



GEORGIA DEPARTMENT  
OF COMMUNITY HEALTH

# Amended Fiscal Year 2017 and Fiscal Year 2018 Governor's Budget Recommendation



Presentation to: Joint House and Senate Appropriations Committee

Presented by: Frank W. Berry, Commissioner

Date: January 17, 2017



# Mission

## The Georgia Department of Community Health

We will provide Georgians with access to affordable, quality health care through effective planning, purchasing and oversight.

*We are dedicated to A Healthy Georgia.*

# Agenda

- What We Do
- Who We Serve
- Fiscal Year 2017 Current Budget
- Amended Fiscal Year 2017 Cost Drivers
- Amended Fiscal Year 2017 Governor's Budget Recommendation
- Fiscal Year 2018 Governor's Budget Recommendation



# What We Do

# What We Do

- Division of Medical Assistance Plans (Medicaid)
  - 1,993,279 Georgians are enrolled in Medicaid
- State Health Benefit Plan (SHBP)
  - 633,852 covered lives (subscribers and dependents) FY 2016
- Healthcare Facility Regulation Division (HFRD)
  - Regulates over 20,000 health care facilities
  - Responsible for licensure, surveys, and complaint investigations
  - Ensures compliance with state statutes, regulations, and federal certification requirements



# What We Do

- Office of Health Planning
  - Administers Certificate of Need (CON) program
  - Reviews design and construction projects
- Office of Inspector General
  - Reviews, investigates and audits Medicaid providers and recipients to safeguard taxpayer dollars.
  - Reviews the State Health Benefit Plan (SHBP), Healthcare Facility Regulation and other offices at DCH.

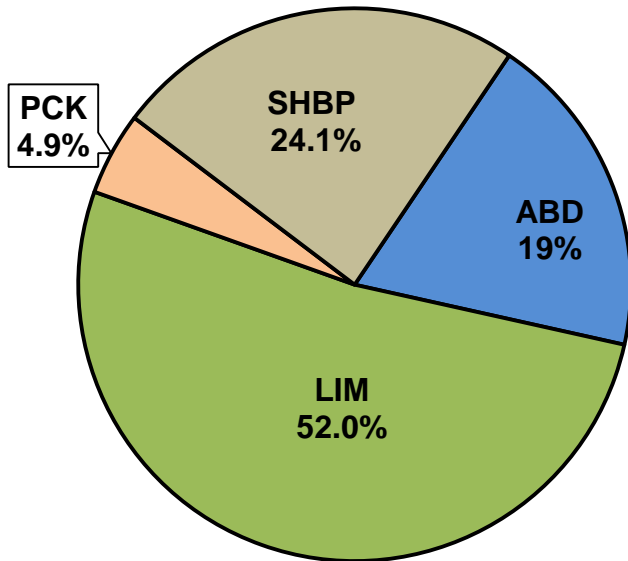




# Who We Serve

# Who We Serve

## Fiscal Year 2016 - Total Beneficiaries of DCH Programs



| Programs                              | FY 2016          | %             |
|---------------------------------------|------------------|---------------|
| Medicaid                              | 1,865,592        | 71.0%         |
| <i>Aged, Blind and Disabled (ABD)</i> | 500,334          | 19.0%         |
| <i>Low-Income Medicaid (LIM)</i>      | 1,365,257        | 52.0%         |
| PeachCare (PCK)                       | 127,688          | 4.9%          |
| <b>Subtotal</b>                       | <b>1,993,279</b> | <b>75.9%</b>  |
| State Health Benefit Plan (SHBP)      | 633,852          | 24.1%         |
| <b>Total Beneficiaries</b>            | <b>2,627,131</b> | <b>100.0%</b> |

One in four Georgians is a direct beneficiary of DCH Programs



# Who We Serve

## Fiscal Year 2016 - Children Beneficiaries of DCH Programs

52% of Georgia's children (ages 0 to 19) have access to health insurance through a DCH Program.

| DCH Program               | GA Children Population* | DCH Beneficiaries (ages 0-19) | %   |
|---------------------------|-------------------------|-------------------------------|-----|
| Medicaid and PeachCare    |                         | 1,319,811                     | 48% |
| State Health Benefit Plan |                         | 123,273                       | 4%  |
| Total Children            | 2,784,116               | 1,443,084                     | 52% |



