

**MINUTES OF THE
BOARD OF COMMUNITY HEALTH MEETING
August 26, 2010**

Members Present

Ross Mason, Vice Chairman
Archer Rose, Secretary
Norman Boyd
Dr. Inman C. "Buddy" English
Hannah Heck
Sidney Kirschner
Jamie Pennington
William H. Wallace, Jr.

The Board of Community Health held its regularly scheduled meeting at the Department of Community Health, Fifth Floor Board Room, 2 Peachtree Street, N.W., Atlanta, Georgia. Commissioner Clyde L. Reese, III, 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). Vice Chairman Mason called the meeting to order at 10:35 a.m.

Minutes

The Minutes of the July 8, 2010 meeting were UNANIMOUSLY APPROVED and ADOPTED.

Chairman's Opening Comments

Vice Chairman Mason announced that former Chairman Richard Holmes' term had expired. Mr. Holmes has served on the Board of Medical Assistance and Board of Community for over 12 years. Mr. Mason said he had the privilege of working with him for the past five years, and Mr. Holmes has been an incredibly unselfish public servant, a wonderful leader and made a tremendous contribution to the Department. Mr. Mason recommended introducing a resolution to honor Mr. Holmes' service to the Board. Mr. Rose added he had worked with Mr. Holmes for three years and Mr. Holmes' leadership without question kept the Board focused on its mission. He concurred that a public resolution should be drafted, signed and entered into the Minutes.

Committee Report

Mr. Rose, Chair of the Audit Committee, shared with the Board an *Audit Context Guide* that was developed by staff. The Committee received an update on the MMIS Implementation. He said staff indicated that they are comfortable with the November 1 go-live date. Also, the Committee received an update on the FY 2010 independent audit in which there are five additional (Public Health) programs to audit instead of two (Medicaid and PeachCare). The challenge is for DCH staff to implement the new MMIS and support the audit process for the Joint Venture to complete its audit and issue an opinion by December 1, 2010.

Commissioner's Comments

Commissioner Reese began with an update on the Public Health Commission. The reorganization of the health agencies provided for a Public Health Commission composed of nine members appointed by the Governor, Speaker of the House and the Lieutenant Governor to determine the ultimate disposition of the Public Health programs. The Commission's options include leaving Public Health as a division within the Department of Community Health, spinning off Public Health into a separate independent state agency, administratively attaching Public Health to another department or placing Public Health as a division of another state agency. The Commission was appointed and has met twice and heard testimony from various persons. The Commission will meet September 13 and through the fall, submit a written report to the Governor and General Assembly by December 1, and disband on December 31. Changes as a result of the Commission's recommendations will be made through legislation.

Commissioner Reese stated that the Department took an eight-week period of testing of the new Medicaid Management Information System (MMIS) to try to make a realistic determination as to whether or not the Department should go forward with a November 1 go live date. Staff has devoted yeoman hours to testing the system to determine whether it is a viable alternative and November 1 is a viable date. He said the goal is to have a modern functioning improved MMIS and avoid many of the pitfalls that occurred during the 2003 MMIS implementation. Commissioner Reese said he recommended to the Governor that the Department go forward with the November 1. The Governor approved the recommendation so the Department is moving forward with Hewlett Packard (HP), the new fiscal agent. Commissioner Reese stated that these type projects are very difficult and typically there are delays and glitches at go live; the Department does not expect 100 percent functionality with no problems. The Department is developing mitigation strategies to deal with glitches and avoid a repeat of the 2003 MMIS Implementation.

Commissioner Reese said the Board will hear from the Department today budget proposals that will be submitted to the Governor's Office of Planning and Budget for the Amended Fiscal Year 2011 and the Fiscal Year 2012 budget. He stated these are not pretty numbers; it is not a pretty picture. The fiscal situation of the State is not good. State Agencies were asked to present proposals for FY 2011 that include 4, 6 or 8 percent cuts, and for FY 2012, 6, 8 and 10 percent cuts. The Board will be asked to vote on the proposals at the September 9 meeting. Commissioner Reese said the Department will accept written comments in response to the budget proposals presented today and will provide the comments to the Board for its consideration prior to the September meeting.

