



FY 2017 Budget Recommendations



Presentation to: Senate Appropriations Community Health Subcommittee

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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

- FY 2016 Current Budget
- FY 2017 Cost Drivers
- FY 2017 Budget Recommendations



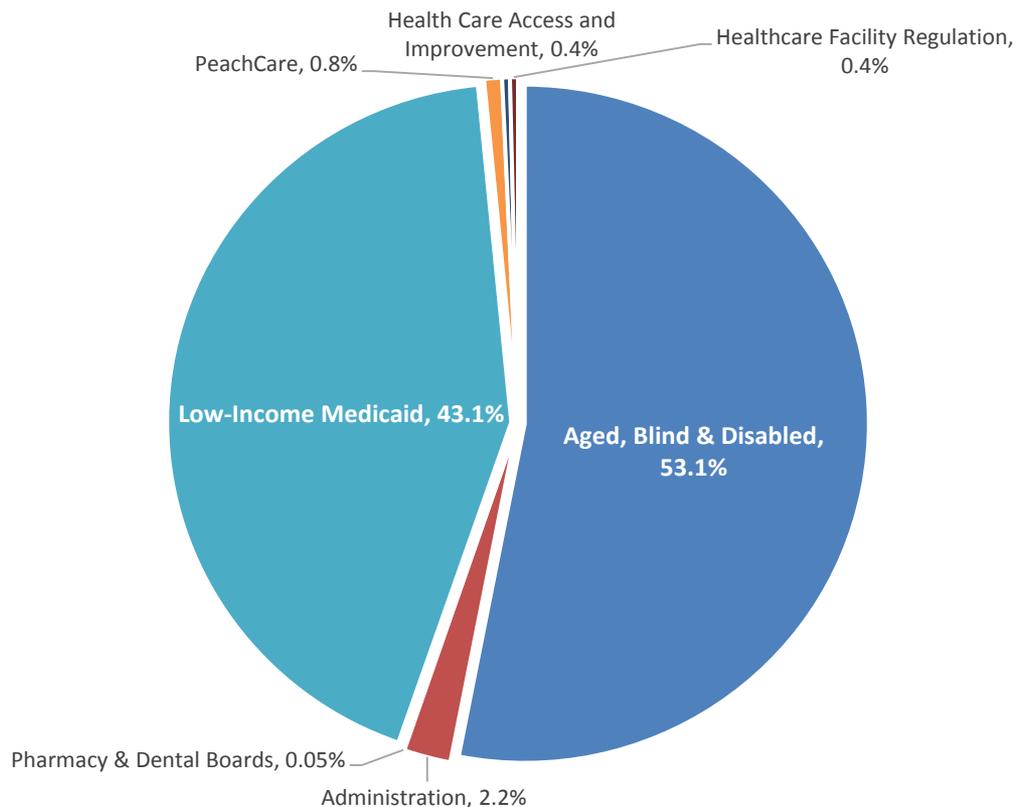
FY 2016 Current Budget

FY 2016 Budget

State Funds Budget by Program*

Total Funds Appropriated: \$13,642,102,230

State Funds Appropriated: \$2,979,649,363



97% of all DCH State Funds are budgeted in Medicaid and PeachCare



**GEORGIA DEPARTMENT
OF COMMUNITY HEALTH**

* Chart includes state funds only and does not include attached agencies.

FY 2016 State Funds Budget Highlights

- Departmental Administration budget cut of \$2 million.
- \$3.3 million was appropriated in the Healthcare Facility Regulation program to hire additional nurse surveyors and address a structural deficit.
- \$8.7 million increase in rate calculations for nursing facility ownership changes from January 1, 2012 to June 30, 2014.
- \$5.9 million to increase reimbursement rates for select OB/GYN codes to the 2014 Medicare fee schedule.
- \$17.2 million added for increased reimbursement rates for select primary care codes.





