



Governor's SFY 2024-2025 Biennial Budget Recommendations for the Department of Social Services

Presentation to the Legislative Appropriations Committee

**Andrea Barton Reeves, Commissioner
Wednesday, February 22, 2023**



**Critical source of economic
security, health and well-
being to over one million
individuals**

- Serves children, adults, working families, older adults and persons with disabilities in all 169 Connecticut cities and towns.
- With service partners, provides federal/state food and economic aid, health care coverage, independent living and home care, social work, child support, home-heating aid, protective services for the elderly, and other vital services.
- Successful in improving quality, satisfaction and independence through prevention and integration.

**Technology and data
driven**

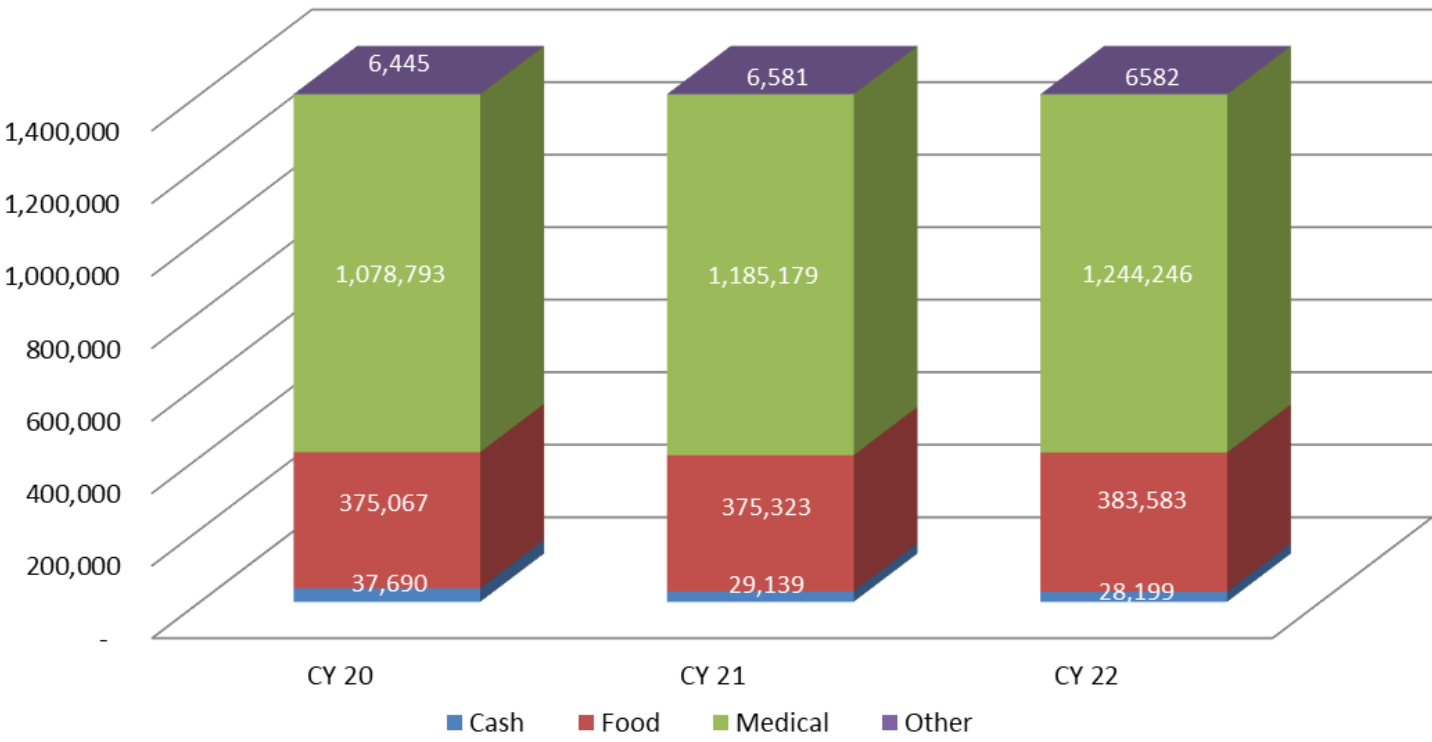
- Prioritizing timely access to services through eligibility process improvements, integration with Access Health CT, and our ImpaCT eligibility system.
- Beginning efforts to modernize our child support and Medicaid technology supports and systems.
- Utilizing advanced data analytics to direct policy-making, program development and operations.

**Efficient and effective
operations**

- Agency-wide administrative costs are estimated to be 3.6%.
- Over 50% of agency expenditures are federally reimbursed.
- Health expenditures (88% of department's recommended SFY 2024 and SFY 2025 budget) are increasing based on caseload growth, but trends in per person costs are stable (2.2% increase from SFY 2018 – SFY 2022).



