



DEPARTMENT OF AUDITS AND ACCOUNTS

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Honorable Sharon Cooper
Chairman, House Health and Human Services
436 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 300 (LC 33 6858)

Dear Chairman Cooper:

This bill would transfer the State Health Benefit Plan (SHBP) from the Department of Community Health (DCH) to the Department of Administrative Services (DOAS). As part of the transition, DOAS would assume the existing staff, property, and responsibilities associated with the operation of SHBP. Within DOAS, a new position of Chief Data Officer would be created to oversee the administration of SHBP. In addition, DOAS would be responsible for implementing several provisions intended to expand Georgia's network of Federally Qualified Health Centers (FQHCs). These provisions include the creation of a rapid deployment assessment team to identify up to 100 new sites for FQHCs, the provision of incentives to SHBP members to use FQHCs, and the authorization to create a cooperative purchasing program for potential new FQHCs and other healthcare facilities to purchase equipment at bulk rates.

As a result of this bill, all funding associated with SHBP would be transferred from DCH to DOAS. The transition itself would result in one-time costs for the two agencies, while DOAS would incur additional administrative costs related to new SHBP responsibilities included in the bill. One-time costs are estimated at \$1.8 to \$2.0 million for required actions and as much as \$27 million if the state provides start-up grants to 100 FQHCs. Annual costs could not be totaled due to the unknown costs of implementing certain new requirements (Table 1). At a minimum, it would be at least \$1.2 million.

Table 1: One-Time and Annual Costs of LC 33 6858

	One-Time Costs	Annual Costs
<u>DOAS – SHBP Funds</u>		
SHBP Transition Costs		
Office Move and Remodel	\$180,000	
IT Costs	\$150,000	
Chief Data Officer & Supporting Positions		\$395,435
FQHC Rapid Deployment Assessment Team	\$400,000 - \$600,000	
Member Incentives to Use FQHCs		Unknown
Purchasing Cooperative (optional)		\$765,177
DOAS Subtotal (SHBP funds)	\$730,000 - \$930,000	>\$1,160,612
<u>DCH Administration – State Appropriations</u>		
SHBP Transition Costs		
Maintain Admin Staffing	\$1,044,853	
DCH Subtotal	\$1,044,853	
<u>DCH Office of Rural Health – State Appropriations</u>		
FQHC Start-Up Grants ¹ (optional)	Up to \$25,000,000	
Total Cost (without grants)	\$1,774,853 - \$1,974,853	> \$1,160,612
Total Cost (with optional grants)	Up to \$26,974,853	> \$1,160,612
<p>1. While the bill does not require state funding for FQHCs, the state has provided \$250,000 start-up grants to some organizations attempting to open or expand FQHCs. In 2015 and 2016, the federal government provided 16 awards designating FQHCs in Georgia; seven of those organizations had received state grant funds.</p>		

Cost to the Department of Administrative Services

The additional costs to DOAS are discussed below. SHBP administration costs would be covered by SHBP funds, which consist of employer and member premiums.

- *Transition Costs* – DOAS estimated that \$330,000 would be required to transition SHBP employees from DCH to DOAS. Of this amount, \$150,000 would be required to cover one-time information technology costs. The remaining \$180,000 would be required to move and remodel office space for the SHBP employees that would be transferred from DCH. DCH reported that the SHBP had 61 total FTEs in 2016 – 44 filled and 17 vacant.
- *Chief Data Officer* – The bill creates a position of Chief Data Officer that would be responsible for administering SHBP. Per the bill, the person who fills this position should be experienced in predictive modeling. DCH estimates the Chief Data Officer and supporting positions would cost DOAS \$395,435. Most of this amount would cover salary, benefits, and travel for this position and two supporting data analysts at an estimated cost of \$384,435. DCH estimated an additional \$11,000 for three licenses for statistical software and training.

- *Rapid Deployment Assessment Team* – The bill establishes a rapid deployment assessment team to identify up to 100 new sites that could meet the qualifications to be designated an FQHC. DOAS reported that it would likely hire a contractor with subject matter expertise to perform the site identification. Based on estimates from DCH and an organization that works with FQHCs, we estimate that a one-year project would cost between \$400,000 and \$600,000. This would include salaries/benefits and travel expenses for three to five staff.
- *Incentives for SHBP members* – The bill requires DOAS to provide incentives for SHBP members to use FQHCs. The costs of any incentive would vary depending on implementation, participation, and the level of incentive. For illustrative purposes, DCH provided the example of reducing a member’s copay from \$20 to \$10 when a FQHC is used. If all 1,569 SHBP members who visited FQHCs in fiscal year 2016 had two office visits and received a \$10 incentive copay reduction, it would have cost \$31,380. Assuming utilization of FQHCs doubled or tripled among SHBP members the additional cost would be \$62,760 or \$94,140 respectively.
- *Purchasing Cooperative* – The bill authorizes DOAS to create a cooperative purchasing program that would enable potential new FQHCs and other healthcare facilities, as determined by DOAS, to purchase medical equipment at bulk rates. DOAS estimated that \$765,177 would be required to operate a cooperative purchasing program. This cost includes salary and benefits for 6 positions (\$540,177) and contractual services (\$225,000) that would support the program.

Cost for Department of Community Health Administration

This bill would require an additional \$1.04 million in state funds to support administrative support functions whose costs were partly paid with SHBP funding. In fiscal year 2016, DCH allocated \$2.09 million in administrative support costs to SHBP, covering staff salaries (\$1.77 million) for areas such as finance or legal and real state rental (\$262,400). According to DCH, the agency does not expect to reduce administrative staff or rental space as a result of the bill. Administrative support costs would be shifted to Medicaid, with federal Medicaid funds and state funds each covering half of the cost (\$1.04 million each).

Cost to Department of Community Health State Office of Rural Health

- *Start-Up Grants* – While the bill does not require the provision of funding for new FQHC sites, in recent years the state has provided grants for the development or expansion of FQHCs. Grants of \$250,000 per site have been awarded, but not all awards have resulted in a federal FQHC designation and not all newly designated FQHC sites have received state funds. According to the State Office of Rural Health, seven of the 16 FQHC designations awarded by the federal government in the last two years received start-up funding from the state.

The state has provided start-up grants to 26 of the 203 FQHC sites (13%) in Georgia. Providing \$250,000 grants to 13 of the 100 newly identified sites (13%) would cost \$3.25 million. Start-up grants to all 100 sites would cost \$25 million.

Cost to the Board of Regents of the University System of Georgia

The bill gives USG the opportunity to contract with SHBP for healthcare benefits. USG reported that it would remain out of the SHBP; therefore, there would be no costs associated with this provision.

Sincerely,



Greg S. Griffin
State Auditor



Teresa A. MacCartney, Director
Office of Planning and Budget

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