

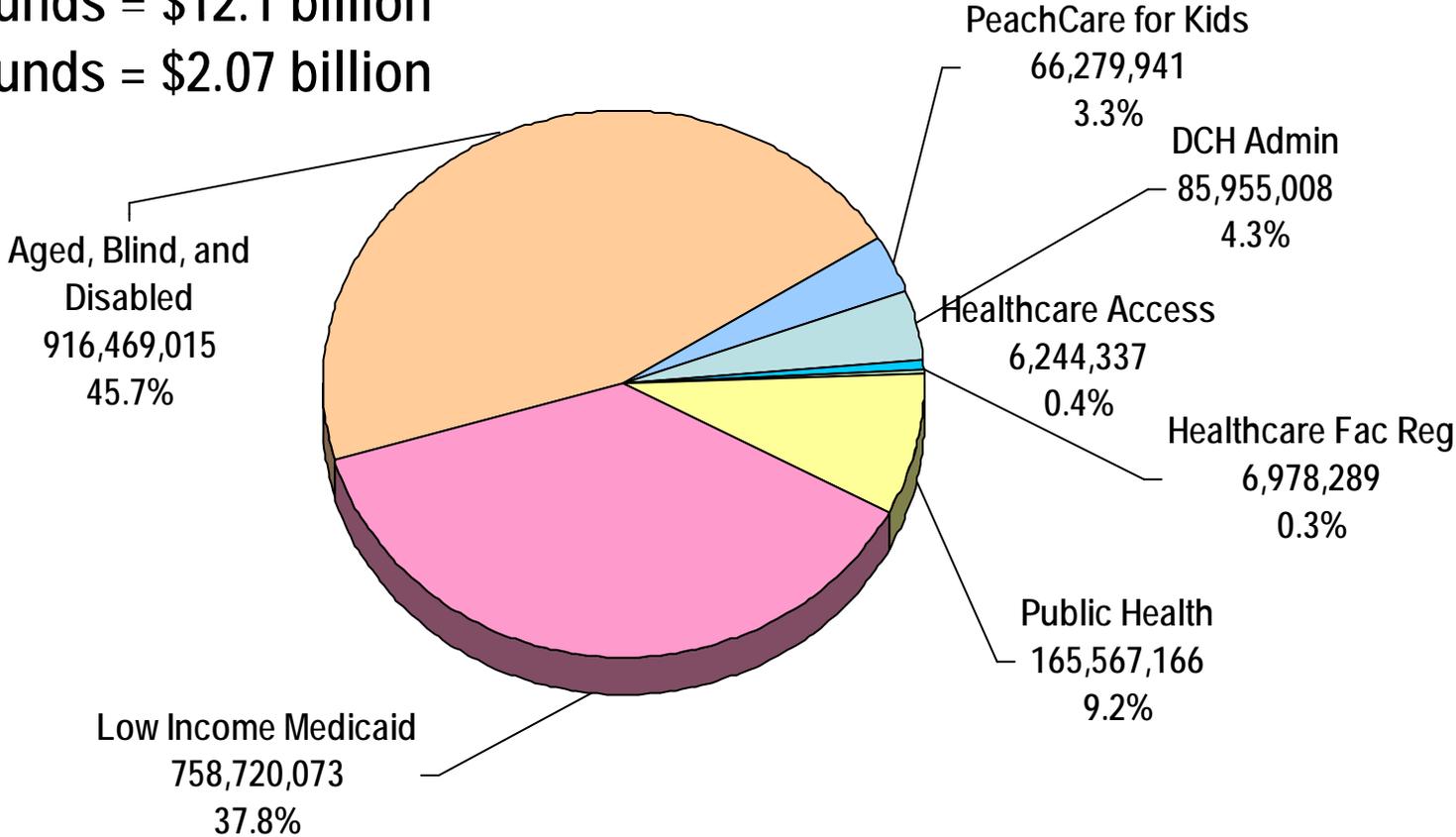
FY 2012 Program Budgets

Presentation to
Senate Appropriations Health Subcommittee
March 17, 2011



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

Department Administration

FY12 Governor's Recommendation

FY12 Base Budget \$85,955,008	FY12 Changes	Tracking Sheet Reference
1. Reflect an adjustment in Workers' Compensation premiums.	42,034	82.1
2. Reflect an adjustment in telecommunications expenses.	1,266,253	82.2
3. Increase funds to reflect an adjustment in the employer share of the Employees' Retirement System.	224,555	82.3
4. Transfer state funds related to the Department of Human Resources reorganization from the Department of Human Services to the Department of Community Health for Public Health telecommunications (\$2,295,090) and software licensing (\$237,186).	2,532,276	82.4
5. Reduce funds for Personal Services.	(147,144)	82.5
6. Reduce funds to reflect savings from space consolidation.	(62,063)	82.6
7. Reduce funds for computer contracts to reflect savings from transition to a new MMIS vendor.	(5,815,788)	82.7
8. Replace state general funds with federal funds for a nursing home eligibility online processing system.	(200,000)	82.8

Department Administration cont. FY12 Governor's Recommendation

FY12 Base Budget \$85,955,08	FY12 Changes	Tracking Sheet Reference
9. Replace state general funds with other funds from fraud control global settlements	(1,000,000)	82.9
Net Change	(3,159,877)	
Revised Amount	82,795,131	
% Change	(3.7%)	

Adolescent and Adult Health Promotion Program Metrics

Services provided in FY10:

- Mammograms- 16,428
- Pap tests- 74,440
- Calls to the Georgia Tobacco Quit Line- 4,306
- Students educated on Primary Sexual Violence Prevention- 52,302
- Professionals trained on Primary Sexual Violence Prevention-1,035
- Youth served through the Adolescent Health and Youth Development (AHYD) Program- 43,597
- Professionals trained through the AHYD Program- 3,278
- Schools Adopting the 100% Tobacco Free School Policy- 98 (resulting in an additional 71,683 students protected from second-hand smoke)



Adolescent and Adult Health Promotion FY12 Governor's Recommendation

FY12 Base Budget \$9,591,492	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System.	8,564	80.1
2. Reduce funds for Personal Services.	(118,697)	80.2
3. Reduce Operating Expenses.	(358,461)	80.3
4. Reduce programmatic grant-in-aid to County Boards of Health.	(35,732)	80.4
5. Reduce funds for contracts.	(150,000)	80.5
6. Replace state general funds with tobacco settlement funds (87,262).	Yes	80.6
7. Realign TANF funds based on prior year expenditures (Total Funds: \$1,280,085).	Yes	80.7
8. Reclassify other funds as federal funds in accordance with State Accounting Office Financial Management Policies and Procedures (Total Funds: \$9,153,769)	Yes	80.8
Net Change	(654,326)	
Revised Amount	8,937,166	
% Change	(6.8%)	

Adult Essential Health Treatment Services Program Metrics

Services provided in FY10:

Provided 2,230 cancer treatment services to 360 clients statewide.

Provided 14,616 clients with Stroke and Heart Attack Prevention Program services in FY2010. We are projecting another 14,000 receiving services in FY2011.



