

# Governor's Recommended Budget For DCH AFY 2009 & FY 2010

Presentation to  
Joint Appropriations Committee  
January 23, 2009



Dr. Rhonda M. Medows, Commissioner

# Agenda

- Overview: Department of Community Health Programs
- Medicaid and PeachCare for Kids
  - FY 2008 Year End Fiscal Status
  - FY 2009 Projections and Governor's Recommended Changes
  - FY 2010 Projections and Governor's Recommended Changes
  - Managed Care Fee Expansion
  - Hospital Fee
- State Health Benefit Plan
- Administration
- Healthcare Access and Improvement



# Georgia Department of Community Health

DCH Program	Enrolled 10/08	Budget FY09	Savings FY08
<b>PeachCare (SCHIP)</b>	<b>207,551 Children</b> •90% have incomes under 200% fpl •Income up to 235%	<b>\$98.6M State Funds</b> <b>25% State</b> 75% Federal	FY08 Savings: \$12M
<b>Low Income Medicaid (LIM)</b>	<b>956,060 Children &amp; Pregnant Women</b> Income limit varies by age up to 200%fpl	<b>\$917M State Funds</b> <b>36% State Funds</b> 64% Federal	FY08 Saving: \$55M
<b>Medicaid: Aged, Blind &amp; Disabled (ABD)</b>	<b>384,437 The Elderly, Disabled Adults &amp; Children</b> Variable By Category SSI, Nursing Home, MN	<b>\$1.1B State Funds</b> <b>36% State Funds</b> 64% Federal	FY08 Saving: \$47M
<b>State Health Plan (SHP)</b>	<b>696,851 State Employees, School District Employees, Legislators, etc. (1/09)</b>	<b>\$2.7 B Total Funds</b> <b>75% State Funds</b> 25% Employee	FY08 Saving: \$676M SHP Fund Balance
<b>Administration &amp; Health Care Access</b>	All DCH Admin Contracts & Operation Federal & State Grants Rural Health & FQHC	<b>\$120M State Funds</b> \$10M Tobacco Funds	FY08 Savings: \$19M
			<b>TOTAL = \$809M</b>

# DCH Budget Overview

- **Medicaid Benefits and PeachCare for Kids**
  - FY 2008 – **\$114.9 million** in state funds Returned to Treasury
  - FY 2009 – cost containment initiatives and rate deferrals reduce funding needs
  - FY 2010 – Enrollment growth and rate increases results in increased funding; provider fees and tobacco funds supplant general state funds
- **State Health Benefit Plan**
  - FY 2008 – annual operating savings resulting in surplus **\$676 million**
  - FY 2009 – reduced Employer Contributions consume most of the fund balance
  - FY 2010 – remaining fund balance and projected revenue sufficient
- **Administration and Healthcare Access and Improvement**
  - FY 2008 - **\$19.3 million** in state funds Returned to Treasury
  - FY 2009 – **23%** reduction recommended
  - FY 2010 – **26%** reduction recommended



# FY 2008 Year End Balances

Program	Return To Treasury*
Low Income Medicaid	\$55,129,006
Aged, Blind, and Disabled	\$47,279,249
PeachCare for Kids	\$12,496,873
Indigent Care Trust Fund	0
Health Care Access and Improvement	\$872,938
Administration and Program Support	18,443,994
Attached Agencies	\$242,142
<b>Total</b>	<b>\$134,464,202</b>

\*Includes \$33,202,970 in unallotted surplus for LIM and PCK programs.

# DCH Cost Management: How Additional Savings Were Achieved

## Factors influencing expenditures in 2008:

- Review and Removal of duplicate Medicaid ID's
- **Eligibility Criteria** more stringently applied in PCK (e.g., required proof of income and citizenship instead of self-attestation)
- Impact of **Care Management Organizations** (CMO's) on Low Income Medicaid and PeachCare for Kids members
- Impact of **Disease Management** for select Aged, Blind, and Disabled members
- Focus on **Community-Based Long Term Care** services to delay/avoid institutional care
- **Medicaid Program Integrity**
  - Fraud and Abuse Detection
  - False Claims Act
- **Hiring Freeze & Reduced Operations Expense**
- **More stringent contracts** and grant administration
- **State Health Plan** administrative efficiency and comprehensive Consumer Directed Strategy



# Previous Medicaid Cost Control Initiatives

## FY 2004 - 2005

- **Pharmacy Program Management**
  - 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)

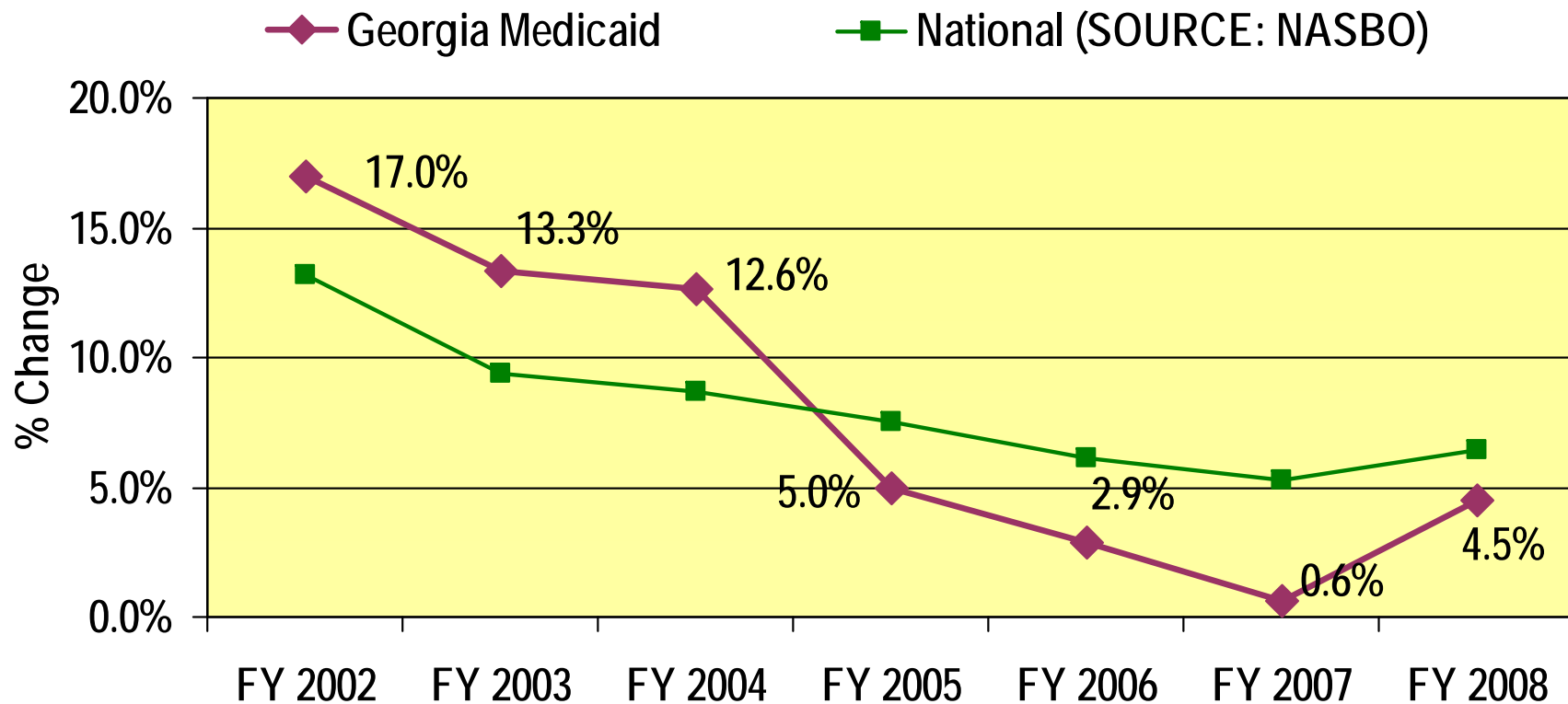
- **Eligibility Criteria** more stringently applied in Medicaid
  - Emergency Medical Assistance
  - Katie Beckett (FY 2005)
  - Proof of Citizenship and Income
  - Asset Transfer for Long Term Care
- **Medicare Part D** implementation

## FY 2007

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

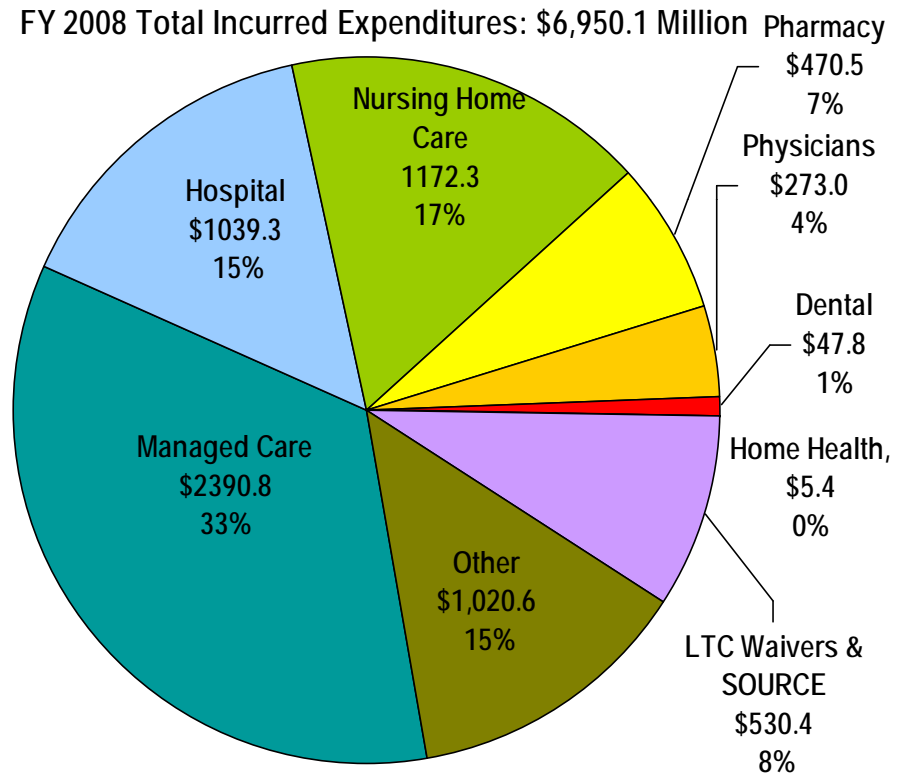
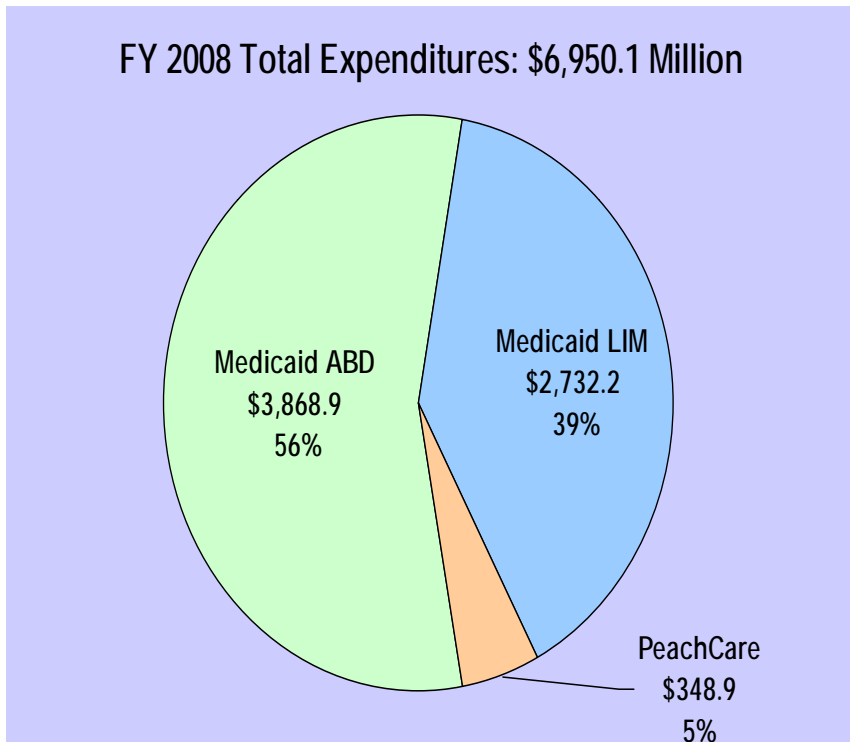
# Impact of Medicaid Cost Management

