

Governor's SFY 2019 Recommended Budget Adjustments for the Department of Social Services

**Presentation to the Legislative Appropriations Committee
Kathleen Brennan, Deputy Commissioner
Mike Gilbert, Director, Division of Financial Services
Wednesday, February 21, 2018**

Critical source of economic security, health and well-being to about one million individuals (28% of the population of Connecticut)

- Serves children, adults, working families, older adults and persons with disabilities in all 169 Connecticut municipalities.
- With service partners, provides federal/state food and economic aid, health care coverage, independent living and home care, social work, child support, home-heating aid, protective services for the elderly, and other vital services.
- Successful in improving quality, satisfaction and independence through prevention and integration.

Technology and data driven

- Prioritizing timely access to services through eligibility process improvements, integration with Access Health CT, and our new ImpaCT eligibility system.
- Planning for efforts to modernize our child support and Medicaid technology supports and systems.
- Utilizing advanced data analytics to direct policy-making, program development and operations.

Accomplishing more with less

- Agency-wide administrative costs are estimated to be 3.2%. Total staffing (1,591 individuals) has fallen appreciably while the number of individuals served has remained high.
- Over 50% of agency expenditures are federally reimbursed.
- Health expenditures (76% of department's recommended SFY 2019 budget) are increasing based on caseload growth, but trends in per person costs are stable (down 3.4% over the last five fiscal years), and quality outcomes have improved.

Vision

- *Guided by our shared belief in human potential, we envision a Connecticut where all have the opportunity to be healthy, secure and thriving.*

Mission

- *We, along with our partners, provide person-centered programs and services to enhance the well-being of individuals, families and communities.*

Values

- **Communication**—Open and constructive sharing of information at all levels.
- **Respect**—Treating all people with dignity & understanding.
- **Service**—Professional commitment to excellence.
- **Accountability**—Personal & team responsibility for results.
- **Innovation**—Creating and embracing new ideas to improve our work.

- The Department is committed to providing the highest level of health and human services to Connecticut individuals, families and communities. Our services touch people in all 169 cities and towns.
- As Governor Malloy and Secretary Barnes have noted, the Department has made noteworthy achievements in controlling costs, holding down the State share of Medicaid costs and keeping per member costs steady.
- We recognize that, in some areas, the budget contains difficult adjustments for those served by the agency and our partners. We look forward to working with the General Assembly over the next few months to discuss these recommendations.

■ **Programs supported include:**

Medicaid, CHIP (HUSKY B), SNAP, TFA, Child Support, State Supplement (AABD), SAGA, Energy Assistance, Social Work Services

■ **SFY 2017 actual staffing costs:**

- \$ 116.6 m

■ **Major operating expenses:**

- Actual 2017 expense: \$133.5 m
- Operating Contracts: 87%
- Facilities & Operational: 13%

■ **Administrative cost ratio:**

- 3.45% (includes field eligibility staff)

■ **Program outcome highlights:**

- Application processing timeliness
- SNAP improvements
- Stable Medicaid cost trends and enhanced outcomes

■ **SFY 2019 recommended budget:**

• **Total:**

- SFY 19 \$4.299 b (net); \$8.083 b (gross)

• **Program:**

- SFY 19 \$4.042 b (net); \$7.826 b (gross)

