

DHHS Original FY 2013 Budget Request

Summary of FY 2013 DHHS Budget Request

Appropriation Purpose:	General Fund & Capital Reserve Fund	Federal Funds	Total Other Funds	TOTAL FUNDS
Base Appropriation for Maintenance of Effort:				
Continuation of Base Budget	\$ 917,495,132	\$ 3,221,907,596	\$ 615,129,975	\$ 4,754,532,703
Annualization Management Funding (Non-recurring in FY 2012)	\$ 242,729,457	\$ 576,748,788	\$ -	\$ 819,478,245
Subtotal - Base Appropriation Request for Maintenance of Effort	\$ 1,160,224,589	\$ 3,798,656,384	\$ 615,129,975	\$ 5,574,010,948
New Spending Requests	\$ 103,799,862	\$ 245,840,718	\$ -	\$ 349,640,580
Non-recurring Capital Request	\$ 7,157,264	\$ 30,353,993	\$ -	\$ 37,511,257
Total FY 2013 Original DHHS Budget Request	\$ 1,271,181,715	\$ 4,074,851,095	\$ 615,129,975	\$ 5,961,162,785
Total Executive Budget Proposal *	\$ 1,100,910,268	\$ 4,063,640,600	\$ 780,911,732	\$ 5,945,462,600
FY 2012 Approved Appropriation - All Funds				\$ 5,796,543,317
% Change				2.6%

*** Above amount includes:**

General Fund	
Maintenance of Effort	\$ 994,442,832
New Spending Initiatives	99,310,172
Total General Fund	\$ 1,093,753,004
Capital Reserve Fund	\$ 7,157,264
Total General Fund & Capital Reserve Fund	\$ 1,100,910,268

Changes to DHHS Original Budget with Executive Budget

Executive Budget Changes from DHHS Requested Budget

	General Fund & Capital Reserve Fund	Federal Funds	Total Other Funds	TOTAL FUNDS
Total FY 2013 Original DHHS Budget Request	\$ 1,271,181,715	\$ 4,074,851,095	\$ 615,129,975	\$ 5,961,162,785
Annualization Management Funding				
Proviso 90.16 - Cigarette Tax Collections	(157,299,845)		157,299,845	
Proviso 90.3 - Health Tobacco Settlement Trust	(8,481,912)		8,481,912	
Subtotal - Base Appropriation Request for Maintenance of Effort	\$ (165,781,757)	\$ -	\$ 165,781,757	\$ -
Changes to Original New Spending Request				
Medicaid Enrollment Growth & Federal Mandates				
Adjustment for Pay Plan	\$ 260,070	\$ -	\$ -	\$ 260,070
Reduction in Care Coordination Growth	(1,000,000)	(2,360,255)	-	(3,360,255)
Reduction in Funding for Adult Dental Restoration	(3,749,760)	(8,850,240)	-	(12,600,000)
Subtotal - Changes to Original New Spending Request	\$ (4,489,690)	\$ (11,210,495)	\$ -	\$ (15,700,185)
Total Executive Budget Changes	\$ (170,271,447)	\$ (11,210,495)	\$ 165,781,757	\$ (15,700,185)
Total Executive Budget Proposal *	\$ 1,100,910,268	\$ 4,063,640,600	\$ 780,911,732	\$ 5,945,462,600

* Above amount includes:

General Fund	
Maintenance of Effort	\$ 994,442,832
New Spending Initiatives	99,310,172
Total General Fund	\$ 1,093,753,004
Capital Reserve Fund	\$ 7,157,264
Total General Fund & Capital Reserve Fund	\$ 1,100,910,268

Summary of FY 2013 Base Appropriation – Maintenance of Effort

FY 2013 Executive Budget Base Appropriation for Maintenance of Effort Funding Priorities				
Spending Purpose	General Fund	Federal Funds	Other Funds	Total Funds
Current Base Appropriation	\$ 917,495,132	\$ 3,221,907,596	\$ 615,129,975	\$ 4,754,532,703
Annualization Management Funding	\$ 76,947,700	\$ 576,748,788	\$ 165,781,757	\$ 819,478,245
Total FY 2013 Base Appropriation	\$ 994,442,832	\$ 3,798,656,384	\$ 780,911,732	\$ 5,574,010,948

