



**To:** FPWA Board of Directors and Member Agencies  
**From:** Bich Ha Pham, J.D., Director of Policy, Advocacy and Research  
**Date:** January 6, 2009  
**Subject:** 2009-10 Executive State Budget – Human Services and Health Proposals

The following Budget Analysis was prepared by Manatt, Phelps, and Phillips and adapted for FPWA.

### **Introduction and Overview**

On December 16th, more than a month before he was constitutionally obligated to do so, Governor David Paterson released his 2009-2010 Executive Budget proposal, aimed at eliminating the largest budget deficit in the State's history: a \$1.7 billion shortfall in the current fiscal year coupled with a looming \$13.7 billion deficit in 2009-2010.

The proposed Executive Budget combines extraordinary cost containment actions across virtually every aspect of State government with a long list of fees, taxes and assessments to close the combined \$15.4 billion deficit. In addition to the traditional Executive Budget, the Governor submitted a separate Deficit Reduction Plan to close the current year deficit, which the Administration has asked the Legislature to enact by February 1. The Administration is also counting on the Legislature to pass the main budget by March 1, 2009, a month before the official start of the next fiscal year, in order to address the greatest fiscal challenge faced by New York State since at least the mid-1970s and perhaps since the Great Depression.

After reviewing the political and fiscal context of this budget and summarizing some of its major components, we have detailed the budget's impact on the delivery of health and human services in New York State. While some of the details of the proposals may require some additional clarification during the weeks ahead and are likely to be the subject of close legislative scrutiny, we trust that the summary of the proposals advanced in this budget will provide you with an appreciation of the very significant nature of the 2009-10 Executive Budget and its profound potential consequences on New York's health and human services infrastructure.

***The Political and Fiscal Context:*** Because former Governor Spitzer resigned and Governor Paterson took office during the closing weeks of negotiation of the 2008-09 Executive Budget, this budget represents Governor Paterson's first comprehensive budget proposal—but not his first effort at deficit reduction. During his brief tenure in the State's highest office, Governor Paterson twice called the Legislature into special session to address the State's deepening fiscal crisis: first, in August, when the Governor was able to obtain legislative authorization for \$1 billion in spending reductions during the current and the next fiscal year; and again, in November, when



his request for additional budgetary reductions to address the looming deficits was not acted upon by the Legislature. On his own, Governor Paterson has reduced state spending by over \$1.1 billion during the last several months through administrative actions.

The fiscal crisis facing New York State stems from the national and international economic crisis, the deepening recession and New York's unique reliance on the financial services and real estate industries: while tax receipts in New York grew at an average rate of 9.5 percent in the 2005-2007 period, tax receipts are expected to fall 2.1 percent in 2008-09 and 2.9 percent in 2009-10. The negative impact of the sub-prime mortgage debacle and its aftermath, along with the broader crisis in the financial and insurance sectors, are projected to reduce Wall Street bonuses by fifty percent in the first quarter of 2009, representing a \$19 billion wage loss in the first quarter of 2009. Declines in overall personal income are expected to reduce income tax revenues by 8.9 percent in 2008 and 7.3 percent in 2009.

The challenges faced by the Governor in addressing the fiscal crisis are not just economic: while Democrats secured a 32-30 seat advantage in the New York State Senate, his former colleagues in the State Senate have not yet been able to organize themselves as the majority party because three Democratic Senators have withheld their support for Senator Malcolm Smith as Majority Leader. As of this writing, it remains unclear how and even whether the Senate Democrats will actually be in a position to assume majority party status in the State Senate when the Legislature resumes session in January. Governor Paterson, as the former Senate Democratic leader, may be called upon to engineer a timely resolution of the political standoff in the State Senate, which might otherwise derail any hope of prompt consideration of the proposed budget.