• **Administrative:**

- SFY 19 \$257.1 m

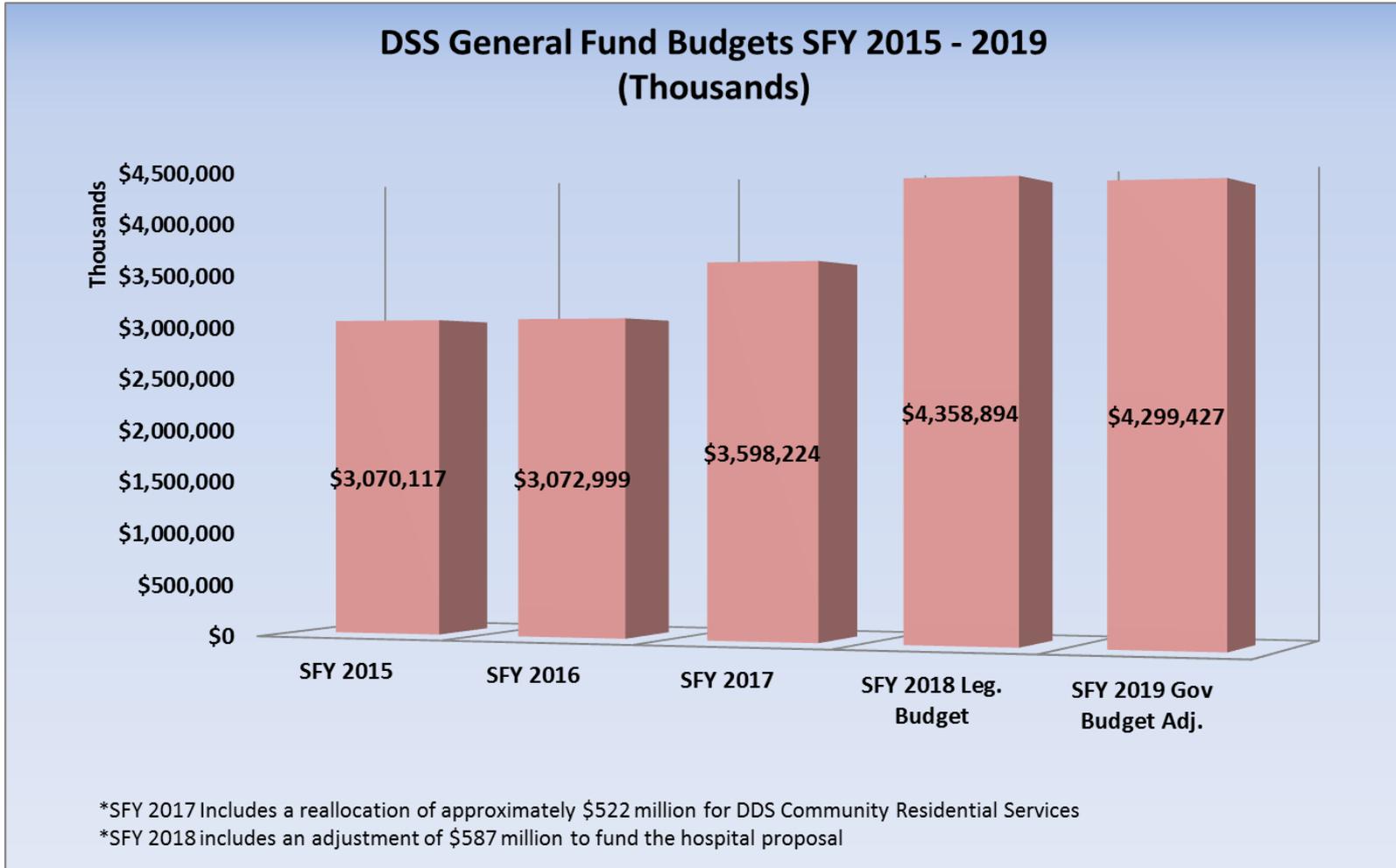
• **Administrative cost ratio:**

- 3.18%

■ **Federal reimbursement:**

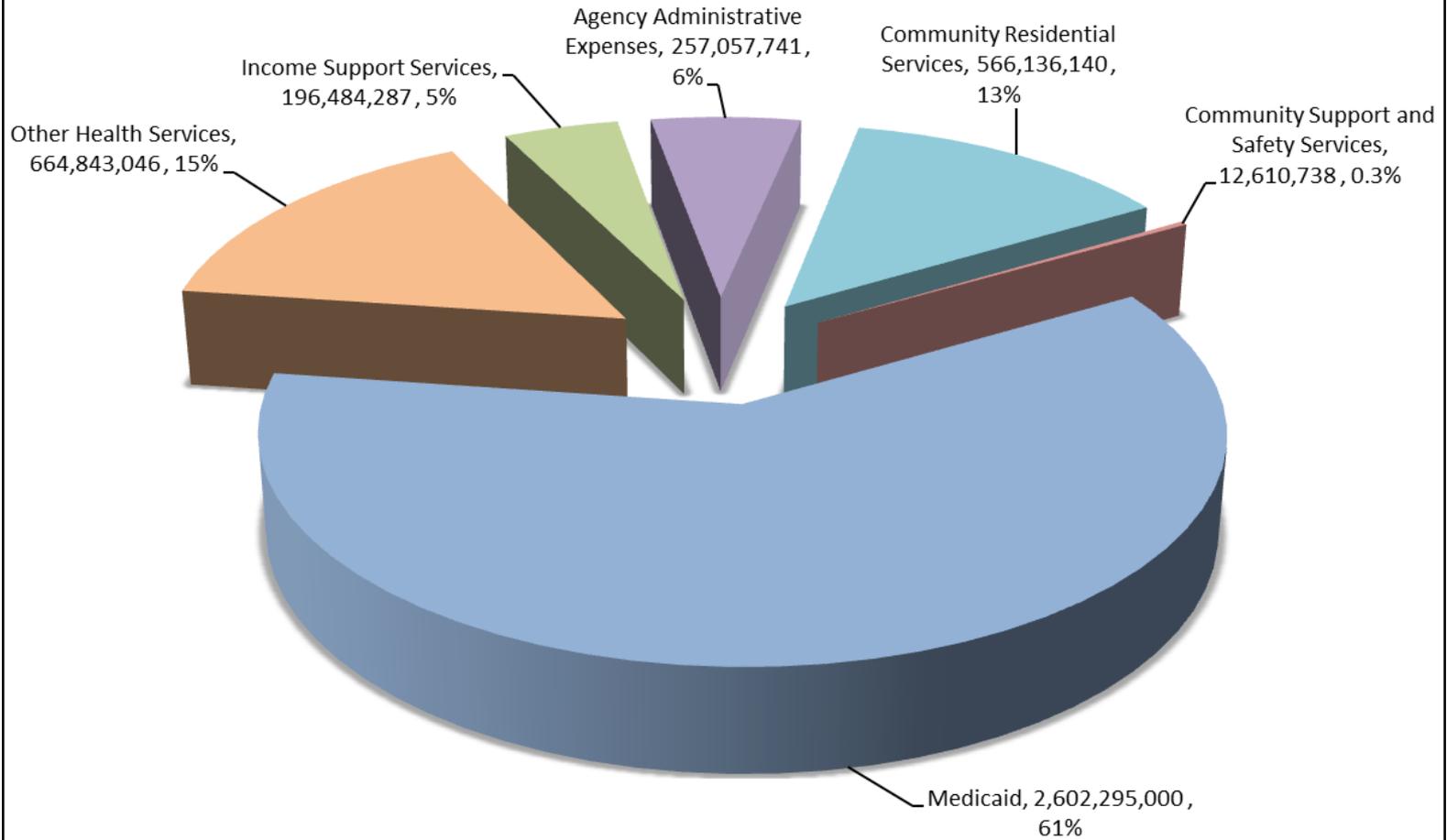
- 59% - Medicaid program costs
- 75% - Medicaid systems and eligibility (staff & contracts), & new IT system operational costs
- 50% - Medicaid administrative costs
- 50% - SNAP administrative support
- 66% - Child Support
- 85 to 90% - IT systems development
- 88% - CHIP (HUSKY B)
- 100% - TANF administrative support

