

Amended FY 2012 & FY 2013 Governor's Budget Recommendations



Presentation to: Senate Appropriations Community Health Subcommittee

Presented by: Commissioner David Cook

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.

Department of Community Health (DCH)

Fast Facts

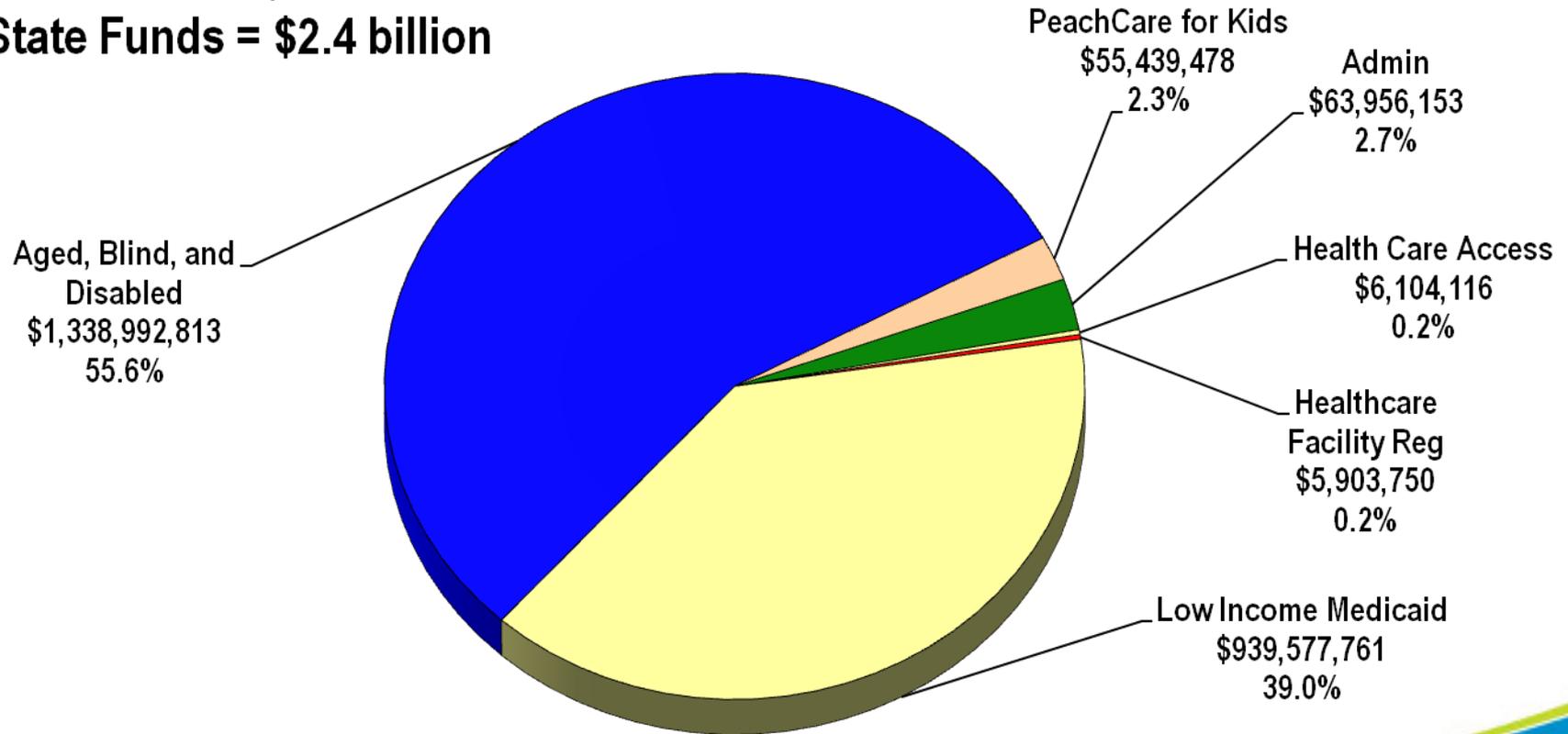
- **Manage 2 large health plans**
 - (Medicaid/PeachCare and the State Health Benefit Plan (SHBP))
 - Medicaid rate of growth is well below the national average
- **DCH manages the health care needs of 1 in 4 Georgians**
- **License and inspect more than 14,000 Georgia health care facilities**
- **Lead agency for health information technology in Georgia**
- **Total Funding:** \$11.2 billion (including SHBP and Federal matching funds)

DCH Highlights

- **Stand Up New Department of Public Health**
- **Put SHBP on Sound Financial Footing**
 - Reduced projected deficit for FY12 and FY13 of \$815 million by 92% to \$62 million
 - Largest wellness plan in the country
 - Reduced OPEB liability by \$11 billion (18%)
 - From \$62 billion to \$51 billion
- **Reducing Bureaucracy**
 - Quicker Credentialing: reduced from several months to 15 days
 - Eliminating 80% of forms in Katie Beckett
 - Reducing co-pays to even dollars
 - Removing barriers to telemedicine

