

Governor's Recommended Budget For DCH AFY 2009 and FY 2010

Presentation to
Board of Community Health
February 12, 2009

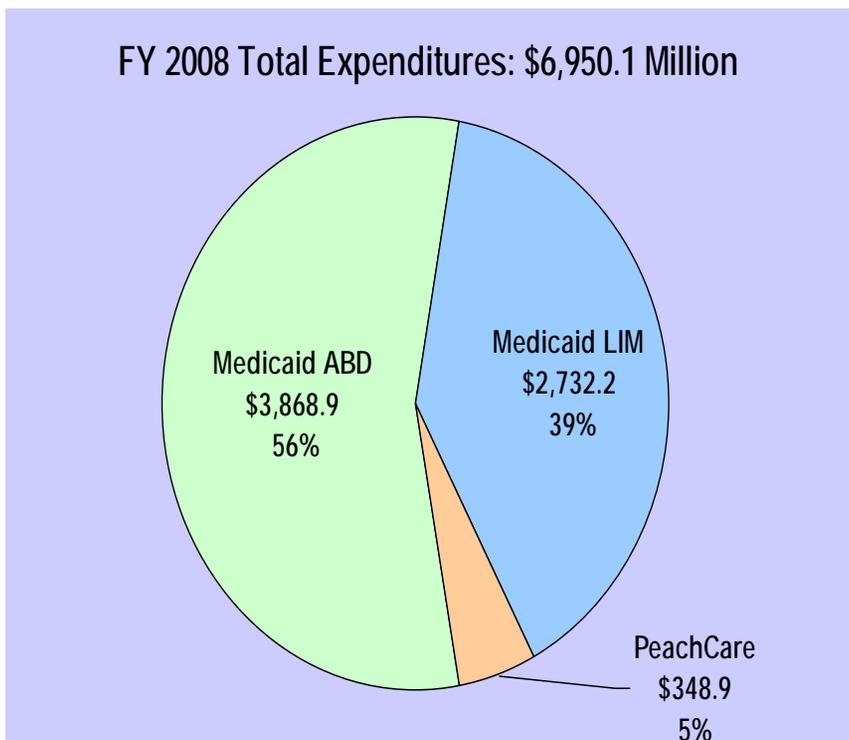


Carie Summers, Chief Financial Officer

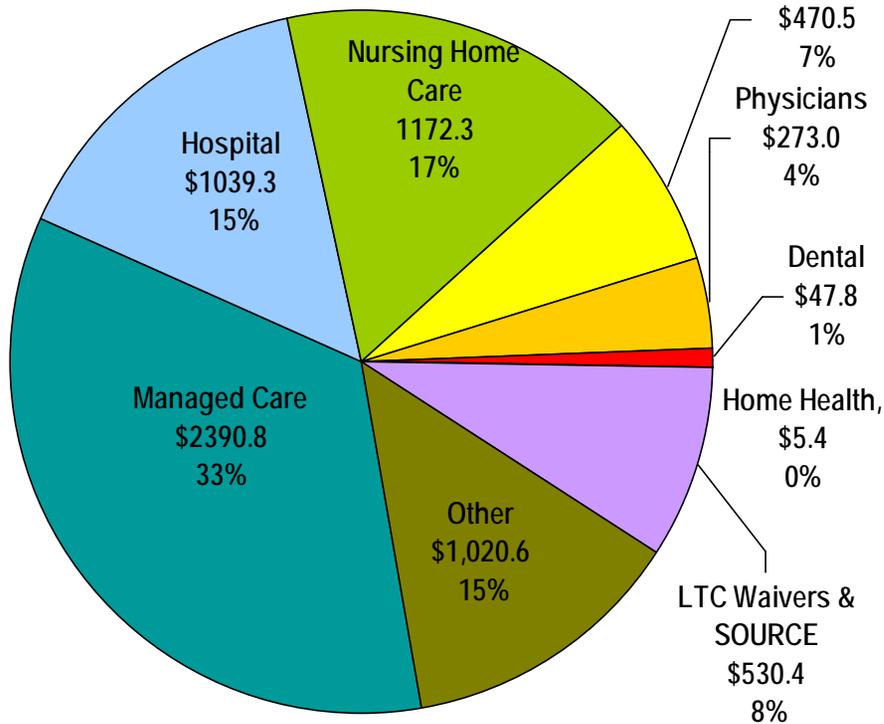
Georgia Department of Community Health

DCH Program	Enrolled 10/08	Budget FY09	Savings FY08
PeachCare (SCHIP)	207,551 Children •90% have incomes under 200% fpl •Income up to 235%	\$98.6M State Funds 25% State 75% Federal	FY08 Savings: \$12M
Low Income Medicaid (LIM)	956,060 Children & Pregnant Women Income limit varies by age up to 200%fpl	\$917M State Funds 36% State Funds 64% Federal	FY08 Saving: \$55M
Medicaid: Aged, Blind & Disabled (ABD)	384,437 The Elderly, Disabled Adults & Children Variable By Category SSI, Nursing Home, MN	\$1.1B State Funds 36% State Funds 64% Federal	FY08 Saving: \$47M
State Health Plan (SHP)	696,851 State Employees, School District Employees, Legislators, etc.	\$2.7 B Total Funds 75% State Funds 25% Employee	\$672M: FY09 Projected SHP Fund Balance (with FY08 Saving of \$225M)
Administration & HealthCareAccess	All DCH Admin Contracts & Ops Federal & State Grants Rural Health & FQHC	\$120M State Funds \$10MTobacco Funds	FY08 Savings: \$19M TOTAL = \$805M

FY 2008 Expenditures: Medicaid and PeachCare



FY 2008 Total Incurred Expenditures: \$6,950.1 Million



Of the 1,548,048 People in Medicaid & PCK – **24.8% are in ABD**

\$s in Millions

FY 2008 Year End Balances

Program	Return To Treasury*
Low Income Medicaid	\$55,129,006
Aged, Blind, and Disabled	\$47,279,249
PeachCare for Kids	\$12,496,873
Indigent Care Trust Fund	0
Health Care Access and Improvement	\$872,938
Administration and Program Support	18,443,994
Attached Agencies	\$242,142
Total	\$134,464,202

*Includes \$33,202,970 in unallotted surplus for LIM and PCK programs.

DCH Cost Management: How Additional Savings Were Achieved

Factors influencing expenditures in 2008:

- Review and Removal of duplicate Medicaid ID's
- **Eligibility Criteria** more stringently applied in PCK (e.g., required proof of income and citizenship instead of self-attestation)
- Impact of **Care Management Organizations** (CMO's) on Low Income Medicaid and PeachCare for Kids members
- Impact of **Disease Management** for select Aged, Blind, and Disabled members
- Focus on **Community-Based Long Term Care** services to delay/avoid institutional care
- **Medicaid Program Integrity**
 - Fraud and Abuse Detection
 - False Claims Act
- **Hiring Freeze & Reduced Operations Expense**
- **More stringent contracts** and grant administration
- **State Health Plan** administrative efficiency and comprehensive Consumer Directed Strategy



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

FY 2006 (continued)

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

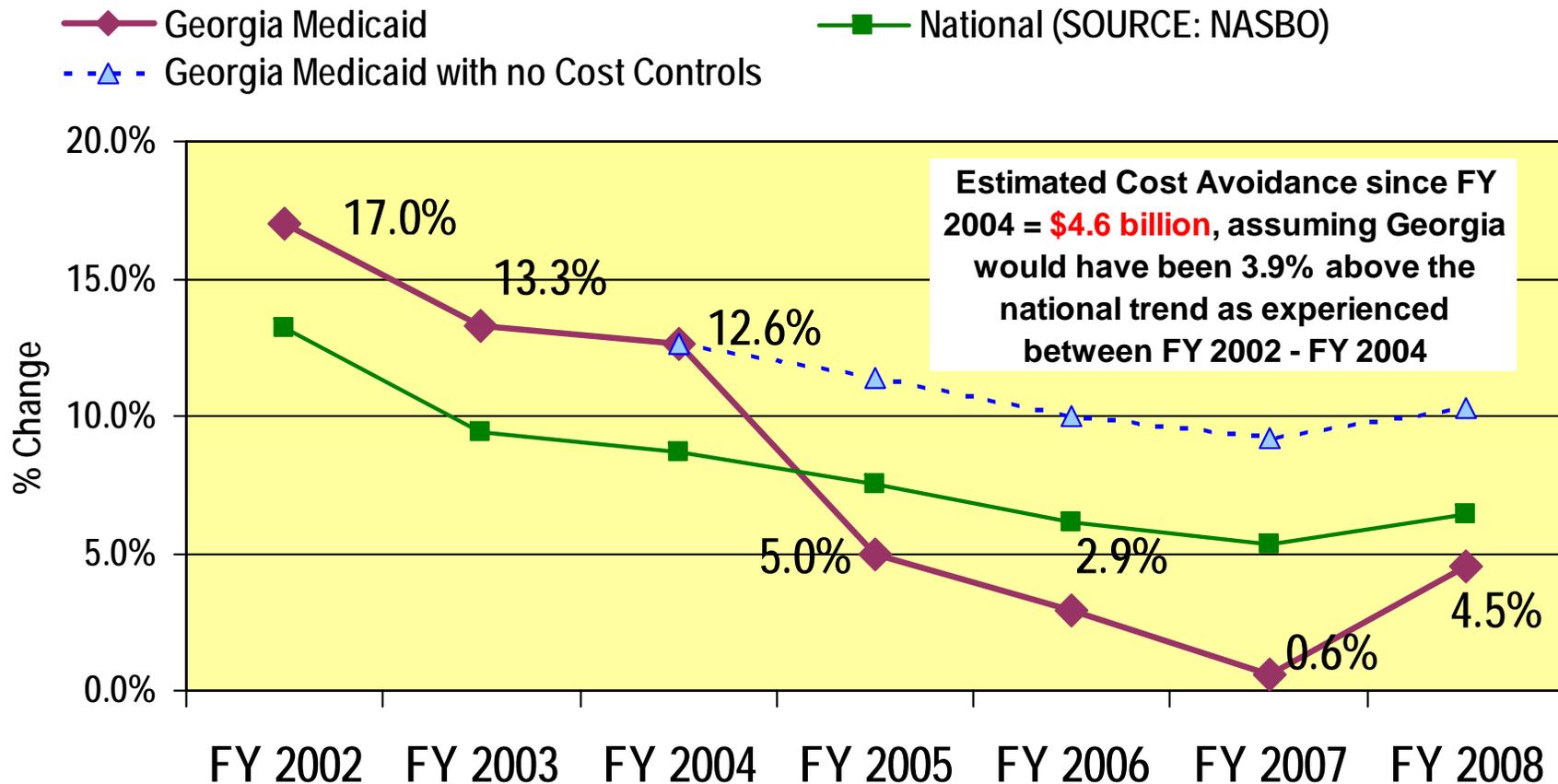
FY 2007

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



Impact of Medicaid Cost Management

Annual Increases in Medicaid Benefit Expenditures



Governor's AFY 2009 Budget Recommendations



Administration & Healthcare Access

- FY 2008 - \$19.3 million returned to Treasury
- FY 2009 – 23% reduction recommended



