

South Carolina Department of Health and Human Services

**House Ways and Means Committee
Budget Presentation
January 17, 2013**

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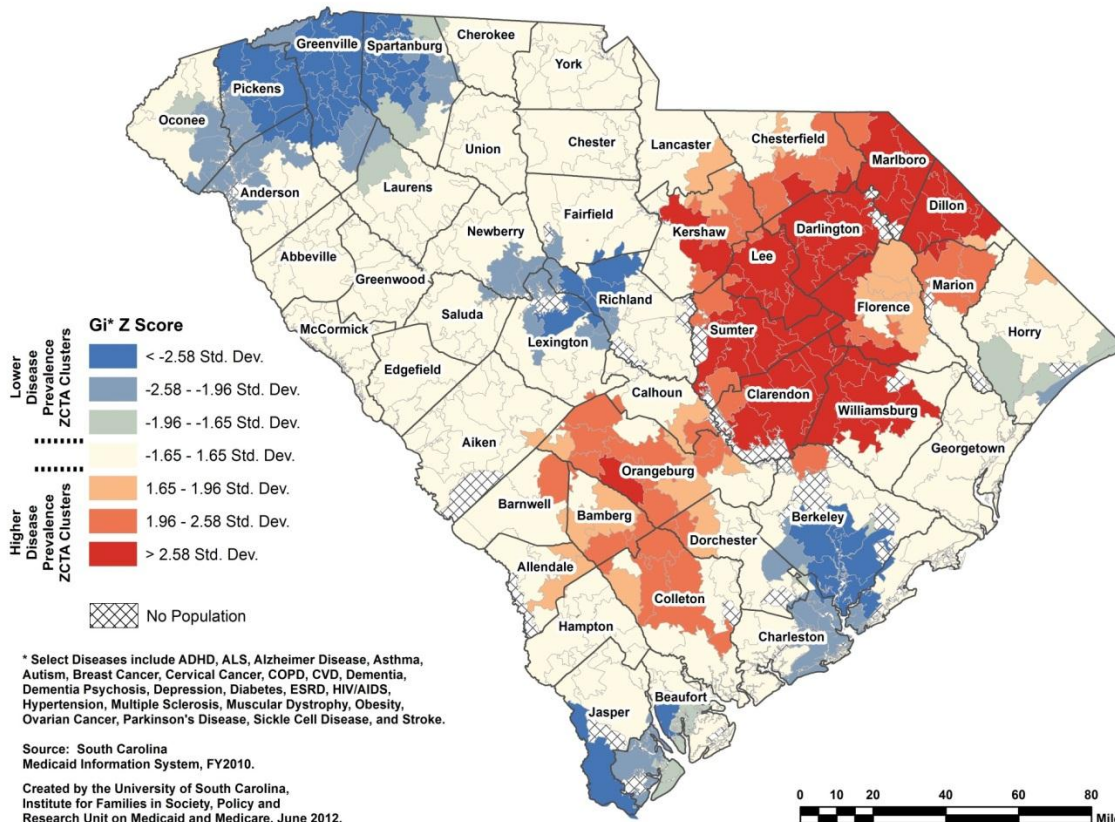
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Section 1: Purchasing Health in SC

South Carolina's Challenge

Prevalence of Select Diseases* among South Carolina Medicaid Recipients
19 Years and Older by ZCTA, FY 2010
Getis-Ord Gi* Statistic (Hot Spot Analysis)



Among those insured by Medicaid, there are great disparities in health status

Socio-economic factors, education, geography, heredity, cultural influences and lifestyle choices are among the determinants that primarily influence health status

Targeting health investments sends more money into counties that need it, that are relatively unhealthy

DHHS Fundamental Strategy

Improve value by lowering costs and improving outcomes:

- Increased investment in education, infrastructure and economic growth
- Shift of health care spending to more productive health and health care services
- Increased coverage/treatment of vulnerable populations

SC Strategic Pillars:

- ***Payment reform***
- ***Clinical integration***
- ***Focus on hotspots and disparities***

South Carolina Strategic Pillars

Payment Reform

- MCO Incentives & Withholds
- Payor-Provider Partnerships
- Catalyst for Payment Reform
- Value-Based Insurance Design

Clinical Integration

- Dual Eligible Project
- Patient Centered Medical Homes
- Telemedicine/Monitoring

Hotspots & Disparities

- Birth Outcomes Initiative
- Rural Hospital Transformation
- Express Lane Eligibility
- Foster Care Coordination
- Health Access/Right Time (HeART)

