

Health and Human Resources

Proposed Adjustments as Introduced				
(\$ in millions)				
	FY 2013 Proposed		FY 2014 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2012-14 Base Budget, Ch. 890	\$4,915.3	\$6,756.7	\$4,915.31	\$6,756.7
Proposed increases	417.6	442.2	681.4	1,896.1
Proposed decreases	(268.0)	(230.4)	(388.4)	(359.9)
\$ Net Change	149.6	211.8	293.0	1,536.2
HB/SB 30, as Introduced	\$5,064.9	\$6,968.4	\$5,208.3	\$8,292.9
% Change	3.0%	3.3%	6.2%	22.7%
FTEs	9,067.67	7,496.08	9,067.67	7,496.08
# Change	(12.45)	(14.55)	18.05	(14.55)

- **Secretary of Health and Human Resources**
 - *Eliminate Funding for Child Advocacy Centers.* The budget proposes to eliminate \$846,000 GF each year for child advocacy centers (CACs). CACs operate 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. A companion amendment in the Department of Social Services eliminates an additional \$85,000 GF each year for child advocacy centers.
- **Comprehensive Services for At-Risk Youth and Families**
 - *Adjust CSA Appropriation to Reflect Caseload and Utilization Trends.* Reduces \$12.8 million GF in FY 2013 and \$9.6 million GF in FY 2014 to reflect changes in projected CSA caseload and spending trends. While CSA spending is projected to grow by 2.0 percent each year of the biennium, this rate of increase is significantly below historical program spending and the FY 2012 appropriation level. CSA expenditures have fallen in each of the last three fiscal years in part due to changes in the match rate for residential treatment services.
 - *Eliminate School-Based Wrap-Around Services.* Proposes a reduction of \$6.1 million GF each year for flexible, school-based services for children with disabilities that are designed to prevent the need for more restrictive placements. Adopted in 1997 by the CSA's State Executive Council, the policy allowed

localities to expand services to prevent more expensive placements; the proposed budget eliminates this requirement. Funding of \$700,000 GF each year is added to the non-mandated pool of CSA funding to accommodate increased demand on local governments for these services.

- *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 audits of local government services.

- **Department for the Aging**

- *Phase-Out Funding for Community-Based Aging Service Providers.* The introduced budget proposes to reduce \$386,722 GF in FY 2013 and \$767,945 GF in FY 2014 for 11 community-based providers of aging services. Funding will be reduced by 50 percent in FY 2013 then eliminated in FY 2014. These aging service organizations receive funding to deliver specific services such as companion care, access to prescription drugs and adult day services while other appropriations are used at the discretion of the recipient organization.

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)	107,750	215,500
Bay Aging (Unmet Need)	26,582	53,165
Bay Aging (Adult Day Break Services)	98,991	197,982
Bedford Ride	6,831	53,663
Aging Together Partnership	33,957	67,195
Prince William County (Care Coordination)	<u>5,500</u>	<u>5,500</u>
Total	\$386,722	\$767,945

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

- **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

- *Provide Funding for Additional Medical Facility Inspectors.* Adds \$548,864 GF and \$793,486 NGF in FY 2013 and \$541,064 GF and \$781,786 NGF in FY 2014 to add 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.
- *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.

Budget Reductions

- *Supplant GF for Environmental Health Services with Increased Fee Revenues.* Beginning July 1, 2012, the introduced budget adds \$454,120 NGF by increasing the fee paid for restaurant permits, temporary restaurant permits, and restaurant plan reviews from \$40 to \$60. The additional revenue will supplant \$454,120 GF annually for agency operations. Revenue generated from the fee increase will cover two percent of the cost of administering the restaurant monitoring program.
- *Increase Community Waterworks Fee in the Office of Drinking Water.* Proposes to supplant \$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. The proposed increase is designed to recover more of the cost of this regulation with revenue generated through user fees.
- *Reduce Funding for Community-Based Health Care Providers.* Proposes savings of \$127,728 in FY 2013 and \$6.4 million in FY 2014 by reducing support for 19 organizations that provide a variety of statewide or local health care services. With one exception, proposed funding for these community-based health care

providers will be reduced by 2 percent in FY 2013 and 50 percent in FY 2014; funding for Bedford Hospice House is eliminated each year.

