



# House Ways & Means Healthcare Subcommittee

## SCDHHS Budget Presentation

February 5, 2014

Tony Keck, Director

- FY 2013 Year End
- FY 2014 Status of SC Healthy Connections
- Medicaid Accountability and Quality Improvement Initiative (Proviso 33.34)
- FY 2015 SCDHHS Executive Budget

**FY 2013 Year End**

	FY 2013 Appropriation		FY 2013 Actuals		Variance	%
Medicaid Assistance	\$	4,779,810,435	\$	4,394,902,436	\$ 384,907,999	8%
State Agencies & Other Entities	\$	932,327,592	\$	810,462,742	\$ 121,864,850	13%
Personnel & Benefits	\$	62,570,518	\$	55,728,105	\$ 6,842,413	11%
Medical Contracts & Operating	\$	163,596,791	\$	164,025,753	\$ (428,962)	0%
<b>Total Appropriation</b>	\$	<b>5,938,305,336</b>	\$	<b>5,425,119,036</b>	\$ 513,186,300	9%
<b>Member Months</b>		<b>11,883,712</b>		<b>11,809,495</b>	<b>74,217</b>	<b>1%</b>
PMPM	\$	499.70	\$	459.39	\$ 40.32	8%
Supplemental Federal Authority	\$	135,237,740	\$	-	\$ 135,237,740	
Other Transfers In/(Out)	\$	(10,070,568)	\$	-	\$ (10,070,568)	
<b>FY 2013 Total</b>	\$	<b>6,075,356,720</b>	\$	<b>5,436,928,990</b>	\$ 638,427,729	11%
<b>FY 2012 Carry Forward</b>	\$	<b>62,860,131</b>	\$	<b>-</b>	\$ 62,860,131	
	\$	<b>6,138,216,850</b>	\$	<b>5,436,928,990</b>	\$ 701,287,860	11%

**Factors leading to variance from appropriation:**

- Utilization in Express Lane population managed better than budgeted
- Actual Member Months – 74,217 (.62%) below projected
- Increased use of generic drugs
- Decrease in hospital inpatient discharges
- Lower than expected Electronic Health Record costs (federal dollars only)
- Medicare premium increases less than projected
- State agencies

**FY 2013 Year-Ending Cash Balances**

	Ending FY 2012 Balance	Receipts/Disbursements	Ending FY 2013 Balance
General Fund	\$ 62,860,131	\$ 169,705,401	\$ 232,565,532
Earmarked Fund	\$ 107,903,136	\$ 78,868,718	\$ 186,771,854
Restricted Fund	\$ 51,234,261	\$ (7,752,987)	\$ 43,481,274
<b>Total</b>	<b>\$ 221,997,528</b>	<b>\$ 240,821,132</b>	<b>\$ 462,818,660</b>

**Funds Available to SCDHHS in FY 2014**

	Ending FY 2012 Balance	Receipts/Disbursements	Ending FY 2013 Balance
General Fund	\$ 62,860,131	\$ 169,705,401	\$ 232,565,532
Earmarked Fund	\$ 79,031,310	\$ 57,462,463	\$ 136,493,773
Restricted Fund	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 141,891,441</b>	<b>\$ 227,167,864</b>	<b>\$ 369,059,305</b>

**Funds available for SCDHHS use are unencumbered**

**Encumbered funds are either built in as recurring source of matching funds or are designated for a specific purpose**



**FY 2014 Status of SC  
Healthy Connections**

	<b>FY 2014 Appropriation</b>	<b>FY 2014 YTD as of 12/31/13 Actuals</b>	<b>% of Appropriation</b>	<b>FY 2014 Projection</b>	<b>% of Projection</b>
Medicaid Assistance	\$ 5,294,920,388	\$ 2,331,968,069	44%	\$ 4,928,000,000	47%
State Agencies & Other Entities	\$ 923,663,235	\$ 447,192,996	48%	\$ 937,000,000	48%
Personnel & Benefits	\$ 64,799,418	\$ 29,662,826	46%	\$ 59,000,000	50%
Medical Contracts & Operating	\$ 204,261,456	\$ 66,724,183	33%	\$ 226,000,000	30%
<b>Total</b>	<b>\$ 6,487,644,497</b>	<b>\$ 2,875,548,074</b>	<b>44%</b>	<b>\$ 6,150,000,000</b>	<b>47%</b>

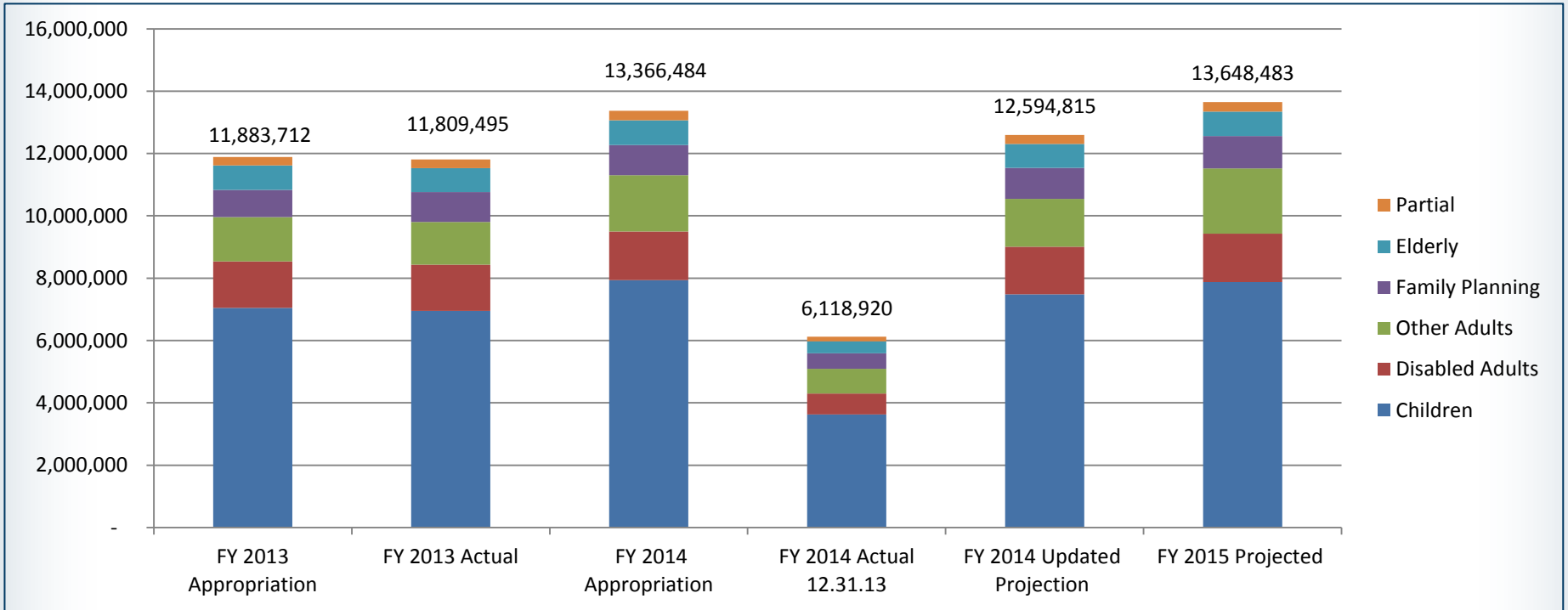
**As of December 31, 2013, 50% of the fiscal year had passed**

