Pennsylvania Cares

2007-08 Executive Budget

Edward G. Rendell, Governor
Pennsylvania Cares

Rosemarie Greco
Executive Director
Governor’s Office of Health Care Reform
Pennsylvania Cares

- Prescription for Pennsylvania – the blueprint for affordable, accessible quality health care
- Long Term Living Strategy – creating new and better options for Pennsylvania’s long term living needs
- Public Welfare Update – caring for our most vulnerable citizens by making every dollar count
Pennsylvania faces constant pressure from federal funding cuts

- During the last four budget years, Pennsylvania has absorbed **over $2 billion** of
  - Federal cutbacks
  - Under-funded programs and
  - Unfunded federal mandates

- In 2007-08, Pennsylvania will have to absorb an additional **$717.7 million** in additional federal cuts

- The alternative would be to make deep cuts in funding for specific human service programs – this is not acceptable
Core principles

Despite the federal retreat, Governor Rendell’s 2007-08 budget lives up to its core principles:

- No one currently receiving services will lose eligibility.
- Children will not experience any reduction in services.
- Pennsylvania will provide coverage for the growing number of vulnerable individuals and families that need our assistance.
Expanded commitment to children and adults with developmental disabilities

- The largest increase in services for persons with mental retardation in nearly a decade. Will serve:
  - 68% of persons on the emergency category of the waiting list
  - 100% of persons on the waiting list for non-residential services
- $2 million (65%) increase in state-funded autism services
- $45 million (18%) increase for young children needing early intervention services

Total increase of $135 million in funding for persons with mental retardation, young children needing special services, and children and adults with autism
Innovation with Prescription for Pennsylvania

Prescription for Pennsylvania is a set of integrated practical strategies for improving the health care of all Pennsylvanians, making the health care system more efficient and containing its cost.
Prescription for Pennsylvania

Pennsylvania business, consumers and taxpayers pay over $7.6 billion a year for unnecessary and avoidable health care costs.
Health care costs are rising yet consumers are not getting healthier

- **$3.5 billion** - additional days of hospital care due to potentially avoidable hospital acquired infections (So)
- **$1.7 billion** - hospitalizations that could have been avoided with better care for patients with chronic diseases
- **$965 million** - additional days of hospital care due to readmissions for complications and infections and for certain medical errors

**Next step:** Invest $2.3 million to identify, track and reduce these costly conditions

**Future:** new payment policies
Employees and business cannot keep up with health care inflation

Increase in family health insurance premiums has greatly outpaced inflation and median wage growth since 2000
767,000 Adult Pennsylvanians are uninsured
  o 71% are employed
  o 76% have incomes below 300% FPL
  o 49% are between the ages of 18-34 years of age

62 percent of Pennsylvania businesses offer health insurance benefits

Cover All Pennsylvanians will offer affordable health insurance that will cover physical and behavioral health and prescriptions
For businesses with fewer than 50 employees (if, on average, these employees earn less than state average wage):

- Cost for employers will be approximately $130 per month
- Cost for employees will scale from $10 to $70 per month, depending on income, with reasonable co-payments for services
- Balance of costs shared by the Commonwealth/Federal Government
Affordable for individuals

- For low-income individuals without health care coverage and the self-employed
  - Cost for individuals will scale from $10 to $70 per month, depending on income, with reasonable co-payments for services

- Uninsured adults earning more than 300% of the federal poverty level can buy-in at full cost ($280 per month)
Affordable for the Commonwealth – doing nothing is not affordable

- Cover All Pennsylvanians costs in 2007-08:: $302.2 million

- Funding package
  - Fair Share Assessment – 3% of gross income for companies that do not insure employees (with exemptions for some employers)
  - Federal matching funds
  - Redirect existing funds for adultBasic and Community Health Reinvestment
  - Employer and employee contributions
Prescription for Pennsylvania: Insurance

M. Diane Koken
Insurance Commissioner
Pennsylvania Insurance Department
Cover All Kids paves the way for Cover All Pennsylvanians

- Provides health care coverage including doctors visits, hospitalization, prescription drugs, mental health and substance abuse services, vision, dental and home health care
- Subsidizes coverage for children in families with annual income below 300 percent of the federal poverty level ($62,000 for a family of four). Premiums average $38-$60 per month per child.
- Offers at-cost coverage for children in families whose income exceeds 300 percent of poverty (on average, $150 per month per child)
Cover All Kids will enroll more than 21,000 uninsured children in 2007-08
Many small employers have trouble getting and keeping health insurance

