

JOINT FINANCE COMMITTEE HEARING FISCAL YEAR 2021 BUDGET



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CABINET SECRETARY

Department of Health and Social Services
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Legislative Hall, Joint Finance Committee Hearing Room

Comments available online at <https://dhss.delaware.gov/>

Good Morning Senator McDowell, Representative Johnson, members of the Joint Finance Committee and members of the public.

I am Dr. Kara Odom Walker, Cabinet Secretary for the Department of Health and Social Services (DHSS). With me today is Deputy Secretary Molly Magarik and my leadership team. For us – like all of you – we know that public service is the greatest honor we will have in our lives.

Over the next three days, you will hear from members of my leadership team. They represent this department, our personnel and, most importantly, our constituents. Thank you for the opportunity to speak with you today and to present our accomplishments and Fiscal Year (FY) 2021 Governor's Recommended Budget.



While The Department of Health and Social Services (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 Delawareans 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 communities across our state. 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 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 growth rate of health care spending. To those ends, in the past year we worked with the General Assembly to:

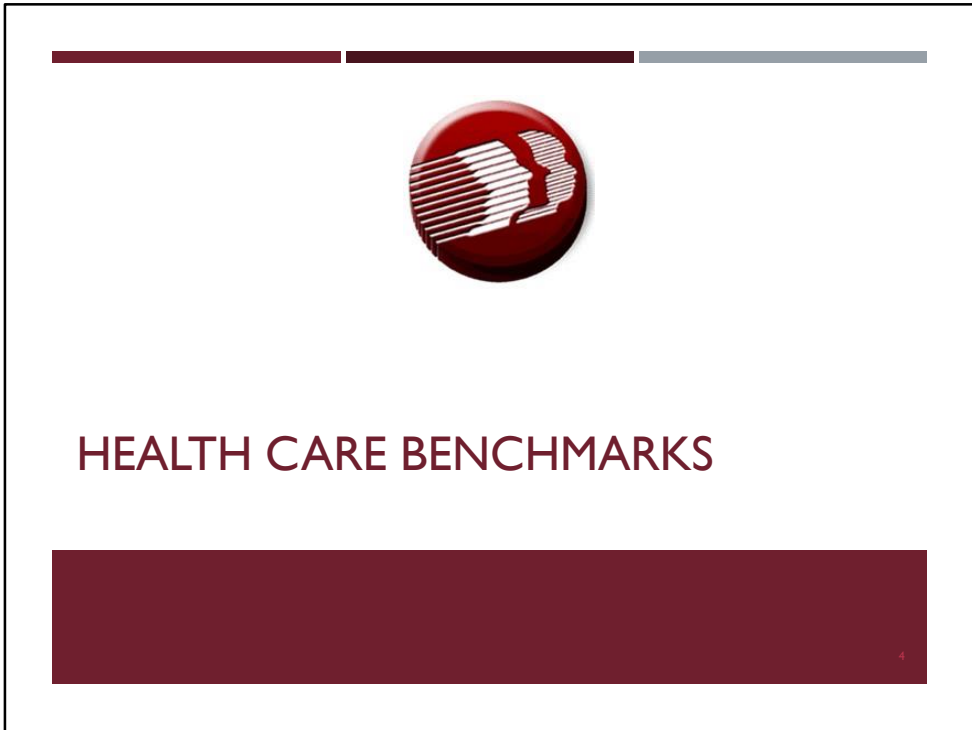
- Raise the age to buy tobacco products from 18 to 21 and to make healthy beverages the default drink in kids' meals. And,
- Create a reinsurance program - with the approval of the federal government - to reduce premium costs on the individual insurance market. For 2020, premiums are down 19% and enrollment increased by more than 6%.

