

**MINUTES OF THE
BOARD OF COMMUNITY HEALTH MEETING
February 12, 2009**

Members Present

Richard Holmes, Chairman
Ross Mason, Vice Chairman
Kim Gay, Secretary
Dr. Inman C. "Buddy" English
Raymond Riddle

Members Absent

Dr. Ann McKee Parker
Archer Rose

The Board of Community Health held its regularly scheduled monthly meeting at the Department of Community Health, Fifth Floor Board Room, 2 Peachtree Street, N.W., Atlanta, Georgia. Dr. Rhonda Medows, Commissioner, was present also. (An agenda and a List of Attendees are attached hereto and made official parts of these Minutes as Attachments #1 and #2). Chairman Holmes called the meeting to order at 10:41 a.m.

Approval of Minutes

The Minutes of the January 8, 2009 meeting were UNANIMOUSLY APPROVED AND ADOPTED.

Commissioner's Comments

Dr. Rhonda Medows, Commissioner of DCH, reported that the Governor's proposal regarding the Health and Human Services reorganization was released on January 30 as House Bill 228. This bill would create a new Department of Health which would include present DCH programs, Public Health and components of the Office of Regulatory Service that address healthcare facility and laboratory regulation. In addition HB 228 would create a Department of Behavioral Health and the Department of Human Services which would consist of developmental disability programs, DFCS and Aging. Dr. Medows said other options and models are being discussed in the General Assembly. DCH presented its comments on HB 228 at the Special Appropriations Subcommittee on Department of Human Resources Governance meeting this week. A public hearing was held yesterday to get input from the community. Dr. Medows said another discussion point of the reorganization is timing. In HB 228, the transition would occur on July 1, 2009. The Department is continuing to assess whether it can meet all the operational and financial changes that would be required to successfully make the transition.

Dr. Medows said Carie Summers, Chief Financial Officer, will present to the Board today the Governor's recommendations for the Amended FY2009 and 2010 budgets. The Department has presented the FY 2009 Amended budget to both the House and Senate Appropriations Committees.

Dr. Medows said once the Stimulus Package is passed and approved, the Department will share information with the Board about the Stimulus Package and its impact on DCH.

Lastly, Dr. Medows remarked that the State Children's Health Insurance Program (SCHIP) was reauthorized. The Department will share with the Board at a later date features included in the SCHIP reauthorization law such as financing, funding formula and additional needs going forward. The new funding formula is based on the number of children enrolled to include expenditures and maintenance of effort. Dr. Medows said the State received a larger portion of federal funding—about a 68% percent increase over what the State of Georgia would have gotten under the old formula.

Department Updates

Clyde Reese, General Counsel, presented revisions to Rule 111-2-2-.03, an administrative rule that the Department previously released for public comment. Rule 111-2-2-.03 is the last portion of the Certificate of Need (CON) Reform passed in Senate Bill 433. It involves an exemption from CON review hospitals performing interventional therapeutic cardiac catheterization without onsite open heart backup if the hospital can meet standards published by the Department. The exemption provides for hospitals that were selected to participate in the Atlantic Cardiovascular Patient Outcomes Research Team (C-PORT) Study prior to July 1, 2008. It also promulgates rules to assess hospitals that would like to do these type procedures without open heart backup but are not active participants in the C-PORT Study.

Mr. Reese said in November the Department presented this rule for initial adoption to release for public comment. A public hearing was held on December 17. Mr. Reese said the gist of the opposition revolved around the program volume requirements for hospitals wanting to perform these type procedures, experience requirements of the interventional cardiologist who would participate in the program, the parameters of the transfer agreements required with nearby tertiary facilities that had open heart backup, and adverse impact provisions. The Department reviewed both oral and written comments and made some changes that were warranted. Today, the Department is asking the Board to release the revisions for a new public comment period. Mr. Mason MADE a MOTION to approve for initial adoption Rule 111-2-2-.03 to be published for public comment. Ms. Gay SECONDED the MOTION. Chairman Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of Rule 111-2-2-.03 is attached hereto and made an official part of these Minutes as Attachment # 3).

