Agenda

• Storm Impact
• Fiscal Overview
  - FY 2014-15 Year-End
  - FY 2015-16 Year-to-Date
• Revenue Changes and Fund Balances
  - Cigarette Tax Update
  - Changes in Fund Balances
• FY 2016-17 Budget Request
• Eligibility and Enrollment Update
• Program Update
• Our statewide role during a disaster is to support DSS in the following areas:
  - ESF 6 (Mass Care), ESF 18 (Donated Goods and Volunteer Services)

• Our role for our beneficiaries during a disaster is to ensure their safety and continued care:
  - Remain in contact with 15,000 CLTC participants
  - Work with facilities and providers as conditions demand

• We suffered some losses and setbacks:
  - The homes of several employees
  - Calhoun County office
  - Week-long closure of Jefferson Square, call center

• We are participating in the “Team South Carolina” events to support our community’s recovery.
FY 2014-15 Year-End
&
FY 2015-16 Year-to-Date
### FY 2014-15 Year-End

<table>
<thead>
<tr>
<th></th>
<th>FY 2014-15 Approp/Authorized</th>
<th>FY 2014-15 Actual Expend</th>
<th>Variance Over/(Under)</th>
<th>% Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Assistance</td>
<td>$5,609,214,756</td>
<td>$5,592,025,602</td>
<td>$(17,189,154)</td>
<td>100%</td>
</tr>
<tr>
<td>State Agencies &amp; Other Entities</td>
<td>$928,876,243</td>
<td>$829,842,539</td>
<td>$(99,033,704)</td>
<td>89%</td>
</tr>
<tr>
<td>Personnel &amp; Benefits *</td>
<td>$66,911,816</td>
<td>$65,095,018</td>
<td>$(1,816,798)</td>
<td>97%</td>
</tr>
<tr>
<td>Medical Contracts &amp; Operating</td>
<td>$273,167,948</td>
<td>$239,794,349</td>
<td>$(33,373,599)</td>
<td>88%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$6,878,170,763</td>
<td>$6,726,757,508</td>
<td>$(151,413,255)</td>
<td>98%</td>
</tr>
</tbody>
</table>

* Reflects the allocation of the 2% FY 2014-15 pay increase.

- Final FY 2014-15 expenditures were 2% below total appropriation/authorization levels.
- Gap closed with over $100 million from reserves.
### FY 2015-16 Year-to-Date

<table>
<thead>
<tr>
<th></th>
<th>FY 2015-16 Approp/Authorized</th>
<th>FY 2015-16 YTD (9/30/15)</th>
<th>% Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Assistance</td>
<td>$5,773,577,588</td>
<td>$1,332,358,520</td>
<td>23%</td>
</tr>
<tr>
<td>State Agencies &amp; Other Entities</td>
<td>$868,974,936</td>
<td>$187,334,536</td>
<td>22%</td>
</tr>
<tr>
<td>Personnel &amp; Benefits</td>
<td>$68,458,064</td>
<td>$16,435,084</td>
<td>24%</td>
</tr>
<tr>
<td>Medical Contracts &amp; Operating</td>
<td>$310,805,167</td>
<td>$23,298,067</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,021,815,755</strong></td>
<td><strong>$1,559,426,206</strong></td>
<td><strong>22%</strong></td>
</tr>
</tbody>
</table>

- Department spent 22% of its annual budget during the first quarter.
  - Typically under budget in the first quarter, as contracts take time to issue.
- Current forecast calls for spending $127 million from reserves.
Revenue Changes and Fund Balances
• Between FY 2012-13 and FY 2015-16:
  ➢ General Fund revenues rose by $42.7 million.
  ➢ Cigarette surcharge revenues fell by $42.3 million.
• Annualization problem has been noted each year by OSB/RFA.
• Governor has recommended the necessary recurring funds in each of her budgets.
The 3% reserve target is roughly equivalent to six weeks of cash reserves.

Reserves peaked two years ago.

