



FISCAL YEAR 2020 BUDGET HEARING



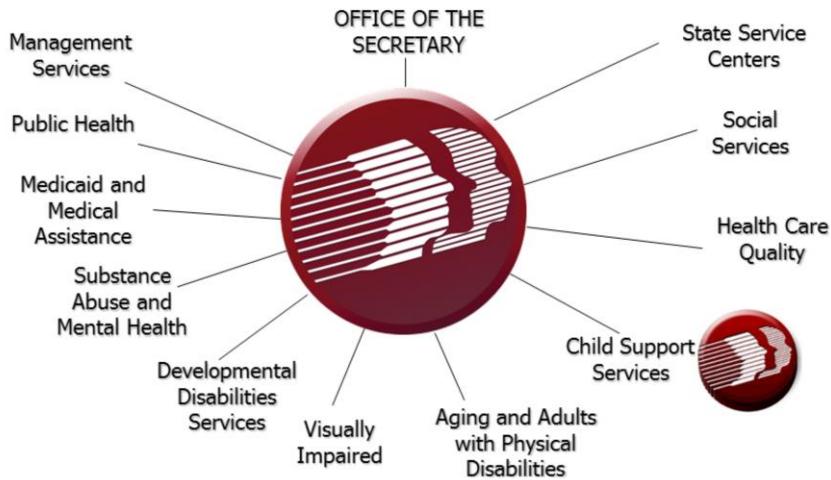
KARA ODOMWALKER, MD, MPH, MSHS
CABINET SECRETARY

Department of Health and Social Services
November 14, 2018
Legislative Hall, Senate Chambers

Good Afternoon, Director Jackson, Victoria Brennan of the Controller General's Office, Office of Management & Budget (OMB) personnel, members of the public, who represent our stakeholders and community partners, and the media. On behalf of the Department of Health and Social Services (DHSS), I am here today to present our Operating and Capital Budget requests for Fiscal Year (FY) 2020.

Joining me in the chamber are several members of my leadership team, including Deputy Secretary Molly Magarik. They represent this department, our personnel and, most importantly, our constituents.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES



While DHSS is one of the largest agencies in state government, we never forget that the work we do has a profound and personal impact on the hundreds of thousands of people we serve each day. Through our 11 divisions and the Office of the Secretary, we touch many lives – from newborns filled with so much promise, to seniors aging safely and with dignity in our communities. As a Department, we are committed to a person-centered mission:

To improve the quality of life for Delaware's citizens by promoting good health and well-being, fostering self-sufficiency, and protecting vulnerable populations.



Using both Governor Carney's Action Plan and our budget process, we are focusing our work to address the state's highest priorities.

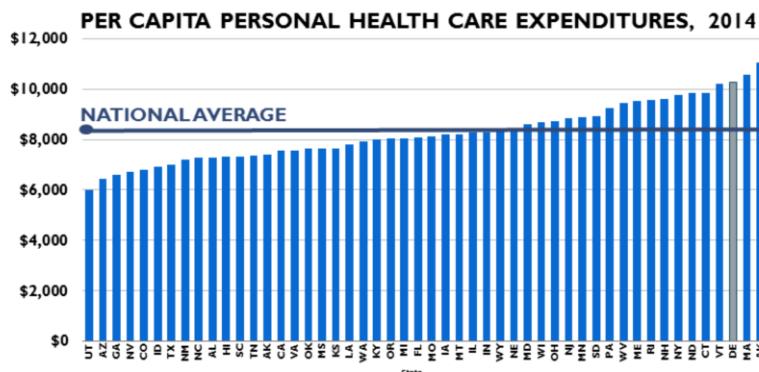
One of the most important is transforming our health care system to improve care delivery and health outcomes for Delawareans, while slowing the rate of growth of health care spending. To those ends, we are working to address healthy living and reduce health disparities through efforts to address access to care, cultural competency, chronic conditions, healthy eating, and obesity. And in August – after almost a year of outreach and feedback from stakeholders – I made recommendations to Governor Carney on the health care spending and quality benchmarks. More on that work in a minute.

In terms of the addiction crisis, last year, we lost 345 people in Delaware to overdoses and thousands of people and their families continue to be impacted by this chronic brain disease. Unfortunately, with the increased use of fentanyl – an opioid that is 50 to 100 times stronger than heroin – we are losing more than one person a day to overdoses so far this year. For all of 2018, we likely will lose more than 400 people to overdoses across our state. In a few minutes, I will tell you about our response to this epidemic.

Our other priorities include working to help incarcerated and transitioning citizens succeed in finding jobs, reestablishing themselves in the community, and providing them with free personal financial coaching.

