State of Rhode Island and Providence Plantations

Executive Summary

Fiscal Year 2014

Lincoln D. Chafee, Governor

Human Services

Human Services

Summary

The Human Services function of state government engages in a broad spectrum of activities including, but not limited to, medical assistance, economic support, rehabilitation services, client subsidies, case management, residential supports, behavioral healthcare, services for at-risk children, and medical provider regulation.

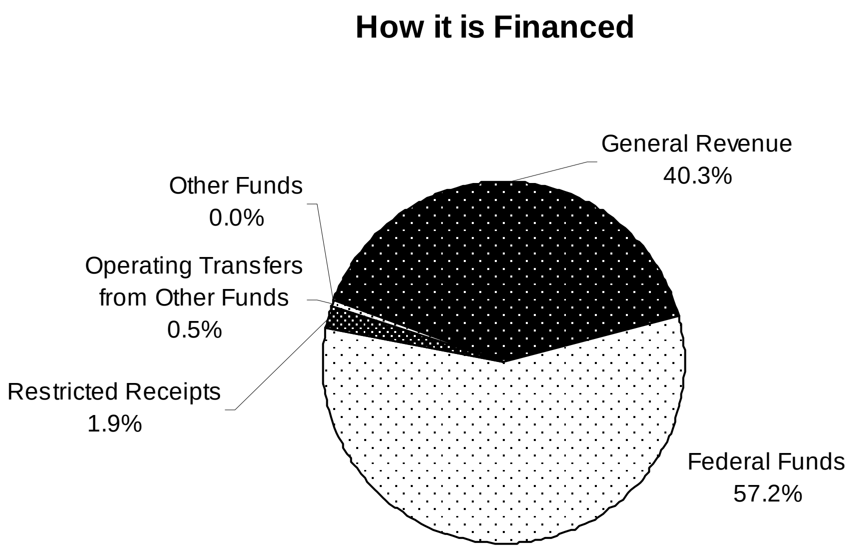
In FY 2014, despite an improving but constrained budgetary outlook, the Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve maximum potential and self-sufficiency. The social and economic needs of clients continue to be provided by the Executive Office and Health and Human Services, which oversees the Departments of Children, Youth, and Families; Health; Human Services; Behavioral Healthcare, and Developmental Disabilities, and Hospitals. The Governor remains a strong advocate of building a sustainable safety net in Rhode Island, with adequate programs of medical and cash assistance for the most vulnerable populations of the State, such as low-income children, parents, pregnant women, frail elders, veterans, the medically needy, and those with physical and developmental disabilities. To this end, the Governor is fully supportive of the provisions of the federal Patient Protection and Affordable Care Act that expand the scope of the Medicaid program beginning in 2014. The establishment of a state-based Health Benefits Exchange also provides the State with a unique opportunity to pursue the Unified Health Infrastructure Project: construction of a modern, fully integrated eligibility system covering multiple programs of public assistance.

The Governor is further committed to preventing child abuse and neglect by intervening for and on behalf of abused and neglected youth, and rehabilitating delinquent youth through education and training at DCYF. The dual role of advocacy and education continues to be provided by agencies including the Offices of the Child Advocate and Mental Health Advocate, the Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing.

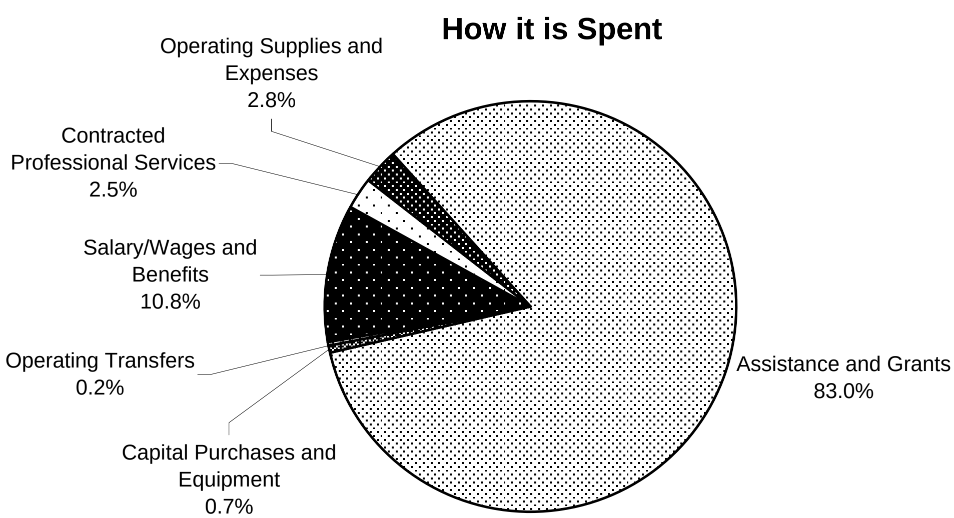
For FY 2013, the Governor recommends a revised all funds budget of $3.163 billion for the human services function. Of this total, there is $1.270 billion in general revenue, $1.810 billion in federal funds, $66.7 million in restricted receipts, and $16.2 million in other funds. This reflects a decrease of $24.6 million in general revenue, a decrease of $2.3 million in federal funds, an increase of $5.6 million in restricted receipts, and a decrease of $2.6 million in other funds relative to the FY 2013 enacted budget. The Governor recommends 3,726.0 full-time equivalent positions in the FY 2013 revised budget, which is an increase of 54.8 FTE positions from the FY 2013 enacted budget. Total staffing authorizations recommended for FY 2014 are 3,773.1 FTE positions.

The Governor's proposed funding level of $3.317 billion for FY 2014 maintains services for the State's most vulnerable populations. This proposal consists of $1.337 billion in general revenue, $1.899 billion in federal funds, $63.6 million in restricted receipts, and $17.7 million in other funds. This reflects an increase of $42.4 million in general revenue, an increase of $86.3 million in federal funds, an increase of $2.5 million in restricted receipts, and a decrease of $1.1 million in other funds relative to the FY 2013 enacted budget. The FY 2014 recommendation constitutes 40.6 percent of the total proposed expenditures for the state. Social services block grants and federal financial participation for medical assistance programs constitute the primary sources of federal funding. The chart below displays funding by source for the Governor's FY 2014 recommendation for the human service agencies and departments.

