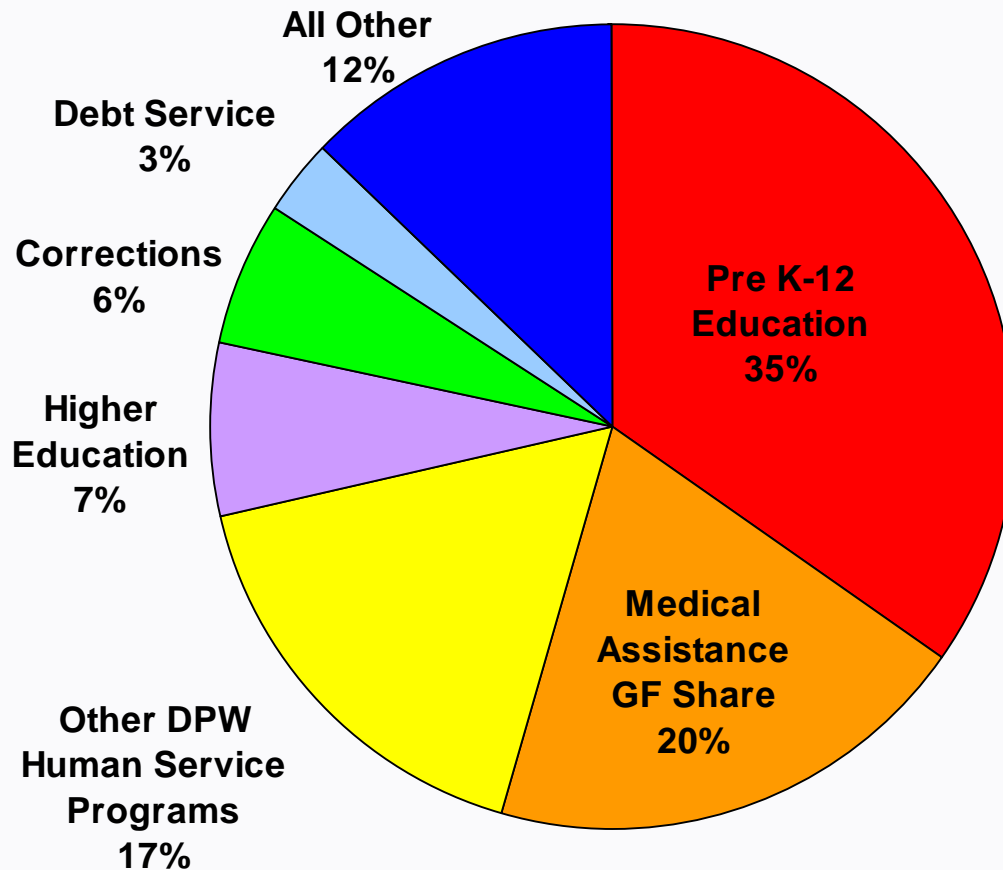


Commonwealth of Pennsylvania
Department of Public Welfare
Budget Briefing
February 5, 2008

Edward G. Rendell
Governor

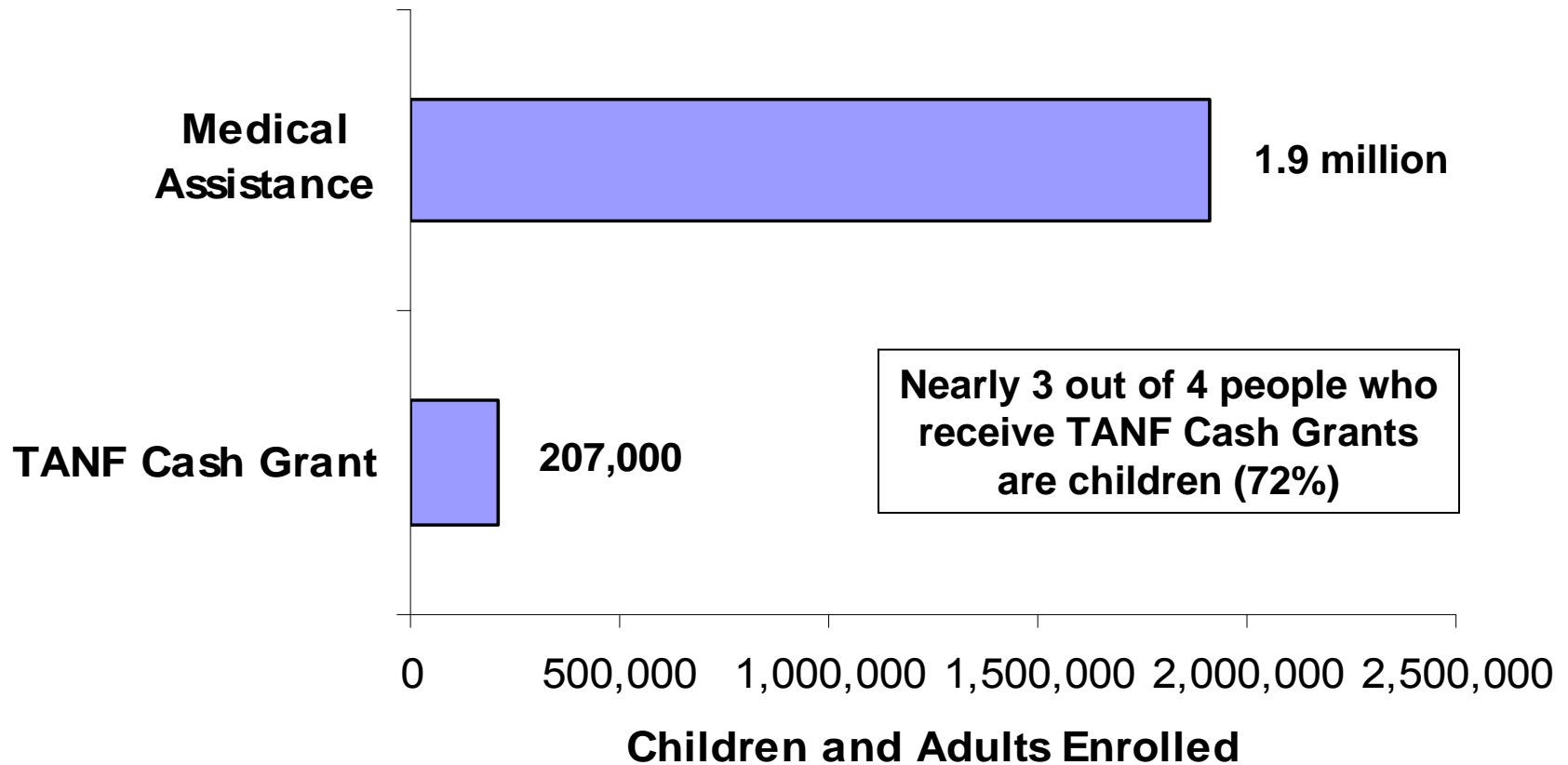
Estelle B. Richman
Secretary of Public Welfare

