

Health and Human Resources

Proposed Adjustments as Introduced (\$ in millions)				
	FY 2015 Proposed <u>GF</u> <u>NGF</u>		FY 2016 Proposed <u>GF</u> <u>NGF</u>	
2014-16 Base Budget, Ch. 806	\$5,239.4	\$7,429.7	\$5,239.4	\$7,429.7
Proposed increases	434.5	363.9	642.5	539.7
Proposed decreases	(97.4)	(92.3)	(155.8)	(133.2)
\$ Net Change	337.1	271.6	486.7	406.5
HB/SB 30, as Introduced	\$5,576.5	\$7,701.3	\$5,726.1	\$7,836.2
% Change	6.4%	3.7%	9.3%	5.5%
FTEs	8,695.45	7,066.8	8,695.45	7,066.80
# Change	(431.77)	(453.23)	(431.77)	(453.23)

- **Comprehensive Services for At-Risk Youth and Families**
 - *Transfer Administrative Funds from DSS to the Office of Comprehensive Services.* Proposes to transfer \$1.3 million GF each year to the Office of Comprehensive Services from the Department of Social Services. Administrative funding for the OCS has been appropriated to the Department of Social Services for more than a decade. Transferring funding to the OCS will more accurately reflect current administrative operations at both agencies. A separate proposal within DSS removes funding for administrative purposes.
 - *Provide Funds for local financial interface using SAS solution.* Proposes \$300,000 GF each year to continue funding a contract with a private vendor, SAS, to create linkages between information systems that are maintained and operated by CSA, the Department of Social Services and localities. Funding, which was begun with unspent carry-forward balances, will link systems that track CSA's child welfare data, assessments of child and youth needs, payment and local financial systems. The system upgrades are designed to use data to better inform decision making, enhance outcomes for youth and their families, and maximize the use of limited state and local resources through better monitoring of service delivery.

- ***Fund Anticipated Foster Care Rate Increase.*** Includes \$219,328 GF each year to increase the rates paid for foster care maintenance as required by language in the Appropriation Act. Budget language within the Department of Social Services requires that a “reasonable, automatic adjustment for inflation each year be applied to the room and board maximum rates paid to foster parents” in fiscal years following an increase in salary for state employees.
- ***GF Savings from Expanding Foster Care to Youth Ages 18-21.*** Proposes to reduce \$2.9 million GF in FY 2016 as a result of shifting the cost of providing services to youth between the ages of 18 and 21 from CSA to the federal Title IV-E program. A separate initiative within DSS expands the Title IV-E program to these youth.

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

- ***Adjust NGF Appropriation for Relay Services.*** Proposes a reduction of \$5.0 million NGF in FY 2016 in anticipation of lower costs for a new relay service contract. In order to ensure competitive bids for the new relay service contract, the introduced budget removes language that requires any request for proposal to include a requirement to employ at least 85 individuals. The cost of providing service through the relay center is estimated to be four to five times higher than the national average for such services, due to the requirement that employment levels be maintained at higher levels than needed. Any savings from the new contract will be passed along to localities from balances generated through the Communications Sales and Use Tax fund.

- **Department of Health**

New Spending

- ***Increase Funding for AIDS Drug Assistance Program.*** Adds \$3.4 million GF and \$14.3 million NGF in FY 2015 and \$3.8 million GF and \$15.7 million NGF in FY 2016 to address a 28 percent increase in projected client cases for the AIDS Drug Assistance Program (ADAP). At present, 4,900 individuals are enrolled in ADAP, a program that provides access to medications for people living with HIV and AIDS to prevent the onset of other infections. Services are provided to low-income individuals living with HIV/AIDS who are uninsured or underinsured and do not have access to prescription medications for their illness.
- ***Restore GF for Resource Mothers Program.*** Proposes to restore \$614,914 GF each year for the Resource Mothers, a home visiting program that provides mentoring services to pregnant teens up to age 19, with the goal of achieving healthy births and reducing infant mortality. Last year, the department proposed to replace general funds for this program with federal grant dollars. However federal Maternal and Child Health block grant dollars were not allowed for this program

nor were Medicaid administrative funds. The proposed budget requests general fund support to maintain services to this at-risk population.

- ***Increase Funding for Proton Beam Therapy Institute.*** Adds \$490,000 GF each year for the Hampton Roads Proton Beam Therapy Institute at Hampton University to support research on proton therapy used in the treatment of cancer. If approved, the general fund budget for this project would increase to \$1.0 million GF each year. Funding will be used for infrastructure development as well as research and training.
- ***Provide Additional Support for Information Security Program.*** Includes \$317,378 GF in FY 2015 and \$285,900 GF in FY 2016 to strengthen the department's information security program by adding two positions and conducting agency-specific training. Additional funding is designed to address the Commonwealth's stricter security requirements and better protect sensitive data.
- ***Add Funds for Increased Rents at Local Health Departments.*** Proposes \$176,929 in FY 2015 and \$387,744 in FY 2016 from the general fund and \$103,503 in FY 2015 and \$267,602 in FY 2016 from nongeneral funds to address higher lease costs for nine local health departments that have moved into new facilities or experienced higher costs in current leased space. While lease arrangements are negotiated by the Department of General Services, the cost of new leases is the responsibility of local health departments.
- ***Add Funding for Implementation of Electronic Health Records.*** Provides \$350,000 GF in FY 2015 and \$150,000 GF in FY 2016 to continue the transition of health records to ConnectVirginia, the state's health information exchange. Additional funding is designed to support a system of electronic health records that can be shared by entities across the Commonwealth.
- ***Provide Funding for Plan Management Functions of Federal Marketplace.*** Proposes \$96,150 GF in FY 2015 and \$93,900 GF in FY 2016 to fund the department's activities related to the Federally-Facilitated Insurance Marketplace. Funding will be used to offset the cost of assisting the State Corporation Commission in carrying out its plan management functions, including oversight of the federal quality health plan certification process and assistance with managed care insurance plan requirements. This cost will be offset by federal funds if they become available.