Average Monthly Number of People Served by Type of Assistance

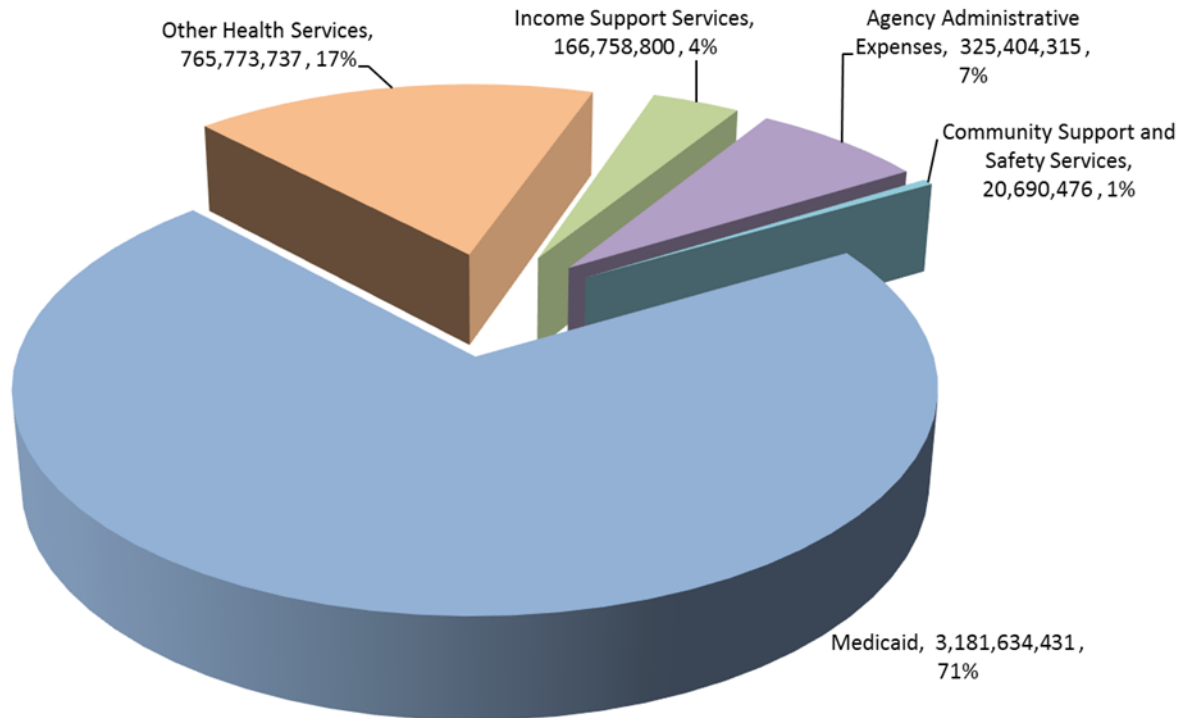


Notes:

- Medical includes individuals receiving benefits under HUSKY, Medicare Savings Programs (MSP), and state-funded home care
- Other includes Essential Services and State Administered General Assistance (SAGA) funeral benefits
- Reflects average monthly enrollment

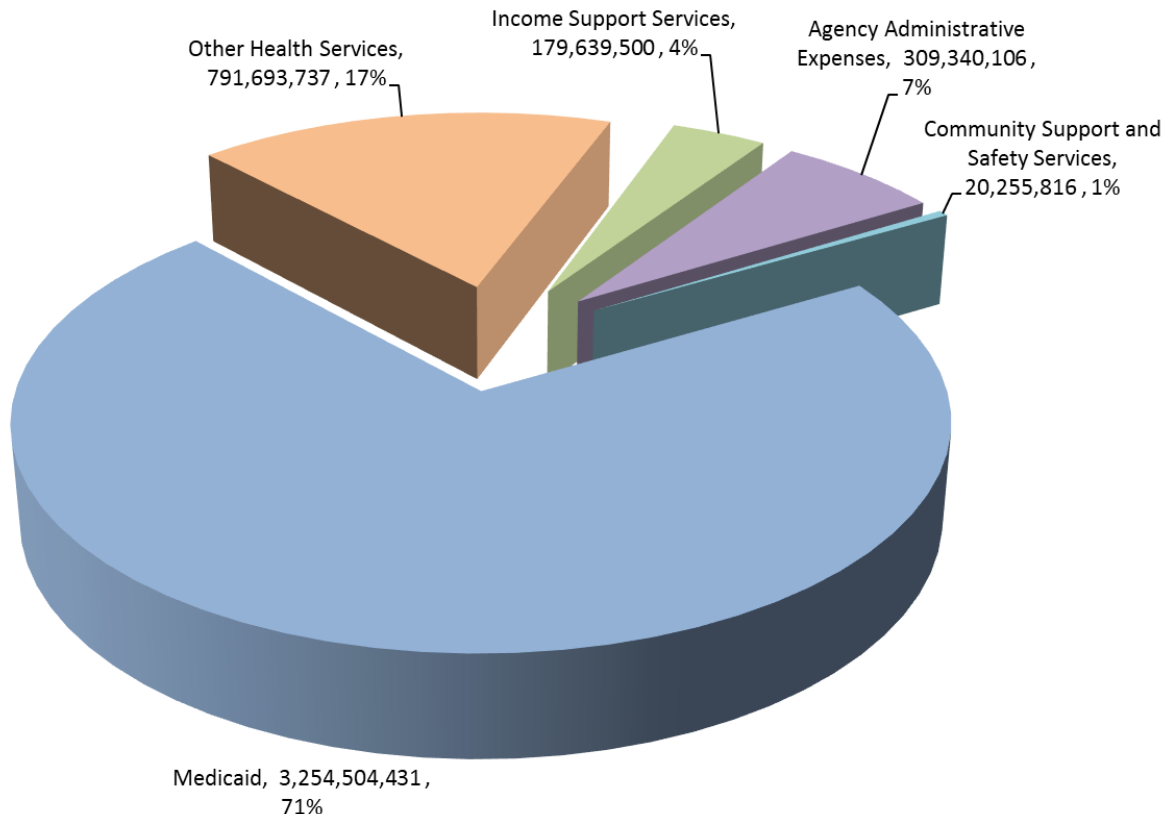
- The Department is committed to providing the highest level of health and human services to Connecticut individuals, families and communities. Our services touch people in all 169 cities and towns.
- We support Governor Lamont's recommended SFY 2024 and SFY 2025 biennial budget recommendations for the Department. We believe they enhance our mission and provide us with the resources necessary to continue efforts to assist those who benefit from our services.
- We look forward to working with the General Assembly over the next several months as you review and deliberate on these budget adjustments.
- In the next few slides, we present a general overview of the DSS budget before detailing the changes included in the Governor's recommended budget.

