

Fiscal Year 2007 Amended and Fiscal Year 2008 Governor's Recommended Budget

Presentation to
Joint Appropriations Committee
January 17, 2007



Dr. Rhonda M. Medows, Commissioner, Department of Community Health



Department of Community Health

- Georgia Medicaid 1.3 million people
- Peach Care for Kids 270,000 people
- State Health Plan 669,000 people

- Health Improvement
 - Rural Health & Hospital Grants
 - Minority, Women's and Men's Health
 - Volunteers in Medicine

- Certificate of Need & Health Planning



2

Governor's Budget Recommendations Summary

- All Programs (Medicaid, Peach Care, State Health Benefit Plan)
 - No Benefit or Eligibility Reductions
- Amended FY 2007
 - Medicaid: Appropriations expected to meet projected expenditures for 2007
 - Projected 2008 Medicaid Deficit: Depletion of prior years' surplus funds
 - State Health Plan: Appropriations expected to meet projected expenditures
 - PeachCare: Contingent on the availability of additional federal matching funds
- FY 2008
 - Medicaid Annual Expenditure Growth
 - Medicaid Long Term Care Rate Increases
 - State Health Plan Employer (State) & Employee Rate Increase
 - OPEB Initial Funding
 - Health Information & Transparency Funding
 - Rural Health Access Pilots

Agenda

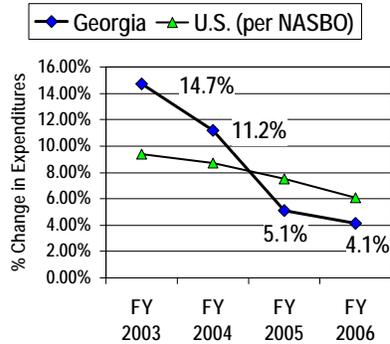
- Medicaid Fiscal Report
- Key Components of Governor's Recommended Budget
 - Addressing End of Prior-Year Surplus
 - Growth in Medicaid Benefits in FY 2008
 - Changes to Programmatic Budget Structure
 - State Health Benefit Plan (SHBP) Funding
- Detailed Review of Governor's Recommended Budget
- PeachCare for Kids - Federal Funding Deficit
- Questions

Medicaid Fiscal Report Historical Benefits Expense

FY 2006 Total Incurred Expense **4.1%** higher as compared to FY 2005

- Medicaid enrollment increased 1.7%
- Increase in other agency funded programs (primarily waivers)
- Increase in physician and inpatient services
- Reduction in interim payments for outpatient hospital services

Growth in Annual Medicaid Benefits Expenditures



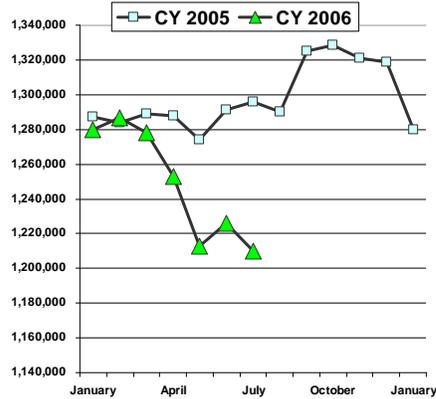
Medicaid Fiscal Report FY 2007

FY 2007 Total Incurred Expense projected to be **4.6%** higher as compared to FY 2006

- 1.7% projected growth in enrollment
- Projected Per Member Per Month (PMPM) increased but at a lower growth rate due to:
 - managed care implementation in the Low-Income Medicaid (LIM) program
 - implementation of administrative service organization (ASO) functions for Aged, Blind and Disabled members

Current Appropriations are expected to cover projected cash expenditures

Medicaid Monthly Enrollment



SOURCE: Eligibility as of 10/06; eligibility with retro counts not available for 8/06 thru 10/06

