

Governor's SFY 2020-2021 Biennial Budget Recommendations for the Department of Social Services

Presentation to the Legislative Appropriations Committee

**Roderick Bremby, Commissioner
Mike Gilbert, Director, Division of Financial Services
Tuesday, March 5, 2019**

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 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 of approximately 1,600.
- Over 50% of agency expenditures are federally reimbursed.
- Health expenditures (75% of department's recommended SFY 2020-21 budget) are increasing based on caseload growth, but trends in per person costs are stable (down 3.8% 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.*

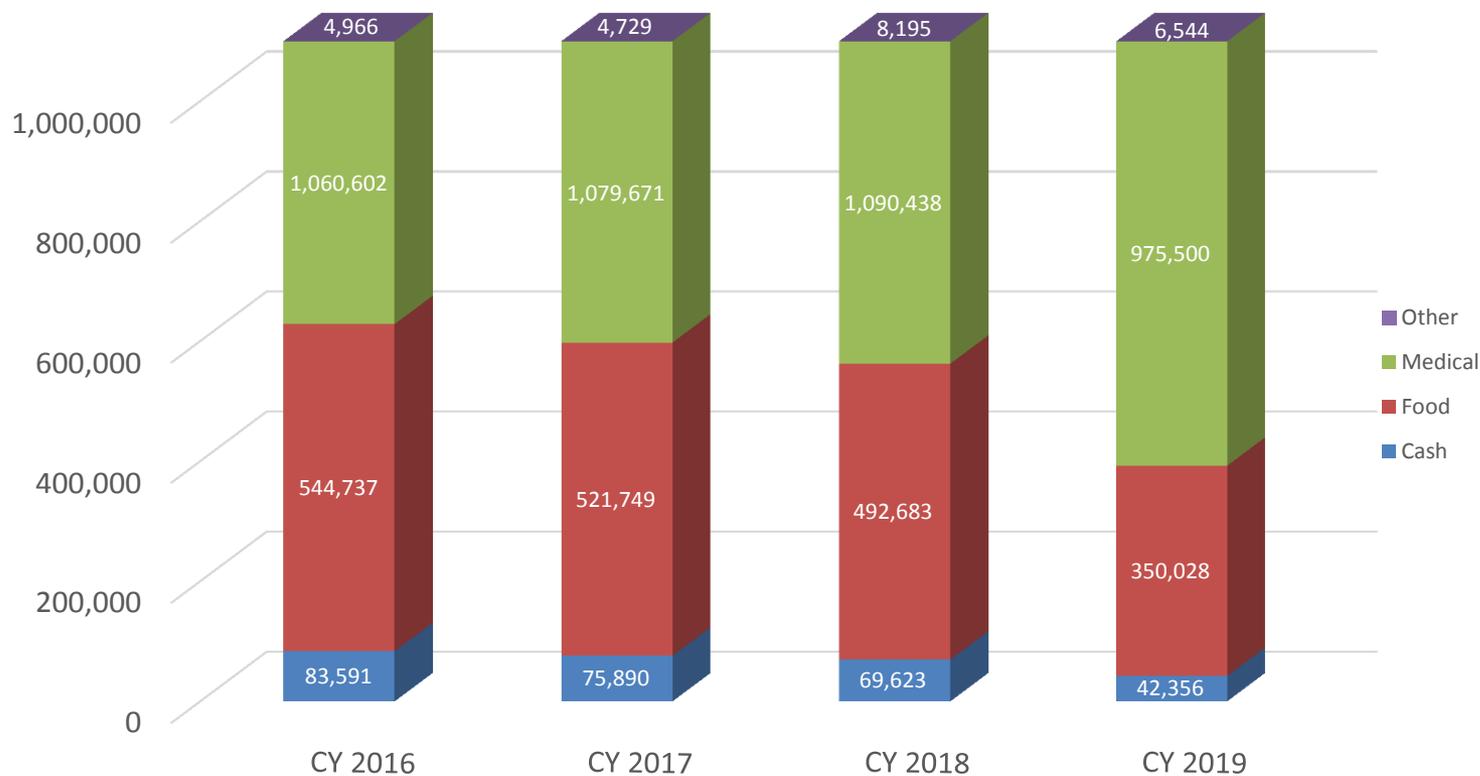
Mission

- *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 and team responsibility for results.
- **Innovation**—Creating and embracing new ideas to improve our work.

Number of People Served by Type of Assistance



Notes:

- Medical includes individuals receiving HUSKY, MSP, and state Home Care
- CY 19 reflects year to date figures

- 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.
- We are grateful to Governor Lamont for the budget that has been crafted for the Department. We believe it is true to our mission and provides us with the resources necessary to continue efforts to support those who benefit from our services.
- We look forward to working with the General Assembly over the next several months as you deliberate over the many challenges that will be a part of your budget development efforts.
- In the next few slides, we present a general overview of the DSS budget before detailing the changes included in the Governor's Recommended Budget.

■ **Programs supported include:**

Medicaid, CHIP (HUSKY B), SNAP, TFA, Child Support, State Supplement (AABD), SAGA, Energy Assistance, Community Action Agencies

■ **SFY 2019 estimated staffing costs:**

- \$ 116.6 m

■ **Major operating expenses:**

- Estimated 2019 expense: \$139.3 m
- Operating Contracts: 88%
- Facilities & Operational: 12%

■ **Administrative cost ratio:**

- 3.2% (includes eligibility staff; based upon total budget inclusive of federal & state funds)

■ **Program outcome highlights:**

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

■ **SFY 2020 and SFY 2021 budget:**

• **Total:**

- SFY 20 \$4.417 b (net); \$8.316 b (gross)
- SFY 21 \$4.519 b (net); \$8.474 b (gross)

• **Program:**

- SFY 20 \$4.128 b (net); \$8.027 b (gross)
- SFY 21 \$4.230 b (net); \$8.185 b (gross)