**Year end expenditures are projected below appropriation primarily due to reduction of 771,669 member months**

# Reduced FY 2014 & FY 2015 Projections

- **FY 2014 – Reduced member months by 771,669 from original appropriation**
- **FY 2015 – Reduced member months by 247,151 from budget submission**
- **Factors contributing to projected reductions**
  - Early technical problems and delays with healthcare.gov
  - Year delay in implementing small business requirements
  - Year delay in requiring plans to meet Essential Health Benefits
  - Other states' experiences
  - Improving economic conditions

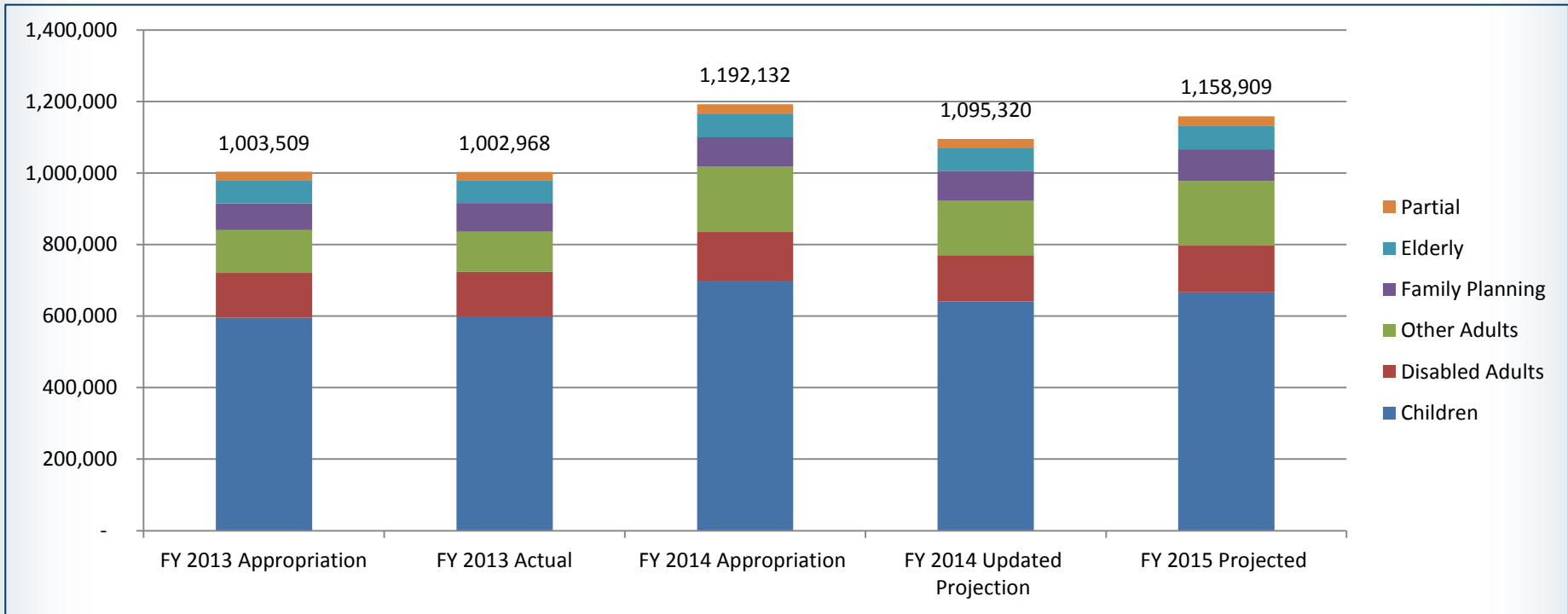
## Member Months



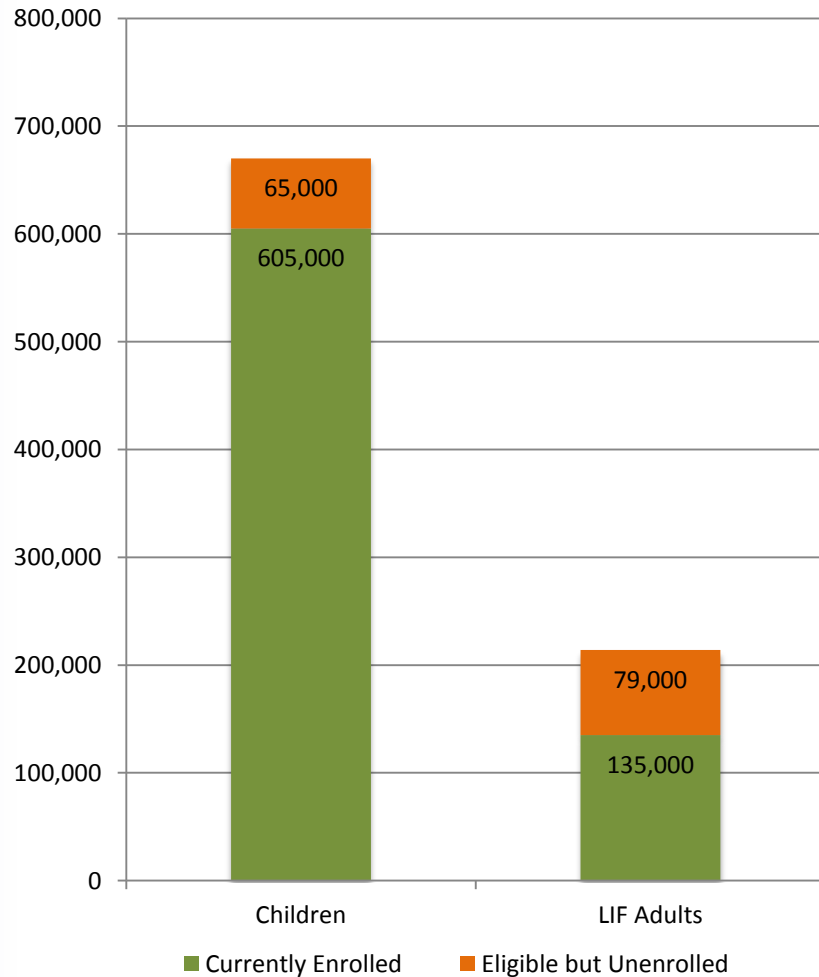
**Projected FY 2014 member months are 6% below FY 2014 appropriation**



# Members as of June 30



# Eligibility Policy Impacts



## Children

- FPL raised to 200% in April 2008
- Minimum FPL of 133% after MOE until 1/1/2019

## Low Income Adults

- FPL matches TANF program with required adjustments for Medicaid policy
- FPL adjusted to 62% for MAGI on 1/1/2014
- Minimum FPL of 17% for mandated MOE effective 1/1/2014

## Pregnant Women

- FPL raised to 185% in June 1989
- FPL adjusted to 194% for MAGI on 1/1/2014
- Minimum FPL of 185% for mandated MOE effective 1/1/2014

