



STILL Pulverizing Public Welfare

House Bill 1485, Printer's Number 2228

The 2011/12 Republican budget plan (House Bill 1485, Printer's Number 2228) cuts state spending by \$652 million from Governor Corbett's March proposal. Irresponsible cuts in the Department of Public Welfare (DPW) will not only affect our most vulnerable citizens, but the population as a whole due to the potential impacts on the Commonwealth's health care and safety net systems. While the Governor touted "transparency" in his budget address, the budget process has been anything but transparent. Many details of this proposal, especially in the DPW, remain locked in a secret vault. Please stay tuned for additional information, as it becomes available.

The Bottom Line

- The Republican budget appropriates \$10.561 billion in state General Fund for the Department of Public Welfare (DPW) for 2011/12. This represents a \$1.7 billion increase from the prior year, **reflecting the impact of disappearing federal ARRA fiscal relief after June 30, 2011.**
- The 2011/12 budget **cuts DPW state spending by \$652 million compared to Governor Corbett's request.** Three factors account for nearly three-fourths of the reduced spending.
 - ❖ **Rejecting Gov. Corbett's tobacco fund initiative** and moving tobacco-related expenditures out of the General Fund back to the Tobacco Settlement Fund (\$247 million).
 - ❖ **Shifting additional Long-Term Care state expenditures** from the General Fund to two special funds, Lottery and Tobacco Settlement (\$73 million).
 - ❖ **Assuming state savings from reducing "fraud and abuse"** in the Medical Assistance program (\$148 million).

"Waste, Fraud, and Abuse" = Savings?

- DPW's budget is balanced based on the mythical assumption that reducing Medicaid errors in the Medical Assistance (MA) program will save the state an estimated \$148 million in 2011/12.
 - ❖ \$121 million in state savings are assumed in the managed care program (the **MA Capitation** appropriation).
 - ❖ \$27 million in state savings are assumed in outpatient services provided through the fee-for-service program (the **MA Outpatient** appropriation).
- **No new solutions have been offered to remove ineligible recipients from the MA rolls or to target fraudulent MA expenditures and waste.**
- If "savings" are not realized, **MA bills must be paid and a large supplemental appropriation request may be necessary** next year.

Hospitals Foot the Bill

- **Hospitals will see their tax (assessment) rate go up while their supplemental payments go down.**
- The higher assessment rate will generate new revenues to help restore supplemental payments in the MA –Inpatient appropriation.

- ❖ Gov. Corbett proposed state cuts totaling \$86.7 million (\$136.8 million state and federal) -- we do not know how much of the cuts will actually be restored.
- The budget **cuts the following hospital payments**, reducing state funds by \$12 million (and total funds by \$26.8 million) from 2010/11.
 - ❖ **Obstetric and Neonatal Services** were cut \$1.2 million in state funds (\$2.7 million in total funds), reflecting a 25 percent cut compared to Corbett's proposed elimination.
 - ❖ **Burn Centers** were cut \$1.2 million in state funds (\$2.7 million in total funds), reflecting a 25 percent cut compared to Corbett's proposed elimination.
 - ❖ **Critical Access Hospitals** were cut \$1.2 million in state funds (\$2.6 million in total funds), reflecting a 25 percent cut compared to Corbett's proposed elimination.
 - ❖ **Trauma Centers** were cut \$2.8 million in state funds (\$6.3 million in total funds), reflecting a 25 percent cut compared to Corbett's proposed elimination.
 - ❖ **Uncompensated Care** payments (in the Tobacco Settlement Fund) were cut \$5.6 million in state funds (\$12.6 million in total funds), reflecting an 18.2 percent cut compared to full funding under Corbett's proposal.

