

## Health and Human Resources

Amendments, as adopted, for Health and Human Resources (HHR) agencies increase spending by a net \$173.9 million GF and \$812.7 million NGF over the biennium. This total reflects new biennial spending of \$508.7 million GF offset by reductions of \$334.8 million GF. Almost 76 percent of the additional general fund spending within HHR is provided to comply with federal and state mandates, including the Department of Justice's letter on February 10, 2011 regarding services for individuals with intellectual and developmental disabilities. One-third of the new nongeneral spending (\$265.6 million) is attributable to the receipt of additional enhanced federal Medicaid matching funds (FMAP) provided to the states through federal legislation passed in August, 2010.

Changes in Medicaid and Family Access to Medical Insurance Security (FAMIS) enrollment, utilization and costs, as well as additional federal requirements related to program operations, account for about 34 percent (\$172.7 million) of the new general fund spending in HHR. Enrollment in these programs continues to increase, albeit at slightly lower rates than last year. A portion of this additional funding (\$10.3 million GF) is needed to backfill lower than anticipated revenues in the Virginia Health Care Fund, which offsets general fund spending in the Medicaid program. Revenues to the fund are projected to decline, including reductions of: (1) \$5.7 million in FY 2011 from the Tobacco Master Settlement Agreement revenues; (2) \$3.6 million in FY 2011 and \$0.3 million in FY 2012 from tobacco tax revenues; and (3) \$0.6 million GF in FY 2011 from prior-year Medicaid recoveries.

On February 10, 2011, the Department of Justice (DOJ) delivered a letter to Governor McDonnell citing the Commonwealth for "operational issues" at the state intellectual disability (ID) training centers and "insufficient capacity" to deliver care to individuals with ID who are residing in the community. To address the issues raised by the DOJ's letter to the Commonwealth, the General Assembly allocated \$86.9 million from the general fund to transition individuals from state ID training centers into the community and build community-based capacity to serve individuals in need of care. Specific general fund appropriations that directly or indirectly address the DOJ's concerns in FY 2012 include:

- \$30.0 million to create a broad array of community-based services to transition individuals currently residing in state facilities to the community;
- \$14.4 million to restore funding for reimbursement rates to providers of home- and community-based waiver services;
- \$13.4 million to restore funding for respite care services delivered to home- and community-based waiver recipients;
- \$9.0 million to add 275 intellectual disability waiver slots;
- \$8.9 million to improve community-based care for individuals with mental illness including those with dual-diagnoses of ID;

- \$7.1 million to improve staff ratios at state ID training centers; and
- \$2.2 million to add 150 developmental disability waiver slots.

Other major mandatory spending contained in the budget includes:

- \$16.8 million GF in FY 2012 to address the treatment needs of an increasing number of sexually violent predators committed to the Virginia Center for Behavioral Rehabilitation (VCBR);
- \$12.5 million GF for child support enforcement operations, to restore the general fund base in FY 2012 and make up for a shortfall in revenue collections of past due payments received on behalf of Temporary Assistance to Needy Families clients;
- \$5.4 million to replace lost federal matching funds due to Medicaid decertification of Hancock Geriatric Center at Eastern State Hospital in fall 2010, and to increase staffing to comply with federal guidance; and
- \$2.4 million to restore payment rates for assisted living providers serving Auxiliary Grant recipients, due to maintenance of effort requirements contained in the federal health care reform legislation.

The approved budget also contains \$96.5 million GF in additional discretionary spending items. Of this amount \$81.9 million GF is to restore or mitigate reductions contained in Chapter 874 of the 2010 Acts of Assembly primarily related to the Medicaid program. Specifically, the budget includes \$70.3 million from the general fund to restore funding for inpatient hospital services, physician and dental care, nursing homes, and hospitals that have neonatal intensive care units that serve a high-volume of Medicaid patients. An additional \$11.6 million GF is provided to reverse actions taken in previous sessions such as supplanting general funds with increases in restaurant fees, reducing funds for local departments of social services, and eliminating geriatric care for individuals with mental illness at state facilities. Caseload adjustments totaling \$10.1 million GF and other spending of \$4.6 million GF account for the remaining spending within HHR.

Spending reductions total \$334.8 million GF over the biennium and are comprised of \$140.8 million in forecast changes to Medicaid and FAMIS and adjustments to align appropriations with projected spending (e.g., pharmacy rebates, involuntary mental health commitments), \$160.4 million by replacing general fund monies with other resources, \$17.8 million through various Medicaid budget reduction strategies, and \$15.8 million in agency administrative reductions and efficiencies.

- **Secretary of Health and Human Resources**

- *Fund Operational and Programmatic Review of HHR Agencies.* Adds \$700,000 GF in FY 2012 to fund up to four Secretariat-wide performance audits of Health and Human Resources agencies pursuant to Chapter 828 of the 2010 Acts of Assembly, which directs the Governor to initiate an operational and programmatic performance review of the agencies under the Secretary of Health

and Human Resources and complete the review by December 1, 2011. The goal of the review is to reduce expenditures, reduce duplication of effort, and achieve programmatic efficiencies.

- ***Reduce Funding for Child Advocacy Centers.*** Reduces \$54,000 from the general appropriation for child advocacy centers the second year to be consistent with other small agency reductions. Using multi-disciplinary teams, child advocacy centers assist children who have experienced child or sexual abuse.

- **Comprehensive Services for At-Risk Youth and Families (CSA)**

- ***Therapeutic Foster Care (TFC) Services.*** Restores \$7.5 million GF to maintain funding for therapeutic foster care services at the current statewide matching rate. The introduced budget had reduced \$7.5 million GF in FY 2012 by increasing the local match rate for therapeutic foster care services to that required for residential services. Budget language also requires the State Executive Council (SEC) to standardize the definition of TFC including uniform service need criteria, placement goals, and contracting requirements. The SEC is also required to authorize regional contracts for TFC in rural areas or areas with few providers. Finally, new language requires annual reporting beginning September 1, 2011 on the provision of TFC services including the number of children served, average cost, type of service provided, length of stay, referral source and ultimate disposition.
- ***Services for “Non-mandated” Children in CSA.*** Restores \$5.0 million GF in FY 2012 for services to children who are not mandated for CSA services. The introduced budget had eliminated this funding in FY 2012 for children who enter the CSA system through court referrals or the mental health system but are considered a “non-mandated” population. CSA services are mandated for children in foster care and special education, or those at risk of placement in the state’s custody if treatment is not provided. About 60 percent of localities currently serve non-mandated children.
- ***Services Provided in Public Schools.*** Reduces funding by \$3.9 million GF in FY 2012 by increasing the local match rate for non-educational services that assist special education students in the public school system to prevent a more restrictive placement. This change would equalize the match rate for these services to that of other CSA services for special education students. On average, the local share would increase from about 17 percent to 34 percent. Language is added requiring the State Executive Council (SEC) to develop a plan to serve children in the least restrictive setting through the appropriate use of these services including, clear guidelines on the use of home and community-based services and training to localities on the use of CSA pool funds for supportive services provided in home and school-based settings. The plan is to be reported to the money committees by October 1, 2011.
- ***CSA Reporting Requirements.*** Adds language requiring annual reports on the

provision of special education services provided through CSA including day treatment and residential services. Data must include the number of children served, average cost, type of service provided, length of stay, referral source and ultimate disposition of the case.

- ***Utilization of Services.*** Reduces spending by \$1.0 million in FY 2011 to reflect lower utilization of certain mandated CSA services. Policy changes adopted by the State Executive Council in FY 2008 pursuant to an Attorney General’s opinion requires CSA to provide mental health services to children and adolescents who are at-risk of placement in the state’s custody if treatment is not provided. These services are provided to children through parental agreements. The number of children qualifying for CSA services through these agreements has been fewer than originally projected.
- ***Examine Billing System Change.*** Language is added requiring the Office of Comprehensive Services, in collaboration with the Department of Medical Assistance Services (DMAS), to explore the costs and potential savings of transferring the CSA billing system to DMAS as well as the timeframe for implementation. Language requires a report to the Governor and Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2011.

