

Health and Human Resources

Governor's Proposed Amendments				
(\$ in millions)				
	FY 2019 Proposed		FY 2020 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2018-20 Base Budget (Ch. 2, 2018 Special Session I)	\$6,647.7	\$10,140.4	\$6,821.5	\$11,686.0
Proposed Increases	238.0	377.5	360.2	1,859.2
Proposed Decreases	<u>(65.5)</u>	<u>(14.6)</u>	<u>(54.8)</u>	<u>(83.3)</u>
\$ Net Change	172.5	362.9	305.4	1,775.9
HB 1700/SB 1100, as Introduced	\$6,820.2	\$10,503.3	\$7,126.9	\$13,461.9
% Change	2.6%	3.6%	4.5%	15.2%
FTEs	8,588.90	6,417.12	9,119.15	6,442.62
# Change	2.00	(59.00)	261.5	(44.50)

- **Children's Services Act (Formerly Comprehensive Services for At-Risk Youth and Families)**
 - *Caseload and Utilization Declines.* Reduces \$5.9 million GF each year to reflect a decline in anticipated growth in the CSA program. Chapter 2 of the 2018 Acts of Assembly, Special Session 1 (HB 5002), provided \$16.9 million GF in FY 2019 and \$27.0 million GF in FY 2020 to fund anticipated growth in the program. The lower growth is due to lower caseload and utilization in most CSA funded services, except for special educational services for children placed in private day educational programs through federally mandated Individualized Education Program (IEP) plans. The reduction in funding reflects a growth rate of 5.5 percent in FY 2019 and 3.6 percent in FY 2020, compared to growth rates of 6.9 percent in FY 2019 and 5 percent in FY 2020 contained in Chapter 2.
- **Department of Health**
 - *Maintain Funding for Trauma Centers.* Proposes to make available \$6.2 million NGF cash the second year for Trauma Centers by reducing the Part 3 transfer of

monies from the Emergency Medical Services Trauma Center Fund to the general fund. This additional funding assists hospital trauma centers to offset higher costs necessary for maintaining around the clock availability of trauma care. Revenue for the fund comes from a \$100 fee for driver's license reinstatements related to convictions for driving under the influence.

- ***Add Funds for Proton Beam Research and Therapy.*** Proposes \$5.0 million GF the first year from the general fund for the Hampton University Proton Therapy Foundation for cancer research and therapy, bringing the total funding in FY 2019 to \$7.0 million GF.
- ***TANF for Virginia Food Banks.*** Proposes \$3.0 million in FY 2020 from the federal Temporary Assistance to Needy Families (TANF) block grant for the Virginia Federation of Food Banks.
- ***Fund Costs of Additional Vaccines for Children and Adolescents.*** Proposes \$1.5 million GF the second year for the costs associated with purchasing meningococcal conjugate (MCV4), Hepatitis A and the Human Papillomavirus (HPV) vaccines for children and adolescents to be administered at local health departments.
- ***Fund Riverside Shore Memorial Hospital Costs to Add Obstetrical Services to Facility.*** Proposes \$1.2 million GF the second year to contract with Riverside Shore Memorial Hospital for obstetrical (OB) services. Language requires the contract to require the hospital to provide OB services to the residents of the Eastern Shore of Virginia.
- ***Support Construction of Pediatric Department at Eastville Community Health Center.*** Proposes \$795,000 GF the second year to contract with the Eastville Community Health Center located on the Eastern Shore of Virginia to support the construction of the pediatric department at the center.
- ***Add Funds for Increased Rents at Local Health Departments.*** Proposes \$257,708 GF and \$197,530 NGF the second year to address higher lease costs for 10 local health departments that are moving into new facilities or experiencing 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, which are funded jointly by the state and local governments.
- ***Technical: Increase NGF for Central Pharmacy Purchases.*** The introduced budget provides \$422,037 NGF the second year for drug purchases for local health districts. The local health departments recoup this funding through fees charged to patients. In the past, this revenue was administratively transferred from the

local health departments to the Central Pharmacy to purchase additional drugs. This action will provide more transparency in the budgeting process.

- *Add Positions Responsible for COPN State Medical Facilities Plan.* The introduced budget adds two positions and \$168,982 GF the first year and \$167,682 NGF the second year to support activities related to the review, update and accuracy of the State Medical Facilities Plan. The source of the nongeneral fund amount in the second year is would be fee increases for COPN applicants, proposed in legislation for the 2019 Session.
- *Add Funds for the Virginia Perinatal Quality Collaborative.* The introduced budget provides an additional \$50,000 to support the Virginia Perinatal Quality Collaborative, which supports efforts to improve pregnancy outcomes for women and newborns.
- *Establish State Overdose Fatality Review Team.* The introduced budget adds \$256,248 and three positions the second year to establish a State Overdose Fatality Review Team. The team would develop and implement processes to ensure that overdose deaths occurring in the Commonwealth are reviewed in a systematic way. The additional staff would be responsible for reviewing overdose death cases, preparing materials for the team, facilitating meetings, and providing assistance to the local and regional teams. During the 2018 Session, legislation creating such a statewide team (HB 1172) was considered and did not pass.
- *Fund Charges at the Office of the Attorney General (OAG) to Defend Lawsuit.* Proposes \$200,000 GF the first year to cover the anticipated cost of legal fees from the OAG pertaining to the defense of a lawsuit against the agency. The lawsuit challenges several statutory and regulatory oversight provisions dealing with abortion services and the facilities that provide these services.
- *Add Funds for Increased Rent at the Office of Environmental Health's Field Office.* Proposes \$107,525 GF each year to cover the cost of increased rent due to renovation of the White Sone field office's laboratory.

- **Department of Health Professions**

- *Increase NGF Appropriation to Cover Additional Costs for Previously Authorized Positions.* The introduced budget provides \$531,715 NGF the second year to support the costs of five positions authorized in the 2018 Session to address increases in workload. No appropriation for these positions was provided in the current budget. The source of the nongeneral funds is generated from fees charged to regulated health professionals.

