



House Ways & Means Healthcare Subcommittee

SCDHHS Budget Presentation

February 5, 2014

Tony Keck, Director

- FY 2013 Year End
- FY 2014 Status of SC Healthy Connections
- Medicaid Accountability and Quality Improvement Initiative (Proviso 33.34)
- FY 2015 SCDHHS Executive Budget

FY 2013 Year End

	FY 2013 Appropriation		FY 2013 Actuals		Variance	%
Medicaid Assistance	\$	4,779,810,435	\$	4,394,902,436	\$ 384,907,999	8%
State Agencies & Other Entities	\$	932,327,592	\$	810,462,742	\$ 121,864,850	13%
Personnel & Benefits	\$	62,570,518	\$	55,728,105	\$ 6,842,413	11%
Medical Contracts & Operating	\$	163,596,791	\$	164,025,753	\$ (428,962)	0%
Total Appropriation	\$	5,938,305,336	\$	5,425,119,036	\$ 513,186,300	9%
Member Months		11,883,712		11,809,495	74,217	1%
PMPM	\$	499.70	\$	459.39	\$ 40.32	8%
Supplemental Federal Authority	\$	135,237,740	\$	-	\$ 135,237,740	
Other Transfers In/(Out)	\$	(10,070,568)	\$	-	\$ (10,070,568)	
FY 2013 Total	\$	6,075,356,720	\$	5,436,928,990	\$ 638,427,729	11%
FY 2012 Carry Forward	\$	62,860,131	\$	-	\$ 62,860,131	
	\$	6,138,216,850	\$	5,436,928,990	\$ 701,287,860	11%

Factors leading to variance from appropriation:

- Utilization in Express Lane population managed better than budgeted
- Actual Member Months – 74,217 (.62%) below projected
- Increased use of generic drugs
- Decrease in hospital inpatient discharges
- Lower than expected Electronic Health Record costs (federal dollars only)
- Medicare premium increases less than projected
- State agencies

FY 2013 Year-Ending Cash Balances

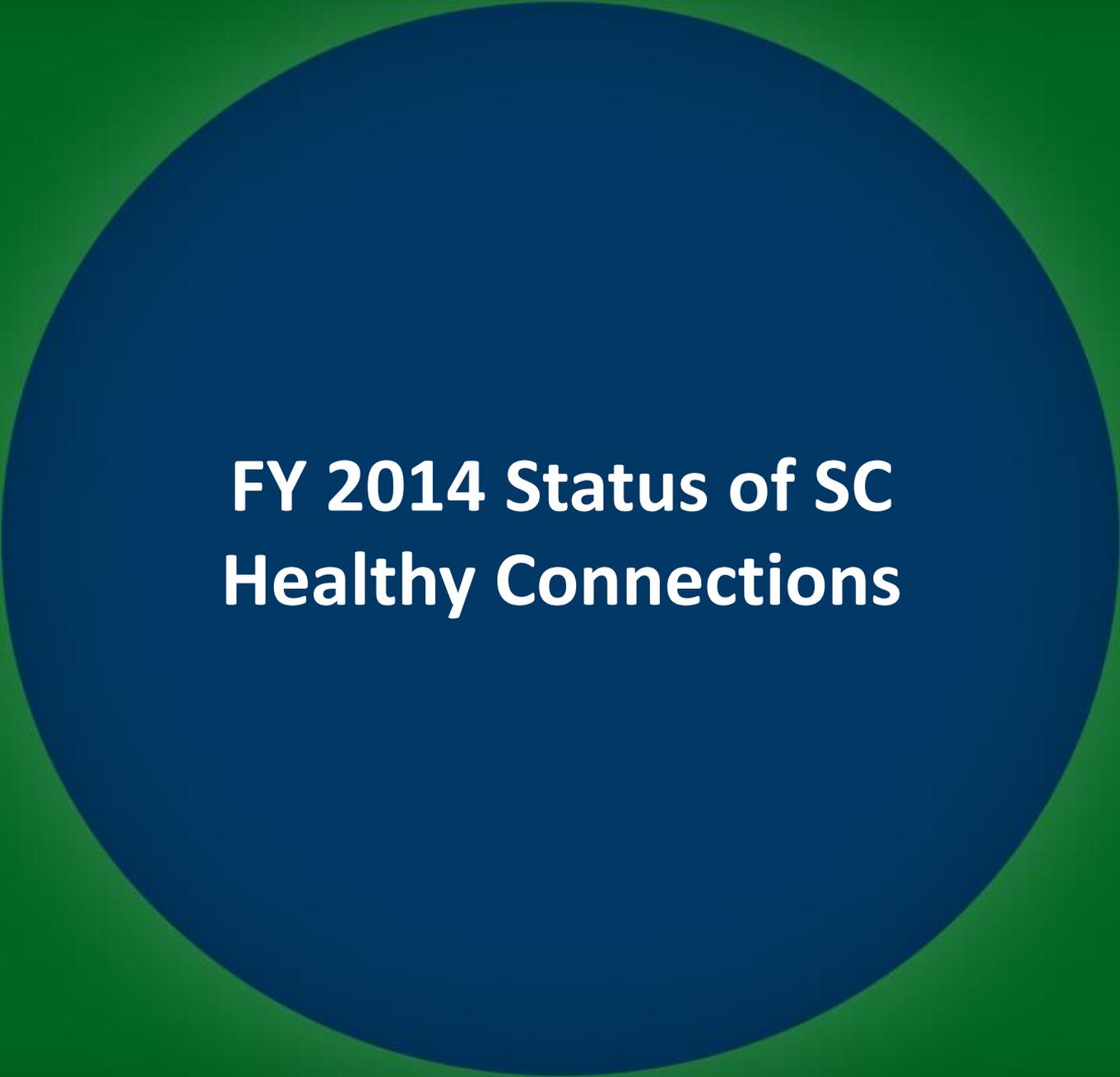
	Ending FY 2012 Balance	Receipts/Disbursements	Ending FY 2013 Balance
General Fund	\$ 62,860,131	\$ 169,705,401	\$ 232,565,532
Earmarked Fund	\$ 107,903,136	\$ 78,868,718	\$ 186,771,854
Restricted Fund	\$ 51,234,261	\$ (7,752,987)	\$ 43,481,274
Total	\$ 221,997,528	\$ 240,821,132	\$ 462,818,660

Funds Available to SCDHHS in FY 2014

	Ending FY 2012 Balance	Receipts/Disbursements	Ending FY 2013 Balance
General Fund	\$ 62,860,131	\$ 169,705,401	\$ 232,565,532
Earmarked Fund	\$ 79,031,310	\$ 57,462,463	\$ 136,493,773
Restricted Fund	\$ -	\$ -	\$ -
Total	\$ 141,891,441	\$ 227,167,864	\$ 369,059,305

Funds available for SCDHHS use are unencumbered

Encumbered funds are either built in as recurring source of matching funds or are designated for a specific purpose