Changes to Administration

Object	Amended FY 2009
Personal Services	
-eliminate pay raises	(224,411)
-reduce SHBP payments	(780,734)
-cut 7 positions and freeze hiring	(1,064,215)
Regular Operating	
-GAIT 2010	57,047
-freeze travel; reduce support costs based on FY 08 and 09 Medicaid and PeachCare enrollment	(1,389,180)
Contractual Services	
- General Contract Funds	(10,193,410)
- Health Information Exchange	(500,000)
Total	(14,094,903)



Impact on Administrative Contracts

Contract Cost Reductions Linked to Changes in Expected Member Enrollment

- MMIS contract (and eliminate funding for change orders)
- PeachCare eligibility contract
- Medicaid Buy-In initiative

Contract Cost Reductions Linked to Competitive Procurement

- External Quality Review of Managed Care
- Pharmacy Benefits Manager

Contracts Cost Avoided

- Delay start-up of Medicaid Administrative Services contract in FY 2009
- Improve federal funds reconciliation process to address financial audit finding
- Initiate Member Duplicate Check Software program
- Reduce third party testing of new MMIS system during implementation phase

Contracts Eliminated

- Health Information Exchange pilots



Changes to Health Care Access and Improvement

Object	Amended FY 2009
Personal Services -eliminate pay raises -reduce SHBP payments -cut 1 position	(\$6,488) (158,409)
Regular Operating - GAIT 2010	117
Contractual and Grant Services	(16,350,000)
Total	(16,514,780)



Impact on HCA Grants and Contracts

Grants Eliminated or Reduced:	
Rural Health grants for primary health care support (reduced)	(\$250,000)
Southeastern Firefighters Burn Foundation (reduced)	(\$400,000)
Georgia Association of Primary Health Care for community health center start up/behavioral health expansions	(\$2,000,000)
Safety Net Clinics	(\$950,000)
Georgia Health Marketing Authority (SB 404)	(\$2,000,000)
Georgia Wellness Incentive Pilot	(\$150,000)
Rural Health Initiative developing regional systems of care in rural Georgia	(\$10,600,000) tobacco funds
TOTAL	(\$16,350,000)



Changes to Department Operations Amended FY 2009

	Amended FY 2009
Administration State Funds Budget	106,922,412
Governor's Recommended Change	(14,094,903)
Percent Reduction	(13.2%)
Health Care Access and Improvement Budget	25,584,060
Governor's Recommended Change	(16,514,780)
Percent Reduction	(64.6%)
Total Department Operations Budget	132,506,472
Governor's Recommended Change	(30,609,683)
Percent Reduction	(23.2%)



Governor's AFY 2009 Budget Recommendations



Medicaid Benefits and PeachCare

- FY 2008 – \$114.9 million returned to Treasury
- FY 2009 – cost containment initiatives and rate deferrals



Medicaid/PeachCare for Kids Programs Basis of Governor's AFY2009 Rec.

Based on the Department's **November 2008** Projections:

Medicaid Enrollment Growth

+**10.8%** increase in enrollment

June 2008: 1.27 million members

June 2009: 1.41 million members

Unemployment Max at 7.6% in 3rd
Quarter of CY 2009

PeachCare Enrollment Growth

+**5.8%** increase in enrollment

June 2008: 221,000 members

June 2009: 234,000 members

PMPM Growth

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

- Inflation index for Medical Services
was **4.0%** for FY 2009



Medicaid/PeachCare for Kids Programs Governor's AFY 2009 Changes

Reductions to meet minimum 5% cut of \$113.8 million: Existing Programs	State Funds
1. Defer FY 2009 Provider Rate increases until FY 2010. Ambulance Dental Home Health Inpatient and outpatient hospital Physicians, Healthcheck, digital mammography, and global deliver Independent Care Waiver Program (ICWP) Personal Support	(\$39,632,078)
2. Defer FY 2009 Nursing Home FRVS and rate increases.	(19,443,154)
3. Delay the use of 75 ICWP new slots until Jan. 1, 2009.	(586,822)
4. Return projected FY 2009 Savings due to the impact of prior year cost control initiatives.	(54,868,351)
5. Use additional prior year reserves not already budgeted for in HB 990.	(14,820,314)
SUBTOTAL – Reductions to Existing Programs	(\$129,350,719)



Medicaid/PeachCare for Kids Programs Governor's AFY 2009 Changes

Reductions to meet minimum 5% cut of \$113.8 million: New Initiatives	State Funds
1. Use interstate data matching to eliminate members eligible for Medicaid in other states. (PARIS Initiative)	(\$1,793,000)
2. Conduct expedited reviews for "Ex Parte" members.	(3,540,420)
3. Consider the impact of Provider Linkage software in identifying fraud and abuse.	(1,541,873)
SUBTOTAL – Reductions from New Initiatives	(\$6,875,293)
TOTAL Reductions	(\$136,226,012)



Medicaid/PeachCare for Kids Programs Overview of AFY 2009 State Fund Sources

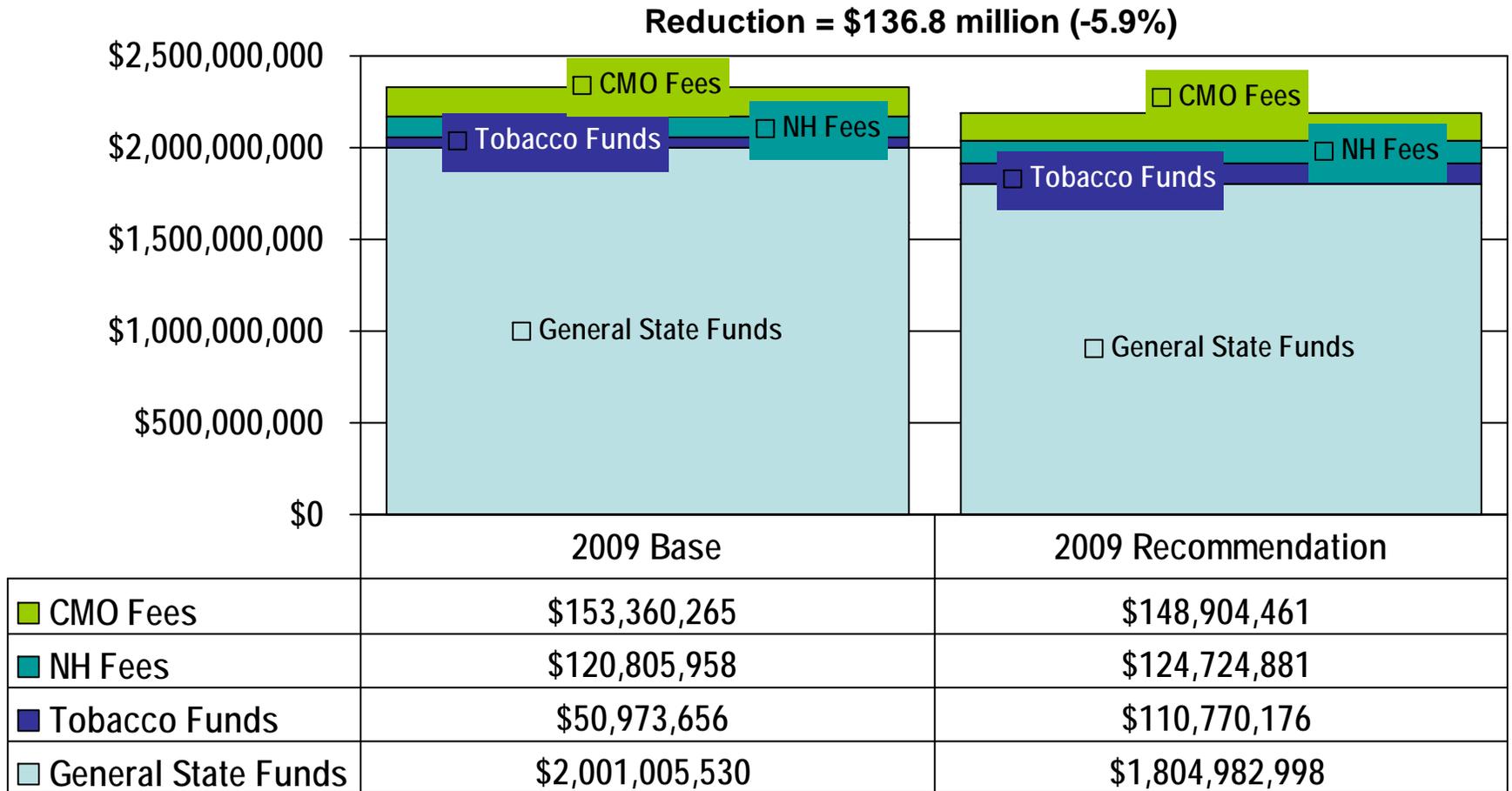
Category	State General	Tobacco	CMO and NH Provider Fee	Total
FY 2009 Provider Rate Increases Deferred Until FY 2010	-\$59,662,054	-	-	-\$59,662,054
Benefits Surplus from PY Cost Control Initiatives	-54,868,351	-	-	-54,868,351
Use of Additional Prior Year Reserves	-14,820,314	-	-	-14,820,314
New FY 2009 Cost Control Initiatives	-6,875,293	-	-	-6,875,293
Revised Provider Fee Estimates	-	-	-536,881	-536,881
Supplanting State with Tobacco Funds	-59,796,520	59,796,520	-	-
TOTAL	-\$196,022,532 -9.8%	\$59,796,520 +117.3%	-\$536,881 -0.2%	-\$136,762,893 -5.9%