Spending Reductions

- ***Remove One-time Funding for Local Dental Services.*** Proposes to reduce \$967,944 GF and \$696,362 NGF each year to eliminate state-supported dental services in all but three health districts and transition to a recently designed dental prevention

model. The reduction in funding will result in the closure of state-supported dental clinics and the reduction of 20 dental positions and the transition of care to dental hygienists. With the exception of Mount Rogers, Western Tidewater, and Norfolk, local health districts will begin transitioning to a new model of dental care that is required to ensure 1) trained personnel are in place, 2) the focus of care is on areas in the most need of dental services, and 3) evaluation metrics are developed to ensure cost-effective, quality care is provided.

- ***Reduce GF for Poison Control Centers.*** Proposes to reduce funding by \$300,000 GF each year to support poison control centers in the Commonwealth. Currently, three poison control centers receive \$1.0 million GF each year to provide statewide services. Budget language limits state support to two centers and requires the department to determine which centers will receive funding at the reduced level.

Changes in Nongeneral Fund (NGF) Appropriations

- ***Increase NGF Appropriation for Trauma Fund.*** Proposes an increase of \$5.0 million NGF each year to the Trauma Fund to allow the department to provide additional funding to hospitals that operate trauma centers. Funding is available from balances generated from increased revenues from driver's license reinstatement fees that are deposited into the fund. A separate amendment to § 3-1.01 Interfund Transfers proposes to reduce the amount of funds transferred from the Trauma Fund to the general fund from \$9.1 million to \$8.1 million beginning in FY 2016.
- ***Increase NGF Appropriation for Communicable Disease Prevention and Control.*** The introduced budget adds \$2.5 million NGF each year to increase the appropriation for the division of Communicable Disease Prevention and Control, reflecting increased revenue from prescription drug rebates from drug manufacturers based on the sale of HIV/AIDS medications dispensed to Department of Health clients.
- ***Increase NGF Appropriation for Rescue Squad Assistance Fund (RSAF).*** Adds \$1.5 million NGF each year to increase the appropriation to the RSAF. Additional balances have been generated from revenues to the fund from the \$6.25 for Life fee. Funds may be used for training programs, equipment and supplies for emergency medical services (EMS) purposes. A separate amendment to § 3-1.01 Interfund Transfers proposes to reduce the amount of funds transferred from the RSAF to the general fund from \$10.5 million to \$9.5 million beginning in FY 2016.
- ***Reduce NGF Appropriation for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).*** Proposes a reduction of \$2.0 million NGF from federal funds each year for the WIC program to adjust the current appropriation to reflect projected spending.

Language

- ***Report on the Effectiveness of Existing Nursing Scholarship and Repayment Programs.*** Proposes budget language requiring the Secretary of Health and Human Resources in collaboration with the Department of Health to examine the effectiveness of current programs that are designed to attract nurses to underserved areas of Virginia. The report must include the Nursing Scholarship and Loan Repayment Program as part of the analysis and include recommendations to improve the program and be submitted to the Director, Department of Planning and Budget and to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2014.

- **Department of Medical Assistance Services**

Forecast Changes

- ***Medicaid Utilization and Inflation.*** Adds \$255.2 million GF and \$195.1 million NGF in FY 2015 and \$419.2 million GF and \$297.0 million NGF in FY 2016 to fully fund expected increases in enrollment and medical costs for the Medicaid program. Separate proposals within the department's budget reduce general fund spending that is included in this forecast.

Projected spending on Medicaid continues to decline from recession-level highs. Due to a combination of lower medical costs and slowing enrollment growth, Medicaid spending is expected to increase by 6.6 percent and 3.2 percent, respectively, in FY 2015 and FY 2016. Medicaid spending has not dipped below 5.0 percent in over a decade.

The November 2013 Medicaid Forecast assumes that managed care rates will increase by 4.0 percent each year to accommodate enrollment and cost growth. Enrollment is expected to grow by 2.5 percent in FY 2014, half the level of increase experienced the prior year.

The forecast includes several mandatory policy provisions including inflation adjustments for nursing homes (\$25.6 million GF for the biennium), hospitals (\$51.4 million GF), home health agencies (\$242,559 GF), and outpatient rehabilitation agencies (\$609,003 GF) as well as rebasing of nursing home rates (\$30.0 million GF).

- ***Adjust Appropriation from the Virginia Health Care Fund.*** Proposes to reduce the appropriation to Medicaid by \$470,536 GF in FY 2015 and adds \$11.6 million GF in FY 2016 to reflect changes in net 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, lower revenues require an additional general fund

appropriation to maintain currently-funded Medicaid services. Conversely, higher revenues allow for a reduction in general fund support. Revenues in the fund are derived from tobacco taxes, Medicaid recoveries, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). Changes to the fund include:

- A reduction of \$1.9 million in FY 2015 and \$2.4 million in FY 2016 from the tobacco Master Settlement Agreement;
 - A reduction of \$10.3 million in FY 2015 and \$14.6 million in FY 2016 from projected reductions in tax collections from cigarettes and other tobacco products; and
 - An increase of \$12.6 million in FY 2015 and \$5.4 million in FY 2016 from projected Medicaid recoveries.
- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Proposes to add \$337,532 GF and \$626,845 NGF in FY 2015 to address increases in enrollment and cost for the FAMIS program. The introduced budget also reduces \$33.2 million GF and adds \$37.2 million NGF from federal funds in FY 2016 to reflect an increase in the federal match rate from 65 percent to 88 percent the second year. Beginning on October 1, 2015, the federal Medicaid rate is increased by 23 percentage points pursuant to the Patient Protection and Affordable Care Act. The enhanced federal match rate, in effect from FFY 2016 through FFY 2019, masks growth in the program, which is expected to increase due to the “woodwork effect” as individuals come forward to qualify for Medicaid. Spending in FAMIS is projected to increase by 14.9 percent in FY 2015 and 28.4 percent in FY 2016. The FAMIS program serves pregnant women and children under the age of 19 in families with income between 133 and 200 percent of poverty.
- ***Medicaid State Children’s Health Insurance Program (SCHIP) Utilization and Inflation.*** The proposed budget adds \$1.3 million GF and reduces \$500,486 NGF in FY 2015. The budget also reduces \$22.5 million GF and adds \$21.9 million NGF from federal Medicaid matching funds in FY 2016 to reflect an increase in the federal match rate from 65 percent to 88 percent the second year. The enhanced federal Medicaid match rate, a provision included in the Affordable Care Act, will be in effect from FFY 2016 through FFY 2019. Spending in the program is expected to increase by 9.5 percent in FY 2015 and 25.3 percent in FY 2016 due to the “woodwork effect.” The SCHIP program provides services for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level.

- ***Adjust Funding for Involuntary Mental Commitments.*** The introduced budget includes a general fund reduction of \$562,575 in FY 2015 and \$362,875 in FY 2016 as a result of lower than anticipated costs to hospitals and physicians for persons subject to involuntary mental health commitment hearings. Spending for these medical services is projected to stabilize at \$12.4 million GF in FY 2015 and \$12.6 million GF in FY 2016. Separately, legislative changes will be proposed to the duration of emergency custody and temporary detention orders which will result in higher costs for these medical services.

Medicaid Forecast Reductions

- ***Continue Withholding Inflation for Hospital Operating Rates in FY 2015.*** Proposes a reduction of \$16.9 million GF in FY 2015 and \$18.4 million GF in FY 2016 and \$17.9 million NGF in FY 2015 and \$18.4 million NGF in FY 2016 from federal Medicaid matching funds by withholding the annual inflation adjustment to inpatient operating rates for acute and rehabilitation hospitals in FY 2015 for the Medicaid, FAMIS, SCHIP and involuntary mental health commitment programs; the impact of removing the inflation adjustment in FY 2015 also generates budget savings in FY 2016. Under current law, inpatient operating rates for hospitals are adjusted annually by an inflation factor based on current trends in hospital costs. The November 2013 Medicaid forecast assumed an inflation adjustment of 2.5 percent each year. However, this proposal retains the inflation adjustment in FY 2016 only.
- ***Continue Reduction to Indigent Care Funding at State Teaching Hospitals.*** The introduced budget proposes to continue a reduction of \$15.0 million GF the first year for the cost of delivering indigent care at VCU and UVA Health Systems. The November 2013 Medicaid forecast restored \$15.0 million GF each year to offset indigent care costs at the state's teaching hospitals in the 2014-16 biennium. This proposal provides \$15.0 million to offset indigent care costs in FY 2016 only.
- ***Continue Withholding Inflation for Teaching Hospitals in FY 2015.*** Proposes a reduction of \$9.4 million GF in FY 2015 only by continuing to withhold an inflation adjustment from inpatient operating rates and graduate medical education provided to the Commonwealth's two teaching hospitals. For the past ten years, VCU and UVA Health Systems have been reimbursed at 100 percent of their Medicaid and indigent care costs through higher inpatient operating rates and graduate medical education rates. During the Great Recession, inflation was withheld as a budget reduction strategy. This proposal withholds general funds for inflation in the first year only.

Increased Funding

- ***Modify Policies Surrounding Temporary Detention Orders (TDOs).*** The introduced budget includes \$1.4 million GF in FY 2015 and \$1.7 million GF in FY 2016 to provide funding for additional medical service costs that are anticipated from proposed legislative changes to the process of conducting temporary detention orders. Proposed legislation will require a minimum stay of 24 hours for an adult with a mental illness to be held under a TDO to allow sufficient time for the individual to be evaluated and appropriate treatment determined. In addition, legislation will be proposed to increase the length of time an individual can be detained from 48 to 72 hours to allow time for the individual to be stabilized. It is assumed that lengthening the TDO time period may result in additional post-TDO treatment in an outpatient as opposed to inpatient setting.
- ***Remove Limit on Physician Supplemental Payments for Children's Hospital of the King's Daughters.*** Adds \$1.4 million GF and \$1.4 million NGF in federal Medicaid matching funds each year to provide additional support for Children's Hospital of the King's Daughters located in Norfolk. Supplemental physician payments are a mechanism used in prior years to provide additional state and federal resources for CHKD, the only freestanding children's hospital with Medicaid utilization exceeding 50 percent. Budget language provides authority to allow CHKD to qualify for the additional funding.
- ***Eliminate Emergency Room (ER) Payment Reduction for Physicians.*** Proposes \$430,000 GF and \$430,000 NGF from federal Medicaid matching funds each year to eliminate the policy of reducing payments to emergency room physicians when individuals are treated for non-emergency room visits at hospitals. This policy was originally designed to encourage the diversion of individuals from treatment in emergency rooms. However, federal law requires that individuals be stabilized before being discharged from the emergency room effectively penalizing physicians for treating patients that proceed to the ER for what is thought to be an emergency.
- ***Adjust NGF Base Appropriation to Reflect Current Operations.*** Provides \$5.9 million NGF from federal funds each year to reflect current estimates of revenues for the department's information technology initiatives, eliminating the need to add NGF appropriations administratively. The department is receiving enhanced federal matching funds (90 percent) for their current IT upgrade efforts.

