

Health and Human Resources

The 2002-04 adopted budget for Health and Human Resources results in a net increase of \$748.0 million GF for the biennium when compared to the adjusted base budget. This total reflects new spending of \$892.2 million, offset by \$144.2 million in targeted reductions.

In addition, the adopted budget restores \$31.5 million of the biennial reduction that was included in the introduced budget for health and human resources agencies, taking across-the-board reductions of 7 and 8 percent down to 4 percent each year. The remaining across-the-board reductions of \$21.0 million each year are included in Central Appropriations, for distribution to specific health and human resources agencies.

Most of the added spending for health and human resources results from mandatory programs. Inflation in medical costs and increasing numbers of low-income families, elderly, and disabled add \$609.1 million GF in Medicaid costs. The rising cost to serve at-risk youth, entitled to care under the Comprehensive Services Act (CSA), adds \$137.7 million GF. An additional \$38.0 million is added for children entitled to foster care and subsidized adoptions. The approved budget also adds \$27.4 million GF to meet a shortfall in Medicaid funding for mentally retarded persons served in state facilities.

A few non-mandatory, but traditionally high priority, items are also included. In FY 2004, \$32.9 million is added for indigent care at the two state teaching hospitals, to offset the anticipated decline in federal funds for this purpose. (This includes \$22.0 million GF and \$8.7 million NGF appropriated in the Department of Medical Assistance Services and \$2.3 million GF appropriated through the Legislative Department for indigent care.) A total of \$23.8 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 program. Improvements in care at state training centers for mentally retarded persons are funded with an increase of \$3.4 million.

Also, the adopted budget adds \$8.2 million GF in the Health Department for emergency medical services and epidemiologists to improve the state's ability to respond to terrorism. Further, the budget includes \$7.2 million GF for completion of data processing systems at the Departments of Health and Medical Assistance Services.

About three-fourths of the budget savings that are targeted for health and human resources come from Medicaid cost containment (\$121.6 million GF):

- \$38.0 million by examining claims processing and other activities that would qualify for enhanced federal match rates;
- \$40.6 million by reducing payments to hospitals, health maintenance organizations (HMOs), pharmacies, and nursing facilities;
- \$14.2 million by containing costs of pharmaceuticals through a number of utilization management actions;
- \$10.0 million through additional cost containment measures, including other drug cost reductions and recoveries from pharmaceutical manufacturers;
- \$10.0 million by expanding disease management programs to include other common diseases; and
- \$8.8 million by deferring Medicaid coverage of substance abuse treatment until April 2004.

In addition to these Medicaid savings items, \$42.0 million in additional revenue would be added to the general fund by billing the federal government at the Medicare upper payment limit for care provided by hospitals, nursing homes, intermediate care facilities for mentally retarded persons, and clinics. Also, the budget projects that an additional \$6.0 million in Medicaid cost settlements from prior years will be recovered and added to the general fund.

Other targeted reductions include: \$4.9 million by substituting federal TANF funds for state funded grants to localities for health care and CSA initiatives; \$4.0 million through administrative efficiencies in local departments of social services; \$4.0 million by reducing or eliminating grants to organizations for aging and health services; \$3.5 million by postponing implementation of the performance outcome measurement system in the mental health, mental retardation and substance abuse services system; \$2.3 million by offsetting general fund expenses with fees for vital records searches, restaurant inspections and sewage and septic system inspections by the Health Department; and \$2.0 million by reducing state funding for the Indigent Care Trust Fund to more closely match hospital contributions.

- **Secretary of Health and Human Resources**

- ***Comprehensive Services Act Improvement Plan.*** Adds language directing the Secretary to implement a plan for improving services and containing costs in the treatment and care of children under the

Comprehensive Services Act. Service, funding, or management actions requiring statutory or appropriations revisions are to be recommended to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2002.

- ***Study of Pharmaceutical Costs.*** Adds language directing the Secretary, in conjunction with the Secretaries of Administration and Finance, to study options for containing the utilization and costs of pharmaceuticals in state-funded health care programs. A report is to be submitted to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2002.
- ***Study Feasibility of Combined Drug Purchasing.*** Adds Language directing the Secretary, in conjunction with the Secretaries of Administration and Finance, to study the feasibility of the Commonwealth participating in a combined purchase agreement with other states to reduce the cost of prescription drugs in state-funded programs.
- ***Report by Academic Medical Centers on Operational Efficiencies.*** Adds language requiring the Virginia Commonwealth University Health System Authority and the University of Virginia Medical Center to report on operational efficiencies of their medical facilities to the Secretary of Health and Human Resources, in light of the rising state costs for indigent care at these facilities.

Targeted Reductions

- ***Office of the Inspector General.*** Reduces funding for the Office of the Inspector General by \$16,000 GF and \$17,850 NGF each year, representing a ten percent reduction. Language also is added directing the Secretary to examine the role and responsibilities of the Office of the Inspector General and to make recommendations regarding the future role and placement of the office within the mental health system.
- ***Comprehensive Services for At-Risk Youth and Families***
 - ***Increased Cost of Mandated Services.*** Adds \$63.7 million GF and \$2.1 million NGF the first year and \$74.0 million GF and \$2.5 million NGF the second year for increased costs of serving children mandated for care under CSA. The additional funding would

provide growth of about 6 percent in FY 2003 and 8 percent in FY 2004, in a program that has been growing about 11 percent in recent years.

