

FY 2011 Program Budget

Presentation to
Joint House-Senate Appropriations Subcommittees
February 23, 2010



DCH Mission

ACCESS



Access
to affordable,
quality health
care in our
communities

RESPONSIBLE



Responsible
health planning
and use of
health care
resources

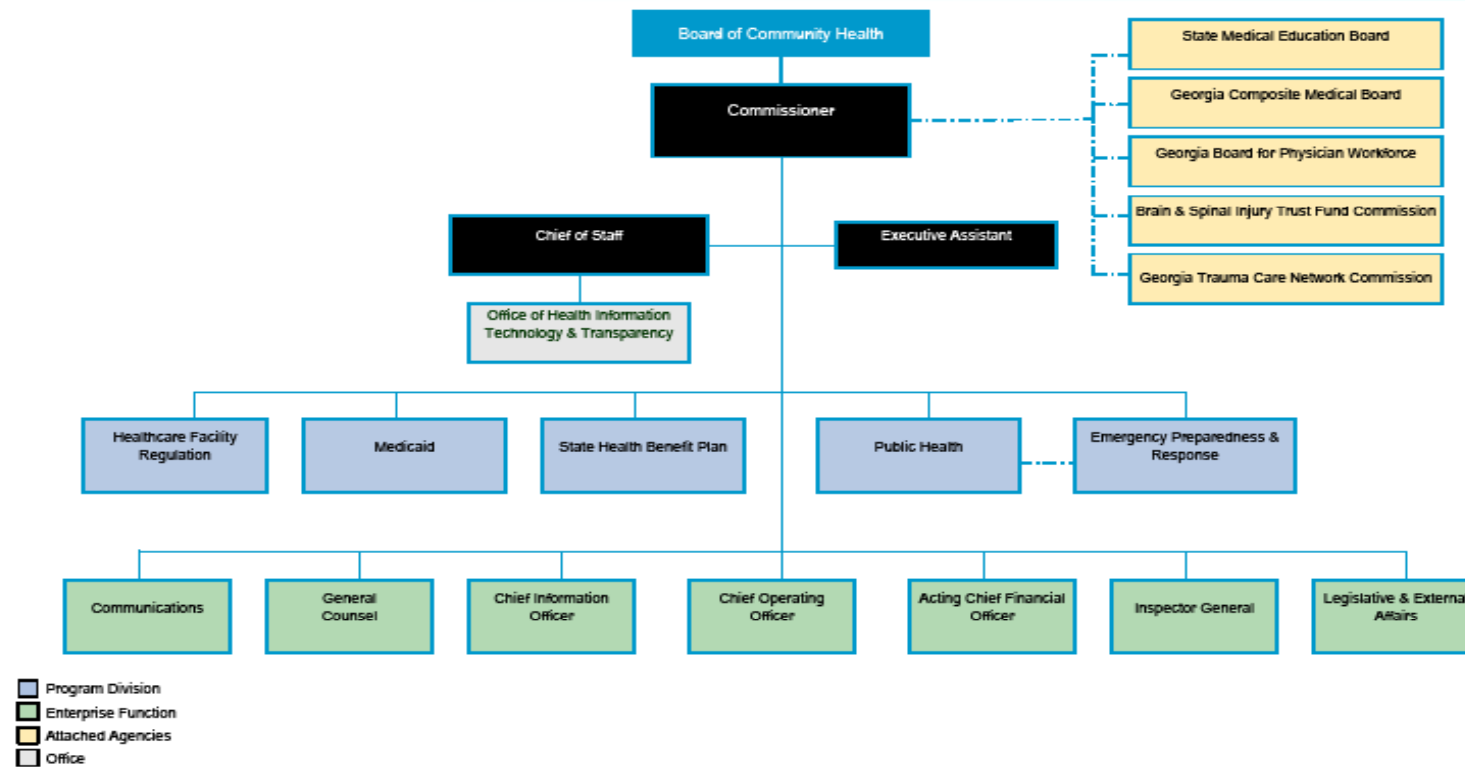
HEALTHY



Healthy
behaviors and
improved
health
outcomes

Department of Community Health Organization Chart

Georgia Department of Community Health



DCH: Budget

DCH: 8 Key Program Budgets

1. Administration
2. Health Care Access
3. Health Facility Regulation
4. Public Health
5. Emergency Preparedness
6. State Health Plan
7. Medicaid
8. PeachCare

