Health and Human Resources

The FY 2002 adopted budget for Health and Human Resources results in a net increase of $153.3 million GF. This total reflects new spending of $175.3 million, offset by $22.0 million in targeted reductions. In addition, further cuts of $15.6 million for a 3 percent across-the-board reduction are included in Central Appropriations for distribution to health and human resources agencies.

Most of the added spending is for mandatory programs. Inflation in medical costs and increasing numbers of low-income families, elderly, and disabled add $83.2 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 provided for children entitled to foster care and subsidized adoptions.

A few non-mandatory, but traditionally high priority, items also are included in the adopted budget. 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 adopted budget also adds $2.1 million for prescription drugs for mentally ill, mentally retarded, and substance abusing clients served in the state-funded mental health system, and $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 incentives, 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 allows Virginia to bill the federal government at the Medicare upper payment limits for nursing homes, a level that is above actual Medicaid reimbursement rates. Two local governments with public nursing homes will temporarily borrow matching funds that will enable the federal funds to be draw down and subsequently deposited to the state general fund.

The adopted budget includes $12.4 million in savings 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 results 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 supports growth of 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 will 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.

  Targeted 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.

- **Department of Medical Assistance Services (DMAS)**

  – ***Utilization and Inflation.*** Adds $71.6 million GF and $59.7 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 for nursing homes payments 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 incentives, 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 who are authorized to be served in the mental retardation waiver program. Currently, 5,166 eligible individuals are served through the waiver program.

– ***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 earlier 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.

Targeted 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 adopted 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 the biennium. However, language is added to ensure that all eligible children can be enrolled in the FAMIS program, by allowing funding to be moved between Medicaid and FAMIS for this purpose, if enrollment exceeds projections.

- – ***Capture Balances in State and Local Hospitalization Program.*** Adds language allowing the general fund to retain FY 2002 unexpended balances, as part of the across-the-board budget reduction for the department. Balances are estimated to total $657,139 GF.

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

  - – ***Restore Funds for Prescription Drugs.*** Provides $2.1 million in FY 2002 to address a shortfall in funding for prescription drugs for mentally disabled consumers.

  - – ***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.

Targeted Reductions

– ***Community Health Services Balances.*** Adds language reverting expected balances in community health services to the general fund. These balances are estimated to total $1.1 million at the end of FY 2002.

- **Department of Social Services**

– ***Foster Care and Subsidized Adoptions.*** Provides $9.6 million GF and $10.2 million NGF to cover the added costs for mandated foster care and subsidized adoption services. Foster care expenditures have increased on average by about 18.4 percent annually over the past five years, primarily due to increases in more expensive residential care. Average annual adoption expenditures have increased by about 12.6 percent in the past five years, while the number of children receiving adoption subsidies has increased by approximately 8 percent.

Targeted Reductions

– ***Substitution of TANF Funds for GF in Local Programs.*** Reduces general fund support by $3.0 million GF and substitutes federal Temporary Assistance to Needy Families (TANF) funds for a number of state-funded local programs listed in the following table.

GENERAL FUND REDUCTIONS REPLACED WITH TANF*	
	Amount
Healthy Families	$2,500,000
Domestic Violence Programs	250,000
Hampton Healthy Start	150,000
United Community Ministries	50,000
Volunteerism Respite Program	50,000
Total	**$3,000,000**

*Does not include $1.9 million GF replaced by TANF for local programs funded through the Health Department.

– ***Defer Rate Increase for Auxiliary Grants***. Saves $1.8 million GF by deferring a rate increase for auxiliary grants until January 1, 2002, when 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 projected to increase from $57 to $62 per month.

– ***Other Savings Actions.*** Assumes $1.8 million GF savings in the Department of Social Services through additional administrative actions.

- **Governor's Employment and Training Department (GETD)**

Targeted Reductions

– ***New Federal Job Training Program.*** Adds technical language eliminating 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 the designated state agency administering the WIA.