



Virginia Department of
Behavioral Health &
Developmental Services

Governor McAuliffe's Amendments to the 2014-2016 Biennium Budget

A Summary of New Spending Initiatives and Savings Strategies for the
Department of Behavioral Health and Developmental Services

Presentation to the
Senate Finance Committee HHR Subcommittee
January 12, 2015

Debra Ferguson, Ph.D.
Commissioner
Virginia Department of Behavioral
Health and Developmental Services

Budget Overview for DBHDS

- The budget increases the DBHDS general fund appropriation by \$5.9 million FY 2015 and \$20.4 million in FY 2016 for essential operations.
- Also includes general fund savings strategies of \$3.5 million in FY 2015 and \$5.3 million in FY 2016.
 - FY 2015 cuts were announced in October.
 - FY 2016 cuts are the continuation of FY 2015 actions with no new cuts.
 - No new layoffs for the system.
- Only new capital funding is \$292,655 to address deferred maintenance needs.

Budget Overview – GF Spending and Cuts

Budget Actions – Operations	GF FY 2015	GF FY 2016
DOJ Settlement Agreement (DBHDS & DMAS)	\$166,819	\$7.2 million
Comprehensive I/DD Waiver Redesign	-	\$2.3 million
Behavioral Health Community Initiative (LIPOS)	-	\$2.2 million
State Mental Health Facilities Operations	-	\$2.7 million
Piedmont and Catawba Revenue Shortfall (includes DMAS general fund offset)	\$2.8 million	\$5.1 million
VCBR Operations	-	\$123,417
Electronic Health Records (Loss of Incentive Payments)	\$3.0 million	\$808,846
Other Central Office Initiative (1 MH Position)	-	\$86,024
Additional Funding Subtotal	\$5.9 million	\$20.4 million
Savings Strategies (Central Office, MH Facilities, Training Centers, VCBR) -- No cuts to CSBs	(\$3.5 million)	(\$5.3 million)
Net Funding for DBHDS System Total	\$2.4 million	\$15.1 million

Note: The totals include budget amendments in DMAS that are related to the DOJ settlement agreement and waiver reform.

Budget Actions (Community)

- Training center closure costs (\$1.3 million in FY 2016).
- Provide on-going support for Rental Choice VA program (\$400,000 in FY 2016).
- Support rent subsidies resulting from waiver redesign (\$675,000 in FY 2016).
- Support the transition of individuals from training centers to the community not covered by Medicaid (\$125,801 in FY 2016).

Total for Community Services: (-\$400,000 in FY 2015 and \$1.9 million in FY 2016)

Budget Actions (Facilities)

- Replace lost revenue associated with the Medicaid/Medicare reclassification of Piedmont Geriatric and Catawba hospitals (\$3.8 million in FY 2015 and \$9 million in FY 2016).
- Increased special hospitalization costs at state facilities (\$1.9 million in FY 2016).
- Eight additional staff at Western State Hospital related to increased acuity and increased need for direct observation (\$454,532 in FY 2016).
- Six additional direct care staffing at Commonwealth Center for Children and Adolescents (\$268,260 in FY 2016).
- Six staff to provide a safer and more secure environment at VCBR (\$123,417 in FY 2016).

Total for Facilities: (\$3.8 million in FY15 and \$11.9 million in FY 2016)

Budget Actions (Central Office)

- Continue funding for statewide adult and child/adolescent bed purchases and fund increased regional LIPOS costs (\$2.15 million in FY 2016).
- Replace lost electronic health records Medicare incentive payments with general fund dollars (\$3 million in FY 2015 and \$800,000 in FY 2016).
- Provide increased funding for required costs associated with the DOJ settlement agreement, including the independent reviewer and the quality service reviews (\$140,000 in FY 2016).
- Support a consolidated waiver system (\$453,888 in FY 2016).

Budget Actions (DMAS)

- Support revision of day support to a new independence waiver (\$1.2 million in FY 2016).
- Rebase the DOJ settlement agreement to update funding for discharge adjustments and training center closure costs (\$535,369 in FY 2015 and \$5.1 million in FY 2016).