SFY 2024 Governor's Recommended Appropriation



This graphic depicts the relative share of the Department's General Fund budget allocations by major core program groupings; this does not include the federal share of the Medicaid and HUSKY B accounts, or any other federal funds managed by DSS

SFY 2025 Governor's Recommended Appropriation



This graphic depicts the relative share of the Department's General Fund budget allocations by major core program groupings; this does not include the federal share of the Medicaid and HUSKY B accounts, or any other federal funds managed by DSS

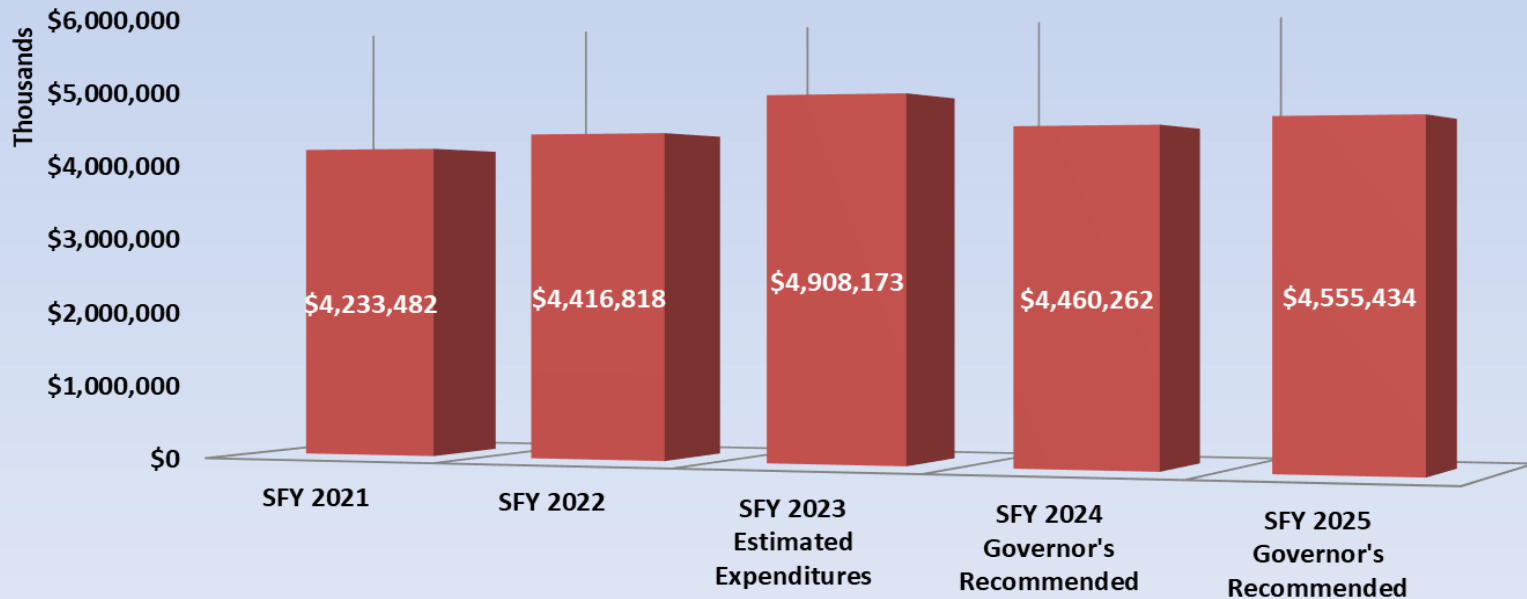


Summarizing the graphical information presented on the prior page:

- The proportion of the DSS General Fund budget directed to the Medicaid account is 71% in SFY 2024 and SFY 2025. Other health services represent an additional 17% of the budget in SFY 2024 and SFY 2025.
- Administrative, field operation and other expenses account for 7% of our General Fund budget in SFY 2024 and SFY 2025.
- The budget share for income support, including Temporary Family Assistance, State Supplement (Aid to the Aged, Blind and Disabled), and State Administered General Assistance, is 4% in SFY 2024 and SFY 2025.

