# Health and Human Resources

The adopted budget for Health and Human Resources (HHR) provides a net increase of $564.8 million GF and $496.2 million NGF compared to the adjusted base budget. This total reflects new biennial spending of $662.6 million GF and $516.2 million NGF offset by reductions of $97.8 million GF and $19.9 million NGF. Almost 83 percent or $548.5 million of the increase in general fund appropriations is required to comply with federal and state mandates to meet caseload and cost increases, and maintain services at current levels. Most of this increase is due to caseload and cost increases in Medicaid ($325.0 million), the Comprehensive Services Act ($158.6 million), the FAMIS and SCHIP children's health insurance programs ($27.2 million), and foster care and adoption subsidy programs ($10.5 million). Spending to maintain services at current levels requires the addition of $27.2 million GF, primarily due to the loss of federal funds for mandated activities in the Department of Social Services. This includes a total of $23.9 million GF for child welfare services and $3.3 million GF for child support enforcement activities.

Of the increases adopted, about 15.8 percent or $104.9 million GF is dedicated to four major initiatives including: $41.6 million to expand mental health services, $41.6 million to expand mental retardation services, $13.4 million for child welfare improvements, and $8.2 million to expand access to health care. In addition, the adopted budget includes $7.5 million to maintain or improve agency operations and services, and $1.7 million for other service expansions.

About 82 percent of the general fund spending reductions in Health and Human Resources are derived from four savings strategies: cost containment actions in the Medicaid program ($41.2 million), Medicaid savings from increases in nongeneral fund revenues ($26.3 million), cost containment actions in the Comprehensive Services Act program ($10.1 million), and the use of federal Temporary Assistance to Needy Families (TANF) block grant funds to offset general fund expenditures for eligible programs ($6.9 million). Significant reductions include:

– $29.6 million GF by lowering the inflation rate applied to Medicaid payments for hospital inpatient services by about 2.7 percent;

– $11.6 million GF by lowering Medicaid payment rates for nursing home services by about 1.3 percent;

– $26.3 million GF in savings from increases in net revenue in the Virginia Health Care Fund which offsets general fund spending in the Medicaid program. Two of three revenue sources for the fund are projected to increase over the biennium, including $5.6 million more from the Tobacco Master Settlement Agreement and $27.0 million more from prior-year Medicaid recoveries;

– $5.3 million GF in savings from financial incentives in the Comprehensive Services Act program to encourage localities to improve the use of appropriate community care compared to more costly institutional care of children; and

- $2.0 million GF in savings from better utilization of Medicaid in serving children eligible for services through the Comprehensive Services Act program.

- **Comprehensive Services for At-Risk Youth and Families**

  - ***Mandatory Caseload and Cost Increases.*** Adds $65.4 million GF the first year and $93.2 million GF the second year to fully fund anticipated growth in the CSA program, which is being driven by caseload and costs, as well as law and policy changes. Caseloads are projected to increase by 8 percent each year during the 2008-10 biennium, compared to recent historical growth of about 3.8 percent. Costs are expected to increase by 10 percent annually, largely due to increases in therapeutic foster care services, special education private day placements and residential treatment services.

    Several changes in federal and state policies and laws have also contributed to growing costs in the program. Changes in the federal Deficit Reduction Act of 2005 have made it more difficult for children to qualify for the federally-funded foster care program and eliminated federal Medicaid matching funds for most therapeutic foster care services provided to children and adolescents in the CSA program. These changes are estimated to have increased state costs from $5.5 million to $17.0 million annually.

    Policy changes adopted by the State Executive Council in FY 2008 require CSA to provide mental health services to children and adolescents who are at-risk of placement in the state's custody if treatment is not provided. The Joint Legislative Audit and Review Commission estimated in March 2007 that this change would increase the number of children served in CSA by 753 children, or 4.1 percent, at a cost of $14.3 million in FY 2008. The fiscal impact of this policy change is estimated to be $15.7 million in FY 2009 and $17.3 million in FY 2010. In addition, the JLARC review found that current CSA policy of restricting foster care preventive services was not consistent with CSA law. Recent policy changes to comply with CSA law are expected to contribute to additional costs in the program.

  - ***Increase Family Foster Care Rates in CSA.*** Provides $1.1 million GF the first year and $2.1 million GF the second year to increase family foster care maintenance payments by 15 percent in FY 2009 and an additional 8 percent in FY 2010. As a result of this increase, monthly payments for children in state foster care served in the CSA program will increase from $359 to $446 for children between the ages of 0-4, $419 to $520 for children between the ages of 5-12, and $531 to $660 for children age 13 and up. This increase is designed to encourage and maintain the participation of families in foster care and offset the cost of more expensive, residential facility placements. A separate amendment in the Department of Social Services includes an identical increase in payments for children who qualify for federal Title IV-E foster care placements.

– *Financial Incentives for CSA Community Services.* The adopted budget restores $7.2 million GF of a $12.5 million GF reduction in CSA funding proposed in the introduced budget from the implementation of financial incentives for localities to use community-based services rather than more expensive residential placements for children receiving services through CSA. The adopted budget changes cost-sharing requirements between the state and local governments to encourage the use of CSA community services at a slower pace than was contained in the introduced budget. The state share of CSA funding for community-based services would increase over a 2-year period from a statewide average of about 64 percent to about 83 percent. Beginning January 1, 2009, the state share for residential services would decline from a statewide average of about 64 to 61 percent after a locality has incurred the first $100,000 in annual residential care expenditures. Beginning in FY 2010, the state share for residential services would decline to a statewide average of about 55 percent, after a locality has incurred the first $200,000 in annual residential care expenditures.

