



GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH

# **Fiscal Year 2007 Governor's Recommended Budget**

Presentation to  
House Health Appropriations Subcommittee  
February 8, 2006

# FY 2007 Budget Governor's Recommendation

## OVERVIEW

- Medicaid Benefit expenditures expected to grow by 9.1% over FY 2006
  - Based on enrollment growth of 5.7%
  - Increase in average PMPM by 3%
- Budget reflects the impact of *statewide* Medicaid/PCK managed care implementation
- Cost of federal policy changes annualized
  - Continue to use prior year surplus from FY 2005 available to cover loss of these funds
- Begin new initiatives:
  - To control growth in the Aged, Blind, and Disabled programs and
  - To ensure Medicaid eligibility criteria applied appropriately
- Continue collection of outstanding hospital cost settlements
- Nursing Home rate increase
- No increase in employee premiums for State Health Benefit Plan

# OVERVIEW: Medicaid Continuation Growth

(page 4, #19; page 5, #28)

## Programs:

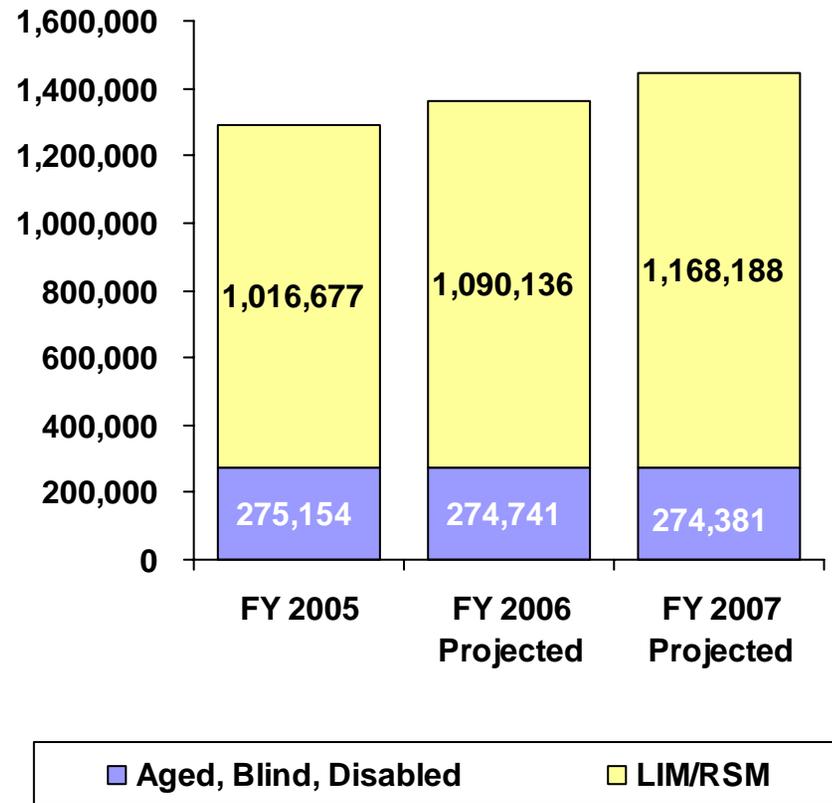
Low Income Medicaid  
Aged, Blind, and  
Disabled

- Expect Accrual Expense to be 9.1% higher in FY 2007 than in FY 2006
- **DCH Cash Expense = \$221 million (in state funds)**

### **CORRECTION on Allocation by Drivers:**

- 65% of increase driven from Utilization and Price, primarily in the Aged, Blind, and Disabled program
- 35% of increase driven by enrollment in LIM and RSM
  - Expect enrollment to continue growing by 5.7% (~78K new eligibles) in FY 2007
  - Does not consider long term impact of Hurricane Katrina