Even without this internal Democratic unrest, the Senate Democrats will have a razor-thin majority, which will require substantial party discipline to corral the necessary votes for a very difficult State Budget. The narrow majority in the State Senate has another potential consequence: while the budget relies on hundreds of new fees and taxes (and an increase in the income tax on the highest earners may also be in the works), the State Constitution requires that "any act which imposes, continues or revives a tax" requires a quorum of 3/5ths of the members of each house—effectively leaving the State Senate Republicans with the opportunity to block the consideration of new revenues. More likely, however, is the prospect that the Senate Republicans will allow these new taxes and fees to come to a vote—and thereby place the Democrats in a position where every Democratic vote will be required to pass unpopular measures.

**Overview of Governor Paterson's Budget Submission:** The Executive Budget proposes "All Funds" spending of \$121.1 billion, an increase of 1.1 percent over the 2008-09 amended budget—as reduced by mid-year administratively-imposed and legislatively-enacted reductions. The Deficit Reduction Plan would eliminate the current year's \$1.7 billion imbalance through a combination of health care savings, a reduction in certain environmental spending, the expansion of the bottle deposit fee, a SUNY tuition increase and other savings. To close the \$13.7 billion gap, the Governor has proposed \$9.5 billion of recurring spending reductions, \$3.1 billion of recurring "revenue actions" (i.e., taxes and fees) and a total of \$1.1 billion in "one-shot" non-recurring proposals.



The 137 new taxes and fees apply to non-diet soda, music downloads, movie tickets, cable television service, driver's licenses, cigars, beer and wine (and on grocery stores that wish to sell wine), physician licenses, health facility Certificate of Need applications, insurance companies, hospital and home health agency revenues (further described below), clinical laboratories and a host of other transactions and products. And, while the proposal would impose limits on itemized deductions by millionaires, the widely-discussed "millionaire tax" (increasing the income tax on persons with the highest incomes) was not included in the Governor's proposal.

On the spending reduction side, in addition to \$1.3 billion in Medicaid (state share) cost containment, the proposed budget would reduce State Aid to Education by nearly \$700 million, would eliminate the \$1.4 billion STAR property tax rebate program, would reorganize and consolidate various state governmental entities (including merging the Office of the Medicaid Inspector General and the Office of Welfare Inspector General), would add a new, less generous tier to the State's pension system, would layoff approximately 500 state employees, would close several correctional or juvenile detention facilities, and would reduce the bed complements within the state psychiatric hospital system.

While it is likely that some kind of broad-based tax increase (in lieu of or in addition to the many so-called "nuisance" taxes and fees described above) may emerge from the negotiations with the Legislature, the Governor has consistently declined to advance any income or other broad-based tax increase. He has also declined to consider the potential impact of any federal stimulus package that is expected to be enacted by the new Congress in 2009, which might include a substantial increase in federal matching funds for the Medicaid program, among other components. Although an increase in the Federal Medical Assistance Percentage (FMAP) seems to be a likely element in the federal fiscal stimulus package, the actual receipt of those funds remains contingent on future Congressional action. Governor Paterson may also have assumed that any overt assumption of an increase in FMAP—particularly coupled with any perceived pull-back in New York State Medicaid cost containment—might have jeopardized the likelihood of favorable Congressional action on FMAP.

Although the State's fiscal crisis required the Governor to advance a wide range of cost containment initiatives in the health and human services arena, the budget also reflects a continuation of prior healthcare reform efforts, as well as evidence of the Governor's own human services and health care priorities. Notably, as discussed below, Governor Paterson has advanced the first increase in the basic welfare grant in nearly two decades, raising the monthly grant from \$291 to \$320 in January, 2010 and eventually to \$387 in January, 2012. At the same time, the Governor has increased funding for food banks and pantries, hard-hit by the recession, and seeks to expand eligibility for Family Health Plus to adults up to 200 percent of the poverty line.

The Executive Budget also maintains the prior budgets' emphasis on redirecting the health care system toward more primary and preventative services and proposes a range of new approaches to reforming long term care services. The Governor's office has acknowledged the dual nature of the proposed budget, particularly as it relates to health and human services: some of the budgetary proposals are advanced solely to reduce state expenditures, often through across-the-board reductions, while other proposals are intended to reform the health or human services system



through policy changes, which may have only an incidental impact on state spending. Accordingly, where appropriate in the analysis below, we have somewhat arbitrarily divided the budget proposals into “reform” proposals, which advance some distinct policy goals, and “cost containment” proposals, which are primarily intended to reduce expenditures.

