

FISCAL YEAR 2021 BUDGET HEARING



DEPARTMENT OF HEALTH & SOCIAL SERVICES

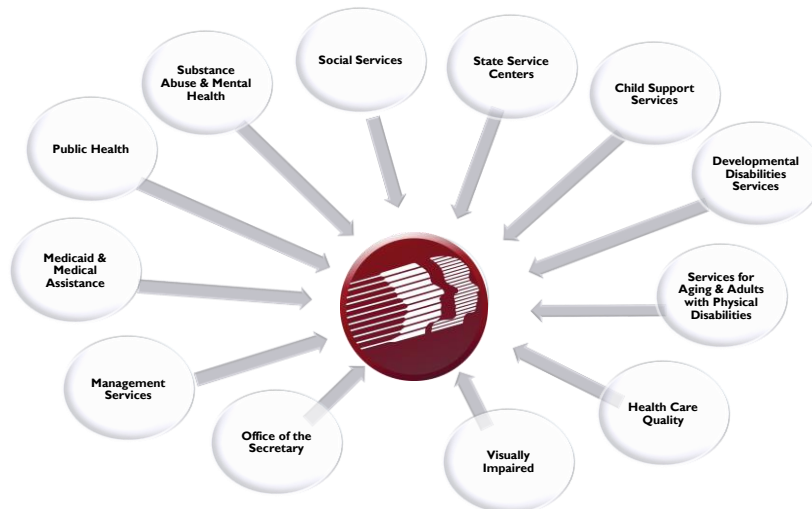
KARA ODOM WALKER, MD, MPH, MSHS
CABINET SECRETARY

Department of Health and Social Services
November 19, 2019
Legislative Hall, Senate Chambers

Good Afternoon Director Jackson, Office of Management & Budget (OMB) personnel, Victoria Brennan of the Controller General's Office, 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) 2021.

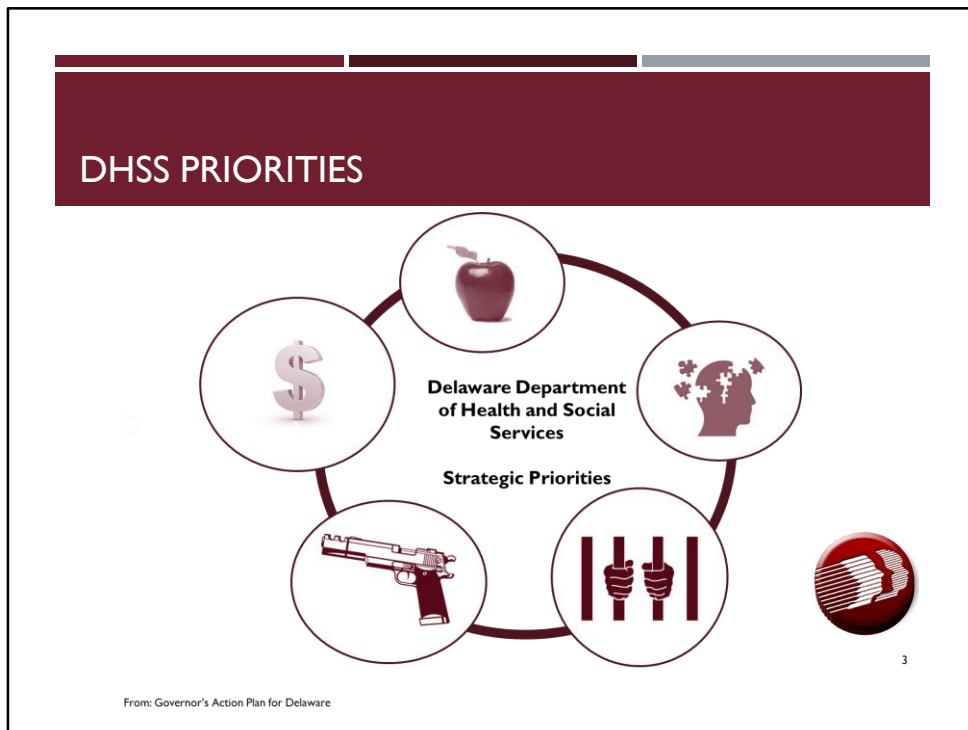
Joining me in the chamber are several members of my leadership team, including Deputy Secretary Molly Magarik. They represent this department, our personnel and, most importantly, our constituents.