Cost Drivers - Medicaid  
Member Enrollment

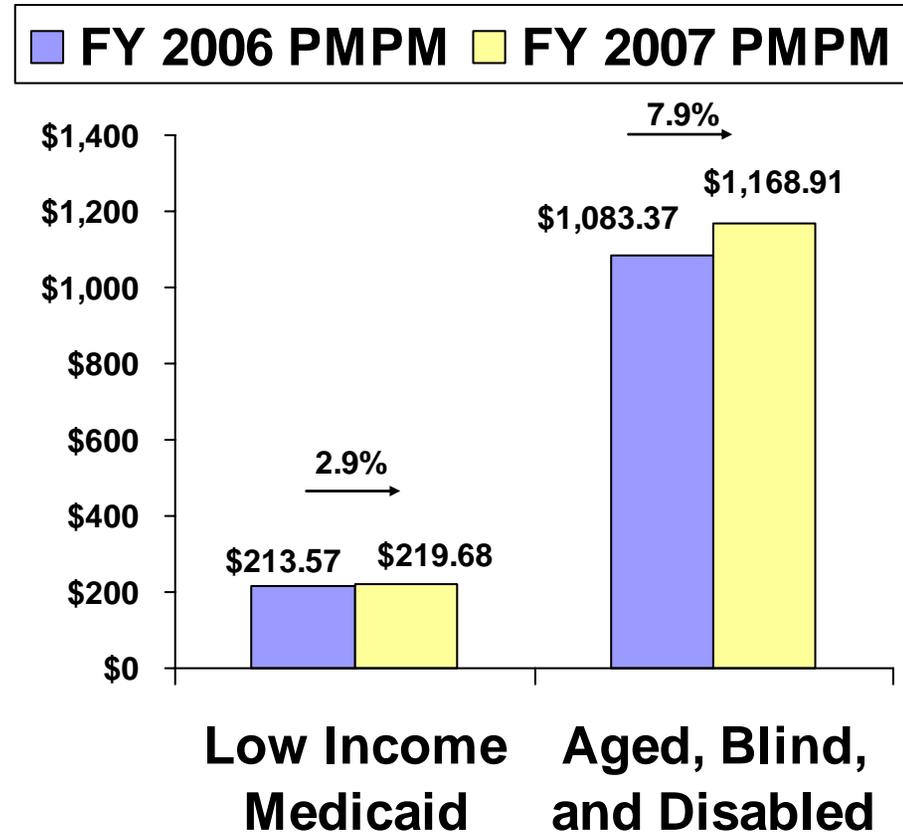


# OVERVIEW: Medicaid Continuation Growth (page 4, #19; page 5, #28)

## Programs:

Low Income Medicaid  
Aged, Blind, and  
Disabled

Cost Driver (in millions)	Low Income Medicaid	Aged, Blind, and Disabled
Enrollment	\$81.8	\$(3.0)
Per Member Per Month (Price and Utilization)	\$30.8	\$112.3
Total	\$112.7	\$109.2
<b>Total Both Programs</b>		<b>\$221.9</b>



# OVERVIEW: CMO Implementation

## FY 2007 Budget Impact

Programs:  
Administration  
Low Income Medicaid

Managed Care Budget Item	Program	FY 20076 State Funds
Enrollment Broker Contract (page 4, #7a)	Administration	\$8,460,000
Cash to Accrual Basis (page 5, #26)	Low Income Medicaid	\$102,514,604
CMO Savings (page 5, #32) Assumes savings of 8% over fee-for-service accrual expenditures*	Low Income Medicaid	(\$78,459,736)
CMO Provider Fees (page 5, #34) Assumes collection of 6% of CMO revenue deposited to the Indigent Care Trust Fund (page 4, #11)	Low Income Medicaid	(\$145,500,635)
<b>TOTAL COST/(SAVINGS)</b>		<b>(\$112,985,767)</b>
* Including net pharmacy expenditures (i.e., After drug rebates applied to reduce pharmacy expenses)		

