



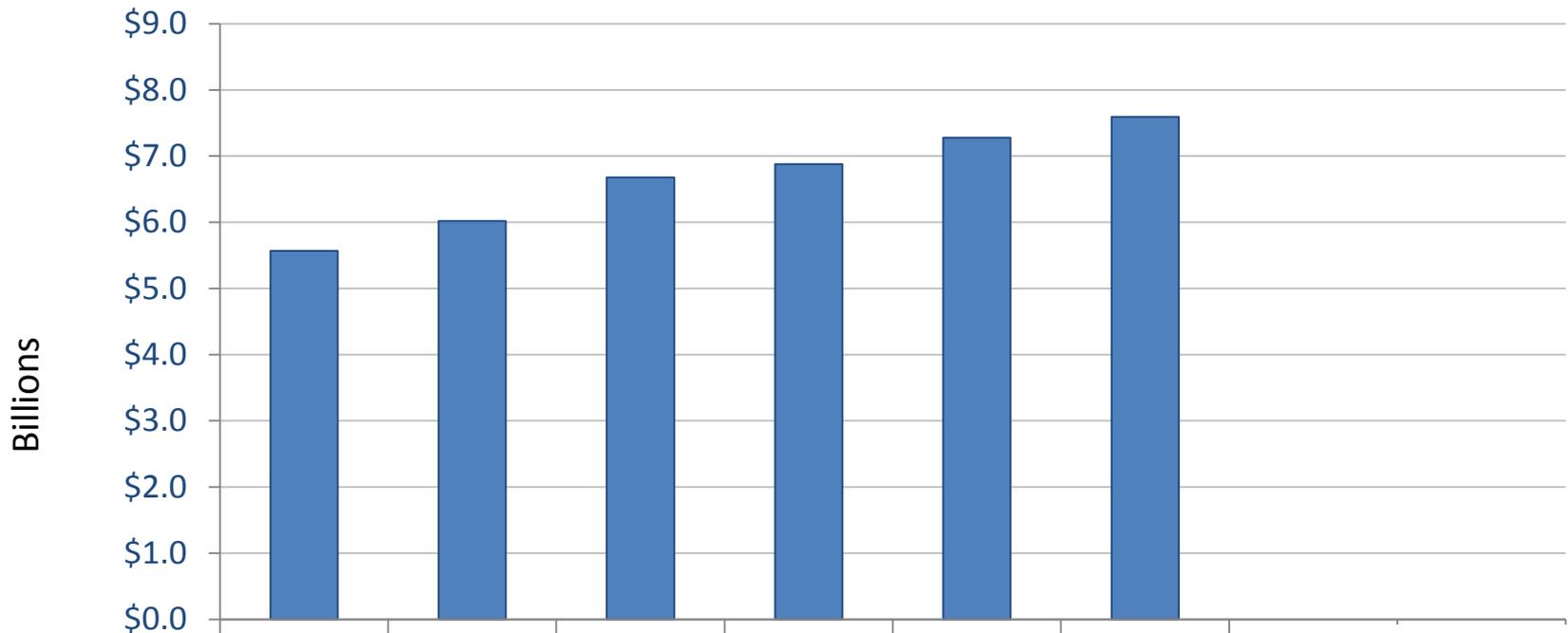
Overview of the Governor's Introduced Budget

Presentation to:

House Appropriations Committee
Subcommittee on Health and Human Resources

Cindi B. Jones, Director
January 20, 2015

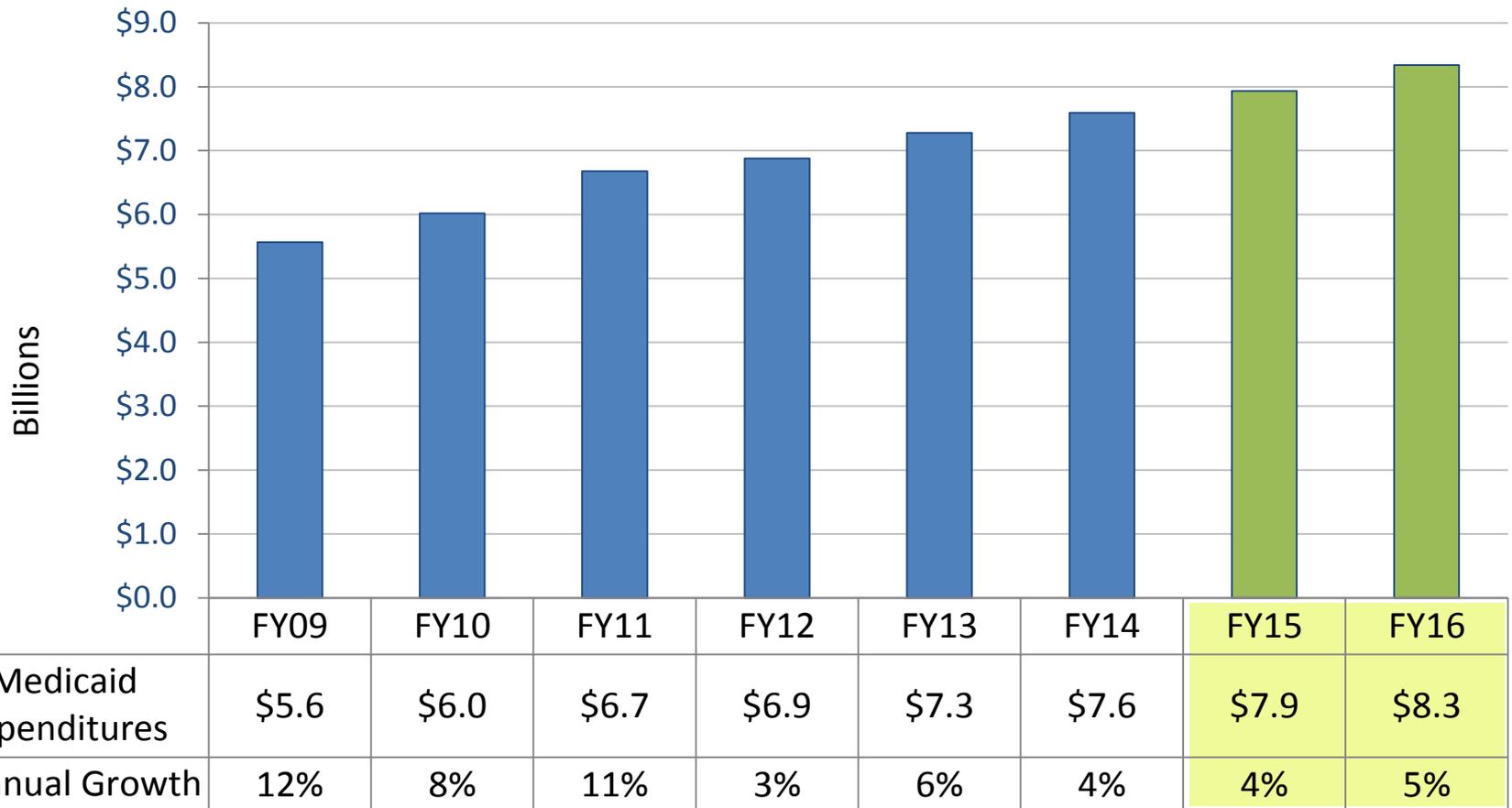
Medicaid Expenditures FY09-FY14



	FY09	FY10	FY11	FY12	FY13	FY14
■ Medicaid Expenditures	\$5.6	\$6.0	\$6.7	\$6.9	\$7.3	\$7.6
Annual Growth	12%	8%	11%	3%	6%	4%

