

South Carolina Department of Health and Human Services

House Ways & Means Committee / HHS Subcommittee FY2023-24 Budget Request

Robert Kerr
Agency Director

Jan. 24, 2023

Agency Attendees

- Robert Kerr, Director
- Eunice Medina, Chief of Staff
- Jenny Stirling, Director of Legislative Affairs
- Brad Livingston, Chief Financial Officer

South Carolina Medicaid Program Overview

Medicaid Enrollment: South Carolina Population

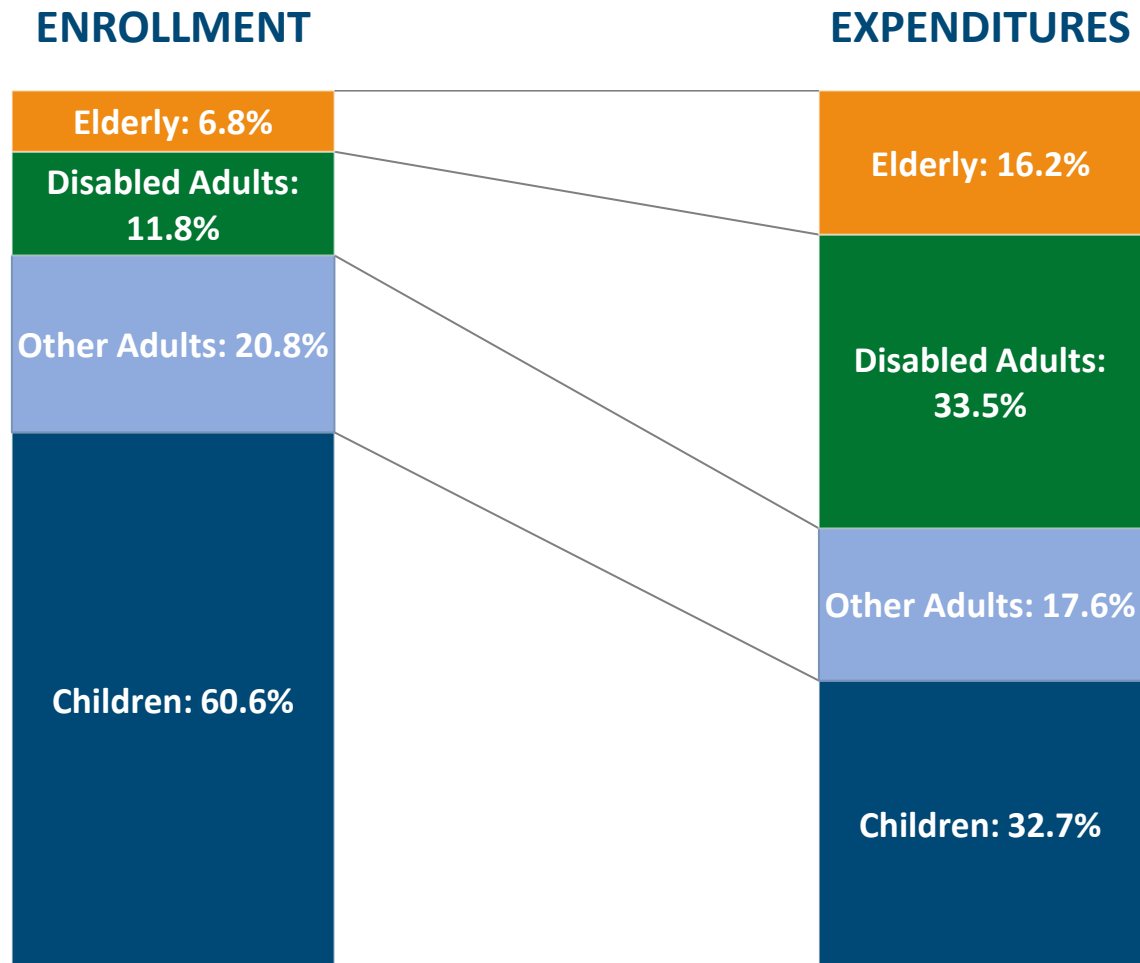
- Full benefit membership: Approximately 1.3 million

Population	Recipients
Children	739,00
Disabled Adults	134,000
Other Adults	333,000
Elderly	87,000

