

Report of the Subcommittee on Health and Human Resources

Senate Finance Committee Virginia General Assembly

February 19, 2012



Mr. Chairman,

First, I want to applaud the Finance Committee for making the difficult decision a few weeks ago to not divert additional general fund resources to transportation. I think everyone in this room knows that we need more money for transportation. But we shouldn't be asked to pave more roads or build more bridges at the expense of K-12 education and health care.

I also want to thank my colleagues on the HHR Subcommittee. We are well aware that the decisions made in Health and Human Resources literally affect people's lives. It's never easy to make the tough calls we have to make. But I can assure you that we considered the needs of vulnerable Virginians as we put this budget together.

Mr. Chairman, the introduced budget included a lot of "must do" items. In fact, there was very little discretionary spending in HHR. We were asked to fund enrollment growth in Medicaid, more adoption subsidies in social services, and expand services for people with disabilities consistent with the recent Department of Justice settlement. We concur.

As you know an agreement on DOJ was reached just a few weeks ago. While the ink is barely dry on the agreement, we intend to keep a close eye on its implementation. It won't be easy to transition people out of our training centers and serve more individuals in the community at the same time, but we will support the effort to make it happen.

The Subcommittee's major concerns in HHR revolved around how to pay for these increased costs. You may recall that the introduced budget included over \$650 million in general fund reductions, primarily related to provider rates, the health care safety net, and social services.

I would have to say that most of the "new" spending in this report is actually restoring funds that were reduced in the introduced budget. Of the additional \$123 million in spending recommended by the Subcommittee, only \$10 million is new. And much of this spending is targeted to services that should result in cost savings, such as the expansion of prenatal care to pregnant women and the creation of drop-off centers to divert people with mental illness from our jails.

The Subcommittee recommends restoring \$113 million from the general fund in HHR, including \$79 million GF (\$140 million in total funds) to restore inflation for nursing homes and hospitals and to correct an error in funding for our teaching hospitals at UVA and VCU.

We heard loud and clear that continuing to shortchange Medicaid providers is forcing hospitals to reduce the services they provide and, in the case of nursing homes, impose layoffs. We would argue that investing in health care providers is a proven strategy of economic development with a 100 percent return on investment. In the same vein, we provide a small increase for assisted living facilities that serve auxiliary grant recipients.

The Subcommittee also recommends providing nearly \$12 million to restore funding for health care services including \$4.8 million to shore up the "safety net" and \$1.9 million to guarantee access to dental care at local departments of health. Even after the implementation of federal health care reform, the Virginia Health Care Foundation, free clinics, and community health centers will be relied upon to ensure access to health care for low-income Virginians.

Finally, we restored funding for Area Agencies on Aging and local departments of social services as well as child advocacy centers.

To pay for these restorations, we drew upon resources that were earmarked for transportation in the introduced budget. But we also scrubbed the agencies' budgets as well as their requests to come up with \$96 million in general fund savings. More than half of those savings come from overestimates of the cost of implementing federal health care reform. And an additional \$18 million will be realized by lowering projected CSA spending to more accurately reflect current trends.

In a few areas, we reluctantly accepted proposed reductions in the Governor's budget. For instance, we did not restore funding for almost 4,600 individuals who will lose eligibility for Medicaid home- and community-based waiver services on January 1, 2014. But we asked the Department of Medical Assistance Services to report back to us by this fall, so we can fully understand the implications of this reduction. And, if necessary, revisit the issue next year.

Similarly, we restored "wrap-around" services for CSA children with special education needs. We heard conflicting testimony from CSA program officials and local governments about how these funds were used. So we decided to restore funding in the first year only. At the same time, we asked CSA to detail how localities are using these services to see if in fact they divert children from more restrictive and expensive placements. If so, we will reassess the need for funding next year.

Finally, the Subcommittee's report includes language to improve the ability of the Department of Medical Assistance Services and the Attorney General's Medicaid Fraud Control Unit to combat fraud and abuse. We can all agree that if we do a better job monitoring the use of Medicaid funding, we can assure that adequate resources will be available to better serve the children, elderly and disabled who rely upon Medicaid for health and long-term care.

