

State of Rhode Island and Providence Plantations

# Executive Summary



## Fiscal Year 2015

Lincoln D. Chafee, Governor

**Dedication**

*This year's budget documents are dedicated to the  
Memory of William V. Golas, Jr.  
Sr. Budget Analyst 1987 - 2013*

*The image on the cover of this year's budget document is a Winter Scene of the State House from Artist John Pitocco of Providence and is reproduced by permission of the artist in collaboration with the Rhode Island State Council on the Arts.*

# **Health and Human Services**



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# Health and Human Services

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## *Summary*

The Health and 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, advocacy, and medical provider regulation.

In FY 2015, despite a continually constrained budgetary environment, the Health and Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve their 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.

Opportunities for innovation in the area of state-subsidized medical care through the Medicaid program remain a high priority of both the Governor and the Secretary of Health and Human Services. The Governor is fully supportive of the provisions of the federal Patient Protection and Affordable Care Act (PPACA) that expand the scope of the Medicaid program beginning in January 2014, and the Executive Office of Health and Human Services is poised to accommodate the influx of new beneficiaries. Now fully underway, the multi-phase Unified Health Infrastructure Project (UHIP) will result in a modern, fully integrated eligibility system covering multiple programs of public assistance and the state-based Health Benefits Exchange, *HealthSource RI*. The Integrated Care Initiative, which modernizes long term care service delivery for a significant portion of the Medicaid-eligible population, represents yet another reform aimed at providing the most effective care possible at reasonable cost.

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 2014, the Governor recommends a revised all funds budget of \$3.323 billion for the Health and Human Services function. Of this total, there is \$1.318 billion in general revenue, \$1.926 billion in federal funds, \$61.7 million in restricted receipts, and \$17.8 million in other funds. This reflects a decrease of \$198,051 in general revenue, an increase of \$20.3 million in federal funds, a decrease of \$2.8 million in restricted receipts, and an increase of \$103,866 in other funds relative to the FY 2014 enacted budget. The Governor recommends 3,743.8 full-time equivalent positions in the FY 2014 revised budget, which is a decrease of 4.0 FTE positions from the FY 2014 enacted budget. Total staffing authorizations recommended for FY 2015 are 3,744.0 FTE positions, a decrease of 3.8 FTE positions from the enacted FY 2014 budget.

The Governor's proposed funding level of \$3.527 billion for FY 2015 maintains services for the State's most vulnerable populations. This proposal consists of \$1.320 billion in general revenue, \$2.116 billion in federal funds, \$66.0 million in restricted receipts, and \$25.1 million in other funds. This reflects an increase of \$2.5 million in general revenue, an increase of \$210.0 million in federal funds, an increase of

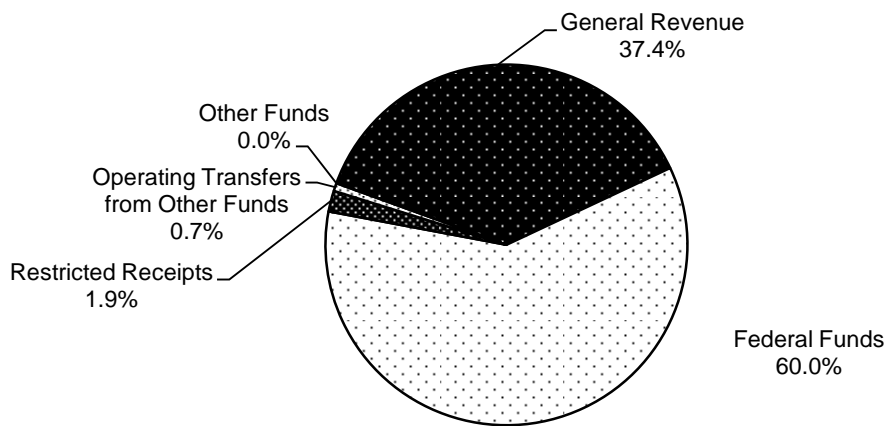
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## Health and Human Services

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\$1.5 million in restricted receipts, and an increase of \$7.5 million in other funds relative to the FY 2014 enacted budget. The FY 2015 recommendation constitutes 41.3 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 2015 recommendation for the Health and Human Service agencies and departments.

**How it is Financed**

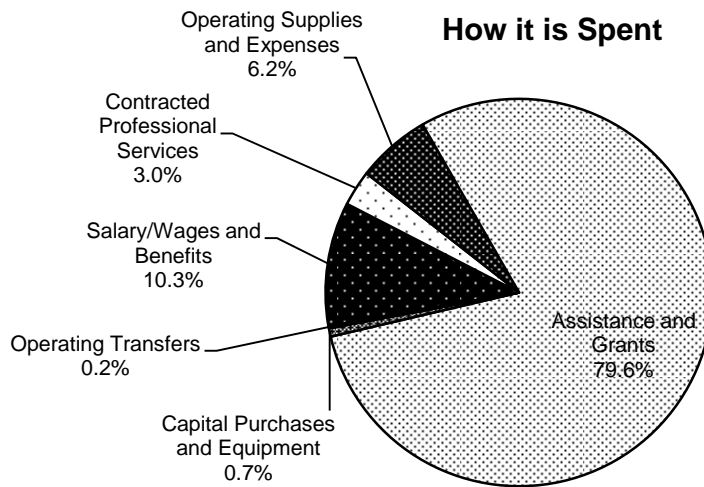


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The Governor's FY 2015 recommendation includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, including purchased services, accounts for \$470.3 million, or 13.3 percent, of all expenditures programmed for Health and Human Services. Grants and benefits expenditures of \$2.936 billion account for the largest outflow of identified resources, reflecting 79.6 percent of the total Health and Human Services function. The chart below shows the outflows of all resources by category of expenditure for the Health and Human Services function.



