

Health and Human Resources

The Governor's introduced budget for Health and Human Resources (HHR) provides a net increase of \$642.0 million GF and \$513.9 million NGF compared to the adjusted base budget. This total reflects new biennial spending of \$686.6 million GF and \$533.6 million NGF offset by reductions of \$44.5 million GF and \$19.8 million NGF. Almost 83 percent or \$567.5 million of the increase in GF appropriations is required to comply with federal and state mandates to meet caseload and cost increases, and maintain services at current levels. Most of this increase is due to caseload and cost increases in Medicaid (\$344.0 million), the Comprehensive Services Act (\$158.6 million), the FAMIS and SCHIP children's health insurance programs (\$27.2 million), and foster care and adoption subsidy programs (\$10.5 million). Spending to maintain services at current levels requires the addition of \$27.2 million GF, primarily due to the loss of federal funds for mandated activities in the Department of Social Services. This includes a total of \$23.9 million GF for child welfare services and \$3.3 million GF for child support enforcement activities.

Of the increases proposed, about 14.5 percent or \$99.4 million GF is dedicated to four major initiatives including: \$41.6 million to expand mental health services, \$25.8 million for child welfare improvements, \$21.3 million to expand access to health care, and \$10.6 million for an expansion of pre-kindergarten programs. In addition to these initiatives, the introduced budget includes \$10.7 million for improvements to agency operations and services, and \$9.0 million for other service expansions, the largest of which is \$7.2 million GF to add 150 community mental retardation waiver slots.

About 82 percent of the budget savings proposed for Health and Human Resources is derived from the continuation of FY 2008 budget reduction strategies. The remaining \$44.5 million GF in savings is attributable to offsets in general fund spending from increased nongeneral fund revenues, additional cost containment strategies, and adjustments which were not identified in the October 2007 budget reductions. Significant reductions include:

- \$18.4 million in savings from increases in revenue in the Virginia Health Care Fund which offsets general fund spending in the Medicaid program. Two of three revenue sources for the fund are projected to increase over the biennium, including \$4.3 million more from the Tobacco Master Settlement Agreement and \$20.3 million more from prior-year Medicaid recoveries; and
- \$12.5 million in savings from financial incentives in the Comprehensive Services Act program to encourage localities to improve the use of appropriate community care over more costly institutional care of children.

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

- ***Mandatory Caseload and Cost Increases.*** Adds \$65.4 million GF the first year and \$93.2 million GF the second year to fully fund anticipated growth in the CSA program. Additional costs are being driven by growth in caseload and costs, as

well as law and policy changes in the program. Caseloads are estimated to increase in the 2008-10 biennium by 8 percent each year, compared to recent historical growth of about 3.8 percent. Costs are expected to increase by 10 percent annually, largely due to increases in costs for therapeutic foster care services, special education private day placements and residential treatment services.

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

Statutory changes enacted during the 2007 Session (Chapter 840) required CSA to provide mental health services to children and adolescents who are at-risk of placement in the state's custody if treatment is not provided. The Joint Legislative Audit and Review Commission estimated in March 2007 that this change would increase the number of children served in CSA by 753 children at a cost of \$14.3 million in FY 2008. The fiscal impact of this legislation is estimated to be \$15.7 million in FY 2009 and \$17.3 million in FY 2010. In addition, the JLARC review found that current CSA policy restricting foster care preventive services was not consistent with CSA law. Recent policy changes to comply with CSA law are expected to contribute to additional costs in the program.

- ***Increase Family Foster Care Rates in CSA.*** Provides \$1.1 million GF the first year and \$2.6 million GF the second year to increase family foster care maintenance payments by 15 percent in FY 2009 and an additional 10 percent in FY 2010. As a result of this increase, monthly payments for children in state foster care served in the CSA program will increase from \$359 to \$454 for children between the ages of 0-4, \$419 to \$530 for children between the ages of 5-12, and \$531 to \$672 for children age 13 and up. This increase is designed to encourage and maintain the participation of families in foster care and offset the cost of more expensive, residential facility placements. A separate amendment in the Department of Social Services includes an identical increase in payments for children in federal Title IV-E foster care placements.
- ***Financial Incentives for CSA Community Services.*** Reduces funding by \$1.5 million GF in FY 2009 and \$11.0 million GF in FY 2010 through the use of financial incentives for localities to use community-based services rather than more expensive residential placements for children receiving services through CSA. Proposed language would change cost-sharing requirements between the state and local governments to encourage the use of CSA community services. The state share of CSA funding for community-based services would increase over a 2-year period from a statewide average of about 64 percent to 85 percent, while the

state share for residential services would decline from a statewide average of about 64 to 50 percent.

- ***Purchase of a CSA Information System.*** Provides \$225,000 GF the first year and \$52,000 GF the second year to purchase and maintain an information system to provide demographic, service, expenditure and outcome data on children served through CSA. Information would be collected through a uniform assessment instrument and tracked to provide the state and localities with better data with which to assess expenditures and outcomes.
- ***Governor's October 2007 Budget Reductions.*** Continues the substitution of federal Temporary Assistance to Needy Families (TANF) for \$965,579 GF used for community services provided through the CSA Trust Fund.

- **Department for the Aging**

- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$709,441 each year.

- **Department for the Deaf and Hard-of-Hearing**

- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$68,928 each year.

