

Amended FY 2008 & FY 2009 Program Budgets

Presentation to
Senate Appropriations Health Subcommittee
December 18, 2007



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Agenda

- Georgia Medicaid
- PeachCare for Kids
- State Health Benefit Plan
- Health Access & Improvement



GEORGIA MEDICAID



Medicaid Cost Management Initiatives

FY 2004 - 2005

- Pharmacy Program
 - 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
 - Emergency Medical Assistance
 - Katie Beckett (FY 2005)
 - Proof of Citizenship and Income
 - Asset Transfer for Long Term Care
- Medicare Part D implementation

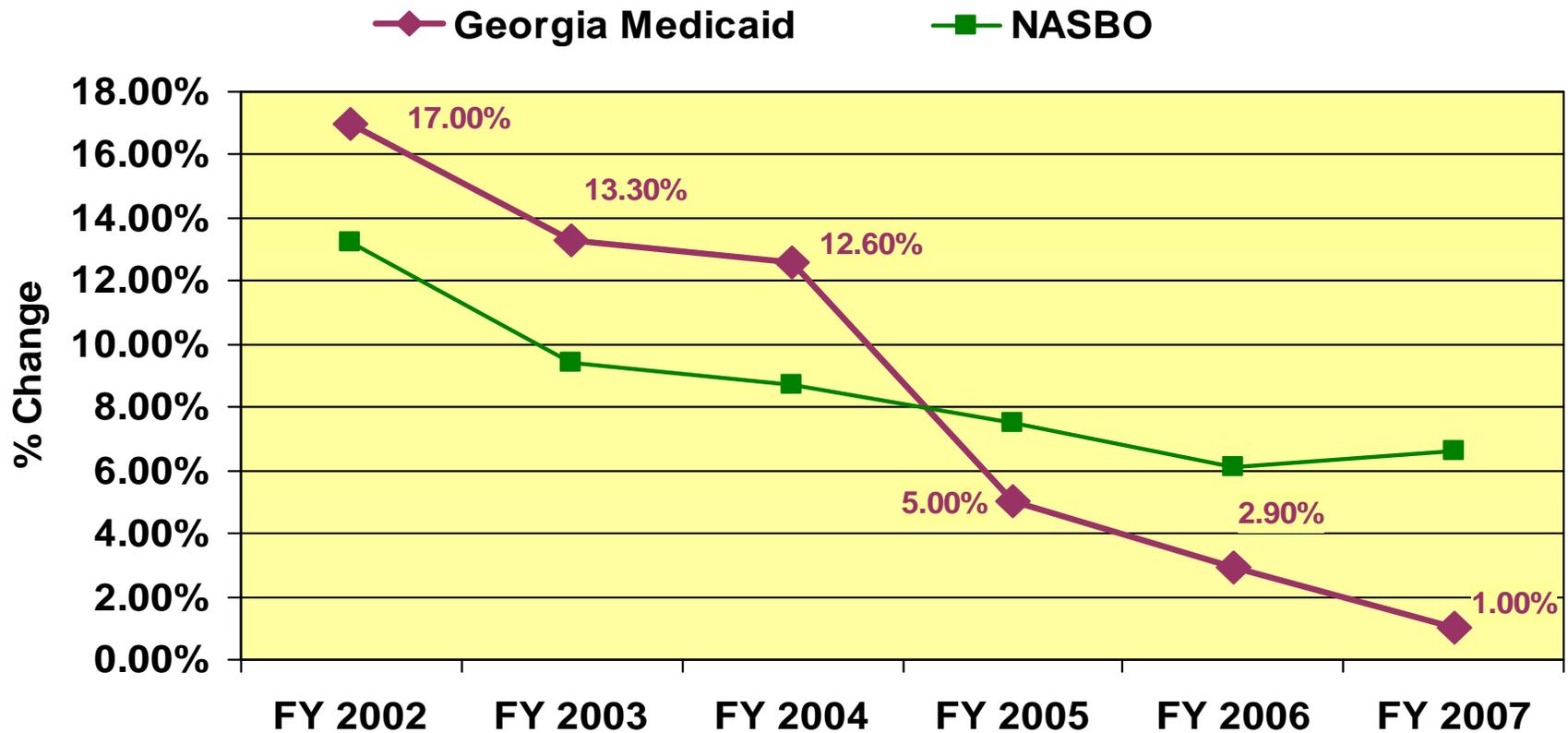
FY 2007 - 2008

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



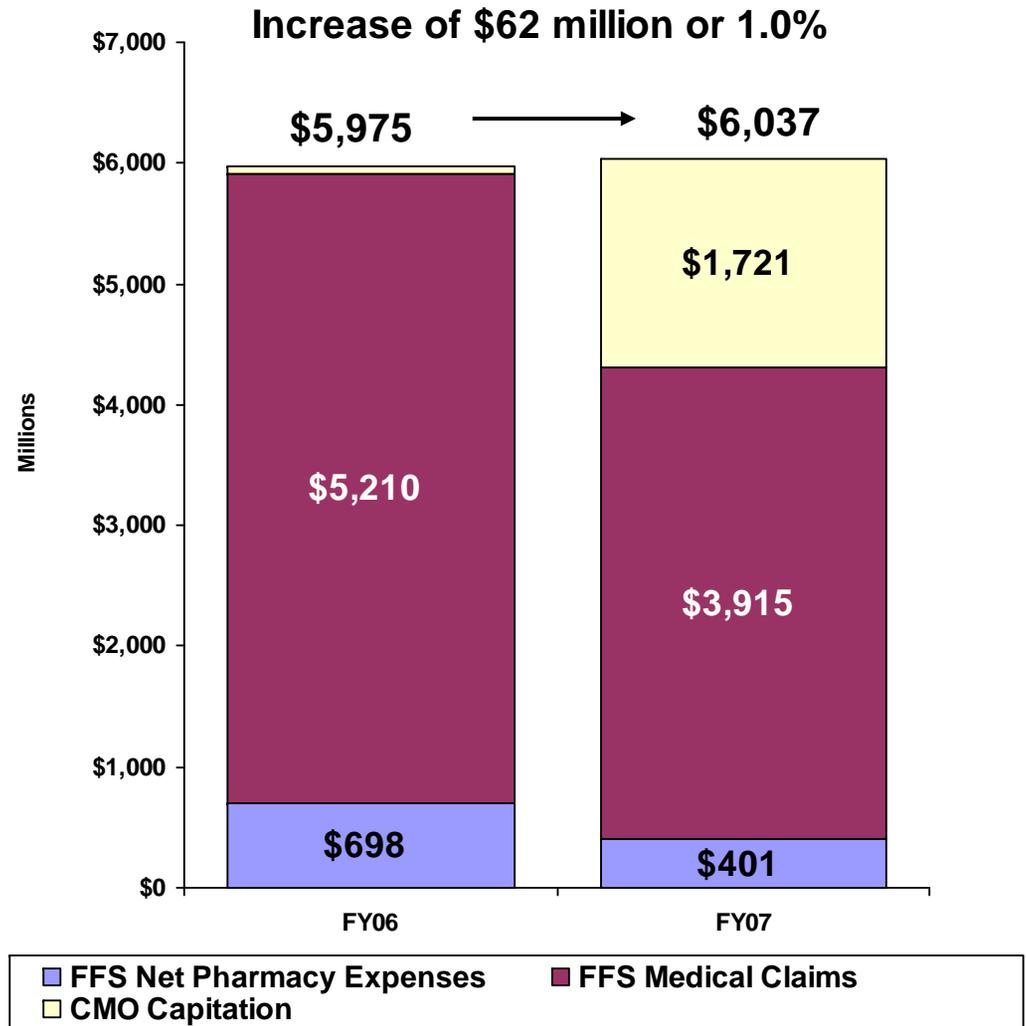
Impact of Medicaid Cost Management

Annual Increases in Medicaid Benefit Expenditures

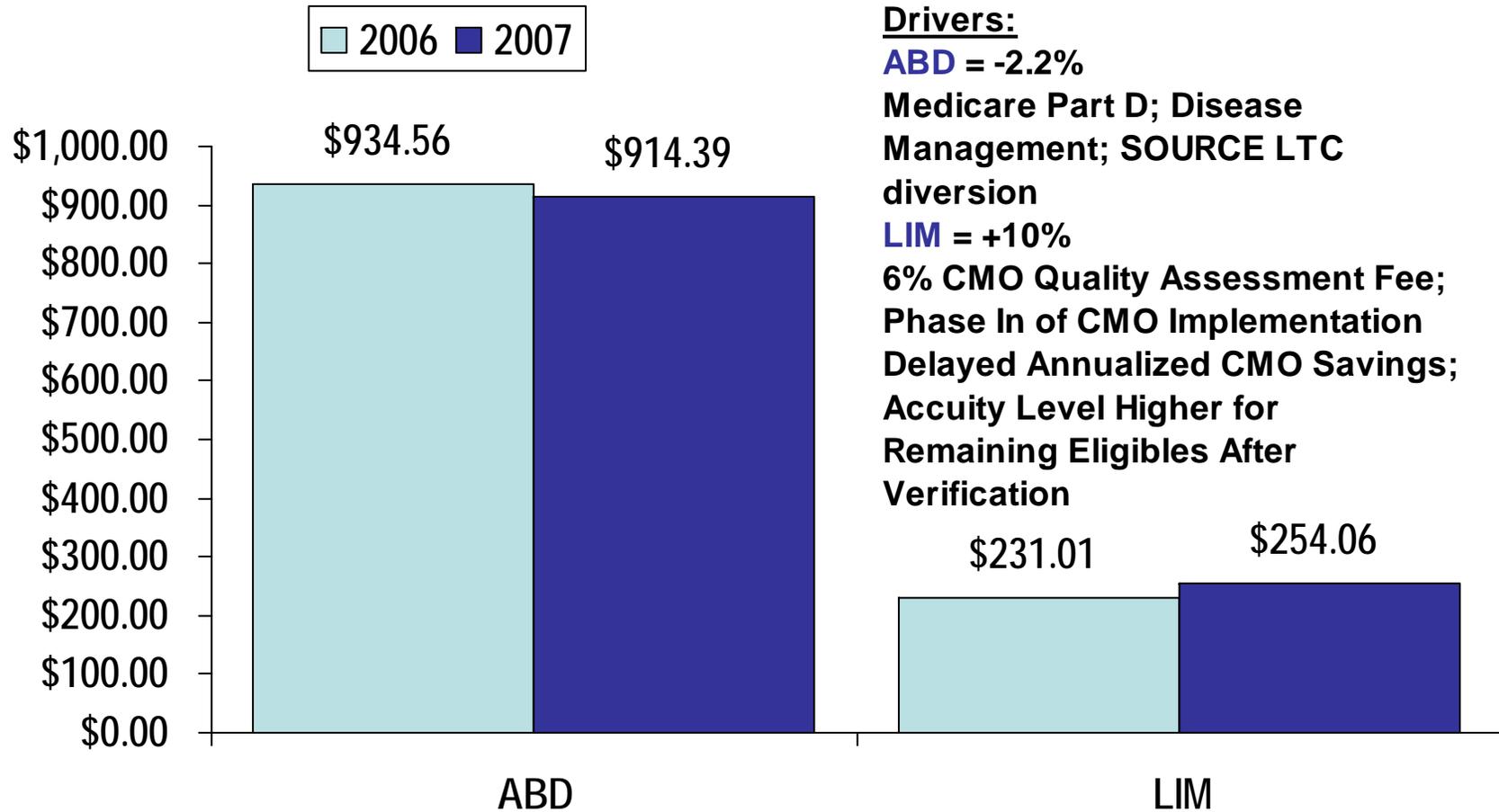


Fiscal Status: FY 2007

- FY 2007 vs. FY 2006
- Incurred expense **\$62 million or 1.0% higher** as compared to FY 2006 due primarily to:
 - Decreased Medicaid enrollment
 - Pharmacy cost avoidance due to Medicare Part D.
 - Decreased fee for service medical claims due to managed care implementation.
- This decreases offset the following expenses:
 - Medicare Part D Clawback payments to the federal government.
 - New CMO capitation payments.



Medicaid Incurred PMPM



FY 2007 Medicaid Enrollment - Projected

What we said last year:

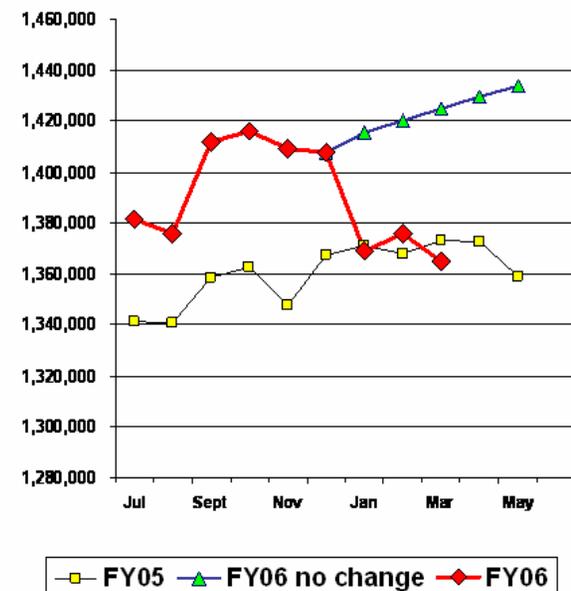
Average monthly Medicaid enrollment to **increase** by **1.22%**

Current Fiscal Status (FY 2007)

FY 2007

- Incurred expense projected to be **4.3%** higher as compared to FY 2006
 - **1.22%** growth in enrollment
 - PMPM reduced due to managed care implementation
- **Likely** that appropriations are enough to cover projected cash expenditures (as of 7/06)
- Areas that could change 07 status:
 - Any change in estimated FY 2006 final carry forward amount
 - Enrollment changes from CY 06 eligibility initiatives
 - ROI of medical management of aged, blind, and disabled populations