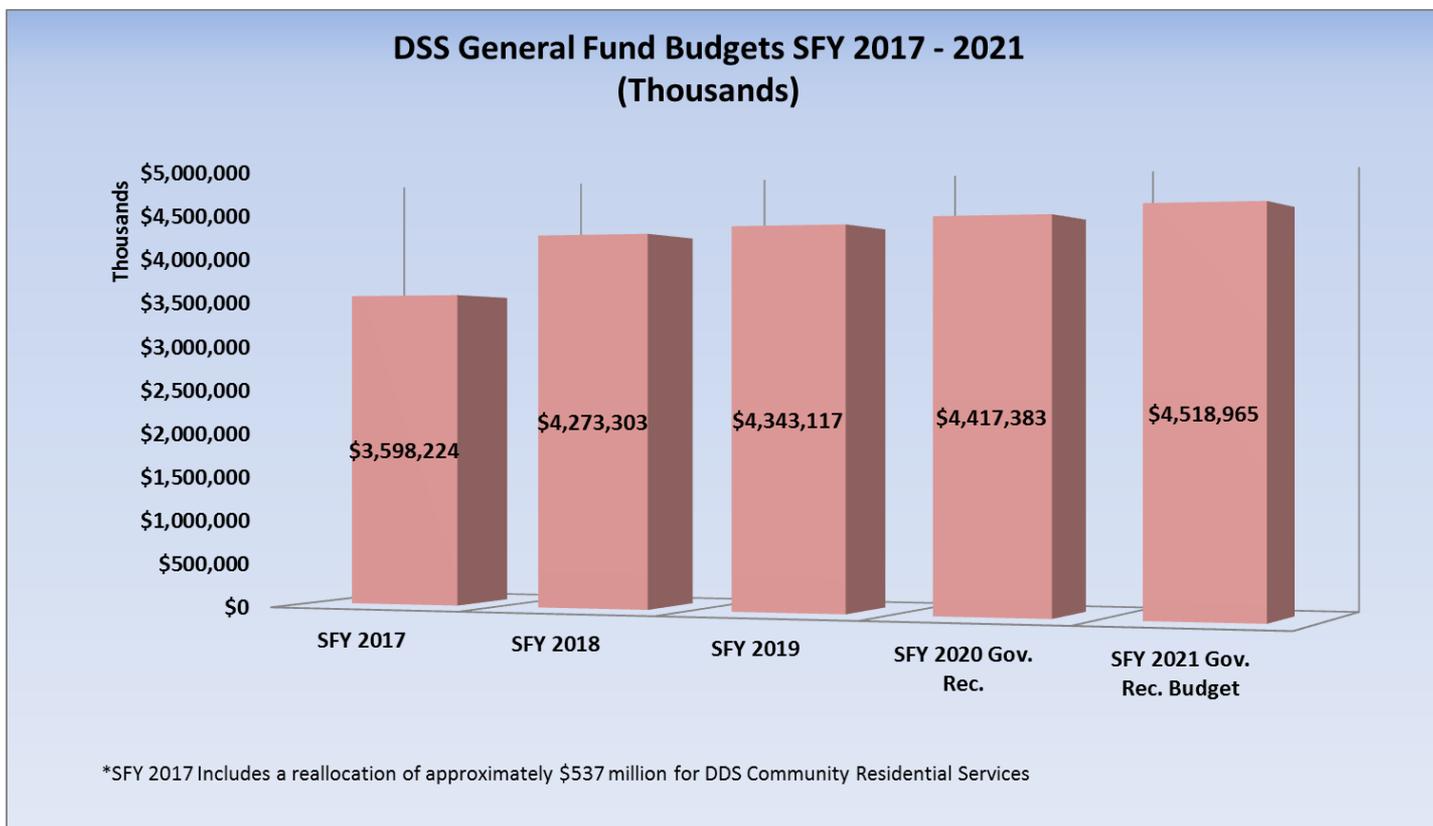
• **Administrative:**

- SFY 20 \$289.1 m
- SFY 21 \$288.6 m

■ **Federal reimbursement in SFY 2019:**

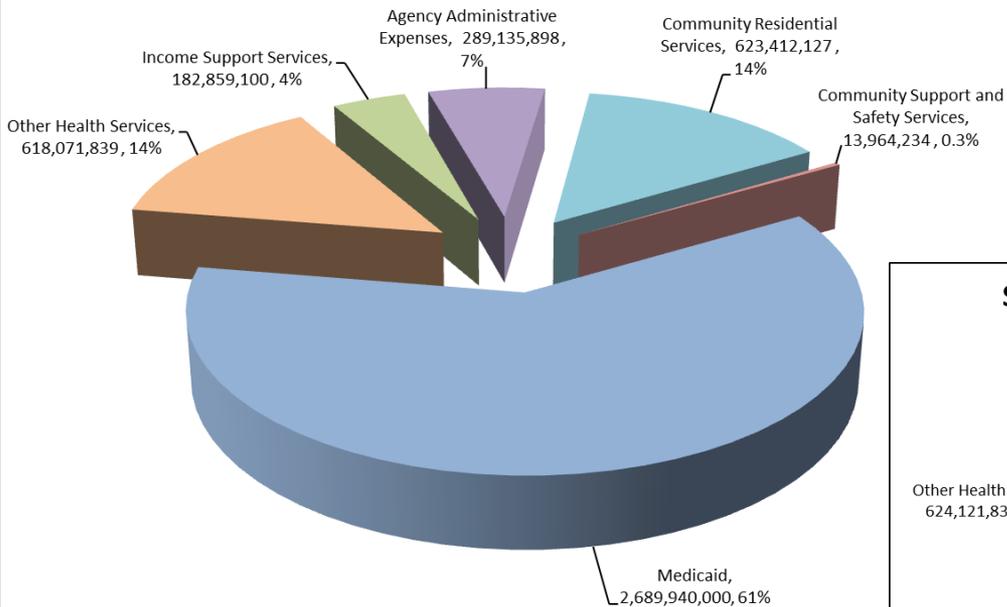
- 59% - Medicaid program costs
- 75% - Medicaid systems and eligibility (staff & contracts), & new IT system operational costs
- 50% - Medicaid administrative costs
- 50% - SNAP administrative support
- 66% - Child Support
- 80 to 90% - IT systems development
- 88% - CHIP (HUSKY B)
- 100% - TANF administrative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

- Total funding increases by approximately \$74 million and \$102 million in SFY 2020 and 2021 respectively.
- The overall change in the DSS General Fund budget for SFY 2020 is an increase of 1.7%; the SFY 2021 increase is 2.3%.

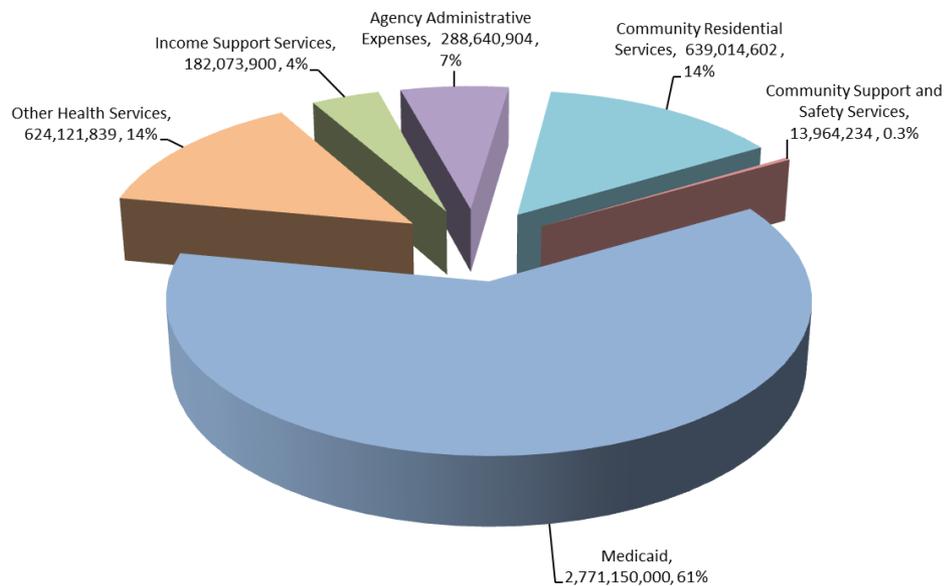


- The proportion of the DSS General Fund budget directed to Medicaid is 61% in SFY 2020 and 2021 . Other health services account for an additional 14% of the budget in SFY 2020 and 2021.
- Administrative, field operation and grant expenses account for 7% of our General Fund budget in SFY 2020 and 2021.
- 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 4% in SFY 2020 and 2021.
- Community Residential Services, funding programs provided by the Department of Developmental Services, accounts for the balance of 14% in SFY 2020 and 2021.
- The following slides depicts this breakout graphically for SFY 2020 and 2021.

SFY 2020 Governor's Recommended Budget by DSS Core Programs

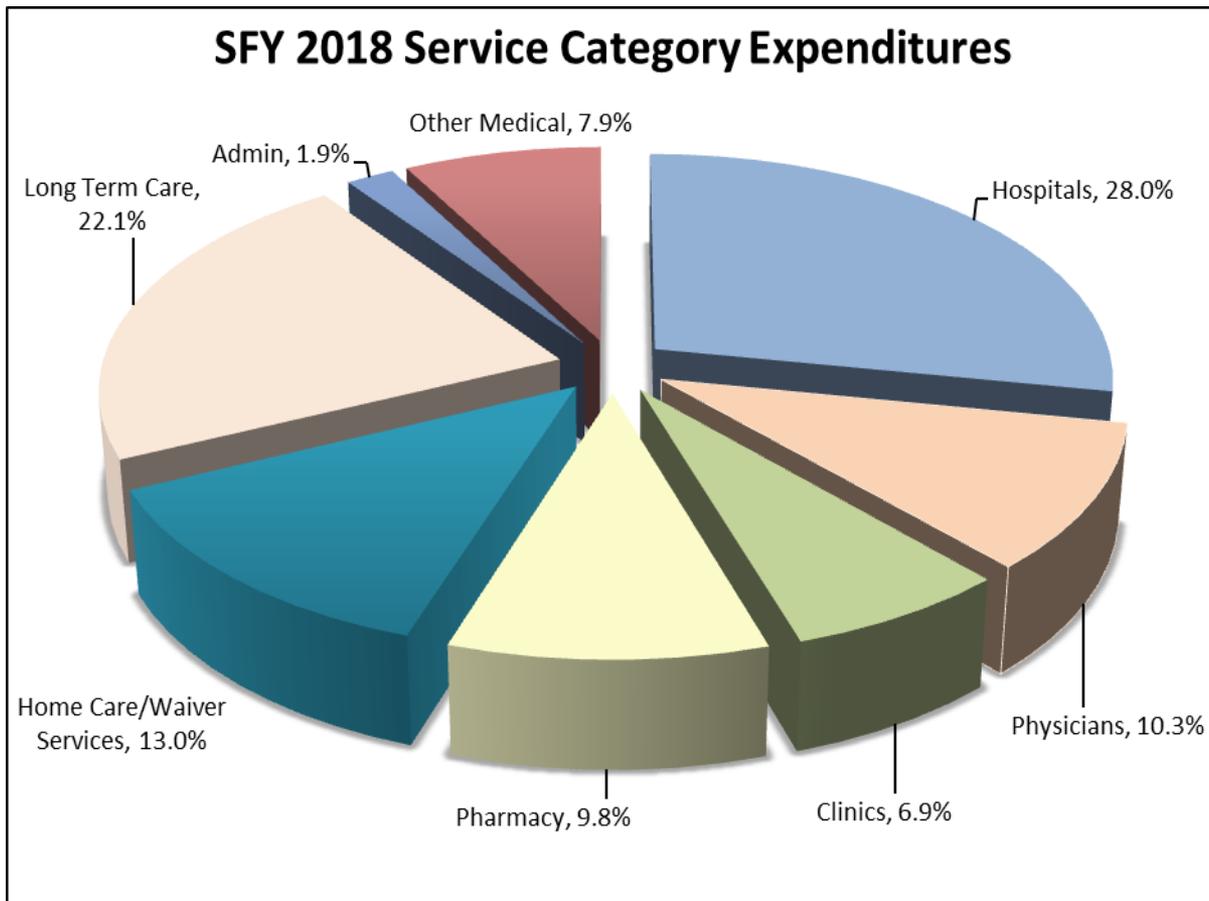


SFY 2021 Governor's Recommended Budget by DSS Core Program



Hospital services account for the largest share of the DSS Medicaid spend at 28%, followed by nursing homes and LTC facilities at 22%. Waiver/CFC services account for 13%. Physician and pharmacy expenses comprise close to 10% each.

