

## Health and Human Resources

The Governor's recommended amendments for Health and Human Resources agencies result in a net increase of \$140.0 million GF for the biennium when compared to the original appropriation. This total reflects new spending of \$226.8 million, offset by reductions of \$86.8 million. About 85 percent of the increase is required to meet federal and state mandates in health care for the poor (Medicaid: \$109.3 million) and services for emotionally and behaviorally disturbed youth (Comprehensive Services Act: \$61.1 million), and to provide \$23.6 million to the VCU Health Systems Authority for indigent health care.

Proposed budget reductions include additional management savings of \$56.8 million proposed in the introduced budget and \$30.0 million from the Central Appropriations productivity savings adopted by the General Assembly last session.

Recommended Medicaid spending increases of \$132.9 million include:

- \$60.9 million GF to meet rising costs, primarily in prescription drugs and nursing home care;
- \$35.7 million GF to meet emergency needs in the Mental Retardation Waiver program;
- \$12.7 million GF to meet the projected need in state facilities for the mentally disabled; and
- \$23.6 million GF to match federal funds for indigent care at the Medical College of Virginia (with required repayment of the general fund by the end of FY 2002).

Proposed Medicaid spending reductions of \$41.9 million include:

- \$16.1 million GF reduction for the new health insurance program for poor children, based on a downward revision by DMAS of projected enrollment from 57,000 children to 34,000 children this fiscal year and a downward revision from 63,200 children to 40,000 children next year.
- \$5.2 million GF reduction in funds provided by the 2000 General Assembly to expand eligibility for poor elderly and disabled -- primarily to improve access to prescription drugs; and
- \$5.1 million GF reduction in funds provided by the 2000 General Assembly to expand coverage of substance abuse treatment for poor children and adults.

Proposed additional funding of \$61.1 million for the Comprehensive Services Act for At-Risk Youth would cover a 9.2 percent increase in costs this fiscal year and a 1.9 percent increase in FY 2002. Four new positions are proposed, along with \$271,636 GF, to establish a team in the Department of Social Services that would assist localities in managing CSA expenditures. This team, along with proposed budget language to strengthen state oversight of the program, is projected to curtail program costs that have averaged 10 percent in recent years.

Proposed funding of \$19.3 million GF for the Department of Social Services is required to meet state and federal requirements for foster care and adoptions (\$11.7 million), improve food stamp administration (\$3.6 million), develop an electronic benefit transfer system (\$2.1 million), and cover a shortfall in child support enforcement revenue (\$1.9 million).

The Social Services funding increase is partially offset by budget savings of \$13.0 million, part of which would be achieved by substituting \$10.0 million from the federal welfare reform fund balance (TANF) for state GF in a number of local programs. In total, DSS expects to spend almost \$400 million in TANF funds during the current biennium -- the federal grant of \$158.3 million each year plus the FY 2000 balance of \$79.2 million.

Proposed funding additions in the Department of Mental Health, Mental Retardation, and Substance Abuse Services include \$4.8 million GF, primarily for diversion or discharge of patients at the Southern Virginia Mental Health Institute, to enable closure of the facility at the end of FY 2002.

Proposed reductions for DMHMRSAS total \$17.4 million GF to include elimination of the \$2.0 million increase provided by the General Assembly last year for special medications for the mentally ill; about \$2.0 million in turnover and vacancy savings in state facilities; and \$7.8 million in unspecified cuts.

- **Comprehensive Services Act (CSA) for At-Risk Youth and Families**
  - **Medicaid Revenue and Budget Shortfall.** Adds \$17.0 million GF the first year and \$44.1 million GF the second year to meet a shortfall in funding for children's services. The proposed increase would fund expenditure growth of 9.2 percent the first year and 1.9 percent the second year. Establishment of an assistance team for localities and budget provisions to strengthen state oversight are projected to hold program growth below the 10 percent average that has been experienced in recent years.
  - **CSA Local Assistance and Review Team.** Adds \$271,636 and four positions the second year in the Department of Social Services to establish a team that would help localities control their CSA costs.

- **Language Amendments to Strengthen State Oversight.** Adds three language amendments that would strengthen state oversight and control of the program.

The Commissioner of Social Services is directed to review all foster care prevention cases that exceed six months in the CSA program. Further, the Commissioner is given authority to approve 90-day extensions where necessary, and localities are required to establish procedures for collecting parental co-payments for these cases.

The State CSA Executive Council is required to deny funding to any locality that does not implement utilization management provisions of the act.