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## *Executive Office of Health and Human Services*

The Governor recommends total expenditures of \$1.874 billion for the revised FY 2014 budget of the Executive Office of Health and Human Services (EOHHS). This is comprised of general revenue totaling \$842.0 million, federal funds of \$1.022 billion, and restricted receipts of \$10.0 million. Relative to FY 2014 enacted levels, recommended general revenue financing decreases by \$1.2 million, or 0.1 percent, while federal financing increases by \$7.7 million, or 0.8 percent. Restricted receipts decrease by \$15,215, or 0.2 percent.

The decrease in general revenue in the current year is driven exclusively by revised appropriations for the Medical Assistance program, as adopted by the November 2013 Caseload Estimating Conference and further modified by the Governor (see below). The Governor's FY 2014 revised budget for the Central Management program contains appropriations of general revenue totaling \$27.7 million, equivalent to the enacted financing level but inclusive of significant expenditure plan adjustments. These include a decrease in personnel expenses of \$674,662 (reflective of managed turnover savings through restrained hiring), an increase of \$1.2 million for the Unified Health Infrastructure Project (discussed below), and downward revisions for various contracted professional services and administrative grants totaling \$355,848 and \$295,567, respectively. The Governor also recommends financing of \$250,000, consisting of \$125,000 in general revenue, for the procurement of a new EOHHS cost allocation plan in order to maximize future receipts of indirect cost recoveries under the Medicaid program. Final FY 2014 recommendations include statewide savings of \$37,822 attributable to the new state employee health insurance contract.

The Governor recommends total expenditures of \$2.093 billion for the FY 2015 budget of the Executive Office of Health and Human Services. This is comprised of general revenue totaling \$847.6 million, federal funds of \$1.231 billion, and restricted receipts of \$13.8 million. Relative to FY 2014 enacted levels, recommended general revenue financing increases by \$4.4 million (0.5 percent), federal financing increases by \$216.7 million (21.4 percent), and restricted receipts increase by \$3.8 million (38.1 percent). Following 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.

### Central Management

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, Finance and Budget, Innovation and Policy, Program Integrity, Partner Engagement, Legal Services, and Medical Assistance Administration. The Governor recommends \$29.0 million in general revenue for Central Management in FY 2015, an increase of \$1.3 million, or 4.7 percent, relative to the enacted base. Federal funding for this program also increases, from \$88.6 million to \$92.5 million.

In FY 2013, the Executive Office, in partnership with other EOHHS agencies and the Rhode Island Health Benefits Exchange (*HealthSource RI*), 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. Spurred by the enactment of the Patient Protection and Affordable Care Act (PPACA), and supported largely through enhanced federal matching rates of 90 or 75 percent for Medicaid-allocable activities, 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 and maintenance. The Governor recommends



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total financing of \$30.0 million and \$31.7 million for the EOHHS components of UHIP in FY 2014 and FY 2015, respectively. Corresponding general revenue funds of \$4.8 million in FY 2014 and \$5.7 million in FY 2015 are likewise recommended, with an allocation of 6.0 FTE positions from the Office's recommended FTE complement in each year specifically dedicated to UHIP activities. With an estimated total cost surpassing \$209.0 million, UHIP represents the largest scale information technology project ever undertaken by the State of Rhode Island.

Relative to the FY 2014 enacted level, general revenue appropriations for UHIP increase by \$2.2 million in FY 2015 (a \$1.0 million increase from the revised FY 2014 level), reflecting the most up-to-date project deliverable timeline(s) and interagency cost allocation methodologies. Although UHIP-specific expenditures are the primary driver of the increasing general revenue budget of Central Management in FY 2015, they are partially offset by reductions recommended in other areas of the program. Salient among these is a redirection of \$500,000 in state-funded personnel costs to federal indirect cost recovery funds (restricted receipts) in anticipation of increased collections following the approval of a new EOHHS cost allocation plan. Net downward revisions to various contracted professional services and administrative grants totaling \$159,156 and \$242,620, respectively, are also recommended. Final FY 2015 recommendations include statewide savings of \$43,314 attributable to the new state employee health insurance contract.

The Governor recommends staffing authorizations of 184.0 FTE positions in both FY 2014 and FY 2015, commensurate with the FY 2014 enacted level.

### Medical Assistance

The November 2013 Caseload Estimating Conference (CEC) adopted total financing of \$1.730 billion for the Medical Assistance program in FY 2014, consisting of \$815.3 million in general revenue. Although this only constitutes a \$194,599 decrease relative to enacted general revenue of \$815.5 million, there are significant realignments of program financing due to both caseload flux and the advent of the Integrated Care Initiative.

Introduced in November 2013, the Integrated Care Initiative is a new model of long term care service delivery for specific classes of Medicaid beneficiaries with complex needs, most notably those who are dually eligible for Medicaid and Medicare. To implement Integrated Care, the Executive Office has established two new subprograms within Medical Assistance: Rhody Health Options and Connect Care Choice Community Partners. Rhody Health Options is a capitated, managed care system through which long term care (nursing facility and home and community-based services) and other Medicaid-financed services for adults with disabilities will be administered. Connect Care Choice Community Partners is a "primary care case management" model wherein the continuum of primary, acute, and long term care services are integrated through the use of specialized coordinating entities. In keeping with adopted caseload expenditures, the Governor recommends total funding of \$126.3 million for Rhody Health Options and \$557,400 for (case management fees associated with) Connect Care Choice Community Partners in FY 2014. Respectively, these recommendations correspond to general revenue appropriations of \$61.4 million and \$276,470.

