

# Governor's Recommended Budget For DCH AFY 2009

Presentation to  
Senate Appropriations  
Community Health Subcommittee  
February 2, 2009

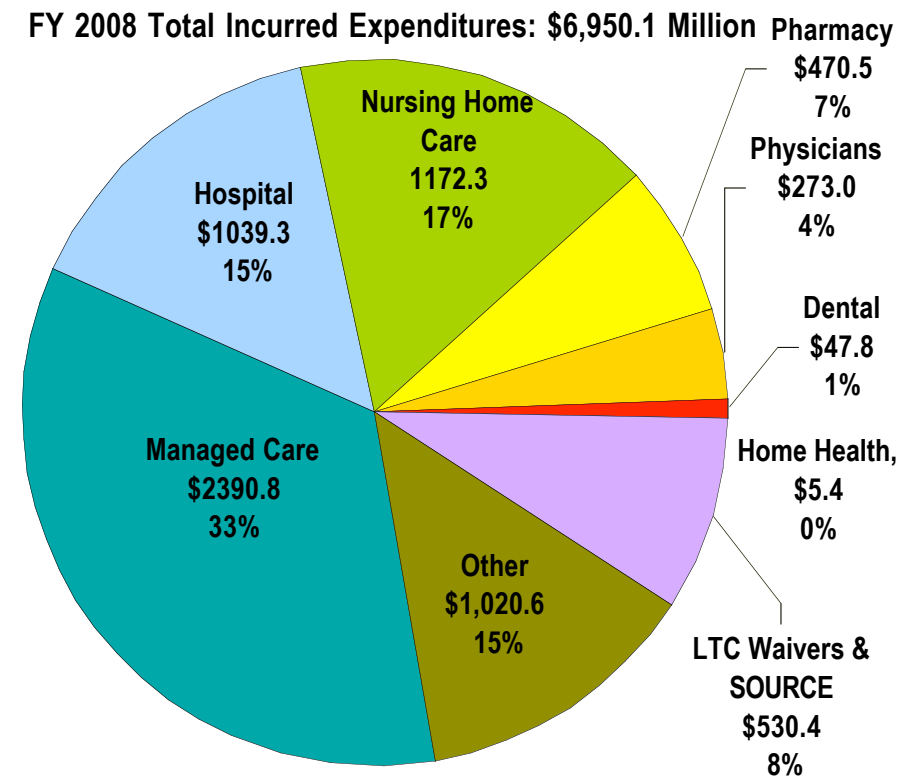
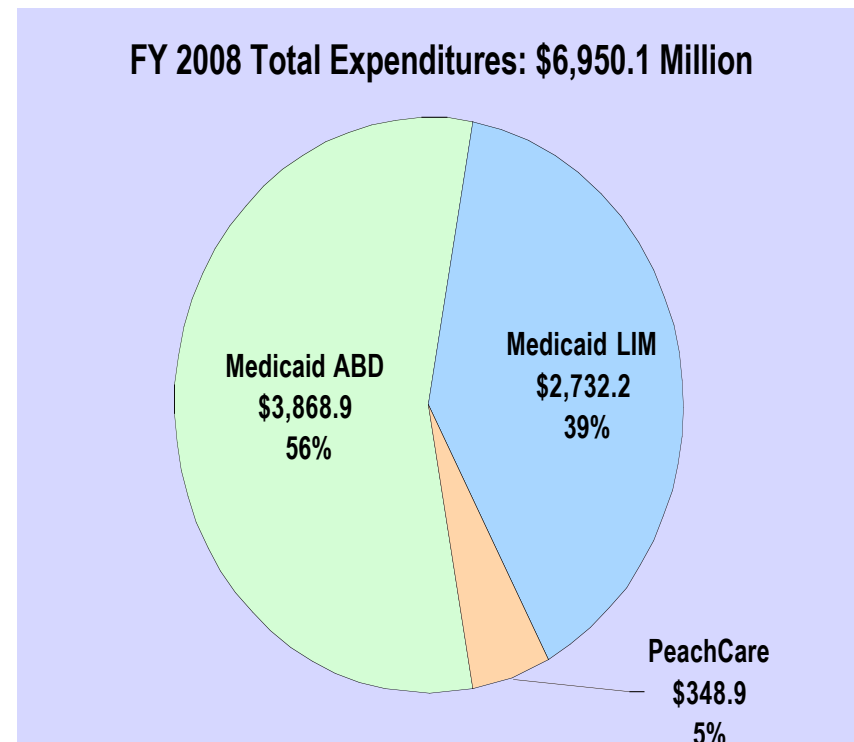


