

Health and Human Resources

Governor's Proposed Amendments (\$ in millions)				
	FY 2015 Proposed		FY 2016 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2014-16 Current Budget (Ch. 3, 2014 Special Session I)	\$5,526.4	\$7,682.4	\$5,664.0	\$7,802.1
Proposed Increases	15.7	105.0	69.5	66.2
Proposed Decreases	(196.7)	(264.6)	(82.4)	(218.6)
\$ Net Change	(181.0)	(159.6)	(12.9)	(152.4)
HB 1400/SB 800, as Introduced	\$5,345.4	\$7,522.8	\$5,651.1	\$7,649.7
% Change	(3.3%)	(2.1%)	(0.2%)	(2.0%)
Central Account Reversions	(\$16.1)	\$0.0	(\$23.8)	\$0.0
% Change	(0.3%)	0.0%	(0.4%)	0.0%
FTEs	8,815.45	7,106.80	8,879.10	7,129.15
# Change	118.00	39.00	181.65	61.35

- **Comprehensive Services for At-Risk Youth and Families**
 - *GF Savings from Expanding Foster Care to Youth Ages 19-21.* Proposes a reduction of \$3.0 million GF in FY 2016 in CSA as a result of opting to expand foster care to youth ages 18-21 as allowed by the federal Fostering Connections program. Currently, the CSA program provides foster care maintenance payments for youth between the ages of 18 and 21 who receive services through CSA. With the implementation of this new program, these costs can be shifted to the federal Title IV-E foster care program operated by the Department of Social Services (DSS). These savings are offset by spending of \$5.7 million GF within DSS to expand the foster care program to this population. Chapter 3 of the 2014 Acts of Assembly, Special Session I, assumed a net cost of \$519,442 GF in FY 2016 for this program expansion. Together with the actions in the introduced budget, the net cost of the expansion will be \$3.2 million GF in the second year.

- **Department of Health**

Central Account Reductions

- ***Transfer NGF Balances.*** Proposes the transfer of \$12.3 million NGF in cash balances the first year and \$1.2 million NGF the second year from indirect cost recoveries and four VDH programs outlined in the table below.

Proposed VDH NGF Balance Transfers (NGF \$ in millions)			
<u>Fund</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>Total</u>
Indirect Cost Recoveries	\$6.6	\$0.0	\$6.6
Emergency Medical Services Fund	4.0	1.0	5.0
Bedding and Upholstery Fund	0.7	0.2	0.9
Radioactive Materials Fund	0.5	0.0	0.5
Trauma Center Fund	<u>0.5</u>	<u>0.0</u>	<u>0.5</u>
Total	\$12.3	\$1.2	\$13.5

- ***Supplant GF Support with NGF Revenue.*** Employs several strategies to supplant general fund support totaling \$641,476 GF the first year and \$5.3 million GF the second year. These strategies include use of federal funds and nongeneral fund fee revenue as described below:
 - \$3.8 million GF savings in FY 2016 from increasing annual restaurant inspection fees from \$40 to \$285.
 - \$619,914 GF savings in FY 2016 savings from supplanting general fund support for the Resource Mothers program with special funds from the Child Development Clinic revenues.
 - \$361,366 GF in savings each year by supplanting general fund support in the Office of Radiological Health with licensing fee revenue.
 - \$280,110 GF in savings each year by supplanting general fund support for providing vaccinations for uninsured children with federal funds from the Vaccines for Children Program.

- \$200,000 GF savings in FY 2016 from increasing fees in the Office of the Chief Medical Examiner on external agencies who request copies of reports. This revenue will be used to supplant general fund support for a pathologist position.
- \$96,150 GF savings in FY 2016 by supplanting general fund support for a federally facilitated exchange medical facilities inspector with revenue from the Managed Care Health Insurance Quality Assurance Certification (MCHIP) Program.
- ***Operational Efficiencies.*** Saves \$101,850 GF the first year and \$1.8 million GF the second year through the implementation of operational efficiencies throughout the agency. These actions include consolidating two health districts, eliminating one field office, reducing vaccine inventory, transitioning school health services in one health district from state support to local responsibility, changing criteria for the transport of cases to the Chief Medical Examiner’s Office, and reducing the use of wage positions.
- ***Reduce General Fund Support for Programs.*** Saves \$191,344 the first year and \$1.5 million the second year by reducing general fund support for locally operated health departments (Fairfax and Arlington) and several programs such as tuberculosis outreach to local health departments, STD prevention report data entry, radon grant program, and the abstinence education grant program.
- ***Reduce or Eliminate Positions.*** Reduces spending by \$145,916 GF the first year and \$558,798 GF the second year through several actions to abolish vacant positions, eliminate full-time or contract positions. In total, 6 positions are eliminated (with two layoffs) in the following offices: 3 positions in the Office of Drinking Water, 1 position (layoff) in the Office of Information Management, a deputy director (layoff) in the Office of Family Health Services, and a wage position within the Office of Epidemiology. One contract position in disease prevention is also eliminated.
- **Department of Health Professions**
 - ***Fund Criminal Background Checks for Nurses.*** Adds \$254,505 NGF and 4 positions in FY 2016 to support activities related to required criminal background checks for registered and licensed practical nurses. Activities will include processing of fingerprint cards, receipt and processing of reports, and investigations related to criminal convictions. Criminal background checks are required in order for Virginia to comply with the nurse licensure compact with other states. The positions will be filled starting January, 2016.