Managed Care Smoke and Mirrors

- State funding for **managed care** (MA Capitation appropriation) was **cut by \$197 million compared to the governor's revised request**.
 - ❖ \$121 million is savings from reducing managed care payments errors, assuming a 3 percent error rate – these savings are based on an error rate that is **15 times** the 0.19 percent error rate in the federal audit of Pennsylvania's 2009 Medicaid payments.
 - ❖ Another \$67.3 million is estimated savings from reducing managed care enrollment -- it is not clear whether this reduction

represents “ineligible” persons in the MA program or simply inflated 2011/12 caseload estimates by the department.

- ❖ \$9 million is from reducing the amount budgeted for home nursing risk sharing payments to the actual amount that will be paid to managed care organizations (that is, it removes the excess appropriation).
- ❖ \$1 million is from reductions in DPW operating costs for the managed care program.
- The budget funds the rate increases proposed in the Executive Budget.
 - ❖ 3.5 percent average increase for physical health managed care organizations.
 - ❖ 2 percent average increase for behavioral health managed care organizations.
- The budget includes approximately \$13 million in state funds (\$29 million with the federal match) for the **P4P (pay-for-performance) payments** earned by managed care organizations in 2009/10.

Long Term Care Restructured

- The 2011/12 budget provides three separate appropriations for nursing home care and the two community-based alternatives for seniors.
- **Long Term Care**, which historically funded both nursing facilities and community programs, now funds nursing facilities only.
 - ❖ The budget apparently added \$22.9 million of state funds (\$51 million total funds) for **per diem rates paid to nursing facilities**, reversing the Governor's request for a 2 percent rate cut, but this needs to be confirmed.
 - ❖ To achieve cash flow savings, the budget apparently **delays nursing home payments by one week**, pushing a June 2012 payment to July 2012, and thereby reduces 2011/12 state spending by roughly \$77 million. Again, we await confirmation.
 - ❖ The final budget uses \$178 million of **Lottery Funds to pay for nursing home**

costs, an increase of \$57 million from the governor's request.

- ❖ The final budget uses \$162.6 million of **Tobacco Settlement Funds to pay for nursing home costs** – this is \$18 million more than the \$144 million provided under the governor's tobacco initiative.

- **Home and Community Based Services** is a new appropriation which funds the PDA Waiver program for seniors, previously a component of Long Term Care.

- ❖ The final budget restores funding for services provided to seniors in the **PDA Waiver program** – Gov. Corbett had recommended state cuts of \$18 million under his proposed “reforms.”

- ❖ The General Fund appropriation is supported with \$8 million from the Tobacco Settlement Fund.

- **Long Term Care – Managed Care** is a new appropriation which funds the LIFE managed care program for seniors, previously a component of Long Term Care.

- ❖ The final budget fully funds the **LIFE program**, restoring the cuts in the House GOP budget.

Changes in MA Benefits

- The 2011/12 budget **includes the Governor's proposal to limit adult benefits for dental and prescription coverage.**

- ❖ Prescriptions are limited to six per month, with certain exceptions.

- ❖ Dental coverage would no longer include periodontal services and crowns, and would possibly limit oral exams to one each year and dentures to once a lifetime. Exceptions would apply to disabled individuals.

- The budget also reflects the House GOP plan to contain costs in **MA Transportation** by charging MA recipients a \$1 co-pay for each round-trip ride to medical appointments.

- It apparently does not include the House GOP plan to charge co-pays for “loophole kids” though this has not yet been confirmed.

- Please note that the reduction in state General Funds for the MAWD (**Medical Assistance for Workers with Disabilities**) program simply reflects the movement of tobacco-related costs back to the Tobacco Settlement Fund.

Programs for the Disabled

- The 2011/12 budget maintains Corbett's cuts of nearly \$69 million (\$31 million state funds and \$36 federal funds) from **home and community-based services** provided to 15,383 disabled Pennsylvanians.

- ❖ **Services for Persons with Disabilities** is cut by a total of \$38.3 million (\$17.2 million state funds), reflecting Corbett's “reforms.”

