

FY2006 Medicaid and PeachCare



GEORGIA DEPARTMENT OF
COMMUNITY HEALTH

Presented to Joint
Appropriations Committee

January 18, 2005



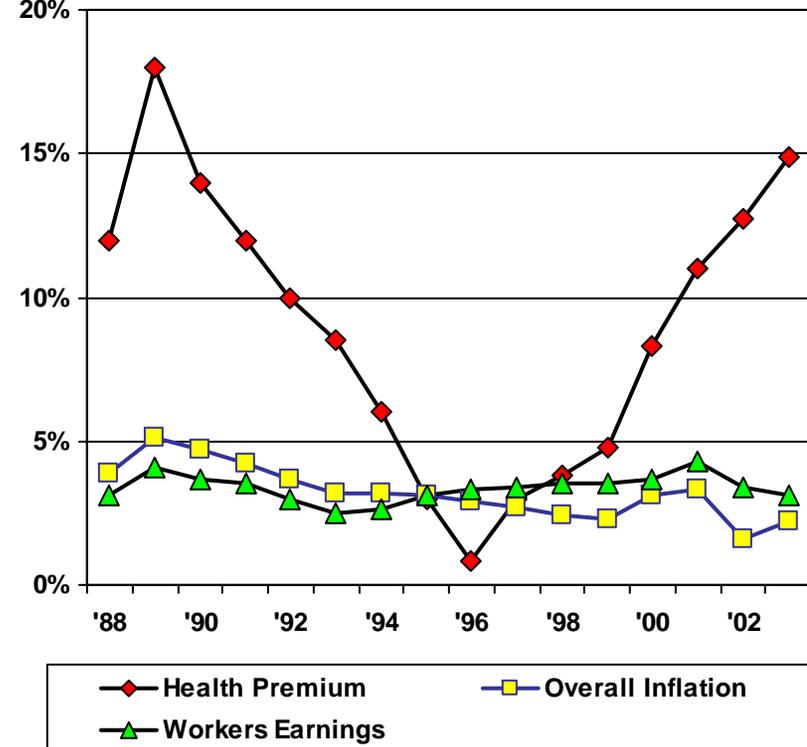
Deficit Drivers - Healthcare Costs

Health Care Costs are Rising Nationally

From Deloitte Consulting Presentation to
DCH Board October 13, 2004...

- “Health care costs are out of control; double digit annual increases are common; costs will double in 5 years
- Health care cost management is a major issue for virtually every employer
- Incentives are not aligned to fix the problems; employers, health plans, providers and consumers are out of sync”

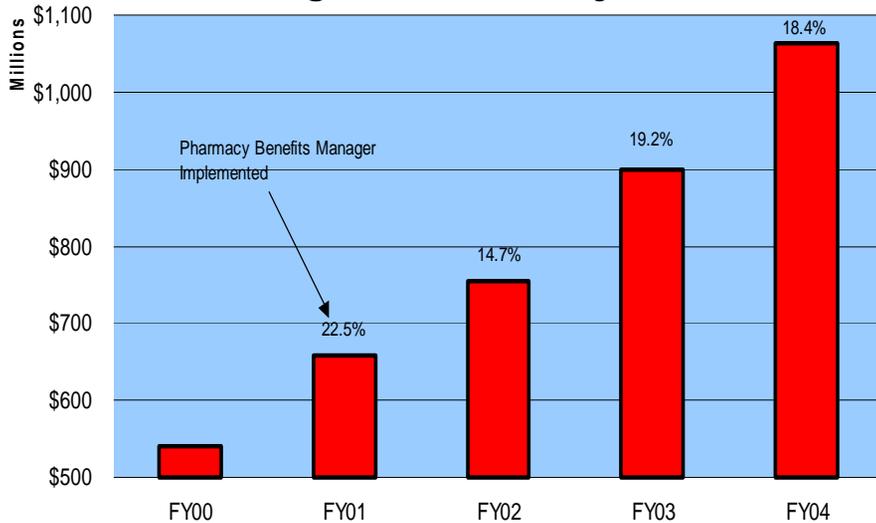
**Increases in Health Care Premiums
Compared to Other Indicators**