Annual Increases in Medicaid Benefit Expenditures





# FY 2008 Expenditures: Medicaid and PeachCare



Of the 1,548,048 People in Medicaid & PCK – 24.8% are in ABD

\$s in Millions

# Medicaid and PCK Amended FY 2009 Program Budgets



Governor's Recommended Budget Pages 66-68



# Basis of Governor's AFY 2009 Recommendation

Based on the Department's **November 2008** Projections:

## Medicaid Enrollment Growth

+**10.8%** increase in enrollment

June 2008: 1.27 million members

June 2009: 1.41 million members

**Unemployment Max at 7.6%** in 3<sup>rd</sup>  
Quarter of CY 2009

## PeachCare Enrollment Growth

+**5.8%** increase in enrollment

June 2008: 221,000 members

June 2009: 234,000 members

## PMPM Growth

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

- Inflation index for Medical Services  
was **4.0%** for FY 2009



# Basis of Governor's AFY 2009 Recommendation

## Reductions to meet minimum 5% cut of \$113.8 million:

1. Defer FY 2009 Provider Rate increases until FY 2010.
2. Delay the use of 75 ICWP new slots until Jan. 1, 2009.
3. Return projected FY 2009 Savings due to the impact of prior year cost control initiatives.
4. Use additional prior year reserves not already budgeted for in HB 990.

## New Initiatives

5. Use interstate data matching to eliminate members eligible for Medicaid in other states. (PARIS Initiative)
6. Conduct expedited reviews for "Ex Parte" members.
7. Consider the impact of Provider Linkage software in identifying fraud and abuse.



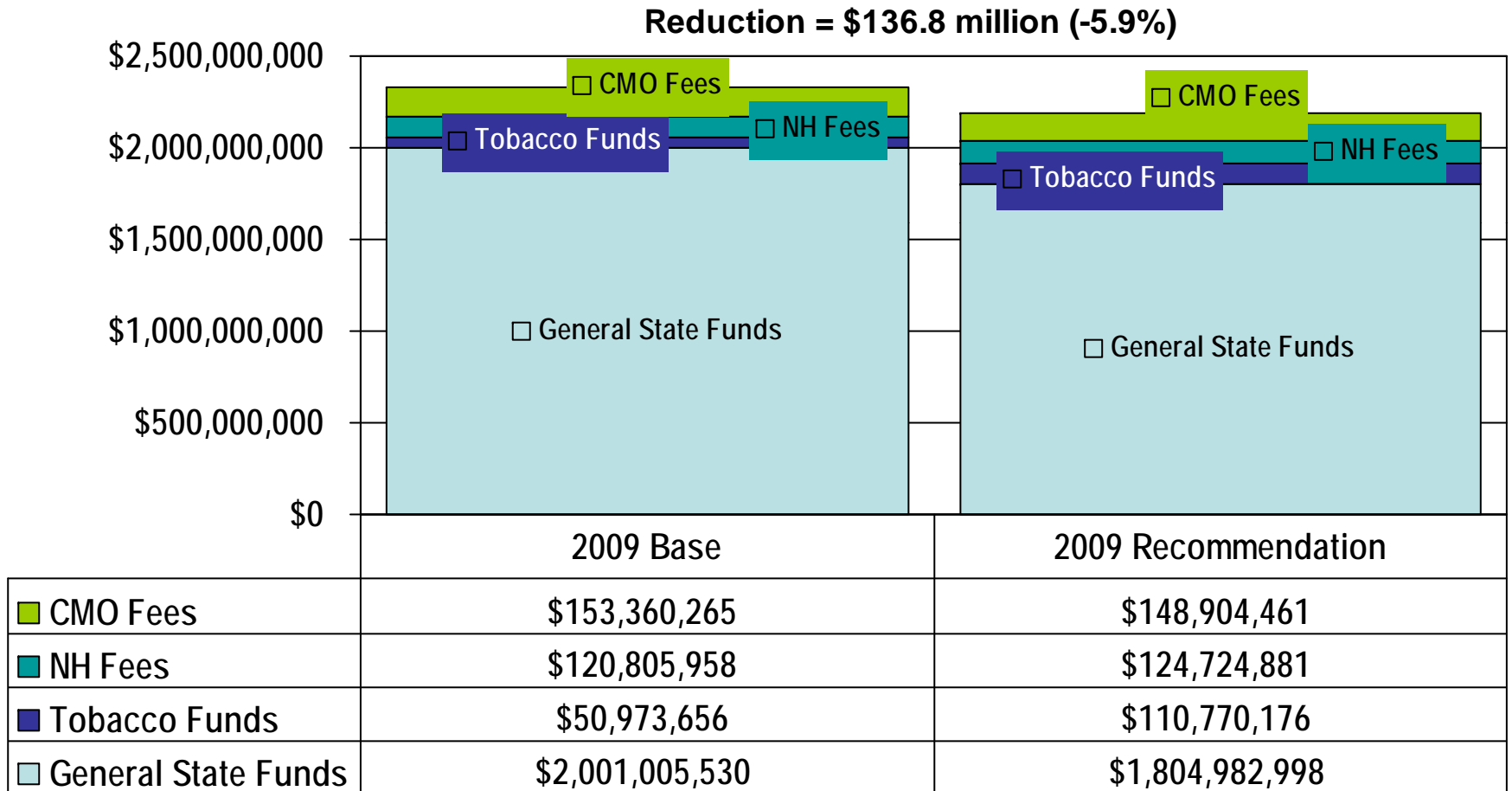
# Overview of AFY 2009 Medicaid and PCK Benefit Reductions

Category	State General	Tobacco	CMO and NH Provider Fee	Total
FY 2009 Provider Rate Increases Deferred Until FY 2010	-\$59,662,054	-	-	-\$59,662,054
Benefits Surplus from PY Cost Control Initiatives	-54,868,351	-	-	-54,868,351
Use of Additional Prior Year Reserves	-14,820,314	-	-	-14,820,314
New FY 2009 Cost Control Initiatives	-6,875,293	-	-	-6,875,293
Revised Provider Fee Estimates	-	-	-536,881	-536,881
Supplanting State with Tobacco Funds	-59,796,520	59,796,520	-	-
<b>TOTAL</b>	<b>-\$196,022,532</b> -9.8%	<b>\$59,796,520</b> +117.3%	<b>-\$536,881</b> -0.2%	<b>-\$136,762,893</b> -5.9%



# AFY 2009 Recommended State Fund Sources Medicaid and PeachCare for Kids Benefits

State Fund Sources for Medicaid and PCK Benefits

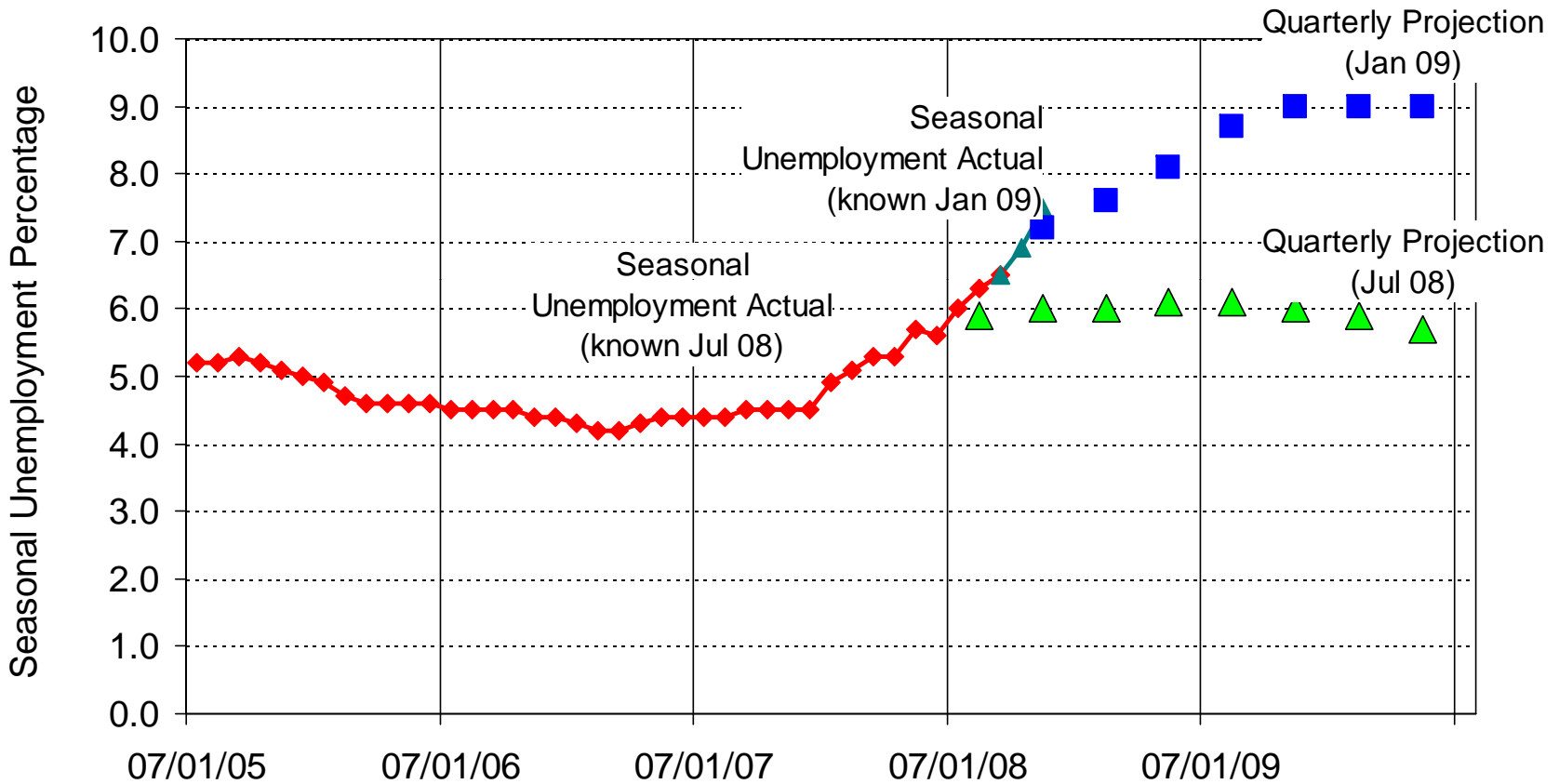


# Projection Updates: AFY 2009

- **Updated Information:**
  - Unemployment Projection as of July 2008
  - Unemployment Projection as of Jan 2009
- **Medicaid & PeachCare Enrollment**
  - Medicaid Enrollment Projection Revisions
  - PeachCare Enrollment Revisions
- **Medical Inflation Projection Update**



