



Healthcare Council

Tuesday, August 28, 2007
1:00 PM
Reed Hall

Marco Rubio
Speaker

Aaron Bean
Chair

Council Meeting Notice
HOUSE OF REPRESENTATIVES

Speaker Marco Rubio

Healthcare Council

Start Date and Time: Tuesday, August 28, 2007 01:00 pm

End Date and Time: Tuesday, August 28, 2007 04:00 pm

Location: Reed Hall (102 HOB)

Duration: 3.00 hrs

Budget workshop in anticipation of special session

NOTICE FINALIZED on 08/20/2007 12:42 by BAI



The Florida House of Representatives

Healthcare Council

Marco Rubio
Speaker

Aaron Bean
Chair

Healthcare Council

August 28, 2007
1:00 – 4:00
Reed Hall

Budget Workshop

Presentations by Agencies

Agency for Health Care Administration
Dr. Andrew Agwunobi, Secretary
Tom Arnold, State Medicaid Director

Agency for Persons with Disabilities
Jane Johnson, Executive Director

Department of Children & Families
Melissa Jaacks, Assistant Secretary for Administration

Department of Health
Dr. Ana Viamonte Ros, State Surgeon General

Department of Elder Affairs
Doug Beach, Secretary

Department of Veterans' Affairs
Jim Brodie, Director of Legislative and Cabinet Affairs

Questions and Answers

Adjournment

Agency for Health Care Administration

Dr. Andrew Agwunobi, Secretary
Tom Arnold, State Medicaid Director



Agency for Health Care Administration Proposed Budget Reductions

***Dr. Andrew Agwunobi, Secretary
&
Thomas W. Arnold, Deputy Secretary for Medicaid***

***Presented to the House Health Care Council
August 28, 2007***

AHCA's Guiding Principles for Identifying Reductions

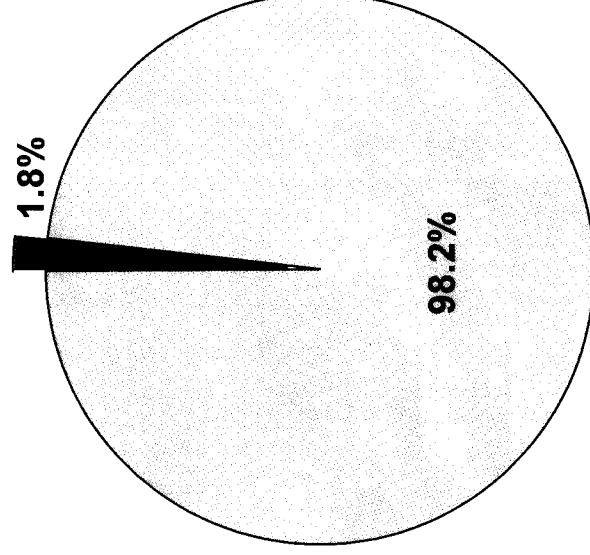
- Maintain integrity of mandatory services to avoid Federal compliance issues.
- Better manage utilization and find efficiencies.
- Attempt to minimize impacts on beneficiaries.
- Examine optional eligibility groups with relatively low number of people--to lessen impact.
- Target most recent services and fee increases.
- Offer up additional Budget Surplus from Fiscal Year 2006-2007.
- Target programs that are underutilized or that can be funded elsewhere.

Reality of Reductions

- Administration vs. Services
 - AHCA proposed reductions to administration.
 - All areas of AHCA are impacted.
 - Reality is that the vast majority of AHCA's budget is for services to the people of Florida.

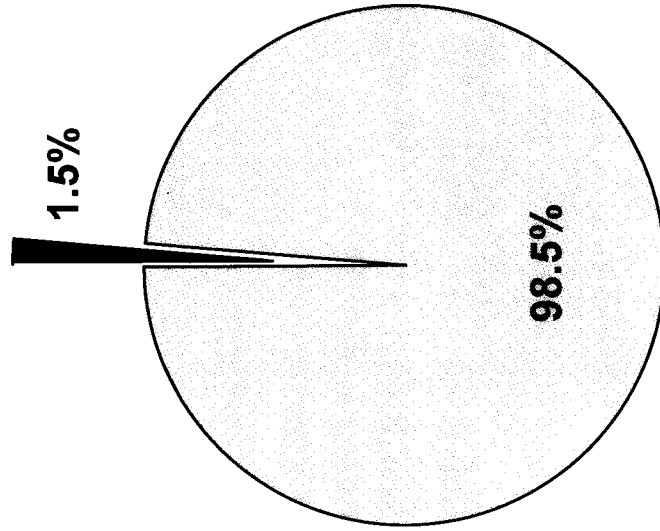
❖ Total Agency Admin Budget is \$307,106,907 (\$112.5 million is State; \$194.6 million is Federal)

❖ Total Agency Services Budget is \$16,492,649,352 (\$7.33 billion is State; \$9.16 billion is Federal)



Reality of Reductions

State Funds Only



| | |
|------------|------------------|
| ■ Admin | \$ 112,502,177 |
| □ Services | \$ 7,332,203,194 |

Mandatory vs. Optional Services State Budget

| | |
|--------------------------|-------------------------|
| Mandatory Services | \$ 3,042,131,105 |
| <u>Optional Services</u> | <u>\$4,290,072,089*</u> |
| Total All Services | \$ 7,332,203,194 |

*Represents the base from which significant reductions must be taken.

Reality of Reductions

- The Federal Government contributes 56.83 % of every dollar spent on Medicaid services.
- Any reduction of General Revenue results in a larger reduction to the providers. For example: If there is a \$1 million GR reduction, there is a reduction to the providers of \$2.3 million.
- Within Medicaid there are Mandatory and Optional services and Mandatory and Optional eligibility groups.
- There is less flexibility to make changes to the Mandatory services and Mandatory eligibility groups.
- Children and Pregnant Women are Mandatory groups and **MUST** receive ALL medically necessary services.

Target Reductions

- TARGET (STATE FUNDS) \$736.5 million
- Less Double Budget Items \$ 50.7 million*
- REVISED TARGET \$685.8 million**

*** Examples of Double Budget Items:**

- APD: Waiver Program Estimated \$40.0 million
- DOEA: Waiver Program Estimated \$5.5 million
- These Agencies provide the State share of the funding and AHCA requests the federal share and passes through to the providers of the programs.

****\$685.8 million target represents 16 percent of the \$4.3 billion optional services state budget.**



Target Reductions Administration

| <u>Reductions</u> | <u>GR</u> | <u>State Trust Fund</u> |
|---|--------------------|-------------------------|
| ➤ Reduction in Travel, Printing, Certified Mailing Expense, and Contracted Services | \$1,391,376 | \$ 126,227 |
| ➤ Transfer of Worker's Compensation Medical Services Unit to DFS (15 FTE), includes 1 FTE from the General Counsel's office | | \$ 1,098,394 |
| ➤ Transfer 10% of the Resident Protection Trust Fund to General Revenue | | \$ 77,672 |
| ➤ Reduction of Three Positions (2 Field Office and 1 CON Analyst) | | \$ 199,266 |
| ➤ Eliminate Contract with Patient Safety Corporation | \$ 750,000 | |
| ➤ Eliminate Contract with Teaching Nursing Home | \$ 625,000 | |
| ➤ Eliminate Travel to Conduct 80% Surveys in Plans & Construction | | \$ 55,000 |
| ➤ Family Café | \$ 100,000 | |
| ➤ Total | \$2,866,376 | \$ 1,556,559 |
| ➤ TOTAL ALL STATE FUNDS | | \$4,422,635* |

*\$4,422,635 represents 4.0 percent of the \$112,502,177 Agency's admin state budget.

Target Reductions Medicaid Services

| <u>REDUCTIONS</u> | <u>General Revenue</u> |
|--|-------------------------|
| ➤ General Revenue reversion from SFY 2006/07 | \$ 73.6 million |
| ➤ Florida Senior Care Pilot Program Implementation | \$.3 million |
| ➤ Prescription Drug Cost Reduction of 4% | \$ 18.6 million |
| ➤ Hospital Inpatient Rate Reduction of 4% | \$ 48.8 million |
| ➤ Hospital Outpatient Rate Reduction of 4% | \$ 13.1 million |
| ➤ Nursing Home Rate Reduction of 4% | \$ 45.1 million |
| ➤ HMO Rate Reduction of 4% | \$ 33.5 million |
| ➤ Nursing Home Diversion Provider Disenrollment Fee | \$ 5.2 million |
| ➤ Nursing Home Part A Co-Insurance/ Nursing Home Rate Reversal | \$ 55.0 million |
| ➤ Cost Reduction for Behavioral Health Overlay Services | \$ 1.8 million |
| ➤ Expand Prior Auth of IP Hosp to Include Elective Cesarean Section | \$ 3.5 million |
| ➤ Expand Prior Auth of IP Hosp to Length of Stay for Labor & Delivery Services | \$ 3.3 million |
| ➤ Increase County Contribution for Medicaid Nursing Home Care | \$ 75.3 million |
| ➤ Limit Payment of Hospital Claim for Non-US Citizens/Legal Residents to Federally Required Emergency Services | \$ 28.2 million |
| ➤ Elimination of the MEDS AD Waiver | \$105.9 million |
| ➤ Restrict Medically Needy Program to Children and Pregnant Women | \$174.9 million |
| TOTAL GR REDUCTION | \$686.1 million* |
| TOTAL LOST FEDERAL FINANCIAL PARTICIPATION | \$634.5 million |
| TOTAL IMPACT ON PROVIDERS | \$ 1.32 billion |

*\$686.1 million represents 16.0 percent of the \$4.3 billion optional services state budget.

Anticipated Implementation Dates of Reductions

- Reduction estimates were calculated for both SFY 2007-08 and SFY 2008-09 for all proposed issues.
- Estimates for SFY 2007-08 are based on an implementation date of January 1, 2008 (6-month reduction).
- Estimates for SFY 2008-09 are based on an implementation date of July 1, 2008 (12-month reduction).
- For presentation purposes, only the SFY 2008-09 annualized General Revenue estimates are provided on the following slides.



General Revenue Reversion

- Anticipated reversion of General Revenue due to an unexpected increase in Medicaid budget surplus for SFY 2006-07.
- **Total impact: Estimated \$73.6 million.**

Reduce Expense and Contracted Services

- Executive Direction and Support Services will reduce expense through:
 - Reduction in travel, postage, subscription and office supply expenditures.
 - Reduction to the Pharmaceutical Expense Assistance Category.
 - Elimination of the autoimmune contract with the University of Florida.
 - Reduction in Medicaid Contracted Services.
- **Total impact: Estimated \$1.52 million**

Transfer Workers' Compensation Medical Services Unit

- Unit assesses the adequacy of medical reimbursement, access to care, and other aspects of the health care delivery system of the Florida Worker's Compensation program.
- These responsibilities are not part of the core regulatory functions of the Agency.
- The Department of Financial Services concurs with this recommendation.
- **Total impact: Estimated \$1.1 million**

Note: Legislative authority is needed to achieve reduction.

Transfer 10 percent of the Resident Protection Trust fund to General Revenue

- The funds in the Resident Protection Trust fund can be used to make alternative placements of nursing home residents when an existing nursing home is closed by the state for regulatory non-compliance.
- The Division has not spent the total allocated budget in this trust fund for any year.
- **Total impact: Estimated \$77,672.**



Reduce Vacant Positions in Field Operations and Certificate of Need Program

- This issue would eliminate three vacant positions in Health Care Regulation in the Division of Health Quality Assurance; two from Field Operations and one from the Certificate of Need/ Financial Analysis program.
- **Total impact: Estimated \$199,266.**

Eliminate Contract with the Patient Safety Corporation

- This issue would eliminate \$750,000 in recurring funding for the Patient Safety Corporation contract.
- This does not eliminate the Patient Safety Corporation nor its ability to seek funding from other sources.
- The Corporation is required to seek private sector funding and apply for grants to accomplish its goals and duties.
- **Total impact: Estimated \$750,000.**

Eliminate Contract with Teaching Nursing Home

- This issue would eliminate \$625,000 in recurring funding for the Miami Jewish Home and Hospital for the Aged, Inc., contract.
- This does not eliminate the designation which Miami Jewish Home and Hospital for the Aged currently has as a Teaching Nursing home; nor its ability to seek funds from other sources.
- **Total impact: Estimated \$625,000.**

Limit Travel for Surveys in Plans and Construction to 100% reviews

- This issue will eliminate the “80% complete” on site construction inspections for new and renovated health care facilities.
- The Office of Plans and Construction would continue to conduct inspections of those projects that are 100% complete as well as all required additional inspections until the facility is deemed to be complete and in compliance with all codes and standards.
- **Total impact: Estimated \$55,000.**

Eliminate Expenditures for the Family Café

- This issue will eliminate the Agency's funding for the Family Café program.
- The Family Café receives its funding from many agencies in the state government.
- **Total impact: Estimated \$100,000.**

Florida Senior Care Pilot Program

- Pilot Program to provide integrated care to voluntary populations in Miami and Orlando areas.
- Not implementing Florida Senior Care Pilot Program which was approved under Section 409.912(5), Florida Statutes.
- AHCA and DOEA will continue to work together to improve current programs by increasing access to home and community based services and improving care coordination for elders.
- **Total Reduction: \$332,903**

Note: Legislative authority is needed to achieve reduction.

