

Commonwealth of Pennsylvania

Caring for All Pennsylvanians

Budget Briefing

February 4, 2009

Edward G. Rendell
Governor

Department of Public Welfare

Estelle B. Richman
Secretary of Public Welfare

Health Care Budget Overview

- Budget responds to the current economic challenge by permanently reducing costs
- Allows for an \$804 million expansion in health care across all commonwealth agencies (\$475 million for DPW)
- Builds on progress to rebalance the long term living system
- Doubles the number of persons receiving health care through adultBasic

A year like none other

“The economy is in a crisis not seen since the Great Depression. Credit is frozen, consumer purchasing power is in decline, in the last four months the country has lost 2 million jobs and we are expected to lose another 3 to 5 million in the next year.

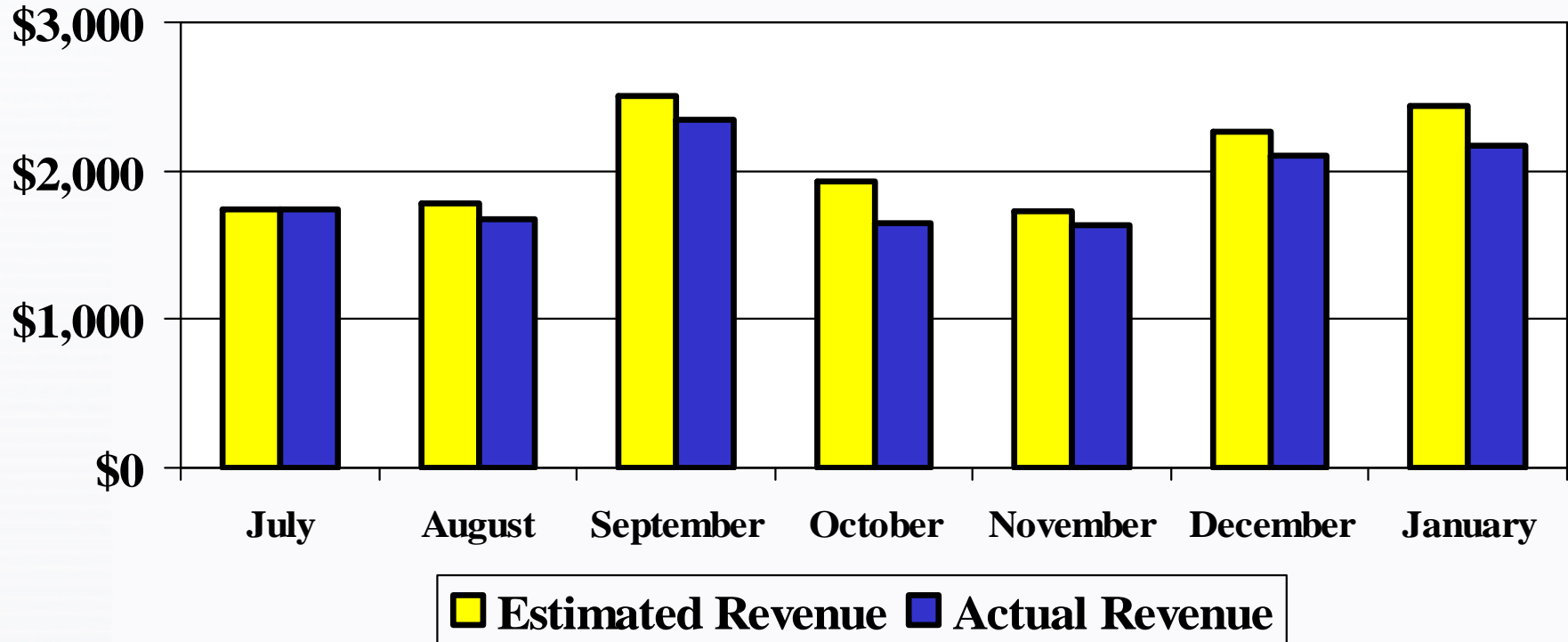
Conservative economist Mark Zandi was blunt: “The economy is shutting down.””

