

Amended FY 2008 Program Budget



Presentation to
House Appropriations Health Subcommittee
January 22, 2008

Other Agency Funds

Programs and Services Funded by Other Agencies

- State-Owned Nursing Homes (DHR)
- Community Care Services Program (DHR)
- Mental Retardation Waiver Programs (DHR)
- Targeted Case Management Programs (DHR, DJJ)
- Community Mental Health Services (DHR)
- Diagnostic, Preventive, and Screening Services (DHR)
- School Based Medicaid (DOE)

Items 16.2.1 and 16.5.2 are accounting entries to:

- Represent updated projections of amounts other agencies will contribute in state matching funds to Medicaid
 - (Net Increase of \$6,564,586)
- Re-align the budget to reflect the receipt of other agencies' state matching funds in the correct programmatic budgets
 - Reduces ABD by \$96,173,107 (#16.2.1)
 - Increases LIM by \$113,829,336 (#16.5.2)

Aged, Blind, and Disabled Financing

State Funds (in millions)

FY2007 Year End

Revenue	\$1,501.2
Expense	(\$1,187.6)
Surplus	\$313.6

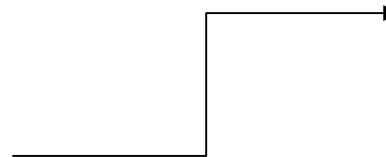
Reserve FY08 Prefund \$145.6

Reserve Against FY07 IBNR \$164.9

Surplus to Treasury \$3.1

FY2008 Projected Use of Funds

Revenue	\$1,404.4
Expense	(\$1,334.6)
Surplus	\$69.8
FY07 IBNR (#16.2.2)	\$164.9
Governor's Reduction (#16.2.3)	(\$70.4)
To Roll to 09	\$164.3



Indigent Care Trust Fund

Disproportionate Share Hospital Program

48 Private Hospitals Qualify for a FY 2008 DSH Payment; however, they cannot finance the state share of the payment like public hospitals (state share = \$13,123,425)

10 Considered Deemed, which means they have a:

- Medicaid inpatient utilization rate of at least one standard deviation above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments in the State; and a
- Low-income utilization rate that exceeds 25 percent.

Federal Regulations (Social Security Act, Title XIX, Section 1923) require payments to hospitals “deemed” as disproportionate.

Item 16.4.1 \$6,660,093 in state funds recommended for deemed hospitals only



DSH Eligible Private Hospitals

Deemed	Not Deemed		
<p>Atlanta Medical Center Barrow Community Hospital Children's Healthcare of Atlanta at Egleston Children's Healthcare of Atlanta at Scottish Rite Donalsonville Hospital, Inc. Memorial Hospital of Adel Minnie G. Boswell Memorial Hospital Phoebe Worth Medical Center South Fulton Medical Center Walton Medical Center</p>	<p>Berrien County Hospital Candler Hospital Cartersville Medical Center Chestatee Regional Hospital Cobb Memorial Hospital Coliseum Medical Centers Crawford Long Hospital of Emory University Doctor's Hospital Doctor's Hospital of Augusta East Georgia Regional Medical Center Emory Eastside Medical Center Emory University Hospital Emory-Adventist Hospital</p>	<p>Fairview Park Hospital Fayette Community Hospital Flint River Community Hospital Gordon Hospital Hamilton Medical Center Hughston Orthopedic Hospital Mountain Lakes Medical Center Newnan West Hospital North Fulton Regional Hospital North Georgia Medical Center Palmyra Medical Centers Piedmont Hospital Piedmont Mountainside Hospital</p>	<p>Redmond Regional Medical Center Shepherd Center Smith Northview Hospital Spalding Regional Hospital St. Francis Hospital St. Joseph Hospital-Atlanta St. Joseph Hospital-Augusta Stewart Webster Hospital Tattnall Community Hospital Taylor Regional Hospital Taylor Telfair Regional Hospital Wheeler County Hospital</p>

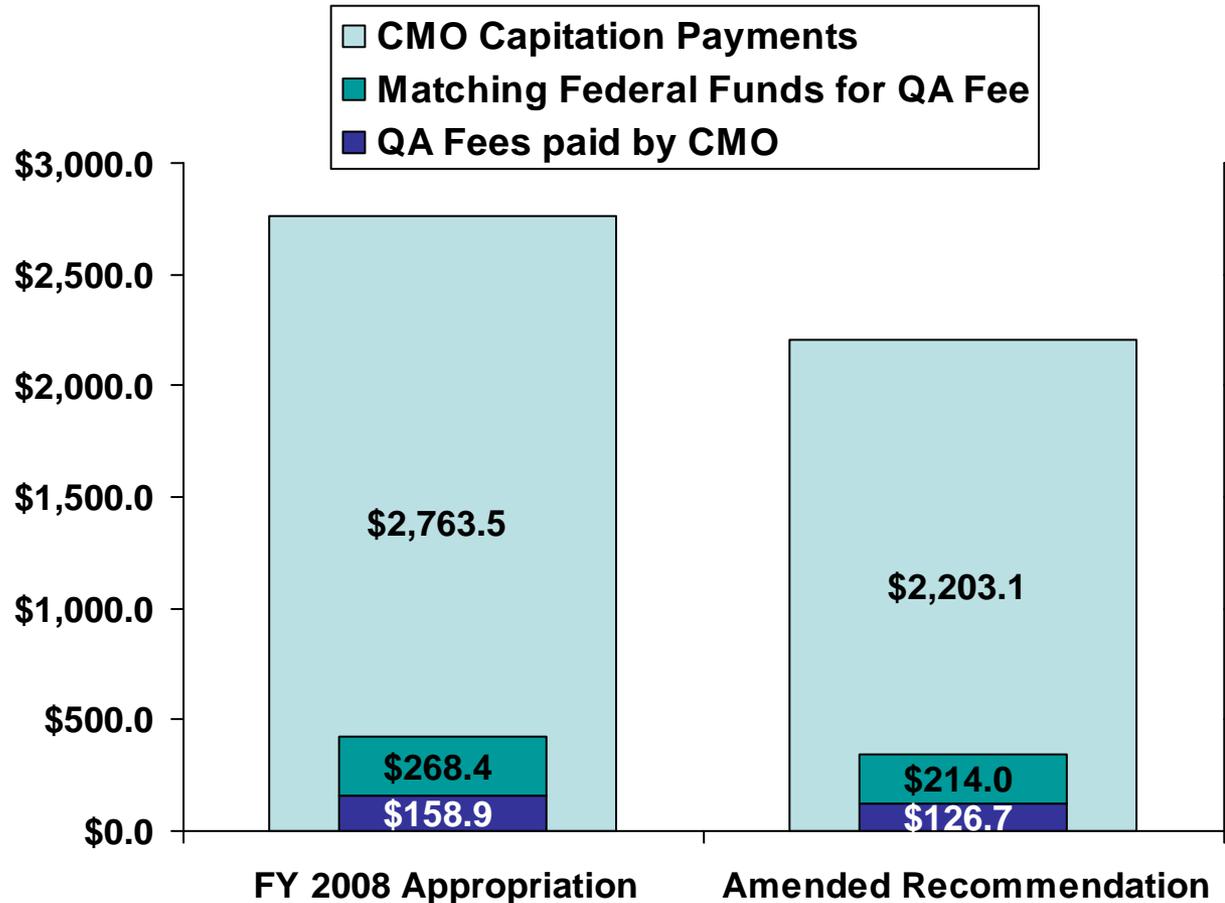
FY 2008 CMO

Quality Assessment Fees - LIM

Item 16.5.1

The FY 2008 QA fee revenues are projected to **decrease by \$32.2 million** due to lower CMO capitation payments as a result of projected lower CMO enrollment.

