



## Highlights of the House FY 2011 Healthcare Budgets

### Department of Community Health and Department of Behavioral Health & Developmental Disabilities

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#### Summary

The FY 2011 budget passed by the House of Representative's on April 14 does not make cuts to Medicaid or PeachCare eligibility levels and does not make any explicit cuts to provider reimbursement rates. Furthermore, the budget increases Medicaid and PeachCare reimbursement rates to hospitals.

However, the House budget cuts General Fund spending in the Department of Community Health (DCH) by \$285.4 million relative to the originally enacted FY 2010 budget.<sup>1</sup> In addition, the House budget reflects lost state funding from the Tobacco Settlement and from the Care Management Organization fee totaling \$207.2 million.

Finally, the House budget appropriates \$8.8 million in new revenue from the existing nursing home provider fee and \$229 million in new revenues from the recently enacted hospital provider fee, which is slated to take effect in FY 2011. In total, the House budget reduces state funds to DCH by \$254.8 million in FY 2011.

Much like the governor's original budget proposal in January, the House budget assumes that the enhanced Medicaid funding included in the American Recovery and Reinvestment Act is available for the full year. This enhanced funding is slated to expire in the middle of FY 2011 (December 31, 2010); however, the U.S. Congress is currently working on legislation to extend this funding for an additional six months. Without this extension, the DCH budget as passed by the House would be short approximately \$378.5 million.<sup>2</sup> Currently, nearly \$670 million in enhanced Medicaid funds from the Recovery Act are included in the House budget for DCH.<sup>3</sup>

The House budget for Medicaid and PeachCare is based on forecasts from DCH that expect only modest enrollment growth through FY 2011. Based on revised DCH forecasts, enrollment in the portion of Georgia's Medicaid program that serves low-income children and pregnant women (which is generally more influenced by economic conditions) is expected to grow by only 2.2 percent in FY 2011.

The portion of the program that serves elderly and disabled individuals, which generally is a more stable population, is forecasted to grow by 1.1 percent.<sup>4</sup> For FY 2010, these populations are projected to increase by 7.7 percent and 1.6 percent respectively.

Since FY 2009, enrollment growth in Medicaid and PeachCare has not kept up with budgeted projections. As a result, the base FY 2010 budget funds higher enrollment figures than will actually occur in FY 2010. Therefore, fewer funds are needed in FY 2011 to cover the enrollment projections described above.

Even though recent enrollment trends have not matched projections, there is always a risk in projecting enrollment growth too low. If enrollment growth picks up as economic conditions fluctuate, the state could face higher Medicaid and PeachCare costs than currently projected.

Furthermore, Georgia will face a significant funding shortfall in FY 2012 as a result of the expected expiration of the enhanced federal Medicaid from the Recovery Act as well as other one-time savings included in the House budget. Together, the enhanced Medicaid funding and other one-time maneuvers could leave a funding shortfall in FY 2012 of \$800 million to \$1 billion.

The Department of Behavioral Health and Developmental Disabilities also benefits from the enhanced federal Medicaid funding in the Recovery Act. As in DCH, the House FY 2011 budget for DBHDD reflects the full year continuation of these funds.

While many state agencies have seen net budget reductions in recent years, the House budget provides increased funding in FY 2011 for hospital operations and to address quality-of-care issues. The budget also adds funding for new waiver slots and to annualize developmental disability waiver slots added in the FY 2010 budget.

The following discussion provides an overview of the governor's budget proposals for the two departments and various components of each.

## **Department of Community Health**

The Department of Community Health (DCH) houses a variety of health-related programs and functions. In particular, DCH operates the state's Medicaid and PeachCare programs that serve low-income, elderly, and/or disabled individuals, as well as the State Health Benefit Plan, which provides health insurance to Georgia state employees and teachers. In addition, DCH houses the state's Division of Public Health and performs a variety of regulatory, planning, and administrative functions relating to health and healthcare. The House budget appropriates \$1.5 billion from the General Fund and \$473.7 million from other state funds to DCH in FY 2011 (excluding attached agencies).