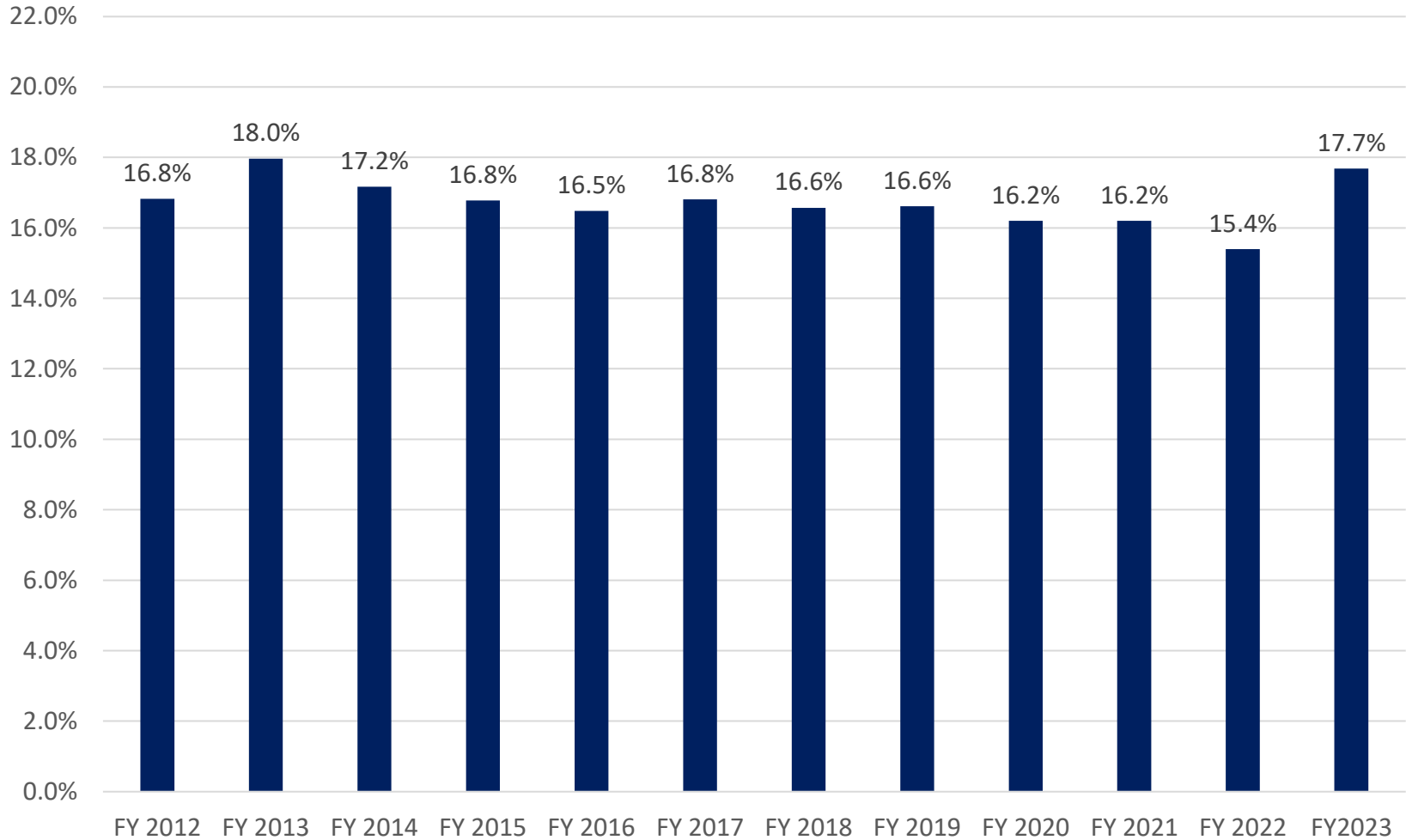
**Data as of Sept. 30, 2022*

- Approximately **60%** of Medicaid members are age 0 to 18
- Approximately **60%** of South Carolina children are on Medicaid
- Medicaid pays for approximately **60%** of all births
- Approximately **75%** are enrolled in a managed care organization
- Limited benefit membership: 271,000