- **Department of Health**

Governor's Health Care Reform Initiative

- ***Added Funding for Health Safety Net Providers.*** Adds \$5.0 million GF each year to provide health care services through safety net providers as part of the Governor's health care reform initiative. The following organizations would receive annual funding in the amounts listed below:
 - \$1.8 million to the Virginia Community Healthcare Association to support community health center operation costs for services provided to uninsured clients;
 - \$1.7 million to the Virginia Association of Free Clinics to support free clinic operating costs for services provided to uninsured clients; and
 - \$1.5 million to the Virginia Health Care Foundation of which \$1.0 million will be used to provide grants to expand health care services and/or increase the number of patients served at existing or new sites and \$500,000 will be used to increase capacity for dental services for uninsured adults.
- ***Expand Breast and Cervical Cancer Screening Services.*** Provides \$300,000 GF in the second year to local health departments to expand breast and cervical cancer

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

- ***Add Positions in the Office of Minority Health and Public Health Policy.*** Provides \$157,711 GF the first year and \$153,363 GF the second year and two positions to increase the capacity of the Office of Minority Health and Public Health Policy in its work on designating federal Health Professional Shortage Areas, federal Medically Underserved Areas and Medically Underserved Populations.
- ***Mission of Mercy Dental Project.*** Proposes \$50,000 GF each year to support the Virginia Dental Health Foundation's Mission of Mercy Dental Project which provides free dental services to uninsured Virginians.

Improvements to Agency Operations

- ***Salary Adjustments for Chief Medical Examiner and Forensic Pathologist Positions.*** The introduced budget adds \$505,457 GF each year to raise the statewide average salary for experienced pathologist positions from about \$134,000 to \$180,000 annually and newly trained pathologist positions from about \$130,000 to \$160,000 annually. Funds would provide the Chief Medical Examiner a pay adjustment from \$164,427 to \$200,000 annually. These salary adjustments would enable the Department to recruit and retain these highly recruited positions.
- ***Additional Lease Costs for Local Health Departments.*** Adds \$435,000 GF and \$215,000 NGF each year to pay for additional lease costs associated with new facilities in the City of Roanoke and Isle of Wight and Suffolk counties. The 2005 General Assembly provided \$187,500 GF annually for the additional costs to relocate the Roanoke Health Department from an unsafe facility and to consolidate its operations with the Roanoke local social services department. Delays in finalizing decisions regarding the new space have added to the cost of the project. Additional funding of \$135,000 GF annually is proposed to cover the increased cost of the leased space and build-out for this health department. Annual lease costs for new space in Isle of Wight and Suffolk counties would total \$182,169 GF and \$332,831 GF respectively.
- ***Add Funds to Support Office of Drinking Water Programs.*** The introduced budget adds \$250,000 GF each year to fully support the salaries and benefits for nine current positions and supplemental funding for four positions in the Office of Drinking Water Programs. The Office has vacancies which inhibit its ability to comply with federal requirements under the Safe Drinking Water Act.

Service Expansions

- ***Add Funds for Domestic Violence Prevention.*** Adds \$288,000 GF each year to support and expand a domestic violence prevention project already underway in seven communities, called the Domestic Violence Prevention Enhancement and Leadership Through Alliances (DELTA) Project. The current DELTA project is funded through grants to localities from the federal Centers for Disease Control and Prevention (CDC).
- ***Add Funds for Shellfish and Marina Programs.*** Proposes adding \$216,320 GF in FY 2009 to address increasing costs and workload of the shellfish sanitation program and marina applications, plans, and reviews. Language requires the Department of Health to study imposing fees to fully cover the costs of these inspection programs, thus saving general fund dollars in the second year. The study is to be completed by August 1, 2008.
- ***Increase NGF for Special Supplemental Nutrition Program for Women, Infants and Children (WIC).*** Adds \$23.1 million NGF each year from increases in U.S. Department of Agriculture (USDA) support for food costs in the WIC program and anticipated increases in program enrollment. The WIC program receives 100 percent of its funding from the USDA. Funding is projected to increase from about \$57 million to \$80 million annually.
- ***Increase NGF for Trauma Centers.*** Adds \$4.2 million NGF each year from increased revenues in the Trauma Center Fund from the restoration of revoked motor vehicle licenses and multiple offenders convicted of driving under the influence. This fund is used to defray the cost of providing hospital emergency services to support victims of automobile accidents attributable to alcohol or drug use.
- ***Increase NGF for Emergency Medical Services.*** Provides \$4.2 million NGF each year from \$4-for-Life funds from motor vehicle registrations to nonprofit emergency medical services organizations and localities. This funding is estimated to increase by 4 percent over the prior biennium reflecting recent trends in the collection of revenues in the fund. Funds are used for training and education of emergency medical services personnel, the purchase of equipment and supplies, and to support local government operations.
- ***Add NGF for Federal CDC Grant to Expand Immunization Registry System.*** Provides \$1.4 million NGF the first year and \$1.3 million NGF the second from a federal CDC grant to expand the immunization registry used by local health departments to record and track immunizations of patients throughout their lives. This would ensure that Virginia is part of the national registry system. Funding would be used for information technology services and support, user education and training, digital certificate licenses, registry marketing, and other support material.

