

Health and Human Resources

The adopted amendments to the 2002-04 budget for health and human resources result in a net increase of \$214.8 million for the biennium when compared to Chapter 899. Of the increase, general fund spending will rise by \$36.4 million for the biennium, the result of increases of \$241.9 million offset by \$205.5 million in reductions. Approximately ten percent of the reductions are technical adjustments, reflecting actions taken by the 2002 General Assembly.

Mandatory funding requirements are responsible for 76 percent of the additional general fund spending in human resources. Inflation in medical costs and increasing numbers of low-income families, elderly, and disabled require the addition of \$142.4 million GF for the Medicaid program. The rising cost to serve at-risk youths, entitled to care under the Comprehensive Services Act (CSA) necessitates adding \$35.7 million GF. An additional \$6.9 million GF will fund services to children who are entitled to foster care and subsidized adoptions.

A few non-mandatory, but traditionally high priority, items are included in the adopted budget. Funding for the state's two teaching hospitals is increased by \$31.5 million (\$18.4 million GF) to pay for indigent care services. An additional \$25.9 million NGF is provided from unanticipated revenues in the Family Access to Medical Insurance Security (FAMIS) trust fund and federal matching funds to fully fund anticipated growth in enrollment in the FAMIS program. Also, the adopted budget provides \$3.5 million GF and \$3.5 million NGF to serve 175 additional persons through the mental retardation waiver program. Finally, \$952,475 (\$475,000 GF) is provided to restore direct care services to Medicaid-eligible persons in state mental retardation training centers.

The adopted budget redirects \$60.2 million GF in FY 2004 from the proposed Protecting Access to Healthcare program and adds \$12.8 million to restore funding for Medicaid providers. In total, almost \$36.0 million GF and \$36.9 million NGF is provided to nursing homes, hospitals, managed care organizations, pharmacies, and durable medical equipment providers to cover increases in the cost of caring for Medicaid patients.

Adopted amendments also add \$11.7 million GF to Medicaid to fill a shortfall caused by unrealized federal revenue maximization strategies; \$8.8 million GF for increased costs of Medicaid transportation brokering services; \$3.8 million GF for involuntary mental commitments; and \$2.6 million GF for the Medicaid claims processing system.

Approximately 46 percent of the overall budget savings in health and human resources comes from reductions in mental health, mental retardation, and substance abuse services and social services (\$94.4 million GF).

- Adopted funding for the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) was reduced by \$52.1 million GF for the biennium. October 2002 reductions included a decrease of \$30.8 million from grants to localities to provide community-based mental health, mental retardation, and substance abuse services. The adopted budget restores \$4.3 million of this reduction to community-based services.
- Funding for the Department of Social Services (DSS) is reduced by \$42.3 million GF for the biennium. Similar to DMHRMSAS, most of the department's budget reductions occurred in October 2002. These reductions totaled \$22.5 million by (1) substituting federal dollars for state spending in community programs (\$9.4 million), (2) reducing general fund support for local administration (\$5.1 million), and (3) substituting general funds in pre-kindergarten programs in the Department of Education to match federal child care funding (\$7.9 million). The adopted budget restores \$1.1 million GF, reducing the substitution of federal funds to \$8.3 million GF in FY 2004.

An additional 36 percent of the budget savings comes from Medicaid cost containment initiatives (\$73.4 million GF). Significant budget reductions include:

- \$24.6 million GF by reducing automatic inflationary increases for indirect care in nursing facilities (\$5.4 million GF) and Medicaid and FAMIS managed care organizations (\$19.1 million GF) in FY 2004;
- \$14.6 million GF from reducing pharmacy program costs by implementing a preferred drug list; decreasing the pharmacy dispensing fee from \$4.25 to \$3.75 per prescription; increasing pharmacy co-payments from \$2.00 to \$3.00 for brand name drugs; requiring prior authorization when certain prescriptions exceed nine within a certain time period; and requiring the Department of Medical Assistance Services to work with (1) nonprofit hospitals to achieve savings by using the federal 340B drug discount program to purchase drugs and (2) physicians and pharmacists to encourage the dispensing of non-sedating, over-the-counter, antihistamines when appropriate.

- \$11.5 million GF by reducing reimbursement rates for outpatient hospital and rehabilitation services as well as capital payments, durable medical equipment, and specialized care rates for nursing home recipients.

Finally, a series of amendments is included to capture anticipated savings from information technology restructuring pursuant to House Bill 1926/Senate Bill 1247. These savings total \$7.1 million GF the second year in Health and Human Resources agencies. The details of these savings are included in the spreadsheet (Appendix C).

- **Secretary of Health and Human Resources**

- ***Transfer Office of the Inspector General.*** Transfers \$79,600 GF and \$162,469 NGF the second year to the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) to assume the functions of the office. Funding and one position are eliminated within the Secretary's Office, saving \$50,000 GF in FY 2004. However, the adopted budget restores the position and \$13,000 for the Office within the DMHMRSAS budget.
- ***Progress Report on the Comprehensive Services Act Improvement Plan.*** Adds language directing the Secretary to provide a progress report on the implementation of the 2002 plan for improving services and containing costs in the treatment and care of children under the Comprehensive Services Act. The progress report is to be provided to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2003.
- ***Report on Funding Options for Indigent Care Provided by the Academic Medical Centers.*** Adds language requiring the Secretary to report on the cost trends and funding options for indigent care provided by the Virginia Commonwealth University Health System Authority and the University of Virginia Medical Center. The Secretary is to submit the report to the Chairmen of the House Appropriations and Senate Finance Committee by September 15, 2003.
- ***Plan for the Temporary Assistance to Needy Families (TANF) Program.*** Adds language requiring the Secretary to develop a plan to bring the federal TANF block grant into structural balance in the 2004-06 biennium. Language requires the Secretary to evaluate the effectiveness of projects and programs funded with TANF moneys,

to determine how the projects or programs satisfy the purpose of TANF, and to provide quarterly updates on the development of the plan to the Chairmen of the House Appropriations and Senate Finance Committees.

- **Funding Reductions.** Reduces funding by \$65,559 GF the first year and \$143,125 GF the second year for the Secretary’s Office. Of these amounts, \$64,159 GF the second year represents reductions contained in a central account in Chapter 899 reflecting a 4 percent reduction to Health and Human Resources agencies. The remainder represents budget reduction actions taken in October by the Governor.
- **Comprehensive Services for At-Risk Youth and Families (CSA)**
 - **Increased Cost of Mandated Services.** Adds \$19.0 million GF the first year and \$16.7 million GF the second year for increased costs of serving children mandated for care under CSA. Chapter 899 provided funding for growth of about 6 percent in FY 2003 and 8 percent in FY 2004, in a program that has been growing about 11 percent in recent years.
 - **Local Administrative Funding.** Reduces general funds by \$250,000 GF in FY 2004 for local administrative support and coordination of the CSA program by maintaining spending at the FY 2003 level.
 - **Maximize Federal Funding.** Adds language directing the office to maximize federal funding by seeking Medicaid reimbursement for an additional level of residential treatment for children and adolescents and case management services that are currently supported with state dollars. It is anticipated that these savings will reduce future growth in the CSA program. These initiatives come from an interim task force chaired by the Secretary of Health and Human Resources.
 - **Improve Use of Medicaid Funding.** Adds language requiring the use of Medicaid-funded services whenever they are available for the appropriate treatment of children and youth receiving CSA services. Improved use of Medicaid funding should generate savings of \$1.0 million GF in FY 2004 in the CSA program.

