Health and Human Resources

Adopted Adjustments
($ in millions)

	FY 2013 GF	FY 2013 NGF	FY 2014 GF	FY 2014 NGF
2012-14 Current Budget (Ch. 3, 2012 Special Session I)	$5,103.8	$7,035.6	$5,213.5	$8,346.7
Approved Increases	55.1	213.3	183.7	246.7
Approved Decreases	(205.4)	(3.6)	(157.8)	(1,163.7)
$ Net Change	(150.3)	209.7	25.9	(917.0)
Chapter 806 (HB 1500, as Adopted)	**$4,953.5**	**$7,245.2**	**$5,239.4**	**$7,429.7**
% Change	(2.3%)	2.6%	0.2%	(11.4%)
FTEs	9,076.22	7,498.53	9,127.22	7,520.03
# Change	9.00	9.00	41.50	38.50

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

  – ***Adjust CSA Appropriation to Reflect Caseload and Utilization Trends.*** Reduces $21.9 million GF the first year and $19.7 million GF the second year to reflect changes in projected CSA caseload and spending trends. The adopted budget, Chapter 3 of the 2012 Acts of Assembly, Special Session I, assumed growth of 2 percent each year of the biennium. This rate has been adjusted downward to 0.4 percent in FY 2014, significantly below historical program spending. The decline in expenditures is attributed to a drop in the number of children served in CSA. From FY 2011 to FY 2012, the number of children served in CSA declined from 16,567 to 15,305. The number of children to be served is expected to remain flat through the 2012-14 biennium.

  – ***Adjust CSA Appropriation to Reflect Savings from Enhanced Data Collection and Analysis.*** Includes a reduction of $9.9 million GF the second year to reflect anticipated savings from the acquisition and operation of a data analytics package to enhance the collection and analysis of child-specific service data. This data is expected to help identify fraud, waste and abuse, as well as enhance the delivery of cost-effective services for at-risk youth.

- **Department for the Aging**

  – ***Transfer FY 2014 Appropriation to the Department for Aging and Rehabilitative Services***. The adopted budget transfers $17.5 million GF and $38.3 million NGF the second year and 25.0 FTE positions to implement the merger of the agency into the new Department for Aging and Rehabilitative Services as approved by the 2012 General Assembly.

- **Department of Health**

  – ***Funding for Poison Control Centers.*** Restores $1.0 million GF the second year for poison control centers. Funding will be divided between three centers that are currently providing poison control services in proportion to the Virginia population served by the centers. Budget language requires the Commissioner of Health to ensure statewide coverage of poison control services through existing centers.

  – ***Restore Funding for Local Dental Services.*** Restores $967,944 GF and $696,362 NGF and 20.0 dental positions the second year to continue funding for state-supported dental clinics. Budget language requires the department, in consultation with the Department of Medical Assistance Services, to continue working with an advisory committee to develop and implement a comprehensive plan to transition currently-funded dental services to a prevention-based model.

  – ***Provide Funding for State and Local Share of State Employee Bonus.*** Adds $350,000 GF the first year as support for the state and local share of the state employee 3 percent bonus paid out on December 1, 2012. The total local share for the bonus amounts to $838,571. Language authorizes the agency to pay the remainder of the local share of the bonus from excess revenues collected through local health departments. The budget also transfers $175,000 to the general fund from the Community Health Services fund to offset one-half of the cost of the bonus.

    The majority of local health department employees are state employees. However, local governments share in the cost of local health department operations including salaries through the cooperative health funding formula. This additional state funding is provided on a one-time basis, recognizing the inability of localities to budget for the bonus, which was contingent on general fund revenue collections for fiscal year 2012 in excess of the official fiscal year 2012 revenue estimate and discretionary unspent general fund appropriations recommended by the Governor for reversion at the end of fiscal year 2012.

  – ***Restore Funding for CHIP of Virginia.*** Provides $200,000 GF and $400,000 NGF from the federal TANF block grant the second year to restore funding to the

Comprehensive Health Improvement Program (CHIP). CHIP of Virginia is a statewide network of local public/private partnerships that has demonstrated improved birth outcomes, child health, school readiness, and parental work capacity.

– ***Provide Funds for Algal Bloom Monitoring and Response Activities.*** Provides $150,000 GF the second year to replace federal grant funds to monitor and respond to harmful algal blooms occurring in the Chesapeake Bay and bay tributaries. The federal grant from the U.S. Centers for Disease Control and Prevention will end in FY 2013.

– ***Funding from the Rescue Squad Assistance Fund.*** Appropriates $490,000 NGF the second year from the Rescue Squad Assistance Fund (RSAF) for two initiatives. The first initiative sets aside up to $400,000 from the RSAF for grants to local emergency medical services (EMS) organizations to equip ambulances with 12-lead electrocardiograph monitors to identify patients who are suffering severe and often fatal heart attacks known as ST-segment elevation myocardial infarction. The second initiative provides $90,000 to offset the cost of complying with national background checks for individuals applying for licensure with an EMS agency.

– ***Reduce GF for Resource Mothers Program.*** The adopted budget reduces $499,866 GF the second year for the Resource Mothers program, a 24 percent reduction compared to current funding. Resource Mothers is a home visiting program which provides mentoring services to pregnant teens up to age 19, with the goal of achieving healthy births and reducing infant mortality. New federal funding will be used to complement program services by targeting services to reduce teen pregnancy and infant mortality among high-risk populations.

– ***Transfer Costs for 30 Public Health Nurses to City of Norfolk.*** Includes savings of $423,344 GF the second year by phasing in the transfer of 30 public health nurses who provide school health services to the City of Norfolk or the Norfolk School Board over a three-year period.

– ***Line of Credit.*** Budget language authorizes the Comptroller to provide a $200,000 line of credit to the department to cover the costs of expanding the availability of vital records through the Department of Motor Vehicles. The line of credit is to be repaid from administrative processing fees.

