

Health and Human Resources

Adopted Adjustments (\$ in millions)				
	FY 2017 Adopted		FY 2018 Adopted	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2016-18 Base Budget, Ch. 665	\$5,645.2	\$7,649.7	\$5,645.2	\$7,649.7
Increases	507.5	589.2	656.7	721.1
Decreases	(99.6)	(78.6)	(116.1)	(124.7)
\$ Net Change	407.9	510.6	540.6	596.4
Chapter 780 (HB 30, as Adopted)	\$6,053.2	\$8,160.4	\$6,185.8	\$8,246.2
% Change	7.2%	6.7%	9.6%	7.8%
FTEs	8,498.79	6,758.23	8,502.07	6,762.95
# Change	(416.31)	(313.92)	(413.03)	(309.20)

- **Secretary of Health and Human Resources**

- *Review of Agency Costs to Purchase High Cost Medications.* Directs the Secretary of Health and Human Resources, working with the Secretaries of Public Safety and Administration, to convene a work group comprised of agencies across Secretariats to examine ways to improve the cost effectiveness of purchasing high cost medications. The work group is required to make recommendations and develop a report by October 15, 2016 for consideration by the Governor and the Chairmen of the House Appropriations and Senate Finance Committees.
- *Data Governance Plan for Secretariat.* Requires the Secretary of Health and Human Resources to develop a plan to address the data governance structure for sharing information across all agencies in the Health and Human Resources Secretariat. Language requires the Secretary to report on the plan to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2016.
- *Transition Planning.* Adds language to begin transition planning in the Health and Human Resources Secretariat. The Secretary is directed to report on specific items related to the operation of the agencies within the Secretariat to the Chairmen of the House Appropriations and Senate Finance Committees, as well as

the Chairmen and members of the Health and Human Resources Subcommittees of the respective committees by September 1, 2016 and semi-annually thereafter until a new Governor is elected and sworn into office.

- **Children’s Services Act (Formerly Comprehensive Services for At-Risk Youth and Families)**

- *Mandatory Caseload and Cost Increases.* Adds \$18.1 million GF each year to level fund the anticipated growth in the CSA program in FY 2016. Fiscal year 2016 additional costs are being driven by growth in caseload and the cost of services for those cases, as well as the inability of the program to achieve program savings proposed in the 2014-16 biennium.

CSA caseload grew from 2.5 percent in FY 2014 to 5 percent in FY 2015, an increase from 14,628 to 15,726 children. Most of this growth was due to an increasing number of children placed in private day treatment through federally mandated Individualized Education Program (IEP) plans. Of the 637 additional children in CSA in FY 2015, 41 percent were placed in private day treatment programs. The annual cost of a private day treatment placement was \$36,385 in FY 2015, compared with the average annual cost of \$22,418 for all CSA services. This added growth is reflected in the adopted budget for FY 2016 and carried forward into FY 2017 and FY 2018 with no additional caseload growth anticipated.

Chapter 665 of the 2015 Acts of Assembly assumed a \$9.9 million GF reduction in CSA in FY 2016 predicated on anticipated fraud, waste, and abuse savings from the use of an analytical system, which is now not expected to materialize. Consequently, a portion of the increased costs in FY 2016 and the 2016-2018 biennial budget includes \$9.9 million GF each year to account for the loss of these savings.

- *General Fund Savings from Expanding Foster Care to Youth Ages 18-21.* Reduces funding by \$511,678 GF in FY 2017 and \$1.5 million GF in FY 2018 as a result of shifting the cost of providing services to youth between the ages of 18 and 21 from CSA to the federal Title IV-E program through the federal Fostering Connections Act. The federal law permits the expansion of services to this population. A separate initiative within DSS provides additional funding to expand Title IV-E foster care to these youth.
- *Increase Funds for Local Administration.* Provides \$500,000 each year from the general fund for local administrative costs of providing oversight, accountability and administration for the CSA program. Local administrative duties include implementing the mandatory assessment tool and process, developing service plans for children, managing expenditures, collecting input and outcome data by

child, negotiating rates and contracts with vendors, and maximizing the use of federal funds.

- ***Fund Anticipated Foster Care Rate Increase.*** Provides \$427,668 GF each year to increase the rates paid for foster care maintenance as required by language in the Appropriation Act. Budget language within the Department of Social Services requires that a “reasonable, automatic adjustment for inflation each year be applied to the room and board maximum rates paid to foster parents” in fiscal years following an increase in salary for state employees.
- ***Fund Audit Positions.*** Adds \$103,778 GF in FY 2017 and \$189,058 GF in FY 2018 for 2 additional audit positions to complete locality CSA program audits in a timely manner within the three-year cycle established for the program.
- ***Review of Ongoing CSA Issues.*** Includes language to require the State Executive Council for Children's Services to continue its review and development of a set of options for (i) increasing the reintegration of children receiving special education private day treatment service in their home school districts, based on outcome data to assist in making decisions on the appropriate utilization of these services, and (ii) funding the educational costs for students admitted to Medicaid-funded state or private psychiatric or residential treatment facilities for non-educational reasons. Options and recommendations are to be provided to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2016.

- **Department of Health**

- ***Reflect NGF Appropriation for AIDS Drug Assistance Program (ADAP).*** Adds \$22.9 million from nongeneral funds each year over the biennium to reflect grant funding to be received from the federal Ryan White Treatment Extension Act Part B grant and drug rebates used to support the ADAP Program. Over the past several years, this funding had been administratively appropriated. The funds are used to support access to medications for the treatment of HIV and related illnesses for low-income individuals through the provision of medications, or the payment of insurance premiums, deductibles, and copayments.
- ***Increase TANF Funding for the Comprehensive Health Improvement Program (CHIP) of Virginia.*** Provides an increase of \$1.0 million each year from the TANF block grant for CHIP of Virginia. CHIP of Virginia is a statewide network of local public/private partnerships which provides services to low-income, pregnant women, and young children in 27 localities. Funding will be used to expand services such as comprehensive care coordination and family support.

- ***Provide TANF Funding for Resource Mothers Program.*** Provides \$1.0 million each year from the Temporary Assistance to Needy Families (TANF) block grant to support the Resource Mothers program. The program focuses on first-time teenage mothers and provides a mentor for the teen and her family to reduce infant mortality and reduce the incidents of low birth weight babies. The resource mother provides health education, infant care tips, models daily living skills, encourages good decision making and planning, and connects the teen to community resources. The funding for the program was eliminated through budget reductions. This funding continues the program.
- ***Eliminate Vital Records Automation Fund Transfer to Office of Epidemiology.*** Adds \$518,421 GF each year to eliminate the nongeneral fund transfer of a like amount of funding from the Vital Records Automation Fund to support the Office of Epidemiology purchases of childhood vaccines. The transfer was the result of prior year cost savings initiatives, however the automation funds are necessary to support the operations of the Vital Records system.
- ***Increase GF Support for Office of Rural Health.*** Provides \$300,000 GF each year to meet federal Health Resources and Services Administration (HRSA) requirements for the State Office of Rural Health grant. New federal HRSA requirements do not allow states to use the grant to support positions whose primary purpose is not directly related to the Office of Rural Health’s functions and activities (such as partial management and administrative support). The current state match is funded at \$150,000 GF for this office, which has been in place since the 1998-2000 biennium. However, the state match requirement has more than tripled, requiring additional general fund dollars. The office administers programs earmarked for rural communities such as the Small Rural Hospital Improvement Program, and is responsible for the development of the State Rural Health Plan.
- ***Add GF Support for Onsite Sewage and Water Programs.*** Adds \$253,860 GF each year and 3 positions to address the backlog of requests for onsite sewage and water supply services.
- ***Continue Support for Youth Suicide Prevention.*** Adds \$220,983 GF the first year and \$205,983 GF the second year to continue support for the Youth Suicide Prevention Program through a contract with the Campus Suicide Prevent Center of Virginia. The program provides all higher education institutions in Virginia with training, consultation and prevention resources.
- ***Add Funds for Increased Rents at Local Health Departments.*** Provides \$178,629 GF and \$120,552 NGF each year to address higher lease costs for 16 local health departments that have moved into new facilities or experienced higher costs in

current leased space. While lease arrangements are negotiated by the Department of General Services, the cost of new leases is the responsibility of local health departments.