Department of Community Health Current FY 2012 State Funds Budget

Total Funds = \$11.2 billion
State Funds = \$2.4 billion



*State funds include tobacco funds and provider fees

Medicaid Benefits Financial Status

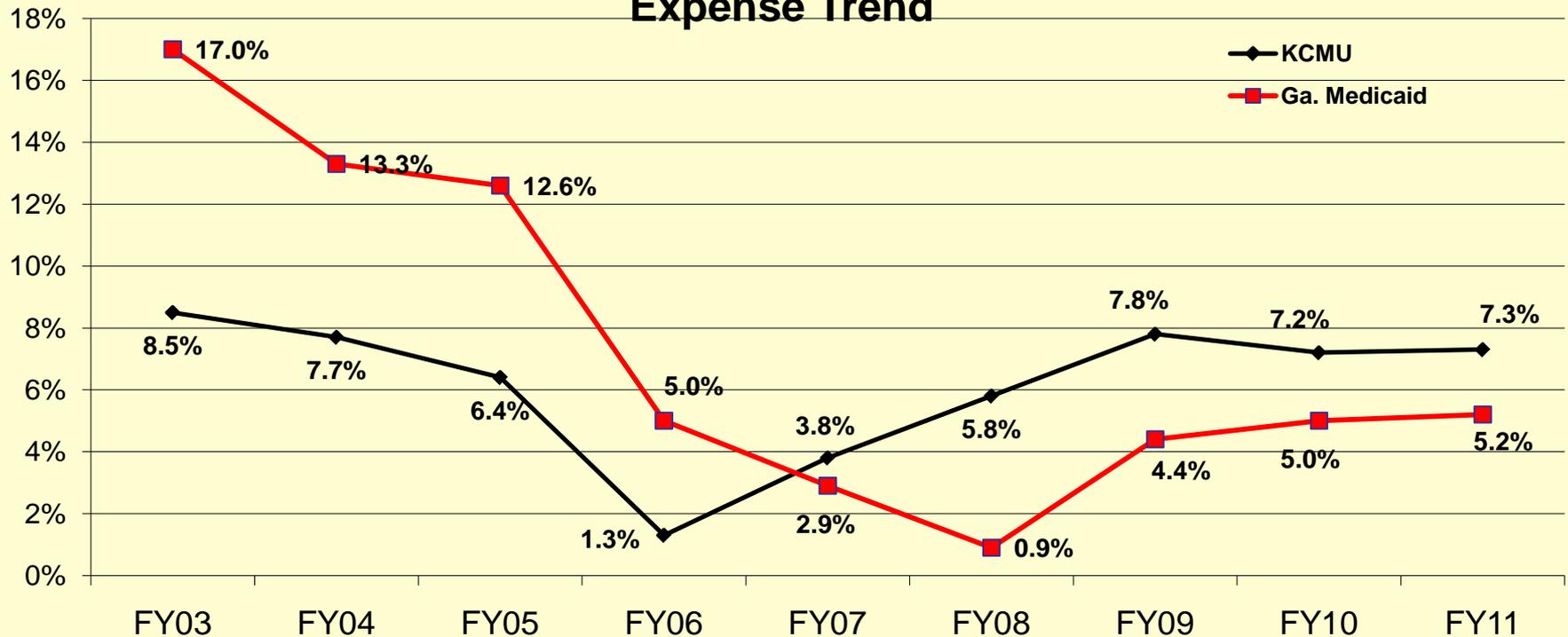


Medicaid Fast Facts

- **Covered Lives:** Medicaid and PeachCare cover 1.7 million Georgia citizens, including 1.2 million (70%) in managed care. 63% covered are children. Medicaid pays for 59% of all births in Georgia.
- **Total Funding:** \$7.8 billion (State and Federal Funds)
- **Claims Paid:** DCH pays out \$31.6 million for Medicaid and PeachCare benefits per day.
- **Claims Processed:** DCH processes more than 176,000 Medicaid and PeachCare claims a day.

Medicaid Expense Trend

GA. Medicaid vs. National Medicaid Averages Expense Trend



KCMU – Kaiser Commission on Medicaid and the Uninsured
GA = Average 42% lower than National trend (past 5 years)

Medicaid Cost Per Member

Medicaid: Medicaid Personal Health Care Spending Per Enrollee (CY 2009)

	GA	AL	TN	FL	SC	NC	U.S.
Total	\$4,835	\$6,050	\$5,150	\$5,855	\$6,606	\$7,275	\$6,826

Source: CMS Medicare and Medicaid Research Review (2011, Vol. 1, No. 4)

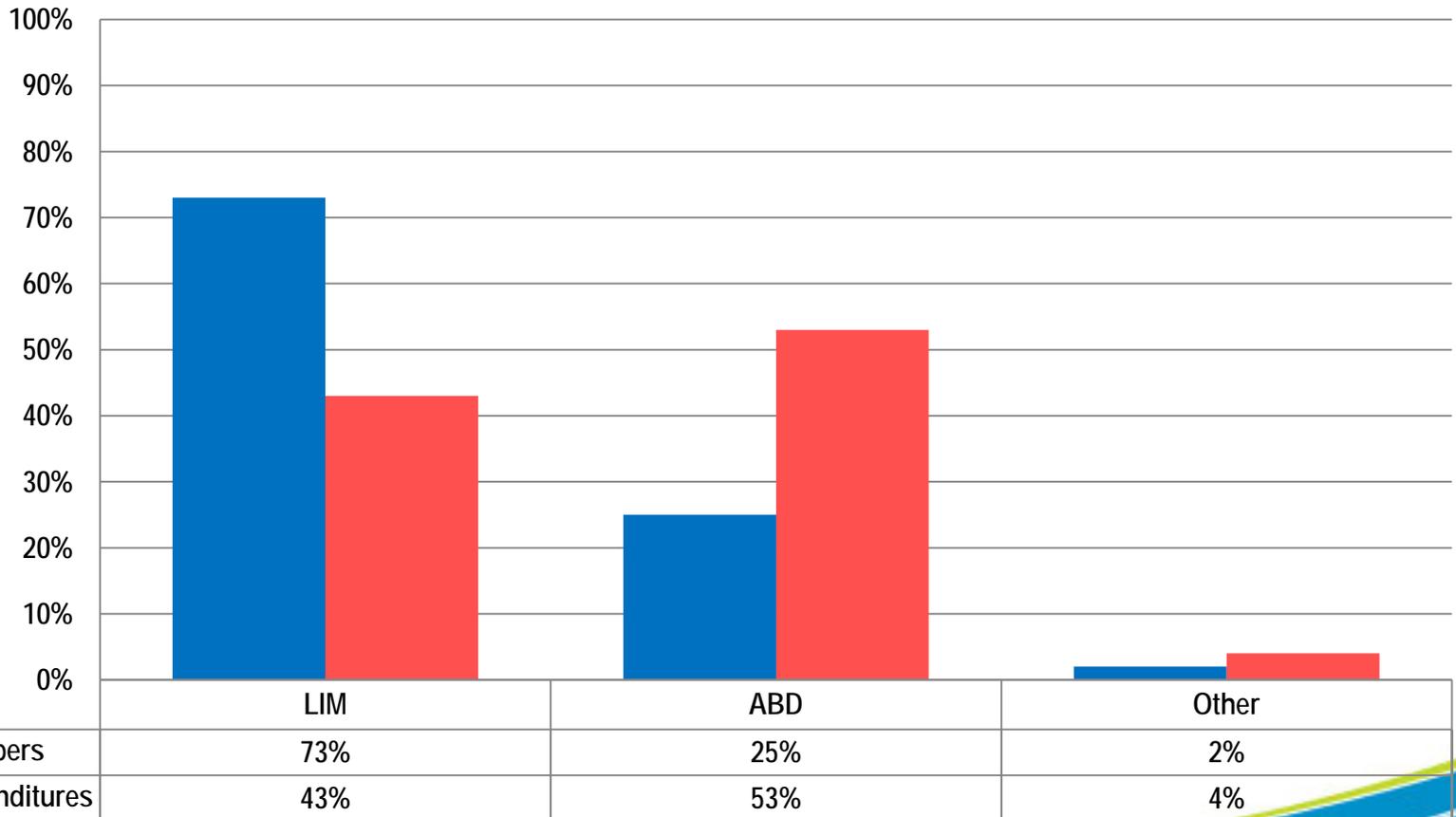
Medicaid: FFY2008 Average Payment Per Recipient (from Southern Legislative Conference, Council of State Governments)

