
Department of Economic Security

February 14 and 15, 2017

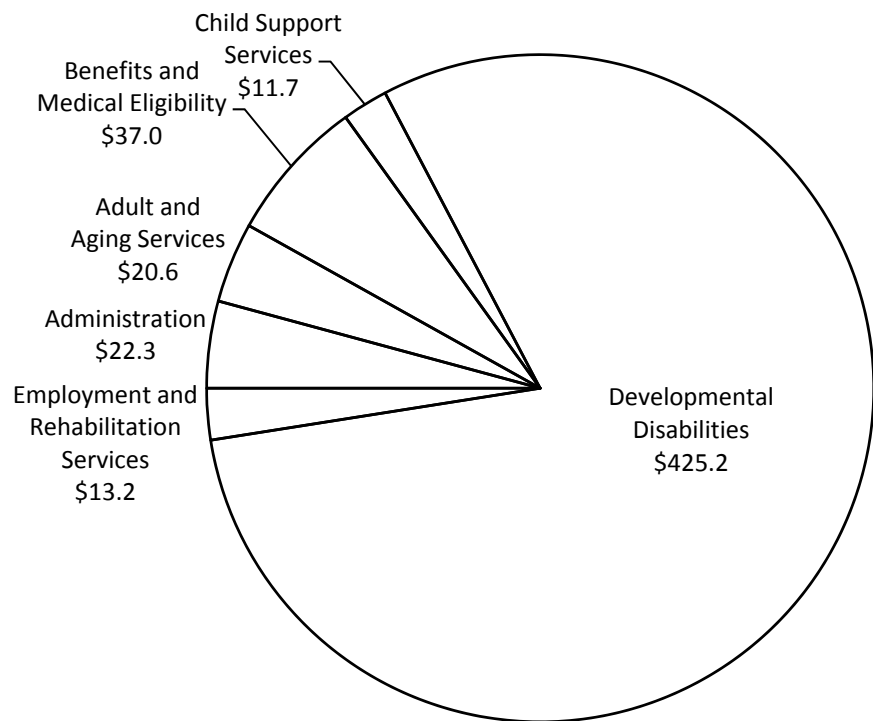
Appropriations Committee Hearings

JLBC

Department of Economic Security

- General Fund by Function

\$ in Millions

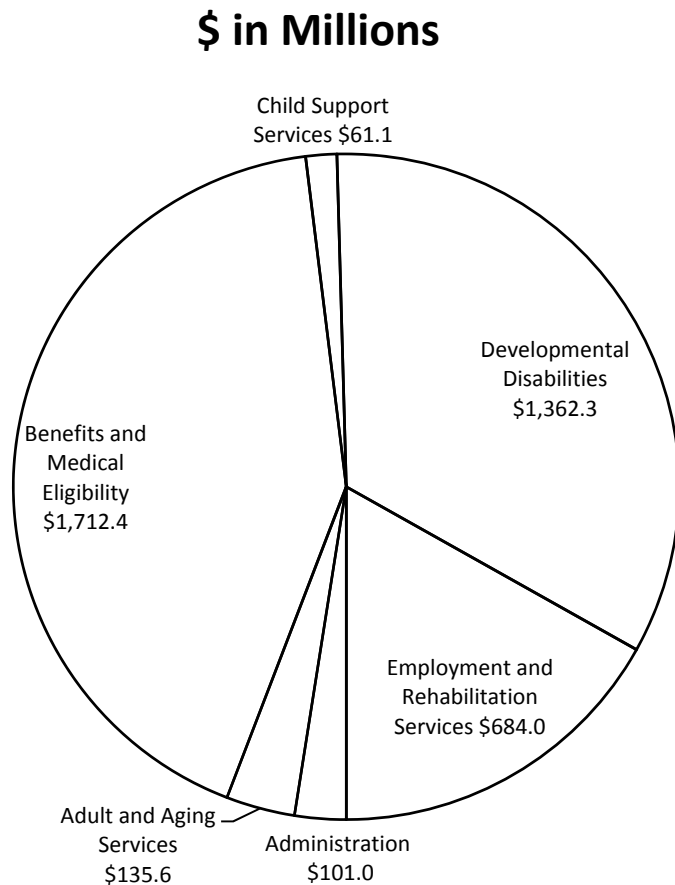


FY 2017 Total = \$530.1 Million

- **Adult and Aging Services**
 - Adult Protective Services
 - Adult and Community Services
 - Domestic Violence Services
- **Benefits and Medical Eligibility**
 - TANF Cash Benefits
 - Supplemental Nutritional Assistance Program (SNAP)
- **Employment and Rehabilitation Services**
 - Child Care
 - Job Training Programs
 - Unemployment Benefits
- **Child Support Services**
 - Child Support Collection/Enforcement
- **Developmental Disabilities**
 - Long-Term Care Services
 - Medical Services
 - Arizona Early Intervention Program (AzEIP)
 - ATP-Coolidge