- **Department of Health Professions**

– ***Fees for Licensure and Certification.*** The adopted budget adds $248,000 NGF the second year from license and certification fees paid by professional counselors, marriage and family therapists, substance abuse treatment professionals, and rehabilitation providers to fund 3.0 new positions to address a backlog in the processing of applications.

- **Department of Medical Assistance Services**

Forecast Changes

– ***Medicaid Utilization and Inflation.*** The adopted budget adds $46.2 million GF and $27.6 million NGF the first year and $68.4 million GF the second year to fund expected increases in utilization and medical costs for the Medicaid program. In addition, the budget removes $1.1 billion NGF from federal Medicaid matching funds in FY 2014 related to the expansion of Medicaid eligibility up to 138 percent of the federal poverty level. In June 2012, the U.S. Supreme Court ruled that the Medicaid expansion, required under the federal Patient Protection and Affordable Care Act (referred to as the Affordable Care Act or ACA), was not enforceable, in effect making it optional for states. Finally, the budget includes a sum sufficient nongeneral fund appropriation to expand coverage under Medicaid if the Medicaid Innovation and Reform Commission, established in the Appropriations Act, determines that certain reforms have been met (***for additional detail, see Medicaid Reform and Expansion below***).

Medicaid expenditure increases are attributed to several factors, including FY 2012 payments delayed until FY 2013, loss of anticipated savings in FY 2013, and required hospital rebasing in FY 2014. Certain quarterly payments for state teaching hospitals were delayed in the last quarter of FY 2012 and billing delays from state training centers and mental health hospitals have resulted in higher estimated expenditures for FY 2013. In addition, savings that were expected from the implementation of managed behavioral health care will not be realized in FY 2013 due to a legal challenge over a vendor disqualification. In FY 2014, the driving factor in expenditure increases is the rebasing of hospital costs. Medicaid regulations require periodic rebasing of these rates, but this has become a policy choice in recent years due to budget constraints.

Two areas of Medicaid spending that continue to grow at rates well above the average for other services are personal care provided through home- and community-based waiver services, and adult community mental health services. In addition, the program is experiencing a slight uptick in fee-for-service medical expenditures, despite recent efforts to expand managed care to more populations and services.

– ***Adjust Medicaid General Fund Amounts for Revenue Changes in the Virginia Health Care Fund***. Reduces general fund amounts in the Medicaid budget by $168.8 million the first year and $74.3 million the second year 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. Tobacco taxes, Medicaid recoveries, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues) comprise the revenues in the Fund. Major changes to the Fund include:

- A prior-year cash balance of $65.3 million from FY 2012 that is carried-forward into FY 2013 and projected revenue of $65.0 million in each year of the 2012-14 biennium, primarily due to pharmacy rebates collected on behalf of managed care recipients required by the federal Affordable Care Act;

- A one-time $21.7 million settlement payment in FY 2013 from an arbitration settlement with tobacco companies regarding enforcement of the Master Tobacco Settlement Agreement;

- A net increase of $9.3 million in FY 2013 and $16.4 million in FY 2014 from projected tax collections from cigarettes and other tobacco products; and

- An increase of $6.6 million in FY 2013 and decrease of $8.1 million in FY 2014 from projected changes in Medicaid recoveries.

– ***Correct Forecast Error in Funding for State Teaching Hospitals.*** Adds $11.3 million GF the second year to correct an error in the calculation of Indirect Medical Education (IME) and Disproportionate Share Hospital (DSH) payments to the teaching hospitals that was contained in the 2011 Official Medicaid Forecast. The budget adopted by the 2012 General Assembly corrected the forecast error in FY 2013 only.

– ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Includes $5.1 million GF and $9.4 million NGF the first year and $15.1 million GF and $27.8 million NGF the second year 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 14.4 percent in FY 2013 and 21.3 percent in FY 2014, significantly higher in FY 2013 than projected in last year's expenditure forecast.

The increase in FAMIS costs is largely due to the 15.6 percent increase in managed care rates that took effect on July 1, 2012, which is higher than the 4 percent increase anticipated in the 2011 FAMIS forecast. The budget also assumes that managed care rates will increase by an additional 4 percent in FY 2014. Of the increased spending in FY 2014, $6.0 million GF is due to increased enrollment in FAMIS expected as a result of the "woodwork" effect of the Affordable Care Act. As the individual mandate of the ACA takes effect, it is estimated that FAMIS enrollment will increase slightly.

– ***Adjust Funding in the Medicaid State Children's Health Insurance Program (SCHIP).*** The adopted budget reduces funding by $240,471 GF and increases funding by $960,290 NGF the first year to reflect forecast changes in the Medicaid SCHIP program. The Medicaid SCHIP program serves Medicaid-eligible low-income children ages six to 19 living in families with incomes between 100 and 133 percent of the federal poverty level. Currently, the federal match rate is the same as that provided for the FAMIS program (about 65 percent).

  Further, the budget restores funding for the SCHIP program in FY 2014 which had been moved into the Medicaid program based on requirements in the Affordable Care Act. It adds back $20.9 million GF and $41.8 million NGF in federal matching funds in FY 2014. Federal guidance allows for continued federal match for Medicaid expenditures for these children at the same rate that is provided for the FAMIS program. Finally, the budget transfers funding from the Medicaid program in FY 2014 to reflect this change.

– ***Funding for Involuntary Mental Commitments.*** Reduces general fund support by $1.3 million the first year and $754,777 the second year to reflect hospital and physician costs related to temporary detention orders. Spending for these medical services is projected to increase by 5.2 percent in FY 2013 and 4.4 percent in FY 2014, lower than that projected in last year's forecast.