	<u>GA</u>	<u>AL</u>	<u>TN</u>	<u>FL</u>	<u>SC</u>	<u>NC</u>
Total	\$4,009	\$4,227	\$4,324	\$4,606	\$4,990	\$5,000

Of the 16 states included in the study, Georgia had the 2nd lowest Average Payment Per Recipient.

ABD: 25% Medicaid Population 53% Medicaid Expenditures

Enrollment vs. Expenditures



Other includes - Foster Care, Katie Beckett, Mental Retardation

Medicaid Aged, Blind, Disabled (ABD) AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
FY12 Current State Budget		\$1,338,992,813		\$1,338,992,813
Transfer funds to the Indigent Care Trust Fund program for the state match for private deemed and non-deemed hospitals eligible for the Disproportionate Share Hospital program and reduce associated federal funds	84.1	(19,416,386)		-
Provide funds to maintain provider reimbursement and remove the 0.5% provider rate cut	84.2	1,539,444	84.3	1,539,444
Provide funds to adjust member copayments down to the nearest whole or half dollar	84.3	1,451,485	84.2	1,451,485
Increase Nursing Home Provider Fee to reflect FY12 projections and the preliminary projections for FY13 revenue	84.4	1,551,465	84.6	35,563
Increase the Nursing Home Provider Fee and use funds to update the nursing home reimbursement to reflect 2009 cost reports	84.5	10,683,139	84.7	21,516,878

Medicaid Aged, Blind, Disabled (ABD) AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
Recognize FY2011 reserves and use to fund benefit expenses and reduce state general funds (Total Funds - \$146,187,650)(Prior Year State Funds - \$49,776,895)	84.6	\$-		
Reflect savings from increased efforts to identify inappropriate and medically unnecessary service utilization		-	84.1	(4,165,200)
Increase funds to reflect a decrease in the Federal Medical Assistance Percentage (FMAP) from 65.95% to 65.71%		-	84.4	9,039,313
Increase funds for projected Medicaid growth		-	84.5	19,435,473
Increase funds to reflect federal funds from the Balancing Incentive Payment Program and invest Medicaid long term services and support		-	84.8	-
Net Change		(\$4,190,853)		\$48,852,956
Revised Amount		\$1,334,801,960		\$1,387,845,769
% Change		(0.31%)		3.6%

Medicaid Low Income Medicaid (LIM) AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
FY12 Current State Budget		\$939,577,761		\$939,577,761
Transfer funds from the Low Income Medicaid program to the PeachCare program to align with projected expenditures and adjust associated federal funds	85.1	(7,197,930)		-
Restore funds reduced from Low Income Medicaid in the FY2012 budget	85.2	77,555,551	85.3	77,555,551
Increase funds to maintain 12 months of care management organization (CMO) payments	85.3	75,612,649	85.1	75,612,649
Recognize FY2011 reserves and use to fund benefit expenses and reduce state general funds	85.4	(4,706,548)		-
Transfer funds from Low Income Medicaid program to Administration program for specified projects and reduce associated federal match	85.5	(3,956,079)		-
Transfer funds to the Indigent Care Trust Fund program for the state match for private deemed and non-deemed hospitals eligible for the Disproportionate Share Hospital program and reduce associated federal funds	85.6	(2,143,082)		-

Medicaid Low Income Medicaid (LIM) AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
Provide funds to maintain provider reimbursement and remove the 0.5% provider rate cut	85.7	3,189,513	85.6	3,189,513
Provide funds to adjust member copayments down to the nearest whole or half dollar	85.8	360,465	85.5	360,465
Increase funds to reflect the revised projection of Hospital Provider Payment revenue	85.9	1,430,214	85.8	11,163,979
Increase funds for projected growth in Medicaid			85.2	3,028,251
Increase funds to reflect a decrease in the Federal Medical Assistance Percentage (FMAP) from 65.95% to 65.71%			85.4	7,904,988
Replace State Funds with Tobacco Funds (\$8,000,000)			85.7	-
Net Change		\$140,144,753		\$178,815,396
Revised Amount		\$1,079,722,514		\$1,118,393,157
% Change		14.9%		19.0%

PeachCare for Kids



PeachCare for Kids

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
FY12 Current State Budget		\$55,439,478		\$55,439,478
Transfer funds from the Low Income Medicaid program to the PeachCare program to align with projected expenditures and adjust associated federal funds	86.1	7,197,930		-
Provide funds for projected enrollment increase from removing the PeachCare eligibility exemption for qualifying children of state employees	86.2	3,962,018	86.3	8,027,728
Increase funds to maintain 12 months of care management organization (CMO) payments	86.3	6,576,280	86.1	6,576,280
Provide funds for a provider rate increase to ensure provider access for children of state employees newly eligible and enrolled in PeachCare	86.4	2,313,834	86.5	4,688,225
Provide funds to adjust member copayments to the nearest whole or half dollar	86.5	229,550	86.6	229,550

