

Fiscal Year 2007 Amended and Fiscal Year 2008 Governor's Recommended Budget

Presentation to
Board of Community Health
February 8, 2007



Agenda

- Medicaid/PeachCare for Kids
 - Addressing End of Prior-Year Surplus
 - Growth in Medicaid Benefits in FY 2008
 - Program Enhancements
- State Health Benefit Plan
 - Growth in SHBP
 - Other Post Employment Benefits
- Health Access and Improvement
 - New Initiatives and Reductions in One-Time Funds
- Department
 - Administrative Support
 - Changes to Programmatic Budget Structure
 - Account Adjustments
 - Budget Summary

Medicaid/PeachCare for Kids Addressing End of Prior-Year Surplus

FY 2005 Excess Intergovernmental Transfers from the Upper Payment Limit Program were rolled forward to provide one-time coverage of needs in AFY 2006 and FY 2007

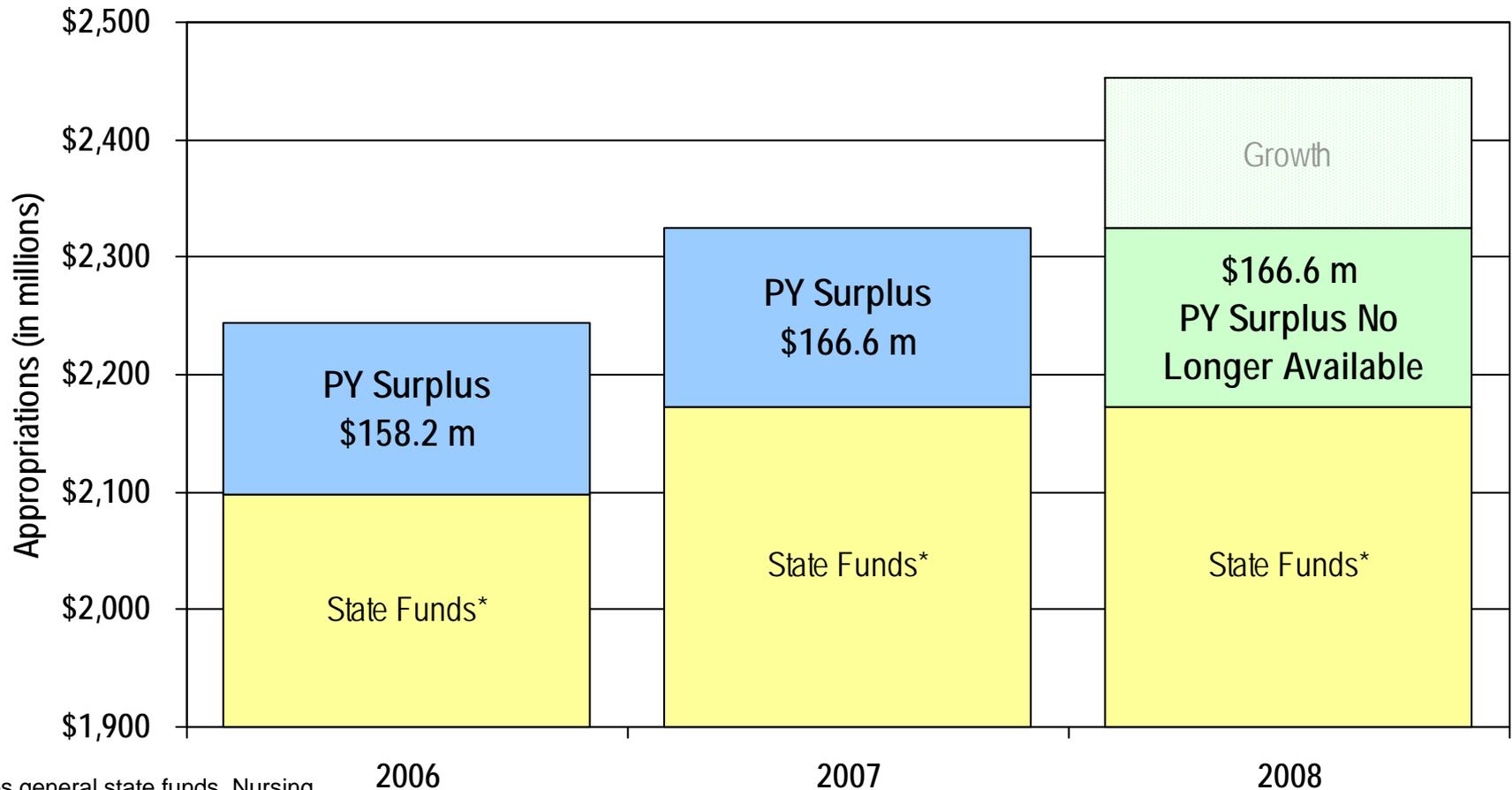
AFY 2006 H.B. 1026

Administration:	\$12.7 m
Medicaid Benefits:	<u>\$145.5 m</u>
Total:	\$158.2 m

FY 2007 H.B. 1027

Administration:	\$14.1 m
Medicaid Benefits:	<u>\$152.5 m</u>
Total:	\$166.6 m

Medicaid/PeachCare for Kids Addressing End of Prior-Year Surplus



*Includes general state funds, Nursing Home Provider Fees and CMO Quality Assessment Fees

Medicaid/PeachCare for Kids Addressing End of Prior-Year Surplus

PY Surplus Used Up in FY 2006 and FY 2007	Governor recommends funding need in AFY 2007		
	<u>Program</u>	<u>Budget Year/ Reference</u>	<u>Amount</u>
FY 2008 Need: \$166.6 m	Administration	AFY 07, p. 34 #2	\$14,130,000
	ABD* Medicaid	AFY 07, p. 34 #3	\$72,641,804
	LIM	AFY 07, p. 35 #2	\$79,826,278
	Total		\$166,598,082

