Georgia Department of Community Health

AFY2015 Governor's Budget Recommendations

Presentation to: Joint House and Senate Appropriations Health Subcommittee Members

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Georgia Department of Community Health

Mission

The Georgia Department of Community Health

We will provide Georgians with access to affordable, quality health care through effective planning, purchasing and oversight.

We are dedicated to A Healthy Georgia.

Agenda

- FY2015 Amended Governor's Budget Recommendations
- FY2015 Amended State Health Benefit Plan (SHBP)
- Medicaid Operational Updates
- Medicaid Provider Issues

Georgia Department of Community Health

FY2015 Amended
Governor's Budget Recommendations

FY2015 Amended Governor's Budget Recommendations*

Medicaid Non-ACA Items				Reference Number
1	Aged Blind and Disabled, Low-Income Medicaid, PeachCare for Kids	Available funds in current FY2015 Medicaid and PeachCare budgets.	($24,222,317)	ABD #1 LIM #1 PCK #1
2	Aged Blind and Disabled	Provide funding for pharmacy cost due to high cost of Hepatitis C drugs.	$19,708,761	ABD #2
3	Aged Blind and Disabled, Low-Income Medicaid	Provide funding for refund of federal share of Medicaid collections as a result of Federal Office of Inspector General audit.	$3,368,692	ABD #3 LIM #2
4	Aged Blind and Disabled, Low-Income Medicaid, PeachCare for Kids	Restore legislative cuts (Hospital Cost Settlements, ABD Care Coordination, PARIS).	$9,513,677	ABD #4-6 LIM #6 and 7 PCK #2 and 3

* State Funds Only

FY2015 Amended Governor's Budget Recommendations (cont'd)*

Medicaid Non-ACA Items (cont'd)				Reference Number
5	Aged Blind and Disabled, Low-Income Medicaid	Nursing Home Provider Fee and Hospital Provider Fee revenue projection update.	($2,603,819)	ABD #7 LIM #8
6	Aged Blind and Disabled	Utilize enhanced federal participation rate to increase Medicaid reimbursement rates for personal support services by 5% in the Independent Care Waiver Program (ICWP).	Yes	ABD #8
7	Low-Income Medicaid	Replace tobacco settlement funds transferred to the Georgia Center for Oncology Research and Education (CORE) in HB744 (2014 Session) with state funds.	$225,000	LIM #5
8	Indigent Care Trust Fund	Increase funds to provide matching funds for all private deemed and non-deemed hospitals eligible for the Disproportionate Share Hospital (DSH) program.	$14,133,296	ICTF #1 and 2
9	Indigent Care Trust Fund	Increase funds in the Ambulance Licensing Fee activity to reflect funds available.	Yes	ICTF #3

* State Funds Only

FY2015 Amended Governor's Budget Recommendations (cont'd)*

Medicaid ACA Items				Reference Number
10	Low-Income Medicaid	Increase funds for projected costs due to ACA Presumptive Eligibility rules.	$2,354,550	LIM #3
11	Low-Income Medicaid	Provide additional funds needed for 12 month eligibility reviews.	$14,126,603	LIM #4

Operations Items				Reference Number
12	Administration, Board of Dentistry, Board of Pharmacy	Reduce funds for operations.	($92,723)	ADMIN #1 GBD #1 GSBP #1
13	Healthcare Facility Regulation	Provide state funds to reflect increased workload in the Healthcare Facility Regulation Program. (Includes replacement of federal funds as a result of updated cost allocation plan and eight additional nurse surveyor positions.)	$2,998,392	HFRD #1 and 2

* State Funds Only

FY2015 Amended Governor's Budget Recommendations (cont'd)*

Attached Agencies				Reference Number
14	Georgia Board for Physician Workforce: Administration	Eliminate two vacant positions.	($96,006)	GBPW: Admin #1
15	Georgia Board for Physician Workforce: Morehouse	Reflect a change in the program purpose statement.	Yes	GBPW: MSM #1
16	Georgia Board for Physician Workforce: Rural Areas	Realign program activities to provide additional Physician Rural Areas Assistance (PRAA) loan repayment awards.	Yes	GBPW: Rural #1
17	Georgia Composite Medical Board	Increase funds for Cosmetic Laser Services Act implementation. (Includes savings from contractual services.)	$13,110	GCMB #1 and 3
18	Georgia Composite Medical Board	Increase funds to reflect collection of administrative fees.	Yes	GCMB #2
19	Georgia Drugs and Narcotics Agency	Reduce funds for operations.	($19,110)	GDNA #1
Grand Total			**$39,408,106**	