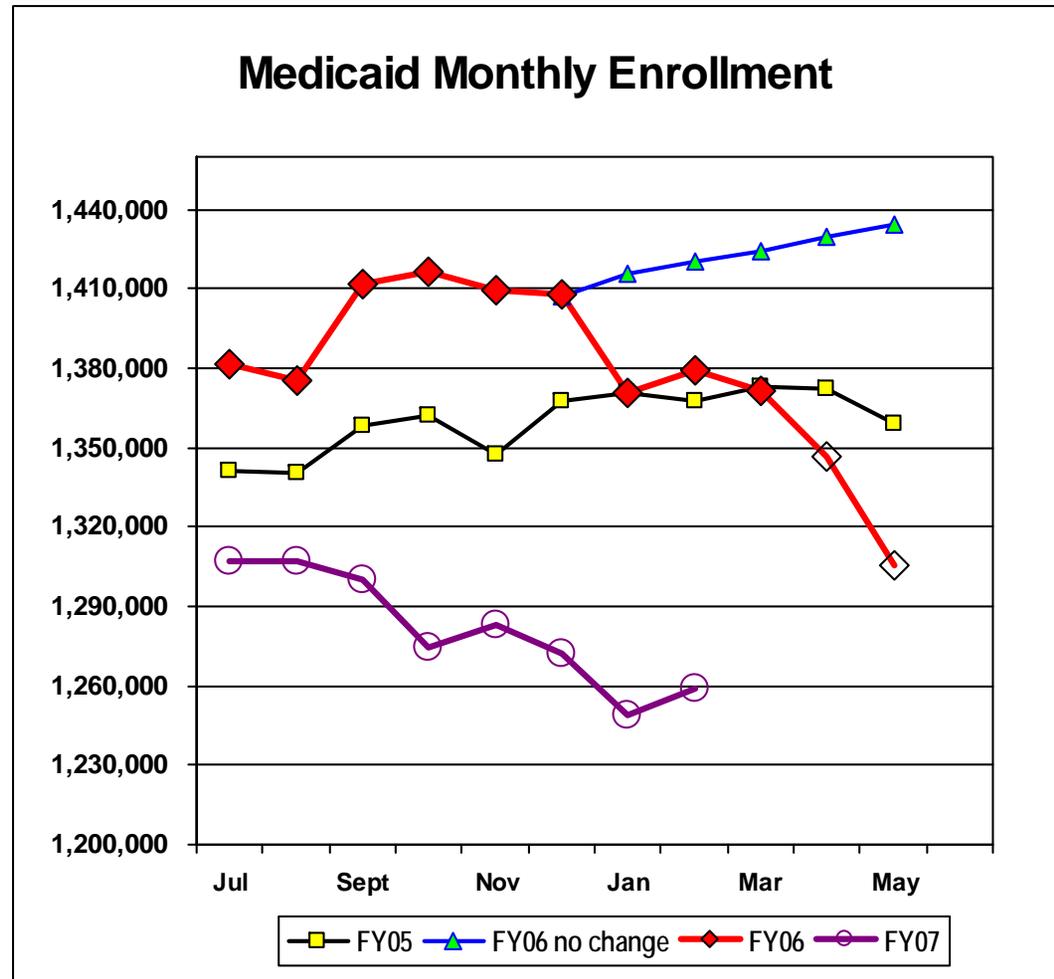
Medicaid Monthly Enrollment



FY 2007 Medicaid Enrollment - Actual

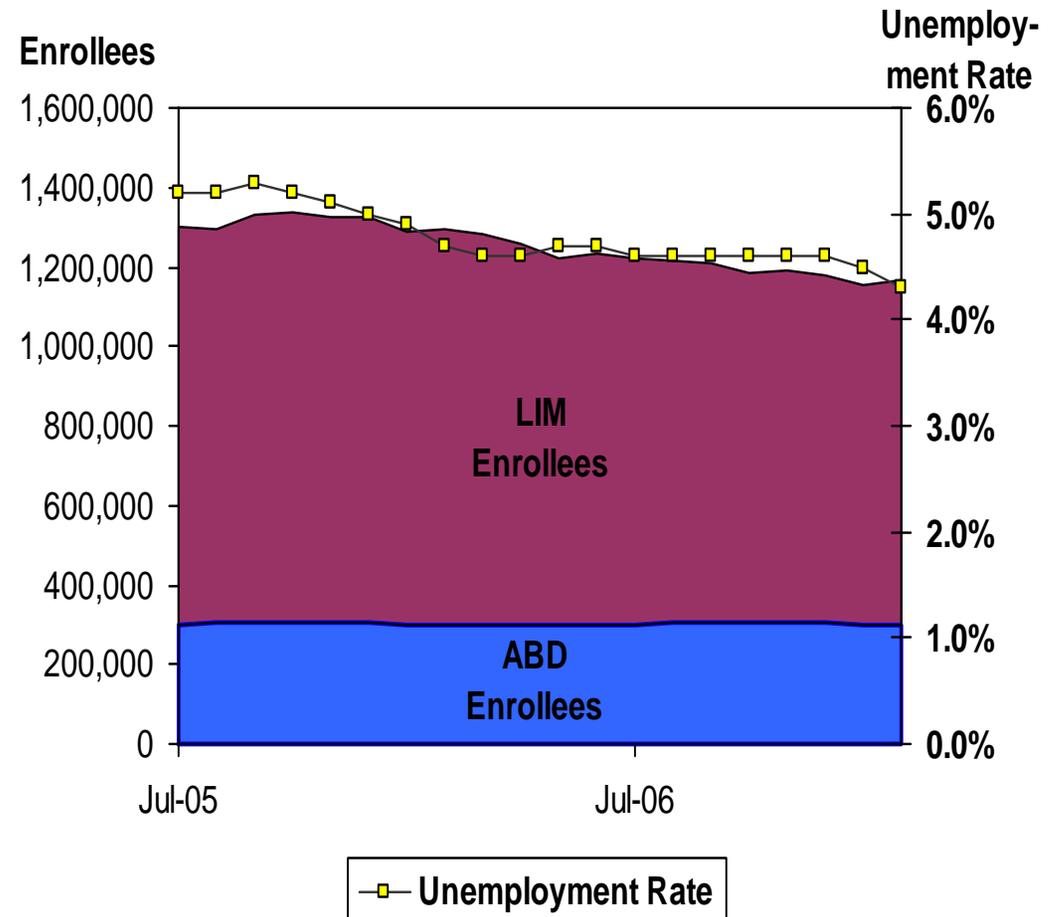
What actually happened:

Average monthly Medicaid enrollment **dropped 7.8%**, from 1.37 million to 1.27 million members, a **reduction of 100k members**.



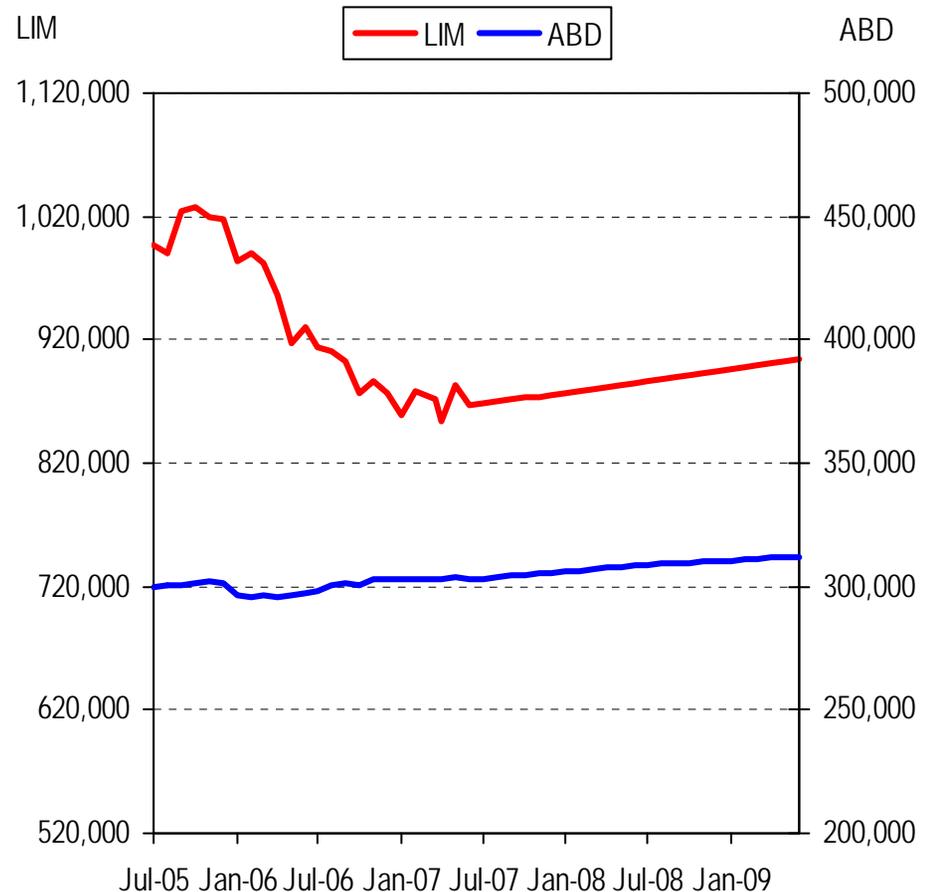
Enrollment Factors in FY 2007

- More stringent eligibility document requirements and new third party verification process;
- Katrina enrollees from September 2005 declined in FY 2007, from 15,360 in December 2005 to 3,225 in March 2007; and
- Declining unemployment rate from 4.7% to 4.3%.



