Testimony on the Proposed Fiscal Year 2012-2013 DPW Budget

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pennsylvania
DEPARTMENT OF PUBLIC WELFARE

Opening Statement
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Good morning Chairmen Adolph, Markosek, members of the House Appropriations Committee and staff. Thank you for the opportunity to discuss with you the Department of Public Welfare's budget for fiscal year 2012-2013. I would like to begin by briefly describing the governor's proposed budget in the context of the continuing economic challenges facing Pennsylvania and the nation and the unfortunate culture of dependency within the welfare system generally – a culture that government all too often unwittingly perpetuates.

In times of economic distress, when people have lost jobs or are struggling to make ends meet, it is critical that Pennsylvania maintains essential services and programs to help those most in need. Now more than ever, our societal safety net must not only protect our most vulnerable citizens, but more importantly, empower them to lead lives free of government dependence whenever possible.

The Department of Public Welfare is inundated by federal mandates and a web of program rules that make public assistance very difficult to administer, especially in lean fiscal times. Our hands are tied with the Maintenance of Effort (MOE) requirements in the federal Patient Protection and Affordable Care Act, which forces the department to maintain an unsustainable Medicaid status quo as it existed in 2008 or jeopardize losing all federal matching funds. We are focused on maintaining the safety net for Pennsylvania's most vulnerable and most in need. However, Pennsylvania taxpayers, who already pay more than 40 cents on each of their tax dollars for welfare programs, cannot sustain the continued growth of public assistance.

At last count, 5.8 million Pennsylvanians were employed and that number pays for 2.7 million of their fellow citizens who receive some form of public assistance. This ratio is a formula for failure. Public welfare was created to provide temporary assistance for most recipients and to be a last resort, not a way of life. Since 2002, the welfare budget has grown by 62 percent. Our system is broken and the cost-saving reforms made by this administration are key to ensuring its survival and preserving access to services for the truly needy.

Last year this legislature tasked DPW with a monumental job of meeting more than 50 cost containment proposals ultimately challenging us to not ask for a supplemental amount above our enacted fiscal year 2011/2012 budget. That's right we were asked to reduce our budget by over $700 million dollars. I am proud to say we are meeting this challenge; we are currently on target to achieve our 11/12 cost containment initiatives and at this time it does not look like the Department will be asking for a supplemental request above our enacted budget.

Last year this legislature also gave the department the ability for one year to implement final regulations by way of expedited rulemaking authority. The Department has used this privilege wisely and plans to enact ten regulatory reforms that will begin systematic change to our programs to slowly improve quality and reduce expenditure growth. Legislation passed last year in Act 22 also provided authority for a drug testing pilot program for convicted drug felons and

we began this pilot on January 3rd in Schuylkill County. Additional counties will be added to the pilot program in March 2012 and a plan for statewide implementation is expected in July 2012.

Reforms made to our public welfare budget also take a hard look at ending waste, fraud and abuse to ensure the funding available is used for our most needy Pennsylvania citizens. As we reform our welfare system, we will continue to search for true solutions for helping people become self-sufficient and independent, while also working towards returning to the Department's core mission to assist the neediest Pennsylvanians.

The DPW budget is growing annually by over 6.2 percent while revenues have only grown at less than 3 percent. These numbers underscore how our welfare system has become financially unsustainable and perpetuate a lifestyle of dependency. The continued growth in Medicaid enrollment alone - and subsequent Medicaid costs to the commonwealth – must be addressed if the Medicaid system is to remain viable and available to those who truly need it. In fact, without the cost containment initiatives included in last year and this year's budget, DPW's growth would have been over 9 percent.

To help achieve this long-term goal of independence and personal responsibility, the Department of Public Welfare's 2012-13 budget is focused on three core themes – (1) increased accountability, (2) stepped up efforts to stop fraud, abuse and waste, and (3) a comprehensive effort to reform the public welfare system.

Accountability: Our responsibility is to ensure that we are the best stewards of tax dollars we are given by Pennsylvania's citizens, and this is an area where the Department is doing and will do a better job. Accountability should start before people access services to ensure only those who are rightfully eligible and truly in need of services can receive them. It also means that the Department pays only for necessary services at the right time and in the right setting, ensuring these efforts through audits and strong financial management controls. We are improving.