- *Increase NGF Appropriation for Additional Leased Space.* Proposes \$144,000 NGF in FY 2020 to acquire additional space in the agency for the accounting unit and the Criminal Background Check unit. New positions were added to the agency during the 2018 Special Session 1 to handle growth in the agency including increases in required criminal background checks on Registered Nurses, Licensed Practical Nurses and Massage Therapist applicants.

- **Department of Medical Assistance Services**

Forecast Changes

- *Medicaid Utilization and Inflation.* Proposes an additional \$202.2 million GF and \$260.3 million NGF in FY 2019 and \$260.3 million GF and \$1.8 billion NGF in FY 2020 to fund expected increases in enrollment and medical costs for the current Medicaid program (exclusive of Medicaid expansion). Medicaid spending is expected to increase by 6.2 percent and 2.6 percent, respectively, in FY 2019 and FY 2020, compared to growth rates of 2.5 percent in FY 2019 and 3.4 percent in FY 2020 assumed in last year’s forecast. Spending growth in the program is largely due to managed care rate increases, increased hospital claims, enrollment growth of children, and one-time payments for federal payment deferrals and disallowances, the largest of which is for Piedmont Geriatric and Catawba hospitals.

Managed care rates for the CCC Plus and Medallion 4.0 programs are projected to increase in the Commonwealth Coordinated Care Plus (CCC Plus) managed care program and the new Medallion 4.0 program at rates higher than projected in last year’s forecast. The CCC Plus rates will increase by 5.4 percent in calendar (CY) 2019 and 4.8 percent in CY 2020 compared to the 2017 forecast of 2.4 percent and 3.5 percent respectively. The Medallion 4.0 rates will increase by 4.1 percent in FY 2020, compared to last year’s forecast of 3.8 percent.

Managed care rate increases are largely driven by unrealized savings assumed in last year’s forecast from the migration of individuals in Medicaid’s fee-for-service program into the new Medicaid managed care programs (roughly \$82.0 million in savings was assumed in the 2017 forecast). In addition, rates for the CCC Plus program are increasing due to projected (i) enrollment growth and complexity of care for the CCC Plus recipients and (ii) higher than expected inflationary adjustments for hospitals and nursing homes than assumed in the prior forecast. In addition, rates for both managed care programs reflect additional costs for rebasing hospital rates in FY 2020 as required by regulation, which were not included in the 2017 forecast.

- *Adjust Appropriation for the Virginia Health Care Fund.* Proposes to reduce the general fund appropriation by \$38.9 million and add a like amount of nongeneral

funds in FY 2019, while adding \$1.7 million GF and decreasing a like amount of nongeneral funds in FY 2020 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 comprised of tobacco taxes, Medicaid recoveries and revenue maximization initiatives, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). Changes to the fund include:

- A cash balance in the fund of \$30.2 million at the end of FY 2018,
 - A one-time transfer of \$16.5 million from Medicaid revenue maximization strategies which had not been properly accounted for in the prior year,
 - An increase of \$10.7 million in FY 2019 and \$10.1 million in FY 2020 in revenue from the tobacco Master Settlement Agreement due to the receipt of funds from nonparticipating manufacturers,
 - An increase of \$10.1 million in FY 2019 and \$17.9 million in FY 2020 in expected pharmacy rebates,
 - A decrease of \$9.3 million each year from projected reductions in tax collections from cigarettes,
 - A decrease of \$9.3 million each year in Medicaid recoveries.
- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Proposes to add \$1.3 million GF and \$12.5 million NGF in FY 2019 and \$1.3 million GF and \$7.4 million NGF in FY 2020 to reflect the forecast of expenditures in the FAMIS program. The increase in the program costs is due to managed care rate increases. The nongeneral fund amounts reflect the changes to the federal match rate based on the federal reauthorization of the Children's Health Insurance Program. The Affordable Care Act temporarily increased the federal match rate for the program from 65 percent to 88 percent from October 1, 2015 to October 1, 2019. Federal changes to Children's Health Insurance program provide a one-year transition rate of 76.5 percent from October 1, 2019 through September 30, 2020 after which rate declines to 65 percent. Therefore, in FY 2020, the federal match rate decreases to 76.5 percent for three-quarters of the state fiscal year. 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 Children's Health Insurance Program (CHIP) Utilization and Inflation.*** The proposed budget adds \$3.0 million GF and \$27.8 million NGF in FY 2019 and \$7.2 million GF and \$34.6 million NGF in FY 2020 to reflect the forecast of expenditures in the Medicaid CHIP program. The growth is due managed care rate increases and a slight increase in number of children enrolled in the program. The nongeneral fund changes reflect the transition to a lower federal match rate, similar to the FAMIS program. The Medicaid CHIP program provides services for Medicaid-eligible low-income children, ages 6–18, living in families with incomes between 100 and 133 percent of the federal poverty level.

Policy Changes

- ***Fund Administrative Costs of Implementing Medicaid Expansion Waiver.*** Proposes \$1.7 million GF and \$1.7 million NGF the first year and \$10.2 million GF and \$14.2 million NGF the second year to cover the estimated cost of administering the Section 1115 Medicaid Waiver, which was a condition of authorizing expansion of Medicaid eligibility by the 2018 General Assembly. Companion language in Part 3 authorizes the use of a provider coverage assessment to fund the expanded Medicaid coverage for newly eligible individuals with incomes up to 138 percent of the federal poverty level pursuant to the Affordable Care Act. Language also provides for the provider assessment to pay for administrative costs associated with that coverage. This action would allow general fund dollars to be used for a portion of the administrative costs of Medicaid expansion.
- ***Increase Coverage of Preventive Services and Vaccines for Currently Eligible Medicaid Adults.*** The introduced budget adds \$3.5 million GF and \$3.6 million in of matching federal Medicaid funds in FY 2020 to ensure comparable preventive services and vaccine coverage for adults eligible for the current Medicaid program to those newly eligible for the program pursuant to Affordable Care Act Medicaid expansion. Language specifies that these services include coverage of: (i) prevention services with a grade of "A" or "B" recommended by the United States Preventive Services Task Force; (ii) adult vaccines recommended by the Centers for Disease Control Advisory Committee for Immunization Practices (ACIP); and (iii) preventive services for women recommended by the Institute of Medicine (IOM).
- ***Fund Training for Consumer-Directed Attendants.*** Proposes \$500,000 GF and a like amount of matching federal Medicaid funds each year to fund training for consumer-directed attendants that provide personal, respite and companion care services in the Medicaid program.