AFY 2008 and FY 2009: Expenditure Growth Assumptions

- Enrollment trends begin to increase based on the projected population growth rates for the State of Georgia by age group. Projected Medicaid growth rate is **2.0%** annually.
 - In FY 2008, monthly enrollment changes from 1.17 million in July 2007 to 1.19 million in June 2008.
 - In FY 2009, monthly enrollment changes from 1.20 million in July 2008 to 1.22 in June 2009.



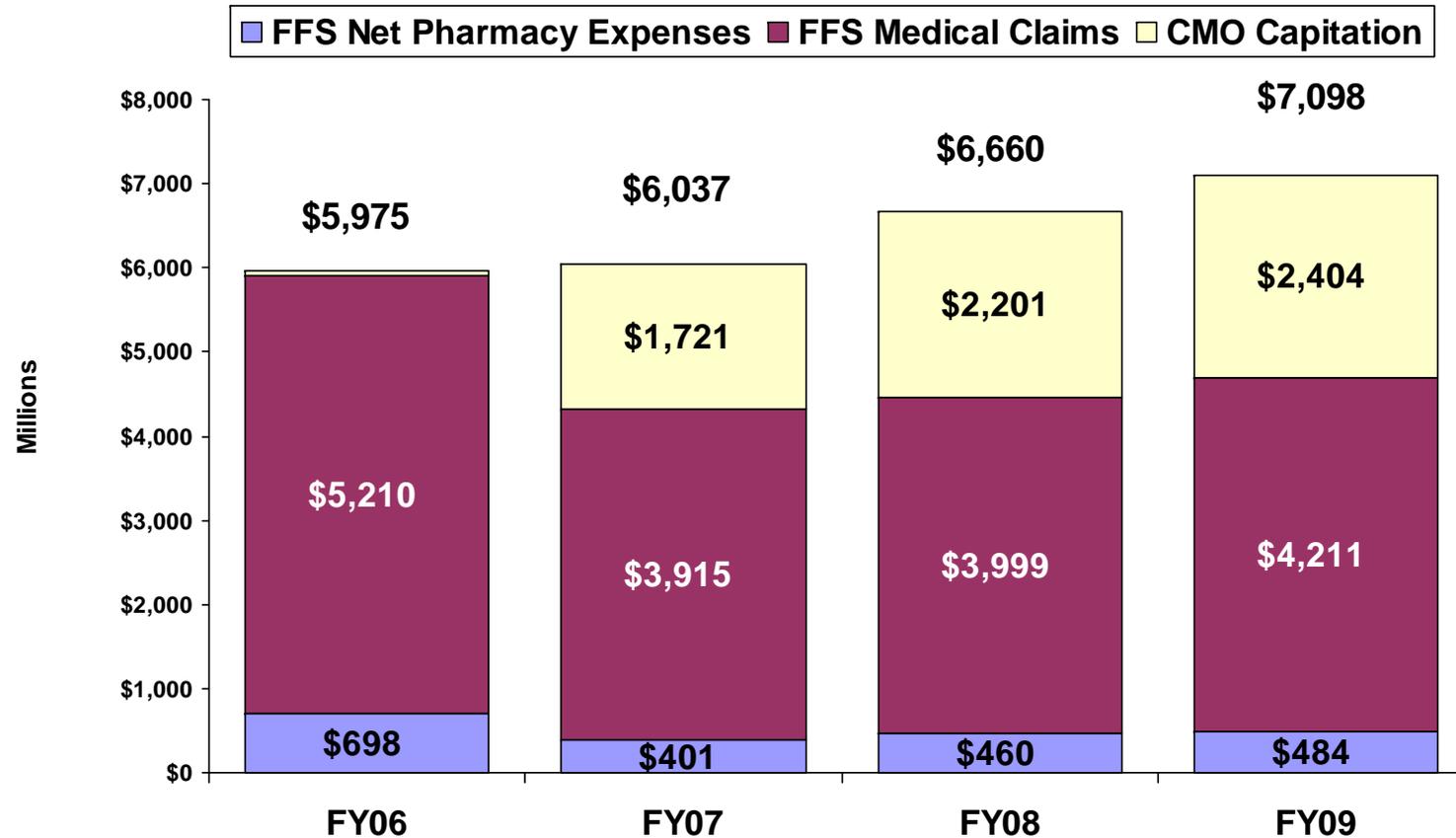
FY 2008 and 2009 Projected Fee-for-Service and CMO PMPM

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

- Inflation index for Medical Services
 - 3.1% for FY 2008
 - 3.6% for FY 2009
- Applied to the previous year PMPM by program group.
- Projected PMPM's consider FY 2008 ABD rate increases approved by the General Assembly
 - Adds 2.2% to ABD PMPM



Medicaid Incurred Expenditures in Millions FY 2006 – FY 2009 (projected)



Note: Includes Crossovers, Part D Clawback and Drug Rebate; does not include other non-claims based transactions



Medicaid Financing

FY2007 Year End

Revenue	\$2,638M
Expense	-\$2,141M
Surplus	\$497M

Reserve FY08 Prefund \$225M

Reserve Against FY07 IBNR \$236M

Surplus to Treasury \$36M

FY2008 Projected Use of Funds

Revenue	\$2,434
FY07 IBNR	\$236
Expense	(\$2,394)
FY 2008 IBNR	\$276

FY2009 Projected Use of Funds

Revenue	\$2,214
FY08 IBNR	\$276
Expense	(\$2,405)
FY 2009 IBNR	\$85

NOTE: Creates hole in FY 2010 Base due to FY 2009 cash deficit covered by prior year funding that will not be available in FY 2010.

FY 2007 Surplus

Program	Primary Reason	Surplus Amount (millions)
Aged, Blind, and Disabled	Pharmacy Benefits significantly reduced due to Medicare Part D impact	\$33.3
Low Income Medicaid	LIM Enrollment significantly reduced due to Eligibility Information Verification	3.1
PeachCare for Kids	FY 2006 actual IBNR lower than available reserves; PCK enrollment reduced due to enrollment freeze	17.5
Indigent Care Trust Fund	Funding earmarked for Georgia Cancer Coalition not expended	0.5
Administration	Delayed implementation in ASO contracts	13.7
Healthcare Access and Improvement	Staff turnover and reorganization of the Health Planning Unit	0.8
Attached Agencies	Lower operating costs and student loads for State Medical Education Board; lower graduate medical education loans for Georgia Board for Physician Workforce	0.3
Total*		\$69.3
* Total does not add to \$69.3 due to rounding		

MEDICAID/PCK ENHANCEMENTS



FY 2009 Enhancements – Medicaid Benefits

1. Inpatient Hospital Services

Using FY 2005 cost reports:

- **Increase** cost coverage from **93.6% to 97.5%** for **Trauma Hospitals**.
- **Increase** cost coverage from **91.0% to 93.5%** for **Non-Trauma Hospitals**.

Date of last increase for Inpatient Hospital was FY 2003 with rate reductions in FY 2004 and FY 2006.

Cost: \$46.6 million total funds; \$16.8 million state funds*

*Includes the cost to increase rates in PeachCare for Children



FY 2009 Enhancements – Medicaid Benefits

2. Outpatient Hospital Services

Use facility-wide Cost-to-Charge ratios to determine cost:

- 100% of cost for **Trauma Hospitals**
- 95% of cost for **Non-Trauma Hospitals**
- Assume **2.5% average increase** in rates linked to **RBRVS**
- **Increase triage fee** for non-emergent use of the ER to \$60
- **Increase cap** on outpatient services based on increases in inpatient services

Date of last increase for Outpatient Hospital was FY 2002 with rate reductions in FY 2005 and FY 2006.