- ***Fund Licensure of Compounding Pharmacies.*** Adds \$120,150 NGF and 1 position in FY 2016 to assist the Board of Pharmacy in creating a new licensing category and oversight for compounding pharmacies and nonresident compounding pharmacies. A portion of the funding will be used for consultant training to review facility inspections and applicants for permits in Virginia.

- **Department of Medical Assistance Services**

Forecast Changes

- ***Medicaid Utilization and Inflation.*** Proposes a reduction of \$127.8 million GF and \$169.0 million NGF in FY 2015 and \$66.5 million GF and \$83.5 million NGF in FY 2016 based on the revised forecast of Medicaid expenditures. Medicaid expenditures grew by 4.3 percent in FY 2014, 1.9 percent less than the 6.2 percent assumed in Chapter 1 of the 2014 Acts of Assembly, Special Session I, resulting in a lower expenditure base heading into the 2014-16 biennium. The November 2014 Medicaid forecast projected growth in Medicaid expenditures of 4.6 percent in FY 2015, compared to 6.6 percent rate assumed in Chapter 3. Medicaid expenditures are projected to grow by 5.3 percent in FY 2016 compared to 3.3 percent assumed in Chapter 3, primarily because the forecast assumes implementation of the Governor’s Healthy Virginia Initiative, which totals \$98.6 million in FY 2016 alone. The growth rate in FY 2016 would be about 3.1 percent without the Governor’s initiative.

Funding for the Governor’s Healthy Virginia Initiative (which is assumed in the Medicaid forecast), is estimated to require additional Medicaid expenditures of \$14.3 million GF in FY 2015 and \$98.6 million GF in FY 2016 and a commensurate amount in federal matching Medicaid dollars each year. The initiative includes several components which are detailed in the table below, along with estimated impacts on the FAMIS and Medicaid SCHIP programs. In addition, the forecast assumes an additional \$10.0 million GF over the biennium will be needed for the Virginia Coordinated Care project (dual eligible demonstration program). Savings are lower than estimated as more individuals than anticipated have actively opted out of the program.

Expenditure Impact of Governor's A Healthy Virginia Initiative

<u>Component</u>	<u>Description</u>	<u>FY 2015</u>	<u>FY 2016</u>
Medicaid Forecast Increases			
Governor's Access Program	Demonstration waiver to provide limited Medicaid benefit (primary and specialty care, diagnostic, lab, pharmacy, behavioral health community services and care coordination) for an estimated 22,000 seriously mentally ill adults (ages 19-64) with incomes under 100% of the federal poverty level. CMS approval expected in January 2015.	\$13.1	\$77.3
CHIP Outreach – Medicaid Impact	Media campaign and outreach efforts designed to enroll an additional 35,000 eligible children for Medicaid and FAMIS programs estimated. Efforts began September 2014.	\$1.5	\$15.7
Dental Coverage for Pregnant Women	Provision of comprehensive dental coverage to an estimated 45,000 pregnant women in the Medicaid and FAMIS programs. Program would begin March 2015.	\$0.3	\$1.6
Behavioral Health Homes	Establish health homes providing team-based primary, behavioral, substance abuse and long-term services for adults with a serious mental illness and children with a serious emotional disturbance who are already enrolled in Medicaid. Program would begin July 2015.	\$0.0	\$8.5
Subtotal Medicaid		\$14.9	\$103.1
FAMIS Forecast Increases			
CHIP Outreach – FAMIS impact	Enrollment growth from media campaign and outreach efforts which began September 2014.	\$0.1	\$0.8
Expand FAMIS for Children of State Employees	Would extend FAMIS benefits to children of low-income state employees with incomes up to 200% of the federal poverty level.	\$0.1	\$2.3
Subtotal FAMIS		\$0.2	\$3.1
Medicaid SCHIP Forecast Increase			
CHIP Outreach – Medicaid SCHIP Impact	Enrollment growth from media campaign and outreach efforts which began September 2014.	\$0.1	\$0.6
Subtotal Medicaid SCHIP		<u>\$0.1</u>	<u>\$0.6</u>
Grand Total Healthy Virginia		\$15.2	\$106.8

Several other factors are expected to result in lower Medicaid expenditures during the 2014-16 biennium in addition to a lower expenditure base. These include a reduction in supplemental payments to state teaching hospitals, increased savings from behavioral health reforms, lower than expected enrollment through the federal health care exchange (“woodwork effect”), and lower than projected managed care rate increases, effective July 1, 2014.

- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Proposes a reduction of \$15.7 million GF and \$29.1 million NGF in FY 2015 and \$5.9 million GF and \$27.4 million NGF in FY 2016 based on the revised forecast of FAMIS expenditures. Expenditures are lower primarily due to the delay in reinstating coverage for pregnant women through the FAMIS MOMS program. Last year’s budget assumed that women with income between 133 and 200 percent of poverty would be able to successfully transition to the federal Health Insurance Marketplace. However, many low-income women are not eligible for subsidized coverage through the marketplace due to family circumstances. In addition, application difficulties, processing problems, and enrollment deadlines made it difficult for many to access the marketplace to obtain coverage. Consequently, funding for the program was restored by the 2014 General Assembly. In order to restart the program, federal approval was necessary, however, this has taken longer than expected, resulting in expenditure savings in FY 2015. In addition, expenditures are estimated to decline due to lower than expected managed care rates that went into effect July 1, 2014.

Funding for the Governor’s Healthy Virginia Initiative (which is assumed in the FAMIS forecast and listed in the table above), is estimated to require additional expenditures of \$227,200 GF and \$421,944 NGF in FY 2015 and \$3.1 million GF and \$14.1 million NGF in FY 2016.

- ***Medicaid State Children’s Health Insurance Program (SCHIP) Utilization and Inflation.*** Proposes a reduction of \$400,831 GF and \$743,565 NGF in FY 2015 and adds \$315,943 GF and \$1.5 million NGF in FY 2016 based on the revised forecast of Medicaid SCHIP expenditures. The forecast reflects increased expenditures for enrollment growth over the biennium due to outreach efforts from the Governor’s A Healthy Virginia program (see table above).
- ***Adjust Appropriation from the Virginia Health Care Fund.*** Reduces the appropriation to Medicaid by \$51.4 million GF in FY 2015 and adds \$24.9 million GF in FY 2016 to reflect changes in net revenues to the Virginia Health Care Fund. Revenues to the fund are used as a portion of the state’s match for the Medicaid program, therefore, higher revenues allow for a reduction in general fund support to maintain currently-funded Medicaid services. Conversely, lower revenues require additional general fund support. Revenues in the fund are derived from

tobacco taxes, Medicaid recoveries, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). Revenues in the fund are estimated to decline slightly from last year's forecast, however, this decline is offset by the FY 2014 cash balance of \$74.2 million. Changes to the fund include:

- A reduction of \$15.3 million each year from projected Medicaid recoveries, due to declining prior year pharmacy rebates. The Affordable Care Act required drug manufacturers to provide these rebates to states for prescription drugs purchased on behalf of Medicaid recipients enrolled in managed care organizations since 2010. Most of these rebates from prior years have now been collected.
 - A reduction of \$7.6 million in FY 2015 and \$9.8 million in FY 2016 from projected reductions in tax collections from cigarettes and other tobacco products.
 - An increase of \$221,568 in FY 2016 from the imposition of a tax stamp roll fee of \$12.00 per roll.
- ***Adjust Funding for Involuntary Mental Commitments.*** The introduced budget adds \$3.1 million GF in FY 2015 and \$1.5 million GF in FY 2016 as a result of higher costs for hospital and physician services for persons subject to involuntary mental health commitment hearings. Legislation adopted by the 2014 General Assembly related to the duration of emergency custody and temporary detention orders have resulted in higher than anticipated additional costs for these medical services.

Policy Changes

- ***Medicaid Expansion for Low-Income Individuals.*** The introduced budget proposes language to expand Medicaid to individuals with income up to 138 percent of the federal poverty level pursuant to the Patient Protection and Affordable Care Act by January 1, 2015 or as soon as feasible thereafter. Language is modified to provide that projected savings in affected state agencies (DMAS, DBHDS, and DOC) be transferred to the Virginia Health Reform and Innovation Fund after meeting the attendant costs to implement the program in DMAS and DSS. The fund shall be used to defray long-term costs of expanding Medicaid. The introduced budget adds language to allow the fund to be used to meet the mandatory deposit requirements to the state's "rainy day" fund.
- ***Authorize Assessment on Hospitals.*** Adds language providing the Department with authority to develop a pilot program imposing an assessment on hospitals up to 6 percent of their revenue. The revenues from the assessment would be used to draw down matching federal Medicaid funds. The state would return a portion of the funding to these facilities in the form of increased Medicaid payments for

supplemental reimbursements, graduate medical education, and indigent care through an allocation methodology developed by the Secretary of Health and Human Resources. Language requires that no less than 35 percent of the nongeneral fund proceeds from the assessment would be transferred to the Virginia Health Care Fund, thereby offsetting state general fund costs in the Medicaid program.

- ***Supplemental Federal Medicaid Payments for Health Department Clinics.*** Adds \$150,000 NGF each year and language authorizing DMAS to make supplemental Medicaid payments to the Virginia Department of Health for clinic services. The VDH will provide \$150,000 GF as the state share to match \$150,000 in federal Medicaid funds for these services.