2008-09 General Fund Expenditures

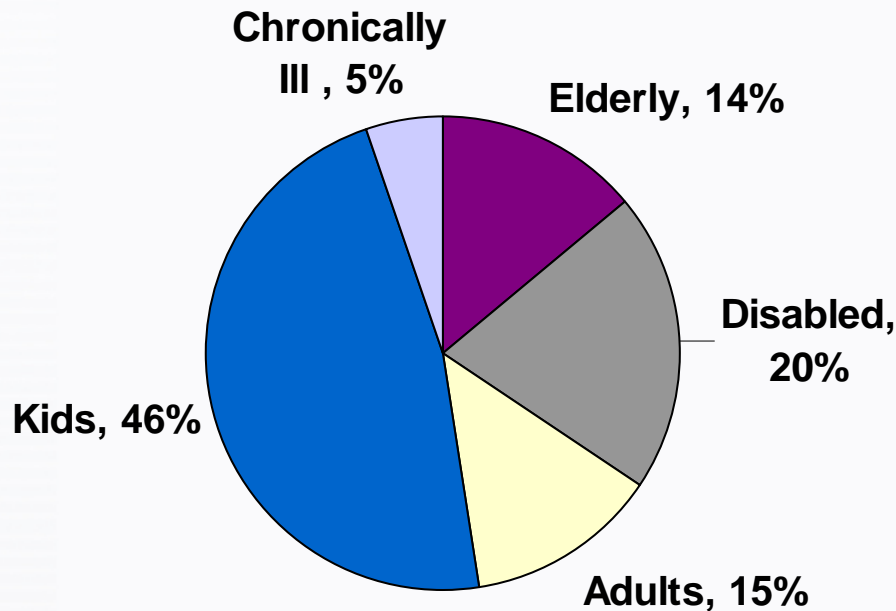


Spending on Medical Assistance and other Department of Public Welfare human services programs accounts for 37 percent of total General Fund expenditures

