

Overview: 2017 Budget for Department of Community Health

By Tim Sweeney, Deputy Director of Policy

The proposed budget for the 2017 fiscal year starting July 1, 2016 directs \$2.59 billion from the general fund to the Department of Community Health, excluding money for attached agencies. This is an increase of \$157 million, or 6.5 percent, compared to the 2016 budget, though \$46.5 million of that is due to the transfer of a program from another state agency. The budget also includes \$552 million from other appropriated state funds, as well as \$7.4 billion in federal funds. Other money included in the department's budget total \$3.7 billion, including funding for the State Health Benefit Plan and transfers from public hospitals used to leverage federal money.

The department's budget is broken into nine categories, with 97 percent of total state money and 92 percent of federal money allotted to Medicaid and PeachCare. Many changes proposed in Gov. Nathan Deal's 2017 budget are also included among proposed revisions to the current 2016 budget, which is summarized briefly at the end of this report.

Medicaid and PeachCare a Critical Source of Health Coverage for Georgia Families

Medicaid and PeachCare account for nearly 70 percent of the department's budget when all funding sources are included and more than 90 percent in just state general funds and federal funds. The two programs expect to provide health coverage to more than 2 million Georgians in 2017, more than six-in-10 of them children. Medicaid in Georgia will cover nearly 60,000 pregnant women, more than 300,000 elderly or disabled people and help more than 160,000 Medicare enrollees pay monthly premiums.

The governor's proposed 2017 budget includes several adjustments to Medicaid and PeachCare funding primarily designed to continue current programs. Some additions compared to the prior year include:

- \$102.9 million from the general fund and \$216.7 million in new federal money to account for projected Medicaid enrollment and cost growth.
- \$26.5 million from the general fund and \$55.2 million in new federal money to pay the high costs of new medications for patients with Hepatitis C and Cystic Fibrosis
- \$29.3 million for increased state costs associated with the Medicare, including hikes to the Part D prescription drug benefit associated with 2006 federal legislation
- \$16.1 million to replace Tobacco Settlement funds with money from the state general fund
- \$46.5 million from the general fund and \$6.2 million in Tobacco Settlement money to transfer the Community Care Services Program from the Department of Human Services

2017 Budget Relies on New Federal Funds

The governor's proposed budget reflects \$61.3 million in state savings from enhanced federal funding for Medicaid and the Children's Health Insurance Program, known in Georgia as PeachCare. While \$38.5 million of that is due to annual adjustments to state-specific federal Medicaid funding levels, the state is also saving a considerable amount through provisions of the Affordable Care Act that increase federal

support for state programs like PeachCare. Federal funds will now cover all costs of PeachCare, which saves the state budget \$22.8 million in 2017 PeachCare spending compared to 2016.

The savings included in the 2017 budget build on gains in 2016. Compared to 2015, enhanced federal support for PeachCare will save Georgia more than \$115 million in the 2017 fiscal year, while a federal boost for Medicaid is set to save Georgia \$101 million.

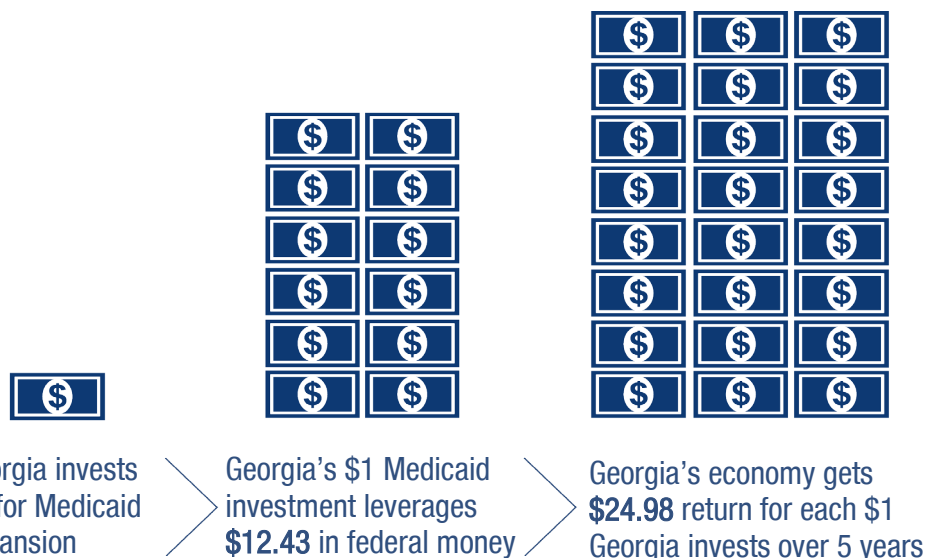
2017 Budget Leaves Coverage Gap Unaddressed

The governor’s proposed budget omits provisions to close Georgia’s coverage gap, which now leaves more than 300,000 Georgians without health insurance. People in the coverage gap have incomes too low to qualify for financial help through the federal health insurance marketplace, but too high to qualify for Medicaid under Georgia’s relatively strict eligibility rules. Current guidelines say adults with dependent children are eligible only if their income falls below about 38 percent of the poverty level. That’s about \$7,600 annually for a family of three. Meanwhile, adults without children are ineligible at any income level. Georgia imposes the seventh strictest eligibility rules of any state.