Note: Excludes hospital supplemental payments of \$597.7 m which were paid outside of the Medicaid account



Home Care/Waiver Services also includes Home Health and Community First Choice (CFC)

■ The Governor's Recommended Budget includes the following baseline increases:

- Adjustments to reflect decreases in federal support for the HUSKY D newly eligible expansion population from 94% in calendar year (CY) 18, to 93% in CY 19, and then to 90% in CY 20, as well as to reflect the decline in federal reimbursement for the HUSKY B program from 88% to 76.5% in FFY 20 and to 65% in FFY 21.

Increase of \$59.5 m – SFY 20; \$100.0 m – SFY 21

- Provides additional funding to meet program requirements related to current expenditure trends for Old Age Assistance, Aid to the Disabled, Temporary Family Assistance, State Administered General Assistance and Medicaid.

Increase of \$28.2m – SFY 20; \$126.2 m – SFY 21

- Annualization of staff to address Medicaid (30), Child Support (10) and Shared Services (17) system enhancement projects; quality assurance efforts (33); declining federal MFP support (8); and continued field office support (30) to meet timely application processing goals. All increases are subject to federal reimbursement ranging from 50 to 90%.

Increase of \$7.5 m - SFY 20 and SFY 21

- The Governor's Recommended Budget includes the following baseline increases:
 - Annualization of SFY 2019 rate increases for nursing homes, intermediate care facilities for individuals with intellectual disabilities (ICF-IIDs), waiver services, and certain home health services.
Increase of \$10.9 m – SFY 20 and SFY 21
 - Adjustments to the Department's operating expenses account related to several efforts including additional ImpaCT system costs, expiring federal administrative support for the PCMH+ program, federally required roll out of electronic visit verification, agency training costs, and acuity-based nursing home rate system changes. All increases are subject to federal reimbursement ranging from 50 to 75%.
Increase of \$11.3m – SFY 20; \$4.8 m – SFY 21
 - Funding associated with the PCA collective bargaining agreement, including the annualization of SFY 19 wage increases and additional SFY 20 and 21 increases.
Increase of \$3.9 m - SFY 20; \$5.9 m - SFY 21

- The Governor's Recommended Budget includes the following baseline increases:
 - Funding for DDS community residential services to recognize age out placements (77 in SFY 20 and 67 in SFY 21), as well as transitions under Money Follows the Person and other initiatives (65 in SFY 20 and 53 in SFY 21).
Increase of \$10.9 m – SFY 20; \$27.5 m – SFY 21
 - Annualization of private provider wage adjustments primarily for the DDS Community Residential Services providers.
Increase of \$40.7 m – SFY 20 and SFY 21
 - Funding for private provider costs associated with conversion or closure of ten DDS public group homes; a savings of \$8.2 million is reflected under DDS' budget, for a net savings of \$0.5 million across both agency budgets.
Increase of \$7.7 m – SFY 20 and SFY 21

- The Governor's Recommended Budget includes the following changes to our health services programs:
 - Removes inflationary rate adjustments for nursing homes and intermediate care facilities for individuals with intellectual disabilities.
Reduction of \$15.2 m – SFY 20; \$32.3 m – SFY 21
 - Institutes an asset test under the Medicare Savings Program at the federal minimum levels (currently at \$7,730 for singles and \$11,600 for couples) effective July 1, 2020, to align with the implementation of an asset verification system (AVS) under the ImpaCT eligibility system. An asset test is estimated to reduce expenditures by 10%. Funding for staff, support services and system changes in the amount of \$2.8 m and \$1.8 m in SFY 2020 and 2021 respectively is included to support this effort.
Increase of \$2.8 m – SFY 20; reduction of \$8.7 m – SFY 21
Revenue gain of \$16.0 m – SFY 21
 - Strengthens utilization management, including changes in pre-payment edits and related initiatives. Funding for consultant supports and system changes in the amount of \$2.0 m per year is included to support this effort.
Reduction of \$1.4 m – SFY 20; \$9.8 m – SFY 21

- The Governor's Recommended Budget includes the following changes to our health services programs:
 - Additional support for program integrity efforts, including additional audit, third party liability, investigations, revenue and federal compliance activities. Funding for staff in the amount of approximately \$1.3 m is included to support this effort.
Reduction of \$5.1 m – SFY 20; \$5.9 m – SFY 21
 - Strengthening rebalancing efforts under Money Follows the Person, by supporting an additional 800 transitions (beyond those included in the baseline) by the second year of the biennium. Funding for staff and support services in the amount of \$1.5 m and \$1.2 m in SFY 2020 and 2021 respectively is included to support this effort.
Increase of \$1.0 m - SFY 20; Reduction of \$3.5 m – SFY 21
 - Savings related to exploring opportunities to increase the Department's pharmacy purchasing power by expanding upon work with other states to leverage lower prices and increase rebates.
Reduction of \$3.5 m – SFY 2021

- The Governor's Recommended Budget includes the following changes to our health services programs:
 - Instituting a value-based component to certain hospital payments by reducing payments by 15% for a readmission within 30 days of discharge for a related diagnosis.
Reduction of \$2.0 m – SFY 20; \$2.4 m – SFY 21
 - Reducing excess nursing home capacity through rebasing of nursing home rates and eliminating stop loss provisions for homes with low census or very low federal quality measure scores.
Reduction of \$2.4 m – SFY 20; \$2.9 m – SFY 21
 - Implementation of a Medicaid section 1915(i) for home and community-based services, including supportive housing, for approximately 850 Medicaid recipients who have experienced homelessness and whose average Medicaid costs exceed \$40,000 per year.
Reduction of \$0.6 m – SFY 2020; \$3.1 m – SFY 21

- The Governor's Recommended Budget includes the following changes to our health services programs:
 - Explore the possible expansion of step therapy to additional drug classes for the treatment of atopic dermatitis, rheumatoid arthritis, plaque psoriasis, and inflammatory bowel disease.

Reduction of \$0.5 m – SFY 20; \$1.8 m – SFY 21
 - Subjecting diabetic test strips and lancets to a special type of preferred drug list, thereby generating supplemental rebates to the state.

Increase of \$0.2 m – SFY 20; Reduction of \$1.0 m – SFY 21
 - Implementation of a diabetes prevention program utilizing an integrated health network administrator of suppliers of diabetes prevention programs through our medical ASO.

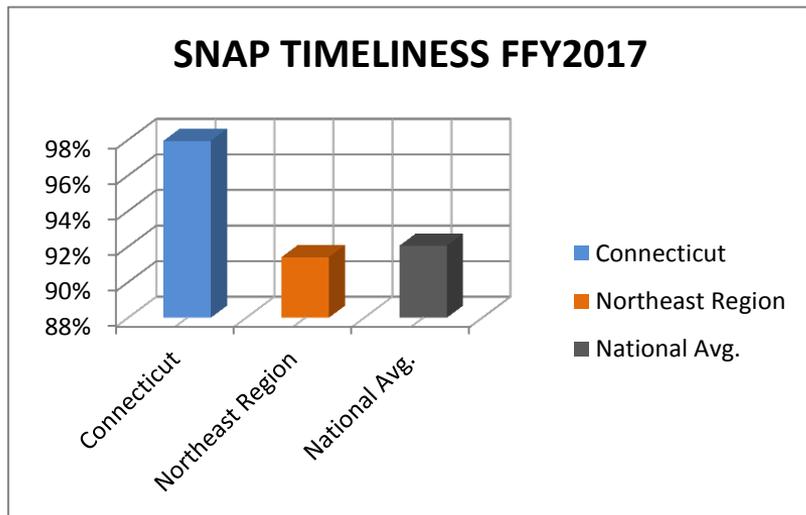
Reduction of \$0.5 m – SFY 21

- The Governor's Recommended Budget includes the following changes to hospital funding:
 - The hospital user fee will continue at the existing SFY 2019 level of \$900 million.
 - Hospital supplemental payments of \$453.3 million, \$40 million under the SFY 2019 expenditure amount of \$493.3 million to ensure the state does not exceed the federally allowable Upper Payment Limit (UPL).
 - Of the total for hospital supplemental payments, \$15 million in SFY 2020 and \$45 million in SFY 2021 is set aside for a quality-based payments.
 - Funding for adjustments to the 3M grouper reduction to DRG-based payments is included at a state share cost of \$59.1 million and \$61.8 million in SFY 2020 and 2021 respectively (\$171.1 million and \$177.2 million including federal funds).