- **Local Assistance and Review Team.** Adds \$293,965 GF each year and 4.0 FTE positions in the Department of Social Services to continue a team that would help localities control their CSA costs.
 - **Federal TANF Fund Substitution.** Reduces general fund appropriations by \$1.1 million each year in grants for local initiatives designed to reduce CSA costs. Instead, \$1.1 million each year from the federal block grant on welfare reform (TANF) is provided for these programs.
 - **Payment for Residential Services for Certain Non-Custodial Foster Care Cases.** Adds language that clarifies the use of funding through CSA for certain non-custodial foster care cases receiving residential services. The language ensures that cases arising from a court order are assessed for treatment prior to payment under CSA. Specifically, these cases could be reimbursed by CSA when: (1) the court has ordered and received a family assessment that indicates therapeutic services in a residential placement are necessary for the child or (2) a founded Child Protective Services investigation indicates that the parents have been unable or unwilling to provide the necessary services to ensure the safety and well-being of the child.
- **Virginia Department for the Aging**
 - **Continue Funding for Pharmacy Connect Program.** Provides \$371,000 each year to continue funding for the Pharmacy Connect program in Southwest Virginia, to maintain funding at the FY 2002 level. The program assists low-income persons in accessing free and low-cost prescription drugs from pharmaceutical manufacturers.
 - **Federal Funds for Caregiver Support.** Provides appropriation authority of \$2.4 million each year in federal funds for the National Family Caregiver Support Program. This program provides respite care, day programs, and other support services for family members caring for disabled relatives at home.
 - **Federal Funds for Employment of Older Americans.** Provides appropriation authority of \$3.0 million each year in federal funds

and one position for the Employment of Older Americans program. This program was transferred from the Governor's Employment and Training Program.

- **Senior Navigator.** Provides \$250,000 GF and \$450,000 NGF in the first year for SeniorNavigator.com, an internet guide to services for Virginia's seniors, their families and caregivers.

Targeted Reductions

- **Virginia Public Guardian and Conservator Program.** Reduces funding by \$105,000 GF each year for the Virginia Public Guardian and Conservator Program. Language is added to require the Department to examine the program and to work with groups to determine how the goals of the program can be accomplished without the use of state funding. With this reduction, the program will continue to receive \$500,000 GF each year.
- **Ten Percent Reduction for Community Grants.** Reduces grants to community organizations by \$49,950 in each year, representing a 10 percent reduction. The following community organizations will continue to receive grant funding totaling \$449,550 GF in each year: Oxbow Center (\$166,500 each year), Norfolk Senior Center (\$60,300 each year), the Korean Intergenerational and Multi-purpose Senior Center (\$22,500 each year), Jewish Family Service of Tidewater (\$110,250 each year), and Mountain Empire Older Citizens' companion care pilot program (\$90,000 each year).

- **Department of Health**

- **Continue Funding of the Public Health Information System.** Includes almost \$3.0 million each year 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.
- **Increase Funds for Emergency Medical Services.** Adds \$3.2 million GF each year to improve emergency medical services. Funding will address concerns raised by the 1999 Emergency Medical Services Task Force and improve the state's ability to respond to acts of terrorism.

- ***Additional Epidemiologists.*** Adds \$800,000 GF the first year and \$1.0 million GF the second year to hire 15 additional epidemiologists at the Health Department over the biennium, as part of terrorism preparedness.
- ***Funding for Community Health Care Programs.*** Provides \$210,000 NGF each year for community health care programs. The source of the nongeneral funds is moneys transferred from Temporary Assistance to Needy Families (TANF) grant to the Social Services Block Grant. Of this amount \$200,000 NGF each year is provided to the Virginia Health Care Foundation to expand medication assistance programs for low-income patients in the Mt. Rogers Planning District. In addition, \$10,000 NGF each year is provided to the Fredericksburg Dental Clinic for dental care for poor children.
- ***Restore GF for CHIP of Virginia.*** Adds \$125,000 GF each year to restore general funds for the Comprehensive Health Improvement Project (CHIP) of Virginia. The introduced budget had reduced its general fund appropriation by \$1.0 million each year and substituted this amount of TANF funds. CHIP would retain the added TANF funds, as described below, to serve low-income children and families.
- ***Study of Telepsychiatry.*** Adds language requiring the Department of Health and the Department of Mental Health, Mental Retardation and Substance Abuse Services to explore the expanded use of telepsychiatry for medical shortage areas and submit findings and recommendations to the House Appropriations and Senate Finance Committees by September 30, 2002.
- ***Technical Adjustments.*** Transfers \$835,000 GF each year for the sexual assault program to the Department of Criminal Justice Services (DCJS). The DCJS began administering the program in FY 2000. The budget also transfers \$200,000 GF each year to DCJS to help operate and maintain the Norfolk Public Health Building. In addition, the adopted budget transfers the Commonwealth Neurotrama Trust Fund and \$575,000 NGF each year to the Department of Rehabilitative Services, pursuant to Senate Bill 620.