**FY 2014 Status of SC
Healthy Connections**

	FY 2014 Appropriation	FY 2014 YTD as of 12/31/13 Actuals	% of Appropriation	FY 2014 Projection	% of Projection
Medicaid Assistance	\$ 5,294,920,388	\$ 2,331,968,069	44%	\$ 4,928,000,000	47%
State Agencies & Other Entities	\$ 923,663,235	\$ 447,192,996	48%	\$ 937,000,000	48%
Personnel & Benefits	\$ 64,799,418	\$ 29,662,826	46%	\$ 59,000,000	50%
Medical Contracts & Operating	\$ 204,261,456	\$ 66,724,183	33%	\$ 226,000,000	30%
Total	\$ 6,487,644,497	\$ 2,875,548,074	44%	\$ 6,150,000,000	47%

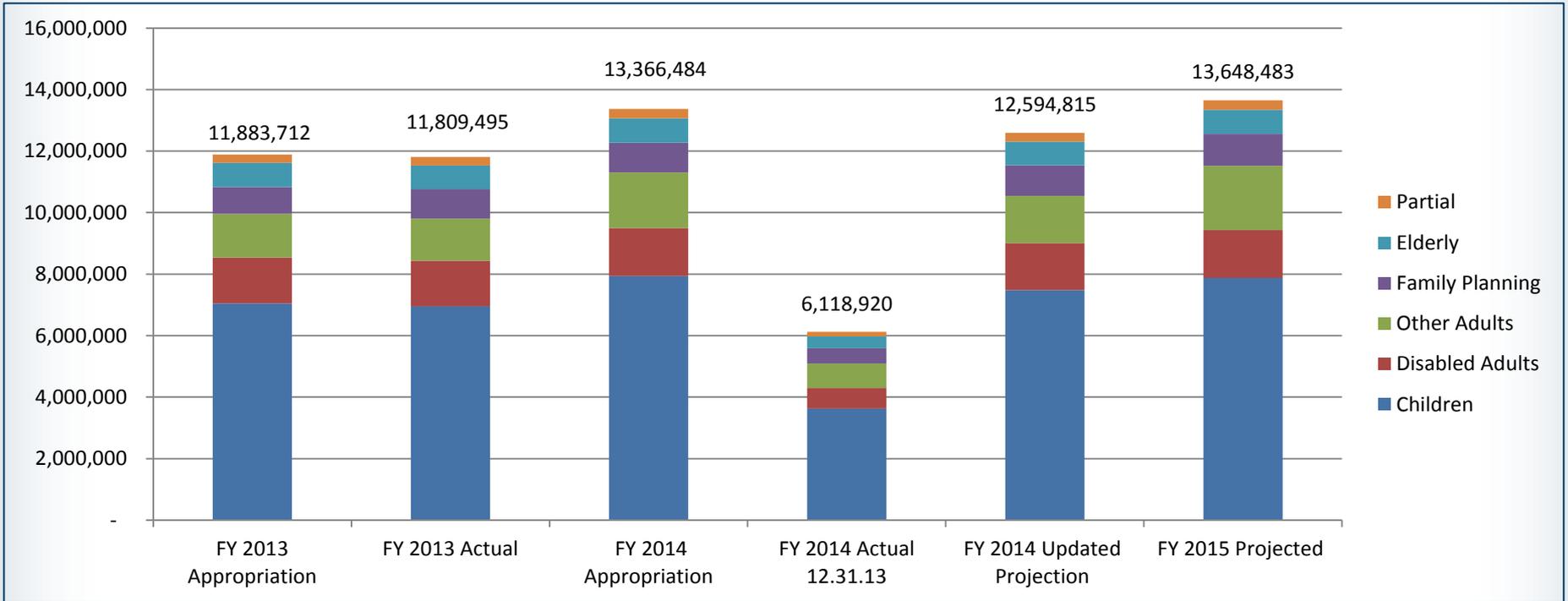
As of December 31, 2013, 50% of the fiscal year had passed

Year end expenditures are projected below appropriation primarily due to reduction of 771,669 member months

Reduced FY 2014 & FY 2015 Projections

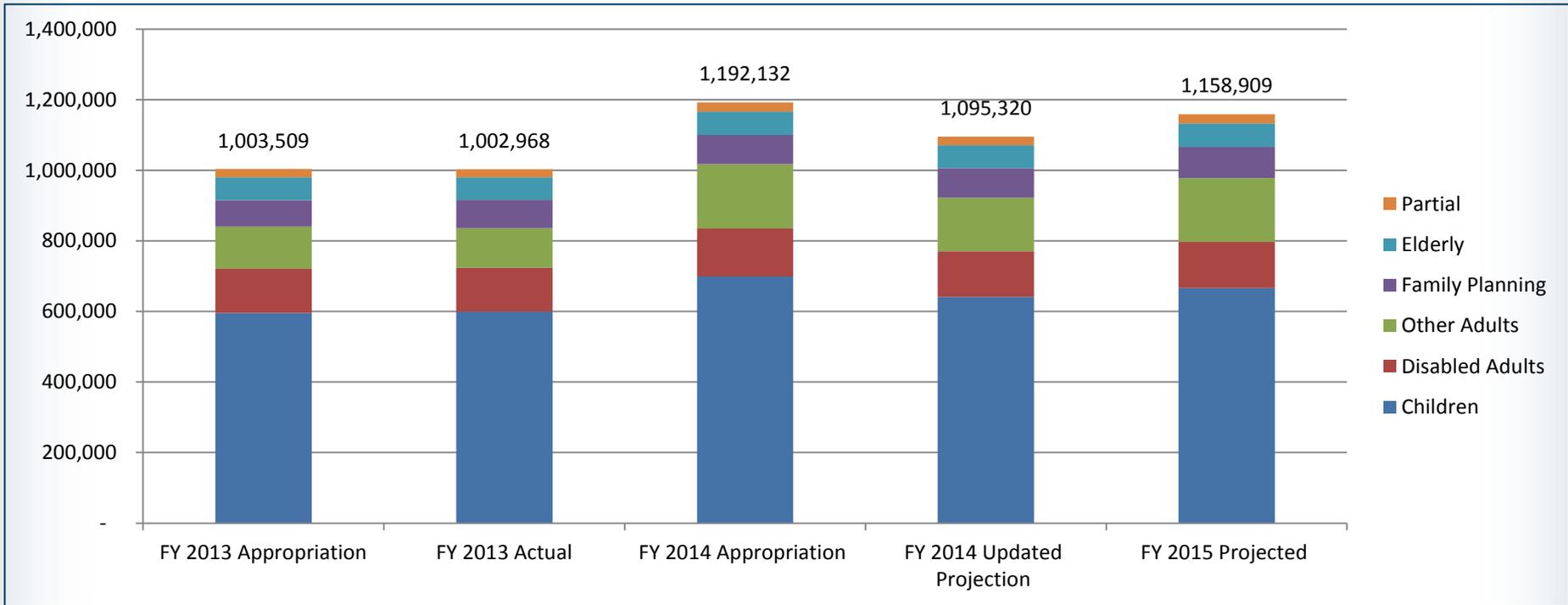
- **FY 2014 – Reduced member months by 771,669 from original appropriation**
- **FY 2015 – Reduced member months by 247,151 from budget submission**
- **Factors contributing to projected reductions**
 - Early technical problems and delays with healthcare.gov
 - Year delay in implementing small business requirements
 - Year delay in requiring plans to meet Essential Health Benefits
 - Other states' experiences
 - Improving economic conditions