Proposed Department of Justice (DOJ) Budget Actions

- ***DOJ: Add Funding for Required Intellectual Disabilities (ID) and Developmental Disabilities (DD) Waiver Slots.*** Includes \$14.9 million GF in FY 2015 and \$30.4 million GF in FY 2016 and an equal amount of federal Medicaid matching funds to

increase the number of ID and DD waiver slots required under the DOJ settlement agreement. Funding will be used to add 256 new ID waiver slots for individuals transitioning from state ID training centers to the community, 525 new ID waiver slots for individuals residing in the community on the waiting list, and 50 new DD waiver slots for individuals residing in the community during the 2014-16 biennium.

- ***DOJ: Reduce Funding for State Intellectual Disability (ID) Training Centers.*** Proposes net general fund savings of \$31.4 million in FY 2015 and \$53.3 million in FY 2016 and an equal amount of federal Medicaid matching funds reflecting the planned closure of operations at state ID training centers. The Department of Justice settlement agreement requires that individuals be transitioned into more integrated settings in the community. Savings are generated as units are closed within state ID training centers. Almost half of the savings this biennium are assumed to come from the closure of Southside Virginia Training Center with most of the balance coming from Northern Virginia and Central Virginia Training Centers. Included in the estimated savings are \$19.6 million in general fund costs related to the Workforce Transition Act as staffing is reduced at these centers.
- ***DOJ: Adjust Base Budget for Previously Authorized ID and DD Waiver Slots.*** Includes \$39.4 million GF and \$39.4 million NGF from federal Medicaid matching funds each year to reflect the cost of adding more than 830 Intellectual Disabilities (ID) and 50 Individual and Family Developmental Disabilities Support (DD) Waiver slots as required by the DOJ settlement agreement. These additional slots were previously funded through a one-time appropriation to the Department of Behavioral Health and Developmental Services in FY 2013. Funding is required to establish the base level of funding for these services.
- ***DOJ: Adjust Base Budget for Administrative Costs Associated with Settlement Agreement.*** Proposes to add \$739,360 GF in FY 2015 and \$772,145 GF in FY 2016 and an equal amount of federal Medicaid matching funds to establish the base level of funding for administrative costs related to implementation of the DOJ settlement agreement. Funding will be used to continue supporting 13 positions within the department to implement the agreement as well as the consumer-directed fiscal agency contract. Initial operations were funded with a one-time appropriation to DBHDS in FY 2013 only, requiring the addition of this funding this biennium to continue the agency's implementation of the agreement.

Administrative Funding

- ***Fund Additional Costs for the Coordinated Care Program.*** Adds \$557,784 GF in FY 2015 and \$610,955 GF in FY 2016 for the cost of implementing the Virginia Coordinated Care Program, which is designed to integrate acute and long-term

care services for individuals eligible for both Medicare and Medicaid. Funds will be used to pay for the actuarial analysis required to set provider rates and for an enrollment broker who will assist recipients in reviewing their health and long-term care options.

- ***Enhance the Quality Review of Managed Care Organizations.*** The introduced budget includes \$415,000 GF and \$1.2 million NGF from enhanced federal Medicaid matching funds each year to conduct quality reviews of two new Medicaid managed care organizations. The federal government will provide a 75 percent match for these funds that will be used to evaluate managed care claims as well as improve rate setting, program monitoring and detection of waste, fraud, and abuse.
- ***Provide Additional Funding for Medicaid Call Center.*** The proposed budget includes \$395,439 GF and \$5.2 million NGF from enhanced federal Medicaid matching funds each year to provide full funding for a centralized customer service call center for applicants and/or recipients of Medicaid and FAMIS as well as other related functions necessary for the efficient and effective implementation of eligibility determination and enrollment for these programs. Federal regulations require that individuals be allowed to enroll in Medicaid by telephonic means including recorded signatures. Last year's budget included a deposit of \$1.5 million GF the second year to establish base funding for the call center. A separately proposal to HB/SB 29 includes an additional \$1.7 million GF and \$13.3 million NGF in FY 2014 for the call center.
- ***Increase Staffing to Handle Appeals Caseload.*** Proposes \$290,841 GF in FY 2015 and \$298,872 GF in FY 2016 to fund 8 new positions in the provider and client appeals division to manage an increase in the number of cases the department is required to address. The imposition of additional oversight of providers and clients as well as the federal Recovery Audit Contractor Program has increased substantially the number of cases being handled by the department's appeals division.

Budget Reductions

- ***Reduce Funding to Eastern State Hospital to Reflect Fewer Geriatric Patients.*** The introduced budget reduces \$2.5 million GF and \$2.5 million NGF in federal Medicaid matching funds each year to reflect the reduction in geriatric patients being served at Eastern State Hospital (ESH). Since 2009, the number of Medicaid-eligible geriatric patients requiring in-patient mental health treatment at ESH has declined by 35 percent and is expected to continue to decline. A separate proposal adds \$5.0 million GF each year to make up for the loss of this patient revenue at Eastern State Hospital.