Targeted Reductions

- ***Substitution of TANF Funds for GF in Local Programs.*** Reduces general fund support by \$1.4 million each year and substitutes

federal TANF funds for three prevention programs for low-income children and families:

- \$875,000 each year for the Comprehensive Health Investment Project (CHIP);
- \$300,000 each year for teenage pregnancy prevention programs;
- \$200,000 each year for the Virginia Fatherhood Campaign.

- ***Eliminate Grant for Forensic Science.*** Eliminates \$500,000 GF each year in grant funding for the Virginia Institute of Science and Medicine. In addition, \$50,000 GF in FY 2003 is added to cover Workforce Transition Act severance costs associated with the elimination of two positions provided by the department for the Institute.

- ***Impose Fees for Well and Onsite Sewage Inspections.*** Reduces general funds by \$517,500 each year to support well and onsite sewage inspections. Fees are increased by \$37.50 per construction permit to cover a larger portion of the costs of these inspections.

- ***Impose Fees for Food Establishment Annual Permit Renewals.*** Reduces general funds by \$433,500 each year to support annual inspections of food establishments by the Department. Instead an annual permit renewal fee, not to exceed \$40 per year, is imposed to offset the costs of these inspections. A fee also will be charged to new food establishments to offset the cost of receiving their initial inspection and permit.

- ***Increase Vital Records Fee.*** Reduces general funds to support vital records searches by \$200,000 each year and increases fee revenue by a corresponding amount. The fee for a standard vital record search increases from \$8 to \$10 and the fee for expedited searches increases from \$30 to \$42.

- ***Reduce Grant for Health Care Foundation.*** Reduces general fund support for the Virginia Health Care Foundation by five percent or \$111,491 GF each year.

- ***Reduce Funding for Area Health Education Centers (AHEC).*** Reduces general fund support by \$100,000 the first year and \$208,139 the second year for the Area Health Education Centers (AHEC) and the Centers for the Advancement of Generalist Medicine at the teaching hospitals. The AHEC reduction

represents a cut of 10 percent each year. Funding for the Centers is eliminated completely in the second year. Language is added to redirect the activities of the AHEC to focus more specifically on recruitment and retention, practice support, and training of health care professionals in medically underserved areas or areas with medically underserved populations. Language also requires the Health Department to assess the activities of the statewide AHEC program and make recommendations on the need for continued state funding for the statewide office and the Centers at the teaching hospitals.

- **Ten Percent Reduction for Community Grants.** Reduces grants to community organizations by \$43,000 GF each year, representing a 10 reduction. The following community organizations will continue to receive grant funding in the amount listed: Arthur Ashe Health Center (\$135,000 each year), Arlandria Health Center (\$112,500 each year), Fan Free clinic (\$45,000 each year), Chesapeake Adult General Medical Clinic (\$31,500 each year), Louisa County Resource Council (\$22,500 each year), Olde Towne Medical Center (\$18,000 each year), and Women’s Health Virginia (\$22,500 each year).
- **Reduce Funding for the Virginia Transplant Council.** Reduces general fund support for the Virginia Transplant Council by ten percent or \$3,750 each year.
- **Reduce Funding for Sewage Appeals Board.** Reduces general fund support for the Sewage Appeals Board by 50 percent or \$12,500 each year.
- **Reductions in Health Planning Agencies.** Adds language authorizing, but not requiring, cuts in funding for regional health planning agencies up to \$227,000 each year, as part of the agency’s across-the-board reductions.
- **Department of Health Professions**
 - **Rent Increases.** Authorizes an additional \$554,382 NGF the first year and \$287,728 NGF the second year for the Department to lease office space. The source of nongeneral funds is revenue generated from licensing fees.
- **Department of Medical Assistance Services (DMAS)**

- **Utilization and Inflation.** Adds \$234.0 million GF and \$180.7 million NGF in FY 2003 and \$351.7 million GF and \$286.5 million NGF in FY 2004 for inflation in Medicaid costs and for providing services to increasing numbers of low-income children, elderly and disabled persons. In addition, federal financial participation is projected to decrease from 51.55 percent in FY 2002 to 50.76 percent in FY 2003 and 50.53 percent in FY 2004. The Medicaid forecast assumes expenditure growth of 7 percent in each year of the biennium.
- **Indigent Care Payments to Teaching Hospitals.** Increases funding by \$24.3 million GF and \$8.7 million NGF in the second year for indigent care at the two state teaching hospitals to offset anticipated declines in federal Medicaid funds. Of the general fund appropriation, \$22.0 million is contained in the department and \$2.25 million is appropriated in the Legislative branch within the budget for the Senate of Virginia. Currently, the Virginia Commonwealth University Health System Authority and the University of Virginia Medical Center receive enhanced Medicaid payments for serving a disproportionate share of low-income, uninsured patients. However, the amount states can collect in enhanced federal Medicaid reimbursement is capped. Beginning in FY 2004, indigent health care expenses at the teaching hospitals will exceed the cap on federal funding for Virginia.
- **Medicaid Match for Persons in State MHMR Facilities.** Adds \$13.7 million GF and \$14.1 million NGF in FY 2003 and \$13.7 million GF and \$14.0 million NGF in FY 2004 in federal Medicaid funds to address a shortfall in funding for Medicaid-eligible persons in mental health and mental retardation facilities. The shortfall is due to increases in medical care costs and services for Medicaid-eligible mentally disabled patients.
- **Address Shortfall in Pharmacy.** Provides \$11.7 million GF each year and \$12.1 million NGF in FY 2003 and \$12.0 million NGF in FY 2004 to address a shortfall in pharmacy funding due to a 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 counted as Medicaid recoveries which are deposited into the general fund as revenue. Consequently, additional funding for pharmacy expenditures is necessary to avoid a shortfall. However,

there is no impact on the overall budget because the increased appropriation required in Medicaid will be offset by the deposit of drug rebates as general fund revenue.