Rate Reductions

- 4% Reductions to Hospital Inpatient, Hospital Outpatient, Nursing Home, HMO rates, and Pharmacy reimbursement.
- Still allows for growth in budgeted expenditures for 2007-2008 through average price level increases.
 - Detail:
 - Hospital Inpatient \$ 48.8 million
 - Hospital Outpatient \$ 13.1 million
 - Nursing Home \$ 45.1 million
 - HMO \$ 33.5 million
 - Pharmacy \$ 18.6 million
 - **Total Reduction** **\$159.1 million**

Note: Legislative authority is needed to achieve reduction.

Nursing Home Diversion Provider Disenrollment Fee

- Program provides elders, age 65 and older, with an alternative to nursing home placement.
- Proposal would assess a disenrollment fee on Nursing Home Diversion providers when plan members disenroll from the program and enroll in the Medicaid fee-for-service nursing facility program within two months.
- Approximately 6.2 % disenrollment rate (2006).
- **Total Reduction: \$5.2 million**

Nursing Home Part A Co-Insurance Policy/ Nursing Home Rate Reversal

- On July 1, 2007, Medicaid ceased paying nursing homes co-insurance for dual eligibles. Nursing homes can shift payment to Medicare. State savings was reinvested in nursing home rates.
- Reversal of the Nursing Home Rate Increase:
 - Impacts: Medicaid participating nursing homes;
 - No change in required services to beneficiaries.
- **Total Reduction: \$55 million**

Cost Reduction for Behavioral Health Overlay Services (BHOS)

- BHOS Services are mental health and substance abuse services for children and adolescents:
 - In low to moderate risk Juvenile Justice commitment programs; or
 - Abused or neglected and placed in group child care residential settings.
- Reduction is a result of:
 - Limiting services for youth in Juvenile Justice programs to 6-days a week instead of 7-days a week;
 - Impact of 1 day reduction - \$1,299,229
 - Savings and efficiencies from adding child welfare BHOS to the Child Welfare Prepaid Mental Health Plan capitation payment.
 - Addition of BHOS to capitation payment - \$466,085
- **Total Reduction: \$1.8 million**

Note: Legislative authority is needed to achieve reduction.

Expand Prior Authorization of Specified Inpatient Hospital Services

- Review medical necessity of Elective Cesarean Deliveries and length of stay for Labor & Delivery Services.
- Will have a projected 10% impact on these two services; other similar prior authorizations are already required.
- **Total Reduction:**
 - **Elective Cesarean \$3.5 million**
 - **Length of Stay for Labor & Delivery \$3.3 million**

Increase County Contributions for Medicaid Nursing Home Care

- Section 409.915, Florida Statutes, requires counties to reimburse the State a portion of the cost of county resident care in nursing homes.
- Increase amount paid by counties from \$55 per month to \$189 per month for their Medicaid residents who are in nursing homes.
 - \$189 represents approximately 4% of Medicaid costs.
 - Proportionally the same as the county contribution in 1990.
- **Total Reduction: \$75.3 million**

Note: Legislative authority is needed to achieve reduction.



Limit Payment of Hospital Claims for Non-US Citizens/Legal Resident* to Federally Required Emergency Services

- Federal Law requires States to cover emergency services for non-US citizens/legal resident in hospital settings.
 - i.e., Non-Citizens legally residing in the U.S. that would be eligible for Medicaid on all factors other than their citizenship status.
- Florida has identified payment for additional services beyond emergency services.
- Require medical review of services to ensure payment for only emergency services.
 - Impacts hospitals primarily;
 - Patients are typically stabilized in two days;
 - Impacts an average monthly caseload of 2,254 people;
- **Total Reduction: \$28.2 million**

Note: Federal regulations refer to this group as "Aliens"

MEDS AD Waiver

- Program for persons who are at least 65 years old or disabled, with an income up to 88% of the Federal Poverty Level that is within state asset limits, without Medicare, or who are dually eligible and meet specific waiver inclusions.
- Elimination of the optional eligibility category of MEDS-AD.
 - Optional eligibility group; 29,762 eligibles who do not otherwise qualify for Medicaid.
 - Expenditures: Prepaid Health Plan, 34.90%; Hospital Inpatient, 33.14%; Prescribed Medicine, 12.48% and Physician Services, 7.11%.
- **Total Reduction: \$105.9 million**

Note: Legislative authority is needed to achieve reduction.

Target Medically Needy Program to Children & Pregnant Women Only

- Program for persons who have income above regular Medicaid levels, but incur medical expenses that cause income to qualify.
- Restrict eligibility to only Children and Pregnant Women.
 - Optional eligibility group; 15,385 individuals, who are above the income limit to qualify for Medicaid and are non-pregnant adults.
 - Program coverage would continue for Children and Pregnant Women – 2,387 individuals.
 - Expenditures: Hospital Inpatient, 52.12%; Prescribed Medicine, 17.60%; and Hospital Outpatient, 11.55%.
- **Total Reduction: \$174.9 million**

Note: Legislative authority is needed to achieve reduction.

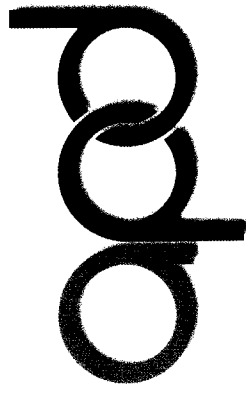
Questions?

**Agency for Persons
With Disabilities**

Agency for Persons with Disabilities

Jane Johnson, Executive Director

SCHEDULE VIII-B



agency for persons with disabilities

State of Florida

- Charlie Crist, Governor
- Jane E. Johnson, Agency Director

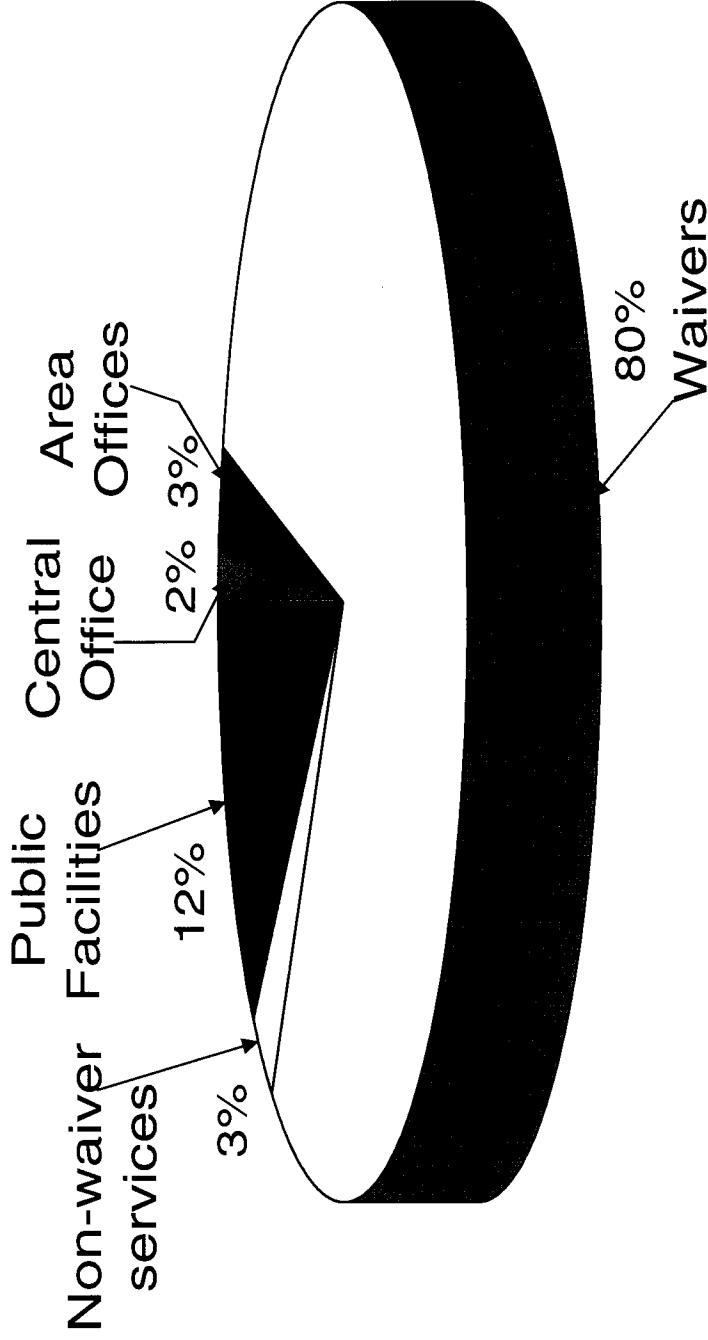
Health and Human Services Appropriations

August 27, 2007

Presentation Topics

- I. APPROPRIATION AND EXPENDITURES**
 - A. Budget by major function
- II. ISSUES WITH THE WAIVER**
 - A. Expenditure and enrollee trends
 - B. Basic structure
 - C. Performance of waiver support coordinators
- III. SCHEDULE VIII-B REDUCTIONS**
 - A. Priority 1
 - B. Priority 2
 - C. Priority 3
 - D. Priority 4
 - E. Priority 5
 - F. Priority 6

**Agency for Persons with Disabilities - FY 2007-08
Appropriations by Major Function
(total = \$1.2 billion)**



Agency for Persons with Disabilities - Approved Operating Budget by Major Function

| | General Revenue | Social Service Block Grant | Other Trust | Total | Percent of total |
|--|-----------------|----------------------------|-------------|-------------|------------------|
| Headquarters | 9,466,573 | 0 | 8,548,436 | 18,015,009 | 1.51% |
| Area Offices | 17,481,866 | 881,774 | 14,153,389 | 32,517,029 | 2.73% |
| Waivers | 390,071,832 | 0 | 571,527,642 | 961,599,474 | 80.61% |
| Non-waiver Services | 9,084,957 | 18,856,771 | 5,804,461 | 33,746,189 | 2.83% |
| Developmental Disabilities Public Facilities (DSI) | 75,999,602 | 0 | 70,953,358 | 146,952,960 | 12.32% |

| | | | |
|---------------------------------------|-------------------|------------------|-------------------|
| Budget Reduction Target Amount | 49,760,686 | 1,773,855 | 51,534,541 |
|---------------------------------------|-------------------|------------------|-------------------|

WAIVER EXPENDITURES - OVERVIEW SINCE 1999

| Year | Expenditures | Waiver Enrollment (July 1) | Average expenditures per enrollee | Waiting list (July 1) |
|-------------|---------------------|-----------------------------------|--|------------------------------|
| FY 1999-00 | 216,849,563 | 13,855 | 15,651 | 700 |
| FY 2000-01 | 388,596,554 | 21,891 | 17,751 | 2,233 |
| FY 2001-02 | 494,231,663 | 24,640 | 20,058 | 6,152 |
| FY 2002-03 | 574,061,229 | 24,387 | 23,540 | 9,575 |
| FY 2003-04 | 654,883,920 | 24,224 | 27,035 | 12,474 |
| FY 2004-05 | 644,339,179 | 23,980 | 26,870 | 15,278 |
| FY 2005-06 | 749,150,257 | 26,257 | 28,531 | 14,629 |
| FY 2006-07 | 905,954,703 | 31,245 | 28,995 | 11,927 |
| FY 2007-08 | 927,531,579 | 31,406 | 29,534 | 15,003 |

WAIVER TRENDS AND IMPLICATIONS

- Healthy expenditure growth of about 41% per year since FY 1999-00 has largely gone to increase the cost of serving existing recipients.
- Total expenditures have increased about 328% during this period while enrollment growth has only grown by 127%.
- This leads to the current, paradoxical situation where both expenditures and the wait list are at or near historically high levels.
- Unless these trends reverse, waiting lists are likely to continue growing. Deficits are likely to be a recurring problem which will threaten services to existing recipients.

BASIC STRUCTURE OF THE WAIVER PROBLEMATIC

- There is little state control over service utilization which ultimately drives system costs.
- These controls are primarily vested in outside entities - waiver support coordinators (WSC's) and prior service authorization organizations.
- The WSC's establish support plans for each recipient which drives utilization and overall costs.
- One of two prior service authorization providers review and authorize service provision according to the support plan.
- WSC's work at the pleasure of the recipient and function as his or her personal advocate. This means that the support coordinator is often in an adversarial relationship with the state

RESULTS OF STRUCTURAL WEAKNESSES

- The state's only effective means of financial control under the current system is to deny enrollment, reduce service levels and reduce provider rates.
- There are few incentives to promote responsible utilization of publicly funded services and identification of appropriate alternatives.
- There were over 66,000 cost plans reviewed in 2006 but roughly 30,000 consumers. Such volatility hinders financial planning and also raises questions related to accuracy.
- Waiver support coordinators have little financial incentive to identify and utilize natural, community supports since this often involves additional time and expense.
- The current system does not result in the most efficient utilization of support coordination resources.
- Financial controls and accountability are compromised and performance problems are difficult to directly address short of drastic action in the worst cases.

