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Governor's Proposed Health Budgets

Highlights of the Proposed FY 2012 Health Care Budgets

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

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Summary

The governor's fiscal year (FY) 2012 budget proposal increases General Fund support to the Department of Community Health (DCH) by $653.2 million, relative to the originally enacted FY 2011 budget. This increase is driven by significant new state funding to replace the temporary increase in federal Medicaid support originally included in the American Recovery and Reinvestment Act (Recovery Act) that is slated to expire June 30, 2011. However, the proposed budget does not include new funding for potential enrollment growth in FY 2012.

The proposed budget makes a variety of programmatic cuts to the Medicaid and PeachCare programs, including the elimination of dental, vision, and podiatry services for adults; adding new co-payments for PeachCare and Katie Becket enrollees; and reducing provider reimbursements. In addition, the proposal assumes a variety of savings with little or no impact on services, such as increased pharmacy rebates as a result of the new health care law.

The proposed budget also makes more than $8 million in additional cuts to the state's public health and preparedness programs in AFY 2011 and FY 2012, including cuts to Grant-in-Aid funding to local public health departments. By adding to budget cuts in recent years, the governor's FY 2012 proposed budget represents a 21 percent cut in General Fund support to Georgia's public health and preparedness programs since the originally enacted FY 2009 budget.

Compared to the originally enacted, pre-recession FY 2009 budget, the proposed DCH budget for FY 2012 represents approximately a 10 percent cut in General Fund support for the Medicaid and PeachCare programs. This cut is offset by the use of additional Tobacco Settlement funds for Medicaid and by the temporary hospital provider fee enacted in FY 2011. Including these other funding sources, the state funds directed to Medicaid and PeachCare in FY 2012 is 3 percent higher than in the original FY 2009 budget, even though the programs could be expected to serve nearly 10 percent more enrollees than in FY 2009.[1]

The proposed budget significantly increases state General Fund support for the Department of Behavioral Health & Developmental Disabilities (DBHDD) to replace the expiring enhanced Medicaid funding and to implement changes agreed to in the state's settlement with the U.S. Department of Justice (DOJ). In total, the proposed budget adds $111.3 million in the FY 2012 budget (relative to the original FY 2011 budget).

Excluding the new funding necessary to replace expiring Recovery Act funding, the proposed FY 2012 budget effectively represents a 7.1 percent increase above the originally enacted FY 2011 budget for DBHDD.

While the proposal continues recent funding increases to DBHDD to address the state's mental health system, the proposed DCH budget for AFY 2011 and FY 2012 is problematic in many ways. Most notably, the proposed budgets do not include new funding for enrollment or inflationary growth in Medicaid and PeachCare and provide fewer services to those enrolled.

Though enrollment growth has not been as robust as expected given Georgia's economic climate, combined Medicaid and PeachCare enrollment grew by nearly 6 percent in FY 2010. However, the most recent DCH forecast assumes approximately 2.3 percent growth in FY 2011 and only 1.4 percent growth in FY 2012 (in combined Medicaid and PeachCare enrollment). The proposed AFY 2011 and FY 2012 budgets do not include necessary funding to cover this modest growth, which means that additional funding could be needed if enrollment growth in the next 18 months matches FY 2010 growth.

Furthermore, the budget proposes to eliminate dental, vision, and podiatry services for adults on Medicaid and to create new co-payments for Katie Beckett kids and for kids older than six enrolled in PeachCare. Currently, only emergency dental services are available to most adults on Medicaid, with an enhanced dental package available only for pregnant women. Eliminating coverage for these services could shift additional costs to providers who may see an increase in uncompensated care and to enrollees who will be required to pay out of pocket to get medically recommended dental services.

Implementing new co-payments also will shift costs to providers and consumers and discourage utilization of medical services. Furthermore, because the bulk of the funding for Georgia's Medicaid and PeachCare program comes from federal contributions, the majority of the savings resulting from these cuts is returned to the federal government. When these savings come in the form of cost-sharing for those enrolled, it is as if the enrollee is making the bulk of their co-payment to the federal government.

