



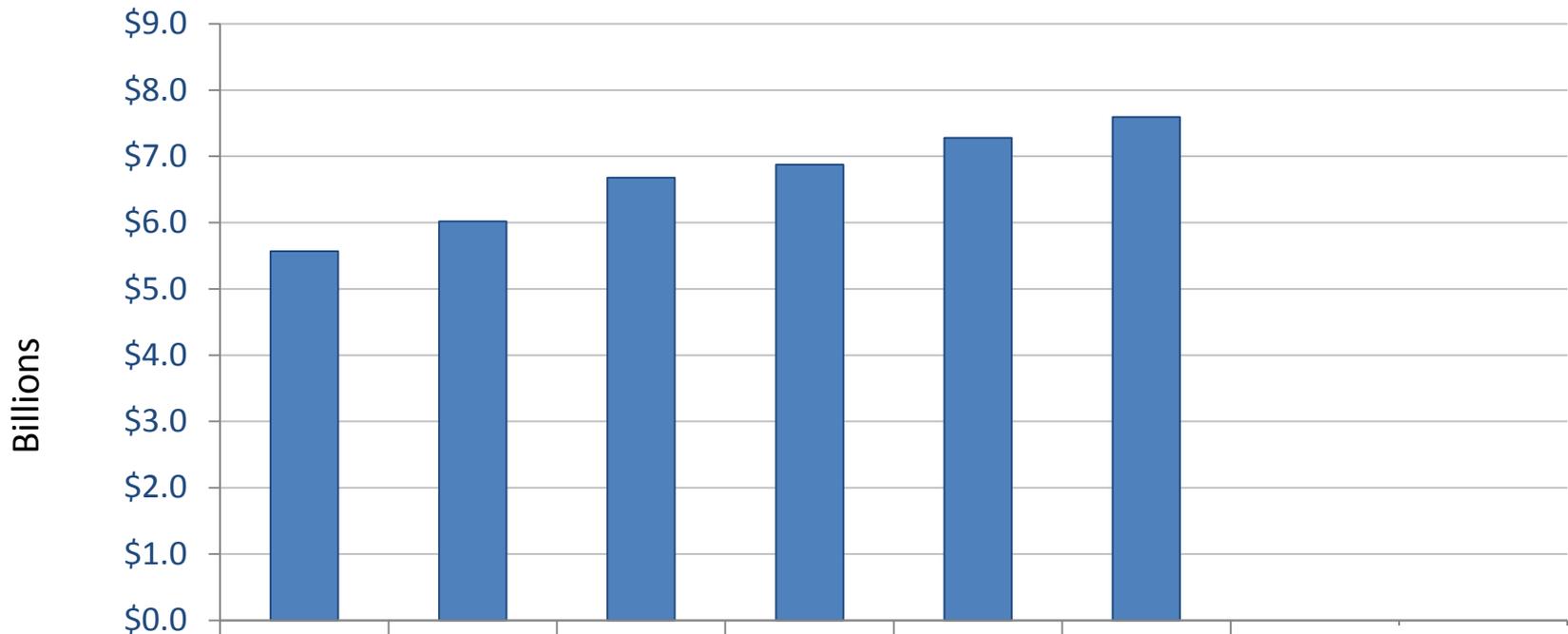
Overview of the Governor's Introduced Budget

Presentation to:

Senate Finance Committee
Subcommittee on Health and Human Resources

Cindi B. Jones, Director
January 12, 2015

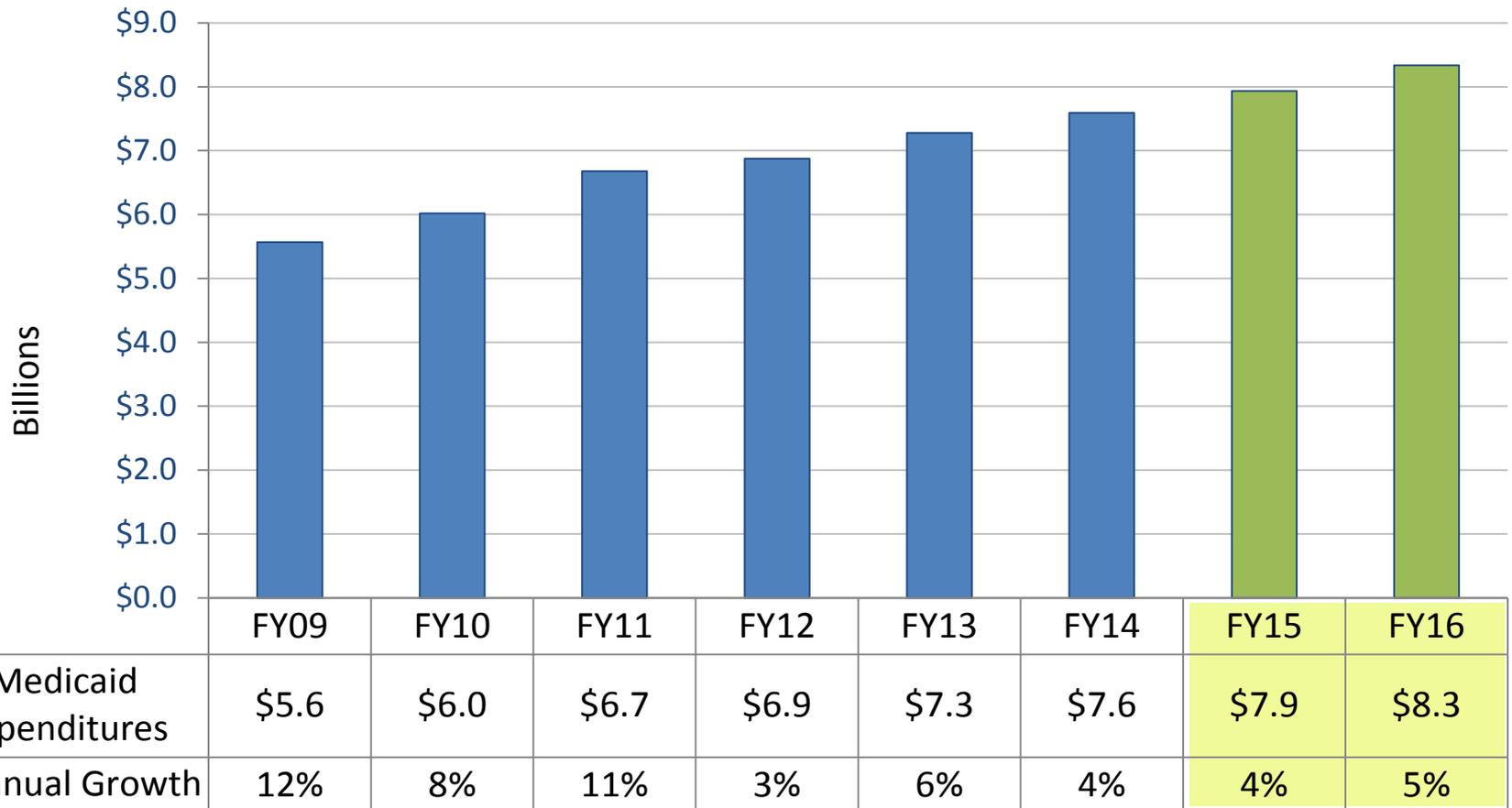
Medicaid Expenditures FY09-FY14



	FY09	FY10	FY11	FY12	FY13	FY14
■ Medicaid Expenditures	\$5.6	\$6.0	\$6.7	\$6.9	\$7.3	\$7.6
Annual Growth	12%	8%	11%	3%	6%	4%