FY 2017 Cost Drivers

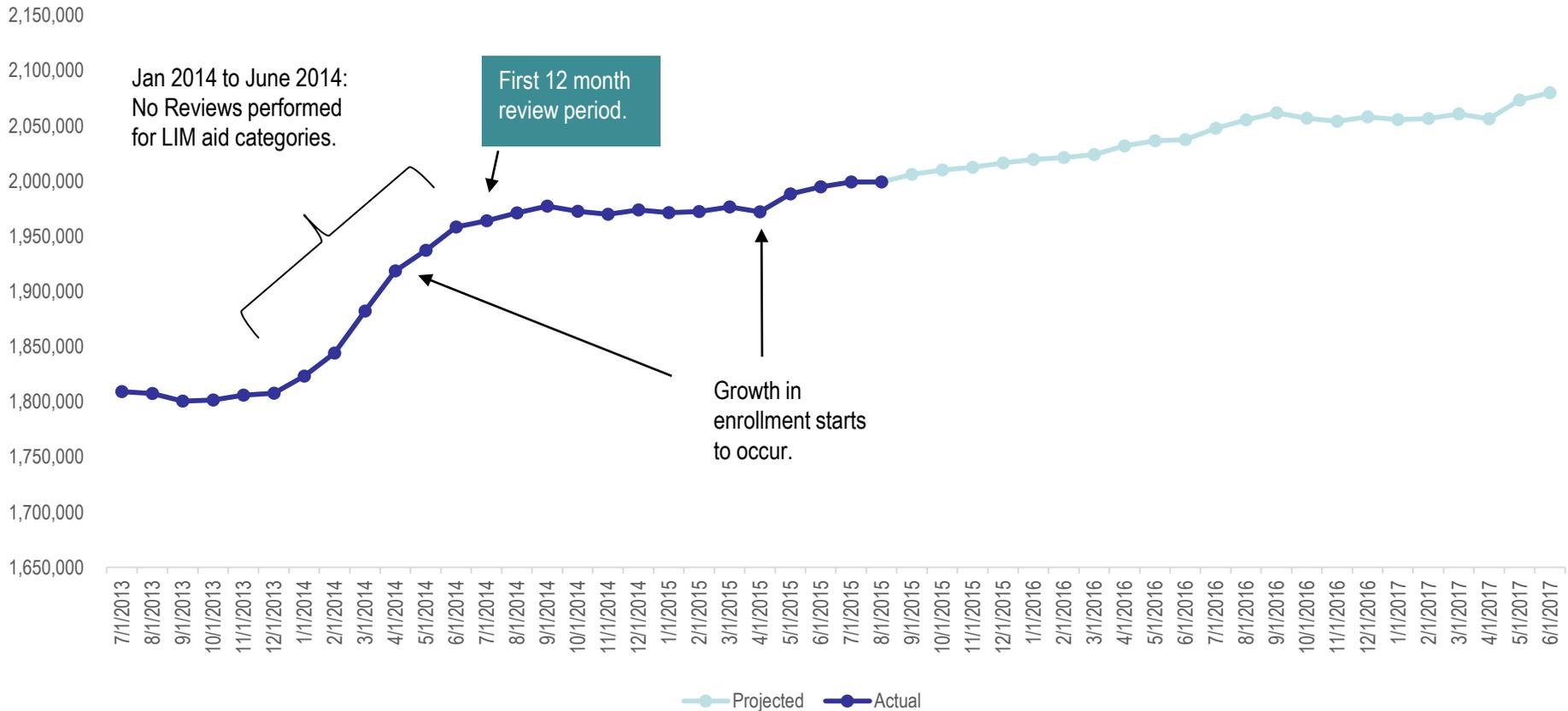
FY 2017 Cost Drivers

- Growth
 - CMO Rates
 - Enrollment Growth
- Prescription drugs
 - Hepatitis C
 - Cystic Fibrosis
 - Medicare Part D clawback payments
- Federal Directives
 - 1095-B reporting
 - Part B premium increases
 - Change in matching rate for certain MMIS activities



Projected Growth in Medicaid and PeachCare

Enrollment Trends



- Enrollment is projected to increase from an average of 2.018 million in FY 2016 to 2.060 million in FY 2017.



