

Governor's Recommended Budget For DCH AFY 2009

Presentation to
House Appropriations Health Subcommittee
January 29, 2009

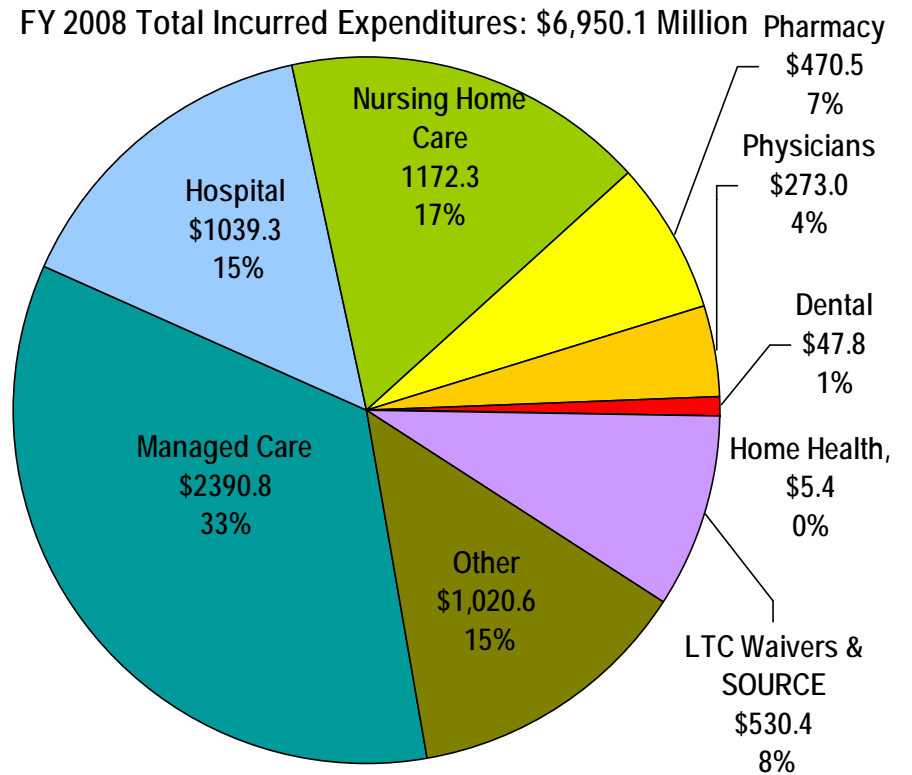
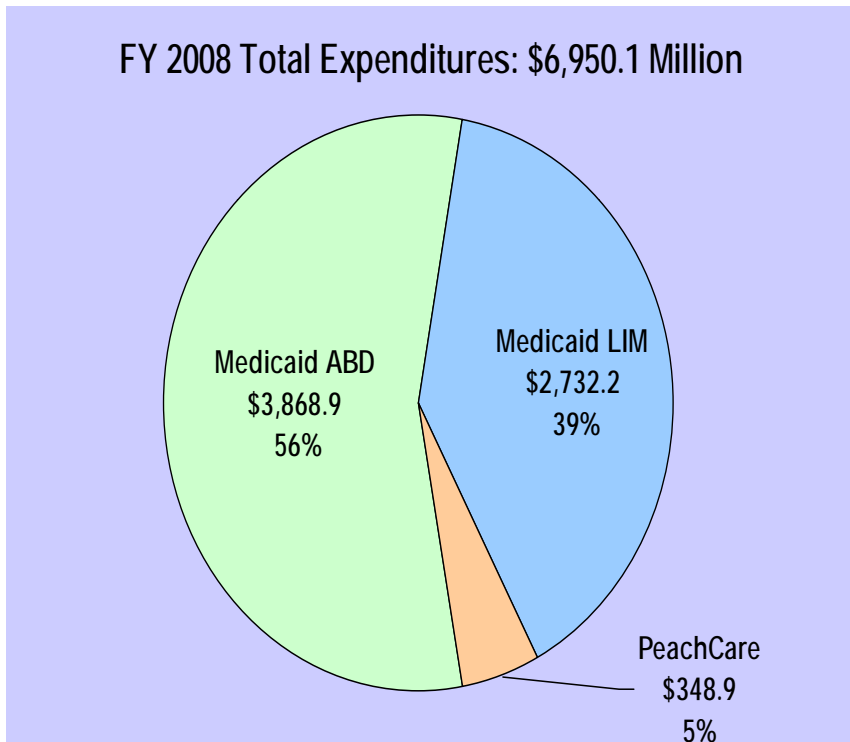


