



To: Board of Community Health

CC: Dr. Rhonda M. Medows

From: Carie Summers  
Chief Financial Officer

RE: Governor's Recommendation Highlights  
Amended FY 2008 Budget – HB 989  
FY 2009 Budget – HB 990

Date: February 14, 2008

The following items highlight major changes made by the Governor's Budget to the Department's original requests for the Amended FY 2008 and FY 2009 budgets.

#### **Amended FY 2008**

As you will recall, the Department did not submit a formal Amended FY 2008 budget request. However, the Governor's Budget is recommending several changes to the Department's FY 2008 appropriation, which results in an overall reduction in State Funds of 3.3% or \$81,059,306. Major changes are grouped by additions, reductions and transfers and are listed below.

#### **Additions:**

1. Increase funds in Low Income Medicaid (LIM) and Aged, Blind, and Disabled (ABD) Medicaid Benefits for FY 2007 Incurred but Not Reported (IBNR) expenses.
  - a. The increase in LIM is \$70,753,540 in Other Funds (prior year reserves) and \$119.5 million in Total Funds.
  - b. The increase in ABD is \$164,856,120 in Other Funds (prior year reserves) and \$278.5 million in Total Funds.The overall increase from FY 2007 Prior Year Reserves for both programs is \$235,609,660 in Other Funds and \$398.1 million in Total Funds.
2. Increase funds to provide the state match for private hospitals considered "deemed" by federal standards for the Disproportionate Share Hospital (DSH) program. Increase State Funds by \$6,660,093 (Total Funds \$18 million).
3. Increase funds to properly fund projected PeachCare benefit expenditures, including increasing State Funds by \$15,926,579.

#### **Reductions:**

1. Reduce funds in ABD Medicaid Benefits to reflect revised benefit projections by \$70,443,008 in State Funds and \$119 million Total Funds.
2. Reduce funds in LIM Medicaid Benefits by \$32,189,155 in State Funds and \$86.6 million Total Funds to reflect reduced Care Management Organization fees due to lower program enrollment.

3. Reduce funds in PeachCare benefits to reflect reduced Care Management Organization (CMO) fees due to lower program enrollment. \$1,013,815 in State Funds (Total Funds \$3.9 million).

**Transfers:**

1. Realign funding between LIM and ABD Medicaid Benefits to reflect revised projected DHR expenditures for waiver programs. The ABD budget is being reduced by \$35,757,161 in Other Funds (Total Funds \$96.2 million) and the LIM budget is being increased by \$42,321,747 in Other Funds (Total Funds \$113.8 million). The realignment results in a net increase of \$6,564,586 in Other Funds (Total Funds \$17.7 million) in the LIM budget.

**FY 2009**

The Governor's recommendations increase the Department's FY 2008 total fund appropriation by \$978,243,765 or 8.5%, primarily by increasing federal funding based on matching rates more favorable to the State and by adding prior year reserve funds anticipated to be available in FY 2009. Highlights of the Governor's Budget recommendations are listed below by program.

1. Departmental changes impacting all state agencies include (department-specific funding denoted in parentheses):
  - a. Annualize the FY 2008 pay raise (\$363,660) and provide a general salary increase of 2.5% effective January 1, 2009 (\$259,668), for performance increases (\$103,868), for special adjustments to selected job classes (\$31,977) and for structure adjustments to the statewide salary plan (\$5,203).
  - b. Reflect an adjustment in the employer share of the State Health Benefit Plan premiums from 22.843% to 24.182% to reflect an increase in OPEB contributions (\$196,763).
  - c. Reflect adjustments to worker's compensation rates (-\$30,963) and Georgia Building Authority rent (\$82,055)
2. The Governor's Budget reflects a reduction in Administration (\$1,566,028 in state funds) and the Indigent Care Trust Fund (\$500,000 in state funds), which was submitted by the Department in response to a request to reduce non-benefit expenditures by 2 percent.

**Health Care Access and Improvement:**

1. The Governor's budget reflects new funding of:
  - a. \$16,935,427 in State Funds for the Health Insurance Partnership in order to decrease Georgia's working uninsured by providing low cost health insurance to approximately 25,000 Georgians. The program will target sole proprietors, small business, and their employees with incomes less than 300% of the federal poverty level. Recommended Total Funding is \$63,446,489.
  - b. \$9,250,000 in Tobacco Settlement Funds to increase access to primary health care in rural Georgia through the development of regional systems of care.
3. The Governor's budget redirects \$1,500,000 in core funding for Regional Cancer Coalitions from DCH to the Board of Regents, Payments to Georgia Cancer Coalition.
4. The Department requested one-time, FY 2008 funding of \$500,000 Area Health Education Centers (AHECs) be reduced; however, the Governor's Budget recommends the funds remain in the budget. The Governor's budget concurs with the Department's request to reduce one-time funding for Community Health Centers (\$2,750,000); the Georgia Primary Health Care Association (\$750,000); and Hughes Spalding Children's Hospital (\$1,750,000).