The State CSA Executive Council is required to develop procedures for review of program compliance in any locality that has annual spending increases of more than 15 percent.

- **TANF for GF in CSA Trust Fund Programs.** Supplants \$1.1 million GF with federal TANF (welfare reform) funds for local programs designed to reduce or prevent child abuse or other problems that require CSA services for children.

- **Department of Health**

- **Continue Funding of the Public Health Information System.** Includes almost \$3.0 million in FY 2002 for continued support of the information management wide-area network. Funding would be used to pay for ongoing operating expenses of the network, such as contractual costs for communication lines, network routers, software licenses, and quality assurance and configuration management staff. In addition, funding would be used to purchase or lease equipment to develop web-based applications for public health data sharing.

- **Statewide Emergency Medical Services.** Adds \$1.0 million GF in the second year for statewide emergency medical services from VASAP balances that are transferred to the general fund. Funding can be used for personnel training, certification and pre-hospital patient care improvements.

**Proposed Reductions**

- **Substitution of TANF Funds for GF in Local Programs.** Reduces general fund support by \$4.5 million over the biennium and substitutes federal TANF funds for three prevention programs for low-income children and families:

\$2.7 million for the Comprehensive Health Investment Project (CHIP);

\$1.4 million for teenage pregnancy prevention programs; and

\$400,000 for the Virginia Fatherhood Campaign.

- **Transportation Rate Increase for Autopsies.** Eliminates \$128,000 GF in the second year, which would have increased rates to transport human remains for autopsies. The base rate would have increased from \$50 plus mileage to \$100 plus mileage.
  - **Other Reductions.** Proposes almost \$2.0 million GF productivity savings and \$3.5 million GF across-the-board cuts for the Health Department. Productivity savings will occur from staffing turnover and vacancies in local health departments, technology enhancements, and assumed savings from deregulation of the Certificate of Public Need program.
- **Department of Medical Assistance Services (DMAS)**

- **Utilization and Inflation.** Adds \$50.4 million GF and \$55.7 million NGF in FY 2001 and \$46.1 million GF and \$36.5 million NGF in FY 2002 for increased Medicaid service demand and inflation in medical costs. Projected cost increases are primarily for pharmaceuticals, reimbursement of long term care facility costs, and a decrease in the federal financial participation rate from 51.85 percent to 51.45 percent in the second year. Also, the Medicaid expenditure forecast includes \$35.7 million GF for growth in emergency community mental retardation waiver services. These services provide a more cost-effective community alternative to individuals who would otherwise receive institutional care in a state training center.

The Medicaid forecast assumes program growth of 10.5 percent in FY 2001 and 3.4 percent in FY 2002. The proposed funding increase will fully cover projected growth in FY 2001 and will cover 75 percent of expected growth in FY 2002.

- **Indigent Care Payments to Teaching Hospitals.** Increases Medicaid funding in the second year for indigent care at the Virginia Commonwealth University Health System Authority (VCUHSA) by \$23.6 million GF and \$25.1 million NGF. Nongeneral funds are provided through federal Medicaid disproportionate share payments that relate to the large number of indigent patients served by the health system. The proposal also adds language requiring the VCUHSA to pay the Commonwealth

\$23.6 million by the end of FY 2002, in recognition of the state's ongoing financial support of the health system.

- **Medicaid Match for Persons in State MHMR Facilities.** Adds \$12.7 million GF and \$13.5 million in federal Medicaid funds in the second year to address a shortfall in funding for Medicaid-eligible persons in mental health and mental retardation facilities. The shortfall is 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.** Adds \$288,308 GF and \$2.2 million NGF in FY 2001 and \$764,233 GF and \$6.9 million NGF in FY 2002 for the cost of developing and operating a new Medicaid claims processing system. 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, but implementation was delayed due to other systems priorities related to Year 2000 compliance. The system is now expected to be operational in FY 2002.

Additional funding will cover unanticipated development costs, additional project oversight, and contract costs for the system's evaluation and federal certification, and other needed enhancements that are not included in the current contract. Federal certification of the system is necessary to obtain enhanced federal reimbursement for 75 percent of the system's development costs. Budget language allows the department to obtain a treasury loan to complete the system and required certification activities, if implementation of the new system is delayed and the department does not receive the enhanced federal matching funds in FY 2002.

