

Health & Human Resources

The Governor's proposed budget for Health and Human Resources agencies contains a net increase of \$274.7 million GF over the adjusted appropriation for current operations. About 90 percent of the funding is required to meet caseload and cost increases, comply with federal and state mandates, and offset nongeneral fund revenue losses. A \$21.4 million long-term care initiative is also included.

Caseload and cost increases account for \$197.2 million of the added funding: \$179.1 million for increased Medicaid utilization and inflation; \$11.0 million for indigent medical care at the Medical College of Virginia; and \$7.1 million for children in foster care. No additional growth is funded in Virginia's child health insurance program, beyond the 31,000 children expected at the end of FY 2000. Any additional children in the 2000-2002 biennium would be placed on waiting lists.

Federal and state mandates account for \$34.0 million of the additional funding. This total includes \$14.5 million to provide services to disabled persons, most of whom may no longer be served under the Medicaid Elderly and Disabled Waiver. Another \$4.0 million is recommended to implement a federally required Electronic Benefits Transfer system for food stamps. Federally required improvements in child adoptions and Medicaid claims processing explain another \$3.1 million of the funding increase. And finally, \$3.0 million GF is proposed to support the treatment of sexually violent predators in mental health facilities. (Another \$621,000 NGF is provided for facility renovation in the corrections department budget.)

To maintain services at current levels, the introduced budget provides \$18.4 million GF to offset nongeneral fund losses: \$11.8 million for mental health facilities and \$6.6 million for child support enforcement.

The \$21.4 million GF long-term care initiative includes: \$16.0 million for increased nursing home reimbursement (plus \$17.2 million in federal Medicaid funds); \$4.1 million for home-based personal care services (plus \$4.4 million in federal Medicaid funds); \$850,000 for community-based programs administered by the Department for the Aging, and \$400,000 in special services for blind elderly persons.

- **Secretary of Health and Human Resources**
 - ***Additional Staff for the Office of the Inspector General.*** Adds \$100,000 GF and \$350,031 NGF over the biennium to establish two new positions in the Office of the Inspector General. The positions would support inspection activities to improve patient care in mental health and mental retardation facilities. The nongeneral

funds would be transferred from special revenues within the Department of Mental Health, Mental Retardation and Substance Abuse Services. The Inspector General position was established in FY 1999 on a pilot basis and is currently supported by one wage position.

- **Department for the Aging**

- **Expand the Caregiver Respite Program.** Provides \$250,000 GF each year to expand a range of community-based and in-home respite services for families caring for frail elderly and disabled persons. The funding would serve 109 additional elderly persons statewide at an average cost of \$2,284 per person.
- **Create Center for Elder Rights.** Adds two positions and \$100,000 NGF in the second year from a federal grant to create an elder rights center. The center will provide legal and consumer assistance to older persons, as well as a toll free elder rights hotline.
- **Conference on Aging.** Provides \$75,000 in the first year to conduct a conference on aging and long-term care issues.
- **Support for Long-term Care Commission and Other Aging Commissions.** Adds \$75,000 each year to establish a commission on long-term care. Also, funds will be used to support other study commissions examining aging and long-term care issues.
- **Special Local Project.** Provides an additional \$62,500 GF each year to the Jewish Family Service of Tidewater for community-based services for the elderly. Total funding for this local project would be \$122,500 GF each year.

- **Department of Health**

- **Automated Public Health Information System.** Adds \$2.8 million GF in FY 2001 for continued development of the automated public health information system -- the Virginia Information Systems Integrated Online Network (VISION). The system integrates 30 separate data systems into one online network and creates a public health information warehouse. Funds will also be used to maintain the system and network. Added language requires the Department to submit quarterly written status reports until the project is completed to the Secretary of Health and Human Resources and the Directors of the Departments of Planning and Budget and Technology Planning.
- **Medical Examiner Positions and Equipment.** Provides \$771,682 GF the first year and \$679,685 GF the second year for additional positions within the Chief Medical Examiner's Office to address

growing caseloads. Funding would support one pathologist and four investigators to aid with death scene investigations, provide pay differentials for investigators in Northern Virginia, and replace outdated equipment.

