

COMMENTS TO SENATE HEALTH AND HUMAN RESOURCES SUBCOMMITTEE

February 8, 2010

I've been asked to talk about the potential harm of another \$2 billion of cuts to balance Virginia's budget. Given the severity of the cuts already proposed in the introduced budget, another \$2 billion in cuts is simply unimaginable. And since we still have no idea what specific cuts will be proposed, we are operating in the dark – and with blindfolds on.

So I am expecting the worst, but still hoping the legislature will have to wisdom and foresight to reach a balanced decision that will not throw the baby out with the bath water. In this sense I mean two things:

1. Avoid cuts that will forfeit available federal funding. The proposed budget already forfeits \$400 million in federal Medicaid funding. This federal money circulates throughout Virginia and has a multiplier effect that generates economic activity, jobs and taxes.
2. Avoid cuts that will lead directly to job losses. We know in the education sector, the VEA is predicting the loss of 23,000 jobs from budget cuts. In the health sector we know:
 - Medicaid providers in Virginia are already underpaid. Cut or freezes will drive some providers out of the program – compromising access to care.
 - Nursing homes already lose over \$12/day on Medicaid patients. The cuts will make this worse. In 2008, nursing facilities employed 30,535 FTEs statewide. As a result of the last 2 years of cuts, they cut 911 FTEs. 333 more jobs will be lost under the Kaine budget; and another 590 jobs lost if rates are cut an additional 3%.
 - Hospital payments will drop from only 72% of costs to 68% in 2011 and 64% in 2012. VHHA estimates 6,020 jobs (direct health care and community jobs) will be at risk if hospitals and nursing homes are cut another \$600 million (state and federal dollars).
 - The closure of two facilities providing inpatient psychiatric services to children will affect over 800 children and eliminate 128 jobs.

- Cuts to other Medicaid providers range from 1% to 14%. Particularly troubling is the 5% cut for personal care services. Aides just received a small, but much needed, increase last year.

Without a doubt, another \$2 billion cut from Virginia's budget will wreak havoc in the health and human resources sector – erasing much of the progress we have made over the past two decades to improve eligibility and services in Virginia's health insurance programs. I am concerned about “turning the clock back” on basic coverage:

- Medicaid for the Elderly and Disabled with income under 80% FPL – If this category is eliminated, you will turn the clock back eight years, when over 10,000 very poor SSI recipients in Virginia could not qualify for Medicaid because of Virginia's unique restrictions on resource eligibility.
- FAMIS - Virginia's income eligibility, set at 200% FPL is already ranked 43rd in the country. Currently, 100,000 uninsured children get health coverage through FAMIS. If eligibility is restricted, you could turn the clock back to 2002 – when only 36,000 kids were enrolled. I'm hearing everyday about struggling families who need a bump up in eligibility to cover their kids during this recession. If eligibility is cut back, thousands of kids and families will be affected – and Virginia will forfeit 65% federal matching dollars, not to mention the total failure to use the larger federal allocation made available to Virginia by the 2009 CHIPRA legislation.
- FAMIS Moms – After 5 full years of incremental increases, Virginia finally raised eligibility for pregnant women up to 200% FPL only 6 months ago. This committee is well aware of the cost effectiveness of prenatal care and Virginia's ongoing efforts to improve its infant mortality rate.
- Long Term Care – Virginia's 7 Medicaid waiver programs are helping 26,000 extremely disabled people remain in the community and stay out of institutions. Current proposals to reduce eligibility and freeze enrollment – affecting 2000 people - are already troubling. More cuts will turn the clock back to a time when people had no choice but to enter nursing homes or simply try to survive without necessary care.
- Children's Mental Health – You have made much progress in recent years. If you don't maximize Medicaid and FAMIS for these services and utilize available federal funding – you will turn the clock back to a time when families had to depend on limited, state-only funded services (e.g. CSA and CSBs) – or their children's mental health care needs were just not addressed.

Balancing the budget on cuts alone will be devastating. Of course, no one wants to raise taxes. However, to me, increasing dozens of state fees, passing the buck to localities, eliminating services that hundreds of thousands of Virginians depend upon; jeopardizing employment for thousands of state employees, teachers and health care

workers – is much worse than generating additional revenue through a careful and targeted approach.

I encourage you to please consider two proposals:

1. SB 705, introduced by Senator Locke, would:
 - help to balance the state budget with new revenues
 - address some of the key holes and inequities of our current system
 - close a series of costly corporate tax loopholes
 - temporarily eliminate special exemptions that are too costly for the state at this time (e.g. the elimination of the estate tax only applies to estates worth over \$2 million)
 - phase in a surcharge on high earners with incomes over \$250,000 a year
 - provide \$650 million in new revenues in 2011 and \$1.3 billion in 2012.

This measure must remain in the mix to balance the cuts-only approach which will eliminate jobs, slash services, and hurt Virginia families.

2. For all cuts that are made, please use language that would “suspend” services or “freeze” coverage for a specific period of time. This would help to assure restoration in the future. If you just cut eligibility and eliminate services, I’m afraid we will never make up the ground lost this year.

You have extremely difficult choices to make– but we are counting on you to set the right priorities for the Commonwealth. The problem is too big to solve with any one approach. We need a balanced approach that includes revenue. Please don’t turn the clock back on all the hard work you’ve done to invest in Virginia’s economy through the programs and services that improve the lives of very vulnerable and working families in Virginia.

Thank you.

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