Budget Reductions

- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 and additional savings contained in the Governor's introduced budget for 2008 for a savings of \$10.8 million GF over the biennium.
- ***Increased Fees for Certain Environmental Services.*** The introduced budget proposes reducing general funds by \$1.1 million the second year and increasing nongeneral funds by \$2.5 million in FY 2009 and \$3.5 million in FY 2010 from increased fees for certain environmental services provided through local health departments. The fee increases would be applied to permits for well and septic systems and food services in restaurants, hotels, campgrounds and summer camps. The increases would be used to cover the costs of program staffing, monitoring and quality assurance activities. Current fees do not fully support these health department activities. Fee increases for food permits would increase from \$40 to \$100, while fees for facilities under review would increase from \$40 to \$75. Fees for construction permits and certification letters for onsite sewage and water systems would increase from \$125 to \$1,000 depending on the type of service and the size of the system. For example, construction permits for on-site sewage systems for homes with 6 or fewer bedrooms would increase from \$75 to \$355, while construction permits for larger commercial systems would increase from \$75 to \$1,000.
- ***Reduce NGF for Drinking Water State Revolving Fund.*** Reduces \$4.5 million NGF each year due to declining federal funding for waterworks construction through the Safe Drinking Water Act.
- ***Eliminate Funding for Area Health Education Centers.*** Eliminates funding of the Area Health Education Centers (AHECs) resulting in savings of \$400,000 GF each year. The AHECs promote health careers and access to primary care for medically underserved populations through community and academic partnerships.
- ***Reduce Funds for Public Health Toxicology.*** Reduces funding by \$275,788 GF each year and two positions that support the Division of Public Health Toxicology. Activities of this division have declined over recent years. Federal laws and regulations have increasingly addressed activities previously conducted by this division and other duties have been transferred to other agencies, such as the Department of Environmental Quality.
- ***Reduce Funds for Regional Health Planning Agencies.*** Reduces funding of the Regional Health Planning Agencies by \$166,536 GF each year. This represents a reduction of about 50 percent over the FY 2008 funding level. The State's five Health Planning Agencies are responsible for assisting the Board of Health and the department by collecting health data as requested, reviewing the State Health Plan, conducting needs assessments, and reviewing applications for certificate of

public need (COPN) and other functions as directed by the regional health planning boards.

- **Department of Health Professions**

- *Add Funding and Positions for Disciplinary Process and Administrative Proceedings.* Provides an additional \$779,014 NGF the first year and seven positions and \$862,605 NGF the second year and an additional position from nongeneral funds to improve the timeliness of disciplinary investigations and resolution of cases regarding misconduct by health care practitioners. Nongeneral funds are provided from health professions' licensing fees. Funds will also be used to address the backlog of cases.
- *Additional NGF for Prescription Drug Monitoring Program.* The introduced budget provides \$788,798 NGF each year and two positions from a portion of the OxyContin settlement for the Virginia Prescription Monitoring Program. The Purdue Frederick Company has deposited \$20.0 million into a state account pursuant to a plea agreement. These funds are to be used solely for the operation of the Virginia Prescription Monitoring Program. A portion of the funding will be drawn from the trust account each year for program operations.
- *Add Position to Address New Accounting Requirements.* Adds \$80,551 NGF each year to add one position for the agency to comply with new federal requirements for agency risk management and internal controls standards (ARMICS). Nongeneral funds are provided from existing fee revenue from the regulation of health professionals.

- **Department of Medical Assistance Services**

Forecast Changes

- *Medicaid Utilization and Inflation.* Adds \$98.7 million GF and \$110.1 million NGF the first year and \$245.3 million GF and \$253.8 million NGF the second year to fully fund expected increases in enrollment and medical costs for the Medicaid program. Nongeneral funds are provided through matching federal Medicaid dollars. Medicaid spending is projected to grow by 6 percent in FY 2009 and 5 percent in FY 2010. The projected growth rates are lower than in previous years due to several factors. New federal documentation requirements for citizenship and identity appear to have artificially slowed enrollment growth for low-income children and families. While enrollment is expected to pick up, it is not projected to grow at previously anticipated rates.

The program is projected to continue to experience steady enrollment growth in the number of low-income aged, blind and disabled individuals served by the program. In addition, the rising cost of health care services, including inpatient and outpatient hospital services, nursing facility services, and Medicare Part B

premiums that are paid for low-income elderly recipients on Medicaid, require additional resources to fund the program's growth.

- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Increases funding by \$6.2 million GF in FY 2009 and \$10.8 million GF in FY 2010 and \$11.4 million NGF in FY 2009 and \$19.9 million NGF in FY 2010 from federal matching funds to address anticipated enrollment and cost increases for the FAMIS program. FAMIS spending is projected to grow by 13 percent in FY 2009 and 11 percent in FY 2010, significantly lower than the 23 percent rate of growth projected for FY 2008. Monthly enrollment in FAMIS is expected to grow by 6 percent in FY 2009 and 5 percent in FY 2010 from about 51,000 children in FY 2008 to almost 57,000 in FY 2010.
- ***Medicaid State Children's Health Insurance Program (SCHIP).*** The introduced budget adds \$4.1 million GF in FY 2009 and \$6.2 million GF in FY 2010 and \$7.6 million NGF in FY 2009 and \$11.4 million NGF in FY 2010 from federal matching funds to fully fund caseload growth for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level. The federal government matches Medicaid expenditures for these children at the same rate as that provided for the FAMIS program (about 65 percent). Projected monthly enrollment in Medicaid SCHIP is expected to grow 6 percent in FY 2009 and 5 percent in FY 2010 from about 37,000 children in FY 2008 to almost 41,500 in FY 2010.
- ***Reduce Funding for Involuntary Mental Commitments.*** Reduces \$1.0 million GF the first year and \$796,166 GF the second year reflecting recent data that indicates payments from the Involuntary Mental Commitment Fund will be less than currently budgeted. The fund pays for the cost of hospital and physician services for individuals who are subject to the involuntary mental health commitment process.

Governor's Health Care Reform Initiatives

- ***Implement Premium Assistance Program for Working Uninsured.*** The Governor's introduced budget provides \$2.6 million GF the first year and \$5.1 million GF the second year and two positions to begin implementation of a program to subsidize health insurance costs for low-income uninsured individuals who work for small businesses. The program would provide premium assistance for up to one-third of the cost, not to exceed \$75 per month. The employee and his employer would each contribute one-third of the premium cost for a health insurance product that covers up to \$50,000 in claims each policy year (called a Capped Product). The Capped Product would be available to individuals with incomes up to 200 percent of the federal poverty level (\$20,420 in 2007) who work in Virginia businesses with less than 50 employees and who have either been uninsured or whose employer did not offer health insurance for six months prior to enrollment. Small employers

could offer the product if they have not offered health insurance to their employees for the six months prior to entering the program.

