



# Interpreting Trends in Spending Data: Impact of Prior Period Adjustments

**Medicaid and CHIP Payment and Access Commission**

Chris Park

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# Overview

- State expenditure reporting
- Realignment of prior period adjustments
  - Total benefit spending
  - New adult group spending
  - Service-level spending
- Policy implications
- Other considerations

# State Expenditure Reporting

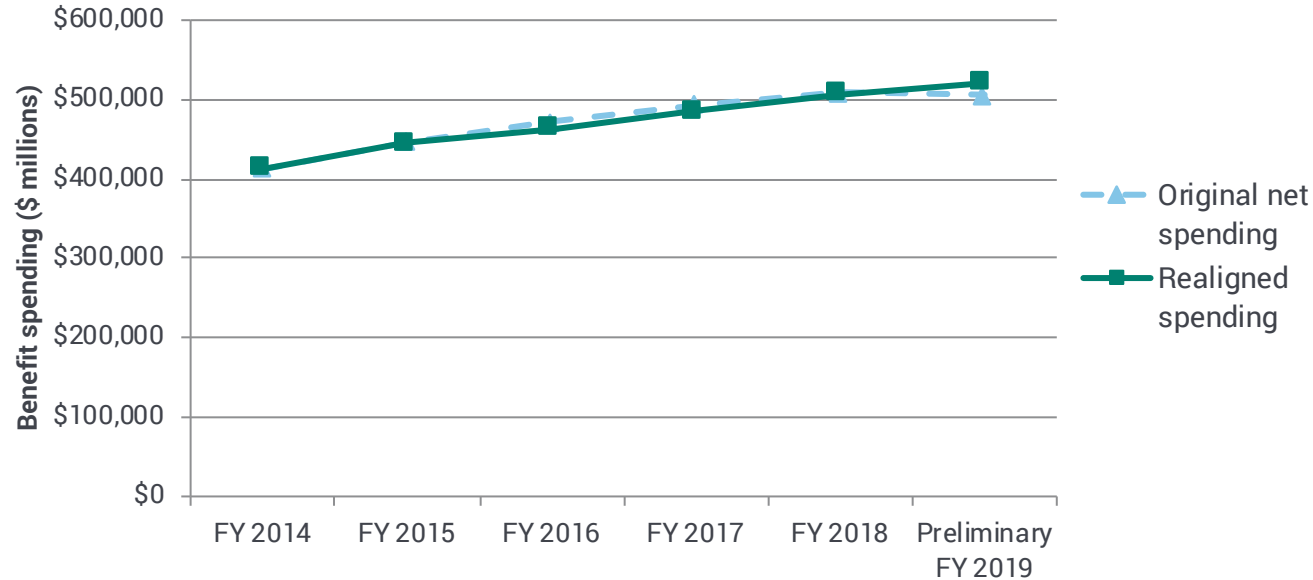
- To receive federal match, states report Medicaid expenditures on the CMS-64
- States may adjust their reporting for prior periods for up to two years
  - Reclassification of expenditures
  - Recoupment from managed care plans
  - Resolution of deferrals or disallowance

# Realign Prior Period Adjustments

- Net financial management report (FMR) includes prior period adjustments
- Prior period adjustments can be realigned back to the period to which they apply
- Analysis of fiscal year (FY) 2014–2019 expenditures reported on net FMR compared to expenditures that have been realigned
  - Incorporates prior period adjustments through September 30, 2019