Dr. Rhonda M. Medows, Commissioner

Georgia Department of Community Health

DCH Program	Enrolled 10/08	Budget FY09	Savings FY08
PeachCare (SCHIP)	207,551 Children •90% have incomes under 200% fpl •Income up to 235%	\$98.6M State Funds 25% State 75% Federal	FY08 Savings: \$12M
Low Income Medicaid (LIM)	956,060 Children & Pregnant Women Income limit varies by age up to 200%fpl	\$917M State Funds 36% State Funds 64% Federal	FY08 Saving: \$55M
Medicaid: Aged, Blind & Disabled (ABD)	384,437 The Elderly, Disabled Adults & Children Variable By Category SSI, Nursing Home, MN	\$1.1B State Funds 36% State Funds 64% Federal	FY08 Saving: \$47M
State Health Plan (SHP)	696,851 State Employees, School District Employees, Legislators, etc.	\$2.7 B Total Funds 75% State Funds 25% Employee	\$672M: FY09 Projected SHP Fund Balance (with FY08 Saving of \$225M)
Administration & HealthCareAccess	All DCH Admin Contracts & Ops Federal & State Grants Rural Health & FQHC	\$120M State Funds \$10MTobacco Funds	FY08 Savings: \$19M TOTAL = \$805M

FY 2008 Expenditures: Medicaid and PeachCare



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

\$s in Millions

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
- **State Health Benefit Plan**
 - FY 2008 – \$225 million annual operating savings resulting in projected FY 2009 fund balance of **\$672.5 million**
 - FY 2009 – reduced Employer Contributions consume most of the fund balance
- **Administration and Healthcare Access and Improvement**
 - FY 2008 - **\$19.3 million** in state funds Returned to Treasury
 - FY 2009 – **23%** 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
Total	\$134,464,202

*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)

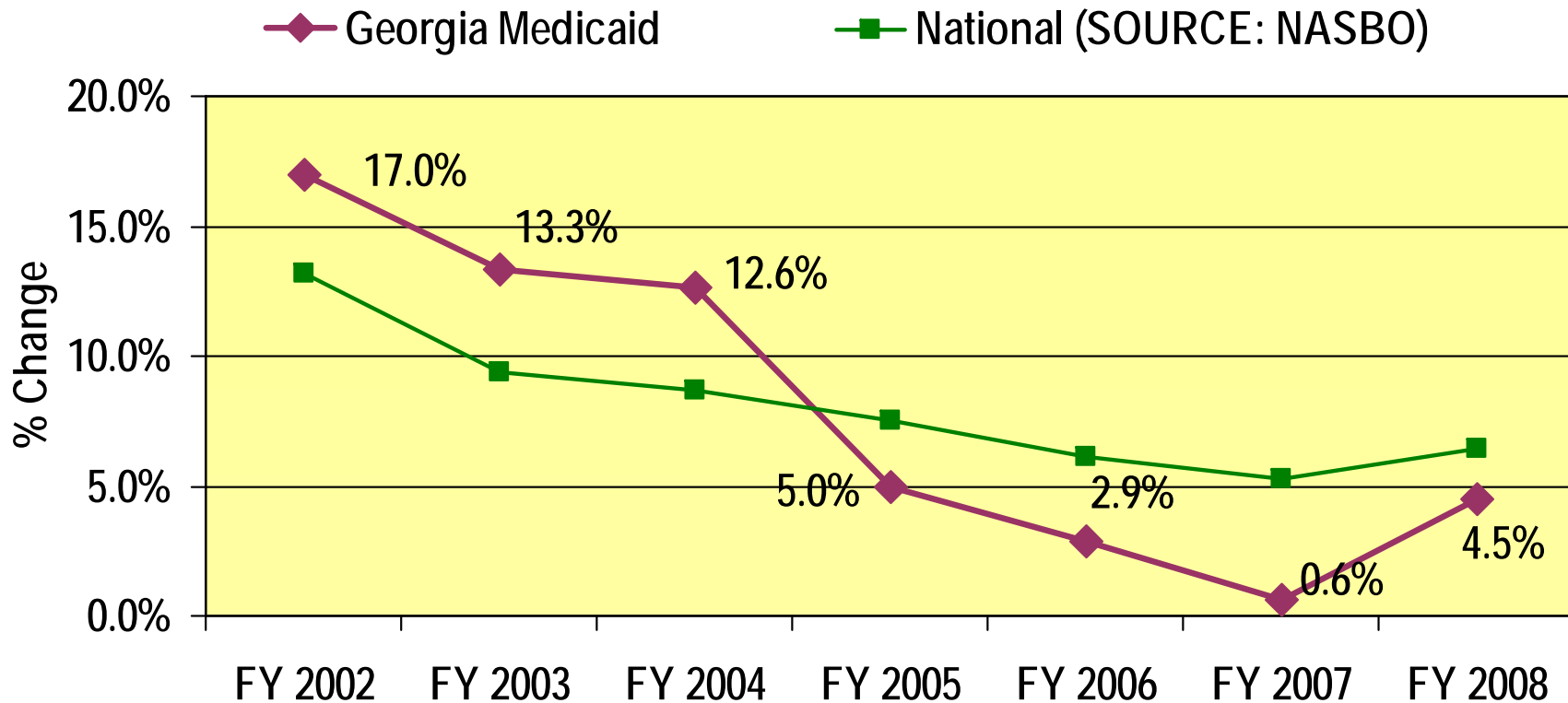
- **Eligibility Criteria** more stringently applied in Medicaid
 - Emergency Medical Assistance
 - Katie Beckett (FY 2005)
 - Proof of Citizenship and Income
 - Asset Transfer for Long Term Care
- **Medicare Part D** implementation

