

Amended FY 2011 & FY 2012 Program Budgets

Presentation to the
Board of Community Health
August 26, 2010



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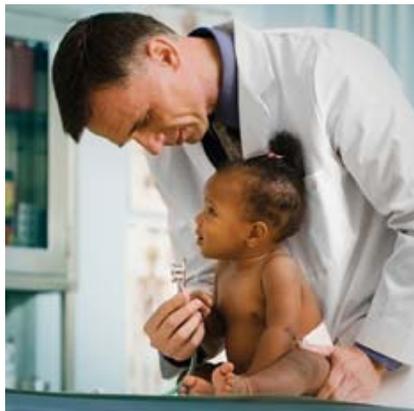
DCH Mission

ACCESS



Access
to affordable,
quality health
care in our
communities

RESPONSIBLE



Responsible
health planning
and use of
health care
resources

HEALTHY



Healthy
behaviors and
improved
health
outcomes



DCH Initiatives FY 2011

FY 2011

**Continuity of Operations
Preparedness**

Customer Service

Emergency Preparedness

Financial & Program Integrity

Health Care Consumerism

Health Improvement

Health Care Transformation

Public Health

Workforce Development



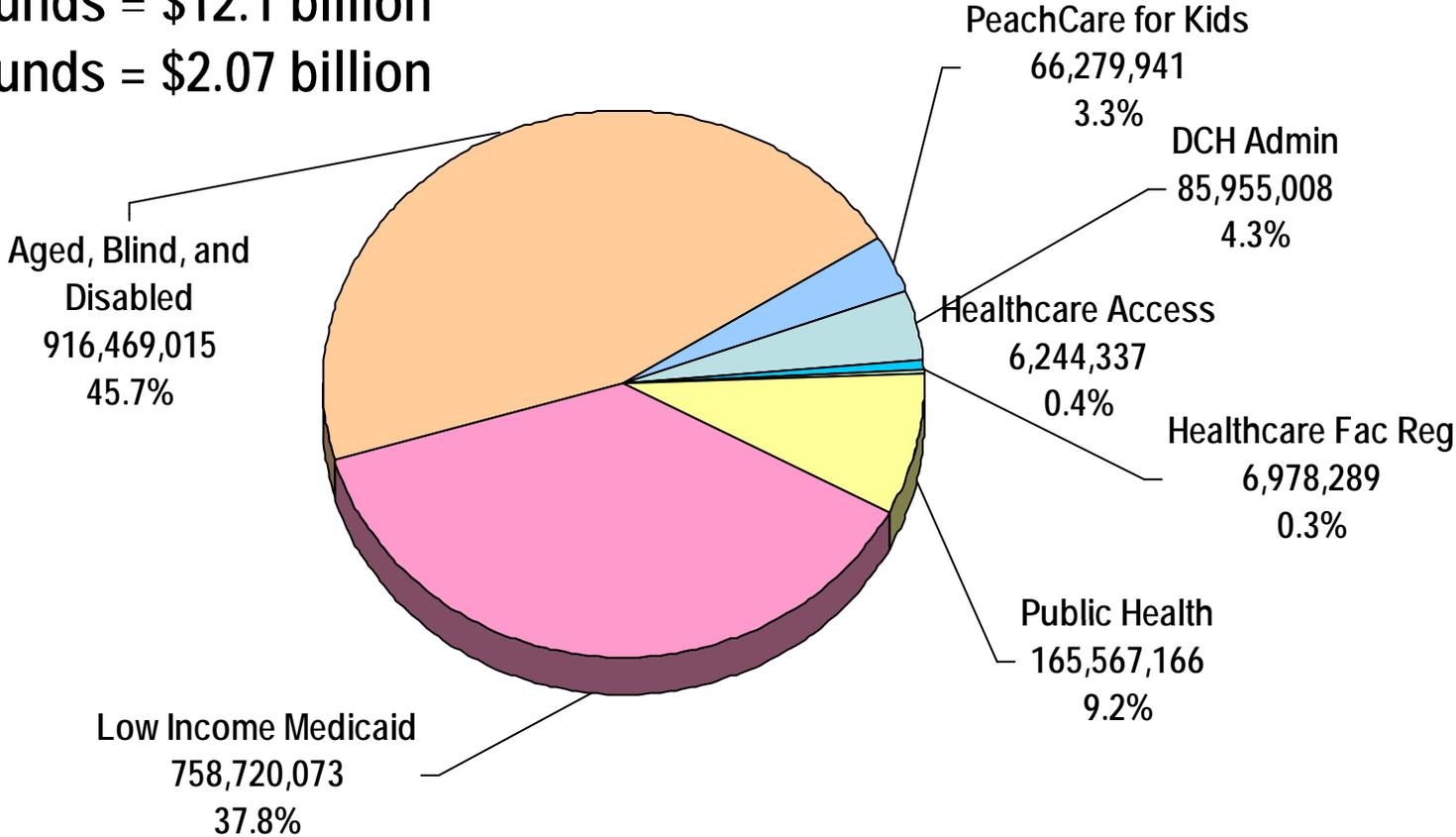
Agenda

- Budget Instructions
- Administration and Health Care Access and Improvement Reductions
- Healthcare Facility Regulation Reductions
- Public Health Reductions
- Emergency Preparedness Reductions
- Medicaid Benefits Financial Status
- PeachCare for Kids Benefits Financial Status
- Medicaid/PCK Benefits Proposed Budget Additions and Reductions



DCH FY 2011 State Fund Budget

Total Funds = \$12.1 billion
 State Funds = \$2.07 billion



*State funds for Medicaid & PCK Benefits include tobacco funds and provider fees

DCH Budget Instructions

Amended FY 2011 Budget requires cut levels of 4, 6, and 8 percent for all programs including Medicaid and PeachCare

FY 2012 Budget requires cut levels of 6, 8 and 10 percent for all programs including Medicaid and PeachCare

Funds earmarked for GAIT (\$5.8M) are exempt from cuts

Tobacco settlement revenue not exempt from cuts

Loss of stimulus enhanced matching funds will not be borne by DCH

Revenues from Hospital Provider Payments and Nursing Home Provider Fees are exempt from cuts

DCH must identify additional cuts to cover any enhancements to the budget

Calculation of Cut Levels – AFY 2011

Program	4%	6%	8%
Administration	\$3,207,467	\$4,811,200	\$6,414,933
Healthcare Access and Improvement	\$249,773	\$374,660	\$499,547
Healthcare Facility Regulation	\$279,132	\$418,697	\$558,263
Subtotal	\$3,736,372	\$5,604,557	\$7,472,743
Public Health and Emergency Prep Programs	\$6,544,253	\$9,816,379	\$13,088,505
Low Income Medicaid	\$22,273,118	\$33,409,677	\$44,546,236
Aged, Blind, and Disabled	\$30,386,361	\$45,579,542	\$60,772,723
PeachCare for Kids	\$2,586,108	\$3,879,162	\$5,172,215
Subtotal	\$55,245,587	\$82,868,381	\$110,491,174
TOTAL	\$65,526,212	\$98,289,317	\$131,052,422

