



Report of the Subcommittee on
Health and Human Resources

(Senate Bill 700, As Introduced)

Senate Finance Committee
Virginia General Assembly

February 2, 2003

REPORT OF THE SUBCOMMITTEE ON HEALTH AND HUMAN RESOURCES

Mr. Chairman and Members of the Committee:

In spite of the fiscal crisis the Commonwealth faces, we are pleased to report that we have avoided further cuts in services to our most vulnerable citizens. Once again, the subcommittee made it a priority to restore direct services, protect vital programs, and invest in areas with the greatest need. For example, we restored general fund dollars to the community service boards, community action agencies, and state institutions. We renewed our commitment to provide direct care for physically disabled individuals. We also reaffirmed our desire to reduce the waiting list in the mental retardation waiver program.

While the subcommittee focused on protecting services for the mentally disabled and children and families, we also struggled with various Medicaid cost containment strategies, including the implementation of a preferred drug list to control rising drug costs, and potentially serious funding issues related to the federal TANF block grant program.

Mentally Disabled Persons

- ***Mental Retardation Waiver Program.*** Virginia has continued to reduce the waiting list for community-based mental retardation waiver services. To that end, the subcommittee recommends adding 175 new waiver slots (\$7.0 million) for individuals on the waiting list who are being cared for by aging caregivers and whose needs require specialized care.
- ***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 \$2.0 million to restore most of the proposed cuts to the state's mental retardation training centers.
- ***Community-Based Care.*** While the provision of community-based care was dealt a setback in October 2002, when services were reduced by more than \$30 million, we continue to envision a strong system of community-based care. Hence, the subcommittee provided \$4.1 million to restore much needed services at the local level.

- ***Governor's Mental Health Restructuring Initiative.*** While the subcommittee remains committed to expanding the network of community-based services, we remain wary of reinvestment initiatives that rely upon unidentified savings at our state institutions in order to expand services in our communities. We cannot proceed at this time with the Governor's restructuring initiative. While the plan is laudable, we continue to harbor concerns about how the initiative will address the best interests and unique needs of persons with mental illness.
- ***Substance Abuse Treatment.*** The introduced budget eliminated funding for substance abuse treatment services under Medicaid for children and adults. This action not only jeopardizes funding for substance abuse but also funding from the federal Substance Abuse Prevention and Treatment block grant. We recommend that the Medicaid expansion begin on April 1, 2004, as planned, in order to preserve federal funding for substance abuse treatment.

Services for Children and Families

- ***Community-Based Care.*** To retain innovative local programs and services and continue leveraging additional non-state resources, the subcommittee recommends restoring \$2.0 million for community action agencies, \$275,000 for area health education centers, \$125,000 for the Comprehensive Health Investment Project, and \$125,000 for healthy families programs.

Medicaid Cost Containment

- ***Preferred Drug List.*** Recognizing that pharmacy spending continues to exert pressure on the Medicaid budget, the subcommittee endorsed the implementation of a preferred drug list by January 1, 2004. The program establishes a panel of qualified physicians and psychiatrists, including experts on mental health, aging, and community-based services, to recommend drugs that would be "preferred" for the treatment and care of specific illnesses based first and foremost on a drug's clinical effectiveness then cost-effectiveness. While not specifically excluded in language, some drugs commonly used in the treatment of cancer, diabetes, HIV and AIDS, will not be subject to prior authorization.

Federal TANF Block Grant

- *Impending shortfall.* The introduced budget depleted the remaining balance projected from the federal TANF block grant. Consequently, no new spending initiatives are proposed using TANF dollars. On the contrary, the subcommittee made it a priority to restore general fund dollars, where the Governor had proposed to use TANF moneys, to continue leveraging other non-state resources. We also added language requiring the Commissioner to prepare a plan to bring spending under the federal TANF block grant into structural balance in FY 2005.

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. We are confident that our recommendations preserve this commitment.