# OVERVIEW: Medicaid Prior Year Surplus

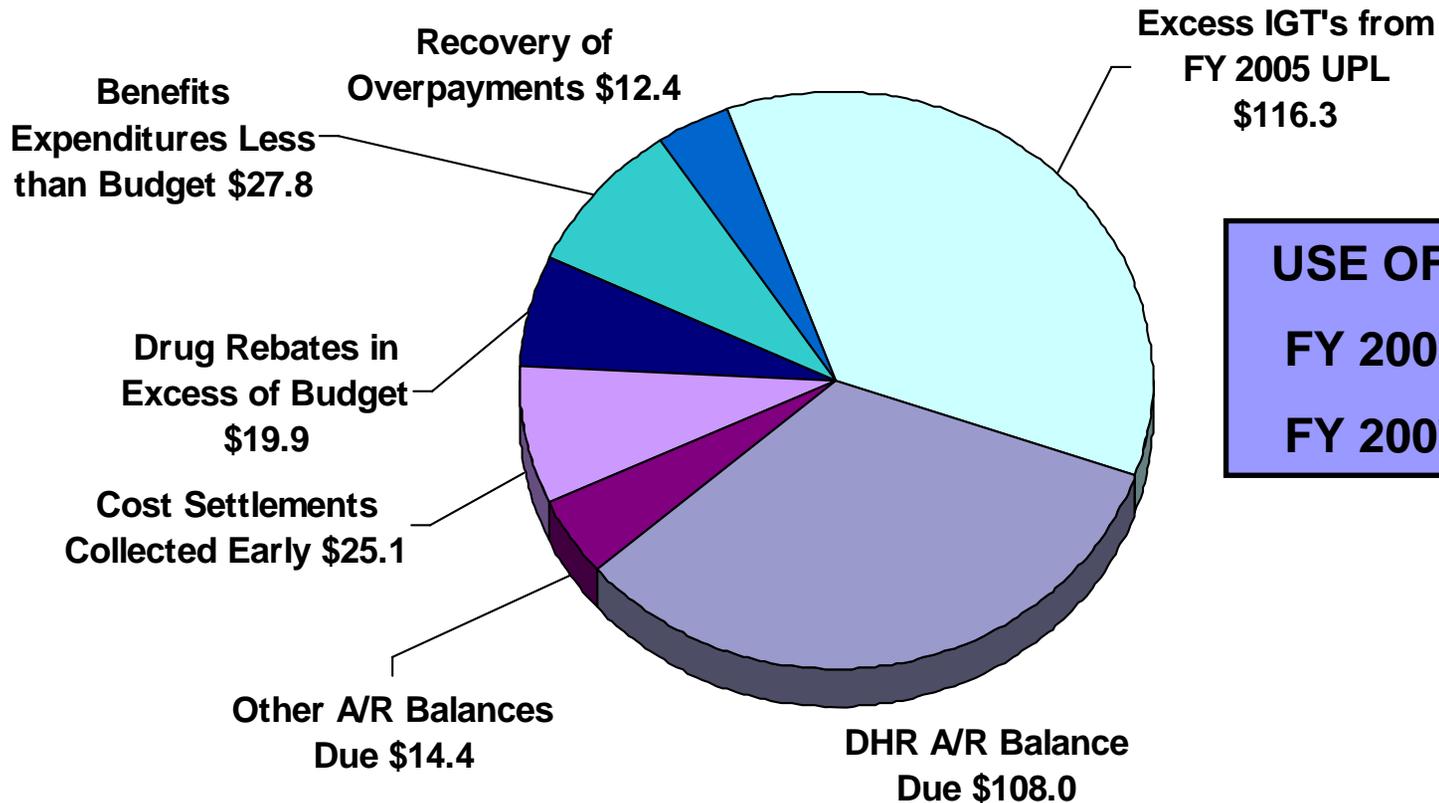
## Programs\*:

Aged, Blind, and  
Disabled

Low Income Medicaid

\*source of surplus

## FY 2005 Benefits Surplus \$324.1 million (state funds)



### USE OF SURPLUS:

FY 2006 - \$157.2M

FY 2007 - \$166.9M

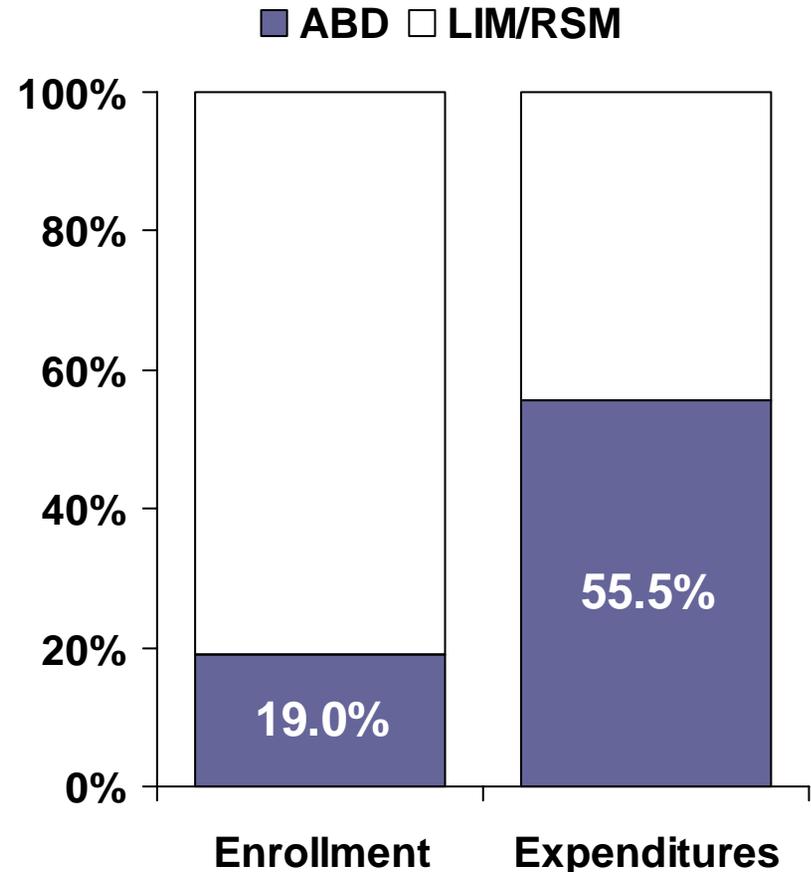
# Aged, Blind, and Disabled (ABD) Management (page 4, #18)

## Programs:

Aged, Blind, and  
Disabled

### PROPOSAL:

- ✓ Procure Statewide vendors able to provide Clinical Management and Enhanced Fraud & Abuse Detection
- ✓ Focus on all members not in a CMO, including ABD members as well as medically fragile children and children in foster care.
- ✓ Proposal seeks to complement existing medical and social supports.



Projected for FY 2007

19% of the Medicaid Population = 55% of the Expenditures

**Aged, Blind, and Disabled (ABD)  
Management  
Clinical and Member Services (page 4, #18)**

Programs:

**Aged, Blind, and  
Disabled**

<b>PROPOSED: Clinical and Member Services</b>	<b>All Non-CMO Members</b>	<b>Select Non-CMO Members</b>
<b>Level of Care Determination</b>		<b>X</b>
<b>Utilization Review</b> (Prospective (i.e. Gatekeeping), Concurrent and Retrospective)		<b>X</b>
<b>Care Management</b> (Case Management and Disease Management)		<b>X</b>
<b>Nurse Call Line</b>	<b>X</b>	

**Timeline:**

**February 2006 – RFP Release**

**October 2006 – Begin Clinical and Member Services**

Aged, Blind, and Disabled (ABD)  
Management  
Fraud & Abuse (page 4, #18)

Programs:

Aged, Blind, and  
Disabled

## **Fraud & Abuse Surveillance and Prevention**

### ■ **Targeted reviews**

- By procedure
- By category of service
- By provider type

### ■ **Clinical reviews**

### ■ **Timeline:**

- February 2006 – RFP Release**
- July 2006 – Begin Initiatives**

## Eligibility

(page 4, #7c, page 4, #21, and page 5, #30)

### Programs:

Aged, Blind, and  
Disabled

Low Income Medicaid  
Administration

**PROPOSAL: Reduce Medicaid costs by eliminating self-declaration of income and implementing a centralized third-party verification of income and assets for both enrollment and re-enrollment.**

- ✓ **Proof of Income**
- ✓ **Proof of Citizenship**
- ✓ **Fraud & Abuse Control**
- ✓ **Use of external databases to validate eligibility**
- ✓ **Complements existing SUCCESS eligibility determination system**

