

■ Overview: 2015 Fiscal Year for Medicaid and PeachCare

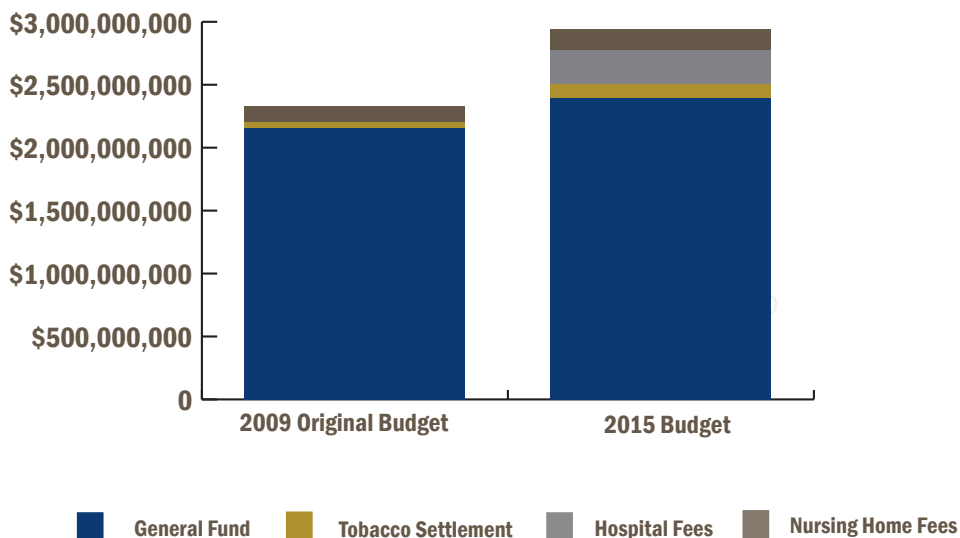
By Tim Sweeney, Director of Health Policy

The governor's budget proposal for the 2015 fiscal year adds a net increase of \$143 million more than 2014 in new state money for Georgia's Medicaid and PeachCare programs, which are administered by the Department of Community Health. The state plans to spend \$2.9 billion to pay for health care services for nearly 1.9 million Georgians during its next fiscal year, a budget priority second only to proposed education spending.

The \$143 million is primarily for projected Medicaid and PeachCare enrollment growth and to implement provisions of the Affordable Care Act (ACA) that take effect in the 2014 calendar year. The new state funds added in the 2015 budget are a 5.1 percent increase above the original 2014 budget and include \$176.4 million from the general fund, \$22.5 million in new Hospital Fee Revenue, and a subtraction of \$56 million in one-time Tobacco Settlement funds used in the 2014 budget.

Georgia's Medicaid and PeachCare programs are increasingly reliant on sources outside the state's general fund to cover rising costs associated with the recent economic downturn. For instance, although enrollment during the 2015 fiscal year is projected to exceed 2009's by more than 20 percent, general funds directed to Medicaid in the governor's proposed budget exceed 2009 levels by just 11 percent. Instead, the creation of the Hospital Provider Fee and increases from other state funds fueled most of the higher state spending on health care since 2009. As a result, general fund appropriations account for 82 percent of the state's share of Medicaid and PeachCare money in the governor's 2015 budget proposal. That is down from nearly 93 percent in 2009.

General Funds a Smaller Share of Medicaid & PeachCare Funding than in 2009



Department of Community Health Highlights in Georgia's 2015 Budget Proposal

Growth in Medicaid and PeachCare

The governor's proposed budget directs \$84.9 million of new revenue to cover rising costs in Medicaid and PeachCare associated with enrollment growth, increasing medical costs, and changes in health care use. Of the \$84.9 million, \$40.9 million represents increased enrollment among currently eligible Georgians expected to sign up as a result of increased awareness and outreach activities associated with the rollout of the ACA. Despite Georgia's current stance against expanding Medicaid eligibility as allowed under the federal law, some Georgians who are eligible under existing Medicaid guidelines could respond to increased publicity surrounding the law.

The governor's spending plan adds \$1.7 million to the administration portion of the department's 2015 budget to account for increased Medicaid Management Information System costs associated with increased enrollment.

Implementing New ACA Provisions in the 2014 Calendar Year

The proposed 2015 fiscal year budget includes \$57.6 million to implement two provisions of the Affordable Care Act that take effect in 2014. First, the budget includes \$28.3 million to review Medicaid eligibility every 12 months. Georgia now confirms eligibility every six months for Medicaid and every 12 months for children in PeachCare. Moving to 12-month reviews is expected to increase average monthly enrollment because people will not need to go through the process as often. People whose incomes increase in between eligibility reviews are still required to report that to assess continued eligibility.

The 2015 budget proposal also includes \$29.3 million for a new fee assessed on health insurers. This fee is assigned to the managed care component of Georgia's Medicaid and PeachCare program and not the fee-for-service aspect of Medicaid.

Children in Foster Care and Adoption Assistance Move to Single Care Management Organization

The proposed 2015 budget includes \$30.1 million for the transfer of children in foster care from the fee-for-service side of Medicaid into a single care management organization for their medical and behavioral health needs. This includes transfers of \$24.8 million from the Department of Behavioral Health and Developmental Disabilities and \$520,000 from the Department of Juvenile Justice for services previously delivered through those agencies. The budget includes \$4.8 million to pay outstanding fee-for-service claims submitted after the transition begins.

In addition to the changes noted above, several other notable changes are included in the governor's 2015 budget proposal.

Additions:

- \$56 million in new general funds to replace one-time Tobacco Settlement funds added in the 2014 state budget
- \$13.6 million in new general funds for increased nursing home payments
- \$5 million in general funds to restore one-time funding reduced in the 2014 state budget
- \$1.1 million to leverage federal money collected through Georgia's insurance premium tax
- \$500,000 from the general fund to provide Medicaid-funded services to income-eligible, medically-fragile inmates

Reductions:

- \$69 million in reduced state costs as a result of a higher share of Medicaid and PeachCare spending covered by federal funds in the 2015 budget plan
- \$2.6 million in reduced state costs anticipated by better identifying individuals receiving services through Medicaid who also qualify for services through the Veterans Administration health benefits.

Support for Medicaid Primary Care Underfunded in 2015 Budget

Although the 2015 budget proposal provides new funding for enrollment growth and to implement required provisions of the ACA, it does not include state money to maintain higher Medicaid payments for primary care services after December 31, 2014. The ACA provides full federal funding to increase primary care payment rates in calendar years 2013 and 2014, but the federal share drops to 67 percent at the end of calendar year 2014, or the middle of the state's 2015 fiscal year. State officials estimate a cost of \$37.5 million to maintain the higher rates for all of the 2015 fiscal year. If the state doesn't extend its support for primary care services through the first six months of 2015, providers can expect a drop in payment rates starting January 2015.