### ***Medicaid and PeachCare***

The Medicaid and PeachCare programs represent the bulk of FY 2011 state General Fund spending in DCH; the House's \$1.2 billion General Fund appropriation for Medicaid and PeachCare comprises nearly 84 percent of the General Fund total for DCH (excluding attached agencies). Together, these programs are expected to serve more than 1.7 million Georgians in FY 2011, and will bring in more than \$5.5 billion in federal funds in order to do so. The following sections examine the major Medicaid and PeachCare changes in the House version of FY 2011 budget.

In the House FY 2011 budget, the state General Fund appropriation for Medicaid fell by \$239.5 million, or about 16 percent, compared to the originally enacted FY 2010 budget. In addition, the amount of Tobacco Settlement funding directed to Medicaid fell by \$164.7 million, and the expiration of the Care Management Organization (CMO) quality assessment fee reduced the budget by \$42.5 million. These revenue reductions were partially offset by adding the hospital provider fee, which is projected to generate \$229 million in additional revenue in FY 2011. The House budget directs \$172 million of this new revenue to fund the base Medicaid budget and replace lost Tobacco Settlement and other funds. The budget also and uses \$57 million of the new revenue to increase reimbursements to hospitals participating in Medicaid. Finally, the House budget appropriates \$8.8 million in additional nursing home provider fees relative to FY 2010.

In total, state fund sources for Medicaid and PeachCare fell by \$208.9 million. This figure is summarized below in Table 1, and discussed in greater detail in following sections.

Table 1 **State Funds in Medicaid & PeachCare in FY 2010 and FY 2011 (in millions)**

|  | <b>Orig. Enacted<br/>FY 2010 Budget</b> | <b>House<br/>FY 2011 Budget</b> |
|--|---|---------------------------------|
| <b>State Funds Adjustments for PeachCare &amp; Medicaid:</b> |   |                                 |
| Revised Benefit Expenditures                                 |   | \$ (45.2)                       |
| Hospital Rate Increase                                       |   | 57.0                            |
| CMO Payment Reductions                                       |   | (114.1)                         |
| Eliminate CMO Premium Tax Exemption                          |   | 19.8                            |
| Other Funding Changes  |   | (126.4)                         |
|  |   |                                 |
| <b>Change from Enacted FY 2010</b>                           |   | <b>\$ (208.9)</b>               |
| <b>All State Fund Sources for Medicaid and PeachCare:</b>    |   |                                 |
| State General Fund   | \$ 1,478.7                              | \$ 1,239.2                      |
| Tobacco Settlement   | 265.3                                   | 100.6                           |
| CMO Fees   | 42.5                                    | --                              |
| Nursing Home Provider Fees                                   | 122.5                                   | 131.3                           |
| Hospital Provider Fee  | --                                      | 229.0                           |
|  |   |                                 |
| <b>Total State Funds</b>                                     | <b>\$ 1,909.0</b>                       | <b>\$ 1,700.1</b>               |

Source: House FY 2011 Budget Report.

#### Revised Enrollment and Benefits Expenditures

Overall Medicaid and PeachCare enrollment did not grow as significantly as expected in FY 2009. As a result, DCH reported surplus funds available from FY 2009 as well as expected surplus funds in FY 2010. The governor's original FY 2011 budget carried these surplus funds into FY 2011; however, the House budget assumes that these surplus funds will instead be used to generate savings in the Amended FY 2010 budget.

The House budget is based on DCH enrollment projections that assume only modest enrollment growth in FY 2011. In particular, DCH assumes that enrollment in the Low Income Medicaid (LIM)

program will increase by 2.2 percent and that enrollment among the Aged, Blind, and Disabled (ABD) population will increase by 1 percent. Also, the most recent DCH forecast projects 8.6 percent growth for the PeachCare for Kids program.