# AFY 2009: Compare Unemployment Projections July 2008 v. January 2009

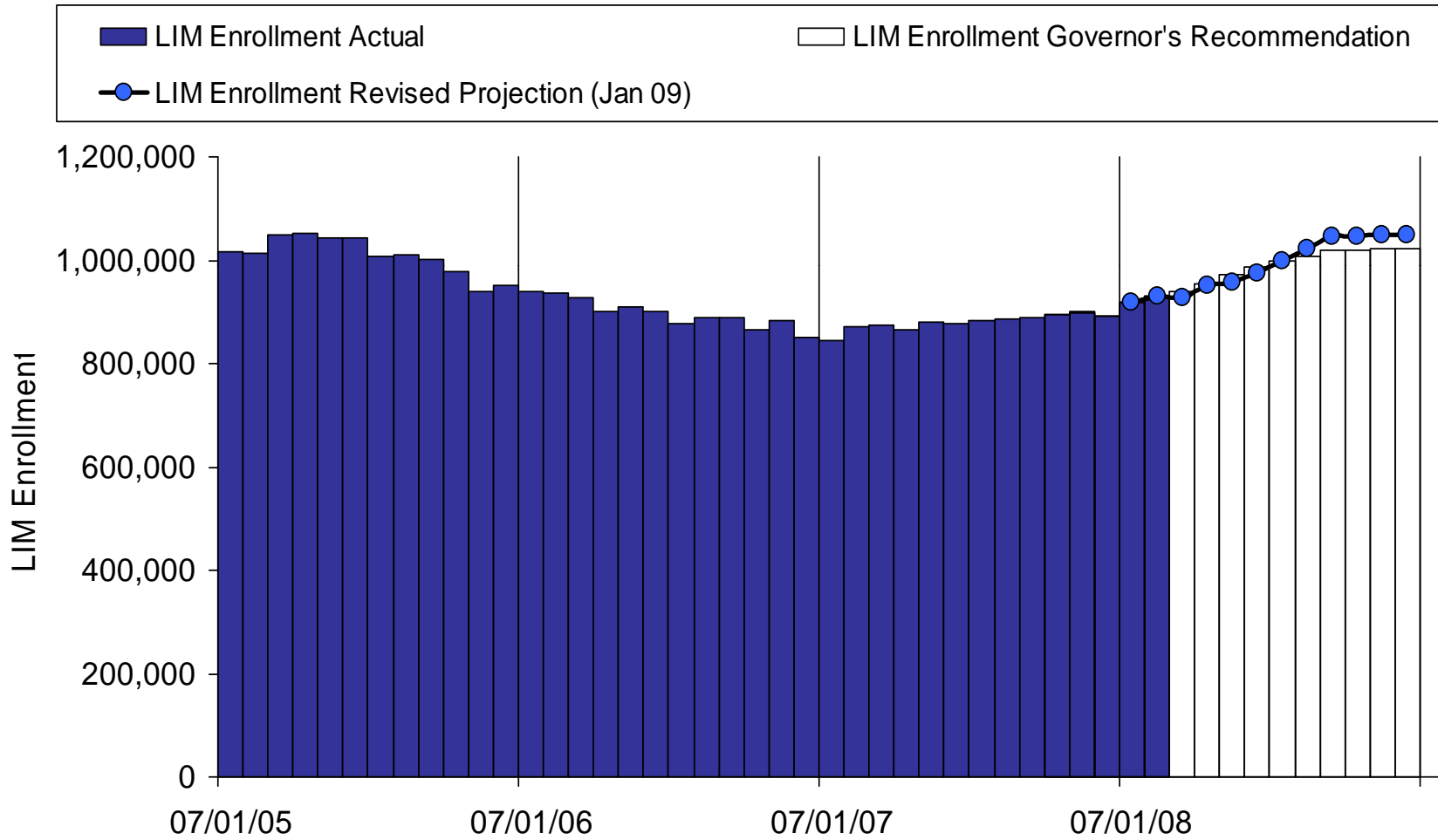


The highest rate of unemployment previously in Georgia was 8.3 in December 1982.

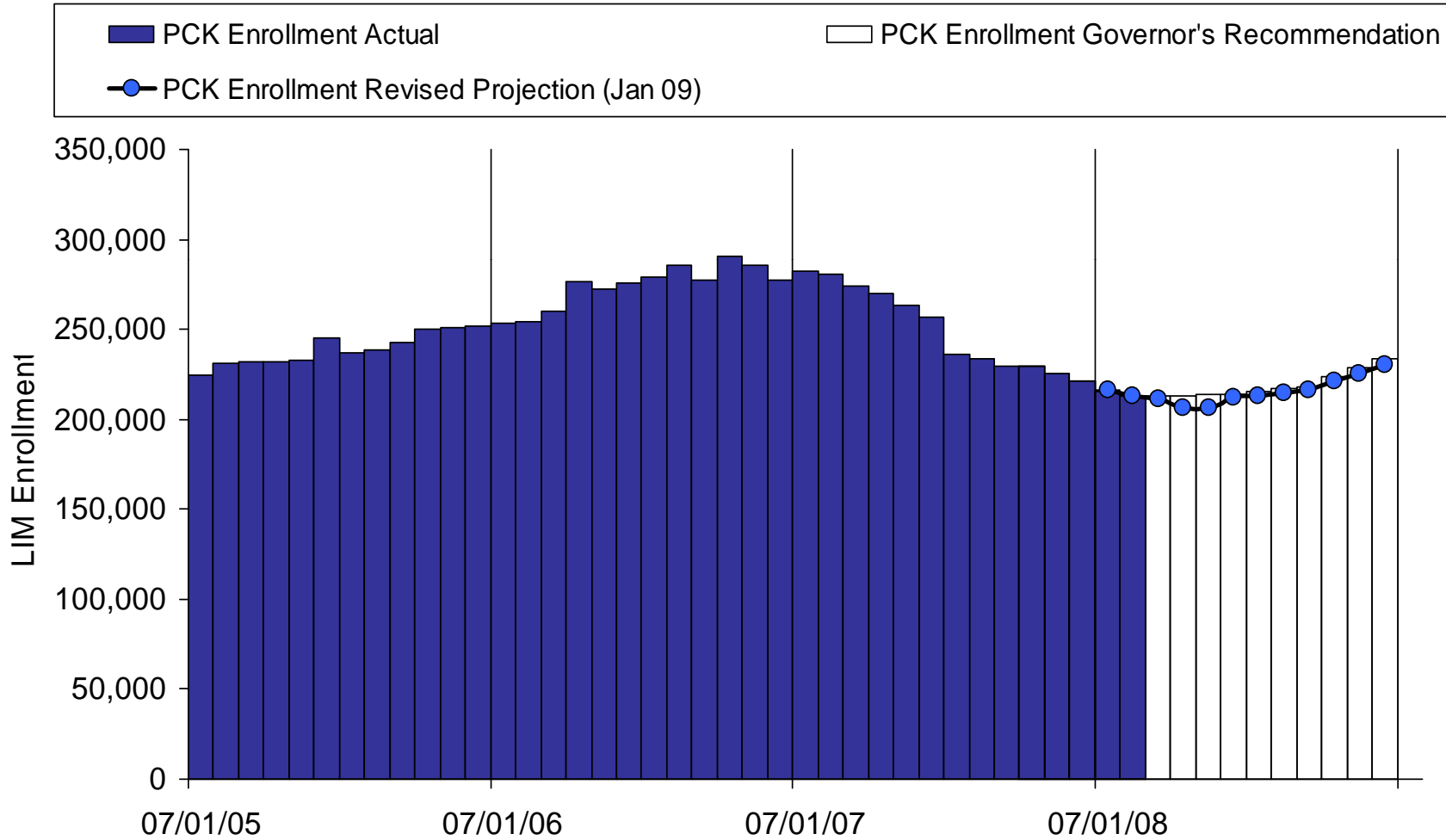
Sources: Seasonal Unemployment Actual: Georgia Department of Labor  
Projections: Dr. Ken Heaghey, Georgia State University



# AFY 2009 Revised LIM Enrollment Projection

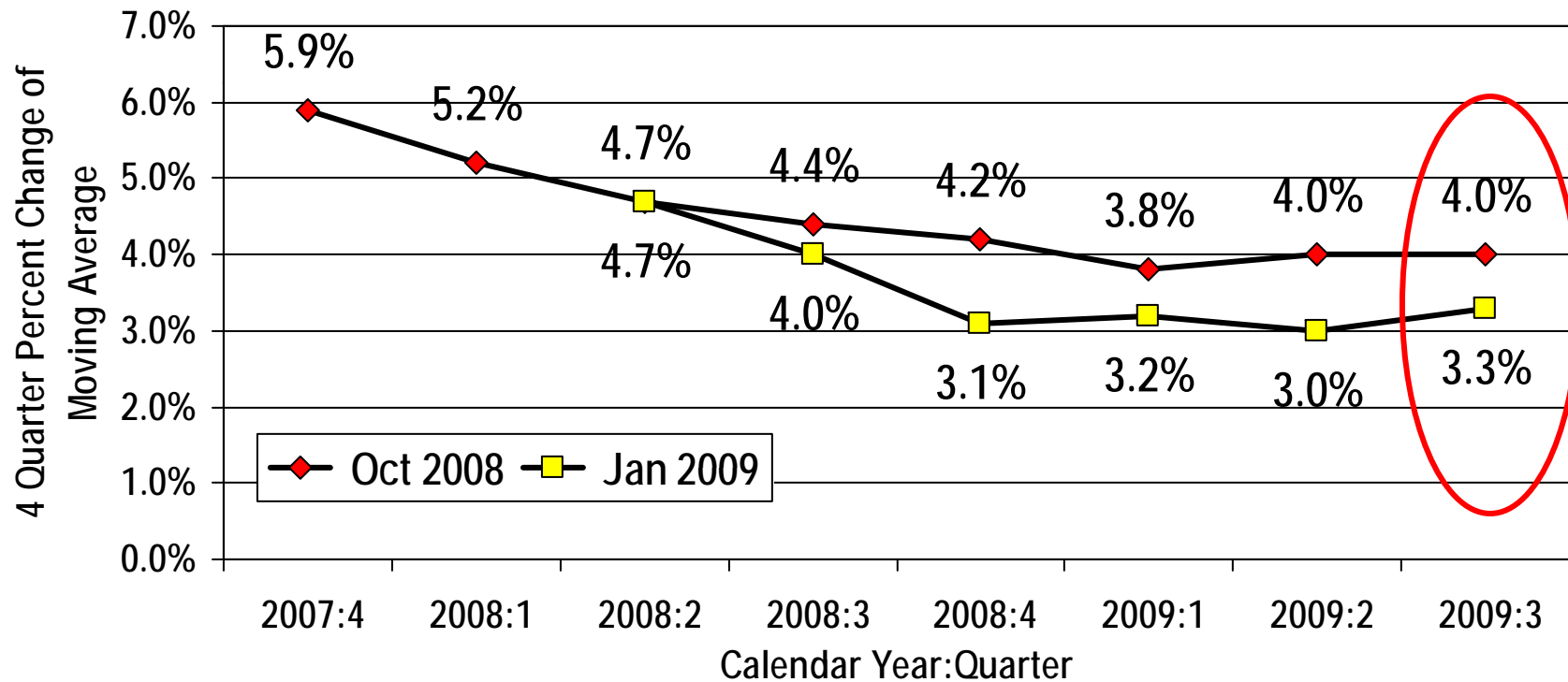


# AFY 2009 Revised PCK Enrollment Projection



# Revised Inflation Used for FY 2009 Medicaid and PCK Benefits PMPM Growth

Comparison of Global Insight's  
Change in Medical Care Services Index



# AFY 2009: New Considerations

Based on More Recently Available Information (Jan 2009)

## Medicaid Enrollment Growth

+**12.6%** increase in enrollment

June 2008: 1.27 million members

June 2009: 1.43 million members

Unemployment Max at 9.0% in 4th  
Quarter of CY 2009

## PeachCare Enrollment Growth

+**4.1%** increase in enrollment

June 2008: 221,000 members

June 2009: 230,000 members

## PMPM Growth

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

- Inflation index for Medical Services  
was **3.3%** for FY 2009



# AFY 2009 Considering Updates

## BOTTOM LINE:

Increase in enrollment is mostly offset by the reduction in projected PMPM costs and proposed AFY 2009 budget cuts...

