



## **Senate Finance Subcommittee**

# **SCDHHS Budget Presentation**

**March 18, 2015**

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- **FY 2014 Year End**
- **FY 2015 Year-to-Date**
- **FY 2016 Executive Budget**
- **Initiatives Update**
- **Interagency Projects**

**FY 2014 Year End**

	FY 2014 Appropriation	FY 2014 Actuals	Variance	%
Medicaid Assistance	\$ 5,294,920,388	\$ 4,883,572,670	\$ 411,347,718	8%
State Agencies & Other Entities	\$ 923,663,235	\$ 863,559,281	\$ 60,103,954	7%
Personnel & Benefits	\$ 64,799,418	\$ 60,154,544	\$ 4,644,874	7%
Medical Contracts & Operating	\$ 204,261,456	\$ 210,587,479	\$ (6,326,023)	-3%
<b>Total Appropriation</b>	<b>\$ 6,487,644,497</b>	<b>\$ 6,017,873,974</b>	<b>\$ 469,770,523</b>	<b>7%</b>
<b>Funds Available</b>	<b>Ending FY 2013 Balance</b>	<b>Receipts/Disbursements</b>	<b>Ending FY 2014 Balance</b>	
General Fund	\$ 232,565,532	\$ 47,693,193	\$ 280,258,725	
Earmarked Fund	\$ 136,493,773	\$ 96,712,194	\$ 233,205,967	
Restricted Fund	\$ -	\$ -	\$ -	
<b>Sub-total</b>	<b>\$ 369,059,305</b>	<b>\$ 144,405,387</b>	<b>\$ 513,464,692</b>	
<b>Funds Allocated in FY 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (169,885,904)</b>	
<b>Net Available</b>	<b>\$ 369,059,305</b>	<b>\$ 144,405,387</b>	<b>\$ 343,578,788</b>	

- **Full-benefit members as of June 30, 2014 were under initial estimates by 101,628 (9.4%)**
  - Delays in ACA mandates
  - Technical problems with healthcare.gov
  - Account transfer delays
  - Changes in estimates to MAGI-based eligibility
- **Other state agencies are spending/billing below appropriated levels**
- **Provider delays in requesting payment**
- **In FY 2015, a 3% reserve equates to \$206M (36 days of operations)**

**FY 2015  
Year-to-Date**

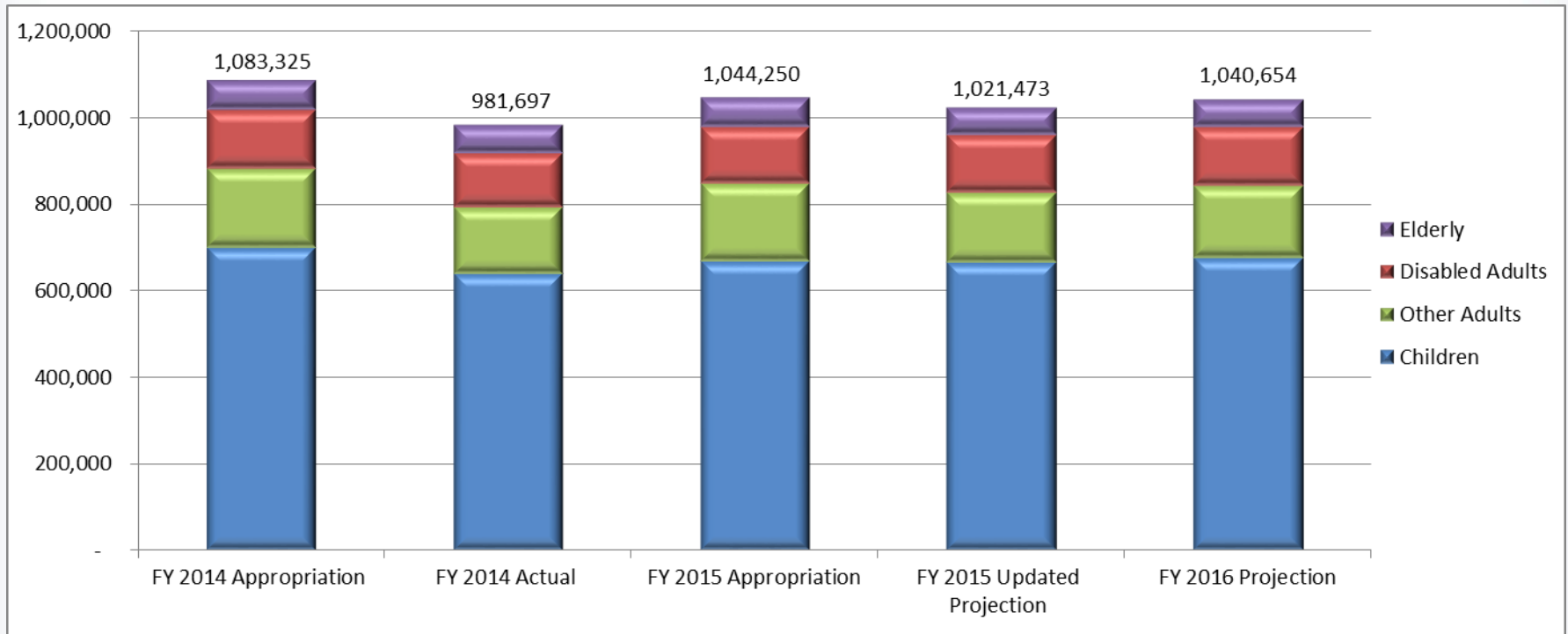
	FY 2015 Appropriation	FY 2015 YTD as of		Projection as a %
		2/28/15 Actuals	FY 2015 Projection	of Appropriation
Medicaid Assistance	\$ 5,667,693,380	\$ 3,559,582,014	\$ 5,615,134,424	99%
State Agencies & Other Entities	\$ 870,397,619	\$ 567,914,619	\$ 863,111,364	99%
Personnel & Benefits	\$ 65,022,385	\$ 46,102,980	\$ 65,020,850	100%
Medical Contracts & Operating	\$ 273,167,948	\$ 98,928,810	\$ 251,555,007	92%
<b>Total</b>	<b>\$ 6,876,281,332</b>	<b>\$ 4,272,528,423</b>	<b>\$ 6,794,821,645</b>	<b>99%</b>