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



Governor's AFY 2009 Budget Recommendations



Changes to Administration

Object	Amended FY 2009
Personal Services	
-eliminate pay raises (part of #16.0.2)	(224,411)
-reduce SHBP payments (part of #16.0.3)	(780,734)
-cut 7 positions and freeze hiring (#16.1.14)	(1,064,215)
Regular Operating	
-GAIT 2010 (part of #16.0.1)	57,047
-freeze travel; reduce support costs based on FY 08 and 09 Medicaid and PeachCare enrollment (#16.1.15)	(1,389,180)
Contractual Services	
- General Contract Funds (#16.1.1)	(10,193,410)
- Health Information Exchange, (#16.1.16)	(500,000)
Total	(14,094,903)



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
Personal Services	
-eliminate pay raises (part of #16.0.2)	(\$6,488)
-reduce SHBP payments (part of #16.0.3)	(158,409)
-cut 1 position	
Regular Operating - GAIT 2010 (part of #16.0.1)	117
Contractual and Grant Services (#16.3.11-#16.3.16)	(16,350,000)
Total	(16,514,780)



Impact on HCA Grants and Contracts

Grants Eliminated or Reduced:

• 16.0.5 - Southeastern Firefighters Burn Foundation (reduced)	(\$400,000)
• 16.3.11 - Rural Health grants for primary health care support (reduced)	(\$250,000)
• 16.3.12 - Georgia Association of Primary Health Care for community health center start up/behavioral health expansions	(\$2,000,000)
• 16.3.13 - Safety Net Clinics	(\$950,000)
• 16.3.14 - Georgia Health Marketing Authority (SB 404) –	(\$2,000,000)
• 16.3.15 - Georgia Wellness Incentive Pilot	(\$150,000)
• 16.3.16 - Rural Health Initiative developing regional systems of care in rural Georgia	(\$10,600,000) tobacco funds



Changes to Department Operations Amended FY 2009 and FY 2010

	Amended FY 2009
Administration State Funds Budget	106,922,412
Governor's Recommended Change	(14,094,903)
Percent Reduction	(13.2%)
Health Care Access and Improvement Budget	25,584,060
Governor's Recommended Change	(16,514,780)
Percent Reduction	(64.6%)
Total Department Operations Budget	132,506,472
Governor's Recommended Change	(30,609,683)
Percent Reduction	(23.2%)



Medicaid/PeachCare for Kids Programs Basis of Governor's AFY2009 Rec.

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 3rd
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



Medicaid/PeachCare for Kids Programs

Governor's AFY 2009 Changes

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

1. Defer FY 2009 **Provider Rate** increases until FY 2010. (#16.2.1,#16.5.1,#16.7.1)
2. Defer FY 2009 Nursing Home FRVS and rate increases. (#16.2.14, #16.2.15)
3. Delay the use of 75 **ICWP new slots** until Jan. 1, 2009.(#16.2.16)
4. Return projected **FY 2009 Savings** due to the impact of prior year cost control initiatives. (#16.2.17,#16.5.18, #16.7.13)
5. Use additional **prior year reserves** not already budgeted for in HB 990. (#16.2.21)

New Initiatives

6. Use interstate data matching to eliminate members eligible for Medicaid in other states. (**PARIS Initiative**) (#16.2.13,#16.5.17)
7. Conduct expedited reviews for "**Ex Parte**" members. (#16.2.18,#16.5.20)
8. Consider the impact of **Provider Linkage software** in identifying fraud and abuse. (#16.2.19,#16.5.16)