For the FY 2014 revised budget, the Governor recommends a single modification to the CEC estimate: a fifty percent reduction in financing for the "Affordable Care Act (ACA) Transition Fund". Comprised solely of general revenue, the Transition Fund was established by the 2013 General Assembly to minimize service disruptions as populations shift from traditional Medical Assistance to either the Health Benefits Exchange or the expanded Medicaid program in early 2014. With current projections of FY 2014 Transition

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Fund expenditures lagging below the enacted financing level of \$2.0 million, coupled with the (previously uncertain) availability of federal financial participation (at FMAP) for these expenses, the Governor recommends revised Fund appropriations of \$1.0 million in general revenue in FY 2014. The Governor therefore recommends FY 2014 all-funds Medical Assistance expenditures of \$1.728 billion, with \$814.3 million derived from general revenue.

The November 2013 Caseload Estimating Conference (CEC) adopted total financing of \$2.025 billion for the Medical Assistance program in FY 2015, consisting of \$861.3 million in general revenue. This represents a 5.6 percent increase relative to both FY 2014 enacted general revenue and the FY 2014 CEC adopted level. Comparing expenditures as adopted by the November 2013 CEC, the increase to the Medical Assistance program's state funding requirement in FY 2015 was \$46.0 million. Though approximately \$1.2 million of this increase is driven by a year-over-year decrease in the Federal Medical Assistance Percentage (FMAP) from 50.11 percent to 50.0 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 \$1.947 billion for Medical Assistance in FY 2015, consisting of \$818.6 million in general revenue. This represents a \$42.7 million reduction to the CEC adopted general revenue level, and is achieved through a myriad of retrenchment actions and programmatic reform measures designed to stem the Medicaid program's expenditure growth in FY 2015.

The first set of these initiatives involve adjustments to planned provider and/or Medicaid managed care payment rates. Specifically, the Governor recommends reductions to Medicaid managed care capitation (i.e. monthly cost per member) rates in RItE Care and Rhody Health Partners, effective July 1, 2014, for savings totaling \$10.8 million in general revenue. Rates will be negotiated so as to reduce average annual growth in these rates by 2.95 percentage points relative to the increases assumed at the November 2013 CEC. The Governor further recommends freezing (to FY 2013 levels, for one additional year) 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 \$3.9 million in general revenue savings. Also recommended is the suspension of the rate increase to nursing care facilities scheduled for October 1, 2014, generating savings of \$3.7 million in general revenue.

The Governor also proposes targeted interventions within certain populations of Medical Assistance recipients that are classified as "high utilizers". These populations are subdivided into three distinct groups: (1) Children with Special Health Care Needs (CSHCN) enrolled in RItE Care, (2) Children enrolled in RItE Care "core" services, but with annual expenses over \$5,000, and (3) Adults with Disabilities enrolled in Rhody Health Partners. Through various strategies such as pediatric-centered medical homes, reduced use of psychotropic medications, heightened access to behavioral healthcare (including addiction services) resulting in less frequent hospitalizations, and home-based primary care, the Executive Office will strive to minimize annual expenditures for the intensive (generally inpatient institutional) services utilized by these beneficiaries. Relative to adopted levels, the Governor's budget recognizes attendant savings totaling \$8.2 million in general revenue, of which \$5.5 million is programmed within the RItE Care program and \$2.6 million is assigned to Rhody Health Partners.

In FY 2015, the Governor recommends eliminating all non-Disproportionate Share (DSH) supplemental payments to community hospitals provided under the (outpatient) Upper Payment Limit (UPL), pursuant to

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RIGL 40-8.3-10. These quarterly payments, which have been appropriated annually since FY 2009, are designed to compensate hospitals for the difference between prevailing outpatient Medicaid reimbursement rates and those of the federal Medicare program for similar services. Such payments are not federally mandated and are not explicitly tied to a hospital's actual cost of services. The November 2013 CEC adopted all-funds expenditures of \$11.1 million for the FY 2015 UPL payment(s), consisting of \$5.5 million in general revenue. The Governor's FY 2015 recommendation for Medical Assistance does not contain this funding, and the Governor further proposes that the permanent statutory authority for the disbursement of the outpatient UPL payment be repealed.

The Governor recommends that enhanced federal financial support of the Medical Assistance program be leveraged wherever possible, without compromising the quality, scope, or accessibility of services. To this end, the Governor proposes that the Executive Office implement a Community First Choice (CFC) program, which provides home and community-based attendant services and supports to Medicaid-eligible individuals who meet the "institutional" level of care criteria. Established under the Patient Protection and Affordable Care Act (PPACA), the CFC program allows participating states to receive a 6 percentage point increase to their base FMAP for applicable CFC services. As the Executive Office is currently financing CFC-type services at the regular FMAP, this enhancement results in a (zero-sum) substitution of an estimated \$3.0 million in federal funds for general revenue in FY 2015. Likewise, the Governor recommends that \$536,700 in general revenue funds be reassigned to federal sources for the designation of Connect Care Choice Community Partners as a "Health Home" under current federal guidelines. Also created under PPACA, Health Homes are a set of care management, health promotion, and preventive services provided to individuals with chronic conditions, for which an enhanced federal matching rate of 90 percent is available for eight quarters.

Several other reforms relating to program integrity and innovation within the Medical Assistance program are recommended by the Governor in FY 2015. These include the institution of Medicaid-financed subsidies for (Exchange-based) commercial coverage for pregnant and postpartum women with family incomes between 133 percent and 250 percent of the Federal Poverty Level (FPL), improved management of pharmaceutical claims adjudication and rebate collections, a thorough reassessment of the Durable Medical Equipment (DME) fee schedule to guarantee the most competitive pricing, refinements to the current system of prior authorizations for imaging services, a review of eligibility determination procedures for long term care and Medicare Part B premium assistance, and the proactive removal of any non-Rhode Island resident from the Medical Assistance caseload. Taken together, these efforts are anticipated to generate savings totaling \$11.3 million, or \$5.6 million in general revenue.