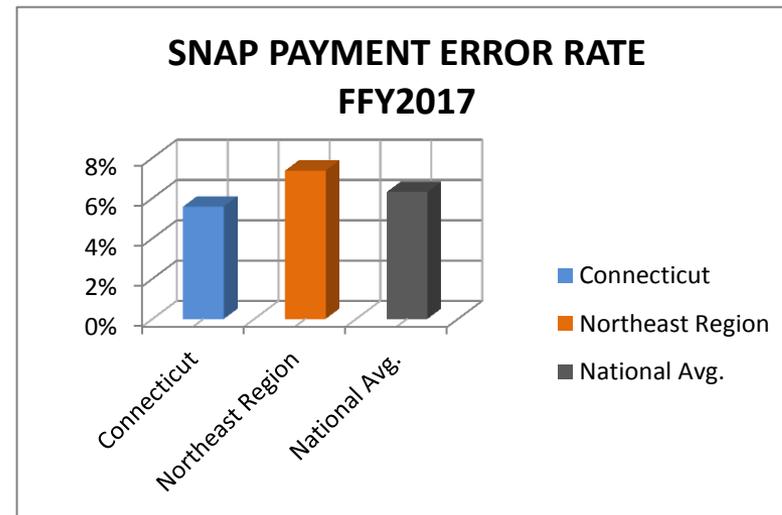
- The Governor's Recommended Budget includes the following changes to administrative supports for our health services programs:
 - Funds to support the development of a plan to address gaps in the state's treatment of substance use disorder, including the possible use of an 1115 waiver.
Increase of \$0.5 m – SFY 20; \$0.25 m – SFY 21
 - Funds to support the expansion of the PCMH+ model to address dually eligible individuals who are both Medicare and Medicaid eligible. The current target implementation date is projected for no later than January 1, 2023.
Increase of \$0.75 m – SFY 21

- The Governor's Recommended Budget includes the following changes to cash assistance programs, grants and other expenses:
 - Removes rate increases for boarding homes under our State Supplement (Aged, Blind and Disabled) assistance programs
Reduction of \$1.7 m – SFY 20; \$3.7 m – SFY 21
 - Continues to fund the Protective Services for the Elderly program under the Social Services Block Grant
Reduction of \$0.6 m – SFY 20 and SFY 21
 - Removes the cost of living adjustment for public assistance recipients under Temporary Family Assistance, State Administered General Assistance and State Supplement
Reduction of \$2.6 m – SFY 20; \$4.8 m – SFY 21
 - Annualizes SFY 19 holdbacks under the Community Services and Family Programs – TANF accounts
Reduction of \$0.4 m – SFY 20 and SFY 21
 - Removes funding for State police in DSS field offices
Reduction of \$0.4 m - SFY 20 and SFY 21

DSS' strategic framework demonstrates results – SNAP



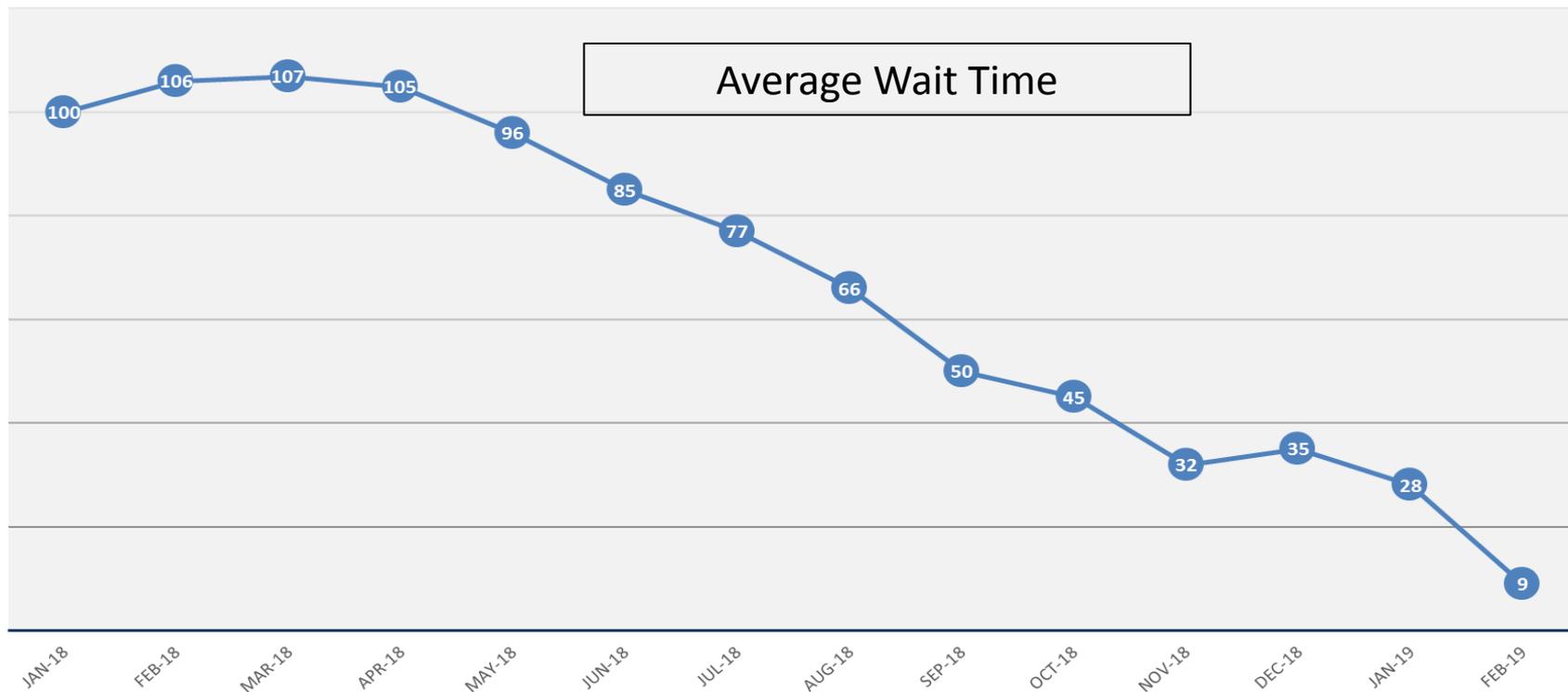
Connecticut (CT) continues to be among the top performing states in **SNAP Application Processing Timeliness**. The latest federal fiscal year reported ranks CT 1st in the Northeast Region and **3rd nationally** with a timeliness rate of **97.95%** based on actual case samples. The overall national average for SNAP timeliness in this same period was 92.06%.



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 5.58% cumulatively for FFY2017, the most recent period reviewed by the USDA's Food and Nutrition Service (FNS). This places CT below both the National and Northeast Regional Averages.

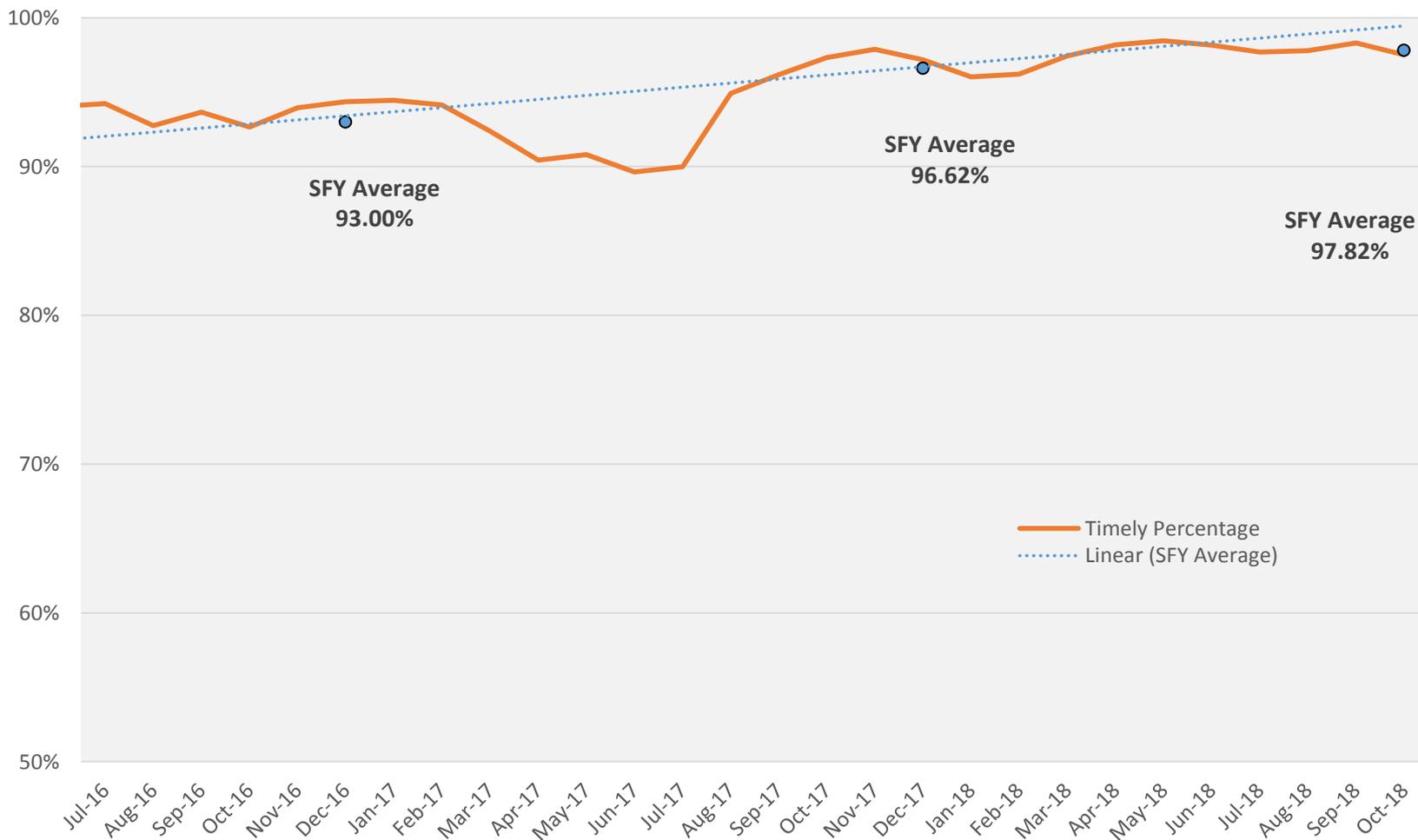
DSS' strategic framework demonstrates results – SNAP

- DSS was awarded **\$1,610,979** by FNS in SNAP **high performance bonuses** for being among the top six states in Application Processing Timeliness (APT) in both federal fiscal years 2016 and 2017. SNAP regulations require that applications be processed within 30 days for standard applications, or 7 days for applications entitled to expedited service. APT is the measure that captures a State's compliance with these requirements.
- DSS was awarded an additional **\$767,331** by FNS in SNAP **high performance bonus** funding for being among the states with the highest Program Access Index (PAI) for calendar year 2017. PAI measures the number of SNAP participants divided by the estimated number of eligible participants derived using US Census data. CT's PAI for calendar year 2017 was 92.13%. As a result of these continued efforts, CT was able to distribute nearly \$600 million in federal SNAP dollars in FFY18.