Proposed GF Reductions to Community-Based Health Providers

	FY 2013 (2% reduction)	FY 2014 (50% reduction)
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
Comprehensive Health Investment Project (CHIP) of Virginia	30,318	757,946
AIDS Center and Local Intervention Center	9,282	232,055
Virginia Health Information	4,946	123,657
SWVA Graduate Medical Education Consortium	4,301	107,530
Statewide Sickle Cell Chapter of Virginia	1,800	45,000
St. Mary's Health Wagon	0	38,356
Arthur Ashe Health Center	0	37,830
Alexandria Neighborhood Health Services	0	34,748
Community Health Center of Rappahannock Region	0	21,250
Jeanie Schmidt Free Clinic	0	19,125
Mission of Mercy	425	10,625
Chesapeake Adult General Medical Clinic	0	8,686
Fan Free Clinic	0	6,960
Olde Towne Medical Center	0	5,115
Louisa County Resource Council	156	3,905
<i>Eliminate Funding for Bedford Hospice House</i>	76,500	76,500
Total	\$127,728	\$6,372,149

**Italics denotes proposed funding elimination.*

- ***Eliminate TANF Funding for CHIP of Virginia.*** Proposes to eliminate funding from the federal TANF block grant for CHIP of Virginia to achieve savings of \$500,000 NGF each year. A separate proposal (listed above) reduces the general fund appropriation for CHIP of Virginia by 2 percent the first year and 50 percent the second year. CHIP of Virginia is a statewide network of local public/private partnerships which provide 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.

- ***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 introduced budget proposes to eliminate 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 demand in this area.
- ***Phase-out Funding for General Medical Services Provided through Local Health Districts.*** Proposes a 50 percent reduction in FY 2013 and elimination of funding in FY 2014 to achieve general fund savings of \$233,500 and \$466,963, respectively, by phasing out funding for local health departments in Alexandria, Newport News and Norfolk that operate general medical clinics. This action will require 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.
- ***Supplant GF for Poison Control Centers with \$4 for Life Funds.*** Supplants \$500,000 GF each year for Poison Control Centers with \$4 for Life funds that otherwise would be provided to the Office of Emergency Medical Services (EMS) to support training programs such as advanced life support, recruitment and retention programs, systems changes, compliance with performance contracts, communication enhancements and emergency preparedness and response.
- ***Restructure Funding for Local Dental Services.*** Reduces \$967,944 GF and \$696,362 NGF each year through the closure of state-supported dental clinics and the reduction of 20 dental positions. This proposal is contingent upon the passage of legislation changing the scope of practice of dentistry to allow dental hygienists to perform additional procedures under dental supervision.
- ***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 improvement 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.*** Adds \$173.0 million GF and \$102.6 million NGF in FY 2013 and \$477.5 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 is projected to grow by only 2.0 percent and 0.9 percent in FY 2013 and FY 2014, respectively. Increased payments to managed care organizations of 5.0 percent in FY 2013 and 3.0 percent in FY 2014 are included in the Medicaid forecast to accommodate enrollment growth and cost increases.

In addition, mandatory inflationary increases are included for nursing homes, hospitals, home health agencies, and outpatient rehabilitation agencies as well as rebasing of nursing home rates. General fund costs related to inflation and rebasing account for almost one-half of the projected increase in Medicaid spending. Two areas of Medicaid spending that continue to grow at rates well-above the average for other Medicaid 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 general fund impact of the Patient Protection and Affordable Care Act (PPACA, federal health care reform legislation) is expected to approach \$100 million in FY 2014 with the expansion of Medicaid coverage to 133 percent of poverty. While most of the initial costs of the PPACA are borne by the federal government, the cost of providing Medicaid coverage for more than 49,537 children who are currently eligible but not enrolled in the program must be shared equally with the federal government. The cost of this “woodwork effect” is estimated at \$90.2 million GF in FY 2014.

- In addition, the Medicaid forecast includes \$31.4 million GF in FY 2013 only 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 proposal to modify reimbursement policy (described under Administrative Savings in this section) would reduce this repayment by \$7.1 million GF.
- ***Adjust Medicaid Base Budget for One-time Budget Savings in FY 2011.*** The proposed 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 million for

separate economic development initiatives, it also had the effect of reducing the FY 2012 base for Medicaid. The introduced 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 \$8.7 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; and
 - An increase of \$0.3 million 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.

- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Proposes funding of \$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 8.0 percent in FY 2013 and 6.7 percent in FY 2014. An inflationary adjustment required by state Medicaid regulation for inpatient hospital services, which is eliminated in separate budget action, accounts for more than half of the projected increase -- \$1.8 million GF in FY 2013 and \$3.4 million GF in FY 2014. 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 proposed budget reduces \$2.9 million GF and \$5.4 million NGF in

FY 2013 and \$18.5 million GF and \$34.3 million NGF from federal Medicaid matching funds in FY 2014 to adjust funding for 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 65 percent). Projected expenditures in the program are down slightly in FY 2013 due to slowing enrollment growth and commensurate lower managed care expenditures. A significant reduction in funding is projected in FY 2014 as children eligible for this program transfer to the Medicaid program at a 50 percent federal match rate instead of the current 65 percent level due to provisions in the Patient Protection and Affordable Care Act. 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. A separate budget action eliminates the inflationary adjustment.