- **Positions for the Virginia Institute of Forensic Science and Medicine.** Adds \$500,000 GF each year for six positions for the Virginia Institute of Forensic Science and Medicine that was established in 1999 with a \$1.5 million private gift. The Institute is a joint effort of the Chief Medical Examiner's Office and the Division of Forensic Sciences and will provide specialized training for forensic scientists, medical examiners, and crime scene investigators. The Institute is located at the Virginia Biotechnology Research Park.
- **Water Supply Assistance Grant Fund.** Provides \$360,000 NGF each year for Water Supply Assistance Grant Fund, created by the 1999 General Assembly. It was established to allow the State Board of Health to provide grants to localities and waterworks to improve drinking water. The source of nongeneral funds is interest earnings on the state general fund match appropriated for the federal Safe Drinking Water Act.

- **Department of Health Professions**

- **Impaired Practitioner Intervention Program.** Provides an additional \$548,801 NGF in FY 2001 and \$1.3 million NGF in FY 2002 from licensing revenue for an intervention program for impaired physicians, as an alternative to disciplinary action.

- **Department of Medical Assistance Services**

Utilization Changes

- **Utilization and Inflation.** Adds \$179.1 million GF and \$194.8 million in federal funds for increased demand and inflation in medical costs for the Medicaid program. This increase anticipates that Medicaid will grow 3.3 percent in FY 2001 and 4.7 percent in FY 2002.
- **Update Funding and Enrollment for Children's Health Insurance Program.** Adds \$6.4 million in nongeneral funds over the biennium for inflation in medical costs covered under the Children's Medical Security Insurance Plan (CMSIP). The additional funds are a result of a revised estimate of the premium differential, which is deposited into the CMSIP Trust Fund, and federal matching funds for the program. Total funding for CMSIP will provide health benefits to slightly more than 31,000 children

expected to be enrolled in the program by July 1, 2000. Funding does not provide for enrollment growth in the biennium.

The introduced budget eliminates language that defines the CMSIP program beyond *Code of Virginia* provisions, requires regular reports to the General Assembly, and directs the Department to streamline application processing and coordinate outreach. However, language is added to provide coverage for medical nutrition therapy services.

Service Expansion

- ***Indigent Care at MCV Hospitals.*** Increases Medicaid funding for the Medical College of Virginia (MCV) Hospitals for indigent care by \$11 million GF and \$11.0 million NGF in the first year only. Nongeneral funds are provided through federal Medicaid disproportionate share payments due to the large number of indigent patients served by the hospital. Language is also added directing the Department of Planning and Budget, MCV Hospitals Authority, and the University of Virginia Medical Center to study the feasibility of requiring a local contribution to cover a portion of the cost of indigent health care services at the teaching hospitals. The study is to be completed by October 31, 2000.
- ***Waiver Services for Developmentally Disabled Persons.*** Adds \$9.1 million GF and \$9.9 million NGF to implement a new waiver program serving developmentally disabled persons, including those with cerebral palsy, autism, and epilepsy. The Department was directed to implement these services by the 1999 General Assembly. Additional funding is needed to comply with federal requirements for transitioning 250 developmentally disabled individuals from the Medicaid Elderly and Disabled Waiver to a waiver program with more appropriate services. Funding will also allow the program to serve an additional 50 developmentally disabled persons who are on waiting lists for home and community-based services.
- ***Medicaid Coverage of Children's Residential Services.*** Provides \$1.5 million GF and \$1.6 million in federal funds over the biennium for inpatient psychiatric services in residential treatment facilities for Medicaid-eligible children identified through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. These children would not qualify for residential treatment services under the Comprehensive Services Act.
- ***HIV Premium Assistance.*** Adds \$76,000 GF over the biennium to provide insurance payment assistance to HIV-infected individuals, in accordance with §32.1-330.1, *Code of Virginia*. The premium assistance enables HIV-infected individuals to continue their

medical insurance coverage, thereby reducing the need for Medicaid to pay for their health services.

Payment Changes

- ***Nursing Home Payment Increase.*** Increases funding for nursing homes by \$16.0 million GF and \$17.2 million in federal funds over the biennium, to increase the daily reimbursement rate from \$82.60 to \$85.00. In addition, language is added to authorize the Board of Medical Assistance Services to adopt emergency regulations, effective July 1, 2000, to implement a revised nursing home payment system, contingent upon actions taken by the General Assembly.
- ***Personal Care Rate Increase.*** Adds \$4.0 million GF and \$4.4 million in federal funds over the biennium to increase reimbursement for personal care services to elderly and disabled persons. The rate would increase from \$12.50 to \$13.00 per hour in Northern Virginia, and from \$10.50 to \$11.00 per hour in the rest of the state.

