

MANAGEMENT SUMMARY

FAMILY HEALTH MAY 2008 LOCAL ASSISTANCE ESTIMATE for FISCAL YEARS 2007-08 and 2008-09

Fiscal Forecasting and Data Management Branch
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**Family Health Estimate
Management Summary
May 2008 Estimate**

Fiscal Year 2007-08

The November 2007 Family Health Estimate identified a 2007-08 General Fund (GF) deficiency of \$1.0 million, compared to the Appropriation. The May 2008 Family Health Estimate identifies a deficiency of \$19.4 million GF as compared to the Appropriation. This is an \$18.4 million GF increase from the November 2007 Family Health Estimate. The change from the November 2007 Family Health Estimate is explained as follows (dollars in millions):

November 2007 General Fund:	\$137.9
May 2008 General Fund:	<u>\$156.3</u>
General Fund Change:	\$18.4

For the specific programs included in the Family Health Estimate, the 2007-08 GF change from the November 2007 Family Health Estimate is:

California Children's Services (CCS)	\$2.1
Child Health and Disability Prevention Program (CHDP)	-0.2
Genetically Handicapped Persons Program (GHPP)	<u>16.5</u>
Total Family Health	\$18.4

The major reasons for the change from the November 2007 Family Health Estimate are:

CCS

1. CCS Deficiency: The CCS Program is currently showing a deficiency of \$3.7 million GF in 2007-08, compared to the Appropriation. When compared to the November 2007 Family Health Estimate, there is an increase of \$2.1 million GF. The CCS Program consists of two programs which have separate trends, the State-Only CCS Program and the Healthy Families (HF) Program. The HF Program is partially funded with Federal Title XXI funds and expenditures have not increased as fast as projected. Expenditures for the CCS State-Only program which is funded with 100% GF have increased faster than projected in the November 2007 Family Health Estimate. The Department will transfer \$3.4 million GF from the Medi-Cal appropriation to cover the deficiency for the CCS Program, pursuant to Provision 2 of Item 4260-111-0001 of the Budget Act of 2007.

The remaining \$0.3 million GF will be funded with the surplus funds in the CHDP State-Only Program Appropriation.

2. Base: State Only Medical Therapy Program Costs: In 2007-08, costs for Medical Therapy Program treatment services provided by CCS county program staff in CCS school-based medical therapy units are expected to be \$1.5 million GF greater than anticipated in the 2007-08 November 2007 Family Health Estimate based on later actual data. A corresponding increase of \$2 million GF in 2008-09 is also projected.
3. Policy Changes 2A, 2B, and 17 - County Administrative Costs and Title V: In 2007-08, costs for county administration are expected to be \$1.1 million GF greater than anticipated in the November 2007 Family Health Estimate based on later actual data. A corresponding increase of \$434,000 GF in 2008-09 is also anticipated. In the November 2007 Family Health Estimate, the Department had assumed a reimbursement of \$5,021,000 of Federal Title V funding from the California Department of Public Health for both 2007-08 and 2008-09 that was included in policy change 2A. The May 2008 Family Health Estimate budgets the Federal Title V reimbursement in a separate policy change (PC#17). In 2008-09, the Title V reimbursement is expected to be \$775,000 more than anticipated in the November 2007 Family Health Estimate.

CHDP

1. Base: CHDP Services: CHDP services shows a decrease of \$.2 million GF in 2007-08 and a decrease of \$.3 million GF in 2008-09, based on later actual data.

GHPP

1. The GHPP Program is currently showing a deficiency of \$16.0 million GF in 2007-08 compared to the Appropriation. When compared to the November 2007 Family Health Estimate, there is an increase of \$16.5 million GF. The cost increases to the GHPP program are directly attributable to an increase in caseload, the cost of blood factor products, and claims being submitted by providers faster.

Providers are submitting more timely GHPP state-only claims. Through March of 2008, a larger proportion of costs have been paid for current year expenditures than for the same time period in previous years. In FY 2006-07, 47 percent of costs were for services provided within the FY, whereas in the current year, 53 percent of the costs are for services provided during this FY.