### **State Office for the Aging**

The 2009-2010 Executive Budget proposes \$234 million dollars in funding, a net decrease of \$14.1 million dollars from the 2008-09 budget. This decrease is the result of program funding eliminations, reductions and other fiscal changes across several areas including:

- The elimination of the 2009-2010 Human Services cost-of-living adjustment (COLA) for certain aging programs. This will result in an \$7.1 million in savings in 2009-2010. However, these adjustments are scheduled to resume April 1, 2010. The Executive budget also proposes to extend the COLA for a third year in 2012-2013;
- The elimination of the Affordable Independent Living Senior Housing Pilot, saving \$1.8 million;
- The elimination of the Social Workers for Geriatric In-Home Care Program (\$0.6 million savings);
- The elimination of the End of Life Care Program, resulting in \$0.2 million in savings;
- The elimination of the Enriched Social Adult Day Centers Program (\$0.2 million in savings). This demonstration was initially created as part of the 2008-09 budget and was subject to a fifty-percent reduction in funding as part of the midyear budget reductions;
- The elimination of the Long Term Care Insurance Outreach and Education Program (\$2.8 million in savings);
- The elimination of the Sustainable Transportation Program. This will result in \$0.7 million in savings;
- The elimination of the Geriatric In-Home Medical Care Pilot Program, saving \$0.7 million.

The Executive budget proposes to reduce funding for the following senior programs deemed non-essential spending:

- Stony Brook Evaluation of Geriatric Home Care (\$0.1 million);
- NY Connects Program (\$3.5 million);
- Managed Care Consumer Assistance Program (\$0.8 million);
- Congregate Services Initiative (\$0.1 million);
- Long Term Care Ombudsman (\$0.1 million).

The 2009-2010 Executive Budget continues funding for the following community-based services programs including:



- Community Services for the Elderly Grant Program (CSE). The Executive Budget proposes \$15.3 million in funding for this program. In 2008-09, this program received \$15.7 million in funding after the mid-year budget reductions.
- Naturally Occurring Retirement Communities (NORCs). The Executive Budget proposes \$2.02 million for this initiative. In 2008-09, this program received \$2.14 million in funding after the mid-year budget reductions.
- Neighborhood Naturally Occurring Retirement Communities (NNORCs). The Executive Budget proposes \$2.02 million in funding for this program. In 2008-09, this program received \$2.06 million in funding after the mid-year budget reductions.
- Expanded In-Home Services for the Elderly Program (EISEP). The Executive Budget proposes \$46 million in funding for this program. In 2008-09, this program received \$47.12 million in funding after the mid-year budget reductions.
- Social Model Adult Day Services. The Executive Budget proposes \$872,000 in funding for this program. In 2008-09, this program was appropriated \$928,000; however was then subject to the six percent mid-year budget reductions.
- Respite Services to the Elderly. The Executive Budget proposes \$656,000 in funding for this program. In 2008-09, this program was appropriated \$672,000 in funding after the midyear budget reductions.
- Operational funding for Transportation Providers serving the Elderly. The Executive Budget proposes \$921,000 for this initiative along with a \$500,000 reappropriation. In 2008-09, this program received approximately \$1.9 million in funding after the mid-year budget reductions.
- Services and expenses relating to the Foster Grandparents Program. The Executive Budget proposes \$196,000 for this program. In 2008-09, this program also received \$196,000 in funding.
- Elderly Abuse Education and Outreach Program. The Executive Budget proposes \$490,000 for this program. In 2008-09, this program also received \$490,000 in funding.

In addition, the Executive Budget proposes:

- \$2 million in funding to assist local area agencies and community-based organizations to assist seniors enrolled in EPIC in selecting, accessing, and maximizing appropriate Medicare Part D prescription drug coverage.
- \$21.3 million in continued funding for the Supplemental Nutrition Assistance Program (SNAP). In 2008-09, this program received \$21.76 million in funding after the mid-year budget reductions.
- \$353,000 for the establishment and operation of the Caregivers Resource Centers Program. In 2008-09, this program also received \$353,000 in funding.
- \$230,000 for the Regional Caregivers Centers for Excellence Program to provide education and training to caregivers, the development and implementation of innovative approaches to assisting caregivers, reducing caregiver stress and other programs to



directly support community caregivers. In 2008-09, this program received \$230,000 in funding, after the mid-year budget reductions.