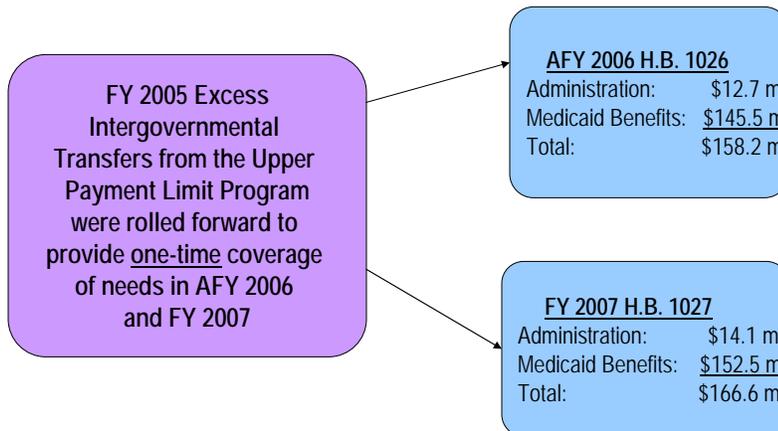
Medicaid Fiscal Report FY 2008

FY 2008 Total Incurred Expense projected to be **5.8%** higher as compared to FY 2007

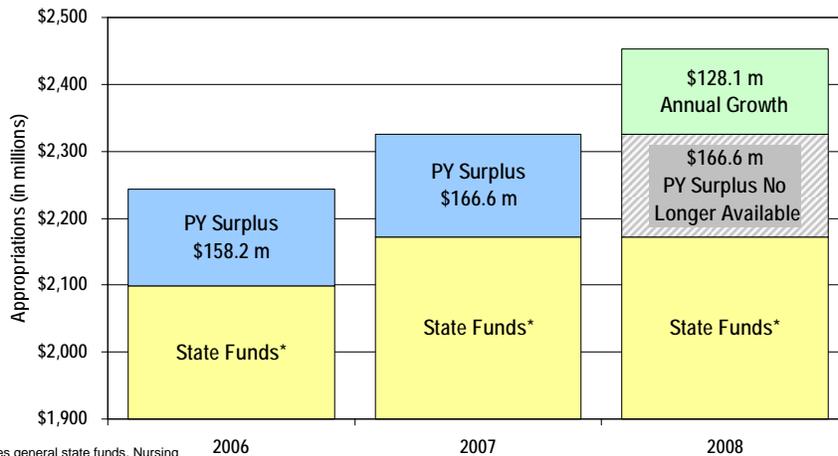
- \$391.7 m in Total Expense and **\$128.1 m in DCH State Funds**
 - Projected **3.7%** enrollment growth: ~50,000 members
 - 1.37 m projected average monthly members
 - Growth primarily in Low-Income Medicaid (LIM)
 - Assume medical CPI* growth in Care Management Organization (CMO) capitation rates (will depend on actuarial-based negotiations with CMO's)
 - Enrollment and PMPM costs in Aged, Blind and Disabled expected to be stable due to FY 2007 implementation of administrative services organizational (ASO) functions.

* Consumer Price Index

Addressing End of Prior-Year Surplus Use of Prior Year (PY) Surplus



Addressing End of Prior-Year Surplus Impact of PY Surplus Use



*Includes general state funds, Nursing Home Provider Fees and CMO Quality Assessment Fees

Addressing End of Prior Year Surplus FY 2008 Need

PY Surplus Used Up in FY 2006 and FY 2007	Governor recommends funding need in AFY 2007		
	<u>Program</u>	<u>Budget Year/ Reference</u>	<u>Amount</u>
FY 2008 Need: \$166.6 m	Administration	AFY 07, p. 34 #2	\$14,130,000
	ABD* Medicaid	AFY 07, p. 34 #3	\$72,641,804
	LIM	AFY 07, p. 35 #2	\$79,826,278
	Total		\$166,598,082

* Aged, Blind, and Disabled

Growth in Medicaid Benefits in FY 2008 Source of Funding

Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #2	ABD	Pre-fund projected FY 2008 Medicaid expenses.	\$68,442,958
AFY 2007	p. 35, Item #1	LIM	Pre-fund projected FY 2008 Medicaid expenses.	\$671,660
FY 2008	p. 100, Item #11	Medicaid	Provide funds for Medicaid incurred benefits growth.	\$59,018,607
Total Funds for FY 2008 Medicaid Growth				\$128,133,225

Changes to Programmatic Budget Structure FY 2008

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		2) Low-Income Medicaid
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		3) Nursing Home Provider Fees
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		4) Medicaid CMO QA Fee
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

State Health Benefit Plan Funding FY 2008 New Revenue

Governor's Recommendation (page 101, #1)

“Increase funds to reflect appropriated contributions for state health benefit payments and other post employment benefits for state employees (Total \$276,102,603).”

