

Overview of Governor Corbett's Proposed 2011-12 Budget for Older Pennsylvanians

CARIE prepared this overview of the Governor's proposed budget as a guide for advocates and older Pennsylvanians. Governor Corbett introduced his 2011-12 budget on March 8, 2011. The \$27.3 billion budget (\$63.6 billion when including federal funds) does not include any revenue enhancements or tax increases. The Department of Public Welfare's (DPW) budget fared better than expected overall but there are still cuts to various programs. Education was hit particularly hard with major cuts in funding. Since PA must pass a balanced budget, many believe that the legislature will look to reduce funding in DPW's budget to mitigate the loss of funding in Education. Once a budget bill is introduced, any additional cuts will become clear. The legislature has expressed interest in passing the budget by Memorial Day, well in advance of the June 30 deadline. Below are a few of the many items of interest for older Pennsylvanians in the proposed state budget.

Department of Aging

The budget does not reflect creating an Office of Long Term Living (OLTL). The future of this new collaborative effort around better coordination of long term care that began during the last administration is not clear. Right now, there is still a dual deputy that reports to both the Department of Aging and DPW but OLTL employees are now under DPW's budget. Acting Secretary Duke mentioned at the appropriations hearings that rebalancing is still high on the agenda and that 90% of Medicaid long term care funding goes toward nursing home care for older adults.

- The PENNCARE appropriation includes \$248.8 million from the lottery fund in addition to federal funding, a slight increase of \$4.2 million. This increase is to fund an additional 240 new participants in the attendant care program as well as to annualize those who have been added. All other PENNCARE services are flat funded including: Options, senior centers, and home delivered meals.
- Funding for the Family Caregiver Support Program remains the same and continues to be supplemented with \$10 million in federal funding.
- The Pre-Admission Assessment program is flat funded.
- Pharmaceutical assistance (PACE/PACENET) has a \$50 million increase compared to this fiscal year.
- Alzheimer's outreach is level funded.
- The Property Tax and Rent Rebate program is decreased by \$1.3 million based on projections of a decline in participation.
- The Department of Transportation proposes \$168.6 million budget for senior transit programs reflecting a decrease of \$2.5 million for shared ride and an increase of \$1.4 million for the free transit program.

Department of Public Welfare (DPW)

Governor Corbett proposes \$11.2 billion in state funding for DPW's 2011-12 budget. There is an increase in state funds to help compensate for the loss of federal stimulus funding. Acting Secretary Alexander also expressed an interest in rebalancing efforts as well as a focus on consumer directed care. He also stated that he doesn't plan to explore federal funding opportunities to states related to rebalancing efforts offered through health care reform.

- The three areas of the long term care (LTC) appropriation include nursing facilities, the Aging Waiver, and the LIFE Program. The LTC General Fund appropriation increased by about \$547 million over this year's budget to help compensate for the loss of federal stimulus funding, tobacco funds and Intergovernmental Transfer funds.
- The budget includes a global initiative called Rebalancing Long Term Living System. This will result in General Fund savings of approximately \$18.2 million, by "improved service coordination, revised reimbursement rates and reporting requirements, and expanding consumer directed care.
- There is also a Smart Purchasing initiative to adjust nursing facility payments estimated to save the General Fund almost \$23 million and \$5.4 million in savings through a Program Integrity savings initiative to expand the nursing facility audit program.
- Of particular concern is that there is no projected increase in the number of Aging Waiver slots for 2011-12.
- The Human Services Development Fund has been eliminated, although during the budget hearings many legislators expressed concern about the loss of this fund.
- During the appropriations hearings, Acting Secretary Alexander commented that he does not intend to apply for an Assisted Living Waiver but will explore other options to provide Medicaid funding for assisted living.

Department of Health

- The proposed budget increases funding for Quality Assurance by almost \$1.7 million. This line item includes services such as surveys and inspections of health care facilities and home care agencies.
- The PA Chronic Care Initiative that was housed in the Office of Health Care Reform is being moved to the Department of Health.

Tobacco Settlement Fund

Governor Corbett's proposal for the Tobacco Settlement Fund is both complicated and controversial. The Department of Aging's budget narrative (page E7.6) states: "The budget proposes to deposit the Tobacco Master Settlement Agreement directly into the General Fund beginning in 2011-12. Funding previously provided to the Department of Aging for Home and Community-Based Services from the Tobacco Fund is recommended to be appropriated from the

Lottery Fund. The Lottery Fund increase will be offset by a decrease in the Lottery Fund Medical Assistance-Long-Term Care appropriation in the Department of Public Welfare.”

The Tobacco Settlement Fund was established by Act 77 of 2001 for the deposit and distribution of money received from the Tobacco Master Settlement Agreement. Act 77 created allocation percentages for appropriating the annual tobacco payments to designated health related programs. The amount of tobacco funds allocated is based on payments received in the previous year. Governor Corbett proposes to have the tobacco settlement funds deposited into the General Fund that will then be appropriated by the legislature. Tobacco funds will no longer be based on actual payments received in the previous year but will be based on anticipated payments. The Governor’s proposed budget will essentially double the tobacco funds included in the budget, i.e. the actual funds received this year (\$360 million) and the projected funds expected next year (\$338 million).

Tobacco funds supported two Lottery Fund programs, Pharmaceutical Assistance and Home and Community Based Services. Lottery Funds will now be used to replace the tobacco funds to avert a cut to these programs. To ensure solvency of the Lottery Fund, the Lottery Fund will divert less funding to DPW for Medical Assistance Long Term Care.

Another controversial aspect of the proposal is the creation of a new Liberty Loan Fund in the Department of Community and Economic Development that will receive \$220 million from the 2010/11 tobacco payments. The Liberty Loan Fund is to help support businesses and does not appear to be health related.

4/6/11