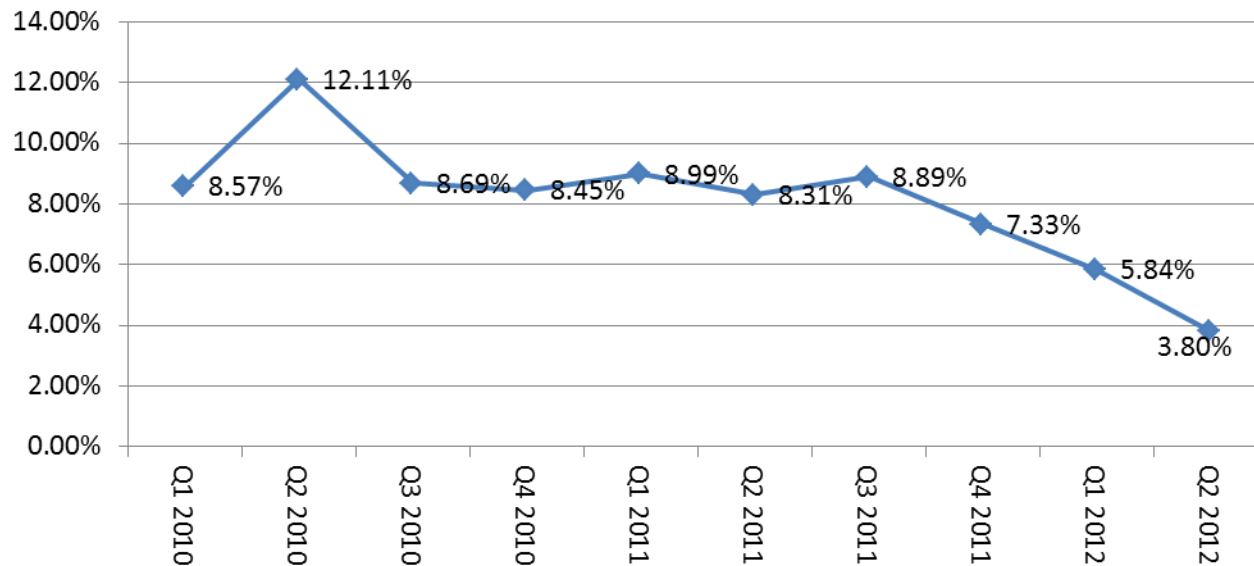
*Purchasing Quality
Health Outcomes*

*Pushing Out Excess
Costs*

*Providing Value to
the Taxpayer*

Hotspots & Disparities: Birth Outcomes Initiative

Medicaid Rates with Documented Elective Inductions
as a Subset of the =>37 to <39 Weeks Delivery



In July 2011, SCDHHS implemented a series of birth outcome initiatives to reduce the number of elective inductions and cesarean deliveries, as well as NICU hospital stays

SC is one of the first states in the nation to no longer pay for early elective deliveries; last year these harmful deliveries were reduced by half