Adult Essential Health Treatment Services FY12 Governor's Recommendation

FY12 Base Budget \$7,809,846	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System.	\$4,579	81.1
2. Recognize contract savings from moving high cost Hemophilia clients into the federal Pre-Existing Condition Insurance Plan (PECIP).	(680,263)	81.2
3. Replace state general funds with tobacco settlement funds (138,249).	Yes	81.3
4. Transfer the Refugee Health Screening and Testing subprogram to the Infectious Disease program (Total Funds: \$967,454).	Yes	81.98
5. Governor: The purpose of this appropriation is to provide treatment and services to low income Georgians with cancer, and Georgians at risk of stroke or heart attacks	Yes	81.99
Net Change	(675,684)	
Revised Amount	7,134,162	
% Change	(8.7%)	

Emergency Preparedness/ Trauma System Improvement Program Information

Prepare for natural disasters, bioterrorism, and other emergencies, as well as improving the capacity of the state's trauma system.



Emergency Preparedness/ Trauma System Improvement FY12 Governor's Recommendation

FY12 Base Budget \$3,082,935	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System.	17,090	83.1
2. Eliminate trauma registry contracts, and require trauma centers to report to the registry in order to be eligible for Georgia Trauma Care Network Commission grants.	(754,000)	83.2
Net Changes	(736,910)	
Revised Amount	2,346,025	
% Change	(23.9%)	

Epidemiology Program Metrics

Services provided in FY10:

- Conducts surveillance for more than 75 notifiable diseases/conditions, including infectious diseases, chronic diseases and disease outbreaks.
- Investigated 171 events of public health significance, of which 102 were confirmed as disease outbreaks.
- A couple of the top outbreaks in GA during 2010 were Salmonella and influenza.



Epidemiology

FY12 Governor's Recommendation

FY12 Base Budget \$3,859,926	FY12 Changes	Tracking Sheet Reference
1. Increase funds to reflect an adjustment in the employee's Retirement System	20,150	84.1
2. Reduce funds for personal services	(158,884)	84.2
3. Reduce programmatic grant-in-aid to County Boards of Health	(141,215)	84.3
4. Discontinue Georgia Public Health Laboratory testing that is duplicative of private sector services.	(21,890)	84.4
5. Reflect the discontinuation of the increased ARRA FMAP funds available to the Georgia Poison Control Center, and replace with state funds	212,195	84.5
6. Reflect the loss of federal funds due to the expiration of the American Recovery and Reinvestment Act of 2009. (Total Funds: \$200,000)	Yes	84.6
Net Changes	(89,644)	
Revised Amount	3,770,282	
% Change	(2%)	

Health Care Access and Improvement Program Information

Provide grants and other support services for programs that seek to improve health access and outcomes in rural and underserved areas of Georgia through the State Office of Rural Health, the various commissions of the Office of Health Improvement. The certificate of need function is also included in this program.



Health Care Access and Improvement FY12 Governor's Recommendation

FY12 Base Budget \$6,244,337	FY12 Changes	Tracking Sheet Reference
1. Reflect an adjustment in the Workers' Compensation premium.	401	85.1
2. Increase funds to reflect an adjustment in the employer share of the Employees' Retirement System.	23,190	85.2
3. Recognize savings from the integration of health improvement and public health programs.	(623,829)	85.3
4. Reduce one-time funds for Erlanger Life Force Air Ambulance program.	(600,000)	85.4
5. Reduce funds for the Area Health Education Centers (AHEC).	(106,426)	85.5
Net Change	(1,306,664)	
Revised Amount	4,937,673	
% Change	(20.9%)	

Healthcare Facility Regulation Program Metrics

Services provided in FY10:

- There are 14,462 active facilities licensed or certified by this program.
- There were 2,945 routine inspections and 3,131 special surveys completed in FY 2010. Not all facilities are inspected annually.
- 2,505 complaints were received against licensed providers and the program responded to 7,739 incident reports.



Healthcare Facility Regulation FY12 Governor's Recommendation

FY12 Base Budget funds \$6,978,289	FY12 Changes	Tracking Sheet Reference
1. Increase funds to reflect an adjustment in the employer share of the Employee's Retirement System	1,161	86.1
2. Reduce state funds for 6 new state licensure positions provided for in HB948 (2010 Session - FY2011 Appropriations Act)	(478,181)	86.2
3. Reduce funds for travel	(128,727)	86.3
4. Eliminate funds for Adult Day Care licensure	(90,921)	86.4
Net Change	(696,668)	
Revised Amount	6,281,621	
% Change	(10.0%)	

Immunization Program Metrics

Year	Immunizations	0 – 6 yrs	7-18yrs	18yrs +	Most Common Vaccines
2008	1,885,510	775,884	591,473	518,153	DTP and Influenza
2009	2,436,809	788,135	634,773	1,013,901	H1N1 and Influenza
2010	2,401,766	744,881	534,600	1,122,285	DTP and Influenza



Immunization

FY12 Governor's Recommendation

FY12 Base Budget \$2,673,093	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System	1,960	87.1
2. Reflect the loss of federal funds due to the expiration of the American Recovery and Reinvestment Act of 2009 (Total Funds: \$2,494,714)	Yes	87.2
Net Change	1,960	
Revised Amount	2,675,053	
% Change	0.01%	

Indigent Care Trust Fund Program Information

Support rural and other healthcare providers, primarily hospitals, that serve medically indigent Georgians.



Indigent Care Trust Fund FY12 Governor's Recommendation

FY12 Base Budget \$0	FY12 Changes	Tracking Sheet Reference
1. Reflect the loss of federal funds due to the expiration of the American Recovery and Reinvestment Act of 2009 (Total Funds: \$713,649)	Yes	88.1
Net Change	-	
Revised Amount	-	



Infectious Disease Control Program Information

Services provided in FY2010:

Patients served by HIV Unit Prevention:

- 16,085 Health Education Risk Reduction sessions
- 139,000 HIV test conducted
- 16,614 core medical services
- 19,049 support services and 80,441 visits



Infectious Disease Control FY12 Governor's Recommendation

FY12 Base Budget \$30,083,175	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System	57,129	91.1
2. Discontinue Georgia Public Health Lab testing that is duplicative of private sector services.	(421,736)	91.2
3. Transfer funds from the Adult Essential Health Treatment Services program for refugee health screenings and testing. (Total Funds: \$967,454).	Yes	91.98
Net Change	(364,607)	
Revised Amount	29,718,568	
% Change	(1.2%)	

Infant and Child Essential Health Treatment Services Program Metrics

Services provided in FY2010:

- More than 100,000 children received physical assessment and health screening
- More than 50,000 children received dental screens
- More than 59,000 children were identified for developmental and/or medical services
- Nearly 12,000 infants/children received services to remediate developmental delay



Infant and Child Essential Health Treatment Services FY12 Governor's Recommendation

FY12 Base Budget \$26,058,688	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System	15,476	89.1
2. Reduce funds for Personal Services	(205,162)	89.2
3. Reduce programmatic grant-in-aid to County Boards of Health	(450,000)	89.3
4. Reflect savings from the phase out of the Babies Born Healthy program	(2,915,006)	89.4
5. Reflect the loss of federal funds due to the expiration of the American Recovery and Reinvestment Act of 2009 (Total Funds: \$10,050,396)	Yes	89.5
6. Amend Regional Tertiary Care Center contracts to include provision of a minimum level of prenatal care services.	Yes	89.6
Net Change	(3,554,692)	
Revised Amount	22,503,996	
% Change	(13.6%)	

Infant and Child Health Promotion Program Information

- Provide education and services to promote health and nutrition for infants and children.
- More than 300,000 women, infants and children served.