Reference	Description	Amount
p. 101, Item #1	Increase funds to reflect appropriated contributions for State Health Benefit Plan payments.	\$176,102,603
p. 15, FY 2008 Budget Highlights, Community Health, 2 nd bullet	Increase funds to reflect appropriated contributions for Other Post Employment Benefits (OPEB) for state employees.	\$100,000,000
		\$276,102,603

Key Components of Governor's Recommended Items

Amended FY 2007 (pages 34-37)

Detailed Review of AFY 2007 Administration

Program Transfers				
Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #1	Admin	Redirect funds from the ABD program to correctly reflect FY 2005 state funds reserved for benefits.	\$14,130,000
AFY 2007	p. 34, Item #1	ABD	Redirect funds from the ABD program to correctly reflect FY 2005 state funds reserved for benefits.	(\$14,130,000)
Total Funds for AFY 07 Program Transfers				\$ -

Detailed Review of AFY 2007 Administration

PY Surplus Used Up in FY 2006 and FY 2007	Governor recommends funding need in AFY 2007		
	<u>Program</u>	<u>Budget Year/ Reference</u>	<u>Amount</u>
	Administration	AFY 07, p. 34 #2	\$14,130,000
FY 2008 Need: \$166.6 m	ABD Medicaid	AFY 07, p. 34 #3	\$72,641,804
	LIM	AFY 07, p. 35 #2	\$79,826,278
	Total		\$166,598,082

Detailed Review of AFY 2007 Aged, Blind and Disabled

Program Transfers				
Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #1	Admin	Redirect funds from the ABD program to correctly reflect FY 2005 state funds reserved for benefits.	\$14,130,000
AFY 2007	p. 34, Item #1	ABD	Redirect funds from the ABD program to correctly reflect FY 2005 state funds reserved for benefits.	(\$14,130,000)
Total Funds for AFY 07 Program Transfers				\$ -

Detailed Review of AFY 2007 Aged, Blind and Disabled

Source of Funding for FY 2008 Medicaid Growth				
Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #2	ABD	Pre-fund projected FY 2008 Medicaid expenses.	\$68,442,958
AFY 2007	p. 35, Item #1	LIM	Pre-fund projected FY 2008 Medicaid expenses.	\$671,660
FY 2008	p. 100, Item #11	Medicaid	Provide funds for Medicaid incurred benefits growth.	\$59,018,607
Total Funds for FY 2008 Medicaid Growth				\$128,133,225

Detailed Review of AFY 2007 Aged, Blind and Disabled

Addressing FY 2008 Base			
PY Surplus Used Up in FY 2006 and FY 2007	Governor recommends funding need in AFY 2007		
	<u>Program</u>	<u>Budget Year/ Reference</u>	<u>Amount</u>
	Administration	AFY 07, p. 34 #2	\$14,130,000
FY 2008 Need: \$166.6 m	ABD Medicaid	AFY 07, p. 34 #3	\$72,641,804
	LIM	AFY 07, p. 35 #2	\$79,826,278
	Total		\$166,598,082

Detailed Review of AFY 2007 Indigent Care Trust Fund

Properly Reflect CMO Provider Fees		
Reference	Description	Amount
p. 35, ICTF Item #1	Reflect projected quality assessment fees for the PeachCare program (Total Funds: \$84,408,753).	\$22,613,105
p. 35, ICTF Item #2	Reflect projected quality assessment fees for the Low-Income Medicaid program (Total Funds: \$15,608,361)	(\$5,988,928)
Total Adjustment to AFY 2007 CMO Fees		\$16,624,177

