

**January 29, 2015**  
**House Human Services Committee**  
**AHS Budget Proposals FY 2016**  
**(All figures are General Fund unless noted otherwise)**

Closing the FY 2016 budget gap was a challenging process that resulted in difficult choices within the Agency of Human Services. Our goal in developing a balanced FY16 budget was to provide funding to support the core mission, services and functions of the Agency and its Departments. For example, we have increased funding for supporting child protection services and opiate treatment. Also, there are significant increases in funding for Medicaid caseload and utilization – a portion of this increase reflects the success of the Medicaid expansion and that previously uninsured Vermonters are accessing the health care they need. But, finding the funds for those essential services in the current revenue environment requires that we identify reductions in other areas. You will hear more detail from the Commissioners today about those choices and the recommended reductions in some areas. Given the revenue we have to work with, the State budget gap cannot be closed without impacting the AHS appropriations. These were not easy decisions and we have worked to minimize reductions as much as possible.

Overall, the budget proposal for AHS makes a variety of changes to the individual department appropriations from the 2015 Budget. We are presenting a budget of \$3.8B (gross). This reflects an overall increase from FY15 appropriated (adjusted by rescission reductions - \$44.8M) of \$250M gross and \$24.5M General Fund. This is a 7.0% and 3.9% increase respectively. However, \$8.3M of the GF increase replaces the one-time appropriation to the Department of Corrections in the FY15 budget that funded core operations and \$4.2M replaces one-time rescission funding used in the Global Commitment appropriation. If those items were not included in the calculation, the AHS appropriation would show an increase of \$11.9M GF or 1.9%.

Before discussing the specifics of the Governor's FY 2016 budget, I want to highlight that AHS requested \$8M in the capital budget for both FY16 and FY17 to invest in replacing the core infrastructure of AHS's 35 year old legacy IT ACCESS system. The current system is not flexible enough to function in today's computing environment and with today's technology needs. As such, it has become difficult to source the programming expertise to maintain the current IBM system. In addition, this capital appropriation will allow Vermont to leverage 90/10 funding from CMS to replace the system and will enable us to reduce or eliminate errors in programs like we experienced in 3SquaresVT.

The Medicaid Cost Shift

The Governor has proposed a plan to lower private insurance costs for Vermont businesses and individuals immediately and make the health care system more sustainable going forward. The Governor's plan helps fix the Medicaid cost shift, lower private insurance costs, and strengthen our health care system for the long term. The proposal includes increases for health care providers, such as our Designated Agencies, which are needed to help them recruit and retain staff to best serve their clients. More details on this plan are provided in the attached summary.

AHS Secretary's Office Appropriations:

I will explain some of the changes you will see in the AHS Secretary's Office appropriations.

### Administrative Appropriation

- Reduction to the Tobacco Board funding will eliminate one state position and the funding for the evaluator contract. This will retain the Board's expertise in an advisory capacity.
- Some examples of where we have made reductions to bring the budget in line with available revenue, while protecting funding for core functions across the Agency are:
  - We have proposed a 10% (\$47,415 GF) reduction to the Vermont Legal Aid contract.
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  - We have reduced our grants by 50% (\$204,750) for the AHS Secretary's Office Field Directors for direct services and service coordination.
    - Field Directors maintain a contracted service coordinator in each district in order to address the most complex individual and family cases. To accommodate this reduction, Field Directors will reprioritize this work to address individual crisis situations.
    - AHS Field Directors maintain a small pool of flexible dollars in each district in order to address immediate and concrete needs for the individuals and families in those areas.

In each of these areas, we worked to minimize the reduction for these services.

### Human Service Board Appropriation

- Elimination of one of two limited service hearing officer attorneys that were created to hear Exchange-related appeals for the Human Services Board. This work volume is lower than originally anticipated.

The Commissioners will discuss with you further the increase in the Medicaid caseload and utilization; the impact of addressing the cost shift; increased support for child protection and opiate treatment; providing funding for the annualized costs for Soteria House, a core component of Vermont's system of mental health care; and funding the developmental services caseload.

They also will discuss the areas where reductions would occur, such as:

- Eliminating the Area Health Education Center repayment grant (-\$.7M Gross.) This results in a reduction of 25 – 40 grants to health professionals, which may have an impact on the long term supply of health care providers.
- Reducing the Coordinated Healthy Activity, Motivation and Prevention Programs (CHAMPPS) (-\$300K Gross). Grantees are in the first year of a two year funding cycle in an effort to achieve long-term changes in physical activity and nutritional practices. This reduction will leave projects uncompleted.
- Eliminate the state funds in LIHEAP (\$-6.0M). Eliminating state funds from LIHEAP will result in the elimination of seasonal fuel assistance to households between 150-180% FPL and crisis fuel assistance to households between 150-200% FPL.
- Federal funding for the Youth In Transition grant will end in SFY 16, requiring an appropriation adjustment for one-quarter of Federal Funding in the amount of -\$265k. Not replacing the Weatherization funds as the source of additional funds from GMP funds is ending. (-\$2M Gross). This reduction will result in approximately 230 fewer homes being weatherized and an approximate 15% reduction in the Weatherization Assistance Program workforce from 150 people to 128 or a loss of 22 FTEs at the Community Action Agencies.

As we begin the FY16 budget review process, I want to emphasize that I and the Commissioners are available to listen and explore other ideas for how to balance the budget. We recognize the importance of every State dollar and the needs and vulnerabilities of the people who depend on AHS services, our partners and providers. We are committed to continue to work for the best possible solution for a balanced budget.