

Amended FY 2013 Governor's Budget Recommendations



Presentation to: House Appropriations Subcommittee on Health

Presented by: Commissioner David A. 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

- DCH is lead agency for health care planning, purchasing and oversight
- DCH Program Areas:
 - Medicaid / PeachCare for Kids
 - State Health Benefit Plan (SHBP)
 - Health Care Facility Regulation
 - Health IT
- DCH manages the healthcare needs of 1 in 4 Georgians
- License and inspect 6,749 Georgia health care facilities
- Total Funding: \$11.9 billion (including SHBP and Federal matching funds)

Health Care Costs and Budget

Growth in spending on health care programs is one of the central fiscal challenges facing the federal government. Health care spending per person has grown faster than the nation's economic output per person by about 1 1/2 percentage points per year, on average, for the past few decades. This rapid growth poses a challenge for federal health care programs like Medicare and Medicaid, and also for state and local governments and for the private sector.

Source: Congressional Budget Office

Health Care Costs and Budget

Nationally, health care spending compared to Gross Domestic Product (GDP):

- In 1990 – 12.5%
- In 2000 – 13.8%
- In 2011 – 17.9%

Source: National Statistics Group

Two Health Insurance Plans

Different Management Approaches

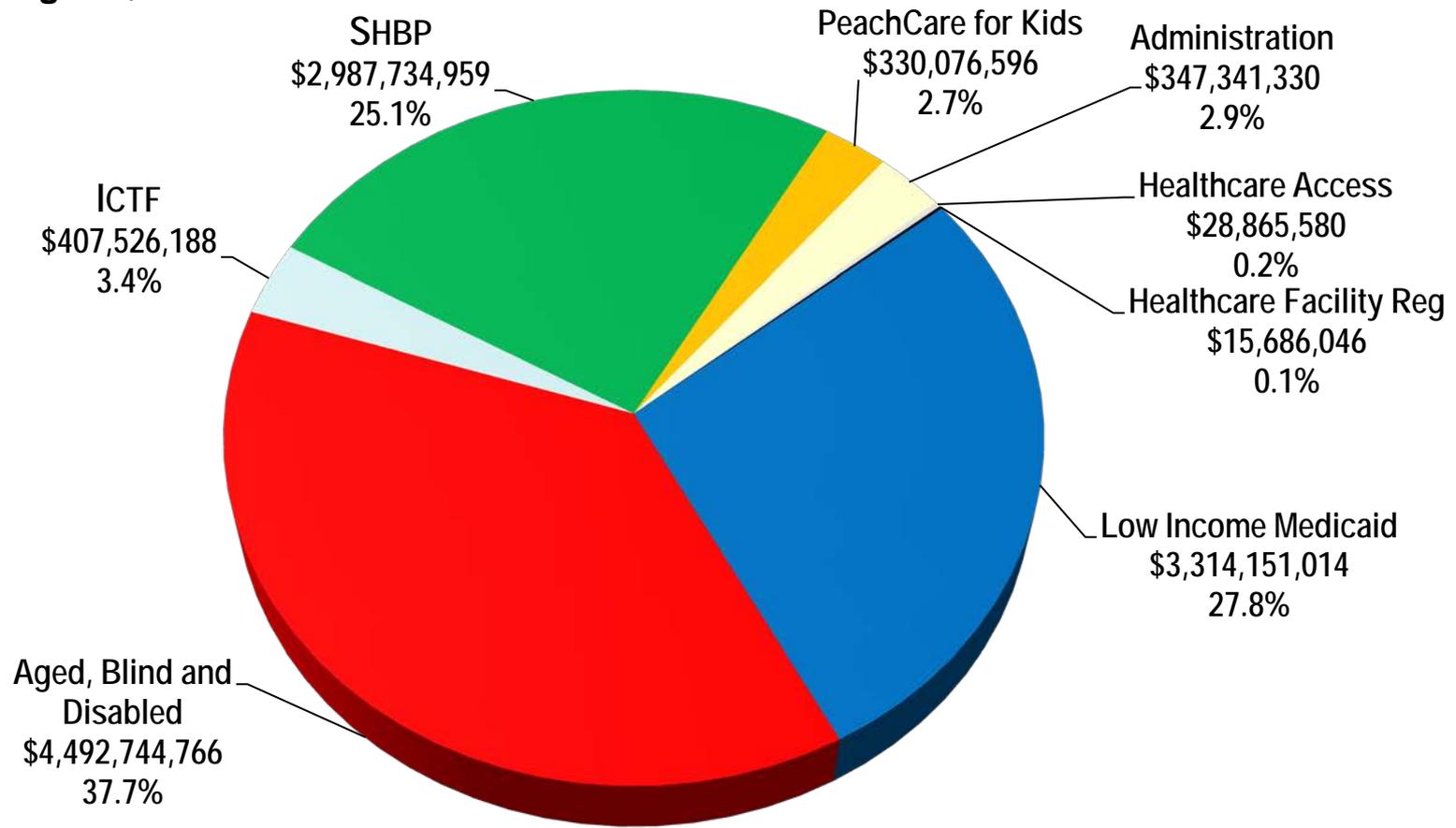
- Medicaid
 - Entitlement program
 - Cumbersome federal requirements
 - Limited management options
 - Absence of member accountability and consumerism tools

- SHBP can use management tools to reduce rate of expenditure growth
 - Reduced projected deficit for FY12 and FY13 by \$753 million (92%) (from \$815 million to \$62 million)
 - Largest wellness plan in the country
 - Structural changes reduced OPEB liability by \$11 billion (18%)
 - From \$62 billion to \$51 billion