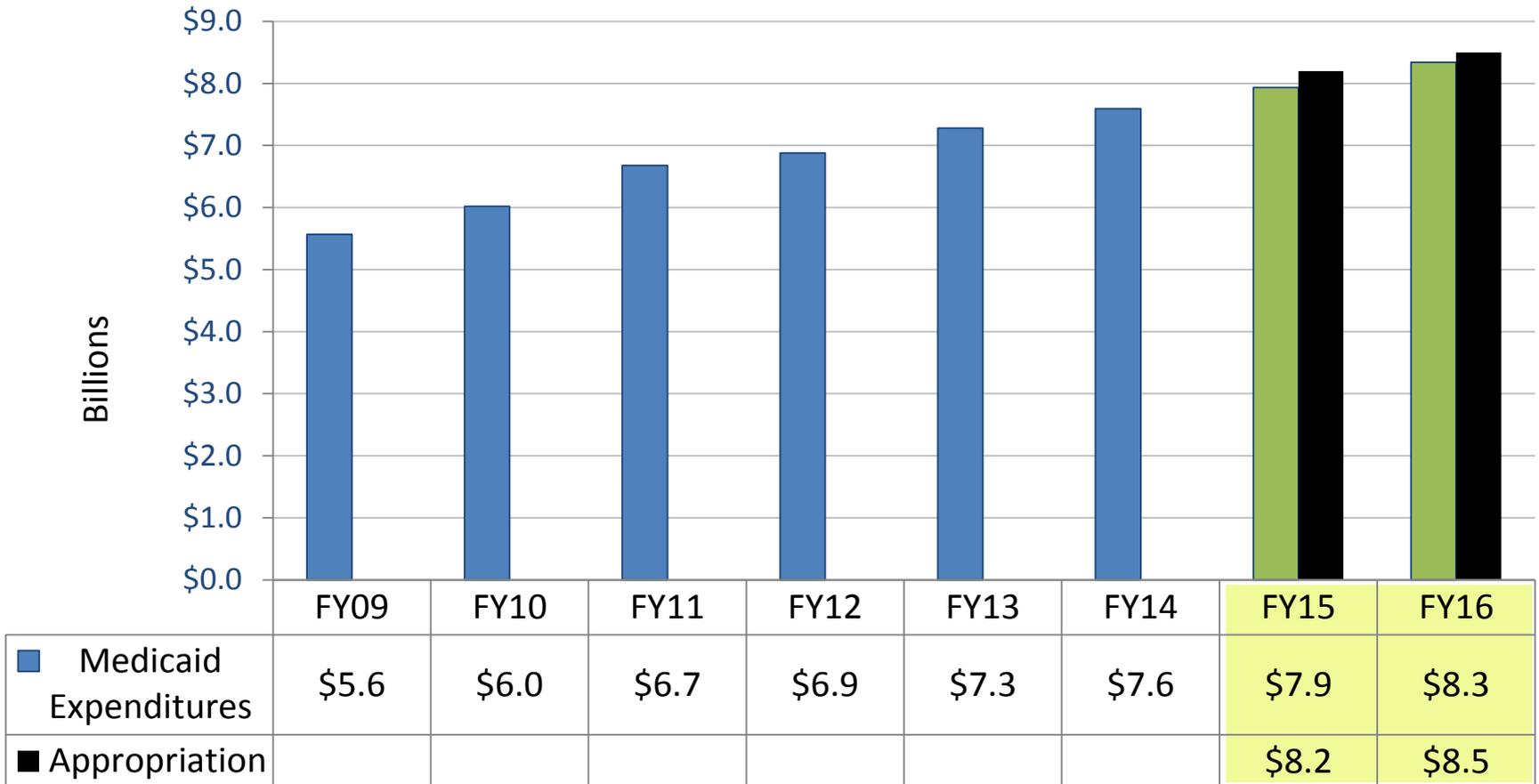
FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Medicaid Expenditures Forecast



FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Medicaid Funding Surplus - \$194M GF



FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Medicaid Forecast Surplus - \$194M GF

		Appropriation (\$millions)	Consensus Forecast (\$millions)	Surplus/(Need) (\$millions)
FY 2015	Total Medicaid	\$8,239	\$7,942	\$296.8
	State Funds	\$4,155	\$4,028	\$127.8
	Federal Funds	\$4,084	\$3,915	\$169.0
FY 2016	Total Medicaid	\$8,510	\$8,360	\$150.1
	State Funds	\$4,334	\$4,267	\$66.5
	Federal Funds	\$4,176	\$4,093	\$83.5
FY15-FY16 Biennium				\$194.4 GF

Figures may not add due to rounding

Reasons for Medicaid Forecast Surplus

- Higher than projected savings from Reform Efforts targeting Behavioral Health services (\$98.5M) GF
- Projected savings from Reform Efforts targeting acute care for Long Term Care recipients (\$ 2.4M) GF
- Lower than expected FY15 MCO rate increases (\$71.0M) GF
- Lower than expected woodwork effect from the Federal Exchange (\$88.0M) GF
- Lower than projected hospital supplemental payments (\$117M) GF

