



# Health & Human Resources Budget Issues

Susan Massart, Staff  
House Appropriations Committee  
November 15-16, 2005



# Agency Requests

- **Mandatory Programs**
  - Medicaid
  - Comprehensive Services Act
  - Foster Care
  - Adoptions
- **High Priority Programs**
  - Mental Health, Mental Retardation and Substance Abuse Services Restructuring



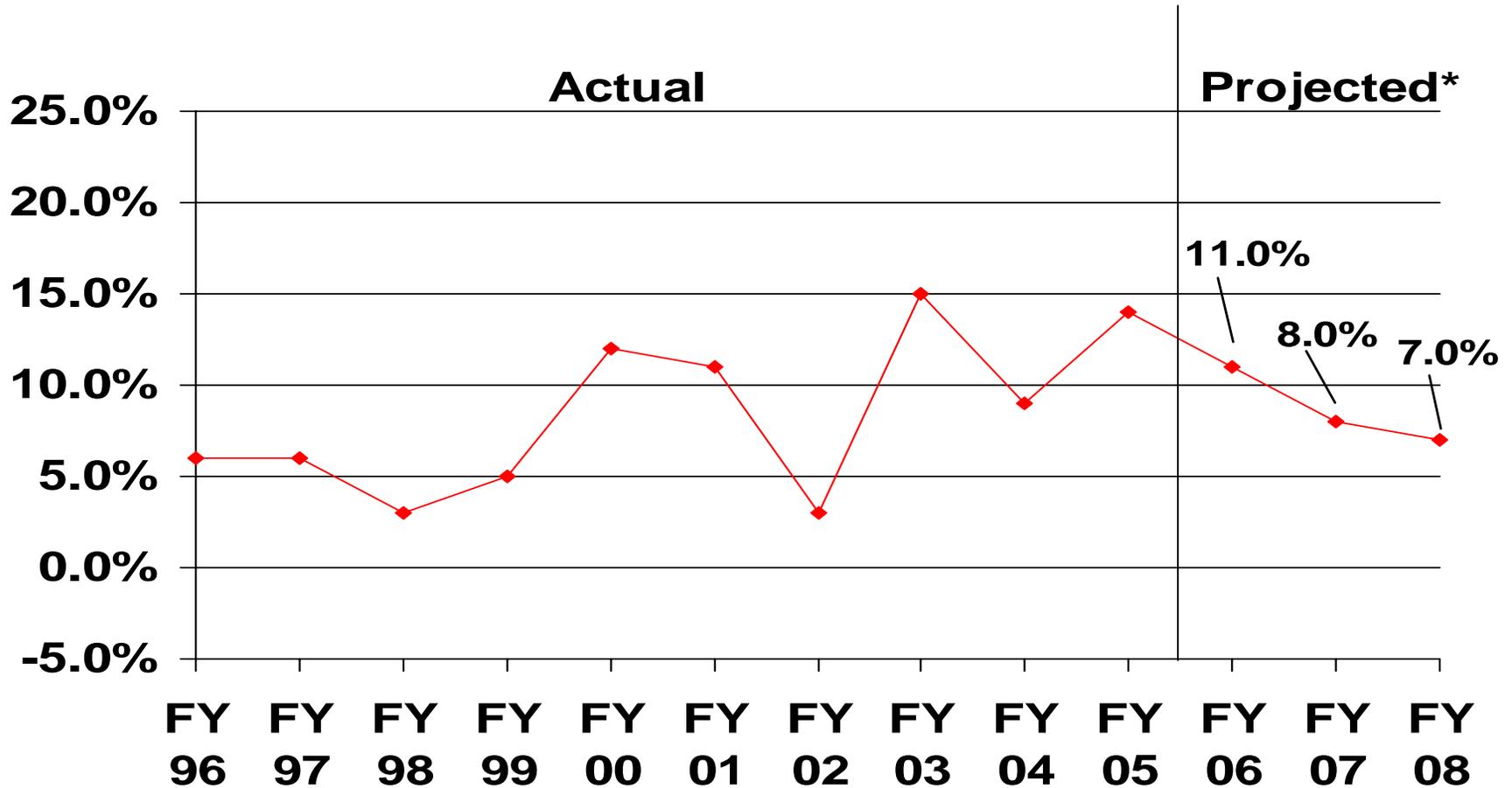
# Medicaid Budget Requests

GF \$ in Millions

Medicaid Program	FY 2007	FY 2008
Utilization & Inflation	\$198.7	\$363.1
Medicare Part D Payment "Clawback"	\$38.0	\$42.4
Children's Health Ins. (FAMIS & SCHIP)	\$3.2	\$6.3
Involuntary Mental Commitments	\$1.0	\$1.9