These efforts resulted in savings of \$6 million for first quarter FY 2013

Section 2: FY 2013 Update

Trends in Medicaid Enrollment

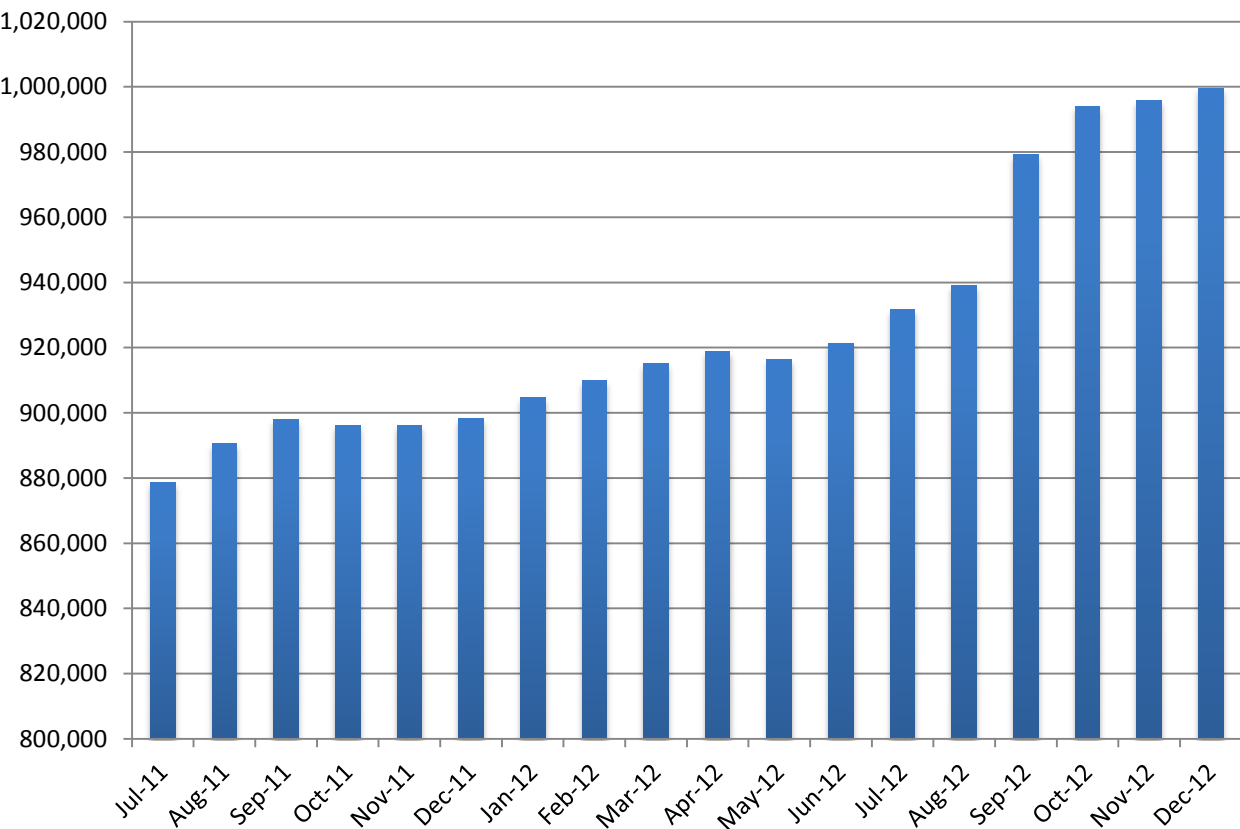
FY 2013 projected enrollment growth of 113,380 includes initial transition of 65,000 ELE children

YTD enrollment growth is 78,120 (62,656 ELE kids)

FY 2013 projected member months are 12,187,601

YTD member months are 5,838,816, 1.8% under budget

YTD enrollment with ELE is trending under FY 2013 projections by 2.2%



Source: MMIS, most recent three months are preliminary enrollment data.