Human Services



The Governor's FY 2014 recommendation includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, including purchased services, accounts for $439.8 million, or 13.3 percent, of all expenditures programmed for human services. Grants and benefits expenditures of $2.754 billion account for the largest outflow of identified resources, reflecting 83.0 percent of the total human services function. The chart below shows the outflows of all resources by category of expenditure for the human services function.



Human Services

Executive Office of Health and Human Services

The Governor recommends total expenditures of $1.722 billion for the revised FY 2013 budget of the Executive Office of Health and Human Services (EOHHS). This is comprised of general revenue totaling $801.4 million, federal funds of $907.8 million, and restricted receipts of $13.2 million. Relative to FY 2013 enacted levels, recommended general revenue financing decreases by $23.7 million, or 2.9 percent, while federal financing decreases by $7.0 million, or 0.8 percent. Restricted receipts increase by $769,244, or 6.2 percent.

The decreases in both general revenue and federal financing in the current year are driven exclusively by revised appropriations for the Medical Assistance program, as adopted by the November 2012 Caseload Estimating Conference and further modified by the Governor (see below). The Governor's FY 2013 revised budget for the Central Management program contains reappropriations of general revenue totaling $379,593 relating to unexpended FY 2012 financing for the Coordinated Health Planning Project ($150,000), various legal services ($113,065), computer equipment ($27,751), and office space redesign expenses ($88,777). Other significant expenditure plan adjustments, many of which recur in FY 2014, include increases to personnel expenses of $399,546 (reflective of both unachieved turnover and a restructuring of the Office's personnel roster) and $1.4 million for the Unified Health Infrastructure Project (discussed below), offset by downward revisions of $150,000 for the nurse's aide training program grant and $1.0 million for various contracted professional services. Exclusive of reappropriations, general revenue financing for Central Management increases by $514,201 from the enacted level of $25.4 million.

The Governor recommends total expenditures of $1.860 billion for the FY 2014 budget of the Executive Office of Health and Human Services. This is comprised of general revenue totaling $851.0 million, federal funds of $999.4 million, and restricted receipts of $10.0 million. Relative to FY 2013 enacted levels, recommended general revenue financing increases by $25.9 million, while federal financing increases by $84.5 million, and restricted receipts decrease by $2.5 million. With the full reassignment of the State's Title XIX Medical Assistance (Medicaid) program from the Department of Human Services to the Executive Office of Health and Human Services in the FY 2013 enacted budget, the Executive Office now consists of two distinct budgetary programs: Central Management and Medical Assistance.

<u>Central Management</u>
The Central Management program includes all financing for the operational activities of the Executive Office. These consist of the following core components: Office of the Secretary, Budget, Policy, Program Oversight, Legal Services, and Medical Assistance Administration. The Governor recommends $30.1 million in general revenue for Central Management in FY 2014, an increase of $4.7 million, or 18.3 percent, relative to the enacted base. Federal funding for this program also increases considerably, from $75.3 million to $86.6 million.

The additional fiscal resources recommended by the Governor in FY 2014 are in part attributable to two significant modifications to the Office's personnel structure. First, the Governor recommends to transfer (4.0) chief financial officer positions from the Department of Health; the Department of Human Services; the Department of Children, Youth and Families; and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals to the Executive Office in FY 2014. Moreover, due to the enhanced programmatic scope of the agency and the myriad of ongoing special projects currently underway at the Secretariat, the Governor's recommendations include a 21.0 FTE position expansion of staffing at the Executive Office in FY 2014. Combined with statewide adjustments for fringe benefit rates and the restoration of FY 2013 managed turnover savings, these measures result in recommended personnel expenditures totaling $23.5 million, or $13.0 million in general revenue, an increase of $2.7 million above the enacted general revenue base.

Commencing in FY 2013, the Executive Office, in partnership with other EOHHS agencies and the Rhode Island Health Benefits Exchange, launched the Unified Health Infrastructure Project (UHIP) to build a fully integrated and interoperable system of eligibility determination spanning multiple programs of public assistance and the Exchange. Supported largely through an enhanced federal matching rate of 90 percent, available pursuant to the Patient Protection and Affordable Care Act (PPACA), UHIP is the successor to the now-antiquated “InRhodes” system. A complex and multi-phase project, UHIP requires considerable investments in state personnel, contracted IT and project management services, and technical equipment acquisition. The Governor recommends total financing of $14.0 and $20.3 million for the EOHHS components of UHIP in FY 2013 and FY 2014, respectively. Corresponding general revenue of $1.4 million in FY 2013 and $3.6 million in FY 2014 are likewise recommended, with an allocation of 7.0 FTE positions from the Office’s recommended FTE complement in each year specifically dedicated to UHIP activities.

Also funded through enhanced federal matching funds of 90 percent, the Governor recommends $2.0 million, or $200,000 in general revenue, to develop enhancements to the Medicaid Management Information (MMIS) system that incorporate the use of real-time “predictive modeling” in the analyses of Medical Assistance claims. With this investment, EOHHS expects to improve its ability to recoup, and eventually prevent, overpayments to providers due to fraudulent and/or abusive activity. Use of predictive modeling will facilitate the transition from a post-payment “chase” model to a preventative model, ultimately leading to the disqualification of unscrupulous providers from participation in the Medical Assistance program.

The Governor recommends $200,000, of which $100,000 is from general revenue, to create an EOHHS strategic plan. This plan will clarify the future goals and objectives of the Executive Office in its role as the Single State Agency for Medicaid Administration and the coordinating authority for all major human services agencies within state government. Furthermore, the strategic plan will foster the effective and efficient implementation of various programmatic efforts already underway, such as UHIP, Affordable Care Act adherence, and performance-based management.

For FY 2014, the Governor recommends significant revisions to various Medicaid-financed programs known as “Costs Not Otherwise Matchable” (CNOM). Generally housed within the Department of Human Services, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, and the Executive Office of Health and Human Services, the CNOM initiatives represent formerly State-only programs that in FY 2009 became eligible for federal financial participation under the provisions of the Global Consumer Choice Compact Section 1115 Demonstration (the “Global Waiver”). The institution of a CNOM did not entail systemic (all-funds) savings, but rather the substitution of federal funds for general revenue to the extent of the prevailing Federal Medical Assistance Percentage (FMAP).