PERFORMANCE ISSUES

The table below summarizes key results from FY 2006-07 reviews of waiver support coordinators by the Delmarva Foundation, a nationally recognized quality improvement organization.

| Review Results Element | Achieving | Implementing | Emerging | Not Emerging |
|-------------------------------|------------------|---------------------|-----------------|---------------------|
| Health, safety, well-being | 14.6% | 40.2% | 41.2% | 4.0% |
| Support plan | 20.3% | 44.7% | 34.2% | 0.7% |
| Evaluate supports | 29.4% | 35.1% | 33.5% | 2.0% |
| Facilitated results | 16.9% | 35.5% | 42.3% | 5.3% |

These results are consistent with information published for the two previous years.

THE COST OF INACTION

- Likely future deficits that will be difficult to predict and avoid, regardless of funding levels.
- The Legislature will likely continue to face very difficult choices:
 - Further reductions to services
 - Reducing rates
 - Reducing the number of individuals served.
- The thousands of people on the waiting list, who largely have no voice, will have very little hope of accessing needed services.
- Performance problems are likely to continue.

**PROPOSED BUDGET
REDUCTIONS IN
PRIORITY ORDER**

PRIORITY 1

Transition waiver support coordination from contracted services to state operations

General Revenue (3,865,021) Trust Funds (11,076,185)

- Waiver support coordination for waiver clients to be provided by state employees.
- Average caseload of 1:50
- Support coordinators on call 24 hours per day 7 days per week
- Support coordinators trained by state and subject to state oversight and accountability

Benefits of providing support coordination by state employees

- State employees will be trained and evaluated according to current best practices. This will promote responsible utilization of publicly funded services and the identification and utilization of natural community supports.
- This will allow for a more rational disbursement of available funds and more equitable treatment of those currently on the waiting list.
- This will also allow for uniform, direct state supervision of support coordinators and the ability to directly address performance deficiencies affecting the health, safety and well being of our consumers.
- The state will be able to achieve economic and programmatic efficiencies that are impossible to implement in the current system.

PRIORITY 2

Provide services through Medicaid state plan in lieu of Home and Community Based Services waiver (individuals under age 21 only)

General Revenue (12,368,180) Trust (16,334,953)

- Primarily affects personal care assistant services.
- Medicaid waiver generally required to be the payer of last resort.
- Due to a number of factors, certain services available through the state plan have been funded through the waiver.
- This is in response to litigation by the Advocacy Center which alleges that personal care assistant services must be provided through the state plan pursuant to Early Periodic Screening, Diagnosis and Treatment provisions of Federal law.

PRIORITY 3

Create alternative Medicaid funded placement options for forensic clients

General Revenue (888,122) Trust 2,393,300

- Eliminates 18 forensic beds and redirects a portion of the associated General Revenue funds to operate existing, Medicaid eligible civil beds.
- Will provide placement options for individuals who are inappropriately placed in secure forensic facilities.
- Individuals will still be in distinct, staff-secure settings apart from other residents without forensic involvement.
- This will allow forensic resources to be directed toward individuals who might otherwise wait in local jails beyond the 15 day limit provided in current law.

PRIORITY 4

Provider Rate Reduction to June 30, 2006

General Revenue (9,225,164) Trust (12,183,897)

- Reverses price level increase provided during the 2006 session to waiver providers that took effect July 1, 2006.
- Service disruptions could occur if current providers refuse to accept reduced rates.
- Otherwise, does not propose to limit services.

PRIORITY 5

Eliminate Funds for Workload for Individual and Family Supports

Social Services Block Grant Trust Fund (1,773,855)

- Would reduce the majority of a \$2 million workload increase that would provide supported living subsidies to 250 individuals and supported employment services to 300.

PRIORITY 6

Additional Provider Rate Reduction

General Revenue (23,414,199) Trust (30,923,696)

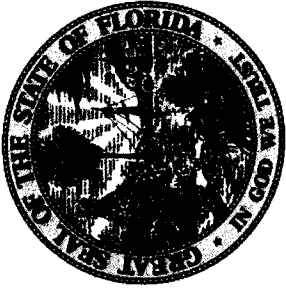
- Additional rate reduction proposed in order to meet target reduction amount.
- Would represent roughly 7% reduction if taken in addition to priority 4.
- Since a reduction of this magnitude could seriously disrupt services, the agency does not recommend its adoption.

SUMMARY OF SCHEDULE VIII-B SUBMISSION

| Priority | Issue Title | FTE | GR | OMTF | SSBG |
|----------|--|---------------|---------------------|---------------------|--------------------|
| 1 | Transition waiver support coordination from contracted services to state operations | 651.00 | (3,865,021) | (11,076,185) | |
| 2 | Provide services through Medicaid state plan in lieu of Home and Community Based Services waiver (individuals under age 21 only) | | (12,368,180) | (16,334,953) | |
| 3 | Create alternative Medicaid funded placement options for forensic clients | | (888,122) | 2,393,300 | |
| 4 | Provider Rate Reduction to June 30, 2006 | | (9,225,164) | (12,183,897) | |
| 5 | Eliminate Funds for Workload Related to Individual and Family Supports | | | | (1,773,855) |
| 6 | Additional Provider Rate Reduction | | (23,414,199) | (30,923,696) | |
| | TOTAL | 651.00 | (49,760,686) | (68,125,431) | (1,773,855) |

Department of Children & Families

Melissa Jaacks, Assistant Secretary for Administration



Charlie Crist, Governor
Robert A. Butterworth, Secretary



Budget Reduction Presentation

House Healthcare Council

Presented by
Melissa P. Jaacks, CPA
Assistant Secretary for Administration
August 28, 2007

Mission: Protect the Vulnerable, Promote Strong and Economically Self-Sufficient Families,
and Advance Personal and Family Recovery and Resiliency.



Presentation Topics

- Explanation of Methodology for Reductions
- History of Reductions
- Impact of Proposed Reductions



Explanation of Methodology

- First, we clearly identified the complexities of our fund sources:
 - Of DCF’s \$2.9 billion budget, we have less than \$500 million of state funds that can be reduced without impacting Federal funding.
 - Of that, \$300 million is used to fund our hospitals (including the Violent Sexual Predator Program, our adult forensic beds, and our civil beds).
- Next, we identified where reductions could be taken
 - At Secretary’s direction, nothing was off the table for consideration unless it resulted in a significant loss of Federal funding (i.e. more than \$1 lost Federal funds for every \$1 state funds saved)
 - Also excluded non-recurring items, payments for risk management insured, human resources assessment (PeopleFirst), unfunded budget, and double budget.



Explanation of Methodology

- We then began reductions and ended up with the following groups of reductions:
 - Group 1 - \$18 million - Reductions that we recommend as they represent efficiencies in the system. Many will be taken in the current year and will continue for 2008-2009, some require legislative action to be implemented in the current year, some cannot be implemented until 2008-2009.
 - Group 2 - \$22 million - Administrative reductions of 10%, program management reductions of 5% and some other specific items. All are currently being implemented and will yield savings for 2007-2008. Note that administrative reductions are especially difficult in light of the history of reductions in this agency and will impair our ability to provide appropriate oversight as well as our ability to provide administrative support to the Agency for Persons with Disabilities. However, they are necessary to meet our 4% target and not directly impact services.



Explanation of Methodology

- Group 3 - \$41 million – This brings the program management reduction to 10%, reduces administration in our service providers' contracts by 10% (e.g. community based care, substance abuse, and mental health providers), eliminates all recurring special projects and identifies some other specific items.
- Group 4 - \$121 million - This brings all administrative and program management reductions to 15% and reduces all services by 5%, whether within the Department or outsourced to providers. These are not recommended by the Secretary but were necessary to meet the 10% target. This group also includes the reductions to meet the additional block grant targets.
- Group 5 - \$12 million – This brings several of our programs that have matched Federal dollars up to the same level of reductions as all other programs (15% program management and 5% services). Again, these are not recommended due to the loss of Federal funds and impact on programs, but were necessary to meet the 10% target



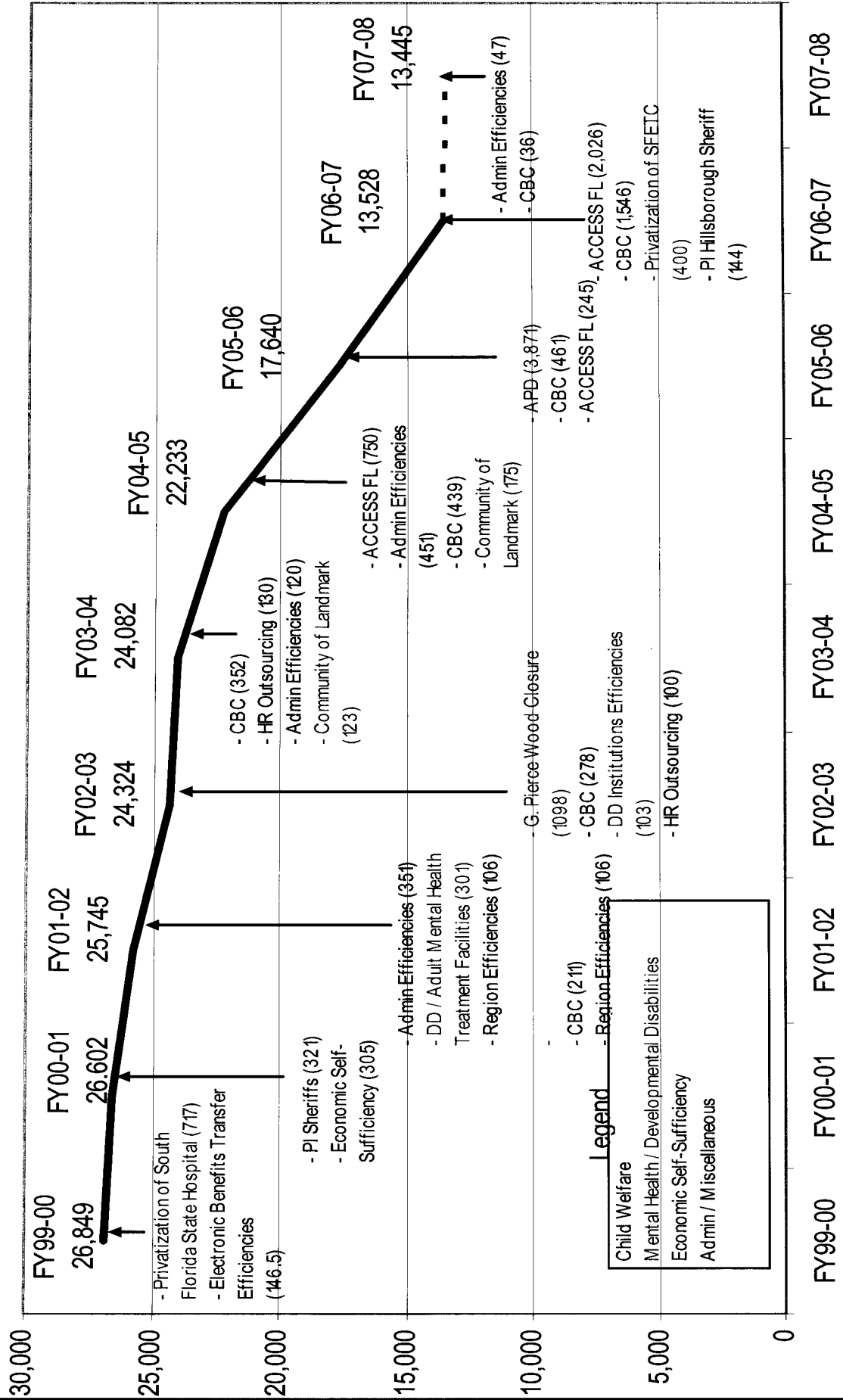
Explanation of Methodology

- We then outlined our strategy for 2007-2008 to meet the 4% target (about \$68 million) that would minimize impact to services and layoffs:
 - Begin implementing Group 1 and 2 reductions - \$27-32 million
 - Utilize \$20 million in Welfare Transition Trust Fund cash to fund cash assistance payments and surplus general revenue appropriated for that purpose
 - Utilize \$16-21 million in typical program reversions



