

## Health and Human Resources

<b>Adopted Adjustments</b> (\$ in millions)				
	<b>FY 2013 Adopted</b>		<b>FY 2014 Adopted</b>	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$4,915.3	\$6,756.7	\$4,915.3	\$6,756.7
Technical Adjustments	105.4	129.1	103.7	113.4
Increases	270.9	354.4	496.2	1,783.4
Decreases	(187.8)	(204.6)	(301.7)	(306.8)
\$ Net Change	188.5	278.9	298.2	1,590.0
<b>Chapter 3 (HB 1301, as Adopted)</b>	<b>\$5,103.8</b>	<b>\$7,035.6</b>	<b>\$5,213.5</b>	<b>\$8,346.7</b>
% Change	3.8%	4.1%	6.1%	23.5%
FTEs	9,067.22	7,489.53	9,085.72	7,481.53
# Change	(0.45)	(6.55)	18.05	(14.55)

- **Secretary of Health and Human Resources**

- *Funding for Child Advocacy Centers.* The introduced budget eliminated \$846,000 GF each year for Child Advocacy Centers (CACs) included in the Secretary’s budget and an additional \$85,000 GF each year for child advocacy centers in the Department of Social Services. The approved budget restores \$931,000 GF each year for child advocacy centers within the Department of Social Services’ budget.
- *Oversight of HHR Eligibility and Health Care Information Systems.* The approved budget includes language requiring the Secretary of Health and Human Resources to provide quarterly updates on the implementation of new, integrated information technology systems by the Health Care Reform office related to implementation of the Patient Protection and Affordable Care Act and the Medicaid Information Technology Architecture. This initiative includes more than 23 major systems projects totaling more than \$100 million over seven years.

- **Comprehensive Services for At-Risk Youth and Families**

- *Adjust CSA Appropriation to Reflect Caseload and Utilization Trends.* Reduces \$20.0 million GF each year to reflect projected CSA caseload and spending trends. CSA expenditures have fallen in each of the last three fiscal years in part due to changes in the local match rate for these services.

- ***Restore Funding for School-Based, Wrap-Around Services.*** In 1997, the CSA’s State Executive Council adopted a policy to fund flexible school-based, wrap-around services which allowed localities to expand services to prevent more expensive institutional placements for children with disabilities. The introduced budget eliminated \$6.1 million GF each year for these services and provided \$700,000 GF each year to offset a projected increase in non-mandated CSA services. The approved budget restores \$2.2 million GF each year for school-based, wrap-around services reflecting the current level of expenditures on these services by localities. Budget language is added requiring a report on the effectiveness of these services in placing or maintaining children in less restrictive settings.
- ***Fund Audit of the CSA Program.*** Includes one-time funding of \$500,000 GF in FY 2013 to conduct a comprehensive audit of the CSA program including a review of local government services.
- ***Report on Changes to Local Match Rates for CSA Services.*** Adds language requiring the Office of Comprehensive Services to evaluate the impact of changing the match rates paid by localities for residential treatment and community-based services. Local match rates were increased for residential treatment services and lowered for community-based services in FY 2010. The report is designed to assess the impact of the local match rates changes on the care and treatment of children and youth served in CSA.

- **Department for the Aging**

- ***Funding for Local Area Agencies on Aging (AAAs).*** The adopted budget adds \$1.0 million GF the first year and \$1.5 million GF the second year to restore funding for local Area Agencies on Aging and enables them to continue serving low-income elderly Virginians. The introduced budget had reduced funding for AAAs by \$131,853 GF each year, a 1.8 percent reduction. In addition, funding provided to local AAAs will be redistributed beginning October 1, 2012, due to the growth in the elderly population, resulting in the reallocation of \$1.9 million GF in funding in federal fiscal year 2013 from slower growing regions to faster growing regions. The additional general funds will mitigate the loss of funding attributable to census changes and the loss of services from budget reductions to other community-based aging service providers.
- ***Phase-Out Funding for Community-Based Aging Service Providers.*** The introduced budget reduced \$386,722 GF in FY 2013 and \$767,945 GF in FY 2014 by reducing funding by 50 percent the first year then eliminating funding the second year for 11 community-based providers of aging services. The adopted budget approved the proposed reductions with the exception of \$107,750 GF the first year and \$215,500 GF the second year that was restored for Pharmacy Connect of Southwest Virginia. Separately, the approved budget includes additional resources for local Area Agencies on Aging which they may use to mitigate the loss of funding for some of these community-based services.

## GF Reductions to Community-Based Aging Service Providers

<u>Organization</u>	<u>FY 2013</u>	<u>FY 2014</u>
Norfolk Senior Center	\$15,259	\$30,517
Korean Senior Center	3,795	7,590
Jewish Family Services of Tidewater	33,311	66,621
Mountain Empire Older Citizens (Companion Care)	27,192	54,385
Mountain Empire Older Citizens (Adult Day Services)	7,554	15,107
Mountain Empire Older Citizens (Pharmacy Connect)	0	0
Bay Aging (Unmet Need)	26,582	53,165
Bay Aging (Adult Day Break Services)	98,991	197,982
Bedford Ride	26,831	53,663
Aging Together Partnership	33,957	67,915
Prince William County (Care Coordination)	<u>5,500</u>	<u>11,000</u>
<b>Total Reductions</b>	<b>\$278,972</b>	<b>\$557,945</b>

- *Increased NGF for Elderly Nutrition Programs.* Adds \$1.4 million NGF each year for home-delivered meals, supportive services and administration from additional funding provided through the federal Older Americans Act.

- **Department for the Deaf and Hard-of-Hearing**

- *Adjust NGF Appropriation for Relay Services.* Reduces \$4.4 million NGF in FY 2013 and \$4.0 million NGF in FY 2014 from the special fund to reflect savings from the recent renewal of the telecommunications Relay Services contract (\$1.8 million) and align the current appropriation with projected spending (\$2.3 million).

- **Department of Health**

*New Spending*

- *Funding for Proton Beam Therapy.* Adds \$1.5 million GF in FY 2013 for the Hampton Roads Proton Beam Therapy Institute at Hampton University to support research on proton therapy used in the treatment of cancer; this type of therapy may have fewer side effects. Also, the approved budget transfers the general fund base of \$510,000 each year from the Higher Education budget to the Department of Health for the proton beam therapy institute.

- *Provide Funding for Additional Medical Facility Inspectors.* Adds \$274,432 GF and \$793,486 NGF in FY 2013 and \$541,064 GF and \$781,786 NGF in FY 2014 to phase-in the addition of 13 full-time medical facility inspectors within the Office of

Licensure and Certification to ensure compliance with federal survey and certification mandates and state licensing and inspection requirements. Additional funding will allow the department to add two ambulatory surgical center inspectors, one ambulatory surgical center building inspector, four acute care facility inspectors and six long-term care facility inspectors. Nongeneral fund revenues will be generated through licensing and inspection fees.

- **Funding for Aids Drug Assistance Program (ADAP).** Includes \$250,000 GF and \$602,451 NGF from one-time federal grants the first year only to reduce the waiting list for low-income, uninsured individuals living with HIV/AIDS who require medication under the Aids Drug Assistance Program.
- **Increase NGF for Federal Food Programs.** Adds \$49.0 million NGF in FY 2013 and \$57.1 million NGF in FY 2014 to reflect the appropriation of federal funding for the Child and Adult Care Food Program and the Summer Food Service Program. The appropriation is necessary to reflect the transfer of the program to the department from the United States Department of Agriculture.