# Medicaid Utilization & Inflation

- Average annual growth = 8.4%



\*DPB and DMAS Consensus Forecast



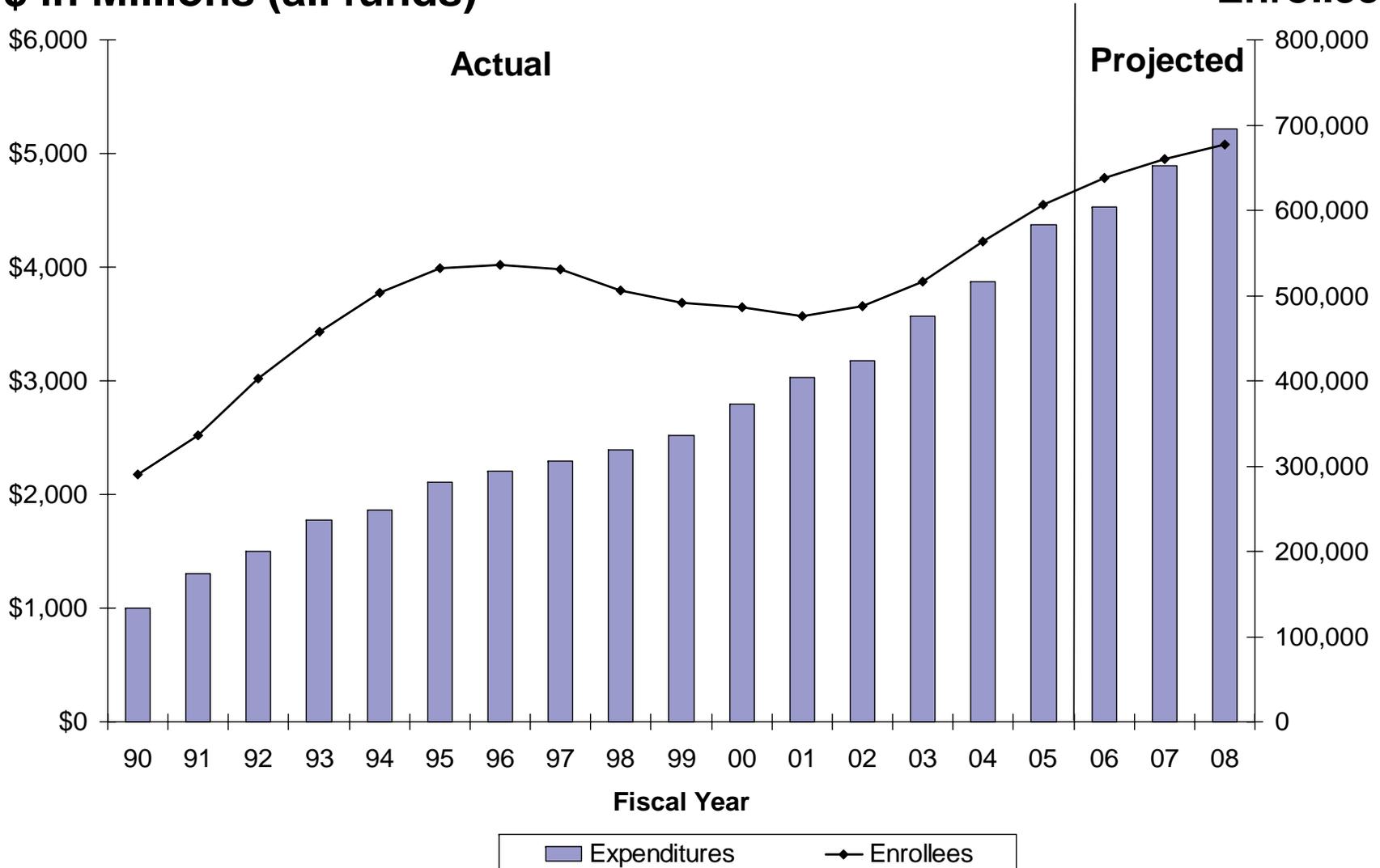
# Factors Driving Medicaid Growth

- Medical inflation
- Enrollment increases
  - Children, pregnant women and low-income adults
  - Persons with mental retardation & developmental disabilities (MR & DD waiver increases)
  - Aged and disabled individuals
- Higher utilization rates
- Increased costs per client
  - Complexity of care
  - Continued deinstitutionalization
- Higher payments to certain providers (reflects actions the 2004 & 2005 Sessions)
  - Hospitals
  - Nursing homes
  - Mental retardation & developmentally disabled waiver providers
  - Dentists
  - OB/GYNs, pediatricians, primary care & emergency room physicians
  - Personal care and adult day health care
  - Pharmacies
- Rebasing of hospital and nursing home rates