- **Fully Fund Mental Retardation Waiver Slots.** Adds \$9.0 million GF and \$9.2 million NGF each year to fully fund home and community-based mental retardation services for 5,386 consumers in the mental retardation waiver program.
- **Continue Funding for New Mental Retardation Waiver Slots.** Provides \$2.9 million GF and \$3.0 million NGF each year to continue funding for 150 new mental retardation waiver slots that were obtained with federal government approval in FY 2002. This funding, along with the funding described above, would allow all 5,536 available waiver slots to be filled by eligible consumers.
- **Transfer funding from DMHMRSAS for Mental Retardation Consumers.** Transfers \$2.7 million GF each year 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 adopted budget includes \$2.7 million NGF in matching federal Medicaid funds for the services. The 2000 General Assembly directed this transfer of community mental health and mental retardation funding from the DMHMRSAS to DMAS to facilitate the forecasting and funding of Medicaid-reimbursed services.
- **Transfer funding from DMHMRSAS for Case Management Rate Increase.** Transfers \$5.9 million GF each year from the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) to match \$6.1 million in federal Medicaid funds to increase rates paid to Community Services Boards for case management services to mentally ill and mentally retarded consumers. The rates for mental retardation services will increase from \$175.40 to \$260.00 per month. The rates for mental health services will increase from \$208.25 to \$260.00 per month.

Language is also added to ensure that the Medicaid program reimburses CSBs at the lesser of the provider's usual and customary charge or \$260.00 per month. This ensures that the rates charged for Medicaid authorized services complies with federal

requirements that the program reimburse at a level that is not greater than the amount charged to other third party payors.

- **Medicaid Claims Processing System.** Adds \$996,882 GF and \$6.6 million NGF in FY 2003 and \$212,761 GF and \$638,279 NGF in FY 2004 for the cost of developing and operating a new Medicaid claims processing system. The department was 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 2003.

The 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 90 percent of the system's development costs.

- **Expand Disease Management Program.** Adds \$350,000 GF and \$350,000 NGF in FY 2003 to expand the agency's disease management program. Currently, the agency operates a program to help Medicaid recipients better manage chronic illnesses such as diabetes, hypertension, asthma, chronic obstructive pulmonary disease and others. By expanding activities to help patients manage chronic illnesses such as HIV/AIDs, arthritis, cystic fibrosis, Alzheimer's disease, and schizophrenia, DMAS expects a savings to the Medicaid program of \$10.4 million GF and \$10.6 million NGF in FY 2004.
- **Maximize Medicaid Funding for Community-Based Long-Term Care Services.** Adds language to require the Department to work with the Department for the Aging and Area Agencies on Aging (AAAs) to maximize general funds appropriated through the Department for the Aging to leverage federal Medicaid funds for community-based long-term care services. Funds would be used to provide long-term care ombudsman services, home-delivered meals, environmental modifications, and chronic care management through the AAAs for Medicaid eligible long-term care recipients.
- **Adjust Funding and Enrollment Projections for Children's Health Insurance Program.** Adjusts funding for the Family Access to Medical Insurance Security Plan (FAMIS), increases general fund

appropriations by \$462,911 and nongeneral fund appropriations by \$4.2 million over the biennium. These changes are based on (1) updated enrollment and expenditure projections, (2) revised estimates by the State Corporation Commission's Bureau of Insurance of the premium differential to be transferred to the FAMIS Trust Fund, and (3) added funding to serve approximately 2,000 more children than originally projected when the budget was introduced in December. Enrollment in the program is estimated to grow from about 39,000 children beginning in July 2002 to 51,000 children by June 2004.

- ***Children's Health Insurance Program Changes.*** Adds language to make the following changes to the FAMIS program: (1) provide an exception to the waiting period for individuals with previous health insurance coverage in cases where the individual can document that the cost of such health insurance exceeded 10 percent of the family's monthly countable income; (2) allow a parent, legal guardian, authorized representative or any other adult caretaker relative with whom the child lives to file a FAMIS application on behalf of a child, consistent with HB 790; and (3) enroll all children over six years of age whose family income is between 100 percent to 133 percent of the federal poverty level in the Medicaid program, so children in the same family are treated similarly, with regard to FAMIS and the Medicaid program. This change will allow the Commonwealth to obtain the higher federal match rate that is available under the federal children's health insurance program.

In addition, language is added to ensure that all eligible children are enrolled in the FAMIS program, by allowing funding to be moved between Medicaid and FAMIS for this purpose. Finally, language in the adopted budget allows the Department to extend the emergency regulations for FAMIS through July 31, 2003. The regulations currently in place would expire on July 1, 2002 before the final regulations are completed.

- ***Authority to Use Administrative Funds for HIPAA Compliance.*** Add language to allow the Department to expend up to \$546,000 GF in FY 2003 and \$327,860 GF in FY 2004 to comply with federal requirements under the Health Insurance Portability and Accountability Act (HIPAA). For example, under HIPAA, the Department will have to modify its systems to exchange necessary

data with the federal Medicare program for recipients who are dually eligible for both the Medicare and Medicaid programs.