- **Virginia Department for the Aging**
 - **Federal Older Americans Act Funds.** Provides \$5.2 million NGF each year from increased federal funding for aging programs provided through the Area Agencies on Aging (AAAs).
 - **Restore Funds for Public Guardianship Program.** Adds \$105,000 GF in FY 2004 to restore funds for the Virginia Public Guardian and Conservator program that were reduced during the 2002 Session. Of the amount restored, up to \$5,000 may be used for activities of the Virginia Public Guardian and Conservator Advisory Board.
 - **Transfer Funds for the Alzheimer’s Disease and Related Disorders Commission.** Transfers \$5,000 GF in FY 2004 from the Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS) to the department for the activities of the Alzheimer’s Disease and Related Disorders Commission. The authority for the Commission was transferred to the department from DMHMRSAS pursuant to legislation passed during the 2003 Session.
 - **October Reductions.** Reduces funding by \$1.8 million GF each year as a result of the October budget reduction actions. A majority of the actions reduce community grants to local Area Agencies on Aging and other community service providers by eleven percent as described below:
 - **Reductions to Elderly Programs Provided through the Area Agencies on Aging (AAAs).** Reduces \$1.4 million GF each year for elderly programs provided through the AAAs.
 - **Other Community Organization Reductions.** Reduces funding by \$103,191 GF the first year and \$105,578 GF the second year for a number of community organizations that provide special programs for the elderly, such as linking seniors with indigent pharmacy programs, companion care services, independent living services, adult day care, and respite care for individuals with Alzheimer’s disease.
 - **Respite Care Grant Reductions.** Reduces respite care grants by \$32,556 GF the first year and \$33,309 GF the second year to three community organizations that provide respite care through Virginia’s new Respite Care Grant program. In addition, \$60,301 GF each year is reduced from the

remaining grant funds, representing a 60 percent reduction in the unobligated funds.

- **Chapter 899 Central Account Actions.** Reduces funding by \$629,144 GF in the second year to reflect reductions contained in a central account in Chapter 899. This amount represents a 4 percent across-the-board reduction to the agency.
- **Department of Deaf and Hard of Hearing Services**
 - **Continue Relay Center in Norton.** Language is added authorizing the continued operation of the Relay Center in Norton. Language also requires the Center to maintain at least 105 full-time equivalent positions.
 - **Budget Reductions.** Reduces funding by \$183,628 GF in FY 2003 and \$263,194 GF in FY 2004 to reflect Chapter 899 actions within the central accounts and the October budget reductions.
- **Department of Health**
 - **Federal Grant for Bioterrorism.** Provides \$7.5 million NGF in FY 2003 and \$22.0 million NGF in FY 2004 from an anticipated federal grant for bioterrorism activities.
 - **Move to James Madison Building.** Provides \$912,609 GF in FY 2004 for the cost of moving the Health Department from the Main Street Station Train Shed to the James Madison Building no later than December 2003. The City of Richmond has purchased Main Street Station for use as a transportation hub. Language is added to allow for the reappropriation of FY 2003 agency administrative balances in the event that the move results in additional costs related to the timing of equipment lease payments, or if there is a shortfall due to unrealized information technology savings assumed in the technology restructuring initiative.
 - **Substitute Rescue Squad Assistance Fund Balance for GF Support for Med-flight Operations.** Provides \$1.0 million NGF in FY 2003 from the Rescue Squad Assistance Fund balances to replace general fund support to the State Police for med-flight operations. General fund appropriations are restored for this purpose in FY 2004 in the Department of State Police. The introduced budget reduced general funds for State Police med-flight services by \$1.0 million

each year and supplanted this funding with \$1.0 million NGF each year from the Rescue Squad Assistance Fund.

- ***Suicide Prevention Plan.*** Adds language requiring the department to lead a multi-agency effort to develop a comprehensive suicide prevention plan for the Commonwealth by June 30, 2004.
- ***October Reductions.*** The October budget actions reduced funding by \$6.1 million GF and \$1.2 million NGF and 23.0 positions in FY 2003 and \$6.5 million GF and \$174,500 NGF in FY 2004 by implementing administrative efficiencies, reducing grants to nonstate agencies, and reducing or eliminating some services as described below. The adopted budget restores \$1.3 million GF for services in FY 2004. Where funding was restored, additional detail is provided below.
 - ***Reduce Funds for Area Health Education Centers.*** The October action reduced general fund support by \$143,721 GF in FY 2003 and \$850,000 GF in FY 2004 for the Virginia Statewide Area Health Education Centers (AHECs). The adopted budget restores \$200,000 GF in FY 2004, resulting in a net reduction of \$650,000. The reductions to the AHECs represent a decrease of about 15 percent the first year and 68 percent the second year. The adopted budget also restores language directing the funding to be used for the recruitment and retention, practice support, and training of health care professionals in medically underserved areas or areas with medically underserved populations.
 - ***Restore Funds for Drinking Water State Revolving Fund.*** The October action reduced general fund support for the Drinking Water State Revolving Fund (DWSRF) by \$1.1 million GF in FY 2004. The adopted budget restores this amount. With this restoration the DWSRF has almost \$4.5 million GF and \$11.0 million in federal matching funds available for low-cost construction loans and grants for drinking water projects in FY 2004. Language is added to earmark \$600,000 in FY 2004 to plan drinking water projects in Planning Districts 1, 2 and 3, which have significant safe drinking water supply problems.
 - ***Eliminate GF for Pfiesteria Monitoring and Control.*** Eliminates \$104,330 GF each year and one position for the Health Department's waterborne hazard control activities.

Federal grant funding will enable this function to continue during the biennium. Funding for the pfiesteria research unit was added during the 1998-2000 biennium to study the effects of the pfiesteria disease on seafood.