- ***Increased Funding for Involuntary Mental Commitments.*** The introduced budget includes 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 but removed in a separate proposed budget action.

Increased Funding

- ***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 \$5.0 million GF and \$5.0 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 9.0 percent to 8.0 percent in FY 2012.
- ***Medicaid Program Improvements.*** 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. Specifically, the proposed budget includes:
 - \$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.
- ***Provide Additional Funding for Information Technology Changes.*** The proposed 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 in 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. Also included in the proposed budget is \$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.

Medicaid Forecast Reductions

- ***Eliminate Inflation Adjustment for Hospital Operating Rates.*** Proposes 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 2011 and \$162.9 million NGF in FY 2012 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. In addition, current regulation includes a “catch-up” provision that restores funding for inflation that has not been provided in prior year budget reductions. Budget language is proposed to eliminate the “catch-up” provision.

- ***Eliminate Inflation Adjustment and Rebasing for Nursing Homes.*** Includes proposed general fund savings of \$30.7 million in FY 2011 and \$44.5 million in FY 2012 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. Budgetary language is included to effect the changes. A separate proposal restores funding for nursing home capital projects.
- ***Reduce Indigent Care Funding at State Teaching Hospitals.*** The introduced budget proposes two actions which have a net result of reducing the forecast for indigent care funding at the state teaching hospitals. The first action continues a reduction of \$15.0 million the first year and \$15.0 million the second year from the general fund for the cost of delivering indigent care at VCU Health System and UVA Health System. The Medicaid forecast included this amount in its calculation of indigent care funding for the state teaching hospitals in the 2012-14 biennium. This action results no annual change in funding for the state teaching hospitals from the current year amount.

The second action reduces indigent care funding by \$8.7 million GF the first year and \$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. These reductions are included in the total amounts to eliminate inflation for hospital operating rates described in a previous paragraph.

- ***Postpone Requirement for Agency to Add Intellectual Disability (ID) and Developmental Disabilities (DD) Waiver Slots.*** Proposes 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 this provision was not included in the 2011 Medicaid forecast. However, language does allow for increases in waiver slots through the Money Follows the Person Demonstration and from funds provided from the Behavioral Health and Development Trust Fund. The 2011 General Assembly provided \$30 million for the trust fund in FY 2012. A separate budget proposal in the Department of Behavioral Health and Developmental Services provides an additional \$30.0 million GF for the trust fund in FY 2013, from which additional waiver slots may be authorized.

Eligibility and Service Reductions

- ***Reduce 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. This proposal would reduce 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. Half-year savings of \$18.2 million GF and \$18.2 million NGF in FY 2014 in federal Medicaid matching funds are assumed in the introduced budget.
- ***Reduce Number of Hours Allowed for Personal Care.*** Includes general fund savings of \$1.0 million in FY 2013 and \$1.0 million in FY 2014 and an equal amount of savings in federal Medicaid matching funds by limiting the number of personal care hours that can be provided from 56 to 48 hours per week. An exception process exists to allow individuals to exceed the cap if certain criteria are met. Personal care is provided under most Medicaid home- and community-based waiver programs. This reduction will not apply to recipients of the Intellectual Disabilities (ID) or Individual and Family Developmental Disabilities Support (DD) Waiver.

Program Efficiencies

- ***Supplant GF for Medicaid with Federal Bonus Payment.*** The introduced budget assumes additional savings of \$16.5 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. Last year’s budget assumed general fund savings of more than \$9.8 million in FY 2012 from the bonus payment.
- ***Expand Managed Care Statewide for Foster Care Population.*** The proposed 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.*** Proposes savings of \$2.1 million in FY 2013 and \$1.3 million in FY 2012 from the general fund and \$2.1 million in FY 2013 and \$1.3 million in FY 2014 in federal Medicaid funds 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 introduced 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.
- ***Eliminate Funding for Children’s Health Insurance Outreach Contract.*** Proposes savings of \$166,524 GF and \$291,259 NGF in federal Medicaid matching funds each year as a result of eliminating a contract with the Virginia Health Care Foundation designed to increase outreach and enrollment in the Family Access to Medical Insurance Security (FAMIS) program.
- ***Capture Administrative Savings from Medicaid Managed Care Expansion.*** The introduced budget proposes 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 sets aside \$31.4 million GF in FY 2013 only 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 is proposing to 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)**