Dr. Rhonda M. Medows, Commissioner

# 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	<b>FY08 Savings: \$12M</b>
<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	<b>FY08 Saving: \$55M</b>
<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	<b>FY08 Saving: \$47M</b>
<b>State Health Plan (SHP)</b>	<b>696,851 State Employees, School District Employees, Legislators, etc.</b>	<b>\$2.7 B Total Funds</b> <b>75% State Funds</b> 25% Employee	<b>\$672M:</b> <b>FY09 Projected SHP Fund Balance</b> (with FY08 Saving of \$225M)
<b>Administration &amp; HealthCareAccess</b>	<b>All DCH Admin Contracts &amp; Ops</b> Federal & State Grants Rural Health & FQHC	<b>\$120M State Funds</b> \$10M Tobacco Funds	<b>FY08 Savings: \$19M</b>  <b>TOTAL = \$805M</b>

# FY 2008 Expenditures: Medicaid and PeachCare



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

\$s in Millions

## 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)

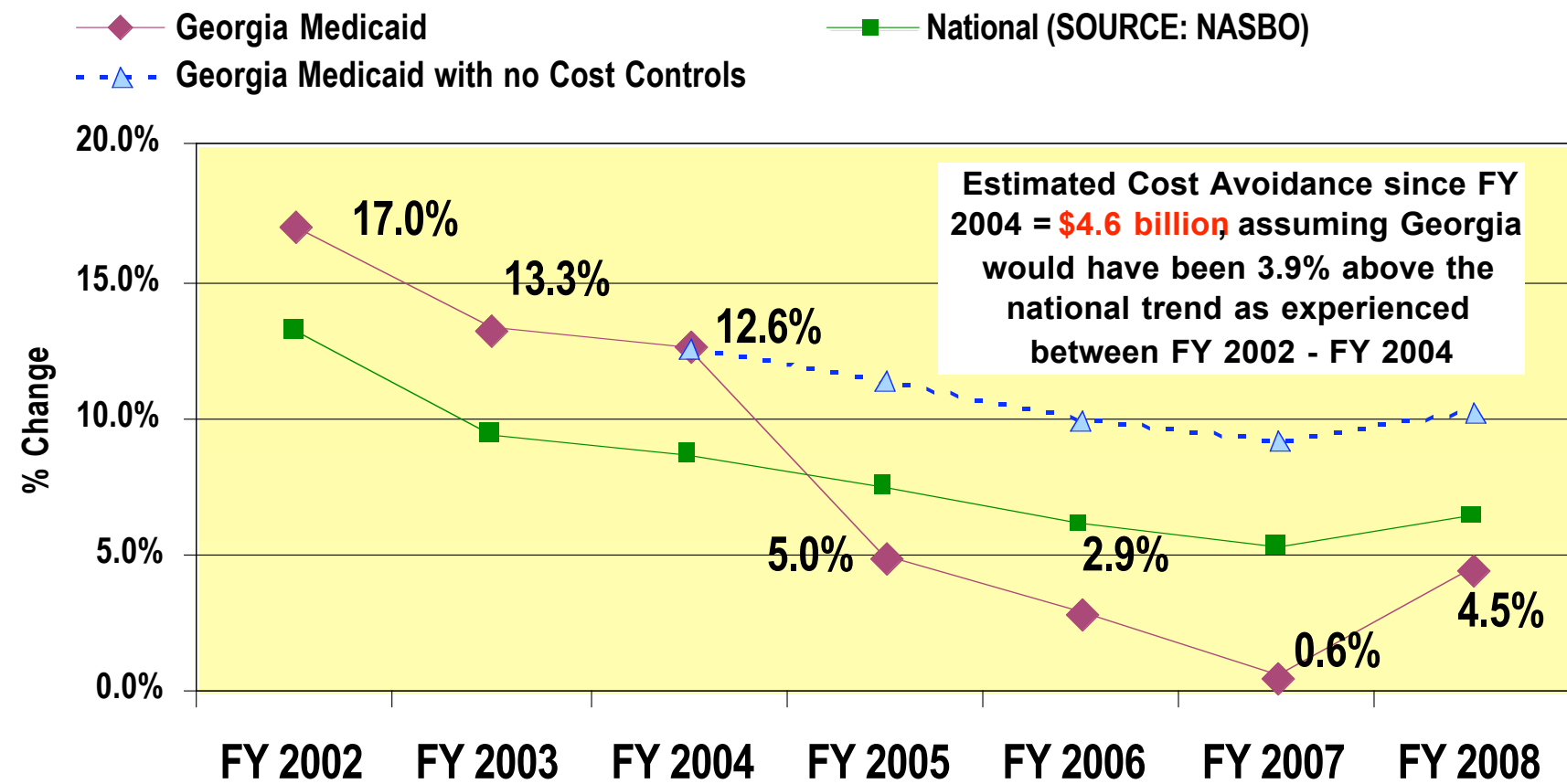
- **Eligibility Criteria** more stringently applied in Medicaid
  - Emergency Medical Assistance
  - Katie Beckett (FY 2005)
  - Proof of Citizenship and Income
  - Asset Transfer for Long Term Care
- **Medicare Part D** implementation