# Comparison of Original Net Benefit Spending and Realigned Spending

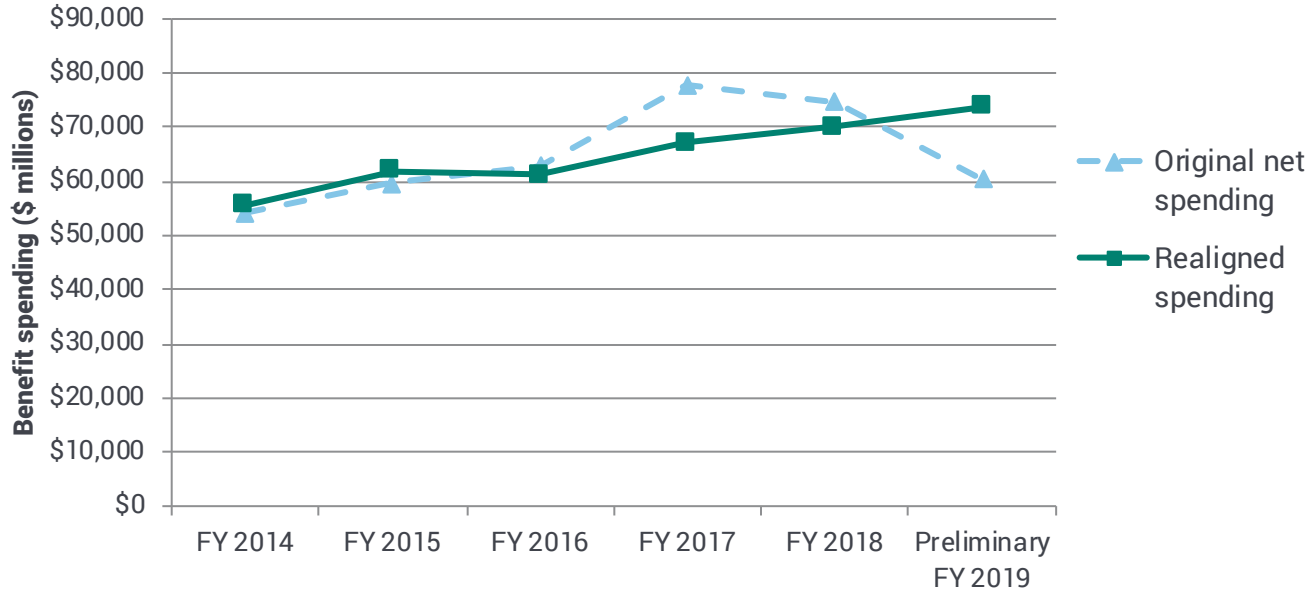
# National Benefit Spending Comparison, FYs 2014–2019



**Notes:** FY is fiscal year. Includes federal and state funds. Excludes California and the territories. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

**Sources:** MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

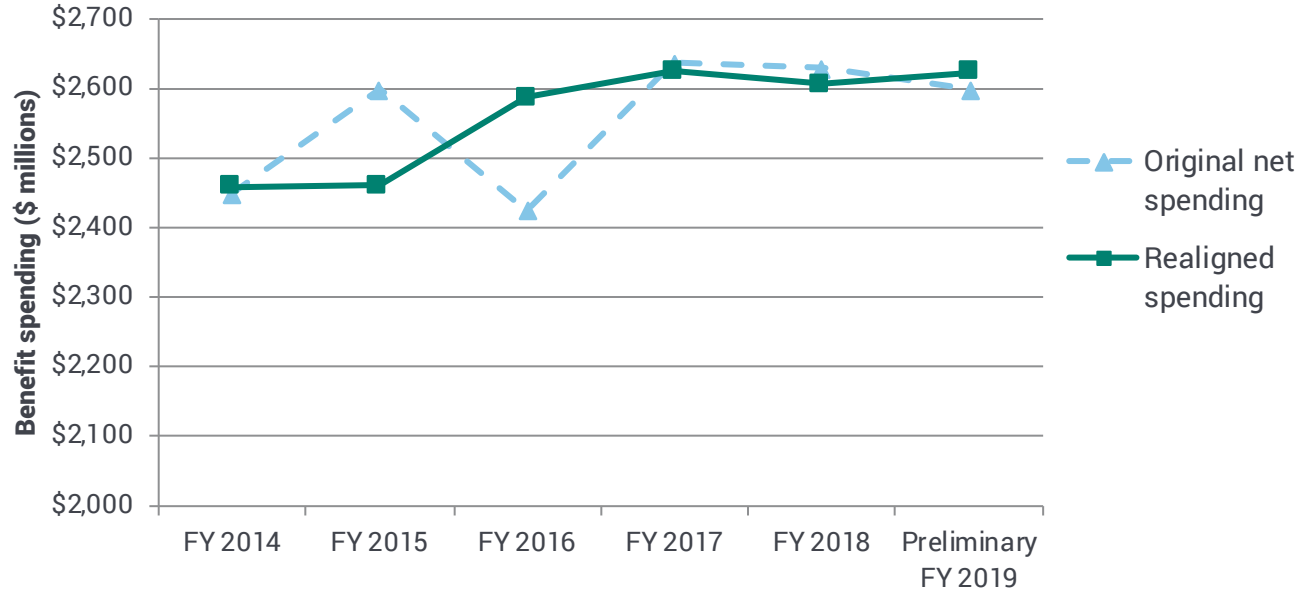
# New York Benefit Spending Comparison, FYs 2014–2019



