Minutes, Delaware Health Fund Advisory Committee

Thursday, September 23, 2010

Attendance:

Rita Landgraf, Chair

Senator Patricia Blevins

Senator Bethany Hall-Long

Don Fulton

Dr. Gregory Bahtiarian

Paula Roy

Absent:

Senator David McBride

Representative Valerie Longhurst

Representative Michael Barbieri

Dr. Charles Reinhardt

James Ford

I. Welcome and Introductions

The meeting began at 1:20 pm

II. Litigation Update, Thomas Brown, Esq.

Tom Brown, who represents the State of Delaware in the Tobacco Class Action provided a brief overview and update of the Tobacco Master Settlement Litigation. The goal of the Master Settlement Agreement (MSA) was to reduce smoking. The success of the MSA in this regard is leading to decreased payments by the participating manufacturers. Delaware receives approximately 4/10's of 1 percent of the MSA payments. The current dispute is over the 2003 Non Participating Manufacturers adjustment. The framework that comes out of the diligent enforcement arbitration will guide payments going forward from 2003. Arbitration started in

spring 2010 and the first hearing was held on July 20th. The next hearing is set for October 5th and 6th. A settlement offer has been received and is being reviewed. He is hopeful that a decision will be reached in the arbitration in the next year. After the decision, instructions will need to be agreed upon before the funds held in the disputed payment account are released. Delaware will receive about $3 million more if we win the suit. If the states prevail in the 2003 suit, then we are very likely to prevail in 2004-2010.

III. Budget, Ann Visalli

Director Visalli provided an overview of the budget process. Target meetings with agencies are being held this month. Agency budgets will be prepared in October and presented at budget hearings in November. While the September DEFAC projection was good in that it anticipates $12 million more in revenue, for Medicaid alone there is still a $120 million gap between increased costs (client growth, prescription costs, etc.) and deceased ARRA federal funds for FY 12. Dept. of Education also must replace over $100 million in lost ARRA funding. In addition to increasing Medicaid rolls, employee/retiree/prisoner health care costs are up, pension cost is up, and the number of required teachers is increasing.

During the budget process, HFAC recommendations are considered based upon anticipated Health Fund revenue, the amount in the endowment, and other sources of funds that can be tapped. All three of these methods were used to fund current Health Fund programs, including about $ 4 million in other funds. Continued level funding for all FY11 Health Fund programs would cost $52.8 million. She observed that spending the endowment only delays cutting programs another year. There is currently $25 million in the endowment and we conservatively estimate revenue in FY 12 to be $25 million. Unused funds revert back to the health fund.

Don Fulton asked that an FY 11 HFAC Recommend column be added to the requests spreadsheet. Committee members asked how the Committee can be most helpful in the budget process. Possibilities include prioritizing programs without assigning dollar allocations and basing priorities on MSA priorities instead of funding government operations. MSA dollars will continue to drop as people quit smoking.

Again, Director Visalli stated that there are increasing pressures on the budget for next year. The Governor is working to create jobs to get us out of this recession, but in the meantime, agencies are reviewing program cuts. This is the 3rd year of cuts, and these cuts may have unintended consequences, which the Administration wants to minimize or avoid, if at all possible.

IV Procedures

A motion was made, seconded, and approved (Don Fulton/Bahtarian) to prioritize programs that embody the spirit of the MSA, the statute that empowers the HFAC, and new programs created

as a result of Health Fund appropriations.

A motion was made, seconded, and approved (Bahtarian/Blevins) to not request applications for funding from programs that do not currently receive health fund dollars.

In preparation for the next meeting, staff will:

Determine what must, by law, stay the same as far as funding Medicaid programs;

Remove the FY 09 funding column from the spreadsheet;

Add a column to show HFAC recommendations for FY 11;

Distribute a copy of the HFAC statute to members.

At the next meeting, the committee will decide which, if any, agencies will be asked to make presentations for their requests.

V. There was an opportunity for Public Comment but no one asked to speak.

VI. The meeting concluded at 3:00 pm.

Next meeting: October 5, 2010, 1:00 - 3:00 pm, DDDS, Fox Run, Bear.