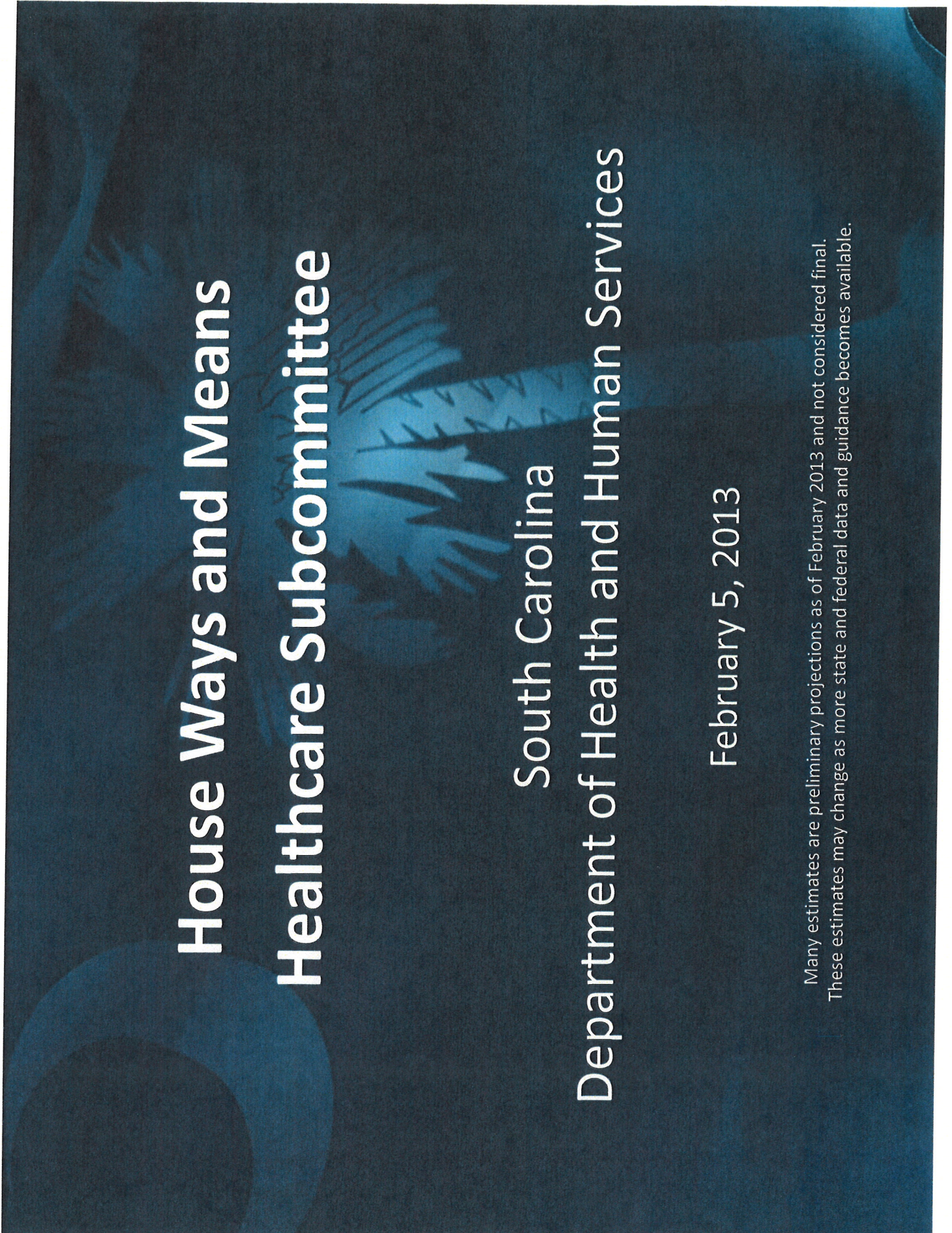




House Ways and Means Healthcare Subcommittee

South Carolina Department of Health and Human Services

February 5, 2013

Many estimates are preliminary projections as of February 2013 and not considered final.
These estimates may change as more state and federal data and guidance becomes available.