PeachCare for Kids

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
Provide funds to maintain provider rates and remove the 0.5% provider rate cut	86.6	\$349,622	86.7	\$349,622
Recognize FY2011 reserves and use to fund expense (Total Funds: \$1,369,186)(Prior Year State Funds - \$326,277)	86.7	-		-
Increase Funds for Projected Growth in PeachCare			86.2	3,791,481
Increase Funds to Reflect the Decrease in the Federal Medical Assistance Percentage (FMAP) rate from 76.17% to 76.00%			86.4	475,979
Net Change		\$20,629,234		\$24,138,865
Revised Amount		\$76,068,712		\$79,578,343
% Change		37.2%		43.5%

State Health Benefit Plan Changes

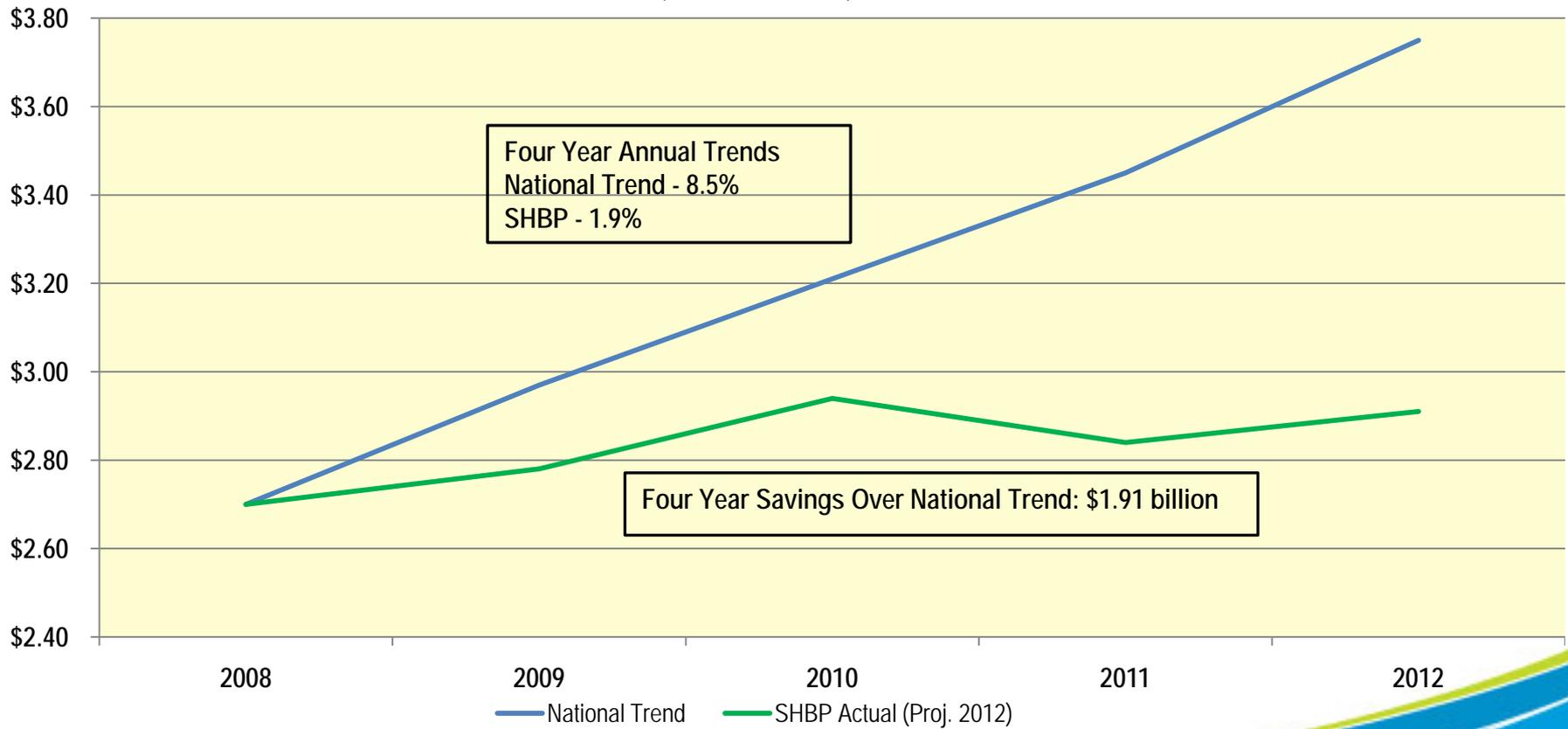


SHBP Fast Facts

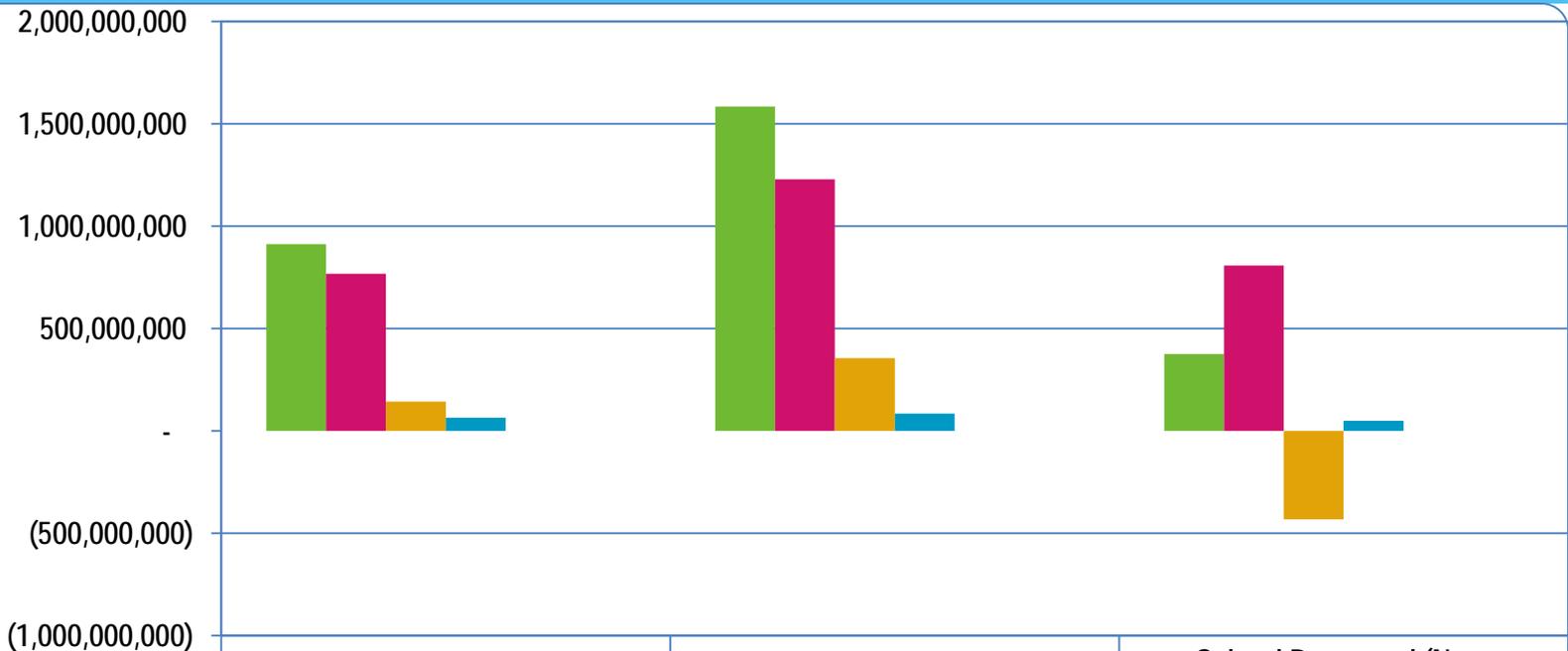