- ***Fund Payment Changes to Medicaid Payments for Nursing Home Residents Choosing Hospice Care.*** The introduced budget adds \$447,220 GF and \$447,220 NGF from federal matching Medicaid funds in FY 2020 to increase payments for hospice care provided to nursing home residents who are dually eligible for Medicare and Medicaid and who choose hospice care. The federal Centers for Medicare and Medicaid requires the Medicaid program to pay hospice providers a minimum payment of 95 percent of the cost of nursing home room and board. Hospice providers who choose to serve dually eligible nursing home residents contract with nursing homes to reimburse them for 100 percent of the room and board costs. This results additional costs for hospice providers who only receive 95 percent of this cost from the Medicaid program. The introduced budget adds language to authorize Medicaid payment of 100 percent of the nursing facility “room and board” rate to hospice providers in the Medicaid fee-for-services program. In addition, the language authorizes payments for Medicaid managed care organizations to provide nursing homes the full cost of room and board for dually eligible nursing home residents in the CCC Plus managed care plan who choose to receive hospice care in the facility.

- ***Provide GF for Piedmont Geriatric and Catawba Hospitals Due to Federal Reductions.*** The introduced budget proposes almost \$19.0 million GF the first year to cover anticipated federal Medicaid funding reductions (deferrals) for payments to Piedmont Geriatric and Catawba hospitals. The federal government has begun to withhold federal Medicaid payments due to a dispute over the federal certification of the facilities for purposes of meeting Medicaid conditions of participation stemming from a federal audit report in 2014. The agency cannot appeal these payment deferrals until the federal government formally issues a payment disallowance letter. Currently, the agency is appealing a federal disallowance of \$57.9 million for payments to these hospitals for the period of 2006-2010 from the federal audit. A companion amendment in the Department of Accounts provides language allowing for the use of the revenue reserve fund to address any deferrals, disallowances and repayments required by the federal government for challenged expenditures made prior to June 30, 2018.

In addition, the introduced budget proposes eliminating \$14.5 million GF and \$14.5 million NGF in federal matching Medicaid funds for Piedmont Geriatric and Catawba hospitals in FY 2020. A companion amendment in the Department of Behavioral Health and Developmental Services provides the general fund amounts needed to continue providing inpatient geropsychiatric services at these two hospitals.

Administrative Funding

- ***Provide Additional Funding for Enrollment Broker Contract.*** Proposes \$708,750 GF the first year and \$896,333 GF the second year and a like amount of matching federal Medicaid dollars each year to fund the increased costs of complying with new federal regulations that require robust choice counseling be available to all Medicaid beneficiaries enrolling in a Medicaid managed care plan. The current enrollment broker will need to make more active counseling and face-to-face choice counseling available.
- ***Fund Increased Costs of the Cover Virginia Call Center.*** Adds \$440,410 GF and \$1.3 million NGF in FY 2020 to fund the increased costs of the contract for the Cover Virginia Call Center. The contract includes a call center and centralized eligibility processing unit to process additional Medicaid and CHIP applications (exclusive of the expansion population), and requires the Center to provide additional administrative services.
- ***Backfill Declining Federal Match for Children's Health Insurance Program (CHIP) Administration.*** Proposes an additional \$1.7 million GF to backfill the loss of \$1.7 million in federal matching CHIP funds in FY 2020 due to matching rate changes. Federal changes to CHIP provide a one-year transition rate of 76.5 percent from October 1, 2019 through September 30, 2020 after which rate declines to 65 percent. Therefore, in FY 2020, the federal match rate decreases to 76.5 percent for three-quarters of the state fiscal year.
- ***Add Administrative Support for Federal Compliance Activities.*** Proposes \$225,000 GF the first year and \$175,000 GF the second year for additional administrative support for federal reporting, cost allocation, and management of Advanced Planning Documents (APDs). Funds in the first year will support a contractor to improve compliance with federal requirements. In FY 2020, funds will support the addition of four positions in the cost allocation, federal reporting, APD and internal audit units to handle these activities.

Spending Reductions

- ***Adjust Administrative Appropriation for Medicaid Expansion to Reflect Updated Costs and Provider Assessment Fund Source.*** The introduced budget reduces \$14.8 million GF the first year and \$17.4 million GF the second year and \$6.8 million NGF the second year in matching federal Medicaid funds to reflect the most recent estimates of these costs related to Medicaid expansion and to correctly reflect the fund source for these costs. Language contained in Part 3 of the budget allows administrative costs for expansion to be funded through the provider coverage assessment. In addition, \$497,485 NGF is added the first year to more accurately reflect current estimates of federal Medicaid matching funds. Finally,

14 positions are added to address the increased administrative workload related to Medicaid expansion.

- ***Reduce Funding for Facilitation of Personal Care Attendant Payments to Reflect Transfer to Managed Care Plans.*** Proposes to save \$3.7 million GF the first year and \$7.1 million the second year by reducing contract costs to facilitate personal care attendant payments since most of these payments will now be handled by Medicaid managed care plans in the CCC Plus program. The cost to provide these services is included in the capitated payments made to the managed care organizations.
- ***Reduce Medicaid Forecast to Account for CCC Plus Savings from Case Mix Adjustments.*** The introduced budget reduces the Medicaid forecast by \$3.9 million GF the second year and a like amount of federal Medicaid funds to reflect savings in the CCC Plus managed care program from the expected case mix of nursing home and community-based long-term care recipients served in managed care.