Detailed Review of AFY 2007 Low-Income Medicaid

Source of Funding for FY 2008 Medicaid Growth				
Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #2	ABD	Pre-fund projected FY 2008 Medicaid expenses.	\$68,442,958
AFY 2007	p. 35, Item #1	LIM	Pre-fund projected FY 2008 Medicaid expenses.	\$671,660
FY 2008	p. 100, Item #11	Medicaid	Provide funds for Medicaid incurred benefits growth.	\$59,018,607
Total Funds for FY 2008 Medicaid Growth				\$128,133,225

Detailed Review of AFY 2007 Low-Income Medicaid

PY Surplus Used Up in FY 2006 and FY 2007	Governor recommends funding need in AFY 2007		
	<u>Program</u>	<u>Budget Year/ Reference</u>	<u>Amount</u>
FY 2008 Need: \$166.6 m	Administration	AFY 07, p. 34 #2	\$14,130,000
	ABD Medicaid	AFY 07, p. 34 #3	\$72,641,804
	LIM	AFY 07, p. 35 #2	\$79,826,278
	Total		\$166,598,082

Detailed Review of AFY 2007 AFY 2007 Budget Summary

Fund Type	FY 2007 Current Budget	AFY 2007 Governor's Recommendation	Difference
Total Funds	\$10,977,722,783	\$11,336,856,941	\$359,134,158
State and Tobacco Funds	\$2,379,182,299	\$2,652,525,094	\$273,342,795
Federal and Other Funds	\$8,598,540,484	\$8,684,331,847	\$85,791,363

AFY 2007 – 12.0% Increase in State Funds Budget

Medicaid (LIM/ABD):	\$207.4 m – Addresses loss of PY surplus and FY 2008 Medicaid growth
Administration:	\$ 28.4 m – Realigns state funds and addresses loss of PY surplus
Indigent Care Trust Fund:	\$ 26.6 m – Adjusts CMO QA Fees and adds funding for private DSH hospitals
Nursing Home Provider Fee:	\$ 10.8 m – Reflects rate increase funded by nursing home provider fees
Health Care Access & Improvement:	\$ 28.2 k – Supports Health Care Improvement Advisory Board
Attached Agencies:	\$ 39.6 k
Total New State Funds:	\$273.3 m

Key Components of Governor's Recommended Items

FY 2008 (pages 96-104)

Detailed Review of FY 2008 Aged, Blind and Disabled

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		2) Low-Income Medicaid
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		3) Nursing Home Provider Fees
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		4) Medicaid CMO QA Fee
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Detailed Review of FY 2008 Health Care Access and Improvement

Health Information Technology Page 97, #3 - \$1 m State General Funds

Transparency - Web site development and implementation

- Georgia Compare Care Web site – pricing and quality information

Pilot project funding - based on Advisory Board recommendations

- 4 projects
 - Health Information Exchange
 - Electronic Health Records
 - E-Prescribing
 - Health Information Decision Support System

Detailed Review of FY 2008 Health Care Access and Improvement

Rural Georgia - Health Care Access Page 97, #1 - \$1.5 m Tobacco Settlement Funds

Purpose - Georgia's Rural Health Safety Net Program

Invest in the creation of non-traditional, regional systems that are financially viable and designed to meet the health needs and service demands of rural communities.

Desired Outcomes are:

- Improve rural health
- Strengthen the health care safety net
- Introduce health care as a strategic industry in Georgia

The FY 2008 funds will provide for the planning and development phase-in for three to five regions.

Funding will be awarded through a competitive application process.