- **Department for the Aging**

- ***Care Coordination for the Elderly.*** Restores \$11,000 GF in FY 2012 for care coordination services provided in Prince William County. Last year, statewide funding for care coordination services was reduced by ten percent.
- ***Administrative Reductions and Vacant Positions.*** Reduces general fund support by \$135,549 in FY 2011 and \$27,551 in FY 2012 due to vacancies in the Commissioner and Deputy Commissioner of Operations positions, and by limiting discretionary spending.
- ***Reduce Funding for Grants.*** Reduces funding by \$96,397 GF in FY 2011 and \$156,236 GF in FY 2012 by capturing unawarded grant funds for the respite care initiative program and reducing funding for 11 pass-through grants to nonprofit aging organizations by 6 percent. The grant for Oxbow Center is reduced by 58 percent in FY 2011 and eliminated in FY 2012 since the center discontinued providing adult day health care services on December 1, 2010.

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

- ***Modify Requirements for Employment Levels at the Relay Center in Norton.*** Language is modified requiring the Relay Center to maintain at least 85 positions, unless during the prior contract period the employment level has been reduced to less than 85 positions through attrition, voluntary separation, transfers, voluntary retirements and disability retirements. The employment level of the subsequent contract may reflect the employment level at the end of the previous contract

period, but may not be less. The center is prohibited from filling vacant positions unless employment drops below 75 positions.

The number of calls processed by the Relay Center declined by 53 percent between 2003 and 2009, while the average number of minutes handled by a relay operator declined from 5,000 minutes to 1,800 minutes per operator per month. At present, the Relay Center maintains the minimum number of required positions which does not reflect the decreased demand for relay services.

- **Department of Health**

- ***Administrative Reductions and Efficiencies.*** Reduces \$1.5 million GF in FY 2011 and \$1.5 million GF in FY 2012 through a combination of administrative reductions and program efficiencies. Budget strategies restrict discretionary spending, travel, and hiring, and promote other operational efficiencies. Budget language requires the Commissioner of Health to maintain funding for children’s dental services and child assessment clinics.
- ***Reduce General Fund Match for Maternal and Child Health Block Grant.*** Reduces \$1.0 million in FY 2012 for the state general fund match for the federal Maternal and Child Health Block Grant in the Office of Family Health Services. The program will use other general fund resources to meet the grant’s matching requirements. Savings will be achieved through administrative efficiencies and controls on discretionary spending, travel and hiring.
- ***Supplant General Funds for Dental Program Activities with Maternal and Child Health Block Grant Funds.*** Supplants \$715,504 GF in FY 2012 with federal Maternal and Child Health Block Grant funds for central office dental program activities.

***New Spending***

- ***Added Funding for the AIDS Drug Assistance Program (ADAP).*** Adds \$3.6 million GF the first year and \$2.6 million GF the second year to address a shortfall in funding for the ADAP program. The program provides medications to low-income, uninsured individuals with HIV/ AIDS. Increasing numbers of individuals in need of medications and rising costs to provide medications has required the agency to implement a waiting list for the program. Budget language requires the department to track patients being transitioned to private pharmacy assistance programs or other programs and report on the development of a waiting list for services.
- ***Reduce Restaurant Annual Permit Renewal Fees.*** Adds \$4.3 million GF in FY 2012 to eliminate an increase in annual food establishment fees approved by the General Assembly in 2008 and 2010. In recent years, inspection fees were increased to offset the department’s costs of licensing restaurant facilities. This action reduces most of these fees from \$285 to \$40.

- ***Restore Funding for the Office of the Chief Medical Examiner (OCME).*** Provides \$2.5 million GF in FY 2012 to restore general fund support for the operation of the Office of the Chief Medical Examiner. Chapter 874 restored general fund support for the OCME in lieu of an increase in Vital Records fees in the first year only.
- ***Office of Licensure and Certification.*** Restores \$604,415 GF in FY 2012 for the operations of the Office of Licensure and Certification, in lieu of an increase in health facility licensing fees. Chapter 874 provided funding to restore \$400,000 GF for operating costs of the Office in FY 2011 only.
- ***Plan First Family Planning Waiver Program and Abstinence Education.*** Adds \$500,000 GF in FY 2011 and one position to expand outreach efforts to enroll more eligible individuals in the Medicaid program’s Plan First Family Planning Waiver services, thereby reducing the incidence of pregnancy and the need for abortion services. In addition, \$382,688 GF and \$507,285 NGF in FY 2012 is provided to re-establish funding for the federal Title V State Abstinence Education grant program.
- ***Restore Funding for the Marina and Shellfish Sanitation Program.*** Restores \$64,250 GF in FY 2012 for required matching funds for the Clean Vessel Act Grant and construction assistance for sewage pump-out facilities, and to support education activities and inspections for the Marina Program. The adopted budget also restores \$150,150 GF in FY 2012 to address increasing costs and workload issues for the shellfish sanitation program. Chapter 874 had restored general fund support for both programs in FY 2011 only.
- ***Public Private Partnership for Dental Services.*** Adds language requiring the Commissioner of Health to work with public and private providers to expand access to dental services in underserved regions of the Commonwealth. The list of options shall include private-public partnerships to develop and staff facilities, the use of dental hygiene and dental students, and the availability of other mechanisms and resources to expand services.
- ***Review Opportunities to Reduce Nutrient Pollution.*** Includes language requiring the Commissioner of Health to work with the Department of Environmental Quality to review opportunities to expand the reuse of wastewater in order to reduce nutrient pollution in surface waters of the Commonwealth. In addition to convening a group of stakeholders to assist in identifying opportunities, the review shall include an examination of practices used in other states to reduce surface water discharges by reusing wastewater. Language requires a report on recommendations to the Governor and General Assembly by October 1, 2011.
- ***Certificate of Public Need Exception for Planning District 14.*** Adds budget language requiring the Commissioner of Health to accept an application to approve a request for five additional nursing home beds from a facility located in Planning District 14 (Southside Virginia).

- ***Restore Nongeneral Funds for CHIP of Virginia.*** Adds \$500,000 NGF from federal TANF funds the second year for CHIP of Virginia to offset a general fund reduction of \$843,000 included in Chapter 874 in FY 2012.
- ***Added Nongeneral Funds for Public Health Activities.*** Provides an increase in nongeneral funds to reflect additional grants from various federal sources to support the public health system. These grants are listed below:
  - \$4.0 million NGF in FY 2012 for the continuation of an American Recovery and Reinvestment Act grant for the Commonwealth Health Information Management and Exchange System Grant. The grant is scheduled to end in FY 2013.
  - \$500,000 NGF in FY 2012 to coordinate a federal grant to increase home visiting programs and ensure collaboration of services for at-risk families. These programs provide maternal, infant and early childhood support to families with the goal of having children enter school healthy and ready to learn.
  - \$370,938 NGF for a Health Resources and Services Administration (HRSA) grant for the First Time Mother/ New Parent Initiative. The initiative will establish a partnership with the Department of Social Services 2-1-1 VIRGINIA system to provide information through phone and internet format on services available to assist these families.
  - \$320,747 NGF in FY 2012 for a Centers for Disease Control and Prevention (CDC) Epidemiology and Laboratory Capacity grant to build public health capacity as part of the implementation of federal health care reform.
  - \$300,000 NGF in FY 2012 for a new CDC grant to improve the public health infrastructure through performance management and assessment of systems improvements.
  - \$140,000 NGF in FY 2012 to manage the new National Office of Minority Health grant program to improve minority health and eliminate health disparities. Activities will include continued efforts to conduct a health impact assessment, development of a Health Equity Plan, and increasing the agency's capacity to conduct culturally and linguistically appropriate services training.
  - \$114,625 NGF in FY 2011 and \$109,158 NGF in FY 2012 from a federal grant to support the Office of Environmental Health activities to implement best management practices for new and existing onsite sewage systems.