- ***Expand Access to Prenatal Care for Pregnant Women (FAMIS Moms).*** Adds \$1.0 million GF the first year and \$1.6 million GF the second year and a like amount of federal matching funds each year to increase eligibility for the FAMIS Moms program from 185 to 200 percent of the federal poverty guidelines. The 2007 General Assembly provided funding to increase eligibility from 166 to 185 percent of the federal poverty level beginning July 1, 2007. This expansion is expected to increase access to prenatal care for 400 pregnant women each year, improve birth outcomes and reduce uncompensated care at hospitals.
- ***Family Access to Medical Insurance Security (FAMIS) Coverage for Infants.*** Adds \$43,480 GF the first year and \$46,741 GF the second year to provide FAMIS coverage for all newborn births plus two months post-delivery to FAMIS enrollees, even if eligibility is never established for the newborn. This policy is similar to that permitted under federal Medicaid rules for infants born to Medicaid recipients.

Service Expansions

- ***Mental Retardation (MR) Waivers for Community Residents.*** Adds \$2.3 million GF the first year and \$4.9 million GF the second year and a like amount of federal Medicaid matching funds to phase-in a total of 150 additional mental retardation waiver slots for individuals who are on the urgent care waiting list and living in the community. Approximately 3,907 individuals are currently on the waiting list for the MR waiver program, half of whom are on the urgent care waiting list.
- ***Add Funds to Implement Acute and Long-term Care Integration Initiative.*** Adds \$239,944 GF and \$239,944 NGF and one position the first year and \$358,944 GF and \$408,944 NGF and one additional position the second year to implement a regional model for the integration of acute and long-term care services. Most of the funding will be used for contractors to support managed care enrollment, conduct actuarial analysis to set rates, and provide quality reviews. Integration of acute and long-term care services is expected to result in higher quality of care for Medicaid recipients in long-term care settings and cost savings in future years from fewer hospitalizations.
- ***Money Follows the Person Demonstration Project.*** Adds language authorizing the Department to implement the federal “Money Follows the Person” demonstration to facilitate the movement of up to 290 individuals each year from more costly institutional settings to the community. The federal government is providing Medicaid funding at a higher match rate – three to one instead of a dollar for dollar match – to encourage states to build the community infrastructure necessary to transition individuals from nursing homes, intermediate care facilities, and long-stay hospitals into the community. As part of this initiative,

language authorizes the Department to increase the number of mental retardation waiver slots by 220 and the number of developmental disability waiver slots by 30 over the biennium for Medicaid recipients currently residing in institutional settings.

- ***Uninsured Medical Catastrophe Fund.*** The introduced budget adds \$150,000 GF in FY 2009 and \$10,000 NGF each year for the Uninsured Medical Catastrophe Fund administered by the Department. This fund provides financial assistance to uninsured persons who need treatment for a life threatening illness or injury. The additional general fund amount in FY 2009 is intended to supplement funding for the program which is provided through a voluntary contribution of tax refunds specified on Virginia individual income tax returns. Voluntary contributions provide about \$40,000 annually to the fund. Nongeneral funds are added to adjust the appropriation for the Uninsured Medical Catastrophe Fund to correctly reflect the receipt of donations and interest on the fund.

Budget Reductions

- ***Virginia Health Care Fund.*** Provides a reduction of \$7.2 million GF the first year and \$11.2 million GF the second year and adds an equal amount of nongeneral fund appropriations each year to the Virginia Health Care Fund to reflect increasing revenues for the fund. Revenues in the fund are used as a portion of the state's match for the Medicaid program. Two of three revenue sources for the fund are projected to increase over the biennium, including \$4.3 million from the Tobacco Master Settlement Agreement and \$20.3 million from prior year Medicaid recoveries. Tobacco product tax revenues are projected to be \$6.2 million lower during the 2008-10 biennium.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 and new initiatives contained in the Governor's introduced budget for 2008 for a savings of \$68.1 million GF each year.
- ***Apply Medicaid Preferred Drug List to Behavioral Health Drugs.*** The introduced budget reduces \$1.0 million GF and \$1.0 million NGF each year for savings anticipated by expanding the Medicaid preferred drug list (PDL) to include behavioral health drugs. Drugs that are not included on the PDL must be authorized prior to being dispensed.
- ***Begin Chronic Care Case Management Program.*** Reduces spending in the Medicaid program by \$791,641 GF and a like amount for matching federal Medicaid funding each year as a result of savings from the implementation of a chronic care case management program in Medicaid. An additional position would be added to develop and manage a contract to implement the program which proposes to better manage the care and costs of Medicaid recipients with multiple chronic conditions. The annual costs for the program are projected to be

close to \$900,000 GF, while annual savings are projected to be about \$1.7 million GF.

- ***Limit Primary Care Case Management Program to Certain Localities.*** Reduces Medicaid spending by \$464,518 GF in FY 2009 and \$470,093 GF in FY 2010 and a like amount of federal matching funds each year by limiting the Medicaid MEDALLION program which provides a case management fee to primary care doctors who provide care to Medicaid recipients. The MEDALLION program was the first “managed care” type program implemented in Medicaid. With the successful expansion of Medicaid managed care, much of the Medicaid population is no longer in the MEDALLION program. This, along with more aggressive management of certain diseases and chronic conditions, obviates the need for the payment of primary care case management fees in much of the Commonwealth. The introduced budget proposes maintaining the MEDALLION program in the Roanoke area, because there is only one managed care option available to Medicaid recipients in that area and the MEDALLION program serves as the other managed care option for those Medicaid enrollees. At least two plans are necessary in order to require all Medicaid enrollees in the region to enroll in managed care.
- ***Align Funding for the Alzheimer’s Waiver.*** Proposes a reduction of \$200,000 GF and an equal amount of federal Medicaid matching funds each year to adjust funding for the Alzheimer’s Waiver to the level of expenditures anticipated. At present enrollment in the waiver is low, because the agency has been unable to attract providers to serve waiver recipients.
- ***Enhance Medicaid Oversight Activities.*** Proposes a reduction of \$85,000 GF and \$115,000 NGF in matching federal Medicaid funds in FY 2009 by participating in a required federal program to measure payment error rates in federal FY 2009. States are required to review the Medicaid and SCHIP eligibility determinations, estimate the amount of improper payments, report those estimates to the federal government, and take actions to reduce erroneous payments. The cost to conduct eligibility reviews is estimated to be \$340,000 GF and \$460,000 NGF from federal funds. These expenditures are expected to be offset by recovering amounts that may have been erroneously paid by the programs, resulting in a net decrease in general fund and nongeneral fund expenditures for the programs.

