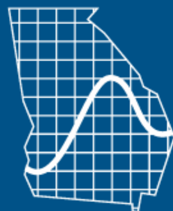

Lawmakers Protect Medicaid, Serious Funding Gaps Loom for 2012

Highlights of the FY 2011 Healthcare Budgets

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

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Summary

Lawmakers cut State General Fund spending in the Department of Community Health (DCH) by $236.8 million for fiscal year (FY) 2011 relative to the originally enacted FY 2010 budget. In addition, the DCH budget reflects $207.3 million in lost state funding from exhausted Tobacco Settlement fund surpluses and from no longer collecting a Care Management Organization fee.

Lawmakers did appropriate $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 to DCH. In total, the final FY 2011 budget cuts state funds to DCH by a net of $204.5 million.

The Georgia budget will be immediately out-of-balance without extended federal Medicaid assistance.

Lawmakers increased State General Fund support for the Department of Behavioral Health & Developmental Disabilities (DBHDD) in the FY 2011 budget by $64.1 million, or about 9.3 percent (these figures do not include attached agencies). While most state agencies have seen net budget reductions in recent years, the FY 2011 budget increases funding to DBHDD 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.

There are no cuts to Medicaid or PeachCare eligibility levels and no explicit cuts to provider reimbursement rates in the final FY 2011 budget. Furthermore, the

budget has new revenue from a newly enacted hospital provider fee to increase Medicaid and PeachCare reimbursement rates to hospitals.

However, the FY 2011 budget is heavily reliant on enhanced Medicaid funding originally included in the federal Recovery Act being; it assumes U.S. Congress will extend it for 6 additional months. Such an extension would make the enhanced federal funding available for all of FY 2011.

Currently, this enhanced funding is slated to expire in the middle of FY 2011 (December 31, 2010). While the U.S. Congress is currently working on legislation to extend this funding for an additional six months, as of the time of this publication, such an extension has not yet been passed. Without this extension, the DCH budget will be short approximately $378.5 million.[1] In total, Georgia is using nearly $750 million in enhanced Medicaid funds from the Recovery Act in the FY 2011 budget.[2]

The Medicaid and PeachCare budgets are based on enrollment forecasts from DCH that expect only modest enrollment growth through FY 2011. The Low-income Medicaid program, in particular, is expected to grow by only 2.2 percent in FY 2011, although growth in FY 2010 is likely closer to 8 percent. The portion of the program that serves elderly and disabled individuals, which generally is a more stable population, is expected to grow by 1 percent, compared to 1.6 percent in FY 2010.[3]

Since FY 2009, enrollment growth in Medicaid and PeachCare has not kept up with budgeted projections. As a result, enrollment in FY 2010 was lower than originally expected. Although enrollment recent years has not reached budgeted levels, 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.

Looking forward to FY 2012, DCH 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 final FY 2011 budget. Together, the loss of enhanced Medicaid funding (even if it is extended for an additional six months for FY 2011) and other one-time maneuvers will likely leave a funding shortfall in FY 2012 of $800 million to $1 billion.

The following discussion provides an overview of the FY 2011 budget 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 FY 2011 budget appropriates 1.5

billion from the General Fund and $472.7 million from other state funds to DCH in FY 2011; the combined state funds total is $204.5 million less than FY 2010.

These amounts do not include funding for attached agencies, such as the Georgia Board for Physician Workforce and the Georgia Composite Medical Board. This report does not examine the budgets of attached agencies.

Medicaid and PeachCare

At $1.3 billion, the Medicaid and PeachCare programs represent the bulk of FY 2011 State General Fund spending in DCH (84 percent). Together, these programs will serve more than 1.7 million Georgians in FY 2011, and will bring in more than $5.6 billion in federal funds in order to do so. The following sections examine the major Medicaid and PeachCare changes in the enacted version of FY 2011 budget.

Medicaid and PeachCare lost funding in three areas (compared to the originally enacted FY 2010 budget):

1. Lawmakers cut General Fund appropriations by $198.1 million, or about 13.4 percent.
2. Tobacco Settlement funding to Medicaid fell by $164.7 million due to exhausted surpluses.
3. The Care Management Organization (CMO) quality assessment fee expired, reducing the budget by $42.5 million.

The new hospital provider fee, which is projected to generate $229 million in new revenue in FY 2011, partially offset these revenue losses. In the final budget, lawmakers direct $172 million of this new revenue to fund the base Medicaid budget and replace lost Tobacco Settlement and other funds. The budget also uses $57 million of the new revenue to increase reimbursement rates to hospitals participating in Medicaid. The budget also 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 $167.5 million, or 11.3 percent. This figure is summarized in Table 1 below, and discussed in greater detail in the following sections.

