



# Senate Finance Health & Human Services Subcommittee

## SCDHHS Budget Presentation

November 20, 2014

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- FY 2014 Year End
- FY 2015 Status of SC Healthy Connections
- FY 2016 SCDHHS Budget Submission
- Medicaid Accountability and Quality Improvement Initiative (Proviso 33.26)
- Issues and Updates

**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>\$</b>	<b>6,487,644,497</b>	<b>\$</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	\$	-	\$	-	\$	-
Funds Allocated in FY 2015	\$	-	\$	-	\$	(159,385,904)
<b>Net Available</b>	<b>\$</b>	<b>369,059,305</b>	<b>\$</b>	<b>144,405,387</b>	<b>\$</b>	<b>354,078,788</b>
<b>Funds Needed to Maintain 3% Reserves</b>					<b>\$</b>	<b>206,288,440</b>

- **Member months are 802,844 (6.0%) under appropriated levels due to:**
  - **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**



**FY 2015 Status of SC  
Healthy Connections**

	FY 2015 Appropriation	FY 2015 YTD as of 9/30/14 Actuals	%
Medicaid Assistance	\$ 5,609,214,756	\$ 1,330,142,824	24%
State Agencies & Other Entities	\$ 928,876,243	\$ 239,419,585	26%
Personnel & Benefits	\$ 65,022,385	\$ 16,347,365	25%
Medical Contracts & Operating	\$ 273,167,948	\$ 18,202,013	7%
<b>Total</b>	<b>\$ 6,876,281,332</b>	<b>\$ 1,604,111,787</b>	<b>23%</b>

- **SCDHHS spent 23% of its annual appropriation during the first 25% of the year (through September 30)**
- **Gap between forecasted and actual expenditures will close as the year progresses due to ramp-up of adult preventive dental, obesity, and enhanced screening services**
- **Expect to end the fiscal year within 3% of the appropriation**



**FY 2016 SCDHHS  
Budget Submission**

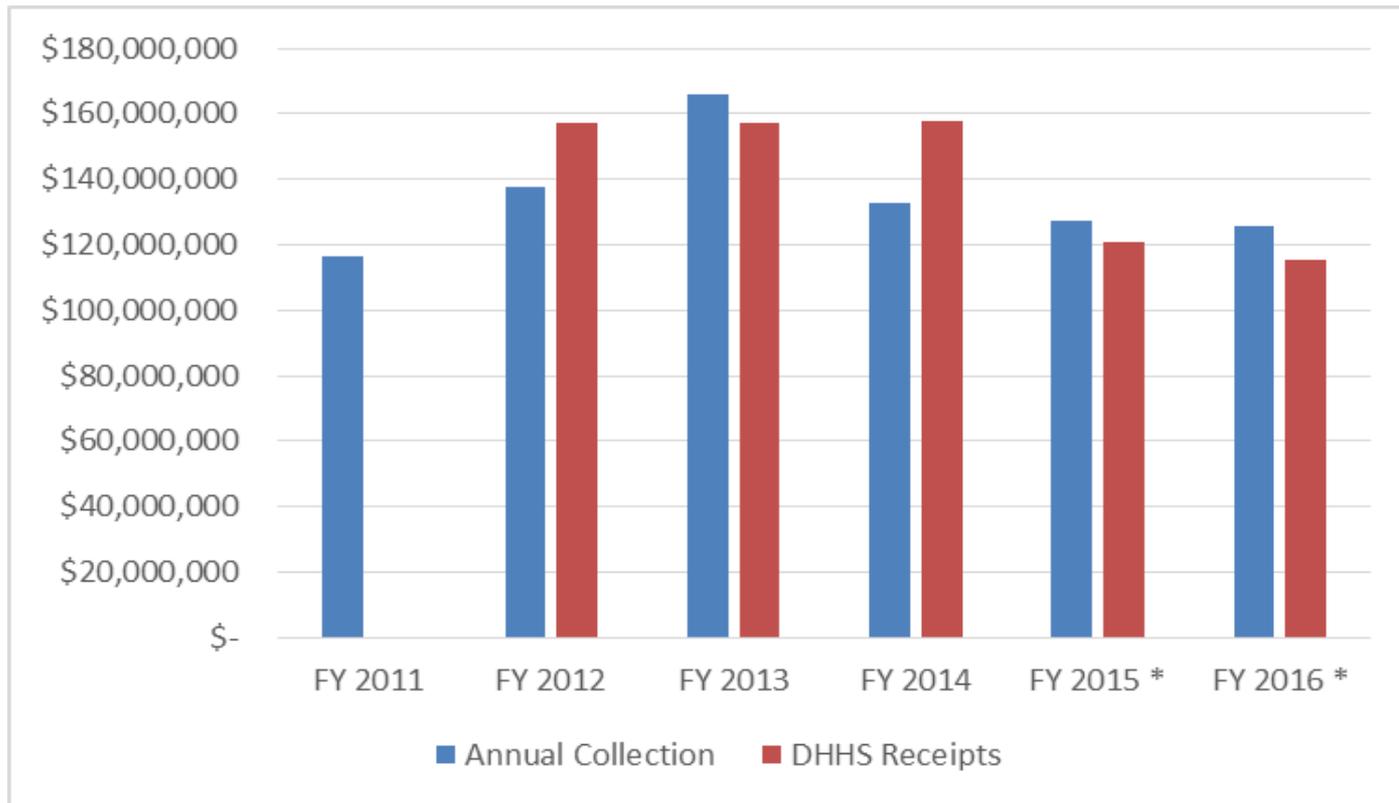
## FY 2016 Budget Submission to Executive Budget Office