The following discussion provides an overview of the proposed FY 2012 budget for the two departments and various components of each. (This report does not examine nor include funding for agencies attached to DCH and DBHDD for budget purposes, such as the State Medical Education Board and the Georgia Composite Medical Board.)

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 health care. The governor's proposed FY 2012 budget for DCH includes $2.18 billion from the General Fund and $468 million from other state funds. The combined state funds total represents a $648.6 million increase from the originally enacted FY 2011 budget, yet represents a decline of $121.8 million from FY 2011 when excluding funding added to replace expiring Recovery Act Funds.

Medicaid and PeachCare

At $1.95 billion, the Medicaid and PeachCare programs represent the bulk of the recommended FY 2012 State General Fund spending for DCH (89 percent). Together, these programs serve nearly 1.7 million Georgians, as of September 2010, and are forecasted to bring in more than $4.8 billion in federal funds in FY 2012. The governor's proposed budget increases state General Fund support for Medicaid and PeachCare in AFY 2011 and FY 2012 to replace lost federal funds. The proposal also makes several programmatic reductions and does not include additional funding for enrollment growth or inflation. The following sections examine the major Medicaid and PeachCare changes in the proposed FY 2012 budget.

Table 1 **AFY 2011 & FY 2012 State Funds Changes for Medicaid & PeachCare (in millions)[2]**

	Orig. Enacted FY 2011 Budget	Proposed AFY 2011 Budget	Proposed FY 2012 Budget
State Funds Adjustments for PeachCare and Medicaid			
Revised federal match rate		$ 131.1	$ 760.3
Fund June 2011 capitation payment and defer June 2012 capitation payment		61.5	--
Reduced hospital fee revenue		(13.2)	(4.9)
Cuts to services, provider reimbursements, and other programmatic changes		(5.4)	(41.4)
Other Medicaid and PeachCare changes		(35.6)	(51.0)
Change from Enacted FY 2011 (cells may not add due to rounding)		**138.3**	**662.9**
	Orig. Enacted FY 2011 Budget	**Proposed AFY 2011 Budget**	**Proposed FY 2012 Budget**
State Funds for Medicaid and PeachCare			
State General Fund	$ 1,280.6	$ 1,443.9	$ 1,948.4
Tobacco Settlement	100.6	88.7	100.6
Nursing Home Provider Fees	131.3	131.3	131.3
Hospital Provider Fee	229.0	215.8	224.1
Total State Funds	**$ 1,741.5**	**$ 1,879.7**	**$ 2,404.4**

Proposed Budget May Not Provide Adequate Funding for New Enrollees or Increased Health Care Costs in AFY 2011 and FY 2012

The proposed DCH budget potentially leaves a $27 million funding gap in AFY 2011 and a $62 million gap in FY 2012, based on GBPI analysis of the DCH expenditure projections presented in August, and adjusted for policy changes proposed in the AFY 2011 and FY 2012 budgets. (See GBPI calculations in Table 2)

The DCH forecast presented in August projected relatively modest enrollment growth in FY 2011 and FY 2012. In total, the DCH budget request included $27.8 million above the original FY 2011 budget for projected growth in AFY 2011 and $33.5 million for growth in FY 2012 (also relative to the enacted FY 2011 budget). If actual enrollment growth exceeds these projections, then the funding gaps could be larger than the above figures.

Recent Enrollment Trends and Continuing High Uninsurance in Georgia

In FY 2010, total enrollment grew by 8.9 percent in the Low Income Medicaid program, by 2.4 percent in the Aged, Blind, and Disabled program, and fell by 1.5 percent in the PeachCare program. In the three programs combined, FY 2010 enrollment exceeded FY 2009 enrollment by 5.9 percent.

The most recently available DCH forecast predicts 2 percent growth in FY 2011 and only 0.1 percent growth in FY 2012 for the Low Income Medicaid population, with growth in the Aged, Blind, and Disabled population of 2.2 percent in FY 2011 and 2.3 percent in FY 2012. DCH expects more robust growth for the PeachCare program, however, assuming 4.4 percent enrollment growth in FY 2011 and 6.3 percent growth in FY 2012. Together, these growth rates combine to produce 2.3 percent growth in FY 2011 and only 1.4 percent growth in FY 2012.

