
FISCAL YEAR 2019 BUDGET HEARING



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CABINET SECRETARY

Department of Health and Social Services
November 2, 2017
Legislative Hall, Senate Chambers

Good Morning, Director Jackson, Victoria Brennan of the Controller General's Office, OMB personnel and members of the public, who represent our stakeholders and community partners, and the media. On behalf of the Department of Health and Social Services, I am here today to present our Operating and Capital Budget requests for Fiscal Year (FY) 2019.

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.



Nine months ago, I had the honor of being sworn in as Cabinet Secretary. I knew the challenges would be many, but I inherited a strong Department from my predecessor, Secretary Landgraf, and a staff that is up to meeting the needs of the people we serve.

While DHSS is one of the largest agencies in state government, we understand that our work has a profound and personal impact on the hundreds of thousands of people we serve each day. That's why through the work of our 11 divisions and the Office of the Secretary, our Department is 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.



When I arrived, I was fortunate to have Governor Carney's Action Plan to help us focus our work and address the state's highest priorities.

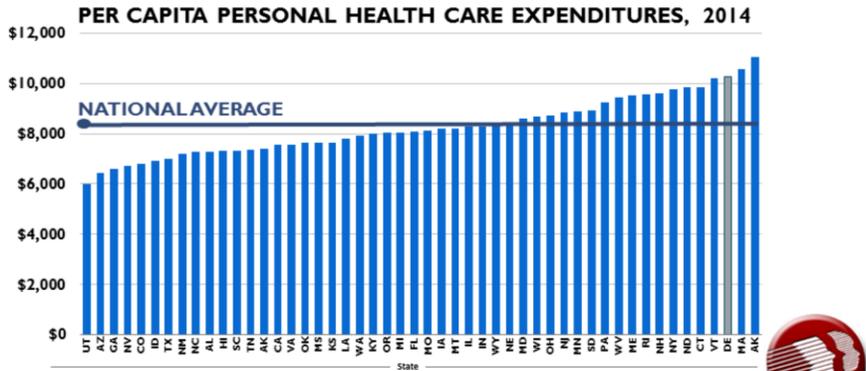
We are working to address healthy living, reduce health disparities, improve health outcomes and lower costs for all Delawareans through efforts to address access to care, cultural competency, chronic conditions, healthy eating, and obesity. The work we are doing with the health care spending benchmark will transform the delivery of health care and improve outcomes for Delawareans, while lowering the growth rate of health spending. More on that in a minute.

In terms of the addiction crisis, last year, we lost 308 people in Delaware to overdoses, and thousands of people and their families continue to be impacted by this chronic brain disease. Today, we are focused on mental health and substance use disorder prevention, recognition, treatment and recovery services as a way to reduce the toll that addiction is taking on families across our state.

We are working to help incarcerated and transitioning citizens succeed in finding jobs, reestablishing themselves in the community, and providing them with free personal financial coaching.

In the City of Wilmington, we are working to reduce and prevent gun violence by providing more employment and training opportunities, 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

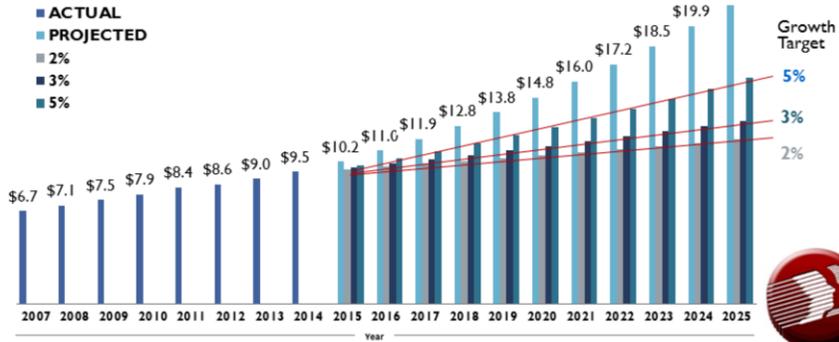


In September, Governor Carney signed House Joint Resolution (HJR) 7, authorizing DHSS to develop a health care spending benchmark that is linked to the state’s rate of economic growth. In a federal analysis released this summer, Delaware had the third-highest per capita spending for health care in the country, behind only Alaska and Massachusetts, and 27 percent higher than the U.S. average.

