

# FY2006 Medicaid, PeachCare, & SHBP



GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH

Senate Appropriations Committee  
Community Health Subcommittee Briefing  
February 4, 2005



# Medicaid Overview – FY2006

\$279.3M - New funds required to meet growth in Medicaid benefits

\$148.9M - New state funds included in Governor's  
recommendation

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\$130.4M - Balance required that is being met by program  
reductions



# Medicaid Savings Initiatives

To achieve \$48.3 million in savings, the following policies and procedures will be more rigorously implemented:

- |   |           |
|---|-----------|
| 1) Conduct retrospective reviews for hospital admissions for children   | \$2.5M    |
| 2) Strictly enforce orthodontic policies for children   | \$1.5M    |
| 3) Pursue a more aggressive lock-in program for drugs subject to abuse  | \$1.0M    |
| 4) Complete prior year cost settlements for outpatient hospital services  | \$37.4M   |
| 5) Ensure level of care requirements are met for all long-term care programs                                    | \$2.4M    |
| 6) Perform clinical reviews to validate demand for emergency medical assistance for undocumented aliens         | \$2.9M    |
| 7) Continue FY2005 change made to consider promissory notes as income in nursing home eligibility determination | \$631,040 |



# Medicaid Savings Initiatives

To achieve \$82.1 million in savings, the following cost savings and reduction effort will be implemented:

1)	Implement an extensive disease management program for 100,000 members in the aged, blind, and disabled categories of eligibility	\$15.5M
2)	Reduce the reimbursement rates to hospitals in inpatient, outpatient, ambulatory surgery rates and facility fees for free standing clinics	\$21.2M
3)	Collect prospective cost settlements to hospitals by lowering interim outpatient rates to 85.6% of cost	\$19.7M
4)	Implement various reductions to the pharmacy benefit by increasing AWP, extending supplemental rebates and eliminating generic dispensing fees	\$12.3M
5)	Adjust nursing home rates to reflect actual provider fees collected	\$9.6M
6)	All Others	\$3.8M
	Total	<hr/> \$82.1M



# PeachCare Savings Initiatives Highlights

The Department received a reduction in state funds to match federal funds for current year claims (-\$13.2M state funds).

- |  |          |
|--|----------|
| 1) Conduct retrospective reviews for hospital admissions for children    | \$87,662 |
| 2) Pursue a more aggressive lock-in program for drugs subject to abuse   | \$37,979 |
| 3) Complete prior year cost settlements for outpatient hospital services | \$2.0M   |
| 4) Enforce income requirements for participation in program              | \$3.5M   |
| 5) Modify the dental benefit using the Texas Model                       | \$3.6M   |
| 6) Other reductions including Hospital and Pharmacy                      | \$4.0M   |



# PeachCare Current to Proposed Dental Plan

Dental Service Type	Example of Services	Current PCK Plan	Proposed PCK Plan
Adjunctive Services	emergency treatment, hospital call, behavior management	<input checked="" type="checkbox"/>	not covered
Diagnostic Services	oral evaluations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Endodontic Services	root canals	<input checked="" type="checkbox"/>	limited to routine procedures
Oral Surgery Services	extractions, excisions, incisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Orthodontic Services	braces	<input checked="" type="checkbox"/>	not covered
Periodontal Services	gingivoplasty, periodontal scaling for bone loss	<input checked="" type="checkbox"/>	limited to routine procedures
Preventative Services	cleaning (prophylaxis), fluoride, sealants, space management	<input checked="" type="checkbox"/>	limited to routine procedures
Prosthetic Services	dentures	<input checked="" type="checkbox"/>	not covered
Radiograph Services	x - rays	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Restorative Services	fillings, crowns, surface restoration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