- **15 Percent Reduction to Community Grants.** Reduces funds by 15 percent to a number of nonstate agencies that provide health care and pharmacy assistance to low-income uninsured persons or that promote health care access for medically underserved populations. This strategy saves \$480,348 GF the first year and \$644,990 GF the second year and affects the following organizations: Arlandria Health Center, Arthur Ashe Center, free clinics, rural health clinics, CHIP of Virginia, Olde Towne Medical Center, the Virginia Health Care Foundation, Women's Health Virginia, and the Chesapeake Adult Medical Clinic. Funds for the Fan Free Clinic AIDS program and the Louisa County Resource Council were reduced by 50 percent, saving an additional \$33,750 the second year.
- **Eliminate Medical Death Investigator Positions.** Eliminates \$53,405 GF the first year and \$140,597 GF the second year and 3.0 positions in the Office of the Chief Medical Examiner to investigate death scenes. Four death scene investigator positions were added during the 2000 Session to address growing caseloads.
- **Supplant and Restore GF Support for Improving EMS Services.** In FY 2003, replaces \$1.6 million GF for Emergency Medical Services (EMS) with federal Social Services Block Grant funding and reduces \$985,823 GF for EMS. The adopted budget also restores \$3.2 million GF in FY 2004 for the improvement of EMS that had been eliminated in the introduced budget.
- **Substitute Federal Grant for GF for New Epidemiologist Positions.** Reduces general fund support by \$416,000 in FY 2004 for new epidemiologist positions that have not yet been filled at the Health Department. The 2002 General Assembly added \$800,000 GF the first year and \$1.0 million GF the second year to hire 15 additional epidemiologists over the biennium, as part of the terrorism preparedness efforts. Additional federal grants received by the department for bioterrorism initiatives will be used to fill any vacant positions.

- ***Substitute TANF Funds for GF in Local Programs.*** Reduces general fund support by \$721,770 in FY 2004 and substitutes federal Temporary Assistance for Needy Families (TANF) funds for two prevention programs for low-income children and families:
 - Restores \$125,000 GF for the Comprehensive Health Investment Project (CHIP) of Virginia, leaving an overall reduction of \$321,770 GF to be supplanted by federal TANF funds. An additional \$223,385 in TANF funds are provided to compensate for any matching funds lost by CHIP due to the general fund reduction.
 - Supplants \$400,000 GF with TANF funds for teen pregnancy prevention programs.
 - ***Reduce GF Support and Substitute NGF for Physician Scholarships, Loans and Financial Incentives.*** Reduces general fund support for the physician scholarship, loan repayment and financial incentive programs administered by the Health Department by \$643,068 GF in FY 2003 and \$794,604 GF in FY 2004 and substitutes \$560,568 NGF each year from health practitioner regulatory revenue collected by the Department of Health Professions. Language is added to replace physician scholarships and other financial incentives used to attract physicians to medically underserved areas with a loan repayment program only.
 - ***Reduce TANF Funds by 15 Percent for Fatherhood Campaign.*** Reduces federal TANF funds by \$60,000 in FY 2004 for the Virginia Fatherhood Campaign as part of an overall plan to bring the TANF block grant spending into structural balance by FY 2005. TANF spending reductions are summarized in a table in the Department of Social Services section of this document.
 - ***Chapter 899 Central Account Actions.*** Reduces funding by \$1.5 million GF and 3.0 positions and increases funding by \$500,000 NGF in the second year to reflect reductions contained in a central account in Chapter 899. This represents a 4 percent across-the-board reduction to the agency in the second year adopted by the 2002 General Assembly.
- **Department of Health Professions**
 - ***Loan Repayment Programs.*** Language authorizes the department to transfer \$560,568 NGF each year from health practitioner

regulatory revenues to the Department of Health for financial incentives to encourage physicians to practice in underserved areas of the Commonwealth.

- ***Enforcement and Adjudication.*** Adds \$763,600 NGF and 11 positions to improve statewide enforcement and adjudication efforts among the Commonwealth’s licensed health professionals. Funding will be used to strengthen enforcement activities and decrease worker caseloads.

- **Department of Medical Assistance Services (DMAS)**

Forecast-related Increases

- ***Medicaid Utilization and Inflation.*** Adds \$79.4 million GF and \$76.9 million NGF in FY 2003 and \$63.1 million GF and \$33.9 million NGF in FY 2004 for inflation in Medicaid costs and for providing services to increasing numbers of low-income children, elderly and disabled persons. On average, the Medicaid forecast assumes expenditure growth of 7.6 percent each year.
- ***FAMIS Caseload Increase.*** Reduces \$4.7 million GF and adds \$15.0 million NGF in FY 2003 and reduces \$2.3 million GF and adds \$10.9 million NGF in FY 2004 by substituting FAMIS trust fund dollars for GF appropriations and increasing the amount available to match federal funds for the children’s health insurance program. The FAMIS trust fund is estimated to receive more funding than the amount assumed in Chapter 899. Funding will support the enrollment of more than 36,000 children by the end of FY 2003.
- ***Involuntary Mental Commitments.*** Adds \$1.9 million GF in FY 2003 and \$1.8 million GF in FY 2004 to fully fund hospital and physician services resulting from involuntary mental commitments.
- ***Indigent Care Payments to Teaching Hospitals.*** Increases funding by \$9.2 million GF and \$9.5 million NGF in the first year and \$9.2 million GF and \$3.6 million NGF in the second year for indigent health care services provided by the Virginia Commonwealth University Health System Authority (\$12.0 million) and the University of Virginia Medical Center (\$19.5 million). Currently, both entities receive enhanced Medicaid payments for serving a disproportionate share of low-income, uninsured patients. However, the amount states can collect in enhanced federal Medicaid reimbursement is capped. Beginning in FY 2004, indigent

health care expenses at the teaching hospitals will exceed the cap on federal funding for Virginia. Language allows the teaching hospitals to obtain additional reimbursement for uncompensated indigent health care costs if additional federal revenues are generated through revenue maximization strategies for the Medicaid program above the amounts already assumed in the budget.

Targeted Increases

- ***Mental Retardation Waiver Increase.*** Adds \$3.5 million GF and \$3.5 million NGF in FY 2004 to increase the number of mental retardation (MR) waiver slots by 175. It is estimated that 800 individuals are on the urgent waiting list for MR waiver services. The urgent waiting list includes individuals who are at risk of institutionalization if they do not receive needed community services.
- ***Medicaid Transportation Services.*** Adds \$2.8 million GF and \$2.8 million NGF in FY 2003 and \$6.0 million GF and \$6.0 million NGF in FY 2004 to pay for increased costs of Medicaid non-emergency, medical transportation services, as a result of contractual changes between the department and the transportation-brokering contractor. Contract violations by a previous vendor resulted in the need to transfer brokering services to another Medicaid vendor quickly to ensure Medicaid recipients did not lose services. Language is added allowing the department to transfer appropriations from the medical services program to the administrative budget, as necessary, to fund increased expenditures.
- ***Unrealized Revenue Maximization Initiatives.*** Adds \$7.8 million GF and reduces \$7.8 million NGF in FY 2003 and adds \$3.9 million GF and reduces \$7.8 million NGF in FY 2004 for unrealized general fund savings from federal revenue maximization strategies. Chapter 899 assumed the department could achieve savings of \$19.0 million each year by identifying services and claims that could be eligible for enhanced federal Medicaid funding. Some of the revenue maximization initiatives were not feasible, while others met with initial federal disapproval. The department is appealing the initial denials.
- ***Claims Processing System.*** Adds \$1.5 million GF and \$12.1 million NGF in FY 2003 and \$1.1 million GF and \$8.6 million NGF in FY

2004 to complete funding for the development of the department's new Medicaid claims processing system.