Department of Community Health

Current FY 2013 Total Funds Budget

Total FY2013 Budget - \$11.9 Billion



***State funds include tobacco funds and provider fees**

Does not include attached agencies

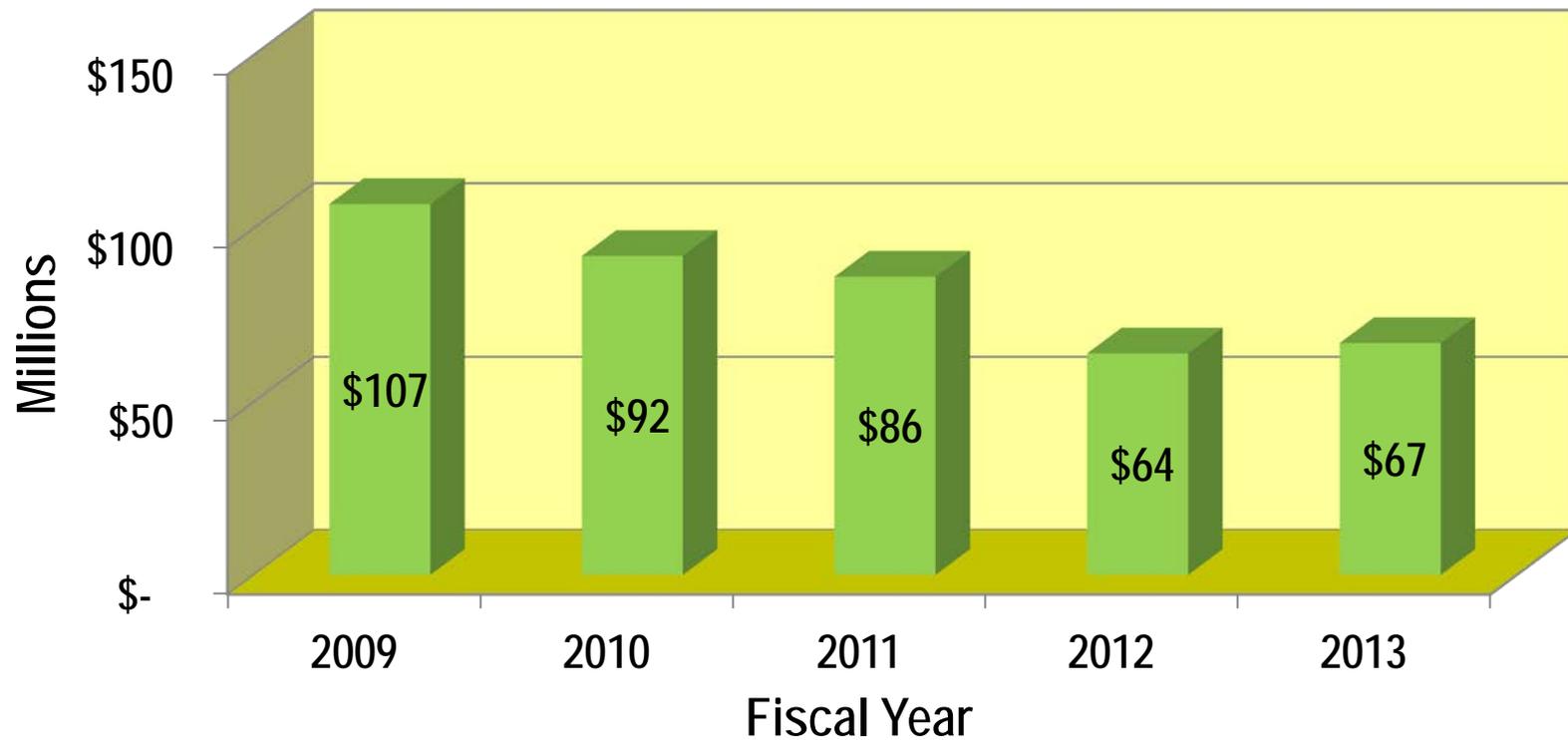
Total State Funds - \$2.66 Billion = 22.3% of total funding

DCH Administration



DCH Administration Budget by Fiscal Year

State Funds



Administration

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
	FY2013 Base State Budget	\$67,136,937
17.1.1	Reduce funds to reflect an adjustment in property liability premiums	(560)
17.1.2	Reflect an adjustment in telecommunications expenses	220,061
17.1.3	Increase funds for expenditures deferred from prior years	9,775,213
17.1.4	Replace state funds with other funds to reflect receipt of Children's Health Insurance Program performance bonus	(330,000)
17.1.5	Reduce funds for the Medicaid eligibility project	(100,200)
17.1.6	Reduce funds for operating expenses	(286,698)
17.1.7	Reduce funds for contractual services	(1,215,451)
	Net Changes	8,062,365
	Revised Amount	\$75,199,302

Proposed Cuts by Program

Program	AFY 2013	FY 2014
Administration	(\$1,932,349)	(\$1,932,349)
Health Care Access and Improvement	(350,000)	(350,000)
Healthcare Facility Regulation	(165,000)	(165,000)
Total	(\$2,447,349)	(\$2,447,349)

Health Care Access and Improvement



Health Care Access and Improvement

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
	FY2013 Base State Budget	\$7,317,234
17.2.1	Reduce funds for the Southeastern Firefighter's Burn Foundation, Inc.	(50,000)
17.2.2	Reduce funds for operating expenses for the State Office of Rural Health	(300,000)
	Net Change	(\$350,000)
	Revised Amount	\$6,967,234

Healthcare Facility Regulation



Healthcare Facility Regulation Fast Facts

- Active facilities licensed: 6,749
- Annual/Periodic inspections: 3,223
- Complaints from the public: 2,787
- Initial and follow-up surveys: 2,154
- Incidents reported by facilities: 8,768
- Certificate of Need applications received for review: 68



Welcome to GAMap2Care

The convenient way to Search, See and Select health care facilities and services in Georgia.

Search more than 7,000 licensed health care facilities and services in Georgia.

See details about providers and services using Google Maps technology to view facilities in map, satellite and street views.

Select and compare facilities and services that best meet your needs. This robust tool can simplify your research, narrow your choices and make it easy to share your findings.

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GaMap2Care Pointers

Optimized for Modern Browsers- Chrome, Internet Explorer 9 and Mozilla 16 are recommended. These modern browsers have the HTML5 support necessary to utilize all the functions of this website. IE8 is also supported, but some features will be missing. For older browsers, visit (www.dch.georgia.gov/findfacility).

Map, satellite and 360 street views show the facility exteriors and neighborhoods; map features include geographic and legislative layering, 360 viewfinder, distance measuring and geocoding.