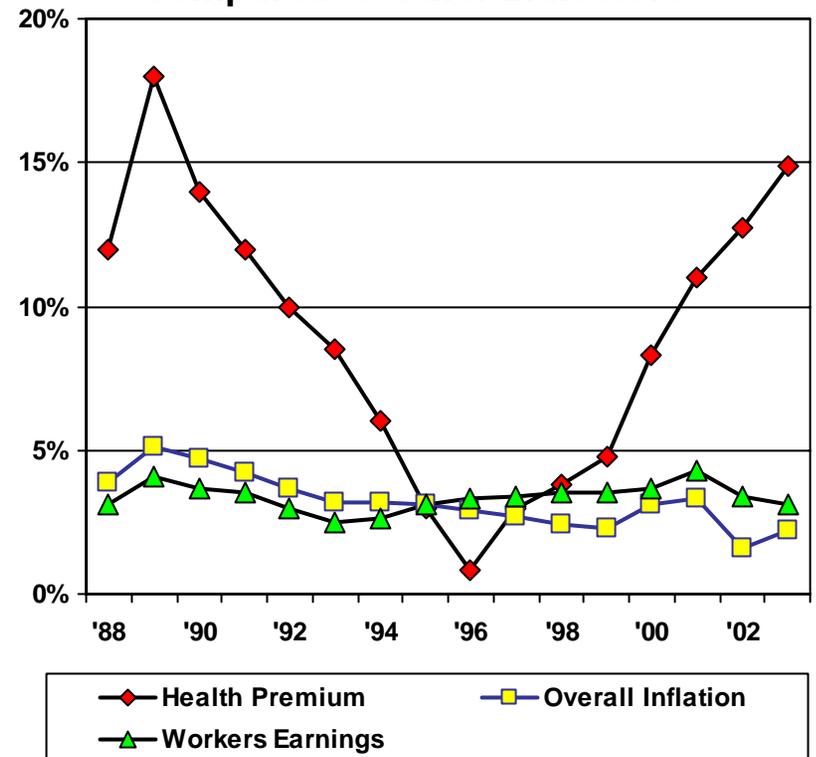


# Deficit Drivers - Healthcare Costs

Health Care Costs are Rising Nationally  
From Deloitte Consulting Presentation to  
DCH Board October 13, 2004...

- “Health care costs are out of control; double digit annual increases are common; costs will double in 5 years
- Health care cost management is a major issue for virtually every employer
- Incentives are not aligned to fix the problems; employers, health plans, providers and consumers are out of sync”

**Increases in Health Care Premiums  
Compared to Other Indicators**



# State Health Benefit Plan

## FY 2006 Financial Status

### PROJECTED REVENUE:

FY 2005 Projected Revenue	\$	1,854,140,681
FY 2006 Projected Revenue	\$	1,889,134,298
Expected FY 2006 Revenue Increase:	\$	<u>34,993,617</u>
% change over FY 2005		1.9%

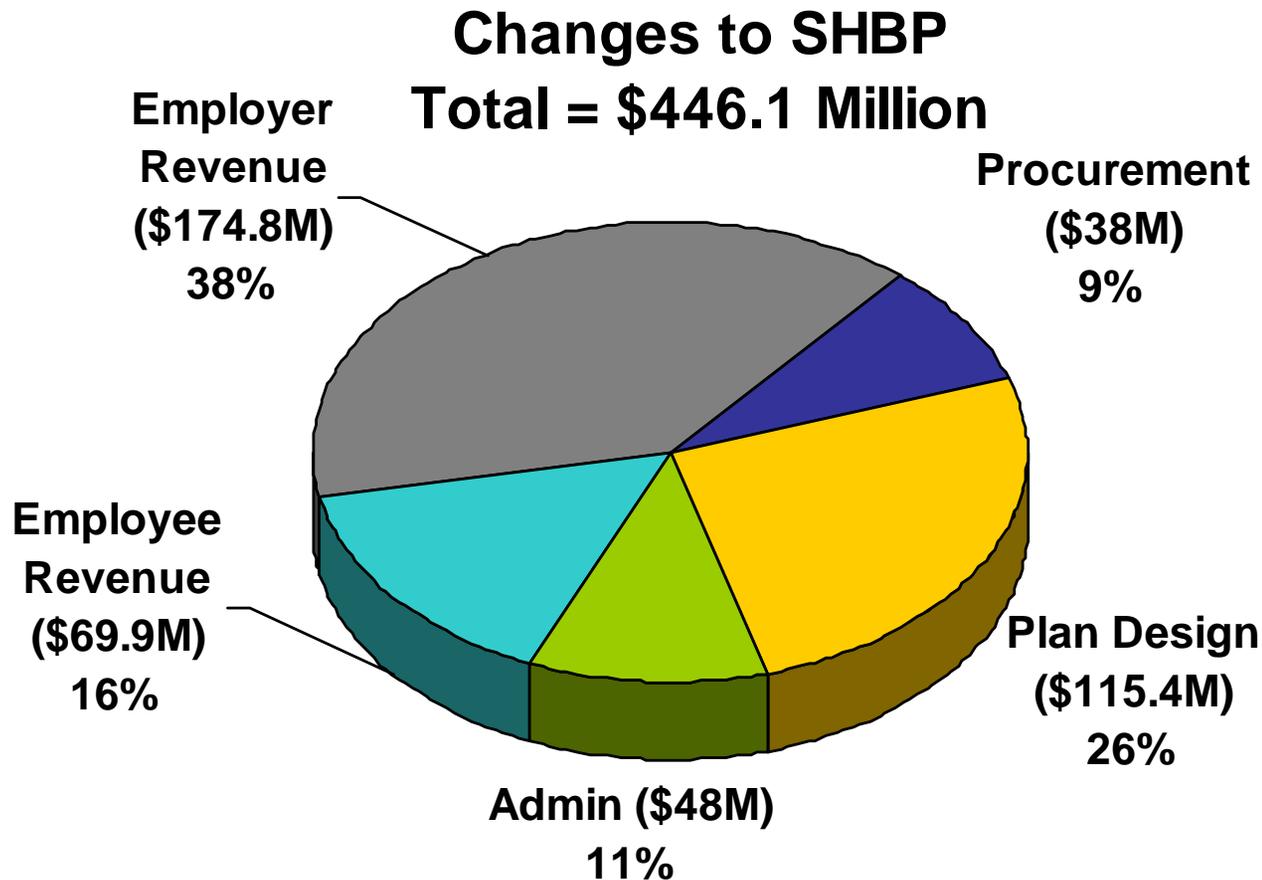
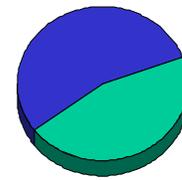
### PROJECTED EXPENSE:

FY 2005 Projected Expenditures	\$	2,061,382,837
FY 2006 Projected Expenditures	\$	2,335,259,929
Expected FY 2006 Expenditure Increase:	\$	<u>273,877,092</u>
% change over FY 2005		13.3%

### FY 2006 SURPLUS/DEFICIT:

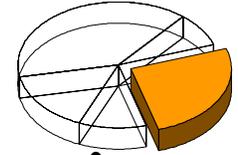
FY2006 Revenue	\$	1,889,134,298
FY2006 Expense	\$	2,335,259,929
Surplus/Deficit	\$	<u>(446,125,631)</u>

# Summary of FY 2006 Governor's Recommendation



(In millions)

# State Health Benefit Plan



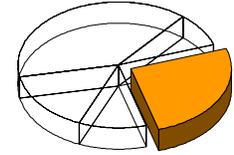
## FY 2006 Governor's Recommendations

*Page 158, Item 38a*

### Strategy I: Change the scope of State Health Benefit Plan benefits and design. (\$115,400,000)

- Increase cost-sharing for members who elect an HMO by implementing an annual deductible and increasing co-payment amounts comparable to the PPO.
- Offer a high deductible plan option with a health savings account option.
- Create a \$50 per month surcharge for members with family coverage whose spouse has access to other health insurance and a smoker's surcharge of \$9 per member per month.

# State Health Benefit Plan



## FY 2006 Governor's Recommendations

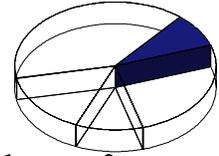
*Page 158, Item 38a (continued)*

### Strategy I: Change the scope of State Health Benefit Plan benefits and design. (\$115,400,000)

- Eliminate the Premier Drug Plan.
- Expand Consumer Directed Health Care pilots to other payroll locations.
- Purchase supplemental insurance from Tri-Care for eligible SHBP members.
- Obtain discounts for injectible drugs provided in a physician's office.
- Reduce chiropractic visits covered under the PPO plan.

# State Health Benefit Plan

## FY 2006 Governor's Recommendations



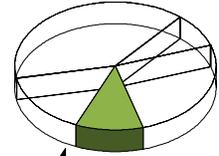
*Page 158, Item 38b*

### Strategy II: Generate efficiencies by improving procurement strategies. (\$38,000,000)

- Improve PPO discounts.
- Improve Pharmacy Benefit Manager contract terms.
- Reimburse critical access hospitals on a cost basis.
- Improve medical management programs for disease and case management.
- Integrate the management of the PPO by consolidating business functions under one contractor.

# State Health Benefit Plan

## FY 2006 Governor's Recommendations



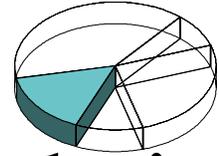
*Page 158, Item 38c*

### Strategy III: Generate efficiencies by improving administrative strategies. (\$48,000,000)

- Ensure appropriate member eligibility.
  - Reflect savings from dependent audits.
  - Implement a new member eligibility system.
- Reduce pharmacy expenditures by cost avoiding to Medicare Part D coverage.
- Self-fund Blue-Choice HMO to avoid premium taxes.
- Base employee premiums on actuarial certified rates for each plan option and family size.

# State Health Benefit Plan

## FY 2006 Governor's Recommendations



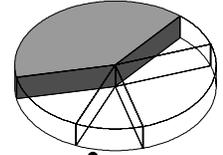
*Page 159, Item 38d*

**Strategy IV: Increase employee contributions for premiums.  
(\$69,900,000)**

- Employee premiums to increase by 13 percent (on average.)
- Consistent with expenditure growth expected for FY2006.
- PPO Increase estimated to cost members with single coverage an additional \$8.44 per month, while members with family coverage would pay \$25.78 more.

# State Health Benefit Plan

## FY 2006 Governor's Recommendations



*Page 159, Item 38e*

**Strategy V: Increase employer contributions for premiums.**  
**(\$174,825,631)**

- Direct appropriation to Department of Education of \$134.7M for non-certificated school service personnel. Will double the PMPM contribution from \$162.72 to \$325.44.
- Percent of payroll contributed by employers to increase from 13.1% to 13.53% for state employees and teachers.

# State Health Benefit Plan FY2006 Financial Status With Governor's Recommendations