  Language requires the Secretary of Health and Human Resources to establish a work group to prepare for changes in state and local match rates. The language requires the work group to examine the impact of local match rate changes on administration of the program, reporting requirements, service development and delivery, quality assurance, utilization management, and care coordination to ensure children receive appropriate and cost-effective services. The work group shall also consider future action to improve the quality of care, maximize cost effectiveness, and achieve administrative efficiencies in the program. The Secretary is required to report on the outcomes of this policy change annually on November 1, 2008.

– *Purchase of a CSA Information System.* Provides $225,000 GF the first year and $52,000 GF the second year to purchase and maintain an information system to provide demographic, service, expenditure and outcome data on children served through CSA. Information will be collected through a uniform assessment instrument and tracked to provide the state and localities with better data with which to assess expenditures and outcomes.

– *Improve Use of Medicaid in CSA.* Reduces spending in CSA by $2.0 million GF in FY 2010 as a result of requiring local Community Policy and Management Teams to use Medicaid funded services whenever they are available for the appropriate treatment of children receiving CSA services, and prohibiting the use of state pool funds for CSA services that can be funded through Medicaid for Medicaid-eligible children.

– *Substitute TANF for GF in CSA Services.* Continues to supplant general funds with federal Temporary Assistance to Needy Families (TANF) for community services provided through the CSA Trust Fund. This results in a savings of $965,579 GF in the second year.

- **Department of Health**

*Health Care Safety Net Services*

– ***Added Funding for Health Safety Net Providers.*** Adds $3.8 million GF the first year and $2.4 million GF the second year to provide health care services through safety net providers. The following organizations and programs would receive funding in the amounts listed below:

  - $1.8 million the first year and $900,000 the second year to the Virginia Community Healthcare Association to support community health center operating costs for services provided to uninsured clients;

  - $1.7 million the first year and $875,000 the second year to the Virginia Association of Free Clinics to support free clinic operating costs for services provided to uninsured clients;

  - $300,000 GF the second year to local health departments to expand breast and cervical cancer screening and diagnostic services to 1,333 low-income women. Funding may also be used for materials to recruit and enroll minority women and women between the ages of 18 and 44 who have not been screened. Funding for women screened by the program who need breast and cervical cancer treatment is provided through the Department of Medical Assistance Services;

  - $250,000 GF each year to the Patient Advocate Foundation to assist uninsured patients in obtaining medically necessary health care and ancillary services by helping them access existing health care or benefit programs that may be available to help with the payment of their health care costs; and

  - $25,000 GF each year to support the Virginia Dental Health Foundation's Mission of Mercy Dental Project which provides free dental services to uninsured Virginians.

*Improvements to Agency Operations*

– ***Salary Adjustments for Chief Medical Examiner and Forensic Pathologist Positions.*** The adopted budget adds $252,729 GF the first year and $505,457 GF the second year to phase-in an increase in the statewide average salary for experienced pathologist positions from about $134,000 to $180,000 annually and newly trained pathologist positions from about $130,000 to $160,000 annually. Funds would provide the Chief Medical Examiner a pay adjustment from $164,427 to $200,000 annually. These salary adjustments would enable the Department to recruit and retain these highly recruited positions.

– ***Additional Lease Costs for Local Health Departments.*** Adds $911,955 GF the first year and $504,205 GF the second year and $362,947 NGF each year to pay for additional lease costs associated with new health department facilities in the City of Roanoke and Isle of Wight, Prince William and Suffolk counties. All of the existing facilities in these localities have critical health/safety problems as identified by the Health Department's facility needs assessment.

– ***Add Funds to Support Office of Drinking Water Programs.*** Adds $250,000 GF each year to fully support the salaries and benefits for nine current positions and supplemental funding for four positions in the Office of Drinking Water Programs. The Office has vacancies which inhibit its ability to comply with federal requirements under the Safe Drinking Water Act.

*Technical Changes to Nongeneral Fund Appropriations*

– ***Increase NGF for Special Supplemental Nutrition Program for Women, Infants and Children (WIC).*** Adds $23.1 million NGF each year from increases in U.S. Department of Agriculture (USDA) support for food costs in the WIC program and anticipated increases in program enrollment. The WIC program receives 100 percent of its funding from the USDA.

– ***Increase NGF in the Trauma Center Fund.*** Adds $4.2 million NGF each year from increased revenues in the Trauma Center Fund from the restoration of revoked motor vehicle licenses and multiple offenders convicted of driving under the influence. Of this amount, $1.0 million NGF each year is transferred to the general fund.

– ***Increase NGF for Emergency Medical Services.*** Provides $4.2 million NGF each year from $4-for-Life funds from motor vehicle registrations to nonprofit emergency medical services organizations and localities. This funding is estimated to increase by 4 percent over the prior biennium reflecting recent trends in the collection of revenues in the fund. Funds are used for training and education of emergency medical services personnel, the purchase of equipment and supplies, and to support local government operations.

– ***Add NGF for Federal CDC Grant to Expand Immunization Registry System.*** Provides $1.4 million NGF the first year and $1.3 million NGF the second year from a federal CDC grant to expand the immunization registry used by local health departments to record and track immunizations of patients throughout their lives. Funding would be used for information technology services and support, user education and training, digital certificate licenses, registry marketing, and other support material.

*Budget Reductions*

– ***Reduce NGF for Drinking Water State Revolving Fund.*** Reduces $4.5 million NGF each year due to declining federal funding for waterworks construction through the Safe Drinking Water Act.