Language

- ***Modify Language on Hospital Provider Assessments for State Share of ACA Medicaid Coverage Expansion.*** The introduced budget modifies language related to the hospital provider coverage assessment, which is intended to pay the non-federal share of the full cost of expanding Medicaid coverage pursuant to the Affordable Care Act. Language updates the estimated cost of Medicaid expansion to \$86.1 million in FY 2019 and \$293.2 million FY 2020. The remaining changes are largely technical in nature to: (i) authorize the agency to update the assessment amount on a quarterly basis to ensure amounts are sufficient to cover the full cost of expanded Medicaid coverage based on the latest estimate and notify hospitals no less than 30 days prior to a change in their coverage assessment, (ii) clarify provisions related to updating the full cost of expanded Medicaid coverage to include updates within 30 days of the enactment of the budget and on March 1 of any year in which the agency estimates that the most recent calculation of the non-federal share of expanded Medicaid coverage will be insufficient to pay all expenses of the full cost of coverage; (iii) clarify that estimates of the non-federal share of the cost of Medicaid expansion are not meant to limit collections or override provisions related to the periodic updates of the full cost of coverage, and (iv) specify the dates of the quarterly payments to be July 1, October 1, January 1 and April 1 of each state fiscal year. Language requires that penalties for failure to make coverage assessment payments within 30 days of the due date shall be deposited into the Virginia Health Care Fund.

- ***Modify Language on Hospital Provider Assessments for Enhancement of Medicaid Rates for Private Acute Care Hospitals.*** The introduced budget modifies language related to the hospital provider payment rate assessment intended to increase Medicaid rates service rates to the federal upper payment limit and close the managed care organization hospital payment gap for both inpatient and outpatient services. The payment rate assessment applies to the same group of hospitals as the coverage assessment and technical changes related to updating the rates quarterly, providing notification to hospitals, the dates of quarterly hospital payments and depositing penalty payments into the Virginia Health Care Fund mirror those changes proposed for the hospital coverage assessment to ensure the assessments are administered in a similar manner. Language modifies the payment rate assessment percentage from 1.00 to 1.08 times the non-federal share of funding the private acute care hospitals enhanced payments divided by the total net patient service revenue for each hospital subject to the assessment. This change also reflects the calculation for the hospital coverage assessment.
- ***Modify Language on Forecasting and Expenditure Reporting Requirements.*** The introduced budget modifies existing language related to Medicaid forecasting and expenditure reporting requirements. Proposed language requires the agency to convene quarterly meetings to explain any material differences in expenditures compared to the official Medicaid forecast and will include the Secretaries of Finance, Health and Human Resources, and Administration, or their designees, and staff from the Department of Planning and Budget, the House Appropriations and Senate Finance Committees, the Joint Legislative Audit and Review Commission, and the Joint Commission on Health Care. Language further directs the agency to provide options to bring expenditures in line with available resources if necessary.
- ***Modify Payment Methodology for Capital Rates of New and Renovated Nursing Homes.*** Adds language to modify the payment methodology for capital rates for new and renovated nursing homes to reflect prospective fair rental value rates and fully describe the methodology applied to determining rates for these facilities.
- ***Modify Language for the Graduate Medical Residency Program.*** Modifies language specifying the hospitals that have been awarded graduate medical residency slots in FY 2018 and adds language specifying for those who will be awarded slots in FY 2020 with existing funding provided in Chapter 2. In addition, the introduced budget adds language authorizing the use of supplemental funding for a one-year fellowship in Addiction Medicine at the University of Virginia Health System and Virginia Commonwealth University Health System.

- *Modify Implementation Date for Electronic Visit Verification of Attendant Services.* Proposes to modify the deadline for the agency to begin utilizing an Electronic Visit Verification system for use by consumer-directed aides who provide personal care services to Medicaid recipients from January 1, 2019 to October 1, 2019. This change will allow the agency to meet the federally required deadline of January 1, 2020.

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

Mental Health and Substance Use Disorder Treatment Services

- *Provides Funds to Expand Crisis Services for Adults and Children.* Proposes \$9.0 million GF the second year to increase funding to community services boards (CSBs) to expand crisis services. Of this funding, \$3.0 million GF is proposed to expand crisis mobile support teams for children with co-occurring developmental disabilities and mental illness. The remaining funding can be used for adult mobile crisis or stabilization units.
- *Add Discharge Assistance Planning Funds to Transition Individuals Ready for Discharge from State Mental Health Facilities.* The introduced budget adds \$5.2 million GF the second year to fund discharge assistance planning for individuals ready for discharge from state mental health hospitals. This funding would support 100 individuals to help them transition to community settings.
- *Expand Permanent Supportive Housing for the Mentally Ill.* The introduced budget includes \$2.1 million GF the second year to expand permanent supportive housing for up to 150 individuals with serious mental illness and substance use disorders. This proposed funding would increase the total funding for this program to \$14.1 million GF annually.
- *Fund Additional Opiate Overdose Reversal Kits.* Proposes \$1.6 million GF each year for the purchase and distribution of additional REVIVE! Kits and Narcan Nasal Spray, which are used to revive individuals who have overdosed on opiates. Each kit includes equipment to conduct two opiate overdose reversals.
- *Provide Funds for the Virginia Mental Health Access Program.* The proposed budget includes \$1.2 million GF the second year to fund the Virginia Mental Health Access Program, which is a partnership between the Virginia Department of Health, the Virginia Chapter of the American Academy of Pediatrics and other providers to improve access for children with behavioral and mental health needs. The funding is intended to continue the program beyond the federal grant that has been supporting the program.

- ***Add Funding to Account for New Federal Grant Funds.*** Proposes \$18.0 million NGF the first year and \$23.0 million NGF the second year to adjust the agency's appropriation for various federal grants. Projected spending of several federal grants is expected to exceed the current appropriation. In addition, a \$15.8 million State Targeted Response to the Opioid Crisis grant award is expected each year, which requires additional appropriation for the agency to expend the funding.