* Aged, Blind, and Disabled

Medicaid/PeachCare for Kids

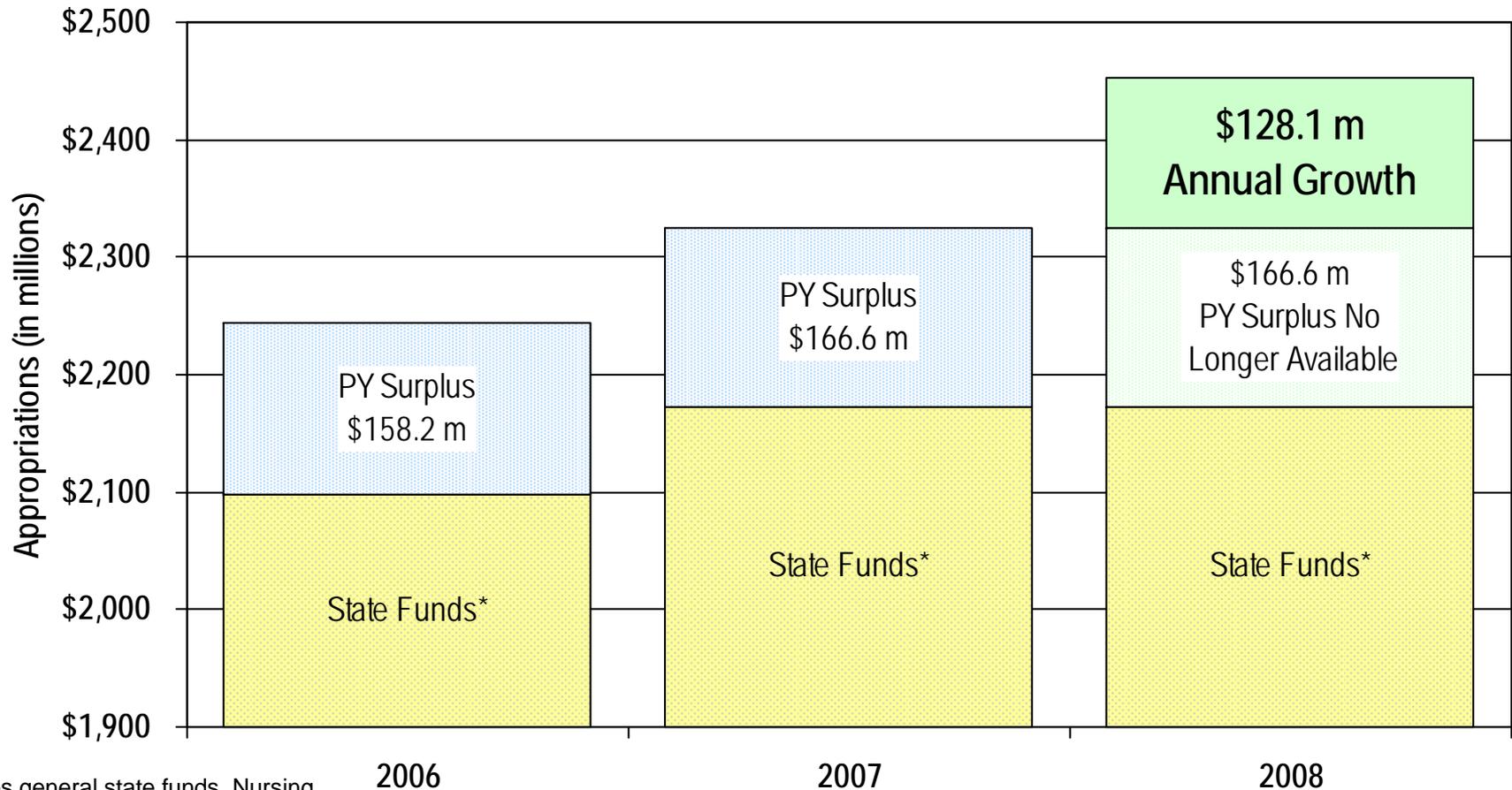
Growth in Medicaid Benefits - FY 2008

FY 2008 Total Incurred Expense projected to be 5.8% higher as compared to FY 2007

- \$391.7 m in Total Expense and **\$128.1 m in DCH State Funds**
 - Projected **3.7%** enrollment growth: ~50,000 members
 - 1.37 m projected average monthly members
 - Growth in Low-Income Medicaid (LIM) population
 - Assume medical CPI* growth in Care Management Organization (CMO) capitation rates (will depend on actuarial-based negotiations with CMOs)
 - Enrollment and PMPM costs in Aged, Blind and Disabled expected to be stable due to FY 2007 implementation of administrative services organizational (ASO) functions.

* Consumer Price Index

Medicaid/PeachCare for Kids Growth in Medicaid Benefits - FY 2008



*Includes general state funds, Nursing Home Provider Fees and CMO Quality Assessment Fees

Medicaid/PeachCare for Kids Growth in Medicaid Benefits - FY 2008

Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #2	ABD	Pre-fund projected FY 2008 Medicaid expenses.	\$68,442,958
AFY 2007	p. 35, Item #1	LIM	Pre-fund projected FY 2008 Medicaid expenses.	\$671,660
FY 2008	p. 100, Item #11	Medicaid	Provide funds for Medicaid incurred benefits growth.	\$59,018,607
Total Funds for FY 2008 Medicaid Growth				\$128,133,225

Medicaid/PeachCare for Kids Program Enhancements