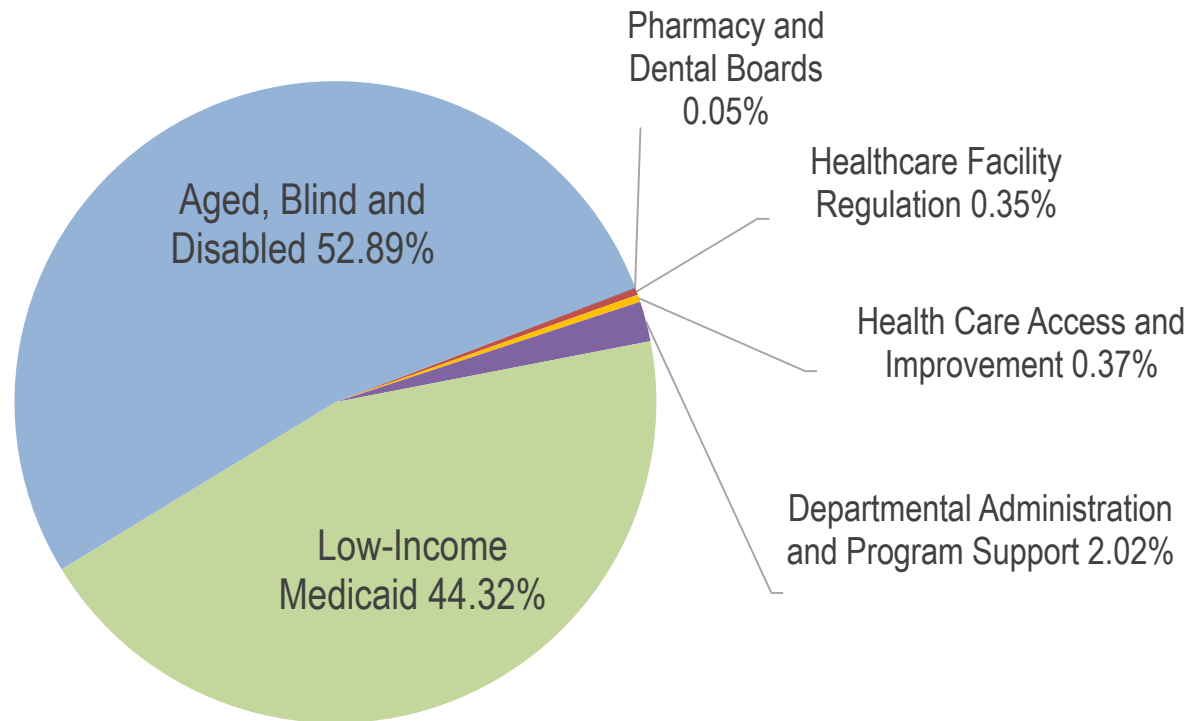


# Fiscal Year 2017 Current Budget

# Fiscal Year 2017 Budget State Funds Budget by Program\*

Total Funds Appropriated: \$14,365,986,322

State Funds Appropriated: \$3,135,879,366\*



97% of all DCH State Funds are budgeted in Medicaid





# Amended Fiscal Year 2017 Cost Drivers

# Amended Fiscal Year 2017 and Cost Drivers

- Medicare Part D Clawback payments
  - The availability of new specialty drugs (e.g. hepatitis C), growth in prescription drug utilization and rising drug prices are increasing the cost of Part D.
- Medicare Part B premium increases
  - When Medicare Part B premiums increase but Social Security beneficiaries do not receive a cost of living adjustment (COLA) that can cover the increase in the premium, a hold-harmless provision is triggered for the majority of Part B members who are not dual eligibles nor meet income standards. Georgia Medicaid covers the cost of premiums for dual eligibles.



# Amended Fiscal Year 2017 Governor's Budget Recommendation

# Amended Fiscal Year 2017 Governor's Budget Recommendation

## Medicaid Items

|   |     |
|---|-----|
| Utilize \$3,701,499 in Tenet settlement agreement funds to reflect projected increase in Medicare Part D Clawback payment (Total Funds: \$3,701,499).   | Yes |
| Utilize \$11,564,450 in Tenet settlement agreement funds to provide match for Disproportionate Share Hospital (DSH) payments for private deemed and non-deemed hospitals (Total Funds: \$36,538,547). | Yes |
| Utilize \$3,182,981 in Tenet settlement agreement funds for the hold harmless provision in Medicare Part B Premiums (Total Funds: \$9,885,034).   | Yes |