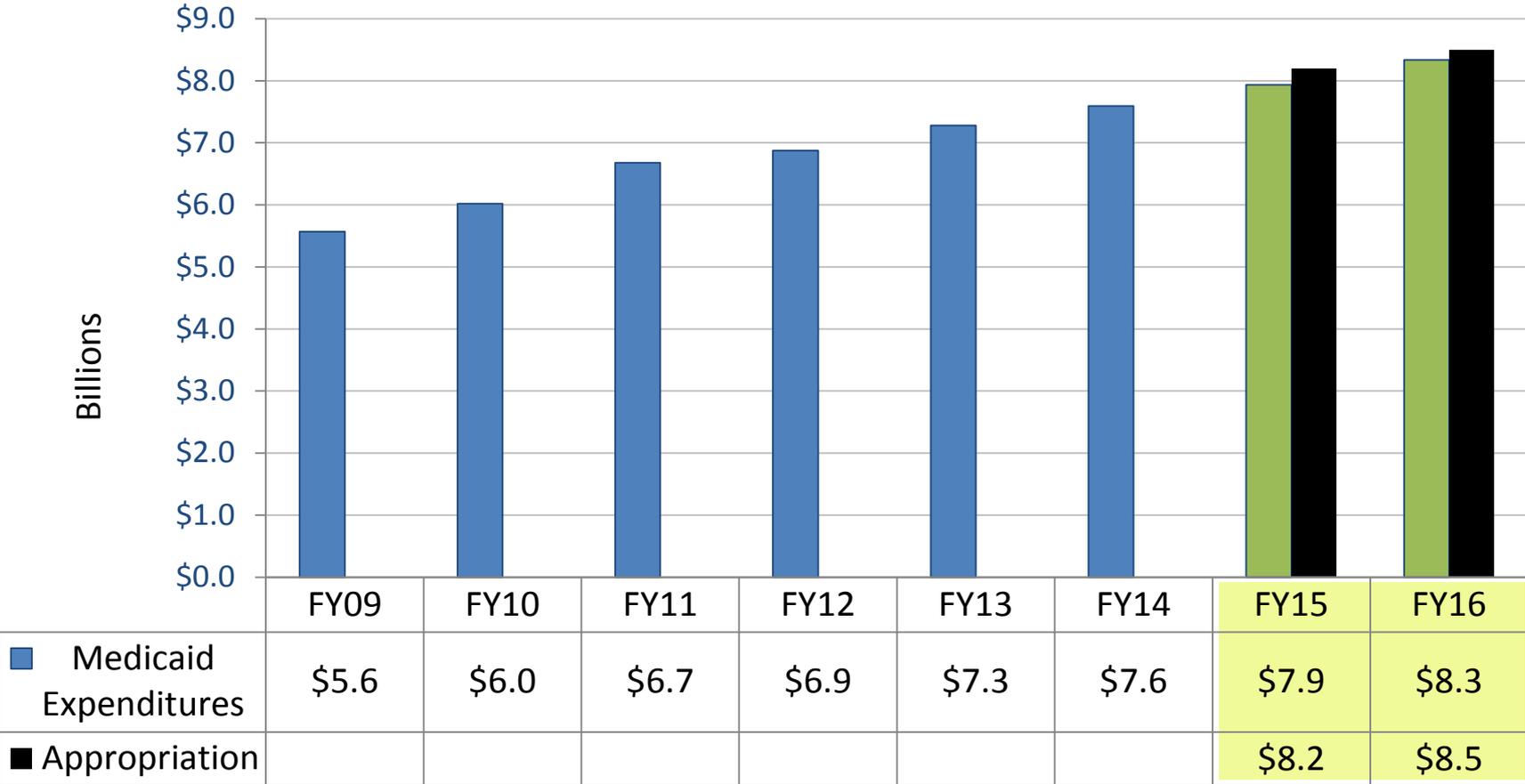
FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Medicaid Expenditures Forecast



FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Medicaid Funding Surplus - \$194M GF



FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Medicaid Forecast Surplus - \$194M GF

		Appropriation (\$millions)	Consensus Forecast (\$millions)	Surplus/(Need) (\$millions)
FY 2015	Total Medicaid	\$8,239	\$7,942	\$296.8
	State Funds	\$4,155	\$4,028	\$127.8
	Federal Funds	\$4,084	\$3,915	\$169.0
FY 2016	Total Medicaid	\$8,510	\$8,360	\$150.1
	State Funds	\$4,334	\$4,267	\$66.5
	Federal Funds	\$4,176	\$4,093	\$83.5
FY15-FY16 Biennium				\$194.4 GF

