

# Fiscal Year 2006 & 2007 Medicaid Benefits



GEORGIA DEPARTMENT OF  
COMMUNITY HEALTH

Presentation to Board of  
Community Health  
July 14, 2005

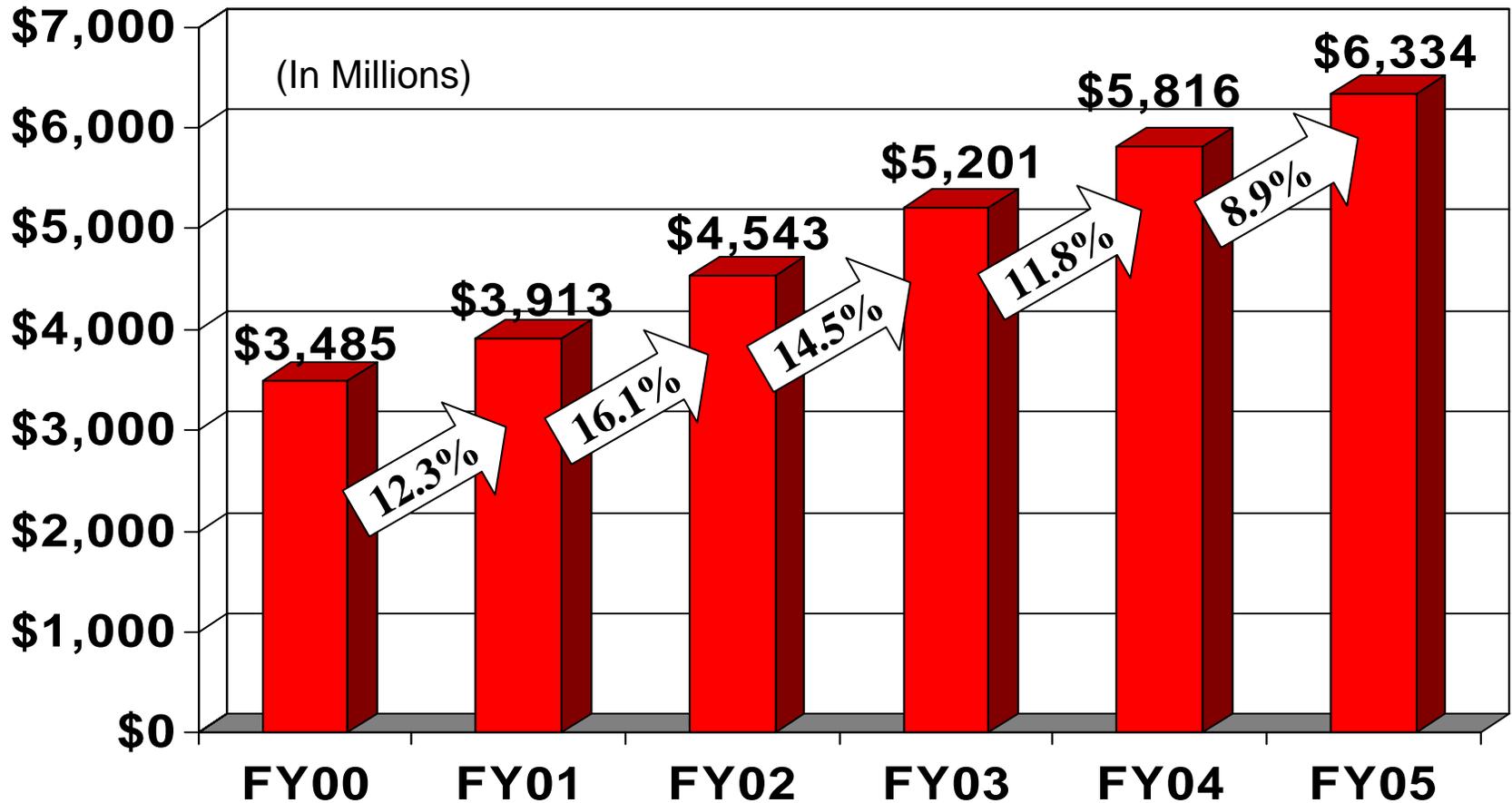


## Topics to Discuss

1. Historical Expenditures
2. Cost Drivers
3. Future Needs
4. Governor's Budget Instructions