- \$245,000 for the Community Empowerment Initiative to provide up to eight start up grants to communities, neighborhoods, elders and families to develop their own supportive services that enable older persons to “age in place” and stay in their own neighborhoods. In 2008-09, this program also received \$245,000 in funding in 2008-09, after the mid-year budget reductions.
- \$13.2 million for a COLA for providers of Expanded In-Home Services for the Elderly Program (EISEP), Community Services for the Elderly Program (CSE) and the Supplemental Nutrition Assistance Program (SNAP). In 2008-09, this initiative received \$14.59 million in funding after the mid-year budget reductions.
- \$921,000 for the Health Insurance Information, Counseling and Assistance Program (HICAP). In 2008-09, this program received \$922,000 in funding after the mid-year budget reductions.

### **Office of Children and Family Services**

The Executive Budget recommends \$3.7 billion for the Office of Children and Family Services, which is a net *decrease* of \$117 million from the 2008-09 enacted budget. This decrease is the result of program funding reductions and other fiscal changes across several areas including:

- Across the board cuts of 2% and 6% in Local Assistance initiated through the enacted 2008-09 budget and the August Special Legislative Session.
- Reduction or elimination of funding for several Local Assistance contract programs.
- Reduction in State Operations General Fund for Fiscal Year 2009-10.
- Decrease in funding related to the closing of youth facility beds and program slots.
- Increase in Local Assistance entitlement funding of \$32.1 million for Child Welfare Services, Adoption Subsidies, Bridges to Health Medicaid Waiver, Medical Assistance Per Diems and Adult Protective/Domestic Violence reimbursement.

*Child Care Block Grant.* The Budget proposes over \$510 million for the Child Care Block Grant, which includes Federal, State and local funds, and is moved to the Flexible Fund for Family Services (FFFS). The TANF portion of Child Care has been included in the FFFS. In the enacted 2008-09 budget, this portion was approximately \$356 million.

*Child Welfare Services.* Funding for Child Welfare Services is extended by three years through the Executive Budget. The Budget preserves \$624 million in open-ended, uncapped funding for child welfare services (an increase of \$16.9 million) and maintains the State share at 64% for preventive and child protective services. Similarly, the local share is maintained at 36%. To achieve net savings, local districts will be asked to increase amount they spend on child welfare from their Federal Flexible Fund for Family Services (FFFS).



Savings will also be realized through the proposed elimination of the Community Optional Preventive Services (COPS) program, effective October 1, 2008. COPS services are optional services provided to children identified by OCFS as at-risk and in need of preventive services. (COPS programs will remain authorized, though without State reimbursement.)

*Foster Care Block Grant.* The Executive Budget proposes to maintain the Foster Care Block Grant at \$434 million. The Budget proposes to reduce the Human Services cost-of-living adjustment (COLA) from 3.2% to 2.2%, effective January 1, 2009, and eliminate the subsequent COLA planned for April 1, 2009. Taken together, these changes would reduce the Foster Care Block Grant by \$1.9 million. COLAs would resume April 1, 2010 and the Executive Budget recommends extending the COLA for a third year in 2012-2013.

*Youth Programs Block Grant.* The Executive Budget proposes to consolidate current youth programs and juvenile detention services funding into a \$90 million Youth Programs Block Grant, effective January 1, 2009. Under this block grant, counties are able to use funding according to local priorities and are not required to provide matching funds. This block grant now includes the following programs: Detention Services, Youth Development and Delinquency Prevention (YDDP), Special Delinquency Prevention Program (SDPP), Runaway and Homeless Youth Act (RHYA) and Alternatives to Detention and Alternatives to Residential Placement. Under this block grant, each county's Chief Executive Officer must designate a lead agency to administer and oversee funds allocated through this program. OCFS is developing an allocation formula to guide local districts on allocation of funds. This represents a reduction of \$28 million in funding for these services collectively.

