

Health and Human Resources

| Proposed Adjustments as Introduced | | | | |
|---|-------------------------|------------------|-------------------------|-------------------|
| (\$ in millions) | | | | |
| | FY 2017 Proposed | | FY 2018 Proposed | |
| | <u>GF</u> | <u>NGF</u> | <u>GF</u> | <u>NGF</u> |
| 2016-18 Base Budget, Ch. 665 | \$5,645.2 | \$7,649.7 | \$5,645.2 | \$7,649.7 |
| Proposed increases | 532.2 | 1,301.8 | 705.6 | 3,052.5 |
| Proposed decreases | <u>(180.8)</u> | <u>(89.8)</u> | <u>(232.7)</u> | <u>(148.2)</u> |
| \$ Net Change | 351.4 | 1,212.0 | 472.9 | 2,904.3 |
| HB/SB 30, as Introduced | \$5,996.6 | \$8,861.7 | \$6,118.1 | \$10,554.0 |
| % Change | 6.4% | 3.7% | 9.3% | 5.5% |
| | | | | |
| FTEs | 8,695.45 | 7,066.8 | 8,695.45 | 7,066.80 |
| # Change | (431.77) | (453.23) | (431.77) | (453.23) |

- **Children’s Services Act (Formerly Comprehensive Services for At-Risk Youth and Families)**

- *Mandatory Caseload and Cost Increases.* Adds \$18.1 million GF each year to level fund the anticipated growth in the CSA program in FY 2016. Fiscal year 2016 additional costs are being driven by growth in caseload and the cost of services for those cases, as well as the inability of the program to achieve program savings proposed in the 2014-16 biennium.

Caseload grew from 2.5% in FY 2014 to 5% in FY 2015 from 14,628 to 15,726 children. Most of this growth was due to an increasing number of children placed in private day treatment through federally mandated Individualized Education Program (IEP) plans. Of the 637 additional children in CSA in FY 2015, 41% were placed in private day treatment programs. The annual cost of a private day treatment placement was \$36,385 in FY 2015 compared with the average annual cost of \$22,418 for all CSA services. This added growth is largely reflected in the Governor’s proposed budget for FY 2016 (HB/SB 29) and carried forward into FY 2017 and FY 2018 with no additional caseload growth anticipated.

Chapter 665 of the 2015 Acts of Assembly assumed a \$9.9 million GF reduction in CSA in FY 2016 predicated on anticipated fraud, waste and abuse savings from the

use of an analytical system, which is not expected to materialize. Consequently, a portion of the increased costs in FY 2016 includes \$9.9 million GF each year to account for the loss of these savings.

- ***GF Savings from Expanding Foster Care to Youth Ages 18-21.*** Proposes to reduce \$511,678 GF in FY 2017 and \$1.5 million GF in FY 2018 as a result of shifting the cost of providing services to youth between the ages of 18 and 21 from CSA to the federal Title IV-E program through the federal Fostering Connections Act. The federal law permits the expansion of services to this population. A separate initiative within DSS provides additional funding to expand Title IV-E foster care to these youth.
- ***Fund Anticipated Foster Care Rate Increase.*** Proposes \$427,668 GF each year to increase the rates paid for foster care maintenance as required by language in the Appropriation Act. Budget language within the Department of Social Services requires that a “reasonable, automatic adjustment for inflation each year be applied to the room and board maximum rates paid to foster parents” in fiscal years following an increase in salary for state employees.
- ***Fund Audit Positions.*** Adds \$103,778 GF in FY 2017 and \$189,058 GF in FY 2018 for 2 additional audit positions to complete locality CSA program audits in a timely manner within the three year cycle established for the program.

- **Department of Health**

- ***Reflect NGF Appropriation for AIDS Drug Assistance Program (ADAP).*** Proposes \$22.9 million from nongeneral funds each year over the biennium to reflect grant funding received from the federal Ryan White Treatment Extension Act Part B grant and drug rebates used to support the ADAP Program. Over the past several years, this funding had been administratively appropriated. The funds are used to support access to medications for the treatment of HIV and related illnesses for low-income individuals through the provision of medications, or the payment of insurance premiums, deductibles, and copayments.
- ***Increase Funds for Education and Access for Women’s Reproductive Health.*** The introduced budget provides \$3.0 million the first year and \$6.0 million the second year from the federal Temporary Assistance to Needy Families (TANF) block grant for education and expanded access to contraceptives, particularly Long Acting Reversible Contraceptives (LARC). One position is added for the initiative. Language is also added requiring a report on program results and expenditures by October 1st each year.
- ***Add TANF for the Comprehensive Health Improvement Program (CHIP) of Virginia.*** Proposes an increase of \$1.0 million each year from the TANF block

grant for CHIP of Virginia. CHIP of Virginia is a statewide network of local public/private partnerships which provides services to low-income, pregnant women, and young children in 27 localities. Funding will be used to expand services such as comprehensive care coordination and family support.

- ***Eliminate Vital Records Automation Fund Transfer to Office of Epidemiology.*** Proposes \$518,421 GF each year to eliminate the nongeneral fund transfer of a like amount of funding from the Vital Records Automation Fund to support the Office of Epidemiology purchases of childhood vaccines. The transfer was the result of prior year cost savings initiatives, however the automation funds are necessary to support the operations of the Vital Records system.
- ***Increase GF Support for Office of Rural Health.*** Proposes \$300,000 GF each year to meet federal Health Resources and Services Administration (HRSA) requirements for the State Office of Rural Health grant. New federal HRSA requirements do not allow states to use the grant to support positions whose primary purpose is not directly related to the Office of Rural Health’s functions and activities (such as partial management and administrative support). The current state match is funded at \$150,000 GF for this office, which has been in place since the 1998-2000 biennium. However, the state match requirement has more than tripled, requiring additional general fund dollars. The office administers programs earmarked for rural communities such as the Small Rural Hospital Improvement Program, and is responsible for the development of the State Rural Health Plan.
- ***Add GF Support for Onsite Sewage and Water Programs.*** Proposes adding \$253,860 GF each year and 3 positions to support the backlog of requests for onsite sewage and water supply services.
- ***Add Funds for Increased Rents at Local Health Departments.*** Proposes \$178,629 GF and \$120,552 from nongeneral funds each year to address higher lease costs for 16 local health departments that have moved into new facilities or experienced higher costs in current leased space. While lease arrangements are negotiated by the Department of General Services, the cost of new leases is the responsibility of local health departments.
- ***Provide Auditor Positions to Support the Certificate of Public Need (COPN) Program.*** Proposes \$191,656 GF the first year and \$182,656 GF the second year and two auditor positions to increase the timeliness of reviews and updates to the State Medical Facilities Plan.
- ***Provide GF Appropriation for Pediatric Comprehensive Sickle Cell Disease Services.*** Proposes adding \$105,000 GF each year to accurately reflect the ongoing cost of the current contract for the Pediatric Comprehensive Sickle Cell Program.

Historically, the agency has had an appropriation of \$200,000 GF annually for this program, however, the contract amount is \$305,000. The Office of Family Health has used vacancy savings in other programs to cover the difference. With continued reductions for 2015 and 2016, the Office no longer has excess general funds to cover the contract costs. The funding supports program coordination and social work staff that monitor the children to assist with treatment compliance and help educate families on health care and treatment issues.