While DCH expects growth in the PeachCare program to accelerate in FY 2011 and FY 2012, the significant decline in Low Income Medicaid enrollment growth could be problematic. Despite the low enrollment growth forecasts for the next 18 months, Georgia continues to have a large portion of its population without health insurance. In 2009, nearly 2 million non-elderly Georgians (22.5 percent of the non-elderly population) lacked health insurance. These figures represent the 5th highest raw number and the 5th highest uninsured rate in the U.S.

The fact that so many Georgians continue to lack health coverage is a possible indicator that demand for Medicaid and PeachCare could remain robust, even as the state slowly recovers from the Great Recession. Furthermore, recent Medicaid enrollment growth has been well below enrollment growth in other programs serving a similar population, such as the Supplemental Nutrition Assistance Program (SNAP), commonly called Food Stamps. This could be another indicator that many Medicaid-eligible Georgians are not currently being covered.

In addition to projected enrollment growth, the DCH budget presentation in August included several other funding needs for AFY 2011 and FY 2012 that are not explicitly accounted for in the proposed AFY 2011 and FY 2012 budgets. In particular, the request cited the following funding needs:

- $39.3 million to fund a shortfall in the funding available to DCH to make "clawback payments" as part of the Medicare Part D (prescription drugs) program (AFY 2011 only);
- $1.1 million to fund a shortfall created by complying with federal rules requiring coverage during the grace period for families to pay monthly PeachCare premiums (AFY 2011 only);
- $15.1 million to fund a shortfall in funding for the Medicaid Management Information System (MMIS) conversion. The proposed budget moves funding from the Low Income Medicaid program to the Administration program to fund the MMIS conversion, creating an additional hole in the Low Income Medicaid program. (AFY 2011 only);
- $11 million to replace a reduction taken in the original FY 2011 budget that DCH says it cannot attain. The enacted FY 2011 budget cut $11 million from the DCH budget to reflect savings from moving long-term acute pulmonary care patients from hospitals to nursing facilities; however, DCH does not believe these savings are reachable. (AFY 2011 and FY 2012);
- $1.6 million to fund a shortfall in PeachCare created by increases to hospital reimbursement rates associated with the passage of the hospital provider fee in the 2010 legislative session. (AFY 2011 and FY 2012); and,
- $2.3 million to fund a shortfall in PeachCare as a result of the state's inability to implement increases to monthly member premiums assumed in the FY 2011 budget. DCH recently announced that they would no longer pursue premium increases because they are likely in violation of federal "maintenance of eligibility" rules put in place to prevent states from cutting eligibility to their programs prior to the implementation of the Affordable Care Act. (AFY 2011 and FY 2012)

The AFY 2011 and FY 2012 budget proposals do not explicitly take these funding needs into account. Furthermore, the proposed budgets lower the estimate for revenue available to DCH from the hospital provider fee enacted in the 2010 Legislative Session, which further reduces the resources available to DCH for Medicaid and PeachCare costs.

In AFY 2011, the proposed budget assumes that surplus DCH funding from FY 2010 will roll forward into AFY 2011 and cover a portion of the funding needs that DCH identified. Based on GBPI calculations using the DCH budget presentation and the figures in the AFY 2011 budget proposal, however, the FY 2010 surplus funds would not be adequate to cover the enrollment forecast DCH presented in August.

The FY 2010 surpluses cannot be relied on in FY 2012. Therefore the potential budget gap in FY 2012, based on the DCH expenditure forecast in its initial budget request, is larger than in AFY 2011. Furthermore, if enrollment in FY 2011 and FY 2012 is larger than originally anticipated by DCH in August, the funding gaps cited above could increase.