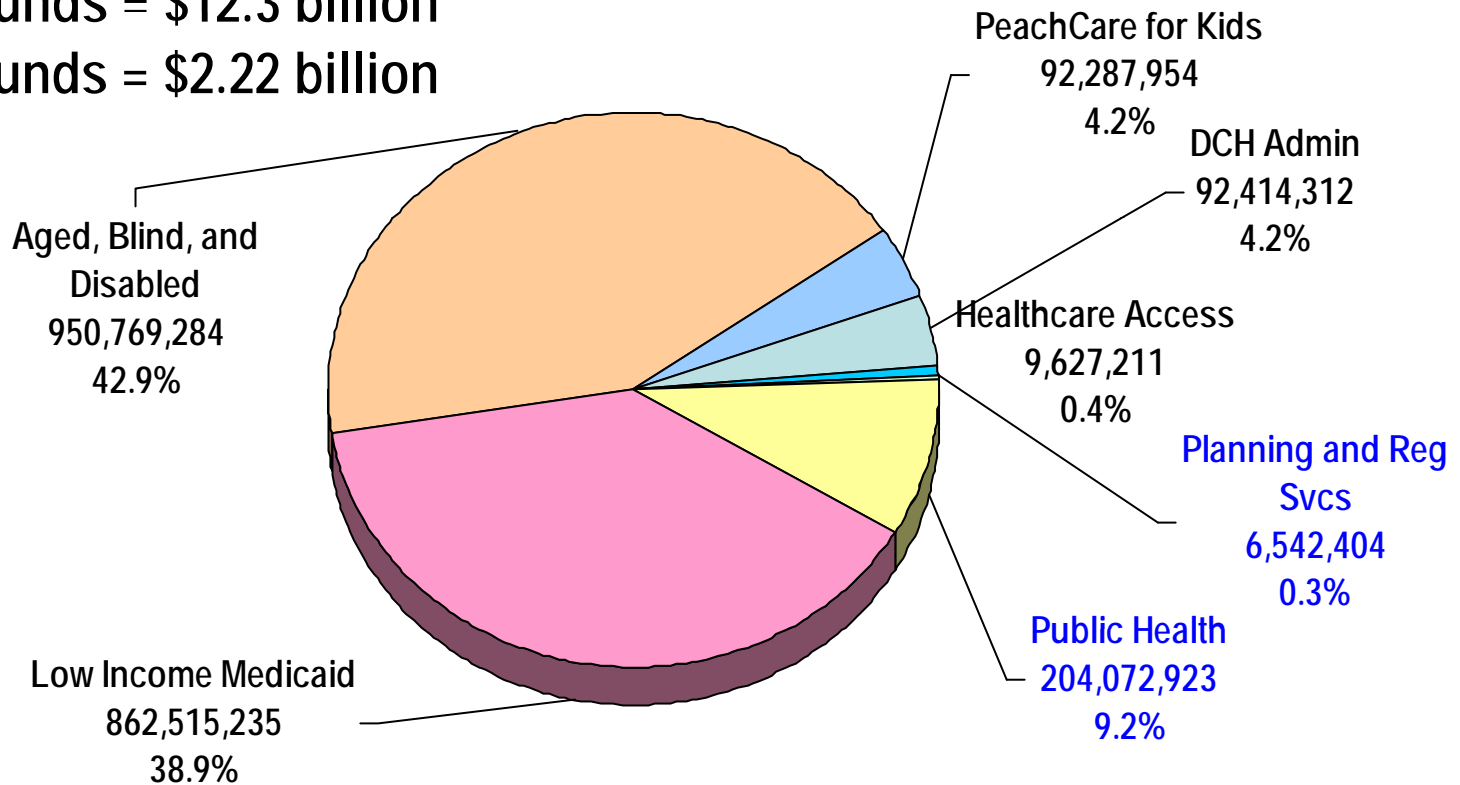
Total DCH State Funds FY2010: \$2.2Billion



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

DCH FY 2010 State Fund Budget

Total Funds = \$12.3 billion
 State Funds = \$2.22 billion



*State funds for Medicaid & PCK Benefits include tobacco funds and provider fees

DCH Administration Budget

Program	Population Served	% Funding From State	FY2010 State Appropriation	Change From FY 2009 Base to FY 2010 Base	Total FY 2009 Budget Cuts
DCH Admin	All DCH Programs	26%	\$111,332,070	(\$14,508,100)	(\$13,652,407)



DCH Administration: Governor's Budget

Administration	Amended FY2010	FY2011
State Funds	\$111,332,070	\$111,332,070
Governor's Budget Recommendation	(\$16,274,461)	(\$10,848,436)
Percent Reduction	(14.7%)	(9.8%)

DCH - Administration

FY 2011 Governor's Recommendation

Recommendations		State Funds
1.	Reflect an adjustment in Workers' Compensation premiums.	\$125,744
2.	Reflect an adjustment in Telecommunications expenses for GTA.	(\$1,299,868)
3.	Reduce funding for the following contracts: Georgia Partnership for Caring (\$6,000), actuarial services (\$200,000), computer systems (\$3,146,216), APS administrative services (\$523,392), and child support recovery (\$250,000).	(\$4,125,608)
4.	Reduce funding for Equipment purchases (\$18,969), Real Estate (\$70,000), Regular Operating Expenses (\$70,000) and temporary staffing (\$100,000).	(\$258,969)
5.	Eliminate consultant contracts with Nichols Cauley for services related to the health and human services agency restructuring.	(\$760,000)
6.	Reduce funds for Personal Services to reflect projected expenditures.	(\$1,046,794)

DCH - Administration

FY 2011 Governor's Recommendation

Recommendations		State Funds
7.	Reduce funding for legal assistance with Medicaid and PeachCare issues.	(\$175,000)
8.	Implement new cost allocation plan.	(\$3,307,941)
	TOTAL FY 2011 Budget Reduction	(\$10,848,436)

Healthcare Access

Program	Population Served	% Funding From State	FY2010 State Appropriation	Change From FY 2009 Base to FY 2010 Base	Total FY 2009 Budget Cuts
Healthcare Access	Safety Net Providers, Rural Health Providers	93%	\$9,627,211	(\$5,356,849)	(\$3,926,448)



Healthcare Access: Governor's Budget

Health Care Access	Amended FY2010	FY2011
State Funds	\$9,627,211	\$9,627,211
Governor's Budget Recommendation	(\$2,716,457)	(\$2,617,342)
Percent Reduction	(28.3%)	(27.2%)

DCH – Healthcare Access

FY 2011 Governor’s Recommendation

Recommendations		State Funds
1.	Reflect an adjustment in Telecommunications expenses for GTA.	(\$989)
2.	Reduce funds for personal services to reflect projected expenditures.	(\$405,034)
3.	Reduce funds for the following grants: Chatham County Board of Health (\$17,888), Rural Health Association (\$2,400), St. Joseph Mercy Care (\$14,660), Area Health Education Centers (\$156,371), Southeastern Firefighters Burn Foundation (\$20,000).	(\$211,319)
4.	Reduce funding for Federally Qualified Health Center Startup (\$1,000,000) and Behavioral Health Integration (\$1,000,000) sites.	(\$2,000,000)
	Total FY 2011 Budget Reduction	(\$2,617,342)