- Total recommended funding for SFY 2024 is \$4.46 billion, which is an increase of \$370 million or 9.0% from the Department's projected SFY 2023 levels after adjusting for the Community Residential Services funding.
- Total recommended funding for SFY 2025 is \$4.56 billion, which is an increase of \$95 million or 2.1% from the Governor's recommended SFY 2024 levels.

**DSS General Fund Budgets SFY 2021 - 2025
(Thousands)**



*The SFY 2024 Governor's Recommended Budget amounts reflect the reallocation of \$782 million in SFY 2024 and \$785 million SFY 2025 to transfer the Community Residential Services account to the Department of Developmental Services.

■ **Programs supported include:**

Medicaid, CHIP (HUSKY B), SNAP, TFA, Child Support, State Supplement (AABD), SAGA, Energy Assistance, Community Action Agencies

■ **SFY 2023 estimated staffing costs:**

- \$ 152 m

■ **Major operating expenses (non-staff):**

- Estimated 2023 expense: \$173 m
- Operating Contracts: 91%
- Facilities & Operational: 9%

■ **Administrative cost ratio:**

- 3.6% (includes eligibility staff; based upon total budget inclusive of federal & state funds)

■ **Program outcome highlights:**

- Provided access to COVID-related medical services to uninsured residents
- Expanded health coverage for immigrant children, pregnant individuals, and low-income adults
- Continued stability in the Medicaid cost trends and enhanced outcomes while maintaining a low administrative cost ratio

■ **Governor's recommended budget SFY 2024 and 2025:**

• **Total:**

- SFY 24 \$4.460 b (net); \$9.249 b (gross)
- SFY 25 \$4.555 b (net); \$9.336 b (gross)

• **Program:**

- SFY 24 \$4.135 b (net); \$8.923 b (gross)
- SFY 25 \$4.246 b (net); \$9.026 b (gross)