Summary of FY 2013 New Program Initiatives

FY 2013 Executive Budget New Program Initiative Priorities				
New Program Initiative	General Fund	Federal Funds	Other Funds	Total Funds
Medicaid Enrollment Growth & Federal Mandates	\$ 67,812,255	\$ 160,526,402	\$ -	\$ 228,338,657
Enrollment Planning & Management	\$ 29,492,975	\$ 69,609,763	\$ -	\$ 99,102,738
Reduction in Community Long-term Care Waiting Lists	\$ 1,829,942	\$ 4,319,058	\$ -	\$ 6,149,000
Fraud & Abuse Case Management Enterprise System	\$ 175,000	\$ 175,000	\$ -	\$ 350,000
Total New Program Initiatives	\$ 99,310,172	\$ 234,630,223	\$ -	\$ 333,940,395

Summary of FY 2013 Capital Reserve Fund Requests

FY 2013 Executive Budget - Capital Projects				
Spending Purpose	Capital Reserve Fund	Federal Funds	Other Funds	Total Funds
Mandated multi-year technology projects to modernize IT systems	\$ 7,157,264	\$ 30,353,993	\$ -	\$ 37,511,257
Total FY 2013 Capital Request	\$ 7,157,264	\$ 30,353,993	\$ -	\$ 37,511,257