Table 2: **GBPI Estimate of Potential AFY 2011 and FY 2012 Medicaid and PeachCare Shortfall**

	AFY 2011	FY 2012
State Funds Available for Medicaid and PeachCare in Proposed Budget:[3]		
State General Fund	$ 1,446.9	$ 1,948.4
Tobacco Settlement Funds	88.7	100.6
Hospital Provider Fees	215.8	224.1
Nursing Home Provider Fees	131.3	131.3
Prior Year Surpluses	86.8	--
Total State Funds for Medicaid & PeachCare	**$ 1,966.5**	**$ 2,404.4**
Projected Medicaid and PeachCare Expenditures:		
DCH Budget Presentation Base (amounts include DCH enrollment forecast from August 2010)[4]	$ 1,957.1	$ 2,648.7
Adjustment based on assumed PeachCare premium increases not being implemented[5]	1.5	2.3
Governor's proposed policy changes affecting projected expenditures:		
Fund June 2011 capitation payment, defer June 2012 payment	61.5	(82.2)
Drug settlements offset expenditures	(10.0)	(10.0)
Eliminate underperforming disease management contracts	(5.4)	(10.4)
Increased pharmacy rebates from health reform	(10.5)	(11.6)
Provider rate cuts (1%)		(13.8)
Eliminating Care Management Organization outpatient reimbursement floor		(5.1)
Eliminating optional adult benefits		(7.0)
New and increased co-payments		(5.0)
Medically fragile inmates into nursing homes		1.0
Savings from family planning waiver		(9.3)
Projected CHIPRA bonus payment		(6.0)
Updated 2012 federal match rate		(10.0)
One-time MMIS rebate in 2012		(15.1)
Subtotal – Governor's policy changes affecting projected expenditures	35.6	(184.6)
Revised State Funds Expenditures for Medicaid and PeachCare	**$ 1,994.2**	**$ 2,466.4**
State Funding Available to Medicaid and PeachCare	**$ 1,966.5**	**$ 2,404.4**
Projected Medicaid and PeachCare Expenditures	**$ 1,994.2**	**$ 2,466.4**
Potential Funding Shortfall	**$ 27.6**	**$ 62.0**

Reflecting the Expiration of Enhanced Medicaid Funding in Recovery Act

The proposed budget adds $131.1 million in AFY 2011 and $760.3 million in new state General Fund support in FY 2012 to reflect changes in the Federal Medical Assistance Percentage (FMAP) for Georgia. The AFY 2011 funding is to reflect lower enhanced federal funding available than originally projected in the FY 2011 budget. The FY 2012 amount includes the following adjustments:

- $684 million in new state funds to reflect the expiration of the enhanced FMAP originally made available through the Recovery Act;
- $86.3 million in new state funds to restore a FY 2011 reduction due to the application of the enhanced FMAP to state "clawback" payments made to the federal government;
- $10 million in state savings as a result of an increase in the base FMAP relative to the federal share in FY 2011.

The American Recovery and Reinvestment Act, originally passed in 2009, provided enhanced federal matching funds for state Medicaid programs to help states balance their budgets without making major cuts to state health care safety nets in the midst of the recession. The enhanced federal match rate allowed Georgia to reduce state General Funds in the Medicaid budget and receive additional federal funds to replace them. In total, Georgia will receive approximately $2 billion in additional federal Medicaid funds (from October 2008 through June 2011) as a result of the enhanced match rate.

In addition, a subsequent federal decision to apply the enhanced federal matching rate to state "clawback" payments made as required by the Medicare Part D prescription drug program resulted in additional state savings that are realized entirely in FY 2011.

The enhanced federal funds are slated to expire June 30, 2011. The state funding increases noted above simply offset lost federal funds, and do not reflect new resources available to the Medicaid program (relative to the originally enacted FY 2011 budget).

Programmatic Reductions – Reduced Services and Reimbursement Rates

The proposed FY 2012 budget includes a variety of cuts that will directly affect the providers and enrollees who participate in the Medicaid and PeachCare programs. In total, the proposal cuts $41.4 million from Medicaid and PeachCare in the following ways:

- $13.8 million by reducing the reimbursement rates paid to Medicaid and PeachCare providers by 1 percent. Hospitals and home and community-based long-term care providers are exempt from this cut. In addition to the General Fund savings, this reduction reduces federal funding by 27.7 million. The combined loss of funding for providers is $41.5 million.
- $5.1 million in savings to eliminate the outpatient hospital reimbursement floor for the Care Management Organizations (CMOs) that run the bulk of the Low Income Medicaid and PeachCare programs. This proposal effectively reduces payments from the CMOs for outpatient hospital services. In addition to the state savings, this change reduces federal funding by $10.7 million, for a total funding loss to providers of $15.8 million.

