

**MINUTES OF THE
BOARD OF COMMUNITY HEALTH MEETING
August 28, 2008**

Members Present

Richard Holmes, Chairman
Ross Mason, Vice Chairman
Dr. Inman C. "Buddy" English
Kim Gay, Secretary
Raymond Riddle
Richard Robinson (via phone)
Archer Rose

Members Absent

Dr. Ann McKee Parker

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 10:40 a.m.

Approval of Minutes

The Minutes of the July 10 and August 14, 2008 Meetings were UNANIMOUSLY APPROVED AND ADOPTED.

Committee Reports

Kim Gay, Chair of the Care Management Committee, said the Committee reviewed the monthly status reports and External Quality Review Organization (EQRO) activities, and received an update on the Myers and Stauffer CMO Audit on hospital issues. Ms. Gay said DCH has made appointments to the DCH Clinical Quality Committee which met on August 27.

Commissioner's Comments

Dr. Rhonda Medows, Commissioner of DCH, reviewed the Department's goals--access to affordable, quality health care, responsible health planning, and healthy behaviors and improved health outcomes--to show the Department's stream of thinking as it developed the budget recommendations. She said the Department received two budget directions: 1. prepare options for 6%, 8%, and 10% administrative budget reductions for FY 2009 and FY 2010; 2. in addition and separate of the administrative budget reductions, the Department was asked to prepare options to reduce the Medicaid and PeachCare program benefits by 5% for both FY 2009 and 2010.

Dr. Medows said the administrative budget is about 3% of DCH's total budget. The 6, 8, and 10% administrative budget cuts total about \$7 million, \$9 million, and \$12 million respectively. The percentage of budget cuts chosen will be left up to the Governor's Office and Office of Planning and Budget (OPB) depending on revenue estimates. Work that is included in the administrative budget items include administrative services and support for Medicaid, PeachCare, State Health Benefit Plan, Certificate of Need, Health Improvement Programs, State Grants and Rural Health. This would also impact Legal Services, Finance and Accounting, Operations, Information Technology, Customer Service, Communications, and Personnel. Included in the 6% reduction would include personnel funding; however there are no plans for furloughs or layoffs at DCH. This would also include reductions in operating expenses, contracts and new funds that were to be put in place in 2009 for new programs. Included in the 8% reductions are the 6% reductions plus portions of existing grant programs. The 10% cut would include the bulk of the funding for existing grant programs as well as those slated for 2009.

Dr. Medows said with respect to the Medicaid and PeachCare benefit reductions, a 5% reduction amounts to about \$113.8 million each year which includes this year. She listed in order of importance DCH's priorities to preserve and fund: 1. people in need – mandatory populations, mandatory benefits and services, state funded optional populations and optional benefits and services; 2. provider payment for care – maintain FY 2008 Medicaid reimbursement rates and delay FY 2009 provider rate increases; 3. CMO health plan rates – current FY 2008 rate continues into FY 2009; 4. Capitol Expenditures Paid by the State for Providers; and 5. Medicaid Financial Integrity and Recovery – two potential areas of new

revenue or revenue increase: current program integrity and third party liability efforts and revenues generated through CMO provider fees.

Recommendations for the Medicaid and PeachCare benefit budget for Fiscal Year 2009 include: preserve eligibility and benefits for Medicaid and PeachCare members (no reductions), delay provider rate increases to July 1, 2009, increase recoveries and coordination of benefits through an intra-state database, and reduce the PeachState CMO capitation rates.

Dr. Medows said for Fiscal Year 2010, the Department thinks it has found another source of revenue that would allow the Department to not reduce Medicaid benefits. Dr. Medows said Georgia, like 14 other states, uses a CMO provider fee as a source of revenue to fund the Medicaid program. For FY 2009 that was \$90 million. A portion of the federal law, the Deficit Reduction Act of 2005, goes into effect that instructs and requires States that use provider fees for managed care entities to apply that provider fee across managed care plans, including commercial plans. That provider fee, when applied at the 3% level would allow the Department to cover both the \$90 million that is built into the Medicaid base, but also cover the \$113 million reduction. Dr. Medows asked the Board to consider the recommendation to use the provider fee in compliance with federal law. She said the final rule from the Centers for Medicare and Medicaid Services (CMS) regarding this provider fee passed in February 2008. The state law passed in 2005 references the federal law.

Dr. Medows also reviewed a list of alternatives the Department would have to consider if the expanded provider fee was not used. These alternatives included reducing provider rates, removing entire categories of Medicaid eligibles and removing entire categories of benefits and services. Dr. Medows said if the provider fee option is not used the Department will have to replace the \$113 million budget reduction plus \$90 million to fill in the gap of not having the provider fee—a \$193 million deficit.