- **Covered Lives:** The SHBP covers 678,377 Georgians
 - Active Employees – 237,989
 - Retired Employees – 102,387
 - Dependents – 338,001
- **Total Funding:** \$2.9 billion (other funds)
- **Claims Paid:** On an average business day, DCH pays out \$11.5 million for SHBP benefits.

SHBP Managed Well

5 Year Health Care Strategy (in \$billions)



SHBP Financial Plan Overview

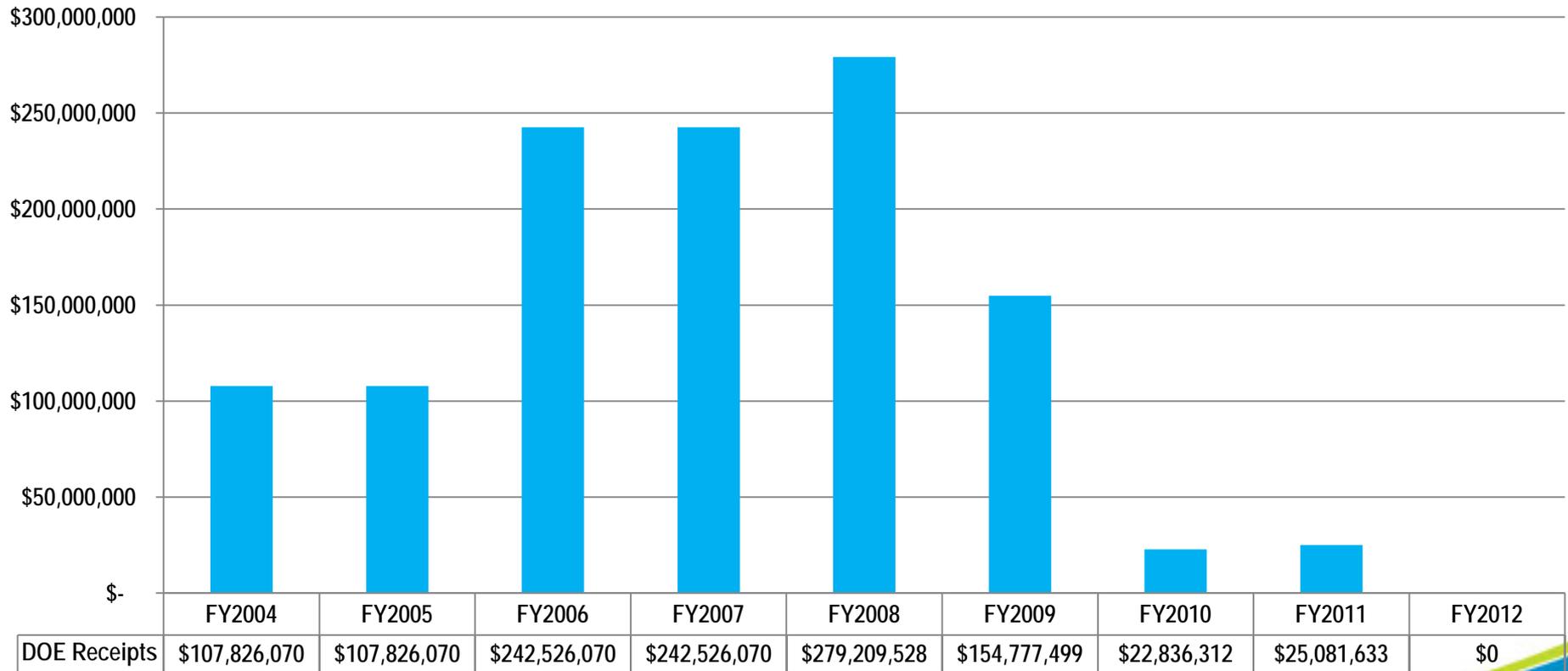


	State Employees	Teachers	School Personnel (Non-certificated)
■ Revenue	912,409,730	1,585,491,551	375,727,220
■ Expense	768,573,301	1,229,936,342	808,626,201
■ Surplus/(Deficit)	143,836,429	355,555,209	(432,898,981)
■ IBNR Liability	64,693,392	84,378,007	50,133,601
# of Active Members	60,733	106,668	71,197
# of Retiree Members	31,662	48,043	19,495