History of Reductions

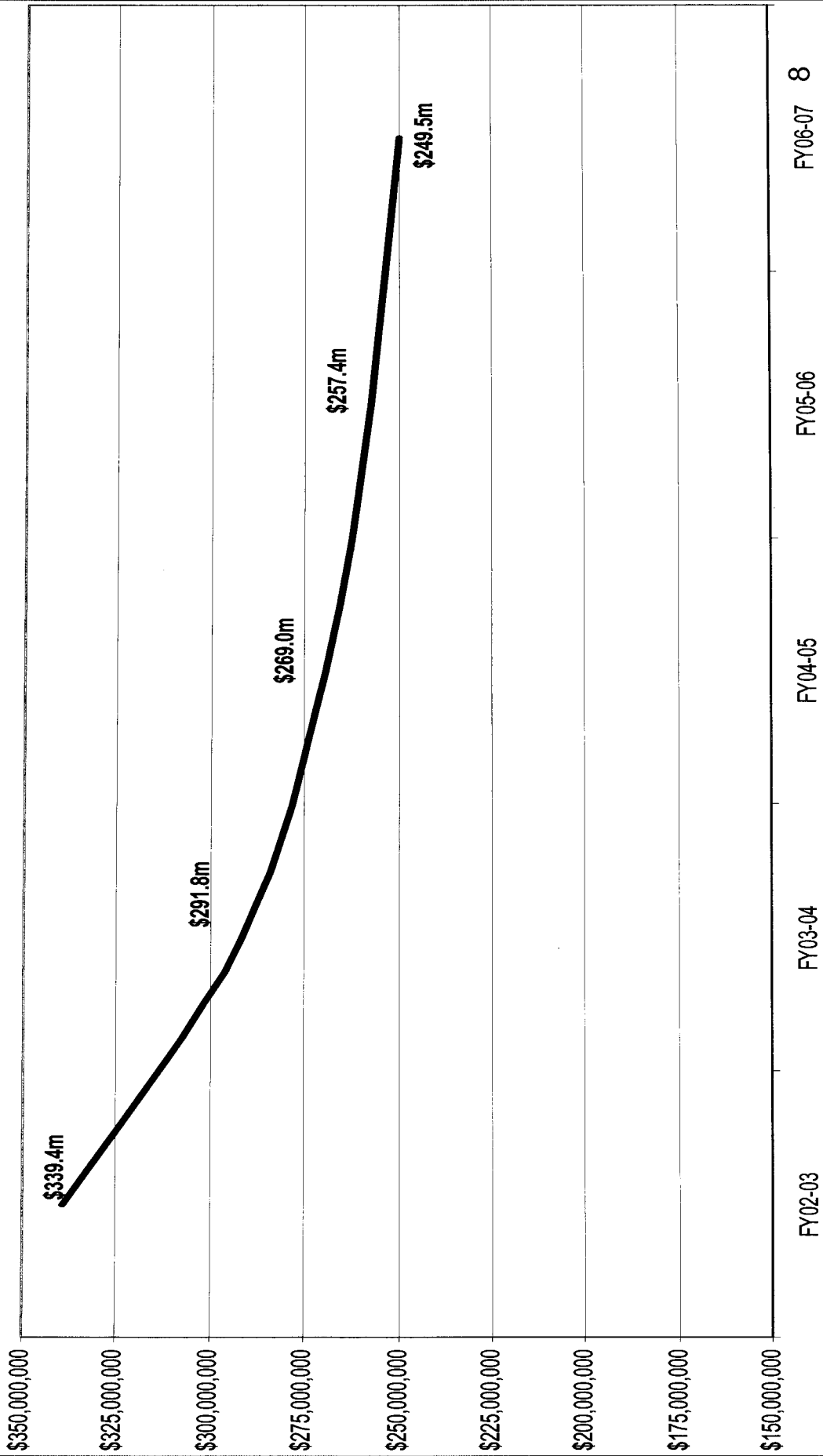
Between 1999-2006, DCF has been reduced by 50%





History of Reductions

Administrative budget has been reduced by almost 26% since FY02-03





Impact of Reductions – Group 1

| | |
|--|-----------------------------|
| <p>Optional State Supplementation - Eliminates projected surplus in the Optional State Supplementation (OSS) Program. There will be no adverse impact associated with the proposed reduction. For the past six years, the OSS program has had budget in excess of the annual program needs.</p> | <p>\$(3,458,000)</p> |
| <p>Cash Assistance Reduction - Eliminates surplus identified in the July 17, 2007 report of the Temporary Assistance for Needy Families (TANF) Estimating Conference. Note that the savings for 2008-2009 would only be \$1,548,383.</p> | <p>\$(2,707,053)</p> |
| <p>Family Safety Fees and Substance Abuse Fees - Basically a fund swap with general revenue where fee collections have consistently exceeded appropriations. This proposal is consistent with statutory expectation regarding the use of these revenues. The adoption of this proposal would not result in an adverse impact to program operations or an increase to actual fees.</p> | <p>\$(2,200,000)</p> |



Impact of Reductions – Group 1

| | |
|--|-----------------------------|
| <p>Zone Consolidation – Savings from the consolidation of the functions of two administrative Zones in Fiscal Year 2006/2007. These funds were held until the Department could assess the impact of the current organization redesign. The Department had planned to use some of the savings to provide additional support in administrative areas that are understaffed such as contracting and human resources.</p> | <p>\$(1,945,886)</p> |
| <p>Hoteling of Investigator Staff / Eliminate Empty Lease Space – Reduce lease space statewide by hoteling Adult and Child Protective Investigators and provide Legislative authority to allow the Department to vacate this and other vacant space without penalty. Legislative action will be required to implement this proposal.</p> | <p>\$(4,367,990)</p> |



Impact of Reductions – Group 1

Eliminate Recurring SACWIS Project by 50% -Eliminates recurring funds that were originally authorized to support the cost of transitioning from the HomeSafenet legacy system to the new Florida Safe Family Network (FSFN) which is scheduled to be completed during the 2007-2008 fiscal year. This reduction for 2008-2009 would leave the remaining half of the funding to increase maintenance and operations if needed and add to functionality. While this reduction cannot be taken until 2008-2009, these recurring funds could be replaced by non-recurring funds during special session.

\$(4,019,646)

Eliminate Additional Recurring SACWIS Project by Additional 25% (Group 3) – This further reduction may reduce or eliminate the ability to add functionality.

\$(2,009,823)



Impact of Reductions – Group 2

Department Administration:

Reduce by 10% (Group 4 adds another 5% for 15% total)

This reduction includes District Administration, Assistant Secretary for Administration, Executive Direction and Support Services, and Information Technology. Following is a description of the impact of a 10% reduction by function.

Legislative Affairs & Communications

- Decreases the ability to provide timely responses to stakeholders such as community, constituent and media requests for information and public records
- Decreases the client relations function in local offices which impacts ability to assist our clients with their unique issues

Inspector General

- Decreases ability to meet statutory requirements to conduct investigations and audits which will erode public trust

\$(10,776,116)



Impact of Reductions – Group 2

Department Administration - continued:

Contract Administration

- Decreases the use and relevance of professional development tools for contract managers and quality assurance practices
- Decreases the delivery of quality oversight for over 900 contracts in excess of \$1.5 billion
- Increases the number of contracts per contract manager resulting in less oversight.

Human Resources

- Decreases ability to consistently maintain well trained work force
- Decreases the opportunities to build the leadership talent to fulfill the Department's mission and meet our clients' needs
- Affects the quality of services provided by Department employees for our clients



Impact of Reductions – Group 2

| | |
|--|---|
| <p><u>Family Safety Program Office:</u></p> <p><i>Reduce Program Administration by 5% (Group 3 adds another 5% for 10% total, Group 4 adds another 5% for 15% total)</i></p> <p><i>Reduce Central Office Contracts by 5% (Group 3 adds another 5% for 10% total, Group 4 adds another 5% for 15% total)</i></p> <p>Eliminate Discretionary Funds (Group 3)</p> <p>Eliminate Un-obligated Contract Funds (Group 3)</p> <p>The Family Safety Program office oversees child abuse prevention and intervention, child protective investigations, and child welfare services provided by community based care lead agencies. Group 2 reductions of 5% will result in reduction of contracts, lapsing of positions and significant reduction of travel and expense. Further reductions in Group 3 eliminate critical positions and all flexibility for responding quickly to emerging needs. Discretionary and contract funds have been used in the past for litigation, training, and improvement initiatives. Group 4 reductions result in significant impairment of the Department's ability to appropriately administer state and Federal programs.</p> | <p>\$ (1,397,603)</p> <p>\$ (341,312)</p> <p>\$ (1,116,629)</p> <p>\$ (1,262,927)</p> |
| <p>16</p> | |



Impact of Reductions – Group 2

ACCESS Program Office:

Reduce Program Administration by 5% (Note that this reduction is in Group 5 along with 2 other separate reductions of 5% each for a total of 15%. These are in Group 5 due to loss of Federal matched dollars)

\$(1,153,537)

Reduce Electronic Benefits Transfer Contract

\$(3,017,298)

Reduce Interactive Voice Response Contract

\$(579,000)

The Automated Community Connection to Economic Self-Sufficiency (ACCESS) program was recently reduced by more than \$80 million (and 3,000 positions) as a result of modernization. While this modernization has been hugely successful (and won national awards), the ease of electronic application has increased workload. As a result, the Department has had difficulty meeting Federal requirements related to processing time and accuracy, and providing quality customer service. Savings identified in the above contracts had been earmarked for several items to improve timeliness and quality as well as prepare for disasters. Reductions in program administration beyond 5% will almost surely result in the inability to appropriately administer the program and subject the Department to Federal sanctions.



Impact of Reductions – Group 2

Mental Health Program Office:

Reduce Program Administration by 5% (Group 3 adds another 5% for 10% total, Group 4 adds another 5% for 15% total)

\$(610,863)

Reduce Treatment Facility Central Office Administration by 5% (Group 3 adds another 5% for 10% total, Group 4 adds another 5% for 15% total)

\$(79,737)

Program Office staff oversee services provided by 500+ contractors totaling more than \$350 million. Central Office Treatment Facility staff have direct line authority over the three state operated mental health treatment facilities and manage contracts for the four privatized mental health treatment facilities. Reductions exceeding 5% significantly impact the ability to ensure compliance with statutes, rules, operating procedures, and national accreditation standards as well as the ability to provide timely and accurate data and to timely process the large volume of referrals for forensic hospital admission.



Impact of Reductions – Group 2

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|---|--------------------------|
| <p>Reduce Florida Abuse Hotline Administration by 5% (Group 3 adds another 5% for 10% total, Group 4 adds another 5% for 15% total)</p> <p>Reductions beyond 5% will negatively impact the quality of service provided by Hotline staff.</p> | <p>\$(35,558)</p> |
| <p>Reduce Child Care Administration by 5% (Group 3 adds another 5% for 10% total, Group 4 adds another 5% for 15% total)</p> <p>The first 5% will reduce the number of hours for the curriculum design, which will require elimination of some development of online curriculum for compliance with licensing standards (e.g. Appropriate Record Keeping for background screening and transportation issues) pursuant to s. 402.314 F.S., Child Care Supportive Services. Further reductions will eliminate one session of our mandated pre-service training for all Departmental child care licensing staff (go from two offerings per year to one per year).</p> | <p>\$(33,887)</p> |



Impact of Reductions – Group 2

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|--|--|
| <p>Reduce Adult Protection Administration by 5% (Note that this reduction is in Group 5 along with 2 other separate reductions of 5% each for a total of 15%. These are in Group 5 due to loss of Federal matched dollars)</p> <p>This will reduce the Program Office's ability to conduct Quality Assurance Reviews, provide technical assistance to staff, or conduct pre-service or in-service training.</p> | <p>\$(179,070)</p> |
| <p>Reduce Prescribed Drug Funding</p> <p>The Department will return funds appropriated for FY 2005-2006 to cover drug increases and return to the practice of forcing salary lapse in state run hospitals to cover the increased costs of prescribed medications. Lapse may impact staff and client safety.</p> | <p>\$(5,420,351)</p> |
| <p>Force Additional Hospital Salary Lapse</p> <p>This would bring forced lapse up to 5% in state run hospitals which is the maximum without significantly compromising client and staff safety.</p> | <p>\$(2,768,140)</p> <p style="text-align: right;">20</p> |



Impact of Reductions – Group 3

| | |
|--|--|
| <p>Reduce Administration in provider service contracts by 10% (Group 4 adds another 5% for 15% total)</p> <p>Community Based Care</p> <p>Mental Health Services</p> <p>Hospitals (Including Civil, Forensic and Violent Sexual Predator)</p> <p>Sheriffs Protective Investigations</p> <p>Healthy Families</p> <p>Child Welfare Legal Services (in Group 5 due to loss of matched Federal funds)</p> <p>Administrative costs estimated at 5% of contract total for community based care and 7% of contract total for all other contracts. Impact would likely be similar to the impact of 10% reduction in Department administration.</p> | <p>\$(3,597,008)</p> <p>\$(2,311,873)</p> <p>\$(645,090)</p> <p>\$(358,103)</p> <p>\$(198,773)</p> <p>\$(69,605)</p> |
|--|--|



Impact of Reductions – Group 3

| | |
|---|-----------------------------|
| <p>Reduce Administration in State Run Facilities by 10% (Group 4 adds another 5% for 15% total)</p> <p>Reduces administrative costs associated with the three state operated mental health treatment facilities (Florida State Hospital, Northeast Florida State Hospital, and North Florida Evaluation and Treatment Center). Impact would likely be similar to the impact of 10% reduction in Department administration.</p> | <p>\$(1,184,659)</p> |
| <p>Eliminate South Florida State Hospital Cost of Living Increase</p> <p>Per contract obligation, the Department requested and received a 3% price level increase for FY 2007-08 for the outsourced South Florida State Hospital which has not yet been obligated. May result in provider being unable to meet current obligations.</p> | <p>\$(1,008,725)</p> |



Impact of Reductions – Group 3

Eliminate Support for Ounce of Prevention Commission on Marriage **\$(250,000)**

Florida Statute authorizes the Commission on Marriage and Family Support Initiatives within the Department of Children and Family Services. This contract is 100% administrative support services for the Commission with no direct services provided.