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

	Orig. Enacted FY 2010 Budget	FY 2011 Budget
State Funds Adjustments for PeachCare & Medicaid		
Revised Benefit Expenditures		$ (25.2)
Hospital Rate Increase		57.0
CMO Payment Reductions		(92.7)
Eliminate CMO Premium Tax Exemption		19.8
Other Funding Changes		(126.4)
Change from Enacted FY 2010		**$ (167.5)**

	Orig. Enacted FY 2010 Budget	FY 2011 Budget
All State Sources for Medicaid and PeachCare		
State General Fund	$ 1,478.7	$ 1,280.6
Tobacco Settlement	265.3	100.6
CMO Fees	42.5	--
Nursing Home Provider Fees	122.5	131.3
Hospital Provider Fee	--	229.0
Total State Funds	**$ 1,909.0**	**$ 1,741.5**

Source: Enacted FY 2011(HB 948) budget as signed by the governor.

Revised Enrollment and Benefits Expenditures

Overall Medicaid and PeachCare enrollment did not grow as significantly as expected in FY 2009. While enrollment growth picked up in FY 2010, the lower base from 2009 resulted in lower total enrollment for FY 2010 compared to the number of enrollees DCH originally forecasted.

The FY 2011 budget is based on DCH enrollment projections that assume only modest enrollment growth in Medicaid and PeachCare. 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, enrollment in PeachCare is projected to increase by 8.6 percent. Because the original FY 2010 budget funds higher enrollment figures than will actually occur in FY 2010, DCH needs fewer funds in FY 2011 to cover the enrollment projections assumed in FY 2011. As a result, its budget has several changes from FY 2010 that are essentially funding adjustments to account for expected Medicaid and PeachCare enrollment levels.

In total, the budget provides $25.2 million less in state funds for Medicaid and PeachCare benefits, excluding changes for specific policy issues discussed later in this report. This amount is summarized below in Table 2 and discussed in more detail following the table.

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

	General Funds	Other State Funds	Total State Funds
Funding Additions			
ABD Growth	$ 50.8		$ 50.8
LIM Growth	37.5		37.5
Provider Fees to Fund LIM Base		$ 172.0	172.0
Funding Reductions			
Tobacco Settlement Funds (LIM)		(212.2)	(212.2)
CMO Fees (LIM)		(42.5)	(42.5)
General Funds (LIM)	(12.9)		(12.9)
Due to Revised PeachCare Forecast	(15.6)		(15.6)
Due to Increased PeachCare premiums	(2.3)		(2.3)
Funding Swaps			
Redirect Tobacco Settlement Funds	(47.5)	47.5	---
Total Funding Changes for Benefits	**$ 10.0**	**$ (35.2)**	**$ (25.2)**

Source: Enacted FY 2011(HB 948) budget as signed by the governor.

Funding Additions

The final budget includes General Fund increases for the ABD and LIM portions of the Medicaid program to cover benefit costs in FY 2011, as shown above. In addition, the 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 final budget has several funding cuts and reductions that result in 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 lawmakers used surplus funding in FY 2010 that 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 because it does not assess the fee on all health insurance providers. This fee had been used to generate additional federal funds to fund base Medicaid operations.[4]

The budget also makes reductions to the LIM and PeachCare budgets to account for projected costs to cover enrollees in FY 2011. As a result of lower than projected enrollment in fiscal years 2009 and 2010, the FY 2010 budgeted amount is greater than the anticipated need for FY 2011, based on the forecast discussed above. Therefore, lawmakers reduced the funding level.

Finally, lawmakers direct DCH to increase monthly premiums paid on behalf of children enrolled in PeachCare for Kids to generate $2.3 million in State General Fund savings. 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. Although the savings amount to the General Fund was originally calculated on across-the-board $5 or $10 increases (depending on family size), language in the budget directs DCH to stagger the increases based on family income.

However, 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 Georgia is allowed to increase premiums. 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 in jeopardy.

Funding Swaps

Lawmakers direct $47.5 million in Tobacco Settlement funds for Medicaid benefits and reduce the General Fund appropriation by an identical amount.

Hospital Provider Fee and Hospital Rate Increases

In order to fill the hole created from the loss of one-time funding sources used in FY 2010 but now depleted for future use (the surplus Tobacco Settlement previously mentioned, and other small funds), and to prevent major cuts in provider reimbursement rates, the legislature enacted a 1.45 percent provider fee assessed on hospitals. The hospital fee, included as part of House Bill 1055, is forecasted to generate approximately $229 million in FY 2011.[5]

The loss of one-time revenues will contribute to a funding shortfall of $800 million to $1 billion for FY 2012.

