

Amended FY 2008 & FY 2009 Program Budgets



Presentation to the
Board of Community Health
August 9, 2007

DCH Budget Instructions

- Due September 1, 2007 to Governor's Office of Planning and Budget (OPB).
- The Amended FY 2008 budget should be used only for errors and emergencies using existing resources.



DCH Budget Instructions for FY 2009

- For Department Administration and Program Support and for the Health Care Access and Improvement program the instructions require **two versions**:
 - **+2%** enhancement version equal to 102% of the current FY 2008 base budget
 - **-2%** reduction version equal to 98% of the current FY 2008 base budget
- For the Medicaid Low Income Medicaid and Aged, Blind, and Disabled benefits programs, the instructions require **one version**:
 - **+2%** enhancement version equal to 102% of the current FY 2008 base budget
 - A reduction version is **not required**.

DCH Budget Instructions for FY 2009 (continued)

- The Peachcare for Kids budget instructions are pending the outcome of federal State Children's Health Insurance Program (SCHIP) language.
- For the State Health Benefit Plan the budget request should align with the CY 2008 strategic plan.
 - Consumer Directed Healthcare Plan option available statewide
 - No new enrollment in the Indemnity Plan
 - Reduction in HMO Options from 4 to 3 plans
 - 10% increase in employee premiums
 - 11% increase in state's contribution toward annual cost

DCH Budget Instructions for FY 2009 (continued)

Program Budget	State Funds
Administration Budget	\$94,102,323
Health Care Access Budget	\$14,449,088
Less One-Time Items	<u>(\$7,250,000)</u>
Total	\$101,301,411
Budget Target @ ± 2%	± \$2,026,028
Medicaid Budget (State and Tobacco Only; no Provider Fees)	\$1,958,355,090
Budget Target @ +2%	+\$39,167,102

HEALTHCARE ACCESS AND IMPROVEMENT & ADMINISTRATION



Preliminary Budget Recommendations: FY 2009 Enhancements – Healthcare Access and Improvement

Target Increase = \$2,026,028

1. Health Information Transparency Website

Phase 2 in establishing and expanding website capabilities to provide healthcare consumers and providers with access to health information to promote competition in the healthcare marketplace, improve care quality and access to care, and lower healthcare costs.

Cost: \$1,000,000

2. Georgia Health Disparities Elimination Grant Program

The Office of Health Improvement and State Office of Rural Health will partner on a grant program intended to reduce racial and ethnic health disparities, focusing on cancer, cardiovascular disease, diabetes, HIV/AIDS and associated co-morbidities.

Cost: \$1,000,000

Preliminary Budget Recommendations: FY 2009 Enhancements – Healthcare Access and Improvement

3. Health Information Exchange

Funding is for the second year in a matching grant program supporting an additional 2-3 pilots focusing on developing e-prescribing or electronic medical record programs, or other HIE implementations determined by the HITT Advisory Board.

Cost: \$1,000,000

Preliminary Budget Recommendations: FY 2009 Reductions - Administration

Target Reduction = (\$2,026,028)

1. **Indigent Care Trust Fund** (\$500,000)

The FY 2008 budget includes state funds of \$500,000 earmarked for the Georgia Cancer Coalition "from breast cancer license tag renewals"; however, the \$500,000 in state funds are not necessary since renewal revenues exceed the earmark.

2. **Operational Reduction** (\$1,526,028)

Proposed reduction generated by operating efficiencies for computer charges, telecommunication, regular operating expenses and contracts for professional services.

MEDICAID



Snap Shot of Medicaid

- Georgia Medicaid served **1.18 million** members on average each month in FY 2007.
- Total budget **\$7.6 billion**, including **\$2.0 billion state general and tobacco settlement funds** and **\$279.6 million in provider fees**.
- Georgia Families (Medicaid Managed Care) began June 2006 in the Atlanta and Central Region. Statewide implementation began September 2006.
- Medicaid Fee For Service (405k average monthly members in FY 2007):
 - Foster Care
 - Aged, Blind and Disabled
 - Nursing home & long term care
 - Home & Community Based Waivers
- Medicaid Managed Care (778k average monthly members in FY 2007):
 - Low Income Medicaid for Children and Adults
 - Right from the Start Medicaid for Children & Pregnant Women
 - Breast and Cervical Cancer Program participants

Medicaid Cost Management Initiatives to Date

FY 2004 - 2005

- Pharmacy Program
 - 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

FY 2006 (continued)

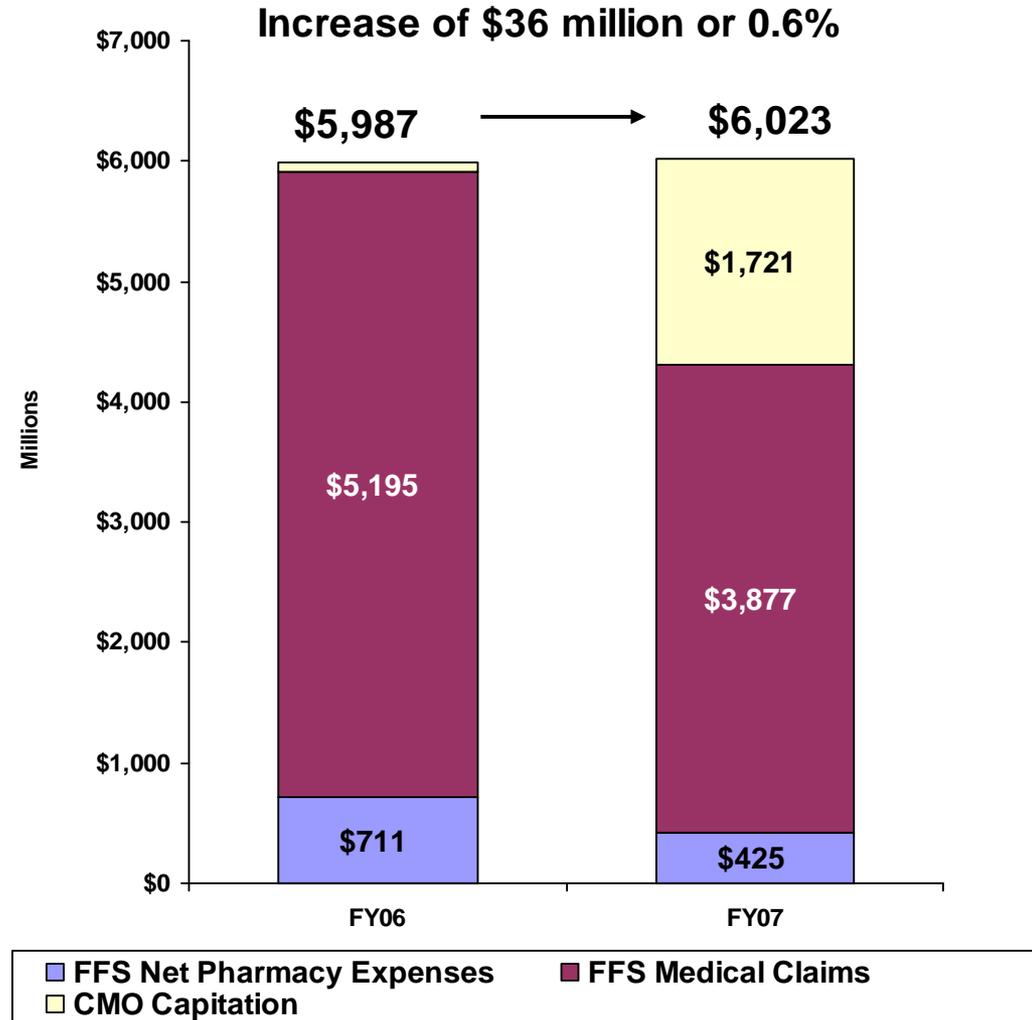
- Eligibility Criteria more stringently applied
 - Emergency Medical Assistance
 - Katie Beckett (FY 2005)
 - Proof of Citizenship and Income
 - Asset Transfer for Long Term Care
- Medicare Part D implementation

