

Governor's SFY 2017 Midterm Budget Adjustments for the Department of Social Services

Presentation to the Legislative Appropriations Committee

Roderick L. Bremby, Commissioner

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

- Serves adults, working families, their children, their parents and their loved ones with disabilities.
- Core services include economic assistance, health services and a range of social supports.
- Successful in improving quality, satisfaction and independence through prevention and integration.

Technology and data driven.

- Striving toward timely access to services through eligibility process improvements, integration with Access Health CT, and Eligibility Management System replacement.
- Use of advanced data analytics and a focus on Health Information Technology to direct policy-making, program development and operations.

Already doing more with less.

- Agency-wide administrative costs are 4.4 %. Total staffing (1,775 individuals) has held relatively constant while the number of individuals served has dramatically increased.
- Over 50% of agency expenditures are federally reimbursed.
- Health expenditures (70.7% of department budget) are increasing based on caseload growth, but trends in per person costs are stable and quality outcomes have improved.

■ Programs supported:

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

■ SFY 2017 budget:

- Total: \$3.770 b (net); \$7.437 b (gross)
- Program: \$3.443 b (net); \$7.112 b (gross)
- Administrative: \$326.3 m (with fringes)

■ SFY 2016 estimated staffing costs:

- \$130.4 m

■ Major operating expenses:

- Estimated 2016 expense: \$160.6 m
- Operating Contracts: 85%
- Facilities & Operational: 15%

■ Administrative cost ratio:

- 4.4% (includes field eligibility staff)

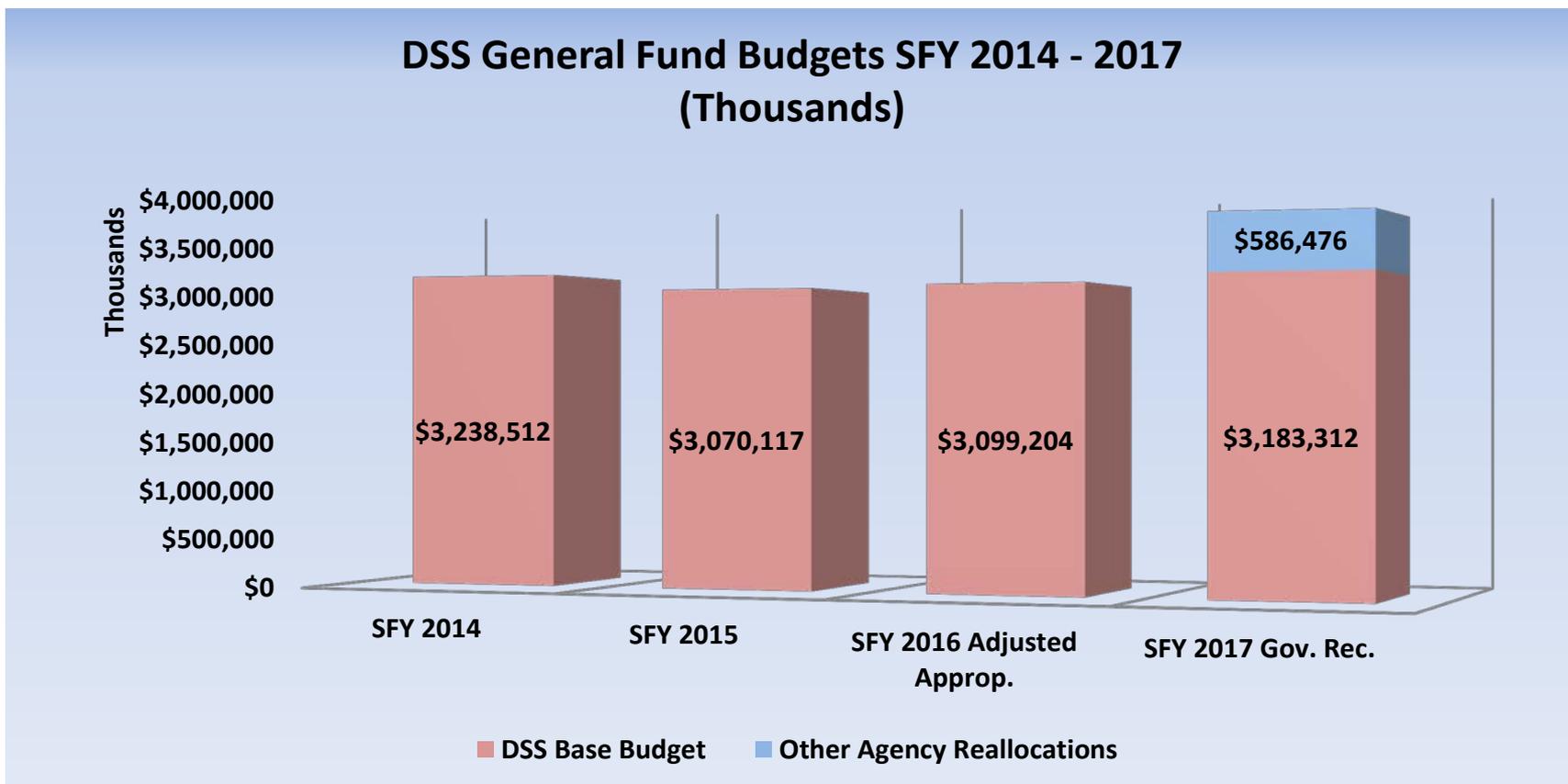
■ Est. federal reimbursement:

