

# Governor's Recommended Budget REVISED FY 2010

Presentation to  
Board of Community Health  
March 12, 2009



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# Agenda

- Administration & Health Care Access (before & after)
- Revised Recommendation
  - Medicaid and PCK Benefits
  - SHBP
  - Department Summary



# Governor's FY 2010 Budget Recommendations

## Administration & Healthcare Access

- FY 2010 – 21.9% reduction recommended



# Changes to Administration

Object	FY 2010	Rev FY 2010
<b>Regular Operating</b>		
-GAIT 2010 (16.1.1)	(179,962)	(179,962)
-freeze travel; reduce support costs (16.1.10)	(1,389,179)	(1,389,179)
<b>Personal Services</b>		
-cut 7 vacant positions and freeze hiring (16.1.11)	(\$1,064,215)	(1,064,215)
-eliminate pay raises and <b>reduce SHBP payments</b> (16.1.2, 16.1.3, 16.1.4)	(716,972)	(\$728,195)
<b>Contractual Services</b>		
- General Contract Funds (16.1.5)	(11,159,425)	(11,159,425)
- Health Information Exchange (16.1.9)	(1,000,000)	(1,000,000)
Transfer Office of Regulatory Services from DHR (16.1.8)	378,066	378,066
<b>Total</b>	<b>(\$15,131,687)</b>	<b>(\$15,142,910)</b>

# Changes to Health Care Access and Improvement

Object	FY 2010	Rev FY 2010
<b>Regular Operating</b> - GAIT 2010 (16.3.1)	(361)	(361)
<b>Personal Services</b> -cut 1 position and freeze hiring -eliminate pay raises and <b>reduce SHBP payments</b> (16.3.2, 16.3.3. 16.3.4)	(106,428)	(206,362)
<b>Contractual and Grant Services</b>	(18,200,000)	(18,200,000)
Transfer Office of Regulatory Services from DHR (16.3.5)	5,613,279	5,613,279
<b>Total</b>	<b>(12,693,510)</b>	<b>(12,793,444)</b>



# Impact on HCA Grants and Contracts

<b>Grants Eliminated:</b>	
Rural Health Initiative developing regional systems of care in rural Georgia (16.3.6)	(\$10,600,000) tobacco funds
Hughes Spalding Children's Hospital (16.3.7)	(\$1,500,000)
Southeastern Firefighters Burn Foundation (16.3.8)	(\$500,000)
Georgia Health Marketing Authority (SB 404) (16.3.9)	(\$2,000,000)
Rural Health grants for primary health care support (16.3.10)	(\$500,000)
Safety Net Clinics (16.3.11)	(\$950,000)
Georgia Wellness Incentive Pilot (16.3.12)	(\$150,000)
Georgia Association of Primary Health Care for community health center start up/behavioral health expansions (16.3.13)	(\$2,000,000)
TOTAL	(\$18,200,000)

# Changes to Department Operations FY 2010

	FY 2010	Rev FY 2010
Administration State Funds Budget	106,922,412	106,922,412
Governor's Recommended Change	(15,131,687)	(15,142,910)
Percent Reduction	(14.2%)	(14.2%)
Health Care Access and Improvement Budget	25,584,060	25,584,060
Governor's Recommended Change	(12,693,510)	(12,793,444)
Percent Reduction	(49.6%)	(50.0%)
Total Department Operations Budget	132,506,472	132,506,472
Governor's Recommended Change	(27,825,197)	(27,936,354)
Percent Reduction	(21.0%)	(21.1%)

# Governor's FY 2010 Revised Budget Recommendations



## Medicaid Benefits and PeachCare

- **FY 2010** – Use of stimulus funds reduces state funds – related savings redirected to enrollment growth and other uses; no CMO fees after October 1, 2008; no hospital or HMO fees; no rate increases; rate decreases; tobacco funds supplant general state funds



# Changes from Original Recommendation

- Consideration of Updated Enrollment and Inflation Projections
- Budget no longer predicated on CMO/HMO or hospital provider fees. As a result, elimination of the use of those provider fees:
  - Proposed Medicaid provider rate increases;
  - Funding for private DSH hospitals
  - Trauma Funding
- Provider reimbursement cuts for most Medicaid providers
- Reflection of Stimulus Funding for enhanced FMAP



