

DHS Budget Discussion – Background
Material
SFY2019



DHS SFY19 Budget - Summary

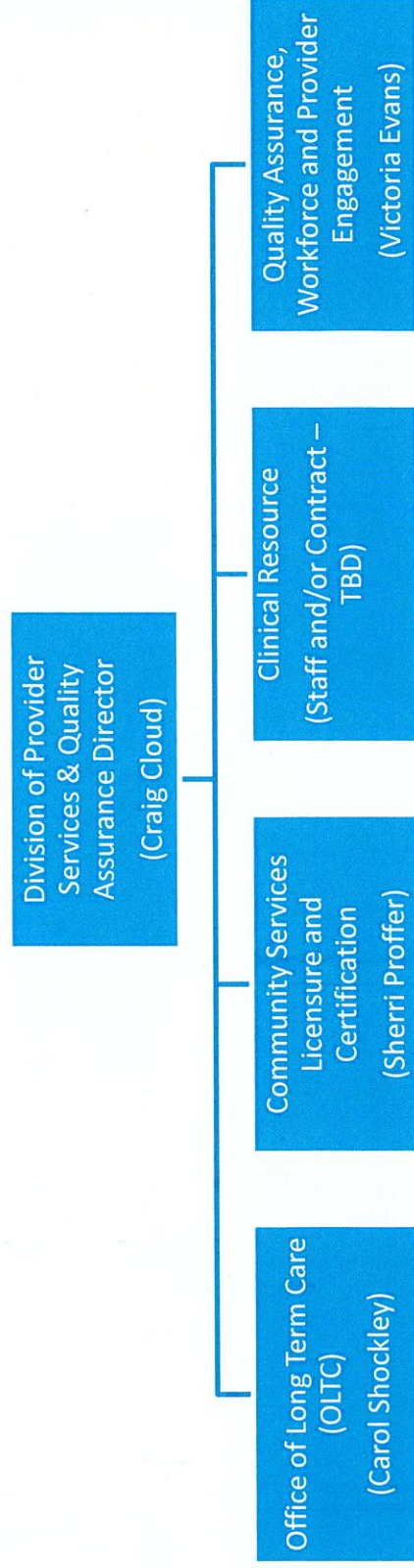
1. Because Act 913 of 2017 consolidated Medicaid certification and licensing services into a single division and merged the divisions of Aging, Adult and Behavioral Health Services, the budget presented in the budget book is outdated.
 - **This action is budget neutral and is reflected in the DHS Summary document before the Committee today.**
2. Due to reductions in enrollment and spending trend in Medicaid and progress towards stabilizing the Child Welfare system, DHS now projects **\$484.1 million less in funding** (\$477.9 million from Medicaid and \$6.2 million from DCFS) will be required than anticipated.
 - This is **not** reflected in the DHS Summary document before the Committee today. There is a Governor's letter reducing DHS's anticipated appropriations to Medicaid by \$477.9 million.
 - This reduces the SFY19 total DHS appropriation requests from \$9.987 billion to \$9.509 billion.

Division of Provider Services & Quality Assurance (DPSQA)

DHS Divisional Realignment SFY19	To DCO	To DPSQA	To DAABH	To DMS	To Do (SS)
Positions from Aging	98	21	170	1	1
Positions from DBHS		4			
Positions from DCCECE		5			
Positions from DCO Admin.		1			
Positions from DCO Tobacco Settlement		20			
Positions from DDS		14			
Positions from DMS		145			
Position from DO (SS)		1			
	98	211	170	1	1