Calculation of Cut Levels – FY 2012

Program	6%	8%	10%
Administration	\$4,811,200	\$6,414,933	\$8,018,666
Healthcare Access and Improvement	\$374,660	\$499,547	\$624,434
Healthcare Facility Regulation	\$418,697	\$558,263	\$697,829
Subtotal	\$5,604,557	\$7,472,743	\$9,340,929
Public Health & Emergency Prep Programs	\$9,816,379	\$13,088,505	\$16,360,632
Low Income Medicaid	\$33,409,677	\$44,546,236	\$55,682,795
Aged, Blind, and Disabled	\$45,579,542	\$60,772,723	\$75,965,904
PeachCare for Kids	\$3,879,162	\$5,172,215	\$6,465,269
Subtotal	\$82,868,381	\$110,491,174	\$138,113,968
TOTAL	\$98,289,317	\$131,052,422	\$163,815,528

DCH Administration and Health Care Access and Improvement



Amended FY 2011 Budget Cuts

Item	PROGRAM	4% Cuts	6% Cuts	8% Cuts
Personal Services	Administration	(147,144)	(147,144)	(147,144)
Contracts	Administration	(1,695,397)	(3,385,161)	(5,074,926)
Rent	Administration	(31,032)	(31,032)	(31,032)
Grants				
- St. Josephs Mercy Care	Healthcare Access	(6,760)	(10,140)	(13,520)
- Area Health Education Centers	Healthcare Access	(70,950)	(106,426)	(141,901)
Fund sources				
- Office of Inspector General	Administration	(1,000,000)	(1,000,000)	(1,000,000)
- Nursing Home Eligibility	Administration	(200,000)	(200,000)	(200,000)
Merge HCA Functions April 1, 2011	HCA, Administration, Public Health	(305,957)	(305,957)	(305,957)
TOTAL		(3,457,240)	(5,185,860)	(6,914,480)



FY 2012 Budget Cuts

Item	PROGRAM	6% Cuts	8% Cuts	10% Cuts
Personal Services	Administration	(147,144)	(147,144)	(147,144)
Contracts	Administration	(2,436,258)	(4,126,023)	(5,815,788)
Rent	Administration	(62,063)	(62,063)	(62,063)
Grants				
- St. Josephs Mercy Care	Healthcare Access	(10,140)	(13,520)	(16,900)
- Area Health Education Centers	Healthcare Access	(106,426)	(141,901)	(177,376)
Fund sources				
- Office of Inspector General	Administration	(1,000,000)	(1,000,000)	(1,000,000)
- Nursing Home Eligibility	Administration	(200,000)	(200,000)	(200,000)
Merge HCA Functions April 1, 2011	Healthcare Access, Administration and Public Health	(1,223,829)	(1,223,829)	(1,223,829)
TOTAL		(5,185,860)	(6,914,480)	(8,643,100)



HEALTHCARE FACILITY REGULATION



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Amended FY 2011 Budget Cuts

Item	PROGRAM	4% Cuts	6% Cuts	8% Cuts
Personal Services – hold up to 6 positions vacant.	Healthcare Facility Regulation	(279,132)	(418,697)	(558,263)
TOTAL		(279,132)	(418,697)	(558,263)



FY 2012 Budget Cuts

Item	PROGRAM	6% Cuts	8% Cuts	10% Cuts
Personal Services – hold up to 7 positions vacant.	Healthcare Facility Regulation	(418,697)	(558,263)	(569,102)
Travel	Healthcare Facility Regulation			(128,727)
TOTAL		(418,697)	(558,263)	(697,829)



PUBLIC HEALTH



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Budget Targets for Public Health

Program	4%	6%	8%	10%
Public Health	(6,420,935)	(9,631,403)	(12,841,871)	(16,052,338)

Approach to Budget Reductions:

1. All programs will take a 4% cut in AFY 2011 and a 6% cut in FY 2012.
2. To reach the 6% level, eliminate any staff vacancies or contracts not critical to program mission.
3. To reach the 8% level, reduce funds based on prior year expenditure levels.
4. The balance of the 8% and 10% cuts will come from Adolescent and Adult Health Promotion.
5. No fee increases.



Public Health Across-the-Board 4% Cuts AFY 2011

<u>Program</u>	<u>Amount</u>
Adolescent and Adult Health Promotion	(384,110)
Adult Essential Health Services	(312,394)
Epidemiology	(116,638)
Immunization	(158,629)
Infant and Child Essential Health Treatment Services	(1,042,347)
Infant and Child Health Promotion	(189,074)
Infectious Disease Control	(1,469,317)
Inspections and Environmental Hazard Control	(133,340)
Public Health Formula Grants To Counties	(2,467,463)
Vital Records	(147,623)
TOTAL	(6,420,935)



Public Health Across-the-Board 4% Cuts AFY 2011

<u>Program</u>	<u>Personal Services</u>	<u>Regular Operating</u>	<u>Contracts</u>	<u>Direct Benefits</u>	<u>Grant in Aid</u>
Adolescent and Adult Health Promotion	(55,974)	(98,036)	(113,643)	(92,904)	(23,553)
Adult Essential Health Services			(47,864)	(264,530)	
Epidemiology		(13,946)			(102,692)
Immunization		(106,924)	(51,705)		
Infant and Child Essential Health Treatment Services					(1,042,347)
Infant and Child Health Promotion	(189,074)				
Infectious Disease Control	(99,940)	(1,152,667)			(216,710)
Inspections and Environmental Hazard Control		(133,340)			
Public Health Formula Grants To Counties					(2,467,463)
Vital Records	(147,623)				
TOTAL	(492,611)	(1,504,913)	(213,212)	(357,434)	(3,852,765)

Public Health 6% Cuts AFY 2011

<u>Program</u>	<u>Vacancies</u>	<u>Vaccines/ Contracts</u>
Adolescent and Adult Health Promotion	(109,483)	-
Adult Essential Health Services	-	-
Epidemiology	(100,353)	-
Immunization	-	(1,001,274)
Infant and Child Essential Health Treatment Services	(205,162)	-
Infant and Child Health Promotion	(410,018)	(911,035)
Infectious Disease Control	(312,825)	-
Inspections and Environmental Hazard Control	(73,160)	-
Public Health Formula Grants To Counties	-	-
Vital Records	(87,158)	-
TOTAL	(1,298,159)	(1,912,309)

*These cuts, in addition to the 4% cuts outlined in the previous slide, total to the 6% target.