Member Months

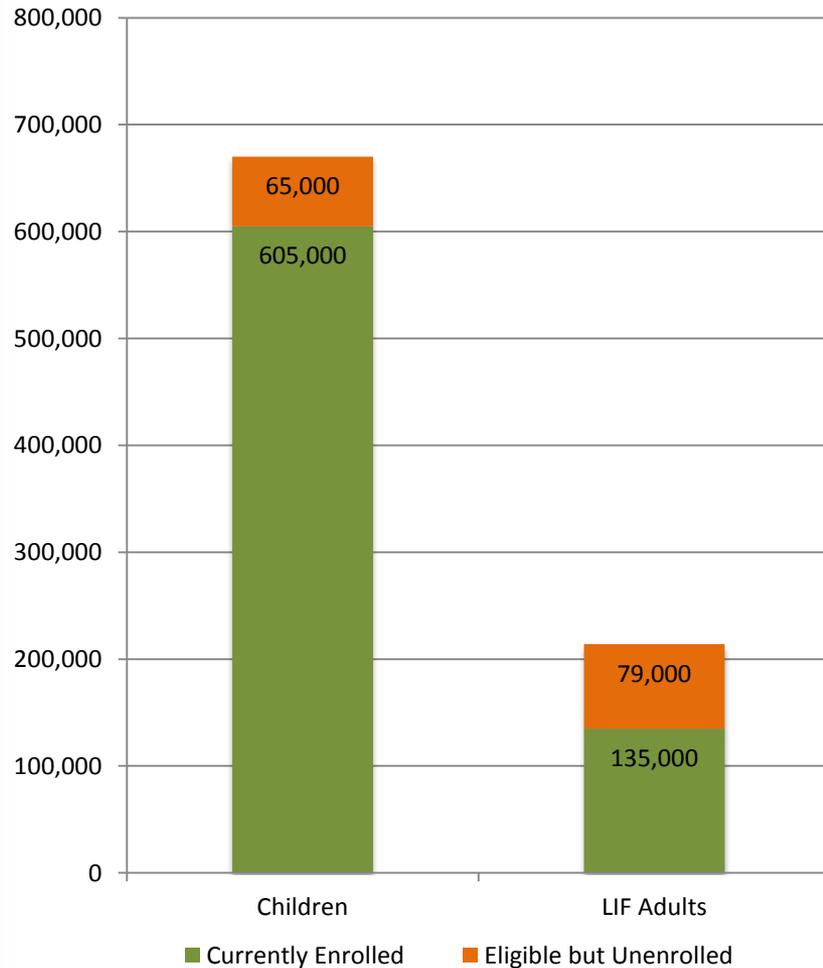


Projected FY 2014 member months are 6% below FY 2014 appropriation

Members as of June 30



Eligibility Policy Impacts



Children

- FPL raised to 200% in April 2008
- Minimum FPL of 133% after MOE until 1/1/2019

Low Income Adults

- FPL matches TANF program with required adjustments for Medicaid policy
- FPL adjusted to 62% for MAGI on 1/1/2014
- Minimum FPL of 17% for mandated MOE effective 1/1/2014

Pregnant Women

- FPL raised to 185% in June 1989
- FPL adjusted to 194% for MAGI on 1/1/2014
- Minimum FPL of 185% for mandated MOE effective 1/1/2014

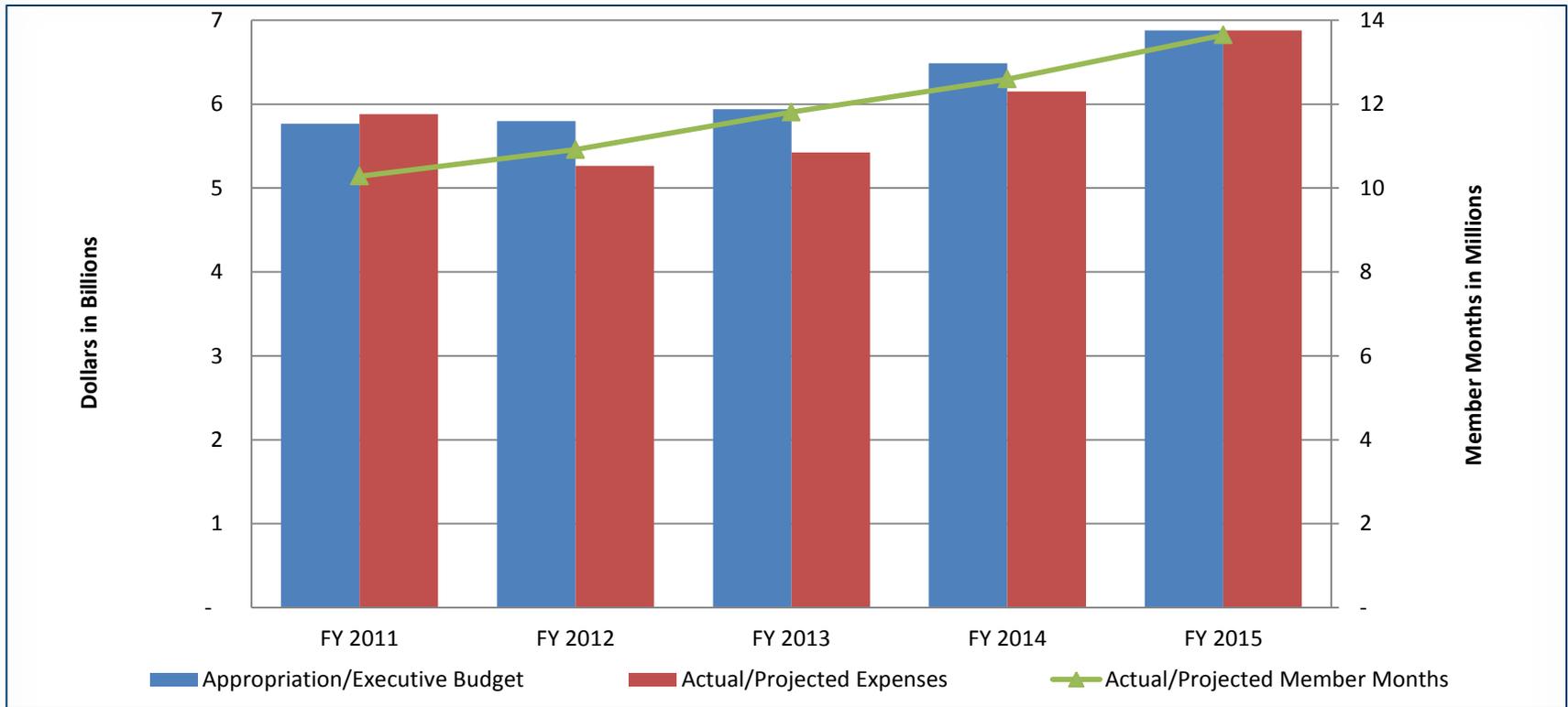
Experience Since October 1st

Increase in Medicaid Applications

- **1.3% increase in actual number of applications**
- **9.4% increase when adjusted for improved economic conditions**