Administrative Improvements and Other Actions

- ***Medicaid Match for Persons in State MHMR Facilities.*** Adds \$11.8 million GF and \$12.7 million NGF in FY 2001 to address a shortfall in funding for Medicaid-eligible persons in mental health and mental retardation facilities. In the past, shortfalls in the general fund match for Medicaid clients were funded by excess facility special revenues derived from payments from third party payers. However, special revenues are projected to decline substantially in the biennium, primarily due to the loss of Medicare revenues. Recent federal audit findings have disallowed certain expenditures on facility patients who are Medicare beneficiaries. At the same time, the cost of care for all patients has increased due to increased facility staffing and other care improvements made to comply with federal U.S. Department of Justice settlement agreements for civil rights violations.
- ***Medicaid Claims Processing System.*** Provides an additional \$1.9 million GF and \$17.9 million NGF to cover the cost of developing and operating a new claims processing system for the Medicaid program. The department was in the process of procuring the new claims processing system in FY 1997 when the contract was canceled for non-performance. A new system began development in the 1998-2000 biennium and was to be completed by January 1, 2000. However, implementation was delayed due to other systems priorities related to Year 2000 compliance. Language is included to require the Department to submit quarterly written status reports on the project to the Secretary of Health and Human Resources and

the Directors of the Departments of Planning and Budget and Technology Planning until the system is complete and certified by the federal government.

- **Implement Federal Standards for Claims Processing.** Adds \$879,365 GF and \$7.6 million in federal funds over the biennium to implement requirements of the federal Health Insurance Portability and Accountability Act (HIPAA) of 1996. Federal law requires health insurers to use standard information in their claims processing, and implement a standard electronic data interchange format and web-based information exchange with providers, other payers, and recipients. Enhanced federal funding of 90 percent is provided to assist states in implementing these requirements.
- **Additional Staffing to Meet Service Needs.** Adds \$300,000 GF and \$352,174 NGF to fill nine vacant positions in the agency based on a recent efficiency review conducted by the Department of Planning and Budget.
- **Department of Mental Health, Mental Retardation and Substance Abuse Services**
 - **Transition Mentally Retarded Persons to Alternative Waiver Program.** Adds \$2.7 million GF each year to transition 320 mentally retarded persons currently served through the Medicaid Elderly and Disabled Waiver to the Medicaid Mental Retardation (MR) Waiver. The MR waiver provides an enhanced package of services more appropriate for these individuals. The transition is necessary to comply with federal requirements.
 - **Increase Staffing at Hiram Davis Medical Center.** Provides \$1.3 million GF and \$1.1 million NGF over the biennium to increase nursing staff at the Hiram Davis Medical Center. Planned modifications to patient walls will limit visibility of patients and require additional nursing staff to monitor and care for medically fragile patients. Increased funding will provide 38 additional certified nurse aides and 12 additional registered nurses.
 - **Update Financial Management System.** Adds \$2.4 million GF over the biennium to upgrade the agency's financial management software. The new software would replace the current mainframe system, which was procured in 1984, with a client/server network using current technology. The software will have expanded features to better manage and administer the system's finances, and comply with state and federal reporting requirements.
 - **Treatment of Violent Sexual Predators.** Adds \$3.0 million GF and 15 positions over the biennium to develop a treatment program for violent sexual predators. Funding assumes that offender

assessments would be initiated in the first year, but admissions to the treatment program would not begin until July 1, 2001. Language is added authorizing the Department to contract with private or local entities to house and provide treatment to sexually violent predators. In addition, the proposed budget contains \$621,000 NGF in capital funding through the Department of Corrections to adapt a facility for use in confining sexually violent predators.

- ***Sale of Surplus Land at State Facilities.*** Adds language authorizing the Department to deposit the proceeds of the sale of surplus lands at state-owned mental health and mental retardation facilities into a revolving trust fund, notwithstanding other statutory provisions regarding the disposition of surplus state property. The trust fund may be used for expenses associated with the restructuring of facilities and patient services.

Language is eliminated that prohibits the closure of any state-owned mental health and mental retardation facility without the approval of the General Assembly. Also, language is eliminated that requires General Assembly approval of any sales, transfers, or conveyances of real property to other agencies as well as private parties.

