

# South Carolina Department of Health and Human Services

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

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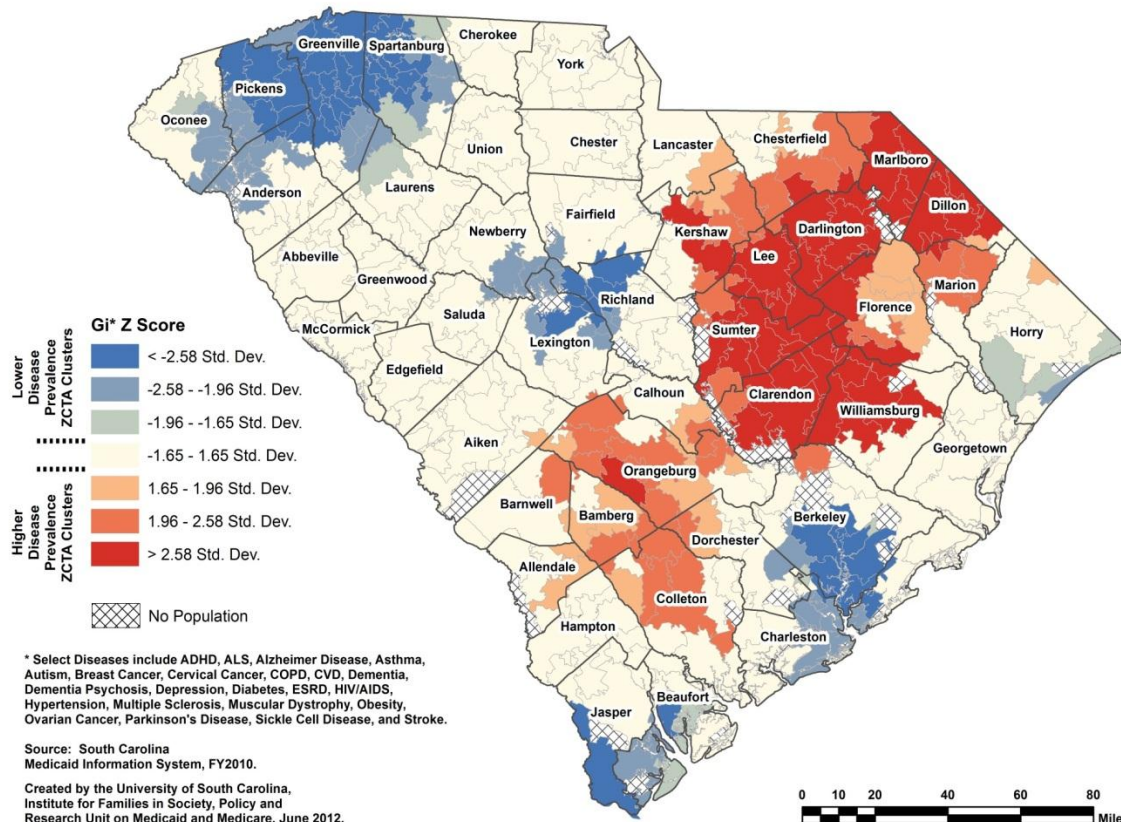
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# Section 1: Purchasing Health in SC

