

# Update on Fiscal and Policy Issues in Health and Human Resources

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**Presentation to Virginia Network of Private Providers**

**Michael Tweedy**

**Legislative Fiscal Analyst - Senate Finance Committee**

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# Presentation Overview

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- Recap of 2017 Session
- Overview of Virginia's Budget
- Overview of the HHR Budget
- Virginia's Budget Process
- HHR Fiscal and Policy Issues for the 2018 Session

# 2017 Session Recap

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- The adopted amendments to the 2016-18 budget reflected lower revenues based on revenue falling short of forecast in FY 2016 by \$279.3 million.
- The FY 2017 and FY 2018 revenue estimates were adjusted downward based on the reforecast as follows:
  - 3.2% to 2.7% in FY 2017
  - 3.9% to 2.9% in FY 2018
- The available revenues were reduced by \$780 million and this is net of \$178 million in tax policy adjustments.
- The remainder of the budget shortfall was primarily addressed by a withdrawal of \$567.2 million from the Rainy Day Fund over the biennium.

# 2017 Session Summary for HHR

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- Adopted budget amendments by the General Assembly included \$23.6 million in new spending offset by \$31.4 million in savings for a net reduction of \$7.8 million GF less than the Governor's proposed budget.
  
- Additional spending of \$428.8 million is offset by \$98.1 million in savings for total net spending for HHR is \$330.7 million GF for the biennium. Major spending items:
  - \$247.8 million GF for Medicaid
  - \$85.7 million for Children's Services Act

# 2017 Session Summary for HHR: Behavioral Health

- Additional Funding of \$23.3 million GF as follows:

<b>Program</b>	<b>GF Funding</b>
Same Day Access at CSBs	\$6.2 million
Expand Permanent Supportive Housing	\$4.9 million
Local Inpatient Bed Purchases	\$3.0 million
Discharge Assistance Planning	\$2.5 million
Expand GAP Income Eligibility (80% to 100%)	\$2.1 million
Funding Needs at State Mental Health Hospitals	\$2.1 million
Detoxification Services	\$1.0 million
Gero-Psychiatric Team	\$880,000

Note: Federal funding (\$5.2 million) for opioid treatment services and Narcan was included.

# 2017 Session Summary for HHR: Behavioral Health

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- The final budget also included \$250,000 GF for the Secretary of Health and Human Resources to develop a plan to implement a financial realignment of the behavioral health system between the community and state hospitals.
- Funding of \$250,000 GF was included to support the Jt. Subcommittee on Mental Health Services in the 21st Century (SJR 47) in their efforts to improve the behavioral health system.