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

■ Program outcome highlights:

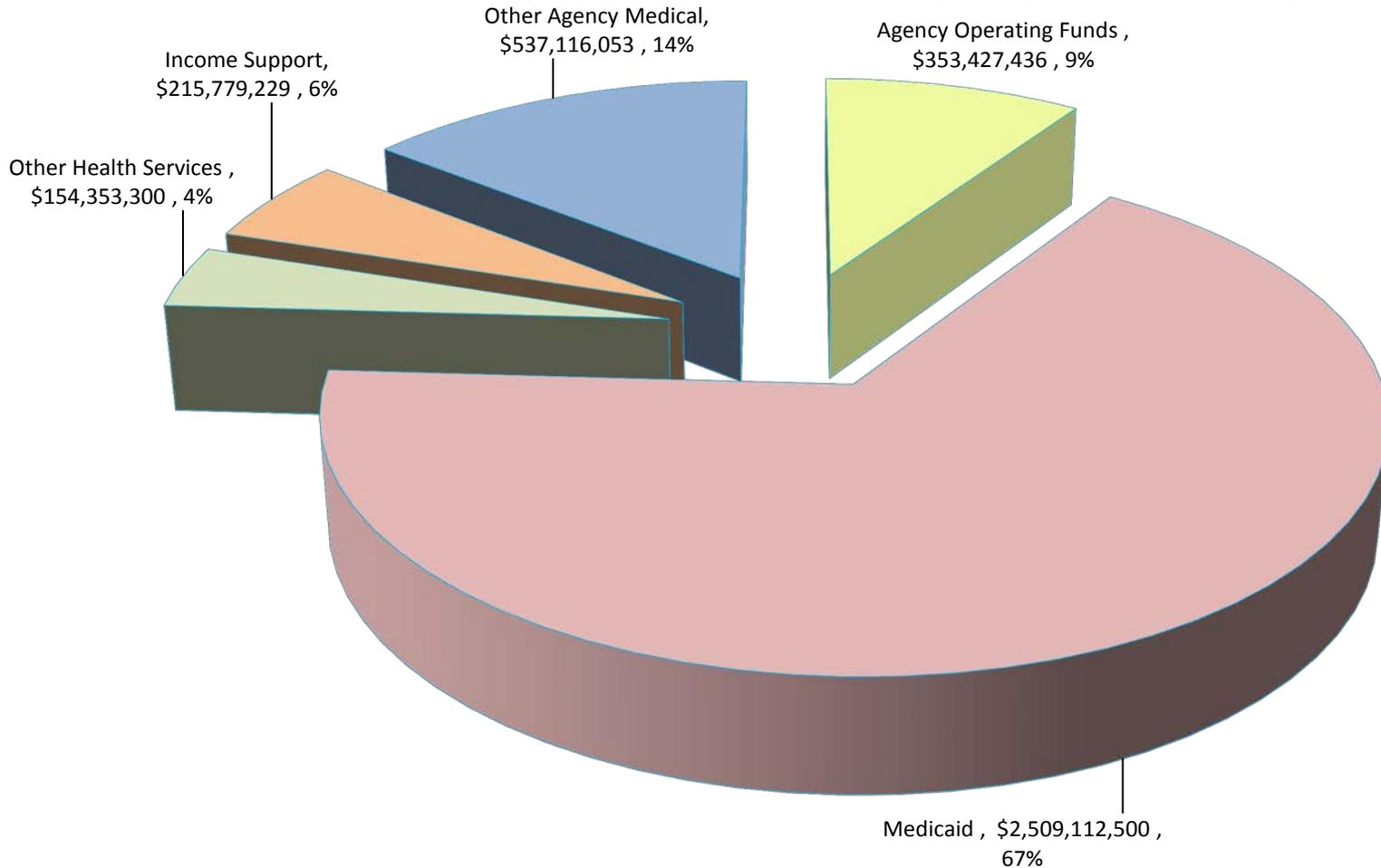
- Application processing timeliness
- SNAP improvements
- Stable Medicaid cost trends and enhanced outcomes