Healthcare Facility Regulation Budget

Program	Population Served	% Funding from State	FY2010 State Appropriation	FY 2010 Reductions in State Funds to date
Healthcare Facility Regulation	All Georgians	43%	\$6,542,404	(\$1,059,289)

Healthcare Facility Regulation = Planning & Regulatory Services

Healthcare Facility Regulation: Governor's Budget

Health Facility Regulation	Amended FY 2010	FY 2011
State Funds	\$6,542,404	\$6,542,404
Governor's Budget Recommendation	(\$167,856)	(\$42,296)
Percent Reduction	(2.6%)	(.7%)

DCH – Healthcare Facility Regulation FY 2011 Governor's Recommendation

Recommendations		State Funds
1.	Increase funds to reflect an adjustment in the Workers' Compensation premium.	\$210
2.	Reflect an adjustment in Telecommunications expenses for GTA.	(\$42,506)
	Total FY 2011 Budget Reduction	(\$42,296)

Public Health Budget

Program	Population Served	% Funding from the State	FY 2010 State Appropriation	Change From FY 2009 Base to FY 2010 Base	FY 2009 State Budget Cuts
Public Health State Level	All Georgians	26%	\$158,616,578	(\$25,702,432)	(\$35,659,111)
Public Health District/County:	159 County Boards of Health				
General GIA		97%	\$68,154,008	(\$3,703,320)	(\$11,797,095)
Program GIA		21%	\$31,635,106	(\$3,307,013)	(\$1,867,828)

Public Health Programs

Six Public Health State Programs	Budget Document Listing
1. Health Promotion & Disease Prevention	Adolescent & Adult Health Promotion Adult Essential Health Treatment Services
2. Epidemiology & State Labs	Epidemiology
3. Immunization & Infectious Disease	Immunization, Infectious Disease Control
4. Maternal Child Health & WIC	Infant & Child Essential Health Treatment Infant & Child Health Promotion, WIC
5. Environmental Health	Inspections & Environmental Hazard Control
6. Vital Records	Vital Records
<ul style="list-style-type: none"> • State Operations • Field Operations 	General Grant-In-Aid to counties Programmatic Grant-In-Aid to counties

Division of Public Health

FY 2011 Governor's Recommendation

Recommendations		In State Funds
1.	Reflect an adjustment in telecommunications expenses Georgia Technology Authority.	(\$92,060)
2.	Reduce funds for Personal Services to reflect projected expenditures and the elimination of vacant positions.	(\$581,884)
3.	Reduce Operating expenses.	(\$506,190)
4.	Reduce funds for the Georgia Poison Control Center to reflect a change in the Medicaid federal participation rate.	(\$357,796)
5.	Reduce funds for temporary staffing, the Georgia Rural Water Association and the Regional Tertiary Care Centers contracts.	(\$ 227,710)
6.	Reduce funds for temporary staffing.	(\$48,135)
7.	Reduce funds for the American Academy of Pediatrics contract.	(\$23,653)
	Total FY 2011 Budget Reduction	(\$1,837,428)

Public Health State Level Fee FY 2011

Program	Fee Description	Current	Proposed	New Annual Revenue	Range of Other SE States
Epidemiology – Lab	HIV Testing*	\$0	\$10	\$2,257,380	\$6.00 to \$19.17
	STD Testing*				\$5.00 to \$5.73
	Lead*				No charge to \$13.00
	Hepatitis C*				
	Well Water	\$0	\$30		UGA Ext. = \$30
Vital Records	Birth and Death Certificates	\$10	\$15	\$ 915,500	\$10-\$30 Birth Cert. \$6-\$30 Death Cert.
TOTAL Annual NEW FEE Revenue to STATE TREASURY**				\$3,172,880	

*Assume 35% of lab test recipients do not have an ability to pay and that service will be provided.

**Does not include offset for administrative costs for the lab to collect the fees

Division of Public Health – Grant In Aid FY 2011 Governor’s Recommendation

Recommendations		In State Funds
1.	Reduce funds for programmatic grant in aid to Public Health Districts	(\$652,931)
2.	Reduce funds for general grant in aid to 159 County Boards of Health (\$5,993,555) and increase funds by \$347,958 to reflect an adjustment in the Workers' Compensation premium.	(\$5,645,597)
	Total FY 2011 Budget Reduction	(\$6,298,528)

Division of Emergency Preparedness & Response

	Population Served		State Funding Percentage	FY10 State Appropriation	Change From FY 2009 Base to FY 2010 Base	FY09 State Budget Cuts
Emergency Preparedness & Response	All Georgians		38%	\$3,238,183	(\$3,163,520)	(\$1,484,725)
Trauma Commission				\$23 Million	\$23,000,000	N/A
Injury Prevention				\$300,404	(\$957,209)	(\$356,901)

Division of Emergency Preparedness & Response FY 2011 Governor's Recommendation

Recommendations		In State Funds
1.	Reduce funds for Personal Services to reflect projected expenditures and the elimination of vacant positions	(\$78,469)
2.	Reduce Operating expenses.	(\$100,811)
3.	Transfer funds for the Georgia Trauma Care Network Commission to reflect creation of the attached agency program.	(\$23,000,000)
Total FY 2011 Budget Reduction		(\$23,179,280)

STATE HEALTH PLAN



State Health Plan

Program	Population Served	# of People	% Funding from the State	FY 2010 State Appropriation	Change From FY 2009 Base to FY 2010 Base	FY 2009 State Budget Cuts
State Health Plan	State Employees, School Districts, Retirees	689K	72% Employer Premiums	\$2,811,029,108	\$106,285,942	(\$487,976,595)

