

Amended FY 2012 & FY 2013 Governor's Budget Recommendations



Presentation to: Joint Appropriations Committee

Presented by: Commissioner David Cook

Mission

The Georgia Department of Community Health

We will provide access to affordable, quality health care to Georgians through effective planning, purchasing and oversight.

We are dedicated to a healthy Georgia.

Department of Community Health (DCH)

Fast Facts

- Manage 2 large health plans (Medicaid/PeachCare and the State Health Benefit Plan (SHBP))
 - Rate of growth is well below the national average
- DCH manages the healthcare needs of 1 in 4 Georgians
- License and inspect more than 14,000 Georgia health care facilities
- Lead agency for health information technology in Georgia
- Total Funding: \$11.2 billion (including SHBP and Federal matching funds.)

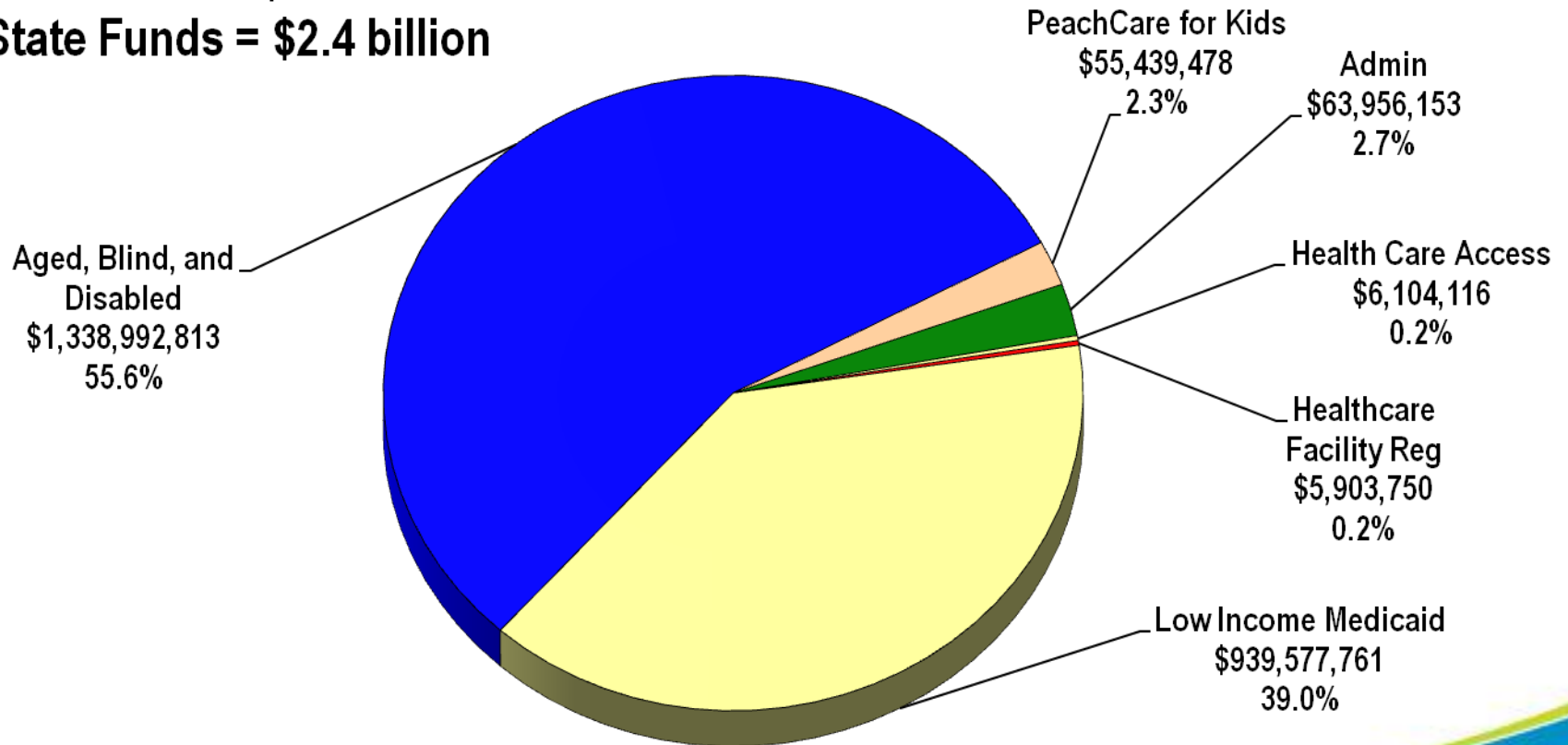
DCH Highlights

- Stand Up New Department of Public Health
- Put SHBP on Sound Financial Footing
 - Reduced projected deficit for FY12 and FY13 of \$815 million by 92% to \$62 million
 - Largest wellness plan in the country
 - Reduced OPEB liability by \$11 billion (18%)
 - From \$62 billion to \$51 billion
- Reducing Bureaucracy
 - Quicker Credentialing: reduced from several months to 15 days
 - Eliminating 80% of forms in Katie Beckett
 - Reducing co-pays to even dollars
 - Removing barriers to telemedicine