Mr. Chairman, once again, I want to thank the members of the Subcommittee, as well as you, for your leadership and direction. As the former chairmen of this Subcommittee used to describe HHR -- "the needs are many and the dollars are few." I'd have to say that we have a better appreciation for that fact, and present this report as our best effort to address the issues in HHR.

Respectfully Submitted,
The Honorable Emmett W. Hanger, Jr., Chairman
The Honorable Janet D. Howell
The Honorable John C. Watkins
The Honorable Yvonne B. Miller
The Honorable Henry L. Marsh, III
The Honorable Ryan McDougle
The Honorable Jill Vogel

oposed Ameno	e Report on Health and Human Resources dments to Senate Bill 29		GF FY 2011		GF FY 2012	Biennium		
Department	of Medical Assistance Services							
297 #1s:	Capture Saving from Additional Federal Bonus Payments	\$	-	\$	(26,729,489)	\$ (26,729,489)		
Department	of Social Services							
329 #1s:	Increase TANF Collections from Child Support	\$	-	\$	(2,500,000)	\$ (2,500,000)		

Subcommittee Report on Health and Human Resources

Proposed Amendments to Senate Bill 30

•		GF FY 2013	GF FY 2014	Biennium
1 Secretary of	Health and Human Resources			
282 #1s:	Secretary to Develop Fall Prevention Strategy	\$ -	\$ -	Language
3 282 #2s:	Report on Health Care Safety Net	\$ -	\$ -	Language
4 282 #3s:	DOJ Implementation Account	\$ -	\$ -	Language
5 Comprehens	sive Services Act for At-Risk Youth and Families			
6 283 #1s:	Adjust Appropriation to Reflect CSA Caseload and Utilization	\$ (7,253,150)	\$ (10,443,826)	\$ (17,696,976)
7 283 #2s:	Reduce Funding for CSA Audit	\$ (120,000)	\$ -	\$ (120,000)
8 283 #3s:	Restore CSA Funding for Wrap-around Services	\$ 5,401,216	\$ -	\$ 5,401,216
9 283 #4s:	Repeal Fiscal Disincentives in Certain Localities	\$ 206,462	\$ 209,146	\$ 415,608
10 Department	for the Aging			
11 284 #1s:	Provide GF for Hold Harmless for Area Agencies on Aging	\$ 1,425,000	\$ 1,900,000	\$ 3,325,000
12 284 #2s:	Correct Funding for Prince William Care Coordination	\$ -	\$ (5,500)	\$ (5,500)
13 284 #3s:	Restore Funding for MEOC - Pharmacy Connect	\$ 107,750	\$ 215,500	\$ 323,250
14 284 #4s:	Long-Term Care Ombudsman Program	\$ -	\$ -	Language
15 284 #5s:	Implementation of Dementia State Plan	\$ -	\$ -	Language
16 Department	for the Deaf and Hard of Hearing			
17 288 #1s:	Restore Funding for Interpreter Services	\$ 16,900	\$ 16,900	\$ 33,800
18 Department	of Health			
19 290 #1s:	Restore NGF for Emergency Medical Services	\$ -	\$ -	NGF
20 290 #2s:	Reallocate State Office of EMS Funding for Workgroup	\$ -	\$ -	NGF
21 293 #1s:	Provide Funding to Eliminate Waiting List for ADAP	\$ 500,000	\$ -	\$ 500,000
22 293 #2s:	Phase-in Funding for Lyme Disease Task Force	\$ (56,250)	\$ -	\$ (56,250)
23 294 #1s:	Phase-in Funding for Medical Facility Inspectors	\$ (274,432)	\$ -	\$ (274,432)
24 296 #1s:	Restore Funding for Local Dental Services	\$ 967,944	\$ 967,944	\$ 1,935,888
25 297 #1s:	Restore funding for Statewide Sickle Cell Chapters of VA	\$ -	\$ 45,000	\$ 45,000
26 297 #2s:	Restore Funding for Virginia Association of Free Clinics	\$ -	\$ 1,598,200	\$ 1,598,200
27 297 #3s:	Restore Funding for VA Community Healthcare Association	\$ -	\$ 1,204,375	\$ 1,204,375