# 2017 Session Summary for HHR: Developmental Services

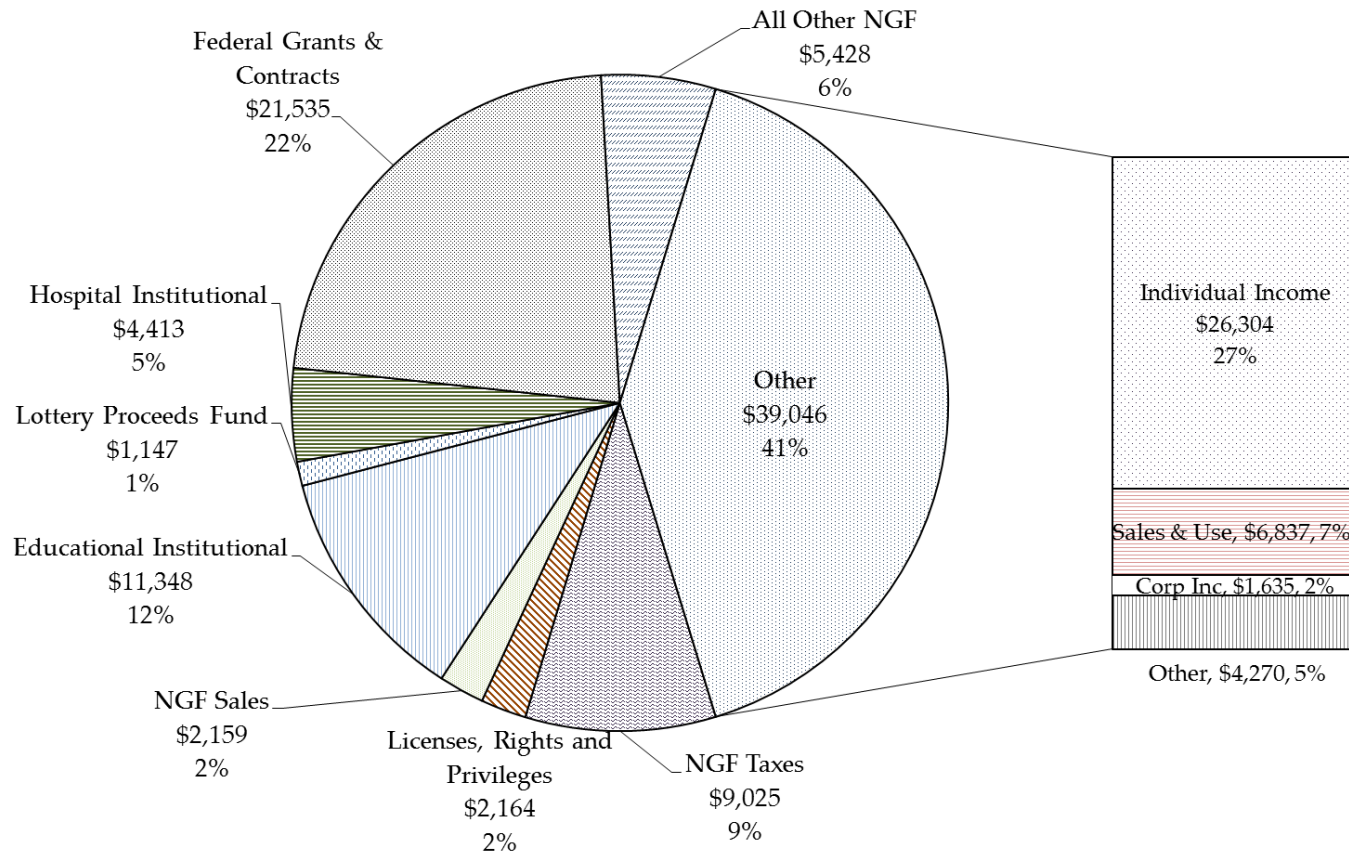
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- ❑ Allocated an additional 144 Family and Individual Support (FIS) waiver slots bringing the total number of additional FIS slots to 344 in FY 2018.
- ❑ Added language authorizing customized rates for Sponsored Residential services for individuals with extremely high needs.
- ❑ Directed DMAS and DBHDS to work with stakeholders on various concerns regarding the new DD waiver programs and requires reporting on the waivers and waiting list.
- ❑ Directed the Special Joint Subcommittee to Consult on the Plan to Close State Training Centers to work with DBHDS to develop a plan for consideration to operate a smaller state training center and make recommendations by November 30, 2017.

# Virginia's Budget

## *Sources of funding*

FY 2016-18 Total Revenues = \$96.3 Billion  
Chapter 836 (\$ in millions)