The budget uses most of the new revenue generated by the provider fee to fill in the hole in Medicaid from the loss of other funding. It also directs a portion to fund increased payments for hospital services provided under the PeachCare and Medicaid programs. 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 projected 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 **FY 2011 Budget Uses New Hospital Provider Fees for Medicaid (in millions)**

	Provider Fee Revenue	Federal Funds Generated	Total State and Federal Funds
Revenues			
Hospital Fee Revenue	$ 229.0	$ 683.1	$ 912.1
Uses			
Replace Tobacco Settlement Funds	172.0	511.1	683.1
Increase Hospital Reimbursements	57.0	172.0	229.0
Total New Fees	**$ 229.0**	**$ 683.1**	**$ 912.1**

Source: Enacted FY 2011(HB 948) budget as signed by the governor.

CMO Payment Reductions

Lawmakers made several changes that reduce the state's FY 2011 payments to the CMOs operating Georgia's Medicaid program. The following changes save the state $92.7 million, but not without repercussions:

1. The budget generates savings by reducing 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. The budget caps the risk adjustments at the midpoint of the rate range, which generates $2.5 million in State General Fund savings in FY 2011 and costs CMOs $7.7 million in lost federal funds, for a net loss to the CMOs of $10.2 million.
2. Lawmakers save the state $8 million by directing DCH to renegotiate the monthly capitation rates paid to the CMOs. However, this cut reduces federal funding $24.2 million, generating a total funding loss to the CMOS of $32.2 million.
3. Finally, lawmakers are delaying the final FY 2011 monthly capitation payment to the CMOs until FY 2012, generating $82.2 million in savings in FY 2011. The payment which otherwise would be made to the CMOs in June 2011 instead will be made in July 2011, which is the first month of state FY 2012, and will 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 decision 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. Beginning in FY 2011, this exemption is eliminated (due to HB 1170), generating $79.8 million in new state premium tax revenue, which

is directed to the General Fund. 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, lawmakers added $19.8 million in State General Funds to the DCH budget to account for the increased costs, which will then be used to match $60 million in additional federal funds. The $60 million represents the net benefit to the state in FY 2011.

Other Medicaid and PeachCare Changes

In addition to the larger items detailed above, the final FY 2011 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:

- Saves $86.3 million due to 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;[6]
- Saves $22.8 million to account for increases in the base Federal portion of the costs paid for Georgia's Medicaid and PeachCare programs for FY 2011 that reduces Georgia's share of programmatic costs;[7]
- Uses $8.8 million of increased nursing home provider fees to replace General Funds for reimbursement increases implemented 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 reimbursement rates 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) 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 DPH and moved the Emergency Preparedness and Injury Prevention programs out of DPH and created a separate Division of Emergency Preparedness and Response. As a result, DPH now 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).

Lawmakers cut DPH $9.7 million in General Funds, or about 6.1 percent relative to the FY 2010 appropriation. In addition (but not reflected in the $9.7 million), the budget moves $23 million in funding for trauma centers from the Emergency Preparedness program (previously part of DPH) to fund the Georgia Trauma Care Network Commission as a separate agency administratively attached to DCH.[8]

These $9.7 million in cuts are distributed throughout the programs that make up DPH; however, the bulk represents cuts to grant-in-aid funding that is directed to county health departments. General grant-in-aid distributions to local health departments are cut $6.5 million (which includes a technical change to increase funding by $347,958 for increased workers compensation costs in FY 2011). This cut amounts to 9.5 percent from the base of the general grant-in-aid budget.

The remaining cuts are spread through the DPH. The cuts include:

- $1.2 million to salaries and other operating expenses Nearly $700,000 to various programmatic grant-in-aid funding[9]
- More than $350,000 for poison control to be offset by increased federal funds
- Nearly $200,000 in administrative allocations for regional tertiary care centers Nearly $400,000 for the Babies Born Healthy program[10]

The FY 2011 budget also increases some fees charged by DPH for services provided, which are deposited into the General Fund. One such fee increase that is explicitly included is an increase in the cost of birth and death certificates to $25 each. The fee for these certificates was originally increased from $10 to $15 effective January 1, 2010 and it will be increased to $25 effective July 1. The state is projecting approximately $1.8 million in new revenue for the increase in FY 2011.

The governor proposed several other fee increases in his FY 2011 budget proposal, 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.[11] Funds from these fee increases are not explicitly included in the FY 2011 budget; however, they could still be implemented by DCH.

State Health Benefit Plan

Although 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 felt primarily in other agency budgets.

In FY 2009 and FY 2010, prior year surpluses in SHBP were used to generate state General Fund savings by reducing the required contribution state agencies were required to make (as

employers) and using SHBP reserves to offset the reduced employer contributions. In total, $456.9 million in prior year balances were used in FY 2009, leaving SHBP with no sizable reserves at the end of FY 2010.