- A costly illness or major claim by just a few workers can lead to extraordinary spikes in health insurance costs in the commercial health care market
- Prescription for Pennsylvania will provide for new regulatory oversight of the small group insurance market
Prescription for Pennsylvania will level the playing field for small business

- Limit premium increases
- Establish a standard basic health care package for individuals and small businesses
- Prohibit use of certain demographic characteristics in setting premium rates
- Require insurers to use a minimum of 85% of premiums they collect from small businesses for medical losses
- Ensure that children with special behavioral health needs have access to proven treatments
Prescription for Pennsylvania: Health

Dr. Calvin B. Johnson
Secretary
Pennsylvania Department of Health
Too many Pennsylvanians go without care because of a lack of primary care providers

Expand access in underserved rural areas
$5.4 million investment
- community health centers
- advance-practice nurses
- mobile wellness clinics
- loan repayment program
Help Pennsylvanians learn about how to stay healthy

- More than 90 million Americans have difficulty understanding health information
- Council on Health Literacy will promote better communication that will help people learn how to take care of themselves ($719,000)
Eliminate disparities in health care

- Too often racial and ethnic minorities receive lower-quality health care
- Language barriers can be barriers to care
- Increase the number of health professionals equipped to address the needs of racial and ethnic minorities ($1,000,000)
Ensure hospitals live up to Community Benefit Requirements

- Not-for-profit hospitals receive tax exemptions and other benefits
- In exchange, hospitals must provide a substantial “community benefit”
- Prescription for Pennsylvania will develop standardized Community Benefit criteria and reporting requirements ($810,000)
Fair policies for uninsured and underinsured hospital patients

- Pennsylvania’s general acute-care hospitals have no uniform fair billing and debt collection practices
- Develop standardized hospital admission criteria and fair billing and collection procedures for uninsured and underinsured patients ($510,000)
  - financial counseling services
  - full explanation of charges
  - rapid complaint resolution process
  - fair billing and collection practices that protect individuals from catastrophic medical bills
Promote sound regional health care investments

- All investments are not wise investments – some are too expensive or duplicative with nearby facilities
- Develop new criteria to ensure that large capital health investments meet regional needs and are affordable ($120,000)
Update for Pennsylvania Seniors

Nora Dowd Eisenhower
Secretary
Pennsylvania Department of Aging
Governor Rendell signed PACE Plus Medicare into law in July 2006

- Enrollees keep PACE benefits while also receiving federal Medicare Part D benefit
- Same quality prescription drug coverage
PACE Plus closes the federal gaps in coverage

**Medicare Part D**
- **Catastrophic Coverage**: Medicare Pays 95%
- **No Coverage (the “doughnut hole”)**: 5%
- **Partial Coverage Up to Limit**: 25%
- **$2,850 Gap: You Pay 100%**
- **$5,100 in Total Drug Costs**
- **$2,250 in Total Drug Costs**
- **$250 Deductible**

**PACE Plus**
- **Catastrophic Coverage**: Medicare Pays 95%
- **“doughnut hole”**: Partial Coverage Up to Limit
- **$5,100 in Total Drug Costs**
- **$2,250 in Total Drug Costs**
- **$250 Deductible**

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*Consumer Out-of-Pocket Spending*

Pennsylvania State of Independence

29
PACE Plus is up and running

- Enrollment began September 1, 2006
- 76 percent of the PACE recipients enrolled as of January 2007
- Choice of 11 plans in 2007
Extending prescription coverage for more seniors

![Bar chart showing the increase in prescription coverage for seniors from 2002-03 to 2011-12 projected. The chart includes data for different years and years with projected numbers, showing an increase in coverage from 100,000 to 400,000. The categories include PACE, PACENET, and PACE Plus.]
Historic property tax relief law cuts school taxes for older Pennsylvanians

- Expanded Property Tax & Rent Rebate Program will provide nearly $200 million in additional funding for senior citizen property tax relief and rent rebates – starting this year.

- Maximum property tax rebate increases from $500 to $650 benefiting over 400,000 older Pennsylvanians.

- When combined with gaming, 200,000 seniors will have their school property taxes completely eliminated.