**Restorations**

- **Restore Funding for Community-Based Health Care Providers.** The adopted budget restores \$5.3 million GF the second year for the “health care safety net”, which was reduced in the introduced budget by \$127,728 GF in FY 2013 and \$5.3 million GF in FY 2014. The adopted budget provides full restoration of FY 2014 reductions to statewide health care organizations such as, the Virginia Health Care Foundation, free clinics, and community health centers, the Statewide Sickle Cell Chapter of Virginia, as well as Virginia Health Information, which operates the statewide patient level database.

<b>Restorations for Community-Based Health Providers</b> (Health Care Safety Net)		
	<u>FY 2013</u>	<u>FY 2014</u>
Virginia Health Care Foundation	\$0	\$2,040,286
Virginia Association of Free Clinics	0	1,598,200
Virginia Community Healthcare Association	0	1,204,375
Virginia Health Information	0	123,657
Statewide Sickle Cell Chapter of Virginia	0	45,000
Block Grant for 12 Community-Based Health Care Orgs.	<u>0</u>	<u>255,000</u>
<b>Total</b>	<b>\$0</b>	<b>\$5,266,518</b>

The adopted budget also partially restores funding for 12 community-based health care organizations, which were reduced by \$20,920 GF (2 percent) in FY 2013 and \$271,546 (24 percent) in FY 2014 in the introduced budget (see below). The adopted budget provides a block grant of \$255,000 in FY 2014 to restore funds for these organizations and adds language directing the Commissioner of Health to allocate the funding among the health care organizations which were reduced in the second year.

### Introduced Budget GF Reductions to Community-Based Health Providers

	<b>FY 2013</b> <b>(2% Reduction)</b>	<b>FY 2014</b> <b>(24% Reduction)</b>
AIDS Center and Local Intervention Center	\$9,282	\$119,956
SWVA Graduate Medical Education Consortium	4,301	55,419
St. Mary's Health Wagon	0	19,768
Arthur Ashe Health Center	0	19,497
Alexandria Neighborhood Health Services	0	17,908
Community Health Center of Rappahannock Region	0	10,952
Jeanie Schmidt Free Clinic	0	9,857
Mission of Mercy	425	5,476
Chesapeake Adult General Medical Clinic	0	4,477
Fan Free Clinic	0	3,587
Olde Towne Medical Center	0	2,636
Louisa County Resource Council	156	2,013
Statewide Sickle Cell Chapter of Virginia	1,800	<i>restored above</i>
Virginia Health Information	<u>4,956</u>	<u><i>restored above</i></u>
<b>Total</b>	<b>\$20,920</b>	<b>\$271,546</b>

- *Restore GF for Environmental Health Services.* Restores \$454,120 GF and eliminates \$454,120 NGF from fee revenue each year to eliminate a proposal included in the introduced budget to increase the fee paid for restaurant permits, temporary restaurant permits, and restaurant plan reviews from \$40 to \$60 beginning July 1, 2012. The additional nongeneral fund revenue from the proposed fee increase would have supplanted \$454,120 GF annually for agency operations.
- *Funding for CHIP of Virginia.* The approved budget restores \$425,000 GF each year for the Comprehensive Health Investment Project of Virginia (CHIP). The introduced budget eliminated \$30,318 the first year and \$757,946 the second year from the general fund and \$500,000 NGF each year from the federal TANF block

grant for CHIP of Virginia. CHIP of Virginia is a statewide network of local public/private partnerships which provides registered nurses and community outreach workers to visit at-risk families to provide access to a medical home, health supervision and family support for children and pregnant women.

- ***Funding for Poison Control Centers.*** The adopted budget restores \$500,000 GF the first year only for poison control centers and eliminates \$500,000 NGF in \$4-for-Life funds proposed in the introduced budget to pay for these services. The \$4-for-Life funds are provided to the Office of Emergency Medical Services (EMS) to support EMS training programs such as advanced life support, recruitment and retention programs, systems changes, compliance with performance contracts, communication enhancements and emergency preparedness and response. Budget language directs first year funding for two poison control centers instead of the current three centers and requires the Commissioner of Health to assess the level of funding needed to provide statewide coverage for poison control services at these two centers and provide a report by November 1, 2012.
- ***Funding for Local Dental Services.*** The adopted budget restores \$967,944 GF and \$696,362 NGF and 20 dental positions the first year to continue state-supported dental clinics in FY 2013. The introduced budget proposed eliminating the funding and positions for these services in each year of the 2012-14 biennium. The adopted budget adds language requiring the State Health Commissioner to appoint an advisory committee made up of dental providers and dental health advocates to develop a comprehensive oral health plan by October 1, 2012. The plan must include an evaluation of the sustainability and efficiency of the current state-supported clinic system and the feasibility of transitioning from a prevention and treatment model to a prevention-only program.

### ***Budget Reductions***

- ***Increase Community Waterworks Fee in the Office of Drinking Water.*** Supplants \$841,163 GF each year with an equal amount of additional revenue from an increase in the maximum fee that is charged per connection to all community waterworks from \$2.05 to \$3.00. This increase is designed to recover more of the cost of this regulation with revenue generated through user fees.
- ***Eliminate Funding for the Teenage Pregnancy Prevention Initiative.*** Eliminates \$455,000 GF each year for teenage pregnancy prevention activities that are operated in the seven health districts with the highest rates of teen pregnancy: Richmond, Norfolk, Alexandria, Roanoke City, Crater, Portsmouth and Eastern Shore.
- ***Eliminate Environmental Health Specialists Positions.*** The approved budget eliminates 16 full-time environmental health specialist positions to generate savings of \$600,608 GF and \$435,223 NGF in fee revenue each year. The individuals in this division process and issue permits for onsite sewage disposal systems and drinking water wells. The elimination of these positions is not

expected to affect services due to the slowdown in the housing market which fuels the staff workload in this area.

- ***Phase-Out Funding for General Medical Services Provided Through Local Health Districts.*** The adopted budget phases-out funding for local health departments in Alexandria, Newport News and Norfolk that operate general medical clinics, resulting in general fund savings of \$233,500 the first year and \$466,963 the second year. This action requires these local health departments to stop accepting new patients. Current patients totaling 2,453 will be transitioned to a federally qualified health center (FQHC), free clinic, or other safety net provider.
- ***Reduce Funding for the Water Supply Assistance Grant Program (WSAG).*** Reduces \$717,316 GF each year from the WSAG program. This program provides financial support to small, disadvantaged waterworks for infrastructure improvements that do not qualify for funding through the Drinking Water State Revolving Fund. This reduction will not affect existing grantees, but will reduce the number of future projects that can be funded.

- **Department of Medical Assistance Services**

***Forecast Changes***

- ***Medicaid Utilization and Inflation.*** The adopted budget adds \$178.1 million GF and \$123.0 million NGF in FY 2013 and \$432.1 million GF and \$1.5 billion NGF in FY 2014 to fully fund expected increases in enrollment and medical costs for the Medicaid program.