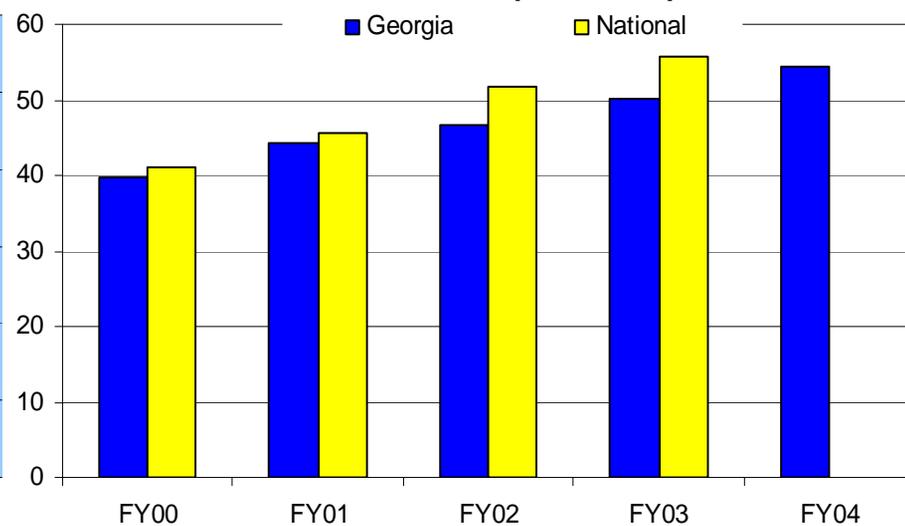
Medicaid Pharmacy Expenditure Growth

Georgia's Pharmacy Growth



Fiscal Year	Net Payments	% Growth
2000	\$ 540,945,063	
2001	\$ 657,317,008	22.0%
2002	\$ 754,016,757	14.7%
2003	\$ 899,010,176	19.2%
2004	\$ 1,064,280,778	18.4%

Cost Per Script Comparison

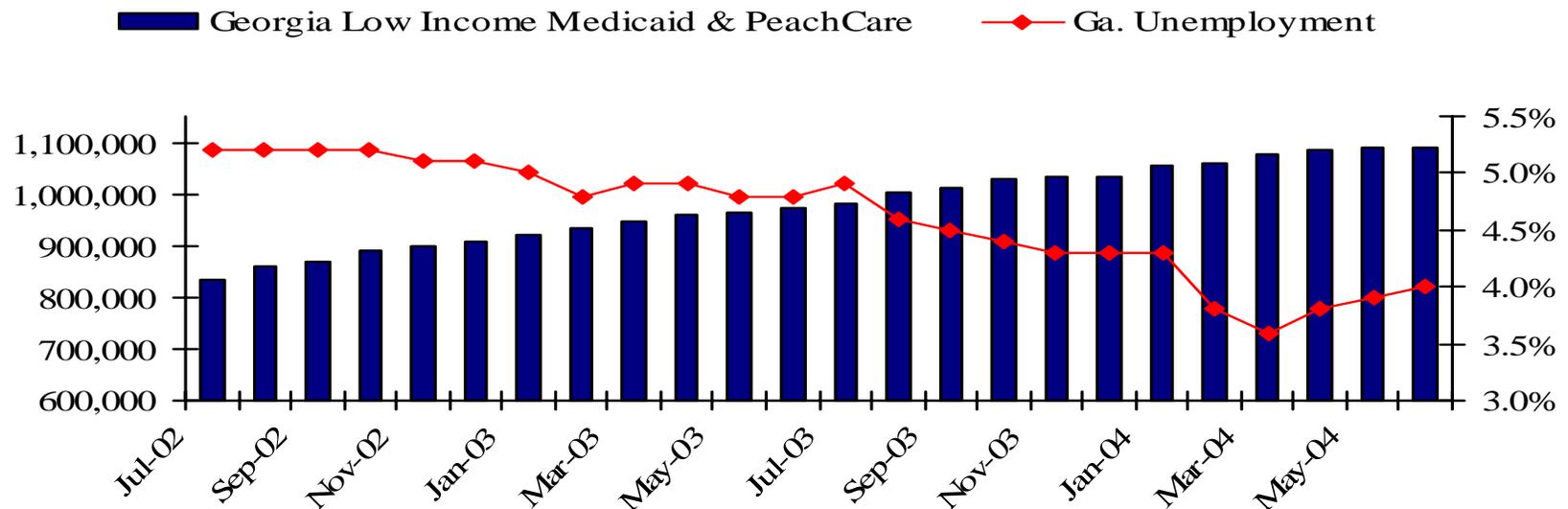


Fiscal Year	Georgia		National	
	\$/Rx	% Growth	\$/Rx	% Growth
2000	\$ 39.6	N/A	\$41.1	N/A
2001	\$ 44.2	11.5%	\$45.7	10.0%
2002	\$ 46.7	5.7%	\$51.7	13.1%
2003	\$ 50.0	7.1%	\$55.9	8.2%
2004	\$ 54.5	8.9%	N/A	N/A