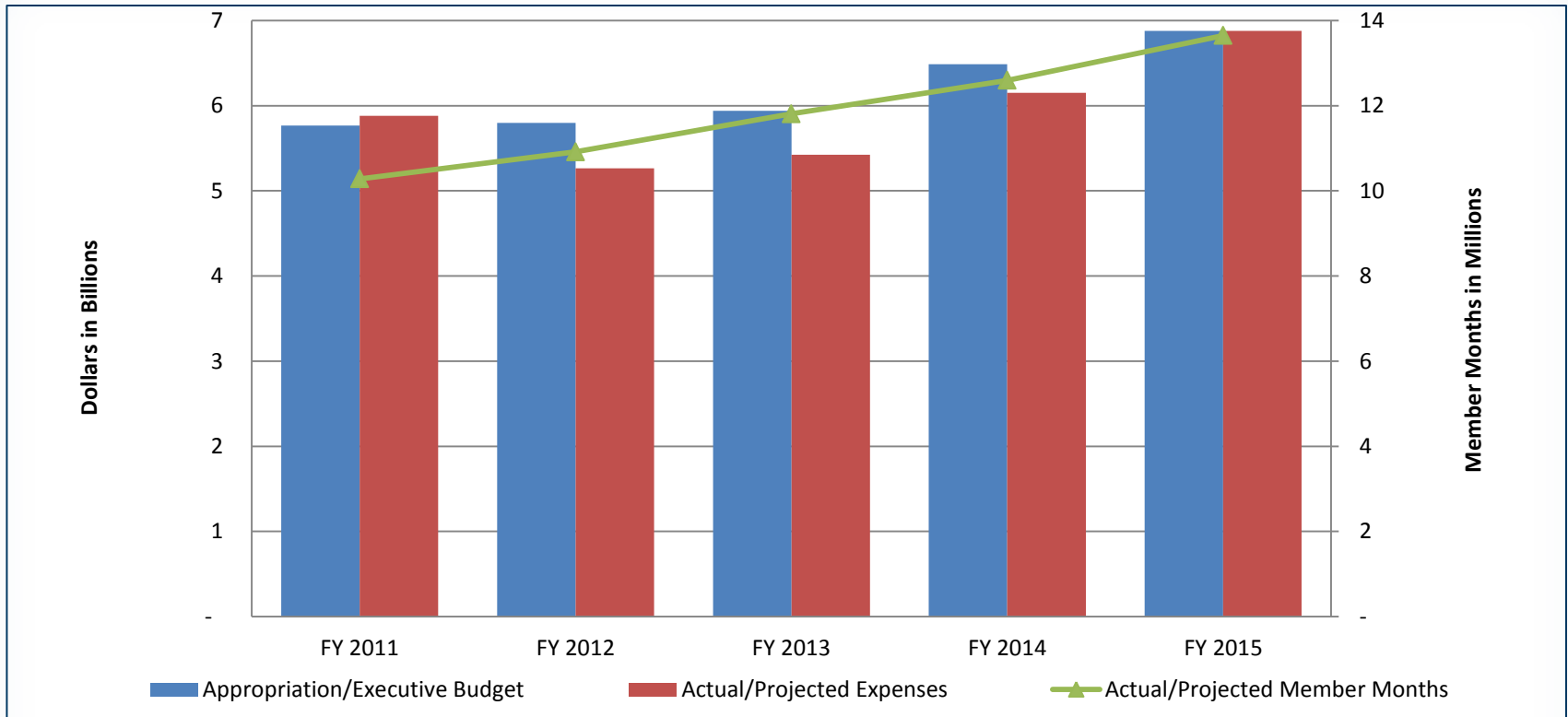
# Experience Since October 1<sup>st</sup>

## Increase in Medicaid Applications

- 1.3% increase in actual number of applications
- 9.4% increase when adjusted for improved economic conditions

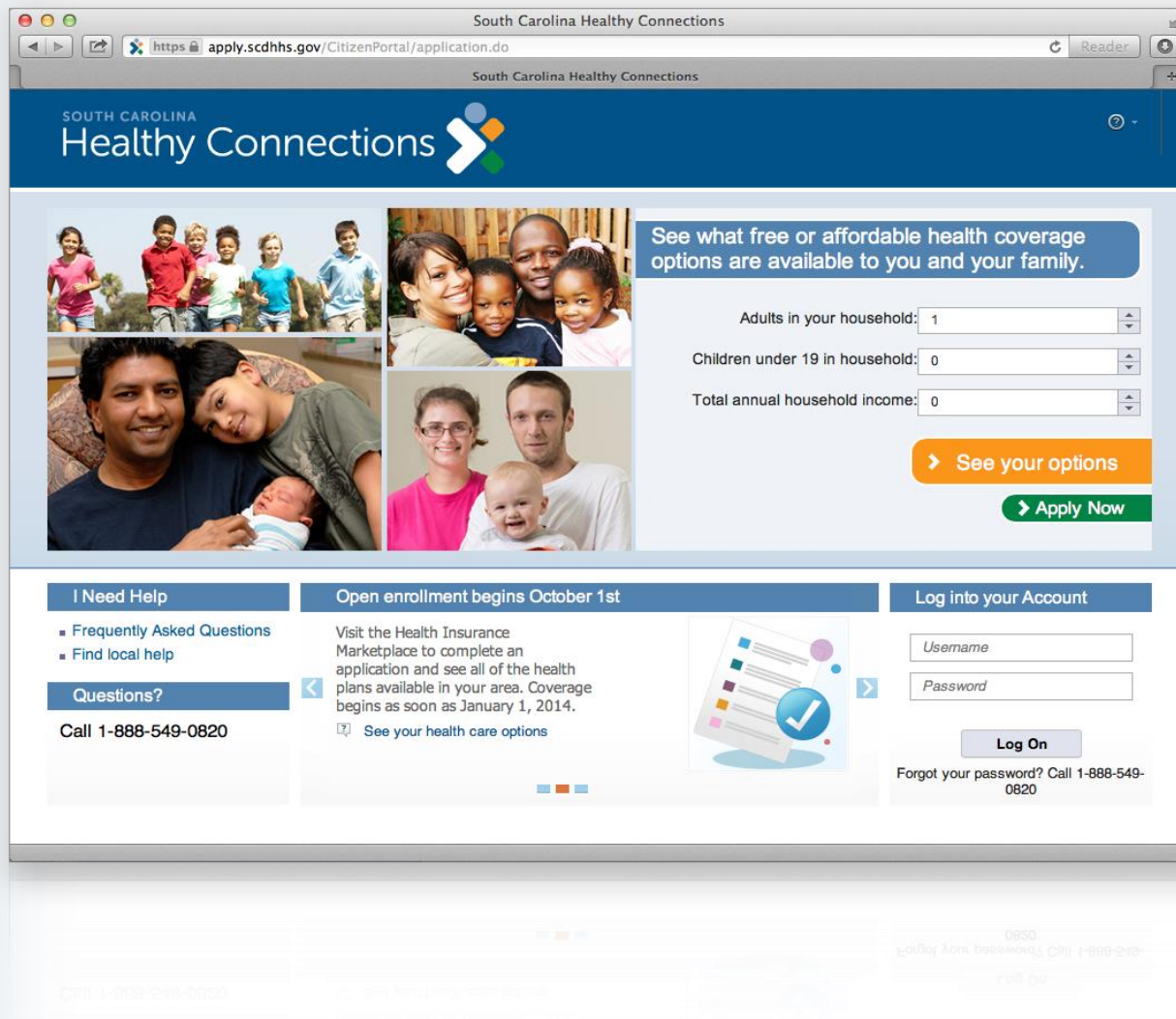
	Total Apps	% Change	Online Apps	Online Percent	RIDP Success	RIDP Success Percent
October 2013	28,771	0.6%	4,063	14.1%	2,863	70.5%
November 2013	22,486	-5.7%	3,216	14.3%	2,434	75.7%
December 2013	23,126	8.2%	4,622	20.0%	3,694	79.9%
January 2014	28,111	2.9%	5,282	18.8%	4,079	77.2%