- ***Add Funds to Support the Virginia Student Loan Repayment Program.*** Includes \$150,000 GF each year for the Virginia Student Loan Repayment Program which is matched with federal funding. Funding for this program was eliminated in prior year budget reduction strategies. For FY 2016, the Virginia Health Care Foundation provided the non-federal match as a temporary strategy to assist in the recruitment of qualified medical, dental, behavioral health, and pharmacists professionals to address issues in health professional shortage areas of the Commonwealth.
- ***Provide GF Appropriation for Pediatric Comprehensive Sickle Cell Disease Services.*** Adds \$105,000 GF each year to accurately reflect the ongoing cost of the current contract for the Pediatric Comprehensive Sickle Cell Program. Historically, the agency has had an appropriation of \$200,000 GF annually for this program, however, the contract amount is \$305,000. The Office of Family Health has used vacancy savings in other programs to cover the difference. With continued reductions for 2015 and 2016, the Office no longer has excess general funds to cover the contract costs. The funding supports program coordination and social work staff that monitor the children to assist with treatment compliance and help educate families on health care and treatment issues.
- ***Provide Funding for the Health Wagon.*** Adds \$100,000 GF each year to increase support for the Health Wagon to address the needs of medically uninsured and underinsured patients in Southwest Virginia.
- ***Add Funds for Mission of Mercy Dental Project.*** Provides an additional \$100,000 GF each year to increase funding for the Virginia Dental Health Foundation Mission of Mercy (M.O.M.) dental project, which provides no cost dental services in identified underserved areas. The current appropriation for this project is \$16,280 GF. The proposed additional funding would support an increase in patients, additional dental supplies and costs for the repair or replacement of equipment, such as dental chairs.
- ***Reduce Funding for Hampton Proton Beam Therapy Institute.*** Reduces by \$50,000 the first year and \$250,000 the second year from the general fund for support provided to the Hampton University Proton Beam Therapy Institute. This action reduces the funding to the fiscal year 2015 level of \$510,000 by fiscal year 2018.
- ***Eliminate Language for Plan Management Functions of Federal Marketplace.*** Eliminates language to provide general fund dollars for the department's activities related to the Federally-Facilitated Insurance Marketplace. Funding has been

replaced with nongeneral funds to carry out these functions, including oversight of the federal quality health plan certification process and assistance with managed care insurance plan requirements.

- ***Collaborative Plan for Loan Repayment for Behavioral Health Practitioners.*** Requires the Department of Health to collaborate with the Virginia Health Care Foundation, the Department of Behavioral Health and Developmental Services, the state's teaching hospitals, and other relevant stakeholders to develop a plan to increase the number of behavioral health practitioners practicing in state and local behavioral health agencies, and health safety net organizations through the use of a student loan repayment program. The plan shall be reported to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees and the Chairman of the Joint Subcommittee to Study Mental Health Services in the Twenty-First Century by November 1, 2016.
- ***Use Rescue Squad Assistance Fund for Ambulance Cot Retention Systems.*** Allocates \$840,000 each year from the Virginia Rescue Squad Assistance Fund for the purchase of federally required ambulance cot retention systems. Language allows only non-profit Emergency Medical Services agencies to receive the funds. The cost to meet the new federal standard is \$40,000 per unit.
- ***Electronic Death Registry System.*** Requires a report by the Department of Health on efforts to address changes to improve the electronic system for filing death certificates. The report is due October 1, 2016, to the Chairmen of the House Appropriations and Senate Finance Committees.
- ***Report on Improving Birth Outcomes.*** Requires the Department of Health to report on the most effective policies and programs to improve birth outcomes in the Commonwealth. The report shall be submitted to the Chairmen of the House Appropriations and Senate Finance Committees by November 15, 2016.
- ***Report on Shellfish Sanitation Activities.*** Requires the Department of Health to report on agency activities related to shellfish sanitation to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2016. The 2016 General Assembly provided the agency with \$225,000 from the general fund and 3 positions in fiscal year 2016 to assess the sources of bacterial contamination in shellfish waters and to develop data in support of conditional management plans to allow for the safe harvest of shellfish from contaminated areas.

- **Department of Medical Assistance Services**

Forecast Changes

- ***Medicaid Utilization and Inflation.*** Adds \$327.4 million GF and \$330.4 million NGF in FY 2017 and \$461.7 million GF and \$456.0 million NGF in FY 2018 to fund expected increases in enrollment and medical costs for the Medicaid program. Separate proposals within the department’s budget reduce general fund spending that is included in this forecast.

Medicaid spending is expected to increase by 3.8 percent and 2.9 percent, respectively, in FY 2017 and FY 2018, well below the average annual growth rate of 7.9 percent over the past 10 years. However, the lower increases are applied to a larger Medicaid spending base since the FY 2016 expenditures increased by 9.3 percent.

Spending growth in the program is largely due to the annualization of FY 2016 expenditure increases due to enrollment growth, Medicare Part B premium and Part D prescription drug cost increases, and the impact of the U.S. Department of Labor ruling requiring overtime payments for consumer directed attendants. In addition, spending growth is impacted by managed care rate increases and hospital and nursing home inflationary adjustments.

The November 2015 Medicaid Forecast assumes that managed care rates will increase by only 2.8 percent the first year and 3.3 percent the second year for low-income children and adults, and 3.5 percent each year for aged, blind and disabled individuals. Enrollment is expected to grow at 5 percent in FY 2017 and 2.4 percent in FY 2018. The forecast does not assume any additional “woodwork” effect from current Affordable Care Act enrollment, despite the unexpected impact experienced in the last half of FY 2015.

The Medicaid forecast also contains additional funding for inflation adjustments of certain provider rates required by law or regulation, including hospitals (\$47.7 million GF), nursing homes (\$20.9 million GF), home health agencies (\$155,197 GF), and outpatient rehabilitation agencies (\$480,812 GF) over the biennium. However, inflation adjustments are reduced in separate budget actions.

In addition, the forecast assumes the continuation of two prior year reduction strategies for the cost of delivering indigent care at VCU and UVA Health Systems, a 3 percent reduction in indigent care payments and withholding an inflation adjustment from inpatient operating rates and graduate medical education. Together these actions reduce Medicaid spending by \$29.0 million GF each year of the biennium. In the past, VCU and UVA Health Systems were reimbursed at 100 percent of their Medicaid and indigent care costs through

higher inpatient operating rates and graduate medical education rates. During the Great Recession, inflation was withheld as a budget reduction strategy. Typically, policy adjustments of this nature would be reflected in separate budget actions to provide greater transparency.

- *Adjust Appropriation from the Virginia Health Care Fund.* Reduces the appropriation by \$18.2 million GF in FY 2017 and \$1.6 million GF in FY 2018 and adds a like amount of nongeneral funds each year to reflect changes in revenues to the Virginia Health Care Fund. Revenues from the Fund are used as a portion of the state’s match for the Medicaid program, therefore, higher revenues result in a reduction of the general fund appropriation needed to maintain currently-funded Medicaid services. Conversely, lower revenues require additional general fund support. Revenues in the fund are derived from tobacco taxes, Medicaid recoveries and revenue maximization initiatives, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). The estimated change in the Fund assumes a \$17.4 million balance from FY 2016. Changes to the fund include:
 - A reduction of \$17.1 million in FY 2017 and \$16.8 million in FY 2018 Medicaid recoveries,
 - An increase of \$15.3 million each year in expected pharmacy rebates, and
 - An increase of \$2.6 million in FY 2017 and \$3.1 million in FY 2018 from projected reductions in tax collections from cigarettes and other tobacco products.

- *Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.* Reduces funding by \$14.7 million GF and \$22.0 million NGF in FY 2017 and \$14.3 million GF and \$19.1 million NGF in FY 2018 to reflect the forecast of expenditures in the FAMIS program. The lower forecast is due to lack of growth in the number of children served by the program, lower than expected managed care costs, lower hospital rates, and the annualization of a reduction in the state match requirement for the program. The federal match rate increased from 65 percent to 88 percent beginning October 1, 2015.

FAMIS enrollment was expected to increase due to the “woodwork effect” as individuals come forward to qualify for Medicaid during open enrollment for ACA health insurance. While enrollment of children increased in the Medicaid program, FAMIS enrollment dropped by 9.6 percent over the past two years, despite efforts to enroll additional eligible children through the Governor’s Healthy Virginia initiative which began September, 2014. The FAMIS program serves pregnant women and children under the age of 19 in families with income between 133 and 200 percent of poverty.

- ***Medicaid State Children's Health Insurance Program (SCHIP) Utilization and Inflation.*** The adopted budget reduces funding of \$8.4 million GF in FY 2017 and \$8.0 million GF in FY 2018 and adds \$4.1 million NGF in FY 2017 and \$6.6 million NGF in FY 2018 to reflect the forecast of expenditures in the SCHIP program. As with the FAMIS program, the lower general fund forecast is due to a decline in the number of children served by the program, lower than expected managed care costs, lower hospital rates, and the annualization of a reduction in the state match requirement for the program. Enrollment of children in the SCHIP program has dropped by 2.8 percent over the past two years, despite recent enrollment efforts. The SCHIP program provides services for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level.
- ***Adjust Funding for Involuntary Mental Commitments.*** The adopted budget adds \$1.3 million GF each year over the biennium for expected expenditure growth as a result of higher costs for hospital and physician services for persons subject to involuntary mental health commitment hearings. Legislation adopted by the 2014 General Assembly related to the duration of emergency custody and temporary detention orders have resulted in higher than anticipated additional costs for these medical services.

Medicaid Forecast Adjustments

- ***Adjust Medicaid Forecast to Capture Savings from Moratorium on ACA Health Insurance Tax.*** Eliminates \$25.7 million from the general fund and \$25.7 million in matching federal Medicaid funds the second year contained in the Medicaid forecast that was included to pay the health insurance tax on managed care contracts as required by the Patient Protection and Affordable Care Act. The Consolidated Appropriations Act of 2016 placed a moratorium on this tax for 2017, which results in a savings in the amount paid by the Department of Medical Assistance Services in fiscal year 2018.
- ***Adjust Medicaid Forecast to Eliminate Overtime Costs for Consumer-Directed Attendants.*** Reduces funding contained in the Medicaid forecast by \$14.1 million GF in FY 2017 and \$16.7 million GF in FY 2018 and a like amount of matching federal Medicaid dollars for the payment of overtime for in-home personal care attendants. The department interpreted the new federal Department of Labor rules extending the Fair Labor Standards Act minimum-wage and overtime pay to in-home personal care attendants, effective October 13, 2015, as a requirement for the Medicaid program barring any authority to act otherwise. Consequently, the 2015 Medicaid forecast included funding for the projected cost of overtime hours for personal care attendants who provide care through consumer-directed service

options through Medicaid waiver programs. The adopted budget adds language to clarify that no authority is provided to make such overtime payments.