- $7 million in savings by eliminating coverage of dental, vision, and podiatry services for adults in Medicaid. In addition to the General Fund savings, this reduction reduces federal funding by $13.6 million. The combined loss of funding is $20.6 million.
- $5 million in savings by increasing existing co-payments for some Medicaid services and implementing new co-payments for children over six years of age in PeachCare and for individuals enrolled in the Katie Beckett program. In addition to the General Fund savings, this reduction reduces federal funding by $11.6 million, for a total funds reduction of $16.6 million.
- $10.4 million in savings by eliminating underperforming disease management contracts in the Aged, Blind, and Disabled program. This reduction is being taken as a result of contract performance not meeting agency standards. ($5.4 million in savings from this contract elimination also is taken in AFY 2011)

Overall, the provider rate cuts in the proposed budget reduce total funding to providers (for services provided) by $57.3 million (including the lost federal funds). The proposal reduces payments to providers by an additional $20.6 million by eliminating coverage of certain services. While these cuts may not be large enough to dramatically limit the willingness of providers to serve the Medicaid and PeachCare populations, these reductions could impact the decisions of individual providers and the availability of services in many already underserved parts of the state.

Georgia Currently Provides Only Limited Dental and Vision Services to Adults

Most adults qualify only for emergency dental services, and not for routine cleaning and restorative care. Pregnant women, on the other hand, qualify for a more comprehensive set of benefits, as studies have linked preventive dental care with fewer birth complications.

In addition, the vision benefits available to adults also are limited. Currently, adults on Medicaid only qualify for "medically necessary" diagnostic and treatment services, and do not qualify for corrective services such as eye glasses and contacts.

In addition, the governor's proposal to eliminate some services and shift more financial burdens to enrollees will reduce access to health care services for many Georgians. While cutting the benefits available to Medicaid enrollees generates savings by reducing access to health care services, the proposal to add new co-payment requirements to the PeachCare and Katie Beckett programs will likely achieve savings in many ways. First, member co-payments generate state savings by shifting costs to the enrollees seeking medical care. In addition, some of these costs are shifted to providers who often still serve patients unable to pay their co-payments, though now for a lower fee. Finally, co-payments generate savings by reducing service utilization as some members will choose not to seek care due to the out-of-pocket costs.

Currently, families with children enrolled in PeachCare pay monthly premiums that range from $10 to $70 per month. Adding co-payments could reduce the overall participation in the PeachCare program in addition to reducing the likelihood that families will seek health care services once their children are enrolled.

Other Medicaid and PeachCare Changes

In addition to the changes detailed above, the proposed budget includes other adjustments that combine to increase General Fund spending by $25.9 million in AFY 2011 and that decrease General Fund spending by $51 million in FY 2012. The proposal also reduces Tobacco Settlement funding directed to Medicaid by $11.9 million in AFY 2011, though Tobacco Settlement funding to Medicaid is unchanged in FY 2012. This section will summarize these other proposals for both AFY 2011 and FY 2012.

The governor's budget includes $61.5 million in new funding in AFY 2011 to fund the June 2011 capitation payment in Medicaid and PeachCare. The original FY 2011 budget deferred this payment to July 2011, which is into FY 2012. Because Congress extended the enhanced Medicaid funding through June 2011, however, Georgia receives a more favorable federal matching rate in FY 2011 than in FY 2012. By funding 12 monthly capitation payments in AFY 2011, the governor is proposing to instead defer the June 2012 capitation payment, which saves money in FY 2012. The enacted FY 2011 budget was built on 11 capitation payments instead of 12, however, so the governor's budget does not realize new savings in FY 2012 relative to the enacted FY 2011 budget.

