



GEORGIA DEPARTMENT  
OF COMMUNITY HEALTH

# AFY2015 and FY2016 Governor's Budget Recommendations



Presentation to: Joint House and Senate Appropriations  
Committee

Presented by: Clyde L. Reese, III, Esq.

Date: January 20, 2015



# Mission

## The Georgia Department of Community Health

We will provide Georgians with access to affordable, quality health care through effective planning, purchasing and oversight.

*We are dedicated to A Healthy Georgia.*

# Agenda

- FY2014 Budget Highlights
- FY2015 Amended Governor's Budget Recommendations
- FY2015 Amended State Health Benefit Plan (SHBP)
- FY2016 Budget Governor's Budget Recommendations
- FY2016 State Health Benefit Plan (SHBP)
- Medicaid Operational Updates
- Medicaid Provider Issues



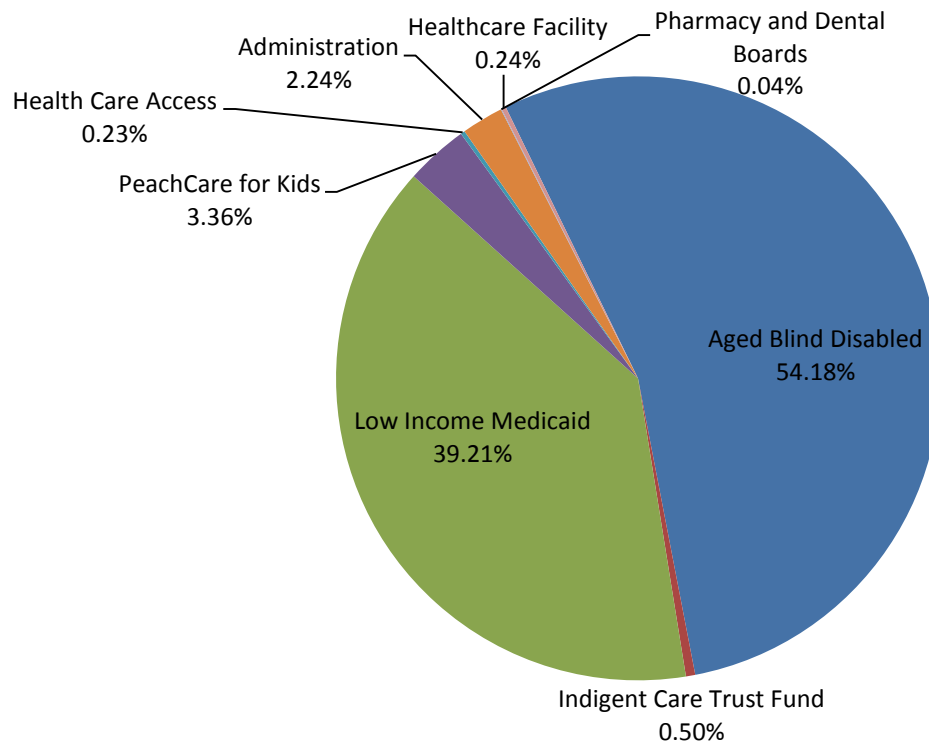
# FY2014 Budget Highlights

# FY2014 Budget Highlights

## State Fund Expenditures by Program\*

Total Funds: \$13,003,029,687 (includes all DCH Programs)

State Funds: \$2,894,262,927 (excludes attached agencies and SHBP)