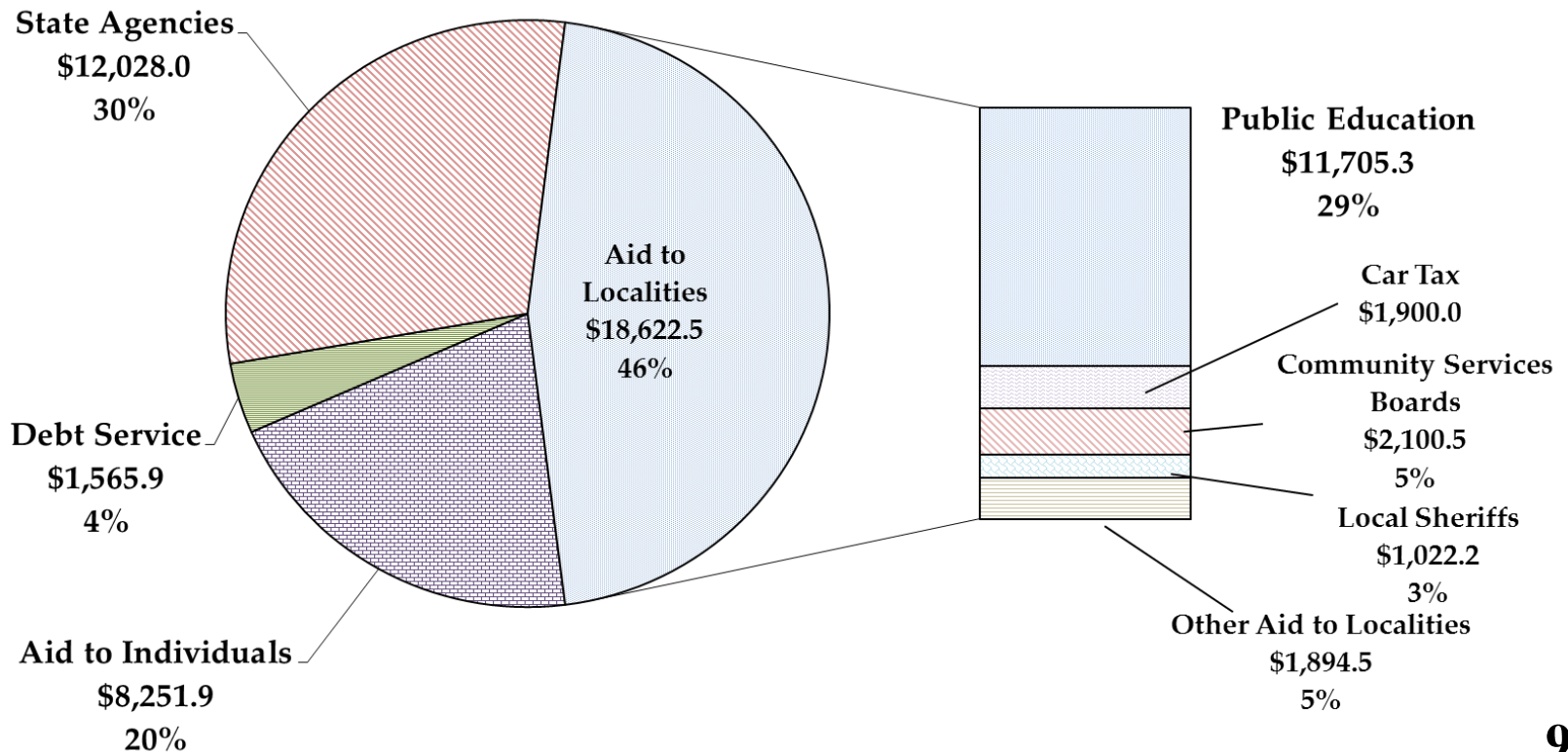
# Virginia's Budget

## *Current Biennium*

**FY 2016-18 GF