Respectfully Submitted,

The Honorable William C. Wampler, Jr., Chairman

The Honorable Benjamin J. Lambert III

The Honorable Kevin G. Miller

The Honorable R. Edward Houck

The Honorable Janet D. Howell

The Honorable Kenneth W. Stolle

The Honorable Thomas K. Norment, Jr.

HHR: Restoration of Budget Cuts (GF)

Services for Mentally Disabled	FY 03	FY 04
DMAS-Restore Substance Abuse Expansion (MOE)		\$ 1,264,063
DMAS: Reduce MR Waiver List By Adding 175 Slots		\$ 3,500,000
DMAS: Pref. Drug List Exemp./Atypical-Antipsych.		\$ 987,070
MHMR: Restore GF for Substance Abuse at CSBs	\$ 900,000	\$ 900,000
MHMR-Restore GF for Community-based Services		\$ 2,250,000
MHMR-Restore Portion of MR Training Centers Cut		\$ 1,000,000
DRS: Restore 50% of Red. to Centers/Ind. Living		\$ 142,752
DRS: Restore GF for Brain Injury Programs		\$ 226,074
DRS: Restore 50% of GF for Long-term Emp. Srvs.		\$ 163,000
DRS: Restore 50% of GF for Extended Emp. Srvs.		\$ 243,000
Subtotal	\$ 900,000	\$ 10,675,959

Services for Vulnerable Adults

Aging: Public Guardian & Conservator Program		\$ 105,000
DMAS: Nursing Facilities Rate Increase (Direct 5%)		\$ 8,746,986
DMAS: Nursing Facilities Rate Increase (Indirect 2%)		\$ 3,117,036
DMAS: Home Health Services Rate Increase (5%)		\$ 184,177
DMAS: Personal Care Rate Increase (2%)		\$ 950,457
DMAS: Adult Care Residents Rate Inc. (Medicaid)		\$ 544,699
DMAS: Nursing Facility Specialized Care Add-On		\$ 400,000
DSS: Caregivers Grant Program		\$ 100,000
DSS: Auxiliary Grant Increase of \$17/month (1.9%)		\$ 1,392,912
Subtotal	\$ -	\$ 15,541,267

Services to Children and Families

VDH: Reduce Reduction to AHECs		\$	275,000
VDH: Partially Restore GF/CHIP of VA		\$	125,000
DMAS: FAMIS Changes		\$	57,070
DSS: Partially Restore GF to Comm. Action Agen.		\$	2,000,000
DSS: Partially Restore GF to Healthy Families		\$	125,000

Subtotal		\$	-		\$	2,582,070
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Other

		<u>FY 03</u>			<u>FY 04</u>	
VDH: Restore Drinking Water Fund		\$	1,125,000		\$	1,125,000
VDH: Restore EMS GF reductions		\$	3,185,823		\$	3,185,823
DMAS: Inpatient Hospital Services Rate Inc. (5%)		\$	5,417,565		\$	5,417,565
DMAS: Restore 50% of Durable Medical Equip.		\$	400,000		\$	400,000
MHMR: Partially Restore Funds/Office of Insp. Gen.		\$	700,000		\$	700,000
MHMR: Violent Sexual Predator Program (SB-1149)		\$	13,000		\$	13,000

Subtotal		\$	-		\$	10,841,388
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TOTAL		\$	900,000		\$	39,640,684
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Biennium					\$	40,540,684
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HHR: Targeted Savings (GF)

	<u>FY 03</u>	<u>FY 04</u>
DMAS: Eliminate PATH Program		\$ (29,997,437)
VDH: Move to James Madison Bldg.		\$ (250,000)
DMAS: Revenue Maximization Initiatives		\$ (7,800,000)
Subtotal	\$ -	\$ (38,047,437)
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TOTAL	\$ -	\$ (38,047,437)
Biennium		\$ (38,047,437)