- The overall change in the DSS General Fund budget for SFY 2019 is a decrease of 1.4%.



- The proportion of the DSS General Fund budget directed to Medicaid is 61% in SFY 2019 . Other health services account for an additional 15% of the budget.
- Administrative, field operation and grant expenses account for 6% of our General Fund expenses in SFY 2019.
- The budget share for income support, including Temporary Family Assistance, State Supplement (Aid to the Aged, Blind and Disabled), and State Administered General Assistance, is 5% in SFY 2019.
- Community Residential Services, funding programs provided by the Department of Developmental Services, accounts for the balance of 13% in SFY 2019.

SFY 2019 Governor's Recommended Budget by DSS Core Program



- The Governor's Recommended Adjustments include the following changes to our programs:
 - Provides additional funding to meet program requirements for Old Age Assistance, Aid to the Disabled, Temporary Family Assistance and Community Residential Services
 - Increase of \$9.2 million
 - Funding added to update for current expenditure trends in these accounts
 - Converts ten DDS Community Living Arrangements from public to private operation
 - Increase of \$5.7 million to DSS; net savings to the state of \$1 million
 - \$6.7 million reduction is reflected under DDS to reflect this conversion
 - Modernizes nursing home rate-setting
 - Increase of \$0.3 million
 - Funding will support development of an acuity-based rate-setting approach
 - Shifts positions to the General Fund to continue support for Money Follows the Person
 - Increase of \$0.3 million
 - Funding for MFP grant funded positions as federal support begins to decline

- The Governor's Recommended Adjustments include the following changes to our programs (continued):
 - Annualizes SFY 2018 budgeted lapses and holdbacks
 - Reduction of \$28.3 million
 - Continues all lapses and holdbacks required to meet budget targets
 - Eliminates Medicaid payments for Graduate Medical Education (GME)
 - Reduction of \$10.6 million
 - Additional detail follows
 - Reduces enhanced reimbursement for primary care providers to 90% of Medicare rates
 - Reduction of \$3.5 million
 - Additional detail follows
 - Utilizes the Social Service Block Grant to fund Protective Services for the Elderly
 - Reduction of \$0.8 million
 - Similar to SFY 2018 adjustment which utilizes available SSBG carryforward funds

- The Governor's Recommended Adjustments include the following changes to our programs (continued):
 - Removes funding for expired contracts
 - Reduction of \$0.1 million
 - Adjusts funding to reflect annualization of savings (SFY 2018 included one-month support for discontinued contracts)
 - Transfers funding for the State Unit on Aging (SUA) to the Department of Rehabilitation Services (DORS)
 - Reduction of \$8.2 million
 - Recognizes SFY 2018 adjustment to provide ongoing support for SUA under DORS
 - Consolidates funding for the Safety Net Services contract
 - No change in support as this represents a consolidation of funding provided under two separate accounts in SFY 2018
 - Reallocates funding for the Brain Injury Alliance of Connecticut (BIAC)
 - Continues the base level of funding support for BIAC

- Additional detail on significant Governor's Recommended Adjustments (continued):
 - Elimination of Medicaid payments for Graduate Medical Education (GME)
 - There is no federal requirement that states provide support under Medicaid for Graduate Medical Education
 - \$21.1 million in total payments, including both federal and state shares, are projected for GME in SFY 2018
 - Five Connecticut hospitals receive close to three-quarters of the \$21.1 million, with Yale New Haven receiving over \$7.9 million of the total

