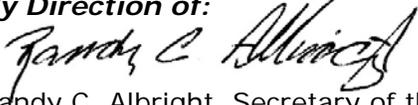


# Administrative Circular

## Commonwealth of Pennsylvania Governor's Office

17-02  
Number

<b>Subject:</b> 2017-18 Budget Hearing Materials	<b>Date:</b> January 27, 2017
<b>By Direction of:</b>  Randy C. Albright, Secretary of the Budget	<b>Expiration Date:</b> January 27, 2018
<b>Contact Agency:</b> Governor's Budget Office, Bureau of Budget Administration, Telephone 717.787.2542	

**Agencies must provide budget hearing materials to the House and Senate Appropriations Committees prior to budget hearings. All materials must reflect the decisions contained in the Governor's 2017-18 Executive Budget.**

Attached is a reproduction of a request received from the Senate and House Appropriations Committees. Unless otherwise indicated in the attachment, all requested materials must be compiled and submitted directly to each committee no later than 10 days before an agency's scheduled hearing. Agencies should review the attached letter carefully and note the following:

1. The emphasis on and the request for information regarding agency program goals/objectives, measures, performance, and effectiveness.
2. The formats requested by the committees for operating and program appropriations are attached to the letter.
3. A total of **48** copies of the hearing material are required by the House of Representatives. The Senate requires **42** copies. Listings of contracts/grants may be submitted solely in electronic format.
4. Agencies not scheduled for a hearing before the appropriations committees must submit the required information to the committees by **March 10, 2017**.
5. In addition to the paper copies due prior to the hearings; provide by **March 10, 2017**, an electronic list of contracts and grants in excess of \$5,000 that allows the user to search and sort by categories and groupings.

In response to Item 8 in the letter requesting templates for budget information, the Governor's Budget Office will provide information to agencies for their review.

**Also, agencies have been asked to provide the status of pending litigation. This information will be provided to the committees by the Office of General Counsel and the Office of the Budget. Agencies should not include this information with the budget hearing materials.**

As indicated, Request for Approval of Federal Funds (RAFF) forms are to be packaged separately and submitted with the hearing materials. Dollar amounts for 2017-18 should agree with the amounts printed in the Governor's Budget. If revisions to the Governor's Budget estimate for a federal appropriation are necessary, agencies must notify the Governor's Budget Office. Identify the appropriation title, the Governor's Budget estimate, the revised estimate, and the reason for the change in a memorandum to the Governor's Budget Office accompanying the Budget Office's copies of the RAFFs. All copies of the RAFFs must be clear and legible. Incomplete forms and illegible copies may be returned to the agency or not processed.

One additional copy of all hearing materials, plus one set of the RAFF forms, are to be submitted to the Governor's Budget Office **three days prior** to submission to the committees. Supplemental material requested by any of the committee chairmen is to be submitted to all four chairmen and the Governor's Budget Office. The committees have asked that all supplemental information requested during the agency hearings be supplied no later than five workdays following the day of the agency hearing.

Agencies will be notified by the committees of their individual hearing date, time, and location. Preparation of the historical data should begin immediately, along with any other data that can be assembled at this time. However, before completing the briefing package, each agency should thoroughly familiarize itself with the proposed amounts, policies and initiatives in the Governor's 2017-18 Executive Budget.

Incomplete information makes timely and thorough analysis difficult; therefore, incomplete or improper submissions may be returned for resubmission. Please give this request for material top priority and the appropriations committees your utmost cooperation.

Attachment:

Letter – House and Senate Appropriations Committees and Attachments



January 12, 2017

Honorable Randy Albright  
Secretary of the Budget  
238 Main Capitol Building  
Harrisburg, PA 17120

Dear Secretary Albright:

In order to ensure that taxpayer dollars are invested wisely and directed to those programs providing the greatest return on that investment, we will approach the upcoming budget with the intent of targeting spending to programs that produce demonstrated results. We will carefully examine programs to determine where need or performance and results do not warrant the continued expenditure of state funds. As part of that effort, we request that agencies provide detailed program performance information and data in their budget presentations. Such information should be based on materials already developed by agencies in preparing their budget requests or budget justifications.

We understand that each cabinet officer or official asked to appear before the Appropriations Committees is subject to many demands on their time. We ask you to understand that the same is true for the members of the House and Senate Appropriations Committees and to make every effort to ensure that your cabinet members are available to testify on the date and time designated in the House and Senate appropriations hearing schedules. Deviation from the established schedule has a ripple effect which makes the coordination of hearing times extremely difficult.

Below is a detailed list of the information that must be submitted ten days prior to the budget hearing for each agency. All hearing material should also be available in electronic format and be accessible on the Budget Office FTP server. Those agencies that are not scheduled for a hearing should submit the information no later than March 10, 2017. Forty-eight (48) copies should be prepared for the House Appropriations Committee and forty-two (42) copies for the Senate Appropriations Committee. Listings of contracts can be submitted solely in electronic format. Each agency head must also submit an electronic copy of the agency's budget request to each committee.

- (1) **Table of Contents:** All hearing materials should have a table of contents, which refers to numbered pages in the document.
- (2) **Mission Statement:** Each agency should articulate its fundamental mission and identify the operational priorities reflected in its budget request. The mission statement should communicate the agency's mission; outline the agency's goals and objectives; and briefly describe the agency's strategies and methods for achieving such goals and objectives.

- (3) **Appropriations:** The description of each program should include how the request was computed, what goals/objectives are to be achieved with the funds, and quantifiable information on which program performance can be gauged. Please include all of the statutory authority that established the program and authorizes the expenditure of funds. New programs or expanded programs should be explained in detail, identifying the objective, the cost implications, personnel requirements and how the impact of the program will be measured and evaluated. Please note, in an appropriation where no funding is proposed for FY 2017-18, agencies must still provide the preceding information for fiscal years 2015-16 and 2016-17. In addition, each Agency should:
- (a) Provide a detailed explanation of all assumptions used in the development of the appropriations request including assumptions related to complement, operating, fixed asset and grant and subsidy expenditures.
  - (b) Identify any FY 2015-16 obligations (including dollar amounts) rolled forward to FY 2016-17 and any FY 2016-17 obligations (including dollar amounts) proposed to be rolled forward to FY 2017-18.
  - (c) Identify the amount of any prior-year appropriations waived pursuant to Act 146 of 1980 and Management Directive 310.3 and the intended use of those funds.
  - (d) For all current and prior-year operating appropriations please indicate any amounts that will remain unencumbered and unexpended as of June 30, 2017, including funding currently in Budgetary Reserve or Pending Lapse in the Commonwealth's accounting system.
  - (e) Identify any appropriations for which a FY 2016-17 supplemental appropriation is needed and provide an explanation for the need. Please provide a dollar amount and date when the current appropriation will be exhausted.
  - (f) If funds have been placed in budgetary reserve for FY 2016-17, please indicate if these funds have been restored in FY 2017-18 and provide an explanation/justification for the restoration.
  - (g) Identify cost savings, including GO TIME initiatives, which are part of the budget request and provide a description of the impact of the proposed program funding changes.
  - (h) Provide special fund financial statements and budgetary detail for each special fund which requires an appropriation or executive authorization in both hard copy and electronic format. Statements provided in electronic format should be in Excel with formulas where calculations occur. Budgetary detail should be provided for the actual, available, budget and budget planning years. As an example of how this information should be presented, we have attached a financial statement and budget detail for the PACE fund.
  - (i) Agencies should also provide the status of pending litigation and potential federal disallowances related to programs they administer and include the potential to impact the Commonwealth's fiscal position along with a brief description of each instance.
  - (j) For each appropriation with complement, provide an aggregate calculation of benefit costs as a percentage of salary costs for the actual, available and budget years.

As an example of how agencies should present their appropriations requests, we have enclosed several pages from the Department of Human Services' FY 2016-17 budget book. **Agencies that do not follow the requested format will have their information returned, and agency funding needs will not be considered until information is presented in the requested manner.**

- (4) ***Federal Augmentations:*** The Request for Approval of Federal Funds Form (RAFF) should be filled out for each augmentation that is requested for the FY 2017-18 budget. One copy of each form is to be provided to each executive director. The forms should be packaged by agency and should be submitted with the rest of an agency's presentation. As in the past, it is our intention to use this form throughout the year for all requested additions, deletions, or changes to the Federal Augmentations Appropriations Act.
- (5) ***Restricted Receipt Accounts:*** Provide a list of all restricted receipt accounts which will be necessary in the State Treasury. Also provide justification for each restricted receipt account including a RAFF form for federal restricted receipt accounts.
- (6) ***Federal Block Grants:*** Each agency should provide a spending plan of how they would like block grant money appropriated and of each programmatic area (including administration) within those appropriations. These spending plans should be provided in comparable format for state fiscal years 2015-16, 2016-17 and 2017-18. In addition, for fiscal year 2017-18 each agency should provide detail on the qualifying activities that may be funded with federal block grants and justify the activities it is proposing to fund with the federal block grants. Each agency should also describe the types of organizations, public or private, eligible to provide block grant services.
- (7) ***Contracts/Grants:*** Provide an electronic list of contracts/grants in excess of \$5,000 that includes the dollar value, the appropriation that funds it, the name, general location, and in the event that a trade or corporate name is used, list the trade or corporate name and principals. Provide the purpose of each contract, including contracts for the provision of consulting services. In addition, please provide a separate electronic list of interagency agreements. The list of contracts/grants should be for the entire 2015-16 fiscal year, the 2016-17 fiscal year to date, anticipated contracts for the remaining portion of the 2016-17 fiscal year and, where possible, a list of anticipated contracts for fiscal year 2017-18. Within the electronic format, users should be able to search and sort by categories and groupings. An example from the Department of Military and Veterans Affairs' FY 2016-17 materials is attached. This information should be available via the Budget Office's FTP server no later than March 10, 2017, for those agencies not scheduled for a hearing. Please note, in an appropriation where no funding is proposed for FY 2017-18, agencies must still submit a list of contracts and grants for fiscal years 2015-16 and 2016-17.
- (8) ***Templates:*** In addition to the written material being requested from each agency, please provide one copy of the appropriation summary, complement summary, major object summary, special fund financial statements, and special fund appropriation budgets. Please provide this information in detailed computer files in Excel format for each appropriation or special fund and submit via the Budget Office's FTP server. **All Excel files should contain formulas rather than values in cells where calculations occur.** Please provide a detailed explanation of all assumptions used in the development of the appropriation request including assumptions related to complement, operating, fixed asset and grant and subsidy expenditures.

All templates submitted via the FTP server must be in Excel format and must reflect and support the expenditure levels contained in the Governor's Budget submitted to the General Assembly on February 7, 2017. In addition, templates must permit the Appropriations Committees to update the data contained therein to reflect subsequent changes in complement, payroll, benefit rates and factors, retirement rates, etc. All data should be accessible on the FTP server no later than March 10, 2017.