- The overall change in the DSS General Fund budget for SFY 2017 compared to SFY 2016 represents an increase of 2.7%, after major transfers are taken into consideration.



- The proportion of the DSS General Fund budget directed to Medicaid is 66.6% in SFY 2017. Other health services account for an additional 4.1% of the budget.
- Administrative, field operation and grant expenses account for 9.4% of our General Fund expenses in SFY 2017. This includes fringe benefits and is now consolidated under the Agency Operations account.
- The share of the DSS budget for income support, including our Temporary Family Assistance, State Supplement (Aid to the Aged, Blind and Disabled), and State Administered General Assistance programs, is 5.7% in 2017.
- Newly transferred services related to other agency Medicaid claiming account for the balance of 14.2%.

SFY 2017 Governor's Recommended Budget by DSS Core Programs



- The Governor's Midterm Adjustments budget recommends the following program changes:
 - Maintaining the hospital inpatient supplemental payment pool at SFY 2016 levels (\$30.0 m)
 - Adjusting the scale for orthodontia treatment (\$3.2 m)
 - Reducing the burial benefit from \$1,400 to \$1,000 (\$1.0 m)
 - Maintaining the small hospital pool at SFY 2016 levels, while also recognizing hospital merger activity (\$1.0 m)
 - Reducing FQHC supplemental funding (\$0.8 m)
 - Reducing the CT Children's Medical Center grant by an additional 5% (\$0.7 m)
 - Adjusting funds for certain grant programs (\$1.5 m)

- The Governor's Midterm Adjustments budget recommends the following funding transfers:
 - Transfers funding for Medicaid claiming associated with the Department of Developmental Services' (DDS) Community Residential Services and Cooperative Placements programs (\$537.1 m)
 - Transfers the DDS Autism Division to DSS (\$1.6 m)
 - Transfers funding for room and board costs related to DDS State-operated facility conversions (\$1.1 m)
 - Transfers Healthy Start funding to the Office of Early Childhood (\$1.2 m)
 - Reallocates funds for the Hospital Roundtable authorized under PA 15-146 (\$0.5 m)

- The Governor's Midterm Adjustments budget recommends an agency consolidated operating account including the following :
 - Staffing (\$129.3 m) and fringe benefits (\$48.4 m)
 - Operating contracts, facilities expenses and other operational expenses (\$165.6 m)
 - Grant expenses (\$28.7 m)

- A savings of \$18.6 m is applied to this pool of funds, resulting in a revised operating account funding level of \$353.4 m

- As the Governor has acknowledged, the economic realities the State is facing require us to more effectively address core service prioritization.
- While this budget will be challenging in many respects, we are confident that we can meet core service needs within the funding levels that have been established.
- We recognize that this will not be without some difficult adjustments for our service network, our many providers and our agency.
- Our core service and management priorities are outlined in the following slides.

DSS priority areas for core services:

- To support individuals and families to reach their full potential.
- To increase the overall security and quality of life for Connecticut individuals and families through holistic, evidence-based and culturally appropriate services.
- To promote and support the choice to live with dignity in one's own home and community.
- To reduce barriers to employment and strengthen financial stability and self-sufficiency.
- To support optimal physical and behavioral health and well-being.

DSS' strategies to manage within budgeted resources:

- Seek opportunities to leverage technology investments to enhance service delivery and business operations.
- Continue to pursue interagency realignment and opportunities to avail ourselves of the efficiencies of multi-agency shared services arrangements.
- Identify opportunities to address the root cause of systemic conditions to reduce or prevent future required service needs.
- Increase the use of LEAN and data-driven business strategy development across our service platform.
- Continue development of outcome-oriented service delivery throughout the agency including all internal and external operations.