Operating Budget = \$40.5 Billion**

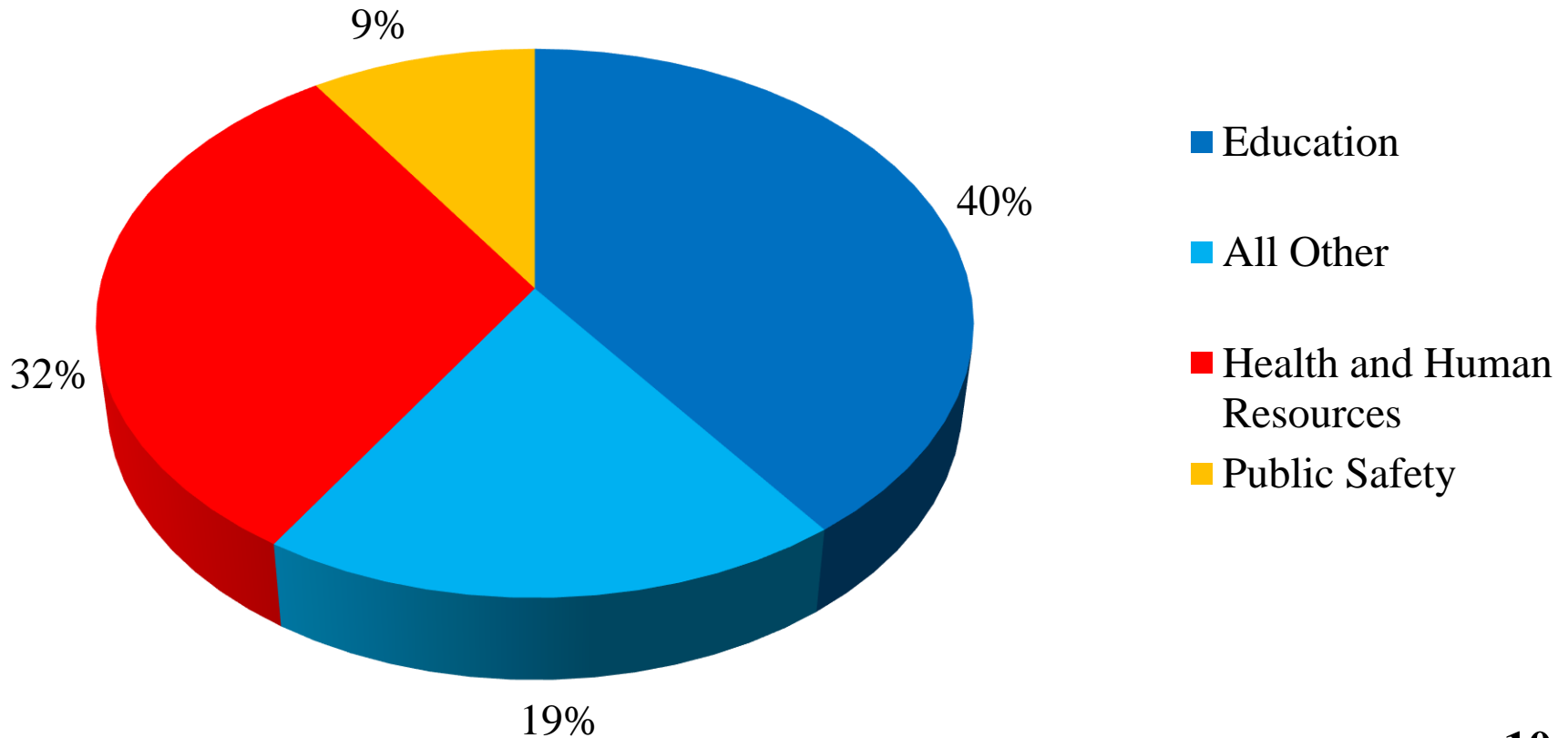
Chapter 836

(\$ in millions)