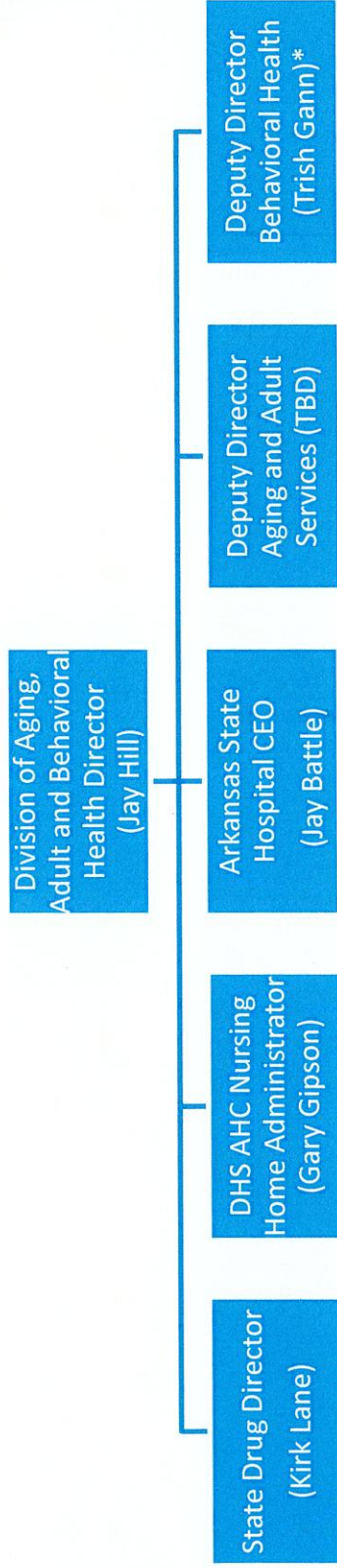
Existing funding moved to DPSQA
 \$16,449,962
 (budget neutral)

Division of Provider Services & Quality Assurance (DPSQA)



- Centralized certification, licensure, surveys and inspections for Medicaid- funded:
 - Aging and adult related programs including long-term care providers;
 - Mental health and substance abuse providers (including RSPMI and OBH);
 - Intellectual/developmental disability-related home and community-based services; and,
 - Dually licensed childcare programs.
- Quality assurance, provider training/education, continuing performance improvement & transparency
- Collaborating with stakeholders to develop a more robust health care workforce in Arkansas

Division of Aging, Adult, & Behavioral Health (DAABH)



- Adult Protective Services and senior programs
- Arkansas State Hospital
- Arkansas Health Center
- Mental health services
- Substance abuse treatment and prevention programs

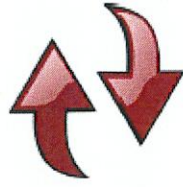
*Start date Jan. 29, 2018

Explanation of \$477.9 Million Decrease in Medicaid Projected Spending

- Reduction in trend due to use of updated actual amounts
- Factors driving reduced utilization trend:
 - Decrease in spending year-over-year on inpatient hospital services and outpatient hospital services
 - Decrease in spending year-over-year in transformation initiatives (long-term services and supports, inpatient psych, RSPMI, CHMS, DDTCS, prescription drugs)
 - Decrease in enrollment

Federal Revenue	\$423.1 Million
State General Revenue	\$47.3 Million
Other Sources of Revenue	\$7.5 Million

SGR Discussion: SFY19 Over SFY18



Replacement of annual General Improvement Funding with General Revenue \$51.1M



Traditional Medicaid change from newly assigned FMAP due to economic growth, revenue mix, adjustments \$48.6M