~American Recovery and Reinvestment Act of 2009

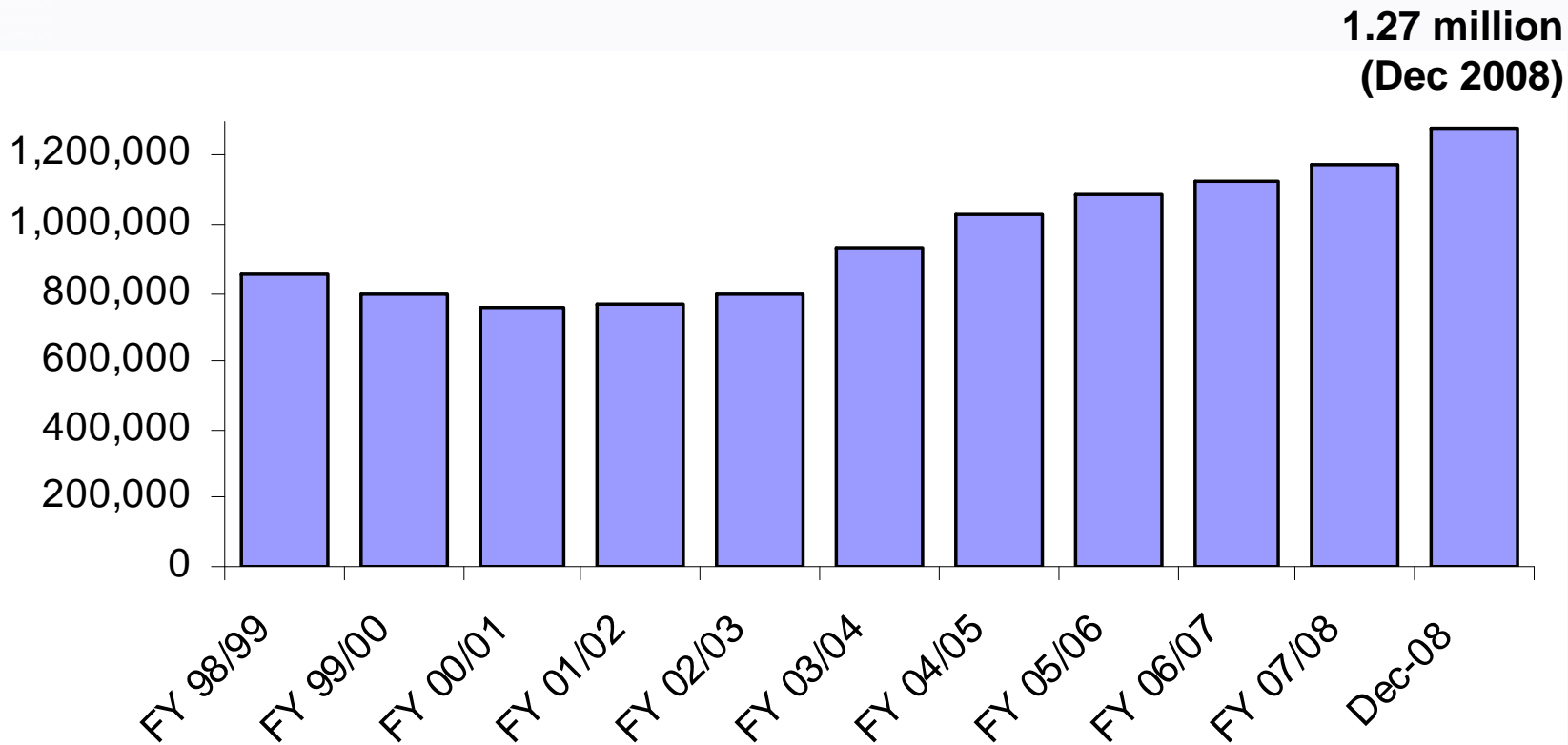
The “Perfect” Budget Storm

- 1) Revenues are down because of the severe economic downturn
- 2) More people need help with food, health care, other services
- 3) PA must replace over \$500 million dollars in federal and other funding that ended in 2008-09

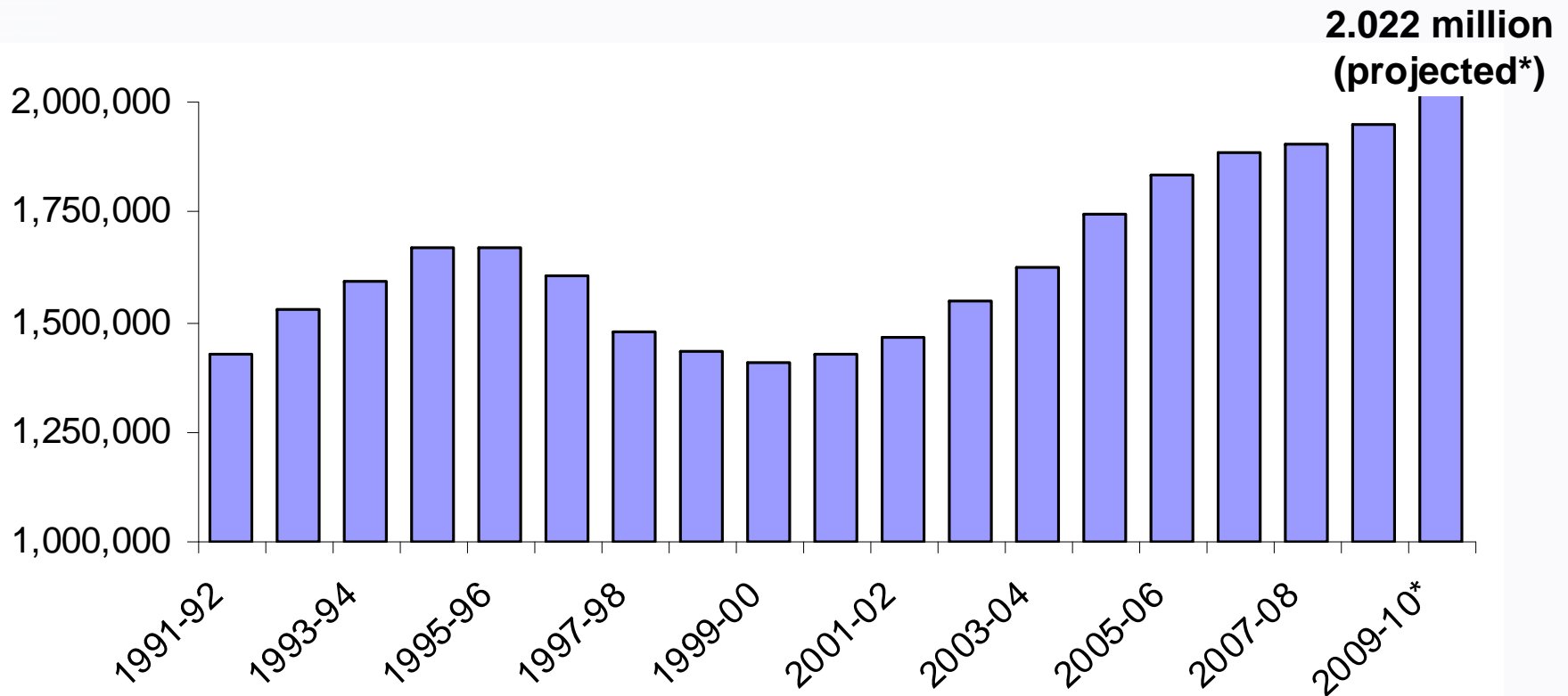
Revenues are down by \$1 billion due to the recession (July 2008 – January 2009)