FY 2007 - 2008

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

Fiscal Status: FY 2007

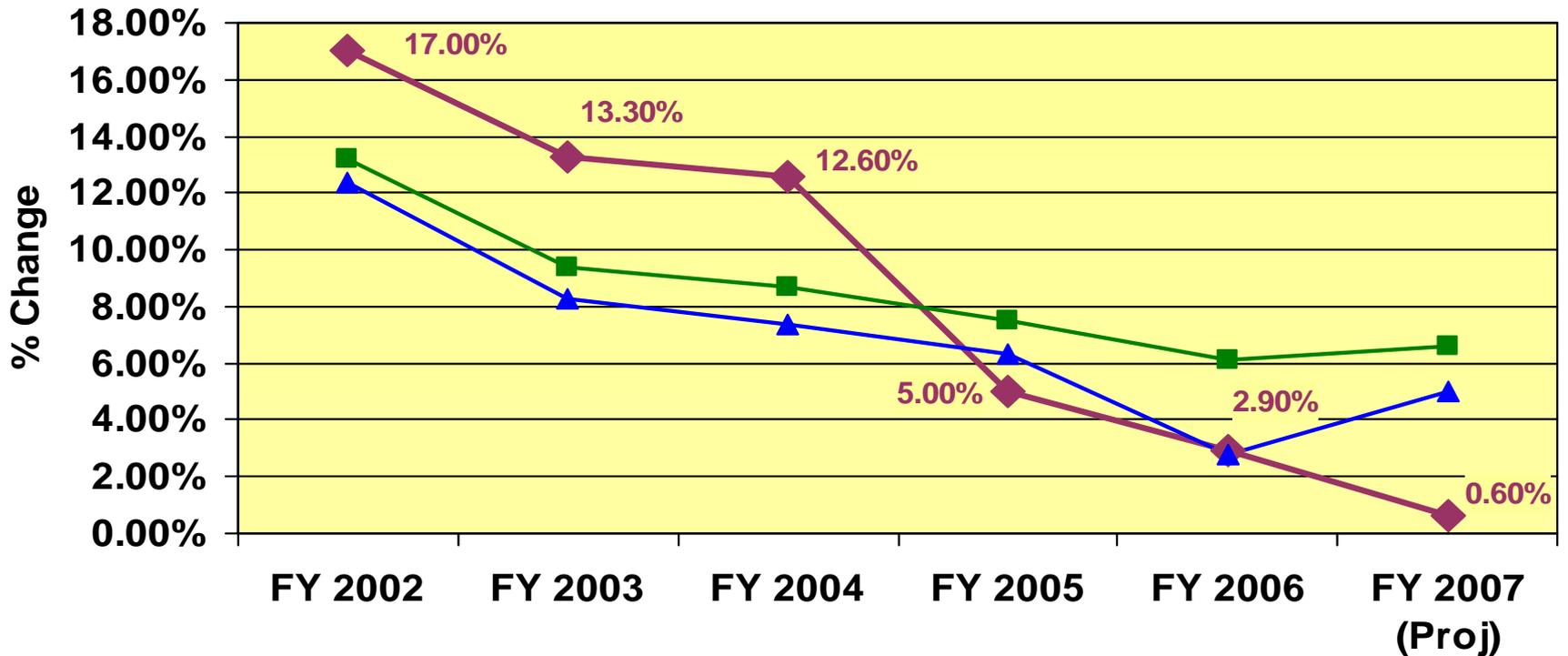
- FY 2007 vs. FY 2006
- Incurred expense projected to be **\$36 million or 0.6% higher** as compared to FY 2006 due primarily to:
 - Decreased Medicaid enrollment
 - Pharmacy cost avoidance due to Medicare Part D.
 - Decreased fee for service medical claims due to managed care implementation.
- This decreases offset the following expenses:
 - Medicare Part D Clawback payments to the federal government.
 - New CMO capitation payments.



Impact of Medicaid Cost Management

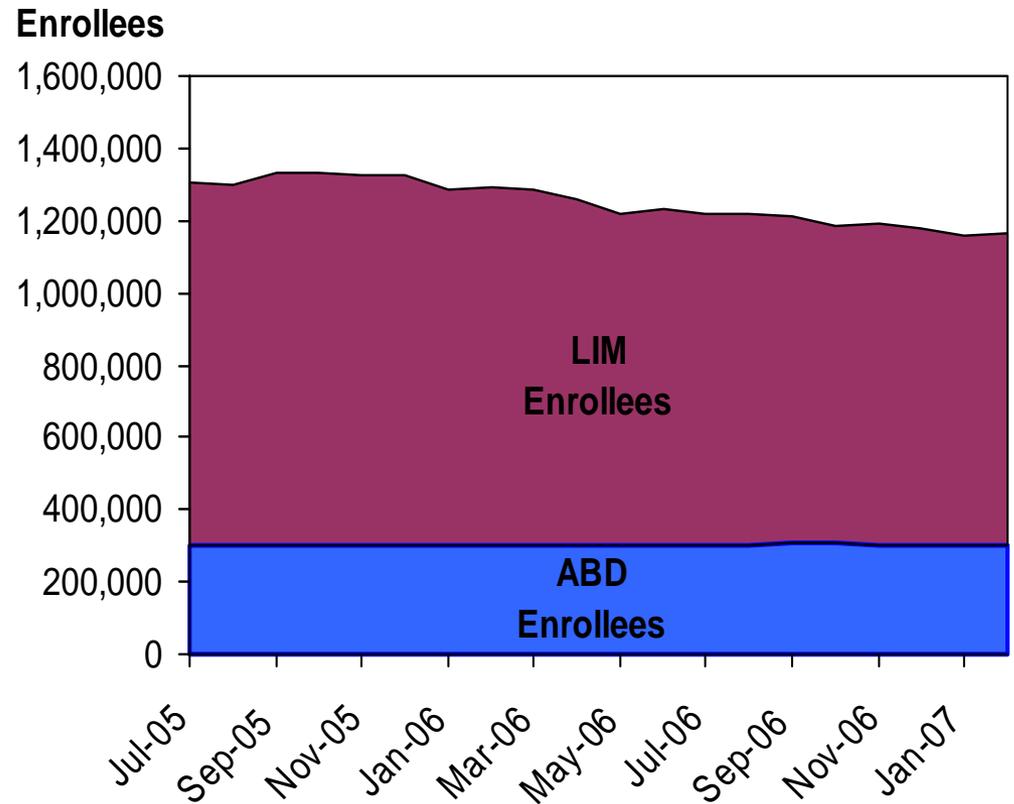
Annual Increases in Medicaid Benefit Expenditures