- ***Adjust Medicaid Forecast to Provide Partial Inflation of Hospital Operating Rates.*** Reduces funding by \$7.2 million GF in FY 2017 and \$23.7 million GF in FY 2018 and \$6.7 million NGF in FY 2017 and \$22.7 million NGF in FY 2018 from federal Medicaid matching funds by providing half of the annual inflation adjustment in FY 2017, and eliminating the inflation adjustment in FY 2018, for inpatient operating rates for acute and rehabilitation hospitals for the Medicaid, FAMIS, SCHIP and involuntary mental health commitment programs. The adopted budget also fully funds the inflation adjustment for Children’s Hospital of the King’s Daughters in FY 2017. Under current law, inpatient operating rates for hospitals are adjusted annually by an inflation factor based on current trends in hospital costs. The November, 2015 Medicaid forecast assumed an inflation adjustment of 2.6 percent in FY 2017 and 2.7 percent in FY 2018.
- ***Adjust Medicaid Forecast to Provide Partial Inflation of Nursing Facility Operating Rates.*** Includes a reduction of \$6.4 million GF and \$6.4 million NGF in FY 2018 by providing half the annual inflation adjustment to nursing facility operating rates. Under current law, nursing facility rates are adjusted annually by an inflation factor based on current trends in nursing facility operating costs. The November 2015 Medicaid forecast assumed an inflation adjustment of 0.9 percent in FY 2017 and 2.9 percent in FY 2018.
- ***Restore Inflation Calculation Affecting Future Nursing Facility Rebasing.*** Provides \$5.6 million GF and a like amount of federal Medicaid matching funds in FY 2018 and modifies budget language to clarify that the deferral of an inflation adjustment for nursing facility rates in fiscal year 2016 was not intended to affect any future rebasing of nursing facility rates. The Department of Medical Assistance Services incorrectly interpreted the language as a perpetual deferral. The deferral of the FY 2016 inflation adjustment continues to affect the first year of the biennium. Rates in the second year, under a scheduled rebasing, will not be affected by the 2016 deferral.
- ***Adjust Medicaid Forecast to Provide Partial Inflation for Outpatient Rehabilitation and Home Health Agency Rates.*** Removes \$110,811 GF and \$110,811 NGF in FY 2018 as a result of providing half the inflation adjustment for outpatient rehabilitation and home health agencies that was included in the 2015 Medicaid forecast.

Policy Changes

- ***Expand Income Eligibility for Waiver Services for Seriously Mentally Ill.*** Provides \$1.6 million the first year and \$3.8 million the second year from the general fund and a like amount of federal matching Medicaid funds to modify the income eligibility criteria for the Medicaid demonstration waiver program for adults with serious mental illness in Medicaid from 60 to 80 percent of the federal poverty level. The waiver provides primary care, outpatient medical services, and prescription drugs, along with a robust set of behavioral health services to adults with serious mental illness.

Proposed Spending for Department of Justice (DOJ) Related Items

- ***DOJ: Add Funding for Required Intellectual Disabilities (ID) and Developmental Disabilities (DD) Waiver Slots.*** Includes \$14.2 million GF in FY 2017 and \$31.8 million GF in FY 2018 and an equal amount of federal Medicaid matching funds to add 855 new ID and DD waiver slots over the biennium required under the DOJ settlement agreement. Funding will be used to add 180 new ID waiver slots for individuals transitioning from state ID training centers to the community, 625 new ID waiver slots for individuals residing in the community on the waiting list, and 50 new DD waiver slots for individuals residing in the community during the 2016-18 biennium.
- ***DOJ: Fund ID/DD Waiver Redesign and Increase in Waiver Rates.*** The adopted budget adds \$11.8 million GF in FY 2017 and \$22.2 million GF in FY 2018 and a like amount of federal Medicaid matching funds each year to implement the redesign of the three Medicaid waiver programs serving individuals with intellectual and developmental disabilities (ID/DD). The funding for the waiver redesign will (i) support rate changes to ensure the adequate number and types of community providers are available and individuals receive the appropriate level of care to meet needs, (ii) incentivize the use of more integrated living and day services, and (iii) add new services to address issues related to community integration. The rate for sponsored residential services shall include a Northern Virginia rate differential for the family home payment. The rate increase for skilled nursing services is set at 25 percent. The new rates account for about 75 percent of the added funding. On average, funding will increase waiver rates by 5.4 percent.
- ***DOJ: Add 355 New Developmental Disability (DD) Waiver Slots.*** Provides \$5.2 million the first year and \$5.2 million the second year from the general fund and a like amount of federal Medicaid matching funds to add up to a total of 355 waiver slots in fiscal year 2017. Of these slots, 200 are provided for individuals at the top of the Developmental Disability (DD) waiver chronological waiting list as of June

30, 2016, and an additional 115 DD slots are added to the 25 slots required pursuant to the DOJ settlement agreement in FY 2017. Up to 40 emergency reserve slots may be created across the Intellectual Disability, Developmental Disability, and Day Support waivers in fiscal year 2017 for emergencies, for individuals transferring between waivers and for individuals transitioning from an Intermediate Care Facility (ICF) or state nursing facility (SNF) to the community to ensure the health and safety of individuals in crisis.

- ***DOJ: Reduce Funding for State Intellectual Disability (ID) Training Centers.*** Includes net general fund savings of \$9.8 million in FY 2017 and \$10.9 million in FY 2018 and an equal amount of federal Medicaid matching funds each year reflecting the ongoing closure of operations at state ID training centers. The Department of Justice settlement agreement requires that individuals be transitioned into more integrated settings in the community. Savings this biennium reflect the closure of Northern Virginia Training Center in March of 2016 and the estimated impact of closing Southwestern Virginia Training Center by the end of FY 2018. A companion budget action within DBHDS provides funds for closure costs not reimbursable through the Medicaid program.

Other New Spending

- ***Expand Coverage for Medicaid Substance Use Disorder Treatment Services.*** The adopted budget provides \$2.6 million GF in FY 2017 and \$8.4 million GF in FY 2018 and a like amount of matching federal Medicaid funds each year, along with 2 positions, to expand Medicaid coverage of substance use disorder treatment services. The expansion provides a comprehensive array of services, which would allow the Commonwealth to apply for a federal demonstration waiver to provide more flexibility and allow for innovative ways to administer benefits.

The adopted budget also proposes language to add the following services through the existing Medicaid State Plan or through a demonstration waiver: inpatient detoxification and substance abuse treatment, residential detoxification and substance abuse treatment, and peer support services. Language is also added to provide DMAS with authority to (i) change substance abuse outpatient, community-based and residential treatment services to ensure parity between substance abuse treatment services and the medical and mental health services covered by the Medicaid agency, (ii) ensure comprehensive treatment planning and care coordination for individuals receiving behavioral health and substance use disorder services, (iii) ensure appropriate utilization and cost efficiency, considering all available options such as service definitions, prior authorization, utilization review, and provider qualifications and (iv) adjust reimbursement rates based on current industry standards.

- ***Increase Personal Care Rates.*** Provides \$7.1 million GF in FY 2017 and \$8.0 million GF in FY 2018 and a like amount of federal Medicaid matching funds to increase Medicaid rates for consumer and agency directed personal care, respite care and companion care by 2 percent in FY 2017. This will affect reimbursement for services provided through the Elderly and Disabled with Consumer Direction (EDCD) and ID/DD waiver programs and the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program.

- ***Restore Funding for Piedmont and Catawba Geriatric Hospitals.*** The adopted budget adds \$4.0 million GF and \$4.0 million each year in matching federal Medicaid funds to reverse a prior year budget action reducing spending at Piedmont and Catawba geriatric psychiatric hospitals. In the 2015 Session, the decision was made to reclassify these facilities from hospitals to nursing homes based on a federal Office of the Inspector General of Health and Human Services report which indicated that Catawba and Piedmont Geriatric Hospitals did not meet the requirements of a psychiatric hospital for Medicaid reimbursement. Consequently, their Medicaid Disproportionate Share Hospital payments were eliminated and the state match was transferred to the Department of Behavioral Health and Developmental Services (DBHDS) to convert the facilities to nursing homes. It has now been determined that these facilities likely will not meet the federal criteria for nursing home certification. Since the facilities have not yet been reclassified, they will continue to receive Medicaid reimbursement with the restoration of general fund dollars that had been transferred to the Department of Behavioral Health and Developmental Services (DBHDS). A companion action in the DBHDS budget removes the general fund appropriation that was provided in Chapter 665 and transfers it to the DMAS.

