

South Carolina Department of Health and Human Services

House Ways and Means Committee
Budget Presentation
January 19, 2012

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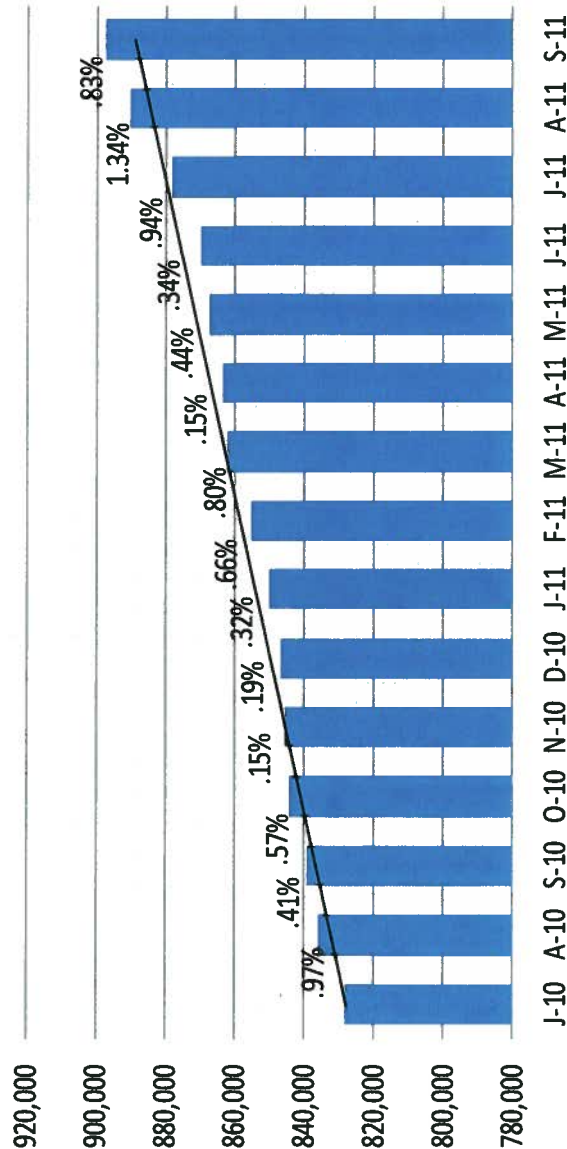
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Section 1: Overview & FY 2012 Update

Trends in Medicaid Enrollment

Actual Monthly Medicaid Enrollment with Percent
Change Most Recent 15 Months



Net Enrollment Impact 8.5%

■ Enrollment — Linear (Enrollment)

In FY 2012 the enrollment is expected to grow by 40,000 members. This will be a growth of 4.8%.

FY 2012 year to date monthly enrollment:

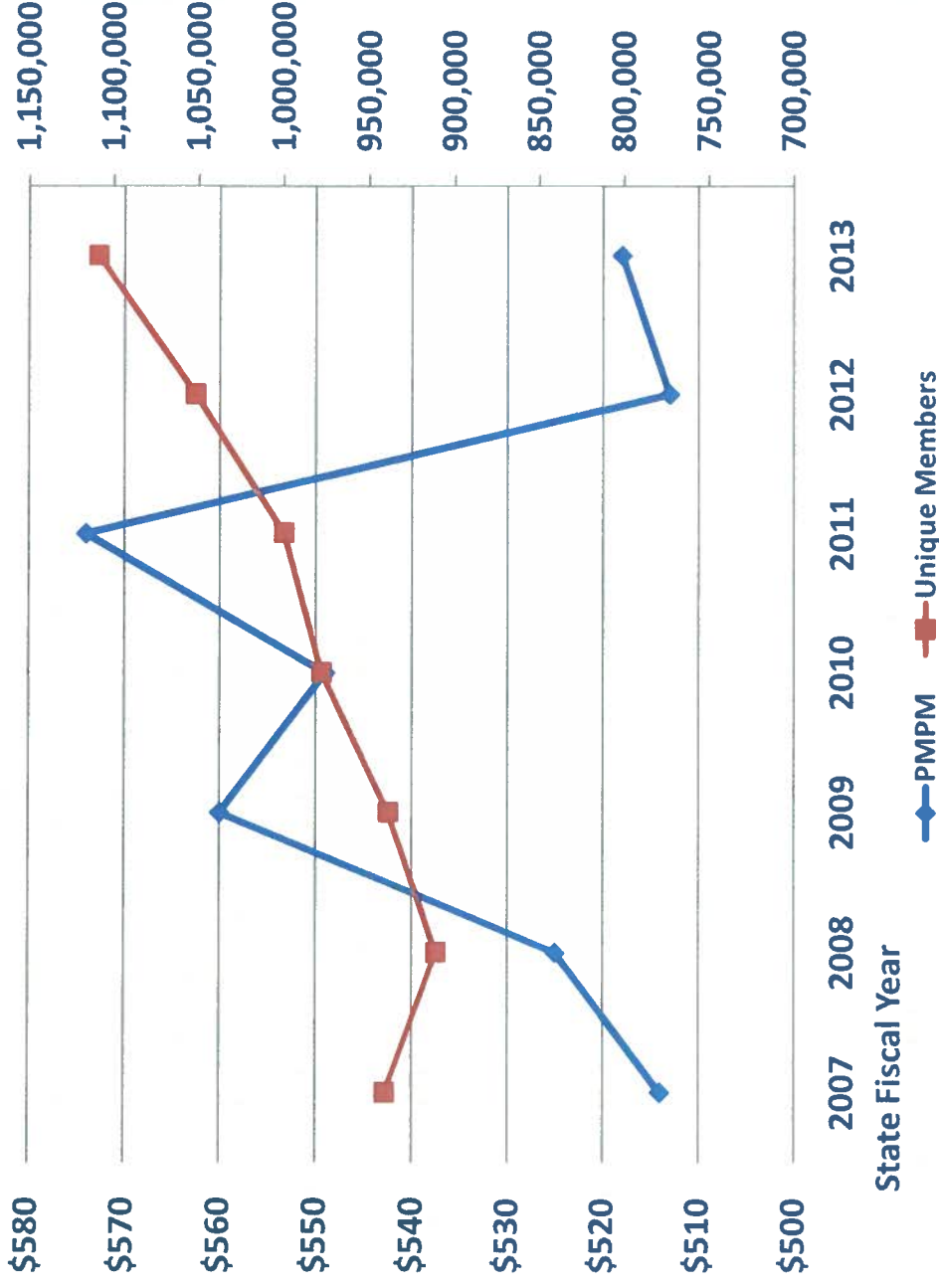
878,491 - July

890,464 - August

897,915 - September

Bending the Cost Curve

Comparison of Unique Medicaid Members to Per Member Per Month (PMPM) Costs



The Department is pushing costs out of the system, by bending Medicaid's PMPM cost curve.

PMPM costs grew 12% FY2007 to FY2011.