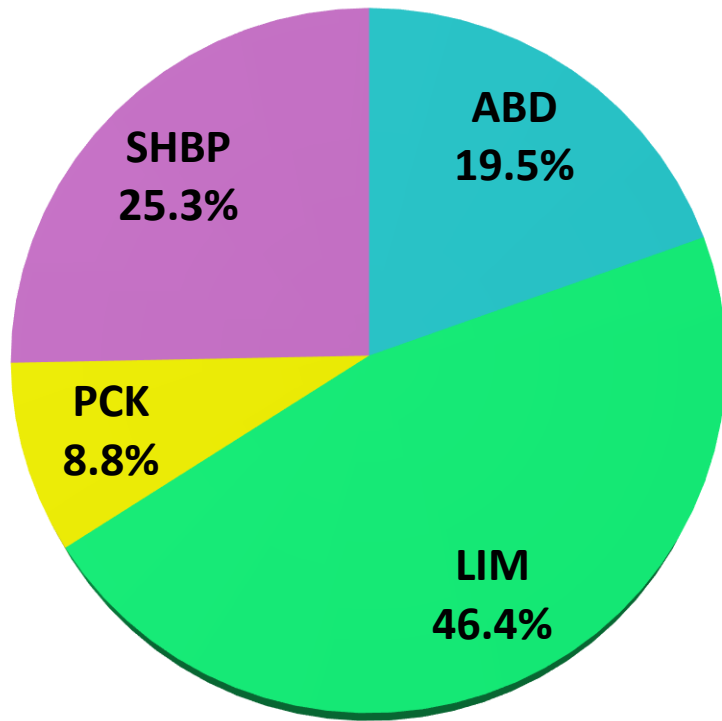


97.25% of all DCH State Funds were expended directly on behalf of beneficiaries

\* Chart does not include attached agencies or the State Health Benefit Plan

# FY2014 Budget Highlights

## Georgia Beneficiaries of DCH Programs



Programs	Total Beneficiaries (FY2014 Average Monthly Members)	Percentage of Beneficiaries
Medicaid	1,641,900	65.9%
• ABD	486,270	19.5%
• LIM	1,155,630	46.4%
PeachCare for Kids	218,356	8.8%
Sub-Total	1,860,256	74.7%
SHBP	630,816	25.3%
Total Beneficiaries	2,491,072	100.0%

One in four Georgians are direct beneficiaries of DCH Programs



# FY2014 Budget Highlights

## Georgia Beneficiaries of DCH Programs

47% of Georgia's children (ages 0 to 19) have access to health insurance through a DCH Program.

DCH Program	Ga. Children Population*	DCH Beneficiaries* (ages 0 to 19)	%
Medicaid and PeachCare	2,848,327	1,216,801	42.7%
State Health Benefit Plan	2,848,327	<u>124,775</u>	<u>4.4%</u>
Total Children	2,848,327	1,341,576	47.1%



# FY2014 Budget Highlights

- DCH had a year-end surplus of \$13.1 million.
- The State Health Benefit Plan ended the year with a \$369 million operating surplus.
- Right from the Start Medicaid staff transferred from the Department of Human Services to DCH effective January 1<sup>st</sup>.
- The Boards of Pharmacy and Dentistry were transferred from the Secretary of State to DCH effective July 1<sup>st</sup>.
- DCH, in partnership with sister agencies, successfully launched GA Families 360° on March 3<sup>rd</sup>.





# FY2015 Amended Governor's Budget Recommendations

# FY2015 Amended Governor's Budget Recommendations\*

Medicaid Non-ACA Items				Reference Number
1	Aged Blind and Disabled, Low-Income Medicaid, PeachCare for Kids	Available funds in current FY2015 Medicaid and PeachCare budgets.	(\$24,222,317)	ABD #1 LIM #1 PCK #1
2	Aged Blind and Disabled	Provide funding for pharmacy cost due to high cost of Hepatitis C drugs.	\$19,708,761	ABD #2
3	Aged Blind and Disabled, Low-Income Medicaid	Provide funding for refund of federal share of Medicaid collections as a result of Federal Office of Inspector General audit.	\$3,368,692	ABD #3 LIM #2
4	Aged Blind and Disabled, Low-Income Medicaid, PeachCare for Kids	Restore legislative cuts (Hospital Cost Settlements, ABD Care Coordination, PARIS).	\$9,513,677	ABD #4-6 LIM #6 and 7 PCK #2 and 3

# FY2015 Amended Governor's Budget Recommendations (cont'd)\*

Medicaid Non-ACA Items (cont'd)				Reference Number
5	Aged Blind and Disabled, Low-Income Medicaid	Nursing Home Provider Fee and Hospital Provider Fee revenue projection update.	(\$2,603,819)	ABD #7 LIM #8
6	Aged Blind and Disabled	Utilize enhanced federal participation rate to increase Medicaid reimbursement rates for personal support services by 5% in the Independent Care Waiver Program (ICWP).	Yes	ABD #8
7	Low-Income Medicaid	Replace tobacco settlement funds transferred to the Georgia Center for Oncology Research and Education (CORE) in HB744 (2014 Session) with state funds.	\$225,000	LIM #5
8	Indigent Care Trust Fund	Increase funds to provide matching funds for all private deemed and non-deemed hospitals eligible for the Disproportionate Share Hospital (DSH) program.	\$14,133,296	ICTF #1 and 2
9	Indigent Care Trust Fund	Increase funds in the Ambulance Licensing Fee activity to reflect funds available.	Yes	ICTF #3

# FY2015 Amended Governor's Budget Recommendations (cont'd)\*

Medicaid ACA Items				Reference Number
10	Low-Income Medicaid	Increase funds for projected costs due to ACA Presumptive Eligibility rules.	\$2,354,550	LIM #3
11	Low-Income Medicaid	Provide additional funds needed for 12 month eligibility reviews.	\$14,126,603	LIM #4

Operations Items				Reference Number
12	Administration, Board of Dentistry, Board of Pharmacy	Reduce funds for operations.	(\$92,723)	ADMIN #1 GBD #1 GSBP #1
13	Healthcare Facility Regulation	Provide state funds to reflect increased workload in the Healthcare Facility Regulation Program. (Includes replacement of federal funds as a result of updated cost allocation plan and eight additional nurse surveyor positions.)	\$2,998,392	HFRD #1 and 2