Represents FY11 Financial Activity

Department of Education Interagency Transfer

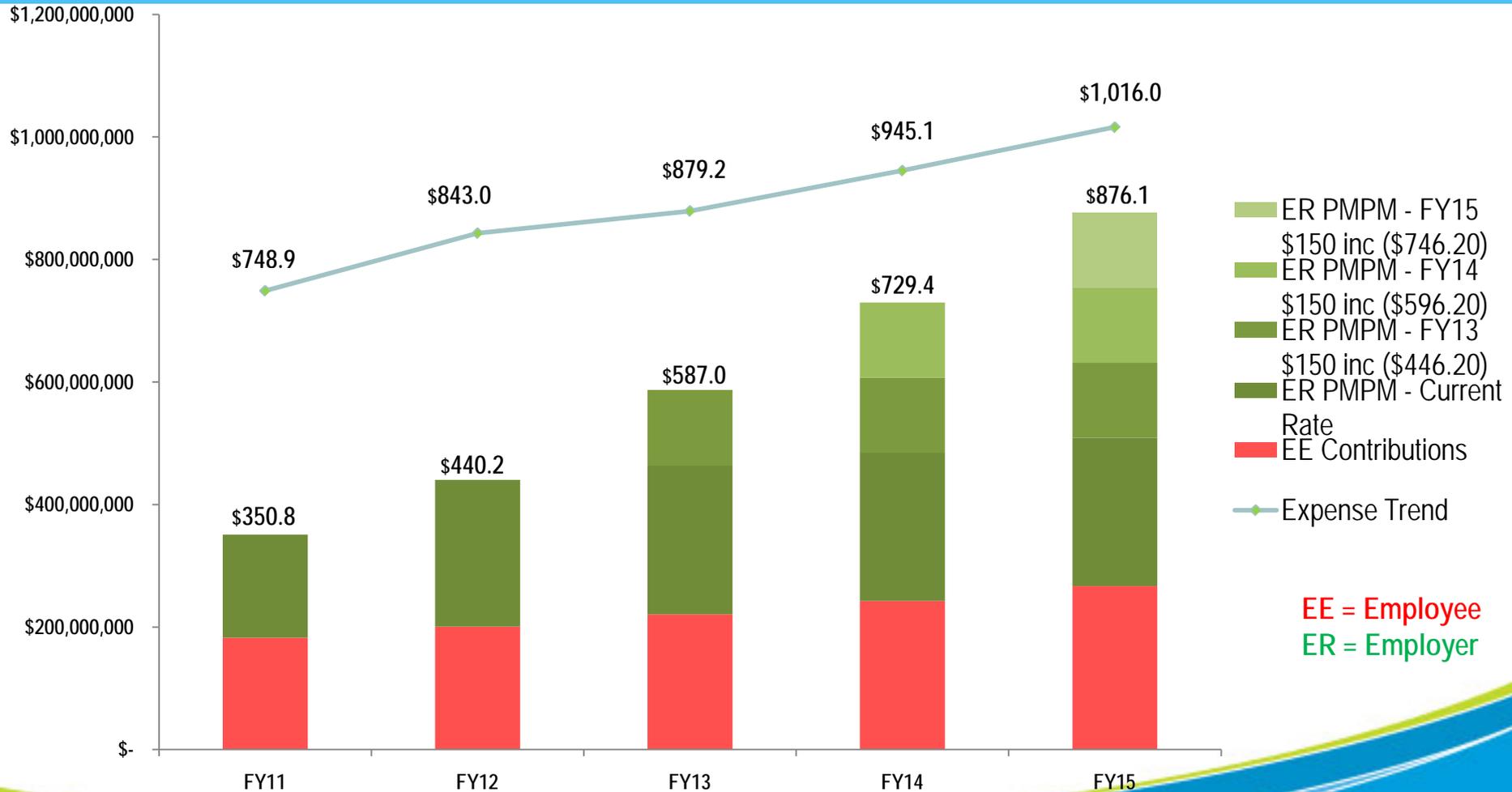
Department of Education Receipts



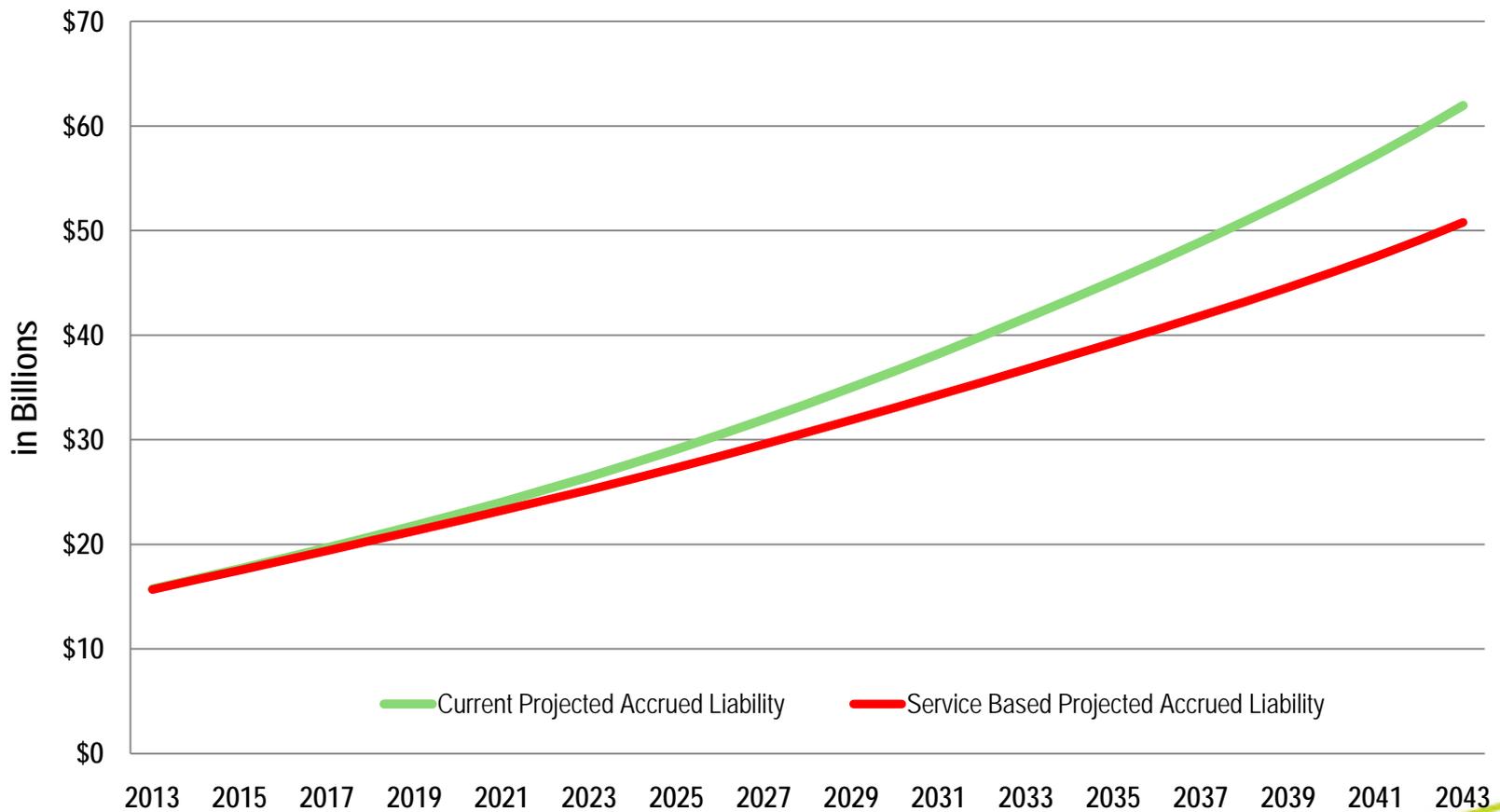
Action Taken to Address the \$815 million Deficit

- | | |
|--|-----|
| 1. Plan Design Changes | 45% |
| • Largest Wellness Plan in Nation | |
| 2. 3 -Year Plan to Support Non-Certificated ("Classified") Employees by Increasing the Employer Contribution | 38% |
| 3. Increase Employee Premiums 11-17% | 17% |
| • PPACA = 6% | |

3-Year Classified (Non-Cert) Plan FY13-FY15 Employer Contributions



Other Post Employment Benefits



State Health Benefit Plan

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
FY12 Current Budget – Other Funds		\$3,084,954,412		\$3,084,954,412
Reflect updated revenue and expense projections	87.1	(122,019,942)	87.1	(116,306,875)
Reflect increase in expense for initial year of EnGAgement wellness plan	87.2	1,354,112	87.2	(28,968,166)
Implement a tobacco cessation program	87.3	1,200,000	87.3	2,800,000
Eliminate the bariatric surgery benefit	87.4	(1,750,000)	87.4	(3,500,000)
Reflect reduced expense from offering Tricare supplement plan to SHBP members who are former military personnel	87.5	(1,800,000)	87.5	(3,600,000)
Reflect reduced expense from the transition of eligible members to PeachCare	87.6	(16,000,000)	87.6	(32,000,000)
Reflect expense savings from implementing a mandatory specialty drug benefit	87.7	(3,620,000)	87.7	(3,817,392)

Note: The SHBP budget is 100% other funds.

State Health Benefit Plan

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
Reflect expense savings from implementing a voluntary mail order program for maintenance drugs	87.8	(1,500,000)	87.8	(1,581,792)
Reflect expense savings from decreasing reimbursement rate for out-of-network providers	87.9	(33,100,000)	87.9	(33,100,000)