Commissioner Reese thanked Mr. Holmes for his service. He said Mr. Holmes had been through various iterations of the old Department of Medical Assistance and the Department of Community Health. He stated that Mr. Holmes has been a stellar leader of the Board and appreciated his service to the Department.

Commissioner Reese introduced and welcomed two new members of the Board: Mr. Bill Wallace and Ms. Jamie Pennington. Ms. Pennington stated that she has been a resident of Georgia for almost her entire life. She started her career on Wall Street, left there in 2007 and started a professional services company that is national in scope that provides cost effective solutions for companies while maintaining a growth trajectory. Ms. Pennington said she looks forward to serving on the Board and appreciates the opportunity. Mr. Wallace stated he was a retiree of the University System of Georgia. He served as the Associate Vice Chancellor for Human Resources and was responsible for all employee benefit programs for the University System. Also Mr. Wallace served as Chair and Co-Chair of two task forces for a Commission for a New Georgia; the State Health Benefit Plan Task Force and the Recruitment, Retention and Retiree Benefits Task Force. He said he was honored to serve on the Board and believed in opportunities for public-private partnerships.

Lastly, Commissioner Reese stated that the Board will elect a new Chairman at the September meeting.

Department Update

Dr. Jerry Dubberly, Chief, Medical Assistance Plans, presented two public notices. The Children's Intervention School Services Public Notice provides for a proposed implementation of a cost settlement and reconciliation process for Children's Intervention School Services Program. This action would be effective for dates of service on or after October 1, 2010, with the first reconciliation and cost settlement occurring in 2012. The purpose of the public notice is to more accurately reflect the cost to actual payments for Medicaid and direct medical services provided to the Medicaid recipient in a school setting and consistent with their Individualized Education Plan (IEP). Dr. Dubberly said it is important to note this action has no budgetary impact to DCH since all non-federal funds associated this action would be put in the form of certified public expenditures by the Local Education Agency. There will be opportunity for public comment on September 21 with written comments accepted through September 24. Ms. Heck MADE a MOTION to approve for initial adoption the Children's Intervention School Services Public Notice to be published for public comment. Mr. Boyd SECONDED the MOTION. Vice Chairman Mason called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Children's Intervention School Services Public Notice is attached hereto and made an official part of these Minutes as Attachment # 3).

Dr. Dubberly presented the revised Nursing Home Services Public Notice regarding the Nursing Home Provider Fee. The proposed changes would increase the nursing home provider fee from \$12.21 per day to \$13.39 per day effective October 1, 2010. This public notice and action is necessary in order to continue to support the Fair Rental Value System (FRVS) that is in place in the State for the nursing homes. The non-federal share that would be generated through this increased fee would be \$8.8 million; total funds \$35.3 million to support the FRVS initiative. There will be opportunity for public comment on September 30 with written comments accepted through September 30. Mr. Rose MADE a MOTION to approve for initial adoption the Nursing Home Services Public Notice to be published for public comment. Dr. English SECONDED the MOTION. Vice Chairman Mason called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Nursing Home Services Public Notice is attached hereto and made an official part of these Minutes as Attachment # 4).

Scott Frederking, Interim Chief Financial Officer, began the presentation on the State Health Benefit Plan (SHBP) Financial Status. Calendar Year 2010 is year three of a five-year strategy to promote consumer directed health care. In FY 2008 revenue exceeded expense by \$225 million. This combined with prior fund balances from FY 2007 created a \$472 million roll forward balance in FY 2009. Revenues from the SHBP were reduced in the later part of FY 2009 due to lower employer contributions and DOE funding. At the same time revenues were being reduced, expenditures started to climb. Expense growth between FY 2008 and FY 2009 was about 10.5 percent.

Mr. Frederking reviewed changes in the FY 2010 Employer Contributions. There was a 22 percent decrease in employer revenues as collection methods changed. Also DOE contributions on behalf of school personnel decreased from \$279 million to \$124 million with a \$30 million increase from prior year contributions. Finally the use of the fund balance was used in lieu of current year contributions. The Health Plan had a significant fund balance that was basically used to shore up the State's budget as a whole. The FY 2010 Revenue/Expense Statement is as follows: total revenue for the Plan at the end of FY 2010 was about \$2.7 billion while cash expense was \$2.9 billion resulting in a deficit of \$219.9 million that was covered by IBNR Reserve.