A common misconception about Pennsylvania's “welfare” population

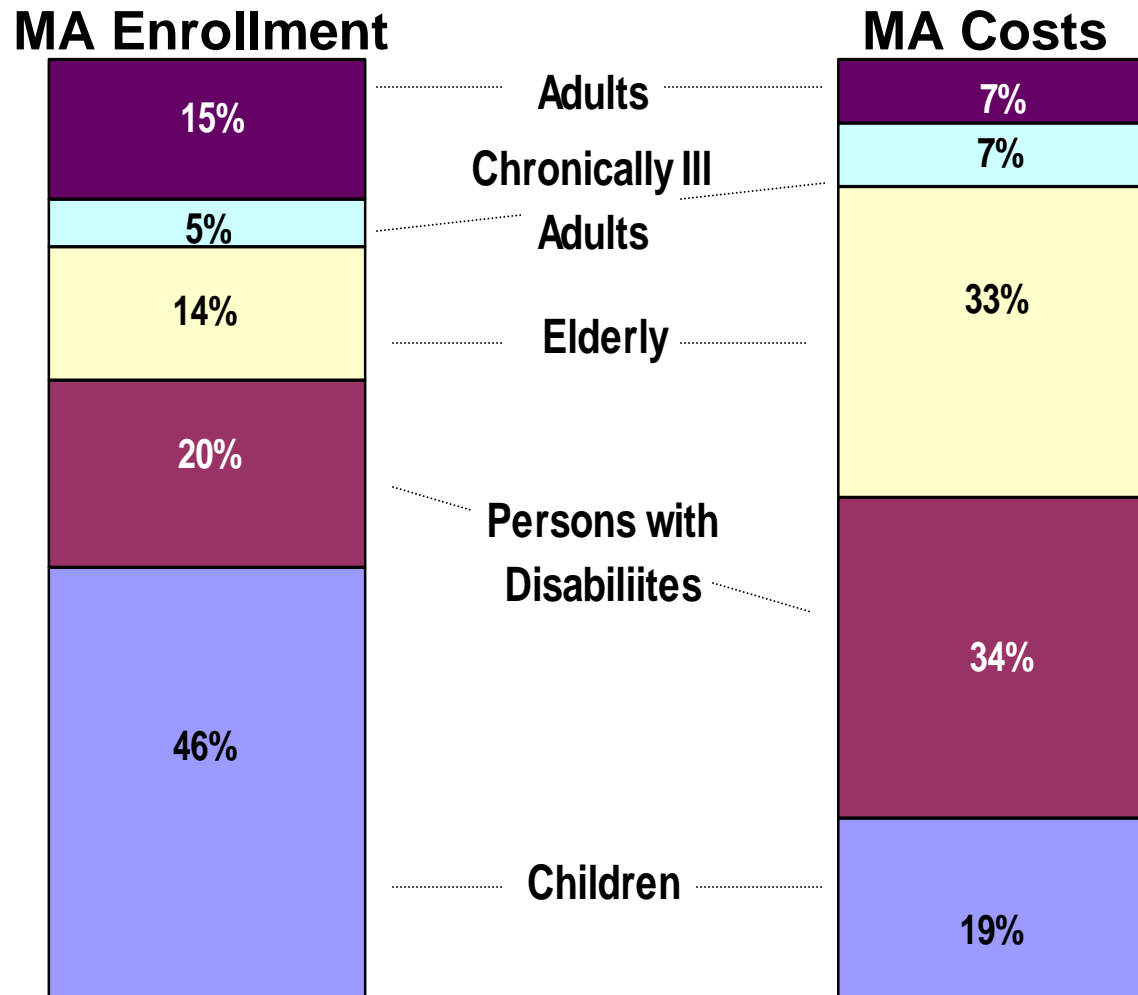


Children and persons with disabilities are largest and fastest growing MA populations



	Enrollment Growth (FY06 to FY07)
Elderly	5.6%
Children	3.8%
Persons with Disabilities	2.2%
Chronically Ill Adults	0.0%
Adults	-1.1%

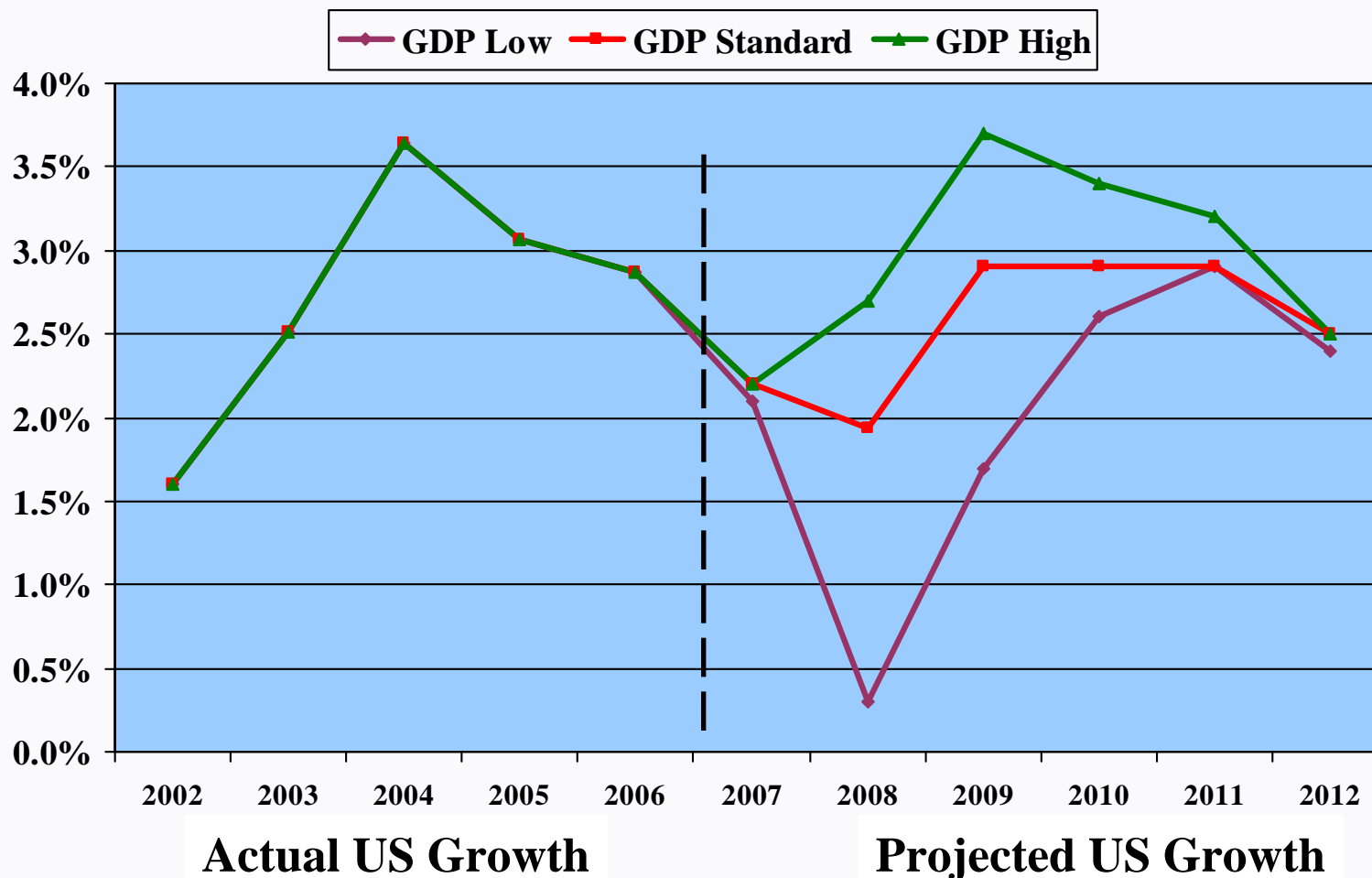
People with disabilities and elderly Pennsylvanians use the greatest share of Medical Assistance resources