5. Discussion of Options



# Medicaid Accrual Expense And Growth by Fiscal Year



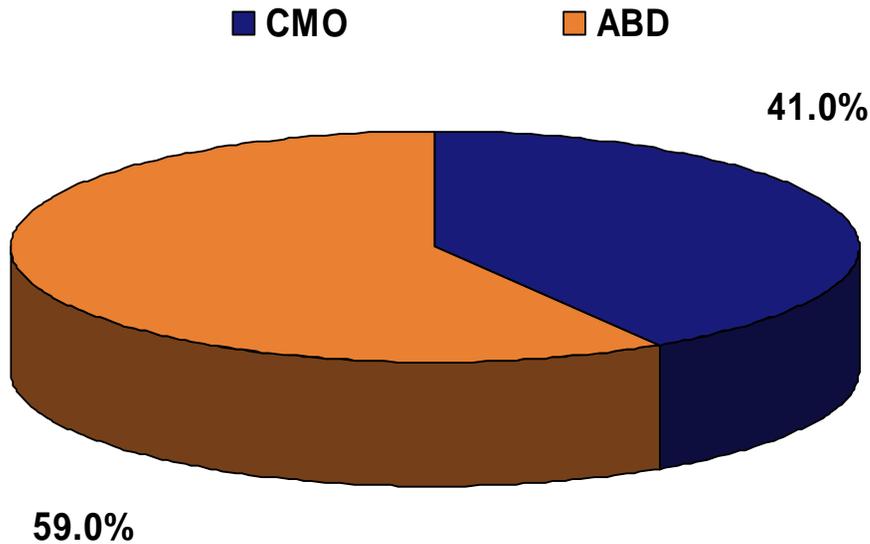
Note: Preliminary figures based on payments made through March 31, 2005, subject to update



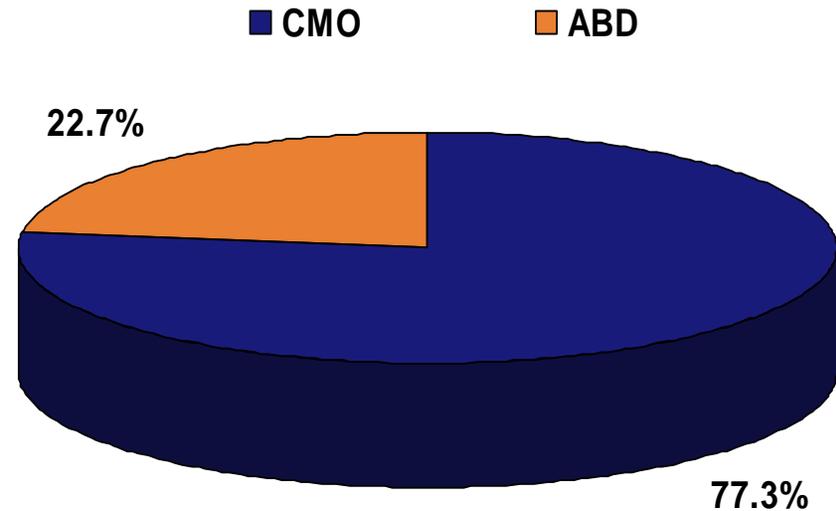
# Who Drives Expense?