Source: SCDHHS Medicaid application system. Percent change compared to same month in previous year unadjusted for economic conditions. January 2014 numbers are preliminary.



**Change from FY 2011 to FY 2015:**

- Appropriation/Executive Budget increased \$1.11B (19.3%), an annualized rate of 4.5%
- Expenses are expected to increase \$995.58M (16.9%), an annualized rate of 4.0%
- Member months are expected to increase 3.67M (32.8%), an annualized rate of 7.3%



Source: SCDHHS Medicaid application and call center systems. Summary data represents October 2013 through January 2014 compared to same period last year. January 2014 numbers are preliminary.

## Significant Online Use

- Over 100,000 visits and nearly 70,000 unique visitors
- Over 33,000 user accounts were created
- Over 17,000 Medicaid applications submitted

## Call Center Growth

- Beneficiary calls increased by 34.2% to nearly 120,000 calls
- ACA related and online support calls were over 15,000
- Reduced abandonment rate by 50% (from 6.8% to 3.2%)

## Continuing Eligibility Modernization Efforts

- Statewide electronic document management completed ahead of schedule (May 2013)
- Phase 1 of eligibility replacement released on schedule (October 2013)
- Phase 2 of eligibility replacement in-progress

**Medicaid Accountability and  
Quality Improvement  
Initiative (Proviso 33.34)**

## Components of Proviso 33.34

Healthy Outcomes Plan (HOP)

Hospital Transparency and DSH

Graduate Medical Education (GME)

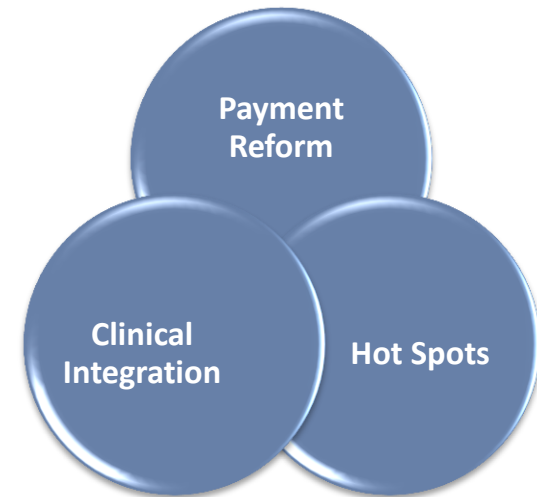
OB/GYN & Telemedicine

Optional State Supplementation (OSS)

## Proviso 33.34

- Outcome of the General Assembly passed FY 2014 budget
- State-based plan to improve health while increasing value and transparency

- Health system does a poor job prioritizing who is in need of services
- Once identified, individuals who are poor or living with disabilities generally enter a system not designed to meet their needs
- Proviso 33.34 addresses the root causes of these problems



## Participants

- Participants enrolled: 1,326 of 8,511 targeted chronically ill, uninsured, high utilizers of ED
- 895 screened using at least one social determinants of health tool (PAM or GAIN-SS)

## Providers

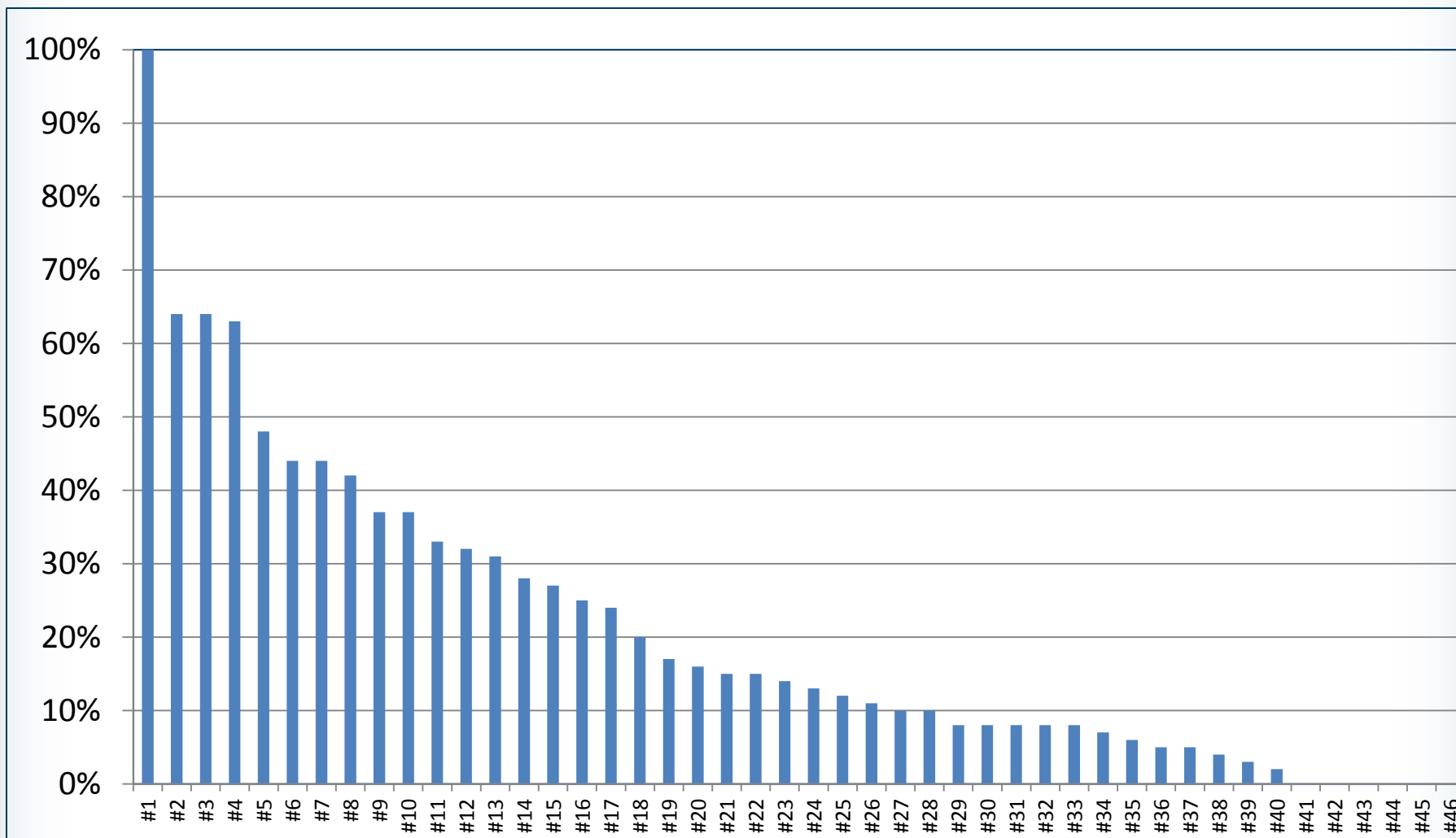
- 100% participation from 58 SC Medicaid-designated hospitals leading to 46 HOPs