The impact of the lengthy economic recession appears to be lessening as enrollment growth under existing eligibility standards is projected to grow by only 2 percent and 0.9 percent in FY 2013 and FY 2014, respectively. Increased payments to managed care organizations of 5 percent in FY 2013 and 3 percent in FY 2014 are included in the Medicaid forecast to accommodate enrollment growth and cost increases.

The forecast amounts include funding for inflationary increases in nursing home, hospital, home health agency, and outpatient rehabilitation agency rates as well as the amount required to rebase nursing home rates. General fund costs related to inflation and rebasing account for \$334.7 million (51.4 percent) of the projected increase in Medicaid spending. Separate policy actions removed these amounts in their entirety in the introduced budget. The adopted budget restored \$69.0 million GF over the biennium to recognize rising expenses for nursing homes and hospitals.

Two areas of Medicaid spending that continue to grow at rates well-above the average for other services are: 1) home- and community-based waiver services -- 7.4 percent in FY 2013 and 7.7 percent in FY 2014; and 2) community mental health services - 10.3 percent in FY 2013 and 16.7 percent in FY 2014.

The forecast amounts also include an estimate of the general fund impact of the Patient Protection and Affordable Care Act (PPACA, federal health care reform legislation) in FY 2014, mostly attributable to providing Medicaid coverage for more than 49,537 children who are currently eligible but not enrolled in the program. This cost will be shared equally with the federal government. The cost of this “woodwork effect” is estimated at \$44.3 million GF and \$44.3 million NGF in FY 2014. The forecast also includes \$1.1 billion in federal funds based on the expectation of that Medicaid coverage will be expanded under PPACA to 133 percent of poverty. Under PPACA federal funding for this expansion population will be available at 100 percent through 2016, declining to 90 percent by 2020. The forecast assumes that states will continue to receive the current enhanced federal match rates for children in families with incomes between 100 percent and 133 percent of the federal poverty level who are enrolled in Medicaid. Currently, Virginia receives a federal match rate of about 64 percent, similar to that available through the Family Access to Medical Insurance Security (FAMIS) program.

Finally, the Medicaid forecast includes \$31.4 million GF in FY 2013 to reimburse the federal government in the case of an adverse ruling in a dispute regarding inpatient psychiatric services provided to children under age 21. A separate initiative modifies the Commonwealth’s current reimbursement policy (described under Administrative Savings in this section) in order to reduce this repayment by \$7.1 million GF.

- ***Adjust Medicaid Base Budget for One-time Budget Savings in FY 2011.*** The approved budget adjusts the agency base budget by \$131.6 million GF and \$131.8 million NGF in federal Medicaid matching funds each year to account for funding that was shifted from FY 2012 into FY 2011 to take advantage of enhanced federal Medicaid funding from the American Recovery and Reinvestment Act of 2009. While the one-time strategy was employed to generate savings of \$18.0 million GF for separate economic development initiatives, it also had the effect of reducing the FY 2012 base for Medicaid. The adopted budget restores this funding to ensure the continuation of current Medicaid services.
  
- ***Adjust Medicaid General Fund Amounts for Revenue Changes in the Virginia Health Care Fund.*** Adds \$2.2 million GF in FY 2013 and reduces \$12.9 million GF in FY 2014 in the Medicaid budget to reflect changes in net revenues in the Virginia Health Care Fund. Revenues from the Fund are used as a portion of the state’s match for the Medicaid program; therefore, lower revenues require an additional general fund appropriation to maintain currently-funded Medicaid services. Conversely, higher revenues allow for a reduction in general fund support. Revenues in the Fund are derived from tobacco taxes, Medicaid recoveries, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). Changes to the Fund include:
  - A reduction of \$9.8 million in FY 2013 and \$9.2 million in FY 2014 from the Master Settlement Agreement due to participating tobacco manufacturers



withholding the maximum amount from required payments as a result of a current funding dispute;

- A reduction of \$5.0 million each year from school-based revenue maximization initiatives;
  - An increase of \$5.8 million in FY 2013 and \$6.8 million in FY 2014 from projected increases in tax collections from cigarettes and other tobacco products;
  - An increase of \$270,000 in FY 2013 and \$20.3 million in FY 2014 from additional Medicaid recoveries including \$20.0 million the second year anticipated from the efforts of additional staffing within the Attorney General's Medicaid Fraud Control Unit; and
  - An increase of \$6.5 million in FY 2013 to recognize a settlement with a children's services provider in southwest Virginia and a pharmaceutical manufacturer in central Virginia.
- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** The adopted budget includes \$2.7 million GF and \$5.0 million NGF in FY 2013 and \$6.2 million GF and \$11.6 million NGF in FY 2014 to address anticipated enrollment and cost increases for the FAMIS program. Pregnant women and children under the age of 19 in families with income between 133 and 200 percent of poverty are eligible for this program. Spending is projected to increase by 8 percent in FY 2013 and 6.7 percent in FY 2014. An inflationary adjustment required by state Medicaid regulation for inpatient hospital services and eliminated in separate budget action, accounted for more than half of the projected increase -- \$1.8 million GF in FY 2013 and \$3.4 million GF in FY 2014. The adopted budget restores \$322,715 GF in FY 2013 and \$529,842 GF in FY 2014 to recognize a portion of inpatient hospital inflation. Enrollment growth, which is beginning to slow, and higher rates paid to managed care organizations account for the balance of the proposed increase.
- ***Medicaid State Children's Health Insurance Program (SCHIP) Utilization and Inflation.*** The adopted budget reduces funding by \$2.9 million GF and \$5.4 million NGF in FY 2013 and \$26.0 million GF and \$26.0 million NGF from federal Medicaid matching funds in FY 2014 to meet the estimated amount of funding needed to serve Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level. The federal government matches Medicaid expenditures for these children at the same rate that is provided for the FAMIS program (about 64 percent).

Projected expenditures in the program are down slightly in FY 2013 due to slowing enrollment growth and commensurate lower managed care expenditures. The expenditure forecast projects a significant reduction in funding in FY 2014 to reflect the expected transfer of children eligible for this program to the Medicaid

program pursuant to provisions in the Patient Protection and Affordable Care Act. The federal match rate would continue at the FAMIS rate of about 64 percent.

Finally, funding for this budget item includes an inflationary adjustment for inpatient hospital services that is required by Medicaid regulation totaling \$1.1 million GF in FY 2013 and \$1.8 million GF in FY 2014. While the introduced budget eliminated any funding for inflation, the adopted budget restored \$197,318 GF the first year and \$278,351 GF the second year to recognize the rising costs of providing health care services.

- ***Increased Funding for Involuntary Mental Commitments.*** The adopted budget provides a general fund increase of \$2.8 million in FY 2013 and \$3.4 million in FY 2014 to address rising hospital and physician costs related to temporary detention orders. Spending for these medical services is projected to increase by 16.7 percent in FY 2013 and 3.8 percent in FY 2014. More than half of the increase can be attributed to an inflationary adjustment that is required by Medicaid regulation for inpatient hospital services. In a separate action the introduced budget removed funding for inflation. The adopted budget restored \$266,402 GF the first year and \$331,474 GF the second year to recognize rising costs for these services.