FY 2017 Budget Recommendations

FY 2017 Budget Recommendations*

| Medicaid Benefits Items | | Governor's Recommendations | House | Senate Tracking Sheet Number |
|-------------------------|--|----------------------------|--------------|------------------------------|
| 1 | Funds requested for FY 2017 benefit growth. | \$102,896,756 | \$66,763,894 | 95.3,96.3 |
| 2 | FY2017 Federal Medical Assistance Percentage (FMAP) savings. | (38,443,460) | (38,443,460) | 95.1, 96.1 |
| 3 | Increase funds to cover expenses related to higher pharmacy costs of Hepatitis C drugs (\$23,129,866) and Cystic Fibrosis drugs (\$3,390,400). | 26,520,266 | 26,520,266 | 95.2 |
| 4 | FY2017 Enhanced Federal Medical Assistance Percentage (eFMAP) savings. | (24,648,601) | (24,648,601) | 97.1, 97.2 |
| 5 | Provide funding to cover increase in Part D clawback payments. | 8,212,532 | 8,088,994 | 95.4 |
| 6 | Provide funding for an increase in the premiums for Part B Medicare for Medicaid members who are also eligible for Medicare ("dual eligible"). | 21,039,788 | 21,039,788 | 95.5 |
| 7 | Reflect additional revenue from hospital provider payments. | 13,564,771 | 13,564,771 | 95.6, 96.4, 96.5 |
| 8 | Reduce funds for previous changes in rate calculations for nursing facility operator changes to reflect projected expenditures. | 0 | (4,100,000) | 95.70 |
| 9 | Increase funds to provide for a 3% inflation adjustment on the 2012 nursing home cost reports. | 0 | 11,300,000 | 95.8 |

FY 2017 Budget Recommendations*

| Medicaid Benefits Items | | Governor's Recommendations | House | Senate Tracking Sheet Number |
|-------------------------|--|----------------------------|-------------|------------------------------|
| 10 | Increase funds for the Independent Care Waiver Program (ICWP) Personal Support rates to match the CCSP and SOURCE program rates. | \$0 | \$3,774,382 | 95.9 |
| 11 | Increase funds for reimbursement rates for Adult Day Health Centers by 5% to provide parity with other home and community-based service providers. | 0 | 399,670 | 95.10 |
| 12 | Increase reimbursement rates for occupational and physical therapy within the Children's Intervention Services (CIS) program. | 0 | 1,365,682 | 95.11 |
| 13 | Evaluate budget neutral payment methodologies for Medicaid member access to services provided by newly-enrolled long-term acute care and inpatient rehabilitation hospitals. (H: YES) | | Yes | 95.12 |
| 14 | Transfer administration of the Community Care Services Program (CCSP) waiver program to the Department of Community Health. | 52,680,775 | 52,680,775 | 95.98 |
| 15 | Transfer funds from the Medicaid: Aged, Blind and Disabled program to the Departmental Administration and Program Support program for positions and operational costs related to the Community Care Services Program (CCSP). | 0 | (1,407,028) | 95.13 |

FY 2017 Budget Recommendations*

| Medicaid Benefits Items | | Governor's Recommendations | House | Senate Tracking Sheet Number |
|---|--|----------------------------|----------------------|------------------------------|
| 16 | Increase funds to increase reimbursement rates for select primary care and OB/GYN codes to 100% of 2014 Medicare levels. | \$0 | \$26,203,315 | 96.6 |
| 17 | Increase Advanced Life Support (ALS) emergency transport code reimbursement rate for EMS providers by 7%. | 0 | 634,314 | 96.7 |
| 18 | Effective July 1, 2016, Care Management Organizations (CMO) are required to increase their current per unit reimbursement rates for contracted primary care, OB/GYN, and EMS providers at the increased rates mandated by HB 751. (H: YES) | | Yes | 96.8 |
| 19 | The Department of Community Health is directed to evaluate cost-savings measures through accurate diagnosis of ADHD and report back to the General Assembly by January 1, 2017. (H: YES) | | Yes | 96.9 |
| TOTAL BUDGET RECOMMENDATIONS FOR MEDICAID BENEFITS | | \$161,822,827 | \$163,736,762 | |