This work is not only important for DHSS’ budget, but also for the entire state budget – and for the economic future of our state.

DELAWARE'S TOTAL HEALTH SPENDING WILL DOUBLE FROM 2009 TO 2020

DELAWARE'S ACTUAL AND PROJECTED PERSONAL HEALTH CARE EXPENDITURES, 2007—2025
(BILLIONS OF DOLLARS)



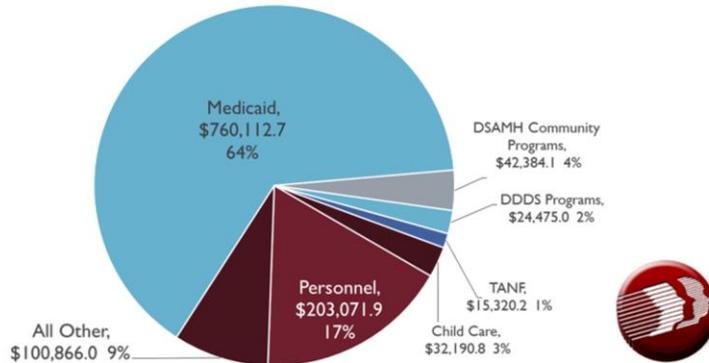
SOURCE: Centers for Medicare & Medicaid Services, *Health Expenditures by State of Residence*, CMS, 2017.

The Centers for Medicare and Medicaid Services estimated that if Delaware continues at this pace, total health care spending in our state will more than double from \$9.5 billion in 2014 to \$21.5 billion in 2025. That is simply unsustainable.

The health care spending benchmark can help us reduce that growth in spending and will allow us to provide more funding to other critical state services such as education, the environment and public safety.

FY 2018: OUR FISCAL REALITIES

DHSS FY 2018 Budget



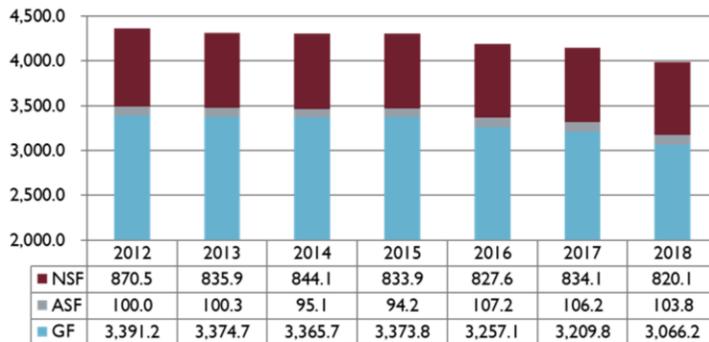
Now, let me move to the DHSS budget picture. As all of you know, developing the FY 18 budget was challenging for all parties involved. Overall, DHSS sustained almost \$25 million in reductions. These reductions occurred in our base and will have to be absorbed in FY 18 and moving forward. Wherever possible these reductions took advantage of efficiencies, such as leveraging Medicaid funding, or cost containment strategies, such as eliminating or reducing contracts. We were able to sustain more than \$8 million of reductions to the Division of Medicaid and Medical Assistance (DMMA) and Division of Substance Abuse and Mental Health (DSAMH) programs this way.

However, the vast majority of reductions are true reductions or eliminations of services. These changes are already impacting DHSS staff, providers, and most critically, our clients. For example, some critical reductions include:

- A 10 percent reduction to funding for infant mortality prevention, which will result in fewer women receiving services to prevent premature births and low birth weights – the leading causes of infant mortality in Delaware.
- A 10 percent reduction to the Needle Exchange program, which provides sterile needles to intravenous drug users. Due to the opioid crisis, the loss of these funds will expose more Delawareans to infectious diseases such as Hepatitis C and HIV.

FY 2018: OUR FISCAL REALITIES

DHSS Budgeted FTEs



In addition to the budget reductions, DHSS has eliminated more than 650 full-time positions (FTEs) since FY 09 – 300 of those within the last three years. While much of this was feasible due to changing from a facility-based model of service to a community-based model of service, it relies on DHSS staff continuing to work hard to maintain quality levels of service for our clients and providers.