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. In 2018, we lost 400 people in Delaware to overdoses and expect a similar heartbreaking total for 2019. In addition to the lives lost, 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 with the Department of Correction to help citizens transitioning from incarceration to succeed in finding jobs or housing; getting connected to substance use disorder treatment and other health care as needed; 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 several steps this year, including:

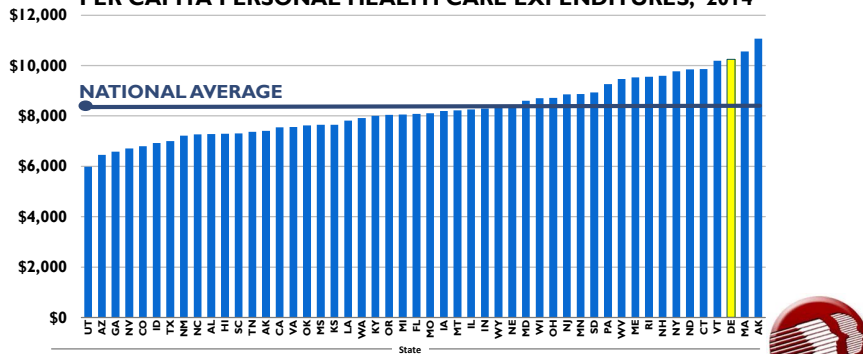
- Hiring former Wilmington Police Chief Bobby Cummings to head the Group Violence Intervention program;
- Providing more employment and training opportunities;
- Advancing a trauma-informed approach throughout our social services system;
- Embracing ways to share data across systems;
- And working to integrate and coordinate services for vulnerable individuals and their families.



First, let me talk about the importance to our state – and the people of Delaware – of the health care spending and quality benchmarks.

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 20, 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.

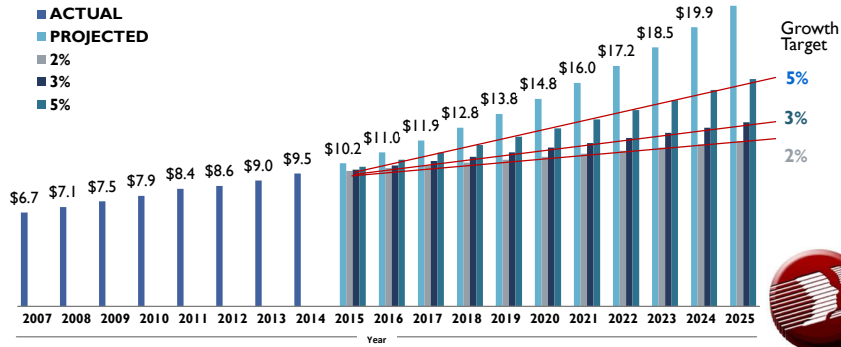
In December 2018, the Delaware Economic and Financial Advisory Council (DEFAC) issued the first health care spending growth target at 3.8% for 2019. The Delaware Health Care Commission is collecting data from insurers, Medicaid, Medicare and the Veterans' Administration (VA) to establish a spending baseline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

