



SENATE OF VIRGINIA

Senate Finance Committee

Presentation to the Disability Commission Friday, July 8, 2005

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Overview

- Health and Human Resources Budget Highlights from the 2005 Session
- Health and Human Resources Budget Highlights from the 2005 Session: *Focus on the Medicaid Brain Injury Waiver*
- State Budget Outlook - Revenue and Spending Projections
- Federal Budget Outlook - Recent Congressional Action

HHR Budget Highlights from the 2005 Session -- The "Big Picture"

- The General Assembly approved a net general fund increase of \$276.8 million for health and human resources, a 4.5 percent increase, almost \$18.0 million more than the introduced budget.

2004-2006 Biennial Budget, as amended (in millions)		
	<u>General Fund</u>	<u>Nongeneral Fund</u>
Base Budget	\$ 6,121.1	\$ 9,702.1
Chapter 951	276.8	358.8
Revised Total	\$ 6,397.9	\$10,060.9
Percent Change	4.5%	3.7%

- More than two-thirds of new funding in health and human resources was directed toward Medicaid for projected growth in enrollment, rising costs, and more intense utilization of services.

HHR Budget Highlights from the 2005 Session -- Mandatory and High Priority Spending

- Mandatory and high priority spending accounted for 84 percent (\$263.5 million) of the general fund increase for health and human resources.
 - \$212.2 million to fully fund projected caseload and cost growth in Medicaid;
 - \$16.6 million to implement a 34 percent increase in Medicaid rates for OB-GYN services;
 - \$6.9 million to offset shortfalls in prescription medications for individuals served by community service boards and state facilities; and
 - \$4.5 million to continue services for 4,207 infants and toddlers with developmental delays who need occupational, physical and speech therapy services.
- Discretionary spending accounted for the remaining 16 percent (\$50.3 million) of new general fund support in health and human resources.
- Additional spending in the approved budget was offset by \$36.9 million in general fund savings, exclusively related to Medicaid.

HHR Budget Highlights from the 2005 Session -- Discretionary Spending

- Discretionary general fund spending in health and human resources was directed toward improving our current infrastructure and preserving access to care.
 - Provided significant Medicaid rate increases for dental care, mental retardation and developmental disabilities waiver services and hospitals (\$15.0 million).
 - Expanded access to community-based care for individuals with mental disabilities including access to community-based, crisis services and services to children (\$8.1 million), and
 - Increased funding for and expanded oversight of assisted living facilities (\$4.5 million).

HHR Budget Highlights from the 2005 Session -- Discretionary Spending for Persons with Disabilities

- General fund spending on services for persons with sensory and physical disabilities was modest.
 - Centers for Independent Living. \$300,000 to enhance the funding of seven CILs that operate in underserved regions. Current funding for CILs is \$3.9 million each year.
 - Long-term Rehabilitation Case Management. \$150,000 to reduce the waiting list for individuals who need assistance locating and accessing services. Current funding for the program is \$357,643 each year.
 - Web-based Information System (Celebrating Special Children). \$150,000 to develop an information system to help family's access information about services for children with special needs.
 - Technology Assistance Program. \$125,000 to address a shortfall in funding for a program that provides equipment for individuals who are deaf and hard of hearing.

HHR Budget Highlights from the 2005 Session -- Discretionary Spending for Persons with Disabilities (continued)

- Long-term Employment Support Services. \$100,000 to provide additional support for individuals needing long-term employment services.

- Newsline Reading Services for the Blind. \$50,000 to provide access to the National Federation for the Blind's Newsline® reading services, allowing toll-free access to newspapers and magazines for the blind.

- Olmstead Advisory Committee. \$20,400 for the ongoing meeting-related expenses of the Governor's Olmstead Oversight Advisory Committee.

HHR Budget Highlights from the 2005 Session -- Medicaid Brain Injury Waiver

- Discretionary general fund spending was not allocated toward a Medicaid Brain Injury Waiver program.
 - The 2004 General Assembly committed \$1.9 million to expand access to brain injury services.
 - Improving access to brain injury services remains a high priority of the Senate Finance Committee's Subcommittee on Health and Human Resources.
 - Any Medicaid expansions will need to be considered in the context of our current budget situation.