Because the base FY 2010 budget funds higher enrollment figures than will actually occur in FY 2010, fewer funds are needed in FY 2011 to cover the enrollment projections assumed in FY 2011. As a result, the House budget makes several changes that are essentially funding adjustments to account for expected Medicaid and PeachCare enrollment levels for FY 2011.

In total, the House budget includes a \$45.2 million reduction in state funds for Medicaid benefits, excluding changes for specific policy issues discussed later in this report. This amount is summarized below in Table 2, and these particular items are discussed in more detail following the table.

**Table 2 House Budget State Funding Change for Medicaid Benefits in FY 2011 Relative to Originally Enacted FY 2010 (in millions)**

|   | General Funds    | Other State Funds | Total State Funds |
|---|------------------|-------------------|-------------------|
| <b>Funding Additions:</b>                 |                  |                   |                   |
| New General Funds for ABD                 | \$ 50.8          |                   | \$ 50.8           |
| New General Funds for LIM                 | 37.5             |                   | 37.5              |
| New Hospital Fee Funds for Base           |                  | \$ 172.0          | 172.0             |
| <b>Funding Reductions:</b>                |                  |                   |                   |
| Lost Tobacco Settlement Funds (LIM)       |                  | (212.2)           | (212.2)           |
| Lost CMO fees (LIM)                       |                  | (42.5)            | (42.5)            |
| Savings from COBRA Subsidy (LIM)          | (20.0)           |                   | (20.0)            |
| General Funds reduction for LIM           | (12.9)           |                   | (12.9)            |
| Revised PeachCare Forecast                | (15.6)           |                   | (15.6)            |
| Increased PeachCare premiums              | (2.3)            |                   | (2.3)             |
| <b>Funding Swaps:</b>                     |                  |                   |                   |
| Redirect Tobacco Settlement Funds         | (47.5)           | 47.5              | ---               |
|   |                  |                   |                   |
| <b>Total Funding Changes for Benefits</b> | <b>\$ (10.0)</b> | <b>\$ (35.2)</b>  | <b>\$ (45.2)</b>  |

Source: House FY 2011 Budget Report.

### Funding Additions

The House budget includes General Fund increases for the ABD and LIM portions of the Medicaid program to cover benefit costs in FY 2011. In addition, the House budget appropriates \$172 million in new revenue from the hospital provider fee to cover base Medicaid costs and to offset the loss of other funding sources discussed below. (This amount does not include the portion of the hospital fees that will be directed to increase the provider reimbursement rate for hospitals.)

### Funding Reductions

The House budget makes several funding reductions that lead to fewer funds available for Medicaid benefits expenditures compared to the amount in the original FY 2010 budget. First, the budget reflects \$212.2 million less in Tobacco Settlement funding due to the fact that surplus funding used in FY 2010 is no longer available in FY 2011.

In addition, the budget reflects the loss of \$42.5 million in revenue from the CMO quality assessment fee. As of October 1, 2009, the state is no longer able to assess a 5.5% fee on the three CMOs operating Georgia's Medicaid program. This fee had been used to generate additional federal funds to fund base Medicaid operations.<sup>5</sup>

The House budget also assumes \$20 million in General Fund savings by anticipating lower enrollment growth as a result of the six-month extension of the federal subsidy for COBRA benefits that was originally included in the Recovery Act. Previously, DCH has stated that enrollment growth was lower than otherwise expected because the federal subsidy enabled more individuals to remain on their private insurance and kept them out of the Medicaid program; however, no savings estimate is available from DCH.

The House budget also makes reductions to the LIM and PeachCare budgets to account for projected costs to cover enrollees in FY 2011. In the LIM program, the House budget continues a \$12.9 million reduction originally included in the governor's budget proposal that reduces funding for Medicaid benefits. In addition, the House budget reduces the PeachCare budget by \$15.6 million to account for the slower than anticipated growth in FY 2009 and FY 2010. As a result of slower than projected growth, the FY 2010 budgeted amount is greater than the anticipated need for FY 2011, so the funding level was reduced.