- **Additional Staffing and Contractual Costs to Meet Service Needs.** Includes \$2.0 million GF and \$2.8 million NGF and 5.0 FTE positions over the biennium to meet additional staffing needs and increased costs associated with contractual services.
- **Transfer funding from DMHMRSAS for Mental Retardation Consumers.** Transfers \$2.7 million GF in FY 2002 from the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) as the state match for Medicaid-covered mental retardation waiver services for 320 individuals who were previously receiving services through the elderly and disabled waiver. In addition, the introduced budget appropriates \$2.8 million NGF in matching federal Medicaid funds for the services.

The 2000 General Assembly directed the transfer of community mental health and mental retardation funding from the DMHMRSAS to DMAS to facilitate the forecasting and funding of Medicaid-reimbursed services.

- **Continue Intensive Assisted Living Payments.** Adds \$848,646 GF in FY 2001 and \$819,043 GF in FY 2002 to continue personal assistance services for individuals in assisted living facilities. These services allow 600 individuals to remain in assisted living facilities rather than more costly nursing homes.

Virginia provided intensive assisted living payments through the Medicaid program under a waiver from the federal Health Care Financing Administration until March 17, 2000. The federal government did not renew Virginia's waiver, which resulted in the loss of federal Medicaid funds for the program. The proposed funding supplement would allow the department to continue making these payments for intensive assisted living services through state-only financing. Language is added to limit payments to those individuals who currently are receiving services.

#### **Proposed Reductions**

- **Reduce Funding and Enrollment Projections for Children's Health Insurance Program.** Decreases funding by \$16.1 million GF and \$21.3 million NGF over the biennium for the Children's Medical Security Insurance Plan (CMSIP) -- reconstituted as the Family Access to Medical Insurance Security Plan (FAMIS), an employer-based plan enacted by the 2000 General Assembly. The targeted reduction is based on more current enrollment and expenditure projections through January 2002. The introduced budget caps program enrollment at 40,000 children beginning in February 2002.
- **Eliminate Expanded Eligibility for Elderly and Disabled.** Eliminates \$5.2 million GF and \$5.6 million in federal funds the second year which had been provided to increase the Medicaid eligibility threshold from about 74 percent to 80 percent of the federal poverty level for elderly and disabled persons. Medicaid benefits would have been extended to about 5,400 additional elderly and disabled persons.
- **Eliminate Medicaid Coverage of Substance Abuse Treatment.** Eliminates funding of \$5.1 million GF and \$5.4 million in federal funds the second year which had been provided for Medicaid coverage of substance abuse treatment. An estimated 16,000 low-income children and adults would have qualified for this benefit.
- **Other Reductions.** Includes additional reductions of \$15.5 million GF from productivity savings and across-the-board cuts.

Productivity savings total \$14.3 million GF over the biennium and include cost containment strategies such as transportation contracts; utilization review of community-based services; increased use of technology in lieu of a personal attendant for elderly and disabled receiving personal assistance services; and limiting prescription drug payments to a one-month supply. Cross-the-board reductions total \$1.2 million GF for the biennium.

- **Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS)**

- ***Transfer funding to Medicaid for Mental Retardation Consumers.*** Transfers \$2.7 million GF in FY 2002 to DMAS as the state match for Medicaid-covered mental retardation waiver services for 320 individuals who previously were receiving services through the elderly and disabled waiver. The 2000 General Assembly directed this transfer to facilitate the forecasting and funding of Medicaid-reimbursed services.
- ***Community Services for Mentally Ill Persons Discharged from Southern Virginia Mental Health Institute.*** Adds \$2.1 million GF in FY 2002 for community-based services for approximately 45 mentally ill persons who will be discharged from Southern Virginia Mental Health Institute (SVMHI). Discharge of these mentally ill individuals will enable the department to close SVMHI in FY 2002, as part of the Governor's mental health restructuring strategy.
- ***Acute Care Services for SVMHI Patients Diverted to Community Hospitals.*** Provides \$2.4 million GF in FY 2002 to provide short-term inpatient psychiatric treatment at private community hospitals for mentally ill individuals who are diverted from Southern Virginia Mental Health Institute. These diversions will enable the department to close SVMHI in FY 2002, as part of the Governor's mental health restructuring strategy.
- ***Delay Treatment of Violent Sexual Predators.*** Includes language to delay the implementation of the Sexually Violent Predators Treatment Program from July 1, 2001, until January 1, 2003, due to the increased time needed to establish a secure facility for the program. Language also allows for the confinement and treatment of individuals involuntarily committed as sexually violent predators in a facility operated by DMHMRSAS with security provided by the Department of Corrections. In addition, the proposed budget contains \$5.0 million in capital funding from Virginia Public Building Authority bond proceeds through the Department of Corrections to adapt a facility for use. The facility will be located on the Western State Hospital campus in Staunton.