# FY2015 Amended Governor's Budget Recommendations (cont'd)\*

Attached Agencies				Reference Number
14	Georgia Board for Physician Workforce: Administration	Eliminate two vacant positions.	(\$96,006)	GBPW: Admin #1
15	Georgia Board for Physician Workforce: Morehouse	Reflect a change in the program purpose statement.	Yes	GBPW: MSM #1
16	Georgia Board for Physician Workforce: Rural Areas	Realign program activities to provide additional Physician Rural Areas Assistance (PRAA) loan repayment awards.	Yes	GBPW: Rural #1
17	Georgia Composite Medical Board	Increase funds for Cosmetic Laser Services Act implementation. (Includes savings from contractual services.)	\$13,110	GCMB #1 and 3
18	Georgia Composite Medical Board	Increase funds to reflect collection of administrative fees.	Yes	GCMB #2
19	Georgia Drugs and Narcotics Agency	Reduce funds for operations.	(\$19,110)	GDNA #1
<b>Grand Total</b>			<b>\$39,408,106</b>	



# FY2015 Amended Governor's SHBP Budget Recommendations

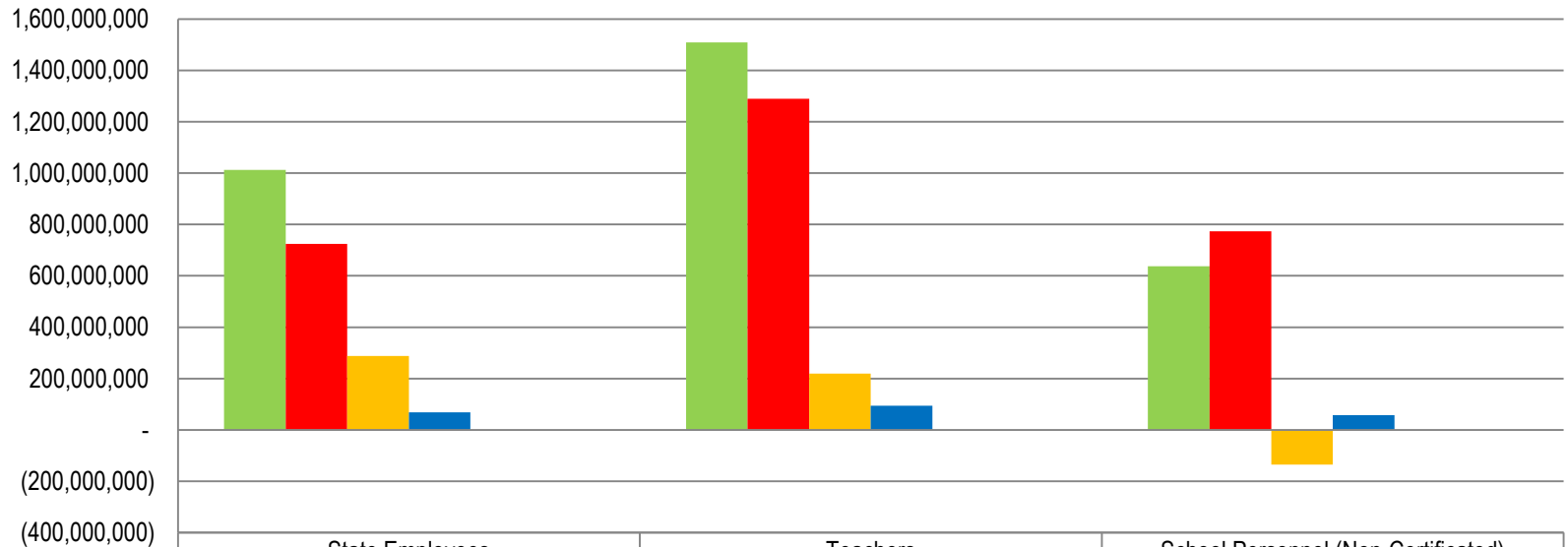
# SHBP Financial Status

	FY14 (Actual)	FY15	FY16	FY17
<b>FINANCIAL STATUS</b>				
Baseline Revenue	3,139,864,637	3,090,645,693	3,133,827,088	3,116,934,655
Baseline Expense	2,744,326,949	3,021,668,000	3,271,348,000	3,585,293,000
<b>Revenue</b>				
<i>Revenue Impacts</i>				
<i>Net Change to Revenue</i>				
<b>Expense</b>				
<i>Reprocurement Impacts</i>				
Procurement Savings	(98,230,000)	(281,065,000)	(313,486,000)	(342,782,000)
2014 Medicare Advantage Rate Increase	55,809,000	124,212,000	147,036,000	174,080,000
2014 Renegotiated Medicare Advantage Rates	(23,614,000)	(52,558,000)	(62,215,000)	(73,659,000)
2015 Medicare Advantage Procurement Savings		(104,434,000)	(221,554,000)	(235,080,000)
Termination fees (UHC/Cigna)	55,989,000			