- ***Add Funds to Support the Virginia Student Loan Repayment Program.*** Proposes \$150,000 GF the first year for the Virginia Student Loan Repayment Program which is matched with federal funding. Funding for this program was eliminated in prior year budget reduction strategies. For FY 2016, the Virginia Health Care Foundation provided the match as a temporary strategy to assist in the recruitment of qualified medical, dental, behavioral health and pharmacists professionals to health professional shortage areas of the Commonwealth.
- ***Provide Funding for the Health Wagon.*** Adds \$100,000 GF each year to increase support for the Health Wagon to address the needs of medically uninsured and underinsured patients in Southwest Virginia.
- ***Add Funds for Mission of Mercy Dental Project.*** Proposes an additional \$100,000 GF the first year to increase funding for the Virginia Dental Health Foundation Mission of Mercy (M.O.M.) dental project, which provides no cost dental services in identified underserved areas. The current appropriation for this project is \$16,280 GF. The proposed additional funding would support an increase in patients, additional dental supplies and costs for the repair or replacement of equipment such as dental chairs.
- ***Eliminates Language for Plan Management Functions of Federal Marketplace.*** Proposes eliminating language to provide general fund dollars for the department’s activities related to the Federally-Facilitated Insurance Marketplace. Funding has been replaced with nongeneral funds to carry out these functions, including oversight of the federal quality health plan certification process and assistance with managed care insurance plan requirements.

- **Department of Medical Assistance Services**

Forecast Changes

- ***Medicaid Utilization and Inflation.*** Adds \$327.4 million GF and \$330.4 million NGF in FY 2017 and \$461.7 million GF and \$456.0 million NGF in FY 2017 to fund expected increases in enrollment and medical costs for the Medicaid program. Separate proposals within the department’s budget reduce general fund spending that is included in this forecast.

Medicaid spending is expected to increase by 3.8 percent and 2.9 percent, respectively, in FY 2017 and FY 2018, well below the average annual growth rate of 7.9 percent over the past 10 years. However, the lower increases are applied to a larger Medicaid spending base since the FY 2016 expenditures increased by 9.3 percent.

Spending growth in the program is largely due to the annualization of FY 2016 expenditure increases due to enrollment growth, Medicare Part B premium and Part D prescription drug cost increases, and the impact of the U.S. Department of Labor ruling requiring overtime payments for consumer directed attendants. In addition, spending growth is impacted by managed care rate increases and hospital and nursing home inflationary adjustments.

The November 2015 Medicaid Forecast assumes that managed care rates will increase by only 2.8 percent the first year and 3.3 percent the second year for low-income children and adults, and 3.5 percent each year for aged, blind and disabled individuals. Enrollment is expected to grow at 5 percent in FY 2017 and 2.4 percent in FY 2018. The forecast does not assume any additional “woodwork” effect from current Affordable Care Act enrollment, despite the unexpected impact experienced in the last half of FY 2015.

The Medicaid forecast also contains additional funding for inflation adjustments of certain provider rates required by law or regulation. Funding is included for inflation adjustments for hospitals (\$47.7 million GF), nursing homes (\$20.9 million GF), home health agencies (\$155,197 GF), and outpatient rehabilitation agencies (\$480,812 GF) over the biennium. However, inflation adjustments are reduced in subsequent proposed budget actions.

In addition, the forecast assumes the continuation of two prior year reduction strategies for the cost of delivering indigent care at VCU and UVA Health Systems, a 3 percent reduction in indigent care payments and withholding an inflation adjustment from inpatient operating rates and graduate medical education. Together these actions reduce Medicaid spending by \$29.0 million GF each year of the biennium. In the past, VCU and UVA Health Systems were reimbursed at 100 percent of their Medicaid and indigent care costs through higher inpatient operating rates and graduate medical education rates. During the Great Recession, inflation was withheld as a budget reduction strategy. Typically, policy adjustments of this nature would be reflected in separate budget actions to provide greater transparency.

- ***Adjust Appropriation from the Virginia Health Care Fund.*** Proposes to reduce the appropriation by \$17.9 million GF in FY 2017 and \$1.2 million GF in FY 2018 and adds a like amount of nongeneral funds each year to reflect changes in revenues to

the Virginia Health Care Fund. Revenues from the Fund are used as a portion of the state's match for the Medicaid program; therefore, higher revenues result in a reduction of the general fund appropriation needed to maintain currently-funded Medicaid services. Conversely, lower revenues require additional general fund support. Revenues in the fund are derived from tobacco taxes, Medicaid recoveries and revenue maximization initiatives, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). The estimated change in the Fund assumes a \$17.4 million balance from FY 2016. Changes to the fund include:

- A reduction of \$17.1 million in FY 2017 and \$16.8 million in FY 2018 Medicaid recoveries,
 - An increase of \$15.3 million each year in expected pharmacy rebates,
 - An increase of \$2.2 million in FY 2017 and \$2.7 million in FY 2018 from projected reductions in tax collections from cigarettes and other tobacco products.
- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Proposes reducing funding by \$14.6 million GF and \$21.1 million NGF in FY 2017 and \$14.2 million GF and \$18.2 million NGF in FY 2018 to reflect the forecast of expenditures in the FAMIS program. The lower forecast is due to lack of growth in the number of children served by the program, lower than expected managed care costs, and the annualization of a reduction in the state match requirement for the program. The federal match rate increased from 65 percent to 88 percent beginning October 1, 2015.

FAMIS enrollment was expected to increase due to the “woodwork effect” as individuals come forward to qualify for Medicaid during open enrollment for ACA health insurance. While enrollment of children increased in the Medicaid program, FAMIS enrollment dropped by 9.6 percent over the past two years, despite efforts to enroll additional eligible children through the Governor’s Healthy Virginia initiative which began September 2014. The FAMIS program serves pregnant women and children under the age of 19 in families with income between 133 and 200 percent of poverty.

- ***Medicaid State Children’s Health Insurance Program (SCHIP) Utilization and Inflation.*** The proposed budget reduces \$8.3 million GF in FY 2017 and \$7.9 million GF in FY 2018 and adds \$4.9 million NGF in FY 2017 and \$7.5 million NGF in FY 2018 to reflect the forecast of expenditures in the SCHIP program. As with the FAMIS program, the lower general fund forecast is due to a decline in the number of children served by the program, lower than expected managed care costs, and the annualization of a reduction in the state match requirement for the

program. Enrollment of children in the SCHIP program has dropped by 2.8 percent over the past two years, despite recent enrollment efforts. The SCHIP program provides services for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level.

- ***Adjust Funding for Involuntary Mental Commitments.*** The introduced budget adds \$1.8 million GF each year over the biennium for expected expenditure growth as a result of higher costs for hospital and physician services for persons subject to involuntary mental health commitment hearings. Legislation adopted by the 2014 General Assembly related to the duration of emergency custody and temporary detention orders have resulted in higher than anticipated additional costs for these medical services.

Policy Changes

- ***Medicaid Expansion for Low-Income Individuals.*** Proposes language to expand Medicaid to individuals with income up to 138 percent of the federal poverty level pursuant to the Patient Protection and Affordable Care Act by July 1, 2016 or as soon as feasible thereafter. The net savings from the expansion, based on a January 1, 2017 implementation date, are estimated to be \$59.2 million GF the first year and \$97.7 million GF the second year by eliminating state general fund support for health care programs for individuals who may become eligible for Medicaid under the expanded income eligibility requirements. The estimated general fund costs and savings are illustrated in the table below.

The introduced budget reduces general fund spending for Medicaid related expenditures by \$38.6 million GF in FY 2017 and \$46.0 million GF in FY 2018 and increases federal Medicaid matching funds by \$707.2 million in FY 2017 and \$2.3 billion in FY 2018 to reflect the impact of Medicaid expansion on the agency's budget. Companion budget actions also reduce spending in the Department of Behavioral Health and Developmental Services and the Department of Corrections to capture anticipated savings in those agencies. In addition, 15 positions are added in the Department to support Medicaid expansion.