Infant and Child Health Promotion FY12 Governor's Recommendation

FY12 Base Budget \$11,370,121	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System	18,748	90.1
2. Reduce funds for Personal Services	(835,629)	90.2
3. Reduce Operating Expenses	(479,731)	90.3
4. Reduce funds for contracts	(20,000)	90.4
5. Recognize contract savings from moving high cost Hemophilia clients into the federal PECIP	(653,124)	90.5
Net Change	(1,969,736)	
Revised Amount	9,400,385	
% Change	(17.3%)	

Inspections and Environmental Hazard Control Program Metrics

Services provided in FY2010:

Food Service Program conducted 62,404 inspections.

Tourist Accommodations: regulated 2,531 tourist (hotels, motels, campgrounds & travel trailer parks) facilities and conducted 4,381 inspections.

Public Swimming Pools, Spas & Recreational Water Parks: regulated 8,945 facilities and conducted 18,478 inspections.

On-site Sewage Management Systems: inspected 9,586 new septic tank system installations, evaluated 9,843 existing systems and permitted & inspected the repair of 6,775 systems.

Well Water Supplies: evaluated 3,007 wells and conducted 5,608 individual well water samples.

Chemical Hazards Program: conducted 11 community assessments related to chemical hazards in communities. MOU with Environmental Protection Division

Rabies Control: investigated 8,485 potential rabies exposures.

Environmental Hazard Complaint Investigation: investigated 8,152 citizen complaints.

Inspections and Environmental Hazard Control FY12 Governor's Recommendation

FY12 Base Budget \$3,699,910	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System	14,879	92.1
2. Reduce funds for Personal Services	(37,442)	92.2
3. Reduce Operating Expenses	(213,402)	92.3
4. Discontinue Georgia Public Health Lab testing that is duplicative of private sector services.	(55,686)	92.4
Net Change	(291,651)	
Revised Amount	3,408,259	
% Change	(7.9%)	



Public Health Formula Grants to Counties Program Information

- The General Grant In Aid (GGIA) program provides over \$61 Million in state funds to all Local Boards of Health in return for delivery of basic public health services. Counties have discretion to allocate these funds at the local level as they see fit. Historically, most funds have gone to pay clinic staff salaries and purchase supplies.
- FY 2011 base GGIA funding ranges from \$48,126 to \$5,694,033. The average grant is \$362,000.
- The recommended GGIA budget represents a 4% reduction to all counties. The reduction ranges from (\$2,060) to (\$243,782) per county, with an average reduction of (\$15,519).



Public Health Formula Grants to Counties FY12 Governor's Recommendation

FY12 Base Budget \$61,686,565	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System	1,708,921	96.1
2. Reduce general grant-in-aid to County Boards of Health	(2,484,328)	96.2
Net Change	(775,407)	
Revised Amount	60,911,158	
% Change	(1.3%)	



Vital Records Program Metrics

- Maintain records of all births, deaths, fetal deaths, marriages and divorces for Georgia residents since 1919.
- 134,878 births and 63,626 deaths have been registered for 2010 to date.
- Share information with Centers for Disease Control, Social Security Administration, Department of Defense, Secretary of State, Department of Driver Services, Office of Child Support Services, Medicaid, and other partners.



Vital Records

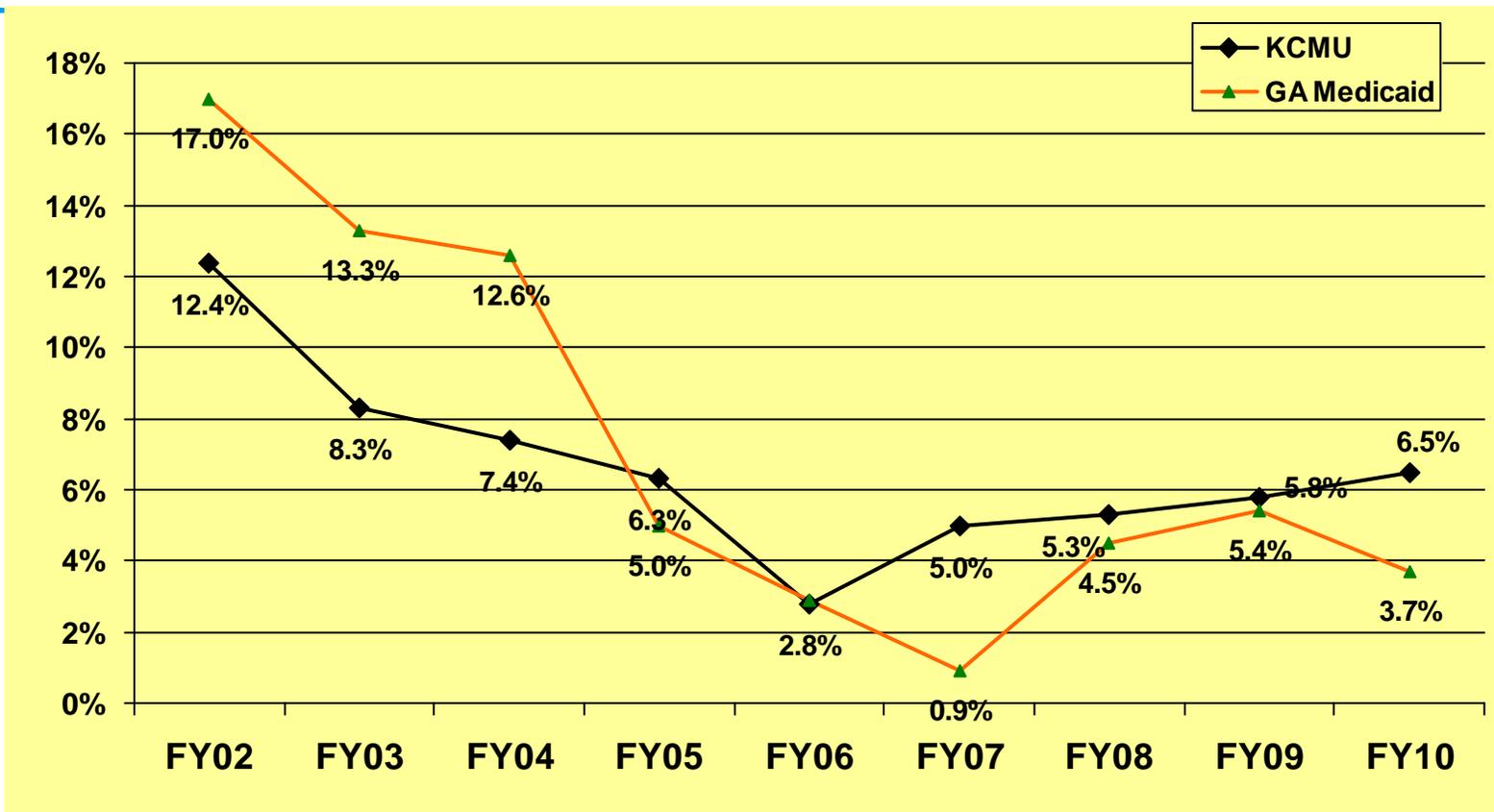
FY12 Governor's Recommendation

FY12 Base Budget \$3,690,567	FY12 Changes	Tracking Sheet Reference
1. Increase funds for employee share of the Employee's Retirement System	19,576	98.1
2. Reduce personal services	(153,092)	98.2
Net Change	(133,516)	
Revised Amount	3,557,051	
% Change	(3.6%)	

