

**Testimony on the Proposed
Fiscal Year 2018-2019 Department of Human Services Budget**

Teresa Miller, Acting Secretary

House Appropriations Committee

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Good morning Chairmen Saylor and Markosek, Chairmen DiGirolamo and Cruz, members of the House Appropriations and House Human Services Committees, and staff. Thank you for the opportunity to provide information on Governor Tom Wolf's proposed Fiscal Year (FY) 2018-2019 budget for the Department of Human Services (Department).

Health & Human Services Unification

Governor Wolf's proposed FY 2018-2019 budget introduces the unification of the Departments of Health and Human Services to encourage more effective collaboration and service delivery, and to enhance program effectiveness. The Administration assessed the FY 2017-2018 proposal to unify the departments of Health, Human Services, Aging, and Drug and Alcohol Programs and listened to feedback from stakeholders and the General Assembly. Although many stakeholders supported the proposed unification of all four agencies, some expressed concerns related to incorporating the departments of Aging and Drug and Alcohol Programs into the new agency and suggested that the departments pursue a more phased approach. In recognition of the concerns, the Administration adjusted the proposal for FY 2018-2019 to include only the departments of Health and Human Services.

A top priority for both departments is improving the health, safety, and quality of life for Pennsylvania's individuals and families, including our most vulnerable citizens – whether that is through public health programming, access to health care coverage, or services and supports that help Pennsylvanians live, work, and thrive in their community. By unifying the two agencies, we can better leverage resources to improve our health and human services delivery system. Social determinants of health are a major focus for both agencies – access to nutritious food; a safe

home; transportation; and reduced barriers to employment, education, and training activities all factor into the overall health and wellbeing of Pennsylvanians.

Human Services

The Governor's proposed FY 2018-2019 budget includes significant investments to support individuals with disabilities, children, and families and increase access to high-quality services.

Since 2015, Governor Wolf has invested over \$350M of state funds in programs for individuals with disabilities and autism. The governor's budget for FY 2017-2018 provided for services to 1,870 people in three of our Office of Developmental Programs (ODP) waivers and expanded Supports Coordination to all people waiting for services, helping more than 2,000 individuals plan and gain access to resources in the community. The proposed FY 2018-2019 budget includes \$74 million to annualize the significant investments from FY 2017-2018 and allows the department to continue building capacity to increase the number of individuals who we serve.

Specifically, the proposed budget includes a \$16 million increase to serve individuals with intellectual disabilities and autism in their home and community. This increase focuses on serving 800 individuals graduating from special education in 2018, 100 individuals with intellectual disabilities on the emergency waiting list, 25 individuals moving from state centers into the community, and 40 individuals in the Adult Community Autism Program. Additionally, for the first time, families with children graduating from school in 2019 can have confidence that services will be there when they graduate because the FY 2018-2019 proposed budget includes funding to serve 800 new graduates in June 2019. Because approximately 800 individuals with

an intellectual disability or autism are leaving the Special Education system each year, we anticipate that this proposal will eliminate the four- to six-month gap that often exists before these students receive services, reducing worry and giving these individuals the chance to reach their fullest potential.

Governor Wolf has made investments of over \$80 million in state and federal dollars since 2015 to promote high-quality child care, including addressing the waiting list and lifting a ten-year rate freeze to increase the subsidy base rates for STAR 3 and STAR 4 child care programs. Pennsylvania's subsidized child care program, Child Care Works (CCW), supports more than 58,000 working, low-income families each month. Child care is a critical work support to these families, enabling parents and caregivers to be focused employees. Child care access also allows children to enjoy high-quality learning environments that support their healthy growth and development.

Governor Wolf's proposed FY 2018-2019 budget includes a \$25 million state investment, matched with \$5 million in federal funds, to expand access to high-quality child care services. This builds on the FY 2017-2018 \$10 million investment in the child care wait list, which provided an additional 1,800 children with child care services. This investment helped to clear the CCW wait list in December 2017, after it reached an historical high of 14,000 children in the spring of 2017. However, the waiting list continues to grow, and we project it will reach approximately 2,500 children by the end of this fiscal year. The FY 2018-2019 initiative proposes \$10 million to provide approximately 1,600 additional low-income children and families with access to child care.

Additionally, \$10 million in state funds, matched with \$5 million in federal funds, will increase tiered reimbursement rates for STAR 2, STAR 3, and STAR 4 providers. By improving tiered reimbursement, we can increase the number of subsidized children in high-quality child care and reinforce our commitment to supporting high-quality care. Children from low-income, at-risk communities benefit the most from high-quality early care and education. Multiple studies have shown that children who attend high-quality programs score higher on mathematics and reading assessments in the elementary grades, gain critical non-cognitive skills needed for success in school, are less likely to need special education services, and are more likely to graduate from high school than children who do not attend such programs.

We know there continues to be a shortage of infant and toddler child care providers, so the proposed FY 2018-2019 budget includes \$3 million to establish a one-year pilot program focused on high-quality early care and education programs for children under age 3. We are proposing to leverage our model for Pennsylvania Pre-K Counts to pilot approximately 200 contracted slots in CCW for FY 2018-2019. Slots for child care will be contracted to a select number of high-quality Keystone STAR 3 and STAR 4 pilot sites, allowing for the enrollment of new children or for the transition of already-funded children. The pilot will help the Department determine long-term policies for affording access to quality earlier in the child care continuum and bridging the gap between the earliest care experiences and pre-k and school-age experiences.

The FY 2018-2019 proposed budget also includes \$2 million to provide a per-family rate increase for services provided through Nurse Family Partnership and Community-Based Family Centers to enhance capacity and address the increased cost of providing high-quality services. This will strengthen the existing infrastructure of evidence-based home visiting programs.

As the opioid epidemic continues to strain families across the commonwealth, the proposed FY 2018-2019 budget builds on the Governor's commitment to support individuals struggling with opioid use disorders (OUDs) and substance use disorders (SUDs) and their families with a \$4.5 million initiative to enhance coordination of social supports and services and expand evidence-based home visiting, promoting a holistic model of care. This initiative includes \$4 million to expand evidence-based home visiting in areas hit hardest by the opioid epidemic, serving approximately 800 additional families in Pennsylvania. An additional \$500,000 will support cross-systems training for county children and youth staff, early intervention providers, home visiting, and private staff focused on working with families experiencing SUD or OUD and infants with substance exposure. Successful treatment of individuals dealing with SUD comes from focusing on the whole person, not just the addiction. We know that SUD does not just affect individuals in isolation; it can have a profound effect on their families. By giving parents in treatment the tools to assist them in meeting their children's needs, we hope to reduce the number of children entering out-of-home care while supporting the parents' recovery. In addition, by providing education, resources, and referral strategies to both agencies that support parents struggling with OUD and SUD and to home visiting programs, we will strengthen the network of supports available to the entire family.

While the Governor is proposing to increase investments in individuals with disabilities, low-income working families, and those struggling with opioid addiction, we recognize the importance of simultaneously working to bend the cost curve for those programs that are driving growth in the human services budget. It's important that we are clear on what those cost drivers are, and what they are not, so that we can work together to address them.

Earlier this year several members of the General Assembly announced a plan to introduce a “welfare reform” package of legislation. This package contains bills that would, in part, reduce the overall eligibility time period for cash assistance recipients, modify requirements for receiving food assistance, and impose work requirements on Medicaid beneficiaries. The legislation aims to tighten restrictions for some of Pennsylvania’s most vulnerable citizens in an effort to control the department’s budget.

But these bills target programs that are not significant cost drivers. Looking across the last three years of the Wolf Administration, the department’s fastest-growing spending has been in long-term services and supports for individuals with disabilities and seniors. The Administration’s investment in services for individuals with intellectual disabilities and autism has increased by 22 percent, or about \$360 million. And our investment in services for seniors and individuals with physical disabilities has increased by 44 percent, or more than \$800 million. Considering that more than 17 percent of Pennsylvania’s population is over the age of 65, a percentage that is only projected to grow as the baby boomers continue to reach retirement age, it makes sense that this is the department’s fastest growing line item. This growth is one of the reasons the Administration is implementing the Community HealthChoices managed care program, so that we can better coordinate care for these individuals and have more predictable costs.

Health care and critical supports and services for some of Pennsylvania’s most vulnerable citizens, primarily seniors and individuals with disabilities, not “welfare” programs, are driving our spending.

When we talk about welfare as most people understand it, we are talking about cash assistance, a monthly payment to families in poverty to help them meet their basic needs, known as Temporary Assistance to Needy Families (TANF). Welfare reform was addressed nationally in 1996, and today Pennsylvania spends less than 0.05 percent of DHS state general funds on cash assistance. Only about one percent of Pennsylvanians receive this benefit. Parents are subject to employment and training requirements and there is a 5-year lifetime cap on benefits.

The Supplemental Nutrition Assistance Program (SNAP), previously known as food stamps, is another program that lately has been discussed in conjunction with welfare reform proposals. SNAP is a 100 percent federally funded benefit and a critical support to combat food insecurity, which approximately 13.8 percent of Pennsylvanians experience. Individuals who receive SNAP benefits have improved high school graduation rates, higher adult earnings, and better health outcomes. SNAP also reduces health care spending. Since 100 percent of SNAP is federally funded, cuts and restrictions to the program will not impact Pennsylvania's state budget.

The department also administers the 100 percent federally funded Low-Income Home Energy Assistance Program (LIHEAP), which helps eligible low-income individuals and families pay their heating bills. This critical program helped more than 340,000 households during the 2016-2017 season, helping Pennsylvania's seniors, individuals with disabilities, and children stay warm over the winter.

Pennsylvania's Medicaid program, jointly funded by state and federal dollars, provides health care coverage to 2.9 million Pennsylvanians, including low-income adults, children with disabilities, and seniors. In 2017, the federal government proposed significant cuts to Medicaid

through attempts to repeal the Affordable Care Act (ACA). The Graham-Cassidy proposal would have cut Pennsylvania's Medicaid funding by an estimated \$30 billion over ten years. As Congress debated these devastating proposals, the public resoundingly expressed support for Medicaid. Three quarters of people have a favorable opinion of Medicaid, and only 12 percent of people want decreased spending on Medicaid.¹

While the ACA remains intact, some lawmakers have started applying the language of welfare reform to Medicaid, in particular by proposing work requirements for enrollees. It is important to highlight that we share a similar goal – we all want everyone to have the independence and sense of dignity and purpose that come from working. Therefore, one of the department's top priorities has been and continues to be increasing employment opportunities for the people we serve. We are excited to continue to identify and address barriers individuals face in obtaining and retaining employment.

However, health care is not welfare. Medicaid coverage does not put money in a recipient's pocket; it allows someone to go to the doctor and get the care needed to stay healthy. Removing an individual's health care coverage and other vital supports, like access to food through SNAP, will only worsen their health and make it less likely that they will find work, creating more barriers to employment and costing the Commonwealth more in the long-term.

The department is making strides to address the real drivers in the human services budget and continues to work to bend the cost curve. The FY 2018-2019 proposed budget includes \$69.7 million for the transition to Community HealthChoices. While this initiative's main focus is to better coordinate high-quality health care and long-term services and supports, this

¹ <https://www.kff.org/medicaid/poll-finding/data-note-10-charts-about-public-opinion-on-medicaid/>

investment will be recouped over time as placements to high cost nursing facilities are delayed or avoided through better management of care for older Pennsylvanians and individuals with physical disabilities. We are also tackling costs by redesigning our delivery system to focus on payment for quality, rather than quantity. The department has implemented value-based payment targets for the Medicaid managed care organizations (MCOs), and we are looking department-wide at what we can do to move programs away from fee-for-service and towards alternative payment arrangements based on quality and outcomes.

Each year we set targeted efficiency levels for various areas within our physical health managed care program, HealthChoices, and we analyze program data to identify inefficient costs reported by the Physical Health HealthChoices MCOs. Examples include inpatient hospital admissions that could have been avoided with effective outpatient care and unnecessary C-section deliveries. Through efficiency adjustments, DHS removed \$153 million in costs for calendar year 2018, and has removed nearly \$900 million from MCO rates in the last five years with no negative impact on service delivery or the quality of care. These adjustments lower the cost base from which we start the rate development every year, so every year we are increasing our MCO program efficiency expectations. Last year, we also implemented a hospital quality incentive program to align incentives for MCOs and hospitals to reduce avoidable admissions.

Another priority for the department is program integrity, which focuses on preventing, identifying, and combatting fraud, waste, and abuse in the Medicaid program. Through program integrity efforts, DHS reclaimed or avoided \$690 million in FY 2016-2017, and a total of \$1.6 billion since 2015. We have found that the greatest return on investment comes from efforts focused on cost avoidance and recoveries from providers and insurers. For FY 2018-2019, the Governor's proposed budget invests in additional third-party liability and estate/casualty

recovery resources, which is projected to result in an additional \$15 million in recoveries over the next three years.

In addition to direct cost savings, the department is always working to improve our use of technology, streamline processes, and leverage existing resources in order to offer better customer service and increase department efficiency.

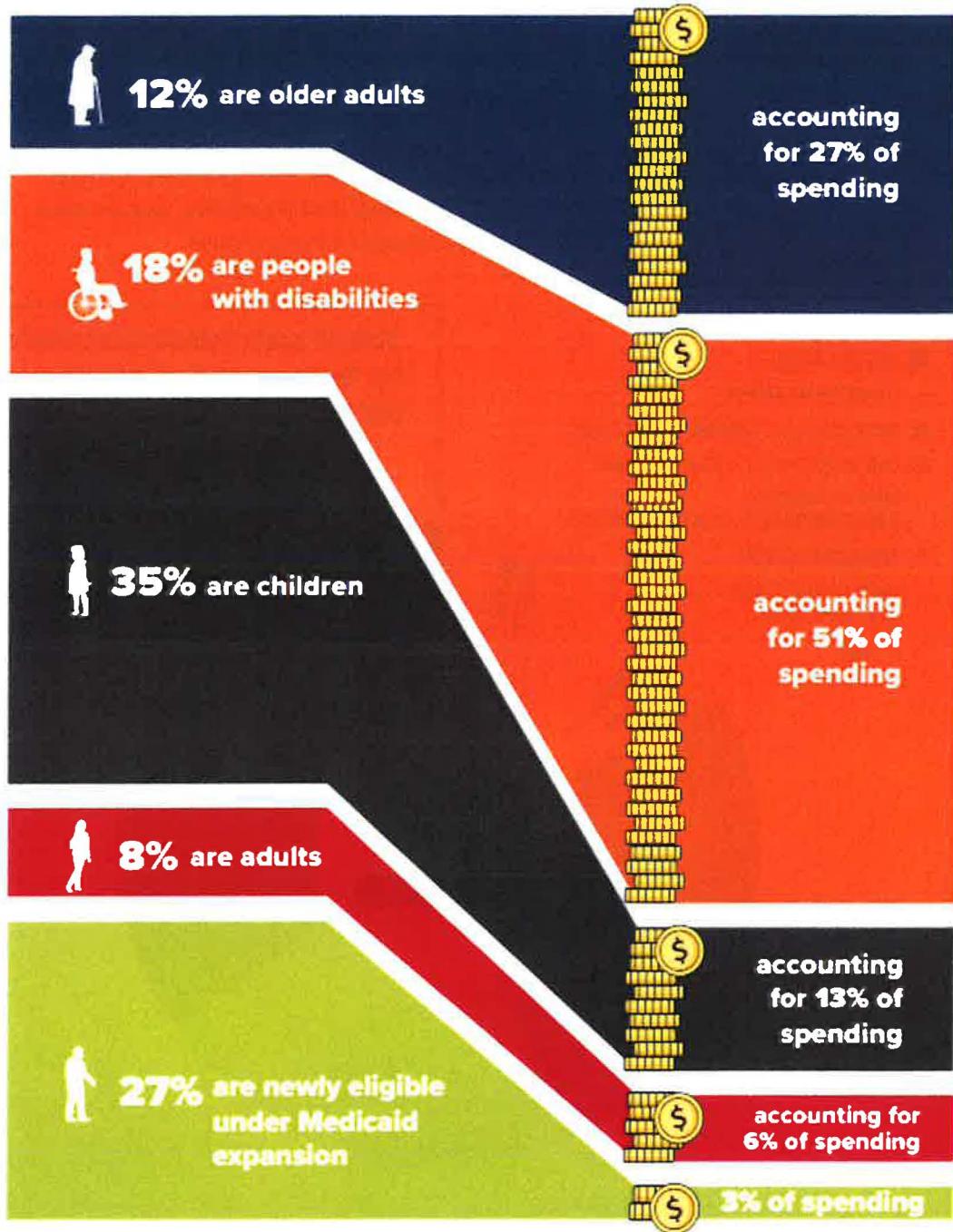
For example, in 2016 DHS introduced the ‘myCOMPASS’ mobile app to allow clients to check the status of their benefits and report changes. The app also allows clients to upload verification documents necessary to establish eligibility. So far, more than 170,000 users have downloaded the myCOMPASS app. Additionally, the department developed an electronic provider enrollment portal to streamline the process for Medical Assistance providers, and to automate some of the required state and federal database checks, which decreased the average processing time for provider applications from 41 days to 13 days. An upcoming initiative involves automating use of the Public Assistance Reporting Information System (PARIS) to determine if an applicant or recipient has duplicate benefits in another state. As a result of this initiative, we will automate and expedite the current manual process of checking the system and generating letters to confirm residency.

As outlined above, the governor’s proposed FY 2018-2019 budget initiatives and the Department’s priorities are aimed at increasing support for Pennsylvania’s most vulnerable populations in order to help individuals and families lead healthy and productive lives. The Department will continue implementation of key initiatives focused on bending the cost curve, while promoting high-quality care. We are also excited to focus on programs that will break down barriers for individuals in achieving and maintaining employment, education, and training.

I am committed to working with the General Assembly to find bipartisan solutions that support people as they prepare for and maintain employment, rather than create additional barriers for Pennsylvania's citizens who need a helping hand.

Who gets Medicaid in PA?

78% of state spending is for older adults & people with disabilities



Percent of spending values represent fiscal year 2018-19 non-federal share including state general lottery, tobacco funds and augmentations.





The True Cost of Welfare

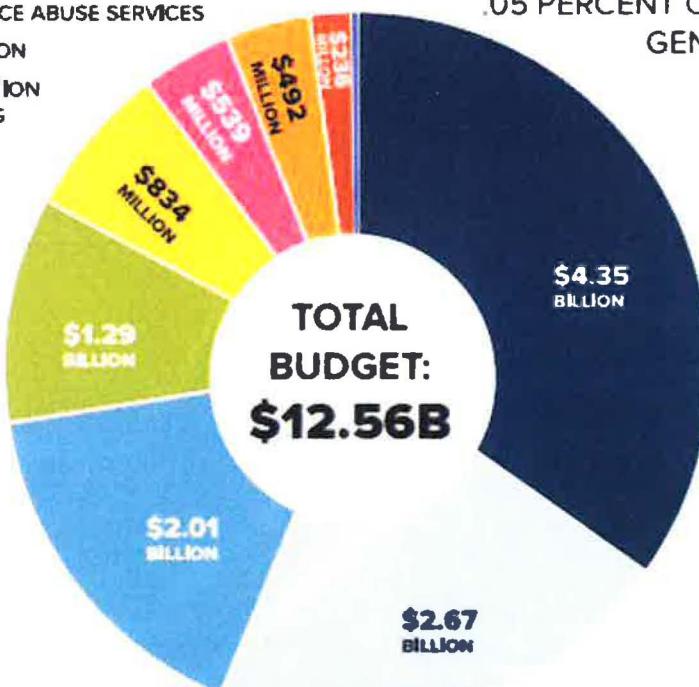
Cash assistance — what most people think of as welfare — makes up a small portion of DHS' total state budget. Most benefits overseen by the department are not cash benefits. The vast majority of departmental spending provides health care, services to seniors and individuals with disabilities, and services to children and families throughout Pennsylvania.

KEY

- HEALTH CARE
- LONG-TERM LIVING
- INTELLECTUAL DISABILITY SERVICES
- CHILDREN, YOUTH AND FAMILIES
- MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES
- ADMINISTRATION
- EARLY EDUCATION AND LEARNING
- OTHER

This is cash assistance provided by Temporary Assistance for Needy Families (TANF)

\$6 MILLION, OR LESS THAN .05 PERCENT OF DHS STATE GENERAL FUNDS



*The Supplemental Nutrition Assistance Program (SNAP) and Low-Income Home Energy Assistance Program (LIHEAP) are federally funded and are not cash benefits.

Numbers are from the Pennsylvania Department of Human Services

2018-19 General Fund Budget Request

dhs.pa.gov