



**Delaware Health
and Social Services**

Office of the Secretary

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MEMORANDUM

TO: Governor Jack Markell
Members of the General Assembly

FROM: Rita M. Landgraf, Secretary *RML*

DATE: November 15, 2012

SUBJECT: **Delaware Health Fund Advisory Committee
Fiscal Year 2014 Recommendations**

On behalf of the Delaware Health Fund Advisory Committee (HFAC), I present you with our Fiscal Year 2014 Health Fund recommendations. The Committee's final decisions reflect several hours of discussion. Members faced the fiscal reality that there will not be enough Health Fund revenue to even flat fund existing programs.

At the first meeting, HFAC learned that the State anticipates receiving \$27.4 million (principal payment and interest) in Tobacco Settlement Funds for FY14 and that the Reserve balance was \$3.3 million in September. Last year HFAC recommended \$34.7 million in spending plus \$2.5 million for an innovation fund for FY 13. However, the FY 13 Budget appropriated \$40.7 million in Tobacco Settlement Funds, interest, and the Reserve (hereinafter "Health Fund").

As in past years, HFAC members expressed concern about programs that were now receiving Health Fund appropriations in place of the General Fund dollars they received in previous years. Their concerns are twofold: 1) these programs were not originally funded by HFAC and should not be considered by the Committee for funding; and 2) such "switch" funding is inconsistent with the provisions of 16 Del.C. § 137(c)(e). As such and consistent with prior recommendations, HFAC did not recommend any of these "switch" funded programs for Health Fund dollars in FY 2014.

HFAC members eventually reviewed 11 different funding scenarios that compared the amount of funding applicants could receive if the reserve was used, if it was not used, if mandates were fully-funded, if workforce development programs were included, and if across the board cuts were made.

The FY 14 recommendation of the HFAC is to utilize the reserve to fully fund the listed Medicaid programs and that the remaining programs be funded at the levels listed, which reflect an across the board reduction that uses all of the remaining anticipated revenue and reserve. The across the board reduction resulted in a 5.37% - 6% reduction of all programs when reductions were rounded to the nearest hundred, with the exception of Medicaid programs as stated above.

The attached spreadsheets list each application and the final amount recommended after the HFAC adopted the above recommendations.

As Chair of the HFAC, I would like to commend the members for their dedication and contribution to the Health Fund process:

Senator Patricia Blevins
Senator David McBride
Senator Bethany Hall-Long
Dr. Charles Reinhardt
Ms. Bettina Riveros, Esq.

Representative Michael Barbieri
Representative Edward Osienski
Mr. Donald Fulton
Ms. Paula Roy
Dr. Gregory Bahtiarian

Please contact me if you have any questions.

Enclosure

pc: Health Fund Advisory Committee Members
Ann Visalli, Director, OMB
Michael Morton, Office of the Controller General
Kimberly Reinagel-Nietubicz, Office of the Controller General