The "Katie Beckett" eligibility option under the Medical Assistance program provides access to home-based therapeutic and medical services to approximately 1,060 children with highly complex, long term disabilities who would otherwise require institutional care. Eligibility determination for these clients is predicated on the child's individual income and resources, rather than those of the entire family unit. The vast majority of this population possess private commercial insurance, and utilize Medicaid for uncovered services and to subsidize co-payments. Furthermore, unlike families enrolled in Rite Share, families with children in this coverage group do not currently contribute toward the cost of the program. For FY 2015, the Governor proposes instituting cost sharing obligations (in the form of a \$250 monthly premium) for families with incomes over 250 percent of FPL receiving assistance under the 'Katie Beckett' option. Anticipated premium collections of \$2.9 million will serve to defray program expenditures, including \$1.4 million of general revenue and \$1.5 million in federal funds.

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The Governor's FY 2015 recommendations for the Medical Assistance program incorporate full financing for the aforementioned Integrated Care programs of Rhody Health Options (\$330.0 million) and Connect Care Choice Community Partners (\$2.4 million). Unmatched federal appropriations of \$307.1 million reflect financing for the expansion of Medicaid coverage to non-pregnant adults without dependent children up to 138 percent of FPL, per RIGL 40-8.11 and PPACA. 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. The resulting out-year general revenue exposure is captured in the Governor's Five Year Financial Projection, contained in Appendix F of this document.

### *Department of Children, Youth and Families*

The Governor recommends revised FY 2014 appropriations of \$216.1 million for the Department of Children, Youth and Families, including \$152.3 million from general revenue, \$59.3 million from federal funds, \$2.4 million from restricted receipts, and \$2.0 million from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing decreases by \$636,665, or 0.4 percent, while federal financing increases by \$2.2 million, or 1.0 percent.

The decrease in general revenue financing in the revised FY 2014 Budget is driven by reduction to personnel within Central Management, Children's Behavioral Health, and Juvenile Corrections, coupled with statewide medical contract and retiree health insurance savings, partially offset by increased personnel expenditures within Child Welfare. The increased financing for personnel within Child Welfare finances additional social workers and reflects restoring unachieved turnover savings assumed in the enacted FY 2014 Budget. The decrease in personnel financing within Juvenile Corrections is attributable to a continued decline in the number of youth incarcerated at the Rhode Island Training School for Youth. The increase in federal financing is largely attributable to additional federal grants received by the Department.

The Governor recommends FY 2015 appropriations of \$209.2 million for the Department of Children, Youth and Families, including \$148.4 million from general revenue, \$56.1 million from federal funds, \$2.4 million from restricted receipts, and \$2.2 million from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing decreases by \$4.6 million, or 3.0 percent, while federal financing decreases by \$565,057, or 1.0 percent.

The decrease in general revenue financing in the recommended FY 2015 Budget is largely attributable to savings initiatives recommended by the Governor, which include savings of \$1.2 million from closing a pod at the training school; \$300,000 from reducing the Lifespan contract for physician services at the training school; \$1.1 million from transferring eligible youth age 19-21 to the Department of Behavioral Healthcare, Developmental Disabilities & Hospitals where medically appropriate; \$259,241 from moving ten girls with serious emotional disturbances to an in-state facility; \$850,000 from consolidating and streamlining services of Phase I of the System of Care; \$978,930 from transferring medically fragile children to the Executive Office of Health and Human Services medical assistance program; and \$158,661 from taking a 5.0 percent reduction to non-System of Care contracts; coupled with statewide medical contract savings. The decrease in federal financing is attributable to the aforementioned savings initiatives and a decrease in the Federal Medical Assistance Percentage (FMAP) from 50.11 percent in FY 2014 to 50.00 percent in FY 2015, partially offset by additional federal grants received by the Department of Children, Youth, and Families.

Since FY 2007, when expenditures at the Department and Children, Youth, and Families reached \$311.8 million (\$189.4 million in general revenue), funding for the Department has decreased \$95.7 million, or 32.1

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percent (\$37.1 million, or 21.6 percent from general revenue) compared to the Governor's recommended FY 2015 Budget. This significant reduction was achieved through a variety of reforms implemented by the Department of Children, Youth, and Families in order to deliver more cost efficient services. This includes better practice improvements and the full implementation of Phases I and II of the System of Care (discussed below), augmented by the transfer of certain Medicaid Managed Care costs to the Department of Human Services in FY 2008. Savings initiatives included in the Governor's recommended FY 2015 Budget also contribute to this reduction.

### System of Care

The System of Care, housed within the Child Welfare program, was established with the goal of ensuring that children are safely supported in their home, school, and community while minimizing out of home placements.

Phase I of the System of Care began in FY 2009 and created Family Care Community Partnerships (FCCP), designed to serve as prevention/early intervention supports for children, youth, and families in the community in order to reduce the likelihood that the child, youth, and family will become directly involved with the Department. These also provide support services to youth transitioning from the Rhode Island Training School for Youth.

Phase II of the System of Care, which comprises 48.7 percent of the Department's FY 2014 Budget, was instituted in July 2012. Phase II was 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. Phase II consists of two Networks of Care, currently managed by the Rhode Island Care Management Network and the Ocean State Network for Children and Families.