Administrative Changes

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

countable resource in the Medicaid determination for the first six months following admission to a long-term care facility.

- ***Additional Authority to Implement a Site of Service Differential for Physician Services.*** Adds language authorizing the agency to implement a rate differential for physician services based on the site at which the service is provided as defined by Medicare. The department annually adjusts physician fee schedules based on Medicare updates to the Resource Based Relative Value Scale (RBRVS) which includes different rate factors for facility and non-facility procedures. The department has historically used only the non-facility rate factors to develop physician rates. The implementation of the differential will be budget neutral and phased-in over a four-year time period to minimize negative impacts on certain procedures and physician groups.
- ***Authority for Prior Authorization and Utilization Review of Community Mental Health Programs.*** Adds language providing the department with the authority to implement prior authorization and utilization review for community-based mental health services for children and adults.

Technical Changes

- ***Adjust NGF Appropriations to Reflect Revenue and Expenditures.*** The introduced budget includes several adjustments to nongeneral fund appropriations to reflect revenues and/or expenditures in several programs administered by the Department of Medicaid Assistances Services. These adjustments are outlined below:
 - ***State and Local Hospitalization Program.*** Reduces \$800,000 NGF each year to reflect the local share of expenditures for this program.
 - ***Indigent Health Care Trust Fund.*** Reduces \$1.8 million NGF each year to reflect private hospital contributions for expenditures in this program.
 - ***Reflect NGF Appropriation for Contractor Costs.*** Provides \$765,000 NGF each year to reflect expenditures for contractor costs associated with revenue maximization activities in the Department. Savings from these activities are transferred into the Virginia Health Care fund after contractor costs are paid. In the past, these costs were administratively appropriated. This action would set forth the nongeneral appropriation in the appropriate item.
 - ***Increase Federal Funding for Long-term Care Pre-Admission Screening at the Virginia Department of Health.*** Provides \$865,989 NGF in FY 2009 and \$902,836 NGF in FY 2010 from federal Medicaid funds to recognize the federal share of costs attributable to pre-admission screening activities of

the Virginia Department of Health for Medicaid clients who are eligible for long-term care services.

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

Mental Health Initiative

- ***Emergency Mental Health Services.*** Includes \$5.3 million GF in FY 2009 and \$9.3 million GF in FY 2010 to expand access to 24-hour emergency mental health services including psychiatric consultations, clinicians, and crisis stabilization. With the exception of case management services, emergency mental health services are the only mandated services that Community Services Boards (CSBs) must provide. In recent years, the Inspector General reported that access to emergency mental health services is not comprehensive and varies considerably by CSB. Funding will be allocated as follows: (1) \$50,000 for each CSB for emergency psychiatric consultations, (2) \$70,000 per CSB for emergency clinicians, and (3) 36 to 40 new crisis stabilization beds in small 6-8 bed community-based facilities.
- ***Mental Health Case Management Services.*** Provides \$3.5 million GF in FY 2009 and \$5.3 million GF in FY 2010 to expand access to case management services for people with mental illness. The Inspector General reported recently that 90 percent of CSBs mental health case managers have caseloads that exceed the nationally-recommended level of 25 per case manager. Case managers ensure that individuals with mental illness receive the services they need to remain in the community. Funding will be used to hire 40 case managers -- one for each CSB. An additional 66 mental health case managers will be hired and distributed to CSBs based on local need and capacity.
- ***Programs to Divert People with Mental Illness from Jails.*** Includes \$3.0 million GF each year to expand services to individuals who are mentally ill that are involved with the criminal justice system. Funding will allow CSBs to expand or develop pilot programs providing mental health services for eligible individuals. It is estimated that 300 to 500 individuals will receive mental health services necessary to divert them from the criminal justice system.
- ***Outpatient Mental Health Services for Children.*** Includes \$2.8 million GF in FY 2009 and \$3.0 million GF in FY 2010 to expand access to outpatient mental health services for children. Specifically, this initiative will add a children's mental health specialist at each CSB to ensure that appropriate services are provided to children; children and adolescents who are eligible for services through the Comprehensive Services Act will not be eligible to see these clinicians.
- ***Outpatient Mental Health Services Provided by Clinicians and Therapists.*** Adds \$1.5 million GF in FY 2009 and \$3.0 million GF in FY 2010 to reduce delays in

receiving outpatient mental health services through CSBs. This spring the Inspector General reported that individuals with mental illness were experiencing difficulties accessing outpatient clinicians and therapists. This funding will allow each CSB to hire an additional clinician for a total of 40 new clinicians statewide in order to expand access to mental health services in the community.

