



# Budget Update and AFY2015 and FY2016 Requests



Presentation to: DCH Board

Presented by: Tim Connell, CFO

Elizabeth Brady, Budget Director



# 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

- FY2014 Budget Highlights
- FY2015 Current Budget
- AFY2015 and FY2016 Growth Projection Challenges
- FY2015 Amended Budget Request
- FY2016 Budget Request
- State Health Benefit Plan (SHBP)

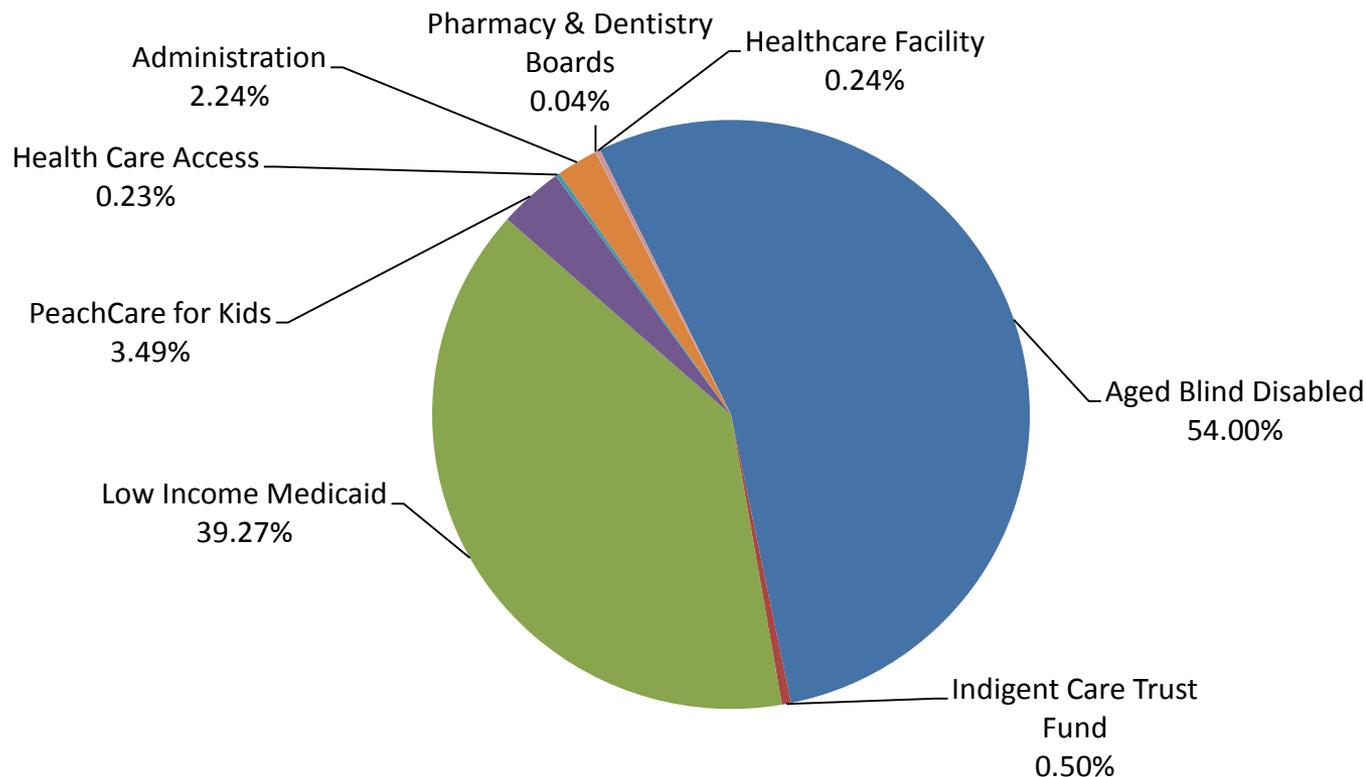


# FY2014 Budget Highlights

# FY2014 Budget Highlights

## State Fund Expenditures by Program\*

Total Funds: \$13,132,857,138  
State Funds: \$2,905,578,485



97.25% of all DCH State Funds were expended directly on behalf of beneficiaries



**GEORGIA DEPARTMENT  
OF COMMUNITY HEALTH**

\* Chart does not include attached agencies (see next slide) or the State Health Benefit Plan Expenditures are unaudited.

