed.”

“If we don't get this \$3 million we'll have to say that our entire Medicaid services are compromised,” lamented Ms. George.

Seeking to provide some context, Ms. George noted that in 2023, DHS paid out \$142,969,337 in Medicaid and Children's Health Insurance Program (CHIP) funds. Of that amount, \$133,312,344 was paid through the federal program, while the local match totaled \$9,656,994. Currently, DHS is required to pay a local match worth 17%, [down from 45%](#) prior to 2022.?

Though the number of people accessing the Medicaid insurance program since the pandemic has decreased by 44%, “claims expenditures have not reduced accordingly,” noted Ms. George. Monthly claims in FY2023 averaged \$8.6 million compared to \$9.3 million in FY2024. “At almost three quarters of the year, the department has spent 81% of what is spent in all of FY2023,” Ms. George reported. DHS recorded an increase in the Federal Medical Assistance Percentage after special pandemic contingencies ended.

These challenges are compounded by a host of other issues outside of the control of the DHS, including the length of time that providers have to submit claims (1 year), meaning there are periods where an influx in claims is recorded. Additionally, a relaxation of the pre-authorization or referral process to eliminate bottlenecks and increase access to care has allowed members to go “directly to on-island providers for services, allowing for less control over spending by the program,” according to Ms. George. She anticipates the need for a larger pool of local match funding as the “medical needs of the community continue to grow.”

?To promote sustainability, Ms. George testified that “the program must find ways to reduce spending as well as fraud, waste and abuse.” Outside of the \$3 million request, DHS has also identified long and short-term measures to address the “funding shortfall.” In the short term, warned Ms. George, “the team will be faced with determining on a case by case basis what services can be performed.” High priority will be given to “emergency and life-threatening

services and procedures, as well as mandatory services such as those for children.”

The department has already issued a public notice regarding temporary limits effective July 1, 2024. Adult dental, medical escort travel, personal care attendant, durable medical equipment and non-emergency prescriptions are some of the services that will either be limited or paused. The Medicaid team intends an “extensive communication plan” to inform members and providers of the changes. The disruptions are expected to last for at least three months, until the end of the fiscal year.

In the long term, DHS will consider enrolling eligible members in Medicaid Part D for prescription costs. There are currently 2,000 members who qualify for both Medicaid and Medicaid Part D, Ms. George reported. Their enrollment would “allow the program to see an almost 50% reduction in drug costs.”?

Where reducing fraud is concerned, DHS says it continues to “build [the] Medicaid Program Integrity Unit, having hired a Program Integrity Director in August 2023. Efforts are ongoing to hire “one fraud investigator and one quality control reviewer in each district,” said Ms. George.

Well aware of the need and importance of the Medicaid program, legislators were largely in support of Bill 35-0291. Hours after being discussed in the Committee of the Whole, the bill was put up for a vote during an evening Legislative Session on Monday. Summarizing the sentiment of many of her colleagues, Senator Alma Francis-Heyliger described it as “a quick fix...that has to be addressed long term.”