Combined Summary of FY 2013 Budget – All Funds

DHHS FY 2013 Budget Appropriation Proposal

	(A)	(B)	(C)	(D)	(E)	(F)
Budget by Major Program and Spending Purpose	All Funds - Total	General Fund	Federal Funds	Earmarked Funds	Restricted Funds	Capital Reserve Funds
DHHS Medicaid Assistance						
Coordinated Care WITH Enrollment Growth for TANSF/SNAP (\$99,102,738)	\$ 1,710,451,398	\$ 378,530,331	\$ 1,201,421,050	\$ -	\$ 130,500,017	\$ -
Hospital Services	771,609,000	139,894,804	542,182,560	7,995,000	81,827,636	-
Disproportionate Share	480,128,021	18,628,621	324,157,600	17,342,400	120,000,000	-
Nursing Facilities	514,901,045	149,234,551	361,666,494	-	4,000,000	-
Pharmaceutical Services	224,459,956	22,593,171	157,688,771	20,000,000	24,218,017	-
Physician Services	183,047,483	42,965,427	128,572,538	-	11,509,498	-
Community Long-term Care (CLTC) WITH funding for 550 New Slots (\$6,149,000)	172,388,507	42,264,483	121,085,688	-	9,038,336	-
Dental Service	97,915,517	18,384,366	68,775,859	-	10,755,292	-
Clinical Services	68,256,409	16,318,501	47,942,634	-	3,994,324	-
Transportation Services	49,658,076	11,651,782	34,879,833	-	3,126,461	-
Medical Professional Services	47,091,730	11,931,726	33,498,671	-	2,261,333	-
Durable Medical Equipment	41,490,000	9,856,728	29,079,360	-	2,463,912	-
Lab & X-Ray Services	28,631,870	6,560,072	20,111,030	-	1,960,774	-
Family Planning	23,703,720	1,925,602	21,333,348	-	444,770	-
Hospice	12,498,000	2,886,419	8,772,976	-	830,605	-
Program of All-Inclusive Care (PACE)	13,809,328	3,426,160	9,699,671	-	683,497	-
Early and Periodic Screening, Diagnosis & Treatment (EPSDT) Services	10,804,132	3,233,166	7,630,966	-	-	-
Home Health Services	6,070,524	1,457,396	4,685,376	-	527,752	-
Integrated Personal Care (IPC)	5,270,600	1,270,818	3,702,069	-	297,713	-
Optional State Supplement (OSS)	17,632,880	13,881,053	-	18,000	3,733,427	-
Premiums Matched	198,100,000	44,635,213	139,145,440	-	14,319,347	-
MMA Phased Down Contributions	82,300,000	80,722,176	-	1,577,824	-	-
Premiums 100% State	18,100,000	14,810,953	-	-	3,289,047	-
Total DHHS Medicaid Assistance	\$ 4,779,810,435	\$ 1,037,063,519	\$ 3,266,031,935	\$ 46,933,224	\$ 428,781,757	\$ -
DHHS Other Health Programs						
Alcohol and Other Drug Abuse Services (DAODAS)	\$ 13,249,431	\$ -	\$ 9,306,400	\$ 3,943,031	\$ -	\$ -
Commission for the Blind	39,805	-	27,959	11,846	-	-
Continuum of Care	6,590,057	-	4,628,856	1,961,201	-	-
Corrections (DOC)	2,333,448	-	1,639,365	694,583	-	-
Disabilities & Special Needs (DDSN)	660,536,408	-	393,720,773	166,815,635	-	-
Education (DOE)	50,000,000	-	35,120,000	14,880,000	-	-
Health & Environmental Control (DHEC)	14,158,261	-	9,944,765	4,213,499	-	-
Juvenile Justice (DJJ)	3,550,020	-	2,353,054	996,966	-	-
Medical University of SC (MUSC)	41,858,252	-	29,401,236	12,457,016	-	-
Mental Health (DMH)	155,000,000	-	108,872,000	46,128,000	-	-
SC State Housing Authority	330,000	-	231,792	98,208	-	-
School for Deaf & Blind	4,778,765	-	3,356,626	1,422,169	-	-
Social Services (DSS)	12,442,716	-	8,718,692	3,694,024	-	-
University of South Carolina (USC)	5,742,100	-	4,033,251	1,708,849	-	-
Will Lou Gray Opportunity School	30,000	-	21,072	8,928	-	-
Emotionally Disturbed Children	37,732,490	-	26,503,441	11,229,249	-	-
Other Entities Funding	23,960,020	-	16,829,518	7,130,502	-	-
Pass-through funds (DSH & Maxillofacial)	225,086	225,086	-	-	-	-
State Agencies & Other Entities	\$ 932,327,592	\$ 225,086	\$ 654,708,800	\$ 277,393,706	\$ -	\$ -
Medical Contracts						
Medical Contracts	\$ 113,617,692	\$ 30,316,918	\$ 63,371,332	\$ 18,197,442	\$ 1,732,000	\$ -
Fraud & Abuse Case Management Enterprise System	350,000	175,000	175,000	-	-	-
Non-Recurring Capital Program (Federal Match for Capital Reserve Fund)	37,511,257	-	30,353,993	-	7,157,264	7,157,264
Total Medical Contracts	\$ 151,478,949	\$ 30,491,918	\$ 93,900,325	\$ 18,197,442	\$ 8,889,264	\$ 7,157,264
DHHS Operating Expenditures						
Personnel & Benefits	\$ 62,970,518	\$ 21,090,232	\$ 36,161,234	\$ 5,319,052	\$ -	\$ -
Other Operating Costs	19,275,106	4,882,249	12,838,306	1,554,551	-	-
Total DHHS Operating Expenditures	\$ 81,845,624	\$ 25,972,481	\$ 48,999,540	\$ 6,873,603	\$ -	\$ -
Total Budget - Annual Operating Budget Appropriation (With Capital Reserve)	\$ 5,945,462,600	\$ 1,093,753,004	\$ 4,063,640,600	\$ 349,397,975	\$ 438,671,021	\$ 7,157,264
FY 2012 Budget Appropriation - July 1	\$ 5,796,543,317					
% Change from FY 2013 Executive Request to FY 2012 Original	2.6%					