5. The Governor's Budget does not consider the Department's request for \$500,000 to fund a grant program intended to eliminate health disparities in specific underserved populations; however, the Governor's Budget concurs with the Department's request for the continued development and implementation of the Health Information Exchange (\$750,000) and a consumer focused website for healthcare information (\$750,000).

**Medicaid and PeachCare for Kids:**

Medicaid Financing:

1. The Department requested \$225,468,082 in state funds to replace the loss of the same amount pre-funded for the FY 2008 budget and no longer available for expenditure in the FY 2009 budget. The Governor's Budget recommends using state fund reserves the department projects it can carry forward to FY 2009. (see #2 and #3)
2. The LIM budget is increased by \$141,028,264 using FY 2008 state fund reserves (Other Funds) for FY 2008 Incurred but Not Reported (IBNR) claims expense plus additional Federal matching funds of \$252,246,315.
3. The ABD budget is increased by \$63,872,418 using FY 2008 state fund reserves (Other Funds) for FY 2008 Incurred but Not Reported (IBNR) claims expense plus additional federal matching funds of \$114,243,639.
4. The Governor's Budget increases the department's CMO quality assessment fee collections estimate by \$4,019,353 plus an additional \$7,667,032 in federal matching funds.
5. The Governor's Budget includes a transfer of \$14,130,000 in state funds plus \$25,273,235 in matching federal dollars to adjust for a loss of one-time reserve funds in Administration no longer available due to pre-funding.
6. The Governor's Budget reduces the Department's request for Medicaid Benefits funding by \$9,000,000 in State Funds (\$25,097,602 Total Funds).

PeachCare for Kids Financing:

7. The Governor's Budget recommends additional state funds of \$17,296,679 to cover the projected state share of PeachCare for Kids benefit expenditures.

Medicaid and PeachCare for Kids Enhancements:

8. The Governor's Budget concurs with the Department's request for rate enhancements for the following Medicaid providers:
  - a. Outpatient Hospitals
  - b. Physicians and providers of physician related services
  - c. Providers of Health Check services for children
  - d. Physicians providing global maternity care
  - e. Home Health agencies
  - f. Nursing Homes

9. The Governor's Budget recommends increasing cost coverage for inpatient hospital services from 95.1% to 98.6% of cost for designated trauma hospitals Levels I through III, and increasing cost coverage from 90.1% to 92.6% of cost for all other hospitals. This differed slightly from the Department's request to increase cost coverage from 93.6% to 97.5% for trauma hospitals and increasing cost coverage from 91% to 93.5% for non-trauma hospitals.
10. The Governor's Budget concurs with the Department's request for 50 new slots in the Independent Care Waiver Program and 100 slots, also in ICWP, for the Money Follows the Person grant. The Governor's Budget does not recommend the DCH request for a rate increase for ICWP Personal Support providers totaling \$2.3 million.
11. The Governor's Budget adds \$17,650,154 in state funds (\$49,219,615 in total funds) to increase funding for the nursing home per diem rate to align with current fair rental value indices and to recognize capital expenditures associated with facility upgrades.
12. The Governor's Budget recommends DCH develop a quality incentive proposal for all home and community based waiver services in partnership with the Department of Human Resources in the LIM and ABD programs.

**State Health Benefit Plan:**

1. The Department requested \$158,892,103 in additional funds to cover projected expenditure growth in the Plan for FY 2009. The Governor's Budget recommends the Department cover any growth in expenditures in FY 2009 with existing Plan reserves.
2. The Governor's Budget recommends the Department implement optimal pricing strategies to incentivize member enrollment in Consumer Driven Health Plans while increasing employee premiums by an average of 7.5%. The premium increase is estimated to generate \$24,177,000 in additional revenue for the Plan.
3. The Governor's Budget recommends an increase in the percent of payroll contribution from 22.843% to 24.182% to provide funds for Other Post-Employment Benefits (OPEB) for retiree health care for state employees and their dependents. Total funds impact is \$40,540,022.
4. An increase in total funds of \$9,898,650 is recommended to reflect appropriated employer contributions for premium payments and OPEB for legislative and judicial agencies as reflected in House Bill 95.