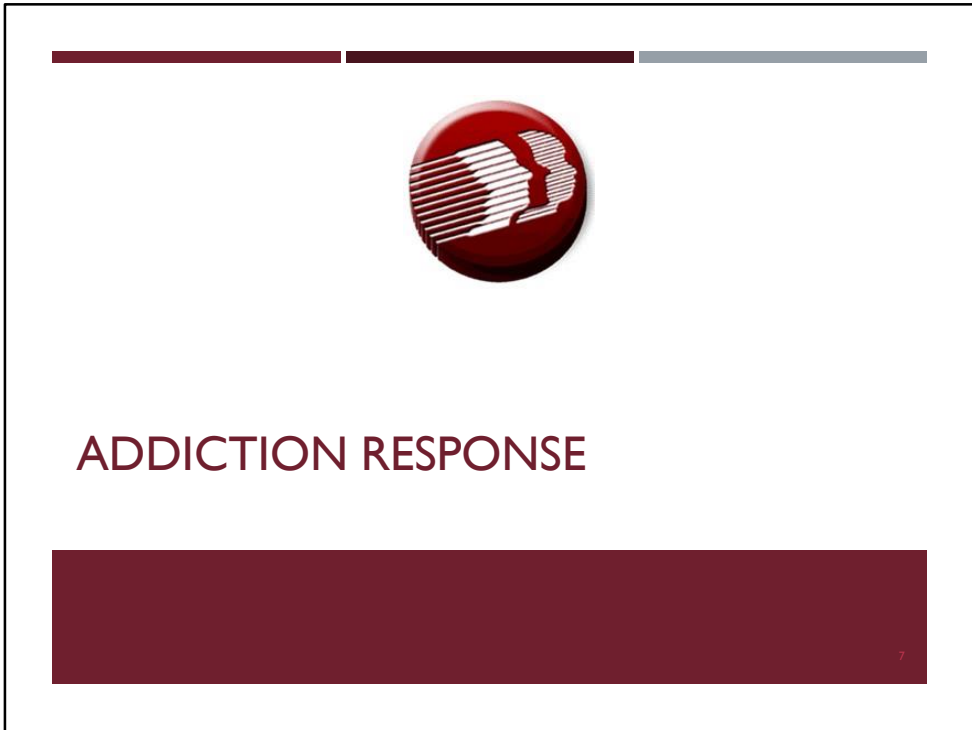


SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, CMS, 2017;

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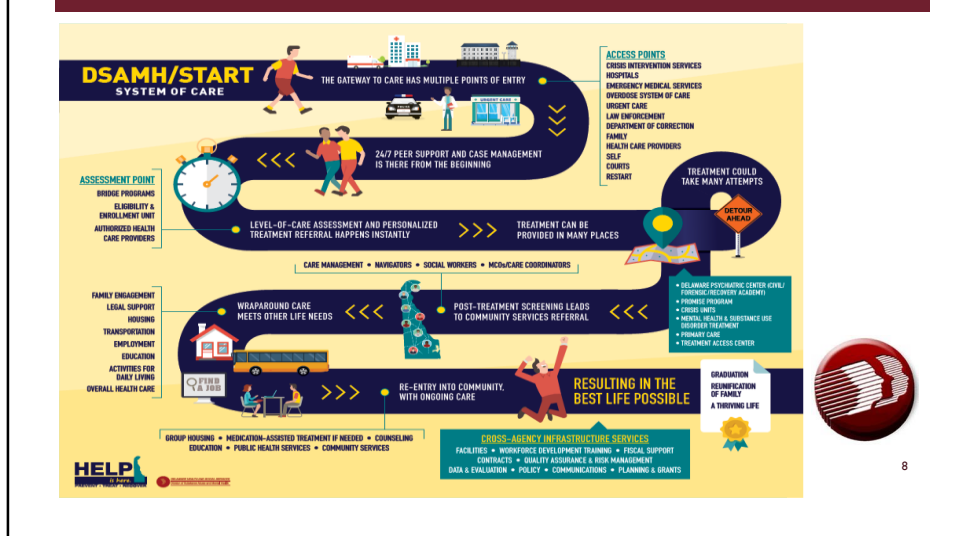
The work we are doing on the health care spending and quality benchmarks is important not only for the Department's budget, but also for the entire state budget – and for the economic future of our state. Without changes, the analysis by the Centers for Medicare and Medicaid Services (CMS) estimated 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, just five years from today. The status quo is not acceptable because health care will simply become unaffordable for too many Delawareans.

On 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 such other critical state services as social service provider rate increases, education, the environment and public safety.



Now, let me shift gears to our response to the addiction epidemic.

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, the Johns Hopkins team recommended four main strategies:

1. Increase the capacity of the treatment system;
2. Engage high-risk populations in treatment;
3. Create incentives for quality care; and
4. 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) in 2018, 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 an initiative that DSAMH also launched in 2018 called the Substance Use Treatment and Recovery Transformation, or START Initiative. 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



- Opened bridge clinics – bridges between crisis and treatment – in each county.
- Mobile Bridge Clinic piloted at Howard R. Young and Probation & Parole.



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To further the needs of those in treatment, DSAMH has opened new bridge clinics in each county that support individuals and their families who may be in immediate crisis as they transition to ongoing treatment services.

The clinics are the bridge for families who are not 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 critical medication that can reverse an opioid overdose.

In collaboration with our Division of Social Services, DSAMH also opened a Mobile Bridge Clinic to serve former offenders as they leave Howard R. Young Correctional and begin their transition back into the community. The mobile unit also serves Probation & Parole offices in Wilmington one day per week.

To meet a need on the treatment continuum, DSAMH opened two new integrated treatment homes in New Castle and Kent counties. 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.