FY03 – FY05

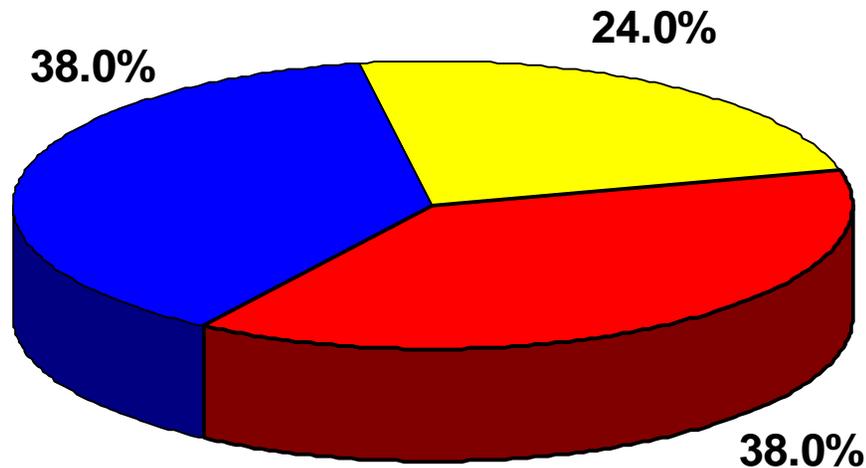
Enrollment Growth



- ✓ Enrollment Growth Rate Not Expected to Slow Until Latter Part of FY05
- ✓ Post Recession Jobs are Lower Wage and Less Likely to Provide Private Health Insurance



FY06 Medicaid Cost Drivers



- Enrollment (\$66M)
- Utilization (\$101M)
- Price (\$102M)

- ✓ Hospitals (Inpatient and Outpatient) will account for 40% or \$108M of the total expense growth
- ✓ Pharmacy will account for 30% or \$79M of total expense growth
- ✓ Physicians will account for 10% or \$27M of total expense growth



Medicaid Overview – FY2006

\$279.3M - New funds required to meet growth in Medicaid benefits

\$148.9M - New state funds included in Governor's
recommendation

\$130.4M - Balance required that is being met by program
reductions



Medicaid Savings Initiatives

To achieve \$48.3 million in savings, the following policies and procedures will be more rigorously implemented:

-) Conduct retrospective reviews for hospital admissions for children
-) Strictly enforce orthodontic policies for children
-) Pursue a more aggressive lock-in program for drugs subject to abuse
-) Complete prior year cost settlements for outpatient hospital services
-) Ensure level of care requirements are met for all long-term care programs
-) Perform clinical reviews to validate demand for emergency medical assistance for undocumented aliens