Department of Community Health

Current FY 2012 State Funds Budget

Total Funds = \$11.2 billion
State Funds = \$2.4 billion



*State funds include tobacco funds and provider fees

Medicaid Benefits Financial Status

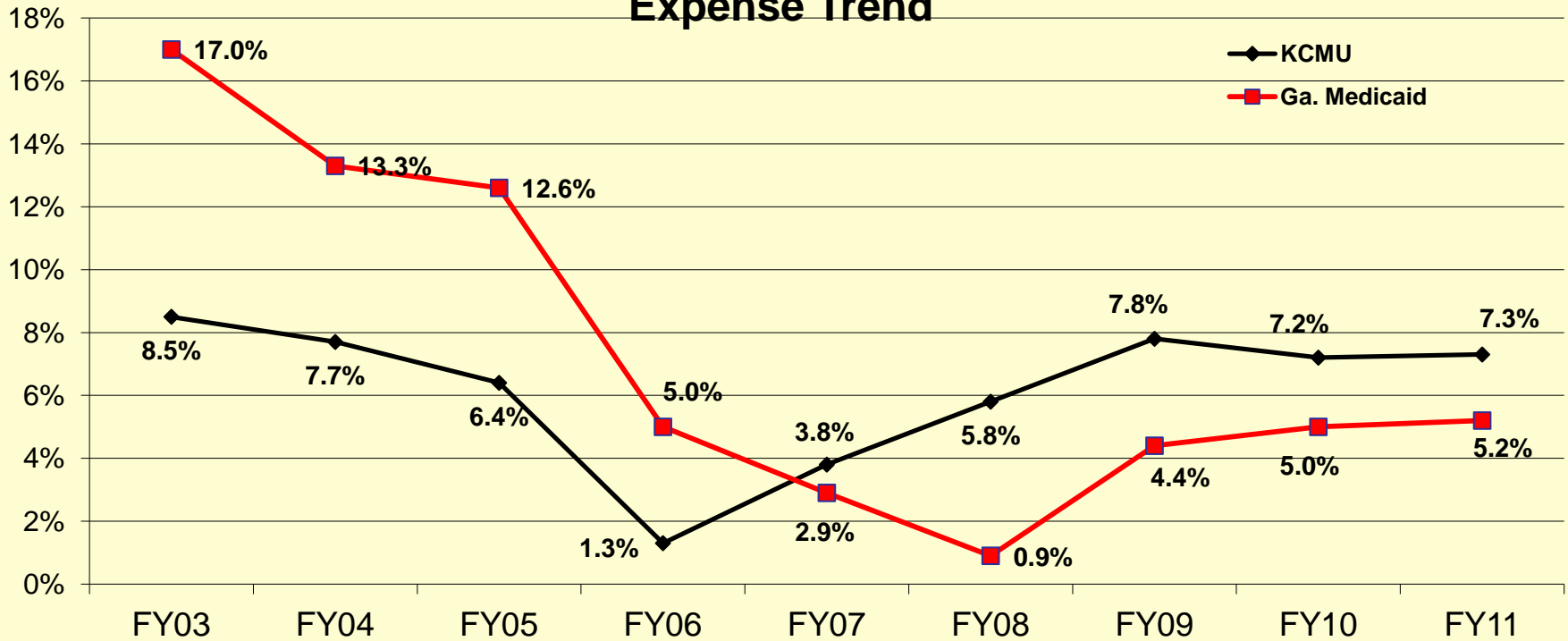


Medicaid Fast Facts

- **Covered Lives:** Medicaid and PeachCare cover 1.7 million Georgia citizens, 1.2 million (70%) of which are in managed care. 63% covered are children. Medicaid pays for 59% of all births in Georgia.
- **Total Funding:** \$7.8 billion (State and Federal Funds)
- **Claims Paid:** DCH pays out \$31.6 million for Medicaid and PeachCare benefits per day.
- **Claims Processed:** DCH processes over 176,000 Medicaid and PeachCare claims a day.

Medicaid Expense Trend

GA. Medicaid vs. National Medicaid Averages Expense Trend



KCMU – Kaiser Commission on Medicaid and the Uninsured
GA = Average 42% lower than National trend (past 5 years)

Medicaid Cost Per Member

Medicaid: Medicaid Personal Health Care Spending Per Enrollee (CY 2009)

	GA	AL	TN	FL	SC	NC	U.S.
Total	\$4,835	\$6,050	\$5,150	\$5,855	\$6,606	\$7,275	\$6,826

Source: CMS Medicare and Medicaid Research Review (2011, Vol. 1, No. 4)

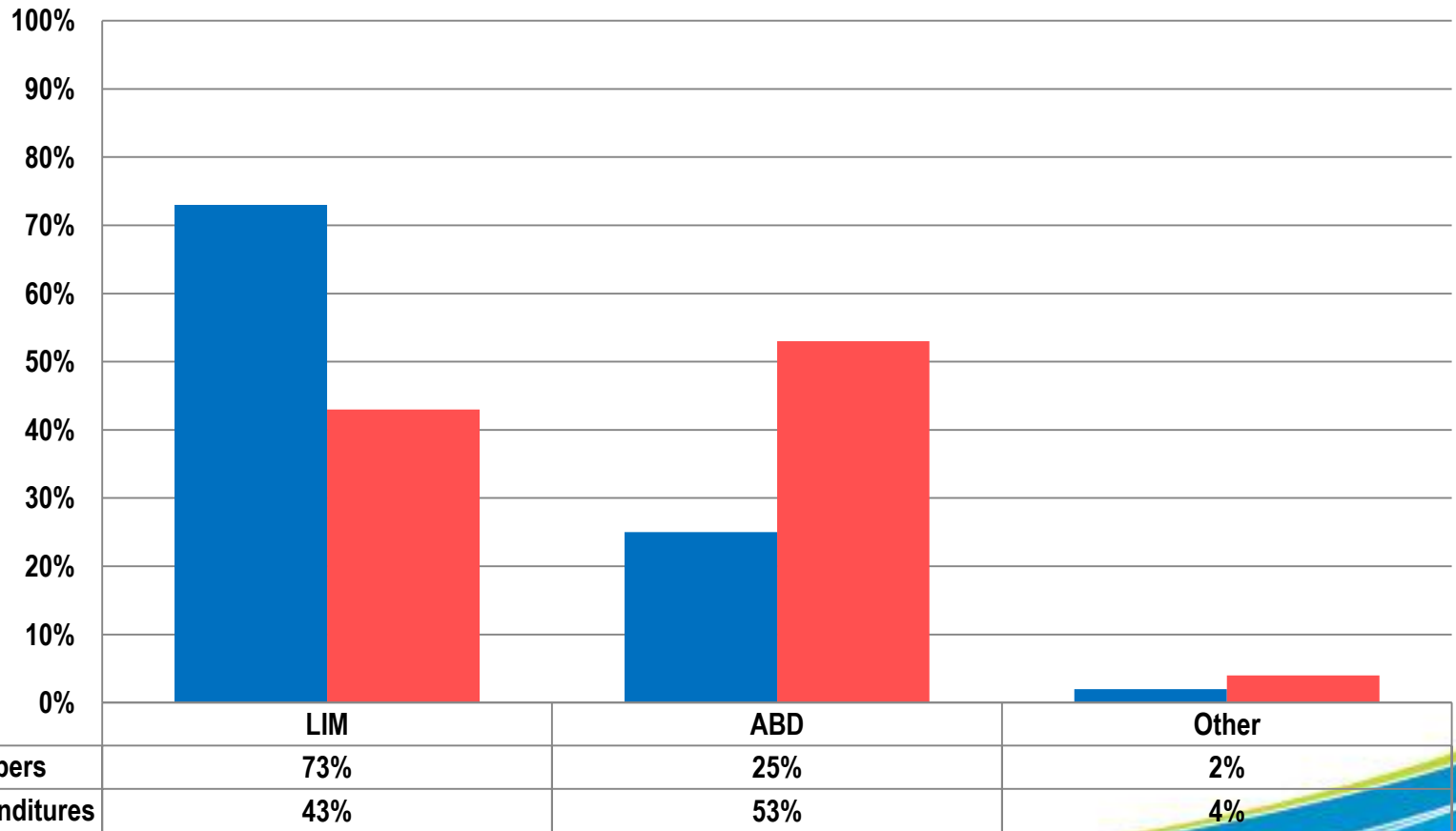
Medicaid: FFY2008 Average Payment Per Recipient (from Southern Legislative Conference, Council of State Governments)