## 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



# Governor's AFY 2009 Budget Recommendations

## Administration & Healthcare Access

- FY 2008 - \$19.3 million returned to Treasury
- FY 2009 – 23% reduction recommended





## Changes to Administration

Object (p. 2)	Amended FY 2009
<b>Personal Services</b>	
-eliminate pay raises (#67.1)	(224,411)
-reduce SHBP payments (#67.2)	(780,734)
-cut 7 positions and freeze hiring (#67.5)	(1,064,215)
<b>Regular Operating</b>	
-GAIT 2010 (#67.3)	57,047
-freeze travel; reduce support costs based on FY 08 and 09 Medicaid and PeachCare enrollment (#67.6)	(1,389,180)
<b>Contractual Services</b>	
- General Contract Funds (#67.4)	(10,193,410)
- Health Information Exchange (#67.7)	(500,000)
<b>Total</b>	<b>(14,094,903)</b>

# Impact on Administrative Contracts (#67.4)

## 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 (p. 2-3)	Amended FY 2009
<b>Personal Services</b>	
-eliminate pay raises (#68.1)	(\$6,488)
-reduce SHBP payments (#68.2)	(158,409)
-cut 1 position	
<b>Regular Operating - GAIT 2010 (#68.3)</b>	117
<b>Contractual and Grant Services (#68.4-#68.10)</b>	(16,350,000)
<b>Total</b>	<b>(16,514,780)</b>

# Impact on HCA Grants and Contracts

<b>Grants Eliminated or Reduced: (page 3)</b>	
68.4 - Rural Health grants for primary health care support (reduced)	(\$250,000)
68.5 - Southeastern Firefighters Burn Foundation (reduced)	(\$400,000)
68.6 - Georgia Association of Primary Health Care for community health center start up/behavioral health expansions	(\$2,000,000)
68.7 - Safety Net Clinics	(\$950,000)
68.8 - Georgia Health Marketing Authority (SB 404)	(\$2,000,000)
68.9 - Georgia Wellness Incentive Pilot	(\$150,000)
68.10 - 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%)
<b>Total Department Operations Budget</b>	<b>132,506,472</b>
<b>Governor's Recommended Change</b>	<b>(30,609,683)</b>
<b>Percent Reduction</b>	<b>(23.2%)</b>

# Governor's AFY 2009 Budget Recommendations



## Medicaid Benefits and PeachCare

- FY 2008 – \$114.9 million returned to Treasury
- FY 2009 – cost containment initiatives and rate deferrals



# 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 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

# Medicaid/PeachCare for Kids Programs Governor's AFY 2009 Changes

<b>Reductions to meet minimum 5% cut of \$113.8 million: Existing Programs (ABD and LIM: p. 4 – 6; PCK: p. 7-8)</b>	<b>State Funds</b>
1. Defer FY 2009 <b>Provider Rate</b> increases until FY 2010. Ambulance (#70.1, #71.1, #73.1) Dental (#70.2, #71.2, #73.2) Home Health (#70.3, #71.3, #73.3) Inpatient and outpatient hospital (#70.4, #71.4, #73.4) Physicians, Healthcheck, digital mammography, and global deliver (#70.5, #71.5, #73.5) Independent Care Waiver Program (ICWP) Personal Support (#70.6, #71.6)	<b>(\$39,632,078)</b>
2. Defer FY 2009 <b>Nursing Home FRVS and rate increases.</b> (#70.8, #70.9)	<b>(19,443,154)</b>
3. Delay the use of 75 <b>ICWP new slots</b> until Jan. 1, 2009. (#70.10)	<b>(586,822)</b>
4. Return projected <b>FY 2009 Savings</b> due to the impact of prior year cost control initiatives. (#70.11, #71.8, #73.6)	<b>(54,868,351)</b>
5. Use additional <b>prior year reserves</b> not already budgeted for in HB 990. (#70.14)	<b>(14,820,314)</b>
<b>SUBTOTAL – Reductions to Existing Programs</b>	<b>(\$129,350,719)</b>