# FY2014 Budget Highlights

## Attached Agency Expenditures (State Funds)

<b>Program</b>	<b>FY2014 Expenditures*</b>
Georgia Composite Medical Board	\$2,109,582
Georgia Drugs and Narcotics Agency	\$1,642,721
Georgia Board for Physician Workforce	\$43,542,880
<i>Board Administration</i>	521,713
<i>Graduate Medical Education</i>	8,172,181
<i>Mercer School of Medicine</i>	20,969,911
<i>Morehouse School of Medicine</i>	10,933,643
<i>Physicians for Rural Areas</i>	890,000
<i>Undergraduate Medical Education</i>	2,055,432
<b>Total</b>	<b>\$47,295,183</b>

\* Expenditures are unaudited.

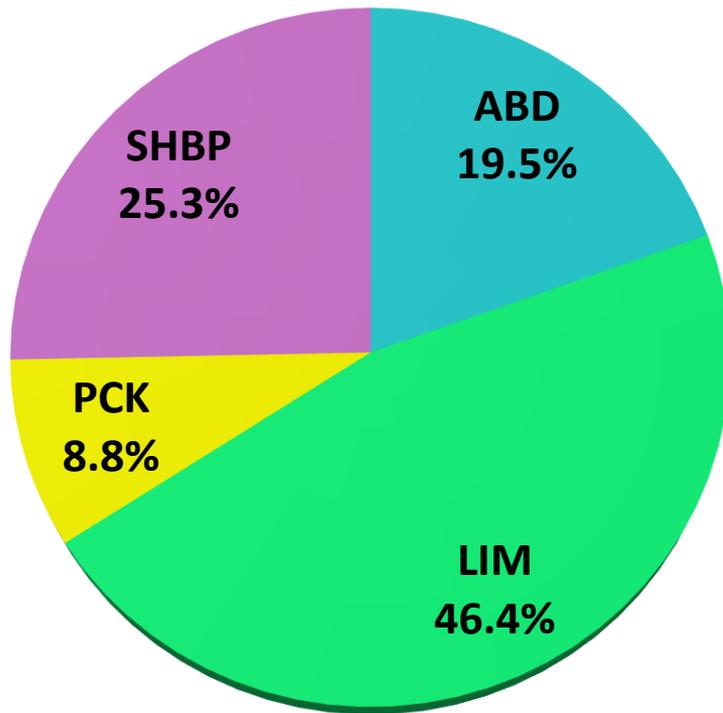
# FY2014 Budget Highlights

## State Funds Surplus by Program (unaudited)\*

Programs	FY2014 Final Budget	FY2014 Surplus
Departmental Administration	\$66,235,163	\$1,104,131
Aged, Blind, Disabled Medicaid	\$1,568,901,112	\$0
Low-Income Medicaid	\$1,140,971,403	\$0
PeachCare	\$101,711,184	\$251,661
Indigent Care Trust Fund	\$14,445,532	\$0
Healthcare Facility Regulation	\$6,959,146	\$58,316
Healthcare Access and Improvement	\$6,742,234	\$184,319
Pharmacy and Dentistry	\$1,400,000	\$188,862
<b>Total</b>		<b>\$1,787,289</b>

# FY2014 Budget Highlights

## Georgia Beneficiaries of DCH Programs



Programs	Total Beneficiaries (FY2014 Average Monthly Members)	Percentage of Beneficiaries
Medicaid	1,641,900	65.9%
• ABD	486,270	19.5%
• LIM	1,155,630	46.4%
PeachCare for Kids	218,356	8.8%
Sub-Total	1,860,256	74.7%
SHBP	630,816	25.3%
Total Beneficiaries	2,491,072	100.0%

One in four Georgians are direct beneficiaries of DCH Programs!

# FY2014 Budget Highlights

## Georgia Beneficiaries of DCH Programs

47% of Georgia's children (ages 0 to 19) have access to health insurance through a DCH Program.

