

Critical Budget Issues Facing the 2014 General Assembly

**Presentation to Virginia Coalition of Private Provider
Associations (VCOPPA)**

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Overview of Presentation

- What does Virginia's revenue picture look like?
- What are the spending pressures?
- What are the major issues in HHR?
 - Medicaid Reform and Expansion
 - Department of Justice Settlement Agreement
- What else?



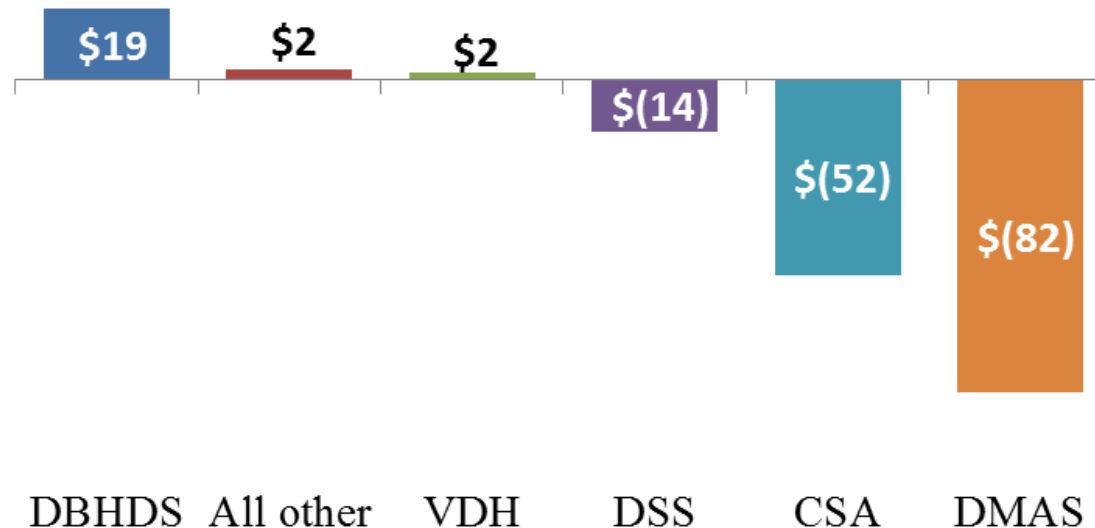
What Does Virginia's Revenue Picture Look Like? Sluggish

- Even though Virginia's revenue picture continues to improve, the general fund revenue forecast will likely be conservative reflecting various headwinds.
- Uncertainties surrounding the federal budget stalemate continue to cloud the economic horizon leading to:
 - Layoffs by federal contractors;
 - Reductions in federal grant funding; and
 - Waning business and consumer confidence.
- What other federal budget and policy issues are out there?
 - The federal shutdown is estimated to have had a multi-billion dollar impact on the national economy.
 - The sequester is likely here to stay.
 - Implementation of the Affordable Care Act has been bumpy.
- Revenue growth will be modest.

How did HHR Agencies Fare in 2013?

- HHR was not a priority area for new spending during the 2013 Session, additional funding met immediate needs.
 - Net general fund reductions in HHR reflected additional revenues or declining caseloads.

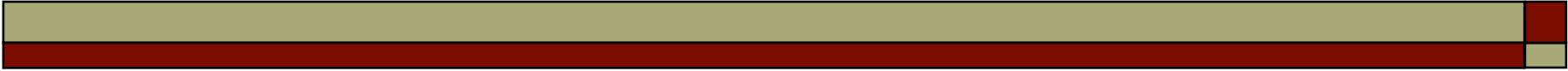
Net Change in GF Appropriations by Agency
(\$ in millions)



Where Were General Fund Resources Added in HHR Last Session?

- Recession-induced budget reductions have led to growing waiting lists for services across HHR agencies.
 - Modest investments were made to mental health services.

Sample of HHR Budget Priorities During 2013 Session	
Behavioral Health & Developmental Services	Reduce waiting lists for Part C services
	Implement DOJ agreement
	Expand DAP funding
	Expand access to mental health care
Department for Aging & Rehabilitative Services	Reduce waiting list for Vocational Rehabilitation and brain injury services
Department of Medical Assistance Services	Add ID and DD waiver slots
	Restore eligibility for SSI recipients/LTC services



What are the current spending pressures? Medicaid, VRS and SOQ

- Three programs areas are expected to put pressure on the resources available for other spending – Medicaid, the Virginia Retirement System and Standards of Quality.
- Medicaid spending is projected to slow as enrollment growth has fallen from recession-level highs.
 - Projected growth in Medicaid may require the addition of \$750 million from the general fund over the biennium to account for utilization and inflation for health and long-term care services.
- Pension liabilities for the Virginia Retirement System are expected to exceed \$313 million GF for the biennium.
- Funding the SOQ is expected to cost \$350 million GF.



What are spending pressures in HHR?

