

From: Casart, Andrea J. (CMS/CMSO) [Andrea.Casart@cms.hhs.gov]

Sent: Thursday, August 07, 2008 12:41 PM

To: Sippel,Kendra

Cc: Sathiadevan,Aradhana; Shuman, Stacey S. (CMS/SC); Terwilliger, Lane M. (CMS/CMSO); Crystal, Frances C. (CMS/CMSO)

Subject: Texas Family Planning Waiver -year 1 deliverables

Attachments: DY5 budget neutrality.xls; Budget Neutrality calculation attachment (year 5).doc
Kendra/Aradhana,

In an attempt to describe the annual budget limit another way, Melissa put together some examples (attached) and restated what we want below. We will go over your specific questions on Monday so, if we can get any of your questions up front and/or a revised set of documents, that would be great.

Thanks,
Andrea

The Excel sheet is a state's calculation of the annual budget limit for year 5 of their initial demonstration period. (We deleted reference to state's name in these docs just to be on the safe side) They adjusted for race and ethnicity. TX has been told to age adjust, and you can adjust by race/ethnicity if you want. The accompanying word document does a good job of describing the process. Texas should have already submitted their base year fertility rate data to CMS.

As for terminology, here is a laundry list of data and equations the state will need to complete this task:

Data

- a. Base Year Fertility Rate (should have been submitted to CMS a year after approval)
- b. Demonstration Year Fertility Rate
 - i. To calculate this, they will need:
 1. number of demonstration participants in the demonstration year
 2. the number of births to those participants in the demonstration year
- c. Average cost of a Medicaid birth, which includes prenatal care, delivery, and 1st year of life costs for infant

Equations

- a. Births Averted = (base year fertility rate ? demonstration year fertility rate) * number demonstration participants in the demonstration year
- b. Annual Budget Limit = (Number of Births Averted) x (Average Cost of Medicaid Birth)
- c. To determine if the state is within budget for the demonstration year → (Annual Budget Limit) ? (Total program expenditures as claimed on CMS-64 forms). If this number is positive, then the state remained within the budget for the demonstration year. If this is negative, they must calculate if they are exceeding the annual budget limit by more than 16%. If they are, they must submit a corrective action plan.

From: Sippel,Kendra [mailto:Kendra.Sippel@hhsc.state.tx.us]

Sent: Monday, August 04, 2008 3:43 PM

To: Casart, Andrea J. (CMS/CMSO)

Cc: Sathiadevan,Aradhana

Subject: Texas Family Planning Waiver Conference Call Times

Andrea,

Aradhana and I are available to speak with you and Melissa about our Expenditure Review:

3/8/2010

Texas Family Planning Waiver -year 1 d...

- Monday, Aug. 11, anytime after 11:00am, or
- Tuesday, Aug. 12, anytime before 12:30pm

Do either of these times work for the two of you? I cc'd Aradhana so that you'll have her full name and e-mail.

Thanks,
Kendra

Budget Neutrality Calculations – Demonstration Year 5 (FY 2005) **1115 Waiver for Family Planning Services**

In conformance with Attachment A of the Terms and Conditions of this demonstration waiver, XXXX has calculated the expenditure limit for the fifth year. The attached spreadsheet shows the numbers that went into those calculations. Further it reflects the fact that XXXX did not exceed the FFP limit for the period.

The first column of the table gives the race and age breakouts for the data so that the base year fertility rate can be adjusted accordingly. The second, third, and fourth columns present the same data that was sent to CMS in the first year, when XXX was requesting approval of base year fertility rates and the methodology for calculating them.

The fifth column shows the base year fertility rate after it has been adjusted for a different racial and age mix among the participants during year 5 of the demonstration. This adjustment is appropriate as can be seen from the following example. The percentage of white participants in the 30-44 year age range during year five is proportionately smaller than their percentage in the base year – 8.6% vs. 37.9%. Therefore, their low fertility rate in the base year should be given less weight in the estimated fertility rate for all participants in the absence of the waiver. The adjusted fertility rate is .217172 (i.e., 217.172 births per 1,000 women.)

The sixth column presents the number of demonstration participants for the period and the seventh column gives the counts of births to those participants. Finally, the last column shows the fertility rate for year five to be .088208.

The actual calculations for budget neutrality are found beneath the table on the attached. Subtracting the actual fertility rate for demonstration participants from the expected rate (adjusted base year rate) and multiplying the result by the number of participants yields an estimated 11,240 averted births in year five of the demonstration. By multiplying that number by the average costs associated with pregnancy-related care, including infant care, we were able to estimate the expenditures XXXX would have incurred during the period if those births had not been averted. The total amount calculated was in excess of \$91.8 million, of which \$65.0 million was the federal share limit, at 70.83% FFP. This total is based on an average annual cost per SOBRA woman and infant (up to one year of age) of \$8,169.

As reported on the quarterly CMS-64s for the period, demonstration expenditures for family planning services totaled \$20.4 million, of which \$18.3 was the federal share. Clearly, XXXX has demonstrated budget neutrality during year five of this waiver, saving taxpayers millions of dollars. Actual costs (family planning services and administration) associated with this waiver equaled only 28.9% of the expenditure target for the fifth year.

Family Planning 1115 Waiver

Budget Neutrality

Race and Age	Base Yr Pop	Base Yr Births	Base Yr Fertility Rates	Base Yr Fertility Rate (Adjusted)	DY 5 Participants	DY 5 Births	DY 5 Fertility Rate
White							
18-19	6,476	1,959	0.3025015		3,868	306	
20-29	31,032	6,409	0.2065287		26,746	2,963	
30-44	53,221	1,015	0.0190714		7,519	320	
Black							
18-19	4,130	1,544	0.3738499		4,341	238	
20-29	16,900	5,143	0.3043195		32,194	3,265	
30-44	24,545	841	0.0342636		9,782	404	
Other							
18-19	331	77	0.2326284		162	6	
20-29	1,630	244	0.1496933		1,842	149	
30-44	2,189	69	0.0315212		703	37	
Totals	140,454	17,301		0.217172	87,158	7,688	0.088208

Births averted (BA) = $(.217172 - .088208) * 87,158 = 11,240$

	BA	BC	Total	Federal Share
	11,240	\$8,169	\$91,824,713	\$65,039,444
Waiver expenditures			\$20,377,650	\$18,346,923
Administrative expend.			\$617,552	\$450,933
			<u>\$ 20,995,202</u>	<u>\$ 18,797,856</u>

Percent of Target 28.90%