- Additional detail on significant Governor's Recommended Adjustments:
 - Reduce Enhanced Reimbursement for Primary Care Providers from 95 to 90% of 2014 Medicare Rates
 - The ACA required states to increase Medicaid reimbursement for primary care providers to 100% of Medicare levels for calendar years 2013 and 2014
 - After 2014, when the federal requirement expired, fewer than half the states maintained the higher reimbursement levels
 - While Connecticut continued the rate increase at the full 2014 Medicare level for primary care services, budget pressures led to a decrease in the level to 95% in SFY 2018
 - As of December 2017, there were 3,598 primary care providers enrolled in Medicaid, a 52% increase from the 2,370 providers enrolled as of January 2013, when the reimbursement increase became effective

- Significant funding changes continued in the Governor's Recommended Adjustments:
 - Medicare Savings Program (MSP) Income Eligibility Reduction
 - Based on our latest estimates, the proposed reduction in income eligibility is expected to reduce MSP enrollment by approximately 75,400 individuals; overall enrollment will still be 23% higher than the August 2009 enrollment of 69,970
 - The changes that are included in the enacted budget will bring Connecticut's income eligibility criteria in line with 47 other states
 - Estimated savings from this effort have been reduced from \$130 to \$105 million; further downward adjustments are anticipated once we have additional federal clarification regarding certain dually eligible individuals who are losing MSP coverage, but who still retain Medicaid coverage

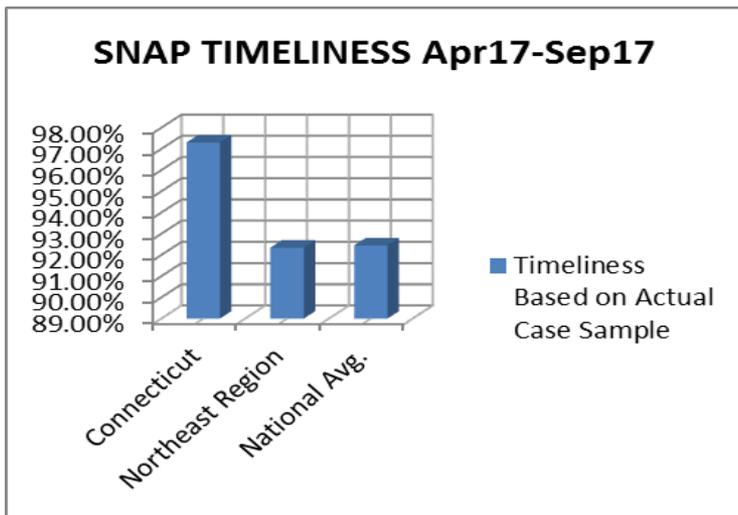
DSS' strategies to manage within budgeted resources:

- Continue our focus on person-centered services with an investment and prevention-oriented approach to health and human service delivery.
- Provide core health services that maintain coverage of preventative medical, behavioral health, dental and long term-supports.
- Identify opportunities to address the root cause of systemic conditions to reduce or prevent future required service needs.
- Continue development of outcome-oriented service delivery throughout the agency including all internal and external operations.
- Increase the use of LeanCT and data-driven business strategy development across our service platform.

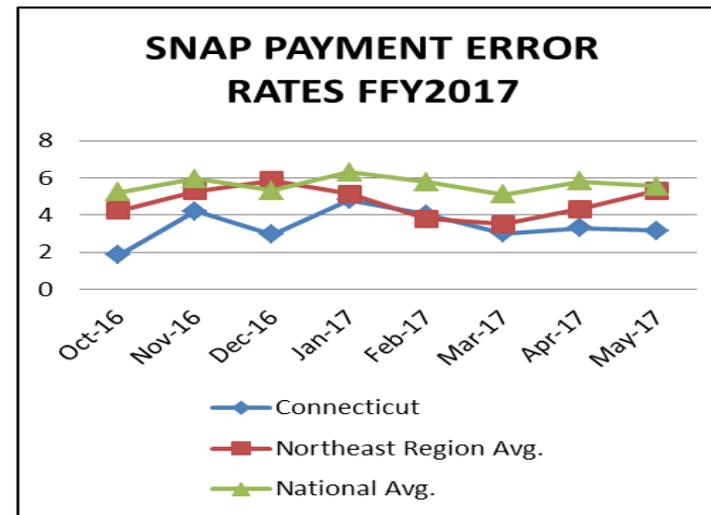
DSS' strategies to manage within budgeted resources (continued):

- Seek opportunities to leverage technology investments to enhance service delivery and business operations.
- Limit hiring to critical positions that are aligned with agency priorities.
- Continue efforts to stabilize overtime use while maintaining necessary capacity to preserve recent improvements in client service.
- Review all contracts and other purchases under our Other Expenses account to ensure efficient and effective use of resources.

DSS' strategic framework demonstrates results – SNAP



Connecticut (CT) continues to be among the top performing states in **SNAP processing timeliness**. The latest six month figures ranks CT 1st in the Northeast Region and **5th nationally** with a timeliness rate of **97.30%** based on actual case samples. The overall national average for SNAP timeliness in this same period was 92.45%.



Connecticut also ranks among the top performing states in **SNAP Quality Control** error rates. CT's payment error rate, which measures cases in which a household is paid too much or not enough SNAP benefits, is 3.38 cumulatively from October 2016 – May 2017, the most recent month reviewed by the USDA's Food and Nutrition Service (FNS). This puts CT in the top ten nationally.