DCH Program	Ga. Children Population*	DCH Beneficiaries* (ages 0 to 19)	%
Medicaid and PeachCare	2,848,327	1,216,801	42.7%
State Health Benefit Plan	2,848,327	<u>124,775</u>	<u>4.4%</u>
Total Children	2,848,327	1,341,576	47.1%



# FY2014 Budget Highlights

- DCH had a year-end surplus (unaudited) of \$1.8 million.
- The State Health Benefit Plan ended the year with a \$576 million cash balance.
- Right from the Start Medicaid staff transferred from the Department of Human Services to DCH effective January 1<sup>st</sup>.
- The Boards of Pharmacy and Dentistry were transferred from the Secretary of State to DCH effective July 1<sup>st</sup>.
- DCH, in partnership with sister agencies, successfully launched GA Families 360° on March 3<sup>rd</sup>.



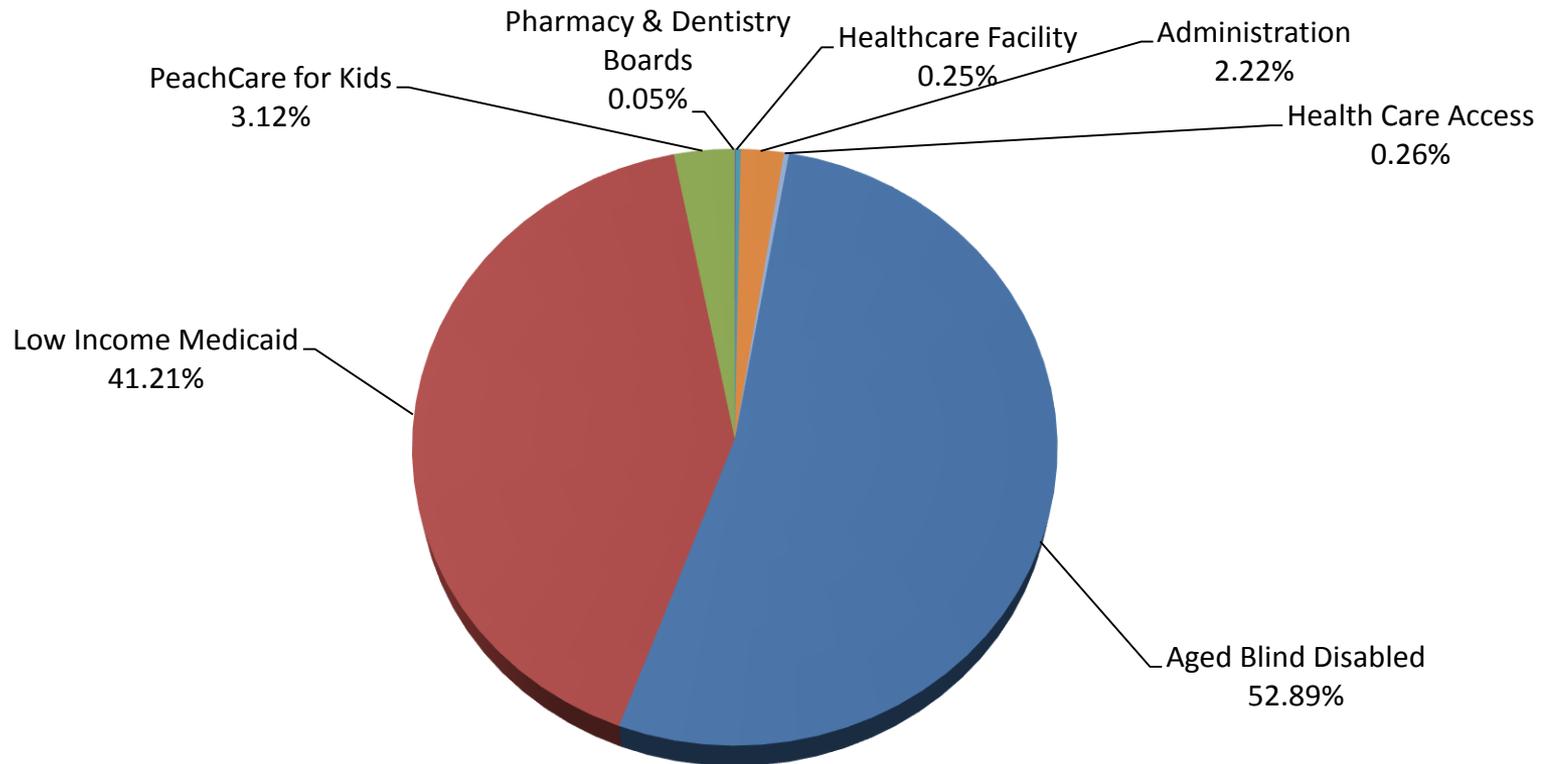
# FY2015 Current Budget

# FY2015 Budget

## State Funds Budget by Program\*

Total Funds Appropriated: \$13,387,306,434

State Funds Appropriated: \$3,013,027,405



97.2% of all DCH State Funds are budgeted directly on behalf of beneficiaries.



# FY2015 Budget Attached Agencies Summary\*

Program	FY2015 Budget
Georgia Composite Medical Board	\$2,189,014
Georgia Drugs and Narcotics Agency	\$1,911,022
Georgia Board for Physician Workforce	\$51,462,050
<i>Board Administration</i>	695,782
<i>Graduate Medical Education</i>	8,905,464
<i>Mercer School of Medicine</i>	22,769,911
<i>Morehouse School of Medicine</i>	15,933,643
<i>Physicians for Rural Areas</i>	1,070,000
<i>Undergraduate Medical Education</i>	2,087,250
<b>Totals</b>	<b>\$55,562,086</b>

\* State Funds Only



# FY2015 Budget Highlights

- Funds added for 25 additional Independent Care Waiver slots.
- Nursing Home Fair Rental Value rates updated to 2012 cost reports.
- Enhanced funding for Affordable Care Act (ACA) mandates/impacts (woodwork, 12 month reviews, Health Insurer Fee).
- 1.7% merit-based pay raise for qualified employees.





# AFY2015 and FY2016 Growth Projection Challenges

# Projecting Medicaid and PeachCare Enrollment Growth in FY 2015 - FY 2016

**Policy and operational changes make enrollment projections challenging and uncertain. There is no steady-state trend to use as a basis for estimates.**

## **Usual Factors Affecting Growth Projections:**

- Population Growth