– *Increased Fees for Certain Environmental Services.* The adopted budget reduces general funds by $750,000 the first year and $1.5 million the second year and increases nongeneral funds by $2.5 million and $3.5 million respectively from increased fees for certain environmental services provided through local health departments. The fee increases will be applied to permits for well and septic systems and food services in restaurants, hotels, campgrounds and summer camps. The increases in funding will be used to cover the costs of program staffing, monitoring and quality assurance activities. Current fees do not fully support these health department activities. Fee increases for food permits will increase from $40 to $100, while fees for facilities under review will increase from $40 to $75. Fees for construction permits and certification letters for onsite sewage and water systems will increase from $125 to $1,000 depending on the type of service and the size of the system. For example, construction permits for on-site sewage systems for homes with 6 or fewer bedrooms will increase from $75 to $355, while construction permits for larger commercial systems would increase from $75 to $1,000.

– *Substitute TANF for GF in Community Programs.* The Governor's October 2007 budget reductions which were continued in the 2008-10 biennium substitutes federal Temporary Assistance to Needy Families (TANF) block grant dollars for $4.0 million GF in the first year for four health department programs. In addition, the adopted budget replaces $1.9 million GF in the second year for three of these programs with a like amount of federal TANF block grant dollars. Similar amendments in CSA and the Department of Social Services leverage federal TANF block grant funds for eligible services because recent TANF caseload declines have resulted in lower than expected expenditures of block grant dollars. General fund amounts are replaced with TANF funds in the following programs in the amount listed:

  - Comprehensive Health Investment Project - $2,141,890 the first year and $1,070,945 the second year;

  - Teenage Pregnancy Prevention Programs - $910,000 the first year and $455,000 the second year;

  - Partners in Prevention - $765,000 the first year and $382,500 the second year; and

  - Resource Mothers - $176,800 the first year.

– *Eliminate Funding for Area Health Education Centers.* Eliminates funding of the Area Health Education Centers (AHECs) resulting in savings of $400,000 GF each year. The AHECs promote health careers and access to primary care for medically underserved populations through community and academic partnerships.

– *Eliminate GF for Regional Health Planning Agencies.* Eliminates general fund appropriations for the Regional Health Planning Agencies by $316,418 each year.

The agencies will retain funding from Certificate of Public Need application fees received by the Virginia Department of Health that are in excess of those required to operate the department's COPN program. In the past few years, these excess fees have ranged from about $500,000 to more than $700,000 annually.

– ***Eliminate Grant for Electronic Health Records.*** Eliminates general fund appropriations for grants for electronic health records by $325,000 each year. This grant program was a new initiative that began in the 2006-08 biennium.

– ***Study Fees for Shellfish and Marina Programs.*** Language requires the Department of Health to study imposing fees to fully cover the costs of these inspection programs, thus saving general fund dollars in the second year. The study is to be completed by August 1, 2008.

- **Department of Health Professions**

– ***Add Funding and Positions for Disciplinary Process and Administrative Proceedings.*** Provides an additional $779,014 NGF the first year and seven positions and $862,605 NGF the second year and an additional position from nongeneral funds to improve the timeliness of disciplinary investigations and resolution of cases regarding misconduct by health care practitioners. Nongeneral funds are provided from health professions' licensing fees. Funds will also be used to address the backlog of cases.

– ***Additional NGF for Prescription Drug Monitoring Program.*** The approved budget provides $788,798 NGF each year and two positions from a portion of the OxyContin settlement for the Virginia Prescription Monitoring Program. The Purdue Frederick Company deposited $20.0 million into a state account pursuant to a plea agreement. These funds are to be used solely for the operation of the Virginia Prescription Monitoring Program. A portion of the funding will be drawn from the trust account each year for program operations.

– ***Enforcement of Medication Aide Training Requirements.*** Adds language suspending the enforcement of regulations related to the registration of medication aides working in assisted living facilities until December 31, 2008 to allow assisted living facilities enough time to ensure medication aides are registered with the Board of Nursing as required by law.

- **Department of Medical Assistance Services**

*Forecast Changes*

– ***Medicaid Utilization and Inflation.*** Adds $89.2 million GF and $100.6 million NGF the first year and $235.8 million GF and $244.3 million NGF the second year to fully fund projected increases in enrollment and medical costs for the Medicaid program. Nongeneral funds are provided through matching federal Medicaid dollars. Medicaid spending is projected to grow by 6 percent in FY 2009 and 5 percent in FY 2010. The projected growth rates are lower than in previous years due to several factors. New federal documentation requirements for citizenship and identity appear to have artificially slowed enrollment growth for low-income children and families. While enrollment is expected to pick up, it is not projected to grow at previously anticipated rates.

The program is projected to continue to experience steady enrollment growth in the number of low-income aged, blind and disabled individuals served by the program. In addition, the rising cost of health care services, including inpatient and outpatient hospital services, nursing facility services, and Medicare Part B premiums that are paid for low-income elderly recipients on Medicaid, require additional resources to fund the program's growth.

– ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Increases funding by $6.2 million GF in FY 2009 and $10.8 million GF in FY 2010 and $11.4 million NGF in FY 2009 and $19.9 million NGF in FY 2010 from federal matching funds to address anticipated enrollment and cost increases for the FAMIS program. FAMIS spending is projected to grow by 13 percent in FY 2009 and 11 percent in FY 2010, significantly lower than the 23 percent rate of growth projected for FY 2008. Monthly enrollment in FAMIS is expected to grow by 6 percent in FY 2009 and 5 percent in FY 2010 from about 51,000 children in FY 2008 to almost 57,000 in FY 2010.