Additional funding is necessary to complete final development of the system and ensure that it is compliant with federal Health Insurance Portability and Accountability Act (HIPAA) provisions. Final testing and certification of the system will occur once the system is fully operational. Certification of the system is necessary to obtain enhanced federal reimbursement for 90 percent of the system's development costs.

- ***Reimburse Special Education Medical and Transportation Services.*** Adds language to the Medicaid and FAMIS programs allowing school divisions to receive federal reimbursement for school-based medical and transportation services provided to children in special education. This provision is an outgrowth of the department's federal revenue maximization efforts and subject to federal approval.
- ***Independence Plus Home and Community-based Services Waiver.*** Adds language directing the Department of Medical Assistance Services to implement the new Independence Plus Home and Community-based Services waiver program, contingent upon federal approval. No additional funding is added for this new waiver program. It is assumed that individuals in existing waiver programs will migrate to the new waiver in order to assert more control over the services they receive. However, language is added to clarify that if the individual participating in the new waiver exits the program, the waiver slot will revert to the program from which the individual originally transferred.

Provider Rates

The introduced budget generated savings of \$72.9 million GF and \$74.9 million NGF in FY 2004 by eliminating automatic inflationary increases for nursing homes, private inpatient hospital services, and FAMIS and Medicaid managed care organizations; and by reducing payments to outpatient hospitals, pharmacies, outpatient rehabilitation facilities, durable medical equipment providers, and nursing facilities providing specialized care. The Governor set aside \$30.0 million GF and \$30.2 million NGF of the savings for the Protecting Access to Healthcare (PATH) program to ensure that critical health care providers in medically underserved areas would not be adversely affected by payment reductions.

The adopted budget eliminated the PATH program but used the funding to restore payment reductions to Medicaid providers. In addition to the PATH funding, the adopted budget adds \$6.0 million GF and \$6.8 million NGF to restore funding to nursing homes, private inpatient hospitals, and Medicaid and FAMIS managed care organizations, and other Medicaid providers.

Medicaid Provider Payment Restorations		
(GF only)		
	<u>Introduced Budget</u>	<u>Restoration in Adopted Budget</u>
Direct Care in Nursing Homes	(\$8,768,125)	\$8,768,125
Indirect Care in Nursing Homes	(\$7,771,451)	\$2,325,094
Private Inpatient Hospitals	(\$4,334,052)	\$5,417,565
Medicaid MCOs	(\$34,132,546)	\$16,040,280
FAMIS MCOs	(\$1,910,467)	\$897,714
Pharmacies	(\$4,009,179)	\$2,004,590
Durable Medical Equipment	(\$834,032)	\$200,000
Specialized Care in Nursing Homes	<u>(\$1,334,521)</u>	<u>\$325,000</u>
TOTAL*	(\$63,094,373)	\$35,978,368

*Does not include \$9.8 million in payment reductions to other providers for which restorations were not provided.

- ***Nursing Home Inflation Adjustment.*** The adopted budget restores a total of \$11.1 million GF and \$11.2 million NGF to nursing homes for an inflationary increase of 5 percent for direct care services (\$8.8 million GF) and 1.5 percent for indirect care services (\$2.3 million GF). The Medicaid forecast assumed an inflationary increase for nursing homes of approximately 5 percent in FY 2004 at a cost of \$16.5 million GF and \$16.6 million NGF; however, the introduced budget eliminated this automatic increase.
- ***Inpatient Hospital Inflation and Rate Adjustment.*** The adopted budget adds \$5.4 million GF and \$5.4 million NGF to provide an inflationary increase of 4 percent plus a rate increase of one percent for private inpatient hospital services. The net increase over Chapter 899 for private inpatient hospital services amounts to \$1.1

million GF and \$1.1 million NGF in FY 2004. The forecast assumed an inflationary increase of \$4.3 million GF and \$4.4 million NGF for private inpatient hospital services that had been eliminated in the introduced budget.

- **Medicaid MCO Inflation Adjustment.** The adopted budget reinstates \$16.0 million GF and \$16.1 million NGF in FY 2004 for medical inflation provided to managed care organizations (MCOs) through the Medicaid Medallion II program and \$897,714 GF and \$1.7 million NGF in FY 2004 for MCOs in the FAMIS program. The Medicaid and FAMIS forecasts assumed that MCO rates paid through the programs would rise by ten percent compared to FY 2003 levels, but the introduced budget eliminated the projected increase. The adopted budget increases per member per month rates paid to MCOs by 4.7 percent.
- **Reduce Payments for Outpatient Hospitals.** Cuts \$4.2 million GF and \$4.3 million NGF in FY 2004 by reducing reimbursement rates for private outpatient hospitals from 95 percent to 80 percent of allowable costs with the exception of graduate medical education and reimbursements to the state's teaching hospitals.
- **Reduce Private Hospital Capital Payments.** Cuts \$2.6 million GF and \$2.6 million NGF in FY 2004 by reducing capital payments for private inpatient and outpatient hospitals from 100 percent and 95 percent of allowable costs, respectively, to 80 percent of allowable costs. This change does not apply to the state's teaching hospitals.
- **Modify Outpatient Rehabilitation Reimbursement.** Reduces funding \$3.0 million GF and \$3.0 million NGF in FY 2004 by moving from a cost-based reimbursement system for outpatient rehabilitation services to a prospective rate methodology. Payments will be capped at 112 percent of the median for all facilities or the lesser of cost or charges, provided charges are not less than 60 percent of cost. This proposal would not apply to community service boards that provide outpatient rehabilitation services.
- **Reduce Durable Medical Equipment Payments.** The adopted budget restores \$200,000 GF and \$201,043 NGF in payment reductions to durable medical equipment providers in FY 2004. The introduced budget had restricted payments for durable medical equipment and reduced a 30 percent mark-up paid for certain durable medical equipment items not included on

Medicaid's rate schedule, thereby saving \$834,032 GF and \$838,380 NGF in FY 2004. The restored funds result in a net reduction of \$634,032 GF and \$637,337 NGF.