Medicaid/PeachCare for Kids Programs Overview of AFY 2009

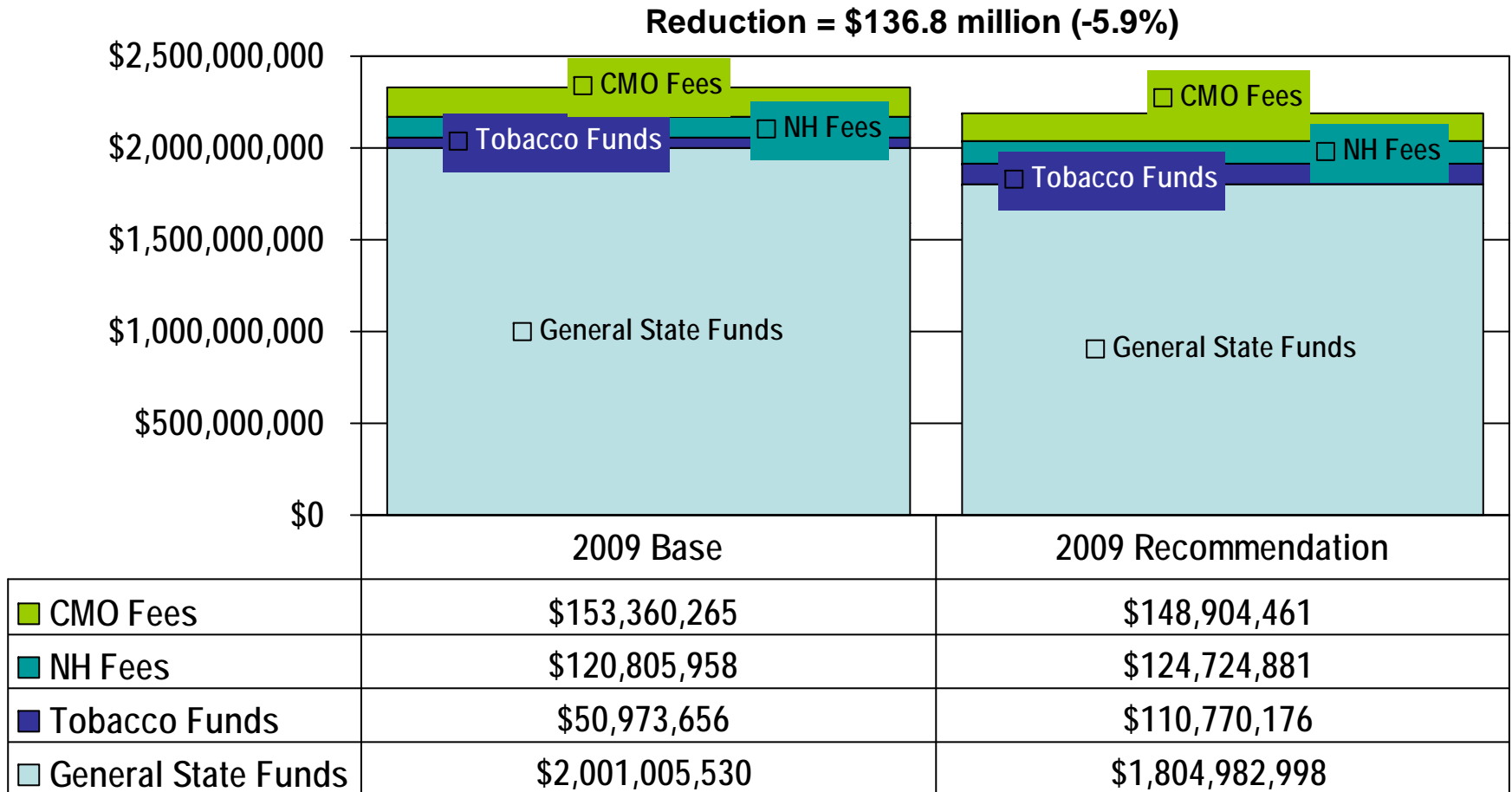
Category	State General	Tobacco	CMO and NH Provider Fee	Total
FY 2009 Provider Rate Increases Deferred Until FY 2010	-\$59,662,054	-	-	-\$59,662,054
Benefits Surplus from PY Cost Control Initiatives (#16.2.17, #16.5.18, #16.7.13)	-54,868,351	-	-	-54,868,351
Use of Additional Prior Year Reserves (#16.2.21)	-14,820,314	-	-	-14,820,314
New FY 2009 Cost Control Initiatives	-6,875,293	-	-	-6,875,293
Revised Provider Fee Estimates (#16.5.22, #16.6.2, #16.7.12)	-	-	-536,881	-536,881
Supplanting State with Tobacco Funds (#16.5.19)	-59,796,520	59,796,520	-	-
TOTAL	-\$196,022,532 -9.8%	\$59,796,520 +117.3%	-\$536,881 -0.2%	-\$136,762,893 -5.9%