In Delaware and across the country, Medicaid is the largest payer for substance use disorder treatment. In September, DHSS was awarded a \$3.6 million planning grant from the Centers for Medicare and Medicaid Services (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

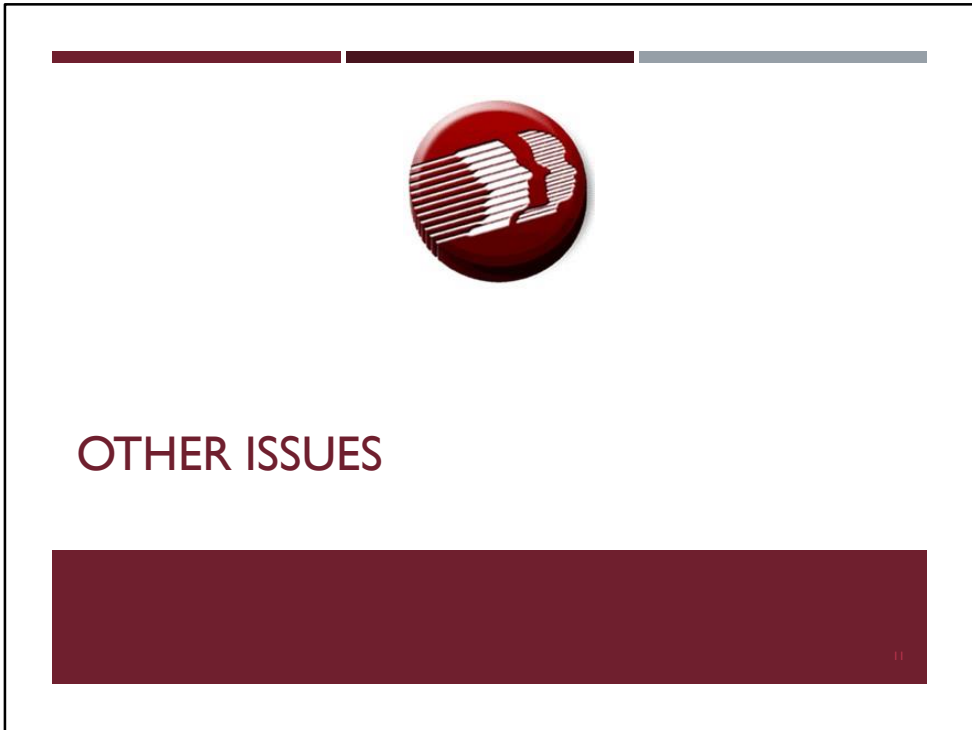


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As I mentioned earlier, we lost 400 people to overdoses in 2018 and, unfortunately, expect to lose a similar number of lives in 2019. That's why harm reduction continues to be a major priority.

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 in 2019; hosting six points of distribution across the state that trained , 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 must assist an individual who has experienced an overdose, DPH launched the OpiRescue app last year to walk people through the steps, including the most important one: Calling 911.



Now, I want to turn to two other issues that have a broad impact across our department.

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 in 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 also know these needs must be balanced with all of the other needs across state government.

The FY 2020 Budget required us to conduct a review of provider rate methodologies. This study will show us the “how service rates are determined” 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 soon, with the final report submitted by April, in accordance with the budget bill. We hope that this information will be used to inform decisions made in the FY 2021 budget.

NURSING SALARIES

Classification	Delaware Starting Salary	Delaware Mean (all employers)	National Mean (all employers)
Registered Nurse III	\$51,394	\$68,950-\$76,820	\$71,730
Licensed Practical Nurse III	\$34,084	\$52,510-\$59,130	\$46,240
Certified Nursing Assistant	\$27,987	\$29,110-\$31,450	\$28,530
Advanced Practice Nurse	\$75,000	\$106,290-\$111,060	\$113,930

Source: <https://www.bls.gov/oes/current/oes291141.htm#st>

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DHSS oversees four 24/7 facilities and multiple direct service programs in the community. As the health care industry grows and expands in Delaware, we face a growing challenge in competing for staff in nursing professions. Given the broad range of community and facility-based nursing needs in DHSS – as well as the high-acuity patients in many of our programs – it is critical that we recruit and retain high-quality nurses in all levels of certifications.