Companion language is added in Central Accounts allocating the estimated net general fund savings from Medicaid expansion for a variety of tax policy changes and spending initiatives (see Central Accounts for a detailed breakout).

Estimated GF Costs and Savings from Proposed Medicaid Expansion

| | <u>FY 2017</u> | <u>FY 2018</u> |
|--|-----------------------|------------------------|
| Estimated Medicaid Expansion Costs | | |
| Coverage of Newly Eligible Adults to 138% FPL - Current Medicaid Benefits | \$18,794,661 | \$141,801,720 |
| Coverage for Additional Eligible but Unenrolled "Woodwork" | 194,764 | 3,326,082 |
| Coverage of Dept. of Corrections Inmates | 376,827 | 2,077,193 |
| ACA Insurance Tax (Additional Woodwork & Newly Eligible) | 0 | 328,364 |
| DMAS Admin. Costs for Additional Enrollment | 11,759,798 | 15,173,158 |
| DSS Eligibility Determinations | <u>1,402,388</u> | <u>2,179,438</u> |
| Estimated Costs of Medicaid Expansion | \$32,528,438 | \$164,885,954 |
| Estimated Savings by Eliminating Public Program Coverage for Newly Eligible Individuals | | |
| Substitution of Medicaid Coverage for Indigent Care Funding | (49,617,910) | (126,724,143) |
| State-Funded Community Behavioral Health Services | (12,143,442) | (29,144,262) |
| Incarcerated Populations (DOC Prisons) | (9,865,826) | (24,719,813) |
| FAMIS Pregnant Women Enrollees | (9,394,050) | (43,412,921) |
| GAP Program for Seriously Mentally Ill up to 60% FPL | (8,087,854) | (19,222,905) |
| Divert Disabled/Medically Needy Enrollments | (901,630) | (10,692,765) |
| Medicaid Breast & Cervical Cancer Enrollees | (896,622) | (6,275,457) |
| Services for Individuals with Temporary Detention Orders | (\$484,582) | (\$1,453,873) |
| Medicaid Family Planning (0-100%) Program Enrollees | <u>(308,336)</u> | <u>(926,069)</u> |
| Estimated Savings of ACA Expansion | (\$91,700,252) | (\$262,572,208) |
| Net Savings of ACA Expansion | (\$59,171,814) | (\$97,686,254) |

- *Authorize Assessment on Hospitals.* Adds language in Central Accounts providing the Department with authority to impose an assessment on private acute care hospitals operating in Virginia not to exceed 3 percent of a hospital's annual net patient revenue. The revenues from the assessment would be collected and deposited into the Virginia Health Care Fund and used to (i) recover the non-federal costs to the Commonwealth to cover future costs of Medicaid expansion, (ii) increase payments to hospitals, including rural hospitals;, (iii) increase funds for graduate medical education, and (iv) cover the cost of administering the assessment. Specific allocations and amounts estimated from this action are not set out in budget language. However, it is anticipated that the assessment will generate approximately \$443.4 million over the biennium.

Proposed Spending for Department of Justice (DOJ) Related Items

- ***DOJ: Add Funding for Required Intellectual Disabilities (ID) and Developmental Disabilities (DD) Waiver Slots.*** Includes \$14.2 million GF in FY 2017 and \$31.8 million GF in FY 2018 and an equal amount of federal Medicaid matching funds to add 855 new ID and DD waiver slots over the biennium required under the DOJ settlement agreement. Funding will be used to add 180 new ID waiver slots for individuals transitioning from state ID training centers to the community, 625 new ID waiver slots for individuals residing in the community on the waiting list, and 50 new DD waiver slots for individuals residing in the community during the 2014-16 biennium.
- ***DOJ: Fund ID/DD Waiver Redesign and Increase in Waiver Rates.*** The introduced budget adds \$13.2 million GF in FY 2017 and \$23.0 million GF in FY 2018 and a like amount of federal Medicaid matching funds each year to implement the redesign of the three Medicaid waiver programs serving individuals with intellectual and developmental disabilities (ID/DD). The funding for the waiver redesign will (i) support rate changes to ensure the adequate number and types of community providers are available and individuals receive the appropriate level of care to meet needs, (ii) incentivize the use of more integrated living and day services, and (iii) add new services to address issues related to community integration. The new rates account for about 75 percent of the added funding. On average, funding will increase waiver rates by 5.4 percent.
- ***DOJ: Reduce Funding for State Intellectual Disability (ID) Training Centers.*** Proposes net general fund savings of \$9.8 million in FY 2017 and \$10.9 million in FY 2018 and an equal amount of federal Medicaid matching funds each year reflecting the ongoing closure of operations at state ID training centers. The Department of Justice settlement agreement requires that individuals be transitioned into more integrated settings in the community. Savings this biennium reflect the closure of Northern Virginia Training Center in March of 2016 and the estimated impact of closing Southwestern Virginia Training Center by the end of FY 2018. A companion budget action within DBHDS provides funds for closure costs not reimbursable through the Medicaid program.

Other New Spending

- ***Expand Coverage for Medicaid Substance Use Disorder Treatment Services.*** The introduced budget proposes \$2.6 million GF in FY 2017 and \$8.4 million GF in FY 2018 and a like amount of matching federal Medicaid funds each year, along with two positions, to expand Medicaid coverage of substance use disorder treatment services. The proposed expansion would provide a comprehensive array of services, which would allow the Commonwealth to apply for a federal

demonstration waiver to provide more flexibility and allow for innovative ways to administer benefits.

The introduced budget also proposes language to add the following services through the existing Medicaid State Plan or through a demonstration waiver: inpatient detoxification and substance abuse treatment, residential detoxification and substance abuse treatment, and peer support services. Language is also added to provide DMAS with authority to (i) change substance abuse outpatient, community based and residential treatment services to ensure parity between substance abuse treatment services and the medical and mental health services covered by the Medicaid agency, (ii) ensure comprehensive treatment planning and care coordination for individuals receiving behavioral health and substance use disorder services, (iii) ensure appropriate utilization and cost efficiency, considering all available options such as service definitions, prior authorization, utilization review, and provider qualifications and (iv) adjust reimbursement rates based on current industry standards.

- ***Increase Personal Care Rates.*** Proposes \$7.1 million GF and \$7.1 million NGF in FY 2017 and \$7.9 million GF and \$7.9 million NGF in FY 2018 to increase Medicaid rates for consumer and agency directed personal care, respite care and companion care by 2 percent in FY 2017 in the Elderly and Disabled with Consumer Direction (EDCD) and ID/DD waiver programs and the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program.

- ***Restore Funding for Piedmont and Catawba Geriatric Hospitals.*** The introduced budget proposes \$4.0 million GF and \$4.0 million in matching federal Medicaid funds to reverse a prior year budget action reducing spending at Piedmont and Catawba geriatric psychiatric hospitals. Last Session, the decision was made to reclassify these facilities from hospitals to nursing homes based on a federal Inspector General of Health and Human Services report which indicated that Catawba and Piedmont Geriatric Hospitals did not meet the requirements of a psychiatric hospital for Medicaid reimbursement. Consequently, their Medicaid Disproportionate Share Hospital payments were reduced and the state match was transferred to the Department of Behavioral Health and Developmental Services (DBHDS) to convert the facilities to nursing homes. It has now been determined that these facilities likely will not meet the federal criteria for nursing home certification. Since the facilities have not yet been reclassified, they will continue to receive Medicaid reimbursement with the restoration of general fund dollars that had been transferred to the Department of Behavioral Health and Developmental Services (DBHDS). A companion action in the DBHDS budget removes the general fund appropriation that was provided in Chapter 665 and transfers it to the department.

