

Department of Social & Health Services

Children and Family Services

The budget saves a total of \$2.1 million in state and federal funds by placing more children with relatives who otherwise would be in foster care. Chapter 284, Laws of 2003, Partial Veto (SHB 1233), requires the Department to increase efforts to place children with relatives, which is less costly than placing children in traditional foster care.

The budget saves \$259,000 in state general funds by instituting a more efficient reimbursement methodology for beds in Homeless, Youth Prevention/Protection, and Engagement Act (HOPE) centers. Each provider will receive a reimbursement of \$1,000 per bed per month as a base payment, and the rest of the reimbursement will be paid only when the beds are occupied. This savings is a result of the current 43 percent occupancy rate for HOPE beds.

A total of \$6.4 million in state and federal funds is provided for an increase in services for foster children who are being placed in higher levels of care.

The budget provides \$1.4 million in state and federal funds for improved and expanded training for foster parents. Enhanced training will enable foster parents to better respond to the needs of the children in their care and is intended to reduce attrition among foster homes.

The budget achieves \$2.9 million in General Fund-State savings due to a new federal tax credit for families adopting special needs children. New adoption support cases, with family incomes large enough to benefit from at least a portion of the \$10,000 tax credit, will receive a lower state adoption support level that takes into account the added federal tax credit.

Juvenile Rehabilitation Administration

Savings in the amount of \$3.3 million are achieved through the implementation of Chapter 378, Laws of 2003, Partial Veto (ESSB 5903), which provides juvenile offenders with local disposition alternatives to secure placement in Juvenile Rehabilitation Administration (JRA) facilities. Funding in the amount of \$1.2 million is provided to local juvenile courts to implement the disposition alternatives. When these caseload savings are combined with reductions assumed in the February 2003 caseload forecast adopted by the Caseload Forecast Council, the JRA residential population is expected to decline to 921 offenders during the 2003-05 biennium. This represents an 11.1 percent reduction from the 2001-03 biennium.

Consistent with the Washington State Institute for Public Policy's 2002 findings on intensive parole services, funding for intensive parole is reduced by \$1.9 million. These savings are achieved by increasing the size of intensive parole caseloads from 12 parolees to 20 parolees, the same level as for enhanced and sex offender parole. Funding in the amount of \$943,000 is provided to JRA for research-based therapies for parolees and youth transitioning out of state institutions and into the community.

State financial support for the Consolidated Juvenile Services contract, which provides local juvenile courts with funding for diversion, probation supervision, treatment programs, and other services, is reduced by \$1.3 million, commensurate with declining juvenile adjudications and diversions.

Funding in the amount of \$13.2 million for truancy, at-risk youth, and child-in-need-of-services petitions is shifted from JRA to the Office of the Administrator for the Courts.

The Governor vetoed section 203(7) of Chapter 25, Laws of 2003, 1st sp.s., Partial Veto (ESSB 5404), which would have provided federal Juvenile Accountability Incentive Block Grant funding for the continuation of a pilot program for the post-release planning and treatment of juvenile offenders with co-occurring disorders.

Mental Health

To keep pace with growth in the number of persons enrolled in Medicaid, total funding for counseling, case management, residential and hospital care, and other community mental health services provided through Regional Support Networks (RSNs) is increased by \$51.7 million (14.0 percent). The cost of this increase is partially offset by:

- Eliminating \$2.9 million in total funding for annual grants to assist local communities in maintaining and expanding their capacity to provide emergency psychiatric services and community hospitals;
- Avoiding \$4.3 million of projected expenditure increases through increased efforts to assure that recipients of publicly-funded medical assistance meet applicable income, residency, and other eligibility requirements;
- Requiring families with incomes over the poverty level to pay monthly premiums for their children's medical, dental, and vision coverage, resulting in \$4.2 million of reduced expenditures in the Mental Health program as a result of fewer children being eligible for Medicaid services; and
- Limiting RSN and provider administrative expenditures to 10 percent of total funding, for total savings of \$5.8 million.

In addition, the budget provides \$200,000 in total funding for the Mental Health Program to: (1) address the recommendations included in the Joint Legislative Audit and Review Committee's study on children's mental health services; and (2) provide training and case management activities associated with the implementation of mental health advance directive legislation.

Special Commitment Center

Consistent with the direction from the federal court, \$2.4 million in funding is provided for the Department of Social and Health Services to operate an additional Secure Community Transition Facility (SCTF) in a location other than McNeil Island. This level of funding assumes initial occupancy by October 1, 2003, and a projected population of six residents by the end of the biennium. Staffing ratios for the facility will be one staff per resident during waking hours and two staff per three residents during sleeping hours.

With respect to the SCTF located on McNeil Island, savings of \$2.2 million were achieved by: (1) removing the roving patrol car support provided by the Washington State Patrol; and (2) reducing the staffing ratio at the SCTF to one staff per three residents during normal waking hours, and one staff per four residents during normal sleeping hours.

In addition, \$1.2 million in funding was provided for the purchase of a used passenger vessel to accommodate additional staff traveling to McNeil Island as a result of the newly-constructed Special Commitment Center.

Developmental Disabilities

Building upon past efforts to enable integrated community living for clients with developmental disabilities, the 2003-05 budget provides funding for increased community residential housing and supports, including personal care services, as follows:

- \$2.2 million in total funding for 11 developmentally disabled clients with community protection issues who are being diverted or discharged from the state psychiatric hospital;
- \$2.5 million in total funding for 14 clients who are: (1) currently without residential services and are in crisis or at risk of needing institutional placement; or (2) residents of Residential Habilitation Centers (RHCs) who choose to live in community settings; and
- \$4.7 million in total funding for 38 residents of RHCs who choose to move to community settings.

As a result of increased placements in the community along with the continued decline in the number of residents at state-operated RHCs, the budget directs the Department to consolidate RHC vacancies across the five state facilities in order to downsize Fircrest School. To minimize disruption to clients, employees, and the Developmental Disabilities Program, \$2.5 million in total funding is provided for costs associated with development and implementation of a transition plan, review of transition opportunities for dislocated state employees, and for additional staffing required by the downsizing effort.

State funding for persons with developmental disabilities receiving services in the home through Medicaid Personal Care (MPC) is increased by \$18.9 million (17 percent) over the level budgeted for the 2001-03 biennium. This increase is partially offset by: (1) raising the functional eligibility requirement for state savings of \$1.5 million; and (2) reducing the caseload to reflect Departmental efforts to ensure that children receiving MPC services meet eligibility criteria for state savings of \$1.6 million.

The budget eliminates \$9.9 million in state funding attributable to the court denial of the Arc's and the Department of Social and Health Services' joint motion for preliminary approval of a settlement regarding developmental disability services in December of 2002.

Long-Term Care Services

A total of \$2.3 billion is appropriated for the Department of Social and Health Services (DSHS) to provide long-term care services to an average of 48,000 elderly and disabled adults per month. This represents a 4.1 percent increase in the number of persons receiving such services, and a 10.8 percent increase in expenditures from the 2001-03 biennium. Major increases include:

- \$44.9 million to provide increased wages for home care workers who provide direct care to persons in their own homes.
- \$91.7 million to provide increased nursing home payment rates. Of this total, \$58.6 million will reimburse Medicaid facilities for a new fee of \$6.50 per patient day, levied pursuant to Chapter 16, Laws of 2003, 1st sp.s. (E2SSB 5341). The remaining \$33.1 million will fund a 3.0 percent increase in non-capital nursing home payment rates.

Growth in the Long-Term Care Program is mitigated through the implementation of several cost containment initiatives.

A total of \$10.4 million in savings is achieved by limiting growth in the Community Options Program Entry System (COPES) waiver to 1.1 percent per year and establishing prioritized waiting lists for future enrollments in excess of these growth limits.

Additionally, \$3.7 million is saved by increasing functional eligibility standards for the MPC Program. Persons who require only minimal assistance with two activities of daily living will no longer be eligible for MPC services. Persons currently receiving care in community residential settings who do not meet the higher eligibility standard will continue to be served without matching federal funds.

Savings in the amount of \$9.9 million are achieved by modifying spousal asset limits for married persons applying for Medicaid-funded long-term care. In accordance with Chapter 28, Laws of 2003, 1st sp.s. (ESHB 2257), DSHS will disregard up to \$40,000 in liquid assets of the spouse not receiving care when determining whether the spouse receiving care is eligible for Medicaid. Previously, Washington's spousal asset limit was set at \$90,660, which is the maximum allowable under federal guidelines.

Economic Services Administration

The budget provides \$9.1 million in federal funds for a new reimbursement methodology for county clerks who file child support orders for the state. This new methodology will increase reimbursements by 175 percent and compensate counties more equitably for the services they provide to families through child support filings.

The budget saves a total of \$13.7 million General Fund-State (\$6.6 million in Economic Services and \$7.1 million in Medical Assistance) by implementing Chapter 10, Laws of 2003, 1st sp.s. (HB 2252). This legislation requires General Assistance clients to demonstrate continuation of their medical or mental condition and ongoing need for cash and medical benefits.

Alcohol and Substance Abuse

The budget provides \$9 million from the Criminal Justice Treatment Account for offender substance abuse treatment. These funds will be disbursed through county managed drug and alcohol treatment programs, pursuant to the distribution formula set by the Criminal Justice Treatment Account Panel.

The budget reduces funding for the Treatment Accountability for Safe Communities Program (TASC). The remaining \$2 million allocated for TASC will be distributed to counties with TASC programs. Those counties will continue the budget policy adopted in the 2002 supplemental budget by integrating their TASC and drug court funding, so as to have the greatest success in diverting offenders into successful treatment and recovery.

The budget eliminates \$2 million for the expansion of treatment services for persons defined as gravely disabled. Gravely-disabled individuals are people in danger of serious physical harm resulting from a failure to provide for their essential human needs of health or safety which manifests in severe deterioration in routine functioning, or who are high utilizers of treatment services and other resources.

Medical Assistance

After adjusting for intergovernmental transfer revenues to the Health Services Account, the 2003-05 budget provides a total of \$7.0 billion in state and federal funds for an average of about 900,000 persons per month to receive medical, dental, and vision care services through Medicaid and other DSHS medical assistance programs. Total expenditures on such services are budgeted to increase by \$951 million (16 percent) from the 2001-03 level, and the state share of those expenditures is projected to increase by \$338 million (12 percent).