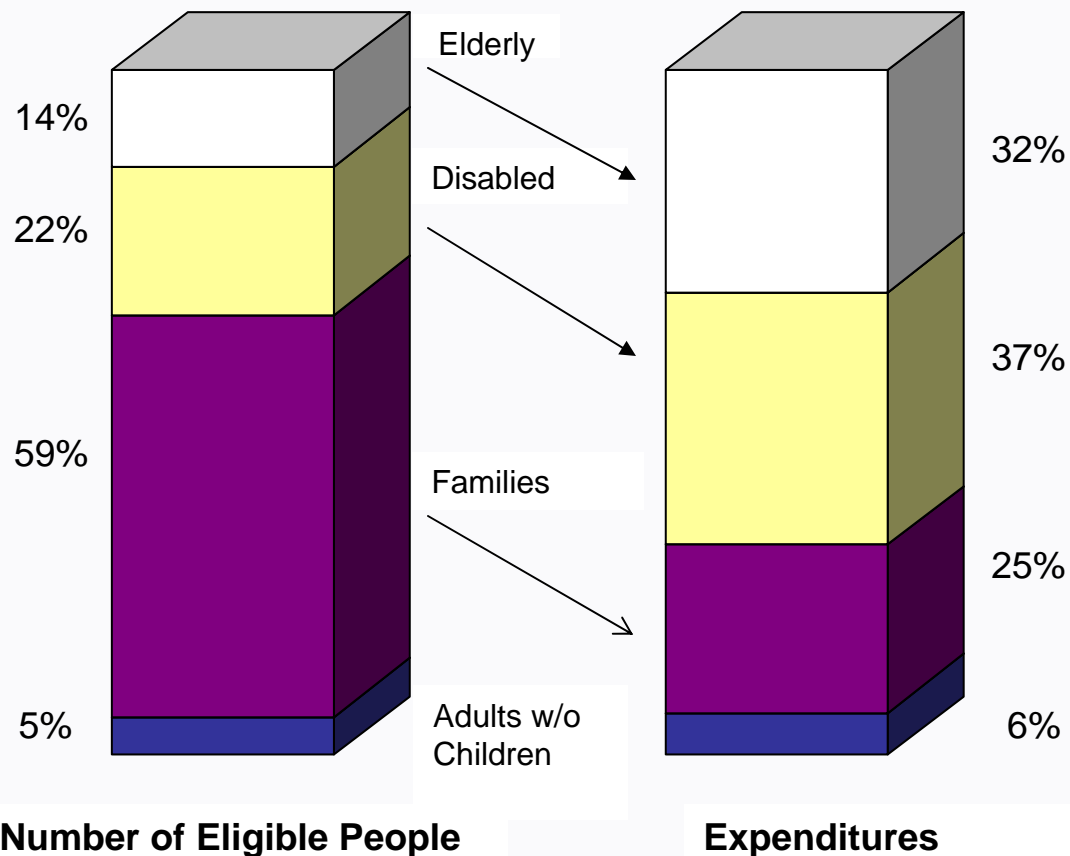
More People Need Help 1 in 10 Pennsylvanians Receive Food Stamps



More People Need Help 2 million children and adults rely on Medical Assistance for health care



Seniors and people with disabilities use the largest share of Medical Assistance resources

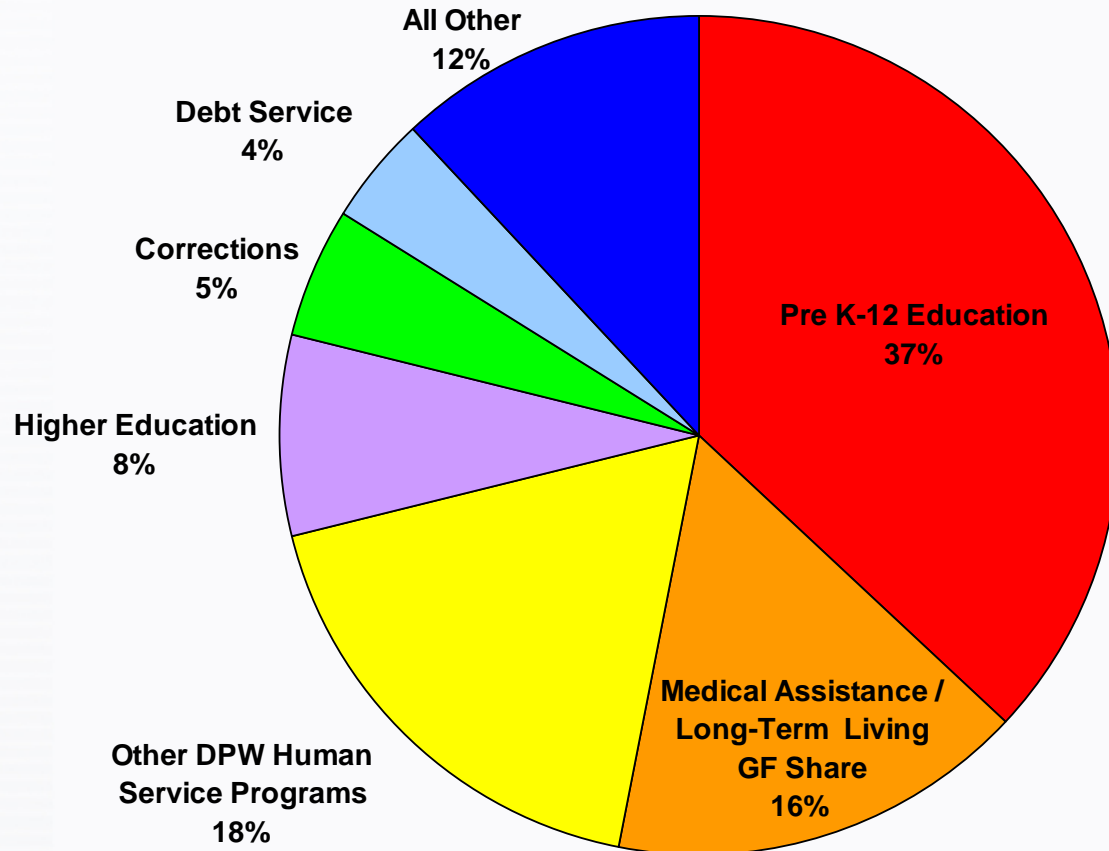


Seniors and Persons with Disabilities are **36%** of enrollment, but account for **69%** of program expenditures

DPW must replace \$500 million in federal and other dollars

- Medicaid MCO Assessment ends due to federal Deficit Reduction Act
- Intergovernmental Transfers sunset at the end of current budget year
- Must also replace other revenues that are no longer available in 2009-10