– ***Medicaid State Children's Health Insurance Program (SCHIP).*** The approved budget adds $4.1 million GF in FY 2009 and $6.2 million GF in FY 2010 and $7.6 million NGF in FY 2009 and $11.4 million NGF in FY 2010 from federal matching funds to fully fund caseload growth for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level. The federal government matches Medicaid expenditures for these children at the same rate as that provided for the FAMIS program (about 65 percent). Projected monthly enrollment in Medicaid SCHIP is expected to grow 6 percent in FY 2009 and 5 percent in FY 2010 from about 37,000 children in FY 2008 to almost 41,500 in FY 2010.

– ***Reduce Funding for Involuntary Mental Commitments.*** Reduces $1.0 million GF the first year and $796,166 GF the second year reflecting recent data that indicates payments from the Involuntary Mental Commitment Fund will be less than currently budgeted. The fund pays for the cost of hospital and physician services for individuals who are subject to the involuntary mental heath commitment process.

*Service Expansions*

– ***Mental Retardation (MR) Waivers for Community Residents.*** Adds $11.7 million GF the first year and $17.5 million GF the second year and a like amount of federal Medicaid matching funds to phase-in a total of 600 additional mental retardation waiver slots for individuals who are on the urgent care waiting list and living in the community. Approximately 3,907 individuals are currently on the waiting list for the MR waiver program, half of whom are on the urgent care waiting list. Additional funding through the Department of Mental Health, Mental Retardation and Substance Abuse Services provides for the start-up costs associated with the development of these additional MR waiver slots.

– ***Mental Retardation (MR) Waiver Congregate Care Rate Increase.*** Provides $5.0 million GF each year and a like amount of federal Medicaid matching funds to provide a 3.6 percent rate increase effective July 1, 2008 for congregate residential group home services for individuals served through the Medicaid mental retardation (MR) home and community-based waiver program.

– ***Expand Access to Prenatal Care for Pregnant Women (FAMIS Moms).*** Includes $1.6 million GF the second year and $2.9 million in federal matching funds to increase eligibility for the FAMIS Moms program from 185 to 200 percent of the federal poverty guidelines effective July 1, 2009. This expansion is expected to increase access to prenatal care for 400 pregnant women, improve birth outcomes and reduce uncompensated care at hospitals.

– ***Add Funds to Implement Acute and Long-term Care Integration Initiative.*** Provides $239,944 GF and $239,944 NGF and one position each year to implement a regional model for the integration of acute and long-term care services. Most of the funding will be used for contractors to support managed care enrollment, conduct actuarial analysis to set rates, and provide quality reviews. Integration of acute and long-term care services is expected to result in higher quality of care for Medicaid recipients in long-term care settings and cost savings in future years from fewer hospitalizations.

– ***Money Follows the Person Demonstration Project.*** Adds language authorizing the Department to facilitate the movement of up to 290 individuals each year from more costly institutional settings to the community. The federal government is providing Medicaid funding at a higher match rate through the "Money Follows the Person" program – three to one instead of a dollar for dollar match – to encourage states to build the community infrastructure necessary to transition individuals from nursing homes, intermediate care facilities, and long-stay hospitals into the community. As part of this initiative, language authorizes the Department to increase the number of mental retardation waiver slots by 220 and the number of developmental disability waiver slots by 30 over the biennium for Medicaid recipients currently residing in institutional settings.

– ***Uninsured Medical Catastrophe Fund.*** Adds $225,000 GF each year for the Uninsured Medical Catastrophe Fund administered by the Department. This fund provides financial assistance to uninsured persons who need treatment for a life threatening illness or injury.

*Budget Reductions*

- ***Virginia Health Care Fund (VHCF).*** Includes a reduction of $14.4 million the first year and $11.9 million the second year in the general fund as a result of additional revenues to the Virginia Health Care Fund. Established in 2004, the VHCF is comprised of tobacco tax revenues, a portion of the master tobacco settlement payments, and Medicaid recoveries. Because revenues in the fund are used to match federal Medicaid spending, additional revenue to the Fund results in a savings to the general fund. Revenues from the Tobacco Master Settlement Agreement are expected to increase by $5.6 million over the biennium, including $1.3 million from new revenues that otherwise would have been directed to the Virginia Tobacco Settlement Foundation. Medicaid recoveries are expected to increase by $27.0 million over the biennium, while tobacco product tax revenues are projected to be $6.2 million lower during the 2008-10 biennium.

- ***Reduce Inflation Adjustment for Inpatient Hospital Services.*** Reduces $14.2 million the first year and $15.4 million the second year from the general fund and an equal amount of federal Medicaid matching funds to reduce an inflationary adjustment included in the introduced budget for inpatient hospital services. The Medicaid forecast included an inflationary adjustment of approximately 4.8 percent for inpatient hospital services. Instead, hospitals will receive a 2.0 percent inflationary adjustment, which results in an increase in funding for the biennium.

- ***Reduce Inflation Adjustment for Nursing Homes.*** Reduces $5.7 million the first year and $5.8 million the second year from the general fund and an equal amount of federal Medicaid matching funds to reduce an inflationary adjustment included in the introduced budget for nursing home services. The Medicaid forecast included an inflationary adjustment of approximately 3.7 percent for nursing home services. Instead, nursing homes will receive a 2.0 percent inflationary adjustment, resulting in an increase in funding for the biennium. Language allows the agency to adjust nursing home direct and indirect payments to allow for this funding change.

- ***Chronic Care Case Management Program.*** Reduces $791,641 GF and a like amount of federal Medicaid matching funding each year as a result of implementing a chronic care case management program in Medicaid. An additional position will be added to develop and manage a contract to implement the program to better manage the care and costs of Medicaid recipients with multiple chronic conditions. The annual costs for the program are estimated to be $900,000 GF, while annual savings are projected to be $1.7 million GF.

