




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To: Sen. Barry Hobbins, Senate Minority Leader  
Sen. Justin Alford, Assistant Senate Minority Leader

From: Grant T. Pennoyer,  Director

Date: January 18, 2012

RE: Estimating DHHS MaineCare Shortfall

In response to your letter, I want to update you on OFPR's progress toward an "independent confirmation" of the MaineCare shortfall. We are still unable to adequately estimate the shortfall amount. We certainly have noted that current year spending trends assuming no changes in the 2<sup>nd</sup> half of the year would produce a FY 2012 General Fund shortfall in the \$120 million range. We have not yet confirmed the one-time elements even within the first half of the current fiscal year to adequately predict the 2<sup>nd</sup> half of FY 2012, let alone project the FY 2013 or structural shortfall. We are still analyzing the causes and finalizing our analysis, which we hope to complete within the week.

As I noted in my presentation to the Appropriations Committee last week, we have made some progress towards better understanding the shortfall, which results largely from higher than anticipated state share expenditures. The Department of Health and Human Services (DHHS) has been cooperating to help us understand the shortfall and has agreed to a reporting framework that will help better analyze and track this major program. This framework involves developing a budgeted projection based on the largest "objects" or categories of service within the MaineCare program that explain roughly 90% of the programs expenditures. These are data which OFPR has been tracking and can independently access through the State's accounting system. What we don't have access to is the claims data underlying the accounting data. Even DHHS staff's timely access to this data is limited due to a lag in posting this data to a data warehouse tool. Even with this tool, the recent system changes and the different methodologies for recording claims have extremely limited historical trend analysis and significantly complicated the analysis of this already complex health care program.

In order to estimate the shortfall, we are attempting to develop a completely new projection for FY 2012 expenditures of the MaineCare program. Without that detailed projection in place or a baseline budget with similar detail, we cannot independently confirm DHHS estimates of the shortfall, which was based on an incremental approach with multiple explanations for the causes of the shortfall, but failed to explain some of the elements in the program that may be less than anticipated.

We will keep you informed of our progress on OFPR's shortfall estimate and when it is released it should more fully answer the questions posed in your request, although I will add a note of caution. Our analysis, while it will be our best attempt, will have its limitations due to the lack of claims data access and consistent historical data. Improvements in MaineCare expenditure reporting, forecasting and budgeting will only improve with time and a commitment by DHHS to this approach.

Cc: Maureen Dawson  
Christopher Nolan  
Alexandra Avore  
Ted Potter ✓