AFY 2011 and FY 2012 Reductions:

- $10 million in savings in both AFY 2011 and FY 2012 from drug company settlements;
- $10.5 million in savings in AFY 2011 and $11.6 million in FY 2012 as a result of increased pharmacy rebates available due to the passage of the Affordable Care Act;
- $6 million in savings in FY 2012 from anticipated federal bonus payments potentially available to Georgia if the state makes certain programmatic changes designed to increase enrollment and retention and meets certain enrollment targets for children;
- $9.3 million in savings in FY 2012 as a result of the implementation of the Planning for Healthy Babies waiver program; and,
- $15.1 million in savings in FY 2012 from federal reimbursements after the implementation of the Medicaid Management Information System (MMIS) conversion.

In addition, the governor's AFY 2011 budget adds $11.9 million in General Fund support and reduces tobacco settlement funding to Medicaid by an equal amount in order to direct tobacco settlement funding to the One Georgia Authority without cutting funding for Medicaid.

In FY 2012, the governor's proposed budget also transfers $1 million from the Department of Corrections into the Medicaid program in order to move some medically fragile inmates into nursing homes. This proposal also adds $2 million in federal funding, for a total funding increase of $3 million.

Public Health and Emergency Preparedness

Georgia's public health and emergency preparedness programs were moved from the Department of Human Resources (DHR) to DCH beginning in FY 2010 as part of the overall reorganization of DHR. While these programs historically have been lumped together in the

Division of Public Health (DPH), the FY 2011 DCH budget created a separate Emergency Preparedness and Response Division. Because public health and preparedness programs traditionally have been linked, this report combines the analysis of these two programs.[6]

The proposed Amended FY 2011 and FY 2012 budgets include several reductions to the state's public health and preparedness programs. In total, the proposed budget reduces state General Fund support to DPH by $8.1 million in the Amended FY 2011 budget and by $8.7 million in the FY 2012 budget. These reductions are partially offset by increased Tobacco Settlement funding of $225,511 in AFY 2011 and FY 2012. In addition, the proposed budget reduces funding to the Emergency Preparedness and Response Division by $377,000 in AFY 2011 and by $736,910 in FY 2012.

The proposal makes the following changes in the AFY 2011 and FY 2012 Georgia's public health and preparedness programs:

- Cuts $2.7 million in AFY 2011 and $3.1 million in FY 2012 from total grant-in-aid funding to local health departments. Both figures include nearly $2.5 million from general grant-in-aid in addition to programmatic grant-in-aid cuts of $275,472 in AFY 2011 and $626,947 in FY 2012.
- Cuts $2 million in AFY 2011 and $2.5 million in FY 2012 in funding for salaries and other operating funding.
- Cuts $529,905 in AFY 2011 and $1.3 million in FY 2012 for savings realized through the establishment of the Pre-Existing Conditions Insurance Pool (PECIP) in the Affordable Care Act. These savings are a result of some hemophilia patients that previously received assistance through public health programs instead receiving health insurance through the PECIP.
- Cuts $1 million in AFY 2011 and $3.6 million in FY 2012 by eliminating the Babies Born Healthy program, eliminating testing by the Georgia Public Health Lab (including HIV testing) that may be done by private facilities, reducing poison control funding, and reducing funding for contracts.
- Cuts $377,000 in AFY 2011 and $739,910 in FY 2012 in emergency preparedness funding by eliminating trauma registry contracts as of January 1, 2011, and requiring trauma centers to report to the registry in order to be eligible for grants, in addition to technical changes in FY 2012.
- Cuts $1.9 million in AFY 2011 only by using additional Recovery Act to replace General Fund support in the Immunizations program.
- Adds $2.1 million in FY 2012 only to cover increased employer retirement costs (a statewide adjustment) and to replace expiring federal funding from the Recovery Act.

The AFY 2011 and FY 2012 budget cuts come on top of several years of cuts to Georgia's public health and emergency preparedness programs. Since the originally enacted FY 2009 budget, state General Fund support to the state's public health and emergency preparedness programs has fallen by $37.7 million, which is a nearly 21 percent decline.[7]

State Health Benefit Plan (SHBP)

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 only $17 million in reserve funding at the end of FY 2010; an amount sufficient to cover only two days worth of claims.[8]

As a result of the near elimination of the SHBP fund balance, state employee monthly premiums were increased by 10 percent on January 1, 2010 and by another 10 percent on January 1, 2011. The proposed budget also calls for another 10 percent employee premium increase to take effect January 1, 2012.