<i>Plan Design Impacts</i>				
2014/2015 Plan Design Changes	(29,022,000)	(88,248,000)	(117,806,000)	(128,411,000)
Additional HRA incentives <sup>1</sup>	22,000,000	49,015,000	43,994,000	44,715,000
<i>ACA Impacts</i>				
ACA mandates 1/1/2013 eff date	17,556,000	17,523,000	17,675,000	17,919,000
ACA Reinsurance Fee		22,641,000	18,541,000	11,490,000
Effects of ACA Individual Mandate	25,735,000	53,737,000	64,162,000	77,494,000
Limit on Out-of-Pocket Maximum		31,431,000	71,597,000	78,041,000
<i>Net Change to Expense</i>	26,223,000	(227,746,000)	(352,056,000)	(376,193,000)
Revised Revenue	3,139,864,637	3,090,645,693	3,133,827,088	3,116,934,655
Revised Expense	2,770,549,949	2,793,922,000	2,919,292,000	3,209,100,000
<b>Net Surplus/(Deficit)</b>	<b>369,314,688</b>	<b>296,723,693</b>	<b>214,535,088</b>	<b>(92,165,345)</b>

- The Other Post-Employment Benefit (OPEB) liability is \$14.4 Billion.
- The Annual Required Contribution for the two OPEB funds (State and School Personnel) is \$1.1 billion.
- There are currently no funds set aside for future retiree claims; the SHBP is operating on a “Pay as you go” basis.



# SHBP FY2014 Financial Plan Overview

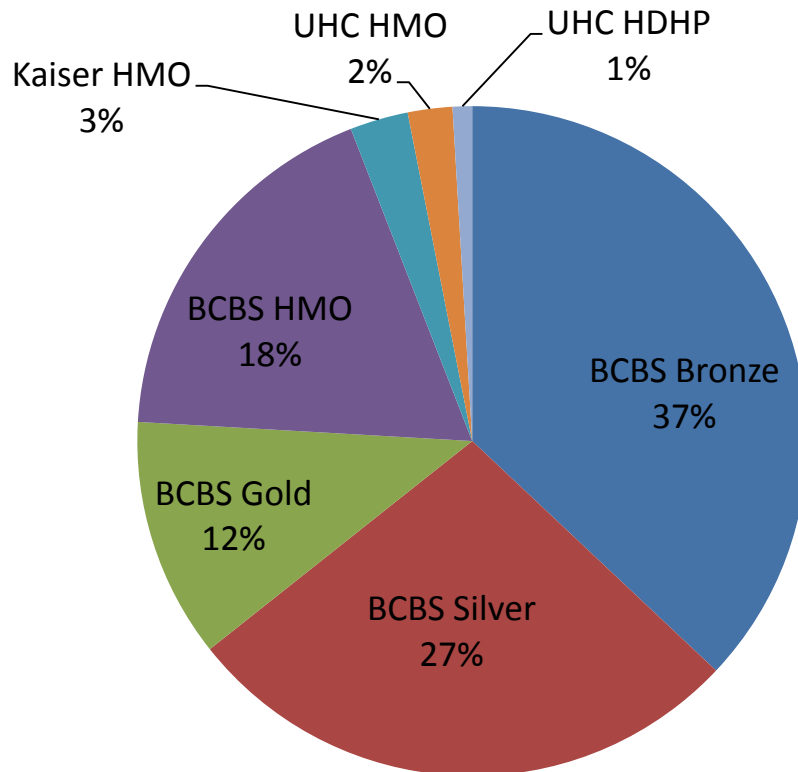


	State Employees	Teachers	School Personnel (Non-Certificated)
Revenue	1,012,000,366	1,508,714,114	637,293,792
Expense	723,945,926	1,290,007,315	772,865,320
Surplus (Deficit)	288,054,440	218,706,799	(135,571,528)
IBNR Liability	68,596,400	93,984,324	56,912,276
# of Active Members	55,582	102,298	65,219
# of Retiree Members	35,291	53,511	22,474

- The State Employee and Teacher Plans heavily subsidize the Non-Cert Plan.
- This subsidy has been partially addressed by two annual Non-Cert employer contribution increases in FY 2013 and FY 2014.