- All school boards will face limits on future tax increases – for the first time ever.
Governor Rendell’s new budget speeds relief to seniors

Budget brings property tax relief for the next budget year to $900 million – years ahead of schedule

- $199 million PTRR expansion
- $58 million additional rebates for older homeowners in Scranton, Pittsburgh, Philadelphia and every other part of the state for seniors with a high tax burden
- $643 million in tax relief for all Pennsylvania homeowners
Mike Nardone
Governor’s Long Term Living Council
Growing demand for Long Term Living services

- One in five Pennsylvania residents is over the age of 60 – the third highest of any state.
- Pennsylvania’s elderly population (85 years and older) will grow by 42% between 2000 and 2010.
- 162,000 Pennsylvania adults have a disability that requires assistance with activities of daily living.
Growing Long Term Living costs:
$1 billion increase since 2002-03

Millions of Dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Nursing Home</th>
<th>HCBS (60+)</th>
<th>HCBS (under 60)</th>
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<tbody>
<tr>
<td>2002-2003</td>
<td>$2,631</td>
<td></td>
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<tr>
<td>2003-2004</td>
<td>$2,861</td>
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<td>2004-2005</td>
<td>$3,127</td>
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<td>2005-2006</td>
<td>$3,288</td>
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<tr>
<td>2006-2007</td>
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<tr>
<td>2007-2008</td>
<td>$3,665</td>
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(Projected)
Pennsylvanians lack information they need to plan for their long term care

- More than 75% of Pennsylvanians do not know the cost of long term care
- Less than 3% of Pennsylvania adults have long term care insurance
- 7 in 10 people surveyed are not confident they would be able to afford the cost of nursing home care for even one year
Most Pennsylvanians prefer home and community based services

- 90% of Americans age 50 and older wish to stay in their current home and community as they age
- Over 18% of Pennsylvania nursing facility residents indicate a preference to return to the community
- The commonwealth can serve two older persons at home for the cost of serving one in a nursing facility

$55,892 for one year of nursing facility care

$22,775 for one year of home and community based services
Home and community based services will more than double over six years

Source: PA Department of Public Welfare
Accomplishments

- Created the Governor’s Long Term Living Council
- Expanded the use of home and community based services
- Transitioned over 600 nursing home residents to home and community based settings
- Expanded expedited application processes for the most at risk consumers
Accomplishments

- Opened two “one stop” consumer information and service access points
- Created opportunities for nursing homes to ‘right-size’ and reconfigure their businesses to respond to consumer preferences.
- Initiated a study of long term living supply and demand over the next 20 years
Three principles for system reform

- Consumers will have more options to receive appropriate long term living services in cost effective settings that promote quality care.
- The long term living system should be balanced so that all appropriate options are accessible and available.
- State and federal funds should be prudently managed and individual assets must be optimized.
Pennsylvania’s Strategy

- Invest $12.7 million to expand home and community based services to an additional:
  - 2,200 individuals in the PDA waiver
  - 1,000 persons with disabilities in DPW waivers
- Develop additional residential options
- Ensure that Pennsylvanians know and have access to necessary information and services
Office of Long Term Living

- New joint office spanning the Departments of Aging and Public Welfare
  - A single deputy jointly appointed in both agencies will be responsible for the coordinated oversight of the long term living system
  - Will promote consistency in service delivery and efficiency begun under the direction of the Governor’s Long Term Living Council
Increased home and community based care

- Establish a goal of 50% home based care to 50% institutional care by FY2011-12
- Pass an assisted living bill that expands options and offers consumer protections
- Invest $3.7 million in domiciliary care and other alternative residential options
- Strengthen the Nursing Home Transition program to help people remain in or return to their homes and communities ($3.8 million)
Help Pennsylvanians plan for their long term living needs

- Launch a comprehensive public information campaign ($1.5 million)
- Implement a Long Term Care Partnership Program to encourage consumers to purchase long term care insurance
- Create a network of accessible one stop access points for information on long term living options ($1.5 million)
Ensure that public resources are optimized

- Assure a clear, equitable and efficient eligibility process
- Improve service delivery systems management
- Develop a strategy to better align nursing facility bed supply to future demand ($4.7 million)
- Continue collaborative work with state and local housing agencies
Establish a centralized quality management system that will assure the health and safety of consumers and reduce administrative effort.

Create a training institute to develop capacity and improve performance at all levels of the system ($3 million).
Questions?

- Prescription for Pennsylvania
- Long Term Living
Public Welfare Update

Estelle B. Richman
Secretary
Department of Public Welfare
A common misconception

The claim that “Pennsylvania has 1.9 million welfare recipients” is wrong and confuses health care and cash assistance.