Average Monthly Enrollment .5% Increase
 PMPM 13.5% Increase



SHBP Highlights of FY 2009 - 2010

- Year 2 of a 5 year strategy to streamline administration and focus on consumerism
- CDHP plan enrollment increased from 4% to 34%
 - CDHP plans experienced the highest utilization and trend increase, but are still the most cost effective options
 - HRA plan experienced higher adherence for preventive care screenings than HMO/PPO plans in all categories
- Significant increase in catastrophic claims (>\$100k) across all options
- SHBP returned \$551m to treasury and used fund balance to pay claims

Benefit Changes to the State Health Benefit Plan	Projected Savings*
Combination of: significant plan design changes implemented January 1, 2010 combined with CDHP enrollment projected curb expense growth and account for revenue shortfalls	\$782.2m
Revenue Adjustments to the State Health Benefit Plan	Financial Impact
Combination of : employee premium increases, employer contribution reductions, Dept of Education contribution reductions and liquidation of Long Term Investment Fund	(\$45m)

FY 2011 Governor's Recommendation

Recommendations for State Health Benefit Plan		
1.	Adjust FY2009 net assets to reflect FY2009 expenditures (Total Funds: \$123,334,874).	Yes
2.	Increase funds to reflect a 10% increase in employee premiums and spousal and tobacco (\$10 and \$20) surcharge increases in Plan Year 2010 (Total Funds: \$50,100,339).	Yes
3.	Increase funds to reflect a 10% increase in employee premiums in Plan Year 2011 (Total Funds: \$30,470,040).	Yes
4.	Increase funds to reflect projected revenue (Total Funds: \$156,993,576)	Yes
5.	Reflect FY2009 Incurred But Not Reported (IBNR) reserve funds (Total Funds: \$237,631,000)	Yes

FY 2011 Governor's Recommendation

Recommendations for State Health Benefit Plan		
6.	Utilize partial IBNR reserves to cover projected expense (Total Funds: \$222,556,127)	Yes
	Total FY2011 Governor's Recommended Adjustments	\$129,303,954

Medicaid and PeachCare



Medicaid

Program	Population Served	# of People	% Funding from the State	FY 2010 State Appropriation	Change From FY 2009 Base to FY 2010 Base	FY 2009 State Budget Cuts
Medicaid	Aged, Blind & Disabled Low Income Families	1.4M	25% Enhanced Matched	\$1,390,745,935	(\$664,946,931)	(\$610,236,164)

Medicaid State Funds = 9.8% of Georgia's FY10 State General Fund



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

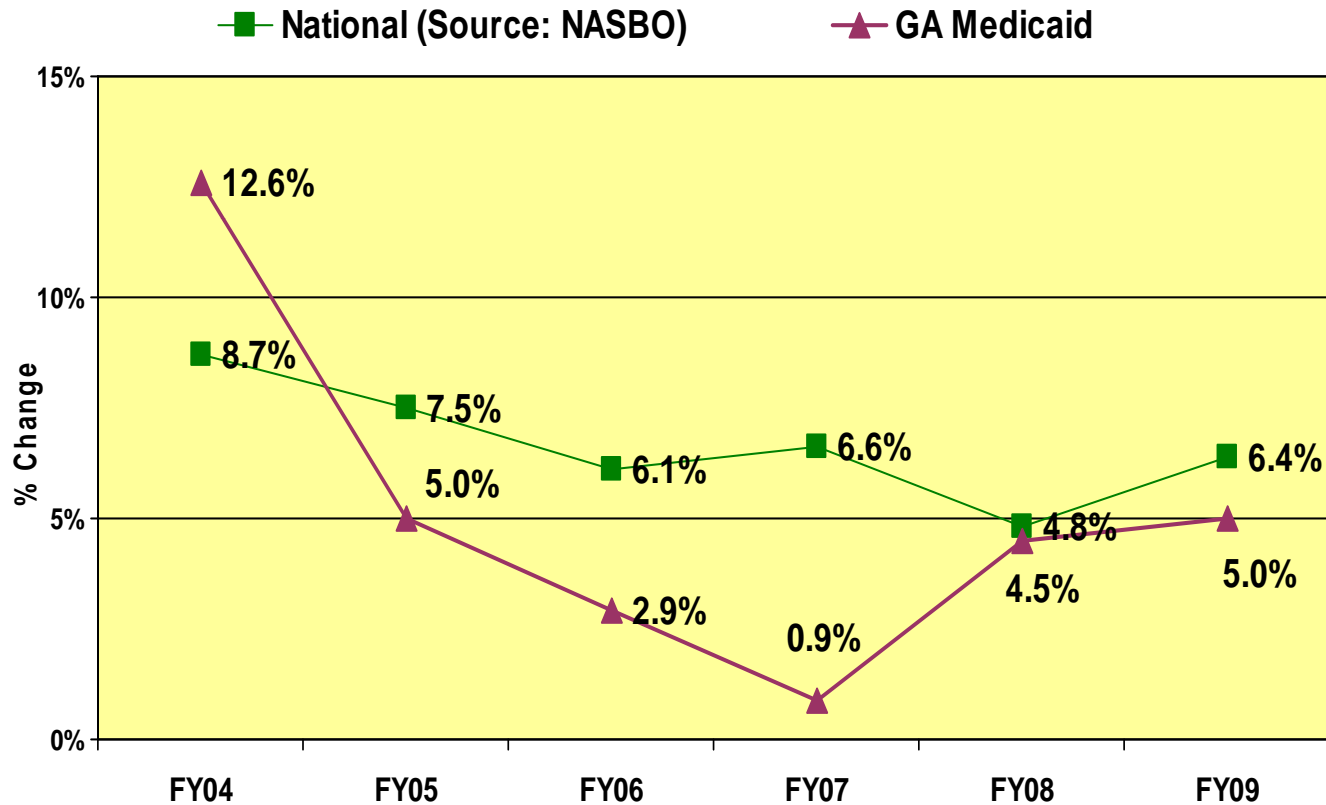
PeachCare

Program	Population Served	# of People	% Funding from the State	FY 2010 State Appropriation	Change From FY 2009 Base to FY 2010 Base	FY 2009 State Budget Cuts
PeachCare	Children in Low-Middle Income Families	201K	25%	\$87,937,542	(\$10,735,387)	(\$22,119,459)