Finally, the House budget increases premiums for children enrolled in PeachCare for Kids, thereby saving \$2.3 million in the General Fund. Currently, families with children in PeachCare pay premiums that vary with income and that range from \$10 to \$35 per month for one child and from \$15 to \$70 per month for families with two or more children. The savings in the House budget are based on the governor's proposal for an across the board premium increase of \$5 per month for families with one child and \$10 per month for families with 2 or more children.

Due to Maintenance of Eligibility (MOE) requirements in the recently enacted national health reform law that prevent Georgia from cutting Medicaid or PeachCare eligibility through 2019, there is some uncertainty as to whether these increases would be allowed. Similar MOE provisions have previously been interpreted to prohibit premium increases because they have the effect of limiting eligibility and enrollment, as some families would find the new premiums unaffordable.

Additional guidance from the federal government will be needed to clarify the requirements of the new MOE provisions; however, if DCH were to implement premium increases in spite of federal rules prohibiting them, all of Georgia's federal Medicaid and PeachCare funding would be at risk.

### **Funding Swaps**

The House budget directs \$47.5 million in Tobacco Settlement funds to fund Medicaid benefits and to reduce the General Fund appropriation by an identical amount. In the governor's proposal, these Tobacco Settlement funds were to be directed to the One Georgia Authority (\$47.1 million) and to the Georgia Cancer Coalition (\$352,426).

### Hospital Provider Fee and Hospital Rate Increases

In order to fill the hole left from losing one-time funding sources (the Tobacco Settlement and other small funds) used in FY 2010 but now depleted for future use, and to prevent major cuts in provider reimbursement rates, the House budget assumes the enactment of a 1.45 percent provider fee assessed

on hospitals. Statutory language to implement this proposal was originally included in House Bill 307; however, this language was added to HB 1055, which has since passed both the House and the Senate and is awaiting the governor's signature or veto. The hospital fee is forecasted to generate approximately \$229 million in FY 2011.<sup>6</sup>

The House budget directs the new revenue generated by the provider fee primarily to fill in the Medicaid base budget to replace Tobacco Settlement and other funds used in FY 2010 that are no longer available.

In addition, the House budget includes funding for a provider rate increase for hospital services provided under the Medicaid program. The statewide effect of this rate increase will be to increase total hospital reimbursements by an amount equal to the total provider fee revenue generated. The number of Medicaid patients served by specific hospitals varies a great deal; therefore, individual hospitals will not see such a precise relationship. Instead, hospitals that serve larger numbers of Medicaid patients could realize Medicaid reimbursement increases that exceed the provider fees they would owe. At the same time, hospitals that serve fewer Medicaid patients will not have their provider fees fully offset by increased Medicaid reimbursement rates.

In total, the \$229 million in new revenue generated by the provider fee is used to match \$683.1 million in federal funds. Table 3 summarizes the statewide collection and use of provider fee revenue and the associated federal funds for FY 2011. Currently, hospital-specific estimates are not available.

**Table 3 House Budget Use of New Hospital Provider Fees in FY 2011 (in millions)**

|                                  | <b>Provider Fee Revenue</b> | <b>Federal Funds Generated</b> | <b>Total State and Federal Funds</b> |
|----------------------------------|-----------------------------|--------------------------------|--------------------------------------|
| <b>Revenues:</b>                 |                             |                                |                                      |
| Hospital Fee Revenue             | \$ 229.0                    | \$ 683.1                       | \$ 912.1                             |
| <b>Uses:</b>                     |                             |                                |                                      |
| Replace Tobacco Settlement       | 172.0                       | 511.1                          | 683.1                                |
| Increase Hospital Reimbursements | 57.0                        | 172.0                          | 229.0                                |
| <b>Total New Fees</b>            | <b>\$ 229.0</b>             | <b>\$ 683.1</b>                | <b>\$ 912.1</b>                      |

Source: House FY 2011 Budget Report.