**Notes:** FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

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# Rhode Island Benefit Spending Comparison, FYs 2014–2019

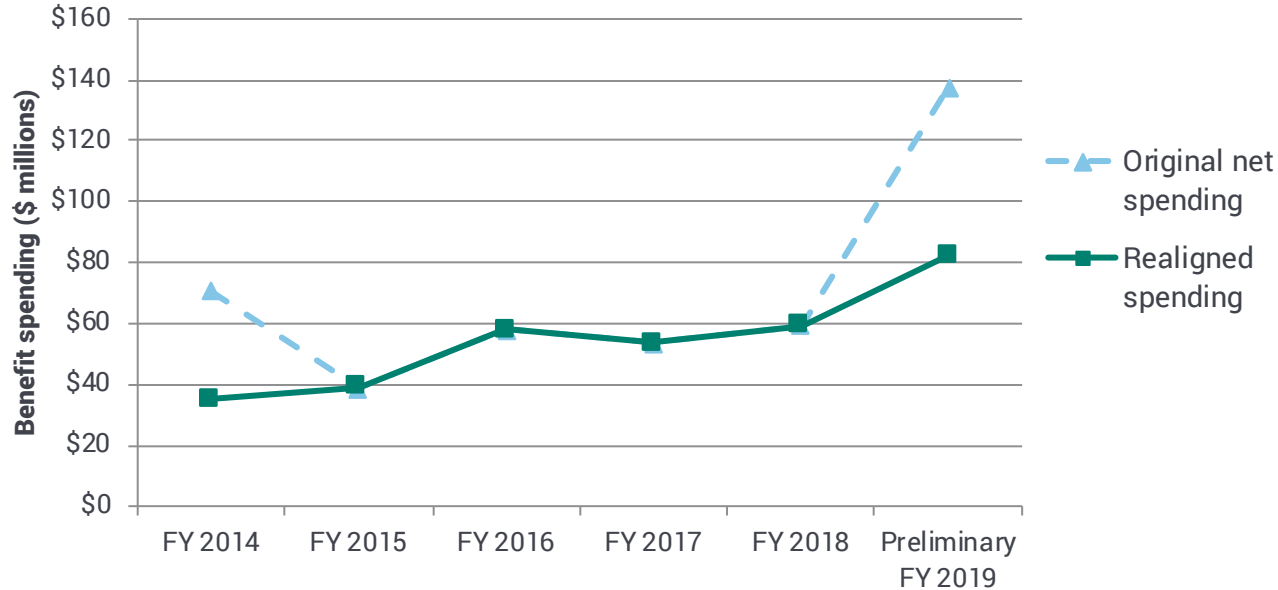


**Notes:** FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

**Sources:** MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.