New Spending

- ***Redesign Day Support Waiver to Add 200 Slots and New Services.*** Adds \$1.2 million GF and \$1.2 million NGF from federal Medicaid matching funds the second year to begin the first phase of a multi-year process to redesign Medicaid waiver services for individuals with intellectual disabilities. The Day Support waiver will be changed to the “Building Independence” waiver, adding supported employment, integrated day services, shared living and independent living (through the proposed addition of a rental assistance component contained in the Department of Behavioral Health and Developmental Services). The number of waiver slots would be increased from 300 to 500.
- ***Adjust Funding for State Intellectual Disability (ID) Training Centers.*** Adds \$535,369 GF in FY 2015 and \$5.1 million GF in FY 2016 and a like amount of federal Medicaid matching funds each year to recognize delays in facility discharges because residents have not opted for community-based care or such care is still being developed and not yet readily available. The added funding reflects the net cost to continue facility care for these individuals through the biennium.

Administrative Funding

- ***Provide Funding for Ongoing Costs of the Cover Virginia Central Processing Unit (CPU).*** Adds \$4.3 million GF and \$12.8 million NGF from enhanced federal Medicaid matching funds and 1 position the second year to continue operational support for the Cover Virginia CPU. The 2013 Appropriation Act provided \$1.5 million GF the second year to establish a Medicaid call center because federal regulations require that individuals be allowed to enroll in Medicaid by telephonic means including recorded signatures. Chapter 1 of the 2014 Acts of Assembly, Special Session I, added \$1.7 million GF and \$13.3 million NGF in FY 2014 for the call center to become fully operational. The Medicaid call center was upgraded to a central processing unit using 2014 balances to handle the backlog of processing Medicaid applications received through the federal health insurance exchange and

all online applications submitted through the CommonHelp portal, and support centralized application processing through final eligibility determination.

- ***Fund Procurement of New Medicaid Management Information System (MMIS).*** Adds 4 positions and \$302,414 GF and \$2.7 million in enhanced federal Medicaid matching funds the second year to begin procurement of a new Medicaid MMIS. The current MMIS contract expires in June 2018 and will no longer meet newer federal standards. Enhanced federal matching funds are available for system costs at a federal match rate of 90 percent for professional services and 75 percent for licenses and hardware. The additional positions will provided dedicated project staff to the project.
- ***Fund Upgrade to Financial System.*** Adds \$72,500 GF in FY 2015 and \$403,333 GF in FY 2016 and a like amount of federal Medicaid matching funds each year to fund an upgrade to the agency's Oracle Financial System. The current system will no longer be supported beginning in 2015. Funding will provide for one-time software and hardware costs, as well as professional services cost to assist in the upgrade. Funding also provides for ongoing VITA costs of hardware and annual licensing costs.
- ***Add Positions to Staff Agency Activities.*** Adds \$181,380 GF and \$181,380 NGF and 4 positions in FY 2016 to provide staffing for agency activities. Two positions will oversee new agency initiatives and 2 positions will be used for assisting with the agency's financial analysis and reporting requirements.

Budget Reductions

- ***Reduce Funding for Piedmont and Catawba Geriatric Hospitals to Reflect Change in Classification.*** The introduced budget proposes a reduction of \$992,476 GF in FY 2015 and \$4.0 million GF in FY 2016 and a like amount of federal matching Medicaid funds to reflect lower Medicaid payments from a change in the classification of the state's geriatric psychiatric facilities from hospitals to nursing homes to comply with federal requirements. The federal Inspector General issued a report in 2014 citing that these hospitals were not in compliance with federal Medicaid rules for hospital payments. By changing the classification to nursing homes, the facilities will lose Medicaid disproportionate share hospital payments. A companion action in the Department of Behavioral Health and Developmental Services budget provides an increase in general fund support to offset this decline in revenue.
- ***Increase Third Party Liability Recoveries.*** Reduces funding by \$500,425 GF and \$500,425 NGF from federal Medicaid funds in the second year by adding 5 positions to increase agency activities to identify third party liability and ensure that the Medicaid program is the payer of last resort for medical claims. The number of

cases and complexity have been increasing. Additional recoveries are expected to total \$848,572, while the cost of the additional staffing will be \$348,148 in FY 2016.

- ***Limits on Overtime Costs for Consumer-Directed Attendants.*** Reduces funding by \$325,702 GF and \$327,357 NGF in FY 2016 for the projected cost of complying with new federal Department of Labor rules that extend the Fair Labor Standards Act minimum-wage and overtime pay to in-home personal care attendants, effective January 1, 2015. The introduced budget adds language to allow the agency to limit overtime hours for personal care attendants who provide care through consumer-directed service options through Medicaid waiver programs. It allows for the payment of time and a half up to 56 hours for a single attendant who works more than 40 hours per week and requires that an Employer of Record act on behalf of only one individual except when there is more than one individual in the same household receiving the services, and requires that attendants be employed by only one Employer of Record.