For FY 2011 the Department expects to have a \$277.8 million or 11.3 percent growth in employee and employer revenues as compared to FY 2010. For FY 2012 the Department expects to have a \$13.2 million or 0.5 percent decrease in employee and employer revenues as compared to FY 2011. Projected FY 2011 Revenue/Expense is as follows: total revenue \$2.795 billion; total expense \$2.95 billion; resulting in a \$155.3 million deficit. Projected FY 2012 revenue/expenses are: \$2.8 billion total current year revenue; total expense \$3.186 billion; resulting in a \$243.9 million deficit.

Mr. Boyd asked if the consumer directed strategy is working and if it is working, what can the Department do to increase enrollment in a CDHP. Ms. Trudie Nacin, Chief, State Health Benefit Plan said the strategy is working and began outlining CY 2011 changes to address the deficits.

Ms. Nacin reviewed Plan Design changes which include an increase in deductibles and out of pocket maximums for all options and elimination of the OAP option. In the Medicare Advantage Plan changes include out of pocket increases, pharmacy co-payment changes, and eliminating premium discounts for enrollment in parts of Medicare. Healthcare Reform Impact includes expanded preventive care and extended dependent care coverage. The SHBP is required to cover eligible dependents ages 19 through 25 regardless of student status. The projected plan expense is \$36.9 million; half of this expense will be passed to the member as additional premium for those tiers covering children. Tobacco and spousal surcharges will increase and will be expanded to retirees.

The Supplemental Funding Plan for FY 2011 is to maintain percent of payroll at current rates through March 11; decrease percent of payroll toward the end of the fiscal year so that SHBP billings to agencies and school districts stay within their FY 2011 appropriated amounts; increase per member per month billings to school systems for non-certificated school service personnel effective December 2010; request \$50 million in additional state funds in the Amended FY 2011 budget; increase member premiums 10 percent in CY 2012 and maintain \$218.20 PMPM billings to school systems in FY 2012. With these proposals the FY 2011-12 Revenue/Expense totals would result in a \$26.5 million surplus. In FY 2012 the total current year revenue is projected at \$2.940 billion total year revenue; total expense \$2.97 billion resulting in at \$37.3 million deficit.

Ms. Nacin said next steps are to ask the Board to adopt resolutions to approve employee premiums for CY 2011 based on Plan Design Changes and premium increases and Employer Contributions based on percent of payroll and non-certificated PMPM increase; submit an Amended FY 2011 budget request for \$50 million in additional funding to support FY 2011; and continue to work with stakeholders to develop a strategy to address the projected FY 2012 deficit. Ms. Heck MADE a MOTION to adopt a Resolution – State Health Benefit Plan Employer Contribution Rates for FY 2011, a Resolution – State Health Benefit Plan Calendar Year 2011 Contribution Rates for Active Employees/Annuitants Not Eligible for Medicare and for Other Individuals Eligible for SHBP Coverage, and a Resolution – State Health Benefit Plan Rates for Medicare Eligible Annuitants Calendar Year 2011. Mr. Rose SECONDED the MOTION. Vice Chairman Mason called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (Copies of the State Health Benefit Plan Financial Status Presentation, a Resolution – State Health Benefit Plan Employer Contribution Rates for FY 2011, a Resolution – State Health Benefit Plan Calendar Year 2011 Contribution Rates for Active Employees/Annuitants Not Eligible for Medicare and for Other Individuals Eligible for SHBP Coverage, and a Resolution – State Health Benefit Plan Rates for Medicare Eligible Annuitants Calendar Year 2011 are attached hereto and made official parts of these Minutes as Attachments # 5, 6, 7 and 8 respectively).