- Medical Assistance: 1,900,000
- TANF Cash Grant: 235,000

Children and Adults Enrolled
81% of Medical Assistance enrollees are elderly, disabled or children.
Seniors and Persons with Disabilities use more Medical Assistance resources

- **Persons:**
  - Chronically Ill: 102,168 (5%)
  - Elderly: 395,391 (20%)
  - Disabled: 261,534 (13%)
  - Adults: 943,738 (48%)
  - Children: 266,939 (14%)

- **Costs:**
  - Chronically Ill: $1,090,969 (8%)
  - Elderly: $4,219,220 (32%)
  - Disabled: $4,420,857 (33%)
  - Adults: $995,073 (7%)
  - Children: $2,649,883 (20%)
More Pennsylvanians need help from Medical Assistance

64,000 new enrollees in 2007-08 (projected)

Average Monthly Enrollment
Medical Assistance is helping to implement Prescription for Pennsylvania

- Consumer incentives for chronic disease engagement
- New HealthChoices measure for reducing asthma related emergency room visits
- New obesity benefit
- ACCESS Plus emergency room reduction measure
- New policy on reimbursement for never-events
Cost containment initiatives will save $194.5 million in 2007-08 including:

- Consolidating MA pharmacy services into the fee for service system ($45.2 million)
- Moving MA clients from voluntary managed care to ACCESS Plus ($23.2 million)
- Quarterly assessments of the needs of residents of nursing facilities ($30.0 million)
- Pharmacy payment changes required by the Deficit Reduction Act ($16.2 million)
More Pay for Performance to get the right results

- Use the payment system to improve health outcomes and encourage prevention
- New incentives for
  - Managed Care Organizations
  - Hospitals
  - Outpatient
Announcing the new…

Office of Developmental Programs
Increase state spending on community mental retardation services by $78.5 million (9.9%)

- Continue services to 46,000 consumers
- $26.9 million to provide home and community-based services to 3,428 more people
- $24.3 million for a three percent cost of living adjustment for community providers
- $15.9 million to provide increased funding to continue activities that were launched last year
- $2.0 million to enhance service quality and strengthen program management
## Expanding services

### Enhancing programs

<table>
<thead>
<tr>
<th>State Funds</th>
<th>Expanding MR Services</th>
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</thead>
<tbody>
<tr>
<td>$4.9</td>
<td>Group Home Residential services to 204 individuals</td>
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<tr>
<td>$8.6</td>
<td>Non-group Home Residential services to 759 individuals</td>
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<tr>
<td>$6.4</td>
<td>Non-residential supports for 1,592 individuals</td>
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<tr>
<td>$3.2</td>
<td>Day activities for 800 graduates of special education programs</td>
</tr>
<tr>
<td>$2.0</td>
<td>Services to 73 individuals aging out of the EPSDT program</td>
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<tr>
<td>$1.8</td>
<td>To address the changing needs of individuals in the waiver</td>
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<tr>
<td>$26.9 million</td>
<td><strong>Total investment – Expanding MR Services</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>State Funds</th>
<th>Enhancing MR Program Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.8</td>
<td>Assist counties and providers to be HCSIS and PROMISe ready</td>
</tr>
<tr>
<td>$0.7</td>
<td>Analysis of rates, service definitions, waiting list management</td>
</tr>
<tr>
<td>$0.5</td>
<td>CMS compliance monitoring</td>
</tr>
<tr>
<td>$2.0 million</td>
<td><strong>Total Investment – Enhancing MR Program Management</strong></td>
</tr>
</tbody>
</table>
New resources for adults with autism

- Services for 100 additional adults with autism ($1.6 million)
- Investments to develop quality systems to improve service delivery to adults with autism ($737,500)
- Plus a 65% ($2 million) increase in state autism appropriation
New resources for persons with behavioral health problems

Total state behavioral health funding of $761.6 million – up 3.8% over last year

- Pennsylvania will serve 203,915 individuals in community and hospital settings in FY2007-08
- Increase includes a 3 percent COLA for all Community Services ($15.9 million)
The HealthChoices Behavioral Health program was implemented for 23 counties on January 1, 2007.