Expenditures vary significantly from one year to the next. Although the GHPP state-only population of individuals with hemophilia is small

(estimated to be 395 this FY) these individuals have a complex medical condition that often results in co-morbidities manifested as complications of their underlying deficiency of blood clotting factor. The treatment is expensive; a few episodes of bleeding can dramatically change the health care costs of a few clients and significantly increase the overall costs of the program. These variations are magnified by the fact that expenditures are reported on a cash basis.

Over the past 18 months there has been a 20 percent increase in the GHPP state-only caseload: 70 new hemophilia clients have enrolled since July 2006. Few had ongoing health insurance coverage for the treatment of their condition at the time of their enrollment in the program; the new cases appear to have higher costs, on average, than the pre-existing caseload and will add approximately \$10 million in GHPP expenditures for the current FY over FY 2006-07.

While the ten most expensive GHPP State-Only clients continue, as in past years, to account for approximately a third of overall expenditures, the costs for the ten most expensive clients grew by \$10.4 million from FY 2006-07 to FY 2007-08. The most expensive GHPP participant will have expenditures of approximately \$10 million this year, up from \$5.4 million the year before. This individual's expenditures account for 16% of the entire GHPP program costs in FY 2006-07 and 16% in the current FY.

The vast majority of GHPP clients with Hemophilia are adults. Many of these individuals, during the early years of their treatment, received antihemophilic blood factor products that were blood-based, as opposed to factor products that were recombinant or non-blood based. Consequently, many of these adults have contracted co-morbidities such as Hepatitis or HIV/AIDS, which has also contributed to the high cost of caring for individuals with Hemophilia. As individuals with Hemophilia age, their physical condition becomes progressively worse and often requires invasive surgery, which requires increased usage of blood factor, to alleviate pain and/or to provide improved mobility and quality of life. As such, as this population ages there will continue to be increased growth in costs for treatment of this disease. The Department will transfer \$16.0 million GF from the Medi-Cal appropriation to cover the deficiency for GHPP, pursuant to Provision 2 of Item 4260-111-0001 of the Budget Act of 2007.

2. Base: Treatment Costs: GHPP base costs are expected to be \$19.4 million GF greater in 2007-08 and \$23.5 million GF greater in 2008-09 than anticipated in the November 2007 Family Health Estimate based on later actual data. The November 2007 GHPP Estimate used data through June 2007 to determine base expenditures, because due to the late Budget there were no expenditures paid in the months of July and August.

The Department had estimated GHPP expenditures for 2007-08 based on the growth trend from 2004-05 through 2006-07 in the November 2007 Family Health Estimate. However, recent actual GHPP expenditures through March 2008 show a dramatic increase in GHPP expenditures.

3. Policy Change 3 – Blood Factor Rebates and Contract Savings:
Increased savings due to the collection of an additional \$2.9 million GF in blood factor rebates in 2007-08 and 2008-09 have been added in the May 2008 Family Health Estimate. The November 2007 Family Health Estimate had assumed rebates of \$1.5 million GF in both 2007-08 and 2008-09. However, the Department found that when pharmacies began invoicing by NDC codes through the Rebate Accounting Information System (RAIS) in July 2006, the utilization data in RAIS for GHPP State-Only clients were not transmitted to the Children’s Medical Services Branch to manually invoice pharmacies for rebate collection. The Department is processing utilization data that were sent through the RAIS back to July 1, 2006 for the additional rebates, which have been included in the May 2008 Family Health Estimate.

Management Summary
Fiscal Year 2007-08
Comparison of Appropriation, November 2007, and May 2008 Estimates

