Senate Finance Health & Human Services Subcommittee

SCDHHS Budget Presentation

November 20, 2014
Christian L. Soura

- 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 Year End**

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

### Medicaid Assistance

<table>
<thead>
<tr>
<th>FY 2014 Appropriation</th>
<th>FY 2014 Actuals</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,294,920,388</td>
<td>$4,883,572,670</td>
<td>$411,347,718</td>
<td>8%</td>
</tr>
</tbody>
</table>

### State Agencies & Other Entities

<table>
<thead>
<tr>
<th>FY 2014 Appropriation</th>
<th>FY 2014 Actuals</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$923,663,235</td>
<td>$863,559,281</td>
<td>$60,103,954</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Personnel & Benefits

<table>
<thead>
<tr>
<th>FY 2014 Appropriation</th>
<th>FY 2014 Actuals</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$64,799,418</td>
<td>$60,154,544</td>
<td>$4,644,874</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Medical Contracts & Operating

<table>
<thead>
<tr>
<th>FY 2014 Appropriation</th>
<th>FY 2014 Actuals</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$204,261,456</td>
<td>$210,587,479</td>
<td>$(6,326,023)</td>
<td>-3%</td>
</tr>
</tbody>
</table>

### Total Appropriation

<table>
<thead>
<tr>
<th>FY 2014 Appropriation</th>
<th>FY 2014 Actuals</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,487,644,497</td>
<td>$6,017,873,974</td>
<td>$469,770,523</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Funds Available

<table>
<thead>
<tr>
<th>Ending FY 2013 Balance</th>
<th>Receipts/Disbursements</th>
<th>Ending FY 2014 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$232,565,532</td>
<td>$280,258,725</td>
</tr>
<tr>
<td>Earmarked Fund</td>
<td>$136,493,773</td>
<td>$233,205,967</td>
</tr>
<tr>
<td>Restricted Fund</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Funds Allocated in FY 2015</td>
<td>$-</td>
<td>$(159,385,904)</td>
</tr>
<tr>
<td>Net Available</td>
<td>$369,059,305</td>
<td>$354,078,788</td>
</tr>
</tbody>
</table>

Funds Needed to Maintain 3% Reserves: $206,288,440
FY 2015 Status of SC
Healthy Connections
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
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

### FY 2016 Budget Submission to Executive Budget Office

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