Detailed Review of FY 2008 Indigent Care Trust Fund

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid 2) Low-Income Medicaid 3) Nursing Home Provider Fees 4) Medicaid CMO QA Fee
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change		3. SHBP
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Detailed Review of FY 2008 Low-Income Medicaid

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		2) Low-Income Medicaid
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		3) Nursing Home Provider Fees
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		4) Medicaid CMO QA Fee
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Detailed Review of FY 2008 Medicaid

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		2) Low-Income Medicaid
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		3) Nursing Home Provider Fees
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		4) Medicaid CMO QA Fee
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Detailed Review of FY 2008 Medicaid

- Transfer of CMO Administration costs from PeachCare for Kids capitation rates to Medicaid capitation rates

Fiscal Year	Reference	Program	Description	Amount
FY 2008	p. 100, Item #10	Medicaid	Transfer funds to reflect administrative rate adjustments.	\$8,214,959
FY 2008	p. 101, Item #3	PeachCare for Kids	Transfer funds to reflect administrative rate adjustments.	(\$8,214,959)
Total Funds for FY 2008				\$ 0

Detailed Review of FY 2008 Governor's Recommended Items Source of Funding for FY 2008 Medicaid Growth

Fiscal Year	Reference	Program	Description	Amount
AFY 2007	p. 34, Item #2	ABD	Pre-fund projected FY 2008 Medicaid expenses.	\$68,442,958
AFY 2007	p. 35, Item #1	LIM	Pre-fund projected FY 2008 Medicaid expenses.	\$671,660
FY 2008	p. 100, Item #11	Medicaid	Provide funds for Medicaid incurred benefits growth.	\$59,018,607
Total Funds for FY 2008 Medicaid Growth				\$128,133,225

Detailed Review of FY 2008 Medicaid

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 <u>Tobacco: + \$50,973,656</u> Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		2) Low-Income Medicaid
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		3) Nursing Home Provider Fees
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		4) Medicaid CMO QA Fee
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Detailed Review of FY 2008 Nursing Home Provider Fees

A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 <u>Tobacco: + \$50,973,656</u> Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		2) Low-Income Medicaid
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		3) Nursing Home Provider Fees
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		4) Medicaid CMO QA Fee
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Detailed Review of FY 2008 PeachCare for Kids

- Transfer of CMO Administration costs from PeachCare for Kids capitation rates to Medicaid capitation rates

Fiscal Year	Reference	Program	Description	Amount
FY 2008	p. 100, Item #10	Medicaid	Transfer funds to reflect administrative rate adjustments.	\$8,214,959
FY 2008	p. 101, Item #3	PeachCare for Kids	Transfer funds to reflect administrative rate adjustments.	(\$8,214,959)
Total Funds for FY 2008				\$ 0

Detailed Review of FY 2008 PeachCare for Kids

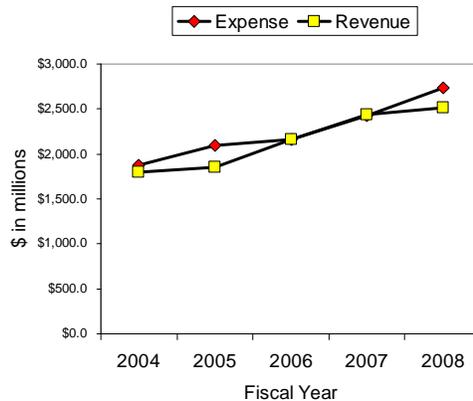
A. Current Program Structure		B. Proposed Structure	
1. Aged, Blind and Disabled Medicaid (p. 97, #1)	(\$1,088,523,973)	1. Medicaid (p. 99, #4 and p. 100, #1) <i>Sub-Programs</i>	State General: \$2,118,562,926 Tobacco: + \$50,973,656 Total: \$2,169,536,582
2. Low-Income Medicaid (p. 98, State General Funds #1)	(\$785,251,142)		1) Aged, Blind and Disabled Medicaid 2) Low-Income Medicaid 3) Nursing Home Provider Fees 4) Medicaid CMO QA Fee
3. Low-Income Medicaid (p. 98, Tobacco Funds #1)	(\$50,973,656)		
4. Nursing Home Provider Fees (p. 100, #1)	(\$99,287,176)		
5. Indigent Care Trust Fund (p.98, #1)	(\$145,500,635)		
6. PeachCare for Kids (PCK)	No Change	2. PCK <i>Sub-Programs</i>	1) PeachCare Benefits 2) PeachCare CMO QA Fee
7. State Health Benefit Plan (SHBP)	No Change	3. SHBP	No Change
8. Health Access and Improvement	No Change	4. Health Access and Improvement	No Change
9. Administration	No Change	5. Administration	No Change
TOTAL	(\$2,169,536,582)		\$2,169,536,582