### ***Other Budget Actions***

- ***Additional Positions for Workload and Grant Increases.*** Adds 65 positions to the agency’s maximum employment level in FY 2012 to support increasing workloads in public health services and support for a number of federal grants the agency has received. The adopted budget also adds 95 positions to expand participation in the Women, Infants and Children (WIC) program and to integrate the Child and Adult Feeding Program and the Summer Feeding Program.

- **Department of Medical Assistance Services**

### ***Forecast Changes***

- ***Medicaid Utilization and Cost Increases.*** Reduces \$87.6 million GF and adds \$376.6 million NGF in FY 2011, and adds \$157.1 million GF and \$135.2 million NGF in FY 2012 to fund utilization and costs of medical services for the Medicaid program. Nongeneral funds are comprised of matching federal Medicaid dollars. While Medicaid enrollment of low-income families with children continues to grow, the rate of growth is lower than the rate assumed when the budget was adopted. At the same time, the number of individuals in need of long-term care and the cost of long-term care services, primarily home and community-based waiver services are growing. In addition, expenditures for children’s mental health services are increasing rapidly.

The receipt of \$265.6 million of enhanced federal FMAP funding provides additional NGF to mitigate (1) FY 2011 general fund reductions to eligibility, provider rates and services in FY 2011 and (2) FY 2012 general fund reductions related to eligibility changes.

- ***Adjust Funding to Reflect Enhanced FMAP for DBHDS Facilities and CSA.*** Reduces \$11.4 million GF and adds \$34.5 million NGF in FY 2011 to reflect the receipt of enhanced federal Medicaid matching funds (FMAP) for services provided to Medicaid-eligible individuals in state mental health facilities and intellectual disability training centers and those served through the Comprehensive Services Act program.
- ***Family Access to Medical Insurance Security (FAMIS) Caseload and Costs.*** Reduces funding by \$9.4 million GF and \$17.5 million NGF in FY 2011 and adds \$9.7 million GF and \$18.1 million NGF in FY 2012 to address changes in caseload and expenditure growth for the FAMIS program. FAMIS spending is projected to be substantially lower in FY 2011 than originally anticipated, growing by only 1.7 percent. Expenditures in FY 2012 are projected to grow by 8.4 percent, slightly higher than the 7 percent anticipated when the budget was passed last year. Children under the age of 19 in families with income between 133 and 200 percent of poverty are eligible for this program.



- ***Medicaid State Children’s Health Insurance Program (SCHIP) Caseload and Costs.*** Reduces the general fund by \$3.2 million in FY 2011 and \$4.7 million in FY 2012 and reduces matching federal Medicaid funds by \$6.8 million in FY 2011 and \$9.6 million in FY 2012 for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level. The federal government matches Medicaid expenditures for these children at the same rate that is provided for the FAMIS program (about 65 percent). Enrollment in this program is lower than projected last year and costs are lower due to smaller than expected increases in managed care rates.
- ***Adjust Funding for Involuntary Mental Commitments.*** Reduces \$882,450 GF in FY 2011 and \$825,416 GF in FY 2012 for hospital and physician costs related to temporary detention orders. Projected expenditures are expected to be slightly less than last year’s estimates.
- ***Virginia Health Care Fund (VHCF).*** Adds \$10.0 million GF in FY 2011 and \$0.3 million GF in FY 2012 and reduces a like amount of nongeneral funds each year as a result of lower than estimated revenues to the Virginia Health Care Fund. Established in 2004, the VHCF is comprised of tobacco tax revenues, a portion of the tobacco master settlement agreement (MSA) payments, and prior-year Medicaid recoveries. Because revenues in the fund are used to match federal Medicaid funds, lower revenue to the Fund results in the need for additional general fund monies. Funding from the MSA payments is estimated to be \$5.7 million lower than originally projected. In addition, tobacco tax revenues are estimated to be \$3.6 million lower than projected and prior-year Medicaid recoveries deposited into the fund are expected to be \$636,451 lower in FY 2011.

***Funding Increases***

- ***Add 275 Intellectual Disability Waiver Slots.*** Provides \$9.0 million GF and \$9.0 million NGF from federal matching funds in FY 2012 to provide an additional 275 intellectual disability (ID) waiver slots. The current budget includes funding for 250 additional ID waivers in FY 2011.
- ***Add 150 Developmental Disability Waiver Slots.*** Provides \$2.2 million GF and \$2.2 million NGF from federal matching funds in FY 2012 to provide 150 developmental disability (DD) waiver slots. New DD waiver slots have not been added since 2007.
- ***Health Information Technology Initiative.*** Adds \$1.1 million GF and \$4.0 million in federal matching funds in FY 2011 and 2.0 positions, and \$3.5 million GF and \$23.8 million in federal matching funds in FY 2012 and an additional 2.0 positions to fund the Health Information Technology/ Medicaid Information Technology Architecture Program. The program will allow the Health Information Exchange required under the federal health care reform legislation to implement electronic health records and communicate with state health systems. DMAS will serve as the single state agency authorized to draw down federal funds from the Centers

for Medicare and Medicaid Services (CMS). The federal match rate for funding these technology changes is 90 percent.

Funding will be used to: (1) provide program management, oversight and staffing support to more than 20 projects comprising the initiative; (2) develop and implement the technical infrastructure necessary to connect the state health systems to the Health Information Exchange, and demonstrate that Medicaid providers can implement technology needed to produce and use electronic health records; (3) establish an eligibility determination website to allow for individual application for Medicaid through a web-based portal; and (4) pay for DMAS participation in the Health Information Exchange which must be supported through participant fees.

Language is also included for the Virginia Information Technologies Agency referencing the Medicaid Information Technology Architecture Program and related projects totaling \$93.0 million, which will be implemented over the next seven years at a state cost of \$9.8 million.

- ***Fund Medicaid Provider Incentive Program.*** Provides \$442,350 GF and \$4.0 million NGF from federal matching funds in FY 2011 and \$821,343 GF and \$7.4 million NGF and two positions in FY 2012 to enable health care providers to receive federal funding to adopt the use of electronic health records. Federal law requires that the funding be made available through the state Medicaid agency. DMAS is responsible for administering the program, conducting outreach, determining eligibility for funding, making the payments to qualified health care providers, and providing technical support. The two positions will be responsible for managing and overseeing the contractors and project management. The federal match rate for this program is 90 percent.

The approved budget also adds language mandating the electronic submission of claims and the electronic processing of provider payments as a condition of participation in the Medicaid and FAMIS programs, effective October 1, 2011 for new providers and July 1, 2012 for existing providers. Language allows for a process to be developed to allow exemptions from this mandate, if necessary.

The budget also includes \$20.0 million NGF from federal grant awards the second year to reflect payments to professionals and hospitals to acquire electronic health records. Over a six-year period it is estimated that \$250.0 million from federal grants will be available to pay providers through this program.

- ***Fund Mandated Updates to the Medicaid Management Information System.*** Provides \$501,624 GF and \$4.5 million NGF from federal matching funds in FY 2011 and one position, and \$618,904 GF and \$5.6 million NGF and an additional position in FY 2012 to update electronic data interchange transaction and hospital code sets in the Medicaid Management Information System required by federal law. Electronic data interchange transactions are required to be upgraded by January, 2012 and diagnosis and inpatient hospital code sets must be upgraded by

October, 2013. Funding will be used for systems changes, training and staffing.