Incomplete information makes timely and thorough analysis of the budget difficult. Please impress upon the various Agency Heads the necessity of complying with the format outlined and advise them that incomplete or improper submissions will be returned for resubmission. **For all materials that are provided in electronic format, please ensure that the materials are readable before forwarding to the committees.**

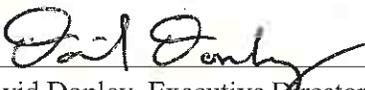
Additional items of information may be requested under separate letter from either the Majority or Minority Chairman of the Appropriations Committees as well as by individual members and staff during the committees' hearings.

Since much of the information requested relates to appropriation decisions for the coming fiscal year, all requests for information made by committee members or staff during a hearing must be supplied to the committee chairman no later than five working days following the agency's hearing.

In those exceptional cases when an agency believes it cannot comply with a particular request within the allotted time period, a letter justifying the need for additional time (including an alternate delivery date) must be supplied to the committee chairman during the initial five working day period.

Sincerely,

  
\_\_\_\_\_  
Greg Jordan, Executive Director  
Senate Appropriations Committee (R)

  
\_\_\_\_\_  
David Donley, Executive Director  
House Appropriations Committee (R)

  
\_\_\_\_\_  
Mark Mekilo, Executive Director  
Senate Appropriations Committee (D)

  
\_\_\_\_\_  
Miriam A. Fox, Executive Director  
House Appropriations Committee (D)

- \*Attachments: Format for Financial Statements – PACE Fund Example  
Format for Justification – Department of Human Services Example  
Format for Contract and Grant Lists – Department of Military and Veterans Affairs Example

**Pharmaceutical Assistance Fund  
Financial Statement  
FY 2016-17 Update**

	2014-15 Actual	2015-16 Update	2016-17 Budget	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
<b>Beginning Balance</b>	\$ 75,386	\$ 50,477	\$ 18,220	\$ 20,508	\$ 21,376	\$ 22,333	\$ 21,933
<b>Receipts:</b>							
Transfer from Lottery Fund	\$ 155,000	\$ 175,000	\$ 205,000	\$ 210,000	\$ 210,000	\$ 210,000	\$ 210,000
Transfer from Tobacco Fund	0	0	0	0	0	0	0
Interest	335	91	91	91	91	91	91
Retire & Replacement Cks	0	0	0	0	0	0	0
Chronic Renal Disease	5,283	6,240	6,240	6,240	6,240	6,240	6,240
Special Pharmaceuticals	38,110	52,602	35,233	40,466	46,170	52,387	59,165
State Workers Insurance Fund	0	0	0	0	0	0	0
Auto Cat Claims Processing	967	990	990	990	990	990	990
Wrkrs Comp Claims Processing	3,039	3,315	3,315	3,315	3,315	3,315	3,315
Corrections	0	0	0	0	0	0	0
Prior Year Lapse		0					
Other	3,609	282	0	0	0	0	0
<b>Total receipts</b>	<b>206,343</b>	<b>238,520</b>	<b>250,869</b>	<b>261,102</b>	<b>266,806</b>	<b>273,023</b>	<b>279,601</b>
<b>Total Funds Available</b>	<b>\$ 281,729</b>	<b>\$ 288,997</b>	<b>\$ 269,089</b>	<b>\$ 281,610</b>	<b>\$ 288,182</b>	<b>\$ 295,356</b>	<b>\$ 301,734</b>
<b>Expenditures:</b>							
<b>Current exec auth</b>							
Comprehensive Program	\$ 66,092	\$ 66,589	\$ 62,535	\$ 61,804	\$ 59,149	\$ 57,666	\$ 55,851
PACENET Program	\$ 95,368	108,554	113,990	120,895	123,462	126,301	128,355
<b>Contracted services</b>	<b>\$ 161,460</b>	<b>\$ 175,143</b>	<b>\$ 176,525</b>	<b>\$ 182,699</b>	<b>\$ 182,611</b>	<b>\$ 183,967</b>	<b>\$ 184,206</b>
Administration	21,611	25,451	25,978	26,224	26,224	26,224	26,224
Comptroller	0	0	0	0	0	0	0
Treasury	0	0	0	0	0	0	0
Vouchers Payable in Transit							
<b>Prior exec auth</b>							
Contracted services	2,538	4,376	0	0	0	0	0
Administration	1,827	2,360	0	0	0	0	0
Comptroller	0	0	0	0	0	0	0
Treasury							
<b>Restricted receipts</b>							
Payroll deductions	0	0	0	0	0	0	0
<b>Restricted revenue</b>							
Chronic Renal Disease	5,460	6,240	6,240	6,240	6,240	6,240	6,240
Special Pharmaceutical	33,936	52,602	35,233	40,466	46,170	52,387	59,165
State Workers Insurance Fund	0	0	0	0	0	0	0
Auto Cat Claims Processing	988	990	990	990	990	990	990
Wrkrs Comp Claims Processing	3,169	3,315	3,315	3,315	3,315	3,315	3,315
AG Settlements/L-CAP Program	263	300	300	300	300	300	300
<b>Reserve</b>							
Chronic Renal Disease	0	0	0	0	0	0	0
Special Pharmaceutical	0	0	0	0	0	0	0
<b>Total expenditures</b>	<b>231,252</b>	<b>270,777</b>	<b>248,581</b>	<b>260,234</b>	<b>265,850</b>	<b>273,423</b>	<b>280,440</b>
<b>Ending Balance</b>	<b>\$ 50,477</b>	<b>\$ 18,220</b>	<b>\$ 20,508</b>	<b>\$ 21,376</b>	<b>\$ 22,333</b>	<b>\$ 21,933</b>	<b>\$ 21,295</b>

- This is a cash basis financial statement and does not tie to the Statement of Cash Receipts and Disbursements.



**DHS BUDGET REQUEST FOR FY 2016-2017**  
(\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. A3.4, A3.6-8, C1.9, E30.1, E30.3, E30.13, I5, A1.14,  
A1.16, E19.1-3, E30.22, H50

**APPROPRIATION:**  
General Government Operations

**I. SUMMARY FINANCIAL DATA**

	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted
<b>State Funds</b>	\$76,513	\$93,124 <sup>1</sup>	\$97,065
<b>Federal Funds Total</b>	\$75,874	\$88,471	\$94,865
<b>Federal Sources Itemized</b>			
<i>Child Welfare Services-Administration</i>	\$1,039	\$1,042	\$1,042
<i>Child Welfare-Title IV-E-Administration</i>	\$5,567	\$5,679	\$5,319
<i>CCDFBG-Administration</i>	\$16,723	\$21,840	\$22,895
<i>Medical Assistance-Administration</i>	\$22,781	\$27,379	\$30,728
<i>TANFBG-Administration</i>	\$8,123	\$8,810	\$8,810
<i>Food Stamps-Administration</i>	\$5,864	\$7,437	\$9,443
<i>Development Disabilities-Basic Support</i>	\$4,121	\$4,253	\$4,258
<i>Refugees and Persons Seeking Asylum-Administration</i>	\$1,953	\$2,106	\$2,307
<i>Disabled Education-Administration</i>	\$600	\$708	\$817
<i>MHSBG-Administration</i>	\$461	\$539	\$539
<i>SSBG-Administration</i>	\$325	\$325	\$325
<i>Community Based Family Resource and Support-Admin</i>	\$689	\$689	\$689
<i>Early Head Start Expansion Program</i>	\$6,962	\$6,962	\$6,962
<i>MCH-Administration</i>	\$120	\$161	\$183
<i>Early Learning Challenge Grant-Administration</i>	\$546	\$541	\$548
<b>Other Funds Total</b>	\$11,224	\$7,574	\$10,787
<b>Other Fund Sources Itemized</b>			
<i>Training Reimbursement</i>	\$457	\$457	\$457
<i>Child Abuse Reviews</i>	\$9,962	\$6,574	\$9,526
<i>Miscellaneous Reimbursements</i>	\$230	\$44	\$229
<i>Adam Walsh Clearance</i>	\$575	\$499	\$575
<b>Total</b>	\$163,611	\$189,169	\$202,717

**IA. REQUESTED SUPPLEMENTALS (Included above)**

<b>State Funds</b>	\$3,674
<b>Federal Funds Total</b>	\$0
<b>Total</b>	\$3,674

<sup>1</sup> Reflects a recommended supplemental appropriation of \$3.674 million. Appropriation Act 10-A of 2015 provided \$89.450 million for this program in Fiscal Year 2015-2016.

II. DETAIL BY MAJOR OBJECT (\$ Amounts in Thousands)		APPROPRIATION: General Government Operations			
SUMMARY (General Government Operations, Direct Federal Grants and Restricted Revenue)					
	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
State Funds	\$50,234	\$75,775	\$79,076	\$3,301	4.36%
Federal Funds	\$53,171	\$57,539	\$62,295	\$4,756	8.27%
Other Funds	\$9,737	\$6,999	\$9,732	\$2,733	39.05%
<b>Total Personnel</b>	<b>\$113,142</b>	<b>\$140,313</b>	<b>\$151,103</b>	<b>\$10,790</b>	<b>7.69%</b>
<b>OPERATING</b>					
State Funds	\$25,559	\$16,559	\$17,149	\$590	3.56%
Federal Funds	\$10,137	\$20,222	\$21,460	\$1,238	6.12%
Other Funds	\$1,487	\$575	\$1,055	\$480	83.48%
<b>Total Operating</b>	<b>\$37,183</b>	<b>\$37,356</b>	<b>\$39,664</b>	<b>\$2,308</b>	<b>6.18%</b>
<b>FIXED ASSETS</b>					
State Funds	\$25	\$45	\$45	\$0	0.00%
Federal Funds	\$0	\$9	\$9	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Fixed Assets</b>	<b>\$25</b>	<b>\$54</b>	<b>\$54</b>	<b>\$0</b>	<b>0.00%</b>
<b>GRANT &amp; SUBSIDY</b>					
State Funds	\$695	\$745	\$795	\$50	6.71%
Federal Funds	\$10,701	\$10,701	\$10,701	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Grant &amp; Subsidy</b>	<b>\$11,396</b>	<b>\$11,446</b>	<b>\$11,496</b>	<b>\$50</b>	<b>0.44%</b>
<b>NONEXPENSE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Nonexpense</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>BUDGETARY RESERVE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Budgetary Reserve</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>UNCOMMITTED</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Uncommitted</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>EXCESS FEDERAL</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$1,865	\$0	\$400	\$400	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Other</b>	<b>\$1,865</b>	<b>\$0</b>	<b>\$400</b>	<b>\$400</b>	<b>0.00%</b>
<b>TOTAL FUNDS</b>					
State Funds	\$76,513	\$93,124	\$97,065	\$3,941	4.23%
Federal Funds	\$75,874	\$88,471	\$94,865	\$6,394	7.23%
Other Funds	\$11,224	\$7,574	\$10,787	\$3,213	42.42%
<b>Total Funds</b>	<b>\$163,611</b>	<b>\$189,169</b>	<b>\$202,717</b>	<b>\$13,548</b>	<b>7.16%</b>