- ***Add 100 Reserve Waiver Slots.*** Proposes adding \$1.9 million GF and \$1.9 million NGF each year of the biennium to fund 100 reserve waiver slots across the Medicaid waivers serving individuals with intellectual and developmental disabilities (ID/DD). The reserve slots will be used for emergencies, individuals transferring between the three waiver programs, or for individuals transitioning from an intermediate care facility or nursing facility to the community. The funding assumes the costs associated with the new rates and services proposed in a separate budget action to redesign the existing ID/DD waiver programs.
- ***Increase Private Duty Nursing Rates.*** Proposes \$563,265 GF in FY 2017 and \$656,490 GF in FY 2018 and a like amount of matching federal Medicaid funds to increase Medicaid rates for private duty nursing by two percent in the Technology Assisted waiver and Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program. Private duty nursing rates in these two programs are lower than rates in the ID/DD waiver program.
- ***Add Coverage of Applied Behavioral Analysis Services in FAMIS.*** The introduced budget includes funding of \$145,754 GF and \$675,393 NGF in FY 2017 and \$121,793 GF and \$893,145 NGF in FY 2018 to add coverage for Applied Behavioral Analysis and other behavioral therapy services for children in the FAMIS program. Currently, Medicaid covers these services for children through the EPSDT program.
- ***Add Funding to Eliminate Prior Authorization for Preventive Lung Cancer Screenings.*** Proposes \$51,841 GF in FY 2017 and \$59,325 GF in FY 2018 and a like amount of matching federal Medicaid funds to eliminate the requirement for prior authorization for low-dose computed tomography (LDCT) lung cancer screenings as a preventive measure for at-risk Medicaid recipients. This coverage is expected to decrease the chance of a recipient developing advanced-stage lung cancer.

Administrative Funding

- ***Fund Replacement Costs of Medicaid Management Information System (MMIS).*** Proposes \$4.6 million GF in FY 2017 and \$5.8 million GF in FY 2018 and \$41.7 million NGF in FY 2017 and \$52.5 million NGF in FY 2018 in enhanced federal Medicaid matching funds the second year to replace the current Medicaid MMIS. The current MMIS contract expires June 30, 2018 and will no longer meet newer federal standards. Enhanced federal matching funds are available for system costs at a federal match rate of 90 percent for professional services and 75 percent for licenses and hardware.
- ***Add Funds for Increased Cost of Contracts.*** The introduced budget adds \$2.4 million GF and \$2.4 million NGF each year to cover several contracts that will expire within the next year such as, actuarial services, cost settlement services, and

federally required enrollment and outreach assistance to individuals seeking health coverage through the federal marketplace.

- ***Fund Affordable Care Act Mandatory Recipient Notifications of Medicaid Coverage.*** The introduced budget proposes \$749,750 GF and \$1.5 million in matching federal Medicaid funds each year of the biennium to pay for notifications to Medicaid recipients of their Medicaid coverage, as required by the federal Affordable Care Act. Information will be sent to about 670,000 heads of households to enable them to complete their tax filings. In addition, funding will allow the agency to handle recipient questions as required by law.
- ***Add Positions to Staff Agency Activities.*** Adds \$360,097 GF and \$360,097 NGF each year of the biennium and 7 positions to provide staffing for increased workload associated with overseeing the number and complexity of the managed care contracts within the agency.
- ***Fund Costs for New Managed Long-term Services and Supports Contract.*** Proposes \$1.5 million GF and \$3.2 million NGF the first year and \$8.2 million GF and \$9.1 million NGF the second year and five positions to reflect the costs associated with the implementation of the new managed long-term services and support (MLTSS) contract. In addition, the budget proposes a reduction of \$1.0 million GF and \$1.0 million NGF the first year and \$16.0 million GF and \$16.0 million NGF the second year to reflect the savings associated with the discontinuation of the current fee-for-service transportation contract for individuals newly covered under MLTSS. As individuals transition to managed care under this initiative, these costs will be incorporated into future managed care capitated payments.

Medicaid Forecast Reductions

- ***Withholding Inflation of Hospital Operating Rates.*** Proposes a reduction of \$15.0 million GF in FY 2017 and \$32.7 million GF in FY 2018 and \$14.7 million NGF in FY 2017 and \$31.9 million NGF in FY 2018 from federal Medicaid matching funds by withholding the annual inflation adjustment to inpatient operating rates for acute and rehabilitation hospitals for the Medicaid, FAMIS, SCHIP and involuntary mental health commitment programs. Under current law, inpatient operating rates for hospitals are adjusted annually by an inflation factor based on current trends in hospital costs. The November 2015 Medicaid forecast assumed an inflation adjustment of 2.6 percent in FY 2017 and 2.7 percent in FY 2018.
- ***Withholding Inflation of Nursing Facility Operating Rates.*** Proposes a reduction of \$12.7 million GF and \$12.7 million NGF in FY 2018 by withholding the annual inflation adjustment to nursing facility operating rates. Under current law, nursing facility rates are adjusted annually by an inflation factor based on current

trends in nursing facility operating costs. The November 2015 Medicaid forecast assumed an inflation adjustment of 0.9 percent in FY 2017 and 2.9 percent in FY 2018.

- ***Remove Inflation for Outpatient Rehabilitation and Home Health Agency Rates.*** Removes \$221,623 GF and \$221,623 NGF in FY 2018 as a result of eliminating an inflation adjustment for outpatient rehabilitation and home health agencies that was included in the 2015 Medicaid forecast.

Other Reductions

- ***Limits on Overtime Costs for Consumer-Directed Attendants.*** Reduces funding by \$5.7 million GF in FY 2017 and \$6.2 million GF in FY 2018 and a like amount of matching federal Medicaid dollars for limiting the projected cost of complying with new federal Department of Labor rules that extend the Fair Labor Standards Act minimum-wage and overtime pay to in-home personal care attendants, effective October 13, 2015. The introduced budget adds language to allow the agency to limit overtime hours for personal care attendants who provide care through consumer-directed service options through Medicaid waiver programs to 56 hours for a single attendant who works more than 40 hours per week.
- ***Transfer Funding to Eastern State Hospital.*** The introduced budget reduces \$6.6 million GF and \$6.6 million NGF to reflect federal Medicaid decertification of the Hancock Geriatric Treatment Center at Eastern State Hospital. The federal Centers for Medicare and Medicaid Services determined that the facility no longer meets the federal definition of a nursing home in FY 2016. The general fund match is transferred to the Department of Behavioral Health and Developmental Services for the continued operation of 80 geriatric treatment beds at the facility.

Language

- ***Remove Sunset on Funding for the Cover Virginia Central Processing Unit (CPU).*** The introduced budget removes language that would have discontinued the Cover Virginia Central Processing Unit beyond FY 2016. The Medicaid call center was upgraded to a central processing unit in FY 2015 to handle the backlog of processing Medicaid applications received through the federal health insurance exchange and all online applications submitted through the CommonHelp portal, and to support centralized application processing through final eligibility determination. Language is maintained in the budget setting out the CPU's appropriation and requiring quarterly reports on performance.
- ***Convert Specialized Care Rates to Prospective Payment Methodology.*** Adds language authorizing the department to convert specialized nursing care rates to a

prospective rate methodology consistent with that used for other nursing facilities beginning in FY 2017.

- **Department of Behavioral Health and Developmental Services (DBHDS)**

Proposed Department of Justice (DOJ) Budget Actions

Summary of Proposed Actions. The introduced budget includes \$37.2 million GF the first year and \$65.7 million GF the second year to continue implementation of the settlement agreement with the U.S. Department of Justice related to the training centers and community integration of individuals with intellectual and developmental disabilities into the community. The budget proposals are included in the budgets for the Department of Medical Assistance Services, the Department of Behavioral Health and Developmental Services (DBHDS), and the Department for Aging and Rehabilitative Services. The individual descriptions of related budget actions for DBHDS follow. In addition, after the descriptions below, there is a summary table of all DOJ related budget actions.