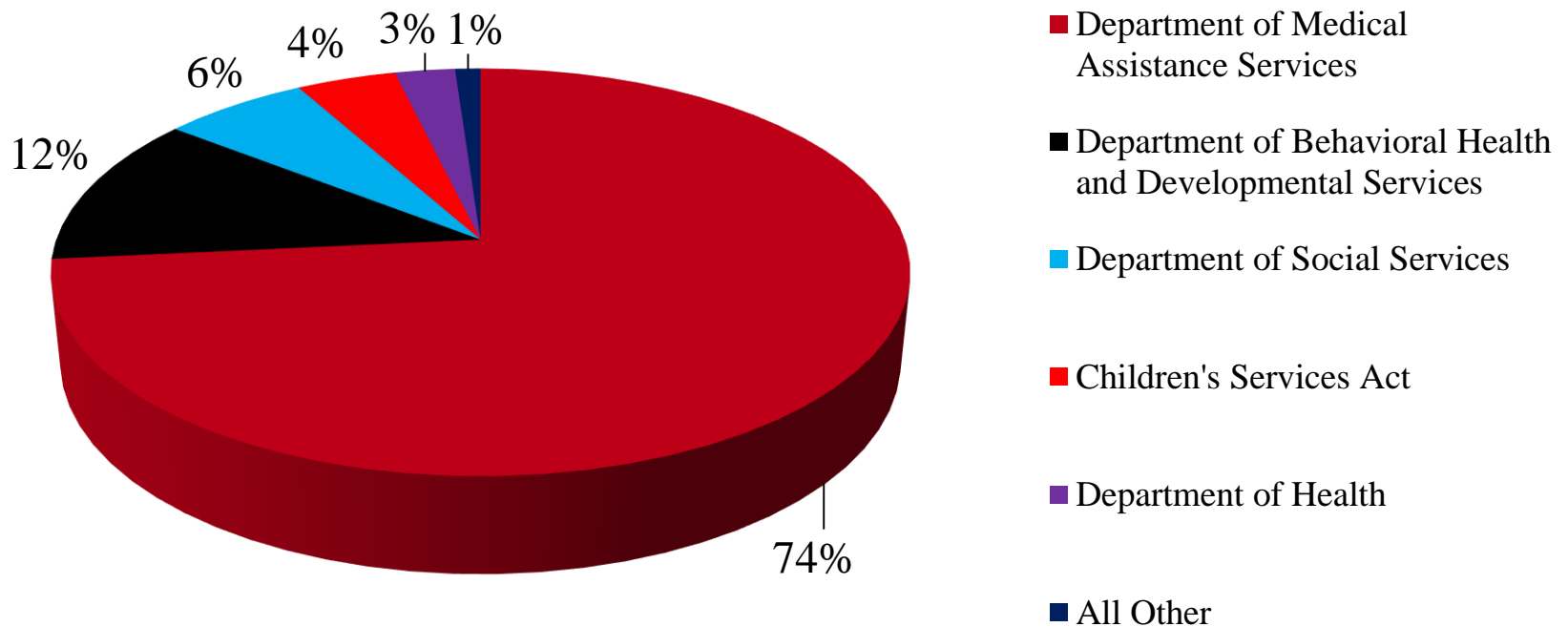
# Health and Human Resources is 32 Percent of the Budget

**FY 2018 General Fund Budget  
\$20.4 Billion**



# HHR Budget by Agency

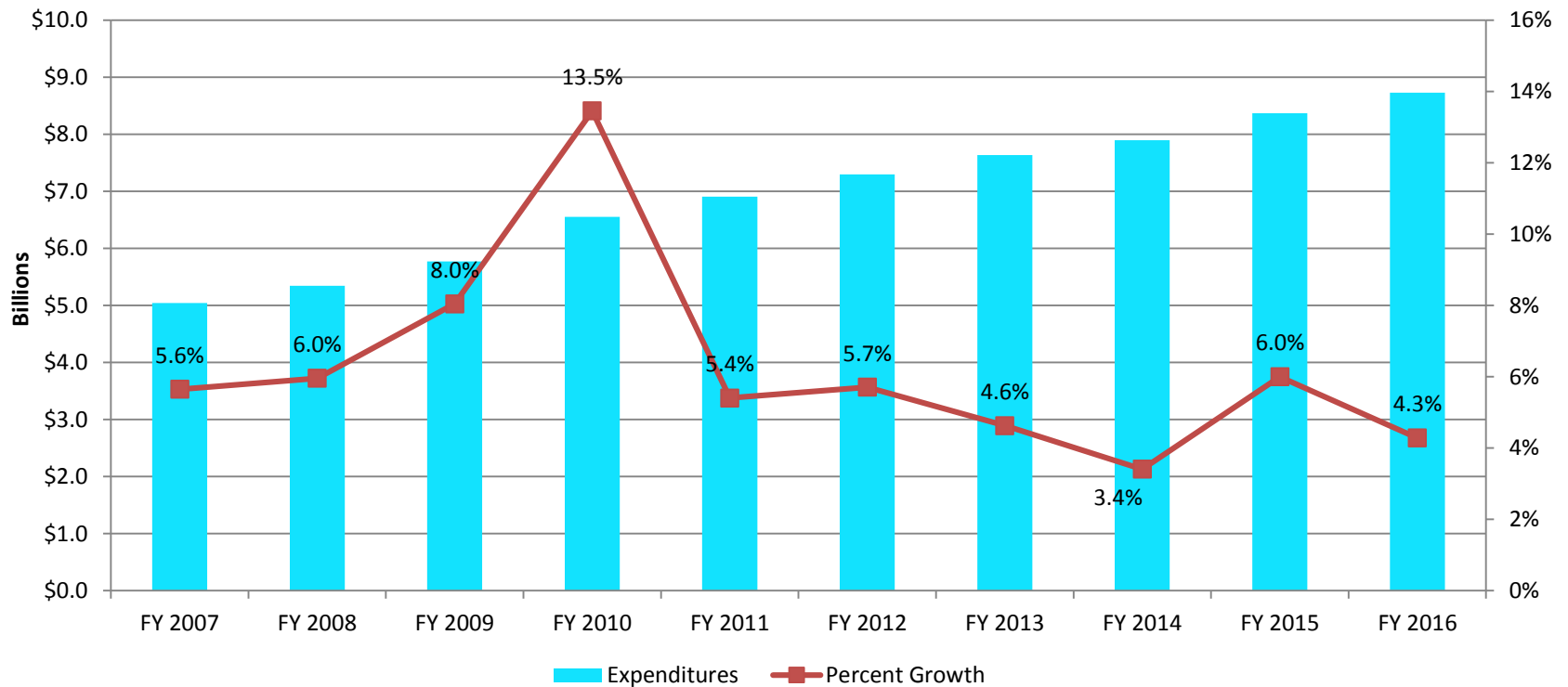
## FY 2018 General Fund Budget \$6.4 Billion