Medicaid/PeachCare for Kids Programs

AFY 2009 Recommended State Fund Sources

State Fund Sources for Medicaid and PCK Benefits

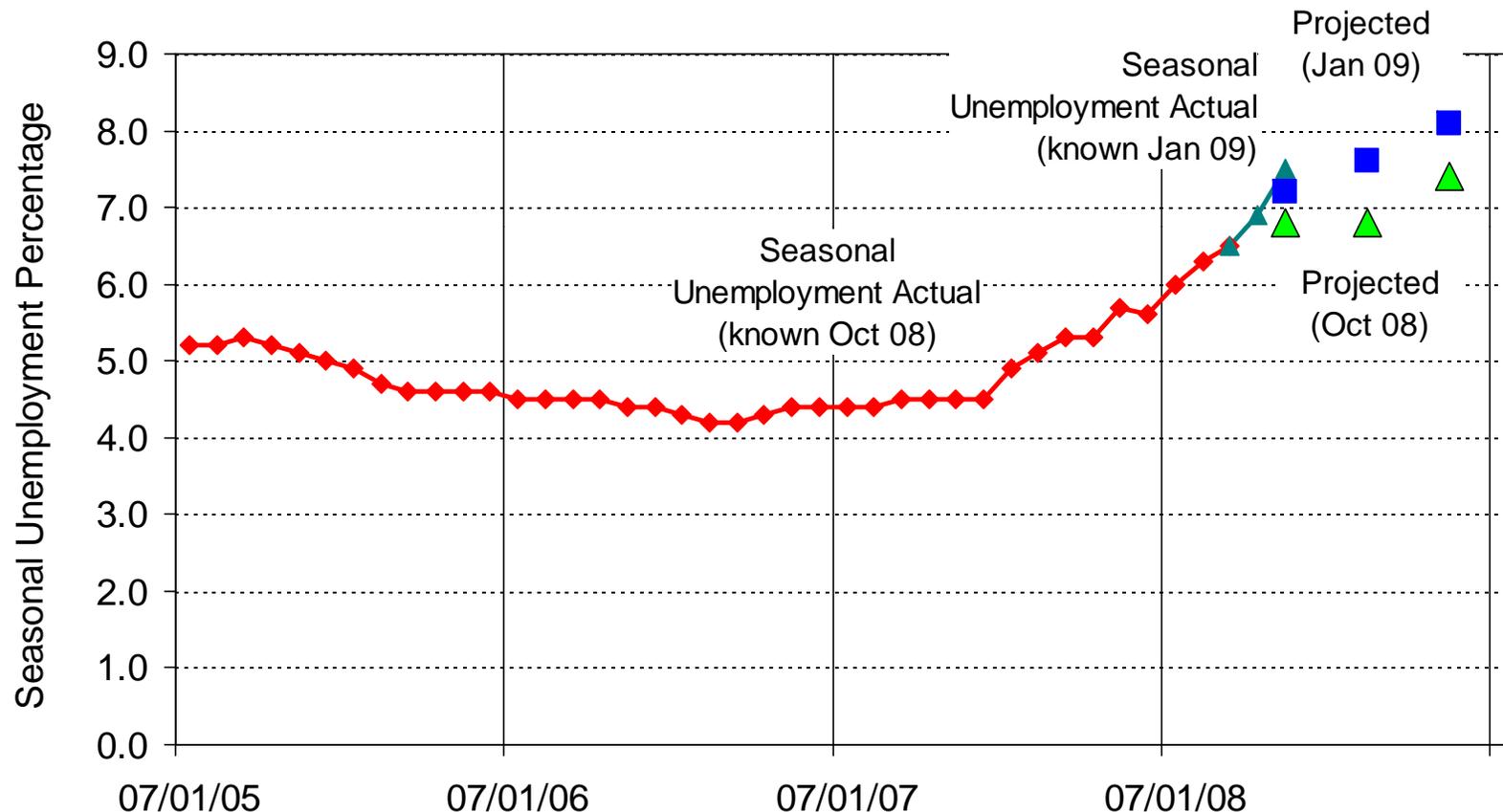


Medicaid/PeachCare for Kids Programs Projection Updates: AFY 2009

- **Updated Information:**
 - Unemployment Projection as of October 2008
 - Unemployment Projection as of January 2009
- **Medicaid & PeachCare Enrollment**
 - Medicaid Enrollment Projection Revisions
 - PeachCare Enrollment Revisions
- **Medical Inflation Projection Update**



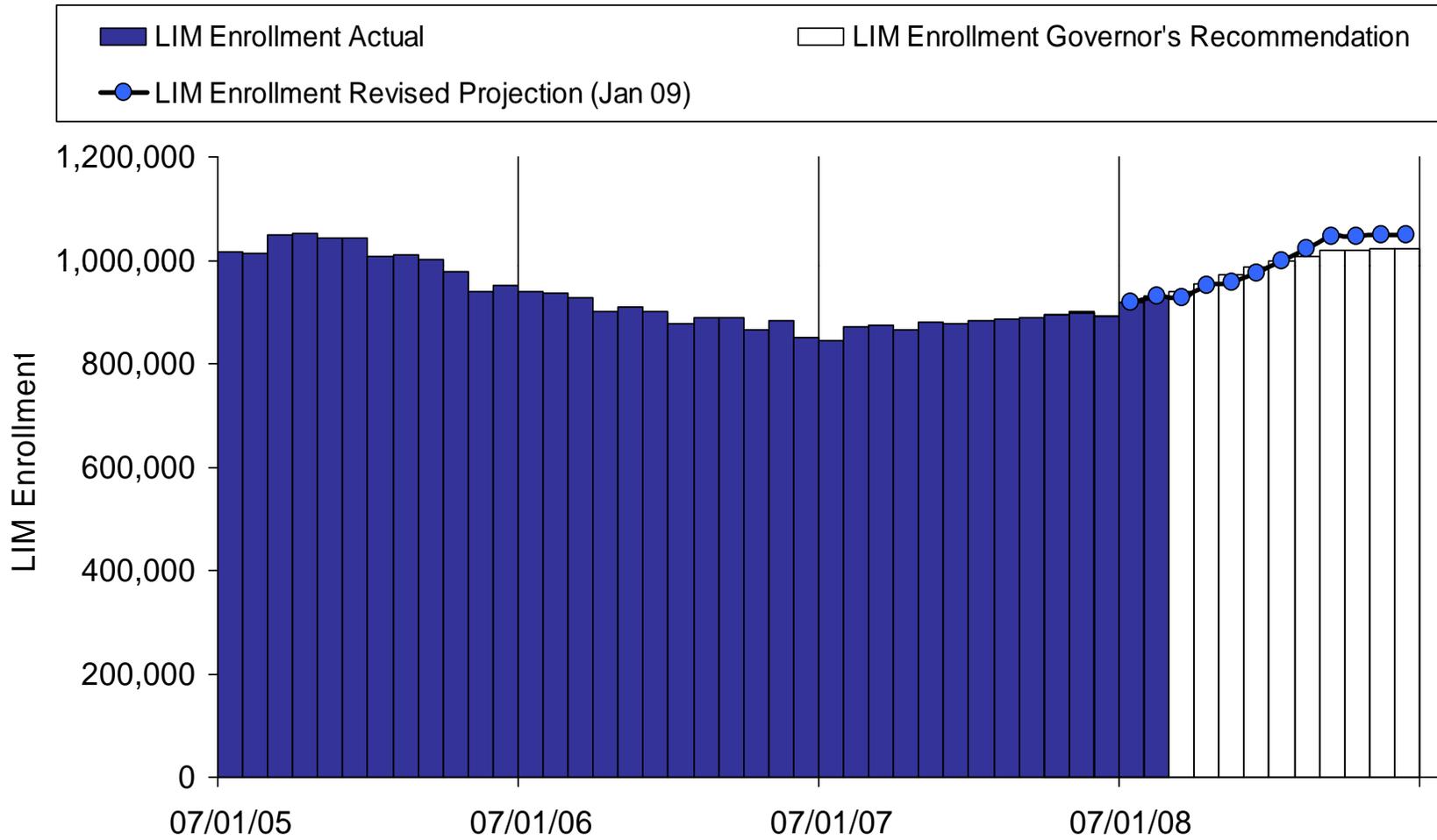
AFY 2009: Compare Unemployment Projections October 2008 v. January 2009