State Budget Outlook - Revenue and Spending Projections

- Recent data suggests a surplus of \$550 - \$600 million may materialize by June 30, 2005.
 - Current law commits as much as three-quarters of the projected surplus to the Rainy Day Fund and the Water Quality Improvement Fund.

- It is unclear whether the recent surge in revenue growth can be sustained in future fiscal years.
 - Growth has been fueled by three, historically volatile revenue sources - real estate transactions, corporate income and individual investors.

- Healthy revenue growth will be necessary to fund the Commonwealth's current commitments in K-12 and higher education, Medicaid, and public safety.

Federal Budget Outlook - Recent Congressional Action

- Recent congressional action on the budget portends rocky times ahead.
 - It has been widely reported that congressional leaders agreed to reduce federal Medicaid spending by \$10 billion over a four-year period.
 - Outside of defense, homeland security, transportation, and veteran's affairs, most federal spending on discretionary programs is expected to be flat or decline.
 - The cost of implementing the prescription drug benefit known as Medicare Part D is estimated to cost the Commonwealth no less than \$22 million annually beginning in January 2006.

Conclusion

- The lion's share of new GF spending in health and human resources went to pay for current commitments, primarily Medicaid, and to shore up existing services.
- The state's budget outlook appears to be improving, but it is premature to put the money in the bank.
- While the state's budget outlook is looking better, the federal budget outlook has deteriorated.

APPENDIX I

Approved Amendments to the 2004-06 Budget		
(in millions)		
<u>Agency</u>	<u>General</u>	<u>Nongeneral</u>
	<u>Fund</u>	<u>Fund</u>
Medical Assistance Services	\$ 247.8	\$ 288.2
Social Services	17.0	54.1
Health	4.0	15.3
MH, MR, and SAS	5.9	0.0
Secretary's Office	1.2	0.0
Rehabilitative Services	0.6	0.0
Aging	0.2	0.0
Deaf & Hard of Hearing Services	0.1	0.1
Blind & Vision Impaired	0.1	0.1
Health Professions	0.0	0.9
Board for People with Disabilities	0.0	0.1
Comprehensive Services Act	0.0	0.0
Center for Blind & Vision Imp.	0.0	0.0
<u>Woodrow Wilson Rehab Center</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	\$ 276.9	\$ 358.8

APPENDIX II

Secretary of Health and Human Resources

Report on the Housing Needs of Persons with Disabilities. Adds language requiring the Secretary, with assistance from the Governor's Olmstead Advisory Committee and the Department of Housing and Community Development, to report on the availability of subsidized housing services for persons with disabilities, existing and potential resources to meet housing needs, and details on current programs operating in other states.

Department for the Aging

Expand Public Guardian and Conservator Program for the Mentally Disabled. Provides \$150,000 from the general fund in the second year for the Virginia Public Guardian and Conservator Program. Of this amount, \$132,000 is allocated to provide guardianship services to up to 50 mentally disabled individuals. Up to \$18,000 is allocated for a statutorily required evaluation of the program.

Department for the Deaf and Hard of Hearing

Technology Assistance Program. Includes \$125,000 from the general fund the second year to address the shortfall in funding for the department's Technology Assistance Program that provides equipment for individuals who are deaf or hard of hearing. Current funding is not sufficient to meet the demand for services, resulting in a growing waiting list.

Increase NGF for Relay Services. Adds \$40,000 from nongeneral funds each year to provide the department with the authority to advertise and promote the telecommunications relay services for the deaf and hard of hearing with an annual grant from AT&T.

Department of Health

Newborn Screening Program. Provides \$952,807 from nongeneral funds in the second year to expand the newborn screening program and provide funding for follow-up services pursuant to House Bill 1824/Senate Bill 1184. Revenues for the program expansion will come from an increase in the filter used to test for newborn disorders. The current fee of \$32.00 may rise to \$57.00 as a result of this change. A portion of the revenues from the sale of testing kits by the Division of Consolidated Laboratories will be transferred to the Department of Health.

Department of Medical Assistance Services

Increase Reimbursement Rates for Mental Retardation (MR) and Developmental Disabilities (DD) Waiver Programs. Adds \$3.3 million GF and \$3.3 million NGF the second year to increase the rates paid for services provided through the MR and DD waiver programs by two percent. Under current law, the rates paid for these community-based waiver services will increase by three percent on July 1, 2005; this additional funding will allow service rates to increase by five percent on that date.