# 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)

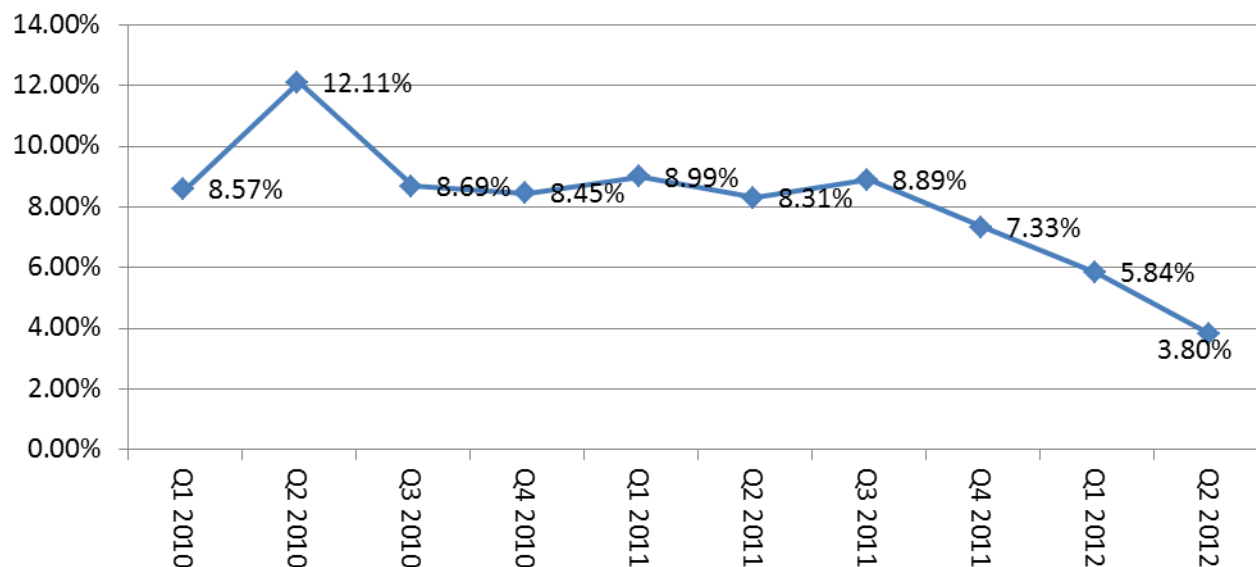
***Purchasing Quality  
Health Outcomes***

***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*

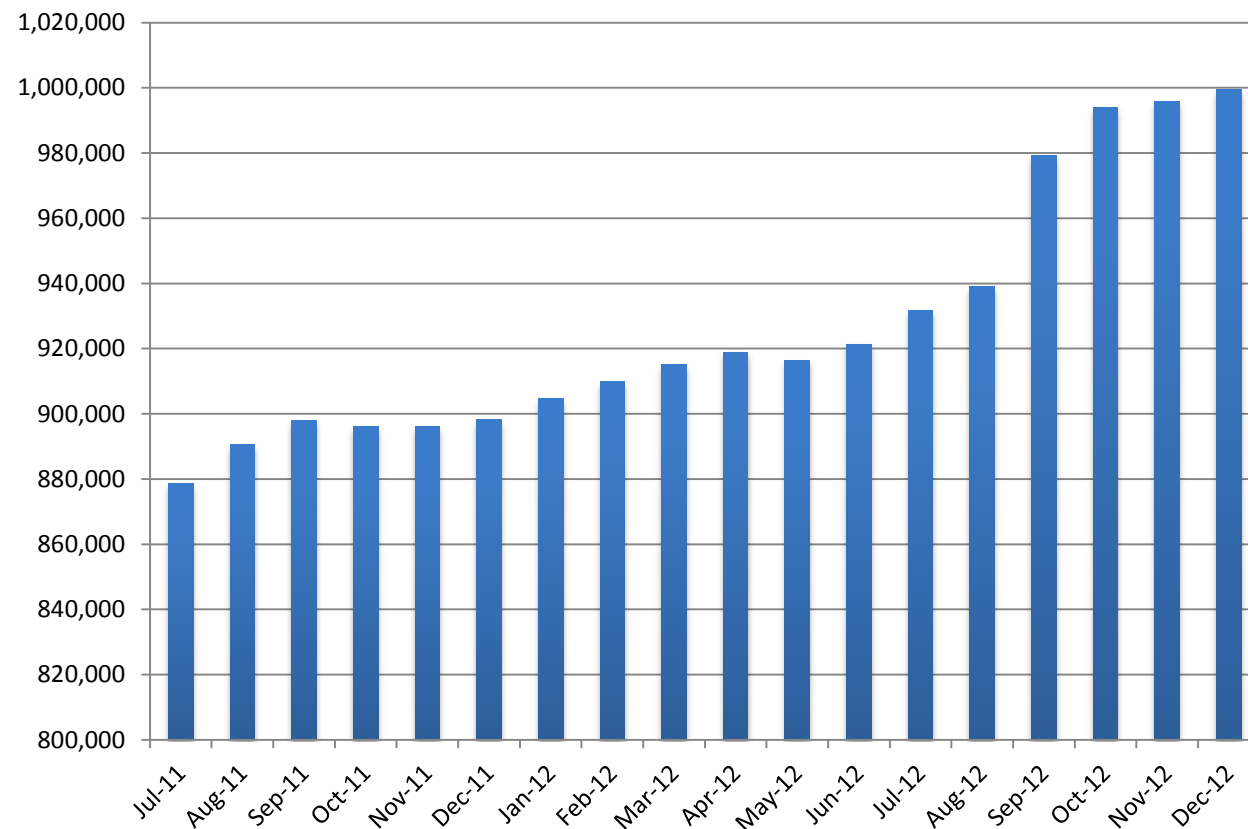
*These efforts resulted in savings of \$6 million for first quarter FY 2013*



