State of Rhode Island and Providence Plantations

Executive Summary

Fiscal Year 2012

Lincoln D. Chafee, Governor

Human Services

Human Services

Summary

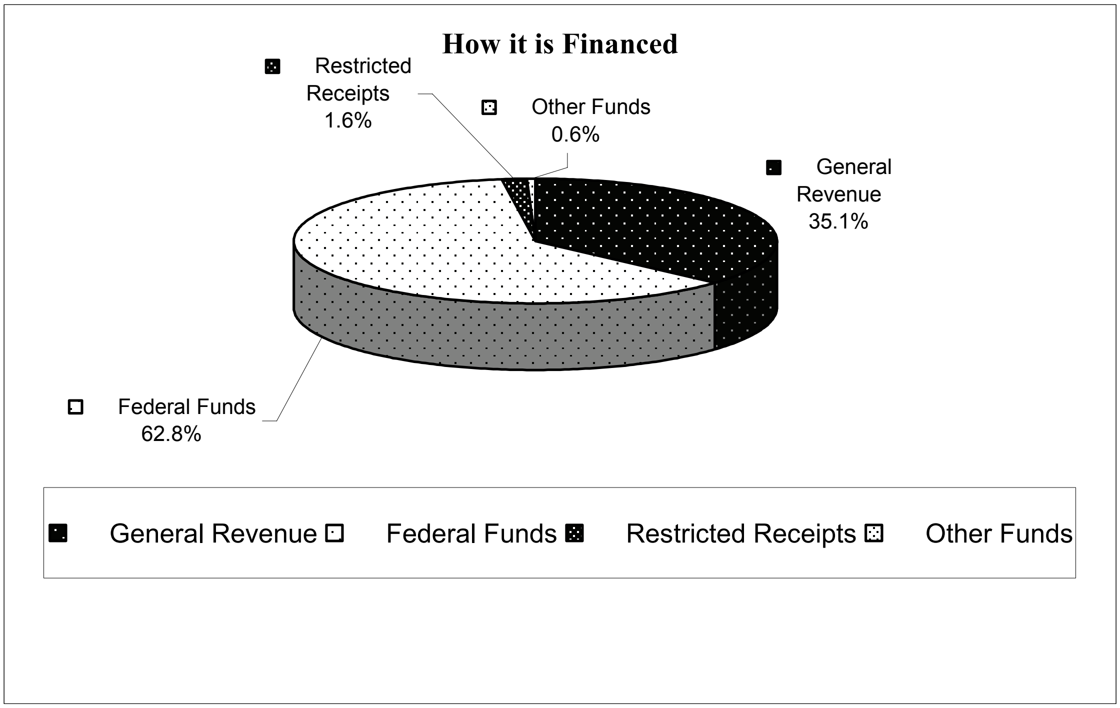
The Human Services function of state government engages in a broad spectrum of activities including, but not limited to, income supports, client subsidies, case management and residential supports, and medical regulation, prevention, treatment, and rehabilitation services.

For FY 2011, the Governor recommends a revised all funds budget of $2.930 billion. Of this total, there is $1.031 billion in general revenues, $1.842 billion in federal funds, $42.0 million in restricted receipts, and $14.7 million in other funds. This reflects a reduction of $798,043 in general revenues, an increase of $90.5 million in federal funds, a decrease of $151,566 in restricted receipts, and a decrease of $3.0 million in other funds relative to the FY 2011 enacted budget. The Governor recommends 3,645.2 full-time equivalent positions in the FY 2011 revised budget, which is an increase of 84.6 FTE positions from the FY 2011 enacted budget. Total staffing authorizations recommended for FY 2012 are 3,651.7 FTE.

For FY 2012, 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; Elderly Affairs; Health; Human Services; Behavioral Healthcare, Developmental Disabilities, and Hospitals; and Veterans' Affairs. The Governor remains a stalwart 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. The Governor is further committed to preventing child abuse and neglect by intervening for and on behalf of abused and neglected children and youths 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.

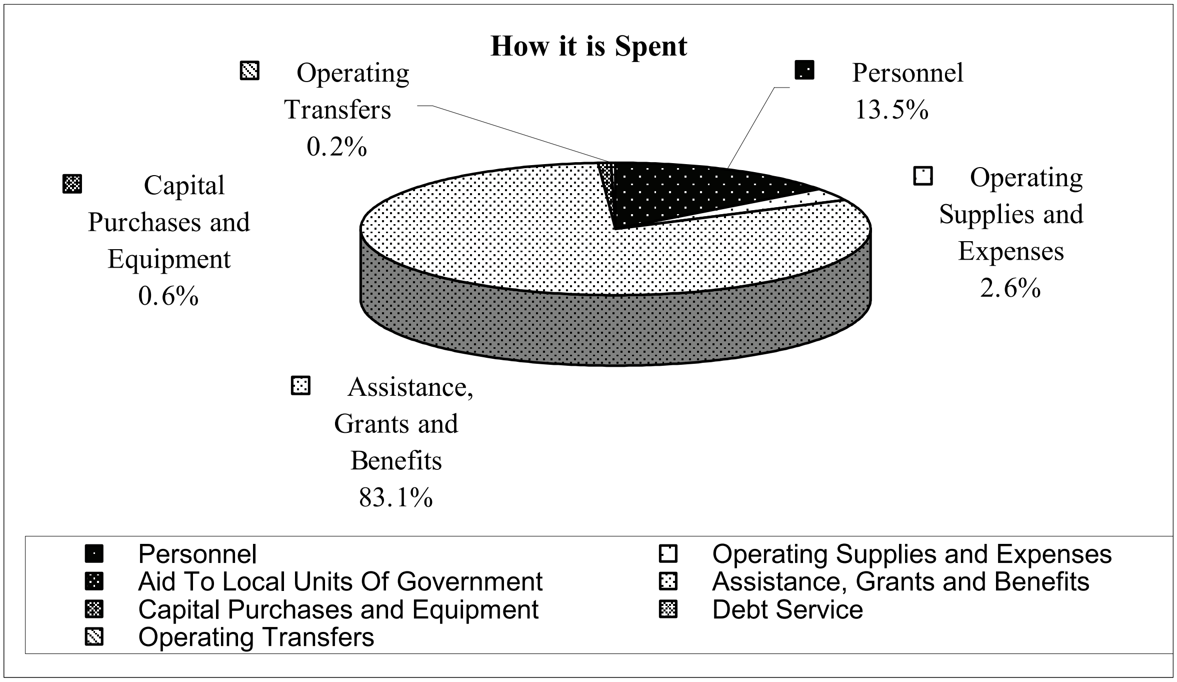
The Governor's proposed funding level of $2.960 billion for FY 2012 protects services for the State's most vulnerable populations. This proposal consists of $1.039 billion in general revenues, $1.858 billion in federal funds, $47.3 million in restricted receipts, and $16.6 million in other funds. The FY 2012 recommendation constitutes 39.4 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 2012 recommendation for the human service agencies and departments.