	<u>Appropriation FY 2007-08</u>	<u>Nov. 07 Est. FY 2007-08</u>	<u>May 08 Est. FY 2007-08</u>	<u>Chg Approp - May 08 Est.</u>	<u>Chg Nov. 07 - May 08 Est.</u>
<u>California Children's Services</u>					
4260-111-0001 (General Fund)	\$ 96,358,800	\$ 97,973,100	\$ 100,086,300	\$ 3,727,500	\$ 2,113,200
4260-601-0995 (CDPH Title V Reimbursement)	\$ 5,021,000	\$ 5,021,000	\$ 5,021,000	\$ 0	\$ 0
4260-601-7503 (Federal Title XIX HCFS)	\$ 18,000,000	\$ 18,000,000	\$ 18,000,000	\$ 0	\$ 0
4260-111-0890 (Federal Title XXI)	\$ 115,358,600	\$ 110,820,200	\$ 109,883,600	\$ (5,475,000)	\$ (936,600)
County Funds ¹	\$ 104,356,500	\$ 106,445,500	\$ 108,892,900	\$ 4,536,400	\$ 2,447,400
TOTAL CCS	<u>\$ 234,738,400</u>	<u>\$ 231,814,300</u>	<u>\$ 232,990,900</u>	<u>\$ (1,747,500)</u>	<u>\$ 1,176,600</u>
<u>Child Health and Disability Prevention Program</u>					
4260-111-0001 (General Fund)	\$ 2,741,000	\$ 2,630,000	\$ 2,485,000	\$ (256,000)	\$ (145,000)
4260-111-0080 (CLPP Funds)	\$ 24,000	\$ 24,000	\$ 11,000	\$ (13,000)	\$ (13,000)
TOTAL CHDP	<u>\$ 2,765,000</u>	<u>\$ 2,654,000</u>	<u>\$ 2,496,000</u>	<u>\$ (269,000)</u>	<u>\$ (158,000)</u>
<u>Genetically Handicapped Persons Program</u>					
4260-111-0001 (General Fund)	\$ 37,788,000	\$ 37,292,000	\$ 53,766,000	\$ 15,978,000	\$ 16,474,000
4260-601-7503 (Federal Title XIX HCFS)	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 0	\$ 0
4260-601-0995 (Enrollment Fees)	\$ 213,000	\$ 195,000	\$ 228,000	\$ 15,000	\$ 33,000
4260-601-3079 (Rebates Special Fund)	\$ 3,500,000	\$ 1,500,000	\$ 4,400,000	\$ 900,000	\$ 2,900,000
TOTAL GHPP	<u>\$ 49,501,000</u>	<u>\$ 46,987,000</u>	<u>\$ 66,394,000</u>	<u>\$ 16,893,000</u>	<u>\$ 19,407,000</u>
GRAND TOTAL - ALL FUNDS	<u>\$ 287,004,400</u>	<u>\$ 281,455,300</u>	<u>\$ 301,880,900</u>	<u>\$ 14,876,500</u>	<u>\$ 20,425,600</u>
4260-111-0001	\$ 136,887,800	\$ 137,895,100	\$ 156,337,300	\$ 19,449,500	\$ 18,442,200
4260-111-0890	\$ 115,358,600	\$ 110,820,200	\$ 109,883,600	\$ (5,475,000)	\$ (936,600)
4260-601-7503	\$ 26,000,000	\$ 26,000,000	\$ 26,000,000	\$ 0	\$ 0
4260-601-0995	\$ 5,234,000	\$ 5,216,000	\$ 5,249,000	\$ 15,000	\$ 33,000
4260-111-0080	\$ 24,000	\$ 24,000	\$ 11,000	\$ (13,000)	\$ (13,000)
4260-601-3079	\$ 3,500,000	\$ 1,500,000	\$ 4,400,000	\$ 900,000	\$ 2,900,000
County Funds ¹	\$ 104,356,500	\$ 106,445,500	\$ 108,892,900	\$ 4,536,400	\$ 2,447,400

¹ County Funds are not included in Total Funds. They are shown for display only.

**Family Health Estimate
Management Summary
May 2008 Estimate**

Fiscal Year 2008-09

The Family Health Estimate shows a 2008-09 General Fund increase of \$25.2 million compared to the November 2007 Family Health Estimate, as explained below (dollars in millions):

November 2007 Estimate:	\$109.6
May 2008 Estimate:	<u>\$134.8</u>
GF Change	\$25.2

For the specific programs included in the Family Health Estimate, the 2008-09 GF change from the November 2007 Family Health Estimate is:

California Children's Services (CCS)	\$6.0
Child Health and Disability Prevention Program (CHDP)	-0.3
Genetically Handicapped Persons Program (GHPP)	<u>19.5</u>
Total Family Health	\$25.2

The major reasons for the increase in costs in 2008-09, compared to the November 2007 Family Health Estimate that were not discussed under 2007-08 are:

CCS

1. BBR-CCS State Only Provider Pmt by 10% PC 13A, CCS HFP Provider Pmt by 10% PC 13B, CCS Medical Therapy Program by 10% PC 15, CCS State Only Case Mgmt by 10% PC 16A, and CCS HFP Case Mgmt by 10% PC 16B: ABX3 5 (Chapter 3, Statutes of 2008) reduces payments to CCS State Only and CCS HFP provider payments by 10%, with specified exemptions. PC 13A and 13B include the savings from the reductions specified in ABX3 5. In addition to those reductions, the Department will reduce by 10% payments to the Medical Therapy Program, CCS State Only Case Management, and CCS HFP Case Management. The combined savings from these reductions in the November 2007 Estimate was estimated to be \$10.989 million GF in 2008-09. In the May 2008 Estimate, 2008-09 savings are estimated to be \$8.926 million GF. The revised savings estimates are due to later implementation dates and the use of more recent expenditure data. Savings for reductions are assumed to begin in July 2008. These changes result in GF increases of \$2.063

million in 2008-09, when compared to the November 2007 Family Health Estimate.

CHDP

1. BBR-CHDP Provider Pmt by 10% PC 2: ABX3 5 (Chapter 3, Statutes of 2008) reduces payments to CHDP provider payments by 10%, with specified exemptions. PC 2 includes the savings from the reductions specified in ABX3 5. In the May 2008 Estimate, 2008-09 savings are estimated to be \$0.2 million GF compared to the November 2007 Family Health Estimate, when no savings were specifically attributed to CHDP.

GHPP

1. BBR-GHPP Provider Pmts by 10% PC 5: ABX3 5 (Chapter 3, Statutes of 2008) reduces payments to GHPP State Only, with specified exemptions. PC 5 includes the savings from the reductions specified in ABX3 5. In the May 2008 Estimate, 2008-09 savings are estimated to increase \$0.542 million GF, when compared to the November 2007 Family Health Estimate. The revised savings estimates are due to the use of more recent expenditure data.

Management Summary

Fiscal Year 2007-08 Compared to Fiscal Year 2008-09

	May 08 Est. FY 2007-08	May 08 Est. FY 2008-09	Difference Incr./(Decr.)
<u>California Children's Services</u>			
4260-111-0001 (General Fund)	\$ 100,086,300	\$ 84,866,000	\$ (15,220,300)
4260-601-0995 (CDPH Title V Reimbursement)	\$ 5,021,000	\$ 5,796,000	\$ 775,000
4260-601-7503 (Federal Title XIX HCSF)	\$ 18,000,000	\$ 33,962,000	\$ 15,962,000
4260-111-0890 (Federal Title XXI)	\$ 109,883,600	\$ 116,901,200	\$ 7,017,600
County Funds ¹	\$ 108,892,900	\$ 108,018,100	\$ (874,800)
TOTAL CCS	\$ 232,990,900	\$ 241,525,200	\$ 8,534,300
<u>Child Health and Disability Prevention Program</u>			
4260-111-0001 (General Fund)	\$ 2,485,000	\$ 2,408,000	\$ (77,000)
4260-111-0080 (CLPP Funds)	\$ 11,000	\$ 11,000	\$ 0
TOTAL CHDP	\$ 2,496,000	\$ 2,419,000	\$ (77,000)
<u>Genetically Handicapped Persons Program</u>			
4260-111-0001 (General Fund)	\$ 53,766,000	\$ 47,536,100	\$ (6,229,900)
4260-601-7503 (Federal Title XIX HCSF)	\$ 8,000,000	\$ 17,415,000	\$ 9,415,000
4260-601-0995 (Enrollment Fees)	\$ 228,000	\$ 228,000	\$ 0
4260-601-3079 (Rebates Special Fund)	\$ 4,400,000	\$ 4,400,000	\$ 0
TOTAL GHPP	\$ 66,394,000	\$ 69,579,100	\$ 3,185,100
GRAND TOTAL - ALL FUNDS	\$ 301,880,900	\$ 313,523,300	\$ 11,642,400
4260-111-0001	\$ 156,337,300	\$ 134,810,100	\$ (21,527,200)
4260-111-0890	\$ 109,883,600	\$ 116,901,200	\$ 7,017,600
4260-601-7503	\$ 26,000,000	\$ 51,377,000	\$ 25,377,000
4260-601-0995	\$ 5,249,000	\$ 6,024,000	\$ 775,000
4260-111-0080	\$ 11,000	\$ 11,000	\$ 0
4260-601-3079	\$ 4,400,000	\$ 4,400,000	\$ 0
County Funds ¹	\$ 108,892,900	\$ 108,018,100	\$ (874,800)