Scheduled Arkansas Works FMAP shift, Premium increases \$35.7M

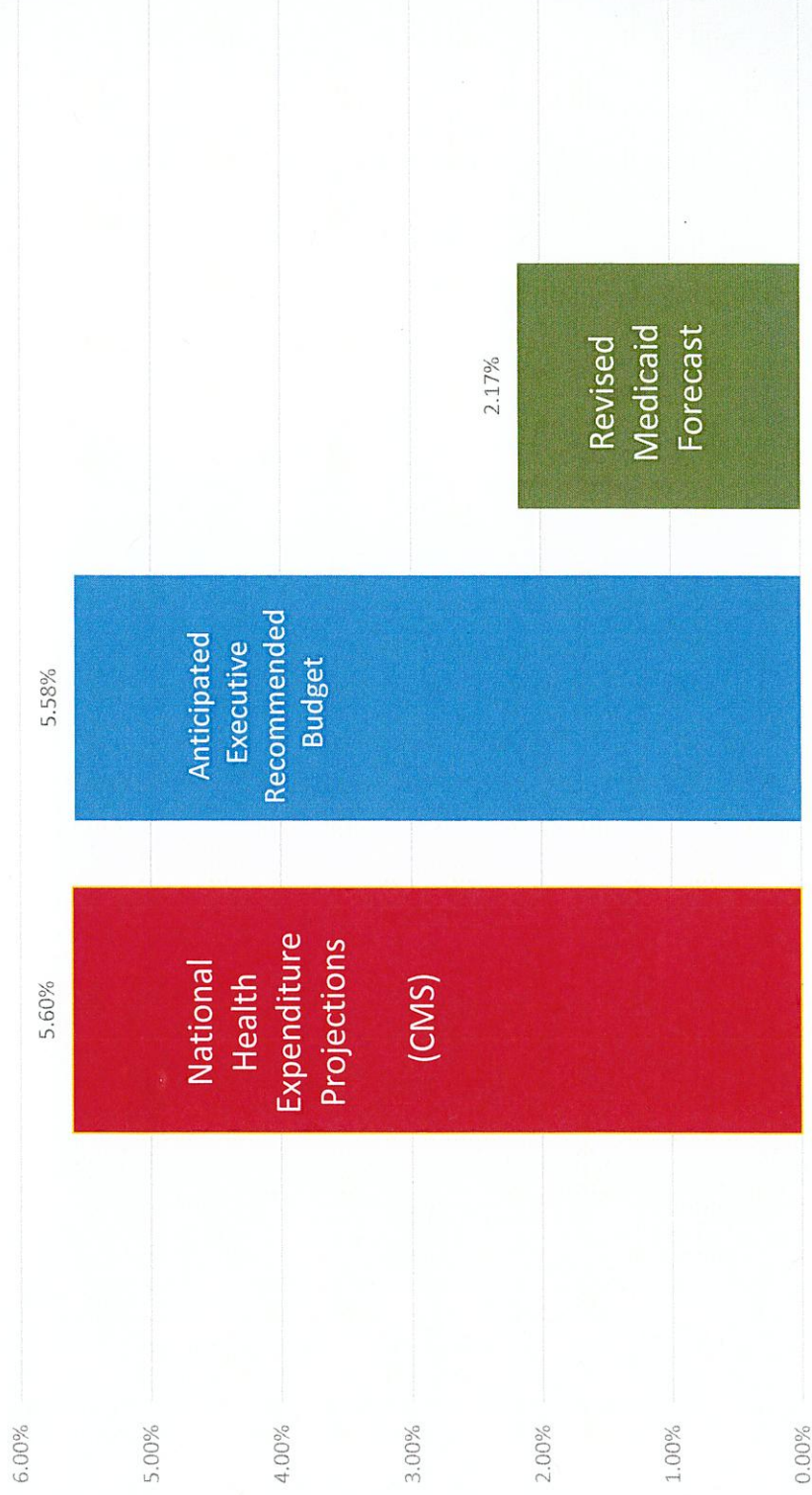


Additional funding for child welfare program, family service workers \$7.3M

\$142.7M

Revised Medicaid Forecast Below National Projections & SFY 19 Executive Recommended Budget

Growth Trend for State Fiscal Year 2019
Division of Medical Services (Medicaid) Funded Budget



National Health Expenditure Growth Factor obtained from Centers for Medicare & Medicaid Services Included in the National Health Expenditure Projections 2016-2025 Forecast Summary. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/proj2016.pdf>

Division of Children and Family Services (DCFS)

Due to an increase in funding for SFY'18, the Division of Children and Family Services (DCFS) has been able to move toward stabilizing the child welfare system and will be able to reduce its anticipated SFY'19 budget by \$6.2 million from \$130,181,014 in SGR to \$123,951,648. Measures leading toward stabilization include:

- Reducing use of high-cost placements such as emergency shelters. The average days in an emergency shelter went from 33.1 a year ago to 27.3.
- Increasing relative placements to 28 percent.
- Increasing number of foster homes from 1,674 to 1,807.
- Reducing use of congregate care for children ages 12 and younger from 186 to 72 placements.