With the advent of federal healthcare reform under the Patient Protection and Affordable Care Act (PPACA), which mandated an (now optional) expansion of Medicaid coverage to a states’ population of non-disabled, childless adults up to 138 percent of the Federal Poverty Level (FPL) in January 2014, it is anticipated that there will be considerable migration of current CNOM beneficiaries into the EOHHS Medical Assistance program. As the provisions of PPACA allow for full federal financing of this expansionary population until 2017, the Governor recommends the recognition of general revenue cost-avoidance totaling $4.2 million generated by the transition of applicable populations from CNOM programs to the Medical Assistance program for the third and fourth quarters of FY 2014. These reductions are contained within recommended FY 2014 CNOM appropriations for BHDDH ($2.2 million), DHS ($1.5 million), and the Executive Office ($0.5 million). Savings were calculated using an estimate of the percentage of a particular CNOM program's services that are covered under the Medical Assistance program, coupled with the estimated proportion of the current recipient pool that would become Medicaid-eligible as of January 1, 2014. For the Executive Office, the affected CNOM is that for the Ryan White HIV Care Program, which in FY 2014 is financed at $2.9 million, consisting of $1.5 million in general revenue.

The Governor recommends staffing authorizations of 169.0 FTE positions in FY 2013, an increase of 1.0 FTE position from the enacted level representing a new position responsible for the administration of the Money Follows the Person Demonstration Grant's supplemental program for Aging and Disability Resource Centers (ADRC). For FY 2014, the Governor recommends staffing authorizations of 194.0 FTE positions, 25.0 FTE positions above the revised level, reflecting both the transfer-in of 4.0 chief financial officer positions from the major human services departments and the augmentation of the EOHHS administrative staff by 21.0 FTE positions.

<u>Medical Assistance</u>

The November 2012 Caseload Estimating Conference (CEC) adopted total financing of $1.588 billion for the Medical Assistance program in FY 2013, consisting of $775.3 million in general revenue. This constitutes a 3.0 percent decrease relative to enacted general revenue of $799.6 million, as is largely attributable to projected savings in the Medicaid managed care programs (RIte Care and Rhody Health Partners) that stem from downward revisions to capitation rates (monthly costs per member) and updated caseload data, both of which are trending lower than those embedded in enacted estimates. For the FY 2013 revised budget, the Governor recommends a single modification to the CEC estimate: the shift of $251,334 from general revenue to federal funds in recognition of federal IDEA Part C funding that became available subsequent to the conclusion of the Conference. The Governor therefore recommends all-funds Medical Assistance expenditures as adopted, with $775.1 million derived from general revenue.

The November 2012 Caseload Estimating Conference (CEC) adopted total financing of $1.665 billion for the Medical Assistance program in FY 2014, consisting of $834.9 million in general revenue. This represents a 4.4 percent increase relative to enacted general revenue, and a 7.7 percent rate of growth over the FY 2013 adopted level. Comparing expenditures as adopted by the November 2012 CEC, the increase to the Medical Assistance program's state funding requirement in FY 2014 was quite significant at $59.6 million. Though approximately $16.0 million of this increase is driven by a year-over-year decrease in the Federal Medical Assistance Percentage (FMAP) from 51.26 percent to 50.11 percent, it is primarily tied to continuing trends in caseloads, utilization rates, and unit prices that have continually given rise to the upward trajectory in the total cost of the Medical Assistance program.

Exclusive of federal pass-through reimbursements to LEAs for Medicaid-eligible children in special education programs (which are not estimated at the CEC), the Governor recommends $1.724 billion for Medical Assistance in FY 2014, consisting of $820.9 million in general revenue. This constitutes a $14.0 million reduction to the CEC adopted level, and is achieved through three distinct specific policy actions designed to contain the Medicaid program's expenditure growth in FY 2014. First, the Governor recommends reductions to all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2013, for savings totaling $4.4 million in general revenue. Rates will be negotiated so as to limit average annual growth in these rates to 1.6 percent, as opposed to the 3.0 percent increase assumed at the November 2012 CEC. The Governor further recommends freezing (for one year) FY 2013 payment rates for inpatient and outpatient hospital services within both the fee-for-service and as the managed care segments of the Medical Assistance program, yielding $5.2 million in general revenue savings. Lastly, the Governor recommends the suspension of the rate increase to nursing care and hospice facilities scheduled for October 1, 2013, generating savings of $3.9 million in general revenue. The latter two measures will require both statutory amendments as well as the prior approval of the Centers for Medicare and Medicaid Services (CMS); the Governor's FY 2014 Appropriations Act contains legislation designed to meet both objectives.

In addition to these policy initiatives, the Governor recognizes savings of $1.0 million, or $500,000 in general revenue, stemming from the aggressive recoupment of fraudulent or otherwise inappropriate Medicaid payments uncovered by the newly established Office of Program Oversight. The Office will employ both traditional rules-based claim screening techniques as well as advanced predictive analytics (through the aforementioned MMIS enhancements) to ensure that expenditures under the Medical Assistance program are free of fraud, waste, and abuse.

The Executive Office of Health and Human Services is currently conducting a comprehensive assessment of the Medicaid-specific provisions of the Patient Protection and Affordable Care Act (PPACA), the ramifications of which are multifaceted and complex. Although the programmatic details and cost estimates remain somewhat uncertain, the Governor recommends the incorporation of two key PPACA elements within recommended appropriations for the Medical Assistance program: (1) The expansion of Medicaid coverage to non-disabled, childless adults up to 138 percent of FPL, commencing January 2014 and (2) The increase of both fee-for-service and managed care Medicaid payment rates for primary care physicians (offering certain specified services) to align with those of the federal Medicare program, commencing January 2013. To accommodate the attendant costs of each provision, PPACA provides for 100 percent federal funding in FY 2013 and FY 2014. Accordingly, there is no general revenue impact programmed in the FY 2013 revised or FY 2014 budget(s). The Governor recommends additional appropriations of federal funds totaling $8.5 million and $17.0 million in FY 2013 and FY 2014, respectively, for the primary care rate provision. In FY 2014, the Governor recommends an additional $69.8 million in federal funds relating to the expansion of Medical Assistance eligibility.

