CONNECTICUT
Social Services

Written Testimony before the Appropriations Committee
Commissioner Andrea Barton Reeves
Department of Social Services
April 10, 2025

Good morning, Chairs Osten and Walker, Ranking Members Somers and Nuccio; and distinguished members of the Appropriations Committee. I am Briana Mitchell, Chief Fiscal Officer of the Department of Social Services (DSS). I am pleased to offer remarks on the DSS budget deficiency in House Bill 6863 An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2025.

The Department of Social Services' budget deficiency as drafted in HB 6863 reflects a deficiency totaling $248.3 million. This is a net deficiency as shown under the Medicaid account after all other shortfalls and surplus account balances are considered. This is the standard presentation for our deficiency as the department traditionally transfers balances through the Finance Advisory Committee (FAC) prior to the fiscal year end to address other shortfalls through available surpluses.

In addition to Medicaid, the deficiency bill as written had appropriated funding to the following accounts: Personal Services, Old Age Assistance, Aid to the Disabled, and State Administered General Assistance. Based on the actions taken at April's FAC meeting and our latest estimates, the program requirements in the accounts other than Medicaid have been addressed. The primary reasons for the Department's remaining deficiency in Medicaid are noted below.

<u>Membership enrollment by eligibility type</u>

The original caseload projections assumed membership would decrease across the HUSKY A, C, and D programs for SFY 2025. Both enrollment and utilization trends realized in SFY 2024 have continued into SFY 2025. HUSKY A and D realized the anticipated decrease in membership. HUSKY C has gained steady membership enrollment and cost increases per member per month (PMPM) with the PMPM increasing from $3,105 in SFY 2024 to $3,339 in SFY 2025.

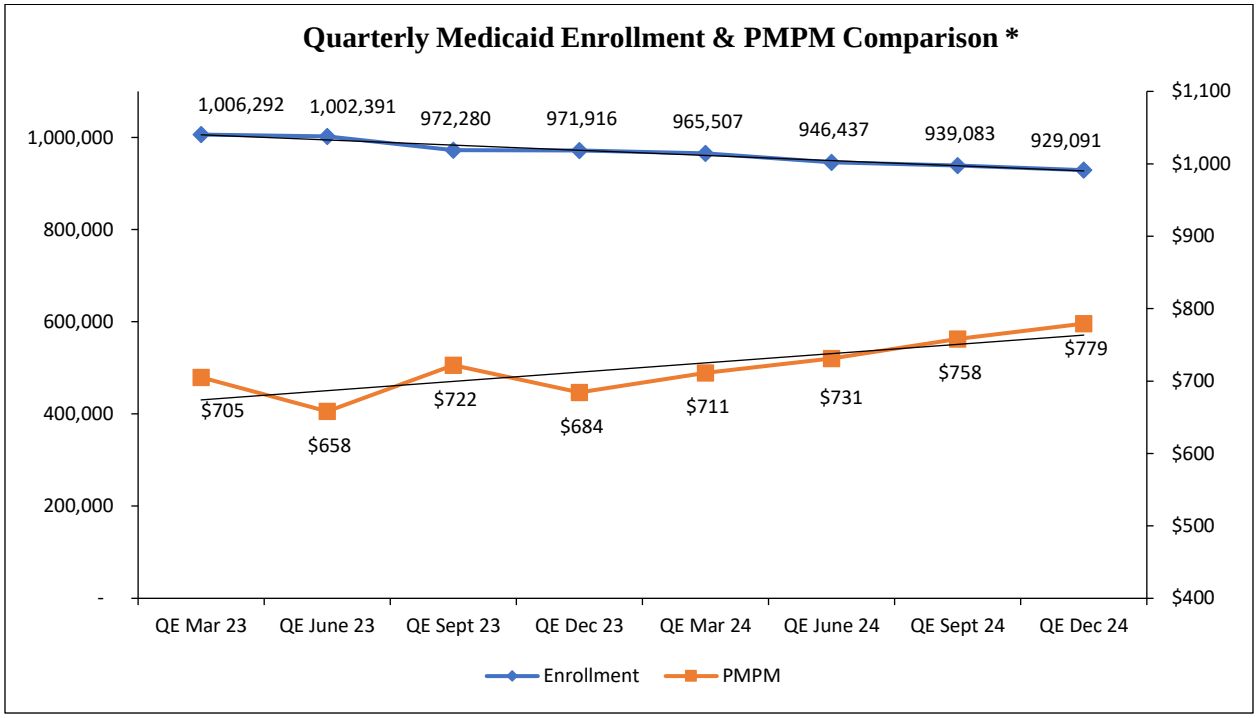
Coverage Type *	SFY 2024 PMPM Cost	Annual Cost per 1,000
HUSKY A	$373	$4,483,786
HUSKY C	$3,105	$37,267,911
HUSKY D	$667	$8,007,737