Figures may not add due to rounding

Reasons for Medicaid Forecast Surplus

- Higher than projected savings from Reform Efforts targeting Behavioral Health services (\$98.5M) GF
- Projected savings from Reform Efforts targeting acute care for Long Term Care recipients (\$ 2.4M) GF
- Lower than expected FY15 MCO rate increases (\$71.0M) GF
- Lower than expected woodwork effect from the Federal Exchange (\$88.0M) GF
- Lower than projected hospital supplemental payments (\$117M) GF

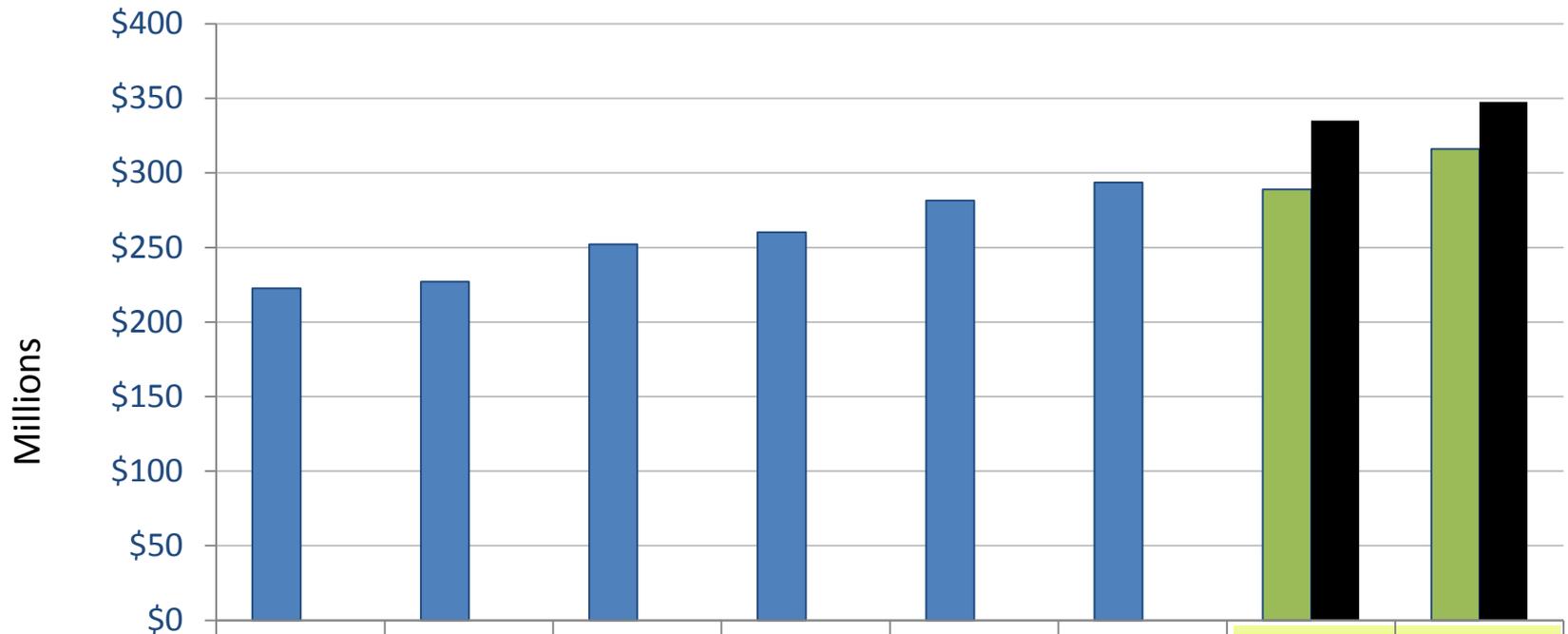
Medicaid Forecast - Offsetting Costs

- Lower than expected savings from Commonwealth Coordinated Care program \$10M GF
- Funding for Healthy Virginia Initiatives \$ 118M GF