## Total State Funds

**\$0**

## Operations Items

|   |         |
|---|---------|
| Statewide adjustment for merit system assessments to align budget to expenditure.         | \$2,709 |
| Provide additional funds to retain criminal investigators for Georgia Board of Dentistry. | \$1,389 |

## Total State Funds

**\$4,098**

# Amended Fiscal Year 2017 Governor's Budget Recommendation (cont'd)

## State Health Benefit Plan (SHBP)

|  |     |
|--|-----|
| Increase funds to reflect membership, medical service utilization, and medical trend changes since the previous projection (Total Funds: \$126,049,802).           | Yes |
| Reflect 2.5% average increase in employee premiums for non-Medicare Advantage plans, effective 1/1/17 (Total Funds: \$7,200,000).                                  | Yes |
| Reflect \$20 monthly premium increase for Medicare Advantage premium plan members, effective 1/1/17 (Total Funds: \$5,283,000).                                    | Yes |
| Increase funds to raise the 5-year benefit limit for children's hearing aids from \$3,000 to \$6,000 (Total Funds: \$4,736).                                       | Yes |
| Reduce funds to reflect savings attributable to Medicare Advantage rates in plan year 2017 (Total Funds: <b>(\$8,836,000)</b> ).                                   | Yes |
| Reduce funds to reflect projected dependent verification audit savings (Total Funds: <b>(\$17,607,871)</b> ).  | Yes |
| Recognize plan savings attributable to pharmacy benefit management strategies such as enhanced compound pharmacy management (Total Funds: <b>(\$39,113,000)</b> ). | Yes |





# Fiscal Year 2018 Governor's Budget Recommendation

# Fiscal Year 2018

## Governor's Budget Recommendation

### Medicaid Items

|   |                       |
|---|-----------------------|
| Provide state funds to support increased waiver rates and slots previously funded by the Balancing Incentives Payment Program (BIPP). | \$4,015,270           |
| Provide funds to reduce the waiting list in the Community Care Services (CCSP) waiver.  | \$1,377,969           |
| Increase funds for an adjustment to congregate and home-delivered meals rates for Medicaid waivers for the elderly.                   | \$250,000             |
| Reduce funds for the hold-harmless provision in the Medicare Part B premiums.   | (\$2,927,925)         |
| Reduce funds for one-year Health Insurer Fee (HIF) moratorium.  | (\$32,220,521)        |
| Reduce funds to reflect and increase in the Federal Medicaid Assistance Percentage (FMAP) from 67.89% to 68.50%.                      | (\$46,903,924)        |
| <b>Total State Funds</b>  | <b>(\$76,409,131)</b> |

### Operations Items

|   |                  |
|---|------------------|
| Statewide adjustments.  | \$695,722        |
| Provide additional funds to retain criminal investigators for Georgia Board of Dentistry.   | \$2,778          |
| Reduce one-time funds for the purchase of three telemedicine equipment devices to support middle Georgia EMS services.                        | (\$42,000)       |
| Transfer funds to the Georgia Board for Physician Workforce to support the salary and operating expenses of two healthcare analyst positions. | (\$200,389)      |
| <b>Total State Funds</b>  | <b>\$456,111</b> |

# Fiscal Year 2018

## Governor's Budget Recommendation (cont'd)

| <b>Medicaid Items</b>   |     |
|---|-----|
| Utilize \$38,425,445 in Tenet settlement agreement funds for growth in Medicaid based on projected need (Total Funds: \$121,407,409).   | Yes |
| Utilize \$11,066,621 in Tenet settlement agreement funds to reflect a projected increase in Medicare Part D Clawback payment (Total Funds: \$34,965,627).                                       | Yes |
| Utilize \$1,638,000 in Tenet settlement agreement funds to comply with federal hepatitis C treatment access requirements (Total Funds: \$5,175,355).  | Yes |
| Evaluate options to ensure mental health coverage parity for Medicaid and Children's Health Insurance Program beneficiaries with that of the commercial market.                                 | Yes |
| Utilize \$17,941,658 in Tenet settlement agreement funds to increase reimbursements rates for select primary care and OB/GYN codes to 100% of 2014 Medicare levels (Total Funds: \$56,687,703). | Yes |
| Utilize \$2,533,408 in Tenet settlement agreement funds for behavioral health services to children ages 0-4 (Total Funds: \$8,004,449).   | Yes |
| Utilize \$20,766,592 in Tenet settlement agreement funds to cover behavioral health services for children under 21 who are diagnosed as autistic (Total Funds: \$65,613,245).                   | Yes |
| <b>Total Funds</b>  |     |