Department of Economic Security

- Total Funds by Function



FY 2017 Total = \$4,056.4 Million

- **Adult and Aging Services**
 - Adult Protective Services
 - Adult and Community Services
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- **Benefits and Medical Eligibility**
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Department of Economic Security

- Total FY 2018 Baseline Funding

	<u>\$ in Millions</u>
General Fund	\$ 548
<u>Expenditure Authority</u>	
Long-Term Care System Fund	968
<u>Appropriated</u>	
Child Support Enforcement Administration	42
Federal TANF Block Grant	73
Federal CCDF Block Grant	108
Other Appropriated Funds	108
<u>Non-Appropriated</u>	
Federal Funds	1,939
Other Non-Appropriated Funds	<u>312</u>
Total Funds	\$ 4,099

DES Year-End Transfers

- Line Item Transfers Provide DES Flexibility

- ❑ DES is permitted to transfer funds across line items to address funding shortfalls
- ❑ DES completed transfers of \$30.5 M in Total Funds in '15 and \$26.5 M in '16
- ❑ Most transfers have been associated with the Developmental Disabilities (DD) program
- ❑ Over \$20 M transferred each year out of Home and Community-Based Services, mostly for operating and case management costs
- ❑ The Baseline continues to require prior JLBC review of line item transfers for case management and administration in the DD program

Department of Economic Security

- DD Caseload General Fund Spending Changes

	GF in \$ in M Above Prior Year		
	'18	'19	'20
JLBC Formula Growth	18.6	26.6	29.5
Executive Formula Growth	16.2	25.7	28.7
JLBC Above/(Below) Executive	2.4	0.9	0.8

- JLBC Developmental Disabilities Medicaid formula assumptions include:
 - Enrollment growth of 4.5% and capitation growth of 2.5%
 - Savings from federal match rate increasing from 69.2% in '17 to 70.2% in '20
 - Health Insurer Fee moratorium in '18
 - Does not include funding for minimum wage provisions of Proposition 206

Developmental Disabilities Executive Initiatives

\$ in M

General Fund

- | | |
|--|-------------|
| <p>❑ Early Intervention Program referrals increase</p> <ul style="list-style-type: none">• Screens children under age 3 at risk of developmental delays• FY 2015: 14,939 referrals; 5,306 determined eligible; DES reports 6% increase in referrals in FY 2016.• Executive funds with Long Term Care System Fund, reducing GF revenues• Law requires DD equity (i.e. profits) to be transferred to the General Fund• DES plans to already withhold \$2 M from equity transfer in '17 to address shortfall in State Funded Long Term Care System Fund (SFLTC) | <p>2.0</p> |
| <p>❑ Funding for Proposition 206 minimum wage increase</p> <ul style="list-style-type: none">• Annualizes '17 supplemental funding of \$7.7 M• Executive adds \$200K for half-year of minimum wage increase to \$10.50• Unclear how Executive addresses 1) paid sick leave, 2) state-only program• JLBC '18 estimate is \$22.5 M (not in Baseline) if \$10.50 wage level and sick leave impacts are included | <p>15.6</p> |

DDD Provider Rates Before Proposition 206

- ❑ DES' consultant assessed adequacy of DDD provider rates in September 2016
- ❑ History of rate level depends on timeframe
 - Aggregate '16 rates are 5.2% higher compared to '07 due to increases in '08
 - '16 Rates are (6.8)% lower than in '09 due to recession-era reductions
 - Recommended targeted rate increases for services below 80% of benchmark rates, particularly in-home services
- ❑ Mixed evidence on access to care
 - DDD providers decreased by over (40)% between '09 and '16, but...
 - Service utilization per client increased, despite consistently high caseload growth
 - Overall, provider network appeared adequate by federal standards, but potential deficiencies in quality of care for services with lowest rates

Adequacy of DD Provider Rates Varies By Service

-Top 10 DD Services Rates and Payments before Proposition 206

	% Benchmark <u>Funded</u>	'16 Payments <u>(\$ in Millions)</u>
Group Home	88%	\$225.4
Respite	73%	83.0
Habilitation	74%	83.0
Attendant Care	76%	72.4
Day Treatment & Training	98%	70.0
Adult Developmental Home	94%	41.7
Nursing	81%-91%	41.0
Intensive Day Treatment & Training	90%	29.2
Group Home Room & Board	62%-74%	21.7
Group Supported Employment	76%-100%	<u>21.5</u>
Total		\$689.1