Eliminate all Recurring Special Projects **\$(21,438,852)**

These projects are no longer specifically mentioned in proviso in the General Appropriations Act but have been maintained as special projects and not subject to statutory allocation methodologies. Most projects are in the Substance Abuse and Mental Health program areas and would be reductions in direct service which would significantly impact clients.



Impact of Reductions – Group 4

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|--|---|
| <p>Reduce Community Based Care services by 4.4%</p> <p>This is maximum reduction that can be taken to outsourced child welfare services without violating maintenance of effort requirement under the Title IV-E Foster Care Waiver. This would reduce services to children in the dependency system and young adults who have aged out of foster care.</p> | <p>\$(30,251,572)</p> |
| <p>Reduce Mental Health services by 5%</p> <p>This is maximum reduction that can be taken to outsourced mental health services without violating maintenance of effort requirements and would result in reduction or elimination of services for clients.</p> | <p>\$(16,674,979)</p> |
| <p>Eliminate TANF Funded Substance Abuse services</p> <p>After eliminating recurring special projects, general revenue in the Substance Abuse program cannot be further reduced without violating maintenance of effort requirements. These are diversion services to families that are at-risk of becoming welfare dependent due to substance abuse use or abuse. While some may be eligible for Medicaid, many would go without services.</p> | <p>\$(11,375,079)</p> <p style="text-align: right;">24</p> |



Impact of Reductions – Group 4

| | |
|--|---|
| <p>Eliminate Forensic Facility</p> <p>Closes the 100 bed South Florida Evaluation and Treatment Center (SFETC) Annex on June 30, 2008, and transfers one half of the operating costs to the community to provide community forensic services. This puts the Department at risk of being unable to comply with requirement to place within 15 days.</p> | <p>\$(6,614,874)</p> |
| <p>Reduce Protective Investigations 5% (Department and Sheriffs)</p> <p>Would require staff reductions and / or increased lapse, resulting in increased caseload, less timely response to allegations, and potential increase in turnover.</p> <p>Reduce Healthy Families services by 5%</p> <p>Healthy Families Florida is a community-based, voluntary home visiting program designed to promote positive parent/child interaction and healthy childhood growth and development, thereby preventing child abuse and neglect. Reduction in service may lead to increased abuse and neglect.</p> | <p>\$(7,616,797)</p> <p>\$(1,320,430)</p> <p>25</p> |



Impact of Reductions – Group 4

| | |
|--|-----------------------------|
| <p>Reduce ACCESS 5% (Note that this reduction is in Group 5 due to loss of matched Federal funds)</p> <p>ACCESS determines eligibility for Food Stamps, Medicaid and cash assistance using a combination of state and federal funds. As previously discussed, this program has taken significant reductions over the past several years. Further reductions in this program will almost surely result in the inability meet Federal requirements and subject the Department to Federal sanctions.</p> | <p>\$(6,421,693)</p> |
| <p>Reduce Child Welfare Legal Services by 5% (Note that this reduction is in Group 5 due to loss of matched Federal funds)</p> <p>Reductions would severely limit the ability to provide dependency legal services on behalf of the children who have been abused and neglected, which would result in delays in achieving permanency.</p> | <p>\$(1,303,545)</p> |

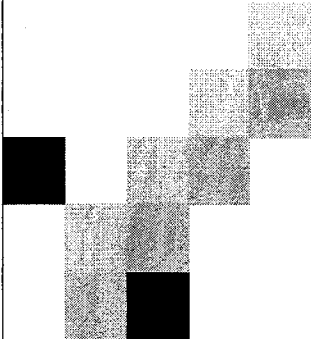


Impact of Reductions – Group 4

| | |
|--|------------------------------|
| <p>Reduce Cash Assistance by 5%</p> <p>This will require a legislative amendment to Florida Statute 414.095(10)(c) to reduce the program payment standard. The average grant would be reduced from \$147.71 per person to \$140.47 per person.</p> | <p>\$(7,814,316)</p> |
| <p>Change Relative Caregiver Program Benefit to Child Only Amount</p> <p>This would reduce the monthly benefit from \$254 per month (in the Relative Caregiver Program) to \$128 per month (in the cash assistance program). As a result, it is likely that fewer relatives would be able to provide care and more children would end up in licensed foster care.</p> | <p>\$(27,196,518)</p> |

Department of Health

Dr. Ana Viamonte Ros, State Surgeon General



Florida Department of Health Proposed Budget Reduction Plan

Presentation to Florida Legislature

Dr. Ana Viamonte Ros

State Surgeon General

Effective: August 24, 2007



I am honored to have this time with you to present the hard work of my staff at the Florida Department of Health

We took this assignment very seriously and dedicated many hours of searching for input and advice on what was the best way to deliver a plan that place the People of Florida first.

I would like to introduce my executive team...

Overview of Presentation

- Responding to request to plan for projected budget shortfall of 10%
- Striving to preserve the existing public health system that is serving Florida's communities – a strong public health system saves lives and lowers the cost of health care.
- Suggesting solutions to continue serving the People of Florida
- Requesting budget exclusions from our base reduction amount
- Projecting reductions in equitable distribution using a phased approach

The Florida Department of Health is a public health system and a viable clinical enterprise. We serve Florida's communities and provide medical services to the people of Florida while generating revenue.

A strong public health system saves lives and lowers the cost of health care.

One very important aspect of our budget reduction plan is to offer mitigating strategies to continue serving the People of Florida.

We will request budget exclusions from our base reduction amount. And, we will present our logic for these exclusions.

It was important to the leadership of the Florida Department of Health that the planned reductions be presented in a phased approach – so that no one program was affected more than another.

DOH Mitigation Strategies to State Revenue Shortfall

1. Exclude all matching funds
2. Expenditure Control **plus** Revenue Enhancement
3. DOH is a fee-for-service provider
 - Trust funds reductions limit the ability to generate revenue
4. Cost recovery is an essential solution

We offer these mitigation strategies to preserve critical services to the People of Florida:

1. Exclude all matching funds – these funds draw down federal dollars often doubling or tripling the amount of dollars available. Cutting matching dollars would have catastrophic impact on direct services.
2. Expenditure control **plus** Revenue Enhancement
3. **DOH is a fee-for-service provider and we generate most of our Trust Fund revenues. Trust Fund reductions will limit our ability to generate this revenue derived from service to the people of Florida.**
4. Cost recovery is an essential solution to ensure self sufficiency and to avoid inappropriate cross-subsidization from General Revenue and unrelated fee sources.

Public Health Saves Lives

- **DOH is a service provider of last resort**
 - DOH patients have no other place to go for care
- **DOH protects 18 million Floridians and 80 million tourists**
 - Public health preparedness/emergency response
 - Regulatory authority for isolation/quarantine
- **DOH protects and serves both communities and individual patients**

DOH is a service provider of last resort

Our patients have no other place to go for care – except Emergency Departments after their condition worsens. At this point the cost of care has multiplied many fold.

DOH protects 18 million Floridians and 80 million tourists

Public health preparedness/emergency response are key functions.

We offer round-the-clock surveillance and response to the threat of communicable diseases both locally and imported.

We ensure environmental health protections such as quality of drinking water, environmental contaminants, radiation control, and sanitary nuisances.

DOH protects and serves both communities and individual patients

We offer a host of population-based services in each of our 67 counties such as health promotion, health education, public health services and community assessments.

Public Health Saves Lives

- Every \$1 spent in childhood immunization saves \$16.50
 - In 2006, FDOH provided 1,155,810 vaccinations
- Every \$1 spent in family planning services saves at least \$4.40 in medical, nutritional, and welfare costs
 - In 2006, FDOH provided care to 217,614 clients
- Every \$1 spent in prenatal care saves at least \$2.57 in short-term hospital costs
 - In 2006, FDOH provided prenatal care to 47,445 women

Every \$1 spent in childhood immunization saves \$16.50

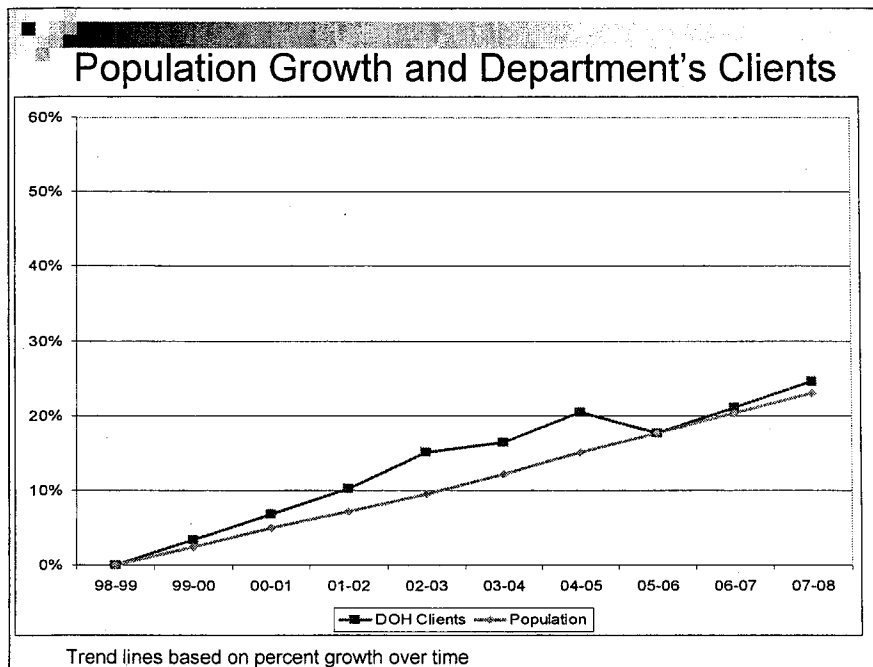
In 2006, FDOH provided 1,155,810 vaccinations

Every \$1 spent in family planning services saves at least \$4.40 in medical, nutritional, and welfare costs

In 2006, FDOH provided care to 217,614 clients

Every \$1 spent in prenatal care saves at least \$2.57 in short-term hospital costs

In 2006, FDOH provided prenatal care to 47,445 women

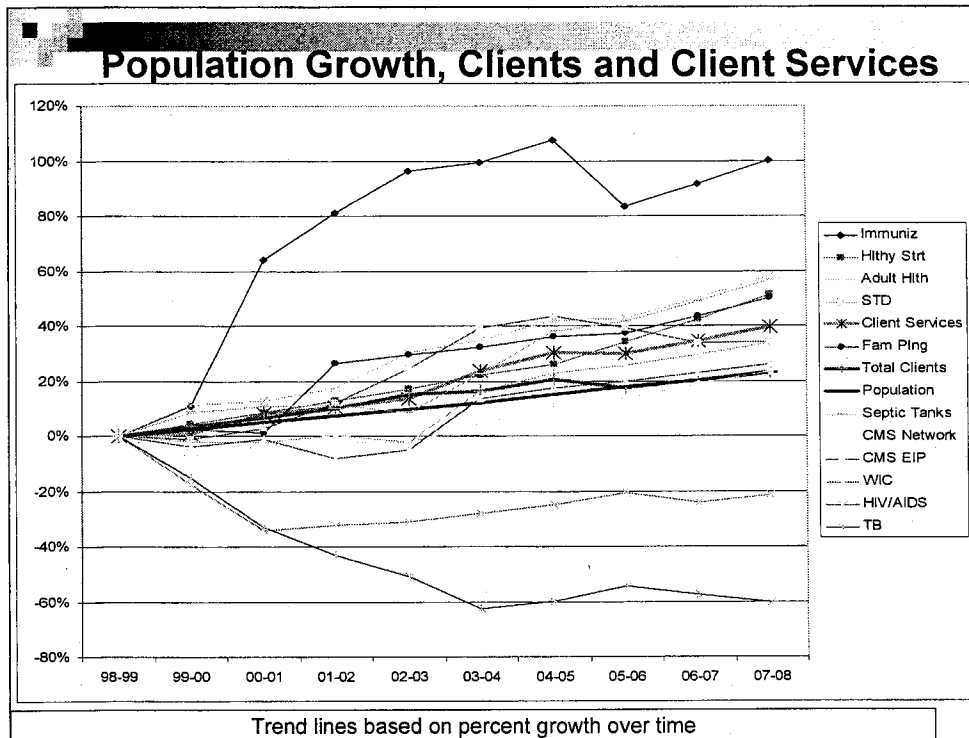


This is the first of a series of charts that I would like to present...

This chart represents increases in Clients served by the Department of Health over the past 10 years.

The following observations can be made:

The number of Clients served by the Department is growing at a rate slightly greater than Florida's population growth.



This complicated chart shows the volume indicators for a variety of Services provided to Department of Health's Clients.