- ***Expand Monitoring and Accountability of CSBs.*** Adds \$300,000 GF in FY 2009 and \$575,000 GF in FY 2010 to create four positions within the central office to provide oversight and monitoring of recent expansions of CSB services. The additional staff will develop core standards and provide oversight of services provided through CSBs.
- ***Crisis Intervention Training Program.*** Provides \$300,000 GF each year to expand training related to crisis intervention services and programs to divert individuals with mental illness from jails. It is estimated that 600 law enforcement officers will be trained to respond to individuals with mental illness who are in crisis situations.
- ***Expand Licensing Staff.*** Adds \$141,952 GF and two positions in FY 2009 and \$331,164 GF and two additional positions in FY 2010 for four new licensing and investigative staff within the central office. With the recent expansion of community-based mental health services, it is necessary to license and monitor current and new providers and programs on a regular basis to ensure compliance with state and federal rules and regulations.

Other Changes

- ***Sexually Violent Predator Program.*** Adds \$2.0 million GF in FY 2009 and \$3.9 million GF in FY 2010 to address anticipated caseload growth for individuals who have been civilly committed to the state as sexually violent predators. Based on current trends, it is expected that four individuals each month will be committed to the Center for Behavioral Rehabilitation, resulting in the need for additional treatment services and security.
- ***Director for the Office of Community Integration.*** Includes \$151,600 GF each year to transfer salary and benefit costs for the Director of the Office of Community Integration from the Virginia Board for People with Disabilities to the Department of Mental Health, Mental Retardation, and Substance Abuse Services. The general fund appropriation for this position would be reduced from the Board's budget. This proposal reverses actions taken by the 2006 General Assembly, which placed statutory responsibility for staffing the Community Integration Advisory Commission with the Virginia Board for People with Disabilities.
- ***Services for Autism Spectrum Disorders.*** Provides \$100,000 GF and one position each year to hire a community resources manager to provide support to families for autism spectrum disorder services. These funds will be used to determine the

availability and need for autism spectrum disorder services in the Commonwealth.

- ***Oversight of Opiate Treatment Programs.*** Adds \$273,239 NGF and 1.25 positions the first year and \$276,013 NGF and an additional position the second year to develop an automated data management system for monitoring and tracking, research development, and training for community services boards and treatment providers. Revenue will be generated from proposed legislation imposing a fee per treatment dose delivered by the provider.

Budget Reductions

- ***Reduce Funding for Specialized Training for Direct Care Staff.*** Removes \$156,807 GF each year to eliminate specialized training services – not salary adjustments – for direct care staff. Funding was provided in FY 2006-08 for increased salaries and training to reduce turnover and create incentives for direct care staff to continue employment in state mental health facilities and mental retardation training centers.
- ***Governor's October 2007 Budget Reductions.*** With the exceptions below, the introduced budget continues the strategies proposed in October 2007 and proposes additional savings in the Governor's introduced budget for 2008-10 for a total savings of \$16.8 million GF each year.
 - ***Consolidation of Management Services at Hiram Davis Medical Center and Southside Virginia Training Center.*** Language included in the introduced budget for FY 2008 proposed the merger of management functions of these two facilities, located on the same campus in Dinwiddie County. Because the merger will be phased-in, no savings were reflected in FY 2008. The Governor's 2008-10 biennial budget includes savings of \$840,000 GF each year from the reduction of seven positions.
 - ***Conditional Release Program for Sexually Violent Predators.*** Savings of \$350,000 GF in FY 2008 from lower than anticipated utilization of conditional release are not continued in the 2008-10 introduced budget.

- **Department of Rehabilitative Services**

- ***Expand Brain Injury Case Management Services.*** Includes \$200,000 GF in the second year to expand brain injury services to no fewer than 100 individuals in unserved or underserved regions of the Commonwealth. The lack of case management services has resulted in a waiting list for individuals with brain injuries. This funding will expand face-to-face case management services for individuals who are at-risk of losing their job or placement in an institutional setting.

- ***Foundation for Rehabilitative Equipment and Endowment.*** Provides \$50,000 GF in the second year to support the Foundation’s efforts to provide durable medical equipment and assistive technology devices to individuals with disabilities and the elderly who are unable to afford these services.
- ***Governor’s October 2007 Budget Reductions.*** Continues the savings strategies proposed in October 2007 in the Governor’s introduced budget for 2008-10 for a savings of \$1.3 million GF each year.

- **Department of Social Services**

Mandatory Caseload and Cost Increases

- ***Offset Loss of Federal Funds for Child Welfare Services.*** Adds \$11.9 million GF and reduces \$11.9 million NGF each year to reflect lower reimbursements from the federal government for child welfare services provided by local departments of social services. Federal authorities required the Department of Social Services to resubmit a new cost allocation plan after the existing plan, originally approved in 1996, resulted in the disallowance of \$53.0 million in federal Title IV-E reimbursements for child welfare services in FY 2006. The Department’s cost allocation plan defines the share of federal and state spending for specific child welfare services and activities. Funding is necessary to maintain support for local staff that provides child welfare services to children and families.
- ***Foster Care and Adoption Subsidies Caseload and Cost Increases.*** Provides \$3.4 million GF and \$3.1 million NGF in FY 2009 and \$7.1 million GF and \$5.3 million NGF in FY 2010 for caseload and cost increases in the foster care and adoption subsidy programs. Foster care and adoption subsidy caseloads are growing at more modest levels than recent years, about 3 and 5 presently respectively. However, foster care expenditures are estimated to increase by 10 percent in FY 2009 and 4.4 percent in FY 2010, largely due to higher payments to child placing agencies and residential treatment providers in the federal Title IV-E foster care program. In addition, room and board payments for children in foster care and adoption subsidy payments will increase by 4 percent each year, pursuant to requirements in Chapter 847.
- ***Offset Loss of Federal Funds for Child Support Enforcement Operations.*** Adds \$1.6 million GF and reduces a similar amount of nongeneral funds each year to annualize the cost of a reduction in federal funds that can be counted as a match for child support enforcement incentive funds. In FY 2008, \$4.9 million GF was provided to offset 75 percent of the cost of this reduction in federal funds; this funding replaces the balance of funding. The federal Deficit Reduction Act of 2005 changed reimbursement rules for child support enforcement, prohibiting states

from counting earned federal incentive funds as the state's match for federal child support enforcement moneys.