II. DETAIL BY MAJOR OBJECT (\$ Amounts in Thousands)		APPROPRIATION: General Government Operations			
General Government Operations (Excludes Direct Federal Grants and Restricted Revenue)					
	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
State Funds	\$50,234	\$75,775	\$79,076	\$3,301	4.36%
Federal Funds	\$42,681	\$41,699	\$45,163	\$3,464	8.31%
Other Funds	\$9,737	\$6,999	\$9,732	\$2,733	39.05%
<b>Total Personnel</b>	<b>\$102,652</b>	<b>\$124,473</b>	<b>\$133,971</b>	<b>\$9,498</b>	<b>7.63%</b>
<b>OPERATING</b>					
State Funds	\$25,559	\$16,559	\$17,149	\$590	3.56%
Federal Funds	\$0	\$9,770	\$11,010	\$1,240	12.69%
Other Funds	\$1,487	\$575	\$1,055	\$480	83.48%
<b>Total Operating</b>	<b>\$27,046</b>	<b>\$26,904</b>	<b>\$29,214</b>	<b>\$2,310</b>	<b>8.59%</b>
<b>FIXED ASSETS</b>					
State Funds	\$25	\$45	\$45	\$0	0.00%
Federal Funds	\$0	\$9	\$9	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Fixed Assets</b>	<b>\$25</b>	<b>\$54</b>	<b>\$54</b>	<b>\$0</b>	<b>0.00%</b>
<b>GRANT &amp; SUBSIDY</b>					
State Funds	\$695	\$745	\$795	\$50	6.71%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Grant &amp; Subsidy</b>	<b>\$695</b>	<b>\$745</b>	<b>\$795</b>	<b>\$50</b>	<b>6.71%</b>
<b>NONEXPENSE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Nonexpense</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>BUDGETARY RESERVE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Budgetary Reserve</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>UNCOMMITTED</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Uncommitted</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>EXCESS FEDERAL</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$1,716	\$0	\$400	\$400	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Other</b>	<b>\$1,716</b>	<b>\$0</b>	<b>\$400</b>	<b>\$400</b>	<b>0.00%</b>
<b>TOTAL FUNDS</b>					
State Funds	\$76,513	\$93,124	\$97,065	\$3,941	4.23%
Federal Funds	\$44,397	\$51,478	\$56,582	\$5,104	9.91%
Other Funds	\$11,224	\$7,574	\$10,787	\$3,213	42.42%
<b>Total Funds</b>	<b>\$132,134</b>	<b>\$152,176</b>	<b>\$164,434</b>	<b>\$12,258</b>	<b>8.06%</b>

II. DETAIL BY MAJOR OBJECT (\$ Amounts in Thousands)		APPROPRIATION: General Government Operations			
Direct Federal Grants and Restricted Revenue (Excludes General Government Operations)					
	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$10,490	\$15,840	\$17,132	\$1,292	8.16%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Personnel</b>	<b>\$10,490</b>	<b>\$15,840</b>	<b>\$17,132</b>	<b>\$1,292</b>	<b>8.16%</b>
<b>OPERATING</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$10,137	\$10,452	\$10,450	(\$2)	-0.02%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Operating</b>	<b>\$10,137</b>	<b>\$10,452</b>	<b>\$10,450</b>	<b>(\$2)</b>	<b>-0.02%</b>
<b>FIXED ASSETS</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Fixed Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>GRANT &amp; SUBSIDY</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$10,701	\$10,701	\$10,701	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Grant &amp; Subsidy</b>	<b>\$10,701</b>	<b>\$10,701</b>	<b>\$10,701</b>	<b>\$0</b>	<b>0.00%</b>
<b>NONEXPENSE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Nonexpense</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>BUDGETARY RESERVE</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Budgetary Reserve</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>UNCOMMITTED</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$0	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Uncommitted</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>EXCESS FEDERAL</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$149	\$0	\$0	\$0	0.00%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Other</b>	<b>\$149</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<b>TOTAL FUNDS</b>					
State Funds	\$0	\$0	\$0	\$0	0.00%
Federal Funds	\$31,477	\$36,993	\$38,283	\$1,290	3.49%
Other Funds	\$0	\$0	\$0	\$0	0.00%
<b>Total Funds</b>	<b>\$31,477</b>	<b>\$36,993</b>	<b>\$38,283</b>	<b>\$1,290</b>	<b>3.49%</b>

**APPROPRIATION:**  
General Government Operations

III. HISTORY OF LAPSES (\$ Amounts in Thousands)	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016 Estimated</u>
State Funds	\$1,153	\$0	\$0

IV. COMPLEMENT INFORMATION	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>2016-2017 Budgeted</u>
<b>State/Federally Funded</b>			
<i>Authorized</i>	1,054	1,237	1,288
<i>Filled</i>	949	979	979
<b>Federally Funded</b>			
<i>Authorized</i>	114	177	177
<i>Filled</i>	89	134	134
<b>Other Funded</b>			
<i>Authorized</i>	0	0	0
<i>Filled</i>	0	0	0
<b>Total</b>			
<i>Authorized</i>	1,168	1,414	1,465
<i>Filled</i>	1,038	1,113	1,113
<b>Benefit Rate</b>	65.60%	74.80%	83.15%

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

**Derivation of Request:**

The Fiscal Year 2016-2017 Governor's Executive Budget authorizes 1,288 positions, an increase of 51 positions from Fiscal Year 2015-2016. This increase reflects 39 new positions in the Office of Children, Youth, and Family and 12 transferred positions from E-Health Partnership. The Federally funded complement authorizes 177 positions, unchanged from the Fiscal Year 2015-2016 Request.

**Legislative Citations:**

Title 62 P.S. § 101; 71 P.S. § 61

**Disbursement Criteria:**

This appropriation funds the administrative structure for all programs in the Department of Human Services. Supported functions include formulation of policies, planning, monitoring, analysis and evaluation of programs. Disbursements are made based on approved positions and established employee benefits and through invoices for operating expenses and fixed assets.

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: General Government Operations			
	State \$	Federal \$	Other \$	Total \$
<b>PERSONNEL</b>				
1. Net impact of changes in number of filled salary positions, change in vacant and leave without pay positions, average bi-weekly, funded pay periods and other personnel costs from Fiscal Year 2015-2016:	\$670	\$343	\$0	\$1,013
2. Provides for a salary adjustment factor, which includes the annualization of a January 1, 2016 step increase (excludes associated benefit costs) offset by a turnover rate:	\$671	\$344	\$0	\$1,015
3. Provides for an increase in the total cost of employee benefits primarily due to an increase in retirement rates:	\$3,073	\$1,574	\$0	\$4,647
4. Reflects a decrease in wage and overtime expense:	(\$453)	(\$232)	\$0	(\$685)
5. Reflects an increase in available augmenting revenue:	(\$2,733)	\$0	\$2,733	\$0
6. Reflects an increase of 39 positions for the Office of Children, Youth, and Families' Division of Operations. These positions are for the Clearance Verification Unit to improve ChildLine processing. The volume of clearance applications received had increased by over 135 percent from January to June 2015. Replacing temporary staff with full-time staff creates a more stable and trained workforce:	\$1,416	\$192	\$0	\$1,608
7. Provides for the transfer of 12 positions from eHealth Partnership to the Department of Human Services:	\$950	\$950	\$0	\$1,900
8. Provides for an increase in personnel expense associated with the Federal Refugees and Persons Seeking Asylum-Administration grant, which reflects funding for two additional staff transferred from the Department of Health in Fiscal Year 2015-2016:	\$0	\$201	\$0	\$201
9. Provides for an increase in personnel expense associated with the Federal Developmental Disabilities Basic Support-Administration grant:	\$0	\$5	\$0	\$5
10. Provides for an increase in personnel expense associated with the Federal Mental Health Services Block Grant-Administration:	\$0	\$2	\$0	\$2
11. Provides for an increase in personnel expense associated with the Federal Early Childhood Home Visiting Program:	\$0	\$22	\$0	\$22
12. Provides for an increase in personnel expense associated with the Federal Early Learning Challenge Grant-Administration:	\$0	\$7	\$0	\$7
13. Provides for an increase in personnel expense associated with the Federal Child Care Development Fund Block Grant-Administration:	\$0	\$1,055	\$0	\$1,055
14. Reflects changes in the Federal earnings rate:	(\$293)	\$293	\$0	\$0
<b>Subtotal Personnel</b>	<b>\$3,301</b>	<b>\$4,756</b>	<b>\$2,733</b>	<b>\$10,790</b>

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: General Government Operations			
	State \$	Federal \$	Other \$	Total \$
<b>OPERATING</b>				
1. Provides for an increase in rent of real estate, partially due to the move of Department of General Services Annex Staff to new locations:	\$177	\$256	\$0	\$433
2. Provides for travel and training expenses mainly associated with training on the Office of Administration's human resources system:	\$303	\$0	\$0	\$303
3. Reflects an increase in specialized services primarily for Bureau of Hearings and Appeals contract staff:	\$772	\$395	\$0	\$1,167
4. Reflects an increase in legal services mainly in the Office of Children, Youth and Families for FBI clearances and Pennsylvania State Police clearances:	\$330	\$0	\$0	\$330
5. Reflects an increase in postage mainly in the Office of Children Youth and Families due to increased clearance check activity:	\$261	\$0	\$0	\$261
6. Reflects changes in other operating expenses:	(\$186)	\$0	\$0	(\$186)
7. Reflects an increase in available augmenting revenue:	(\$480)	\$0	\$480	\$0
8. Reflects changes in available Federal revenue to offset administrative costs in Fiscal Year 2016-2017:	<u>(\$587)</u>	<u>\$587</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Operating	\$590	\$1,238	\$480	\$2,308
<b>GRANTS AND SUBSIDIES</b>				
1. Reflects increase in Guardianship Act payments to Counties for legal expenses associated with mandatory data collections:	<u>\$50</u>	<u>\$0</u>	<u>\$0</u>	<u>\$50</u>
Subtotal Grants and Subsidies	\$50	\$0	\$0	\$50
<b>EXCESS FEDERAL</b>				
1. Reflects excess Federal spending authority in Fiscal Year 2016-2017:	<u>\$0</u>	<u>\$400</u>	<u>\$0</u>	<u>\$400</u>
<b>TOTAL</b>	<u>\$3,941</u>	<u>\$6,394</u>	<u>\$3,213</u>	<u>\$13,548</u>