A change in federal regulations reduced the QA assessment fee from 6% of CMO revenue to 5.5% effective January 1, 2008.



Low Income Medicaid Financing

State Funds (in millions)

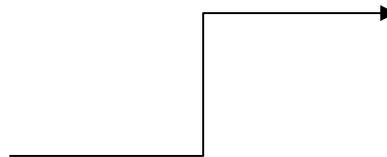
FY2007 Year End

Revenue	\$1,136.3M
Expense	(\$952.4M)
Surplus	\$183.9M

Reserve FY08 Prefund	\$79.8M
Reserve Against FY07 IBNR	\$70.8M
Surplus to Treasury	\$33.3M

FY2008 Projected Use of Funds

Revenue	\$1,029.6
Expense	(\$1,059.6)
Deficit	(\$30.0)
FY07 IBNR	<u>\$70.8</u>
#16.5.3	
To Roll to 09	\$40.8



Factors Impacting PeachCare for Kids Expenditures

Uncertainty of federal program's continuation

- Need for Congress to reauthorize SCHIP by September 30, 2007
- Continuing funding resolutions on month-to-month basis

FY 2007

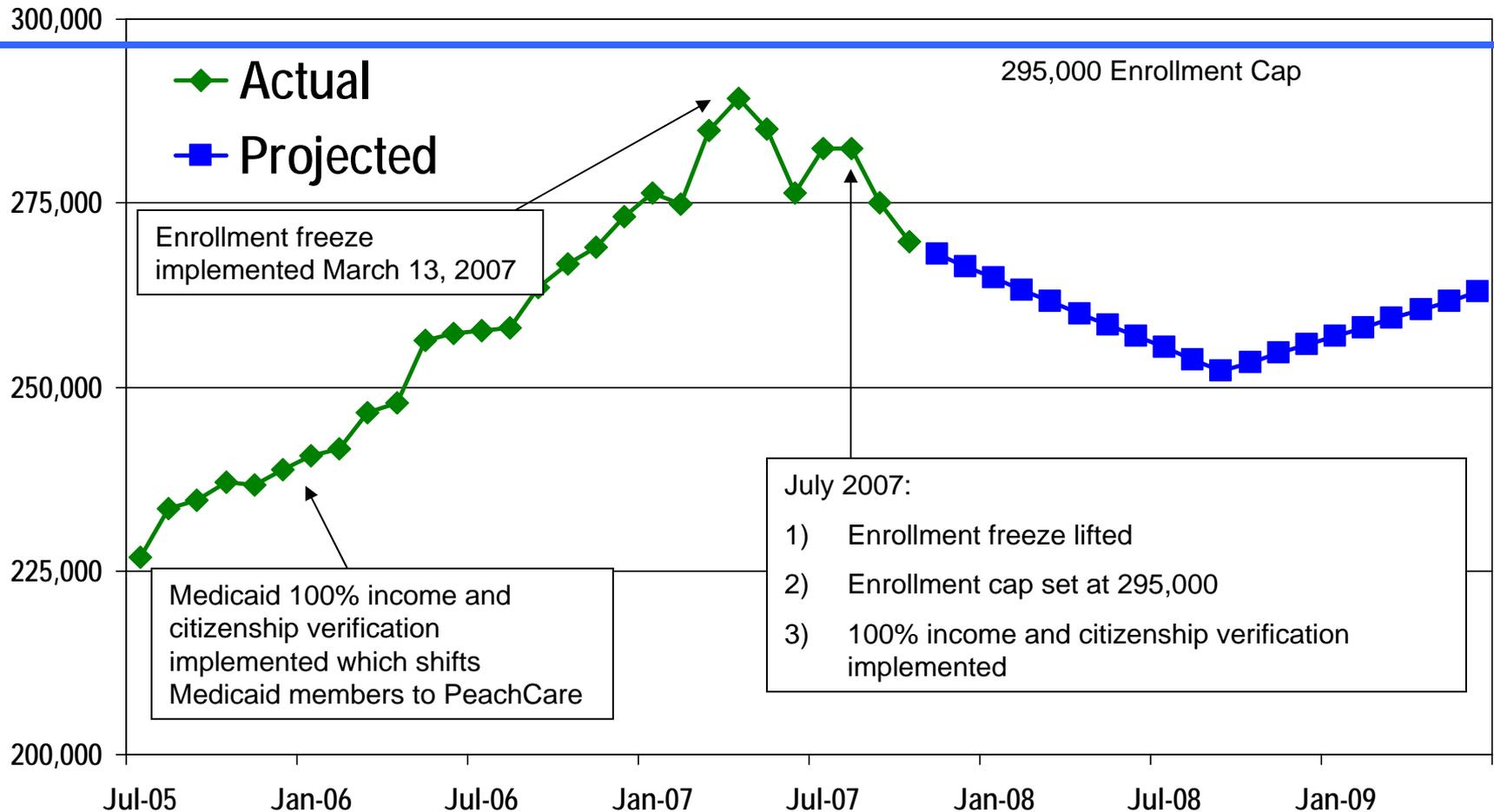
- Enrollment freeze in effect between March 2007 to June 2007

FY 2008

- Effective July 1, 2007, instituted verification of income and citizenship status on 100% of member applications
- Ended enrollment freeze, but implemented an enrollment cap of 295,000 members in July 2007
- Renegotiated lower CMO Rates
 - Reduced the administrative component of the CMO capitation payment
 - Pending CMS approval