Accountability also means ensuring high-quality services, that are cost effective and that focus on results. The majority of our programs have not been quality driven, cost effective and outcomes based. We need to, and have begun the process of, changing the way business is done by putting in place real controls to ensure taxpayer dollars are spent prudently and ensure that those served by the department receive quality care. What has been proposed in this budget is only a start towards these goals. It took many years for the system to become this broken, and it will take some time and the efforts and cooperation of many people, including members of the General Assembly, to make the systemic changes necessary so DPW can do a better job for Pennsylvanians.

In our first year we have made Program Integrity across the myriad of DPW programs a core focus in everything we do. We established an Office of Program Integrity that exists within the Secretary's office and whose main purpose is to build a world-class fraud, waste and abuse prevention system.

Preventing Fraud, Abuse and Waste. Over the years, there have been scant efforts to curb fraud, abuse and waste. The Commonwealth has had some success in recovering monies that

were improperly – and in some cases illegally – paid out, but much more should be done to prevent these payments in the first place. We need to prevent it from ever happening up front before the fraud begins; on both the provider and recipient side. Our exhaustive initiative touches every end of the department and when complete will leave no stone unturned. To date, we have achieved significant progress in less than 11 months.

Our laser like focus on Program Integrity includes:

- An exhaustive, comprehensive, and enterprise-wide **Program Integrity Initiative** to identify the policies, processes, controls, policies, technology, performance measures, and organizational structures currently in place to identify, eradicate, and monitor fraud, waste, and abuse, as well as areas we were lacking. .
- Measures to address issues with **Medical Assistance (MA) cases that had an overdue eligibility redetermination** in response to Auditor General Jack Wagner's audit recommendations. .
- Establishing a **Medical Assistance overpayment and recovery process** in collaboration with the Office of Inspector General (go-live scheduled for February 24, 2012). This will recover millions of tax payer dollars from improper payments and illegal activity.
- Recognizing the need to strengthen partnerships with other Commonwealth entities to enhance our investigation and recovery efforts, the Department is increasing collaboration and investment in the efforts of our **Office of Inspector General** – the Department's collection agency for TANF, childcare, SNAP, and MA recipient overpayments.
- Developed and implemented an **internal process to monitor EBT card usage**.
- Establishing a statewide provider audit. The Department has outsourced the auditing of 50 providers to a prequalified public accountant firm. In addition, an internal team of auditors is conducting audits on providers and will provide recommendations on improving auditing processes utilized with the outsourced audits.
- The Department is creating a Program Integrity Intake Unit to handle client applications at the moment they enter the door. This unit in our Office of Income Maintenance will be dedicated to reviewing certain applicants prior to eligibility determination. When new applicants are flagged using certain criteria, staff will refer the case to the Program Integrity Intake Unit. The Unit will investigate the application and take action as necessary prior to establishing eligibility. This will not impact our timeframe for eligibility determination.
- The Department has begun **expanding COMPASS use** across the Commonwealth. By promoting COMPASS use with MA providers, Community Action Partners, and recipients, as well as increasing use in County Assistance Offices, we are striving to increase usage to 60 percent in the next year. This shift will save almost 10 percent of staff time. This will positively impact program integrity as staff will see increased efficiency and more time available to process high risk and flagged cases.

For 2012/13 we will be stepping up our Program Integrity efforts to include:

- *Enhanced Data Exchanges**:*** DPW monitors client fraud through various "front-end" controls at the time an individual applies for, renews, or reports a change that impacts

his/her benefits. Pennsylvania currently utilizes approximately 11 enterprise data exchanges for determining client eligibility for services. These controls include data exchanges such as PARIS match, unemployment compensation match, and the national database of new hires. Unfortunately, these matches do not always happen in real-time. Our new process begins with increased matches that happen quickly and are acted on immediately which will assist in increased efficiency and more timely eligibility determinations and redeterminations.

- *Fraud, Waste and Abuse Detection and Prevention:* To bolster our prevention and detection efforts, we will be implementing a Centralized Fraud Referral Repository and using information technology to establish a real-time scoring engine. The Centralized Fraud Referral Repository provides a consolidated source for fraud, waste, and abuse referrals, facilitates their tracking, and aids in prevention. The scoring engine enables the detection and prevention of potential fraud, waste, and abuse during application/intake as well as subsequent maintenance activities so that preventive steps can be taken prior to benefit issuance. Integrating these efforts into our redesigned business processes will progress our goal of identifying, investigating, and resolving potential cases of fraud prior to determining eligibility, while leveraging technology to minimize workload impacts and gain operational efficiencies particularly in the County Assistance Offices (CAOs).