# Medicaid/PeachCare for Kids Programs Comparisons

	Original FY 2010 Recommendation	Revised FY 2010 Recommendation	Difference
Medicaid Enrollment by June 2010	1.34 million	1.54 million	+20,000
PeachCare Enrollment by June 2010	266,000	271,500	+5,500
FY 2010 Growth in Medicaid Enrollment	1.5%	7.0%	+5.5%
FY 2010 Growth in PCK Enrollment	10.4%	22.1%	+11.7%
PMPM Inflation in FFS	3.6%	3.3%	-0.3%
Unemployment Max	6.1%	10.0%	+3.9%
	3 <sup>rd</sup> Quarter CY 2009	4 <sup>th</sup> Quarter CY 2009	



# Loss of Use of Hospital and Managed Care Provider Fees

	<u>In millions</u>
1. Fund Projected <b>Medicaid Needs</b> for Current Program. (16.5.5, 16.7.2)	(\$174.6)
2. Implement and expand the FY 2009 inpatient and outpatient <b>hospital rate increases</b> . (16.2.6, 16.5.7, 16.7.4)	(\$52.2)
3. Fund <b>DSH Payments for Private Hospitals</b> (ICTF).(16.4.1)	(\$13.7)
4. <b>Georgia Trauma Network Commission</b> (ICTF).(16.4.2)	(\$37.0)
5. Implement FY 2009 <b>rate increase for waiver service providers</b> in both the MRWP and the CCSP programs (DHR). (16.2.5)	(\$3.1)
6. Implement the following <b>FY 2009 provider rate increases</b> (adjusted): physicians, ambulance, home health, Health Check, digital mammography, global maternity, and ICWP personal support (16.2.4, 16.5.4, 16.7.3)	(\$21.4)
7. Implement <b>Fair Rental Value, Nursing Home cost report updates, and NH quality incentive program</b> . (16.2.3)	(\$15.0)
<b>TOTAL Funds</b>	<b>(\$317.0)</b>



# Provider Reimbursement Cuts

Proposed Reduction	In millions
1. Reduce <b>inpatient and outpatient hospital</b> rates by 10%. (16.2.24, 16.5.38, 16.7.17)	(\$80.7)
2. Reduce <b>all other Medicaid provider</b> payments by 6% with the following <u>exceptions</u> : * State providers, nursing homes, community mental health, PRTF, diagnostic screening and prevention, Children's Intervention School Services, home health, ICWP, MRWP, CHSS, CCSP, SOURCE, GAPP services, and disease state management. (16.2.25, 16.5.39, 16.7.18)	(\$68.9)
<b>TOTAL</b>	(\$149.6)



## Federal Stimulus Package: Enhanced FMAP

	Current	Projected Enhanced
SFY 2009 (eff. October 1, 2008)	0.6449	0.7110
SFY 2010	0.6510	0.7482

- Governor's Revised Recommendation contemplates the receipt of **\$605 million in additional federal funds** in SFY 2010.
- **\$155M in state funds savings** due to enhanced FMAP is retained by DCH to cover projected increases in enrollment growth
- **\$450M in state funds are removed** from the department's budget and supplanted with the enhanced federal funds. (16.2.1, 16.5.1)



# Summary of Benefit Changes

Change Item	State	Hospital/ HMO Fees	CMO Fees	Tobacco	Total
FMAP	(605.3)				(605.3)
<u>Hospital/HMO Fees:</u>					
- Supplant State Funds	174.6	(174.6)			0
- Provider Rate Increases		(91.7)			(91.7)
- DSH/Trauma		(50.7)			(50.7)
Provider Rate Decreases	(149.6)				(149.6)
Enrollment Growth	155.0				155.0
Tobacco Supplant	(13.3)			13.3	0
CMO Fee Adjustment			(7.0)		(7.0)
<b>TOTAL</b>	<b>(438.6)</b>	<b>(317.0)</b>	<b>(7.0)</b>	<b>13.3</b>	<b>(749.3)</b>