		GF FY 2013	GF FY 2014	Biennium
28 297 #4s:	Restore Funding for Virginia Health Information	\$ -	\$ 123,657	\$ 123,657
297 #5s:	Restore Funding for Virginia Health Care Foundation	\$ -	\$ 2,040,286	\$ 2,040,286
297 #6s:	Restore Funding for Poison Control Centers	\$ 500,000	\$ 500,000	\$ 1,000,000
1 297 #7s:	Restore Funding for CHIP of Virginia	\$ 500,000	\$ 500,000	\$ 1,000,000
297 #8s:	Report on Funding for Poison Control Centers	\$ -	\$ -	Language
Department	of Medical Assistance Services			
306 #1s:	Extend FAMIS Coverage to Legal Immigrants	\$ 293,677	\$ 503,628	\$ 797,305
307 #1s:	Medicaid Provider Appeals Regulations	\$ -	\$ -	Language
307 #2s:	Require Consultation on Intensive In-home Rates	\$ -	\$ -	Language
307 #3s:	Care Coordination of High Need Medicaid Recipients	\$ -	\$ -	Language
307 #4s:	Medicaid Funding for Teaching Hospitals	\$ -	\$ -	Language
307 #5s:	Report on Impact of SSI Eligibility Reduction	\$ -	\$ -	Language
307 #6s:	Increase Medicaid Ambulance Rates by 5 Percent	\$ 94,670	\$ 118,620	\$ 213,290
307 #7s:	Restore Inflation for Hospitals and Nursing Homes	\$ 31,748,366	\$ 38,228,019	\$ 69,976,385
307 #8s:	Redirect Funding for Nursing Facility Capital to Operating	\$ (5,000,000)	\$ (5,000,000)	\$ $(10,\!000,\!000)$
307 #9s:	Report on Medicaid Lien Authority	\$ -	\$ -	Language
307 #10s:	Comprehensive Plan on Medicaid Fraud and Abuse	\$ -	\$ -	Language
307 #11s:	Extend Medicaid to Legal Immigrant Pregnant Women	\$ 648,016	\$ 760,021	\$ 1,408,037
307 #12s:	Restore Personal Care Hours for Medicaid Waiver Recipients	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000
307 #13s:	Employment First - DMAS	\$ -	\$ -	Language
307 #14s:	Increase Early Intervention Case Management	\$ 274,752	\$ 274,752	\$ 549,504
307 #15s:	Federal Health Care Reform - Revised Estimate of Woodwork Effect	\$ -	\$ (44,344,236)	\$ (44,344,236)
307 #16s:	Federal Health Care Reform - Revised Estimate of Match Rates	\$ -	\$ (7,558,807)	\$ (7,558,807)
307 #17s:	Adjust Estimates for Hospital Inflation	\$ (3,661,334)	\$ (976,928)	\$ (4,638,262)
307 #18s:	Savings from Enrolling Veterans in Federal Health Care Programs	\$ -	\$ (1,000,000)	\$ (1,000,000)
307 #19s:	Correct Funding for State Teaching Hospitals	\$ 8,743,133	\$ -	\$ 8,743,133
307 #20s:	Capture Saving from Additional Federal Bonus Payments	\$ (4,116,835)	\$ (4,116,835)	\$ (8,233,670)
307 #21s:	Exempt Certain Drugs from Preferred Drug List	\$ 2,100,000	\$ 1,250,000	\$ 3,350,000
307 #22s:	Care Coordination Contract for Behavioral Health Services	\$ -	\$ -	Language
7 307 #23s:	Contingent Personal Care Rate Increase	\$ -	\$ -	Language