# Virgin Islands Benefit Spending Comparison, FYs 2014–2019

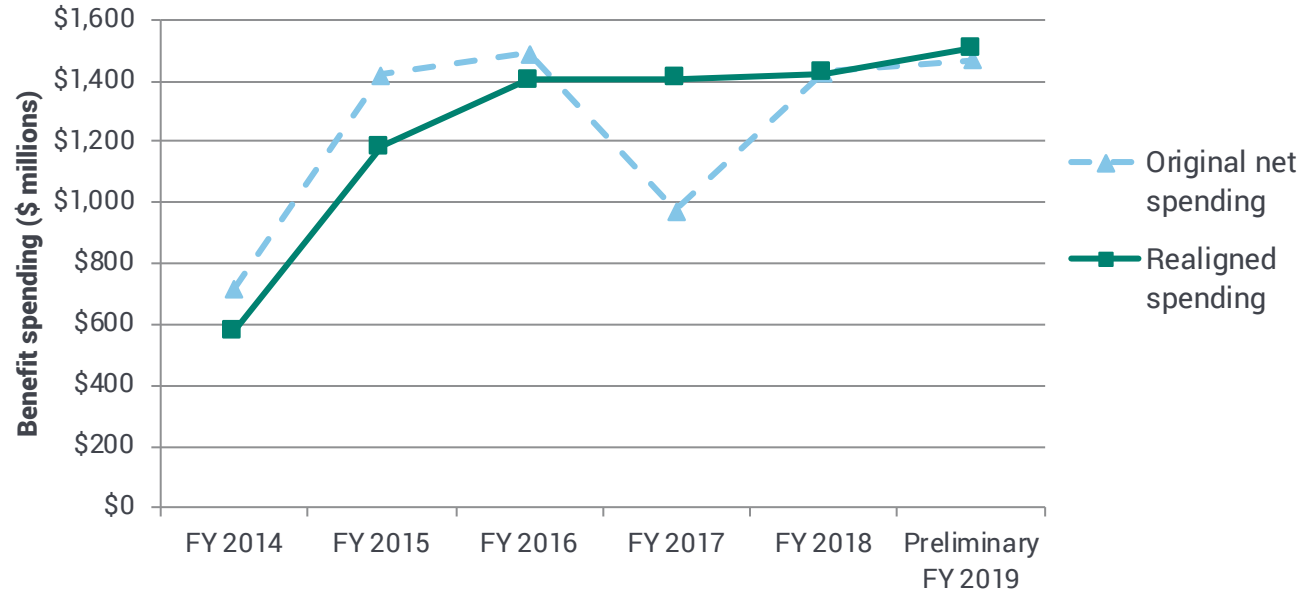


**Notes:** FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

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# Comparison of Original Net Benefit Spending and Realigned Spending for New Adult Group

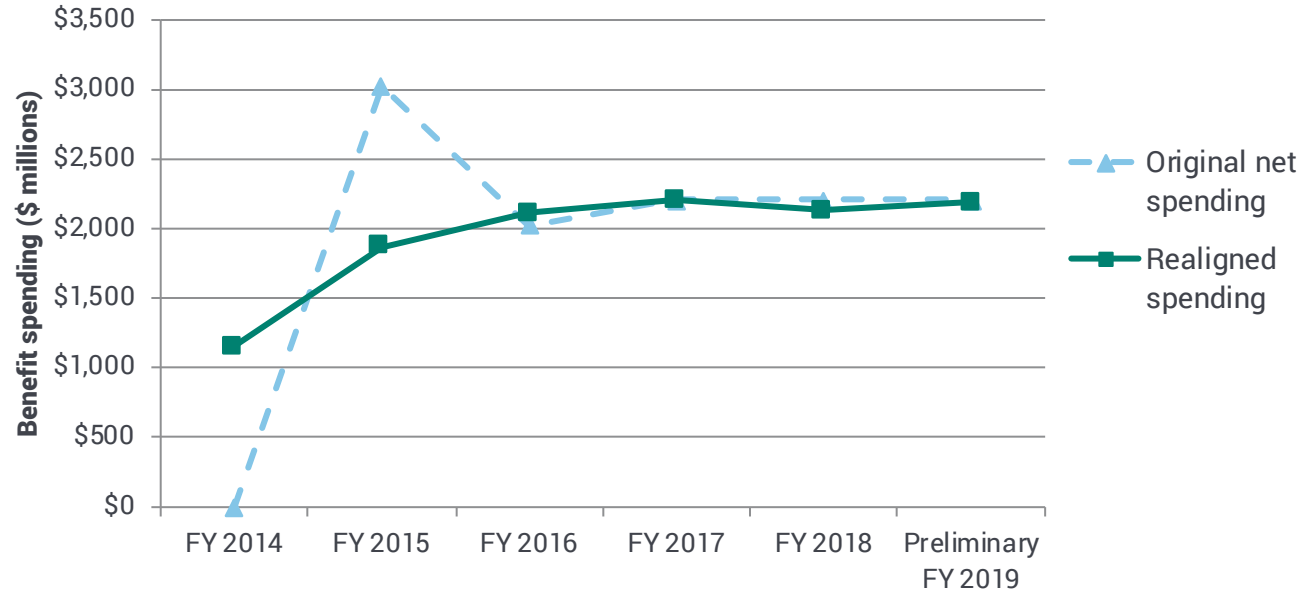
# New Mexico Benefit Spending Comparison for New Adult Group, FYs 2014–2019