## 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
<b>SCDHHS Medicaid Assistance</b>					
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%
<b>Total SCDHHS Medicaid Assistance</b>	<b>\$ 4,779,810,436</b>	<b>\$ 1,848,251,025</b>	<b>38.7%</b>	<b>\$ 2,013,098,240</b>	<b>91.8%</b>
<b>SCDHHS Other Health Programs</b>					
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%
<b>State Agencies &amp; Other Entities</b>	<b>\$ 932,327,592</b>	<b>\$ 365,821,899</b>	<b>39.2%</b>	<b>\$ 377,442,817</b>	<b>96.9%</b>
<b>Medical Contracts</b>					
Medical Contracts	\$ 152,028,949	\$ 26,156,459	17.2%	\$ 38,007,237	68.8%
Non-Recurring/Capital Program	-	-	-	\$ -	-
<b>Total Medical Contracts</b>	<b>\$ 152,028,949</b>	<b>\$ 26,156,459</b>	<b>17.2%</b>	<b>\$ 38,007,237</b>	<b>68.8%</b>
<b>SCDHHS Operating Expenditures</b>					
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%
<b>Total SCDHHS Operating Expenditures</b>	<b>\$ 82,786,108</b>	<b>\$ 31,282,211</b>	<b>37.8%</b>	<b>\$ 34,494,212</b>	<b>90.7%</b>
<b>Total Budget to Actuals</b>	<b>\$ 5,946,953,085</b>	<b>\$ 2,271,511,594</b>	<b>38.2%</b>	<b>\$ 2,463,042,506</b>	<b>92.2%</b>

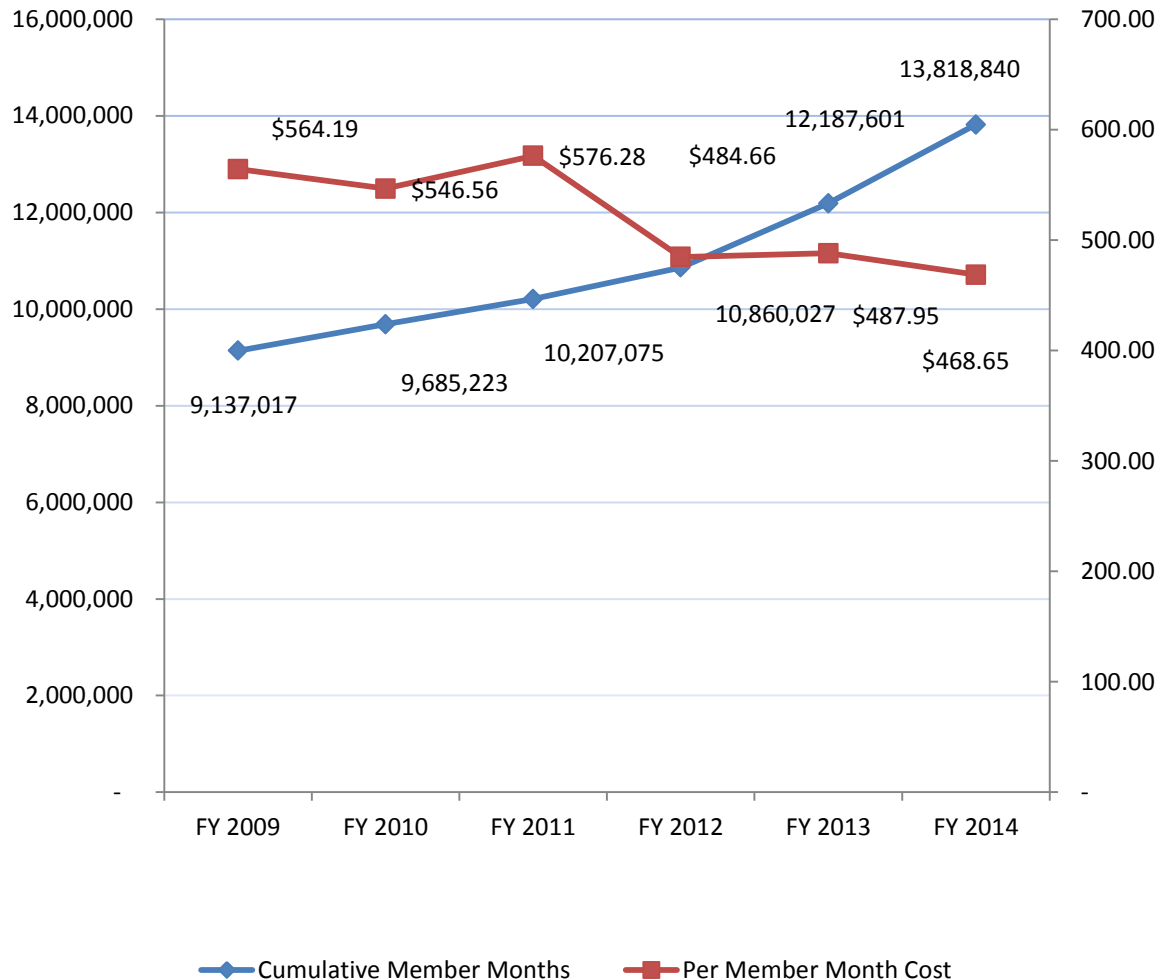
*As of November 30, 42.3% of the fiscal year has passed*