—◆— Georgia Medicaid —■— NASBO —▲— KCMU

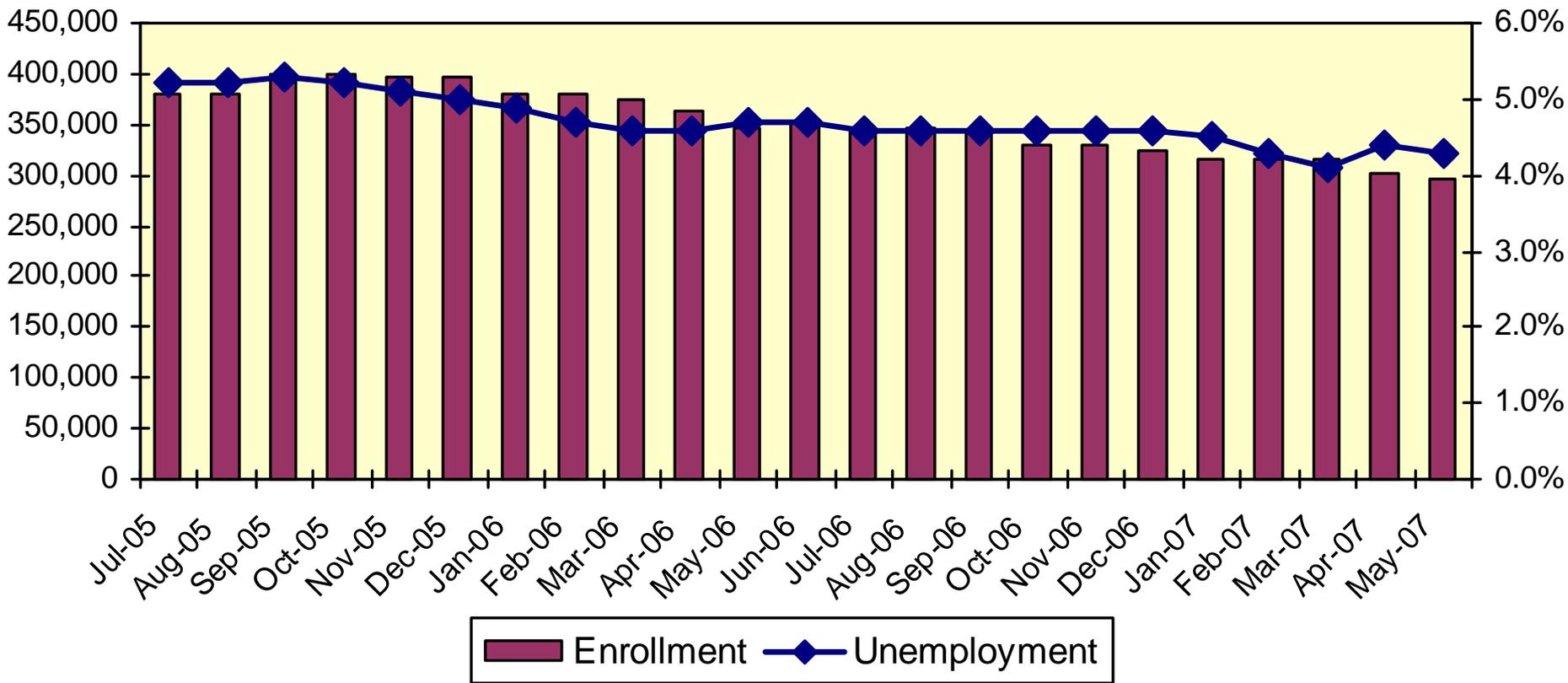


Medicaid Enrollment Trends

- Between FY 2006 and FY 2007 average Medicaid enrollment dropped **7.8%**, from 1.28 million to 1.18 million members, a **reduction of 100k members**.
- Factors contributing to this reduction:
 - Gradually improving economy;
 - More stringent eligibility document requirements and new third party verification process;
 - Temporary influx of Katrina enrollees from September through December 2006 declines in FY 2007, from 15,360 in December 2005 to 3,225 in March 2007.



Trends in Georgia Low Income Medicaid Enrollment and State Unemployment Rate (seasonally adjusted)



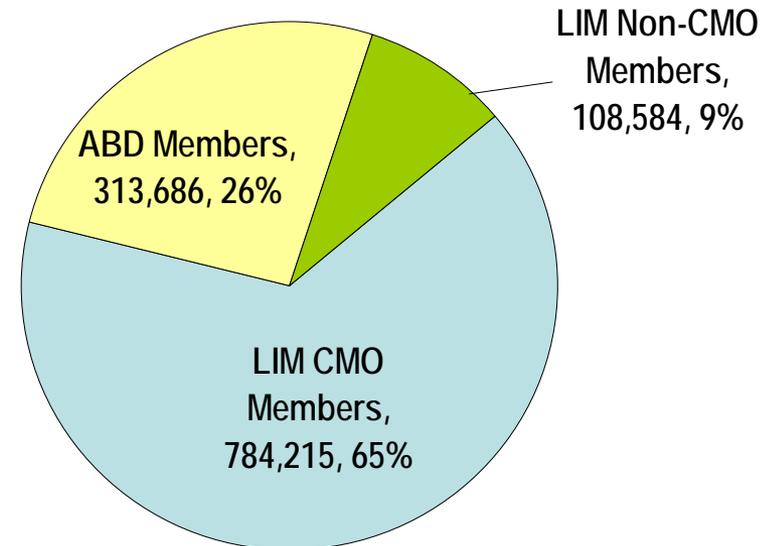
AFY 2008 and FY 2009: Expenditure Growth Assumptions

- Enrollment trends begin to increase

based on the projected population growth rates for the State of Georgia by age group. Projected Medicaid growth rate is **2.0%** annually.

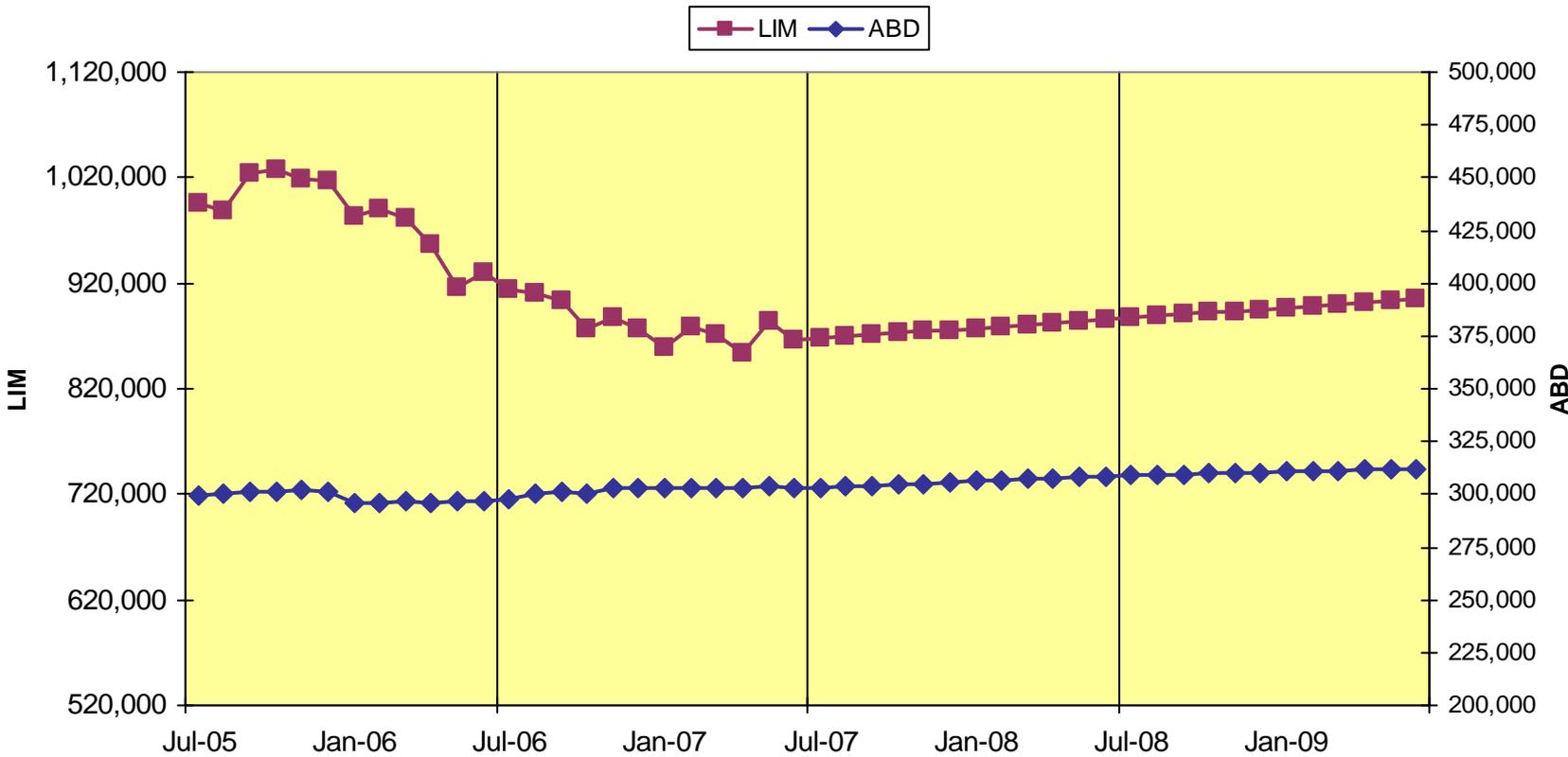
- In FY 2008, monthly enrollment changes from 1.17 million in July 2007 to 1.19 million in June 2008.
- In FY 2009, monthly enrollment changes from 1.20 million in July 2008 to 1.22 in June 2009.