Child Welfare Initiative

- ***Increase Payments to Foster Care and Adoptive Families.*** Proposes \$3.3 million GF and \$2.1 million NGF in FY 2009 and \$5.2 million GF and \$3.1 million NGF in FY 2010 to increase maintenance payments for children in family foster homes and adoptive families that receive subsidy payments by 11 percent the first year and an additional 6 percent the second year. This increase, along with the mandated cost of living adjustment required by Chapter 847, brings the total rate increase to 15 percent in FY 2009 and 10 percent in FY 2010. As a result of this increase, monthly payments will increase from \$359 to \$454 for children between the ages of 0-4, \$419 to \$530 for children between the ages of 5-12, and \$531 to \$672 for children age 13 and up. This increase is designed to encourage and maintain family foster families and also offset the increase in more expensive, residential facility placements. A separate amendment to the CSA program includes a similar increase in the rates paid for state-funded foster care services.
- ***Recruitment and Retention of Foster and Adoptive Parents.*** Includes \$3.4 million GF and \$1.1 million NGF in FY 2009 and \$3.6 million GF and \$1.2 million NGF in FY 2010 to increase the recruitment and retention of foster and adoptive parents. In order to improve permanency outcomes for older youth in foster care, this initiative will increase recruitment and retention efforts by supporting families with standardized training and best practices. Along with increased rates for foster and adoptive families, this initiative is designed to encourage placements in the community as opposed to residential treatment facilities.
- ***Child Welfare Worker Training.*** Provides \$2.2 million GF and \$1.4 million NGF and two positions each year to expand training for child welfare workers at local departments of social services. Funding will be used to improve child welfare services, enhance program outcomes, increase the permanency of foster care and adoptive placements and reduce the repeat occurrence of abuse and neglect.
- ***Increase Monthly Foster Care Visits.*** Includes \$1.0 million GF and \$125,000 NGF each year to increase monthly interactions between agency staff and foster families to ensure that children in foster care are receiving necessary services. These funds will enable local departments of social services to hire 30 additional child welfare workers to increase the number of monthly visitations between social workers, foster parents, and children. Increasing interactions between social workers and foster families is designed to ensure permanency for children in foster care in accordance with federal requirements.

Pre-K Early Childhood Education Initiative

- ***TANF Funding for Pre-K Program.*** Provides \$14.9 million from the federal TANF block grant the second year to supplement Pre-K programming for at-risk children. An additional \$15.1 million GF will be provided in the public education section of the budget the second year for Pre-K services. Recent TANF caseload declines have resulted in lower than expected expenditures of federal TANF block grant dollars, allowing these resources to be used for other eligible activities.
- ***Quality Rating System for Early Childhood Programs.*** Provides \$1.3 million GF and three positions in FY 2009 and \$3.3 million GF in FY 2010 to implement a voluntary quality rating and improvement system (QRIS) for early childhood education providers. The rating system is designed to assess, rate and support improvements in the quality of early childhood education programs and assist the public in selecting appropriate programs for their children.
- ***Financial Incentives for Early Childhood Education Workers.*** Adds \$1.0 million GF in FY 2009 and \$3.0 million GF in FY 2010 to provide education and training scholarships for early childhood teachers and program directors in order to encourage them to earn associate and bachelor-level degrees and/or specialized training in early childhood education programs.
- ***Early Childhood Foundation.*** Proposes \$500,000 GF in FY 2009 and \$1.5 million GF in FY 2010 to increase funding for the Early Childhood Foundation. Initially funded in FY 2006, the additional resources will be used to increase the capacity of local communities to develop high quality early childhood development activities. With current annual funding of \$1.5 million, the Foundation provides local grants to develop school readiness councils to address the education needs of children from birth to school age.

Other Initiatives

- ***Local Reentry Pilot Program.*** Includes \$509,174 GF and six positions in FY 2009 and \$565,100 GF in FY 2010 to supplement services in five reentry programs established by the Virginia Reentry Police Academy in 2006. On a pilot bases, a case manager will be assigned to each program to provide specialized assistance for ex-offenders.
- ***Office of Newcomer Services.*** Includes \$250,000 GF each year to create a network of community-based organizations to serve Virginia's population of legal permanent residents. The office will provide grants to organizations that provide English classes, civic exam preparation, naturalization assistance, and workforce training.
- ***Local Facility Improvements.*** Adds \$199,810 GF and \$199,810 NGF each year for local departments of services to pay higher lease costs associated with building renovations. Social service departments in the counties of Amelia, Amherst, Craig, Cumberland, Fluvanna, Franklin, Prince George and Warren and the cities

of Bristol, Charlottesville, Hopewell, and Fredericksburg will receive additional funding for 15 facility improvement projects.

- ***Central Virginia Food Bank.*** Provides \$62,000 GF in FY 2009 for additional funding to the Central Virginia Food Bank to procure and distribute food throughout central Virginia which includes 31 counties and five cities.
- ***Increase Child Support Disregard.*** Modifies budget language increasing the child support disregard from \$50 to \$100 each month for individuals receiving TANF assistance. Changes included in the 2005 federal Deficit Reduction Act allows states to increase the disregard to \$100 each month provided the increase is not offset with a reduction in TANF assistance. In effect, this change will allow recipients of child support to retain \$50 more each month from child support payments made on their behalf. Under current law, the amount received above \$50 is used to offset the federal government's cost of public assistance paid to the individual.
- ***Increase Assisted Living Facility Payments.*** Modifies language authorizing an increase in the payment rate for licensed assisted living facilities and adult foster care homes by \$14 from \$1,061 to \$1,075 per month. These income sources pay for room and board of low-income aged, blind and disabled persons in these facilities. In addition, the monthly personal care allowance is increased to \$77 per month – an increase of \$7.00 for assisted living facilities and \$2.00 for adult foster care homes, allowing individuals to retain more of their income for personal use.