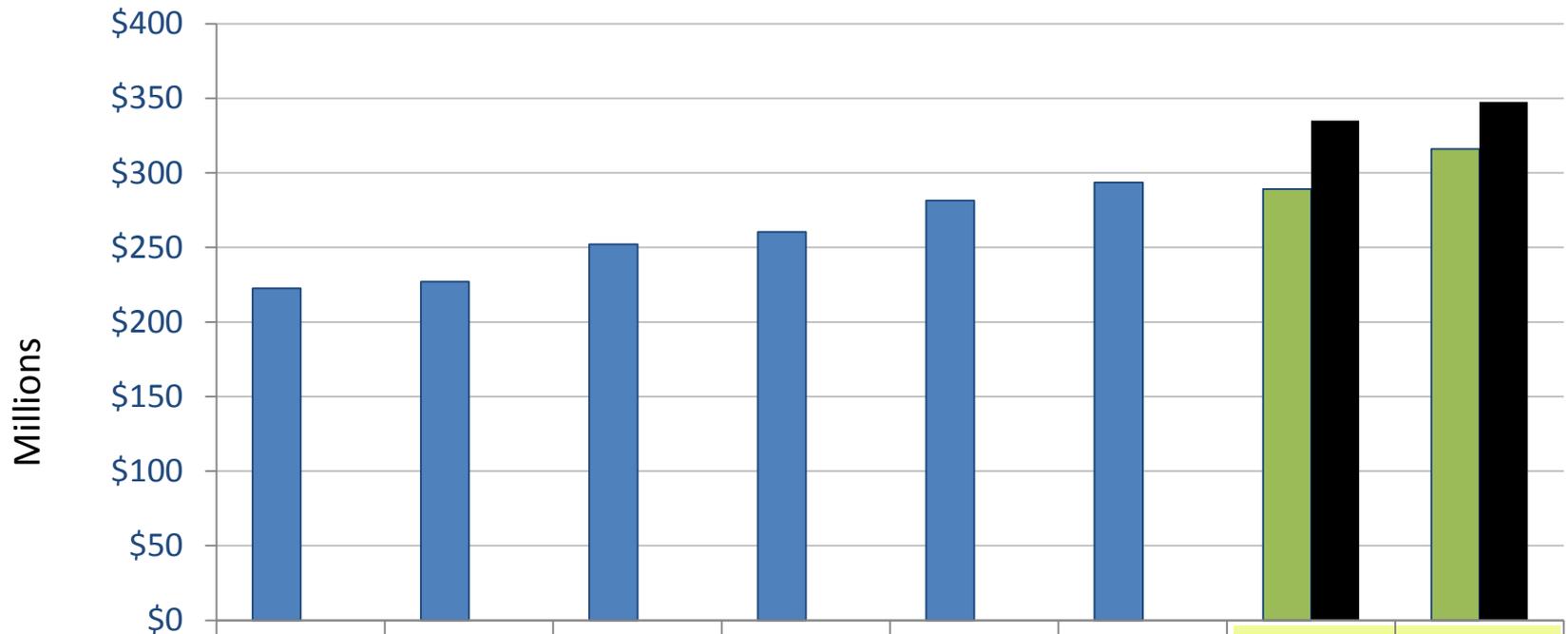
Medicaid Forecast - Offsetting Costs

- Lower than expected savings from Commonwealth Coordinated Care program \$10M GF
- Funding for Healthy Virginia Initiatives \$ 118M GF

	SFY15		SFY16	
	Total Funds	GF	Total Funds	GF
GAP Program	\$27,000,000	\$13,100,000	\$ 157,000,000	\$77,300,000
Medicaid Impact of CHIP Outreach	\$2,900,000	\$1,500,000	\$31,200,000	\$15,700,000
Dental Coverage for Pregnant Women	\$550,000	\$275,000	\$3,200,000	\$1,600,000
Behavioral Health Homes	\$0	\$0	\$17,100,000	\$8,550,000