Central Account Reductions

- ***Reduce Contractor Costs.*** Saves \$1.9 million GF and \$4.1 million NGF in FY 2015 and \$2.3 million GF and \$5.2 million NGF in FY 2016 by reducing contract costs through agency negotiations with its contractors.
- ***Eliminate New Funding for Community Mental Health Audits.*** Reduces new funding provided in Chapter 3 for additional auditing of community mental health services of \$375,000 GF and \$375,000 NGF each year of the biennium.
- ***Electronic Notification of Medicaid Communications.*** Saves \$50,000 GF in FY 2015 and \$500,000 GF in FY 2016 by using electronic notification of most Medicaid communications beginning in April 2015.
- ***Convert Contractors to Agency Staff.*** Reduces spending by \$83,969 GF and \$514,140 NGF in FY 2015 and \$169,937 GF and \$1.0 million NGF in FY 2016 by converting 19 contractors to full-time employees, effective January 15, 2015. Positions that will be converted include 15 contractors working on financial applications and data security, and four contractors who will provide ongoing support for the new electronic eligibility and data systems.

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

Mental Health Spending

- ***Offset Lost Revenue at Piedmont and Catawba Geriatric Hospitals Related to a Change in Medicaid and Medicare Program Enrollment.*** Adds \$3.8 million GF the first year and \$9.1 million GF the second year to replace lost Medicaid and Medicare

revenue resulting from the hospitals being reclassified as nursing facilities for Medicaid reimbursement. Two facilities are currently enrolled in Medicaid as psychiatric hospitals and in Medicare as acute care hospitals. A March 2014 report by the federal Inspector General for Health and Human Services indicated that the two state hospitals did not meet all the required conditions to be reimbursed as hospitals through Medicaid. In order to comply with federal requirements, the agency must reclassify the two hospitals as nursing homes for Medicaid reimbursement and disenroll from Medicare completely. The loss of Medicare revenue and Medicaid disproportionate share hospital payments result in a revenue loss that requires state funds to offset. The additional costs are partially offset by Medicaid savings in the Department of Medical Assistance Services budget of \$1.0 million GF the first year and \$4.0 million GF the second year. The net cost to the state is \$7.9 million GF over both years.

- ***Add Funding for Local Inpatient Bed Purchases for Adults and Children.*** Proposes funding of \$950,000 GF the second year for local inpatient purchase of service (LIPOS) program for adults. In addition, funding of \$1.2 million GF the second year is included for inpatient psychiatric beds for children and adolescents. Recent changes to mental health laws have resulted in increased admissions to state facilities of individuals through temporary detention orders. This funding will cover the costs of private facilities when appropriate.
- ***Address Special Hospitalization Costs at State Facilities.*** Proposes \$1.9 million GF the second year to address the increase in special hospitalization costs for individuals residing in state facilities, including the Virginia Center for Behavioral Rehabilitation. The agency has experienced a 10 percent increase in the annual costs of providing outside medical care to facility residents.
- ***Increase Staffing at Western State Hospital (WSH).*** Proposes \$454,532 GF the second year and 8 positions to increase patient care staff at WSH. Recent changes in mental health laws have resulted in more admissions and higher acuity of patients entering the facility, necessitating additional staffing for patient care.
- ***Increase Staffing at the Commonwealth Center for Children and Adolescents.*** Proposes \$268,260 GF the second year to add six direct care staff at the center. Recent changes in mental health laws have resulted in an increase in admissions and a need for additional staff.
- ***Add 1 Position in the Central Office to Oversee Community-Based Mental Health Programs.*** Includes \$86,024 GF and 1 position in the second year to oversee and coordinate the management of Crisis Intervention Team (CIT) Training Centers, Program Assertive Community Treatment (PACT) teams and emerging adult

programs. These programs have all received additional funding to respond to mental health issues.

Intellectual and Developmental Disabilities Services

- ***Increase Funding for State Intellectual Disability Training Centers.*** Provides \$1.3 million GF the second year to fund the delay in closing the Northern Virginia Training Center (NVTC), the delay in discharges at other training centers, and for the costs of a lease payment for an administrative building at Southeastern Virginia Training Center (SEVTC). NVTC was originally scheduled to close by June 30, 2015, but has been delayed by six months. Discharges of individuals from NVTC and other training centers have not occurred as anticipated.

Additional funding for the training centers in the DMAS budget reflects funding for the state share of the Medicaid costs to operate the facilities. In total, funding for the training centers is \$535,369 GF the first year and \$6.4 million GF the second year.