- Outreach Efforts
- Economy/Unemployment

## **Additional Factors in FY 2015 – FY 2016:**

- Eligibility process changes under the ACA Modified Adjusted Gross Income requirements. These changes make it easier to qualify for Medicaid at application and upon renewal.
- ACA mandated conversion to 12 Month Eligibility Review Process effective January 1, 2014. Previously, Georgia was on a 6 month cycle for Low-Income Medicaid (LIM).
  - Resulted in 6 months with no reviews for LIM income-based aid categories (about 990,000 members or 90% of LIM membership). Also, DFCS was given an opportunity to catch up on backlogs during this time.
  - Resulted in a longer length of stay in Medicaid.
- ACA Woodwork Effect – timing and magnitude.
- ACA Hospital Presumptive Eligibility.
- Hiring of additional Right from the Start Medicaid Eligibility workers to provide enrollment assistance.
- Access to coverage through the Federal Exchange for certain groups.
- Medicaid rolls should start to decline due to improving economy as incomes rise and other insurance options are available. Typically, in this case, PeachCare enrollment would also increase but this has not happened. PeachCare enrollment is flat.



# FY2015 Amended Budget Request

# FY2015 Amended Budget Request\*

Non-ACA Items		
1	Available funds in current FY2015 Medicaid and PeachCare budgets.	(\$32,810,586)
2	Restore legislative cuts (Cost Settlements, ABD Care Coordination, PARIS).	\$9,513,677
3	Provide funding for refund of federal share of Medicaid collections as a result of HHS Office of Inspector General audit.	\$10,000,000
4	Provide state funds to reflect increased workload in the Healthcare Facility Regulation Program.	\$3,306,583

# FY2015 Amended Budget Request\*

Non-ACA Items (cont'd)		
5	Provide funding for outstanding payables to Care Management Organizations (CMO).	\$37,983,207
6	Replace tobacco funds transferred to the Department of Public Health (DPH) for the Georgia Center for Oncology Research and Education (CORE).	\$225,000
7	Reflect additional funds needed to support operating costs of nursing homes changing ownership on or after January 1, 2012.	\$8,749,685
8	Provide funding for pharmacy cost due to high cost of Hepatitis C drugs.	\$23,996,269