**Notes:** FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

**Sources:** MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

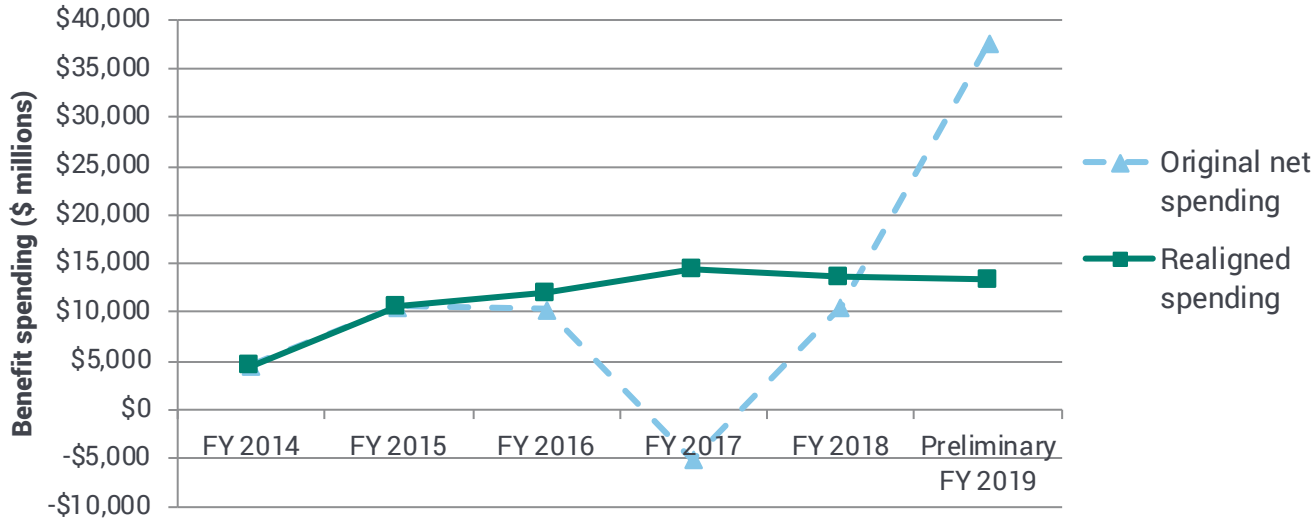
# Massachusetts Benefit Spending Comparison for New Adult Group, FYs 2014–2019



**Notes:** FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

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# New York Benefit Spending Comparison for New Adult Group, FYs 2014–2019

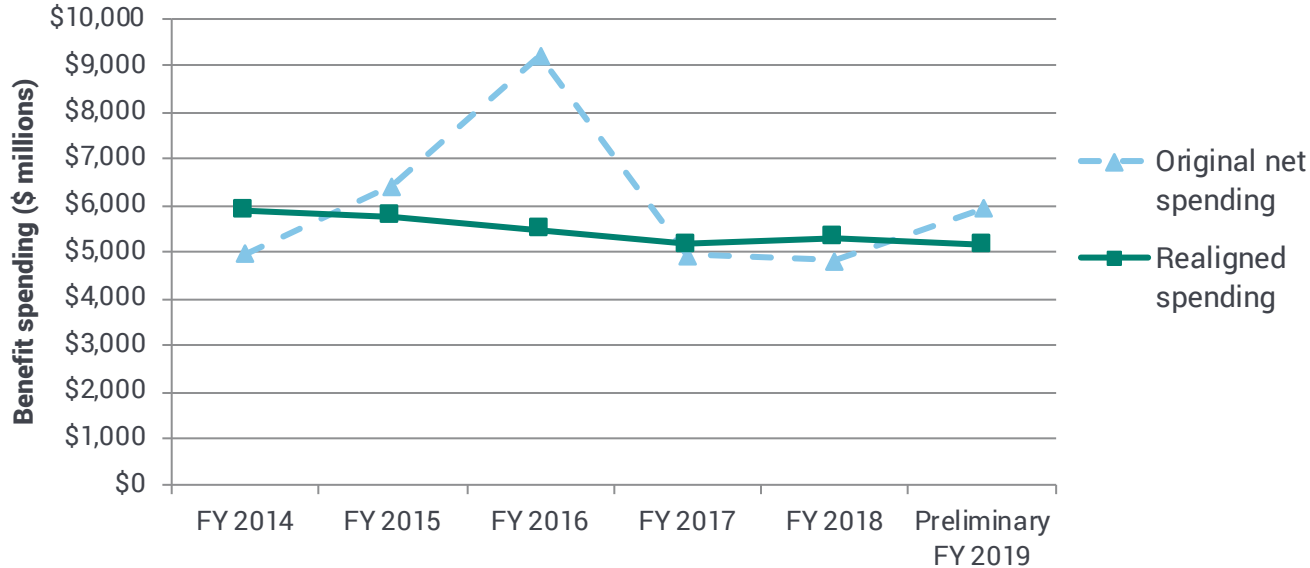


**Notes:** FY is fiscal year. Includes federal and state funds. Excludes collections. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