Detailed Review of FY 2008 State Health Benefit Plan

FY 2008 Fiscal Overview

- Total Expenditure Growth at 12.7% in FY 2008
 - 10.2% PMPM growth
 - 2.5% enrollment growth (~8,000 employees new to SHBP)
- Need \$215 million in new revenue or expenditure reduction

SHBP Fiscal Status



Detailed Review of FY 2008 State Health Benefit Plan

Governor's Recommendation (page 101, #1)

"Increase funds to reflect appropriated contributions for state health benefit payments and other post employment benefits for state employees (Total \$276,102,603)."

Reference	Description	Amount
p. 101, Item #1	Increase funds to reflect appropriated contributions for State Health Benefit Plan payments.	\$176,102,603
p. 15, FY 2008 Budget Highlights, Community Health, 2 nd bullet	Increase funds to reflect appropriated contributions for Other Post Employment Benefits (OPEB) for state employees.	\$100,000,000
		\$276,102,603

Detailed Review of FY 2008 State Health Benefit Plan

Governor's recommended budget for FY 2008 covers \$215 million need by:

- *Increasing the employer's contribution by increasing the percent of payroll by 1.821% (from 16.713% to 18.534%.)*
 - \$176 million appropriated to executive branch state agencies and local boards of education to cover an increase in employers' contributions. (page 101, #1)
 - \$9 million received from additional employers' contributions made by the Legislative and Judicial branches. (Currently not reflected in the Governor's Budget recommendations)
- *Increasing the employee's contribution by increasing premiums by 10% beginning January 1, 2008. (\$30 million)*

Detailed Review of FY 2008 State Health Benefit Plan

Increasing the employee's contribution by increasing premiums by 10% beginning January 1, 2008. (\$30 million)

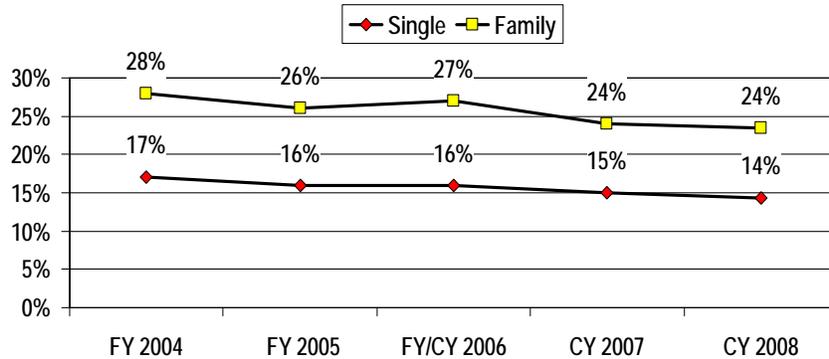
- PPO Increase estimated to cost members with single coverage an additional \$7.11 per month, while members with family coverage would pay \$21.72 more.

FY 2007 Salary	FY 2008 3% Salary Increase on Sept 1, 2007*	PPO Family FY 2008 Increase on Jan 1, 2008	FY 2008 Difference	Net % Increase
\$30,000	\$750	\$130.32	\$620	2.1%
\$40,000	\$1,000		\$870	2.2%
\$50,000	\$1,250		\$1,120	2.2%

*Reflects effective pay raise date for teachers – does not consider step increases for longevity for teachers; non-certificated school service personnel receive a three percent increase on July 1, 2007 and state employees receive a three percent increase on January 1, 2008

Detailed Review of FY 2008 State Health Benefit Plan

History
Employee Share of PPO Premiums



Detailed Review of FY 2008 State Health Benefit Plan

Governor's Recommendation (page 101, #1)

"Increase funds to reflect appropriated contributions for state health benefit payments and other post employment benefits for state employees (Total \$276,102,603)."