# FY2015 Amended Budget Request (cont'd)\*

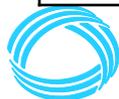
ACA Items		
9	Increase funds for projected costs due to ACA Hospital Presumptive Eligibility rules.	\$7,063,650
10	Reflect additional costs resulting from ACA 12 month eligibility review requirement.	\$14,126,603
<b>Grand Total</b>		<b>\$82,189,088</b>

Attached Agency		
11	Fully fund implementation of the Georgia Cosmetic Laser Services Act.	\$35,000

# FY2015 Amended Budget Request Financial Summary\*

Budget Item	Programs		Total
	Benefits (ABD, LIM, PCK, ICTF)	Operations (Admin, HFRD, CSMB)	
1 Available funds in current FY2015 Medicaid and PeachCare budgets.	(\$32,810,586)	\$0	(\$32,810,586)
2 Restore legislative cuts (Cost Settlements, ABD Care Coordination, PARIS).	\$9,513,677	\$0	\$9,513,677
3 Provide funding for refund of federal share of Medicaid collections as a result of HHS Office of Inspector General audit.	\$10,000,000	\$0	\$10,000,000
4 Provide state funds to reflect increased workload in the Healthcare Facility Regulation Program.	\$0	\$3,306,583	\$3,306,583
5 Provide funding for outstanding payables to Care Management Organizations (CMO).	\$37,983,207	\$0	\$37,983,207
6 Replace tobacco funds transferred to the Department of Public Health (DPH) for the Georgia Center for Oncology Research and Education (CORE).	\$225,000	\$0	\$225,000
7 Reflect additional funds needed to support operating costs of nursing homes changing ownership on or after January 1, 2012.	\$8,749,685		\$8,749,685
8 Provide funding for pharmacy cost due to high cost of Hepatitis C drugs.	\$23,996,269	\$0	\$23,996,269
9 Increase funds for projected costs due to ACA Presumptive Eligibility rules.	\$7,063,650	\$0	\$7,063,650
10 Provide additional funds needed for 12 month eligibility reviews.	14,126,603.00		\$14,126,603
11 Fully fund implementation of the Georgia Cosmetic Laser Services Act.		\$35,000	\$35,000
<b>Total</b>	<b>\$78,847,505</b>	<b>\$3,341,583</b>	<b>\$82,189,088</b>



# FY2015 Amended Budget Request Financial Summary\*

	Programs	FY2015 Budget	FY2015 Amended Request	FY2015 Proposed Amended Budget
1	Departmental Administration	\$66,857,380	\$0	\$66,857,380
2	Healthcare Access and Improvement	\$7,877,990	\$0	\$7,877,990
3	Healthcare Facility Regulation	\$7,475,244	\$3,306,583	\$10,781,827
4	Indigent Care Trust Fund	\$0	\$0	\$0
5	Aged, Blind and Disabled	\$1,593,729,697	(\$20,745,857)	\$1,580,217,517
6	Low-Income Medicaid	\$1,241,617,401	\$93,036,493	\$1,327,231,247
7	PeachCare for Kids	\$93,922,150	\$6,556,870	\$100,667,990
8	State Health Benefit Plan	\$0	\$0	\$0
9	Pharmacy & Dental Boards	\$1,547,543	\$0	\$1,547,543
10	Attached Agencies	\$55,562,086	\$35,000	\$55,597,086
<b>Totals</b>		<b>\$3,068,589,491</b>	<b>\$82,189,088</b>	<b>\$3,150,778,579</b>



# FY2016 Budget Request

# FY2016 Budget Request\*

Non-ACA items		
1	Program growth in ABD, LIM, and PeachCare (1.6%).	\$47,395,896
2	Restore legislative cuts (Cost Settlements, ABD Care Coordination, PARIS).	\$9,513,677
3	Provide state funds to reflect increased workload in the Healthcare Facility Regulation Program.	\$3,306,583
4	Replace tobacco funds transferred to the Department of Public Health (DPH) for the Georgia Center for Oncology Research and Education (CORE).	\$225,000
5	Reflect additional funds needed to support operating costs of nursing homes changing ownership on or after January 1, 2012.	\$8,749,685
6	Eliminate one-time start-up funds for Federally Qualified Health Centers (FQHC).	(\$1,000,000)