### ***Increased Funding***

- ***Intellectual Disability (ID) and Developmental Disability (DD) Waiver Slots.*** The introduced budget included an additional general fund deposit of \$30.0 million to the Behavioral Health and Developmental Services Trust Fund to expand community-based developmental disability services, including additional Medicaid waiver slots and other community-based services needed to transition individuals from state training centers into the community. The additional funding is consistent with a pending settlement with the federal Department of Justice (DOJ) surrounding the treatment and care of individuals with intellectual and developmental disabilities. The Administration announced an agreement with the DOJ in January 2012. The approved budget appropriates this funding in the Department of Behavioral Health and Developmental Services, along with funding in the Department of Medical Assistance Services to provide additional community-based services needed to address the DOJ Settlement Agreement. The adopted budget provides a total of \$30.9 million GF the first year and \$47.2 million GF the second year to add 225 ID and 25 DD waiver slots each year to reduce the community waiting list and 160 ID waiver slots each year to transition individuals out of state intellectual disability training centers.

The adopted budget adds \$2.6 million GF the first year and \$7.6 million GF the second year and an equal amount of federal Medicaid matching funds to increase the number of ID waiver slots available for individuals residing in the community by 225 by June 30, 2014. Also, the budget adds \$371,950 GF the first year and \$1.2 million GF the second year and an equal amount of federal Medicaid matching funds to increase the number of Individual and Family DD Support waiver slots available by 80 by June 30, 2014.

## Additional Medicaid Waiver Slots Included in FY 2012-14 Budget

	General Fund		Slots	
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>
<b>Department of Justice (DOJ) Agreement</b>				
Reduce Community Waiting List for ID Waiver Program	\$17,011,500	\$24,666,675	225	225
Transition Individuals from Intellectual Disability Training Centers to Community Reduce Community Waiting List for DD Waiver Program	11,309,540	19,534,660	160	160
	<u>2,603,650</u>	<u>2,975,600</u>	<u>25</u>	<u>25</u>
<b>Total DOJ Agreement</b>	<b>\$30,924,690</b>	<b>\$47,176,835</b>	<b>410</b>	<b>410</b>
<b>Discretionary</b>				
Reduce Community Waiting List for ID Waiver Program	\$2,551,725	\$7,645,763	75	150
Reduce Community Waiting List for DD Waiver Program	<u>371,950</u>	<u>1,193,900</u>	<u>25</u>	<u>55</u>
<b>Total Discretionary</b>	<b>\$2,923,675</b>	<b>\$8,839,663</b>	<b>100</b>	<b>205</b>

- *Increase Medicaid Rates by 1 Percent for Personal Care and Congregate Care Services.* The adopted budget includes funding to provide a 1 percent rate increase for personal and congregate care services provided to recipients of Medicaid home- and community-based waiver services. The budget adds \$3.2 million GF the first year and \$3.5 million GF the second year and an equal amount of federal Medicaid matching funds for personal care services, including respite and companion care. The budget also includes \$2.0 million GF the first year and \$2.1 million GF the second year and an equal amount of federal Medicaid matching funds for congregate care services. Additional financial support for personal and congregate care should help to maintain and attract providers of community-based Medicaid waiver services to serve additional recipients.
- *Expand Access to Medicaid and Family Access to Medical Insurance Security (FAMIS).* Adds \$408,889 GF and \$645,764 NGF from federal matching funds the first year and \$694,146 GF and \$1.2 million NGF the second year to expand access to health care services provided under FAMIS and Medicaid, including prenatal care to pregnant women and children who are legal immigrants within five years of entry into the United States.
- *Increase Primary Care Rates Pursuant to Federal Health Care Reform.* Includes \$35.3 million NGF in FY 2013 and \$73.3 million NGF in FY 2014 from federal funds to increase the rates paid for primary care providers from the Medicaid rate as of

July 1, 2009, to the Medicare rate effective January 1, 2013, pursuant to the Patient Protection and Affordable Care Act. The rate increase is funded with 100 percent federal funding for calendar years 2013 and 2014.

- ***Increase Reimbursement for Nursing Home Capital Projects.*** Restores \$2.5 million GF and \$2.5 million NGF in federal Medicaid matching funds to provide additional funding to nursing homes that make capital improvements to their facilities. Capital reimbursement for nursing homes had been reduced from 9 percent to 8 percent in FY 2012. This change will restore funding to 8.5 percent.
- ***Medicaid Program Improvements.*** In addition to budget language that requires the Department of Medical Assistance Services to develop a report containing recommendations to strengthen the prevention, detection, and prosecution of Medicaid fraud and abuse, the approved budget includes several strategies that are designed to improve Medicaid and FAMIS efficiencies related to eligibility determination, the detection of fraud and abuse, and quality assurance such as:
  - \$2.3 million in FY 2013 and \$745,567 in FY 2014 from the general fund and \$3.5 million in FY 2013 and \$978,262 in FY 2014 in federal Medicaid matching funds and one position for federally-mandated changes to monitor the enrollment of providers and deter abuse in the program;
  - \$1.6 million GF in FY 2013 and \$1.6 million GF in FY 2014 and an equal amount of federal Medicaid matching funds and one position to contract with a private vendor to operate the federally-required Payment Error Rate Measurement (PERM) eligibility review and create a permanent quality assurance eligibility program to ensure proper medical payments for services;
  - \$200,593 GF in FY 2013 and \$213,634 GF in FY 2014 and an equal amount of federal Medicaid matching funds to add four additional audit positions to increase the detection of recipient fraud. The additional positions are expected to result in GF savings of \$732,000 each year; and
  - \$169,627 GF in FY 2013 and \$213,634 GF in FY 2014 and an equal amount of federal Medicaid matching funds to add four Quality Management Review positions to monitor and report on quality assurance measures for Medicaid home- and community-based waiver programs. Additional staff is required to satisfy federal Medicaid waiver requirements.
- ***Promote Access to Federal Veterans Benefits for Medicaid Recipients.*** Adds \$130,979 GF in FY 2013 and \$141,521 GF in FY 2014 and an equal amount of federal Medicaid matching funds for three new positions to work in cooperation with the Department of Veterans Services to expand access to comprehensive federally-funded benefit services for Medicaid recipients who are also veterans of the military. Budget language requires the department to report on the feasibility of the project and potential Medicaid savings by November 1, 2012. The budget

assumes general fund savings of \$1.0 million the first year and \$4.9 million the second year from this initiative, which has proven successful in other states.

- ***Provide Additional Funding for Information Technology Changes.*** The approved budget includes one position and funding to make information technology upgrades to its' current systems including \$271,777 GF and \$271,777 NGF in FY 2013 and \$277,307 GF and \$277,307 NGF from federal Medicaid matching funds in FY 2014 for additional costs related to "out of scope" application software, storage and products and services in the VITA/Northrop Grumman partnership agreement. The adopted budget also adds \$529,668 GF and \$4.4 million NGF in enhanced federal Medicaid matching funds in FY 2013 for additional one-time Medicaid Management Information System upgrades that are required for diagnosis and inpatient hospital codes.
- ***Increase Funding for Ambulance Rates.*** The adopted budget adds \$726,989 GF the first year and \$750,939 GF the second year and an equal amount of federal Medicaid matching funds to increase the rates paid for ambulance services by 38 percent effective July 1, 2012. The additional funding will result in ambulance rate that are 40 percent of the Medicare rate.
- ***Increase Rate for Early Intervention Services.*** Adds \$274,752 GF and \$274,752 NGF from federal Medicaid matching funds each year to increase the Medicaid payment rate for Part C early intervention targeted case management for infants and toddlers with disabilities by 10 percent. Funding will increase rates from \$120 to \$132 per month, assisting local lead agencies in providing additional case management services for families with infants and toddlers in need of these services.