Projections above assume the agency’s FY 2016-17 budget is approved as submitted.
Changes in Fund Balances

FY 2011-12
FY 2012-13
FY 2013-14
FY 2014-15
FY 2015-16 (Estimated)
FY 2016-17 (Budget)

Funds Available
3% Reserve Target

* FY 2016-17 assumes the agency’s request is approved as submitted.
FY 2016-17 Budget Request
• Guiding principles for the request:
  ➢ Keep reserves above 3% through the planning horizon.
  ➢ Address annualizations primarily in FY 2016-17, with some overhang into FY 2017-18.
  ➢ Cut spending growth to about half of recent levels in ways that minimize the impact on the health system.
  ➢ Increase transparency by reflecting “off-budget” spending within the agency’s financials.
FY 2016-17 Budget Request

<table>
<thead>
<tr>
<th>Recurring Requests</th>
<th>General Fund</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Partial Annualization (#7594)</td>
<td>$149,416,874</td>
<td>$382,491,600</td>
</tr>
<tr>
<td>2. Cost Reductions (#7409)</td>
<td>$(20,261,796)</td>
<td>$(55,442,868)</td>
</tr>
<tr>
<td>3. Personnel Base Realignment (#7372)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Health Insurance Allocation (#7283)</td>
<td>$144,919</td>
<td>$399,336</td>
</tr>
<tr>
<td><strong>FY 2016-17 Recurring Changes</strong></td>
<td><strong>$129,299,997</strong></td>
<td><strong>$327,448,068</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Recurring Request</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Non-Recurring: MMIS (#7247)</td>
<td>$8,474,579</td>
<td>$8,474,579</td>
</tr>
</tbody>
</table>

- Net request is for $129 million from the General Fund.
- Still requires using about $79 million from reserves.
  - $36+ million impact from 52% Part B increase and a “53rd week.”
- Allows for funds to be shifted off operating lines to hire program integrity staff and eligibility workers.
- No funding requested for new initiatives.
Eligibility and Enrollment Update
• Full-benefit membership continues to hold around 1 million, even with required restart of annual reviews.
  - Added an additional month of prior notice of reviews.
  - Sharing better reports with managed care plans, earlier than in the past.
  - Authorized plans to outreach to members to complete annual review forms.
Eligibility and Enrollment – Continuing Efforts

**Systems**
- Negotiated a three-year extension of the legacy eligibility system with CMS.
- Planning a phased, careful transition for remaining eligibility categories.
- Increased data-matching, to send continuation notices instead of review forms.
- Weekly “data fixes”, monthly patches/upgrades, bi-weekly IBM meetings.

**Staffing**
- 57% fewer Eligibility Workers/Member in November 2014 than Spring 2011.
- Restarted annual reviews at the same time as the new eligibility system.
- Posted 99 eligibility slots since July 1st; have also used state and vendor temps.
- Created dedicated processing centers, launched 2nd and 3rd shifts at key sites.

**Policies**
- Streamlined documentation requirements for long-term care applications.
- Implemented Business Process Redesign to increase first-touch resolution, cut processing time.
New Processing Centers in 2015

1st Shift: Now Open
- 42 Workers
- Central Office – Jefferson Square
- Charleston
- Greenville (2 sites)
- Spartanburg

2nd Shift: Now Open
- 77 Workers
- Central Office – Jefferson Square
- Lee
- Richland (2 sites)
- Spartanburg

2nd Shift: Coming Soon
- 35 Workers
- Charleston
- Horry
- Oconee

3rd Shift: Now Open
- 24 Workers
- Central Office – Jefferson Square

Auto-Match Rate: No Review Form Needed

Filled Eligibility Worker Positions
Program Updates
Healthy Outcome Plans (HOP)

- HOP focuses on high-utilizers of emergency rooms and/or inpatient services
  - HOPs are paid for each enrollee under care plan management
  - 58% of enrollees screened are in high need of further evaluation for behavioral health intervention
  - 8% reduction in preventable ER visits, 11% for those with care plans
  - 9% reduction in chronic disease-related preventable inpatient stays

- Enrollment update, as of August 30, 2015:
  - 13,249 HOP participants towards a FY 2015-16 goal of 13,394
  - 84% of enrollees have a developed care plan so far

<table>
<thead>
<tr>
<th>45 HOPs, including all 57 Medicaid-designated hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>70 primary care safety net providers</td>
</tr>
<tr>
<td>(FQHC, RHC, Free Clinic)</td>
</tr>
<tr>
<td>30 participating behavioral health clinics</td>
</tr>
<tr>
<td>(DMH, DAODAS)</td>
</tr>
</tbody>
</table>
In July 2014, CMS directed states to offer Autism Spectrum Disorder (ASD) services through EPSDT authority or the State Plan.