**FY 2009 Distribution of Aged, Blind and Disabled (ABD),
Low Income Medicaid (LIM) Non-CMO and LIM CMO
Members**



FY 2008 and FY 2009: Enrollment Growth Assumptions

Enrollment ABD and LIM: FY 2006 to Projected FY 2008 and 2009



FY 2008 and 2009 Projected Payment per Member per Month by LIM and ABD

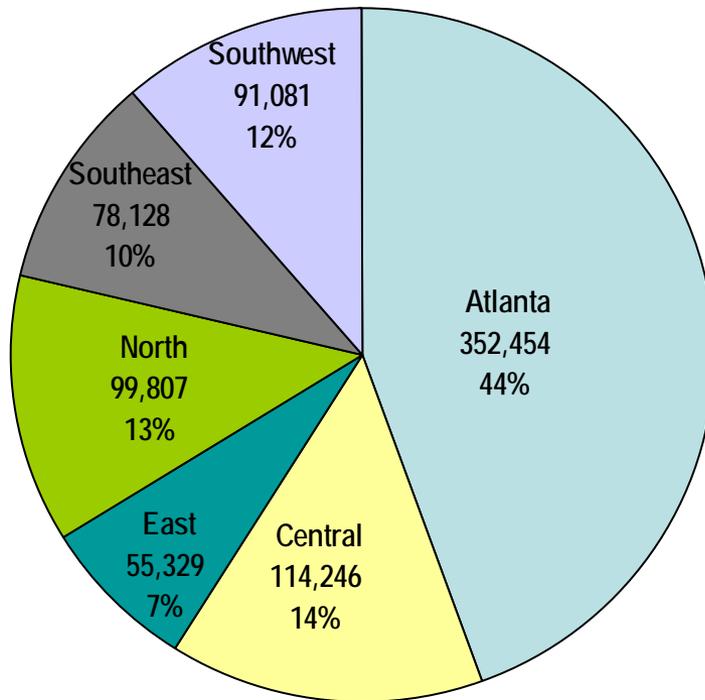
Inflationary growth based on Global Insight Quarterly Health Care Cost Review.

- Inflation index for Medical Services
- Applied to the previous year PMPM by program group.
- Projected PMPM's consider FY 2008 rate increases approved by the General Assembly.

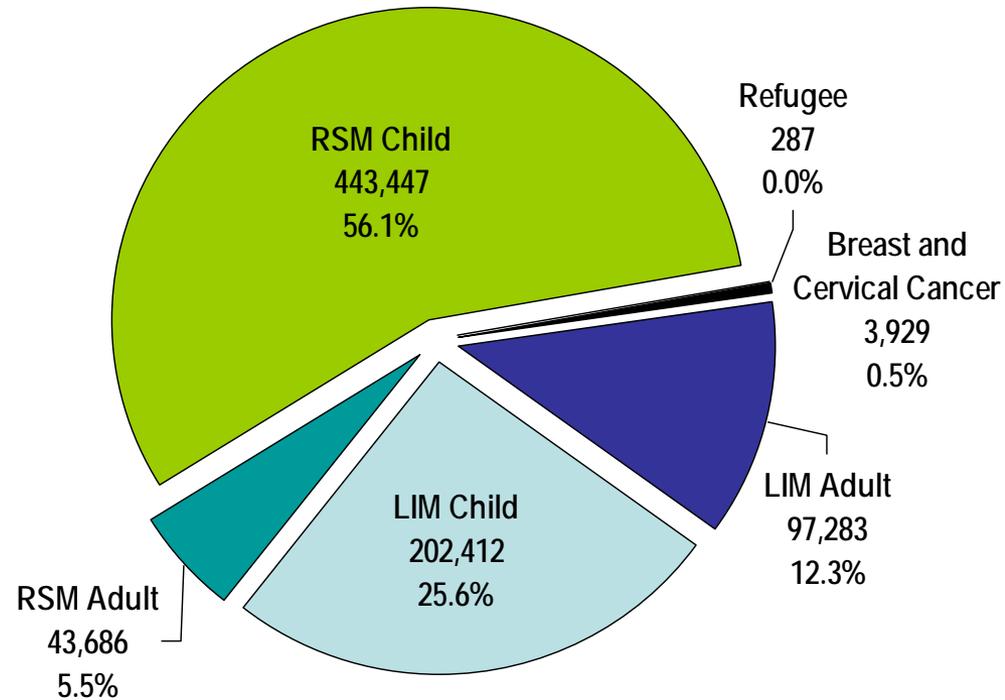
Medicaid CMO Member Distribution – FY 2009