In the City of Wilmington, we are working to reduce and prevent gun violence by providing more employment and training opportunities, training our staff to be trauma-informed, embracing ways to share data across systems, and working to integrate and coordinate services for vulnerable individuals and their families.

DELAWARE SPENDS MORE ON HEALTH CARE THAN MOST OTHER STATES



NOTE: District of Columbia is not included.

SOURCE: Centers for Medicare & Medicaid Services. *Health Expenditures by State of Residence*. CMS, 2017.



After nearly a year of outreach to and feedback from health stakeholders, I sent my recommendations for establishing health care spending and quality benchmarks to Governor Carney in August. This work began in the summer of 2017 when the General Assembly approved, and the Governor, signed House Joint Resolution (HJR) 7, authorizing DHSS to develop a health care spending benchmark that is linked to a measure of the state's economic growth.

In a federal analysis of 2014 health care spending in every state, Delaware had the third-highest per capita spending, behind only Alaska and Massachusetts, and 27 percent higher than the U.S. average. While the overall health of Delawareans has been improving, Delaware is ranked 30th among the states for overall health.

As a way to increase transparency and to tie health care spending to improved outcomes for Delawareans, I recommended to the Governor that his office set the initial benchmark for 2019 and that the initial benchmark remain in place for five years. I recommended that the Health Care Commission collect timely and accurate data from licensed health insurers – using the Health Care Claims Database – to inform the spending and quality benchmarks, and assess performance.

The quality benchmarks should be focused on high-priority areas, including ambulatory care-sensitive emergency department visits; opioid-related overdoses deaths and co-prescribed opioid and benzodiazepine prescriptions; and cardiovascular disease prevention.

DELAWARE'S TOTAL HEALTH SPENDING WILL DOUBLE FROM 2014 TO 2025

DELAWARE'S ACTUAL AND PROJECTED PERSONAL HEALTH CARE EXPENDITURES, 2007–2025
(BILLIONS OF DOLLARS)



SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*. CMS, 2017.

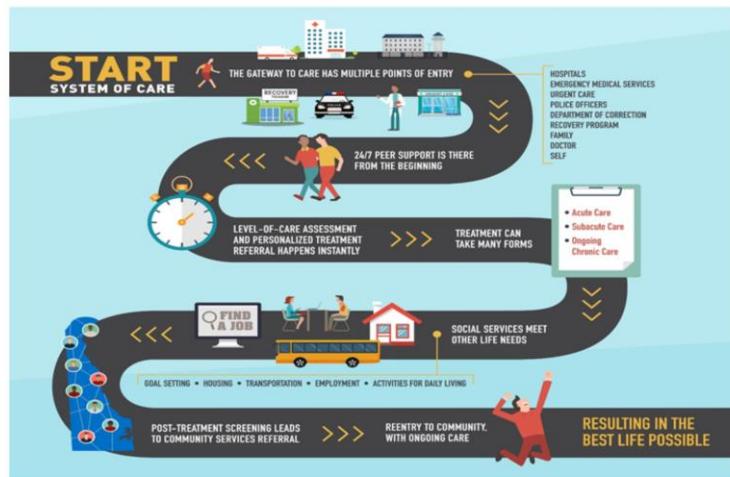


This work is important not only for DHSS' budget, but also for the entire state budget – and for the economic future of our state. Without changes, the analysis by the Centers for Medicare and Medicaid Services estimated that Delaware's total health care spending – including commercial, Medicaid, Medicare and other insurers – would more than double from \$9.5 billion in 2014 to \$21.5 billion in 2025. The status quo is not acceptable.

The health care spending benchmark can help us reduce that growth in spending and will allow us to provide more funding to other critical state services such as education, the environment and public safety.

We expect Governor Carney's response to my recommendations before the end of the year.

DHSS LAUNCHED SUBSTANCE USE TREATMENT AND RECOVERY TRANSFORMATION (START)



In April 2017, I asked a team from the Johns Hopkins University Bloomberg School of Public Health to conduct a review of Delaware's treatment system. In July of this year, the team issued a 33-page report that proposed four main strategies:

- Increase the capacity of the treatment system;
- Engaged high-risk populations in treatment;
- Create incentives for quality care; and
- Use data to guide reform and monitor progress.

With those recommendations as our guide, the Division of Public Health (DPH) worked with the General Assembly to pass legislation creating an Overdose System of Care, which will establish emergency medical services and emergency department protocols to improve acute response, initiate medication-assisted treatment to manage withdrawal, and rapidly engage individuals with treatment services. In September, the Governor signed the legislation making Delaware the first state in the nation to have an Overdose System of Care.