Medicaid Reform and Expansion

– ***Provide Authority for Medicaid Reform and Expansion.*** Authorizes the Department of Medical Assistance Services (DMAS) to seek federal authority to implement a comprehensive value-driven, market-based reform of the Medicaid and FAMIS programs in three phases.

  ▪ Phase 1 authorizes DMAS to proceed with current reforms related to (i) implementation of a dual eligible demonstration project; (ii) enhanced program integrity and fraud prevention efforts; (iii) inclusion of children enrolled in foster care in managed care; (iv) implementation of a new eligibility and enrollment information system for Medicaid and social services, (v) improved access to Veterans services, and (vi) expedited tightening of standards, services limits, provider qualifications and licensure requiremetns for community behavioral health services.

- Phase 2 requires DMAS to implement reforms for all recipients subject to a Modified Adjusted Gross Income (MAGI) methodology for program eligibility and any other recipient categories not excluded from the Medallion II managed care program. Such reforms shall include: (i) commercial-like services and benefits with the exception of non-traditional behavioral health and substance use disorder services; (ii) reasonable limitations on non-essential benefits; and (iii) patient responsibility including cost-sharing and active engagement in health and wellness activities. To the extent allowed by federal law, this reformed service delivery model shall be mandatory and include (i) high- performing provider networks and health homes, (ii) incentives for high quality outcomes and alternative payment methods, (iii) improvements to data submission, reporting, and oversight by Medicaid managed care organziations, (iv) standardization of administrative and other providers processes, and (v) support of the health information exchange.

  Phase 2 also requires administrative simplification to develop and implement pilot programs that (i) leverage innovations and variations in regional delivery systems; (ii) link payment and reimbursement to quality and cost containment outcomes; or (iii) encourage innovations that improve service quality and yield cost savings to the Commonwealth.

- Phase 3 requires DMAS to seek reforms to include all remaining Medicaid populations and services including long-term care and home- and community-based waiver services in cost-effective, managed and coordinated delivery systems. Language requires DMAS to begin designing and obtaining federal approval to transition this population into a coordintaed delivery system and report to the 2014 General Assembly regarding progress on these reforms.

  - Requires DMAS to provide a report to the newly created Medicaid Innovation and Reform Commission (MIRC) on the specific waiver and/or State Plan changes that have been approved and status of implementing such changes, and associated cost savings or cost avoidance to Medicaid and FAMIS expenditures. The twelve-member commission is charged with reviewing the development of Medicaid and FAMIS reform proposals, progress in obtaining federal approval for reforms such as benefit design, service delivery, payment reform, and quality and cost containment outcomes, and the implementation of reform measures. Requires DMAS to expand Medicaid eligibility up to 133 percent of poverty if the Medicaid Innovation and Reform Commission determines that the conditions for the reforms in Phases 1 through 3 above have been met and the report completed.

- Provides a sum sufficient nongeneral fund appropriation if Medicaid eligibility is expanded.

- Contingent upon the expansion of Medicaid eligibility, budget language requires the creation of the Virginia Health Reform and Innovation Fund to be capitalized by projected general fund savings attributable to enrollment of newly eligible individuals including behavioral health services, inmate health care, and indigent care. In FY 2015, the projected savings shall be reflected in reduced appropriations to the affected agencies and the amounts deposited into the Fund net of any appropriation increases necessary to meet resulting programmatic requirements of the Department of Medical Assistance Services. Language requires the distribution of up to $3.5 million annually for health innovation grants to private and public entities in order to reduce the annual rate of growth in health care spending or improve the delivery of health care in the Commonwealth. When the general fund cost of expanding Medicaid coverage exceeds savings, a percentage of the principle of the Fund shall be reallocated to offset the cost of expanding Medicaid eligibility.

- Requires DMAS to disenroll and eliminate coverage for individuals who obtained coverage through the Medicaid expansion if the federal government reduces the enhanced federal match for the expansion population.

- Requires DMAS to continue making improvements in the provision of health and long-term care services under Medicaid and FAMIS that are consistent with evidence-based practices and delivered in a cost effective manner to eligible individuals. In addition, DMAS shall (i) develop a five-year consensus forecast of expenditures and savings associated with the Medicaid and FAMIS reform efforts by September 1st of each year in conjunction with the Department of Planning and Budget, and with input from the House Appropriations and Senate Finance Committees, and (ii) engage stakeholder involvement in meeting annual targets for quality and cost-effectiveness.

Community-based Medicaid Waiver Programs

– ***Add Funding for Additional Intellectual Disabilities (ID) and Developmental Disabilities (DD) Waiver Slots.*** The adopted budget adds $6.8 million GF and $869,800 GF and a similar amount of federal Medicaid matching funds the second year to increase the number of ID waiver slots by 200 and DD waiver slots by 50 to address the waiting list for services. The current budget includes $8.8 million GF the second year to increase the number of ID and DD waiver slots to address the community waiting list above that required by the Department of Justice (DOJ) settlement agreement by 225 and 80, respectively. Separately, $27.6 million GF is provided in FY 2014 for 450 ID and 50 DD waiver slots required by the DOJ settlement agreement.

– ***Increase Congregate Care Rates for Certain Community Placements.*** Adds $3.7 million GF and a like amount of federal Medicaid matching funds the second year to increase up to 25 percent Medicaid payments for congregate care for persons receiving the Medicaid Intellectual Disability Waiver who are being discharged from state facilities or who are at imminent risk of institutionalization. Budget language targets the rate increase for individuals who currently reside in an institution and are unable to transition to the community because of the low reimbursement rate or individuals whose needs present imminent risk of institutionalization and for whom enhanced waiver services are needed beyond that provided through the existing maximum rates.