Cuts in services are reduced due to cost savings by DPW



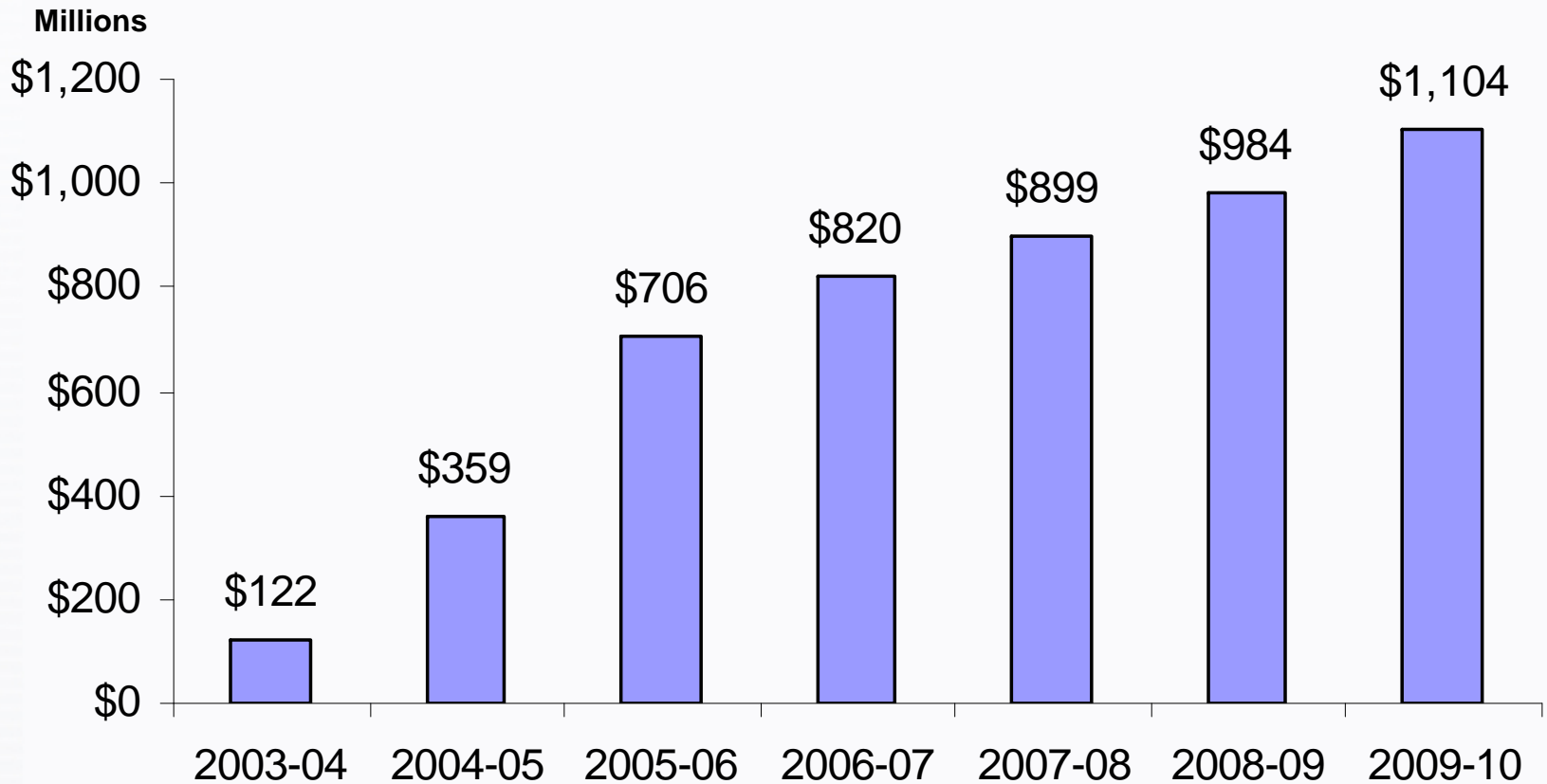
Spending on Medical Assistance, Long Term Living and other DPW programs will account for 34 percent of total General Fund expenditures in 2009-2010. This is down from 37% in 2008-09

DPW has reduced staff and personnel each year since 2003

Reduction in DPW Workforce Since 2003	
Institutional Workforce (including from closures)	1,700 fewer workers
Non-Institutional Workforce	1,100 fewer workers
Total	2,800 fewer workers

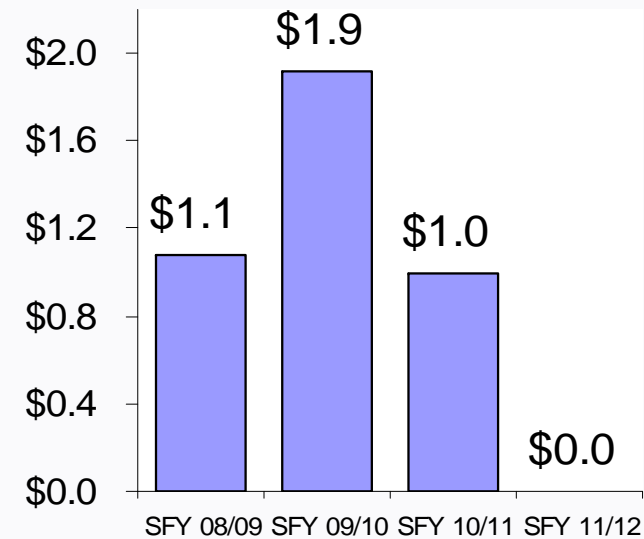
Total Savings: \$195 million in salary and benefits savings since 2003

Cumulative savings from DPW cost containment: \$5 billion since 2003



Temporary Federal Stimulus: PA may earn additional federal Medicaid matching funds for 27 months

- Temporary FMAP boost for 27 months
- \$4 billion total (estimate)
- Narrows but does not close the budget gap



Additional FMAP (billions)

Stimulus rules: States may not restrict eligibility to Medicaid

- “States may not use more restrictive eligibility standards, methodologies or procedures” than were in place on July 1, 2008
- This includes changes in the eligibility redetermination process or frequency

Opportunity and Challenge

- The Opportunity: Federal dollars may help us to avoid most – but not all – painful cuts in this budget
- The Challenge: Temporary relief creates a window to implement smart practices to permanently lower the cost of government

Statewide MCO Assessment: \$400 million a year (full-year)