The budget implements a number of changes in eligibility practices and service coverage policies in order to reduce the growth in future Medical Assistance expenditures. Proposed changes include the following:

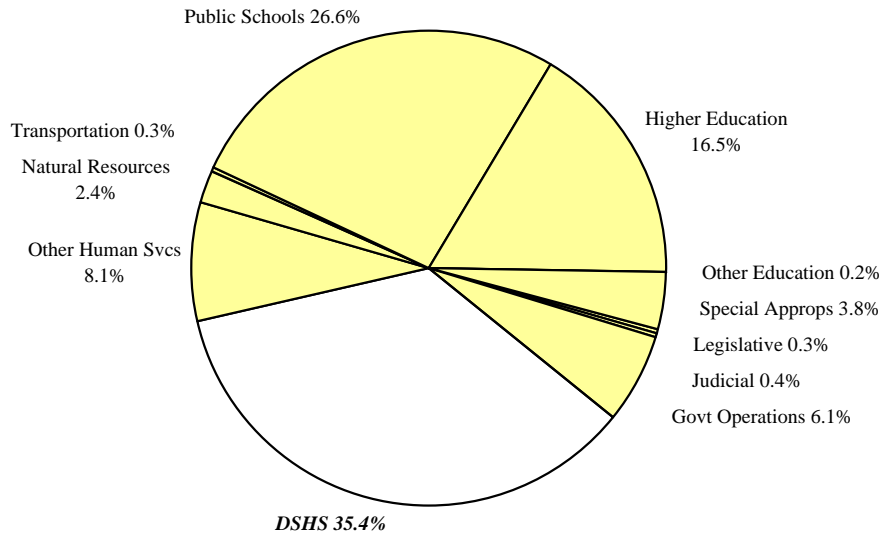
- Eliminating the Medically Indigent Program and partially replacing the state-funded, open-ended entitlement program with \$58.4 million in lidded grants to hospitals that serve a disproportionate share of low-income and medically-indigent patients. Of the new amount provided, \$6.2 million in funding is dedicated to rural hospitals.
- Reducing the scope of dental benefits provided to adult medical assistance clients by 25 percent.
- Requiring families with incomes over the federal poverty level to pay monthly premiums for their children's medical, dental, and vision coverage. Premiums will range from \$15 per child per month to \$25 per child per month, depending on the family income. As a result of this change, medical assistance state expenditures are projected to be reduced by \$32.9 million by the end of the biennium.
- Increasing efforts by the Department to assure that recipients of publicly-funded medical assistance meet applicable income, residency, and other eligibility requirements, resulting in 19,000 fewer eligible clients and \$23.2 million less in net state expenditures.
- Discontinuing benefits to GA-U clients unless the client can demonstrate that their medical or mental condition has not improved and they therefore continue to need cash grants and medical assistance.
- Reducing the number of aged and disabled clients qualifying for Medicaid coverage by: (1) limiting growth in the COPES long-term care waiver to 1.1 percent per year; and (2) reducing the amount of cash, savings, and other liquid assets which a couple may retain and still qualify for publicly-funded medical care. These two efforts are projected to result in \$3.7 million in state savings over the biennium.

Besides changes to eligibility and services, increases in state spending would have been larger, but for several other substantial reductions included as part of the 2003-05 budget:

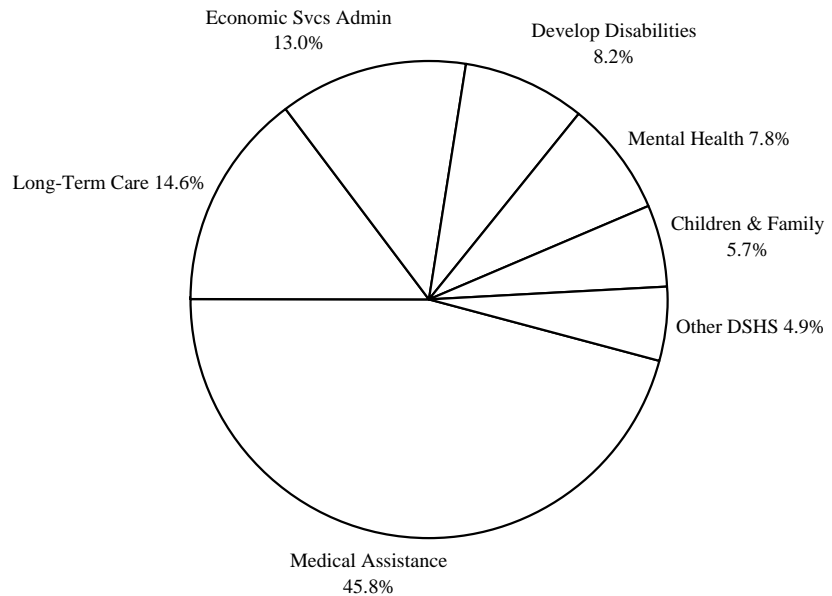
- Recent federal guidelines allow the state to use federal Children's Health Insurance Program (SCHIP) funds to cover prenatal care costs for low-income women who are not eligible for Medicaid because of their immigration status. This avoids \$37.8 million in state-fund expenditures.
- Managed care payment rate increases are limited to 1.5 percent in calendar year 2004 and 5.0 percent in calendar year 2005, as compared to past average annual increases of 8 to 9 percent resulting in \$50.1 million in state savings.
- The rate of growth in state drug expenditures is to be reduced through increased efforts to prioritize the purchase of less costly and effective brands, thereby also creating a financial incentive for manufacturers of more expensive brands to provide additional price discounts to the state.

2003-05 Washington State Operating Budget
Total Budgeted Funds
(Dollars in Thousands)

Legislative	136,394
Judicial	162,179
Governmental Operations	2,726,495
DSHS	15,840,269
Other Human Services	3,617,616
Natural Resources	1,091,562
Transportation	123,957
Public Schools	11,906,608
Higher Education	7,400,500
Other Education	99,594
Special Appropriations	1,690,584
Statewide Total	44,795,758

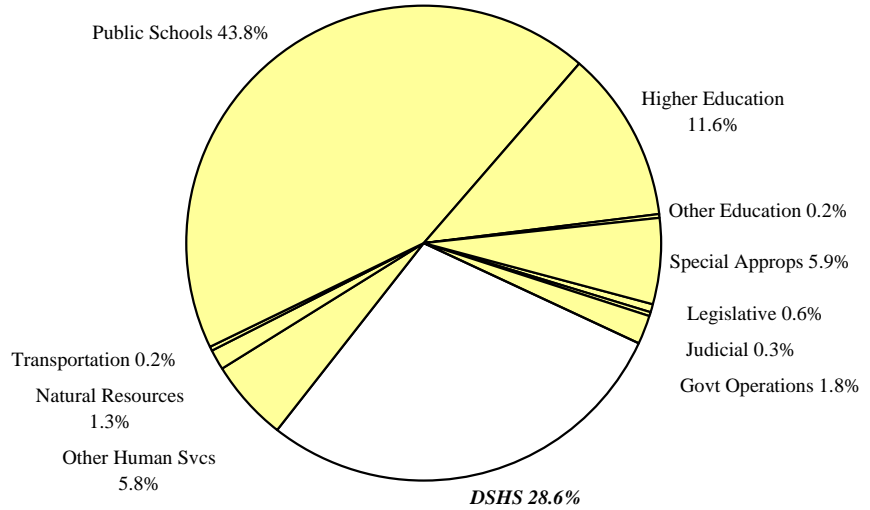


Medical Assistance	7,256,903
Long-Term Care	2,314,357
Economic Services Admin	2,059,185
Developmental Disabilities	1,291,739
Mental Health	1,229,646
Children & Family Svcs	910,037
Other DSHS	778,402
DSHS	15,840,269

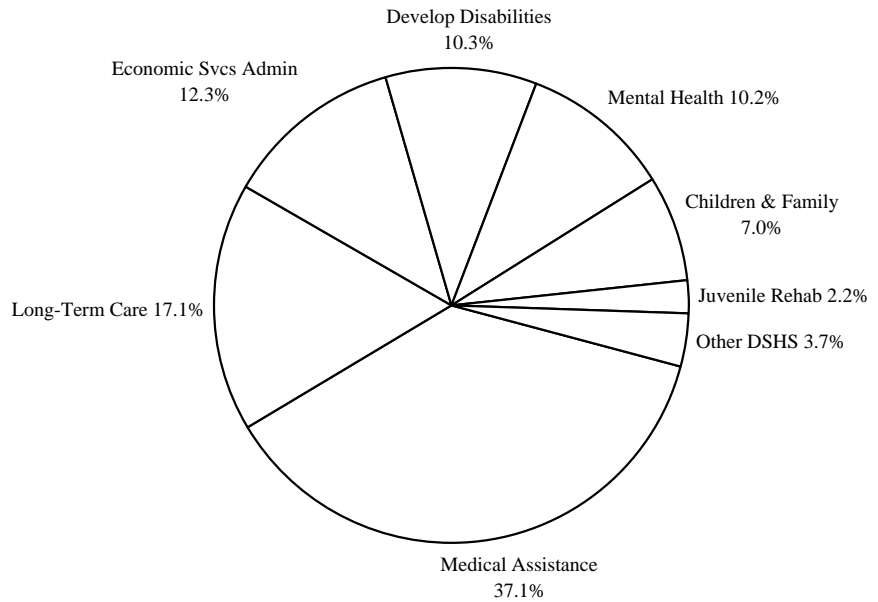


2003-05 Washington State Operating Budget
General Fund-State
(Dollars in Thousands)

Legislative	129,628
Judicial	78,492
Governmental Operations	411,360
DSHS	6,605,069
Other Human Services	1,328,153
Natural Resources	297,097
Transportation	48,834
Public Schools	10,104,649
Higher Education	2,667,195
Other Education	39,932
Special Appropriations	1,370,972
Statewide Total	23,081,381



Medical Assistance	2,450,197
Long-Term Care	1,128,314
Economic Services Admin	815,547
Developmental Disabilities	678,562
Mental Health	674,685
Children & Family Svcs	464,034
Juvenile Rehabilitation	146,792
Other DSHS	246,938
DSHS	6,605,069



**Department of Social and Health Services
Children & Family Services**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	456,146	376,406	832,552
2003 Supplemental *	0	6,733	6,733
Total 2001-03 Biennium	456,146	383,139	839,285
2003-05 Maintenance Level	490,905	421,577	912,482
Policy Changes			
1. General Inflation	-548	-904	-1,452
2. Homecare Worker Wage Increase	61	60	121
3. Pension Funding Change	-1,398	-418	-1,816
4. Increase Funds for Foster Children	3,300	3,145	6,445
5. Reduce Special Projects	-500	0	-500
6. HOPE Bed Reimbursement Change	-259	0	-259
7. SHB 1233 - Kinship Care	-1,380	-698	-2,078
8. Preserve Youth Programs w/PSEA \$	-23,000	23,000	0
9. Adoption Support-Federal Tax Credit	-2,900	0	-2,900
10. Increase Licensed Resources	1,024	382	1,406
11. Additional Admin Reductions	-1,371	-141	-1,512
12. Crosswalk Program	100	0	100
Total 2003-05 Biennium	464,034	446,003	910,037
Fiscal Year 2004 Total	231,566	221,818	453,384
Fiscal Year 2005 Total	232,468	224,185	456,653