Public Health 8% Cuts AFY 2011

<u>Program</u>	<u>Based on Prior Year Lapse</u>	<u>Vaccines</u>	<u>Tobacco Funds and Remainder</u>
Adolescent and Adult Health Promotion	-	-	(629,789)
Adult Essential Health Services	-	-	(259,000)
Epidemiology	-	-	-
Immunization	-	(891,712)	-
Infant and Child Essential Health Treatment Services	(538,393)	-	-
Infant and Child Health Promotion	(591,574)	-	-
Infectious Disease Control	(300,000)	-	-
Inspections and Environmental Hazard Control	-	-	-
Public Health Formula Grants To Counties	-	-	-
Vital Records	-	-	-
TOTAL	(1,429,967)	(891,712)	(888,789)

*These cuts, in addition to the 4% and 6% cuts outlined in the previous two slides, total to the 8% target.



Public Health Across-the-Board 6% Cuts FY 2012

<u>Program</u>	<u>Amount</u>
Adolescent and Adult Health Promotion	(481,033)
Adult Essential Health Services	(478,036)
Epidemiology	(234,704)
Immunization	(179,300)
Infant and Child Essential Health Treatment Services	(1,521,422)
Infant and Child Health Promotion	(670,023)
Infectious Disease Control	(1,567,288)
Inspections and Environmental Hazard Control	(188,681)
Public Health Formula Grants To Counties	(3,084,328)
Vital Records	(247,544)
Public Health Laboratory	(979,043)
TOTAL	(9,631,402)



Public Health Across-the-Board 6% Cuts FY 2012

<u>Program</u>	<u>Personal Services</u>	<u>Regular Operating</u>	<u>Contracts</u>	<u>Direct Benefits</u>	<u>Grant in Aid</u>
Adolescent and Adult Health Promotion	(93,862)	(31,675)	(134,846)	(174,918)	(45,732)
Adult Essential Health Services				(397,773)	(80,263)
Epidemiology			(83,213)		(151,491)
Immunization		(179,300)			
Infant and Child Essential Health Treatment Services	(49,877)		(371,545)		(1,100,000)
Infant and Child Health Promotion	(425,611)	(144,412)			(100,000)
Infectious Disease Control		(1,350,578)			(216,710)
Inspections and Environmental Hazard Control		(188,681)			
Public Health Formula Grants To Counties					(3,084,328)
Vital Records	(247,544)				
Public Health Laboratory	(99,940)	(879,103)			
TOTAL	(916,834)	(2,773,749)	(589,604)	(572,691)	(4,778,524)

Public Health 8% Cuts FY 2012

<u>Program</u>	<u>Vacancies</u>	<u>Contracts</u>	<u>Tobacco Funds</u>
Adolescent and Adult Health Promotion	-	-	(110,239)
Adult Essential Health Services	-	(600,000)	-
Epidemiology	(100,353)	-	-
Immunization	-	-	-
Infant and Child Essential Health Treatment Services	(205,162)	-	-
Infant and Child Health Promotion	(339,737)	(1,202,070)	-
Infectious Disease Control	(116,334)	-	-
Inspections and Environmental Hazard Control	(73,160)	-	-
Public Health Formula Grants To Counties	-	-	-
Vital Records	(87,158)	-	-
Public Health Labs	(376,255)	-	-
TOTAL	(1,298,159)	(1,802,070)	(110,239)

*These cuts, in addition to the 6% cuts outlined in the previous slide, total to the 8% target.



Public Health 10% Cuts FY 2012

<u>Program</u>	<u>Based On Prior Year Lapse</u>	<u>Tobacco Funds and Remainder</u>
Adolescent and Adult Health Promotion	-	(435,995)
Adult Essential Health Services	-	(259,000)
Epidemiology	-	-
Immunization	(715,473)	-
Infant and Child Essential Health Treatment Services	(800,000)	-
Infant and Child Health Promotion	(700,000)	-
Infectious Disease Control	(300,000)	-
Inspections and Environmental Hazard Control	-	-
Public Health Formula Grants To Counties	-	-
Vital Records	-	-
Public Health Labs		
TOTAL	(2,515,473)	(894,995)

*These cuts, in addition to the 6% and 8% cuts outlined in the previous two slides, total to the 10% target.



Grant In Aid Reductions – AFY 2011

- Programmatic GIA reductions

Program	<u>4%</u>	<u>6%</u>	<u>8%</u>
Health Promotion	\$ (23,553)	\$ (23,553)	\$ (73,641)
Epidemiology	\$ (102,692)	\$ (102,692)	\$ (102,692)
Children's Medical Services	\$ (342,347)	\$ (342,347)	\$ (342,347)
Comprehensive Child Health	\$ -	\$ -	\$ (100,000)
Infant and Child Oral Health	\$ (700,000)	\$ (700,000)	\$ (700,000)
Tuberculosis Treatment and Control	\$ (216,710)	\$ -	\$ -

- Formula GIA Reductions

Formula Grants to Counties	\$ (2,467,463)	\$ (2,467,463)	\$ (2,467,463)
TOTAL GIA Reductions	(\$3,852,765)	(\$3,636,055)	(\$3,786,143)



Grant In Aid Reductions – FY 2012

- Programmatic GIA reductions

Program	<u>6%</u>	<u>8%</u>	<u>10%</u>
Health Promotion	\$ (45,732)	\$ (45,732)	\$ (295,732)
Epidemiology	\$ (151,491)	\$ (151,491)	\$ (151,491)
Children's Medical Services	\$ (400,000)	\$ (400,000)	\$ (400,000)
Comprehensive Child Health	\$ (100,000)	\$ (100,000)	\$ (100,000)
Infant and Child Oral Health	\$ (700,000)	\$ (700,000)	\$ (700,000)
Tuberculosis Treatment and Control	\$ (216,710)	\$ (216,710)	\$ (216,710)

- Formula GIA Reductions

Formula Grants to Counties	\$ (3,084,328)	\$ (3,084,328)	\$ (3,084,328)
TOTAL GIA Reductions	(\$4,698,261)	(\$4,698,261)	(\$4,948,261)



EMERGENCY PREPAREDNESS



Amended FY 2011 Budget Cuts

Item	PROGRAM	4% Cuts	6% Cuts	8% Cuts
Reduce contracts with trauma centers for the Trauma Registry	Emergency Preparedness	(123,317)	(184,976)	(246,635)
TOTAL		(123,317)	(184,976)	(246,635)



FY 2012 Budget Cuts

Item	PROGRAM	6% Cuts	8% Cuts	10% Cuts
Reduce contracts with trauma centers for the Trauma Registry	Emergency Preparedness	(184,976)	(246,635)	(308,294)
TOTAL		(184,976)	(246,635)	(308,294)