DEPARTMENT OF HEALTH & 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 Governor Carney’s Action Plan and our budget process, we continue to focus our work on addressing the state’s highest priorities.

The money and apple icons at the top of this slide indicate two of our most important priorities -- 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, in the past year:

- We worked with the General Assembly to raise the age to buy tobacco products from 18 to 21;
- With the support of the General Assembly, we created a reinsurance program – and received federal approval – to reduce premium costs on the individual insurance market. For 2020, premiums are down 19%.
- And in November 2018, the Governor signed Executive Order 25 authorizing health care spending and quality benchmarks in Delaware. More on that ongoing work in a minute.

The head icon represents our ever-increasing response to the addiction crisis that continues to exact a horrific toll on too many families in our state. Last year, we lost over 400 people in Delaware to overdoses, and thousands of people and their families continue to be impacted by this chronic brain disease. For those families, our goal is to further break down the barriers both to treatment resources and to harm-reduction measures. In a few minutes, I will share details about our response.

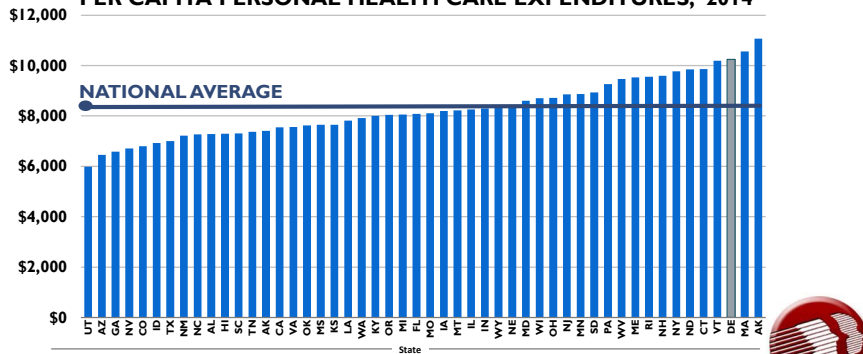
Our other priorities include working to help incarcerated and transitioning citizens succeed in finding jobs or housing; getting connected to substance use disorder treatment -- if needed -- and other health care; and reestablishing themselves in the community.

Finally, to reduce and prevent gun violence in the City of Wilmington, we joined with the Governor’s Family Services Cabinet Council to advance many steps this year, including:

- Hiring former Wilmington Police Chief Bobby Cummings to head the Group Violence Intervention program in DHSS;
- Providing more employment and training opportunities;
- Advancing a trauma-informed approach throughout our social services system;
- 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

PER CAPITA PERSONAL HEALTH CARE EXPENDITURES, 2014



NOTE: District of Columbia is not included.
SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, CMS, 2017.



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To increase the transparency of health care spending in our state and to tie that spending to improved health outcomes, Governor Carney signed Executive Order 25 on November 20th, 2018. In doing so, Delaware became the first state to have both spending and quality benchmarks.

This chart is a reminder that Delaware historically has had a high rate of per-capita health care spending. In a federal analysis of 2014 health care spending, 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 31st among the states for overall health.