INDIGENT CARE TRUST FUND

FY 2007 (p. 35, #3)

- Disproportionate Share Hospital Program (DSH) – historically funded with Intergovernmental Transfers (IGTs)
- Private providers cannot contribute IGTs like public providers can
- Prior to FY 2006 – public providers contributed extra IGTs to fund the private providers
- CMS required state to end this practice in FY 2006
- General Assembly appropriated \$14 million in AFY 2006
- AFY 2007 – Governor recommending \$10 million

Medicaid/PeachCare for Kids Program Enhancements

NURSING HOME PROVIDER FEES AND USE

FY 2007 AND 2008 (p, 36, #1; p. 100, #12)

- Provider fees proposed to increase from \$9.15 to \$13.11 per day from February 11, 2007 through June 30, 2007; \$12.21 per day effective July 1, 2007
- Fees used to implement two-part rate change for Medicaid rates:
 - From February 11, 2007 through March 31, 2007:
 - Cost of Provider Fee Increase
 - Increased inflation from 0% to 4.5% applied to FY 2005 cost reports
 - From April 1, 2007 through June 30, 2008:
 - Cost of Provider Fee Increase
 - Inflation adjusted to 4.0% applied to FY 2005 cost reports
 - 1% Add-On for meeting Quality Incentives

Generates \$10.8 million in new state funds in FY 2007; \$26.7 million in FY 2008

Medicaid/PeachCare for Kids Program Enhancements

SERVICE OPTIONS USING RESOURCES IN COMMUNITY ENVIRONMENT (SOURCE)

FY 2008 (p. 99, #1)