As a result of the near elimination of the SHBP fund balance, state employee monthly premiums were increased by 10 percent January 1, 2010 and will be increased again January 1, 2011. Spousal and tobacco surcharges were also increased. The January 2010 increases are generating $24.2 million increased contributions in FY 2010 and will generate $50.1 million in additional funds in FY 2011. The January 2011 premium increases will generate $30.5 million in added revenue for the SHBP 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 FY 2011 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, lawmakers cut $28.9 million for FY 2011 in the remaining programs, relative to the originally enacted FY 2010 budget. Many of the changes are statewide, such as using SHBP reserves to offset agency contributions. Some are statewide and technical in nature, such as making adjustments to agency appropriations for telecommunications services through the Georgia Technology Authority, or GTA.

Cuts to the remaining DCH programs for FY 2011 include:

- $4 million from the Healthcare Access program. This includes cuts to salaries, grants awarded, and funding for start-up costs of Federally Qualified Health Centers. It also eliminates funding for the transparency transformation website maintenance;
- $25.9 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;
- $455,652 from the Emergency Preparedness and Response program. This includes eliminating the Injury Prevention program previously housed in the Division of Public Health and cuts to operating expenses and salaries. 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.

Increased funding (not reflected above) for the remaining DCH programs include:

- Lawmakers increased funding for the Healthcare Facility Regulation program by $435,885 in the FY 2011 budget. This includes nearly $500,000 for six additional inspector positions; these funds are offset by technical budget changes;

- $600,000 in new funding for air ambulance services in Northwest Georgia in the Healthcare Access program;
- $400,000 in new funding to implement online eligibility processing system in the Administrative program.

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 FY 2011 budget includes significant new General Fund support for DBHDD. In total, the FY 2011 budget increases General Fund support for DBHDD by $64.1 million, or about 9.3 percent (these figures do not include attached agencies).

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

	Original FY 2010 Budget	Final FY 2011 Budget
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
Administration & Other Programs	32.8	36.9
Total DBHDD (may not add due to rounding)	**$ 689.5**	**$ 753.6**

Although the increases are spread throughout the programs that make up DBHDD, the increases are directed primarily to a common purpose — increasing funding for hospitals providing behavioral health and developmental disability services. In total, the FY 2011 budget adds $42.1 million to six DBHDD programs for this purpose, a 7.4 percent increase.[12]

In addition to the increased hospital funding, lawmakers added $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 FY 2011 budget includes a variety of other changes (some of which are technical, statewide issues) that total $13 million. These changes are summarized as follows:

- $10.8 million to revise the projected savings DBHDD realizes as a result of the enhanced Federal Medical Assistance Percentage (FMAP) included in the Recovery Act;

- $4.4 million in technical changes to fund increased telecommunications charges owed to the GTA, for increased workers compensation rates, and to reflect an adjustment in the Department of Administrative Services unemployment program;
- Saving $1.8 million by accounting for an increase in the base FMAP that reduces Georgia's share of total Medicaid costs;
- Cutting $500,000 from operating expenses in the Administration program; and
- $235,000 to restore partial funding for the Marcus Autism center.

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Endnotes

[1] Estimate based on DCH budget presentations during the 2010 legislative session. While state savings for the enhanced FMAP are also embedded in the DBHDD budget, these figures are not explicitly separated and the specific hit to the DBHDD budget if these funds are not extended is unknown.
[2] According to various legislative and executive budget documents, enhanced federal Medicaid funds from the Recovery Act are estimated to be $748.9 million in FY 2011. This figure includes enhanced Medicaid funding that is associated with services provided by other agencies, though the full amount 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 $672.4 million. (Author's calculations).
[3] 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.
[4] As a result of federal law changes, states are no longer allowed to asses 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.
[5] 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 final budget.
[6] 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 savings in the FY 2011 budget represents a one-time lump sum savings.
[7] 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 1, 2010, generating savings for the state.
[8] This report reflects these structural changes; therefore, the bottom line budget figures for the Division of Public Health are not comparable to those of previous years.
[9] This includes four separate reductions that had previously been identified by DCH as programmatic grant-in-aid funding.
[10] In addition to the specific Babies Born Healthy cut made by the legislature, other funding changes are being made by DCH that eliminate all funding for the program. The elimination of this program was not specifically initiated by the budget cut included in the FY 2011 budget.
[11] DCH fee proposal presented to Joint Appropriations Subcommittee, 2/23/2010.
[12] The proposed budget directs new funds to the following programs: Adult Developmental Disability Services ($6.3 million), Adult Forensic Services ($7.7 million), Adult Mental Health Services ($5.3 million), Adult Nursing Home Services ($400,000 million), Departmental Administration ($1.1 million), and Direct Care Support Services ($21.4 million).

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