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

- Limit hiring to refills of critical positions aligning with agency priorities.
- Continue efforts to stabilize overtime use while maintaining recent client service improvements.
- Work within each division to recognize limited resources and enhance budget accountability.
- Evaluate grant programs to prioritize funding and support for those most closely aligned with our core services and those found to be most effective.

- We are actively reviewing all programs, operating expenses, contracts and staffing levels to address the budget challenges.
 - Management teams are meeting to review all services and resources.
 - Staff are encouraged to provide ideas for efficiencies through a Virtual Suggestion Box.
 - All programs and internal functions of the Department will be examined for alignment with core services, outcomes and operational efficiencies.
 - All vendor support contracts will be reviewed for service level adjustments and other potential savings.
 - A plan for managing within the resources included in the Governor's budget will be developed within a month.

- Performance metrics are key to linking budget investments to performance outcomes.
- We have initiated several efforts to promote a data-driven, outcome-oriented focus including infrastructure investment, LEAN processing improvements, and operational metrics.
- We believe that we have demonstrated outcome improvements within our available resources – better outcomes at stable or reduced costs.
- The following slides highlight key budget and outcome metrics, as well as related information on federal reimbursement levels for a few of our program areas.

■ **Programs supported:**

- | | |
|-----------------------------|---|
| Medicaid/HUSKY Health | Medicare Savings Program |
| State-Funded Home Care | CT AIDS Drug Assistance Program |
| Refugee Medical Assistance | State-Administered General Assistance |
| Temporary Family Assistance | Supplemental Nutritional Program (SNAP) |
| State-Funded SNAP | State Supplement for Aged, Blind and Disabled |

■ **SFY 2016 estimated staffing costs:**

- \$63.1 m

■ **Major operating expenses:**

- Facilities
- Document management
- Mailings/notices

■ **Program outcome highlights:**

- SNAP Timeliness improved from 56.7% in FFY 2011 to 94.55% in FFY 2015
- Connecticut SNAP timeliness is ranked 6th in the country last reporting period up from 53rd in 2013
- SNAP Payment Error Rate improved from 6.46% in FFY 2011 to 1.19% in FFY 2015, outperforming the national average – our best rate in 15 years
- Medicaid Timeliness (Non-LTSS) has improved from 81.44 % in August 2013 to 96.4% in September 2015;
- Benefits Center average wait times have been reduced from a high of 84 minutes in January 2014 to 13 minutes in January 2015

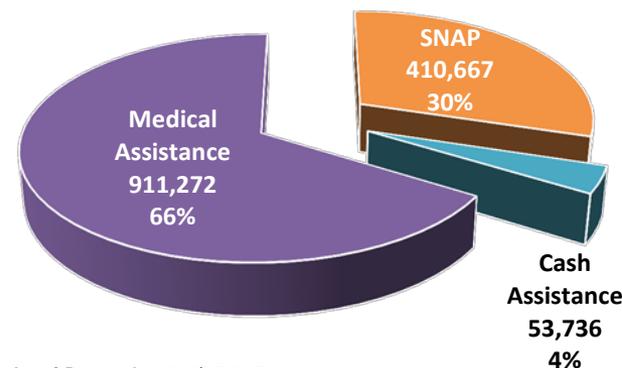
■ **SFY 2017 estimated entitlement benefits budget:**

- \$2.770 b (net); \$6.437 b (gross)

■ **Federal reimbursement rate for key eligibility services:**

- 50% SNAP
- 75% Medicaid
- 100% TANF

DSS Program Enrollments by Major Program Area



As of December 31st, 2015

■ Programs supported:

- Medicaid, HUSKY B, long-term services and supports

■ SFY 2016 estimated staffing costs:

- \$8.3 million

■ Major operating contracts:

- Hewlett Packard Enterprises (claims processing, pharmacy, provider support)
- Mercer (actuarial)
- Administrative Services Organizations

■ Program outcome highlights:

- Supporting members in accessing primary care and avoiding use of the ED through Intensive Care Management
- Supporting providers through primary care investments, Person-Centered Medical Home initiative, and streamlined administration

■ SFY 2017 program budget:

- \$3.20 billion (appropriated)
- \$6.87 billion (total)

■ Administrative cost ratio: 5.2%

■ Estimated program federal reimbursement: 59% - Medicaid, 88% - HUSKY B

■ Estimated administrative federal reimbursement: 75% for systems, eligibility, MFP, specialized medical staff; 50% for all other activities



■ Individuals supported:

- TANF Families
- Former TANF Families
- Non TANF Families
- Medicaid Families

■ SFY 2016 estimated staffing costs:

- **\$10.5 million**

■ Major operating contracts:

- Auctor Corporation (*Child Support System*)
- Systems Methods Inc. (*Disbursement Unit*)
- State agency partners:
 - Support Enforcement Services
 - Superior Court Operations
 - Family Support Magistrate Division
 - Office of the Attorney General

■ Program outcome highlights (FFY-2015):

- **13,935** - Children with Paternity Established
- **7,110** - Monetary Orders Established
- **\$298.7 m** - Total Child Support Collections
- **\$110.4 m** - Distributed to Former TFA Families
- **\$35.6 m** - TFA Cost Recovery to General Fund
- **\$4.8 m** - Estimated Federal Performance Incentives to General Fund

■ SFY 2016 support collections:

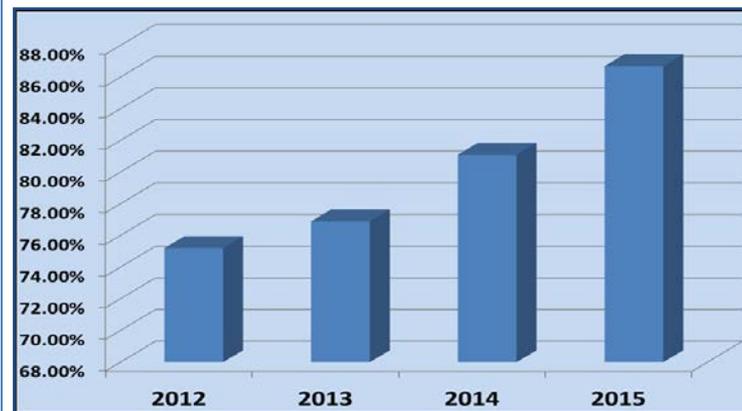
- **\$300 million** (estimated)

■ Admin cost/collections ratio:

- **\$3.22** collected for each program dollar expended (FFY 2015)

■ Federal reimbursement rate:

- **66%**



Support Order Establishment Performance

Order establishment improved **11.5%** over the four year period. Receipt of federal performance incentives is contingent upon improvement in this performance measure

- We will embrace the Governor’s key budget principles to guide us through this effort:
 - EXAMINING RESULTS: Connecticut should move towards outcomes-based funding and contracting – we should judge allocations based on their effectiveness.
 - USING TECHNOLOGY: New-generation technology in many areas of state government will also help us identify outcomes and track costs better, creating new opportunities for successful use of data in managing core state services.
 - MANAGERIAL LATITUDE: We need to continue to rely on the creativity and expertise of managers in state government to find the best way to deliver core services. When they identify greater cost-savings as they fund core services, Commissioners and their agencies should receive the latitude they need to accomplish goals.
 - TRANSPARENCY: Agency priorities, expenditure information, and outcomes will be posted online on a regular basis.
 - REDUCING MANDATES: To support Commissioners in their efforts to find efficiencies, we must reduce the number of spending mandates placed on their agencies and grant them budgetary flexibility.

- In closing, I would like to acknowledge the challenges we face with this budget. Within the difficult financial constraints we are faced with, please know that both myself and my staff are fully committed to providing the highest level of support for our clients within these constraints.
- At this time, we are available to respond to any questions you may have.

Thank you.

- Additional supporting information follows in the remaining slides

■ Application Timeliness

- As of September 2015, **96.42%** of Medicaid applications (excluding those for long-term services and supports) were processed within federal timeliness standards (45 days for most applications; 90 days for those based on disability).
- As of September 2015, **88.96%** of Medicaid long-term services and supports applications were either processed within the appropriate federal timeliness standards or remained pending for good cause reasons, such as waiting for applicants to provide verifications.

■ SNAP

- From October 2013 – March 2014, Connecticut was last among the FNS Northeast Region (NERO) for SNAP Timeliness. During April - September 2015, Connecticut moved to first place in NERO.
- SNAP rolling timeliness rate was at 55% in December 2013. As of September 2015, this improved to 99.58%.
- The CT SNAP Payment Error Rate needed to be below 6% for FY 2015. At the end of FY 2015, the estimated CT SNAP Payment Error Rate was 1.19%.
- The cumulative Case and Procedural Error Rate (CAPER-formerly known as negative error rate) started at 56.79% in October 2013. This was reduced to an estimated 12.21% by September 2015.