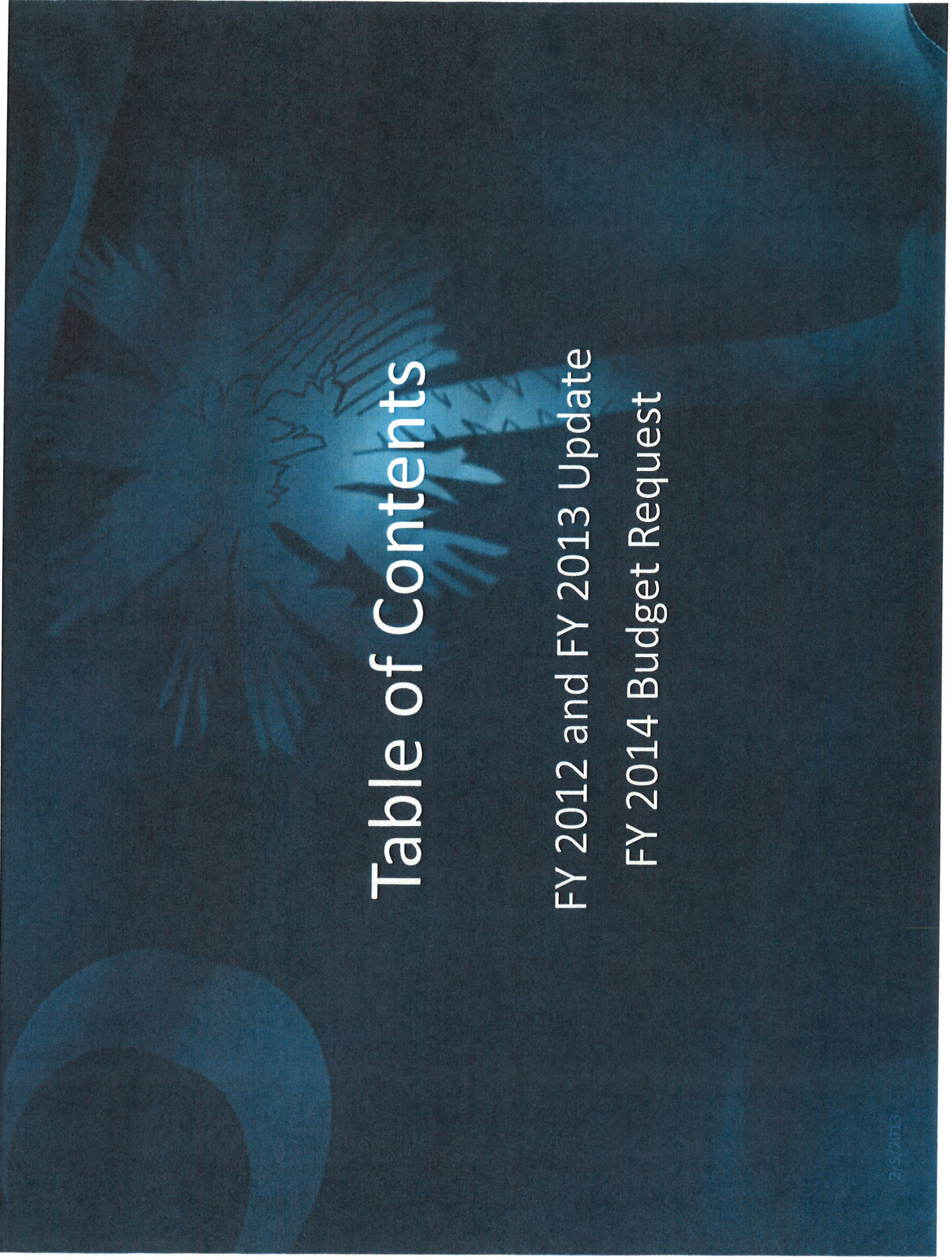


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FY 2012 and FY 2013 Update

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FY 2012 and FY 2013 Update

SFY2012 Close



SCDHHS FY 2012 Budget vs. Actual

	{A} All Funds FY 2012 Approved Budget	{B} All Funds FY 2012 Actuals	{C} Over/(Under) Approved Budget	{D} % of Over/(Under) Budget FY
Budget by Major Program and Spending Purpose				
Medicaid Assistance	\$ 4,571,695,232	\$ 4,252,885,805	\$ (318,809,427)	(7.0%)
State Agencies & Other Entities	\$ 911,262,468	\$ 833,938,480	\$ (77,323,988)	(8.5%)
Medical Contracts	\$ 232,000,063	\$ 103,063,123	\$ (128,936,940)	(55.6%)
Operating Expenditures	\$ 81,585,554	\$ 73,393,061	\$ (8,192,493)	(10.0%)
Total Budget with Capital Reserves	\$ 5,796,543,317	\$ 5,263,280,469	\$ (533,262,848)	(9.2%)

FY 2012 closed under budget

Surplus was generally realized because:

- PMPM was 9.6% less than budgeted, budget PMPM was \$531.19 while actual PMPM was \$484.66
- MM were 1% higher than budgeted, budgeted MM were 10,747,596 and actual MM were 10,860,027

The 2012 state fund surplus is allocated as follows:

- Reserve Fund: \$62,111,894
- Carry Forward: \$62,860,131

Trends in Medicaid Enrollment



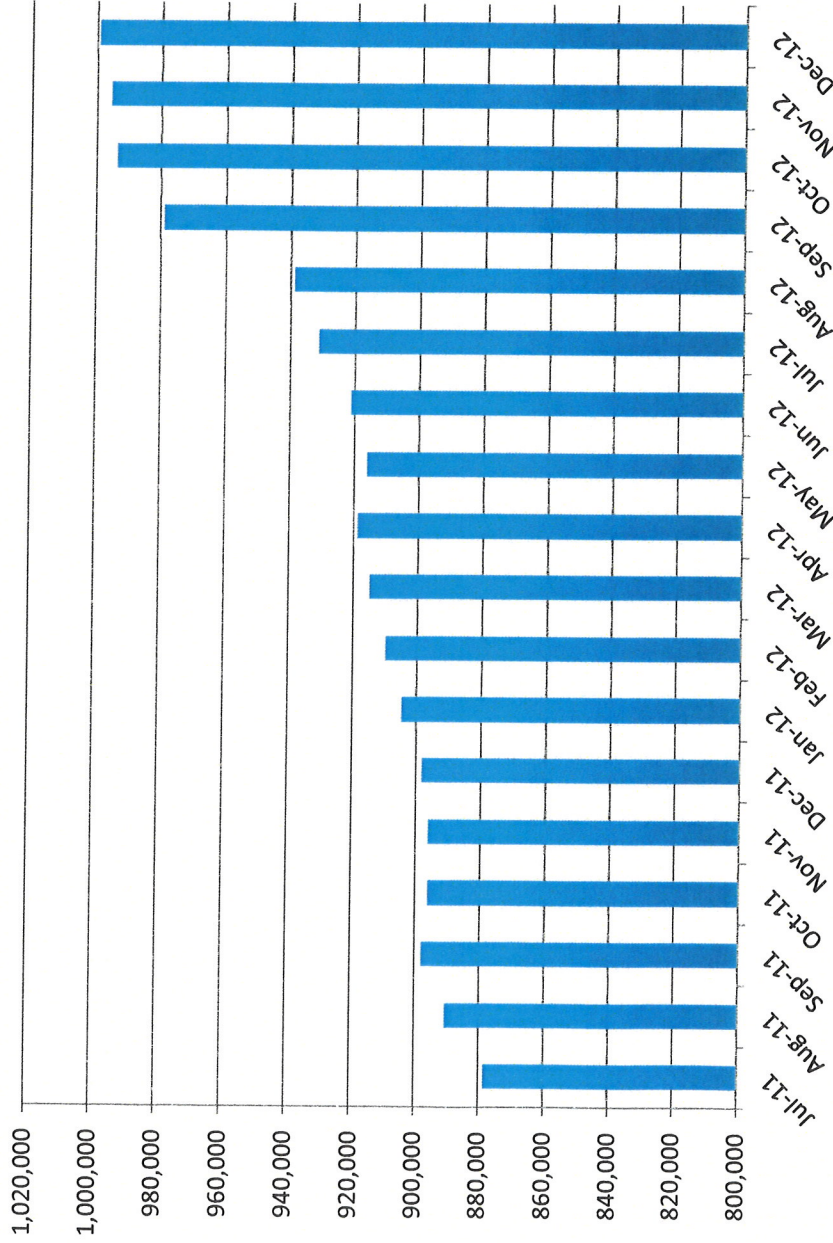
FY 2013 latest projected enrollment growth of 127,960. Update may reduce this by 20,000

December 2012 YTD enrollment growth is 78,120 (62,656 ELE kids)

FY 2013 projected member months are 12,187,596

December 2012 YTD member months are 5,838,816, 1.8% under budget

December 2012 YTD enrollment with ELE is trending under FY 2013 projections by 2.2%



Source: MMIS, most recent three months are preliminary enrollment data.

FY 2013 Current Budget vs. YTD Actuals



Current Budget to Year to Date Actual Spending
As of January 1, 2013 (Unofficial)