In September, our Division of Substance Abuse and Mental Health (DSAMH) launched the Delaware Treatment and Referral Network (DTRN), which allows health care providers seeking behavioral health services for their patients to make an online referral to one of dozens of treatment providers that are taking part in the first phase.

And in October, DSAMH launched the Substance Use Treatment and Recovery Transformation, or START Initiative, to engage more Delawareans suffering from substance use disorder in treatment by using certified recovery peers – people with similar life experiences who have been trained to support people suffering from addiction. To foster long-term recovery, START also is addressing the clients' additional needs for housing, employment, education and other wraparound services.

MARKET RATE SUPPORT

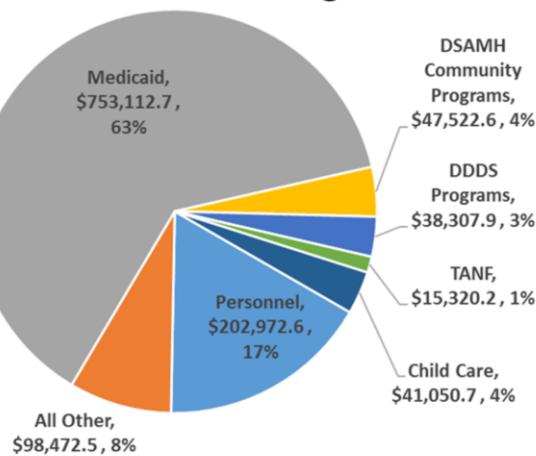


Without the vast community of providers in Delaware, DHSS would not be able to provide such a wide range of services throughout the state. During FY 19, there are two major conversations occurring around provider compensation. It is critical that providers be compensated in such a way to ensure adequacy of services statewide.

- The Division of Developmental Disabilities Services (DDDS) is currently involved in re-basing the 2014 direct service provider compensation benchmark study – which will provide information on fair market rate compensation for direct care professionals in Delaware who assist clients to remain self-sufficient and in the community. We look forward to seeing these results later this year.
- We also have engaged in conversations since July about implementing changes to the market rate paid to child care providers. This conversation is happening in a larger context of meeting new federal requirements for the state's Purchase of Care services and ensuring that quality is a key component of early childhood care. Later this spring, the Division of Social Services will be implementing federally required changes to parent payments, and after that DHSS will be looking to implement increases to bring provider rates in line with the 2015 market rates.

FY 2019: OUR FISCAL REALITIES

DHSS FY 2019 Budget



The pie chart above shows our budget for the current year, FY 19 – which is just about \$1.2 billion General Fund (GF) dollars.

With the support of OMB and the General Assembly, the DHSS GF budget grew by 1.6 percent in FY 19. These funds allowed us to continue services to clients in several key areas, including but not limited to, Developmental Disabilities, Medicaid, Birth to Three, and subsidized Child Care (Purchase of Care).

Also, additional funds allowed DHSS to expand substance use disorder services, establish school-based health centers at St. George's and Appoquinimink High Schools and increase rates paid to DDDS Direct Support Professionals.

We thank all involved for their continued support.

FY 2020 BUDGET REQUEST

	GF	ASF
FY 2019 Budget	\$1,196,759.2	\$144,150.4
FY 2020 Request	\$1,270,992.1	\$144,643.9
% Change	+6.2%	+0.3%



FY 2020 Funding Requests	\$\$
FY 2020 Door Openers	
Core Services Growth	\$64,754.0
1% Discretionary Requests	
Core Services Growth	\$6,384.8
Behavioral Health & Addictions	\$1,825.0
Business Operations & Continuity	\$2,930.0
Efficiency & Sustainability	\$827.8



For FY 20, we are requesting over \$1.2 billion General Fund dollars and \$144 million in Appropriated Special Fund (ASF) authority.

As part of the FY 20 budget, DHSS is requesting \$64.8 million in Door Openers and a 1% discretionary request of \$11.9 million.

These requests will address the demands on programs and ensure that DHSS provides efficient, effective, and modern services to our clients. We developed our FY 20 Budget Request along the themes of:

- Core services and program growth;
- Continuing to fight the opioid epidemic;
- Maintaining business operations; and
- Improving efficiency and sustainability.