	<u>GA</u>	<u>AL</u>	<u>TN</u>	<u>FL</u>	<u>SC</u>	<u>NC</u>
Total	\$4,009	\$4,227	\$4,324	\$4,606	\$4,990	\$5,000

Of the 16 states included in the study, Georgia had the 2nd lowest Average Payment Per Recipient.

ABD: 25% Medicaid Population – 53% Medicaid Expenditures

Enrollment vs. Expenditures



Other includes - Foster Care, Katie Beckett, Mental Retardation

Medicaid Aged, Blind, Disabled (ABD) + Low Income Medicaid (LIM) FY12 and FY13 Governor's Recommendation

	AFY12 Changes	FY13 Changes
FY12 Current State Budget (AFY12 includes \$6,500,000 in reserve funds while FY13 does not include these funds)	\$2,285,070,574	\$2,278,570,574
1. Transfer funds to the Indigent Care Trust Fund program for the state match for private deemed and non-deemed hospitals eligible for the Disproportionate Share Hospital program and reduce associated federal funds	(\$21,559,468)	\$-
2. Provide funds to maintain provider reimbursement and remove the 0.5% provider rate cut	4,728,957	4,728,957
3. Provide funds to adjust member copayments down to the nearest whole or half dollar	1,811,950	1,811,950
4. Increase Nursing Home Provider Fee to reflect FY12 projections and the preliminary projections for FY13 revenue	1,551,465	35,563
5. Increase the Nursing Home Provider Fee and use funds to update the nursing home reimbursement to reflect 2009 cost reports	10,683,139	21,516,878

Medicaid (ABD + LIM)

FY12 and FY13 Governor's Recommendation

	AFY12 Changes	FY13 Changes
6. Recognize FY2011 reserves and use to fund benefit expenses and reduce state general funds	(4,706,548)	-
7. Transfer funds from the Low Income Medicaid program to the PeachCare program to align with projected expenditures and adjust associated federal funds	(7,197,930)	-
8. Restore funds reduced from Low Income Medicaid in the FY2012 budget	77,555,551	77,555,551
9. Increase funds to maintain 12 months of care management organization (CMO) payments	75,612,649	75,612,649
10. Transfer funds from Low Income Medicaid program to Administration program for specified projects and reduce associated federal match	(3,965,079)	-
11. Increase funds to reflect the revised projection of Hospital Provider Payment revenue	1,430,214	11,163,979
12. Reflect savings from increased efforts to identify inappropriate and medically unnecessary service utilization	-	(4,165,200)

Medicaid (ABD + LIM)

FY12 and FY13 Governor's Recommendation

	AFY12 Changes	FY13 Changes
13. Increase funds to reflect a decrease in the Federal Medical Assistance Percentage (FMAP) from 65.95% to 65.71%	-	16,944,301
14. Provide funds for growth in Medicaid	-	22,463,724
15. Reflect federal funds from the Balancing Incentive Payment Program and invest in Medicaid long term services and supports (\$19,086,355)	-	Yes
16. Replace state general funds with Tobacco Settlement Funds (\$8,000,000)	-	-
Net Change	\$135,944,900	\$227,668,352
Revised Amount	\$2,421,015,474	\$2,506,238,926
% Change	5.95%	9.99%

PeachCare for Kids



PeachCare for Kids

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes	FY13 Changes
FY12 Current State Budget	\$55,439,478	\$55,439,478
1. Transfer funds from the Low Income Medicaid program to the PeachCare program to align with projected expenditures and adjust associated federal funds	7,197,930	-
2. Provide funds for projected enrollment increase from removing the PeachCare eligibility exemption for qualifying children of state employees	3,962,018	8,027,728
3. Increase funds to maintain 12 months of care management organization (CMO) payments	6,576,280	6,576,280
4. Provide funds for a provider rate increase to ensure provider access for children of state employees newly eligible and enrolled in PeachCare	2,313,834	4,688,225
5. Provide funds to adjust member copayments to the nearest whole or half dollar	229,550	229,550