# Plan Year 2015 Open Enrollment Results

## Self-Insured Options



- 19% of total eligibles waived coverage
- 94% of members chose BCBS options

Notes: 1) A "Member" is someone enrolled in SHBP - not all eligibles are members.  
2) Does not include Medicare Advantage and Tricare



# FY2015 Amended Governor's SHBP Budget Recommendations (cont'd)\*

SHBP Non-ACA Items			Reference Number
1	Increase funds to reflect the cost of the bariatric surgery pilot program effective January 1, 2015. (Total Funds: \$2,700,000)	Yes	SHBP #1
2	Increase funds for members requiring treatment with new Hepatitis C drugs. (Total Funds: \$12,000,000)	Yes	SHBP #5
3	Reduce funds to reflect updated projections for membership, medical services utilization, and medical trend changes. (Total Funds: (\$292,157,041))	Yes	SHBP #6
4	Increase funds for reserves to fund future claims and Other Post-Employment Benefits (OPEB) liabilities. (Total Funds: \$187,122,496)	Yes	SHBP #7
5	Submit a study to the Governor and General Assembly by June 30, 2015 that examines why SHBP's costs are higher than other comparable government employee health plans and describe a variety of options for reducing costs without further diminishing the value of health benefits received by members.	Yes	SHBP #8

# FY2015 Amended Governor's SHBP Budget Recommendations (cont'd)\*

SHBP ACA Items			Reference Number
6	Increase funds to account for the projected increased enrollment due to the individual mandate and auto-enrollment of new employees as required by the Patient Protection and Affordable Care Act (PPACA). (Total Funds: \$3,675,000)	Yes	SHBP #2
7	Increase funds to account for limits imposed on cost sharing by the PPACA. (Total Funds: \$5,946,000) <i>(PPACA mandates a combined medical and pharmacy out of pocket maximum).</i>	Yes	SHBP #3
8	Reduce funds due to a scheduled reduction in the Transitional Reinsurance Fee imposed by the PPACA. (Total Funds: (\$1,029,000))	Yes	SHBP #4



# FY2016 Governor's Budget Recommendations

# FY2016 Governor's Budget Recommendations\*

Medicaid Non-ACA Items				Reference Number
1	Aged Blind and Disabled, Low-Income Medicaid, PeachCare for Kids	Program growth in ABD, LIM, and PeachCare (1.6% Increase).	\$33,090,747	ABD #1 LIM #1 PCK #1
2	Aged Blind and Disabled, Low-Income Medicaid	Reduce funds to reflect an increase in the projected Federal Medical Assistance Percentage (FMAP).	(\$60,320,77)	ABD #2 LIM #9
3	Aged Blind and Disabled	Provide funding for pharmacy cost due to high cost of Hepatitis C drugs.	\$22,832,100	ABD #3
4	Aged Blind and Disabled	Reflect additional funds needed to support operating costs of nursing homes changing ownership on or after January 1, 2012.	\$8,749,685	ABD #4
5	Aged Blind and Disabled	Provide funding for initial cost for ABD Care Coordination.	\$12,111,228	ABD #5

# FY2016 Governor's Budget Recommendations (cont'd)\*

Medicaid Non-ACA Items (cont'd)				Reference Number
6	Aged Blind and Disabled, Low-Income Medicaid, PeachCare for Kids	Restore legislative cuts (Hospital Cost Settlements, ABD Care Coordination, PARIS).	\$9,373,500	ABD #6-8 LIM #8 and 11 PCK #3 and 4
7	Aged Blind and Disabled	Nursing Home Provider Fee Revenue Projection Update.	\$212,713	ABD #9
8	Aged Blind and Disabled	Utilize enhanced federal participation rate to increase Medicaid reimbursement rates for personal support services by 5% in the Independent Care Waiver Program (ICWP).	Yes	ABD #10
9	Aged Blind and Disabled	Provide skilled nursing services in the Independent Care Wavier Program.	Yes	ABD #11
10	Low-Income Medicaid	Remove one-time funding for foster care run out.	(\$4,800,000)	LIM #6



# FY2016 Governor's Budget Recommendations (cont'd)\*

Medicaid Non-ACA Items (cont'd)				Reference Number
11	Low-Income Medicaid	Replace tobacco settlement funds transferred to the Georgia Center for Oncology Research and Education (CORE) in HB744 (2014 Session) with state funds.	\$225,000	LIM #7
12	Low-Income Medicaid	Transfer funds to the Georgia Board for Physician Workforce – Morehouse School of Medicine Grant program to increase the operating grant for medical education.	(\$8,038,227)	LIM #12
13	Low-Income Medicaid	Increase funds to reflect projected FY 2016 Hospital Provider Payment revenue.	\$8,038,227	LIM #13
14	Indigent Care Trust Fund	Convene a task force to develop and submit a plan to the General Assembly by August 1, 2015 to continue supporting uncompensated hospital care for poor and uninsured Georgians once the federal DSH funds have been reduced.	Yes	ICTF #1
15	Indigent Care Trust Fund	Increase funds in the Ambulance Licensing Fee activity to reflect actual funds available.	Yes	ICTF #2