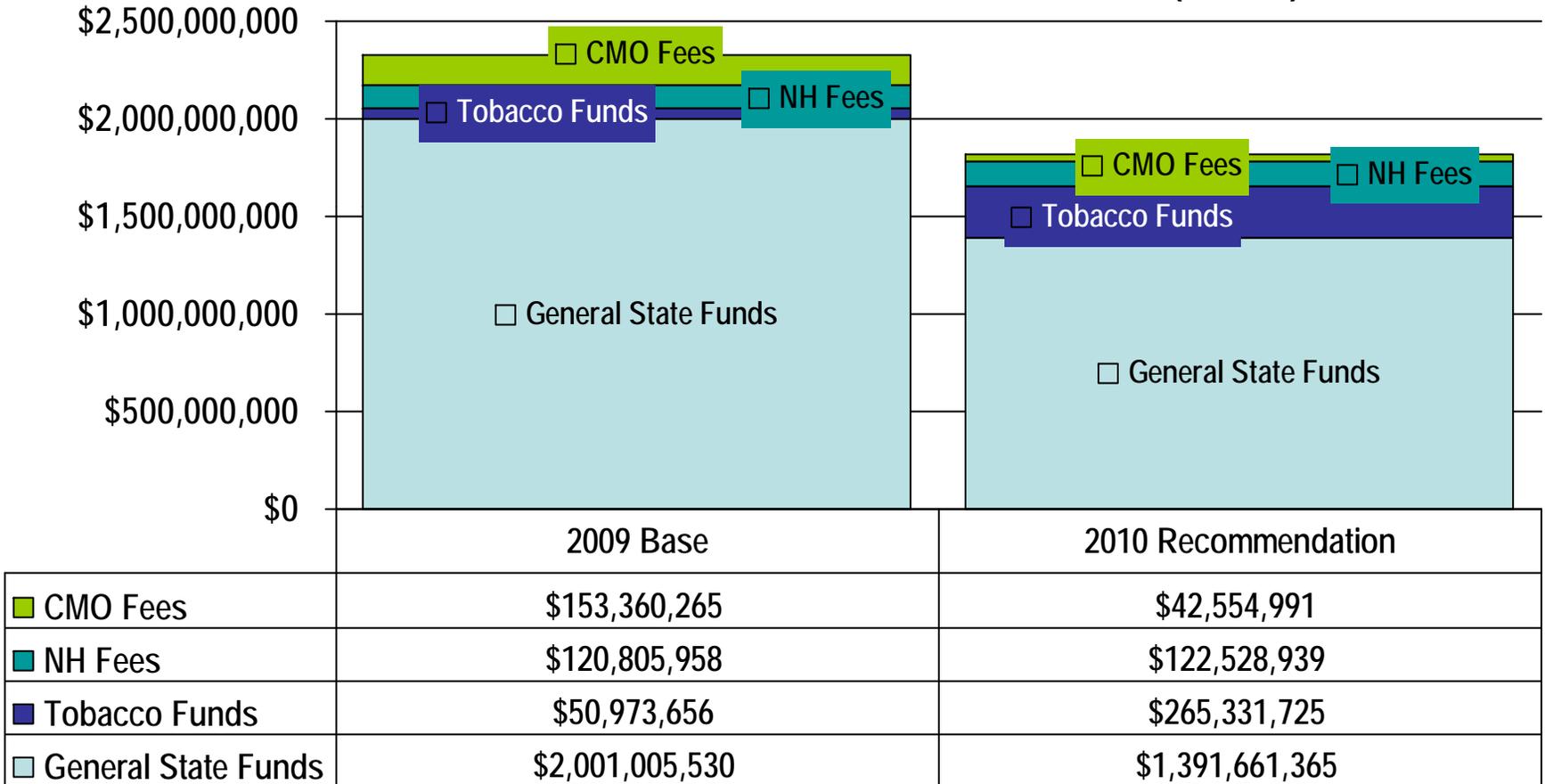
In millions

Revised

# FY 2010 Recommended State Fund Sources Medicaid and PeachCare for Kids Benefits

State Fund Sources for Medicaid and PCK Benefits

Decrease = \$504.1 million (-21.7%)



\* Does not reflect use of hospital and managed care fees for private hospital **DSH** funding and **Georgia Trauma Commission**, as these items are in the Indigent Care Trust Fund program budget.

# Governor's FY 2010 Revised Budget Recommendations



## State Health Benefit Plan

- **FY 2010** – Employee's share of premium cost increased from 25% to 30%



# SHBP Contributions FY 2010

## Governor's Revised Recommendations:

Employee Premiums: Increase member's share of premium cost from 25% to 30% for CY 2010... Applies to ALL Members (Both Active and Retired) (\$79.8M)

- in addition to the 5% increase in member premiums for those not in CDHP options (PPO and HMO members)

Fund Balance: Use remaining fund balance leftover as of June 30, 2010. (\$33.9M)

**TOTAL EMPLOYER REDUCTION:  
\$113.7M (Total Funds)\***

Employer Source	FY 2010 Gov's Rec	Revised FY 2010**
State Agencies	17.856% of Payroll	16.567% of Payroll
Teachers	18.534% of State Based Payroll	17.245% of State Based Payroll
** FY 2010 Employer Contributions will be collected via a direct bill payment system to each participating payroll location and calculated based on the number of participating members and their plan options		

\* Cumulative state fund impact for all participating agencies = \$98.5 million per OPB.