- ***Additional Funding for Hospitals with High-Volume Medicaid Cases in Neonatal Intensive Care Units (NICU).*** Provides \$1.4 million GF and \$1.4 million NGF from federal Medicaid matching funds in FY 2012 to provide additional funding for hospitals that experience a high-volume of Virginia Medicaid patients in their neonatal intensive care units. Of this amount, \$1.0 million GF the second year is combined with existing funding of \$950,000 GF to establish a supplemental physician payment program for freestanding children's hospitals with Medicaid utilization greater than 50 percent. Children's Hospital of the King's Daughters (CHKD) is the only hospital that qualifies for the supplemental payment program. The additional \$950,000 GF is made available by discontinuing indirect medical education payments for CHKD on June 30, 2011. In total, \$3.9 million from all funds in FY 2012 will allow CHKD to reduce the subsidy it provides to physician specialty groups. The remaining \$350,000 from the general fund will be used to restore indirect medical education payments to INOVA Fairfax Hospital (\$250,000) and Johnson City Memorial Hospital (\$100,000) to address the high volume of NICU Medicaid patients they see. These general fund amounts will be matched by federal Medicaid funding.
- ***Outsource Provider and Recipient Call Center.*** Adds \$224,072 GF in FY 2011 and \$470,728 GF in FY 2012, and a like amount of federal matching funds each year to outsource the agency's call center for Medicaid providers and clients. The call center handles more than 180,000 calls annually, but uses obsolete technology that is not produced or supported in the industry. Upgrading the technology is not cost effective. Outsourcing will result in a reduction of 16 positions in FY 2012.
- ***Fund Costs to Handle Increased Appeals.*** Adds \$614,538 GF and a like amount of federal matching funds in FY 2012 and 9.0 positions to handle an 89 percent increase in appeals filed by Medicaid recipients and providers over the past five years. Appeals per position have increased from 157 in FY 2005 to 289 in FY 2010. A federal court order requires that all appeals be processed within 90 days and expedited processing times are required by federal regulations. In addition, the *Code of Virginia* and state regulations set forth requirements for the timely processing of appeals, documentation, conduct, and issuance of decisions. Failure to meet a deadline in any provider appeal results in an automatic default against the Commonwealth and the forfeiture of the right to collect all identified overpayments along with the potential award of legal fees and costs to the provider.
- ***Fund Administrative Cost of the Virginia Health Reform Initiative.*** Adds \$62,500 GF in FY 2011 and \$187,500 GF in FY 2012 and a like amount of federal matching funds each year to support the Office of Health Reform in the Office of the Secretary of Health and Human Resources, which is coordinating the planning and implementation of federal health care reform. Virginia has received a federal planning grant of \$1.0 million from September, 2010 through September, 2011 to research, investigate, plan and help administer the Health Information Exchange.

A portion of this grant will be used to fund the office during this period. The additional general fund amounts will cover contractual costs, administrative and travel costs, which are not funded through the planning grant.

- ***Recovery Audit Contractor Program.*** Adds \$124,302 GF and a like amount of federal matching funds in FY 2012 and 2.0 positions to support the federally required Recovery Audit Contractor Program. The goal of the program is to identify improper payments made on claims of health care services provided to dually eligible Medicaid and Medicare beneficiaries, which will help prevent future improper payments. Two positions are added to manage the contract and handle appeals. Language authorizes the agency to pay contingency fee contractors engaged in cost recovery activities from the recoveries that are generated by those activities. Language is also added requiring annual reporting on increased recoveries and areas targeted for audit. Language provides that after payment of the contingency fee, any prior year recoveries shall be transferred to the Virginia Health Care Fund. The program is expected to generate savings starting in FY 2013.
- ***Medicaid Impact of Certificate of Public Need Exception.*** Includes \$134,400 GF and a like amount of federal matching funds in FY 2012 to address the cost of implementing Chapter 395 of the 2011 Acts of Assembly that requires the Commissioner of Health to accept and review applications for 10 additional Medicaid-eligible nursing home beds located in Planning District 15 (Richmond area). The additional appropriation is necessary to reimburse the provider once the additional Medicaid beds become operational.

#### ***Changes to Medicaid Provider Rates***

- ***Restore Funding for Inpatient Hospital Services.*** Includes \$24.2 million GF and \$24.2 million NGF from federal Medicaid matching funds to eliminate a reduction of 4 percent from inpatient hospital services effective July 1, 2011.
- ***Restore Funding for Physician Services.*** Adds \$14.7 million GF and \$14.7 million NGF from federal Medicaid matching funds to eliminate a reduction of 4 percent for Medicaid practitioners effective July 1, 2011.
- ***Restore Funding for Dental Services.*** Includes \$2.3 million GF and \$2.3 million NGF from federal Medicaid matching funds to eliminate a reduction of 4 percent for dental services effective July 1, 2011.
- ***Restore Funding for Nursing Home Operating Rates.*** Provides an additional \$13.8 million GF and \$13.8 million NGF to eliminate a reduction of 5 percent for nursing home operating costs effective July 1, 2011.
- ***Reduce Nursing Facility Capital Rates.*** Reduces \$2.4 million GF and \$2.4 million NGF from federal matching funds by lowering the reimbursement for capital projects by an additional 0.25 percent, for a cumulative reduction of 0.75 percent in

FY 2012. Chapter 874 reduced capital reimbursement by 0.25 percent in FY 2011 and 0.5 percent in FY 2012. The FY 2011 reduction was mitigated by the receipt of additional enhanced federal FMAP funding beginning on October 1, 2010.

- ***Restore Funding for Home- and Community-based Medicaid Waiver Providers.*** Restores \$14.4 million GF and \$14.4 million NGF from federal Medicaid matching funds by lowering from 5 percent to 1 percent a reduction in funding for providers of home- and community-based Medicaid waiver services effective July 1, 2011.
- ***Reduce Rates for Community-based Residential Behavioral Services.*** Captures savings of \$357,406 GF in FY 2012 and a like amount of federal matching funds by reducing the rates paid for Level A (children’s group homes) and Level B (therapeutic group home) services by an additional 3 percent in FY 2012. Rates for these services were reduced by 5 percent in FY 2011. Language is modified to reflect this change in the rates.
- ***Pharmacy Drug Acquisition Costs.*** Restores \$1.4 million GF and \$1.4 million NGF from federal Medicaid matching funds to maintain the reimbursement rate to pharmacies for pharmaceutical products at the Average Wholesale Price (AWP) minus 13.1 percent effective July 1, 2012.

The budget also adds language authorizing DMAS to determine a new pricing methodology to modify or replace the current maximum reimbursement of AWP for pharmaceutical products. The current publishers of wholesale drug prices use the AWP as a benchmark to establish pricing based on manufacturer data. However, these publishers will discontinue the use of AWP as a pricing model by September, 2011, making it uncertain as to what the pricing benchmark for these products will be.

- ***Pharmacy Dispensing Fee.*** Provides \$523,579 GF and \$523,579 NGF from federal Medicaid matching funds to restore \$0.25 cents to the pharmacy dispensing fee effective July 1, 2011.
- ***Lake Taylor Rehabilitation Hospital.*** Provides \$522,102 GF and \$522,102 NGF from federal Medicaid matching funds in FY 2012 to restore an incentive payment for Lake Taylor Rehabilitation Hospital located in Norfolk.

#### ***Funding for Medicaid Services***

- ***Restore Funding for Respite Care Services.*** Restores \$13.4 million GF and \$13.4 million NGF from federal Medicaid matching funds to increase the number of respite care hours that can be provided under most home- and community-based Medicaid waivers from 240 to 480 hours per year effective July 1, 2011. Chapter 874 reduced the number of respite care hours a caregiver can receive from 720 to 240 hours in FY 2012.
- ***Limits for Environmental Modifications and Assistive Technology.*** Includes

\$625,306 GF and \$625,306 NGF from federal Medicaid matching funds in FY 2012 to maintain the project limit for environmental modifications (e.g., hand rails, ramps) and assistive technology (e.g., ventilators, backup generators) provided through home- and community-based waivers at \$5,000 per year. Chapter 874 reduced the per project limit from \$5,000 to \$3,000 in FY 2012.

- ***Restore Funding for Podiatry Services.*** Includes \$487,500 GF and \$487,500 NGF from federal matching funds to continue providing medically necessary podiatry services under the Medicaid and FAMIS programs. Chapter 874 eliminated funding for podiatry services effective July 1, 2011; the approved budget maintains funding for this service.

