

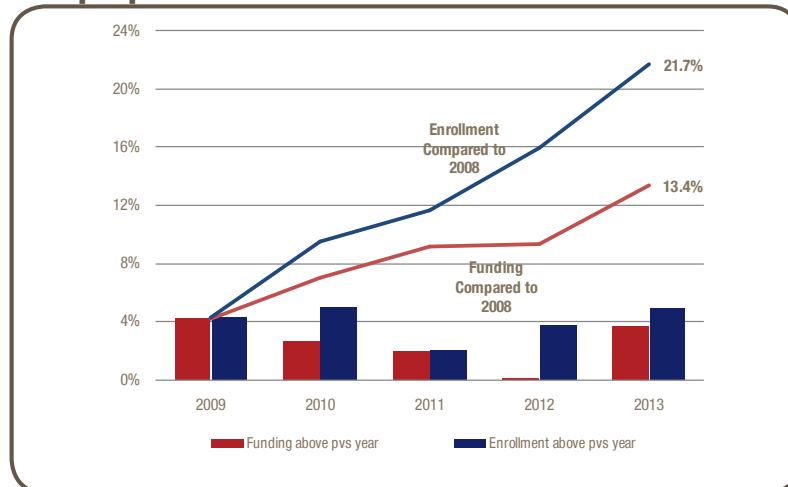
Overview of Georgia's 2014 Fiscal Year DCH Budget Department of Community Health Plan Underfunds Medicaid

By Timothy Sweeney, Director of Health Policy

The governor's budget recommendations may not include enough funding to cover the health care needs of Georgia's growing population in the next two years. Because the original 2013 budget failed to include enough money to pay for new Medicaid and PeachCare patients expected to enroll this year, new state funding is needed in the remainder of the 2013 budget year, as well as the next fiscal year that begins July 1st.

Medicaid is designed to serve more people when the need is at its greatest – during times of economic trouble. As a result, Medicaid enrollment grew steadily since the Great Recession. From June 2008 to July 2012 (most recent data available), the number of Georgians served by Medicaid and PeachCare increased by nearly 300,000 to 1.8 million people, an increase of approximately 20 percent. In 2013 enrollment will be nearly 22 percent above pre-recession levels. But state funding for Medicaid and PeachCare is not keeping pace with that growth – this year's budget represents only a 13 percent increase from 2008 levels.

Figure 1 Medicaid and PeachCare Funding Failed to Keep Up With Enrollment Growth Due to Recession



Source: GBPI analysis of state budget documents and enrollment data

The Department of Community Health (DCH) initially indicated a need for \$374.4 million to address the underfunding in this year's budget and nearly \$400 million for the 2014 fiscal year. However, the governor's budget adds only about \$246 million in each year. If enrollment grows at the pace originally projected by DCH, up to \$150 million in additional funding could be needed next year when changes are made to the 2014 budget.

Including other budget reductions and policy changes, the governor's 2014 budget increases spending from state general funds to Medicaid and PeachCare by \$173.5 million compared to the current budget, or about 6.7 percent. Since the recession, state funding for Medicaid and PeachCare has grown by 18.5 percent. However, more than 80 percent of this increase is from funding sources other than the state general fund. State general fund investment in Medicaid and PeachCare is up less than 4 percent since 2009.

Table 1 Medicaid and PeachCare Increasingly Reliant on Provider Fees and Tobacco Settlement Funds in 2014

Fund Source	FY 2009 Original Budget	FY 2013 Original Budget	FY 2014 Governor's Budget	FY 2013-FY 2014 Change \$	FY 2013-FY 2014 Change %	FY 2009-FY 2014 Change \$	FY 2009-FY 2014 Change %
General Fund	\$2,154,365,795	\$2,080,003,194	\$2,236,809,754	\$156,806,056	7.5%	\$82,443,959	3.8%
Tobacco Settlement	\$50,973,656	\$110,193,257	\$110,193,257	-	0.0%	\$59,219,601	116.2%
Hospital Fees	-	\$235,302,027	\$241,674,441	\$6,372,414	2.7%	\$241,674,441	-
Nursing Home Fees	\$120,805,958	\$157,444,961	\$167,756,401	\$10,311,440	6.5%	\$46,950,443	38.9%
Total State Funds	\$2,326,145,509	\$2,582,943,439	\$2,756,433,853	\$173,490,414	6.7%	\$430,288,444	18.5%
Non-GF State Funds	\$171,779,614	\$502,940,245	\$519,624,099	\$16,683,854	3.3%	\$347,844,485	202.5%

Source: State budget documents

Fiscal Year 2014 Budget Cuts Payments to Providers and Reduces Services to Patients

In addition to funding for new Medicaid and PeachCare patients, next year's budget includes a variety of changes designed to reduce state costs in the long and short term. In particular, the budget includes \$39 million in spending cuts by revising payment methods for doctors and hospitals who serve Medicaid patients. Although some of this funding cut would be offset by increased federal Medicare funding to hospitals, the overall effect of the changes represent a cut to providers.