MEDICAID BENEFITS



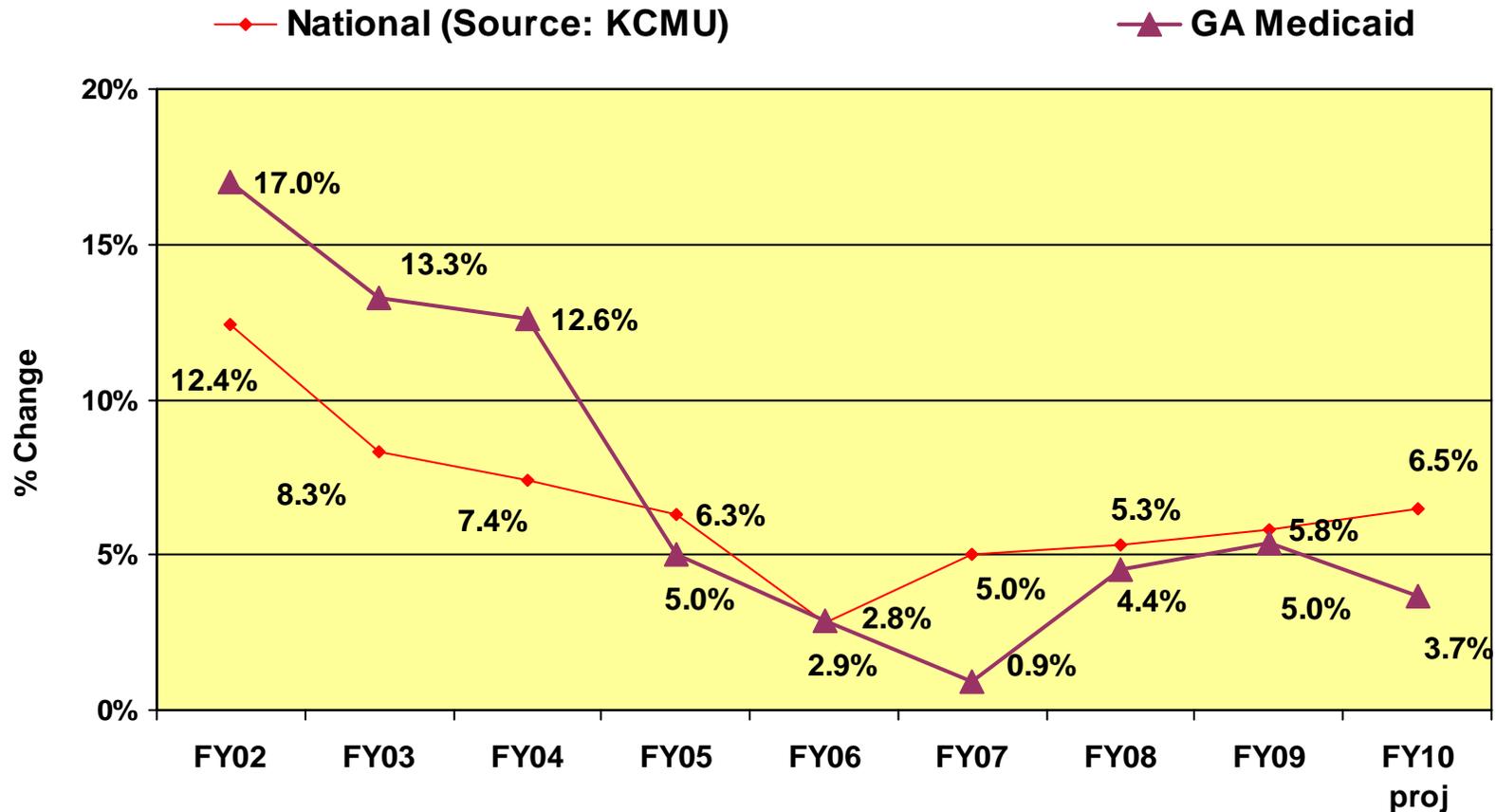
FY 2010 - Medicaid

In millions	Low Income Medicaid	Aged, Blind, and Disabled	TOTAL
State Fund Revenue			
FY 2010 State Funds Appropriation	\$739.5	\$824.8	\$1,564.3
CMO Provider Fees	\$36.6		\$36.6
NH Provider Fees		\$126.4	\$126.4
TOTAL REVENUE	\$776.1	\$951.2	\$1,727.3
State Fund Expense*	(\$755.7)	(\$918.5)	(\$1,674.2)
Surplus/(Deficit)	\$20.4	\$32.7	\$53.1
FY 2010 surplus due to Medicare Part D credit, pharmacy rebates and payment of receivables by DBHDD and DHS.			
* FY 2010 Expenditures are unaudited			



GA Medicaid vs. National Medicaid Averages

Annual Increases in Medicaid Benefit Expenditures



Georgia has trended at or below national Medicaid experience for the past 6 years.

NASBO = National Association of State Budget Officers, June 2010

KCMU = Kaiser Commission on Medicaid and the Uninsured, September 2009

Previous Medicaid Cost Control Initiatives

FY 2004 - 2005

- Pharmacy Program Management
 - Preferred Drug List
 - Supplemental Rebates
 - Quantity Limits
- Outpatient hospital reimbursement reduced

FY 2006

- Care Management Organizations Statewide capitated program for Low Income Medicaid and PeachCare for Kids - June 2006
- Disease Management for select Aged, Blind, and Disabled members
- Eligibility Criteria more stringently applied
 - Emergency Medical Assistance
 - Katie Beckett (FY 2005)
 - Proof of Citizenship and Income
 - Asset Transfer for Long Term Care
- Medicare Part D implementation