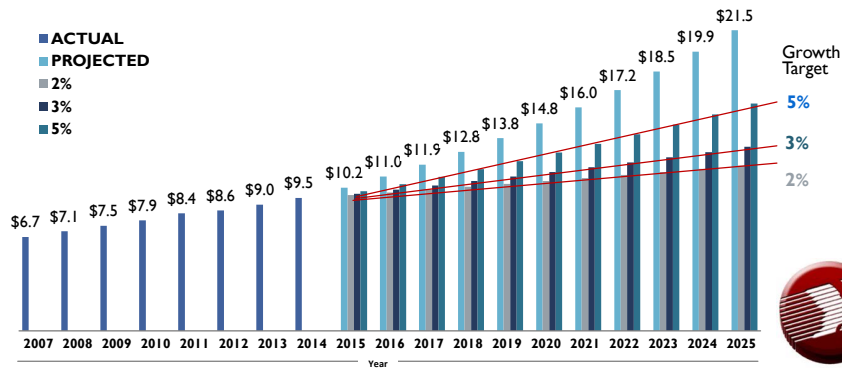
In December 2018, the Delaware Economic and Financial Advisory Council (DEFAC) issued the first health care spending growth target at 3.8% for 2019. The Delaware Health Care Commission is collecting data from insurers, Medicaid, Medicare and the Veterans' Administration to establish a spending baseline for 2018 against which the spending growth for 2019 can be measured against. We expect to release the 2018 spending baseline data in early 2020.

The quality benchmarks are focused on high-priority areas, including emergency department visits; adult obesity and tobacco use rates; opioid-related overdoses deaths; and cardiovascular disease treatment.

We will have ongoing community engagement with providers and other community partners on developing strategies to reduce variation in cost and quality. And, finally, we expect to report on the performance relative to both the spending and quality benchmarks in the fourth quarter of 2020.

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)



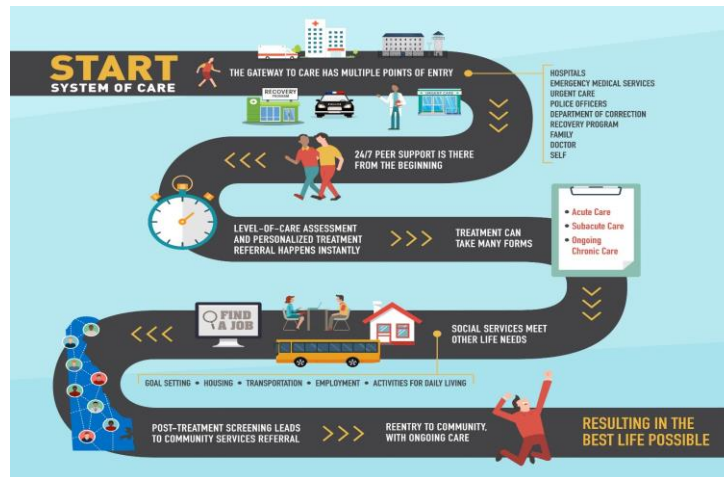
SOURCE: Centers for Medicare & Medicaid Services, [Health Expenditures by State of Residence](#), CMS, 2017;

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This work we are doing on the health care spending and quality benchmarks is important not only for DHSS' budget, but also for the entire state budget -- and for the economic future of our state. Without changes, an analysis by the Centers for Medicare and Medicaid Services (CMS) 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 because health care will simply become unaffordable for too many Delawareans.

From this chart, you can see that if we are successful in reducing the growth in spending, that will allow us to provide more funding to other critical state services such as social service provider rate increases, education, the environment and public safety.

DHSS' RESPONSE TO THE OPIOID EPIDEMIC



The framework of our response to the opioid epidemic began with a review of Delaware's treatment system by Johns Hopkins University Bloomberg School of Public Health. In its final report last year, the Johns Hopkins team recommended four main strategies:

- Increase the capacity of the treatment system;
- Engage 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, our Division of Substance Abuse and Mental Health (DSAMH) launched the Delaware Treatment and Referral Network (DTRN) last year, which allows health care providers seeking behavioral health services for their patients to make an online referral to one of dozens of treatment providers. In its first year, DTRN facilitated more than 20,000 treatment referrals.

The companion piece to the referral network is a new initiative that DSAMH also launched last year called the Substance Use Treatment and Recovery Transformation, or START. The goal is 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.