- ***Transfer funding from DMHMRSAS for Utilization Review.*** Transfers \$300,380 GF and \$381,097 NGF each year and 10.0 FTE positions from DMHMRSAS to DMAS for utilization review of mental health and mental retardation services.

Targeted Reductions

- ***Maximize Federal Medicaid Funding.*** Replaces general fund appropriations of \$19.0 million each year with federal Medicaid funds by identifying services and claims which may be eligible for enhanced federal funding, recovering payments from prior year cost settlements, and reducing eligibility determination errors. These additional activities also are expected to recover federal funds for costs incurred in previous years, which will be included as \$3.0 million in general fund revenue deposits each year. In addition, two FTE positions are provided to assist the Department in these activities.

In addition, the Department will use the flexibility available under revised federal Medicaid regulations to use intergovernmental transfers to maximize reimbursement up to the Medicare payment level for publicly-owned nursing homes, hospitals, intermediate care facilities for the mentally retarded, and clinics. These publicly-owned facilities would provide the non-federal share of the match dollars needed to draw down the additional federal matching funds, allowing the state to reduce its general fund obligations to these facilities. This strategy is estimated to generate \$21 million in general fund revenue each year. (The federal Medicaid loophole that was closed had allowed the difference between Medicare and Medicaid payment rates for all nursing homes to be captured through a few public nursing homes.)

- ***Partially Restore Funds for Hospital Payments in the Medicaid Program.*** Restores \$13.6 million GF and \$14.0 million in matching federal funds over the biennium for Medicaid payments to hospitals. The introduced budget would have cut hospital reimbursements by \$22.6 million GF and \$23.2 million in matching federal funds over the biennium. The adopted budget redistributes this reduction among multiple Medicaid providers, instead of reducing payments for one provider group.

- ***Distribute Portion of Medicaid Reimbursement Reductions to HMOs.*** Reduces reimbursement payments to HMOs by \$7.3 million GF and \$7.5 million NGF over the biennium, as part of the strategy to redistribute hospital payment reductions contained in the introduced budget to multiple Medicaid providers.
- ***Achieve Medicaid Savings in Prescription Drug Costs.*** Reduces Medicaid expenditures by \$14.2 million GF and \$14.5 million NGF over the biennium by implementing cost containment measures on prescription drugs. These measures include: improved use of less costly generic drugs, obtaining the best price for specialty therapeutic drugs, and modifying the point of sale system to enhance drug utilization reviews for therapeutic duplication or excess doses. Language is also added to limit the amount of prescription drugs to a 34-day supply, allowing for refills for those patients whose prescription exceeds the 34-day limit. The adopted budget also reduces Medicaid expenditures by an additional \$10 million GF and \$10.2 million NGF in the second year by achieving savings from additional cost containment actions, including drug cost reductions and recoveries from pharmaceutical manufacturers.
- ***Partially Restore Reductions Proposed for Pharmacy Reimbursement in the Medicaid Program.*** Restores \$4.8 million GF and \$4.9 million over the biennium in matching federal funds for Medicaid pharmacy reimbursement. The introduced budget would have cut pharmacy expenditures by \$12.8 million GF and \$13.1 million NGF by lowering reimbursement from the Average Wholesale Price (AWP) of the pharmacy product minus 9 percent to AWP minus 11 percent. The adopted budget provides funding to reimburse pharmacies at the AWP minus 10.25 percent.
- ***Adjustments to Nursing Home Indirect Care Payments.*** Defers an adjustment for inflation in indirect care costs for one year until July 1, 2003, which saves the Medicaid program \$7.9 million GF and \$8.1 million NGF over the biennium. In addition, the adopted budget reduces the indirect care cost ceiling from 106.9 percent of the median cost to 103.9 percent of the median cost. This reduces Medicaid payments for indirect care by \$8.4 million GF and \$8.6 million NGF over the biennium.

However, this reduction is mitigated by the addition of \$2.0 million GF each year in the Legislative branch for nursing home payments, which will be transferred to DMAS from the Senate's budget. Consequently, the net reduction due to the lower ceilings on

indirect care costs will be \$4.4 million GF and \$4.5 million NGF over the biennium. Despite these reductions, when combined with increases in inflation and rebasing of direct care costs included in Medicaid budget, nursing homes will see their Medicaid reimbursement increase by about \$1.00 per day beginning July 1, 2002.