* State Funds Only

Georgia Department of Community Health

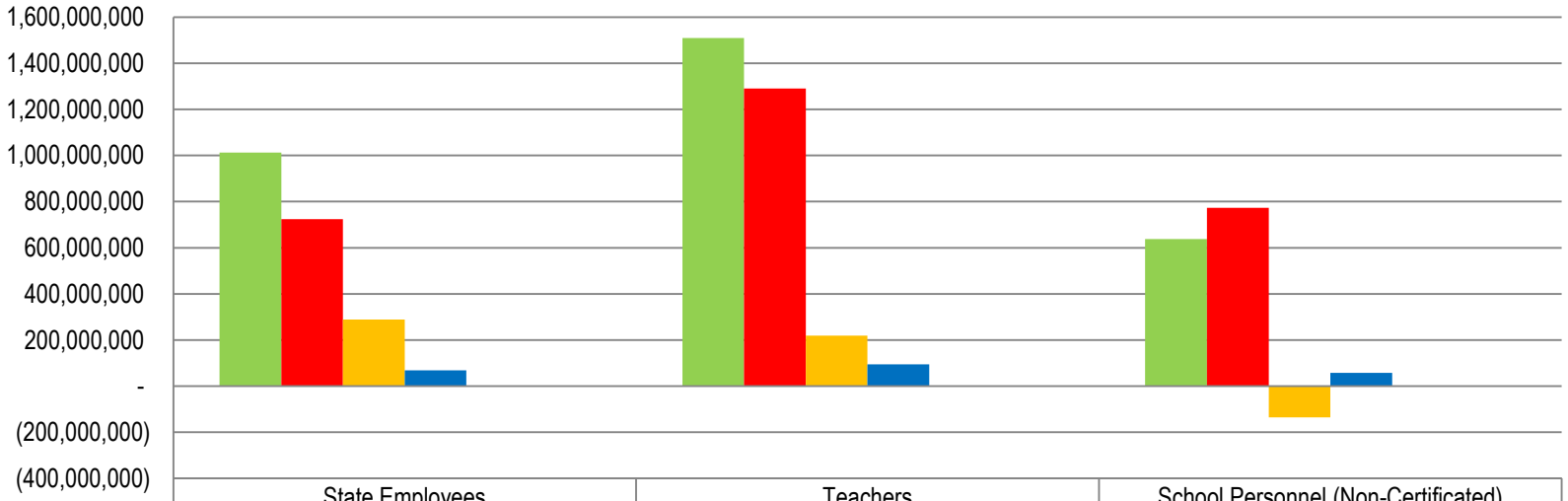
FY2015 Amended Governor's SHBP Budget Recommendations

SHBP Financial Status

	FY14 (Actual)	FY15	FY16	FY17
FINANCIAL STATUS				
Baseline Revenue	3,139,864,637	3,090,645,693	3,133,827,088	3,116,934,655
Baseline Expense	2,744,326,949	3,021,668,000	3,271,348,000	3,585,293,000
Revenue				
Revenue Impacts				
Net Change to Revenue				
Expense				
Reprocurement Impacts				
Procurement Savings	(98,230,000)	(281,065,000)	(313,486,000)	(342,782,000)
2014 Medicare Advantage Rate Increase	55,809,000	124,212,000	147,036,000	174,080,000
2014 Renegotiated Medicare Advantage Rates	(23,614,000)	(52,558,000)	(62,215,000)	(73,659,000)
2015 Medicare Advantage Procurement Savings		(104,434,000)	(221,554,000)	(235,080,000)
Termination fees (UHC/Cigna)	55,989,000			
Plan Design Impacts				
2014/2015 Plan Design Changes	(29,022,000)	(88,248,000)	(117,806,000)	(128,411,000)
Additional HRA incentives[1]	22,000,000	49,015,000	43,994,000	44,715,000
ACA Impacts				
ACA mandates 1/1/2013 eff date	17,556,000	17,523,000	17,675,000	17,919,000
ACA Reinsurance Fee		22,641,000	18,541,000	11,490,000
Effects of ACA Individual Mandate	25,735,000	53,737,000	64,162,000	77,494,000
Limit on Out-of-Pocket Maximum		31,431,000	71,597,000	78,041,000
Net Change to Expense	26,223,000	(227,746,000)	(352,056,000)	(376,193,000)
Revised Revenue	3,139,864,637	3,090,645,693	3,133,827,088	3,116,934,655
Revised Expense	2,770,549,949	2,793,922,000	2,919,292,000	3,209,100,000
Net Surplus/(Deficit)	369,314,688	296,723,693	214,535,088	(92,165,345)

