

Georgia Department of Community Health Medicaid and PeachCare for Kids™ Budget Proposal

Question – What are the options for meeting the 5 percent budget cut in the Medicaid and PeachCare for Kids™ program for Fiscal Year 2010?

Answer – There are two obvious options for addressing the budget issues raised by the required 5 percent budget cut.

Option 1 is to continue the use of the existing Managed Care Fee in compliance with the federal law that will require an expansion of the fee to all managed care plans in October of 2009. The managed care fee would be applied to Medicaid contracted managed care plans and commercial plans except those in Medicare, Self-Insured, PPO plans, and the State Employee Health Plan.

Application of this law will allow DCH to reduce the present fee from 5.5 percent to 3 percent while expanding the base of contributors. This will allow DCH to maintain the revenue previously provided by the contracted Medicaid plans plus the directed budget reductions necessitated by declining state revenues.

Option 2 is to make tremendous cuts to the Medicaid and Peach Care for Kids™ programs during a time of economic downturn and anticipated public need, and risk still not being able to completely cover the deficit.

Question – Why should the managed care fee that is used to fund Medicaid and PeachCare for Kids™ extend to include commercial health plans?

Answer – Presently, Georgia collects the managed care fee from Medicaid managed care plans and not commercial plans. In February of 2008, the U.S. Center for Medicare and Medicaid Services (CMS), adopted a final rule that is consistent with the Deficit Reduction Act of 2005 and the Tax Relief and Health Care Act of 2006, requiring the state to consistently apply fees across all managed care plans; hence forcing states to either eliminate the fee and forego the revenue generated from the Medicaid managed care plans or to expand the fee to include applicable commercial managed care plans effective October of 2009. Elimination of the fee will result in a \$90 million loss to the Medicaid and PeachCare for Kids™ programs.

Question – Will the managed care fee force commercial managed care plans to pass the additional cost on to their members?

Answer – No. Commercial plans will have the latitude to meet this new financial commitment in a manner of their own choosing. The passing on of expenses to the consumer is a standard practice in the health care industry; however it is not uncommon for health plans to work collaboratively with state and local governments to implement program and policy changes that are in the best interest of the members they collectively serve.

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Question – What are the consequences of not expanding the Managed Care Fee?

Answer – Failure to implement the Managed Care Fee will have fiscal, programmatic, and societal implications, not limited to:

Fiscal Impact. The state of Georgia will not have access to the revenue presently generated from the fee's application to the Medicaid managed care plans. This will result in a loss of \$90 million which will increase the Department's present burden of reducing the Medicaid and PeachCare for Kids™ budgets by \$113 million, to reducing the budget by \$203 million in FY 2009.

Program Impact. The consequences or impact of such a huge budget cut on the Medicaid and PeachCare for Kids™ programs is significant. In order to meet such a budget reduction, at a minimum, DCH would have to implement the following program changes:

- 1) Suspend implementation of Chafee Option for Foster Care Children ages 19-20 which was scheduled to go into effect on October 1, 2008. This will result in an estimated 604 foster children not having access to coverage
- 2) Eliminate medically needy category of eligibility resulting in 11,013 Medicaid members losing eligibility for Medicaid, which will have a profound impact on these medically needy families who became eligible due to a catastrophic event and a financial impact on our safety net hospitals that treat these individuals
- 3) Eliminate Katie Beckett category of eligibility which includes 3,087 children with profound special needs
- 4) Eliminate PeachCare for Kids™ coverage for members between 200 percent and 235 percent FPL which equates to 23,625 children of working families losing their health benefits

Societal Impact. Losing a significant source of funding for the state's health care programs not only has a direct fiscal and program impact, but it has an indirect costs to the state and our communities by increasing the unmet health care needs of our most vulnerable citizens, including working families, pregnant women and children, and the aged, blind and disabled. Without access to quality affordable health care, individuals risk not receiving needed health care to prevent and treat disease. This has implications for our public health system, work force capacity, and overall population health.

Question - Can the Georgia Department of Community Health (DCH) pass this fee without approval or authorization from the Georgia General Assembly or the Governor?

Answer . Yes. The managed care fee already exists in law and has been applied to Medicaid care management organizations to date. In October of 2009, the state will be required to apply the fee to all managed care plans per federal regulation.

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Question – What are other sectors of the health care community contributing to the health care costs of the uninsured and underinsured populations who depend on the Medicaid and PeachCare for Kids™ programs?

Answer – The list of entities that contribute to the health care safety is NOT limited to:

- Individual taxpayers contribute as these programs are funded by state and federal tax dollars
- Health care providers contribute by accepting payments below cost for the services they provide and by providing uncompensated care in hospitals, emergency settings and volunteer clinics
- Medicaid managed care plans have been paying a 5.5 percent provider fee that has been subsidizing the programs since the inception of Medicaid managed care in 2006

Question – There are estimates that insurance companies pay out 80 percent to 90 percent of the premiums they receive. How does the Georgia Medicaid program compare?