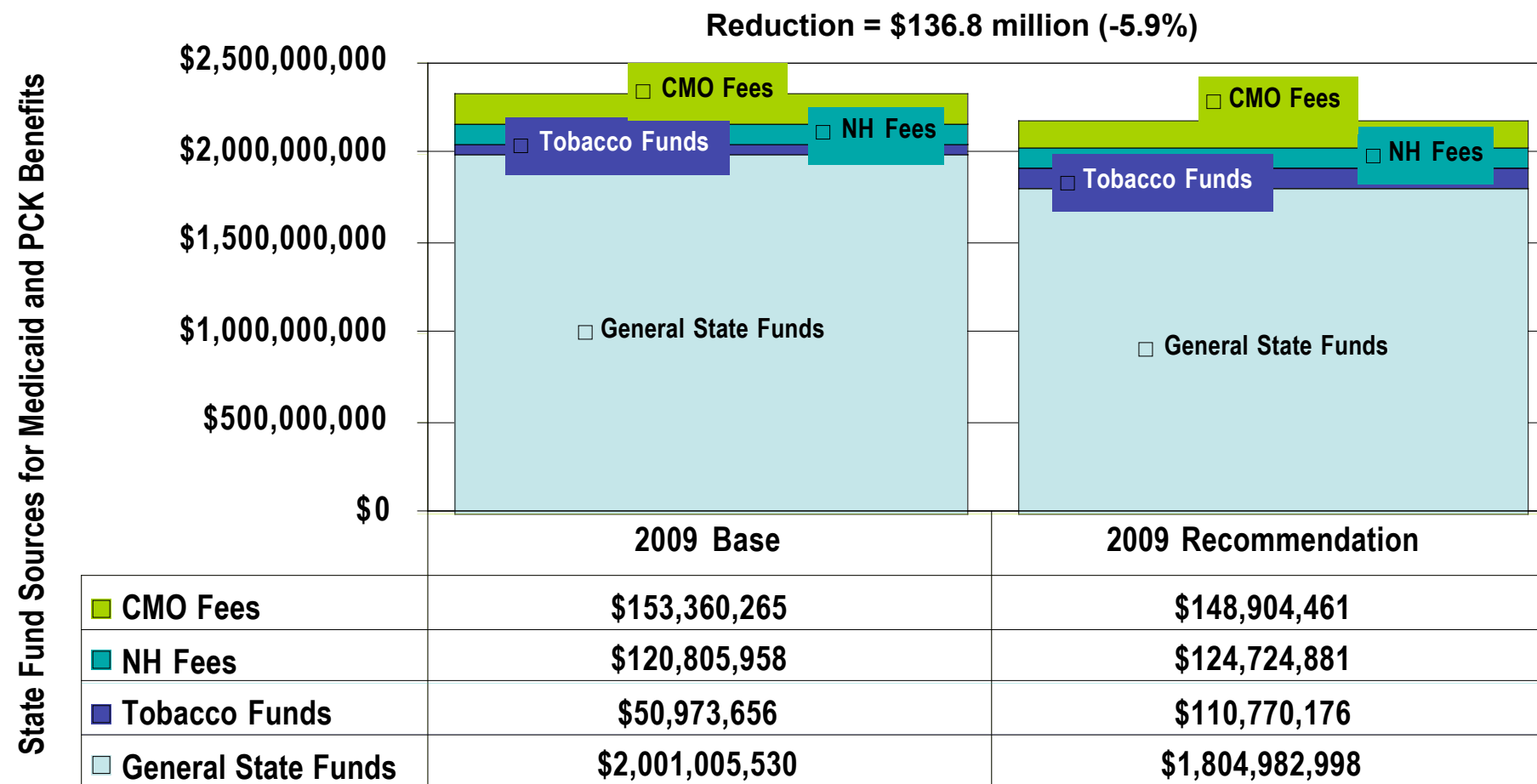
## Medicaid/PeachCare for Kids Programs Governor's AFY 2009 Changes

Reductions to meet minimum 5% cut of \$113.8 million: New Initiatives (ABD and LIM: p. 4 – 6)	State Funds
1. Use interstate data matching to eliminate members eligible for Medicaid in other states. (PARIS Initiative) (#70.7, #71.7)	(\$1,793,000)
2. Conduct expedited reviews for "Ex Parte" members. (#70.12, #71.10)	(3,540,420)
3. Consider the impact of Provider Linkage software in identifying fraud and abuse. (#70.13,#71.11)	(1,541,873)
<b>SUBTOTAL – Reductions from New Initiatives</b>	<b>(\$6,875,293)</b>
<b>TOTAL Reductions</b>	<b>(\$136,226,012)</b>

## Medicaid/PeachCare for Kids Programs Overview of AFY 2009 State Fund Sources

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 (#71.12, #72.1, #73.7)	-	-	-536,881	-536,881
Supplanting State with Tobacco Funds (#71.9)	-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%