Budget by Major Program and Spending Purpose	FY 2013 Appropriation	FY 2013, YTD as of 1/13/13	Remaining	% Expended	FY 2013, 7 Month Budget Projection as of January 31, 2013	% of 7 Month Budget Expended
SCDHHS Medicaid Assistance						
Coordinated Care	\$1,710,451,398	\$ 1,024,316,619	\$ 686,134,779	60%	\$ 965,781,954	106%
Hospital Services	771,900,000	377,864,671	394,035,329	49%	456,382,176	83%
Disproportionate Share	480,128,621	350,708,516	129,420,105	73%	355,071,103	99%
Nursing Facilities	514,901,045	295,002,012	219,899,033	57%	316,262,872	93%
Pharmaceutical Services	224,499,959	106,044,765	118,455,194	47%	115,721,646	92%
Physician Services	183,047,463	95,755,871	87,291,592	52%	108,116,789	89%
Community Long-term Care (CLTC)	172,018,430	94,280,170	77,738,260	55%	96,700,001	96%
Dental Services	97,915,517	58,793,168	39,122,349	60%	62,097,076	95%
Clinical Services	68,925,459	36,477,167	32,448,292	53%	41,178,968	89%
Transportation Services	49,658,076	34,465,346	15,192,730	69%	41,746,769	83%
Medical Professional Services	47,691,730	21,135,528	26,556,202	44%	22,986,278	92%
Durable Medical Equipment	41,600,000	18,957,999	22,642,001	45%	21,060,725	88%
Lab & X-Ray Services	28,631,876	15,475,808	13,156,068	54%	16,184,654	98%
Family Planning	23,703,720	12,648,105	11,055,615	53%	13,219,975	96%
Hospice	12,490,000	7,426,536	5,063,464	59%	7,391,740	100%
Program of All-Inclusive Care (PACE)	13,809,328	6,821,096	6,988,232	49%	7,568,721	90%
EPSTD	10,864,132	5,138,648	5,725,484	47%	6,618,146	78%
Home Health Services	6,670,524	3,326,929	3,343,595	50%	4,217,662	79%
Integrated Personal Care (IPC) *****	5,270,800	2,955,959	2,314,841	56%	2,989,440	99%
Optional State Supplement (OSS)	17,632,480	10,941,287	6,691,193	62%	9,727,830	112%
Premiums Matched	198,100,000	95,050,760	103,049,240	48%	105,663,046	90%
MMA Phased Down Contributions	82,300,000	47,748,226	34,551,774	58%	45,006,113	106%
Premiums 100% State	18,100,000	9,375,951	8,724,049	52%	11,152,587	84%
Total SCDHHS Medicaid Assistance	\$ 4,780,110,358	\$ 2,730,281,137	\$ 2,049,829,221	57%	\$ 2,838,848,311	96%
SCDHHS Other Health Programs						
Alcohol and Other Drug Abuse Services ****	\$ 13,249,431	\$ 6,999,664	\$ 6,249,767	53%	\$ 6,698,525	104%
Commission for the Blind	39,805	-	39,805	0%	22,964	0%
Continuum of Care	6,590,057	3,177,719	3,412,338	48%	3,062,462	104%
Corrections (DOC)	2,333,948	1,339,598	994,350	57%	2,786,287	48%
Disabilities & Special Needs (DDSN)	560,536,408	316,723,973	243,812,435	57%	299,508,215	106%
Education (DOE)	50,000,000	21,014,021	28,985,979	42%	23,587,858	89%
Health & Environmental Control (DHEC)	14,158,264	7,975,070	6,183,194	56%	5,909,634	135%
SC First Steps to School Readiness	3,350,020	699,548	2,650,472	21%	4,417,023	16%
Juvenile Justice (DJJ)	41,858,252	16,356,739	25,501,513	39%	22,799,443	72%
Medical University of SC (MUSC)	155,000,000	86,356,682	68,643,318	56%	94,420,759	91%
Mental Health (DMH)	330,000	88,235	241,765	27%	2,787,630	3%
State Housing Authority	4,778,795	1,400,634	3,378,161	29%	2,070,802	68%
School for Deaf & Blind	12,412,716	4,001,008	8,411,708	32%	3,807,140	105%
Social Services (DSS)	5,742,100	1,430,344	4,311,756	25%	2,197,215	65%
University of South Carolina (USC)	30,000	12,464	17,536	42%	10,658	117%
Will Lou Gray Opportunity School	37,792,690	13,803,282	23,989,408	37%	20,604,604	67%
Emotionally Disturbed Children	23,960,020	8,160,011	15,800,009	34%	12,029,129	68%
Other Entities Funding	225,086	168,815	58,271	75%	131,300	129%
MUSC Maxillofacial						
State Agencies & Other Entities	\$ 932,327,592	\$ 489,707,807	\$ 442,619,785	53%	\$ 506,851,649	97%
Medical Contracts						
Medical Contracts	\$ 144,321,685	\$ 40,962,774	\$ 103,358,911	28%	\$ 84,187,650	49%
Non-Recurring/Capital Program *						
Total Medical Contracts	\$ 144,321,685	\$ 40,962,774	\$ 103,358,911	28%	\$ 84,187,650	49%
SCDHHS Operating Expenditures						
Personnel & Benefits	\$ 63,511,002	\$ 34,513,258	\$ 28,997,744	54%	\$ 37,046,085	93%
Other Operating Costs	19,275,106	15,679,192	3,595,914	81%	11,243,811.83	139%
Total SCDHHS Operating Expenditures	\$ 82,786,108	\$ 50,192,450	\$ 32,593,658	61%	\$ 48,291,896	104%
Total Budget - Annual Budget Appropriation	\$ 5,939,545,743	\$ 3,311,144,168	\$ 2,628,401,575	56%	\$ 3,478,179,506	95%