# Example of Premium Changes (Moving from 25% to 30% of Premium Cost)

Plan	Tier	CY 2009 Member Monthly Premium	CY 2009 with 28.2% Increase (from 25%→30%)	Change
PPO	Single	\$86.10	\$110.38	\$24.28
	Family	262.80	336.91	74.11
HMO	Single	91.10	116.79	25.69
	Family	223.10	286.01	62.91
CDHP HRA	Single	56.92	72.97	16.05
	Family	178.68	229.07	50.39
Medicare Advantage*	Single	17.50	22.44	4.94

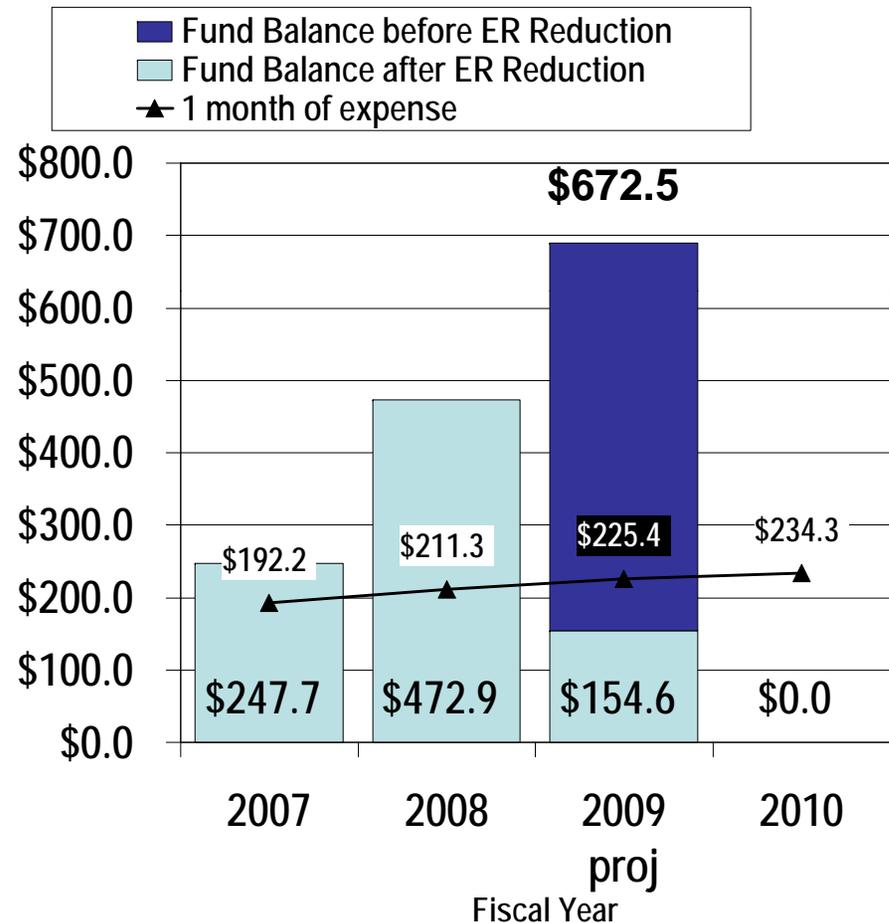
\*with all parts of Medicare



# SHBP Fund Balance

In FY 2010, the Fund Balance will be reduced as it will be used to cover revenue shortfalls.

- Fund balance at \$154.6M by 6/30/09
- Fund balance to \$0 by 6/30/10



# Governor's FY 2010 Budget Recommendations

## Summary



# FY 2010 Governor's Revised Recommendation for State Funds

In millions	Current FY 2009	Change FY 2010	
		\$	%
Medicaid	\$2,106.7	(\$489.3)	-23.2%
PeachCare	\$98.7	(16.5)	-16.7%
ICTF	\$0	0	0%
Nursing Home Provider Fee	\$120.8	1.7	1.4%
Administration	\$106.9	(15.1)	-14.2%
Health Care Access	\$25.6	(12.8)	-50.0%
Attached Agencies	<u>\$55.7</u>	<u>(5.1)</u>	<u>-9.1%</u>
<b>TOTAL State Funds</b>	<b>\$2,514.3</b>	<b>(537.1)</b>	<b>-21.4%</b>

Note: State Funds include State General Funds, Tobacco Funds, and Provider Fees.