- *DOJ: Fund Settlement Agreement Costs Related to Training Center Operations.* Proposes \$4.8 million GF the first year and \$3.9 million GF the second year to fund activities and services related to the closure of state training centers. These funds provide retention bonuses and cover separation costs related to the closure of the state training centers. Costs paid after a training center closes are no longer reimbursable from Medicaid. In addition, there are on-going maintenance costs for unoccupied buildings. Changes in the discharge schedule impact the closure dates of a facility and this funding reflects the latest projections.
- *DOJ: Expand Crisis Services.* Proposes \$4.3 million GF the first year and \$5.3 million GF the second year to improve crisis programs to comply with requirements of the settlement agreement. This funding will support two eight-bed therapeutic homes, mobile crisis services, respite services for children, and regional crisis coordinators. The settlement agreement requires the Commonwealth to implement a statewide crisis system. The crisis system for adults generally meets the requirements of the settlement agreement, however the children's crisis system is still being developed.
- *DOJ: Fund Transitional Support for Individuals Leaving Training Centers.* Provides \$636,000 GF the first year and \$480,000 GF the second year to support up to 180 individuals that will transition over the biennium into the community. This funding will cover assistive technology, home or vehicle modifications, and durable medical equipment that are not covered by Medicaid. Funding for these costs in recent years has been provided through carryforwards of funds from previous years.

- ***DOJ: Create a Rental Assistance Program for Individuals with Intellectual and Developmental Disabilities to Live in Independent Settings.*** Provides \$1.9 million GF the first year and \$3.8 million the second year to support 150 rental vouchers in FY 2017 and an additional 150 in FY 2018. This funding will allow individuals to live in more independent and integrated community settings, like apartments.
- ***DOJ: Provide On-Going Funding for Rental Choice Virginia Program.*** Proposes \$400,000 GF each year for the on-going costs of the program, which was established pursuant to the settlement agreement. The agreement required \$800,000 of one-time funding to be used for rental subsidies. This funding provides on-going funding for individuals receiving subsidies in the program.
- ***DOJ: Fund a Developmental Disabilities Health Support Network in the Southwest Region.*** Provides \$1.3 million GF each year and 8.75 positions to create a health support network in the Southwest region of the Commonwealth to ensure that appropriate services are available for individuals in the community that have transitioned from the training centers. The current budget of \$2.6 million GF supports two health support networks: one in Northern Virginia and one in the Richmond area. These networks provide health education, dental services and equipment repair. A network in Southwest Virginia is proposed to be developed to coincide with the planned closure of the Southwest Virginia Training Center in 2018.
- ***DOJ: Create 5 Positions for the Individual and Family Supports Program.*** Proposes \$366,160 GF and \$488,123 GF the second year to support 5 positions that would provide assistance in each region to individuals on the waitlists to access services and supports in their area. Pursuant to the settlement agreement, this program provides a cash benefit to up to 1,000 families each year. However, the independent reviewer has interpreted language in the agreement to require a more comprehensive program.
- ***DOJ: Fund Community Services for Non-Medicaid Training Center Residents.*** Provides \$503,204 GF each year for the costs of community services for four individuals currently residing in state training centers (two at Northern Virginia Training Center and two at Central Virginia Training Center) that are not eligible for Medicaid. These individuals are expected to be transitioned from the training centers to the community in FY 2017. One other non-Medicaid individual was transitioned in FY 2015.
- ***DOJ: Add 19 Positions to Support the Settlement Agreement.*** Proposes \$1.4 million GF and \$516,838 NGF the first year and \$1.8 million GF and \$585,228 NGF the second year for 19 positions to assist the agency in compliance with the settlement agreement with the U.S. Department of Justice. This funding supports

ten licensing specialists, five to support case management and service needs evaluations, two positions for internal review and data quality assurance, and two positions to support the rental subsidy program.

- ***DOJ: Add 16 positions to Support the Transition to the Redesigned Waivers.*** The introduced budget includes \$659,193 GF and \$649,690 NGF the first year and \$712,690 GF and \$703,414 NGF the second year to create 16 new positions to assist the transition of individuals to the newly redesigned waivers for people with intellectual and developmental disabilities. These positions will support Community Services Boards by monitoring the mix of services, providing technical support, performing quality management, and monitoring individual support plans.
- ***DOJ: Fund an Event Tracking Quality Management System.*** Proposes \$945,952 GF the first year and \$244,553 GF the second year and 1 position to create a comprehensive event tracking system. This system will track critical events in a more timely and accurate manner to better prevent the occurrence of such events. Types of events tracked include deaths, injuries, allegations of abuse, and use of restraints or seclusion at any state facility or by any community provider. This system benefits both the intellectual disability and mental health systems.
- ***DOJ: Increase Funding for Independent Reviewer.*** Adds \$63,734 GF the first year and \$72,544 GF the second year for a larger than anticipated workload for the independent reviewer, who is appointed by the court to monitor the Commonwealth's compliance with the settlement agreement. When the budget was originally established it did not assume funding for serious incident reviews, which the judge has required.
- ***Increase Nongeneral Fund Appropriation for Central Office Operations Related to Medicaid Reimbursement.*** Provides \$3.4 million NGF each year to reflect higher Medicaid reimbursement mainly related to licensing and quality service review activities pursuant to the settlement agreement with the U.S. Department of Justice.

Community Mental Health Services

- ***Fund Transitional Housing for Forensic Patients.*** Proposes \$1.5 million GF the first year and \$3.0 million GF the second year to fund a group home and a residential treatment program to provide options for individuals ready to discharge from Eastern State Hospital. A portion of the funding is for Discharge Assistance Planning (DAP) funds to help overcome barriers to discharge. There are currently 30 individuals at Eastern State Hospital that have significant barriers to discharge. In addition, 1 position is funded to oversee the transfer process of individuals in local jails awaiting transfer to state hospitals.

Department of Justice (DOJ) Settlement Agreement
Proposed Funding
(GF \$ in millions)

| <u>Programs and Services</u> | HB/SB 30 | |
|--|-----------------|----------------|
| | <u>FY 2017</u> | <u>FY 2018</u> |
| Department of Medical Assistance Services: | | |
| Required Waiver Slots (855 Total): | \$14.2 | \$31.8 |
| - 180 ID Facility Transition Slots | | |
| - 625 ID Community Slots | | |
| - 50 DD Waiver Slots | | |
| 100 Reserve Emergency Waiver Slots | 1.8 | 1.8 |
| Waiver Redesign (higher rates and new services) | 13.2 | 23.0 |
| Training Center Facility Savings | <u>(9.8)</u> | <u>(10.9)</u> |
| Subtotal of Proposed Funding | \$19.4 | \$45.7 |
| Department of Behavioral Health and Developmental Services: | | |
| Training Center Facility Closure Costs | \$4.8 | \$3.9 |
| DD Health Supports Network (Southwest) | 1.3 | 1.3 |
| Crisis Services | 4.3 | 5.3 |
| Transitional Funding | 0.6 | 0.5 |
| DOJ Administrative Staff | 1.4 | 1.8 |
| Rental Assistance | 1.9 | 3.8 |
| Rental Choice Virginia Program | 0.4 | 0.4 |
| Increased Workload of Independent Reviewer | 0.1 | 0.1 |
| Wavier Services Staffing | 0.7 | 0.7 |
| Critical Event Tracking System | 0.9 | 0.2 |
| Staffing for Individual and Family Supports | 0.4 | 0.5 |
| Non-Medicaid Training Center Discharges | <u>0.5</u> | <u>0.5</u> |
| Subtotal Additional Funding | \$17.3 | \$19.0 |
| Department for Aging and Rehabilitative Services: | | |
| Guardianship Services for 195 Individuals | <u>\$0.5</u> | <u>\$1.0</u> |
| Total DOJ Funding | \$37.2 | \$65.7 |

- *Increase Diversion Options for the Mentally Ill by Creating Additional Magistrate's Post-Booking Diversion Pilot Programs.* Proposes \$600,000 GF a year to fund up to three additional post-booking diversion programs. These

programs increase the identification of persons with mental illness or substance use disorders that are involved in the criminal justice system. These individuals are then given access to pre-trial mental health and substance use disorder services.