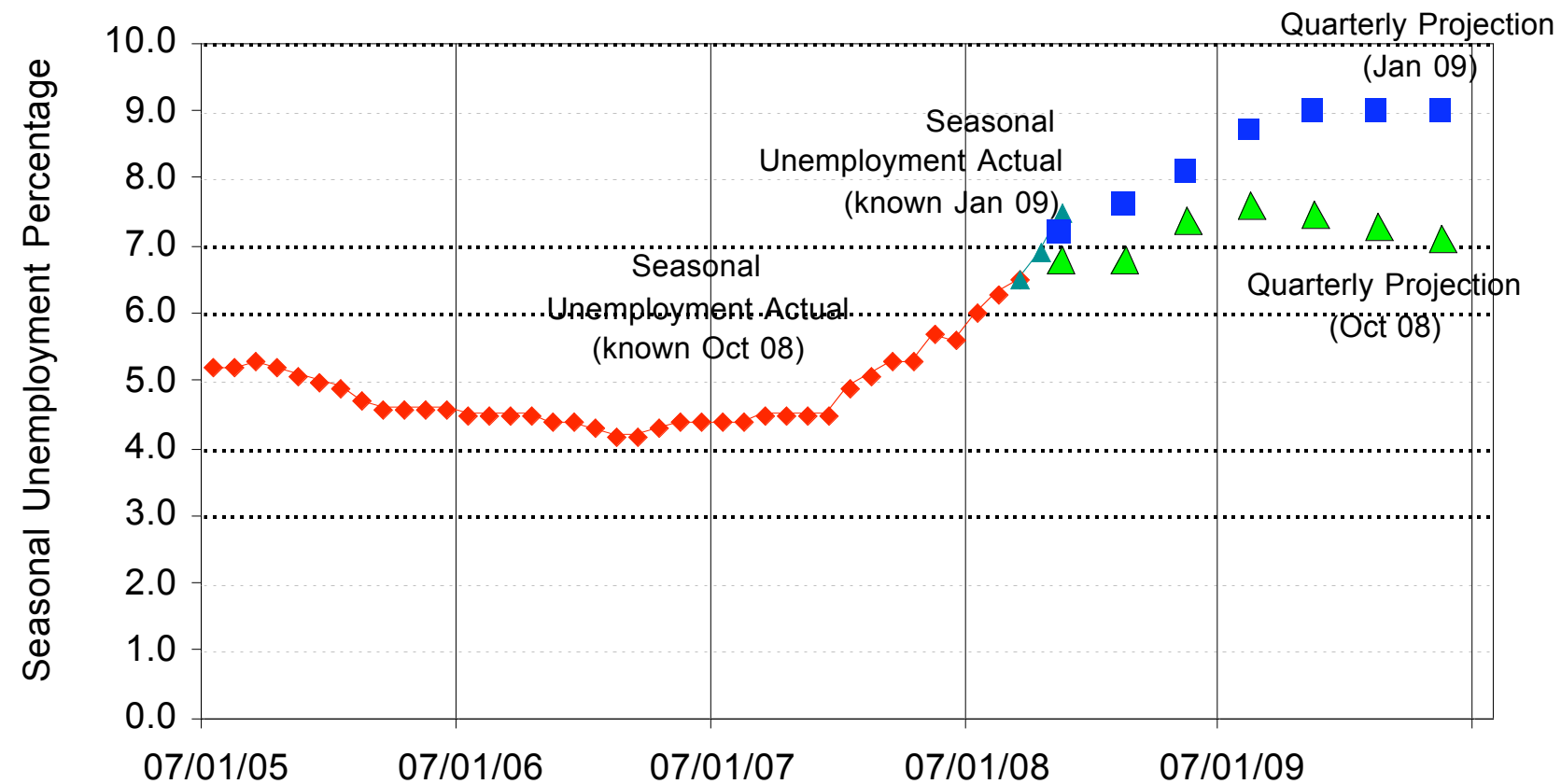
# Medicaid/PeachCare for Kids Programs AFY 2009 Recommended State Fund Sources