In FY 2014, the Governor recommends \$74.2 million for the Phase II System of Care contracts, which includes \$9.4 million for youth ages 18-21 within the System of Care. This is comprised of \$54.5 million from general revenue, \$18.3 million from federal funds, and \$1.5 million from restricted receipts.

In FY 2015, the Governor recommends \$70.0 million for the Phase II System of Care contracts, which includes \$7.8 million for youth ages 18-21 within the System of Care. This is comprised of \$52.2 million from general revenue, \$16.3 million from federal funds, and \$1.5 million from restricted receipts. The reduction is attributable to the removal of \$1.5 million in Social Services Block Grant funding that was included in the enacted FY 2014 Budget, coupled with the savings initiatives included in the Governor's recommended FY 2015 Budget.

The Governor recommends 670.5 FTE positions in the revised FY 2014 Budget and the recommended FY 2015 Budget, which is unchanged from the enacted FY 2014 level.

### *Department of Health*

The Governor recommends revised expenditures of \$118.0 million for the Department of Health's FY 2014 revised budget, including \$24.0 million from general revenue, \$61.4 million from federal funds, \$32.5 million from restricted receipts, and \$129,062 from operating transfers. The FY 2014 revised budget represents a decrease of \$3.0 million from all sources of funds, of which \$313,386 is attributable to general

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revenue, \$609,108 million is federal funds, and \$2.1 million is restricted receipts. An increase of \$93,752 is recommended for operating transfers.

The net decrease in general revenue expenditures of \$313,386 from the FY 2014 enacted amount of \$24.3 million is primarily due to statewide savings relating to health insurance and savings initiatives including eliminating the Department's Influenza Hospital Surveillance Project. Although this collaborative research project with the United States Centers for Disease Control and Prevention will be discontinued, the Department will still maintain routine surveillance for influenza within the State. By category of expenditure within general revenue, personnel costs decreased by \$352,814; contracted professional services expenditures decreased by \$163,335; operating expenditures increased by \$105,884; assistance and grants increased by \$97,819; and capital purchases and equipment decreased by \$940.

The large decrease in restricted receipt funding, relative to the enacted level, results from a reduction of \$496,226 in expenditures of federal indirect cost recoveries and a reduction of \$1.9 million in expenditures from the Infant – Child Immunization account. The Department's immunization accounts are funded from an assessment on insurance companies and provide for the purchase and distribution of vaccines. For FY 2014, the Department projects less than enacted spending on the purchase and distribution of vaccines.

For the revised FY 2014 Budget, the Governor recommends an authorized FTE position level of 491.1 positions, a decrease of 3.0 FTE positions from the enacted amount of 494.1 FTE positions. The revised budget continues to accommodate the addition of up to 20.0 new federally funded positions contingent on the Department receiving the associated funding, although the Department does not require an increase to its FTE position authorization to achieve this.

For FY 2015, the Governor recommends total expenditures of \$122.6 million for the Department of Health. This is comprised of \$23.5 million from general revenue, \$65.1 million from federal funds, and \$34.0 million from restricted receipts. The FY 2015 recommended funding level from all sources of funds is \$1.6 million higher than the FY 2014 Enacted Budget. Compared to the enacted budget, general revenue financing decreases by \$794,871, federal financing increases by \$3.1 million, restricted receipt financing decreases by \$639,649, and other funds financing decreases by \$135,310.

The net decrease in general revenue of \$794,871 from the FY 2014 enacted amount of \$24.3 million is primarily due to statewide medical savings relating to health insurance, and savings initiatives including eliminating the aforementioned Influenza Hospital Surveillance Project and offsetting certain general revenue expenditures budgeted to indirect cost recovery funds. The indirect cost recovery account maintained by the Department receives revenues related to the amount of federal funds that the Department expends. This account is intended to offset the costs relating to administering its federally funded programs. By offsetting certain expenses to this account for FY 2015, the Department is able to achieve significant general revenue savings. Anticipated cash balances within the associated restricted receipt account are projected to be sufficient to absorb these additional expenditures in FY 2015.

For FY 2015, the Governor recommends an FTE position level for the Department of Health of 491.3 positions, which is 2.8 FTE positions less than the enacted budget of 494.1 FTE positions in FY 2014. As with the Governor's recommendation for FY 2014, the FY 2015 Budget continues to accommodate up to 20.0 FTE positions for new federal grants as the Department receives them. The Department does not require an increase to its FTE authorization to accommodate these positions.

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## *Department of Human Services*

The Governor recommends revised FY 2014 appropriations of \$671.7 million for the Department of Human Services, including \$96.6 million from general revenue, \$562.7 million from federal funds, \$7.1 million from restricted receipts, \$4.9 million from other funds, and \$183,083 from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing increases by \$3.1 million, or 3.3 percent, while federal financing increases by \$8.4 million, or 1.5 percent.

The increase in general revenue financing in the revised FY 2014 Budget is driven by increases to expenditures within Individual and Family Support, Elderly Affairs, and the Department's cash assistance programs (as determined by the November 2013 Caseload Estimating Conference), partially offset by reductions to expenditures within Central Management, the Office of Child Support Services, Health Care Eligibility, and Veterans' Affairs, as well as statewide medical contract savings.

Within Individual and Family Support, the increase is attributable to the Department's allocable costs associated with Rhode Island's Unified Health Infrastructure Project (UHIP), which is discussed above as part of the Executive Office of Health and Human Service recommendation. Specifically, the Governor recommends \$6.1 million for the Department of Human Services' portion of the UHIP project, including \$3.9 million from general revenue and \$2.3 million from federal funds. Relative to the FY 2014 enacted level, general revenue financing for this project increases by \$3.7 million, while federal financing increases by \$643,195. While the majority of federal financing for this project within the Executive Office of Health and Human Services is supported by enhanced federal matching rates for Medicaid-allocable activities of 75 or 90 percent, the federal financing used by the Department of Human Services for this project is Supplemental Nutrition Assistance Program financing, which has a 50 percent federal matching rate. The Department's portion is comprised of the integrated eligibility determination system for the Supplemental Nutrition Assistance Program, the Supplemental Security Income Program, the Temporary Assistance for Needy Families Program, the Child Care Assistance Program, and the General Public Assistance Program.