# Medicaid Expenditure Growth vs. Overall General Fund Budget

Average Medicaid Growth Rate since FY 2007 = 6.3% vs. 2.4% GF State Budget

Since FY 2012 = 4.8% vs. 4.2%

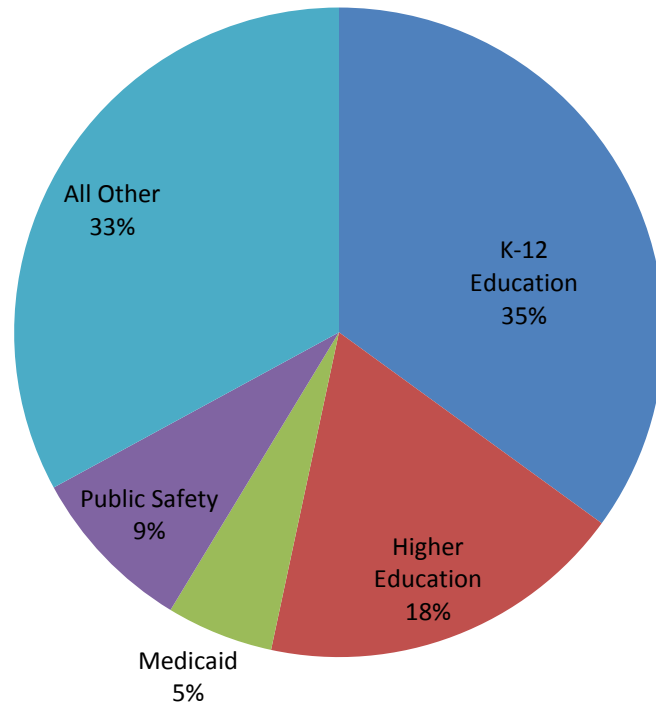


*Note: Expenditures in FY 2011, FY 2012, and FY 2015 have been adjusted to reflect payment shifts between fiscal years in order to better reflect realistic expenditure patterns in the program.*