- **Department of Social Services**

- ***Federal and State Mandates***

- ***Foster Care and Adoptions.*** Adds \$7.1 million GF and \$4.9 million NGF in FY 2001 for caseload and rate increases in foster care and adoption subsidies. Foster care caseloads are projected to grow three percent between 2000 and 2001, while adoption caseloads are projected to grow 15 percent during the same year. A 6.5 percent rate increase in FY 2001 is also provided. No additional funding is provided in the second year. Fiscal year 2002 funding remains at the same level, \$51.1 million (total funds), provided in FY 2000 -- \$12 million less than FY 2001.
- ***Federally Required Improvements in Adoptions.*** Adds \$593,791 GF and \$1.9 million NGF the first year and \$613,202 GF and \$1.7 million NGF the second year to increase the number and timeliness of adoptions, as required by the federal Adoption and Safe Family Act. Virginia has one of the lowest rates in the nation for finding permanent homes for hard-to-place children currently in foster care. About 75 percent of the cost of these improvements would be supported by federal funds.
- ***Federal Requirements for Food Stamp Reinvestment.*** Provides \$374,994 GF the first year and \$133,334 GF the second year to

improve food stamp processing. Funding is required as an alternative to federal penalties imposed on Virginia for error rates higher than the national average.

- **Retiree Health Credits for Local Employees.** Provides \$292,059 GF and \$287,182 NGF each year to pay part of the cost of health insurance for local social services retirees covered by the Virginia Retirement System, as required by legislation adopted by the 1999 General Assembly.
- **Replacement of Reduced Revenue for Child Support Enforcement.** Increases general fund appropriations by \$3.4 million the first year and \$3.2 million the second year to offset projected declines in nongeneral fund revenue. With shrinking welfare caseloads and changes in federal laws, Virginia can no longer retain as much in collections for administration of the child support enforcement program.
- **Electronic Benefit Transfer (EBT) System.** Provides \$2.0 million GF and \$485,600 NGF each year to implement a federally mandated EBT system for distribution of food stamps. Federal law requires the system to be fully operational by October 1, 2002. DSS plans to hire a private vendor to design, install, and test the system during the 2000-2002 biennium.
- **Added Staff to Meet Federal and State Requirements.** Provides \$940,415 GF and \$3.0 million NGF to add 34 staff in DSS: 21 positions would license and inspect child and adult care facilities; six regional staff would assist localities in meeting accuracy requirements in eligibility determinations; three staff would provide EBT oversight and assistance; three staff would be added for evaluation and planning; and one position would be added for adoption programs.

Actions Related to the Federal TANF Grant on Welfare Reform

- **Reduction in Welfare (TANF) Caseload.** Reduces appropriations of federal funds by \$13.9 million NGF the first year and \$17.0 million NGF the second year to reflect the projected continuing decline in welfare caseloads. The 33,864 monthly caseload projected at the end of FY 00 is projected to drop to 32,235 in FY 01 and 31,324 in FY 02.
- **Reduction in VIEW Employment Services.** Reduces appropriations of federal funds by \$260,062 NGF the first year and \$1.3 million NGF the second year to reflect slightly less utilization of employment services by a declining number of welfare recipients.

- **Termination of Work Incentive Payments.** Reduces appropriations from the federal TANF grant by \$15 million NGF each year for work incentive payments that will no longer be paid to low-income working families with children. The federal Department of Health and Human Services (HHS) allowed Virginia to make the payments in 1999 as a “reasonable interpretation” of the federal law. However, HHS later ruled that the payments did not comply with its recently adopted regulations, so the program cannot continue as currently administered into the 2000-2002 biennium. Virginia’s work incentive payments started as a tax credit that eliminated state income tax for families with incomes at or below the federal poverty level. HHS also rejected that welfare reform innovation, labeling the tax credit “foregone revenue” rather than an allowable “expenditure” -- despite its \$15 million annual cost.