DSS' strategic framework demonstrates results – SNAP

- Recently Connecticut was notified that DSS was awarded **\$1,624,582** by FNS as a SNAP **high performance bonus**. CT is being recognized for being among the states with the highest Program Access Index (PAI) for calendar year 2016. PAI measures the number of SNAP participants divided by the estimated number of eligible participants derived using US Census data. FNS has also awarded a **high-performance bonus of \$563,656** in recognition of CT having one of the nation's most-improved Case and Procedural Error Rates for FY 2015.
- DSS in partnership with the Office of Early Childhood (OEC) was recently awarded a Data and Technical Assistance Grant by FNS. This **\$992,506** grant will be used to increase participation in DSS' **SNAP Employment and Training (E&T)** program by connecting individuals unable to participate because of a lack of childcare with the necessary resources needed to overcome this barrier. SNAP E&T already brings in over \$3.5 million to the state annually and is poised to increase this amount with the anticipated addition of new partnerships currently being developed.

DSS' strategic framework demonstrates results – Health Services

- Over CY'16, Connecticut Medicaid's medical ASO, CHNCT:
 - **reduced emergency department (ED) usage** for members engaged in the CHNCT Intensive Care Management (ICM) program **by 19.25% and inpatient admissions by 43.46%**
 - **reduced readmissions by 53.57%** for those members who received Intensive Discharge Care Management (IDCM) services

- Over SFY'17, through a range of strategies (ICM and behavioral health community care teams) and in cooperation with the Connecticut Hospital Association, **the Emergency Department visit rate was reduced by:**
 - 2.38% for HUSKY C
 - 4.60% for HUSKY D

DSS' strategic framework demonstrates results – Health Services (continued)

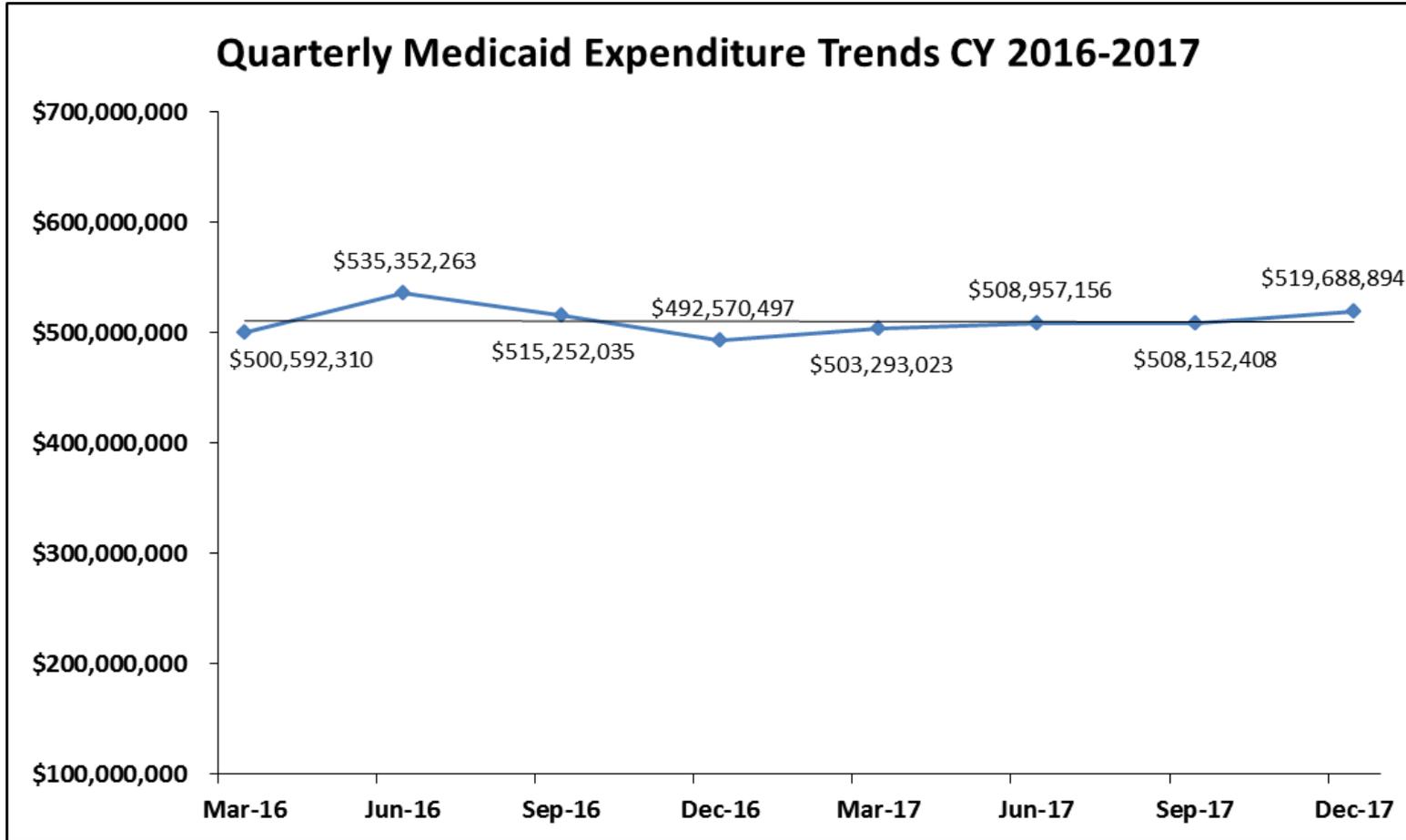
- Over SFY'17:
 - Inpatient days per 1,000 member months (MM) decreased by 1.3%
 - The average length of stay decreased by 2.9%
 - Utilization per 1,000 MM for emergent medical visits decreased by 1.1%
 - Utilization per 1,000 MM for non-emergent medical visits decreased by 7.3%