### ***Replace General Funds with Other Resources***

- ***Suspend Medicaid Payment Delays.*** Captures general fund savings of almost \$18.0 million in FY 2012 by temporarily advancing the payments into FY 2011 for Medicaid claims that would have otherwise been paid in FY 2012. Chapter 781 of the 2009 Acts of Assembly delayed Medicaid payments that would typically be paid in the fourth quarter of the fiscal year into the first quarter of the subsequent fiscal year. These delays affected fourth quarter lump sum hospital payments, the June managed care organizations' capitation payments and the final weekly Medicaid claims remittance. The adopted budget provides \$113.6 million GF and \$149.7 NGF from federal Medicaid matching funds in FY 2011 and reduces Medicaid spending of \$131.6 million GF in FY 2012 and \$131.8 million in matching federal dollars to make this adjustment. By advancing the payments for these claims from FY 2012 into FY 2011, the Medicaid program can claim the enhanced federal Medical Assistance Percentage (FMAP) rate of 56.88 percent which is available under the federal stimulus legislation, thus reducing the general funds required for these payments in FY 2012, when the FMAP reverts to 50 percent.
- ***Additional Pharmacy Rebates on Drugs.*** Captures savings from drug manufacturers from rebates on outpatient drugs dispensed under contract with managed care organizations (MCOs). The federal health care reform legislation (Patient Protection and Affordable Care Act or PPACA) requires all states to begin collecting drug utilization data reported by Medicaid MCOs when requesting quarterly rebates and requires Medicaid MCOs to report detailed information on outpatient drugs dispensed to Medicaid enrollees. The program will realize a savings of \$12.5 million GF and \$17.3 million in federal matching funds in FY 2011 and \$5.6 million GF and \$5.6 million in federal matching funds in FY 2012.
- ***Federal Bonus for New FAMIS and SCHIP Enrollment Initiatives.*** Adds \$321,563 GF and \$488,128 in federal matching funds in FY 2011 and one position for two new enrollment retention initiatives in order to receive a federal performance bonus in FY 2012, saving a net amount of \$9.4 million GF in the FAMIS program. The Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 provides for an annual financial bonus to states for including enrollment retention provisions in the children's health insurance programs, and exceeding enrollment

goals for children in Medicaid. Virginia implemented two new enrollment retention strategies in October 2010 – administrative renewals for FAMIS applicants and a premium assistance program. In addition, Virginia’s Medicaid enrollment of children has increased to meet the FY 2011 enrollment target. Consequently, Virginia is projected to receive a bonus of \$9.8 million in FY 2012.

- ***Assessment on Providers of Intermediate Care Facilities for the Mentally Retarded (ICF-MRs) Services.*** Includes an assessment of 5.5 percent on total revenues collected by providers of ICF-MR services to generate additional general fund revenue of \$17.0 million in FY 2012. The increased cost to ICF-MR providers is eligible for Medicaid reimbursement. Therefore, a portion of the new revenue, \$8.5 million, will be matched with \$8.5 million from federal Medicaid matching funds and returned to the providers in the form of Medicaid payments. The remaining \$8.5 million in new revenue will be deposited into the state’s treasury to offset the cost of Medicaid spending. This provision was included in the current biennial budget, but not implemented due to concerns that it might jeopardize the receipt of additional enhanced Medicaid funding due to the maintenance of effort requirements in the American Recovery and Reinvestment Act (ARRA) of 2009.

#### ***Budget Savings Strategies***

- ***Community Mental Health Rehabilitative Services Pilot Program.*** Projects savings of \$9.4 million GF and \$9.3 million NGF from federal Medicaid matching funds in FY 2012 by creating five regional pilot programs to address the rising cost and quality of community mental health rehabilitative services provided to children, including intensive in-home services, therapeutic day treatment, mental health supports and residential care. The pilots must be established in regions of the Commonwealth with high utilization, as defined by service volume and expenditures. The pilots are designed to ensure appropriate utilization, measure outcomes, and increase the cost effectiveness of the services provided by requiring that children be evaluated by a licensed or licensed-eligible mental health professional of the community services boards or behavioral health authorities prior to the provision of service. Currently, service providers identify children in need of services, determine whether the children are at risk of out-of-home placement, and refer the children to themselves for services. The approved budget adds two positions to handle expected increases in appeals from the policy change, to implement policy and systems changes, and coordinate provider training and communications.
- ***Expand Care Coordination to Additional Medicaid Recipients and Modify Certain Case Management Services.*** Reduces \$3.4 million GF and \$3.4 million in federal matching funds in FY 2012 due to the expansion of care coordination to additional Medicaid and FAMIS recipients and services. The budget adds language to expand Medicaid managed care statewide under the current Medallion II model for children and adults with children beginning January 1, 2012 in the Roanoke/ Alleghany area and July 1, 2012 in southwest Virginia.

Language also allows for the development of programs to manage specific populations and services, such as care coordination for:

- Foster care children in the City of Richmond on July 1, 2011;
- Elderly and disabled individuals receiving waiver services on October 1, 2011;
- Acute and medical services provided to waiver recipients on January 1, 2012;
- Individuals who are dually eligible for Medicaid and Medicare on April 1, 2012; and
- Individuals in need of behavioral health services on July 1, 2012.

The approved budget language requires that care coordination models incorporate the principles of shared financial risk (or savings) and enhanced quality of care. Language also requires DMAS to work with the Department of Behavioral Health and Developmental Services and other stakeholders to develop a blueprint for the development and implementation of care coordination for behavioral health services, including 18 principles. Eight positions are added to oversee the implementation of managed care or the care coordination strategy for the different services or populations.

The approved budget also adds language to establish a new targeted case management service for children enrolled in the Part C early intervention program to add quality measures to improve health outcomes and link reimbursement rates to the requirements of the service. This action is expected to be budget neutral.

Finally, language is also added authorizing the department to implement a Health Home Program for individuals with chronic kidney disease, using available federal funding from the Patient Protection and Affordability Care Act of 2010 effective May 1, 2012.

- ***Cap Waiver Personal Care Hours.*** Includes net general fund savings of \$500,000 GF and \$500,000 NGF from federal Medicaid matching funds to reflect the imposition of a cap on personal care hours provided to Medicaid home- and community-based waiver services. Effective July 1, 2011, the number of personal care hours that can be provided under the Elderly or Disabled with Consumer Direction and HIV/ AIDS waivers will be limited to 56 hours per week or a total of 2,920 hours per year. General fund Medicaid savings are estimated to be \$700,000 GF annually beginning in FY 2012. The Department is required to grant individual exceptions based on dependency in activities of independent living, level of care and the risk of institutionalization if the provision of personal care hours is restricted. A total of \$200,000 GF and four positions are provided for these reviews.



- ***Increased Audits and Data Mining Activities.*** Captures savings of \$692,684 GF in FY 2012 and a like amount of federal matching funds related to the use of increased program audits and data mining activities to focus on specific Medicaid services such as community mental health services, to reduce over-utilization, fraud, waste, and abuse. The introduced budget adds one position to monitor the contracts for the additional audits and data mining activities.
- ***Update Behavioral Health Medicaid Appropriation (Hancock Geriatric Unit).*** Reduces \$415,751 GF and \$616,145 NGF from federal Medicaid matching funds the first year to reflect the decertification of the Hancock Geriatric Unit at Eastern State Hospital. The appropriation for the geriatric unit at ESH Hancock will go unspent until the unit is certified for Medicaid reimbursement, resulting in savings during FY 2011.
- ***Eliminate Pharmacy Dose Fee for Medicaid Nursing Home Residents.*** Captures savings of \$323,708 GF and a like amount of federal matching funds in FY 2012 by eliminating a \$5.00 per month per patient unit dose fee paid on behalf of Medicaid recipients residing in nursing homes. The fee was originally implemented to address costs incurred by long-term care pharmacies in providing single dose drug services to Medicaid recipients in long-term care facilities. Most of these recipients are dually eligible for Medicaid and Medicare and now receive their drugs through the federal Medicare Part D prescription drug program, thus eliminating the need for the additional payment.