HHR: Language Amendments

	FY 03	FY 04
Aging: 40% Transfer Between Categories of Elderly Programs		Language
D&HOH: Connie Reasor Deaf Resource Center		Language
D&HOH: Norton Relay Center		Language
DOH: Comprehensive Suicide Prevention Plan		Language
DOH: Drinking Water State Revolving Fund for PD 1, 2, & 3		Language
DMAS: Transportation Call Center in Norton		Language
DMAS: Prior Authorization Reporting Requirements		Language
DMAS: Medicaid Buy-In Program		Language
DMAS: Cost Report Data		Language
DMAS: Medicaid Patient Pay Amounts		Language
DMAS: Prior Authorization of OTC Medications Clarified		Language
DMAS: Prior Authorization of High-Cost Proced. Clarified		Language
DMAS: Prior Authorization of Drugs > 9 Clarified		Language
DMAS: Free Standing Psychiatric Facility Rates		Language
MHMR: Web-based Data on Psychiatric Inpatient Beds		Language
MHMR: Eliminate Mental Health Restructuring Initiative		Language
MHMR: Eliminate Mental Health Restructuring Initiative		Language
DRS: ESO/LTESS Steering Committee Responsibilities		Language
DSS: Prioritize New Child Day Care Funding		Language
DSS: Semi-Annual Food Stamp Reporting Requirements		Language
DSS: Transitional Food Stamps		Language
DSS: Maintain Funding for Healthy Families Virginia		Language
DSS: Employment Contracts for Disabled TANF Recipients		Language

Health And Human Resources

Department Of Health

Language

Language:

Page 294, unstrike lines 24 through 29.

Page 294, line 29, strike "The".

Page 294, strike lines 30 through 37.

Explanation:

(This amendment restores language which provides funding to the Virginia Association of Volunteer Rescue Squads from the emergency medical services special fund. It also strikes language in the introduced budget that would have capped at \$257,125 each year the amount of funding distributed to the Virginia Association of Volunteer Rescue Squads pursuant to § 46.2-694 A 13 a, Code of Virginia.)

Health And Human Resources

Department Of Health

Language

Language:

Page 294, strike the new language on lines 47 through 51 and insert:

"F. From the fund balance of the Rescue Squad Assistance Fund, \$1,045,375 the first year shall be provided to the Department of State Police for aviation (med-flight) operations."

Explanation:

(This amendment directs \$1.0 million the first year from the fund balance of the Rescue Squad Assistance Fund to the Department of State Police for med-flight operations. Unlike the introduced budget amendment, this amendment does not reduce the appropriation to the Rescue Squad Assistance Fund. A companion amendment in item 459 restores the general fund appropriation for med-flight operations and eliminates this transfer in the second year to the Department of State Police and requires the Department to explore second-party billing for med-flight operations.)

Health and Human Resources Subcommittee

Item 325 #34s

Health And Human Resources	FY 02-03	FY 03-04	
Department Of Medical Assistance	\$0	\$1,264,063	GF
Services	\$0	\$1,291,150	NGF

Language:

Page 310, line 52, strike "\$3,463,427,364" and insert "\$3,465,982,577".
Page 319, unstrike the language on lines 3 through 9.

Explanation:

(This amendment restores Medicaid coverage of substance abuse services for children and adults slated to begin on April 1, 2004. An estimated 16,000 individuals will eventually receive services under this provision. This funding along with a companion amendment in Item 334 meets the state's current maintenance of effort (MOE) requirement for the federal Substance Abuse Prevention and Treatment (SAPT) block grant. The Governor's introduced budget created a \$2.0 million deficit in the state's MOE in FY 2003, which will likely result in a dollar for dollar reduction in Virginia's SAPT block grant allocation in FY 2004. Restoration of these funds for substance abuse services will minimize the affect of the federal reduction in FY 2004 and restore the full SAPT allocation in FY 2005.)