January 2017 Rate Increase

- ❑ DES increased provider rates by up to 8% in January 2017 in response to minimum wage increase
- ❑ Adjustments use simplifying assumptions, not known wages.
- ❑ Designed to address network adequacy, but ultimate impact remains to be determined
- ❑ DDD providers facing other significant cost pressures from overtime rules, employee health insurance requirements

DES Plans Closure of DD Coolidge Facility

- State's Only Remaining Large Institution

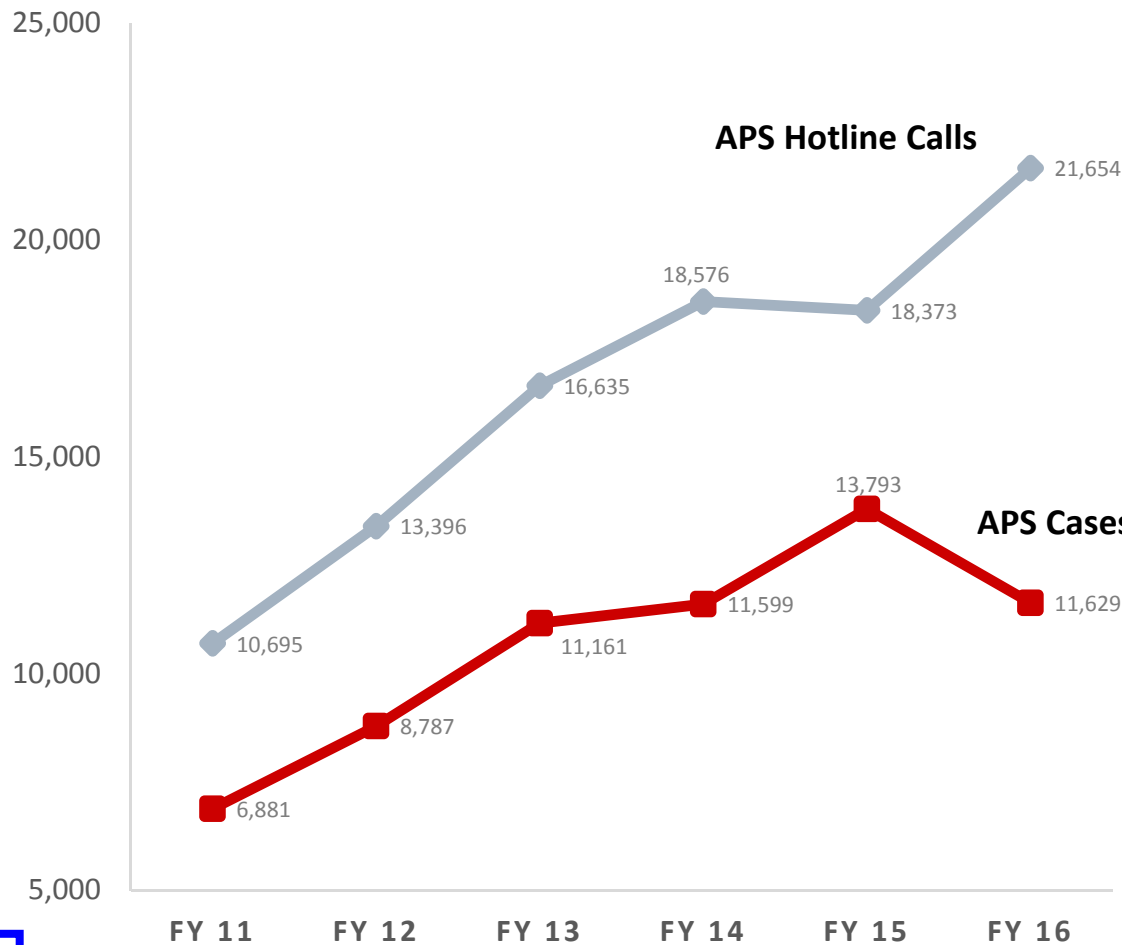
- ❑ ATP-Coolidge consists of an intermediate care facility (ICF) and 5 state-operated group homes
 - Fewer than 90 clients, almost all of whom have lived there for many years
 - Average annual cost per client exceeds \$200K
- ❑ DES plans to close the facility within the next 3-5 years
 - New federal rules prohibit co-locating group homes. At least 23 clients may have to be relocated
 - DES plans to close the group homes by June 2019, and the rest of the facility by June 2021
 - DES is required to provide written notice to each client and their legal guardian of potential residential or in-home service options

Other DES Executive Initiatives

	\$ in M
	<u>General Fund</u>
<input type="checkbox"/> Adult Protective Services caseload growth	3.0
<ul style="list-style-type: none">• \$2 M to make permanent 28 staff funded with 1-time monies in '17• \$1 M for 15 new staff in '18	
<input type="checkbox"/> Restore TANF 2-Year Time Limit	2.8
<input type="checkbox"/> Eliminate Fingerprint Imaging for TANF/SNAP	(0.4)
	<u>Other Fund</u>
<input type="checkbox"/> Continue 1-time funding for Area Agencies on Aging	0.7
<ul style="list-style-type: none">• Funded with DHS Lottery monies• Appears to support ongoing services	