## 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**

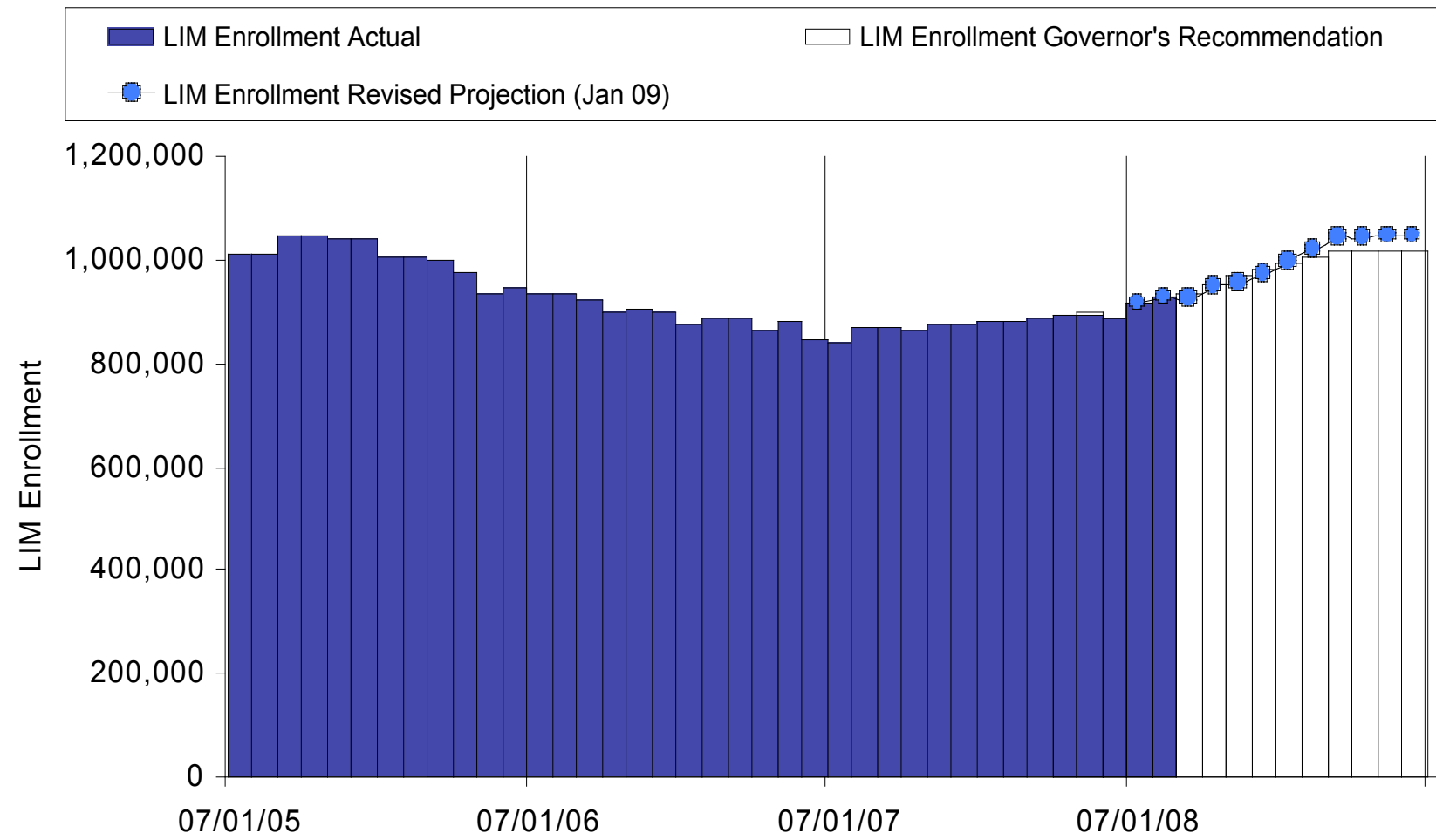
# AFY 2009: Compare Unemployment Projections October 2008 v. January 2009