Health and Human Resources Subcommittee

Item 325 #36s

Health And Human Resources	FY 02-03	FY 03-04	
Department Of Medical Assistance	\$0	\$987,070	GF
Services	\$0	\$992,214	NGF

Language:

Page 310, line 52, strike "\$3,463,427,364" and insert "\$3,465,406,648".
Page 322, delete lines 56 through 58.
Page 323, delete lines 1 through 23 and insert:
"ZZ. 1. Notwithstanding §32.1-331.12 et seq. Code of Virginia, the Department of Medical Assistance Services, in consultation with the Department of Mental Health, Mental Retardation, and Substance Abuse Services, shall amend the State Plan for Medical Assistance Services to modify the delivery system of pharmaceutical products as to include a Preferred Drug List program. Those pharmacy products not included on the preferred drug list will be subject to prior authorization. The final design of the program, including all operational components, must be completed no

later than May 1, 2003. In developing the modifications the Department shall consult with other interested parties including but not limited to, physicians, pharmacists, pharmaceutical manufacturers, and patient advocates. Notwithstanding §32.1-331.12 et seq. Code of Virginia, to implement these changes the Department of Medical Assistance Services shall promulgate emergency regulations to become effective within 280 days or less from the enactment of this act. With respect to such State Plan amendment and regulations, the provisions of § 32.1-331.12 et seq. Code of Virginia shall not apply. In addition, the Department shall work with the Department of Mental Health, Mental Retardation and Substance Abuse Services to consider utilizing a Preferred Drug List program for its non-Medicaid clients.

2. The Department of Medical Assistance Services shall utilize a Pharmacy and Therapeutics Committee to assist in the development and ongoing administration of the Preferred Drug List program and the associated prior authorization process. The Pharmacy and Therapeutics Committee shall be composed of twelve members, including the Commissioner of the Department of Mental Health, Mental Retardation, and Substance Abuse Services, or his designee. The other eleven members are to be selected or approved by the Department. Six of the members shall be physicians licensed in Virginia, one of whom is a psychiatrist and one of whom specializes in care for the aging; and five members shall be pharmacists licensed in Virginia, one of whom has clinical expertise in mental health drugs and one of whom has clinical expertise in community-based mental health treatment.

3. The Pharmacy and Therapeutics Committee shall recommend to the Department of Medical Assistance Services (i) which therapeutic classes of drugs should be subject to the Preferred Drug List Program and the associated prior authorization process; (ii) which specific drugs within each therapeutic class should be included on the preferred drug list; and (iii) whether the Preferred Drug List Program should include reference drugs by therapeutic class and supplemental rebates. In developing and maintaining the preferred drug list, the Pharmacy and Therapeutics Committee first shall determine which drugs are safe and clinically effective; the cost effectiveness of any given drug shall be considered only after it is determined to be safe and clinically effective.

4. The Preferred Drug List Program and associated prior authorization process shall not apply to atypical anti-psychotic drugs or other similar therapeutic classes used in the treatment of mental illness that have proven to be safe and clinically effective in the provision of community-based services. The Pharmacy and Therapeutics Committee shall consider recommending the adoption of grandfather clauses when

prior authorization would interfere with established drug regimens that have proven to be clinically effective."

Explanation:

(This amendment authorizes the Department of Medical Assistance Services to create a Preferred Drug List for the Medicaid program to be implemented no later than January 1, 2004. A committee of qualified physicians and pharmacists to be known as the Pharmacy and Therapeutics Committee will recommend which therapeutic classes should be subject to the preferred drug list, which drugs within each therapeutic class should be included on the preferred drug list (i.e., would not be subject to prior authorization requirements), and whether the program should include reference drugs by therapeutic class and supplemental rebates. While atypical, anti-psychotic drugs are specifically excluded from the Preferred Drug List Program, other prescription drugs will also likely be excluded, for example, when prior authorization would interfere with proven drug regimens for specific illnesses (e.g., anti-virals for HIV/AIDS). The Preferred Drug List Program will be implemented no later than January 1, 2004.)

Health and Human Resources Subcommittee

Item 334 #5s

Health And Human Resources	FY 02-03	FY 03-04	
Grants To Localities	\$0	\$2,250,000	GF

Language:

Page 335, line 3, strike "\$207,253,750" and insert "\$209,503,750".

Page 337, after line 43, insert:

"P. Of the additional general fund appropriation provided in the second year, the allocation provided to the Rappahannock - Rapidan Community Services Board shall be used to restore clinical services at Madison Family Guidance Services."