- **Reduce Pharmacy Dispensing Fee.** The adopted budget restores \$2.0 million GF and \$2.0 million NGF in FY 2004 for the fee paid to pharmacies for dispensing medications through the Medicaid program. The introduced budget had reduced the dispensing fee from \$4.25 to \$3.25, saving the Medicaid program \$4.0 million GF and \$4.0 million NGF in FY 2004. These added funds mitigate the reduction, resulting in a dispensing fee of \$3.75 per prescription per month.
- **Reduce Payments for Specialized Care Provided in Nursing Homes.** Adds \$325,000 GF and \$326,694 NGF in FY 2004 to restore specialized care payments to nursing facilities that service individuals with traumatic brain injuries. Net funding for specialized care rates are reduced by \$1.0 million GF and \$1.0 million NGF in FY 2004 by eliminating separate reimbursement rates for rehabilitation and complex care services from the Specialized Care Program with the exception of pediatric specialized care and traumatic brain injury units. Language is added to continue coverage of individuals who have tracheostomies and who meet certain additional criteria under the ventilator services component of the Specialized Care Program. The new nursing home reimbursement system known as RUGS accounts for patient acuity and is expected to reflect the cost of most specialized services.
- **Payment Increases for Other Providers.** Adds \$552,660 GF and \$555,540 NGF for other long-term care providers. Payment rates for adult day health care services will be increased by 5 percent (\$77,431 GF) and personal care services will be increased by one percent (\$475,229 GF).

Targeted Reductions

- **Implement Preferred Drug List.** Saves \$9.0 million GF and \$9.0 million NGF in FY 2004 by implementing a preferred drug list (PDL) in the Medicaid program beginning January 1, 2004. Drugs that are not included on the PDL must be prior authorized before being dispensed. Language is added to create a committee made up of 8 to 12 physicians and pharmacists that will recommend (i) which classes of drugs should be subject to the PDL, (ii) which

specific drugs within therapeutic classes should be included on the PDL, (iii) appropriate exclusions for medications, including anti-psychotics, (iv) appropriate exclusions for medications used for the treatment of brain disorders, cancer, and HIV-related conditions, (v) appropriate exclusions for therapeutic classes when prior authorization would not be cost-effective, and (vi) appropriate grandfather clauses when prior authorization would interfere with established complex drug regimens. The department is required to submit a report on the main design components of the program no later than 10 days from the enactment of the Appropriation Act to the chairmen of the money committees. Language also requires the Department of Medical Assistance Services to work with the Department of Mental Health, Mental Retardation and Substance Abuse Services to develop a preferred drug list for non-Medicaid clients.

- ***Improve Utilization of Over-the-Counter Antihistamines.*** Achieve savings of \$1.0 million GF and \$1.0 million NGF by directing the Department of Medical Assistance Services to work with physicians and pharmacists to encourage the utilization of over-the-counter products when non-sedating antihistamines are needed.
- ***Nonprofit Hospital Participation in Federal 340B Drug Discount Program.*** Saves \$750,000 GF and \$753,910 NGF in FY 2004 by requiring the Department of Medical Assistance Services to work with interested not-for-profit hospitals to enable them to purchase drugs under the federal 340B Drug Pricing Program. Eligible nonprofit hospitals must have a Medicare disproportionate share adjustment percentage greater than 11.75 percent. Prices under the 340B program average 20 percent less than current Medicaid reimbursement levels. In addition to the state's Medicaid savings, eligible hospitals can apply the discounted prices under the 340B program to drugs purchased and dispensed for the hospital's non-Medicaid outpatient population, achieving additional cost savings.
- ***Increase Pharmacy Copayments.*** Reduces funding by \$892,500 GF and \$897,153 NGF in FY 2004 by increasing the current Medicaid copayment for brand name drugs from \$2.00 to \$3.00 per prescription, the maximum level allowed under federal law.
- ***Prior Authorize Certain Prescriptions.*** Generates a savings of \$950,000 GF and \$798,031 NGF in FY 2004 by requiring prior authorization of pharmacy services for nursing home recipients when the number of unique prescriptions requested exceeds nine in

a 30-day period or for non-institutional recipients when the number of unique prescriptions requested exceeds nine in a 180-day period.

- ***Prior Authorize Inpatient Hospital Admissions.*** Implements savings of \$2.0 million GF and \$2.1 million NGF in FY 2003 and \$2.0 million GF and \$2.0 million NGF in FY 2004 by applying stricter interpretations of the current standards for admission to adult and pediatric acute inpatient hospitals. The more rigorous standards have been in place since February 2002.
- ***Prior Authorize Certain Outpatient Services.*** Reduces \$1.3 million GF and \$1.3 million NGF in FY 2004 by requiring prior authorization of several high-cost, non-emergency Medicaid procedures such as Magnetic Resonance Imaging (MRI), Computer Axial Tomography (CAT) scans, and Positron Emission Tomography (PET) scans when provided in Medicaid and FAMIS.
- ***Prior Authorize Additional Visits for Certain Medical Services.*** Achieve savings of \$520,112 GF and \$523,688 NGF in FY 2004 by requiring prior authorization of home health, outpatient rehabilitation, and outpatient psychiatric visits in excess of five when provided in Medicaid and FAMIS. Under current law, additional visits are prior authorized when the number of visits exceeds 32 (home health), 24 (outpatient rehabilitation), and 26 (outpatient psychiatric services). School-based rehabilitation services will not be subject to prior authorization.
- ***Eliminate Substance Abuse Expansion.*** Generate savings of \$1.3 million GF and \$1.3 million NGF in FY 2004 by eliminating a planned Medicaid expansion of substance abuse services beginning April 2004.
- ***Accelerate Family Planning Waiver.*** Achieve savings of \$1.0 million GF and \$1.0 million NGF in FY 2004 by accelerating the scheduled implementation of the Medicaid family planning waiver program, resulting in cost savings for prenatal care, deliveries, and newborn/infant care.
- ***Eliminate Consumer Price Index (CPI) Increase for Medically Needy.*** Generate savings of \$500,093 GF and \$502,700 NGF in FY 2004 by freezing indefinitely a scheduled CPI increase in financial criteria for determining Medicaid eligibility for medically needy individuals. Under this change, recipients who expend their income for medical care and thereby qualify for Medicaid as

“medically needy” will need to spend more of their own resources to become eligible for Medicaid.