- Enhanced case management program available to members who are aged, blind, or disabled who are eligible for institutional care
- Helps coordinate long-term care benefits to support the needs of members residing in community-based settings
- Current rate = \$150 PMPM
- Governor's budget proposes \$25 PMPM increase; new rate at \$175 PMPM
- \$2.4 m - Total Funds; \$900 k – State Funds

Medicaid/PeachCare for Kids Program Enhancements

EXTERNAL QUALITY REVIEW ORGANIZATION

FY 2008 (p. 96, #5) - \$8.0 m - Total Funds; \$4.0 m – State Funds

- Federally required
- Independent review of Care Management Organizations to assess quality, access, and performance outcomes for the Georgia Healthy Families program.

PROGRAM INTEGRITY

FY 2008 (p. 96, #6) - \$1.9 m - Total Funds; \$938 k – State Funds

- 5 FTE's for Medicaid/PeachCare for Kids Program Integrity (\$138 k)
 - Claims screening for over-utilization (2 FTE's)
 - Pharmacy Lock-In Program (1 FTE)
 - License Verification and Provider Linkage System (2 FTE's)
- Claims Screening Software (\$800 k)

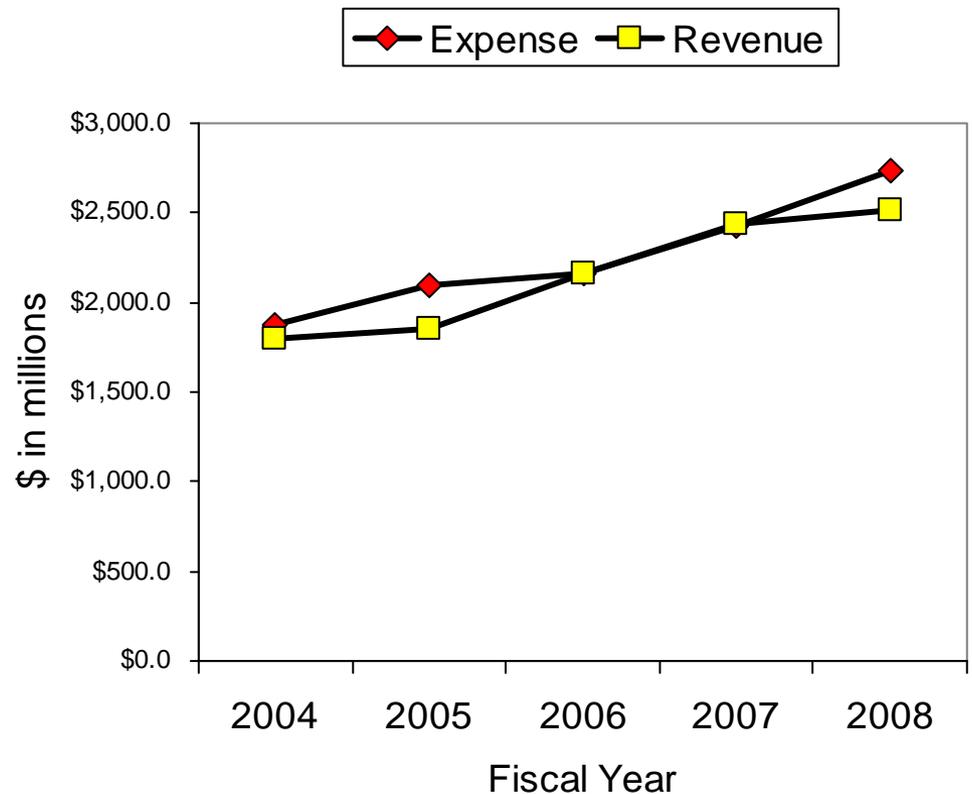
State Health Benefit Plan

Growth in SHBP

FY 2008 FISCAL OVERVIEW

- Total Expenditure Growth at **12.7%** in FY 2008
 - 10.2% PMPM growth
 - 2.5% enrollment growth (~8,000 employees new to SHBP)
- Need **\$215 million** in new revenue or expenditure reduction

SHBP Fiscal Status



State Health Benefit Plan

Growth in SHBP

\$215 MILLION NEED COVERED BY:

- Increasing the employer's contribution by **increasing the percent of payroll by 1.821%** (from 16.713% to 18.534%).
 - **\$176 million** appropriated to executive branch state agencies and local boards of education to cover an increase in employers' contributions. (page 101, #1)
 - **\$9 million** received from additional employers' contributions made by the Legislative and Judicial branches. (Currently not reflected in the Governor's Budget recommendations)
- Increasing the employee's contribution by **increasing premiums by 10% beginning January 1, 2008.** (\$30 million)

State Health Benefit Plan Growth in SHBP

EMPLOYEE CONTRIBUTION INCREASE

- PPO Increase estimated to cost members with single coverage an additional \$7.11 per month, while members with family coverage would pay \$21.72 more.