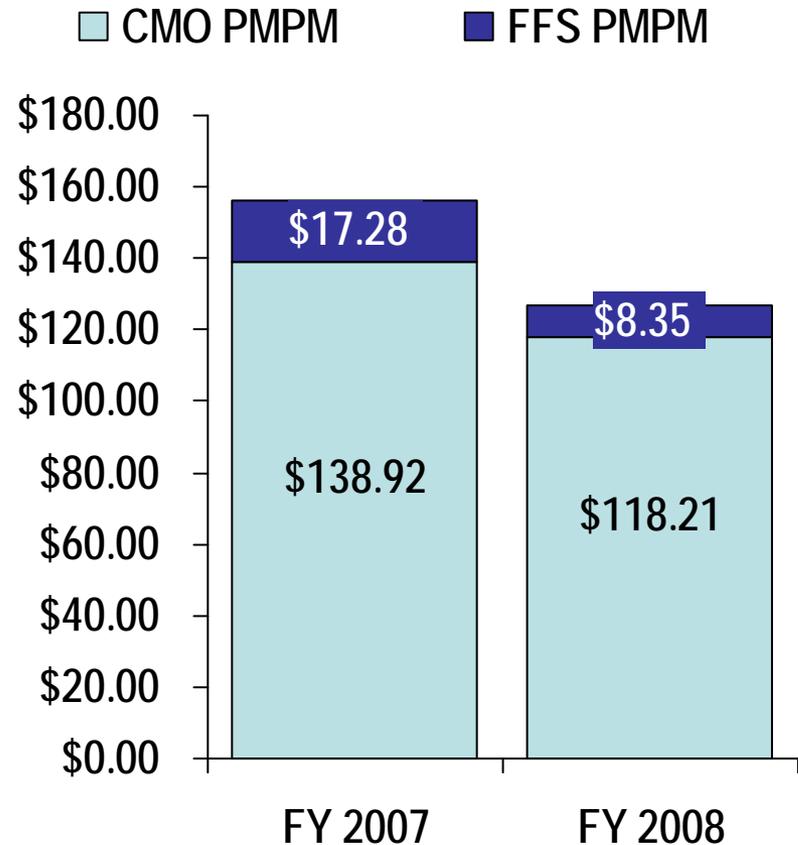


PeachCare Enrollment



FY 2008 Expenditure Assumptions

- FFS payments reduced in FY 2008
 - FY 2007 – FFS part of the year as Georgia Families was implemented
 - FY 2008 – FFS only for members in CMO choice period.
- Renegotiated lower CMO rates for FY 2008 – saves 14.9%
 - Reduction of administrative CMO costs in CMO capitation rates – saves 7%
 - Inflationary growth based on Global Insight Quarterly Health Care Cost Review.
 - More recent historical data considered



Projected State Fund Need

Item 16.7.1 – Provide state funds to cover projected benefit expenditures.

In millions	SFY 2007	SFY 2008
State Fund Revenue:		
State Appropriations	\$75.4	\$58.9
CMO QA Fees	23.5	20.7
PY Reserves	<u>27.4</u>	<u>0.4</u>
Total	\$126.3	\$80.0
State Fund Expense	\$108.4	\$95.9
Surplus/(Deficit)	\$17.9	(\$15.9)
Reserve for IBNR	\$0.4	

Federal Fund Availability

	Federal Funds (in millions)
Georgia's Base Allotment – FFY 2008	\$167.9
Shortfall Coverage – FFY 2008	Up to \$157.6
Total	Up to \$325.5
Projected FFY 2008 Expenditures*	\$271.5
<p>*Based on 270K average monthly membership during FFY 2008 and lower CMO rates for FY 2008; CMO rates are currently pending CMS approval. Federal shortfall coverage based on projections using CMO rates paid in FY 2007.</p>	

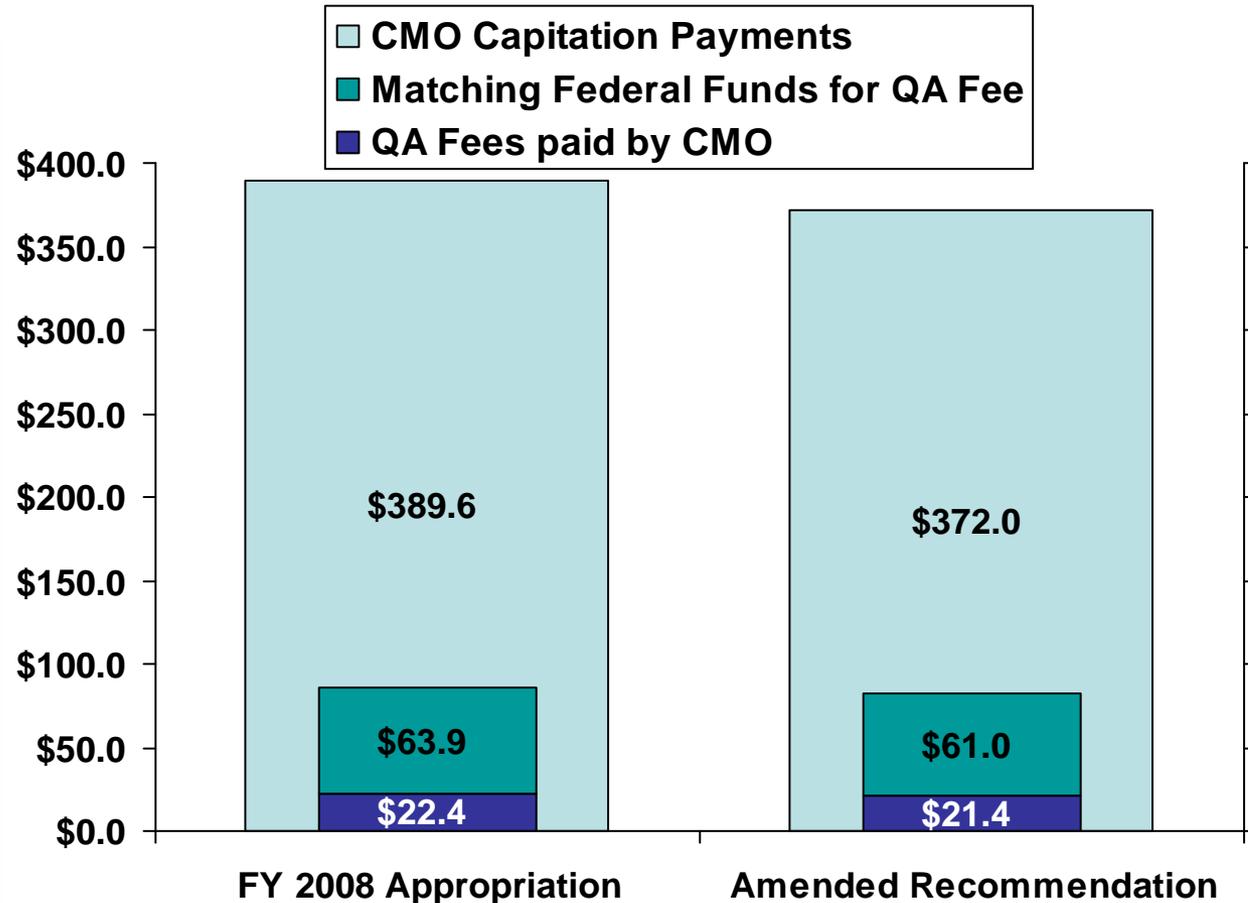
FY 2008 CMO

Quality Assessment Fees - PCK

Item 16.7.2

The FY 2008 QA fee revenues are projected to **decrease by \$1.0 million** due to lower CMO capitation payments as a result of projected lower CMO enrollment.

A change in federal regulations reduced the QA assessment fee from 6% of CMO revenue to 5.5% effective January 1, 2008.



Questions/Discussion

Parking Lot



Budget Redirects

House Bill 95 - Redirects

Section 17, Item 71.5

Increase funds to implement the Health Information Technology pilot to promote health care information transparency (H: Implement the Health Information Technology pilot through a partnership with the Medical College of Georgia to provide a web-based remote hosted health information technology network (\$500,000) to improve the quality and efficiency of health care in the Augusta region) (CC: Implement a Regional Health Information Technology pilot partnership with the Medical College of Georgia (\$300,000) to improve the quality and efficiency of health care).