Medicaid and PeachCare for Kids



GA Medicaid vs. National Medicaid Averages

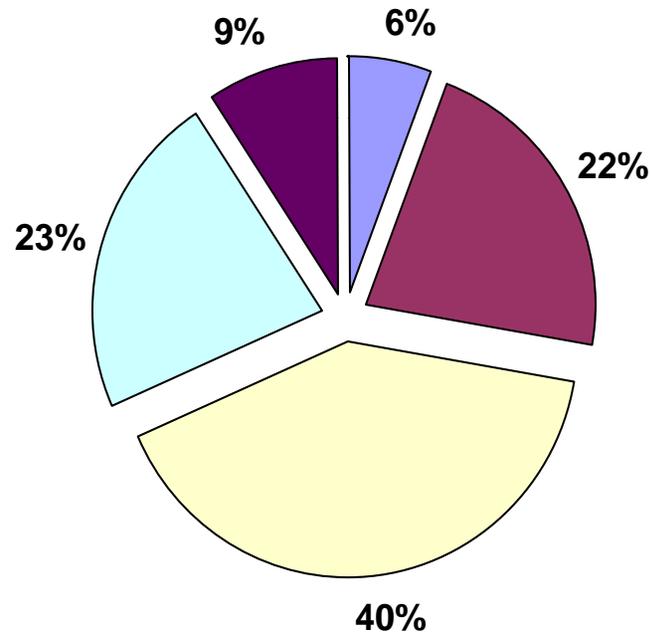


In FY 2010, Georgia Medicaid continued to experience single-digit trends of 3.7% and remain lower than the national benchmarks of 6.5% - 10.5%.

Source: The Kaiser Commission on Medicaid and the Uninsured, *The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2009 and 2010*. September 2009.