Facility Mental Health Services

- ***Transition Funding for Piedmont Geriatric and Catawba Hospitals from Medicaid to General Fund.*** Proposes \$27.3 million GF and a reduction of \$27.3 million NGF in the second year to modify the funding for these two hospitals from Medicaid to the general fund. Traditionally, these two hospitals, which provide geriatric care, have been funded in large part from Medicaid. However, a U.S. Health and Human Services Inspector General report in 2014 determined that these two hospitals are not eligible for Medicaid funding. The Commonwealth continues to appeal the issue, but the Centers for Medicare and Medicaid Services issued a Medicaid disallowance in June 2018 for these two hospitals. This action supplants the federal Medicaid funds with state general fund for the continued operation of the hospitals. There is a companion amendment in the Department of Medical Assistance Services that reduces by \$14.5 million GF the state share of the Medicaid costs for these two facilities, resulting in a net fiscal impact of \$12.8 million to the Commonwealth in the second year.
- ***Add Direct Care Staff and Psychiatrists at State Mental Health Hospitals.*** The introduced budget adds \$7.9 million GF the second year to fund 254 direct care positions (direct service associates, registered nurses, licensed practical nurses and psychiatrists) at state mental health hospitals. Additional staff is intended to handle the increase in admissions and patients in need of direct supervision. A change in state law in 2014, that made the state hospitals the facility "of last resort," has resulted in much higher admissions of individuals subject to temporary detention orders at all state hospitals as private hospitals have reduced their share of these admissions.
- ***Fund Transition Services at the Commonwealth Center for Children and Adolescents.*** Proposes \$850,000 GF the second year to fund a contract for six beds at alternative settings, such as group homes, for children who do not require hospital level of care but are at high-risk and still require services. This hospital is the only state children's facility with 48 beds. Census pressures have resulted in children being held in emergency rooms until beds become available at the center.
- ***Transfer Funds from Hiram Davis Medical Center to Central State Hospital for Pharmacy Costs.*** Proposes to transfer \$2.0 million GF the second year from

Hiram Davis Medical Center (HDMC) to Central State Hospital (CSH) to appropriately reflect the pharmacy expenditures within the budget for CSH. The two facilities are on the same campus and HDMC has traditionally paid for the prescription drugs of patients at CSH. This action aligns the pharmacy costs to the appropriate facility. There is a companion transfer amendment in the budget for intellectual disability facilities for HDMC.

Intellectual and Developmental Disabilities Services

- ***Provide Appropriation from Behavioral Health and Developmental Services (BHDS) Trust Fund.*** Appropriates \$2.5 million the second year from the BHDS Trust Fund to fund five initiatives to continue to promote integration of individuals with developmental disabilities in the community. Funding of \$1.25 million will be used for a new six-bed REACH crisis home for adults near I-81 and I-64 to replace one currently in Charlottesville, which will be converted into a six-bed children’s Crisis Therapeutic Home (CTH). In addition, \$500,000 is proposed to fund the start-up costs of this new children’s CTH in Charlottesville. The other three initiatives include:
 - \$250,000 to enable service providers to intervene in crisis events;
 - \$250,000 for a collaborative project to improve employment of transition age youth and those with most significant disabilities; and
 - \$250,000 for a self-employment initiative to allow 25 individuals to start micro-enterprises to support themselves.
- ***Transfer Funds from Hiram Davis Medical Center to Central State Hospital for Pharmacy Costs.*** Proposes to transfer \$2.0 million GF the second year from Hiram Davis Medical Center (HDMC) to Central State Hospital (CSH) to appropriately reflect the pharmacy expenditures within the budget for CSH. The two facilities are on the same campus and HDMC has traditionally paid for the prescription drugs of patients at CSH. This action aligns the pharmacy costs to the appropriate facility. There is a companion transfer amendment in the budget for mental health facilities for CSH.
- ***Fund a Pass-through Grant to the Jewish Foundation for Group Homes.*** Proposes \$89,500 GF the second year for the agency to contract with the Jewish Foundation for Group Homes to expand services for young adults with disabilities in Northern Virginia.

Other Spending Initiatives

- ***Fund Increasing Caseload for Part C Early Intervention Services.*** The proposed budget provides \$459,258 million GF the first year and \$661,288 GF the second year to cover the costs of the increasing caseload for the program. The program has been growing on average by 5.9 percent a year over the past three years. The program provides early intervention services to children from birth to 2 years old with a developmental delay or at-risk of a developmental delay. This program is part of the federal Individuals with Disabilities Education Act.
- ***Provide Funding for New Service Needs Assessments for Individuals Needing Developmental Disability Waiver Services.*** Proposes \$81,279 GF and \$243,836 NGF the second year to fund the new assessments for the 1,067 new Medicaid waiver slots in FY 2020. The Supports Intensity Scale (SIS) is the assessment tool used to determine the service needs of individuals in the Medicaid developmental disability waivers. This funding covers the costs of the new assessments that will be administered for the new waiver slots being created. In the FY 2019, the agency is using carryforward balances from FY 2018 to fund the assessments for new slots in FY 2019.
- ***Provide Funds to Compensate Victims of Eugenical Sterilization.*** Provides \$75,000 GF the second year to compensate victims that are still living and qualify for payment. The 2016 Appropriation Act had appropriated funding to compensate victims that had been sterilized pursuant to the Virginia Eugenical Sterilization Act and were living as of February 1, 2015. Valid claims are paid \$25,000 and it is unpredictable as to when claims will be submitted. This funding allows up to three claims to be paid in a year so that victims will not have to wait until the funding is appropriated.
- ***Fund One Juvenile Competency Restoration Counselor in the City of Richmond.*** Proposes \$74,250 GF and one position the second year to reduce the waiting list in the Richmond area for court-ordered competency restoration services. There is currently about a four-week waiting list in the Richmond area for these services.
- ***Adjust Federal Appropriation to Fund the Waiver Management System.*** The proposed budget increases by \$907,776 NGF each year to fund the operation of the Waiver Management System (WaMS). The WaMS system preforms prior authorization, and enrollment and wait-list management of the Medicaid developmental disability waivers in one system. The system is supported by federal Medicaid funds reimbursed at a 75 percent match rate. This action adjusts the appropriation to match the federal funding needed to operate the system.
- ***Realign Administrative Funding Within the Central Office.*** Proposes to transfer \$352,434 internally between programs that support the central office to the

licensing division. Previously administrative funding provided for new licensing positions due to the U.S. Department of Justice Settlement Agreement were budgeted in the main administrative program of the agency. This action, which nets to zero, moves the funding to the appropriate program in the licensing division.