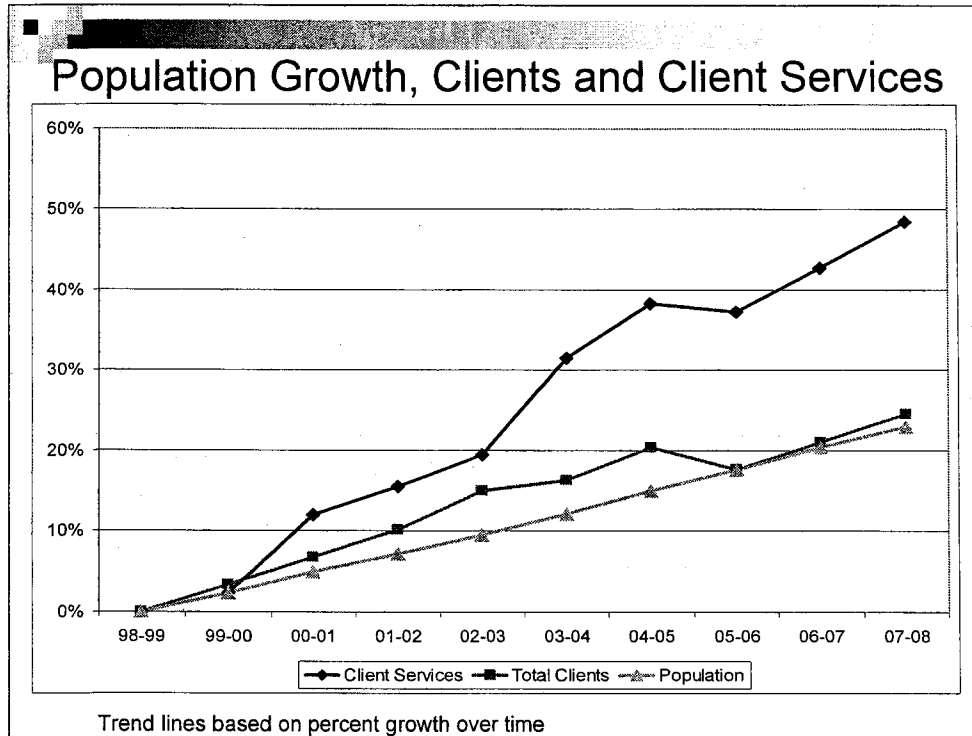
The Department renders through legislatively approved programs a multitude of services to its Clients.

These services are increasing at rates greater than Florida's population and the Department's Client base.

They include: immunizations, healthy start clients, adult health patients, sexually transmitted disease (STD) monitoring and treatment, family planning clients, septic tank inspections, Children's Medical Services' (CMS) patients, Women and Infant Care (WIC) patients, HIV / AIDS patients and Tuberculosis (TB) patients amongst many others.

The only exceptions to this rapid rate of increase are positive reductions on patients with HIV/AIDS and TB.

Look to the top line in the graph, when you equate that every \$1 spent on immunization saves \$16.50 in health care costs – this represents quite a return on investment.



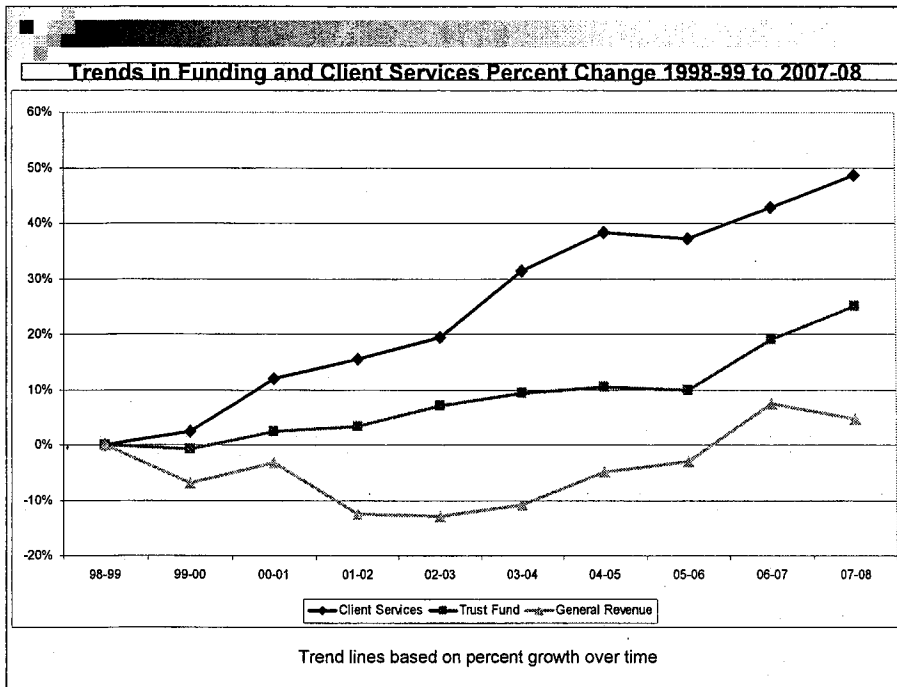
The top line on this chart presents a single line which represents a “**composite**” of the previous chart we just looked at.

The green line shows Florida’s population growth.

The orange line shows the growth in Department of Health Clients.

And, the blue line shows the dramatic increase in services to Department of Health’s clients.

Services represent when a client receives care during visits to our county service centers – medical diagnosis and treatment, immunizations given, or environmental permit issued – for example.



The next item I want to share with you is a graphic portrayal of the Department's financial funding over the past ten years measured as a percentage increase in constant dollars. Based on this chart, the following observations can be made:

The spending power of State General Revenue funding decreased from the Department's creation in 1997 and only in 2007 did General Revenue funding finally exceed its starting point ten years earlier. Now once again it is trending down.

Trust Fund Revenues have supported most of the growth in services provided to the people of Florida, and Client Services are accelerating faster than funding thereby creating an inherent increase in service efficiency and a reduction in cost per unit of service delivered.

Most Important Factors that Threaten the Health of Floridians

- Epidemic of Obesity
- Multiplicity of Chronic Disease
 - Diabetes, Heart Disease, HIV/AIDS, Cancer from Tobacco use
- Emerging Infectious Diseases
 - SARS, Influenza, emerging resistant bacteria
- Health Disparities / Health Equity
- Future Issues of Energy, Fuel, Water and Pollution
- Increase in Population
 - Increase proportion of elderly
 - Economic status of population

Most Important Factors that Threaten the Health of Floridians are many

Epidemic of Obesity

Multiplicity of Chronic Disease

Diabetes, Heart Disease, HIV/AIDS, Cancer from Tobacco use

Emerging Infectious Diseases

SARS, Influenza, emerging resistant bacteria

Health Disparities / Health Equity

Future Issues of Energy, Fuel, Water and Pollution

Increase in Population

Increase proportion of elderly

Economic status of population

Proposed Department of Health Exclusions from Base

Total of Excluded Items -- \$666,400,691

Recommended exclusions represent program expenditures that generate matching funds which, if eliminated, would result in more than one dollar loss for each dollar saved.

Certain programs have federal requirements for Maintenance of Effort – State dollars are needed to draw down federal funds

I draw your attention to the handout, which specifically outlines details of our proposed exclusions.

The recommended exclusions represent program expenditures that generate matching funds which, if eliminated, would result in more than one dollar loss for each dollar saved.

In addition, certain programs have federal requirements for Maintenance of Effort - dollars are needed to draw down federal funds.

The total DOH reconciling items identified total \$666,400,691 (10% = \$66,640,069).

Program Additional Request for Exclusions

- Selected programs that benefit specific segments of the population
 - Disease Control, Family Health Services, Environmental Health, Statewide Lab & Pharmacy, and Minority Health
- County Health Departments
- Children's Medical Services
- Information Technology

This slide shows the continuation of these proposed excluded items.

And, they represent selected programs that benefit specific segments of the population

Disease Control, Family Health Services, Environmental Health, Statewide Lab & Pharmacy, and Minority Health programs

County Health Departments' local funds, fees, permits, and dollars earned

Children's Medical Services

Information Technology

Florida is lagging behind in electronic applications for its critical public health structure. The Department's central pharmacy and its six satellite pharmacies are responsible for administering more than \$200 million in pharmaceutical products for the people of Florida. In 2001 and again in 2004 the State Auditor General reported the Department had inadequate controls in its pharmacy and accordingly had increased risk of loss or misuse of pharmaceuticals. In response, in 2006 the Department sought Legislative approval of funding for an electronic pharmacy system. This request was denied. The automated checks and balances anticipated with modern technology are not currently present and it will take several million dollars to put them in place. Their current status is totally unacceptable!

DOH Proposed Budget Reduction

- Original EOG 10% Target -- \$163,612,349
- DOH Requested Exclusions -- \$66,640,069
 - Matching Funds, CHD Local Funds, and Federal Maintenance of Effort
- Proposed DOH 10% Target - \$96,972,279

- DOH Special Requests Exclusions -- \$39,666,751

- **Proposed DOH 10% Target -- \$57,305,528**
 - **General Revenue \$17,585,862**
 - **Trust Fund \$39,719,666**

What we have tried to do here is to summarize our proposed budget reduction plan.

- Original Executive Office of the Governor 10% Target -- \$163,612,349
- DOH Requested Exclusions -- \$66,640,069
 - Matching Funds, CHD Local Funds, and Federal Maintenance of Effort
- Proposed DOH 10% Target - \$96,972,279

After many days of analysis with my senior leaders, we felt compelled to request in my letter to the Governor that specific programs, which deal with our most vulnerable populations be spared. These special requests are detailed in the letter.

- Those Special Requests Exclusions are equal to \$39,666,751

In conclusion, the 10% Target for the Department of Health is:

\$57,305,528 -- This total represents:

•\$17,585,862 of General Revenue; and

•\$39,719,666 of Trust Fund

Our final concluding comment of importance is that trust funds are generated by fee-for-service activities and they must be kept in tact to protect our ability to generate additional revenue.

DOH Major Reduction Impacts Beyond 4%

- Loss of services through County Health Departments and Children's Medical Services to patients, clients, and communities
- Reduction in services to special care populations, e.g., maternal child care, dental health, and epilepsy
- Reduction of research for brain & spinal cord injury
- Serious degradation of emergency response capabilities
- Loss of initiative on automated clinical systems and medical informatics
- Closure of regional laboratories
- Reduction of environmental monitoring for contaminants
- Reduction of infectious disease monitoring, diagnosis, and treatment
- Reduction of medical quality monitoring for 22 Boards and 6 Councils, which includes 195 licensed professions

It is important to make mention that cuts beyond 4% will have the following affects on vital services to the People of Florida. These are some examples:

Loss of services through County Health Departments and Children's Medical Services to patients, clients, and communities

Reduction in services to special care populations, e.g., maternal child care, dental health, and epilepsy

Reduction of research for brain & spinal cord injury

Serious degradation of emergency response capabilities

Loss of initiative on automated clinical systems and medical informatics

Closure of regional laboratories

Reduction of environmental monitoring for contaminates

Reduction of infectious disease monitoring, diagnosis, and treatment

Reduction of medical quality monitoring for 22 Boards and 6 Councils, which includes 195 licensed professions

Summary

In order to keep efficiently serving the People of Florida, we need to:

1. Exclude all matching funds
2. Emphasize Revenue Enhancement and Cost Recovery
3. Minimize trust fund reductions, that otherwise limit the departments ability to generate revenue

In order to keep efficiently serving the People of Florida, we need to:

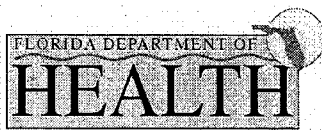
Exclude all matching funds

Emphasize Revenue Enhancement and Cost Recovery

Minimize trust fund reductions, that otherwise limit the departments ability to generate revenue

Conclusion

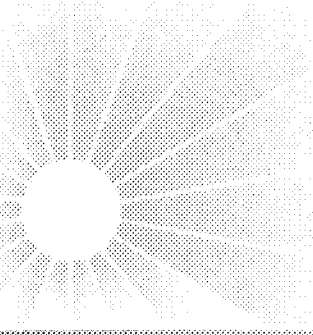
Florida Department of Health is committed
to preserving health and preventing
illness, injury, and disease.