## DETAIL OF DIRECT FEDERAL GRANTS

(\$ Amounts in Thousands)

	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted
<b>Direct Federal Grants</b>			
Refugees and Persons Seeking Asylum-Administration	\$1,953	\$2,106	\$2,307
Development Disabilities-Basic Support	\$4,121	\$4,253	\$4,258
MHSBG-Administration	\$363	\$441	\$441
CCDFBG-Administration	\$16,723	\$21,840	\$22,895
Community Based Family Resource and Support-Administration	\$689	\$689	\$689
Early Head Start Expansion Program	\$6,962	\$6,962	\$6,962
MCH-Administration	\$120	\$161	\$183
Early Learning Challenge Grant-Administration	\$546	\$541	\$548
<b>Direct Federal Funds Total</b>	<b>\$31,477</b>	<b>\$36,993</b>	<b>\$38,283</b>

## SUMMARY OF DIRECT FEDERAL GRANTS

(\$ Amounts in Thousands)

	2015-2016	2016-2017	Increase/ (Decrease)	Percent Change
Personnel	\$15,840	\$17,132	\$1,292	8.16%
Operating	\$10,452	\$10,450	(\$2)	(0.02%)
Fixed Assets	\$0	\$0	\$0	-
Grants & Subsidies	\$10,701	\$10,701	\$0	-
Other	\$0	\$0	\$0	0.00%
Excess Federal Authority	\$0	\$0	\$0	-
<b>Total</b>	<b>\$36,993</b>	<b>\$38,283</b>	<b>\$1,290</b>	<b>3.49%</b>

Direct Federal grants are appropriated for specific Federally funded projects. The data shown above represents the total of Direct Federal appropriations associated with the General Government Operations Appropriation.

## **GENERAL GOVERNMENT OPERATIONS**

### **PROGRAM STATEMENT**

The General Government Operations (GGO) appropriation provides funding for the administrative and overhead systems that support the operation of programs in the Department of Human Services (DHS). The appropriation provides an administrative structure for setting policy, planning and administration of direct services, State-operated facilities, services provided under contract, grants to counties, subsidies and vendor reimbursement. The responsibilities of the offices funded in GGO include: formulation of policies, overall direction of programs, planning and coordination among program areas, monitoring of programs, analysis of information, evaluation of programs, administrative support and the licensure of providers.

The Department has nine offices within GGO. Listed below is a brief description of each office.

### **OFFICE OF THE SECRETARY**

The Office of the Secretary directs and supervises the overall administration of DHS and establishes broad policy and management direction for all programs including Mental Health and Substance Abuse Services; Developmental Programs; Children, Youth and Families; Child Development and Early Learning; Income Maintenance; Long Term Living; Medical Assistance (MA); and Administration. In addition, the Office of the Secretary provides supervision and direction over the following functions: Policy Development, Performance Management, Children's Health Insurance Program (CHIP), eHealth Partnership, Communications, Legislative Affairs, Legal Counsel and Budget.

### **OFFICE OF CHILDREN, YOUTH AND FAMILIES**

The Deputy Secretary for Children, Youth and Families is responsible for establishing policies and standards for services to children and their families throughout the Commonwealth. This office issues regulations governing foster care and adoption services, group homes, institutions, part-day services and 67 county children and youth agencies. This office also directly operates State facilities for delinquent youth.

### **OFFICE OF INCOME MAINTENANCE**

The Deputy Secretary for Income Maintenance develops policies and regulations which support cash assistance, the Supplemental Nutrition Assistance Program and the Low-Income Home Energy Assistance Program. In addition, this office establishes MA eligibility, supervises statewide child support collection and manages the operations of 95 local county assistance offices.

### **OFFICE OF MEDICAL ASSISTANCE PROGRAMS**

The Deputy Secretary for Medical Assistance Programs assures that comprehensive medical and medically related services are reimbursed for low-income elderly and disabled recipients and low-income children and their families. This office develops regulations governing provider participation in the MA program and monitors providers for compliance with these rules.

## **OFFICE OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES**

The Deputy Secretary for Mental Health and Substance Abuse Services directs the operation of six State mental hospitals and one restoration center and supervises mental health services for county programs. Treatment of the mentally ill is provided through a range of programs including community residential rehabilitation and support services, intensive case management, emergency outpatient and partial hospitalization programs, and short and long term inpatient treatment.

## **OFFICE OF DEVELOPMENTAL PROGRAMS**

The Deputy Secretary for Developmental Programs is responsible for directing the activities of the statewide developmental disabilities system which includes State Centers, private Intermediate Care Facilities, community services for people with intellectual disabilities and community autism services. The Office of Developmental Programs plans and develops programs, regulations, policies, standards and guidelines, and competency based training for the statewide developmental disabilities system. This office administers Federal Medicaid program requirements and ensures compliance with Federal and State regulations and policies.

## **OFFICE OF ADMINISTRATION**

The Deputy Secretary for Administration administers support functions for each of the program offices within DHS, including human resource services, equal opportunity policies and programs, hearings and appeals, financial audits and contract development, information systems, human services licensing, fraud and abuse recoveries, and various administrative services, including printing, mailroom operations, records management, automotive fleet operations, guardianship programs and Pennhurst Advocacy services, facilities and property management, surplus equipment, and emergency planning.

The Bureau of Human Services Licensing (BHSL) directs the licensing and regulatory enforcement of over 8,000 licensed settings including child residential facilities, personal care homes, assisted living residences and settings for persons with intellectual disabilities and mental illness. The BHSL also administers the Adult Protective Services Program, a new program that investigates reports of abuse, neglect and exploitation of adults with disabilities between the ages of 18 and 59 years.

## **OFFICE OF CHILD DEVELOPMENT AND EARLY LEARNING**

The Deputy Secretary for Child Development and Early Learning promotes opportunities for all Pennsylvania children and families by building systems and providing supports that help ensure access to high quality early care and educational services. The goal of this office is to create the opportunity for all of the Commonwealth's youngest children to benefit from strong early childhood programs and to create an approach that unifies and recognizes the important contributions of all of the necessary partners including parents, schools, child care, Early Intervention, Head Start, libraries, and community organizations.

## **OFFICE OF LONG TERM LIVING**

The Office of Long-term Living (OLTL) is responsible for the statewide administration of Pennsylvania's long-term living programs and services. Major program areas include nursing facilities, Medicaid-funded home and community-based services, the Act 150 Program and other programs such as the Living Independently for the Elderly (LIFE), known nationally as the Program for All-Inclusive Care for the Elderly. In addition, program responsibilities include assessing and improving the quality of services received by participants in various long-term living settings and monitoring fiscal and regulatory compliance.

## **DIRECT FEDERAL APPROPRIATIONS**

### **Developmental Disabilities – Basic Support**

This grant provides Federal funds to support programs designed to engage in advocacy, capacity building and systemic change activities that are consistent with the purpose of the Developmental Disabilities Act. The grant provides for a comprehensive system of community services, individualized supports and other forms of assistance that enable individuals with developmental disabilities to be productive, integrated and included in all facets of community life. Funding in Fiscal Year 2015-2016 provides for 10 staff and operational costs.

### **Community-Based Family Resource and Support – Administration**

This appropriation supports community-based and prevention focused programs eligible for funding under the Federal Community-Based Child Abuse Prevention grant. This grant is designed to strengthen and support leadership of parents in the following: planning, implementation and evaluation of programs; peer review processes; innovative funding mechanisms at the State or community level; services for families with children with disabilities; and involvement of a diverse representation of families in the design and operation of each program.

### **Child Care Development Fund Block Grant – Administration**

This grant provides funding to support early care and educational services. Personnel funding in Fiscal Year 2015-2016 provides for 79 staff to support licensing and monitoring activities within the child care program, primarily through the Pennsylvania Enterprise to Link Information for Children Across Networks (PELICAN) system. The PELICAN system supports the operation of the Child Care program to meet the demands of serving over 220,000 children and over 20,000 child care providers.

### **Refugees and Persons Seeking Asylum – Administration**

This appropriation provides funding for the administrative costs associated with assisting refugees who resettle throughout the Commonwealth. Funding in Fiscal Year 2016-2017 provides for 24 staff and operational costs.

### **Mental Health Services Block Grant – Administration**

This grant funds four mental health program specialist positions which function as Behavioral Health Service planners for the Office of Mental Health and Substance Abuse Services. The grant funds the development and coordination of all State planning requirements mandated by the Community Mental Health Block Grant. The positions provide staff support for the State Planning Council and have lead responsibility for continuing development of the Annual Behavioral Health State plan. The block grant regulations require all grant funded services to be tied to the goals of the State plan.

### **Early Head Start Expansion Program**

This Federal grant provides funding for the Office of Child Development and Early Learning to provide 128 Early Head Start (EHS) slots through a home-based service delivery option to pregnant women and infants and toddlers from low-income families in Lawrence and Lebanon counties. Families receive family support, child development and health, safety and nutrition education. The program strives

to build families' self-sufficiency and parenting abilities. In Fiscal Year 2015-2016, it is anticipated through a companion grant that the EHS program will expand based on receipt of a \$5.5 million grant to serve children of low-income working families with similar support.

**Maternal, Infant and Early Childhood Home Visiting Program – Administration**

This grant supports development of a coordinated system of early childhood home visiting that has the capacity and commitment to provide infrastructure and supports to assure high-quality, evidence-based practices to improve outcomes for families who reside in high-risk communities.

**Early Learning Challenge Grant – Administration**

This grant provides funding for five positions and related administrative costs within the Office of Child Development and Early Learning. It supports the improvement of early learning and development programs for young children by increasing the number and percentage of low-income and disadvantaged children in each age group of infants, toddlers and preschoolers that are enrolled in high-quality early learning programs. The grant also ensures access to high-quality programs for children with high needs so that all children enter kindergarten ready to succeed.