Non-LTSS Medicaid Timeliness continues an upward trend, in spite of new challenges following the Affordable Care Act implementation



CT PMPM Average

Remains exceptionally steady since 2012

SNAP Performance



20.26%

SNAP household increase
FFY 2011 – FFY 2015

FFY 2015 248,204 households
442,161 participants

12,249,135

total documents scanned
since DSS scanning center
implementation 7/2013

487,993

total walk-ins to DSS Service
centers state-wide in 2015

64%

increase of Benefits Center
calls answered from
January 2015 - June 2015,
after substantial process
improvement in May 2015

Program Access Index

Continued long-term improvement

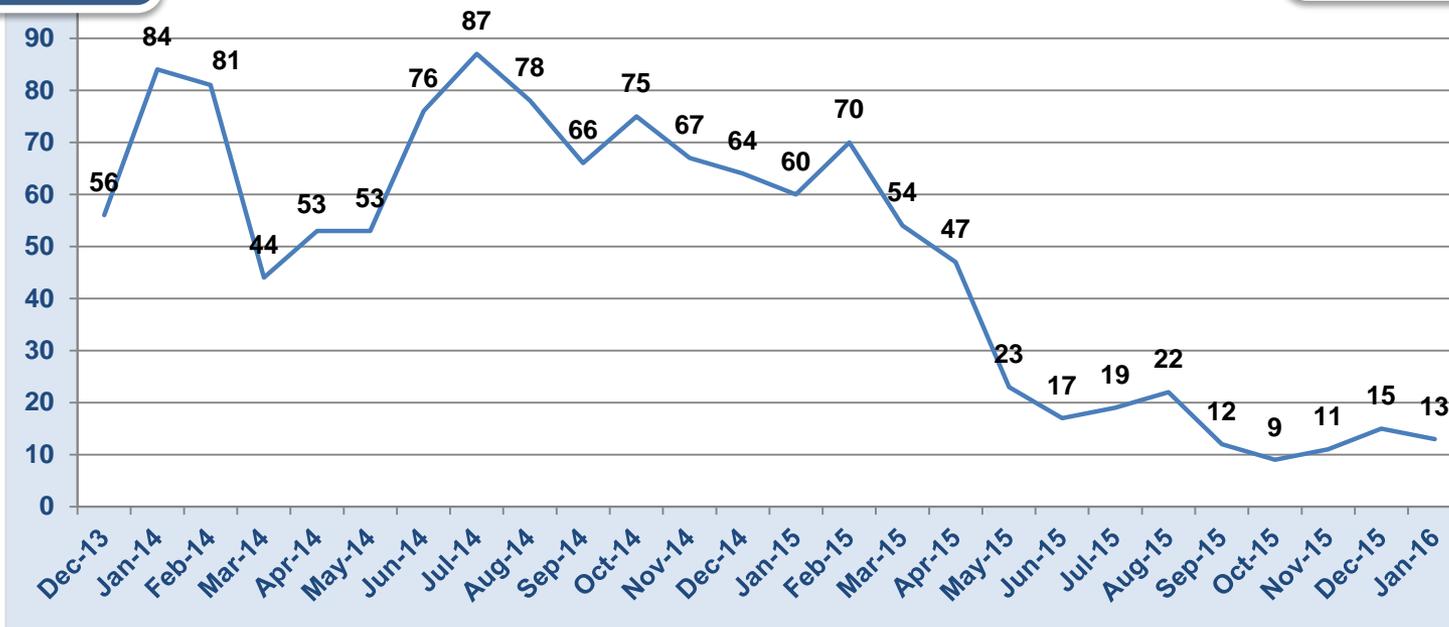
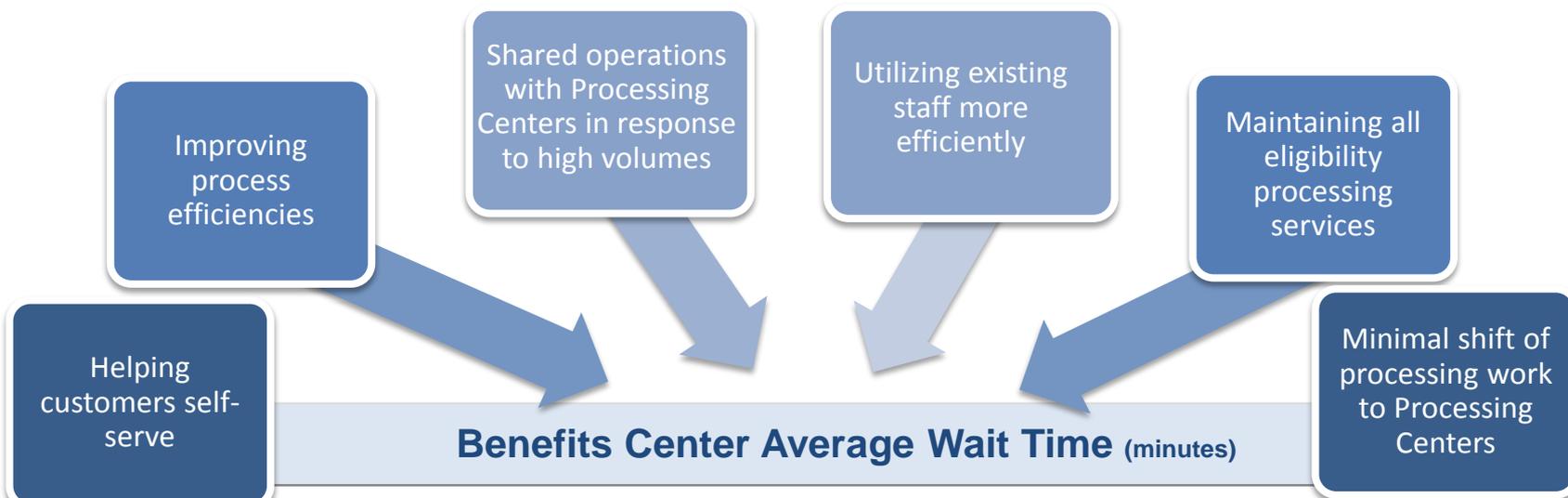
Up by 14% since FFY 2011