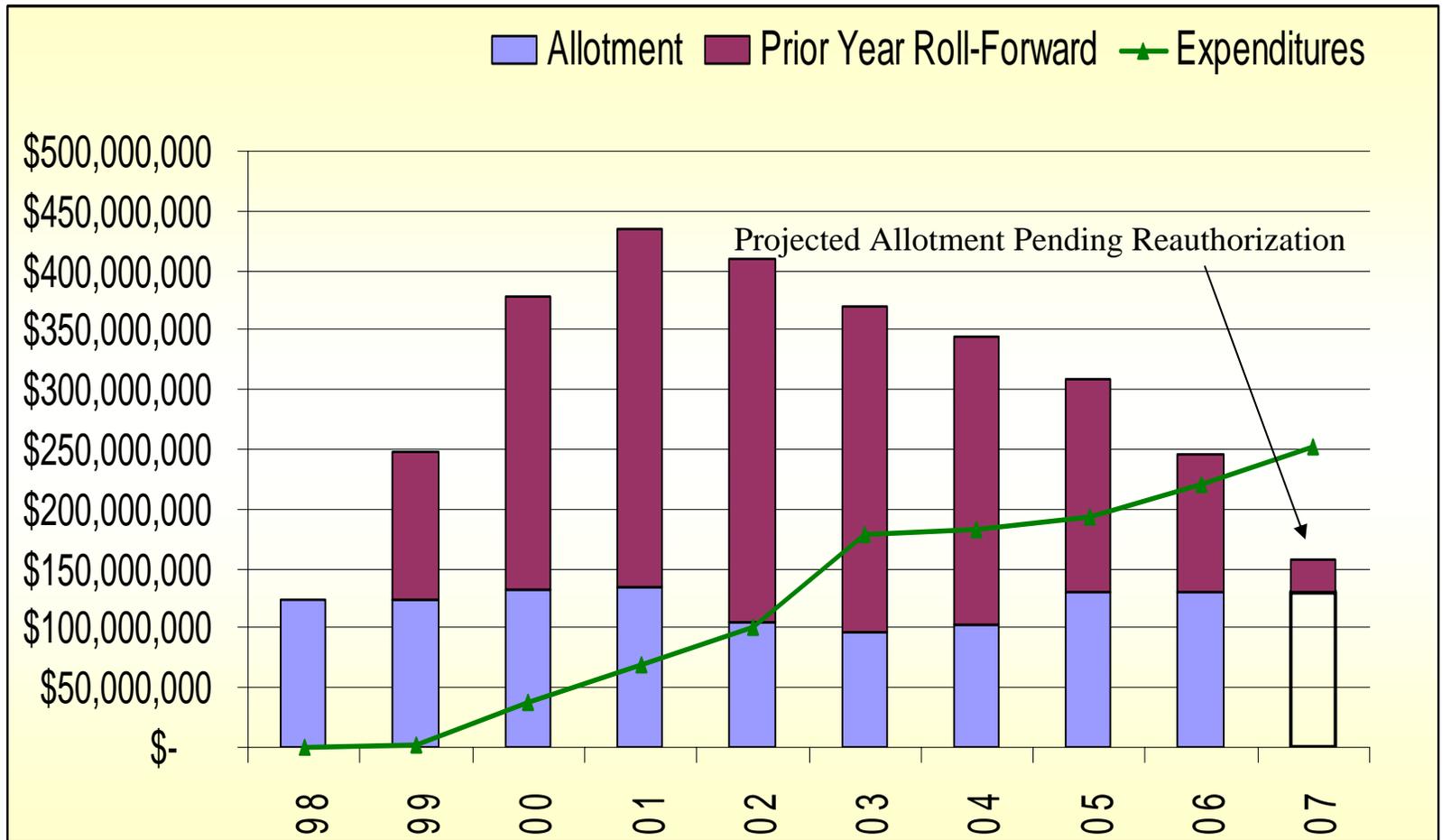
Medicaid Savings Initiatives

To achieve \$82.1 million in savings, the following cost savings and reduction effort will be implemented:

1) Implement an extensive disease management program for 100,000 members in the aged, blind, and disabled categories of eligibility	\$15.5
2) Reduce the reimbursement rates to hospitals in inpatient, outpatient, ambulatory surgery rates and facility fees for free-standing clinics	\$21.2
3) Collect prospective cost settlements to hospitals by lowering interim outpatient rates to 85.6% of cost	\$19.7
4) Implement various reductions to the pharmacy benefit by increasing AWP, extending supplemental rebates and eliminating generic dispensing fees	\$12.3
5) Adjust nursing home rates to reflect actual provider fees collected	\$9.6
6) All Others	<u>\$3.8</u>
Total	\$82.1