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal, General Fund-Local, Public Safety and Education Account-State, Violence Reduction and Drug Enforcement Account-State)
- Homecare Worker Wage Increase** - The Department of Social and Health Services (DSHS) contracts with home care workers to provide care for elderly and disabled Medicaid clients. Funding is provided to increase the wages of individual and agency home care workers effective October 1, 2003. As a result of these changes, wages for direct care workers employed by home care agencies will be increased by \$0.75 per hour. (General Fund-State, General Fund-Federal)
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)
- Increase Funds for Foster Children** - Funding is provided for increased services for foster children. Some children in the state system have more complex needs and have been moved into higher levels of care, therefore resulting in higher costs. The Department will manage foster care placements within this level. (General Fund-State, General Fund-Federal)
- Reduce Special Projects** - Funding is reduced in the following Children's Administration special projects: (1) \$61,000 for the Health Insurance Portability and Accountability Act (HIPAA); (2) \$91,000 for staff development and training overhead costs; (3) \$41,000 for social worker training; (4) \$47,000 for the quality improvement team; and (5) \$260,000 in Indian Child Welfare services. These reductions total \$500,000 General Fund-State.
- HOPE Bed Reimbursement Change** - Savings are realized by changing the reimbursement methodology for Homeless, Youth Prevention/Protection and Engagement Act (HOPE) beds to a \$1,000 reimbursement rate per month per bed to each provider as a base payment, and the rest of the reimbursement paid only when the HOPE bed is occupied. This savings reflects the current 43 percent occupancy rate for 31 HOPE beds.
- SHB 1233 - Kinship Care** - Savings are realized from Chapter 284, Laws of 2003, Partial Veto (SHB 1233). The savings are a result of more children being placed with relatives than in traditional foster care. (General Fund-State, General Fund-Federal)

**Department of Social and Health Services
Children & Family Services**

8. **Preserve Youth Programs w/PSEA \$** - Public Safety and Education Account (PSEA) funding is provided to preserve programs that help youth and families in crisis. Programs that are preserved include Secure and Semi-Secure Crisis Residential Centers, HOPE Beds, the Family Policy Council and Community Public Health and Safety Networks, and the Street Youth Program. (General Fund-State, Public Safety and Education Account-State)
9. **Adoption Support-Federal Tax Credit** - Congress has enacted a new federal tax credit for families adopting special needs children, including those in the foster care system. This adjustment is based on the estimated number of new adoption support cases with family incomes large enough to benefit from at least a portion of the new \$10,000 tax credit in the 2003-05 biennium. Families will receive the federal tax credit funds in lieu of state funds to provide for the children in their care.
10. **Increase Licensed Resources** - Funding and FTEs are provided for the Foster Parent Training Initiative in response to the Braam lawsuit. (General Fund-State, General Fund-Federal)
11. **Additional Admin Reductions** - Funding is reduced for program support and other administrative functions as recommended by the Governor's Priorities of Government initiative. (General Fund-State, General Fund-Federal)
12. **Crosswalk Program** - Funding is provided for a high risk street youth program in Spokane.

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Children & Family Services**

WORKLOAD HISTORY
By Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	Estimated		
								2003	2004	2005
Foster Care ⁽¹⁾										
Avg # Children Served Monthly	8,333	8,283	8,297	8,219	8,127	8,130	8,193	8,202	8,202	8,202
% Change from prior year		-0.6%	0.2%	-0.9%	-1.1%	0.0%	0.8%	0.1%	0.0%	0.0%
Child Care ⁽²⁾										
Avg # Children Served Monthly	4,672	4,422	4,435	4,563	4,909	5,253	5,284	5,150	5,150	5,150
% Change from prior year		-5.4%	0.3%	2.9%	7.6%	7.0%	0.6%	-2.5%	0.0%	0.0%
Child Protective Services										
Avg CPS Referrals Monthly	6,241	6,319	6,477	6,214	6,351	6,375	6,461	6,288	6,500	6,500
% Change from prior year		1.2%	2.5%	-4.1%	2.2%	0.4%	1.3%	-2.7%	3.4%	0.0%
Adoption Support										
Avg # Served Monthly	3,678	4,040	4,683	5,455	6,318	7,247	8,049	8,741	9,456	10,190
% Change from prior year		9.8%	15.9%	16.5%	15.8%	14.7%	11.1%	8.6%	8.2%	7.8%
Caseload Ratio										
Avg Cases Per Worker ⁽³⁾	36:1	36:1	33:1	29:1	29:1	29:1	24:1	24:1	24:1	24:1

(1) Includes Family Foster Care, Group Foster Care, and Receiving Care.

(2) Includes the following child care services: CPS/CWS, Therapeutic/Medicaid Treatment, Foster Parent Employment, and Adoption Support Child Care. Prior to FY 2002, the monthly average also included teen parent and seasonal child care.

(3) Combined average number of open cases per worker for Child Protective Services, Child Welfare Services, and Family Reconciliation Services.

Data Source :

FY 1996 through FY 2002 actuals for Child Care and Child Protective Services provided by the DSHS Budget Division.

FY 1996 through FY 2002 actuals for Foster Care and Adoption Support provided by the Caseload Forecast Council.

FY 2003 through FY 2005 estimates for Child Care and Child Protective Services provided by the DSHS Budget Division.

FY 2003 through FY 2005 estimates for Foster Care and Adoption Support provided by the Caseload Forecast Council.

**Department of Social and Health Services
Juvenile Rehabilitation**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	162,258	68,595	230,853
2003 Supplemental *	-826	-158	-984
Total 2001-03 Biennium	161,432	68,437	229,869
2003-05 Maintenance Level	160,120	66,582	226,702
Policy Changes			
1. General Inflation	-500	-6	-506
2. Consolidated Juvenile Services	-1,316	0	-1,316
3. Pension Funding Change	-820	-12	-832
4. Juvenile Sentencing Alternatives	-3,140	-188	-3,328
5. Pymt to Counties - Disposition Alts	1,183	0	1,183
6. Shift Becca Funds to Courts Admin	-7,132	-6,092	-13,224
7. Research-Based Parole Adjustment	-1,886	-629	-2,515
8. Research-Based Treatment Services	943	0	943
9. Staff Reduc. & Oper. Efficiencies	-660	-18	-678
10. Governor Veto	0	-1,478	-1,478
Total 2003-05 Biennium	146,792	58,159	204,951
Fiscal Year 2004 Total	74,095	29,130	103,225
Fiscal Year 2005 Total	72,697	29,029	101,726

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal)
- Consolidated Juvenile Services** - Funding to local counties for the Consolidated Juvenile Services (CJS) contract is reduced, consistent with declining local adjudications and diversions. The CJS program is a partnership between the state, county juvenile courts, and the private sector. Funded programs provide services to pre-commitment juveniles, including diversion, probation supervision, individual and family services counseling, drug/alcohol assessment and treatment, vocational training, and psychiatric and psychological services.
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)
- Juvenile Sentencing Alternatives** - In accordance with Chapter 378, Laws of 2003, Partial Veto (ESSB 5903), savings are achieved by: (1) restoring a disposition alternative that allows juvenile courts to suspend a standard range disposition involving confinement at the Juvenile Rehabilitation Administration (JRA) for certain juvenile offenders, on the condition that the adjudicated youth comply with one or more local sanctions or treatment requirements; (2) implementing a Mental Health Disposition Alternative (MHDA) that allows juvenile courts to suspend a disposition of 15 to 65 weeks for juvenile offenders diagnosed with mental disorders; and (3) establishing a five-bed community commitment disposition alternative pilot project. Youth adjudicated under the MHDA are required to participate in a mental health treatment program and are subject to community supervision and other local sanctions. (General Fund-State, General Fund-Federal)
- Pymt to Counties - Disposition Alts** - Funding is provided to local juvenile courts to implement two new disposition alternatives and a five-bed community commitment disposition alternative pilot project established pursuant to Chapter 378, Laws of 2003, Partial Veto (ESSB 5903) and to deliver research-based intervention programs to juvenile offenders that would have normally been sentenced to secure placement in JRA facilities. Payments to counties are estimated based upon projected reductions in the JRA residential population for the biennium. Actual reimbursements to the counties will depend on utilization of the disposition alternatives.
- Shift Becca Funds to Courts Admin** - Funding for the cost of juvenile court petitions filed under the "Becca" statutes, including truancy, at-risk-youth, and child-in-need-of-services petitions, is transferred from JRA to the Office of the

Department of Social and Health Services Juvenile Rehabilitation

Administrator for the Courts. (General Fund-State, Public Safety and Education Account-State)

7. **Research-Based Parole Adjustment** - Funding is reduced for intensive parole consistent with the Washington State Institute for Public Policy's (WSIPP) 2002 findings on intensive parole services. Savings in the amount of \$1.9 million are achieved by increasing the size of intensive parole caseloads from 12 parolees to 20, the same level as for enhanced and sex offender parole. Recent WSIPP studies show intensive parole to be ineffective in reducing recidivism, and that it returns no benefits in crime reduction for every dollar spent. Of the total savings, \$943,000 is reinvested in research-based therapies proven to reduce recidivism (see item below). (General Fund-State, General Fund-Federal)
8. **Research-Based Treatment Services** - Half of the state general fund savings from adjusting parole caseloads above is redirected for research-based therapies for parolees and youth transitioning out of institutions, such as aggression replacement training (ART), mentoring, and functional family therapy (FFT). All of these programs have been shown to reduce recidivism by WSIPP and produce in excess of \$6 dollars in benefits in crime reduction for every dollar spent. This funding level will allow the extension of research-based therapies to paroled youth who do not currently receive them. JRA shall invest some of the reprogramming in quality-control efforts, to ensure that research-based therapies are performed correctly, consistent with WSIPP findings that effective quality control is vital to positive outcomes. Additionally, up to \$55,000 in funds may be used to train additional staff in suicide precaution watches.
9. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs. (General Fund-State, General Fund-Federal)
10. **Governor Veto** - The Governor vetoed Section 203(7) of Chapter 25, Laws of 2003, 1st sp.s., Partial Veto (ESSB 5404), which would have provided federal Juvenile Accountability Incentive Block Grant funding for the continuation of a pilot program for the post-release planning and treatment of juvenile offenders with co-occurring disorders. The Governor directed JRA to continue the pilot, provide youth with post-release planning and treatment, and utilize any remaining funds for other program requirements. (Juvenile Accountability Incentive Account-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Juvenile Rehabilitation**

WORKLOAD HISTORY
By Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	<u>Estimated</u>		
								2003	2004	2005
Community Residential ⁽¹⁾										
Avg Daily Population/Month	359	362	305	239	209	194	173	185	182	176
% Change from prior year		0.8%	-15.7%	-21.6%	-12.6%	-7.2%	-10.8%	6.9%	-1.6%	-3.3%
Institutions										
Avg Daily Population/Month	1,007	1,028	1,048	996	984	987	937	776	755	729
% Change from prior year		2.1%	1.9%	-5.0%	-1.2%	0.3%	-5.1%	-17.2%	-2.7%	-3.4%
Parole ⁽²⁾										
Avg Daily Population/Month	917	949	1,002	768	1,023	1,062	1,006	872	870	853
% Change from prior year		3.5%	5.6%	-23.4%	33.3%	3.8%	-5.3%	-13.3%	-0.2%	-2.0%

(1) Includes State Group Homes, Community Residential Placements, Short Term Transition Program, and the County Commitment Program. Beginning in FY 2002, funding for County Commitment Program beds is eliminated.

(2) Parole eligibility standards were significantly modified in FY 1998 and FY 2000. In FY 2003, savings were assumed from the Juvenile Rehabilitation Administration implementing parole changes that might result in caseload reductions.

Data Source :

FY 1996 through FY 2002 from DSHS Juvenile Rehabilitation Administration.

FY 2003 through FY 2005 data from legislative fiscal staff.