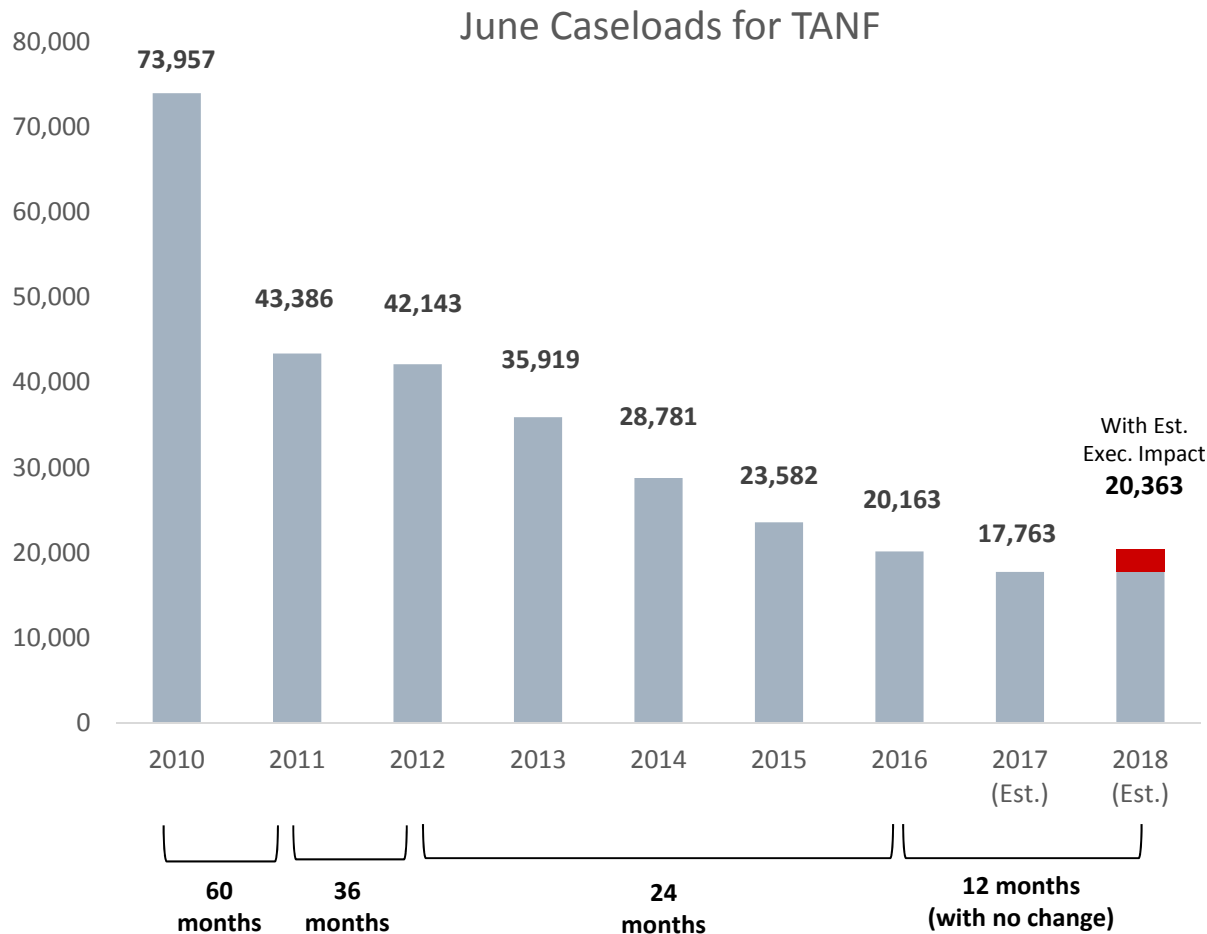
Adult Protective Services Reports Increasing

- Budget would grow from \$4.3 M in '14 to \$11.6 M in '18 under Executive



- Reason for increase in calls uncertain
- New intake process may have cut caseloads
- Average '16 caseload was 49 cases per investigator

Executive: Return to 24-month TANF Time Cap



- Executive conditions:
 - Current work requirements
 - 90% school attendance

- 3,400 would be eligible to return to the program.

- Exec: Conditions will eliminate 23% of returners.

- Hardship waivers will remain available. DES granted 440 in FY '16.

Website links

- JLBC Baseline –
[Department of Economic Security](#)
- Executive Budget –
[Department of Economic Security](#)