## Partnerships

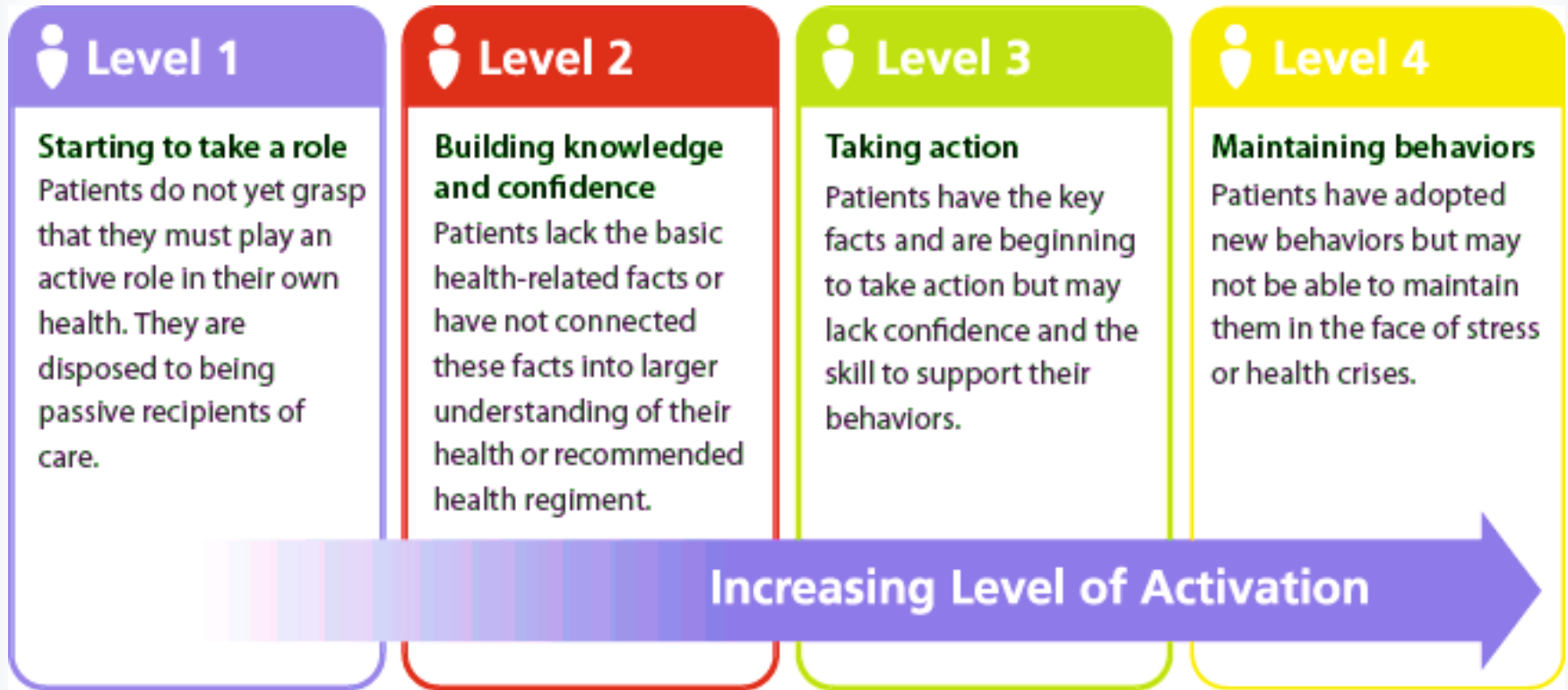
- 58 Hospitals and 68 Primary Care Safety Net Providers (FQHCs, RHCs, Free Clinics) partnered at 104 sites
- 19 participating Behavioral Health Clinics (DMH, DAODAS)



# Target Population Enrollment by HOP



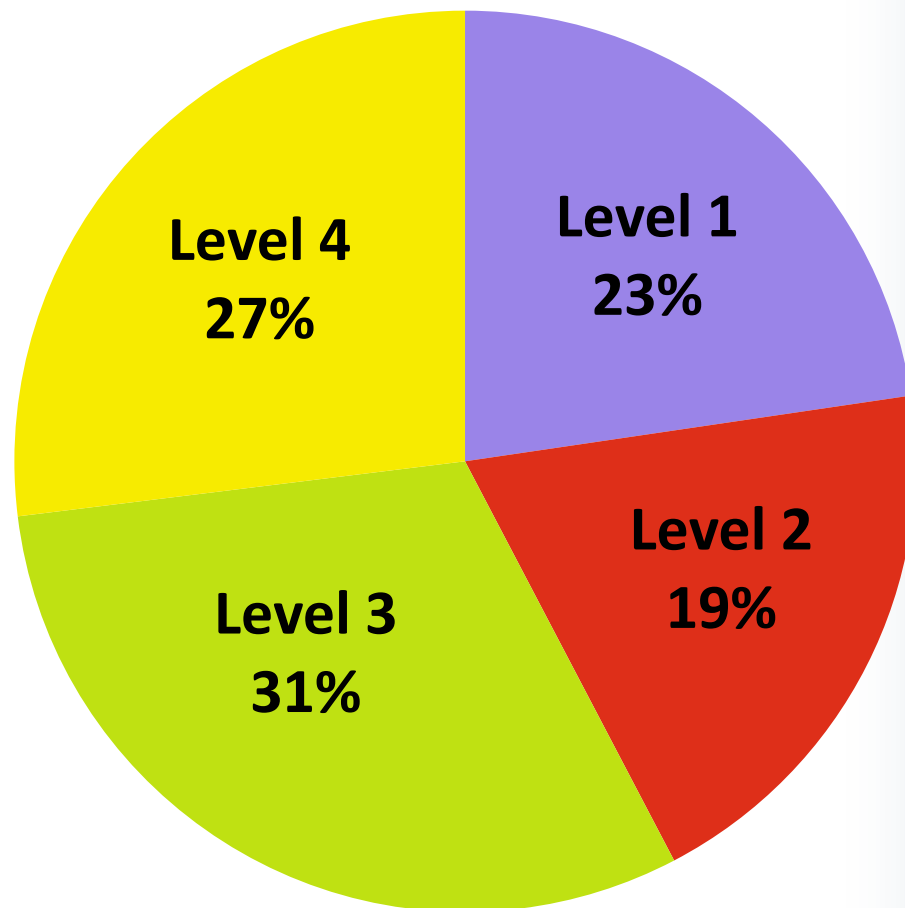
# Healthy Outcomes Plan Increases Screenings for Uninsured: PAM