FY 2013 Year to Date Financial Results

Summary of Unofficial Year to Date Financial Performance - As of November 30, 2012 (Five Months)						
Budget by Major Program and Spending Purpose	FY 2013 Annual Budget Comparison			Five Month Budget Comparison		
	FY 2013 Appropriation	FY 2013 YTD as of November 30, 2012	% Budget Expended	FY 2013 Five Month Budget Projection as of November 30, 2013	% of Five Month Budget Expended	
SCDHHS Medicaid Assistance						
Coordinated Care	\$ 1,699,380,435	\$ 642,075,083	37.8%	\$ 685,576,420	93.7%	
Hospital Services	800,998,066	272,903,062	34.1%	\$ 325,987,269	83.7%	
Disproportionate Share	461,500,000	240,619,762	52.1%	\$ 244,595,000	98.4%	
Nursing Facilities	530,920,204	217,275,382	40.9%	\$ 222,103,513	97.8%	
Pharmaceutical Services	199,077,924	74,432,432	37.4%	\$ 83,366,090	89.3%	
Physician Services	190,820,553	67,605,757	35.4%	\$ 78,741,395	85.9%	
Community Long-term Care (CLTC)	185,702,660	66,765,889	36.0%	\$ 71,519,976	93.4%	
Dental Services	105,812,546	43,205,329	40.8%	\$ 45,225,618	95.5%	
Clinical Services	70,592,514	25,281,390	35.8%	\$ 29,413,549	86.0%	
Transportation Services	71,355,819	23,238,349	32.6%	\$ 29,940,287	77.6%	
Medical Professional Services	38,355,742	15,227,144	39.7%	\$ 16,782,459	90.7%	
Durable Medical Equipment	35,730,118	13,103,285	36.7%	\$ 15,623,663	83.9%	
Lab & X-Ray Services	27,536,576	11,168,763	40.6%	\$ 12,103,402	92.3%	
Family Planning	22,724,672	9,069,989	39.9%	\$ 9,724,102	93.3%	
Hospice	12,490,007	5,244,583	42.0%	\$ 5,396,206	97.2%	
Program of All-Inclusive Care (PACE)	13,592,333	4,887,937	36.0%	\$ 5,323,904	91.8%	
EPSDT	11,034,357	3,915,374	35.5%	\$ 4,987,833	78.5%	
Home Health Services	7,104,152	2,261,205	31.8%	\$ 3,057,922	73.9%	
Integrated Personal Care (IPC)	5,092,416	2,148,542	42.2%	\$ 2,132,352	100.8%	
Optional State Supplement (OSS)	16,496,178	7,016,183	42.5%	\$ 6,919,307	101.4%	
Premiums Matched	173,093,164	67,649,130	39.1%	\$ 76,191,140	88.8%	
MMA Phased Down Contributions	82,300,000	27,334,127	33.2%	\$ 30,279,416	90.3%	
Premiums 100% State	18,100,000	5,822,328	32.2%	\$ 8,107,417	71.8%	
Total SCDHHS Medicaid Assistance	\$ 4,779,810,436	\$ 1,848,251,025	38.7%	\$ 2,013,098,240	91.8%	
SCDHHS Other Health Programs						
Alcohol and Other Drug Abuse Services	\$ 14,997,126	\$ 5,119,209	34.1%	\$ 4,902,317	104.4%	
Commission for the Blind	39,805	-	0.0%	\$ 16,840	0.0%	
Continuum of Care	13,565,565	2,531,655	18.7%	\$ 2,307,666	109.7%	
Corrections (DOC)	4,776,490	1,031,972	21.6%	\$ 1,990,205	51.9%	
Disabilities & Special Needs (DDSN)	557,641,856	231,790,766	41.6%	\$ 236,877,322	97.9%	
Education (DOE)	50,951,522	12,881,672	25.3%	\$ 14,876,960	86.6%	
Health & Environmental Control (DHEC)	18,800,243	5,829,848	31.0%	\$ 4,338,051	134.4%	
Juvenile Justice (DJJ)	5,818,144	511,326	8.8%	\$ 899,596	56.8%	
Medical University of SC (MUSC)	36,085,955	15,116,917	41.9%	\$ 14,062,929	107.5%	
Mental Health (DMH)	155,000,000	69,660,943	44.9%	\$ 70,526,900	98.8%	
State Housing Authority	345,000	-	0.0%	\$ 143,750	0.0%	
School for Deaf & Blind	4,003,210	933,786	23.3%	\$ 1,623,117	57.5%	
Social Services (DSS)	13,108,682	2,455,587	18.7%	\$ 3,078,631	79.8%	
University of South Carolina (USC)	3,704,711	1,419,395	38.3%	\$ 754,172	188.2%	
Wil Lou Gray Opportunity School	20,968	12,464	59.4%	\$ 7,390	168.7%	
Emotionally Disturbed Children	36,229,166	9,244,952	25.5%	\$ 14,805,993	62.4%	
Other Entities Funding	17,014,063	7,225,135	42.5%	\$ 6,137,192	117.7%	
MUSC Maxillofacial	225,086	56,272	25.0%	\$ 93,786	60.0%	
State Agencies & Other Entities	\$ 932,327,592	\$ 365,821,899	39.2%	\$ 377,442,817	96.9%	
Medical Contracts						
Medical Contracts	\$ 152,028,949	\$ 26,156,459	17.2%	\$ 38,007,237	68.8%	
Non-Recurring/Capital Program	-	-	-	\$ -	-	
Total Medical Contracts	\$ 152,028,949	\$ 26,156,459	17.2%	\$ 38,007,237	68.8%	
SCDHHS Operating Expenditures						
Personnel & Benefits	\$ 63,511,002	\$ 25,446,389	40.1%	\$ 26,462,917.50	96.2%	
Other Operating Costs	19,275,106	5,835,822	30.3%	\$ 8,031,294	72.7%	
Total SCDHHS Operating Expenditures	\$ 82,786,108	\$ 31,282,211	37.8%	\$ 34,494,212	90.7%	
Total Budget to Actuals	\$ 5,946,953,085	\$ 2,271,511,594	38.2%	\$ 2,463,042,506	92.2%	