- Provider participation in HUSKY Health continued to increase over the last year (medical providers up 1%, behavioral health providers up almost 19%, dental providers up 7%).

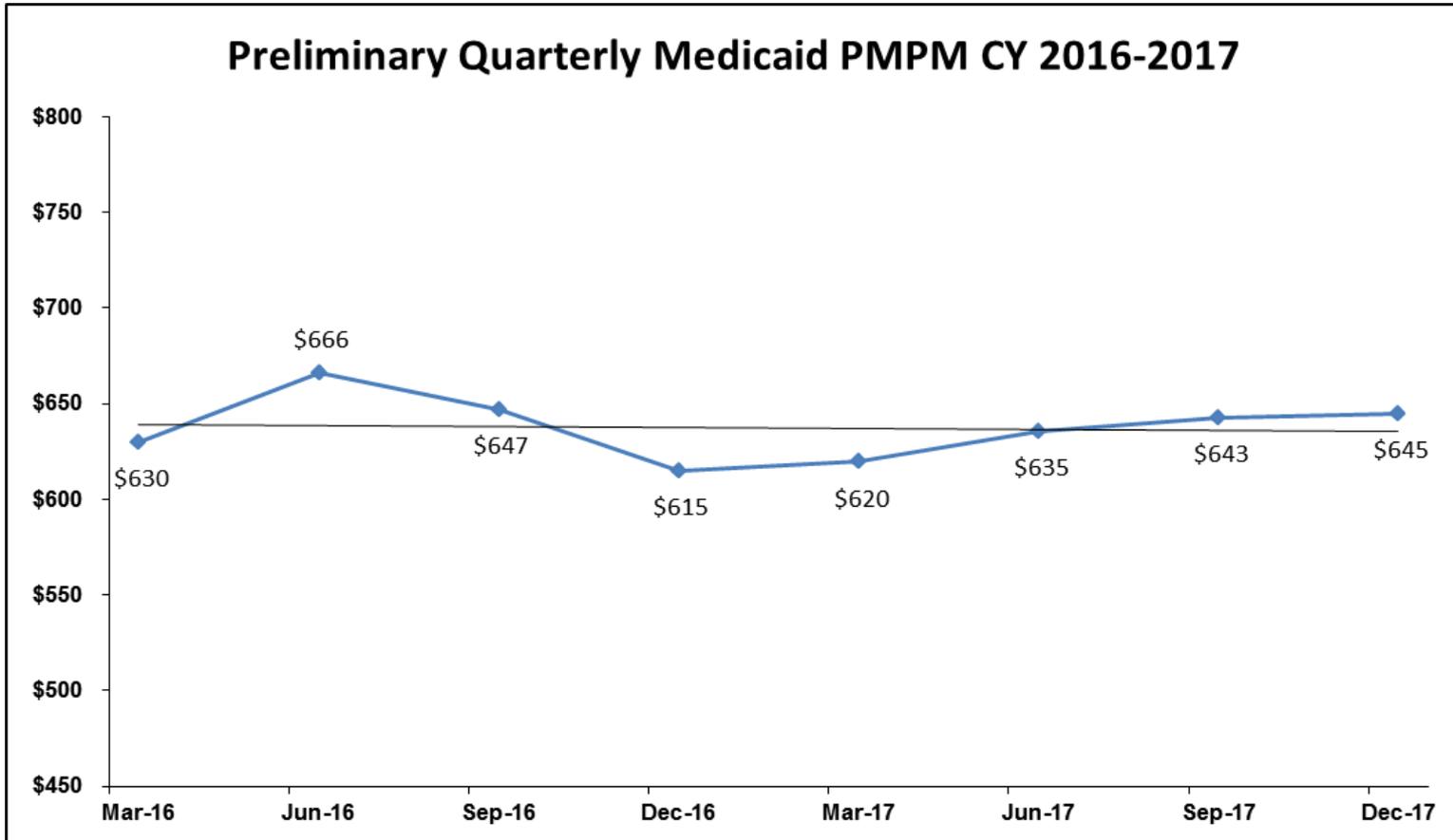
- A June, 2017 American Dental Association Health Policy Institute brief ranked Connecticut number one in access to dental providers, with 98% of the population having a dentist available within 15 miles.