*Facility Closures.* The Executive Budget proposes closures and downsizing of eight OCFS facilities by June 1, 2009, due to decline in utilization. The Executive Budget eliminates the requirement that OCFS must provide 12 months notice prior to closing a youth facility. By June 2009, the following centers will be closed: the Great Valley, Cattaraugus and Adirondack non-secure centers; Rochester and Syracuse Community Residential Homes; and the Albany, Buffalo and Syracuse evening reporting centers. The Tryon limited security center and Allen non-secure center will be downsized.

*Bridges to Health Medicaid Waiver.* The Executive Budget proposes to delay implementation of the Bridges to Health Medicaid waiver. Program slots will be maintained at current projected level of 610 total slots until 2011-2012, when remaining 2,695 slots will begin phasing in. The Budget proposes a \$6.3 million increase in funding, allocating \$16.5 million in Local Assistance funds.

*Adoption Subsidies.* The Executive Budget includes \$228 million to cover the State share of adoption subsidies for families that adopt special needs children affecting nearly 48,000 children. This is an increase of nearly \$6 million over the enacted 2008-9 budget.

*Medical Care for Foster Care.* The Executive Budget proposes to increase funding for this entitlement program by \$700,000 to \$34 million.



## FEDERATION OF PROTESTANT WELFARE AGENCIES

*SUNY/CUNY.* The Executive Budget proposes a total of \$7.4 million for the State University of New York and the City University of New York to support quality activities as well as for subsidies for low-income students.

*Advantage After School Program.* The Executive Budget proposes to decrease funding for the Advantage After School Program by \$8 million, from \$27.2 million to \$19.2 million.

*Home Visiting Program.* The Executive Budget proposes to reduce funding for this program by 25%, from levels established during the August Special Session, to \$17.5 million.

*Kinship Care Programs.* The Executive Budget reduces funding for this program by 50%, compared with levels established during the August Special Session, to \$875,000.

*Preventive Services Contracts.* The Executive Budget eliminates new funding for these contracts and repeals the Fiscal Year 2008-09 reappropriation, established at \$18.8 million during the August Special Session. The Preventive Services COLA was not recommended in the Budget.

*Child Protective / Domestic Violence Preventive Services Contracts.* The Executive Budget eliminates new funding for these contracts and repeals the Fiscal Year 2008-09 reappropriation in its entirety, which, after the August Special Session, remained at \$550,000.

*Additional Eliminated Programs.* The Executive Budget proposes to eliminate the following programs:

- Safe Alternatives for Family Enrichment (SAFE) Preventive Services Contracts (contracts will end in June 2009)
- Caseworker training: funding for training to enhance child protective services, foster care and preventive service caseworkers
- Amy Watkins caseworker education: funding for continuing education for child welfare case workers
- Caseworker ratios: reimbursement to local districts to improve child protective services staff ratios
- Portable information technology pilot

### **Office of Temporary and Disability Assistance**

The Executive Budget proposes \$5.2 billion for various economic security programs administered by the Office of Temporary and Disability Assistance (OTDA), which is an *increase* of \$261 million from the enacted 2008-09 budget. This increase is reflected in enhanced funding for the Federal Home Energy Assistance Program and reduced funding for the State Supplemental Security Income (SSI) supplementation program, among other programs.



*Public Assistance Grant.* The Executive Budget proposes to increase the non-shelter portion of the public assistance grant by 10% per year for next three years, effective March 1, 2009. The non-shelter portion is comprised of basic, home energy, and supplemental home energy allowances. At full implementation, this would result in \$96 per month increase in the basic allowance. Further, the Budget proposes a \$5-\$8 increase in 2010 supplements and authorizes an increase to the combined federal and State SSI benefit equal to the percentage of the 2010 federal COLA.

*Supplemental Security Income (SSI) State Benefit.* The Executive Budget proposes to reduce the SSI supplemental State benefit provided to aged, blind and disabled individuals but continue the pass-through of the federal cost-of-living-adjustment (COLA). Thus, total monthly SSI benefit will be between \$9 and \$34 higher than 2008 monthly amount because of 5.8% COLA to federal benefit.