**DHS BUDGET REQUEST FOR FY 2016-2017**  
(\$ Amounts in Thousands)

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E30.36, E30.37

**APPROPRIATION:**  
Medical Assistance - Capitation

I. SUMMARY FINANCIAL DATA	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted
State Funds	\$3,823,434	\$3,907,202 <sup>1</sup>	\$4,086,032
Federal Funds Total	\$8,143,585	\$9,049,328	\$10,370,857
Federal Sources Itemized			
Medical Assistance - Capitation	\$6,115,288	\$9,049,328	\$10,370,857
Healthy PA	\$2,028,297	\$0	\$0
Other Funds Total	\$1,017,373	\$1,115,600	\$1,295,643
Other Fund Sources Itemized			
Medicaid Managed Care Gross Receipt Tax	\$761,704	\$860,118	\$111,927 <sup>2</sup>
MA - MCO Assessment	\$0	\$0	\$918,840
Statewide Quality Care Assessment	\$255,669	\$255,482	\$264,876
<b>Total</b>	<b>\$12,984,392</b>	<b>\$14,072,130</b>	<b>\$15,752,532</b>
<b>IA. REQUESTED SUPPLEMENTALS (Included above)</b>			
State Funds Total		\$1,947,601	
State Sources Itemized			
Medical Assistance - Capitation		\$1,947,601	
Federal Funds Total		\$0	
Federal Sources Itemized			
Medical Assistance - Capitation		\$0	
<b>Total</b>		<b>\$1,947,601</b>	
 <sup>1</sup> Reflects a recommended supplemental appropriation of \$1,947.601 million. Appropriation Act 10-A of 2015 provided \$1,959.601 million for this program in Fiscal Year 2015-2016.			
 <sup>2</sup> The amount shown is more than the \$70.000 million shown in the Governor's Executive Budget to reflect an updated estimate of assessment revenue for Fiscal Year 2016-2017.			

II. DETAIL BY MAJOR OBJECT (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation				
	2014-2015 Actual	2015-2016 Available	2016-2017 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>State Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Federal Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
<b>Total Personnel</b>	\$0	\$0	\$0	\$0	0.00%
<b>OPERATING</b>					
<i>State Funds</i>	\$28,676	\$32,172	\$34,984	\$2,812	8.74%
<i>Federal Funds</i>	\$53,343	\$53,103	\$48,207	(\$4,896)	-9.22%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
<b>Total Operating</b>	\$82,019	\$85,275	\$83,191	(\$2,084)	-2.44%
<b>FIXED ASSETS</b>					
<i>State Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Federal Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
<b>Total Fixed Assets</b>	\$0	\$0	\$0	\$0	0.00%
<b>GRANT &amp; SUBSIDY</b>					
<i>State Funds</i>	\$3,792,317	\$3,865,264	\$4,041,282	\$176,018	4.55%
<i>Federal Funds</i>	\$8,015,711	\$8,416,613	\$10,248,806	\$1,832,193	21.77%
<i>Other Funds</i>	\$1,017,373	\$1,115,600	\$1,295,643	\$180,043	16.14%
<b>Total Grant &amp; Subsidy</b>	\$12,825,401	\$13,397,477	\$15,585,731	\$2,188,254	16.33%
<b>NONEXPENSE</b>					
<i>State Funds</i>	\$2,441	\$9,766	\$9,766	\$0	0.00%
<i>Federal Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
<b>Total Nonexpense</b>	\$2,441	\$9,766	\$9,766	\$0	0.00%
<b>BUDGETARY RESERVE</b>					
<i>State Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Federal Funds</i>	\$74,531	\$579,612	\$73,844	(\$505,768)	-87.26%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
<b>Total Budgetary Reserve</b>	\$74,531	\$579,612	\$73,844	(\$505,768)	-87.26%
<b>UNCOMMITTED</b>					
<i>State Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Federal Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
<b>Total Uncommitted</b>	\$0	\$0	\$0	\$0	0.00%
<b>OTHER</b>					
<i>State Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Federal Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
<b>Total Other</b>	\$0	\$0	\$0	\$0	0.00%
<b>TOTAL FUNDS</b>					
<i>State Funds</i>	\$3,823,434	\$3,907,202	\$4,086,032	\$178,830	4.58%
<i>Federal Funds</i>	\$8,143,585	\$9,049,328	\$10,370,857	\$1,321,529	14.60%
<i>Other Funds</i>	\$1,017,373	\$1,115,600	\$1,295,643	\$180,043	16.14%
<b>Total Funds</b>	\$12,984,392	\$14,072,130	\$15,752,532	\$1,680,402	11.94%

**APPROPRIATION:**  
Medical Assistance - Capitation

III. HISTORY OF LAPSES (\$ Amounts in Thousands)	2013-2014	2014-2015	2015-2016 Estimated
State Funds	\$1,422	\$0	\$0

IV. COMPLEMENT INFORMATION	12/31/2014	12/31/2015	2016-2017 Budgeted
<b>State/Federally Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Federally Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Other Funded</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Total</b>			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A
<b>Benefit Rate</b>	N/A	N/A	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

**Derivation of Request:**

Funding projections are derived from actuarial forecasting models developed on the basis of persons estimated to be eligible for Medical Assistance by recipient aid category and monthly managed care per capita rates adjusted to reflect inflation and/or technical adjustments to reimbursements. Estimates also include impacts of changes in program policies, cash flow adjustments and contracts.

Detail on the appropriation request is outlined in Section VI entitled "Explanation of Changes" on the following pages.

**Legislative Citations:**

62 P.S. § 443.5

**Disbursement Criteria:**

The capitation Managed Care Organization (MCO) must be a Medical Assistance Program contractor; the recipient of the services must be deemed eligible for Medical Assistance benefits, and must be enrolled in the capitation MCO; and the billed monthly premium must be in accordance with the negotiated rate. Payments are disbursed upon successful completion of pre-payment reviews and availability of funding.

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
<b>OPERATING</b>				
1. Reflects a decrease in the Maximus enrollment broker contract to provide assistance to new and existing enrollees in selecting and changing their Managed Care Organization (MCO):	(\$150)	(\$150)	\$0	(\$300)
2. Reflects a decrease in the contract with Hewlett-Packard Enterprise Services as a result of costs relating to non-recurring projects in Fiscal Year 2015-2016 not anticipated to continue in Fiscal Year 2016-2017:	(\$930)	(\$4,046)	\$0	(\$4,976)
3. Reflects a decrease in the Physical Health and Behavioral Health actuarial contracts with Mercer:	(\$495)	(\$495)	\$0	(\$990)
4. Provides for an increase in technical assistance contracts with Deloitte for Behavioral Health and Physical Health:	\$130	\$120	\$0	\$250
5. Provides for an increase in contracts with Health Management Systems, Inc. relating to Third Party Liability (TPL) Data Exchange:	\$400	\$400	\$0	\$800
6. Provides for an increase in contracted clinical consultant services with InGenesis, Inc. and MHM Solutions, Inc.:	\$271	\$263	\$0	\$534
7. Reflects the decrease in contracts with Deloitte for Medicaid Management Information Systems (MMIS) Repro curement based on revised estimates:	(\$3)	(\$25)	\$0	(\$28)
8. Provides for an increase in contracts for the Medicaid Outreach program:	\$650	\$650	\$0	\$1,300
9. Provides for a contract with Sellers Dorsey to provide technical assistance related to the managed care assessment proposal:	\$3,977	\$0	\$0	\$3,977
10. Reflects non-recurring operating costs relating to the implementation of several Affordable Care Act (ACA) provisions:	(\$1,038)	(\$1,613)	\$0	(\$2,651)
<b>Subtotal Operating</b>	<b>\$2,812</b>	<b>(\$4,896)</b>	<b>\$0</b>	<b>(\$2,084)</b>

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
<b>GRANT &amp; SUBSIDY</b>				
1. Physical Health Program				
A. Provides for the annualization of a rate increase effective January 1, 2016, in addition to a proposed rate increase effective January 1, 2017:	\$58,928	\$364,493	\$0	\$423,421
B. Provides for projected enrollment increases in Fiscal Year 2016-2017:	\$156,474	\$953,571	\$0	\$1,110,045
2. Behavioral Health Program				
A. Provides for the net change in rates offset by the removal of the Gross Receipts Tax adjustment:	(\$7,637)	(\$124,105)	\$0	(\$131,742)
B. Provides for projected enrollment increases in Fiscal Year 2016-2017:	\$14,022	\$227,883	\$0	\$241,905
3. Maternity Care				
A. Provides for a projected increase in the average per capita rate from \$9,130.53 in Fiscal Year 2015-2016 to \$9,138.83 in Fiscal Year 2016-2017:	\$887	\$952	\$0	\$1,839
B. Provides for an increase in projected utilization from 51,543 in Fiscal Year 2015-2016 to 51,716 in Fiscal Year 2016-2017:	\$762	\$818	\$0	\$1,580
Subtotal Physical Health, Behavioral Health and Maternity Care Cost and Utilization	\$223,436	\$1,423,612	\$0	\$1,647,048
<b>OTHER PROVIDER PAYMENTS</b>				
1. Reflects a reduction in the collection of unexpended Behavioral Health reinvestment funds:	\$6,028	\$13,169	\$0	\$19,197
2. Provides for an increase in the Physician and MCO Pay-for-Performance (P4P) program funding as a result of more providers and MCOs exceeding Health Effectiveness Data and Information Set (HEDIS) performance measures:	\$4,944	\$5,574	\$0	\$10,518
3. Impact of increased Health Insurance Provider Fee reimbursements for Behavioral Health and Physical Health as required by contractual agreements with the MCOs:	\$1,230	\$1,302	\$0	\$2,532

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
4. Impact of decreased risk corridor payments to Behavioral Health and Physical Health MCOs:	(\$4,390)	(\$6,210)	\$0	(\$10,600)
Subtotal Other Provider Payments	\$7,812	\$13,835	\$0	\$21,647
<b>ADMINISTRATIVE/CASH FLOW IMPACTS</b>				
1. Provides for a projected increase in the transfer to the Medical Assistance for Workers with Disabilities program:	(\$3,869)	(\$4,187)	\$0	(\$8,056)
2. Provides for projected increases in pharmacy rebates in Fiscal Year 2016-2017 due to increased drug costs and utilization:	(\$11,220)	(\$8,817)	\$0	(\$20,037)
3. Impact of the one-time recovery of ACA Primary Care Physician Fee Increases in Fiscal Year 2015-2016 not anticipated in Fiscal Year 2016-2017:	\$3,033	\$102,869	\$0	\$105,902
4. Impact of non-recurring Fiscal Year 2015-2016 Behavioral Health rate adjustments primarily due to the conversion from Healthy PA to Medicaid Expansion:	(\$5,202)	(\$7,375)	\$0	(\$12,577)
5. Annualized impact of a program beginning January 1, 2016 that will transition individuals from forensic units at state hospitals into community placements:	\$1,339	\$1,451	\$0	\$2,790
6. Net impact of a non-recurring rollback of expenditures from Fiscal Year 2015-2016 to Fiscal Year 2014-2015:	\$61,306	\$66,382	\$0	\$127,688
7. Impact of an application for a new Federal Children's Health Insurance Program (CHIP) grant in Fiscal Year 2016-2017:	\$0	\$1,000	\$0	\$1,000
8. Savings from increased Federal funds for Fiscal Year 2015-2016 applicable to additional populations according to CMS guidance:	(\$28,783)	\$28,783	\$0	\$0
9. Savings from increased Federal funds for Fiscal Year 2016-2017 applicable to additional populations according to CMS guidance:	(\$65,556)	\$65,556	\$0	\$0
10. Reflects the net impact of the discontinuation of Gross Receipts Tax related managed care payments and recoupments effective December 31, 2016:	(\$244,851)	(\$402,832)	\$0	(\$647,683)