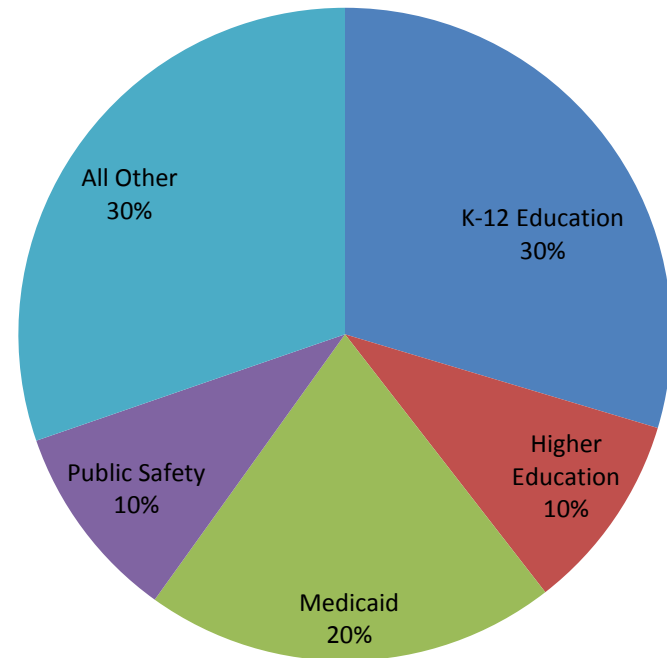
# Medicaid's Share of the State Budget Has Grown Over 30 Years

**Percent of General Budget by Major Area**  
*Change from 1985 to 2005*

**FY 1985**



**FY 2015**



# Virginia's budget process

## *Timeline of important dates*

### Budget Development

#### Agency Budget Preparation

**August**  
DPB issues  
instructions to  
agencies

**September**  
Agencies  
generate &  
submit requests

#### Review & Recommendation

**November**  
Governor, DPB,  
Cabinet review

**December**  
Governor submits  
document &  
bill to GA

### Budget Deliberation

#### Legislative Action

**January**  
Budget bills  
referred to  
money committees

**February**  
Senate & House  
produce separate  
budget proposals

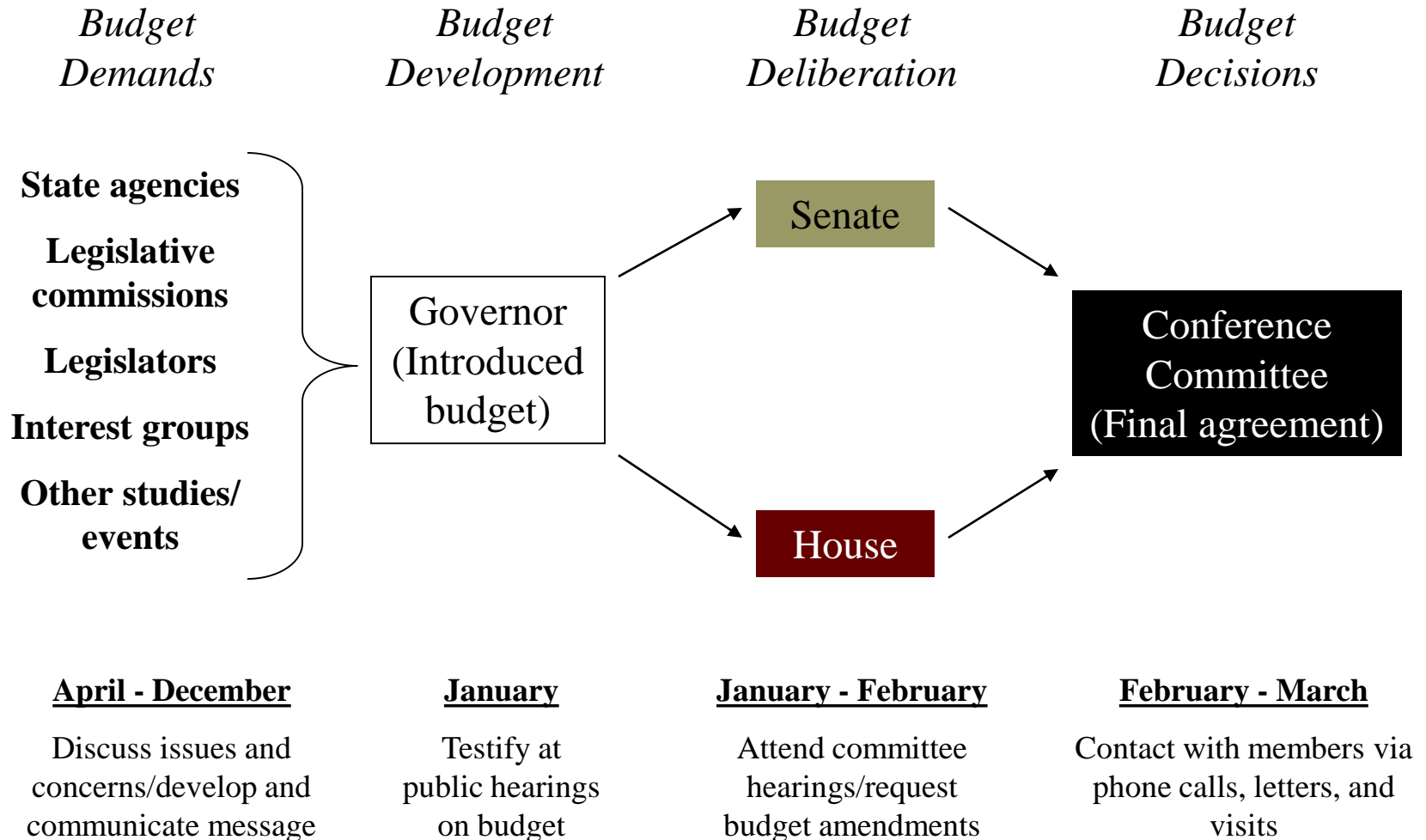
**March**  
Conference Committee  
reports budget bill(s)/  
GA approves budget