Under PPACA, full federal financing of Medicaid services for the expanded eligibility population elapses in January 2017, after which the federal matching rate declines incrementally until reaching 90 percent for 2020 and thereafter. Furthermore, full federal funding for the enhancement of primary care payment rates is only available for calendar years 2013 and 2014. The resulting out-year general revenue exposure is captured in the Governor's Five Year Financial Projection, contained in Appendix E of this document.

Department of Children, Youth and Families

The Governor recommends $213.1 million in the revised FY 2013 Budget for the Department of Children, Youth and Families (DCYF), including $152.0 million in general revenue, $55.1 million in federal funds, $2.5 million in restricted receipts, and $3.5 million in other funds. The Governor's revised Budget includes a net decrease of $589,366 in general revenue expenditures, which represents a 0.39 percent reduction from the enacted budget.

Expenditures for grants and benefits in the Department of Children, Youth, and Families have decreased significantly in general revenue and federal funds over the past few years even though expenses related to providing services to children and families should have amplified due to FMAP increases and trend growth rates. This is due to the Department's successful execution of major savings initiatives, including better practice improvements and the full implementation of the System of Care Transformation in July of 2012, which restructures programs into a more community-based system of support. The goal of the restructuring was to deliver more childrens' services in home and community settings, giving the children, guardians, and community the benefit of inclusion in the rehabilitative process, and to allow the development of more natural supports.

Phase One of the implementation of these programs began in FY 2009. This Phase implemented Family Care Community Partnerships (FCCP) for children and families who are at risk for Department involvement due to abuse and neglect or serious emotional disturbance (SED) and youth who are returning to the community following a Rhode Island Training School sentence. Phase Two was instituted with the contracting of Networks of Care. This Phase is designed to service Rhode Island's families with children who are formally involved with DCYF and who are in need of, or at risk for, out of home placement with a goal of facilitating permanency plans, decreasing the need for hospitalizations and residential placements, and increasing access to home and community-based services and supports.

Due to the full implementation of the System of Care, there has been a major grants and benefits shift of $11.0 million from all funds, or $7.6 million from general revenue, from the Children's Behavioral Health and Juvenile Corrections programs to the Child Welfare program, which houses the expenditures for the new networks. There is a decrease of $1.7 million on an all funds basis department-wide for grants and benefits and an increase of $942,384 in general revenue that offsets a portion of the decrease in Title IV-E revenue that was anticipated in the enacted budget. General revenue overtime expenditures increase by $1.1 million from the enacted level in the Juvenile Corrections and Child Welfare programs. These increases are offset by a decrease of $2.7 million in general revenue for personnel expenditures, which reflects a significant increase in turnover and a statewide medical benefits holiday.

Other general revenue changes from the FY 2013 enacted Budget include a decrease in contract service expenditures of $159,613 and an increase of $40,281 for operating expenses and capital purchases.

The Governor's recommendation includes a total of 671.5 FTE positions for FY 2013, which consists of 6.0 FTE positions more than the enacted level of 665.5 FTE positions. The additional positions are federally funded through the Race to the Top - Early Childhood Learning and SAHMSA grants.

The Governor recommends total expenditures of $211.3 million in FY 2014 for the Department of Children, Youth and Families. This is comprised of $152.9 million in general revenue, $54.2 million in federal funds, $2.6 million in restricted receipts, and $1.6 million in other funds. The recommended FY 2014 general revenue budget increases by $340,539, or 0.22 percent from the enacted FY 2013 Budget.

Major general revenue changes for FY 2014 from the FY 2013 enacted Budget include a net decrease of $317,645 for personnel expenditures (excluding overtime). This reduction includes a savings of $1.3 million for increased turnover that is somewhat offset by $984,784 for rate changes to medical insurance, retirement, retiree health, and an election day holiday. Overtime expenditures increase by $678,864 from the FY 2013 enacted Budget.

Other general revenue changes from the FY 2013 enacted Budget include decreases of $191,603 for purchased services and $693,881 for operating expenses and capital purchases. This includes savings initiatives from the Department to close its East Bay office through consolidation and to reduce in-state mileage expenses.

In FY 2014, the Department continues to achieve savings with the implementation of the System of Care and better practice techniques. Although there is a general revenue increase of $673,200 for grants and benefits from the FY 2013 enacted Budget due to a continued anticipated loss of Title IV-E revenue, there is an all funds decrease of $2.9 million for grants and benefits. This is relatively consistent with the FY 2013 revised Budget level of services provided through the System of Care. Compared to the enacted, this also includes an additional $671,629 ($576,340 from general revenue) in savings initiatives related to renegotiation of rates paid for Bradley Group Homes, contract reductions, and the enhancement of claims under the Medicaid Rehab Option.

General revenue reductions associated with the Rhode Island Global Consumer Choice Compact Demonstration Waiver for CNOM's financing are attributed to the diversion of residential services for at-risk youth into a more community-based approach. The department continues to achieve the programmed savings associated with this 2009 initiative in FY 2014. This includes $4.1 million from federal matching funds that were previously services that qualified for state-only funding.

The Governor includes in his recommendation an additional $500,000 for educational costs related to youth who are in the custody of the Department and placed in an educational setting outside of the home school district. The Rhode Island Department of Elementary and Secondary Education (RIDE) is required by statute to determine a methodology to set the rate to be used by school districts when paying the Department of Children, Youth, and Families. RIDE is currently transitioning to a new methodology that will result in the shift of some of the costs from school districts to DCYF. FY 2014 is the second year of a five year transition plan.

This recommendation includes a total of 670.5 FTE positions in FY 2014, which is 1.0 FTE position less than the FY 2013 revised Budget recommendation and is related to the Department's Chief Financial Officer being transferred to the Executive Office of Health and Human Services for reporting purposes.

Department of Health

The Governor recommends total expenditures of $126.8 million for the Department of Health's FY 2013 revised budget, including $24.7 million from general revenue, $70.4 million from federal funds, $31.5 million from restricted receipts, and $126,311 from other funds. The FY 2013 revised budget represents an increase of $7.2 million from all sources of funds, of which $5.4 million is federal funds and $2.0 million is restricted receipts. There is a decrease of $100,114 in general revenue funding and $45,689 in other funds.