Mr. Reese introduced Alison Earles, State Health Benefit Plan Legal Counsel, to present Rule 111-4-1-.06(6). Ms. Earles said the proposed change to this rule relates to changes in coverage and tiers that are consistent with a qualifying event that occurs during the Plan year. Currently the rule restates most of the situations in which a change is allowed under the Internal Revenue Service (IRS) rules. The proposed rule would eliminate these restatements and instead incorporate the IRS rules directly which would allow the Board more flexibility to set forth requirements for reducing the administrative burden associated with communicating and processing changes when the qualifying event involves cost increases or coverage losses or curtailments resulting from employment or compensation decisions of Employing Entities. Mr. Mason MADE a MOTION to approve for initial adoption Rule 111-4-1-.06(6) to be published for public comment. Ms. Gay SECONDED the MOTION. Chairman Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of Rule 111-4-1-.06(6) is attached hereto and made an official part of these Minutes as Attachment # 4).

Carie Summers, CFO, presented the highlights of the Governor's Recommended Budget for DCH AFY 2009 and FY 2010. Ms. Summers began by reviewing FY 2008 expenditures in the Medicaid and PeachCare for Kids (PCK) programs and the year end balances. In FY 2008 the DCH returned to the State Treasury a total of \$134.4 million; \$55 million Low Income Medicaid, \$47 million Aged, Blind and Disabled Medicaid; \$12 million PCK; and \$19 million Administration and Healthcare Access programs. She described how the additional savings were achieved and previous Medicaid cost control initiatives. Ms. Summers then reviewed the Governor's AFY 2009 Budget recommendations by program.

Ms. Summers said the Governor's AFY 2009 recommendations for Medicaid-PCK budgets consider the Department's November 2008 growth projections: 10.8% Medicaid enrollment growth, 5.8% PeachCare enrollment growth, and 4.0% Per Member Per Month (PMPM) inflationary growth. The enrollment projections were predicated on the assumption that maximum unemployment rates would be 7.6% in the third quarter of Calendar Year 2009 but most recent unemployment figures in Georgia were 8.1%. The Department was required to reduce the Medicaid-PCK program budget by 5% which is equivalent to \$113.8 million; however the Department made \$129.4 million in reductions to existing programs and with some reductions from new initiatives, the total reductions to the Medicaid-PCK programs was \$136.7 million or 5.9%. The new considerations for the AFY 2009 Medicaid-PCK programs, based on January 2009 projections are 12.6% increase in Medicaid enrollment, 4.1% increase in PCK enrollment, and 3.3% PMPM inflationary growth. The increase in enrollment is mostly offset by the reduction in projected PMPM costs and proposed AFY 2009 budget cuts. It is anticipated that the Governor's proposed AFY 2009 budget covers cash expense through the last week of June 2009. However, if enrollment increases more than expected or if revenue is further reduced, the Department will not have enough cash through June 2009.

Ms. Summers said in FY 2008 the State Health Benefit Plan had \$225 million in savings that was added to the Fund balance. The Governor's recommendations in AFY 2009 recognize that at the end of FY 2008 the SHBP Fund Balance was \$472.9 million and given the current employer contribution rates, the Fund Balance is projected to grow to \$672.5 million by June 30, 2009. The Governor's recommended AFY 2009 budget mirrors the Board's January 2009 Resolution and that is reducing employer contributions by reducing the percent of payroll paid by state agencies and local boards of education beginning February through June 2009. State agencies' contribution rates were reduced from 22.165% to 1.926%, and local boards of education contribution rates went from 18.534% to 8.579%. In addition there was a 50% reduction in Department of Education contributions for school employees. This reduced the FY 2009 SHBP fund revenue by \$535.6 million (pay as you go costs) and Other Post Employment Benefits (OPEB) revenue by \$120.1 million. The Fund Balance would be used to cover FY 2009 reductions in SHBP revenue, leaving \$136.9 million by June 30, 2009.