The budget also directly cuts reimbursement rates for a variety of providers by 0.74 percent to cut \$13.4 million in state spending, which also reduces federal funding going to providers by \$26.5 million. The 0.74 percent cut does not apply to hospitals nor does it apply to primary care providers who receive a federally funded rate increase in 2013 and 2014 through the Affordable Care Act. Georgia already pays less on behalf of Medicaid patients than private insurers generally pay and further cuts to these payment rates could affect whether providers continue to serve Medicaid patients in the future.

The budget also makes changes that could directly affect patients. In particular, the budget generates \$7.2 million next year through "better enforcement of level of care determinations," which could reduce the number of elderly or disabled Georgians who qualify for nursing home or other long term care services. It is unclear whether these individuals would remain eligible for some Medicaid services or whether they would be left uncovered altogether.

The budget also proposes to eliminate coverage of elected, induced deliveries earlier than 39 weeks and assumes \$5.1 million in reduced state spending. Although the policy change would bring Georgia's Medicaid policies into conformance with recommendations of the American College of Obstetricians and Gynecologists, it is unclear how many such deliveries are performed for Medicaid patients and how these savings would be achieved. Induced deliveries prior to 39 weeks would still be covered if there are medical reasons for the earlier delivery.

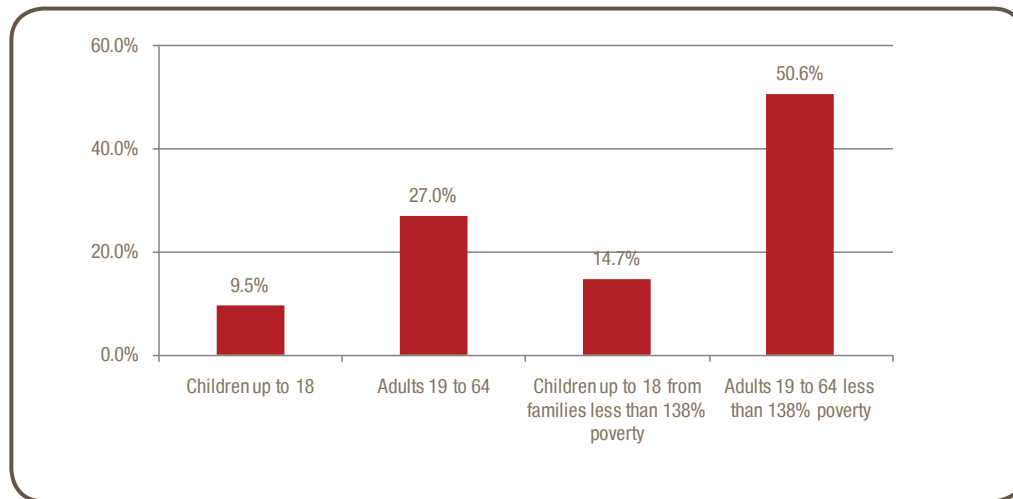
Many Georgians Lack Health Coverage Despite Medicaid Growth During Recession

Medicaid and PeachCare are vital components of Georgia's health care safety net. Together, Medicaid and PeachCare cover approximately 1.8 million Georgians, an increase of 20 percent from pre-recession levels.¹

Medicaid and PeachCare are especially important for Georgia’s children, as they provide health coverage to more than 1 out of every 3 children in the state. Medicaid and PeachCare are also primary reasons why the number and percentage of children without health insurance held steady during the recession. That held true even though the number and percentage of Georgia’s adults who lack coverage has grown steadily. Although 9.5 percent of Georgia’s children 18 and under went without health coverage in 2011, this rate is less than half the 27 percent of adults 18 to 64 without coverage).²

The discrepancy in access to coverage for children and adults in Georgia is in large part driven by dramatically different Medicaid eligibility standards for the different age groups and is exacerbated at lower income levels. In particular, Georgia’s limited adult eligibility prevents most working-poor adults from accessing Medicaid and contributes significantly to Georgia’s high number of adults who lack health insurance.