- ***Create an Oversight System for Court-Ordered Evaluations.*** Provides \$152,016 GF the first year and \$202,689 GF the second year to fund 2 positions and other costs related to legislation that would create an oversight system for competency and sanity evaluations. This system would subject evaluations to peer review and allow the department to maintain a list of trained evaluators known to follow the standards of practice.
- ***Provides Funds for Outpatient Competency Restorations.*** Adds \$85,000 each year for competency restoration services for up to 85 individuals a year. These services include assessments, educational services related to the legal system, case management, psychiatric and medication. Outpatient competency services are provided by Community Services Boards.
- ***Increases Resources for Conditional Release of Individuals Found Not Guilty by Reason of Insanity.*** Adds \$84,000 each year for resources to release up to 24 individuals found Not Guilty by Reason of Insanity into the community. These individuals require transition funding or in some cases bridge funding until other entitlement funding is restored in order to make the move into the community successful.

Facility Mental Health Services

- ***Offset Revenue Shortfall from Loss of Federal Funding at Hancock Geriatric Center.*** Provides \$8.3 million GF each year to maintain the facility with 80 geriatric beds. As a result of a federal Center for Medicare and Medicaid Services inspection of the facility in February 2015, the facility was deemed to not meet the nursing home criteria for Medicaid reimbursement. This funding offsets the loss of those federal dollars to continue full operation.
- ***Transfer State Medicaid Funds to Support Hancock Geriatric Center.*** Transfers \$6.6 million GF each year from the Department of Medical Assistance Services to support Hancock Geriatric Center due to the loss of Medicaid certification. These funds were budgeted as state match for Medicaid. Since the facility is no longer certified for Medicaid reimbursement, this funding is transferred to continue to operate the facility with state only-funds.
- ***Eliminates Funding Provided for the Conversion of Piedmont Geriatric and Catawba Hospitals to Nursing Facilities.*** Reduces base funding by \$8.6 million GF each year that was provided in the 2015 Session to convert Piedmont Geriatric

and Catawba Hospitals from hospitals to nursing facilities. The federal Inspector General of Health and Human Services issued a report which indicated that Catawba Hospital and Piedmont Geriatric Hospital did not meet the requirements of a psychiatric hospital for Medicaid reimbursement. Funding of \$9.1 million GF was added to the department's budget in FY 2016 to offset the loss of Medicaid Disproportionate Share Hospital payments since the two hospitals would be converted to nursing homes. However, efforts to convert the hospitals have been discontinued because it is unlikely that they will be able to meet federal requirements for nursing facilities. The funding is being reduced in the department's budget and transferred to the Department of Medical Assistance Services to continue existing hospital certification until another plan is developed.

- ***Develop a Plan and Begin Closure Process for Catawba Hospital.*** Proposes \$1.0 million GF the first year to begin the process to close Catawba Hospital. The funding will be used to fund beds at private psychiatric hospitals to prevent admissions, ensure staff retention, hire a program manager to oversee the closure process, and other necessary expenditures. Expenditures of this funding require approval of the Secretaries of Health and Human Resources and Finance. A final plan with proposed funding will be submitted for consideration in the 2017 Session that will include building the community capacity and paying for the transition of individuals into the community in order to close the facility.
- ***Add Direct Care Staff at Western State Hospital.*** Provides \$257,670 GF the first year and \$515,337 GF the second year to fund 6 positions at Western State Hospital. Additional staff is needed to handle the increase in admissions and higher acuity of patients. Recent changes in law have increased the number of temporary detention order and forensic admissions experienced by the hospital.
- ***Increase Pediatric Services at the Commonwealth Center for Children and Adolescents.*** Provides \$69,069 GF each year to increase the hours of pediatric services available at the facility. Currently, the facility has a part-time pediatrician providing eight hours of services a week.
- ***Improve Compensation Issues at Mental Health Facilities.*** Proposes \$1.2 million GF each year to increase the pay differential for hard-to-fill shifts at the state's nine mental health facilities. These facilities experience turnover rates as high as 29 percent. Increasing the pay for shift differentials may reduce turnover and overtime costs, and improve morale.
- ***Permanently Move Funding from the Budget for Intellectual Disability Training Centers to the Budget for Mental Health Facilities.*** Moves \$8.8 million GF a year from the Intellectual Disabilities Facilities budget to the Mental Health facilities budget. General fund dollars have traditionally been budgeted for the Intellectual

Disabilities facilities and then transferred to the Mental Health facilities to cover increasing costs at those facilities. Rather than continue with annual administrative actions to move the funding, this transfer adjusts the funding to match where it will be spent.

Other Spending Increases

- ***Provides Funds for the Increasing Caseload for Part C Early Intervention Services.*** Proposes \$1.7 million GF the first year and \$2.5 million GF the second year to cover the costs of the increasing caseload for the program. The program has been growing on average by 4.9 percent a year over the last few years. The program provides early intervention services to children with a developmental delay or at-risk of a developmental delay. This program is part of the federal Individuals with Disabilities Education Act.
- ***Add Funds for Special Hospitalization Costs at the Virginia Center for Behavioral Rehabilitation.*** Proposes \$1.0 million GF each year to cover increasing hospitalization costs of individuals at the center. This center is where individuals determined by the courts to be sexually violent predators are civilly committed after their release from incarceration in order to receive treatment for their condition. Since the individuals at the facility are the responsibility of the state, so are their health care needs. Hospitalization costs have risen rapidly in recent years and are expected to continue to increase as the population grows older.

Other Proposed Funding Changes

- ***Transfer Funds from the Department of Behavioral Health and Developmental Services to the Department of Medical Assistance Services to Support Training Center Operations.*** Transfers \$8.0 million GF each year between the agencies to fund the state share of Medicaid costs for the state training centers. The Department of Behavioral Health and Developmental Services receives funding for any salary and fringe benefit cost increases for training center staff. This action moves the funding to Medicaid to cover those staffing costs through Medicaid reimbursements. Training Centers are reimbursed by Medicaid on a cost basis.
- ***Reduce Special Fund Budget to Reflect Current Revenue.*** Reduces \$25.0 million NGF the first year and \$32.0 million NGF the second year to primarily reflect lower revenue due to the planned closure of Northern Virginia Training Center in March 2016. The training centers are reimbursed through Medicaid, which is reflected as special fund revenue in their operational budgets. After a facility closes the revenue from Medicaid will decline and the special fund budget is adjusted to reflect the lower revenue.

- *Transfer Funds Budgeted for Intellectual Disability Training Centers to the Virginia Center for Behavioral Rehabilitation (VCBR).* Moves \$2.8 million GF each year from the budget for state training centers to VCBR. Beginning, in FY 2015 this funding has been administratively transferred to cover increasing costs and new positions at the center.
- *Reflect Savings from the Expansion of Medicaid as Authorized by the Affordable Care Act.* Reduces funding provided to Community Services Boards by \$12.1 million GF the first year and \$29.1 million GF the second year. The expansion of Medicaid to adults ages 19 to 64 with income up to 138 percent of the federal poverty level will result in a portion of the current population served by Community Services Boards with state only funds, now becoming eligible for Medicaid funding for mental health and substance use disorder services. Since the Medicaid Expansion population will be funded at no less than 90 percent by the federal government, the expansion shifts current costs paid for solely by the state to the federal government.