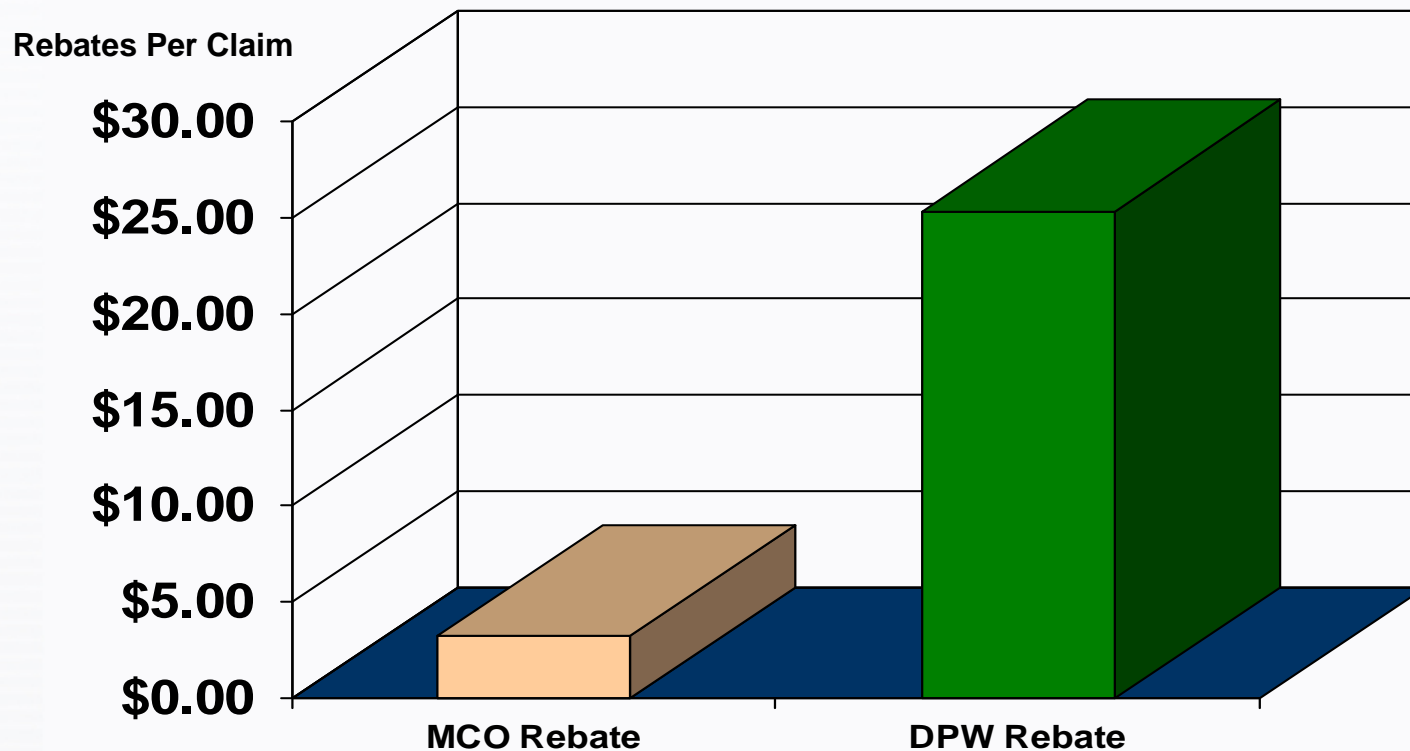
- PA currently assesses Medicaid MCOs at 5.5%, raising over \$200 million a year for Medical Assistance
- Federal government has changed the rules – *must assess across the board starting Oct 1*
- 2% statewide MCO Assessment
 - \$200 million revenue 2009-2010 (6 months)
 - \$400 million revenue full-year basis

Statewide MCO Assessment will level the health care playing field

- MCOs are currently exempt from Pennsylvania's 2% Health Insurance Premium Tax
- 2% MCO assessment will level health care playing field
- Without the new assessment, expect major health care cuts

PA will join 6 other states that already assess all MCOs:
Arizona
Maryland
New Jersey
North Carolina
Tennessee
Texas

Smart Pharmacy: DPW earns 7 times more drug rebates than managed care companies



Smart Pharmacy savings: \$146 million a year (full-year)

Need these savings to avoid major cuts

- Cutting 60,000 children and adults from Medical Assistance
- Cutting child care for over 45,000 children,
- Eliminating home and community based services to nearly 15,000 seniors or
- Major rate cuts for nursing home, MH/MR and child welfare providers

Other Medical Assistance cost containment initiatives will bring \$40 million more in savings

Reduce Hospital Supplemental Payments	\$20.0 million
Enhance Fraud & Abuse Prevention and Detection Activities and Expand TPL	\$15.7 million
Enhance Access Plus / Pharmacy Mgmt	\$4.4 million
Total 2009-2010 Savings	\$40.1 million

Behavioral Health cost saving initiatives build on efficiencies

- Program modifications to statewide Behavioral Health Managed Care system (\$35 million)
- 2% cuts for community mental health and behavioral services (excluding services for persons moving to community settings as a result of a closure)

Protecting Vulnerable Children through Child Development & Early Learning

- More children will participate in Child Care Works, Early Intervention, and Pa Pre-K Counts
 - Child Care Works waiting list is now at an all-time high of 15,000 children
- Sustain Keystone STARS
- Freeze core payment levels (rates) for all OCDEL programs; freeze weekend and evening care rates for STAR 2-4 providers and reduce others
- Continue successful cost containment initiatives started in 2008-09

