Agency of Human Services, Secretary Doug Racine
House Appropriations, February 7, 2011

Thank you for the opportunity to present the Governor's Recommended 2012 budget.

AHS is the largest agency in state government with a gross budget of over $2 Billion and 3,274 employees proposed for FY'12.

The Agency is heavily dependant on Federal Funds. Federal funds compose over 53% of AHS programs. Excluding Corrections, Federal funds are 57% with General Funds covering only 23%. The Department of Corrections utilizes 24% of all AHS General Funds.

- The AHS 2012 Governor's Budget request reflects our priorities in these difficult economic times to provide support for the state's safety net programs and the people who depend on them. AHS's 2012 budget request is 1.1% higher than our 2011 appropriated budget. The difficulty in creating the budget is caused by the loss of $151M in federal stimulus funds which expire on June 30, 2011. ARRA did help Vermont for the past two state fiscal years, but the supplemental federal assistance will be very limited in 2012.

- The 2012 budget request focuses on addressing health care, child safety, and homelessness as high priorities in this difficult economy. While unemployment rates may have stabilized, continued stress on the state's safety net programs; rising caseloads and pressures on essential needs such as housing remain.

- The agency is comprised of:
  - <u>The Department for Children and Families</u> –
    - Child Development
    - Economic Services
    - Family Services
    - Child Support
    - Disability Determination
    - Economic Opportunity

  - <u>The Department of Corrections</u> –
    - Administration, Facilities
    - Field Services
    - Placement Services
    - Program Services
    - Restorative and Community Justice.

  - <u>The Department of Disabilities, Aging and Independent Living</u> –
    - Blind and Visually Impaired
    - Disability and Aging Services
    - Licensing and Protection
    - Vocational Rehabilitation

  - <u>The Department of Health</u> –
    - Administration
    - Public Health (including divisions that were previously separate appropriations)
    - Alcohol and Drug Abuse Programs

  - <u>Department of Mental Health</u> –
    - Vermont State Hospital
    - Community Mental Health

- The Department of Vermont Health Access –
  - Health Care Reform, Medicaid
  - State Children's Health Insurance Program
  - Other publicly funded health insurance programs in Vermont

- Secretary's Office –
  - Field Services
  - Health Care Operations, Compliance, and Improvement
  - Chief Information Officer
  - AHS Fiscal Unit
  - Commission on Community and National Services

AHS Budget Proposals

Feb 7, 2011

Excludes increases - all $ figures are in GF millions

	Proposal (GF share)
Available Carry-forward and other one-time funds	
FY 2011 Carry forward Global Commitment	(19.6)
FY 2011 Carry forward - AHS federal funds (DCF Child Development)	(1.1)
FY 2011 Carry forward Long Term Care	(0.6)
Estimated increase in federal match rate from Jan. – Mar. Qtr. FY2011	(3.6)
Upgrade of FY11 cigarette tax revenue carried forward to FY12	(4.9)
Subtotal - available carry-forward and one-time revenues	**(29.8)**
Revenue Enhancements	
Hospital Provider Assessment	
Normal 1 year growth:	(5.9)
Accelerate base year:	(4.6)
Raise the percentage from 5.5 to 6% 10/1:	(6.8)
Other Medicaid Revenue Enhancements	
FY12 additional cigarette tax revenues	(3.0)
Increase in nursing home provider assessment	(2.8)
NEW Managed Care Organization assessment:	(10.0)
Assessment on Dental Practices	
3% estimated revenue:	(6.0)
Need to net cost of collection:	0.2
Put assessment back through rates:	2.4
Increase to 6% Home Health Assessment	(0.3)
Pay back through the rates:	0.1
Total Additional Revenues	**(36.7)**

Expenditure Reductions

AHS-CO	
Parental representation grant	(0.1)
DVHA	
Funded agreed upon caseload:	incl
Funded utilization:	incl
Medicaid Mgmt Info System (MMIS) project moved to Capital Bill:	(3.0)
Utilization decrease	(1.6)
Limit over-the-counter meds to preferred list	(0.1)
Establish lower reimbursement rate for specialty drugs	(0.0)
Require physician justification for multi-source brand - DAW1	(0.1)
No longer wrap higher cost drug if patient choice DAW2	(0.0)
Change bus pass program	(0.2)
Radiology tier authorization	(0.3)
Fold Catamount into VHAP (9 Months)	(5.0)
Transferees from Catamount to VHAP - increase deductible to $1,200	(1.2)
Increase in hospital provider rates to reduce cost-shift (MCO Assessment) ($4.2M) - included in DVHA trend	incl
Not passing through increased hospital assessments	(7.3)
Growth in 340B program with hospitals:	(0.4)
Long Term Care - Choices for Care	
Funded nursing home rate increases and rebasing:	0.9
Assessment increase back to nursing home rates:	0.7
Reduce Instrumental Activities of Daily Living (IADLs) from 4.5/wk to 2hrs/wk:	(1.1)
Reduce cap on respite/companion services from 720 hours per year to 360hrs/yr:	(1.0)
Home & Community Based Services (HCBS)- implement 10% 'discount' for Flex Choices budgets, eliminate annual carryover of $500	(0.1)
VDH	
Immunization savings:	(0.8)
Reductions in Tobacco Media and/or Cessation Programs (1.7M Tobacco funds and GC in FY11):	(0.6)
ADAP Eliminate Student Assistance Program:	(1.3)
DMH	
Vermont State Hospital - Medicaid certification	(3.3)
5% reduction to Designated Agency (DA) services	(1.4)