Department of Elder Affairs

Doug Beach, Secretary

DEPARTMENT OF



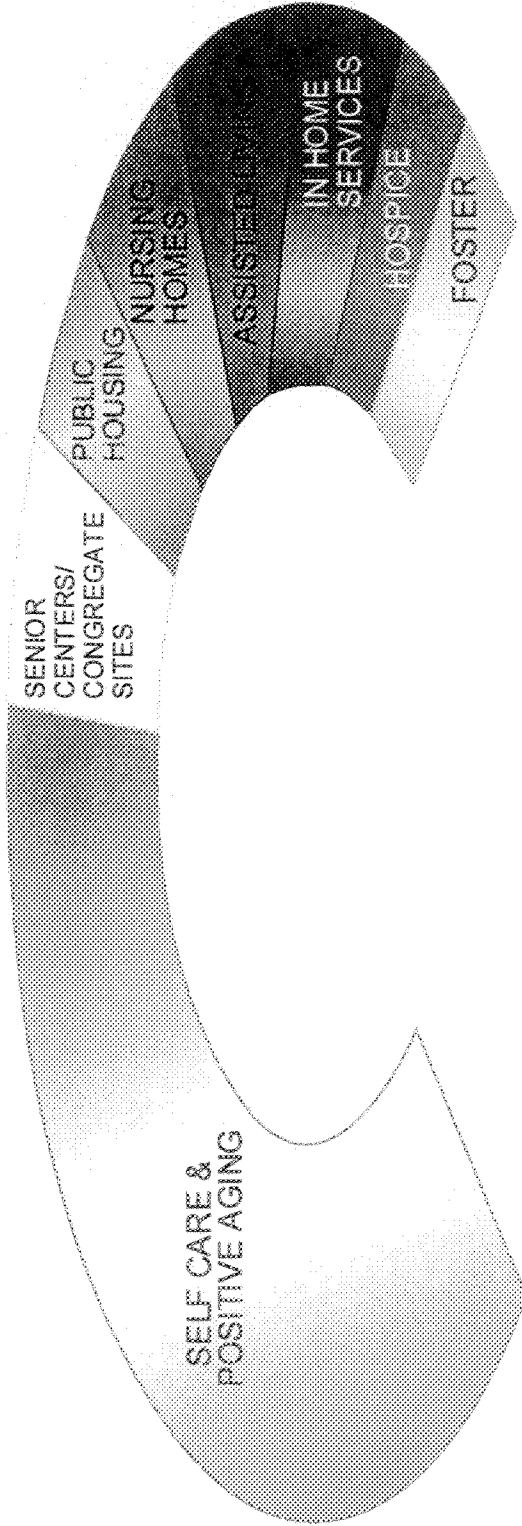
**ELDER
AFFAIRS**
STATE OF FLORIDA

***Florida Department of Elder Affairs
2007-2008 Budget Reduction Exercise***

Florida's Secret Weapon

- Retirement industry is Florida's second largest economic sector
- \$3.5 Billion in charitable giving
- \$135 Billion in spending power
- 50 percent of new home construction
- \$2.8 Billion net tax benefit after services rendered
- Paying \$1 Billion in local school taxes
- 4.2 million seniors in Florida – largest voting block in the state

Florida's Elders



SELF CARE & POSITIVE AGING 89.1%

SENIOR CENTERS/CONGREGATE SITES 2.8%

PUBLIC & AFFORDABLE HOUSING 2.2%

NURSING HOMES 2.1%

ASSISTED LIVING FACILITIES 1.6%

IN-HOME SERVICES .2%

HOSPICE $\lt; .1\%$

FOSTER AND FAMILY CARE HOMES $\lt; .1\%$

Service Provider Network

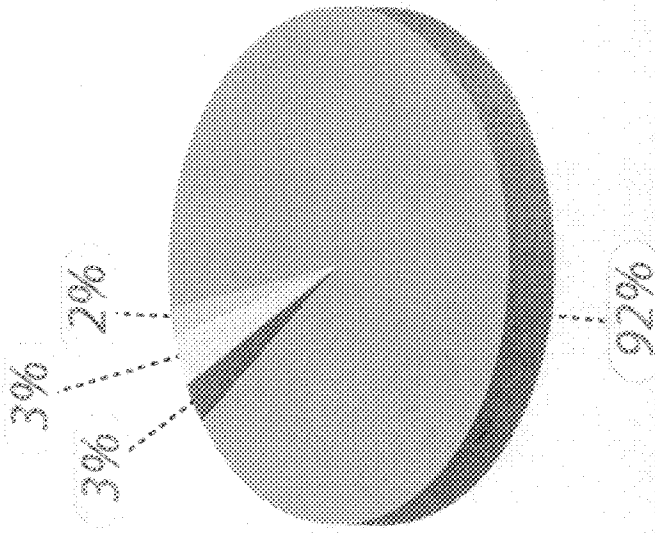
Area Agencies on Aging in Florida contract with more than 500 service providers for:

- **Access Services** – such as information and referral, outreach, case management, escort and transportation.
- **In-Home Services** – including chore maintenance, homemaker, personal care, home-delivered meals, and home repair.
- **Community Services** – including senior centers, congregate meals, adult day care, health promotion and fitness.
- **Caregiver Services** – like respite, counseling and education programs.

2007-2008 Elder Affairs Budget

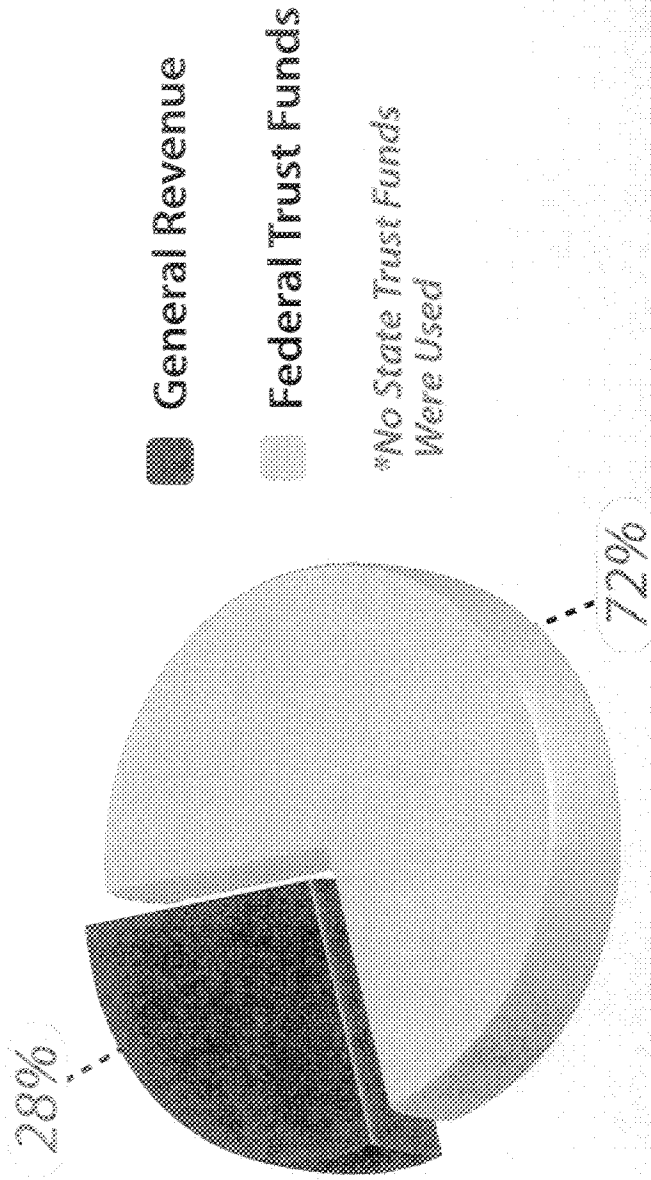
Service Areas

- Comprehensive Eligibility Services (CARES)
- Consumer Advocate Services
- Administrative Services
- Home and Community Services



Administrative Services

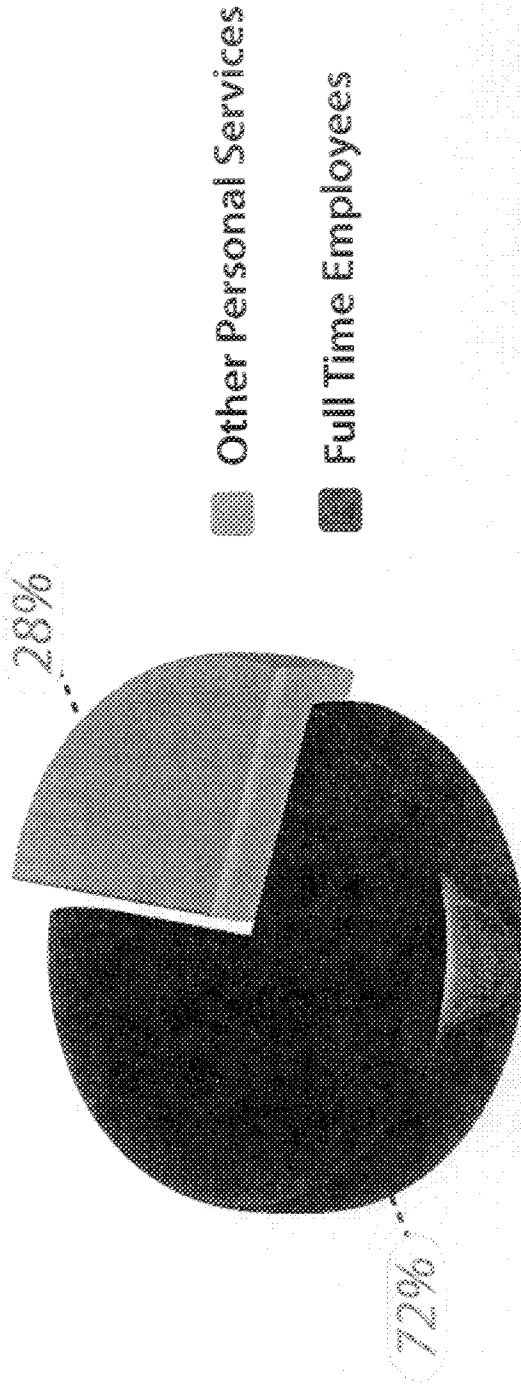
Revenue Sources



*No State Trust Funds
Were Used

Administrative Services

Administration



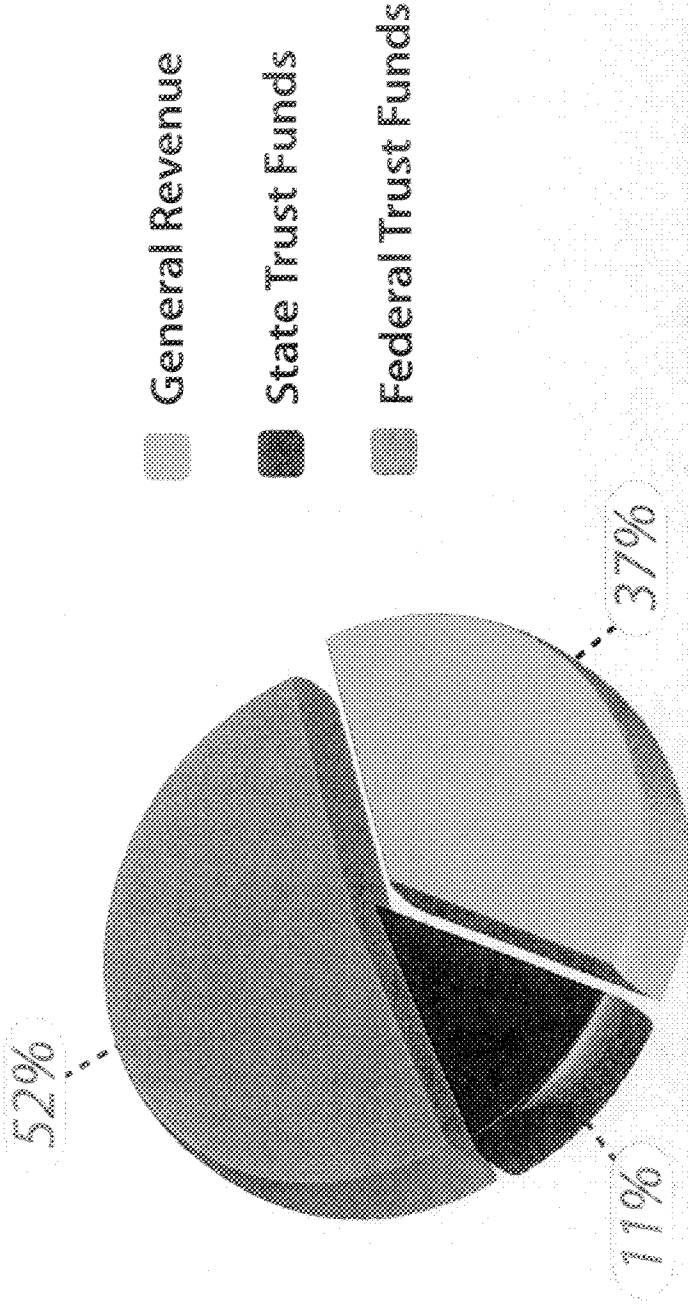
Elder Affairs Revenue Sources

| Revenue Source | |
|---------------------|--------------------|
| General Revenue | 145,717,621 |
| State Trust Funds | 43,858,405 |
| Federal Trust Funds | 205,429,634 |
| Total | 395,005,660 |

| Nursing Home Diversion Program | |
|--|-------------|
| Long-Term Care Community Diversion Pilot Project | 215,595,523 |