Reflect savings from implementing tiers for prescriptions in the HRA plan	87.10	(31,300,000)	87.10	(68,968,374)
Reflect savings from eliminating the vision benefit in the HMO plan	87.11	(2,300,000)	87.11	(4,722,689)
Reflect savings from plan change design changes in the Medicare Advantage plans	87.12	(2,989,289)	87.12	(2,989,289)
Reflect revenue from increased per member per month billings for non-certificated school service personnel from \$246.20 to \$296.20, effective September 2011	87.13	32,130,984	87.13	41,541,769

State Health Benefit Plan

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
Increase employee premiums 6.2% due to increased costs as a result of the requirements of the Patient Protection and Affordable Care Act (PPACA)	87.14	17,900,000	87.15	35,800,000
Reflect reduction in projected reimbursement available through the Early Retiree Reinsurance Program from \$67,000,000 to \$25,000,000	87.15	(42,000,000)		-
Reflect depletion of prior year funds	87.16	(50,580,920)		-
Increase employer funding to the State Health Benefit Plan	87.17	81,234,441	87.16	68,956,408
Increase per member per month billings for non-certificated school service personnel from \$296.20 to \$446.20, effective July 2012		-	87.14	114,106,407

Note: The SHBP budget is 100% other funds.

State Health Benefit Plan

AFY12 and FY13 Governor's Recommendation

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
Identify additional plan design and/or revenue strategies to cover projected FY13 expenses		-	87.17	(62,619,460)
Implement direct billing for employer contributions for certified personnel by setting a per member per month contribution that generates revenue equivalent to the percent of payroll amount		-	87.18	Yes
Net Change		(175,140,614)		(98,969,453)
Revised Amount		2,909,813,798		2,985,984,959

Note: The SHBP budget is 100% other funds.