PeachCare for Kids

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes	FY13 Changes
6. Provide funds to maintain provider rates and remove the 0.5% provider rate cut	\$349,622	\$349,622
7. Recognize FY2011 reserves and use to fund expense	Yes	-
8. Increase funds for projected benefits expense	-	3,791,481
9. Increase funds to reflect a decrease in the federal financial participation rate from 76.17% to 76.00%	-	475,979
Net Change	\$20,629,234	\$24,138,865
Revised Amount	\$76,068,712	\$79,578,343
% Change	37.21%	43.54%

State Health Benefit Plan Changes

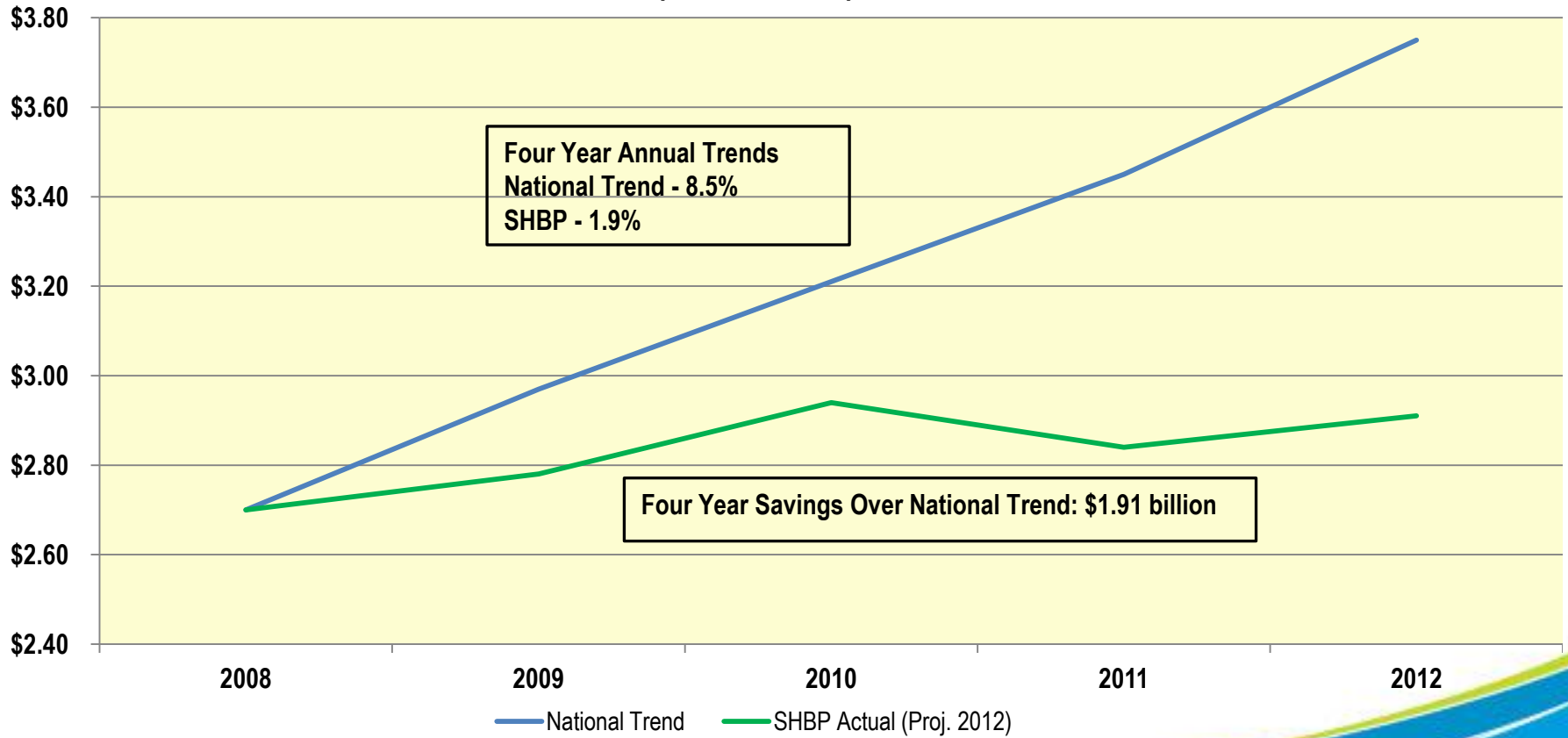


SHBP Fast Facts

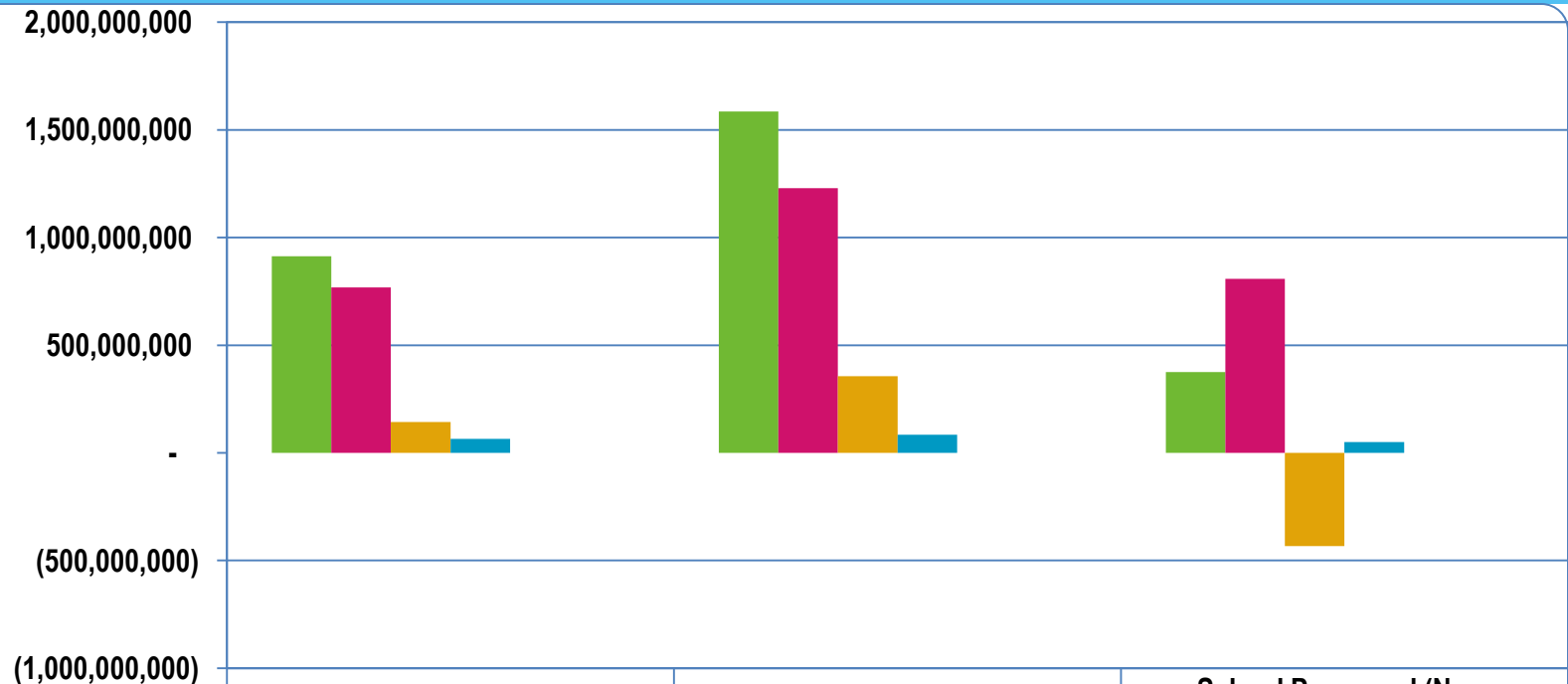
- **Covered Lives:** The SHBP covers 678,377 Georgians