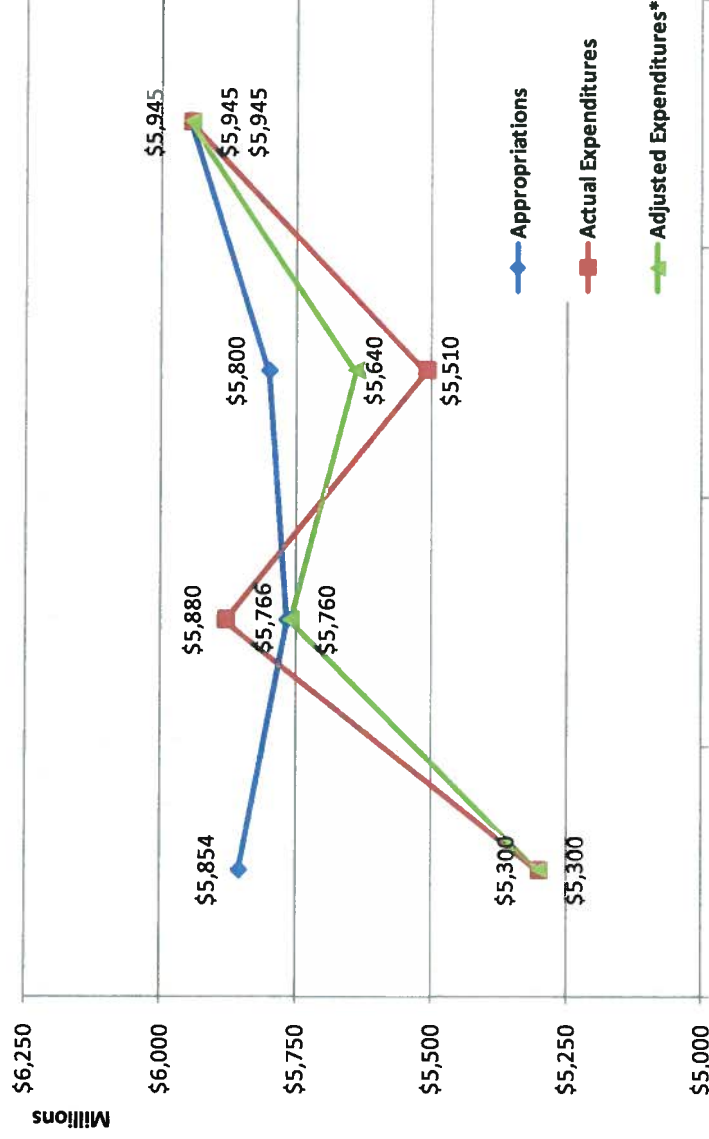
FY 2012 budget restored costs to FY 2007 level.

FY 2013 budget keeps PMPM inflation at 1%.

Sources: RSS3870 & Thomson Reuters Advantage Suite
Preliminary FY10 data in SAP as of 9/13/11 and estimated for FY 2012 and FY 2013

DHHS Medicaid Total Budget

Medicaid Total Budget



Member Months: 9,731,923

FY 2011

FY 2012 Budgeted

FY 2013 Proposed

10,255,356

10,783,980

11,213,472

FY 2010 to FY 2013

Member Month

Enrollment Growth:

15.2%

FY 2010 to FY 2013

Appropriation Growth:

1.8%

FY 2010 to FY 2013

Expenditure Growth:

12.5%

* Adjusted (Normalized) Expenditures equalizes the managed care premium payment shifts.

FY 2012 Year to Date Financial Results



Current Budget to Year to Date Actual Spending
As of December 31, 2011 (Unofficial)

	FY 2012 Current Budget	YTD as of 12/31/2011	% Budget Expended
SCDHHS Medicaid Assistance			
Coordinated Care	\$ 1,425,423,729	\$ 617,362,316	43.3%
Hospital Services	774,200,000	365,593,279	47.2%
Disproportionate Share	461,500,000	240,093,162	52.0%
Nursing Facilities	508,649,914	254,934,245	50.1%
Pharmaceutical Services	215,000,000	98,027,697	45.6%
Physician Services	187,930,440	81,816,208	43.5%
Community Long-Term Care	161,335,702	79,177,959	49.1%
Dental Services	99,514,454	51,704,034	52.0%
Clinical Services	68,000,000	32,086,763	47.2%
Transportation Services	55,000,000	28,203,424	51.3%
Medical Professional Services	44,005,591	18,525,456	42.1%
Durable Medical Equipment	40,600,000	17,001,665	41.9%
Lab & X-Ray	30,000,000	12,978,090	43.3%
Family Planning	22,734,324	11,093,752	48.8%
Hospice	12,000,000	6,126,073	51.1%
PACE	12,515,061	5,956,320	47.6%
EPSDT Services	9,600,000	4,721,091	49.2%
Home Health Services	7,002,338	3,402,018	48.6%
Integrated Personal Care	5,270,600	2,570,070	48.8%
Optional State Supplement	17,297,318	8,335,654	48.2%
Premiums Matched	179,000,000	91,179,641	50.9%
MMA Phased Down Contributions	79,000,000	34,321,034	43.4%
Premiums 100% State	17,000,000	8,160,360	48.0%
Total SCDHHS Medicaid Assistance	\$ 4,432,579,471	\$ 2,073,370,313	46.8%
Other SCDHHS Health Programs			
State Agencies & Other Entities	\$ 897,605,813	\$ 402,911,599	44.9%
Medical Contracts	127,996,280	27,963,332	21.8%
Total Other SCDHHS Health Programs	\$ 1,025,602,093	\$ 430,874,931	42.0%
SCDHHS Operating Expenditures			
Personnel & Benefits	\$ 58,239,037	\$ 27,839,650	47.8%
Other Operating Costs & Contracts	21,264,944	8,797,159	41.4%
Total SCDHHS Operating Expenditures	\$ 79,503,981	\$ 36,636,808	46.1%
TOTAL BUDGET TO YTD ACTUAL	\$ 5,537,685,545	\$ 2,540,882,052	45.9%