FY 2020 BUDGET REQUEST: CORE SERVICES GROWTH - \$14,290.0

- Salary Contingency
- DDDS – Community Placements
- DDDS Special School Graduates
- DVI Educational Services
- Purchase of Care Child Care
- Birth to Three Program
- DSAMH Community Housing Supports
- Delaware Contraceptive Access Now (CAN)
- Lease Escalators



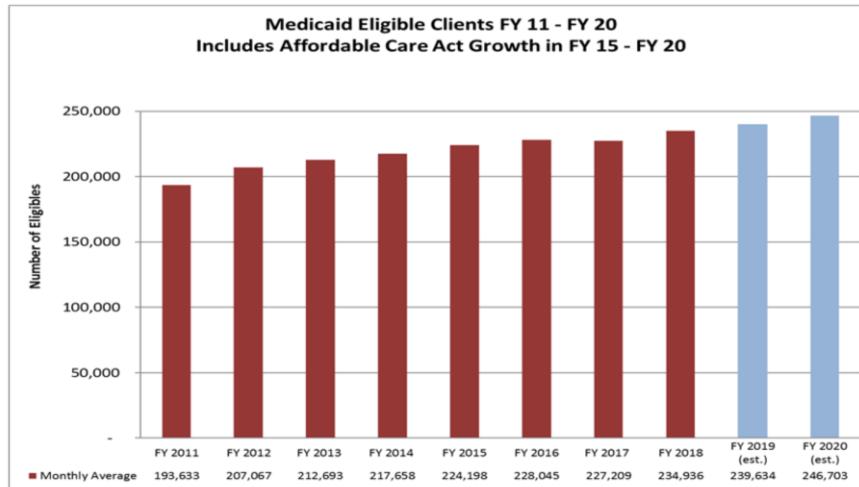
DHSS is requesting \$64.8 million in Door Opener requests. This figure represents continued growth in our core, mandatory programs.

Of this amount \$50.5 million is related to changes in the Medicaid and Delaware Healthy Children Program (also known as CHIP), and is described on the next slide.

The remaining \$14.3 million includes:

- \$5.0 million in salary contingency to support FY 19 salary changes.
- \$4.8 million to support full-year funding and new placements in FY 20 for special school graduates and community placements in the Division of Developmental Disabilities Services (DDDS).
- \$2.9 million to support continued, mandatory growth in educational services for students with visual impairments, housing for individuals with severe and persistent mental illness, the Birth to Three program, and the Purchase of Care subsidized child care program.
- \$1.6 million to sustain the operational costs for signed state leases and the Delaware Contraceptive Access Now (CAN) initiative.

FY 2020 BUDGET REQUEST: MEDICAID & DHCP GROWTH - \$50,464.0



The FY 20 budget request for growth in the Medicaid program is \$47.3 million. Growth in the state Medicaid budget is influenced by several factors – volume, utilization, and the share of federal funds.

Volume: Although the State economy has stabilized since the recession, recovery remains a challenge. There are currently almost 240,000 people eligible for Medicaid in Delaware, and a slight increase is anticipated in FY 20.

Utilization: The cost of services is impacted by reimbursement rates, including managed care capitation rates, which are how most Delaware Medicaid services are covered; the health of the enrolled population and Delaware demographics; changes in medical practices; as well as other factors.

Federal Funds: In FY 20, the state is receiving a 0.31% increase in the Federal Matching Assistance Percentage (FMAP), which helps to contain the growth in state costs. In addition, the expansion of services under the Affordable Care Act (ACA) has allowed the state to leverage more than \$150 million in federal funds while providing medical coverage to more adults.

Also in FY 20, we are requesting \$3.2 million to support the Delaware Healthy Children Program, Delaware's Children's Health Insurance Program (CHIP). The 2018 renewal of CHIP will reduce federal matching funds by 23 percent from Federal Fiscal Year (FFY) 2020 thru FFY 2023, which is driving our FY 20 request.

1% DISCRETIONARY REQUEST: PROGRAM GROWTH - \$6,384.8

DDDS
Provider
Rate
Increase

Medicaid
Adult
Dental

DSAAPPD
Community
Services

DSSC
Family
Visitation



Our request supports growth in non-entitlement programs that provide critical roles to our communities, as well as expanding services in line with state priorities.

One critical area of growth is in Community Services within the Division of Services for Aging and Adults with Disabilities (DSAAPPD). These services meet the needs of Delaware's older population through home and community-based services designed to support older persons and their caregivers and prevent unnecessary placement in nursing homes.

The Delaware Family Visitation Program, run by the Division of State Service Centers, provides safe, supervised visit locations in six areas throughout Delaware. To support the program, \$75,000 is requested to support costs associated with an average yearly growth of 12 percent and to continue providing family visitation sites for more than 700 families.