The main issue affecting nurse recruitment is salaries. Our salaries for experienced nurses – in the four nursing classifications listed in this chart – tend to be closer to the overall starting salary in Delaware than to either the Delaware mean or the U.S. mean. That leaves us at a competitive disadvantage. In addition to recruitment, retaining high-quality, trained staff continues to be an issue.

The consequences of not meeting this challenge can be felt across the department through mandatory overtime or temporary nursing staff to meet federally mandating staffing ratios, which are a significant expense to the state.

What are we doing to meet this challenge? Each year, we host a Nurse Recruitment and Retention Conference to support, recognize and recruit nurses in all of our divisions, both for community and facility-based nursing. And we now offer a recruitment incentive to eligible nursing candidates and a referral bonus to current DHSS employees who refer new hires.

Nursing recruitment and retention is a challenge that we must solve, not only in DHSS, but in other state agencies as well.

FY 2021 GOVERNOR'S RECOMMENDED BUDGET

	GF	ASF
FY 2020 Budget	\$1,234,594.3	\$144,763.9
FY 2021 Request	\$1,247,827.8	\$146,434.1
% Change	+1.07%	+1.15%



FY 2021 Funding Requests	\$\$
FY 2021 Door Openers	
Core Services Growth	\$8,151.4
1% Discretionary Requests	
Core Services Growth	\$1,875.0
Community & Consumer Support	\$550.0
Behavioral Health	\$1,060.0
Business Operations & Continuity	\$1,024.0
Organizational Development	\$553.1



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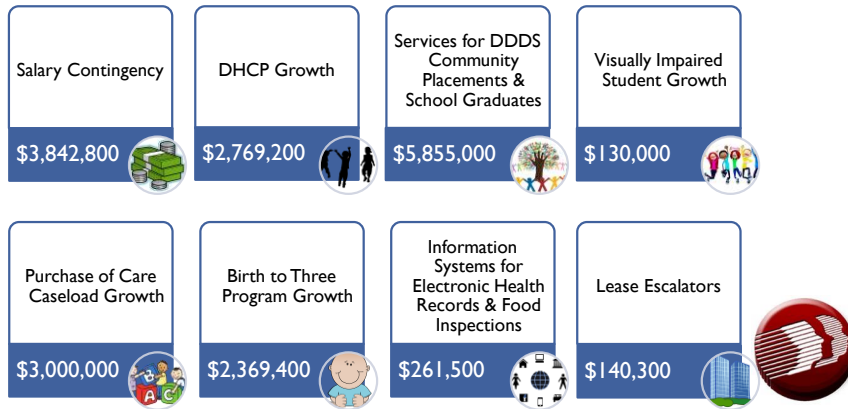
The FY 2021 Governor's Recommended Budget (GRB) includes over \$1.2 billion in General Fund dollars and \$146 million in Appropriated Special Fund (ASF) authority.

This includes \$8.1 million in Door Openers and additional operating support of \$5.1 million. There is also \$3.8 million in one-time supplemental items to support these initiatives.

These funds 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 GOVERNOR'S RECOMMENDED BUDGET: DOOR OPENERS



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DHCP= Delaware Healthy Children Program; DDDS= Division of Developmental Disabilities Services;