The remaining 15 counties will begin July 1, 2007 – bringing HealthChoices Behavioral Health to all 67 counties.
More low-income parents are working and ready to work

Work Participation Rate continues to rise

<table>
<thead>
<tr>
<th>Period</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>FFY 2004</td>
<td>7%</td>
</tr>
<tr>
<td>FFY 2005</td>
<td>16%</td>
</tr>
<tr>
<td>FFY 2006</td>
<td>27%</td>
</tr>
<tr>
<td>Jul-06</td>
<td>32%</td>
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<tr>
<td>Aug-06</td>
<td>39%</td>
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<tr>
<td>Sep-06</td>
<td>45%</td>
</tr>
<tr>
<td>Oct-06</td>
<td>47%</td>
</tr>
<tr>
<td>Nov-06</td>
<td>49%</td>
</tr>
</tbody>
</table>
Fewer adults and children receiving cash assistance

12 percent decline in TANF caseload in last year

Total adults and children

267,700

265,000

255,000

245,000

235,000

Jul-05 Sep-05 Nov-05 Jan-06 Mar-06 May-06 Jul-06 Sep-06 Nov-06

235,300

245,000

255,000

265,000

267,700
Investing in self sufficiency

- Federal government resources are flat – block grant stays at $719 million
- Pennsylvania will fund a $38 million pool in 2007-08 to provide child care and transportation supports parents need to stay on the job
- Other initiatives
  - Performance contracts
  - Contractor Partnership Program to create more jobs
  - Re-engage individuals who are not working, in training or other activity that will lead to a job
New help for children at risk

The 2007-08 budget includes $1.042 billion for child welfare – a 3.4% increase

- County Child Welfare will receive an increase of $67 million including up to a 2 percent COLA for purchased services ($13.9 million)
- County Child Welfare will receive $15 million in State Transition funds (no match required) to ease prior year reduction in TANF allocations
- 290,625 children will be served
Create the Office of Child Development and Early Learning – unique collaboration between Education and Welfare

Child Care Works Subsidized Program – Single subsidy system serving over 130,000 children per month

Certification Services – Automate system to support over 300,000 children

Early Intervention – Over 72,000 children participate in the 0-3 and 3-5 program

Keystone STARS – Over 170,000 children enrolled and over 70% of centers participating

Nurse-Family Partnership – 4,200 first time moms and their children served
Proposed Expansion for FY2007-08

- **Child Care Works Subsidized Program**
  - Will serve 400 more children and their families – over 221,000 per year
  - Rates will be modified to address the minimum wage increase
  - $87 million increase in state funds, including $10 million to replace a reduction in federal funds

- **Early Intervention (ages 0-5)**
  - Children needing special services benefit from a state supported collaboration among parents and practitioners
  - Over 76,300 children will receive services
  - $45.5 million increase ($292.8 million total state funds)
Proposed Expansion for FY2007-08

- **Keystone STARS/Keys to Quality**
  - Over 176,000 children served at higher STAR levels
  - New payment structure rewards quality providers
  - $9.1 million increase ($19.3 million total state funds)

- **Nurse Family Partnership**
  - Nurse home-visiting program that helps low-income, first-time parents
  - 4,400 families in 42 counties, an increase of 3 counties and 200 families.
  - $889,000 increase ($7.3 million total state funds)
Proposed Expansion for FY2007-08

- **Full-Day Kindergarten ($25 million)**
  - More school districts will provide full-day kindergarten
  - Two-thirds of children will attend full-day kindergarten – up from 55% today

- **Pennsylvania Pre K Counts ($75 million)**
  - New pre-kindergarten program for over 11,000 3- and 4-year olds
  - Supports quality half- and full-day pre-kindergarten in schools, Head Start, child care centers and nursery schools with a priority in at-risk communities
Pennsylvania Cares by serving more than 3 million people

<table>
<thead>
<tr>
<th>Service</th>
<th>2007-08</th>
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<tbody>
<tr>
<td>Medical Assistance</td>
<td>1,969,770</td>
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<tr>
<td>TANF and General Assistance</td>
<td>259,205</td>
</tr>
<tr>
<td>Child Welfare System</td>
<td>290,625</td>
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<tr>
<td>Child Care</td>
<td>221,585</td>
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<tr>
<td>Mental Retardation and Autism Services</td>
<td>49,485</td>
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<tr>
<td>Children’s Health Insurance Program (CHIP)</td>
<td>174,531</td>
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<tr>
<td>Uninsured Adults</td>
<td>147,939</td>
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<tr>
<td>PACE Plus Medicare</td>
<td>357,725</td>
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