DPW Budget Presentation
2005-2006
February 9, 2005
Agenda

- The National Medicaid Picture
- Medicaid in Pennsylvania
- DPW Budget Overview
The National Medicaid Picture
There is a National Healthcare Crisis

- “The current health care system has failed those without coverage, and taxpayers are left to pick up the tab for the health costs of the uninsured.”
  - Heritage Foundation, 2004

- “And I know from experience that Medicaid is not meeting its potential. It is rigidly inflexible and inefficient. And worst of all, it’s not financially sustainable.” Secretary of Health and Human Services, Mike Leavitt, “Medicaid: A time to Act,” address to the World Health Care Congress, 2/1/05.

- “States are in the worst fiscal condition since World War II, and rising healthcare costs are deepening the crisis. Healthcare grew 9.3 percent in 2002. Healthcare spending now accounts for about 30 percent of total state budgets. Medicaid costs alone account for 20 percent of total state expenditures.” NGA Center for Best Practices.

- “Surging Costs for Medicaid Ravage State Federal Budgets”, Wall Street Journal 2-7-05

- “Health care is one of the greatest concerns we all have. Health care costs are rising dramatically, straining family budgets and compelling some to forgo coverage altogether.” Rhode Island Governor, Donald L. Carcieri, State of the State Address 1/18/05
Nationally, Healthcare Spending Growth Outpaces GDP

National Health Expenditures
(As Percent of Gross Domestic Product)

Source: Health Affairs –Heffler, et al., 10.1377  2/11/04
Health Insurance Premiums Are Growing Faster than the Rate of Inflation

* Estimate is statistically different from the previous year shown at p<0.05.
† Estimate is statistically different from the previous year shown at p<0.1.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.
Nationally, Medicaid Spending Growth Outpaces State Tax Revenue Growth

NOTE: State Tax Revenue data is adjusted for inflation and legislative changes. 2004 is a preliminary estimate.

**The Continuing Medicaid Budget Challenge: State Medicaid Spending Growth and Cost Containment in Fiscal Years 2004 and 2005 – Results from a 50 State Survey**

**Key Findings:**

- Despite severe state fiscal stress, Medicaid enrollment has grown by nearly one-third since the beginning of 2001 as the program maintained its role as a critical safety-net for low-income populations.

- Medicaid spending in FY 2003 and FY 2004 grew faster than other state programs but slower than growth in private health insurance premiums.

- Responding to pressure to control Medicaid costs, all 50 states and the District of Columbia implemented actions designed to control Medicaid spending growth in FY 2004 and all states planned to implement cost containment measures in FY 2005.

- Federal fiscal relief helped states meet Medicaid shortfalls in FY 2004 and helped to maintain Medicaid eligibility levels; however, states are expecting sharp increases in the state share of Medicaid costs in FY 2005 as they replace the loss of the enhanced federal support.

- States are approaching FY 2005 with caution. While revenues are improving overall, many states still face budget shortfalls and pressure to control Medicaid spending growth will continue.

* - Kaiser Commission on Medicaid and the Uninsured
Why are MA Costs Growing?

Increasing Numbers of Patients with High Cost Needs
- Growing Elderly Population
- Growing Uninsured

Health Care Trends – Rising Costs
- Patient Acuity
- Service Utilization
- New Technology
- New Drug Treatments

Loss of Federal Funding
- FMAP
- One-Time Funding
States Undertaking New Medicaid Cost Containment Strategies FY 2002 – FY 2005

Implemented 2002  Implemented 2003  Implemented 2004  Adopted for 2005

Controlling Drug Costs: 48, 43, 46, 32
Reducing/Restricting Eligibility: 25, 21, 13, 8
Reducing Benefits: 18, 19, 9, 9
Increasing Copayments: 20, 17, 11, 4
Disease Management: 28, 18, 13, 11
Rebalancing Long Term Care: 17, 14, 10, 7

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September and December 2003 and October 2004. Additional data provided by PA state survey.
Most States Planned Changes to Provider Rates in 2005

Number of States Changing Rates:

- **Any of These Providers**: 13 Decrease, 45 Freeze
- **Hospitals**: 7 Decrease, 20 Freeze
- **Physicians**: 3 Decrease, 30 Freeze
- **Nursing Homes**: 2 Decrease, 11 Freeze
- **MCOs**: 0 Decrease, 10 Freeze

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2004 and PA state survey conducted by state officials.
States Pursue Prescription Drug Policy Changes FY 2004 and FY 2005

- Preferred Drug List: FY 2004 = 16, FY 2005 = 21
- New or Lower State MAC Rates: FY 2004 = 21, FY 2005 = 26
- Seek Supplemental Rebates: FY 2004 = 19, FY 2005 = 26
- New or Higher Copays: FY 2004 = 3, FY 2005 = 17
- AWP Less Greater Discount: FY 2004 = 8, FY 2005 = 8
- Reduce Dispensing Fee: FY 2004 = 3, FY 2005 = 7

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2004 and data confirmed by PA state officials.
Medical Assistance in Pennsylvania
Pennsylvania Medical Assistance

• Provides medical care for low-income individuals
  - Children, pregnant women, elderly & disabled
  - Currently serves over 1.7 million people

• Benefit package is comprehensive
  - Is more generous than SCHIP or State employees

• Provider network includes 68,000 providers

• Total annual expenditures exceed $15 Billion
  Office of Medical Assistance Programs $14.2B
  Other DPW Programs (MR, OSP Waivers, Child Welfare, etc) $0.8B

• State administered but jointly funded with Federal, State & County funds
Medicaid vs. Medicare

Medicaid — part state/part federal dollars
• Children, pregnant women, elderly & disabled
• Comprehensive benefit package
  - inpatient & outpatient services
  - long term care
  - prescription drugs
  - limited cost sharing

Medicare — 100% federally funded
• Elderly & disabled with work history or ability to buy in
• Covers inpatient & outpatient services &
  - the first 100 days of skilled nursing facility care
  - starting in 2006, prescription drugs
  - includes extensive cost sharing
PA Growth in Medical Assistance Spending Mirrors National Picture

PA’s Medicaid spending grew at a slower rate than nationally between 2000 and 2003 --- 6% avg. annual growth vs. 11.9% nationally

Source: DPW Budget Office
PA Medicaid Spending Outpaces Growth in State Revenues
Caseload Increases Explain Some of the Growth

The Medicaid program is projected to expand by about 100,000 new eligibles next year.

Source: FY 03-04 Governor's Executive Budget & DPW Budget Office
Elderly and Disabled Use the Greatest Share of Medicaid Resources

- Elderly: 245,746 (13%) - $4.4 billion (34%)
- Disabled: 380,916 (21%) - $4.7 billion (37%)
- Children & Families: 1,108,273 (60%) - $2.7 billion (21%)
- Chronically Ill Adults: 115,070 (6%) - $1.0 billion (8%)
Seniors Also Represent the Fastest Growing Group in the Medicaid Program

Similar to state and national trends, the number of elderly have been growing at the fastest rate over the past few years, fueling increases in Medicaid spending.
Boomers – “A Pig Through a Python”

Pennsylvania – 2005 Total Population

<table>
<thead>
<tr>
<th>MALE</th>
<th>FEMALE</th>
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<tbody>
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<td>85+</td>
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<td>80-84</td>
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<td>5-9</td>
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Baby Boomers = RED
Growth in Medicaid Caseload Primarily in Non-Urban Areas

And growth in Medicaid corresponds to overall population growth – counties with the highest percent growth in population are also experiencing significant growth in Medicaid eligibles.
TANF Caseload is Growing in Non-Urban Areas

TANF Eligibles
Percent Increase from July 2003 to December 2004

Legend:
- TANF % Increase
- 11.1 - 32.0
- 8.1 - 11.0
- 3.1 - 8.0
- 0.1 - 3.0
- -3.1 - 0.0
- -11.1 - -15.4
The Problem of the Uninsured

The problem of the uninsured is a serious national issue. According to a recent report by the US Census Bureau, the total number of uninsured has risen by 5 million people. From 2001 to 2003, the national rate of uninsurance has increased from 14.6 percent to 15.6 percent. Even more alarming is the fact that people have been losing job-based health insurance coverage at a faster rate than in the general population.

Percentage of Working Age People on Medicaid is Rising

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<td>National</td>
<td>5.5%</td>
<td>6.2%</td>
<td>7.8%</td>
<td>6.4%</td>
<td>6.7%</td>
<td>7.0%</td>
<td>7.3%</td>
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<tr>
<td>Pennsylvania</td>
<td>7.1%</td>
<td>9.6%</td>
<td>12.4%</td>
<td>9.5%</td>
<td>10.5%</td>
<td>10.4%</td>
<td>11.3%</td>
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</tbody>
</table>

Source: U.S. Census
The number of uninsured Pennsylvanians increased by 265,000 between 2001 and 2003, an increase of nearly 24 percent. In 2003, 11.4 percent of Pennsylvanians, or 1,384,000, did not have insurance coverage.
Pharmacy Costs Are Key Cost Driver

Pharmacy Growth vs. PA Medicaid Growth
(average annual growth rates of total funds)

Source: OMAP/FFS actuals, Managed Care projections
DPW is a Significant Piece of the State Budget
Medical Assistance Portion of the 2005-06 Commonwealth Budget

Total Commonwealth Budget - $52.5 Billion

Total General Fund - $23.8 Billion
Federal Funds Make up Large Part of DPW Budget; Medicaid Is Majority

Total DPW – $22 Billion

DPW Budget – State Funds only - $8.5 Billion
Medicaid Program will Serve About 100,000 New People During FY 2005-06

- Children & Families: 62,696 (64%)
- Disabled: 14,242 (15%)
- Chronically Ill Adults: 7,664 (8%)
- Elderly: 12,403 (13%)

TOTAL: 97,005
Since FY 2002-03, the Department of Public Welfare has received increases totaling over $1.9 billion in General Funds.
Intergovernmental Transfer Funds Are No Longer Keeping Up with Spending Growth

The Commonwealth’s capacity to use Intergovernmental Transfer (IGT) funds to offset General Fund spending requirements will significantly diminish in future years as new IGT proceeds are phased out and the existing IGT reserve balance is depleted.

Source: DPW Budget Office
As the increase in the cost of health care continues to outpace growth in state revenue, Pennsylvania has aggressively pursued alternative funding for the Medical Assistance Program.

DPW established assessments on nursing homes, Intermediate Care Facilities for the Mentally Retarded, and Managed Care Organizations that:

- Finance a rate increase, despite the significant budget problems;
- Pay for an expansion in community services for mentally retarded citizens;
- Increase federal funding for health care services in FY 2005-2006.
Assessment Revenues Help, But Can’t Solve the Entire MA Budget Problem

Funding Sources for PA Long Term Care

(Amounts in Thousands)
Medical Assistance Managed Care
Funding Growth and Sources of Funding

(Amounts in Thousands)

- Federal
- State
- IGT
- Assessments
Federal Support Continuing to Shrink: 
President’s Budget Reduces Medicaid Funding

- Further Restricts Intergovernmental Transfers
- Limits Reimbursements to Government Providers
- Reduces Allowable Amount of Provider Assessments
- Eliminates Preferential Tax Treatment for MCOs
- Reduces Targeted Case Management Matching Rate
- Limits Targeted Case Management
- Reduces Pharmacy Reimbursements
- Limits Medicaid Administrative Matching Funds
- Limits Transfer of Assets for Long-Term Care
TANF Challenges Come to a Head This Year

Overspending of the TANF surplus depleted the TANF balance and required shifting of TANF dollars to prevent a deficit.

Source: DPW Budget Office
DPW Budget Overview
DPW Budget in 2005-2006

- An extremely difficult budget year
- Budget of shared sacrifice
- Preserves and reforms the safety net
FY 2005-06 Budget will Serve Many New People Across All Services

**New People Served in 2005-2006 (Projections)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Projections</th>
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<tr>
<td>Medical Assistance</td>
<td>97,005</td>
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<tr>
<td>Children in child welfare system</td>
<td>3,000</td>
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<tr>
<td>Children in child care</td>
<td>1,540</td>
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<tr>
<td>Mental retardation programs</td>
<td>2,472</td>
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<tr>
<td>Behavioral health community programs</td>
<td>2,104</td>
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<tr>
<td>Children’s Health Insurance Program (CHIP)</td>
<td>10,000</td>
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<tr>
<td>Uninsured Working Pennsylvanians</td>
<td></td>
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<tr>
<td>Adult Basic (Tobacco Settlement)</td>
<td>5,427</td>
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<tr>
<td>Community Health Reinvestment</td>
<td>29,000</td>
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</table>
The Department of Public Welfare’s initial budget proposal for 2005-06 projected that nearly $1.2 billion in additional State funding would be required to support departmental programs. Through cost avoidance, program redesign, and administrative restructuring, the level of additional State funds required was reduced by $580 million. The balance of nearly $612 million in new State funding is recommended as part of the Governor’s 2005-06 budget proposal. This represents a 7.8% increase in DPW state funding from the level of 2004-05. Since 2002-03 the Rendell Administration has increased DPW state funding by $1.9B, a 29.8% increase over three years.

- Limiting Provider Payments: $204M, 17%
- Redesigning Medical Assistance: $197.8M, 17%
- Increasing Administrative Savings: $178M, 15%
- Increasing State Funds: $612M, 51%
Preserving and Reforming the Safety Net
Guiding Principles

- No one currently receiving health care services from the Commonwealth will lose their eligibility.

- No changes will be made to the array of health services and social services provided to children.

- Pennsylvania will be able to meet the increase in demand anticipated this coming year for services to low-income children, chronically ill adults, uninsured working families, disabled individuals, the infirm elderly and other Pennsylvanians in need.
Managing Smarter

The Department of Public Welfare took several steps to save money in FY 2004-05, and we will do more in FY 2005-06:

- Changing SSI check processing
- Development of AccessPlus
- Enhanced fraud and abuse detection
- Third party liability initiatives
- Revenue maximization
- CAO Improvement Project
First, Improve Management & Achieve Efficiency

The Department of Public Welfare undertook an exhaustive search for cost saving initiatives so that funding could be directed where it is needed most – the clients. These initiatives below generated at least $5 million in savings.

- Reduced overtime usage by nearly 8%, or $2.2M, last year
- Reduced general operating and travel costs, cut facility maintenance projects and froze vacancies
- Reduced printing costs by $2.8M
- Renegotiated IT contracts to obtain lower hourly rates, initiated the “bundling” of IT contracts for greater purchasing power, and cut several IT projects
- Consolidated County Assistance Offices (CAOs) to gain operational efficiencies
New Cost Savings Measures in this Budget

- Continue to reduce operating and IT expenses throughout the department.
- Continue to reduce YDC costs through the closure of Weaversville Intensive Treatment Unit.
- Continue to improve the contract process and implement “pay for performance” provisions.
- Increase administrative control of personnel costs and the reduction of operating costs.
DPW is Implementing ACCESS Plus Program
Better for Consumers; Better for Management

Primary Care Case Management
PCPs:
- Will Provide and Manage Care
- Locate, Coordinate & Monitor Other Medical Care
- Maintain Continuity of Care

Disease Management
- Provides System of Coordinated Health Care Intervention/Communication
- Targets Conditions where Patient Care Effort makes Significant Difference
  - Asthma
  - Coronary Artery Disease
  - Diabetes
  - Congestive Heart Failure
  - Chronic Obstructive Pulmonary Disease

Builds in Contractor Performance Measures
Third Party Liability

• DPW’s Bureau of Program Integrity (BPI) is responsible for protecting the MA Program from provider fraud, abuse and waste
• BPI will use the services of a specialized vendor to augment its existing provider review activities
• The vendor will request and review medical records related to the “flagged” claims, and recover identified overpayments
Managing Smarter: Focusing on Fraud and Abuse
Third Party Liability

DPW’s Third Party Liability (TPL) Program recovers third party resources (e.g. private insurance, casualty awards) available to MA consumers.

DPW proposes to implement legislative initiatives to increase TPL recoveries and cost avoidance:

- Require insurance carriers to participate in data exchanges to identify third party coverage of MA consumers.
- Prohibit transfers of assets into life estates and non-assignable annuities to circumvent the prohibition against transferring assets to obtain MA eligibility.
- Require an open enrollment period for employer health plans covering MA consumers to expand the ability of DPW to purchase less costly employment-related health insurance through the health insurance premium payment program.
Managing Smarter: Focusing on Fraud and Abuse
Third Party Liability

DPW has also directed its TPL recovery contractor to implement several new initiatives:

- Conduct audits to identify duplicate payments made by MA and third party coverage to LTC facilities
- Perform expanded data exchanges with pharmacy benefit managers (PBMs) to identify and recover third party liability related to drug claims
- Conduct audits to identify charges that should have been “bundled” in one claim, but were billed separately to obtain higher reimbursements
New PA Medicaid Plan vs. National Picture

**Newly Eligible People**

**Pennsylvania**
Pennsylvania is not changing basic eligibility for Medicaid services.

**The National Picture**
At least 13 other states have proposed cutting people from the Medicaid program while 13 states have already done so.
New PA Medicaid Plan vs. National Picture

Outpatient Services

Pennsylvania

Pennsylvania is bundling and implementing maximum utilization provisions on outpatient services\(^1\) together, giving people the choice and flexibility to use services according to their personal healthcare needs.

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The National Picture

Pennsylvania would be one of a handful of states to give people the ability to decide how to use outpatient services --- although nearly half the states set number limits on certain services.

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\(^1\) Physician, outpatient hospital, nurse practitioner, chiropractics, podiatry, optometry, health centers (FQHC), independent med/surgical center
New PA Medicaid Plan vs. National Picture Provider Rates

Pennsylvania
Pennsylvania is providing fair rate increases to hospital, managed care, and nursing home providers

The National Picture
22 States froze or reduced nursing home rates
31 states froze or reduced payments to hospitals
21 states froze or reduced payments to managed care organizations

\(^1\) All years combined 2002-2004
New PA Medicaid Plan vs. National Picture

Prescription Drugs

Pennsylvania
Pennsylvania will achieve efficiencies by being a more prudent purchaser of drugs --- by getting the best price available

The National Picture
27 states have implemented preferred drug lists (PDL)

At least 13 other states have announced plans to develop a PDL

\(^1\) Since 2002
New PA Medicaid Plan vs. National Picture
Outpatient Services

**Pennsylvania**
Pennsylvania will continue to offer access to a range of outpatient services, including comprehensive dental, podiatry, and chiropractics

**The National Picture**
- 5 states cover no dental services (2 states recently proposed to eliminate it), while 29 states offer very limited access to dental services (e.g., emergency only)
- 26 states don’t cover chiropractics
- At least 13 states offer no access to podiatry
Proposes Revised Benefit Package for Adults Receiving Medicaid and General Assistance

**Retains Full Scope of Benefits**

- keeps all services
- adds some maximum utilization provisions (exempts pregnant women from the outpatient provisions)
- adds some co-pays; increases some co-pays
- gives consumer flexibility to choose priority services

*DPW exceptions process will be developed to ensure appropriate application of these changes.*
New Medical Assistance Benefit Package
Adults in Medical Assistance

- Pharmaceutical services not to exceed 6 prescriptions/month (dual eligibles not subject to this change)
- Acute inpatient hospital physical health services not to exceed 2 admissions/year
- Inpatient medical rehabilitation hospital services not to exceed 1 admission/year
- Durable medical equipment up to a maximum of $5,000 per year
- The following group of services subject to a combined maximum of 18 visits per year per recipient (pregnant women exempt)
  - Outpatient hospital services
  - Physician services
  - Certified registered nurse practitioner
  - Federally qualified health center services and rural health care centers
  - Podiatry
  - Chiropractor
  - Independent medical/surgical services
  - Optometry
New Medical Assistance Benefit Package
General Assistance

- Pharmaceutical services not to exceed 3 prescriptions/month
- Acute inpatient hospital physical health services not to exceed 1 admission/year
- Inpatient medical rehabilitation hospital services not to exceed 1 admission/year
- Durable medical equipment up to a maximum of $5,000 per year
- Ambulance services not to exceed one per year
- The following group of services subject to a combined maximum of 18 visits per year per recipient (pregnant women exempt)
  - Outpatient hospital services
  - Physician services
  - Certified registered nurse practitioner
  - Federally qualified health center services and rural health care centers
  - Podiatry
  - Chiropractor
  - Independent medical/surgical services
  - Optometry
  - Family planning
Budget Implements Cost Sharing for Disabled Children from Higher Income Families

- More than 38,000 children are considered “loophole” children in PA.
- Loophole children are part of families with incomes ranging from $40,000 to over $1 million.
- Pennsylvania now spends nearly $375 million to finance services for loophole children.
- Right now 3,000 of these families have incomes over $200,000.
- This is a program unique to PA.
- Proposal would implement a sliding scale premium based on income level, family size, and how many children in the family have disabilities.
- All children would continue to receive the same services they currently receive; no eligibility changes will be made.
Budget Funds Modest Rate Increases to Providers

**Hospitals**
- Budget revises pass-through payment methodology to tie payments to hospital operating margins
- Includes funding to support a 2% rate increase

**Nursing homes**
- Updates payment methodology
- Includes funding to support a 2% rate increase

**Managed Care Organizations**
- Allows managed care organizations to charge same copays as fee-for-service providers
- Includes funding to support an actuarially sound rate
Budget Assumes Medicaid Prescription Drug Cost Containment

- Implements a Preferred Drug List (PDL)
- Updates payment to pharmacies for generic drugs
- Revises payment methodology for brand name drugs
Rebalancing Long Term Care

Community Choice Key to Rebalancing . . .

- In operation in 10 counties with 3,775 people receiving services.
- Dramatically reduced time from application to receipt of services to 24 hours if needed to avoid an unwanted nursing facility placement.
- Has changed the ratio of people served in nursing facilities versus home.
- Has 95% consumer satisfaction.
Statewide Roll-out of Community Choice Will Continue

- Will be able to realize significant increases in home and community based services due to community choice expedited waiver enrollment policies
- Will be adding additional counties not added during FY04-05.
- Will be piloting cash and counseling so consumers have more flexibility with their services.
Budget Funds Continued Growth in Home and Community Based Services

This budget supports a 20% increase in waiver users since last year. Waiver users have grown on average 23% during this time period.

Home and Community Based Waiver Users

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<th>Year</th>
<th>Users</th>
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<td>2002-03</td>
<td>18,223</td>
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<tr>
<td>2003-04</td>
<td>22,039</td>
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<td>2004-05</td>
<td>26,182</td>
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<tr>
<td>2005-06</td>
<td>32,658</td>
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Note: Includes PDA, Attendant Care, OBRA, and Independence Waivers only.
Child Welfare Needs-Based Budget

• For FY 2005-06, the budget recommends an increase of $206 million in State funds for a total of $838.5 million for County Child Welfare. An additional $45 million is provided for Child Welfare TANF Transition.

• Child Welfare NBB was built from actual prior year expenditures plus a cost of living adjustment and a small increase for expanded services.

• Expenditures included increases in mandatory child welfare services and prevention programs and reflect a shift of certain expenditures to Medicaid.

• Growth in services and supports to children funded through child welfare and MA Realignment increased by 12.3% over FY 2003-04 actual costs and 5.1% over FY2004-05 OCYF projected costs.
Budget Promotes Integration of Behavioral Health and Child Welfare Services

- Major DPW initiative that shifts mental health treatment and other behavioral health services now funded through child welfare dollars to the appropriate payer for these services --- Medicaid Behavioral Health System.

- Provides the opportunity to broaden the continuum of services in the behavioral health to address the needs of children.

- Increases federal revenue, while decreasing reliance on state and local funds.

- Realigns services to a system that has existing credentialing, licensing and other quality assurance structures.
Budget Replaces TANF Funds in Child Welfare System to Solve TANF Deficit

• Budget assumes $225M in TANF funds would be shifted from child welfare budget – leaving a balance of $68 million in child welfare programs.

• These TANF dollars are replaced through a combination of the Child Welfare TANF Transition appropriation, additional Act 148 funding and the associated local share, as specified by Act 30.

• Counties will continue to be permitted to use the remaining TANF funds to support detention services until December 31, 2005.

• The Child Welfare TANF Transition appropriation, which does not have a matching component, was created to lessen the effect on counties from moving from a 100% funding stream (TANF) to a matching funding stream (Act 148).
New Approach to Child Welfare Budget

Emphasizes Prevention

• By more appropriately financing behavioral health services through the Medicaid behavioral health system, funds will be made available to enhance prevention efforts.

• Prevention services, such as the Nurse Family Partnership, are known through research and practice to promote healthy behaviors, contribute to parental self-sufficiency, and set children on the right course.
Quality Child Care Continues to Be An Administration Priority

Administration's early childhood education and care strategy spans programs at DPW and the Department of Education through newly created Office of Child Development.

DPW Budget FY 05-06 invests:

$292 million of continuing resources to assure ongoing services for low income families accessing subsidy, and to support early learning through Keystone Stars and TEACH.

$12.5 million of new resources to enroll 1,540 additional children in the subsidized child care program and to improve payment levels for young children participating in subsidized child care.

$4.0 million of new State resources to enroll an additional 1,217 children in the Early Intervention program.
Budget Continues to Address the Mental Retardation Waiting List

**Waiting List Initiative Dollars**

- **FY 04/05**: $15.3M
- **FY 05/06**: $30.5M

**People Served from the Emergency Waiting List**

- **FY 04/05**: 505 people
- **FY 05/06**: 910 people

Current emergency waiting list = 2,182 people

FY 05/06 initiative = 42% reduction to the waiting list.
Budget Promotes Development of Human Capital: Redirects Funds to Promote Job Ready PA

- $7.5 million redirected funding to create new capacity to offer intensive, work-focused literacy education, GED or ESL to 3000 TANF clients

- After compliance with Act 35 job search, pre-24 month TANF recipients not finding jobs will be targeted

- Mandated activity for those reading below 8th grade level, speaking English as a Second Language or without GED or high school diploma
Budget Includes Funds to Support a 2 Percent COLA for Direct Care Workers

- Supports COLA for mental health, drug and alcohol, mental retardation, and waiver OSP providers
- Funds will be directed counties for direct care workers
Commonwealth of Pennsylvania

2005-06
Governor’s
Executive Budget
Department of Public Welfare

Edward G. Rendell
Governor
Estelle B. Richman
Secretary