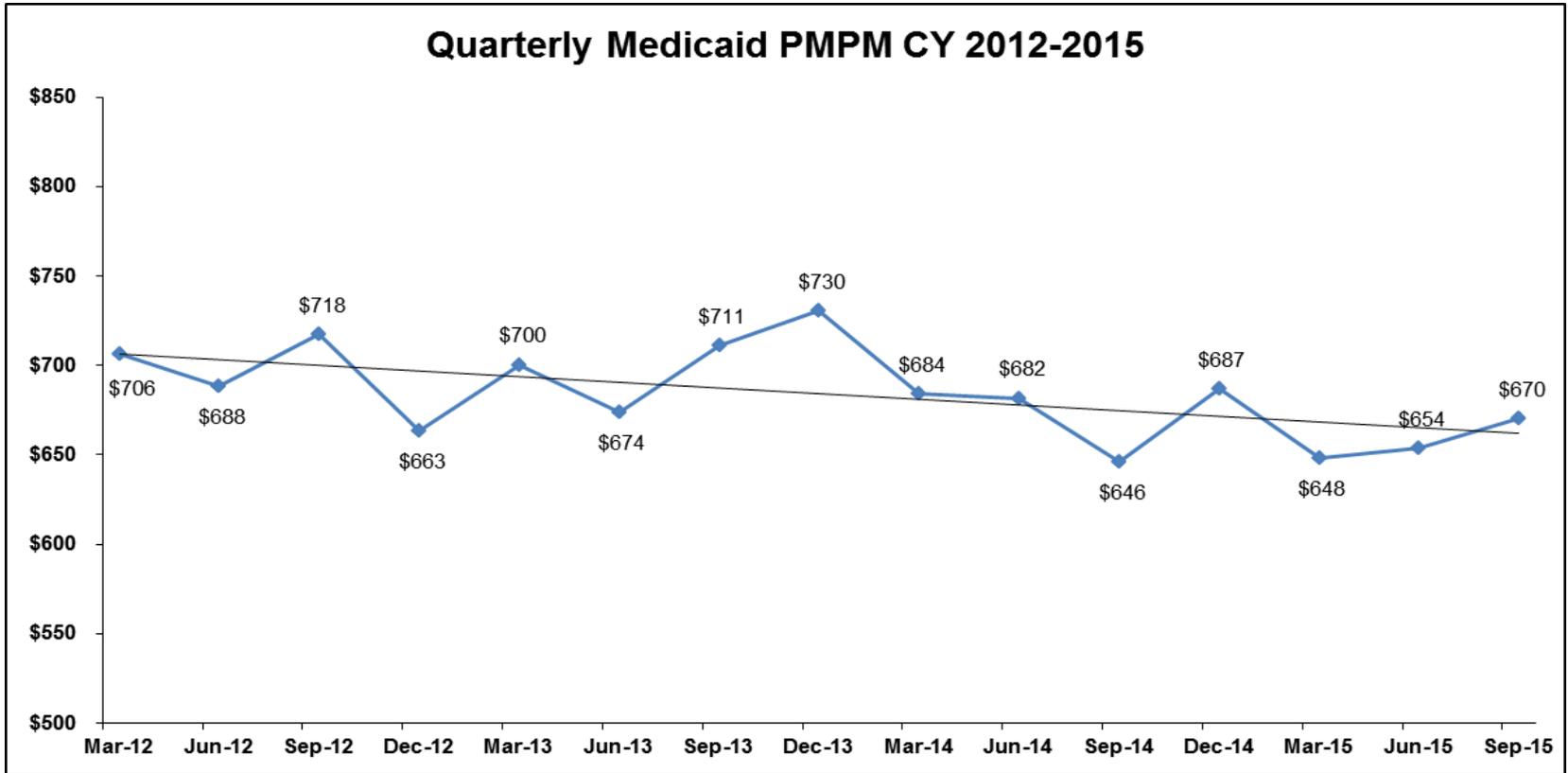
1.19% Payment Error Rate

FFY 2015 PER was the best in 15 years

94.55% Timeliness

FFY 2015 Timeliness was the best in 15 years





Quarterly PMPM trends have continued a decline under the administrative services organization framework

Program Changes	Detail
Maintain hospital supplemental payment pool at enacted SFY 2016 levels (\$30 m)	Hospital inpatient supplemental payments were reduced as part of December's deficit mitigation efforts. This maintains funding at the reduced level.
Adjusting the scale for orthodontia treatment (\$3.2 m)	While orthodontic services will continue to be approved if medically necessary, this establishes a guideline that is comparable to those used by other state Medicaid programs.
Reducing the burial benefit from \$1,400 to \$1,000 (\$1.0 m)	This preserves burial assistance while bringing the benefit in line with surrounding states.
Adjusting the small hospital pool to maintain enacted SFY 2016 levels and hospital merger activity (\$1.0 m)	This reflects the continuation of the 5% reduction from PA 15-1 December Special Session and the removal of Johnson Memorial Hospital from the pool due to acquisition by Trinity Health - New England.
Reducing FQHC supplemental funding (\$0.8 m)	This reduction occurs in context of the relatively high reimbursement received by FQHCs.
Reducing the CT Children's Medical Center grant by 5% (\$0.7 m)	This recognizes that CCMC has historically received a unique, separate grant of funds.
Adjust funding for certain grant programs (\$1.5 m)	Funding has been reduced by \$234,497 for the Fatherhood Initiative, and by \$178,143 to reflect the elimination of the HUSKY Performance Monitoring account. Additionally, funding is reduced by \$1,075,369 to reflect the transfer of funding for Safety Net Services, Domestic Violence Shelters, Nutrition Assistance and Community Services to SSBG and SSBG/TANF funding.