– ***Increase Medicaid Payments for Private Duty Nursing Services.*** Includes $754,854 GF and $754,854 NGF from federal Medicaid matching funds the second year to increase payments for private duty nursing services provided under the Technology Assisted (TECH) waiver by 5 percent. The TECH Waiver provides chronically ill children and adults who require substantial and ongoing skilled nursing care with a lower-cost, community-based alternative to placement in an acute care hospital, long-stay hospital or specialized care nursing facility.

– ***Increase Congregate Care Rates for Certain Community Placements.*** The adopted budget adds $667,902 GF and a like amount of federal Medicaid matching funds to provide a $10.00 per unit increase in the Medicaid waiver reimbursement rate for adult day health services. Adult day health care is a less expensive alternative to placement in a nursing facility for which these clients qualify.

– ***Medicaid Reimbursement for Supported Employment.*** Budget language requires the Department of Medical Assistance Services to ensure that billable activities for individual supported employment through the Medicaid waiver programs are consistent with job development and job placement services for individual supported employment currently established at the Department for Aging and

Rehabilitative Services. The fiscal impact of this change, which is expected to be minimal, is designed to increase access to individual supported employment for Virginians with disabilities.

Increased Funding (All Other)

– ***Restore Income Eligibility Limits for Long-term Care Services.*** Adds $2.0 million GF and $2.0 million NGF from federal Medicaid matching funds the second year to restore Medicaid eligibility for long-term care services to 300 percent of the federal Supplemental Security Income (SSI) payment level, equal to $2,094 per month. Chapter 3 of the 2012 Acts of Assembly, Special Session I, reduced eligibility from 300 to 267 percent of SSI effective January 1, 2014, but required a comprehensive review and analysis of the savings and impact of this eligibility change by October 1, 2012. The final report noted that the savings previously estimated by the department are not realistic given various factors related to Medicaid eligibility and potential consequences for nursing home and home- and community-based waiver recipients.

– ***Create a Medicaid Customer Call Center.*** Includes $1.5 million GF and $1.5 million NGF from federal Medicaid matching funds the second year to establish a centralized customer service call center for applicants and/or recipients of Medicaid and FAMIS as well as other related functions necessary for the efficient and effective implementation of eligibility determination and enrollment for these programs. Federal regulations require that individuals be allowed to enroll in Medicaid by telephonic means including recorded signatures. Additional funding for this initiative may need to be provided by the 2014 General Assembly.

– ***Medicaid Impact of State Inmate Inpatient Hospital Costs.*** Provides $1.4 million GF and a like amount of federal matching funds the second year to reflect the Medicaid impact of covering inpatient hospital costs for aged, disabled or pregnant inmates that would otherwise qualify for Medicaid coverage. Federal policy allows for Medicaid reimbursement for hospital inpatient services only for these individuals. A companion amendment in the Department of Corrections reduces medical expenditures for inmate health care services to reflect this action, which results in a net savings to the general fund.

– ***Modify Nursing Facility Reimbursement to Reflect Lower Minimum Occupancy Requirement.*** Adds $916,624 GF and a like amount of federal Medicaid matching funds the second year to modify the reimbursement of nursing homes to reduce the minimum occupancy requirement for the reimbursement of indirect care and capital costs from 90 to 88 percent. The Medicaid agency adjusts nursing home costs by an occupancy rate factor in the reimbursement process, which is a typical cost control strategy employed by states to encourage facilities to be more efficient by maintaining a high occupancy rate. Virginia's occupancy standard for indirect and capital costs was adjusted downward in FY 2001 from 95 to 90 percent to recognize that most Virginia nursing facilities had occupancy rates lower than 95 percent and that the high occupancy facilities as a group tended to perform more poorly on quality of care indicators than other facilities. It is estimated that more than one-third of nursing facilities have an average occupancy rate below 90 percent.

– ***Funding for the Virginia Center for Health Innovation.*** The introduced budget reserved $3.0 million NGF the first year from the Virginia Health Care Fund for the Virginia Center for Health Innovation, a nonprofit, public-private partnership of employers, health care providers, health systems, health plans, pharmaceutical and device manufacturers, consumers, and government, whose mission is to accelerate the adoption of value-driven models of wellness and health care in Virginia. The adopted budget reversed this action, increasing revenues to the Virginia Health Care Fund by $3.0 million the first year to offset the general fund cost of the Medicaid program. Further, language restricts the use of VHCF for any purpose other than offsetting the cost of the Medicaid program. Instead, the adopted budget provides $800,000 GF the first year and $870,000 GF the second year to George Mason University for health innovation activities including a contract with the Virginia Center for Health Innovation.

– ***Provide Funds to Implement Dual Eligible Demonstration Program.*** Provides $650,784 GF and $1.9 million NGF in federal matching funds and 4.0 positions the second year to implement the dual eligible managed care demonstration program. The program is estimated to serve up to 70,000 individuals who are dually eligible for Medicaid and Medicare who will participate in a managed care program which integrates covered benefits for both programs. The demonstration program will be implemented in the following regions: Central Virginia, Northern Virginia, Tidewater, and Western Virginia/Charlottesville.

– ***Continue Exemption of Behavioral Health Drugs from Preferred Drug List (PDL).*** Adds $125,000 from the general fund and $125,000 from federal Medicaid funds the second year to continue an exemption of anti-psychotic and anti-depressant drugs from the Medicaid preferred drug list (PDL).

– ***Medicaid Indirect Medical Education (IME) Payments for Children's Hospital of the King's Daughters (CHKD).*** Adds budget language to ensure continuation of CHKD's ability to receive Medicaid reimbursement to cover its uncompensated care costs by protecting the hospital from reductions to the disproportionate share hospital payment program directed through the federal Patient Protection and Affordable Care Act. The amendment significantly increases the amount of authorized IME funding to substitute for most or all of the DSH funds allocated to CHKD.