Cost: \$18.9 million total funds; \$6.8 million state funds*

*Includes the cost to increase rates in PeachCare for Children

FY 2009 Enhancements – Medicaid Benefits

3. Outpatient Hospital and Physician Services

Recognize RBRVS rates for digital mammography

- Currently reimbursement is based on the analog mammography rate
 - Analog: \$66.51 to \$83.09 depending on code
 - Digital: \$108.73 to \$134.94 depending on code

Cost: \$1.0 million total funds; \$0.4 million state funds



FY 2009 Enhancements – Medicaid Benefits

4. Physician and Physician Related Services

Change the maximum allowable reimbursement to 88.5% of 2007 RBRVS as specified by Medicare for Georgia Area 1 (Atlanta).

- Services provided by a physician's assistant and advanced nurse practitioner will be limited to no more than 90% of the maximum allowable amount paid to a physician.
- Covers the following practitioners and services:
Physician, Physician Assistant, Nurse Midwife, Advanced Nurse Practitioner, Family Planning, Podiatry, Oral Surgery, Children's Intervention Services, Children's Intervention School Services, Psychology, Dialysis Professional Services and Vision.

Currently based on the 84.6% of 2000 RBRVS with the date of last increase in FY 2003 with a 10% rate reduction in FY 2004.

Cost: \$24.2 million total funds; \$10.0 million state funds*

*Includes the cost to increase rates in PeachCare for Children

Comparison of Georgia Rates to Medicare

Examples of Codes Frequently Billed by Practitioners

Code	Descriptor	Current	Proposed	Difference
99214	Office/Outpatient Visit	62.71	68.16	9%
99232	Subsequent Hospital Care	48.02	65.41	36%
99283	Emergency Department Visit	54.80	61.96	13%
92004	Eye Exams	90.69	85.73	-6%

*Note - Certain nurse practitioners and physician assistants are reimbursed at 90% of these rates.



FY 2009 Enhancements – Medicaid Benefits

5. Physician

- **Increase EPSDT HealthCheck rates by 2.5%.**

Date of last increase in FY 2007, but only for healthchecks for children up to age 8.

Cost: \$1.6 million total funds; \$0.6 million state funds*

*Includes the cost to increase rates in PeachCare for Children

6. Physician

- **Increase rates for global maternity delivery codes by 2.5%.**

Cost: \$2.6 million total funds; \$0.9 million state funds



FY 2009 Enhancements – Medicaid Benefits

7. Independent Care Waiver Program (ICWP)

- Add 50 slots to address community based waiting list.
Cost: \$2.2 million total funds; \$0.8 million state funds
- Add 100 slots to move eligible members from institutions to the community (Money Follows the Person Initiative).
Cost: \$4.0 million total funds; \$1.4 million state funds
- Increase ICWP rates for personal support by 7%.
Cost: \$2.3 million total funds; \$0.8 million state funds

Date of last rate increase for ICWP was FY 2003.



FY 2009 Enhancements – Medicaid Benefits

8. Nursing Homes

- Provide an additional **1% add-on** to the nursing services component of the per diem for facilities that meet the requirements of the **Quality Incentive Program**.

Date of last rate increase for nursing homes was FY 2008.

Cost: \$5.0 million total funds; \$1.8 million state funds



FY 2009 Enhancements – Medicaid Benefits

9. Home Health Services

- Update to FY 2006 cost reports
- Increase cap from \$75.00 to \$90.00 per visit
- Pay the lesser of the cap or 100% cost

	FY 2003	FY 2007	% Change
Patients	10,135	6,124	-40%
Units per Patient	21	22	5%
Cost per Unit	\$69.94	\$41.77	-40%
Net Payment	\$15,054,756	\$5,610,651	-63%

Date of last rate increase for home health was FY 2002 with a 10% rate cut applied in FY 2004.

Cost: \$3.8 million total funds; \$1.4 million state funds

FY 2009 Enhancements – Medicaid Benefits

10. Disproportionate Share Hospital

48 Private Hospitals Qualify for a FY 2008 DSH Payment; however, they cannot finance the state share of the payment like public hospitals.

10 Considered Deemed, which means they have a:

- Medicaid inpatient utilization rate of at least one standard deviation above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments in the State; or
- Low-income utilization rate that exceeds 25 percent.

Federal Regulations (Social Security Act, Title XIX, Section 1923) require payments to hospitals “deemed” as disproportionate.

Cost: \$13.1 million state funds for all eligible private hospitals; \$6.7 million state funds for only deemed



PEACHCARE FOR KIDS



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

FY 2007 and FY 2008 PCK Cost Management Initiatives

FY 2007

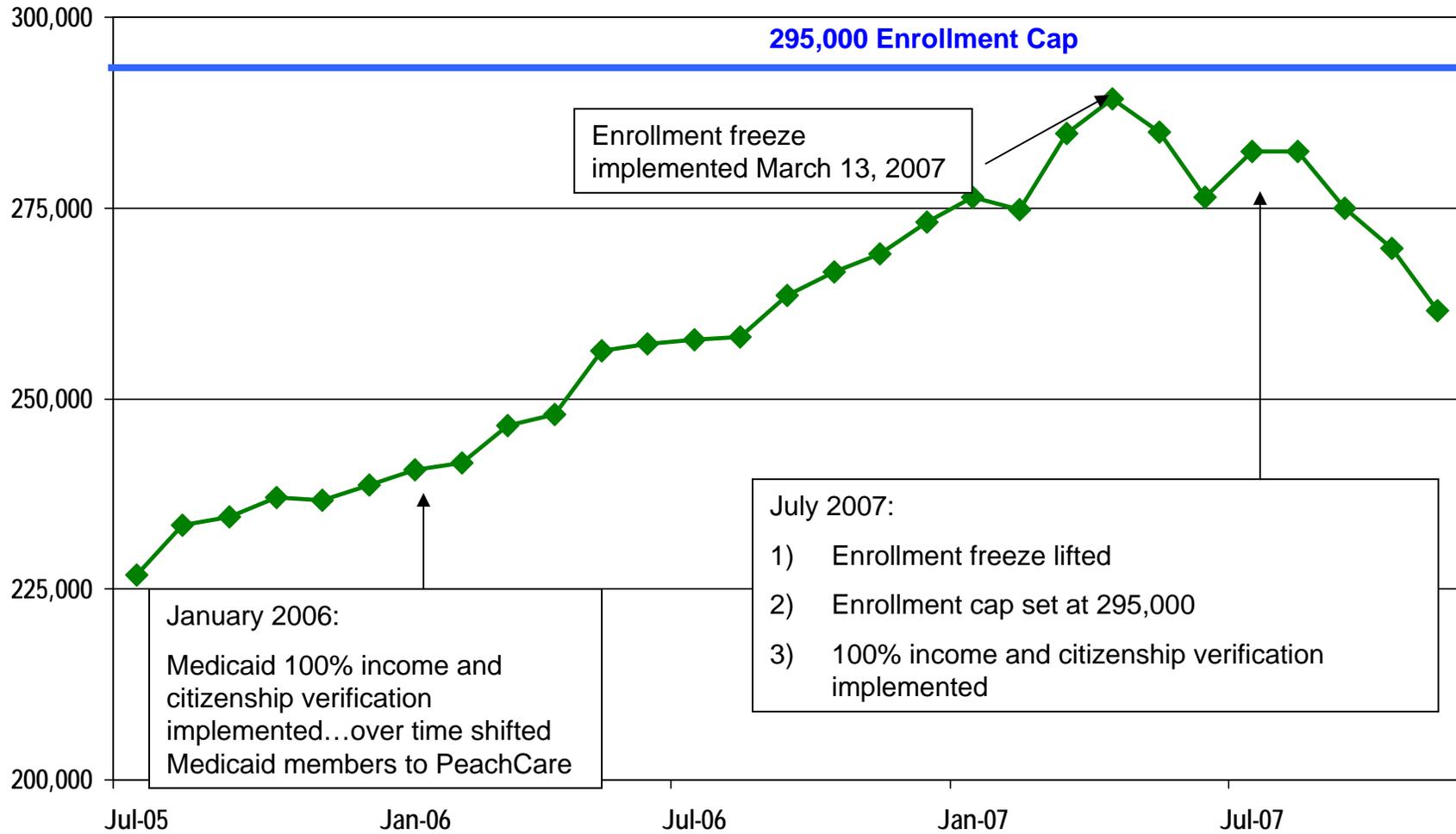
- Enrollment freeze in effect between March 2007 to June 2007