### **Proposed Reductions**

- **New Medications.** Reduces funding by \$2.0 million GF over the biennium for purchase of new medications used in the treatment of the mentally ill based on a revised estimate of utilization. These medications help stabilize persons at-risk of institutionalization, and enable treatment of mentally ill persons in community settings.
- **Other Reductions.** Includes additional reductions of \$15.3 million GF from productivity savings and across-the-board cuts. Productivity savings total \$7.5 million over the biennium, while across-the-board reductions total \$7.8 million over the biennium. Productivity savings include increased revenue from medication billings, reorganizing the aftercare pharmacy at Hiram Davis Medical Center, census reduction at Central State Hospital, and staffing turnover and vacancies in state facilities.
- **Department of Social Services**
  - **Foster Care and Adoptions.** Adds \$2.1 million GF and \$4.4 million in federal funds the first year and \$9.6 million GF and \$10.2 million in federal funds the second year to meet federal and state mandates for children requiring foster care and adoptions subsidies. A payment increase of 3.3 percent for foster parents also would be provided on July 1, 2001.
  - **Food Stamp Administration Improvements.** Provides \$2.2 million GF the first year and \$1.4 million GF the second year to improve local administration of the food stamp program. Federal penalties were imposed on Virginia for error rates higher than the national average. Penalties may be reinvested in program improvements.
  - **Electronic Benefits Transfer (EBT) System.** Decreases funding in the first year by \$1.6 million and adds \$3.7 million GF the second year for an EBT system that is required by federal law to be operational by the end of the biennium. Funding is shifted based on the DSS vendor contract schedule.
  - **Shortfall in Child Support Enforcement (CSE) Revenue.** Adds \$1.9 million GF the second year to fund a projected shortfall in federal revenue for CSE. Declines in TANF caseloads and changes in federal law are reducing the amount of federal revenue that can be retained for administration of the program.

### **Proposed Reductions**

- **Freeze Payment Rates to Adult Care Residences (ACRs).** Substitutes federal funds for \$1.8 million GF the first year and \$1.9 million GF the second year. Federal Social Security increases



granted each January generally are passed on to ACRs as an increase in auxiliary grant payments. Instead of providing this increase January 1, 2001, the introduced budget substitutes the federal funds for state funds as part of management savings. The 2000 General Assembly increased rates from \$785 to \$815 per month, effective November 1, 2000.

- **Reduced Forecast of General Relief.** Reduces General Relief appropriations for local poverty programs by \$301,140 GF each year, as part of productivity savings. The revised annual appropriation for the program would be \$4.7 million.
- **Other Reductions.** Proposes an additional reduction of \$4.1 million GF to reflect less use of contract services, more use of technology, and cuts in some central office staffing costs.

#### ***Actions Affecting the Federal TANF Grant***

- **TANF Caseload Decline.** Reduces appropriations of federal TANF funds by \$2.6 million the first year and \$6.7 million the second year, based on an updated forecast of caseload. In November 2000, the Department of Planning and Budget projected average monthly recipients to decline from about 76,000 in FY 2000 to 64,000 in FY 2001, and to 54,000 in FY 2002.
- **Substitution of TANF Funds for GF in Local Programs.** Proposes to save \$10.0 million GF by substituting federal TANF funds for a number of local programs that are intended to reduce child abuse and improve family well-being:
  - \$3.5 million for the Healthy Families program;
  - \$2.7 million for the Comprehensive Health Investment Project (CHIP);
  - \$1.4 million for teenage pregnancy prevention programs;
  - \$1.1 million for CSA Trust Fund grants to localities; and
  - \$1.3 million for five other smaller programs, such as domestic violence prevention and fatherhood development.
- **TANF Grant Balance.** Projects that no balance will remain in the TANF grant after June 30, 2002. The Department of Social Services expects to fully spend the annual grant of \$158.3 million in each year of the biennium, plus the FY 2000 balance of \$79.2 million.

- **Governor's Employment and Training Department (GETD)**
  - ***New Federal Job Training Program.*** Eliminates all funding and positions for the GETD -- a decrease of \$500 GF, \$5.8 million NGF, and 6.0 FTE positions. Federal law ended the former Job Training Partnership Act and initiated the Workforce Investment Act (WIA). The Virginia Employment Commission is administering the WIA.