- **SCDHHS spent 62% of its annual appropriation during the first 67% of the year (through February 28, 2015)**
- **Expect to end the fiscal year about 1% under the Total Funds appropriation, potentially using up to \$60M from reserves**



**FY 2016  
Executive Budget**

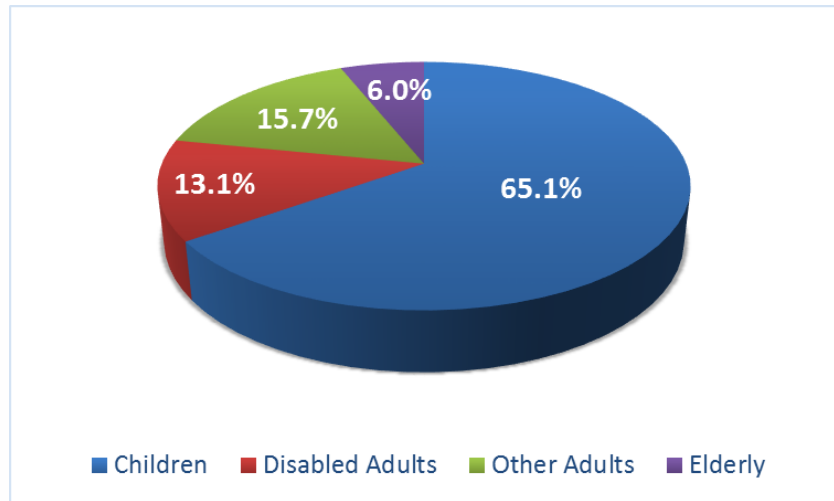
	State Funds	Total Funds
<b>FY 2015 Base Appropriation</b>	<b>\$ 1,117,643,370</b>	<b>\$ 6,864,487,389</b>
<b>FY 2016 Requests</b>		
Autism	\$ 4,863,781	\$ 16,750,000
Waiver Waiting List Reduction	\$ 6,989,467	\$ 24,070,483
Public/Private Mental Health	\$ 7,880,538	\$ 16,215,888
Program Annualizations	\$ 3,831,974	\$ 21,165,738
Growth	\$ 10,945,444	\$ 92,979,589
Cost Savings	\$ (17,422,500)	\$ (60,000,000)
Technical Adjustments	\$ -	\$ 55,032,377
State Agency Transfers - Continuum of Care	\$ 341,046	\$ -
State Agency Transfers - EDC	\$ 6,644,907	\$ -
State Agency Transfers - DDSN	\$ 1	\$ -
Sustainable Funding for Current Programs	\$ 43,018,069	\$ -
Non-recurring Capital	\$ 9,487,993	\$ 9,487,993
<b>FY 2016 Requests (including Non-recurring)</b>	<b>\$ 76,580,720</b>	<b>\$ 175,702,068</b>
<b>FY 2016 Total</b>	<b>\$ 1,194,224,090</b>	<b>\$ 7,040,189,457</b>