 - Active Employees – 237,989
 - Retired Employees – 102,387
 - Dependents – 338,001
- **Total Funding:** \$2.9 billion (other funds)
- **Claims Paid:** On an average business day DCH pays out \$11.5 million for SHBP benefits.

SHBP Managed Well

5 Year Health Care Strategy (in \$billions)



SHBP Financial Plan Overview

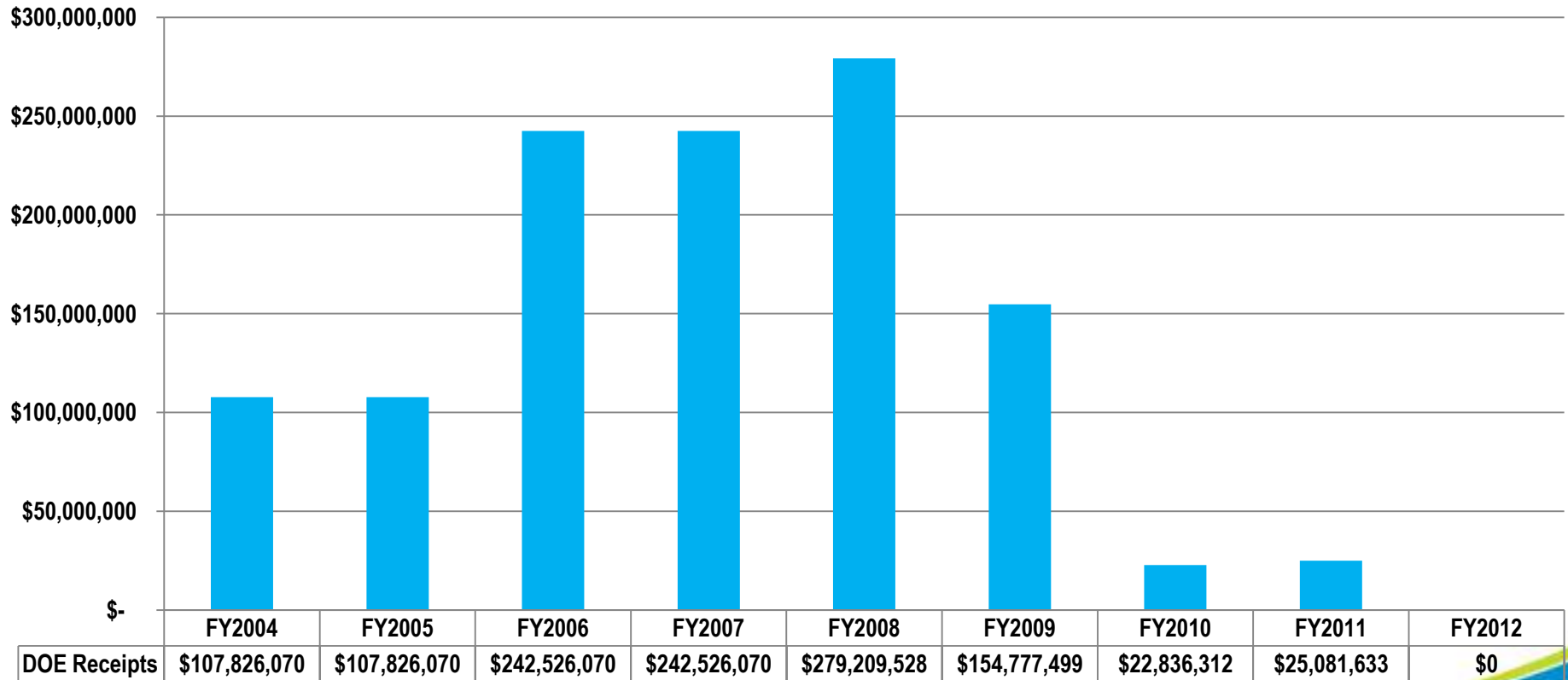


	State Employees	Teachers	School Personnel (Non-certificated)
■ Revenue	912,409,730	1,585,491,551	375,727,220
■ Expense	768,573,301	1,229,936,342	808,626,201
■ Surplus/(Deficit)	143,836,429	355,555,209	(432,898,981)
■ IBNR Liability	64,693,392	84,378,007	50,133,601
# of Active Members	60,733	106,668	71,197
# of Retiree Members	31,662	48,043	19,495