Medicaid/PeachCare for Kids Programs

AFY 2009 Recommended State Fund Sources

State Fund Sources for Medicaid and PCK Benefits

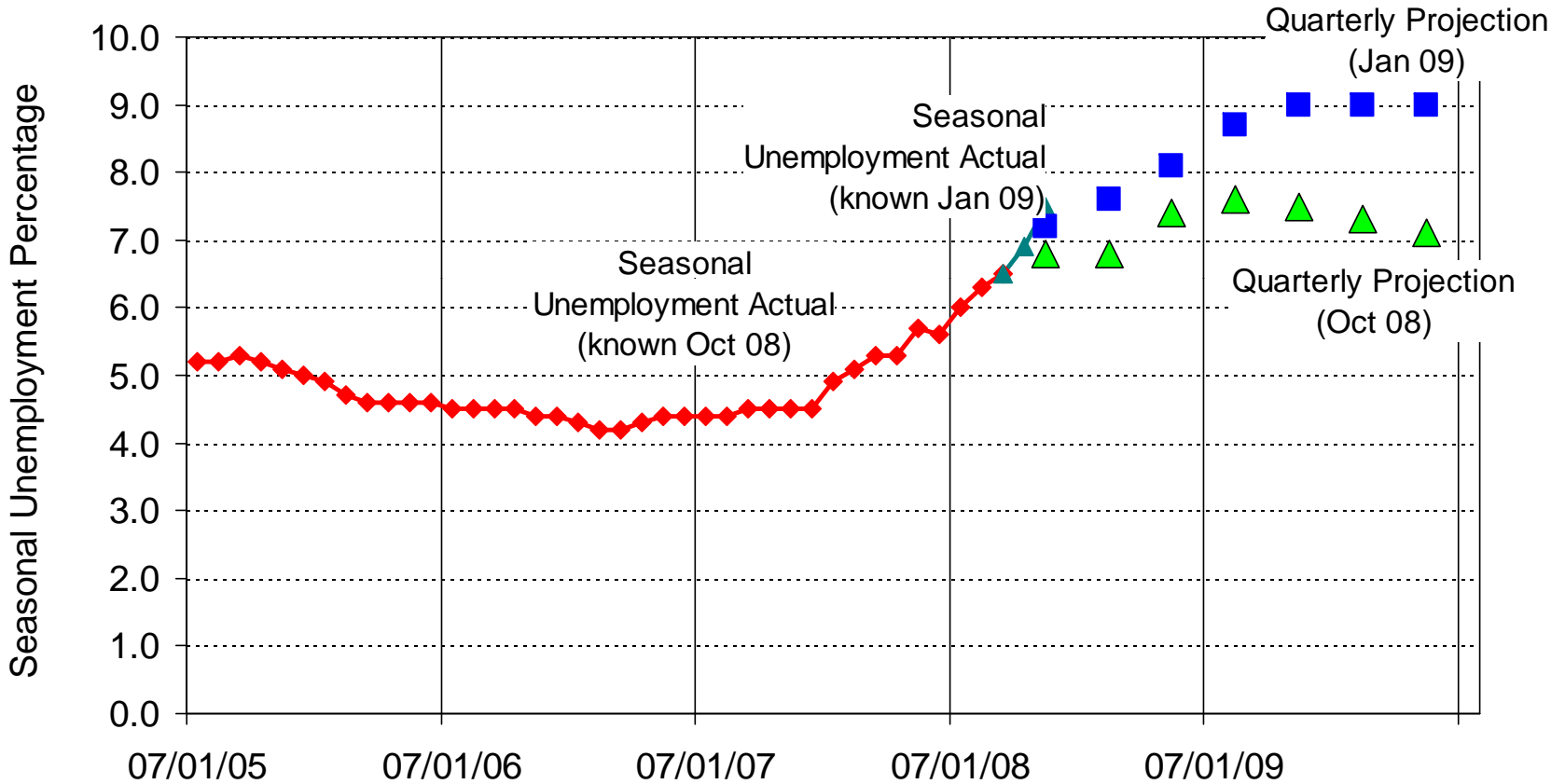


Medicaid/PeachCare for Kids Programs Projection Updates: AFY 2009

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



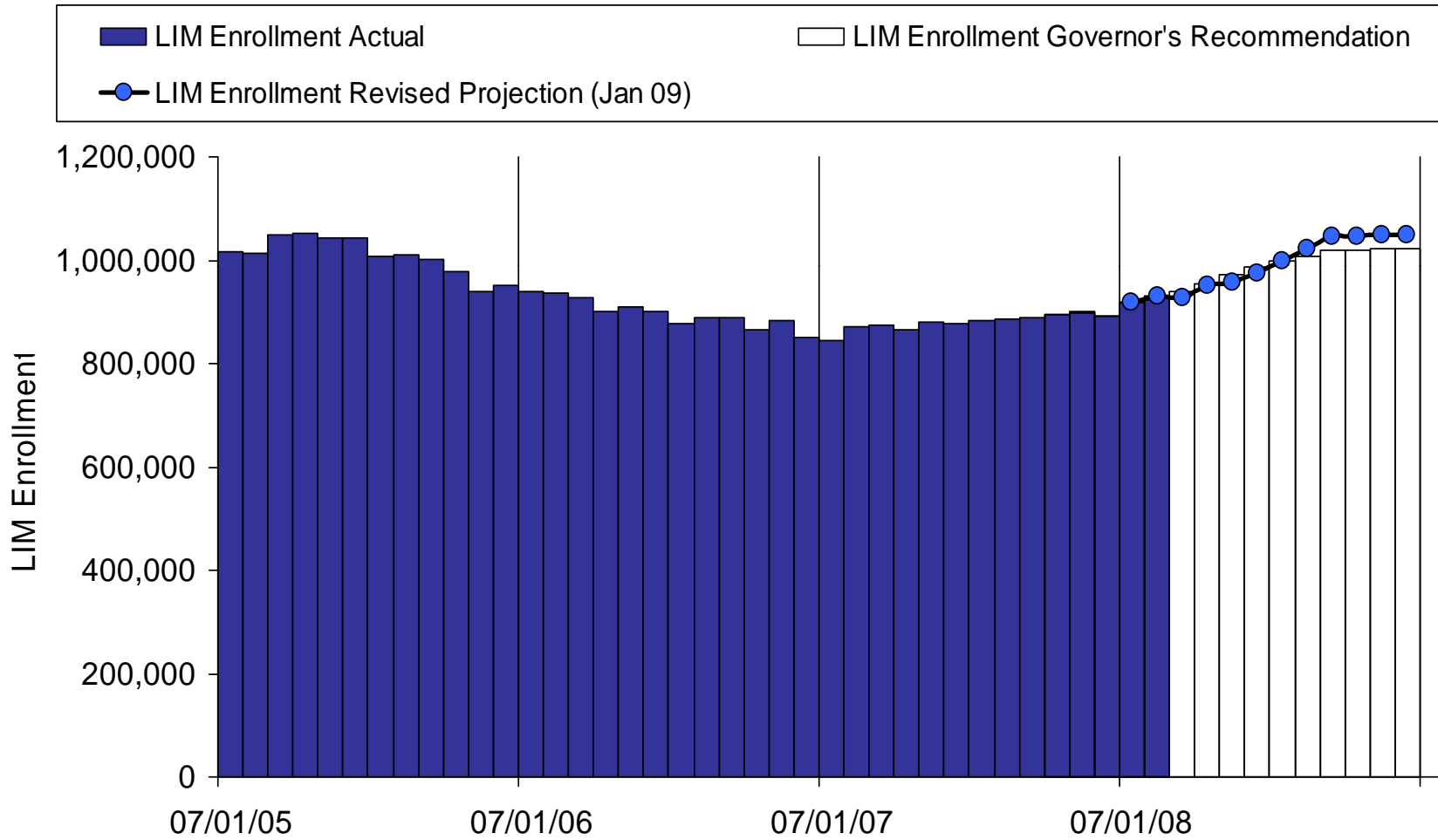
AFY 2009: Compare Unemployment Projections October 2008 v. January 2009