Projected FY 2009 Average Monthly CMO Enrollment = 791,044 members

By Service Region

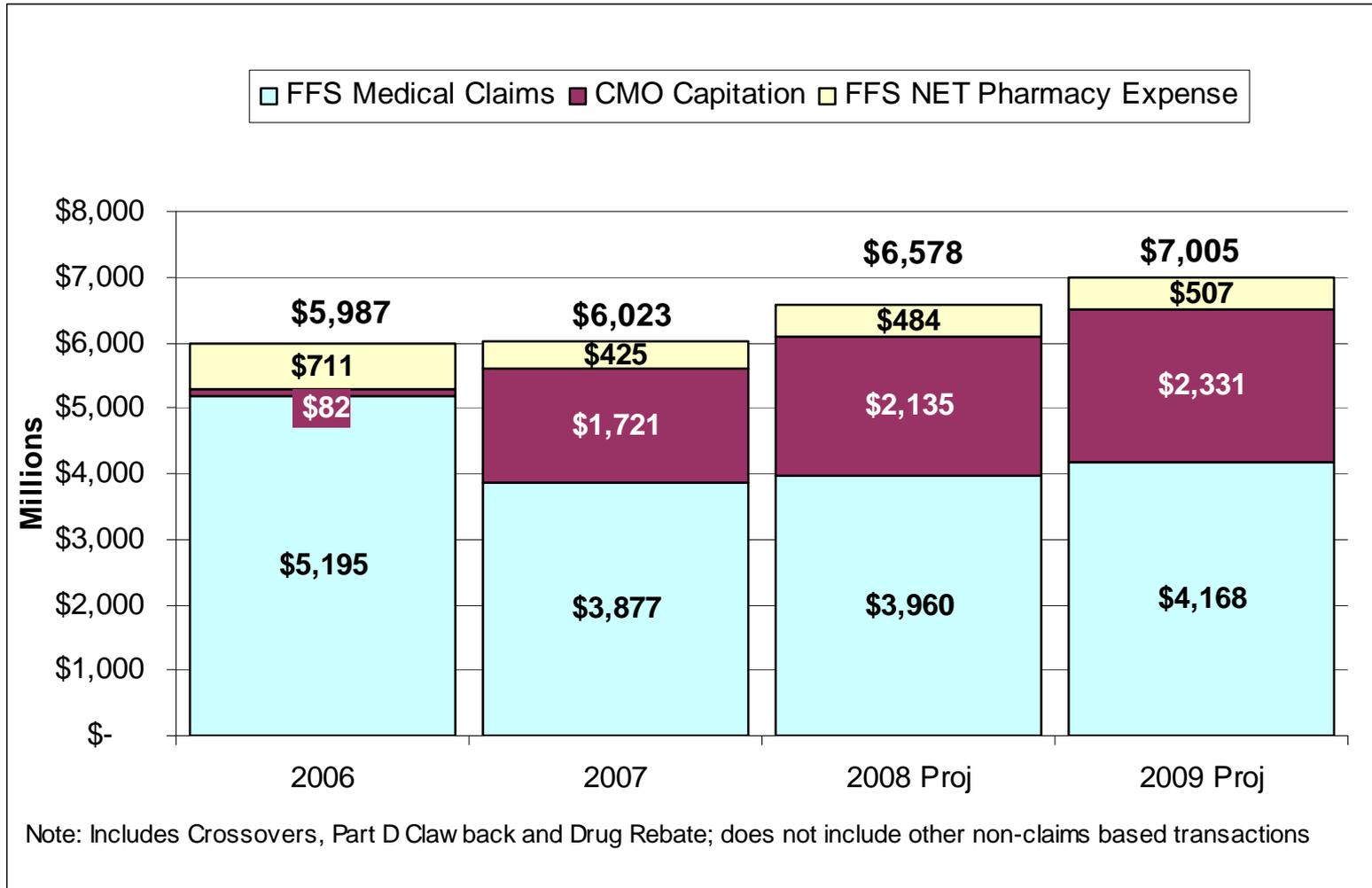


By Category of Eligibility



Medicaid Expenditures in Millions

FY 2006 - 2009 (projected)



Preliminary Budget Recommendations

- For Amended FY 2008 there are no funding needs.
- For FY 2009:
 - **Need of \$225 million** to cover loss of one-time, pre-funding made available for FY 2008 in FY 2007.
 - **+2 Enhancement** equal to 102% of the current FY 2008 base budget.
 - Seeking board review and recommendations on enhancements.

Preliminary Budget Recommendations: FY 2009 Enhancements – Medicaid Benefits

1. Inpatient Hospital Services

Using FY 2005 cost reports:

- **Increase** cost coverage from **93.6% to 97.5%** for **Trauma Hospitals**.
- **Increase** cost coverage from **91.0% to 93.5%** for **Non-Trauma Hospitals**.

Date of last increase for Inpatient Hospital was FY 2003 with rate reductions in FY 2004 and FY 2006.

Cost: \$46.6 million total funds; \$16.8 million state funds*

*Includes the cost to increase rates in PeachCare for Children

Preliminary Budget Recommendations: FY 2009 Enhancements – Medicaid Benefits

2. Outpatient Hospital Services

Use facility-wide Cost-to-Charge ratios to determine cost:

- 100% of cost for **Trauma Hospitals**
- 95% of cost for **Non-Trauma Hospitals**
- Assume **2.5% average increase** in rates linked to **RBRVS**
- **Increase triage fee** for non-emergent use of the ER to \$60
- **Increase cap** on outpatient services based on increases in inpatient services

Date of last increase for Outpatient Hospital was FY 2002 with rate reductions in FY 2005 and FY 2006.

Cost: \$18.9 million total funds; \$6.8 million state funds*

*Includes the cost to increase rates in PeachCare for Children

Preliminary Budget Recommendations: FY 2009 Enhancements – Medicaid Benefits

3. Outpatient Hospital and Physician Services

Recognize RBRVS rates for digital mammography

- Currently reimbursement is based on the analog mammography rate
 - Analog: \$66.51 to \$83.09 depending on code
 - Digital: \$108.73 to \$134.94 depending on code

Cost: \$1.0 million total funds; \$0.4 million state funds

Preliminary Budget Recommendations: FY 2009 Enhancements – Medicaid Benefits

4. Physician and Physician Related Services

Change the maximum allowable reimbursement to 88.5% of 2007 RBRVS as specified by Medicare for Georgia Area 1 (Atlanta).

- Services provided by a physician's assistant and advanced nurse practitioner will be limited to no more than 90% of the maximum allowable amount paid to a physician.
- Covers the following practitioners and services:
Physician, Physician Assistant, Nurse Midwife, Advanced Nurse Practitioner, Family Planning, Podiatry, Oral Surgery, Children's Intervention Services, Children's Intervention School Services, Psychology, Dialysis Professional Services and Vision.

Currently based on the 84.6% of 2000 RBRVS with the date of last increase in FY 2003 with a 10% rate reduction in FY 2004.

Cost: \$24.2 million total funds; \$10.0 million state funds*

*Includes the cost to increase rates in PeachCare for Children

Comparison of Georgia Rates to Medicare

Examples of Codes Frequently Billed by Practitioners

Code	Descriptor	Current Rates		Difference
		GA Medicaid	Medicare	
99214	Office/Outpatient Visit	62.71	68.16	9%
99239	Subsequent Hospital Care	48.02	65.41	36%
99283	Emergency Department Visit	54.80	61.96	13%
92004	Eye Exams	90.96	85.73	-6%

*Note - Certain nurse practitioners and physician assistants are reimbursed at 90% of these rates.

Preliminary Budget Requests: FY 2009 Enhancements – Medicaid Benefits

5. Physician

- Increase EPSDT HealthCheck rates by 2.5%.

Date of last increase in FY 2007, but only for healthchecks for children up to age 8.

Cost: \$1.6 million total funds; \$0.6 million state funds*

*Includes the cost to increase rates in PeachCare for Children

6. Physician

- Increase rates for global maternity delivery codes by 2.5%.

Cost: \$2.6 million total funds; \$0.9 million state funds

Preliminary Budget Requests: FY 2009 Enhancements – Medicaid Benefits

7. Independent Care Waiver Program (ICWP)

- Add 50 slots to address community based waiting list.
Cost: \$2.2 million total funds; \$0.8 million state funds
- Add 100 slots to move eligible members from institutions to the community (Money Follows the Person Initiative).
Cost: \$4.0 million total funds; \$1.4 million state funds
- Increase ICWP rates for personal support by 7%.
Cost: \$2.3 million total funds; \$0.8 million state funds

Date of last rate increase for ICWP was FY 2003.

Preliminary Budget Requests: FY 2009 Enhancements – Medicaid Benefits

8. Nursing Homes

- Provide an additional **1% add-on** to the nursing services component of the per diem for facilities that meet the requirements of the **Quality Incentive Program**.

Date of last rate increase for nursing homes was FY 2008.

Cost: \$5.0 million total funds; \$1.8 million state funds

Preliminary Budget Requests: FY 2009 Enhancements – Medicaid Benefits

9. Home Health Services

- Update to FY 2006 cost reports
- Increase cap from \$75.00 to \$90.00 per visit
- Pay the lesser of the cap or 100% cost

Date of last rate increase for home health was FY 2002 with a 10% rate cut applied in FY 2004.