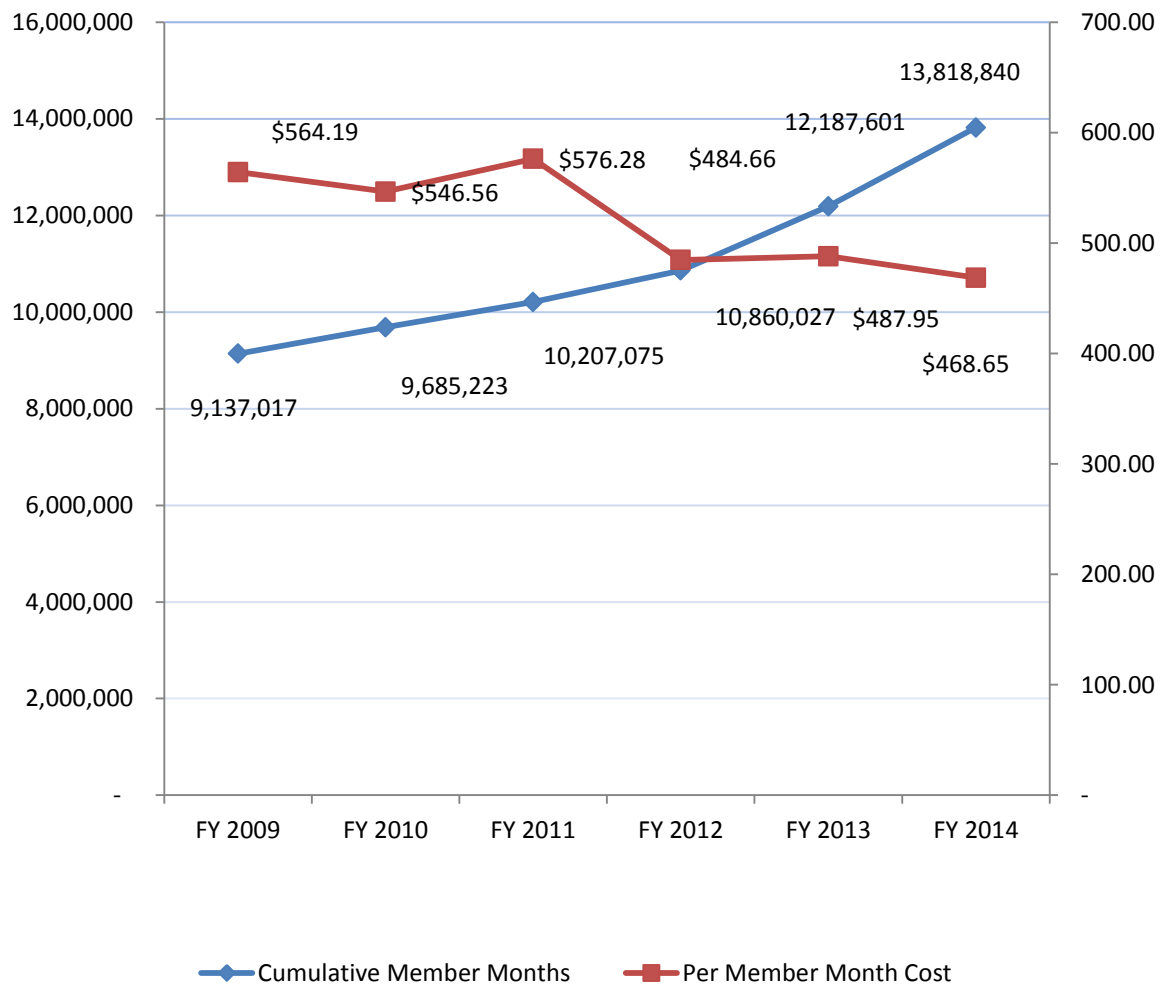
As of November 30, 42.3% of the fiscal year has passed

38.7% budget expended as of November

Medical assistance is 91.8% of an estimated five-month budget projection

State agency, medical contracts and other operating costs are below budget primarily because of invoice timing

Bending the Cost Curve



SCDHHS is pushing costs out of the system, by bending Medicaid's PMPM cost curve

Unique member months grew by 19% from FY 2009 to FY 2012

PMPM costs declined by 14% from FY 2009 to FY 2012

PMPM costs are projected to decline by 3% from FY 2013 to FY 2014

Sources: RSS3870 & Thomson Reuters Advantage Suite and Milliman Fall 2012 Update

Cost Savings Strategies and Initiatives

- Effects of Birth Outcomes Initiative
 - Resulted in decrease in unnecessary NICU days
- Reduced Managed Care Organization (MCO) Administrative Rate
 - Lowered administrative rates by 1% (10.5% 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