Figures may not add due to rounding

CHIP/FAMIS Funding Surplus - \$22M GF



■ CHIP Expenditures	\$222.7	\$227.0	\$252.2	\$260.3	\$281.5	\$293.6	\$289.0	\$316.1
■ Appropriation							\$335.0	\$347.6

FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Governor's Budget Amendments

➤ Fund Operational Costs for Call Center/Central Processing Unit

Why this was needed:

- New Eligibility & Enrollment System (VaCMS) implemented October 2013
- From open enrollment in October 2013 until open enrollment in November 2014, local departments of social services (LDSS) had a 43% increase in applications, not including Federally Facilitated Marketplace (FFM) applications
- This resulted in a significant number of applications and renewals not being processed within 45 days and created a backlog of Medicaid applications submitted through the FFM. (Caused a CMS “focused review” of application processing)

Governor's Budget Amendments

➤ Fund Operational Costs for Call Center/Central Processing Unit

Call Center/Central Processing Unit (CPU) Created

- The CoverVA Call Center was created by October 2013
- The CPU was created in August 2014 to relieve the burden on LDSS and to ensure that applications for Medicaid/CHIP are processed within required federal standards (45 days)
- The CPU began by processing 47,000 backlogged FFM applications in 3.5 months. Currently, the CPU is processing all Medicaid/CHIP applications being submitted to the FFM (20,000 to date)

Governor's Budget Amendments

➤ Fund Operational Costs for Call Center/Central Processing Unit

What is next: Continued partnership between DMAS & DSS

- In anticipation of a continued higher volume of applications (FFM and other sources) and to provide increased simplification and automation of eligibility processing:
 - The CPU will have the functionality to process straightforward Medicaid-only applications submitted by phone or online to CoverVA (beginning March 2015)
 - LDSS will continue to process more complex applications for non-MAGI Medicaid (ABD and LTC), for multiple benefits (i.e. food stamps & Medicaid) or where a family member is already known to LDSS
 - CPU application volume will be continuously assessed and the contract will be adjusted accordingly to reflect need

Governor's Budget Amendments

➤ **Limit Overtime Hours for Consumer-Directed Attendants**

- FY 2016 (\$325,702) GF (\$325,702) NGF
- *Item 301.MMMM* in the Governor's budget was included to provide safeguards to the overall fiscal impact and to reduce the Commonwealth's liability if a joint employer relationship was determined.

Background on Fair Labor Standards Act (FLSA):

- The Department of Labor (DOL) released Final Rule (29 CFR, Part 552) that:
 1. Expands FLSA minimum wage and overtime protections to uncovered home care workers/attendants.
 2. Redefines companion services which is exempt from FLSA.
 3. Requires states that administer consumer directed services to determine if they are "third party or joint " employers.

Governor's Budget Amendments

Background (continued):

- Virginia has over 22,000 CD attendants serving over 15,000 individuals through 3 Medicaid home & community based waivers (EDCD, ID, DD):
 - Must be paid overtime for hours worked over 40 each week; and
 - Time spent in travel when working for more than one consumer must be compensated.

INTRODUCED BUDGET: Overtime for Attendants

- The introduced budget includes \$14.4 million GF and \$14.4 million from federal Medicaid matching funds to pay overtime for home care workers and personal care attendants.

MEDICAID FORECAST

- The Medicaid forecast recognized these costs based on Department of Labor's final rule issued in October 2014.

PROPOSED BUDGET

- The proposed budget includes language to limit overtime hours to 56, generating savings of \$325,702 GF and \$325,702 NGF.

UNCERTAINTY

- Last week, a U.S. District Judge for the District of Columbia vacated the DOL's final rule, adding considerable uncertainty about how the Commonwealth should proceed. It is likely to be appealed.

Governor's Budget Amendments:

Provider Assessment:

NNNN.1. After consultation with affected stakeholders and upon receipt of any necessary approval by the Centers for Medicare and Medicaid Services, the Department of Medical Assistance Services may develop a pilot program to implement an assessment of up to 6.0 percent of revenue on hospitals. The department shall determine procedures for collecting the assessment, including penalties for non-compliance. The department shall also have the authority to adjust interim rates to cover new Medicaid costs as a result of this assessment. Provided however that the department shall report to the Chairmen of the House Appropriations and Senate Finance Committees specific details on the pilot program prior to implementation of the pilot.