Medicaid and PeachCare Members By Age Group

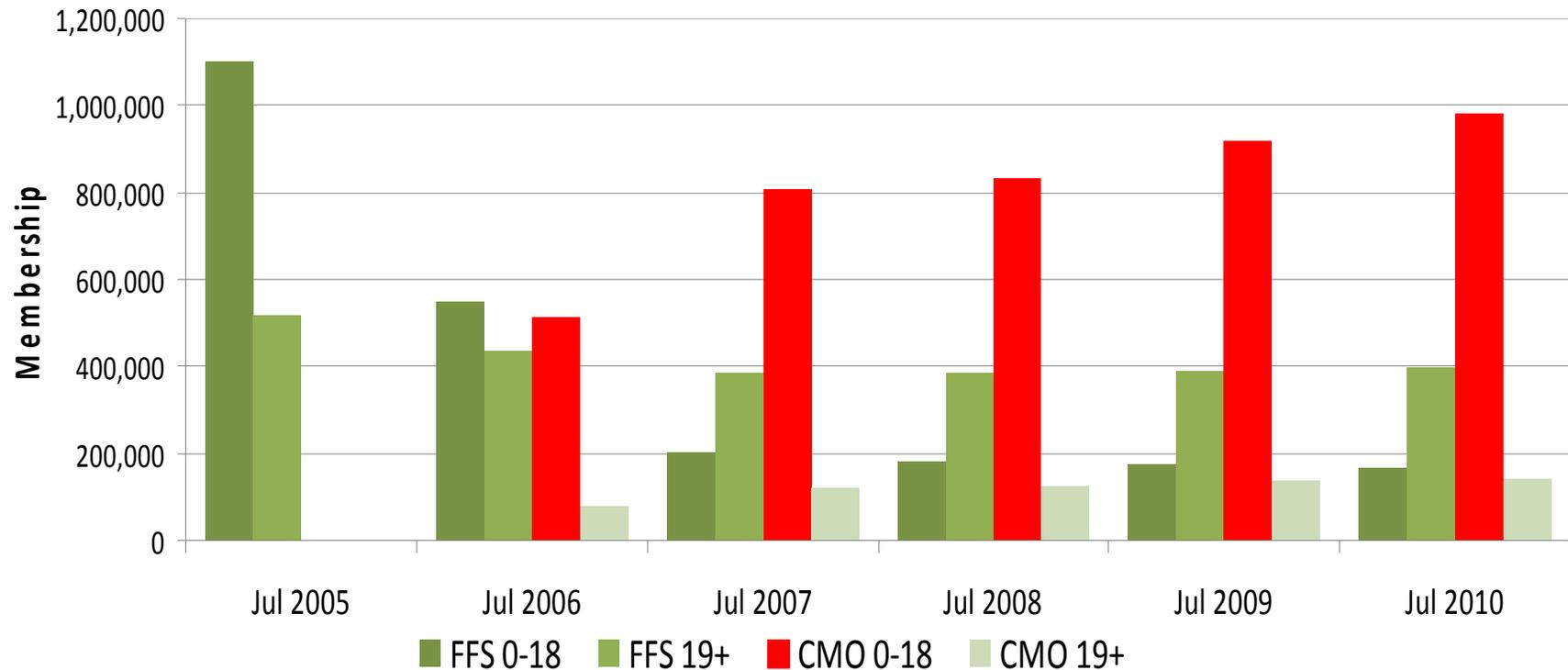
as of 11/30/2010



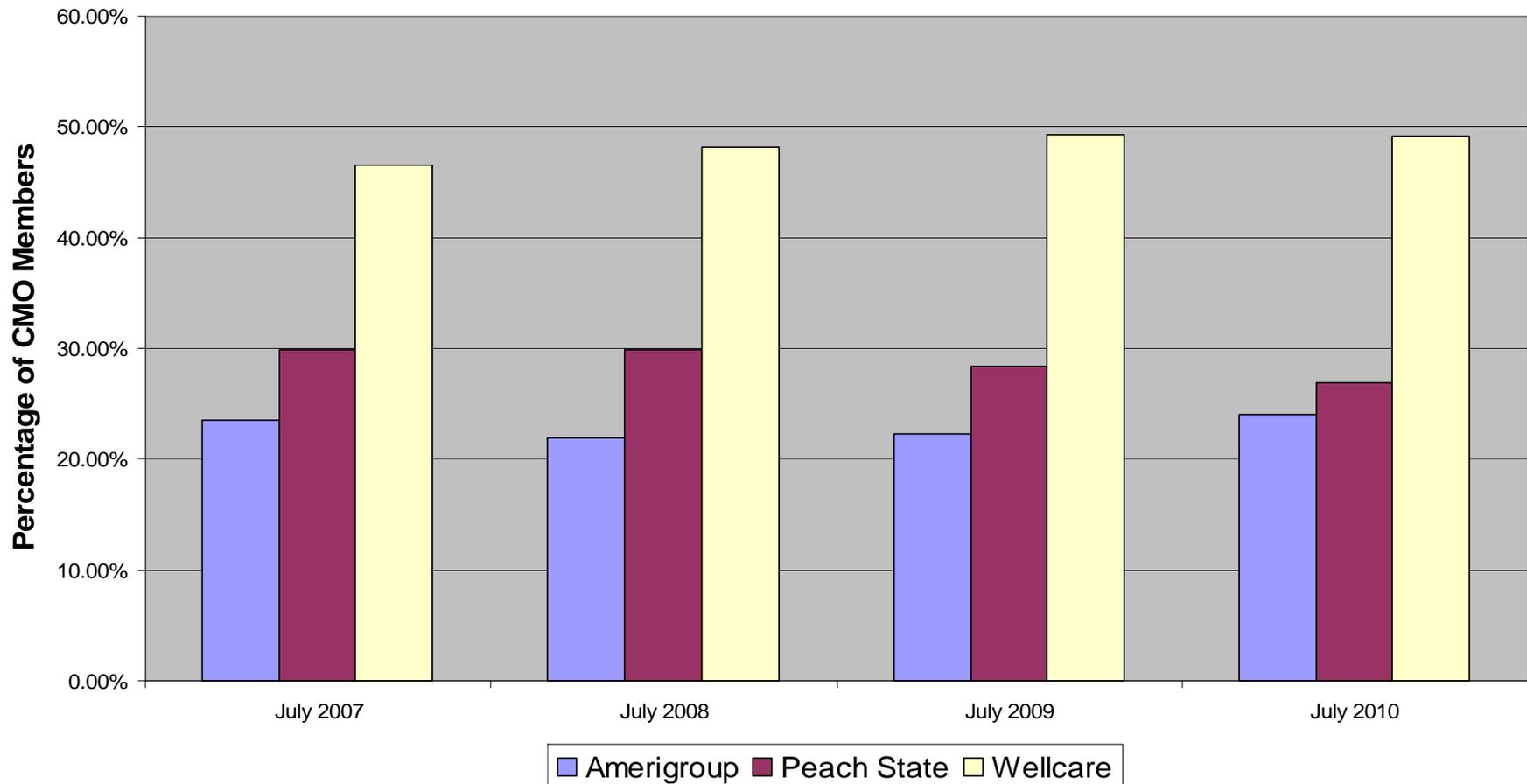
■ Age < 1 ■ Ages 1 - 5 ■ Ages 6 - 18 ■ Ages 19 - 64 ■ Ages 65+

Care Management Organization (CMO) Compared to Fee for Service (FFS) Members

July Membership by Plan/Age Group



CMO Providers



Aged, Blind and Disabled Medicaid FY12 Governor's Recommendation

FY12 Base Budget \$916,469,015	FY12 Changes	Tracking Sheet Reference
1. Reflect the discontinuation of the increased American Recovery and Reinvestment Act (ARRA) federal medical assistance percentage (FMAP) funds and replace with state funds	362,150,507	93.1
2. Restore funds from a one-time reduction in FY 2011 to Medicaid Part D clawback payments	86,339,260	93.2
3. Reflect an increase in the federal financial participation rate from 65.80% to 65.95%	(5,192,727)	93.3
4. Reflect savings from the elimination of underperforming contracts	(10,425,225)	93.4
5. Reduce Medicaid reimbursement by 1% for all providers excluding hospital and home and community based services	(6,747,649)	93.5
6. Increase existing member co-payments and implement new co-payments for members enrolled in the TEFRA option	(3,136,135)	93.6
7. Transfer funds from the Department of Corrections to Medicaid to reflect the relocation of medically fragile offenders to community nursing homes	1,030,300	93.7
8. Eliminate optional benefit coverage for adult vision, dental and podiatry services	(6,163,079)	93.8

Aged, Blind, and Disabled Medicaid cont. FY12 Governor's Recommendation

FY12 Base Budget \$916,469,015	FY12 Changes	Tracking Sheet Reference
9. Reflect estimated savings from drug company settlements	(8,500,000)	93.9
10. Provide funds to reflect revised federal policies in the Patient Protection and Affordable Care Act that reduce fee for service Medicaid rebates	7,751,719	93.10
11. Reflect the loss of federal funds due to the expiration of the American Recovery and Reinvestment Act of 2009 (Total Funds: \$52,493,622)	Yes	93.11
Net Change	417,106,971	
Revised Amount	1,333,575,986	
% Change	45.5%	

Low Income Medicaid FY12 Governor's Recommendation

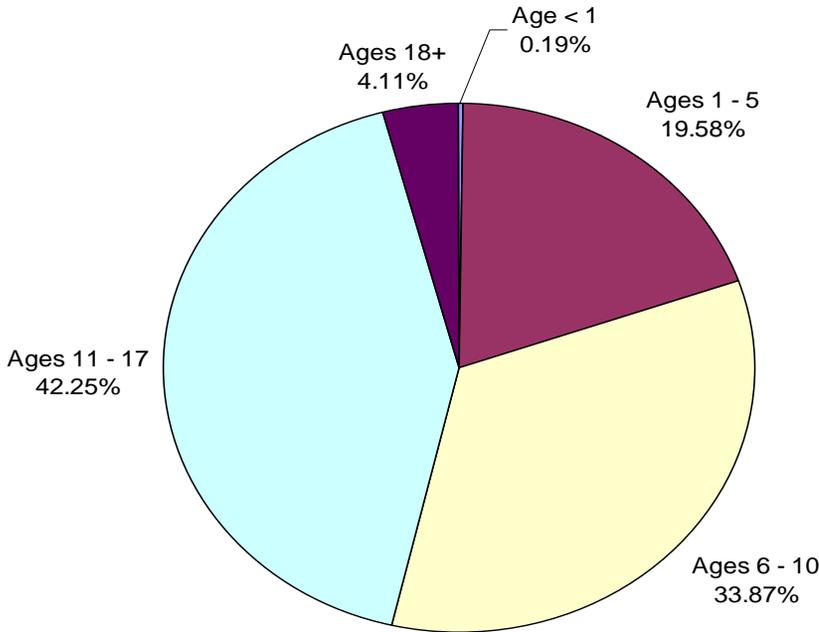
FY12 Base Budget \$758,720,073	FY12 Changes	Tracking Sheet Reference
1. Reflect the discontinuation of the increases ARRA FMAP funds and replace with state funds	321,832,822	94.1
2. Reflect an increase in the federal financial participation rate from 65.80% to 65.95%	(4,536,653)	94.2
3. Reduce state funds to reflect the one-time retroactive reimbursement for the federal share of the MMIS conversion	(15,127,330)	94.3
4. Reduce Medicaid reimbursement by 1% for all providers excluding hospital and home and community based services	(6,379,025)	94.4
5. Eliminate optional benefit coverage for adult vision, dental and podiatry services	(864,829)	94.5
6. Increase existing member co-payments	(360,456)	94.6
7. Remove the care management organization (CMO) outpatient hospital reimbursement floor	(4,541,378)	94.7
8. Reflect savings from the implementation of the Planning for Healthy Babies program	(9,339,200)	94.8
9. Reflect anticipated performance bonus payments authorized in the Children's Health Insurance Program Reauthorization Act	(6,032,030)	94.9