– ***Increase Federal Appropriation for Medicaid Provider Electronic Health Record Incentive Payments.*** Provides an additional $28.8 million NGF the second year to increase the federal appropriation for health care providers to receive federal grant funding to implement technology needed to produce and use electronic health records. Federal law requires that the funding be made available through the state Medicaid agency. DMAS is responsible for administering the program, conducting outreach, determining eligibility for funding, making the payments to qualified health care providers, and providing technical support. Payments for FY 2014 are projected to total $48.8 million NGF.

– ***Increase Funds for Third Party Liability Contractor***. Adds $400,000 NGF the first year and $500,000 NGF the second year from Medicaid recoveries estimated to be received through efforts to recover payments from third parties who may be liable for the cost of medical services that were reimbursed by Medicaid. The agency currently contracts with a third party liability (TPL) vendor that receives higher payments if efforts result in additional revenue collections.

Medicaid Forecast and Other Reductions

– ***Level Fund Disproportionate Share Hospital Payments in FY 2014.*** Reduces the Medicaid forecast by $21.7 million GF and $21.7 million NGF the second year to reflect level funding of hospital disproportionate share (DSH) payments in FY 2014. Hospitals that serve a disproportionate share of Medicaid recipients may be eligible for these payments if they meet certain criteria. Rebasing of hospital costs results in a significant increase in DSH payments, due to increases in Medicaid utilization and an increase in qualifying hospitals. Virginia's allotment for federal DSH funding is currently fully utilized. Further, future federal DSH allotments are expected to decline under provisions in the ACA. Consequently, the adopted budget level funds current payments until the methodology can be examined in light of current and future federal funding.

– ***Reflect Lower Costs of the PERM Eligibility Review Contract.*** Reduces funding of $1.1 million GF and a like amount of federal matching funds the second year to reflect the lower contract cost for the vendor conducting the Payment Error Rate Measurement (PERM) eligibility review and creating a permanent program for quality assurance. The 2012 Appropriation Act provided $1.6 million GF and $1.6 million NGF for this initiative; however, the agency was able to negotiate a significantly lower contract cost.

Administrative Changes

– ***Establish Data and Analytics Unit.*** Provides $200,000 GF and $200,000 NGF from federal Medicaid matching funds and 10.0 positions to create a data and analytics unit within the Department of Medical Assistance Services. Additional staffing will enable the department to implement and evaluate innovation and reforms to acute and long-term care services provided by Medicaid and FAMIS. Staff will also improve the department's capacity to monitor and improve the effectiveness of program services and oversee the department's managed care contracts and recipient appeals.

– ***Add Positions to Address Growth in Waiver Slots Related to the DOJ Settlement Agreement.*** Adds 6.5 GF positions and 6.5 NGF fund positions in the agency to reflect additional responsibilities related to the implementation of the U.S. Department of Justice Settlement Agreement. The 13.0 positions are expected to support the quality management review, appeals, audit, and oversight of the new waiver slots contained in the agreement and approved by the General Assembly.

– ***Alternative Reimbursement for Children's Services in Institutes for Mental Disease (IMDs) and Residential Treatment Centers.*** The 2012 General Assembly approved changes contained in the November 2011 Medicaid forecast which set aside $31.4 million GF the first year 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. Further, language was adopted to retroactively change Medicaid policy to April 2010 to limit the Commonwealth's liability for potential repayment of past claims, resulting in general fund savings of $7.1 million, if the case was settled in the federal government's favor. The federal government disputed Medicaid payments made to physicians and pharmacists who provided services to children residing in free-standing children's psychiatric facilities hospitals (Institutes for Mental Disease or IMDs). The adopted changes were designed to ensure appropriate payments for physician and pharmacy services provided to children in IMDs and residential treatment centers.

  The adopted budget adds language to further change the reimbursement method for IMDs and residential treatment centers as a result of the agency's loss of the audit appeal and the need to comply with federal reimbursement limits.

– ***Eliminate Coverage of Medicaid Plan First and FAMIS Moms Programs.*** Reduces $1.5 million GF and $1.5 million NGF from federal Medicaid matching funds the second year by eliminating coverage for certain health care programs for populations that will be able to access coverage through private insurance offered through the health benefits exchange pursuant to the Affordable Care Act.

Examples of services that would be eliminated would be coverage for FAMIS Moms with incomes between 133 percent and 200 percent of the federal poverty level and Medicaid Plan First (i.e., family planning services) for individuals between 100 and 200 percent of the federal poverty level.

– ***Modify Eligibility Determination Process.*** Adds language providing DMAS with the authority to modify the eligibility determination process to comply with provisions in the ACA. Changes will include implementation of the Modified Adjusted Gross Income (MAGI) methodology in determining eligibility, telephonic applications, real-time application assistance and customer services.

– ***Medicaid Program Improvements.*** Includes several strategies designed to improve Medicaid efficiencies related to provider enrollment, reimbursement, and care coordination and the provision of benefits:

  ▪ Requires the agency to implement a web-based enrollment process to the extent possible for providers requesting to enroll and participate in Medicaid's fee-for-service program.

  ▪ Authorizes the agency to deliver notices of program reimbursement by electronic means.

  ▪ Authorizes the agency to develop a budget-neutral, nursing facility reimbursement methodology to provide better incentives for cost effectiveness.

  ▪ Authorizes the agency to limit deductions for dental expenses to that allowed under private dental insurance plans for calculating the patient payment calculation for individuals receiving Medicaid long-term care. Currently, the program places no limits on deductions for these expenses as part of the calculation of recipient responsibility for payment toward the cost of their long-term care.

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

– ***Part C – Early Intervention Services.*** Adds $2.3 million GF the first year and $6.0 million GF the second year to address the need for early intervention services for infants and toddlers identified as having developmental delays. Additional funding will reduce the waiting list for assessments and services as well as resolve service-level restrictions that were implemented to manage recent funding shortages.