Summary of Savings Strategies

	FY 2015 General Fund	FY 2016 General Fund
DBHDS Central Office	(1,478,812)	(2,275,621)
State Mental Health Facilities	(1,612,351)	(2,419,730)
State Training Centers	-	(1,796)
VCBR	(401,672)	(591,037)
Total General Fund Savings	(3,492,835)	(5,288,184)

- Governor announced FY 2015 savings strategies in October.
- FY 2016 savings are a continuation of FY 2015 strategies identified in October.
- New FY 2015 savings to capture one-time savings associated with a delay in the opening of beds in Southwestern Virginia Mental Health Institute saving \$364,363 general fund.
- New licensing fees for all adult behavioral health and developmental services licensed by the department. The revenues generated by these fees are not reflected in the above totals as they are transferred to the general fund per the Code.

Budget Language Highlights

- Provision for the Office of the State Inspector General to conduct or contract for a study of Catawba Hospital and Piedmont Geriatric Hospital.
- Expanded use of VPBA Bond to support community housing development (DOJ related).
- Redesign of day support to independence waiver (DMAS).

Additional DBHDS Funding Needs

- The Virginia Center for Behavioral Rehabilitation (VCBR)
- Electronic Health Records
- DOJ Settlement Agreement
- Comprehensive Waiver Redesign Initiative
- Behavioral Health LIPOS Funding
- Governor's Taskforce on Improving Mental Health Services and Crisis Response Recommendations

CMS Re-designation of Piedmont / Catawba Hospitals

Background on Piedmont Geriatric and Catawba Hospitals

Piedmont Geriatric Hospital is a 123 bed gero-psychiatric hospital with four wards exclusively for the treatment of patients 65+ years.

- MEL = 438 positions; Current full-time staff = 367 (1/1/15);
- Total Funding = \$23.1M; General Fund \$0.6M; Nongeneral Funds \$22.5M.

Catawba Hospital is a 110 bed active recovery psychiatric hospital; houses two adult and two geriatric care wards.

- MEL = 292 positions; Current full-time staff = 245.2 (1/1/15);
- Total Funding = \$21.8M; General Fund \$10M; Nongeneral Funds \$11.8M.

CMS Re-designation of Piedmont / Catawba Hospitals

Issue

- Piedmont and Catawba Hospitals are currently certified by Medicare as Acute Care Hospitals and Medicaid as Long Term Hospitals. As a result, the state currently receives both Medicaid and Medicare revenues due to this dual designation.
- CMS issue relates to Medicare certification: In a HHS OIG letter, DBHDS was informed that neither of these hospitals qualify as Acute Care Hospitals.

Options:

- Having beds/units certified differently within the same hospital would invoke the hospital-within-a-hospital requirements of separate staff for each, which is also cost prohibitive.
- Single designation will result in a significant loss of revenue and negatively impact the facilities' operating budgets.
- There were no “no cost” options available.

CMS Re-designation of Piedmont / Catawba Hospitals

- Governor's introduced budget provides funding to address the shortfall in revenue, \$3.8M GF in FY 2015 and \$9.1M GF in FY 2016, partially offset by GF match required in DMAS of \$1.7M in FY 2015 and \$4.0M in FY 2016.
- The hospitals will now be certified as ICF/nursing facilities. It should be noted this was the least costly option available.
- This issue also involves issues of past reimbursement along with present and future of Piedmont and Catawba Hospitals within the state's network of care.
- The funds in the Governor's budget are essential to maintain hospital operations.

Mental Health Taskforce

- The Governor's Taskforce on Improving Mental Health Services and Crisis response completed its final report October 1, 2014.
- The report included 25 recommendations.
- Joint Subcommittee Studying Mental Health Services in the Commonwealth in the 21st Century endorsed the Taskforce's report with specific priority to seven recommendations.
- DBHDS is currently costing out the implementation of the initiatives.