- ***Restore Funds to Provide Medicaid for Substance Abuse Treatment.*** Restores \$1.3 million GF and \$1.3 million NGF in the second year to provide Medicaid coverage of substance abuse treatment beginning April 2004. Originally, Medicaid coverage of substance abuse treatment was to be implemented beginning July 1, 2002. However, systems problems delayed the start of the program and the introduced budget would have delayed the program until the next biennium. An estimated 16,000 low-income children and adults would qualify for this benefit.
- ***Reduce Funding for the Indigent Health Care Trust Fund.*** Reduces the general funds available for the Indigent Health Care Trust Fund by \$1.0 million GF and \$1.0 million NGF each year of the biennium. This leaves \$5.0 million GF and \$5.0 million NGF available for the trust fund in each year. The source of the nongeneral funds is hospital payments into the trust fund. In recent years, hospital contributions to the trust fund totaled about \$3.7 million per year, considerably less than the amount of contributions expected when the fund started.
- ***Capture Balances in State and Local Hospitalization Program.*** Deletes language requiring the unexpended balances in the State and Local Hospitalizations program to remain in the program and not revert to the general fund at the end of the fiscal year. In addition, language is added to revert unexpended program balances to the general fund at the end of the fiscal year.
- **Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS)**
 - ***Enhance Staffing at Mental Retardation Training Centers.*** Provides \$1.7 million GF and \$1.7 million NGF each year to increase staffing at four mental retardation training centers to help meet clinical staffing expectations established under the Civil Rights for Institutionalized Persons Act (CRIPA). The U.S. Department of Justice has now investigated the quality of care provided at five MHMR facilities under CRIPA, including the

Northern Virginia Training Center. Funding would improve patient care by adding positions at the remaining four state training centers.

- ***Re-estimate Cost and Location for the Treatment of Violent Sexual Predators.*** Adopts language that delays the implementation of the violent sexual predators program from January 1, 2003 until January 1, 2004, due to the increased time needed to establish a secure facility for the program. Language 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. The adopted budget requires DMHMRSAS to estimate the cost to confine and treat violent sexual predators in a facility that is currently providing comprehensive and intensive forensic services to violent mentally disabled patients.
- ***Access to Atypical Medications.*** Adds language requiring the department to ensure appropriate access to medically necessary medications for those who are seriously mentally ill and in need of new atypical, anti-psychotic medications.
- ***Plan for Access to Children's Services.*** Adds language requiring that the plan for mentally disabled children's services include juvenile offenders. In addition, language adds a reporting requirement for the plan and broadens the scope of the plan to include services provided under the Comprehensive Services Act. Local community policy and management teams from various regions are also included in the development of the plan.
- ***Access to Residential and Acute Care Beds for Children and Adolescents.*** Adds language directing the department to identify and create opportunities for public-private partnerships to establish and maintain an adequate supply of residential treatment and acute care psychiatric beds for children and adolescents. Language also is included directing the department, in conjunction with hospitals and private providers, to examine the feasibility and cost of developing a web-based system for providing daily updated information on licensed and available acute psychiatric inpatient beds for children and adolescents by September 30, 2002.
- ***Access to Psychiatric Care for Jail Inmates.*** Adds language directing the Commissioner, in consultation with correctional agencies and organizations, to make recommendations for

improving access to psychiatric care for jail inmates by September 30, 2002. Language is also added for the department to conduct an evaluation of therapeutic communities in local jails.

- ***Plan for Serving Disabled in Accordance with the Olmstead Case.*** Adds language directing the department to convene a task force to develop a plan for serving persons with disabilities in accordance with the *Olmstead* decision. The *Olmstead* case provides minimum standards for a state system of institutional and community facilities and services that could withstand scrutiny under the Americans with Disabilities Act.
- ***Technical Adjustments.*** Adds a net of \$1.3 million NGF each year to account for reimbursement from the Department of Medical Assistance Services for administrative expenses, and decreases in federal reimbursement for lunch and education programs.

Targeted Reductions

- ***Transfer GF Match for CSB Medicaid Case Management Rates.*** Transfers \$5.9 million GF each year to the Department of Medical Assistance Services (DMAS) to match \$6.1 million in federal Medicaid funds to increase rates paid to Community Services Boards for case management services to mentally ill and mentally retarded consumers.
- ***Technical Adjustment to Transfer MR Waiver Funds to DMAS.*** Transfers \$2.7 million GF each year to DMAS to be matched with federal Medicaid funds for the Mental Retardation Waiver Program.
- ***Postpone Performance and Outcome Measurement System Funding.*** Postpones funding of \$1.7 million GF each year for the performance outcome measurement system, in order to assess the system's effectiveness.
- ***Reduce GF for the Consumer Support and Family Involvement Pilot Project.*** Cuts funding by \$150,000 GF each year for the consumer support and family involvement pilot project. Funding had been used to support a consumer hotline and information referral system. Other nongeneral funds from federal grants should be available to continue this project.

- ***Reduce Funds for Monitoring Facility Director Performance Agreements.*** Cuts funding by \$130,986 GF each year to monitor facility director performance agreements. This funding was provided as a new initiative in the 2000-02 budget. It is anticipated that this function could be absorbed by the agency’s human resource management office.
- ***Technical Adjustment to Transfer Funding to DMAS for Utilization Review.*** Transfers \$300,380 GF and \$381,097 NGF each year and 10.0 FTE positions to DMAS to conduct utilization review of mental health and mental retardation services.
- ***Technical Adjustment to Transfer Funds for Jail-Based Substance Abuse Services.*** Transfers \$194,692 GF each year from the Department of Criminal Justice Services for the provision of jail-based substance abuse services in Hampton, Roanoke, and Martinsville.
- **Department of Rehabilitative Services**
 - ***Federal Funds for Disability Determinations.*** Adds \$12.6 million NGF in FY 2003 and \$12.8 million NGF in FY 2004 to reflect increased federal funding for disability determinations. In addition, 10.0 FTE positions are added to handle increased claims as well as the additional time spent handling each claim due to federal policy changes.
 - ***Transfer Neurotrauma Trust Fund from Health Department.*** Transfers \$575,000 NGF each year from the Virginia Department of Health and provides one FTE for the department to administer the Commonwealth Neurotrauma Trust Fund, pursuant to Senate Bill 620. The trust fund is supported by nongeneral fund revenue derived from license reinstatement fees for drivers convicted of serious driving offenses.
- **Department of Social Services**
 - ***Foster Care and Subsidized Adoptions.*** Adds \$15.6 million GF and \$15.4 million NGF the first year and \$22.5 million GF and \$21.8 million NGF the second year for increasing caseloads and costs in mandated foster care and subsidized adoption services. This increases funding by 16 percent per year, about the rate the program has been growing in recent years.