- ***Limit Expenditures Counted as Patient Payments.*** Generate savings of \$68,228 GF and \$68,584 NGF by limiting out-of-pocket medical expenditures that count toward Medicaid eligibility to the amount Medicaid or Medicare pays for these services instead of gross charges. In effect, Medicaid recipients will be asked to contribute more toward their cost of care.
- ***Eliminate Transitional Medical Assistance for TANF Recipients.*** Generate savings of \$1.0 million GF and \$1.0 million NGF by eliminating transitional Medicaid coverage at the end of the current fiscal year for Virginia Initiative for Employment not Welfare (VIEW) recipients who lose their financial assistance due to welfare reform time limits. Congress has not reauthorized this provision of federal law.
- ***Reduce Indigent Health Care Trust Funds.*** Reduces general fund support for the Indigent Health Care Trust Fund by \$714,169 in FY 2004. The trust fund reimburses eligible hospitals for a portion of their charity care, defined as hospital care for which no payment is received that is provided to a person whose annual family income is less than 100 percent of the federal poverty level.
- ***Decrease GF Support for State and Local Hospitalization Program.*** Reduces general fund support for the State and Local Hospitalization program by \$183,563 or 1.3 percent in FY 2004. The program, which compensates localities for health care services provided to indigent clients who are not Medicaid recipients, has accumulated balances in the past because localities have not spent their entire allocations.
- ***Chapter 899 Central Account Actions.*** Reduces funding \$1.6 million GF and \$1.6 million NGF in FY 2004 for actions contained in a central account within Chapter 899. This represents a 4 percent across-the-board reduction adopted by the 2002 General Assembly.
- ***October Reductions.*** Reduces funding by \$2.4 million GF and \$2.6 million NGF in FY 2003 and \$2.9 million GF and \$3.0 million NGF in FY 2004 primarily through renegotiating contracts, trimming direct care services, reducing information technology spending, and deferring filling vacant positions. The adopted budget restores cuts in the second year to direct care services as described below.

- **Mental Retardation Training Centers.** The October reductions decreased funding for the state’s mental retardation training centers by \$1.1 million GF in FY 2003 and \$1.5 million GF in FY 2004. The adopted budget restores \$475,000 GF and \$477,475 NGF in FY 2004 for direct care services that were reduced in October 2002.
- **Department of Mental Health, Mental Retardation and Substance Abuse Services (DMHMRSAS)**
 - ***Acute Care Services for Patients Diverted to Community Hospitals.*** Adds \$1.7 million GF in FY 2003 and \$1.9 million GF in FY 2004 to provide short-term inpatient psychiatric treatment at private community hospitals for mentally ill individuals who are diverted from admission to state facilities.
 - ***Shortfall in Community Medications.*** Provides \$1.4 million GF the second year to address a shortfall in funding for medications provided through the Community Services Boards.
 - ***Civil Commitment of Sexual Predators.*** Provides \$200,000 GF in FY 2003 and \$600,000 GF in FY 2004 and language to immediately implement the civil commitment and treatment program for violent sexual predators. Language allows the department to provide housing and treatment at a facility operated by the department or through a contract with public or private facilities within or outside of the Commonwealth. Companion language and funding is added in the Department of Corrections, the Office of the Attorney General and in Central Appropriations to initiate the program. Total budgeted funding for the civil commitment of sexually violent predators amounts to \$700,000 GF in FY 2003 and \$2.2 million GF in FY 2004.
 - ***Transfer Office of the Inspector General and Restore Funds.*** Transfers \$79,600 GF in FY 2004 and 2 positions in the Office of the Secretary of Health and Human Resources to the department to assume the functions of the Office of the Inspector General. The adopted budget also restores \$13,000 GF and one position for the Office to maintain its current staffing level.
 - ***Mental Health Restructuring and Reinvestment.*** Adds language to continue mental health restructuring through the establishment of regional projects to discharge and/or divert patients from state facilities to community care. Language provides for the transfer of

\$11.9 million from three state facilities to begin regional projects in the Eastern State Hospital, Central State Hospital and Western State Hospital catchment areas to provide community services to mentally ill patients discharged or diverted from these state facilities. Language requires the department to identify up to \$2.0 million from department expenditures for bridge funding to ensure continuity of care in transitioning patients to community care and to address one-time, non-recurring expenses associated with the implementation of the reinvestment projects in FY 2004. Approximately \$500,000 is also set aside to begin planning for community reinvestment projects serving Southwest Virginia.

Language is also added to (1) continue collaboration with communities and stakeholders in the development of community reinvestment plans, (2) specify that identified savings be retained in the same geographic service area to enhance and expand community based services, (3) provide employment safeguards for affected facility employees, and (4) retain state financial responsibility for the regional reinvestment projects and public acute inpatient psychiatric services. The Commissioner is also required to report quarterly on the implementation of the regional reinvestment projects.

- ***Forensic Services for Jail Transfers at Central State Hospital.*** Saves \$1.6 million GF in FY 2004 by resuming forensic services for jail transfers at Central State Hospital. During the 1998-2000 biennium, these services were contracted out to a private provider due to renovations of the forensic unit at Central State Hospital and a shortage of available space.
- ***Transfer Alzheimer’s Disease and Related Disorders Commission.*** Transfers \$5,000 GF to the Department for the Aging for the Alzheimer’s Disease and Related Disorders Commission, pursuant to House Bill 2519, passed during the 2003 Session.
- ***October Reductions.*** Reduces funding by \$4.0 million GF and \$339,851 NGF and 83.5 positions in FY 2003 and \$7.2 million GF and \$726,845 NGF and 27 positions in FY 2004 as a result of the October budget reduction actions. These actions implement administrative efficiencies, defer discretionary expenditures, capture vacancy and turnover savings, implement employee furloughs, and eliminate positions within the department’s central office, the mental health facilities and mental retardation training centers.

In addition, October budget actions reduced funding for community services provided through the Community Services Boards by \$14.2 million GF in FY 2003 and \$16.6 million GF in FY 2004. The adopted budget mitigates these cuts by restoring \$2.0 million GF in FY 2003 and \$2.3 million GF in FY 2004, as described below.

- **Substance Abuse Services.** Restores \$2.0 million GF in FY 2003 for community substance abuse services, leaving a total reduction in the first year of \$12.2 million GF from the October budget reductions. The additional funding will ensure that Virginia does not lose matching federal block grant dollars for substance abuse treatment.
- **Community Services.** Restores \$2.3 million GF in FY 2004 to Community Services Boards for services to mentally disabled individuals, leaving a total reduction in the second year of \$14.3 million from the October budget reductions.
- **Chapter 899 Central Account Actions.** Reduces funding by \$12.3 million GF and 63.25 positions the second year to reflect reductions contained in a central account in Chapter 899. This represents a 4 percent across-the-board reduction to the agency in the second year adopted by the 2002 General Assembly.
- **Department of Rehabilitative Services**
 - **Indirect Cost Recoveries.** Adds \$3.5 million NGF each year to reflect the increased use of indirect cost recoveries for agency support activities at the five disability services agencies.
 - **Employment Services.** Adds language to mitigate reductions for long-term employment support services and the extended employment services program by allowing the department to reduce economic development grants up to \$628,000 and use these funds for direct employment services. The economic development grants are used to develop new employment positions.
 - **October Reductions.** The October reductions cut \$3.5 million GF and \$968,640 NGF in FY 2003 and \$3.6 million GF and \$996,337 NGF in FY 2004 by implementing administrative savings, utilizing nongeneral fund accounts, and eliminating some services. The adopted budget restores \$798,789 GF for direct care services in FY