- The Other Post-Employment Benefit (OPEB) liability is $14.4 Billion.
- The Annual Required Contribution for the two OPEB funds (State and School Personnel) is $1.1 billion.
- There are currently no funds set aside for future retiree claims; the SHBP is operating on a “Pay as you go” basis.

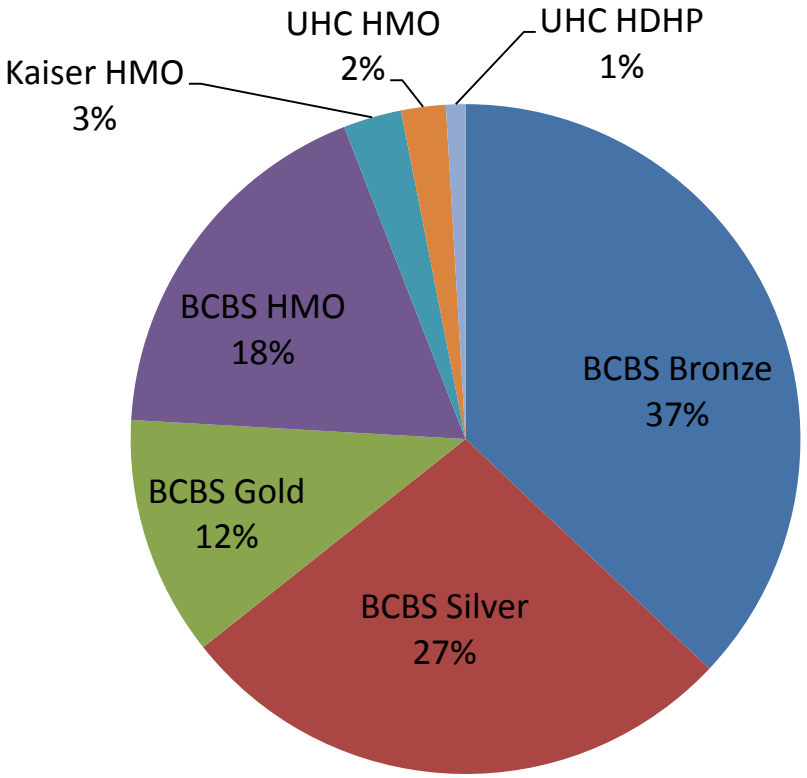
SHBP FY2014 Financial Plan Overview



	State Employees	Teachers	School Personnel (Non-Certificated)
Revenue	1,012,000,366	1,508,714,114	637,293,792
Expense	723,945,926	1,290,007,315	772,865,320
Surplus (Deficit)	288,054,440	218,706,799	(135,571,528)
IBNR Liability	68,596,400	93,984,324	56,912,276
# of Active Members	55,582	102,298	65,219
# of Retiree Members	35,291	53,511	22,474

- This subsidy has been partially addressed by two $150 annual Non-Cert employer contribution increases in FY 2013 and FY 2014.
- Employer contribution rates Per Member Per Month.
  - Non-Cert 596.20
  - Teacher 945.00
  - State 1,200.00 State employer contribution rate is assessed as a percentage of payroll. This is a projected PMPM equivalent.