The net decrease in general revenue expenditures of $100,114 from the FY 2013 enacted amount of $24.8 million is primarily due to offsetting various costs to the Indirect Cost Recovery account. By category of expenditure within general revenues, personnel costs ($44,306), contracted professional services ($55,893), and assistance and grants ($50,000) increase, while operating supplies ($7,935) and capital purchases ($42,150) decrease.

The increase in federal funds expenditures of $5.4 million is constructed of changes across many of the Department's grants. However, a large portion is due to increases in the Affordable Care Act Maternal, Infant and Early Childhood Home Visiting grant of $2.2 million and the Comprehensive

HIV Prevention grant of $1.2 million. The majority of the federal funds change, by program, exists within Community and Family Health and Equity, $3.1 million, and Public Health Information, $1.9 million.

The increase in restricted receipt expenditures is also closely associated with the Community and Family Health and Equity program where expenditures for the Adult Immunizations and the Lead Poisoning Program are increasing by $2.0 million. Funded from an assessment on insurance companies, the Adult Immunization program provides for the purchase and distribution of vaccines. The additional funding for the Lead Poisoning Program is due to a contribution from the Providence Water Supply Board in support of lead poisoning prevention.

For the revised FY 2013 budget, the Governor recommends an authorized FTE level of 498.0 positions, an increase from 497.3 FTE positions in the FY 2013 enacted budget. The revised budget continues to accommodate the transition of 39.0 contracted employees to FTE positions, as well as the authorization for 20.0 new federally funded positions, as provided for in the enacted budget.

For FY 2014, the Governor recommends total expenditures of $121.1 million for the Department of Health. This is comprised of $24.9 million from general revenue, $62.0 million from federal funds, $34.1 million from restricted receipts, and $35,310 from operating transfers. The FY 2014 recommended funding level from all sources of funds is $1.6 million higher than the FY 2013 enacted budget. Compared to the enacted budget, general revenue financing increases by $78,455, federal financing decreases by $3.0 million, restricted receipt financing increases by $4.6 million, and other funds financing decreases by $136,690.

The decrease in federal funds expenditures of $3.0 million is almost exclusively due to federal grants in the Community and Family Health and Equity program, which decreased by a total of $2.8 million compared to the FY 2013 enacted budget. Though no single grant accounted for the decline in federal funding, the Affordable Care Act Maternal, Infant and Early Childhood Home Visiting grant constituted $881,559 of the decline. The $4.6 million increase in restricted receipt expenditures is mostly comprised of an increase of $4.7 million in Community and Family Health and Equity offset by decreases in other restricted programs. This increased expenditure amount is largely due to Newborn, Child, and Adult Immunizations, which had a corresponding change in FY 2013.

The Governor recommends transferring certain costs formerly financed with general revenues to federal indirect cost recovery funds in FY 2014, yielding general revenue savings of $567,835. Anticipated cash balances within the associated restricted receipt account are projected to be sufficient to absorb these additional expenditures.

For FY 2014, the Governor recommends an FTE position level for the Department of Health of 494.1 positions, which is 3.2 FTE positions less than the enacted budget of 497.3 in FY 2013. The reduction in FTE positions is evident in the Public Health Information and the Community and Family Health and Equity programs with small offsetting increases in Central Management, Environmental and Health Services Regulation, and Infectious Disease and Epidemiology.

Department of Human Services

The Governor recommends total expenditures of $666.6 million for the revised FY 2013 budget of the Department of Human Services (DHS). This is comprised of general revenue totaling $96.8 million, federal funds of $553.0 million, restricted receipts of $12.2 million, and other fund expenditures of $4.6 million. Relative to FY 2013 enacted levels, recommended general revenue financing decreases by $178,701, or 0.2 percent, while federal financing increases by $13.3 million, or 2.5 percent.

The general revenue decrease in the revised budget solely reflects statewide savings assessed for a one-pay period medical benefit ‘holiday’ in FY 2013; no further reductions to enacted financing are recommended. However, revised general revenue appropriations do contain expenditure plan adjustments among the Department’s various programs. Specifically, general revenue for the Department’s programs of cash assistance, as estimated by the November 2012 caseload Estimating Conference, increase by $59,761, consisting of an increase of $320,612 for the Supplemental Security Income (SSI) program and an offsetting decrease within the General Public Assistance (GPA) program of $260,851.

A net general revenue reduction of $238,462 is recommended throughout the Department’s other programs. This consists of increases to the Office of Child Support Services ($48,352), the Individual and Family Support Program ($440,973), the Division of Veterans’ Affairs ($76,941), and Central Management ($134,859). Offsetting decreases are witnessed in Health Care Eligibility ($744,985) and the Division of Elderly Affairs ($194,602). These interprogram shifts generally reflect the realignment of enacted resources to better conform to current Departmental priorities, particularly with respect to the DHS personnel structure and projected hiring patterns for vacant line staff. Also recommended within revised appropriations is the continuation of the Work Support Strategies initiative for public assistance system enhancements, as well as the addition of 6.0 limited-term, federally funded FTE positions to support DHS activities under the EOHHS-based Unified Health Infrastructure Project (UHIP).

The Governor recommends total expenditures of $676.4 million for the FY 2014 budget of the Department of Human Services. This is comprised of general revenue totaling $99.5 million, federal funds of $562.8 million, restricted receipts of $9.6 million, and other fund expenditures of $4.5 million. Relative to FY 2013 enacted levels, recommended general revenue financing increases by $2.5 million, while federal financing increases by $23.0 million and restricted receipts increase by $487,673. The Governor’s FY 2014 recommendations for the Department’s various programs are discussed below.

The Governor recommends general revenue totaling $5.0 million for the Central Management program, a decrease of $57,672 from the FY 2013 enacted level. Driving this decrease is a reduction of $105,334 to the Costs Not Otherwise Matchable (CNOM) program for Federally Qualified Health Centers generated by the transition of certain beneficiaries to full federal financing under the Medical Assistance program, pursuant to the Patient Protection and Affordable Care Act (PPACA). Minor increases to both personnel and operating financing comprise the balance of the general revenue recommendation.