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Management Summary
Fiscal Year 2008-09
Comparison of Appropriation, November 2007, and May 2008 Estimates

	Approp Est. FY 2007-08	Nov. 07 Est. FY 2008-09	May 08 Est. FY 2008-09	Chg Approp - May 08 Est.	Chg Nov. 07 - May 08 Est.
California Children's Services					
4260-111-0001 (General Fund)	\$ 96,358,800	\$ 78,838,100	\$ 84,866,000	\$ (11,492,800)	\$ 6,027,900
4260-601-0995 (CDPH Title V Reimbursement)	\$ 5,021,000	\$ 5,021,000	\$ 5,796,000	\$ 775,000	\$ 775,000
4260-601-7503 (Federal Title XIX HCSF)	\$ 18,000,000	\$ 35,839,000	\$ 33,962,000	\$ 15,962,000	\$ (1,877,000)
4260-111-0890 (Federal Title XXI)	\$ 115,358,600	\$ 118,501,800	\$ 116,901,200	\$ 1,542,600	\$ (1,600,600)
County Funds ¹	\$ 104,356,500	\$ 103,480,500	\$ 108,018,100	\$ 3,661,600	\$ 4,537,600
TOTAL CCS	\$ 234,738,400	\$ 238,199,900	\$ 241,525,200	\$ 6,786,800	\$ 3,325,300
Child Health and Disability Prevention Program					
4260-111-0001 (General Fund)	\$ 2,741,000	\$ 2,659,000	\$ 2,408,000	\$ (333,000)	\$ (251,000)
4260-111-0080 (CLPP Funds)	\$ 24,000	\$ 24,000	\$ 11,000	\$ (13,000)	\$ (13,000)
TOTAL CHDP	\$ 2,765,000	\$ 2,683,000	\$ 2,419,000	\$ (346,000)	\$ (264,000)
Genetically Handicapped Persons Program					
4260-111-0001 (General Fund)	\$ 37,788,000	\$ 28,077,000	\$ 47,536,100	\$ 9,748,100	\$ 19,459,100
4260-601-7503 (Federal Title XIX HCSF)	\$ 8,000,000	\$ 16,811,000	\$ 17,415,000	\$ 9,415,000	\$ 604,000
4260-601-0995 (Enrollment Fees)	\$ 213,000	\$ 195,000	\$ 228,000	\$ 15,000	\$ 33,000
4260-601-3079 (Rebates Special Fund)	\$ 3,500,000	\$ 1,500,000	\$ 4,400,000	\$ 900,000	\$ 2,900,000
TOTAL GHPP	\$ 49,501,000	\$ 46,583,000	\$ 69,579,100	\$ 20,078,100	\$ 22,996,100
GRAND TOTAL - ALL FUNDS	\$ 287,004,400	\$ 287,465,900	\$ 313,523,300	\$ 26,518,900	\$ 26,057,400
4260-111-0001	\$ 136,887,800	\$ 109,574,100	\$ 134,810,100	\$ (2,077,700)	\$ 25,236,000
4260-111-0890	\$ 115,358,600	\$ 118,501,800	\$ 116,901,200	\$ 1,542,600	\$ (1,600,600)
4260-601-7503	\$ 26,000,000	\$ 52,650,000	\$ 51,377,000	\$ 25,377,000	\$ (1,273,000)
4260-601-0995	\$ 5,234,000	\$ 5,216,000	\$ 6,024,000	\$ 790,000	\$ 808,000
4260-111-0080	\$ 24,000	\$ 24,000	\$ 11,000	\$ (13,000)	\$ (13,000)
4260-601-3079	\$ 3,500,000	\$ 1,500,000	\$ 4,400,000	\$ 900,000	\$ 2,900,000
County Funds ¹	\$ 104,356,500	\$ 103,480,500	\$ 108,018,100	\$ 3,661,600	\$ 4,537,600

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