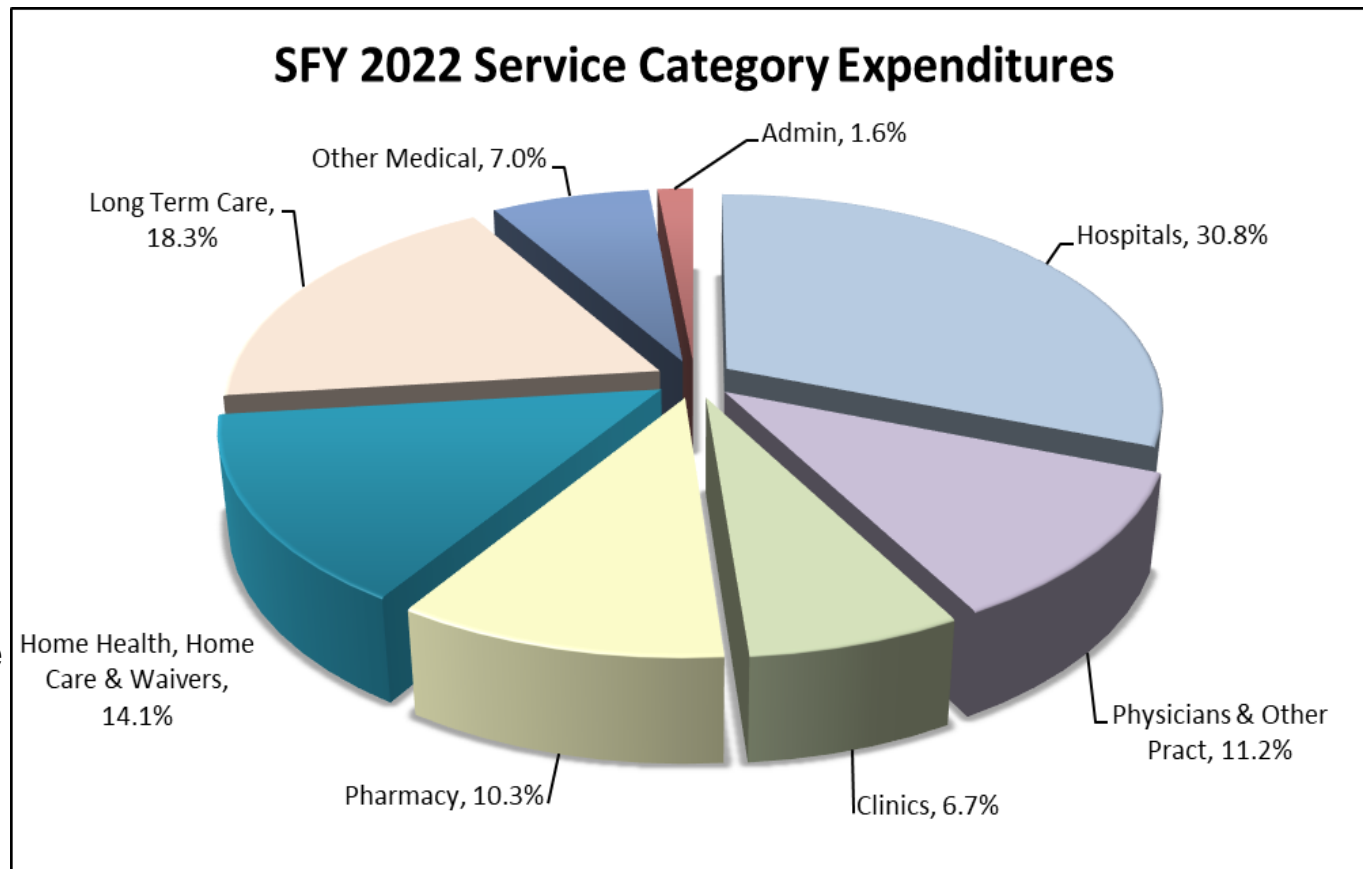
• **Administrative:**

- SFY 24 \$325.4 m
- SFY 25 \$309.3 m

■ **Federal reimbursement in SFY 2023:**

- 64% - Medicaid program costs
- 75% - Medicaid systems and eligibility (staff & contracts), & new IT system operational costs
- 50% - Medicaid administrative costs
- 50% - SNAP administrative support
- 66% - Child support
- 80 to 90% - IT systems development
- 67% - CHIP (HUSKY B)
- 100% - TANF programs and administration

- Hospital services account for the largest share of the DSS Medicaid spend at 31%, followed by nursing homes and LTC facilities at 18.3%. waiver/CFC services account for 14.1%. Physician expenses comprise 11.2%.



Note: Represents both state and federal shares of DSS' Medicaid account. Excludes hospital supplemental payments of \$568.3 million which were paid outside of the Medicaid account.

■ **Medical Assistance**

• **Implemented the Covered CT 1115 Waiver Demonstration Project**

- Received federal approval to move forward with an innovative approach to expand coverage to low-income adults who are currently over the Medicaid eligibility threshold. (Over 15,000 individuals enrolled already – anticipated enrollment of 40,000 by June 2025)

• **Expanded Health Coverage Under Medicaid, CHIP, and the State-Funded Home Care Program**

- Implemented State HUSKY health coverage for children ages 12 and under regardless of immigration status; participants can retain coverage through age 18 (2,300 enrolled as of 2/15/23)
- Implemented prenatal coverage for pregnant immigrants through the CHIP Unborn Child option (1,600 enrolled as of 1/31/23)
- Expanded coverage of post-partum services from 2 to 12 months under Medicaid (12,000 enrolled as 1/31/23); parallel state-funded 12 months of postpartum coverage for immigrant women set to begin 4/1/23
- Maintained COVID-19 testing and related services coverage for the uninsured (42,000 enrolled as of 1/31/23)
- Increased the minimum community spouse protected amount from \$27,480 to \$50,000
- Reduced the cost share under the state-funded home care program from 4.5% to 3%

• **Medicaid Reimbursement Enhancements**

- Addressed service gaps in adult dental and endodontic services, vent beds, family planning clinics, and mammograms
- Provided funding to nursing homes to support wage, health and pension enhancements, increased staffing ratios, temporary rate increases, and one-time grants to support nursing homes with issued rates that are lower than calculated rates

- **Supplemental Nutrition Assistance Program (SNAP)**
 - **Emergency and Pandemic Benefit Increases**
 - Issued over \$1.044 billion in benefits to all SNAP households during the pandemic; average benefit per household = \$157 per month
 - Issued over \$593 million in benefits to over 300,000 school children and 55,000 SNAP recipients under age 6
 - **Expanded Income Eligibility**
 - Raised the gross income level from 185% of the federal poverty level (FPL) to the federal maximum of 200% FPL to allow an estimated 44,000 additional residents to participate in SNAP
- **Temporary Family Assistance (TFA)**
 - **Expanded Eligibility and Benefit Increases**
 - Implemented higher income eligibility thresholds and benefit levels; adjusted the standard of need to 55% FPL to allow consistent annual increases in program eligibility and benefit amounts
 - **Provided Pandemic Emergency Assistance Funding (PEAF)**
 - Issued over \$7 million in cash benefits to 27,000 children in 15,000 low-income households
- **Low Income Home Energy Assistance Program (LIHEAP)**
 - **Eliminated Asset Tests and Expanded Categorical Eligibility**
 - Households receiving SNAP and cash assistance now automatically qualify and can be immediately verified
 - **Increases in Program Participation**
 - 27% from FY 2021 to FY 2022; 23% more to date in FY 2023 – projected to have over 100,000 households by end of FY 2023
 - **Implemented Online Application**
 - Faster and simpler access channel for applicants includes automatic income eligibility verification – Phase 2 of design and development launched in Feb. 2023



The Governor's Recommended Budget includes the following baseline adjustments:

- Provide Additional Funding to Reflect Anticipated Entitlement Program Requirements:
 - Net increases of \$231.6 million in SFY 2024 and \$334.3 million in SFY 2025 are recommended to meet program requirements for DSS entitlement accounts to reflect caseload and cost trends, as well as statutorily required increases.
- Transfer Funding for the Covered CT Program from the Office of Health Strategy:
 - Transfer funding for the Covered CT program from OHS to DSS as DSS will reimburse insurers for monthly premiums and cost-sharing amounts on behalf of enrollees. A new Medicaid 1115 waiver enables the state to receive federal reimbursement for the state's costs of paying premiums and cost-sharing amounts, as well as dental and non-emergency medical transportation services. Funding of \$26.3 million in SFY 2024 and \$37.3 million in SFY 2025 reflect the state's share of Medicaid expenditures.