As of December 31, 2011, 50% of the fiscal year has passed.

SCDHHS Medicaid Assistance Expenditures are at 46.8% budget expended as of December 31.

State agency, medical contracts and other operating contracts are below budget primarily because of invoice timing issues.

Section 2: FY 2013 Budget Request

FY 2013 Budget Request:

Total All Funds



Summary of FY 2013 DHHS Budget Request

Appropriation Purpose:	General Fund & Capital Reserve Fund	Federal Funds	Total Other Funds	TOTAL FUNDS
Base Appropriation for Maintenance of Effort: Continuation of Base Budget	\$ 917,495,132	\$ 3,221,907,596	\$ 615,129,975	\$ 4,754,532,703
Annualization Management Funding (Non-Recurring in FY 2012)	\$ 242,729,457	\$ 576,748,788	\$ -	\$ 819,478,245
Subtotal - Base Appropriation Request for Maintenance of Effort	\$ 1,160,224,589	\$ 3,798,656,384	\$ 615,129,975	\$ 5,574,010,948
New Spending Requests	\$ 103,799,862	\$ 245,840,718	\$ -	\$ 349,640,580
Non-recurring Capital Request	\$ 7,157,264	\$ 30,353,993	\$ -	\$ 37,511,257
Total FY 2013 Original DHHS Budget Request	\$ 1,271,181,715	\$ 4,074,851,095	\$ 615,129,975	\$ 5,961,162,785
Total Executive Budget Proposal *	\$ 1,100,910,268	\$ 4,063,640,600	\$780,911,732	\$ 5,945,462,600
FY 2012 Approved Appropriation - All Funds				\$ 5,796,543,317
% Change				2.6%

* Above amount includes:

General Fund	
Maintenance of Effort	\$ 994,442,832
New Spending Initiatives	99,310,172
Total General Fund	\$ 1,093,753,004
Capital Reserve Fund	\$ 7,157,264
Total General Fund & Capital Reserve Fund	\$ 1,100,910,268

Total Executive Budget Request is \$5.945 billion.

This is a 2.6% increase over FY 2012 appropriation.

Request anticipates no provider rate cuts.

98% of the request is required simply to keep the program operating at the current level.