DSS' strategic framework demonstrates results - excerpts from the Governor's budget introduction

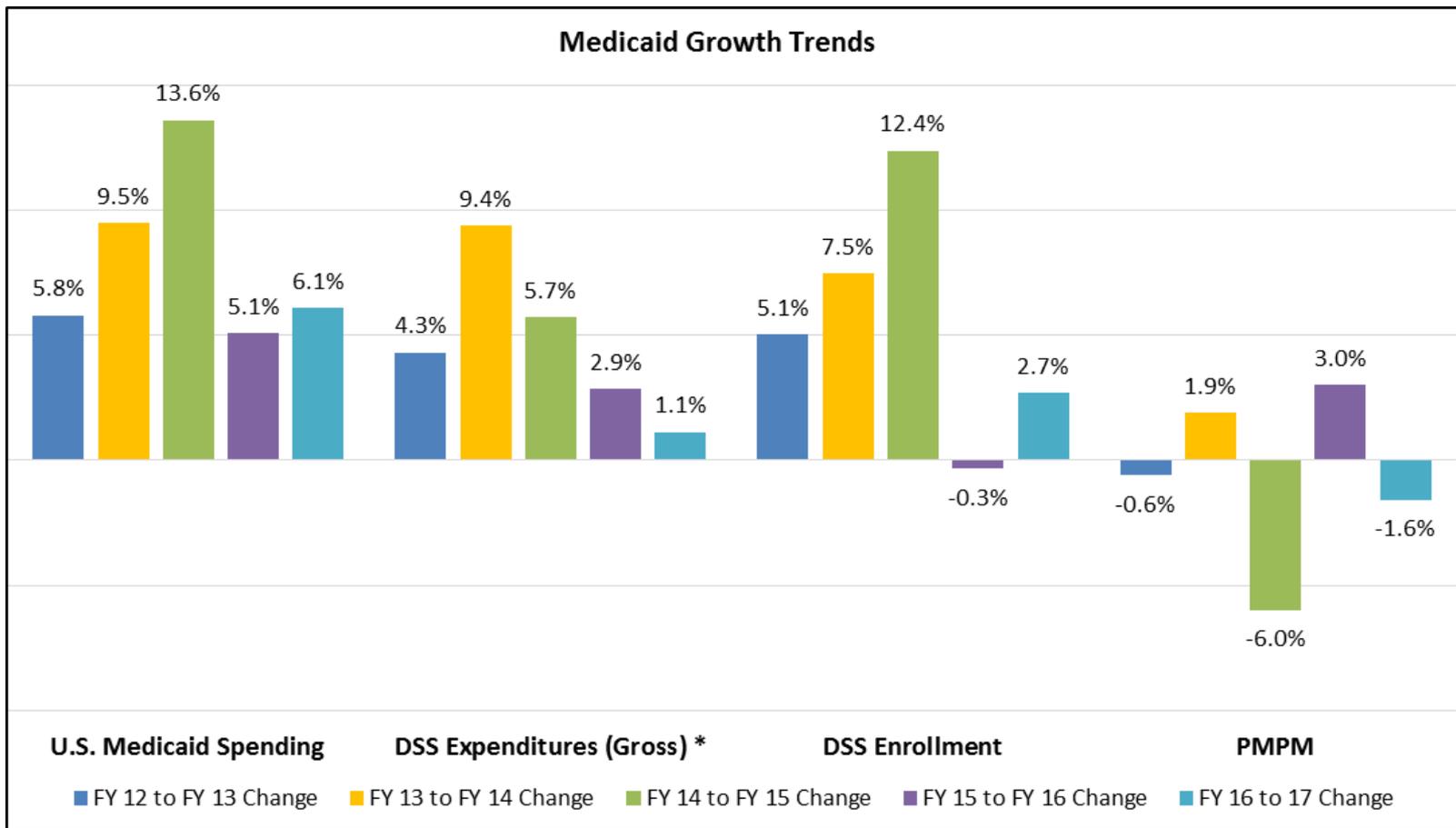
- “While total expenditures have increased due to increases in enrollment, per member per month costs have remained remarkably steady over time.”
- “*Health Affairs*’ June 2017 issue reported that Connecticut’s Medicaid program led the nation in controlling cost trends on a per enrollee basis for the 2010-2014 period.”
- “Furthermore, for FY 2017, Medicaid expenditures in DSS grew by only 1.1 percent, demonstrating yet again that Connecticut’s service model continues to bend the cost curve while improving health outcomes.”
- “Connecticut is extremely fortunate to have had such success in controlling Medicaid costs in recent years just as the state has begun to seriously address unfunded pension liabilities.”