### ***Language Changes***

- ***Implement New Quality Models for Certain Children’s Mental Health Services.*** The budget adds language to authorize the agency to amend regulations for Level C psychiatric residential treatment facility services and Level A children’s group home services and Level B therapeutic group home services for children with serious emotional disturbances to make programmatic changes to ensure appropriate utilization and cost efficiency. Changes may include prior authorization, utilization review and provider qualifications; the department must detail the specific programmatic changes to be made, including an estimate of the fiscal impact of the changes, at least thirty days prior to implementation. In addition, language authorizes the agency to promulgate regulations implementing quality service models for the provision of intensive in-home services and therapeutic day treatment services for children.
- ***Implement Prospective Payment System for Outpatient Hospital Services.*** Adds budget language authorizing a change in the reimbursement methodology for Medicaid outpatient hospital services (including laboratory services) from a cost-based system to a prospective payment system. The new methodology, to be called the Enhanced Ambulatory Patient Group, will replace the current cost-based system with a methodology similar to the way reimbursements are provided for Medicaid inpatient hospital services. The revised methodology will

include better incentives for hospitals. The change is budget neutral and will be implemented by January 1, 2012.

- ***Home and Community-based Service Audits.*** Adds language requiring the Director of the Department of Medical Assistance Services to consult with providers of home- and community-based care services regarding audits, evaluate the effectiveness and appropriateness of the current audit methodology, and report findings by November 2011 to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees.
  - ***Review of Medicaid Waiver Programs.*** Includes language requiring the Department of Medical Assistance Services and the Department of Behavioral Health and Developmental Services to work with stakeholders and national experts to recommend improvements to the Intellectual Disabilities (ID), Day Support and Individual and Family Developmental Disabilities Supports (IFDDS) waiver programs. The review shall identify any improvements to increase efficiency and cost effectiveness, enable more individuals to be served, strengthen the delivery of person-centered supports, enable individuals with high medical needs and/ or high behavioral support needs to remain in the community setting of their choice, and provide viable community alternatives to institutional placement. The department shall report on proposed waiver changes and associated costs to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2011.
  - ***Emergency Regulation Authority.*** The approved budget adds language to provide the agency with emergency regulatory authority to: (1) require service documentation be appropriately signed and dated at the time service is rendered, bringing the regulations in line with current practice; (2) modify criteria for the Client Medical Management program to ensure appropriate utilization, prevent abuse and promote improved and cost-effective medical care for current recipients; and (3) amend regulations regarding the payment rate for authorized or emergency care delivered by out-of-network providers to bring the regulations in line with current operational practice.
  - ***Modify EDCD Waiver to Include Residential Settings As a Respite Care Provider.*** Adds language to modify the Elderly and Disabled with Consumer Direction (EDCD) waiver to allow a residential facility for children to provide respite care services, subject to federal approval. The current waiver does not permit this type of facility to provide respite care.
- **Department of Behavioral Health and Developmental Services (DBHDS)**
    - ***Behavioral Health and Developmental Services Trust Fund.*** Appropriates \$30.0 million GF the second year to be deposited into the Behavioral Health and Developmental Services Trust fund to transition individuals from state training centers to community-based services consistent with the provisions of Chapters 724 and 729 of the 2011 Acts of Assembly, and to address concerns raised by the

Department of Justice's February 10, 2011 letter to the Commonwealth. Funding will be used to create a broad array of community-based services including, but not limited to, additional intellectual disability (ID) waiver slots in order to transition individuals from state trainings into the community.

- ***Address Caseload Growth at Virginia Center for Behavioral Rehabilitation (VCBR).*** The approved budget provides \$16.8 million GF and 41.0 positions in FY 2012 to address growth at the VCBR, the Commonwealth's psycho-social treatment program. Since 2003, the department has operated the sex offender treatment program for individuals who are civilly committed after completing their sentence with the Department of Corrections. Changes enacted in 2006 significantly increased enrollment in the program with commitments now varying from five to eight every month. Enrollment in the program is projected to increase to 343 in FY 2012.

The adopted budget adds language requiring DBHDS to implement a plan to accommodate the additional sexually violent predators expected to be committed to the VCBR. The plan may include double-bunking dormitory-style, repurposing existing space or adding new housing units at the current VCBR site. However, DBHDS is prohibited from reopening a temporary facility at the Southside Virginia Training Center or initiating a capital project to expand or construct additional units or facilities at a new site for the housing, confinement and treatment of these individuals until a comprehensive review of the current program is completed. Separate language is included in the Joint Legislative Audit and Review Commission to require this comprehensive review of the program. Language also requires the Department of Correction to assist DBHDS in developing the plan to address growth in the number of individuals committed to the program and authorizes the Department to pursue out-of-state placements in the event that additional space is needed but cannot be met at the current facility.

A separate action is included in the capital budget to allow DBHDS to transfer up to \$7.0 million in VPBA funds for life safety code and major mechanical repairs to address the capital costs related to the increased capacity at the VCBR including equipment, furnishings and renovations.

In addition, \$612,404 GF is included in FY 2012 to provide funding for individuals who are conditionally released to the community for treatment and monitoring.

- ***Address Community Services Deficiencies Cited by the Office of the Inspector General.*** Recommends an additional \$8.9 million from the general fund in FY 2012 to strengthen community-based services for people with mental disabilities.
  - ***Dual-Diagnosis Crisis Services.*** \$5.0 million GF to create crisis intervention services for individuals with co-occurring intellectual disabilities and behavioral disorders to prevent escalation of crisis situations and avoid

admission to training centers, psychiatric hospitals or incarceration, and allow individuals to reside or remain in the community.

- ***Crisis Stabilization Services.*** \$2.0 million GF to increase mobile or facility-based crisis services provided to individuals with a mental illness residing in the community. Funding may be sufficient to create eight additional crisis stabilization or mobile crisis care units statewide. The introduced budget recommended \$4.0 million GF.
- ***Eastern State Hospital/Tidewater Region.*** \$1.9 million GF in flexible funding to expand the capacity to treat more individuals in the region served by Eastern State Hospital and lessen the need for more intensive and restrictive services in state facilities. The introduced budget recommended \$2.4 million GF.
- ***Hancock Geriatric Center at Eastern State Hospital (ESH).*** The adopted budget contains two changes to address the September 2010 Medicaid decertification of the geriatric unit at ESH. The first includes \$5.2 million GF to replace federal revenues that were lost when the geriatric unit at Eastern State Hospital was decertified by the Medicaid program and no longer eligible for federal Medicaid matching funds for elderly residents served in the unit. Funding is provided to make up the lost revenue through December 31, 2010. Second, the adopted budget adds \$197,000 GF in FY 2011 and \$394,200 NGF in FY 2012 to establish eight new positions at ESH to ensure future compliance with federal requirements and recertification of the unit.
- ***Restore Funds for Geriatric Unit at Southwestern Virginia Mental Health Institute (SWVMHI).*** Restores \$2.0 million in FY 2012 to continue operations at the 40-bed unit for geriatric patients located in Marion at SVMHI. Chapter 874 assumed the facility would close as of June 30, 2011.
- ***Address Staff Ratios at Intellectual Disability Training Centers.*** Adds \$7.1 million GF in FY 2012 to provide flexible funding for the state's five training centers to ensure adequate staffing and treatment for individuals with intellectual disabilities who are served at these facilities. Language is added directing the Department to develop a plan for distributing funding based on the staff needs of each training center. The state's inspector general indicated that adequate staffing is needed to ensure proper care and treatment for individuals residing in state facilities.
- ***Funding to Transition Individuals from State Facilities to the Community.*** Adds \$600,000 from the general fund to provide six additional staff to facilitate the movement of individuals residing in state mental health facilities and intellectual disability training centers into community-based settings. Of this funding:
  - \$400,000 is to hire four, facility-based coordinators who will work with state facility staff to transition individuals in the community.