The Aged, Blind and Disabled consume 59% of all Medicaid resources but only constitute 23% of total enrollment

**EXPENSE**



**ENROLLMENT**





## What Drives Expense?

**ENROLLMENT** – The total count of members enrolled over the course of a plan year

**PRICE** – The price paid per unit of service utilized

e.g. Net Payment/Unit of Service

**UTILIZATION** – The amount of services utilized over the entire enrollment base

e.g. Unit of Services/1,000 Members

**Scope of Services** – The benefit plan provided to members



# Enrollment

## Enrollment Drivers

- ✓ Micro/Macro Economic Indicators
- ✓ Population Growth (GA ~ 1.8% per year)
- ✓ Population Disease and Condition Burden
- ✓ Legislative/Regulatory Mandates (TANF Reinstatement, Olmstead)
- ✓ Marketing, Outreach, Awareness

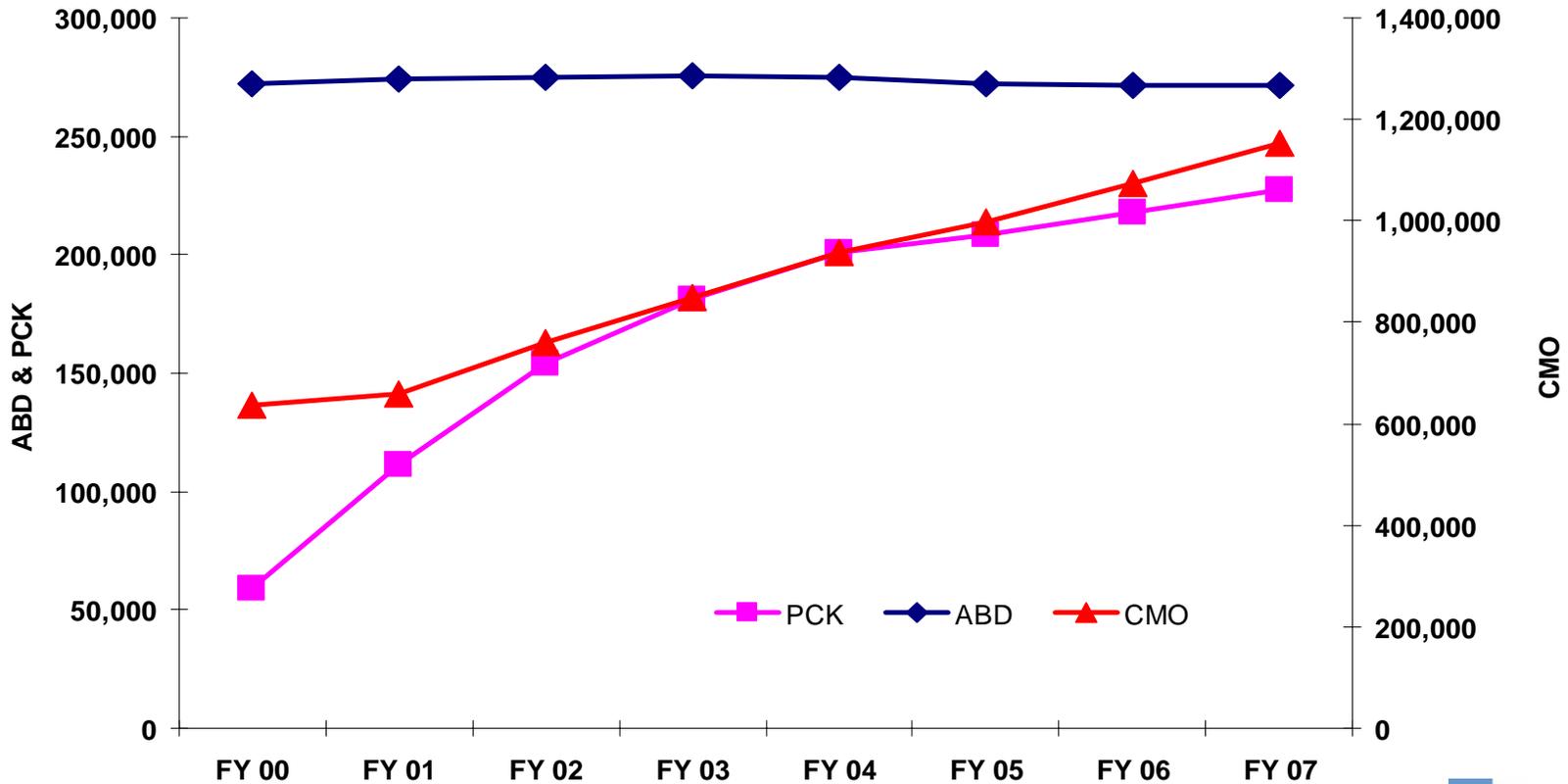
## Policy/Budget Controls

- ✓ Right From the Start Medicaid (RSM)
- ✓ Medically Needy in Nursing Home



# FY00 – FY05 Enrollment Growth

- ✓ 500,000 new members between FY00 & FY05 = 50% enrollment growth
- ✓ Average of 100,000 new members per year





# Price

## Price Drivers

- ✓ Free Market (Pharmacy)
- ✓ Medical Inflation
- ✓ Patient Acuity Levels
- ✓ Reimbursement Policy (OP Hospital)

## Policy/Budget Controls

- ✓ Rate Cuts
- ✓ No Rate Updates
- ✓ Capitation (CMOs, NET)
- ✓ Case Mix



# Utilization

## Utilization Drivers

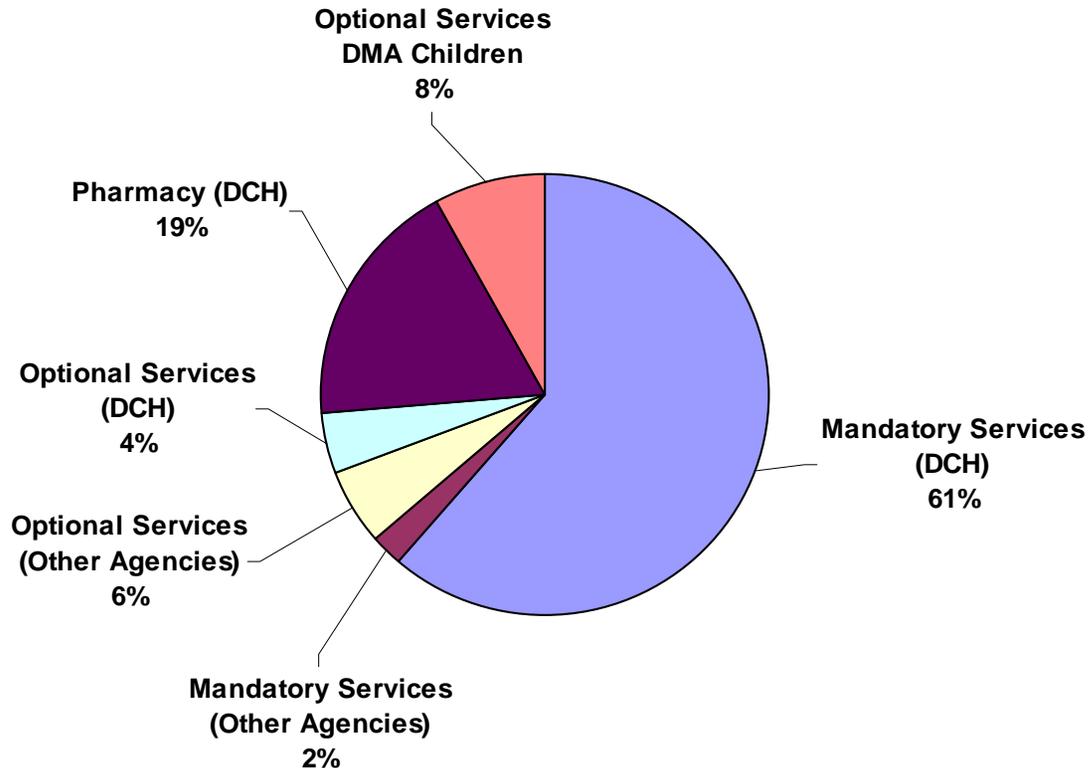
- ✓ No Medical Home
- ✓ Limited Knowledge on How to Access the Healthcare System
- ✓ Access to Care
- ✓ Acuity Level of Patient