### CMO Payment Reductions

The House budget makes several changes that reduce the state's FY 2011 payments to the CMOs operating Georgia's Medicaid program. The following changes generate \$114.1 million in General Fund savings.

First, the budget generates savings by eliminating the risk adjustments paid to the CMOs. Currently, capitation rate ranges are actuarially determined, and DCH pays the contracting CMOs monthly capitation rates based on those ranges. Although the state generally sets rates towards the low end of the range, DCH also makes some risk adjustment payments to CMOs that serve a riskier population. Eliminating the risk adjustment generates \$6.8 million in state General Fund savings in FY 2011 and costs CMOs \$27.5 million in lost federal funds, for a net loss to the CMOs of \$34.4 million.

In addition, the House budget generates \$18.9 million in savings, resulting in \$57.2 million in lost federal funds by reducing the projected inflation figure for the CMO capitation payments. In total, this provision will result in lower monthly capitation payments to the CMOs totaling \$76.1 million in FY 2011.

The House budget also increases the target Medical Loss Ratio (which is the percent of monthly capitation payments spent on medical services) to 92 percent. This change generates \$6.2 million in state savings and also reduces the federal funding to the CMOs by \$18.6 million.

Finally, the House budget delays the final FY 2011 monthly capitation payment to the CMOs until FY 2012 to generate savings in FY 2011. Under this proposal, the payment that would otherwise be made to the CMOs in June 2011 will instead be made in July 2011, which is the first month of state FY 2012. This change generates state savings in FY 2011 of \$82.2 million, but would increase costs in FY 2012 (unless a similar change is made in FY 2012). In addition to pushing the state funds payment from FY 2011 to FY 2012, the change delays \$166.9 million in federal fund payments to the CMOs.

#### Extend Insurance Premium Tax to Medicaid CMOs

Currently, the state imposes a 2.25 percent insurance premium tax on health insurers in the state, but exempts the Medicaid CMOs from the tax. The House budget includes the governor's proposal to eliminate this exemption and extends the existing insurance premium tax to Medicaid CMOs.

The capitation rates the state pays the CMOs to serve Medicaid and PeachCare must be "actuarially sound" and take into account all of the costs to the CMOs, therefore the state must fund the cost of extending the tax to the CMOs in the DCH budget. Thus, the House budget adds \$19.8 million in state General Funds to the DCH budget, which are then used to match \$60 million in additional federal funds. The state and federal funds total of \$79.8 million is included in the state's insurance premium tax collection estimate; the federal amount (\$60 million) represents the net benefit to the state.

HB 1170 includes the changes to Georgia law to implement this proposal.<sup>7</sup>

#### Other Medicaid and PeachCare Changes

In addition to the larger items detailed above, the House budget generates \$135.2 million in General Fund savings and adds \$8.8 million in additional nursing home provider fee funds associated with the following changes for FY 2011:

- \$86.4 million in state savings as a result of the enhanced federal funding from the Recovery Act being applied to "clawback" payments states make to the federal government as part of the Medicare Part D prescription drug program;<sup>8</sup>
- \$22.8 million to account for an increase in the base Federal Medical Assistance Percentage (FMAP) for FY 2011 that reduces Georgia's share of total Medicaid costs;<sup>9</sup>
- \$8.8 million to replace General Funds with increased nursing home provider fees and to use the increased provider fees to fund increases originally approved in the FY 2010 budget;
- Saves \$11 million by moving additional ventilator-dependent patients from hospitals to nursing homes;
- Saves \$2.9 million by moving adopted foster care children on Medicaid from the fee-for-service program to Medicaid CMOs;
- Saves \$646,439 by reducing pharmaceutical costs associated with negotiating lower reimbursements for certain drugs;

- Generates \$1.2 million in net savings as a result of implementing a family planning waiver to provide family planning services to women who would be Medicaid-eligible if they were pregnant. This amount includes \$1.3 million to fund the cost of the waiver coverage and \$2.5 million in projected Medicaid savings as a result of the waiver; and
- Saves \$1.5 million by eliminating Medicaid reimbursement for hospital-acquired conditions that “reasonably could have been prevented.”

