July 30, 2018

Governor Asa Hutchinson
250 State Capitol
Little Rock, AR  72201

Dear Governor Hutchinson:

I am pleased to submit to you the Department of Human Services’ (DHS) Medicaid Transformation Savings Scorecard and Quarterly Report, which covers the fourth quarter (Q4) of State Fiscal Year 2018. This Scorecard shows that SFY 2018 was indeed an historic year as total spending for all of Medicaid, including both traditional programs and Arkansas Works, is $22 million lower in SFY 2018 than in SFY 2017. Holding year-over-year spending in the Medicaid program to zero growth is unprecedented in Arkansas.

The reasons for the decrease in overall spending are 1.) declining enrollment in the Arkansas Works program, 2.) a reduction in overall spending of $31 million in traditional Medicaid programs likely due to declining enrollment, and 3.) ongoing transformation efforts.

In the attached scorecard you will see that Q4 was a time of meeting major milestones for Medicaid transformation. DHS and Behavioral Health providers successfully made the switch from the 30-year-old Residential Services for Persons with Mental Illness (RSPMI) program to the Outpatient Behavioral Health (OBH) program. More than 25,000 individuals received an Independent Assessment (IA) during Q4 alone. The behavioral health provider community and our IA vendor, Optum, deserve great credit for meeting our target on the number of assessments by June 30, 2018. DHS is ahead of the Health Care Task Force (HCTF) schedule for implementing the IA system for individuals with developmental disabilities.

We are also ahead of schedule for implementing a provider-led organized model of care. The HCTF did not project savings for the provider-led model until SFY 2021. Over 33,000 individuals have been attributed among the four Provider-led Arkansas Shared Savings Entity (PASSE) organizations. The PASSEs will accept full risk capitation payments beginning January 1, 2019.

The HCTF projected two year savings of $230 million due to the Medicaid transformation initiatives. Net savings attributed to transformation are $288 million. The other $341 million in savings off the HCTF trend rate is likely attributed to the decline in enrollment, which reflects the improved economy and program integrity measures that have been implemented.

We have made great progress towards your goal of $835 million in savings over the period SFY 2017-2021. The HCTF savings target for Medicaid Transformation is $173 million in SFY 2019. While financial challenges remain, through your leadership, and with the ongoing support of the General Assembly, Medicaid is becoming more financially sustainable while ensuring services for those most in need remain intact.

Sincerely,

Cindy Gillespie
Director