



Report of the Subcommittee on
Health and Human Resources

(Senate Bills 29 and 30,
as Introduced)

Senate Finance Committee
Virginia General Assembly

February 17, 2002

REPORT OF THE SUBCOMMITTEE ON HEALTH AND HUMAN RESOURCES

Mr. Chairman and Members of the Committee:

Despite more than \$600 million in projected revenue losses since the budget was introduced, we are pleased to report that we have avoided further cuts in services to our most vulnerable citizens. In fact, the Health and Human Resources Subcommittee recommends restoration of \$56 million in proposed cuts. We also examined options for other savings, notably cost containment in the Medicaid program. We recommend a total of \$32 million in additional targeted savings.

The subcommittee's top priority was restoration of services in two areas that otherwise would have suffered deep cuts: care for at-risk youth and families and care for mentally disabled persons.

At-Risk Youth and Families

- ***Comprehensive Services Act.*** Localities currently pay an average of 38 percent of the cost to serve at-risk youth under CSA -- a rate that varies by each locality based on ability-to-pay measures. Budget proposals would have increased the local share to 50 percent for all localities, for a portion or all of CSA costs. We recommend restoration of \$27 million to retain the average local match at 38 percent. Our concern runs deeper than honoring our current cost-sharing commitment to localities. We were also concerned that cuts in state reimbursement might force localities to cut services to eligible children.
- ***Health Insurance for Poor Children.*** The introduced 2002-04 budget cut \$1.7 million from our new health insurance program for poor children, based on revised enrollment projections. We concur with the new Governor that Virginia should make every effort to enroll eligible children in this program. We recommend an additional \$2.2 million in state funds and \$4.4 million in federal funds for this purpose. We also recommend a few eligibility changes to improve access to care.
- ***Innovative Local Programs.*** We recommend restoration of \$2.4 million for innovative local programs designed to prevent child abuse in high risk families (Healthy Families), and for other programs that provide health monitoring for at-risk infants and children (Comprehensive Health

Investment Project, CHIP). We also recommend restoration of state funds and additional federal funds for prevention of domestic violence.

Mentally Disabled Persons

- ***Institutional Care.*** Virginia has made significant strides in improving care for mentally disabled persons in our state institutions. We do not want to lose ground in this regard. The subcommittee recommends restoration of a portion (\$6 million) of the proposed cuts. However, it is our hope that we can continue to build effective community systems of care and continue our progress in gradually reducing our use and costs of state facilities.
- ***Community-Based Care.*** Our goal to build a strong system of community-based care remains a priority of this subcommittee. Proposed budget reductions could have limited services to 10,000 individuals. We recommend restoration of 75 percent (\$19 million) of the proposed cuts, with the expectation that the 40 community services boards can find additional administrative efficiencies. We recommend two sources of funding for these restorations: additional federal Medicaid reimbursement for case management services and restoration of some state funding.
- ***Substance Abuse Treatment.*** Two years ago, the General Assembly approved expansion of Medicaid coverage for substance abuse treatment services – estimated to reach 16,000 children and adults. That requirement has never been implemented, and the introduced budget proposed to eliminate funding for this purpose. We recommend restoration of funding so that Medicaid reimbursement can begin January 1, 2004.

Medicaid Cost Containment

- ***Additional Savings.*** The introduced budget proposed targeted savings of \$35 million by reducing reimbursement to hospitals and pharmacies. The new Secretary of Health and Human Resources has been working with service providers to develop broader strategies for cost containment. The subcommittee concurs with this approach and recommends expansion of cost containment to include hospitals, HMOs, nursing homes, pharmacies, and pharmaceuticals. Our recommendations would produce \$17 million more in savings than proposed in the introduced budget.

Conclusion

In summary, we believe the Committee should maintain its commitment to serve our most vulnerable citizens, even in the face of proposed budget cuts. Our recommendations preserve this commitment.

Respectfully submitted,

Chairman, William C. Wampler, Jr.

Benjamin J. Lambert III

Kevin G. Miller

R. Edward Houck

Janet D. Howell

Kenneth W. Stolle

Thomas K. Norment, Jr.

HHR: Restoration of Budget Cuts (GF)