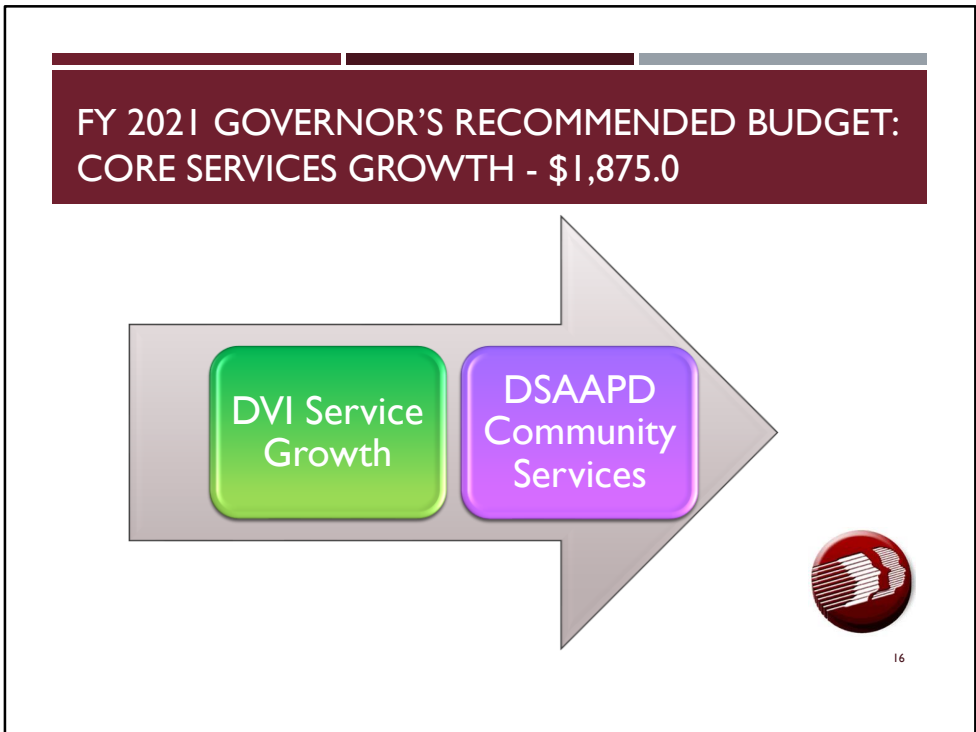
The GRB includes \$8.1 million in Door Openers, which represent continued growth in our core, mandatory programs.

This includes:

- \$3.8 million in salary contingency to support FY 2020 salary changes.
- \$2.7 million to support growth in the Delaware Healthy Children Program (DHCP).
- \$5.8 million to support full-year funding for FY 2020 services and partial year funding for new FY 2021 services for school graduates and community placements in DDDS.
- \$3.0 million to support the Purchase of Care subsidized child care program.
- \$2.6 million to support multiple initiatives that include: continued, mandatory growth in educational services for students with visual impairments, the Birth to Three program, information technology system operations, and lease escalators.

All of this will be offset by a \$10 million reduction to the Medicaid program, which is possible due to changes in caseload growth.

My colleagues will discuss these initiatives in more detail during the rest of this week.



The FY 2021 Governor's Recommended Budget 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.

Also included within the Division for the Visually Impaired is additional funding to support independent living and vocational rehabilitation services for adults with visual impairments.

Additionally, the one-time supplemental bill includes \$100,000 to support the increasing assistive technology needs of individuals with visual impairments of all ages.

FY 2021 GOVERNOR'S RECOMMENDED BUDGET: COMMUNITY & CONSUMER SUPPORT - \$570.0



Community Supports

- Fatherhood Program
- Trauma Informed Approaches



Workforce Development

- Health Care Provider State Loan Repayment Program



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With funding in the GRB, DHSS will also be able to address a wide range of issues affecting our clients and community.

This includes:

- Provide support for the Fatherhood Program sponsored by the Division of Child Support Services and continuing to develop a trauma-informed workforce across DHSS.
- We are also excited to have funding to expand the Health Care Provider State Loan Repayment Program.
- An additional \$300,000 in one-time supplemental funds to support:
 - The Group Violence Intervention program as it works to implement recommendations from our partners in the City of Wilmington; and
 - Assistance with implementing recommendations from Provider Rate Methodology study to update reimbursement methodologies.

FY 2021 GOVERNOR'S RECOMMENDED BUDGET: BEHAVIORAL HEALTH - \$1,060.0

Behavioral Health Support:

Naloxone Access & Distribution - \$100.0

Delaware Treatment & Referral Network
Expansion- \$510.0

Withdrawal Management - \$200.0

Parole Board Assessments - \$250.0



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To address the behavioral health and the opioid epidemic across the continuum, the Department will use the funds in the FY 2021 Governor's Recommended Budget for ongoing support in four areas – these four span across harm reduction strategies to treatment and recovery services.

One-time funding was provided in FY 2019 to initiate these efforts. Our request in FY 2021 is to continue operations for several of these initiatives that provide critical elements of a comprehensive substance use disorder system of care.