Language

- ***Monitor Impact of Medicaid Expansion on Community Services Boards Revenue.*** Proposes language to require the department along with the Department of Medical Assistance Services monitor the fiscal impact on a monthly basis to Community Services Boards (CSBs) from the expansion of Medicaid pursuant to the Affordable Care Act. Chapter 2 includes a reduction in state support for CSBs of \$11.1 million GF the first year and \$25.0 million GF the second year to reflect the impact of current uninsured clients qualifying for Medicaid pursuant to federal Affordable Care Act eligibility expansion. This language would also allow the department to provide up to \$7.0 million from agency special funds to CSBs to offset a shortfall in Medicaid revenue, if such revenue collected for the year is less than 90 percent of the GF reduction for the CSB.
- ***Eliminate Cap on the Carryforward Amount of Unexpended Special Fund Balances in the First Year.*** Proposes to eliminate the cap on the amount that can be carried forward (\$25.0 million) from FY 2019 to FY 2020 of unexpended special fund balances. This is intended to provide greater flexibility in the biennium to address the demands on the agency’s special fund to plan for the new Central State Hospital, implement a new electronic health records system, and other initiatives where costs may fluctuate during the two-year period.
- **Department for Aging and Rehabilitative Services**
 - ***Reduce Appropriation and Positions to Reflect a Reduction in Vocational Rehabilitation Funding.*** Proposes to reduce \$8.7 million NGF the first year and \$11.3 million NGF the second year along with 44 positions each year to reflect lower federal vocational rehabilitation grant funds. The state’s federal vocational rehabilitation grant, which is lower than previously received due to a reliance on uncertain re-allotment funds unused by other states, has required the agency to reduce spending to align with the lower funding level. The agency has already implemented these reductions through administrative action. Proposed budget language requires annual reports on vocational rehabilitation grant spending and imposes a limit on re-allotment funds to only those costs that do not create an ongoing funding obligation.
 - ***Add a Position for Adult Protective Services.*** The introduced budget adds \$100,000 GF and one position to support the training, policy and regulatory

activities of the division. The agency has no current position dedicated to these functions. The new position is intended to increase the division's oversight and training capabilities for the adult protective services function administered through local departments of social services.

- **Wilson Workforce and Rehabilitation Center**

- *Reduce Appropriation and Positions to Reflect a Reduction in Vocational Rehabilitation Funding.* Proposes to reduce \$1.9 million NGF the first year and \$3.4 million NGF the second year along with 29 positions each year to reflect lower federal vocational rehabilitation grant funds. The state's federal vocational rehabilitation grant, which is lower than previously received due to a reliance on uncertain re-allotment funds unused by other states, has required the agency to reduce spending to align with the lower funding level. The agency has already implemented these reductions through administrative action.

- **Department of Social Services**

Spending Increases

- *Provide Funding to Implement the Provisions of the Medicaid Expansion Section 1115 Waiver.* Proposes \$1.1 million GF and \$9.5 million in federal Medicaid matching funds the second year to cover the estimated cost of administering the Section 1115 Medicaid Waiver, which was a condition of authorizing expansion of Medicaid eligibility by the 2018 General Assembly. Companion language in Part 3 authorizes the use of a provider coverage assessment to fund the expanded Medicaid coverage for newly eligible individuals with incomes up to 138 percent of the federal poverty level pursuant to the Affordable Care Act. Language also provides for the provider assessment to pay for administrative costs associated with that coverage. This action would allow general fund dollars to be used for the administrative costs of Medicaid expansion under the waiver, which requires community engagement, health and wellness personal responsibility provisions, and employment and housing supports that support the overall expansion of Virginia's Medicaid program pursuant to the Affordable Care Act. The proposed funds will support the department's modifications of its system, primarily the Virginia Case Management System, to allow implementation of the requirements of the Medicaid waiver.
- *Provide Funds to Purchase Supplies to Stockpile for Future Disasters.* Proposes \$4.3 million GF the second year for the agency to purchase non-perishable goods and supplies and to store them to be available in disasters for the operation of state-run emergency shelters.