Human Services



The Governor's FY 2012 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, which includes purchased services, accounts for $399.8 million, or 13.5 percent, of all expenditures programmed for human services. Other operating expenditures are recommended at $77.0 million, or 2.6 percent, of proposed total human services expenditures, with capital purchases slated for $19.0 million, or 0.6 percent. Grants and benefits expenditures of $2.459 billion account for the largest outflow of identified resources, reflecting 83.1 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



Human Services

Executive Office of Health and Human Services

The Governor recommends total expenditures of $7.7 million for the revised FY 2011 budget of the Executive Office of Health and Human Services (EOHHS). This is comprised of general revenues totaling $3.5 million, federal funds of $3.3 million, and restricted receipts of $891,857. Relative to FY 2011 enacted levels, recommended general revenue financing increases by $120,949, or 3.5 percent, while federal financing increases by $435,483 million, or 15.2 percent. Restricted receipts, representing indirect cost recoveries on various federal grants supporting personnel expenditures, increase by $17,844, or 2.0 percent. The increase in general revenues in the current year is largely driven by the addition of two key leadership positions in accordance with the priorities of the newly appointed Secretary of Health and Human Services: Deputy Secretary and Administrative and Legal Support Services Administrator. Collectively, these 2.0 FTE present a partial year cost of $179,435, which is offset by downward adjustments of $58,486 to the Office's base general revenue financing levels.

The Governor recommends total expenditures of $16.8 million for the FY 2012 budget of the Executive Office of Health and Human Services. This is comprised of general revenues totaling $9.6 million, federal funds of $6.3 million, and restricted receipts of $904,712. Relative to FY 2011 enacted levels, recommended general revenue financing increases by $6.2 million, or 181.4 percent, while federal financing increases by $3.4 million, or 117.5 percent. Restricted receipts increase by $30,699, or 3.5 percent.

The significant increases to both general revenues and federal financing in FY 2012 are largely reflective of a major realignment of the personnel structure of EOHHS in relationship its subsidiary departments (the Departments of Human Services; Behavioral Healthcare, Developmental Disabilities, and Hospitals; Children, Youth and Families; Elderly Affairs; Health; and Veterans' Affairs). The key component of this effort is the transfer of 80.0 FTE forming the administrative and policymaking staff of the Medical Assistance (Medicaid) program from the Department of Human Services to the Executive Office in FY 2012. In keeping with the EOHHS organizational model set forth by the Secretary, this transition establishes EOHHS as the "Single State Agency" for Medicaid administration within Rhode Island. Also included is a net transfer-out of 6.6 FTE from the Executive Office to other departments under the EOHHS umbrella. These particular FTE are not explicitly affiliated with the administration of the Medical Assistance program, and were transferred in order to rationalize the final FY 2012 human services rosters in concert with actual job specifications. Taken together, these modifications account for $6.1 million, or 99.1 percent, of the increase in general revenue financing recommended for the Executive Office in FY 2012.

The Governor recommends staffing authorizations of 77.6 FTE positions in FY 2011, an increase of 2.0 FTE from the enacted FTE ceiling for the aforementioned senior staff positions. For FY 2012, the Governor recommends staffing authorizations of 149.0 FTE, an increase of 73.4 FTE relative to the enacted level. This increase is comprised of (1) the transfer of 80.0 Medicaid FTE into EOHHS and (2) the net withdrawal of 6.6 other FTE (23.0 FTE transferred from and 29.6 FTE remanded to their originating departments) from the Executive Office, inclusive of the two senior management positions added in FY 2011.

Human Services

Department of Children, Youth and Families

The Governor recommends $230.1 million in the revised FY 2011 Budget for the Department of Children, Youth and Families, including $152.9 million in general revenue, $72.8 million in federal funds, $2.5 million in restricted receipts, and $1.9 million in other funds. The Governor's revised Budget includes a net decrease of $172,646 in general revenue expenditures, which represents a 0.1 percent decrease from the enacted budget.

The enacted FY 2011 budget for the Department of Children, Youth, and Families contained $1.4 million in stimulus funds that had to be restored to general revenues due to a loss in American Recovery and Reinvestment Act funds (ARRA) funds from what was originally anticipated for the human service agencies in the enacted budget.

The Department continues to implement its System of Care Transformation, which restructures programs into a more community-based system of support. The goal of the restructuring is to deliver more children's 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 and is well under way. This Phase was the establishment of Family Care Community Partnerships (FCCP) for families with children and youths 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.

The Department made outstanding progress in reducing the lengths of stay in some residential programs and reducing the number of children in out-of-home care, which contributed to a general revenue savings of approximately $2.1 million in FY 2011 by implementing a 90 day length of stay policy with the program's vendors.

Other major general revenue changes from the FY 2011 enacted budget include the following:

- an increase in turnover savings of $3.2 million;
- an increase of $1.0 million in overtime in the Juvenile Corrections and Child Welfare programs; and
- an increase of $2.1 million in grants and benefits partially due to delay in the request for proposals for a vendor that would be responsible for building a comprehensive network of accessible formal and informal services and supports.

The Governor's recommendation includes a total of 691.0 FTE positions for FY 2011, which is consistent with the enacted level.