The Governor recommends general revenue totaling $2.4 million for the Office of Child Support Services, $64,453 above the FY 2013 enacted level, reflecting current services and the partial restoration of constable services expenditures. Funding for these services was reduced in the enacted base due to the heightened use of regular mail to notify parties to appear at Family Court. Although this initiative has been successful, original savings estimates have been deemed too aggressive. As such, the Governor recommends $480,000 for these services, consisting of $163,200 in general revenue.

The Governor recommends general revenue of $21.4 million for the Individual and Family Support (IFS) program, $767,675 above the FY 2013 enacted level and $326,702 above the Governor’s FY 2013 revised recommendation. This increase primarily reflects the augmentation of vital line staff involved in the specific program areas of either Rhode Island Works (RIW) or the Supplemental Nutrition Assistance Program (SNAP). Relative to enacted levels, IFS-based CNOM programs decrease by $94,592 due to the transition of certain beneficiaries to full federal financing under the Medical Assistance program, pursuant to PPACA.

Salient revisions to non-general revenue funding within IFS include an increase to the Low Income Home Energy Assistance and Weatherization Assistance Programs totaling $14.5 million and additional funding of $2.7 million under the Race to the Top Early Learning Challenge Grant.

The Governor also recommends new allocations of TANF State Family Assistance Grant funds for DHS administrative grants that will finance new and/or expanded programs in job preparation for Rhode Island Works (RIW) recipients, such as the "On the Job Training" program, the "Small Group Classes for Life Skills" program, and a new pilot program combining subsidized employment services and expanded child care assistance for certain RIW recipients. This pilot program, limited to 400 families, will more effectively incorporate work support strategies and transitional child care for the successful transition of families from the Rhode Island Works Program. The pilot will draw on current on-the-job training and subsidized employment activities, expanding those in some cases, and developing an enhanced, but limited, child care benefit to more effectively transition families from the RIW to self-sufficiency. The enhanced child care benefit will provide child care assistance for families with incomes up to 225 percent of the federal poverty level. To launch this pilot initiative in FY 2014, total financing of $3.0 million is recommended, $1.5 million of which is contained within the IFS budget for the subsidized employment component.

The Governor recommends general revenue of $21.2 million for the Veterans' Affairs program, $1.6 million above the FY 2013 enacted level, inclusive of upward adjustments to personnel totaling of $1.5 million. This increase contains $872,000 in additional funds for overtime expenditures, which were underfunded in the FY 2013 enacted budget. The remainder of this financing is related to the expansion of clinical staffing to support anticipated increases in the resident census of the Rhode Island Veterans' Home. Allocations of dedicated restricted receipt funds for various capital projects at the Home total $2.4 million and $0.8 million in FY 2013 and FY 2014, respectively. The Department of Human Services and the Department of Administration have begun planning for the design and construction of a new Veterans' Home complex in Bristol, financed by the issuance of $94.0 million in general obligation bonds recently approved by the voters.

The Governor recommends that the Health Care Quality, Financing and Purchasing program (HCQFP) be renamed as the Health Care Eligibility program. Over the course of the FY 2012 and FY 2013 budget cycles, the majority of HCQFP was relocated to the Central Management program of EOHHS. However, DHS field office support of the Medical Assistance program's casework and eligibility determination functions (including the InRhodes contract) remained under DHS budgetary auspices. Accordingly, the program is now more aptly termed "Health Care Eligibility". The Governor recommends general revenue of $8.3 million for this program, $11,801 above the enacted level and $0.8 million above the Governor's FY 2013 revised recommendation. This increase is primarily due to expanded staffing for both Medical Assistance eligibility technicians and the DHS segment of the Unified Health Infrastructure Project (12.0 limited-term FTE positions, in addition to the 6.0 FTE positions recommended for this purpose in FY 2013).

The Governor recommends general revenue of $10.7 million for the Division of Elderly Affairs, $5,756 below the FY 2013 enacted level. The Governor recommends the continuation of the Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) program, and includes $174,484 from general revenue for this purpose. This represents a partial restoration of state funding for RIPAE, as the FY 2013 enacted budget shifted all general revenue appropriations to available reserves of pharmaceutical rebate funds. The Governor's recommendation for DEA also recognizes savings within various CNOM programs resulting from the anticipated movement of certain beneficiaries to full federal financing under the Medical Assistance program, pursuant to PPACA.

The Governor's FY 2014 recommendations for the programs of cash assistance administered by the Department of Human Services are as follows. For RIW (formerly the Family Independence Program) and the Child Care Assistance Programs, total financing of $92.7 million is recommended, consisting of $9.7 million in general revenue, reflecting caseloads as adopted by the November 2012 Consensus Caseload Estimating Conference coupled with an increase of $1.5 million in federal TANF funding for the expanded Child Care Assistance pilot program. For SSI, the Governor recommends total financing of $18.8 million, consisting entirely of general revenue and reflecting caseloads as adopted by the November 2012 Consensus Caseload Estimating Conference. For General Public Assistance (GPA), the Governor recommends $2.1 million in general revenue, consistent with a reduction of $241,800 to adopted GPA estimates for the anticipated shift of GPA Medical (GMED) recipients to full federal financing under the Medical Assistance program, pursuant to PPACA. Recommended general revenue for GPA also includes a $210,000 allotment for the Hardship Contingency Fund, as authorized in Article 1 of the Governor's FY 2014 Appropriations Act.

The Governor recommends an additional 6.0 limited-term FTE positions to support UHIP implementation in FY 2013. When combined with other personnel realignments, this yields recommended staffing authorizations of 946.6 FTE positions for FY 2013, an increase of 5.9 FTE positions relative to the FY 2013 enacted level of 940.7 positions. For FY 2014, the Governor recommends 974.6 FTE positions, 28.0 positions above the FY 2014 revised level due to: (1) 12.0 additional limited-term FTE positions for the administration of UHIP, (2) 7.0 additional Eligibility Technician positions within the Health Care Eligibility program, (3) 6.0 RIW Social Caseworker positions and 4.0 SNAP Eligibility Technicians within Individual and Family Support, and (4) the transfer of an Associate Director of Financial Management position (i.e. chief financial officer) to the budget of the Executive Office of Health and Human Services in FY 2014.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

The Governor's revised FY 2013 Budget for the Department of Behavioral Healthcare, Developments Disabilities, and Hospitals totals $431.6 million, including $193.2 million in general revenue, $223.5 million in federal funds, $7.2 million in restricted receipts, and $7.7 million in other funds. On an all funds basis, the $431.6 million revised Budget is $14.1 million less than the FY 2013 enacted Budget of $445.7 million, consisting of the following net changes: an increase of $96,705 in general revenue, a decrease of $10.6 million in federal funds, a decrease of $11,468 in restricted receipts, and a decrease of $3.5 million in other funds.