Anticipate Governor's proposed Amended FY 2009 budget covers cash expense through last week of June 2009\*.

\*If enrollment increases more than expected or if revenue is further reduced, the department will not have enough cash through June 2009.



# Medicaid and PCK FY 2010 Program Budgets



Governor's Recommended Budget Pages 104 -107



# FY 2010 Challenges

<b>Hole in FY 2010 Base Budget</b> <ul style="list-style-type: none"><li>• FY 2009 Budget predicated on using FY 2008 prior year reserves that will not be available in FY 2010</li></ul>	<b>\$204.9M</b>
<b>State Fund Reduction</b> <ul style="list-style-type: none"><li>• Governor required 5% cut equivalent to \$113.8 million in state funds</li></ul>	<b>\$113.8M</b>
<b>Federal Law Change: Managed Care Fee</b> <ul style="list-style-type: none"><li>• Changes in federal regulations as of October 1, 2009 put the use of CMO fees at risk unless fees expanded to HMOs too... worth \$104.5 million in net funds to the Department</li></ul>	<b>\$104.5M</b>
<b>Impact of Economy on Enrollment</b> <ul style="list-style-type: none"><li>• Unknown level of future increases in Medicaid and PCK enrollment due to rising unemployment</li></ul>	<b>\$ ??? M</b>
<b>At A Minimum, Medicaid &amp; PCK Face A Loss Of This Amount In State Matching Funds</b>	<b><u>\$423.2M</u></b>



# FY 2010 Reduction Options Considered

## Options Directly Impacting Current Eligibility And Services

- Suspend implementation of Chafee Option for Foster Care Children ages 19-20
- Delay implementation of 75 new ICWP slots
- Eliminate medically needy category of eligibility.
- Eliminate Katie Beckett category of eligibility.
- Eliminate PCK coverage for members between 200% and 235% FPL.
- Reduce the cap for PCK enrollment to 240,808
- Freeze enrollment in PCK.
- Implement PCK premiums for children under 5.
- Increase premiums for PCK members.
- Eliminate dental benefits for pregnant women.
- Eliminate dental benefits for PCK.

## Loss of Planned FY2009 Medicaid Provider Rate Increases

- 2009 Rate Enhancement NH - FRVS
- Reduce CMO capitation rates by limiting inflation growth (1.0% vs. 3.6% originally projected)
- Rescind 2009 Rate Enhancement NH - CR Update + QI add-on
- Rescind 2009 Rate Enhancement Dental
- Rescind 2009 Rate Enhancement Physician
- Rescind 2009 Rate Enhancement Hospital
- Rescind 2009 Rate Enhancement Home Health
- Rescind 2009 Rate Enhancement Waivers
- Rescind 2009 Rate Enhancement Ambulance

These generated **\$128.2** million in state fund reductions **-\$295** million less than needed.

Cross the Board Provider Rate Cuts? Elimination of options like Rx Drugs for Adults?





# Basis of Governor's FY 2010 Recommendation

Based on the Department's **September 1, 2008** Budget Submission:

## Medicaid Enrollment Growth

+**1.5%** increase in enrollment

June 2009: 1.32 million members

June 2010: 1.34 million members

**Unemployment Max at 6.1%** in 3<sup>rd</sup>  
Quarter of CY 2009

## PeachCare Enrollment Growth

+**10.4%** increase in enrollment

June 2009: 241,000 members

June 2010: 266,000 members

## PMPM Growth

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

- Inflation index for Medical Services  
was **3.6% for FY 2009**



# Basis of Governor's FY 2010 Recommendation

## Base Budget Adjustment:

- **Cut general state funds** to meet 5% budget reduction target of
- **Provide state funds** to replace loss of prior year reserves.
- **Provide for nominal Medicaid growth** in benefit payments.

- **\$113.8 million**
- **\$204.9 million**
- **\$ 17.6 million**

## Financing of State Share of Expenditures

- **Supplant state funds with tobacco \$.**
- **Expand the Medicaid managed care fee** ie the CMO Quality Assessment Fee program by assessing a fee on commercial fully insured managed care plans. Use to maintain existing Medicaid programs.
- **Create a new hospital provider fee** program to maintain existing Medicaid program, support hospital rate increase, DSH payments, trauma network support, and 09 provider rate increases.

- **\$201.1 million**
- **\$ 57.3 million**
- **\$259.7 million**



# Basis of Governor's FY 2010 Recommendation

## New Initiatives to Reduce Cost (continued from AFY 2009)

1. Use interstate data matching to eliminate members eligible for Medicaid in other states. (**PARIS Initiative**)
2. Conduct expedited reviews for "**Ex Parte**" members.
3. Consider the impact of **Provider Linkage** software in identifying fraud and abuse.

## New Initiative to Reduce Cost

4. Change reimbursement methodology for **injectible drugs** provided in a physician's office and for **durable medical equipment**.



# Basis of Governor's FY 2010 Recommendation

## Enhancements: FY2009 Provider Rate Increases:

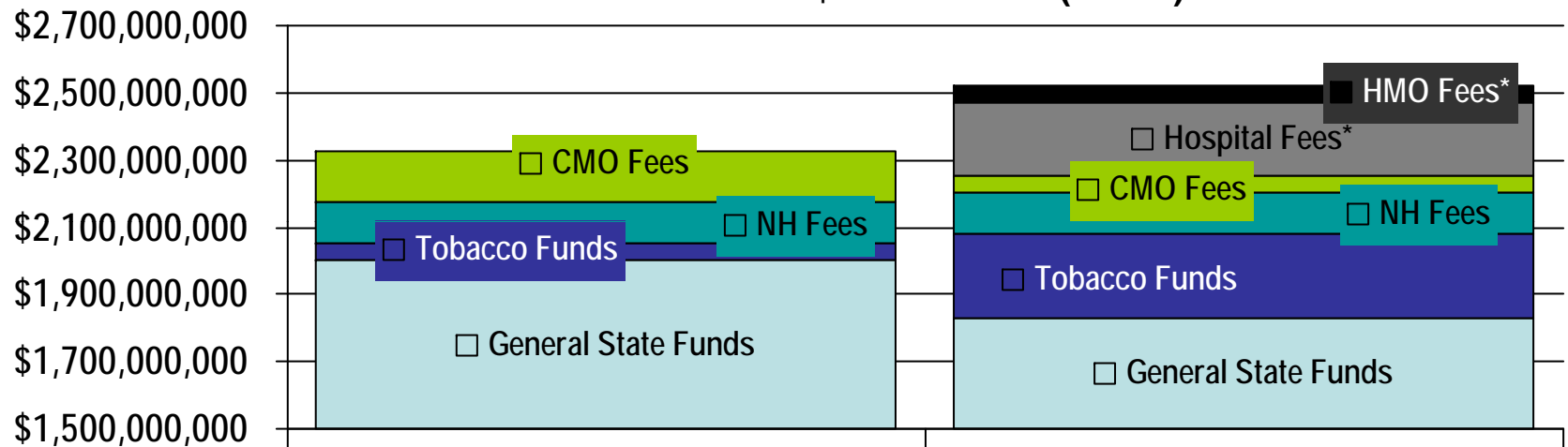
1. Implement rate increases originally planned in FY 2009.
  - Physicians, ambulance, home health, Health Check, digital mammography, global maternity, Independent Care Waiver Program (ICWP) personal support, Community Care Services Program, Mental Retardation Waiver Program
2. Expand the FY 2009 rate increases for inpatient and outpatient hospital services.
3. Implement a revised rate increase for nursing homes.
4. Provide for 100 new slots in the ICWP.



# FY 2010 Recommended State Fund Sources Medicaid and PeachCare for Kids Benefits

State Fund Sources for Medicaid and PCK Benefits

Increase = \$194.5 million (+8.4%)



	2009 Base	2010 Recommendation
■ HMO Fees*	\$-	\$48,882,011
■ Hospital Fees*	\$-	\$217,442,665
■ CMO Fees	\$153,360,265	\$49,518,535
■ NH Fees	\$120,805,958	\$122,528,939
■ Tobacco Funds	\$50,973,656	\$252,061,757
■ General State Funds	\$2,001,005,530	\$1,830,258,083

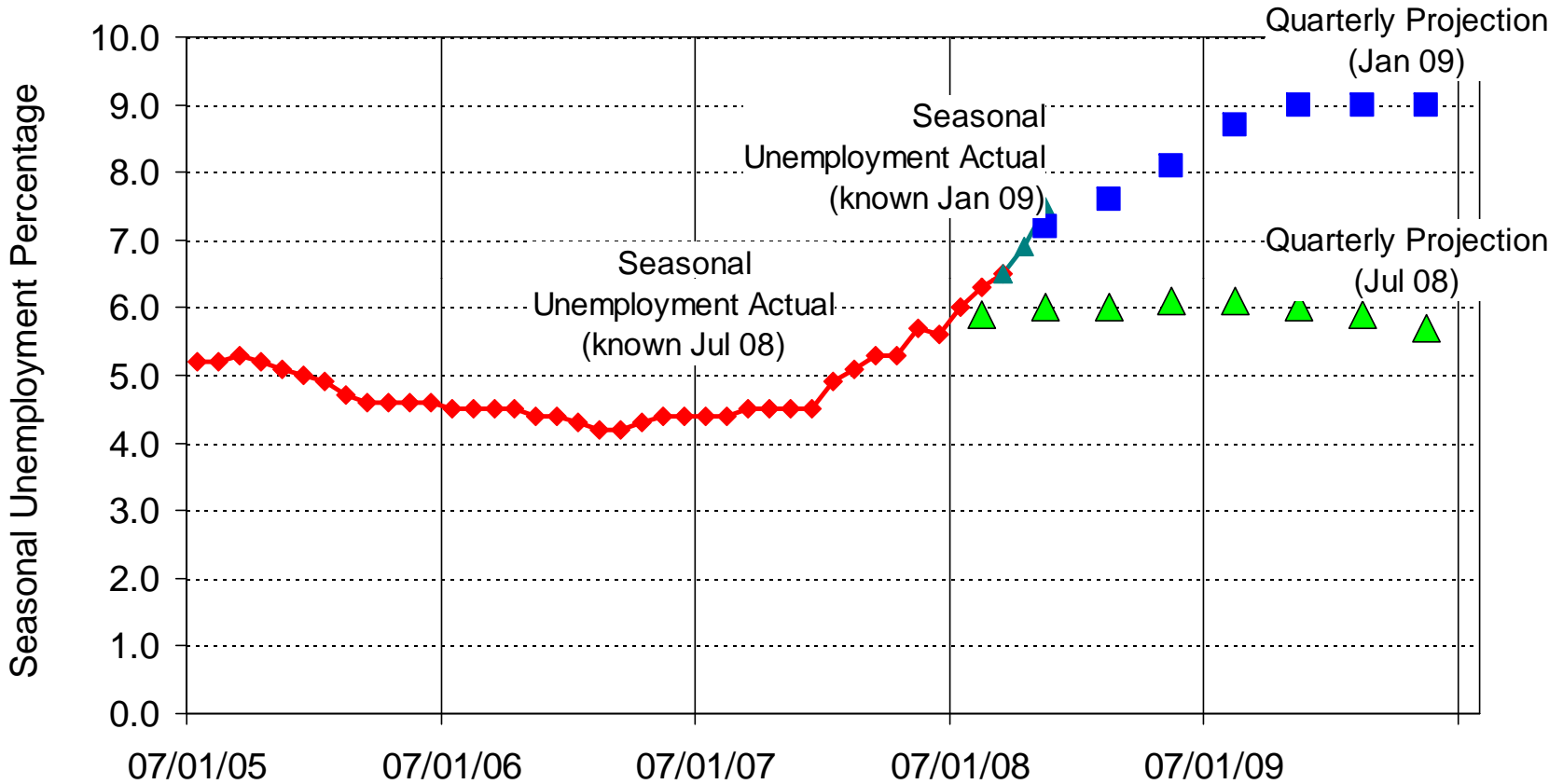
\* Does not reflect use of hospital and managed care fees for private hospital **DSH** funding and **Georgia Trauma Commission**, as these items are in the Indigent Care Trust Fund program budget.