The Governor recommends total expenditures of $210.9 million in FY 2012 for the Department of Children, Youth and Families. This is comprised of $139.4 million in general revenue, $62.9 million in federal funds, $5.6 million in restricted receipts, and $3.1 million in other funds. The recommended FY 2012 general revenue Budget decreases by $13.6 million from the enacted FY 2011 Budget.

In FY 2012, the Governor recommends a shift of $7.5 million to general revenues that had previously been ARRA financed expenditures and an additional $3.8 million for base adjustments in the federal match and trend growth associated with Medicaid. The Department has been successful in offsetting this shift along with creating other significant savings by continuing to implement Phase Two of the system of care transformation. This phase includes the reprocurement of purchased services and practice improvements that reduce residential placement durations for a general revenue savings of $9.4 million. Other practice improvement savings total $3.0 million in general revenue and consist of establishing uniformity in adoption training, child placement agency rates, and residential rates; changes in investigative criteria; reductions in caseloads; and improvements to Juvenile Corrections clinical services and electronic monitoring program. The Department assumes a savings of $1.1 million in general revenues through increasing the eligibility rates for social security claiming, costs not otherwise matchable (CNOM's), and Title IV-E funding.

Currently, Local Education Authorities are responsible for reimbursement of education expenses for children in purchase of service placements with on-site school programs. The Governor's recommendation includes a savings of $2.1 million in general revenues by expanding that responsibility for all out-of-home juvenile justice placements, including the Rhode Island Training School, Camp E Huntee, NAFI, ACE and Ocean Tides. In addition, there will be a revenue increase of $169,000 for the institution of a Social Security Administrative fee and a $100,000 fee for departmental clearances.

The Department estimates a general revenue savings of $8.5 million prior to the system of care transformation related to out-of-home placement expenditures based on the utilization trends that it has experienced since FY 2008, the proposed changes to investigative criteria for removals, and imitating services to victims of maltreatment only. Included in the FY 2012 recommended Budget is $1.5 million in contract reductions with outside vendors, to be absorbed by the overall network services.

The Governor recommends savings of $1.6 million associated with the consolidation of the Training School operations. This initiative would consolidate the girl's unit into the Youth Development Center (YDC) on Power Road. To accomplish this, the boys would be housed in three of the four existing residential pods. The fourth pod would be used to house female residents.

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 2012.

Other major general revenue changes for FY 2012 from the FY 2011 enacted budget include the following:

- an increase in turnover savings of $2.2 million; and
- an increase of $1.1 million in overtime in the Juvenile Corrections and Child Welfare programs.

This recommendation includes a total of 662.5 FTE positions in FY 2012, which is 28.5 FTE less than the FY 2011 enacted and revised Budget recommendation. This includes an addition of 2.0 FTE related to the reorganization of the Executive Office of Health and Human Service agencies and an agency-wide reduction of 30.5 funded FTE associated with the initiatives above.

Human Services

Department of Elderly Affairs

The Governor recommends a revised budget for FY 2010 of $32.2 million for the Department of Elderly Affairs, comprised of $9.6 million from general revenues, $21.8 million from federal funds and $745,091 from restricted receipts. This revised level is $5.5 million more than the enacted FY 2010 budget and consists of $452,360 less general revenues, $5.9 million more federal funds and $69,160 more restricted receipts.

The decrease in general revenue expenditures compared to the FY 2011 authorized level is due primarily to the rebasing of Medicaid financing participation rates, which was on average 2.58675 percent less than the state FY 2011 enacted participation rate, which yields less general revenue commitment of $527,671. For federal funds, the increase is due to additional federal commitment of 1) $2.1 million for Special Programs for the Aging (Title III, Part B – Grants for Supportive Services and Senior Centers) and 2) $2.0 million for Special Programs for the Aging (Title III, Part C – Nutrition Services---all of which were granted by the Administration on Aging (US Department of Health and Human Services).

For FY 2012, the Governor recommends expenditures of $27.5 million, comprised of $9.3 million from general revenues, $17.8 million from federal funds and $397,091 from restricted receipts. This proposed level of spending is $4.7 million less than the level recommended in the Governor's revised FY 2011 budget and comprises $328,648 less general revenues, $4.1 million less federal funds and $348,000 less restricted receipts. Compared to the FY 2011 authorized expenditure level, it is $773,552 less and comprises $781,008 less general revenues, $1.8 million more federal funds and $278,840 less restricted receipts. The net reduction in general revenue from the FY 2011 enacted level, reflected in the Governor's FY 2012 recommendation, consists of net cost savings of $477,709 due to an advance drawdown, for cash flow purposes, of Title III funding, which permits the shift of administrative general revenue costs to this federal source coupled with the elimination/repeal of the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, which contributes a net cost savings of $300,927.

Due to the implementation of the federal Patient Protection and Affordable Care Act (PPACA), the Governor proposes to discontinue the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program effective July 1, 2011. This is in consideration of one of the provisions of PPACA that became effective on September 23, 2010 and allowed for the payment of a $250 rebate to individuals affected by the Medicare Part D coverage gap, 50% of which is expected to be eliminated in calendar year 2011 and by 2020, to be completely eliminated. The RIPAE program, since its inception a number of years ago, has provided a prescription drug benefit for over 18,000 Rhode Islanders 65 years old or older and recipients of Social Security Disability Income who are 55 years old or older.

For federal funds expenditures, the net increase is due to additional federal commitment of 1) $1.5 million for Special Programs for the Aging (Title III, Part B – Grants for Supportive Services and Senior Centers), 2) $210,858 for Special Programs for the Aging (Title III, Part C – Nutrition Services) and 3) $185,636 for Special Programs for the Aging Title IV and Title II – Discretionary Projects)---all of which were granted by the Administration on Aging (US Department of Health and Human Services). For restricted receipts expenditures, the decrease, compared to the FY 2011 enacted level, is due to the elimination/repeal of the RIPAE program, which is financed in part by rebates from participating pharmaceutical concerns.

The Governor recommends an FTE positions ceiling of 31.0 FTE positions in the FY 2011 revised budget and 32.0 FTE positions in the FY 2012 budget. The net increase of 1.0 FTE position results from a staffing reorganization between the department and Executive Office of Health and Human Services which includes the transfer out of an Associate Director (Gr. 141) and transfers in of a Fiscal Management Officer (Gr. 326) and Chief, Program Development Officer (Gr. 134).