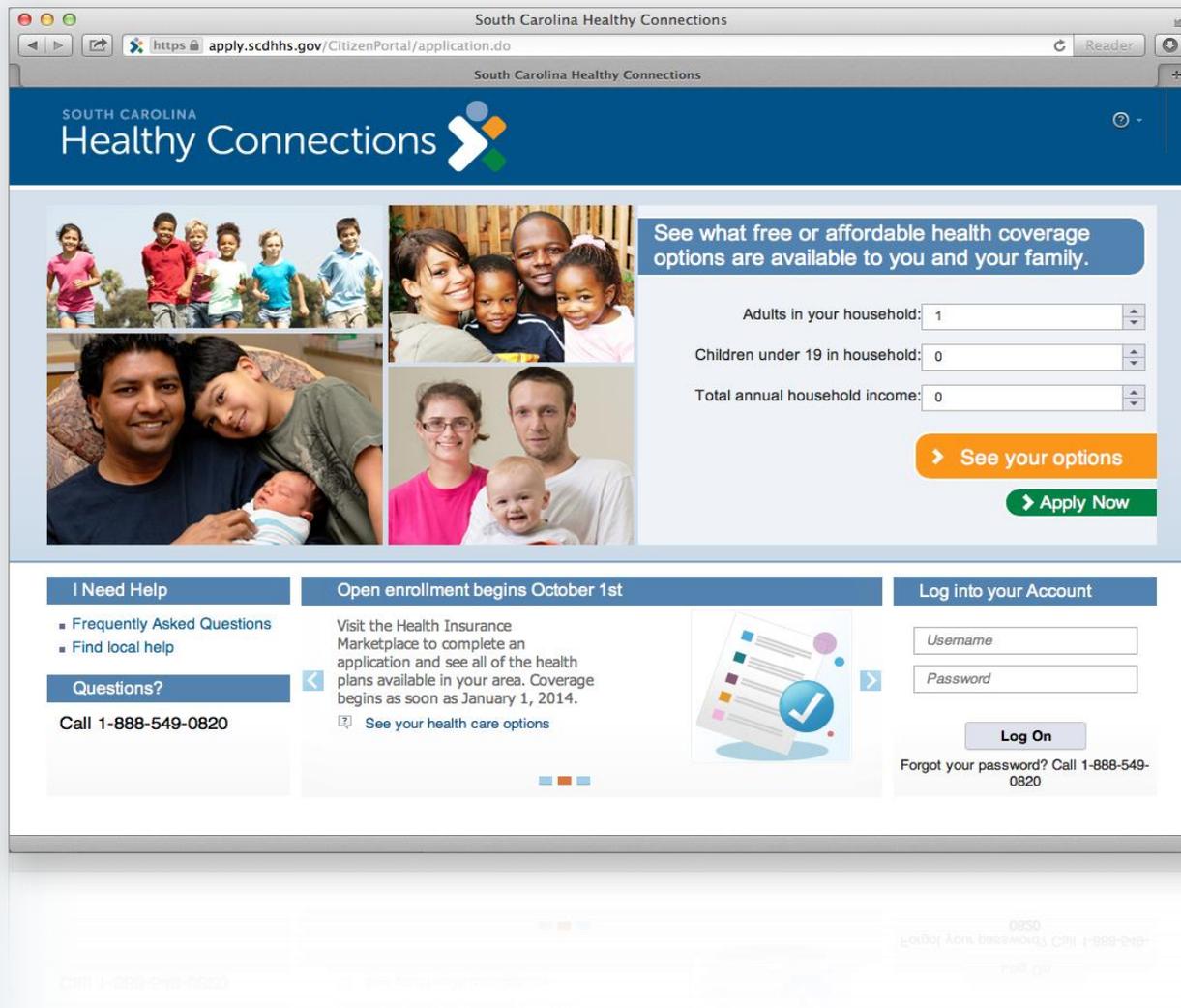
	Total Apps	% Change	Online Apps	Online Percent	RIDP Success	RIDP Success Percent
October 2013	28,771	0.6%	4,063	14.1%	2,863	70.5%
November 2013	22,486	-5.7%	3,216	14.3%	2,434	75.7%
December 2013	23,126	8.2%	4,622	20.0%	3,694	79.9%
January 2014	28,111	2.9%	5,282	18.8%	4,079	77.2%

Source: SCDHHS Medicaid application system. Percent change compared to same month in previous year unadjusted for economic conditions. January 2014 numbers are preliminary.



Change from FY 2011 to FY 2015:

- Appropriation/Executive Budget increased \$1.11B (19.3%), an annualized rate of 4.5%
- Expenses are expected to increase \$995.58M (16.9%), an annualized rate of 4.0%
- Member months are expected to increase 3.67M (32.8%), an annualized rate of 7.3%



Source: SCDHHS Medicaid application and call center systems. Summary data represents October 2013 through January 2014 compared to same period last year. January 2014 numbers are preliminary.

Significant Online Use

- Over 100,000 visits and nearly 70,000 unique visitors
- Over 33,000 user accounts were created
- Over 17,000 Medicaid applications submitted

Call Center Growth

- Beneficiary calls increased by 34.2% to nearly 120,000 calls
- ACA related and online support calls were over 15,000
- Reduced abandonment rate by 50% (from 6.8% to 3.2%)

Continuing Eligibility Modernization Efforts

- Statewide electronic document management completed ahead of schedule (May 2013)
- Phase 1 of eligibility replacement released on schedule (October 2013)
- Phase 2 of eligibility replacement in-progress

**Medicaid Accountability and
Quality Improvement
Initiative (Proviso 33.34)**

Components of Proviso 33.34

Healthy Outcomes Plan (HOP)

Hospital Transparency and DSH

Graduate Medical Education (GME)

OB/GYN & Telemedicine

Optional State Supplementation (OSS)

Proviso 33.34

- Outcome of the General Assembly passed FY 2014 budget
- State-based plan to improve health while increasing value and transparency

- Health system does a poor job prioritizing who is in need of services
- Once identified, individuals who are poor or living with disabilities generally enter a system not designed to meet their needs
- Proviso 33.34 addresses the root causes of these problems



Participants

- Participants enrolled: 1,326 of 8,511 targeted chronically ill, uninsured, high utilizers of ED
- 895 screened using at least one social determinants of health tool (PAM or GAIN-SS)