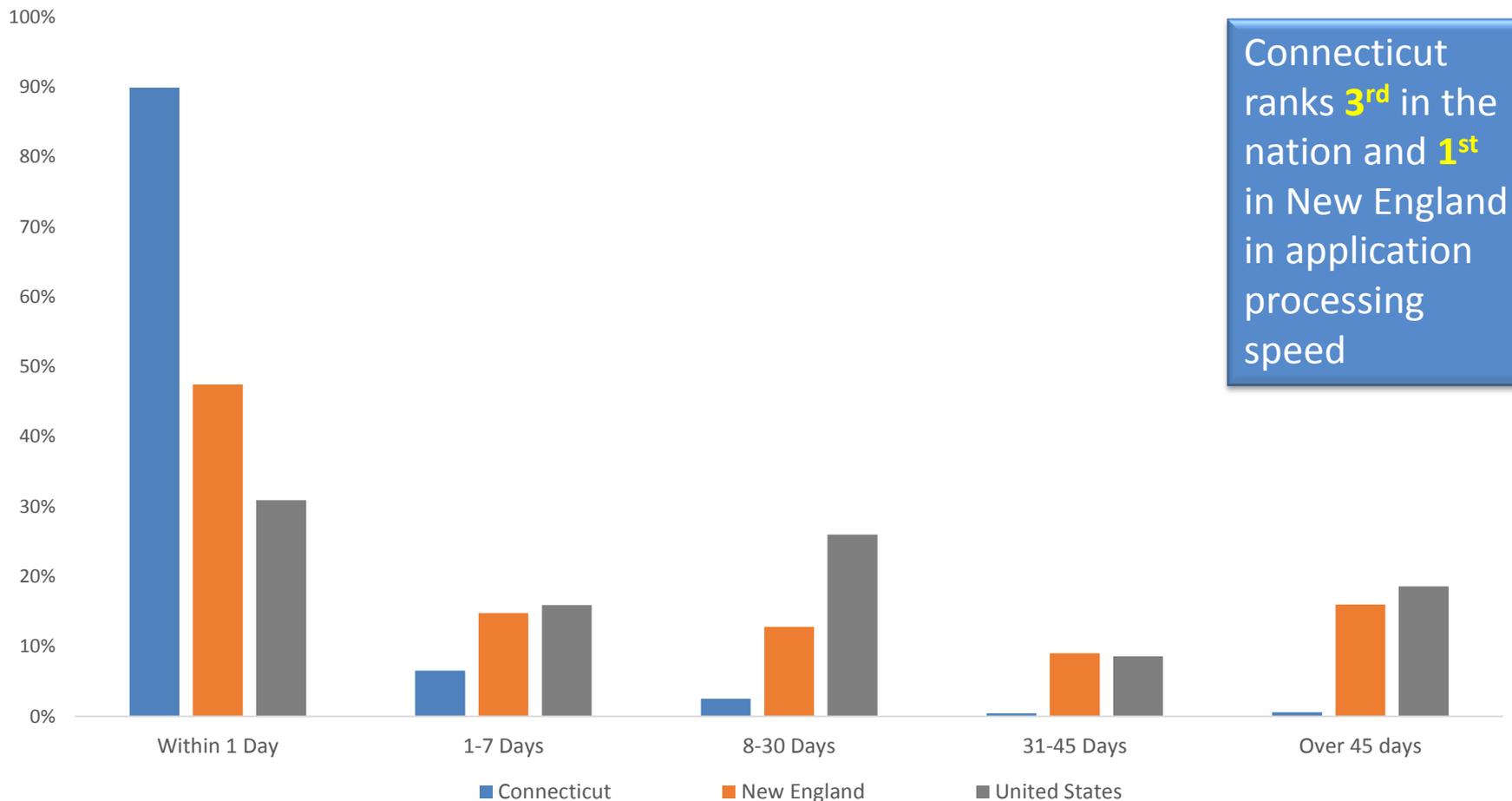


The Benefits Centers are located in three of the twelve DSS field offices. Each contains an interactive voice response system with 24/7 access to DSS and offers callers the option of obtaining a secured PIN to self-serve. The Benefits Centers are open Monday-Friday, 7:30am-4:00pm. Callers use one statewide phone number, 1-855-CONNECT (1-855-626-6632). The Benefits Centers offer live processing by eligibility workers who possess specialized program and policy knowledge. Workers screen for callers with disabilities requiring special accommodations. Over the past year, the Benefits Centers have experienced a significant downward trend in wait times. The marked decrease in wait times is a result of continuous improvements to business processes made by the Department.

Year-over-Year Medicaid Application Processing Timeliness



Medicaid MAGI and CHIP Application Processing Times February – April 2018



Connecticut ranks **3rd** in the nation and **1st** in New England in application processing speed

DSS' strategic framework demonstrates results – Health Services

- The following slides demonstrate our successes in the following critical areas:
 - Expanding provider networks and opportunities for client access
 - Increasing routine care for clients
 - Reducing utilization of hospital inpatient services
 - Reducing the use of hospital emergency departments
 - Stability of costs – expenditures, per member per month (PMPM) costs, share of overall State budget

Our Provider Network Continues to Grow

Connecticut Medical Assistance Program (CMAP) Changes, CY 2015 – CY 2017

| | CY 2015 | CY 2016 | CY 2017 | Percent Change CY 2015-CY 2016 | Percent Change CY 2016-CY 2017 |
|--|----------------|----------------|----------------|---|---|
| Total Primary Care Providers (PCPs) | 3,454 | 3,511 | 3,602 | +1.65% | +2.59% |
| Total Specialty Providers | 16,940 | 17,154 | 17,764 | +1.26% | +3.56% |

Routine care is increasing

Utilization Changes: Physician Services

| Service Description | CY 2015 | | CY 2016 | | CY 2017 | | CY 2015 vs CY 2017 | |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------|------|
| | Util | Util/1000 | Util | Util/1000 | Util | Util/1000 | Util/1000 | % |
| Clinic Services | 189,975 | 232 | 187,696 | 230.3 | 187,728 | 226.1 | -5.9 | -2.5 |
| FQHC – Medical | 702,989 | 858.6 | 756,645 | 928.5 | 788,787 | 949.9 | 91.3 | 10.6 |
| Other Practitioner | 459,228 | 560.9 | 526,855 | 646.5 | 580,637 | 699.2 | 138.3 | 24.7 |
| Physician Services – All | 3,948,428 | 4,822.5 | 4,403,791 | 5,404.0 | 4,655,918 | 5,606.9 | 784.4 | 16.3 |

