

Health and Human Resources

The Governor's proposed FY 2002 amendments for Health and Human Resources result in a net increase of \$156.5 million GF. This total reflects new spending of \$178.5 million, offset by \$22.0 million in targeted reductions. In addition, further cuts of \$10.4 million for a 2 percent reduction (through unspecified actions) are included in Central Appropriations for distribution to health and human resources agencies. A table showing across-the-board reductions for each agency is included at the end of this section.

Most of the added spending is for mandatory programs. Inflation in medical costs and increasing numbers of low-income families, elderly, and disabled add \$88.5 million in Medicaid costs. The rising cost to serve severely emotionally and behaviorally disturbed youth, entitled to care under the Comprehensive Services Act (CSA), adds \$58.2 million. An additional \$9.6 million is proposed for children entitled to foster care and subsidized adoptions.

A few non-mandatory but traditionally high priority items are also included. A total of \$10.7 million is added to fully fund the federally allowed maximum of 5,536 slots for home and community-based care under Virginia's Mental Retardation (MR) Waiver programs. The proposed budget also adds \$1.4 million for completion of data processing systems at the Department of Health.

One new spending item -- \$8.9 million is provided for local incentive, legal, and banking fees -- to enable the state to net about \$250.1 million in federal Medicaid revenue through a one-time loophole for intergovernmental transfers. Federal law would allow Virginia to bill the federal government at the Medicare upper payment limits for nursing homes, even though actual Medicaid reimbursement is lower. Two local governments with public nursing homes will temporarily borrow matching funds to draw down the federal funds, most of which would be then transferred to the state general fund. The federal law has now been revised, so further transfers of this nature will be disallowed after this year.

A \$12.4 million savings item is proposed to reflect slower than projected enrollments in Virginia's new health insurance program for poor children. An estimated 39,000 poor children are expected to be enrolled in the program by the end of FY 2002, 19,000 less than the 58,000 children projected two years ago. Another general fund savings of \$9.6 million is proposed primarily from substituting federal TANF funds to offset the increased cost of foster care.

- **Comprehensive Services for At-Risk Youth and Families**
 - ***Increased Cost of Mandated Services.*** Adds \$58.2 million GF for increased costs of serving children mandated for care under CSA. The added funding would support growth of about 11 percent in FY 2002, about the same rate of growth actually experienced in recent years.
- **Department of Health**
 - ***Continue Funding of the Public Health Information System.*** Provides \$1.4 million GF for continued support of the information management wide-area network, which serves the central agency and local health departments. 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.

Proposed Reductions

- ***Substitution of TANF Funds for GF in Local Programs.*** Reduces general fund support by \$1.9 million and substitutes federal TANF funds for three prevention programs for low-income children and families:
 - \$1.0 million for the Comprehensive Health Investment Project (CHIP);
 - \$700,000 for teenage pregnancy prevention programs; and
 - \$200,000 for the Virginia Fatherhood Campaign.
 - ***Across-the-Board Reductions.*** Cuts \$867,000 GF from the agency as part of 2 percent across-the-board reductions in Central Appropriations. Actions for achieving these savings are not specified in the budget.
- **Department of Medical Assistance Services (DMAS)**
 - ***Utilization and Inflation.*** Adds \$76.9 million GF and \$65.4 million NGF for inflation in Medicaid costs and for providing services to increasing numbers of low-income families, elderly, and disabled persons. The Medicaid forecast assumes expenditure growth for medical costs of 6 percent in FY 2002. In addition, language is added to authorize the Director of the Department of Planning and

Budget to administratively alter funding for Medicaid to reflect actual appropriations and account for \$51.0 million that was administratively transferred from the agency in FY 2002 to cover a shortfall in funding in FY 2001.

- **Address Shortfall in Pharmacy.** Provides \$11.6 million GF and \$12.4 million NGF to address a shortfall in pharmacy funding that results from a technical change in accounting for prior year drug rebates received by the program. Prior to FY 2001, all drug rebates received by the Medicaid program were used to offset pharmacy expenditures. An accounting change in FY 2001 requires prior year pharmacy rebates to be classified as Medicaid recoveries, which are deposited into the general fund as revenue. Consequently, additional appropriation authority is required for pharmacy expenditures to avoid a shortfall. However, the net effect on the overall budget is zero because the rebates enter the system as revenue rather than as expenditure reductions.
- **Maximize Federal Medicaid Funding.** Provides \$8.9 million GF in FY 2002 to net \$250.1 million in federal revenue from intergovernmental transfers through a loophole in federal Medicaid regulations. Federal Medicaid law and regulations allow the state to obtain federal reimbursement for nursing homes up to the amount that Medicare would pay for nursing facility services, even though Medicaid pays a lesser amount. Recent changes in federal law and regulation will prevent the use of this loophole in the future.