- *Behavioral Health and Developmental Services Trust Fund.* Provides \$30.0 million GF the first year to be deposited into 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 Governor recently announced the addition of 60 intellectual disability (ID) waiver slots. These slots are designated for individuals transitioning from the state's ID training centers -- 40 from Southside Virginia Training Center in Petersburg and 20 from Central Virginia Training Center in Lynchburg. Funding for the slots, estimated at \$1.9 million, is not included in the introduced budget but comes from the \$30.0 million deposit into the Behavioral Health Services Trust Fund made during the 2011 Session. The state share of the ongoing cost of these slots in 2012-14, estimated at \$3.1 million each year, will come from the trust fund allocation.

- *Address Census Growth at Virginia Center for Behavioral Rehabilitation (VCBR).* Provides \$2.8 million GF and 8.0 positions in FY 2013 and \$3.7 million GF and an additional 26.5 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. Proposed 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.
- *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 proposed to ensure the agency seeks approval before accepting additional allocations of federal VR funding which would obligate additional funding by the Commonwealth.
- *Reduce Funds for Community Services.* Reduces funding by \$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. This amount represents a four percent reduction from FY 2012 appropriations for employment support services and a two percent reduction for the community rehabilitation services.

- **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 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.

- ***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 (CMS) has approved enhanced federal matching funds (90% federal/10% 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 estimated costs of caseload growth in the unemployed parents' cash assistance program. Slower growth is anticipated in FY 2014 as the economic recovery continues.
- ***Fund Cost Increases for Providing SNAP Benefits.*** Proposes two spending actions related to providing Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamp) benefits. First, it provides additional funds needed to pay for the increases in the electronic benefit transfer (EBT) transactional costs associated with providing SNAP benefits to an increased 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 proposed budget adds \$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.

Second, the proposed budget adds one-time funding of \$100,000 GF and \$100,000 NGF in FY 2013 to make systems changes to stagger the issuance of SNAP benefits over seven calendar days to relieve the burden on retailers to replenish inventory on the 2nd day of the month. Benefits will be issued on the 1st, 4th, and 7th day of the month to allow inventory to be replenished between SNAP issuances.

- ***Supplant TANF with GF & 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.

Spending Decreases

- ***Supplant GF for Child Support Enforcement Operations.*** Recommends a decrease of \$2.5 million from the general fund and an increase of \$2.5 million each year from nongeneral funds for child support enforcement operations. The general funds are 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. With this reduction, \$500,000 GF each year remains in the program.
- ***Reduce Funding for At-Risk Child Care Subsidies.*** Recommends a reduction of \$228,000 GF the first year and \$220,000 the second year for at-risk child care subsidies to working poor families who are not eligible for TANF benefits. This amount is in addition to a reduction of \$1.0 million each year in TANF funds which are currently transferred to the Child Care and Development Fund for at-risk child care subsidies as indicated below.

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 introduced budget proposes the following reductions and eliminations of TANF spending, which are also shown in a following table:
 - Reduces \$2.0 million each year in mandated expenditures for cash assistance, VIEW employment and VIEW child care services to reflect projected caseload decline 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;
- 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 two percent in FY 2013 and 50 percent in FY 2014, representing a total reduction by the end of the biennium of 62 percent of the FY 2012 appropriated amounts; and
- Eliminates \$500,000 each year in TANF for Community Action Agencies.

- **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. `

Governor's TANF Block Grant Funding FY 2012 and FY 2012-14 Budget Proposal

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
<u>TANF Resources</u>			
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>
TANF Resources Available	\$183,859,493	\$172,349,514	\$165,862,009
<u>TANF Expenditures</u>			
<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>
<i>Subtotal, VIP/VIEW Benefits and Services</i>	\$89,397,525	\$88,003,800	\$89,060,469
<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>
<i>Subtotal, Administration</i>	\$51,913,565	\$51,913,565	\$51,913,565
<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>
<i>Subtotal, TANF Programming</i>	\$5,104,251	\$2,475,501	\$2,475,501
TANF Expenditures, Total	\$146,415,341	\$142,392,866	\$143,449,535
Transfers to other Block Grants			
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>405,502</u>	<u>4,405,502</u>	<u>4,405,502</u>
TANF Transfers, TOTAL	\$23,379,639	\$22,379,639	\$22,379,639
Total, TANF Expenditures & Transfers	\$169,794,980	\$164,772,505	\$165,829,174