Within the Division of Elderly Affairs, the Governor recommends an additional \$383,361 from general revenue, related to restoring unachieved indirect cost recovery savings assumed in the enacted FY 2014 Budget due to the Division's lack of an approved indirect cost recovery rate.

The Governor's recommendation for the Department's programs for cash assistance, as estimated by the November 2013 Caseload Estimating Conference, increases by \$315,796, consisting of an increase of \$206,996 for the Supplemental Security Income (SSI) program and an increase within the General Public Assistance (GPA) program of \$108,800.

These increases are partially offset by decreases of \$54,037 within Central Management, \$6,365 within the Office of Child Support Services, \$75,646 within Health Care Eligibility, and \$1.2 million within Veterans' Affairs, due to an increase in planned turnover at the Veterans' Home. Also recommended within revised appropriations is continuing the Work Support Strategies initiative for public assistance system enhancements.

The Governor recommends FY 2015 appropriations of \$655.5 million for the Department of Human Services, including \$97.3 million from general revenue, \$547.7 million from federal funds, \$6.0 million from restricted receipts, \$4.3 million from other funds, and \$165,000 from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing increases by \$3.8

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million, or 4.1 percent, while federal financing decreases by \$6.7 million, or 1.2 percent.

The Governor recommends general revenue totaling \$4.9 million for the Central Management program in FY 2015, a decrease of \$652,605 from the enacted FY 2014 Budget. Driving this decrease is the recommended elimination of the Costs Not Otherwise Matchable (CNOM) program for Federally Qualified Health Centers which results in a savings of \$334,549. This is augmented by decreases to personnel financing, partially offset by a minor increase to operating expenses.

The Governor recommends general revenue totaling \$2.4 million for the Office of Child Support Services in FY 2015; \$7,323 below the FY 2014 enacted level. This reflects expenditure plan adjustments consisting of a reduction to personnel totaling \$42,460, partially offset by an increase to contract professional services totaling \$30,434 and operating expenses of \$4,654.

The Governor recommends general revenue of \$25.2 million for the Individual and Family Support (IFS) program in FY 2015, \$4.3 million above the FY 2014 enacted level. This increase primarily reflects additional fiscal resources in support of Rhode Island's Unified Health Infrastructure Project (UHIP), as discussed above. In FY 2015, the Governor recommends \$7.5 million for the Department of Human Services' allocable portion this project, including \$4.4 million from general revenue, or \$523,959 above the FY 2014 recommendation, and \$3.1 million from federal funds, or \$840,094 above the FY 2014 recommendation. This increase is partially offset by eliminating the SNAP Outreach contract, which reduces the general revenue recommendation within Individual and Family Support by \$100,000 in FY 2015. Salient revisions to non-general revenue funding within IFS include a decrease to the Low Income Home Energy Assistance and Weatherization Assistance Programs totaling \$7.4 million as well as a decrease of \$1.3 million to the Race to the Top Early Learning Challenge Grant.

The Governor recommends general revenue of \$20.3 million for the Veterans' Affairs program in FY 2015, \$719,427 below the FY 2014 enacted level. This decrease reflects a net reduction to personnel and operating expenditures, and includes an additional \$465,000 for overtime expenditures, including \$248,000 from general revenue, and \$217,000 from federal funds, which were underfunded in the enacted FY 2014 Budget. These increases are offset by reductions to other personnel expenditures within this program. Allocations of dedicated restricted receipt funds for various capital projects at the Home total \$1.7 million and \$635,000 in FY 2014 and FY 2015, respectively. Also included in the Governor's recommendation is the construction of a new, fully modernized Rhode Island Veterans' Home complex, financed by voter-approved bond funding not to exceed \$94.0 million. The Governor recommends issuance and expenditure of general obligation bond proceeds totaling \$5.3 million in FY 2014 and \$15.0 million in FY 2015.

The Governor recommends general revenue of \$8.2 million for the Health Care Eligibility program in FY 2015, \$85,210 above the enacted FY 2014 Budget. This reflects expenditure plan adjustments consisting of a reduction to contracted professional services totaling \$272,282, offset by increases to operating supplies totaling \$152,156 and personnel totaling \$209,000 in support of Rhode Island's Unified Health Infrastructure Project (UHIP), as discussed above.

The Governor recommends general revenue of \$6.4 million for the Division of Elderly Affairs in FY 2015, \$672,530 above the FY 2014 enacted level. This increase reflects an additional \$397,491 from general revenue related to restoring unachieved indirect cost recovery savings assumed in the enacted FY 2014 Budget due to the Division's lack of an approved indirect cost recovery rate, coupled with an increase of \$281,789 for Medicaid financed case management, adult day care and home care "Co-Pay"



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programs known as “Costs Not Otherwise Matchable” (CNOM), among other minor expenditure plan adjustments. The DEA “Co-Pay” program is designed to provide home and community based services to low-income, non-Medicaid eligible individuals over 65. Program costs are supplemented by patient contributions in the form of co-payments, which are assessed at varying levels (or “tiers”) based on recipient income.

