

House Appropriations Committee December 18, 2017
AHS Budget Adjustment Proposals SFY 2018

(All figures are General Fund unless noted otherwise)

Overall, the AHS budget adjustment proposal makes a variety of changes to the individual department appropriations from the original 2018 budget, and reflects a requested increase of \$1.2M. However, though an increase specific to FY18 BAA, this is after the August rescission adjustments from the As Passed bill of -\$6.2M and management savings reductions from Act 85 Sec. B.1102 of -\$2.9M. Taking these actions together, this reflects a combined -1.2% decrease from the original As Passed general fund appropriation.

When adjusting for the Global Commitment double count in the appropriations, the AHS original appropriation was \$2.5B (all funds). The double count is the duplicative appropriations for Global Commitment in both the Departments and the Secretary's office. Including the double count, the budget is \$4.0B (all funds).

August 2017 Rescission & Emergency Board Action Needed:

The August 2017 rescission approved by the Joint Fiscal Committee included changes to the Medicaid Consensus Forecast and Hospital Outpatient Prospective Payments that effect global commitment. Though approved by the JFC, these changes still need to be imbedded in the update that will be presented to the E-Board in January and as such, are included in the FY18 BAA.

In addition to the August rescission, the staff Medicaid consensus forecast group met in November 2017 and reached consensus to provide a recommendation on further changes to the Medicaid forecast for the E-Board for SFY18. Though these changes are included in the Governor's Budget Adjustment request, they will need to be presented and formally adopted by the E-Board at its January meeting. This information represents the current consensus staff view of the trend and there may be subsequent changes prior to the E-Board meeting.

In addition to the Medicaid consensus forecast, fiscal staff from AHS, Finance & Management and the Joint Fiscal Office, will present updated revenue recommendations for the State Health Care Resources fund (SHCRF) to the E-Board for adoption in January. These changes are included in the Governor's Budget Adjustment request and will allow for the leveraging of additional funding for the SFY18 BAA.

Act 85 of the 2017 Session (Management Savings):

Items in the 'yellow section' of the ups/downs sheets reflect actions already taken. For the SFY18 BAA, these reflect the managements savings pursuant to Act 85 of the 2017 session.

Net Neutral & Technical Adjustments:

As in previous years, you will see a variety of net neutral adjustments across AHS departments that reflect adjustments to caseloads and service delivery to best serve AHS consumers. These adjustments include the following items:

- Movement of funding from DMH to DAIL for the Designated Agency wage increase laid out in Act 85 Sec. E.314.1. This was presented at the November 2017 JFC meeting.

- Transfer of funding for positions from the AHS Secretary's Office to DVHA (Eight Medicaid Policy) and DMH (One Integrated Family Services). These position moves allow for better alignment of work and priorities across the Agency.
- Transfer from DVHA to DMH for Applied Behavior Analysis (ABA) services.
- Within DCF, there are movements to adjust federal earnings between appropriations to align with fiscal reality. These include Targeted Case Management Administrative earnings and the Temporary Assistance for Needy Families (TANF) 5-year plan.

Each department's budget includes technical adjustments between Global Commitment Program and Global Commitment Investment columns. This will allow AHS to manage and monitor investment spending in accordance with its 1115 Global Commitment Waiver with CMS signed in October 2016.

AHS Secretary's Office:

The Secretary's Office appropriation contains net-neutral transfers of funding for eight Medicaid Policy positions to DVHA and one Integrated Family Services position to DMH. It also includes the net-neutral transfer of funding from DMH to the Secretary's Office for the Vermont Legal Aid contract, which is administered by AHS.