- **Electronic Benefits Transfer.** Adds \$2.0 million GF and \$2.0 million NGF the first year and \$2.0 million GF and \$1.9 million NGF the second year to fully implement electronic food stamp benefits statewide. This electronic system is federally required.
- **Food Stamp Error Reductions.** Adds \$1.4 million GF the first year and \$162,035 GF the second year to reduce errors in food stamp eligibility and benefit determinations. Improvements are federally required. Language is also added to allow reporting on food stamp eligibility every six months, a new federal option, instead of every time there is a change in a beneficiary's income.
- **Motor Vehicle Disregard for Food Stamp Eligibility.** Adds language to allow the department to disregard the value of at least one motor vehicle per household in determining eligibility for the Food Stamp program, as allowed by new federal law. Currently, the Food Stamp program may disregard up to \$2,000 of a motor vehicle's equity value per household in determining eligibility for the program.
- **Replacement of Child Support Enforcement Revenue.** Adds \$417,081 GF the first year and \$1.0 million GF the second year to offset reduced NGF revenue for collection of child support payments. Changes in federal law have reduced the portion of collected funds that states can retain for administration of the program.
- **Restore Funding for Healthy Families.** Restores \$975,000 GF in FY 2003 and \$1.8 million GF in FY 2004 in state funding for the Healthy Families program. The adopted budget also provides \$3.2 million NGF from federal TANF funds in FY 2003 and \$2.4 million in TANF funds in FY 2004 as an offset for the remaining general fund reductions and the possible loss of other matching federal dollars. In FY 2002, Healthy Families received \$3.1 million GF. Of these amounts, \$75,000 GF and \$150,000 in TANF funds each year are earmarked for the Hampton Healthy Start program.
- **Restore Funds for Domestic Violence Services.** Adds \$125,000 GF each year to partially restore general fund reductions for domestic violence services. Also, \$1.3 million NGF each year in TANF funds is provided to offset general fund reductions. In the 2000-02 biennium, \$250,000 GF and \$1.0 million in TANF funds each year were provided for these services. Language is also restored that

identifies the marriage license surcharge as one source of funding for domestic violence services, consistent with the *Code of Virginia*.

- ***Restore Dementia Training Funds.*** Restores \$70,000 GF each year for dementia training for long-term care workers, dealing with Alzheimer’s disease and related disorders, in cooperation with the four Virginia Alzheimer’s Association Chapters. Funding of \$90,000 GF each year was provided in the 2000-02 biennium for this training.
- ***Replacement of Old Computers.*** Adds \$564,565 GF and \$678,419 NGF each year to replace 1,300 broken or outdated computers in local departments of social services and to add 400 computers for child support enforcement and other administrative offices.
- ***Expenditure of the Federal TANF Grant Balance.*** Appropriates \$43.6 million NGF the first year and \$46.4 million NGF the second year from the TANF grant on welfare reform for expanded programming. As a result, the year-end balance in FY 2003 and FY 2004 is estimated at \$29.0 million and \$8.4 million, respectively. Specific purposes and amounts in the adopted budget include the following:
 - \$6.0 million each year for community eligible services grants. Language is added to require the use of performance measure for these grants, to be consistent with the purposes of TANF funding, and quarterly reporting to the department.
 - \$4.5 million the second year to provide TANF recipients with a supplement equal to any child support payments received on their behalf. The state retains current child support payments as an offset against TANF cash assistance provided to needy families. The TANF child support supplement would assist these families in moving to self-sufficiency.
 - \$4.2 million the first year and \$5.0 million the second year for a continuum of housing services for homeless individuals administered through the Department of Housing and Development.
 - \$3.0 million NGF in federal TANF funds in the first year as a contingency for growth in welfare caseloads above levels

forecasted by the Department of Planning and Budget in November 2001.

- \$3.0 million each year for services for “hard to serve” welfare recipients, including substance abuse treatment, English as a second language, and GED preparation.
- \$2.5 million each year for pregnancy prevention programs administered through the Department of Health.
- \$2.5 million each year for transportation grants to provide access to jobs for welfare recipients.
- \$1.2 million in FY 2004 to allow the department to disregard the value of at least one motor vehicle per household in determining eligibility for the Temporary Assistance to Needy Families (TANF) program and in the separate state program for able-bodied two-parent families. Currently, the program may disregard up to \$1,500 of a motor vehicle’s fair market value per household in determining eligibility for the program.
- \$837,500 NGF each year for services provided through the Department of Rehabilitative Services for “hard-to-serve” welfare recipients with disabilities.
- \$750,000 NGF each year for employment and training services provided through Centers for Employment Training located in Abingdon, Alexandria, Lynchburg, Norfolk, and Roanoke.
- \$397,296 NGF the first year and \$450,120 NGF the second year for Community Action Agencies as an offset to planned across-the-board general fund reductions in the Department of Social Services. Total TANF funding for Community Action Agencies would be increased to \$1.1 million NGF the first year and \$1.2 million NGF the second year.
- \$200,000 the first year and \$400,000 the second year to allow TANF recipients to accumulate up to \$5,000 per household in an investment account, pursuant to House Bill 289. Currently, only savings accounts up to \$5,000 are permitted.