- **Expenditure of the Federal TANF Grant Balance.** Adds language that allows DSS to spend \$44.5 million NGF the first year and \$49.5 million the second year from the federal TANF grant on welfare reform. As a result, the estimated year-end balance in FY 2001 and FY 2002 is estimated at \$51.0 million and \$33.4 million. Permissible uses of the grant, and upper limits on each use, are listed in the budget bill:
 - ♦ Child day care subsidies (up to \$10.0 million per year);
 - ♦ Services for “hard to serve” welfare recipients, including substance abuse treatment, English as a second language, and GED preparation (up to \$15.0 million per year);
 - ♦ Family preservation, abstinence education, and other prevention programs (up to \$8.0 million per year);
 - ♦ Personal computers and Internet access as a support for education and employment (up to \$10.0 million per year);
 - ♦ Promotion of responsible fatherhood, mentoring for mothers, and other programs under a “Right Choices for Youth” initiative (up to \$2.2 million per year);
 - ♦ Replacement of federal reductions in the Social Services Block Grant (up to \$13.0 million per year);
 - ♦ A youth employment program, “Opportunity Knocks,” (up to \$500,000 per year); and
 - ♦ Employment programs for economically disadvantaged persons (up to \$200,000 per year).

**Proposed Spending for Federal Welfare (TANF) Grant
2002-02 Biennium (\$ in millions)**

	<u>State</u>	<u>Local</u>	<u>TANF</u>
Projected 2000 Year-End TANF Balance			\$ 68.1
MANDATED CORE BENEFITS & SERVICES:			
TANF Benefit Payments	\$ 126.3		67.8
Employment Support Services	41.4		61.3
Day Care for Welfare (State & Local)	34.1	\$ 8.5	
Child Support Pass-Through to Families	6.4		
Misc. Activities Counting as State Match	1.0		
ADMINISTRATIVE ACTIVITIES:			
Local Eligibility/Administration	10.1	10.8	22.9
State Administration	2.8		3.8
Information Systems	2.3		14.6
EXPANDED WELFARE REFORM PROGRAMS:			
Regional Employment Collaboratives			10.0
Foster Care/Adoptions Staff			8.6
Expansion of Transportation Grants			7.0
Training TANF Mothers as Day Care Providers			2.8
Individual Development Accounts	1.1		0.4
Hard-to-Serve (Dept. of Rehabilitative Services)			1.7
Fatherhood & Prevention Initiatives (Health)			2.2
TRANSFERS TO OTHER BLOCK GRANTS:			
<i>Child Care Development Fund</i>			
Direct Day Care Services			26.7
Child Care Licensing/Quality Activities			9.3
Child Day Care Licensing Regrades			0.8
<i>Social Services Block Grant</i>			
Comprehensive Services Act (CSA)			9.5
Special Needs Adoptions			4.0
BUDGET BILL CHANGES:			
Total New Initiatives Authorized in Budget Bill			94.0
EBT, Adoption Awareness, & Misc. Other			3.9
Total	\$ 225.5	\$ 19.3	\$ 351.3
Projected 2002 Year-End TANF Balance			\$ 33.4

Other

- **Base Budget Adjustment for Child Day Care Balances.** Reduces the base budget by \$6.0 million NGF each year for child day care subsidies for low-income families. The 1999 General Assembly added \$6.0 million in unspent balances from the federal child development block grant to the FY 2000 appropriation. These funds will be fully spent in FY 2000, so no balance is expected to continue into the 2000-02 biennium.
- **Federal Share of Legal Services Costs.** Adds \$155,829 NGF each year for the cost of legal services provided by the Office of the Attorney General for work related to federal programs.
- **Governor's Employment and Training Department**
 - **Federally Required Consolidation of Employment Programs.** Eliminates federal Job Training Partnership Act funding of \$96.1 million NGF for the biennium. The new federal Workforce Investment Act would be coordinated by the Virginia Employment Commission. GETD staffing would be reduced by 26 positions the first year and one more the second year. The six remaining positions would be responsible for promoting and evaluating workforce preparation programs within the Health and Human Resources Secretariat.
 - **Substitution of Federal TANF funds for State GF.** Provides \$639,200 each year in federal TANF funds instead of general fund appropriations for two employment programs for economically disadvantaged youth and adults.
- **Virginia Department for the Visually Handicapped**
 - **Rehabilitation Teachers for the Blind.** Adds three positions and \$200,000 GF each year to provide rehabilitation specialists for an increasing number of blind elderly persons.
 - **Braille Textbook Program.** Adds \$93,800 GF the first year and \$104,552 GF the second year to provide Braille textbooks for blind children.
 - **Adaptive Technology Specialist.** Adds one position in the Norfolk region to assist blind persons in adapting to their disability. Funding already provided within the agency budget would support the position.