As you can see, the reductions to DHSS programs will result in us needing to be more strategic in how we approach existing services and resources to ensure that we are efficiently utilizing them while serving our clients.

In order to address the DHSS priorities mentioned previously in the presentation, we will continue to work with our statewide partners for flexibility on how to structure programs to ensure the Department continues to be responsive to the needs of Delawareans we serve.

FY 2019 BUDGET REQUEST

FY 2018 Base Budget (\$ in thousands)

	GF	ASF	NSF	Total
FTEs	3,066.2	103.8	820.1	3,990.1
Dollars (\$)	\$1,178.4	\$142.8	\$1,469.8	\$2,791.1

FY 2019 Budget Request (\$ in thousands)

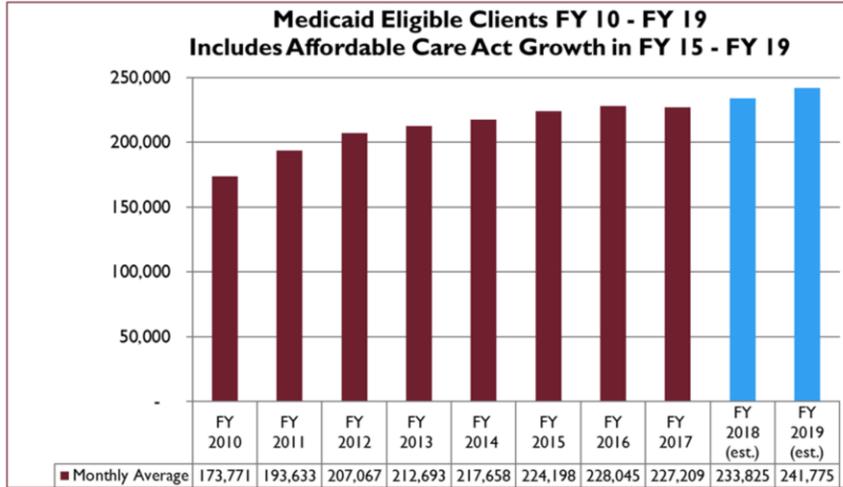
	GF	ASF	NSF	Total
FTEs	3,074.2	99.6	817.5	3,991.3
Dollars (\$)	\$1,212.0	\$135.4	\$1,469.8	\$2,817.3



NOTE: Dollars may not add due to rounding

In FY 19, we are requesting just over \$1.2 billion General Fund dollars and \$135 million in Appropriated Special Fund (ASF) authority -- a 2.8% increase over the FY 18 budget.

**FY 2019 BUDGET REQUEST:
MEDICAID GROWTH - \$3,859.4**



The FY 19 budget request for growth in the Medicaid program is \$3.8 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 more than 230,000 people eligible for Medicaid in Delaware, and a slight increase is anticipated in FY 19.

Utilization: The cost of services is impacted by reimbursement rates, including MCO 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 19, the state is receiving an increase in the Federal Matching Assistance Percentage (FMAP), which helps to contain the growth in state costs. In addition, the expansion of services under the Affordable Care Act has allowed the state to leverage more than \$150 million in federal funds while providing medical coverage to more adults.

FY 2019 BUDGET REQUEST: DDDS COMMUNITY SERVICES - \$9,312.5

- \$1,022.2 - Switch Fund FY 18 ASF funds for Special School Grads
- \$3,762.2 – Switch fund FY 18 ASF funds for Community Placements
- \$168.8 – Annualize 2 mos. for FY 18 Special School Grads
- \$1,834.1 – Annualize 6 mos. for FY 18 Community Placements
- \$753.2 – 135 new Special School Grads in FY 19 [10 mos.]
- \$1,772.0 – 75 new Community Placements in FY 19 [6 mos.]



Each year, we continue to see growth in the community-based programs within the Division for Developmental Disabilities Services (DDDS). These programs allow DDDS clients to receive a variety of services, such as community day programs, supported employment and residential supports.