# FY2016 Governor's Budget Recommendations (cont'd)\*

Medicaid ACA Items				Reference Number
16	Low-Income Medicaid	Cover increased cost due to ACA Presumptive Eligibility rules.	\$15,194,943	LIM #2
17	Low-Income Medicaid	Provide additional funds needed for 12 month eligibility reviews.	\$37,858,099	LIM #3
18	Low-Income Medicaid	Provide additional funds needed for ACA woodwork effect.	\$2,844,224	LIM #4
19	Low-Income Medicaid	Remove one-time funding for CMO state insurance premium tax liability due to the ACA.	(\$1,100,000)	LIM #5
20	Low Income Medicaid, PeachCare for Kids	Reduce funds to reflect an increase in the projected Enhanced Federal Medical Assistance Percentage (eFMAP).	(\$93,593,829)	LIM #10 PCK #2

# FY2016 Governor's Budget Recommendations (cont'd)\*

Operations Items				Reference Number
21	Administration, Board of Dentistry, Board of Pharmacy, Health Care Access and Improvement, Healthcare Facility Regulation	Statewide Changes: Reflect an adjustment in the employer share of Employees' Retirement System, Dept. of Administrative Services premiums, and Teamworks billings. Provide funds for merit-based pay adjustments and employee recruitment and retention initiatives.	\$541,074	ADMIN #1-4 GBD #1-3 GSBP #1-3 HCAI #1-3 HFRD #1-3
22	Administration, Board of Dentistry, Board of Pharmacy	Reduce funds for operations.	(\$92,723)	ADMIN #5 GBD #4 GSBP #4
23	Healthcare Access and Improvement	Eliminate one-time start-up funds for Federally Qualified Health Centers (FQHC).	(\$1,000,000)	HCAI #4
24	Healthcare Facility Regulation	Provide state funds to reflect increased workload in the Healthcare Facility Regulation Program. (Includes replacement of federal funds as a result of updated cost allocation plan and eight additional nurse surveyor positions.)	\$3,306,583	HFRD #4 and 5

# FY2016 Governor's Budget Recommendations (cont'd)\*

Attached Agencies				Reference Number
25	Georgia Board for Physician Workforce, Georgia Composite Medical Board, Georgia Drugs and Narcotics Agency	Statewide Changes: Reflect an adjustment in the employer share of Employees' Retirement System and Dept. of Administrative Services premiums. Provide funds for merit-based pay adjustments and employee recruitment and retention initiatives.	\$98,100	GBPW: Admin #1-3 GCMB #1-3 GDNA #1-3
26	Georgia Board for Physician Workforce: Administration	Eliminate two vacant positions and transfer savings to the Georgia Board for Physician Workforce: Graduate Medical Education program for six new residency slots in primary care specialties.	(\$96,006)	GBPW: Admin #4
27	Georgia Board for Physician Workforce: Graduate Medical Education	Increase funds for 11 new residency slots in primary care specialties.	\$172,768	GBPW: GME #1
28	Georgia Board for Physician Workforce: Graduate Medical Education	Transfer savings from the Board Administration (\$40,000) and Physicians for Rural Areas (\$96,006) programs for nine new residency slots in primary care specialties.	\$136,006	GBPW: GME #2-3

# FY2016 Governor's Budget Recommendations (cont'd)\*

Attached Agencies (cont'd)				Reference Number
29	Georgia Board for Physician Workforce: Morehouse School of Medicine Grant	Transfer funds from the Low-Income Medicaid program to increase the operating grant for medical education.	\$8,038,227	GBPW: MSM #1
30	Georgia Board for Physician Workforce: Morehouse School of Medicine Grant	Reflect a change in the program purpose statement.	Yes	GBPW: MSM #2
31	Georgia Board for Physician Workforce: Physicians for Rural Areas	Reduce funds for the medical recruitment fair and transfer savings to the Georgia Board for Physician Workforce: GME program for three new residency slots.	(\$40,000)	GBPW: PRA #1
32	Georgia Board for Physician Workforce: Physicians for Rural Areas	Realign program activities to provide additional Physician Rural Areas Assistance (PRAA) loan repayment awards.	Yes	GBPW: PRA #2

# FY2016 Governor's Budget Recommendations (cont'd)\*

Attached Agencies (cont'd)				Reference Number
33	Georgia Composite Medical Board	Increase funds for Cosmetic Laser Services Act implementation. (Includes savings from contractual services.)	\$13,110	GCMB #4 and 6
34	Georgia Composite Medical Board	Increase funds to reflect the collection of administrative fees.	Yes	GCMB #5
35	Georgia Drugs and Narcotics Agency	Reduce funds for operations.	(\$19,110)	GDNA #4
<b>Grand Total</b>			<b>(\$6,264,338)</b>	