Medicaid: Annual Expenditure Growth Rate

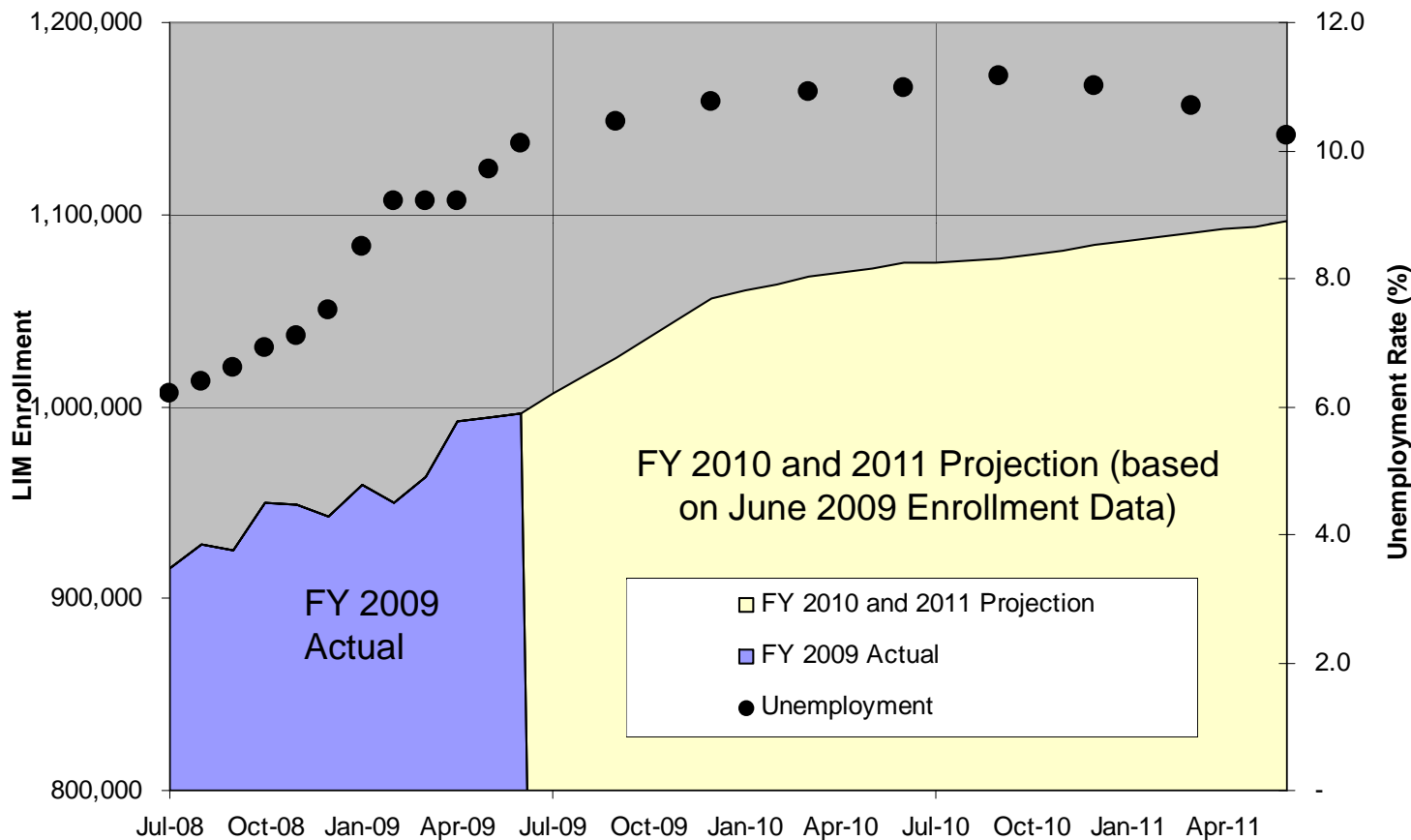
Annual Increases Incurred Medicaid Benefit Expenditures



Medicaid
Annual
Expenditure
Growth
FY2009:
5%

Georgia has trended below national Medicaid experience for the past 5 years.

