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HEALTH CARE BUDGET

F A C T S

HOUSE RESTORES PROPOSED HEALTH CARE CUTS; OPENS POTENTIAL MEDICAID SHORTFALL TO FUND STATE HEALTH BENEFIT PLAN

OVERVIEW OF HOUSE BUDGET

The FY 2012 budget passed by the House of Representatives includes changes to Georgia's Medicaid, PeachCare, and public health programs to restore proposed cuts to the Medicaid service package for adults, to provider reimbursement rates, and to grant funding for local health departments.

In addition, the House budget provides funding to implement 12-month recertification for Medicaid enrollees beginning in 2012, provides funding for 33 Independent Care Waiver Program (ICWP) slots, and transfers \$1.3 million into DCH for streamlined Medicaid enrollment procedures.

At the same time, the proposal reduces Medicaid base funding by nearly \$100 million in order to shore up funding for the State Health Benefit Plan and the state's unemployment trust fund, and to offset a portion of the increases described above.

Restoring these funds will require new revenues or cuts to other state services as part of the amended budget process in the 2012 session.

In total, the State Health Benefit Plan is facing a funding shortfall of at least \$250 million in FY 2012. In addition to using nearly \$70 million Medicaid funds, the House budget directs \$64.5 million in other General Fund and other state and federal funds to pay for higher SHBP employer contributions throughout the budget.

S U M M A R Y

Taken as a whole, the House budget proposal for DCH highlights the need for additional state revenues in order to maintain existing state services and programs. While the budget includes funding to restore cuts originally proposed by the governor as well as additional funding for waiver slots and other policy improvements, the proposal to use Medicaid funding to fill a shortfall in the State Health benefit plan could be problematic in the long run.

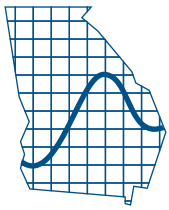
The state should consider a \$1 per pack tobacco tax increase, as well as other recommendations by the Special Council on Tax Reform and Fairness for Georgians, that modernizes and strengthens the tax system.

Furthermore, the House proposal includes the following changes to help fill the FY 2012 funding gap:

- Increased charges to school districts for non-certified school personnel (\$24.5 million);
- A 20 percent increase in monthly premiums for state employees and teachers (\$29.7 million);
- Directing plan changes to deliver care in less costly medical settings (\$21.9 million).

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

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HEALTH CARE BUDGET FACTS

HOUSE RESTORES SOME FUNDING CUTS; OPENS BUDGET HOLES TO BE FILLED IN AMENDED FY 2012 BUDGET PROCESS

In total, the House budget decreases General Fund spending in DCH by \$72.6 million below the governor's original FY 2012 proposal (not including attached agencies). Though the total change is a decrease, this amount includes a variety of funding additions, relative to the governor's proposal. Key funding restorations and additions in the House budget include:

- \$7 million to restore proposed cuts to dental, vision, and podiatry services for adults on Medicaid, including emergency dental services for adults and preventive dental services for pregnant women on Medicaid.
- \$6.9 million to partially restore proposed reimbursement cuts to most health care providers serving Medicaid clients. Restoration of state funds also restores \$13.8 million in federal matching funds for providers.
- \$9.1 million to implement 12-month recertification for Medicaid enrollees beginning in January 2012. This move allows enrollees to go through the eligibility process once a year instead of twice a year, and will help reduce instances of members "churning" off and on the program. This move will help the state qualify for federal bonus payments that also are assumed in the budget and estimated to total \$6.5 million.
- \$0.6 million to fund 33 waiver slots in the independent Care Waiver Program.
- \$1.3 million moved from the Department of Human Services to DCH in order to implement "express lane" eligibility changes that will make it easier for eligible children to enroll in Medicaid. This proposal will help Georgia qualify for federal bonus payments.
- \$2.5 million to restore proposed cuts to public health grants to county health departments.

- \$1.5 million to partially restore funding for the Children 1st program, which provides screening services for newborns and other at-risk young children and links children to services to address developmental and other health needs.

These increases are partially offset by additional savings estimates for Medicaid fraud recoveries (\$7.8 million), drug company settlements and higher pharmacy rebates due to the Affordable Care Act (\$2.5 million). It also includes savings due to the federal Pre-Existing Conditions Insurance Pool (\$350,000) and administrative efficiencies and reduced salary funding (\$1.6 million).

The bulk of the overall funding reduction in the House budget is due to a \$98 million cut to the base Medicaid program. Approximately \$70 million is directed to help fill the SHBP shortfall, \$18 million is directed to the Governor's Emergency Fund and is available to fund interest payments for the state's Unemployment Trust Fund. The remaining \$10 million represents a reduction to the funding available to the Medicaid program, which helps fund the restorations described above.

The governor's original FY 2012 budget proposal did not include funding to account for potential enrollment growth in Medicaid, and these reductions could exacerbate a funding shortfall that may already exist. Depending on Medicaid enrollment growth in the coming months, the state may need to add significant state funds to the Medicaid budget as part of the amended budget process in 2012 beyond the additional funds to restore the \$98 million hole just created. Based on prior GBPI analysis of the DCH budget documents and the governor's original budget proposal, the FY 2012 shortfall could total between \$125 and \$175 million.

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