- ***Increase Private Duty Nursing Rates.*** Adds \$2.7 million GF in FY 2017 and \$2.8 million GF in FY 2018 and a like amount of matching federal Medicaid funds to increase Medicaid rates for private duty nursing by 11.5 percent in the Technology Assisted waiver and Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program. Funding for the Intellectual Disability (ID) and Developmental Disability (DD) waiver redesign includes funding to equalize the private duty nursing rate with the 11.5 percent rate increase for the EPSDT program and the TECH waiver.

- ***Fund Medical Residency Slots.*** Provides \$1.3 million from the general fund and an equivalent amount of federal matching funds in FY 2018 to fund new medical residency slots through Medicaid. The average residency slot is estimated at \$100,000 a year and this funding will create 25 slots. Half of the slots would be dedicated to primary care and the remainder for high-need specialties. Preference will be given to residency programs in communities and rural areas that are underserved.

- ***Increase Payment Rate for Nursing Homes with Special Populations.*** Adds \$619,511 GF and \$619,511 NGF in FY 2018 to increase reimbursement by 15 percent for nursing facilities that provide services to a resident population in which at least 80 percent of the residents have specific chronic and disabling conditions, and the facility has at least a 90 percent Medicaid utilization and a case mix index of 1.15 or higher in fiscal year 2017. These conditions tend to occur in a younger population that consequently has a significantly longer stay in a nursing facility than many nursing home residents. Currently, only one nursing facility, the Virginia Home, would meet the criteria to qualify for additional funding pursuant to the reimbursement methodology change.
- ***Physician Supplemental Payments for Children's National Health System.*** Provides \$275,500 each year from the general fund and a corresponding increase in federal matching funds for Children's National Health System for physician supplemental Medicaid payments to bridge the gap between the pediatric Medicaid rate paid by Virginia and the maximum rates allowed by federal law.
- ***Add Coverage of Applied Behavioral Analysis Services in FAMIS.*** The adopted budget includes funding of \$98,538 GF and \$722,609 NGF in FY 2017 and \$121,793 GF and \$893,145 NGF in FY 2018 to add coverage for Applied Behavioral Analysis and other behavioral therapy services for children in the FAMIS program. Currently, Medicaid covers these services for children through the EPSDT program.
- ***Increase Adult Day Health Care Rates.*** Provides \$79,505 GF in FY 2017 and \$87,581 GF in FY 2018 and a like amount of federal Medicaid matching funds to provide a 2.5 percent increase in the Medicaid waiver reimbursement rate for adult day health services.
- ***Add Funding to Eliminate Prior Authorization for Preventive Lung Cancer Screenings.*** Includes \$51,841 GF in FY 2017 and \$59,325 GF in FY 2018 and a like amount of matching federal Medicaid funds to eliminate the requirement for prior authorization for low-dose computed tomography (LDCT) lung cancer screenings as a preventive measure for at-risk Medicaid recipients. This coverage is expected to decrease the chance of a recipient developing advanced-stage lung cancer.

Administrative Funding

- ***Fund Replacement Costs of Medicaid Management Information System (MMIS).*** Adds \$4.6 million GF in FY 2017 and \$5.8 million GF in FY 2018 and \$41.7 million NGF in FY 2017 and \$52.5 million NGF in FY 2018 in enhanced federal Medicaid matching funds to replace the current Medicaid MMIS. The current MMIS contract expires June 30, 2018 and will no longer meet newer federal standards. Enhanced federal matching funds are available for system costs at a federal match

rate of 90 percent for professional services and 75 percent for licenses and hardware.

- ***Add Funds for Increased Cost of Contracts.*** The adopted budget adds \$1.2 million GF in FY 2017 and \$1.6 million GF in FY 2016 and a like amount of federal Medicaid matching funds to cover the costs of several contracts that will expire within the next year, such as actuarial services, cost settlement services, and the Medicaid managed care enrollment broker.
- ***Fund Affordable Care Act Mandatory Recipient Notifications of Medicaid Coverage.*** The adopted budget provides \$749,750 GF and \$1.5 million NGF in FY 2017 and \$408,850 GF and \$441,150 NGF to pay for notifications to Medicaid recipients of their Medicaid coverage, as required by the federal Affordable Care Act. Information will be sent to about 670,000 heads of households to enable them to complete their tax filings. In addition, funding will allow the agency to handle recipient questions as required by law.
- ***Add Positions to Staff Agency Activities.*** Adds \$360,097 GF and \$360,097 NGF each year of the biennium and 7 positions to provide staffing for increased workload associated with overseeing the number and complexity of the managed care contracts within the agency.
- ***Fund Costs for New Managed Long-term Services and Supports Contract.*** The adopted budget provides a net increase of \$551,953 GF and \$2.2 million NGF in FY 2017 and a net reduction of \$7.8 million GF and \$6.9 million NGF in FY 2018 and adds 5 positions each year to support the implementation of the new managed long-term services and support (MLTSS) contract. The contract costs are estimated to require \$1.5 million GF and \$3.2 million NGF the first year and \$8.2 million GF and \$9.1 million NGF the second year which will be offset by estimated savings of \$1.0 million GF and \$1.0 million NGF the first year and \$16.0 million GF and \$16.0 million NGF the second year. The savings reflect the discontinuation of the current fee-for-service transportation contract for individuals newly covered under MLTSS. As individuals transition to managed care under this initiative, these costs will be incorporated into future managed care capitated payments.

Other Reductions

- ***Transfer Funding to Eastern State Hospital.*** The adopted budget reduces funding by \$6.6 million GF and \$6.6 million NGF to reflect federal Medicaid decertification of the Hancock Geriatric Treatment Center at Eastern State Hospital. The federal Centers for Medicare and Medicaid Services determined that the facility no longer meets the federal definition of a nursing home in FY 2016. The general fund match is transferred to the Department of Behavioral Health and Developmental Services for the continued operation of 80 geriatric treatment beds at the facility.

- *Eliminate Funding for Medicaid Support of ConnectVirginia.* Eliminates \$250,000 from the general fund and \$1.1 million in federal matching funds each year that were originally appropriated to support Medicaid's share of the Commonwealth Health Information Exchange and to provide support for providers to join. The state has not received federal approval to make these payments and the funding is not currently necessary.

Language

- *Improve Medicaid Eligibility Policy and Procedures.* Adds language to require the Department of Medical Assistance Services to implement provisions to improve the current Medicaid eligibility policy and procedures based on a recent Joint Legislative Audit and Review Commission (JLARC) report on Medicaid eligibility determination. The department must require all Medicaid eligibility workers to apply the same protocols when verifying income for all applicants and recipients, including those who report no earned or unearned income, by October 1, 2017.
- *Medicaid Asset Recovery Program.* Requires the Department of Medical Assistance Services to develop a plan for an improved Medicaid estate recovery program and requires that eligibility workers search for unreported assets with currently available data. This amendment is based on recommendations from JLARC's review of Medicaid eligibility determination.
- *Analysis of Pharmacy Claims.* Directs the Department of Medical Assistance Services (DMAS) to analyze pharmacy claims data to identify the difference in the value of payments made to contracted Medicaid managed care plans and the value of payments made by the contracted managed care plans to their contracted prescription benefit managers (PBMs). Further, DMAS is directed to request, and if available, analyze the value of the program's managed care plans' contracted PBMs to network pharmacies. DMAS is directed to identify and report any payment differences and make recommendations to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2016.
- *Workgroup on Brain Injury Data and Out-of-State Services.* Requires the Department of Medical Assistance Services to convene a workgroup to recommend improvements to data collection on the incidence of brain injury and to review expenditures on Virginians with brain injury receiving care outside of the state.
- *Improvements to Medicaid Forecasting Process.* Includes language to improve the forecast process for Medicaid. Language clarifies that the forecast is based on current law and regulations and creates a process for managed care rate assumptions to be communicated publicly. In addition, a requirement for a

meeting with appropriate staff from the House Appropriations and Senate Finance Committees is added to better communicate trends and explain assumptions. Lastly, a monthly report of Medicaid expenditures is required.

- ***Remove Sunset on Funding for the Cover Virginia Central Processing Unit (CPU).*** The adopted budget removes language that would have discontinued the Cover Virginia Central Processing Unit beyond FY 2016. The Medicaid call center was upgraded to a central processing unit in FY 2015 to handle the backlog of processing Medicaid applications received through the federal health insurance exchange and all online applications submitted through the CommonHelp portal, and to support centralized application processing through final eligibility determination. Language is maintained in the budget setting out the CPU's appropriation and requiring quarterly reports on performance.
- ***Outreach to Department of Corrections and Local Jails.*** Adds language to require the Department of Medical Assistance Services to provide information and conduct outreach activities with the Department of Corrections along with local and regional jails on the GAP program to provide Medicaid primary care, outpatient services, medications and mental health services to low-income individuals with serious mental illness who are released from custody.
- ***ER Care Coordination Workgroup.*** Directs the Medicaid Physician and Managed Care Liaison Committee to review certain issues affecting the provision of Medicaid services, including how to improve care of "super utilizers", the impact of primary care provider incentive funding on improved interoperability between hospital and provider systems, and the use of best practices for Emergency Departments to improve care and treatment of Medicaid clients and improve cost efficiency.
- ***Workgroup on the Alzheimer's Assisted Living Waiver.*** Requires the Department of Medical Assistance Services to convene a work group to review the Alzheimer's Assisted Living Waiver to determine if it can be modified to comply with federal rule changes. The agency is required to create a plan if the waiver cannot be modified to ensure continuity of services for individuals currently on the waiver and make recommendations to the Governor and Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2016.
- ***Medicaid Resource Eligibility Change.*** Requires the Department of Medical Assistance Services to seek federal authority to use an alternative methodology for valuing real property for the purpose of determining resources of a Medicaid applicant.
- ***Convert Specialized Care Rates to Prospective Payment Methodology.*** Adds language authorizing the department to convert specialized nursing care rates to a

prospective rate methodology consistent with that used for other nursing facilities, beginning in FY 2017.