#### ***Medicaid Forecast Reductions***

- ***Inflation Adjustment for Inpatient Hospital Operating Rates.*** The introduced budget proposed a reduction of \$98.2 million GF in FY 2013 and \$160.4 million GF in FY 2014 and \$99.2 million NGF in FY 2012 and \$162.9 million NGF in FY 2013 in federal Medicaid matching funds by withholding the annual inflation adjustment to inpatient operating rates for acute and rehabilitation hospitals each year of the biennium in the Medicaid, FAMIS, SCHIP and involuntary mental health commitment programs. An inflationary adjustment for inpatient hospital services has not been provided since FY 2009. Under current law, the inpatient operating rates for hospitals are adjusted annually by an inflation factor based on current trends in hospital costs. The approved budget adds back \$16.7 million GF the first year and \$23.2 million GF the second year and \$13.7 million NGF the first year and \$19.0 million NGF the second year in federal Medicaid matching funds to provide an increase to recognize inflation of 2.6 percent effective July 1, 2012.
- ***Inflation Adjustment and Rebased for Nursing Homes.*** The introduced budget proposed general fund savings of \$30.7 million in FY 2013 and \$44.5 million in FY 2014 and an equal amount of savings in federal Medicaid matching funds by

eliminating an annual inflation adjustment and cancelling the rebasing of nursing homes rates in FY 2013 as required under current Medicaid regulations. The approved budget restores \$11.5 million GF the first year and \$17.5 million GF the second year and an equal amount of federal Medicaid matching funds by increasing nursing home operating rates and current ceilings by 2.2 percent each year. An additional 1 percent increase to the operating ceilings in FY 2014 is also provided.

- ***Reduce Indigent Care Funding at State Teaching Hospitals.*** The adopted budget includes two actions which result in reducing the funding for indigent care funding at the state teaching hospitals. The first action continues a 3 percent reduction for the cost of delivering indigent care at VCU Health System and UVA Health System. This amounts to a reduction of \$15.0 million the first year and \$15.0 million the second year from the general fund for the teaching hospitals. This action results in no change in funding for the state teaching hospitals from the current year amount.

The second action reduces indigent care funding by \$11.3 million GF the second year by withholding an annual inflation adjustment to Indirect Medicaid Education (IME) and Disproportionate Share Hospital (DSH) payments to the teaching hospitals. This action is reflected in the Medicaid forecast.

- ***Postpone Requirement for Agency to Add Intellectual Disability (ID) and Developmental Disabilities (DD) Waiver Slots.*** The approved budget adds language to continue overriding Chapter 303 of the 2009 Acts of the Assembly that requires the agency to add 400 ID waiver and 67 DD waiver slots each year of the biennium to eliminate the current waiting list for services. Funding for these additional waiver slots was not included in the Medicaid forecast for the 2012-14 biennium. However, language allows for increases in waiver slots through the Money Follows the Person Demonstration and from funds provided in the Appropriation Act. The 2011 General Assembly provided \$30 million for the trust fund in FY 2012. Unspent general fund appropriation from the FY 2012 will be combined with an additional \$30.0 million GF in FY 2013 to fund additional Medicaid waiver slots as required by the Department of Justice's Settlement Agreement.

### ***Medicaid Eligibility and Services***

- ***Optional Eligibility Income Limits for Long-Term Care Services.*** Under current law, certain individuals requiring long-term care services may be eligible for Medicaid if their monthly income is less than 300 percent of the federal Supplemental Security Income (SSI) payment level, equal to \$2,094 per month. The introduced budget reduced the eligibility standard from 300 to 250 percent of SSI or \$1,745 per month effective January 1, 2014, resulting in 4,562 fewer individuals qualifying for Medicaid-funded nursing home care or long-term care waiver services; this proposal was designed to achieve savings of \$18.2 million GF and \$18.2 million NGF in FY 2014 from federal Medicaid matching funds. The

approved budget restores \$6.0 million GF and \$6.0 million NGF to maintain eligibility for approximately 1,500 elderly and disabled individuals. Budget language is also included requiring a comprehensive review and analysis of the savings and impact of this eligibility change by October 1, 2012.

- ***Restore Hours Allowed for Personal Care Under Home- and Community-Based Waivers.*** Restores \$1.0 million GF each year and an equal amount of federal Medicaid matching funds to maintain the current cap on personal care hours that can be provided to the elderly and disabled under Medicaid waiver programs. The introduced budget reduced the cap on personal care hours from 56 to 48 hours per week, saving \$1.0 million GF each year. An exception process exists to allow individuals to exceed the cap if certain criteria are met. Personal care is provided through most Medicaid home- and community-based waiver programs.

### ***Program Efficiencies***

- ***Supplant GF for Medicaid with Federal Bonus Payment.*** The enacted budget assumes savings of \$20.6 million each year by replacing current general fund support for Medicaid with an expected federal bonus payment. The federal government provides “bonus” payments to states that improve enrollment and retention in their FAMIS and SCHIP programs. A similar amendment to Chapter 2 of the 2012 Special Session I Acts of Assembly (HB 1300) includes general fund savings of \$26.7 million in FY 2012 from a federal bonus payment.
- ***Expand Managed Care Statewide for Foster Care Population.*** The approved budget includes savings of \$2.8 million GF in FY 2013 and \$2.7 million GF in FY 2014 and a like amount of federal Medicaid matching funds by requiring all children in foster care to enroll in Medicaid managed care. Transitioning foster children in Medicaid from fee-for-service payment arrangements to managed care is expected to result in better care coordination and program savings. The 2011 General Assembly enacted budget language to enroll foster children in the city of Richmond into managed care in the current fiscal year. An additional position is added to help coordinate this effort.
- ***Expand Preferred Drug List (PDL) to Include Behavioral Health Drugs in FY 2014.*** Includes savings of \$1.3 million from the general fund and \$1.3 million from federal Medicaid funds in FY 2014 by adding anti-psychotic and anti-depressants drugs to the Medicaid preferred drug list (PDL). Drugs that are not included on the PDL must be authorized prior to being dispensed.

### ***Administrative Savings***

- ***Eliminate Funding for Data Mining Contract.*** The approved budget reduces the Medicaid base budget by \$500,000 GF and \$500,000 NGF in federal Medicaid matching funds each year by bringing “in-house” a strategy designed to review claims for potential inappropriate billing. The FY 2012 budget provided the agency with \$500,000 GF and \$500,000 NGF to contract with a vendor to conduct

data mining activities to reduce inappropriate utilization of services, fraud, waste, and abuse. It is anticipated that the department can apply strategies it has learned from the FY 2012 contract to continue reviewing and analyzing data to ensure appropriate utilization, billing and payment for services.