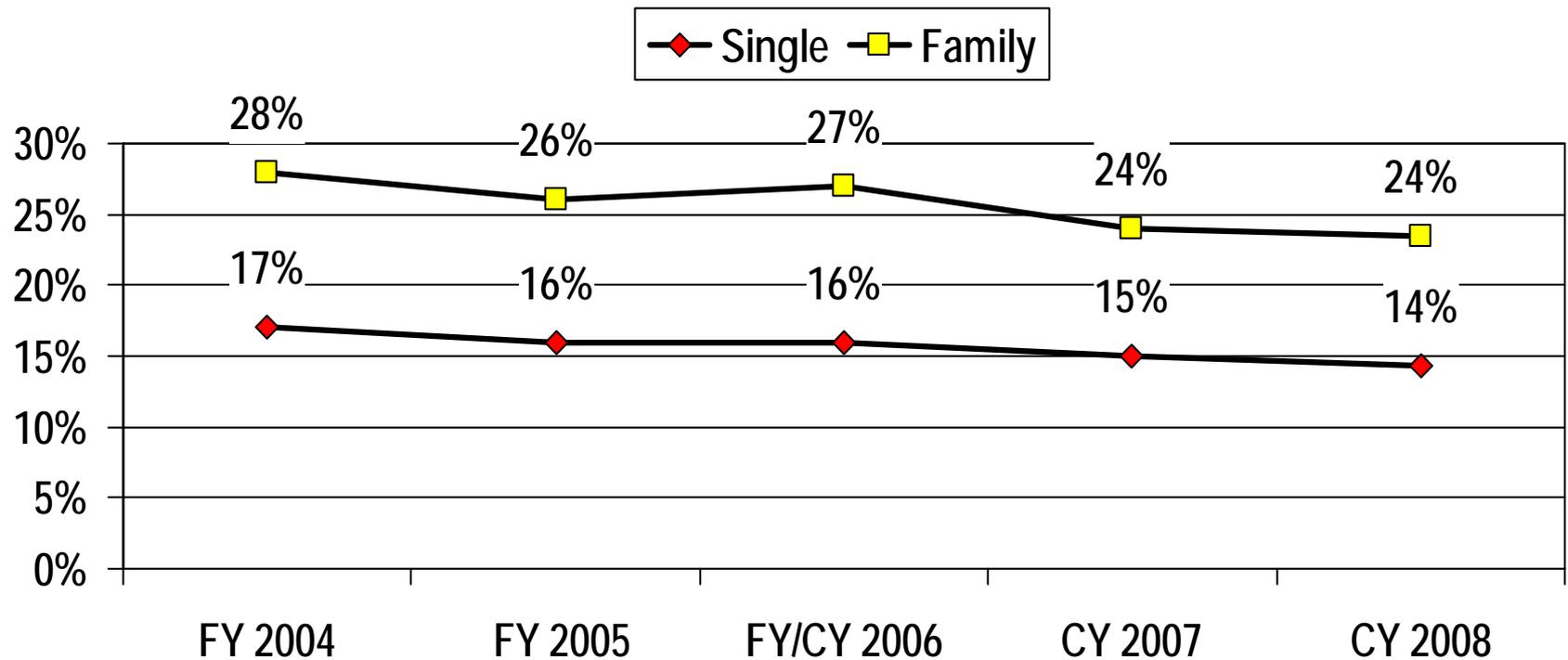
FY 2007 Salary	FY 2008 3% Salary Increase on Sept 1, 2007*	PPO Family FY 2008 Increase on Jan 1, 2008	FY 2008 Difference	Net % Increase
\$30,000	\$750	\$130.32	\$620	2.1%
\$40,000	\$1,000		\$870	2.2%
\$50,000	\$1,250		\$1,120	2.2%