Represents FY11 Financial Activity

Department of Education Interagency Transfer

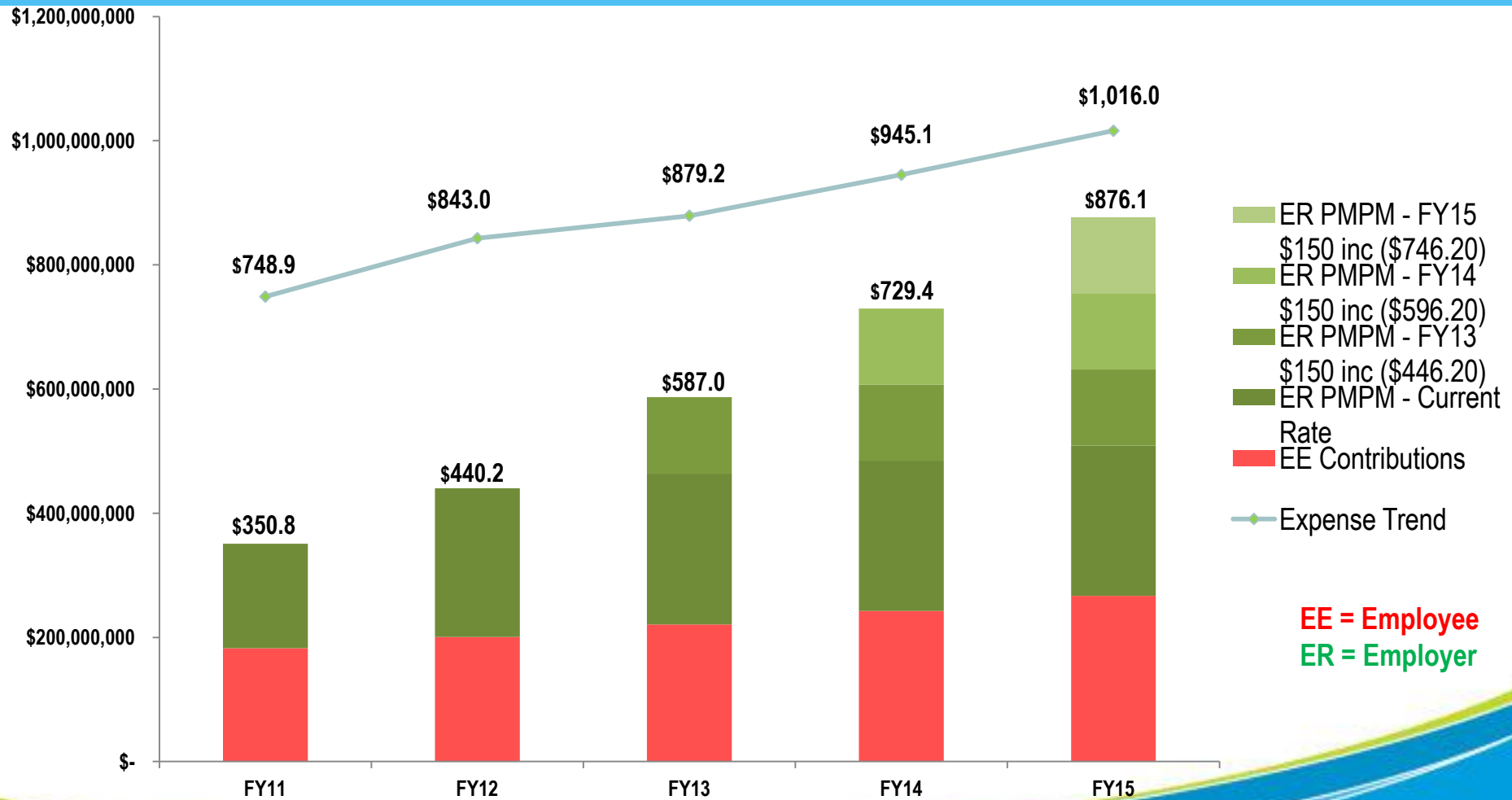
Department of Education Receipts



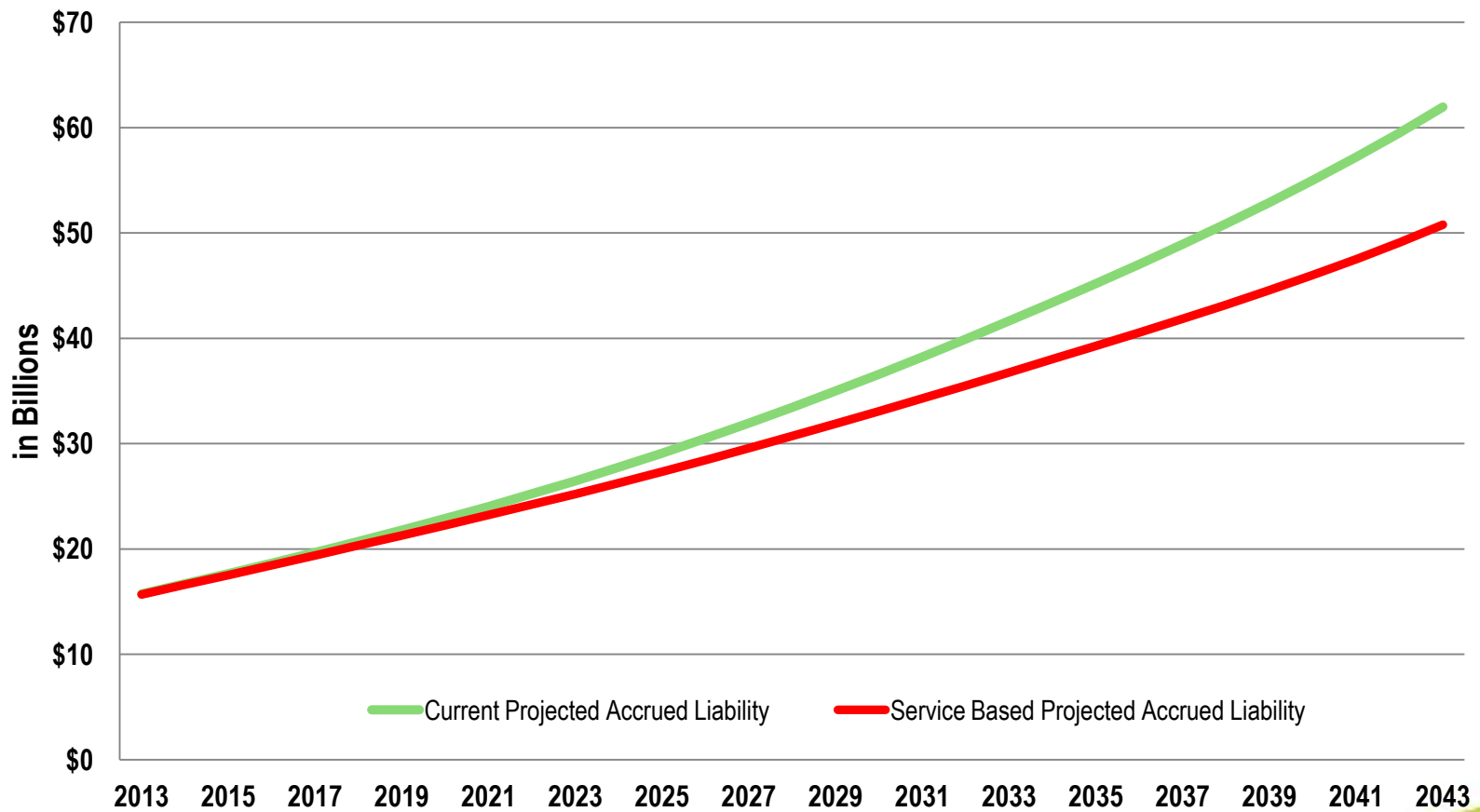
Action Taken to Address the \$815 million Deficit

- | | |
|---|-----|
| 1. Plan Design Changes | 45% |
| • Largest Wellness Plan in Nation | |
| 2. 3 Year Plan to Support Non-Certificated (“Classified”) Employees by Increasing the Employer Contribution | 38% |
| 3. Increase Employee Premiums 11-17% | 17% |
| • PPACA = 6% | |

3 Year Classified (Non-Cert) Plan FY13-FY15 Employer Contributions



Other Post Employment Benefits



State Health Benefit Plan

AFY12 and FY13 Governor's Recommendation

FY12 Current Budget \$3,084,954,412 – Other Funds	AFY12 Changes	FY13 Changes
1. Reflect updated revenue and expense projections	(\$122,019,942)	(\$116,306,875)
2. Reflect increase in expense for initial year of EnGAgement wellness plan	1,354,112	(28,968,166)
3. Implement a tobacco cessation program	1,200,000	2,800,000
4. Eliminate the bariatric surgery benefit	(1,750,000)	(3,500,000)
5. Reflect reduced expense from offering Tricare supplement plan to SHBP members who are former military personnel	(1,800,000)	(3,600,000)
6. Reflect reduced expense from the transition of eligible members to PeachCare	(16,000,000)	(32,000,000)
7. Reflect expense savings from implementing a mandatory specialty drug benefit	(3,620,000)	(3,817,392)
8. Reflect expense savings from implementing a voluntary mail order program for maintenance drugs	(1,500,000)	(1,581,792)

Note: The SHBP budget is 100% other funds.

State Health Benefit Plan

AFY12 and FY13 Governor's Recommendation

FY12 Current Budget \$3,084,954,412 – Other Funds	AFY12 Changes	FY13 Changes
9. Reflect expense savings from decreasing reimbursement rate for out-of-network providers	(33,100,000)	(33,100,000)