DHHS FY 2013 Budget Request to Executive Proposed Budget



Executive Budget Changes from DHHS Requested Budget				
	General Fund & Capital Reserve Fund	Federal Funds	Total Other Funds	TOTAL FUNDS
Total FY 2013 Original DHHS Budget Request	\$ 1,271,181,715	\$ 4,074,851,095	\$ 615,129,975	\$ 5,961,162,785
Annualization Management Funding				
Proviso 90.16 - Cigarette Tax Collections	(157,299,845)		157,299,845	
Proviso 90.3 - Health Tobacco Settlement Trust	(8,481,912)		8,481,912	
Subtotal - Base Appropriation Request for Maintenance of Effort	\$ (165,781,757)	\$ -	\$ 165,781,757	\$ -
Changes to Original New Spending Request				
Medicaid Enrollment Growth & Federal Mandates				
Adjustment for Pay Plan	\$ 260,070	\$ -	\$ -	\$ 260,070
Reduction in Care Coordination Growth	(1,000,000)	(2,360,255)	-	(3,360,255)
Reduction in Funding for Adult Dental Restoration	(3,749,760)	(8,850,240)	-	(12,600,000)
Subtotal - Changes to Original New Spending Request	\$ (4,489,690)	\$ (11,210,495)	\$ -	\$ (15,700,185)
Total Executive Budget Changes	\$ (170,271,447)	\$ (11,210,495)	\$ 165,781,757	\$ (15,700,185)
Total Executive Budget Proposal *	\$ 1,100,910,268	\$ 4,063,640,600	\$ 780,911,732	\$ 5,945,462,600

* Above amount includes:

General Fund	
Maintenance of Effort	\$ 994,442,832
New Spending Initiatives	99,310,172
Total General Fund	\$ 1,093,753,004
Capital Reserve Fund	\$ 7,157,264
Total General Fund & Capital Reserve Fund	\$ 1,100,910,268

Executive Budget is \$15.7 million less than original submission.

Placeholder for restoration of adult dental services was not recommended for funding by DHHS.

Coordinated care request reduced by \$3.36 million.

Executive Budget re-categorizes \$165.8 million of General Fund request (Tobacco Tax and Tobacco Settlement) to Other Funds.

Recap of FY 2013 Executive Budget

Appropriation Request by Major Program Use



FY 2013 Executive Budget	
Total All Funds Summary of DHHS Program Spending	
Major Program Use	FY 2013 Executive Budget
Medicaid Assistance	\$ 4,446,220,040
Other Medicaid Health Programs	
State Agencies/Other Entities	\$ 932,327,592
Medical Contracts	
Medical Health Contracts	\$ 113,617,692
Operating Expenditures	
Personnel & Benefits	\$ 62,570,518
Other Operating	19,275,106
Total Operating Expenditures	\$ 81,845,624
Total Annual Spending	\$ 5,574,010,948
New Funding Requests:	
New Program Initiatives	
Medicaid Enrollment Growth & Mandates	\$ 228,338,657
Enrollment Planning & Management	99,102,738
Reduction in Long-term Care Waiting lists	6,149,000
Fraud & Abuse Case Management Enterprise System	350,000
Total New Program Initiatives	\$ 333,940,395
Non-recurring Capital Request	\$ 37,511,257
Total New Funding Requests - All Funds	\$ 371,451,652
Total Appropriated Budget WITH	\$ 5,945,462,600
New Spending Initiatives & Capital Requests	
FY 2012 Budget Appropriation - July 1	\$ 5,796,543,317
% Change	2.6%

\$932 million was submitted for Medicaid estimates for other state agencies – 3.8% growth over FY 2012.

61% of new funding request is related to Maintenance of Effort (MOE) and other mandates.

More than \$4.4 billion of Medicaid request is for Medical Assistance payments.

Section 3: Looking Ahead

Affordable Care Act (ACA)

Medicaid Expansion Impact

Population	FY 2013	FY 2014	FY 2015
Current Programs			
Medicaid	857,906	871,000	884,000
CHIP	66,408	67,000	68,000
Total Current Programs	924,314	938,000	952,000
After Expansion- 73% Average Participation			
Expansion Population			
Parents/Childless Adults		236,000	236,000
Currently Insured Population (Crowd-out)			
Children and Currently Eligible Parents		79,000	79,000
Newly Eligible Parents/Childless Adults		97,000	97,000
Currently Uninsured (Eligible but Unenrolled)			
Children		51,000	51,000
Parents		40,000	40,000
SSI Disable Eligible		7,000	7,000
Total Medicaid Population After Expansion		1,448,000	1,462,000
Estimated Fiscal Impact of Population Expansion			
State Funds	\$	46,100,000	\$ 141,500,000
Federal Funds	\$	901,000,000	\$ 1,974,400,000
Total Fiscal Impact - All Funds	\$	947,100,000	\$ 2,115,900,000