DHSS' RESPONSE TO THE OPIOID EPIDEMIC



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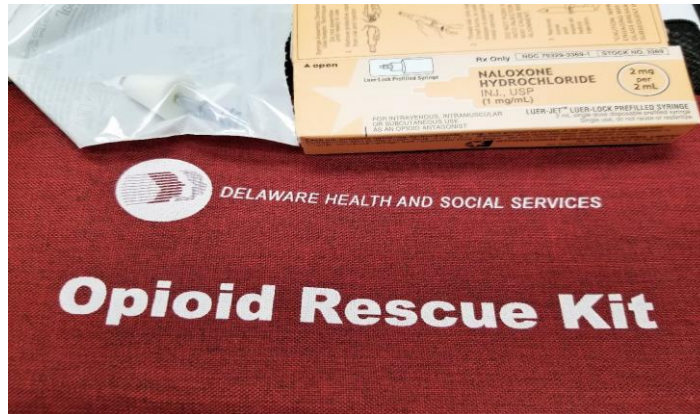
DSAMH Bridge Clinics Open in All 3 Counties

DSAMH also has opened new integrated treatment housing in New Castle and Kent counties and new bridge clinics in each county. The integrated treatment homes provide people in recovery either a step up from withdrawal management or a step down from residential treatment by providing both housing and a connection to clinical care.

The clinics are the bridge for families who aren't sure what behavioral health services are needed for a loved one. A loved one can be evaluated and assessed at the clinics and connected to treatment in the community based on those needs. The bridge clinics also offer naloxone training and access to the medication that can reverse an opioid overdose.

In Delaware and across the country, Medicaid is the largest payer for substance use disorder treatment. In September, DHSS was awarded a \$3.58 million planning grant from CMS to increase the treatment capacity of Medicaid providers to deliver substance use disorder treatment and recovery services to Delawareans in need. We are grateful for the federal funding and will use the 18-month planning grant for data analysis, a rate review and reimbursement design, expanding the provider pool, and stakeholder engagement.

DHSS' RESPONSE TO THE OPIOID EPIDEMIC



6 Naloxone Point of Distribution (POD) Events Held in 2019

As I mentioned earlier, we lost 400 people to overdoses last year and are on pace, unfortunately, to lose a similar number of lives this year. That's why harm reduction continues to be a major priority.

Through our Division of Public Health (DPH), Delaware is the first state in the nation to have an Overdose System of Care. One of the benefits of that system is having peer coaches in all of the hospital emergency departments in our state to help facilitate a connection to treatment services for people who have just experienced one of the worst moments of their lives.

DPH also introduced community naloxone training events this year, hosting six points of distribution across the state, including one at DHSS' Herman Holloway Campus. Naloxone is also available through our bridge clinics and is for sale at Delaware pharmacies without a prescription. To help people know what to do if they are with someone who has experienced an overdose, DPH launched the OpiRescue app this year to walk people through the steps, including the most important one: Calling 911.

PROVIDER RATE METHODOLOGY STUDY



Rate Methodology Study

- How are rates set?
- When were they last set?
- Recommendations for future process



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Without the vast community of providers in Delaware, DHSS would not be able to provide such a wide range of services throughout our state. In recent years, reimbursement rates have become a major concern for our providers.

It is critical that providers be compensated in such a way as to ensure adequacy of services statewide, but we know these needs must be balanced with all of the other needs across state government.

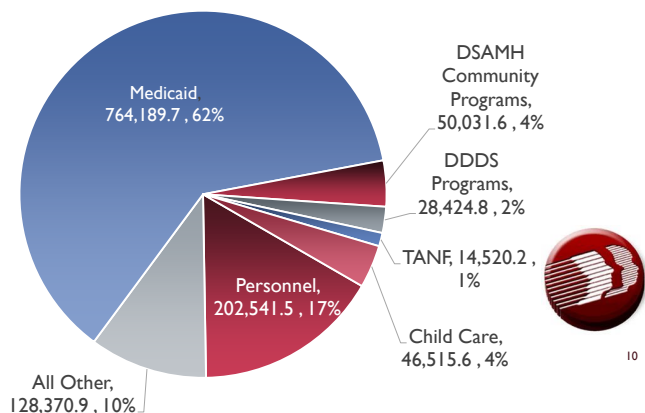
We have started work on the FY 2020 Budget requirement to conduct a review of provider rate methodologies. This study will show us the “*how* service rates are determined”, identify when they were last set, and will result in recommendations for how to update rates moving forward. This will be the first step in an ongoing effort to identify the most critical areas where services rates and methodologies need to be updated.