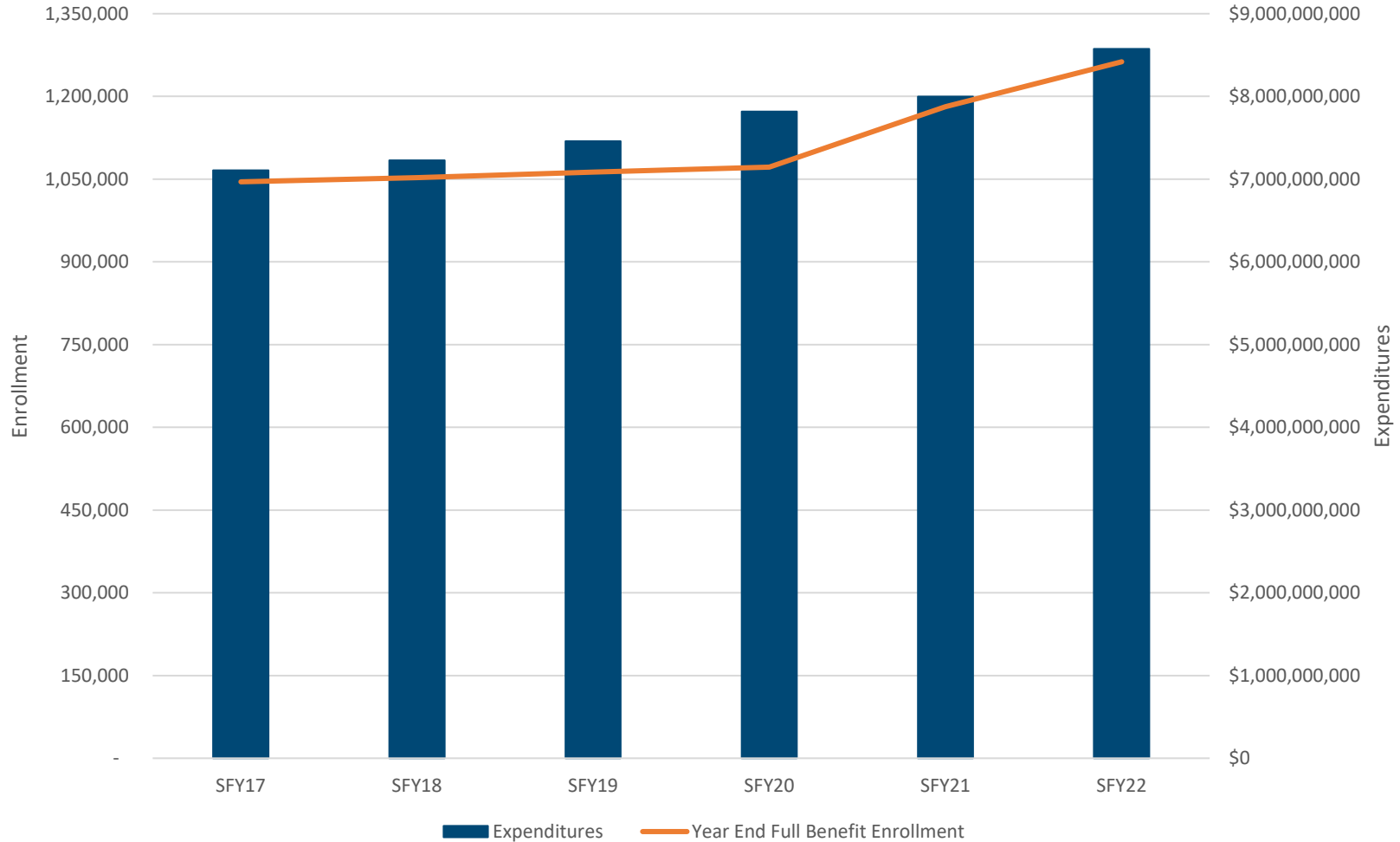
Asymmetric Resource Utilization



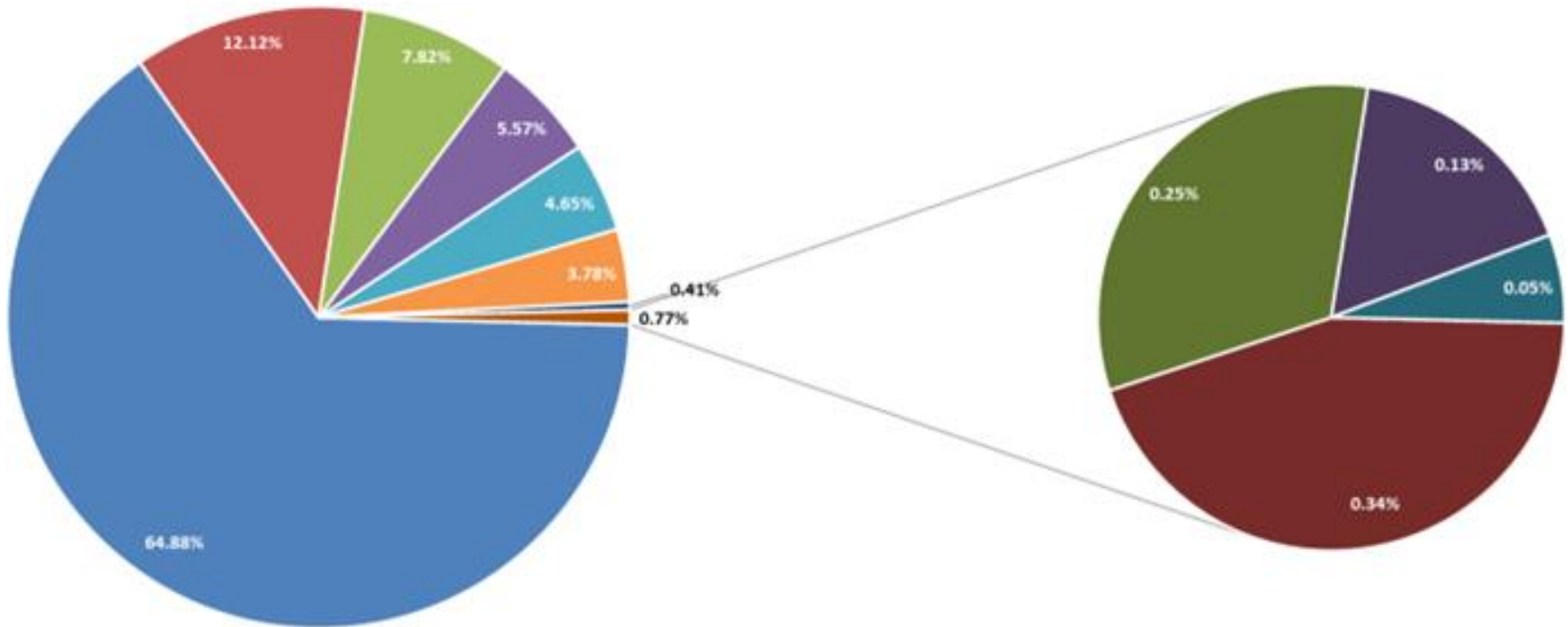
SCDHHS General Fund Appropriation as Percentage of the Total State General Fund Appropriation