Cost: \$3.8 million total funds; \$1.4 million state funds

PEACHCARE FOR KIDS



Snap Shot of PeachCare

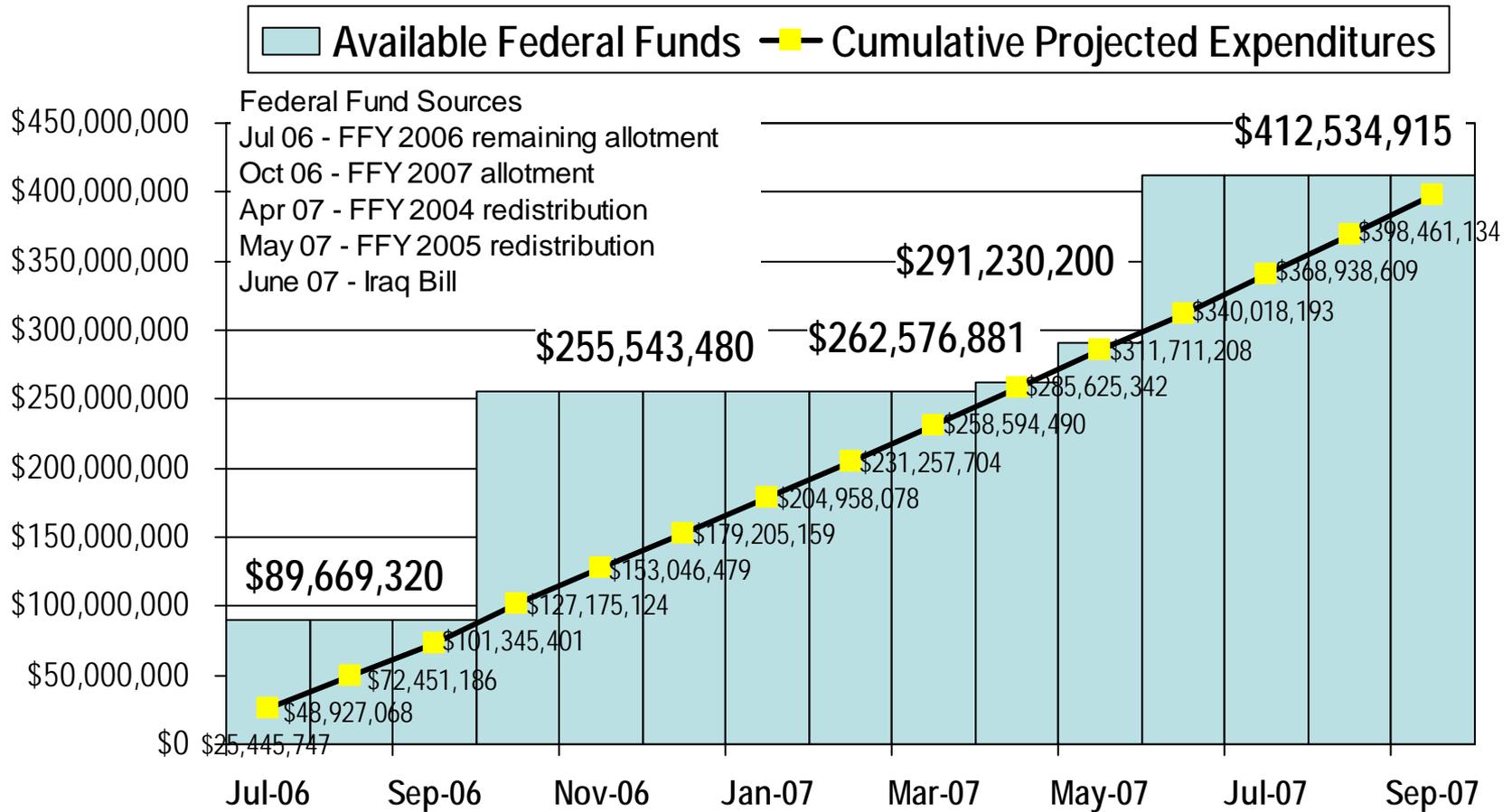
- PeachCare for Kids covered 282,501 Children in July 2007*
- Georgia **ranks fourth** nationally in numbers of enrolled children after California, New York, and Texas.
- SFY 2007 Budget =
 - \$412.5 million in federal funds
 - \$126.3 million in state fund sources
- SFY 2008 Budget =
 - Unknown federal funds available
 - \$86.4 million in state fund sources
- Federal Match: 73.38% up to available SCHIP funding

* as of 7/30/07



Georgia's SCHIP

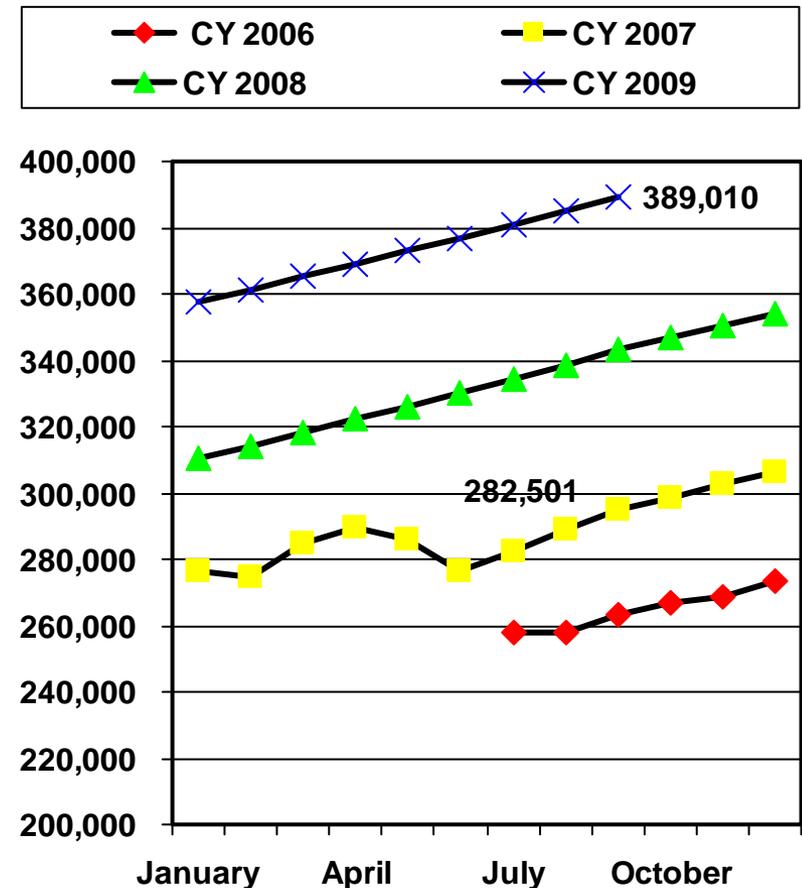
Federal Fund Spending SFY/FFY 2007



PeachCare Enrollment

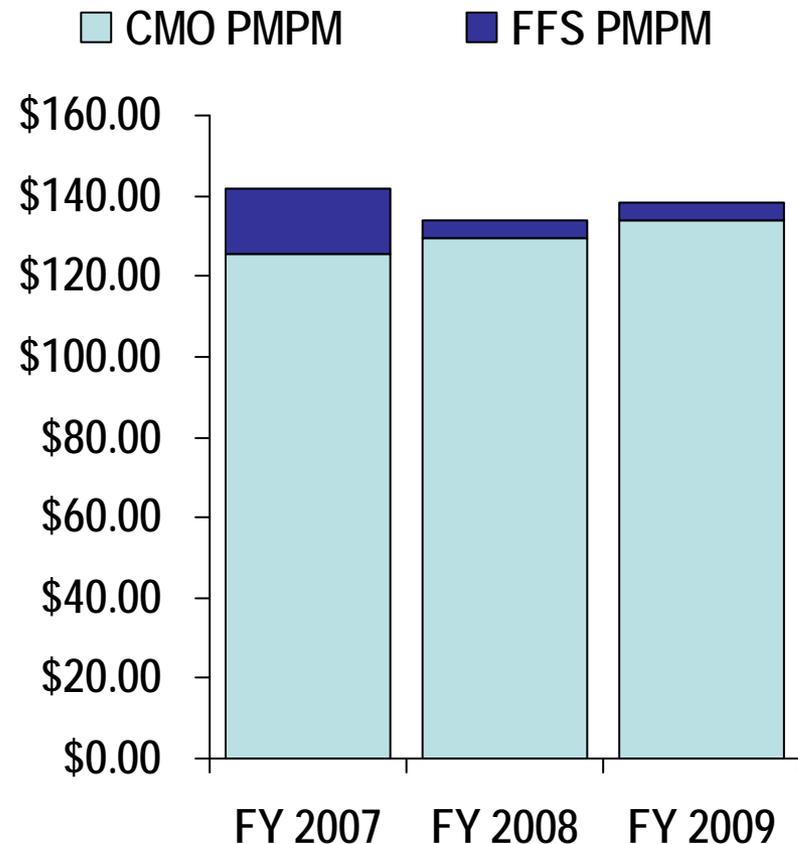
STATUS QUO Enrollment Assumptions:

- Continue Cap on Enrollment at 295,000 through September 2007
- Lift Cap October 1, 2007 assuming federal reauthorization at correct funding level
- Assume “pent up” demand (~3%) plus normal growth in FFY08 and normal growth in FFY09 (~14% annually)
- No assumptions about:
 - Future caps/freezes
 - Changes in eligibility criteria
 - Premium increases



FY 2008 and FY 2009: Expenditure Growth Assumptions

- FFS payments reduced to only those for members in CMO choice period.
- Transfer of fixed administrative CMO costs in CMO capitation rates to Medicaid capitation rates in FY 2008 – saves 6%
- Inflationary growth based on Global Insight Quarterly Health Care Cost Review.