Currently, DHSS staff are working to gather information about the various services, rates and methodologies we provide. Our hope is to have preliminary information later this winter, with the final report submitted by April, in accordance with the budget bill.

Although not directly related to provider rates, DHSS and our sister agencies, the Departments of Education (DOE) and Services for Children, Youth and their Families (DSCYF), have been working on developing a unified early childhood governance structure in Delaware. To this end, DHSS has been working with early childhood stakeholders, including providers, and is committed to reallocating the federal Child Care Development Fund quality dollars to DOE in FY 2021. This change is an important step in creating an early childhood programming strategy that prioritizes developmental and educational outcomes for our kids, along with a more family-centered focus and delivery of these important services.

FY 2020 BUDGET

DHSS FY 2020 General Fund Budget \$1,234,594,300



The pie chart above shows our budget for the current year, FY 2020 – 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 3.2 percent in FY 2020. 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). They also allowed us to expand services for substance use disorders, address critical operating and systems needs throughout the department, increase rates for services in DDDS, address wait lists in DSAAPD and expand Medicaid to include dental services for adults starting in April 2020.

We thank all involved for their continued support.

FY 2021 BUDGET REQUEST

	General Funds	Appropriated Special Funds
FY 2020 Budget	\$1,234,594.3	\$144,763.9
FY 2021 Request	\$1,274,008.2	\$144,922.1
% Change	+3.2%	+0.3%

FY 2021 Funding Requests	\$\$
FY 2021 Door Openers	
Core Services Growth	\$27,068.0
1% Discretionary Requests	
Core Services Growth	\$1,975.0
Community & Consumer Support	\$4,607.2
Behavioral Health	\$1,180.0
Business Operations & Continuity	\$4,030.6
Organizational Development	\$553.1



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For FY 2021, we are requesting over \$1.2 billion General Fund dollars and \$144 million in Appropriated Special Fund (ASF) authority.

As part of the FY 2021 budget, DHSS is requesting \$27.1 million in Door Openers and a 1% discretionary request of \$12.3 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 2021 Budget Request along the themes of:

- Core services growth;
- Community & consumer services;
- Behavioral health;
- Business operations & continuity; and
- Organizational development.

FY 2021 BUDGET REQUEST: CORE SERVICES GROWTH - \$18,833.7

- Salary Contingency
- Developmental Disabilities Services – Services for Community Placements & Special School Graduates
- Purchase of Care Child Care
- Birth to Three Program
- Lease Escalators
- Visually Impaired Services Growth
- Food Inspection Database Operations
- Electronic Health Records Operations for the Division of Substance Abuse & Mental Health



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DHSS is requesting \$27.1 million in Door Opener requests. This figure represents continued growth in our core, mandatory programs.

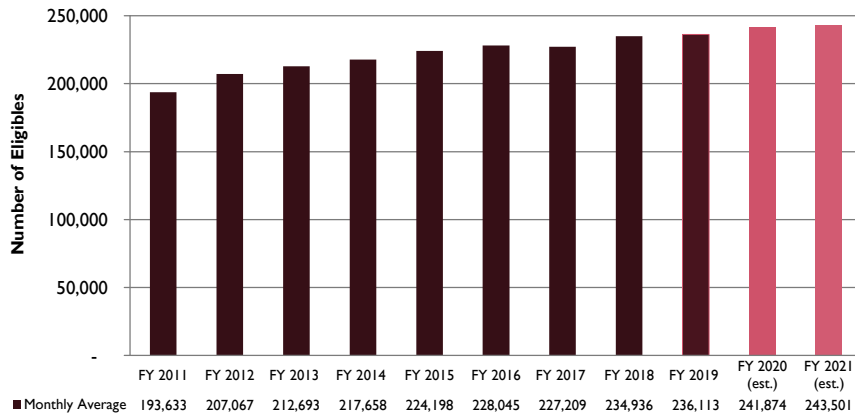
Of this amount \$8.2 million is related to changes in the Medicaid and Delaware Healthy Children Program (also known as CHIP), which I will address next.