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

# 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
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### Annualization Management Funding

Proviso 118.8 Cigarette Tax Collections	(20,135,000)		20,135,000	-
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Proviso 118.3(B) Health Tobacco Settlement Trust	(61,600,000)	-	61,600,000	-
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<b>Subtotal - Source of Funding Adjustments to Original New Spending Submission</b>	<b>\$ (81,735,000)</b>	<b>\$ -</b>	<b>\$ 81,735,000</b>	<b>\$ -</b>
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### Changes to Original New Spending Request

MMIS Replacement*	(1,800,000)	-	-	(1,800,000)
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Changes to FMAP rates	(14,553,123)	2	-	(14,553,122)
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Savings and Efficiencies	(20,693,307)	-	-	(20,693,307)
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<b>Subtotal - Decreases to Expenditure from the Original New Spending Submission</b>	<b>(37,046,430)</b>	<b>2</b>	<b>-</b>	<b>(37,046,429)</b>
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<b>Total Executive Budget Changes</b>	<b>\$ (118,781,430)</b>	<b>\$ 2</b>	<b>\$ 81,735,000</b>	<b>\$ (37,046,429)</b>
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<b>Total Executive Budget Proposal</b>	<b>\$ 1,169,389,778</b>	<b>\$ 4,474,669,661</b>	<b>\$ 829,659,838</b>	<b>\$ 6,473,719,276</b>
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	\$ 118,781,430	\$ (2)	\$ (81,735,000)	\$ 37,046,429
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Amount above includes:

### General Fund

Maintenance of Effort	\$ 1,103,839,399
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New Spending Initiatives	67,350,379
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<b>Total General Fund</b>	<b>\$ 1,171,189,778</b>
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\*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			
Major Program Use		FY 2014 Executive Budget	
<b>Medicaid Assistance</b>		\$	4,713,866,504
<b>Other Medicaid Health Programs</b>			
State Agencies/Other Entities		\$	923,663,235
<b>Medical Contracts</b>			
Medical Health Contracts		\$	175,614,817
<b>Operating Expenditures</b>			
Personnel & Benefits			
Personnel Costs	\$ 48,480,515		
Benefits	16,164,805		
Total Personnel & Benefits		\$	64,645,320
Other Operating			28,546,639
<b>Total Operating Expenditures</b>		\$	93,191,959
<b>New Funding Requests:</b>			
<b>New Program Initiatives</b>			
Medicaid Enrollment Growth		\$	231,605,883
ACA Mandated Growth			321,048,000
Dual Eligible Project			14,600,000
Fraud & Abuse Audit Staff			128,878
<b>Total New Program Initiatives</b>		\$	567,382,761
<b>Non-recurring Capital Request</b>		\$	1,800,000
<b>Total New Funding Requests - All Funds</b>		\$	569,182,761
<b>Total Appropriated Budget WITH New Spending Initiatives &amp; Capital Requests</b>		\$	6,475,519,276
<b>FY 2013 Budget Appropriation WITH Capital Requests - July 1</b>		\$	5,946,703,007
<b>% Change</b>			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*

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