The Governor's Recommended Budget includes the following baseline adjustments (continued):

- Update Funding to Reflect Anticipated Requirements under Other Expenses:
 - Funding of \$12.0 million in SFY 2024 includes \$4.7 million to ensure recipients receive proper information and services as eligibility is reviewed as part of the unwinding of the public health emergency and \$2.1 million for the transition to a new enterprise operating model vendor, which supports eligibility processing for DSS, Access Health CT, and the Office of Early Childhood.



The Governor's Recommended Budget includes the following baseline adjustments (continued):

- Provide Funding for Existing Wage Agreements:
 - Funding of \$15.2 million in SFY 2024 and \$17.0 million in SFY 2025 to reflect the cost of existing wage agreements.

- Annualize Private Provider COLA Funding:
 - Reflects cost of COLA increases of 4% in SFY 2022 and 5.41% in SFY 2023, previously supported through OPM. Requirements under the Community Services account, which supports the costs of COLAs for certain federally-funded providers, are reduced effective October 1, 2023, due to the availability of carryforward funding under the Community Services Block Grant and the Social Services Block Grant. Funding of \$1.9 million in SFY 2024 and \$1.5 million in SFY 2025 is required.



The Governor's Recommended Budget includes the following baseline adjustments (continued):

- Adjust Funding to Reflect Anticipated Requirements Under the ARPA Home and Community-Based Services Reinvestment Plan:
 - Pursuant to the American Rescue Plan Act, states could earn an extra 10% federal reimbursement on a range of Medicaid home and community-based services from April 1, 2021, through March 31, 2022, with the extra federal funding to be reinvested in new services which support community-based long-term services and supports. This adjustment reflects the resources necessary to support the reinvestment plan over the four-year period ending March 31, 2025.
 - Savings of \$24.4 million in SFY 2024 and \$64.2 million in SFY 2025 are anticipated due to reduced program requirements.



The Governor's Recommended Budget includes the following baseline adjustments (continued):

- Remove SFY 2023 Funding for 27th Payroll:
 - Remove funding of \$5.4 million in SFY 2024 and SFY 2025 that was added to cover the one additional payroll cycle that was incurred in SFY 2023.
- Align Substance Use Disorder Waiver Reserve Account to Reflect Anticipated Revenues:
 - The substance use disorder (SUD) demonstration waiver allows the state to receive federal reimbursement on SUD services for individuals that would ordinarily not be covered under federal rules. The additional revenue is to be reinvested to strengthen the SUD service system. This adjustment aligns the funding in the reserve account with the level of additional revenue that is expected to be generated that has not already been allocated to the participating agencies.
 - Although the reserve account is reduced by \$2.0 million in SFY 2024, an additional \$16.3 million is expected to be available in SFY 2025 based on anticipated revenues.



The Governor's Recommended Budget includes the following baseline adjustments (continued):

- Transfer Funding to DMHAS to Reflect Program Requirements Related to the Substance Use Disorder Waiver:
 - Funding of \$1.2 million in both SFY 2024 and SFY 2025 is reallocated from the Substance Use Disorder Waiver Reserve account to address funding requirements in DMHAS. Approximately \$648,000 will be used to enhance funding for Pregnant Parenting Women programs to ensure the state maintains existing access and can develop additional capacity while the remaining balance will be used to support rate adjustments related to changes in bed capacity in various SUD residential programs.



The Governor's Recommended Budget includes the following savings:

- Hold Rates Steady for Nursing Homes:
 - To comply with DSS' regulations, the baseline budget includes an inflationary adjustment in each year of the biennium for nursing homes. DSS is required to provide these inflationary increases barring any legislation to remove rate increases for a particular fiscal year. This proposal eliminates the rate increases that were included in the baseline budget.
 - Savings of \$35.9 million in SFY 2024 and \$60.5 million in SFY 2025 reflect the state's share of Medicaid expenditures. After factoring in the federal share, this proposal will reduce total Medicaid expenditures by \$77.5 million in SFY 2024 and \$128.4 million in SFY 2025.

- Hold Rates Steady for Residential Care Homes and Rated Housing Facilities:
 - Under current statute, DSS is required to annually determine rates for residential care homes and rated housing facilities. Per DSS' regulations, rate increases are based on actual cost reports submitted by facilities, barring any legislation to remove rate increases for a particular fiscal year. This proposal eliminates the rate increases that were included in the baseline budget. Savings of \$4.4 million in SFY 2024 and \$7.3 million in SFY 2025.