– ***Increase Funding to Implement Department of Justice (DOJ) Settlement Agreement.*** The adopted budget adds $5.1 million GF the second year to expand access to crisis services for individuals with intellectual or developmental disabilities consistent with the DOJ Settlement Agreement finalized in August 2012. The budget adds $1.3 million GF in FY 2014 to establish mobile crisis, in-home, and psychiatric services for children with intellectual disabilities (ID) and developmental disabilities (DD). In addition, the budget includes $3.8 million the second year for crisis services for adults with ID and DD. Funding provided during the 2012 Session for crisis services for adults has been determined to be insufficient to meet projected needs under the agreement.

– ***Increase Funding for Children's Mental Health Services.*** Provides $1.9 million GF the second year to increase funding and access to child psychiatry and children's crisis response services in the Commonwealth. The 2012 General Assembly appropriated $1.5 million GF the first year and $1.8 million GF the second year for children's mental health services. Additional funding will build upon current efforts to expand crisis response services, child psychiatry, case management, in-home services or other services deemed appropriate by the Commissioner.

– ***Add Funding for Discharge Assistance Program (DAP).*** Includes $1.5 million GF the second year to expand DAP funding to assist individuals with the transition from state mental health facilities to the community. At present, 160 individuals have been determined to be clinically ready for discharge from state facilities but face barriers to treatment in the community. Additional funding for DAP services will establish access to community-based services thereby alleviating demand for inpatient bed capacity at state facilities.

– ***Increase Staffing and Improve Financial Management.*** Adds $185,982 the first year and $893,929 the second year from the general fund and $43,482 the first year and $173,929 the second year from nongeneral funds and 10.0 positions to enhance the department's financial oversight of budget, management, accounting, and reimbursement functions involving federal, state, special funds as well as grants. Funding will also be used for contractual services to enhance the department's ability to improve the quality of services provided.

– ***Jail Diversion Drop-Off Centers.*** Provides $900,000 the second year from the general fund to expand the capacity of therapeutic drop-off centers to provide an alternative to incarceration for people with serious mental illness. The 2012 General Assembly added $600,000 GF each year for drop off centers. This additional funding will further that effort by allowing 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 will 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).*** Restores $700,000 the second year from the general fund to maintain inpatient mental health treatment capacity at NVMHI. The 2012 General Assembly provided $600,000 GF in FY 2013 only, pending a report on the need for additional bed capacity in the area served by NVMHI. That report recommended continued funding for inpatient mental health treatment beds at this facility.

- ***Mental Health First Aid (MHFA) Training.*** Provides $600,000 the second year from the general fund to community services boards to provide mental health first aid training to recognize and respond to mental or emotional distress. MHFA is a 12-hour training course that teaches the risk factors and warning signs and symptoms of depression, anxiety disorders, trauma, psychotic disorders, eating disorders, and substance use disorders. Funding will be used to cover the cost of personnel dedicated to this activity, training and certification, and manuals and certification for all those receiving the training. Training will target school personnel, clergy, health professionals, community agency personnel, military and veteran service organizations and advocates, and other first responders and "gatekeepers" who have extensive public contact.

- ***Suicide Prevention Funding.*** Adds $500,000 GF the second year to implement a comprehensive suicide prevention program. Budget language requires the Commissioner of the Department of Behavioral Health and Developmental Services to collaborate with the Departments of Health, Education, Veterans Services, Aging and Rehabilitative Services, and other partners to develop and implement a statewide program of public education, evidence-based training, health and behavioral health provider capacity-building, and related suicide prevention activities.

- ***Preplan Sexually Violent Predator Facility.*** Sets aside $250,000 the first year from the general fund to preplan the construction and/or renovation of the Virginia Center for Behavioral Rehabilitation II (VCBR II) facility on state-owned property in and around the current VCBR site. Budget language requires that the project's options include costs for any relocation of current services as well as re-purposing of current facilities; a report shall be provided to the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2013. Contingent upon an agreement by the money committees, the Secretary of Finance is authorized to allocate up to $1,000,000 from the Central Capital Planning Fund established under § 2.2-1520, *Code of Virginia,* for detailed planning of this project.

- ***Reduce Discretionary Spending at State Mental Health Facilities.*** Reduces $1.5 million GF the second year from discretionary spending at state mental health facilities that is not related to direct care for patients. This savings initiative was part of the agency's 4 percent budget reduction strategy.

- *Require Survey and Report on State Facility Closures.* Adds budget language requiring the Commissioner of DBHDS to provide quarterly progress reports on the plan to close state training centers and transition residents to the community. At least six months prior to the closure of a state intellectual disabilities training center, the Commissioner is required to complete a comprehensive survey of each individual residing in the facility slated for closure to determine the services and supports the individual will need to receive appropriate care in the community and the capacity of the community to provide care and treatment for the individual. Further, the department is required to convene quarterly meetings with authorized representatives, families, and service providers in each planning region where a training center is located to provide a mechanism to promote routine collaboration between families and authorized representatives, the department, community services boards (CSBs), and private providers, ensure the successful transition of training center residents to the community, and gather input on Medicaid waiver redesign to better serve individuals with intellectual and developmental disability. Finally, budget language requires the department to work with CSBs and private providers to explore the feasibility of developing a limited number of housing options and/or community-based specialty services to meet the needs of residents transitioning to the community or who have special needs that cannot be met by community providers.

- **Department for Aging and Rehabilitative Services**

  - *Transfer FY 2014 Appropriation from the Department for the Aging.* The adopted budget transfers $17.4 million GF and $38.3 million NGF the second year and 23.0 FTE positions from the Department for the Aging to implement the merger of the agency into the new Department for Aging and Rehabilitative Services approved by the 2012 General Assembly.

  - *Transfer FY 2014 Appropriation from the Department of Social Services (DSS).* The adopted budget transfers $1.0 million GF and 9.0 FTE positions the second year from the Department of Social Services reflecting the transfer of adult services from DSS to the Department for Aging and Rehabilitative Services, as approved by the 2012 General Assembly.