- \$200,000 each year for the Greater Richmond Transit Company to provide transportation services for access to jobs.
- \$200,000 the first year and \$100,000 the second year for child advocacy centers, of which \$50,000 in the first year is provided for each of the following centers: Bristol-Washington Child Advocacy Center and Lenowisco Child Advocacy Center.
- \$50,000 each year for United Community Ministries, a local organization providing employment assistance and other support services for low-income families in Northern Virginia.

The following tables detail the use of the TANF dollars for the 2002-2004 biennium.

Spending for Temporary Assistance to Needy Families (TANF)

2002-04 Biennium
(\$ in millions)

	<u>State</u>	<u>Local</u>	<u>Federal</u>
Projected 2002 Year-End TANF Balance			\$47.0
MANDATED CORE BENEFITS & SVS.			
TANF Benefit Payments & Mandated Services	\$97.1		95.9
VIEW/Employment Support Services	56.7		45.9
Day Care for Welfare (State & Local)	34.1	8.5	
Child Support Income Disregards	5.5		
ADMINISTRATIVE ACTIVITIES			
Local Eligibility/Administration	10.4	11.9	28.6
State Administration	2.6		5.4
Information Systems	4.5		7.0
TRANSFERS TO OTHER BLOCK GRANTS			
Day Care Direct Services			40.3
Local Staff Support			18.2
Child Care Licensing/Quality Activities			10.5
Social Services Block Grant (SSBG)-CSA Svs.			9.4
SSBG – Special Needs Adoptions			4.0
EXPANDED TANF PROGRAMMING			
(See list of programs in following table)			90.1
Total	\$210.9	\$20.4	\$355.3
Projected FY 2004 Year-End TANF Balance			\$8.4

**Expanded TANF Programming
2002-04 Biennium (\$ in millions)**

	<u>Federal</u>
Local Foster Care/Adoptions Staff	18.6
Community Eligible Services Grants	12.0
Restore Funds for Homeless Assistance	9.3
Hard-to-Serve Support Services	6.0
Restore Funds for Healthy Families (including Hampton Health Start-\$150,000 each year)	5.6
Transportation Grants	5.0
Pregnancy Prevention Progs. in Health Dept.	5.0
Supplement for Child Support Payments	4.5
TANF for GF for CHIP of Virginia	3.4
Caseload Contingency	3.0
Local Domestic Violence Grants	2.5
Restore Funds-Community Action Agencies	2.3
TANF-for-GF in CSA Trust Fund Grants	2.1
Hard-to-Serve Support in Dept. of Rehab. Svs.	1.7
Centers for Employment Training	1.5
TANF Motor Vehicle Disregard	1.2
Opportunity Knocks	1.0
Individual Development Accounts	0.8
Adoption Awareness Campaign	0.6
Investment for Self-Sufficiency (HB 289)	0.6
Food Bank Services	0.5
Medications Assistance-Mt. Rogers PDC	0.4
Economic Improvement Program	0.4
Greater Richmond Transit Company	0.4
Domestic Violence Awareness Campaign	0.3
Child Advocacy Centers	0.2
St. Paul's College Educational Program	0.2
Mentoring Program	0.2
Children's Trust Fund	0.2
One-to-One Mentoring	0.1
Craig County Day Care	0.1
People Inc.	0.1
United Community Ministries	0.1
Lenowisco Child Advocacy Center	0.1
Bristol Washington Child Advocacy	0.1
Fredericksburg Dental Clinic for Children	<0.1
Total	<u>\$90.1</u>

Targeted Reductions

- ***Administrative Efficiencies in Local DSS Departments.*** Adds language directing the Commissioner to work with localities to voluntarily merge and consolidate the administration of their local social services departments. The adopted budget also reduces funding for local departments by \$1.0 million GF the first year and \$3.0 million the second year to capture efficiencies in the administration of local social services.
- **Virginia Board for People with Disabilities**
 - ***Positions for Federal Programs.*** Adds 2.0 FTE positions to coordinate two federal programs implemented by the agency, the Partners in Policymaking program and the Youth Leadership Forum. Currently, these positions are held by wage employees.
- **Department for the Blind and Vision Impaired Services**
 - ***Technical Adjustment for Virginia Industries for the Blind.*** Adds \$6.7 million NGF in FY 2003 and \$7.7 million NGF in FY 2004 to reflect increased revenues and expenses from the opening of additional stores and satellite offices for Virginia Industries for the Blind.
 - ***Federal Funds for Vocational Rehabilitation Services.*** Adds \$513,638 NGF each year to reflect federal funding for vocational rehabilitation services to blind, visually impaired, and deaf and blind persons.