The Governor's Recommended Budget includes the following savings (continued):

- Hold Rates Steady for Intermediate Care Facilities for Individuals with Intellectual Disabilities:
 - To comply with DSS' regulations, the baseline budget includes an inflationary adjustment in each year of the biennium for intermediate care facilities for individuals with intellectual disabilities. This proposal eliminates these increases over the biennium. Savings of \$1.9 million in SFY 2024 and \$3.2 million in SFY 2025 reflect the state's share of Medicaid expenditures. After factoring in the federal share, this proposal will reduce total Medicaid expenditures by \$3.8 million in SFY 2024 and \$6.4 million in SFY 2025.
- Strengthen Quality Assurance Efforts:
 - To ensure program integrity, funding is provided for 27 new positions. These positions will provide additional supports to each of the units under DSS' Office of Quality Assurance, including provider audits, special investigations, quality control, client fraud investigations, and resources and recoveries. The additional positions will be targeted to maximize return on investments by identifying overpayments, cost avoidance and/or increasing unit efficiencies. Net savings of \$81,000 in SFY 2024 and \$872,000 in SFY 2025 are anticipated. After factoring in the federal share, this proposal will reduce total Medicaid expenditures by \$5.2 million in SFY 2024 and \$7.7 million in SFY 2025.
- Realign Frequency of Crowns:
 - This proposal reduces the frequency that replacement of crowns can be covered to align with most commercial plans. Savings of \$0.5 million in both SFY 2024 and SFY 2025 reflect the state's share of Medicaid expenditures. After factoring in the federal share, this proposal will reduce total Medicaid expenditures by approximately \$1.2 million in each year of the biennium.
- Reduce Vehicle Fleet Operations:
 - Given the shift to telework and a greater emphasis on virtual meetings, this proposal reflects a reduction in vehicle fleet requirements of 20%. Savings of \$90,000 in each year of the biennium.



The Governor's Recommended Budget includes the following expansions:

- Add Agency-Based Services Under Community First Choice (CFC):
 - Currently, under CFC, services must be self-directed with consumer employers or their authorized representatives responsible for hiring, managing and training personal care attendants, respite workers and companions of their choosing. Recognizing that this is difficult for many, the Governor is proposing to expand CFC to include an agency-based option for these services. This change supports consumer choice and increases access to long-term services and supports in the community while also leveraging enhanced federal reimbursement of 6% under CFC on all agency-based services currently provided under DSS' home and community-based services waivers. Savings of \$12.3 million in SFY 2024 and an increase of \$3.1 million in SFY 2025 and \$13 million in SFY 2026.
- Double the Asset Limit under Temporary Family Assistance (TFA):
 - This proposal increases the asset limit under TFA from \$3,000 to \$6,000 to allow families to earn and save a modest amount of money without losing access to TFA benefits and services. Increasing the asset limit will encourage families to save and help them achieve financial security and economic independence. Increase of \$0.7 million in SFY 2024, \$3.2 million in SFY 2025 and \$5.2 million in SFY 2026.



The Governor's Recommended Budget includes the following expansions (continued):

- Rebase Rates for Residential Care Homes (RCHs):
 - Many RCHs are experiencing financial issues that have resulted in the closure of a number of RCHs in recent years. To ensure access to this important level of care remains available, funding is added to rebase the rates for RCHs to current costs using 2022 cost reports, the most recently audited rate year. RCHs have not had their rates rebased since FY 2013 (based on 2011 cost reports). Increase of \$5.2 million in SFYs 2024, 2025 and 2026.
- Increase the Earned Income Disregard under Temporary Family Assistance:
 - To encourage TFA participants to pursue and continue on career paths that lead to higher-paying jobs, the earned income disregard, which is currently at 100% FPL, is increased and adjusted to reduce benefit cliffs. Families with income (1) at or below 100% FPL can remain on the program with no impact to their benefits; (2) above 100% FPL but at or below 170% FPL can remain on the program for six months with no impact to their benefits; and (3) above 170% FPL but at or below 230% FPL can remain on the program for six months with a 20% reduction in their benefit level. Increasing the earned income disregard from 100% FPL to 230% FPL (from \$30,000 to \$69,000 for a family of four) will allow families to remain on TFA longer while pursuing their careers. Increase of \$1.2 million in SFY 2024 and \$3.1 million in SFY 2025 and SFY 2026.



The Governor's Recommended Budget includes the following expansions (continued):

- Add Periodontal Coverage for Medicaid Members with Certain Medical Conditions:
 - Recognizing that providing preventive dental care and treatment of periodontal disease will reduce the need for more costly oral health restorations and care of chronic uncontrolled medical conditions, periodontal coverage is added for Medicaid members with certain medical conditions such as diabetes. Increase of \$0.7 million in SFY 2024 , \$1 million in SFY 2025 and \$2026. After factoring in the federal share, this proposal will result in additional costs of \$2.3 million in SFY 2024 and \$3.2 million in SFY 2025 and SFY 2026.
- Allow for Retroactive Payments Under the State Supplement Program:
 - To help stabilize payments for residential care homes and rated housing facilities and help residents with the costs of care and room and board, funding is added to align State Supplement rules concerning the start date of assistance with the rules that apply for Medicaid beneficiaries in need of nursing home care. This change will allow individuals seeking coverage under the program to receive State Supplement benefits for up 90 days prior to the date of the application if otherwise eligible for the program. Increase of \$0.3 million in SFY 2024, and \$0.5 million in SFY 2025 and SFY 2026.
- Double the Asset Limit Under State Administered General Assistance (SAGA):
 - This proposal increases the asset limit under SAGA from \$250 to \$500. Increasing the asset limit will help to ensure recipients do not risk exceeding the asset limit due to the issuance of their monthly benefit. Increase of \$140,000 in SFY 2024, \$480,000 in SFY 2025, and \$510,000 in SFY 2026.