# Updated Projections For FY2010

- **Updated Information:**
  - Unemployment Projection as of July 2008
  - Unemployment Projection as of Jan 2009
- **Medicaid & PeachCare Enrollment**
  - Medicaid Enrollment Projection Revisions
  - PeachCare Enrollment Revisions
- **Medical Inflation Projection Update**



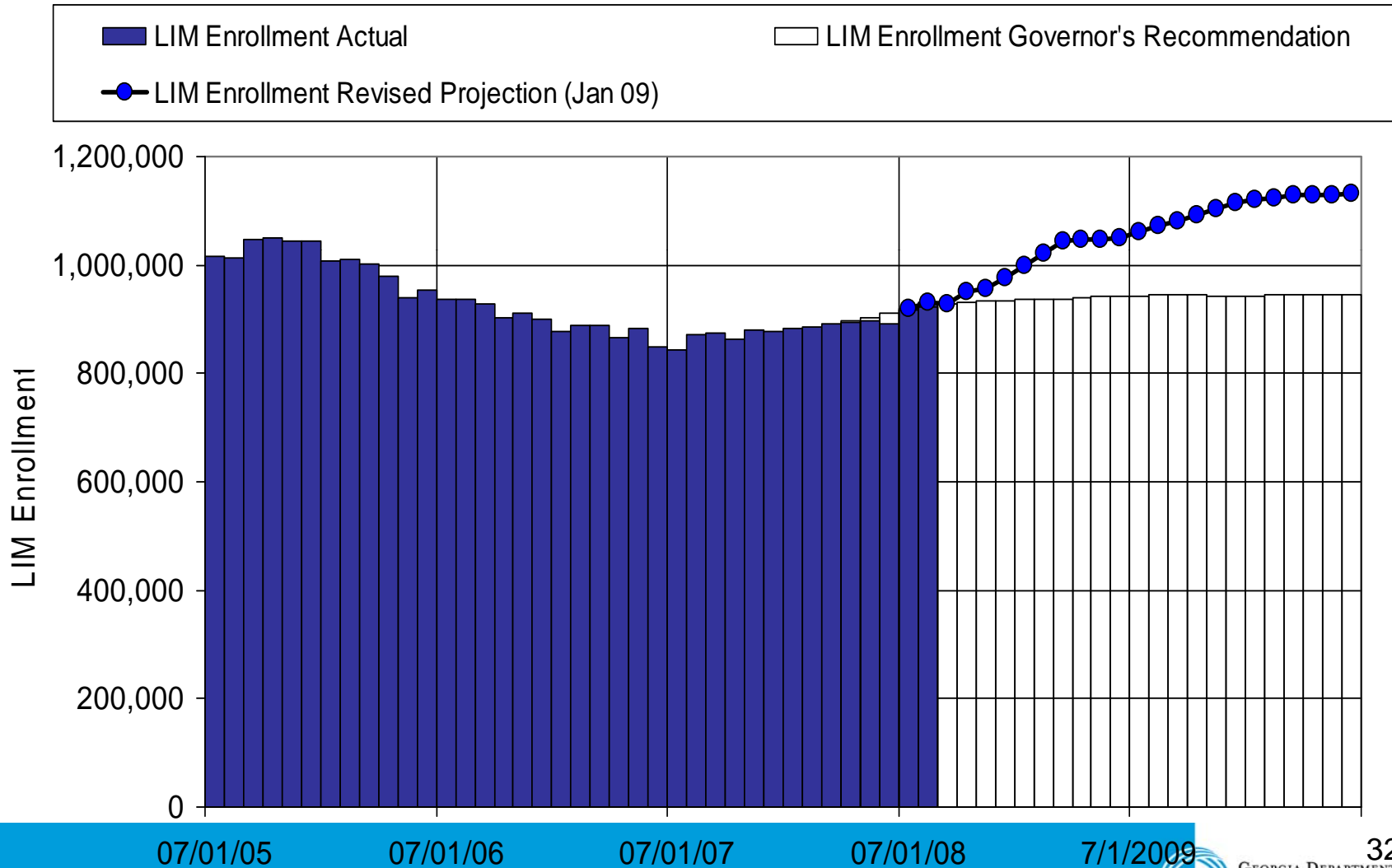
# Compare Unemployment Projections July 2008 v. January 2009



The highest rate of unemployment previously in Georgia was 8.3 in December 1982.

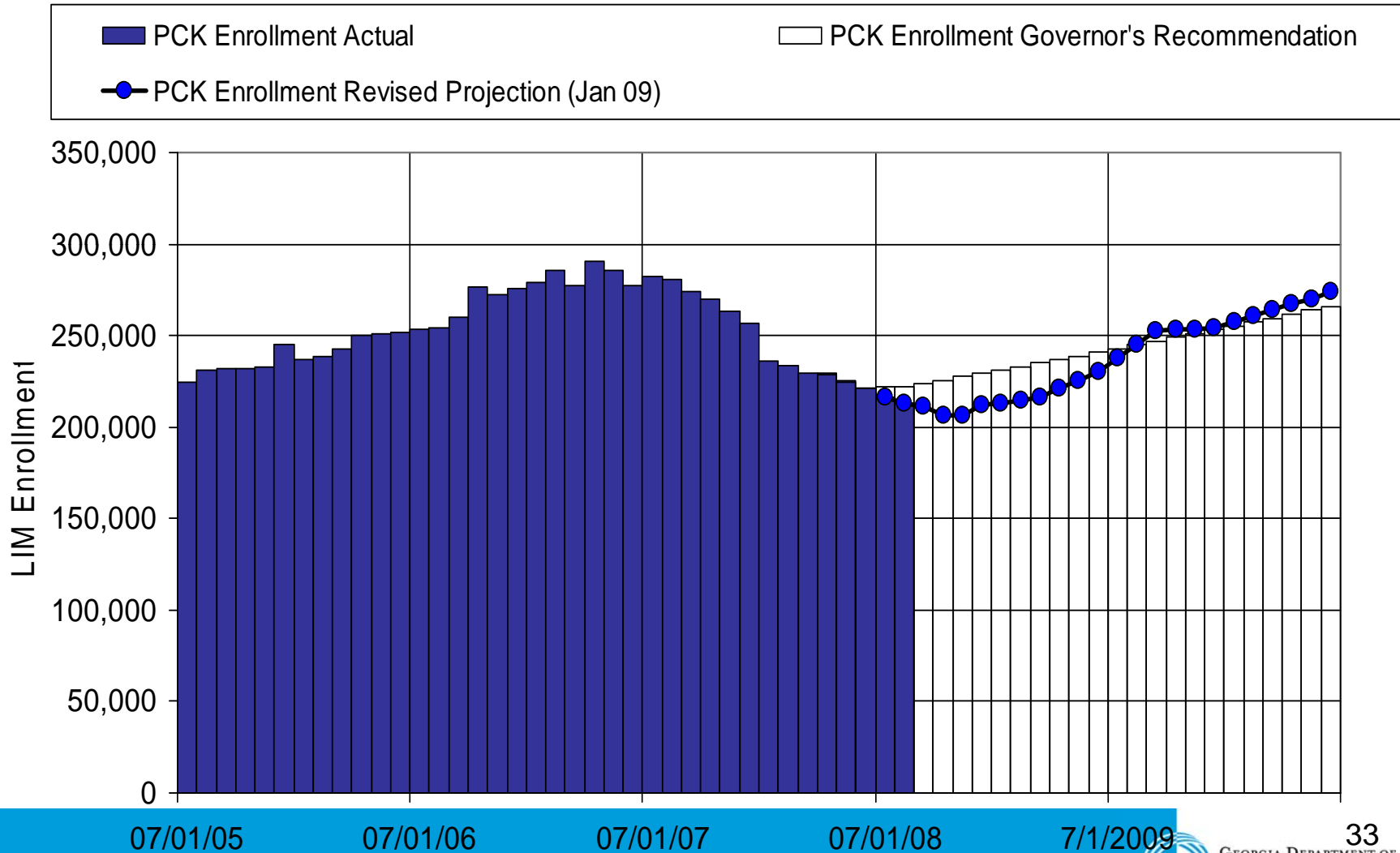
Sources: Seasonal Unemployment Actual: Georgia Department of Labor  
Projections: Dr. Ken Heaghey, Georgia State University

# FY 2010 Revised LIM Enrollment Projection

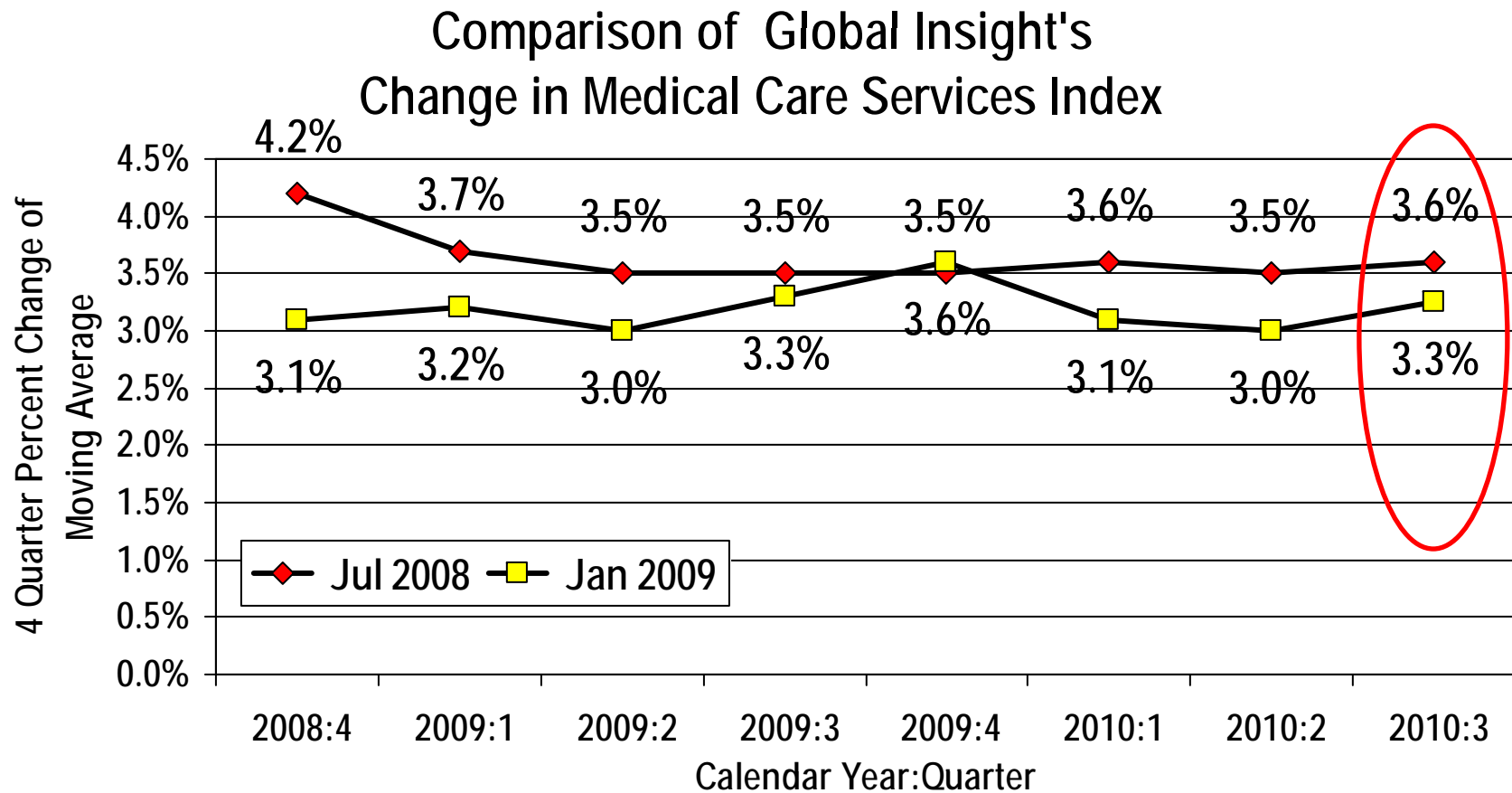




# FY 2010 Revised PCK Enrollment Projection



# Revised Inflation Used for FY 2010 Medicaid and PCK Benefits PMPM Growth



# FY 2010: New Considerations

Based on More Recently Available Information (Jan 2009)

## Medicaid Enrollment Growth

+**6.2%** increase in enrollment

June 2009: 1.43 million members

June 2010: 1.52 million members

**Unemployment Max at 9.0%** in 4th  
Quarter of CY 2009

## PeachCare Enrollment Growth

+**19.0%** increase in enrollment

June 2009: 230,000 members

June 2010: 274,000 members

## PMPM Growth

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

- Inflation index for Medical Services  
was **3.3% for FY 2010**



# FY 2010 Considering Updates

## BOTTOM LINE:

Increase in projected enrollment is somewhat offset by the reduction in projected PMPM costs; however anticipate.