The FY 2013 revised Budget encompasses an all funds reduction of $4.4 million, or $3.5 million from general revenue, for department-wide personnel expenditures (excluding overtime), which is related to increased turnover, delays in hiring, and a statewide medical benefits holiday. Due in part to setbacks in the hiring process, overtime expenses have increased by $5.0 million in general revenue and $4.2 million in federal funds. The enacted Budget contained significant savings in overtime based on the employment of more full time employees and the implementation of continuous recruitment for Certified Nursing Assistants, Community Living Aides, Registered Nurses, Institutional Attendants, and Cook's Helpers. Per request of the department, the revised Budget authorizes an additional 41.2 FTE positions to remedy the impediments of the hiring process. Approximately $400,000 of the overtime increase in general revenue related to costs associated with Hurricane Sandy in the hospitals and RICLAS group homes.

Department-wide, the Governor's recommendation includes a general revenue increase of $215,177 for purchased services and $500,014 for operating expenditures and capital purchases and equipment. Grants and benefits decreased by a total of $15.7 million, or $2.1 million from general revenue. The majority of this decrease is related to the underutilization of services that had been anticipated in the enacted Budget for the Health Homes initiative. A small portion of the grants and benefits savings in the current fiscal year is related to a shift of funding from general revenue to federal block grants and residential adolescents aging out of the system.

Other funds were reduced by $3.5 million, a portion of which was related to the hospital consolidation project. The hospital consolidation plan emphasizes efficiency gains by consolidating the Eleanor Slater Hospital footprint on the Pastore Campus. This will result in a more efficient use of resources, which will reduce staffing costs, reduce the hospital's maintenance and utility budget, and improve security for staff. The enacted budget provided $2.0 million in FY 2013 for this project. The Governor's revised recommendation shifts some of the funding from FY 2013 to FY 2014 through FY 2017.

Project Sustainability redesigned the developmentally disabled service system. The redesign changed the assessment tool to a nationally recognized validated assessment tool, the Supports Intensity Scale (SIS), for the entire population of consumers served by the system. The redesign also included the development and implementation of a new rate and payment methodology applied to all service providers and will increase transparency and consistency across the system. The result of these changes will eventually be a system that is more easily described and understood and a realignment of resources within the system, while maintaining the services and supports that consumers require, with application of consistent standards and payments across the system.

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals had worked with providers, families and advocates, and other state agencies to define and implement this assessment tool, services, and rates. As this new assessment tool is implemented, assessment data will be compared to utilization data and resource allocations will be refined and rates will be adjusted. The FY 2012 budget contained savings of $19.3 million from all funds. The Department continues to be successful in implementing and administering this program in FY 2013.

For FY 2013, the Governor recommends an authorized level of 1,424.4 FTE positions, which is 41.2 FTE positions more than the enacted level of 1,383.2 FTE positions. These added positions will give the Department the ability to accelerate the hiring process. The Department anticipates that the additional staffing will result in reduced overtime expenditures at the state hospital.

Human Services

The Governor's FY 2014 recommendation totals $444.5 million, including $206.6 million from general revenue, $220.1 million from federal funds, $7.1 million from restricted receipts, and $10.6 million from other funds. The general revenue portion of the budget reflects an increase of $13.5 million from the FY 2013 enacted Budget.

There is an increase in general revenues of $5.8 million related to base adjustments in the federal match and trend growth associated with Medicaid; statewide adjustments for medical benefits inflation, retirement rate change, benefits assessment rates, and retiree health; and decreased turnover savings that had been built into the base. Current service adjustments also added back $11.0 million in general revenue to account for the expiration of the Health Homes initiative in the beginning of the 2014 federal fiscal year. This was a federal enhancement effective October, 2011 from the Centers for Medicare and Medicaid Services. Eligibility criteria for these expanded programs included individuals who met one of the following criteria: 1) have at least two chronic conditions; or 2) have one chronic condition and are at risk for another. The program provided additional federal funding for eight (8) quarters from October 2011 through September 2013.

As discussed under the EOHHS section of this document, pursuant to the Patient Protection and Affordable Care Act (PPACA), the Governor recommends general revenue savings totaling $2.2 million generated by the movement of beneficiaries from certain CNOM programs to full federal financing under the Medical Assistance program. Savings were calculated using an estimate of the percentage of a particular CNOM program's services that are covered under the Medical Assistance program, coupled with the estimated proportion of the current recipient pool that would become Medicaid-eligible as of January 1, 2014. For the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, the affected CNOMs are the following: Developmental Disability Day and Supported Employment, Community Mental Health Services, Community Medication Assistance Program, Mental Health Inpatient Non-Hospital Care, Substance Abuse Community Programs, Substance Abuse Methadone Program, and the Substance Abuse Residential Non-IMD Program.

In addition to proposed initiatives and other funding changes, the Governor proposes a major change in methodology in the way in which the Department accounts for and budgets for expenditures in the state run facilities (RICLAS and Eleanor Slater), known as 'net budgeting'. The old methodology budgeted all expenditures for these two state run facilities in general revenue and federal accounts. Because the facilities are run by the state, the agency essentially pays itself and receives the federal dollars as a credit to expenditures in the general revenue accounts.

This old methodology has been the source of much contention because of the lack of transparency. The recommended FY 2014 Budget proposes a new method for tracking expenditures in the state run facilities that budgets the state and federal matching funds in the grants and benefits category and provides a corresponding restricted receipt account to receive the reimbursement for the services provided. In order for the expenditures to not be double counted in all funds, the restricted receipt account also budgets a negative dollar amount in operating expenditures that nets the restricted receipts to zero. This new methodology will allow for a more transparent accounting of all expenditures that will post to any account related to RICLAS and Eleanor Slater. However, because this new method tracks categorical expenses only in the restricted receipt account, it appears that general revenue grants and benefits have a major increase and the remaining categories have decreased significantly. On an all funds basis, each category is consistent with annual trend growth rates.