- ***Align Rates Paid for Durable Medical Equipment with Medicare Payments.*** Proposes savings of \$2.4 million GF and \$2.4 million NGF in federal Medicaid matching funds each year as a result of reducing the rates paid for durable medical equipment (DME) to current Medicare rates in Virginia. After Medicare began to competitively bid for DME services a few years ago, the rates paid for DME have fallen 33 percent below Medicaid in several regions of the Commonwealth including Richmond, Virginia Beach/Norfolk, and Arlington/Alexandria. This proposal allows the department to align the rates paid for DME with the competitive rates that Medicare is currently paying.
- ***Reduce Clinical Laboratory Fees to Match Managed Care Rates.*** The introduced budget proposes savings of \$1.1 million GF and \$1.1 million NGF in federal Medicaid matching funds each year by lowering payments made for clinical laboratory fees by 12 percent. This proposed reduction will bring the fee-for-service reimbursement for laboratory services in line with the rates paid by Medicaid managed care organizations.
- ***General Fund Savings Related to Community Mental Health Audits and Reviews.*** The introduced budget assumes net GF savings of \$750,000 each year as a result of increasing the number of audits of community mental health services by 100 each year. The department's current mental health audit contract allows for 70 audits each year. Changes to behavioral health services in addition to the increase in service providers is expected to increase the number of referrals related to fraud and abuse, generating general fund cost savings.
- ***Enhance Investigations of Community Mental Health Services.*** The proposed budget assumes net GF savings of \$104,920 in FY 2015 and \$115,721 in FY 2016 as the result of adding two new positions to investigate and detect provider abuse of patients. Additional staffing will enable the department to protect Medicaid clients from abusive providers. It is assumed the additional staff will generate recoveries from subsequent investigations.
- ***Eliminate One-time Funding for Center for Health Innovation.*** Proposes savings of \$870,000 GF each year as funding provided to the Center for Health Innovation through George Mason University is eliminated. The proposed budget adds back \$100,000 GF each year for the Virginia Center for Health Innovation to develop and monitor innovative approaches to healthcare delivery.

Language

- ***Modify Medicaid Disproportionate Share Hospital (DSH) Reimbursement.*** Proposes budget language modifying the current method of reimbursing hospitals that serve a disproportionate share of Medicaid recipients effective July 1, 2014. Last year, the Department's Hospital Payment Policy Advisory Council

recommended that current DSH funding be frozen while a new methodology was developed. The proposed changes are designed to (1) develop a methodology that is reliable and comparable for determining which hospitals qualify for DSH; (2) more appropriately align payment levels to uncompensated care costs; and (3) reflect limits on DSH payments including reductions in the Commonwealth's federal DSH allotment consistent with the Patient Protection and Affordable Care Act. Budget language also requires the department to determine annually how much Type Two (i.e., non-teaching hospitals) DSH payments have been reduced as a result of the Affordable Care Act and adjust the percent of cost reimbursed for outpatient hospital reimbursement. Finally, budget language requires the department to convene the Hospital Payment Policy Advisory Council at least once a year to consider additional changes to the DSH methodology.

- ***Provide Authority to Modify Consumer-directed Services Programs.*** The introduced budget proposes language allowing the department to amend regulations and policies that govern the department's consumer-directed services program. The proposed changes, which must be approved by the federal Centers for Medicare and Medicaid Services, are designed to strengthen all program requirements and policies to ensure the health, safety and welfare of Medicaid home- and community-based waiver enrollees. The department is required to submit a detailed report on proposed regulatory changes to the consumer-directed services programs and the issues and problems the department is attempting to resolve. The department shall submit the report to the Director, Department of Planning and Budget and the Chairmen of the House Appropriations and Senate Finance Committees at least 30 days prior to beginning the regulatory process.

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

Proposed Department of Justice (DOJ) Budget Actions

- ***DOJ: Fund Services and Activities Related to Training Center Closures and Community Capacity Building.*** The introduced budget proposes a net increase of \$50.7 million GF the first year and \$50.6 million GF the second year to fund activities and services related to the closure of state training centers and the expansion of community services required pursuant to the Department of Justice Settlement Agreement. Funding is provided through two agencies, the Department of Medical Assistance Services (DMAS) and the Department of Behavioral Health and Developmental Services (DBHDS). Of the amounts for these activities, \$27.1 million GF the first year and \$33.3 million GF the second year is provided to DBHDS.

Funding in FY 2014 was provided from FY 2013 carryover funds; consequently additional funding is needed in the 2014-16 biennium to cover the ongoing costs of

the settlement agreement. The introduced budget provides base funding of \$2.5 million GF the first year and \$9.4 million the second year to cover ongoing services such as crisis stabilization and individual and family support services.

Funding is proposed above FY 2014 spending levels for DOJ Settlement Agreement related costs to support administrative costs incurred by DBHDS (\$3.8 million GF each year), backfill the support costs at Central State Hospital that had previously been shared with Southside Virginia Training Center (\$10.2 million GF each year), backfill the loss of training center revenue used to support other state mental health facilities (\$7.6 million GF over the biennium), and provide funds for unanticipated facility closure costs (\$2.7 million GF over the biennium). Additional funding is proposed to build service capacity in Northern Virginia for individuals with intellectual disability transitioning out of state training centers (\$2.8 million GF in FY 2015), health support networks for individuals in the community to ensure access to dental, behavioral and other services which may not be covered through other funding mechanisms (\$4.6 million GF over the biennium), and to reassess the service needs of individuals in the ID and DD waiver programs and state training centers as part of the waiver redesign (described below). The table below outlines the specific spending amounts for these actions proposed in the DBHDS budget.