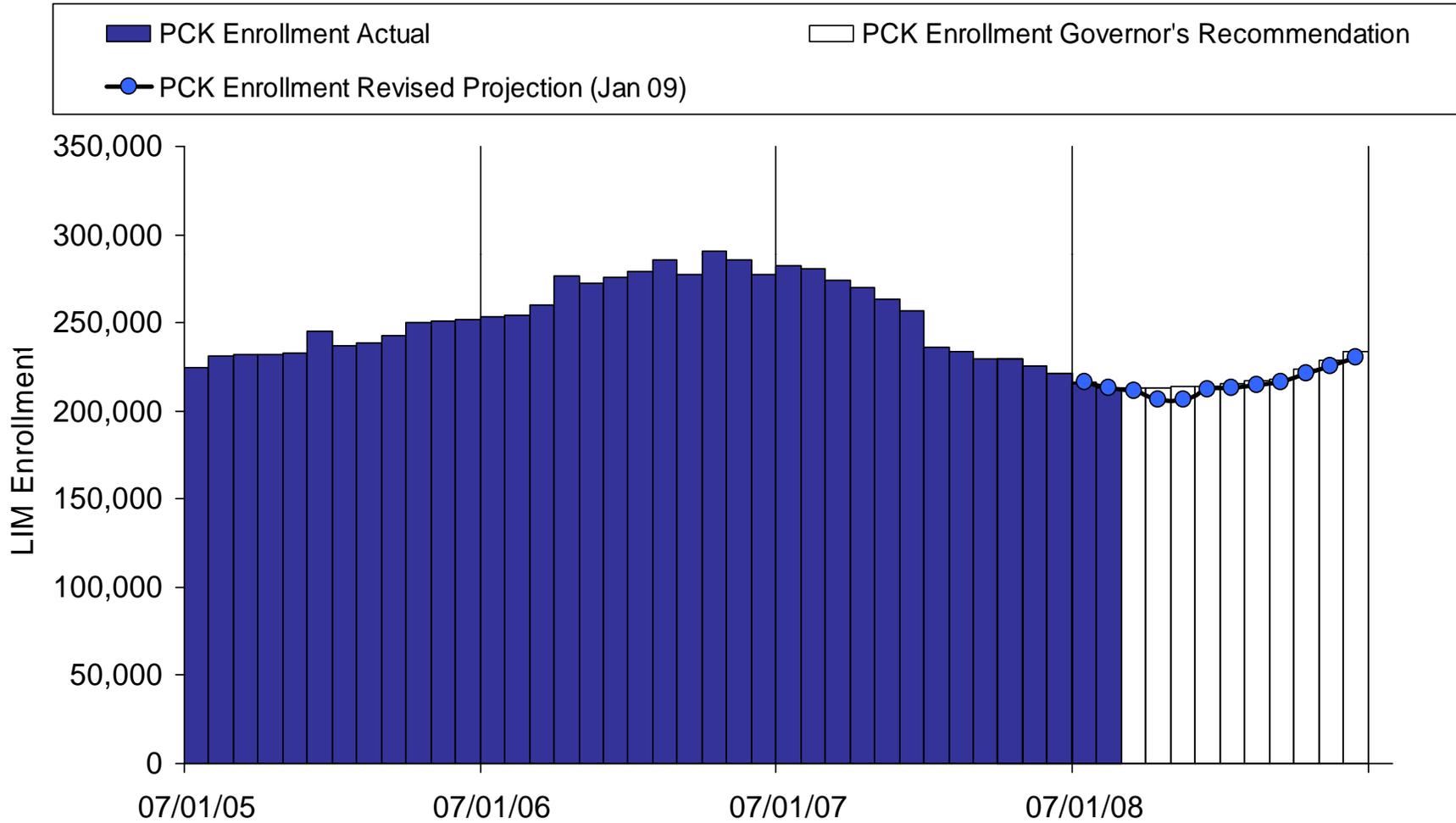
The highest rate of unemployment previously in Georgia was 8.3 in December 1982.

Sources: Seasonal Unemployment Actual: Georgia Department of Labor
Projections: Dr. Ken Heaghey, Georgia State University

AFY 2009 Revised LIM Enrollment Projection

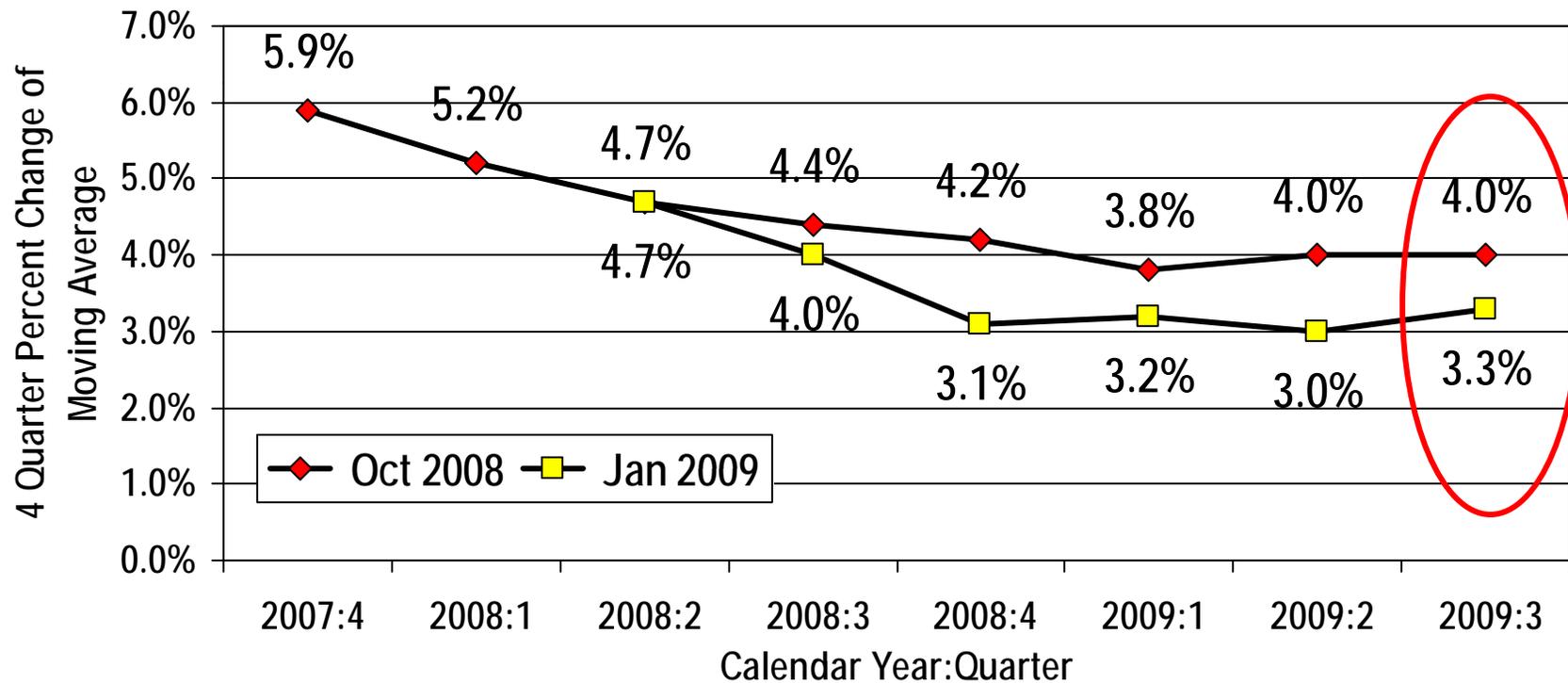


AFY 2009 Revised PCK Enrollment Projection



Revised Inflation Used for FY 2009 Medicaid and PCK Benefits PMPM Growth

Comparison of Global Insight's
Change in Medical Care Services Index



Medicaid/PeachCare for Kids Programs AFY 2009: New Considerations

Based on More Recently Available Information (Jan 2009)

Medicaid Enrollment Growth

+**12.6%** increase in enrollment

June 2008: 1.27 million members

June 2009: 1.43 million members

Unemployment Max at 9.0% in 4th
Quarter of CY 2009

PeachCare Enrollment Growth

+**4.1%** increase in enrollment

June 2008: 221,000 members

June 2009: 230,000 members

PMPM Growth

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

- Inflation index for Medical Services
was **3.3% for FY 2009**



Medicaid/PeachCare for Kids Programs Comparisons

	Governor's AFY 2009 Recommendation	January 09 Projections	Difference
Medicaid Enrollment by June 2009	1.41 million	1.43 million	+20,000
PeachCare Enrollment by June 2009	234,000	230,000	-4,000
FY 2009 Growth in Medicaid Enrollment	10.8%	12.6%	+1.8%
FY 2009 Growth in PCK Enrollment	5.8%	4.1%	-1.7%
PMPM Inflation in FFS	4.0%	3.3%	-0.7%
Unemployment Max	7.6%	9.0%	+1.4%
	3 rd Quarter CY 2009	4 th Quarter CY 2009	



Medicaid/PeachCare for Kids Programs AFY 2009 Considering Updates

BOTTOM LINE:

Increase in enrollment is mostly offset by the reduction in projected PMPM costs and proposed AFY 2009 budget cuts...

Anticipate Governor's proposed Amended FY 2009 budget covers cash expense through last week of June 2009*.

*If enrollment increases more than expected or if revenue is further reduced, the department will not have enough cash through June 2009.