  - *Reduce Waiting List for Services to People with Physical Disabilities.* The adopted budget restores $1.9 million GF the second year to reduce waiting list for services to people with physical disabilities by one-third including:

    - $1.3 million to expand access to vocational rehabilitation services;

    - $250,000 for personal assistance services to people with disabilities;

    - $240,000 to enhance employment support services; and

- $105,000 to improve access to brain injury services in unserved or underserved regions of the Commonwealth.

– *Add Funding for Dementia Services Coordinator.* Includes $100,000 GF the second year and 1.0 position for a Dementia Services Coordinator to review existing programs and work with agencies to create a more effective service delivery system, identify service gaps, and reduce duplication and overlap. The new position will also provide coordination and support for the Alzheimer's and Related Disorder Commission activities, support the Aging and Disability Resource Centers, and coordinate with brain injury programs.

- **Department of Social Services**

Spending Increases

– ***Create Pilot Program to Increase Adoption of Foster Care Children.*** The adopted budget supplants $828,734 GF with $828,734 NGF from a one-time federal bonus payment the first year and adds $1.5 million GF and $350,000 NGF from federal funding the second year to create pilot programs to increase private adoptions of special needs children from the state's foster care rolls. The department will also use funding to provide ongoing support services and improve efforts to recruit adoptive parents.

– ***Restore Funding for Virginia Early Childhood Foundation.*** Restores $500,000 the second year from the general fund to the Virginia Early Childhood Foundation, a public-private partnership that makes grants to community-based organizations to improve the provision of child care services. Funding for the Foundation was reduced by $750,000 in FY 2014 during the 2012 Session.

– ***Funding for the Auxiliary Grant Program.*** The adopted budget adds $2.0 million from the general fund the second year to increase the auxiliary grant rate by 3 percent effective July 1, 2013. The maximum rate for assisted living facilities will be allowed to increase from $1,161 to $1,196 per month. Federal funding was included in the introduced budget to increase the auxiliary grant rate by $11 per month – from $1,150 to $1,161 effective January 1, 2013 – however budget language was not updated, inadvertently making the increase retroactive to July 1, 2012; budget language is revised to correct the date of the increase. Similarly, a $1.00 increase in the personal care allowance is corrected to be effective January 1, 2013. A separate amendment reduces $500,000 from the general fund the first year, reflecting unused balances in the auxiliary grant program.

– ***Restore Funding for Healthy Families Virginia.*** Adds $350,000 the second year from the general fund for Healthy Families Virginia. The adopted budget also provides $200,000 NGF from the federal TANF block grant the second year for

Healthy Families Virginia, the largest evidence-based, early childhood, home-visiting delivery model as defined by the federal Department of Health and Human Services.

- ***Funding for Kindergarten Readiness Assessment Pilot.*** Provides $250,000 the second year from the general fund to Elevate Early Education for a kindergarten readiness assessment pilot project. Budget language requires Elevate Early Education to submit a final report to the Governor, the Secretaries of Education and Health and Human Resources, and the money committees detailing the assessment method(s) utilized, actual expenditures for the program, and outcome analysis and evaluation by November 1, 2013. Finally, Elevate Early Education is required to provide evidence of private matching funds secured for this purpose prior to the receipt of any state funding.

- ***Eligibility System Modernization Effort.*** The budget, as adopted by the 2012 General Assembly, included over $60.0 million in total funds to modernize the Department of Social Services 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. The adopted budget adds $522,286 from the general fund and $1.9 million from enhanced federal Medicaid matching funds the second year to increase the Department's management and technical support for the eligibility modernization initiative. In addition, the budget authorizes 8.0 new positions as part of this effort. Finally, due to a late start in the eligibility system modernization effort, general fund support for the initiative is reduced by $4.4 million the first year and increased by $3.1 million the second year, allowing for a general fund savings of $1.3 million during the biennium.

- ***Provide Information on Independent Living Services.*** The adopted budget includes language requiring local departments of social services that provide independent living (IL) services to persons between 18 and 21 years of age to make available certain information and counseling regarding access to IL services if the individual chooses to leave foster care or terminate IL services before his twenty-first birthday. Information must include the option for restoration of IL services following termination of such services, and the processes whereby IL services may be restored should he choose to seek restoration of these services in accordance with § 63.2-905.1 of the *Code of Virginia*.

- ***Modify Language for Prince William County.*** Modifies budget language that currently directs $100,000 from the general fund each year to Prince William County for distribution to pilot programs that improve services and performance at facilities located. Instead, funding will be allocated to Youth for Tomorrow, a comprehensive residential, education and counseling service provider that serves at-risk adolescents and youth. Budget language requires the department to contract with Youth for Tomorrow for specific goods and services to adolescents and youth in the Commonwealth.

Spending Decreases

– ***Adjust Appropriations for Foster Care and Adoption Subsidies Programs.*** The adopted budget reduces $1.8 million GF the first year and $1.8 million GF the second year for three child welfare services – Title IV-E foster care, Title IV-E adoption subsidy payments and state-funded Special Needs Adoption Subsidies. The adopted budget assumes spending on foster care and adoption subsidies will slow based on recent data. In addition, the implementation of reductions to foster care and adoption subsidy maintenance payments should also dampen future growth of these child welfare programs.

Changes in appropriation amounts are uneven across these three programs. For example:

- Spending on Title IV-E adoption subsidies are projected to increase by $2.7 million GF each year;
- Spending on Title IV-E foster care is expected to decline by $2.7 million GF each year; and
- Spending on state-funded adoption subsidies is anticipated to fall by $1.9 million GF each year.

The table below summarizes spending on child welfare services from all sources of funding.