- ***DOJ: Increase Funding to Re-evaluate Service Needs of Individuals with Intellectual Disability (ID) and Developmental Disability (DD) in Medicaid Waiver Programs and in State Training Centers.*** Proposes an additional \$1.1 million GF the first year and \$1.7 million GF the second year and one FTE position to be matched with federal Medicaid matching funds to re-evaluate the service needs of individuals receiving services through the Medicaid ID and DD waiver programs or who currently reside in state training centers. Individuals will be re-assessed using the Supports Intensity Scale assessment tool. This is a necessary step in ensuring consistent application of a standardized tool in order to redesign the Medicaid ID and DD waiver programs to better fit the service needs of the individual in the community and those transitioning from state training centers.
- ***DOJ: Carry Forward Language for DOJ Settlement Agreement Funding.*** Adds language to continue the mandatory carry forward of funding provided to implement the Department of Justice Settlement Agreement.

Department of Justice (DOJ) Settlement Agreement Costs (\$ in millions)		
<u>Programs and Services</u>	<u>Introduced Budget FY 2015</u>	<u>FY 2016</u>
Proposed Base Funding for Existing Programs		
Crisis Stabilization	\$12.2	\$16.3
Individual Family & Support	3.2	3.2
Cost Offsets		
Crisis Stabilization Base Funding	(10.1)	(\$10.1)
Previous Year Balance	(2.8)	-
Subtotal Base Funding	\$2.5	\$9.4
Proposed Funds for Costs Above Base		
DBHDS Facility Closure Costs		
Support costs at Central State Hospital	\$10.2	\$10.2
Loss of training center revenues for support of MH hospitals	2.9	4.7
Unanticipated training center closure costs	1.8	0.9
DD Health Supports Network	\$ 2.0	\$ 2.6
Northern Virginia community capacity development	2.8	-
Reassess service needs for ID/DD waivers	1.1	1.7
DBHDS Administration	1.8	1.8
Database Warehouse/Licensing/MMIS	1.1	1.0
Quality Management and Service Reviews	0.5	0.5
Independent Review	0.3	0.3
Discharge Monitoring	0.1	0.1
Subtotal Additional Funding	\$24.6	\$23.8
Total DOJ Funding for DBHDS	\$27.1	\$33.2

Mental Health Services

- *Increase Funding for Youth Outpatient Mental Health Services.* Adds \$3.5 million GF the first year and \$4.0 million GF the second year to increase funding and access to outpatient services such as psychotherapy, medications, and counseling for youth ages 17 to 24

- ***Expand Therapeutic Drop-Off Centers.*** Provides \$1.8 million GF the first year and \$3.6 million GF the second year from the general fund to expand the capacity of therapeutic drop-off centers to provide an alternative to incarceration for people with serious mental illness. This will add to current funding of \$1.5 million provided by the General Assembly over the past two years for drop off centers. The additional funding will enable the creation of up to six new centers in FY 2015 and up to six additional centers in FY 2016.
- ***Expand Programs for Assertive Community Treatment (PACT).*** Proposes to add \$950,000 GF the first year and \$1.9 million GF the second year to provide two additional PACT teams to provide an array of intensive treatment services to individuals with severe mental illness. This funding will add to the \$9.9 million GF that currently funds 16 PACT teams statewide.
- ***Expand Adult Service Capacity at Eastern State Hospital.*** Proposes \$2.2 million GF each year and 36 positions to expand capacity to serve adults at Eastern State Hospital. Currently, there are unoccupied beds available in the Hancock Geriatric unit at the hospital which can be converted to care for additional adults in need of services.
- ***Increase Funds for Telepsychiatry Equipment.*** Proposes an additional \$1.1 million GF the first year and \$620,000 GF the second year for the purchase of new or updated telecommunication equipment to allow Community Services Boards to conduct or obtain clinical evaluations off-site and more quickly.
- ***Expand Peer Support Recovery Program.*** Proposes \$550,000 the first year and \$1.0 million the second year from the general fund to expand the peer support recovery program. Recovery support services are designed and delivered by peers in recovery, in coordination with professional staff, to extend and enhance the treatment continuum by engaging individuals in treatment services, preventing relapse and promoting long-term recovery. If individuals do experience relapse, recovery support services can help minimize the negative effects through early intervention and, where appropriate, timely referral to treatment.
- ***Supplant Grant Funds with GF for Community Recovery Program in the Piedmont Region.*** Proposes \$300,000 each year from the general fund to replace grant funds which are due to expire for a community recovery program in the Piedmont region.

Other Proposed Funding

- ***Fund Implementation of Electronic Health Records.*** Proposes \$2.2 million the first year and \$2.3 million the second year from general funds and \$2.9 million the first

year and \$808,846 the second year from special funds to continue implementation of a system of electronic health records in state facilities. Special funds are derived from third party payments for state facility care from Medicare, Medicaid and other payors. The use of electronic health records is mandated by the federal Patient Protection and Affordable Care Act in order to continue receiving Medicaid and Medicare reimbursement for services. Additional special fund revenues are expected to be received from federal Medicare incentive funds related to this effort.