- ***Limit Primary Care Case Management Program to Certain Localities.*** Reduces Medicaid spending by $464,518 GF in FY 2009 and $470,093 GF in FY 2010 and a like amount of federal matching funds each year by limiting the Medicaid MEDALLION program which provides a case management fee to primary care doctors who provide care to Medicaid recipients. The MEDALLION program is maintained in the Roanoke area, because there is only one managed care option available to Medicaid recipients in that area and the MEDALLION program serves as the other managed care option for those Medicaid enrollees. At least two plans are necessary in order to require all Medicaid enrollees in the region to enroll in managed care.

– ***Align Funding for the Alzheimer's Waiver.*** Reduces $200,000 GF each year and an equal amount of federal Medicaid matching funds to adjust funding for the Alzheimer's Waiver to the level of anticipated expenditures. At present, enrollment in the waiver is low, because the agency has been unable to attract providers to serve waiver recipients.

– ***Enhance Medicaid Oversight Activities.*** Reduces $85,000 GF and $115,000 NGF in matching federal Medicaid funds in FY 2009 by participating in a required federal program to measure payment error rates in federal FY 2009. States are required to review the Medicaid and SCHIP eligibility determinations, estimate the amount of improper payments, report those estimates to the federal government, and take actions to reduce erroneous payments. The cost to conduct eligibility reviews is estimated to be $340,000 GF and $460,000 NGF from federal funds. These expenditures are expected to be offset by recovering amounts that may have been erroneously paid by the programs, resulting in a net decrease in general fund and nongeneral fund expenditures for the programs.

– ***Realign Medicaid Rates for Supported Employment.*** Adds language authorizing the Department of Medical Assistance Services to align the rates it pays for individual supported employment services under Medicaid home and community-based waivers with the rates paid by the Department of Rehabilitative Services for services provided to disabled individuals who are not eligible for Medicaid-reimbursed services. This change is expected to increase access to supported employment services and diminish the need for other Medicaid-funded waiver services. The fiscal impact of this change is budget neutral due to the offset in costs of more expensive waiver services for these individuals.

– ***Medicaid Incentives for Healthy Lifestyles.*** Adds language authorizing the Department of Medical Assistance Services to develop a plan to implement a program that provides incentives for Medicaid recipients to make decisions which positively impact their health. Language is also added to allow for the development of either Medicaid State Plan amendments or a waiver to implement the program. These incentives should assist the Medicaid program in avoiding future health care costs. Wellness programs are estimated to return approximately $3 to $8 for every dollar invested in the program.

***Administrative Changes***

– ***Additional Authority to Include Life Estates in Determining Medicaid Eligibility.*** Adds language authorizing the agency to count life estates as a resource in determining Medicaid eligibility for covered groups for which a resource determination is required, including individuals requesting Medicaid payment for long-term care services. Currently, life estates held in the property serving as the principal residence at the time an individual becomes institutionalized are not a countable resource in the Medicaid determination for the first six months following admission to a long-term care facility.

– ***Additional Authority to Implement a Site of Service Differential for Physician Services.*** Includes language authorizing the agency to implement a rate differential for physician services based on the site at which the service is provided as defined by Medicare. The department annually adjusts physician fee schedules based on Medicare updates to the Resource Based Relative Value Scale (RBRVS) which includes different rate factors for facility and non-facility procedures. The department has historically used only the non-facility rate factors to develop physician rates. The implementation of the differential will be budget neutral and phased-in over a four-year time period to minimize negative impacts on certain procedures and physician groups.

– ***Authority for Prior Authorization and Utilization Review of Community Mental Health Programs.*** Adds language providing the department with the authority to implement prior authorization and utilization review for community-based mental health services for children and adults. Included as part of the October 2007 budget reductions and incorporated into the base budget for the agency, this initiative is expected to save $4.2 million GF and a similar amount of federal Medicaid matching funds each year.

*Technical Changes*

– ***Adjust NGF Appropriations to Reflect Revenue and Expenditures.*** The approved budget includes several adjustments to nongeneral fund appropriations to reflect revenues and/or expenditures in programs administered by the Department of Medicaid Assistances Services. These adjustments are outlined below:

  ▪ ***State and Local Hospitalization Program.*** Reduces $800,000 NGF each year to reflect the local share of expenditures for this program.

  ▪ ***Indigent Health Care Trust Fund.*** Reduces $1.8 million NGF each year to reflect private hospital contributions for expenditures in this program.

  ▪ ***Reflect NGF Appropriation for Contractor Costs.*** Provides $765,000 NGF each year to reflect expenditures for contractor costs associated with revenue maximization activities in the Department. Savings from these activities are transferred into the Virginia Health Care fund after contractor costs are paid. In the past, these costs were administratively appropriated. This action would set forth the nongeneral appropriation in the appropriate item.

- ***Increase Federal Funding for Long-term Care Pre-Admission Screening at the Virginia Department of Health.*** Provides $865,989 NGF in FY 2009 and $902,836 NGF in FY 2010 from federal Medicaid funds to recognize the federal share of costs attributable to pre-admission screening activities of the Virginia Department of Health for Medicaid clients who are eligible for long-term care services.

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

  *Mental Health Initiative*

  – ***Mental Health Services.*** Provides $10.3 million the first year and $18.0 million the second year from the general fund for emergency services, crisis stabilization services, case management, and inpatient and outpatient mental health services for individuals who are in need of emergency mental health services or who meet the criteria for mental health treatment set forth pursuant to Chapter 779 and Chapter 870 of the 2008 Acts of General Assembly (HB559 and SB246). Funding will be used to offset the cost of providing mandatory outpatient treatment and requiring CSB attendance at involuntary commitment hearings. In consultation with other state agencies and various provider groups, the Commissioner is required to allocate funding for emergency mental health treatment services primarily as it relates to implementation of changes to the Commonwealth's involuntary commitment laws.