**Department of Social and Health Services
Mental Health**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	583,737	563,517	1,147,254
2003 Supplemental *	11,546	-1,785	9,761
Total 2001-03 Biennium	595,283	561,732	1,157,015
2003-05 Maintenance Level	682,475	547,468	1,229,943
Policy Changes			
1. General Inflation	-732	-221	-953
2. McNeil Transportation Needs	1,176	0	1,176
3. Enhanced Local Match Options	0	18,640	18,640
4. Pension Funding Change	-2,049	-237	-2,286
5. Eliminate Community Inpatient Pool	1,800	-4,698	-2,898
6. Limit Administrative Expenses	-2,920	-2,920	-5,840
7. On-Island SCTF Changes	-2,175	0	-2,175
8. Fund Off-Island SCTF	2,353	0	2,353
9. Increased Eligibility Verification	-2,131	-2,131	-4,262
10. Children's Medical Premiums	-2,085	-2,085	-4,170
11. Mental Health Adv. Directives	80	75	155
12. Children's Mental Health	21	22	43
13. Mentally Ill Offender Pilot	-902	902	0
14. Marr Settlement Funding	502	188	690
15. Staff Reduc. & Oper. Efficiencies	-728	-42	-770
Total 2003-05 Biennium	674,685	554,961	1,229,646
Fiscal Year 2004 Total	335,572	276,093	611,665
Fiscal Year 2005 Total	339,113	278,868	617,981

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal)
- McNeil Transportation Needs** - One-time funding is provided for the purchase of a used passenger vessel to support additional staffing at the Special Commitment Center on McNeil Island beginning in January 2004.
- Enhanced Local Match Options** - The Mental Health Division is authorized to increase Medicaid payment rates as needed in order for Regional Support Networks (RSNs) to maximize available federal reimbursement. The Department shall first provide the higher payment to those RSNs whose allocations under the funding formula would otherwise increase the least from the previous year's level in FY 2004 and FY 2005. To qualify for the higher payment, the RSN must use qualified local funds for the required non-federal share of the Medicaid payment. (General Fund-Federal)
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)
- Eliminate Community Inpatient Pool** - Funding for the community inpatient pool is eliminated. The inpatient pool was established in FY 2001 to assist communities in maintaining capacity to provide short-term psychiatric hospitalizations locally. (General Fund-State, Health Services Account-State)
- Limit Administrative Expenses** - Savings are achieved by limiting total administrative expenditures of RSNs to 10 percent of total funding in FY 2005. (General Fund-State, General Fund-Federal)
- On-Island SCTF Changes** - Funding and staffing for the Secure Community Transition Facility (SCTF) is reduced pursuant to Chapter 216, Laws of 2003 (ESB 5991 - Secure Community Transition Facilities). The legislation: (1) removes the roving patrol car support provided by the Washington State Patrol; and (2) reduces the staffing ratio at the McNeil Island SCTF to one staff per three residents during normal waking hours, and one staff per four residents during normal sleeping hours, provided the staffing ratio is never lower than two staff per housing unit. Existing requirements for one-to-one staffing

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are maintained when residents leave the facility for required activities, and the legislation does not affect staffing ratios at SCTFs sited in locations other than McNeil Island.

8. **Fund Off-Island SCTF** - Consistent with direction from the federal court, funding is provided for the operational and staffing costs for the first phase of an SCTF located off of McNeil Island that can house up to 12 residents. The funding level is based on expected occupancy by October 1, 2003, and a projected population of six residents by the end of the biennium. Staffing ratios for this facility will be one staff per resident during waking hours and two staff per three residents during sleeping hours.
9. **Increased Eligibility Verification** - As provided in the 2003 supplemental, DSHS will increase efforts to assure that recipients of publicly-funded medical assistance meet applicable income, residency, and other eligibility requirements. Specific changes include: (1) verifying applicants' declared income through employer contacts and electronic records checks; (2) re-verifying eligibility at least every six months, rather than annually as was previously done for children's and family medical coverage; and (3) discontinuing coverage if subsequent income changes make the child ineligible for coverage, rather than continuing the coverage for a full year as was previously done.

These changes are expected to result in approximately 4,800 (1.9 percent) fewer persons qualifying for publicly-funded medical assistance in FY 2004, and in approximately 19,000 (3.4 percent) fewer receiving such assistance in FY 2005. The FY 2004 savings are significantly lower because electronic eligibility system changes needed to implement the six-month eligibility changes cannot be implemented until January 2004.

In addition, these changes are expected to result in \$4.3 million (\$2.1 million state funds) of avoided expenditures in the Mental Health program. Additionally, 80 FTEs are funded in the Economic Services Administration to conduct the necessary eligibility reviews, at a cost of \$7.8 million (\$4.8 million state funds). The net state savings from this change are expected to total approximately \$23 million for the biennium. (General Fund-State, Health Services Account-State, General Fund-Federal)

10. **Children's Medical Premiums** - The Department is to obtain approval of a federal waiver under which families with incomes over the poverty level will be required to pay monthly premiums for their children's medical, dental, and vision coverage. Premiums are expected to total \$15 per child per month for families with income between 100-150 percent of poverty (\$1,300 - \$1,900 per month for a family of three); \$20 per child per month for families with incomes up to 200 percent of poverty (\$2,500 per month for a family of three); and \$25 per child per month for families with incomes between 200-250 percent of poverty (\$3,200 per month for a family of three). Premiums will be capped at three children per household.

Approximately \$3.0 million in state funds are included for administrative costs in the Economic Services Administration and the Office of Financial Recovery to accomplish the premium collections, and approximately \$2.1 million of reduced state expenditures will occur in the Mental Health Program as a result of the reduction in the number of eligible children. (General Fund-State, General Fund-Federal)

11. **Mental Health Adv. Directives** - Funding is provided for training and case management activities associated with the implementation of Chapter 283, Laws of 2003 (ESSB 5223 - Mental Health Advance Directives), which establishes procedures and requirements for a person with capacity to create a mental health advance directive. (General Fund-State, General Fund-Federal)
12. **Children's Mental Health** - Funding is provided for MHD to implement Chapter 281, Laws of 2003 (2SHB 1784 - Children's Mental Health), which addresses the recommendations included in the Joint Legislative Audit and Review Committee's study on children's mental health services. (General Fund-State, General Fund-Federal)
13. **Mentally Ill Offender Pilot** - Federal block grant funding, rather than state funds, will be used to support the Mentally Ill Offender Pilot Program that provides special services to assist approximately 25 mentally ill individuals released from a Department of Corrections facility to successfully transition back into the community. (General Fund-State, General Fund-Federal)
14. **Marr Settlement Funding** - Funding is provided for Eastern State Hospital to provide additional specialized care, combining both habilitation and mental health treatment components, for persons with developmental disabilities who require the level and intensity of psychiatric care best provided by the state hospital. Funding will support additional FTEs, staff training, facility alteration, and court monitors as provided in the final Marr settlement. (General Fund-State, General Fund-Federal)
15. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

Governor's Vetoes:

The Governor vetoed Section 204(1)(e) and (h) of Chapter 25, Laws of 2003, 1st sp.s., Partial Veto, (ESSB 5404), which: (1) authorized implementation of a new funding formula for Regional Support Networks (RSNs); and (2) capped state funding for RSN administrative costs at 10 percent of each RSN's total funding.

**Department of Social & Health Services
Mental Health**

**WORKLOAD HISTORY
By Fiscal Year**

	1996	1997	1998	1999	2000	2001	2002	Estimated		
								2003	2004	2005
State Hospitals ⁽¹⁾										
Avg Daily Population/Month	1,278	1,276	1,311	1,354	1,358	1,359	1,342	1,239	1,231	1,231
% Change from prior year		-0.2%	2.7%	3.3%	0.3%	0.1%	-1.2%	-7.7%	-0.7%	0.0%
Avg Daily Census/Month	1,246	1,243	1,275	1,317	1,343	1,343	1,328	1,229	1,218	1,218
% Change from prior year		-0.2%	2.6%	3.3%	1.9%	0.0%	-1.2%	-7.5%	-0.9%	0.0%
Community Outpatient Services										
	38,482	39,861	41,328	43,882	45,132	48,254	51,201	53,830	55,580	56,659
% Change from prior year		3.6%	3.7%	6.2%	2.8%	6.9%	6.1%	5.1%	3.3%	1.9%
Avg Adults Served per Month	28,077	28,853	30,024	31,840	32,876	35,239	36,933	39,478	40,637	41,630
% Change from prior year		2.8%	4.1%	6.0%	3.3%	7.2%	4.8%	6.9%	2.9%	2.4%
Avg Children Served per Month	10,405	11,008	11,304	12,042	12,256	13,015	14,268	14,352	14,943	15,030
% Change from prior year		5.8%	2.7%	6.5%	1.8%	6.2%	9.6%	0.6%	4.1%	0.6%
Special Commitment Center - Main Facility										
Avg Monthly Population	33	43	57	79	105	130	151	167	189	216
% Change from prior year		30.3%	32.6%	38.6%	32.9%	24.0%	15.9%	10.6%	13.5%	14.0%
Special Commitment Center - Less Restrictive Alternatives ⁽²⁾										
Avg Monthly Population	2	2	2	3	5	5	7	10	18	28
% Change from prior year		0.0%	0.0%	50.0%	66.7%	3.3%	29.0%	51.3%	78.5%	56.5%

(1) Includes: Eastern State Hospital, Western State Hospital (WSH), WSH Program for Adaptive Living Skills (PALS), and Child Study and Treatment Center. Prior to FY 1995, also includes Program Offering Rehabilitation and Training in Adult Living (PORTAL).

(2) Includes persons in less restrictive alternative placements on McNeil Island and other locations.

Data Sources :

FY 1996 through FY 2002 actuals are from DSHS Division of Research and Data Analysis reports.

FY 2003, FY2004, and FY 2005 estimates are from legislative fiscal committees.