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	APPROPRIATION: Medical Assistance - Capitation			
	State \$	Federal \$	Other \$	Total \$
11. Impact of assessment payments related to the new MCO assessment effective July 1, 2016:	\$318,840	\$572,882	\$0	\$891,722
12. Impact of implementing the MCO assessment:	(\$918,839)	\$0	\$918,839	\$0
13. Impact of an increase in Statewide Quality Care Assessment Revenue:	(\$9,394)	\$0	\$9,394	\$0
14. Impact of phasing out the Gross Receipts Tax payments relating to MCO actual receipts:	\$748,190	\$0	(\$748,190)	\$0
15. Impact of the change in the Federal Medical Assistance Percentage (a decrease from 52.01 percent to 51.78 percent, effective October 1, 2016). Full-year blended rate decreases from 51.9625 percent to 51.8375 percent:	\$6,702	(\$6,702)	\$0	\$0
16. Impact of the change in the Federal Medical Assistance Percentage for recipients paid at an enhanced rate as per the Affordable Care Act (a decrease from 100 percent to 95 percent effective January 1, 2017):	\$55,173	(\$55,173)	\$0	\$0
<b>Subtotal Administrative/Cash Flow Impacts</b>	<b>(\$93,131)</b>	<b>\$353,837</b>	<b>\$180,043</b>	<b>\$440,749</b>
<b>BUDGETARY RESERVE</b>				
1. Impact of excess Federal appropriation authority in Fiscal Year 2015-2016 and Fiscal Year 2016-2017:	\$0	(\$505,768)	\$0	(\$505,768)
<b>FISCAL YEAR 2016-2017 INITIATIVES</b>				
1. Express Lane Eligibility				
A. Provides funding to support a strategy that uses income and household information gathered through the eligibility process from other child-serving, means-tested programs to confer eligibility for Medicaid or CHIP for uninsured children:	\$21,240	\$22,860	\$0	\$44,100
2. Combatting the Heroin Epidemic				
A. Provides funding for 50 Substance Use Disorder Health Homes for Medication Assisted methadone and Suboxone providers, 25 of which will be implemented in the managed care program:	\$16,661	\$18,049	\$0	\$34,710
<b>Subtotal Fiscal Year 2016-2017 Initiatives</b>	<b>\$37,901</b>	<b>\$40,909</b>	<b>\$0</b>	<b>\$78,810</b>

**VI. EXPLANATION OF CHANGES**  
 (\$ Amounts in Thousands)

**APPROPRIATION:**  
 Medical Assistance - Capitation

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
Total Operating	\$2,812	(\$4,896)	\$0	(\$2,084)
Total Grant and Subsidy	\$176,018	\$1,832,193	\$180,043	\$2,188,254
Total Budgetary Reserve	<u>\$0</u>	<u>(\$505,768)</u>	<u>\$0</u>	<u>(\$505,768)</u>
<b>GRAND TOTAL</b>	<u><u>\$178,830</u></u>	<u><u>\$1,321,529</u></u>	<u><u>\$180,043</u></u>	<u><u>\$1,680,402</u></u>

**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2015-2016**

Month of Payment	Total	Federal	State	Total Enrollment	Average Per Capita
<b><u>PHYSICAL HEALTH</u></b>					
July 2015	\$2,247,278,536	\$1,329,234,901	\$918,043,635	4,778,242	\$470.31
August	\$940,011,807	\$608,128,411	\$331,883,396	1,972,784	\$476.49
September	\$813,142,716	\$485,499,664	\$327,643,052	1,995,139	\$407.56
October	\$935,421,422	\$609,026,643	\$326,394,779	1,962,863	\$476.81
November	\$943,904,317	\$619,721,151	\$324,183,166	2,114,516	\$446.39
December	\$918,015,777	\$595,451,272	\$322,564,505	2,054,091	\$446.92
January 2016	\$787,114,478	\$469,235,163	\$317,879,315	2,070,156	\$380.22
February	\$988,832,565	\$640,688,544	\$348,144,021	2,089,735	\$473.19
March	\$995,667,836	\$648,522,274	\$347,145,562	2,106,590	\$472.64
April	\$998,528,167	\$651,896,130	\$346,632,037	2,116,060	\$471.88
May	\$211,688,898	\$139,312,965	\$72,375,933	535,383	\$395.40
Subtotal Physical Health	\$10,779,606,519	\$6,796,717,118	\$3,982,889,401	23,795,359	\$453.01
<b><u>BEHAVIORAL HEALTH</u></b>					
July 2015	\$674,580,307	\$383,799,943	\$290,780,364	5,453,118	\$123.71
August	\$262,605,747	\$157,748,299	\$104,857,448	2,217,854	\$118.42
September	\$260,337,935	\$153,792,656	\$106,545,279	2,304,966	\$112.95
October	\$263,525,836	\$157,475,299	\$106,050,537	2,342,811	\$112.49
November	\$263,954,750	\$157,661,029	\$106,293,721	2,376,950	\$111.05
December	\$264,018,490	\$157,794,509	\$106,223,981	2,383,192	\$110.78
January 2016	\$275,380,724	\$168,063,529	\$107,317,195	2,433,163	\$113.18
February	\$275,204,139	\$167,971,687	\$107,232,452	2,436,418	\$112.95
March	\$276,112,041	\$168,882,268	\$107,229,773	2,453,820	\$112.52
April	\$275,954,684	\$168,800,427	\$107,154,257	2,457,295	\$112.30
May	\$50,513,231	\$30,338,551	\$20,174,680	501,475	\$100.73
June	\$50,437,421	\$30,299,124	\$20,138,297	501,734	\$100.53
Subtotal Behavioral Health	\$3,192,625,305	\$1,902,627,321	\$1,289,997,984	27,862,396	\$114.59
<b><u>MATERNITY</u></b>					
July 2015	\$30,557,290	\$15,989,995	\$14,567,295	3,368	\$9,072.83
August	\$38,348,630	\$20,352,904	\$17,995,726	4,339	\$8,838.13
September	\$32,837,770	\$17,528,237	\$15,309,533	3,672	\$8,942.75
October	\$41,013,682	\$22,502,163	\$18,511,519	4,413	\$9,293.83
November	\$45,134,949	\$24,307,094	\$20,827,955	4,951	\$9,116.33
December	\$40,269,206	\$20,944,015	\$19,325,191	4,430	\$9,090.11
January 2016	\$41,196,171	\$21,426,129	\$19,770,042	4,527	\$9,100.10
February	\$39,206,181	\$20,391,135	\$18,815,046	4,307	\$9,102.90
March	\$40,738,212	\$21,187,944	\$19,550,268	4,481	\$9,091.32
April	\$41,422,593	\$21,543,891	\$19,878,702	4,452	\$9,304.27
May	\$38,449,413	\$19,997,540	\$18,451,873	4,147	\$9,271.62
June	\$41,440,777	\$21,553,348	\$19,887,429	4,456	\$9,299.99
Subtotal Maternity	\$470,614,874	\$247,724,395	\$222,890,479	51,543	\$9,130.53

**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2015-2016**

	Total	Federal	State
<b><u>OTHER PROVIDER PAYMENTS</u></b>			
PH Rate Adjustments - Home Nursing Risk Sharing	\$43,281,276	\$27,145,189	\$16,136,087
BH Reinvestment Sharing	(\$24,197,633)	(\$16,599,372)	(\$7,598,261)
GRT Advance	\$660,829,608	\$409,914,459	\$250,915,149
GRT Recoupment	(\$594,557,019)	(\$320,301,123)	(\$274,255,896)
PH MCO Pay-for-Performance Program (P4P)	\$47,692,707	\$23,841,303	\$23,851,404
Physician Pay-for-Performance Program (P4P)	\$23,962,493	\$15,028,818	\$8,933,675
Health Insurance Provider Fee PH & BH	\$178,968,062	\$91,995,972	\$86,972,090
Risk Corridor PH	\$17,271,885	\$9,094,613	\$8,177,272
Risk Corridor BH	\$11,327,854	\$11,327,854	\$0
<b>Subtotal Other Provider Payments</b>	<b>\$364,579,233</b>	<b>\$251,447,713</b>	<b>\$113,131,520</b>
<b>TOTAL PROVIDER PAYMENTS</b>	<b>\$14,807,425,931</b>	<b>\$9,198,516,547</b>	<b>\$5,608,909,384</b>
<b><u>ADMINISTRATIVE/CASH FLOW IMPACTS</u></b>			
Expenditure Adj for Workers with Disabilities	(\$257,054,253)	(\$133,603,202)	(\$123,451,051)
Expenditure Adj for Family Planning Svcs (4/15-3/16)	\$0	\$22,195,243	(\$22,195,243)
Third Party Liability Recoveries	(\$28,432,713)	(\$14,774,348)	(\$13,658,365)
Pharmacy Rebates	(\$888,659,662)	(\$461,769,777)	(\$426,889,885)
Quarterly Rebate Offset Amount (QROA)	(\$54,735,703)	(\$54,735,703)	\$0
Transfer to Physician Practice Plans	(\$25,063,067)	(\$12,992,067)	(\$12,071,000)
ACA Primary Care Physician Fee	(\$105,902,322)	(\$102,902,322)	(\$3,000,000)
Mid Year Adjustments (BH)	\$10,000,000	\$5,201,000	\$4,799,000
State Hospital CHIPPs	\$9,720,000	\$5,055,372	\$4,664,628
Jail Diversion Program	\$25,000,000	\$13,002,500	\$11,997,500
Department of Justice Settlement	\$9,765,598	\$0	\$9,765,598
Phase 0 Rate Adjustments	\$12,577,149	\$7,375,082	\$5,202,067
Care Management Program	\$17,500,000	\$10,975,666	\$6,524,334
Hospital Bed Transitions	\$2,790,000	\$1,451,079	\$1,338,921
Rollback of Expenditures to Fiscal Year 2014-2015	(\$127,687,463)	(\$68,381,888)	(\$61,305,575)
<b>Subtotal Administrative/Cash Flow Impacts</b>	<b>(\$1,400,182,436)</b>	<b>(\$781,903,365)</b>	<b>(\$618,279,071)</b>
<b><u>CONTRACTS</u></b>			
External Quality Review	\$2,000,000	\$1,500,000	\$500,000
Enrollment Assistance Program	\$16,300,000	\$8,150,000	\$8,150,000
Contracted Legal Support	\$600,000	\$0	\$600,000
Claims Processing and PROMISe contract costs	\$38,757,766	\$28,969,985	\$9,787,781
MITA	\$240,000	\$216,000	\$24,000
Actuarial Contract (PH and BH)	\$11,850,000	\$5,925,000	\$5,925,000
Technical Assistance Contract (PH)	\$3,937,984	\$1,902,046	\$2,035,938
Technical Assistance Contract (BH)	\$1,816,569	\$871,953	\$944,616
TPL Data Exchange	\$2,000,000	\$1,000,000	\$1,000,000
Clinical Consultants	\$1,471,710	\$837,310	\$634,400
MMIS Reprocedurement	\$369,680	\$332,712	\$36,968
Dell Marketing LP Casenet Case Management	\$579,488	\$434,616	\$144,872
Medicaid Outreach	\$2,700,000	\$1,350,000	\$1,350,000
<b>Subtotal Operating</b>	<b>\$82,623,197</b>	<b>\$51,489,622</b>	<b>\$31,133,575</b>
<b><u>FISCAL YEAR 2014-2015 PRRs / INITIATIVES</u></b>			
ACA and Medicaid Expansion Administration - Operating Cost	\$2,651,000	\$1,613,000	\$1,038,000
<b>Uncommitted Federal</b>	<b>\$579,612,196</b>	<b>\$579,612,196</b>	<b>\$0</b>
<b>FY 2015-2016 Cash Requirement Before Adjustments</b>	<b>\$14,072,129,888</b>	<b>\$9,049,328,000</b>	<b>\$5,022,801,888</b>
<b>LESS Other Revenue:</b>			
Quality Care Assessment Revenue	\$255,482,020	\$0	\$255,482,020
Statewide MCO Gross Receipts Tax Assessment	\$860,117,868	\$0	\$860,117,868
<b>Total FY 2015-2016 Program Requirement</b>	<b>\$12,956,530,000</b>	<b>\$9,049,328,000</b>	<b>\$3,907,202,000</b>
<b>Act 10-A of 2015</b>		<b>\$9,049,328,000</b>	<b>\$1,959,601,000</b>
<b>Surplus/(Deficit)</b>		<b>\$0</b>	<b>(\$1,947,601,000)</b>