The match to obtain federal reimbursement would be provided by two localities that operate public nursing homes. After the federal funds are received by the state Medicaid program, localities would be paid back their matching funds plus \$8.9 million in incentive, financial, and legal fees. The state would retain most of the federal reimbursement, \$250.1 million, which would be deposited into the general fund.

- **Fully Fund Mental Retardation Waiver Slots.** Adds \$9.0 million GF and \$10.0 million NGF to fully fund community mental retardation services for 5,386 consumers in the mental retardation waiver program. Currently, 5,166 eligible individuals are served through the waiver program, even though Virginia has 5,386 slots available through agreements with the federal Medicaid agency. This funding would allow all available slots to be filled by eligible consumers.

- **Continue Funding for New Mental Retardation Waiver Slots.** Adds \$1.7 million GF and \$1.8 million NGF for 150 new mental retardation waiver slots that were approved by the federal government in FY 2002. These slots will be used to help reduce the waiting list for mental retardation services.
- **Address Shortfall for Involuntary Civil Commitments.** Provides an additional \$1.2 million to address a shortfall in funding for hospital and physician psychiatric services for involuntary civil commitments.

Proposed Reductions

- **Reduce Funding and Enrollment Projections for Children’s Health Insurance Program.** Decreases funding by \$12.4 million GF and \$2.6 million NGF for 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 two factors – an updated projection of enrollment and a revised estimate by the State Corporation Commission’s Bureau of Insurance of the premium differential to be transferred to the FAMIS Trust Fund. The introduced budget assumes that enrollment will grow from 33,861 children in September 2001 to almost 39,000 children by June 2002 rather than the 58,000 children who were originally expected to be enrolled in the program by the end of FY 2002.
 - **Across-the-Board Reductions.** Cuts \$1.0 million GF from the agency as part of 2 percent across-the-board reductions in Central Appropriations. Actions for achieving these savings are not specified in the budget.
- **Department of Social Services**
 - **Foster Care and Subsidized Adoptions.** Provides \$9.6 million in added costs for foster care and subsidized adoption services, along with GF savings totaling the same amount. About \$6.0 million of the savings are achieved by substituting federal TANF funds for state-funded local programs such as Healthy Families, the Comprehensive Health Investment Project, and domestic violence services (shown on the following table). An additional \$1.8 million in savings is assumed by deferring a rate increase for auxiliary grants until January 2002. The Department of Social Services plans

to take other actions, unspecified in the budget, to achieve the remaining \$1.8 million in savings.

General Fund Reductions Replaced with TANF	
	Amount
Healthy Families	\$2,500,000
CSA Trust Fund Grants	1,064,245
CHIP of Virginia	1,000,000
Teen Pregnancy Prevention	700,000
Domestic Violence Programs	250,000
Va. Fatherhood Campaign	200,000
Hampton Healthy Start	150,000
United Community Ministries	50,000
Volunteerism Respite Program	<u>50,000</u>
Total	\$5,964,245

- **Auxiliary Grant Rate Increase.** Authorizes auxiliary grants for adult care residences to increase, effective January 1, 2002. The rise in federal Social Security and Supplemental Security Income payments to individuals allows the auxiliary grant to increase without any additional GF appropriation. The auxiliary grant is projected to increase from \$815 to \$833 per month. The personal needs allowance for recipients is also projected to increase from \$57 to \$62 per month.
- **Governor’s Employment and Training Department (GETD)**
 - Proposed Reductions**
 - **New Federal Job Training Program.** Proposed technical amendment eliminates all funding and positions for the GETD -- a decrease of \$500 GF and \$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.

Health and Human Resources Central Appropriation Reductions	
Agency	2% Across-the-Board
Secretary's Office	\$16,299
Aging	310,476
Deaf and Hard of Hearing	28,964
Health	867,728
Medical Assistance Services	1,040,959
Mental Health, Mental Retardation and Substances Abuse Services	
Central Office	1,057,800
Community Services Boards	3,416,088
Mental Health Hospitals	970,595
Mental Retardation Training Centers	365,536
Rehabilitative Services	543,613
Woodrow Wilson Rehabilitation Center	108,965
Social Services	1,516,906
Board for Disabled	2,928
Blind and Vision Impaired	139,618
Va. Rehab. Center for Blind and Vision Impaired	<u>4,538</u>
Total	\$10,391,013