Governor's proposed FY 2010 budget covers cash expense only through 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.



# Medicaid Provider Fees:

- Managed Care Fee
- New Hospital Tax



# Use of Hospital & Managed Care Provider Fees Governor's FY 2010 Budget:

Recognize new hospital and managed care provider fees and use funds to:

- Implement and expand the FY 2009 inpatient and outpatient **hospital rate increases** - \$52,213,936
- Implement FY 2009 **rate increase for waiver service providers** in both the MRWP and the CCSP programs - \$3,077,675
- Implement the following **FY 2009 provider rate increases** (adjusted): physicians, ambulance, home health, HealthCheck, digital mammography, global maternity, and ICWP personal support - \$21,411,558
- Implement **Fair Rental Value, Nursing Home cost report updates, and NH quality incentive program** - \$15,000,000
- Fund **DSH Payments for Private Hospitals** - \$13,713,384
- Fund Projected **Medicaid Needs** - \$174,621,507

Recognize new hospital and managed care provider fees and provide funds for:

**Georgia Trauma Network Commission** - \$37,000,000

**TOTAL Funds: \$317,038,060**



# Use of Hospital & Managed Care Provider Fees

## Governor's FY 2010 Budget

Fund Projected Medicaid Need Current Program	\$174,621,507
Implement and expand the FY 2009 inpatient and outpatient <b>hospital rate increases</b>	<b>\$52,213,936</b>
Fund <b>DSH</b> Payments for Private Hospitals (ICTF)	<b>\$13,713,384</b>
<b>Georgia Trauma Network Commission</b> (ICTF)	<b>\$37,000,000</b>
Implement FY 2009 rate increase for waiver service providers in both the <b>MRWP and the CCSP programs</b> (DHR)	<b>\$3,077,675</b>
Implement the following <b>FY 2009 Provider Rate Increases</b> (adjusted): physicians, ambulance, home health, HealthCheck, digital mammography, global maternity, and ICWP personal support	<b>\$21,411,558</b>
Implement <b>Fair Rental Value, Nursing Home</b> cost report updates, and NH quality incentive program	<b>\$15,000,000</b>
<b>TOTAL Funds</b>	<b>\$317,038,060</b>

# Managed Care Fee Expansion

Current Use: Fee is applied to the 3 Medicaid & PCK health plans

Federal Law: Fee must be collected from commercial & Medicaid plans  
Effective October 2009

Georgia State Law: Directs Compliance with Federal Law

- 15 Insurance Companies including the 3 Medicaid & PCK Plans
- Federal law allows fees up to 5.5% of their premium revenue
- Managed Care Fee is in use by Medicaid programs in 14 other states
- Waiver Option to credit health plans insuring new low income families

Total Health Insurance Company Revenues for Life & Health CY2007: \$10.1 Billion

Projected FY 2010 Managed Care Premium Revenues 15 Insurance Companies: **\$6.98 Billion**

- **1.6% Annual Fee Generates \$106.8m**
- **3.1% Annual Fee Generates \$257.4m**
- **5.5% Annual Fee Generates \$304.6M**



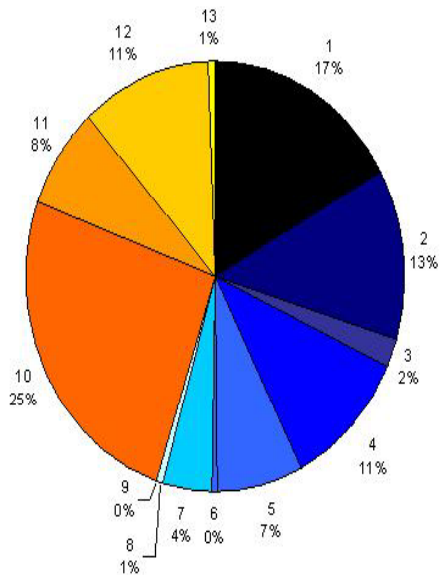
# Insurers Subject to Managed Care Fee: FY2010

Insurance Company		FY 2010 Projected MC Premium Revenues	Fee at 1.6%	Percentage of Insurer's Total Revenue
1	AETNA FAMILY PLANS OF GA INC	-	-	-
2	AETNA HLTH INC GA CORP	343,685,515	5,075,956	0.6%
3	AMGP GA MANAGED CARE CO INC	671,064,794	10,737,037	1.6%
4	ARCADIAN HLTH PLAN OF GA INC	-	-	-
5	ATHENS AREA HLTH PLAN SELECT INC	62,722,139	926,355	1.6%
6	BCBS HLTHCARE PLAN OF GA INC	1,966,899,155	29,049,505	0.5%
7	CIGNA HLTHCARE OF GA INC	64,895,688	958,457	1.6%
8	COVENTRY HLTH CARE OF GA INC	269,284,831	3,977,119	1.3%
9	DAVITA VILLAGEHEALTH OF GA INC	-	-	-
10	GREAT W HLTHCARE OF GA INC	-	-	-
11	HUMANA EMPLOYERS HLTH PLAN GA INC	130,639,753	1,929,443	0.3%
12	KAISER FOUND HLTH PLAN OF GA INC	796,893,476	11,769,470	0.9%
13	PEACH STATE HLTH PLAN INC	909,696,984	14,555,152	1.6%
14	UNITED HEALTHCARE OF GA INC	246,962,811	3,647,440	0.3%
15	WELLCARE OF GEORGIA INC	1,514,146,659	24,226,347	1.5%
<b>TOTAL</b>		<b>6,976,891,805</b>	<b>106,852,281</b>	<b>0.8%</b>

SOURCE: Office of Planning and Budget

# Georgia Health Care Coverage

Georgia Health Coverage '08 mm



	Health Coverage	Enrollment	% of Pop	Source	Date
1	Uninsured	1660156	17%	US Census	2007
2	Medicaid	1235770	13%	DCH	2008
3	PeachCare	212983	2%	DCH	2008
4	Medicare	1055821	11%	CMS	2008
5	State Health Plan	693601	7%	DCH	2008
6	Federal Employee Plan	43779	<1%	FEHP	2008
7	Military Health Programs	423961	4%	Tricare	2008
8	DOC	48991	1%	DOC:OHS	FY2008
9	DJJ	19,326	<1%	DJJ	FY2008
10	Employer /Self Insured	2498161	25%	Health L.	Jan-08
11	HMO	767087	8%	Health L.	Jan-08
12	PPO	1077072	11%	Health L.	Jan-08
13	POS	49389	1%	Health L.	Jan-08
	* Total Population	9769471	100%		

\* Uninsured are individuals without medical coverage/pharmacy coverage  
 \* Medicaid beneficiaries do not include Medicare Dual Eligibles  
 \* DOC enrollment does not include county and private prisons  
 \* FEP data from Federal Office of Personnel Management  
 \*\* Military Health information from Tricare Administrator for the South Region

**Note:**

- Total Georgia Population as per the US Census 2007: 9,544,750
- Some individuals have been enrolled in both government funded coverage and commercial insurance at times. For example:
  - Commercial insurance members with chronic illnesses who exhaust their medical benefits and apply for Medicaid
  - Commercially insured children with costly chronic conditions enrolled in special needs Medicaid waiver services
  - Medicare members who purchase Medigap coverage to help reduce out of pocket expenses
  - Tricare members who purchase Tricare Supplemental Insurance
- Not included above: Direct government subsidies paid to safety net providers (FQHCs, Rural Clinics, and Community Centers)

# Health Insurance Premiums

## Commercial Health Insurance Premium Increase **1996--2006**

Insurance type	1996 Premium	2006 Premium	% increase 1996-2006
Single	\$1,990	\$3,873	<b>94.6 %</b>
Family	\$4,789	\$10,793	<b>125.3 %</b>

Source: AHRQ Medical Expenditure Panel Survey; State Level Statistics 1996-2006

## Georgia & National Commercial Health Insurance Premiums **2004-2006**

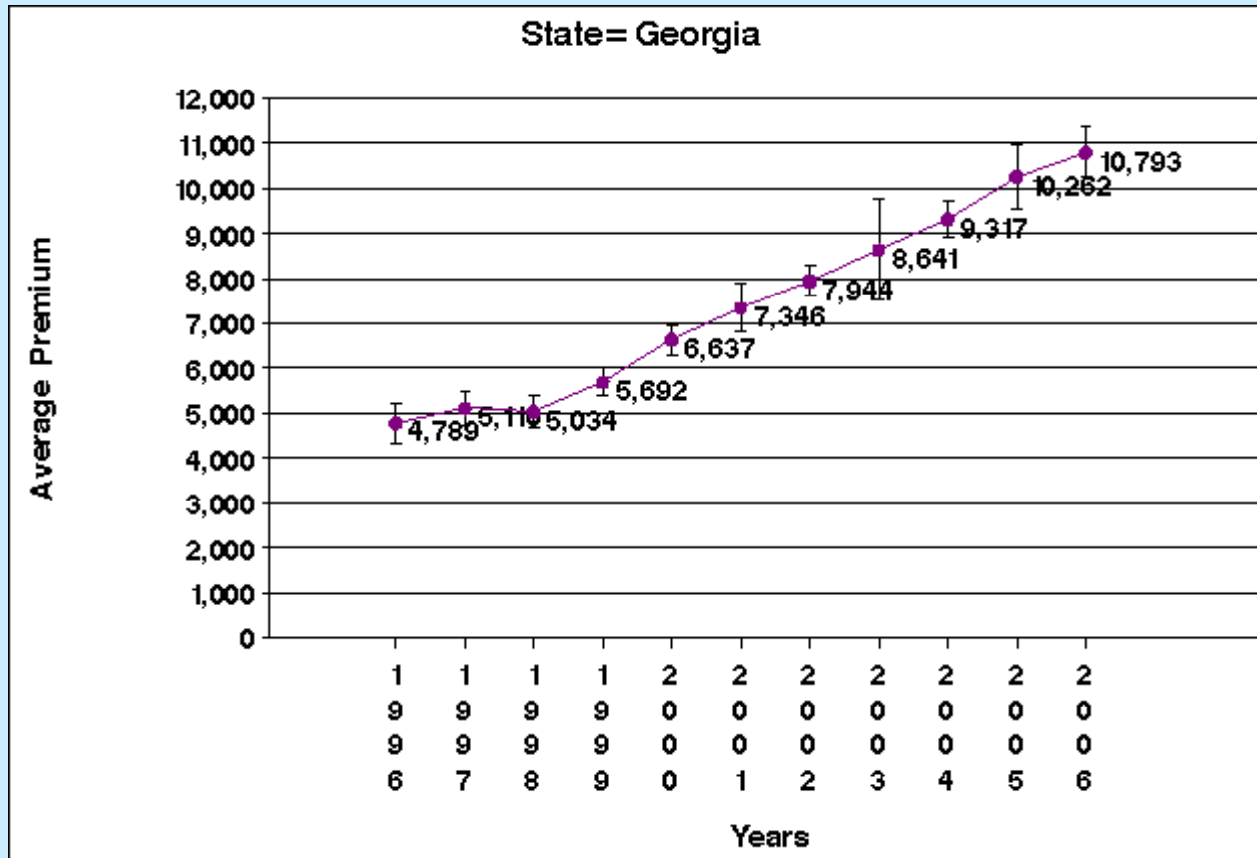
	Family Coverage			Single Coverage		
	2004 Premium	2006 Premium	% Increase	2004 Premium	2006 Premium	
<b>Georgia</b>	\$9,137	\$10,958	<b>19.9%</b>	\$3,335	\$3,922	<b>17.6%</b>
<b>US</b>	\$10,006	\$11,768	<b>17.6%</b>	\$3,705	\$4,357	<b>17.0%</b>