FY 2008 Cost Control Measures effective July 2007:

- Renegotiated lower CMO Rates
 - Shifted the administrative component of the CMO capitation payment from PCK to Medicaid
 - New rates pending federal approval and execution of contract amendments
- Instituted verification of Income and Citizenship status on 100% of member applications
- Implemented enrollment cap of 295,000 members

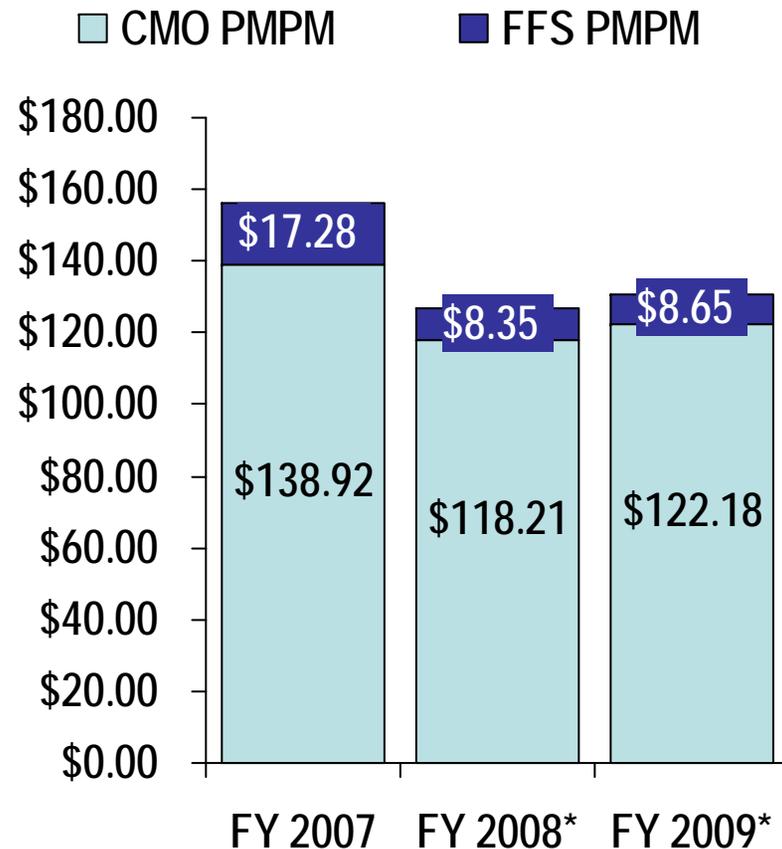


PeachCare Enrollment



FY 2008 and FY 2009: Expenditure Growth Assumptions

- FFS payments reduced for members in CMO choice period.
- Renegotiated lower CMO rates* for FY 2008 – will save 14.9%
 - Transfer of fixed administrative CMO costs in CMO capitation rates to Medicaid capitation rates in FY 2008 – saves 7%
 - 3.1 % Inflationary growth based on Global Insight Quarterly Health Care Cost Review.
 - More recent historical data considered



* CMO rates pending federal approval; execution of amendments

August 2007 PeachCare Budget Status

State Fund Need:	FY 2008A	FY 2009
State fund shortfall (accrual)	\$40.9 m	\$64.4 m
Fund federal share of PeachCare due to federal fund deficit <i>Assume:</i> \$165 m available Oct 2007 for FFY 2008 and \$165 m available Oct 2008 for FFY 2009 (\$165 m = prior year annual allotment)	\$95.4 m	\$164.2 m
TOTAL	\$136.3 m	\$228.6 m

Federal Funds Projected Cash Depletion Date: end of March 2008



STATE HEALTH BENEFIT PLAN



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

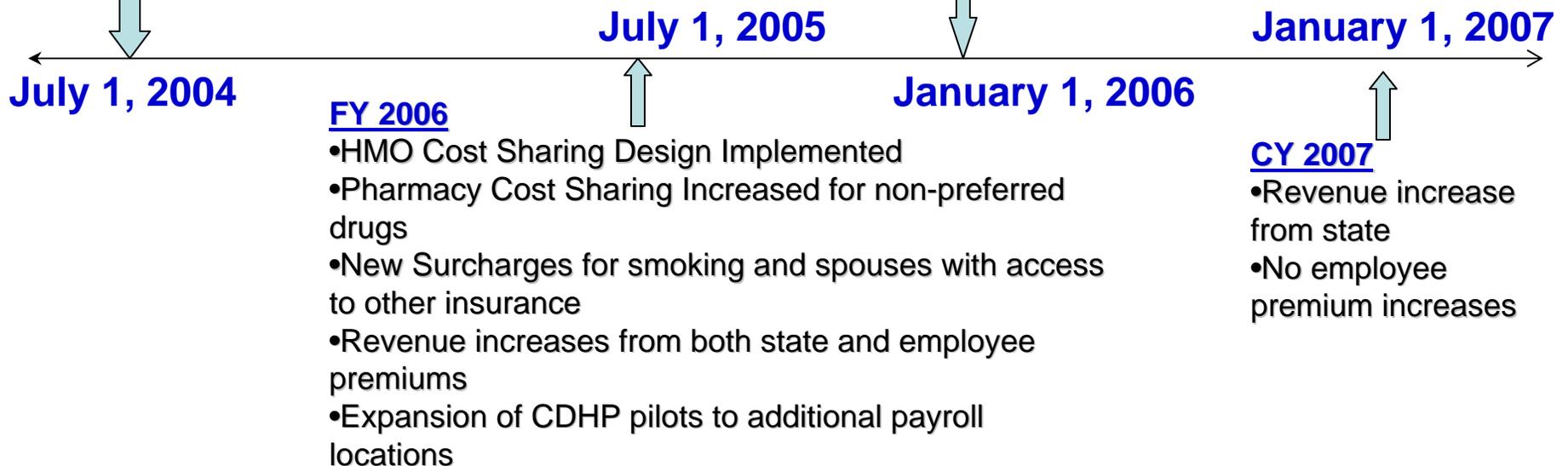
Historical Changes to SHBP

FY 2005

- Rx Design Plan Change
- Additional Co-Pays
- New Consumer Directed Health Plans (CDHP) as Pilot Program
- Dependent audits to validate eligibility
- Revenue increases from state contributions and employee premiums