Most items in the GC appropriation are the result of actions elsewhere in the Departments. However, the following items are not directly related to activities at the Departments:

- Technical correction to appropriate the Health Information Technology (HIT) fund directly as opposed to via a transfer to the State Health Care Resource Fund (SHCRF);
- Technical adjustment for 2% rate increase for Home & Community Based Services – see letter of intent (\$116K)
- Include General Fund carryforward from SFY17 for use as match to Medicaid in SFY18 (\$262K);
- Adjust spending authority in the State Health Care Resource Fund and General fund to bring in line with E-Board adopted revenue from July (\$969K) and updated based on revised estimates of SHCRF revenue (-\$1.2M);
 - The \$969K decrease in the July E-Board SHCRF was predominately related to cigarette and tobacco tax downgrade, HH and ambulance Provider tax, and recoveries.
 - The projected \$1.2M increase in the SHCRF is related to Hospital Provider tax.
- Increase general fund for shortfall in CHIP qualifying claims versus original budget (\$1.2M);
 - The FY18 budget for the CHIP qualifying claims was built from FY17 actual experience. In October, we made the actual claim with CMS and it resulted in lower than budgeted earnings. (*The CHIP qualifying claims is a special provision that allows Vermont to draw CHIP enhanced funding for children between 133% and 237% FPL with regular Medicaid claims*).
- Adjust for tobacco fund revenue shortfall (\$300K);
- Decreases Federal Medicaid matching funds due to revised estimates for 'Childless New Adults' which, increases the General fund need by \$1.9M. This will need to be adopted by the E-board;
 - During the FY18 build, the Administration and JFO estimated that the split between Childless New Adult vs New Adult with Child would be 80/20, with the 80%

received enhanced FMAP. Now that DVHA is current with redeterminations, the actual experience of this split is 70/30, resulting in less federal enhanced funds.

- Align Vermont Health Connect funding.
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Detailed below are the significant items within Departments that the Commissioners will be in to discuss with you further.

DVHA

- Includes the transfer of eight Medicaid Policy positions (AHS net neutral);
- Right sizes contracts for Design, Development & Implementation (DDI) for IT projects (-\$2.4M GF and -\$21.4M Fed);
- Technical correction between Integrated Eligibility and Vermont Health Connect operations;
- Align Vermont Health Connect funding.
- Savings from the Claims Tail (-\$1.6M Gross);
- Updated Medicaid Consensus Forecast from November 2017, will need to be adopted by the E-Board in January (-\$4.5M Gross);

VDH

- Household Health Insurance Survey contract (\$375K).

DMH

- Position Transfer for Integrated Family Services from AHS (net-neutral);
- Hill House Emergency Bed Funding (\$30K gross);
- PNMI Rate Increase & Extraordinary Relief (\$30K GF, \$295K Gross);
- Street Outreach Workers (\$200K).

DCF

- Administration:
 - Economic Services Division Management Reorganization (-\$412K);
 - Special fund transfer from LIHEAP for Administration (-\$590K);
 - Leverage one-time Medicaid earnings from SFY17 (\$-635K);
 - LIHEAP State Median Income Adjustment proposal (-\$1.2M);
- Family Services Division:
 - Caseload Pressures & Offsets:
 - Sub-adoption caseload increase (\$681K all funds);
 - Sub-care caseload decrease (-\$998K all funds);
 - PNMI Increase for Residential Care Treatment Rates (\$400K gross);
- Child Development Division:
 - Early Intervention Evaluation & Treatment (-\$1M);
 - Child Care Transportation Contracts Savings (-\$300K);
 - Child Care Subsidy Underutilization (-\$515K);
- General Assistance:
 - Temporary housing pressures (\$871K);
 - Savings from one-time funds for Barre & Rutland (-\$500K);

- Savings from Vermont Rental Subsidy program (-\$200K);
- Reach Up:
 - Caseload miscalculations from prior years (\$2.4M);
 - Caseload Savings (-\$1.8M);
 - SFY17 Closing Adjustments (-\$146K);
 - Good News Garage payments moved from Cost Per Case (\$326K);
 - Special and Federal revenue shortfalls (\$184K);
 - Grant reductions (-\$627K);
- Woodside – loss of Medicaid Authority (\$2.7M GF).

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- Out-of-state caseload pressure (\$184K).

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