**Department of Social and Health Services
Developmental Disabilities**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	629,106	578,745	1,207,851
2003 Supplemental *	-1,659	-2,623	-4,282
Total 2001-03 Biennium	627,447	576,122	1,203,569
2003-05 Maintenance Level	680,196	615,641	1,295,837
Policy Changes			
1. General Inflation	-595	-732	-1,327
2. Homecare Worker Wage Increase	8,935	8,352	17,287
3. Pension Funding Change	-1,137	-1,010	-2,147
4. Community Residential	1,294	1,225	2,519
5. Raise Level of Care Standard	-588	-891	-1,479
6. Reduce Funding for the Arc Lawsuit	-9,941	-9,865	-19,806
7. MPC Adjustment	-1,626	-1,626	-3,252
8. Marr Settlement Funding	453	278	731
9. Community Protection Placements	1,127	1,073	2,200
10. RHC Consolidation	1,580	1,580	3,160
11. Staff Reduc. & Oper. Efficiencies	-1,136	-848	-1,984
Total 2003-05 Biennium	678,562	613,177	1,291,739
Fiscal Year 2004 Total	336,565	302,871	639,436
Fiscal Year 2005 Total	341,997	310,306	652,303

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal)
- Homecare Worker Wage Increase** - The Department of Social and Health Services (DSHS) contracts with home care workers to provide care for elderly and disabled Medicaid clients. Funding is provided to increase the wages of individual and agency home care workers effective October 1, 2003. As a result of these changes, wages for direct care workers employed by home care agencies will be increased by \$0.75 per hour. (General Fund-State, General Fund-Federal)
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)
- Community Residential** - Funding is provided for community residential placements and support services for up to 14 clients in FY 2004. Priority consideration for these placements shall be as follows: (1) clients without residential services who are in crisis or immediate risk of needing an institutional placement; and (2) residents of residential habilitation centers who are able to be adequately cared for in community settings and who choose to live in those settings. (General Fund-State, General Fund-Federal)
- Raise Level of Care Standard** - Savings are achieved by raising functional eligibility requirements for Medicaid Personal Care (MPC) services. Persons who require only minimal assistance with one or two activities of daily living will no longer be eligible for the program. Persons currently receiving care in community residential settings who do not meet the higher eligibility standard will continue to be served, without the benefit of federal matching funds, but no new applicants with such lower levels of care will be admitted to residential care. (General Fund-State, General Fund-Federal)
- Reduce Funding for the Arc Lawsuit** - In December 2002, the court denied Arc's and DSHS's joint motion for preliminary approval of a settlement regarding developmental disability services. However, the 2003-05 budgeted carryforward level still includes \$26.2 million state general fund (\$39.2 million total funds) associated with the bow wave of the original FY 2002 funding level. Consistent with the 2003 supplemental budget, funding for the residential services component is reduced from \$11.5 million state general fund to \$2.4 million state general fund. (General Fund-State, General Fund-Federal)
- MPC Adjustment** - Following the adoption of the February 2003 forecast for the MPC Program in the Division of Developmental Disabilities, new information was provided which explains a recent decline in the growth observed for

Department of Social and Health Services Developmental Disabilities

children receiving MPC. In deliberations prior to receipt of this information, the declining trend was discounted as a one-time occurrence. New information shows that only a portion of the declining trend is expected to be one-time and the remainder is the result of a freeze on enrollment in the Community Alternative Program (CAP) waiver. Savings reflect lower MPC expenditures as a result of an adjustment to the forecast that accounts for the impact of the enrollment freeze on the projected caseload and continued efforts by the Division to ensure that children receiving MPC services meet eligibility criteria. (General Fund-State, General Fund-Federal)

8. **Marr Settlement Funding** - Funding is provided for a full-time psychologist, two intensive case managers, and one part-time case resource manager, to provide the necessary supports to individuals who require both habilitation and mental health treatment as provided in the Marr settlement agreement. (General Fund-State, General Fund-Federal)
9. **Community Protection Placements** - Funding is provided for expanded community services for 11 persons with developmental disabilities who are being diverted or discharged from state psychiatric hospitals. (General Fund-State, General Fund-Federal)
10. **RHC Consolidation** - The Department shall consolidate vacancies across all Residential Habilitation Centers (RHCs) in order to downsize Fircrest School. Funding is provided in the Developmental Disabilities budget for community services for residents of RHCs who choose to move to community placements. Funding is also provided in the DSHS Administration budget to support the transition of residents to other RHCs. (General Fund-State, General Fund-Federal)
11. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Developmental Disabilities**

WORKLOAD HISTORY
By Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	Estimated		
								2003	2004	2005
Institutions										
Avg Monthly Population ⁽¹⁾	1,295	1,262	1,228	1,189	1,139	1,116	1,093	1,060	1,038	1,015
% change from prior year		-2.5%	-2.7%	-3.2%	-4.2%	-2.0%	-2.0%	-3.0%	-2.1%	-2.2%
Community Residential Programs⁽²⁾										
Avg Month End Contracted Be	3,740	3,819	3,742	3,747	3,920	3,957	4,010	4,141	4,165	4,197
% change from prior year		2.1%	-2.0%	0.1%	4.6%	0.9%	1.3%	3.3%	0.6%	0.8%
Employment & Day Programs										
Avg Monthly Number Served	7,571	7,954	8,455	8,567	9,193	9,636	10,186	10,580	10,603	10,635
% change from prior year		5.1%	6.3%	1.3%	7.3%	4.8%	5.7%	3.9%	0.2%	0.3%
Family Support⁽³⁾										
Number of Clients Served	2,659	3,637	3,985	4,658	5,247	6,256	6,929	7,169	7,353	7,581
% change from prior year		36.8%	9.6%	16.9%	12.6%	19.2%	10.8%	3.5%	2.6%	3.1%
Adult Personal Care⁽⁴⁾										
Number of Clients Served	3,525	3,951	4,199	4,730	5,015	5,630	6,212	6,737	7,181	7,568
% change from prior year		12.1%	6.3%	12.6%	6.0%	12.3%	10.3%	8.4%	6.6%	5.4%

(1) Funded capacity at the Residential Habilitation Centers from FY 2000 through FY 2003 was 1,231 clients.

(2) Includes Alternate Living (clients served), Group Homes, intermediate care facilities for the mentally retarded (IMRs), Tenant Support (clients served), and State Operated Living Alternatives (SOLA).

(3) Family Support includes Children's Personal Care.

(4) Adult Personal Care includes Medicaid Personal Care and Chore Services. Prior to FY 1990, Developmental Disabilities' clients enrolled in these programs were counted in the Long-Term Care Program totals.

Data Sources:

FY 1992 through FY 2002 from LEAP workload database except FY 1993 through FY 1997 Community Residential is from DSHS Division of Developmental Disabilities due to a change in reporting methodology.

FY 2003 through FY 2005 are budget estimates from legislative fiscal staff.

**Department of Social and Health Services
Long-Term Care**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	1,019,137	1,069,625	2,088,762
2003 Supplemental *	522	-208	314
Total 2001-03 Biennium	1,019,659	1,069,417	2,089,076
2003-05 Maintenance Level	1,073,827	1,132,569	2,206,396
Policy Changes			
1. General Inflation	-306	-372	-678
2. Homecare Worker Wage Increase	22,578	22,292	44,870
3. Pension Funding Change	-496	-487	-983
4. Supplemental Nursing Home Payments	-100	0	-100
5. Limit Waiver Enrollment Growth	-5,195	-5,195	-10,390
6. Spousal Resource Limits	-4,934	-4,934	-9,868
7. Raise Level of Care Standard	-1,500	-2,164	-3,664
8. Senior Drug Information	325	0	325
9. Nursing Home Quality Maintenance	45,861	45,861	91,722
10. Review Elderly DD Clients	236	236	472
11. Additional Admin Reductions	-650	-483	-1,133
12. Staff Reduc. & Oper. Efficiencies	-1,332	-1,280	-2,612
Total 2003-05 Biennium	1,128,314	1,186,043	2,314,357
Fiscal Year 2004 Total	557,645	586,646	1,144,291
Fiscal Year 2005 Total	570,669	599,397	1,170,066

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal, General Fund-Local)
- Homecare Worker Wage Increase** - The Department of Social and Health Services (DSHS) contracts with both individuals and agencies to provide home care for elderly and disabled persons. Funding is provided to increase the wages of individual and agency home care workers effective October 1, 2003. As a result of these changes, wages for direct care workers employed by home care agencies will be increased by \$0.75 per hour. (General Fund-State, General Fund-Federal)
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)
- Supplemental Nursing Home Payments** - Funding for special supplemental payments to nursing facilities meeting certain criteria is eliminated. The circumstances warranting the special supplemental payments have changed.
- Limit Waiver Enrollment Growth** - DSHS is directed to limit growth in the number of persons receiving community-based care through the Community Options Program Entry System (COPES) waiver program to 1.1 percent per year, which is the projected growth in the total state population aged 75 and older. This will allow an average of about 24,375 people to receive such services during the 2003-05 biennium. That is 1,000 more people than are receiving such services during the current year, but approximately 700 fewer than would be served if the program continued to grow without limits. To manage within these enrollment limits, the Department may need to establish waiting lists for services, as is done in most other states. If waiting lists are established, the Department is directed to prioritize access to service for persons with the greatest care needs, and who are at greatest risk of requiring nursing home or other out-of-home placement, rather than prioritizing by the date of application.

In addition to the avoided expenditure growth shown here, this change is expected to result in approximately \$5.5 million (\$2.7 million state) of avoided expenditure increases in the Medical Assistance Program. (General Fund-State, General Fund-Federal)
- Spousal Resource Limits** - Under the federal Social Security Act, when one spouse applies for Medicaid-funded long-term

Department of Social and Health Services Long-Term Care

care in a nursing home or in the community, the other spouse is able to retain: a house, furnishings, and an automobile; about \$2,100 per month of joint income; and, at the state's discretion, between a minimum of \$18,132 and a maximum of \$90,660 in liquid resources. As is the case with approximately half the states, Washington presently sets the spousal resource limit at the federal maximum.

In accordance with Chapter 28, Laws of 2003, 1st sp.s. (ESHB 2257), savings are achieved by reducing the spousal resource limit to \$40,000. Couples will need to "spend down" savings in excess of \$40,000 prior to receiving Medicaid services. Persons already receiving publicly-funded care will be exempted from the new resource limitation. Additional funding is provided to DSHS for workload associated with spousal share and eligibility determinations.

As a result of this change, by the end of the 2003-05 biennium, approximately 500 persons per month are expected to cover more of the cost of their long-term care before qualifying for public assistance. In addition to the savings shown here, state Medical Assistance expenditures will also be reduced by \$2.0 million (\$1.0 million state) for the biennium. (General Fund-State, General Fund-Federal)

- 7. Raise Level of Care Standard** - Elderly and disabled persons receiving publicly-financed care in home and community-based settings may qualify for such services through a home and community-based services waiver or through the Medicaid Personal Care (MPC) program.

Savings are achieved by raising functional eligibility requirements for MPC services. Persons who require only minimal assistance with one or two activities of daily living will no longer be eligible for the program. Persons currently receiving care in community residential settings who do not meet the higher eligibility standard will continue to be served, without the benefit of federal matching funds, but no new applicants with such lower levels of care will be admitted to residential care. (General Fund-State, General Fund-Federal)

- 8. Senior Drug Information** - Funding is provided for Area Agencies on Aging to receive grants of up to \$25,000 to organize and conduct informational programs to help senior citizens learn more about the safe and effective use of prescription drugs, and how to access discount drug purchasing programs for which they may be eligible.
- 9. Nursing Home Quality Maintenance** - As provided in Chapter 16, Laws of 2003, 1st sp.s. (E2SSB 5341), a fee of \$6.50 per day shall be applied to most days of nursing home care. This fee will support a 3.0 percent increase in non-capital payment rates effective July 1, 2003, to help maintain the quality of nursing home care in the state. Additionally, nursing facilities will be reimbursed for the portion of state fee revenues allocable to Medicaid patient days. With these increases, the weighted average nursing home payment is expected to be \$144.54 per patient day in FY 2004 and

\$147.43 per patient day in FY 2005. (General Fund-State, General Fund-Federal)

- 10. Review Elderly DD Clients** - Funding is provided for the Home and Community Services Division to annually assess each elderly resident residing in a residential habilitation center or in a state-operated living alternative to determine if the resident can be more appropriately served in a less-restrictive setting. The assessment will take into consideration the special needs of the resident, the types of services that will best meet those needs, and the type of facility that will best provide those services. In determining whether the resident should be moved to a different facility or program, consideration will be given to the proximity of family, friends, and advocates concerned with the resident's well being. (General Fund-State, General Fund-Federal)
- 11. Additional Admin Reductions** - Administrative funding is reduced by \$1.1 million and 6.2 FTE staff under the assumption that the Department will implement operational efficiencies. (General Fund-State, General Fund-Federal)
- 12. Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Long-Term Care Services**

WORKLOAD HISTORY
By Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	<u>Estimated</u>		
								2003	2004	2005
Nursing Homes										
# FTE Clients	15,905	14,992	14,645	14,081	13,783	13,529	13,135	12,901	12,440	12,082
% Change from prior year		-5.7%	-2.3%	-3.9%	-2.1%	-1.8%	-2.9%	-1.8%	-3.6%	-2.9%
Community Care *										
# Clients Served	20,876	23,119	25,675	27,567	29,319	30,919	32,213	33,923	35,339	36,125
% Change from prior year		10.7%	11.1%	7.4%	6.4%	5.5%	4.2%	5.3%	4.2%	2.2%

* Includes Chore Services, Community Options Program Entry Services (COPES), Adult Residential, and Medicaid Personal Care.