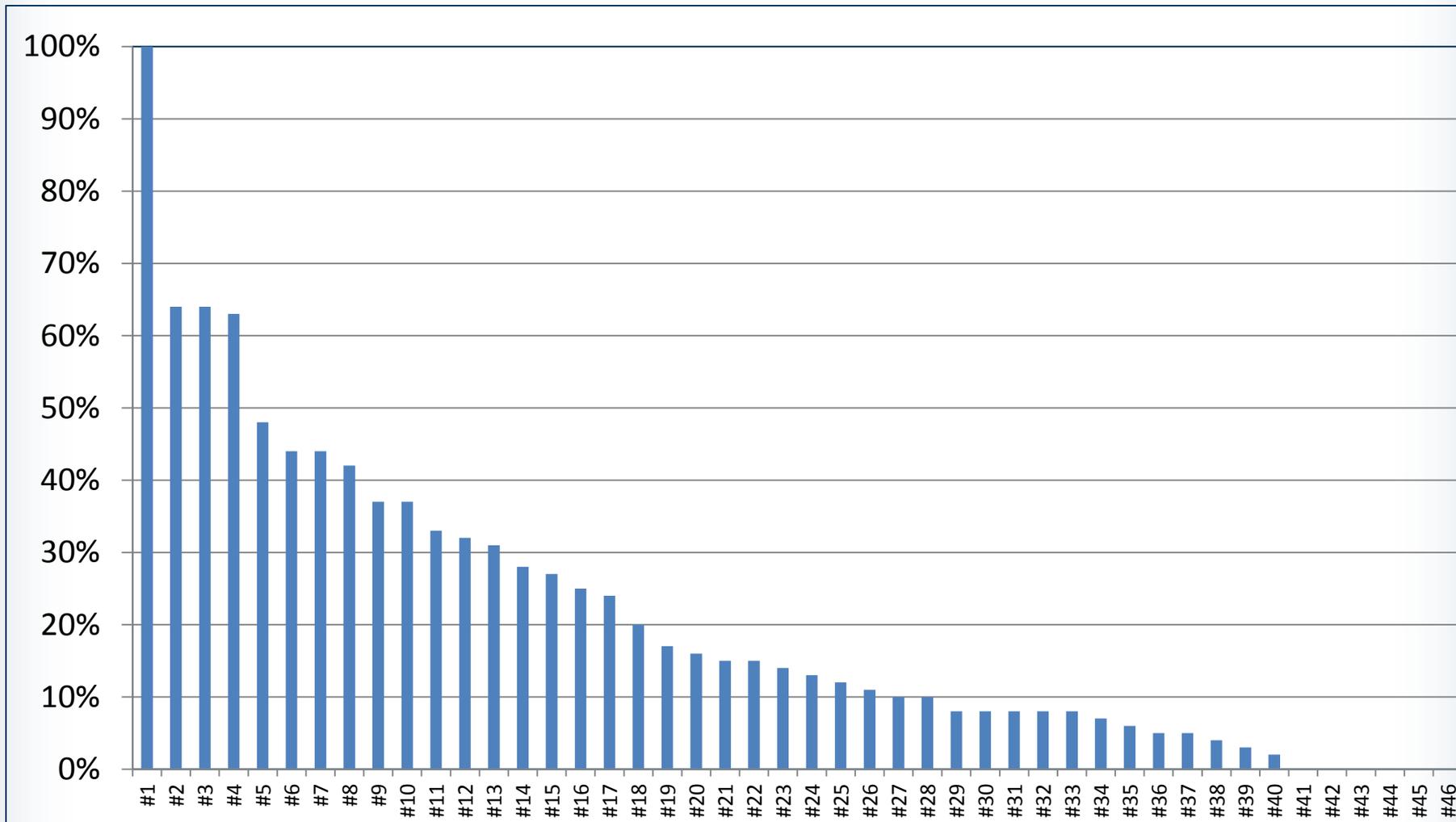
Providers

- 100% participation from 58 SC Medicaid-designated hospitals leading to 46 HOPs

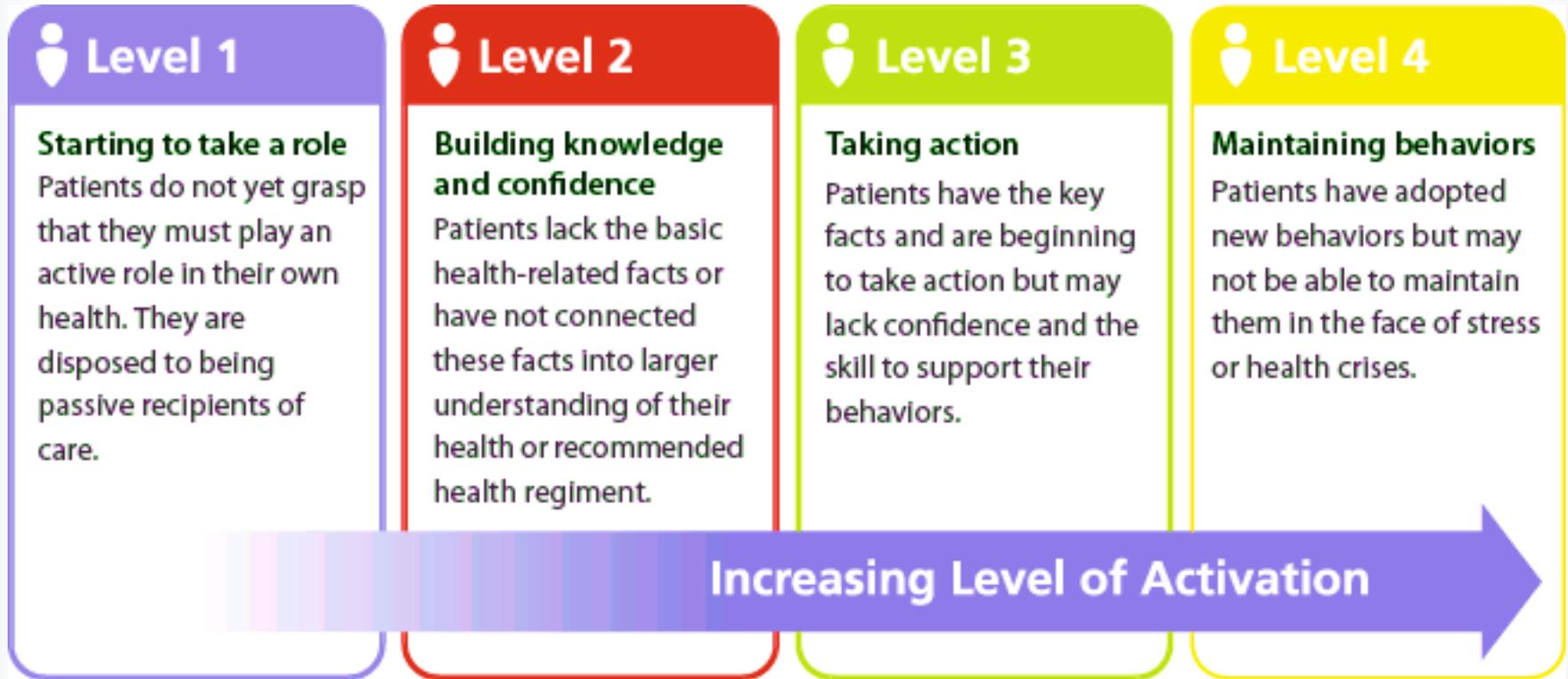
Partnerships

- 58 Hospitals and 68 Primary Care Safety Net Providers (FQHCs, RHCs, Free Clinics) partnered at 104 sites
- 19 participating Behavioral Health Clinics (DMH, DAODAS)