The Governor’s FY 2015 recommendations for the programs of cash assistance administered by the Department of Human Services are as follows. For Rhode Island Works (RIW) (formerly the Family Independence Program) and the Child Care Assistance Programs, total financing of \$87.9 million is recommended, consisting of \$9.7 million in general revenue, reflecting caseloads as adopted by the November 2013 Consensus Caseload Estimating Conference. For SSI, the Governor recommends total financing of \$18.6 million, consisting entirely of general revenue and reflecting caseloads as adopted by the November 2013 Consensus Caseload Estimating Conference. For General Public Assistance, the Governor recommends \$1.7 million in general revenue, consistent with adopted estimates. 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 2015 Appropriations Act.

The Governor recommends 959.1 FTE positions in the revised FY 2014 Budget and the recommended FY 2015 Budget, which is unchanged from the enacted FY 2014 level.

### *Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals*

The Governor’s revised FY 2014 Budget for the Department of Behavioral Healthcare, Developments Disabilities, and Hospitals totals \$439.9 million, including \$200.9 million in general revenue, \$219.9 million in federal funds, \$9.6 million in restricted receipts, and \$9.5 million in other funds. On an all funds basis, the \$439.9 million Revised Budget is \$2.1 million more than the FY 2014 enacted Budget of \$437.8 million, consisting of the following net changes: a decrease of \$1.2 million in general revenue, an increase of \$2.1 million in federal funds, an increase of \$2.2 million in restricted receipts, and a decrease of \$1.1 million in other funds.

The FY 2014 revised Budget encompasses a general revenue decrease of \$1.2 million, which includes reductions of \$86,514 for contract services, \$503,577 for operating expenses, \$267,030 for capital purchases and equipment, and \$725,355 for grants and benefits. The reduction in grants and benefits includes a savings of \$164,532 associated with a Health Homes rate reduction of 5.0 percent in the fourth quarter of FY 2014. The Governor’s recommendation for the FY 2014 Budget also includes an increase of \$426,171 for salaries and benefits. Major changes for personnel include an increase of \$1.3 million for overtime expenses at Rhode Island Community Living and Supports (RICLAS) and the Eleanor Slater Hospital and a net reduction of \$841,380 for attrition and longevity savings, statewide benefit changes, an adjustment to the federal medical assistance percentage from general revenue to federal funds, and a shift of personnel expenses at Eleanor Slater Hospital to restricted receipts for non-medicare services.

The Governor’s recommendation of \$219.9 million in federal funds consists of an increase of \$2.1 million from the enacted FY 2014 Budget of \$217.8 million. The largest portion of this increase is an adjustment of \$2.6 million for personnel expenses, which includes a shift of \$1.4 million from general revenue to federal funds for the adjustment to the medical assistance percentage rate. Other federal changes include increases of \$189,187 for contract services and \$404,156 for operating expenditures and capital purchases and a reduction of \$1.1 million for grants and benefits. The recommendation includes a restricted receipt increase of \$2.2 million from the enacted FY 2014 Budget of \$7.4 million. The recommendation includes

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an additional \$1.8 million in restricted receipts for personnel expenditures related to non-medicaid services and indirect costs, \$32,200 for contract services, \$271,500 for operating expenses, and \$3,000 for grants and benefits.

Other funds are reduced by \$1.1 million, which includes an increase of \$518,694 from the Rhode Island Capital Plan Fund for Community Facilities Fire Code, MR/DD Residential Development, MH Community Facilities Repair, Eleanor Slater HVAC, and MR Community Facilities, offset by a reduction of \$190,866 for the Medical Center Rehabilitation, DD Private Waiver Community Fire Code, Regional Center Repair, and Substance Abuse Asset Protection. There is also a reduction of \$1.4 million from the enacted level of \$3.0 million for 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 Governor's revised recommendation shifts some of the funding from FY 2014 to FY 2015 through FY 2017.

The Department continues to be successful in its execution of Project Sustainability, which redesigned the developmentally disabled service system beginning in 2012. 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 to increase transparency and consistency across the system. The result of these changes has produced a system that is more easily understood and the resources within the system have been realigned 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 has 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 was implemented, assessment data has been compared to utilization data and resource allocations have been refined and rates have been adjusted.

In FY 2014 and FY 2015, the Department remains dedicated to the execution of the Employment First Program. 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 Governor's FY 2015 recommendation totals \$444.0 million, including \$201.8 million from general revenue, \$215.2 million from federal funds, \$9.6 million from restricted receipts, and \$17.4 million from other funds. The general revenue portion of the budget reflects a decrease of \$300,014 from the FY 2014 enacted Budget.

There is an increase in general revenues of \$5.0 million related to base adjustments in the federal match and trend growth associated with Medicaid and statewide adjustments for medical benefits inflation, retirement rate change, election day holiday, and benefits assessment rates, which is slightly offset by a decrease in retiree health rates. The FY 2015 Budget recommendation also includes decreases of \$2.1 million for annualizing the savings in the enacted FY 2014 Budget for the Affordable Care Act and \$250,000 for the cessation of the emergency room diversion program.

The FY 2015 Governor's recommendation includes general revenue savings of \$300,014, from enacted

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FY 2014 Budget of \$202.1 million. General revenue changes includes an increase of \$547,772 in personnel expenditures, which is the net result of statewide benefit changes, an adjustment to the federal medical assistance percentage from general revenue to federal funds, and a shift of personnel expenses at Eleanor Slater Hospital to restricted receipts for non-medicaid services. The Governor's recommendation includes increases of \$900,365 for overtime expenses and \$251,772 for operating expenses and capital purchases and equipment and a reduction of \$51,226 for consultants.