2/5/2013

As of January 31, 58% of the
fiscal year has passed

56% budget expended as of
January

Medical Assistance is 96% of
an estimated seven-month
budget projection

Medical contract spending is
less than projected because
major contracts were still
under negotiation in January

FY 2014 Budget Request

Executive Budget Request is \$6.475B



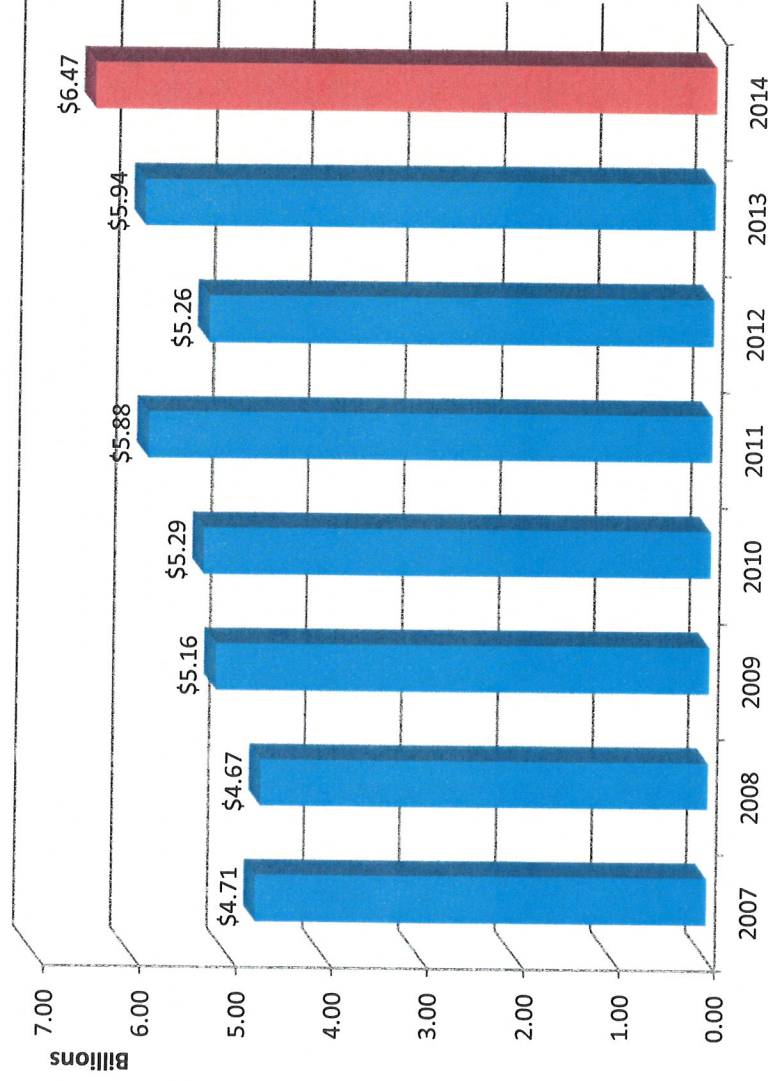
The Executive Budget request is \$6.476B which is a 8.9% or \$528,816,269 increase over FY 2013

The State Match Request is an 6.6% or \$123,144,472 increase over FY 2013

Major Changes from FY 2013 to FY 2014:

- Natural Enrollment Growth (+)
- Mandatory ACA Enrollment Growth (+)
- Inflation (+)
- FMAP Changes (-)
- Savings and Efficiencies (-)