Mr. Frederking continued with a presentation of the Amended FY 2011 and FY 2012 Program Budgets. The Department will seek approval of the budget proposals at the September 9 meeting. The FY 2011 State Fund budget is \$12.1 billion total funds and \$2.07 billion state funds. The Office of Planning and Budget 's (OPB) budget instructions for the Amended FY 2011 budget were 4, 6 and 8 percent budget reduction for all programs including Medicaid and PeachCare. FY 2012 budget cut levels are 6, 8 and 10 percent for all programs including Medicaid and PeachCare; funds earmarked for GAIT are exempt from cuts; tobacco settlement revenue not exempt from cuts; loss of stimulus enhanced matching funds will not be borne by DCH; revenues from Hospital Provider Payments and Nursing Home Provider Fees are exempt from cuts; and DCH must identify additional cuts to cover any enhancements to the budget.

Mr. Frederking reviewed the AFY 2011 and FY 2012 budget cuts for each program. In the Public Health Division the approach to budget reductions were all programs with take a 4 percent cut in AFY 2011 and a 6 percent cut in FY 2012, eliminate any staff vacancies or contracts not critical to program mission to reach the 6 percent level; reduce funds based on prior year expenditure levels to reach the 8 percent level; the balance of the 8 percent cuts will come from Adolescent and Adult Health Promotion; and no fee increases. Also, he reviewed the Public Health Grant In Aid Reductions which will impact county boards of health.

In the Medicaid budget the AFY 2011 and FY 2012 Budget exemptions include items requiring state funding that are exempt from cuts and will be addressed by the Governor's Office of Planning and Budget as part of their budget development process: ARRA Stimulus FMAP Funding Shortfall, Medicaid and PeachCare Growth, and FY 2012 Loss of Medicare Part D Credit and Reduced Payments. Mr. Frederking reviewed the revised Total AFY 2011 state Funds Need: Target Cuts and Shortfall for the AFY 2011 budget recommendations which include implementing a provider rate cut effective January 2011, ranging from an 8.9 to 18.5 percent rate cut (hospitals, hospices, RHCS and FQHCs would not be included). He also reviewed additional items impacting Medicaid and PeachCare State Fund Need in FY 2012 and the FY 2012 budget recommendations which include cuts to provider rates ranging from 7.1 percent to 10.8 percent. Mr. Frederking stated that if hospitals are included in this rate cut, the rate cut could be reduced

to about 4.5 percent at the 6 percent cut level, 5.7 percent at the 8 percent cut level, and 6.8 percent at the 10 percent cut level. He said one alternative the Board may want to consider is making the rate cut to providers consistent between years at 7.1 percent; however, the Department would not meet OPB's cut targets and may not be acceptable to OPB.

In summary, Mr. Frederking said in the Medicaid-PeachCare programs the Department had to identify large amounts of cuts to satisfy OPB's requirements. There were other shortfalls in the budget due to cuts. The options were limited and few alternatives left except to look at provider rates. He said the Department understands the serious nature and potential impact to the PeachCare and Medicaid programs as well as the providers. He asked the Board to consider the proposals over the next two weeks and call him if they had questions. The Department will ask the Board for approval of the proposals at the September board meeting. (A copy of the Amended FY 2011 & FY 2012 Program Budgets Presentation is attached hereto and made an official part of these Minutes as Attachment # 9).

Vice Chairman Mason said written comments regarding the budget proposals should be written to the Department. He welcomed new board members Jamie Pennington and Bill Wallace to the Board.

Adjournment

There being no further business to be brought before the Board, Vice Chairman Mason adjourned the meeting at 12:10 p.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE _____ DAY OF _____, 2010.

Chairman

Secretary

Official Attachments:

- #1 List of Attendees
- #2 Agenda
- #3 Children's Intervention School Services Public Notice
- #4 Nursing Home Services Public Notice
- #5 State Health Benefit Plan Financial Status Presentation
- #6 Resolution – State Health Benefit Plan Employer Contribution Rates for FY 2011
- #7 Resolution – State Health Benefit Plan Calendar Year 2011 Contribution Rates for Active Employees/Annuitants Not Eligible for Medicare and for Other Individuals Eligible for SHBP Coverage
- #8 Resolution – State Health Benefit Plan Rates for Medicare Eligible Annuitants Calendar Year 2011
- #9 Amended FY 2011 & FY 2012 Program Budgets Presentation