This request also includes initiatives that expand current services. These two key services are:

- Establishing adult dental coverage through the Medicaid program. Delaware is one of only 3 states without adult dental coverage; and
- Continuing to increase DDDS Provider rates.

I% DISCRETIONARY REQUEST: BEHAVIORAL HEALTH & OPIOID EPIDEMIC - \$1,825.0

Behavioral Health Consortium – Ongoing Support

- \$50.0 – Youth Prevention Education & Treatment
- \$100.0 – Narcan Community Access
- \$125.0 – Medicated Assisted Treatment
- \$350.0 – Needle Exchange Expansion
- \$400.0 – Withdrawal Management
- \$800.0 – Level IV Recovery Homes



To address the behavioral health and the opioid epidemic, DHSS has been supporting the work of the Behavioral Health Consortium, working closely with the Lieutenant Governor's Office.

One-time funding was provided in FY 19 to initiate these efforts. Our request in FY 20 is to continue operations for several of these initiatives that provide critical elements of a comprehensive opioid system of care.

1% DISCRETIONARY REQUEST: BUSINESS CONTINUITY & SUPPORT - \$2,930.0

IT Solutions

- Electronic Health Records
- Disaster Recovery Solutions
- Information Technology Operations

Patient Care

- Incident Management
- Stockley Contractual Support
- Aquatic Therapy

Federal Mandates

- Updates to ASSIST
- APD Support to gain federal funds



Our request includes \$2.9 million to support ongoing business operations and continuity. These funds will help support the critical and essential behind-the-scenes work that allows DHSS staff to provide direct services.

As a health care agency, we must automate more to meet federal requirements and standards. This helps us to provide more streamlined services to clients and meet them where they are, and to leverage additional federal dollars where appropriate, all with the end goal of providing all-around better health.

1% DISCRETIONARY REQUEST: SUSTAINABILITY & EFFICIENCY - \$827.8



Our FY 20 request also includes \$827,800 for initiatives related to sustainability and efficiency.

This includes funding to support technical assistance around the health care spending benchmark and additional analysis around price variation. While these efforts do not immediately impact Delawareans, they are long-term investments aimed at achieving HJR 7 and containing health care costs. With investments today, we can contain costs in the future and allow additional investments in other areas that support all around health.

The request around sustainability also includes a request to develop a training curriculum for the Division of Child Support Services to ensure that staff can navigate the child support system and more effectively address clients' needs. This one-time initiative would invest in one of our most critical assets – our employees – with long-term benefits to our clients and overall service delivery.

SUSTAINABILITY & EFFICIENCY APPROPRIATED SPECIAL FUNDS (ASF) - \$873.5



New in our FY 20 Budget request is a review of fees and a request to modify them –in line with the Government Efficiency and Accountability Review (GEAR) board initiatives.

Our teams identified several key areas where fee changes are needed:

- Long-Term Care Surveys & Licensing and the Office of Health Facilities Licensing within the Division of Health Care Quality levy fees for certification surveys and licensure of all health care facilities within Delaware. There are now more than 200 licensed health care facilities/agencies in the State. DHSS is requesting to increase fees for survey and licensure, which haven't been changed in more than 20 years.
- The Food Safety section in DPH needs additional funding to meet the demands for more efficient and responsive services and communication to the public.
- Increases in fees for Public Water Systems Testing provided by DPH will support additional water testing, provide informational resources, and additional assistance in fixing identified problems.
- Finally, DPH is also requesting to establish fees for vital record changes and data requests. The revenue will also support ongoing operations.

Without any of these changes, DHSS would need corresponding General Fund increases in order to maintain services.

FY 2020 BUDGET REQUEST: CAPITAL BUDGET - \$21.7 MILLION

- Maintenance & Restoration, Minor Capital Improvement, Roof Replacement & Critical Equipment Funds
- Drinking Water State Revolving Loan Matching Funds
- Stockley Sewer – Repair/Replacement
- Holloway Campus – Electrical System Replacement
- Facility Study of 24/7 Facilities
- Holloway Campus – Mitchell Building HVAC system replacement



The FY 20 Capital Budget Request is also critical in supporting our business operations by maintaining existing buildings and infrastructure. These funds are needed in order to serve clients in safe and appropriate spaces, leverage federal funding for public drinking water systems and maintain up-to-date infrastructure on our campuses.

Without the continued support of our capital needs, the Department's ability to efficiently, effectively and safely serve clients with modern, up-to-date facilities may be jeopardized.



THANK YOU

Thank you for the opportunity to share with you the challenges and opportunities facing the Department of Health and Social Services. I look forward to your questions.