DCF	
Redesign child care grants eligibility determination	(0.6)
Increase in Federal approval to Federal Child Care Development Funds (CCDF) award:	(1.1)
Use of incentive grant as match:	(0.5)
SSI Reach Up recoupment	(0.6)
Woodside - Medicaid eligibility approval	(1.0)
Eliminate specialty grants	(0.3)
DAIL	
Caseload absorption (5% reduction):	(3.2)
4% reduction to Area Agencies on Aging (AAAs) (make up by charging fees for services):	(0.2)
Freeze attendant service program:	(1.0)
Reduce IADLs in Attendant Services Program	(0.1)
DOC	
Transitional housing annualized savings:	(1.8)
Reduce some misdemeanant incarceration	(1.6)
Decrease out-of-state bed costs:	(0.4)
Repurposing Northwest and Chittenden facilities:	(1.5)
Pending new rate for federal prisoners:	(0.8)
Increase federal capacity by 40 (net savings):	(1.1)
Across AHS - Integrated Family Services (DMH, DCF, DAIL)	(0.7)
Total Expenditure reductions	**(43.8)**
Total Actions	**(110.3)**

Major Budget Issues

Revenue Enhancements

- Hospital Provider Assessment:
    - Hospital Provider assessment normal growth based on current law.
    - This proposal would change the assessment from the most currently available (audited) information to an *estimate* of the current year's revenue.
    - Current Federal law only allows a 5.5% assessment. This law sunsets 10/1 without a Congressional action. This would raise the assessment from 5.5% to 6.0% on 10/1.
- Other Medicaid Revenue Enhancements:
    - The cigarette tax revenue collections are higher than the agreed upon estimates:
        - Revised estimate for SFY '11 is $4.9M.
        - Revised estimate for SFY '12 is $3.0M.
    - Similar to the hospital assessment, we would increase the nursing home assessment to 6% effective 10/1, and slightly increase the assessment on 7/1 to a higher amount based on room in the 5.5% calculation.
    - New assessment on managed care organizations.
- Estimated increase in FMAP from the January through March quarter for SFY '11 ($3.6M).
- Plan to carry forward $47M (19.6M of GF) of Global Commitment funds from SFY '11 to SFY '12.
- Plan to carry forward $1.1M of Federal Funds in DCF from SFY '11 to SFY '12.
- Plan to carry forward $0.6M of General Fund in the DVHA Long Term Care appropriation from SFY '11 to SFY '12.
- Assessment on Dental Practices:
    - 3% estimated revenue equating to $6.0M in GF downward pressure.
    - Netting the cost of the collection results in GF upward pressure of $0.2M.
    - The impact of passing the assessments back through the rates will be $2.4M.
- Increasing the Home Health Assessment to 6% will result in GF downward pressure of $0.3M, while paying the assessment back through rates will result in a GF impact of $0.1M.

Expenditure Reductions

- AHS-CO
    - Reduce funding through Vermont Legal Aid, Inc. to Vermont Parent Representation Center, Inc. for legal and social work services for parents residing in Lamoille, Franklin and Grand Isle counties who have an open case with DCF's Family Services division.
    - Reduce the scope of the report on Tobacco Cessation and redirect Tobacco Funds to the GC Appropriation to provide health care direct services
- DVHA
    - Budget contains sufficient funds to cover agreed upon Administration/JFC agreed upon caseload.
    - Budget contains sufficient funds to cover estimated increases in utilization.
    - Moved necessary funding for the Medicaid Management Information System from the operating budget to the Capital Bill.
    - The utilization decrease is embedded in DVHA's trend numbers.
    - Limit coverage of over-the-counter (OTC) medications to preferred list in all pharmacy programs: Vermont's pharmacy programs offer broad coverage of over-the-counter drugs with few restrictions. Establish a concise defined list of drugs that are clinically appropriate.
    - Establish lower reimbursement rates for limited distribution specialty pharmacies in network: DVHA will contract with specialty out-of-state mail order pharmacies and negotiate a discount similar to the two currently contracted specialty pharmacies. This would impact a relatively small number of out-of-state mail order specialty pharmacies.
    - Fold existing Catamount into VHAP.
    - Transferees from Catamount to VHAP – increase deductible to $1,200.
    - Increase in hospital provider rates to reduce cost-shift (MCO assessment) – we will use these new revenues to increase hospital inpatient and outpatient Medicaid rates.
    - Not passing through increased hospital assessments will result in an additional pressure on hospitals.
    - Expansion of the 340B program with hospitals