Target Population Enrollment by HOP



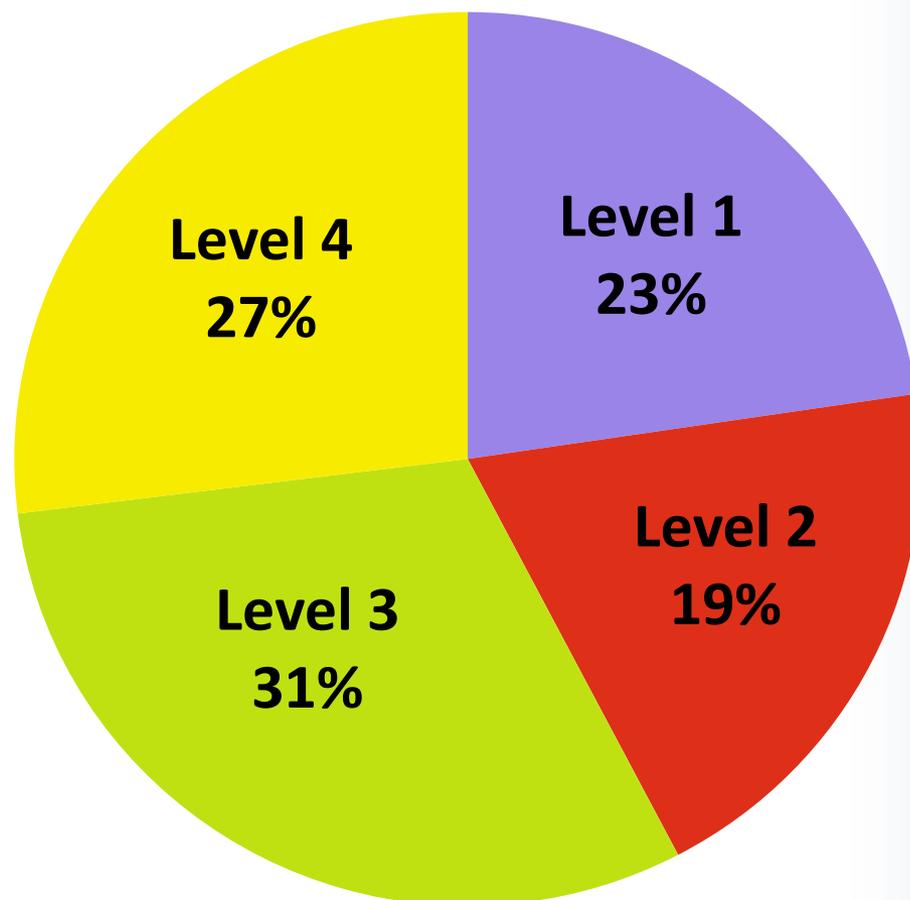
Healthy Outcomes Plan Increases Screenings for Uninsured: PAM



Source: USC Institute for Families in Society | Division of Policy and Research on Medicaid and Medicare

Healthy Outcomes Plan Increases Screenings for Uninsured: PAM

- 794 have been screened with the PAM
- PAM has 4 Levels with the following scores:
 - Level 1: Not engaged
47 & below
 - Level 2: Becoming aware
47.1 - 55.1
 - Level 3: Taking action
55.2 - 67.0
 - Level 4: Maintaining behavior
67.1 - 100



Source: USC Institute for Families in Society | Division of Policy and Research on Medicaid and Medicare

Healthy Outcomes Plan Increases Screenings for Uninsured: GAIN-SS

Summary of Scores:

808 have been screened with the GAIN-SS

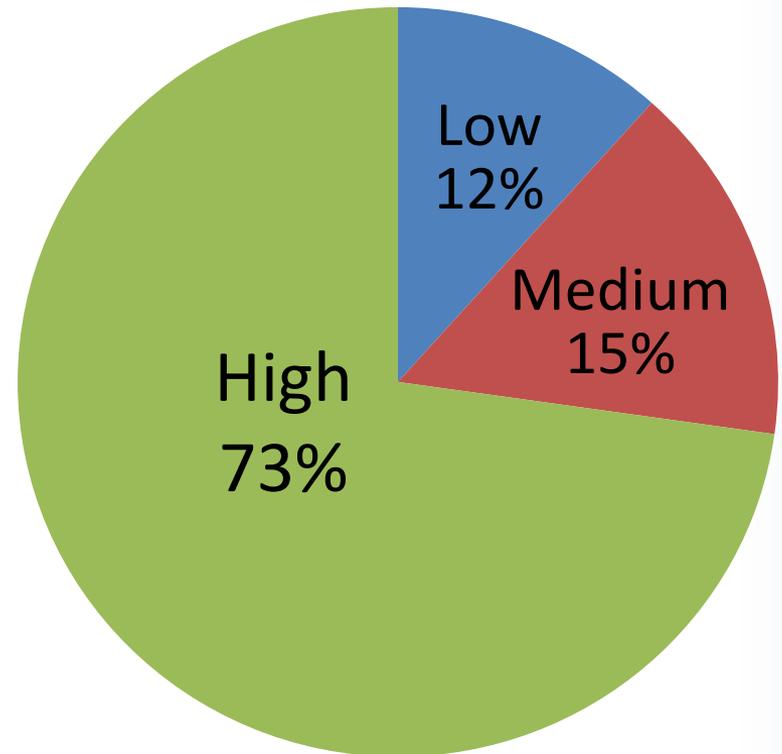
Average Score = 5.3

Range of scores between 0 – 23
(Maximum possible is 23)

Low (Zero): 11.63% (94)

Medium (1 or 2): 15.59% (126)

High (3+): 72.77% (588)



Source: USC Institute for Families in Society | Division of Policy and Research on Medicaid and Medicare

Initial Results on 808 People Screened with GAIN-SS

	High Risk *
Internalizing Disorder (Sub-screen section) (depression, anxiety, suicidal tendencies, acute/PTSD)	512 (63%)
Externalizing Disorder (Sub-screen section) (e.g., attention deficit hyperactivity, conduct disorder, aggression/violence)	209 (26%)
Substance Disorder (Sub-screen section) (substance abuse/dependence frequency of use, effect on daily activity and degree of dependency)	72 (9%)
Crime and Violence Disorder (Sub-screen section) (e.g., interpersonal violence, property crime and drug-related crime)	14 (2%)
Total GAIN-SS Scores (includes all Sub-screen sections)	588 (72%)

* High Risk = 3+

** People may be counted in multiple sub-screen sections

Launched New Transparency Site January 2014 – SCHealthData.org

- Initial launch with hospital cost data and operations trends
- Future phases
 - Additional provider types
 - Procedure level costs
 - Quality data
 - Value pricing concepts

Broad Collaboration

- South Carolina Hospital Association
- Working with PEBA/SHP and ORS on future phases

Complimented by SCHealthViz.org

- SC population health data website
- Designed to provide greater transparency in state Medicaid data
- Future phases to provide interactive access to create individualized reports

**FY 2015 SCDHHS
Executive Budget**

**FY 2015
Executive Budget**

	FY 2014 Base Appropriation	FY 2015 Executive Budget	Variance	%
Medicaid Assistance	\$ 5,289,615,985	\$ 5,609,214,756	\$ 319,598,771	6%
State Agencies & Other Entities	\$ 923,663,235	\$ 942,170,068	\$ 18,506,833	2%
Personnel & Benefits	\$ 65,022,385	\$ 65,022,385	\$ -	0%
Medical Contracts & Operating	\$ 204,161,456	\$ 261,374,005	\$ 57,212,549	28%
Total Base Appropriation	\$ 6,482,463,061	\$ 6,877,781,214	\$ 395,318,153	6%
Member Months	13,366,484	13,648,483	281,999	2%
PMPM	\$ 484.98	\$ 503.92	\$ 18.94	4%