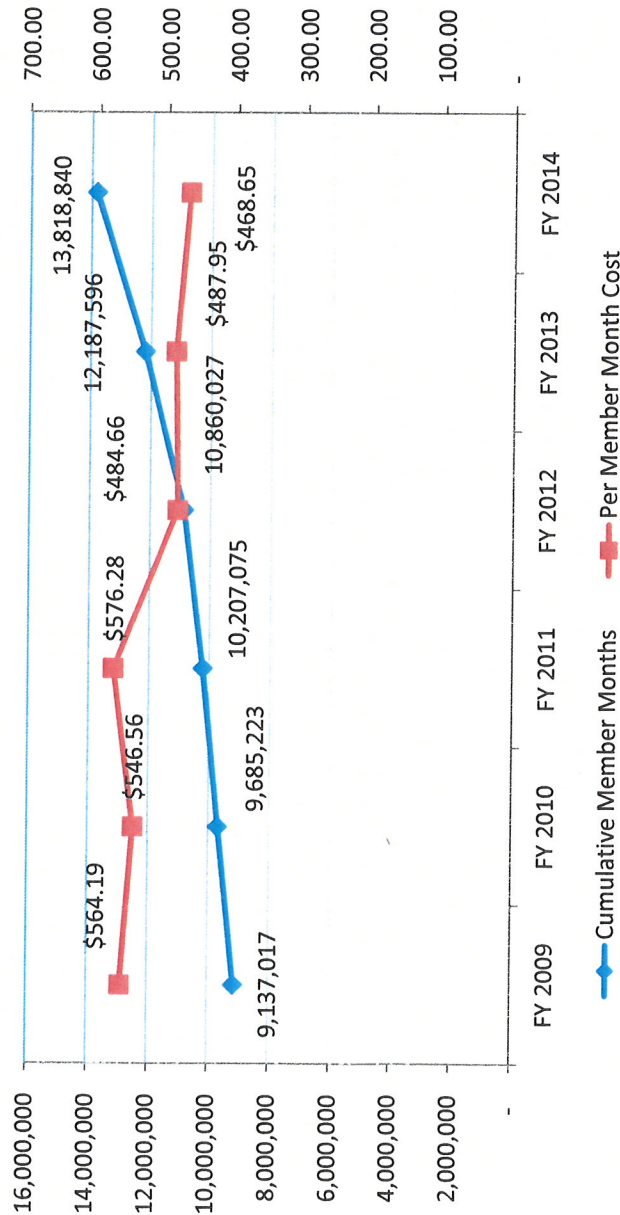
Total Expended



* 2007-2012 are actual expenditures, 2013 and 2014 are projected expenditures.

Budget Driver History

Comparison of Cumulative Member Months to Costs



Historical:

Cumulative member months are currently projected to grow 51.2% or 4,681,823 from FY 2009 to budgeted FY 2014

PMPM is currently projected to decline 16.9% or -\$95.54 from FY 2009 to budgeted FY 2014

FY 2014 Executive Budget:

MM is expected to increase by 13.4% or 1,631,244 from FY 2013 to FY 2014

PMPM is expected to decline by 4% or -\$19.30 from FY 2013 to FY 2014

Snapshot enrollment growth of 18.9% or 198,845 is projected from June 30, 2013 to June 30, 2014

- ACA Mandatory Enrollment growth of 169,326 or 85.1%
- Natural Enrollment Growth of 29,519 or 14.9%

Source: Milliman Fall 2012 Forecast and Department budget documents

DHHS FY 2014 Budget Submission to Proposed Executive Budget



Executive Budget Changes from SCDHHS Budget Submission

	General Fund & Capital Reserve	Federal Funds	Total Other Funds	TOTAL FUNDS
Total FY 2014 Original DHHS Budget Submission	\$ 1,288,171,208	\$ 4,474,669,659	\$ 747,924,838	\$ 6,510,765,705
Annualization Management Funding				
Proviso 118.8 Cigarette Tax Collections*	(20,135,000)		20,135,000	-
Proviso 118.3(B) Health Tobacco Settlement Trust	(61,600,000)	-	61,600,000	-
Subtotal - Base Appropriation Request for Maintenance of Effort	\$ (81,735,000)	\$ -	\$ 81,735,000	\$ -
Changes to Original Additional Spending Request				
MMIS Replacement**	(1,800,000)	-	-	(1,800,000)
Changes to FMAP rates	(14,553,123)	2	-	(14,553,122)
Savings and Efficiencies	(20,693,307)	-	-	(20,693,307)
Subtotal - Changes to Original New Spending Request	(37,046,430)	2	-	(37,046,429)
Total Executive Budget Changes	\$ (118,781,430)	\$ 2	\$ 81,735,000	\$ (37,046,429)
Total Executive Budget Proposal	\$ 1,169,389,778	\$ 4,474,669,661	\$ 829,659,838	\$ 6,473,719,276

Executive Budget is \$37 million less than original submission

The FY 2014 Executive Budget is a 8.9% increase over the FY 2013 appropriation

FY 2014 Executive Budget re-categorizes \$81.7 million of General Fund request (Cigarette Tax and Tobacco Settlement) to Other Funds

* SCDHHS built \$105,000,000 in Cigarette Tax Collections into the base budget submission