- ❖ **Attendant Care** is cut by a total of \$30.4 million (\$13.6 million state funds) reflecting Corbett's “reforms.”

- The 2011/12 budget cuts **Community Waiver Programs for individuals with intellectual disabilities** by a total of \$42.7 million (\$29.1 million state funds).

- ❖ The budget apparently cuts **room and board costs for groups homes** by \$18.1 million (rather than the \$27 million proposed by the governor), but this needs to be confirmed.

- The budget fails to meet the urgent needs of thousands of Pennsylvanians, supporting Corbett's recommendation for **no funding to expand community services for individuals with intellectual disabilities.**

- ❖ More than 3,200 Pennsylvanians are on the **emergency waiting list**, including individuals with aging parents, and face an immediate need for services in the upcoming fiscal year.

- ❖ For the first time in recent years, there is no funding for **graduates of special education programs**, leaving approximately 700 young Pennsylvanians without services.

- The 2011/12 budget funds **Autism Services** at the level requested in the Governor's Executive Budget; **however**, \$450,000 is apparently earmarked for Philhaven.

Supporting Education and Our Children?

- The final budget **reduces** MA payments that fund **Pennsylvania's medical schools**. These payments, which were instituted in 2005 and 2009, earn federal matching funds and replaced the non-preferred state appropriations that previously supported the medical schools.

- ❖ Cuts the **Academic Medical Centers** payments that fund the medical schools at **Temple, Penn State, and University of Pittsburgh** by 48 percent from 2010/11 (state funds are cut \$8.9 million; total funds with federal match are cut \$19.9 million). Gov. Corbett proposed to eliminate funding.

- The budget adds \$3 million in state funds for three additional academic medical centers in Erie, Scranton and Philadelphia.

- ❖ Cuts **Physician Practice Plans** payments that fund the medical schools at **Drexel, Thomas Jefferson, and University of Pennsylvania** by 48 percent from 2010/11 (state funds are cut \$5.8 million; total funds with federal match are cut \$13.0 million). Gov. Corbett proposed to eliminate funding.

- The Republican budget cuts state funding for **child care programs** which provide child care services and early education quality assurance initiatives to children across Pennsylvania.

- ❖ Cuts funding for **Child Care Services** by \$17.5 million and **Child Care Assistance** by over \$17.6 million.

- ❖ We are not sure how these cuts will affect these programs at this time.

- The Republican plan cuts funding for **Community Based Family Centers** by \$3 million or nearly 49 percent. This appropriation funds 65 family centers in 29 counties designed to offer a variety of community services to assist parents in

improving their child rearing skills. In addition, it funds the Parent-Child Home program.

Cutting Our Counties

- The Republican Budget **cuts millions of dollars from county services and programs** – where state funding is reduced, counties must either replace with local revenue (like increased taxes) or cut services.

- ❖ **Cuts** over \$45 million from the **County Child Welfare** appropriation, providing support for county-administered social services programs for children and youth in each of the Commonwealth's 67 counties.

- The bill appears to move funding for **"special grants"** back into the needs-based budget category.

- In recent years, these components have been extracted from needs-based budgets to **target funding to improve research-based practices in child welfare**. These grants have not carried the same county match requirements (often at a lesser rate). Placing these grants back into the needs-based budget equates to a greater financial burden on our counties.

- ❖ **Cuts** \$3.2 million from Corbett's request for **County Mental Health** programs. The budgeted amount is a \$25 million state funding increase compared to 2010/11.

- ❖ **Cuts** an additional \$4.3 million or 8.3 percent from Corbett's request for **Behavioral Health Services**, which funds county mental health programs and substance abuse programs. This is a \$5.2 million cut compared to 2010/11.

- ❖ **Cuts** funding for **Homeless Assistance** programs by over \$2 million compared with 2010/11.

- ❖ **Cuts** funding for the **Human Services Development Fund** by \$8.5 million compared with 2010/11.