# Fiscal Year 2018

## Governor's Budget Recommendation (cont'd)

### State Health Benefit Plan (SHBP)

|  |     |
|--|-----|
| Increase funds to reflect membership, medical service utilization, and medical trend changes since the previous projection (Total Funds: \$200,347,554).           | Yes |
| Reflect 2.5% average increase in employee premiums for non-Medicare Advantage plans, effective 1/1/17 (Total Funds: \$14,400,000).                                 | Yes |
| Reflect \$20 monthly premium increase for Medicare Advantage premium plan members, effective 1/1/17 (Total Funds: \$10,556,00).                                    | Yes |
| Increase funds to raise the 5-year benefit limit for children's hearing aids from \$3,000 to \$6,000 (Total Funds: \$9,471).                                       | Yes |
| Reduce funds to reflect savings attributable to Medicare Advantage rates in plan year 2017 (Total Funds: <b>(\$19,587,000)</b> ).                                  | Yes |
| Reduce funds to reflect projected dependent verification audit savings (Total Funds: <b>(\$27,655,000)</b> ).  | Yes |
| Increase employer contribution rates to the non-certificated School Service Personnel Plan from \$846.20 to \$945.00 (Total Funds \$29,557,564).                   | Yes |
| Increase funds to reflect growth to match Medicaid age requirements for the treatment of autism spectrum disorders, effective 1/1/18 (Total Funds: \$1,100,000).   | Yes |
| Recognize plan savings attributable to pharmacy benefit management strategies such as enhanced compound pharmacy management (Total Funds: <b>(\$42,295,000)</b> ). | Yes |