Reference	Description	Amount
p. 101, Item #1	Increase funds to reflect appropriated contributions for State Health Benefit Plan payments.	\$176,102,603
p. 15, FY 2008 Budget Highlights, Community Health, 2 nd bullet	Increase funds to reflect appropriated contributions for Other Post Employment Benefits (OPEB) for state employees.	\$100,000,000
		\$276,102,603

Detailed Review of FY 2008 State Health Benefit Plan

- States are required to reflect their liabilities for Other Post Employment Benefits (OPEB) beginning in FY 2007.
- The State Health Benefit Plan's OPEB liability is \$17 billion based on a June 30, 2004 valuation. The Annual Required Contribution (ARC) to satisfy this liability is \$1.5 billion a year for 30 years.
- The Governor has recommended **\$100 million** to begin to address the annual OPEB liability for state agencies.
- The \$100 million is generated by increasing state agency payroll contributions by 4.3% from 18.534% to 22.843%.

There are no changes proposed for the Calendar Year 2008 SHBP coverage for retirees to reduce OPEB liability.

Detailed Review of FY 2008 FY 2008 Budget Summary

Fund Type	FY 2007 Current Budget	FY 2008 Governor's Recommendation	Difference
Total Funds	\$10,977,722,783	\$11,747,400,869	\$769,678,068
State and Tobacco Funds	\$2,379,182,299	\$2,503,109,178	\$123,926,879
Federal and Other Funds	\$8,598,540,484	\$9,244,291,691	\$645,751,207

FY 2008 – 5.4% Increase in State Funds Budget

Medicaid: \$101.4 m – Includes partial FY 08 Medicaid growth and increases in provider fees for Nursing Homes and CMOs

Administration: \$6.5 m – Reflects funding for managed care quality review; new administrative resources; and statewide administrative changes

PeachCare for Kids: \$14.2 m – Reduces CMO administration rates and shows changes to CMO fees

Health Care Access: \$1.6 m – Adds funds for rural health and HIT; reduces one-time FY 07 funding

Attached Agencies: \$211.3 k

Total New State Funds: \$123.9 m

State Health Benefit Plan: \$275.9 m – Other funds for OPEB and employer contributions

PeachCare for Kids

Federal Funds Deficit



PeachCare for Kids – Federal Funding Deficit Snapshot of PeachCare

As of December 2006, PeachCare for Kids covered 273,175 children

Comprehensive health care program for uninsured children living in Georgia whose family income is at or below 235% FPL.

The health benefits include primary, preventive, specialist, dental care and vision care. PeachCare for Kids also covers hospitalization, emergency room services, prescription medications and mental health care.

Georgia ranks fourth nationally in numbers of enrolled children. Only California, New York and Texas have enrolled more children.

SFY 2007 Projected Total Expense = **\$427,126,422**

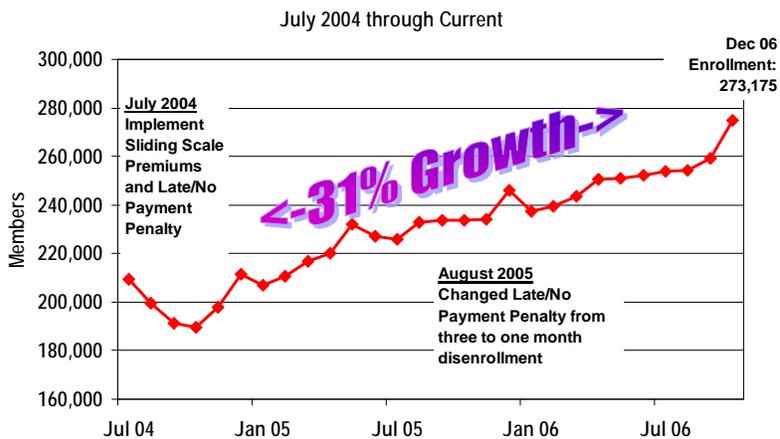
Available SFY 2007 Federal Funds = \$254,874,160