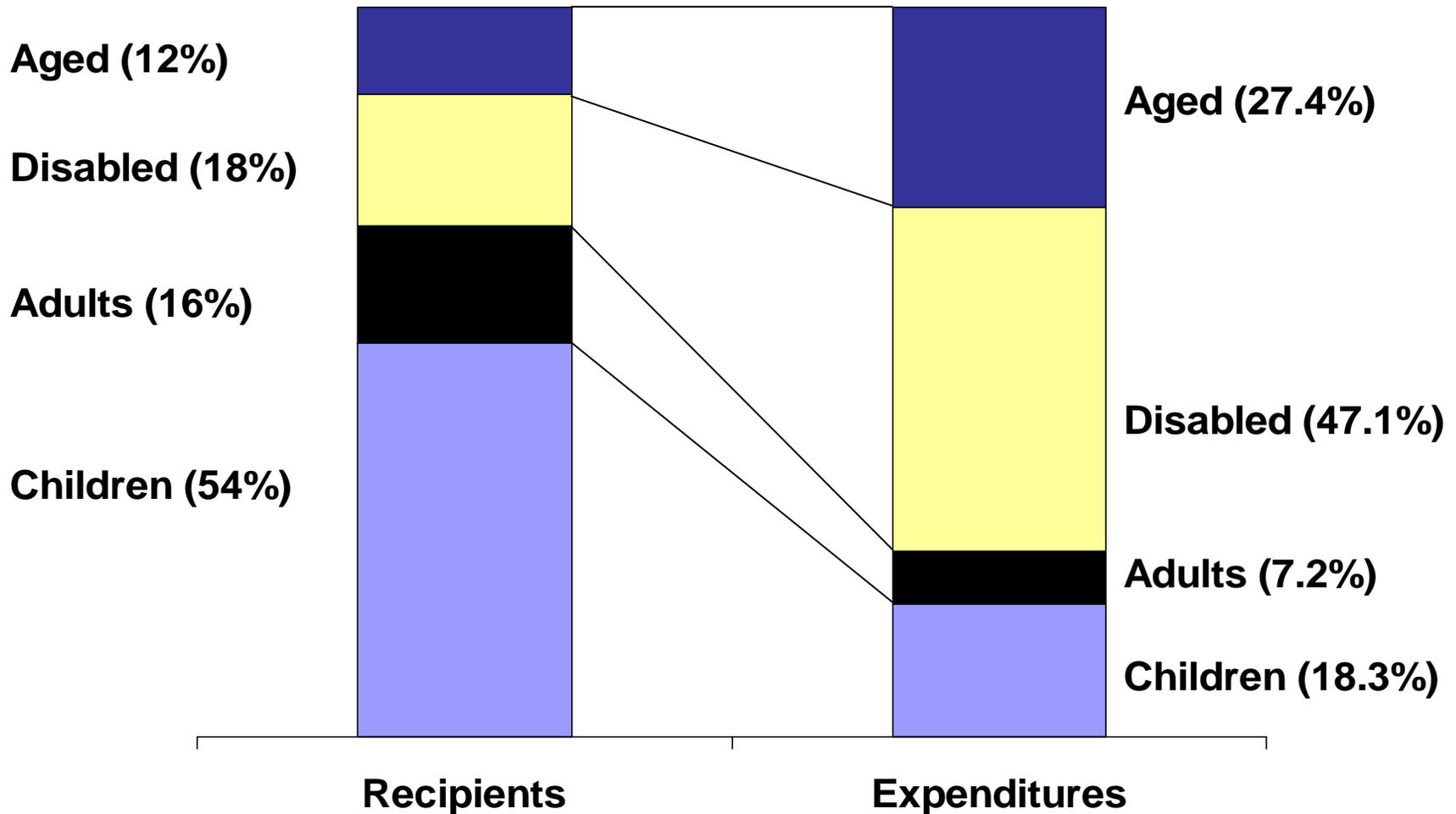
# Growth in Medicaid Medical Expenditures Compared to Growth in Enrollees