**SCDHHS given \$1,800,000 from escrow funds for MMIS replacement and that is not included in the total above

FY 2014 Summary Request



FY 2014 anticipates the shift of approximately 200,000 individuals from MHNs to MCOs

FY 2014 anticipates a natural enrollment growth of 2.8% or 29,519 enrollees, excluding all ACA impacts

FY 2014 includes annualization of funding for Express Lane Enrollment: \$21,232,759 total funds, \$6,293,390 state general funds

Growth of 8.3% for implementation of the mandatory ACA is included in the FY 2014 request

- 169,326 members
- 1,015,956 member months
- \$316.01 PMPM
- \$69,721,579 State and \$251,326,421 federal

Major Program Use	FY 2014 Executive Budget Summary of DHHS Program Spending	
	FY 2014 Executive Budget - All Funds	FY 2014 Executive Budget - State General Funds
Medicaid Assistance		
Existing Medicaid Assistance Budget	\$ 4,713,866,504	\$ 902,407,693
Requested Increases:		
Medicaid Enrollment Growth	\$ 231,605,883	\$ 126,127,341
ACA Mandated Growth	\$ 321,048,000	\$ 69,721,579
Dual Eligible Project	\$ 14,600,000	\$ -
Total Medicaid Assistance Budget	\$ 5,281,120,387	\$ 1,098,256,613
Other Medicaid Health Programs:		
State Agencies/Other Entities	\$ 923,663,235	\$ 225,086
Medical Contracts:		
Medical Health Contracts	\$ 175,614,817	\$ 41,408,136
Operating Expenditures:		
Personnel costs	\$ 48,480,515	\$ 16,200,192
Benefits	\$ 16,164,805	\$ 5,830,524
Other Operating	\$ 28,546,639	\$ 7,469,227
Requested Personnel Increase:		
Fraud & Abuse Audit Staff	\$ 128,878	\$ -
Total Operating Expenditures	\$ 93,320,837	\$ 29,499,943
Non-recurring Capital Request	\$ 1,800,000	\$ -
Total Appropriated Budget WITH New Spending Initiatives & Capital Requests	\$ 6,475,519,276	\$ 1,169,389,778
FY 2013 Budget Appropriation WITH Capital Requests - July 1 % Change	\$ 5,946,703,007 8.9%	\$ 1,102,150,675 6.1%

2/5/2013

FY 2014 Request vs. FY 2013

Growth in Medicaid Assistance

- Natural Enrollment Growth (+)
- Mandatory ACA Enrollment Growth (+)
- Inflation (+)
- FMAP Changes (-)
- Savings and Efficiencies (-)

\$18 million of \$26 million growth in Medical Contracts is MMIS replacement

Net \$9.6 million increase in operating expenditures is related to increase in ACA activity

SCDHHS FY 2014 Budget Appropriation Proposal			
{A}			
Budget by Major Program and Spending Purpose	All Funds FY 2014 Executive Budget	All Funds FY 2013 Budget	% of Chg FY 2014 v FY 2013
Medicaid Assistance	\$ 5,281,120,388	\$ 4,780,110,358	10.5%
State Agencies & Other Entities	\$ 923,663,235	\$ 932,327,592	(0.9%)
Medical Contracts	\$ 177,414,817	\$ 151,478,949	17.1%
Operating Expenditures	\$ 93,320,837	\$ 82,786,108	12.7%
Total Budget with Capital Reserves	\$ 6,475,519,276	\$ 5,946,703,007	8.9%

Sources of Funding Changes FY 2014

SCDHHS Sources of Funding SFY 2014 vs FY 2013

	FY 2014 Executive Budget	FY 2013 Approved Budget	Over/(Under) FY 2013 Budget	% Change
State General Funds				
Restricted and Earmarked:				
Cigarette Tax	\$ 1,169,389,778	\$ 1,094,993,411	\$ 74,396,367	6.8%
Tobacco Master Settlement Agreement April 2013	\$ 125,135,000	\$ 157,299,845	\$ (32,164,845)	(20.4%)
Other	\$ 61,600,000	\$ 8,481,912	\$ 53,118,088	626.3%
Subtotal Restricted	\$ 642,924,837	\$ 615,129,975	\$ 27,794,862	4.5%
	\$ 829,659,837	\$ 780,911,732	\$ 48,748,105	6.2%
Subtotal State Funds	\$ 1,999,049,615	\$ 1,875,905,143	\$ 123,144,472	6.6%
Federal Funds	\$ 4,474,669,661	\$ 4,063,640,600	\$ 411,029,061	10.1%
Total Operating Budget Revenues	\$ 6,473,719,276	\$ 5,939,545,743	\$ 534,173,533	9.0%
Medicaid Reserve Fund:				
Cigarette Tax	\$ 32,865,000			
Tobacco Master Settlement Agreement Escrow	3,138,253			
Tobacco Master Settlement Agreement April 2014	33,797,091			
Subtotal Medicaid Reserve Funds	\$ 69,800,344			
Non-Recurring MMS replacement				
Tobacco Master Settlement Agreement Escrow	1,800,000			
	\$ 1,800,000			
Total non-Operating Appropriations	\$ 71,600,344			
Total Operating/Non-Operating	\$ 6,545,319,620			