General Assembly's Direction: Earmark \$300,000 of the \$1,000,000 appropriation specifically for the . Medical College of Georgia.

Governor's Direction: Use the full appropriation for the stated purpose of the Health Care Access and Improvement Program.

DCH Action: 11 applications for Health Information Exchange pilot program funding were received by DCH in September 2007. Scoring criteria were approved by the the Health Information Technology Taskforce Advisory Council and the applications were scored by a Council subcommittee. 4 projects were awarded November 1, 2007:

- Chatham County Safety Net - \$272,588
- Sumter Regional Hospital - \$250,000
- East Georgia Healthcare Center - \$250,000
- Washington County Regional Medical Center - \$80,500

Projects will run for 12 months and are funded on a cost-reimbursement basis.



Budget Redirects

House Bill 95 - Redirects

Section 17, Item 77

The purpose of this appropriation is to provide a healthcare benefit that is competitive with other commercial benefit plans in quality of care, access to providers and efficient management of provider fees and utilization. The employer contribution rate for the teachers' health benefit plan shall not exceed 18.543% and for the state employees' health benefit plan it shall not exceed 22.843%.

General Assembly's Direction: Cap employer rates for the teachers' and employees' health benefit plan at 18.543% and 22.843%, respectively.

Governor's Direction: The Governor's FY 2008 budget included employer rates of 18.543% for the teachers' health benefit plan and 22.843% for the state employees' health benefit plan. The General Assembly agreed with these rates but included language that those rates should not be exceeded. The Governor issued the following message when he signed HB 95: "The General Assembly seeks to set limits on the employer contribution rate for the teachers' health benefit plan and the state employees' health benefit plan for Fiscal Year 2008. This language dictates a matter within the general law discretion of the Department and is therefore null and void. The Department is authorized to establish employer contribution rates in accordance with the general law powers of the Department".

DCH Action: The FY 2008 employer rate for the teachers' health benefit plan is 18.543% and the employer rate for the state employees' health benefit plan is 22.843% as recommended by the Governor and agreed to by the General Assembly.



Medicaid Financing

FY2007 Projected Year End

Revenue	\$2,638M
Expense	-\$2,141M
Surplus	\$497M

Reserve FY08 Prefund \$225M

Reserve Against FY07 IBNR \$236M

Surplus to Treasury \$36M

FY2008 Projected Use of Funds

Revenue	\$2,434
Expense	<u>(\$2,394)</u>
Surplus	\$40
FY07 IBNR (#16.2.2 and #16.5.3)	\$236
Gov's Rec. (#16.2.3)	<u>(\$71)</u>
To Roll to 09	\$205

FY2009 Projected Use of Funds

Revenue	\$2,214
Expense	<u>(\$2,405)</u>
Deficit	<u>(\$191)</u>
FY08 IBNR	\$205
Gov's Rec For Admin (ABD #1, p. 119)	<u>(\$14)</u>
Balance	\$0

NOTE: Creates hole in FY 2010 Base due to FY 2009 cash deficit covered by prior year funding that will not be available in FY 2010.

Medicaid Cost Management Initiatives

FY 2004 - 2005

- Pharmacy Program
 - Preferred Drug List
 - Supplemental Rebates
 - Quantity Limits
- Outpatient hospital reimbursement reduced

FY 2006

- Care Management Organizations
Statewide capitated program for Low Income Medicaid and PeachCare for Kids - June 2006
- Disease Management for select Aged, Blind, and Disabled members

FY 2006 (continued)

- Eligibility Criteria more stringently applied
 - Emergency Medical Assistance
 - Katie Beckett (FY 2005)
 - Proof of Citizenship and Income
 - Asset Transfer for Long Term Care
- Medicare Part D implementation

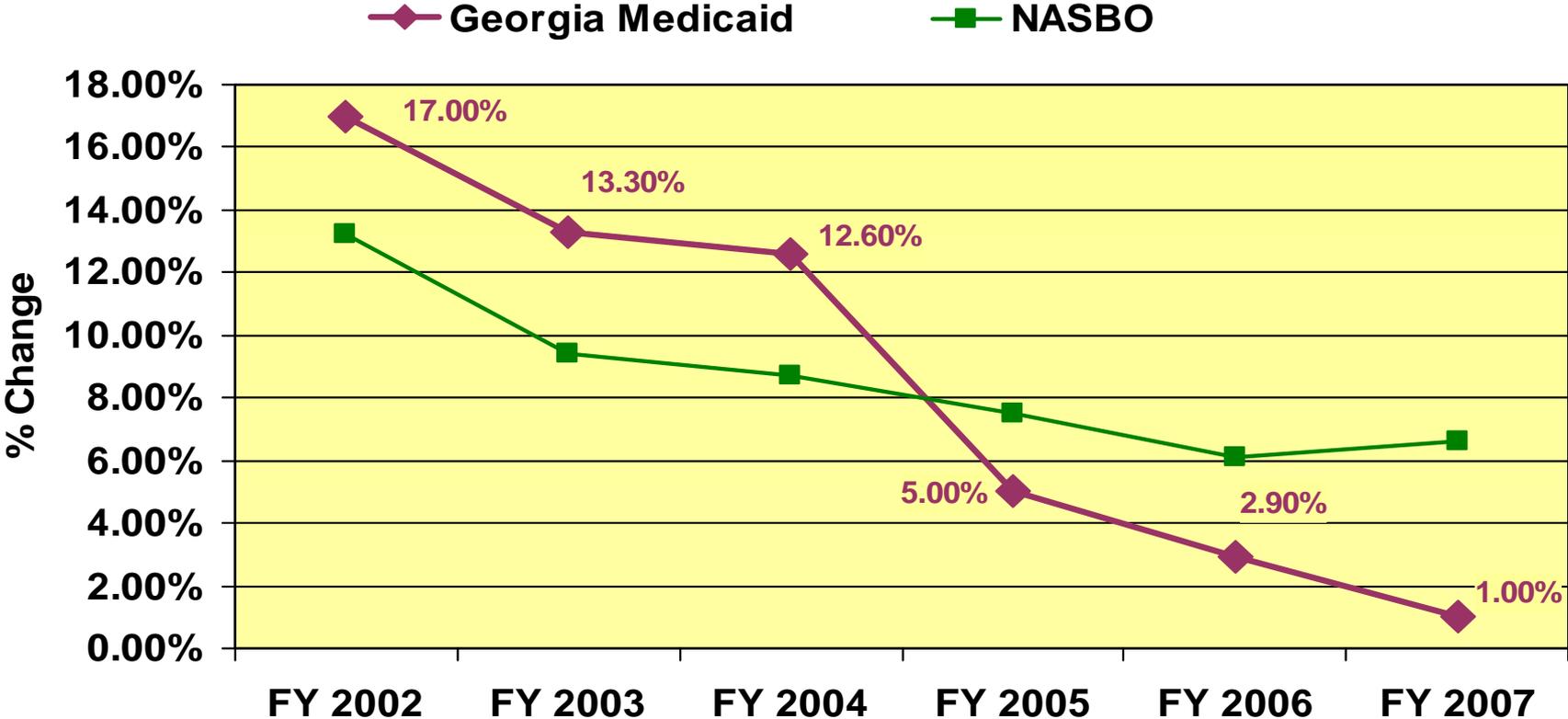
FY 2007 - 2008

- Administrative Services for non-CMO members
 - Clinical Reviews
 - Fraud and Abuse
 - Level of Care Determination