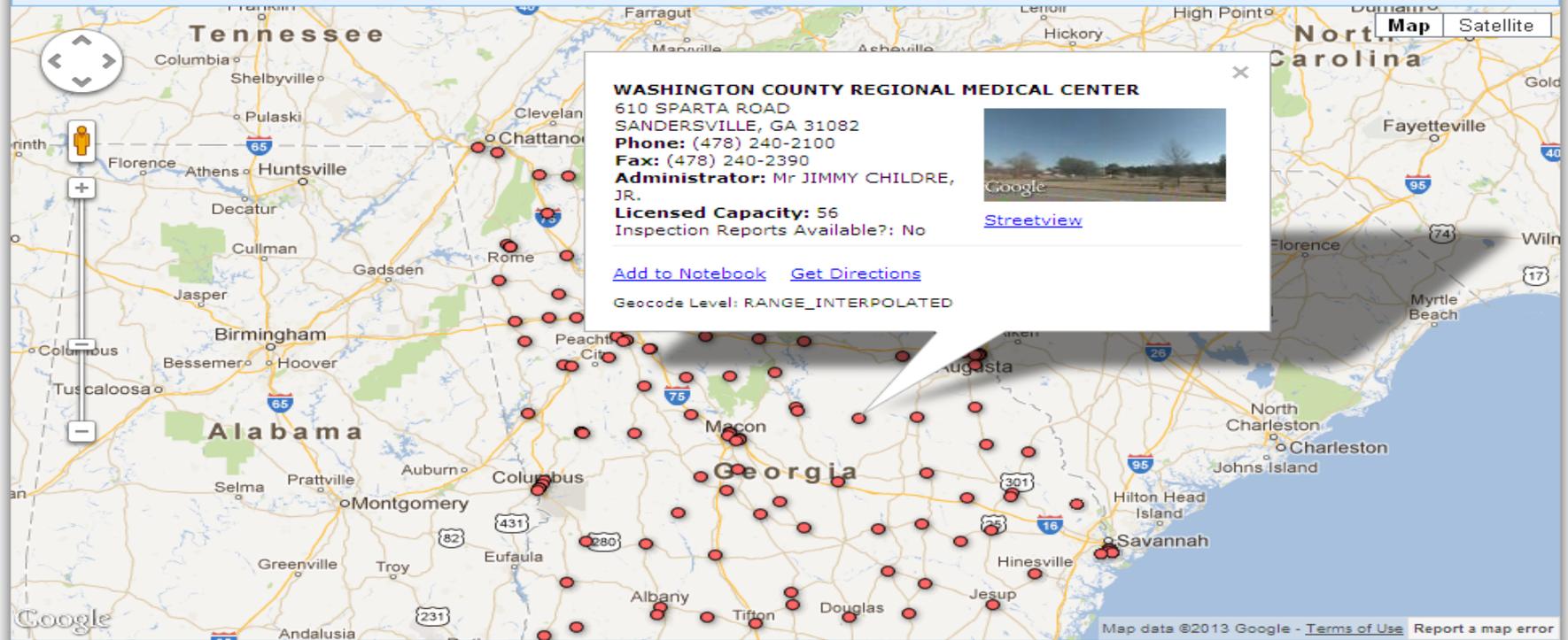
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183 Search Results for: Hospitals



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Search:

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	Facility Name	Address	City	Zip Code	Beds
+	APPLING HOSPITAL	163 E TOLLISON STREET	BAXLEY	31513	49
+	ATHENS REGIONAL MEDICAL CENTER	1199 PRINCE AVENUE	ATHENS	30606	359
+	ATLANTA MEDICAL CENTER	303 PARKWAY DR NE	ATLANTA	30312	460
+	BACON COUNTY HOSPITAL	302 SOUTH WAYNE STREET	ALMA	31510	25
+	BARROW REGIONAL MEDICAL CENTER	316 NORTH BROAD STREET	WINDER	30680	56
+	BERRIEN COUNTY HOSPITAL	1221 EAST MCPHERSON STREET	NASHVILLE	31639	63
+	BLECKLEY MEMORIAL HOSPITAL	145 EAST PEACOCK STREET	COCHRAN	31014	25
+	BROOKS COUNTY HOSPITAL	903 N COURT ST	QUITMAN	31643	25
+	BURKE MEDICAL CENTER	351 LIBERTY STREET	WAYNESBORO	30830	40

Healthcare Facility Regulation

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
	FY2013 Base State Budget	\$7,124,146
17.3.1	Reduce Funds for personal services and eliminate 2 vacant positions	(165,000)
	Revised Amount	\$6,959,146

Indigent Care Trust Fund



Indigent Care Trust Fund

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
	FY2013 Base State Budget	\$0
17.4.1	Provide state matching funds for private deemed hospitals eligible for the Disproportionate Share Hospital (DSH) program	6,803,248
	Revised Amount	\$6,803,248

Medicaid



Medicaid Growth Trends – National View

	1966	2000	2010	2020
Enrollees (millions)	4	34	54	85
% of Population	2%	12.5%	17.47%	26.1%
Total Cost (billions)	<\$1	\$206	\$401	\$871
% of GDP	<1/2%	2.1%	2.7%	3.7%

Medicaid Growth Trends – Georgia View

	2000	2009	2019
Enrollees	947,054	1,456,520	1,818,829
% of State Population	11.56%	15.03%	14.92%
State Funds (millions)	\$1,393	\$2,460	\$ 3,867
% of State Revenue	10.2%	15.3%	17.1%

Medicaid and PeachCare for Kids

Who Are Our Members

Average Monthly Membership (FY12):

- Medicaid: 1,544,605
- PeachCare for Kids: 205,276
- Total: 1,749,881

Percentage of Georgia Population On Medicaid or PeachCare for Kids

Age Categories	Ga Population*	Medicaid/PCK	%
All Ages	9,919,945	1,749,881	<u>17.61%</u>
Children (0-19)	2,848,327	1,174,935	41.25%

* Ga. Population based on estimated 2012 population figures from www.census.gov

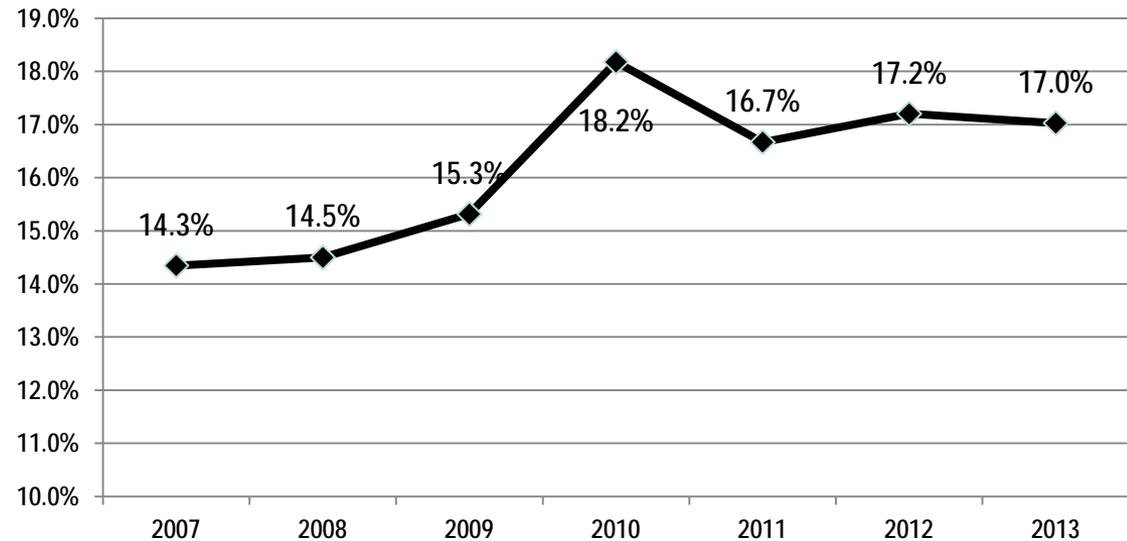
Medicaid and PeachCare for Kids

How Much It Costs

Total FY2012 Expenditures (includes State, Federal and other Fund Sources):