10. Reflect savings from implementing tiers for prescriptions in the HRA plan	(31,300,000)	(68,968,374)
11. Reflect savings from eliminating the vision benefit in the HMO plan	(2,300,000)	(4,722,689)
12. Reflect savings from plan change design changes in the Medicare Advantage plans	(2,989,289)	(2,989,289)
13. Reflect revenue from increased per member per month billings for non-certificated school service personnel from \$246.20 to \$296.20, effective September 2011	32,130,984	41,541,769
14. Increase per member per month billings for non-certificated school service personnel from \$296.20 to \$446.20, effective July 2012	-	114,106,407
15. Increase employee premiums 6.2% due to increased costs as a result of the requirements of the Patient Protection and Affordable Care Act (PPACA)	17,900,000	35,800,000

Note: The SHBP budget is 100% other funds.

State Health Benefit Plan

AFY12 and FY13 Governor's Recommendation

FY12 Current Budget \$3,084,954,412 – Other Funds	AFY12 Changes	FY13 Changes
16. Reflect reduction in projected reimbursement available through the Early Retiree Reinsurance Program from \$67,000,000 to \$25,000,000	(42,000,000)	-
17. Reflect depletion of prior year funds	(50,580,920)	-
18. Increase employer funding to the State Health Benefit Plan	81,234,441	68,956,408
19. Identify additional plan design and/or revenue strategies to cover projected FY13 expenses	-	(62,619,460)
20. Implement direct billing for employer contributions for certified personnel by setting a per member per month contribution that generates revenue equivalent to the percent of payroll amount	-	Yes
Net Change	(175,140,614)	(98,969,453)
Revised Amount	2,909,813,798	2,985,984,959
21. Incurred But Not Reported (IBNR)	199,205,000	199,205,000

Note: The SHBP budget is 100% other funds.