Impact of Medicaid Cost Management

Annual Increases in Medicaid Benefit Expenditures



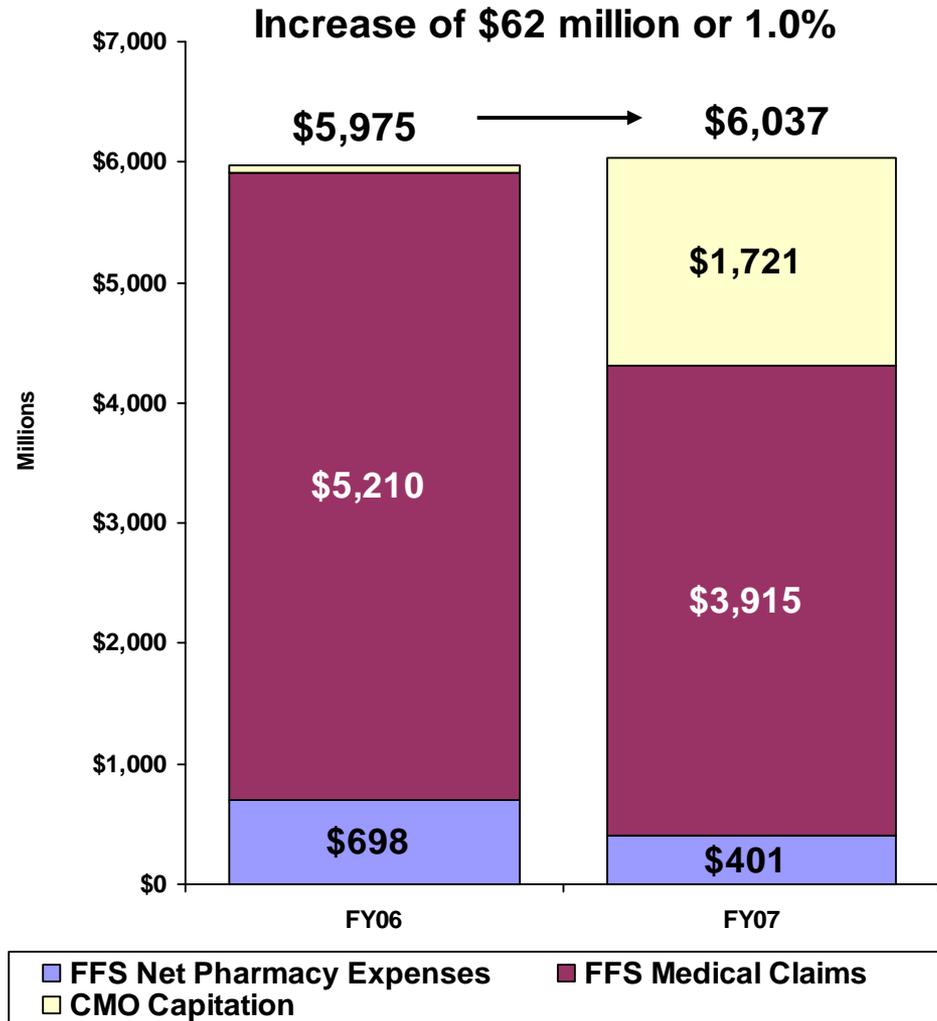
Medicaid as a Percentage of Total Expenditures (Actuals - All Fund Sources FY 2006)

Agency	Georgia	Southeast	National	GA Rank	
				SE*	Nat'l
K-12 Education	25.1%	18.9%	21.4%	1	9
Medicaid	20.2%	20.2%	21.5%	9	26
Higher Education**	6.3%	13.1%	10.4%	12	38
Transportation	9.5%	8.9%	8.1%	T6	T21
Corrections	3.1%	2.7%	3.4%	4	22
Public Assistance	1.7%	0.9%	1.8%	2	T10
All Other	34.1%	35.3%	33.4%	4	20

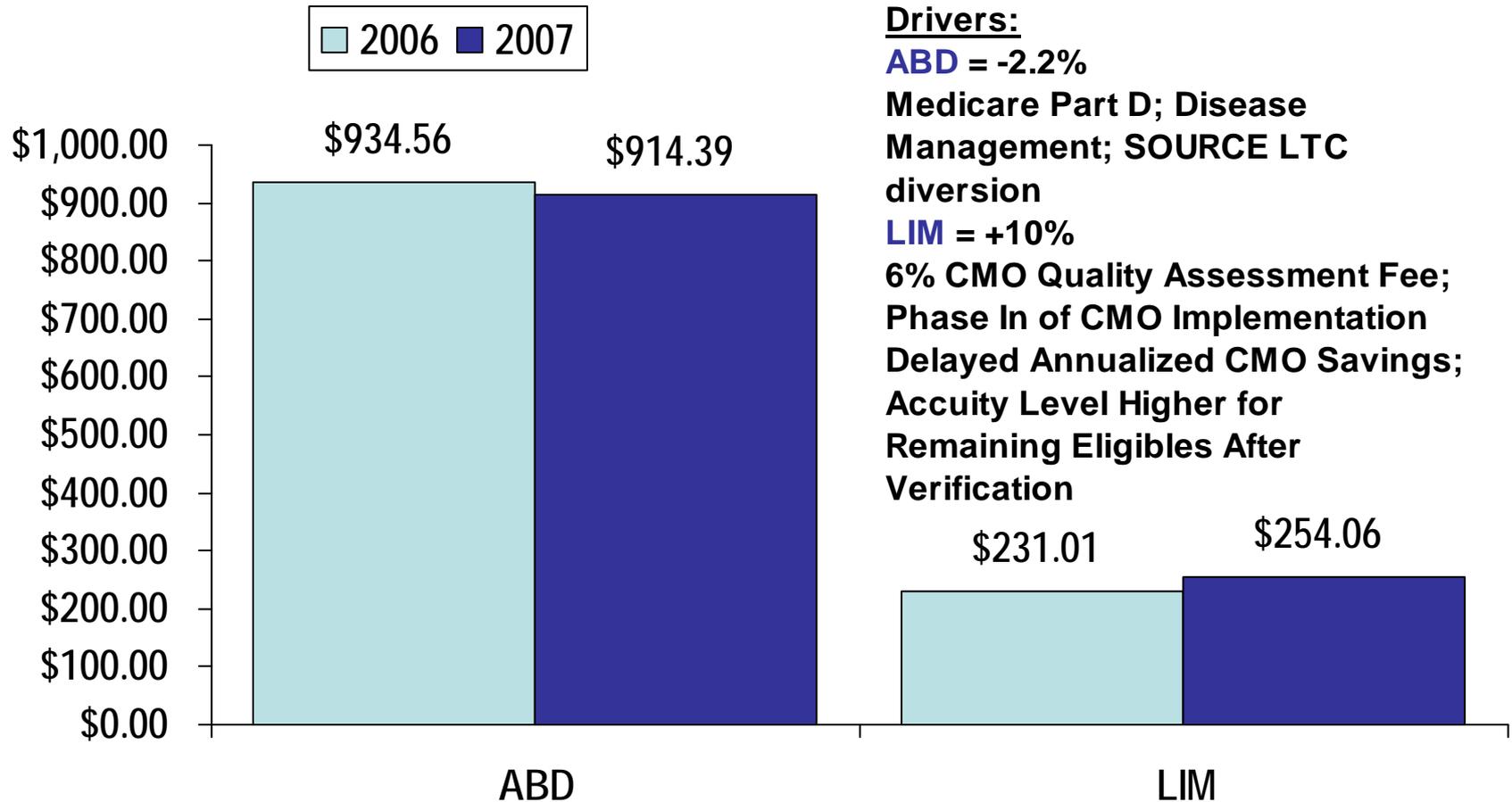
*Of 12 States (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV)
 **Unlike GA, most states showed significant funding from restricted fund sources for Higher Ed