- ***Capture Administrative Savings from Medicaid Managed Care Expansion.*** The adopted budget includes savings of \$1.4 million GF and \$4.1 million NGF in federal Medicaid matching funds each year by eliminating service authorization and provider enrollment functions for Medicaid populations that reside in the Roanoke area, southwest Virginia, or who receive behavioral health services. With the expansion of Medicaid managed care, the responsibility for these administrative functions will be performed by the managed care organization and not the department.
- ***Alternative Reimbursement for Services to Children in Institutes for Mental Disease (IMD).*** The November 2011 Medicaid forecast included \$31.4 million GF in FY 2013 to reimburse the federal government in the case of an adverse ruling in a dispute regarding inpatient psychiatric services provided to children under age 21. The department is proposing to retroactively change Medicaid policy to April 2010 to limit the Commonwealth’s liability for potential repayment of past claims, resulting in projected general fund savings of \$7.1 million, if the case is settled in the federal government’s favor. The federal government is disputing Medicaid payments made to physicians and pharmacists who provided services to children residing in free-standing children’s psychiatric facilities. The department will make changes to the current reimbursement system to ensure appropriate payments for physician and pharmacy services provided services to children in freestanding public/private psychiatric hospitals and residential treatment services.

- **Department of Behavioral Health and Developmental Services (DBHDS)**

- ***Funding to Implement the Department of Justice (DOJ) Settlement Agreement.*** Provides \$30.0 million GF the first year to expand community-based developmental disability services, including additional Medicaid waiver slots and other community-based services, to transition individuals from the state’s intellectual disability training centers into the community. The additional \$30.0 million GF appropriation in FY 2013 will be combined with any balances remaining from a similar \$30.0 million GF appropriation deposited to the Behavioral Health Services Trust Fund in FY 2012. The estimated amounts below also include \$17.0 million GF each year for community-based services approved by the 2011 General Assembly. General fund resources allocated to implement the DOJ agreement are expected to total \$88.5 million GF for the 2012-14 biennium.



## General Fund Costs of Department of Justice Settlement Agreement

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Biennium</u>
<b>Facility Costs</b>			
Medicaid Waiver Slots to Transition Residents to the Community	\$11,309,540	\$19,534,660	\$30,844,200
Facility Closure Costs (WTA)*	2,749,885	8,397,855	11,147,740
Facility Savings	<u>(5,846,989)</u>	<u>(23,364,535)</u>	<u>(29,211,524)</u>
<b>Subtotal, Facility Costs</b>	<b>\$8,212,436</b>	<b>\$4,567,980</b>	<b>\$12,780,416</b>
<b>Community Costs</b>			
Medicaid Waiver Slots for Individuals Residing in the Community	\$19,615,150	\$27,642,275	\$47,257,425
Individual & Family Supports Slots	2,400,000	3,200,000	5,600,000
Rental Subsidies	800,000	0	800,000
Crisis Stabilization Services	<u>5,000,000</u>	<u>10,000,000</u>	<u>15,000,000</u>
<b>Subtotal, Community Costs</b>	<b>\$27,815,150</b>	<b>\$40,842,275</b>	<b>\$68,657,425</b>
<b>Administrative Costs</b>			
Administration	\$1,313,682	\$1,807,338	\$3,121,020
Quality Management	1,787,000	1,537,000	3,324,000
Independent Reviewer	<u>300,000</u>	<u>300,000</u>	<u>600,000</u>
<b>Subtotal, Administrative Costs</b>	<b>\$3,400,682</b>	<b>\$3,644,338</b>	<b>\$7,045,020</b>
<b>Total, General Fund Costs</b>	<b>\$39,428,268</b>	<b>\$49,054,593</b>	<b>\$88,482,861</b>

\* Facility closure costs are primarily those associated with the Workforce Transition Act (WTA) costs of terminating employees as units and facilities are closed.

Facility costs include funding for 160 new intellectual disability (ID) waiver slots each year to transition individuals out of the state's ID training centers. Funding is also provided for the cost of paying Workforce Transition Act costs that are offset by assumed savings from the downsizing of units at state facilities.

Community costs add funding for 225 ID and 25 developmental disability (DD) waiver slots each year as well as funding for rental subsidies and additional crisis stabilization services. Resources are also provided for administrative costs, quality management, and the independent review process.

- **Address Census Growth at Virginia Center for Behavioral Rehabilitation (VCBR).** Provides \$2.8 million GF and 8.0 FTE positions in FY 2013 and \$3.7 million GF and an additional 26.5 FTE positions in FY 2014 to address census growth at the VCBR, the Commonwealth's psycho-social treatment program for civilly committed sexually violent offenders. Facility census is projected to increase from 325 by the

end of FY 2012 to 385 by June 30, 2013, and 445 by June 30, 2014. Additional funding provided by the 2011 General Assembly increased capacity at the Center from 300 to 450 beds. The Center will be close to capacity by the end of FY 2014 at projected rates of commitments of five individuals per month.

- ***Fund Implementation of Electronic Health Records.*** Adds \$4.4 million the first year and \$1.9 million the second year from general funds and \$12.0 million the first year and \$8.5 million the second year from special funds to implement a system of electronic health records in state facilities. Special funds are derived from third party payments for state facility care from Medicare, Medicaid and other payors. The use of electronic health records is mandated by the federal Patient Protection and Affordable Care Act in order to continue receiving Medicaid and Medicare reimbursement for services. Budget language allows the agency to retain up to \$35.0 million in special fund balances to pay for 75 percent of the costs of systems changes. Additional special fund revenues are expected to be received from federal Medicare incentive funds related to this effort.
- ***Increase Funding for Children's Mental Health Services.*** Includes \$1.5 million the first year and \$1.8 million the second year from the general fund to increase access to child psychiatry and children's crisis response services in the Commonwealth. Funding must be used to hire or contract with child psychiatrists that can provide direct clinical services, including crisis response services, as well as training and consultation with other children's health care providers including general practitioners, pediatricians and other front-line health care providers. Also, funding may be used to create or enhance community-based crisis services such as mobile crisis teams and crisis stabilization services.
- ***Add Funding for Jail Diversion/Drop-Off Centers.*** Provides \$600,000 GF each year to expand the capacity of up to five drop-off centers for people with serious mental illness. Drop-off centers will allow law enforcement officials to transfer individuals with serious mental illness to these evaluation and assessment centers as opposed to incarcerating the individual. Priority for this new funding shall be given to programs that have implemented Crisis Intervention Teams and undergone planning to implement a drop-off center.
- ***Restore Funding for Inpatient Beds at Northern Virginia Mental Health Institute (NVMHI).*** Adds \$600,000 GF in FY 2013 only to provide funding to re-open up to 13 inpatient treatment beds that were scheduled for closure at NVMHI. In addition, budget language requires the Commissioner of the Department of Behavioral Health and Developmental Services to develop a long-term funding plan for inpatient bed capacity in the area served by NVMHI.
- ***Convey Group Homes to Community Services Boards.*** Adds language to permit the conveyance of four state-owned group homes in the Tidewater region that are currently leased to local community services boards for the transition of individuals from Southeastern Virginia Training Center.