### **Public Health**

The Division of Public Health (DPH) was moved from the Department of Human Resources to DCH effective July 1, 2009, therefore FY 2010 is the first year in which the public health budget is included with DCH. In addition, DCH has rearranged the Division and moved the Emergency Preparedness and Injury Prevention programs out of the Division and created a separate Division of Emergency Preparedness and Response. As a result, the current DPH contains the following 10 programs: Adolescent and Adult Health Promotion, Adult Essential Health Treatment Services, Epidemiology, Immunization, Infant and Child Health Promotion, Infant and Child Essential Health Treatment Services, Infectious Disease Control, Inspections and Environmental Hazard Control, Vital Records, and the Public Health Formula Grants to Counties program (which represents general grant-in-aid funding).

The House FY 2011 budget for DPH includes General Fund cuts of \$13.5 million, or about 8.5 percent relative to the FY 2010 appropriation. In addition (but not reflected in reduction totals), the budget moves \$23 million in funding for trauma centers from the Emergency Preparedness program to fund the Georgia Trauma Care Network Commission as a separate agency administratively attached to DCH.<sup>10</sup>

These cuts are distributed throughout all of the programs that make up the Division; however, the bulk is comprised of cuts to grant-in-aid funding that is directed to county health departments. The House budget cuts \$7.9 million from general grant-in-aid distributions to local health departments (which includes a technical change to increase funding by \$347,958 for increased workers comp costs in FY 2011). This cut amounts to 11.6 percent from the base of the general grant-in-aid budget.

Of the total DPH budget cut in FY 2011, \$3 million represents the additional three percent cuts the governor proposed in March. Details on the precise programs that will be reduced or eliminated are not yet available.

The House budget also assumes the increase of some fees charged by DPH for services provided. One such fee increase that is explicitly included is a \$15 increase in the cost of birth and death certificates, from \$10 to \$25 each. The governor’s budget originally included a \$5 increase in the cost of these fees, raising them to \$15, but the House budget assumes fee revenue associated with raising the fees to \$25 each.

Several other fee increases were proposed as part of the governor’s original budget proposal for FY 2011, including adding \$10 fees for HIV, STD, Hepatitis C, and lead testing as well as adding a \$30 fee for well water tests done by local public health departments.<sup>11</sup>

### **State Health Benefit Plan**

The FY 2011 House budget for the State Health Benefit Plan (SHBP) does not propose any changes to the governor’s FY 2011 proposal except to revise the forecast of projected premium revenue for FY 2011. Although the SHBP does not receive direct General Fund appropriations in the DCH budget, it receives funding from other state agencies for employer and employee contributions on behalf of eligible

state employees and teachers; therefore, changes to SHBP policies and procedures will affect the General Fund even though the effect will be primarily felt in other agency budgets.

In FY 2009, prior year surpluses in SHBP were used to generate state General Fund savings by reducing the required contribution state agencies were required to make. In total, \$456.9 million in prior year balances were used in FY 2009, leaving SHBP with no sizable reserves going into FY 2010.

In the Amended FY 2010 budget, the governor's proposal generates statewide General Fund savings by reducing the employer contribution made by state agencies. Also, in order to generate additional revenue for SHBP, employee premiums increased by 10 percent effective January 1, 2010, and increasing spousal and tobacco surcharges were also raised. In total, these premium increases generate an additional \$24.2 million in FY 2010. The final amended FY 2010 budget is not yet available; however, changes to the governor's proposals for the SHBP budget are not expected.

The premium increases implemented midway through FY 2010 will generate \$50.1 million in FY 2011, as they will be in effect for the full year. In addition, the House budget assumes the governor's proposal to enact an additional 10 percent employee premium increase to take effect January 1, 2011, generating \$30.5 million in additional revenue in FY 2011.