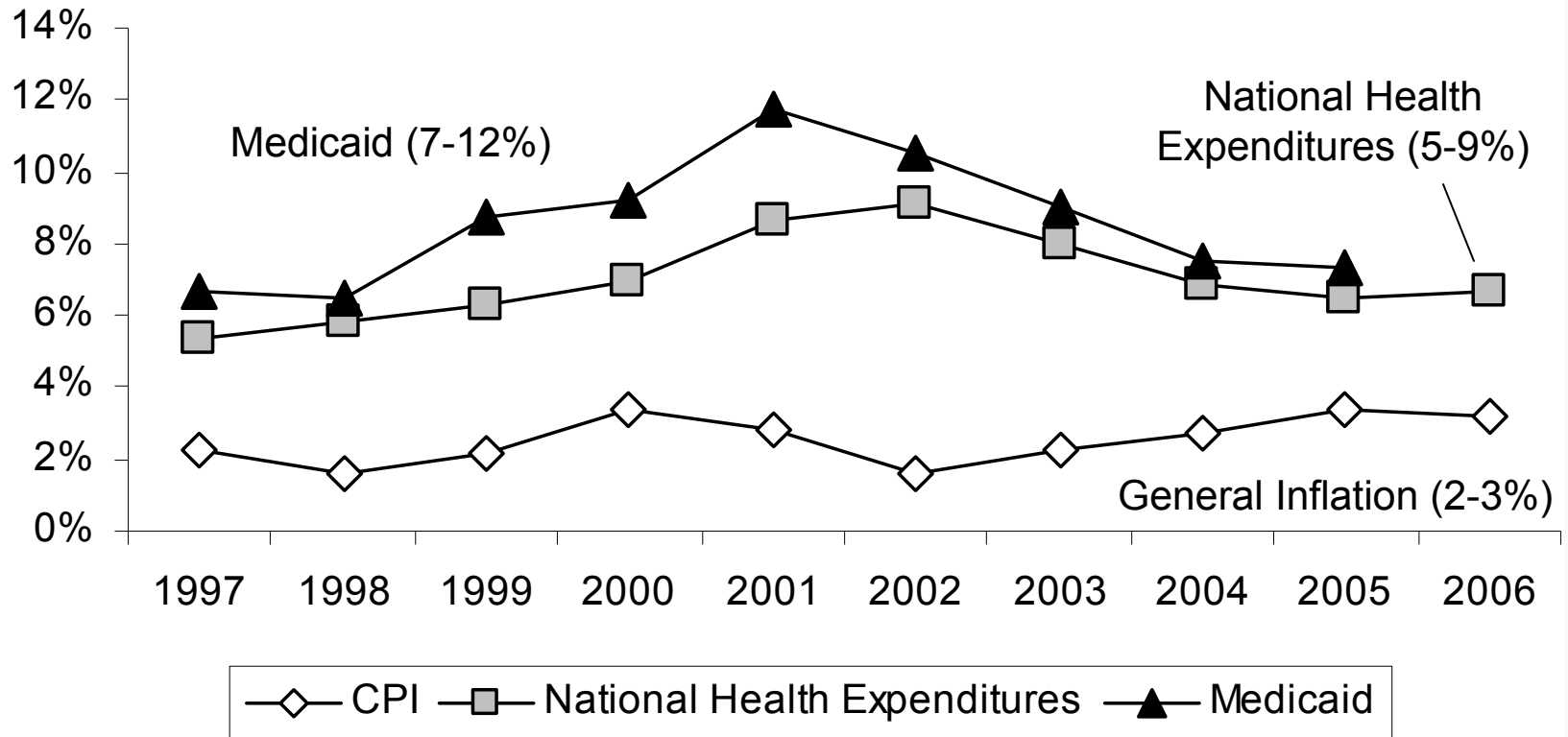
2008-09 Budget Overview

- Uncertain national economic outlook complicates the revenue picture
- Rising health care costs continue to pressure health care budgets
- Critical reductions in federal funding decrease available resources