- ***Provide Rental Subsidies for Individuals with Intellectual and Developmental Disabilities (ID/DD) on Medicaid Waivers.*** Proposes \$675,000 GF the second year to fund rental subsidies for individuals who will transition to the newly redesigned Building Independence Waiver (formerly Day Support). The purpose of the subsidies is to expand the housing options available to individuals with intellectual and developmental disabilities on a Medicaid waiver. Rental subsidies are not reimbursable through Medicaid pursuant to federal law. This funding covers six-months of rental subsidies, beginning January 1, 2016.
- ***Fund New Information Technology (IT) System to Manage the Medicaid ID/DD Waivers.*** Proposes \$453,888 GF and \$453,388 NGF the second year to develop a new IT system to manage the intellectual and developmental disability waivers. This system would consolidate functions and include waiting list and enrollment management, and create a citizen portal to allow individuals easier access to waiver information.
- ***Fund Costs to Transition Non-Medicaid Individuals Residing in the Training Centers to the Community.*** Adds \$31,450 GF the first year and \$125,801 GF the second year to build community supports for five individuals in the Training Centers who are not eligible for Medicaid but must still be allowed to transition to community settings in accordance with the settlement agreement with the U.S. Department of Justice.
- ***Fund Additional DOJ Quality Service Reviews.*** Adds \$91,000 GF and \$273,000 NGF the second year for the costs of Quality Service Reviews. The current budget includes an estimated \$500,000 GF a year to contract for the reviews, but based on

more recent information the costs will be higher. These reviews are eligible for federal Medicaid funds at an enhanced match rate of 75 percent.

- ***Increase Funding for the DOJ Independent Reviewer.*** Includes \$49,000 GF the second year for the costs of the Independent Reviewer appointed by the court to monitor the state's compliance with the U.S. Department of Justice settlement agreement. The amount of work originally anticipated for the reviewer is higher than projected. The current budget is \$328,000 a year. The reviewer can ask the court to require the state to fund these costs in order to comply with the settlement agreement.
- ***Modify Funding for Rental Subsidies.*** Proposes to transfer \$400,000 GF from the first year to the second year for the Rental Choice VA program. The settlement agreement with the U.S. Department of Justice requires the state to spend \$800,000 on rental subsidies. The agency will only expend about \$400,000 in the first year, consequently the introduced budget moves the remainder to the second year to provide base funding for future years in order to continue the program.
- ***Reduce Special Fund Appropriation to Reflect the Closure of Southside Virginia Training Center.*** Decreases by \$60.0 million NGF each year the special fund appropriation to align the agency's budget with projected expenditures. This reflects less revenue due to the closure of Southside Virginia Training Center.

Other Spending

- ***Backfill Loss of Federal Medicare Electronic Health Records (EHR) Funding.*** Proposes \$3.0 million GF in the first year and \$808,846 GF the second year to replace the loss of federal revenue for EHR. In FY 2015, medical/surgical units at Southwest Virginia Mental Health Institute, Eastern State Hospital, and Western State Hospital were decertified from the Medicare program. This action was taken after the federal Centers for Medicare and Medicaid Services questioned the organization of the hospitals. The agency determined it would be cheaper to decertify the medical/surgical units. As a result, the agency lost a portion of its Medicare incentive payment for EHR.
- ***Add Staffing at the Virginia Center for Behavioral Rehabilitation.*** Proposes \$123,417 GF the second year for six security officers at the facility. As the census of the facility continues to grow, additional security personnel are necessary. As of July 1, 2014, the facility census was 356.

Central Account Reductions

- ***Increase and Establish Fees to Supplant GF or Generate GF Resources.*** The Governor's savings plan:

- Increases GF resources by \$352,022 the first year and \$947,000 the second year by imposing an initial application fee of \$750 and an annual fee of \$500 on community-based behavioral health and developmental services providers, which is deposited to the general fund as required by law;
 - Increases the fee for background checks from \$13 to \$23 supplanting \$92,056 GF the first year and \$138,024 GF the second year; and
 - Creates a new fee of \$15 per user for Community Services Boards and private providers to access the on-line training system, saving \$58,500 GF the first year and \$117,000 GF the second year.
- ***Reduce Administrative Costs in the Central Office.*** Reduces funding by \$1.3 million GF the first year and \$2.0 million GF the second year in the central office. These savings will be achieved by eliminating several positions, turnover and vacancy savings and other administrative efficiencies
 - ***Reduce Costs at State Mental Health Hospitals and State Training Centers.*** Reduces funding by \$1.6 million GF the first year and \$2.4 million GF the second year primarily at the state’s mental health hospitals. The savings will be achieved by reducing staff (15 layoffs), eliminating vacant positions, turnover and vacancy savings, a delay in opening beds at the Southwestern Virginia Mental Health Institute, and operational and administrative efficiencies.
 - ***Achieve Administrative and Operational Efficiencies at the Virginia Center for Behavioral Rehabilitation.*** Reduces funding by \$401,672 GF the first year and \$591,037 GF the second year from the center’s budget through operational and administrative efficiencies.
- **Department for Aging and Rehabilitative Services**
 - ***Medicaid State Match for Disability Determinations.*** Includes \$228,235 GF each year to meet the state match requirement for Medicaid’s share of disability determinations. The agency primarily conducts determinations for the Social Security Administration (100 percent federally funded), but a small portion of determinations are performed as part of the Medicaid eligibility process. These determinations must be cost allocated to Medicaid, which has a 50 percent state match requirement.
 - ***Increase NGF Appropriation to Reflect Additional Staff for Social Security Disability Determination.*** Provides \$3.5 million NGF each year and 25 positions to reflect higher spending related to additional staff hired as allowed by the Social Security Administration (SSA). Recently the SSA, after several years of restricting state staffing for disability determinations, allowed the agency to hire 98 staff to

handle the backlog of determinations. These positions are fully supported with federal funding.