- \$200,000 is included for two expert consultants to assist the central office and training center staff in complying with federal laws regarding individuals with intellectual disabilities and developing appropriate services in the community to transition individuals out of state facilities.
  - ***Provide General Funds for Nine Central Office Employees.*** Includes \$797,054 from the general fund in FY 2012 to increase staffing in several areas including:
    - \$514,639 for six additional licensing specialists to better manage the substantial increase in licensed providers and services to ensure quality community-based services.
    - \$182,000 to create two new positions, a medical director to oversee mental health services provided in state facilities and a facility quality management specialist. These positions will ensure compliance with federal requirements.
    - \$100,415 for a new information technology position within the central office to ensure timely implementation of electronic health records and full reimbursement for Medicaid- and Medicare-eligible services.
  - ***Transfer Available Balances to the General Fund.*** Captures \$1.1 million in general fund savings in FY 2011 from unexpended balances in the department’s regulatory program (\$337,876) and administrative program (\$773,568).
  - ***Nongeneral Funds from Additional Insurance Proceeds.*** Appropriates an additional \$3.0 million NGF each year from anticipated insurance settlement proceeds. Recently, a boiler at Central Virginia Training Center malfunctioned, resulting in considerable water damage at the facility. Anticipated proceeds will be used to repair the water damage that occurred and replace the defective boiler.
  - ***Drug Formulary for Individuals Released from Incarceration.*** Adds budget language requiring the Department of Behavioral Health and Developmental Services to work with the Departments of Corrections, Department of Juvenile Justice, and the Virginia Sheriff’s Association and Regional Jail Association to develop a formulary for dispensing medications to offenders who have been released from the criminal justice system and are being transitioned to services provided through community programs. Thirty days prior to implementation the department is required to report on the proposed changes, including any projected costs or savings.
- **Department Rehabilitative Services**
    - ***Increase General Funds for Disability Determination Services.*** Adds \$200,000 GF and \$200,000 NGF from federal Medicaid matching funds each year for additional staff to process rising numbers of Medicaid and disability determination cases.

- ***Add Funding for Didlake.*** Includes \$200,000 GF in FY 2012 to increase long-term rehabilitation case management services provided through Didlake, a provider of vocational rehabilitation services.
  - ***Restore Funding for Brain Injury Services.*** Adds \$194,931 GF in FY 2012 to reverse a decision to reduce funding for brain injury services by 5 percent in Chapter 874.
  - ***Restore Funding for Centers for Independent Living.*** Includes \$160,000 GF in FY 2012 to restore partial funding for centers for independent living that was reduced by 10 percent in Chapter 874.
  - ***Transfer Funding for Office of Community Integration.*** Provides \$36,863 GF in FY 2011 and \$147,452 GF in FY 2012 to establish the Office of Community Integration, which coordinates the Commonwealth’s efforts to ensure compliance with the Supreme Court’s 1998 Olmstead Decision, within the Department of Rehabilitative Services. The Office is currently housed within the Virginia Board for People with Disabilities (VBPD). A companion amendment eliminates funding for the Office in the VBPD.
  - ***Capture Unexpended Funds and Reduce Community-based Vocational Services.*** The introduced budget included a reduction of \$223,617 GF in FY 2011 and \$496,979 GF in FY 2012 by capturing unexpended funds for the Office of Community Integration (\$10,000 GF each year) and reducing funding for community-based vocational rehabilitation services for individuals with physical disabilities. The approved budget leaves intact the first year savings of \$223,617 GF but restores funding for vocational support services for people with physical disabilities to return to the workforce in the second year with the exception of the unexpended funds in the Office of Community Integration. Specific actions include:
    - Reduction of \$128,819 GF in FY 2011 and restoration of \$192,372 GF in FY 2012 from long-term employment support services;
    - Reduction of \$71,201 GF in FY 2011 and restoration of \$106,328 GF in FY 2012 from extended employment services; and
    - Reduction of \$13,596 GF in FY 2011 and restoration of \$188,279 GF in FY 2012 from long-term rehabilitation case management.
- **Woodrow Wilson Rehabilitation Center**
    - ***Postpone Planned Project and Capture Administrative Savings.*** Reduces \$200,466 GF in FY 2012 by delaying a project designed to optimize the utilization of space at the facility and create operational efficiencies, and \$50,117 GF in FY 2011 to capture savings related to employee turnover and vacancies.

- **Department of Social Services**

*New Spending*

- ***Low Income Home Energy Assistance Program (LIHEAP).*** Provides an increase of \$49.5 million NGF each year from projected federal grant awards for LIHEAP, a subsidy program for low-income households who have difficulty meeting the cost of heating or cooling their homes. There is no general fund match required for these federal funds.
- ***Provide General Funds for Child Support Enforcement Operations.*** Recommends an increase of \$2.5 million in FY 2011 and \$9.9 million in FY 2012 from the general fund and a reduction of \$2.8 million in FY 2011 and \$4.1 million in FY 2012 from nongeneral funds to fully fund child support enforcement operations. The additional general funds are required for two reasons. First, \$6.6 million is needed to restore the general fund base in FY 2012. In 2009, the general fund base was reduced to reflect additional federal dollars for child support enforcement. Last year, base funding for the program was restored in FY 2011 only. Additional general fund support is needed in FY 2012 to maintain current operations. Second, the amount of child support funds from retained TANF collections is falling short of the required amounts to support the operations of the child support program. Federal law allows the program to retain any child support payments in excess of \$50 each month if the family receives TANF assistance in addition to child support. The economic recession has reduced the amount of child support payments being submitted on behalf of TANF families, resulting in a loss of operating funds to the child support division of \$2.5 million in FY 2011 and \$3.3 million in FY 2012.
- ***Federal Funding for Local Departments of Social Services (DSS).*** Adds \$5.0 million in FY 2011 and \$7.5 million in FY 2012 from federal funds that are matched by local DSS offices for local staffing and support. Localities that provide additional local match will be able to draw down these federal dollars; there is no state match required.
- ***Restore GF for Local Departments of Social Services (DSS).*** Adds \$2.9 million GF and \$4.1 million NGF in FY 2012 to restore funding for local departments of social services. Chapter 874 includes a 5 percent reduction to local DSS offices beginning July 1, 2011. This additional funding restores one-half of the reduction that local DSS offices are facing.
- ***Restore Funding for Auxiliary Grant Payments.*** Adds \$2.4 million GF in FY 2012 to eliminate a 4 percent reduction in auxiliary grant payments that was slated to take effect for assisted living facilities beginning July 1, 2011. Maintenance of effort requirements included within the federal health care reform legislation enacted in March 2010 prohibit this reduction from occurring.

- ***Adjust Funding for Unemployed Parents Cash Assistance Program.*** Reduces \$1.8 million GF in FY 2011 and adds \$2.6 million GF in FY 2012 to align appropriations for the program with projected spending. Enrollment in the unemployed parent cash assistance program has risen significantly during the current economic recession. Additional funding provided by the 2010 General Assembly in FY 2011 was more than needed, while no funding was added in FY 2012 in anticipation of more robust job growth. Since the economic recovery has been slower than expected, funding is added in FY 2012 to accommodate enrollment growth.
- ***Align Funding for Child Welfare Services.*** Adds \$1.3 million GF in FY 2011 and reduces \$760,673 GF in FY 2012 to align general fund support for foster care services and adoption subsidies. Federal funding is reduced by \$2.3 million in FY 2011 and \$3.0 million in FY 2012. Foster care expenditures are projected to be less than anticipated while subsidies needed for private adoptive placements are projected to increase. Specific changes in general fund amounts for these programs are as follows:

	<b>FY 2011</b>	<b>FY 2012</b>	<b>Biennium</b>
<b>Title IV-E Foster Care</b>	(\$6,236,011)	(\$6,906,418)	<b>(\$13,142,429)</b>
<b>Title IV-E Adoption Subsidies</b>	4,328,881	3,913,695	<b>8,242,576</b>
<b>Special Needs Adoption Subsidies</b>	<u>3,232,050</u>	<u>2,232,050</u>	<b><u>5,464,100</u></b>
<b>NET Change in General Funds</b>	<b>\$1,324,920</b>	<b>(\$760,673)</b>	<b>\$564,247</b>

- ***Restore Funding for Early Childhood Foundation.*** Adds \$225,000 GF in FY 2012 to restore funding that was reduced by 15 percent in Chapter 874.
- ***Northern Virginia Family Services.*** Provides \$200,000 GF in FY 2012 for Northern Virginia Family Services to expand access to comprehensive health and social services in Prince William County. Funding will be used to provide safety net services for children and families including food, shelter, emergency assistance, parenting programs and housing.
- ***Provide Funding for Child Day Care Services at Oxbow Center.*** Restores \$88,000 GF in FY 2012 for the Oxbow Center to provide access to child day care services. The Oxbow Center was slated to receive \$107,569 GF in FY 2012 for adult day health services. The introduced budget phased-out funding for adult day health services when the Oxbow Center decided to discontinue providing these services.