Source: Joint Economic Committee of Congress: State by State Economic Snapshots May 2007

Kaiser Family Foundation: US Employer Health Benefits  
Summary: **119%** Premium Increase **1999-2007**



# Georgia Family Health Insurance Premium Increases 1996-2006



Source: Agency for Healthcare Quality & Research (AHQR) Medical Expenditure Survey  
 Average total family premium in dollars) per enrolled employee at private-sector establishments  
 that offer health insurance by firm size and State (Table II.D.1), years 1996-2006



# Governor's Proposed Hospital Tax

Georgia State Law: Would Require New Legislation

Legislation being drafted by Governor's Office

NOTE: Exemptions Require CMS Waiver Approval

- 153 Hospitals in Georgia
- Federal waiver possible to exempt certain hospitals: financially distressed hospitals as defined in state law, rural hospitals, sole community hospitals, psychiatric hospitals, etc.
- Hospital Provider Tax is in use in 20 states

Total Hospital Net Patient Revenues: **\$16,327,416,261\***

Governor's proposed fee of 1.6%, effective July 1, 2009,

Would generate **\$ 259,148,751\***

\* SOURCE: Estimates from the Office of Planning and Budget



# Governor's Proposed Hospital Tax

## HOSPITALS: MEDICAID PROVIDERS

### Public and Critical Access Hospitals:

- **TO BE DETERMINED:** How much of the tax collection would each hospital receive back in the form of increased Medicaid reimbursements?
- Because these hospitals already receive the maximum allowable Medicaid federal funds (Medicaid Rates & UPL), the higher reimbursement would come from state collected tax funds
- The federal matching funds obtained from the hospital tax would fund other Medicaid components i.e. the provider rate increases originally planned to start in FY2009



# Governor's Proposed Hospital Tax

## HOSPITALS: MEDICAID PROVIDERS (continued)

### Private Hospitals

- **TO BE DETERMINED:** How much of the tax collection would each hospital receive back in the form of increased Medicaid reimbursements?
- Private hospitals do not receive UPL. Increases in Medicaid reimbursement rates can be funded by state and federal matching funds.

## HOSPITALS: PROVIDING NO MEDICAID

- Tax collections and federal matching funds can not be returned.
- Fees would contribute to the funding of Medicaid and PeachCare.



# Federal Exemptions Possible

The Centers for Medicare and Medicaid Services (CMS) can approve a waiver if the tax excludes or provides credits/deductions to one or more of the following within the class **as long as the tax meets the generally distributive statistical test**:

1. Hospitals that furnish no services in the state.
2. Hospitals that do not charge for services.
3. **Rural hospitals** (defined as any hospital located outside an urban area as defined in CFR Title 42 412.62(f)(1)(ii))
4. **Sole community hospitals** as defined in CFR 412.92(a)
5. **Financially distressed hospitals** if:
  - a. The term “financially distressed hospital” is defined in state law; and
  - b. the state law specifies reasonable standards for determining financially distressed hospitals and they are uniformly applied to all hospitals in the state; and
  - c. no more than 10 percent of nonpublic hospitals in the state are exempt from the tax
6. **Psychiatric hospitals**





# STATE HEALTH PLAN

## Governor's Recommended Budget

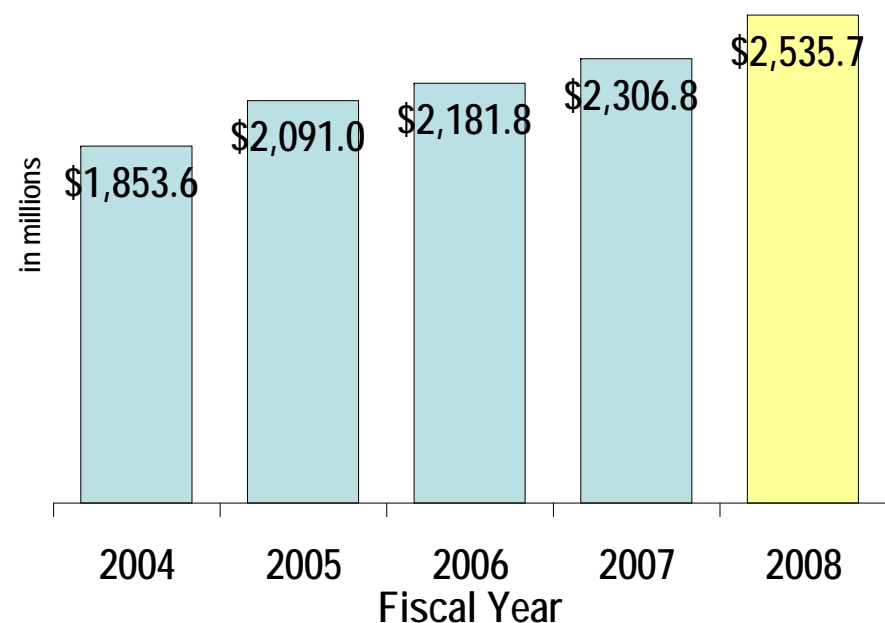
- AFY2009: Page 68
- FY2010: Page 107



# Historical Expense

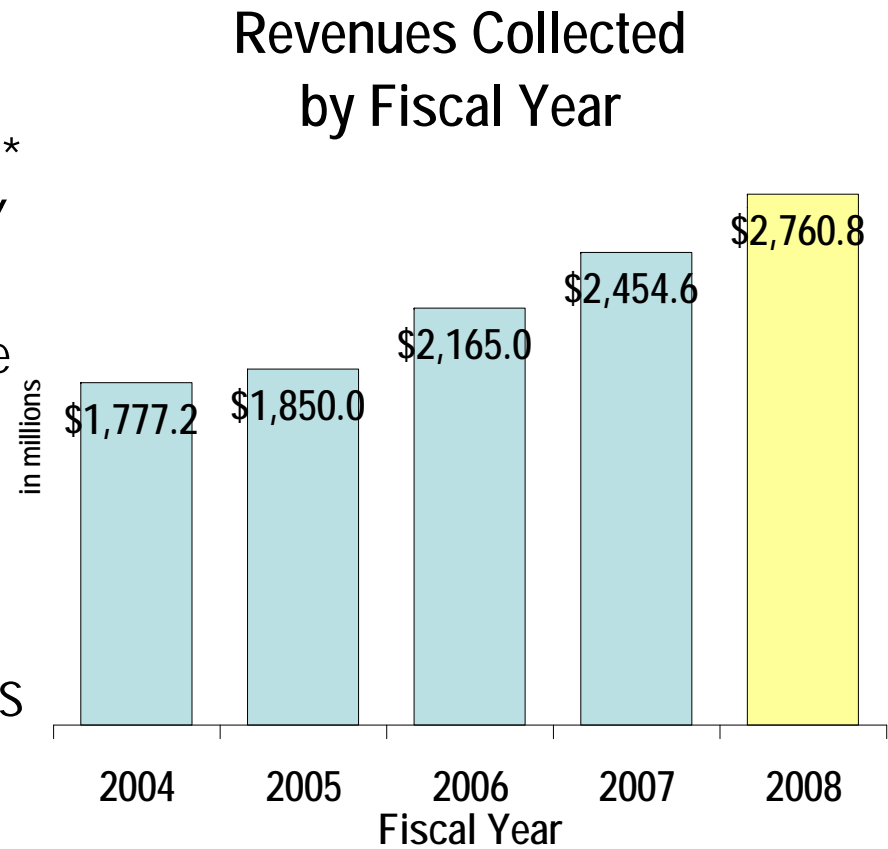
- **\$228.8 million or 9.9% growth** in expenditures in FY 2008 as compared to FY 2007
- Comparing most recent plan years' self-insured options:
  - **3.6% growth in enrollment**
    - Primarily New Teachers
  - **6.5% growth in PMPM growth**
    - Comparable to national averages for self-insured and gov't plans
    - Aligned with financial goals set by Governor

Cash-Based Expenditures by Fiscal Year



# Historical Revenue

- **\$306.2 million or 12.5% growth** in revenues collected in FY 2008 as compared to FY 2007\*
- 14.7% increase in employer revenue\* as collection methods changed in FY 2008:
  - Percent of Payroll for teachers and state employees increased from 16.713% to 18.534%
  - DOE contributions on behalf of school personnel increased from \$242.5 m to \$279.2 m
- 6.2% increase in employee premiums due to higher membership and CY 2008 premium increase



\* Does not include OPEB contributions for state employees

# FY 2008 Revenue/Expense Statement

(in millions)	FY 2008	% change vs. FY 2007
Employer Contributions	\$2,115.4	14.7%
Member Premiums	624.2	6.2%
Other Revenue	21.3	-7.9%
<b>Total Revenue</b>	<b>\$2,760.8</b>	<b>12.5%</b>
Pay As You Go Expense	\$2,535.7	9.9%
<b>Total Expense</b>	<b>\$2,535.7</b>	<b>9.9%</b>
<b>Surplus/Deficit</b>	<b>\$225.1</b>	

NOTE: does not include \$176.3 m in Long Term Investment for future OPEB liabilities



# SHP Employer Contributions FY 2009

June 30, 2008 SHBP Fund Balance at \$472.9 million

- Given current employer contribution rates, Fund Balance projected to grow to **\$672.5 million by June 30, 2009**

## **Governor's Recommended AFY 2009 Budget:**

- Reduce employer contributions by reducing the percent of payroll paid by state agencies & local BOE's Feb-June 2009
  - State Agencies from 22.165% to 1.926%
  - Local Boards of Education from 18.534% to 8.579%
- 50% reduction in DOE contribution for school employees.