## Policy/Budget Controls

- ✓ Prior Authorization
- ✓ Unit Limits
- ✓ Prescription Limits
- ✓ Lock-in Program
- ✓ Managed Care
- ✓ Precertification



# Scope of Services



## Top 5 Optional Services\*

- ✓ Pharmacy
- ✓ Children's Dental
- ✓ Children's Intervention Services
- ✓ Dialysis
- ✓ Hospice

\* Includes DCH state fund services only

\* All services rendered to children are classified as mandatory due to EPSDT requirements



## Other Administrative Controls Affecting Cost

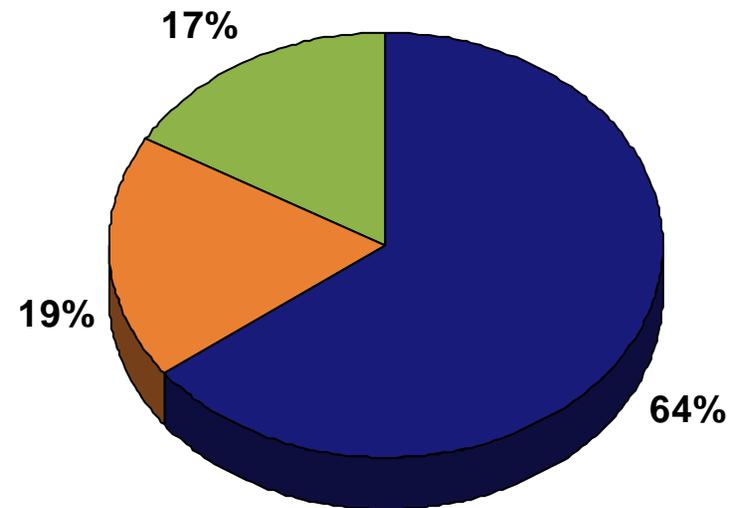
- ✓ Cost Avoidance via Third Party Liability Initiative
- ✓ Population Management
  - Care Management Organizations
  - Disease Management Organizations
  - SOURCE
- ✓ Claims Administration
- ✓ Eligibility Determination
- ✓ Certificate of Need



# Cost Drivers for FY 2007 Projection

- Expect Accrual Expense to be 9.6% higher in FY 2007 than in FY 2006
- 64% of Increase driven by enrollment
  - LIM and RSM biggest increase
  - Expect enrollment to continue growing by 6.2% in FY 2007
- Utilization and Price growth smaller components
  - Rate cuts or no rate increases to providers
  - Acuity Levels driving some utilization