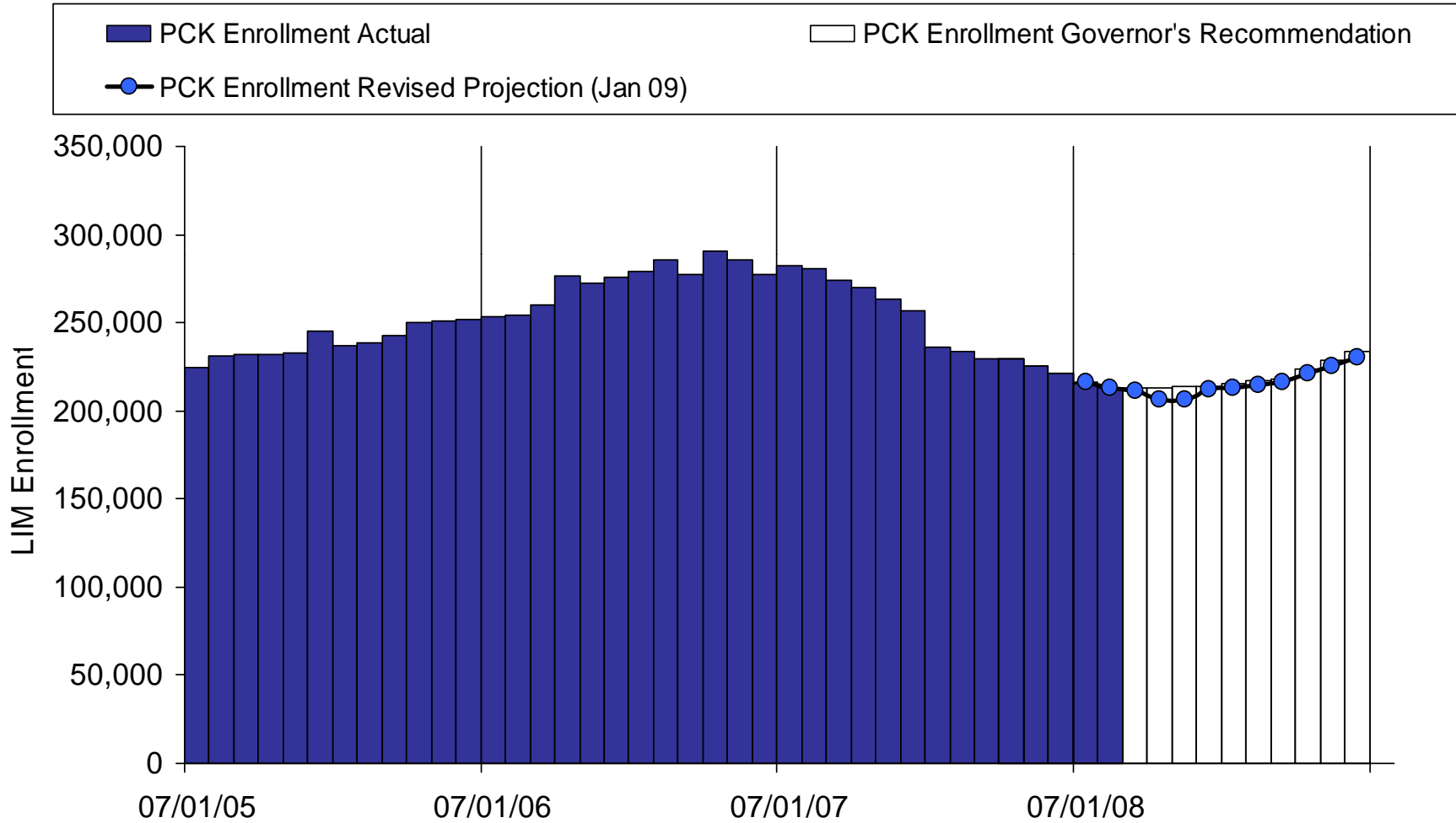
The highest rate of unemployment previously in Georgia was 8.3 in December 1982.