FY 2010-2011 Projected Medicaid LIM Enrollment



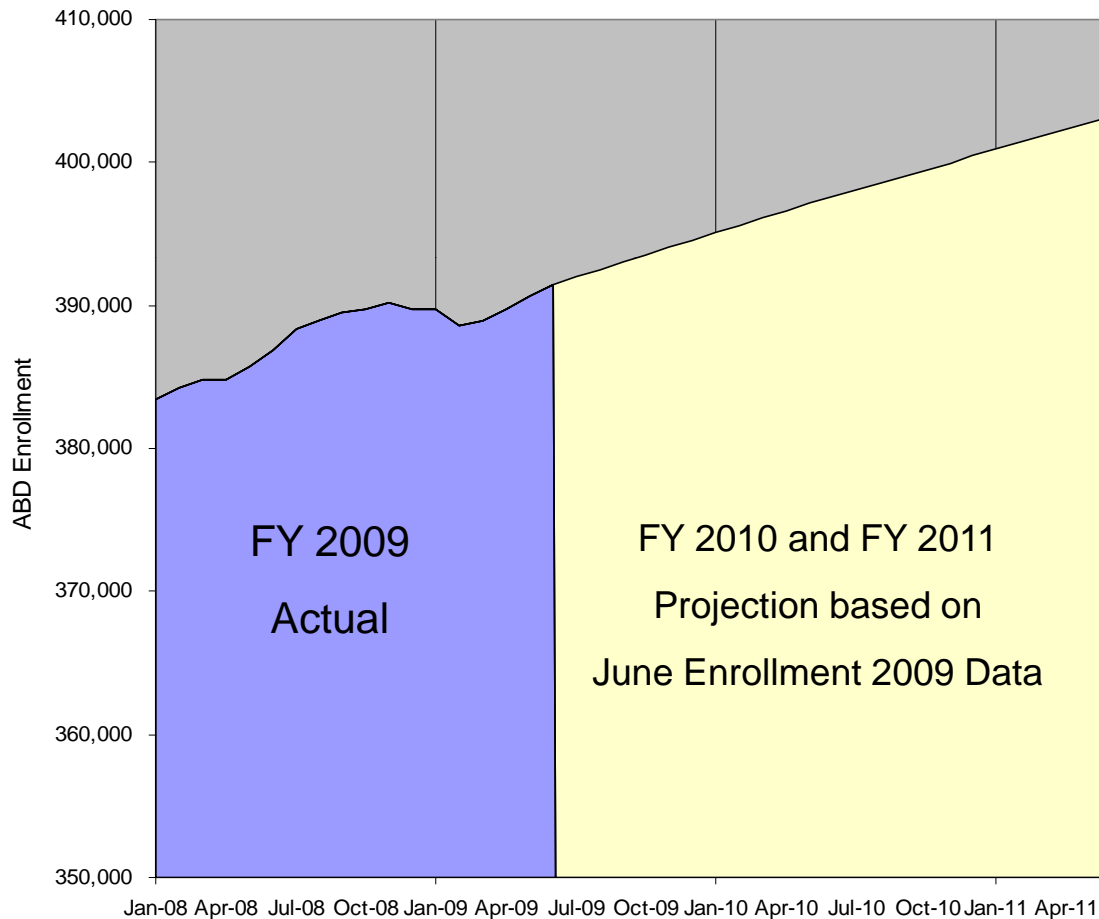
LIM Enrollment

7.7% Increase
June 09 to June 10

Projected: 2%
June 10 to June 11

June 2009 = 997,488 June 2010 = 1,074,482 June 2011 = 1,096,502

FY 2010-2011 Projected ABD Enrollment



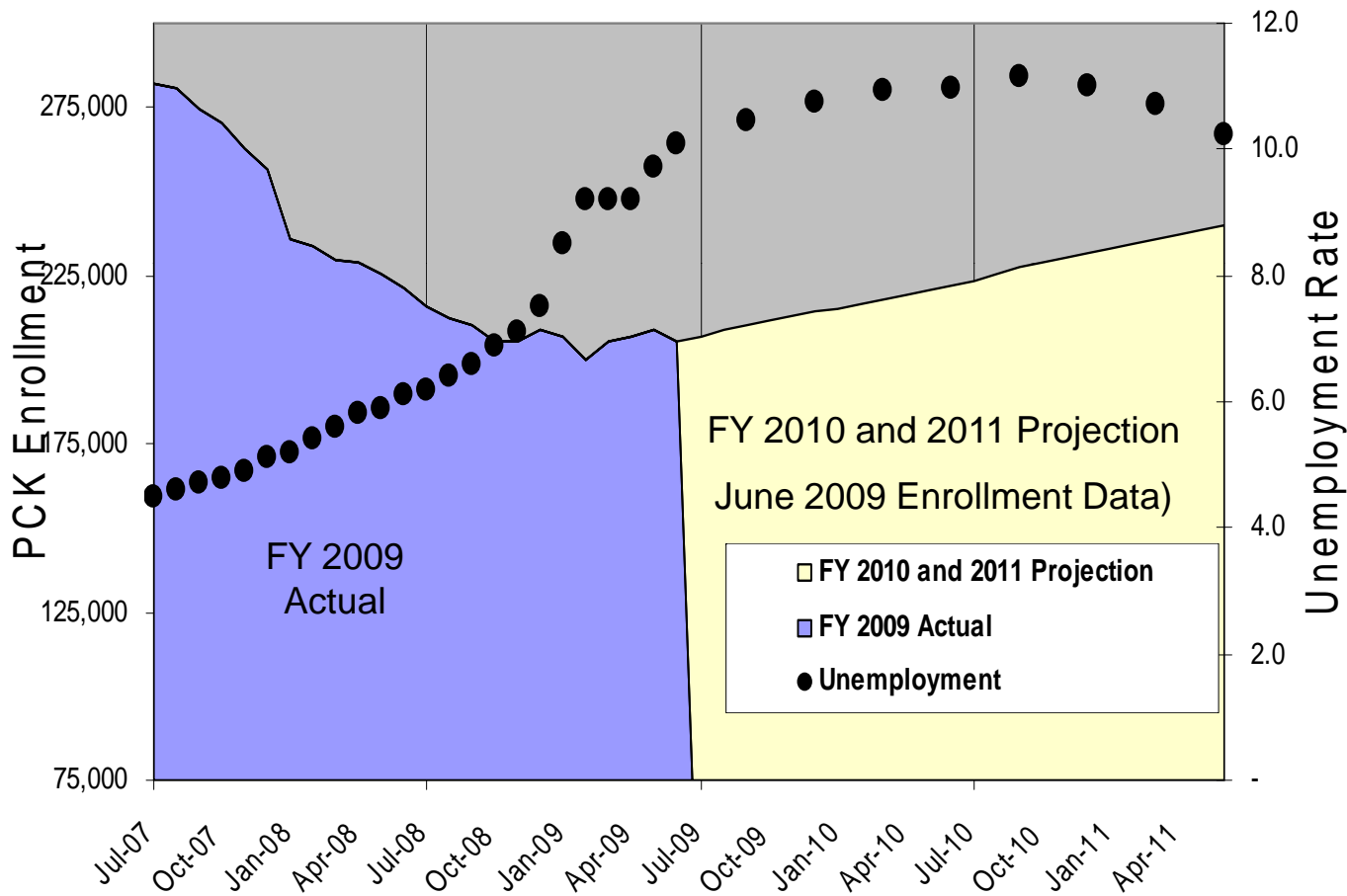
ABD Enrollment

1.6%
June 09 to June 10

1.4%
June 10 to June 11
Projected

June 2009 = 391,481 June 2010 = 397,681 June 2011 = 403,264

FY 2010-2011 Projected PCK Enrollment



PeachCare Enrollment

8.0%

June 09 to June 10

8.0%

June 10 to June 11 Projected

June 2009 = 205,370 June 2010 = 221,972 June 2011 = 239,917

Medicaid & PeachCare Expenditures

Medicaid & PeachCare	Medicaid Aged, Blind & Disabled (ABD)	Medicaid Low Income Families (LIM)	PeachCare for Kids (PCK)
Current Enrollment	394,406	1,033,420	201,052
PMPM Growth FY 2009 to FY 2010	3.3%	2.7%	1.5%
FY 2009 State Budget Cuts	(\$294,972,092)	(\$251,833,404)	(\$22,119,459)
FY 2010 State Appropriation	\$828,240,345	\$562,505,590	\$87,937,542
Change from FY2009 Base To FY2010 Base	(\$310,618,826)	(\$354,328,105)	(\$10,735,387)



Medicaid & PeachCare: Base Budget FY 2011 State Funds

In millions	Medicaid	PeachCare	Total
State Fund Revenue			
State Fund Appropriations	\$1,786.5	\$87.9	\$1,874.4
Nursing Home Provider Fees	\$122.5		\$122.5
Total Revenue	\$1,909.0	\$87.9	\$1,996.9
Reflect loss of One Time Funding -End of ARRA FMAP December 30, 2010 -Tobacco Funds -CMO QA Fees	(\$506.9)	(\$4.0)	(\$510.9)
Total Revenue	\$1,402.1	\$83.9	\$1,486.0
State Fund Expense*	\$2,010.8	\$72.7	\$2,083.5
Total Surplus/(Deficit)	(\$608.7)	\$11.2	(\$597.5)
One-Time Funds Restored: Surplus/(Deficit)	(\$101.8)	\$15.2	(\$86.6)



Medicaid & PeachCare: "One Time" Funds No Longer Available in FY 2011

In millions	Medicaid	PeachCare	Total
Loss of One-Timing FY 2010 Funds:			
-End of ARRA FMAP December 30, 2010*	(\$252.3)		
-Tobacco Funds	(\$214.4)		
-CMO QA Fees	(\$37.5)	(\$4.0)	
-ICTF Reserves	(\$2.7)		
Total State Fund Shortfall:	(\$506.9)	(\$4.0)	(\$510.9)

*Based on Appropriations



Medicaid: Governor's FY 2011 Budget

- To address the Medicaid budget needs given the shortage of state revenues
 - **Reduce Expenses**
 - ✓ Eligibility Verification
 - ✓ Enrollment Broker Reviews & Oversight