FY 2017 Budget Recommendations*

| Operations Items | | Governor's Recommendations | House | Senate Tracking Sheet Number |
|------------------|--|----------------------------|-------------|------------------------------|
| 20 | Increase funds for merit-based pay adjustments and employee recruitment and retention initiatives effective July 1, 2016. | \$686,031 | \$749,156 | 89.1, 90.1, 91.1, 92.1, 93.1 |
| 21 | Increase funds to reflect an adjustment in merit system assessments. | 20,738 | 0 | 89.2, 90.2, 91.2, 92.2, 93.2 |
| 22 | Reduce funds to reflect an adjustment in agency premiums for DOAS administered self-insurance programs. | (32,977) | (76,238) | 89.3, 90.3, 91.3, 92.3, 93.3 |
| 23 | Increase funds to reflect an adjustment in TeamWorks billings. | 24,035 | 24,035 | 89.4 |
| 24 | Reduce funds to reflect 100% federal match for PeachCare administration. | (7,669,673) | (7,669,673) | 89.5 |
| 25 | Increase funds to comply with the Patient Protection and Affordable Care Act (PPACA) requirement that 1095-B forms be provided to individuals enrolled in PeachCare or Medicaid. | 1,817,591 | 1,817,591 | 89.6 |
| 26 | Increase funds to replace the loss of federal funds for the Medicaid Management Information System (MMIS). | 2,155,857 | 2,155,857 | 89.7 |
| 27 | Increase funds to reflect an increase in the employer share of the Employees' Retirement System contribution rate to provide a one-time benefit adjustment of 3% to retired state employees. | 0 | 20,019 | 89.8 |
| 28 | Reduce funds for contracts. | 0 | (275,625) | 89.9 |
| 29 | Utilize existing funds to initiate contract services with an external firm for mandatory nursing home audits. (H:YES) | | Yes | 89.1 |
| 30 | Transfer funds from the Medicaid ABD program for positions and operational costs related to the Community Care Services Program (CCSP). | 0 | 1,407,028 | 89.11 |

FY 2017 Budget Recommendations*

| Operations Items | | Governor's Recommendations | House | Senate Tracking Sheet Number |
|---|--|----------------------------|--------------------|------------------------------|
| 31 | Redirect any administrative savings from the transfer of the CCSP to fund additional slots and report to the Georgia General Assembly on progress by January 1, 2017. (H: YES) | | Yes | 89.12 |
| 32 | DCH is authorized to submit a request an 1115 waiver request to the Centers for Medicare and Medicaid Services. (H: YES) | | Yes | 89.13 |
| 33 | Additional General Obligation Bond request for the Integrated Eligibility System = \$3,000,000. | | | 363.311 |
| 34 | Eliminate one-time start-up funds for Federally Qualified Health Centers. | 0 | (250,000) | 92.4 |
| 35 | Reduce Funds for Charity Clinics | 0 | (500,000) | 92.5 |
| 36 | Increase funds for two FQHC community start-up grants in Jackson and Jenkins Counties. | 0 | 500,000 | 92.6 |
| 37 | Increase funds for contract services for medically fragile children who do not qualify for the "Katie Beckett" TEFRA/Deeming Waiver. | 0 | 250,000 | 92.7 |
| 38 | Utilize existing funds to continue the Rural Hospital Stabilization Committee's grants to the current pilot sites in Emanuel, Crisp, Appling and Union counties. (H: YES) | | Yes | 92.8 |
| TOTAL BUDGET RECOMMEDATIONS FOR OPERATIONS | | (2,998,398) | (1,847,850) | |

FY 2017 Budget Recommendations*

| FY 2017 Budget Recommendation for DCH | Governor's Recommendation | House |
|--|----------------------------------|----------------------|
| Medicaid Benefits Items | \$161,822,827 | \$163,736,762 |
| Operations Items | (\$2,998,398) | (\$1,847,850) |
| Attached Agency Items | \$1,119,045 | \$1,737,225 |
| TOTAL BUDGET RECOMMENDATION | \$159,943,474 | \$163,626,137 |