### ***Other DCH Programs & Departments***

Although a large majority of the DCH budget is directed to Medicaid, PeachCare, the Division of Public Health, and SHBP, the House budget also makes General Fund changes in the remaining parts of the DCH budget, including its Administration program, Healthcare Access program, the Healthcare Facility Regulation program, and the Division of Emergency Preparedness and Response.

In total, the House budget cuts \$32.5 million for FY 2011 in the remaining programs, relative to the originally enacted FY 2010 budget. Many of the changes are made statewide and are technical in nature, such as reducing the employer contribution to SHBP and making adjustments to agency appropriations for telecommunications services through the Georgia Technology Authority.

Cuts to the remaining DCH programs for FY 2011 include:

- \$3.2 million from the Healthcare Access program. This amount includes reduced salaries, reduced grants awarded, and reduced funding for start-up costs of Federally Qualified Health Centers;
- \$28.4 million from the Administration program. This amount is primarily made up of reducing salaries, eliminating or reducing several contracts, and implementing a revised cost allocation plan;
- \$1.1 million from the Emergency Preparedness and Response program. This reduction includes eliminating the Injury Prevention program previously housed in the Division of Public Health and additional savings to reflect "reduced duplication of service." This amount does not reflect the transfer of \$23 million in funding for trauma centers which has been moved to create the Trauma Care Network Commission as a separate agency attached to DCH for budget purposes.

The Healthcare Facility Regulation program receives an increase of \$241,805 in the House budget. This includes \$500,000 for six additional inspector positions that is offset by generic budget cuts and technical changes.

## Department of Behavioral Health and Developmental Disabilities

Beginning in FY 2010, Georgia's programs providing Behavioral Health, Developmental Disability, and Addictive Disease related services were moved into a new agency, the Department of Behavioral Health and Developmental Disabilities (DBHDD). In total, 11 programs that were previously housed in the Department of Human Resources have been moved to create the new agency, as well as a portion of the DHR administration budget. The FY 2010 enacted budget included \$690.4 million in General Fund support for DBHDD.

The governor proposed, and the House budget includes significant new General Fund support for DBHDD in the FY 2011 budget. In total, the House's FY 2011 budget increases General Fund support for DBHDD by \$63.4 million, or about 9.2 percent.

Although the increases are spread throughout the programs that make up DBHDD, the increases are directed primarily to a common purpose — increased funding for hospitals providing behavioral health and developmental disability services. In total, the House budget adds \$42.1 million in FY 2011 to six DBHDD programs for this purpose.<sup>12</sup> The new funds amount to a 7.4 percent increase in the budget for the affected programs.

In addition to the increased hospital funding, the governor's budget adds \$5.6 million to annualize developmental disability waiver slots added in FY 2010 and adds an additional \$3.3 million to fund 150 new slots for FY 2011.

Finally, the House budget includes a variety of other changes (some of which are technical, statewide issues) to the budget that total \$12.5 million in FY 2011 (not including changes to funding for attached agencies). These changes are summarized as follows:

- \$10.8 million to revise the projected savings DBHDD would realize as a result of the enhanced FMAP included in the Recovery Act;
- \$4.4 million in technical changes to fund increased telecommunications charges owed to the Georgia Technology Authority (GTA), for increased workers compensation rates, and to reflect an adjustment in the DOAS unemployment program;
- Saving \$1.8 million by accounting for an increase in the base Federal Medical Assistance Percentage (FMAP) for FY 2011 that reduces Georgia's share of total Medicaid costs;
- Cutting \$1.2 million from operating expenses in the Administration program; and
- \$300,000 to restore partial funding for the Marcus Autism center.