**FY 2015 Executive Budget
by Source of Funds**

	State General Funds	Other Funds	Federal Funds	Total Funds
FY 2015 SCDHHS Submission	\$ 1,248,666,964	\$ 899,629,871	\$ 4,801,278,321	\$ 6,949,575,156
FY 2015 Executive Budget	\$ 1,150,937,195	\$ 967,565,701	\$ 4,759,278,318	\$ 6,877,781,214
FY 2014 Base Appropriation	\$ 1,094,937,195	\$ 912,856,205	\$ 4,474,669,661	\$ 6,482,463,061
Match Transfers (Net \$0 impact to state)	\$ 3,900,563	\$ (3,900,563)	\$ -	\$ -
Public Health/Program Annualizations	\$ 17,682,000	\$ -	\$ 42,318,000	\$ 60,000,000
Growth (Enrollment, Inflation, Efficiency & Sustainability)	\$ 65,049,271	\$ 4,744,670	\$ 169,243,232	\$ 239,037,173
Technical Adjustments/Administrative Increases	\$ 17,393,378	\$ (7,453,649)	\$ 41,591,251	\$ 51,530,980
Nonrecurring Revenue Stepdown	\$ (61,319,037)	\$ 61,319,037	\$ -	\$ -
Waiver Slot Efforts	\$ 13,293,825	\$ -	\$ 31,456,175	\$ 44,750,000
FY 2015 Increase in Budget	\$ 56,000,000	\$ 54,709,495	\$ 284,608,658	\$ 395,318,153

Reflects funding needs and program priorities based on current enrollment and inflationary cost projections

Focus on meeting current commitments:

- Decrease waiting lists for individuals and families living with intellectual disabilities
- Enrolling currently eligible but unenrolled
- Maintenance of competitive reimbursement rates for providers to ensure access

	Expenditures	% Increase over FY 2014 Projection	% Increase over FY 2014 Appropriation	% of Total Increase
FY 2014 Projection	\$ 6,150,000,000			
FY 2014 Base Appropriation	\$ 6,482,463,061			
FY 2015 Executive Budget Increases - Total Funds				
Obesity	\$ 10,500,000	0.17%	0.16%	2.66%
Incontinence Supplies	\$ 8,000,000	0.13%	0.12%	2.02%
Adult Preventative Dental	\$ 35,000,000	0.57%	0.54%	8.85%
Enhanced Screening	\$ 6,500,000	0.11%	0.10%	1.64%
Total Public Health/Program Annualizations	\$ 60,000,000	0.98%	0.93%	15.18%
ACA Annualization	\$ 247,800,000	4.03%	3.82%	62.68%
Enrollment Projection Change	\$ (110,515,352)	-1.80%	-1.70%	-27.96%
Inflation	\$ 94,235,858	1.53%	1.45%	23.84%
Enhanced Physician Fee Schedule	\$ 33,750,000	0.55%	0.52%	8.54%
Dual Eligible Demonstration Project	\$ 16,100,000	0.26%	0.25%	4.07%
Payment Reform & Quality Initiatives	\$ (42,333,333)	-0.69%	-0.65%	-10.71%
Total Growth (Enrollment, Inflation, Efficiency & Sustainability)	\$ 239,037,173	3.89%	3.69%	60.47%
Increases in other operating/administrative expense	\$ 57,212,549	0.93%	0.88%	14.47%
Other technical adjustments and minor program increases	\$ (5,681,569)	-0.09%	-0.09%	-1.44%
Technical Adjustments/Administrative Increases	\$ 51,530,980	0.84%	0.79%	13.04%
Waiver Slot Efforts	\$ 44,750,000	0.73%	0.69%	11.32%
Total	\$ 395,318,153	6.43%	6.10%	100.00%

Public Health Initiatives and Program Annualizations

	General Funds	Federal Funds	Total Funds
Obesity	\$ 3,094,350	\$ 7,405,650	\$ 10,500,000
Enhanced Screening	\$ 1,915,550	\$ 4,584,450	\$ 6,500,000
Incontinence Supplies	\$ 2,357,600	\$ 5,642,400	\$ 8,000,000
Adult Preventive Dental	\$ 10,314,500	\$ 24,685,500	\$ 35,000,000
Total	\$ 17,682,000	\$ 42,318,000	\$ 60,000,000

Improvements to public health

- Provide access to obesity management programs and services
- Provide comprehensive screening to limited benefit program
- Provide preventive and restorative dental benefits for adults

Meet federal mandate for incontinence supplies for full benefit beneficiaries

Growth (Enrollment, Inflation, Efficiency & Sustainability)

	General Funds	Other Funds	Federal Funds	Total Funds
ACA Annualization	\$ 72,708,660	\$ -	\$ 175,091,340	\$ 247,800,000
Enrollment Projection Change	\$ (33,813,345)	\$ -	\$ (76,702,007)	\$ (110,515,352)
Inflation	\$ 28,907,830	\$ -	\$ 65,328,028	\$ 94,235,858
Enhanced Physician Fee Schedule	\$ 9,946,126	\$ -	\$ 23,803,874	\$ 33,750,000
Dual Eligible Demonstration Project	\$ -	\$ 4,744,670	\$ 11,355,330	\$ 16,100,000
Payment Reform & Quality Initiatives	\$ (12,700,000)	\$ -	\$ (29,633,333)	\$ (42,333,333)
Total Increase	\$ 65,049,271	\$ 4,744,670	\$ 169,243,232	\$ 239,037,173

Annualization of enrollment for currently eligible but unenrolled population

Updates to projections based on real experience and changes in ACA

Inflation growth of 1.53% is lower than national trends in health care spending growth (Source: Centers for Medicare and Medicaid Services)