Increase Reimbursement Rates for Personal Care and Adult Day Health Care Services. Includes \$218,539 from the Virginia Health Care Fund and \$218,539 from federal Medicaid matching funds in the second year to increase personal care and adult day health care services by two percent on May 1, 2006. Under current law, personal care services will increase by five percent on July 1, 2005. As a result of these increases, personal care rates will rise to \$14.33 an hour in Northern Virginia and \$12.17 an hour in the rest of the Commonwealth and adult day health care rates will rise to \$48.20 per day in Northern Virginia and \$46.10 in the rest of the Commonwealth.

Department of Mental Health, Mental Retardation and Substance Abuse Services

Part C Early Intervention Services. Adds \$2.3 million GF each year for early intervention services through the federal Individuals with Disabilities Act Early Intervention Program (IDEA Part C). The Part C program serves children from birth to age three who are developmentally delayed and need services such as, occupational, physical, and speech therapy; parental education; and other necessary supports. The new funds will be used to continue providing services to the existing caseload of 4,207 children.

Increase Community Mental Health Services for Children and Adolescents. Provides \$500,000 GF in the second year to expand mental health services for children and adolescents with serious emotional disturbances and related disorders. While these children and adolescents may have the same diagnoses and illnesses as mandatory cases served through the Comprehensive Services Act (CSA), they are not eligible to receive CSA-funded services. For example, children whose parents retain custody of them, as opposed to relinquishing custody to the state, may be ineligible for mental health services, whereas foster care children are considered mandated cases. Funding for this program is part of the Olmstead initiative.

Resource Information for Families with Special Needs Children. Adds \$75,000 GF in FY 2006 for a private/public partnership with Celebrating Special Children to improve access to resource information for families of children with special needs. Resource information will also be available to professionals who work with special needs children and their families. A companion amendment to Item 531 (non-state agencies) provides an additional \$75,000 for this initiative.

Legal and Medical Exams for Persons in Need of Guardian Services. Provides \$50,000 GF in the second year to pay for legal and medical examinations for about 25 individuals living in the community and in need of guardianship services.

Department of Rehabilitative Services

Centers for Independent Living. Adds \$300,000 GF in the second year to provide additional funding for the existing centers for independent living. Funding for this program is part of the Olmstead initiative.

Long Term Rehabilitation Case Management. Adds \$150,000 GF to address the waiting list for long term rehabilitation case management services. Funding would be used to assist physically disabled persons in locating and obtaining needed services. Funding for this program will implement a recommendation of the Olmstead Advisory Committee.

Long Term Employment Support Services. Provides an additional \$100,000 GF in the second year for long-term employment support services for individuals with severe disabilities.

Department of Social Services

Increase Assisted Living Facility Payments. Adds \$2.3 million GF in the second year to increase the payment rate for licensed assisted living facilities and adult foster care homes by \$50 from \$894 to \$944 per month. The new rate includes a \$16 per month federal cost of living adjustment to the monthly Supplemental Security Income payment and an increase in the state Auxiliary Grant payment of \$34 per month. Together, these income sources pay for room and board of low-income aged, blind and disabled persons in these facilities. The additional payments will assist the facilities in improving care required by new legislation adopted by the 2005 General Assembly.

Increase Oversight of Assisted Living Facilities. Adds \$512,853 GF and 11 adult licensing inspectors in FY 2006 to increase oversight of care provided in assisted living facilities and adult day care facilities and implement new regulatory requirements adopted by the 2005 General Assembly for these facilities.

Caregivers Grant Funding. Adds \$200,000 GF in the second year for the Caregivers Grant Program. The program provides grants of up to \$500 each year for caregivers who have income under \$50,000 and who provide unreimbursed care for a person who is mentally or physically disabled and who needs assisted with two or more activities of daily living.

Department for the Blind and Visually Impaired

Newsline Reading Services for the Blind. Adds \$50,000 GF in the second year to support the NFB-Newsline®, a telephone dial-in newspaper service for blind persons made available to state sponsors through the National Federation of the Blind in Baltimore. The service allows blind persons to use a toll-free phone line to access over 100 newspapers and magazines from their home phone.