PeachCare Budget Status

State Fund Need:	FY 2008A	FY 2009
State fund shortfall (accrual)	\$40.9 m	\$64.4 m
Fund federal share of PeachCare due to federal fund deficit Assume: \$165 m available Oct 2007 for FFY 2008 and \$165 m available Oct 2008 for FFY 2009 (\$165 m = prior year annual allotment)	\$95.4 m	\$164.2 m
TOTAL	\$136.3 m	\$228.6 m

Federal Funds Projected Cash Depletion Date: end of March 2008

STATE HEALTH BENEFIT PLAN



Historical Changes to SHBP

FY 2005

- Rx Design Plan Change
- Additional Co-Pays
- New Consumer Directed Health Plans (CDHP) as Pilot Program
- Dependent audits to validate eligibility
- Revenue increases from state contributions and employee premiums

CY 2006

- United Healthcare administering PPO and TPA
- Medicare Part D implementation
- Administrative contract consolidation

July 1, 2004

July 1, 2005

January 1, 2006

January 1, 2007

FY 2006

- HMO Cost Sharing Design Implemented
- Pharmacy Cost Sharing Increased for non-preferred drugs
- New Surcharges for smoking and spouses with access to other insurance
- Revenue increases from both state and employee premiums
- Expansion of CDHP pilots to additional payroll locations

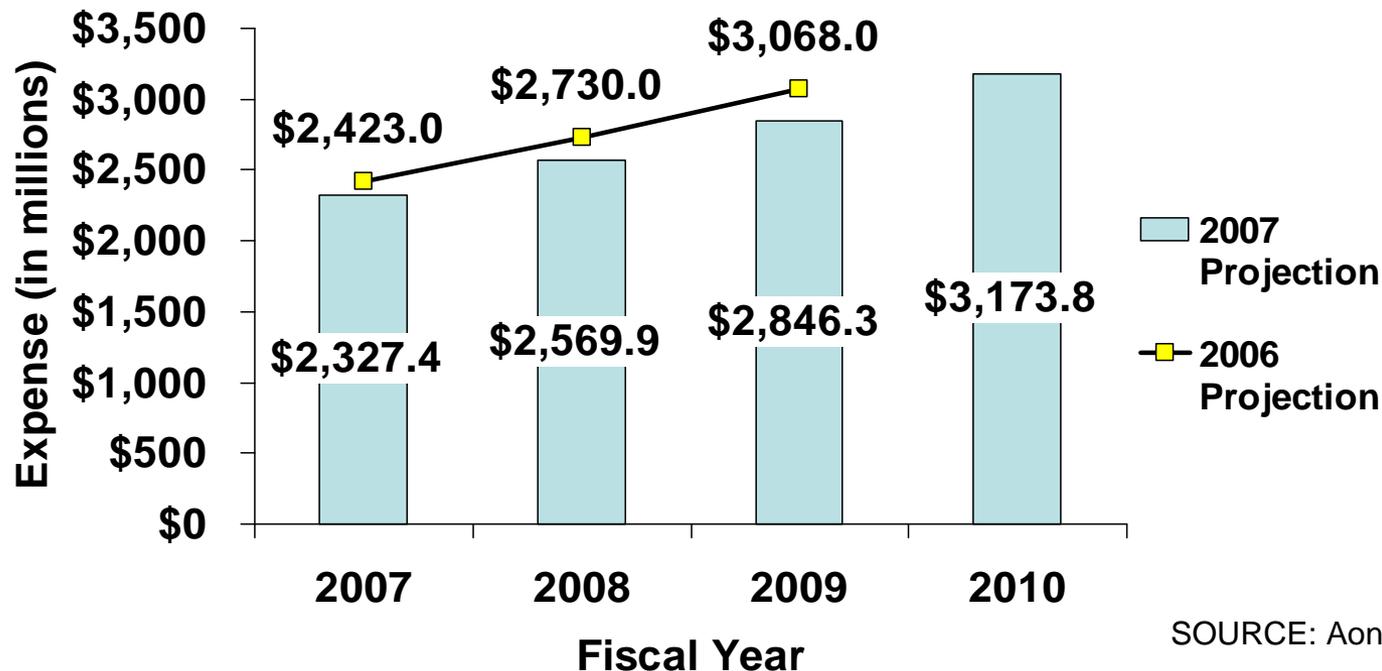
CY 2007

- Revenue increase from state
- No employee premium increases



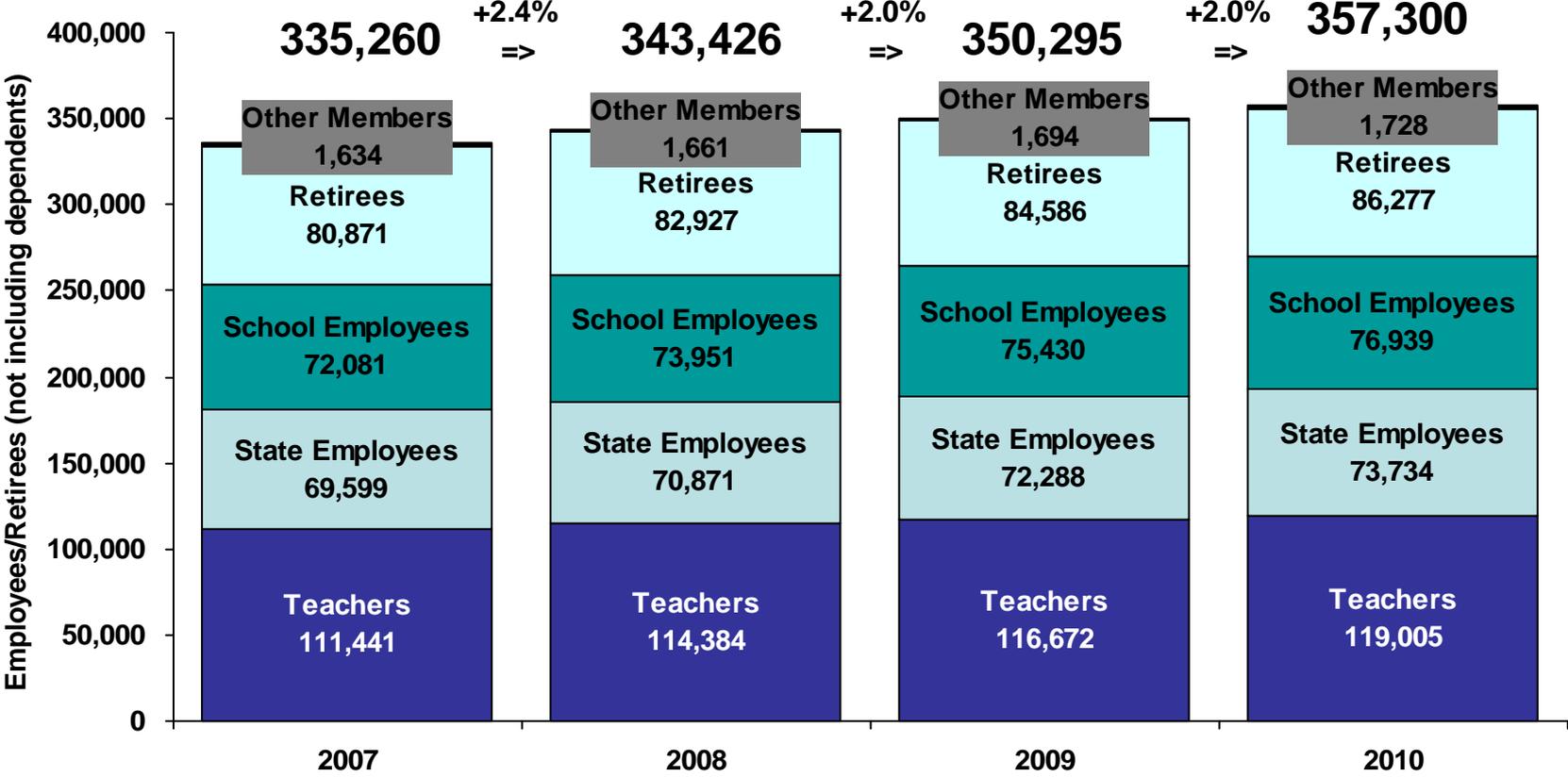
Impact of Changes on Trend on Expense

- Total Expense trend assumptions since 2006 have been revised downward based on more recent plan experience. (From 12%-13% to 7-10%)
- Results in \$478 million reduction in estimated expenditures from FY 2007 – FY 2009



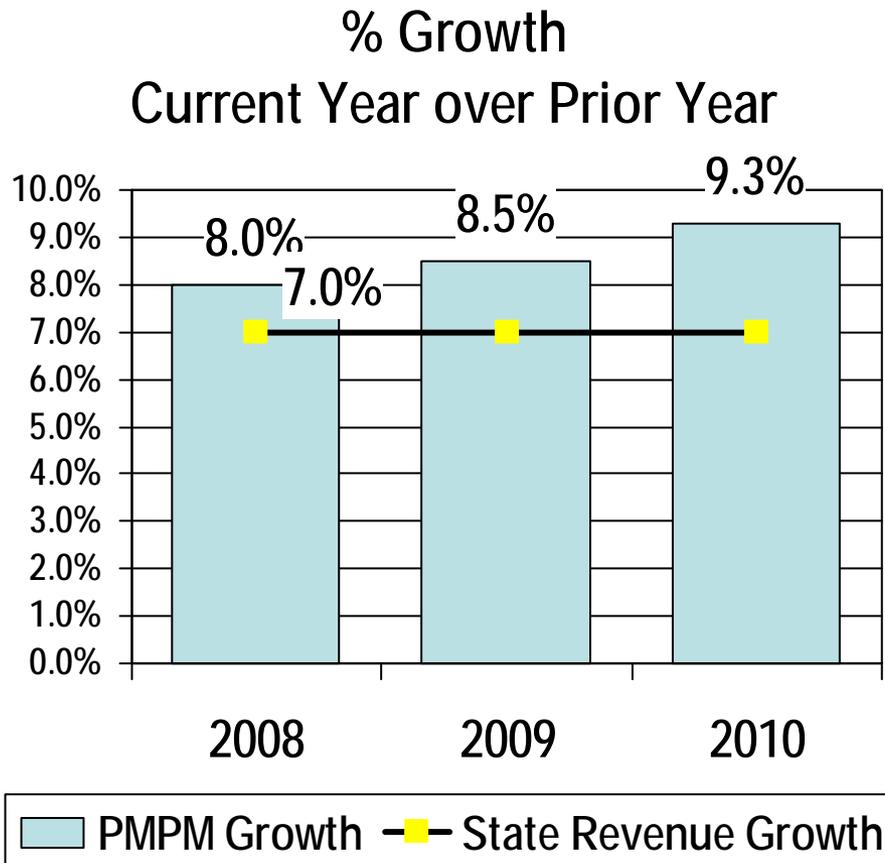
SOURCE: Aon Projections, July 2007

Enrollee Growth



SOURCE: Aon Projections, July 2007

Per Member Per Month Growth

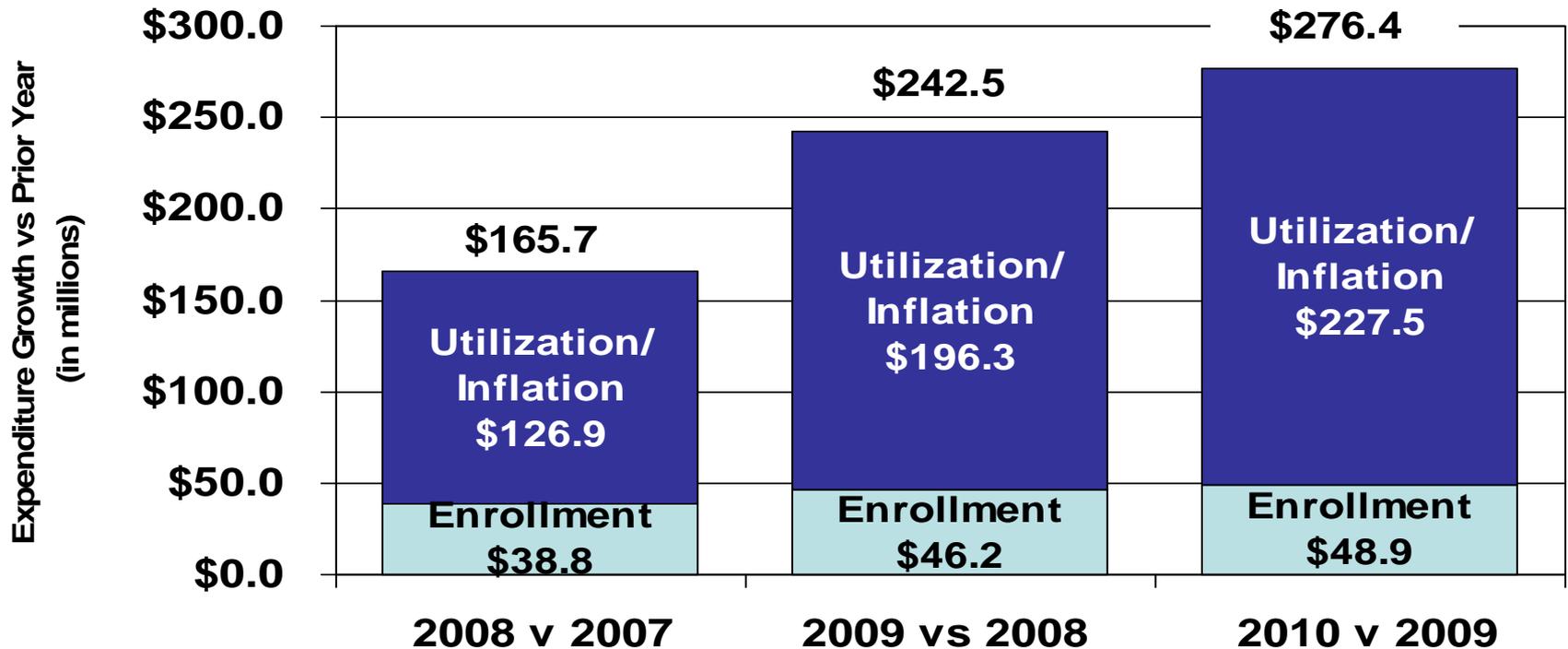


GOAL

- PMPM Growth should be less than or equal to state revenue growth
- In robust economic times, state revenue growth ~7%
- While Plan PMPM has improved, it still needs to be reduced and will continue to trend upward without additional cost control efforts

SOURCE: Aon Projections, July 2007

Expense Growth by Cost Driver



SOURCE: Aon Projections, July 2007

DCH Budget for FY 2009

Changes in Program Budgets	State Funds (in millions)
DCH Administration Reductions	(\$2.0)
Health Care Access and Improvement Initiatives	\$2.0
Medicaid - Replace FY 2008 Pre-Fund Loss	\$225.0
Medicaid/PCK Enhancements	\$41.7
PeachCare for Kids – Status Quo State Fund Need	\$64.4
Total State Fund Change	\$331.1
SHBP Expenditure Growth (Other Funds)	\$242.5

Amended FY 2008 & FY 2009 Program Budgets

Presentation on DCH Website

www.dch.georgia.gov

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