**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2016-2017**

Month of Payment	Total	Federal	State	Total Enrollment	Average Per Capita
<b><u>PHYSICAL HEALTH</u></b>					
July 2016	\$2,838,427,776	\$1,867,027,969	\$971,399,807	5,956,892	\$476.49
August	\$1,039,747,711	\$685,061,407	\$354,686,304	2,187,418	\$475.33
September	\$1,039,826,574	\$685,372,667	\$354,453,907	2,189,288	\$474.98
October	\$1,039,616,870	\$684,575,560	\$355,041,310	2,190,898	\$474.52
November	\$1,038,937,696	\$684,422,714	\$354,514,982	2,192,665	\$473.82
December	\$2,053,399,377	\$1,353,776,369	\$699,623,008	4,344,807	\$472.61
January 2017	\$20,734,469	\$13,672,720	\$7,061,749	43,906	\$472.25
February	\$1,011,589,102	\$654,382,058	\$357,207,044	2,195,864	\$460.68
March	\$1,009,937,242	\$653,611,278	\$356,325,964	2,195,800	\$459.94
April	\$1,008,838,942	\$653,916,025	\$355,922,917	2,197,947	\$459.45
May	\$212,427,828	\$138,698,899	\$73,728,929	550,236	\$386.07
Subtotal Physical Health	\$12,314,483,587	\$8,074,517,666	\$4,239,965,921	26,245,721	\$469.20
<b><u>BEHAVIORAL HEALTH</u></b>					
July 2016	\$732,227,222	\$449,095,348	\$283,131,874	6,434,323	\$113.80
August	\$278,424,503	\$170,365,636	\$108,068,867	2,488,522	\$111.88
September	\$279,277,674	\$170,881,273	\$108,396,401	2,492,021	\$112.07
October	\$279,118,077	\$170,279,126	\$108,838,951	2,495,521	\$111.85
November	\$278,958,480	\$170,196,487	\$108,761,993	2,499,021	\$111.63
December	\$278,798,884	\$170,113,848	\$108,685,036	2,502,521	\$111.41
January 2017	\$269,137,629	\$161,648,447	\$107,489,182	2,506,021	\$107.40
February	\$272,284,675	\$163,517,157	\$108,767,518	2,509,521	\$108.50
March	\$269,281,365	\$161,752,460	\$107,528,905	2,513,021	\$107.15
April	\$269,129,658	\$161,673,906	\$107,455,752	2,516,521	\$106.95
May	\$48,111,696	\$28,464,504	\$19,647,192	508,123	\$94.69
June	\$48,038,168	\$28,426,431	\$19,611,737	508,385	\$94.49
Subtotal Behavioral Health	\$3,302,788,031	\$2,006,404,623	\$1,296,383,408	29,973,521	\$110.19
<b><u>MATERNITY</u></b>					
July 2016	\$40,002,794	\$20,805,454	\$19,197,340	4,315	\$9,270.64
August	\$40,549,407	\$21,089,747	\$19,459,660	4,389	\$9,238.87
September	\$39,476,000	\$20,531,468	\$18,944,532	4,278	\$9,227.68
October	\$40,559,053	\$21,001,477	\$19,557,576	4,421	\$9,174.18
November	\$40,554,947	\$20,999,352	\$19,555,595	4,424	\$9,167.03
December	\$39,365,604	\$20,383,509	\$18,982,095	4,297	\$9,161.18
January 2017	\$40,221,709	\$20,826,801	\$19,394,908	4,388	\$9,168.30
February	\$38,445,756	\$19,907,212	\$18,538,544	4,192	\$9,171.22
March	\$39,958,849	\$20,689,657	\$19,267,192	4,360	\$9,164.41
April	\$38,746,905	\$20,063,148	\$18,683,757	4,318	\$8,973.35
May	\$35,919,372	\$18,599,051	\$17,320,321	4,001	\$8,977.60
June	\$38,825,436	\$20,103,811	\$18,721,625	4,333	\$8,960.41
Subtotal Maternity	\$472,623,832	\$245,000,687	\$227,623,145	51,716	\$9,138.83



**Capitation**  
**Fiscal Year 2016-2017 Governor's Executive Budget**  
**Fiscal Year 2016-2017**

	Total	Federal	State
<b><u>OTHER PROVIDER PAYMENTS</u></b>			
PH Rate Adjustments - Home Nursing Risk Sharing	\$43,281,276	\$28,379,219	\$14,902,057
BH Reinvestment Sharing	(\$5,000,000)	(\$2,600,500)	(\$2,399,500)
GRT Recoupment	(\$581,412,715)	(\$358,404,243)	(\$223,008,472)
PH MCO Pay-for-Performance Program (P4P)	\$55,725,325	\$30,177,091	\$25,548,234
Physician Pay-for-Performance Program (P4P)	\$26,448,351	\$17,341,992	\$9,106,359
Health Insurance Provider Fee PH & BH	\$181,500,000	\$113,384,512	\$68,115,488
Risk Corridor PH	\$8,000,000	\$5,083,191	\$2,916,809
Risk Corridor BH	\$10,000,000	\$10,000,000	\$0
Subtotal Other Provider Payments	(\$261,467,763)	(\$156,638,738)	(\$104,819,025)
<b>TOTAL PROVIDER PAYMENTS</b>	<b>\$15,828,437,687</b>	<b>\$10,169,284,238</b>	<b>\$5,659,153,449</b>
<b><u>ADMINISTRATIVE/CASH FLOW IMPACTS</u></b>			
Expenditure Adj for Workers with Disabilities	(\$265,110,117)	(\$137,421,705)	(\$127,688,412)
Expenditure Adj for Family Planning Svcs (4/16-3/17)	\$0	\$22,195,243	(\$22,195,243)
Third Party Liability Recoveries	(\$28,432,713)	(\$14,738,808)	(\$13,693,905)
Pharmacy Rebates	(\$908,697,428)	(\$469,436,321)	(\$439,261,107)
Quarterly Rebate Offset Amount (QROA)	(\$54,735,703)	(\$54,735,703)	\$0
Transfer to Physician Practice Plans	(\$25,063,067)	(\$12,992,087)	(\$12,071,000)
Mid Year Adjustments (BH)	\$10,000,000	\$5,178,000	\$4,822,000
State Hospital CHIPPs	\$9,720,000	\$5,033,016	\$4,686,984
Jail Diversion Program	\$25,000,000	\$12,945,000	\$12,055,000
Department of Justice Settlement	\$9,765,598	\$0	\$9,765,598
Care Management Program	\$17,500,000	\$11,474,623	\$6,025,377
Hospital Bed Transitions	\$5,580,000	\$2,889,324	\$2,690,676
CHIP Enrollment Grant	\$1,000,000	\$1,000,000	\$0
Prior Year Reclassification of former MNO recipients	\$0	\$28,782,787	(\$28,782,787)
Current Year Reclassification of former MNO recipients	\$0	\$65,556,000	(\$65,556,000)
MCO Assessment Payments	\$891,722,204	\$572,882,475	\$318,839,729
Subtotal Administrative/Cash Flow Impacts	(\$311,751,226)	\$38,611,864	(\$350,363,090)
<b><u>CONTRACTS</u></b>			
External Quality Review	\$2,000,000	\$1,500,000	\$500,000
Enrollment Assistance Program	\$16,000,000	\$8,000,000	\$8,000,000
Contracted Legal Support	\$600,000	\$0	\$600,000
Claims Processing and PROMISE contract costs	\$33,780,980	\$24,923,685	\$8,857,295
MITA	\$240,000	\$216,000	\$24,000
Actuarial Contract (PH and BH)	\$10,860,000	\$5,430,000	\$5,430,000
Technical Assistance Contract (PH)	\$4,007,520	\$1,935,632	\$2,071,888
Technical Assistance Contract (BH)	\$2,000,000	\$960,000	\$1,040,000
TPL Data Exchange	\$2,800,000	\$1,400,000	\$1,400,000
Clinical Consultants	\$2,005,740	\$1,100,575	\$905,165
MMIS Reprourement	\$341,600	\$307,440	\$34,160
Dell Marketing LP Casenet Case Management	\$579,488	\$434,616	\$144,872
Medicaid Outreach	\$4,000,000	\$2,000,000	\$2,000,000
Revenue Maximization	\$3,976,750	\$0	\$3,976,750
Subtotal Operating	\$83,192,078	\$48,207,948	\$34,984,130
<b><u>FISCAL YEAR 2016-2017 PRRs / INITIATIVES</u></b>			
Express Lane Eligibility	\$44,100,000	\$22,860,000	\$21,240,000
Combating the Heroin Epidemic	\$34,710,000	\$18,049,000	\$16,661,000
Subtotal 2016-2017 PRRs/Initiatives	\$78,810,000	\$40,909,000	\$37,901,000
Uncommitted Federal	\$73,843,950	\$73,843,950	\$0
<b>FY 2016-2017 Cash Requirement Before Adjustments</b>	<b>\$15,752,532,489</b>	<b>\$10,370,857,000</b>	<b>\$5,381,675,489</b>
<b>LESS Other Revenue:</b>			
Quality Care Assessment Revenue	\$264,875,596	\$0	264,875,596
MCO Assessment	\$918,839,729	\$0	918,839,729
Statewide MCO Gross Receipts Tax Assessment	\$111,928,162	\$0	111,928,162
<b>Total FY 2016-2017 Program Requirement</b>	<b>\$14,456,889,002</b>	<b>\$10,370,857,000</b>	<b>\$4,086,032,002</b>

## MEDICAL ASSISTANCE – CAPITATION

### PROGRAM STATEMENT

HealthChoices is Pennsylvania's comprehensive, mandatory managed care Medical Assistance (MA) program. Managed Care Organizations (MCOs) provide MA benefits and ensure access to necessary health care services and limit waste and abuse through comprehensive management of services to meet the needs of their members. The MCOs provide each recipient with a Primary Care Provider, or "medical home," to promote continuity of medical care and encourage early detection and preventive medicine. HealthChoices serves more than two million MA consumers across the State.