FY 2007

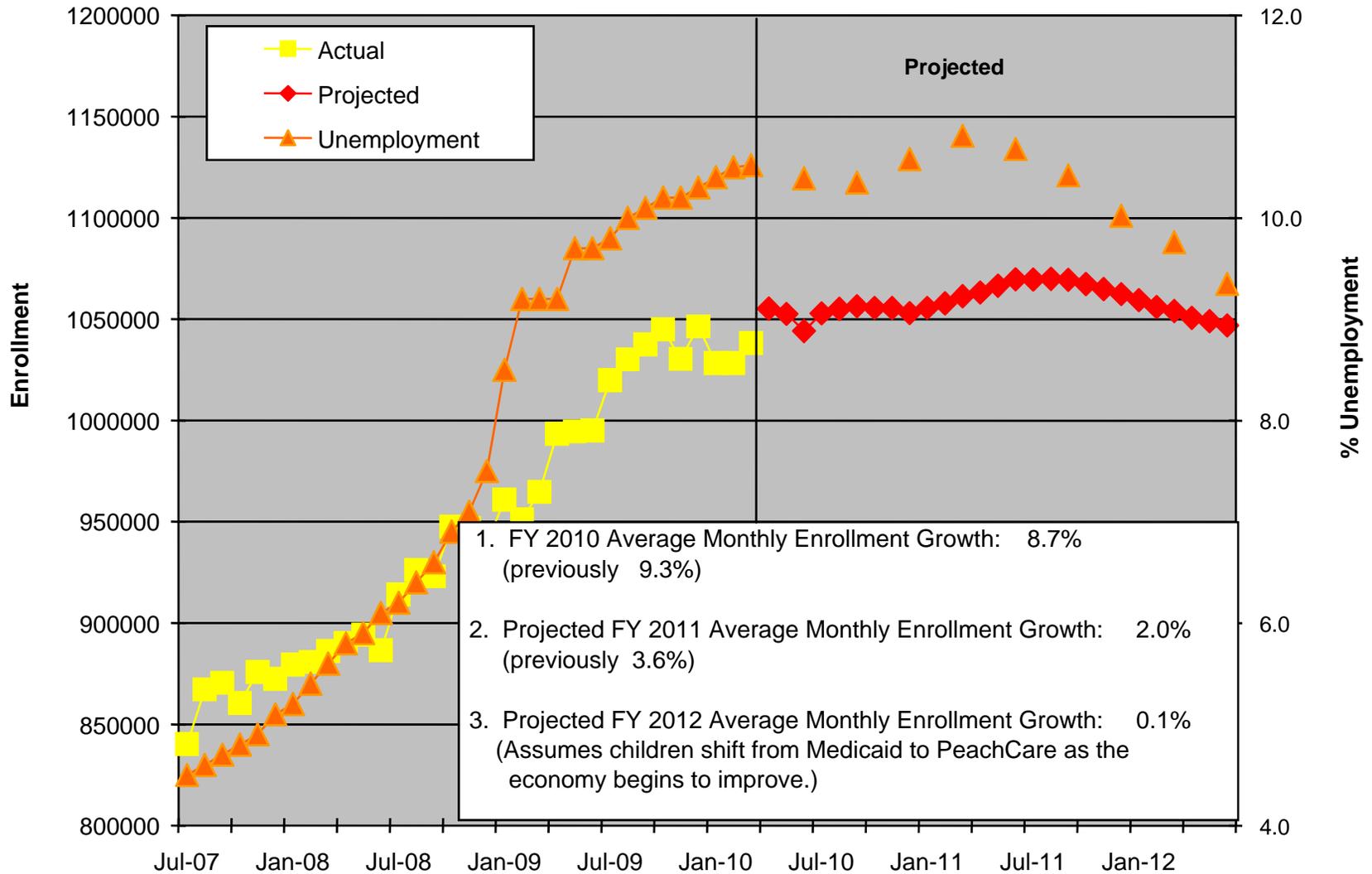
- Administrative Services for non-CMO members
 - Level of Care Determination
 - Clinical Reviews
 - Fraud and Abuse

FY 2008 – FY 2010

- Review and Removal of duplicate Medicaid ID's
- Focus on community-based long term care services to delay/avoid institutional care
- Medicaid Program Integrity
 - Fraud and Abuse Detection
 - False Claims Act
- Drug Company National Settlements
- CMO rates set at the low end of the actuarially sound rate range
- Transition to a PASRR provider delivery system versus a vendor delivery system
- Conversion to new MMIS resulting in further clean up of eligibility files and enhanced ability to control the medical benefit.
- Modifications to drug rebate program and dispute resolution process increase drug rebates
- Realignment of DME pricing methodology



LIM Enrollment: FY 2008 – Projected FY 2011 and 2012



LIM Projected PMPM for FY 2011-2012

CMO Rate Update:

FY 2011:

Actuaries used CMO actual experience for November 2008-October 2009.

- Rates, per the FY 2011 Appropriation Act, include a hospital rate increase, the hold harmless for the 2.25% Insurance Premium tax, and a required cut in PMPM growth.
- Projected **net increase of 5.2%** based on expected FY 2011 enrollment and PMPM adjustments.
- Rates at the bottom of actuarially sound rate range.
- Currently pending CMS approval.

FY 2012:

- Assume medical inflationary growth based on Global Insight Quarterly Health Care Cost Review – **2.8%**.

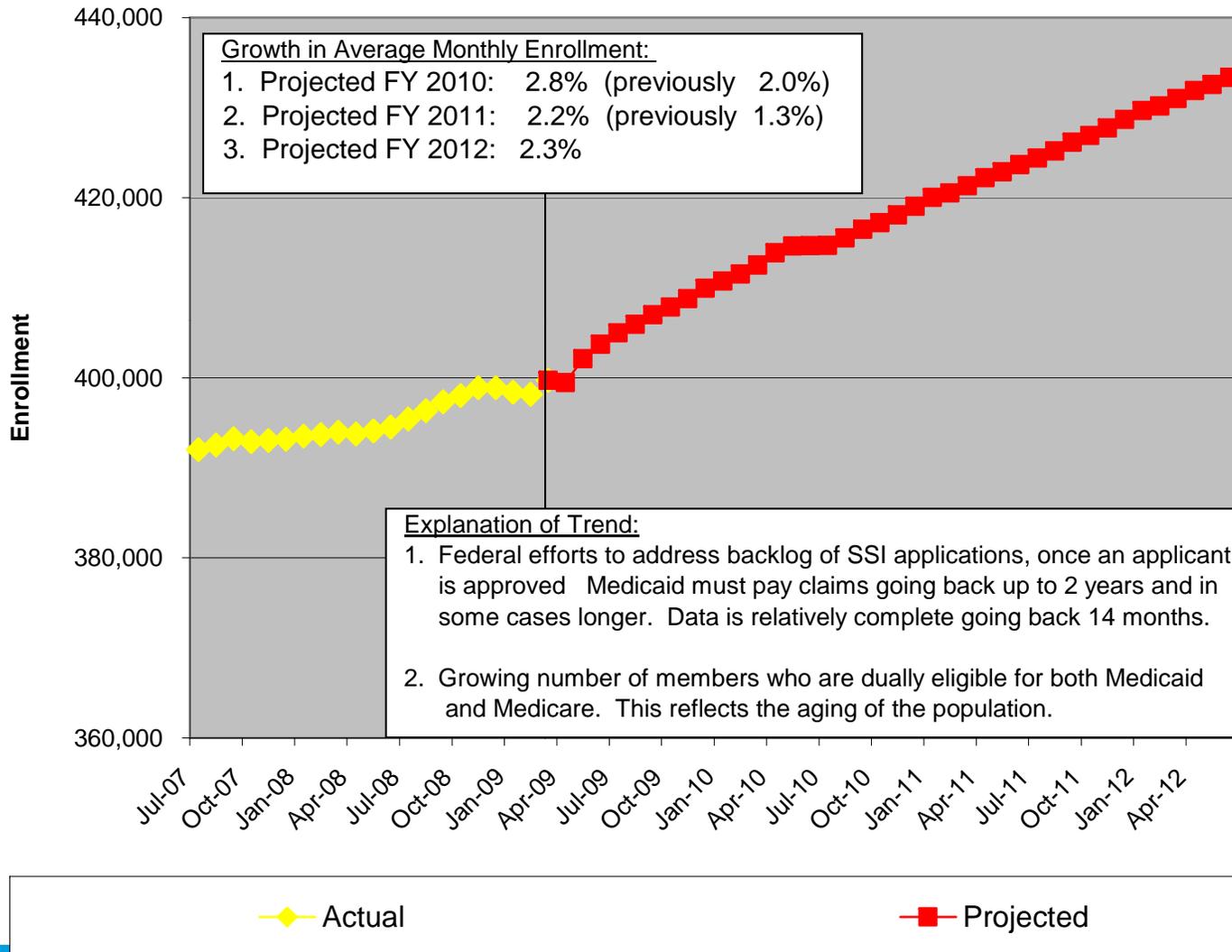
Fee-For-Service:

LIM growth based on trend as it historically has not increased at the same rate as Global Insight's medical services inflation.

- LIM inflation: **0.5% for FY 2011 and FY 2012**



ABD Enrollment: FY 2008 – Projected FY 2011 and 2012



ABD Projected PMPM for FY 2011-2012

Inflationary growth

ABD growth based on Global Insight Quarterly Health Care Cost Review.

- ABD Inflation index for Medical Services
 - 5.6% for FY 2011 (in addition to medical inflation, PMPM is driven by FY11 Appropriation for the Hospital Rate Increase)
 - 2.8% for FY 2012



Medicaid: FY 2011 and FY 2012 State Fund Status

\$s in millions	FY 2011 Projected	FY 2012 Projected
State Fund Revenue		
FY 2011 Appropriations	\$1,318.7	\$1,318.7
Hospital Provider Fee*	\$227.4	\$233.7
Nursing Home Provider Fees	\$131.3	\$131.3
Assume Funding Associated with ARRA Stimulus FMAP restored**	\$131.1	\$684.0
Total Revenue	\$1,808.5	\$2,367.7
In FY 2012 FMAP returns to normal level which increases state fund expense	FMAP = .7322	FMAP = .6580
State Fund Expense	(\$1,887.3)	(\$2,566.2)
Surplus/(Deficit)	(\$78.8)	(\$198.5)

* The Hospital Provider Fee is a new revenue source.

**Represents stimulus FMAP shortfall associated with DCH only. Does not include impact to DBHDD or DHS. OPB will address the stimulus shortfall for all agencies impacted.



PEACHCARE FOR KIDS



FY 2010 – PeachCare State Funds Status

	FY 2010 Actual (\$ in millions)
State Fund Revenue	
FY 2010 State Fund Appropriation	\$63.4
CMO Provider Fees	\$4.5
TOTAL REVENUE	\$67.9
State Fund Expense*	(\$67.1)
Surplus/(Deficit)	\$0.8
* FY 2010 Expenditures are unaudited	

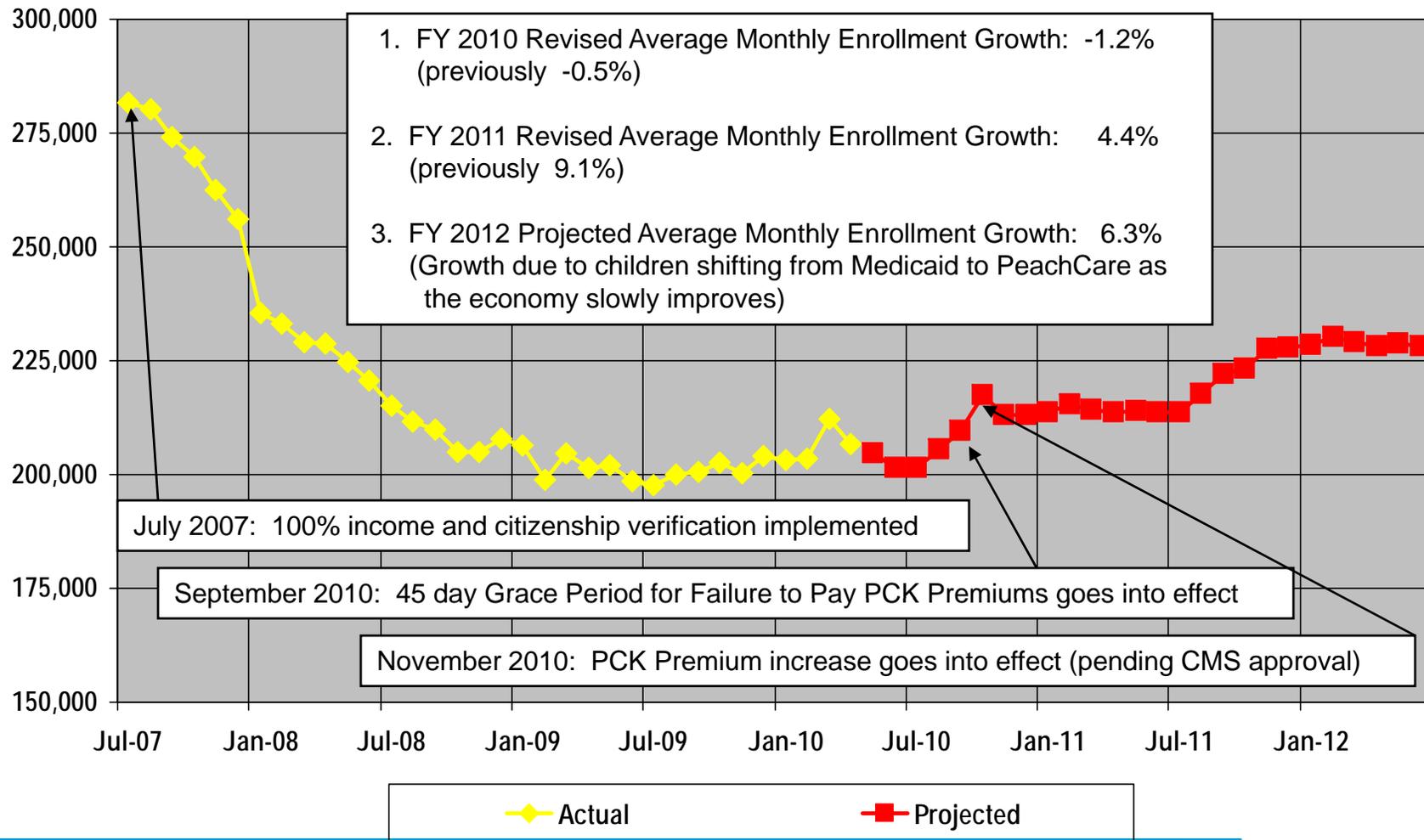


PeachCare: FY 2011 and FY 2012 State Fund Status

\$s in millions	FY 2011 Projected	FY 2012 Projected
State Fund Revenue		
State Fund Appropriation	\$64.7	\$64.6
Hospital Provider Fees*	\$1.6	\$1.7
Total Revenue	\$66.3	\$66.3
State Fund Expense	(\$69.8)	(\$82.5)
Surplus/(Deficit)	(\$3.5)	(\$16.2)

*The Hospital Provider Fee is a new revenue source. CMO fees are no longer available in FY11 and FY12.