Low Income Medicaid cont. FY12 Governor's Recommendation

FY12 Base Budget \$ 758,720,073	FY12 Changes	Tracking Sheet Reference
10. Reflect estimated savings from drug company settlements	(1,500,000)	94.10
11. Reduce funds to reflect revised federal policies in the Patient Protection and Affordable Care Act that increase managed care Medicaid rebates	(12,723,662)	94.11
12. Reflect projected FY 2012 hospital provider payment collections	(4,869,361)	94.12
13. Maintain 11 months of CMO capitation payments to reflect the delay of the CMO capitation payment deferral from FY 2011 to FY 2012	Yes	94.13
14. Reflect the loss of federal funds due to the expiration of the American Recovery and Reinvestment Act of 2009 (Total Funds: \$12,432,622)	Yes	94.14
Net Change	255,558,898	
Revised Amount	1,014,278,971	
% Change	33.7%	

PeachCare Enrollment by Age

Total Enrollment - 202,380
as of October 2010



■ Age < 1 ■ Ages 1 - 5 ■ Ages 6 - 10 ■ Ages 11 - 17 ■ Ages 18+

PeachCare

FY12 Governor's Recommendation

FY12 Base Budget \$66,279,941	FY12 Changes	Tracking Sheet Reference
1. Reflect an increase in the federal financial participation rate from 76.06% to 76.17%	(305,566)	95.1
2. Implement new copayments for PeachCare members 6 years of age and older	(1,503,409)	95.2
3. Reduce Medicaid reimbursement by 1% for all providers excluding hospital and home and community based services	(699,244)	95.3
4. Remove the CMO outpatient hospital reimbursement floor	(590,123)	95.4
5. Reduce funds to reflect revised federal policies in the Patient Protection and Affordable Care Act that increase managed care Medicaid rebates	(6,591,743)	95.5
6. Maintain 11 months of CMO capitation payments to reflect the delay of the capitation payment deferral from FY 2011 to FY 2012	Yes	95.6
Net Change	(9,690,085)	
Revised Amount	56,589,856	
% Change	(14.6%)	

State Health Benefit Plan Program Metrics

- The SHBP currently provides coverage to 697,000 people.
- The majority of plan members are state employees, teachers, school personnel (school bus drivers, cafeteria workers) and their dependents.
- The audited FY 2010 reserve balance is just over \$17 million. This represents about 2 average days of claims.



State Health Benefit Plan FY12 Governor's Recommendation

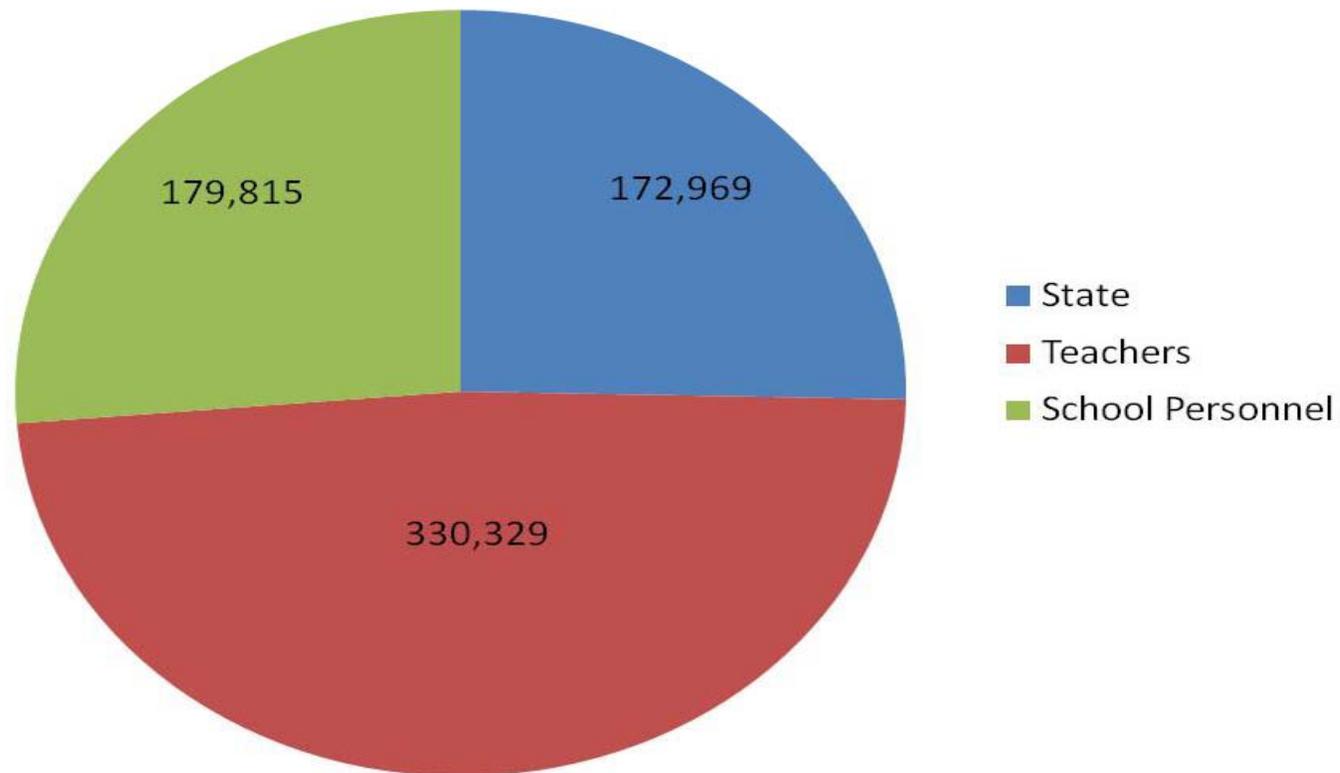
FY12 Base Budget \$2,888,378,968 – Other Funds	FY12 Changes	Tracking Sheet Reference
1. Reduce expense by eliminating the Open Access Plan (OAP) and implementing additional plan design changes and employee cost-share increases in Plan Year 2011.	(235,082,951)	97.1
2. Reflect reduction in employee premium revenue due to elimination of the OAP option	(37,284,591)	97.2
3. Increase funds to reflect spousal and tobacco (\$10 and \$20) surcharge increases in Plan Year 2011	16,553,348	97.3
4. Increase employee premiums 10% in Plan Year 2012.	29,686,345	97.4
5. Reflect projected reimbursement available through the Early Retiree Reinsurance Program component of federal health care reform	110,000,000	97.5
6. Reflect the projected cost of the federal health care reform requirement to cover 100% of preventive coverage as defined by regulation under the Patient Protection and Affordable Care Act (PPACA).	10,335,923	97.6
7. Reflect the projected cost of changes to coverage of dependent children required by PPACA: to allow coverage up to age 26, regardless of marital or student status, employment, residency, or financial dependence.	113,197,064	97.7

State Health Benefit Plan cont. FY12 Governor's Recommendation

FY12 Base Budget \$2,888,378,968 – Other Funds	FY12 Changes	Tracking Sheet Reference
8. Recognize projected revenue (\$36,622,023) generated from employees with dependents up to age 26 changing premium tiers, as well as the premium add-on amount (\$38,267,521) to cover part of the projected cost of the expanded coverage.	74,929,544	97.8
9. Reflect depletion of prior year reserves.	(60,360,097)	97.9
10. Reflect updated revenue and expense projection.	(18,888,792)	97.10
11. Implement additional plan design changes to meet projected FY 2012 expense.	37,326,621	97.11
12. Increase per member per month billings for non-certificated school service personnel from \$162.72 to \$218.20, effective December 2010.	49,080,795	97.12
13. Delay implementation of direct billing for SHBP employer contribution	Yes	97.13
Net Change	89,493,209	
Revised Amount	2,977,872,177	
% Change	3.1%	

