

House Appropriations Committee January 11, 2017 AHS Budget Adjustment Proposals SFY 2017

(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 2017 budget, and reflects a requested increase of \$7.2M, on top of the July rescission adjustments from the As Passed bill of -\$10.6M. This is a combined -0.5% decrease from the original general fund appropriation. The requested budget adjustment does not contain policy items.

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 original budget is \$4.0B (all funds).

Act 172 of the 2016 Session and the July Rescission Updates:

Items in the 'yellow section' of the ups/downs sheets reflect actions already taken. These reflect the rescission reductions from the July Joint Fiscal Committee action.

Each department depicts a reduction in Global Commitment spending due to the removal of the funding for the 53rd week of Medicaid per the July rescission. The 53rd week was paid for in fiscal year '16 using base funds appropriated to the Agency of Human Services. Since this was a one-time expenditure in '16, these funds will not be needed to cover base costs in '17. Therefore, appropriations can be reduced accordingly without impacting programs.

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. In addition, this includes the movement of funding from the Secretary's Office to DAIL and DVHA for the 2% Home and Community Based Provider increase detailed in Act 172 of the 2016 session, Section E.300.6. There are similar net neutral movements from DMH to DAIL and VDH for the 2% Designated and Specialized Agency increase. This was laid out in the Legislative Letter of Intent document.

This budget adjustment contains savings as the result of exempt position eliminations pursuant to Act 172 of the 2016 session, Section B.1106. AHS eliminated three exempt positions in the Secretary's Office and DVHA.

The budgets of VDH, DAIL and DMH contain increases from the nurse reclassification that was completed in FY16.

Global Commitment Waiver Renewal:

This budget adjustment reflects an outcome of the Global Commitment waiver renewal. Medicaid Administrative costs are now considered to be "outside of the waiver" effective January 1, 2017, and can no longer be claimed at the Program match rate (~54%). As such, there is movement of Admin funding from Global Commitment to State and Federal Funds (Medicaid Admin). Under this shift, AHS will draw down Admin costs at varying match rates depending on

the activities: 50% for General Admin, 75% for Medicaid Management Information (legacy) Systems (MMIS), 75% for Skilled Professional Medical Personnel, and 75% for Maintenance Operations of the Enrollment and Eligibility System (OAPD).

Based on new 2016 federal guidance which broadens the CMS interpretation of the definition of an “inmate of a public institution”, effective 10/1/16, AHS was no longer able to draw federal match for Woodside.

Vocational Rehabilitation:

DAIL was recently notified of the loss of federal re-allotment funds for the first time since 2008; although this is not built as part of the base budget, it is a loss to those programs and will require reductions in programming. AHS has developed a plan to bridge and step down spending in this program in FY17. As part of this bridge, AHS will leverage Global Commitment funds at DMH within the JOBS and CRT programs. This change is reflected in the DMH appropriation. This backfill will not continue into FY18.

AHS CO

The Secretary’s Office appropriation contains exempt positions savings from the elimination of the Special Projects Coordinator position.

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 as laid out in the Statement of Legislative Intent to add funding for LARC reimbursement pursuant to Act 120 of the 2016 session.
- Creates spending authority in the State Health Care Resource Fund as detailed in the JFC approved July rescission.
- Decreases Federal Medicaid matching funds due to revised estimates for ‘Childless New Adults’ which, increases the General fund need by \$4.2M.

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

DVHA

- Elimination of Deputy Commissioner Positions (2)
- Vermont Health Connect – inclusion of 52 Health Access Eligibility and Enrollment Unit (HAEEU) staff, use of OAPD enhanced funding, miscellaneous contractual adjustments
- Caseload and Utilization Decreases (-\$20.1M GC, -\$800K GF)
- Buy-In savings (-\$1.1 M Gross) – Buy-in is a program where the federal government allows states to use Medicaid dollars to “buy-in” to Medicare on behalf of eligible beneficiaries.
- Accountable Care Organization (ACO) Shared Savings Payment (\$443K Gross)
- Enhanced Primary Care Physician (EPCP) Rate Increase - Correction (\$800K Gross)
- Drug Utilization and Review Board Recommendation – Increase Hepatitis C Drug Coverage (\$1.0M Gross)

- Blue Cross Blue Shield Reconciliation (\$3.5M)

VDH

- Nurse Reclassification (\$1.1M all funds)

DAIL

- Nurse Reclassification (\$956K all funds)

DMH

- Nurse Reclassification (\$339K Gross)
- Miscellaneous contractual savings including Electronic Health Record (-\$500K Gross)
- Adult Community Rehabilitation & Treatment (CRT) Utilization Increase (\$643K gross)
- Adult Inpatient Hospital – Increased costs (\$377K Gross)
- Adjustment for GC spending authority to allow for bridge to FY18 for loss of Vocational Rehabilitation Re-Allotment Funds

DCF

- Adjustments to correct for salary and benefit costs in FY17 (\$2.1M All Funds, \$3.4M GF, \$2.1M GC, -\$3.3M FF)
- Annualization of Benefit Program Specialist RFR from FY16 (\$712K All Funds)
- Vacancy Savings, Overtime and Temporary Employee Savings (-\$1.9M All Funds)
- Funding for HSE Limited Service Positions (\$498K All Funds)
- Lifeline Rules Changes (\$75K)
- Family Services Caseload Pressures – Temps and OT for Social Workers (\$1.2 M All Funds)
- Foster Parent Recruitment (\$50K All Funds)
- Sub adoption Caseload & Cost Per Case (CPC) Increase (\$831K All Funds)
- Lund Rate Increase (\$266K All Funds)
- Loss of SNAP E&T earnings (-\$2.4M FF), replaced with Reach Up Caseload Savings (\$740K GF, \$1.6M FF)
- Additional Reach Up Caseload Savings (-\$600K)
- Woodside – loss of Medicaid Authority (\$2.9M GF) – partially offset by one-time Global Commitment earnings of \$1.4M GC

DOC

- Statewide GF net neutral – transfer from DOC to the Attorney General’s Office for Pretrial Services Program (\$659K)

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