FY 2012 Year to Date Financial Performance

All Funds Current Budget to Year to Date Actual Spending			
As of December 31, 2011 (Unofficial)			
	FY 2012 Current Budget	YTD as of 12/31/2011	% Budget Expended
<i>DHHS Medicaid Assistance</i>			
Coordinated Care	\$ 1,425,423,729	\$ 617,362,316	43.3%
Hospital Services	774,200,000	365,593,279	47.2%
Disproportionate Share	461,500,000	240,093,162	52.0%
Nursing Facilities	508,649,914	254,934,245	50.1%
Pharmaceutical Services	215,000,000	98,027,697	45.6%
Physician Services	187,930,440	81,816,208	43.5%
Community Long-Term Care	161,257,044	79,177,959	49.1%
Dental Services	99,514,454	51,704,034	52.0%
Clinical Services	68,000,000	32,086,763	47.2%
Transportation Services	55,000,000	28,203,424	51.3%
Medical Professional Services	44,005,591	18,525,456	42.1%
Durable Medical Equipment	40,600,000	17,001,665	41.9%
Lab & X-Ray	30,000,000	12,978,090	43.3%
Family Planning	22,734,324	11,093,752	48.8%
Hospice	12,000,000	6,126,073	51.1%
PACE	12,515,061	5,956,320	47.6%
EPSDT Services	9,600,000	4,721,091	49.2%
Home Health Services	7,002,338	3,402,018	48.6%
Integrated Personal Care	5,270,600	2,570,070	48.8%
Optional State Supplement	17,297,318	8,335,654	48.2%
Premiums Matched	179,000,000	91,179,641	50.9%
MMA Phased Down Contributions	79,000,000	34,321,034	43.4%
Premiums 100% State	17,000,000	8,160,360	48.0%
Total DHHS Medicaid Assistance	\$ 4,432,500,813	\$ 2,073,370,313	46.8%
<i>Other DHHS Health Programs</i>			
State Agencies & Other Entities	\$ 897,605,813	\$ 402,911,599	44.9%
Total Other DHHS Health Programs	\$ 897,605,813	\$ 402,911,599	44.9%
<i>Medical & Health Contracts</i>			
Medical & Health Contracts	\$ 127,996,280	\$ 27,963,332	21.8%
Total Medical & Health Contracts	\$ 127,996,280	\$ 27,963,332	21.8%
<i>DHHS Operating Expenditures</i>			
Personnel & Benefits	\$ 58,089,369	\$ 27,839,688	47.9%
Other Operating Costs	22,744,944	8,797,159	38.7%
Total DHHS Operating Expenditures	\$ 80,834,313	\$ 36,636,846	45.3%
Total Budget to Year to Date Actuals	\$ 5,538,937,219	\$ 2,540,882,090	45.9%

SCDHHS Authority to Administer Medicaid

According to the federal regulations, at 42 CFR §431.10:

(e) Authority of the single State agency. In order for an agency to qualify as the Medicaid agency--

(1) The agency must not delegate, to other than its own officials, authority to--

(i) Exercise administrative discretion in the administration or supervision of the plan, or

(ii) Issue policies, rules, and regulations on program matters.

(2) The authority of the agency must not be impaired if any of its rules, regulations, or decisions are subject to review, clearance, or similar action by other offices or agencies of the State.

(3) If other State or local agencies or offices perform services for the Medicaid agency, they must not have the authority to change or disapprove any administrative decision of that agency, or otherwise substitute their judgment for that of the Medicaid agency with respect to the application of policies, rules, and regulations issued by the Medicaid agency.

Examples of Medicaid functions performed under contract by other State Agencies:

- Direct Service Provision
- Quality Assurance Activities
- Utilization Review
- Service Authorization
- Operation of Waivers
- Medical Necessity/Level of Care Determinations
- Administrative activities necessary for the support of a Medicaid service or Medicaid program

SCDHHS' State Agency Partners in Medicaid:

- Commission for the Blind
- Continuum of Care for Emotionally Disturbed Children (Governor's Office)
- Department of Alcohol and Other Drug Abuse Services
- Department of Corrections
- Department of Disabilities and Special Needs
- Department of Health and Environmental Control
- Department of Juvenile Justice
- Department of Social Services
- First Steps
- Medical University of South Carolina
- Office of Research and Statistics, Budget and Control Board
- Office on Aging (Lt. Governor's Office)
- School for the Deaf and Blind
- State Department of Education
- State Housing Authority
- Department of Mental Health
- University of South Carolina
- Winthrop University