Healthcare Facility Regulation



Healthcare Facility Regulation

Fast Facts

- **Active facilities licensed: 14,732**
- **Annual/Periodic inspections: 2,674**
- **Complaints from the public: 2,605**
- **Initial and follow-up surveys: 2,712**
- **Incidents reported by facilities: 7,969**
- **Certificate of Need applications received for review: 97**

Healthcare Facility Regulation Funding Recommendations

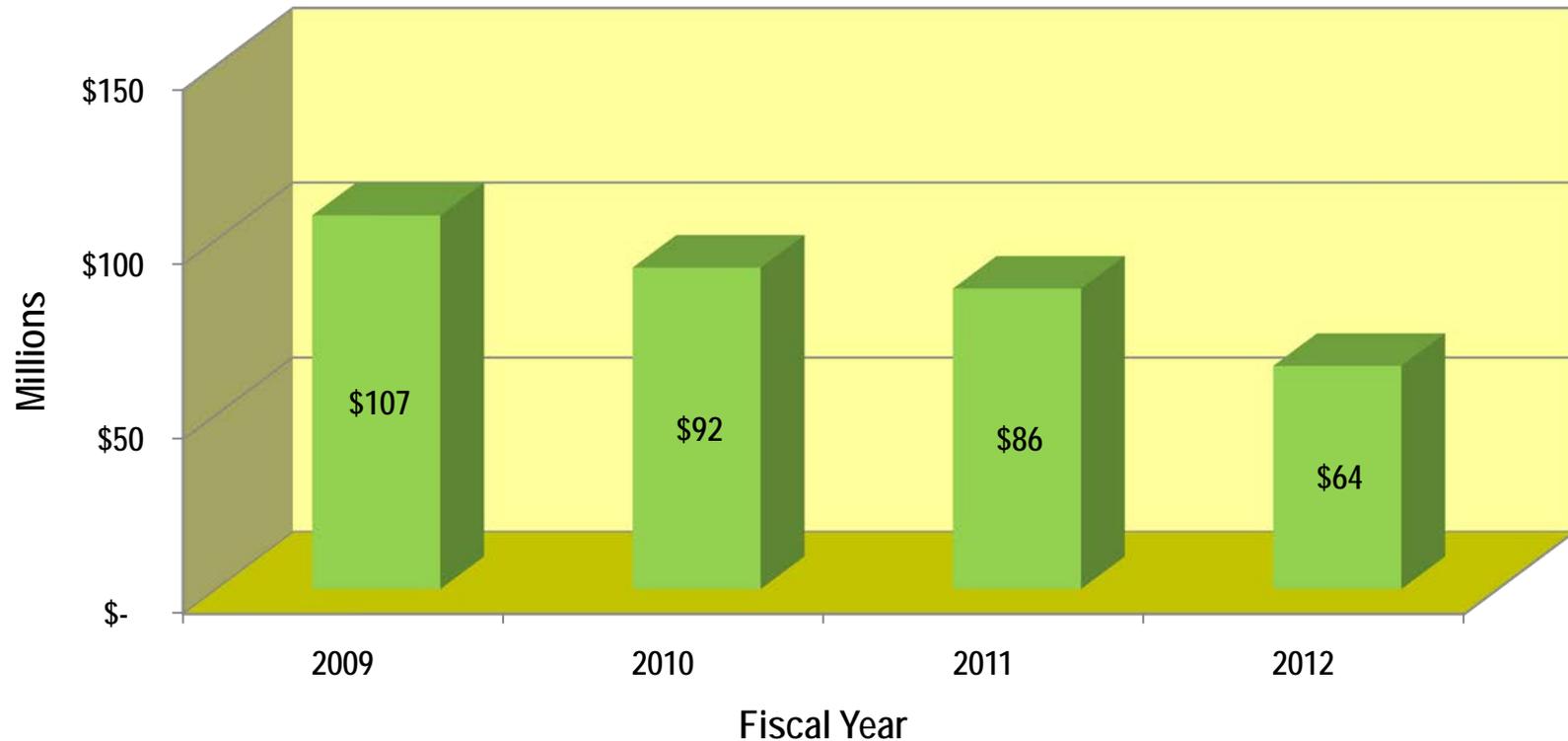
	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
FY12 Current State Budget		\$5,903,750		\$5,903,750
Statewide changes (Health Insurance percentage increase)	82.1	82,423	82.1 – 82.2	193,677
Transfer funds for health planning from the Health Care Access and Improvement program to the healthcare Facility Regulation program		-	82.3	1,026,719
Net Change		\$82,423		\$1,220,396
Revised Amount		\$5,986,173		\$7,124,146

DCH Administration



DCH Administration Budget by Fiscal Year

DCH Administration Budget - State Funds



Administration Funding Recommendations

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
FY12 Current State Budget		\$63,956,153		\$63,956,153
Statewide Changes	80.1 - 80.2	524,537	80.1 - 80.8	895,128
Transfer funds from LIM for the Health IT Project and recognize federal matching funds	80.3	637,850	-	-
Transfer funds from LIM for the Medicaid Incentive Program and recognize federal matching funds	80.4	925,554	-	-
Provide funds for the federally mandated implementation of expanded diagnosis and procedure codes for Medicaid billing (ICD-10) (AFY12 – transfer from LIM)	80.5	1,142,675	80.13	1,663,396
Provide funds for consulting contract to assess the managed care program (AFY12 – transfer from LIM)	80.6	1,250,000	80.12	650,000
Reduce funds for operating expenses	80.7	(164,050)	80.9	(164,050)

Administration Funding Recommendations

	AFY12 Changes		FY13 Changes	
	Tracking Sheet Reference	Amount	Tracking Sheet Reference	Amount
Reduce funds for contractual services	80.8	(\$1,355,230)	80.10	(\$1,119,230)
Provide one-time funds to evaluate a new reimbursement methodology for outpatient services		-	80.11	600,000
Provide funds to expand efforts to identify inappropriate and medically unnecessary service utilization		-	80.14	2,000,000
Transfer funds for the Office of Health Information Technology and Transparency to the Health Care Access and Improvement program to better align budget with program purpose.		-	80.15	(494,460)
Net Change		\$2,961,336		\$4,030,784
Revised Amount		\$66,917,489		\$67,986,937

AFY 2012 and FY 2013 Budget Recommendations

Presentation on DCH Website

www.dch.georgia.gov

Select "About Us" and "Budget
Information"