Department of Health

The Governor recommends total expenditures of $156.9 million in the FY 2011 revised budget, including $28.3 million from general revenue, $102.6 million from federal funds, and $25.9 million from restricted receipts and $116,200 from other funds. This represents a net increase of $40.7 million from FY 2011 enacted levels, including $697,673 more general revenue, $39.3 million more federal funds, $786,731 more restricted receipts and $63,641 less other funds.

The increase in general revenue expenditures from FY 2011 enacted level is due primarily to the purchase of additional formulary for participants in the AIDS Drug Assistance Program (ADAP) necessitated by increases in the costs of formulary and caseloads, the incremental benefit expenditure of which is $562,196. On the other hand, the increase in federal funds expenditures over the levels authorized in the FY 2011 Budget Act is due to the following: 1) Public Health Emergency Preparedness funding of $2.3 million from the Centers for Disease Control and Prevention (US Department of Health & Human Services) to support the National Response Plan and National Incident Management System; 2) National Bioterrorism and Hospital Preparedness funding from the Office of the Secretary of the US Department of Health & Human Services to have hospitals and other health care delivery systems ready for victims of terrorism and other public health emergencies; 3) restoration and transfer of the Special Supplemental Nutrition Program for Women, Infants and Children, which added $19.5 million in additional administrative and benefits expenditures; 4) donated vaccines valued at $10.1 million from the Centers for Disease Control and Prevention (US DHHS) under its Immunization Grants program to immunize individuals against vaccine-preventable diseases; and 5) additional funding of $1.7 million from the Health Resources and Services Administration (US DHHS) under its Maternal and Child Health Service Block Grant to States program. Finally the increase in restricted receipts expenditures is due to additional financial resources derived from internal department assessments of federal grants it administers, which is expected to generate additional revenues and expenditures of $410,031 in addition to $177,141 in additional costs financed by unspent cash resources of $385,818 from fee revenues generated from the regulation of radioactive materials.

For FY 2012, the Governor recommends total expenditures of $151.4 million for the Department of Health. This includes $26.7 million from general revenues, $98.0 million from federal funds, $26.7 million from restricted receipts and $63,400 from other funds. This level of funding is $35.3 million or 30.4 percent more than the level authorized in the FY 2011 enacted budget. This increased level of funding consists of $876,659 less general revenues, $34.7 million more federal funds, $1.6 million more restricted receipts and $116,441 less other funds. Compared to FY 2011 revised funding levels, the FY 2012 recommendation by the Governor from all sources is $5.4 million less, consisting of $1.6 million less general revenues, $4.6 million less federal funds, $801,055 more restricted receipts, and $52,800 less other funds.

Compared to enacted FY 2011 budget, the decrease in general revenue expenditures is due primarily to a budget planning process initiated by the Executive Office of Health and Human Services, which recognized, after a month's long deliberation, the following cost savings measures within the Department of Health: 1) reduction in the scope of required examinations by the State Medical Examiner's program; 2) elimination of the Certificate of Need (CON) process; and 3) elimination of all state funds, except those required as state match, for predominantly federally funded programs. Combined, these initiatives are projected to save approximately $3.2 million.

The Governor also proposes to transfer the general revenue funding of $775,000 for the Rhode Island State Crime Laboratory to Public Higher Education (University of Rhode Island) effective July 1, 2011.

General revenue cost savings are offset by additional outlay of $1.2 million for the purchase of formulary benefiting the AIDS Drug Assistance Program due to anticipated price increases in its costs and program caseloads.

For federal funds expenditures, the increase over the levels authorized in the FY 2011 Budget Act is due primarily to the following additional funding: 1) National Bioterrorism and Hospital Preparedness of $1.4 million expected from the Office of the Secretary of the US Department of Health & Human Services for hospitals and other health care delivery systems readiness for victims of terrorism and other public health emergencies; 2) restoration and transfer of the Special Supplemental Nutrition Program, which adds $19.6 million in additional administrative and benefits expenditures; 3) anticipated continuation of donated vaccines valued at $10.2 million from the Centers for Disease Control and Prevention (US DHHS) under its Immunization Grants program to immunize individuals against vaccine-preventable diseases; and 4) continuation of funding of $1.3 million expected from the Health Resources and Services Administration (US DHHS) under its Maternal and Child Health Service Block Grant to States program.

For restricted receipts expenditures, the increase in the Governor's FY 2012 recommendation over the level authorized in the FY 2011 enacted budget consists of: 1) FTE positions program expansion in Central Management, netting a personal service cost increase of $996,870, coupled with a similar increase in Environmental and Health Services Regulations of $322,116 for the shift of two FTE positions from general revenue to restricted receipts (Managed Care Regulation) due to the elimination of activities and functions related to the certificate of need program. The increase in this source is also attributed to anticipated increased cost of $244,203 related to the licensing and regulation of radioactive materials.

The Governor's revised FY 2011 full time equivalent (FTE) positions recommendation is 468.7 FTE positions or 58.0 full time equivalent (FTE) positions more than the ceiling authorized in the FY 2011 enacted budget. The majority of the financing for the related personal services costs attributed to this FTE positions program increase department-wide is financed from non-general sources, including federal ARRA and non-ARRA grants as well restricted receipts. For FY 2012, the Governor recommends 473.3 FTE positions or 62.6 FTE positions more than the original ceiling authorized for FY 2011 and 4.6 FTE positions more than the level recommended in the Governor's FY 2011 revised budget. FY 2012 increase over the FY 2011 revised ceiling of 4.6 FTE positions is due to staffing re-organization between the department and the Executive Office of Health & Human Services, which resulted to the transfer of 4.6 FTE financial and fiscal positions from the EOHHS.