Answer – Georgia Medicaid is more efficient than most private insurance companies and it is one of the most efficient Medicaid programs in the country, spending 96 percent on health care. In Fiscal Year 2005, Georgia had the third lowest expenditure per member in the country at \$3,560, which was significantly lower than the national average of \$4,662 (Kaiser State Health Facts). Additionally, Medicaid growth has remained under 7 percent since FY 2005 compared to the double digit growth in the cost of private insurance.

Question – If private insurance companies pass on the Managed Care Fee to providers, will some doctors turn Medicaid patients away because they can not afford to treat them anymore under Medicaid?

Answer – The Medicaid managed care companies have adopted the fee without placing an undue burden on providers to meet their contractual obligation to pay the fee. To date, DCH has not experienced any significant loss in the number of providers willing to serve Medicaid members as a result of the managed care fee. In some areas such as behavioral health, managed care has actually increased the number of health care providers available in the state.

Question – Why should taxpayers cover uninsured Georgians who can not afford private health care?

Answer – The fee actually reduces the burden on the individual tax payer by allowing the state to use private dollars to offset the need for additional state and federal dollars to maintain the program at its current status. Medicaid and PeachCare for Kids™ are health care programs that provide coverage to individuals and families who do not have access to affordable health care for a variety of reasons, including the increasing high cost of health care, an employer's inability or unwillingness to provide health care, or a disability or catastrophic event that precludes their access to health care. As a result of these tumultuous economic times, at any point in time, the average citizen could find themselves in need of the health care coverage that is provided by the Medicaid or PeachCare for Kids™ programs.

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Question – During tough economic times, are small business owners more likely to forgo health insurance for their employees?

Answer – Both small and large businesses are more likely to reduce or eliminate health benefits during tough economic times. Only 36 percent of small employers in Georgia offer insurance, compared to a national rate of 43 percent. And for businesses that do not offer full health insurance benefits, Medicaid is often presented as an option for employees who need coverage for themselves or their children, depending on their income level.

Question – Once the managed care fee is applied to commercial insurance companies, will private health insurance be unaffordable for people who otherwise would be able to afford coverage?

Answer – There are no facts to support this, given the nominal nature of the fee.

Question - Will the managed care fee force health insurers to renegotiate reimbursement for health providers?

Answer – No. The proposed fee is nominal compared to the overall cost of health care.

Question – Is it possible for DCH to make reductions in its budget to avoid expansion of the managed care fee?

Answer – DCH's administrative budget is less than 4 percent of its overall budget. In addition to being required to reduce the program budget by 5 percent, DCH was asked to reduce the administrative budget by 6 percent and to submit proposals for an 8 and 10 percent cut in administrative expenses. These costs include 486 positions, regular operating expenses such as travel, supplies, and postage; contracts, and information systems used to manage Medicaid, PeachCare for Kids, and State Health Benefit Plan (which cover nearly 2.1 million Georgians). Hence, there is not much more room to cut, if the Department is going to continue providing health care to a significant portion of the state's population.

Question – What cost cutting measures has DCH taken to address the rising costs of health care and the continuous budget deficits?



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Answer – This table reflects the cost management initiatives implemented by DCH for the Medicaid and PeachCare for Kids™ program to date:

Medicaid /PeachCare	Program Cost Management Initiatives
YEAR	INITIATIVES
FY 2004 - 2005	<p>Pharmacy Program Management</p> <ul style="list-style-type: none"> . Preferred Drug List . Supplemental Rebates . Quantity Limits <p>Outpatient hospital reimbursement reduced</p> <p>Radiology Services Review</p>
FY 2006	<p>Medicaid Eligibility, Disease Management...</p> <ul style="list-style-type: none"> . CMO Care Management Organizations Statewide capitated program for Low Income Medicaid - June 2006 . Disease Management for select Aged, Blind, and Disabled member . Eligibility Criteria more stringently applied . Emergency Medical Assistance . Katie Beckett (FY 2005) . Proof of Citizenship and Income Verification . Asset Transfer for Long Term Care . Medicare Part D implementation
FY 2007	<p>Medicaid & Peach Care Managed Care</p> <p>Administrative Services for non-CMO members</p> <ul style="list-style-type: none"> . Level of Care Determination . Clinical Reviews <p>Medicaid Program Integrity</p> <ul style="list-style-type: none"> . Fraud and Abuse Detection. . False Claims Act <p>Peach Care enrollment freeze in effect between March 2007 to June 2007</p>
FY 2008	<p>Review and removal of duplicate Medicaid IDs</p> <p>PeachCare</p> <ul style="list-style-type: none"> . Instituted enrollment cap of 295,000 members . Eligibility Criteria more stringently applied . Proof of Citizenship and Income . Renegotiated lower CMO rates