**\$ in Millions (all funds)**

**Enrollees**



# Comparison of Recipient Groups as a Percent of All Recipients and Expenditures (FY 2004)

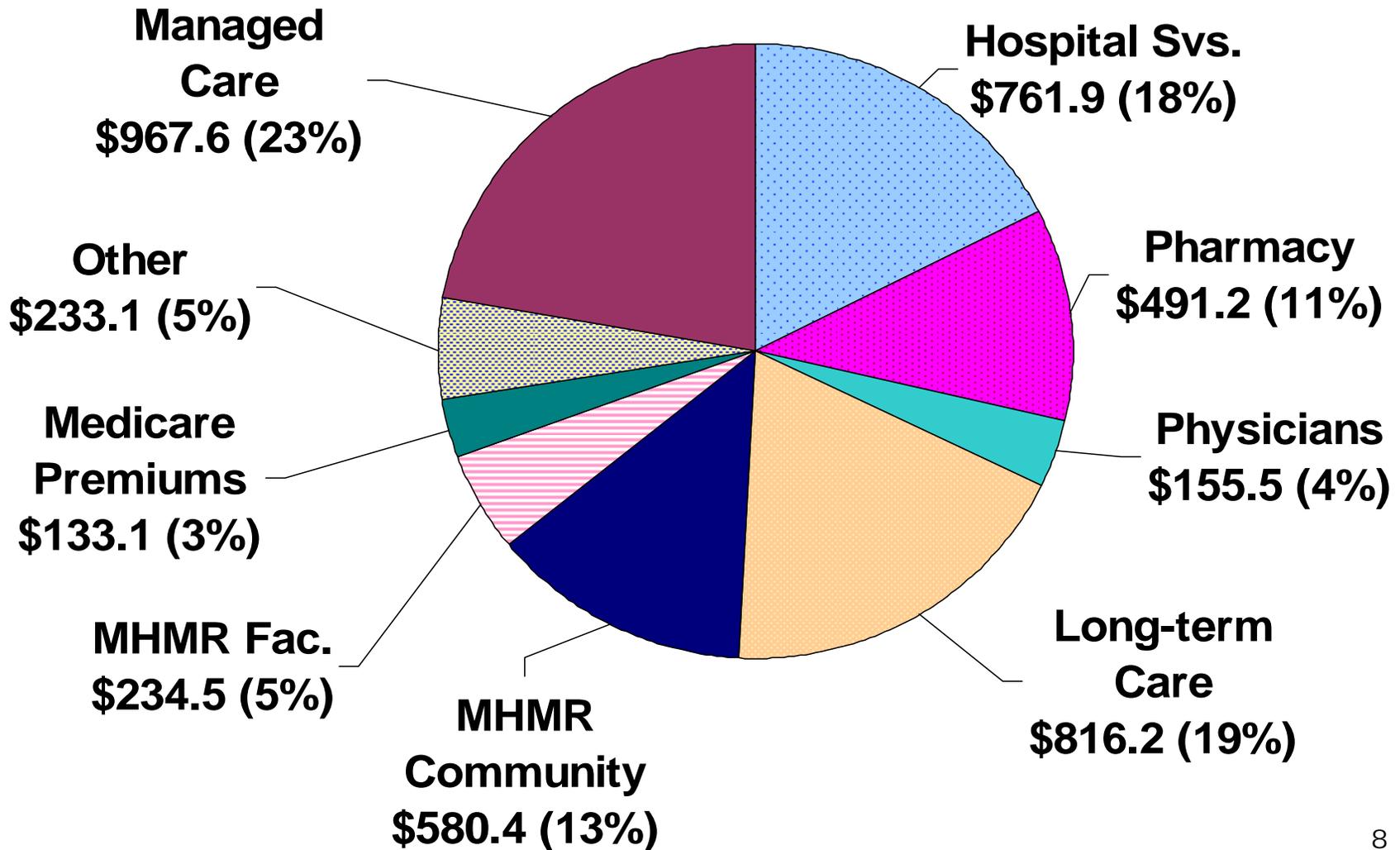


Source: Medicaid Statistical Record, FY 2004.

# Expenditures by Medical Service

## FY 2005 = \$4.4 billion (all funds)

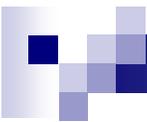
Source: Medicaid Statistical Record, FY 2005





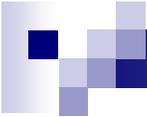
# Federal Actions Affecting Medicaid

- U.S. House of Representatives and U.S. Senate in process of reconciling bills affecting the Medicaid program
- Actions center around:
  - Medicaid prescription drug reforms
    - Limits on outpatient pharmacy reimbursement
    - Additional drug rebates from manufacturers
    - Higher dispensing fees for multiple-source drugs (\$8 per prescription)
  - Long-term care reforms - transfer of assets
  - Expansion of home and community based care
  - Flexibility in cost-sharing and benefits
  - Eliminating fraud, waste and abuse (third party recovery)
  - State financing (provider taxes, federal match rates, etc.)
- Some federal savings assumptions depend on state actions
- Some federal actions may increase costs to Virginia
  - Higher dispensing fees
  - Restrictions on targeted case management services for children
  - Restrictions on mental health rehabilitative services



# State Payment for Medicare Part D Drug Benefit “Clawback”

- States are required to pay the federal government the state share of the cost of Medicare Part D prescription drug coverage for individuals who are dually eligible for Medicaid and Medicare (referred to as “clawback”)
  - State share is 90% of costs for 2006 and decreases to 75% by 2015
  - Approximately 136,000 individuals “dual eligibles”
  