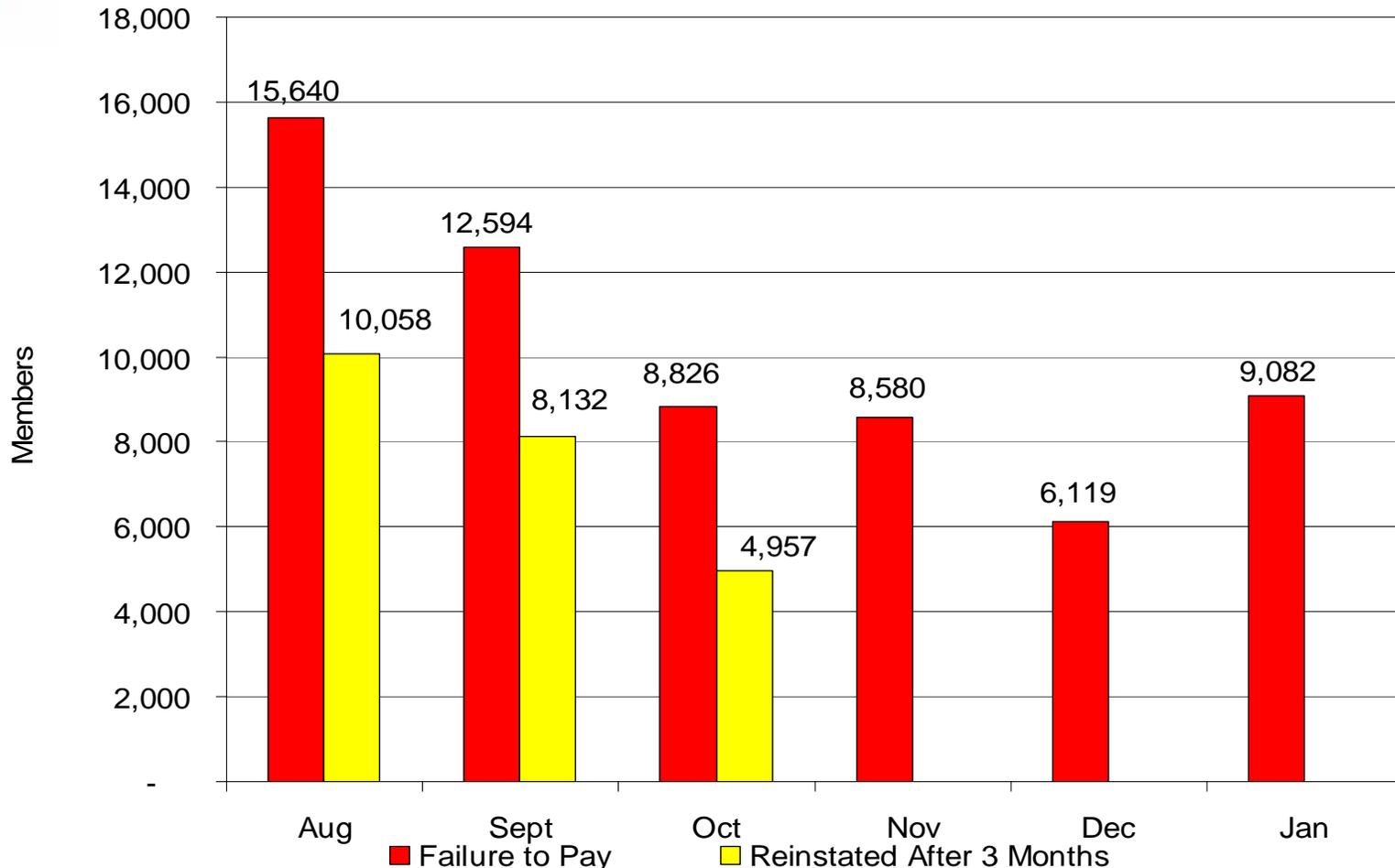
PeachCare Federal Deficit



- State funding at current appropriations are sufficient to sustain PeachCare growth for FY06
- **However**, federal funding is projected to fall well below the required funding for FY07. New state funds are needed to cover projected growth in FY07 as well



PeachCare Policy Change Impact



To date:

- 62% of all Fail to Pay members have been **reinstated**
- 13,913 members have not been reinstated after the failure to pay period ends



PeachCare Savings Initiatives Highlights

The Department received a reduction in state funds to match federal funds for current year claims (-\$13.2M state funds).

- 1) Conduct retrospective reviews for hospital admissions for children
- 2) Pursue a more aggressive lock-in program for drugs subject to abuse
- 3) Complete prior year cost settlements for outpatient hospital services
- 4) Enforce income requirements for participation in program
- 5) Modify the dental benefit using the Texas Model