The remaining \$18.8 million includes:

- \$3.8 million in salary contingency to support FY 2020 salary changes.
- \$5.8 million to support full-year funding for FY 2020 services and new services in FY 21 for special school graduates and community placements in the Division of Developmental Disabilities Services (DDDS).
- \$6.2 million to support continued growth in the child care program at the 2018 market rates.
- \$2.6 million to support continued, mandatory growth in signed state leases, in educational services for students with visual impairments and in the Birth to Three program.
- \$400,000 to sustain the operational costs for the Food Inspection Database and DSAMH electronic health records system.

**FY 2021 BUDGET REQUEST:
 MEDICAID & DELAWARE HEALTHY CHILDREN
 PROGRAM GROWTH - \$8,234.3**

**Medicaid Eligible Clients FY 11 - FY 21
 Includes Affordable Care Act Growth in FY 15 - FY 21**



The FY 2021 budget request for growth in the Medicaid & Delaware Healthy Children Programs is \$8.2 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 2021.

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 21, the state is receiving a 0.12% decrease in the Federal Matching Assistance Percentage (FMAP), which is driving our request. However, 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 21, we are requesting \$2.7 million to support the Delaware Healthy Children Program, Delaware’s Children’s Health Insurance Program (CHIP). The 2018 renewal of CHIP reduced federal matching funds by 23 percent from Federal Fiscal Year (FFY) 2020 through FFY 2023, which is driving our FY 21 request. We anticipate that future growth in state CHIP funding will be driven by volume and utilization changes.

**1% DISCRETIONARY REQUEST:
PROGRAM GROWTH - \$1,975.0**

Community Services
for Services for
Aging & Adults with
Physical Disabilities

Visually Impaired
Services Growth &
Assistive Technology



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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 (DSAAPD). 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.

We are also requesting additional funding to support independent living and vocational rehabilitation services for adults with visual impairments – and we are requesting funding for additional assistive technology for all clients in the Division for the Visually Impaired.

1% DISCRETIONARY REQUEST: COMMUNITY & CONSUMER SUPPORT - \$4,607.2



Provider Reimbursement

- Developmental Disabilities Services Rate Increase
- Rate Methodology Updates



Community Supports

- Fatherhood Program
- Trauma Informed Approaches



State Service Centers

- Client Experience Improvements



Workforce Development

- DHSS Nurse Recruitment & Retention
- Health Care Provider State Loan Repayment Program



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Everyone here today agrees that supporting our communities and consumers are key to meeting DHSS's mission. This ranges from individual clients to contracted vendors to the health care workforce. As a result, \$4.6 million of our request focuses on these initiatives.

We are requesting \$2.6 million to increase rates for contracted DDDS services to 70.5% of the 2019 Benchmark rates, and an additional \$200,000 to update methodologies for other services based upon the recommendations of our provider rate methodology study due later this fiscal year.

Our request also includes initiatives to support our clients and communities through integrating trauma-informed approaches training, a fatherhood program for non-custodial parents involved with child support services, replacing furniture at the state service centers, and initial planning for a strategic redesign at the state service centers.

As a health care agency, DHSS is invested in supporting a strong health care workforce. This includes effective recruitment and retention of nurses at our 24/7 facilities and ensuring there is sufficient provider capacity in the community. We propose to address these through nurse recruitment and retention initiatives and a state loan repayment program for health care providers. We need to proactively address these workforce challenges.