FY2016

# Governor's SHBP Budget Recommendations



# FY2016 Governor's SHBP Budget Recommendations (cont'd)\*

State Health Benefit Plan (SHBP) Non-ACA Items			Reference Number
1	Increase funds to annualize the cost of a pilot program to provide coverage for the treatment of autism spectrum disorders (ASDs) effective January 1, 2015. (Total Funds: \$2,410,661)	Yes	SHBP #1
2	Increase funds to annualize the cost for providing coverage for hearing aids for children effective January 1, 2015. (Total Funds: \$853,980)	Yes	SHBP #2
3	Increase funds to annualize the cost of the bariatric surgery pilot program effective January 1, 2015. (Total Funds: \$5,400,000)	Yes	SHBP #3
4	Increase funds for members requiring treatment with new Hepatitis C drugs. (Total Funds: \$15,400,000)	Yes	SHBP #4
5	Reduce funds to reflect savings from removing copayments from health reimbursement arrangement (HRA) plans. (Total Funds: (\$58,000,000))	Yes	SHBP #8
6	Reduce funds to reflect updated projections for membership, medical services utilization, and medical trend changes. (Total Funds: (\$174,853,282))	Yes	SHBP #9

# FY2016 Governor's SHBP Budget Recommendations (cont'd)\*

SHBP Non-ACA Items (cont'd)			Reference Number
7	Increase funds for reserves to fund future claims and Other Post-Employment Benefits (OPEB) liabilities. (Total Funds: \$98,212,114)	Yes	SHBP #10
8	Delay the implementation of the scheduled increase of the employer contribution rate for non-certificated school service employees from \$596.20 per member per month to \$746.20 per member per month, deferring the collection of an estimated \$102,825,000 in revenue for the SHBP.	Yes	SHBP #11
9	Effective January 1, 2016, eliminate SHBP coverage for non-certificated public school employees, as defined in OCGA §20-2-910, who work, on average, fewer than 30 hours per week.	Yes	SHBP #12

SHBP ACA Items			Reference Number
10	Reduce funds due to a scheduled reduction in the Transitional Reinsurance Fee imposed by the PPACA. (Total Funds: (\$4,924,000))	Yes	SHBP #5
11	Increase funds to account for limits imposed on cost sharing by the PPACA. (Total Funds: \$46,470,000)	Yes	SHBP #6
12	Increase funds to account for the projected increased enrollment due to the individual mandate and auto-enrollment of new employees as required by the PPACA. (Total Funds: \$14,155,000)	Yes	SHBP #7



# Operational Issues



# Primary Care Physician Rate Increase

# PCP Rate Increase

<b>PCP Rate Increase Incurred Cost</b>	
PCP Rate Increase Total Cost in FY2014	212,434,603
PCP Rate Increase Total Cost in FY2015	55,029,083
<b>Cost to Continue ACA PCP increase – adjusted to reflect Low Income Medicaid enrollment growth:</b>	
FY15 (Jan - June) Total Cost to Continue Rate Increase	93,076,257
State Cost	30,724,472
FY16 Total Cost to Continue ACA PCP	186,152,514
State Cost	60,690,373



# CMO Procurement

- Up to four (4) statewide plans
- State will set rates – award based 100% on technical score
  - Timeline
  - RFP release February 2015 pending Governor approval
  - Award July 2015
  - Go-live July 2016



# Credentialing Verification Organization (CVO) Procurement

- Administrative simplification for providers, plans, and DCH
- Exploring contract amendment with Hewlett Packard Enterprise Services
- Go-live planned for July 2015





# Aged, Blind and Disabled Care Coordination Program Procurement

# ABD Care Coordination Program Procurement

- Provides Care Coordination, Case Management, and Disease Management Services to ABD population
- RFP and Contract written
- Requires an 18-month investment period
- Financial Components
  - Administrative Cost = \$60M per year
  - Annual savings (after 18 month investment period)
    - Gross savings = \$78.75M per year
    - Net savings = \$18.75M per year

# ABD Investment and Savings Projection

<b>Estimated ABD Spend per year</b>	<b>\$ 4,500,000,000</b>	
<b>Saving Components:</b>		
<b>Guaranteed Savings</b>	<b>\$ (15,000,000)</b>	
<b>Estimated Reduction through ABD Medical Coordination Program</b>	<b><u>\$ (63,750,000)</u></b>	
<b>Total Value of Savings</b>		<b>\$ (78,750,000)</b>
<b>Administrative Cost of the Program</b>		<b><u>\$ 60,000,000</u></b>
<b>Net Savings (Total Funds)</b>		<b>\$ (18,750,000)</b>

*\* Total Value of Savings = reduction of 1.75% of total ABD expenditures*



# Integrated Eligibility System (IES) Update

# IES Update

- Project History
  - Initiated in 2011 in response to the Affordable Care Act
  - Multi-agency involvement and team
    - DCH, DHS, DFCS, DPH, DECAL, GTA
  - Federal multi-agency involvement
    - CMS, USDA/FNS, ACF, CCIO
  - Phase 1 (went live 10/1/13)
    - Enhance current “legacy” systems to minimally meet ACA mandates
    - Successfully implemented
  - Phase 2 (IES) (projected live date – 4/1/16)
    - Systems Integrator – Deloitte Consulting (5/30/14)
      - DDI
      - Maintenance and Operations
    - Replace major system components
    - Integrated model