Adopted Funding for Child Welfare Services Spending
(All Funds)

	Actual FY 2012	Approved FY 2013	Approved FY 2014
Title IV-E Foster Care*	$49,844,158	$44,531,465	$44,531,465
Title IV-E Adoption Subsidies*	59,473,436	64,970,816	64,970,816
State Funded Adoption Subsidies	41,716,531	39,829,644	39,829,644
Total	**$151,034,125**	**$149,331,925**	**$149,331,925**

**The general fund share of these costs is 50 percent.*

- *Capture Prior-Year General Fund Refunds.* Captures $4.4 million the first year from a prior-year refund to the Department of Social Services. The department recently completed a multi-year financial reconciliation that resulted in the identification of a prior period general fund refund which will result in an increase in general fund revenue for fiscal year 2013, in accordance with Department of Accounting policy and procedures.

- *Adjust Appropriation for Unemployed Parents Program.* Reduces $1.1 million the first year and $823,636 the second year from the general fund for the unemployed parents' cash assistance program to reflect slower growth in the program as the economy continues to recover.

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

  - *Adjust Funding for Mandatory TANF Benefits.* Reduces general fund spending on cash assistance provided to TANF recipients by $5.0 million NGF each year, reflecting a reduction in the caseload of eligible families. Recently identified local TANF spending of $5.0 million NGF annually will now be included as part of the Commonwealth's share of the maintenance of effort requirements under the federal TANF block grant program. The budget redistributes funding within the federal TANF block grant program to address increased demand for mandatory child care under the Virginia Initiative for Employment not Welfare (VIEW) program by providing $2.2 million NGF the first year and $2.8 million NGF the second year.

  - *Additional Federal TANF Block Grant Spending.* The adopted budget includes $1.8 million NGF the first year and $8.4 million NGF the second year from the federal TANF block grant program from estimated balances resulting from a projection of less TANF spending on cash assistance and higher TANF balances from previous fiscal years. Specifically, the budget:

    - Sets aside $3.5 million NGF in FY 2014 as a reserve reflecting an estimate of the future operating costs of information technology services attributable to the current eligibility modernization project;

    - Adds $1.8 million NGF each year to increase funding for the operation of TANF-related information systems ($1.5 million) and local staffing and operations ($300,000);

    - Restores $1.0 million NGF and adds $818,745 NGF in FY 2014 for transfer to the Child Care and Development Fund (CCDF) for at-risk child day care services. Last session, TANF funding for child care subsidies was reduced from $7.1 million NGF to $6.1 million NGF. This budget action brings funding to $7.8 million NGF to address the waiting list for services;

- Adds $658,104 NGF in FY 2014 to supplant general fund support for Community Action Agencies ($500,000) and Healthy Families Virginia ($158,104);

- Restores $400,000 NGF for CHIP of Virginia and $200,000 NGF for Healthy Families the second year; and

- Includes $25,000 NGF for Visions of Truth to support the STRIVE program, which targets srvices to at-risk youth to promote self-sufficient through educational attainment and job readiness.

- **Department for the Blind and Vision Impaired**

  – ***Transfer Enhanced Support for Blind and Visually Impaired Students to Standards of Quality.*** Assumes savings of $502,662 GF the second year by eliminating funding currently used to supplement teacher salaries. A companion amendment to Item 139 (Direct Aid to Public Education) proposes $4.9 million GF to recognize the cost of providing services through the schools for blind and visually impaired students.

TANF Block Grant Funding
Actual FY 2012 and Approved FY 2012-14

	Actual FY 2012	Approved FY 2013	Approved FY 2014
TANF Resources			
Annual TANF Block Grant Award	$158,285,000	$158,285,000	$158,285,000
Carry-Forward From Prior Fiscal Year	25,574,493	30,053,974	22,192,651
Total TANF Resources Available	**$183,859,493**	**$188,338,974**	**$180,477,651**
TANF Expenditures			
VIP/VIEW Core Benefits and Services			
TANF Income Benefits	$56,399,695	$62,376,192	$65,226,447
VIEW Employment Services	14,063,788	11,612,144	11,612,144
VIEW Child Care Services	4,591,091	13,589,282	15,648,776
Subtotal VIP/VIEW Benefits and Services	**$89,397,525**	**$87,577,618**	**$92,487,367**
Administration			
State Administration	$3,138,177	$2,936,580	$2,936,580
Information Systems	2,950,716	3,052,023	3,052,023
Local Direct Service Staff and Operations	40,412,554	40,905,710	40,905,710
Local Eligibility and Administration	7,304,715	6,819,252	6,819,252
Economic Support Mgmt./IT Allocation Reserve	0	0	3,500,000
Subtotal Administration	**$51,913,565**	**$53,713,565**	**$57,213,565**
TANF Programming			
Local Domestic Violence Grants	$829,664	$0	$0
Community Action Agencies	628,318	0	500,000
Healthy Families/Healthy Start	2,986,914	2,475,501	2,833,605
Comprehensive Health Investment Project (VDH)	500,000	0	400,000
Visions of Truth	0	0	25,000
Subtotal TANF Programming	**$4,944,896**	**$2,475,501**	**$3,758,605**
Total TANF Expenditures	**$133,805,632**	**$143,766,684**	**$153,459,537**
Transfers to other Block Grants			
CCDF Transfer – At-Risk Child Care	$7,054,139	$6,054,139	$7,872,884
CCDF Transfer to Head Start (Wraparound) Services	2,500,000	2,500,000	2,500,000
SSBG Transfer – Comprehensive Services Act	9,419,998	9,419,998	9,419,998
SSBG Transfer - Local Staff Support	1,025,750	4,405,502	4,405,502
Total TANF Transfers	**$19,999,887**	**$22,379,639**	**$24,198,384**
Total TANF Expenditures & Transfers	**$153,805,519**	**$166,146,323**	**$177,657,921**