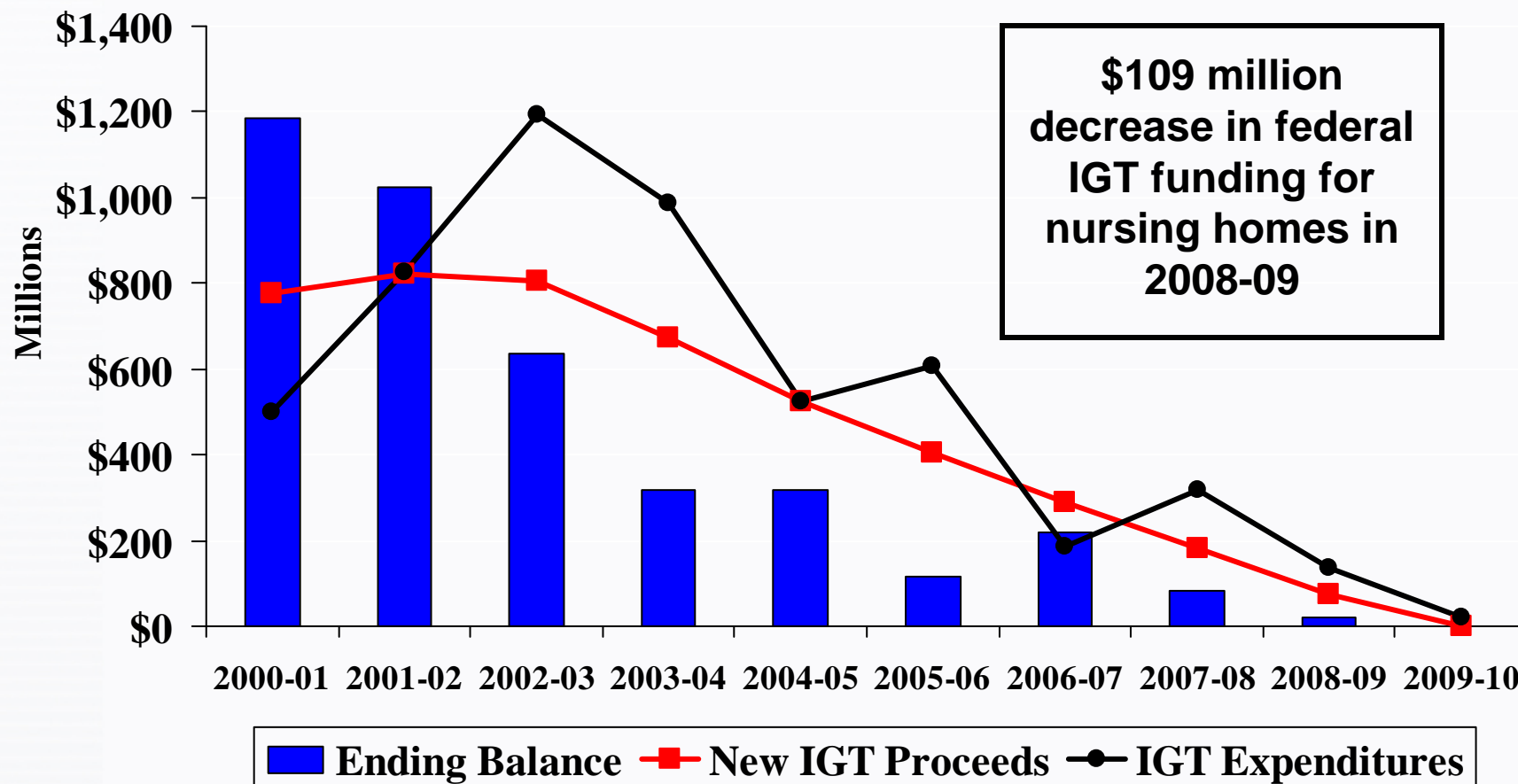
Uncertain national economic outlook complicates Pennsylvania's revenue picture



Medicaid and public health spending grow at 2 to 3 times the inflation rate



Critical reductions in federal funding for nursing homes



Cost Containment: DPW has achieved significant cost savings

- Reduced the number of DPW employees by 1,000 since 2003
- This is a 10% reduction in the non-institutional workforce
- Total savings: \$70 million in salaries and benefits since 2003

DPW is managing financial resources tightly

- **Maximizing Recoveries and Minimizing Payments in Error**
 - \$140.7 million in Third Party Liability (TPL) cost recoveries in 2007
 - \$24.9 million in recoveries for fraudulent and erroneous payments in 2007
- **Negotiating Better Contracts**
 - \$29.1 million in negotiated contract savings in 2007
 - \$42.2 million in negotiated savings over the life of these contracts

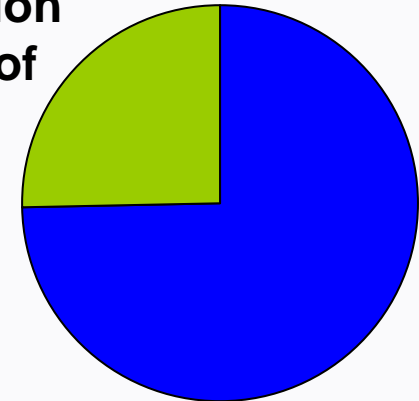
All program offices have adopted changes to reduce costs, improve quality

- Implemented a preferred drug list and other **pharmacy changes** (\$111.4 million)
- Developed the capacity to issue SSI checks in-house, **avoiding federal fees** (\$30.5 million)
- Revamped child support operations, including use of **electronic payments card** (\$3.9 million)
- Closed an **underused Youth Development Camp** and other system reforms (\$2.8 million)
- Gained operating **efficiencies at state centers** for the mentally retarded (\$3.7 million)
- Reorganized OMHSAS operations to improve integration and **significantly reduced administrative expenses**

DPW will save \$179.9 million in FY2008-09 bringing four-year total to \$681.5 million

- DPW has saved \$501.6 million over the last 3 years, mostly through MA cost containment

\$127.4 million
from rest of
DPW



\$374.2 million from MA

- Proposed initiatives will save an additional \$179.9 million in savings in FY 2008-09

2008-09 budget upholds Governor Rendell's core commitments

- No one currently receiving services will lose eligibility
- Children will not experience any reduction in services
- PA will provide services for the growing number of individuals and families who require Medical Assistance

Improving Medicaid managed care with HealthChoices Plus

- In Western PA, managed care will operate side by side with ACCESS Plus
- Advantages
 - More choice for consumers
 - Challenge bidders to develop strategies that support *Prescription for Pennsylvania* like:
 - Reducing inappropriate ER use
 - Preventing avoidable hospitalizations
 - Improving chronic care management