SFY 2007 Projected Federal Expense = \$312,687,294

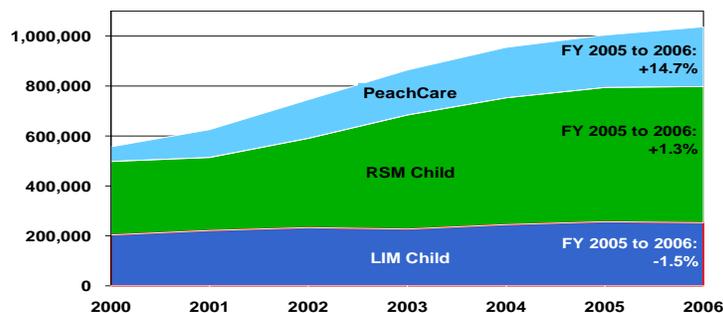
Projected Federal Fund Deficit = **(\$57,813,134)**



PeachCare for Kids – Federal Funding Deficit Monthly Enrollment History



PeachCare for Kids – Federal Funding Deficit Children Covered by DCH Programs



Projected Average Monthly Enrollment

- SFY 2007 = 260,940
- SFY 2008 = 278,955

FY 2007 impact of a 5,000 increase to average annual membership

- Federal expense will increase by \$5.5 million
- State expense will increase by \$2.1 million

Year To Date Average (Oct 06)

SFY 2007 = 260,579

PeachCare for Kids – Federal Funding Deficit **S-CHIP Allotment - Issue**

The Purpose of S-CHIP:

- As stated in its authorizing legislation (BBA 97; Public Law 105-33):
“The purpose of this title is to provide funds to States to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children ...”

The Issue:

- In spite of there being over \$1 billion in surplus federal funds nationwide, several states including Georgia will have a significant deficit of federal funding this year while attempting to continue to address the needs of low-income children.

WHY? The S-CHIP allotment formula:

- Unchanged since its creation in 1997-98
- Does not consider maintenance of effort
- Not reviewed often enough to consider policy and population changes
- States have a long time to spend surplus

PeachCare for Kids – Federal Funding Deficit **S-CHIP Allotment – Federal Solutions**

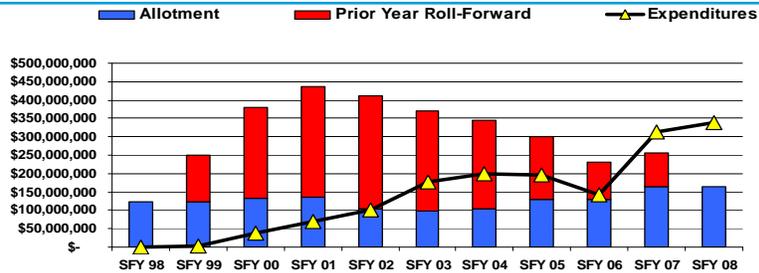
The Federal Solutions:

- 1- **Redistribute current national surplus:** Evaluate current status of federal funds in the states i.e. states with immediate funding need because of a deficit in federal funds and those states able to share a portion of their unused federal allotments.
- 2- **Federal Legislation to shorten** the funding cycle from three to two years allowing more timely review of state needs, deficits and surpluses for redistribution.
- 3- **Develop a new allotment formula.** See the description of the components of the current formula below.

The new formula should include:

- A) Maintenance of effort funds for children already in S-CHIP programs
- B) Mechanisms to ensure a more accurate count of the uninsured & those with low incomes
- C) A determination if a more relevant measure can be used in determining the “cost factor” part of the formula

PeachCare for Kids – Federal Funding Deficit Overview of Federal Funds



(in millions)					
SFY	Allotment	Prior Year Roll-Forward	Federal Expenditures	State Fiscal Year Deficit	Federal Fiscal Year Deficit
SFY 04	\$103.9	\$241.0	\$199.4	-0-	-0-
SFY 05	\$130.9	\$168.2	\$196.6	-0-	-0-
SFY 06	\$129.5	\$102.4	\$142.9	-0-	-0-
SFY 07	\$165.9	\$ 89.0	\$312.7	\$ (57.8)	(\$131.2)
SFY 08	\$165.9	n/a	\$337.1	\$(171.2)	(\$171.7)

Questions

Presentation Available on
www.dch.georgia.gov