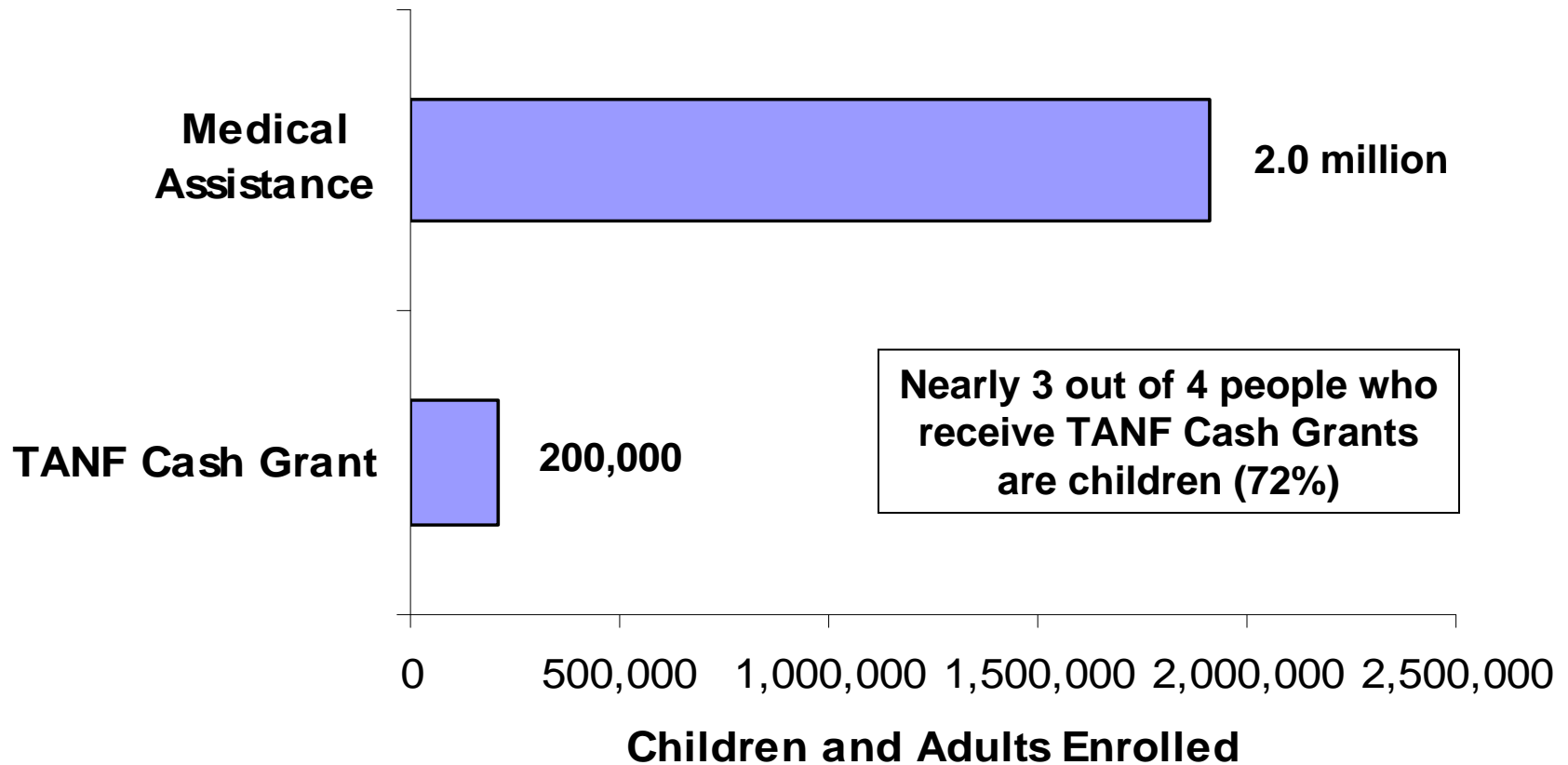
Targeted Increase for Persons with Developmental Disabilities

- \$15.1 million more for community services including funds for emergency diversions to prevent persons with mental retardation from requiring institutional care
- \$7.7 million to continue to provide home and community based services for adults with autism

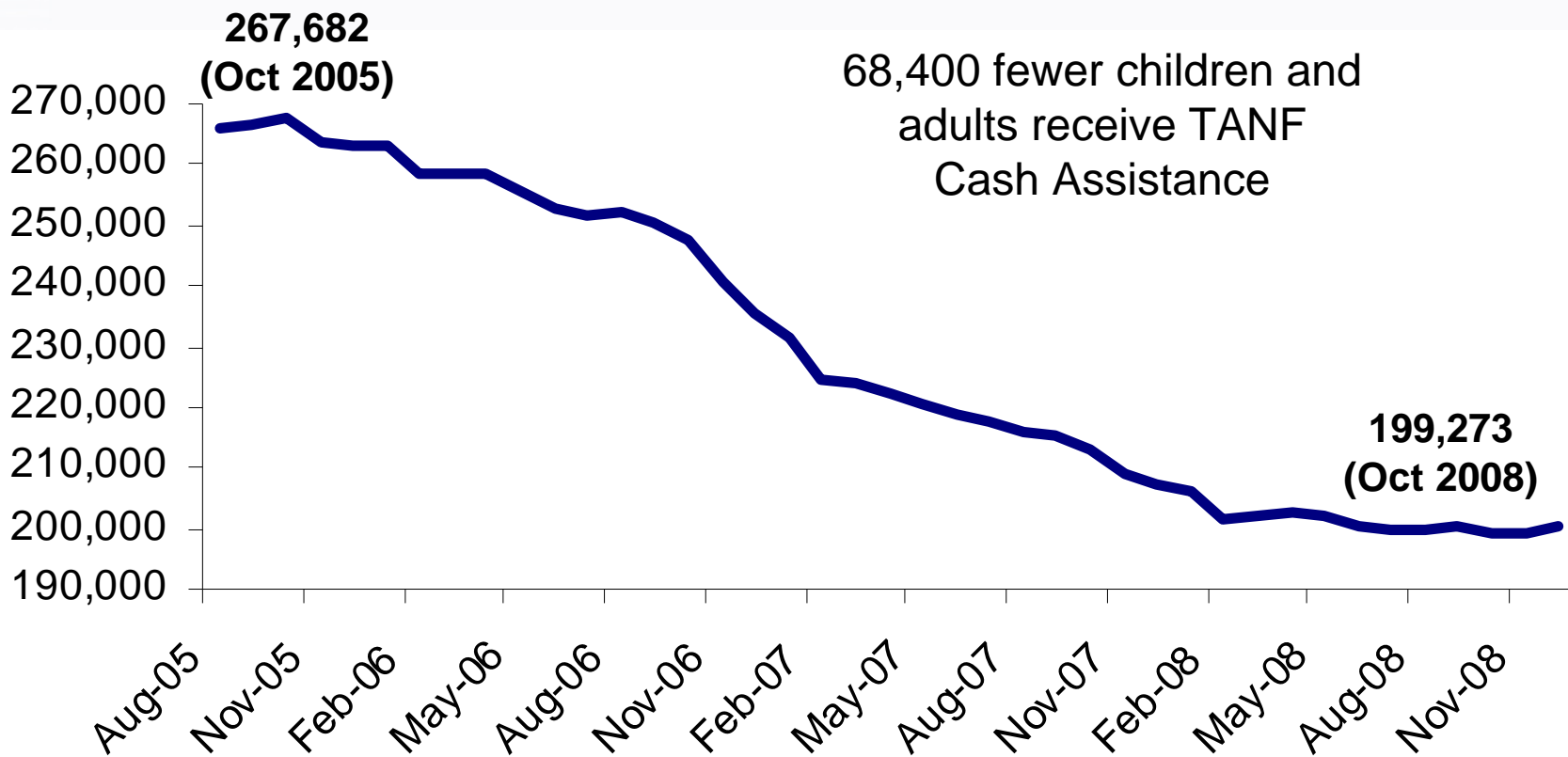
Implementing a performance-based child welfare system