Agency Information: Expenditure and Enrollment Trend



SCDHHS Revenue



- General Funds Recurring
\$1,427,275,397

- Certified Public Expenditure (CPE)
\$122,536,512

- Miscellaneous
\$9,047,609

- TPL
\$2,829,669

- Hospital Tax
\$266,588,588

- Cigarette Tax
\$102,243,510

- MIAA
\$7,537,900

- Tobacco Master Settlement Agreement (MSA)
\$1,040,014

- Inter-Governmental Transfer (IGT)
\$171,945,564

- Pharmacy Rebates
\$83,042,318

- County Taxes
\$5,515,307

FY 2021-22 Year End

Category	State Expenditures	Federal Expenditures	Total Expenditures	% of Total
Medical Assistance: Coordinated Care	\$856,819,317	\$2,939,837,414	\$3,796,656,731	44.3%
Medical Assistance: Fee-For-Service	\$451,593,631	\$1,496,954,331	\$1,948,547,962	22.8%
Long Term Care	\$230,939,225	\$811,439,447	\$1,042,378,672	12.2%
State Agencies (Fee-For-Service)	\$182,470,914	\$694,643,915	\$877,114,829	10.2%
Medicare Premiums	\$194,585,448	\$244,382,826	\$438,968,274	5.1%
Medical Contracts	\$162,247,745	\$180,488,709	\$342,736,454	4.0%
General Administration	\$50,777,920	\$66,725,177	\$117,503,098	1.4%
	\$2,163,622,421	\$6,400,283,598	\$8,563,906,019	

- “State agencies” is comprised mainly of SC Department of Disabilities & Special Needs (SCDDSN), SC Department of Mental Health (SCDMH), SC Department of Education (SCDOE), and SC Department of Health and Environmental Control (SC DHEC)
- Medicaid currently accounts for approximately 90% of SCDDSN budget and approximately 25% of SCDMH budget
- During the public health emergency (PHE), SCDHHS received temporary additional federal match impacting the funding ratio for the above

FY 2023-24 Budget Request

Summary of Budget Requests

Decision Package #	Decision Package	Description	General Funds
1	Annualization for FMAP State increase and Medicare increases	Represents annualization related to changes directed by the federal government under the Medicaid program. Includes \$67,923,000 resulting from a decrease in the Federal Medical Assistance Percentage (FMAP), \$37,000,000 in Medicare premium increases and \$12,100,000 in reimbursement methodology changes.	\$117,023,000
2	Maintenance of Effort Annualization	Represents the maintenance of effort required to continue the current service and reimbursement levels to Medicaid enrollees. Annualization includes inflationary provider reimbursement pressures, estimated enrollment increases and utilization increases.	\$42,100,000
3	Increases in Medicaid Reimbursement and Coverage to Maintain Access to Services	Reimbursement changes that the agency recommends implementing to maintain healthy outcomes and access to care for South Carolina's Medicaid members. Targeted provider rate increases include the Home and Community Based provider network, Pediatric Dental services, Autism Spectrum Disorder services, DAODAS services, the Optional State Supplementation Program and Anesthesiology services	\$36,787,500

- 90% of general fund recurring request is to maintain current level of services

Summary of Budget Requests *(cont.)*

Decision Package #	Decision Package	Description	General Funds
4	BabyNet Program	Represents enrollment growth in the Individuals with Disabilities Education Act (IDEA) Part C Program.	\$10,000,000
5	SC DDSN Appropriation Transfer	Permanent general fund appropriation transfer from DDSN for ID/RD waiver service rates (\$7 million) and additional waiver slots (\$1.9 million) included in the 2022-23 Appropriation Act.	\$8,900,000
6	SC DMH Appropriation Transfer	Permanent general fund appropriation transfer from DMH for matching funds for school based mental health counselors	\$5,700,000
		Total	\$220,510,500