1% DISCRETIONARY REQUEST: BEHAVIORAL HEALTH - \$1,180.0

Behavioral Health Support:

- Naloxone Access & Distribution - \$100.0
- DSAMH Information Technology Systems Operation & Development - \$630.0
- Expand Withdrawal Management - \$200.0
- Parole Board Assessments - \$250.0



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DHSS continues to work with our community partners to provide behavioral health and substance use disorder services.

Funding in FY 2021 is requested to continue expanding community-based services to treat and prevent substance use disorders and to continue developing an Overdose System of Care.

Key to developing that system of care is an information technology backbone that supports streamlined and connected services. Our request is for funding to expand the Delaware Treatment & Referral Network (DTRN) and to begin development to integrate payments for behavioral health providers into our Delaware Medicaid Enterprise System (DMES).

1% DISCRETIONARY REQUEST: BUSINESS CONTINUITY & SUPPORT - \$4,030.6

Information Technology Solutions

- Health Care Quality Operations
- Client Assistance Programs System
- Information Technology Operation
- Electronic Case Records
- Quality Control Software Upgrade

Employee, Patient & Public Safety

- Animal Welfare Operations
- Security Improvements
- Continuity of Operations Planning
- Indigent Burials



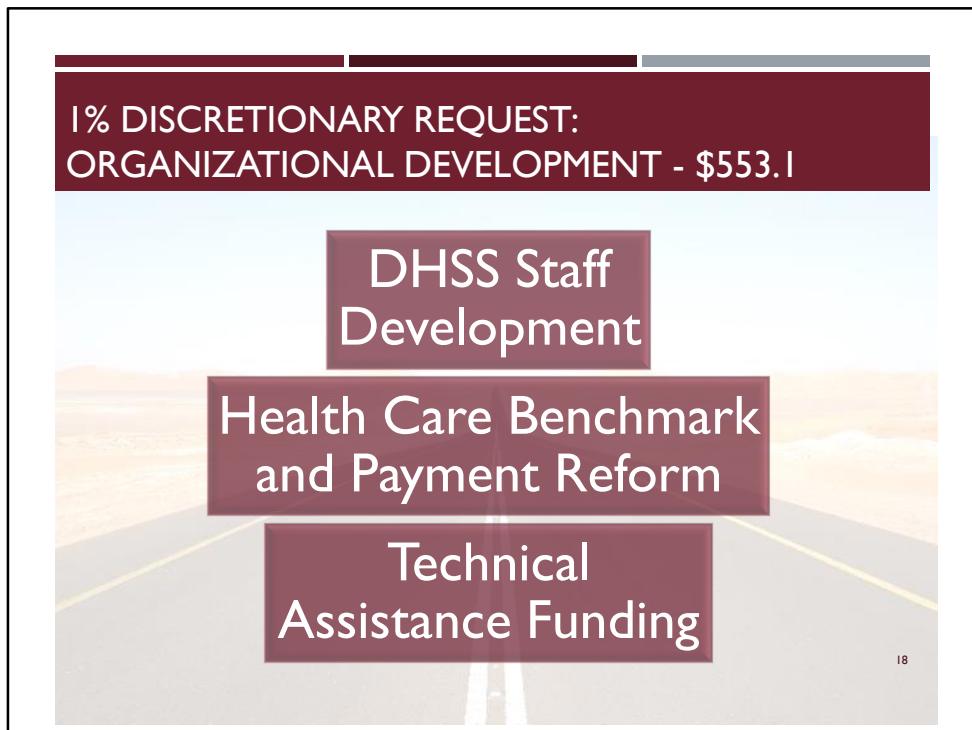
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Our discretionary 1% request includes \$4.0 million to support ongoing business operations and continuity. These funds will help support the critical and essential behind-the-scenes work that allows DHSS staff to provide direct services.

As in previous years, we need to invest in the information technology used by staff, providers, and clients. Some systems are aging – over 20 years old – and are in need of redesign, while others need upgrades to efficiently provide services.

Additionally, several initiatives focus on safety. Our locations provide a unique challenge – we need to be publicly accessible, while maintaining information security and client safety.