Budget Language

- *Develop a Plan for a Community Services Board Performance Contracting System.* Proposes budget language to require the Department to develop a plan for a performance based contracting system for Community Services Boards. Such a system would include funding incentives and disincentives based on achievement of outcomes. The language requires the plan be submitted to the Secretaries of Health and Human Resources and Finance, and the chairmen of the House Appropriations and Senate Finance Committees by November 1, 2016.

- **Department for Aging and Rehabilitative Services**

- *Add Funding for Additional Public Guardianships for Individuals with Mental Illness.* The introduced budget adds \$425,804 GF the first year and \$1.0 million GF the second year and 1 position to fund public guardians for individuals with mental illness being discharged from state hospitals. This funding will support guardianships services for 50 individuals the first year and 98 the second year that are discharged from state hospitals. The funding also provides services for another 50 individuals in the second year for at-risk adults on a wait-list for guardianship services. The public guardianship and conservatorship program provides services to individuals that are incapacitated and for which no other individual is willing to serve as a guardian. The program currently serves over 600 individuals.
- *Fully Fund the Costs of Medicaid Disability Determinations.* The introduced budget adds \$80,380 GF and \$80,380 NGF the first year to offset a funding shortfall for the state share of Medicaid disability determinations. The agency provides

disability determinations for individuals applying for Medicaid. This one-time funding corrects a backlog in paying the state share of costs.

- ***Provide Funds for a New Adult Services and Adult Protective Services Case Management System.*** Proposes \$50,000 GF the first year and \$440,000 GF the second year for the ongoing costs of operating a new case management system. Federal funding of \$560,000 from two federal grants and \$100,000 GF from existing resources are being used for system development costs. The proposed funding will be used to pay for licensing fees and on-going support costs. The funding in the first year would support training of local workers.
- ***Adjust Budget to Align with Current Services.*** Provides \$2.6 million NGF each year to reflect higher than projected revenue, primarily from federal grants. In addition, the position level of the agency is reduced by 31 positions to align the employment level of the agency with available funding.
- ***DOJ: Add Funding for Additional Public Guardianships for Individuals Transitioning from Training Centers.*** Proposes \$500,000 GF the first year and \$1.0 million GF the second year to fund public guardians for individuals with intellectual disabilities residing in state training centers. This funding will support guardianship services for 100 individuals the first year and 195 the second year that are expected to transition to the community. The public guardianship and conservatorship program provides services to individuals that are incapacitated and for which no other individual is willing to serve as a guardian.
- ***Provide Funds to the Jewish Social Service Agency.*** Provides \$100,000 GF a year to contract with the Jewish Social Services Agency in Northern Virginia to support in-home care and safety net services for low-income seniors that have experienced trauma.
- ***Create a Position to Administer the Chronic Disease Self-Management Initiative.*** Proposes \$100,000 GF each year for one position to provide administrative support and oversight of this initiative, which is otherwise federally funded. The initiative provides workshops for seniors to educate them on how to manage chronic disease, such as diabetes. Currently, 18 of the 25 Area Agencies on Aging are providing these workshops.
- ***Fund a Position for Monitoring the Auxiliary Grant Program.*** Proposes \$87,338 GF each year to support a position to improve monitoring of the Auxiliary Grant Program. This program expends over \$27.0 million a year and serves over 5,300 adults. This position is intended to improve oversight of the program and increase accountability.

- **Department of Social Services**

- *Increase Appropriation for Supplemental Nutrition Assistance Program (SNAP) Employment and Training Grant.* Provides \$8.3 million NGF each year for a recent federal grant award to the state for a pilot program. The purpose of this pilot program is to increase the number for SNAP recipients that obtain employment and increase the income of those employed with the ultimate goal of reducing reliance on SNAP benefits.
- *Fund Foster Care and Adoption Forecast.* Provides a net increase of \$5.9 million GF and \$10.8 million NGF each year for forecast changes to the foster care and adoption programs. Adoption subsidies are projected to increase by \$6.9 million GF and \$6.9 million in federal Title IV-E funds each year of the biennium. Title IV-E foster care expenditures are expected to increase by \$3.9 million GF and \$3.9 million NGF each year. The increased costs for the Title IV-E foster care and adoption programs are partially offset by a projected decline in state adoption subsidies by \$4.9 million GF each year. The following table details spending for child welfare services.

| Proposed Funding for Child Welfare Services Spending (All Funds, \$ in millions) | | | |
|--|--------------------------------|----------------------------|----------------|
| | Chapter 665 FY 2016 | HB/SB 30 Introduced | |
| | | FY 2017 | FY 2018 |
| Title IV-E Foster Care* | \$40.5 | \$48.3 | \$48.3 |
| Title IV-E Adoption Subsidies* | 75.2 | 89.0 | 89.0 |
| State Funded Adoption Subsidies | <u>39.6</u> | <u>34.8</u> | <u>34.8</u> |
| Total | \$155.3 | \$172.1 | \$172.1 |
| *The general fund share of these costs is 50 percent. | | | |

- *Expand Foster Care and Adoption Payments for Young Adults Up to Age 21.* Adds \$1.0 million GF and \$1.0 million NGF the first year and \$2.9 million GF and \$2.9 million GF the second year for the federal Fostering Connections program to expand foster care and adoption subsidies to youth up to the age of 21. Currently, foster care payments and adoption subsidies are only made on behalf of children

up to the age of 19. Only youth who turn 18 on or after the program begins will be eligible for the program. There is an offsetting savings in the Children's Services Act budget of \$511,678 GF the first year and \$1.5 million GF the second year as a result of foster care youth that will now be eligible for 50 percent federal funding.

- ***Fund Increase in Child Welfare Services per Federal Mandate.*** Proposes \$1.4 million GF the first year and \$2.1 million GF the second to fund an increase in child welfare services as required by federal law. Since federal FY 2010, the program criteria for an applicable child for federal Title IV-E adoption assistance have resulted in an increase in children eligible for federal funding. These children were fully state-supported, resulting in state savings. These savings are required by federal law to be reinvested in the child welfare system.
- ***Increase Maintenance Payment Rates for Foster Care and Adoptions.*** The introduced budget adds \$826,419 GF and \$586,093 NGF each year to increase the maintenance payment rates to family foster homes and adoption subsidies by 2 percent. The Appropriation Act requires an automatic adjustment for inflation to be applied to the maximum room and board rates paid to foster parents in the fiscal year following a state employee pay raise, which was provided on August 10, 2015. While this rate increase is not mandatory for adoption subsidy maintenance payments, funding was provided to ensure subsidy rates keep pace with foster care and to avoid any disincentives to adoption.
- ***Fund Eligibility Information System Operating Costs.*** Proposes \$3.5 million GF and \$1.0 million NGF the first year and \$1.7 million GF and \$3.2 million NGF the second year to reflect the transition of the new eligibility system from development to full operation, and funding for eight positions that had previously been expected to be phased out by FY 2018. In addition, the introduced budget removes \$5.8 million GF and \$19.0 million NGF the second year of previously appropriated development costs for the system.
- ***Fund Child Care Information Technology System Needs.*** Proposes \$2.8 million NGF each year from the federal Child Care and Development Block Grant for maintenance costs and enhancements to the child care module in the Virginia Case Management System and the Electronic Payment Processing and Information Control (EPPIC) system. The system enhancements, due to changes in state and federal law, are one-time costs of \$1.4 million in each year. The remaining \$1.4 million is for maintenance costs of the EPPIC system.
- ***Increase Support for Additional Local Eligibility Workers as a Result of Expanding Medicaid.*** Provides \$1.4 million GF and \$4.1 NGF the first year and \$2.2 million GF and \$6.4 million NGF the second year to fund up to 140 eligibility workers in the local Departments of Social Services. The introduced budget

includes an expansion of Medicaid as allowed by the Affordable Care Act. This expansion may result in as many as 350,000 new enrollees in the program and many of the eligibility determinations would be handled at the local level.