- “Clawback” amount based on:
  - Per capita costs for “dual eligibles” in 2003
  - Per capita growth in drug spending nationwide since 2003
  - Number of “dual eligibles” enrolled in Part D
  
- “Clawback” amount does not recognize pharmacy program savings initiated since 2003:
  - Preferred drug list
  - Mandatory generic substitution
  - Maximum allowable cost pricing for generics
  - Threshold program
  - Expanded drug utilization review



# Impact of Medicare Part D Program

- State clawback payment
  - (\$2.2) million in FY 2006
  - \$38.0 million in FY 2007
  - \$42.4 million in FY 2008
  
- In addition, Virginia is required to
  - Assist transition of “dual eligibles” to Part D
  - Provide monthly data to federal government
  - Handle increased telephone inquiries from “duals”
  - Provide “coordination of benefits” information
  - Upon request, assist low-income individuals in applying to the Social Security Administration for subsidy of the Medicare Part D premium, coinsurance and deductible amounts
  - Provide information and referral related to choosing a prescription drug plan
  - Conduct additional appeal hearings related to “extra help” determinations
  - Take referrals from the Social Security Administration of individuals potentially eligible for Food Stamps and Medicaid



# Comprehensive Services Act (CSA)

Budget Request	FY 2006	FY 2007	FY 2008
CSA Program	\$7.5 million	\$15.8 million	\$32.6 million

- CSA coordinates local services for emotionally and behaviorally disturbed children
- Localities are mandated to serve most eligible children, most of whom are special education and foster care cases
- Recently, caseload growth has leveled off but service costs continue to grow