ACA Projections

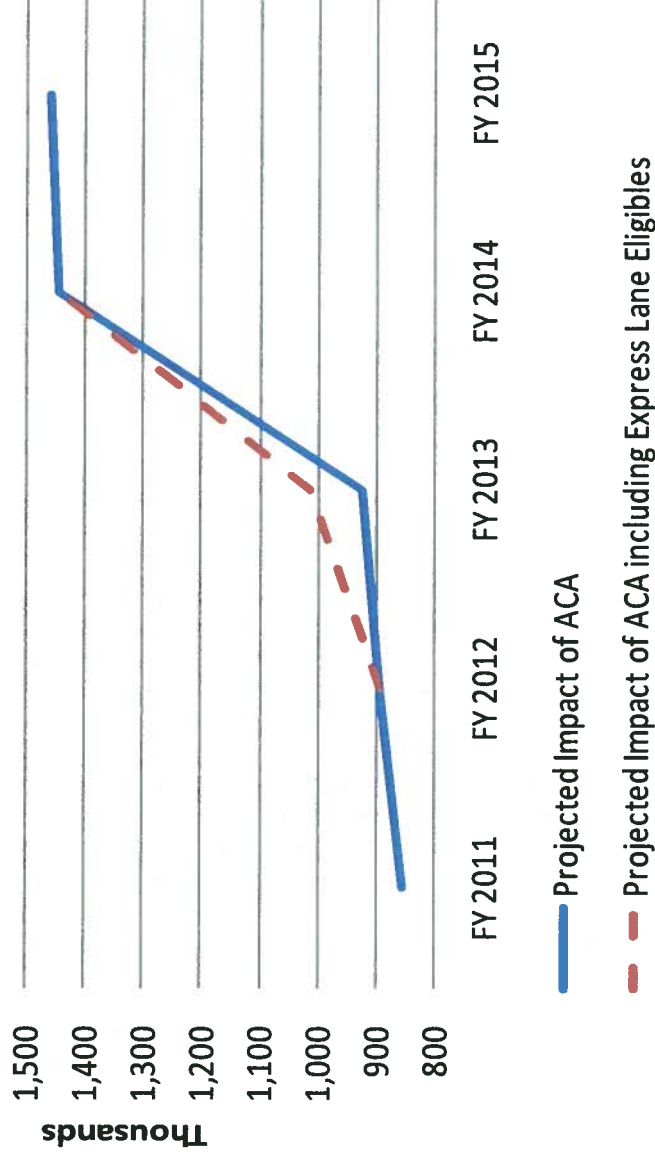
By FY 2015, latest actuarial estimates indicate that enrollment in the SC Medicaid program will exceed 1.46 million members.

For FY 2014 and 2015, SCDHHS will need at least \$187.6 million in additional match for ACA provisions and enrollment.

Source: Milliman

Preparing for the Minimum Expected ACA Medicaid Expansion Scenario

The Projected Impact of the Affordable Care Act on the Average Number of Monthly Eligibles



Establishing an “Express Lane” to enroll 78,137 currently eligible children during FY 2013 will prepare South Carolina for the impact of ACA.

Source: Milliman

Looking Ahead: Reduced Federal Medicaid Contributions

Federal Cost Shifting Currently Planned or Under Consideration

- Reduced Federal Financial Participation

Various proposals' recommendations to change FMAP funding formula will increase states' contributions

- Reduced Disproportionate Share Hospital (DSH) Allotment

Affordable Care Act: \$518 million reduction in federal funds from FY 2014 – FY 2020 for South Carolina*

- Cap on Provider Taxes as a Source of State Match

President's Budget Control Act: Reduce provider tax revenue threshold from current 6% to 3.5%

As in all states, SC Medicaid is facing enrollment increases even as federal matching funds are projected to decrease.

The potential for decreased federal contributions will require states to fund a larger share for their Medicaid programs.

By pushing out costs in the Medicaid program now, and making down payments toward FY 2014 expansions, the state can better respond to this new fiscal environment.