Source: USC Institute for Families in Society | Division of Policy and Research on Medicaid and Medicare

# Healthy Outcomes Plan Increases Screenings for Uninsured: PAM

- 794 have been screened with the PAM
- PAM has 4 Levels with the following scores:
  - Level 1: Not engaged  
47 & below
  - Level 2: Becoming aware  
47.1 - 55.1
  - Level 3: Taking action  
55.2 - 67.0
  - Level 4: Maintaining behavior  
67.1 - 100



Source: USC Institute for Families in Society | Division of Policy and Research on Medicaid and Medicare

# Healthy Outcomes Plan Increases Screenings for Uninsured: GAIN-SS

## Summary of Scores:

808 have been screened with the GAIN-SS

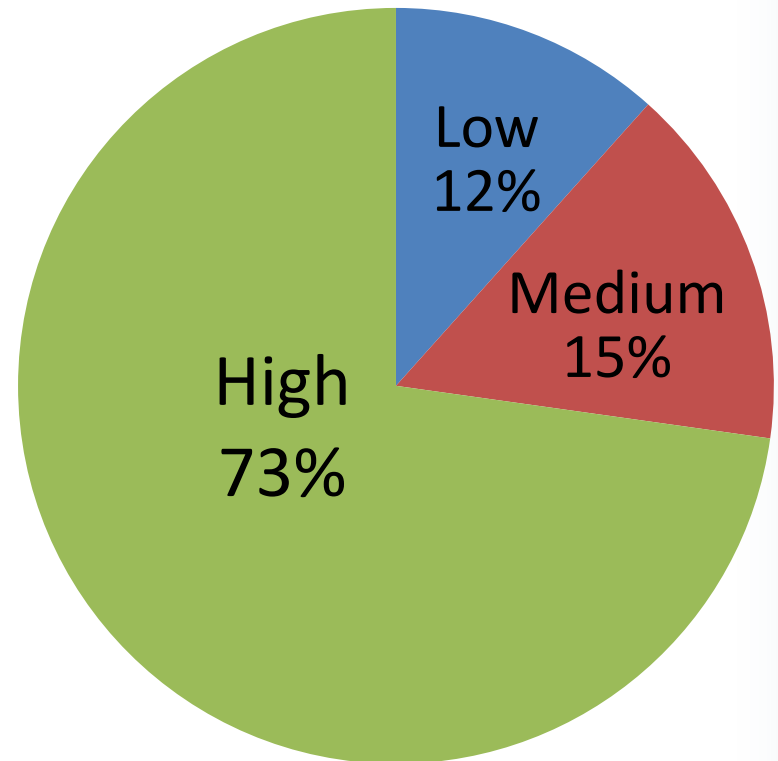
Average Score = 5.3

Range of scores between 0 – 23  
(Maximum possible is 23)

Low (Zero): 11.63% (94)

Medium (1 or 2): 15.59% (126)

High (3+): 72.77% (588)



Source: USC Institute for Families in Society | Division of Policy and Research on Medicaid and Medicare

# Initial Results on 808 People Screened with GAIN-SS

	High Risk *
<b>Internalizing Disorder (Sub-screen section)</b> (depression, anxiety, suicidal tendencies, acute/PTSD)	<b>512 (63%)</b>
<b>Externalizing Disorder (Sub-screen section)</b> (e.g., attention deficit hyperactivity, conduct disorder, aggression/violence)	<b>209 (26%)</b>
<b>Substance Disorder (Sub-screen section)</b> (substance abuse/dependence frequency of use, effect on daily activity and degree of dependency)	<b>72 (9%)</b>
<b>Crime and Violence Disorder (Sub-screen section)</b> (e.g., interpersonal violence, property crime and drug-related crime)	<b>14 (2%)</b>
<b>Total GAIN-SS Scores (includes all Sub-screen sections)</b>	<b>588 (72%)</b>

\* High Risk = 3+

\*\* People may be counted in multiple sub-screen sections

## Launched New Transparency Site January 2014 – SCHealthData.org

- Initial launch with hospital cost data and operations trends
- Future phases
  - Additional provider types
  - Procedure level costs
  - Quality data
  - Value pricing concepts

## Broad Collaboration

- South Carolina Hospital Association
- Working with PEBA/SHP and ORS on future phases

## Complimented by SCHealthViz.org

- SC population health data website
- Designed to provide greater transparency in state Medicaid data
- Future phases to provide interactive access to create individualized reports

**FY 2015 SCDHHS  
Executive Budget**

**FY 2015  
Executive Budget**

	<b>FY 2014 Base Appropriation</b>	<b>FY 2015 Executive Budget</b>	<b>Variance</b>	<b>%</b>
<b>Medicaid Assistance</b>	\$ 5,289,615,985	\$ 5,609,214,756	\$ 319,598,771	6%
<b>State Agencies &amp; Other Entities</b>	\$ 923,663,235	\$ 942,170,068	\$ 18,506,833	2%
<b>Personnel &amp; Benefits</b>	\$ 65,022,385	\$ 65,022,385	\$ -	0%
<b>Medical Contracts &amp; Operating</b>	\$ 204,161,456	\$ 261,374,005	\$ 57,212,549	28%
<b>Total Base Appropriation</b>	\$ 6,482,463,061	\$ 6,877,781,214	\$ 395,318,153	6%
<b>Member Months</b>	13,366,484	13,648,483	281,999	2%
<b>PMPM</b>	\$ 484.98	\$ 503.92	\$ 18.94	4%



**FY 2015 Executive Budget  
by Source of Funds**

	State General Funds	Other Funds	Federal Funds	Total Funds
FY 2015 SCDHHS Submission	\$ 1,248,666,964	\$ 899,629,871	\$ 4,801,278,321	\$ 6,949,575,156
FY 2015 Executive Budget	\$ 1,150,937,195	\$ 967,565,701	\$ 4,759,278,318	\$ 6,877,781,214
FY 2014 Base Appropriation	\$ 1,094,937,195	\$ 912,856,205	\$ 4,474,669,661	\$ 6,482,463,061
Match Transfers (Net \$0 impact to state)	\$ 3,900,563	\$ (3,900,563)	\$ -	\$ -
Public Health/Program Annualizations	\$ 17,682,000	\$ -	\$ 42,318,000	\$ 60,000,000
Growth (Enrollment, Inflation, Efficiency & Sustainability)	\$ 65,049,271	\$ 4,744,670	\$ 169,243,232	\$ 239,037,173
Technical Adjustments/Administrative Increases	\$ 17,393,378	\$ (7,453,649)	\$ 41,591,251	\$ 51,530,980
Nonrecurring Revenue Stepdown	\$ (61,319,037)	\$ 61,319,037	\$ -	\$ -
Waiver Slot Efforts	\$ 13,293,825	\$ -	\$ 31,456,175	\$ 44,750,000
<b>FY 2015 Increase in Budget</b>	<b>\$ 56,000,000</b>	<b>\$ 54,709,495</b>	<b>\$ 284,608,658</b>	<b>\$ 395,318,153</b>