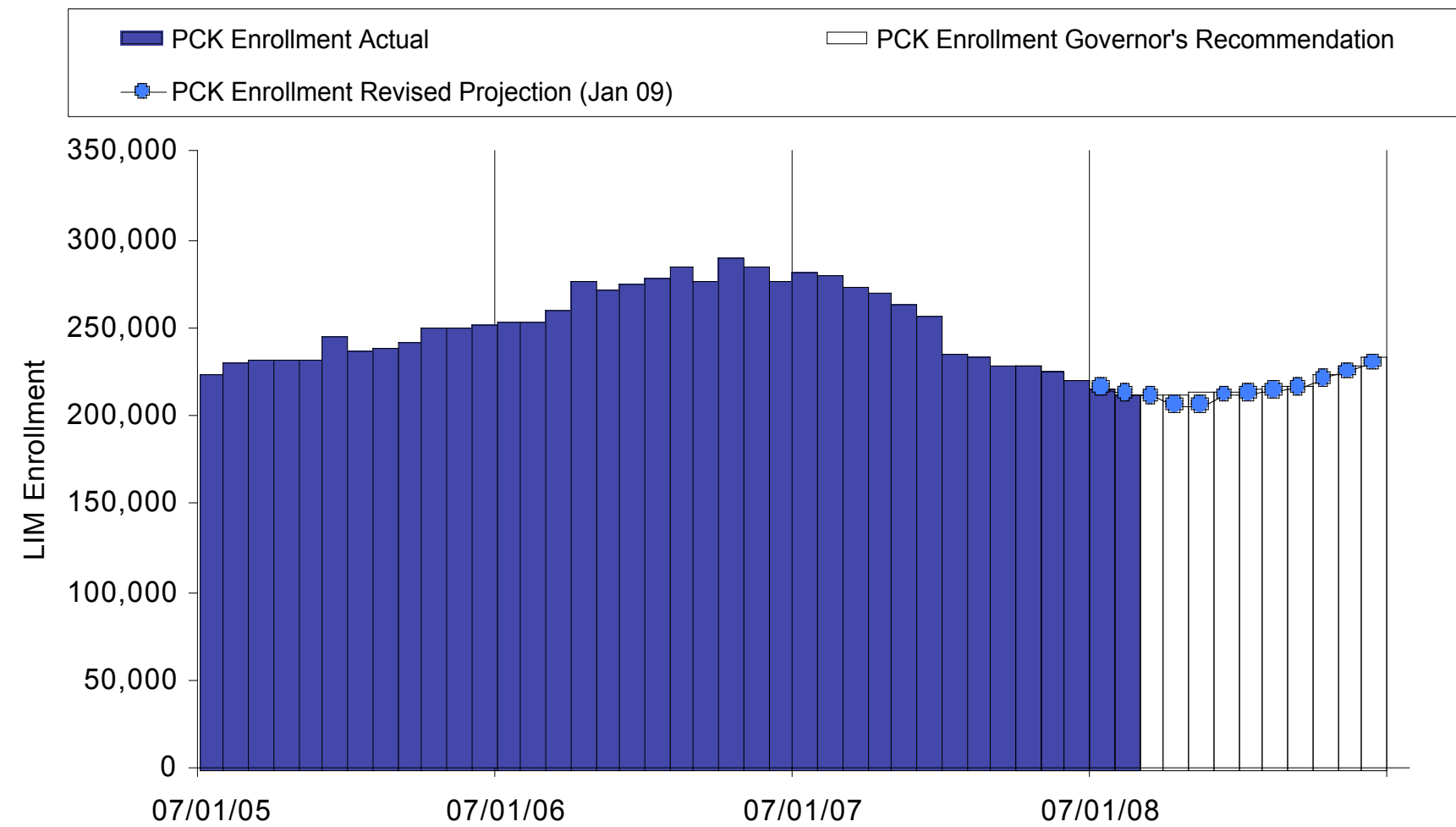
The highest rate of unemployment previously in Georgia was 8.3 in December 1982.