Ms. Summers stated that in FY 2010 the cuts in the Operations budget are very similar to cuts in AFY 2009 with the exception of recognizing the transfer of the Office of Regulatory Services from DHR to DCH. She said some of the FY 2010 challenges include \$204.9 million void in the base budget; cutting the budget by 5% equivalent to \$113.8 million in state funds; the potential to lose \$104.5 million due to a federal law change related the Medicaid Managed Care Organization provider fees; and the unknown level of future increase in Medicaid and PCK enrollment due to rising unemployment. She briefly reviewed other reduction options considered—both directly impacting current eligibility and services and loss of planned FY 2009 Medicaid Provider Rate Increases. These reductions generate \$128.2 million--\$295 million less than needed.

The Base Budget Adjustments include \$113.8 million to general state funds to meet the 5% budget reduction target; provide \$204.9 million to replace loss of prior year reserves; and \$17.6 million to provide for nominal Medicaid Growth. The rest of the recommendations relate to financing the state share of expenditures: supplant state funds with tobacco dollars (\$201.1 million); expand the Medicaid managed care fee (\$57.3 million); create a new hospital provider fee (\$259.7 million). Ms. Summers described the current use of managed care fees, the federal and state laws related to the use of managed care fees, projected revenue the fees could generate and insurers subject to the managed care fee. Also she outlined the Governor's Proposed Hospital Tax, the hospitals that would be affected, projected revenue the fees could generate and possible federal exemptions.

Ms. Summers reviewed the FY 2010 recommended state fund sources for Medicaid and PCK benefits. General state funds go from \$2 billion in FY 09 to \$1.8 billion in FY 2010; tobacco funds go from \$50.9 million in FY 09 to \$252 million in FY 2010; nursing home fees remain about the same; CMO fees paid by the present CMO providers would go down from \$120.8 in FY 09 to \$49.5 million in FY 2010; hospital and

HMO fees would generate \$217.4 million and \$48.8 million respectively. Total state fund increase is \$195 million or 8.4 %.

The Governor's FY 2010 recommendations are based on the Department's September 1, 2008 budget submission: 1.5% Medicaid enrollment growth, 10.4% PeachCare enrollment growth, and 3.6% PMPM inflationary growth. The enrollment projections were predicated on the assumption that maximum unemployment rates would be 6.1% in the third quarter of Calendar Year 2009. Based on more recent available information (January 2009) the projections are 6.2% Medicaid enrollment growth, 19.0% PeachCare enrollment growth, and 3.3% PMPM inflationary growth. Ms. Summers said the bottom line is an increase in projected enrollment is somewhat offset by the reduction in projected PMPM costs; however the Department anticipates that the Governor's proposed FY 2010 budget covers cash expense only through the 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.

Lastly, Ms. Summers discussed the impact of the proposed Federal Stimulus Package and how it may help the Department's Enhanced Federal Medical Assistance Percentage. Under the Stimulus Package states can qualify for 4.9 to 7.6 percentage points higher than the present FMAP of 65%. She said the dollar impact to this change is very significant. In a three-year period with an October 1, 2008 effective date, the State could receive \$1.6-1.7 billion additional FMAP funds. Dr. Medows added that in order to realize the stimulus funds, the Department must maintain its programs as is in terms of eligibility and benefits.

After addressing questions from the Board, Ms. Summers concluded her presentation. (A copy of the Governor's Recommended Budget for DCH AFY 2009 and FY 2010 presentation is attached hereto and made an official part of these Minutes as Attachment # 5).

New Business

Chairman Holmes asked board members to think about agenda items that they would like added to the agenda. Chairman Holmes also advised that Mr. Richard Robinson had resigned from the Board. He said there are now two vacancies and he was not sure when the vacancies would be filled.

Adjournment

There being no further business to be brought before the Board, Chairman Holmes adjourned the meeting at 11:59 a.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE _____

DAY OF _____, 2009.

RICHARD L. HOLMES
Chairman

KIM GAY
Secretary

Official Attachments:

- #1 List of Attendees
- #2 Agenda
- #3 CON Rule 111-2-2-.03
- #4 SHBP Rule 111-4-1-.06(6)
- #5 Governor's Recommended Budget for DCH
AFY 2009 and FY 2010 Presentation