### HEALTHCHOICES – PHYSICAL HEALTH

The Physical Health managed care program is managed by the Office of Medical Assistance Programs. Enrollment in the HealthChoices Physical Health program is mandatory for most MA recipients. The program is administered through grant agreements with MCOs in five distinct zones:

- The HealthChoices Southeast Zone (five counties, implemented 1997): Aetna Better Health, Health Partners of Philadelphia, Inc., United Healthcare Community Plan of PA and Vista Health Plan (KeystoneFirst)
- The HealthChoices Southwest Zone (14 counties, implemented 1999): Aetna Better Health, Gateway Health Plan, United Healthcare Community Plan of PA and UPMC for You, Inc.
- The HealthChoices Lehigh/Capital Zone (13 counties, implemented 2001): Vista Health Plan (AmeriHealth Caritas), Gateway Health Plan, United Healthcare Community Plan of PA, Aetna Better Health and UPMC for You, Inc.
- The HealthChoices New West Zone (13 counties, implemented 2012): Aetna Better Health, Vista Health Plan (AmeriHealth Caritas), Gateway Health Plan, and UPMC for You, Inc.
- The HealthChoices New East Zone (22 counties, implemented 2013): Aetna Better Health, Amerihealth Northeast, and Geisinger Health Plan/GHP Family.

**The Department is reprocurring HealthChoices agreements in all five zones. The new agreements will be effective January 1, 2017.**

### HEALTHCHOICES – BEHAVIORAL HEALTH

The Behavioral Health managed care program is currently managed by the Office of Mental Health and Substance Abuse Services. The HealthChoices Behavioral Health program has been mandatory for most recipients across the State since 2007. The statewide HealthChoices Behavioral Health program is provided through contracts with counties that use independent Behavioral Health MCOs or, in some cases, through direct contracts with Behavioral Health MCOs.

- In the Southeast zone, the behavioral health component is managed under separate contracts between the Department and each of the five county governments. Philadelphia uses its own behavioral health managed care organization known as Community Behavioral Health. Chester County contracts with Community Care Behavioral Healthcare Organization. The remaining three counties contract with Magellan Behavioral Health of PA, Inc.
- In the Southwest zone, Allegheny County contracts with the Community Care Behavioral Health Organization. Other counties and, in some cases, the Department contract with Value Behavioral Health of Pennsylvania, Inc.

- For Lehigh/Capital zone, counties contract with Community Care Behavioral Healthcare Organization, Magellan Behavioral Health, and Community Behavioral HealthCare Network of Pennsylvania.
- For the Northeast zone, the Department contracts directly with the Northeast Behavioral Health Care Consortium (NBHCC). The NBHCC is a county-sponsored, non-profit agency that contracts with Community Care Behavioral Health Organization.
- In the North Central zone, the Department contracts directly with Community Care Behavioral Health Organization to provide services in these counties and manages the program in partnership with the 23 counties in this region.
- For the remaining 15 counties (Bedford, Blair, Cambria, Carbon, Clinton, Crawford, Erie, Franklin, Fulton, Lycoming, Mercer, Monroe, Pike, Somerset and Venango), services are provided through contracts with individual counties.

### **AFFORDABLE CARE ACT – HEALTH INSURANCE PROVIDERS FEE/INSURER FEE**

The Affordable Care Act includes a Health Insurance Providers Fee (HIPF) to help finance the law. The provider fees impose a new cost on health insurance premiums that were assessed annually since 2014. Due to actuarial soundness requirements, MCOs will need to pass this tax along to the State in the form of higher rates. The State and the Federal government will share in the additional costs. This tax does not apply to non-profit MCOs whose revenue is at least 80 percent derived from Medicaid, Medicare and the Children's Health Insurance Program.

### **MCO ASSESSMENT**

A new Commonwealth MCO Assessment on HealthChoices and some commercial health insurance products will be effective July 1, 2016. This is intended to replace the existing Gross Receipts Tax on HealthChoices revenue.

### **JAIL DIVERSION PROGRAM**

The Jail Diversion Program has been created to develop policy and procedures for expedited processing of MA applications for inmates being released from county prisons and immediately being transferred to a Residential Drug and Alcohol Treatment Facility.

### **FISCAL YEAR 2016-2017 INITIATIVE – EXPRESS LANE ELIGIBILITY**

The Fiscal Year 2016-2017 "Express Lane Eligibility" initiative will improve the ability of the department to rapidly confer eligibility for either Medicaid or CHIP for uninsured children. Uninsured eligible children will be enrolled into Medicaid or the Children's Health Insurance Program (CHIP) using current eligibility information available from non-health care benefits, including Supplemental Nutrition Assistance Program (SNAP) and child care subsidy. This program is intended to positively affect health care outcomes for children and lower health care costs throughout the state.

### **FISCAL YEAR 2016-2017 INITIATIVE – COMBATTING THE HEROIN EPIDEMIC**

The Fiscal Year 2016-2017 "Combating the Heroin Epidemic" initiative will implement 50 Health Homes for persons living with Substance Use Disorder (SUD). This initiative will fund the expansion of narcotic treatment programs to include Suboxone treatment at facilities and will increase the capacity to care for those seeking treatment for SUD, as well as increase the quality of care. Each SUD Health Home will be given funding to: deploy a community-based care management team, track/report aggregate consumer outcomes, meet defined referral standards for drug and alcohol as well as mental

health counseling, report on standard quality outcomes, and participate in a learning network. DHS' Office of Mental Health and Substance Abuse Services will work with the Single County Authorities in selecting the Health Homes based on factors such as meeting the common set of DHS requirements for becoming a SUD Health Home, volume of Medical Assistance consumers already treated for SUD, number of opiate overdoses/deaths in a geographic region, and willingness of the current provider network to expand capacity to see more patients. A total of \$34.710 million is provided for this initiative.

The Education of Veterans Children appropriation provides gratuities for children of honorably discharged veterans who have been certified as having wartime service-connected disabilities rated as totally and permanently disabled, have died of war service-connected disabilities or died in service during a period of war or armed conflict.

Appropriation	Vendor PA Cty Code	Vendor	Commitment item	Exp. and Commitments 2014-15	Exp. and Commitments 2015-16	Commitments for 2016-17
Education of Veterans Children	10034	Allegheny University of Pittsburgh	Grants to Institution	\$13,000.00	\$5,000.00	
Education of Veterans Children	10034	Centre Pennsylvania State University	Grants to Institution	\$21,000.00	\$17,500.00	
Education of Veterans Children	10034	Monroe East Stroudsburg University of PA	Grants to Institution	\$5,433.00	\$3,000.00	
Education of Veterans Children	10034	Philadelphia Drexel University	Grants to Institution	\$2,000.00	\$6,500.00	
Education of Veterans Children	10034	Philadelphia Temple University	Grants to Institution	\$6,500.00	\$1,500.00	
			<b>Subtotal</b>	<b>\$47,933.00</b>	<b>\$33,500.00</b>	<b>\$0.00</b>

The American Battle Monuments appropriation provides a grant to the American Battle Monuments Commission, Washington, D.C. for the maintenance and repair of the Pennsylvania State Memorial at Varennes, France and the Pennsylvania Eightieth Division Memorial Monument at Nantillois, France.

Appropriation	Vendor PA Cty Code	Vendor	Commitment item	Exp. and Commitments 2014-15	Exp. and Commitments 2015-16	Commitments for 2016-17
American Battle Monuments	10041	USNA/Not assigned	SPymtGovSubrecipient	\$50,000.00	\$50,000.00	
			<b>Subtotal</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$0.00</b>

The Armory/Readiness Centers Maintenance and Repair appropriation is utilized for various critical statewide projects such as the replacement, repair and installation of heating systems, roofs, electrical distribution systems, plumbing and sewer systems, painting and waterproofing of buildings, etc.

Appropriation	Vendor PA Cty Code	Vendor	Commitment item	Exp. and Commitments 2014-15	Exp. and Commitments 2015-16	Commitments for 2016-17
Armory/Readiness Centers Maintenance and Repair	10043	Allegheny Pennsylvania American Water Co	Nonstructural Improve	\$11,237.00		
Armory/Readiness Centers Maintenance and Repair	10043	Cumberland Xpedx LLC	Machinery & Equipment	\$12,748.96		
Armory/Readiness Centers Maintenance and Repair	10043	Lycoming C H Waltz Sons Inc	Machinery & Equipment	\$24,399.43		
Armory/Readiness Centers Maintenance and Repair	10043	USANJ/Not assigned	Machinery & Equipment	\$8,111.25		
			<b>Subtotal</b>	<b>\$56,496.64</b>	<b>\$0.00</b>	<b>\$0.00</b>

The Burial Detail Honor Guard funds are used to provide burial detail honor guards from veterans groups for veteran soldiers who are to be buried at the Fort Indiantown Gap National Cemetery, the National Cemetery of the Alleghenies and Washington Crossing National Cemetery.

Appropriation	Vendor PA Cty Code	Vendor	Commitment item	Exp. and Commitments 2014-15	Exp. and Commitments 2015-16	Commitments for 2016-17
Burial Detail Honor Guard	10051	Lebanon PA War Veterans Council	SPymtInsHEdNonSt	\$76,500.00	\$75,600.00	
			<b>Subtotal</b>	<b>\$76,500.00</b>	<b>\$75,600.00</b>	<b>\$0.00</b>