**Reflects funding needs and program priorities based on current enrollment and inflationary cost projections**

**Focus on meeting current commitments:**

- Decrease waiting lists for individuals and families living with intellectual disabilities
- Enrolling currently eligible but unenrolled
- Maintenance of competitive reimbursement rates for providers to ensure access

	Expenditures	% Increase over FY 2014 Projection	% Increase over FY 2014 Appropriation	% of Total Increase
<b>FY 2014 Projection</b>	<b>\$ 6,150,000,000</b>			
<b>FY 2014 Base Appropriation</b>	<b>\$ 6,482,463,061</b>			
<b>FY 2015 Executive Budget Increases - Total Funds</b>				
Obesity	\$ 10,500,000	0.17%	0.16%	2.66%
Incontinence Supplies	\$ 8,000,000	0.13%	0.12%	2.02%
Adult Preventative Dental	\$ 35,000,000	0.57%	0.54%	8.85%
Enhanced Screening	\$ 6,500,000	0.11%	0.10%	1.64%
<b>Total Public Health/Program Annualizations</b>	<b>\$ 60,000,000</b>	<b>0.98%</b>	<b>0.93%</b>	<b>15.18%</b>
ACA Annualization	\$ 247,800,000	4.03%	3.82%	62.68%
Enrollment Projection Change	\$ (110,515,352)	-1.80%	-1.70%	-27.96%
Inflation	\$ 94,235,858	1.53%	1.45%	23.84%
Enhanced Physician Fee Schedule	\$ 33,750,000	0.55%	0.52%	8.54%
Dual Eligible Demonstration Project	\$ 16,100,000	0.26%	0.25%	4.07%
Payment Reform & Quality Initiatives	\$ (42,333,333)	-0.69%	-0.65%	-10.71%
<b>Total Growth (Enrollment, Inflation, Efficiency &amp; Sustainability)</b>	<b>\$ 239,037,173</b>	<b>3.89%</b>	<b>3.69%</b>	<b>60.47%</b>
Increases in other operating/administrative expense	\$ 57,212,549	0.93%	0.88%	14.47%
Other technical adjustments and minor program increases	\$ (5,681,569)	-0.09%	-0.09%	-1.44%
<b>Technical Adjustments/Administrative Increases</b>	<b>\$ 51,530,980</b>	<b>0.84%</b>	<b>0.79%</b>	<b>13.04%</b>
<b>Waiver Slot Efforts</b>	<b>\$ 44,750,000</b>	<b>0.73%</b>	<b>0.69%</b>	<b>11.32%</b>
<b>Total</b>	<b>\$ 395,318,153</b>	<b>6.43%</b>	<b>6.10%</b>	<b>100.00%</b>

## Public Health Initiatives and Program Annualizations

	General Funds	Federal Funds	Total Funds
Obesity	\$ 3,094,350	\$ 7,405,650	\$ 10,500,000
Enhanced Screening	\$ 1,915,550	\$ 4,584,450	\$ 6,500,000
Incontinence Supplies	\$ 2,357,600	\$ 5,642,400	\$ 8,000,000
Adult Preventive Dental	\$ 10,314,500	\$ 24,685,500	\$ 35,000,000
<b>Total</b>	<b>\$ 17,682,000</b>	<b>\$ 42,318,000</b>	<b>\$ 60,000,000</b>

### Improvements to public health

- Provide access to obesity management programs and services
- Provide comprehensive screening to limited benefit program
- Provide preventive and restorative dental benefits for adults

### Meet federal mandate for incontinence supplies for full benefit beneficiaries

## Growth (Enrollment, Inflation, Efficiency &amp; Sustainability)

	General Funds	Other Funds	Federal Funds	Total Funds
ACA Annualization	\$ 72,708,660	\$ -	\$ 175,091,340	\$ 247,800,000
Enrollment Projection Change	\$ (33,813,345)	\$ -	\$ (76,702,007)	\$ (110,515,352)
Inflation	\$ 28,907,830	\$ -	\$ 65,328,028	\$ 94,235,858
Enhanced Physician Fee Schedule	\$ 9,946,126	\$ -	\$ 23,803,874	\$ 33,750,000
Dual Eligible Demonstration Project	\$ -	\$ 4,744,670	\$ 11,355,330	\$ 16,100,000
Payment Reform & Quality Initiatives	\$ (12,700,000)	\$ -	\$ (29,633,333)	\$ (42,333,333)
<b>Total Increase</b>	<b>\$ 65,049,271</b>	<b>\$ 4,744,670</b>	<b>\$ 169,243,232</b>	<b>\$ 239,037,173</b>

**Annualization of enrollment for currently eligible but unenrolled population**

**Updates to projections based on real experience and changes in ACA**

**Inflation growth of 1.53% is lower than national trends in health care spending growth** (Source: Centers for Medicare and Medicaid Services)

**Initiatives to build and maintain primary care capacity and improve quality**

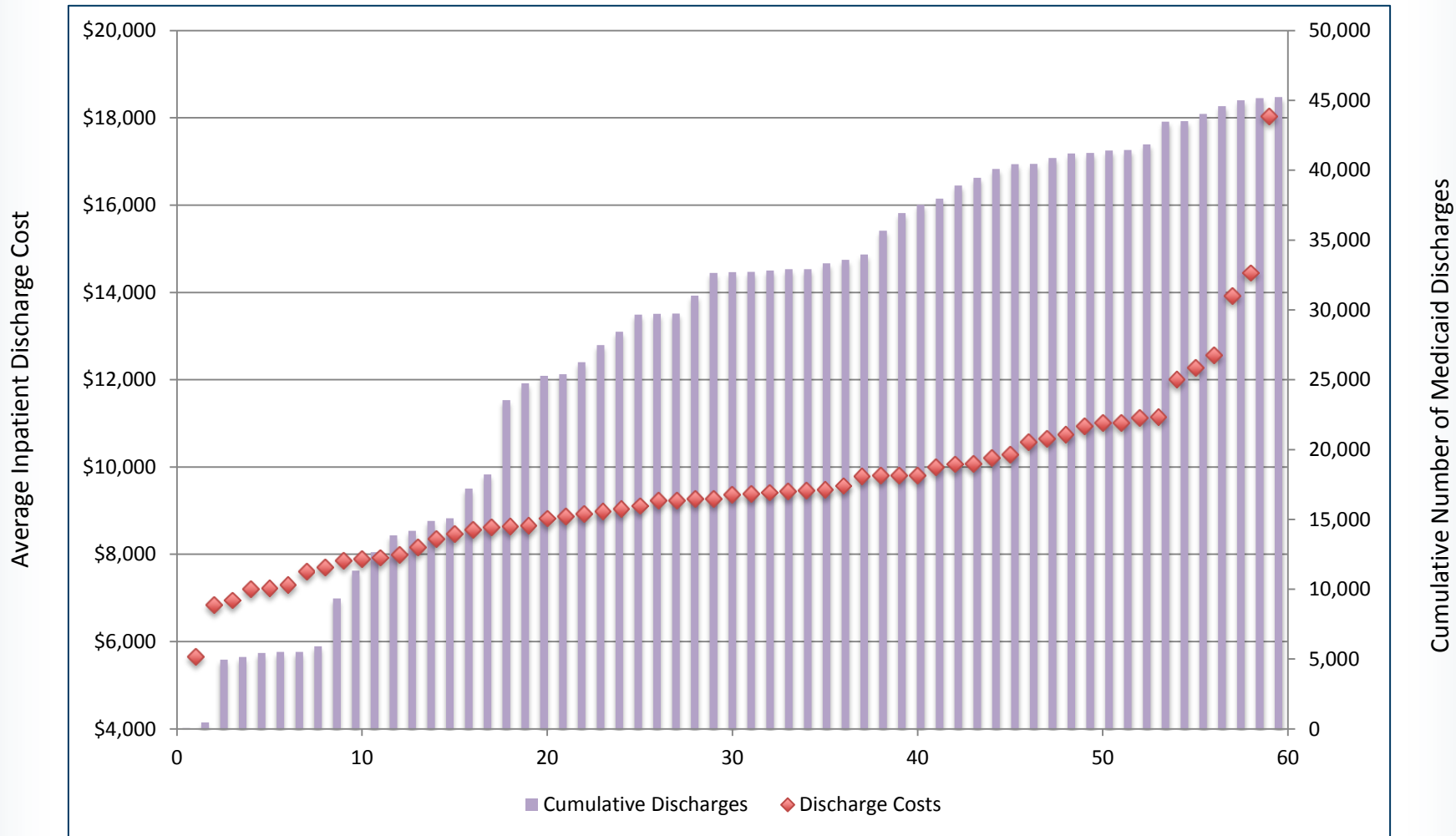
**Enhance hospital readmissions policy to penalize payment for unnecessary hospital readmissions after an initial hospital stay**