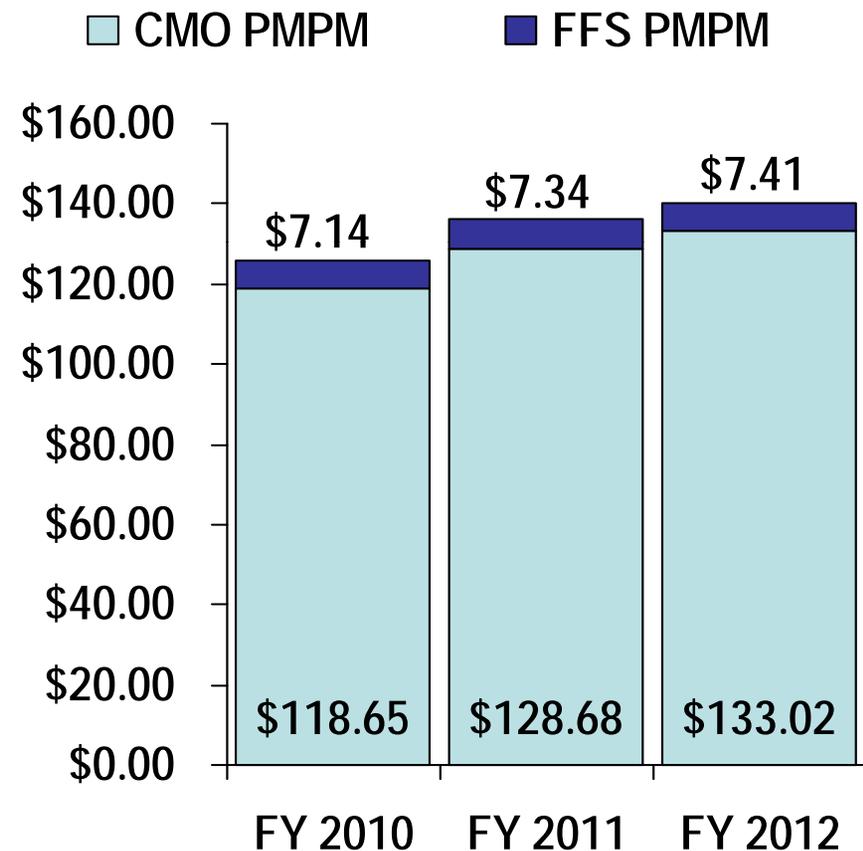
PeachCare for Kids: Enrollment



FY 2011 and FY 2012: PMPM PCK Expenditure Growth

PMPM Influences

- Rates at very low end of actuarially sound rate range for 2010 and FY 2011.
- Increase in FY 2011 is due to:
 - Hospital Rate Increase
 - Hold Harmless for the Insurance Premium Tax
- Medical inflation applied to FY 2012



FY 2011 and FY 2012: Additional Cost Drivers

- Premium Increase for Children Ages 6 – 19 years effective November 2010 (pending CMS approval)
- The CHIPRA Act requires states to institute a grace period for those CHIP (PeachCare) families who fail to pay premiums in any given month.
 - Result is that effective September 2010, PeachCare families will be allowed to stay on the rolls for up to 45 days if they fail to pay the required premium.
- As the unemployment rate begins to decline in FY 2012, children will move from Medicaid to PeachCare.



MEDICAID AND PEACHCARE BUDGET BENEFIT REDUCTIONS



AFY 11 and FY 12

Approach to Reductions in Benefits

Areas DCH targeted first:

- Use of prior year surplus for FY 2010
- Fraud Recoveries
- Savings Opportunities under the federal Health Care Reform Act and CHIPRA
- Cost and Care Management

Areas DCH could not target:

- Eligibility (ARRA requires maintenance of July 2008 eligibility through June 2011) – includes the imposition of new premiums
- Eligibility (Health Care Reform requires maintenance of March 2010 eligibility through January 2014 for adults and January 2019 for children) – includes the imposition of new premiums
- Any policy change that required significant re-programming of the MMIS (due to FY 2011 conversion to a new MMIS)
- Mandatory Benefits and Eligibility Categories

Areas that did not make sense to target:

- Optional services that are less costly alternatives to mandatory services



AFY 2011 and FY 2012 Budget Exemptions

State Funds Need (\$s in millions)		AFY 2011	FY 2012
<p>Per OPB Instructions, the following Items requiring state funding are exempt from cuts and will be address by the Governor's Office of Planning and Budget as part of their budget development process:</p>			
1.	ARRA Stimulus FMAP Funding Shortfall*	(\$131,065,089)	(\$683,983,329)
2.	Medicaid and PeachCare Growth	(\$27,775,822)	(\$33,501,908)
3.	FY 2012 Loss of Medicare Part D Credit and Reduced Payments		(\$86,339,260)
TOTAL		(\$158,840,911)	(\$803,824,497)

*Represents stimulus FMAP shortfall associated with DCH only. Does not include impact to DBHDD or DHS. OPB will address the stimulus shortfall for all agencies impacted.



AFY 2011 Budget Recommendations

State Funds Target Reduction		4% Cut Level	6% Cut Level	8% Cut Level
Target Amount, per AFY 2011 Budget Instructions from the Governor's Office of Planning & Budget		(\$55,245,587)	(\$82,868,381)	(\$110,491,174)
Additional Items Impacting Medicaid and PeachCare State Fund Need in AFY 2011:				
1.	Funding shortfall for Medicare Part D Clawback payment (cashflow issue)	(\$39,329,000)	(\$39,329,000)	(\$39,329,000)
2.	Cover shortfall from cut taken for savings associated with moving long-term acute pulmonary care patients from hospitals to skilled nursing facilities. The magnitude of savings is not achievable.	(\$11,000,000)	(\$11,000,000)	(\$11,000,000)
3.	Cover PeachCare funding shortfall associated with the hospital rate increase.	(\$1,636,985)	(\$1,636,985)	(\$1,636,985)
4.	Reflect delay in PeachCare premium increase from July 2010 to November 2010.	(\$753,333)	(\$753,333)	(\$753,333)