The Governor's Recommended Budget includes the following expansions (continued):

- Fund Out-of-State Access to Abortions and Contraceptives:
 - A one-time pool of \$2 million in state-only funding is provided to support access to abortions - including transportation and lodging costs - and contraceptives for individuals who come to Connecticut for such services because these services are restricted in their states.
- Reflect Medicaid Savings from Additional Specialized Care Units:
 - Because specialized nursing home services such as bariatric, ventilator and hemodialysis beds are not available in sufficient quantities, Medicaid members who require specialized beds are often moved out of state, resulting in higher costs to the state and creating a poor patient experience. To address this, ARPA funding is being proposed to provide nursing homes access to one-time funds to support capital and construction costs to build specialized care units, which is expected to result in Medicaid savings of \$1 million in SFY 2025 and \$2 million in SFY 2026. After factoring in the federal share, this proposal will reduce total Medicaid expenditures by \$2.0 million in SFY 2025 and \$4.0 million in SFY 2026.



The Governor's Recommended Budget includes the following reallocations of funding:

- Consolidate Resources for Residential Services under DDS:
 - \$782.3 million in SFY 2024 and \$784.6 million in SFY 2025 reflects the transfer of the Community Residential Services account back to DDS. This transfer will align resources with the agency programmatically and administratively responsible for services funded by this account for greater clarity and transparency.
- Transfer Funds to DMHAS to Cover Contracted Services at 60 West:
 - This proposal shifts funding that is budgeted at DSS but transferred to DMHAS each year to cover additional costs of the contract for ancillary costs at 60 West that are not federally reimbursable. The reallocation of \$0.7 million aligns the funding with the contracting agency to eliminate the need for interagency transfers and agreements.
- Align Information Technology Positions to Support IT Optimization:
 - This adjustment transfers 75 information technology positions to DAS. IT-related funding will remain in DSS.



The Governor's Recommended Budget includes the following Initiatives Funded from ARPA (continued):

- Provide Additional Funding for Community Action Agency Client Support Funds:
 - Funding is provided to the community action agency network to distribute flexible client support funds that will assist vulnerable and at-risk populations facing immediate economic hardship with basic income assistance and emergency aid. Cost of \$10 million in SFY 2024.
- Support Two Months of Premiums for Qualified Health Plans under Access Health CT:
 - A one-time pool of funding is established to provide two months of premium payments for individuals with income between 175% and 200% FPL who enroll in a qualified health plan under Access Health CT. This one-time assistance will help smooth the unwinding of the public health emergency by providing coverage on the exchange for individuals with income above the Covered CT income threshold of 175% FPL. Cost of \$10 million in SFY 2024.
- Invest in Capital Funding for RCHs Grandfathered Under Outdated Codes:
 - Funding is provided to support residential care homes that are grandfathered under outdated health and safety codes with compliance with current codes, such as installing a generator, fire safety, etc. Cost of \$5 million in SFY 2024.



The Governor's Recommended Budget includes the following Initiatives Funded from ARPA (continued):

- Provide Support for Infant and Early Childhood Mental Health Services:
 - Funding is provided to establish an infrastructure fund to encourage in-state development of additional specialized services such as bariatric, ventilator and hemodialysis beds in nursing homes. Cost of \$4 million in SFY 2024.
- Provide Support for Infant and Early Childhood Mental Health Services:
 - Funding is provided to continue building capacity for specialized mental health providers with the highest levels of clinical endorsement to provide early treatment services to identified youth and parents. Cost of \$4 million in SFY 2025.
- Provide Funding for Refugee Workforce Training:
 - Funding is provided for workforce training support and wraparound services for refugees. Cost of \$3.2 million in SFY 2024.
- Fund Medicaid Provider Rate Study and Implementation Strategy:
 - Funding is provided for a broad-based review of all rates and fee-setting processes, levels of payments and resulting access implications, as well as the development of a ranking system for all rates to help prioritize rate-setting policies that will improve member outcomes and decrease long-term costs. Cost of \$1 million in SFY 2024.



The Governor's Recommended Budget includes the following Initiatives Funded from ARPA (continued):

- Support Targeted Outreach for Public Health Emergency Unwinding:
 - Funding is provided to target outreach to medically needy individuals for whom a gap in health care coverage could be catastrophic (e.g., those on dialysis) that are at risk of losing access to affordable health care because they fail to requalify for Medicaid or enroll in other programs, such as Covered CT. Additional targeted communications and application assistance will be provided to help minimize health care disruptions. Cost of \$1 million in SFY 2024.
- Provide Capital Grants for Mobile Vans for Free Health Clinics:
 - To expand access to free health care services in underserved communities, funding is provided to purchase or upgrade mobile health vans for the free clinics operating in Connecticut that provide mobile health care. In addition to assisting those impacted by the unwinding of the public health emergency, these free clinics can also provide health services to undocumented individuals who don't qualify for HUSKY Health and are not eligible to enroll in a health plan on the exchange or access tax credits to help pay for coverage. Cost of \$0.5 million in SFY 2024.