Reduces FY 2009 SHBP fund revenue by \$535.6 million and OPEB revenue by \$120.1 million

Fund Balance would be used to cover FY 2009 reduction in SHBP revenue, leaving \$136.9 million by June 30, 2009



# FY 2009 SHP Revenue

## FY 2009

- **-\$391.6 million or 14.2% reduction in revenues collected in FY 2009**  
as compared to FY 2008\*
- **22% decrease in employer revenue considering:**
  - Reduction in percent of payroll for state agencies and local BOE's from Feb – June 2009
  - 50% reduction in DOE contribution for school employees
  - State employee hiring freeze and impact of agency budget cuts in personal services
  - No Pay raise for state employees on January 1, 2009
- **10.2% increase in member premiums** due to expected increase in the number of members (teachers and school employees) and CY 2009 premium increase
- **End contributions for future OPEB liabilities** after July 2008

\* Based on DCH projections prior to 2009 open enrollment and does not reflect OPEB contributions for state employees



# FY 2010 SHP Revenue

## FY 2010

- **\$522.6 million or 22.1% increase** in revenues collected in FY 2010 as compared to FY 2009
- **30% increase in employer revenue:**
  - Percent of payroll increased (17.856% for state employees; 18.534% for teachers)
  - Full DOE contribution for school employees at \$248.9 million
  - Assumes no pay raise for teachers on September 1, 2009 or for state employees on January 1, 2010
  - Assumes budget cuts to local boards of education who may reduce payroll
- **4.5% increase in the collection of member premiums** due to:
  - CY 2009 premium increase (impacts the first half of FY 2010)
  - Assume premiums for members in non-CDHP options increase by 1% for CY 2010; assume premiums for members in CDHP options remain the same
- **No contributions for future OPEB liabilities for state employees**

\* Based on DCH projections prior to 2009 open enrollment



# SHP Future Expense

FY 2009 – \$169.5 m or 6.7% growth

FY 2010 – \$127.1 m or 4.7% growth

## Assumptions:

- Pricing, Benefit Design and Marketing of **CDHP plans** moves 8% of HMO membership and 4% of PPO membership to a CDHP plan option in CY 2010
- **Membership growth for teachers, school employees, and retirees** through FY 2009; however, no growth for active state employees
- **Nominal net growth in active membership** in FY 2010 due to budget restrictions
- **Assume continued growth in retiree membership**



# CY 2009 Reform with Impact on Expense

## CDHP Strategies

- Enrollment options for new SHBP entrants after January 1, 2009 will be limited to CDHP options during the first plan year after enrollment.
  - At the next open enrollment period, a new entrant will then have all plan designs available for selection in the event they want to change.
- New Entrant policy saves \$5.8 million in FY 2009 and \$22.8 million in FY 2010



# FY 2010 Reform with Impact on Expense

## Medicare Strategies for Retirees Age 65 and Older

- Beginning July 1, 2009, retirees who do not participate in Medicare Part B will pay higher premiums to offset the loss of Medicare cost avoidance.
  - The SHBP will pay any late entrant penalties for members who are not already in Medicare Part B.
  - Retirees can sign up for Medicare Part B between January and March 2009.
- Beginning January 1, 2010, retirees will be required to enroll in a Medicare Advantage plan to continue to receive the state subsidy toward the cost of SHBP premiums.
  - Retirees not participating in a Medicare Advantage plan can continue to participate in the other SHBP plan options, but will not receive a state subsidy.
  - The member must be in at least Part B to qualify for Medicare Advantage Plan participation.
- Medicare strategies save \$58.5 million in expense in FY 2010



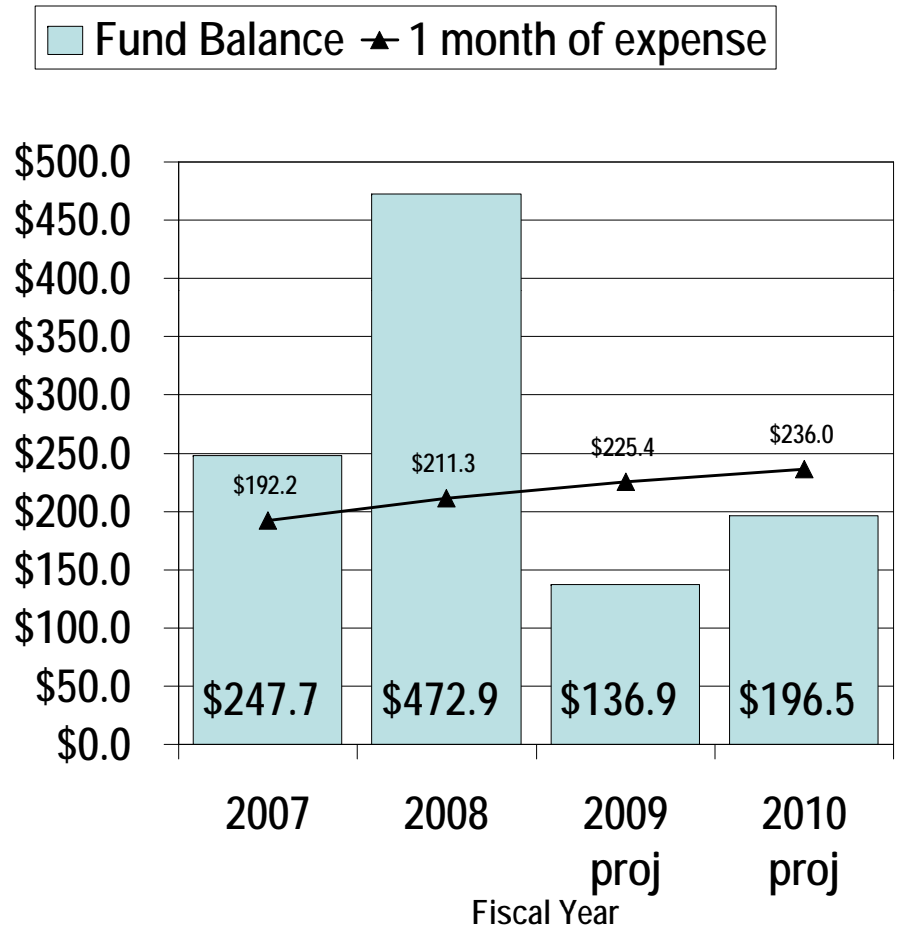
# FY 2009-10 Revenue/Expense Statement

(in millions)	FY 2009	FY 2010	% change
Employer Contributions	\$1,669.9	\$2,151.5	30.0%
Employee Premiums	688.2	719.2	4.5%
Other Revenue	21.2	21.2	-
<b>Total Revenue</b>	<b>\$2,369.3</b>	<b>\$2,891.9</b>	<b>22.1%</b>
Cash Expense	\$2,705.2	2,832.3	4.7%
<b>Total Expense</b>	<b>\$2,705.2</b>	<b>\$2,832.3</b>	<b>4.7%</b>
<b>Surplus/Deficit</b>	<b>(\$335.9)*</b>	<b>\$59.6</b>	

\*The SHBP Fund Balance will be used to cover the FY 2009 deficit.

# SHP Fund Balance

- In FY 2007 and 2008, the Fund Balance exceeded 1 month's worth of SHBP expenditures.
- In FY 2009, the Fund Balance will be reduced as it will be used to cover FY 2009 planned revenue reductions.
- In FY 2010, the Fund Balance is projected to grow by \$59.6 million.



# HEALTHCARE ACCESS & ADMINISTRATION



Governor's Recommended Budget:

Admin - AFY2009: Page 65      FY2010: Page 104

HCA - AF2009: Page 66      FY2010: Page 105

# Changes to Department Operations Amended FY 2009 and FY 2010

	Amended FY 2009	FY 2010
Administration State Funds Budget	106,922,412	106,922,412
Governor's Recommended Change	(14,094,903)	(15,131,687)
Percent Reduction	(13.2%)	(14.2%)
Health Care Access and Improvement Budget	25,584,060	25,584,060
Governor's Recommended Change	(16,514,780)	(12,693,510)
Percent Reduction	(64.6%)	(49.6%)
Total Department Operations Budget	132,506,472	132,506,472
Governor's Recommended Change	(30,609,683)	(27,825,197)
Percent Reduction	(23.2%)	(21.0%)

# Changes to Administration

Object	Amended FY 2009	FY 2010
<b>Personal Services</b> -cut 6% of State Funds -cut 7 positions and freeze hiring -eliminate pay raises and reduce SHBP payments	(2,069,360)	(1,781,187)
<b>Regular Operating</b> -freeze travel; reduce support costs based on FY 08 and 09 Medicaid and PeachCare enrollment -GAIT 2010	(1,332,133)	(1,569,141)
<b>Contractual Services</b>	(10,693,410)	(12,159,425)
Transfer Office of Regulatory Services from DHR	-	378,066
<b>Total</b>	<b>(14,094,903)</b>	<b>(15,131,687)</b>



# Impact on Administrative Contracts

## Contract Cost Reductions Linked to Changes in Expected Member Enrollment

- MMIS contract (and eliminate funding for change orders)
- PeachCare eligibility contract
- Medicaid Buy-In initiative

## Contract Cost Reductions Linked to Competitive Procurement

- External Quality Review of Managed Care
- Pharmacy Benefits Manager

## Contracts Cost Avoided

- Delay start-up of Medicaid Administrative Services contract in FY 2009
- Improve federal funds reconciliation process to address financial audit finding
- Initiate Member Duplicate Check Software program
- Reduce third party testing of new MMIS system during implementation phase

## Contracts Eliminated

- Health Information Exchange pilots





# Changes to Health Care Access and Improvement

Object	Amended FY 2009	FY 2010
<b>Personal Services</b> -cut 6% of State Funds -cut 1 position and freeze hiring -eliminate pay raises and reduce SHBP payments	(164,897)	(106,428)
<b>Regular Operating</b> - GAIT 2010	117	(361)
<b>Contractual and Grant Services</b>	(16,350,000)	(18,200,000)
Transfer Office of Regulatory Services from DHR	-	5,613,279
<b>Total</b>	<b>(16,514,780)</b>	<b>(12,693,510)</b>



# Impact on HCA Grants and Contracts

## Grants Eliminated or Reduced:

- Georgia Health Marketing Authority (SB 404)
- Georgia Association of Primary Health Care for community health center start up/behavioral health expansions
- Safety Net Clinics
- Georgia Wellness Incentive Pilot
- Rural Health grants for primary health care support (reduced)
- Southeastern Firefighters Burn Foundation (reduced in FY 2009; eliminated in FY 2010)
- Rural Health Initiative developing regional systems of care in rural Georgia



# Summary



# AFY 2009 & FY 2010

## Governor's Recommendation for State Funds

In millions	Current FY 2009	Change AFY 2009		Change FY 2010	
		\$	%	\$	%
Medicaid	\$2,106.7	(118.6)	-5.6%	199.3	9.5%
PeachCare	\$98.7	(22.1)	-22.4%	(6.5)	-6.6%
ICTF	\$0	7.0		50.7	
Nursing Home Provider Fee	\$120.8	3.9	3.2%	1.7	1.4%
Administration	\$106.9	(14.1)	-13.2%	(15.1)	-14.2%
Health Care Access	\$25.6	(16.5)	-64.6%	(12.7)	-49.6%
Attached Agencies	<u>\$55.7</u>	<u>(3.7)</u>	<u>-6.6%</u>	<u>(4.6)</u>	<u>-8.3%</u>
<b>TOTAL State Funds</b>	\$2,514.3	(164.1)	(6.5%)	212.8	8.5%
SHBP (classified as other funds)	\$2,704.7	295.5	10.9%	241.5	8.9%

Note: State Funds include State General Funds, Tobacco Funds, and Provider Fees.



# DCH Budget Summary

**FY 2008** – Surplus in Medicaid, PCK, and Admin;  
**\$134.5 million returned to Treasury**

**FY2009** – cost containment initiatives and rate deferrals reduce funding needs in Medicaid and PCK; SHBP Employer Contributions reduced; Significant Administrative Cuts

**FY 2010** –

- Medicaid/PCK provider rate increases
- Advent of Hospital Provider Fee program
- Expansion of Managed Care Fee program
- Avoid significant program cuts in Medicaid and PCK
- Use of Tobacco Funds to Supplant State Funds
- Significant Administrative Cuts
- New PCK and Medicaid enrollment growth not completely covered

Department of Community Health Budget Summary		
Budget (in millions)	Current FY2009	Gov's Rec FY2010
Total Funds	\$11,500.4	\$11,911.1
State Funds	\$2,514.3	\$2,727.1
Net Change in State Funds		\$212.8
Percent Change in State Funds		8.5%