  – ***Programs to Divert People with Mental Illness from Jails.*** Includes $3.0 million GF each year to expand services to individuals who are mentally ill that are involved with the criminal justice system. Funding will allow CSBs to expand or develop pilot programs providing mental health services for eligible individuals. It is estimated that 300 to 500 individuals will receive mental health services necessary to divert them from the criminal justice system.

  – ***Outpatient Mental Health Services for Children***. Includes $2.8 million GF in FY 2009 and $3.0 million GF in FY 2010 to expand access to outpatient mental health services for youth by adding a children's mental health specialist at each CSB. CSBs receiving funds must agree to cooperate with Court Service Units to provide services to mandated and nonmandated children, in their communities, who have been brought before Juvenile and Domestic Relations Courts and for whom treatment services are needed to reduce the risk these children pose to themselves and their communities or who have been referred for services through family assessment and planning teams through the Comprehensive Services Act for At-Risk Youth and Families.

  – ***Expand Monitoring and Accountability of CSBs.*** Adds $300,000 GF each year to create three positions within the central office to develop core standards, provide oversight of services, and monitor recent expansions of CSB services.

– ***Crisis Intervention Training Program.*** Provides $300,000 GF each year to expand training related to crisis intervention services and programs to divert individuals with mental illness from jails. It is estimated that 600 law enforcement officers will be trained to respond to individuals with mental illness who are in crisis situations.

– ***Expand Licensing Staff.*** Adds $141,952 GF and two positions in FY 2009 and $200,000 GF and one additional position in FY 2010 for new licensing and investigative staff within the central office. With the recent expansion of community-based mental health services, it is necessary to license and monitor current and new providers and programs on a regular basis to ensure compliance with state and federal rules and regulations.

*Other Changes*

– ***Sexually Violent Predator Program.*** Adds $2.0 million GF each year to address anticipated caseload growth for individuals who have been civilly committed to the state as sexually violent predators. Based on current trends, it is expected that four individuals each month will be committed to the Center for Behavioral Rehabilitation, resulting in the need for additional treatment services and security.

– ***Mental Retardation (MR) Waiver Start-up Costs.*** Includes $1.6 million the first year and $800,000 the second year from the general fund for start-up costs related to the phase-in of 600 additional MR waiver over the biennium. Funding of $4,000 per MR waiver slot may be used for home or vehicle modifications, furniture, clothing, bedding or other one-time costs.

– ***Holiday House of Portsmouth.*** Adds $100,000 GF each year for Holiday House of Portsmouth, Inc., a nonprofit intermediate care facility for the mentally retarded, for equipment and related capital improvements to enhance care for severely disabled children.

– ***Report on Community Housing.*** Includes language requiring the Department of Mental Health, Mental Retardation and Substance Abuse Services, along with state agencies and community providers to report on investment models and best-practices for the development of affordable and accessible community-based housing for persons with intellectual and related developmental disabilities by October 1, 2009. The report shall include (a) how other states have provided financial incentives for the acquisition, renovation or construction of community housing, (b) identify specific funding options that will increase the availability of community housing, leverage state dollars, and promote individualized, person-centered housing for people with intellectual and related developmental disabilities, (c) include recommendations on the number of housing units, the location and type of units as well as an allocation methodology to ensure equitable statewide distribution, and (d) address access to transportation and use of

– informal and formal support networks that are critical components of the success of housing models for this population.

– ***Standardized Reporting System for CSBs***. Requires the Department of Mental Health, Mental Retardation and Substance Abuse Services, in cooperation with the Virginia Association of Community Services Boards (VACSB) and with input from the Senate Finance and House Appropriations Committees, to develop and maintain a reporting process to monitor the expansion of mental health services and changes to the civil commitment process approved by the 2008 General Assembly. The Department and VACSB are required to identify data elements or performance measures that will be utilized and submit a report annually on the implementation of these new services beginning December 1, 2008. Similarly, the Commissioner shall submit a report describing participation in the civil commitment process by December 1, 2008, and each year thereafter.

- **Department of Rehabilitative Services**

– ***Expand Brain Injury Case Management Services.*** Includes $200,000 GF each year to expand brain injury services to about 100 individuals in unserved or underserved regions of the Commonwealth. This funding will expand face-to-face case management services for individuals who are at-risk of losing their job or placement in an institutional setting.

– ***Food Service Operations at Woodrow Wilson Rehabilitation Center.*** Reduces $100,000 GF each year by eliminating a contract for food service operations and bringing the function in-house.

- **Department of Social Services**

***Mandatory Caseload and Cost Increases***

– ***Offset Loss of Federal Funds for Child Welfare Services.*** Adds $11.9 million GF and reduces $11.9 million NGF each year to reflect lower reimbursements from the federal government for child welfare services provided by local departments of social services. Federal authorities required the Department of Social Services to resubmit a new cost allocation plan after the existing plan, originally approved in 1996, resulted in the disallowance of $53.0 million in federal Title IV-E reimbursements for child welfare services in FY 2006. The Department's cost allocation plan defines the share of federal and state spending for specific child welfare services and activities. Funding is necessary to maintain support for local staff that provides child welfare services to children and families.

– ***Foster Care and Adoption Subsidies Caseload and Cost Increases.*** Provides $3.4 million GF and $3.1 million NGF in FY 2009 and $7.1 million GF and $5.3 million NGF in FY 2010 for caseload and cost increases in the foster care and adoption subsidy programs. Foster care and adoption subsidy caseloads are growing at more modest levels than recent years, about 3 and 5 presently respectively.