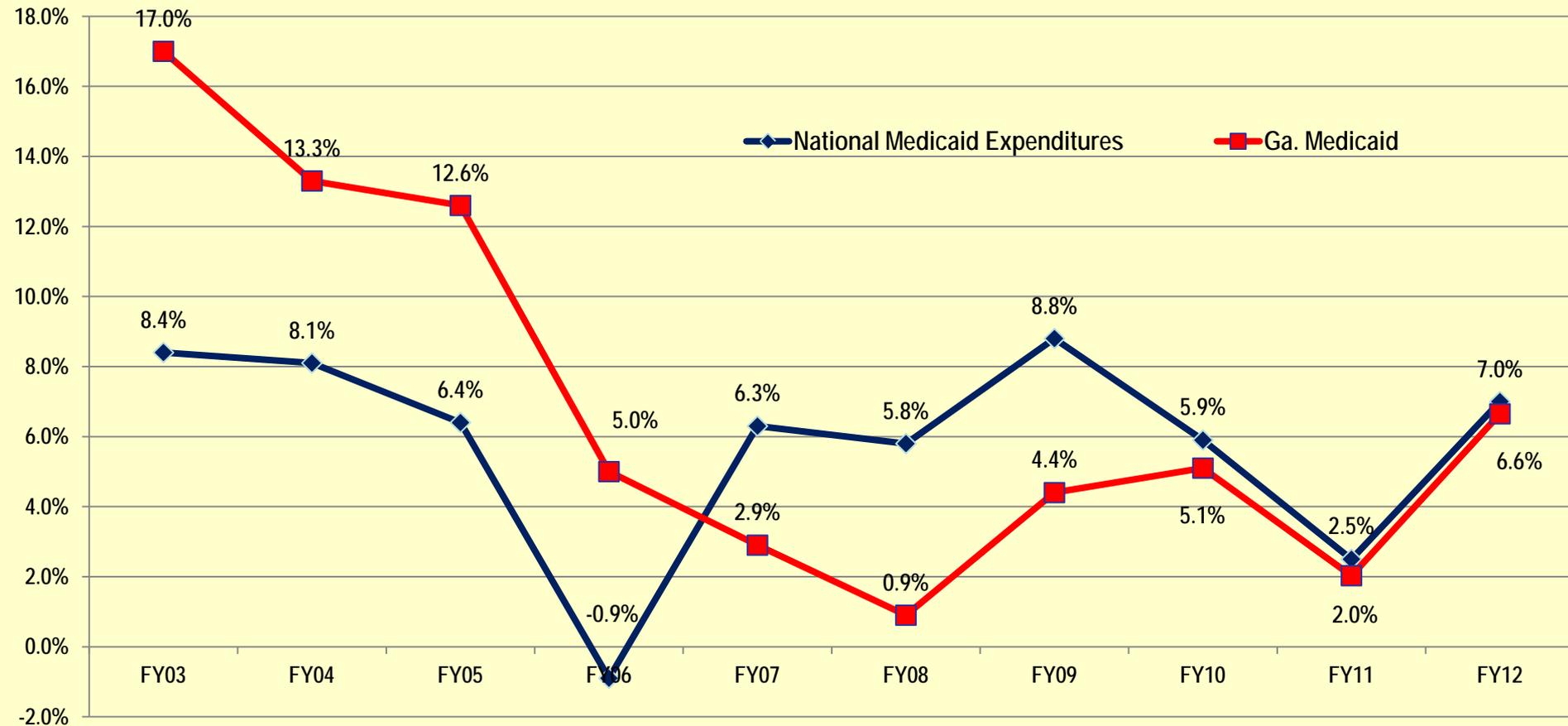
- Medicaid: \$8,134,503,878
- PeachCare for Kids: \$ 328,621,859
- Average Spend per Day - **\$31.4 million per work day**
- Claims Paid per Day – 201,604 per work day
- 59% of total Georgia Births are paid for by Medicaid

Medicaid and PeachCare represents 17% of the state funds budget (excluding motor fuel and lottery)



How Much It Costs

Medicaid Growth Trend National and Georgia



CMS - National Medicaid Health Expenditures Report January 2012
 National Numbers are based on projections