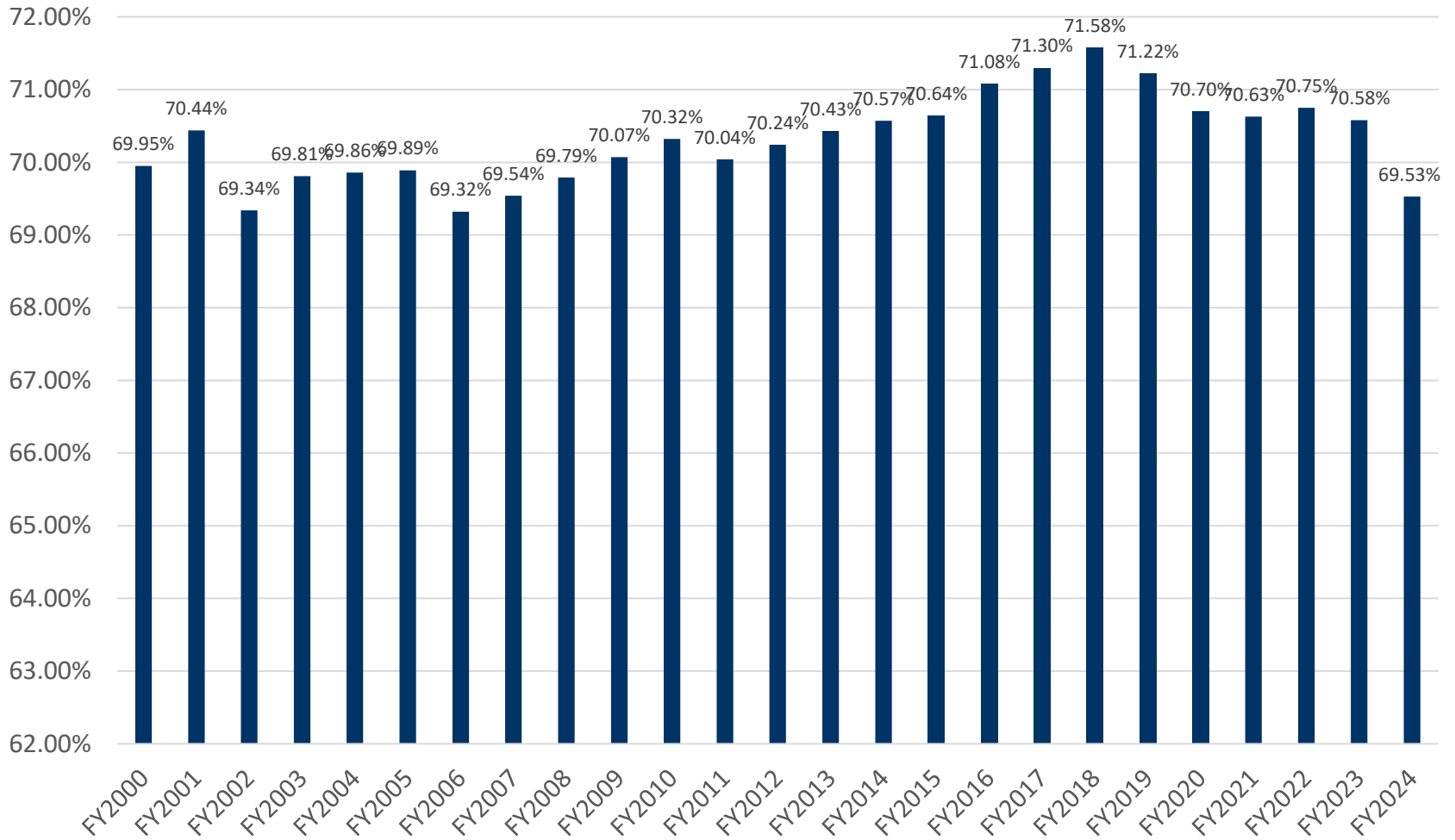
- 90% of general fund recurring request is to maintain current level of services

Budget Requests

- **Decision Package #1 – Annualization for FMAP State increase and Medicare increases - \$117,023,761 General Funds**
 - Represents annualization related to changes directed by the federal government under the Medicaid program. Includes \$67,923,000 resulting from a decrease in the Federal Medical Assistance Percentage (FMAP), \$37,000,000 in Medicare premium increases and \$12,100,000 in reimbursement methodology changes.