	Total Funds	State Funds
FY 2015 Base Appropriation	\$ 6,864,487,389	\$ 1,117,643,370
<b>FY 2016 Changes</b>	<b>\$ 203,492,707</b>	<b>\$ 136,400,554</b>
Autism	\$ 30,000,000	\$ 8,711,250
Waiver Waiting List Reduction	\$ 24,070,483	\$ 6,989,467
Public/Private Mental Health	\$ 16,215,888	\$ 7,880,538
Program Annualizations and Growth	\$ 67,968,063	\$ 1,368,695
Technical Adjustments	\$ 54,750,307	\$ -
State Agency Transfers - Continuum of Care	\$ -	\$ 341,046
State Agency Transfers - EDC	\$ -	\$ 6,644,907
Sustainable Funding for Current Programs	\$ -	\$ 93,976,686
Non-recurring Capital	\$ 10,487,966	\$ 10,487,966
<b>FY 2016 Total</b>	<b>\$ 7,067,980,096</b>	<b>\$ 1,254,043,924</b>

*The Executive Budget in January 2015 serves as the agency's final request*

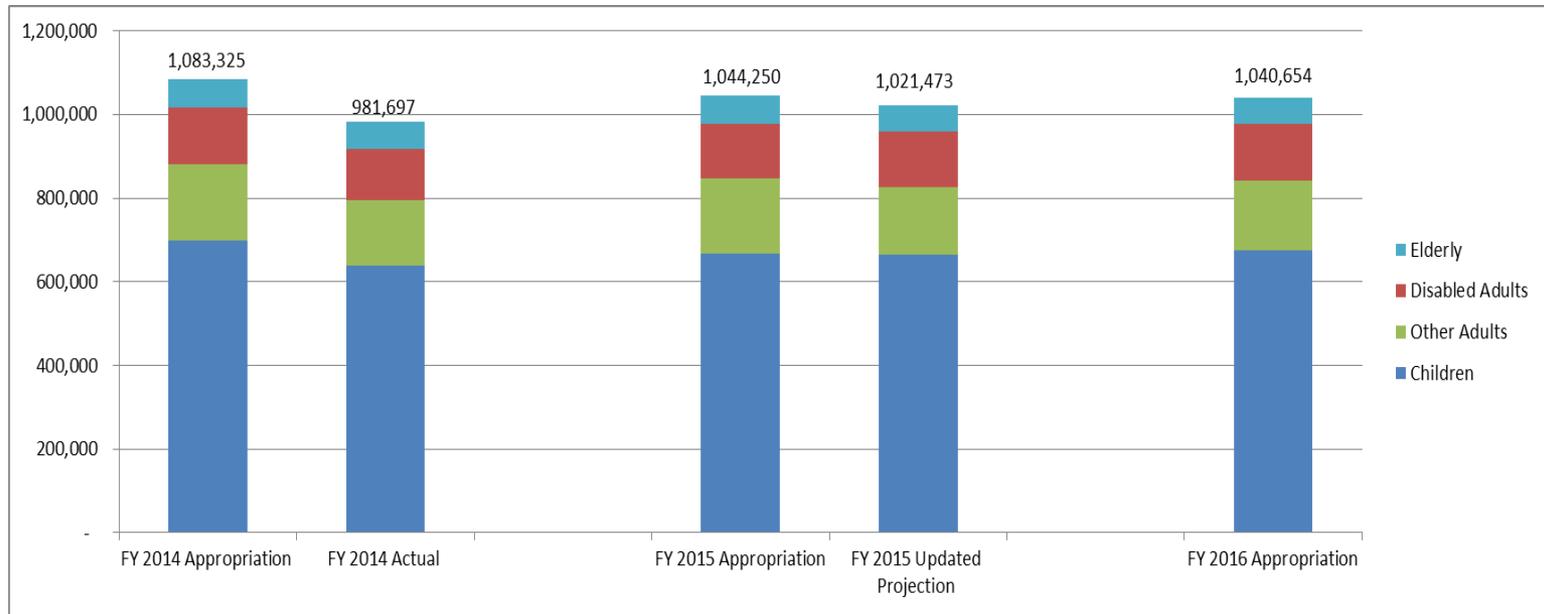
### Focus on meeting current commitments:

- Autism
- Children's Mental Health
- Decrease waiting lists for individuals and families living with intellectual disabilities
- Maintenance of competitive reimbursement rates for providers to ensure access



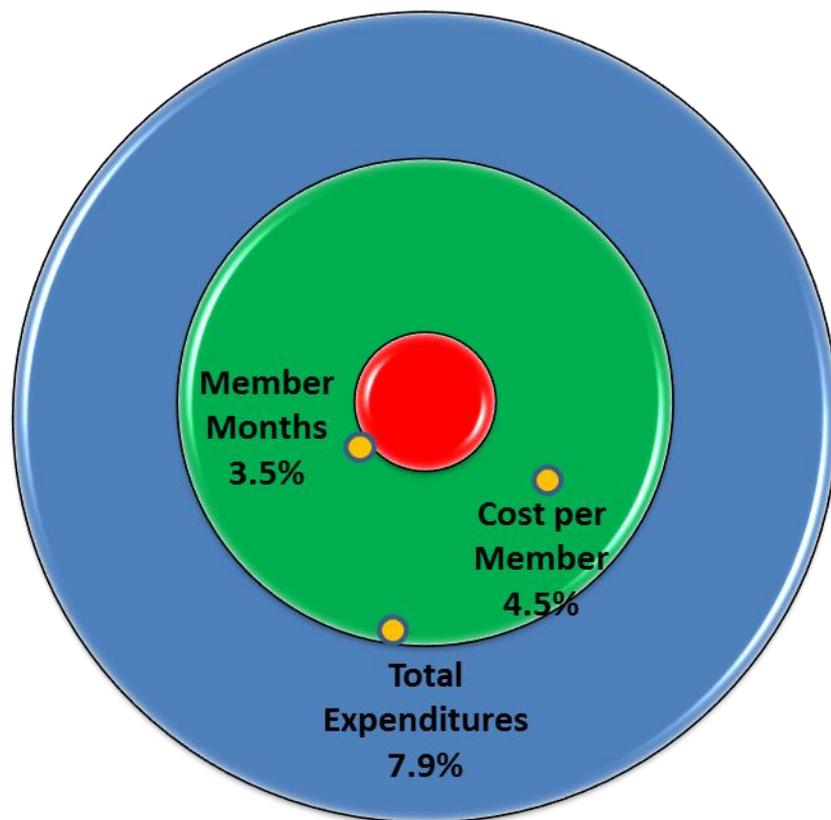
- **After initial ramp-up, annual cigarette tax collections are stabilizing**