How Much It Costs

Medicaid Cost Per Member

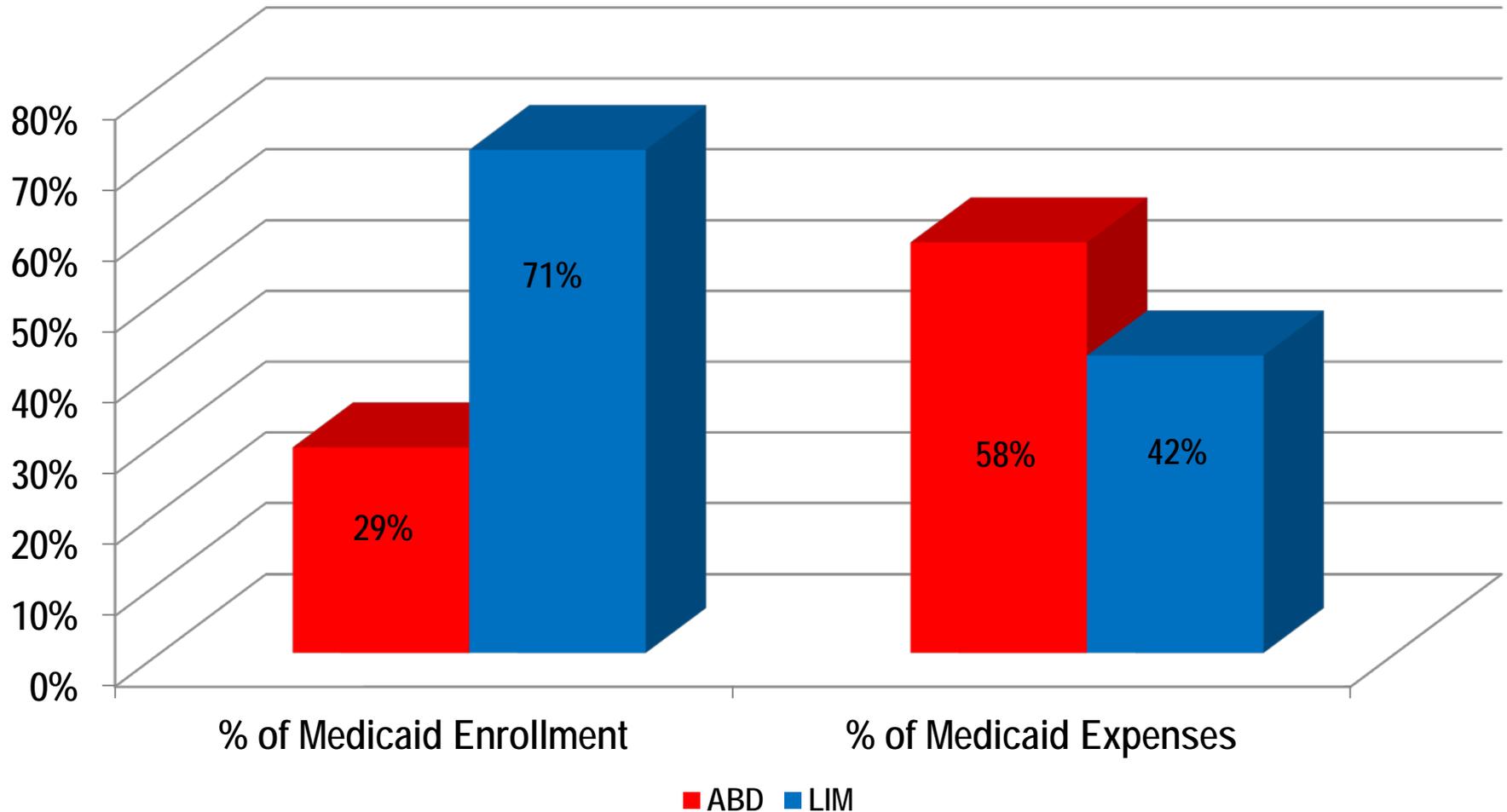
Medicaid: Estimated 2011 Cost Per Recipient

(from Council of State Governments Report: *State's Medicaid Spending Growing; Medicaid Enrollment & Spending, 2009 to 2011*)

	<u>GA</u>	<u>AL</u>	<u>TN</u>	<u>FL</u>	<u>SC</u>	<u>NC</u>
Total	\$ 5,357	\$ 6,346	\$ 6,733	\$ 6,607	\$ 7,401	\$ 8,120

*Of the 15 states in the Southern Region, Georgia had the lowest Average Cost Per Recipient.
Georgia is the second lowest in the country.*

ABD: 29% Medicaid Enrollment – 58% Medicaid Expenditures



Managing Medicaid Growth and Costs

There are 4 areas to consider when managing costs:

1. **Eligibility** – includes evaluating who is receiving benefits and the income levels covered
2. **Scope of Benefits** – includes the type of services covered
3. **Utilization** – how often services are provided and whether their services are appropriately being used
4. **Price** – includes payment methodologies and rates

FY 2013 Hospital Provider Fee

FY 2013 Estimated Hospital Provider Fee Impact			
	State Funds (Fee Revenues)	Federal Share (Net to State)	Total
<u>Est. Revenues</u> (1.45% Fee*)	\$234,968,478		
<u>Est. Hospital Add-On Payments</u> (11.88%)	\$86,049,498	\$164,896,836	\$250,946,335
Funds Available to Cover Other Medicaid Needs	\$148,918,980	\$285,373,758	\$434,292,738
Total Funds Impact	\$234,968,478	\$450,270,595	\$685,239,073
*The fee for trauma hospitals is 1.4%.			

FY 2014 Hospital Provider Fee

FY 2014 Estimated Hospital Provider Fee Impact (Reflects projected FY2014 revenue pending reauthorization)			
	State Funds (Fee Revenues)	Federal Share (Net to State)	Total
Est. Revenues (1.45% Fee*)	\$241,674,441		
Est. Hospital Add-On Payments (11.88%)	\$88,169,796	\$169,938,507	\$258,108,303
Funds Available to Cover Other Medicaid Needs	\$153,504,645	\$295,864,924	\$449,369,569
Total Funds Impact	\$241,674,441	\$465,803,431	\$707,477,872
<i>*The fee for trauma hospitals is 1.4%.</i>			



Primary Care Physician

2 Year Rate Increase (January 2013 – December 2014)

ACA mandates certain Primary Care Providers and services be paid at the Medicare rates for CYs 2013 and 2014.

Results in increased cost of at least:

- \$75 Million in FY 2013
- \$150 Million in FY 2014
- Paid with 100% federal funds

Because federal guidance was not provided until November of 2012, DCH implementation is delayed to late Spring 2013 with payments made retroactive to January 1, 2013.

Structural Budget Change - Medicaid

- Combine ABD and LIM Budget Programs Into One Program
 - Benefits:
 - Provides greater flexibility to manage funds
 - Continue to track ABD and LIM as sub-programs
 - Applied to FY2014

Medicaid Aged, Blind, Disabled (ABD)

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
	Current State Base Budget	\$1,395,947,556
17.5.1	Increase Nursing Home Provider Fees to reflect projected FY2013 revenue and FY2014 revenue	10,311,440
17.5.2	Reduce Hospital Provider Payments to reflect projected FY 2013 revenue	(36,130)
17.5.3	Replace funds reduced in HB 742 (2012 Session) for anticipated savings from increased efforts to identify inappropriate and medically unnecessary service utilization to reflect revised projections	3,938,398
17.5.4	Reflect savings from eliminating consultation Current Procedural Terminology (CPT) codes and replacing with Evaluation and Management (E&M) codes	(1,777,175)
17.5.5	Reflect savings from increasing the number of drugs on the specialty pharmacy reimbursement list and their discounts	(195,550)
17.5.6	5. Reduce funds to reflect collection of Hospital Cost Settlements from FY2009, FY 2010, and FY2011	(11,486,052)
17.5.7	4. Reflect savings from restricting the number of narcotic prescription reimbursements to six per month	(22,398)

Medicaid Aged, Blind, Disabled (ABD)

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
17.5.8	Reflect savings through better enforcement of level of care qualification analysis for placement into long term care and home and community based services	(3,535,038)
17.5.9	Reflect savings from eliminating hospital reimbursements for preventable admissions and readmissions	(834,767)
17.5.10	Increase funds for growth in Medicaid	132,293,459
	Net Change	\$128,656,187
	Revised Amount	\$1,524,603,743
	% Change	9.2%