In addition to the employee premium increase, the proposed budget reflects several other changes in plan design that took effect January 1, 2011. In particular, the proposal reflects increased spousal and tobacco surcharges, increased member co-payments, deductibles, and out-of pocket maximums, and the elimination of the Open Access Plan that took effect at the start of the 2011 plan year for SHBP members.[9]

In addition, the proposed budget accounts for new benefits for SHBP members as a result of the Affordable Care Act. Beginning in 2011, SHBP members will be able to receive preventive services with no co-payments and parents will be able to keep their children on their policies up to age 26, even if they are not in school. These two changes increase SHBP expenditures in 2011, although an additional 5.6 percent increase to monthly premiums for plans covering dependents will offset a portion of the new costs.

The proposed budget also takes into account new revenue the plan expects to receive under a provision of the Affordable Care Act that provides assistance to employers that continue to offer health insurance to early retirees called the Early Retiree Reinsurance Program. The governor's proposal reflects the expected receipt of nearly $70 million from this program in AFY 2011 and $110 million from the program in FY 2012.

In total, the governor's proposal projects SHBP expenditures of $2.9 billion in the AFY 2011 budget, which represents an $8.3 million increase above the enacted FY 2011 budget.

Because the SHBP plan year is split between two state fiscal years, the changes discussed above for plan year 2011 also affect the SHBP budget for FY 2012. However, other than the proposal for a 10 percent premium increase in January 2012, specific plan design changes for the 2012 plan year are not discussed. An adjustment is made in the governor's proposal for other plan

design changes needed to meet the projected FY 2012 expense, yet the specific options are not mentioned.

In total, the governor's proposal projects $3 billion in SHBP expenses for FY 2012, which is an $89.5 million (or about 3.1 percent) increase above the enacted FY 2011 budget.

Other DCH Programs and Departments

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

In total, the proposal increases funding to these remaining programs by $19 million in AFY 2011, relative to the original FY 2011 budget, and decreases funding by $5.2 million in FY 2012, relative to the originally enacted FY 2011 budget.

Changes to the remaining DCH programs for AFY 2011 include:

- Adding $11.8 million for DCH Administration. This amount includes $15.1 million in funding transferred from the Low Income Medicaid program for the MMIS conversion and $2.5 million transferred from the Department of Human Services related to the reorganization of the former Department of Human Resources. This amount also includes several technical adjustments as well as savings due to the new MMIS system, replacing state funds with federal fund sources.
- Cutting $70,549 from the Health Care Access program as a result of reduced funding for Area Health Education Centers and small technical adjustments.
- Cutting $569,102 by eliminating six licensure positions originally added in the FY 2011 budget and by eliminating funding for the licensure of adult day care centers.
- Adding $7.8 million for the Indigent Care Trust Fund to provide state and federal funding for private hospitals eligible for Disproportionate Share Hospital funding that helps offset uncompensated care costs.

Changes to the remaining DCH programs for FY 2012 include:

- Cutting $3.2 million from DCH Administration. This cut includes savings generated as a result of the new MMIS vendor, reduced funds from fraud control settlements, savings from an online eligibility system for nursing homes as well as reduced salaries and savings from space consolidation. This amount also reflects the continuation of the AFY 2011 transfer of $2.5 million from DHS due to the reorganization of the state's human services agencies referenced above, as well as several technical adjustments.
- Cutting $1.3 million from the Health Care Access Program. This cut includes reducing funding for Area Health Education Centers, the elimination of one-time FY 2011 funding for air ambulances in northwest Georgia, savings as a result of integrating the Division of Public Health into DCH, and technical adjustments.

- Cutting $696,668 from the Healthcare Facility Regulation Program. This cut includes savings by eliminating funding for six inspector positions originally added in FY 2011, reducing travel funding, eliminating funding for adult day care center licensure, and making technical adjustments.