- **Department Rehabilitative Services**

- ***Increase NGF for Disability Determinations.*** Adds \$10.0 million NGF each year for additional staff to handle workload increases in Social Security disability determinations. The number of disability determinations has increased by 20 percent over the past two years. The agency receives federal reimbursement for conducting these disability determinations on behalf of the Social Security Administration. Language is added to allow for staffing fluctuations based on variability in the number of determinations.
- ***Maintenance of Effort for Vocational Rehabilitation Program.*** Provides \$3.4 million GF each year for the state’s share of funding required to match federal funding for the Vocational Rehabilitation (VR) program. The state’s share of funding is 21.3 percent. Expenditures in the VR program have increased in recent years due to increases in federal grant allotments. However, current state funding is no longer adequate to meet the matching and maintenance of effort requirements. Funding will allow the agency to maintain current service levels for the program. Language is included to ensure the agency seeks approval before accepting additional allocations of federal VR funding which would obligate additional funding by the Commonwealth.
- ***Funding for Community-Based DRS Employment Programs and Services.*** The introduced budget proposed reductions of \$670,285 GF and one position each year for community-based employment support and rehabilitation services, including extended and long-term employment support services, personal assistance, long-term rehabilitative case management, Independent Living Part C services, and brain injury services. With the exception of long-term rehabilitative case management, funding is restored for all of these programs. Also, an additional \$130,937 GF each year is included for employment support services provided to individuals with physical disabilities.

<b>Funding for Community-Based DRS Employment Programs and Services</b>				
	<b>Proposed Reduction</b>		<b>Adopted Action</b>	
	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>
Employment Support Services*	(\$269,063)	(\$269,063)	\$130,937	\$130,937
Personal Assistive Services	(70,000)	(70,000)	0	0
Long-Term Rehabilitative Case Mgmt.	(10,153)	(10,153)	(10,153)	(10,153)
Brain Injury Services	(233,316)	(233,316)	0	0
Centers for Independent Living	<u>(77,973)</u>	<u>(77,973)</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>(\$670,285)</b>	<b>(\$670,285)</b>	<b>\$120,784</b>	<b>\$120,784</b>

\* The adopted budget restored the proposed reduction contained in the introduced budget to employment support services and restored funding that had been reduced in prior fiscal years.

- **Department of Social Services**

*Spending Increases*

- ***Foster Care and Adoption Forecast and Policy Changes.*** Provides a net increase of \$5.7 million GF and \$6.9 million NGF and five positions each year for forecast and policy changes to the foster care and adoption programs. Adoption subsidies are projected to increase by \$10.1 million GF and \$5.4 million in federal Title IV-E funds each year of the biennium. These increased costs are offset by: (1) projected declines in Title IV-E foster care expenditures of \$1.7 million GF and \$1.7 million NGF each year; and, (2) savings of \$2.7 million GF each year from a new federal law allowing the state to claim \$3.2 million each year from federal Title IV-E reimbursement for adoption subsidies that were previously fully supported with state general fund dollars. The new positions will provide support in each of the five regional offices to review adoption cases and ensure compliance with federal Title IV-E reimbursement policy. Finally, budget language is added to clarify that adoption subsidies are limited to families who adopt children from the state’s custody.
- ***Replace and Improve Eligibility Information System for Benefit Programs.*** Adds \$6.4 million GF and \$44.5 million NGF the first year and \$4.4 million GF and \$8.2 million NGF the second year to replace and improve the eligibility processing information system for benefit programs. The new system will convert the aging ADAPT system into a modern relational database to process TANF, Medicaid and SNAP (formerly Food Stamp), energy assistance, and child care benefits. It will expand the department’s capability to process eligibility for Medicaid long-term care services and provide document imaging and storage capability. These enhancements should reduce eligibility errors and enable eligibility workers to meet the increased workload associated with Medicaid eligibility expansions under federal health care reform.

The design of the system will function with the rules engine and other software already purchased by the Department of Medical Assistance Services for health care reform. The federal Medicaid agency, Centers for Medicare and Medicaid Services (CMS), has approved enhanced federal matching funds (90 percent federal/10 percent state) for software and hardware purchased for health care reform providing it meets several criteria. Further, other eligibility applications that share the same software, such as TANF and SNAP will not have to bear a proportionate share of the funding as is customary.

- ***Unemployed Parents Cash Assistance Program Increases.*** Provides \$1.3 million GF the first year and \$930,469 GF the second year to meet the estimated cost of caseload growth in the unemployed parents’ cash assistance program. Slower growth is anticipated in FY 2014 as the economic recovery continues.
- ***Restore Funding for Child Advocacy Centers.*** The introduced budget eliminated \$846,000 GF each year from the Secretary of Health and Human Resources and

\$85,000 GF each year from the Department of Social Services for Child Advocacy Centers (CACs). The approved budget restores \$931,000 GF each year to continue operating multi-disciplinary teams involving law enforcement, mental health professionals and victim advocates who work with children to investigate, treat and prosecute cases of child abuse.

- ***Increase Auxiliary Grant Rates.*** Provides \$774,413 GF each year to provide a 1.23 percent increase on July 1, 2012, for assisted living facilities that accept auxiliary grant payments. The maximum rate for assisted living facilities will be allowed to increase from \$1,136 to \$1,150 per month. Federal funding was included in the introduced budget to increase the auxiliary grant rate by \$24 per month - from \$1,112 to \$1,136 effective January 1, 2012.
- ***Restore Funding for Local Departments of Social Services.*** Adds \$724,921 GF and \$1.0 million NGF each year to restore funding for operating costs at local Departments of Social Services (DSS). Funding for local DSS offices was reduced by \$5.8 million GF in FY 2011. One-half of this funding reduction was restored in FY 2012; this restoration backfills an additional \$724,921 toward the remaining reduction. Even with the restoration, the loss of \$3.5 million in temporary federal assistance will continue to put pressure on local DSS operations.
- ***Supplant TANF with GF and NGF for Domestic Violence Grants.*** Provides \$248,750 GF and \$1.0 million NGF each year to offset a reduction in TANF funding for local domestic violence grants. Currently, these grants receive \$1.2 million in TANF funding annually. The nongeneral funds are provided from one-time balances including \$500,000 NGF each year from the Virginia Domestic Violence Victim Fund administered by the Department of Criminal Justice Services and \$500,000 NGF each year from the Virginia Crime Victim Witness Fund administered by the Workers' Compensation Commission.
- ***Fund Cost Increases for Providing SNAP Benefits.*** The approved budget adds funding for increases in the electronic benefit transfer (EBT) transactional costs associated with providing Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamp) benefits to a caseload that has nearly doubled from an average monthly caseload of about 240,000 in FY 2008 to about 458,000 in FY 2012. The department contracts with a vendor to electronically administer each family's monthly benefit with payment amounts that vary by the volume of monthly transactions. The budget includes \$286,842 GF and \$286,842 NGF in FY 2013 and \$190,573 GF and \$190,573 NGF in FY 2014 for these contract costs.