			GF FY 2013	GF FY 2014	Biennium
58	310 #1s:	Restore Funds for FAMIS Outreach Contract	\$ 166,524	\$ 166,524	\$ 333,048
59 D	Department	of Behavioral Health and Developmental Services	·		,
60	314 #1s:	Report on Substance Abuse Services from ABC Profits	\$ -	\$ -	Language
61	314 #2s:	Employment First - DBHDS	\$ -	\$ -	Language
62	315 #1s:	Add Funding for Jail Diversion - Drop Off Centers	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000
63	315 #2s:	Child Psychiatry Demonstration Projects	\$ 896,825	\$ 1,333,333	\$ 2,230,158
64	319 #1s:	Restore Funding for Northern Virginia MHI Beds	\$ 900,000	\$ -	\$ 900,000
65	327 #1s:	Level Fund Center for Behavioral Rehabilitation	\$ -	\$ (969,307)	\$ (969,307)
66 D	Department	of Rehabilitative Services			
67	330 #1s:	Restore Funding for Center for Independent Living	\$ 87,753	\$ 87,753	\$ 175,506
68	330 #2s:	Restore Funding for Employment Support Services	\$ 269,063	\$ 269,063	\$ 538,126
69	330 #3s:	Restore Funding for Brain Injury Services	\$ 77,973	\$ 77,973	\$ 155,946
70	330 #4s:	Restore Funding for Personal Assistance Services	\$ 70,000	\$ 70,000	\$ 140,000
71 D	Department	of Social Services			
72	338 #1s:	Restore Funding to Local Department of Social Services	\$ 1,449,842	\$ 1,449,842	\$ 2,899,684
73	340 #1s:	Increase Auxiliary Grant Rate by 2.5 Percent	\$ 1,548,826	\$ 1,548,826	\$ 3,097,652
74	342 #1s:	Restore General Relief for Unattached Children Program	\$ 558,566	\$ 558,566	\$ 1,117,132
75	343 #1s:	Restore Funding for Healthy Families	\$ 380,000	\$ 380,000	\$ 760,000
76	343 #2s:	Restore Funding for Community Action Agencies	\$ 500,000	\$ 500,000	\$ 1,000,000
77	343 #3s:	Restore Funding for Child Advocacy Centers	\$ 931,000	\$ 931,000	\$ 1,862,000
78	345 #1s:	Eliminate Funding to Stagger Food Stamp Benefits	\$ (100,000)	\$ -	\$ (100,000)
79 D	Department	of Blind and Vision Impaired			
80	350 #1s:	Radio Reading Services for the Blind and Visually Impaired	\$ -	\$ -	Language
81 P	Part 4: Gene	eral Provisions	 		
82 83	4-1.01 #1s	: Virginia Health Benefit Exchange	\$ -	\$ -	Language
84		TOTAL, Health and Human Resources	\$ 42,782,257	\$ (14,586,511)	\$ 28,195,746

Secretary Of Health And Human Resources

Language

Language:

Page 206, after line 43, insert:

"D. The Secretary of Health and Human Resources shall conduct a comprehensive review and analysis of Virginia's insured and uninsured populations to accurately determine the level of financial support needed for the Virginia Association of Free Clinics, the Virginia Community Healthcare Association, and the Virginia Health Care Foundation upon implementation of the Patient Protection and Affordable Care Act (PPACA) of 2010. The report shall include data on the number of individuals currently served by these organizations, anticipated enrollment growth, and an estimate of Virginians who will remain uninsured after implementation of PPACA. The Secretary shall report his findings to the Chairmen of the Senate Finance and House Appropriations Committees by October 1, 2012."

Explanation:

(This language amendment requires the Secretary of Health and Human Resources to assess the level of financial support required for the Virginia Health Care Foundation, free clinics, and community health centers to provide access to low-income Virginians subsequent to the implementation of federal health care reform.)

Secretary Of Health And Human Resources

Language

Language:

Page 206, after line 43, insert:

"D. The Secretary of Health and Human Resources, in consultation with the Director of the Department of Planning and Budget, shall create an item within the Secretary of Health and Human Resources to be called the Department of Justice (DOJ) Implementation Account. On July 1, 2012, the Director of the Department of Planning and Budget shall transfer all funds related to the Department of Justice settlement into the item including funds deposited to the Behavioral Health and Developmental Services Trust Fund from Chapter 890, 2011 Acts of Assembly and any additional appropriations in this act. The item shall specify the amounts allocated for the purposes of the DOJ settlement by fiscal year, fund source, program, and service. The item shall also include any budget language necessary to implement the DOJ settlement agreement.

E. The Secretary of Health and Human Resources shall provide quarterly progress reports on the implementation of the Department of Justice Settlement Agreement. At a minimum, the report shall include an update on the number of individuals receiving a new waiver or community-based service who was residing in a state intellectual disability training centers or living in the community. The report shall include a report on any barriers that may exist to placement in the community. The report shall also include an update on the estimated cost and savings related to implementation of the agreement."