**Table 4 State General Funds for DBHDD Service Areas in FY 2010 and FY 2011 (in millions)**

|  | <b>Original<br/>FY 2010<br/>Budget</b> | <b>House<br/>FY 2011 Budget</b> |
|--|--|---------------------------------|
| Addictive Disease Services                             | \$ 45.3                                | \$ 46.5                         |
| Developmental Disability Services                      | 165.2                                  | 184.8                           |
| Forensic Services                                      | 48.1                                   | 55.8                            |
| Behavioral Health Services                             | 277.6                                  | 282.0                           |
| Direct Care Support                                    | 120.4                                  | 147.6                           |
| <b>Total DBHDD (including program areas not shown)</b> | <b>\$ 689.5</b>                        | <b>\$ 752.9</b>                 |

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## Endnotes

<sup>1</sup> These amounts do not include agencies attached to DCH for administrative purposes. The General Fund amount also does not reflect a decrease for the transfer of \$23 million from the Division of Public Health to the newly created Georgia Trauma Care Network Commission, now an attached agency.

<sup>2</sup> Estimate based on DCH budget presentations during the 2010 legislative session.

<sup>3</sup> According to House budget documents, enhanced federal Medicaid funds from the Recovery Act will total \$732.5 million in FY 2011. This figure includes enhanced Medicaid funding that is associated with services provided by DBHDD, though it is reflected in the DCH budget. Based on other budget documents, the portion of the enhanced Medicaid funds that are associated with services provided by DCH is approximately \$667.5 million. (Author's calculations).

<sup>4</sup> These figures represent revised DCH estimates reported to the House Budget Office and differ slightly from DCH forecasts presented at budget hearings and released publicly in February.

<sup>5</sup> As a result in federal law changes, states are no longer allowed to assess a fee solely on Medicaid CMOs. If Georgia wants to continue or restore the fee on the CMOs, the state would now have to charge the same fee on all private health insurers in the state as well.

<sup>6</sup> House Bill 1055 includes a variety of other provisions that increase state revenue in the short term as well as provisions to reduce state general revenue in the long term. The revenue figure of \$229 million represents only the provisions related to the hospital fee, and do not include the effect of the remainder of the bill. The revenue estimate for the hospital fee is based on provider fees appropriated in the House budget.

<sup>7</sup> Though the hospital provider fee has passed separately from HB 307 that originally provided the statutory language for the proposal, HB 307 is still alive. Currently, a proposed Senate amendment to HB 307 could eliminate the ability of the state to assess the insurance premium tax on the CMOs in the future, by eliminating the state insurance premium tax on all health insurance policies when the Revenue Shortfall Reserve reaches a certain threshold.

<sup>8</sup> When the prescription drug benefit was added to Medicare with the creation of the "Part D" program, the Medicare program assumed responsibility for covering prescription drug benefits for some individuals eligible for both Medicaid and Medicare who were previously covered under state Medicaid programs. As a result, states are required to make "clawback" payments to Medicare to offset a portion of the new costs to Medicare. A recent federal decision declared that these clawback payments would be eligible for the enhanced Medicaid matching rate included in the Recovery Act. The new savings in the House budget represent a lump sum savings, and is one-time in nature.

<sup>9</sup> The "base FMAP" refers to the rate at which the federal government shares in the costs for Georgia's Medicaid program prior to the consideration of the enhanced Medicaid funding included in the Recovery Act. The FMAP for Georgia is updated every year, and will increase slightly effective October 2, 2010, generating savings for the state.

<sup>10</sup> Beginning with the transition of the Division of Public Health to DCH, DCH has since revised the structure of the Division of Public Health by moving two programs previously part of DPH (Injury Prevention and Emergency Preparedness & Disaster Response) to form a new Division of Emergency Preparedness and Response. This document reflects these changes; therefore the bottom line budget figures for the Division of Public Health are not comparable to those of previous years.

<sup>11</sup> DCH fee proposal presented to Joint Appropriations Subcommittee, 2/23/2010.

<sup>12</sup> The proposed budget directs new funds to the following programs: Adult Developmental Disability Services (\$6.3 M), Adult Forensic Services (\$7.7 M), Adult Mental Health Services (\$5.3 M), Adult Nursing Home Services (\$0.4 M), Departmental Administration (\$1.1 M), and Direct Care Support Services (\$21.4 M).

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