Governor's AFY 2009 Budget Recommendations



STATE HEALTH PLAN

- FY2008 \$225 million savings added to Fund Balance
- Projected FY 2009 fund balance of \$672.5 million
 - FY 2009 – Reduced Employer Contributions consumes most of the fund

balance



FY 2008 Revenue/Expense Statement

(in millions)	FY 2008	% change vs. FY 2007
Employer Contributions	\$2,115.4	14.7%
Member Premiums	624.2	6.2%
Other Revenue	21.3	-7.9%
Total Revenue	\$2,760.8	12.5%
Pay As You Go Expense	\$2,535.7	9.9%
Total Expense	\$2,535.7	9.9%
Surplus/Deficit	\$225.1	

NOTE: does not include \$176.3 m in Long Term Investment for future OPEB liabilities



SHBP Employer Contributions FY 2009

June 30, 2008 SHBP Fund Balance at \$472.9 million

- Given current employer contribution rates, Fund Balance projected to grow to **\$672.5 million by June 30, 2009**

Governor's Recommended AFY 2009 Budget:

- Reduce employer contributions by reducing the percent of payroll paid by state agencies & local BOE's **Feb – June 2009**
 - State Agencies from 22.165% to **1.926%** (#74.2)
 - Local Boards of Education from 18.534% to **8.579%** (#74.2)
- **50%** reduction in DOE contribution for school employees. (Gov's Doc: p. 103, State Interagency Transfers, #1)

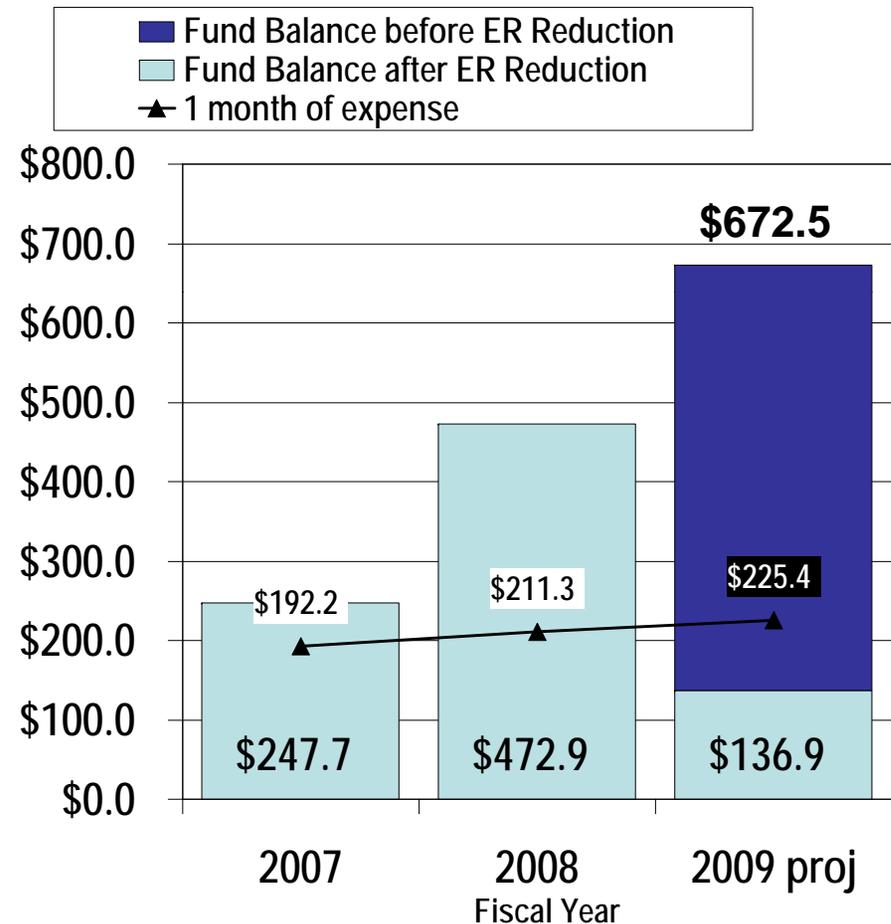
Reduces FY 2009 SHBP fund revenue by \$535.6 million and OPEB revenue by \$120.1 million

Fund Balance would be used to cover FY 2009 reduction in SHBP revenue, leaving \$136.9 million by June 30, 2009



SHBP Fund Balance

- In FY 2007 and 2008, the Fund Balance exceeded 1 month's worth of SHBP expenditures.
- In FY 2009, the Fund Balance will be reduced as it will be used to cover FY 2009 planned revenue reductions.
 - Fund balance at ~5% of annual expenditures



Governor's AFY 2009 Budget Recommendations

Summary



AFY 2009

Governor's Recommendation for State Funds

In millions	Current FY 2009	Change AFY 2009	
		\$	%
Medicaid	\$2,106.7	(118.6)	-5.6%
PeachCare	\$98.7	(22.1)	-22.4%
ICTF	\$0	7.0	
Nursing Home Provider Fee	\$120.8	3.9	3.2%
Administration	\$106.9	(14.1)	-13.2%
Health Care Access	\$25.6	(16.5)	-64.6%
Attached Agencies	<u>\$55.7</u>	<u>(3.7)</u>	<u>-6.6%</u>
TOTAL State Funds	\$2,514.3	(\$164.1)	(6.5%)

Note: State Funds include State General Funds, Tobacco Funds, and Provider Fees.



Governor's FY 2010 Budget Recommendations

Administration & Healthcare Access

- FY 2010 – 21% reduction recommended



Changes to Administration

Object	FY 2010
Personal Services -cut 6% of State Funds -cut 7 positions and freeze hiring -eliminate pay raises and reduce SHBP payments	(\$1,064,215) (716,972)
Regular Operating -freeze travel; reduce support costs -GAIT 2010	(1,389,179) (179,962)
Contractual Services - General Contract Funds - Health Information Exchange	(11,159,425) (1,000,000)
Transfer Office of Regulatory Services from DHR	378,066
Total	(\$15,131,687)



Changes to Health Care Access and Improvement

Object	FY 2010
Personal Services -cut 1 position and freeze hiring -eliminate pay raises and reduce SHBP payments	(106,428)
Regular Operating - GAIT 2010	(361)
Contractual and Grant Services	(18,200,000)
Transfer Office of Regulatory Services from DHR	5,613,279
Total	(12,693,510)



Impact on HCA Grants and Contracts

Grants Eliminated:	
Rural Health grants for primary health care support	(\$500,000)
Southeastern Firefighters Burn Foundation	(\$500,000)
Georgia Association of Primary Health Care for community health center start up/behavioral health expansions	(\$2,000,000)
Safety Net Clinics	(\$950,000)
Georgia Health Marketing Authority (SB 404)	(\$2,000,000)
Georgia Wellness Incentive Pilot	(\$150,000)
Hughes Spalding Children's Hospital	(\$1,500,000)
Rural Health Initiative developing regional systems of care in rural Georgia	(\$10,600,000) tobacco funds
TOTAL	(\$18,200,000)

Changes to Department Operations FY 2010

	FY 2010
Administration State Funds Budget	106,922,412
Governor's Recommended Change	(15,131,687)
Percent Reduction	(14.2%)
Health Care Access and Improvement Budget	25,584,060
Governor's Recommended Change	(12,693,510)
Percent Reduction	(49.6%)
Total Department Operations Budget	132,506,472
Governor's Recommended Change	(27,825,197)
Percent Reduction	(21.0%)



Governor's FY 2010 Budget Recommendations



Medicaid Benefits and PeachCare

- FY 2010 – Enrollment growth and rate increases results in increased funding; provider fees and tobacco funds supplant general state funds



FY 2010 Challenges

Hole in FY 2010 Base Budget <ul style="list-style-type: none">FY 2009 Budget predicated on using FY 2008 prior year reserves that will not be available in FY 2010	\$204.9M
State Fund Reduction <ul style="list-style-type: none">Governor required 5% cut equivalent to \$113.8 million in state funds	\$113.8M
Federal Law Change: Managed Care Fee <ul style="list-style-type: none">Changes in federal regulations as of October 1, 2009 put the use of CMO fees at risk unless fees expanded to HMOs too... worth \$104.5 million in net funds to the Department	\$104.5M
Impact of Economy on Enrollment <ul style="list-style-type: none">Unknown level of future increases in Medicaid and PCK enrollment due to rising unemployment	\$??? M
At A Minimum, Medicaid & PCK Face A Loss Of This Amount In State Matching Funds	<u>\$423.2M</u>



FY 2010 Reduction Options Considered

Options Directly Impacting Current Eligibility And Services

- Suspend implementation of Chafee Option for Foster Care Children ages 19-20
- Delay implementation of 75 new ICWP slots
- Eliminate medically needy category of eligibility.
- Eliminate Katie Beckett category of eligibility.
- Eliminate PCK coverage for members between 200% and 235% FPL.
- Reduce the cap for PCK enrollment to 240,808
- Freeze enrollment in PCK.
- Implement PCK premiums for children under 5.
- Increase premiums for PCK members.
- Eliminate dental benefits for pregnant women.
- Eliminate dental benefits for PCK.

Loss of Planned FY2009 Medicaid Provider Rate Increases

- 2009 Rate Enhancement NH - FRVS
- Reduce CMO capitation rates by limiting inflation growth (1.0% vs. 3.6% originally projected)
- Rescind 2009 Rate Enhancement NH - CR Update + QI add-on
- Rescind 2009 Rate Enhancement Dental
- Rescind 2009 Rate Enhancement Physician
- Rescind 2009 Rate Enhancement Hospital
- Rescind 2009 Rate Enhancement Home Health
- Rescind 2009 Rate Enhancement Waivers
- Rescind 2009 Rate Enhancement Ambulance

These generated **\$128.2** million in state fund reductions **-\$295** million less than needed.

Cross the Board Provider Rate Cuts? Elimination of options like Rx Drugs for Adults?



Basis of Governor's FY 2010 Recommendation

Base Budget Adjustment:

- **Cut general state funds** to meet 5% budget reduction target of
- **Provide state funds** to replace loss of prior year reserves.
- **Provide for nominal Medicaid growth** in benefit payments.

- **\$113.8 million**
- **\$204.9 million**
- **\$ 17.6 million**

Financing of State Share of Expenditures

- **Supplant state funds with tobacco \$.**
- **Expand the Medicaid managed care fee** ie the CMO Quality Assessment Fee program by assessing a fee on commercial fully insured managed care plans. Use to maintain existing Medicaid programs.
- **Create a new hospital provider fee** program to maintain existing Medicaid program, support hospital rate increase, DSH payments, trauma network support, and 09 provider rate increases.