**Projected State Fund Savings = \$25 million**  
**(ABD - \$6.25M, LIM - \$18.75M)**

**Requested Administrative Costs = \$1.6 million (state funds)**

# SHBP FY 2007 Projections BEFORE Governor's Recommendation (page 5, #36)

Programs:  
State Health Benefit Plan

## REVENUE:

Growth Projected at **1.8%** with **\$2.2 billion** in collections

- Employer Share of revenue not premium based, but tied to Payroll

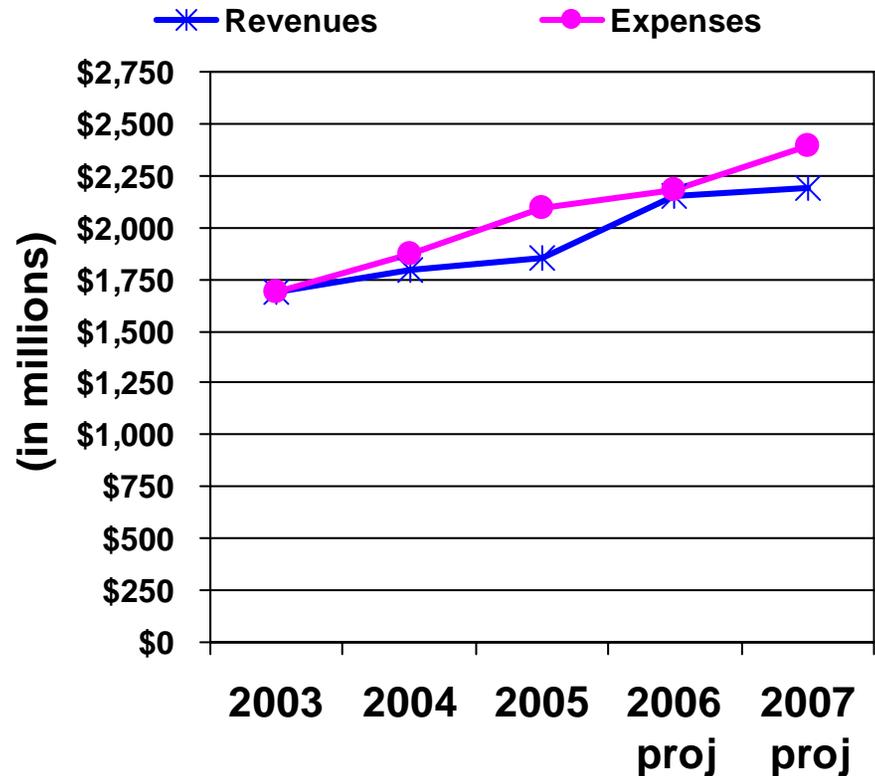
## EXPENDITURES:

Growth Projected at **9.8%** with **\$2.4 billion** in expenditures

- Savings initiatives beginning in January 2006 are annualized for FY 2007, reducing typical, status quo growth of 12 – 15%

**Annual Deficit - \$211 million**

## BEFORE GOVERNOR REC



***In FY 2006, Employees pay 27.4% of Premiums***

# SHBP FY 2007 Projections

AFTER Governor's  
Recommendation (page 5, #36)