Dr. Medows said in regards to the Health and Human Services Reorganization, Governor Perdue and a host of legislators announced yesterday plans to reorganize the state Health and Human Services agencies. The Department of Community Health will be merged with the Division of Public Health effective July 2009 pending approval from the General Assembly in the upcoming Session. A new Department of Health will be created and will include all existing DCH programs, Public Health and portions of the Office of Regulatory Services. The FY 2010 Public Health budget will be created by the Department of Human Resources, but the FY 2010 Amended Budget will be the responsibility of the new Department of Health.

Department Updates

Carie Summers, Chief Financial Officer, began the overview of the Amended FY 2009 and FY 2010 budget recommendations that are due to OPB by September 2. The total state funds that are subject to reduction in FY 2009 are about \$120 million. The Department will have to identify \$7-12 million in cuts to the Healthcare Access and Improvement and Administration budgets. The Amended FY 2009 Budget Cuts are grouped into General Operation Reductions and Program Specific Reductions. For FY 2010 the target is about the same--\$12 million--again mostly General Operating Reductions and Program Specific Reductions.

There are no plans for expenditure reductions in the State Health Benefit Plan at this time. The FY 2009 and FY 2010 budget request considers moving to two statewide health plan vendors, each offering five different plan designs, and strategic premium pricing to incentivize members to enroll in Consumer Directed Health Plans and Medicare.

The Department of Human Resources Office of Regulatory Services will transition certain functions to DCH effective July 1, 2009. Approximately 171 positions will be transferred to DCH. An independent CPA firm has recommended a total budget transfer of \$12.6 million total funds and \$5.6 in state funds that would need to come to DCH from DHR to cover the cost of those positions. The Department is working with DHR and OPB to achieve an agreed upon amount to transfer between the two agencies.

Ms. Summers moved on to the PeachCare for Kids Program and described factors influencing PCK expenditures in 2008, PCK enrollment, Per Member Per Month (PMPM) Expenditure Growth in FY 2009 and FY 2010, and the status of future PCK federal funding. The budget request assumes reauthorization of SCHIP and the availability of sufficient federal funding beginning April 1, 2009 through June 30, 2010. In FY 2008 the PCK state fund revenue was \$96.8 million; the FY 2009 projected amount is \$95.6 million; and the FY 2010 projected amount is \$98.3 million.

Ms. Summers reviewed previous Medicaid cost control initiatives in FY 2004-2007 and the factors influencing Medicaid expenditures (savings) in 2008 including removal of duplicate Medicaid Identification numbers; focus on community-based long term care services; impact of Disease Management for select aged, blind, and disabled members; and Medicaid Program Integrity recovery efforts.

Ms. Summers reviewed the FY 2009 and FY 2010 Medicaid Enrollment projections. In FY 2009, the Medicaid monthly enrollment projection is a 2.3% increase. In FY 2010, the projection is 1.5% increase. The projected Fee-for-Service PMPM inflationary growth is 3.8% for FY 2009 and 3.6% for FY 2010. The projected Georgia Families CMO PMPM is a net increase of 5.3% based on expected FY 2009 enrollment and pending CMS approval. In summary, the Medicaid state fund revenue was \$2.5 billion in FY 2008, a projected \$2.4 billion in FY 2009; and a projected \$2.2 billion in FY 2010. The Department is returning about \$139.8 million surplus funds to the Treasury in FY 2008; a projected \$67.4 million surplus funds in FY 2009, but projects a \$222.5 million deficit in 2010.

Next Ms. Summers discussed Medicaid and PCK budget benefit reductions. Before reductions, DCH has \$2.5 billion in revenue and only need about \$2.4 billion in expenditures; thus a \$67.4 million surplus. The 5% target reduction is \$113 million minus \$67.4 million surplus equals \$46.4 million target budget reduction. In order to achieve the reductions, Amended FY 2009 budget recommendations include a projected \$67.4 million surplus, \$7 million addition, \$58 million reduction--total net change is \$118.4 million which exceeds the target by \$4.7 million. Dr. Medows added that when the Department used the surplus at the end of FY 08 to be counted toward the reduction requirement, the department moved into a cash basis--meaning the Department has no reserves.

FY 2010 budget recommendations include a 5% target reduction that is \$113.8 million; \$11 million total base adjustments; \$1.5 million addition; \$11.4 million recommended policy changes, which leaves a remaining target reduction of \$92 million.