# FY2016 Budget Request (cont'd)\*

Non-ACA items (Cont'd)		
7	Reduce funds to reflect an increase in the projected Federal Medical Assistance Percentage (FMAP).	(\$18,223,257)
8	Provide funding for initial cost for ABD Care Coordination.	\$18,000,000
9	Remove one-time funding for foster care run out.	(\$4,800,000)
10	Provide funding for pharmacy cost due to high cost of Hepatitis C drugs.	\$24,878,688
11	Provide skilled nursing services in the Independent Care Wavier Program.	\$2,141,947

# FY2016 Budget Request (cont'd)\*

ACA items		
12	Cover increased cost due to ACA Hospital Presumptive Eligibility rules.	\$15,194,943
13	Provide additional funds needed for ACA woodwork effect.	\$3,600,000
14	Reflect additional costs resulting from ACA 12 month eligibility review requirement.	\$37,858,099
15	Remove one-time funding for CMO state insurance premium tax liability due to the ACA.	(\$1,100,000)

Attached Agencies		
16	Fully fund implementation of the Georgia Cosmetic Laser Services Act.	\$35,000
17	Fund 53 residency slots in the Georgia Board for Physician Workforce.	\$757,156
<b>Total</b>		<b>\$146,533,417</b>

# FY2016 Budget Request Financial Summary\*

	<b>Budget Item</b>	<b>Programs</b>		<b>Total</b>
		<b>Benefits (ABD, LIM, PCK, ICTF)</b>	<b>Operations (Admin, HFRD, HCAI, CSMB, GBPW)</b>	
1	Program growth in ABD, LIM, and PeachCare (1.6%).	\$47,395,896	\$0	\$47,395,896
2	Restore legislative cuts (Cost Settlements, ABD Care Coordination, PARIS).	\$9,513,677	\$0	\$9,513,677
3	Provide state funds to reflect increased workload in the Healthcare Facility Regulation Program.	\$0	\$3,306,583	\$3,306,583
4	Replace tobacco funds transferred to the Department of Public Health (DPH) for the Georgia Center for Oncology Research and Education (CORE).	\$225,000	\$0	\$225,000
5	Reflect additional funds needed to support operating costs of nursing homes changing ownership on or after January 1, 2012.	\$8,749,685	\$0	\$8,749,685
6	Eliminate one-time start-up funds for Federally Qualified Health Centers (FQHC).	\$0	(\$1,000,000)	(\$1,000,000)
7	Reduce funds to reflect an increase in the projected Federal Medical Assistance Percentage (FMAP).	(\$18,223,257)	\$0	(\$18,223,257)
8	Provide funding for initial cost for ABD Care Coordination.	\$18,000,000	\$0	\$18,000,000
9	Remove one-time funding for foster care run out.	(\$4,800,000)	\$0	(\$4,800,000)

# FY2016 Budget Request Financial Summary (cont'd)\*

		Programs		Total
		Benefits (ABD, LIM, PCK, ICTF)	Operations (Admin, HFRD, HCAI, CSMB, GBPW)	
10	Provide funding for pharmacy cost due to high cost of Hepatitis C drugs.	\$24,878,688	\$0	\$24,878,688
11	Provide skilled nursing services in the Independent Care Wavier Program.	\$2,141,947	\$0	\$2,141,947
12	Cover increased cost due to ACA Presumptive Eligibility rules.	\$15,194,943	\$0	\$15,194,943
13	Provide additional funds needed for ACA woodwork effect.	\$3,600,000	\$0	\$3,600,000
14	Provide additional funds needed for 12 month eligibility reviews.	\$37,858,099	\$0	\$37,858,099
15	Remove one-time funding for CMO state insurance premium tax liability due to the ACA.	(\$1,100,000)	\$0	(\$1,100,000)
16	Fully fund implementation of the Georgia Cosmetic Laser Services Act.	\$0	\$35,000	\$35,000
17	Fund 53 residency slots in the Georgia Board for Physician Workforce.	\$0	\$757,156	\$757,156
<b>Total</b>		<b>\$143,434,678</b>	<b>\$3,098,739</b>	<b>\$146,533,417</b>