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

# AFY 2009 Revised LIM Enrollment Projection

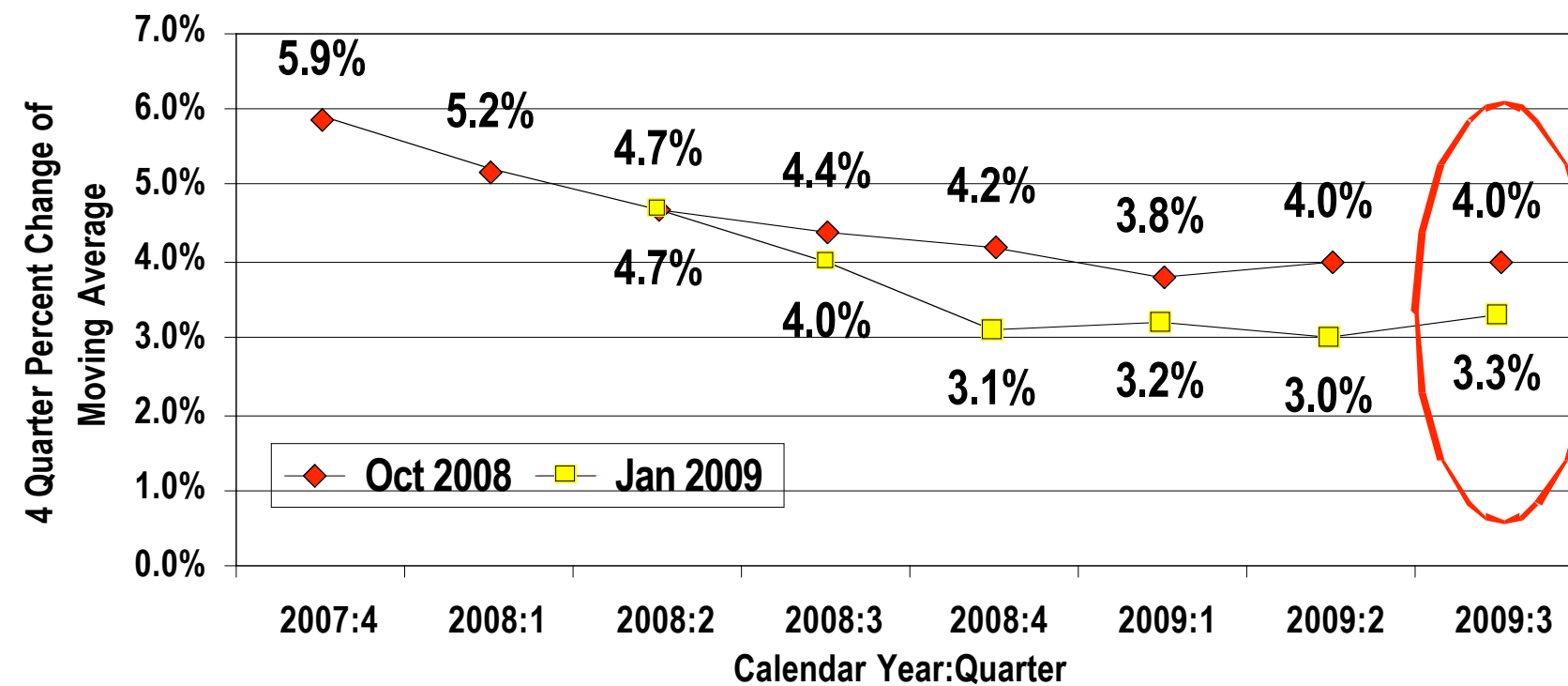


# AFY 2009 Revised PCK Enrollment Projection



# 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.**

# Governor's AFY 2009 Budget Recommendations

## STATE HEALTH PLAN

- FY2008 \$225 million savings added to Fund Balance
- Projected FY 2009 fund balance of \$672.5 million
  - FY 2009 – Reduced Employer Contributions  
consumes most of the fund

balance



## 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

# 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:

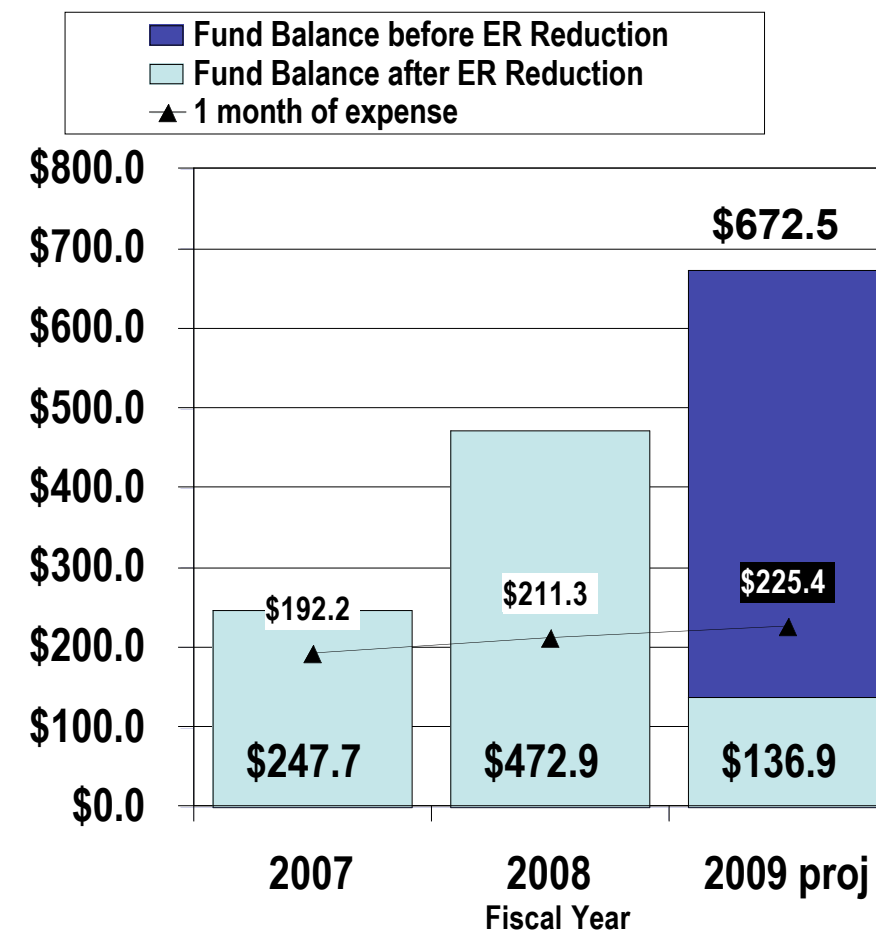
- Reduce employer contributions by reducing the percent of payroll paid by state agencies & local BOE's **Feb – June 2009**
  - State Agencies from 22.165% to **1.926%** (#74.2)
  - Local Boards of Education from 18.534% to **8.579%** (#74.2)
- **50%** reduction in DOE contribution for school employees. (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



# Governor's AFY 2009 Budget Recommendations

## 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	\$55.7	(3.7)	-6.6%
<b>TOTAL State Funds</b>	<b>\$2,514.3</b>	<b>(\$164.1)</b>	<b>(6.5%)</b>

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