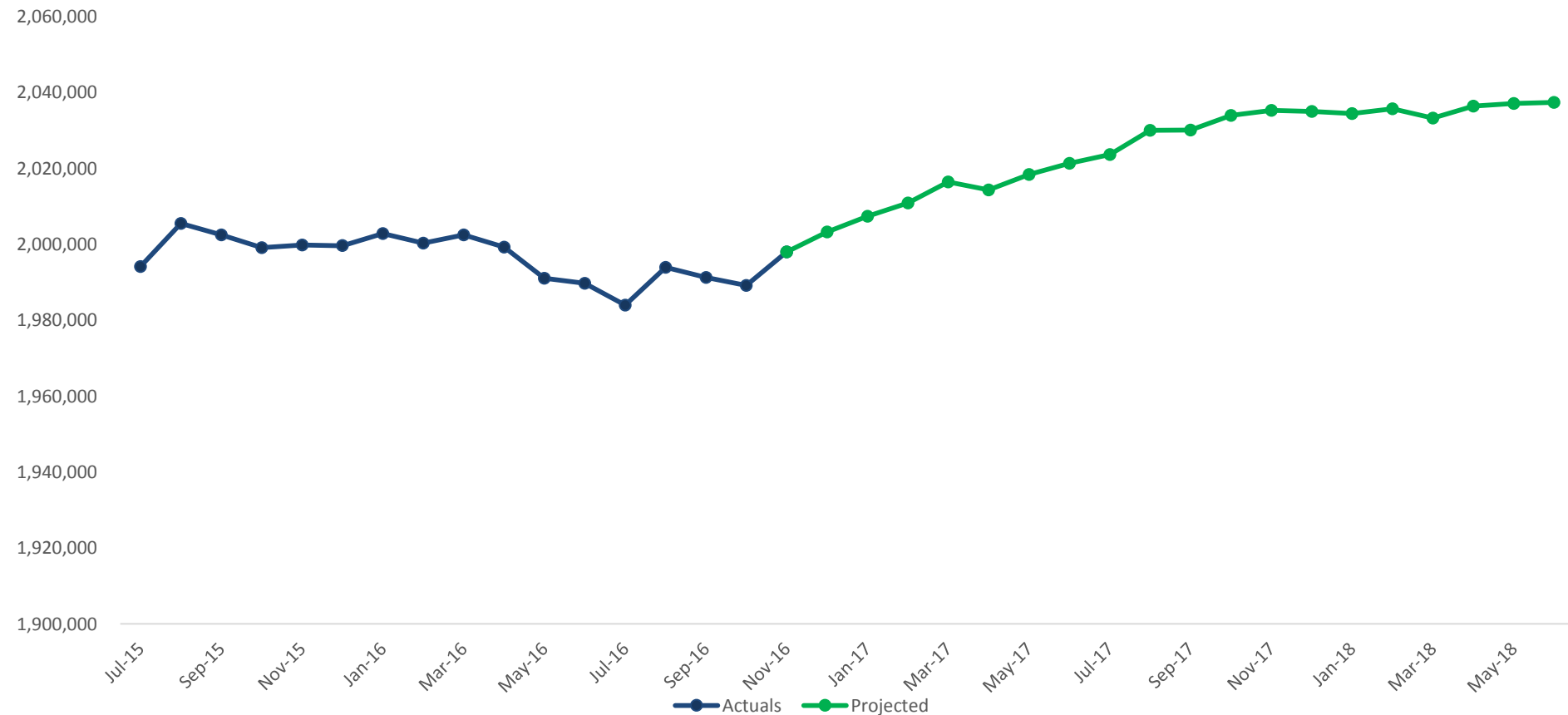


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## Additional Information on DCH Website

[www.dch.georgia.gov](http://www.dch.georgia.gov)

# Projected Growth in Medicaid and PeachCare



- Enrollment is projected to increase from an average of 1.999 million in FY2016 to 2.004 million in FY2017.

# SHBP Financial Status

|   | FY16 (A)      | FY17          | FY18          | FY19          |
|---|---------------|---------------|---------------|---------------|
| <b>FINANCIAL STATUS</b>   |               |               |               |               |
| Baseline Revenue  | 3,269,788,823 | 3,213,230,669 | 3,220,347,477 | 3,225,335,870 |
| Baseline Expense  | 2,872,782,219 | 3,130,517,000 | 3,399,473,000 | 3,724,371,000 |
| <b>Revenue</b>  |               |               |               |               |
| <i>Revenue Impacts</i>  |               |               |               |               |
| 1 Employee Premium Rate Reduction; Eff.1/1/16                                 |               | (11,100,000)  | (11,072,250)  | (11,044,569)  |
| 2 Non Certificated Rate Increase; Eff. 1/1/16                                 |               | 101,450,850   | 102,031,650   | 102,031,650   |
| 3 Non Certificated Rate Increase; Eff. 1/1/17                                 |               | 30,405,700    | 74,178,700    | 74,178,700    |
| 4 Non Certificated Rate Increase; Eff. 1/1/18                                 |               |               | 29,557,564    | 73,752,887    |
| 5 Average 2.5% Increase on Non-MA Employee Premiums; Eff 1/1/17               |               | 7,200,000     | 14,400,000    | 14,400,000    |
| 6 Plan Year 2017 \$20 premium increase for the MA premium plan                |               | 5,283,000     | 10,566,000    | 10,566,000    |
| 7 <i>Net Change to Revenue</i>  |               | 133,239,550   | 219,661,664   | 263,884,668   |
| <b>Expense</b>  |               |               |               |               |
| 8 2017 MA Procurement Savings   |               | (8,836,000)   | (19,587,000)  | (23,162,000)  |
| 9 2017 Increase in Children's Hearing Aid Benefit Max from \$3,000 to \$6,000 |               | 4,736         | 9,471         | 9,471         |
| 10 Dependent Audit Savings  |               | (17,607,871)  | (27,655,000)  | (30,006,000)  |
| 11 Recognized savings from enhanced PBM strategies                            | (35,045,000)  | (39,113,000)  | (42,295,000)  | (45,892,000)  |
| 12 Match Medicaid age requirements for the treatment of autism.               |               |               | 1,100,000     | 2,200,000     |
| 13 <i>Net Change to Expense</i>   | (35,045,000)  | (65,552,136)  | (88,427,529)  | (96,850,529)  |
| 14 Revised Revenue  | 3,269,788,823 | 3,346,470,219 | 3,440,009,141 | 3,489,220,538 |
| 15 Revised Expense  | 2,837,737,219 | 3,064,964,865 | 3,311,045,471 | 3,627,520,471 |
| 16 <b>Net Surplus/(Deficit)</b>   | 432,051,604   | 281,505,355   | 128,963,670   | (138,299,933) |