

February 2, 2015
House Appropriations 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 balancing the budget was to provide funding to support the core mission and functions of the Agency and its departments. This budget supports Child Protection Services, provides funding for Medicaid caseload, addresses the cost shift, increases funds for opiate treatment and supports the operations of the Vermont Health Connect.

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 just over \$2.4B when adjusted for the Global Commitment double count in the appropriations. Including the double count, the budget proposal is \$3.8B which 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 \$4.4M 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 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 replace AHS's 35 year old legacy IT ACCESS system, as well as replacing the MMIS system. The ACCESS system in particular 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 for eligible expenditures, and will reduce or eliminate errors.

There are many items in FY16 request that continue decisions introduced with the FY15 budget adjustment request. Your committee has completed detailed testimony on from the departments on these items. This summary will skip over these items.

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 costs shift, lower private insurance costs, and strengthen our health care system for the long term. 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.
 - We have reduced our grants by 50% (\$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.

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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.

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

DVHA:

- Underfunding in Medicaid rates results in private insurance paying for the shortage in revenues. In order to address this, the Governor has recommended the following major initiatives:
 - Fund Medicaid Caseload and Utilization Growth
 - Address the cost shift
 - Home Health increase - 6 months \$1.25M Gross
 - Build on the Existing Health Home Model – 6 months \$5.0M Gross
 - Strengthen the Blueprint for Health Program
 - Increase Cost Sharing Reduction Subsidies
- Annualization of Vermont Health Connect \$17.5 M Gross
- Expiration of ACA Primary Care Physician rate increase \$-3.8M Gross. One of the initiatives offered under the Affordable Care Act was an increase in primary care physician (PCP) rates. This request annualizes the elimination of the increase in rates that was effective January 1, 2015.
- Expected Performance-based management savings through clinical and drug utilization review \$-6.6M Gross

VDH:

- Opioid Treatment Utilization \$4.5M Gross. Medication assisted treatment centers (Hubs) have expanded capacity rapidly through FY14 and continuing into FY15. The FY16 forecast assumes complete build out of the original planned hub and spoke capacity
- Increases in food and lodging fees to cover increase staff cost for food licensing inspections \$-.5M
- Eliminate health care repayment grant to Area Health Education Center \$-.7M Gross. This results in a reduction of 25 – 40 grants to health professionals.

- Coordinated Healthy Activity, Motivation and Prevention Programs (CHAMPPS) elimination -\$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.

DMH:

- Soteria House - annualize SFY15 appropriation \$.5M Gross. Program is a core component to Vermont's enhanced system of care in Act 79. This program may allow diversion of some psychiatric hospitalizations and serve to step-down individuals from inpatient psychiatric care.
- Residential utilization, Meadowview (Brattleboro) and Hilltop (Westminster) \$-.5M Gross. After budget review of these residential facilities over the past three years, there are unused funds each year. DMH believes that funds can be safely removed from the overall budget with no programmatic impact.
- Youth In Transition Grant -\$265K Federal. In FY 16, we have nine months of spending authority. The Federal fund down of \$265K is to reduce the spending authority because the grant is ending. This budget does not backfill this federal reduction.
- Reduction to Vermont Psychiatric Survivors -200K Gross. A number of programs within VPS have not met their expected outcomes..

DCF:

- Continues the position pilots started in SFY15 which increases staffing in the Family Services Division through Reach Up caseload savings.
- Legislative Change effective 7/1/15: Enhanced Child Care Subsidy \$1.4M is funded.
- Eliminate state funds in LIHEAP \$-6.0M.
- Weatherization reduction due to the end of Green Mountain Power funds and associated work -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.

DDAIL:

- Funded Developmental Services Caseload increase at \$7.1M Gross
- Medicaid Provider Increase 2.5% for 6 months \$2.1M Gross
- Traumatic Brain Injury (TBI) Caseload \$0.5M Gross

In the DVHA Appropriation:

- Funded Statutory Nursing Home rate increase at \$3.2M Gross
- Funded Home and Community Base caseload at \$1.8M Gross

DOC:

- Replace one-time carry forward funds in FY14 \$8.3M. \$8.3M in one-time funds were used in building the SFY15 budget. This request backfills the base funding for DOC to avoid a structural deficit.
- Mandate Home Detention / Home Confinement on Nonviolent Misdemeanant and Felony offenses (reduction of 50 Out Of State Beds) \$-1.2M – this reduction will further reduce the cost for OOS placements as well the total inmates housed in OOS beds. DOC is working the

Judiciary Committees on possible statutory language amendments in order to implement this initiative.

- Increased capacity for US Marshalls Beds (total of 60, which is an additional 36 beds) \$0.9M
- Projected savings due to Out of State contract rebidding \$-1.5M
- Restructure the Community High School of Vermont \$-1.9M Education Funds. This involves closing the field sites and reducing the facility sites.

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