Expenditure trends have remained relatively steady over the past eight quarters



Quarterly per member per month (PMPM) trends have similarly remained steady over the last eight quarters

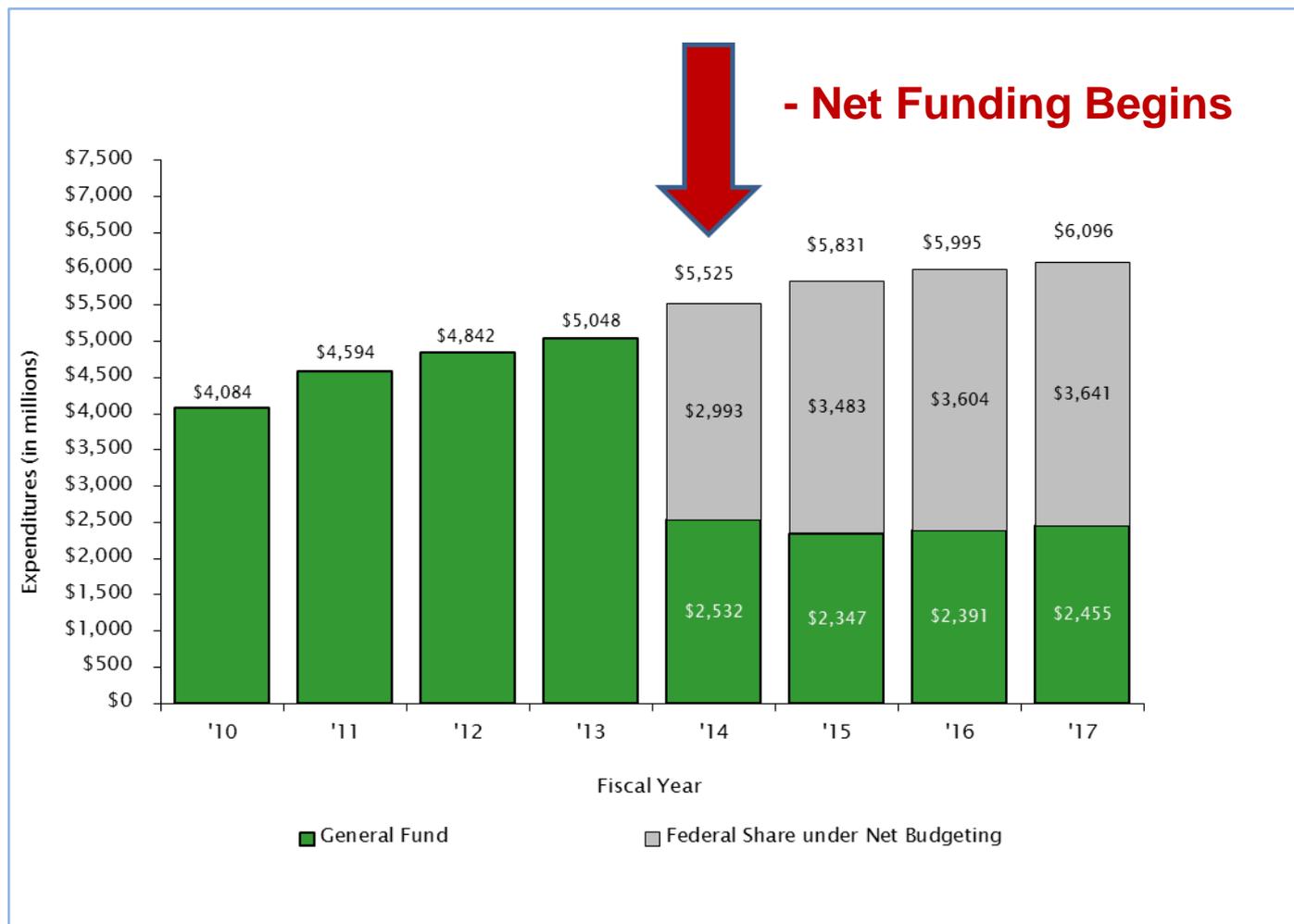


** Expenditures are net of drug rebates and include DMHAS' behavioral health costs claimable under Medicaid.*

CT's state share of Medicaid costs have dramatically stabilized.

State share of costs was lower in SFY 2017 than it was in SFY 2014.

SFY 2017 state share was only \$34 million, or 1.4%, higher than the estimated SFY 2012 state share.



- In SFY 2016, the “all states” average Medicaid expenditures as a percentage of total State expenditures:
 - 28.7%*
- Connecticut’s SFY 2016 Medicaid expenditures as a percentage of total State expenditures:
 - 22.7%*
- Based upon NASBO data, going back to SFY 2010, CT compares extremely favorably to its “peer” states (all New England states, NY and NJ). For the entire period, we consistently were among the three states with the lowest percentage. In SFY 2015 and 2016, Connecticut had the lowest percentage share of the total state budget of all our peer states.

*Per the most recent National Association of State Budget Officers (NASBO) State Expenditure Report; includes both federal and State Medicaid shares

- Commission on Fiscal Stability and Economic Growth – January 24, 2018
 - https://www.cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180124/Department%20of%20Social%20Services%20Presentation.pdf

- Medical Assistance Program Oversight Council – February 9, 2018
 - https://www.cga.ct.gov/med/council/2018/0209/20180209ATTACH_H_USKY%20Financial%20Trends%20Presentation.pdf

- In closing, we appreciate the support given to the Department in the Governor's recommended budget. While not without additional hard budget choices given the challenging budget situation that continues to confront our state, core DSS services continue to receive significant support.
- Please know that our Department is fully committed to providing the highest level of support for our customers within the budgeted funds received.
- At this time, we are available to respond to any questions you may have.

Thank you.