- ***Fund Full Cost of Salary Increase in the Division of Child Support Enforcement.*** Adds \$537,220 GF each year for the state employee salary increase that was provided August 10, 2015. This funding would cover the 24 percent share that would otherwise be paid for through Temporary Assistance for Needy Families retained collections. Retained collections are revenues generated from allowable retained child support collections on behalf of Temporary Assistance to Needy Families (TANF) recipients. Federal law allows the program to retain any child support payments in excess of \$50 each month for operating costs if the family receives TANF assistance in addition to child support. As the TANF caseload continues to decline, the amount of child support collected on their behalf also declines. These retained collections are used to provide the state match for federal child support enforcement funding. Since these collections continue to decline, they are not available to pay for any increase in salary costs of the Division of Child Support Enforcement.
- ***Fund Federally Required Background Checks for Previously Exempt Child Care Providers.*** Adds \$199,922 NGF the first year and \$184,433 NGF the second year to fund three positions and the costs to conduct fingerprint background checks. Federal law requires that child care providers receiving block grant funds must conduct fingerprint background checks. These costs are funded by the fees collected from the background checks. Background checks for some child care providers (such as religious exempt child care centers) were not originally reflected in cost estimates for the legislation requiring fingerprint background checks. These entities were subsequently determined to be subject to the new federal rules; this funding is intended to implement these additional background checks.
- ***Capture Surplus in Funding from the Auxiliary Grant Program.*** Reduces \$500,000 GF each year for the auxiliary grant program. Fewer individuals are expected to participate in the program. Expenditures in the program have declined on average of 1.3 percent a year over the past three fiscal years.
- ***Adjust Temporary Assistance to Needy Families (TANF) Funding to Account for Providing Mandated Benefits.*** Reduces TANF spending by a net of \$5.0 million NGF each year to reflect the spending forecast of TANF income. TANF spending for mandated benefits has declined in recent years and is expected to decline by 5.5 percent in FY 2017. This reduction is offset by additional TANF spending allocations in the proposed budget that includes \$6.8 million NGF each year from estimated TANF balances for Healthy Families, \$2.8 million NGF each year for at-

risk child care subsidies, \$1.0 million NGF each year for the Comprehensive Health Investment Partnership (CHIP) of Virginia, and \$3.0 NGF the first year and \$6.0 million the second year for a long-acting reversible contraception pilot program. TANF is also eliminated for two organizations that were funded in FY 2016: Visions for Truth Community Development Organization and Zion Innovative Opportunities Network. Each of these entities received \$25,000 in TANF funding in FY 2016. These actions will leave a \$15.9 million TANF balance at the end of FY 2018. The table below provides detail on the TANF budget for the biennium.

- **Virginia Board for People with Disabilities**

- *Fund Base Budget to Maintain Current Operations.* Provides \$17,115 GF each year and reduces \$159,534 NGF each year to align the agency’s budget to maintain current services and reflect expected federal support. The agency is primarily supported with federal funds, which have not been increasing. Due to increasing costs, additional state funds are needed to maintain agency activities.

- **Department for the Blind and Vision Impaired**

- *Provide Funds to Improve Campus Security.* Provides \$200,000 GF the first year for one-time security enhancements to the agency’s campus on Azalea Road in Richmond. The campus includes both the agency’s headquarters and the Virginia Center for the Blind and Vision Impaired. The funding will support improved sidewalks, a notification system to provide alerts, modern building access controls, and more security cameras.

- **Virginia Center for the Blind and Vision Impaired**

- *Expand Availability of Independent Living Services.* Proposes budget language to allow \$200,000 GF a year from the unexpended balances in the Act to be used to support independent living services for 25 vision impaired individuals at the center. The center is primarily supported through federal vocational rehabilitation funding that requires a work outcome for eligibility. This funding would allow individuals not meeting the federal criteria to access services through the center.

TANF Block Grant Funding Proposed FY 2016, FY 2017 and FY 2018

| | HB/SB 29 Proposed <u>FY 2016</u> | HB/SB 30 Proposed <u>FY 2017</u> | HB/SB 30 Proposed <u>FY 2018</u> |
|--|--|--|--|
| TANF Resources | | | |
| Annual TANF Block Grant Award | \$158,285,172 | \$158,285,172 | \$158,285,172 |
| Carry-Forward From Prior Fiscal Year | <u>72,735,005</u> | <u>62,761,966</u> | <u>40,834,410</u> |
| Total TANF Resources Available | \$231,020,177 | \$221,047,138 | \$199,119,582 |
| TANF Expenditures | | | |
| <i>VIP/VIEW Core Benefits and Services</i> | | | |
| TANF Income Benefits | \$42,891,194 | \$41,868,166 | \$41,868,166 |
| VIEW Employment Services | 11,612,144 | 11,612,144 | 11,612,144 |
| VIEW Child Care Services | 17,197,804 | 17,197,804 | 17,197,804 |
| TANF Caseload Reserve | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| Subtotal VIP/VIEW Benefits and Services | \$72,701,142 | \$71,678,114 | \$71,678,114 |
| <i>Administration</i> | | | |
| State Administration | \$3,002,653 | \$3,002,653 | \$3,002,653 |
| Information Systems | 4,052,023 | 4,052,023 | 4,052,023 |
| Local Staff and Operations | 44,513,536 | 45,513,536 | 45,513,536 |
| Eligibility System Maintenance/IT | <u>2,500,000</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| Subtotal Administration | \$54,068,212 | \$53,568,212 | \$53,568,212 |
| <i>TANF Programming</i> | | | |
| Healthy Families/Healthy Start | \$4,285,501 | \$11,035,501 | \$11,035,501 |
| Community Action Agencies | 2,000,000 | 2,000,000 | 2,000,000 |
| Visions of Truth | 25,000 | 0 | 0 |
| CHIP of Virginia (VDH) | 1,400,000 | 2,400,000 | 2,400,000 |
| Local Domestic Violence Prevention Grants | 2,346,792 | 2,346,792 | 2,346,792 |
| Zion Innovative Opportunities Network | 25,000 | 0 | 0 |
| EITC Grants | 185,725 | 185,725 | 185,725 |
| LARC Pilot Program (VDH) | <u>22,455</u> | <u>3,000,000</u> | <u>6,000,000</u> |
| Subtotal TANF Programming | \$10,290,473 | \$20,968,018 | \$23,968,018 |
| Total TANF Expenditures | \$137,059,827 | \$146,214,344 | \$149,214,344 |
| Transfers to other Block Grants | | | |
| CCDF for At-Risk Child Care | \$12,872,884 | \$15,672,884 | \$15,672,884 |
| CCDF for Head Start Wraparound Services | 2,500,000 | 2,500,000 | 2,500,000 |
| SSBG for Children's Services Act | 9,419,998 | 9,419,998 | 9,419,998 |
| SSBG for Local Staff Support | <u>6,405,502</u> | <u>6,405,502</u> | <u>6,405,502</u> |
| Total TANF Transfers | \$31,198,384 | \$33,998,384 | \$33,998,384 |
| Total TANF Expenditures & Transfers | \$168,258,211 | \$180,212,728 | \$183,212,728 |