*Reflects effective pay raise date for teachers – does not consider step increases for longevity for teachers; non-certificated school service personnel receive a three percent increase on July 1, 2007 and state employees receive a three percent increase on January 1, 2008

State Health Benefit Plan

Growth in SHBP

History
Employee Share of PPO Premiums



State Health Benefit Plan

Other Post Employment Benefits

- States are required to disclose their liabilities for **Other Post Employment Benefits** (OPEB) beginning in FY 2007.
- The State Health Benefit Plan's OPEB liability is \$15 billion based on a June 30, 2005 valuation. The Annual Required Contribution (ARC) to satisfy this liability is \$1.26 billion a year for 30 years.
- The Governor has recommended **\$100 million** to begin to address the annual OPEB liability for state agencies.
- The \$100 million is generated by increasing state agency payroll contributions by 4.3% from 18.534% to 22.843%.

There are no reductions in retiree benefit coverage or increases in retiree premium cost (other than the 10% premium increase recommended for all members) in Calendar Year 2008.

Health Care Access and Improvement New Initiatives

HEALTH IMPROVEMENT ADVISORY BOARD

FY 2007 (p. 35, #1) - \$28,181

FY 2008 (p. 97, #6) - \$37,977

- Funding to help address health disparities
- Funding from savings identified by the Commission for a New Georgia in the Administrative Budget related to telecommunications, contractual services, and regular operating expenses.
(p. 34, #4; p. 96, #7)

Health Care Access and Improvement New Initiatives

RURAL GEORGIA - HEALTH CARE ACCESS

FY 2008 (p. 97, #1) - \$1.5 m Tobacco Settlement Funds

Purpose - Georgia's Rural Health Safety Net Program

Invest in the creation of non-traditional, regional systems that are financially viable and designed to meet the health needs and service demands of rural communities.

Desired Outcomes are:

- Improve rural health
- Strengthen the health care safety net
- Introduce health care as a strategic industry in Georgia

The FY 2008 funds will provide for the planning and development phase-in for three to five regions. Funding will be awarded through a competitive application process.

Health Care Access and Improvement New Initiatives

HEALTH INFORMATION TECHNOLOGY

FY 2008 (p. 97, #3) - \$1 m State General Funds

Transparency - Web site development and implementation

- Georgia Compare Care Web site – pricing and quality information

Pilot project funding - based on Advisory Board recommendations

- 4 projects
 - Health Information Exchange
 - Electronic Health Records
 - E-Prescribing
 - Health Information Decision Support System

Health Care Access and Improvement

Reductions in One-Time Funds

REDUCTIONS

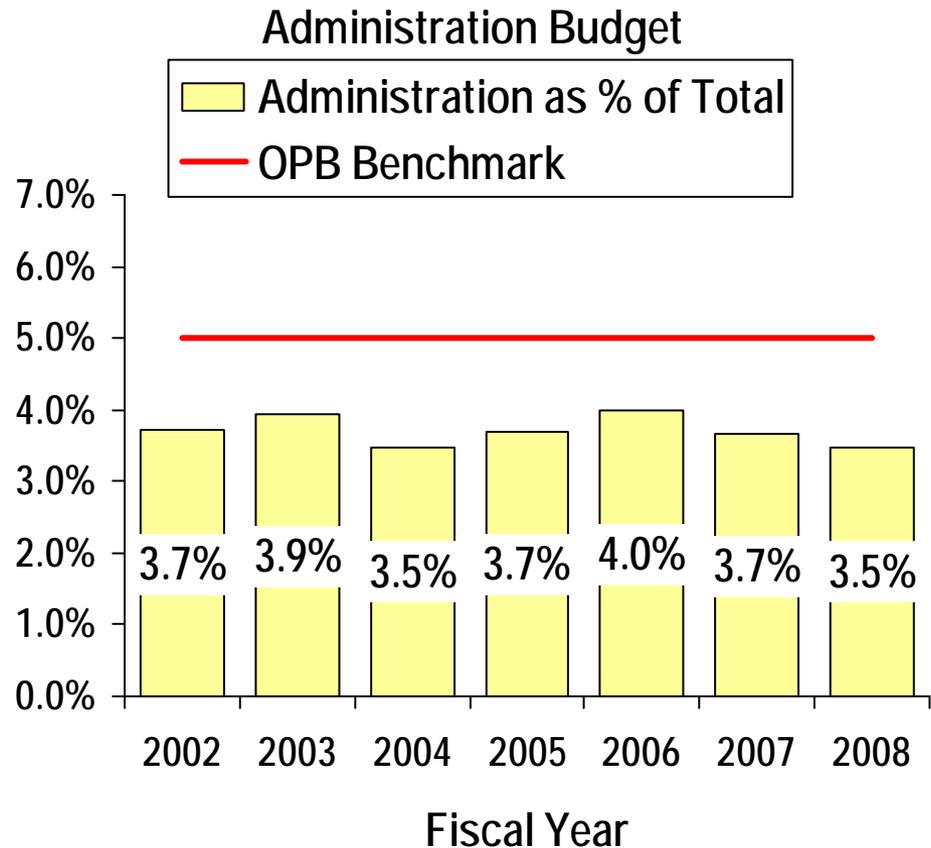
FY 2008 base budget must be adjusted to reflect the deletion of one-time funds appropriated in FY 2007:

- \$750 k – statewide electronic medical records system for primary health care centers (p. 97, #2)
- \$150 k – Oconee Medical Center radiation equipment (p. 97, #4)
- \$200 k – Southwest Georgia Cancer Coalition (p. 97, #5)

Department Administrative Support

DCH ADMINISTRATION

- DCH* has 465 budgeted FTE's providing administration of an **\$11 billion budget** and healthcare coverage for **2.3 million members** or 26% of the state's population
- FY 2007 Administration as Percent of Total Budget: **3.7%** (compare to OPB Benchmark of 5%)
- Per AON and Mercer, average administrative expenses for large insurers 10–12%



* Not included attached agencies

Department Administrative Support

NEW POSITIONS

3 Positions to Ensure accurate Medicaid

Member Eligibility* (p. 34, #3; p. 96, #8)

8 Contract Management Positions (p. 34, #5; p. 96, #2)

2 State Health Benefit Plan Auditors* (p. 34, #6; p. 96, #9)

2 Legal Services Positions (p. 34, #7; p. 96, #3)

1 Actuary (p. 96, #4)

Total New State Funds in AFY 2007: \$148,662

Total New State Funds in FY 2008: \$387,312

*Funded by Transfers

Department Administrative Support

STATEWIDE BUDGET CHANGES

FY 2008 (p. 96, #1-5) – \$1,469,139

- Annualized FY 2007 Salary Adjustment (\$147,916)
- 3% Salary and Performance Increases effective January 2008 (\$317,013)
- Increase in Employer Share of SHBP costs (\$813,737)
- Increase in Workers' Compensation premiums (\$73,496)
- Increase in Georgia Building Authority real estate rental (\$116,977)



Department Changes to Programmatic Budget Structure

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid 2) Low-Income Medicaid 3) Nursing Home Provider Fees 4) Medicaid CMO QA Fee
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		
6. PeachCare for Kids (PCK)	No Fiscal Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Department Account Adjustments