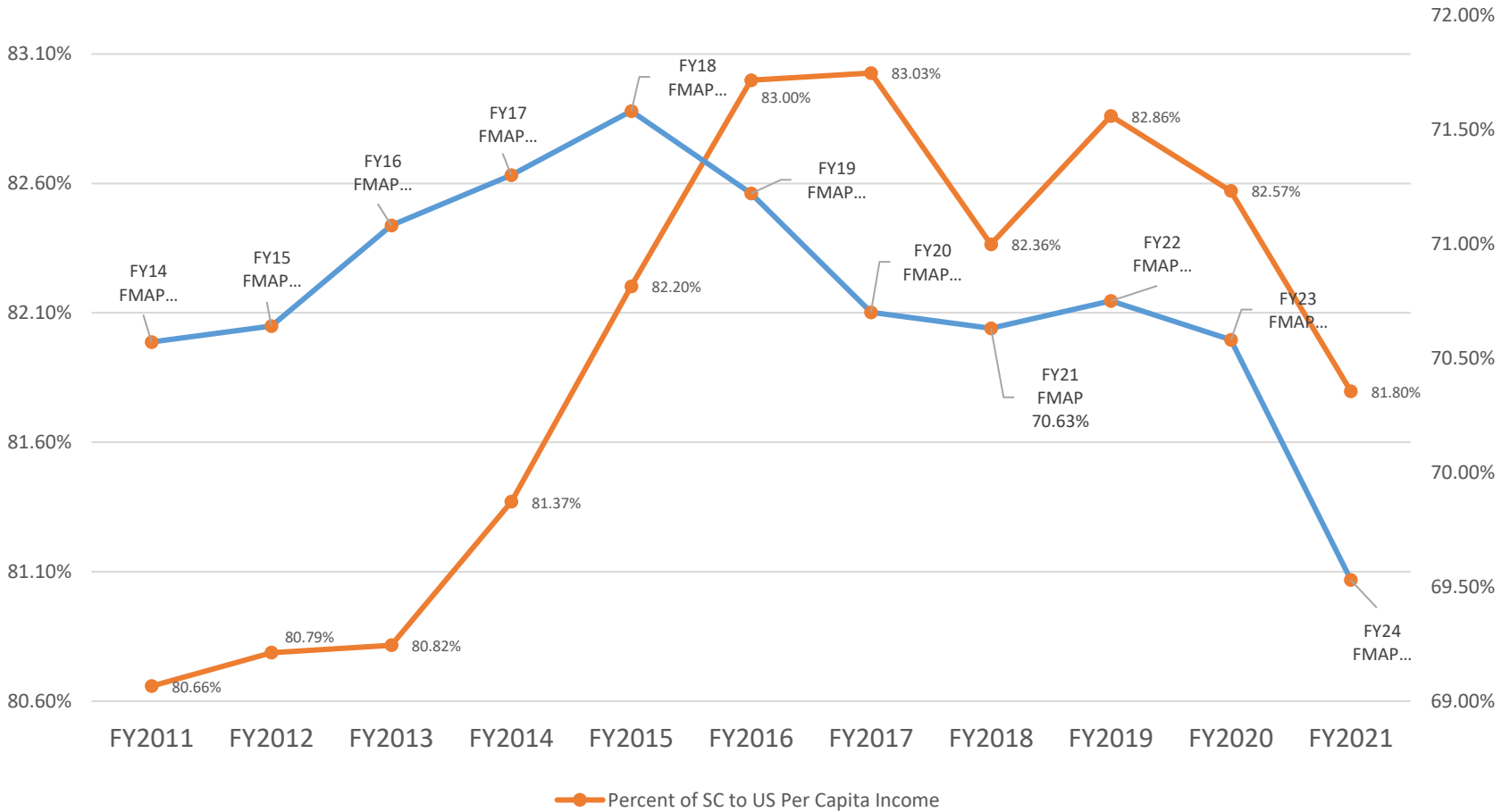
Decrease in FMAP	\$67,923,000
Medicare Premium Increases	\$37,000,000
Reimbursement Methodology Changes	\$12,100,000
Total Annualization Decision Package	\$117,023,000

Agency Information: Historical FMAP



Agency Information: FMAP to Personal Income

SOUTH CAROLINA PER CAPITA INCOME AND FMAP



Budget Requests *(cont.)*

- Decision Package #2 – Maintenance of effort annualization - \$42,100,000 General Funds
 - This package represents the annual amount necessary to keep the program operating in its current configuration. SCDHHS reviews population growth and realignment, utilization of services, provider billing behavior, inflationary provider reimbursement pressures and increases in the value of existing medical contracts held by the agency. Trends among these primary cost drivers comprise the majority of the agency’s annual request for maintenance of effort funding.