Programs:  
State Health Benefit Plan

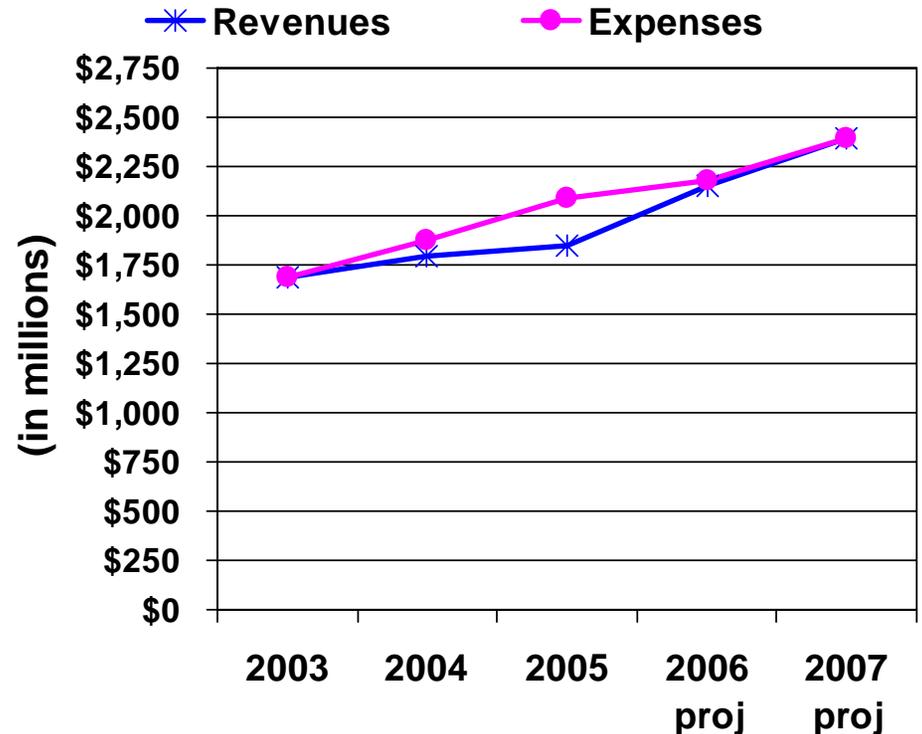
## REVENUE:

Growth at **11.4%** with \$2.4 billion in collections

Governor's Recommended budget for FY 2007 provides \$207 million in funds toward the premium

This covers the annual deficit (assuming the Legislative and Judicial branches provide the additional \$4M)

## AFTER GOVERNOR REC



***In FY 2007, Employees would pay 25.1% of Premiums***

# Program Budget Summary

FY 2007 – 11.3% Increase in Total Funds

Program	FY06 Current Budget	Total Fund Changes	FY06 Governor's Recommendation
Aged, Blind, and Disabled Medicaid	\$3,586,371,934	\$358,596,151	\$3,944,968,085
Low Income Medicaid	2,631,014,671	(212,781,794)	2,418,232,877
PeachCare for Kids	241,496,714	8,167,498	249,664,212
Indigent Care Trust Fund	368,267,504	430,699,211	798,966,715
Nursing Home Provider Fee	248,196,640	(2,388,712)	245,807,928
Health Care Access	6,436,389	63,066	6,499,455
Administration and Program Support	308,047,110	29,427,832	337,474,942
State Health Benefit Plan	1,959,882,468	451,551,594	2,411,434,062
Attached Agencies	42,054,895	189,571	42,244,466
<b>TOTAL</b>	<b>\$9,391,768,325</b>	<b>\$1,063,524,417</b>	<b>\$10,455,292,742</b>

# Program Budget Summary

## FY 2007 – 5.7% Increase in State Funds

Program	FY06 Current Budget	State Fund Changes	FY06 Governor's Recommendation
Aged, Blind, and Disabled Medicaid	\$897,259,297	\$91,675,793	\$988,935,090
Low Income Medicaid	1,085,234,722	(111,898,686)	973,336,036
PeachCare for Kids	67,159,673	0	67,159,673
Indigent Care Trust Fund	0	149,250,635	149,250,635
Nursing Home Provider Fee	100,229,284	(942,108)	99,287,176
Health Care Access	5,786,551	63,066	5,849,617
Administration and Program Support	62,221,212	580,987	62,802,199
State Health Benefit Plan	0	0	0
Attached Agencies	42,054,895	189,571	42,244,466
<b>STATE/TOBACCO</b>	<b>\$2,259,945,634</b>	<b>\$128,919,258</b>	<b>\$2,388,864,892</b>

# Other Funding Issues Not Included

- Medicare Part D for FY 2007 - \$13.2 million
  - State to continue negotiating with CMS to eliminate clawback cost
- Legislative Cuts Not Realized - \$9.8 million
  - Disease Management, SOURCE, ER Pilot
- Private Hospital DSH funding for FY 2007 - \$14 million
  - Hospital Industry evaluating options for FY 2007 and beyond



**GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH**