

Senate Finance Committee

South Carolina
Department of Health and Human Services

April 23, 2013

Many estimates are preliminary projections as of April 2013 and not considered final.
These estimates may change as more state and federal data and guidance become available.

FY 2014 Budget Request

Executive Budget Request is \$6.47B

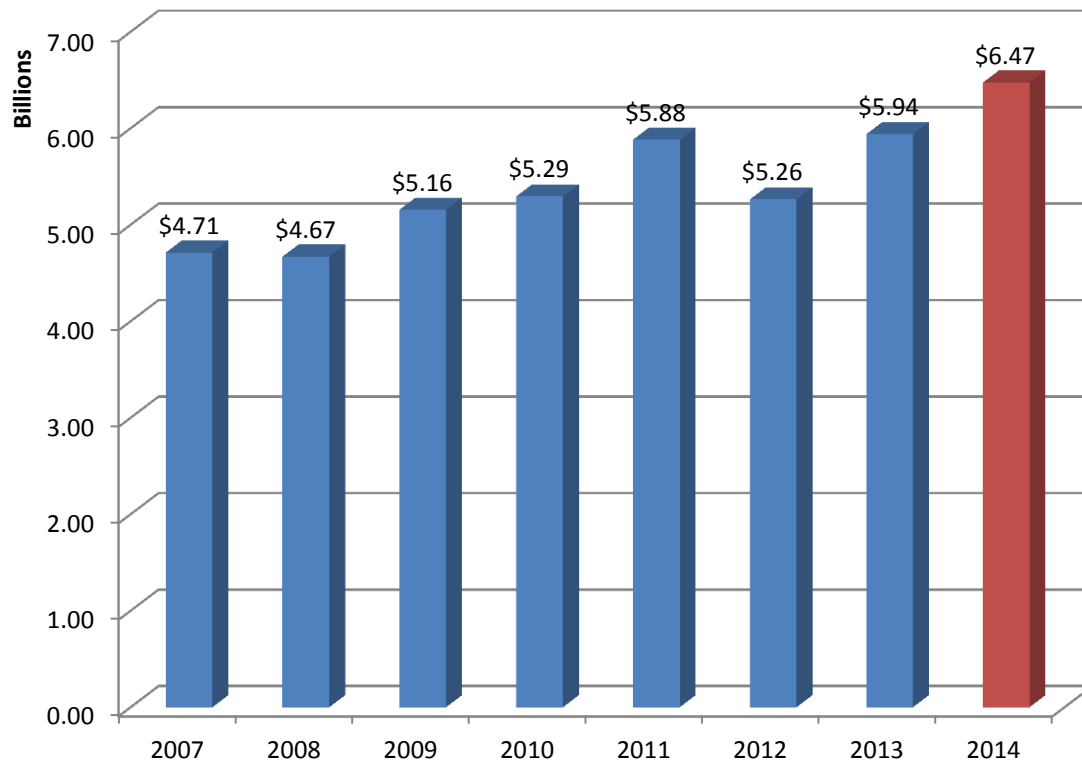
The Executive Budget request is \$6,475,519,276

This is an 8.9% increase over FY 2013

This is a \$123,144,472 State Funds increase over FY 2013

This is a \$528,816,269 Total Funds increase over FY 2013

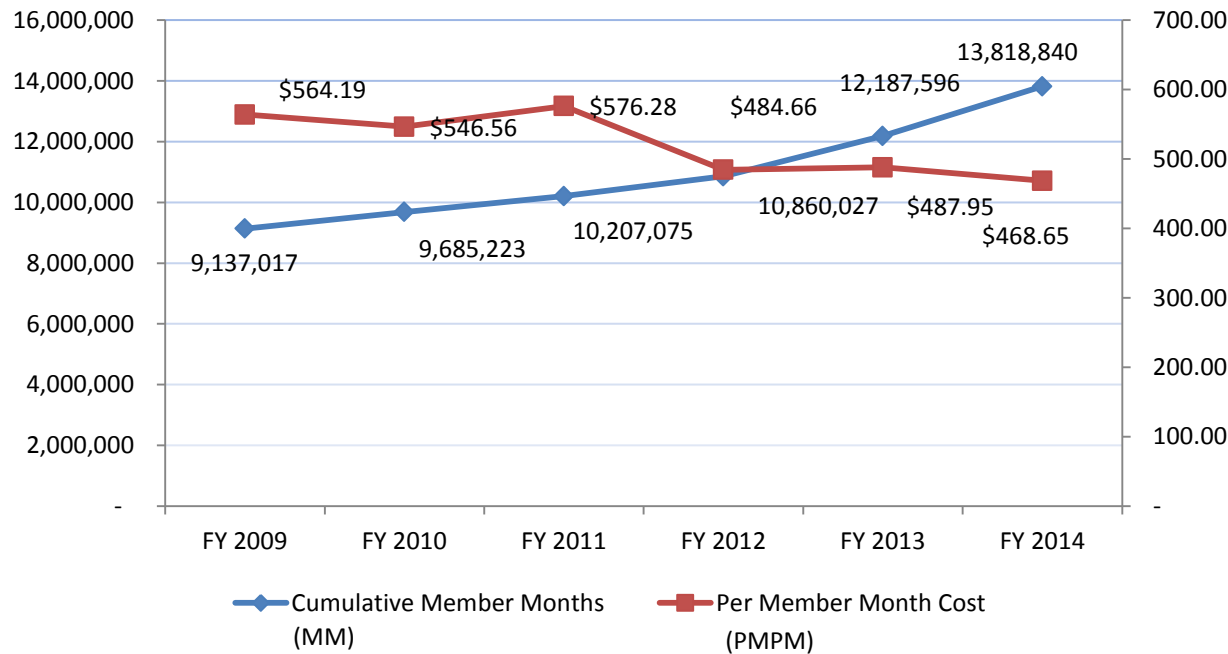
Total Expended



* 2007-2012 are actual expenditures, 2013 and 2014 are projected expenditures.

Budget Driver History

Comparison of Annual Member Months to Costs



Source: Milliman Fall 2012 Forecast and Department budget documents

Historical:

Member months (MM) were projected to grow by 4,681,823 or 51.2% from FY 2009 to budgeted FY 2014

PMPM was projected to decline 16.9% or -\$95.54 from FY 2009 to budgeted FY 2014

FY 2014 Executive Budget:

MM were projected to increase by 13.4% or 1,631,244 from FY 2013 to FY 2014

PMPM is expected to decline by 4% or -\$19.30 from FY 2013 to FY 2014

Snapshot enrollment growth of 18.9% or 198,845 is projected from June 30, 2013 to June 30, 2014

- Natural Enrollment Growth is 2.8% or 29,519 (14.9% of the total projected growth)
- ACA Mandatory Enrollment Growth is 16.1% or 169,326 (85.1% of the total projected growth)

DHHS FY 2014 Budget Submission to Proposed Executive Budget

Executive Budget Changes from SCDHHS Budget Submission				
	General Fund & Capital Reserve Fund	Federal Funds	Total Other Funds	TOTAL FUNDS
Total FY 2014 Original DHHS Budget Submission	\$ 1,288,171,208	\$ 4,474,669,659	\$ 747,924,838	\$ 6,510,765,705
Annualization Management Funding				
Proviso 118.8 Cigarette Tax Collections*	(20,135,000)		20,135,000	-
Proviso 118.3(B) Health Tobacco Settlement Trust	(61,600,000)	-	61,600,000	-
Subtotal - Base Appropriation Request for Maintenance of Effort	\$ (81,735,000)	\$ -	\$ 81,735,000	\$ -
Changes to Original Additional Spending Request				
MMIS Replacement**	(1,800,000)	-	-	(1,800,000)
Changes to FMAP rates	(14,553,123)	2	-	(14,553,122)
Savings and Efficiencies	(20,693,307)	-	-	(20,693,307)
Subtotal - Changes to Original New Spending Request	(37,046,430)	2	-	(37,046,429)
Total Executive Budget Changes	\$ (118,781,430)	\$ 2	\$ 81,735,000	\$ (37,046,429)
Total Executive Budget Proposal	\$ 1,169,389,778	\$ 4,474,669,661	\$ 829,659,838	\$ 6,473,719,276

Executive Budget is \$37M less than original submission

The FY 2014 Executive Budget is a 8.9% increase over the FY 2013 appropriation

FY 2014 Executive Budget re-categorizes \$81.7M of General Fund request (Cigarette Tax and Tobacco Settlement) to Other Funds

Executive Budget requires SCDHHS to achieve \$20.7M General Fund savings

* SCDHHS built \$105,000,000 in Cigarette Tax Collections into the base budget submission

**SCDHHS given \$1,800,000 from escrow funds for MMIS replacement and that is not included in the total above

FY 2014 Executive Budget Summary



FY 2014 Executive Budget Summary of DHHS Program Spending

Major Program Use	FY 2014 Executive Budget - All Funds	FY 2014 Executive Budget - State General Funds
Medicaid Assistance		
Existing Medicaid Assistance Budget	\$ 4,713,866,504	\$ 902,407,693
Requested Increases:		
Medicaid Enrollment Growth	\$ 231,605,883	\$ 126,127,341
ACA Mandated Growth	\$ 321,048,000	\$ 69,721,579
Dual Eligible Project	\$ 14,600,000	\$ -
Total Medicaid Assistance Budget	\$ 5,281,120,387	\$ 1,098,256,613
Other Medicaid Health Programs:		
State Agencies/Other Entities	\$ 923,663,235	\$ 225,086
Medical Contracts:		
Medical Health Contracts	\$ 175,614,817	\$ 41,408,136
Operating Expenditures:		
Personnel costs	\$ 48,480,515	\$ 16,200,192
Benefits	\$ 16,164,805	\$ 5,830,524
Other Operating	\$ 28,546,639	\$ 7,469,227
Requested Personnel Increase:		
Fraud & Abuse Audit Staff	\$ 128,878	\$ -
Total Operating Expenditures	\$ 93,320,837	\$ 29,499,943
Non-recurring Capital Request (90/10 match)	\$ 1,800,000	\$ -
Total Appropriated Budget WITH New Spending Initiatives & Capital Requests	\$ 6,475,519,276	\$ 1,169,389,778
FY 2013 Budget Appropriation WITH Capital Requests - July 1 % Change	\$ 5,946,703,007 8.9%	\$ 1,102,150,675 6.1%