Our request will begin to address the day-to-day safety and security of our employees and clients, as well as develop plans for continuity of operations in the event of an emergency where critical services could potentially be disrupted.



Our FY 21 request also includes over \$500,000 for initiatives related to organizational development and strategic planning.

During our strategic planning process, a recurring theme is that DHSS needs to ensure that staff are appropriately trained and prepared for the work they do. Staff development funding will continue to streamline the strategic directions that we are taking as a department and develop the human resources that we do have.

On a broader level, we are requesting consulting support for technical assistance around the health care spending and quality benchmarks and payment reform. And, closer to home, we are requesting technical assistance to continue to provide policy, leadership and organization development both within our Department and for the state.

Our operating request today shows a balance of addressing today's critical needs while preparing for the future – both as an organization and for the health and well-being of Delaware's residents.

FY 2021 BUDGET REQUEST: CAPITAL BUDGET - \$28.7 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 Heating, Ventilation & Air Conditioning (HVAC) system replacement
- ❖ Cisco phone System
- ❖ Master Client Index (MCI) re-engineering

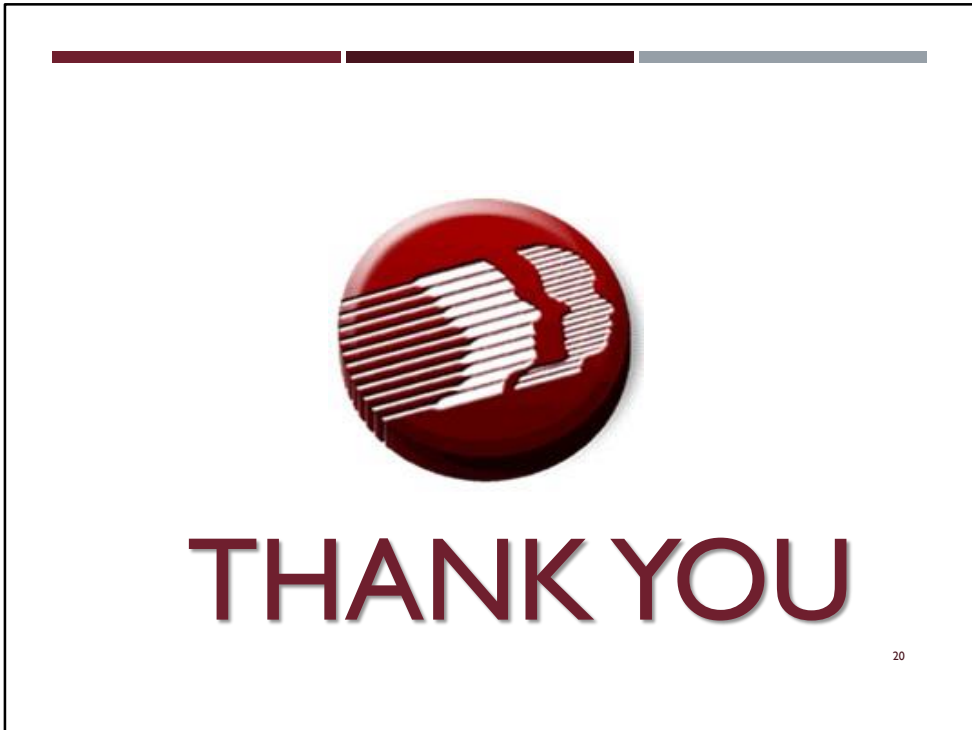


As a large agency, we also require a large capital investment. DHSS is responsible for over 71 state-owned buildings, with an average age of 67 years. This includes 8 state service centers, the 4 campuses that house our 24/7 facilities, and associated administrative buildings.

The FY 21 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 facilities on our campuses.

This year, we are also requesting funding for two information technology projects – an upgrade to the Cisco phone system, which will consolidate our phones with the rest of the state, and to re-engineer the Master Client Index (MCI), an integral part of our client eligibility database, which is needed to continue moving toward integrated data systems.

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 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.