- ***Transfer Area Agencies on Aging (AAAs) Funding to Reflect Administrative Actions.*** Transfers \$320,470 GF each year from nutrition programs to supportive services. The Area Agencies on Aging are allowed, per appropriation act language, to transfer up to 40 percent of their funding from one service category to another. This action transfers appropriation to reflect the annual administrative transfer over the past few years. The transfer does not affect any services; it only reflects current spending patterns.

Central Account Reductions

- ***Eliminate Funding for Certain Pass-Through Grants.*** Eliminates \$200,000 GF each year in support for Didlake, Inc. and \$215,500 GF the second year for Pharmacy Connect.
- ***Reduce Funding for Various Programs.*** The proposed savings includes the following reductions:
 - \$300,000 GF each year for the Personal Assistance Services Program;
 - \$426,997 GF the first year for brain injury programs;
 - \$230,250 GF the first year and \$580,800 GF the second year for Centers for Independent Living which is partially offset by using Social Security program income of \$82,343 NGF the first year and \$397,416 NGF the second year; and
 - \$302,666 GF the first year and \$364,943 GF the second year for employment support services programs.

- **Woodrow Wilson Rehabilitation Center**

- ***Reduce Personnel Costs through Turnover and Vacancy Savings.*** The Governor's savings plan includes \$246,898 GF the first year and \$345,854 GF the second year that the agency will achieve through holding positions vacant longer. This savings is in the central account reductions.

- **Department of Social Services**

Spending Increases

- ***Provide Additional Funds to Expand Foster Care and Adoption Payments for Youth Ages 19-21.*** Adds \$5.7 million GF the second year and \$1.7 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. The second year costs are offset by \$3.0 million in general fund savings as youth eligible for CSA services transition to the Fostering Connections program, resulting in a net additional cost of \$2.7 million GF. Chapter 3 assumed a net cost of \$519,442 GF in FY 2016 for this program expansion. Together with the actions in the introduced budget, the net cost of the expansion will be \$3.2 million GF in the second year.

- ***Fund Proposed Legislation to Require Licensure of Day Care Providers Receiving Public Subsidies.*** Proposes \$2.7 million GF the second year to fund 28 positions to handle the expected increase in licensure and inspections of day care providers pursuant to proposed legislation to require licensure of additional family day care homes. The agency estimates that 1,920 providers receiving public subsidies are currently unlicensed. The additional costs assume that 1,429 providers will choose to become licensed.
- ***Offset Loss of Nongeneral Fund Revenues for Child Support Enforcement Operations.*** Proposes \$2.3 million GF and reduces \$2.3 million NGF the first year and adds \$1.8 million GF and reduces \$1.8 million NGF the second year for child support 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. The state receives \$2.00 in federal support for every \$1.00 in general fund match.

- ***Add Eligibility Staff at Local Departments of Social Services.*** Proposes \$2.1 million GF and \$3.9 million NGF the first year and \$1.9 million GF and \$3.6 million NGF the second year to increase funding for local eligibility staff by three percent. This level of additional funding equals approximately 93 local staff. Over the past few years the number of eligibility determinations across all benefit programs has increased substantially.
- ***Add Federal Appropriation for Eligibility System Modernization Costs.*** Includes \$36.5 million NGF the first year and \$5.5 million NGF the second year to provide the federal share of funding to modernize the Department of Social Services eligibility processing information system for benefit programs. The federal funding

was included in FY 2014 but due to delays in the implementation schedule the agency's federal expenditures will be higher in FY 2015 and FY 2016.

- ***Fund Federal Requirement for Information Security Modifications.*** Proposes \$450,000 GF and \$450,000 NGF the first year for costs related to segregating Internal Revenue Service (IRS) data onto more secure servers. Federal audits have indicated that the agency must better protect IRS data, which is essential to the operation of numerous agency programs.
- ***Account for Child Care Rate Increase.*** Includes \$2.2 million NGF the first year and \$5.8 million NGF the second year for the costs associated with a rate increase for level two child care providers that took effect September 1, 2014. The rate increase is funded from the federal Child Care Development Fund grant.
- ***Account for Federal Costs of Salary Increase.*** Adds \$6.0 million NGF each year to cover the federal costs of the August 1, 2013, salary increase for state and local departments of social services employees.