However, foster care expenditures are estimated to increase by 10 percent in FY 2009 and 4.4 percent in FY 2010, largely due to higher payments to child placing agencies and residential treatment providers in the federal Title IV-E foster care program. In addition, room and board payments for children in foster care and adoption subsidy payments will increase by 4 percent each year, pursuant to requirements in Chapter 847 of the 2007 Acts of Assembly (HB1650).

– ***Offset Loss of Federal Funds for Child Support Enforcement Operations.*** Adds $1.6 million GF and reduces a similar amount of nongeneral funds each year to annualize the cost of a reduction in federal funds that can be counted as a match for child support enforcement incentive funds. In FY 2008, $4.9 million GF was provided to offset 75 percent of the cost of this reduction in federal funds, representing 9 months of the federal fiscal year; this additional funding covers the loss of federal funds over the remaining 3 months of the federal fiscal year and provides funding into the second year of the biennium. The federal Deficit Reduction Act of 2005 changed reimbursement rules for child support enforcement, prohibiting states from counting earned federal incentive funds as the state's match for federal child support enforcement moneys.

*Child Welfare Initiative*

– ***Increase Payments to Foster Care and Adoptive Families.*** Adds $3.3 million GF and $2.1 million NGF in FY 2009 and $4.1 million GF and $2.5 million NGF in FY 2010 to increase maintenance payments for children in family foster homes and adoptive families that receive subsidy payments by 11 percent the first year and an additional 4 percent the second year. This increase, along with the mandated cost of living adjustment required by Chapter 847 of the 2007 Acts of Assembly (HB1650), brings the total rate increase to 15 percent in FY 2009 and 8 percent in FY 2010. As a result of this increase, monthly payments will increase from $359 to $442 for children between the ages of 0-4, $419 to $509 for children between the ages of 5-12, and $531 to $645 for children age 13 and up. This increase is designed to encourage and maintain family foster families and also offset the increase in more expensive, residential facility placements.

– ***Recruitment and Retention of Foster and Adoptive Parents.*** Includes $836,900 GF and $287,610 NGF in FY 2009 and $919,065 GF and $285,396 NGF in FY 2010 to increase the recruitment and retention of foster and adoptive parents. In order to improve permanency outcomes for older youth in foster care, this initiative will increase recruitment and retention efforts by supporting families with standardized training and best practices. Along with increased rates for foster and adoptive families, this initiative is designed to encourage placements in the community as opposed to residential treatment facilities.

– ***Child Welfare Worker Training.*** Provides $287,500 GF and $182,581 NGF the first year and 2.0 FTE positions and $502,500 GF and $320,162 the second year to expand training for child welfare workers at local departments of social services. Funding will be used to improve child welfare services, enhance program outcomes, increase the permanency of foster care and adoptive placements and reduce the repeat occurrence of abuse and neglect.

*Other Initiatives*

– ***Local Domestic Violence Programs.*** Provides an additional $200,000 GF each year for established local domestic violence programs. Currently, $1.2 million annually is provided to local programs. Additional funding will be used for the purchase of crisis and core services for victims of domestic violence, including 24-hour hotlines, emergency shelter, emergency transportation and other crisis services.

– ***Local Facility Improvements.*** Adds $199,810 GF and $199,810 NGF each year for local departments of services to pay higher lease costs associated with building renovations. Social service departments in the counties of Amelia, Amherst, Craig, Cumberland, Fluvanna, Franklin, Prince George and Warren and the cities of Bristol, Charlottesville, Hopewell, and Fredericksburg will receive additional funding for 15 facility improvement projects.

– ***Northern Virginia Family Services.*** Adds $100,000 GF each year for Northern Virginia Family Services to expand and rehabilitate the Georgetown South Community Center. The Center houses Head Start services, a primary care clinic, and a mini-police station, and also provides space for ESL services, adult literacy, health education and after school gang prevention programs for children.

– ***Increase Child Support Disregard.*** Modifies budget language increasing the child support disregard from $50 to $100 each month for individuals receiving TANF assistance. Changes included in the 2005 federal Deficit Reduction Act allows states to increase the disregard to $100 each month provided the increase is not offset with a reduction in TANF assistance. In effect, this change will allow recipients of child support to retain $50 more each month from child support payments made on their behalf. Under current law, the amount received above $50 is used to offset the federal government's cost of public assistance paid to the individual.

– ***Increase Assisted Living Facility Payments.*** Modifies language authorizing an increase in the payment rate for licensed assisted living facilities and adult foster care homes by $14 from $1,061 to $1,075 per month. These income sources pay for room and board of low-income aged, blind and disabled persons in these facilities. In addition, the monthly personal care allowance is increased to $77 per month – an increase of $7.00 for assisted living facilities and $2.00 for adult foster care homes, allowing individuals to retain more of their income for personal use.

*TANF Block Grant Funding*

– ***Child Care Development Fund Transfer.*** Includes $8.8 million NGF each year from the federal TANF block grant to provide child day care services for at-risk families.