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# Comparison of Original Net Benefit Spending and Realigned Spending at the Service Level

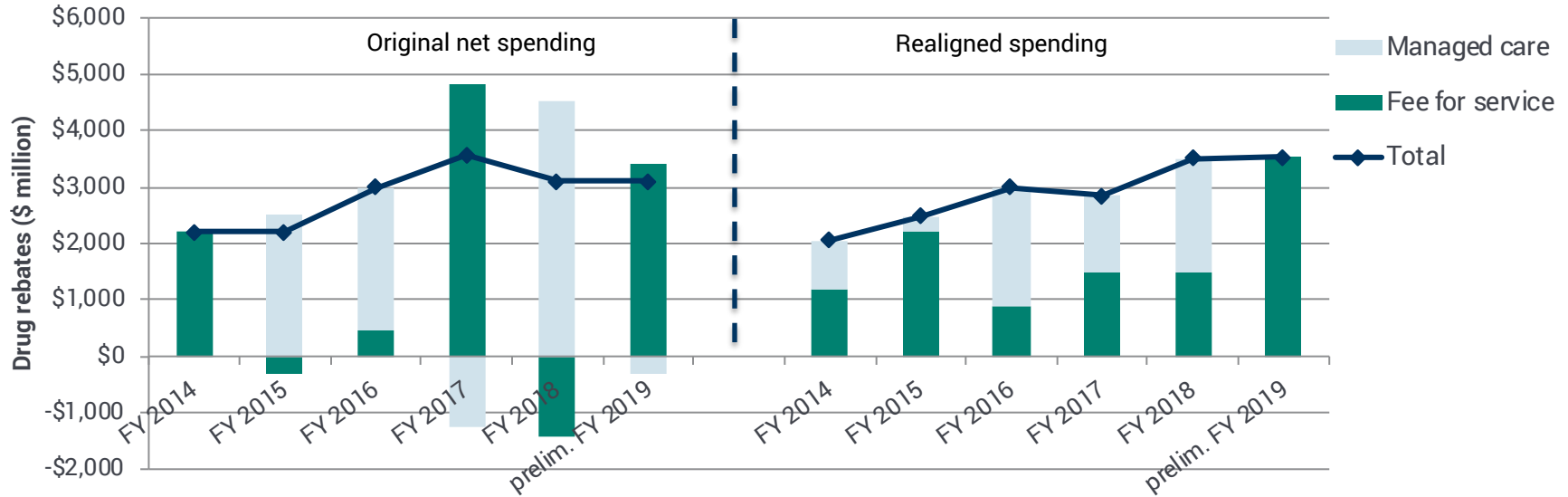
# Texas Inpatient Hospital Spending Comparison, FYs 2014–2019



**Notes:** FY is fiscal year. Includes federal and state funds. Inpatient hospital spending includes base payments, disproportionate share hospital (DSH), and non-DSH supplemental payments. It does not include Section 1115 waiver payments that may have been classified in other service categories. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

**Sources:** MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.

# New York Drug Rebate Comparison, FYs 2014–2019



**Notes:** FY is fiscal year. Includes federal and state funds. Drug rebates are typically reported as negative spending amounts. For purposes of this exhibit, we display rebates as a positive amount, so that positive amounts shown here decrease spending and negative amounts increase spending. Original net spending represents amounts reported on the CMS-64 net expenditures financial management report. Realigned prior period adjustment spending removes prior period adjustments that apply to a prior fiscal year and adds applicable prior period adjustments made in subsequent quarters. Includes prior period adjustments made through September 30, 2019. FY 2019 estimates are preliminary as it does not account any adjustments that may be made in future quarterly reporting.

**Sources:** MACPAC, 2020, analysis of CMS-64 net expenditure financial management report and VIII group expenditures report as of December 18, 2019.



# Policy Implications

- Analysis of spending trends that hasn't been realigned can be misleading
- Net FMR may be more appropriate for certain accounting or budgetary purposes
- Realigned expenditures eliminate variation due to timing of reporting
  - Questions on cost of new adult group
  - Exhaustion of funds in territories
  - Baseline for alternative financing models (e.g., per capita cap)

# Other Considerations

- Trade off between timeliness and accuracy
  - Can't report on realigned prior period adjustments until at least two years later
- Realignment can introduce new anomalies

California	FY 2016	FY 2017
Original net FMR	\$83.7 billion	\$83.0 billion
Realigned spending	\$129.9 billion	\$44.6 billion

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