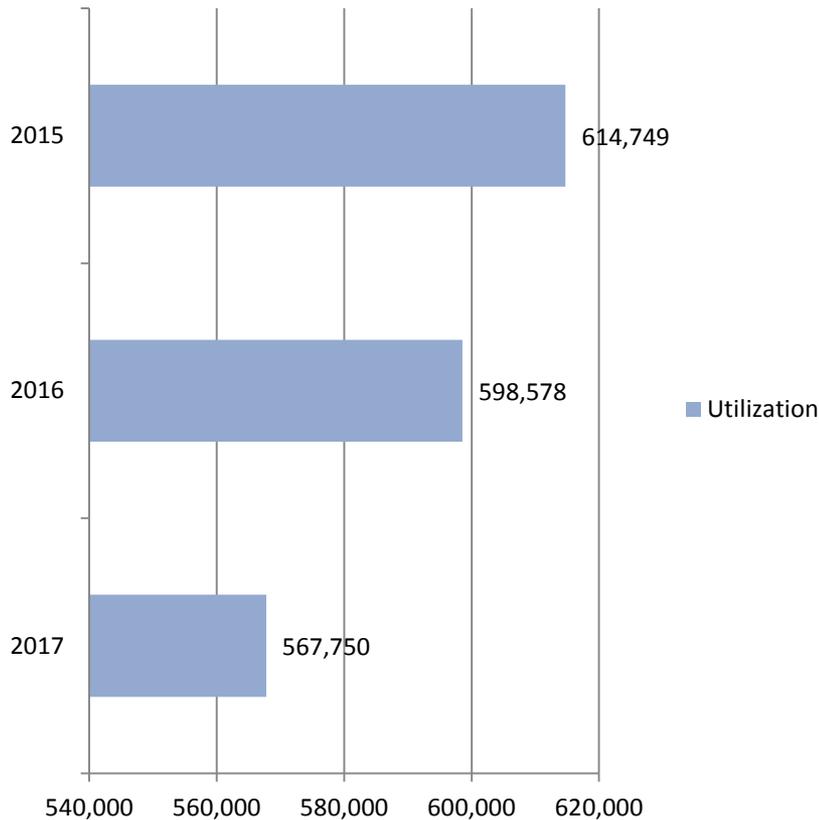
Hospital utilization is decreasing

Inpatient Metrics

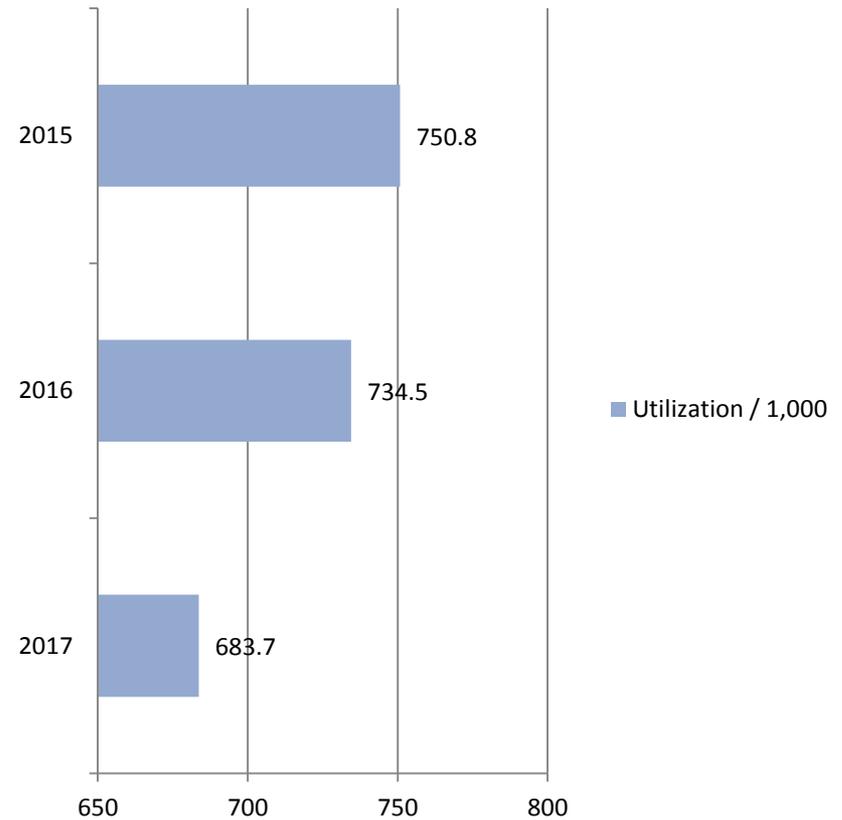
| | 2015 | 2016 | 2017 | CY 2015 vs CY 2017 | |
|-------------------------------|--------|--------|--------|--------------------|---------|
| Admissions | 84,777 | 85,618 | 80,573 | -4,204 | -4.96% |
| Admissions per 1,000 | 103.54 | 105.06 | 97.03 | -6.51 | -6.29% |
| Re-admission Rate | 11.35% | 11.26% | 10.95% | -0.40% | -3.52% |
| Days/1,000 | 479.7 | 472.4 | 428.1 | -51.6 | -10.76% |
| Average Length of Stay (ALOS) | 4.63 | 4.50 | 4.41 | -0.22 | -4.75% |