The one-time supplemental bill includes \$120,000 to further support the Division of Substance Abuse and Mental Health's efforts toward automation.

FY 2021 GOVERNOR'S RECOMMENDED BUDGET: BUSINESS OPERATIONS & CONTINUITY - \$1,024.0

Business Operations - Information Technology

- Division of Health Care Quality Database Upgrade
- License and Network Cost Increases
- Personal Computer Replacement

Continuity

- Security Improvements
- Indigent Burials Growth



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The GRB includes \$1 million to support ongoing business operations and continuity. These funds will help support the critical and essential behind-the-scenes work that allows our staff to provide direct services to the vulnerable people we serve.

As the state health agency, we must automate more to meet federal requirements and standards. This helps us to provide more streamlined services to clients, meet them where they are, and to leverage additional federal dollars, where appropriate. This is done with the end goal of providing more effective and evidence-based care.

With funding in the GRB, we will also address safety and security concerns, including training for security staff and ongoing equipment support in our command center.

Finally, we will use funds for increased volume and cost of indigent burials.

An additional \$2.55 million in one-time supplemental funds will support these initiatives, as well as other information technology automation efforts by our divisions.

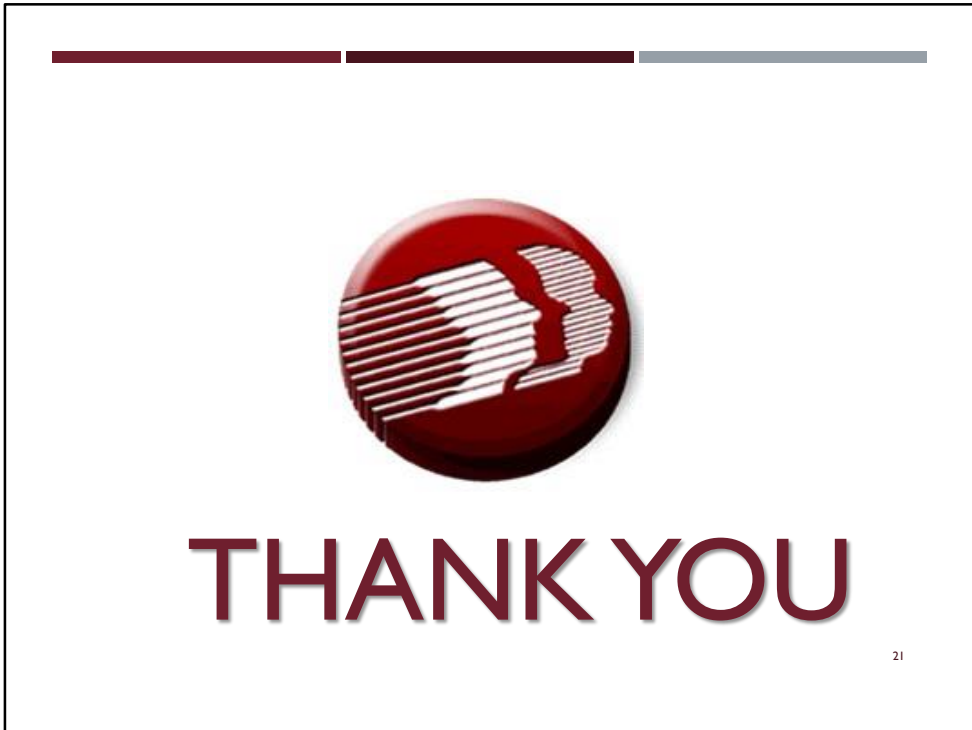


The FY 2021 Governor's Recommended Budget also includes over \$500,000 for initiatives related to sustainability and efficiency.

This includes funding to support technical assistance around the health care spending benchmark and additional analysis around price variation. These are long-term investments aimed at achieving House Joint Resolution 7 and Executive Order 25 by slowing the growth of health care spending, while improving care delivery and health outcomes for Delawareans. With investments today, we can contain costs in the future, allow additional investments in areas that support all Delawareans, improve affordability to patients and small businesses, and help drive economic development and growth.

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.

And, closer to home, funding for technical assistance will allow us to provide policy, leadership and organizational development, both within our Department and on behalf of the State.



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.