Fiscal Status: FY 2007

- FY 2007 vs. FY 2006
- Incurred expense **\$62 million or 1.0% higher** as compared to FY 2006 due primarily to:
 - Decreased Medicaid enrollment
 - Pharmacy cost avoidance due to Medicare Part D.
 - Decreased fee for service medical claims due to managed care implementation.
- This decreases offset the following expenses:
 - Medicare Part D Clawback payments to the federal government.
 - New CMO capitation payments.



Medicaid Incurred PMPM



FY 2007 Medicaid Enrollment - Projected

What we said last year:

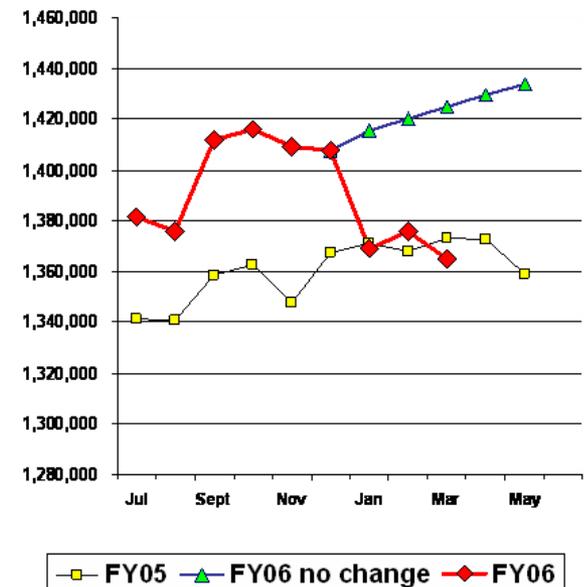
Average monthly Medicaid enrollment to **increase** by **1.22%**

Current Fiscal Status (FY 2007)

FY 2007

- Incurred expense projected to be **4.3%** higher as compared to FY 2006
 - **1.22%** growth in enrollment
 - PMPM reduced due to managed care implementation
- **Likely** that appropriations are enough to cover projected cash expenditures (as of 7/06)
- **Areas that could change 07 status:**
 - Any change in estimated FY 2006 final carry forward amount
 - Enrollment changes from CY 06 eligibility initiatives
 - ROI of medical management of aged, blind, and disabled populations

