

February 1, 2016
House Appropriations Committee
AHS Budget Proposals FY 2017
(All figures are General Fund unless noted otherwise)

Closing the FY 2017 budget gap was a challenging process that resulted in difficult choices within the Agency of Human Services. Our goal in balancing the budget was to provide funding to support the core mission and functions of the Agency and its departments. This budget enhances Child Protection Services, provides funding for Medicaid caseload, expands provider tax revenue while also increasing Medicaid rates for Dentists and Physicians, increases funds for opiate treatment and expands the family supportive housing program.

Overall the budget proposal for AHS makes a variety of changes to the individual department appropriations from the 2016 Budget. We are presenting a budget of just over \$2.5B when adjusted for the Global Commitment double count in the appropriations. Including the double count, the budget proposal is \$4.1B which reflects an overall increase from FY16 appropriated (adjusted by statewide other changes of \$4.6M) of \$404.3M gross and \$18.1M General Fund. This is a 10.9% and 2.8% (GF) increase respectively. Part of this overall increase is budget neutral and related to the consolidation of the Global Commitment and Long-term care waivers. However, \$3.5M of the GF increase replaces the one-time appropriation to the Department of Corrections in the FY16 budget that funded core operations. If those items were not included in the calculation, the AHS appropriation would show an increase 14.6M or 2.2%.

There are many items in FY17 request that continue decisions introduced with the FY16 budget adjustment request. Your committee has completed detailed testimony from the departments on these items. This summary will skip over these items.

Provider Tax Expansion

The Governor has proposed a 2.35% provider tax on physicians not presently employed by hospitals and on all dentists. This will raise an additional \$17.0M in state revenue. After grossing up the state revenue, it will be used for 3 reinvestments: about \$26M for the Medicaid enrollment increases; Medicaid rate increases for primary care providers to restore an increase in the ACA that sunset (\$8.4M GC) and Medicaid rate increases for preventative dental (\$2.2M GC). This budget also provides the resources at DVHA to successfully implement these changes.

AHS Secretary's Office Appropriations:

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

- Reduction to the Tobacco Board funding will reduce the one state position from full to part-time. (67,500 Tobacco Fund) *Page 4*
- 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% (\$47,416) reduction to the Vermont Legal Aid contract.
Page 4

- We have eliminated our grants (\$204,750) for the AHS Secretary's Office Field Directors for direct services and service coordination. This will impact either contracted services or direct service dollars depending on the needs of each community. *Page 4*
- The above reduction is offset by investing in VISTA volunteers to support Field Directors (\$18,000) *Page 4*
- Leverages an additional \$15.1M in federal funds as a result of an increase in the Childless New Adults that earn an enhanced Federal Medical Assistance Percentage (FMAP – 86.57%). *Page 6*

Below find some highlights of items within Departments that the Commissioners will be in to discuss with you further.

DVHA:

- Transfers the Health Access Eligibility Unit (HAEU) and Assisted Operations (AOPS) from DCF to DVHA to align health care operations. *Page 11*
- Establishes 3.5 FTES at DVHA to implement Physician and Dental provider assessment (\$530,871 GC). *Page 11*
- Funds Medicaid caseload and utilization growth (\$70M all funds). *Page 13, 14, 15*
- Implements a best practice approach for Involuntary Medication (-5.0M GC). *Page 13*
- Adjusts pharmacy pricing to the State Maximum Allowable Cost (SMAC) limits on generic drugs (-5.0M GC). *Page 13*
- Transitions health care coverage from Medicaid to Qualified Health Plans for pregnant persons between 138% and 213% of the Federal Poverty Level (FPL) (-\$4.9M GC). The Administration is currently looking at other options to offset this reduction. *Page 13*

VDH:

- Expands the Opioid Antagonist program (\$200K SF – evidence based education & advertising fund - EBFA) and enhances the prescription drug disposal program (\$50K SF - EBFA). *Page 17*
- Allows for the Medical Assisted Treatment (MAT) Hub expansion with a January 1, 2017 implementation start date (\$420K GC). *Page 18*

DMH:

- Supports Suicide Prevention efforts (\$72,724 GC). *Page 20*
- Provides funding for peer services for young adults, preserves transitional housing related to HUD and the Vermont Cooperative for Practice Improvement (VPCI) (\$448K GC). *Page 20*

DCF:

- Annualizes the increases to Family Services to address Child Protection issues as also contained within the FY16 BAA. *Page 23*
- Restructures residential treatment services (-674.6K). *Page 24*
- Adds funding to support Emergency Housing and continues the cold-weather shelter program (\$1M). *Page 27*
- Expands the Family Supportive Housing program by expanding services using Medicaid Funding (\$238K net increase). *Page 29*

DDAIL:

- Funded Developmental Services Caseload increase at \$8.0M Gross *Page 34*

In the DVHA Appropriation: *Page 14*

- Funded Statutory Nursing Home rate increase at \$2.6M Gross
- Funded Home and Community Base caseload at \$2.6M Gross
- Nursing home underutilization at -1.2M Gross
- Backfills Moderate Needs Group one-time funds at \$1.2M Gross

DOC:

- Replace one-time carry forward funds in FY16 \$3.5M. \$3.5M in one-time funds were used in building the SFY16 budget. This request backfills the base funding for DOC to avoid a structural deficit. *Page 38*
- Close the Caledonia Community Work Camp (CCWC) -\$2.5M *Page 38*
- Reduce out-of-state beds by 43 to 297 beds -\$970K. This is net of an increase needed as a result of closing the CCWC. *Page 39*
- Restructure the Community High School of Vermont by closing the field sites -\$734K Education Funds. *Page 37*

Commissioners for the various AHS departments will give details on the specific changes in department budget requests.