Explanation:

(This amendment requires the Secretary of Health and Human Resources in consultation with the Director of the Department of Planning and Budget to create a new item within the Secretary of Health and Human Resources called the "DOJ Implementation Account". Budget language requires any funds related to the Department of Justice's settlement agreement be transferred to the account to reflect the cost of implementing the agreement. Budget language also requires a quarterly report on the implementation of the DOJ agreement.)

Health And Human Resources FY 12-13 FY 13-14

Department For The Aging \$1,425,000 \$1,900,000 GF

Language:

Page 211, line 23, strike "\$30,569,939" and insert "\$31,994,939".

Page 211, line 23, strike "\$30,188,716" and insert "\$32,088,716".

Page 212, after line 44, insert:

"Q. Out of this appropriation, \$1,425,000 the first year and \$1,900,000 the second year from the general fund shall be provided to local Area Agencies on Aging (AAA). General funds shall be provided to AAAs that are subject to the loss of funds due to the decennial update of the federal formula for Area Agencies on Aging. Additional funding provided to local AAAs consistent with the change in the federal or state funding formula shall be used to restore funding to organizations within their service area that are subject to general fund reductions in paragraphs G through P of this item. Any remaining funds shall be used to expand services provided by local Area Agencies on Aging."

Explanation:

(This amendment provides \$1.4 million the first year and \$1.9 million the second year from the general fund to hold 14 of 25 Area Agencies on Aging harmless from reductions due to the reallocation of federal funding required by the Older Americans Act. Every ten years federal funding is reallocated based on changes in the census of older Americans in each state. As a result of the update, 14 AAAs will lose federal funding to serve older Virginians. This amendment offsets the loss of federal funding with general fund dollars. As a result of this amendment, all AAAs will receive additional funding from state or federal resources. This amendment also requires AAAs to restore funding for organizations within their service area that were subject to a reduction in this item prior to allocating funds to expand services.)

Department Of Medical Assistance Services Language

Language:

Page 239, after line 5, insert:

"LLL. The Department Of Medical Assistance Services shall have the authority to increase Medicaid payments for Type One hospitals and physicians consistent with the appropriations to compensate for limits on disproportionate share hospital (DSH) payments to Type One hospitals that the department would otherwise make. The department shall have the authority to amend the State Plan for Medical Assistance to increase physician supplemental payments for physician practice plans affiliated with Type One hospitals up to the average commercial rate as demonstrated by the University of Virginia Health System and Virginia Commonwealth University Health System, to change reimbursement for Graduate Medical Education to cover costs for Type One hospitals, to case-mix adjust the formula for indirect medical education reimbursement for HMO discharges for Type One hospitals, and to increase the adjustment factor for Type One hospitals to 1.0. The department shall have the authority to implement these changes prior to the completion of any regulatory process undertaken in order to effect such change. The Department of Medical Assistance Services shall prepare a report that details by fiscal year the calculation included herein to recognize the Medicaid and indigent care costs incurred by the University of Virginia Health System and Virginia Commonwealth University Health System. The report shall be provided to the Chairmen of the Senate Finance and House Appropriations Committees on August 1, 2012 and each year thereafter."

Explanation:

(This amendment provides the Department of Medical Assistance Services with the authority to increase Medicaid payments to the state teaching hospitals to make up for limits on disproportionate share (DSH) hospital payments that the agency would normally make to cover Medicaid costs and indigent care costs incurred by these hospitals. Typically, DMAS reimburses these costs of the teaching hospitals through multiple funding streams including Medicaid fee-for-service hospital payments, payments that flow through managed care organizations, physician payments, and Disproportionate Share Hospital (DSH) payments. In the past, DSH annual limits did not pose a significant funding issue; however, at current capped

amounts, the teaching hospitals will hit the limits sometime mid-year, requiring the agency to redirect other funding streams to make up for the limitations in DSH funding.)