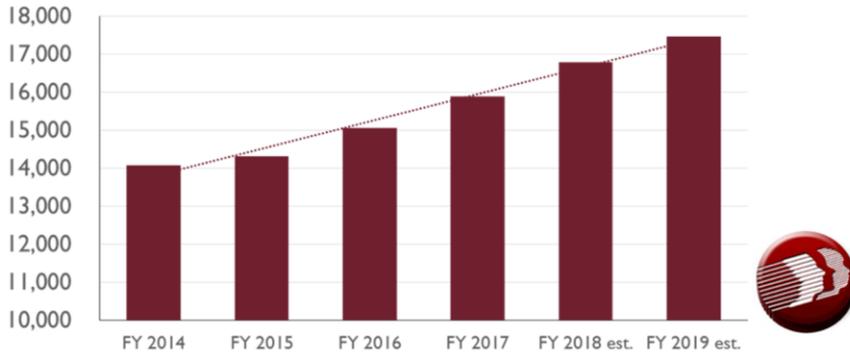
For FY 19, our request has two components. First, we request to switch the funding provided in FY 18 from ASF to GF for 75 Community Placements and 130 Special School Graduates.

Second, we request to annualize funding for FY 18 services; to serve 135 new Special School graduates in FY 19; and to serve 75 new community placements in FY 19.

These funds will ensure continuity of services for current DDDS clients, ensure a smooth transition to work and/or community services when clients transition from the school system to DDDS services, and ensure that safe community placements are available when clients can no longer reside with their families.

**FY 2019 BUDGET REQUEST:
CHILD CARE GROWTH - \$8,859.9**

Child Care Caseloads - FY 14 - FY 19 est.

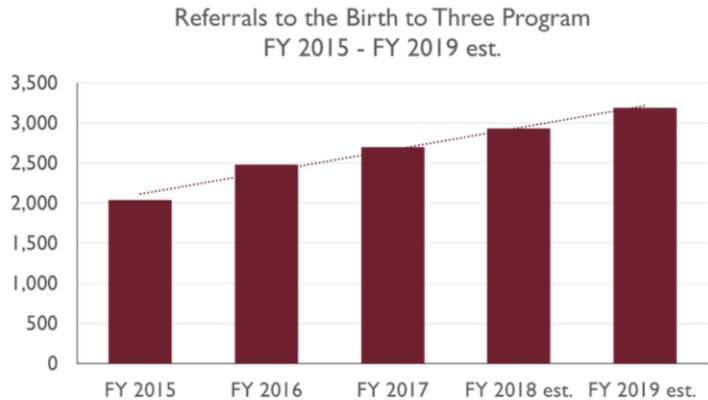


Our next request is for \$8.8 million to support anticipated FY 18 and FY 19 growth in the Purchase of Care (Child Care) program.

The State's child care program provides support to families with children to enable the caretaker to hold a job or participate in employment and training services. This program ensures that children are cared for in safe, licensed environments while their parents or guardians are working.

Although most benefit programs have seen decreases or stabilization in eligibility, the child care program continues to grow. Continued program growth is an indication that more families are working.

**FY 2019 BUDGET REQUEST:
BIRTH TO THREE - \$833.0**



We are requesting \$833,000 for the Birth to Three program, a statewide, comprehensive program that provides early intervention services and supports for infant and toddlers with disabilities and developmental delays and their families.

Families are referred for an assessment, and if deemed eligible, receive service coordination and appropriate services such as speech therapy, occupational/physical therapy or early childhood/special education services.

Over the past five years, the Birth to Three program has seen significant growth in referrals, particularly from health care and child care providers. The FY 19 request anticipates that referrals to the program will continue at this rate as more children continue to be screened and referred for services.

**FY 2019 BUDGET REQUEST:
SUBSTANCE ABUSE TREATMENT: \$1,418.5**

- **New Initiatives for Substance Abuse Prevention**
 - \$100.0 for naloxone for first responders
 - \$328.5 for 20 new sober living beds
 - \$990.0 for staff to provide assessments/consultations in emergency room



With the number of Delawareans dying from overdoses running at about the same pace as last year, our FY19 budget request includes three initiatives to save more lives and to connect more people suffering from addiction to the treatment and recovery services they need. Our request includes:

- \$100,000 for naloxone for first responders;
- \$328,500 for 20 additional sober living beds; and
- \$990,000 for staff to provide assessments or consultations in emergency rooms as a way to connect more people to treatment immediately after an overdose or other medical crisis.