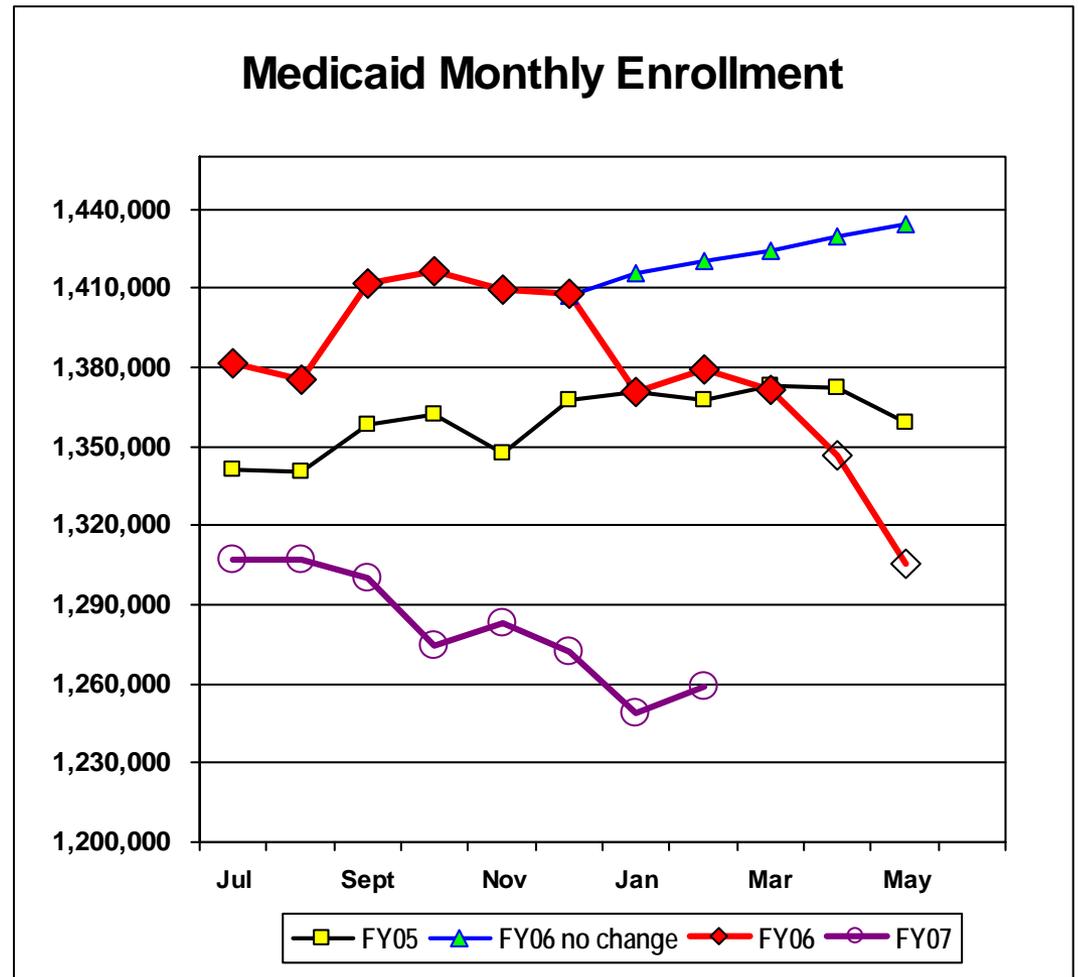
Medicaid Monthly Enrollment



FY 2007 Medicaid Enrollment - Actual

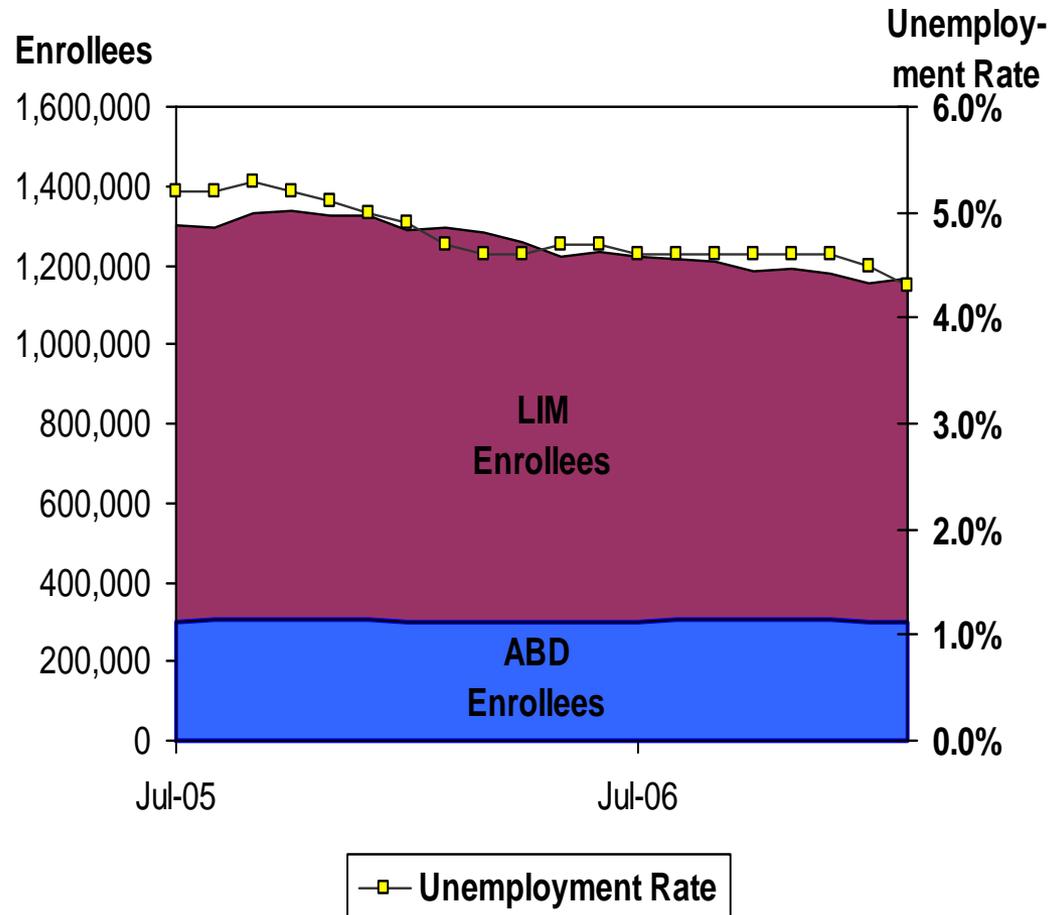
What actually happened:

Average monthly Medicaid enrollment **dropped 7.8%**, from 1.37 million to 1.27 million members, a **reduction of 100k members**.



Enrollment Factors in FY 2007

- More stringent eligibility document requirements and new third party verification process;
- Katrina enrollees from September 2005 declined in FY 2007, from 15,360 in December 2005 to 3,225 in March 2007; and
- Declining unemployment rate from 4.7% to 4.3%.

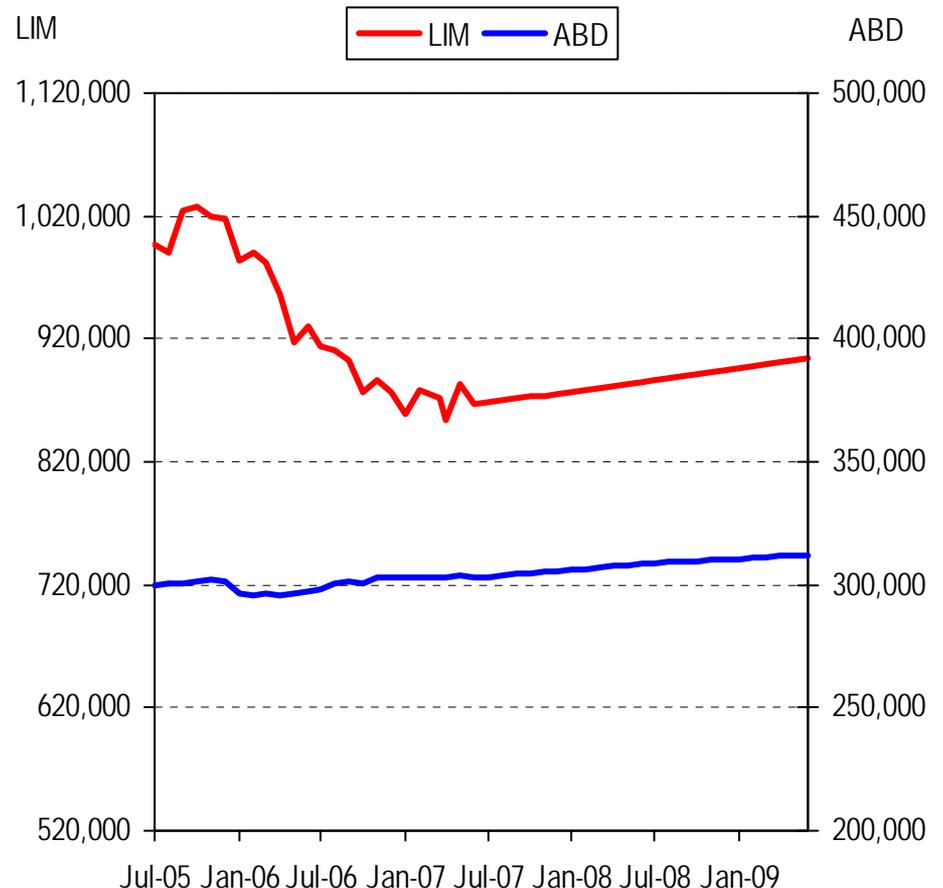


AFY 2008 and FY 2009: Expenditure Growth Assumptions

- Enrollment trends begin to increase

based on the projected population growth rates for the State of Georgia by age group. Projected Medicaid growth rate is **2.0%** annually.

- In FY 2008, monthly enrollment changes from 1.17 million in July 2007 to 1.19 million in June 2008.
- In FY 2009, monthly enrollment changes from 1.20 million in July 2008 to 1.22 in June 2009.



FY 2008 and 2009 Projected Fee-for-Service PMPM

Inflationary growth based on Global Insight Quarterly Health Care Cost Review.