FY 2017 Budget Recommendations (cont'd)

| State Health Benefit Plan (SHBP) Items | | Governor's Recommendations | House | Senate Tracking Sheet Number |
|--|--|----------------------------|-------|------------------------------|
| 39 | Increase funds to reflect updated projections for membership, medical services utilization, and medical trend changes. (Total Funds: \$4,252,738) | Yes | Yes | 98.1 |
| 40 | Reduce funds for the reduction in employee contribution rates effective January 1, 2016. (Total Funds: (\$11,100,000)) | Yes | Yes | 98.2 |
| 41 | Increase funds for Medicare Advantage plans effective January 1, 2016. (Total Funds: \$91,600,000) | Yes | Yes | 98.3 |
| 42 | Reduce funds by identifying future year plan design changes. (Total Funds: (\$32,784,000)) | Yes | Yes | 98.4 |
| 43 | Reduce funds due to a scheduled reduction in the Transitional Reinsurance Fee imposed by the Patient Protection and Affordable Care Act (PPACA). (Total Funds: (\$7,420,000)) | Yes | Yes | 98.5 |
| 44 | Increase funds for a scheduled increase of the employer contribution rate for non-certificated school service employees from \$746.20 to \$846.20 effective January 1, 2017. (Total Funds: \$30,405,700) | Yes | Yes | 98.6 |
| 45 | Pilot program for non-certificated system-directed health coverage for a 24-month pilot effective January 1, 2017, at the end of which the participating systems may opt to return to the state plan without penalty. (H: YES) | | Yes | 98.7 |
| 46 | Reflect a total fund balance for Other Post-Employment Benefits (OPEB) liabilities of \$925,103,053 by recognizing 2015 payments (\$478,094,972) and pending deposits (\$314,627,314). (H: YES) | | Yes | 98.8 |

SHBP Financial Status

| | FY15 (A) | FY16 | FY17 | FY18 |
|--|--|---------------|---------------|---------------|
| FINANCIAL STATUS | | | | |
| Baseline Revenue | 3,067,510,922 | 3,171,684,268 | 3,152,809,002 | 3,155,311,217 |
| Baseline Expense | 2,703,331,970 | 2,932,942,000 | 3,167,226,000 | 3,438,727,000 |
| Revenue | | | | |
| <i>Revenue Impacts</i> | | | | |
| 1 | Employee Contribution Rate Reduction; Effective January 2016 | (5,550,000) | (11,100,000) | (11,072,250) |
| 2 | Non Certificated Rate Increase; Effective January 2016 | 47,068,800 | 101,450,850 | 102,031,650 |
| 3 | Non Certificated Rate Increase; Effective January 2017 | | 30,405,700 | 74,178,700 |
| 4 | <i>Net Change to Revenue</i> | 41,518,800 | 120,756,550 | 165,138,100 |
| Expense | | | | |
| <i>Procurement/Plan Design Impacts</i> | | | | |
| 5 | 2016 Medicare Advantage UHC Rate Increase | 45,800,000 | 91,600,000 | 97,709,720 |
| 6 | 2015 Medicare Advantage Procurement Savings | (233,295,000) | (264,262,000) | (298,660,720) |
| 7 | 2015 Plan Design Changes from 2014 Plan Design | (30,520,000) | (32,784,000) | (35,146,000) |
| <i>ACA Impacts</i> | | | | |
| 8 | Preventive Care & PCORI Fee | 17,668,000 | 17,924,000 | 18,184,000 |
| 9 | Individual Mandate/Auto Enrollment | 57,720,000 | 62,247,000 | 67,246,000 |
| 10 | Limit on Out-of-Pocket Maximum | 71,014,000 | 76,879,000 | 83,152,000 |
| 11 | Transitional Reinsurance Fee | 18,402,000 | 11,395,000 | 4,645,000 |
| 12 | <i>Net Change to Expense</i> | (53,211,000) | (37,001,000) | (62,870,000) |
| 13 | Revised Revenue | 3,067,510,922 | 3,213,203,068 | 3,273,565,552 |
| 14 | Revised Expense | 2,703,331,970 | 2,879,731,000 | 3,375,857,000 |
| 15 | Net Surplus/(Deficit) | 364,178,953 | 333,472,068 | (55,407,683) |



Budget Update and FY 2017 Recommendations

**Additional Information on DCH
Website**

www.dch.georgia.gov