# IES - Budget

- **DDI Budget** (CMS approved)
  - Updated DDI Budget: \$140,123,823 (thru 4/1/16)
    - Deloitte DDI Budget: \$87,529,929
      - DDI: \$76,034,974
      - S/W: \$11,494,955
- **M&O Budget**
  - Updated M&O Budget: \$178,316,126\* (4/1/16 – 6/30/20)
    - \*This does not include State employees (i.e. DFCS)
- **Total Project Budget** (stated as of 12/1/14)
  - \$318,779,949





# Inpatient Prospective Payment System (IPPS)

# Inpatient Payment Prospective System (IPPS)

- Georgia Medicaid and PeachCare reimburse inpatient hospital care utilizing an Inpatient Prospective Payment System (IPPS) model.
- Georgia adopted the IPPS model in the late 1990's.
- The IPPS model groups inpatient admissions that have similar characteristics and require similar resources into Diagnostic Related Groups or DRGs. Each DRG has a payment weight assigned to treatments.
- In addition to using weighted reimbursements based upon DRGs, Georgia's IPPS methodology also incorporates additional features such as hospital type (pediatric, specialty or statewide), teaching hospital (Graduate Medical Education), capital investment and certain high cost outlier claims.
- Last April DCH updated its operating version of the DRG for the first time since January 2008. The impetus for this update was to prepare for the institution of federally required ICD-10.





# IPPS (cont'd)

- It is generally recognized that more frequent updates to the DRG are desirable (the standard is around two years) in order to keep pace with industry changes so as to more fairly match reimbursements to provider costs.
- Because the time interval since DCH had last updated its version of the DRG, there were significant variations in the impacts upon individual hospitals such as Grady and Children's Healthcare of Atlanta.
- In addition, since DCH's reimbursement methodology (the additional features noted above) had been unchanged since the 1990's, a number of hospitals asked DCH to review and consider changes to these features.
- Over the course of the late spring and summer of 2014, DCH worked with individual hospitals and a standing committee of the Georgia Hospital Association to evaluate changes to the IPPS methodology.



# IPPS (cont'd)

- A final draft of the modified methodology was completed in October. The next step is to take it back to the GHA committee for review and final feedback.
- The draft IPPS methodology was crafted within the requirement of budget neutrality.
- In addition, the draft IPPS methodology incorporates certain policy objectives. These include:
  - Promoting efficiency in the delivery of services by creating incentives to reduce costs and better match reimbursement to services provided;
  - Promoting State policy objectives to enhance physician workforce and graduate medical education programs; and,
  - Creating a more direct focus in the payment methodology on service delivery to Medicaid members.



# IPPS (cont'd)

- The specific methodological changes include:
  - a de-emphasis on capital investment;
  - a new separate cost pool for Graduate Medical Education Programs that can be readily increased to reimburse more medical education slots at hospitals;
  - a streamlined and more cost efficient outlier payment system that allows hospitals to be reimbursed far more quickly while eliminating duplicative payments;
  - a new Medicaid Utilization Adjustment Factor that recognizes the disproportionate share of service delivery to Medicaid patients at certain hospitals; and
  - a Stop Loss/Stop Gain phase-in of the fiscal impact of these changes on both “winners” and “losers”.





# Disproportionate Share Hospital (DSH) Elimination

# ACA Reduction in Medicaid DSH Payments

ACA Proposed Reduction to <u>National</u> Medicaid DSH Allocation as of January 2014*			
Fiscal Year	National DSH Allocation Amount	National DSH Reduction	% of National DSH Reduction Compared to FY 2014*
2014	\$11.7 Billion	\$0	Reduction Delayed
2015	\$11.7 Billion	\$0	Reduction Delayed
2016	\$10.5 Billion	\$1.2 Billion	-10.3%
2017	\$9.7 Billion	\$1.8 Billion	-15.4%
2018	\$6.5 Billion	\$5.0 Billion	-42.9%
2019	\$5.9 Billion	\$5.6 Billion	-48.1%
2020	\$7.5 Billion	\$4.0 Billion	-34.3%
2021 - 2023	Federal legislation enacted in 2012 and 2013 extends the DSH reductions through 2023. The annual reductions for these years are not yet available.		

## Georgia Context:

- In FY 2014, Georgia's allocation was \$286.6 million or 2.4% of the national DSH allocation.\*\*
- In FY 2016, Georgia's estimated allocation is \$259.5 million or a 9.5% decrease from FY 2014.\*\*\*
- Between FY 2016 and FY 2020, Georgia's total DSH reduction is estimated to be around \$390 million.\*\*\*