2. No less than 35 percent of the nongeneral fund proceeds from the assessment shall be transferred to the Virginia Health Care Fund. The remaining nongeneral funds may be used to supplement hospital reimbursements, graduate medical education, and indigent care after completion of a methodology for allocating the proceeds developed by the Secretary of Health and Human Resources.

Provider Assessment

Language allows the Department to develop a pilot program, in consultation with stakeholders, to generate additional federal revenues for hospitals through the imposition of a provider assessment.

The General Assembly approved a provider assessment for ICF/MRs during the 2010 Session.

Additional revenues will be deposited into the Virginia Health Care Fund (35%) and the balance may be used to address issues *to supplement hospital reimbursements, graduate medical education, or indigent care based on a methodology to be developed.*

Governor's Budget Amendments

➤ Fund Upgrade of Agency Financial System

- FY 2015 \$72,500 GF \$72,500 NGF
- FY 2016 \$403,333 GF \$ 403,333 NGF
- Funding provides for an upgrade to a newer and supported version of the Oracle Software including the Oracle Financial System

➤ Fund Increased Costs for Involuntary Mental Commitments

- FY 2015 \$3.1m GF
- FY 2016 \$1.5m GF
- Higher projections primarily due to increase in length of temporary detention orders by an additional 24 hours

Governor's Budget Amendments

- **Add Staffing for Third Party Liability Activities and to Implement New Initiatives**
 - Five positions for TPL Recovery Unit to address increasing number and complexity of cases; Staff costs will be offset by increased TPL recoveries
 - Two positions to oversee implementation of new initiatives
 - Two positions to enhance agency's financial and reporting capabilities

- **Add 19 Positions to be Converted from Contractors**
 - Part of agency's approved FY2015 Savings Plan
 - Staff costs funded from costs of contracts

Governor's Budget Amendments

➤ Fund Redesign of Day Support Waiver

- FY 2016 \$1.2m GF \$1.2m NGF
- Represents first-step in redesign process of home and community based waivers for individuals with intellectual and developmental disabilities. DBHDS is the lead agency.

➤ Adjust Medicaid Funding for Piedmont & Catawba Facilities

- FY 2015 (\$1.0m GF) (\$1.0m NGF)
- FY 2016 (\$4.0m GF) (\$4.0m NGF)
- Reflects a change in enrollment of facilities from hospitals to nursing homes for the purposes of Medicaid reimbursement to comply with federal requirements. DBHDS is the lead agency.

Governor's Budget Amendments

➤ Provide Health Care Coverage to the Uninsured

- Introduced budget does not spend projected savings
- Language is included specifying that savings be deposited into a Special Fund to be used for future Medicaid program and operational costs or to deposit to the Rainy Day Fund
- Projected savings for FY 2016 are (\$105M) GF

Estimated Savings of ACA Medicaid Expansion

	SFY 2016 (\$millions)		
	State Funds	Federal Funds	Total Funds
Costs for Coverage of Newly Eligible Adults to 133% FPL	\$0.0	\$537.5	\$537.5
Costs for Coverage for Additional Eligible but Unenrolled Adults & Children (Woodwork)	\$2.5	\$3.7	\$6.2
Costs for Administrative Activities	\$9.1	\$21.5	\$30.6
Savings from Replacement of Current Public Coverage Programs	(\$3.0)	(\$3.0)	(\$6.0)
Savings from Coverage of Inpatient Hospital Care for Incarcerated Populations	(\$15.2)	\$14.4	(\$0.8)
Savings in State-only Funding of Community Behavioral Health Services	(\$8.5)	\$0.0	(\$8.5)
Savings in Existing Indigent Care Payments	(\$57.2)	(\$57.2)	(\$114.5)
Savings from Replacement of GAP Program	(\$34.6)	(\$34.6)	(\$69.3)
Subtotal	(\$107.0)	\$482.3	\$375.3
Costs for DSS	\$1.9	\$0.0	\$2.9
Estimated Cost (Savings) of an ACA Medicaid Expansion in Virginia	(\$105.1)	\$482.3	\$378.2

SFY 2016