Healthcare Facility Regulation



Healthcare Facility Regulation Fast Facts

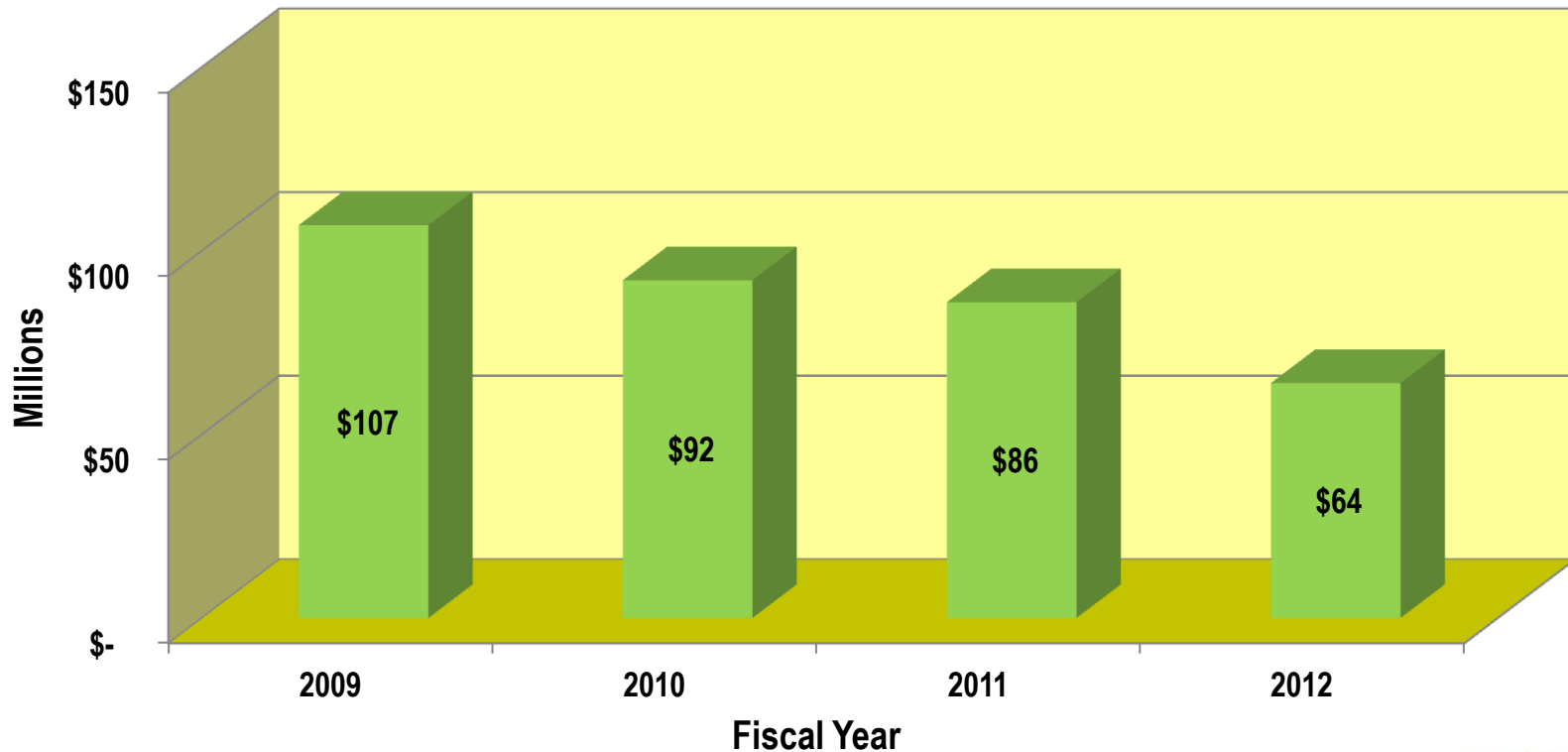
- Active facilities licensed: 14,732
- Annual/Periodic inspections: 2,674
- Complaints from the public: 2,605
- Initial and follow-up surveys: 2,712
- Incidents reported by facilities: 7,969
- Certificate of Need applications received for review: 97

DCH Administration



DCH Administration Budget by Fiscal Year

DCH Administration Budget - State Funds



Administration Funding Recommendations

		AFY 12 Funding Changes	FY 13 Funding Changes
1.	Statewide Changes	\$524,537	\$895,128
2.	Transfer funds from LIM for the Health IT Project and recognize federal matching funds	637,850	-
3.	Transfer funds from LIM for the Medicaid Incentive Program and recognize federal matching funds	925,554	1,150,000
4.	Provide funds for the federally mandated implementation of expanded diagnosis and procedure codes for Medicaid billing (ICD-10) (AFY12 – transfer from LIM)	1,142,675	1,663,396
5.	Provide funds for consulting contract to assess the managed care program (AFY12 – transfer from LIM)	1,250,000	650,000
6.	Reduce funds for operating expenses	(164,050)	(164,050)
7.	Reduce funds for contractual services	(1,355,230)	(1,119,230)

Administration Funding Recommendations

		AFY 12 Funding Changes	FY 13 Funding Changes
8.	Provide one-time funds to evaluate a new reimbursement methodology for outpatient services	\$-	\$600,000
9.	Provide funds to expand efforts to identify inappropriate and medically unnecessary service utilization	-	2,000,000
10.	Transfer funds for the Office of Health Information Technology and Transparency to the Health Care Access and Improvement program to better align budget with program purpose.	-	(494,460)
	Total	\$2,961,336	\$5,180,784

AFY 2012 and FY 2013 Budget Recommendations

Presentation on DCH Website

www.dch.georgia.gov

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