SCDHHS has been handling service requests through EPSDT while working on policy development, rate-setting, and IT system changes:

- Multiple events, webinars, etc. to receive and react to public comments.
- Working with DDSN to provide administrative / authorization services.
- EPSDT requests are typically resolved within two weeks of receiving a complete document set.

<table>
<thead>
<tr>
<th>Requests Received</th>
<th>FY 2014-15</th>
<th>FY 2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests Received</td>
<td>148</td>
<td>400</td>
</tr>
<tr>
<td>Approved</td>
<td>148</td>
<td>158</td>
</tr>
<tr>
<td>Pending – Awaiting SCDHHS Decision</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Pending – Incomplete Document Set</td>
<td>0</td>
<td>238</td>
</tr>
</tbody>
</table>
Waiting List Reduction Efforts

• Collaborative effort with DDSN and providers to reduce waiver waiting lists for state’s most vulnerable populations.

• FY 2014-15: $13M increase in state funding.
  ➢ All 1,400 slots allocated to Intellectual & Related Disabilities (ID/RD) and Community Supports (CS) Waivers – 725 ID/RD, 675 CS
  ➢ Net enrollment increase of 883 (as of 6/30/15)

• FY 2015-16: $6.4M increase in state funding.
  ➢ 842 of 1,300 slots allocated so far to ID/RD (as of 10/12/15)
  ➢ Net enrollment increase of 248 (as of 10/19/15)
Home & Community Based Services – Final Rule

• CMS established new standards for waiver services and settings in a 2014 “final rule” – compliance is required by March 2019.

• Our Statewide Transition Plan was submitted in February 2015 and revised in September 2015 based upon initial federal comments.
  - Providers have “self-assessed” their day and residential facilities; those failing to participate will be subject to “heightened scrutiny.”
  - In-depth site visits begin in early 2016 and will identify more settings that will require modifications or which will be unable to meet settings requirements.

<table>
<thead>
<tr>
<th>Compliance Status</th>
<th># of Settings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Compliant with Federal Requirements</td>
<td>201</td>
</tr>
<tr>
<td>Modifications Required to Achieve Compliance</td>
<td>1,010</td>
</tr>
<tr>
<td>Subject to Heightened Scrutiny</td>
<td>112</td>
</tr>
<tr>
<td>Unable to Meet Requirements</td>
<td>2</td>
</tr>
</tbody>
</table>
In July 2014, the Department eliminated prior authorizations for RBHS and assumed responsibility for supplying state match in most cases.

- Goal was to increase access to services, eliminate the problem that the authorizing agency had been responsible for supplying state match.
- Result was a dramatic increase in enrolled providers, beneficiaries, and claims – and fraud.

Since November 2014, the following actions have been taken:

- Terminated 46 providers for failure to demonstrate appropriate accreditation.
- Obtained CMS approval to impose a moratorium on enrolling new RBHS providers.
- Reinstituted prior authorizations through an external quality improvement organization.
- Tightened treatment ratios and increased provider credentialing standards.
- Raised the individual provider rate and established a new group rate.
Based upon several rounds of agency/provider comment and on research from independent behavioral health consultants, additional changes are on the way.

New administrative policies taking effect November 1, 2015:
- More stringent accreditation requirements (require SC licenses).
- Tighter staff training and licensure requirements; background checks.

New clinical policies taking effect January 1, 2016:
- State Plan Amendment to separate RBHS into three distinct services – separate codes for Community Integration Services and Therapeutic Childcare Centers.
- Revised medical necessity requirements.
- Smaller group ratios, with rates revised accordingly.
- Lower cap on billable units, with an exception process.
Rise and Fall of Weekly Spending on RBHS

Even existing providers have increased average weekly billings by 123%.
Rehabilitative Behavioral Health Services

Program Integrity – Actions Against Providers

- Investigations: 57
- Referrals to the Attorney General: 10
- Payment Suspensions: 3
- Identified Recoupments: $6.57M

% Increases: July 2014 – Sept. 2015

Average Weekly Expenditures, by Month

Trendline before 3/1/15 policy changes

Trendline after 3/1/15 policy changes

Historical Baseline