Department of Human Services

The Governor recommends total expenditures of $2.223 billion for the revised FY 2011 budget of the Department of Human Services (DHS). This is comprised of general revenues totaling $736.6 million, federal funds of $1.470 billion, restricted receipts of $10.6 million, and other fund expenditures of $5.0 million. Relative to FY 2011 enacted levels, recommended general revenue financing increases by $21.2 million, or 3.0 percent, while federal financing decreases by $85.8 million, or 5.5 percent. The additional general revenue in the revised budget is largely driven by a $17.4 million increase in planned expenditures for the Medical Assistance (Medicaid) program, reflecting the combined result of estimates adopted at the November 2010 Caseload Estimating Conference (CEC) and certain initiatives set forth in the Department's FY 2011 constrained budget. Compounding the general revenue increase within

Medical Assistance were upward revisions to the Supplemental Security Income program ($1.3 million) and the Child Care Assistance Program ($2.3 million), each reflecting the November 2010 Caseload Estimating Conference results.

With respect to Medicaid expenditures, the Governor recommends FY 2011 revised general revenue financing commensurate with the Federal Medical Assistance Percentage (FMAP), as enhanced by the provisions of the American Recovery and Reinvestment Act (ARRA) and Public Law 111-226 (*The Education Jobs and Medicaid Assistance Act*). These enhancements increase the prevailing FMAP from a base level of 52.89 (52.97) percent to an enhanced level of approximately 62.26 (59.52) percent in FY (FFY) 2011. Note that original FY 2011 appropriations for Medicaid were finalized prior to the passage of Public Law 111-226 (August 2010), which extended the ARRA-based FMAP enhancement to the final two quarters of the state fiscal year, but at lower rate than contemplated in the enacted budget. Although this discrepancy was rectified as part of the November CEC process, the correction accounts for the entirety of the increased FY 2011 general revenue requirement for the MA program. Within the FY 2011 revised budget, federal financial participation in Rhode Island's Medical Assistance program totals $977.0 million, consisting of $133.0 million in ARRA-enhanced FMAP funding.

The November 2010 Caseload Estimating Conference adopted an additional $18.8 million in general revenues for the Medical Assistance program and $3.6 million in additional financing for programs of cash assistance in FY 2011. Where applicable, the following expenditure changes to these programs are incremental to those adopted by the Conferees.

In light of the imminent loss of federal stimulus financing in FY 2012, and as part of a recent reassessment of the budgetary priorities of all departments under the auspices of the Executive Office of Health and Human Services, the Governor recommends multiple efforts toward retrenchment throughout the EOHHS spectrum. Due to its predominance in the Department's program budget structure, the majority of these initiatives in DHS concern the Medicaid program. For FY 2011, these include the following (with associated general revenue savings displayed):

- A reduction to non-emergency transportation rates, including the mileage rate paid for wheelchair vans from $1.75 per mile to $.51 per mile coupled with a new flat rate for non-wheelchair van transportation at $22 per trip, with no additional mileage surcharge; ($714,511).
- A partial replacement of financing provided under the CNOM (see below) for Early Intervention with IDEA Part C (100 percent) federal funds; ($706,725).

In FY 2011, further adjustments to general revenues are witnessed throughout the Department's five administrative programs, yielding net additional general revenues of $248,773. Salient among these is an increase of $541,514 to finance the Department's assumption of administrative responsibility for the State Supplemental Payments (SSPs) to beneficiaries of the federal Supplemental Security Income (SSI) program, effective January 1, 2011. Specifically, these general revenues will support 4.0 additional FTE, up-front and recurring InRhodes system programming costs, transaction costs, banking costs, postage, and other miscellaneous operating expenses. Pursuant to Article 3 of the FY 2011 Appropriations Act, the Department now processes the disbursement of SSPs and has also assumed control of eligibility determination for the small subset of SSP recipients who receive no federal SSI payment. These functions were formerly provided by the U.S. Social Security Administration, which charged the State a monthly fee per transaction. Significant current year expenditure plan adjustments are also recommended for contracted services within the Division of Veteran's Affairs, primarily for nursing pool services ($442,450), as well as in the Health Care Quality, Financing, and Purchasing Program (HCQFP) for technical support of the Medical Assistance program ($167,160).

The Governor's FY 2011 revised budget for the Department maintains general revenue savings from Costs Not Otherwise Matchable, or "CNOM" items that were enacted as part of the original FY 2011 budget. These are formerly State-only programs that became eligible for federal financial participation under the provisions of the Global Consumer Choice Compact Section 1115 Demonstration (i.e. the "Global Waiver"). Note that a "CNOM" does not entail systemic savings, but rather a zero-sum shift of cost between sources of funding, resulting in general revenue cost-avoidance in the following CNOM areas: General Public Assistance (Medical), $819,718; Early Intervention, $1.3 million; Home Modification, $105,770; Personal Care Attendants, $187,797; Social Services for the Blind, $146,129; the RIDE Transportation Program, $196,601; and Community Health Centers, $634,620. The Department will continue the operation of these "Costs Not Otherwise Matchable" initiatives in FY 2012.

The Governor recommends total expenditures of $2.240 billion for the FY 2012 budget of the Department of Human Services. This is comprised of general revenues totaling $864.1 million, federal funds of $1.360 billion, restricted receipts of $11.9 million, and other fund expenditures of $4.5 million. Relative to FY 2011 enacted levels, recommended general revenue financing increases by $148.8 million, or 20.8 percent, while federal financing decreases by $196.7 million, or 12.6 percent. The significant general revenue increase in the FY 2012 budget is largely driven by a $171.2 million increase in planned (general revenue) expenditures for the Medical Assistance (Medicaid) program, reflecting the combined result of estimates adopted at the November 2010 Caseload Estimating Conference (CEC) tempered by a slate of newly developed savings initiatives for FY 2012 (discussed below). It should be noted that the establishment of the Department of Veterans' Affairs as of July 1, 2011 entails the withdrawal of all FY 2012 financing for the DHS Division of Veterans' Affairs, thus suppressing the overall increase in general revenues by $19.0 million.