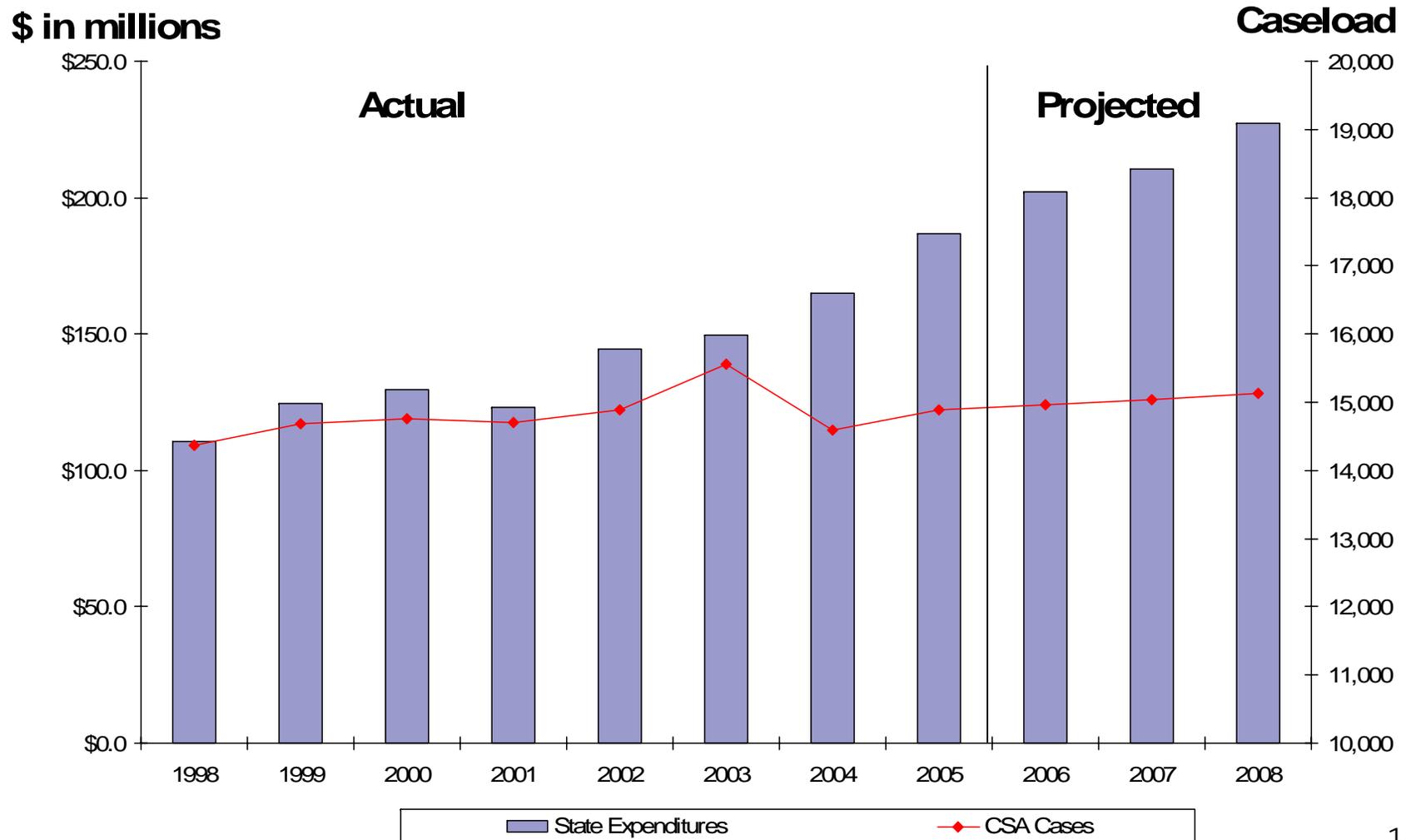


# Factors Driving CSA Costs

- Majority of expenditures are for services provided in more restrictive setting and/ or are intensive in nature
  - Therapeutic foster home
  - Special education private day placement
  - Group home
  - Residential treatment facility
- Cost per youth served in more restrictive/intensive setting ranges from \$16,315 to \$32,561 annually compared with \$3,764 per youth receiving community services
- Unregulated Rates
  - Residential provider rates are market-based
  - Localities must negotiate on own
  - Small localities at a disadvantage with fewer economies of scale
  - Specialized residential services have fewer providers
- Detailed data are lacking to understand service costs

# Growth in CSA

- Average annual expenditure growth = 8%





# Foster Care and Adoptions

Budget Requests (\$ in millions)	FY 2006	FY 2007	FY 2008
Foster Care	\$0.0	\$5.8	\$9.6
Adoption Assistance	\$7.3	\$14.4	\$22.6

- Foster care provides payments for room, board, clothing, and daily supervision (maintenance)
- Of 8,111 children in foster care, 50% are eligible for Title IV-E of the Social Security Act
- State share of expenses for Title IV-E eligible is 50%
- Foster care maintenance expenses for non IV-E eligible children are paid through the Comprehensive Services Act program