Funding Transfers	Detail
Transfer Medicaid claiming functions for Community Residential Services and Cooperative Placements Program from DDS to DSS (\$537.1 m)	To improve accountability, services that are currently grant funded will be converted to Medicaid fee-for-service and billed directly through DSS' claims system.
Transfer DDS Autism Division to DSS (\$1.6 m)	Moving the Autism Division will align it with Medicaid State Plan services for individuals with Autism Spectrum Disorders that are overseen by DSS. Funding for 4 positions was also transferred to DSS.
Transfer Healthy Start to Office of Early Childhood (OEC) (\$1.2 m)	Funding of \$1,224,704 is being transferred to the Office of Early Childhood (OEC), which currently manages the program via a Memorandum of Agreement (MOA).
Transfer Funding for Hospital Roundtable (\$0.5 m)	Created by PA 15-146 to increase transparency of hospital costs, including executive pay, and increase consumer access to information on health care costs and coverage. Funding of \$541,456 was provided to DSS to support the hospital roundtable activities of other agencies.
Transfer Funding to Agencies for Fringe Benefits (\$48.4 m)	Funds are being transferred from the Office of the State Comptroller to support fringe benefit costs for employees whose earnings are supported by the General Fund.
Transfer Funding from DDS for Community Living Arrangements (CLAs) Conversions (\$1.1 m)	Funds are being transferred from DDS to support additional room and board costs associated with converting state-operated residential CLAs to privately-operated CLAs.