- ***Implementation of the Delivery System Reform Incentive Program (DSRIP).*** Adds language prohibiting the expenditure of any appropriation for an approved DSRIP §1115 waiver unless the General Assembly appropriates the funding in the 2017 Session. Language also requires the department to notify the Chairmen of the House Appropriations and Senate Finance Committees within 15 days of any final negotiated waiver agreement with the federal Centers for Medicare and Medicaid Services.

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

Department of Justice (DOJ) Budget Actions

- ***Summary of Adopted Actions.*** The adopted budget includes \$38.6 million GF and \$4.6 million NGF the first year and \$67.0 million GF and \$480,000 NGF the second year to continue implementation of the settlement agreement with the U.S. Department of Justice related to the training centers and community integration of individuals with intellectual and developmental disabilities into the community. The budget actions are included in the budgets for the Department of Medical Assistance Services, the Department of Behavioral Health and Developmental Services (DBHDS), and the Department for Aging and Rehabilitative Services. The individual descriptions of related budget actions for DBHDS follow. In addition, after the descriptions below, there is a summary table of all DOJ related budget actions.

- ***DOJ: Fund Settlement Agreement Costs Related to Training Center Operations.*** Provides \$4.8 million GF the first year and \$3.9 million GF the second year to fund activities and services related to the closure of state training centers. These funds provide retention bonuses and cover separation costs related to the closure of the state training centers. Costs paid after a training center closes are no longer reimbursable from Medicaid. In addition, there are on-going maintenance costs for unoccupied buildings. Changes in the discharge schedule impact the closure dates of a facility and this funding reflects the latest projections.
- ***DOJ: Expand Crisis Services.*** Adds \$4.3 million GF the first year and \$5.3 million GF the second year to improve crisis programs to comply with requirements of the settlement agreement. This funding will support two eight-bed therapeutic homes, mobile crisis services, respite services for children, and regional crisis coordinators. The settlement agreement requires the Commonwealth to implement a statewide crisis system. The

crisis system for adults generally meets the requirements of the settlement agreement, however the children's crisis system is still being developed.

- ***DOJ: Building Community Capacity in Southwest and Northern Virginia.*** Authorizes up to \$4.0 million the first year from the Behavioral Health and Developmental Services Trust Fund for one-time expenses related to developing housing options and specialized services, and making capital improvements to enhance and expand services for individuals with intellectual and developmental disabilities. A minimum of 60 percent of the funding will be used to build community capacity in Northern Virginia and the remaining funding will be used to build community capacity for individuals who are transitioning to the community from Southwestern Virginia Training Center (SWVTC). Language specifies that projects addressing SWVTC are to be located in Virginia within 100 miles of the facility. Also, the agency is required to give preference to projects involving existing Virginia providers to expand capacity. Language requires the agency to report on expenditures from the Trust Fund by December 1, 2016 to the Chairmen of the House Appropriations and Senate Finance Committees. Language also requires that Trust Fund dollars are subject to appropriation by the General Assembly.
- ***DOJ: Fund Transitional Support for Individuals Leaving Training Centers.*** Provides \$636,000 NGF the first year and \$480,000 NGF the second year to support up to 180 individuals who will transition over the biennium into the community. This funding will cover assistive technology, home or vehicle modifications, and durable medical equipment that is not covered by Medicaid. Funding for these costs in recent years has been provided through carryforwards of funds from previous years. This funding is from the Behavioral Health and Developmental Disabilities Trust Fund.
- ***DOJ: Create a Rental Assistance Program for Individuals with Intellectual and Developmental Disabilities to Live in Independent Settings.*** Provides \$1.9 million GF the first year and \$3.8 million GF the second year to support 150 rental vouchers in FY 2017 and an additional 150 in FY 2018. This funding will allow individuals to live in more independent and integrated community settings, such as apartments.
- ***DOJ: Provide On-Going Funding for Rental Choice Virginia Program.*** Adds \$400,000 GF each year for the on-going costs of the program, which was established pursuant to the settlement agreement. The agreement required \$800,000 of one-time funding to be used for rental subsidies. This funding provides on-going funding for individuals receiving subsidies in the program.

- ***DOJ: Fund a Developmental Disabilities Health Support Network in the Southwest Region.*** Provides \$1.3 million GF each year and 8.75 FTE positions to create a health support network in the Southwest region of the Commonwealth to ensure that appropriate services are available for individuals in the community that have transitioned from the training centers. The current budget of \$2.6 million GF supports two health support networks, one in Northern Virginia and one in the Richmond area. These networks provide health education, dental services and equipment repair. A network in Southwest Virginia is proposed to be developed to coincide with the planned closure of the Southwest Virginia Training Center in 2018.
- ***DOJ: Create a Position for the Individual and Family Supports Program.*** Provides \$98,729 GF the first year and \$70,080 GF the second year to support 1 position to provide assistance to individuals on the waitlists to access services and supports in their area. Pursuant to the settlement agreement, this program provides a cash benefit to up to 1,000 families each year. However, the independent reviewer has interpreted language in the agreement to require a more comprehensive program.
- ***DOJ: Fund Community Services for Non-Medicaid Training Center Residents.*** Provides \$503,204 GF each year for the costs of community services for four individuals currently residing in state training centers (two at Northern Virginia Training Center and two at Central Virginia Training Center) who are not eligible for Medicaid. These individuals are expected to be transitioned from the training centers to the community in FY 2017. Another non-Medicaid individual was transitioned in FY 2015.
- ***DOJ: Add Positions to Support the Settlement Agreement.*** Provides \$1.1 million GF and \$516,838 NGF the first year and \$1.4 million GF and \$585,228 NGF the second year for 15 positions to assist the agency in compliance with the settlement agreement with the U.S. Department of Justice. This funding supports licensing specialists, case management and service needs evaluations, internal review and data quality assurance, and support for the rental subsidy program.
- ***DOJ: Add Positions to Support the Transition to the Redesigned Waivers.*** The adopted budget includes \$659,193 GF and \$649,690 NGF the first year and \$712,690 GF and \$703,414 NGF the second year to create 16 new positions to assist the transition of individuals to the newly redesigned waivers for people with intellectual and developmental disabilities. These positions will support Community Services Boards by monitoring the mix of services, providing technical support, performing quality management, and monitoring individual support plans.

- ***DOJ: Fund an Event Tracking Quality Management System.*** Proposes \$945,952 GF the first year and \$244,553 GF the second year and 1 position to create a comprehensive event tracking system. This system will track critical events in a more timely and accurate manner to better prevent the occurrence of such events. Types of events tracked include deaths, injuries, allegations of abuse, and use of restraints or seclusion at any state facility or by any community provider. This system benefits both the intellectual disability and mental health systems.
- ***DOJ: Increase Funding for Independent Reviewer.*** Adds \$63,734 GF the first year and \$72,544 GF the second year for a larger than anticipated workload for the independent reviewer, who is appointed by the court to monitor the Commonwealth's compliance with the settlement agreement. When the budget was originally established, it did not assume funding for serious incident reviews, which the judge has required.

Central Office

- ***Move Funding for Victims of Sterilization to FY 2016.*** Eliminates \$400,000 from the general fund the second year for compensation of victims of sterilization. This funding is transferred to Chapter 732 of the 2016 Acts of Assembly (House Bill 29) for compensation in fiscal year 2016. Language is added in Chapter 732 to allow for any unspent funding to be carried forward to a subsequent fiscal year.
- ***Independent Review of Central Virginia Training Center.*** Provides \$100,000 the first year from the general fund for an independent review to develop options for consideration by the General Assembly of operating the Central Virginia Training Center, if needed, as a smaller facility utilizing the newly renovated buildings.
- ***Develop Model for Mental Health Dockets.*** Requires the Department of Behavioral Health and Developmental Services to develop a model program for mental health dockets to be used by courts in the Commonwealth to better handle the unique needs of individuals with mental illness. Once the report is developed it shall be posted on the department's website.