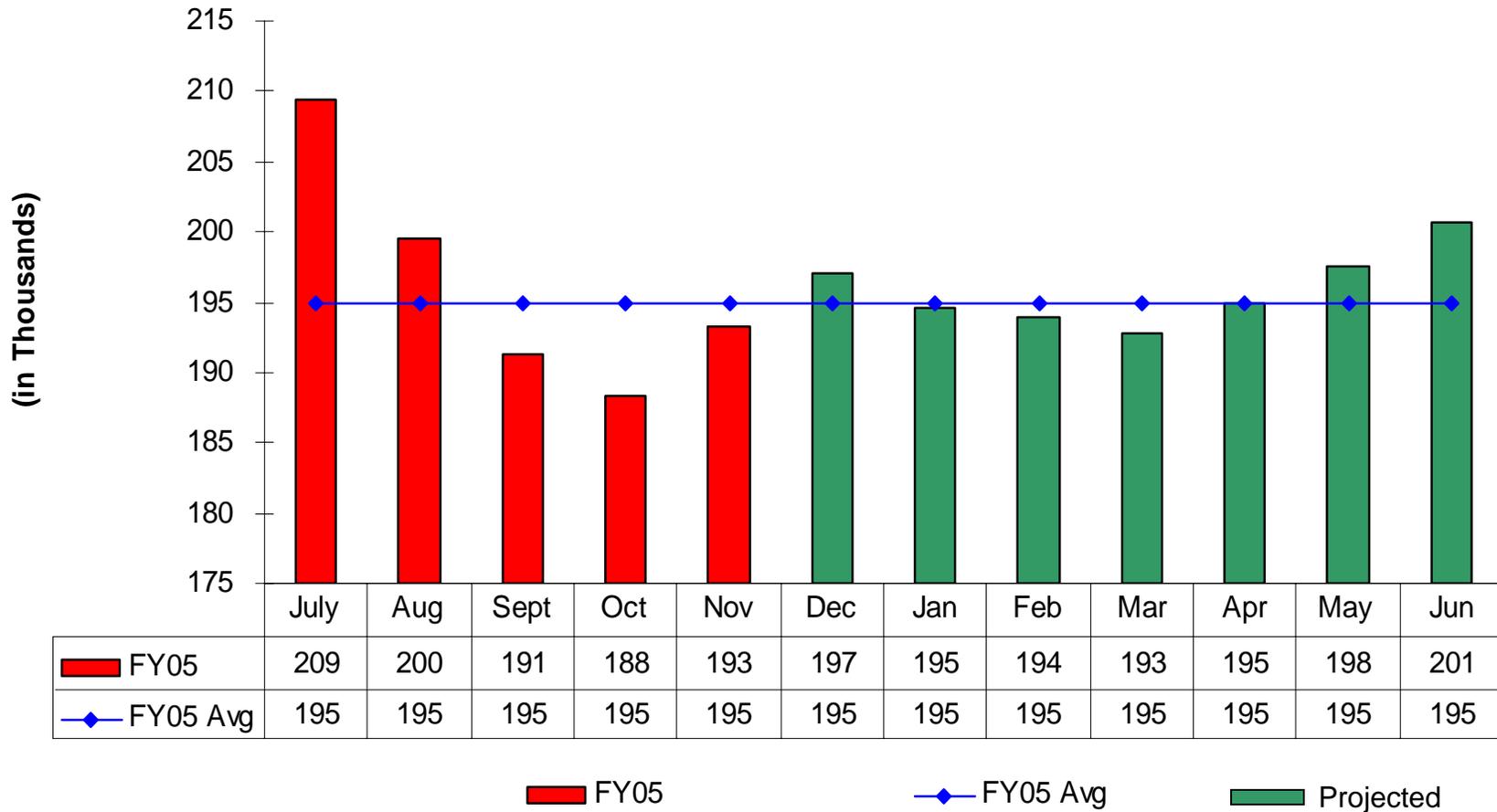


PeachCare Current to Proposed Dental Plan

Dental Service Type	Example of Services	Current PCK Plan	Proposed PCK Plan
Adjunctive Services	emergency treatment, hospital call, behavior management	<input checked="" type="checkbox"/>	not covered
Diagnostic Services	oral evaluations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Endodontic Services	root canals	<input checked="" type="checkbox"/>	limited to routine procedures
Oral Surgery Services	extractions, excisions, incisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Orthodontic Services	braces	<input checked="" type="checkbox"/>	not covered
Periodontal Services	gingivoplasty, periodontal scaling for bone loss	<input checked="" type="checkbox"/>	limited to routine procedures
Preventative Services	cleaning (prophylaxis), fluoride, sealants, space management	<input checked="" type="checkbox"/>	limited to routine procedures
Prosthetic Services	dentures	<input checked="" type="checkbox"/>	not covered
Radiograph Services	x - rays	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Restorative Services	fillings, crowns, surface restoration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



FY05 PeachCare Enrollment



- At fiscal year end enrollment is projected to be 200,700 members