- *Service Delivery Transformation:* Ten years ago, we introduced COMPASS, our self-service solution, to our citizens and community-based organizations as a means to increase access to services. Last month, 30 percent of our recipients have taken advantage of this access channel. As part of our program integrity efforts, we are investing in expanding the adoption of COMPASS to streamline application and case processing, increase the engagement of our recipients in their path to self-sufficiency, and increase the leverage of our community-based organizations.

In the proposed fiscal year 2012-2013 budget, the Department focuses on providing the most essential services to recipients by maximizing every taxpayer dollar. The proposed budget takes steps to protect our most vulnerable populations through a number of program enhancements.

The plan proposes reforming foster care support through the Fostering Connections program by increasing the supported age of foster children from 18 to 21. The additional years of support gives these children a better chance for success in their lives. The proposal provides funding to implement an adult protective services system for physically and cognitively impaired individuals ages 18-59. Currently, the Commonwealth provides a similar system for children and older Pennsylvanians and this budget ensures these services extend to the adult age range.

Under the proposed budget, attendance and work hour requirements will be tightened to ensure the Child Care Works supplement is being used by parents who need services due to work commitments, and for children who are attending child care on a regular basis. The Department will take advantage of current technology to institute a new audit system which will be implemented to review more Medicaid claims prior to payment as opposed to post payment in order to reduce fraud and abuse.

The Department will also undertake intensive review and management of the highest-cost cases on the Medical Assistance program to ensure their health issues are being properly managed, and prevention and wellness strategies are being employed and followed. Annually, the top 3,500 Medical Assistance consumer's care cost approximately $400 million. Strategies such as the medical home and integrated care models must be examined as ways to supply better quality care to these high care-use individuals.

This budget transforms how we provide financial assistance to our counties by proposing a block grant that encompasses a number of state-funded and county administered programs. This approach gives counties the flexibility to move funding where it is needed most in their communities, reinforcing our shared belief that these services are best administered at the local level. The block grant includes:

- Mental Health Services
- Intellectual Disabilities
- County Child Welfare Special Grants
- Behavioral Health Services
- Homeless Assistance Programs
- Human Services Development Fund
- Act 152 Drug and Alcohol Program

Modifications are also proposed to Pennsylvania's General Assistance program, which provides assistance to those who do not qualify for federal programs. Pennsylvania is among a small group of states that continue to offer solely state- funded services of this kind.

The budget proposes eliminating cash assistance and tightening definitions and work requirements for Medical Assistance programs. These measures make it possible for the Commonwealth to preserve the availability of these programs for those in need in the face of limited resources.

The proposed budget also includes the following reforms:

- Expanding HealthChoices Managed Care for those on Medical Assistance to all 67 counties.
- Increasing the monthly premium rate paid by Medical Assistance for Workers with Disabilities, and tightening up loose provisions that allows recipients to avoid paying premiums.
- Instituting a reduction in provider payments for hospitals and nursing facilities.

These reforms take a hard look at ending waste, fraud and abuse to ensure the available funding is used for our most needy Pennsylvanians. While providing assistance to residents when they hit hard times, the department is also dedicated to helping everyone find a path to independent living.

The Department will focus on job placement and accountability in the employment and training programs that specialize in helping welfare recipients find work. Performance-based outcomes are used for providers to encourage positive outcomes for recipients enrolled in the program.

Many of the difficult choices in this budget could have been mitigated if more flexibility existed in the Commonwealth's ability to manage the Medicaid program. Largely because of the current "maintenance-of-effort" requirements in the federal Patient Protection and Affordable Care Act, the Department has lost the ability to make needed reforms in over three quarters of its budget. We were left with only state-funded programs and provider rates to focus on for our cost containment measures. The federal Medicaid requirements are onerous and leave states with little room to improve programs. We must remember that more than 70 percent of DPW's budget is consumed by Medicaid.

This budget preserves essential aid to those truly in need while encouraging independence and self-sufficiency that will help many break free from a long-term reliance on public assistance.

With the 2012-13 budget and the budgets in the years that follow, we must look at every potential avenue for reining in the costs of our welfare programs in Pennsylvania. Cost-containment can be done through smarter spending, targeting the right services and benefits in the right places and setting reasonable limits on how long someone can be dependent upon a certain program or service. I know that some of these reforms will not be popular, but everyone should understand that doing business as usual is not an option.

There is pain in this budget and I would not pretend otherwise. But there are also some needed and long overdue changes. There is simply no way to balance the budget this year – and in years to come – without making some fundamental changes. Thank you for your continued commitment and support of this vision.