Introducing a new managed care model in Lehigh/Capital and Southeastern Zones

- Rebid both contracts for January 1, 2009
- Challenge bidders to develop strategies that support *Prescription for Pennsylvania*
- Significant Taxpayer Savings
 - DPW will assume responsibility for managing the pharmacy benefit to earn federal rebate
 - Will apply to Lehigh/Capital, Southeastern, and new HealthChoices Plus Zones

New Initiatives to Improve Access to Medical Assistance

- **Prescription drug coverage**
 - Today 43,000 low income adults qualify for MA but are not eligible for prescription drug benefits
 - New initiative would fill that gap in conjunction with the implementation of Cover All Pennsylvanians
- **Selected fee increases**
 - Skilled nursing care and home health services
 - Dental and primary care providers
 - Goal is to ensure access for children and families

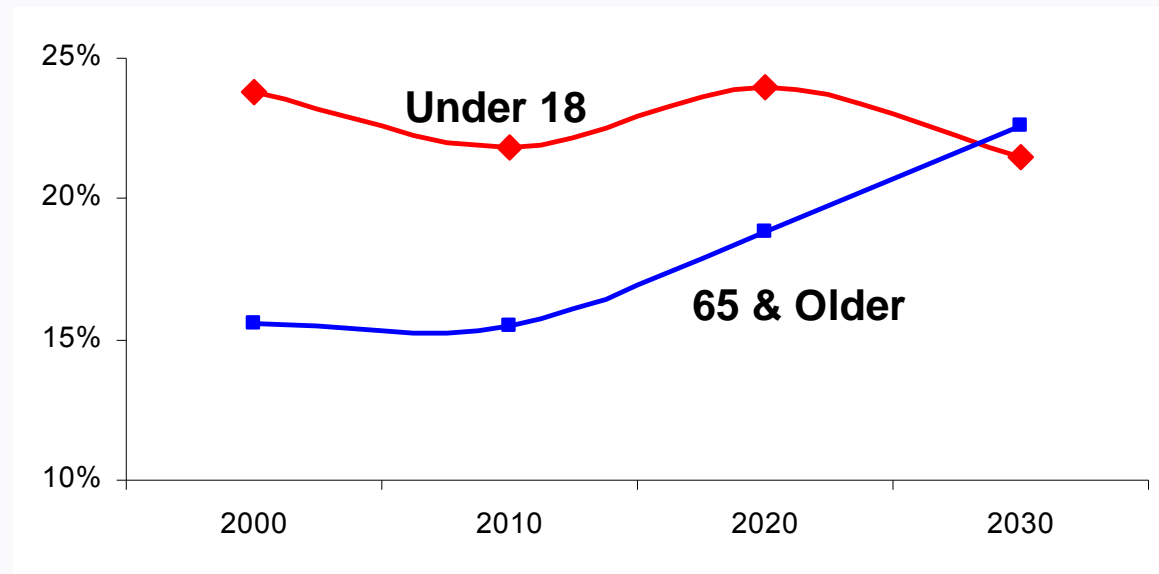
Pay for Performance incentives leads to better health outcomes

DPW has broadly implemented the Pay for Performance concept with \$41.2 million for incentive funds in FY2008-09

- **Managed Care Organizations** can earn up to a 2.5% performance bonus (up from 0.5% two years ago)
- **ACCESS Plus** providers are eligible for similar incentive payments
- **Hospitals** can apply for competitive grants for specific quality improvement projects

Pennsylvania must address growing needs of seniors and persons with disabilities

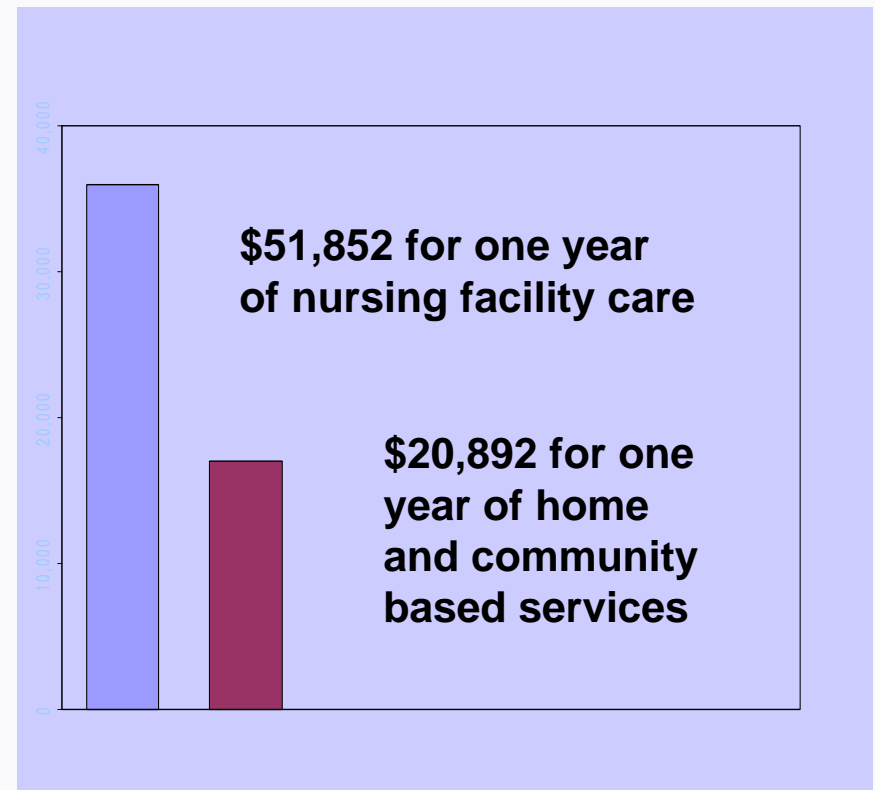
- PA will have more seniors (ages 65+) than school age kids by the year 2030