Department Of Medical Assistance Services Language

Language:

Page 238, line 45, before "The", insert:

"1. Prior to the implementation of the reduction in paragraph 2, the Director of the Department of Medical Assistance Services shall provide a detailed report and analysis of the impact of the reduction of income eligibility from 300 percent to 250 percent of Supplemental Security Income (SSI). The report shall include a comprehensive review and analysis of the estimated savings, costs and effects of the eligibility change. The report shall be based on current enrollment in nursing homes, other institutions, and community-based waivers including the income level of those enrollees. The report shall include a projection of future needs for nursing homes and community-based waivers, the estimated impact on admission to a nursing home or other institution, and the cost of care in each waiver compared to institutional care. Further, the report shall include the impact of patient-pay requirements on the Medicaid cost of institutional and community-based care for those with income at or above 250 percent of the SSI payment level, and the availability and expected use of the medically needy eligibility process by those with income at or above 250 percent of the SSI payment level to obtain Medicaid coverage for institutional and community-based care. Finally, the report shall evaluate the impact of this eligibility change on compliance with the terms of the Commonwealth's settlement agreement with the U.S. Department of Justice, and available options for long-term care services for those who would no longer qualify for Medicaid services because of this income eligibility change. The final report shall be provided to the Chairmen of the Senate Finance and House Appropriations Committees as well as the Joint Commission on Health Care no later than October 1, 2012.

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Explanation:

(This language amendment requires a report on the implications of reducing the income eligibility limit for Medicaid long-term care services effective January 1, 2014 prior to implementation of this policy change. Currently, elderly or disabled individuals with income up to 300 percent of the federal Supplemental Security

Income (SSI) payment level (\$2,094 per month) may be eligible for Medicaid long-term care services. The introduced budget reduces the income eligibility limit to 250 percent of the SSI payment level (\$1,745 per month) effective January 1, 2014, potentially resulting in 4,562 fewer individuals qualifying for Medicaid funded nursing home care or long-term care waiver services. This report will provide additional information for policy makers to consider before implementing this change.)

Department Of Behavioral Health And Developmental Services Language

Language:

Page 243, after line 30, insert:

"L. Beginning on August 1, 2012, and each year thereafter, the Commissioner of the Department of Behavioral Health and Developmental Services, in consultation with the Director of the Department of Planning and Budget and other state agencies, shall report on the prior year transfer of funds from the Alcohol Beverage Control Enterprise Fund to the general fund pursuant to Item 3-1.01 INTERFUND TRANSFERS of the Appropriation Act. At a minimum, the report shall reconcile the amounts reimbursed to state agencies for expenses incurred for the care, treatment, study and rehabilitation of alcoholics with the amounts shown in Item 3-1.01, paragraph A. The report shall be provided to the Chairmen of the Senate Finance and House Appropriations Committees."

Explanation:

(This language amendment requires the Commissioner of the Department of Behavioral Health and Developmental Services, in consultation with the Director of the Department of Planning and Budget, to report annually to the General Assembly on the use of funds transferred from ABC profits and gross wine liter tax collections to the general fund for the care, treatment, study and rehabilitation of alcoholics by the Department of Behavioral Health and Developmental Services and other state agencies. The introduced budget proposes to reimburse state agencies for expenses incurred for substance abuse of \$65.4 million from ABC profits and \$9.1 million from from gross wine liter tax collections, but it remains unclear how the monies transferred are spent by state agencies. This report will provide the General Assembly with the necessary detail to provide appropriate oversight of substance abuse services.)

Appropriations

Prerequisites for Payment

Language

Language:

Page 401, after line 30, insert:

"d. The State Comptroller shall not pay any moneys out of the state treasury to implement the Virginia Exchange to (i) meet the relevant requirements of the Patient Protection and Affordable Care Act (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) (collectively referred to as the Affordable Care Act), regarding the establishment of an American Health Benefit Exchange or Small Business Health Options Program by the prescribed deadline imposed by the Affordable Care Act in order to avoid development and implementation of a federal exchange in the Commonwealth except pursuant to appropriations in this act or in any other act of the General Assembly making an appropriation during the current biennium. Nothing in this paragraph prohibits the application or receipt of federal funds for the purposes of planning the Virginia Exchange consistent with the requirements of Chapter 823 of the 2011 Acts of the Assembly."

Explanation:

(This amendment prohibits the expenditure of any funds for the purposes of implementing a health benefits exchange or exchanges unless an appropriation is included in the appropriations act or any other act of the General Assembly making an appropriation. The amendment allows the use of nongeneral funds that may be available from federal grants to continue planning for implementation of the Virginia Exchange.)