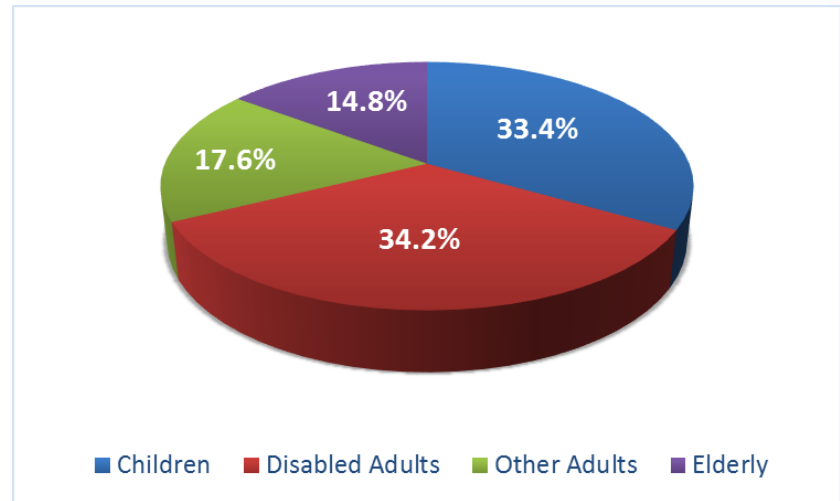
- **YTD full-benefit enrollment is 1,004,258 (through February 28, 2015)**
- **Children represent ¾ of the growth in the full-benefit population, since FY 2012**



**% of Enrollment**

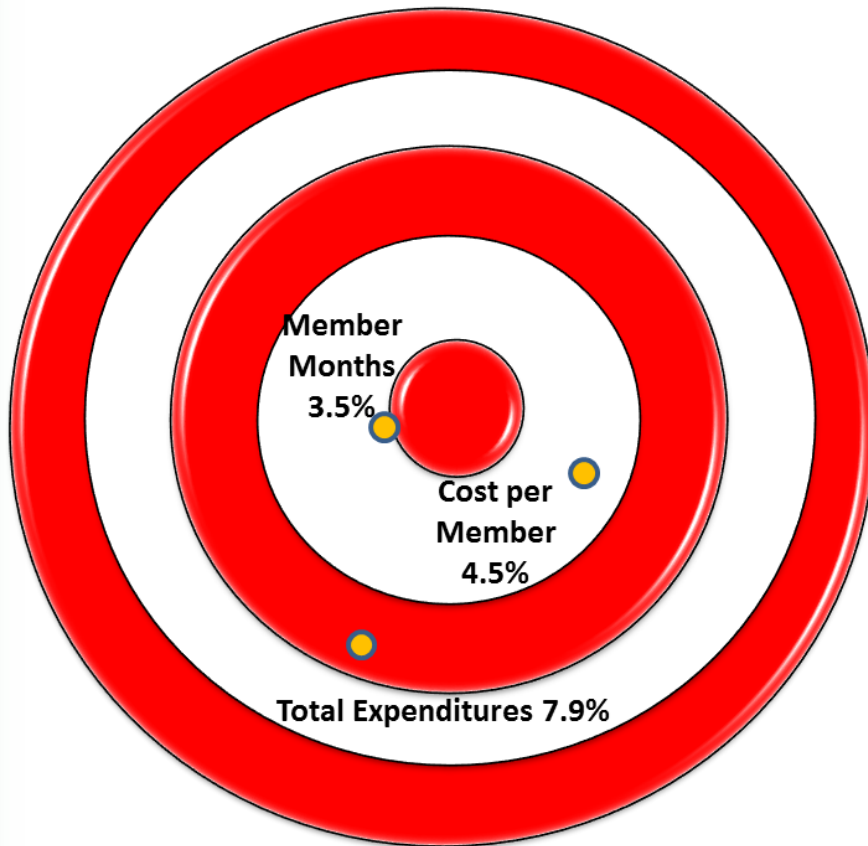


**% of Expenditures**



- **Children represent over 65% of enrollment, but only 33% of projected expenditures**
- **Disabled adults only make up 13% of enrollment, but account for 34% of projected expenditures**

## Average Cost Driver Variances FY 2013 and FY 2014



### Forecasts are affected by:

- **Increases/decreases in eligible members**
- **Increases/decreases in utilization of services by members**
- **Federal mandates and emerging policy issues**
  - Autism
  - HCBS Final Rule
  - RBHS
- **Advances in clinical care**
  - Specialty medicine
  - New technology, equipment



# **Initiatives Update**

## Accountability & Quality Improvement Initiative

Healthy Outcomes Plan (HOP)

Hospital Transparency and DSH

Graduate Medical Education (GME)

OB/GYN & Telemedicine

## Proviso 33.26

- Included in the enacted budget for FY 2015
- State-based plan to improve health while increasing value and transparency
- Builds on FY 2014's Proviso 33.34