### ***Spending Reductions***

- ***Supplant General Fund Support for At-Risk Child Care Services with Federal Child Care Development Fund (CCDF) Dollars.*** Supplants \$8.0 million GF from balances in the federal CCDF block grant for at-risk child care services for TANF



recipients who are transitioning off the program. This change in funding is not expected to disrupt child care services for this population.

- ***Adjust General Fund Appropriation for Auxiliary Grant Payments.*** Includes a reduction of \$500,000 GF each year to align the current appropriation with projected spending in the program. In recent years, participation in the program has fallen, resulting in unspent funding for auxiliary grant payments.
- ***Reduce Administrative Funding by 7.7 Percent.*** Reduces funding by \$1.0 million GF and \$858,793 NGF in FY 2012 by eliminating or restructuring 20 agency-wide positions, reducing discretionary spending or converting contract positions to classified employees. Last year, administrative costs for the Department were decreased by 5 percent, excluding costs related to information technology.
- ***Transfer Local DSS Employee Training from Contract to DSS Staff.*** Reduces \$462,500 GF and \$462,500 NGF in FY 2012 by eliminating a contract for local social services employee training with the Virginia Institute for Social Services Training (VISSTA) at Virginia Commonwealth University and hiring 24 employees to provide the required training in-house. In FY 2011, funding for the \$2.8 million contract was reduced by 50 percent, resulting in fewer training sessions for local employees.
- ***Supplant GF with TANF and Use GF to Offset Information Technology Costs.*** Includes a reduction of \$584,243 GF for employment services for TANF recipients in order to free up this general fund amount within the agency to cover the increased cost of VITA information technology services. Employment services will be replaced with \$584,243 from the federal TANF block grant to ensure vocational training is provided to TANF recipients.

#### ***Temporary Assistance to Needy Families (TANF) Block Grant Funding***

- ***Supplant General Funds with TANF Funding for Certain Programs.*** TANF spending continues to rely upon unobligated balances carried forward from prior years to meet program needs. A larger than expected TANF balance at the end of FY 2010 provides an additional \$7.7 million in TANF funds during the FY 2010-12 biennium. In addition, lower than projected spending on cash assistance from the block grant is expected to free up \$12.9 million in TANF funds. Consequently, the approved budget includes:
  - \$10.2 million for mandatory child care services to address projected caseload increases;
  - \$2.4 million for Healthy Families Virginia and \$1.2 million for local domestic violence grants to free up \$3.6 million in general funds;
  - \$3.0 million for employment services to TANF recipients to supplant the same amount of general fund resources; and

- \$3.1 million for state and local administrative expenses including information technology costs.
- ***Restore TANF Funding for Certain Programs.*** Provides \$1.5 million from the federal TANF block grant to restore \$500,000 each for three programs that have previously received funding including Healthy Families Virginia, CHIP of Virginia (in the Department of Health) and community action agencies. Federal TANF funding was reduced or eliminated for these programs in Chapter 874. Funding of \$1.0 million annually that was set aside in a reserve for caseload increases is eliminated in the first year and reduced to \$500,000 the second year to provide the funds for the \$1.5 million restorations from TANF.
- **Department for the Blind and Vision Impaired**
  - ***Transfer Funding from DOE for Radio Reading Services.*** Provides \$120,163 GF in FY 2012 for radio reading services for the blind and vision impaired that had been funded through the Department of Education.
  - ***Supplant General Funds with Federal Funds.*** Recommends a reduction of \$59,346 in FY 2011 and \$118,692 in FY 2012 from the general fund and the addition of \$118,692 NGF in FY 2012 by using indirect cost recovery funds in FY 2012 for salary costs for agency staff.

**TANF Block Grant Funding  
FY 2010-12 Biennium as Approved in Chapter 890**

<u>TANF Resources</u>	<u>Ch. 874 FY 2011</u>	<u>Ch. 874 FY 2012</u>	<u>Ch. 890 FY 2011</u>	<u>Ch. 890 FY 2012</u>
Annual TANF Block Grant Award	\$158,285,000	\$158,285,000	\$158,285,000	\$158,285,000
Carry Forward from Prior Fiscal Year	26,668,522	9,677,601	34,358,796	14,996,558
ARRA Emergency TANF Relief Funds	<u>4,002,246</u>	<u>-</u>	<u>4,002,246</u>	<u>-</u>
<b>TANF Resources Available</b>	<b>\$188,955,768</b>	<b>\$167,962,601</b>	<b>\$196,646,042</b>	<b>\$173,281,558</b>
 <u>TANF Expenditures</u>				
<i>VIP/VIEW Core Benefits and Services</i>				
TANF Income Benefits	\$82,836,543	\$83,327,115	\$76,687,203	\$76,589,954
VIEW Employment Services	7,825,332	7,825,332	11,425,166	7,825,332
VIEW Child Care Services	-	-	4,348,339	5,843,997
Caseload Reserve	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>500,000</u>
<b>Subtotal, VIP/VIEW Benefits and Services</b>	<b>\$91,661,875</b>	<b>\$92,152,447</b>	<b>\$92,460,708</b>	<b>\$90,759,283</b>
<i>Administration</i>				
State Administration	\$2,700,607	\$2,700,607	\$2,781,625	\$2,781,625
Information Systems	3,997,580	3,997,580	4,117,507	4,117,507
Local Direct Service Staff and Operations	33,549,000	33,549,000	34,555,470	34,555,470
Local Eligibility and Administration	<u>12,168,977</u>	<u>12,168,977</u>	<u>12,534,046</u>	<u>12,534,046</u>
<b>Subtotal, Administration</b>	<b>\$52,416,164</b>	<b>\$52,416,164</b>	<b>\$53,988,648</b>	<b>\$53,988,648</b>
<i>TANF Programming</i>				
TANF Child Support Supplement	\$4,800,000	-	\$4,800,000	-
DHCD Homeless Assistance & Prevention	1,227,532	-	1,227,532	-
Local Domestic Violence Grants	693,750	-	693,750	1,248,750
Community Action Agencies	1,139,713	-	1,139,713	500,000
Healthy Families/ Healthy Start	3,557,306	-	3,557,306	2,855,501
CHIP of Virginia	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
<b>Subtotal, TANF Programming</b>	<b>\$11,418,301</b>	<b>\$11,418,301</b>	<b>\$11,418,301</b>	<b>\$5,104,251</b>
<b>TANF Expenditures, Total</b>	<b>\$155,496,340</b>	<b>\$144,568,611</b>	<b>\$157,867,657</b>	<b>\$149,852,182</b>
<i>Transfers to other Block Grants</i>				
CCDF Transfer – Address Child Care Shortfall	\$7,456,327	\$7,054,139	\$7,456,327	\$7,054,139
CCDF Transfer to Head Start (Wraparound) Services	2,500,000	2,500,000	2,500,000	2,500,000
SSBG Transfer–Comp. Services Act	9,419,998	9,419,998	9,419,998	9,419,998
SSBG Transfer-Local Staff Support	<u>4,405,502</u>	<u>4,405,502</u>	<u>4,405,502</u>	<u>4,405,502</u>
<b>TANF Transfers, Total</b>	<b>\$23,781,827</b>	<b>\$23,379,639</b>	<b>\$23,781,827</b>	<b>\$23,379,639</b>
<b>Total TANF Expenditures &amp; Transfers</b>	<b>\$179,278,167</b>	<b>\$167,948,250</b>	<b>\$181,649,484</b>	<b>\$173,231,821</b>