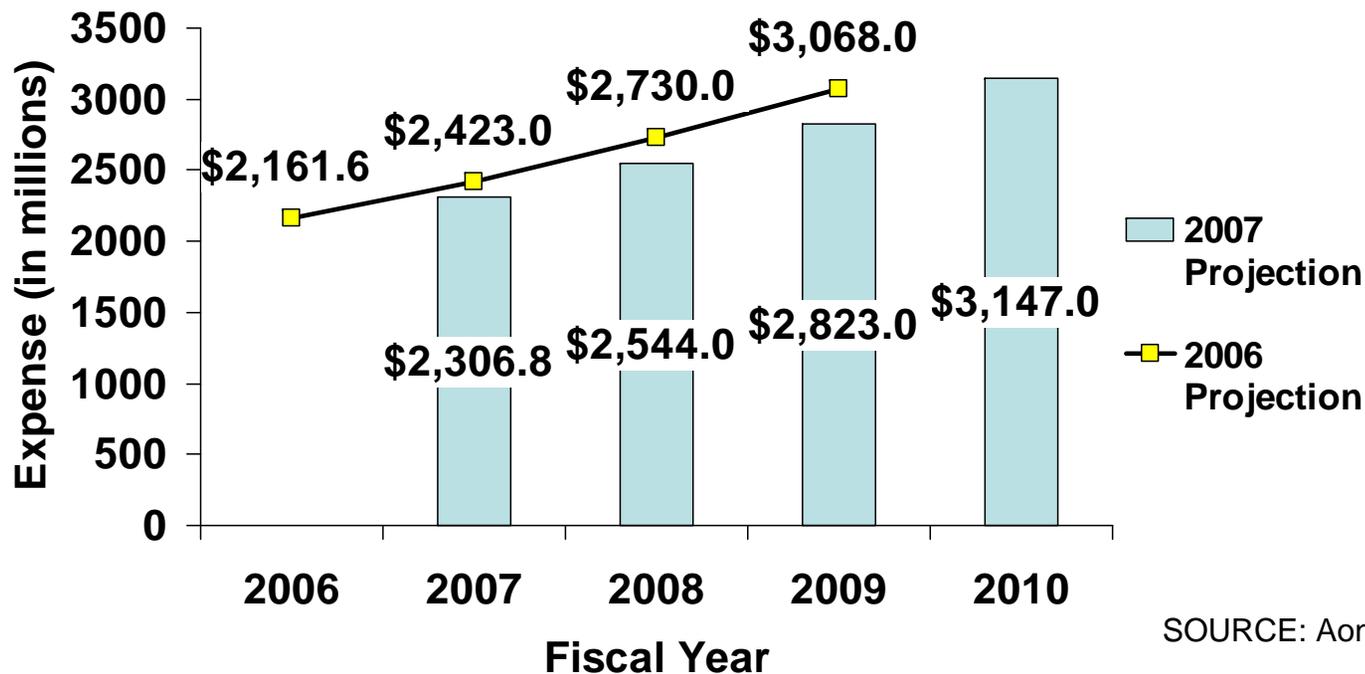
CY 2006

- United Healthcare administering PPO and TPA
- Medicare Part D implementation
- Administrative contract consolidation



Impact of Changes on Trend on Expense

- Total Expense trend assumptions since 2006 have been revised downward based on more recent plan experience. (From 12%-13% to 7-11%)
- Results in \$548 million reduction in estimated expenditures from FY 2007 – FY 2009



SOURCE: Aon Projections, Oct 2007

SHBP Financial Status

	Fiscal Year:	
	<u>2006</u>	<u>2007</u>
Pay As You Go (PAYG) Revenue	\$2,165.0	\$2,454.6
<u>OPEB Revenue</u>	\$0.0	\$0.0
Total Revenue	\$2,165.0	\$2,454.6
Growth in Revenue		13%
PAYG Expense	\$2,181.8	\$2,306.8
% Growth in Expense		6%
\$ Growth in Expense		\$125.0
PAYG Surplus/(Deficit)	(\$16.8)	\$147.8
Fund Balance*	\$62.3	\$264.3

* \$54.2 is also included in the FY 2007 fund balance due to the deletion of prior year encumbrances and a reduction in IBNR.



High Level Strategy

CY 2008

- Consumer Directed Healthcare Plan option available statewide (4.3% enrollment)
- No new enrollment in the Indemnity Plan
- Reduction in HMO Options from 4 to 3 plans
- 10% increase in employee premiums

CY 2009

- Major procurement moving to two statewide health plan vendors, each offering the following choices:
 - Health Reimbursement Account-based (HRA) Plan
 - High Deductible Health Plan (HDHP)
 - PPO
 - HMO
 - Medicare Advantage (Only for members age 65 or over with Medicare Eligibility)
- Strategic premium pricing utilized to provide incentives to enroll in CDH plans



Keys to Success in 2009

Flexibility to set premiums to:

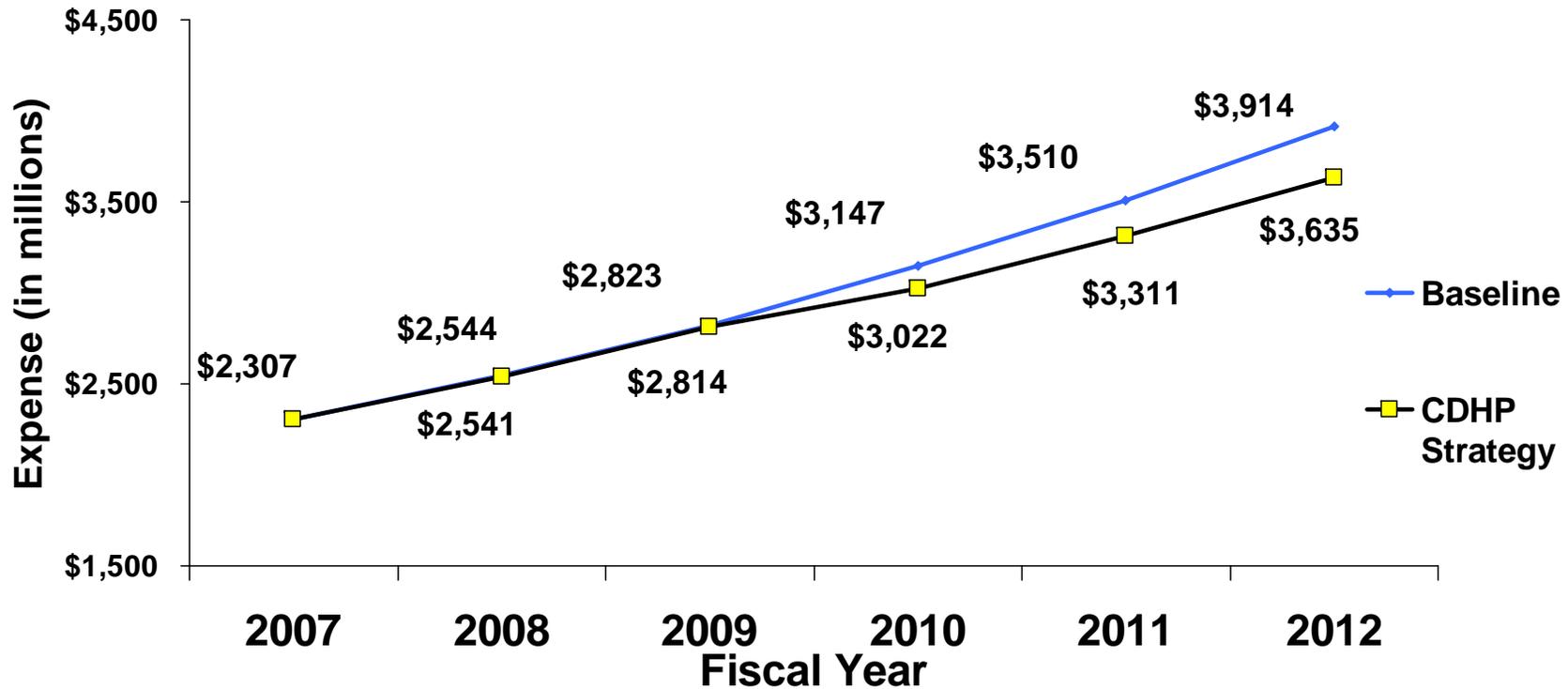
- Drive enrollment in the CDHP options
- Recover cost for more costly plan options
- Create fiscal incentives to get retirees to enroll in Medicare

CY 2009 Member premiums may vary from no growth to double digit growth depending on the plan.