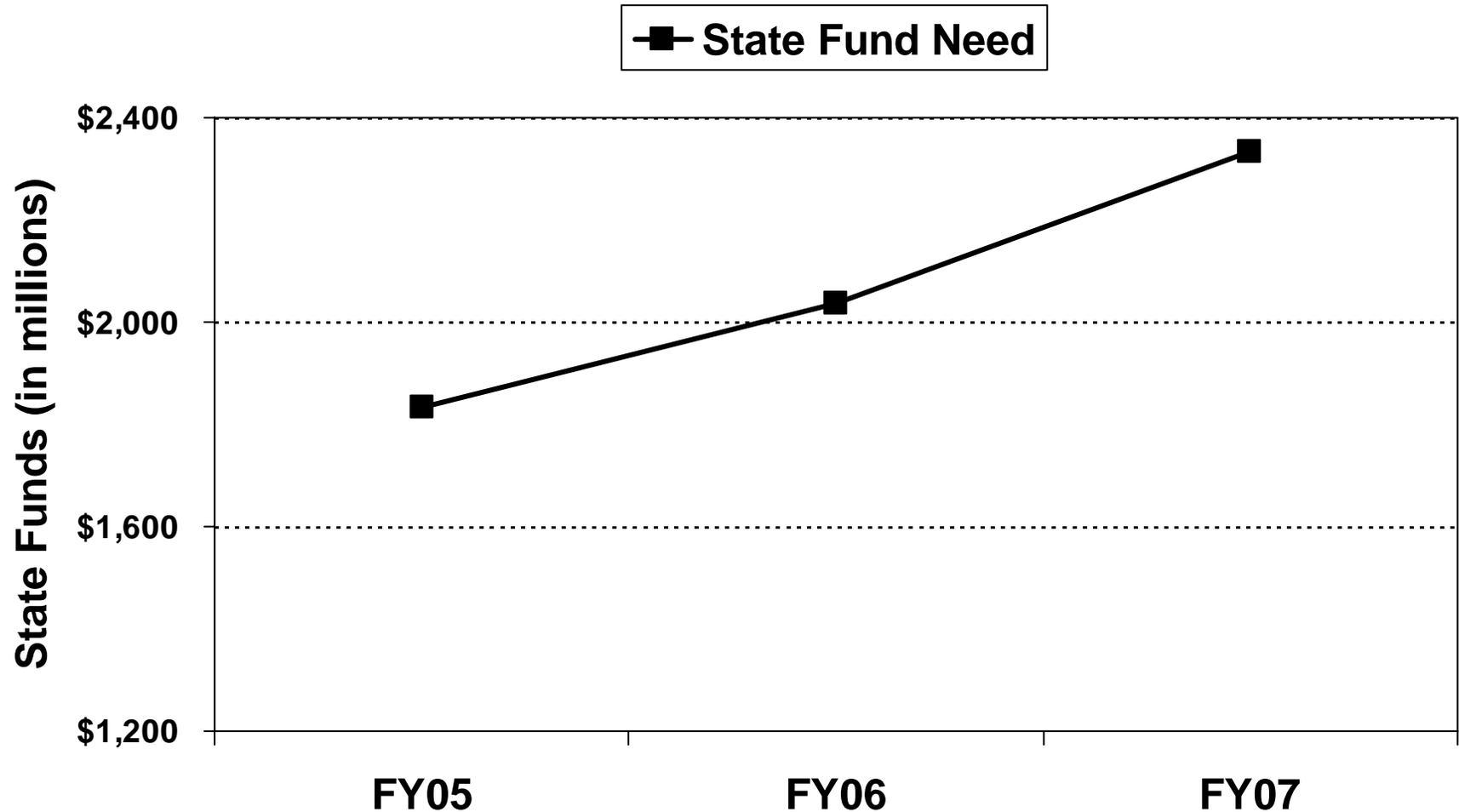
## Cost Drivers - FY 2007 Medicaid Benefits