- **\$201.1 million**
- **\$ 57.3 million**
- **\$259.7 million**



Use of Hospital & Managed Care Provider Fees Governor's FY 2010 Budget

Fund Projected Medicaid Need Current Program	\$174,621,507
Implement and expand the FY 2009 inpatient and outpatient hospital rate increases	\$52,213,936
Fund DSH Payments for Private Hospitals (ICTF)	\$13,713,384
Georgia Trauma Network Commission (ICTF)	\$37,000,000
Implement FY 2009 rate increase for waiver service providers in both the MRWP and the CCSP programs (DHR)	\$3,077,675
Implement the following FY 2009 Provider Rate Increases (adjusted): physicians, ambulance, home health, HealthCheck, digital mammography, global maternity, and ICWP personal support	\$21,411,558
Implement Fair Rental Value, Nursing Home cost report updates, and NH quality incentive program	\$15,000,000
TOTAL Funds	\$317,038,060

Managed Care Fee Expansion

Current Use: Fee is applied to the 3 Medicaid & PCK health plans

Federal Law: Fee must be collected from commercial & Medicaid plans
Effective October 2009

Georgia State Law: Directs Compliance with Federal Law

- 15 Insurance Companies including the 3 Medicaid & PCK Plans
- Federal law allows fees up to 5.5% of their premium revenue
- Managed Care Fee is in use by Medicaid programs in 14 other states
- Waiver Option to credit health plans insuring new low income families

Total Health Insurance Company Revenues for Life & Health CY2007: \$10.1 Billion

Projected FY 2010 Managed Care Premium Revenues 15 Insurance Companies: **\$6.98 Billion**

- **1.6% Annual Fee Generates \$106.8m**
- **3.1% Annual Fee Generates \$257.4m**
- **5.5% Annual Fee Generates \$304.6M**

Insurers Subject to Managed Care Fee: FY2010

Insurance Company		FY 2010 Projected MC Premium Revenues	Fee at 1.6%	Percentage of Insurer's Total Revenue
1	AETNA FAMILY PLANS OF GA INC	-	-	-
2	AETNA HLTH INC GA CORP	343,685,515	5,075,956	0.6%
3	AMGP GA MANAGED CARE CO INC	671,064,794	10,737,037	1.6%
4	ARCADIAN HLTH PLAN OF GA INC	-	-	-
5	ATHENS AREA HLTH PLAN SELECT INC	62,722,139	926,355	1.6%
6	BCBS HLTHCARE PLAN OF GA INC	1,966,899,155	29,049,505	0.5%
7	CIGNA HLTHCARE OF GA INC	64,895,688	958,457	1.6%
8	COVENTRY HLTH CARE OF GA INC	269,284,831	3,977,119	1.3%
9	DAVITA VILLAGEHEALTH OF GA INC	-	-	-
10	GREAT W HLTHCARE OF GA INC	-	-	-
11	HUMANA EMPLOYERS HLTH PLAN GA INC	130,639,753	1,929,443	0.3%
12	KAISER FOUND HLTH PLAN OF GA INC	796,893,476	11,769,470	0.9%
13	PEACH STATE HLTH PLAN INC	909,696,984	14,555,152	1.6%
14	UNITED HEALTHCARE OF GA INC	246,962,811	3,647,440	0.3%
15	WELLCARE OF GEORGIA INC	1,514,146,659	24,226,347	1.5%
TOTAL		6,976,891,805	106,852,281	0.8%

SOURCE: Office of Planning and Budget

Governor's Proposed Hospital Tax

Georgia State Law: Would Require New Legislation

Legislation being drafted by Governor's Office

NOTE: Exemptions Require CMS Waiver Approval

- 153 Hospitals in Georgia
- Federal waiver possible to exempt certain hospitals: financially distressed hospitals as defined in state law, rural hospitals, sole community hospitals, psychiatric hospitals, etc.
- Hospital Provider Tax is in use in 20 states

Total Hospital Net Patient Revenues: **\$16,327,416,261***

Governor's proposed fee of 1.6%, effective July 1, 2009,

Would generate **\$ 259,148,751***

* SOURCE: Estimates from the Office of Planning and Budget



Federal Exemptions Possible

The Centers for Medicare and Medicaid Services (CMS) can approve a waiver if the tax excludes or provides credits/deductions to one or more of the following within the class **as long as the tax meets the generally distributive statistical test**:

1. Hospitals that furnish no services in the state.
2. Hospitals that do not charge for services.
3. **Rural hospitals** (defined as any hospital located outside an urban area as defined in CFR Title 42 412.62(f)(1)(ii))
4. **Sole community hospitals** as defined in CFR 412.92(a)
5. **Financially distressed hospitals** if:
 - a. The term “financially distressed hospital” is defined in state law; and
 - b. the state law specifies reasonable standards for determining financially distressed hospitals and they are uniformly applied to all hospitals in the state; and
 - c. no more than 10 percent of nonpublic hospitals in the state are exempt from the tax
6. **Psychiatric hospitals**



Basis of Governor's FY 2010 Recommendation

New Initiatives to Reduce State Fund Cost (continued from AFY 2009)	
Use interstate data matching to eliminate members eligible for Medicaid in other states. (PARIS Initiative)	(\$3,495,000)
Conduct expedited reviews for " Ex Parte " members.	(8,918,253)
Consider the impact of Provider Linkage software in identifying fraud and abuse.	(1,857,782)
New Initiative to Reduce State Fund Cost	
Change reimbursement methodology for injectible drugs provided in a physician's office and for durable medical equipment .	(6,200,000)
TOTAL	(\$20,471,035)



Basis of Governor's FY 2010 Recommendation

State Funded Enhancements:

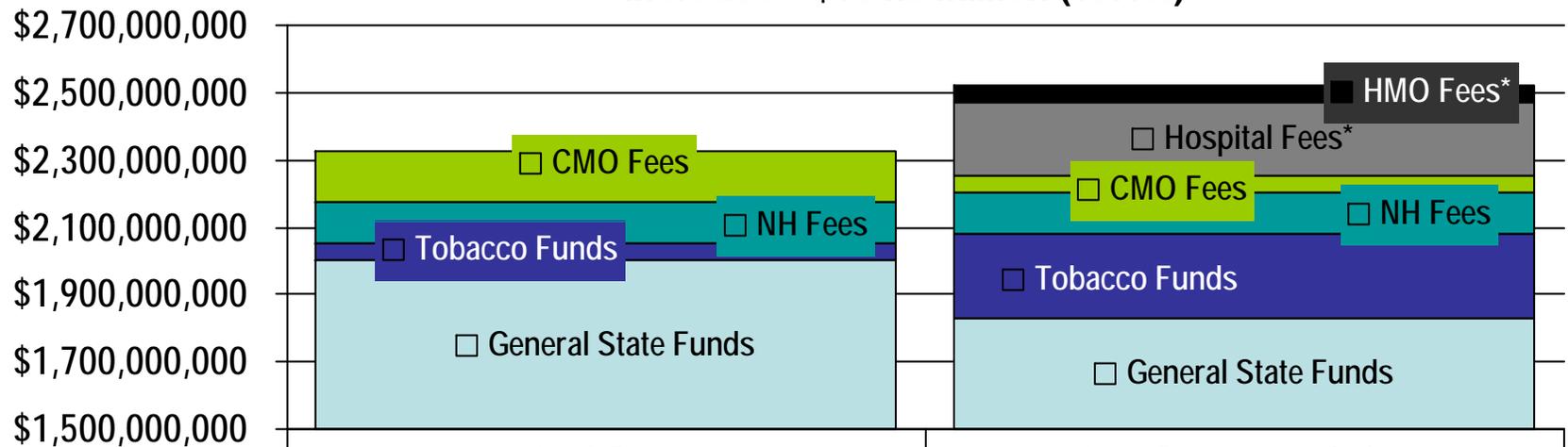
Provide for 100 new slots in the Independent Care Waiver Program (ICWP.)	\$1,572,750
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FY 2010 Recommended State Fund Sources Medicaid and PeachCare for Kids Benefits

State Fund Sources for Medicaid and PCK Benefits

Increase = \$194.5 million (+8.4%)



	2009 Base	2010 Recommendation
■ HMO Fees*	\$-	\$48,882,011
■ Hospital Fees*	\$-	\$217,442,665
■ CMO Fees	\$153,360,265	\$49,518,535
■ NH Fees	\$120,805,958	\$122,528,939
■ Tobacco Funds	\$50,973,656	\$252,061,757
■ General State Funds	\$2,001,005,530	\$1,830,258,083

* Does not reflect use of hospital and managed care fees for private hospital **DSH** funding and **Georgia Trauma Commission**, as these items are in the Indigent Care Trust Fund program budget.

Updated Projections For FY2010

- **Original Assumptions**
- **Updated Information:**
 - Unemployment Projection as of July 2008
 - Unemployment Projection as of Jan 2009
- **Medicaid & PeachCare Enrollment**
 - Medicaid Enrollment Projection Revisions
 - PeachCare Enrollment Revisions
- **Medical Inflation Projection Update**



Basis of Governor's FY 2010 Recommendation

Based on the Department's **September 1, 2008** Budget Submission:

Medicaid Enrollment Growth

+**1.5%** increase in enrollment

June 2009: 1.32 million members

June 2010: 1.34 million members

Unemployment Max at 6.1% in 3rd
Quarter of CY 2009

PeachCare Enrollment Growth

+**10.4%** increase in enrollment

June 2009: 241,000 members

June 2010: 266,000 members

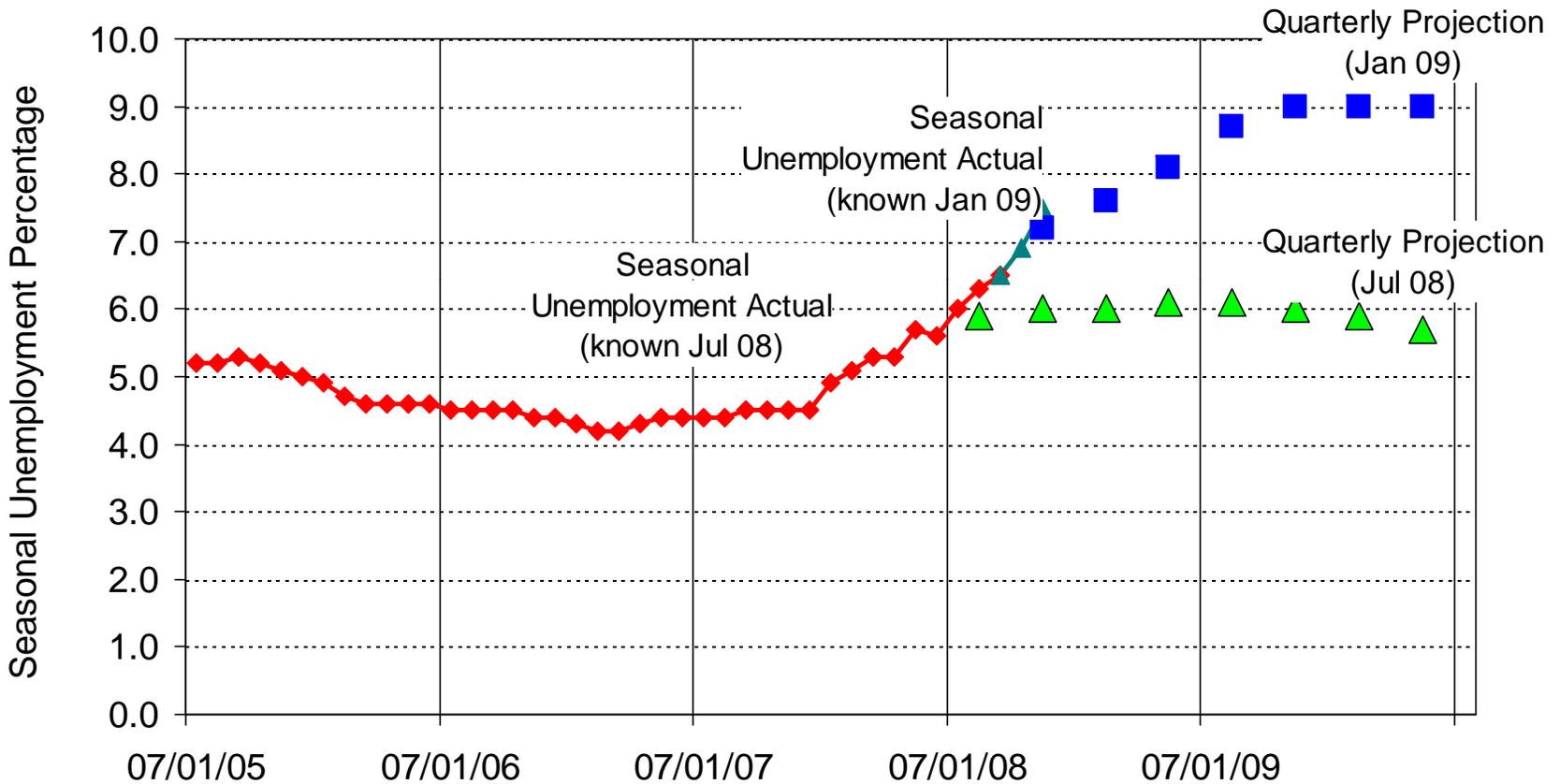
PMPM Growth

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

- Inflation index for Medical Services
was **3.6% for FY 2009**



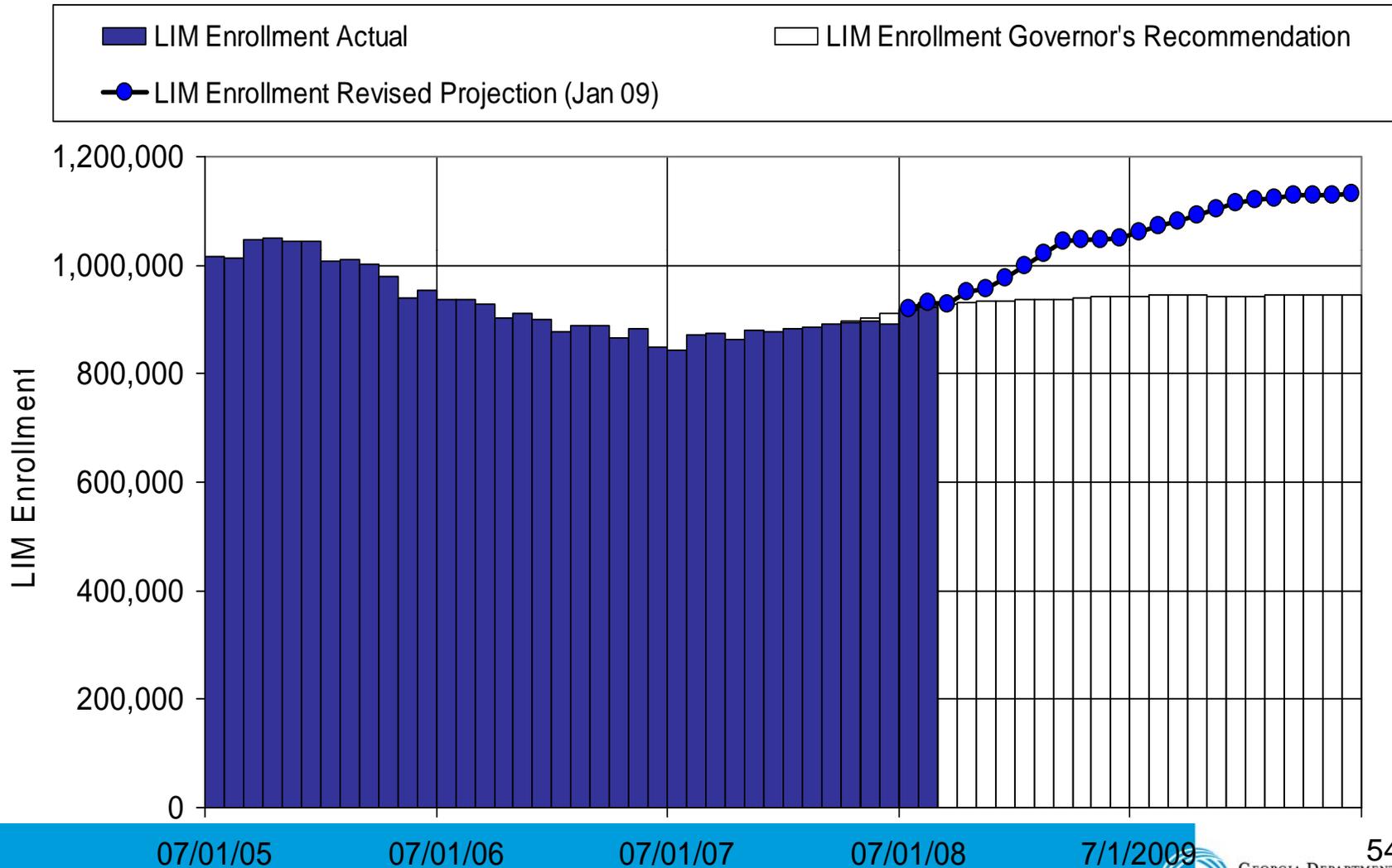
Compare Unemployment Projections July 2008 v. January 2009



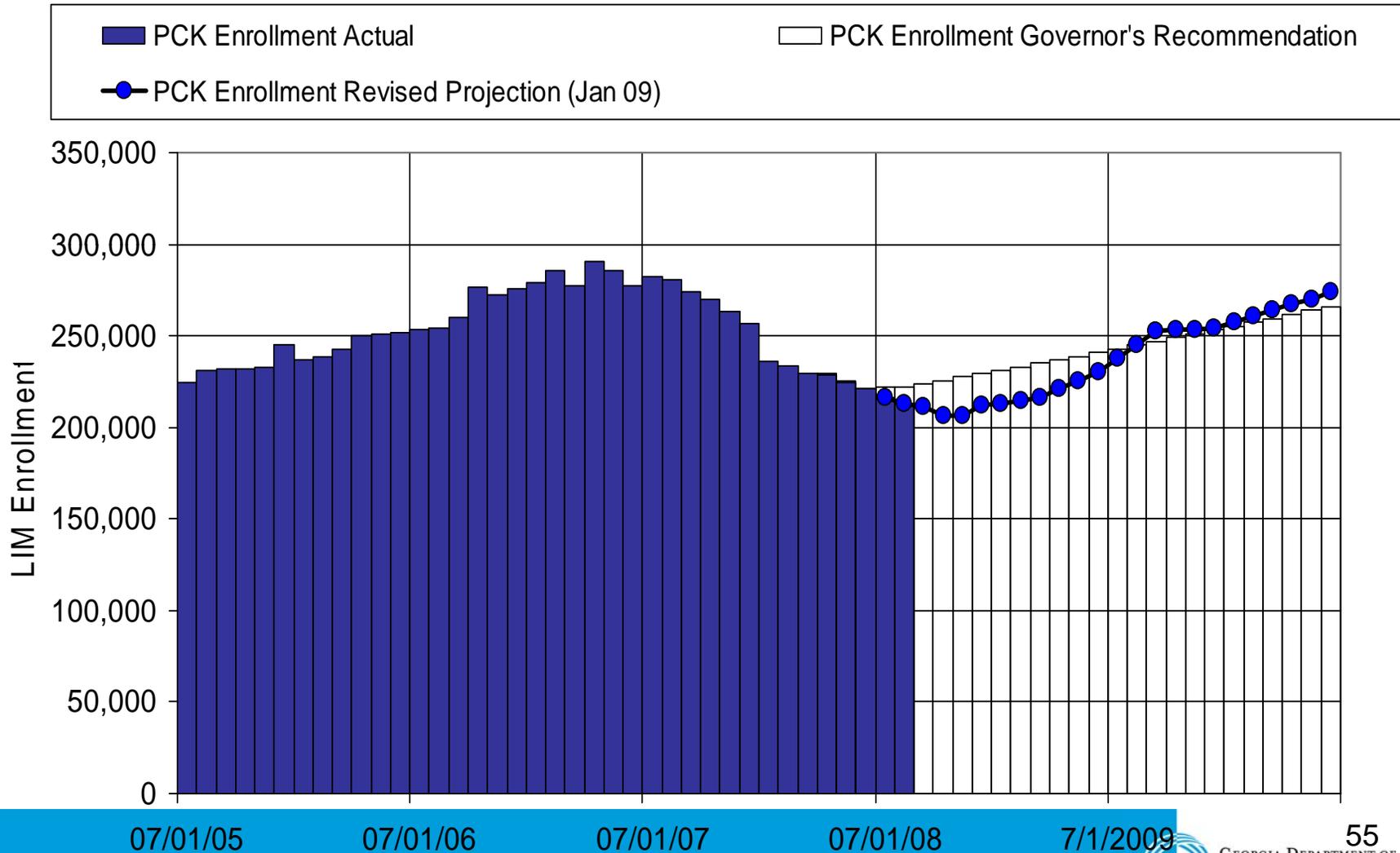
The highest rate of unemployment previously in Georgia was 8.3 in December 1982.

Sources: Seasonal Unemployment Actual: Georgia Department of Labor
Projections: Dr. Ken Heaghey, Georgia State University

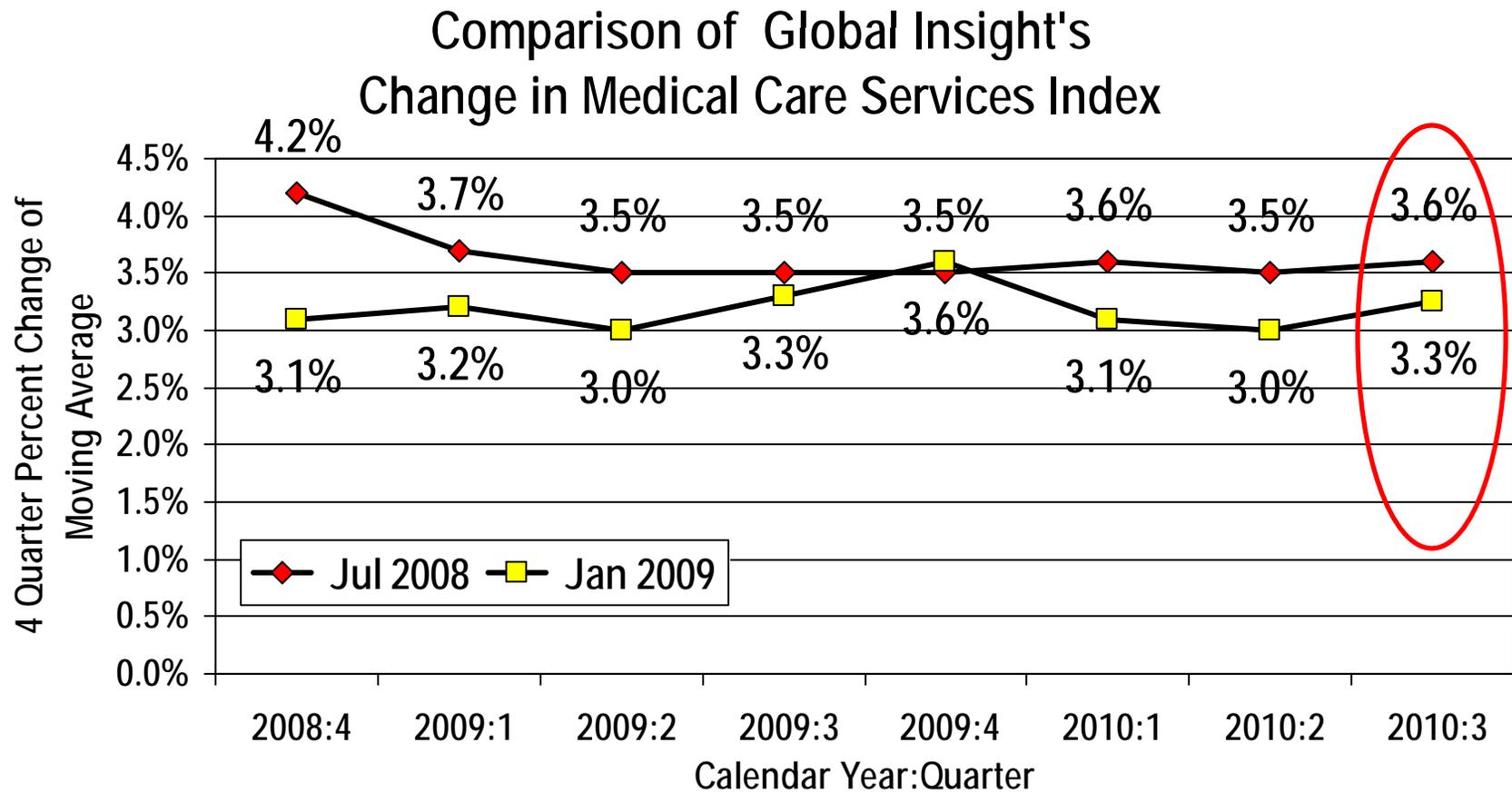
FY 2010 Revised LIM Enrollment Projection



FY 2010 Revised PCK Enrollment Projection



Revised Inflation Used for FY 2010 Medicaid and PCK Benefits PMPM Growth



FY 2010: New Considerations

Based on More Recently Available Information (Jan 2009)

Medicaid Enrollment Growth

+**6.2%** increase in enrollment

June 2009: 1.43 million members

June 2010: 1.52 million members

Unemployment Max at 9.0% in 4th
Quarter of CY 2009

PeachCare Enrollment Growth

+**19.0%** increase in enrollment

June 2009: 230,000 members

June 2010: 274,000 members

PMPM Growth

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

- Inflation index for Medical Services
was **3.3% for FY 2010**



Medicaid/PeachCare for Kids Programs Comparisons

	Governor's FY 2010 Recommendation	January 09 Projections	Difference
Medicaid Enrollment by June 2010	1.34 million	1.52 million	+18,000
PeachCare Enrollment by June 2010	266,000	274,000	+8,000
FY 2010 Growth in Medicaid Enrollment	1.5%	6.2%	+4.7%
FY 2010 Growth in PCK Enrollment	10.4%	19.0%	+8.6%
PMPM Inflation in FFS	3.6%	3.3%	-0.3%
Unemployment Max	6.1% 3 rd Quarter CY 2009	9.0% 4 th Quarter CY 2009	+2.9%



FY 2010 Considering Updates

BOTTOM LINE:

Increase in projected enrollment is somewhat offset by the reduction in projected PMPM costs; however anticipate.

Governor's proposed FY 2010 budget covers cash expense only through first week of June 2010.*

*If enrollment increases more than expected or revenue is further reduced, the department's cash deficit will be greater than currently expected.



Governor's FY 2010 Budget Recommendations

Summary



FY 2010

Governor's Recommendation for State Funds

In millions	Current FY 2009	Change FY 2010	
		\$	%
Medicaid	\$2,106.7	199.3	9.5%
PeachCare	\$98.7	(6.5)	-6.6%
ICTF	\$0	50.7	
Nursing Home Provider Fee	\$120.8	1.7	1.4%
Administration	\$106.9	(15.1)	-14.2%
Health Care Access	\$25.6	(12.7)	-49.6%
Attached Agencies	<u>\$55.7</u>	<u>(4.6)</u>	<u>-8.3%</u>
TOTAL State Funds	\$2,514.3	212.8	8.5%
SHBP (classified as other funds)	\$2,704.7	241.5	8.9%

Note: State Funds include State General Funds, Tobacco Funds, and Provider Fees.

DCH Budget Summary

FY 2008 – Surplus in Medicaid, PCK, and Admin;
\$134.5 million returned to Treasury

FY2009 – cost containment initiatives and rate deferrals reduce funding needs in Medicaid and PCK; SHBP Employer Contributions reduced; Significant Administrative Cuts

FY 2010 –

- Medicaid/PCK provider rate increases
- Advent of Hospital Provider Fee program
- Expansion of Managed Care Fee program
- Avoid significant program cuts in Medicaid and PCK
- Use of Tobacco Funds to Supplant State Funds
- Significant Administrative Cuts
- New PCK and Medicaid enrollment growth not completely covered

Department of Community Health Budget Summary		
Budget (in millions)	Current FY2009	Gov's Rec FY2010
Total Funds	\$11,500.4	\$11,911.1
State Funds	\$2,514.3	\$2,727.1
Net Change in State Funds		\$212.8
Percent Change in State Funds		8.5%



Proposed Federal Stimulus Package: Enhanced FMAP

	<u>House</u>	<u>Senate</u>
Enhanced FFP Current GA = 0.6449 (09) = 0.6510 (10)	4.9 percentage points	7.6 percentage points
High Unemployment Add-on	6, 12, or 14 percent increase over enhanced FMAP	2.5, 4.5, or 6.5 percent increase over enhanced FMAP
Eligibility MOE	Yes	Yes
Impact:		
FY 2009	\$514.3	\$479.3
FY 2010	775.4	716.1
FY 2011	<u>404.1</u>	<u>375.1</u>
TOTAL	\$1,693.7	\$1,570.6
SOURCE:	FFIS Federal Funds Information for States (1/23/09)	Center on Budget and Policy Priorities (1/30/09)