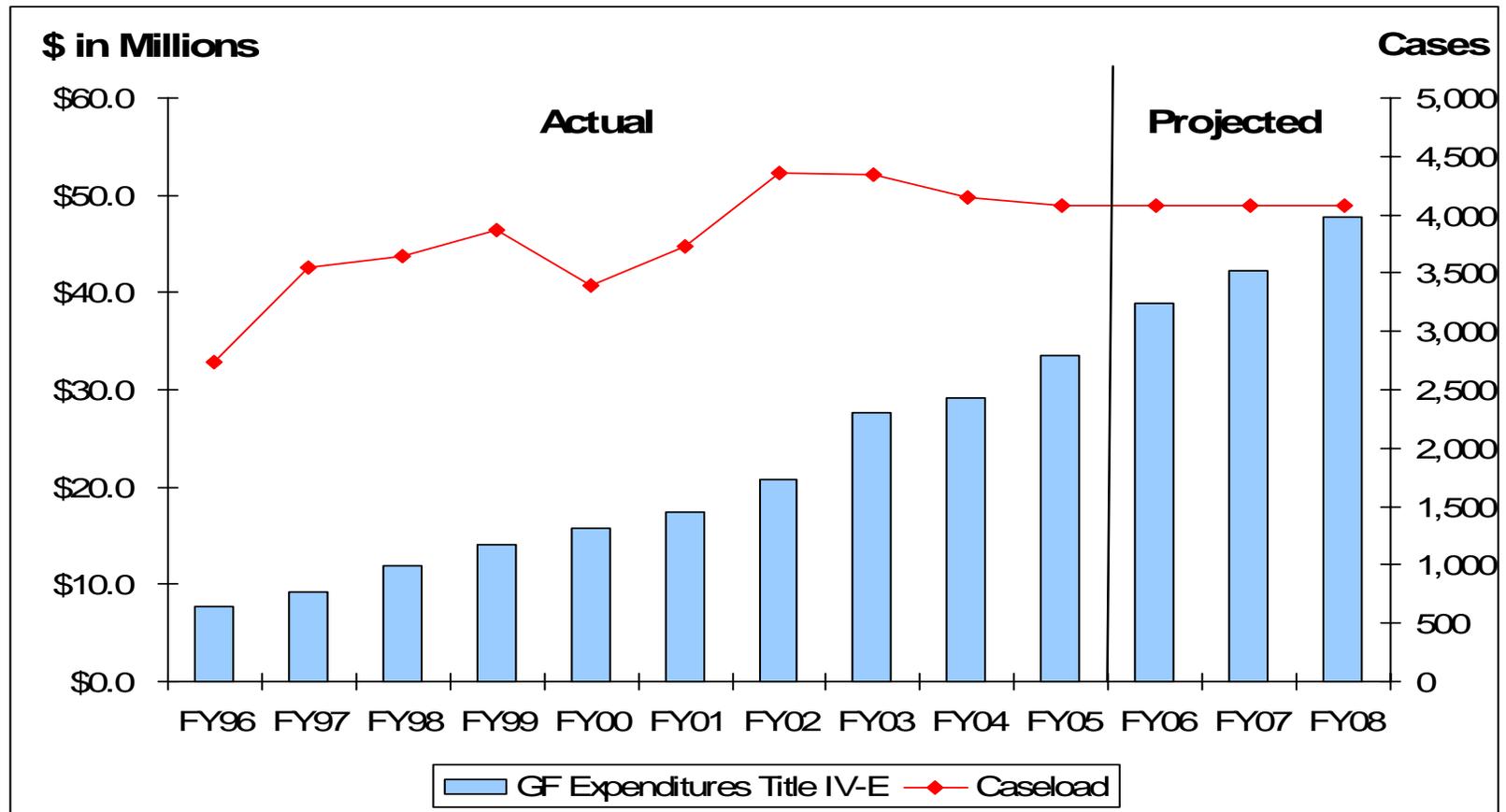


# Factors Driving Foster Care Expenditure Growth

- Foster care rates paid directly to families are lower than those paid to families recruited, licensed and trained by child placing agencies
  - Local DSS cannot compete with child placing agencies for foster care families
- Increasing use of group homes for foster care children
  - Higher cost than family foster care homes
- Increasing use of therapeutic foster care
  - Higher cost
- Increasing use of residential services
  - Cost is unregulated
  - Many localities have trouble negotiating rates and comparing services across providers

# Foster Care Expenses for Title IV-E Children

- Title IV-E expenditures have increased on average by 17.8% annually over the past ten years
- Caseload growth has leveled off in the past few years





# Adoption Assistance

- Provided to help place foster care children who are considered hard to place and who would likely remain in long-term foster care without such assistance (often termed “special needs adoptions”)
- Two types of adoption assistance:
  - Maintenance payments for children with special needs who are eligible under Title IV-E of the Social Security Act (50/50 funding match with federal government only covers room, board, child care)
  - Assistance for children with special needs who are not eligible under Title IV-E (state only funding) and Title IV-E children who need services beyond maintenance
- A special need case would exist if a child is older, is a minority, has siblings that need to be placed together or has the following conditions:
  - Physical, mental or emotional condition existing prior to adoption or diagnosed within 1 year after the final order of adoption
  - Hereditary tendency, congenital problem or birth injury leading to substantial risk of future disability