*\* Estimated amounts*



- **Full-benefit enrollment is 1,018,171, year-to-date (through September 30)**
- **Children represent 71.6% of total enrollment growth of the full-benefit population, since FY 2012**

## 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
- Unfunded federal mandates to provide new services
  - Autism
  - HCBS Final Rule
- Emerging health issues
  - Ebola
  - Enterovirus
- New high-cost pharmaceuticals
  - Sovaldi
  - Kalydeco

**Medicaid Accountability and  
Quality Improvement  
Initiative (Proviso 33.26)**

## Components of Proviso 33.26

Healthy Outcomes Plan (HOP)

Hospital Transparency and DSH

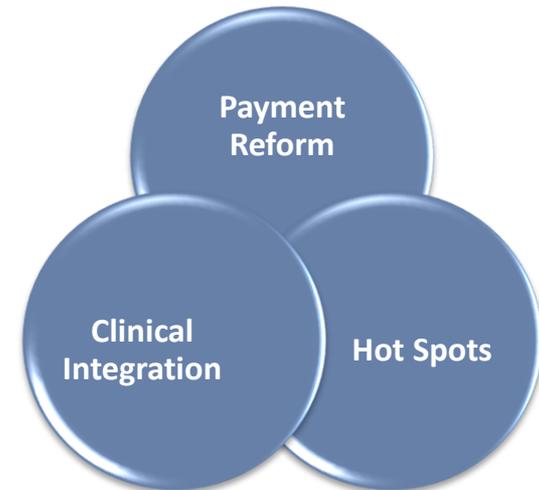
Graduate Medical Education (GME)

OB/GYN & Telemedicine

## Proviso 33.26

- Outcome of the General Assembly's FY 2015 budget
- State-based plan to improve health while increasing value and transparency
- Builds from FY 2014 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 September 30, 2014:

- 9,592 HOP participants
- Enrollment exceeds FY 2014 target (8,511); FY 2015 goal is 12,756
- Focus on high-utilizers of inpatient services and/or emergency rooms
- 68% of enrollees are in high need of behavioral health intervention

## Providers

- All 58 Medicaid-designated hospitals are participating (46 HOPs)
- HOPs are paid for each enrollee under care plan management

## Partnerships

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

# Issues and Updates

- **Collaborative effort between SCDDSN and SCDHHS to reduce waiver waiting list for state's most vulnerable population**
- **\$13M state funds allocated for 1,400 slots for Intellectual & Related Disabilities (ID/RD) and Community Supports (CS) waivers in FY 2015**
  - All 1,400 slots were allocated
  - As of October 31, 2014, 241 were successfully enrolled and are now receiving services
- **Additional \$6.9M in state funds (\$24M total funds) requested in FY 2016 for 1,600 additional waiver slots**

- **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
  - 635 currently served
  - 1,300 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 \$8.7M (\$30M total funds) in FY 2016 based on current provider capacity**
  - Costs likely to double once provider capacity is sufficient

- **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
  - HCBS (day and residential) 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 FY 2017
- **SCDHHS continues to hold public meetings to gather feedback**
  - Proposed transition plan due to CMS in January 2015

- **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
- **SCDHHS' first report to the General Assembly due January 1, 2015**
  - Public comments are due today, but will be accepted until the end of the month

March  
2010

**CMS notified DHHS that waiver-related administrative expenses must be claimed at 50/50, not 70/30**

June  
2011

**CMS reaffirmed its assessment that 50/50 is the correct rate**

August  
2011

**CMS mandated compliance with 50/50 match, retroactively effective to January 1, 2011**

September  
2011

**DHHS began withholding funds and returning to CMS**

December  
2014

**DHHS and DDSN will implement an administrative contract retroactive to October 1, 2014**

Healthy Connections