Psychiatric Residential Treatment Facilities (PRTFs)	\$6,200,000
Community Long Term Care (CLTC) Census Growth	\$3,300,000
School Based Mental Health Services	\$3,800,000
General Maintenance of Effort	\$28,800,000
Total	\$42,100,000

Budget Requests *(cont.)*

- **Decision Package #3 – Service and Rate Changes - \$36,787,500 General Funds**
 - The agency is continuously evaluating provider rates across its provider network. Through this decision package, SCDHHS is planning to implement targeted provider rate increases. These changes are essential for maintaining healthy outcomes, as well as access to care, for Medicaid beneficiaries.

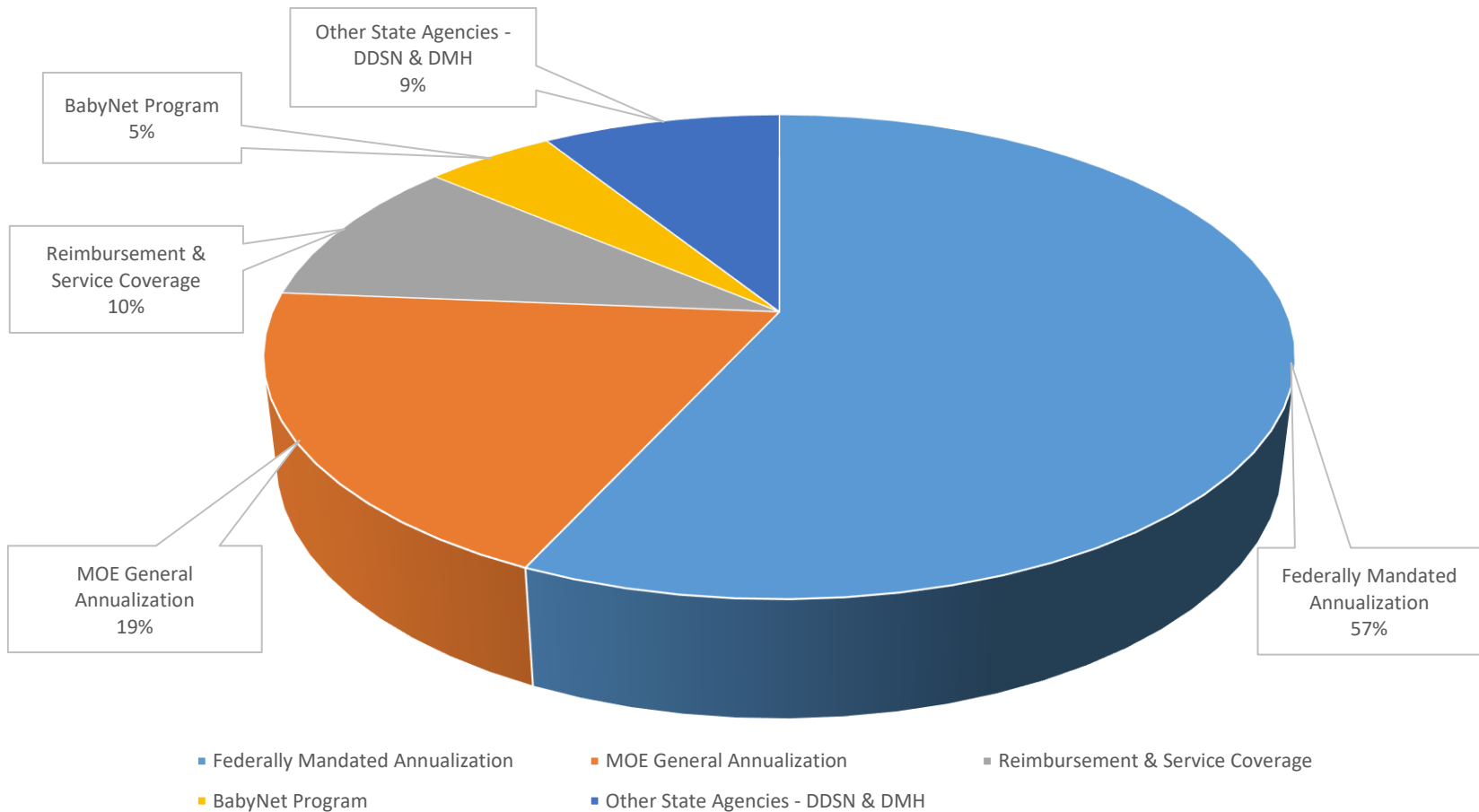
Rate Increases for Home and Community Based Services (HCBS) Providers – Increase HCBS provider rates to support access to care for the approximately 36,450 members in the HCBS waiver programs	\$30,500,000
Pediatric Dental Services - Increase rates to improve access to quality and improve patient outcomes. This increase will bring South Carolina’s Medicaid reimbursement rates closer to the current average of the American Dental Association’s Usual, Customary and Reasonable rate and comparable to Georgia and North Carolina Medicaid rates.	\$3,100,000
Autism Spectrum Disorder – Expand access to medically necessary services for Medicaid dependent children with autism by allowing existing services in a group setting	\$1,400,000
DAODAS – Increase to existing rates as well as addition of new medical related codes. Addition of new codes will allow County Authorities under DAODAS to provide care to their patients who are often medically compromised	\$387,500
Community Residential Care Facility - Increase rates by \$25 for Medicaid members who are in the Optional State Supplementation Program	\$900,000
Anesthesiology Services – Increase the Medicaid reimbursement rate closer to comparable states. South Carolina’s rates are 6% lower than North Carolina, 1% lower than Georgia and 41% lower than PEBA	\$500,000
Total	\$36,787,500