Data Source :

Community Care for FY 1996 from DSHS Aging and Disability Services Administration.

All other data is from the Caseload Forecast Council and legislative fiscal staff.

**Department of Social and Health Services
Economic Services Administration**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	837,958	1,393,385	2,231,343
2003 Supplemental *	11,998	4,316	16,314
Total 2001-03 Biennium	849,956	1,397,701	2,247,657
2003-05 Maintenance Level	830,864	1,247,521	2,078,385
Policy Changes			
1. General Inflation	-2,275	-3,866	-6,141
2. County Legal-Clerk Reimbursement	0	9,142	9,142
3. Pension Funding Change	-3,250	-371	-3,621
4. Administrative Reduction	-3,062	-4,100	-7,162
5. Shift GA-U Proof of Disability	-6,637	0	-6,637
6. Increased Eligibility Verification	4,770	3,902	8,672
7. Children's Medical Premiums	2,007	1,576	3,583
8. Staff Reduc. & Oper. Efficiencies	-6,870	-10,166	-17,036
Total 2003-05 Biennium	815,547	1,243,638	2,059,185
Fiscal Year 2004 Total	408,184	621,540	1,029,724
Fiscal Year 2005 Total	407,363	622,098	1,029,461

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal, General Fund-Local)
- County Legal-Clerk Reimbursement** - Federal funding is provided for a new reimbursement methodology for county clerks who file child support orders for the state. (General Fund-Federal)
- Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)
- Administrative Reduction** - Administrative reductions of 4 percent are taken in the following areas within the Economic Services Administration: (1) the Automated Client Eligibility System (ACES); (2) the Child Support Program; and (3) Administrative Program Support. (General Fund-State, General Fund-Federal)
- Shift GA-U Proof of Disability** - Savings are achieved by implementing Chapter 10, Laws of 2003, 1st sp.s. (HB 2252). This legislation requires the Department to discontinue benefits for General Assistance-Unemployable (GA-U) clients unless the client demonstrates that their medical or mental condition has not improved, and they therefore still need a cash grant and medical benefits.
- Increased Eligibility Verification** - Additional funding is provided for the Department to: (1) increase and improve efforts to verify that children and pregnant women are in fact eligible for the medical assistance services they receive; and (2) review their continued eligibility for medical assistance services every six months, rather than annually as presently occurs. Improved income verification was implemented April 1, 2003, and included review of recipient documentation and employer contacts to verify that the income declared by applicants and recipients is accurate. These efforts are supplemented by electronic records checks that will be in place by July 1, 2003. The six-month rather than annual review of continued eligibility is to be implemented no later than November 2003. The Department is to have in place all computer changes, administrative rules and procedures, and staffing arrangements as required to timely implement the six-month eligibility reviews by November 2003. (General Fund-State, General Fund-Federal)
- Children's Medical Premiums** - The Department is to obtain approval of a federal waiver under which families with incomes over the poverty level will be required to pay monthly premiums for their children's medical, dental, and vision coverage. Premiums are expected to total \$15 per child per month for families with income between 100-150 percent of poverty (\$1,300 - \$1,900 per month for a family of three); \$20 per child per month for families with incomes up to 200 percent of poverty (\$2,500 per month for a family of three); and \$25 per child per month for families with incomes between 200-250

Department of Social and Health Services
Economic Services Administration

percent of poverty (\$3,200 per month for a family of three).
Premiums will be capped at three children per household.

Approximately \$3.0 million in state funds are included for administrative costs in the Economic Services Administration and the Office of Financial Recovery to accomplish the premium collections, and approximately \$2.1 million of reduced expenditures will occur in the Mental Health Program as a result of the reduction in the number of eligible children.
(General Fund-State, General Fund-Federal)

8. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs.
(General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Economic Services Administration**

WORKLOAD HISTORY
By Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	Estimated		
								2003	2004	2005
General Assistance ⁽¹⁾										
Avg Monthly Caseload	18,074	18,155	17,657	17,129	16,416	17,857	19,934	18,819	18,517	18,912
% Change from prior year		0.4%	-2.7%	-3.0%	-4.2%	8.8%	11.6%	-5.6%	-1.6%	2.1%
TANF Cases ⁽²⁾										
Avg Monthly Caseload	101,136	97,309	84,685	67,475	58,796	54,758	55,068	53,710	53,329	53,298
% Change from prior year		-3.8%	-13.0%	-20.3%	-12.9%	-6.9%	0.6%	-2.5%	-0.7%	-0.1%
Child Care										
Avg # Children Served/Month	30,636	33,309	41,707	51,187	58,786	67,454	71,893	71,017	71,917	73,252
% Change from prior year		8.7%	25.2%	22.7%	14.8%	14.7%	6.6%	-1.2%	1.3%	1.9%

(1) FY 1996 through FY 2000 includes General Assistance-Unemployable (GA-U), General Assistance-Unemployable with expedited medical (GA-X), and General Assistance for children living with legal guardians (GA-H). Starting in FY 2001 GA-H cases are covered by TANF funding and are moved out of the General Assistance estimate into the TANF Cases estimate. Data collection changed to the Caseload Analysis and Reporting Database (CARD) system in FY 1998. To provide comparable data, monthly caseload data from FY 1996-1997 have been adjusted to reflect the CARD system, which is 7.05 percent higher on average than the previous Average Grant method.

(2) Includes General Assistance-Pregnant Woman (GA-S) cases, and GA-H cases starting in FY 2001 (see note above). To provide comparable data, monthly caseload data from FY 1996-1997 have been adjusted to reflect the CARD system, which is 7.05 percent higher on average than the previous Average Grant method.

Data Sources:

FY 1996 through FY 2002 General Assistance actuals provided by the Caseload Forecast Council.

FY 1996 through FY 2002 TANF Cases and Child Care actuals provided by the DSHS Budget Division.

FY 2003 through FY 2005 estimates represent legislative budget assumptions, based upon forecasts provided by the Caseload Forecast Council and the Office of Financial Management.

**Department of Social and Health Services
Alcohol & Substance Abuse**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	72,873	158,005	230,878
2003 Supplemental *	-474	-10	-484
Total 2001-03 Biennium	72,399	157,995	230,394
2003-05 Maintenance Level	73,747	157,368	231,115
Policy Changes			
1. General Inflation	-186	-202	-388
2. Pension Funding Change	-76	-10	-86
3. Reduce TASC	0	-4,648	-4,648
4. Fund Shifts (PSEA, VRDE & GF-S)	9,700	-9,700	0
5. Reduce Svcs to Gravely Disabled	-2,000	0	-2,000
6. New Svcs for Offenders	0	8,950	8,950
7. Reduce DASA Headquarters	-209	0	-209
8. Staff Reduc. & Oper. Efficiencies	-336	-44	-380
Total 2003-05 Biennium	80,640	151,714	232,354
Fiscal Year 2004 Total	40,320	75,857	116,177
Fiscal Year 2005 Total	40,320	75,857	116,177

Comments:

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|---|--|
| <p>1. General Inflation - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal, General Fund-Local)</p> <p>2. Pension Funding Change - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)</p> <p>3. Reduce TASC - Funding is reduced for the Treatment Accountability for Safe Communities (TASC) Program. The Department shall allocate the reduction on a pro rata basis to all TASC counties and continue budget policy adopted in the 2002 supplemental budget to integrate TASC funding with drug court funding. (Public Safety and Education Account-State)</p> <p>4. Fund Shifts (PSEA, VRDE & GF-S) - Funds are shifted between accounts to balance the Violence Reduction and Drug Enforcement (VRDE) Account and to reflect more accurate allocations of federal funds. (General Fund-State [GF-S], General Fund-Federal, Public Safety and Education Account</p> | <p>[PSEA]-State, Violence Reduction and Drug Enforcement Account-State)</p> <p>5. Reduce Svcs to Gravely Disabled - Treatment services for gravely-disabled individuals are reduced. Gravely-disabled individuals are people in danger of serious physical harm resulting from a failure to provide for their essential human needs of health or safety which manifests in severe deterioration in routine functioning, or who are high utilizers of treatment services and other resources.</p> <p>6. New Svcs for Offenders - Funding is provided for substance abuse treatment services for offenders participating in drug courts or other court-supervised substance abuse treatment programs in the community. (Criminal Justice Treatment Account-State)</p> <p>7. Reduce DASA Headquarters - The headquarters budget for the Division of Alcohol and Substance Abuse (DASA) is reduced by \$209,000 and 1.9 FTEs. The program will implement operating efficiencies.</p> <p>8. Staff Reduc. & Oper. Efficiencies - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs. (General Fund-State, General Fund-Federal)</p> |
|---|--|

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Division of Alcohol and Substance Abuse**

WORKLOAD HISTORY
By Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	Estimated		
								2003	2004	2005
ADATSA - Assessment										
Avg Monthly Assessments	1,284	1,199	1,194	1,162	1,167	1,112	1,176	1,100	1,120	1,120
% Change from prior year		-6.6%	-0.4%	-2.7%	0.4%	-4.7%	5.8%	-6.5%	1.8%	0.0%
ADATSA - Outpatient Treatment										
Avg Monthly Admissions	325	308	322	340	351	357	386	370	375	375
% Change from prior year		-5.2%	4.5%	5.6%	3.2%	1.7%	8.1%	-4.1%	1.4%	0.0%
ADATSA - Residential										
Avg Monthly Admissions	610	631	673	633	574	596	575	578	565	565
% Change from prior year		3.4%	6.7%	-5.9%	-9.3%	3.8%	-3.5%	0.5%	-2.2%	0.0%

The Alcoholism and Drug Addiction Treatment and Support Act (ADATSA) was established in 1987.

Workloads in ADATSA services are limited to openings available.

Data Sources:

FY 1996 through FY 2002 actuals provided by the DSHS Budget Division.

FY 2003 through FY 2005 estimates provided by the Division of Alcohol and Substance Abuse.