 - ✓ Prescription Drug Rebates
 - ✓ Pharmacy Benefit Management
 - ✓ Case Management
 - ✓ Care Management
 - ✓ Disease Management
 - ✓ Fraud Prevention & Overpayment Recovery
 - ✓ False Claims Act and Self Disclosure Program
 - ✓ Radiology Services Management
 - ✓ Administrative Efficiencies.....
 - **Generate New Revenues**



Medicaid: Governor's FY 2011 Budget

- Restrictions on Expenditure Reduction

Medicaid Mandatory Eligibility Required by Federal Law	Medicaid Mandatory Benefits Required by Federal Law
"Optional" Eligibility Now required by Federal Law: ARRA requires maintenance of July 2008 eligibility through December 2010	"Optional" Benefits Some optional services are less costly alternatives to mandatory services Some Benefits can't be removed without impacting eligibility

- Expenditure: Provider Reimbursement

Hospital & Managed Care Provider Fees

Governor's FY 2011 Budget Recommendation:

Governor's Recommendation replaces these lost funds by:

1. Assumes that the ARRA Stimulus FMAP is extended through June 30, 2011
2. Institutes a Hospital Provider Fee and a Managed Care Provider Fee to generate revenue
3. Removes the Medicaid CMO exemption from the 2.25% Dept of Insurance premium tax.

Medicaid & PCK Impact...

People	1.6 Million	<ul style="list-style-type: none"> •Seniors and Fragile Elderly •Children & Adults with Disabilities •Children in low income families •Pregnant Women with low incomes
Industry		<ul style="list-style-type: none"> •Physicians: 19,711 •Hospitals: 160 •Nursing Homes 363 •Home Care Providers: 125 •Pharmacies 2,091 •Therapists: 3,962
Government		<ul style="list-style-type: none"> •22 Private Sector Companies that contract with FFS and CMO Medicaid •Several Government Agencies: DHS, DJJ, DBHDD, etc

Hospital & Managed Care Provider Fees

Governor's FY 2011 Budget Recommendation:

Hospital & Managed Care Provider Fees

Hospital Provider Fee: 1.6% of net patient revenue

- State Revenue to be generated: **\$247.8 Million**
- Amount returned to hospital Medicaid Providers: **\$236.9 Million**
- Federal Match Funds at enhanced FMAP: **\$747.7 Million**
- The State can seek federal approval to exempt select hospitals i.e. psychiatric, rural, or hospitals that do not charge for care.