  Long Term Care
    - Funded nursing home rate increases under current law with cost for rebasing and inflation.
    - Recognizing the increase in nursing homes provider assessment as an allowed expense in the rates.
    - Reduce Instrumental Activities of Daily Living (IADLs) from 4.5 hrs./wk to 2 hrs./wk for Choices for Care Program participants.
    - Reduce cap on respite/companion services from 720 hrs./yr. to 360 hrs./yr. for Choices for Care Program participants.
    - Implement 10% 'discount' for Flex Choices budgets and eliminate annual carryover of $500 for Choices for Care Program participants.

- VDH
    - The implementation of the statewide vaccine purchasing pool in SFY '11 will result in health insurers paying for immunization costs of their subscribers.
    - The impact of the Tobacco Prevention and Cessation Program reduction will result in a limited counter-marketing campaign. Cessation programs will be reduced.
    - Student Assistance Program (SAP). There are currently 94 schools receiving funding for SFY '11, with an average award of $17,670 – approximately the cost of two professional staff days per week per school.

- DMH
    - Assumes CMS certification of VSH by January 1, 2012 with 40% of the days reimbursable by Medicaid.
    - Reductions to Designated Agency services will result in reductions to community social supports and case management services.

- DCF
    - The administration has committed to reexamining the redesign of child care grant eligibility determination.
    - Due to Economic Services Division backlogs in eligibility determination, in conducting interviews and extensive wait times for people calling, $0.6M of additional GF for 20 limited services employees required.
    - We expect an increase in Federal approval of the Child Care Development Fund Grants that will offset the need for General Fund to replace lost ARRA funds.
    - Child Care estimated caseload increase from 8,147 to 8,447 = (300 x $4845).
    - ARRA allowed the State to use Federal Incentive funds for match on Title IV-D. The budget contemplates this continued practice into FY12 although no bill exists today allowing the practice.
    - Replaces lost ARRA funds and restores spending to the projected SFY11 expenditure level.
    - Continue paying Community Action Agencies to assist in the determination of General Assistance eligibility.
    - SSI Reach Up participants change. SSI participants who are granted retro eligibility have kept both their retroactive benefit and state funded Reach Up benefit. This change gives the department authority to seek and receive SSI reimbursement covering the TANF payment for these Reach Up beneficiaries.
    - This proposal continues the anualization into SFY '12 of the proposed changes to allow Woodside to become a Medicaid eligible Psychiatric Residential Treatment Facility.
    - Elimination of specialty grants:
        - **The Lamoille Project.** Children served by this program are at extreme risk of going deeper into the corrections and human services system. Will likely result in reductions in foster care. ($135,800)
        - **Kids on the Block** is highly regarded for its efforts to introduce sensitive topics, such as sex abuse, to school age children through puppet shows. Represents small amount of their overall funding. ($2,000)
        - **PAVE** provides prevention education around violence and sexual abuse to youth, ages 8-18, and parents throughout Bennington County. ($14,550)
        - **Post Adoption** provides preventative services to adoptive children who do not qualify for Medicaid. The elimination of this funding would represent a 20% reduction in Consortium funding. ($25,000)
        - **Vermont Coalition of Teen Centers (VCTC)**. This funds the Vermont Coalition of Teen Centers' Coordinator's position as well as secretarial and fiscal management supports. Many of the teen centers would cease to exist if they lost the connections to funding opportunities via the Coalition. ($40,000)
        - **Prevent Child Abuse Vermont (PCAV).** This grant funds Circle of Parents Support Groups and the Nurturing Parents Program which provides primary child abuse prevention services to Vermont children and families. We anticipate the program will continue to exist. ($70,000)

- DAIL
    - Developmental Services estimated need for caseload increases using an average of the last three years.
    - Developmental Services will absorb this caseload pressure through modest reductions in service plans including home, community, employment, respite, service coordination, clinical and crisis.
    - Funds are used by AAAs to support a variety of services including case management, information/referral/assistance, home delivered meals and congregate meals, and family caregiver support. 4% will be a small reduction in total revenue to individual providers.
    - Freeze new admissions to Attendant Services Program (ASP). People with fewest resources and significant levels of disability will be eligible for Medicaid PDAC and/or Choices for Care. People with greater resources and/or lower levels of disability will have to use their own resources to meet their personal assistance needs.
    - Reduce IADLs: Reduced assistance with household tasks for all participants. Greater reliance on other services including unpaid family caregivers.