Georgia could use the Affordable Care Act to expand Medicaid eligibility to cover Georgians with income up to 138 percent of the poverty level, about \$27,700 for a family of three or \$16,243 for an individual. Georgia’s had this option since 2014 and federal funds would pay for all of the costs for new enrollees. Federal money now covers about 68 percent of the costs of Medicaid in Georgia. Initial estimates suggest accepting available federal money to close the coverage gap infuses about \$3 billion into Georgia’s health care system.

When Georgia’s 2016 fiscal year ends June 30, 2016, the state will have passed up more than \$7.5 billion in potential federal money for the state’s health care system. That \$7.5 billion could have delivered a \$16.4 billion boost to the state’s economy. Closing the coverage gap also creates about 56,000 new jobs across the state.¹

The federal government will cover the vast majority of the costs to close the coverage gap during 2017-2021, so each \$1 Georgia invests multiplies to nearly \$25 in five years.



State Health Benefit Plan, Other Community Health Programs

Although Medicaid and PeachCare account for the vast majority of the department's budget, it oversees seven other budget categories. The most notable are the State Health Benefit Plan, the Indigent Care Trust Fund and the department's administrative costs.

State Health Benefit Plan

The State Health Benefit Plan offers insurance to active and retired state employees, teachers and other public school employees throughout Georgia. The plan covered more than 643,000 Georgians at the end of 2015, including active employees and retirees. In the 2015 fiscal year, the plan paid more than \$3.4 billion for health care services for these Georgians. The plan operates on a calendar year, so benefit and changes to employee premiums take effect each January. Changes to the amounts paid by school systems, state agencies and other participating employers tend to align with the state fiscal year that begins July 1.

The governor's 2017 budget proposes modest changes that combine to increase the health plan's budget by \$75 million, or 2.3 percent, compared to 2016. Just \$4.3 million of the increase is to reflect revised enrollment and use estimates. The remaining changes include:

- Adding \$91.6 million for higher costs for Medicare Advantage plans in the 2016 benefit year
- Adding \$30.4 million for increased charges to school districts by \$50 per-member, per-month for non-certified employees who participate in the health plan
- Reducing \$11.1 million for lowered employee contribution rates effective January 2016
- Reducing \$32.8 million for anticipated design changes anticipated in plan year 2017

Departmental Administration and Other Programs

The 2017 budget funds several other programs in the department, including administration, Health Care Access & Improvement, Facility Regulation, the Indigent Care Trust Fund and the Boards of Pharmacy and Dentistry. These six programs receive \$85.4 million combined in general fund money in the proposed 2017 budget, which is \$3 million less than the prior year. The proposal also directs \$587 million in federal money to these programs, which is \$7.6 million more than the prior year.

The proposed budget includes very few changes compared to the prior year. One notable change is it adds \$686,031 across multiple programs for statewide pay raises for state employees. The budget also adds \$1.8 million to inform Medicaid and PeachCare enrollees that their health insurance meets the standards set forth by the federal health care law as well as \$2.2 million to replace federal money available in the prior year to help with information systems updates. The budget also incorporates \$7.7 million in *state savings* as a result of federal health law provisions that increase federal support for Georgia's PeachCare program. Federal money now pays for 100 percent of program costs of PeachCare and these savings reconcile the fact federal funds also pay all administrative PeachCare costs.

Amended 2016 Fiscal Year Budget Proposals

The governor's amended 2016 budget submitted January 2016 proposes to add \$97 million in general funds to the department's budget for the current fiscal year which ends in June. Notable funding changes include:

- \$32.5 million more from the state general fund and \$46.6 million less in federal money to account for projected enrollment and cost growth in Medicaid and PeachCare

- \$26.5 million from the general fund and \$55.2 million more in federal money to pay the high costs of new medications for patients with Hepatitis C and Cystic Fibrosis
- \$17.2 million for increased state costs associated with Medicare, including greater state costs associated with the Part D prescription drug benefit associated with 2006 federal legislation
- \$14.7 million from the general fund to leverage \$30.3 million in federal money to make Disproportionate Share Hospital payments to private hospitals, money allocated to offset hospital costs associated with uninsured patients
- \$2.1 million to replace Tobacco Settlement funds from the state general fund
- \$4 million from the general fund for administrative expenses like those added in the 2017 budget

¹ GBPI Calculations Based on state expenditure estimates released in 2012 and “The Economic Impact of Medicaid Expansion in Georgia,” William S. Custer, Healthcare Georgia Foundation, Feb. 2013.
http://www.healthcaregeorgia.org/uploads/file/Georgia_Medicaid_Economic_Impact.pdf