- ***Provide Funds for a Cost of Living Adjustment for Foster Care and Adoption Subsidy Payments.*** Proposes \$335,592 GF and \$258,064 NGF the first year and \$1.3 million GF and \$1.0 million NGF the second year to adjust foster family home rates and adoption assistance maintenance by 3 percent. The 2018 Appropriation Act requires that these rates be increased in the year following a salary increase provided for state employees. In FY 2018, state employees received a 3 percent salary adjustment. Federal Title IV-E grant funds provide the nongeneral portion of the amount.
- ***Fund Software Services for Mobile Devices to Determine Eligibility for Services.*** The introduced budget includes \$1.2 million GF and \$90,000 NGF each year to purchase software licenses for mobile devices through the Virginia Information Technology Agency. The funding will allow for the use of 2,500 devices at local departments of social services to replace desktop computer kiosks with tablets. Individuals seeking public assistance use these tablets to input information used to determine program eligibility. The licenses are for software to allow the tablets to communicate client information securely.
- ***Fund Six Positions to Implement the Federal Family First Prevention Services Act.*** Proposes \$332,538 GF the second year to fund six positions to implement a new federal law. Congress passed the Family First Prevention Services Act in February of 2018. This new law represents a significant change in federal policy over the child welfare system and for the first time allows states to use federal Title IV-E funds for prevention of foster care services. In addition, it requires greater justification for placing children in child care institutions, improvements in foster family home licensing standards, as well as other changes. The state must submit a plan prior to using any federal funds for foster care prevention services. These new positions will support the planning, implementation and monitoring requirements of the federal law.
- ***Fund Foster Care and Adoption Forecast.*** The introduced budget proposes a net increase of \$353,666 GF and a reduction of \$313,619 NGF the first year and a reduction of \$273,373 GF and \$273,373 NGF the second year for forecast changes to the foster care and adoption programs. Title IV-E foster care expenditures are expected to decrease by \$1.9 million GF and \$1.9 million NGF the first year and \$1.9 million GF and \$1.9 million NGF the second year. Title IV-E Adoption subsidies are projected to increase by \$1.6 million GF the first year and \$1.6 million NGF and \$1.6 million GF and \$1.6 million NGF the second year. State adoption subsidies are projected to increase by \$667,285 GF the first year. The source of the nongeneral fund is federal matching Title IV-E funds.
- ***Provide Funding for One Position to Oversee Foster Parent Recruitment Efforts.*** Proposes \$50,000 GF and \$50,000 NGF and one position the second year to create a

dedicated position to oversee and facilitate the state's foster care recruitment efforts statewide across all local departments of social services.

- ***Increase Federal Appropriation to Reflect Central Actions Related to Fringe Benefit and Overhead Cost Changes.*** Provides \$3.0 million NGF the first year to cover the costs of changes in fringe benefit rates, health insurance premium changes and other overhead agency costs. The state share of these costs is budgeted in a central account and then distributed administratively to agencies during the year. This proposed increase provides the appropriation to cover the federal share of these costs.
- ***Fund 10 Positions for the Child Protective Services Hotline.*** The introduced budget includes \$1.0 million NGF and 10 positions the second year to create additional staff to support the 24-hour hotline, which serves all citizens and the local departments of social services. The funding is intended to address peak call times and reduce call-waiting times, which in recent months have averaged around seven minutes. The nongeneral fund source is from the federal Child Abuse Prevention and Treatment Act. The agency received an additional \$1.5 million award in federal fiscal year 2018 from this grant, which can be used to fund these new positions.

Technical Changes

- ***Transfer Administrative Appropriation for Healthy Families to the Virginia Department of Health.*** Proposes to transfer \$417,822 NGF the second year from federal Temporary Assistance to Needy Families (TANF) block grant funds to the Virginia Department of Health. The Healthy Families home visiting program is supported by \$9.0 million per year in TANF funding. A portion of those funds are transferred to the Virginia Department of Health for administration of Healthy Families and this proposal moves the funding to eliminate the annual need for an administrative transfer. There is a companion amendment in the Virginia Department of Health to reflect this proposed action.
- ***Transfer Funds to Correct Fund Source in Background Investigation Services Program.*** Proposes to reclassify \$677,494 NGF each year from federal funds to Central Registry Search Fees, which are accounted for in a special fund. The agency received appropriation related to legislation increasing oversight of family day homes. The appropriation was provided as federal, but the actual fund source is a special fund. This appropriation change in this proposed action nets to zero.

Spending Decreases

- ***Modify Administrative Appropriation to Reflect Medicaid Expansion Implementation.*** Proposes a reduction of \$2.3 million GF and an increase of \$2.2 million NGF the first year and a reduction of \$3.6 million GF and \$4.7 million NGF the second year to properly account for the agency’s administrative costs for implementation of Medicaid Expansion. These funding changes are based on the latest projections of administrative costs for the expansion of Medicaid pursuant to the Affordable Care Act. This proposal supplants the general fund appropriation included the 2018 Appropriation Act with the Health Care Coverage Assessment Fund, which is a nongeneral fund supported by an assessment on hospitals to pay for the state share of the costs of Medicaid Expansion.
- ***Modify Child Support Fees Per Federal Law.*** Proposes to supplant spending in the Division of Child Support Enforcement by \$75,118 GF and \$70,699 in matching federal child support enforcement with revenue from an increase in the annual fee charged for certain child support cases. The Bipartisan Budget Act of 2018 (P.L. 115-123) increased the annual fee, from \$25 to \$35, for individuals who have never received Temporary Assistance for Needy Families assistance for child support recipients if the state collects more than \$550 in child support. The 2018 Appropriation Act reflected a portion of this decrease. This proposal reflects the latest estimate of the impact on child support enforcement revenue resulting from the fee increase.
- ***Eliminate Earmarked Federal Funding for Volunteer Emergency Families for Children.*** Proposes to eliminate \$100,000 in federal Social Services Block Grant funding each year for the Volunteer Emergency Families with Children organization, which has ceased operations.

Temporary Assistance to Needy Families (TANF) Block Grant Funding

- ***Adjust Funding for Mandatory TANF Benefits.*** Proposes to increase spending on cash assistance provided to TANF recipients by \$1.9 million NGF the second year to reflect the spending forecast for TANF income benefits and TANF VIEW child care subsidies. TANF spending for mandated benefits has declined in recent years and this proposed adjustment slows that decline in FY 2020 over the amounts appropriated in Chapter 2. The introduced budget also includes one additional TANF spending allocation :
 - \$3.0 million NGF the second year to support the Federation of Virginia Food Banks (reflected in an amendment in the Virginia Department of Health).

These proposed actions will leave a TANF balance of \$117.4 million by the end of FY 2020.

- *Extend TANF Benefits for Young Adults to Age 21 While Completing Secondary School or Career Education.* Proposes \$47,400 related to legislation that will be introduced to increase spending from TANF grant funds to fund the costs of extending TANF eligibility to age 21 for young adults who are in secondary school, or equivalent career or technical education. Currently, individuals are eligible through age 18, but can be extended to age 19 if the individual is in their senior year in secondary school.