**Site-neutral payments for physician practice services**

**Strengthen current policy regarding prohibited payments for Hospital Acquired Conditions (HACs)**

**Normalize hospital reimbursements for Diagnosis Related Groups (DRGs)**

# Discharge Information by Hospital



<b>Technical Adjustments/Administrative Increases</b>				
	<b>General Funds</b>	<b>Other Funds</b>	<b>Federal Funds</b>	<b>Total Funds</b>
<b>Increases in Other Operating/Administrative Expense</b>	\$ 21,279,575	\$ 9,746,958	\$ 26,186,016	\$ 57,212,549
<b>Other Technical Adjustments &amp; Minor Program Increases</b>	\$ 8,113,803	\$ (17,200,607)	\$ 3,405,235	\$ (5,681,569)
<b>Favorable FMAP Changes</b>	\$ (12,000,000)	\$ -	\$ 12,000,000	\$ -
<b>Total</b>	\$ 17,393,378	\$ (7,453,649)	\$ 41,591,251	\$ 51,530,980

## **Administrative Expenses Include:**

### **IT Projects**

- Mandatory system changes for ACA requirements (one-time)
- Mandated ICD-10 changes (one-time)
- Convert telecommunications to Voice Over IP (VOIP) (one-time)
- Invest in information security staff and infrastructure

### **Improvements to Beneficiary Customer Service**

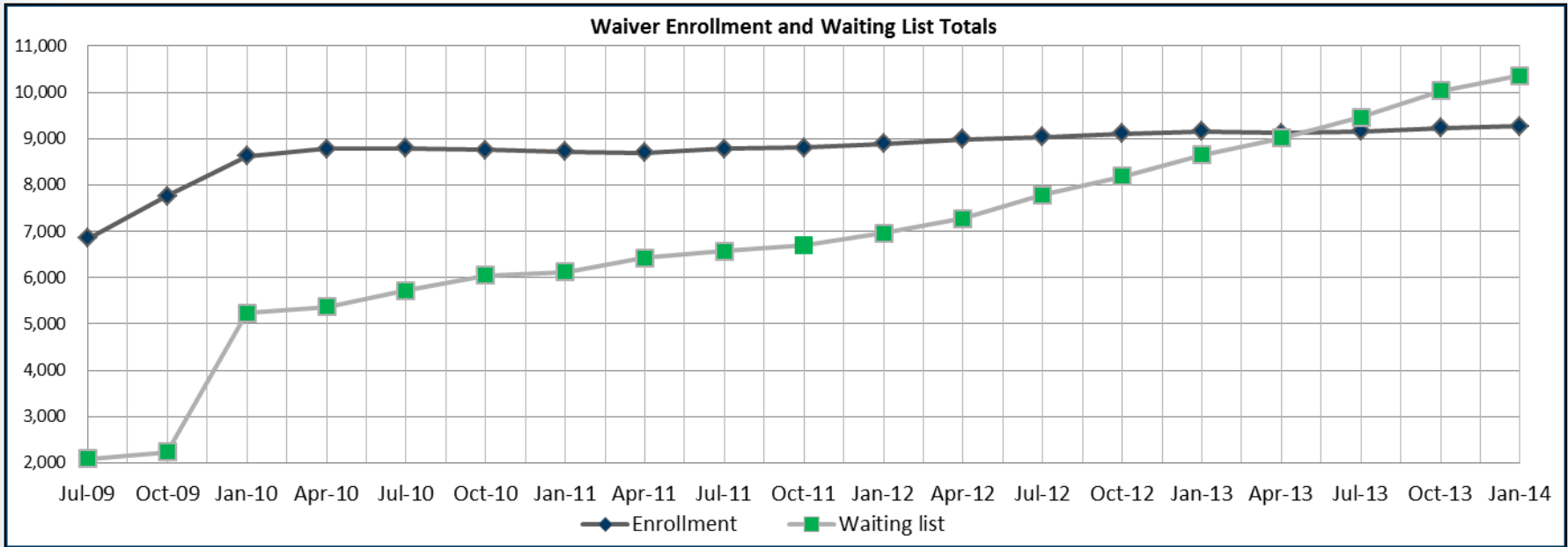
- Expansion of beneficiary call center
- Produce quarterly beneficiary newsletter

<b>Nonrecurring Revenue Stepdown</b>		
	<b>State General Funds</b>	<b>Other Funds</b>
<b>Replacement of MSA with State Funding</b>	\$ 36,000,000	\$ (36,000,000)
<b>Replacement of Cigarette Tax with State Funding</b>	\$ 27,185,649	\$ (27,185,649)
<b>Rebate Utilization</b>	\$ (45,000,000)	\$ 45,000,000
<b>Use of Excess Reserves</b>	\$ (59,504,686)	\$ 59,504,686
<b>Use of Nonrecurring Revenue</b>	\$ (20,000,000)	\$ 20,000,000
<b>Total</b>	\$ (61,319,037)	\$ 61,319,037

**Recognizes pharmacy rebates as recurring source of revenue**

**Utilizes excess reserves above targeted 3%**





**Increase provides funding to fill a mix of at least 1,400 Community Supports Waiver and Intellectual Disability and Related Disabilities slots**

**DHHS, DDSN and local DSN boards working on allocation plan**

Waiver Slot Efforts		
State General Fund Increase	\$	13,293,825
Federal Funds	\$	31,456,175
<b>Total Funds</b>	<b>\$</b>	<b>44,750,000</b>

Healthy Connections

