

# GBPI

Georgia Budget and Policy Institute

# HEALTH CARE BUDGET

# F A C T S

## DEPARTMENT OF COMMUNITY HEALTH FACES FUNDING SHORTFALLS IN FY 2012

### MEDICAID WILL NEED NEW STATE FUNDS IN SUPPLEMENTAL FY 2012 BUDGET

The enacted FY 2012 Department of Community Health (DCH) budget does not provide new funding for potential enrollment growth from FY 2011 to FY 2012 and redirects nearly \$80 million in base Medicaid funding to other areas of state government. As a result, the FY 2012 budget does not adequately fund Georgia's Medicaid and PeachCare programs. Depending on enrollment growth in FY 2012, these programs face a potential state funding shortfall of \$110 million or more. Without new state funds to pay for new enrollees, DCH would likely need to examine substantial cuts to eligibility, covered services, or the reimbursement rates paid to doctors and other health care providers.<sup>1</sup>

Furthermore, other temporary savings and funding sources utilized in the FY 2012 budget will need to be replaced in FY 2013 and beyond. In particular, the FY 2012 budget only funds 11 months of capitation payments instead of 12. The FY 2013 budget must restore the 12th payment, which will require approximately \$82.2 million in new state funds. The FY 2012 budget also uses \$224.1 million in funding from the temporary hospital provider fee. This fee is slated to expire after FY 2013, creating another potential hole in the Medicaid budget in FY 2014.

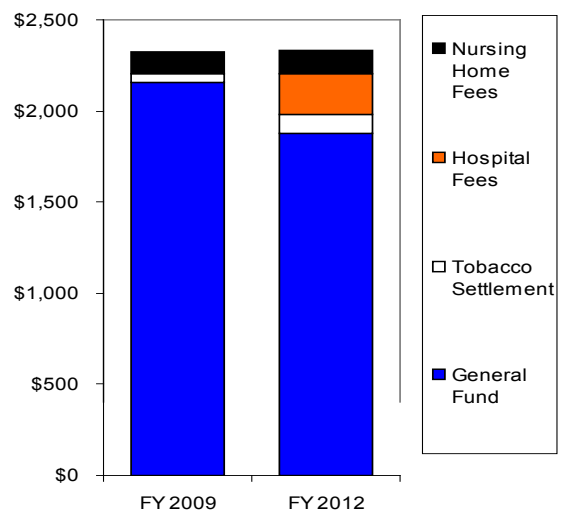
The FY 2012 General Fund appropriation for Medicaid and PeachCare represents a \$278 million cut (12.9 percent) from FY 2009. Due to the temporary hospital fee, however, Georgia's overall state investment in these programs represents a slight 0.3 percent increase above FY 2009.

### S U M M A R Y

Georgia's Medicaid program faces significant funding needs in the next three fiscal years as a result of the decisions to redirect funding from the Medicaid program to elsewhere in the state budget and to use one-time savings strategies and temporary revenue streams to fund the program.

Georgia's revenue system will continue to inadequately meet the needs of Georgians – including the 1.7 million Georgians on Medicaid or PeachCare, the nearly 700,000 enrolled in the SHBP, and the nearly 2 million Georgians who lack health coverage – unless policymakers enact responsible tax reform.

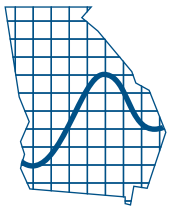
### STATE FUNDING FOR MEDICAID AND PEACHCARE (FY 2009 AND FY 2012)



<sup>1</sup>As initially passed, the Affordable Care Act prohibits states from making cuts to Medicaid of CHIP (PeachCare, in Georgia) programs; however, several proposals under consideration at the federal level would eliminate these protections and enable states to make cuts in eligibility.

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

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# F A C T S

## STATE EMPLOYEE HEALTH BENEFIT PLAN FACES FUNDING DEFICIT IN FY 2012

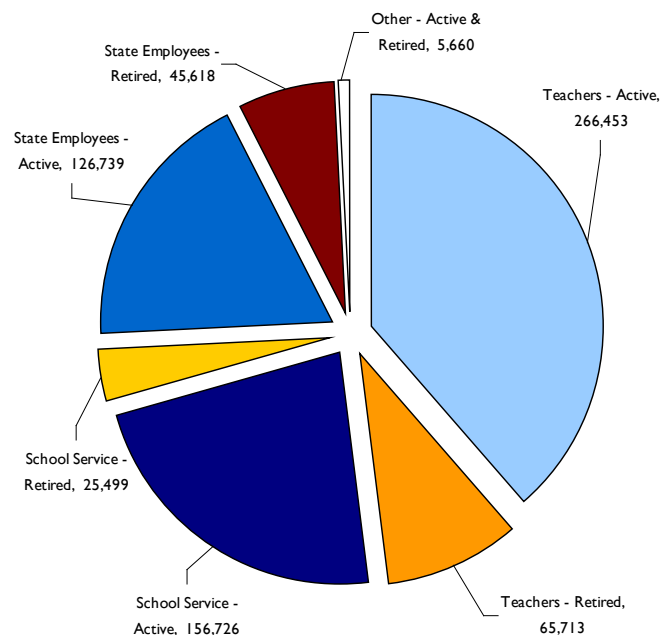
Like Medicaid, Georgia's State Health Benefit Plan (SHBP), which serves state employees, teachers, and other school system employees, faces a funding shortfall in FY 2012. Previously, the SHBP had built up sizable reserves, and in FY 2009 and FY 2010 the state used prior year surpluses in SHBP to help balance the overall state budget. In order to achieve state savings, agency contributions to the SHBP were lowered and the SHBP used prior year surplus funds to make up the gap from lower state and local contributions.

Due to the depletion of SHBP reserves, employer and employee contributions have increased in recent years. Employees in particular have experienced 10 percent premium increases in 2010 and 2011, and will again see their monthly premiums increase by 10 percent in January 2012.

Despite increases in employee and employer contribution rates in FY 2012, declining payrolls and increasing retirement rates are projected to lead to a net decrease in total employer and employee contributions for FY 2012. As a result, projected FY 2012 SHBP revenue will not keep pace with projected expenditure growth in FY 2012. Short-term federal assistance from the Early Retiree Reinsurance Program, which was created by the Affordable Care Act, is available in FY 2011 and FY 2012 to offset SHBP expenses for some high-cost retirees. These funds are not adequate to offset declining revenue; however, and most recent forecasts for the federal funding Georgia will receive are below the original projections used in building the FY 2011 and FY 2012 budgets.

Although DCH currently projects a modest SHBP surplus in FY 2011, the surplus will not be large enough to cover the projected deficit in FY 2012. DCH is currently re-projecting the SHBP financial status for FY 2011; however, recent DCH statements indicate that the FY 2011 surplus will be less than previously indicated. As a result of the declining FY 2011 surplus, the SHBP likely faces a projected FY 2012 deficit of approximately \$140 million. DCH currently is examining potential changes to address this shortfall, but the changes will likely require additional employer and/or employee contributions in FY 2012 and beyond.

### STATE HEALTH BENEFIT PLAN — COVERED EMPLOYEES AND DEPENDENTS (MARCH 2011)



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