#### Gov's Review

**April**  
Governor signs/vetoes/  
or returns items to  
GA with amendments

# Virginia's budget process

## *How the process is influenced*



# Where Are We in the Budget Process?

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- ❑ In the 2018 Session, the General Assembly will consider amendments to the FY 2018 budget and will adopt the 2018-20 biennial budget
- ❑ State agencies have submitted budget requests to the Department of Planning and Budget
- ❑ Requests reflect “have to do” or mandatory programs and other agency priorities
- ❑ Requests for the 2018-20 biennium total \$2.4 billion
- ❑ Health and Human Resources represents \$897 million of the requests
- ❑ There has been no request for budget savings strategies from agencies



# Overall Budget Outlook for 2018-20 Biennium

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- Revenue growth continues, but cautious optimism remains.
  - Preliminary estimates for general fund revenue indicates growth of 2.7 percent in FY 2019 and 3.7 percent in FY 2020.
  - Payroll withholding is the primary reason for the growth, which reflects continuing employment growth.
  - Sales tax remains weak and will likely continue so as online sales continue to increase over retail sales.
  - Non-withholding is uncertain due to the potential federal tax reforms which may alter behavior of high-income taxpayers.
  
- Revenue growth will likely result in \$1.3 billion in resources.
  - However, Medicaid and K-12 Re-benchmarking will likely require \$1.5 billion general fund to fund.



# HHR Budget Drivers

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- ❑ For Health and Human Resources a number of big issues will drive budget decisions
- ❑ Balancing the FY 2018-20 budget while funding mandated cost increases
- ❑ Medicaid and Children's Health Insurance Program forecast
- ❑ Increasing utilization of the State Mental Health Hospitals due to Temporary Detention Orders
- ❑ Children's Services Act (formerly Comprehensive Services Act or CSA)
- ❑ Community behavioral health services

# HHR Budget Drivers

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- Forecasts for HHR “mandatory” programs are still being developed
- Medicaid and Children’s Health Insurance Program forecast
  - At recent growth rates Medicaid could require \$850 million GF
  - Match rate change for CHIP will require over \$50 million GF
- Budget requests for other mandatory and high priority programs, for example:
  - \$54.5 to fund the DOJ Settlement waiver slots
  - \$38 million for the Children’s Services Act (formerly Comprehensive Services Act) caseload and utilization

# Sources of Budget Information

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House Appropriations Committee Website

<http://hac.virginia.gov/>

Senate Finance Committee Website

<http://sfc.virginia.gov/>

Legislative Information System (LIS) State Budget Website

<http://budget.lis.virginia.gov/>

Department of Planning and Budget

<http://www.dpb.virginia.gov/>

Commonwealth Datapoint (APA)

<http://datapoint.apa.virginia.gov/>

Virginia Performs

<http://vaperforms.virginia.gov/>