	SFY15		SFY16	
	Total Funds	GF	Total Funds	GF
GAP Program	\$27,000,000	\$13,100,000	\$ 157,000,000	\$77,300,000
Medicaid Impact of CHIP Outreach	\$2,900,000	\$1,500,000	\$31,200,000	\$15,700,000
Dental Coverage for Pregnant Women	\$550,000	\$275,000	\$3,200,000	\$1,600,000
Behavioral Health Homes	\$0	\$0	\$17,100,000	\$8,550,000

Figures may not add due to rounding

CHIP/FAMIS Funding Surplus - \$22M GF



	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
CHIP Expenditures	\$222.7	\$227.0	\$252.2	\$260.3	\$281.5	\$293.6	\$289.0	\$316.1
Appropriation							\$335.0	\$347.6

FY09-FY12 expenditures are adjusted to account for cash payment processing changes intended to generate one-time savings (FY09 delay of last weekly remittance cycle) or capture additional federal funds (FY11 payment of 13 MCO capitation payments)

Governor's Budget Amendments

➤ Fund Operational Costs for Call Center/Central Processing Unit

Why this was needed:

- New Eligibility & Enrollment System (VaCMS) implemented October 2013
- From open enrollment in October 2013 until open enrollment in November 2014, local departments of social services (LDSS) had a 43% increase in applications, not including Federally Facilitated Marketplace (FFM) applications
- This resulted in a significant number of applications and renewals not being processed within 45 days and created a backlog of Medicaid applications submitted through the FFM. (Caused a CMS “focused review” of application processing)

Governor's Budget Amendments

➤ Fund Operational Costs for Call Center/Central Processing Unit

Call Center/Central Processing Unit (CPU) Created

- The CoverVA Call Center was created by October 2013
- The CPU was created in August 2014 to relieve the burden on LDSS and to ensure that applications for Medicaid/CHIP are processed within required federal standards (45 days)
- The CPU began by processing 47,000 backlogged FFM applications in 3.5 months. Currently, the CPU is processing all Medicaid/CHIP applications being submitted to the FFM (20,000 to date)

Governor's Budget Amendments

➤ Fund Operational Costs for Call Center/Central Processing Unit

What is next: Continued partnership between DMAS & DSS

- In anticipation of a continued higher volume of applications (FFM and other sources) and to provide increased simplification and automation of eligibility processing:
 - The CPU will have the functionality to process straightforward Medicaid-only applications submitted by phone or online to CoverVA (beginning March 2015)
 - LDSS will continue to process more complex applications for non-MAGI Medicaid (ABD and LTC), for multiple benefits (i.e. food stamps & Medicaid) or where a family member is already known to LDSS
 - CPU application volume will be continuously assessed and the contract will be adjusted accordingly to reflect need

Governor's Budget Amendments

- **Limit Overtime Hours for Consumer-Directed Attendants**
 - FY 2016 (\$325,702) GF (\$325,702) NGF

Background on Fair Labor Standards Act (FLSA):

- The Department of Labor (DOL) released Final Rule (29 CFR, Part 552) that:
 1. Expands FLSA minimum wage and overtime protections to uncovered home care workers/attendants.
 2. Redefines companion services which is exempt from FLSA.
 3. Requires states that administer consumer directed services to determine if they are “third party or joint ” employers.
- Effective date is January 1, 2015; however DOL issued a non-enforcement policy ending June 30, 2015 in order to give states additional time to comply.
- The US District Court in the District of Columbia issued a temporary restraining order staying the revised rule until January 15, 2015. Hearing scheduled January 9, 2015.