Nursing Facility Overview

- ▲ As of November 1, 2011, the average statewide Medicaid nursing facility rate was \$152.08.
- ▲ Currently, 152 nursing facilities are enrolled with Medicaid out of 200 licensed facilities in SC.
- ▲ On April 8, 2011 there was a 3% reduction in nursing facility rates as part of SCDHHS's overall budget savings strategies.
- ▲ SCDHHS collaborated with nursing facility providers to achieve additional savings. As a result of the work with SCDHEC and nursing facilities providers, SCDHHS agreed to a reduction in the allocation of permit days.
- ▲ The FY 2012 projections were based on an 5% reduction from the projected FY 2011 paid days. The reduction is \$17.4 million (total funds) or \$5.6 million in State funds.
- ▲ As a part of this strategy, 503 persons have been added to CLTC since July 1st. Of this number, 180 were part of a new allotment of 550 slots.
- ▲ For the first two quarters of FY 2012, paid days are exceeding our targeted reduced days by a total of 58,833 which is 3.5% of the projected paid days for this period of time. Actual paid days are listed below:

Month	Paid Days
July	342,802
August	336,711
September	344,282
October	331,010
November	346,807
December	331,532

- ▲ Since July, SCDHHS has convened monthly meetings with hospitals and nursing facilities to monitor admissions and identify potential access issues. As a result of these meetings, policy changes have been enacted to facilitate access to long term care services for patients in the hospital awaiting placement.
- ▲ Through CLTC, SCDHHS monitors the number of applicants seeking Medicaid-sponsored nursing facility placement who meet the medical criteria (but not necessarily the financial eligibility component) and have not yet entered a nursing facility. At the end of each month, CLTC staff initiates contact with anyone on this list to determine if s/he still is seeking placement. At the end of December, there were 403 applicants listed. Upon follow up, this number was reduced to 209. During that time, an additional 46 applications were received, resulting in a final month end number of 255. CLTC staff will be undertaking more intensive monthly efforts to keep this number updated.
- ▲ As a comparison, there were there were 3,537 participants on the CLTC waiting list as of January 1, 2012.

Adult Emergency Dental Services

- The Department terminated the optional service of adult emergency dental effective February 1, 2011 to address the budget deficit.
 - During the 9 months while the Department was tracking the fiscal impact of this decision, we put a place holder in our FY2013 Executive Budget requesting \$12.7 million total to possibly re-instate this service based on our ongoing analysis of costs and access to care.
 - Adult hospitalization expenditures based on ICD-9 codes vetted through Thomas Reuters and ORS for the 9 month period before the elimination of the service was \$3.2 million total (this includes inpatient, outpatient, ED and related professional claims).
 - During the 9 month period immediately following termination of the adult emergency dental services, the total expenditures were \$2.2 million which shows a 31.5% reduction or ~\$1 million.
 - Note that adult emergency dental continued to be covered for exceptions such as cancer treatment and organ transplants, thus assuming that the \$2.2 is for these services.
- This analysis of costs related to adult dental is predicated on the assumption that ICD 9 submissions were properly coded.
 - In a TR generated report for CY 09-10 of the Medicaid population and ED utilization, the top 20 conditions accounted for 65% of all adult ambulatory ED visits. Of those 20 conditions, dental ranked near the bottom at 15th.
 - Adult dental emergency services are not included in the ACA essential benefits package of services for effective date 1/14, and the Department is aligning our resources in preparation for an incoming ~500,000 new recipients, many of them adults.
 - Currently in the ID/RD waiver program Adult Dental is a covered service. Through this service, adults may receive the same services as children.