Figure 2 Georgia Adults More Likely Than Children to Lack Health Coverage



Source: 2011 American Community Survey data from U.S. Census Bureau

Although more Georgians are now covered by Medicaid and PeachCare than before the recession, Georgia’s per-enrollee Medicaid spending is low. In 2011, Georgia’s per-enrollee investment in Medicaid ranked as the second lowest of any state in the country. Less than \$5,400 in state and federal funds were spent per enrollee in Georgia, nearly 30 percent below the national average of \$7,600, according to recent data from the Council of State Governments.¹ Georgia’s per-capita investment is lower than every U.S. state except for Hawaii, whose requirement for most employers to offer benefits makes comparisons uneven. Georgia also uses a smaller percentage of its total budget for Medicaid than the national average.²

Determining the precise reason for Georgia’s low ranking is difficult, as many factors likely contribute. Medicaid patients in Georgia may access fewer services than in other states. Reimbursement rates, which are notoriously difficult to compare across states, could be lower in Georgia. And, Georgians may spend less time on Medicaid once they are enrolled than people in other states. Whatever the cause, the data illustrates how difficult it would be to dramatically reduce Medicaid spending in Georgia without exacerbating access, payment, or health coverage problems that already exist.

More Children Could Enroll in Medicaid and PeachCare in Coming Years

Potentially two-thirds of all uninsured children in Georgia are eligible for either Medicaid or PeachCare. While robust outreach and retention efforts could increase Medicaid and PeachCare participation, recent national-level policy changes are also expected to increase coverage among children already eligible.

First, the national health care law, the Affordable Care Act, requires states to reconfirm the eligibility of Medicaid clients every 12 months instead of every six months, which will most likely increase the retention of children once they get enrolled. Georgia expects increased enrollment of people now eligible in response to larger coverage changes associated with the implementation of the Affordable Care Act, including the tax-penalty for failing to get health insurance. State officials estimate the increased participation and coverage of Georgians already eligible for Medicaid and PeachCare will cost approximately \$70.9 million in the 2014 fiscal year and lead to 120,000 more Georgians with health coverage.⁵ The 2014 budget does not include money for this, however, which creates a shortfall.

Georgia Could Expand Health Coverage with New Federal Medicaid Funding

Georgia is home to 2 million people without health coverage, more than almost any other state in the country. Georgia also ranks near the bottom on the basis of percentage of residents who lack health coverage, as approximately 20 percent of Georgians go without. While many children without coverage are actually eligible for either PeachCare or Medicaid, most adults without coverage have no realistic access to affordable health insurance. This is especially true for working-age adults in Georgia. Limited coverage options, driven in large part by limited Medicaid eligibility, is a big reason why more than 27 percent of Georgians ages 19 to 64 went without coverage in 2011.

The health care law gives Georgia a new opportunity to dramatically expand access to health coverage for low-income working adults who make up a large portion of its uncovered residents. Beginning in January 2014, Georgia can take advantage of tens of billions of dollars in new federal funding to cover adults who earn wages up to 138 percent of the federal poverty level, which is about \$15,000 for an individual or about \$26,000 for a family of three. The Medicaid coverage expansion, paid for with 100 percent federal funds for the first three years and with no less than 90 percent federal funding after that, could cover nearly 700,000 Georgians by 2022.⁶ Working age adults without dependent children are ineligible for Medicaid regardless of their income level, unless they have a qualifying disability. Working parents providing for a family of three are ineligible for Medicaid if they make more than about \$9,500 annually.





Endnotes

¹Enrollment data obtained from Georgia Department of Community Health.

²GBPI calculations and analysis of U.S. Census data from the American Community Survey released in September 2012.

³“Medicaid Enrollment and State Spending, 2009 to 2011” Council of State Governments Knowledge Center. <http://knowledgecenter.csg.org/drupal/content/medicaid-enrollment-and-spending-2009-2011>¹Enrollment data obtained from Georgia Department of Community Health.

⁴“Medicaid Expenditures by State and Region,” Council of State Governments Knowledge Center. <http://knowledgecenter.csg.org/drupal/content/states-medicaid-spending-growing>

⁵Budget impact as presented by DCH staff at DCH Board Meeting in August 2012. Coverage estimate represents state data on the impact of the ACA’s Medicaid expansion obtained in July 2012.

⁶“The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by-State Analysis,” John Holahan, Matthew Buettgens, Caitlin Carroll, Stan Dorn The Urban Institute. Published by the Kaiser Commission on Medicaid and the Uninsured, November 2012.

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Contact: Timothy Sweeney, tsweeney@gbpi.org, 404.420.1324 ext. 103