Coverage Type	SFY 2025 PMPM Cost	Annual Cost per 1,000
HUSKY A	$395	$4,741,748
HUSKY C	$3,339	$40,071,953
HUSKY D	$746	$8,950,254

* HUSKY A – parents/caregiver relatives, pregnant individuals, postpartum coverage, and children; HUSKY C – individuals 65 and older and those between the ages of 18 and 64 who are blind or have a disability; HUSKY D – individuals 19 to 64 with no dependent children, who are not pregnant, and do not receive Medicare.

Enrollment continues to decrease quarter over quarter outside of the public health emergency (PHE) unwind period. From the quarter ending December 2023 to the quarter ending December 2024, the average enrollment has decreased by 4.4%. However, overall enrollment is still higher than pre-pandemic enrollment levels. Enrollment patterns also differ among the various HUSKY groups which adversely affect the average PMPM cost.

As shown in the chart below, member utilization of services has seen an inverse relationship with enrollment. Though steady, the average PMPM costs have grown gradually quarter over quarter. From the quarter ending December 2023 to the quarter ending December 2024, the average PMPM has increased 13.9%. While several factors contribute to the overall PMPM growth, utilization data shows that members who have been disenrolled utilized services at a lower rate than the members who have maintained coverage.



** Excludes Covered CT*

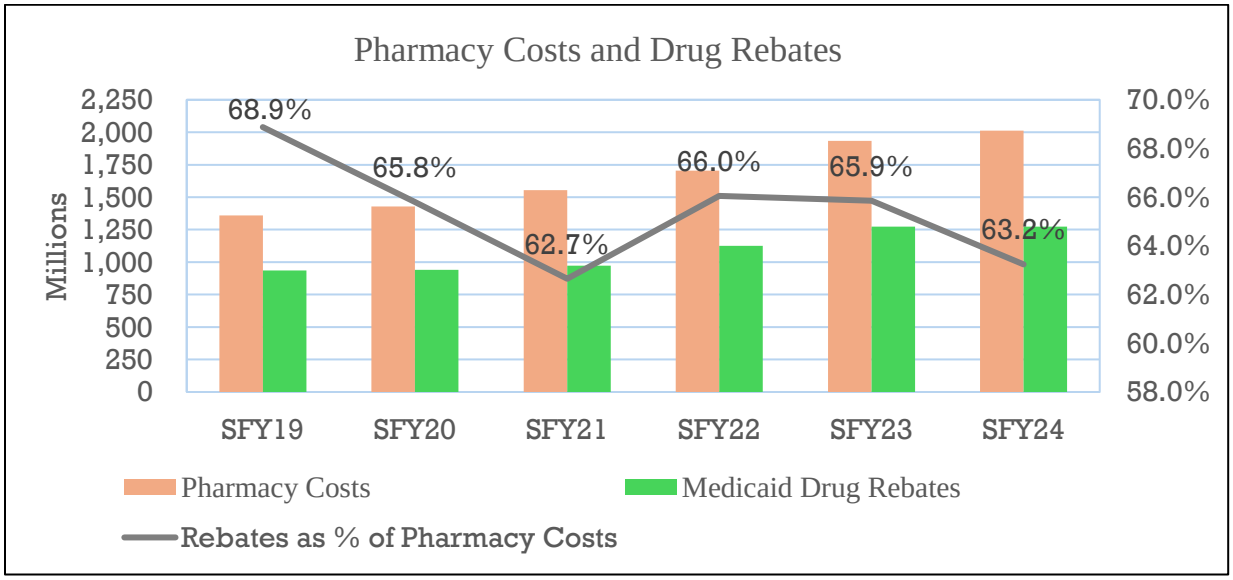
Home health, home care, and waiver costs