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

AFY 2009 Revised LIM Enrollment Projection

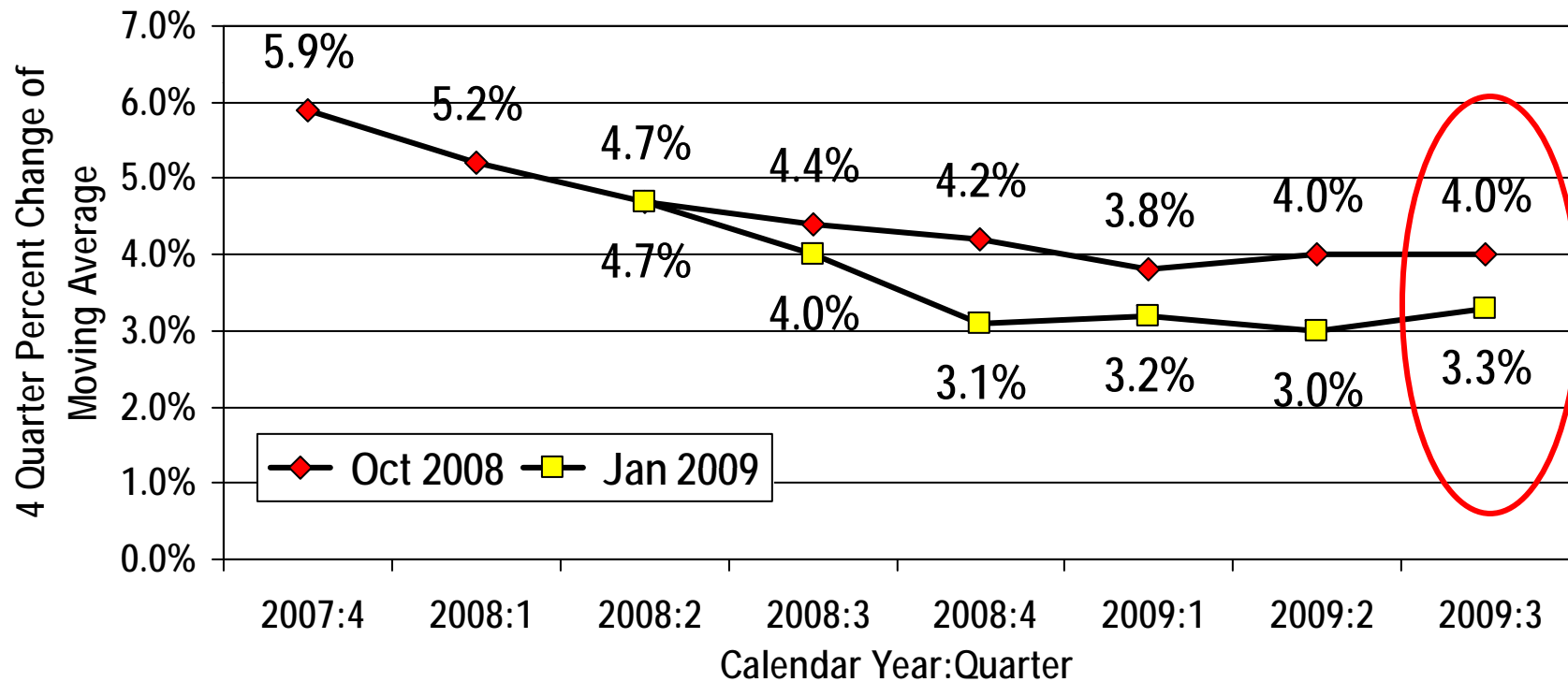


AFY 2009 Revised PCK Enrollment Projection



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

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



Medicaid/PeachCare for Kids Programs 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**



Medicaid/PeachCare for Kids Programs Comparisons

	Governor's AFY 2009 Recommendation	January 09 Projections	Difference
Medicaid Enrollment by June 2009	1.41 million	1.43 million	+20,000
PeachCare Enrollment by June 2009	234,000	230,000	-4,000
FY 2009 Growth in Medicaid Enrollment	10.8%	12.6%	+1.8%
FY 2009 Growth in PCK Enrollment	5.8%	4.1%	-1.7%
PMPM Inflation in FFS	4.0%	3.3%	-0.7%



Medicaid/PeachCare for Kids Programs 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.