Section 3: FY 2014 Budget Request

FY 2014 Original Budget Submission:

All Funds

Original SCDHHS Budget Submission was \$6.51 billion which is a 9.5% increase over the FY 2013 appropriation

94.8% of this submission is required simply to keep the program operating at the current level

FY 2014 Revised Forecast projects 1,631,239 additional member months

This is a 13.38% increase in member months over FY 2013

Summary of FY 2014 Original SCDHHS Budget Submission				
	State	Other	Federal	Total
Continuation Base Budget	\$ 1,211,638,479	\$ 448,783,581	\$ 3,561,409,142	\$ 5,221,831,202
Non-recurring Base	7,157,264	-	-	\$ 7,157,264
Subtotal	\$ 1,218,795,743	\$ 448,783,581	\$ 3,561,409,142	\$ 5,228,988,466
New Spending Requests	\$ 67,350,379	\$ 26,978,381	\$ 245,785,243	\$ 340,114,003
Subtotal	\$ 67,350,379	\$ 26,978,381	\$ 245,785,243	\$ 340,114,003
Non-recurring Capital Requests*	\$ 1,800,000	\$ -	\$ 16,200,000	\$ 18,000,000
SCDHHS Subtotal	\$ 1,800,000	\$ -	\$ 16,200,000	\$ 18,000,000
State Agencies	\$ 225,086	\$ 272,162,876	\$ 651,275,275	\$ 923,663,237
State Agencies Subtotal	\$ 225,086	\$ 272,162,876	\$ 651,275,275	\$ 923,663,237
SCDHHS Total Budget Submission	\$ 1,288,171,208	\$ 747,924,838	\$ 4,474,669,660	\$ 6,510,765,706
FY 2013 Approved Appropriation - All Funds				\$ 5,946,703,007
% Change				9.5%

DHHS FY 2014 Budget Submission to Proposed Executive Budget

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

SCDHHS built \$105 million in Cigarette Tax Collections into the base budget submission

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

Executive Budget Changes from SCDHHS Budget Submission

	General Fund & Capital Reserve Fund	Federal Funds	Total Other Funds	TOTAL FUNDS
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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 - Source of Funding Adjustments to Original New Spending Submission	\$ (81,735,000)	\$ -	\$ 81,735,000	\$ -
Changes to Original New 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 - Decreases to Expenditure from the Original New Spending Submission	(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
	\$ 118,781,430	\$ (2)	\$ (81,735,000)	\$ 37,046,429

Amount above includes:

General Fund	
Maintenance of Effort	\$ 1,103,839,399
New Spending Initiatives	67,350,379
Total General Fund	\$ 1,171,189,778

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

Recap of FY 2014 Executive Budget Appropriation Request by Major Program Use

FY 2014 Executive Budget Total All Funds Summary of DHHS Program Spending		FY 2014 Executive Budget
Major Program Use		
Medicaid Assistance		\$ 4,713,866,504
Other Medicaid Health Programs		
State Agencies/Other Entities		\$ 923,663,235
Medical Contracts		
Medical Health Contracts		\$ 175,614,817
Operating Expenditures		
Personnel & Benefits		
Personnel Costs	\$ 48,480,515	
Benefits	<u>16,164,805</u>	
Total Personnel & Benefits		\$ 64,645,320
Other Operating		28,546,639
Total Operating Expenditures		<u>\$ 93,191,959</u>
New Funding Requests:		
New Program Initiatives		
Medicaid Enrollment Growth		\$ 231,605,883
ACA Mandated Growth		321,048,000
Dual Eligible Project		14,600,000
Fraud & Abuse Audit Staff		<u>128,878</u>
Total New Program Initiatives		<u>\$ 567,382,761</u>
Non-recurring Capital Request		\$ 1,800,000
Total New Funding Requests - All Funds		<u>\$ 569,182,761</u>
Total Appropriated Budget WITH New Spending Initiatives & Capital Requests		<u>\$ 6,475,519,276</u>
FY 2013 Budget Appropriation WITH Capital Requests - July 1		\$ 5,946,703,007
% Change		8.9%

Other state agencies submitted \$923 million for Medicaid programs, a 0.9% decrease over FY 2013

97.4% of new funding request is related to Maintenance of Effort (MOE) and other mandates

The background features a dark blue gradient with a stylized palm tree on the right and a crescent moon on the left. The palm tree has a textured trunk and a crown of fronds. The crescent moon is a simple, light-colored outline.

End