As in the Governor's FY 2013 recommendation, salaries and benefits decrease by $4.8 million, from the originally enacted FY 2013 Budget, which is offset by an increase of $6.4 million in overtime. This recommendation assumes that the agency will have authorization for the 41.2 FTE positions and that continuous recruitment for these positions will be in full effect.

The FY 2014 Governor's recommendation includes general revenue savings of $363,975 for the Work First initiative. This program advances employment as the first option for rehabilitation services and incorporates it as a part of an individual's recovery and a vital connection that enhances one's dignity, self-worth and connection to the community. The Housing First savings initiative of $375,000 from general revenue provides an opportunity to address a system issue in Rhode Island regarding homelessness and over utilization of emergency rooms. The Department will also save $708,593 in general revenue by closing a special care facility and moving the residents to another long-term care environment, increasing third party billing, and shifting prevention coalition services from general revenue funding to federal block grants.

For FY 2014, the Governor recommends an authorized level of 1,423.4 FTE positions, which is 1.0 FTE position less than the revised FY 2013 Budget due to the transfer of the department's Chief Financial Officer to the Executive Office of Health and Human Services.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of $834,468 for FY 2013 for the Governor's Commission on Disabilities. This consists of $357,498 in general revenue, $182,291 in federal funds, $9,214 in restricted receipts, and $285,465 in Rhode Island Capital Plan funding. The revised funding level is $83,029 above the FY 2013 enacted level, mostly attributable to an increase in federal funding of $61,642 and an increase in Rhode Island Capital Plan funding of $35,465. General revenues decrease by $13,598, reflecting the savings associated with the addition of a new hire at a lower salary than the previous staff member amongst other small changes. The Commission will use approximately $285,465 in FY 2013 Rhode Island Capital Plan Funding for both the Accessibility to Disability Service Providers plan ($50,000) and to finish the construction of the Groden Center elevator ($235,465).

The Governor recommends total expenditures of $1.5 million in FY 2014, including $357,711 in general revenues, $129,989 in federal funds, $10,365 in restricted receipts, and $957,271 from Rhode Island Capital Plan funding. The recommended general revenue funding in FY 2014 is $13,385 less than the FY 2013 enacted level, mainly attributable to the offset of some personnel costs to the federal grant entitled *New England ADA Center*. The FY 2014 recommendation reflects the Commission's efforts to offset expenses to its federal grants and restricted receipt resources as allowed, as it continues to coordinate the state's compliance with federal and state disability rights laws. The Governor recommends the Commission use $957,271 in FY 2014 Rhode Island Capital Plan Funding for the Accessibility to Disability Service Providers plan, the Accessibility Fire Safety Renovations plan, and the Accessibility to Higher Education plan.

The recommended FTE position authorization for revised FY 2013 and FY 2014 is 4.0 FTE positions, the same as the FY 2013 enacted level.

Human Services

Commission on the Deaf and Hard of Hearing

The Governor's revised FY 2013 budget for the Commission on the Deaf and Hard of Hearing totals $381,701, consisting solely of general revenue to finance the Commission's personnel, operating, and interpreter referral services. This represents an overall decrease of $8,550, or 2.2 percent, from the FY 2013 enacted budget. This revision is mostly attributable to a $9,440 decrease in personnel costs due to a new FTE position starting at the first step, offset by smaller increases across other categories.

For FY 2014, the Governor recommends $471,609, consisting of general revenues of $391,609, and restricted receipt funding of $80,000 to support the Commission's current operations and start the Emergency and Public Communication Access Program. This represents an increase of $81,358, or 20.8 percent, from the FY 2013 enacted level of $390,251. The increase in the Governor's FY 2014 recommendation is mostly attributable to $80,000 in new restricted receipt funding for the Emergency and Public Communication Access Program.

The Governor recommends legislation to create the Emergency and Public Communication Access Program which shall be funded through the relay fund surcharge outlined in Section 39-1-42 of the Rhode Island General Laws. A total of $80,000 annually will be used to fund this program to provide the deaf and hard of hearing population within the state improved communication access in emergency situations and when conducting business with the State. As a result of the funding coming from the already established relay fund, there will be no impact upon taxes or general revenue.

Staffing authorizations for the Commission remain unchanged at 3.0 FTE positions.

Office of the Child Advocate

The Governor's revised FY 2013 Budget for the Office of the Child Advocate is $636,732, including $590,664 in general revenue and $46,068 in federal funds. The recommended general revenue appropriation is $20,805 less than the enacted budget of $611,469, mostly due to a decrease in personnel expenses from vacancies early in the fiscal year, offset by small increases within other categories.

For FY 2014, the Governor recommends total expenditures of $655,148, including $615,151 in general revenue and $39,997 in federal funds. The general revenue increase of $3,682 compared to the FY 2013 enacted budget is mainly attributable to increased personnel expenses offset by small changes within other categories.

The Governor recommends an authorized FTE level of 5.8 positions in revised FY 2013 and FY 2014, consistent with the FY 2013 enacted budget.

Human Services

Office of the Mental Health Advocate

The Governor recommends revised FY 2013 general revenue expenditures of $360,207 for the Office of the Mental Health Advocate, a decrease of $86,912 from the enacted level of $447,119. The decrease includes a reduction of $86,328 in personnel expenses due to vacancies during part of this fiscal year, which were slightly offset by an increase of $584 in operating supplies.

The Governor recommends total FY 2014 general revenue expenditures of $486,144, reflecting full funding for the agency's current services and an increase of $39,025 from the enacted FY 2013 budget. General revenue appropriations include a personnel increase of $39,609, which reflects both statewide personnel cost increases and full funding for all 3.7 FTE positions. This increase in personnel was slightly offset by changes in financing for operating supplies.

The Governor recommends the FY 2013 enacted staffing authorization of 3.7 FTE positions for both revised FY 2013 and FY 2014.