Governor's Budget Amendments

➤ Limit Overtime Hours for Consumer-Directed Attendants

Background on Fair Labor Standards Act (FLSA), cont.:

- Companionship Services redefined to include:
 - Provision of **fellowship** and **protection**, and **care**.
 - Personal care is defined as providing assistance with activities of daily living less than 20% of time worked each week.
- Personal Care provided through the consumer direction model does not meet the new definition of “companionship services” and therefore no longer exempt from FLSA.
- Virginia has over 22,000 CD attendants serving over 15,000 individuals through 3 Medicaid home & community based waivers (EDCD, ID, DD):
 - Must be paid overtime for hours worked over 40 each week; and
 - Time spent in travel when working for more than one consumer must be compensated.

Governor's Budget Amendments

➤ Limit Overtime Hours for Consumer-Directed Attendants

Background on Fair Labor Standards Act (FLSA):

- “Joint Employer or Third Party Employers” must:
 - Aggregate hours worked by an attendant for multiple consumers to determine weekly overtime payments.
 - Compensate attendants for time spent in travel when working for more than one consumer.
- Guidance issued by DOL regarding “third party or joint” employers led DMAS to conclude that no third party or joint employer relationship exists.
- *Item 301.MMMM* in the Governor's budget was included to provide safeguards to the overall fiscal impact and to reduce the Commonwealth's liability if a joint employer relationship was determined.

Implications of DOL Final Rule for Virginia Medicaid: Joint Employer Issue

Economic Realities Factors	Strong Indicator	Moderate Indicator	Weak Indicator
Power to Hire and Fire			X
Control Over Wages	X		
Hours and Scheduling			X
Control of Work			X
Payroll			X
Mandatory Training/Equipment			X

Governor's Budget Amendments

➤ Limit Overtime Hours for CD Attendants: Item 301.MMMM

Budget Item	What it does	Without it
1) Authorizes overtime to 56 hours for a single attendant working more than 40 hours/week	Contains financial impact of overtime to 16 hours	Overtime paid without limitation
2) Limits an Employer of Record (EOR) to one individual unless more than one in same household/location	Contains financial impact of travel time between two locations	EOR allowed to represent multiple consumers regardless of location. Payment of travel time between two different locations required.
3) Limits attendants to be employed by only one EOR	Prohibits attendants from working for more than 1 EOR. If VA considered a joint employer, contains financial impact	Travel is eliminated with Item 2. Given recent DOL info on "joint employer" and Virginia's interpretation, administration currently reassessing this item.

Governor's Budget Amendments

- **Authorizes Development of a Hospital Provider Assessment**
- **Provide Health Care Coverage to the Uninsured**
 - Introduced budget does not spend projected savings
 - Language is included specifying that savings be deposited into a Special Fund to be used for future Medicaid program and operational costs or to deposit to the Rainy Day Fund
 - Projected savings for FY 2016 are (\$105M) GF

Estimated Savings of ACA Medicaid Expansion

		SFY 2016 (\$millions)		
		State Funds	Federal Funds	Total Funds
SFY 2016	Costs for Coverage of Newly Eligible Adults to 133% FPL	\$0.0	\$537.5	\$537.5
	Costs for Coverage for Additional Eligible but Unenrolled Adults & Children (Woodwork)	\$2.5	\$3.7	\$6.2
	Costs for Administrative Activities	\$9.1	\$21.5	\$30.6
	Savings from Replacement of Current Public Coverage Programs	(\$3.0)	(\$3.0)	(\$6.0)
	Savings from Coverage of Inpatient Hospital Care for Incarcerated Populations	(\$15.2)	\$14.4	(\$0.8)
	Savings in State-only Funding of Community Behavioral Health Services	(\$8.5)	\$0.0	(\$8.5)
	Savings in Existing Indigent Care Payments	(\$57.2)	(\$57.2)	(\$114.5)
	Savings from Replacement of GAP Program	(\$34.6)	(\$34.6)	(\$69.3)
	Subtotal	(\$107.0)	\$482.3	\$375.3
	Costs for DSS	\$1.9	\$0.0	\$2.9
	Estimated Cost (Savings) of an ACA Medicaid Expansion in Virginia	(\$105.1)	\$482.3	\$378.2