AFY 2011 Budget Recommendation

State Funds Target Reduction		4% Cut Level	6% Cut Level	8% Cut Level
5.	Cover PeachCare shortfall as a result of the federally required coverage grace period for failure to pay premiums.	(\$1,147,364)	(\$1,147,364)	(\$1,147,364)
6.	Cover shortfall from the June 2011 CMO Cap Payment Deferral.	(\$715,334)	(\$715,334)	(\$715,334)
7.	Provide funds for the shortfall associated with the MMIS conversion and federal certification.	(\$15,127,330)	(\$15,127,330)	(\$15,127,330)
8.	Provide state matching funds for private DSH hospitals with deemed status in order to maintain the DSH allocation.	(\$7,796,255)	(\$7,796,255)	(\$7,796,255)
Total State Funds Shortfall		(\$77,505,601)	(\$77,505,601)	(\$77,505,601)
Total AFY 2011 State Funds Need: Target Cuts and Shortfall		(\$132,751,188)	(\$160,373,981)	(\$187,996,775)



AFY 2011 Budget Recommendations

Total AFY 2011 State Funds Need: Target Cuts and Shortfall		(\$132,751,188)	(\$160,373,981)	(\$187,996,775)
Recommendations		4% Cut Level	6% Cut Level	8% Cut Level
Use Estimated FY 2010 Surplus of \$53,846,742 to fund:				
1.	Funding shortfall for Medicare Part D Clawback payment (cashflow issue related to the FY 2010 surplus)	\$39,329,000	\$39,329,000	\$39,329,000
2.	Help offset state funds shortfall	\$14,517,742	\$14,517,742	\$14,517,742
Revised Total AFY 2011 State Funds Need: Target Cuts and Shortfall		(\$78,904,446)	(\$106,527,240)	(\$134,150,033)



AFY 2011 Budget Recommendations

Recommendations		4% Cut Level	6% Cut Level	8% Cut Level
1.	Increase in pharmacy rebate savings due to healthcare reform policy changes.	(\$10,485,523)	(\$10,485,523)	(\$10,485,523)
2.	Eliminate Georgia Enhanced Care contract October 1, 2010.	(\$6,120,744)	(\$6,120,744)	(\$6,120,744)
3.	Reflect estimated savings from drug company settlements.	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)
4.	Revise policy on hospice services in nursing home facilities effective January 2010.	(\$928,429)	(\$928,429)	(\$928,429)
5.	Implement provider rate cuts effective January 2010* <u>Hospitals are not included.</u>	(\$51,369,750) <i>8.9% cut</i>	(\$78,992,544) <i>13.7% cut</i>	(\$106,615,337) <i>18.5% cut</i>
	Total AFY 2011 Changes	(\$78,904,446)	(\$106,527,240)	(\$134,150,033)
	v. State Fund Need	(\$78,904,446)	(\$106,527,240)	(\$134,150,033)
	Surplus/(Deficit)	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>

*DCH has an alternative Provider Rate Cut Proposal at the end of the presentation.



FY 2012 Budget Recommendations

State Funds Target Reduction		6% Cut Level	8% Cut Level	10% Cut Level
Per FY 2012 Budget Instructions from the Governor's Office of Planning & Budget		(\$82,868,381)	(\$110,491,174)	(\$138,113,968)
Additional Items Impacting Medicaid and PeachCare State Fund Need in FY 2012:				
1.	Cover shortfall as a result of cut taken for moving long-term acute pulmonary care patients from hospitals to skilled nursing facilities. The magnitude of savings is not achievable.	(\$11,000,000)	(\$11,000,000)	(\$11,000,000)
2.	Cover PeachCare funding shortfall associated with the hospital rate increase.	(\$1,636,985)	(\$1,636,985)	(\$1,636,985)
3.	Cover shortfall from the June 2011 CMO Cap Payment Deferral.	(\$82,188,929)	(\$82,188,929)	(\$82,188,929)



FY 2012 Budget Recommendation

State Funds Target Reduction		4% Cut Level	6% Cut Level	8% Cut Level
4.	Reflect retroactive payment for shortfall associated with the MMIS conversion once federal certification is achieved.	\$15,127,330	\$15,127,330	\$15,127,330
Total State Funds Shortfall		(\$79,689,584)	(\$79,689,584)	(\$79,689,584)
Total FY 2012 State Funds Need: Target Cuts and Shortfall		(\$162,566,965)	(\$190,189,758)	(\$217,812,552)



FY 2012 Budget Recommendations

Recommendations		6% Cut Level	8% Cut Level	10% Cut Level
1.	Increase in pharmacy rebate savings due to healthcare reform policy changes.	(11,563,686)	(11,563,686)	(11,563,686)
2.	Eliminate Georgia Enhanced Care contract October 1, 2010.	(10,425,225)	(10,425,225)	(10,425,225)
3.	Eliminate the interim Outpatient Hospital rate floor for CMOs.	(\$5,131,500)	(\$5,131,500)	(\$5,131,500)
4.	Reflect savings from the Family Planning Waiver.	(9,339,200)	(9,339,200)	(9,339,200)
5.	Reflect savings from the CHIPRA bonus.	(\$6,032,030)	(\$6,032,030)	(\$6,032,030)
6.	Reflect savings from drug company settlements.	(10,000,000)	(10,000,000)	(10,000,000)
7.	Revise policy on hospice services in nursing home facilities.	(2,440,824)	(2,440,824)	(2,440,824)



FY 2012 Budget Recommendations

Recommendations		6% Cut Level	8% Cut Level	10% Cut Level
8.	Implement provider rate cuts effective July 2011*. <u>Hospitals are not included.</u>	(\$107,634,500) <i>7.1% cut</i>	(\$135,257,293) <i>9.0% cut</i>	(\$162,880,087) <i>10.8% cut</i>
	Total AFY 2011 Changes	(\$162,566,965)	(\$190,189,758)	(\$217,812,552)
	v. State Fund Need	(\$162,566,965)	(\$190,189,758)	(\$217,812,552)
	Surplus/(Deficit)	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>

*DCH has an alternative Provider Rate Cut Proposal at the end of the presentation.



DCH Alternative on Provider Rate Cuts

Alternative	AFY 2011 effective January 2011	FY 2012 continues rate cut
DCH proposes an alternative provider rate cut that would be consistent across FY 2011 and FY 2012.		
Continue provider rate cuts effective January 2011 (with hospitals excluded) at the 7.1% cut level. This meets the FY 2012 6% target.	(\$41,134,973) <i>7.1% Cut</i>	(\$107,634,500) <i>7.1% Cut</i>
Unmet Target:		
4% Scenario	(\$10,234,778)	NA
6% Scenario	(\$37,857,571)	\$0
8% Scenario	(\$65,480,365)	(\$27,622,794)
10% Scenario	NA	(\$55,245,687)



Amended FY 2011 & FY 2012 Program Budgets

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