Department of Justice (DOJ) Settlement Agreement
Adopted Funding
(GF \$ in millions)

<u>Programs and Services</u>	Chapter 780 (HB 30)	
	<u>FY 2017</u>	<u>FY 2018</u>
Department of Medical Assistance Services:		
Required Waiver Slots (855 Total):	\$14.2	\$31.8
- 180 ID Facility Transition Slots		
- 625 ID Community Slots		
- 50 DD Waiver Slots		
355 DD Waiver Slots (40 Reserve Slots)	5.2	5.2
Waiver Redesign (higher rates and new services)	11.8	22.2
Training Center Facility Savings	<u>(9.8)</u>	<u>(10.9)</u>
Subtotal of Adopted Funding	\$21.4	\$48.3
Department of Behavioral Health and Developmental Services:		
Training Center Facility Closure Costs	\$4.8	\$3.9
Crisis Services	4.3	5.3
Add Comm. Capacity in NoVA and SWVA (NGF*)	4.0 NGF	0.0
DD Health Supports Network (Southwest VA)	1.3	1.3
Rental Assistance	1.9	3.8
Rental Choice Virginia Program	0.4	0.4
Transitional Funding (NGF*)	0.6 NGF	0.5 NGF
Add Staff: Licensing, Case Management, Service Needs Evals., Quality Assurance	1.1	1.4
Increased Workload of Independent Reviewer	0.1	0.1
Add Staff to Support Waiver Redesign	0.7	0.7
Critical Event Tracking System	0.9	0.2
Staffing for Individual and Family Supports	0.1	0.1
Non-Medicaid Training Center Discharges	<u>0.5</u>	<u>0.5</u>
Subtotal Additional Funding	\$20.7	\$18.2
Department for Aging and Rehabilitative Services:		
Guardianship Services for 195 Individuals	<u>\$0.5</u>	<u>\$1.0</u>
Total DOJ Funding (Including NGF)	\$42.6	\$67.5
*Source of NGF is the BHDS Trust Fund		

Community Mental Health Services

- ***Permanent Supportive Housing.*** Adds \$2.1 million the first year and \$2.1 million the second year from the general fund to increase support for permanent supportive housing and assist 150 additional individuals. Permanent supportive housing provides rental assistance and in-home clinical services and support staff to assist individuals with mental illness in maintaining stability in the community.
- ***Expand Programs of Assertive Community Treatment.*** Provides \$2.0 million GF each year to fund two additional Programs for Assertive Community Treatment (PACT). These programs focus on individuals with serious mental illness at risk of being frequent utilizers of hospitals, homeless shelters and jails. PACT teams are self-contained interdisciplinary teams of clinical staff that provide intensive treatment in the community to promote stability for individuals who typically do not access the mental health system.
- ***Child Psychiatry and Children's Crisis Response Services.*** Increases funding by \$1.8 million GF each year for child psychiatry and children's crisis response services. The need for these services exceeds current funding levels and these funds will be used to create new or expand existing community-based services.
- ***Expand Funding for Discharge Assistance Plans.*** Adds \$652,500 GF the first year and \$1.3 million GF the second year to provide community-based services to individuals residing in state hospitals who have been determined ready for discharge.
- ***Create an Oversight System for Court-Ordered Evaluations.*** Provides \$152,016 GF the first year and \$202,689 GF the second year to fund 2 positions and other costs related to legislation that would create an oversight system for competency and sanity evaluations. This system would subject evaluations to peer review and allow the department to maintain a list of trained evaluators known to follow the standards of practice.
- ***Provide Funds for Outpatient Competency Restorations.*** Adds \$85,000 GF each year for competency restoration services for up to 85 individuals a year. These services include assessments, educational services related to the legal system, case management, psychiatric and medication. Outpatient competency services are provided by Community Services Boards.
- ***Increases Resources for Conditional Release of Individuals Found Not Guilty by Reason of Insanity.*** Adds \$84,000 GF each year for resources to release up to 24 individuals found Not Guilty by Reason of Insanity into the community. These individuals require transition funding or in some cases bridge funding until other

entitlement funding is restored in order to make the move into the community successful.

- ***Provide Funds for Forensic Housing Program.*** Adds \$83,619 GF the first year and \$111,492 GF the second year for the administration of the forensic housing program for individuals who are ready for discharge to the community.

Facility Mental Health Services

- ***Transfer State Medicaid Funds to Support Hancock Geriatric Center.*** Transfers \$6.6 million GF each year from the Department of Medical Assistance Services to support Hancock Geriatric Center due to the loss of Medicaid certification. These funds were budgeted as state match for Medicaid. Since the facility is no longer certified for Medicaid reimbursement, this funding is transferred to continue to operate the facility with state only-funds.
- ***Offset Revenue Shortfall from Loss of Federal Funding at Hancock Geriatric Center.*** Provides \$5.8 million GF each year to maintain the facility with 80 geriatric beds. As a result of a federal Center for Medicare and Medicaid Services inspection of the facility in February 2015, the facility was deemed to not meet the nursing home criteria for Medicaid reimbursement. This funding offsets the loss of those federal dollars to continue full operation.
- ***Transfer Funding Provided for the Conversion of Piedmont Geriatric and Catawba Hospitals to Nursing Facilities to DMAS for Medicaid Match.*** Transfers \$9.1 million GF each year that was provided in the 2015 Session to convert Piedmont Geriatric and Catawba Hospitals from hospitals to nursing facilities. The federal Office of the Inspector General of Health and Human Services issued a report which indicated that Catawba Hospital and Piedmont Geriatric Hospital did not meet the requirements of a psychiatric hospital for Medicaid reimbursement. Funding of \$9.1 million GF was added to the department's budget in FY 2016 to offset the loss of Medicaid Disproportionate Share Hospital payments since the two hospitals would be converted to nursing homes. However, efforts to convert the hospitals have been discontinued because it is unlikely that they will be able to meet federal requirements for nursing facilities. The funding is being reduced in the department's budget and transferred to the Department of Medical Assistance Services to continue existing hospital certification until another plan is developed.
- ***Add Funding for Private Geropsychiatric Inpatient Services and Discharge Assistance Services.*** Adds \$2.5 million each year for private geropsychiatric inpatient and discharge assistance services. Of the first year amount, \$652,500 is earmarked for discharge assistance services for individuals ready to be discharged from Western State Hospital. Funding for private geropsychiatric inpatient

services will likely be used to divert or discharge individuals from Hancock Geriatric Treatment Center.

- ***Plan for Geropsychiatric Services.*** Adds \$450,000 GF the first year and language directing the Department of Behavioral Health and Developmental Services to develop a comprehensive plan for the publicly funded geropsychiatric system of care in Virginia and sets out requirements for the plan, including an assessment of the needs of individuals residing in state geropsychiatric facilities, as well as community capacity to meet their treatment needs. The plan shall be presented to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees as well as the Chairman of the Joint Subcommittee to Study Mental Health Services in the Twenty-First Century by November 15, 2016.
- ***Recertification of Hancock Geriatric Treatment Center.*** Provides \$250,000 GF the first year for an independent consultant to examine the nursing facility certification requirements for Medicaid and recommend any necessary operational changes necessary in order to apply for recertification of the facility for Medicaid reimbursement. In 2015, the facility lost its Medicaid certification and this funding will help determine the most appropriate path for recertification.
- ***Add Direct Care Staff at Western State Hospital.*** Provides \$257,670 GF the first year and \$515,337 GF the second year to fund 6 positions at Western State Hospital. Additional staff is needed to handle the increase in admissions and higher acuity of patients. Recent changes in law have increased the number of temporary detention order and forensic admissions experienced by the hospital.
- ***Improve Compensation Issues at Mental Health Facilities.*** Proposes \$1.2 million GF each year to increase the pay differential for hard-to-fill shifts at the state's nine mental health facilities. These facilities experience turnover rates as high as 29 percent. Increasing the pay for shift differentials may reduce turnover and overtime costs, and improve morale.
- ***Increase Pediatric Services at the Commonwealth Center for Children and Adolescents.*** Provides \$69,069 GF each year to increase the hours of pediatric services available at the facility. Currently, the facility has a part-time pediatrician providing eight hours of services a week.
- ***Permanently Move Funding from the Budget for Intellectual Disability Training Centers to the Budget for Mental Health Facilities.*** Moves \$8.8 million GF a year from the Intellectual Disabilities Facilities budget to the Mental Health facilities budget. General fund dollars have traditionally been budgeted for the Intellectual Disabilities facilities and then transferred to the Mental Health facilities to cover increasing costs at those facilities. Rather than continue with annual

administrative actions to move the funding, this transfer adjusts the funding to match where it will be spent.

Other Spending Increases

- ***Provides Funds for the Increasing Caseload for Part C Early Intervention Services.*** Proposes \$1.7 million GF the first year and \$2.5 million GF the second year to cover the costs of the increasing caseload for the program. The program has been growing on average by 4.9 percent a year over the last few years. The program provides early intervention services to children with a developmental delay or at-risk of a developmental delay. This program is part of the federal Individuals with Disabilities Education Act.
- ***Add Funds for Special Hospitalization Costs at the Virginia Center for Behavioral Rehabilitation.*** Provides \$300,000 GF each year to cover increasing hospitalization costs of individuals at the center. This center is where individuals determined by the courts to be sexually violent predators are civilly committed after their release from incarceration in order to receive treatment for their condition. Since the individuals at the facility are the responsibility of the state, so are their health care needs. Hospitalization costs have risen rapidly in recent years and are expected to continue to increase as the population grows older.