At-Risk Children & Families	<u>FY 03</u>	<u>FY 04</u>
CSA-Restore Program to Original State & Local Match	\$ 12,193,715	\$ 14,727,553
DMAS-Restore Funds for Added Enrollment, Child Health	1,049,850	1,157,062
DSS-Restore 25% of GF Healthy Families/Healthy Start	737,450	737,450
DSS-Fully Restore Hampton Healthy Start	150,000	150,000
DSS-Fully Restore Domestic Violence Services	250,000	250,000
VDH-Restore 25% GF for Child Health Investment, CHIP	250,000	250,000
Subtotal	<u>\$ 14,631,015</u>	<u>\$ 17,272,065</u>
 Services for Mentally Disabled		
MHMR-Restore 75% of Community Services (CSB) Cut		
General Fund	\$ 2,865,138	\$ 4,173,820
<i>NGF Revenue-Increase Medicaid Case Mgmt. Fee to \$260</i>	<i>6,102,092</i>	<i>6,074,443</i>
MHMR-Restore 75% of Cut to MR Facilities	961,235	1,098,554
MHMR-Restore 50% of Cut to MH Facilities	1,699,870	1,942,708
DMAS-Restore Medicaid, Substance Abuse Treatment (Jan 04)		2,528,126
DSS-Restore GF for Dementia Training	90,000	90,000
Subtotal	<u>\$ 5,616,243</u>	<u>\$ 9,833,208</u>
 Other		
VDH-Emergency Medical Services (Preparedness)	\$ 3,200,000	\$ 3,200,000
VDH-Regional Epidemiologists (Preparedness)	1,000,000	1,400,000
Aging-Web Access to Senior Services	250,000	-
Subtotal	<u>\$ 4,450,000</u>	<u>\$ 4,600,000</u>
TOTAL	<u>\$ 24,697,258</u>	<u>\$ 31,705,273</u>
Biennium		\$ 56,402,531

HHR: Targeted Savings (GF)

Medicaid Cost Containment	<u>FY 03</u>	<u>FY 04</u>
Restore/Redistribute Hospital & Pharmacy Cuts	\$ 17,190,000	\$ 18,190,000
Reduced Payments to Hospitals	(4,400,000)	(4,565,000)
Reduced Payments to HMOs	(3,600,000)	(3,735,000)
Cut Pharmacy from AWP-9% to AWP-10.5%	(4,567,500)	(5,017,500)
Improve Use of Generic Drugs & Prospective DUR	(4,321,880)	(4,321,880)
Best Pricing of Anti-Hemophilia Factor	(1,181,760)	(1,181,760)
Third-Party Payment for Drugs	(1,575,680)	(1,575,680)
Nursing Homes-Delay Rebase to Jan 04 (but allow inflation)	(8,300,000)	(4,300,000)
Subtotal	<u>\$ (10,756,820)</u>	<u>\$ (6,506,820)</u>
Other		
VDH-Up Vital Records Fee \$8 to \$10 (savings added to AtB)	\$ (200,000)	\$ (200,000)
VDH-Up Fees by \$25 for Well and Septic	(345,000)	(345,000)
VDH-Restaurant \$35 Annual Permit Renewal Fee	(378,000)	(378,000)
DMAS-NGF for Indigent Care, UVA & MCV		(8,675,000)
MHMRSAS-Delay Separate Sexual Predator Program		(954,208)
MHMRSAS-Reduce Performance & Outcome Measures	(1,729,610)	(1,729,610)
Subtotal	<u>\$ (2,652,610)</u>	<u>\$ (12,281,818)</u>
TOTAL	<u><u>\$ (13,409,430)</u></u>	<u><u>\$ (18,788,638)</u></u>
Biennium		\$ (32,198,068)

Federal TANF Grant

Introduced Budget: 6/30/04 Balance Balance
\$0

Reduce Spending (Additions to Balance)

<u>Subcommittee Recommendations</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	
Unused Targeted Jobs Grants	(50,000)	(50,000)	(50,000)	150,000
Underused Hard-to-Serve Grants	(10,000,000)	(3,500,000)	(3,500,000)	17,000,000
Gradual Start of Housing Continuum	(4,645,740)	(1,250,000)	(500,000)	6,395,740
Va. Fatherhood Campaign		(100,000)	(100,000)	200,000
Abstinence Program		(111,000)	(211,000)	322,000
Right Choices for Youth		(730,000)	(830,000)	1,560,000
Local VIEW Supplements		(1,000,000)	(1,000,000)	2,000,000
Underused Individual Dev. Accounts		(200,000)	(200,000)	400,000
Welfare to Work Match		(500,000)	(500,000)	1,000,000
Unspecified (to balance with DSS Plan)		(332,569)	(332,570)	665,139
<i>Subtotal-Additions to Balance</i>				29,692,879

Restore or Increase Spending (Subtractions from Balance)

<u>Subcommittee Recommendations</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	
TANF Caseload Growth	3,000,000	3,000,000		(6,000,000)
Community Action, Offset GF Cuts		397,296	450,120	(847,416)
Training Mothers as Daycare Providers		400,000	400,000	(800,000)
Greater Richmond Transit Company		200,000	200,000	(400,000)
Centers for Employment Training		750,000	750,000	(1,500,000)
United Community Ministries		50,000	50,000	(100,000)
Fredericksburg Child Dental Clinic		10,000	10,000	(20,000)
Child Advocacy Centers		180,000	180,000	(360,000)
Health Care Foundation, Medications		300,000	300,000	(600,000)
TANF Motor Vehicle Disregard			1,240,000	(1,240,000)
Child Support Payment Pass-Through			5,600,000	(5,600,000)
<i>Subtotal-Subtractions from Balance</i>				(17,467,416)

Recommended Budget: 6/30/04 Balance **\$12,225,463**