Plan Year 2015 Open Enrollment Results Self-Insured Options



- 19% of total eligibles waived coverage
- 94% of members chose BCBS options

Notes: 1) A “Member” is someone enrolled in SHBP - not all eligibles are members.
2) Does not include Medicare Advantage and Tricare

FY2015 Amended Governor's SHBP Budget Recommendations (cont'd)*

	SHBP Non-ACA Items		Reference Number
1	Increase funds to reflect the cost of the bariatric surgery pilot program effective January 1, 2015. (Total Funds: $2,700,000)	Yes	SHBP #1
2	Increase funds for members requiring treatment with new Hepatitis C drugs. (Total Funds: $12,000,000)	Yes	SHBP #5
3	Reduce funds to reflect updated projections for membership, medical services utilization, and medical trend changes. (Total Funds: ($292,157,041))	Yes	SHBP #6
4	Increase funds for reserves to fund future claims and Other Post-Employment Benefits (OPEB) liabilities. (Total Funds: $187,122,496)	Yes	SHBP #7
5	Submit a study to the Governor and General Assembly by June 30, 2015 that examines why SHBP's costs are higher than other comparable government employee health plans and describe a variety of options for reducing costs without further diminishing the value of health benefits received by members.	Yes	SHBP #8

FY2015 Amended Governor's SHBP Budget Recommendations (cont'd)*

SHBP ACA Items			Reference Number
6	Increase funds to account for the projected increased enrollment due to the individual mandate and auto-enrollment of new employees as required by the Patient Protection and Affordable Care Act (PPACA). (Total Funds: $3,675,000)	Yes	SHBP #2
7	Increase funds to account for limits imposed on cost sharing by the PPACA. (Total Funds: $5,946,000) *(PPACA mandates a combined medical and pharmacy out of pocket maximum).*	Yes	SHBP #3
8	Reduce funds due to a scheduled reduction in the Transitional Reinsurance Fee imposed by the PPACA. (Total Funds: ($1,029,000))	Yes	SHBP #4

Operational Updates

Primary Care Physician Rate Increase

PCP Rate Increase

PCP Rate Increase Incurred Cost	
PCP Rate Increase Total Cost in FY2014	212,434,603
PCP Rate Increase Total Cost in FY2015	55,029,083
Cost to Continue ACA PCP increase – adjusted to reflect Low Income Medicaid enrollment growth:	
FY15 (Jan - June) Total Cost to Continue Rate Increase	93,076,257
State Cost	30,724,472
FY16 Total Cost to Continue ACA PCP	186,152,514
State Cost	60,690,373

CMO Procurement

- Up to four (4) statewide plans
- State will set rates – award based 100% on technical score
  - Timeline
  - RFP release February 2015 pending Governor approval
  - Award July 2015
  - Go-live July 2016

Credentialing Verification Organization (CVO) Procurement

- Administrative simplification for providers, plans, and DCH
- Exploring contract amendment with Hewlett Packard Enterprise Services
- Go-live planned for July 2015

Georgia Department of Community Health

Aged, Blind and Disabled Care Coordination Program Procurement

ABD Care Coordination Program Procurement

- Provides Care Coordination, Case Management, and Disease Management Services to ABD population
- RFP and Contract written
- Requires an 18-month investment period
- Financial Components
  - Administrative Cost = $60M per year
  - Annual savings (after 18 month investment period)
    - Gross savings = $78.75M per year
    - Net savings = $18.75M per year

ABD Investment and Savings Projection

Estimated ABD Spend per year	$ 4,500,000,000	
Saving Components:		
Guaranteed Savings	$ (15,000,000)	
Estimated Reduction through ABD Medical Coordination Program	$ (63,750,000)	
Total Value of Savings		$ (78,750,000)
Administrative Cost of the Program		$ 60,000,000
Net Savings (Total Funds)		$ (18,750,000)

** Total Value of Savings = reduction of 1.75% of total ABD expenditures*

Georgia Department of Community Health

Integrated Eligibility System (IES) Update

IES Update

- Project History
  - Initiated in 2011 in response to the Affordable Care Act
  - Multi-agency involvement and team
    - DCH, DHS, DFCS, DPH, DECAL, GTA
  - Federal multi-agency involvement
    - CMS, USDA/FNS, ACF, CCIO
  - Phase 1 (went live 10/1/13)
    - Enhance current "legacy" systems to minimally meet ACA mandates
    - Successfully implemented
  - Phase 2 (IES) (projected live date – 4/1/16)
    - Systems Integrator – Deloitte Consulting (5/30/14)
      - DDI
      - Maintenance and Operations
    - Replace major system components
    - Integrated model

