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**Joint Committee on
Ways and Means**

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To: Human Services Subcommittee
From: Laurie Byerly, Legislative Fiscal Office
Date: June 13, 2019
Subject: HB 5026 – Department of Human Services - Aging and People with Disabilities Work Session Recommendations

Department of Human Services – Aging and People with Disabilities

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 LFO Recommended
General Fund	866,700,420	1,018,971,037	1,207,637,026	1,205,195,117
Other Funds	187,143,856	265,740,018	218,081,806	250,616,522
Federal Funds	1,958,014,226	2,255,802,269	2,435,466,260	2,488,949,824
Total Funds	3,011,858,502	3,540,513,324	3,861,185,092	3,944,761,463
Positions	1,348	1,488	1,457	1,568
FTE	1,337.90	1,407.26	1,447.97	1,515.11

Attached is the 2019-21 Legislative Fiscal Office (LFO) recommended budget for the for the Aging and People with Disabilities (APD) program. The General Fund budget is \$186.2 million or 11.4% above the 2017-19 legislatively approved budget and less than one percent below the 2019-21 current service level (CSL). The total funds budget is an increase of \$403.9 million or 12.9% over the 2017-19 biennium and a 2.2% increase above the 2019-21 CSL.

The recommended budget includes the following key budget actions or components:

- Two actions approved at the December 2018 meeting of the Emergency Board (Package 082) have corresponding 2019-21 budget impacts:
 - Adds \$993,087 General Funds (\$5.0 million total funds) and 15 permanent positions (15.00 FTE) to support APD complying with a federal mandate requiring all nursing facility complaint investigations to be conducted by the agency’s Nursing Facility Survey

Unit. Previously, some investigations were handled by local adult protective services staff. Federal funding pays for 75% of the work.

- Adds \$725,952 Other Funds expenditure limitation and 4 permanent positions (4.00 FTE) to embed case managers in four hospitals; dedicated case managers can more quickly assess and place hospitalized individuals that need long term care Medicaid services upon discharge. The full cost of the positions will be paid for by the hospitals.
- Applies adjustments due to caseload and cost per case changes tied to the spring 2019 caseload forecast are included in Package 801; these net out to an increase of \$2.3 million General Fund (\$2.7 million total funds). Embedded in these numbers are costs due to caseload growth in nursing facilities, caseload and cost increases in community based care, and savings from lower caseloads for in home care. A correction to a current service level inflation calculation error also reduces need for General Fund. A change in the Federal Medical Assistance Percentage (FMAP; federal share decreases from 63.33% to 61.35%) also affects the budget, requiring additional state funds.
- To make General Fund available for program needs, the following budget reductions are recommended (Package 801):
 - Eliminating \$1.3 million General Fund (discretionary, unmatched funding) used to educate seniors on topics ranging from falls prevention to diabetes management; funds are distributed to the local Area Agencies on Aging (AAA).
 - Eliminating \$2.2 million General Fund (discretionary, unmatched funding) that was added to the AAA budgets when sequestration reduced Older American Act funding distributions to states. The federal funds have been partially restored since those cuts.
- Adds \$270,759 total funds (split 50/50 Other and Federal Funds) and 3 positions (1.14 FTE), to implement HB 2600, which goes into effect January 1, 2021. The bill requires DHS to conduct annual inspections of care facilities' kitchens and food preparation areas. The Other Funds expenditure limitation will be supported by a combination of inspection fees and Quality Care Fund revenue.
- In the nursing facilities program, \$31.9 million from a projected carryforward balance in the long term care facility assessment (Other Funds revenue) is fund shifted on a one-time basis with the same amount of General Fund (Package 801). The General Fund is then used to pay for program needs in Package 805 and set the caregiver training budget at \$3.7 million General Fund.
- Package 805 is a set of APD program investments, at a total cost of \$31.6 million General Fund (\$84.9 million total funds), the package elements are as follows:
 - Cost of living adjustments (COLA) for assisted living facilities, residential care facilities, memory care, and in home agencies; a 5% COLA will take effect on July 1, 2019 and a

second 5% COLA on July 1, 2020. The program of all-inclusive care for the elderly (PACE/Providence Elder Place) will receive a 5% increase.

- For adult foster homes serving APD clients, rates will increase by 10% on January 1, 2020 and by an additional 5% on July 1, 2020.
- To help reduce a backlog of inspections and to keep up with facility oversight, 20 client care surveyor positions (10.00 FTE; phased in July 1, 2020) are added to APD’s safety, oversight, and quality unit.
- To address workload issues in local APD and Area Agencies on Aging offices, the equivalent of 143 positions (71.50 FTE) are added to those offices; most of these are case manager positions. The current workload model is out of sync with duties, as both duties and expectations have significantly changed or increased over the last 6 years with increasingly complex consumers, high expectations from federal partners, and frequent policy changes.

Adjustments to Current Service Level

See attached “HB 5026 Work Session” spreadsheet.

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations. Any needed adjustments will be made in end of session bills.

LFO recommends the Subcommittee approve a 2019-21 DHS Aging and People with Disabilities preliminary budget of:

\$	1,205,195,117	General Fund
\$	250,616,522	Other Funds
\$	2,488,949,824	Federal Funds
	1,568	Positions
	1,515.11	FTE

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5026. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5026, with modifications. (VOTE)

Performance Measures

All agency performance measures will be presented for approval as part of the final action on the DHS budget.