## Adopted Budget TANF Block Grant Funding
## 2008-10 Budget

| TANF Resources | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|
| Annual TANF Block Grant Award | $158,285,000 | $158,285,000 | $158,285,000 |
| Carry Forward From Prior Fiscal Year | 19,914,918 | 15,750,273 | 8,005,237 |
| **TANF Resources Available** | **$178,199,918** | **$174,035,273** | **$166,290,237** |
| **TANF Expenditures** | | | |
| ***VIP/VIEW Core Benefits and Services*** | | | |
| TANF Income Benefits | 46,327,070 | 46,327,070 | 46,327,070 |
| TANF Child Support Supplement | 7,800,000 | 7,800,000 | 7,800,000 |
| VIEW Employment Services | 3,475,322 | 3,475,322 | 3,475,322 |
| VIEW Child Care Services | 3,420,644 | 3,420,644 | 3,420,644 |
| ***Subtotal, VIP/VIEW Benefits and Services*** | ***$61,023,046*** | ***$61,023,046*** | ***$61,023,046*** |
| ***Administration*** | | | |
| State Administration | 2,450,607 | 2,450,607 | 2,450,607 |
| Information Systems | 3,247,580 | 3,247,580 | 3,247,580 |
| Local Direct Service Staff and Operations | 30,549,000 | 30,549,000 | 30,549,000 |
| Local Eligibility and Administration | 12,168,977 | 12,168,977 | 12,168,977 |
| ***Subtotal, Administration*** | ***$48,416,164*** | ***$48,416,164*** | ***$48,416,164*** |
| ***TANF Programming*** | | | |
| Employment Advancement for TANF Participants | 9,350,000 | 5,850,000 | 5,850,000 |
| Department of Housing & Community Development | 4,910,128 | 4,910,128 | 4,910,128 |
| Local Domestic Violence Grants | 711,711 | 1,062,500 | 0 |
| Centers for Employment & Training | 318,750 | 637,500 | 314,298 |
| Domestic Awareness Campaign | 63,750 | 127,500 | 0 |
| Child Advocacy Centers | 100,000 | 300,000 | 100,000 |
| Teen Pregnancy Prevention Programs (VDH) | 498,750 | 910,000 | 455,000 |
| Partners in Prevention Programs (VDH) | 426,250 | 765,000 | 382,500 |
| Resource Mothers (VDH) | 88,400 | 176,800 | 0 |
| St Paul's College Project | 42,500 | 0 | 0 |
| People, Inc. | 21,250 | 42,500 | 42,500 |
| Community Action Agencies | 1,698,930 | 3,397,859 | 1,671,840 |
| Healthy Families/Healthy Start | 2,069,910 | 4,139,820 | 2,000,000 |
| Comprehensive Health Investment Project (VDH) | 1,070,945 | 2,141,890 | 1,070,945 |
| Comprehensive Services Act Trust Fund (CSA) | 478,911 | 965,579 | 965,579 |
| United Community Ministries | 19,125 | 38,250 | 38,250 |
| ***Subtotal, TANF Programming*** | ***$21,869,310*** | ***$24,465,326*** | ***$17,901,040*** |
| **TANF Expenditures, TOTAL** | **$131,308,520** | **$134,904,536** | **$127,340,250** |
| **Transfers to other Block Grants** | | | |
| CCDF Transfer-Craig County Day Care | 10,625 | 0 | 0 |
| CCDF Deficit | 8,800,000 | 8,800,000 | 8,800,000 |
| CCDF Transfer to At-Risk | 6,000,000 | 6,000,000 | 6,000,000 |
| CCDF Transfer to Head Start (Wraparound) Services | 2,500,000 | 2,500,000 | 2,500,000 |
| SSBG Transfer-Local Staff Support | 9,419,998 | 9,419,998 | 9,419,998 |
| SSBG Transfer–Comp. Services Act | 4,405,502 | 4,405,502 | 4,405,502 |
| SSBG Trans.–Fredericksburg Dental Clinic | 5,000 | 0 | 0 |
| **TANF Transfers, TOTAL** | **$31,141,125** | **$31,125,500** | **$31,125,500** |
| **TOTAL, TANF Expenditures & Transfers** | **$162,449,645** | **$166,030,036** | **$158,465,750** |

- *At-risk Child Care and Head Start Services.* Adds $8.5 million NGF each year from the federal TANF block grant to expand access to child care services for low-income families and maintain "wrap-around" services for Head Start families. Funding includes $6.0 million each year to reduce the waiting list for the at-risk child care subsidy program by 25 percent serving 1,300 children. The remaining $2.5 million each year will be used to provide extended day care services for Head Start families as well as working families to maintain employment and receive education and training services.

*Budget Reductions*

- *Adjust NGF Appropriation to Reflect Actual Spending.* Reduces $79.7 million NGF each year to adjust the actual appropriation for various programs to the level of current spending. As the federal government has reduced funding provided to state governments, the Department of Social Services has not adjusted the NGF appropriation downward to reflect this trend. As a result, NGF appropriation amounts have remained artificially high. This technical amendment adjusts the NGF appropriation to actual spending; it will not result in a reduction in services.

- *Substitute TANF for GF in Community Programs.* The Governor's October 2007 budget reductions which were continued in the 2008-10 biennium substitutes federal Temporary Assistance to Needy Families (TANF) block grant dollars for $9.8 million GF in the first year for eligible social services programs. In addition, the adopted budget replaces $4.0 million GF in the second year for several of these programs with a like amount of federal TANF block grant dollars. Similar amendments in CSA and the Department of Health leverage federal TANF block grant funds for eligible services because recent TANF caseload declines have resulted in lower than expected expenditures of block grant dollars. General fund amounts are replaced with TANF funds in the following programs in the Department of Social services in the amount listed below:

  - Healthy Families Virginia - $4.1 million the first year and $2.0 million the second year

  - Community Action Agencies - $3.4 million the first year and $1.7 million the second year

  - Local Domestic Violence Programs - $1.1 million the first year

  - Centers for Employment and Training - $637,500 the first year and $314,298 the second year

  - Domestic Violence Awareness Campaign - $127,500 the first year

  - Children's Advocacy Programs - $300,000 the first year and $100,000 the second year

– ***Update Auxiliary Grant Program Spending.*** Reduces the general fund appropriation for auxiliary grants by $1.0 million each year to reflect lower than anticipated spending during the 2008-10 biennium.