**Department of Social and Health Services
Medical Assistance Payments**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	2,205,908	4,945,668	7,151,576
2003 Supplemental *	67,406	-668,751	-601,345
Total 2001-03 Biennium	2,273,314	4,276,917	6,550,231
2003-05 Maintenance Level	2,728,265	4,865,796	7,594,061
Policy Changes			
1. Additional Newborn Screening Tests	424	424	848
2. Transfer AIDS Insurance Program	-6,798	0	-6,798
3. Consolidated Drug Purchasing	-24,200	-22,340	-46,540
4. General Inflation	-388	-785	-1,173
5. DME Efficiencies	-2,000	-2,000	-4,000
6. Pension Funding Change	-343	-357	-700
7. Eliminate Community Inpatient Pool	-2,248	4,496	2,248
8. Limit Waiver Enrollment Growth	-2,745	-2,745	-5,490
9. Spousal Resource Limits	-1,000	-1,000	-2,000
10. Shift GA-U Proof of Disability	-7,069	0	-7,069
11. State Savings from MI Elimination	-105,086	19,341	-85,745
12. Increase Rural Hospital Grants	0	6,200	6,200
13. Increase Other Hospital Grants	-32,000	84,160	52,160
14. Adult Dental Services	-11,725	-11,001	-22,726
15. Adult Vision Services	-117	-117	-234
16. Medical Equipment Co-Pay	-768	-768	-1,536
17. Managed Care Rate Increases	-24,926	-76,871	-101,797
18. Increased Eligibility Verification	-12,151	-39,033	-51,184
19. Children's Medical Premiums	0	-67,038	-67,038
20. Immigrant Prenatal Care	-37,753	37,753	0
21. Medicaid Integration Project	-6,335	-6,335	-12,670
22. Transfer Trauma Funding	0	19,800	19,800
23. Staff Reduc. & Oper. Efficiencies	-840	-874	-1,714
Total 2003-05 Biennium	2,450,197	4,806,706	7,256,903
Fiscal Year 2004 Total	1,184,774	2,369,292	3,554,066
Fiscal Year 2005 Total	1,265,423	2,437,414	3,702,837

Comments:

- 1. Additional Newborn Screening Tests** - The State Board of Health has recommended that all newborns be screened by the state public health laboratory for five additional disorders which can cause mental or motor retardation, blindness, hearing loss, physical abnormalities, and/or death if undetected. Washington is the only state which does not screen for one of the disorders, and among the roughly half which presently do not screen for the other four. Testing for the five disorders will result in an estimated \$20.50 (50 percent) increase in the fee charged for newborn screenings. This item represents the share of that cost borne by the state's Medical Assistance Program, which pays for 43 percent of all births in the state. (General Fund-State, General Fund-Federal)
- 2. Transfer AIDS Insurance Program** - Administrative responsibility for the Evergreen Health Insurance Program, which pays for insurance coverage for persons with AIDS who are not eligible for Medicaid, is transferred from the Department of Social and Health Services to the Department of Health. This will consolidate management and budgetary responsibility for all non-Medicaid services for persons with HIV disease into a single agency.
- 3. Consolidated Drug Purchasing** - The Medical Assistance Administration, the Health Care Authority, and the Department of Labor and Industries will consolidate their drug purchasing by jointly developing a list of drugs in each of at least 16 therapeutic classes which will be prioritized for state-agency purchase. The prioritized list will be developed by a statewide pharmacy and therapeutics committee, consisting of nine professional members, based upon safety, efficacy, and cost. This will reduce the rate of growth in state drug expenditures by prioritizing purchase of less costly, safe, and effective brands and by creating a financial incentive for manufacturers of more expensive brands to provide price discounts. Drugs not on the priority list are expected to be authorized approximately one-third of the time, in order to assure recipients have access to drugs best suited to their particular medical condition. (General Fund-State, General Fund-Federal)

Department of Social and Health Services Medical Assistance Payments

4. **General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal, Health Services Account-State)
5. **DME Efficiencies** - Savings are achieved by implementing a combination of cost containment and utilization strategies sufficient to reduce General Fund-State costs for durable medical equipment (DME) and supplies in FY 2005 by approximately 5 percent below the level projected for FY 2005 in the February 2003 forecast. The primary strategy considered shall be selective or direct contracting with DME and supply vendors or manufacturers. (General Fund-State, General Fund-Federal)
6. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005. (General Fund-State, General Fund-Federal)
7. **Eliminate Community Inpatient Pool** - The Mental Health Program will no longer make annual grants to assist local communities in maintaining and expanding their capacity to provide emergency psychiatric services at community hospitals. As a result, federal funds previously budgeted for that purpose can instead be used to offset state expenditures for medical assistance services. (General Fund-State, General Fund-Local, General Fund-Federal)
8. **Limit Waiver Enrollment Growth** - The Department of Social and Health Services (DSHS) is directed to establish waiting lists to the extent necessary to limit growth in the Community Options Program Entry System (COPEs) long-term care waiver to 1.1 percent per year. This is expected to result in an average of about 550 fewer elderly and disabled persons per year qualifying for publicly-funded medical assistance services. (General Fund-State, General Fund-Federal)
9. **Spousal Resource Limits** - The Aging and Disability Services Administration is to reduce the amount of cash, savings, and other liquid assets which a couple may retain and still qualify for publicly-funded long-term care. This is expected to result in approximately 300 fewer persons per month qualifying for Medicaid coverage of their acute and long-term care costs. (General Fund-State, General Fund-Federal)
10. **Shift GA-U Proof of Disability** - Savings are achieved by implementing legislation that requires DSHS to discontinue benefits for General Assistance-Unemployable (GA-U) clients unless the client demonstrates that their medical or mental condition has not improved and they therefore still need a GA-U cash grant and medical benefits.
11. **State Savings from MI Elimination** - The Medically Indigent (MI) Program is eliminated. The program provided partial compensation to hospitals and physicians for emergency care delivered to low-income, uninsured persons and operated as an open-ended, fully state-funded entitlement. (General Fund-State, General Fund-Local, General Fund-Federal)
12. **Increase Rural Hospital Grants** - To mitigate the effect of the elimination of the MI Program, grant payments to rural hospitals are increased by \$3.1 million total funds per year. In determining the distribution of grants to rural hospitals, the Department is directed to adopt a new formula for allocating funds under the program, so that hospitals which are operating at a loss, or with a relatively small net positive margin, are allocated more of the available revenue than are more profitable hospitals. (Health Services Account-State, General Fund-Federal)
13. **Increase Other Hospital Grants** - To mitigate the effect of the elimination of the MI Program, grant payments to non-rural hospitals are increased by \$26.1 million total funds per year. In determining the distribution of grants to hospitals, the Department is directed to adopt a new formula for allocating funds under the program, so that hospitals which are operating at a loss, or with a relatively small net positive margin, are allocated more of the available revenue than are more profitable hospitals. In order to align programs with revenue sources, the budget also replaces the General Fund-State funding for the original program with Health Services Account funds. (General Fund-State, Health Services Account-State, General Fund-Federal)
14. **Adult Dental Services** - As an alternative to eliminating non-emergency dental services for adults, the Department is directed to reduce the scope of benefits provided by approximately 25 percent. In developing a new benefit, the Department is directed to work with dental providers and recipient representatives to select the highest priority procedures to include in the reduced benefit. (General Fund-State, General Fund-Federal)
15. **Adult Vision Services** - As an alternative to eliminating optical services and eyeglasses for adults, the budget requires recipients to make a \$2 co-pay for adult optical services and equipment costing \$25 - \$50, and a \$3 co-pay for those costing more than \$50. These are the maximum co-pays allowed by federal Medicaid rules. (General Fund-State, General Fund-Federal)
16. **Medical Equipment Co-Pay** - Savings are achieved by requiring Medicaid recipients to make a \$2 co-pay for medical supplies and equipment costing \$25 - \$50, and a \$3 co-pay for supplies and equipment costing more than \$50. These amounts are the maximum co-pays allowed by federal Medicaid rules. (General Fund-State, General Fund-Federal)

Department of Social and Health Services Medical Assistance Payments

17. **Managed Care Rate Increases** - Funding is provided to increase managed care payment rates by an average of 1.5 percent in calendar year 2004, and by an average of 5.0 percent in calendar year 2005. (General Fund-State, General Fund-Federal)
18. **Increased Eligibility Verification** - As provided in the 2003 supplemental budget, the Department will increase efforts to assure that recipients of publicly-funded medical assistance meet applicable income, residency, and other eligibility requirements. Specific changes include: (1) verifying applicants' declared income through employer contacts and electronic records checks; (2) re-verifying eligibility at least every six months, rather than annually as was previously done for children's and family medical coverage; and (3) discontinuing coverage if subsequent income changes make the child ineligible for coverage, rather than continuing the coverage for a full year despite such changes as was previously done.
- These changes are expected to result in approximately 4,800 (1.9 percent) fewer persons qualifying for publicly-funded medical assistance in FY 2004, and in approximately 19,000 (3.4 percent) fewer receiving such assistance in FY 2005. The FY 2004 savings are significantly lower because electronic eligibility system changes needed to implement the six-month eligibility changes cannot be implemented until January 2004.
- In addition, these changes are expected to result in \$4.3 million (\$2.1 million state funds) of avoided expenditures in the Mental Health Program. Additionally, 80 FTEs are funded in the Economic Services Administration to conduct the necessary eligibility reviews, at a cost of \$7.8 million (\$4.8 million state funds). The net state savings from this change are expected to total approximately \$23 million for the biennium. (General Fund-State, Health Services Account-State, General Fund-Federal)
19. **Children's Medical Premiums** - The Department is to obtain approval of a federal waiver under which families with incomes over the poverty level will be required to pay monthly premiums for their children's medical, dental, and vision coverage. Premiums are expected to total \$15 per child per month for families with income between 100-150 percent of poverty (\$1,300 - \$1,900 per month for a family of three); \$20 per child per month for families with incomes up to 200 percent of poverty (\$2,500 per month for a family of three); and \$25 per child per month for families with incomes between 200-250 percent of poverty (\$3,200 per month for a family of three). Premiums will be capped at three children per household.
- The projected savings anticipate that an average of approximately 10 percent of the families subject to premium payments will drop their medical coverage. This will result in an average of about 20,000 fewer children receiving publicly-funded medical assistance coverage in FY 2005, and accounts for about 50 percent of the total projected savings. Approximately \$3.0 million in state funds are included for administrative costs in the Economic Services Administration and the Office of Financial Recovery to accomplish the premium collections, and approximately \$2.1 million of reduced state expenditures will occur in the Mental Health Program as a result of the reduction in the number of eligible children. (Health Services Account-State, General Fund-Federal)
20. **Immigrant Prenatal Care** - Washington is one of 12 states which use state funds to provide prenatal coverage for low-income women who are not eligible for Medicaid because of their immigration status. Savings are achieved as a result of new federal regulations under which the state expects to cover approximately 65 percent of the cost of such care with federal funds from the State Children's Health Insurance Program (SCHIP). The Department is directed to obtain all available federal funding, and to implement additional cost-control measures, to the extent necessary to limit total state expenditures for this coverage to \$20.8 million for the biennium. (General Fund-State, General Fund-Federal)
21. **Medicaid Integration Project** - DSHS plans to contract with a specialty organization to provide medical care to interested nursing home residents. Based upon similar efforts conducted on a limited basis in other states, the Department anticipates that total state hospitalization expenditures for nursing home residents can be reduced by 20 percent, and drug expenditures by 10 percent, through increased access to specialized care. The extent to which savings are actually occurring will begin to be known approximately one year after initial implementation. The Department also plans to seek a waiver arrangement with the federal government, so that the state may share in the substantial hospitalization savings which will accrue to the federal Medicare program if this state effort is successful. (General Fund-State, General Fund-Federal)
22. **Transfer Trauma Funding** - Emergency Medical Services and Trauma Account revenues previously appropriated to DSHS are partially transferred to the Department of Health (DOH). Funds appropriated to DOH will be distributed among hospitals and other trauma services through fixed grants and contracts. Funds appropriated to DSHS will be used to provide increased reimbursement for trauma-related services under the regular federal Medicaid program. DSHS is directed to implement a system to assure that state expenditures for increased reimbursement do not exceed the amount appropriated from the Emergency Medical Services and Trauma Account and do not include federal disproportionate share hospital funding not specifically appropriated for this purpose. The previous system of attempting to distribute such funding through add-ons to the standard Medicaid fee-for-service payment rates in order to generate federal matching funds resulted in over-expenditures of \$3.8 million in FY 2000; \$13 million in FY 2001; and an additional \$11 million through the first ten months of FY 2002. Those over-expenditures had to be paid by the state general fund, rather than by the special-purpose trauma fund. Due to an