Authorization for an additional \$30,535,001 in spending in Summary Control Document without a dedicated source

\$ 30,535,001
\$ 6,545,319,620
\$ 6,575,854,621

In addition to the requested operating budget increases, the Executive Budget requests \$69.8 million in one time funds be placed in Medicaid Reserves.

Cost Savings Strategies and Initiatives

2011-2013



- Effects of Birth Outcomes Initiative
 - Resulted in decrease in unnecessary NICU days
- Reduced Managed Care Organization (MCO) Administrative Rate
 - Lowered administrative rates 12.0% to 9.5%
- Impacts of Quality Outcome Incentives for MCOs and Providers
 - Implementing Patient Centered Medical Home program
- Impacts of Quality Outcomes Withholds related to HEDIS Measures for MCOs
 - Requires improvement of HEDIS measurements by at least one standard deviation
- Increased Use of Prior Authorizations (PA) to Ensure Appropriate Utilization
 - Implemented PAs for Inpatient Hospital Admissions
- Improved Contract Oversight and Negotiations
 - Engaged in broad contract review and reductions and eliminations of no longer needed services

SCDHHS is constantly

pursuing cost savings

strategies to free up state

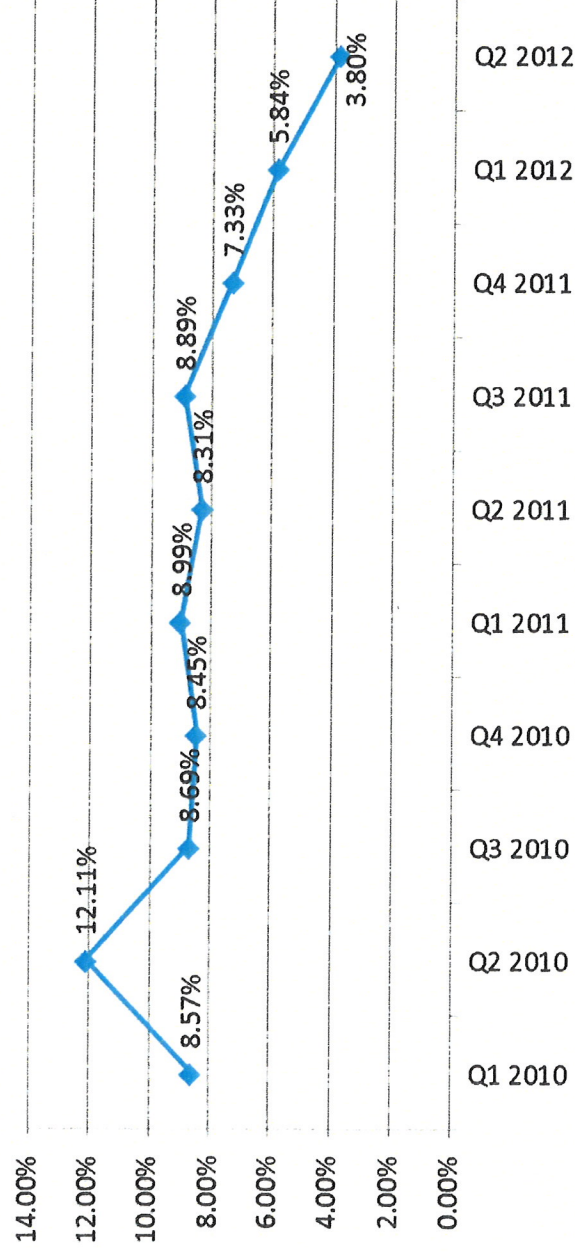
funds for other priorities

Birth Outcomes Initiative: Cost Savings



In July 2011, SCDHHS implemented a series of birth outcome initiatives to reduce the number of elective inductions and cesarean deliveries, as well as NICU hospital stays

Medicaid Rates with Documented Elective Inductions as a Subset of the =>37 to <39 Weeks Delivery



Projected Q1 FY 2013 cesarean deliveries was 2,532; actual for Q1 FY 2013 was 1,944

Projected Q1 FY 2013 total NICU admits was 624; actual for Q1 FY 2013 was 443

These efforts resulted in savings of \$6 million for first quarter FY 2013



End