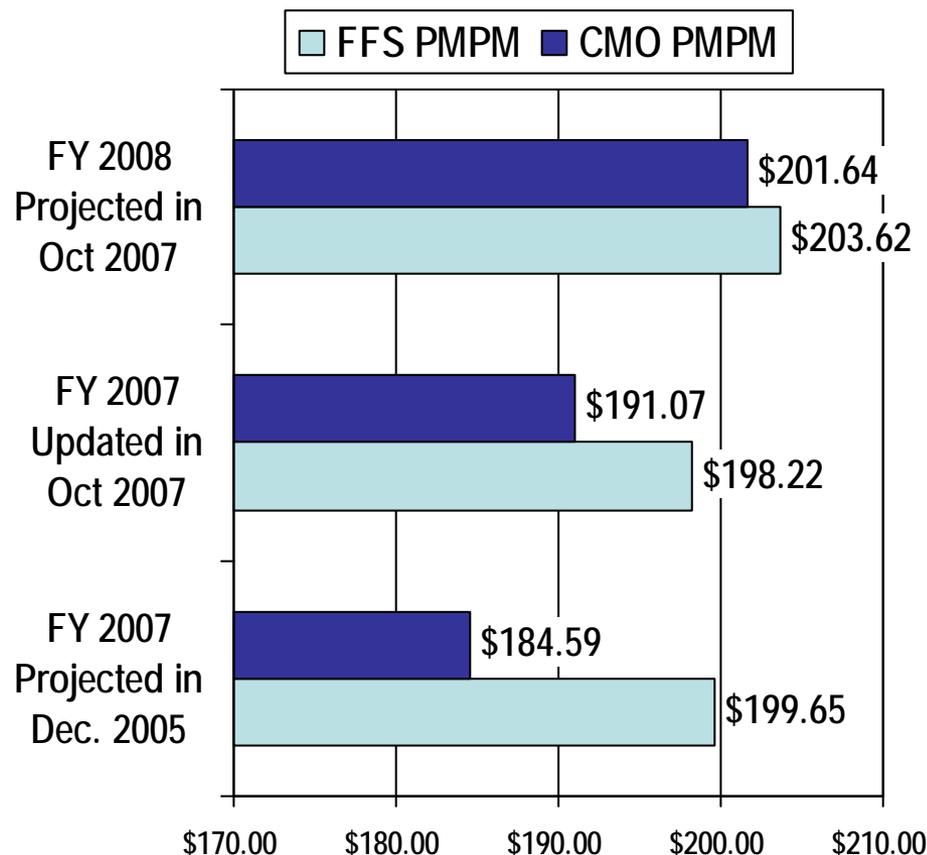
- Inflation index for Medical Services
 - 3.1% for FY 2008
 - 3.6% for FY 2009
- Applied to the previous year PMPM by program group.
- Projected PMPM's consider FY 2008 ABD rate increases approved by the General Assembly
 - Adds 2.2% to ABD PMPM

Georgia Families for Medicaid/PCK

FY 2008 CMO Rate Changes:

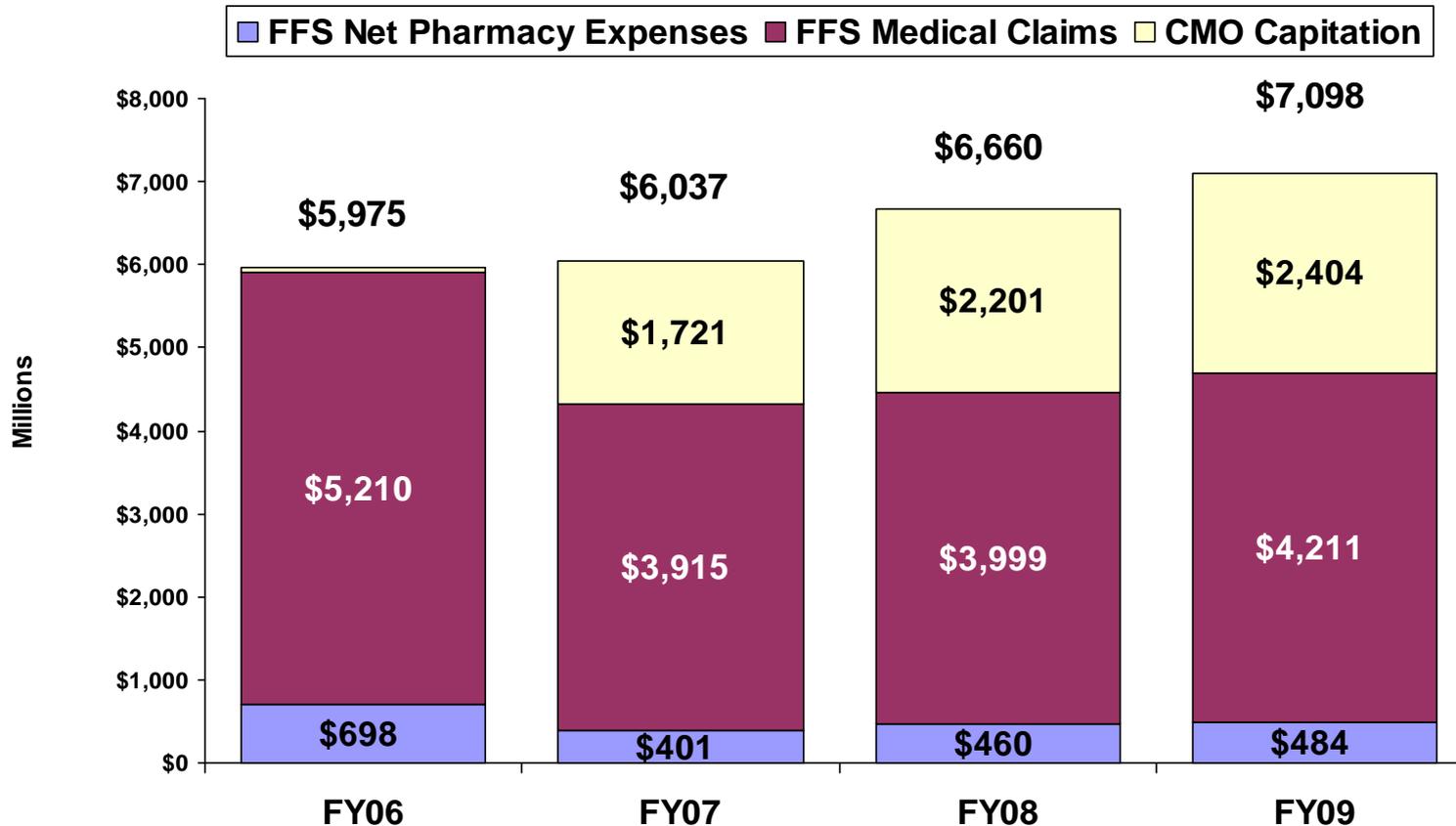
- Actuaries used FY 2005-FY2006 FFS data
 - CY 2002 used for FY 2007 rate setting
- Inflation index of 3.1%
- Fixed administrative costs shifted from PCK to Medicaid
- Duplicate newborn enrollment considered (adds 2%)
- Considering FY 2008 enrollment; expect **net increase of 4.0%**

Assume 3.6% growth in FY 2009 rates



PMPM's based on enrollment from Jan 07 - Jun 07;
Does not include QA Fee

Medicaid Incurred Expenditures in Millions FY 2006 – FY 2009 (projected)



Note: Includes Crossovers, Part D Clawback and Drug Rebate; does not include other non-claims based transactions