STATE HEALTH PLAN



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%
Total Revenue	\$2,760.8	12.5%
Pay As You Go Expense	\$2,535.7	9.9%
Total Expense	\$2,535.7	9.9%
Surplus/Deficit	\$225.1	

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



SHBP 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% (e.g., #16.0.3)
 - Local Boards of Education from 18.534% to 8.579% (Gov's Doc: p. 101, QBE, #1)
- 50% reduction in DOE contribution for school employees. (Gov's Doc: p. 103, State Interagency Transfers, #1)

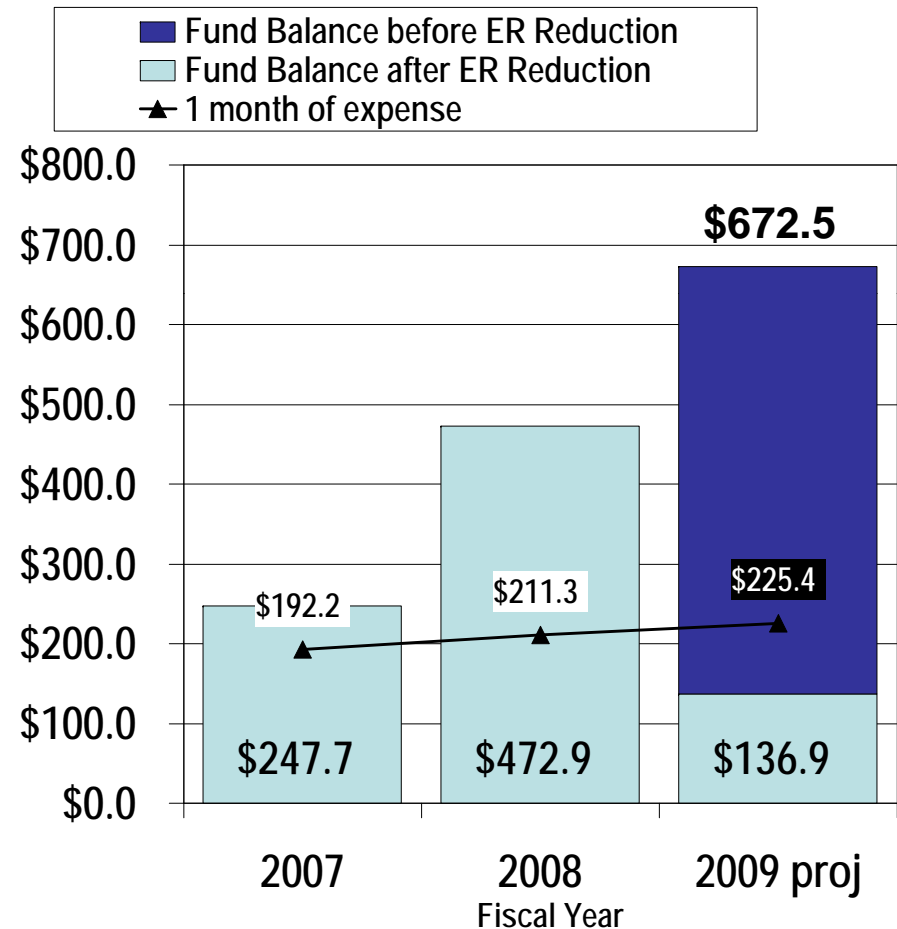
Reduces FY 2009 SHBP fund revenue by \$535.6 million and OPEB revenue by \$120.1 million

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



SHBP 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.
 - Fund balance at ~5% of annual expenditures



Summary



AFY 2009

Governor's Recommendation for State Funds

In millions	Current FY 2009	Change AFY 2009	
		\$	%
Medicaid	\$2,106.7	(118.6)	-5.6%
PeachCare	\$98.7	(22.1)	-22.4%
ICTF	\$0	7.0	
Nursing Home Provider Fee	\$120.8	3.9	3.2%
Administration	\$106.9	(14.1)	-13.2%
Health Care Access	\$25.6	(16.5)	-64.6%
Attached Agencies	<u>\$55.7</u>	<u>(3.7)</u>	<u>-6.6%</u>
TOTAL State Funds	\$2,514.3	(\$164.1)	(6.5%)

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



Proposed Federal Stimulus Package: Enhanced FMAP

	<u>House</u>	<u>Senate</u>
Enhanced FFP Current GA = 0.6449 (09) = 0.6510 (10)	4.9 percentage points	5.6 percentage points
High Unemployment Add-on	6, 12, or 14 percent increase over enhanced FMAP	5, 10, or 13 percent increase over enhanced FMAP
Eligibility MOE	Yes	Yes
Impact:		
FY 2009	\$514.3	\$464.9
FY 2010	775.4	721.1
FY 2011	<u>404.1</u>	<u>376.5</u>
TOTAL	1,693.7	1,562.5
SOURCE:	FFIS Federal Funds Information for States (1/23/09)	Center on Budget and Policy Priorities (1/26/09)