- Budgeting decisions should be based on performance and outcomes, not past spending
- 2009-2010 will target dollars for:
 - Evidence-based practices for in-home services (\$25.5 million)
 - Pennsylvania Promising Practices (\$21.7 million)
 - Increased adoption (\$6.3 million)
 - Implementing plans to safely reduce out-of-home reliance by 20% by the end of 2010

Myth #1: We can balance the budget if we get the undeserving off Cash Assistance



Dramatic decrease in TANF Cash Assistance levels off as economy slows



Myth #2: We can balance the budget if we get rid of fraud and abuse

- **Facts Don't Check (But We Do):** DPW completes more than a dozen electronic checks for each application and rejected over 47% of the TANF applications it processed in 2008
- **Figures Don't Add Up:** At \$403 per family of 3 per month, it would take 620,000 children and adults defrauding the system to save a billion dollars – more than the population of Pittsburgh, Erie, Scranton and Reading combined

Department of Aging and Long-Term Living

John Michael Hall
Acting Secretary of Aging

Proposed Department of Aging & Long-Term Living will advance agenda

- Institutionalize Office of Long-Term Living's progress by expanding the Department of Aging's scope and responsibilities
- Build on progress to make Pennsylvania the best place in America to grow old or live with a disability
- Change will benefit consumers and providers

Office of Long Term Living has achieved major milestones

- Home and community based enrollment has grown by 10% in the last two years
- Nursing Home Transition has returned 3,900 Pennsylvanians to their homes and communities
- The Office has integrated the management of 8 waivers, the Options and Family Caregiver Programs, and the MA nursing facility program

Advantages and opportunities

- Promote access with a minimum of confusion
- Ensure that Pennsylvanians have fair and equitable access no matter where they reside
- Better leveraging of state and lottery-funded programs to complement our ability to keep Pennsylvanians at home, safe, independent, and engaged in their communities

Providers and consumers will benefit

- Providers will have a single point of contact, support, and accountability.
 - Will establish uniform rate setting, contracting requirements, regulatory oversight, and quality management.
- Consumers can expect consistency and continuity regardless of age or geography.

Aging & Long Term Living Budget Highlights

- No cuts in nursing facility or HCBS rates
- Continues trend of growth in HCBS waiver programs
- Modified PACE reimbursement
 - PACE would pay the invoice cost plus dispensing fees of \$10 for generics and \$5 for brand name drugs