TANF Block Grant Funding

- ***Child Care Development Fund Transfer.*** Proposes \$8.8 million NGF each year from the federal TANF block grant to provide child day care services for at-risk families. An additional \$8.8 million from TANF is also provided in FY 2008.
- ***At-risk Child Care and Head Start Services.*** Proposes \$8.5 million NGF each year from the federal TANF block grant to expand access to child care services for low-income families and maintain “wrap-around” services for Head Start families. This proposal includes \$6.0 million each year to reduce the waiting list for the at-risk child care subsidy program by 25 percent serving 1,300 children. The remaining \$2.5 million each year will be used to provide extended day care services for Head Start families as well as working families to maintain employment and receive education and training services.

Proposed TANF Block Grant Funding 2008-10 Budget

<u>TANF Resources</u>	Governor's Proposed FY 2008	Governor's Proposed FY 2009	Governor's Proposed FY 2010
Annual TANF Block Grant Award	\$158,285,000	\$158,285,000	\$158,285,000
Carry Forward From Prior Fiscal Year	19,914,919	15,762,899	8,016,371
TANF Resources Available	\$178,199,919	\$174,047,899	\$166,301,371
<u>TANF Expenditures</u>			
<i>VIP/VIEW Core Benefits and Services</i>			
TANF Income Benefits	46,327,070	46,327,070	46,327,070
TANF Child Support Supplement	7,800,000	7,800,000	7,800,000
VIEW Employment Services	3,475,322	3,475,322	3,475,322
VIEW Child Care Services	3,420,644	3,420,644	3,420,644
<i>Subtotal, VIP/VIEW Benefits and Services</i>	\$61,023,046	\$61,023,046	\$61,023,046
<i>Administration</i>			
State Administration	2,450,607	2,450,607	2,450,607
Information Systems	3,247,580	3,247,580	3,247,580
Local Direct Service Staff and Operations	30,549,000	30,549,000	30,549,000
Local Eligibility and Administration	12,168,977	12,168,977	12,168,977
<i>Subtotal, Administration</i>	\$48,416,164	\$48,416,164	\$48,416,164
<i>TANF Programming</i>			
Employment Advancement for TANF Participants	9,350,000	5,850,000	5,850,000
Department of Housing & Community Development	4,910,128	4,910,128	4,910,128
Local Domestic Violence Grants	711,711	1,062,500	0
Centers for Employment & Training	318,750	637,500	0
Domestic Awareness Campaign	63,750	127,500	0
Child Advocacy Centers	100,000	200,000	0
Teen Pregnancy Prevention Programs (VDH)	925,000	1,675,000	0
Resource Mothers (VDH)	88,400	176,800	0
St Paul's College Project	42,500	85,000	0
People, Inc.	21,250	42,500	0
Community Action Agencies	1,698,930	3,397,859	0
Healthy Families/Healthy Start	2,069,910	4,139,820	0
Comprehensive Health Investment Project	1,070,945	2,141,890	0
Comprehensive Services Act Trust Fund	478,911	957,281	0
United Community Ministries	19,125	38,250	0
Pre-K Program Funding	0	0	14,908,318
<i>Subtotal, TANF Programming</i>	\$21,869,310	\$25,442,568	\$25,668,446
TANF Expenditures, TOTAL	\$131,308,520	\$134,881,778	\$135,107,656
<i>Transfers to other Block Grants</i>			
CCDF Transfer-Craig County Day Care	0	21,250	0
CCDF Deficit	8,800,000	8,800,000	8,800,000
CCDF Transfer to At-Risk		6,000,000	6,000,000
CCDF Transfer to Head Start (Wraparound) Services	2,500,000	2,500,000	2,500,000
SSBG Transfer-Local Staff Support	9,101,387	9,101,387	9,101,387

SSBG Transfer-Comp. Services Act	4,727,113	4,727,113	4,727,113
SSBG Trans.-Fredericksburg Dental Clinic	0	0	0
SSBG Trans.-Va. Health Care Foundation	0	0	0
TANF Transfers, TOTAL	\$31,128,500	\$31,149,750	\$31,128,500
 TOTAL, TANF Expenditures & Transfers	 \$162,437,020	 \$166,031,528	 \$166,236,156
TOTAL, TANF Resources	\$178,199,919	\$174,047,899	\$166,301,371
TANF, Remaining Balance	\$15,762,899	\$8,016,371	\$65,215

Budget Reductions

- ***Adjust NGF Appropriation to Reflect Actual Spending.*** Reduces \$79.7 million NGF each year to adjust the actual appropriation for various programs to the level of current spending. As the federal government has reduced funding provided to state governments, the Department of Social Services has not adjusted the NGF appropriation downward to reflect this trend. As a result, NGF appropriation amounts have remained artificially high. This technical amendment adjusts the NGF appropriation to actual spending; it will not result in a reduction in services.
- ***Governor's October 2007 Budget Reductions.*** Continues most of the savings strategies in October 2007 for a savings of \$12.8 million GF in FY 2009. The majority of the savings (\$9.8 million) resulted from using federal TANF dollars instead of general fund resources for eligible activities. This strategy was not continued in FY 2010 in the Governor's proposed 2008-10 budget, resulting in general fund savings of \$3.2 million in the second year.
- **Department for the Blind and Vision Impaired**
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies in October 2007 in the Governor's introduced budget for 2008-10 for a savings of \$346,875 GF each year.