Department of Social and Health Services
Medical Assistance Payments

error in the budgeting process, total trauma account appropriations to the Medical Assistance Administration exceed available revenues by \$9.2 million. The error will be corrected in the 2004 Supplemental Appropriations Act. (Emergency Medical Services and Trauma Account-State)

23. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Medical Assistance Payments**

WORKLOAD HISTORY
By Fiscal Year

	1996	1997	1998	1999	2000	2001	2002	Estimated		
								2003	2004	2005
Categorically Needy	653,083	697,456	704,900	691,838	718,286	766,349	789,351	827,769	857,193	865,908
AFDC/TANF	320,540	310,247	286,965	254,023	249,938	268,785	272,133	274,480	277,786	277,914
Elderly	38,716	42,050	45,047	47,336	50,408	51,757	53,144	54,148	54,835	55,332
Disabled	94,848	94,962	95,010	96,640	100,187	106,870	115,184	119,453	123,527	127,734
Non-AFDC Children	162,748	211,707	239,487	254,069	276,272	293,904	319,829	348,094	367,942	370,464
Non-AFDC Pregnant Women	19,043	20,853	21,430	21,851	21,702	22,353	23,960	25,759	26,760	27,762
Undocumented Children	13,000	13,468	13,050	13,297	15,328	18,100	0	0	0	0
Medicare Beneficiaries	4,188	4,169	3,911	4,622	4,451	4,580	5,017	5,558	5,866	6,081
Breast & Cervical Cancer							69	127	187	209
Medicaid Buy-In							15	150	289	412
Medically Needy	11,395	10,245	11,059	11,596	12,566	13,465	14,605	16,201	17,469	18,735
AFDC-Related	1,433	0	0	0	0	0	0	0	0	0
Elderly	4,295	4,341	4,625	4,822	5,158	5,642	6,047	6,573	7,077	7,590
Disabled	5,576	5,765	6,356	6,650	7,299	7,752	8,486	9,558	10,320	11,073
All Others	91	139	78	124	109	71	72	70	72	72
Children's Health Insurance Program				2	355	3,378	6,060	7,986	10,507	11,883
General Assistance/ADATSA										
# Persons/Month	11,786	12,997	13,179	12,911	11,716	11,987	11,642	9,645	8,778	8,631
State Medically Indigent										
# Persons/Month	2,060	2,003	2,284	2,271	2,457	2,690	3,346	3,931	0	0
Refugees										
# Persons/Month	1,411	1,064	1,353	1,319	1,004	1,135	931	813	869	660
Total Eligibles per Month	679,735	723,765	732,775	719,935	746,384	799,004	825,935	866,345	894,815	905,817
% Change from prior year		6.5%	1.2%	-1.8%	3.7%	7.0%	3.4%	4.9%	3.3%	1.2%

Data Sources:

DSHS Budget Division, Office of Forecasting and Policy Analysis, February 2003 Forecast.

**Department of Social and Health Services
Vocational Rehabilitation**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	20,520	82,595	103,115
2003 Supplemental *	-14	-50	-64
Total 2001-03 Biennium	20,506	82,545	103,051
2003-05 Maintenance Level	19,815	80,625	100,440
Policy Changes			
1. General Inflation	-48	-287	-335
2. Pension Funding Change	-247	0	-247
3. Increase Work Opportunities	862	5,905	6,767
Total 2003-05 Biennium	20,382	86,243	106,625
Fiscal Year 2004 Total	10,180	42,543	52,723
Fiscal Year 2005 Total	10,202	43,700	53,902

Comments:

- 1. General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal)
- 2. Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005.
- 3. Increase Work Opportunities** - Sufficient state funding is provided to collect the full amount of federal vocational rehabilitation funding expected to be available to Washington in 2003-05. With this funding, an average of 18,000 people with significant disabilities are expected to receive job training and placement services each year and 4,000 are expected to become competitively employed. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social and Health Services
Administration & Supporting Services**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	52,838	47,945	100,783
2003 Supplemental *	2,399	1,022	3,421
Total 2001-03 Biennium	55,237	48,967	104,204
2003-05 Maintenance Level	54,312	46,420	100,732
Policy Changes			
1. General Inflation	-132	-479	-611
2. Pension Funding Change	-482	-158	-640
3. Children's Medical Premiums	945	946	1,891
4. Required SSP Funding	10,000	0	10,000
5. RHC Consolidation	1,236	1,236	2,472
6. Reduce Admin & Support Services	-2,181	-935	-3,116
7. SSP Coordination	240	80	320
8. HIPAA Standard Transactions	200	200	400
9. Staff Reduc. & Oper. Efficiencies	-2,244	-748	-2,992
Total 2003-05 Biennium	61,894	46,562	108,456
Fiscal Year 2004 Total	35,926	23,141	59,067
Fiscal Year 2005 Total	25,968	23,421	49,389

Comments:

1. **General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal)

2. **Pension Funding Change** - Savings are achieved by adopting a new actuarial method for smoothing returns on assets for the Public Employees' Retirement System (PERS), the School Employees' Retirement System, and the Teachers' Retirement System (TRS). The new method varies the length of smoothing of a particular year's gain or loss depending on the difference from the actuarially-assumed rate of investment return. In addition, no contributions will be made toward the unfunded liabilities in the PERS and TRS Plans 1 during FY 2004 and FY 2005.

This reduction in DSHS central administration includes the savings associated with the Information Services Division FTEs. The Department shall identify which programs should receive what portion of this reduction as part of their 2004 supplemental budget request. (General Fund-State, General Fund-Federal)

3. **Children's Medical Premiums** - The Department is to obtain approval of a federal waiver under which families with incomes over the poverty level will be required to pay monthly premiums for their children's medical, dental, and vision coverage. Premiums are expected to total \$15 per child per month for families with income between 100-150 percent of poverty (\$1,300 - \$1,900 per month for a family of three); \$20 per child per month for families with incomes up to 200 percent of poverty (\$2,500 per month for a family of three);

and \$25 per child per month for families with incomes between 200-250 percent of poverty (\$3,200 per month for a family of three). Premiums will be capped at three children per household.

Approximately \$3.0 million in state funds are included for administrative costs in the Economic Services Administration and the Office of Financial Recovery to accomplish the premium collections, and approximately \$2.1 million of reduced expenditures will occur in the Mental Health Program as a result of the reduction in the number of eligible children. (General Fund-State, General Fund-Federal)

4. **Required SSP Funding** - Funding is provided for one-time expenditures needed to meet the federally-required level for Supplemental Security Income State Supplemental Payments (SSP). The Department may transfer a portion of this amount to other programs within the agency to accomplish this purpose. Once a final plan for meeting the SSP requirement is developed, the Department shall place in unallotted status the amount of this appropriation that is not needed to meet the requirement.

5. **RHC Consolidation** - The Department shall consolidate vacancies across all Residential Habilitation Centers (RHCs) in order to downsize Fircrest School. Funding is provided in the Developmental Disabilities budget for community services for residents of RHCs who choose to move to community placements. One-time funding is also provided in the DSHS Administration budget to support the transition of residents to other RHCs. (General Fund-State, General Fund-Federal)

Department of Social and Health Services Administration & Supporting Services

6. **Reduce Admin & Support Services** - Administrative funding is reduced by 4 percent. (General Fund-State, General Fund-Federal)
7. **SSP Coordination** - Funding is provided for agency-wide coordination of Supplemental Security Income State Supplemental Payments. (General Fund-State, General Fund-Federal)
8. **HIPAA Standard Transactions** - Funding is provided to implement standards for electronic transactions to comply with the Health Insurance Portability and Accountability Act (HIPAA). Funding provided within the Administration and Supporting Services Program is for any required changes in central agency reporting functions that must be done as a result of changes in the Medicaid Management Information System (MMIS). Funding is not provided for major changes to DSHS payment systems beyond MMIS. Funding for changes to MMIS is provided within the Medical Assistance Administration Program. (General Fund-State, General Fund-Federal)
9. **Staff Reduc. & Oper. Efficiencies** - In order to attain administrative efficiencies, agency budgets are reduced for FTE staff years, salaries, benefits, and other operating costs. (General Fund-State, General Fund-Federal)

* Please see the 2003 Supplemental Operating Budget Section for additional information.

**Department of Social and Health Services
 Payments to Other Agencies**

(Dollars in Thousands)

	<u>GF-S</u>	<u>Other</u>	<u>Total</u>
2001-03 Expenditure Authority	86,106	26,665	112,771
2003-05 Maintenance Level	85,508	26,446	111,954
Policy Changes			
1. General Inflation	-72	-12	-84
2. Revolving Funds	-1,414	-636	-2,050
3. Self-Insurance Premiums	0	16,196	16,196
Total 2003-05 Biennium	84,022	41,994	126,016
Fiscal Year 2004 Total	42,011	20,997	63,008
Fiscal Year 2005 Total	42,011	20,997	63,008

Comments:

- General Inflation** - Agencies are required to find sufficient efficiencies in their operations to cover the cost of inflation in the goods, services, and supplies needed for performance of their missions. (General Fund-State, General Fund-Federal)
- Revolving Funds** - Funding levels for services provided by other state agencies, such as the Office of the Attorney General, are adjusted to reflect what those agencies are expected to bill for their services. (General Fund-State, General Fund-Federal)
- Self-Insurance Premiums** - State agencies pay an annual self-insurance premium to fund the state's Self-Insurance Liability Program. This program is responsible for paying costs related to tort lawsuits associated with state agency programs. An agency's self-insurance premium is based on factors such as past and current claims experience, the agency staffing levels, and estimated obligations. This item reflects the increased amount for the agency's self-insurance premium in the 2003-05 biennium. (General Fund-Federal)