2004. Where funding was restored, additional detail is provided below.

- **Reduce Rehabilitation Services Incentive Fund.** Reduces general fund support by \$700,000 each year for the Rehabilitative Services Incentive Fund, which is used to address unmet or underserved needs for individuals with disabilities through the development of community programs.
- **Reduce Sheltered Employment Services.** The October reductions reduced general fund support by \$486,450 each year for extended employment services that support individuals working in community sheltered workshops. The adopted budget restores \$291,000 in FY 2004 or approximately 60 percent of the October reduction, resulting in a net reduction of \$195,450 in FY 2004. As described above, language is added to further mitigate these reductions by shifting economic development funds to provide employment services.
- **Reduce Long-term Employment Services.** The October reductions reduced general fund support by \$362,094 in FY 2003 and \$325,944 in FY 2004 for long-term employment services for individuals with significant disabilities. The adopted budget restores \$195,000 in FY 2004 or approximately 60 percent of the October reduction, resulting in a net reduction of \$130,944. As described above, language allows up to \$628,000 from other DRS grant funds be used to partially offset the remaining reductions.
- **Reduce Centers for Independent Living Funding.** In October, general fund support was reduced by \$317,169 in FY 2003 and \$285,504 in FY 2004 for Centers for Independent Living (CILs). The adopted budget restores one-half of the reduction in FY 2004, resulting in a net decrease of \$142,752 in FY 2004. CILs provide life skills and training designed to allow persons with disabilities to live independently.
- **Reduce Brain Injury Services.** The October budget reductions decreased general fund support by \$226,074 each year for brain injury services. The adopted budget restores \$170,037 in FY 2004 or 75 percent of the October reduction, resulting in a net decrease of \$56,037 in FY 2004.

- **Chapter 899 Central Account Actions.** Adjusts funding by \$1.1 million GF in FY 2004 for reductions contained in a central account within Chapter 899. This represents a 4 percent across-the-board reduction adopted by the 2002 General Assembly.
- **Department of Social Services**
 - **Mandated Foster Care Maintenance.** Adds \$2.4 million GF each year for increasing caseloads in the federal Title IV-E foster care program and to pay for those children that require intensive residential services.
 - **Adoption Subsidies.** Adds \$2.1 million GF in FY 2004 to pay adoptive families for the cost of caring for children with special needs and to fund caseload increases in the number of families eligible for federal Title IV-E adoption subsidies.
 - **Auxiliary Grant Rate Increase.** Provides \$1.1 million GF to increase the auxiliary grant paid to assisted living facilities for certain aged and disabled persons from \$841 per month to \$854 per month, effective July 1, 2003. The rate increase also expands the number of persons eligible for the auxiliary grant. Since auxiliary grant recipients are eligible for Medicaid enrollment, there are associated increases in Medicaid costs. A total of \$387,595 GF and \$389,616 NGF is added in the Department of Medical Assistance Services for the increased number of Medicaid-eligible auxiliary grant recipients.
 - **Consolidation of Local Departments of Social Services.** Adds language requiring the Commissioner to evaluate criteria and propose incentives for consolidating local social services departments, in cooperation with localities. A report is due to the Governor and General Assembly by September 1, 2003.
 - **Expenditure of the Federal TANF Grant Balance.** Reduces the estimated TANF balance as of June 30, 2002 by \$250,000 to reflect the actual balance of \$46.7 million. Language reduces most existing TANF grants to community organizations by 15 percent in FY 2004 as part of a strategy to begin bringing the TANF grant into structural balance in the 2004-06 biennium. Language earmarks additional TANF funds in FY 2003 and FY 2004 for Community Action Agencies, Healthy Families, Hampton Healthy Start, CHIP of Virginia, and teen pregnancy prevention programs, as part of general fund reduction strategies. As a result, the year-end balance

in FY 2003 and FY 2004 is estimated at \$26.3 million and \$4.0 million, respectively. The following table provides a summary of federal TANF grant spending.

Federal TANF Expenditure Plan (2002-04)		
Federal Funds Only		
<u>Income</u>	<u>FY 2003</u>	<u>FY 2004</u>
Beginning Balance	\$46,705,250	\$26,344,971
Annual Federal TANF Grant	<u>158,285,000</u>	<u>158,285,000</u>
Subtotal Income	\$204,990,250	\$184,629,971
 <u>Expenditures</u>		
Welfare Payments & Mandated Services	\$94,876,252	\$97,560,229
Transfers to Other Block Grants	41,450,958	41,443,458
Expanded TANF Programming	<u>42,318,069</u>	<u>41,626,284</u>
Subtotal Expenditures	<u>\$178,645,279</u>	<u>\$180,629,971</u>
Year-end Balance	\$26,344,971	\$4,000,000
 <u>Expanded TANF Programming</u>		
Child Advocacy Centers	\$200,000	\$100,000
Economic Improvement Program	200,000	170,000
Food Bank Expansion	250,000	212,500
Hard to Serve Employment Projects	3,000,000	2,550,000
Hard to Serve Employment Proj. in DRS	837,500	711,875
Local Domestic Violence Grants	1,250,000	1,062,500
Local Foster Care/Adoptions Staff	9,300,000	9,300,000
Virginia's Mentoring Initiative	90,000	76,500
St. Paul's College	100,000	85,000
Transportation Grants (Access to Jobs Funds)	2,500,000	2,125,000
Centers for Employment & Training	750,000	637,500

Children's Trust Fund	76,840	65,314
Homeless Assistance	4,250,000	4,910,128
Greater Richmond Transit Company	200,000	200,000
One-to-One Mentoring	50,000	42,500
Opportunity Knocks	500,000	425,000
People, Inc.	50,000	42,500
United Community Ministries	50,000	42,500
Craig County Day Care (transfer to CCDF)*	transfer	transfer
Va. Health Care Found. (transfer to SSBG)**	transfer	transfer
Community Eligible Services Grants	6,000,000	4,190,368
Comp. Services Act Trust Fund Grants	1,064,245	1,064,245
Welfare Reform Phase II Expenditures	580,092	0
Community Action Agencies	1,544,592	3,775,399
Healthy Families & Hampton Healthy Start	4,724,800	4,599,800
Programs in the Va. Department of Health:		
CHIP of Virginia	1,700,000	2,245,155
Teenage Pregnancy Prevention Projects:	600,000	910,000
Partners in Prevention	1,000,000	850,000
Virginia Fatherhood Campaign	400,000	340,000
Right Choices for Youth	\$391,000	\$332,350
Abstinence Program	211,000	179,350
Resource Mothers Sibling Program	208,000	176,800
Domestic Awareness Campaign	150,000	127,500
Pregnancy Prevention Mentoring	90,000	76,500
Total Expanded TANF Programming	\$42,318,069	\$41,626,284
*The Craig Co. Day Care transfer totals \$50,000 in FY 2003 and \$42,500 in FY 2004 from the TANF block grant to the Child Care Development Fund (CCDF) Block Grant.		
**The Virginia Health Care Foundation transfer totals \$200,000 each year from the TANF block grant to the Social Services Block Grant (SSBG).		