- 162,000 Pennsylvanians with disabilities also need long term care services

Rebalancing the Long-Term Living System

- Rebalancing Goal: 50/50 split between home & community based and institutional care
- This more cost effective approach is in line with what consumers want
- Office of Long Term Living spans DPW and Department of Aging – launched one year ago



New Long Term Living Initiatives

- Expand **Adult day care** to help seniors stay at home longer while giving their families the support they need
- **Tenant based rental assistance** pilot broadened to include 10 more counties
- **Funding for services** for 1,170 additional persons with disabilities and 2,100 additional older persons
- Building the systems to license, certify and inspect **Assisted Living** residences

Why Invest in Child Development and Early Learning?

- **Where are the Children at Risk?**
 - Every county includes children at risk of school failure due to poverty, education level of the mother, special needs, and other factors
 - Children in 70% of Pennsylvania's counties are at moderate to high risk of school failure
 - More than one-third (39.6%) of Pennsylvania's children under age five live in low income families
- **How Are We Doing in Reaching the Children?**
 - Our quality early childhood programs are serving about 26% of 0-5 year old children
 - The average public investment per child in our early childhood programs is \$1,930 – the estimated cost of providing quality services is four times this investment

Investing in Child Development and Early Learning

- **Child Care Works** Subsidized Child Care –expanded to serve an additional 2,600 children on a monthly basis to reach more than 235,000 children annually.
- **Keystone STARS** – expanded to assure quality early learning experiences for more than 171,000 children.
- **Early Intervention** – expanded to serve 3,000 additional children from birth through age five and to maintain existing services for 77,700 children
- **Nurse-Family Partnership** –expanded to serve approximately 240 additional families to reach more than 4,200 families.

More reductions in the wait list for services for persons with mental retardation

- The FY08-09 budget includes resources for 1,818 additional persons to receive home and community based services
- This total includes 750 persons leaving the special education system
- Increases the “cap” on individual budgets to \$26,000
- Provides funding to address new federal requirements

Pennsylvania is a national leader in developing services for persons with autism

- Bureau of Autism Services created in 2007
 - Laid groundwork for Adult Community Autism Program (ACAP)
 - Awarded respite mini-grants to over 1,000 families
- New for FY 2008-09
 - \$7.6 million for services for 400 adults in ACAP and new Autism Waiver, bringing the total to 600
 - Intensive training to build provider and clinical capacity and establish Bio-behavioral Units
 - Support for Autism Parity bill

Transforming Pennsylvania's Behavioral Health System

- HealthChoices went statewide in 2007
- Mayview State Hospital to close
December 31, 2008
 - Builds on successful closing of Harrisburg State Hospital in 2006
 - Support for an additional 91 persons moving to community settings in 2008-09 budget

New Policies to Protect Children

- **New Policy Requires a Faster Response:** Young children (ages 0-3) must be seen within 2 hours of the time a county children and youth agency receives a credible report of abuse
- **Reducing the Need for Out-of-State Placements**
 - All children and youth placed out-of-state in congregate care settings are under review
 - New plans to develop secure Residential Treatment Facilities in Pennsylvania that will keep children in placement closer to home