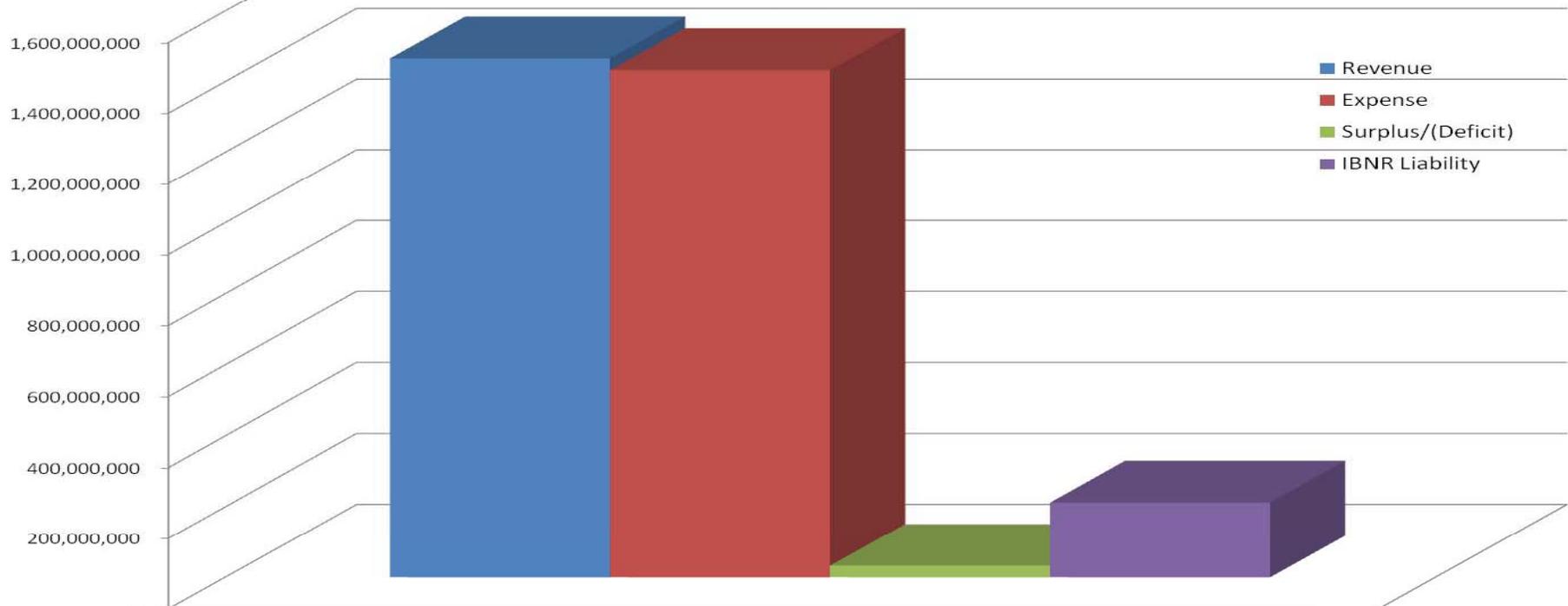
State Health Benefit Plan Enrollment

Average Monthly Membership
July-December 2010



State Health Benefit Plan Financial Status as of December 2010

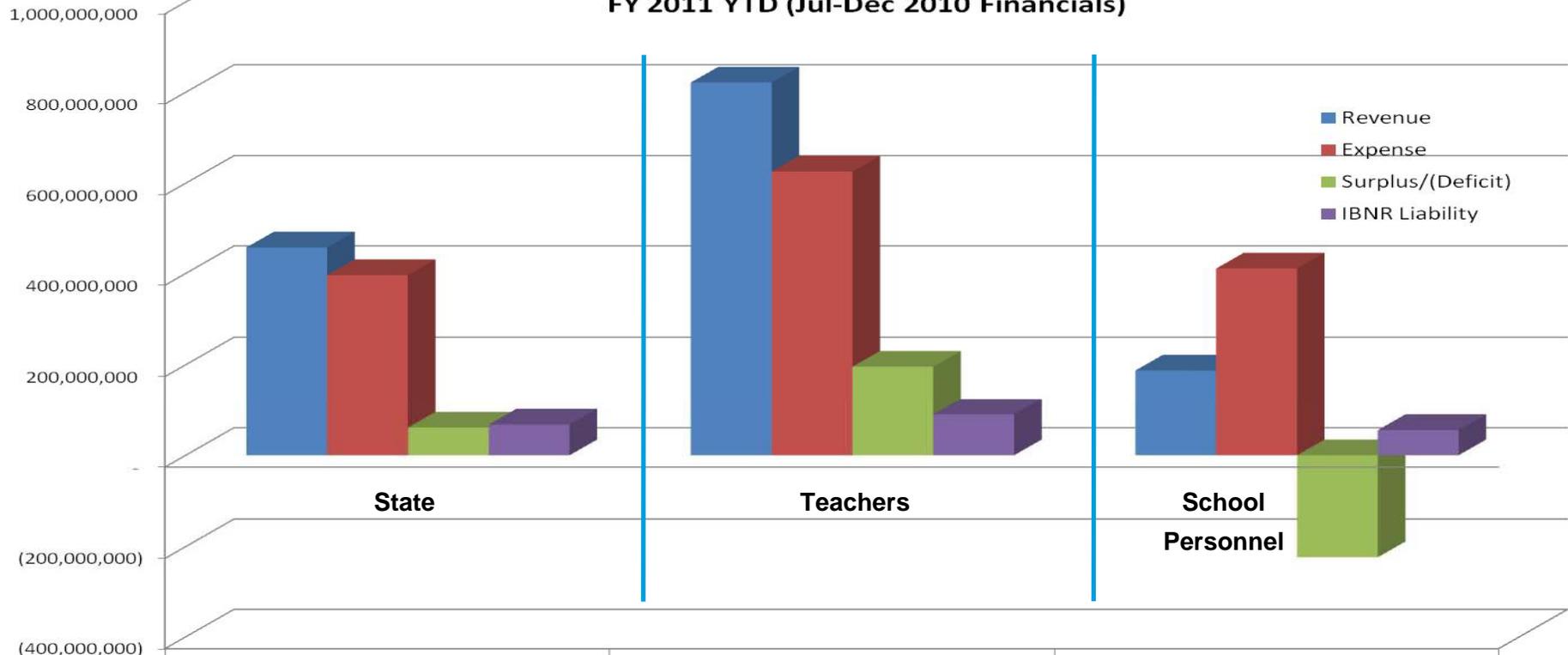
FY 2011 YTD (Jul-Dec 2010 Financials)



	Plan Total
Revenue	\$1,465,966,980
Expense	\$1,432,784,676
Surplus/(Deficit)	\$33,182,303
IBNR Liability	\$212,627,000