In addition, the agreed-upon budget authorizes the Department of Social Services to revise the current schedule for issuing SNAP benefits over a two-month period under the condition that no general funds are required. SNAP benefits may be issued over nine calendar days at the beginning of each month. If any additional costs are incurred in this conversion, the department can only revise the schedule for SNAP benefits for new enrollees. In addition, the Department may solicit private donations to complete the transition to a new schedule by December 1,

2012. Staggering the issuance of SNAP benefits over nine days is designed to allow retailers to replenish inventory over several days instead of only one day.

### ***Spending Decreases***

- ***Supplant GF for Child Support Enforcement Operations.*** Reduces \$2.5 million from the general fund and increases \$2.5 million each year from nongeneral funds for child support enforcement operations. The general fund appropriation is expected to be offset by an increase in child support collections on behalf of Temporary Assistance to Needy Families (TANF) recipients. Federal law allows the program to retain any child support payments in excess of \$50 each month for operating costs if the family receives TANF assistance in addition to child support.
- ***Reduce Funding for General Relief.*** Reduces funding by \$558,566 GF each year for the General Relief program. The General Relief Program is an optional state and local program designed to provide maintenance or emergency assistance to impoverished “unattached” children, who would otherwise enter foster care. After the reduction, funding for this program will be \$500,000 GF each year.
- ***Reduce Funding for Virginia Early Childhood Foundation.*** Reduces funding for the Virginia Early Childhood Foundation by 50 percent in FY 2014 to generate savings of \$750,000 GF. The Foundation, established in 2006, is a public-private partnership that makes grants to community-based organizations to improve the provision of child care services.
- ***Reduce Funding for At-Risk Child Care Subsidies.*** Reduces \$228,000 GF the first year and \$220,000 GF the second year for at-risk child care subsidies to working poor families who are not eligible for TANF benefits. An additional \$1.0 million each year is reduced from TANF funds that are currently transferred to the Child Care and Development Fund (CCOF) for at-risk child care subsidies as indicated below.
- ***Reduce Funding for Oxbow Center.*** Eliminates \$88,000 GF each year to the Oxbow Center located in Wise County. Funding provided to Oxbow Center for the provision of child day care services has not been utilized.

### ***Temporary Assistance to Needy Families (TANF) Block Grant Funding***

- ***Adjust TANF Funding to Account for Providing Mandated Benefits.*** Reduces TANF spending by \$6.2 million NGF the first year and \$5.1 million NGF the second year to reflect the rebalancing of TANF resources with spending for mandated benefits such as cash assistance, Virginia Initiative for Employment not Welfare (VIEW) employment services and VIEW child care. TANF spending for non-mandated expanded programs has been significantly reduced in the 2012-14 biennium. The adopted budget reduces or eliminates TANF spending for the following items, which are also shown in the table below:

- Reduces \$2.0 million each year in TANF for mandated expenditures for cash assistance, VIEW employment and VIEW child care services to reflect projected caseload declines for the 2012-14 biennium;
  - Eliminates \$1.2 million each year in TANF for local domestic violence grants. Separate budget actions replace TANF funds with \$500,000 NGF from the Virginia Domestic Violence Victim Fund and \$500,000 NGF from the Virginia Crime Victim Witness Fund, and \$248,750 from the general fund each year;
  - Reduces \$1.0 million each year in TANF for the Child Care and Development Fund (CCDF). In FY 2012, \$7.1 million in TANF was transferred to the federal CCDF block grant to address additional need for at-risk day care subsidies. This action reduces that transfer to \$6.1 million each year in the 2012-14 biennium;
  - Reduces \$380,000 each year in TANF for Healthy Families Virginia, representing a reduction of 11 percent of the FY 2012 appropriated amounts. A separate budget action restores \$190,000 GF each year for Healthy Families Virginia;
  - Reduces \$500,000 each year in TANF for the Comprehensive Health Investment Project (CHIP) of Virginia. A separate budget action in the Department of Health reduces the general fund amount for this organization by 2 percent (\$30,318) in FY 2013 and 50 percent (\$757,946) in FY 2014. The approved budget restores \$425,000 GF each year; and
  - Eliminates \$500,000 each year from TANF for Community Action Agencies, as proposed in the introduced budget. The approved budget restores \$500,000 GF each year.
- **Department for the Blind and Vision Impaired**
    - *Funds to Purchase Equipment.* Adds \$361,744 NGF in FY 2014 for the purchase of emergency generators by the agency using the state’s Master Equipment Lease Purchase program.

**TANF Block Grant Funding  
FY 2012 and FY 2012-14 Budget**

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
<b>TANF Resources</b>			
Annual TANF Block Grant Award	\$158,285,000	\$158,285,000	\$158,285,000
Carry-Forward From Prior Fiscal Year	<u>25,574,493</u>	<u>14,064,514</u>	<u>7,577,009</u>
<b>Total TANF Resources Available</b>	<b>\$183,859,493</b>	<b>\$172,349,514</b>	<b>\$165,862,009</b>
<b>TANF Expenditures</b>			
<i>VIP/VIEW Core Benefits and Services</i>			
TANF Income Benefits	\$65,871,675	\$65,032,365	\$65,554,125
VIEW Employment Services	11,862,144	11,612,144	11,612,144
VIEW Child Care Services	<u>11,663,706</u>	<u>11,359,291</u>	<u>11,894,200</u>
<b>Subtotal VIP/VIEW Benefits and Services</b>	<b>\$89,397,525</b>	<b>\$88,003,800</b>	<b>\$89,060,469</b>
<i>Administration</i>			
State Administration	\$2,936,580	\$2,936,580	\$2,936,580
Information Systems	1,552,023	1,552,023	1,552,023
Local Direct Service Staff and Operations	40,605,710	40,605,710	40,605,710
Local Eligibility and Administration	<u>6,819,252</u>	<u>6,819,252</u>	<u>6,819,252</u>
<b>Subtotal Administration</b>	<b>\$51,913,565</b>	<b>\$51,913,565</b>	<b>\$51,913,565</b>
<i>TANF Programming</i>			
Local Domestic Violence Grants	\$1,248,750	\$0	\$0
Community Action Agencies	500,000	0	0
Healthy Families/Healthy Start	2,855,501	2,475,501	2,475,501
Comprehensive Health Investment Project (VDH)	<u>500,000</u>	<u>0</u>	<u>0</u>
<b>Subtotal TANF Programming</b>	<b>\$5,104,251</b>	<b>\$2,475,501</b>	<b>\$2,475,501</b>
<b>Total TANF Expenditures</b>	<b>\$146,415,341</b>	<b>\$142,392,866</b>	<b>\$143,449,535</b>
<b>Transfers to other Block Grants</b>			
CCDF Transfer - At-Risk Child Care	\$7,054,139	\$6,054,139	\$6,054,139
CCDF Transfer to Head Start (Wraparound) Services	2,500,000	2,500,000	2,500,000
SSBG Transfer - Comp. Services Act	9,419,998	9,419,998	9,419,998
SSBG Transfer - Local Staff Support	<u>4,405,502</u>	<u>4,405,502</u>	<u>4,405,502</u>
<b>Total TANF Transfers</b>	<b>\$23,379,639</b>	<b>\$22,379,639</b>	<b>\$22,379,639</b>
<b>Total TANF Expenditures &amp; Transfers</b>	<b>\$169,794,980</b>	<b>\$164,772,505</b>	<b>\$165,829,174</b>