Although the enhanced FMAP provisions of both the American Recovery and Reinvestment Act and Public Law 111-226 avail the Department of significant fiscal relief in FY 2011, these enhancements will expire on June 30, 2011. This gives rise to the so-called FY 2012 "FMAP cliff", requiring appropriations of state funds to replace federal stimulus funds that are no longer authorized in federal law. General revenues for the Medicaid program adopted at the November 2010 CEC, which incorporated the expiration of the ARRA-enhanced FMAP in FY 2012, were $191.6 million above the FY 2011 enacted level. The magnitude of the "FMAP cliff" is starkly illustrated by the fact that all-funds Medicaid expenditures adopted at the November 2010 CEC were $55.9 million above the FY 2011 enacted budget, less than a third of the general revenue increase. Commencing on July 1, 2011, the FMAP reverts to a base level of 52.97 for the first quarter of FY 2012, followed by a decrease to 52.12 on October 1, 2011 for the remainder of the fiscal year.

The November 2010 Caseload Estimating Conference adopted an additional $191.6 million in general revenues for the Medical Assistance program and $1.6 million in additional financing for programs of cash assistance in FY 2012. Where applicable, the following expenditure changes to these programs are incremental to those adopted by the Conferees.

As in prior years, the Department has identified multiple opportunities for reform within its Medicaid program, many of which will provide significant budgetary relief in FY 2012 and beyond. Again, these initiatives were formulated during an EOHHS-wide reappraisal of the budgetary priorities of all human services departments, and can generally be categorized either as systemic changes to models of service delivery or reformation of prevailing provider rate structures. Specifically, the Governor recommends that the Department, under the guidance of the Executive Office, pursue the following major savings initiatives within the DHS Medical Assistance program in FY 2012:

- Nursing Home Rate Reform, general revenue savings of $6.1 million: Rhode Island's Medical Assistance program currently reimburses nursing homes through the principles of reimbursement payment methodology which is based on each nursing home's cost. Switching to a price-based methodology will allow the department to save in administrative rate-setting costs. The Department also seeks to reduce rates through a new payment methodology that reimburses nursing homes appropriately based on the needs of Medicaid beneficiaries.

- Outpatient Hospital Rate Reform for Medicaid Managed Care, general revenue savings of $2.7 million: RIGL 40-8-13.4 currently freezes outpatient Medicaid managed care payment rates until December 31, 2011. This proposal would limit subsequent rate increases to no greater than the trend established by the Centers for Medicare and Medicaid Services (CMS) Outpatient Prospective Payment System (OPPS) input price index.

- Health Homes Phase I – CEDARR, general revenue savings of $1.3 million: This initiative would allow Rhode Island to take advantage of a "Health Home" initiative offered under the Affordable Care Act and receive an enhanced (90 percent) FMAP rate for a set of services that are defined in the Act as a "Health Home". The department will implement the Health Home initiative in several phases, beginning in September 2011 with the population of children receiving services from CEDARR centers.

- Children's Health Account Enhancements, general revenue savings of $4.2 million: The Governor recommends a $4.2 million enhancement of the restricted revenues generated by Children's Health Account assessments. This will be achieved through both an increase in the maximum "per child per service" assessment level from $6,000 to $7,500 and an expansion of the definition of countable program spending. Children's Health Account receipts offset expenditures of general revenues on a dollar-for-dollar basis within the Medical Assistance program.

- Money Follows the Person Rebalancing Demonstration grants, general revenue savings of $2.5 million: In February 2011, Rhode Island was approved to utilize new federal grant monies to balance long-term care systems and help Medicaid enrollees transition from a consecutive 90 day stay in a qualified institution to the community. Under this program, certain administrative costs are matched with 100 percent federal funds. Specified home and community-based services (HCBS) will receive a 76 percent federal match.

- Non-Emergency Transportation Rate Reform, general revenue savings of $2.2 million: Commencing in FY 2011 (see above), the mileage rate paid for wheelchair vans will be reduced from $1.75 per mile to $.51 per mile coupled with a new flat rate for non-wheelchair van transportation at $22 per trip, with no additional mileage surcharge.

The Governor's FY 2012 recommendations for the programs of cash assistance administered by the Department of Human Services are as follows:

- Rhode Island Works (formerly the Family Independence Program) and Subsidized Child Care: Total Financing of $89.4 million, consisting of $10.6 million in general revenues, reflecting caseloads as adopted by the November 2010 Consensus Caseload Estimating Conference.

- Supplemental Security Income Program (SSI): Total financing of $18.9 million, consisting entirely of general revenues and reflecting caseloads as adopted by the November 2010 Consensus Caseload Estimating Conference.

- General Public Assistance (GPA): *Bridge Program:* $838,680 in general revenues, consistent with adopted caseload levels. *Burials:* $620,000 in general revenues, consistent with adopted caseload levels. *GPA Medical*: $858,060 in general revenues, consistent with adopted caseload levels. *GPA Hardship Contingency Fund*: $420,000 in general revenues, consistent with the FY 2012 Appropriations Act.

The Governor also recommends the Department maximize its usage of allowable federal administrative expenses under the TANF block grant. Accordingly, in FY 2012 a portion of the grant will be utilized to support an additional $1.6 million in contracts and administrative expenditures for the Rhode Island Works Program. As a substitution of federal funds for general revenues, there is no impact on service levels due to this transfer.

As detailed in this section under the Executive Office of Health and Human Services (EOHHS), the Governor recommends a significant restructuring of personnel within the Division of Health Care Quality, Financing, and Purchasing (HCQFP). This Division is the administrative, contracting, and policymaking branch of the Department's Medical Assistance (Medicaid) program. In FY 2012, 81.0 FTE will be transferred from the HCQFP roster to that of the Executive Office, prompting the withdrawal of $5.5 million in general revenues from the Division's budget. Other components of the Division remain financed at current service levels, but with an upward adjustment to contract services of $0.8 million for the maintenance of the current Medicaid Management Information Systems (MMIS) "fiscal agent" contract and for MMIS system reprogramming activities during the phase-in of the new MMIS contract.