<u>Expenditure Overview</u>	May 2010-January 2011 (Last 9 Months of Adult Benefit)	February 2011-October 2011 (First 9 Months After Adult Benefit)
Net Pay Facility	\$2,788,272	\$1,910,015
Patients Facility	3,041	2,713
Average Cost per Patient-Facility	\$917	\$704
Net Pay Professional	\$435,176	\$299,310
Patients Professional	4,846	3,658
Average Cost per Patient-Professional	\$90	\$82
Total Cost per Patient	\$1,007	\$786
Total Expenditures	\$3,223,448	\$2,209,325

Medicaid Payment Error Rate Measurement (PERM)

Findings of year-long audit point to inaccurate eligibility determinations as problem

What is PERM?

- A federal Payment Error Rate Measurement (PERM) program designed to measure improper Medicaid payments. PERM reviews the fee-for-service (FFS), managed care, and eligibility components of Medicaid for each state every three years.
- PERM is not a “fraud” rate, but a measure of payments made that did not meet statutory, regulatory or administrative requirements.
- PERM methodology is designed to meet the Improper Payments Information Act of 2002 (IPAI) at a national level and not a state level. State rates may be less precise and have large margins of error.

South Carolina’s Performance

- PERM audit for FFY2010 reported an 18.8% (+/-15.7% margin of error) combined rate for South Carolina with low fee-for-service (2.6%) and managed care (0.0%) components and a high eligibility error component (17.2%) compared to national averages.
- PERM reports that 10.7% (+/-4.3% margin of error) of persons made Medicaid eligible in South Carolina were done incorrectly or could not be determined under audit due to insufficient documentation. The FFY2010 error rate is an improvement over the FFY2007 rate of 19.2%.
- The percentage of improper payments as a result of these incorrect eligibility determinations increased significantly to 17.2% (+/-16.1% margin of error) from 5.3% in FFY2007. South Carolina’s eligibility PERM component is more than four times the national average using the same audit methods for FFY2010.
- PERM audit indicates a potential of \$406 million of improper Medicaid payments due to eligibility errors and \$74 million of improper Medicaid payments due to medical review and claims processing errors in FFY2010.
- The State is not liable for returning payments to the federal government as a result of PERM eligibility component findings.

SCDHHS Action to Improve Quality

- SCDHHS is actively engaged in redesigning eligibility procedures, automating its paper-based system, implementing an on-going eligibility audit/verification process, and tying eligibility job performance (EPMS) to error rates and quality.
- Since January 2011 SCDHHS has made several critical changes and investments in its eligibility and enrollment area, including:
 - merging information management and enrollment eligibility under one Deputy Director/Chief Information Officer;
 - securing a private grant from the Ford Foundation that enabled the introduction of Lean Six Sigma process improvement methods into eligibility process;
 - using data matches to electronically verify eligibility for certain reviews; and
 - releasing a Request for Proposal for a new Medicaid Eligibility Determination System, replacing a 10-year old system increasingly unable to meet the changing demands of the program.
- Preliminary fraud investigations will be opened by SCDHHS’ Program Integrity unit on all cases identified in the federal audit.
- SCDHHS requested in its SFY13 budget increased fraud investigation capacity in partnership with the South Carolina Attorney General’s Office.
- The Office of Inspector General is assisting in improving eligibility and enrollment systems that protect taxpayer dollars.
- SCDHHS is working with other states to understand and implement proven best practices as well as address methodology concerns with the federal government.

Findings to Date

- A large number of eligibility errors are technical in nature. Applicants would remain eligible if internal procedures were followed.
- Eligibility cases records and most processes remain paper-based.
- Some geographical areas have higher error rates than others.

Medicaid Payment Error Rate Measurement (PERM)

Findings of year-long audit point to inaccurate eligibility determinations as problem

PERM Summary				
SC State and National Averages (2007 & 2010)				
	FFS	Managed Care	Eligibility	Combined Rate
2007				
<i>South Carolina</i>	4.4%	0.0%	5.3%	9.2% ¹
<i>National Average</i>	8.9%	3.1%	2.9%	10.4%
2010				
<i>South Carolina</i>	2.6%	0.0%	17.2%	18.8% ²
<i>National Average</i>	3.6%	0.5%	4.0%	6.7%

Margin of error at 95% confidence interval: ¹2007 – 4.7% to 13.7% and ²2010 – 3.0% to 34.5%