Spending Decreases

Temporary Assistance to Needy Families (TANF) Block Grant Funding

- ***Adjust Funding for Mandatory TANF Benefits.*** Proposes to reduce spending on cash assistance provided to TANF recipients by \$8.2 million NGF the first year and \$9.0 million NGF the second year, reflecting a reduction in the caseload of eligible families. The budget redistributes funding within the federal TANF block grant program to address increased demand for mandatory child care under the Virginia Initiative for Employment not Welfare (VIEW) program by proposing \$3.4 million NGF the first year and \$5.5 million NGF the second year. The proposed budget also reduces the TANF caseload reserve in FY 2015 by \$245,420, lowering the caseload reserve to \$2.6 million that is available in the event TANF spending exceeds expenditure projections.
- ***Additional Federal TANF Block Grant Spending.*** The proposed budget includes \$1.0 million NGF the first year and \$1.1 million NGF the second year from the federal TANF block grant program from estimated balances resulting from a projection of less TANF spending on cash assistance and higher TANF balances from previous fiscal years. Specifically, the budget:
 - Adds \$951,896 NGF from TANF in each year to supplant general fund support for Healthy Families Virginia; and
 - Adds \$181,725 NGF from TANF the second year to supplant general fund support for Earned Income Tax Credit grants.

Central Account Reductions

- ***Eliminate Funding for Certain Pass-through Grants.*** Eliminates \$200,000 GF each year for Northern Virginia Family Services and \$100,000 GF each year for Youth for Tomorrow.
- ***Increase Fees.*** Increases the fee to check the child protective services registry from \$7 to \$10 in order to generate \$225,000 in revenue the second year. The fee for national background checks is also proposed to increase from \$50 to \$60, which generates \$82,000 in revenue the second year.
- ***Eliminate Funding for New Information Technology (IT) Systems.*** Eliminates \$850,000 GF the first year that was provided in the 2014 Session to upgrade various legacy IT systems.
- ***Capture Projected Balances in the Unemployed Parent Program.*** Reduces \$1.1 million GF each year to reflect unneeded appropriation for the unemployed parent cash assistance program.
- ***Supplant General Fund with Child Care Development Fund Balances.*** Supplants \$2.7 million GF in the first year with federal funding.

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

- ***Fund Regional Education Coordinator Position in Northern Virginia.*** Proposes \$79,825 GF the second year to fill a vacant educator position. The coordinators assist infants, children, and youth that have vision loss to reduce developmental delays and to improve outcomes in schools. The Northern Virginia position is vacant due to a loss of federal grant funding in FY 2013. The five other staff throughout the Commonwealth have been sharing the workload in Northern Virginia, but this solution is only short-term.

TANF Block Grant Funding
Actual FY 2014 and Proposed FY 2014-16

	Actual FY 2014	Proposed FY 2015	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>36,533,157</u>	<u>47,528,489</u>	<u>39,226,072</u>
Total TANF Resources Available	\$194,818,157	\$205,813,489	\$197,511,072
TANF Expenditures			
<i>VIP/VIEW Core Benefits and Services</i>			
TANF Income Benefits	\$47,359,309	\$46,650,190	\$45,876,749
VIEW Employment Services	10,382,115	11,612,144	11,612,144
VIEW Child Care Services	7,432,268	10,858,141	12,959,171
TANF Caseload Reserve (3%)	<u>0</u>	<u>2,578,139</u>	<u>2,823,558</u>
Subtotal VIP/VIEW Benefits and Services	\$65,173,692	\$71,698,614	\$73,271,622
<i>Administration</i>			
State Administration	\$2,903,281	\$3,002,653	\$3,002,653
Information Systems	2,334,810	4,052,023	4,052,023
Local Direct Service Staff and Operations	44,353,711	49,013,536	49,013,536
Economic Support Mgmt./IT Allocation Reserve	<u>0</u>	<u>3,500,000</u>	<u>3,500,000</u>
Subtotal Administration	\$49,591,802	\$59,568,212	\$59,568,212
<i>TANF Programming</i>			
Local Domestic Violence Grants	\$0	\$2,346,792	\$2,346,792
Community Action Agencies	412,927	1,000,000	1,000,000
Healthy Families/Healthy Start	2,592,594	4,285,501	4,285,501
Comprehensive Health Investment Project (VDH)	338,073	850,000	400,000
Resource Mothers	0	614,914	0
EITC Grants	0	0	185,725
Visions of Truth	<u>4,225</u>	<u>25,000</u>	<u>25,000</u>
Subtotal TANF Programming	\$3,347,819	\$9,122,207	\$8,243,018
Total TANF Expenditures	\$118,113,313	\$140,389,033	\$141,082,852
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) Services	2,500,000	2,500,000	2,500,000
SSBG Transfer – Comprehensive 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	\$26,198,384	\$26,198,384	\$26,198,384
Total TANF Expenditures & Transfers	\$144,311,697	\$166,587,417	\$167,281,235