The Governor recommends staffing authorizations of 674.0 FTE positions in FY 2012, a decrease of 314.2 FTE compared to the FY 2011 revised level of 988.2. This decrease consists of three distinct components: (1) the removal of 4.0 FTE associated with the administration of the Jobs Now Rhode Island program, discontinued as of September, 2010; (2) the withdrawal of all 229.2 FTE within the Division of Veterans' Affairs; and (3) the transfer of 81.0 FTE from HCQFP to the Executive Office of Health and Human Services for administration and oversight of the Medical Assistance program.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

The Governor's revised FY 2011 budget for the Department of Behavioral Healthcare, Developments Disabilities, and Hospitals totals $455.3 million, including $170.9 million in general revenue, $264.4 million in federal funds, $8.0 million in restricted receipts, and $11.9 million in other funds. On an all funds basis, the $455.3 million revised budget is $8.5 million more than the FY 2011 enacted budget of $446.8 million, consisting of the following net changes: an increase of $7.2 million in general revenue, increase of $4.5 million in federal funds, decrease of $594,762 million in other funds, and decrease of $2.6 million in restricted receipts.

The enacted FY 2011 budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals contained $7.5 million in stimulus funds that had to be restored to general revenues due to a loss in American Recovery and Reinvestment Act funds (ARRA) funds from what was originally anticipated for the human service agencies in the enacted budget.

Human Services

Department-wide, the Governor's recommendation includes an additional $505,214 in general revenues from the enacted level for salaries and benefits due to the agency not achieving turnover rates as anticipated in the enacted budget. Overtime expenditures also increased $3.2 million, mostly in the Hospital and Community Rehabilitation Services program, due to high vacancy rates in this program.

There is a decrease of $1.6 million in operating costs at the hospitals, which is the result of savings initiatives implemented in pharmaceuticals and medical supplies.

For FY 2011, the Governor recommends an authorized FTE level of 1,372.2 FTE positions, which is consistent with the FY 2011 enacted budget.

The Governor's FY 2012 recommendation totals $442.0 million, including $190.5 million from general revenue, $220.0 million from federal funds, $8.0 million from restricted receipts, and $23.4 million from other funds. The general revenue portion of the budget reflects an increase of $26.8 million from the FY 2011 enacted budget.

There is a shift of $41.4 million in FY 2012 from stimulus funds to general revenues and an increase of $3.2 million related to base adjustments in the federal match and trend growth associated with Medicaid. This total increase to general revenue funds (including personnel adjustments) added to the FY 2011 enacted budget of $163.7 million brings the current service level for FY 2012 for the Department to $210.4 million. The Department has been successful in offsetting a portion of this shift to general revenue by implementing significant savings associated with program changes that are explained below.

The Governor's recommendation for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals for FY 2012 includes a savings of $13.4 million in general revenue for Home Health funding. This initiative allows the Department to utilize an enhanced rate in federal funding for individuals who meet the Home Health criteria and receive services through a designated Home Health provider (eligible providers include mental health centers, physician and clinical practices; and other types of health organizations). Eligibility criteria for this program includes individuals who meet one of the following criteria: 1) have at least two chronic conditions; 2) have one chronic condition and are at risk for another; 3) or have one serious and persistent mental health condition.

Project Sustainability is the administration of a nationally recognized validated assessment tool, the Supports Intensity Scale (SIS), to the entire population of consumers served by the system. The development and implementation of a new rate and payment methodology applied to all service providers (and replacing the several different methods of payment and rate development currently in use) will increase transparency and consistency across the system.

The result of these changes will be a system that is more easily described and understood and a rational 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.

Throughout calendar year 2010, the Department of Behavioral Health, 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. It is anticipated that as the new assessment tool is implemented, assessment data will be compared to utilization data and resource allocations will be refined and rates will be adjusted as needed creating a general revenue savings of $2.2 million in FY 2012.

The Governor recommends a reduction of $1.5 million from general revenues for overtime expenditures at the Eleanor Slater Hospital. The Department plans to fill vacant positions at the funded level, which, in turn, will reduce the expenditures of paying individuals at overtime rates.

Other reductions recommended by the Governor in FY 2012 are listed below:

- a general revenue decrease of $875,000 for FY 2012, which is related to the closure of six residences and the reduction of utilization of clinics and contract services in the RICLAS system;
- a reduction of $50,000 for changes to behavioral health outpatient services and $600,000 by increases to eligibility requirements in the CMAP program;
- a decrease of $733,311 by reducing funding for adolescent residential substance abuse treatment and requiring that providers seek funding through third party payers; and
- a reduction of $1.0 million by reducing financing for substance abuse treatment programs.

For FY 2012, the Governor recommends an authorized FTE level of 1,376.2 positions, which is 4.0 FTE more than the FY 2011 enacted and revised budgets. This increase is related to the reorganization of FTE within the Executive Office of Health and Human Service agencies.

Department of Veterans' Affairs

Chapter 233 of the Public Laws of 2009 set forth Chapter 152 of Title 42 of the General Laws, repealing the statutory authority for the DHS Division of Veterans' Affairs and establishing a new department of state government under the auspices of the Executive Office of Health and Human Services: the Department of Veterans' Affairs (DVA). All powers and duties with respect to the Division's operations were transferred from the Director of Human Services to the Director of Veterans' Affairs, who is to be an honorably discharged war veteran appointed by the Governor with the advise and consent of the Senate. The Director, in turn, will appoint administrators to both the Veterans' Home and the Veterans' Memorial Cemetery, both of whom shall also be honorably discharged veterans of the U.S. armed forces. Encompassing the Rhode Island Veterans' Home, the Office of Veterans' Affairs, and the Rhode Island Veterans' Memorial Cemetery, the Department of Veterans' Affairs provides social casework, nursing care, medical, and rehabilitative services to eligible veterans residing in Rhode Island.

The Governor recommends total expenditures of $28.7 million for the FY 2012 budget of the Department of Veterans' Affairs. This is comprised of general revenues totaling $19.0 million, federal funds of $8.0 million, and restricted receipts of $1.6 million. The basic premise of this recommendation is to accommodate the FY 2012 funding requirements of the three components of the former Division. However, FY 2012 financing levels for DVA also reflect two distinct programmatic changes that will alter both the personnel structure of the former Division as well as the operations of the Rhode Island Veterans' Home and the Office of Veterans' Affairs.