■ Enrollment ■ Utilization ■ Price



# Medicaid Benefit Projections Status Quo





# Governor's Budget Instructions

**FY 2006 – No new state appropriations – Manage within the existing appropriation**

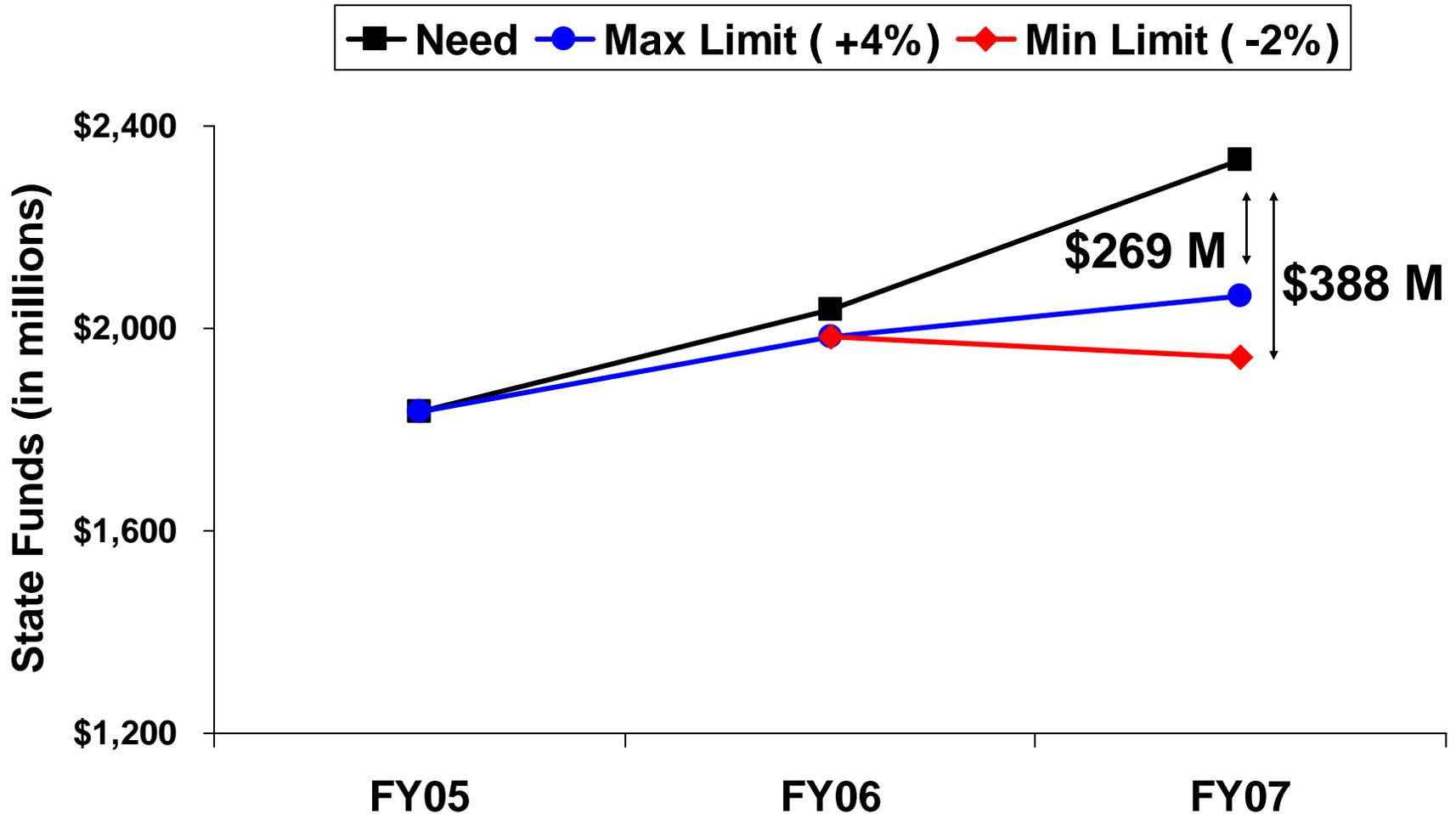
**FY 2007 – Submit Two Scenarios**

- 1. Budget Proposal Equal to 98% of FY 2006 Appropriation**
- 2. Budget Proposal Equal to 104% of FY 2006 Appropriation**

**Medicaid Exemptions To Be Determined**



# Medicaid Benefit Projections Need versus Limits





# What are the Options?

- 1. Managed Care Savings**
- 2. Enrollment Controls**
- 3. Utilization Controls**
- 4. Price Controls**
- 5. Change in Scope of Service**
- 6. Other Administrative Controls**