



Commonwealth of the Northern Mariana Islands
State Medicaid Agency
Office of the Governor

August 30, 2019

Honorable Dr. Michael C. Burgess, M.D.
Ranking Member
Subcommittee on Health
U.S. House of Representatives
Energy and Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

Dear Representative Burgess, M.D.:

Thank you for your question that follows:

“1. In FY 2018, federal spending for Medicaid in all five territories exceeded the annual Section 1108 allotment amount. I expect that in FY 2019, we'll see an increase in federal spending over the annual Section 1108 allotment amount for all five territories since they'll have access to a 100 percent federal matching rate for all or part of the fiscal year. Because no additional federal funding is available after December 2020, territories will generally need to finance any Medicaid spending over the annual Section 1108 allotment with local funds. My question for each of you is, if you only had the 1108 allotment funding, how short of funding would you all be?” [underscore added]

The best direct answer to the question is that the CNMI is facing an estimated shortfall of close to \$65.01 million in FY 2020 based on 2018 Expenditures and Incurred But Not Booked (IBNR) Accounts Payables (AP). The following explains how this amount is estimated.

- Table 1, next page, shows the FY 2018 Expenditures and Incurred But Not Booked Accounts Payables shows the Section 1108 allotments to be woefully inadequate and has led to the Medicaid Fiscal Cliff. Further, the Federal Medical Assistance Percentage (FMAP) of 55% does not reflect the per-capita income levels for the CNMI relative to the national average. As a result, the CNMI has had to use the Certified Public Expenditures (CPE) methodology to reimburse the Commonwealth Healthcare Corporation (CHCC), a public health system. Unfortunately, that has meant for years, the CHCC has been provided 45% less than it should be receiving to provide services to the U.S. citizens in the CNMI due to the financial situation of the CNMI Government.
- In FY 2018, the CNMI Medicaid Program expended and had an IBNR of about \$74.6 Million for both the Medicaid Medical Assistance Program (MAP) and the Children's Health Insurance Program (CHIP), including the Enhanced Allotment Program (EAP) amount used solely for the distribution of Part D medications to dual-eligibles (Medicare and Medicaid).

- The Centers for Medicare and Medicaid Services (CMS) has informed the CNMI that for FY 2020, the Section 1108 Allotment will be only \$6.85 Million.
- With the end of the increase provided under the Patient Protection and Affordable Care Act (PPACA) for the CNMI Medicaid Medical Assistance Program (MAP), the gap in federal funding is estimated at around \$65.01 Million short given the Section 1108 budget caps.
- The temporary increased funding provided under the PPACA ends on September 30, 2019. However, for FY 2019, an additional amount of \$36 million was provided under Disaster Relief Act (DRA) funding for the CNMI.

Table 1 - FY 2018 Actual Medicaid Expenditures and IBNR Expenses

Budget Item Description	Amount in Millions	Notes
FY 2018 Medicaid and CHIP Expenditures with the Enhanced Allotment Program (EAP) and CNMI Matching Share	\$ 56.60	This amount was reported on the CMS-64 reporting form to the Centers for Medicare and Medicaid Services (CMS) and includes the Medical Assistance Program (MAP), the Children's Health Insurance Program (CHIP), the Enhanced Allotment Program (EAP), and the CNMI Matching share expenditures.
FY 2018 IBNR	\$ 18.00	This is the IBNR that is not on the CMS-64 form.
Total FY 2018 Expenditures and IBNR Expenses	\$ 74.60	Note that this amount includes the CNMI CHCC expenditures and reflects only the 55% reimbursement under CPE since CNMI Government has been unable to fully fund the matching share at 45%.

Notes:

1. In FY 2018, the Commonwealth Healthcare Corporation (CHCC) was paid a total of \$10.57 Million in FY 2018 through the Certified Public Expenditures (CPE) payment methodology. This amount represents only the federal share of 55%. Under 100% Disaster Relief Act (DRA) funding, the monthly amount increases to include the 45% for FY 2019. This would be an additional \$712,385 per Month or \$8,548,625 for the CHCC a year. The CHCC needs the additional funding. However, the CNMI Government has not been able to support the CNMI-share in the past due to financial limitations.

As shown in Table 2, below, the following is the estimated financial shortfall that the CNMI Medicaid Program will confront in FY 2020 if no relief is provided to the current Section 1108 budget caps.

Table 2 - FY 2020 Budget Shortfall Projections Based on CMS Section 1108 Less CHIP and EAP Appropriations, and Increased Amounts for 100% Disaster Assistance under CPE

FY 2018 Total Medicaid-Only Expenditures and IBNR	\$ 74.60	From Table 1. Includes CHIP program expenditures and CNMI Matching.
FY 2020 Section 1108 Allotment	\$ (6.85)	CMS Federal Allotment Based on Section 1108.
FY 2020 CHIP Allotment	\$ (11.20)	CHIP federal funds are taken out since they are funded under separate appropriations.
FY 2020 EAP Allotment	\$ (0.19)	EAP federal funds are taken out since they are funded under separate appropriations.
FY 2018 CHCC CNMI Match	\$ 8.65	CNMI 45% Match for CHCC CPE based on 100% Disaster Relief Act.
Total FY 2020 Estimated Medicaid Medical Assistance Program Shortfall	\$ 65.01	The estimated shortfall is based on 2018 Expenditures and assumes a Medicaid Disaster Relief Act program funding increase for 100% of the CPE expenditures.

Notes:

1. The Section 1108 of \$6.344 million allocation in FY 2018 was completely inadequate to support the Medicaid program. Fortunately, the Section 1108 capped amount was supplemented by temporary increased funding under the Affordable Care Act that expires in FY 2019. All funds under the ACA were actually expended in March 2019, as reported by CMS and the CNMI.
2. If 100% funding for two years under HR 3631 is provided, then, the CNMI Commonwealth Healthcare Corporation would receive an additional amount of funding.
3. Healthcare costs continue to increase each year. So, the projected shortfall is based on FY 2018 actual and incurred expenses. Further, in a small program such as the CNMI, a few "outlier" medical cases (e.g. off-island referrals for cancer care and other debilitating medical conditions requiring specialized care) could result in significantly increased spending for a period of time.
4. HR 3631 will provide \$60 Million in Funding at 100% for the first two years. Given the projections, this amount will still result in a shortfall based on FY 2018 Expenditures and IBNR and general annual increases in the cost of health care. However, it is very welcome and the CNMI Medicaid program has lessened the expenditures for private primary care providers based on the CNMI State Medicaid Plan.

The CNMI experienced two typhoons in the past three years. The latest, Super Typhoon Yutu, was a Category 5. The typhoon has exacerbated the financial condition of the CNMI; and, in May 2019, the CNMI Government instituted "austerity" measures that includes government employees placed on a forced "leave" for a day every two weeks to lessen payroll expenses.

So, the CNMI will simply not be able to support the Medicaid program in the amounts of the projected shortfall and the CNMI Medicaid program will have to drastically curtail current services to the eligible U.S. citizens. It is not certain where the cuts will be made. However, given the magnitude of the shortfall, it is completely certain that the CNMI Government does not have the financial resources to close the gap and the U.S. citizens in the territory will be severely impacted from the lack of care and services (including drugs) which will, with very high probability, lead to mortality and long-term morbidities.

We are imploring you to please help avert the impending crisis. We are on a ledge below the cliff and hoping for a way back up.

Please do not hesitate in letting us know if there are any further questions and thank you once again for your follow-up question.

With Respect and Hope,

Helen C. Sablan
Director
Medicaid State Agency
Commonwealth of the Northern Mariana Islands

c: Honorable Chairman Frank Pallone, Honorable Ranking Member Greg Walden, and Honorable Members of the House Committee on Energy and Commerce.

Honorable Chairwoman Anna G. Eshoo and Honorable Members of the House Subcommittee on Health.