Specifically, the Governor recommends additional general revenues of $482,642 for 5.0 new FTE to appropriately staff the new Department pursuant to RIGL 42-152: the Director of Veterans' Affairs plus four new positions designed to augment service capacity at the Office of Veterans' Affairs. Also recommended for FY 2012 is a dual initiative that will consolidate nursing operations at the Veterans'

Home while concurrently planning for a 54-patient increase in the resident census. Commencing in early FY 2012, the Veterans' Home will consolidate from seven to five nursing units, yielding general revenue savings in both overtime expense ($1.0 million) and pool nursing contracts ($1.1 million). The second phase of this initiative, commencing in FY 2013, entails increasing the average monthly resident census to approximately 245 veterans through the elimination of the Veterans' Home admission waiting list. To adequately prepare to meet the nursing care requirements of these new residents, additional clinical staff (35.0 FTE) will be hired during the final four months of FY 2012 at a total cost of $679,880. In FY 2013, expenditures incurred for heightened staffing levels at the Home will be partially offset by a greater leveraging of federal "per diem" reimbursements from the U.S. Veterans' Administration.

To further support the attendant costs of the Department's operations and capital improvement plan, the Governor recommends an increase to the monthly maintenance fee charged to residents of the Veterans' Home. Currently, residents are assessed 80 percent of net income, defined as gross income less: (1) applicable state and federal taxes, (2) a $150 monthly disregard, (3) any amount received as compensation for certain war-related injuries, and (4) any support paid by the resident for permanently blind or totally disabled relatives. The Governor recommends maintaining the definition of net income as it exists in current statute (RIGL 30-24-10) and raising the rate of assessment from 80 percent to 100 percent of resident net income. Per current law, the disposition of additional revenues generated by this fee increase (approximately $1.0 million in FY 2012) will be apportioned between State general revenues (80 percent) and the Veterans' Home restricted receipt account (20 percent).

The Governor recommends staffing authorizations of 268.2 FTE in FY 2012, inclusive of the 40.0 FTE expansion described above. One FTE position appearing on the FY 2011 revised roster of the former Division, Associate Director of Veterans' Affairs, is not recommended for FY 2012.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of $818,629 for FY 2011 for the Commission on Disabilities. This consists of $363,308 in general revenue, $196,213 in federal funds, $250,000 from the Rhode Island Capital Plan Fund, and $9,108 in restricted receipts. The revised funding level is $5,824 less than the FY 2011 enacted level, and consists of a general revenue decrease of $3,921, a federal funds increase of $2,615 and a restricted receipts decrease of $4,518. The financing recommendation for the Rhode Island Capital Plan Fund is at the enacted level of $250,000. Savings of $3,502 in personnel is related to four pay reduction days. Reduction of $7,671 is related to a shift from micro grants awarded to businesses, to creation of an on-line search engine that will assist disabled-owned businesses in improving their ability to win government contracts.

The Governor recommends total expenditures of $829,892 in FY 2012, including $388,786 in general revenue, $181,842 in federal funds, $9,264 in restricted receipts, and $250,000 from the Rhode Island Capital Plan Fund. The recommended general revenue funding in FY 2012 is $21,557 more than the FY 2011 enacted level. Personnel increases are the result of a 3.0 percent COLA adjustment effective June 19, 2011; medical benefits inflation; increase to the retirement contribution; and increase to the retiree health insurance rate.

The recommended FTE ceiling for FY 2011 and FY 2012 is 4.0 FTE positions, which is the same as the enacted level.

Human Services

Commission on the Deaf and Hard of Hearing

The Governor's revised FY 2011 budget for the Commission on the Deaf and Hard of Hearing is $364,802, consisting solely of general revenues to finance the Commission's personnel, operating, and interpreter referral services. This represents an overall increase of $1,978, or 0.55 percent, from the FY 2011 enacted budget. This revision is fully attributable to two distinct factors: (1) an upward adjustment of $2,928 for personnel financing, reflecting updated salary/wage data and (2) a reduction of $950 for operating expenses to comport with projected spending trends within this category.

For FY 2012, the Governor recommends $387,985 in general revenues, which again provides the resources necessary to support the Commission's current operations. This represents an increase of $25,161, or 6.93 percent, from the FY 2011 enacted level of $362,824. This recommendation is consistent with that of the FY 2011 revised budget, but further includes statewide medical benefit savings (relative to original FY 2012 working rates) of $2,289. A statewide increase in the retiree health rate, resulting from an updated actuarial valuation for OPEB, is likewise recognized in the amount of $241. Staffing authorizations for the Commission remain unchanged at 3.0 FTE positions.

Office of the Mental Health Advocate

The Governor recommends revised FY 2011 general revenue expenditures of $438,733 for the Office of the Mental Health Advocate, a decrease of $2,217 from the enacted level of $440,950. The decrease includes a reduction of $373 in personnel expenses, $450 in contracted professional services, and $1,394 in operating expenditures.

The Governor recommends total FY 2012 general revenue expenditures of $468,718, reflecting full funding for agency current services and an increase of $27,768 over the enacted FY 2011 budget. The general revenue increase compared to the FY 2011 enacted budget includes $27,045 in statewide adjustments and $6,591 for other salary adjustments, which were slightly offset by reductions of $2,700 in contract services and $3,169 for operating expenditures

The Governor recommends the enacted staffing authorization of 3.7 FTE positions for both FY 2011 and FY 2012.

Office of the Child Advocate

The Governor's revised FY 2011 budget for the Office of the Child Advocate is $602,749, including $556,047 in general revenue and $46,702 in federal funds. The general revenue appropriation in the revised FY 2011 budget is $12,225 more than the enacted budget of $543,822. This increase includes an additional $16,309 for personnel expenses, which were slightly offset by a decrease of $4,084 in operating expenses.

For FY 2012, the Governor recommends total expenditures of $652,432, including $603,384 in general revenue and $49,048 in federal funds. The general revenue increase of $59,562 compared to the FY 2011 enacted budget includes additional personnel expenses related to a 3.0 percent cost of living increase and other benefit adjustments. Personnel increases were slightly offset by a reduction of $4,084 in operating expenses.

The Governor recommends an authorized FTE level of 5.8 positions in FY 2011 and FY 2012, which is consistent with the FY 2011 enacted budget.