Budget Requests *(cont.)*

- **Decision Package #4 – Babynet Program - \$10,000,000 General Funds**
 - SCDHHS operates South Carolina’s Individuals with Disabilities Education Act (IDEA) Part C program, commonly referred to as “Babynet”. Babynet is a federally required program that ensures services are available for children with developmental delays or disabilities at no costs to families for children from zero to three years of age. Pursuant to Executive Order 2016-20, lead agency responsibilities for Babynet were transitioned from First Steps to SCDHHS effective July 1, 2017. Enrollment growth has continued to outpace the federal funding mechanisms and the program is operating at budget deficit. SCDHHS requested an additional \$3,900,000 from the Education Oversight Committee in September. The full deficit facing the Babynet program is approximately \$10,000,000 in recurring state funds.
- **Decision Package #5 –SCDDSN Appropriation Transfer - \$8,900,000 General Funds**
 - SCDHHS and SCDDSN completed the transition of SCDDSN’s waiver services to a fee for service (FFS) model on April 1, 2022. This general fund appropriation transfer from SCDDSN is for ID/RD waiver service rates (\$7 million) and additional waiver slots (\$1.9 million) included in the 2022-23 Appropriation Act and is cost neutral to the State.
- **Decision Package #6 –SCDMH Appropriation Transfer – \$5,700,000 General Funds**
 - Pursuant to Proviso 33.29 of the 2022-23 Appropriation Act, SCDMH was required to transfer the matching funds for school based mental health counselors to SCDHHS. This decision package will make the transfer of general fund appropriation permanent and is cost neutral to the State.

Distribution of Request

Distribution of General Funds Request



Budget Requests: Provisos

Proviso	Type of Change	Description
33.23: IDEA Part C Compliance	Amend	A technical amendment to update the reporting date
33.29: Mental Health Counselors	Delete	Strikes the reference to matching funds required by the Department of Mental Health, as request for permanent transfer made in Decision Package #6
33.32: NOLA Program	Delete	Final report is due on June 30, 2023, for the No One Left Alone, NOLA, community-based program
33.30: Reimagining Our Destiny	Delete	Final report is due on June 30, 2023, for the HBCU's Reimagining our Destiny health study

COVID-19 Expenditures

- SCDHHS started receiving a temporary 6.2% FMAP increase under the Families First Coronavirus Response Act – Section 6008(b) by complying with the following:
 - Meeting an eligibility “maintenance of effort” requirement
 - Not terminating or reducing coverage for most individuals
 - Continuing these efforts until the end of the month in which the PHE ends
- By the end of the PHE, enrollment projected to be approximately 283,225 enrollees higher
- Per federal guidelines, SCDHHS has 12 months to review and disenroll any beneficiaries no longer eligible
- The enhanced match ends the same quarter as the PHE ends meaning SCDHHS will carry higher enrollment and higher costs after the enhanced federal funding ends

Cost Savings

- **Agency Cost Savings and General Fund Reduction Analysis: 3% - \$54,854,198**
- For modeling purposes, the agency has identified three components of an overall package that could reduce General Fund expenditures by 3%:
 - Retract rate increases implemented in the last year effective January or July 2022, excluding the HCBS rate increases initially being supported by American Rescue Plan (ARP) funds - (\$7,230,000)
 - Cap Disproportionate Share Hospital (DSH) allotment to the FFY 2020 level – (\$10,848,545)
 - Curtail or eliminate optional contracts and grants supported without federal match to entities that provide or administer services for populations not covered by the Medicaid or the Children’s Health Insurance Program (CHIP) – (\$36,775,663 is necessary to meet the target amount, but the Department could eliminate approximately \$55.1 million when provisos are included)
- Reductions in the first bullet would reverse the most recently funded provider rate increases implemented to support CRCFs and those that offer services for some behavioral health treatment, assessments, and evaluations
- Reductions in the second bullet would cap DSH allotment to a maximum of the FFY 2020 level
- The final bullet would cut the general funds appropriated to the Department that are passed through other state agencies and entities for noncovered populations including contracts currently funded through provisos
- Savings for 1% and 2% would be same cuts as above but at smaller amounts until target is reached