- 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 33.26 addresses the root causes of these problems



## As of January 31, 2015:

- 11,622 HOP participants
- Enrollment exceeded FY 2014 target (8,511); FY 2015 goal is 12,756
- 71% of enrollees are under care plan so far
- Focus on high-utilizers of inpatient services and/or emergency rooms
- 58% of enrollees screened are in high need of further evaluation or behavioral health intervention

## Providers

- All 58 Medicaid-designated hospitals are participating (45 HOPs)
- HOPs are paid for each enrollee under care plan management

## Partnerships

- 68 primary care safety net providers (FQHCs, RHCs, Free Clinics) are partnered at 104 sites
- 19 participating behavioral health clinics (DMH, DAODAS)

- **Encourage long-term partnerships between rural hospitals and community, tertiary and teaching facilities**
  - Focus on rural hospitals and non-rural hospitals with significant losses from patient revenue in hotspots
  - Transformation plans should reduce reliance on inpatient admissions, surgery or high-tech diagnostics
- **Disproportionate Share (DSH) pool of \$40M allocated to hospital transformation, pending Centers for Medicare and Medicaid Services (CMS) approval**
  - Up to \$4M per transformation plan
  - Significant resources will likely remain for use in FY 2016
- **SCDHHS' first report to the General Assembly was submitted December 31, 2014**
- **Partnering with Office of Rural Health and SC Hospital Association to provide hospital-specific consulting and technical assistance**

Proviso	Proviso Name	Action	Overview
33.15	Medicaid Cost & Quality Effectiveness	Delete	Most members are in managed care, so remaining FFS population not comparable - report must also be prepared by actuaries (cost)
33.22	Medicaid Accountability & Quality Improvement Initiative	Amend	Executive Budget proposes step-down of several of these programs as part of multi-year funding sustainability program
33.24	Medicaid Non-Emergency Medical Transportation	Delete	Procurement is underway and will be complete by end of FY 2015
33.26	Healthy Connections Prime	Delete	Delayed launch of Healthy Connections Prime, which kicked-off on February 1, 2015
33.27	Hospital Transformation	Amend (Technical)	Contains a FY reference that needs to be updated
33.28	Armed Services Home & Community Based Waiver	Delete	Codified in Act 289 of 2014; proviso now unnecessary
33.29	Child Support Enforcement System	Delete	One-time funds transfer has already occurred
33.30	Medicaid Match Transfer	Establish	Directs DHHS and DDSN to agree on process and timeline for permanently transferring state funds used as match for Medicaid from DDSN to DHHS
117.74	IMD Operations	Amend	Remove SCDHHS as the reviewing agency, given its limited role in tracking Medicaid-only patients



**Interagency  
Projects**



- **New CMS guidance in July directed states to offer services to Medicaid-eligible children diagnosed with Autism Spectrum Disorder (ASD)**
- **Currently, Medicaid-eligible children with ASD are served through the Pervasive Developmental Disorder (PDD) waiver**
  - Open to children ages 3-11
  - 668 currently served
  - 1,451 on waiting list
- **SCDHHS will likely add medically-necessary diagnostic and treatment services to its state plan**
- **CDC estimates 1 in 68 children has ASD**
  - As many as 9,800 Medicaid-eligible children in SC
- **Requesting \$4.9M (\$16.75M total funds) in FY 2016 based on current provider capacity**
  - Costs will climb once provider capacity is developed

- **Collaborative effort between SCDHHS, SCDDSN, and providers to reduce waiver waiting lists for state's most vulnerable population**
- **\$13M in FY 2015 state funds to increase enrollment by 1,400+ in the Intellectual & Related Disabilities (ID/RD) and Community Supports (CS) waivers**
  - All 1,400 slots allocated
  - As of March 6, 2015, enrollment increased by 585 individuals
- **Executive Budget includes \$6.9M in additional state funds (\$24M total funds) in FY 2016 for 1,600 more waiver slots**

- **CMS issued a new Home and Community-Based Services (HCBS) rule in January 2014, establishing new standards for services and settings**
  - Impacts how and where services are delivered
  - Person-centered planning requirements
  - Conflict-free case management
  - HCBS (day and residential) settings requirements
- **Compliance mandated by March 16, 2019**
- **CMS estimated the financial impact nationwide to be \$1.5B**
  - States agree this is a gross underestimate
  - Compliance may require SCDHHS to rebase rates for providers to address rising costs
  - Fiscal impact is expected to begin this spring/summer
- **SCDHHS submitted Statewide Transition Plan on February 26, 2015**
  - Assessment of day and residential facilities will begin this spring, including independent site visits, which will be the first defined cost of compliance with rule

Healthy Connections

