



**PACHC Memo 13-03**

**Applicable for:**  
FQHC Management Team

**July 2, 2013**

**TO:** Health Center CEOs

**FROM:** Cheri L. Rinehart, President & CEO

**SUBJECT:** Pennsylvania State Budget

**ISSUE:** On Sunday, June 30 Governor Tom Corbett signed his third budget on time—a nearly \$28.4 billion budget without any major tax increases. The legislation ([HB1437](#)) does have components to it that may be of interest to Community Health Centers including a \$4 million appropriation for the Community-Based Health Care Program established by Senate Bill 5 (Act 10). There are also initiatives, like Medicaid expansion, that require separate legislation to be implemented.

**SUMMARY:** The passage of the budget funds the core governmental services that each department provides but other initiatives must have their own legislation passed in order to be implemented. The Governor's top three priorities—pension reform, transportation infrastructure and alcohol sales modernization—each had their own bills. Each bill did make progress through the legislative process as two enabling bills made it halfway: Senate Bill 1 (transportation funding) was sent to the House and House Bill 790 (alcohol sales) was sent to the Senate. Senate Bill 922 (pension reform) is still being considered in the Senate but has stalled until the fall due to multiple reports with conflicting data. While each of these issues continues to be debated, one piece of legislation that is very meaningful to Community Health Centers is an amendment to the **Welfare Code**, House Bill 1075.

HB 1075 is being used to make statutory adjustments that reflect a number of bills that the legislature has been developing this session. An omnibus amendment was adopted to include these priorities in the bill, of which include:

- **Expansion of Medicaid under the Affordable Care Act;**
- **Changing the state Department of Public Welfare's name to the Department of Health and Human Services no later than July 1, 2014** (an issue supported by PACHC);
- Expanding the county Human Services Block Grant Pilot Program to 30 counties, from 20 counties;

- A three-year reauthorization of the state’s hospital assessment, which is used to generate funds that are, in turn, used to draw down additional federal matching dollars for the state’s Medicaid program;
- A three-year reauthorization of the state assessment on Intermediate Care Facilities for the Intellectually Disabled, which is also used to draw down additional federal matching funds;
- A three-year reauthorization of the state’s Nursing Facility Budget Adjustment Factor, which was designed to limit the average payment rates for nursing facility services to the amount permitted by the funds appropriated by the state budget;
- The Nursing Facility Day One Incentive Payment, which would provide funding to help nonpublic nursing facilities with a high percentage of residents on Medicaid; and
- Making permanent the current process of providing advanced quarterly payments to counties for children’s services.

The Welfare code was adopted in the Senate with a vote of [40-10](#) on Sunday evening with 23 Democrats and 17 Republicans supporting it – including Senate President Pro Tempore Joe Scarnati (R-Jefferson) and Senate Majority Leader Dominic Pileggi (R-Delaware) without floor debate. The language for expansion was developed as a result of discussions among Republican and Democrat senate staff for several weeks. The expansion language essentially requires the governor's office to submit a plan for federal approval for the expansion by October 1, with a realization of expansion by July 1, 2014 (to be included in the next budget).

This language also included 14 conditions that are to be included in the governor’s proposal and/or conditional for Pennsylvania’s continued participation in the program. The conditions as described by the amendment sponsor and Senate Public Health and Welfare Committee Chair Pat Vance (R-Cumberland) are:

- Modifications to the current benefit design of the state’s Medicaid program to allow for a more flexible and responsive program;
- A cost-sharing option that includes “reasonable low-cost premiums or co-pay requirements” to encourage proper utilization and delivery of services;
- Plan design features that are similar benefits and services offered by private commercial insurance coverage;
- The expansion maximizes the use of private commercial insurance, including making use of insurance offered on the soon-to-be-operable health insurance exchanges;
- The expansion continues to use Medicaid managed care;
- Children enrolled in the state’s Children’s Health Insurance Program (CHIP) not be moved “unnecessarily” into the Medicaid program;
- “Reasonable employment and job search requirements” for those enrolled in Medicaid who are physically and mentally able;
- “Appropriate limits” on nonessential benefits, such as non-emergency transportation;
- Improved access to care and continuity of care;

- Improved purchasing processes for medical equipment;
- Continued efforts to reduce waste, fraud and abuse;
- Resolution of existing Federal deferrals and disallowances with minimal impact on Pennsylvania;
- Continued allowance of the state’s Gross Receipts Tax on Medicaid managed care organizations;
- Application of the current federal financial participation rate currently provided to Pennsylvania; and
- An affirmation that any coverage offered through the Medicaid expansion is not an entitlement at the federal or state level.

Unfortunately, on Monday morning, July 1, the House Rules Committee met to vote on HB 1075 and referred it to the House Floor after removing Medicaid expansion language and language to rename DPW. Later that evening, the House voted along party lines to adopt HB 1075 in this form with Representatives Gene DiGirolamo (R-Bucks) and Bernie O’Neill (R-Bucks) joining Democrats in an effort to restore Medicaid expansion language into the bill before final passage.

Following the committee vote and subsequent House adoption of this bill, House Majority Leader Mike Turzai (R-Allegheny) opined that the language for expansion should not be considered by the House as it required Pennsylvania to expand Medicaid and removes flexibility on the part of the administration to 1) decide for expansion and 2) craft how expansion should be implemented. He reinforced statements made in the Rules Committee that the requirement to expand removes the governor’s leverage to negotiate with the U.S. Department of Health and Human Services on this issue moving forward.

It is important for all supporters of expansion to recognize the forward progress made by the Senate in clearly articulating expansion language with bi-partisan support and voting on that language. This effort also works as a starting point among Senate leaders, House leaders and the administration to discuss what expansion will look like in the Commonwealth while also identifying it as an issue among the full Senate.

**Member Action Required:** We encourage you to reach out to your legislators to thank them for their supportive vote or encourage them to support Medicaid expansion. Please use your patients’ personal stories, your health center’s performance data and [NACHC’s Medicaid calculator](#) to help inform legislators how expansion benefits their constituents.

**PACHC Action:** As any Medicaid expansion requires legislation, PACHC will continue to work with the legislature on this issue and will keep you informed of progress.

**For More Information:** Contact Jim Willshier, PACHC director of policy & partnership, at [jim@pachc.com](mailto:jim@pachc.com) or (717) 761-6443, ext. 206.