# Adoption Assistance

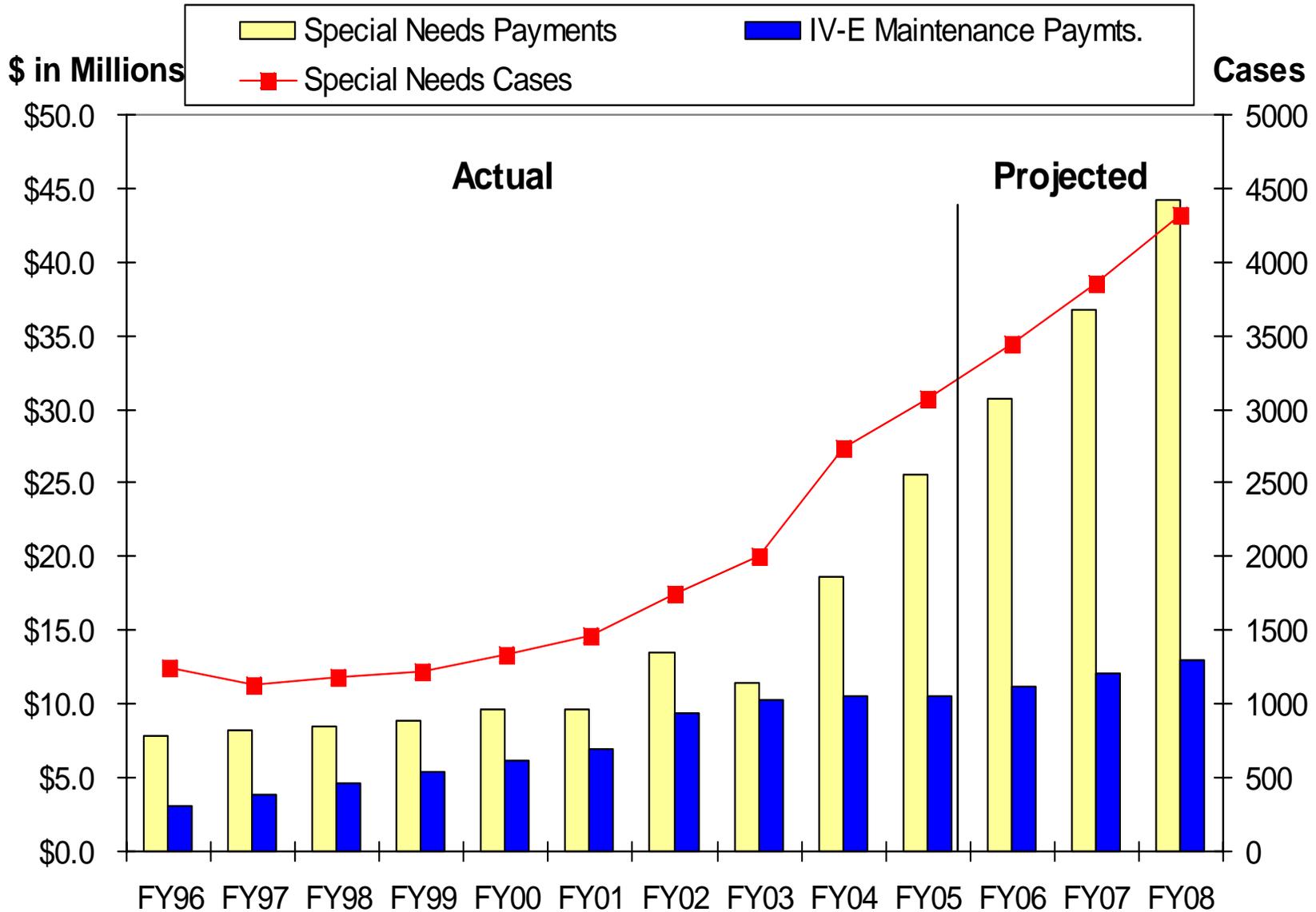
- Adoption assistance may include a maintenance payment and/or special needs payment and is negotiated with the adoptive parents
- Adoption assistance may continue until the child reaches age 18 or 21 or longer, depending on special circumstances
- Payments for non-recurring expenses are capped at \$2,000
- Payments for other expenses such as, medical care or mental health services, are not capped (other than a broad rule that they should not exceed what would have been paid, had the child remained in foster care)



# Adoption Assistance Growth

- The number of children receiving adoption assistance has increased on average by about 12% annually
- Over the past 5 fiscal years, adoption assistance expenditures have increased on average by about 16.9% annually
  - 24.8% increase in special needs expenditures
  - 11.7% increase in Title IV-E expenditures
- Of concern is a 37.5% increase in special needs expenditure in FY 2005

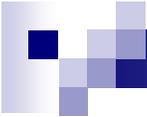
# Adoption Expenses





# What is Driving Growth in Adoption Assistance?

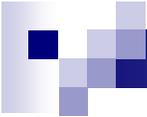
- Every adoption case receives some amount of adoption assistance funding
  - No statutory requirement for means testing for assistance
- Lack of detailed data to determine
  - Number of services provided per case
  - Types of services provided
  - Costs of various services for which payments are made
  - Variations in costs between localities
- No incentives for localities to control costs in program
  - No local match required
  - Some localities believe that adoption assistance is uncapped sum sufficient funding
- Policy guidance from state DSS may need to be strengthened
  - Adoption agreements for services not reviewed by state DSS
  - Policy encourages conditional agreement for future services
  - Training lacking for local workers on how to negotiate payments with adoptive families
  - No review of changes in child's condition, particularly when expensive services are provided
  - No guidance on expenditures for various services allowed



# Mental Health, Mental Retardation and Substance Abuse Services

- Agency budget requests center on system “transformation” initiatives
  - Consumer-driven system of services
  - Development of community services capacity

\$ in millions	FY 2007	FY 2008
Mental Retardation Svs.	\$90.0	\$103.1
Mental Health Services	\$32.6	\$34.5
Substance Abuse Svs.	\$22.1	\$25.5



# MHMRSAS System Transformation Initiatives

- **Mental Retardation**
  - Additional guardianships and waiver slots, day support, residential and in-home services
  - 20 percent increase in Medicaid MR Waiver rates, plus start-up costs
  - Training for providers to increase consumer participation
- **Mental Health Services**
  - Regional funding for community mental health services and capacity building
    - Respite care, mobile outreach, consumer-operated services
    - Start-up costs, housing development, utilization management
  - Suicide prevention unit at DMHMRSAS
  - Discharge assistance for 26 NGRI patients and 40 civil patients
  - Expand children's services
- **Substance Abuse Services Treatment**
  - Increase state facility diversion services
  - Add 3 crisis stabilization services sites
  - Treatment for consumers with opioid addictions
  - Adolescent services for co-occurring mental health and substance abuse disorders
  - Outpatient & residential treatment services for pregnant and postpartum women