- **Virginia Board for People with Disabilities**

- *Provides Funds for Higher Operating Costs.* Proposes \$37,027 GF the first year and \$43,462 GF the second year to cover increased operating costs of the agency, including information technology. The board is primarily funded from federal grants (nearly 90 percent), which are not increasing in order to offset the higher operating costs.

**HB 1700/SB 1100 Proposed TANF Block Grant Funding
FY 2019 and FY 2020**

<u>Proposed Spending</u>	HB 1700/SB 1100 <u>FY 2019</u>	HB 1700/SB 1100 <u>FY 2020</u>
TANF Resources		
Annual TANF Block Grant Award	\$157,762,831	\$157,762,831
Carry-Forward From Prior Fiscal Year	<u>136,288,696</u>	<u>124,901,366</u>
Total TANF Resources Available	\$294,051,527	\$282,664,197
TANF Expenditures		
<i>VIP/VIEW Core Benefits and Services</i>		
<i>TANF Income Benefits</i>	\$26,418,438	\$24,256,632
VIEW Employment Services	13,612,144	13,612,144
VIEW Child Care Services	1,250,137	1,250,137
TANF Caseload Reserve	<u>2,000,000</u>	<u>2,000,000</u>
Subtotal VIP/VIEW Benefits and Services	\$43,280,719	\$41,118,643
<i>Administration</i>		
State Administration	\$3,002,653	\$3,002,653
Information Systems	4,052,023	4,052,023
Local Staff and Operations	45,513,536	45,513,536
Eligibility System Maintenance/IT	<u>1,000,000</u>	<u>1,000,000</u>
Subtotal Administration	\$53,568,212	\$53,568,212
<i>TANF Programming</i>		
Community Employment & Training Grants	\$10,500,000	\$10,500,000
Healthy Families/Healthy Start	9,035,501	9,035,501
Community Action Agencies	6,250,000	6,250,000
Local Domestic Violence Prevention Grants	3,846,792	3,846,792
<i>Federation of Virginia Food Banks (VDH)</i>	3,000,000	3,000,000
Long-Acting Reversible Contraceptives (VDH)	3,000,000	3,000,000
CHIP of Virginia (VDH)	2,400,000	2,400,000
Virginia Early Childhood Foundation	1,250,000	1,250,000
Child Advocacy Centers	1,125,500	1,125,500
Resource Mothers (VDH)	1,000,000	1,000,000
Boys and Girls Club	1,000,000	1,000,000
Northern Virginia Family Services	500,000	500,000
Laurel Center	500,000	500,000
Early Impact Virginia Pilot Program	250,000	600,000
EITC Grants	185,725	185,725
FACETS	200,000	100,000
Visions of Truth STRIVE Program	<u>75,000</u>	<u>75,000</u>
Subtotal TANF Programming	\$41,118,518	\$44,368,518
Total TANF Expenditures	\$137,967,449	\$139,055,373
Transfers to other Block Grants		
<i>CCDF for At-Risk Child Care</i>	\$12,857,212	\$12,857,212
CCDF for Head Start Wraparound Services	2,500,000	2,500,000
SSBG for Children's Services Act	9,419,998	9,419,998
SSBG for Local Staff Support	<u>6,405,502</u>	<u>6,405,502</u>
Total TANF Transfers	\$31,182,712	\$31,182,712
Total TANF Expenditures & Transfers	\$169,150,161	\$170,238,085

- **Department for the Blind and Vision Impaired**
 - *Increase Support for Vocational Rehabilitation Services for Blind and Vision Impaired Individuals.* Proposes \$625,500 GF the second year to serve an additional 50 individuals who are blind and vision impaired in the vocational rehabilitation program. The funding will reduce the number of individuals currently on the wait-list for services, which totals about 150 adults.
 - *Provide Appropriation to Support the Vending Operations Management Contract.* The introduced budget adds \$290,000 NGF the second year to support the contract for management of vending machine operations. Previously, vocational rehabilitation grant funds paid for a portion of the contract costs because the vending revenue did not fully cover those costs. The agency now contracts with Business Opportunities for the Blind and the new vendor has generated higher vending machine revenue to support this contract.
 - *Continue Support for Services to Deafblind Individuals.* The proposed budget includes \$176,609 GF the second year to continue to fund two specialist positions that provide services to deafblind individuals in the Commonwealth. The funding for these services the first year is being supported through an endowment managed by the Virginia Board for the Blind and Vision Impaired.
 - *Provide Support for Reasonable Accommodations for Employees with Disabilities.* Proposes \$176,609 GF the second year for state support for reasonable accommodations for agency employees with disabilities to travel in their daily routine in order to conduct the agency's business. The agency employs about 140 individuals with disabilities, many whose job responsibilities require routine travel. These costs have been supported through an endowment managed by the Virginia Board for the Blind and Vision Impaired, but this funding will end in the first year of the budget.
 - *Transfer Funds Between Programs to Reflect Appropriate Cost Allocation.* The introduced budget transfers \$400,000 NGF each year to from the Virginia Industries for the Blind to the Department for the Blind and Vision Impaired general administration program. Virginia Industries for the Blind is a subunit of the larger agency and provides support from its operations for overall agency administration, such as insurance, information technology and other administrative costs. This action would increase the total allocation to \$1.5 million a year. This is a transfer between programs and does not change the total appropriation.

- **Virginia Rehabilitation Center for the Blind and Vision Impaired**
 - *Provide Appropriation Related to Revenue from Virginia Industries for the Blind.*

The introduced budget includes \$20,000 NGF the first year and \$70,000 NGF the second year to provide reflect the appropriation received from Virginia Industries for the Blind (VIB) to support the costs of a position at the center. This position partially supports activities related to the VIB. This appropriation allows the agency to expend the revenue the center will receive from VIB.