Medicaid Low Income Medicaid (LIM)

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
	Current State Base Budget	\$1,107,417,540
17.6.1	Reduce Hospital Provider Payments to reflect projected FY 2013 revenue	(295,112)
17.6.2	Reflect savings from eliminating reimbursements for elective inductions and C-Sections prior to the 39 th gestational week – Provider Preventable Condition	(1,875,000)
17.6.3	Increase funds to offset unrealized FY2012 reserves	10,975,617
17.6.4	Replace state funds with tobacco settlement funds (\$8,300,000)	-
17.6.5	Reflect savings from eliminating consultation Current Procedural Terminology (CPT) codes and replacing with Evaluation and Management (E&M) codes	(1,211,801)
17.6.6	Reflect savings from increasing the number of drugs on the specialty pharmacy reimbursement list and their discounts	(133,340)
17.6.7	Reduce funds to reflect collection of Hospital Cost Settlements from FY2009, FY 2010, and FY2011	(7,831,983)

Medicaid Low Income Medicaid (LIM)

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
17.6.8	Reflect savings from restricting the number of narcotic prescription reimbursements to six per month	(\$15,272)
17.6.9	Reflect savings from eliminating hospital reimbursements for preventable admissions and readmissions	(569,202)
17.6.10	Increase funds for growth in Medicaid	79,355,008
	Net Change	\$78,398,915
	Revised Amount	\$1,185,816,455
	% Change	7.1%

PeachCare for Kids



PeachCare for Kids

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
	FY13 Current State Budget	\$79,578,343
17.7.1	Reflect savings from eliminating consultation Current Procedural Terminology (CPT) codes and replacing with Evaluation and Management (E&M) codes	(105,517)
17.7.2	Reflect savings from increasing the number of drugs on the specialty pharmacy reimbursement list and their discounts	(11,610)
17.7.3	Reduce funds to reflect collection of Hospital Cost Settlements from FY2009, FY 2010, and FY2011	(681,965)
17.7.4	Reflect savings from restricting the number of narcotic prescription reimbursements to six per month	(1,330)
17.7.5	Reflect savings from eliminating hospital reimbursements for preventable admissions and readmissions	(49,563)
17.7.6	Increase funds for growth in PeachCare	9,002,637

PeachCare for Kids

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
17.7.7	Reduce Hospital Provider Payments to reflect projected FY 2013 revenue	(\$2,307)
	Net Change	\$8,150,345
	Revised Amount	\$87,728,688
	% Change	10.24%

State Health Benefit Plan (SHBP)



SHBP Fast Facts

- **Covered Lives:** The SHBP covers 643,078 Georgians
 - Active Employees – 227,164
 - Retired Employees – 106,402
 - Dependents – 309,512
- **Total Funding:** \$2.9 billion (other funds)
- **Claims Paid:** On an average business day DCH pays out \$11.5 million for SHBP benefits.

Who is an SHBP member?

- Employees and retirees across 875 individual payroll locations, including:
 - 64 State Agencies
 - 180 Public School Districts (teachers and non-certificated school service employees)
 - 160 County Health Departments
 - 17 DFACS Regions
 - 25 Community Service Boards
 - 57 Public Library Systems
 - 25 Technical Colleges
 - 63 Boards of Education
 - 5 Critical Access Hospitals (no retirees)
 - 13 Federally Qualified Health Clinics (no retirees)

As of January 2013.