*Child Support Pass-Through.* The Executive Budget continues the amount of child support payments that can be passed through to custodial parents on public assistance at \$100 per month maximum. And in January 2010, this amount will increase to \$200 for families with two or more children.

*Flexible Fund for Family Services.* The Executive Budget proposes \$1.3 billion for the Flexible Fund for Family Services.

*Local Administration Fund.* The Executive Budget proposes to eliminate General Fund support of the Local Administration Fund, replacing it with federal funding by increasing the FFFS allocation by \$310.6 million.

*SRO Funding.* The Executive Budget proposes to reduce funding for Single Room Occupancy (SRO) Supportive Services program to \$16 million, a reduction of \$4 million from the reduced levels approved through the August Special Session.

The Executive Budget maintains TANF-allocations at existing levels from the enacted 2008-09 budget for the following programs:

- Summer Youth Employment (\$35M)
- Intensive Case Management (\$3M)
- Wage Subsidy (\$4M)
- Supportive Housing for Families and Young Adults (\$5M)
- Homelessness Intervention (\$4M)

*Career Pathways.* The Executive Budget does not include new funding for the Career Pathways Program established in last year's budget, but \$2,500,000 was reappropriated in the Executive Budget. The Program begins in February 2009 and OTDA expects to be able to operate the program through 2009-2010 based on the reappropriation.



*Discontinued Funding.* The Executive Budget reduced and discontinued funding for legislative adds from last year and also discontinued funding for the following programs:

- Fatherhood Program;
- HIV Employment Programs
- Nutrition Outreach/Education Program;
- Homeless prevention contracts (although New York City's HomeBase Program will provide similar services).

***State support for civil legal services:*** The 2009-10 Executive budget proposal does not include any significant appropriations for civil legal services. For many years, funding for civil legal services programs relied almost entirely on the Interest on Lawyer Account (IOLA) funding, member items, and appropriations added by the Legislature – most notably an annual appropriation in excess of \$4 million provided by the Assembly. By contrast, the 2007-08 proposed and enacted budget included significant new funding for civil legal services for various programs administered by the Office of Court Administration, the Division of Criminal Justice Services (DCJS), the Department of State (DOS), and the Governor's Office. The 2008-09 contained \$1 million in DOS's budget, and otherwise relied upon anticipated greater revenues from IOLA. The 2009-10 Executive budget proposal does not include the appropriations from 2007-08 nor the appropriation proposed in DOS's budget in 2008-09.

The Deficit Reduction Bill proposes additional cuts to the 2008-09 enacted budget. Generally, the deficit budget bill proposes to cut funding to appropriations added by the Legislature to the 2008-09 enacted budget by fifty percent. As a result, the \$4,241,911 original appropriation for civil legal services in the enacted 2008-09 budget is reduced to \$2,139,000 for this fiscal year.

### **Department of Health**

#### **As part of the Long-term Care proposals:**

*AIDS Nursing Home Occupancy Adjustments.* Effective March 1, 2009, the Executive Budget would eliminate the occupancy factor increase currently applied to the operating component of nursing homes designated as AIDS facilities or having a discrete AIDS unit. This is estimated to save \$5 million in 2009-10 and \$5.8 million in 2010-11.

*Adult Day Health Care Transportation.* The Executive Budget would reduce adult day health care transportation rates. This is estimated to save \$11 million in 2009-10.

*AIDS Adult Day Health Care Trend.* Trend factor adjustments for AIDS Adult Day Health Care programs were set to expire on December 31, 2009. The Governor has proposed extending these trend factor adjustments permanently by aligning them with trend factors as provided for in existing law to nursing homes, diagnostic and treatment centers, home care agencies, and personal care services.



*Managed Long Term Care changes:* The Executive Budget also proposes a number of reforms relating to the reimbursement and oversight of Managed Long Term Care and PACE plans.