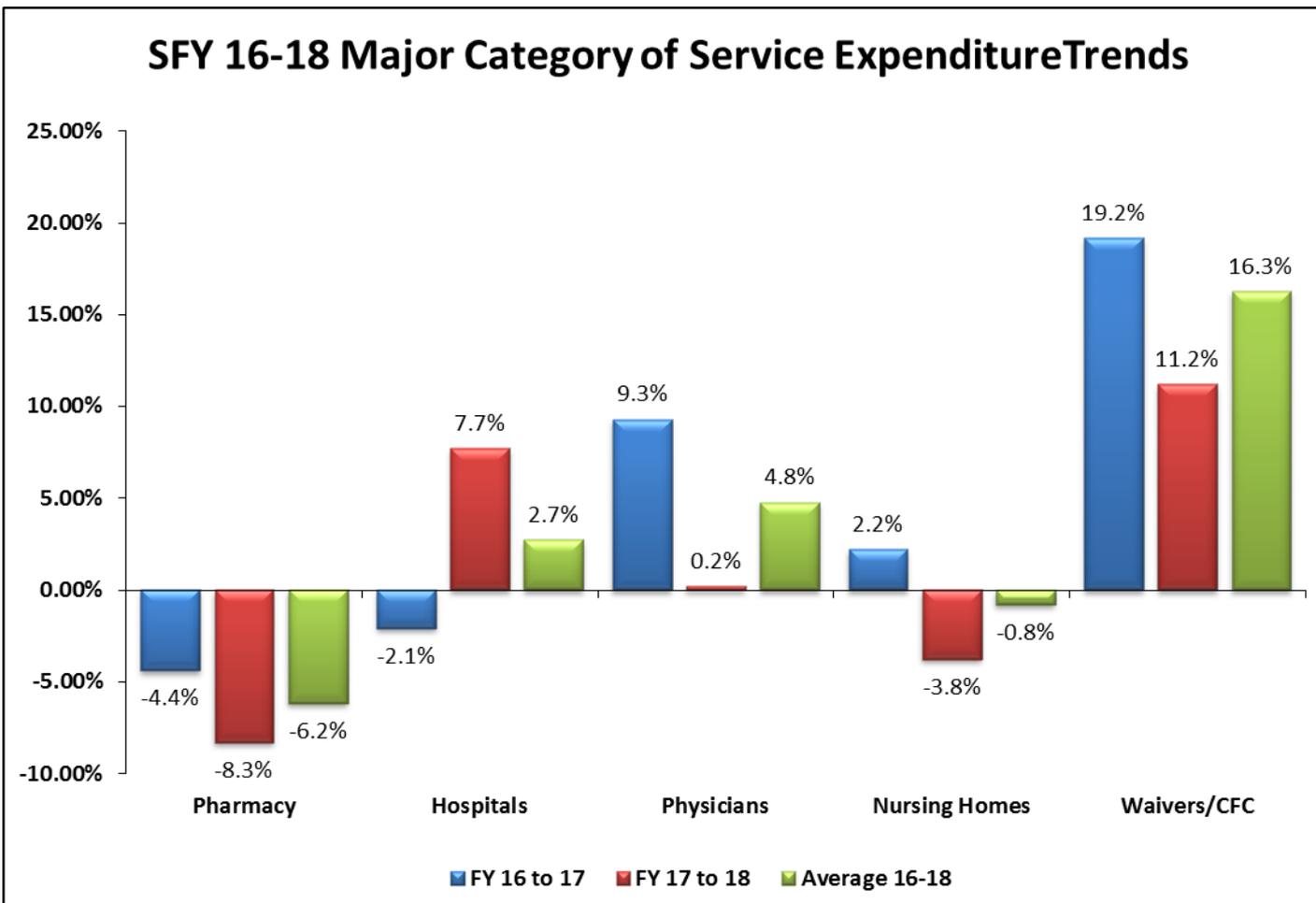
ED utilization is decreasing

Utilization

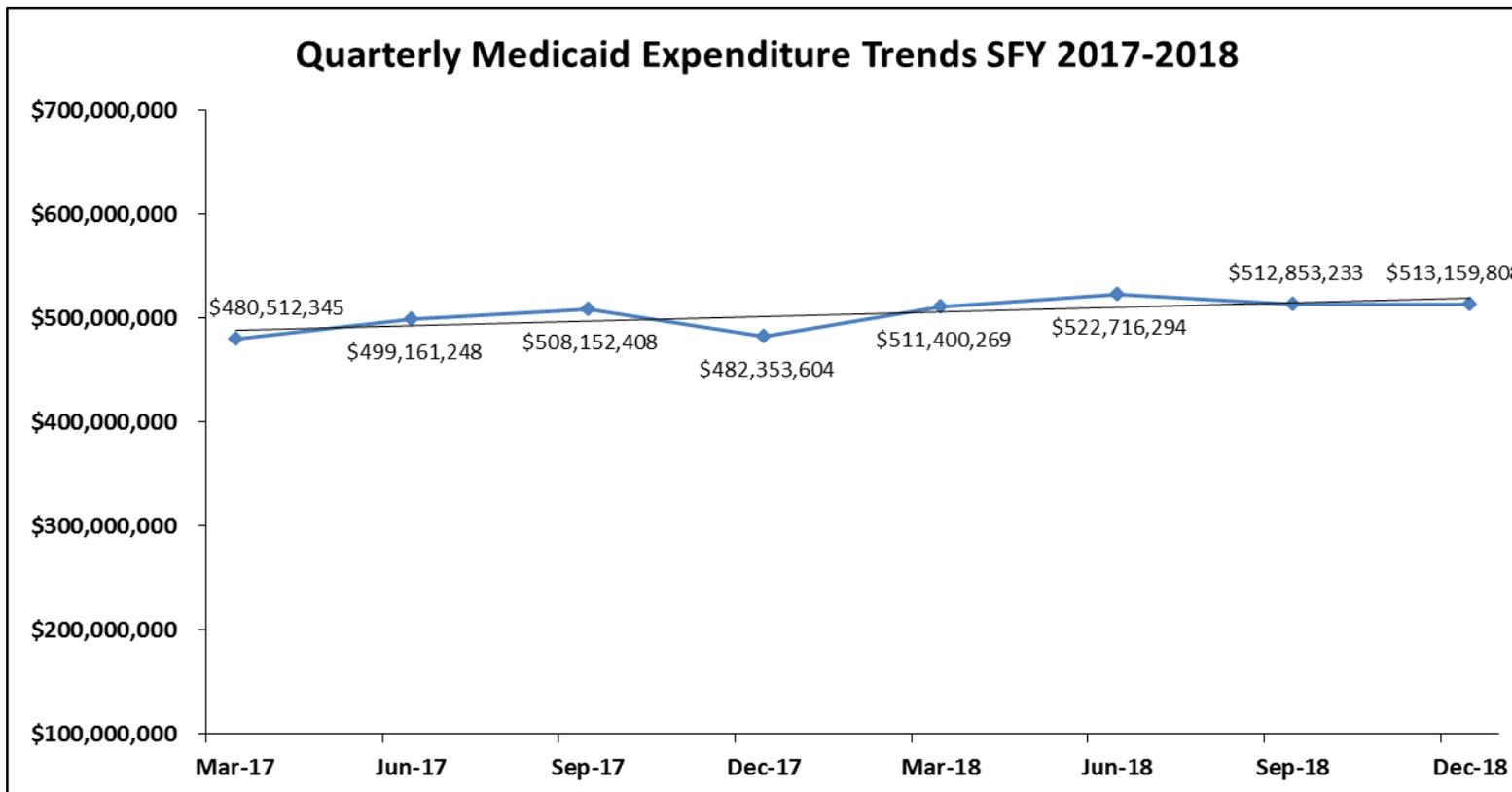


Utilization / 1,000

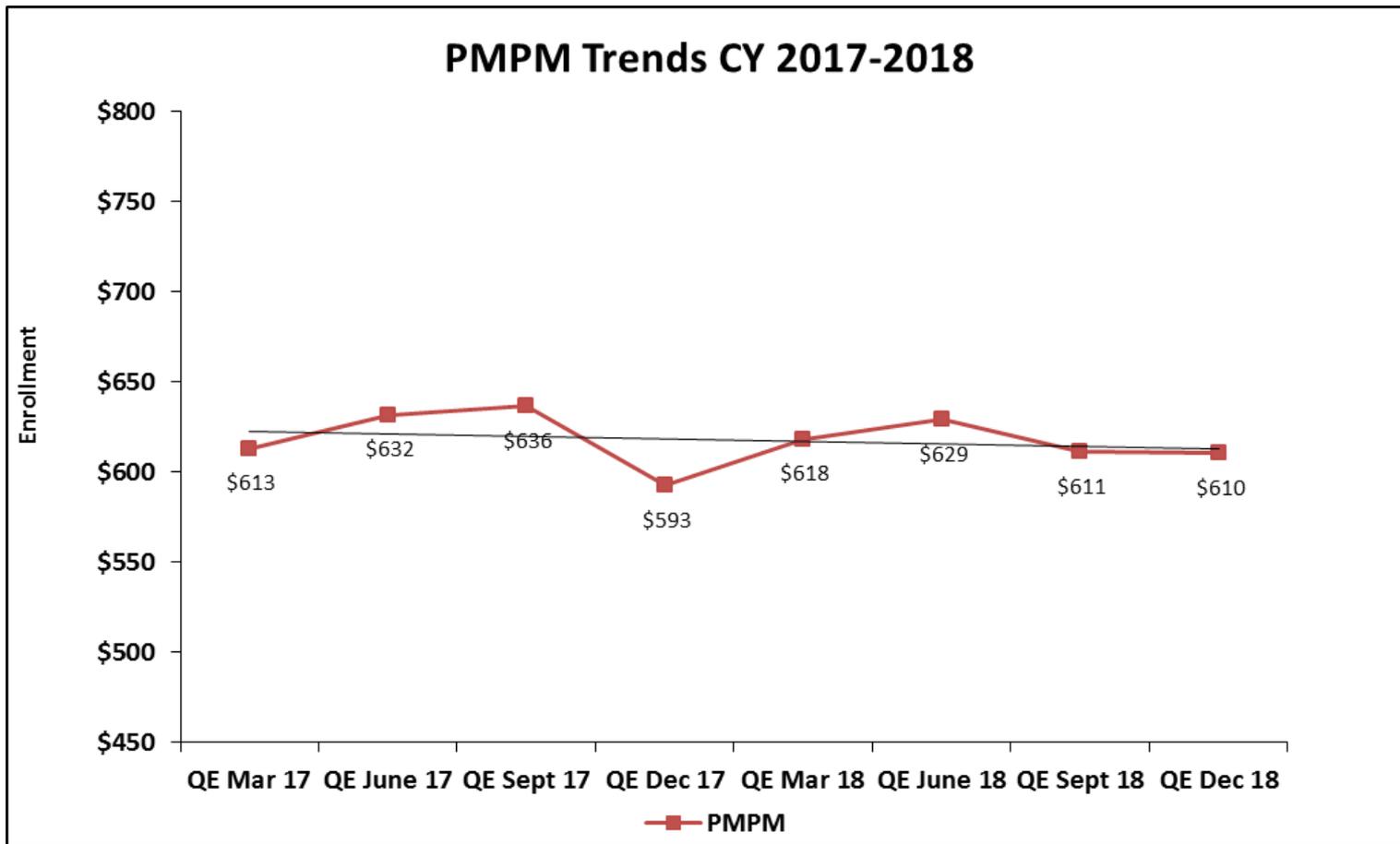




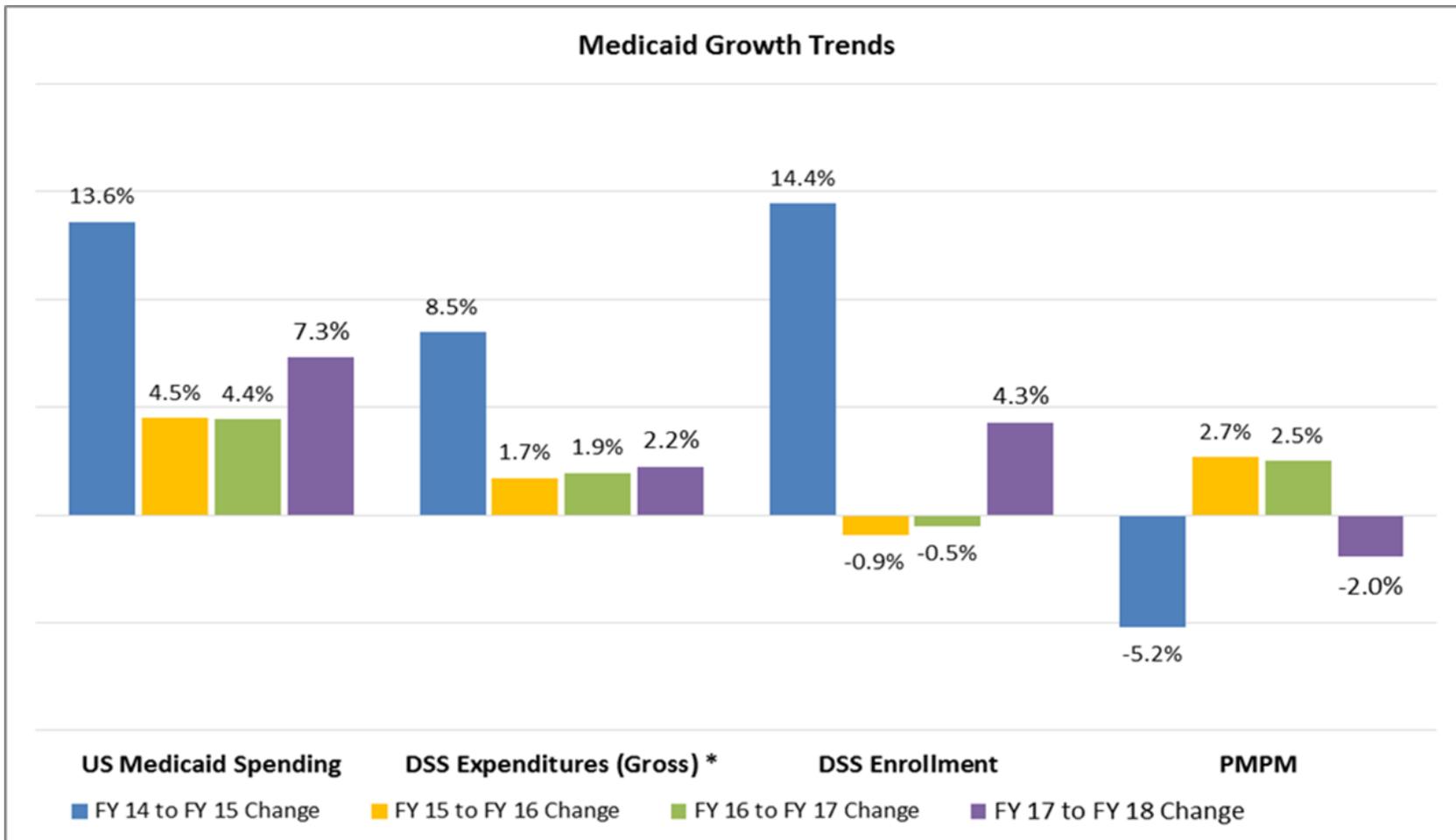
Hospital expenses include inpatient and outpatient costs only; supplemental and settlement payments are not included.