- ***Fund Conditional Release Program.*** Proposes adding \$674,507 GF the first year and \$1.0 million GF the second year to supervise individuals ordered by the courts to participate in the sexually violent predators conditional release program. An estimated 55 individuals will participate in this program by the end of FY 2014. An additional 16 individuals each year are projected to enter the program in the 2014-16 biennium.
- ***Add Funds for Western State Hospital Information Technology Infrastructure.*** The introduced budget adds \$673,497 GF the first year and \$690,495 GF the second year to cover increased costs associated with the information technology infrastructure at the newly constructed Western State Hospital.
- ***Fund Information Security Positions.*** Proposes \$441,836 GF the first year and \$482,003 GF the second year to strengthen the department's information security program by adding four regional information technology security officers and conducting agency-specific training. Additional funding is designed to address the Commonwealth's stricter security requirements and better protect sensitive data.
- ***Transfer Funds for Administering Medicaid Development Disability Waiver to DBHDS.*** The introduced budget proposes transferring \$372,004 GF each year and responsibility for administering the Medicaid Developmental Disability waiver from the Department of Medical Assistance Services to DBHDS. It is anticipated that the waiver redesign process will result in one waiver program to serve individuals with intellectual and/or developmental disabilities.
- ***Add Funds for Greater Richmond ARC.*** Provides \$250,000 GF the first year to the Greater Richmond ARC to construct a handicap-accessible park.

- **Department Rehabilitative Services**

- ***Backfill Federal Funding of Nutrition Programs in Local Area Agencies on Aging (AAAs).*** The introduced budget adds \$1.2 million GF the first year and \$1.2 million GF the second year to backfill the loss of federal funds for nutrition programs for low-income elderly citizens provided through the local AAAs.

Federal budget reductions have reduced funding for these services by 8.6 percent, resulting in a decline the number of congregate meals of 122,000 and home delivered meals of 96,000.

- ***Increase Funds for Brain Injury Case Management.*** The introduced budget adds \$150,000 GF each year to expand brain injury case management services and supplement current funding for brain injury service providers in the Commonwealth.

- **Department of Social Services**

- ***Fund Foster Care and Adoption Forecast.*** Provides a net increase of \$3.2 million GF and \$2.8 million NGF each year for forecast changes to the foster care and adoption programs. Adoption subsidies are projected to increase by \$5.5 million GF and \$5.1 million in federal Title IV-E funds each year of the biennium. These increased costs are offset by projected declines of 3.6 percent in Title IV-E foster care expenditures, resulting in savings of \$2.1 million GF and \$2.1 million NGF each year. The following table details spending for child welfare services.

Proposed Funding for Child Welfare Services Spending (All Funds in Millions)			
	Chapter 806 FY 2014	HB 30 Introduced FY 2015	FY 2016
Title IV-E Foster Care*	\$44.9	\$40.8	\$40.8
Title IV-E Adoption Subsidies*	65.0	75.2	75.2
State Funded Adoption Subsidies	<u>39.8</u>	<u>40.2</u>	<u>40.2</u>
Total	\$149.7	\$156.2	\$156.2
*The general fund share of these costs is 50 percent.			

- ***Increase Maintenance Payment Rates for Foster Care and Adoptions.*** The introduced budget adds \$1.2 million GF and \$829,176 NGF each year to increase the maintenance payment rates to family foster homes and adoption subsidies by 3.0 percent. The Appropriations Act requires an automatic adjustment for inflation to be applied to the maximum room and board rates paid to foster

parents in the fiscal year following a state employee pay raise, which was provided on July 25, 2013. While this rate increase is not mandatory for adoption subsidy maintenance payments, funding was provided to ensure subsidy rates keep pace with foster care and to avoid any disincentives to adoption.

- ***Expand Foster Care and Adoption Payments for Young Adults Up to Age 21.*** Adds \$100,000 GF the first year and \$1.8 million GF the second year and \$8.4 million NGF the second year from the federal Fostering Connections program to expand foster care and adoption subsidies to youth up to the age of 21. Currently, foster care payments and adoption subsidies are only made on behalf of children up to the age of 19.
- ***Fund State Negotiation of Adoption Assistance Agreements for Local DSS.*** Adds \$358,246 GF and \$225,883 NGF and five positions the first year and \$342,414 GF and \$215,900 NGF the second year to require the department to negotiate all adoption assistance agreements for local departments of social services. Language to authorize this action specifies that this change shall not alter the legal responsibilities of the local departments nor alter the rights of the adoptive parents to appeal.
- ***Study Impact of State Administration of the Adoption Program.*** Adds language for the agency, in cooperation with the local departments of social services, to study and report on the financial, programmatic and policy implications of the state assuming full responsibility for all aspects of the adoption program. The report is to be completed by October 1, 2014 and provided to the Chairmen of the money committees, the Secretary of Health and Human Resources and the Director of the Department of Planning and Budget.
- ***Offset Loss of Nongeneral Fund Revenues for Child Support Enforcement Operations.*** Adds \$2.9 million from the general fund and reduces \$2.9 million from nongeneral funds each year for child support enforcement operations. Nongeneral fund revenues come from allowable retained child support collections on behalf of Temporary Assistance to Needy Families (TANF) recipients. Federal law allows the program to retain any child support payments in excess of \$50 each month for operating costs if the family receives TANF assistance in addition to child support.

As the TANF caseload continues to decline, the amount of child support collected on their behalf also declines. These retained collections are used to provide the state match for federal child support enforcement funding. It is estimated that retained TANF collections will decline by \$3.9 million each year. The introduced budget assumes that a portion of this loss (\$1.0 million) will be covered through efficiencies implemented within the Division of Child Support Enforcement.

Because the state receives \$2.00 in federal support for every \$1.00 in general fund match, the division will need to achieve efficiencies totaling \$3.0 million to make up for the loss in collections and federal matching dollars.