Impact of Changes on Trend on Expense

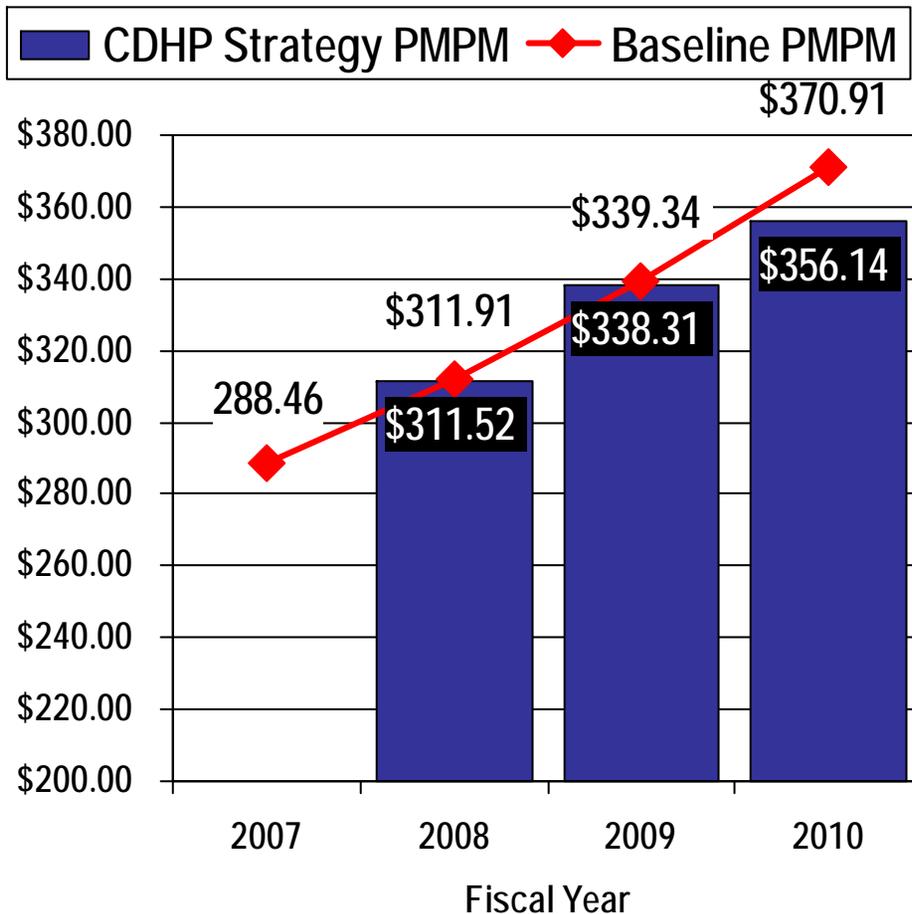
The CY 2008 implementation of the SHBP 5-year CDHP strategy is expected to reduce expenditures by over \$600 million between FY 2008 and FY 2012.



SOURCE: Aon Projections, Oct 2007



Per Member Per Month Growth



GOAL

- PMPM Growth should be less than or equal to state revenue growth
- Target: 7%
- While Plan PMPM has improved, the CDHP strategy is expected to bring the annual PMPM growth under target (from 9.3% to 5.3% in FY 2010)

SOURCE: Aon Projections, Oct 2007

SHBP Projected Financial Status

	Fiscal Year:	<u>2007 Actual</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
PAYG Revenue		\$2,454.6	\$2,682.2	\$2,736.6	\$2,788.9
OPEB Revenue		\$0.0	\$122.1	\$124.8	\$127.5
Total Revenue		\$2,454.6	\$2,804.3	\$2,861.4	\$2,916.4
Growth in Revenue		13%	14%	2%	2%
PAYG Expense		\$2,306.8	\$2,541.0	\$2,814.8	\$3,022.4
% Growth in Expense		6%	10%	11%	7%
\$ Growth in Expense		\$125.0	\$234.2	\$273.7	\$207.6
PAYG Surplus/(Deficit)		\$147.8	\$141.1	(\$78.2)	(\$233.4)
Fund Balance		\$264.3	\$405.5	\$327.3	\$93.8

PAYG = Pay As You Go



HEALTHCARE ACCESS AND IMPROVEMENT ENHANCEMENTS



FY 2009 Enhancements

Health Information Transparency Website

- The web site will **feature service, cost, quality and educational information** regarding pharmacies, nursing homes, personal care homes, home health and other long term care services, health insurers, hospitals and ambulatory care centers. RFP Release; January 2008
- Consumers will be able to use the web site to **identify and compare** providers, services, charges, quality and other factors with regard to certain health care services.
- The department was **awarded a federal CMS Medicaid Transformation grant totaling \$3.9 million** over two years to support advertising for the site, create decision tools, enhance educational features, hire consultant personnel and provide the ability to develop new quality measures for comparison purposes.
- **Medicaid funding comes with limitations and restrictions** regarding activities and costs associated members of the general public who are not Medicaid recipients.
- The \$750,000 requested will aid our work in creating a Transparency Website for all Georgians. State funding will permit for activities and consumer outreach to the general public and to **expand the web site's information data bases** to include additional providers, health care services and health plans outside of Medicaid.

Request: \$750,000



FY 2009 Enhancements: Health Information Exchange

Health Information Technology & Transparency Advisory Council

Council: Providers, Plans, Public Health , Employers, Federal Govt, Consumers, Labs, Rural Health

- Established Health Information Exchange Matching Grants
- Year 2: Monitor progress of HIE grantees, prioritize statewide HIE activities & align with Federal initiatives, further develop the "value proposition" and sustainability model for HIE, Participate in national and regional coalitions and collaboratives related to HIE

DCH Publicly Funded Health Plans: Health Information Exchange Programs

- SHP
- Medicaid CMOs
- Medicaid FFS Disease Management Programs

Opportunities to Implement Interoperable HIE across State Programs

- e- Prescribing (Physician-Patient-Pharmacy-Payers)
- Personal Health records – Patient/Consumer portable record & health info
- Electronic Medical Records (Provider – Provider)
- Electronic Health Records (Provider-Payer, Aggregate data for Public Health, etc)

HIE Matching Fund Grants awarded November 1, 2007 to 4 of the 11 partnerships applying:

Chatham County Safety Net - \$272,588

Sumter Regional Hospital - \$250,000

East Georgia Healthcare Center - \$250,000

Washington County Regional Medical Center - \$80,500

FY 2009 funding request is for the second year in the matching grant program supporting the development of e-prescribing, electronic medical record programs, and patient health records

Request: \$750,000



FY 2009 Enhancements Health Disparities Grants

The DCH Office of Health Improvement and **Minority Health Advisory Council** comprised of statewide community leaders have developed a strategy to reduce health disparities.

Goal: Urge and promote community level actions focused on reducing disparities in disease prevalence, treatment and health outcomes.

Focus: The prevention and early detection of:

1. **Cancer**
 - ✓ Mortality rates for AA Females is higher for Breast (36%), Colorectal (54%), and Pancreatic (48%) cancer
 - ✓ Mortality rates for AA Males is higher for Lung (17%), Colorectal (41%), Pancreatic (48%) and Prostate
2. **Cardiovascular Disease**
3. **Diabetes**
4. **HIV/AIDS.**

Matching Grant Program:

The grant program will be coordinated with the State Office of Rural Health.

State funding is limited to \$100,000 per grant and requires a 50:50 local match.

Grantees may include federally qualified health centers, rural health clinics, volunteer clinics, rural and critical access hospitals and can partner with faith based health programs and lay health leaders.

Request: \$500,000