Ms. Summers gave an overview of the CMO Quality Assessment Fee. As Dr. Medows mentioned, the state law was enacted in May 2005. Each CMO is assessed a Quality Assessment (QA) fee based on a percentage of their gross direct premiums that is currently at 5.5%. The QA fee provides a matching state fund source to draw down federal Medicaid and PCK revenue. The use of fees to match federal funds is driven by federal regulation. The state definition of a CMO is linked to federal definition. Currently the CMO is defined federally as a Medicaid Managed Care Organization. Effective October 1, 2009, the federal definition changes from "Medicaid Managed Care Organizations to "Managed Care Organizations." CMOs subject to the fee will expand to all CMOs/HMOs in the state operating under a certificate of authority from the Department of Insurance.

Ms. Summers stated there are two choices to handle the impact of the federal change. Choice A is to continue with the QA fee and comply with federal law by expanding the assessment to apply to all managed care plans—not just Medicaid CMOs. Choice B is to discontinue the use of the QA fee and reduce benefits expenditures by \$90 million to address the loss of the CMO QA fee revenue projected to be received from the Medicaid CMOs in FY 2010.

As the Department moves forward to address the \$92 million to meet the remaining target, if Choice A is chosen and the fee is set at 3% and expands the definition to all CMOs, DCH believes that would generate about \$112 million in addition to the \$90 million generated by the current Medicaid CMOs. If Choice B is chosen, which is to end the CMO program, the state does not receive the additional federal dollars and has to replace the lost CMO QA fee revenue with state funds if the program is not compliant with federal definitions—meaning the revised remaining target would be \$182 million (state funds). Ms. Summers reviewed a list of additional options to meet the target if Choice B is chosen.

Ms. Summers said in summary, the choices are Choice A—following the federal definition and expand CMO QA fee which generates \$112 million and more than covers the target or Choice B which the State receives no additional dollars, loses the current QA fees, and additional reductions are far less than what is needed to meet the target.

Dr. Medows highlighted several key points: 1. there are two separate budget instructions—one is administrative and the other is the Medicaid/PCK benefit budgets; 2. the administrative budget reduction options for FY 2009 and FY 2010 are 6, 8 and 10% reductions; 3. the Department is recommending that the Medicaid/PCK eligibility and benefits be preserved and that the rate increases that were planned for FY 2009 for both the providers and CMOs be delayed; 4. the Department recommends no reductions but instead apply the provider fees for managed care organizations across the board as required by federal law. She noted that the

managed care entities that would be impacted by the provider fee do not include Medicare, Indemnity, PPO or self-insured plans. The fee would be applied to the remaining commercial plans as well as the Medicaid managed care plans. Ms. Summers concluded the overview of the budget recommendations.

Mr. Mason MADE a MOTION to approve the FY 2009 Amended and FY 2010 budget proposals as presented by the Department. Ms. Gay SECONDED the MOTION. Chairman Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Amended FY 2009 and FY 2010 Program Budgets presentation is attached hereto and made an official part of these Minutes as Attachment # 3).

As a result of the Board's approval of the budget recommendations, Ms. Summers presented a Public Notice that would change the effective date for the provider rate enhancements. The notice changes the effective date from July 1, 2008 to July 1, 2009, subject to state fund availability and federal approval. The notice addresses Nursing Facilities, Dentists, Physicians, Healthcheck, Digital Mammography, Inpatient Hospitals, Outpatient Hospitals, Home Health, Independent Care Waiver Program and Emergency Ambulance. Mr. Riddle MADE a MOTION to approve the Public Notice to be published for public comment. Mr. Rose SECONDED the MOTION. Chairman Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Public Notice is attached hereto and made an official part of these Minutes as Attachment # 4).

Ms. Summers presented another Public Notice that addresses the Community Care Services Program (CCSP) and Psychiatric Residential Treatment Facilities (PRTF) program. The state funds for these two programs are in the Department of Human Resources budget. The Board of Human Resources met earlier this month and made the decision to not increase rates in Fiscal Year 2009. This Public Notice rescinds the Public Notice that was previously approved by the Board of Community Health in July and rescinds the 3% reimbursement increase for the Community Care Services Program and a change in the per diems for PRTFs using the 2006 cost report and placing a cap of \$370 per day. Ms. Gay MADE a MOTION to approve the Public Notice to be published for public comment. Mr. Mason SECONDED the MOTION. Chairman Holmes called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Public Notice is attached hereto and made an official part of these Minutes as Attachment # 5).

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 _____, 2008.

RICHARD L. HOLMES
Chairman

KIM GAY
Secretary

Official Attachments:

- #1 List of Attendees
- #2 Agenda
- #3 Amended FY 2009 and FY 2010 Program Budgets Presentation
- #4 Public Notice (reducing HB 990 Enhancements)
- #5 Public Notice (rescinding CCSP and PRTF rate increases)