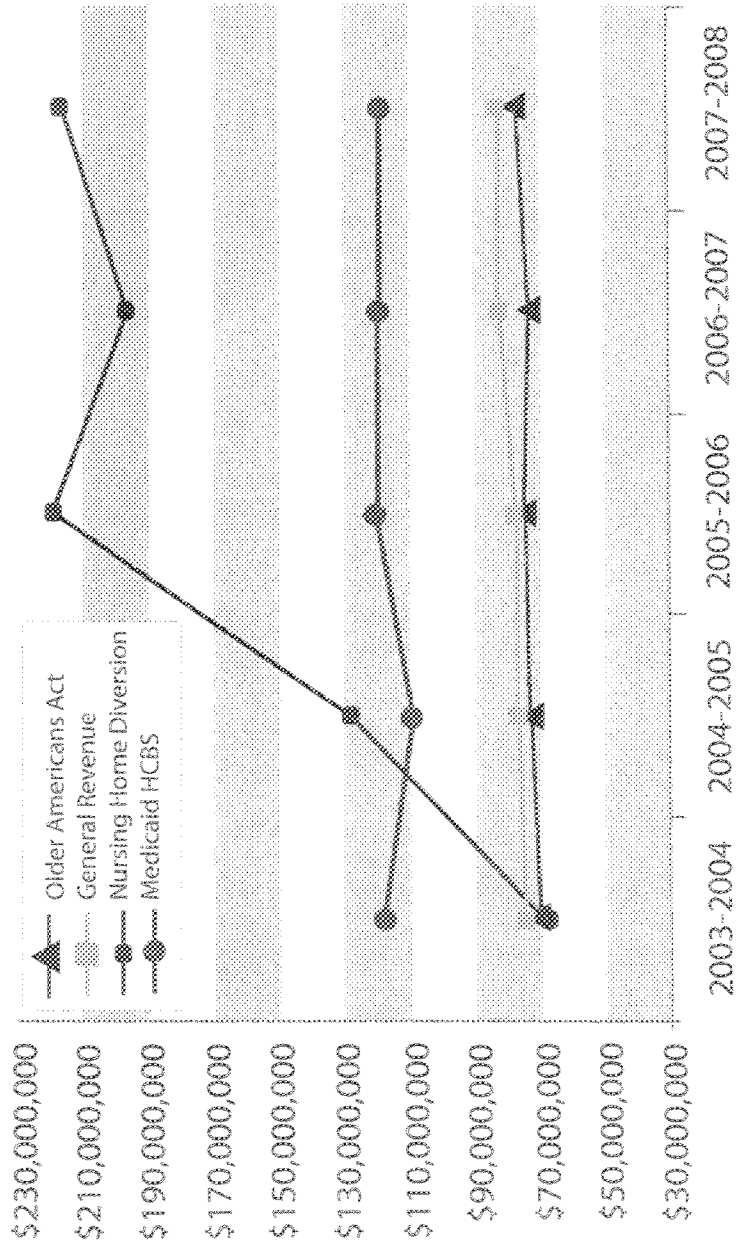
Elder Affairs Revenue Sources

Revenue Sources



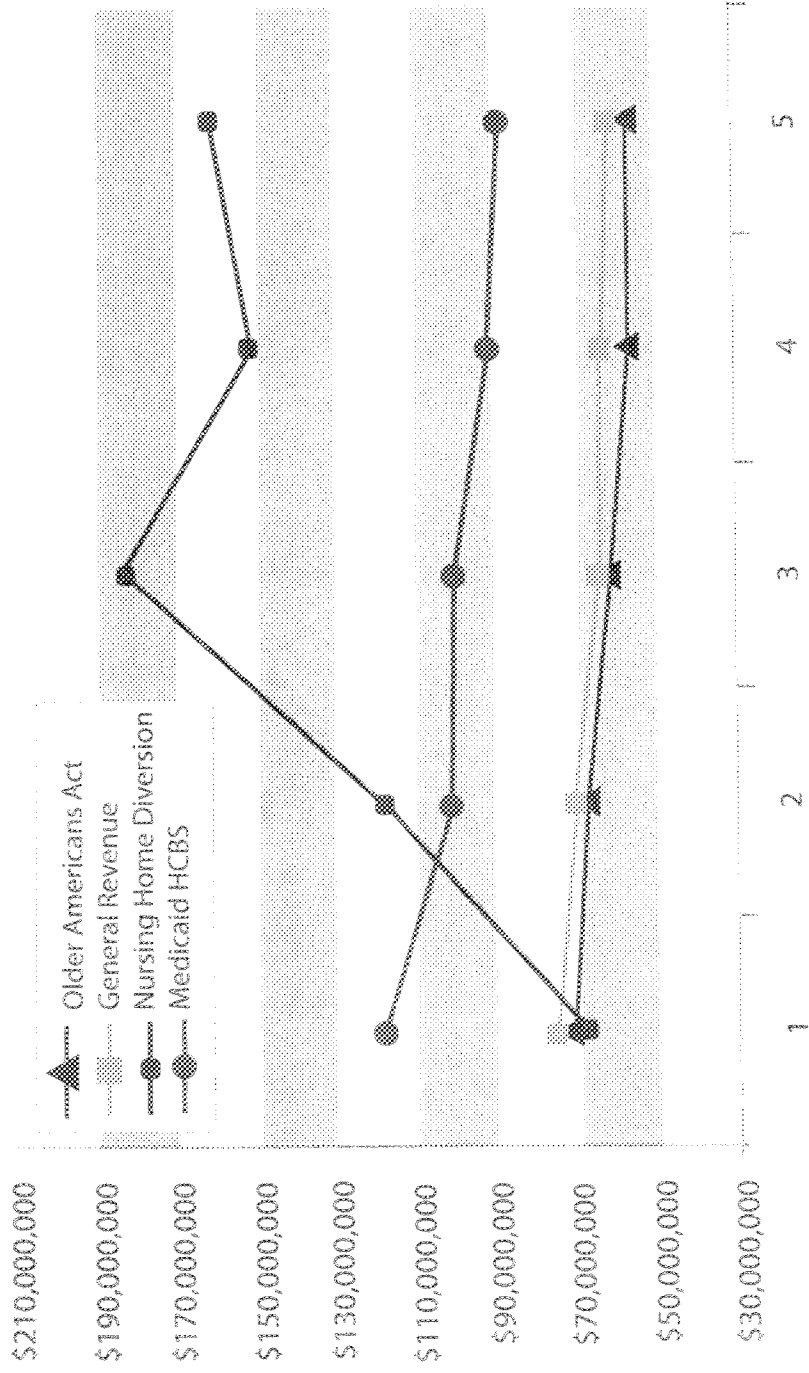
Program Funding

Actual Appropriations
 Major Programs
 Department of Elder Affairs



Adjusted Program Funding

Adjusted Appropriations
 Major Programs
 Department of Elder Affairs



Target Reductions

| Agency | General Revenue | Trust Fund | Total | Reduction Percentage |
|-----------------------------|-----------------|------------|------------|----------------------|
| Department of Elder Affairs | 13,584,500 | 4,012,906 | 17,597,406 | 10% |
| Department of Elder Affairs | 5,433,800 | 1,605,162 | 7,038,962 | 4% |

Budget Criteria

1. Reductions should evaluate all programs and reduce those that are not achieving a sufficient level of service.
2. Reductions should not impact direct services to seniors such as meals, skilled nursing, adult day health care, counseling, medical supplies etc.
3. Delay implementing new or improved programs.

Proposed Reduction Issues

Priority # 1:

Johnnie B. Byrd Sr., Alzheimer's Center and Research Institute

- 4% Target - The department proposes a \$4 million reduction in General Revenue of the \$15 million appropriation to the Institute. This would leave approximately \$11 million for the Institute.
- 10% Target - The department proposes to reduce the \$15 million appropriated to the Institute by \$10 million. This would leave \$5 million for the Institute to continue their statutory functions.

Proposed Reduction Issues

Priority # 2:

Fixed Capital Outlay Senior Centers

- 4% Target – The department proposes a reduction of \$500,092 in General Revenue for monies appropriated for grants to construct, repair and maintain Florida Senior Centers.
- 10% Target – The department proposes to reduce the \$9.1 million appropriated for these grants by \$2.6 million in General Revenue.

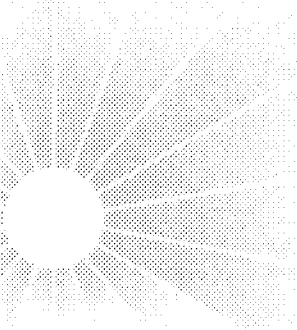
Proposed Reduction Issues

Priority # 3:

Freeze Enrollment - Alzheimer's Waiver

- 4% Target - This proposal would save \$933,888 in General Revenue by suspending new enrollments for this waiver. This reduction will not affect current enrollees receiving services.
- 10% Target - The department proposes this same reduction in the 10% scenario.

DEPARTMENT OF



**ELDER
AFFAIRS**

STATE OF FLORIDA

***Florida Department of Elder Affairs
2007-2008 Budget Reduction Exercise***

Department of Veterans' Affairs

Jim Brodie, Director of Legislative and Cabinet Affairs



Florida Department of Veterans' Affairs
Budget Presentation to
Florida House of Representatives
Healthcare Council
By Jim Brodie, Legislative Affairs Director

August 28, 2007



Agenda

- Possible Agency Reductions Overview
- Impact of Possible Agency Reductions

10% Target Reductions

| General Revenue | Trust Fund | Total |
|-----------------|-------------|-------------|
| \$1,378,892 | \$2,842,477 | \$4,221,369 |

10% Reduction

- FDVA has identified potential sources supporting in total or part the target reduction.

- Items #1, SVNH Daytona Beach Renovation and #2, SVNH #7, St. Augustine, each individually exceed the target reduction; both are non-recurring projects



10% Reduction

- Item #3, Delay Capital Improvement projects, provides short-term TF offsets for GR but is not recommended due to mid- to long-term impact on facility upkeep and maintenance.
- Item #4, 2.9PPD, if deferred provides some relief to the GR shortfall but exceeds FDVA authority to implement.
- Item #5, delay filling vacancies is currently in place at FDVA pending results of budget meetings
- Item #6, temporary IT budget reduction is being monitored for impact pending results of budget meetings.



Possible Agency Reductions Overview

| Priority # | Issue Title | Total Possible Reduction | Summary of Reduction |
|------------|---|--------------------------|---|
| 1 | Delay Daytona Nursing Home renovation | 5,000,000 | 1.8M GR, 3.2 M TF - for renovations at the Daytona nursing home |
| 2 | Delay building of St. Johns County Nursing Home | 11,484,161 | 4.5M GR, 7M TF - for first phase of construction of sixth nursing home in St. Johns County. |
| 3 | Delay Capital Improvement | 2,196,325 | 2.2M TF - for maintenance and repairs at various nursing homes |
| 4 | Delay Implementation of 2.9 PPD Criteria | 937,602 | 937,602 GR savings from delay of implementation of 2.9 PPD requirement. |
| 5 | Delay filling vacancies | 239,743 | Delay filling new authorized positions and vacancies. |
| 6 | IT Recurring Base Budget | 76,686 | Delay upgrade and refresh equipment |
| | Total | 19,934,567 | 1.25M GR, 6.23M GR-NR, 2.2M TF, 10.3M TF-NR |



Impact of Possible Reductions

- 1. Delay scheduled renovation project at State Veterans' Nursing Home Daytona Beach for one year.
 - Defers spending of the State's \$1.8 M appropriated from state treasury funds into FDVA's GR Fund.



Impact of Possible Reductions

- 1. Delay Renovation Project (Cont): This is the second phase of the renovation project planned for the Daytona Beach Nursing Home in FY 2007-2008. The Daytona Beach facility was constructed in 1993. Since opening only routine maintenance and minor projects have been completed. This 13 year old building is in need of major flooring and roofing repairs necessitated by moisture intrusion in the facility. The first phase was to accommodate Americans with Disabilities Act. This second phase is necessary to complete major renovations to additional wings of the building and resident rooms. The renovation project is funded in partnership with the USDVA on a cost share basis.



Impact of Possible Reductions

- 2. Delay construction start of the St. Johns County State Veterans' Nursing Home for one year.
 - Would defer spending of the State's \$10 M appropriated from state treasury funds into FDVA's GR Fund.
 - Additional temporary savings could be realized by the associated deferral of hiring staff.
 - Staffing for new SVNHS is funded from GR for the first two years of initial operations until the home begins admitting residents and generating revenue. Annualized start-up staffing cost is approx. \$625,000. Annualized costs for first two years of operations funded by GR are approx. \$2 M.

Senate HHS 8/27-28/2007 - FDVA

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Impact of Possible Reductions

- 2. Delay construction start of the St. Augustine State Veterans' Nursing Home for one year.
(Continued)
 - This project currently has a high level of Congressional interest.
 - Some slippage of the start is supportable. However, annual or more frequent incremental increases in construction costs will increase the cost of construction of this home if delayed much beyond one-year.

Senate HHS 8/27-28/2007 - FDVA

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Impact of Possible Reductions

■ 3. Delay Capital Improvement.

The State Homes for Veterans' Trust Fund supports routine planned upkeep and maintenance projects for our six facilities. A delay of one-year is potentially supportable but runs the risk of more costly repairs or catastrophic component failure. Funds deposited in the Trust Fund are from sales of veteran and military service specific license plates. No General Revenue is associated. Any funds redirected from the SHVTF to GR or other funds will ultimately require replacement from GR to ensure the structural integrity of our facilities. **NO REDUCTIONS OR OFFSETS ARE RECOMMENDED.**



Impact of Possible Reductions

■ 4. A waiver of 2.9 PPD criteria for FY 2007-2008.

- Will save \$937,602 in GR funding.
- Extending any waiver into FY 2008-2009 will result in approximately similar GR savings in FY 2008-2009.
- *If this waiver is applied to all affected healthcare operations, a savings in statewide Medicaid costs would also be realized.*



Impact of Possible Reductions

- 5. Delay filling new authorized positions and vacancies.
 - The FY 07/08 GAA authorized two new positions; Budget Specialist and Audit Director. Deferring hires for these positions will retain approximately \$240,000, Salaries and Benefits, Expenses, non-recurring OCO and proportionate share of contracted services.



Impact of Possible Reductions

- 6. Executive Direction and Support Services - IT Continuing Base Budget.
 - A 10% reduction in ED/SS IT CBB GR will retain \$76,686.