Department of Behavioral Health and Developmental Disabilities

The proposed FY 2012 budget includes significant new General Fund support for the Department of Behavioral Health and Developmental Disabilities (DBHDD). In total, the FY 2012 budget increases General Fund support to DBHDD by $111.3 million, or about 14.8 percent (these figures do not include attached agencies). Excluding the new funding to replace the enhanced federal funding expiring after FY 2011, the proposed budget effectively increases state funding to DBHDD by 7.1 percent.[10]

Table 3: **State General Funds for DBHDD Service Areas in FY 2012 Compared to FY 2011 (in millions)**

	Enacted FY 2011 Budget	Proposed FY 2012 Budget
Addictive Disease Services	$ 46.5	$ 46.6
Developmental Disability Services	184.8	252.6
Forensic Services	55.8	55.8
Behavioral Health Services	282.0	330.2
Direct Care Support	147.6	141.6
Administration and Other Programs	36.9	38.1
Total DBHDD (may not add due to rounding)	**$ 753.6**	**$ 864.9**

The proposed increases for DBHDD are primarily for two purposes. First, the proposed budget adds $54.1 million in General Fund support to reflect the expiration of enhanced federal Medicaid funding from the Recovery Act, as was done in the DCH budget. These enhanced federal funds are slated to expire at the end of FY 2011, and are not expected to be renewed.

Second, the proposal adds $52.3 million in new General Fund support to implement the DOJ Settlement reached in the fall of 2010. Specifically, the budget includes the following items related to the settlement:

- $32 million to the Adult Mental Health Services program to fund more mental health services in community settings;
- $12.8 million in the Adult Developmental Disabilities Services program to provide 400 family supports, five crisis respite homes, and six mobile crisis teams for consumers being served in community settings; and,
- $7.5 million in the Adult Developmental Disabilities Services program to fund 250 slots in the New Options Waiver and Comprehensive Waiver programs for consumers with developmental disabilities.

Finally, the proposal makes other changes to the DBHDD budget not specifically due to the DOJ settlement or the expiration of enhanced federal funding. These changes include:

- Adding $7.1 million to annualize 150 waiver slots originally added in the FY 2011 budget;
- Adding $3 million for technical changes as a result of increased employer retirement contributions, increased telecommunications costs, and reduced workers compensation premiums;
- Adding $0.6 million transferred from the Department of Human Services related to the reorganization of human services agencies;
- Cutting $5.6 million to reflect efficiencies gained by serving more people in community settings by closing one state hospital; and,
- Cutting $235,000 in one-time funding for the Marcus Autism center included in the original FY 2011 budget.

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[1] The original FY 2009 budget included $2.2 billion in General Fund appropriations for Medicaid and PeachCare, whereas the proposed FY 2012 budget includes approximately $1.95 billion in General Fund support.
[2] GBPI analysis of Governor's proposed AFY 2011 and FY 2012 budgets
[3] Data from Governor's Proposed AFY 2011 and FY 2012 Budgets
[4] Expenditure estimates from DCH budget presentation to DCH Board on August 26, 2010. Expenditure estimates reflect Medicaid figures from slide 38 and PeachCare figures from slide 41.
[5] The enacted FY 2011 budget assumed $2.3 million in savings by increasing monthly premiums for PeachCare members effective July 1, 2010. The agency is unable to implement these increases, however. This means that the savings assumed in the base budget will not be achieved. Not all of this funding needs to be added to the AFY 2011 DCH expenditure estimate because the estimate already assumed a partial shortfall due to a delay in implementing these premiums. The full $2.3 million is added in FY 2012.

[7] The original FY 2009 General Fund appropriation for Georgia's public health and emergency preparedness programs (then in the Department of Human Resources) totaled $180.2 million, while the proposed FY 2012 budget includes $142.5 million for these programs.
[8] FY 2010 ending fund balance data from DCH Commissioner David Cook during a Joint Appropriations Budget Hearing, January 20, 2010.
[9] The elimination of the OAP leaves SHBP members with only 3 health plan options in 2011, 2 of which are high-deductible (or similar) plans. This excludes Medicare advantage plans that are only available to Medicare beneficiaries.