Hospital Provider Fee Impact Estimate :

- 39 Hospitals that are higher volume Medicaid providers: Gain
- 39 Hospitals that see some Medicaid : Break even
- 84 Hospitals that see little or no Medicaid : Will pay fee without a return (unless or until they become Medicaid providers)

Managed Care Fee : 1.6% of managed care premium revenues

- State Revenue to be generated: **\$97.1 Million**
- Federal Match Funds at enhanced FMAP: **\$293.3 Million**
- Pending in Congress: US House Bill with a provision allowing states to use the managed care fee for one year without a requirement that it also be applied to commercial health plans . IF this provision passes, Georgia could alternatively reinstate its CMO QA Fee which could generate approximately \$100 million in state revenues

Insurance Provider Premium Tax

Governor's FY 2011 Budget Recommendation:

- Removes the Medicaid CMO exemption from the Department of Insurance 2.25% premium tax.
- State Revenue to be generated: \$67.9 Million
 - \$19.8 Million for Low Income Medicaid
 - \$48.1 Million for the Department of Behavioral Health to:
 - enhance hospital operations and quality of care
 - fund developmental disability slots

FY 2011 Governor's Recommendation

Recommendations for Medicaid and PeachCare		In State Funds
1.	Apply a 1.98% reduction in Medicaid reimbursement for all fee-for-service and non-emergency transportation providers, exclusive of home and community based services and inpatient and outpatient hospital services (Total Funds: \$105,021,735).	(\$26,108,584)
2.	Renegotiate specialty pharmaceutical reimbursement (Total Funds: \$2,597,147).	(646,439)
3.	Reflect changes in the Medicaid federal participation rate from 64.95% to 65.27%.	(\$22,097,356)
4.	Reflect changes in the CHIP FFP rate from 75.46% to 75.69%.	(\$720,286)
5.	Recognize reserves projected for FY 2010 (\$32,217,312) and Reduce state funds (\$12,889,315).	(\$45,106,627)
6.	Reduce funds for ABD with respect to projected expenditures in growth (Total Funds: \$70,091,910).	(\$17,446,113)

FY 2011 Governor's Recommendation

Recommendations for Medicaid and PeachCare		In State Funds
7.	Replace state funds with additional nursing home provider fees to maintain nursing home fair rental value and quality incentive initiative provided in FY 2010 (Total Funds: \$35,326,962).	(\$8,793,000)
8.	Increase the nursing home provider fee to maintain fair rental value (\$7.0 million) and the quality incentive initiative (\$1.8 million) (Total Funds: \$35,326,962).	\$8,793,000
9.	Use hospital provider fee funds to adjust inpatient and outpatient hospital reimbursement rates. (Total Funds: \$236,960,705).	\$58,939,193
10.	Use managed care fees to adjust CMO reimbursement to maintain level of service (Total Funds: \$48,269,031)	\$11,982,643
11.	Use managed care fee (\$85,185,970) and hospital provider fees (\$127,047,937) to replace one-time tobacco funds.	\$212,233,696

FY 2011 Governor's Recommendation

Recommendations for Medicaid and PeachCare		In State Funds
12.	Remove Medicaid CMO exemption from 2.25% Department of Insurance premium tax (Total Funds: \$79,766,678).	\$19,809,642
13.	Reflect savings from enrolling adoptive foster care children in the Georgia Families care management program (Total Funds: \$11,815,504).	(\$2,940,919)
14.	Replace one-time Indigent Care Trust Funds prior year reserves with revenue from the hospital provider fee.	\$2,700,000
15.	Reflect the discontinuation of the CMO Fee (care management quality assessment fee), effective October 1, 2009 (Total Funds: \$171,325,459).	(\$42,524,901)
16.	Eliminate one-time tobacco funds and replace with managed care (\$85,185,970) and hospital provider fees (\$127,047,726) (Total Funds: \$852,657,043).	(\$212,233,696)

FY 2011 Governor's Recommendation

Recommendations for Medicaid and PeachCare		In State Funds
17.	Reflect savings from capping CMO risk adjustments at 50% of the rate range (Total Funds: \$10,216,837).	(\$2,542,931)
18.	Fund projected Medicaid enrollment growth with hospital provider fees (Total Funds: \$237,331,937).	\$59,072,720
19.	Reduce state funds to reflect revised PeachCare enrollment projection (\$74,789,046).	(\$18,181,217)
20.	Reclassify federal funds as increased FMAP provided in the American Recovery and Reinvestment Act of 2009 (\$733,744,257)	Yes
Total FY 2011 Governor's Recommended Adjustments		(\$25,811,175)



FY 2011 Governor's Recommendation: Assumes Extension of ARRA FMAP

SFY 2011 FMAP	Medicaid FMAP Rate
Current ARRA FMAP Expires Dec 31, 2010	0.7019
Governor's Recommendation: Assumes ARRA FMAP is extended to June 30, 2010	0.7511

- **Currently, the ARRA FMAP is scheduled to expire on December 31, 2010.**
- **The Governor's FY 2011 budget assumes that the ARRA FMAP will be extended through June 30, 2011. However, Congress has not enacted this extension.**

FISCAL IMPACT in federal funds for FY 2011 = \$378.5 Million

Thank You