# FY2016 Budget Request Financial Summary\*

	Programs	FY2015 Budget	FY2016 Request	FY2016 Proposed Budget
1	Departmental Administration	\$66,857,380	\$0	\$66,857,380
2	Healthcare Access and Improvement	\$7,877,990	(\$1,000,000)	\$6,877,990
3	Healthcare Facility Regulation	\$7,475,244	\$3,306,583	\$10,781,827
4	Indigent Care Trust Fund	\$0	\$0	\$0
5	Aged, Blind and Disabled	\$1,593,729,697	\$60,230,799	\$1,661,194,173
6	Low-Income Medicaid	\$1,241,617,401	\$76,710,741	\$1,310,905,495
7	PeachCare for Kids	\$93,922,150	\$6,493,138	\$100,604,258
8	State Health Benefit Plan	\$0	\$0	\$0
9	Pharmacy & Dental Boards	\$1,547,543	\$0	\$1,547,543
10	Attached Agencies	\$55,562,086	\$792,156	\$56,354,242
<b>Totals</b>		<b>\$3,068,589,491</b>	<b>\$146,533,417</b>	<b>\$3,215,122,908</b>



# State Health Benefit Plan (SHBP)

# SHBP Financial Status

	FY14	FY15	FY16	FY17
<b>FINANCIAL STATUS</b>				
<b>Revenue</b>				
Baseline Revenue	3,152,162,311	3,091,230,681	3,118,097,699	3,108,304,135
<b>Expense</b>				
Baseline Expense	2,744,640,600	2,896,950,000	3,140,880,000	3,452,251,000
<i>Invitation For Proposals (IFP) Impacts</i>				
1 2015 Medicare Advantage Procurement Savings		(108,859,000)	(230,567,000)	(244,096,000)
<i>Plan Design Impacts</i>				
2 2014/2015 Plan Design Changes	(29,022,000)	(99,494,000)	(142,031,000)	(154,813,000)
3 Additional HRA incentives	22,000,000	68,396,000	57,278,000	59,874,000
<i>ACA Impacts</i>				
4 ACA mandates (women's health, preventive care)	17,557,000	17,523,000	17,668,000	17,924,000
5 ACA Reinsurance Fee		22,659,000	18,764,000	10,378,000
6 Effects of ACA Individual Mandate	25,797,000	53,866,000	64,346,000	77,754,000
7 Limit on Out-of-Pocket Maximum		31,712,000	72,236,000	78,737,000
<i>Net Change to Expense</i>	36,332,000	(14,197,000)	(142,306,000)	(154,242,000)
8 Revised Revenue	3,152,162,311	3,091,230,681	3,118,097,699	3,108,304,135
9 Revised Expense	2,780,972,600	2,882,753,000	2,998,574,000	3,298,009,000
10 <b>Net Surplus/(Deficit)</b>	371,189,711	208,477,681	119,523,699	(189,704,865)

# SHBP Short-term Investments

- In July 2014 DCH engaged the Office of the State Treasurer for portfolio management for the SHBP.
- \$388 million was transferred to a short-term investment account.
- So far SHBP has earned an additional \$81,922, with projected annualized earnings of \$640,200.

Portfolio	Return	Balance	Earnings
Separately Managed Portfolio	0.31%	\$388,000,000	\$1,183,400.00
Fund 1	0.14%	\$388,000,000	\$543,200.00
<b>Difference</b>	<b>0.17%</b>		<b>\$640,200.00</b>



# Other Post-Employment Benefits (OPEB)

- The report of the actuary on the retiree medical valuations as of June 30, 2013 includes:
  - The UAAL for the State Employee OPEB Fund is \$3,587,913,000.
  - The UAAL for the School Personnel OPEB Fund is \$10,788,794,736.
  - The combined UAAL for the two OPEB funds was \$361 million lower than last years report.
  - The combined ARC for the two OPEB funds is \$1.1 billion.

UAAL = Unfunded Actuarial Accrued Liability  
ARC = Annual Required Contribution

# Budget Update and AFY2015 and FY2016 Requests

**Additional Information on DCH  
Website**

[www.dch.georgia.gov](http://www.dch.georgia.gov)