State Health Benefit Plan Financial Status as of December 2010

FY 2011 YTD (Jul-Dec 2010 Financials)



	State	Teachers	School Personnel
Revenue	\$456,902,748	\$821,622,347	\$187,441,885
Expense	\$396,202,035	\$625,794,757	\$410,787,885
Surplus/(Deficit)	\$60,700,713	\$195,827,590	(\$223,346,000)
IBNR Liability	\$67,364,829	\$90,074,246	\$55,187,925

State Health Benefit Plan

February 2011 Projection Update

- FY 2012 projected deficit: \$250 - \$300 million
- What factors are contributing to the deficit?
 1. An amended FY 2011 appropriation that does not carry forward into FY 2012
 2. Lower reimbursement through the Early Retiree Reinsurance Program (ERRP)
 3. Decrease in Department of Education appropriation for Non-Certificated School Service Personnel
 4. Timing of employer billings
 5. The assumption that active payroll will continue to decline and employee retirements will continue to increase



Reason #1

- For FY11, an additional \$56M was spread to state agencies as an employer contribution increase, which in turn had a total impact of \$86M on the plan.
- The DCH February FY12 projection does not include this \$86M in the base budget of the plan.



Reason #2

- Funding from the Early Retiree Reinsurance Program will be less in FY12 than what was initially projected. The amount will adjust from \$110M to \$67M, with no guarantee the funding will be there.



ERRP

- Congress appropriated \$5 billion for the Early Retiree Reinsurance Program. Currently over 5,000 public and private health plans have been accepted into the program, including the State Health Benefit Plan. Of the 12 state health plans to receive reimbursement so far, the SHBP is third highest in reimbursement received (\$35 million), behind only California and New Jersey.

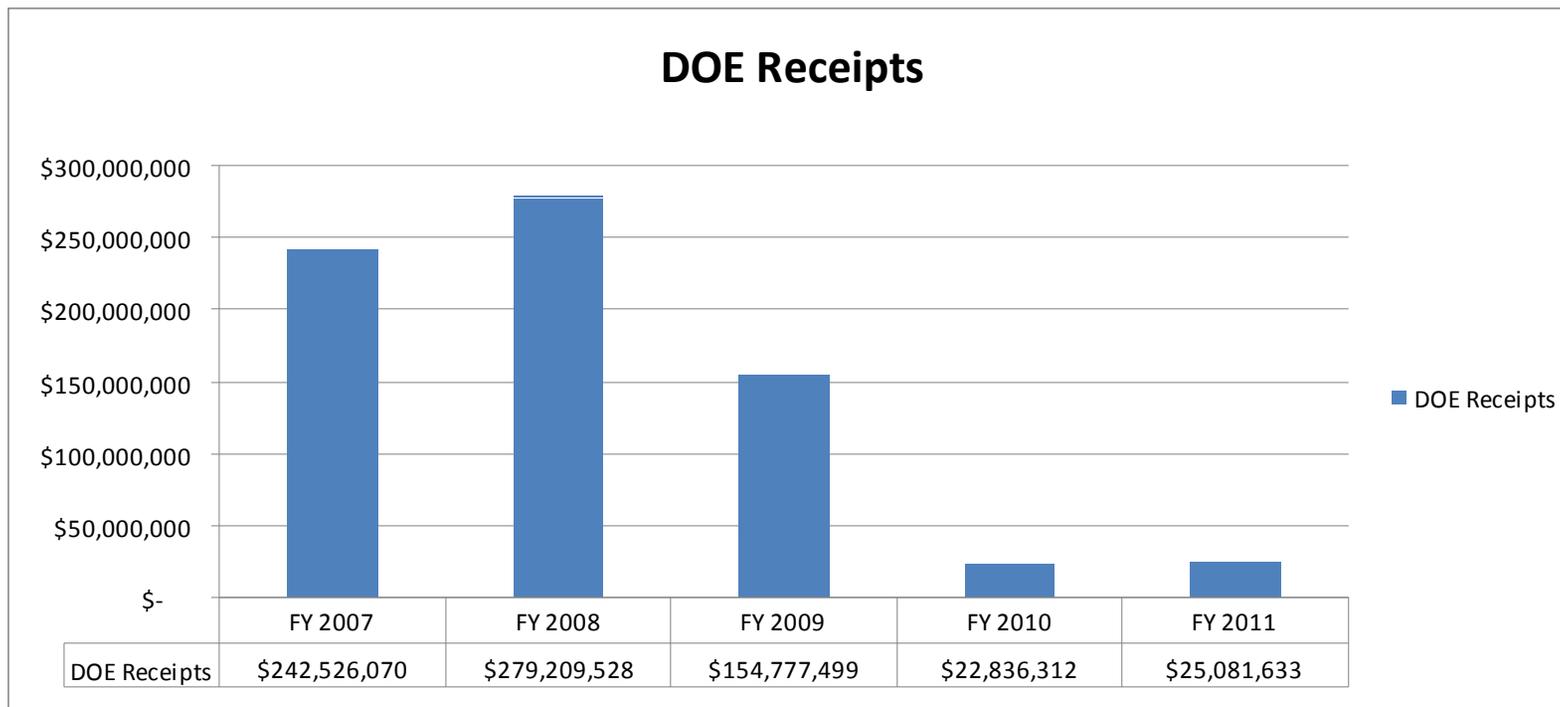


Reason #3

Since FY08, the Department of Education appropriation designated for the Non-certificated SHBP members has decreased from \$279M to \$25M in FY11.



Department of Education Interagency Transfer



Reason #4

- The first month of FY12, we will only receive \$7M from the Teachers Employer Contribution compared to the \$111M we normally would receive. This is due to the timing of the implementation of the Employer Contribution rate change.



Timing Issue Explained

		Employer Non-Cert 73,000 Active Employees	Employer State 63,000 Active Employees	Employer Teacher 112,000 Active Employees
Assumptions				
Jul-Apr Payroll %			25.586%	21.955%
May-Jun Payroll %			22.667%	1.429%
July 2011 Payroll %			22.165%	18.534%
FY 2012 Payroll %			22.165%	18.534%
Month				
Mar-11		\$ 15,983,207	\$ 62,514,975	\$ 113,498,772
Apr-11		\$ 15,969,826	\$ 62,341,247	\$ 112,724,626
May-11		\$ 15,956,456	\$ 62,168,002	\$ 111,955,759
Jun-11		\$ 15,943,098	\$ 54,922,461	\$ 7,237,238
Jul-11		\$ 15,916,280	\$ 53,167,853	\$ 7,188,017
Aug-11		\$ 15,603,495	\$ 50,845,931	\$ 91,317,741



Reason #5

Employees are retiring at a higher rate than in the past, which takes the higher paid employees out of the plan and replaces them with lower paid employees. In addition, due to budget reductions, agencies are not filling all vacancies.



State Health Benefit Plan Next Steps

Next Steps

1. Finalize revenue assumptions for FY 2012
2. Update actuarial expense projection based on revenue assumptions
3. Continue process of considering plan changes for Plan Year 2012



General Obligation Bonds

Principal Amounts Authorized	FY12 Changes	
1. Provides funds for a new eligibility system.	10,000,000	
2. Facility repairs statewide.	500,000	



FY 2012 Program Budgets

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