Initiatives to build and maintain primary care capacity and improve quality

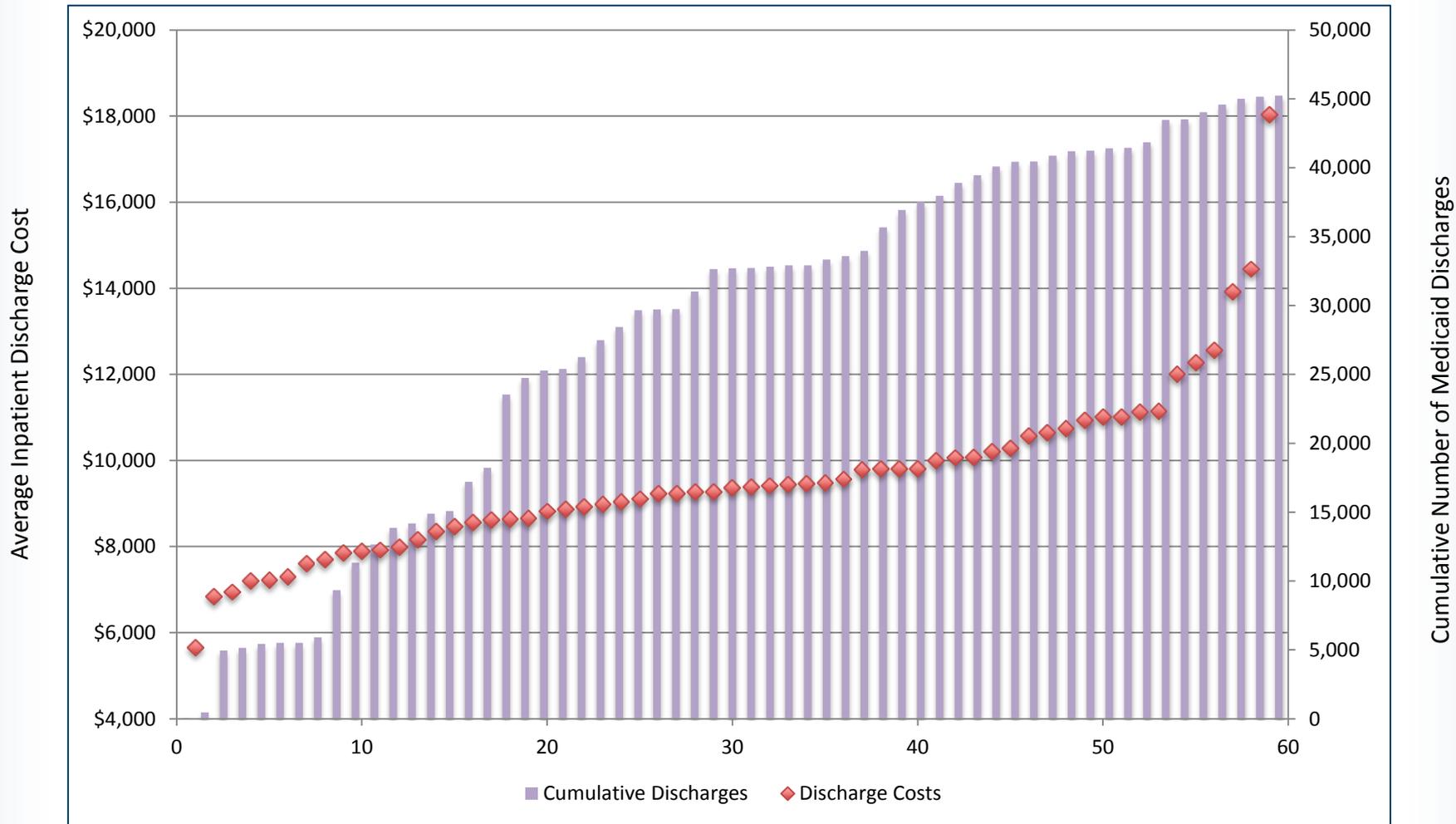
Enhance hospital readmissions policy to penalize payment for unnecessary hospital readmissions after an initial hospital stay

Site-neutral payments for physician practice services

Strengthen current policy regarding prohibited payments for Hospital Acquired Conditions (HACs)

Normalize hospital reimbursements for Diagnosis Related Groups (DRGs)

Discharge Information by Hospital



Technical Adjustments/Administrative Increases				
	General Funds	Other Funds	Federal Funds	Total Funds
Increases in Other Operating/Administrative Expense	\$ 21,279,575	\$ 9,746,958	\$ 26,186,016	\$ 57,212,549
Other Technical Adjustments & Minor Program Increases	\$ 8,113,803	\$ (17,200,607)	\$ 3,405,235	\$ (5,681,569)
Favorable FMAP Changes	\$ (12,000,000)	\$ -	\$ 12,000,000	\$ -
Total	\$ 17,393,378	\$ (7,453,649)	\$ 41,591,251	\$ 51,530,980

Administrative Expenses Include:

IT Projects

- Mandatory system changes for ACA requirements (one-time)
- Mandated ICD-10 changes (one-time)
- Convert telecommunications to Voice Over IP (VOIP) (one-time)
- Invest in information security staff and infrastructure

Improvements to Beneficiary Customer Service

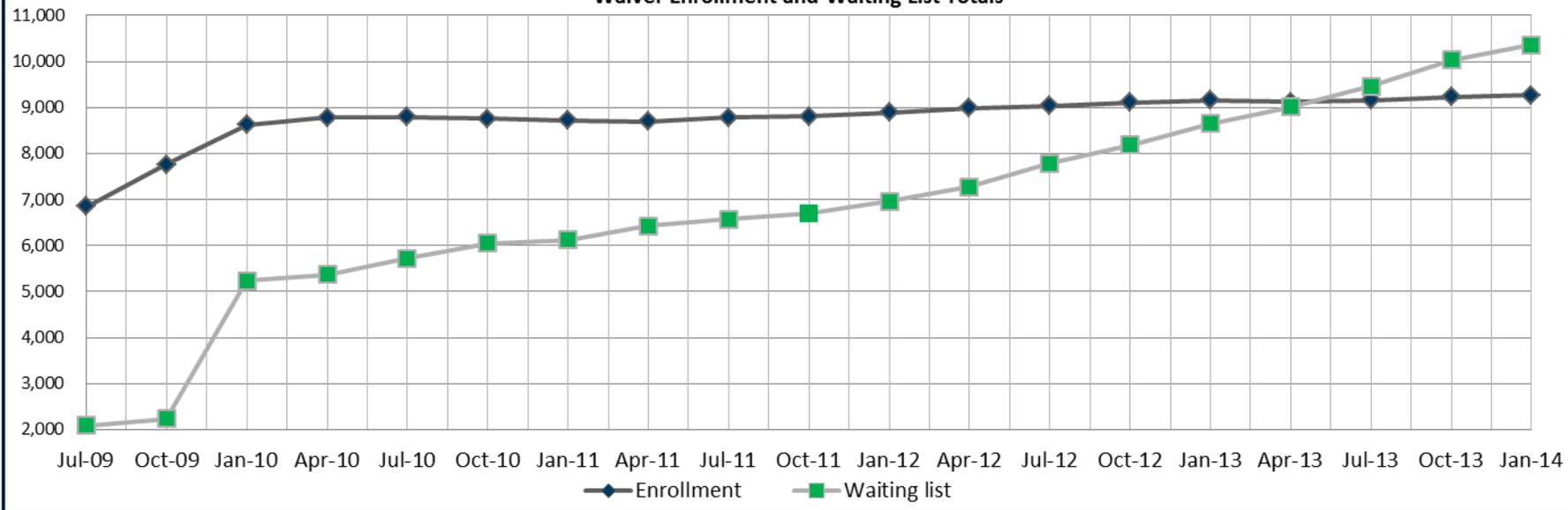
- Expansion of beneficiary call center
- Produce quarterly beneficiary newsletter

Nonrecurring Revenue Stepdown		
	State General Funds	Other Funds
Replacement of MSA with State Funding	\$ 36,000,000	\$ (36,000,000)
Replacement of Cigarette Tax with State Funding	\$ 27,185,649	\$ (27,185,649)
Rebate Utilization	\$ (45,000,000)	\$ 45,000,000
Use of Excess Reserves	\$ (59,504,686)	\$ 59,504,686
Use of Nonrecurring Revenue	\$ (20,000,000)	\$ 20,000,000
Total	\$ (61,319,037)	\$ 61,319,037

Recognizes pharmacy rebates as recurring source of revenue

Utilizes excess reserves above targeted 3%

Waiver Enrollment and Waiting List Totals



Increase provides funding to fill a mix of at least 1,400 Community Supports Waiver and Intellectual Disability and Related Disabilities slots

DHHS, DDSN and local DSN boards working on allocation plan

Waiver Slot Efforts		
State General Fund Increase	\$	13,293,825
Federal Funds	\$	31,456,175
Total Funds	\$	44,750,000

Healthy Connections