- DOC
    - Anticipate additional reduction for Out of State beds in SFY '12 for the funding of transitional housing in SFY '11.
    - Eliminate Incarceration as an option for some Misdemeanant Charges and Convictions resulting in a savings in our out of state bed program.
    - Savings from utilization of beds in Greenfield, MA.
    - The following initiatives account for a total reduction of $1.5M:
        - Create 12 additional beds at Caledonia County Work Camp.
        - Create a Hybrid Work Camp/facility at Southeast State Correctional Facility - (Value 30 beds).
        - Transfer Female Offenders to the Chittenden Regional Correctional Facility in South Burlington and Males to the Northwest State Correctional Facility in St Albans (house all US Marshal Offenders in St Albans). This would result in a savings in the Out of State Program.
    - This assumes an increase in the contract for what we currently charge the USMS for federal prisoner.
    - This proposal is to increase our capacity with USMS to 80 and house the additional inmates at Northwest when it is converted to males an increase of federal capacity by 40.

Commissioners will be in to discuss changes in their appropriations in more detail.

In reviewing the language for the 2012 Big Bill, we noticed that language related to the increase in the Home Health Assessment was not added properly. I am asking the HAC to add the following language to the Big Bill. to reflect the assumptions in the number sections. The suggested language is:

33 VSA § 1955a. Home health agency assessment is amended by:

(a) Beginning ~~July 1, 2009~~ October 1, 2011, each home health agency's assessment shall be ~~17.69~~ 19.30 percent of its net operating revenues from core home health care services, excluding revenues for services provided under Title XVIII of the federal Social Security Act. The amount of the tax shall be determined by the commissioner based on the home health agency's most recent audited financial statements at the time of submission, a copy of which shall be provided on or before December 1 of each year to the department. For providers who begin operations as a home health agency after January 1, 2005, the tax shall be assessed as follows:

We are requesting technical changes in two other sections. The dental language change is technical on the current language in the proposed bill. The dental society has agreed to work with us on the language for this new assessment while they will continue to oppose its implementation.

Sec. E.301.3 33 V.S.A. Sec. 1955c is added to read:

§ 1955c. Practicing dentist assessment.

Practicing dentists shall be subject to an annual assessment as follows:

(1) Beginning July 1, 2011, each practicing dentist's assessment shall be 3 percent of the dentist's gross revenues from performing dental and other health care services. The amount of the assessment shall be determined annually by the commissioner based on the practicing dentist's gross revenues as reported to the department. ~~, on the department's form provided to each practicing dentist, on or before January 1 of each year.~~ The annual assessment for ~~calendar year 2011~~ state fiscal year 2012 shall be based on each practicing dentist's 2010 gross revenue as reported to the department on or before July 30, 2011. Each succeeding year's report will be based upon the prior calendar year's gross revenue as reported to the department on or before ~~January 30~~ March 1.

Sec. E.301.4 33 V.S.A. Sec. 1955d is added to read:

Sec. 1955d. Managed care organization assessment

(a) Beginning ~~October~~ July 1, 2011 and annually thereafter, each managed care organization shall pay an assessment in the amount of 1.33 percent of all health insurance premiums paid to the managed care organization by its Vermont members in the previous fiscal year ending June 30. The annual assessment shall be paid in ~~quarterly~~ monthly installments. ~~on October 1, January 1, April 1, and July 1.~~

- Protection of children will be increased by adding staff to communities to respond to safety issues.

- Viewing the Agency as a whole
  - AHS General Fund need increases by +$95.1M, an increase of 21%. Vermont's health care programs benefited most from ARRA and GF is needed to replace the loss.

  - Propose to increase health care provider assessments from 5.5% to the allowable 6% and dental practices and managed care organizations as eligible providers. Total increase in provider assessments =$38.4M

  - The DVHA General Fund need increases by +$32.1M, an increase of 32.8%. Of this increase 2/3 was related to the loss of ARRA funding. And additional $9M is needed to maintain the State Pharmacy program wrap-around services which were not approved as an allowable cost under VT's GC Wavier extension.

  - The DMH budget projects a 6 month certification of the Vt. State Hospital as a Medicaid provider and new federal revenue of $5M.

  - The DCF budget provides for the annualization of 18 Social workers, more staff for assisting low income families to access safety net programs, continued support for the homeless through replacement of HPRP ARRA funds, and continuation of the modernization of IT and service delivery systems.

  - DCF includes $495K to assist Community Action agencies in emergency assistance service delivery.

  - VDH will increase Methadone and addiction treatment services by $300K