IES - Budget

- DDI Budget (CMS approved)
  - Updated DDI Budget: $140,123,823 (thru 4/1/16)
    - Deloitte DDI Budget: $87,529,929
      - DDI: $76,034,974
      - S/W: $11,494,955
- M&O Budget
  - Updated M&O Budget: $178,316,126* (4/1/16 – 6/30/20)
    - *This does not include State employees (i.e. DFCS)
- Total Project Budget (stated as of 12/1/14)
  - $318,779,949

Inpatient Prospective Payment System (IPPS)

Inpatient Payment Prospective System (IPPS)

- Georgia Medicaid and PeachCare reimburse inpatient hospital care utilizing an Inpatient Prospective Payment System (IPPS) model.
- Georgia adopted the IPPS model in the late 1990's.
- The IPPS model groups inpatient admissions that have similar characteristics and require similar resources into Diagnostic Related Groups or DRGs. Each DRG has a payment weight assigned to treatments.
- In addition to using weighted reimbursements based upon DRGs, Georgia's IPPS methodology also incorporates additional features such as hospital type (pediatric, specialty or statewide), teaching hospital (Graduate Medical Education), capital investment and certain high cost outlier claims.
- Last April DCH updated its operating version of the DRG for the first time since January 2008. The impetus for this update was to prepare for the institution of federally required ICD-10.

IPPS (cont'd)

- It is generally recognized that more frequent updates to the DRG are desirable (the standard is around two years) in order to keep pace with industry changes so as to more fairly match reimbursements to provider costs.
- Because the time interval since DCH had last updated its version of the DRG, there were significant variations in the impacts upon individual hospitals such as Grady and Children's Healthcare of Atlanta.
- In addition, since DCH's reimbursement methodology (the additional features noted above) had been unchanged since the 1990's, a number of hospitals asked DCH to review and consider changes to these features.
- Over the course of the late spring and summer of 2014, DCH worked with individual hospitals and a standing committee of the Georgia Hospital Association to evaluate changes to the IPPS methodology.

IPPS (cont'd)

- A final draft of the modified methodology was completed in October. The next step is to take it back to the GHA committee for review and final feedback.
- The draft IPPS methodology was crafted within the requirement of budget neutrality.
- In addition, the draft IPPS methodology incorporates certain policy objectives. These include:
  - Promoting efficiency in the delivery of services by creating incentives to reduce costs and better match reimbursement to services provided;
  - Promoting State policy objectives to enhance physician workforce and graduate medical education programs; and,
  - Creating a more direct focus in the payment methodology on service delivery to Medicaid members.

IPPS (cont'd)

- The specific methodological changes include:
  - a de-emphasis on capital investment;
  - a new separate cost pool for Graduate Medical Education Programs that can be readily increased to reimburse more medical education slots at hospitals;
  - a streamlined and more cost efficient outlier payment system that allows hospitals to be reimbursed far more quickly while eliminating duplicative payments;
  - a new Medicaid Utilization Adjustment Factor that recognizes the disproportionate share of service delivery to Medicaid patients at certain hospitals; and
  - a Stop Loss/Stop Gain phase-in of the fiscal impact of these changes on both "winners" and "losers".

Georgia Department of Community Health

Disproportionate Share Hospital (DSH) Elimination

ACA Reduction in Medicaid DSH Payments

ACA Proposed Reduction to National Medicaid DSH Allocation as of January 2014*			
Fiscal Year	National DSH Allocation Amount	National DSH Reduction	% of National DSH Reduction Compared to FY 2014*
2014	$11.7 Billion	$0	Reduction Delayed
2015	$11.7 Billion	$0	Reduction Delayed
2016	$10.5 Billion	$1.2 Billion	-10.3%
2017	$9.7 Billion	$1.8 Billion	-15.4%
2018	$6.5 Billion	$5.0 Billion	-42.9%
2019	$5.9 Billion	$5.6 Billion	-48.1%
2020	$7.5 Billion	$4.0 Billion	-34.3%
2021 - 2023	Federal legislation enacted in 2012 and 2013 extends the DSH reductions through 2023. The annual reductions for these years are not yet available.		

Georgia Context:

- In FY 2014, Georgia's allocation was $286.6 million or 2.4% of the national DSH allocation.**
- In FY 2016, Georgia's estimated allocation is $259.5 million or a 9.5% decrease from FY 2014.***
- Between FY 2016 and FY 2020, Georgia's total DSH reduction is estimated to be around $390 million.***