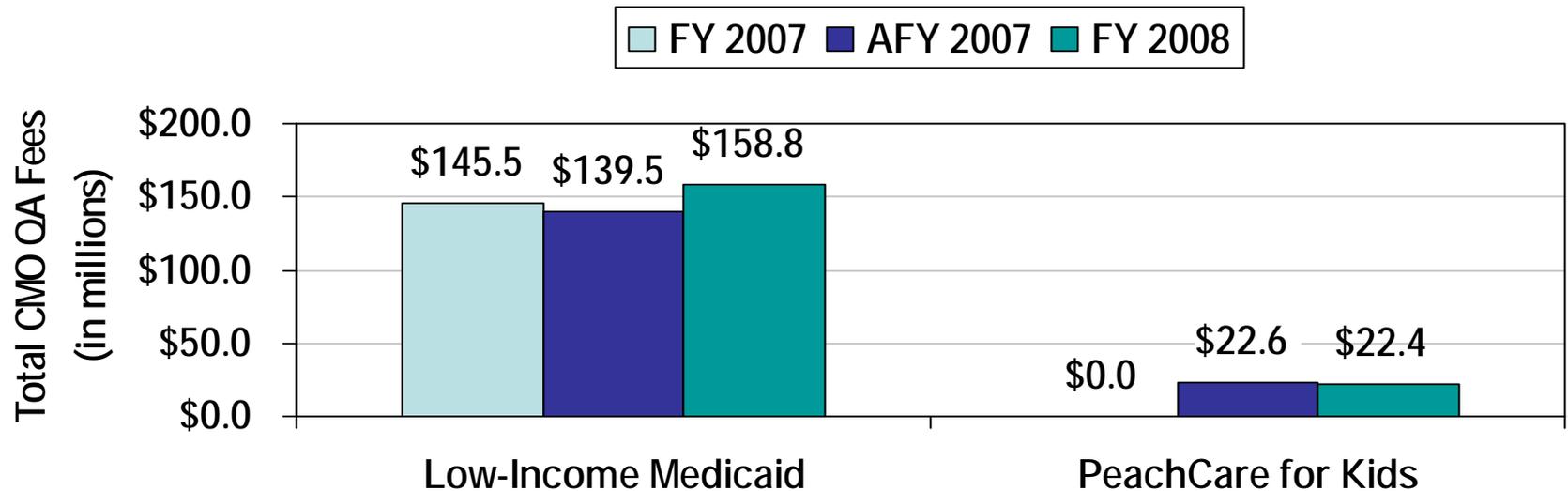
PROGRAM TRANSFERS				
Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #1	Admin	Redirect funds from the ABD program to correctly reflect FY 2005 state funds reserved for benefits.	\$14,130,000
AFY 2007	p. 34, Item #1	ABD	Redirect funds from the ABD program to correctly reflect FY 2005 state funds reserved for benefits.	(\$14,130,000)
FY 2008	p. 100, Item #10	Medicaid	Transfer funds to reflect administrative rate adjustments.	\$8,214,959
FY 2008	p. 101, Item #3	PeachCare for Kids	Transfer funds to reflect administrative rate adjustments.	(\$8,214,959)
Total Funds for AFY 07 Program Transfers				\$ -

Department Account Adjustments

CMO QUALITY ASSESSMENT FEES

FY 2007 (p. 35, #1-2; p. 99, #5, p. 101, #2)

Reflect projected quality assessment fees for the Low-Income Medicaid and PeachCare for Kids programs.



Detailed Review of AFY 2007 AFY 2007 Budget Summary

Fund Type	FY 2007 Current Budget	AFY 2007 Governor's Recommendation	Difference
Total Funds	\$10,977,722,783	\$11,336,856,941	\$359,134,158
State and Tobacco Funds	\$2,379,182,299	\$2,652,525,094	\$273,342,795
Federal and Other Funds	\$8,598,540,484	\$8,684,331,847	\$85,791,363

AFY 2007 – 12.0% Increase in State Funds Budget

Medicaid (LIM/ABD):	\$207.4 m – Addresses loss of PY surplus and FY 2008 Medicaid growth
Administration:	\$ 28.4 m – Realigns state funds and addresses loss of PY surplus
Indigent Care Trust Fund:	\$ 26.6 m – Adjusts CMO QA Fees and adds funding for private DSH hospitals
Nursing Home Provider Fee:	\$ 10.8 m – Reflects rate increase funded by nursing home provider fees
Health Care Access & Improvement:	\$ 28.2 k – Supports Health Care Improvement Advisory Board
Attached Agencies:	\$ 39.6 k
Total New State Funds:	\$273.3 m

Detailed Review of FY 2008 FY 2008 Budget Summary

Fund Type	FY 2007 Current Budget	FY 2008 Governor's Recommendation	Difference
Total Funds	\$10,977,722,783	\$11,747,400,869	\$769,678,068
State and Tobacco Funds	\$2,379,182,299	\$2,503,109,178	\$123,926,879
Federal and Other Funds	\$8,598,540,484	\$9,244,291,691	\$645,751,207

FY 2008 – 5.4% Increase in State Funds Budget

Medicaid:	\$101.4 m – Includes partial FY 08 Medicaid growth and increases in provider fees for Nursing Homes and CMOs
Administration:	\$6.5 m – Reflects funding for managed care quality review; new administrative resources; and statewide administrative changes
PeachCare for Kids:	\$14.2 m – Reduces CMO administration rates and shows changes to CMO fees
Health Care Access:	\$1.6 m – Adds funds for rural health and HIT; reduces one-time FY 07 funding
<u>Attached Agencies:</u>	<u>\$211.3 k</u>
Total New State Funds:	\$123.9 m
State Health Benefit Plan:	\$275.9 m – Other funds for OPEB and employer contributions