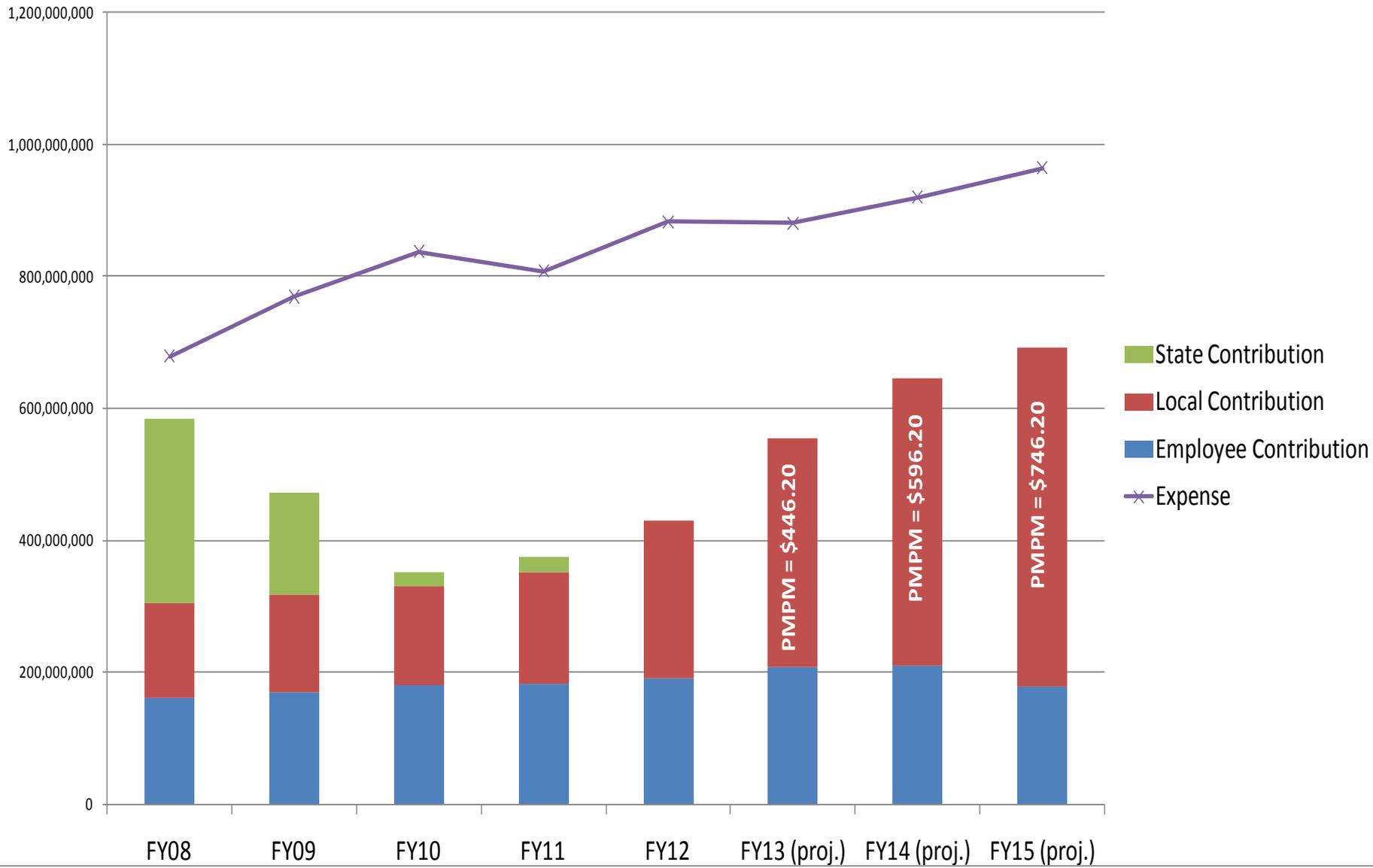


Placing the SHBP on Sound Financial Footing: Financial Status, FY 2012

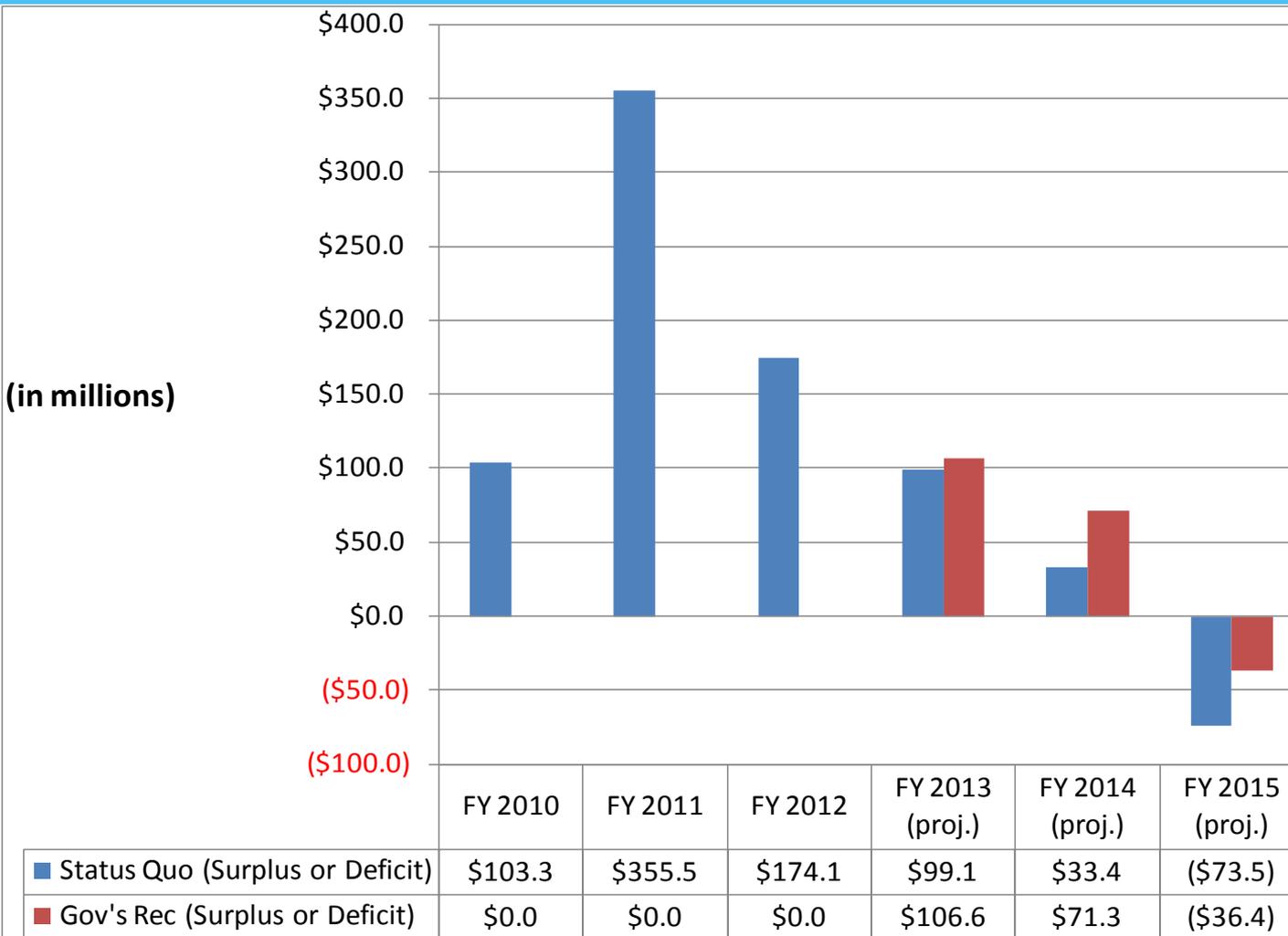


	State	Teacher	Non-Certificated
Revenue	\$1,034.1	\$1,524.8	\$429.6
Expense	\$817.3	\$1,350.7	\$882.6
Surplus/(Deficit)	\$216.8	\$174.1	\$(452.9)

Placing the SHBP on Sound Financial Footing: Funding for Non-Certificated School Personnel



Placing the SHBP on Sound Financial Footing: Declining Surpluses in the Teacher Plan



- Current PMPM = \$912.34 (light blue bars)
- AFY13 Gov's Rec PMPM = \$937.34 (eff. 3/1/2013) (dark blue bars)
- FY14 Gov's Rec PMPM = \$945 (dark blue bars)
- Employer contribution rates for teachers have not increased since FY 2008

Creating a Healthier SHBP Wellness Plans

- One of the largest wellness plans in the country
 - Approximately 45% of SHBP subscribers enrolled in the wellness plan in CY 2013
 - Second year will require members to:
 - Complete an online health assessment
 - Obtain a biometric screening (if first year in wellness plan)
 - Complete online learning module
- Move to action-based incentive rather than promise-based plan for CY 2014
 - Members will be rewarded with HRA dollars for taking healthy actions (completing a risk assessment, obtaining a biometric screening, completing a learning module, etc.), rather than receiving the reward for promising to take a health action

Creating a Healthier SHBP: Biometric Results for CY 2012

Biometric	Target	Within Target	Outside Target
Blood Pressure	<140/90	46%	54%
LDL Cholesterol	<130	78%	22%
Blood Sugar	<100	82%	18%
BMI	<30kg/m2	26%	74%