- ***Provide Funds to Virginia Early Childhood Foundation for Kindergarten Readiness Assessment Program.*** Adds \$1.0 million each year from the general fund to the Virginia Early Childhood Foundation, a public-private partnership that makes grants to community-based organizations to improve the provision of early childhood services. Funds will be used to implement the kindergarten readiness assessment program based on the findings from the Elevate Early Education assessment pilot and findings to be submitted in a January 1, 2015 report.
- ***Supplant GF with Enhanced Federal Funding for Eligibility Systems and Operations.*** Reduces \$2.5 million GF the first year and \$878,153 GF the second year from the general fund and adds \$31.6 million the first year and \$30.5 million the second year from enhanced federal Medicaid matching funds for eligibility operations related to the implementation of a new eligibility information system for benefit programs (i.e., TANF, SNAP, Medicaid, Energy Assistance and Child Care Assistance). Federal approval has been received for the enhanced funds which are expected to result in \$8.2 million in general fund savings each year. However, these savings are partially offset by unanticipated costs of local operations, program enhancements and systems operations totaling \$5.7 million GF in the first year and \$7.3 million GF in the second year.
- ***Adjust Funding for Eligibility Information System Contract Payments.*** Reduces general fund spending by \$3.4 million the first year and \$5.6 million the second year and increases federal matching funds by \$8.8 million the first year and \$2.3 million the second year for contract costs associated with the development of the new eligibility information system. During the 2014 Session, the payment schedule was revised to reflect a later start date for the project. This change reflects revised estimates of the contract payments in the 2014-16 biennium.
- ***Capture Surplus in Funding for the Auxiliary Grant Program.*** Reduces \$2.0 million each year in general fund spending for the auxiliary grant program. Fewer individuals are expected to participate in the program.
- ***Adjust Temporary Assistance to Needy Families (TANF) Funding to Account for Providing Mandated Benefits.*** Reduces TANF spending by a net of \$10.1 million NGF each year to reflect the rebalancing of TANF resources with spending for mandated benefits such as cash assistance, Virginia Initiative for Employment not Welfare (VIEW) employment services and VIEW child care. TANF spending for mandated benefits has been declining over the past year by about 3.0 percent.

TANF funding for mandated cash assistance and VIEW child care assistance is expected to decline by \$18.6 million NGF in FY 2014. This reduction is offset by additional TANF spending allocations for a caseload reserve of 3 percent (\$2.8 million NGF each year), information systems (\$1.0 million NGF each year), local DSS staff support (\$3.3 million each year) over FY 2014 levels contained in Chapter 806. In addition, the proposed budget includes \$1.3 million NGF each year from estimated TANF balances to supplant \$1.0 million from the criminal fund for local domestic violence grants and \$346,792 in anticipated federal funding cuts due to sequestration. These actions will leave a \$12.8 million TANF balance at the end of FY 2016.

- **Department for the Blind and Vision Impaired**
 - *Provide Funds to Maintain Community Independent Living Services.* Provides \$197,856 GF each year to continue the current community independent living services program for people with visual disabilities living in the community. The additional funding is needed to cover increasing fixed costs to run the program, associated with personnel and supportive equipment. The program provides assessment and training in independent living skills.

TANF Block Grant Funding
Proposed FY 2014, FY 2015 and FY 2016

	HB 29 Proposed FY 2014	HB 30 Proposed FY 2015	HB 30 Proposed FY 2016
TANF Resources			
Annual TANF Block Grant Award	\$158,285,000	\$158,285,000	\$158,285,000
Carry-Forward From Prior Fiscal Year	<u>39,078,902</u>	<u>31,385,231</u>	<u>22,099,426</u>
Total TANF Resources Available	\$197,363,902	\$197,6703,231	\$180,384,426
TANF Expenditures			
<i>VIP/VIEW Core Benefits and Services</i>			
TANF Income Benefits	\$54,830,842	\$54,830,842	\$54,830,842
VIEW Employment Services	11,612,144	11,612,144	11,612,144
VIEW Child Care Services	7,432,268	7,432,268	7,432,268
TANF Caseload Reserve (3%)	<u>2,823,558</u>	<u>2,823,558</u>	<u>2,823,558</u>
Subtotal VIP/VIEW Benefits and Services	\$76,698,812	\$76,698,812	\$76,698,812
<i>Administration</i>			
State Administration	\$2,997,073	\$3,002,653	\$3,002,653
Information Systems	4,052,023	4,052,023	4,052,023
Local Staff and Operations	48,798,773	49,013,536	49,013,536
Eligibility System Maintenance/IT	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
Subtotal Administration	\$59,347,869	\$59,568,212	\$59,568,212
<i>TANF Programming</i>			
Local Domestic Violence Grants	\$0	\$1,346,792	\$1,346,792
Community Action Agencies	500,000	500,000	500,000
Healthy Families/Healthy Start	2,833,605	2,833,605	2,833,605
Comprehen. Health Investment Project (VDH)	400,000	400,000	400,000
Visions of Truth	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Subtotal TANF Programming	\$3,733,605	\$5,105,397	\$5,105,397
Total TANF Expenditures	\$139,780,286	\$141,372,421	\$141,372,421
Transfers to other Block Grants			
CCDF Transfer – At-Risk Child Care	\$7,872,884	\$7,872,884	\$7,872,884
CCDF Transfer to Head Start (Wraparound)	2,500,000	2,500,000	2,500,000
Services			
SSBG Transfer – Comp. Services Act	9,419,998	9,419,998	9,419,998
SSBG Transfer - Local Staff Support	<u>6,405,502</u>	<u>6,405,502</u>	<u>6,405,502</u>
Total TANF Transfers	\$24,198,384	\$26,198,384	\$26,198,384
Total TANF Expenditures & Transfers	\$165,978,670	\$167,570,805	\$167,570,805