- ***Establishing Child Care as Priority in Future Years.*** Language is added to require the Governor to consider providing additional child care funding when preparing the 2004-06 biennial budget and implementing new federal TANF legislation. Priority should be given to providing an additional 12 months of day care assistance to those no longer receiving TANF assistance, revising eligibility policies to reflect the high cost of child day care in certain areas of the Commonwealth, and adjusting reimbursement rates to reflect current market rates.
- ***Food Stamp Eligibility and Benefits.*** Adds language to permit the reporting on federal Food Stamp eligibility every six months instead of every time income changes. This provides administrative relief for local departments of social services and should reduce eligibility error rates. Language is also added to provide five months of transitional Food Stamp benefits for households whose TANF cash assistance is terminated.
- ***Virginia Caregivers Grant Program.*** Adds \$100,000 GF in FY 2004 for the Virginia Caregivers Grant Program. The program provides up to \$500 per year for caregivers who have an adjusted gross income between \$5,000 and \$50,000 and who provide unreimbursed care to a physically or mentally impaired relative who requires assistance with two or more activities of daily living more than one-half of the year.
- ***Consolidate Two Privatized Child Support Offices.*** Adds 25 positions in the Division of Child Support Enforcement to allow for the consolidation of two privatized Child Support offices in Northern Virginia. Positions are transferred from vacancies and turnover in other divisions within the department.
- ***October Reductions.*** Reduced funding by \$14.6 million GF in FY 2003 and \$13.4 million GF in FY 2004, while increasing nongeneral funds by \$13.8 million in FY 2003 and \$11.4 million in FY 2004 as a result of the October budget reduction actions. In addition, 55 positions are added, primarily to replace information system contractors with state classified employee positions at a lower cost. The adopted budget restores \$1,125,000 GF for community programs that were reduced in October. The October reductions and restored items described below.
 - ***Substitute TANF for GF for Community Action Agencies.*** The October reductions substituted \$3.1 million in FY 2004

from the TANF block grant for the general fund appropriation for community action agencies and provided an additional \$450,120 in TANF funds in FY 2004 to offset the loss of matching funds. TANF funding for Community Action Agencies from Chapter 899 and the October actions totaled about \$4.8 million NGF in FY 2004. The adopted budget restores \$1.0 million GF in FY 2004 and reduces an equivalent amount of federal TANF funding for community action agencies. With this restoration, the adopted budget provides \$1.0 million GF and \$3.8 million NGF in TANF funds in FY 2004 for Community Action Agencies.

- **Substitute TANF for GF for Healthy Families/Healthy Start.** The October reductions substituted \$975,000 in FY 2003 and \$1.8 million in FY 2004 from the TANF block grant for the general fund appropriation for Healthy Families and Hampton Healthy Start projects, and provided an additional \$500,000 in TANF funds each year to offset the loss of matching funds. TANF funding for Healthy Families and Hampton Healthy Start from Chapter 899 and the October actions totaled \$4.7 million NGF in FY 2004. The adopted budget restores \$125,000 GF in FY 2004 and reduces an equivalent amount of federal TANF funding for Healthy Families Virginia. With this restoration, the adopted budget provides \$125,000 GF and \$4.6 million NGF in TANF funds in FY 2004 for these projects.
- **Substitute Federal Day Care Balances for GF in Day Care Subsidies.** Reduces general fund support by \$3.5 million in FY 2003 for child day care subsidies to low-income, working parents of school age children and substitutes one-time balances in the federal Child Care and Development Fund. No services are reduced or lost through this action.
- **Substitute Pre-kindergarten Expenses in DOE for GF to Match Federal Day Care Funds.** Reduces general fund match in the department for federal day care funds by \$3.0 million in FY 2003 and \$3.4 million in FY 2004. Instead, pre-kindergarten expenses in the Department of Education (DOE) are substituted as the general fund match for the federal funds.
- **Substitute Federal Funds and Streamline Administration of Local Social Services.** Reduces \$3.6 million GF and

increases \$3.0 million NGF in FY 2003 and reduces \$1.5 million GF in FY 2004 for the administration of local social services by substituting one-time federal reimbursements and merging the Food Stamp employment training program with the one-stop career system administered by the Virginia Employment Commission.

- **Reduce Staff in Regional Offices.** Cuts \$950,000 GF and \$950,000 NGF and 20 positions in FY 2004 in the five regional offices to eliminate activities that are carried out by central office staff.
 - **Reduce Staff in Central Office.** Cuts \$550,000 GF and \$550,000 NGF and 13 positions in the central office.
 - **Substitute Federal Incentive Funds for GF in Child Support Enforcement.** Reduces \$4.1 million GF each year in the Division of Child Support Enforcement and replaces it with \$3.1 million NGF in FY 2003 and \$3.3 million NGF in FY 2004 from additional revenue earned from federal performance incentive award funding.
 - **Substitute NGF for GF in Child Day Care.** Substitutes \$779,462 GF in FY 2003 and \$792,705 GF in FY 2004 with other nongeneral fund sources of matching dollars for federal day care funds. No services are reduced or lost through this action.
 - **Chapter 899 Central Account Actions.** Reduces funding by \$3.3 million GF and increases funding by \$1.7 million NGF the second year to reflect reductions contained in a central account in Chapter 899. This represents a 4 percent across-the-board reduction to the agency in the second year adopted by the 2002 General Assembly.
- **Virginia Board for People with Disabilities**
 - **Budget Reductions.** Reduces \$5,785 GF in FY 2004 for reductions contained in a central account within Chapter 899. This represents a 4 percent across-the-board reduction adopted by the 2002 General Assembly. In October, the Governor reduced the Board's general fund budget by \$19,169 in FY 2003 and \$20,371 in FY 2004 through restructuring a service contract and reducing clerical staff.
 - **Department for the Blind and Vision Impaired Services**
 - **Budget Reductions.** Reduces \$274,533 GF in FY 2004 for reductions contained in a central account within Chapter 899. This represents

a 4 percent across-the-board reduction adopted by the 2002 General Assembly. In October, the Governor reduced the department's budget by \$798,421 GF and \$75,150 NGF in FY 2003 and \$922,481 GF and \$75,150 NGF in FY 2004 by utilizing federal funds for rehabilitation teachers, reducing staff, and eliminating grants provided to service providers.