Creating a Healthier SHBP: Childhood Obesity Initiative

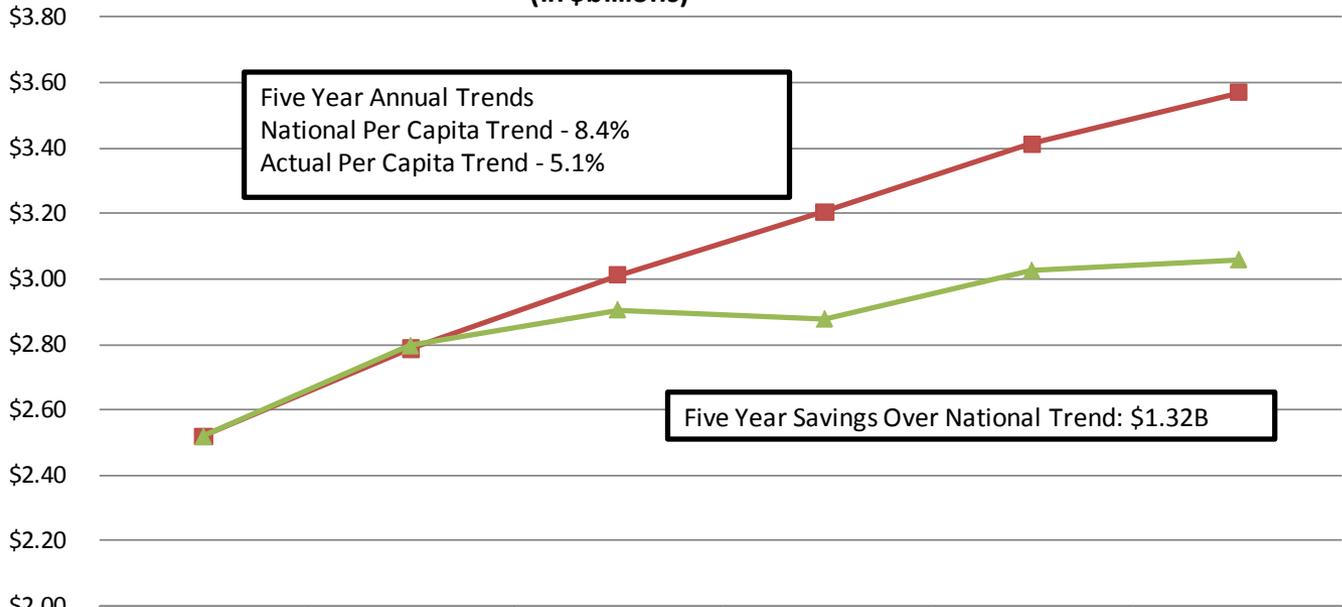
In support of the State of Georgia's strategic goals and aligning with the Governor's Office and Department of Public Health

For children, ages 3 – 18

- Coverage for up to 4 primary care doctor visits with diagnosis of obesity
- Coverage for up to 4 visits with a registered dietician as determined by their physician

Responsibly Managing the SHBP: Expense Comparison

Based on 2008 -2012 Actual
(in \$billions)



	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
■ National Trend	\$2.52	\$2.79	\$3.01	\$3.20	\$3.41	\$3.57
▲ Actual (Proj 2013)	\$2.52	\$2.80	\$2.91	\$2.88	\$3.03	\$3.06

■ National Trend ▲ Actual (Proj 2013)

The graph shows how SHBP compares with the national average for the past 5 years actual (projected for FY 2013). National per capita trend over 5 years is 8.4%; SHBP trend is 5.1%

Changes to Premiums

- Spousal subsidy policy change – moving towards employees paying 30% of cost of spouse
- Aggregate premium increase of 7.5%
 - Increases targeted to bring all premiums closer to 25% for employees and children
 - Because increases were targeted, the increases varied among plans and tiers
- Additional 2% premium increase for new ACA requirements in CY 2013
 - Requires some women's health services to be covered as preventive care at 100%
 - Clinical Effectiveness Research (CER) fee, \$1 per covered life in the first year
- ACA-related premium increases over the past 3 years = 14.3%
 - CY 2011 = 6.1% premium increases (only tiers covering dependents)
 - CY 2012 = 6.2% premium increases
 - CY 2013 = 2% premium increases

State Health Benefit Plan

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
FY13 Current Budget \$2,987,734,959 – Other Funds		
17.8.1.	Reflect savings from renegotiated rates with the hospital network .	(5,250,000)
17.8.2.	Increase employer share of the State Health Benefit Plan from 29.781% to 30.281%, effective January 2013.	6,085,658
17.8.3.	Increase per member per month billings for certificated school service personnel from \$912.34 to \$937.34, effective March 2013.	7,450,121
17.8.4.	Reflect savings from revising the prescription drug list.	(3,425,000)
17.8.5.	Reflect savings from implementing a pharmacy step therapy program.	(1,400,000)

State Health Benefit Plan

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
FY13 Current Budget \$2,987,734,959 – Other Funds		
17.8.6.	Reflect savings from elimination of prior authorization for ADHD drugs.	(107,500)
17.8.7.	Reflect revenue generated by implementing an add-on fee of \$7 per employee per month for select plans.	8,994,000
17.8.8.	Increase employee premiums 2% due to increased costs as a result of the requirements of the Patient Protection and Affordable Care Act (PPACA).	6,881,250
17.8.9.	Increase employee premiums 7.5% for employee-only and employee+child(ren) tiers.	6,419,963
17.8.10.	Reflect increase in expenses for implementation of the childhood obesity initiative in cooperation with Alliance for a Healthier Generation, Department of Public Health, and the Governor's Office.	4,000,000

State Health Benefit Plan

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
FY13 Current Budget \$2,987,734,959 – Other Funds		
17.8.11.	Reflect increase in expenses for continued implementation of the EnGAgement wellness plan.	7,122,000
17.8.12.	Increase employee contribution rates for spousal coverage.	36,379,788
17.8.13.	Reflect savings from implementing plan design changes to deductibles, out-of-pocket maximums, and HRA funding.	(66,519,000)
17.8.14.	Reflect updated revenue and expense projections	74,650,998

Note: The SHBP budget is 100% other funds.

State Health Benefit Plan

AFY13 Governor's Recommendation

Tracking Sheet Reference		AFY13 Changes
FY13 Current Budget \$2,987,734,959 – Other Funds		
	Net Change	81,282,278
	Revised Total Revenue Amount	3,069,017,237
	Total Projected Expense Amount	3,049,164,250
	Revenue less expense	19,852,987
	Prior Year Fund Balance	(18,425,645)
	Projected Reserve Fund Balance	1,427,342
	Incurred But Not Reported (IBNR) Liability	199,198,000

Note: The SHBP budget is 100% other funds.

AFY 2013 and FY 2014 Budget Recommendations

Presentation on DCH Website

www.dch.georgia.gov

Select "Budget and Performance" and
"Budget Information"