***As part of the Health Care Coverage and Managed Care Proposals:***

*Across the Board Rate Reductions:* The Deficit Reduction Bill would, first, eliminate the trend factor for the 2008 and 2009 rate periods for home care and personal care. The elimination of the 2008 trend for home care and personal care is estimated to save \$31.5 million and the elimination of the 2009 trend for home care and personal care is estimated to save \$42.7 million. The Deficit Reduction Bill would, further, decrease CHHA, LTHHCP, AIDS home care program and personal care rates by 1% beginning January 2009. This would become effective immediately and is estimated to save \$19.4 million in 2009-10. Effective March 1, 2009, the Executive Budget would decrease CHHA rates by an additional 3.5%, making the total reduction 4.5%, provided that, effective January 1, 2010, the decrease would revert to 1%. This is estimated to save \$14.4 million. LTHHCP, AIDS home care program and personal care rates would be increased by an additional 1.5% effective March 1, 2009, which would not revert, resulting in a permanent reduction of 2.5%. This is estimated to save \$17 million.

*CHHA and LTHHCP A&G Cap Reduction.* For calendar year 2009 and thereafter, the Deficit Reduction Bill would cap base year administrative and general costs for certified home health agencies (CHHAs) and long term home health care programs (LTHHCPs) with annual expenses in excess of \$20 million would be capped at 20% of total reimbursable base year costs. This would become effective immediately, and together with the add-on elimination described below, is estimated to save \$48.7 million in 2009-10.

*CHHA and LTHHCP Add-on Elimination.* For calendar year 2009 and thereafter, the Deficit Reduction Bill would provide that CHHA and LTHHCP rates may not include any add-ons in excess of 100% of weighted average cost. This would become effective immediately, and together with the A&G cap reduction described above is estimated to save \$48.7 million in 2009-10.

*AIDS Home Care Expenditure Cap.* The Executive Budget would provide that total monthly expenditures for persons receiving AIDS home care may not exceed 100% of the local social services district average. Where a continuing assessment of the person demonstrates a need for increased services, the local social services district may authorize: (1) the expenditure of any amount accrued to that person in the previous 12 months because the expenditures for that person did not exceed the district average; and (2) any necessary expenditure where it can be “reasonably anticipated” that total annual expenditures for that person will not exceed the cap on an annual basis. This would take effect on March 1, 2009.

*Community Based Adolescent Pregnancy and Adolescent Pregnancy Prevention Programs.* These two funding streams are combined, and continue to include the “abstinence only” money that was transferred to this program in 2007. The Article VII language gives DOH permission to subcontract the APPS portion of this funding stream back to OTDA in order to continue existing APPS contract. The Executive Budget appropriates \$11,259,000 for these programs.



***As part of the Health Care Coverage and Managed Care Proposals:***

*Carve-In Personal Care to Managed Care Benefit:* The Governor proposes including personal care services as part of the standard Medicaid managed care benefit package. Currently, personal care services, defined as the provision of some or total assistance with personal hygiene, dressing and feeding; and nutritional and environmental support, are carved out of the Medicaid managed care benefit and are provided to Medicaid managed care enrollees through the Medicaid fee-for-service program. The Governor estimates state savings of \$900,000 in fiscal year 2009. There are approximately 6,000 Medicaid beneficiaries currently enrolled in managed care plans who would now receive their personal care services through the plan rather than fee-for-service, under this proposal. Implementation date has been tentatively set for October 1, 2009.

*Expanding Managed Care to Dual-Eligibles:* The Department of Health intends to aggressively pursue the enrollment of dual eligibles in managed care plans that participate in both Medicaid and Medicare programs. The State expects \$3.0 million in savings during 2009-10 as a result of this initiative.

*Medicare Part D Wraparound.* The Executive Budget would eliminate the Medicare Part D wraparound coverage available in Medicaid for atypical antipsychotics, anti-depressants, anti-retrovirals used in the treatment of HIV/AIDS, or anti-rejection drugs used for the treatment of organ and tissue transplants. This would take effect September 1, 2009, and, together with the elimination of the Medicare Part D wraparound in the EPIC program, is estimated to save \$52.7 million in 2009-10 and \$72.5 million.