Expenditure trends have remained relatively steady over the past eight quarters (includes both State and federal shares)



Overall, quarterly PMPM trends have remained steady over the last eight quarters



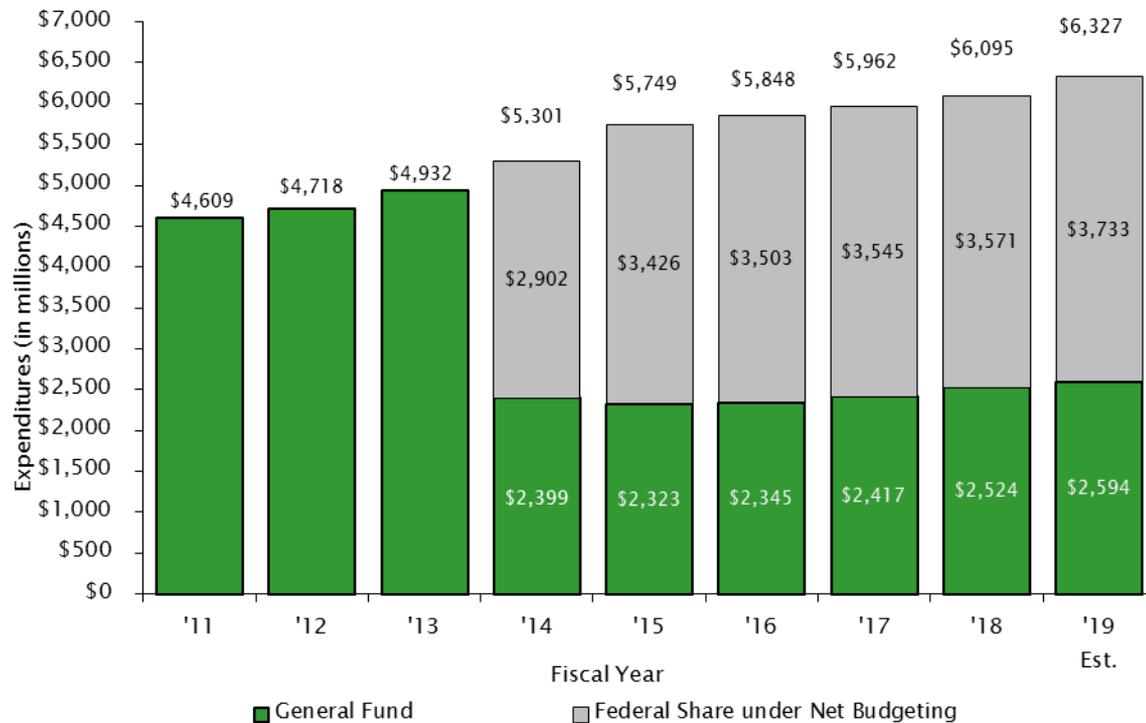
** Expenditures are net of drug rebates and exclude hospital supplemental payments given the significant variance in that area over the years*

CT's state share of Medicaid costs have stabilized.

State share of costs was virtually unchanged from SFY 2013 to 2017.

SFY 2018 state share was only \$58 million, or 2.4%, higher than the estimated SFY 2013 state share.

SFY 2018 and 2019 begin to rise due to lower reimbursement for the expansion population (HUSKY D) and hospital rate increases.



*Excludes hospital supplemental payments

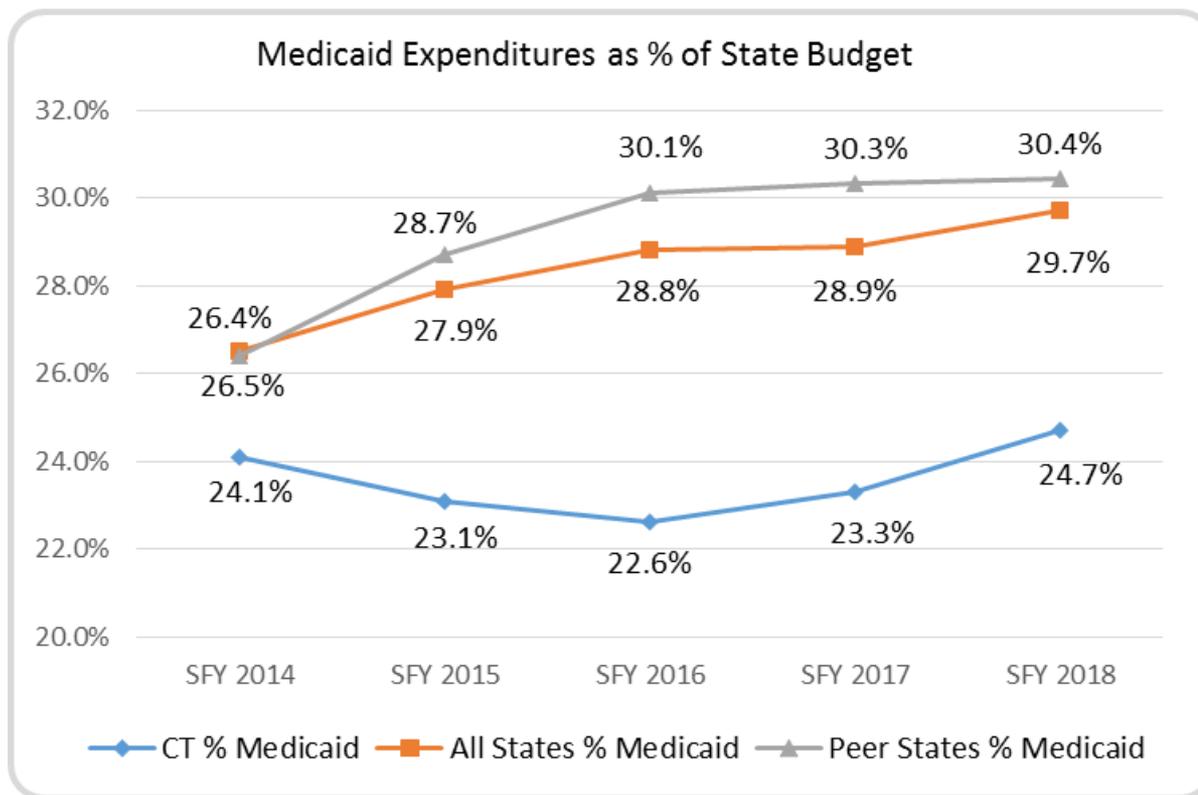
- Total Medicaid expenditures as a percentage of the total state budget - detail on peer states and national data*

| | <u>SFY 2015</u> | <u>SFY 2016</u> | <u>SFY 2017</u> | <u>SFY 2018</u> |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| All States | 27.9% | 28.8% | 28.9% | 29.7% |
| Connecticut | 23.1% | 22.6% | 23.3% | 24.7% |
| Maine | 32.8% | 33.0% | 32.3% | 33.1% |
| Massachusetts | 23.7% | 27.8% | 27.8% | 28.8% |
| New Hampshire | 29.7% | 34.7% | 36.6% | 35.6% |
| Rhode Island | 30.4% | 29.0% | 29.8% | 28.6% |
| Vermont | 28.5% | 29.5% | 28.8% | 28.2% |
| New Jersey | 24.2% | 25.0% | 24.5% | 24.7% |
| New York | 31.7% | 31.9% | 32.6% | 34.0% |
| Peer State Avg (w/o CT) | 28.7% | 30.1% | 30.3% | 30.4% |

CT's Medicaid to total State budget cost ratio was lower than the all states average and the average of its peer states from SFY 2015 through 2018

*Per National Association of State Budget Officers (NASBO) State Expenditure Reports; includes both federal and state Medicaid shares

- CT Medicaid expenditures as a percentage of the total state budget - detail on peer states and national data*



CT has increased its favorable position compared to other states, moving from a favorable spread of approximately 2% to over 5% in terms of having the lowest Medicaid expense as a percentage of the total state budget

*Per National Association of State Budget Officers (NASBO) State Expenditure Reports; includes both federal and state Medicaid shares

- For additional information on financial trends under the HUSKY Health program, please see link below:
 - Medical Assistance Program Oversight Council February 8, 2019 presentation (revised February 15, 2019)
 - <https://portal.ct.gov/-/media/Departments-and-Agencies/DSS/Health-and-Home-Care/PCMH-Plus/HUSKY-Financial-Trends-February-2019-Rev-021519.pdf?la=en>

- In closing, we appreciate the support given to the Department in the Governor's recommended budget.
- 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.