More resources for adoptions and to expand selected programs for children

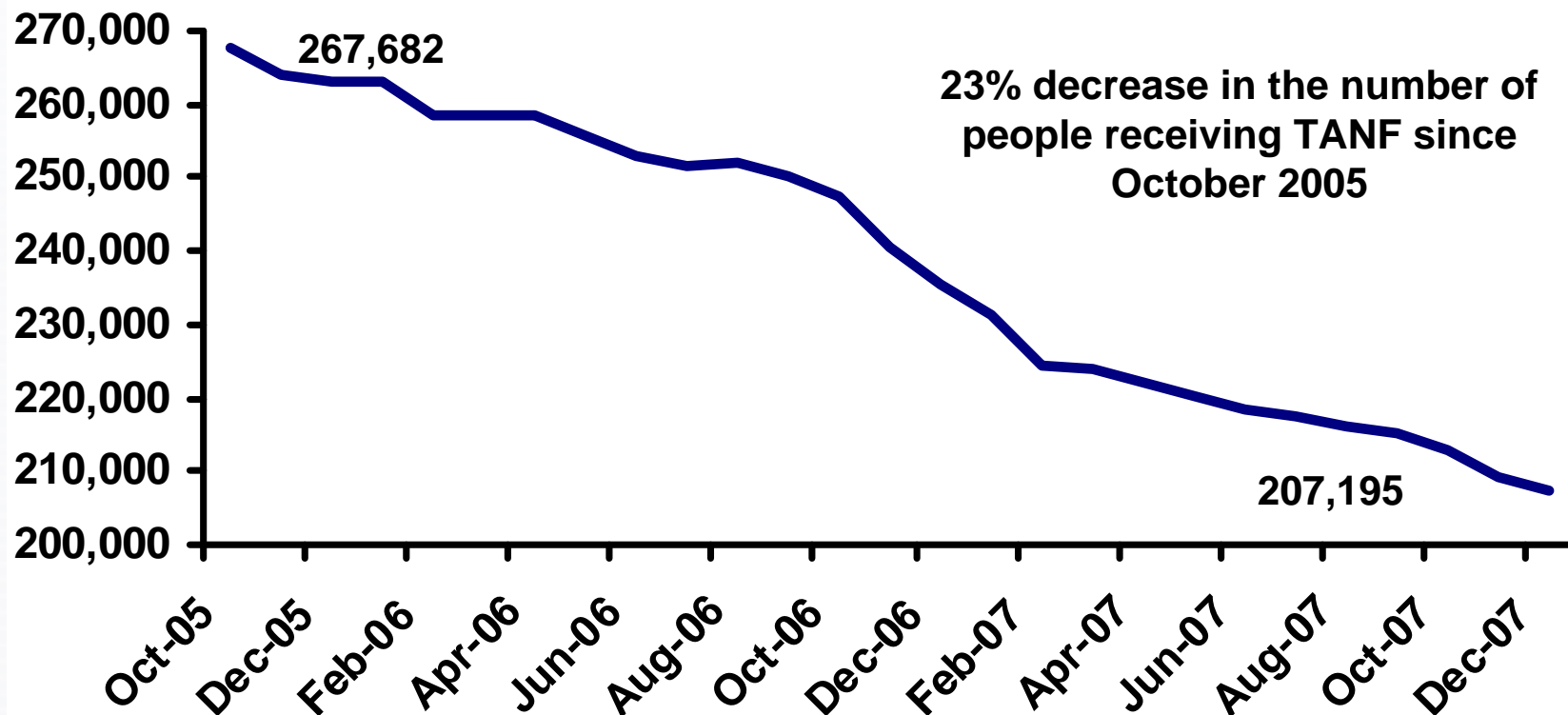
- **Adoptions**
 - \$11.5 million for more kids to be adopted and increase support for families
- **Funding for Proven Programs**
 - 10% increase in funds tied to use of evidence-based practices and evaluated against measurable outcomes
- **Planned phase out of TANF Transition Funds is complete**

Profile of a family of three who receive a TANF Cash Grant

- Typical family is a mother and two children
- A family of three can earn no more than \$786 a month to be eligible for cash assistance – about half the federal poverty limit

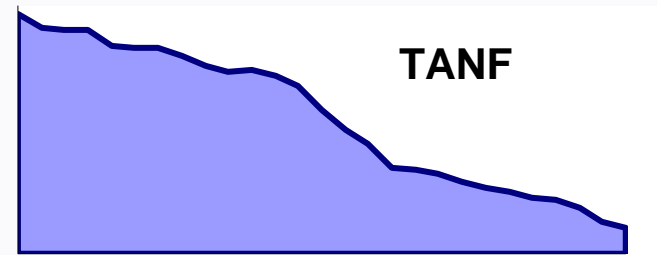
PA's TANF Cash Grant for is lower than grants in nearby states*	
PA	\$403
OH	\$410
NJ	\$424
MD	\$549
NY	\$691
*Grants for a family of 3	

Fewer Pennsylvanians are receiving cash assistance than anytime since 1961

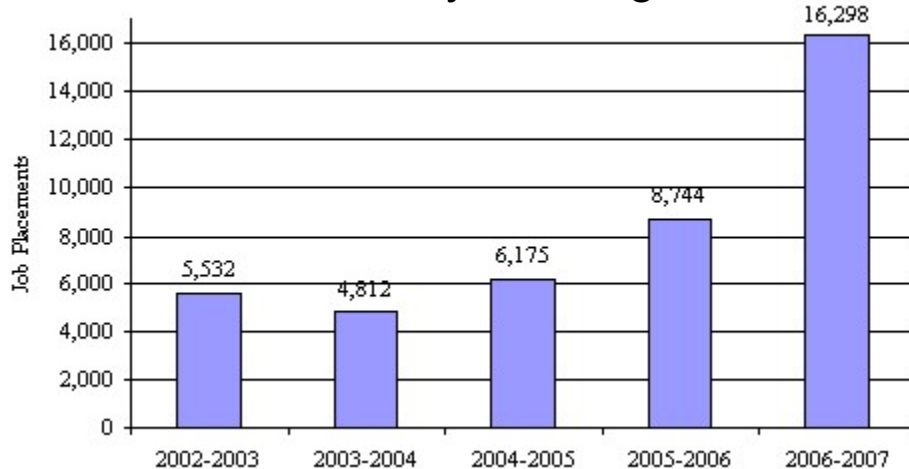


Lower caseload is good for TANF families and taxpayers

More people are working – job placements by employment and training contractors are on the rise



Job Placements by Training Vendors



There are 60,500 fewer persons receiving cash assistance today than in October 2005. The reduction in the TANF caseload saved taxpayers more than \$117 million.

The Commonwealth Provides Vital Services to More Than 3 Million People

PROGRAM	People Served 2007-08*	People Served 2008-09*
Medical Assistance	1,915,240	1,949,270
Cash Assistance (TANF, General Assistance and State Blind Pension)	228,400	226,690
Child Protective Services	283,502	286,801
Child Care	232,025	234,633
Mental Retardation and Autism Services	49,992	52,262
Children's Health Insurance Program	167,898	185,764
PACE Plus Medicare	383,305	407,575

* *Some recipients may be in more than one category.*

Who is the face of DPW?

- A young adult who is partially paralyzed living independently in the community
- A child with autism
- An older Pennsylvanian in need of home health care services
- A toddler showing signs of a developmental disorder
- A young person with mental retardation graduating from special education

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