Home and community-based services are both preferred and lower-cost alternatives to institutional care for recipients requiring long-term services and supports. The Connecticut Home Care waiver, the largest of the DSS waiver services, has 14,900 monthly recipients with an average per person cost of $3,500 per month. The program has added on average approximately 100 participants a month since early SFY 2023. Community First Choice, a state plan service with approximately 5,900 monthly paid cases and average costs per person of $5,100, has added approximately 650 recipients in the last year. Expenditure trends for home and community-based services are the result of consumer choice, increased access to long-term services and supports in the community, and rate increases for core services impacted by annual increases in the state's minimum wage and collective bargaining agreements. It is estimated that home and community-based services account for approximately $75 million of the Medicaid deficiency.

Pharmacy costs and rebates

Connecticut's year-over-year gross and net prescription drug spending increases are trending similar to the national Medicaid drug spend. The introduction of new high-cost drugs, drug price increases, and advertising leading to increased utilization are all contributing factors driving the gross spend up. While drug rebates are also increasing, drug rebates as a percentage of pharmacy costs have been decreasing. Each 1% drop in rebates as a percentage of pharmacy costs is a loss of approximately $20 million gross ($8 million state share).

(in thousands)	SFY22	SFY23	SFY24	Orig Budget SFY25	Curr Budget SFY25	Orig to Curr Budget Deficit
Pharmacy Claims	$ 1,705,134	$ 1,932,539	$ 2,013,234	$ 1,828,638	$ 2,052,557	$ 223,919
Drug Rebates Received	$ 1,126,241	$ 1,272,724	$ 1,273,072	$ 1,274,068	$ 1,262,803	$ (11,265)
Pharmacy Claims Net of Rebates	$ 578,893	$ 659,815	$ 740,162	$ 554,570	$ 789,754	$ 235,184
Rebates as % of Pharmacy Claims	66.0%	65.9%	63.2%	69.7%	61.5%	
State Share Rx Claims Net of Rebates	$ 207,879	$ 239,513	$ 299,765	$ 221,828	$ 318,902	$ 89,567



	SFY19	SFY20	SFY21	SFY22	SFY23	SFY24
Rx Costs Inc YoY	4%	5%	9%	10%	13%	4%

Examples of high-cost drugs with increased utilization:

- The state share of antidiabetic GLP-1s (e.g., Ozempic and Mounjaro), net of rebates, was approximately $35 million in calendar year 2024, an increase of 53% over calendar year 2023.
- The state share of dermatological drugs (e.g., Skyrizi and Stelara), net of rebates, was approximately $48 million in calendar year 2024, an increase of 23% over calendar year 2023.
- The state share of systemic immunomodulators (e.g., Dupixent), net of rebates, was approximately $43 million in calendar year 2024, an increase of 26% over calendar year 2023.

Other factors contributing to the Medicaid shortfall

The Department of Social Services implemented various mandates for several program expansions. Cost estimates and appropriations for these mandates were based on data from SFY 2022. An updated Medicaid budget was presented in the last legislative session for SFY 2025 which utilized updated trends and adjusted for the shortfalls identified at the time by adding $106.8 million to DSS' baseline; however, the enacted budget was not adjusted. Below is a list of program mandates that are under-funded:

- Continuous eligibility (federal mandate)
- Expand health care coverage to children up to age 15 regardless of immigration status
- Multiple rate increases for several categories of services
- Home and community-based service costs related to collective bargaining agreement
- Expand postpartum coverage from 2 to 12 months
- Provide funding for psychiatric residential treatment facilities