Grants and benefits are reduced by \$2.1 million, which is mostly related to expanded managed care services through the Affordable Care Act. The Governor's recommendation includes a general revenue savings of \$1.3 million for annualizing the Health Homes rate reduction of 5.0 percent, discontinuing specific contracts in the Behavioral Healthcare program, and ending select services that are now being provided through the Health Homes. The recommendation also includes an addition of \$601,440 to provide services to youth, ages 19-21, that may be transferred from the Department from the Department of Children, Youth, and Families based on the appropriate level of care.

In comparison to the enacted FY 2014 Budget, the Governor's FY 2015 includes a federal funds reduction of \$2.1 million from the enacted level of \$217.8 million. This change reflects a significant reduction of \$6.4 million for grants and benefits, of which \$5.2 million is related to the expiration of the Health Homes Initiative and the remaining is related to expanded managed care services. There is an increase of \$3.3 million in salaries and benefits that reflects an adjustment to the federal medical assistance percentage from general revenue to federal funds and statewide benefit changes. In FY 2015, restricted receipts increase by \$2.2 million from the enacted FY 2014 Budget for personnel expenditures related to non-medicaid services and indirect costs. The Governor's recommendation includes an increase of \$6.8 million in other funds, which includes an additional \$7.0 million for the hospital consolidation project, a decrease of \$1.0 million for Eleanor Slater HVAC, and an increase of \$881,855 for hospital equipment, community facilities repairs, fire code projects, and the medical center rehabilitation.

For both FY 2014 and FY 2015, the Governor recommends an authorized level of 1,422.4 FTE positions, which is 1.0 FTE position less than the enacted FY 2014 Budget.

### *Governor's Commission on Disabilities*

The Governor recommends revised expenditures of \$1.5 million for FY 2014 for the Governor's Commission on Disabilities. This consists of \$356,352 in general revenue, \$156,330 in federal funds, \$15,930 in restricted receipts, and \$957,000 in Rhode Island Capital Plan Fund resources. Of the all funds increase of \$30,276 above the FY 2014 enacted level, general revenues decrease by \$1,359, attributable to statewide changes relating to health insurance savings; federal funds increase by \$26,341; restricted receipts increase by \$5,565; and Rhode Island Capital Plan Fund resources decrease by \$271.

The Governor recommends total expenditures of \$1.5 million in FY 2015, including \$358,275 in general revenue, \$141,350 in federal funds, \$9,177 in restricted receipts, and \$1.0 million in Rhode Island Capital Plan Fund resources. Compared to the FY 2014 enacted budget, general revenue increase by \$564; federal funds increase by \$11,361; restricted receipts decrease by \$1,188; and Rhode Island Capital Plan Fund resources increase by \$42,729.

The recommended FTE position authorization for revised FY 2014 and FY 2015 is 4.0 FTE positions, consistent with the FY 2014 enacted level.

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### *Commission on the Deaf and Hard of Hearing*

The Governor's revised FY 2014 Budget for the Commission on the Deaf and Hard of Hearing totals \$469,267, consisting of \$389,267 in general revenue and \$80,000 in restricted receipts. Compared to the FY 2014 Enacted Budget, the Governor recommends a decrease of \$2,342 in general revenue due to statewide changes relating to medical insurance savings.

The Governor recommended legislation as part of the FY 2014 Appropriations Act to establish the Emergency and Public Communication Access Program, which is funded through a relay fund surcharge outlined in Section 39-1-42 of the Rhode Island General Laws. This legislation was subsequently passed and a new source of funding was established for the Commission in the FY 2014 Budget, totaling \$80,000 annually.

For FY 2015, the Governor recommends \$474,279, consisting of \$394,279 in general revenue and \$80,000 in restricted receipts. Compared to the FY 2014 Enacted Budget, the Governor recommends an increase of \$2,670 in general revenue.

The Commission on the Deaf and Hard of Hearing is appropriated general revenue annually to provide statewide sign language interpreter and Computer Access Real-time Translation (CART) referral services, which is recommended to total \$51,183 in FY 2014 and \$50,146 in FY 2015. Compared to the FY 2014 Enacted Budget, a decrease of \$451 in FY 2014 and \$1,488 in FY 2015 is recommended.

Staffing authorizations for the Commission remain unchanged at 3.0 FTE positions for the FY 2014 revised and FY 2015 budgets.

### *Office of the Child Advocate*

The Governor recommends revised expenditures of \$625,477 for the FY 2014 Budget of the Office of the Child Advocate. This is comprised of general revenue totaling \$575,477 and federal fund expenditures of \$50,000. Relative to the FY 2014 Enacted Budget, recommended general revenue financing decreases by \$33,174 to reflect turnover savings associated with an extended vacancy within the Office and federal fund financing increases by \$10,003.

For FY 2015, the Governor recommends total expenditures of \$661,817. This is comprised of general revenue totaling \$611,817 and federal fund expenditures of \$50,000. Relative to the FY 2014 Enacted Budget, general revenue financing increases by \$3,166 to accommodate a full complement of staff and federal financing increases by \$10,003.

The Governor recommends an authorized FTE position level of 6.0 in FY 2014 and FY 2015, consistent with the FY 2014 Enacted Budget.

### *Office of the Mental Health Advocate*

The Governor recommends revised FY 2014 general revenue expenditures of \$483,716 for the Office of the Mental Health Advocate, a decrease of \$2,428 from the enacted level of \$486,144. With the exception of statewide changes relating to health insurance, the Office remains level funded for FY 2014.

The Governor recommends total FY 2015 general revenue expenditures of \$495,010, an increase of

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\$8,866 from the enacted FY 2014 budget to reflect full funding for the agency's current services. General revenue appropriations include funding for all 3.7 FTE positions within the Office.

The Governor recommends the FY 2014 enacted staffing authorization of 3.7 FTE positions for both revised FY 2014 and FY 2015.