Recommended Changes

The Aging and People with Disabilities budget is part of HB 5026, which is the budget bill for the entire Department of Human Services. The recommended amendments to HB 5026 will be presented after work sessions are completed on all parts of the budget.

DEPARTMENT OF HUMAN SERVICES: AGING AND PEOPLE WITH DISABILITIES
 HB 5026 WORK SESSION

	GEN FUND	LOTTERY	OTHER	FEDERAL	NL OTHER	NL FEDERAL	TOTAL FUNDS	POS	FTE	Comments
2017-19 Legislatively Approved Budget (As of December 2018)	1,018,971,037	-	265,740,018	2,255,802,269	-	-	3,540,513,324	1,488	1,407.26	
2019-21 Current Service Level	1,207,637,026	-	218,081,806	2,435,466,260	-	-	3,861,185,092	1,457	1,447.97	
2019-21 Governor's Budget	1,231,954,898	-	217,368,227	2,451,068,784	-	-	3,900,391,909	1,487	1,489.22	
2019-21 LFO RECOMMENDED BUDGET	1,205,195,117	-	250,616,522	2,488,949,824	-	-	3,944,761,463	1,568	1,515.11	

1 2019-21 LFO RECOMMENDED BUDGET ADJUSTMENTS DETAIL

2

3 2019-21 Current Service Level Estimate 1,207,637,026 - 218,081,806 2,435,466,260 - - 3,861,185,092 1,457 1,447.97

4

5 LFO Recommendations for Existing Packages

6 Pkg 082: December 2018 Emergency Board

7 Nursing Facility Survey Staff 2019-21 Cost 993,087 - - 4,033,805 - - 5,026,892 15 15.00 Comply with CMS requirement

8 Case Managers Embedded in Hospitals - - 725,952 - - 725,952 4 4.00 Hospitals pay full cost

9 Pkg 095: Dec-18 Rebalance/Non-CSL Reshoot

10 Tech Adjustments/Transfers 951,469 - (682,891) 763,459 - - 1,032,037 5 5.00 OHP positions from SS; GF for OTIS positions

11

12 Other Recommended Adjustments

13 Pkg 801: LFO Analyst Adjustments

14 Caseload/Cost Per Case 2,288,834 - 387,554 64,660 - - 2,741,048 - - NF and CBC ↑; In Home ↓ 5.8% since fall

15 Error Corrections (3,725,447) - - (3,842,679) - - (7,568,126) - - CSL inflation calculation too high

16 Federal Medical Assistance Percentage 969,350 - - (969,350) - - - - Fed Share ↓ from 63.33% to 61.36%

17 Eliminate Evidence Based Health Promotion (1,296,250) - - - - (1,296,250) - - General Fund only discretionary program

18 Eliminate Sequestration Backfill for AAAs (2,235,831) - - - - (2,235,831) - - Older Americans Act \$ partially restored

19 Implement HB 2600 - - 135,591 135,168 - - 270,759 3 1.14 Prevent and report disease outbreaks

20 Use LTC Facility Assessment \$ Balance for NF (31,968,510) - 31,968,510 - - - - One-time fundshift; carryforward revenue

21 Pkg 805: Medicaid Access and Staffing

22 Increase rates for ALF/RCF/MC/IHA/PACE 17,188,598 - - 35,386,344 - - 52,574,942 - - 5% 7/1/19 and 5% 7/1/20; PACE 5%

23 Increase rates for APD Adult Foster Homes 5,000,000 - - 10,279,284 - - 15,279,284 - - 10% 1/1/20 and 5% 7/1/20

24 Add Community Based Care Surveyors 1,403,640 - - 932,940 - - 2,336,580 20 10.00 Phase in 7/1/20; help meet timelines

25 Add Case Mgrs, Supv, HSS3 positions - APD 3,846,747 - - 2,557,529 - - 6,404,276 64 32.00 Phase in 7/1/20; help address workload

**DEPARTMENT OF HUMAN SERVICES: AGING AND PEOPLE WITH DISABILITIES
HB 5026 WORK SESSION**

	GEN FUND	LOTTERY	OTHER	FEDERAL	NL OTHER	NL FEDERAL	TOTAL FUNDS	POS	FTE	Comments	
26	Add Case Mgrs, Supv, HSS3 positions - AAA	4,142,404	-	-	4,142,404	-	-	8,284,808	-	-	Equivalent to 79 pos (39.5 FTE); 7/1/20 phase in
27	Total adjustments LFO Rec from CSL	(2,441,909)	-	32,534,716	53,483,564	-	-	83,576,371	111	67.14	
28											
29	TOTAL 2019-21 LFO Recommended Budget	1,205,195,117	-	250,616,522	2,488,949,824	-	-	3,944,761,463	1,568	1,515.11	
30											
31	\$ Change from 2017-19 Approved	186,224,080	-	(15,123,496)	233,147,555	-	-	404,248,139	80	107.85	
32	% Change from 2017-19 Approved	18.28%		-5.69%	10.34%			11.42%	5.38%	7.66%	
33	\$ Change from 2019-21 CSL Estimate	(2,441,909)	-	32,534,716	53,483,564	-	-	83,576,371	111	67.14	
34	% Change from 2019-21 CSL Estimate	-0.20%		14.92%	2.20%			2.16%	7.62%	4.64%	
35	\$ Change from 2019-21 Governor's Budget	(26,759,781)	-	33,248,295	37,881,040	-	-	44,369,554	81	25.89	
36	% Change from 2019-21 Governor's Budget	-2.17%		15.30%	1.55%			1.14%	5.45%	1.74%	