FY 2019 BUDGET REQUEST: DOOR OPENERS



- Restore Rabies Control Funding - \$222.0
- Switch Fund DPH Programs from Tobacco Funds - \$7,551.0
- Establish St. Georges School Based Health Center - \$190.0
- DSAMH Community Housing Vouchers - \$1,250.0
- DVI Contractual Teachers - \$219.4



Our remaining Door Opener requests include:

- Restoring funding for the Rabies Control program, whose funding was eliminated in FY 18. This program identifies, transports, and tests animals suspected of carrying rabies. It is the only rabies control program in the state.
- A request to switch fund several programs in the Division of Public Health in order to ensure that services are provided at FY 18 levels.
- Establishing a school-based health center (SBHC) at St. Georges High School. St. Georges and Appoquinimink High schools are the only public high schools in Delaware without a health center.
- A request to switch fund \$1 million of DSAMH housing vouchers and \$250,000 for 94 new housing vouchers. These vouchers are issued in partnership with the Delaware State Housing Authority (DSHA) and allow individuals with serious and persistent mental illness to live in the community and receive appropriate community-based services.
- Funding for contractual Teachers for the Visually Impaired to assist the Division for the Visually Impaired to respond quickly and appropriately to student growth and remain within recommended student-teacher ratios.

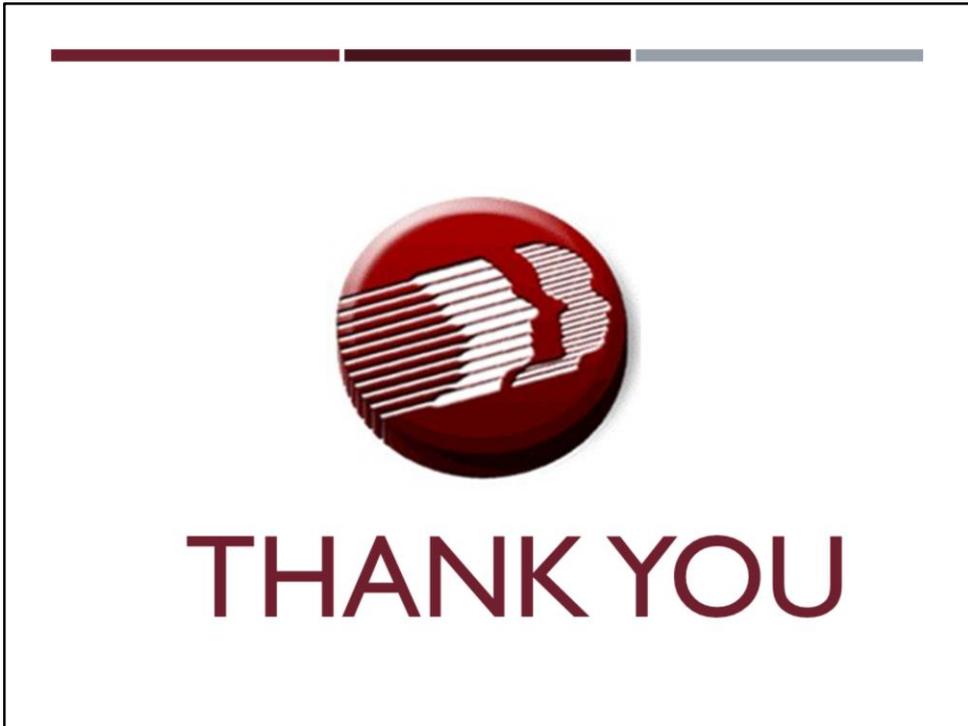
FY 2019 BUDGET REQUEST: CAPITAL BUDGET - \$18.8 MILLION

- Maintenance & Restoration, Minor Capital Improvement, Roof Replacement, & Critical Equipment Funds
- DPC Security System
- Drinking Water State Revolving Loan Matching Funds
- Stockley Sewer – Repair/Replacement
- Holloway Campus – Electrical System Replacement
- DECSS Equipment Replacement



The FY 19 Capital Budget Request continues to support existing buildings, infrastructure and IT systems. 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 information technology infrastructure.

Without the continued support of DHSS's capital needs, the Department's ability to efficiently, effectively, and safely serve clients with modern, up-to-date systems 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.