Other Funding Changes

- ***Correct Base Funding for Prince William ARC.*** Corrects the base appropriation to reflect the removal of \$250,000 each year for The ARC of Prince William. In the 2015 Session, \$250,000 was included in the budget for fiscal year 2016 for the provision of residential services for individuals transitioning from the Northern Virginia Training Center into the community. The funding was intended to be one-time and while the introduced budget removed the language directing the payment, it did not remove the appropriation in the base budget.
- ***Transfer Funds from the Department of Behavioral Health and Developmental Services to the Department of Medical Assistance Services to Support Training Center Operations.*** Transfers \$8.0 million GF each year between the agencies to fund the state share of Medicaid costs for the state training centers. The Department of Behavioral Health and Developmental Services receives funding for any salary and fringe benefit cost increases for training center staff. This action moves the funding to Medicaid to cover those staffing costs through Medicaid reimbursements. Training Centers are reimbursed by Medicaid on a cost basis.
- ***Reduce Special Fund Budget to Reflect Current Revenue.*** Reduces funding by \$25.0 million NGF the first year and \$32.0 million NGF the second year to primarily reflect lower revenue due to the planned closure of Northern Virginia

Training Center in March 2016. The training centers are reimbursed through Medicaid, which is reflected as special fund revenue in their operational budgets. After a facility closes the revenue from Medicaid will decline and the special fund budget is adjusted to reflect the lower revenue.

- *Transfer Funds Budgeted for Intellectual Disability Training Centers to the Virginia Center for Behavioral Rehabilitation (VCBR).* Moves \$2.8 million GF each year from the budget for state training centers to VCBR. Beginning in FY 2015, this funding has been administratively transferred to cover increasing costs and new positions at the center.

Budget Language

- *Community Services Board Performance Contracting System.* Includes budget language to require the Department to develop a plan for a performance based contracting system for Community Services Boards. Such a system would include funding incentives and disincentives based on achievement of outcomes. The language requires the plan be submitted to the Secretaries of Health and Human Resources and Finance, and the chairmen of the House Appropriations and Senate Finance Committees by November 1, 2016.

- **Department for Aging and Rehabilitative Services**

- *DOJ: Add Funding for Additional Public Guardianships for Individuals Transitioning from Training Centers.* Adds \$500,000 GF the first year and \$1.0 million GF the second year to fund public guardians for individuals with intellectual disabilities residing in state training centers. This funding will support guardianship services for 100 individuals the first year and 195 the second year that are expected to transition to the community. The public guardianship and conservatorship program provides services to individuals that are incapacitated and for which no other individual is willing to serve as a guardian.
- *Add Funding for Additional Public Guardianships for Individuals with Mental Illness.* The adopted budget adds \$425,804 GF the first year and \$1.0 million GF the second year and 1 position to fund public guardians for individuals with mental illness being discharged from state hospitals. This funding will support guardianship services for 50 individuals the first year and 98 the second year who are discharged from state hospitals. The funding also provides services for another 50 individuals in the second year for at-risk adults on a wait-list for guardianship services. The public guardianship and conservatorship program provides services to individuals who are incapacitated and for which no other individual is willing to serve as a guardian. The program currently serves over 600 individuals.

- ***Expand Funding for Brain Injury Services.*** Provides \$375,000 GF each year to expand funding for programs providing brain injury services through the Department for Aging and Rehabilitative Services.
- ***Increase Funding for Long-Term Employment and Support Services.*** Adds \$375,000 GF each year for the Long Term Employment Support Services (LTESS) program to support individuals with disabilities. LTESS provides a full array of employment support services to help individuals with significant disabilities maintain employment.
- ***Fund Transition Services by Centers for Independent Living.*** Provides \$200,000 GF each year to the Centers for Independent Living with an annual funding increase to meet expanded requirements for transition services.
- ***Provide Bridge Funding for Bay Aging Eastern Virginia Care Transitions Partnership.*** Provides \$250,000 the first year from the general fund to support the Eastern Virginia Care Transitions Partnership program, which is operated by Bay Aging, an Area Agency on Aging. This program works with patients discharged from hospitals in an effort to reduce readmissions. The Centers for Medicare and Medicaid Services recently eliminated their funding. This funding provides temporary assistance to bridge the gap until the program is sustainable by generating income from private payers.
- ***Provide Funds to the Jewish Social Services Agency.*** Provides \$100,000 GF a year to contract with the Jewish Social Services Agency in Northern Virginia to support in-home care and safety net services for low-income seniors who have experienced trauma.
- ***Fund a Position for Monitoring the Auxiliary Grant Program.*** Adds \$87,338 GF each year to support a position to improve monitoring of the Auxiliary Grant Program. This program expends over \$27.0 million a year and serves over 5,300 adults. This position is intended to improve oversight of the program and increase accountability.
- ***Fully Fund the Costs of Medicaid Disability Determinations.*** The adopted budget adds \$80,380 GF and \$80,380 NGF the first year to offset a funding shortfall for the state share of Medicaid disability determinations. The agency provides disability determinations for individuals applying for Medicaid. This one-time funding corrects a backlog in paying the state share of costs.
- ***Adjust Budget to Align with Current Services.*** Provides \$2.6 million NGF each year to reflect higher than projected revenue, primarily from federal grants. In addition, the position level of the agency is reduced by a net of 31 positions to align the employment level of the agency with available funding.

- *Report on Interdisciplinary Memory Assessment Clinics.* Requires the Department for Aging and Rehabilitative Services to report on its progress towards implementing the “Interdisciplinary Memory Assessment Clinics with Dementia Care Management” as described in the Dementia State Plan.

- **Department of Social Services**

- *Fund Foster Care and Adoption Forecast.* Provides a net increase of \$5.9 million GF and \$10.8 million NGF each year for forecast changes to the foster care and adoption programs. Adoption subsidies are projected to increase by \$6.9 million GF and \$6.9 million in federal Title IV-E funds each year of the biennium. Title IV-E foster care expenditures are expected to increase by \$3.9 million GF and \$3.9 million NGF each year. The increased costs for the Title IV-E foster care and adoption programs are partially offset by a projected decline in state adoption subsidies by \$4.9 million GF each year. The following table details spending for child welfare services.

Funding for Child Welfare Services Spending (All Funds, \$ in millions)			
	<u>FY 2016</u>	Chapter 780 (HB 30)	
		<u>FY 2017</u>	<u>FY 2018</u>
Title IV-E Foster Care*	\$40.5	\$48.3	\$48.3
Title IV-E Adoption Subsidies*	75.2	89.0	89.0
State Funded Adoption Subsidies	<u>39.6</u>	<u>34.8</u>	<u>34.8</u>
Total	\$155.3	\$172.1	\$172.1
<i>*NOTE: The general fund share of these costs is 50 percent.</i>			

- *Expand Foster Care and Adoption Payments for Young Adults Up to Age 21.* Adds \$1.0 million GF and \$1.0 million NGF the first year and \$2.9 million GF and \$2.9 million GF the second year for the federal Fostering Connections program to expand foster care and adoption subsidies to youth up to the age of 21. Currently, foster care payments and adoption subsidies are only made on behalf of children up to the age of 19. Only youth who turn 18 on or after the program begins will be eligible for the program. There is an offsetting savings in the Children’s Services

Act budget of \$511,678 GF the first year and \$1.5 million GF the second year as a result of foster care youth that will now be eligible for 50 percent federal funding. The adopted budget adds language to provide authority for the implementation of the program.

- ***Fund Increase in Child Welfare Services per Federal Mandate.*** Provides \$1.4 million GF the first year and \$2.1 million GF the second to fund an increase in child welfare services as required by federal law. Since federal FY 2010, the program criteria for an applicable child for federal Title IV-E adoption assistance have resulted in an increase in children eligible for federal funding. These children were fully state-supported, resulting in state savings. These savings are required by federal law to be reinvested in the child welfare system.
- ***Increase Maintenance Payment Rates for Foster Care and Adoptions.*** The adopted budget adds \$826,419 GF and \$586,093 NGF each year to increase the maintenance payment rates to family foster homes and adoption subsidies by 2 percent. The Appropriation Act requires an automatic adjustment for inflation to be applied to the maximum room and board rates paid to foster parents in the fiscal year following a state employee pay raise, which was provided on August 10, 2015. While this rate increase is not mandatory for adoption subsidy maintenance payments, funding was provided to ensure subsidy rates keep pace with foster care and to avoid any disincentives to adoption.
- ***Fund Eligibility Information System Operating Costs.*** Proposes \$3.5 million GF and \$1.0 million NGF the first year and \$1.7 million GF and \$3.2 million NGF the second year to reflect the transition of the new eligibility system from development to full operation. In addition, the adopted budget removes \$5.8 million GF and \$19.0 million NGF the second year of previously appropriated development costs for the system.
- ***Increase Support for Additional Local Eligibility Workers.*** Provides \$1.0 million GF and \$3.3 NGF each year to fund local departments of social services administrative operations for Medicaid application and renewal processing. Local departments have experienced an increased volume of applications for Medicaid as a result of open enrollment on the federal exchange and a subsequent increase in Medicaid applications. Consequently, local departments are struggling to complete Medicaid renewal applications.
- ***Fund Full Cost of Salary Increase in the Division of Child Support Enforcement.*** Adds \$537,220 GF each year for the state employee salary increase that was provided August 10, 2015. This funding would cover the 24 percent share that would otherwise be paid for through Temporary Assistance for Needy Families retained collections. Retained collections are revenues generated from allowable

retained 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. As the TANF caseload continues to decline, the amount of child support collected on their behalf also declines. These retained collections are used to provide the state match for federal child support enforcement funding. Since these collections continue to decline, they are not available to pay for any increase in salary costs of the Division of Child Support Enforcement.