Expanding adultBasic

Joel Ario

Insurance Commissioner

Pennsylvania Insurance Department

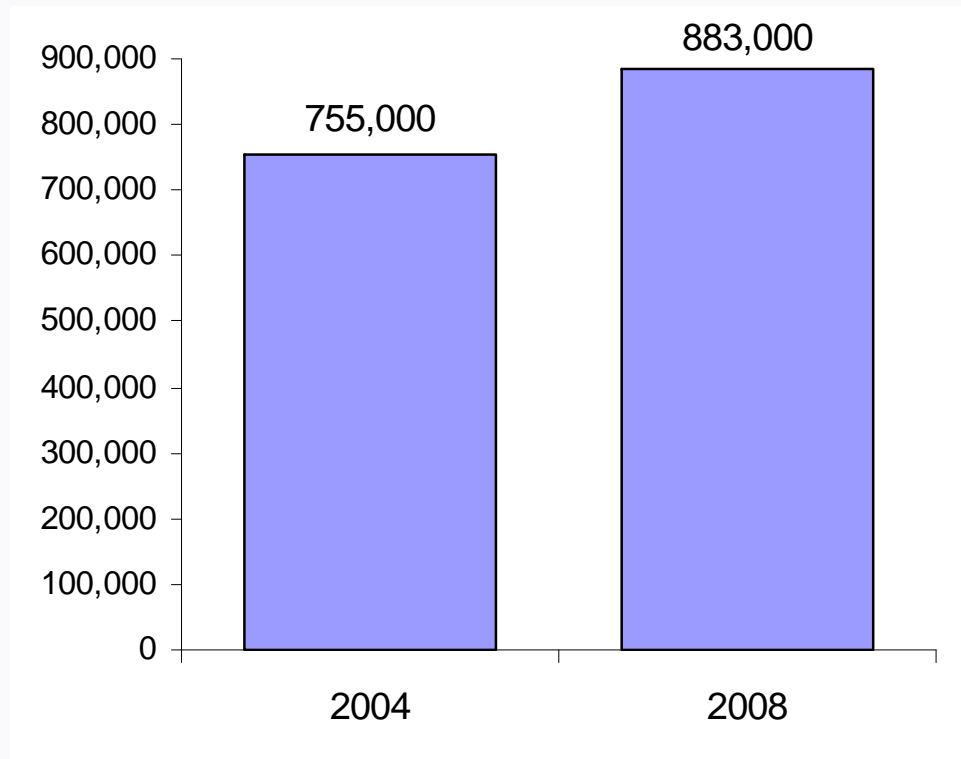
Ann Torregrossa

Director

Governor's Office of Health Care Reform

The number of Pennsylvania adults without health insurance is on the rise

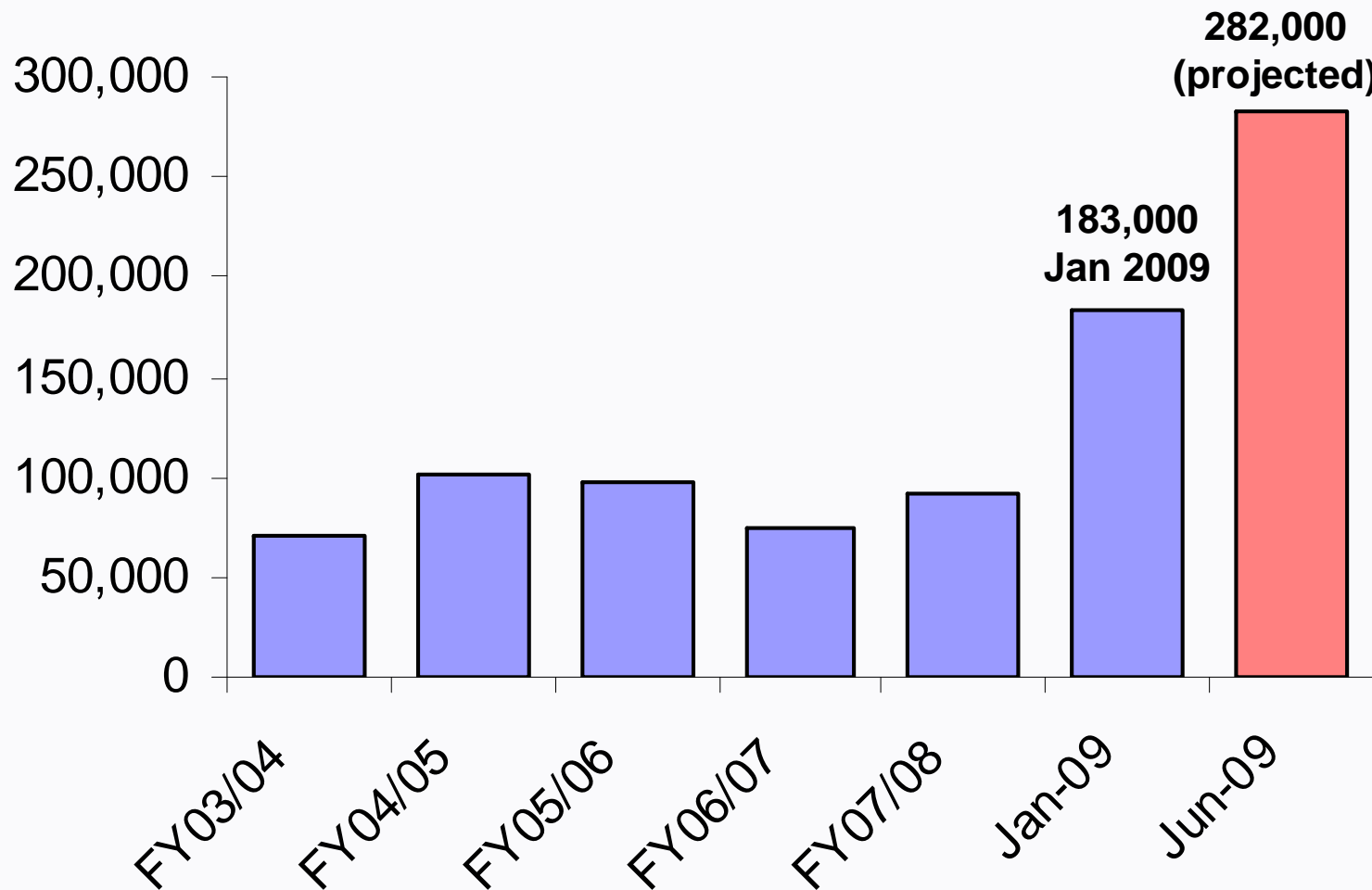
- 883,000 adults do not have health insurance – up from 755,000 in 2004
- Nearly 1 in 8 adults do not have any health insurance



Over 6 out of 10 uninsured adults are working

- 48% of people who are working but are uninsured work at firms with fewer than 50 employees
- 562,000 Pennsylvania adults have lost employer-sponsored health insurance since 2000 – more than any state except Michigan

adultBasic waiting list will hit 282,000



The Governor's budget will improve access to health care in two ways

- Reform health care programs to save dollars without cutting eligibility
 - MCO Assessment
 - Smart Pharmacy Program
 - Other cost containment measures
- Expand adultBasic program to serve twice as many adults

Governor Rendell will double the size of the adultBasic program

- Cover an additional 50,000 persons by 2010, more than doubling the number of current enrollees
- Add prescription drug and behavioral health benefits for all adultBasic enrollees
- Paid for by state and federal funds and premiums paid by individuals
- Bridge to a federal universal health care program – 4 year sunset

adultBasic expansion will help hard working adults

- Federal stimulus that passed the US House extends health care to people who have lost their jobs
- Governor Rendell's proposal will help people who are working, but can't get coverage through their employer

Expansion of adultBasic will leverage federal resources

- Federal matching funds will equal 54% of every dollar spent on adultBasic expansion
- Expanded adultBasic can start on July 1, 2009 if there is timely passage of state legislation and federal approval

We can no longer choose to leave federal funds on the table

- **Current adultBasic**
 - State Cost: \$298 per enrollee (all state funds)
 - Coverage: no prescription or behavioral health
- **Expanded adultBasic**
 - State Cost: average of \$135 per enrollee in FY2009-10 (depending on the enrollee's family income)
 - federal government will pay over 50% of the costs
 - Coverage: Prescription and behavioral health benefits
- **With 183,000 adults on the waiting list, we need to take advantage of the federal dollars to help more people and offer better coverage**

Edward G. Rendell, Governor

The Commonwealth Provides Vital Services to More Than 2 Million People

PROGRAM	People Served 2008-09	People Served 2009-10
Medical Assistance	1,960,514	2,022,490
PACE/PACENET	360,000	375,000
Child Protective Services	283,745	286,983
Cash Assistance (TANF, General Assistance and State Blind Pension)	219,414	225,240
Child Care for Low Income Families	246,579	253,054
Children's Health Insurance Program	183,356	206,836
Mental Retardation and Autism Services	48,991	50,051
adultBasic	40,052	90,000

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