FY 2014 anticipates the shift of approximately 200,000 individuals from MHNs to MCOs

FY 2014 budget includes a natural enrollment growth of 2.8% or 29,519 enrollees, excluding all ACA impacts

FY 2014 includes annualization of funding for Express Lane Enrollment: \$21,232,759 Total Funds, \$6,293,390 General Funds

Growth of 8.3% for implementation of the mandatory ACA is included in the FY 2014 request

- 169,326 members
- 1,015,956 member months
- \$316.01 PMPM
- \$69,721,579 State and \$251,326,421 Federal

FY 2014 Request vs. FY 2013

Major changes from FY 2013 to FY 2014:

- **Natural Enrollment Growth (+\$64,010,409)**
- **Mandatory ACA Enrollment Growth (+\$69,721,579)**
- **Inflation (+\$27,272,707)**
- **Non Recurring to Recurring Revenue (+\$60,781,757)**
- **FMAP Changes (-\$40,284,598)**
- **Savings and Efficiencies (-\$30,076,314)**

\$26M growth in Medical Contracts is primarily related to eligibility system and MMIS replacement projects

Net \$9.6M increase in operating expenditures is related to increase in ACA activity

SCDHHS FY 2014 Budget Appropriation Proposal

Budget by Major Program and Spending Purpose	All Funds FY 2014 Executive Budget	All Funds FY 2013 Budget	% of Change FY 2014 vs FY 2013
Medicaid Assistance	\$ 5,281,120,388	\$ 4,780,110,358	10.5%
State Agencies & Other Entities	\$ 923,663,235	\$ 932,327,592	(0.9%)
Medical Contracts	\$ 177,414,817	\$ 151,478,949	17.1%
Operating Expenditures	\$ 93,320,837	\$ 82,786,108	12.7%
Total Budget with Capital Reserves	\$ 6,475,519,276	\$ 5,946,703,007	8.90%

Cost Savings Strategies and Initiatives 2011-2013

- Effects of Birth Outcomes Initiative
 - Resulted in decrease in unnecessary NICU days
- Reduced Managed Care Organization (MCO) Administrative Rate
 - Lowered administrative rates 12.0% to 9.5%
- Impacts of Quality Outcome Incentives for MCOs and Providers
 - Implementing Patient Centered Medical Home program
- Impacts of Quality Outcomes Withholds related to HEDIS Measures for MCOs
 - Requires improvement of HEDIS measurements by at least one standard deviation
- Increased Use of Prior Authorizations (PA) to Ensure Appropriate Utilization
 - Implemented PAs for Inpatient Hospital Admissions
- Improved Contract Oversight and Negotiations
 - Engaged in broad contract review and reductions and eliminations of no longer needed services

SCDHHS is constantly pursuing cost savings strategies to free up state funds for other priorities

SC House Budget: Self-Funded Quality and Accountability Proviso

	<u>Total</u>	<u>State</u>
Healthy Outcomes Initiative <ul style="list-style-type: none"> • Hospital incentive program • Required to participate in cost transparency program • Must co-manage high flyers with FQHCs • Claims must be submitted for uninsured • Access to affordable insurance status must be determined 	\$35,000,000	\$10,311,000
Rural Hospital DSH Payment <ul style="list-style-type: none"> • 100% payment of UCC for small rural hospitals • All requirement above • Partnership incentives 	\$20,000,000	\$ 5,892,000
Primary Care Safety Net <ul style="list-style-type: none"> • Stabilization funding • Co-management of high flyers in ER 	\$10,000,000	\$ 10,000,000⁺
Rural Provider Capacity <ul style="list-style-type: none"> • New accountability for all GME funding • MUSC OB coverage in underserved areas with high infant mortality 	\$ 5,500,000	\$ 1,620,300
OSS <ul style="list-style-type: none"> • New level of care in assisted living centers with higher reimbursement • Higher standards of performance for all CRCF 	\$ 7,000,000	\$ 7,000,000
SCDHHS Total	<u>\$77,500,000</u>	<u>\$34,823,300</u>
MUSC Telemedicine*	\$ 8,000,000	\$ 8,000,000
Total	<u>\$85,500,000</u>	<u>\$42,823,300</u>

+ Working to maximize opportunities for match

*To fund MUSC Telemedicine Initiative in conjunction with SCDHHS; funding is through MUSC State Appropriation

The image features a dark blue, monochromatic background. In the upper left corner, there is a stylized crescent moon. Dominating the center is a palm tree with a long, slender trunk and a large, fan-like frond. The word "End" is written in a clean, white, sans-serif font, centered horizontally and partially overlapping the palm tree's trunk and fronds.

End