- *Children’s Advocacy Centers of Virginia.* Provides \$300,000 GF each year to support the increase in caseloads in areas served by Children’s Advocacy Centers.
- *Support for Birmingham Green.* Adds \$250,000 GF each year to support Birmingham Green, which provides residential servicers to a disproportionate number of low-income individuals with mental illness and intellectual disability.
- *Increase Appropriation for Supplemental Nutrition Assistance Program (SNAP) Employment and Training Grant.* Provides \$8.3 million NGF each year for a recent federal grant award to the state for a pilot program. The purpose of this pilot program is to increase the number of SNAP recipients who obtain employment and increase the income of those employed with the ultimate goal of reducing reliance on SNAP benefits.
- *Modify Medicaid Eligibility System.* Provides \$50,000 GF and \$450,000 NGF in FY 2017 for the one-time costs to modify the Medicaid eligibility system in order for all applications, including those with zero-income reported, to be verified through automated income database sources.
- *Fund Child Care Information Technology System Needs.* Adds \$2.8 million NGF each year from the federal Child Care and Development Block Grant for maintenance costs and enhancements to the child care module in the Virginia Case Management System and the Electronic Payment Processing and Information Control (EPPIC) system. The system enhancements, due to changes in state and federal law, are one-time costs of \$1.4 million in each year. The remaining \$1.4 million each year is for maintenance costs of the EPPIC system.
- *Fund Federally Required Background Checks for Previously Exempt Child Care Providers.* Adds \$199,922 NGF the first year and \$184,433 NGF the second year to fund 3 positions and the costs to conduct fingerprint background checks. Federal law requires that child care providers receiving block grant funds must conduct fingerprint background checks. These costs are funded by the fees collected from the background checks. Background checks for some child care providers (such as religious exempt child care centers) were not originally reflected in cost estimates

for the legislation requiring fingerprint background checks. These entities were subsequently determined to be subject to the new federal rules; this funding is intended to implement these additional background checks.

- ***Capture Surplus in Funding from the Auxiliary Grant Program.*** Reduces \$500,000 GF each year for the auxiliary grant program. Fewer individuals are expected to participate in the program. Expenditures in the program have declined an average of 1.3 percent a year over the past three fiscal years.
- ***Reduce Funding for Unemployed Parent Program.*** Reduces funding by \$500,000 GF for the Unemployed Parent Program due to a continuing decline in caseload.
- ***Adjust Temporary Assistance to Needy Families (TANF) Funding to Account for Providing Mandated Benefits.*** Reduces TANF spending by a net of \$10.0 million NGF each year to reflect the spending forecast for TANF income benefits and TANF VIEW child care subsidies. TANF spending for mandated benefits has declined in recent years and is expected to decline by 5.5 percent in FY 2017. TANF allocations for local staff and administrative costs are assumed to be \$6.5 million less each year. These reductions are offset by additional TANF spending allocations in the adopted budget that includes: \$4.8 million NGF each year for Healthy Families; \$2.3 million NGF each year for Community Action Agencies; \$1.0 million NGF each year for the Comprehensive Health Investment Partnership (CHIP) of Virginia; \$1.0 million NGF each year for Boys and Girls Clubs; \$1.0 million NGF each year for the Resource Mothers program; and, \$1.0 million each year for domestic violence grants. TANF funding is also eliminated for two organizations that were funded in FY 2016: Visions for Truth Community Development Organization and Zion Innovative Opportunities Network. Each of these entities received \$25,000 in TANF funding in FY 2016.

The TANF budget reflects an increase of \$2.2 million NGF the first year and \$2.4 million NGF the second year for an increase in the cash benefit payment by 2.5 percent on July 1, 2016. Another \$2.0 million NGF is provided each year to fund additional workforce training for TANF recipients at community colleges. In addition, \$4.8 million NGF is provided to fund payments to TANF recipients with two or more children a monthly TANF child support supplement equal to the amount the Division of Child Support Enforcement collects up to \$200, less the \$100 disregard passed through to such recipient. Also, the TANF budget reflects an increase in transfers to the Child Care and Development Fund of \$5.0 million in FY 2016 and an additional \$2.8 million in each year of the 2016-18 biennium for at-risk child care subsidies.

The impact of all budget actions will leave a \$20.7 million TANF balance at the end of FY 2018. The table at the end of this section provides detail on the TANF budget for the biennium.

Language

- *Facilitated Care Reporting Pilot Project.* Includes language directing the Department of Social Services to work with local departments of social services on a pilot project in the western region of the state to evaluate the available data collected by local departments on facilitated care arrangements. The department shall, based on the findings from the pilot project, determine the most appropriate mechanism for collecting and reporting such data on a statewide basis.
- *Temporary Placement of Kids in Crisis.* Directs the Department of Social Services to work with Patrick Henry Family Services to implement a pilot program that provides short-term custody of minors to families involved with the pilot organization. The purpose of this pilot program is to evaluate a short-term model of temporary custody for families in crisis to help assist families from breaking up and children being moved into the foster care system.
- *Report on Asset Verification Service.* Adds language directing the Department of Social Services to provide a report on the asset verification service on September 1, 2016 and develop a plan to incorporate searchable national real estate records as part of the service as soon as the data are available.
- **Virginia Board for People with Disabilities**
 - *Fund Base Budget to Maintain Current Operations.* Provides \$17,115 GF each year and reduces \$159,534 NGF each year to align the agency’s budget to maintain current services and reflect expected federal support. The agency is primarily supported with federal funds, which have not been increasing. Due to increasing costs, additional state funds are needed to maintain agency activities.
- **Department for the Blind and Vision Impaired**
 - *Provide Funds to Improve Campus Security.* Provides \$200,000 GF the first year for one-time security enhancements to the agency’s campus on Azalea Road in Richmond. The campus includes both the agency’s headquarters and the Virginia Center for the Blind and Vision Impaired. The funding will support improved sidewalks, a notification system to provide alerts, modern building access controls, and more security cameras.

- **Virginia Center for the Blind and Vision Impaired**
 - *Expand Availability of Independent Living Services.* Provides \$200,000 GF a year to support independent living services for 25 vision impaired individuals at the center. The center is primarily supported through federal vocational rehabilitation funding that requires a work outcome for eligibility. This funding would allow individuals not meeting the federal criteria to access services through the center.

TANF Block Grant Funding Adopted FY 2016, FY 2017 and FY 2018

	Ch. 732 (HB 29) as Adopted FY 2016	Ch. 780 (HB 30) as Adopted FY 2017	Ch. 780 (HB 30) as Adopted FY 2018
TANF Resources			
Annual TANF Block Grant Award	\$158,285,172	\$158,285,172	\$158,285,172
Carry-Forward From Prior Fiscal Year	<u>72,735,005</u>	<u>70,522,775</u>	<u>48,129,554</u>
Total TANF Resources Available	\$231,020,177	\$228,807,947	\$206,414,726
TANF Expenditures			
<i>VIP/VIEW Core Benefits and Services</i>			
TANF Income Benefits	\$40,152,840	\$44,083,831	\$49,105,398
VIEW Employment Services	11,612,144	13,612,144	13,612,144
VIEW Child Care Services	12,197,804	12,197,804	12,197,804
TANF Caseload Reserve	<u>1,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Subtotal VIP/VIEW Benefits and Services	\$64,962,788	\$71,893,779	\$76,915,346
<i>Administration</i>			
State Administration	\$3,002,653	\$3,002,653	\$3,002,653
Information Systems	4,052,023	4,052,023	4,052,023
Local Staff and Operations	44,513,536	45,513,536	45,513,536
Eligibility System Maintenance/IT	<u>2,500,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Subtotal Administration	\$54,068,212	\$53,568,212	\$53,568,212
<i>TANF Programming</i>			
Healthy Families/Healthy Start	\$4,285,501	\$9,035,501	\$9,035,501
Community Action Agencies	2,000,000	4,250,000	4,250,000
Visions of Truth	25,000	0	0
CHIP of Virginia (VDH)	1,400,000	2,400,000	2,400,000
Local Domestic Violence Prevention Grants	2,346,792	3,346,792	3,346,792
Zion Innovative Opportunities Network	25,000	0	0
EITC Grants	185,725	185,725	185,725
Boys and Girls Club	0	1,000,000	1,000,000
Resource Mothers (VDH)	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
Subtotal TANF Programming	\$10,268,018	\$21,218,018	\$21,218,018
Total TANF Expenditures	\$129,299,018	\$146,680,009	\$151,701,576
Transfers to other Block Grants			
CCDF for At-Risk Child Care	\$12,872,884	\$15,672,884	\$15,672,884
CCDF for Head Start Wraparound Services	2,500,000	2,500,000	2,500,000
SSBG for Children's Services Act	9,419,998	9,419,998	9,419,998
SSBG for Local Staff Support	<u>6,405,502</u>	<u>6,405,502</u>	<u>6,405,502</u>
Total TANF Transfers	\$31,198,384	\$33,998,384	\$33,998,384
Total TANF Expenditures & Transfers	\$160,497,402	\$180,678,393	\$185,699,960