- Additional resources will be needed to implement the Department of Justice Settlement Agreement.
 - Over 525 new intellectual disability (ID) waiver slots must be added during the biennium.
 - Additional resources will likely be needed to ensure the successful transition of training center residents into the community.
- Adoption Assistance subsidy payments continue to grow as children are adopted from foster care.
- The impact of federal funding cuts is hitting numerous state agencies.
 - Each reduction will be considered independently.



Major Policy Issues in HHR?

Medicaid Reform and Expansion

- Budget conferees agreed that reforms should be put in place before expanding Medicaid.
 - Major differences centered around **a)** how extensive the reforms would be, **b)** what populations the reforms applied to, and **c)** when expansion could occur.

- The Senate-approved language that would have triggered the expansion of coverage upon federal approval of specific reforms related to services, benefits, and cost-sharing for the expansion population.

- The House-approved language required a more comprehensive list of reforms to the services, benefits, delivery systems, and administrative process for current enrollees and the expansion population before deciding whether to expand coverage.

- The Senate agreed to the House's comprehensive approach with the caveat that coverage would be expanded if the conditions for reform were met.



Medicaid Innovation and Reform Commissions (MIRC)

- The 2013 General Assembly charged the MIRC with overseeing the implementation of reforms related to the Medicaid program.

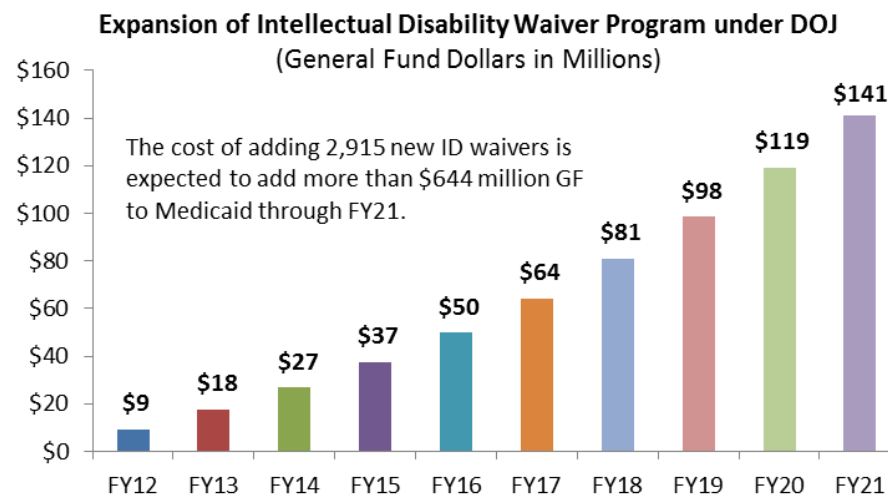
- Four meetings have been convened to date, including a session to solicit public comments.
 - The MIRC heard testimony about Virginia's Medicaid program, recent trends in caseload and cost, reform efforts implemented in Virginia as well as other states, and the cost of expanding coverage in Virginia.

- The Commission has not taken a vote on the question of whether reforms have been satisfactorily implemented.

- The 2013 General Assembly spent considerable amounts of time and energy discussing the question of Medicaid reform and expansion.
 - The 2014 General Assembly will likely resume the conversation.

Department of Justice Settlement Agreement

- The Commonwealth made a historic commitment to expand community-based care for individuals with intellectual and developmental disabilities when it agreed to a settlement with the Department of Justice.
- However, there was very little discussion about reforming Medicaid-funded, home- and community-based waiver services before committing to add 2,915 new slots through FY 2021.
 - Without reforms, these new slots will put added pressure on Medicaid spending in future years.





What's Next?

- Over the next few weeks, the McAuliffe Administration will appoint key staff and begin to lay out its agenda.
 - Lobbyists and advocates will need to quickly convey their message to new actors within the Administration.
- But don't forget about the old actors!
- Governor McDonnell will present the 2014-16 biennial budget on Monday, December 16th.
 - The incoming Governor will propose amendments to that budget along with changes proposed by the members of the House and Senate.
- Membership in the House did not change significantly but key Committee assignments will.
- The final make-up of the Senate has yet to be decided.
 - At least two special elections will need to be held to replace Senate seats that become vacant.
- Divided government will be the rule for the next four years.



Conclusion

- ❑ General fund resources have stabilized but are not likely to grow significantly in the short-term.
- ❑ Modest investments were made to HHR programs during the 2013 Session, primarily to address waiting list for services and small service expansions.
- ❑ Obligations for three programs – Medicaid, VRS and SOQ – will likely consume most of the available resources in the next biennial budget.
- ❑ Whether to expand Medicaid (or not) and implementation of the DOJ Settlement agreement will once again dominate budget discussions in HHR.
- ❑ The new Governor will confront a sizeable House Republican majority and equally divided Senate in the next few years.