Explanation:

(This amendment restores \$2.3 million general fund the second year to the community services boards and directs the Rappahannock - Rapidan Community Services Board to reopen the clinic at Madison Family Guidance Services out of its allocation of approximately \$33,000.)

Health and Human Resources Subcommittee

Item 334 #9s

Health And Human Resources	FY 02-03	FY 03-04	
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Grants To Localities \$900,000 \$900,000 GF

Language:

Page 335, line 3, strike "\$221,415,566" and insert "\$222,315,566".

Page 335, line 3, strike "\$207,253,750" and insert "\$208,153,750".

Page 337, after line 43, insert:

"P. Out of this appropriation, \$900,000 each year of the biennium from the general fund shall be used to provide substance abuse services through the community service boards."

Explanation:

(This amendment restores \$900,000 from the general fund each year of the biennium to the community services boards to provide substance abuse services. This funding along with a companion amendment in Item 325 will help the Commonwealth meet its current maintenance of effort (MOE) requirement for the federal Substance Abuse Prevention and Treatment (SAPT) block grant. The Governor's introduced budget created a \$2.0 million deficit in the state's MOE in FY 2003, which will likely result in a dollar for dollar reduction in Virginia's SAPT block grant allocation in FY 2004. Restoration of these funds for substance abuse services will minimize the affect of the federal reduction in FY 2004 and restore the full SAPT allocation in FY 2005.).

Health and Human Resources Subcommittee

Item 345 #1s

Health And Human Resources	FY 02-03	FY 03-04	
Department Of Rehabilitative Services	\$0	(\$105,000)	GF

Language:

Page 342, line 55, strike "\$7,456,832" and insert "\$7,351,832".

Page 343, after line 11, insert:

"In FY 2004, recovery of administrative costs through the long-term employment support services program shall be limited to \$80,000."

Explanation:

(This amendment reduces administrative costs in the Department of Rehabilitative Services by \$105,000 in FY 2004. A companion amendment in Item 347 redirects this funding to restore cuts to the long-term employment support services (LTESS) program. Language is also added to ensure that the department recovers no more than \$80,000 or 2 percent for administrative overhead to

implement the LTESS program. In implementing the across-the-board reductions contained in Chapter 899, the agency had increased the amount recovered from the LTESS for administrative overhead, thus reducing the amount available for direct services.)

Health and Human Resources Subcommittee

Item 347 #1s

Health And Human Resources	FY 02-03	FY 03-04	
Department Of Rehabilitative Services	\$0	\$105,000	GF

Language:

Page 343, line 24, strike "\$78,848,925" and insert "\$78,953,925".

Explanation:

(This amendment restores \$105,000 the second year for long-term employment support services that was reduced by the Governor's October budget actions. A companion amendment in Item 345 limits administrative funding in the Department of Rehabilitative Services by a commensurate amount to provide funds for these direct disability services.)

Health and Human Resources Subcommittee

Item 347 #3s

Health And Human Resources
Department Of Rehabilitative Services

Language

Language:

Page 343, line 40, strike "600,000" and insert "628,000".

Page 343, line 41, after "recipients of", insert:
"Extended Employment Services and".

Explanation:

(This amendment restores reductions in funding to Extended Employment Services and Long Term Employment Support Services from the Department of Rehabilitative Services Economic Development Fund reserved for employment service organizations.)

Health And Human Resources

Department Of Social Services

Language

Language:

Page 348, after line 38, insert:

"J. In consultation with the appropriate subcommittees of the Senate Finance and House Appropriations Committees, the Secretary of Health and Human Resources shall develop a plan to bring the federal TANF block grant into structural balance for the fiscal year beginning July 1, 2004. At a minimum, the Secretary shall evaluate the effectiveness of the project or program funded with federal TANF block grant moneys and how the project or program satisfies one of the four purposes of the federal TANF block grant program as described in §401 of the Social Security Act. The Secretary shall provide quarterly updates on the development of the plan to the Chairmen of the Senate Finance and House Appropriation subcommittees.

Explanation:

(This amendment is self-explanatory.)