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SPEAKERS

Secretary Val Arkoosh, Senator Kristin Phillips-Hill, Senator Rosemary Brown, Chairman Scott Martin, Senator Tracy Pennycuick, Senator Joe Picozzi, Deputy Secretary Hoa Pham, Senator Art Haywood, Fiscal Management Director Gloria Gilligan, Deputy Secretary Stephanie Shell, Senator Patty Kim, Senator Elder Vogel, Senator Sharif Street, Senator Amanda Cappelletti, Senator Timothy Kearney, Senator Judy Schwank, Senator Jarrett Coleman, Senator Lynda Culver, Senator Jay Costa

Chairman Scott Martin 00:00

Uh, Welcome back to week three, day two of the Senate Appropriations committee's hearings on Governor Shapiro's 2025, 2026, budget. With us today are representatives from the Department of Human Services, which we'll have with us this morning and this afternoon. Just for a point of reference, we'll probably find a time somewhere between 1130 1145 or whatnot, to break and come back around 1pm that's the goal, to keep everything running on time. Here in attendance. We have Valerie arkoosh, Secretary of the Department of Human Services, Gloria Gilligan, fiscal management, Director, also in attendance in the audience to also be sworn in. We have Stephanie shell, Deputy Secretary office administration. Shantae Brown, Deputy Secretary of the Office of Child Development and Early Learning. Laval Miller Wilson, Deputy Secretary of the Office of Children, Youth and Families. Kristen Aarons, Deputy Secretary Office of Developmental Programs and Wafa, Deputy Secretary office of income maintenance. Juliet Marsala, Deputy Secretary office of long term living. Sally Kozak, Deputy Secretary of Office of Medical Assistance Programs. And Jen Smith, Deputy Secretary Office of Mental Health and Substance Abuse Services. Welcome, everyone. May I ask that each of you please stand and raise your right hand to be sworn in. Do you swear the testimony you're about to give us the truth, the whole truth, and nothing but the truth. So

help you, God. And if so, indicate by saying, I do. I do. Thank you very much. As reference for members of the audience, the budget for the Department of Human Services is \$63.7 billion in total funds, of which \$21.2 billion is general funds. We're now going to proceed the questions by members of the committee and standing committee chairs. Standing Committee Chairs will have a 10 minutes for questions, and committee members will have a five minute period for questions. I like to remind members and testifiers to be brief and directing your questions and answers that all members will have an opportunity to present their questions. Our schedule will permit other rounds of questions as well. Excuse me, we'll begin with our Health and Human Services Committee Chairs and I believe we have Senator Haywood, who will start off

Senator Art Haywood 02:20

chair some updates about what the department has been doing since our last appropriations hearing. Good

Secretary Val Arkoosh 02:26

morning, Mr. Chairman and Good morning Chairman Martin, I want to acknowledge Chairman Hughes and all the members of the Senate Appropriations Committee and the the appropriate standing committees. Thank you for the opportunity to discuss Governor Josh Shapiro's proposed budget for state fiscal year, 2025, 2026, and how it will support the Pennsylvania Department of Human Services and our work to serve citizens in every community and County of our Commonwealth. In the two years since Governor Shapiro took office and I was appointed to this role, we have all worked together, both through the budgetary process and through time spent personally visiting your communities to solve problems and improve the lives of Pennsylvanians. The Department of Human Services exists to help Pennsylvanians live healthy, safe and fulfilling lives. Our work is deliberately designed to give people assistance and tools that can help them navigate and overcome difficult situations to achieve success. And what that success looks like can vary. It might mean being able to live independently among peers and work in their community. It might mean managing a chronic health condition so someone feels well enough to prioritize a career goal or getting the treatment and supports to achieve and maintain recovery from a substance use disorder. Many people use their experiences to help others, and they do that when they're able to find affordable childcare so that they can go to work and protect and earn money for their families. So these are just some of the ways that DHS helps Pennsylvanians thrive. I'm proud of the work that we've accomplished together during these past two years, and I did want to just take a moment to talk about what some of those accomplishments are. We have finished the Medicaid unwinding on time and under budget with one of the lowest procedural termination rates in the United States. We followed someone a historic commitment to Pennsylvanians with intellectual disabilities and autism to begin the work of ending the adult emergency waiting list in the first year of this multi growth strategy alone, our emergency waiting list has dropped by nearly 20% and our overall capacity has increased to be able to serve 1300 more people. We expect to continue this momentum by annualizing last year's rate increases in the 2526 budget reaching for the first time ever, the Federal best practice of the 75th percentile of private pay rates for child care

works our subsidized child care program that helps children access the social and educational benefits of child care that extend throughout their lives and allows parents to go to work and afford to invest in their family's future in our Commonwealth economy, we have developed and published our blueprint report, a road map to a better care infrastructure for children and youth with complex health, medical and sometimes justice needs, and launched a Capacity Building Institute for individuals doing this work at the local level, we've launched the new federal sunbucks program in just six months, which helps children who receive free and reduced price school meals stay fed during the summer when school is out. Last summer, that first summer of implementation, we served 1.2 million children. We expanded access to doula services and Medicaid. We've increased capacity at our state operated juvenile justice facilities to expand treatment and care options while reducing wait times for admission to those facilities that were impairing work in our county correctional facilities and detention centers, in January, there were 30 youths who had been adjudicated to state secure treatment on the statewide waiting list, which was down from 171 in July of 2023 preventing and detecting fraud and recovering and avoiding related costs for Medicaid program to our Bureau of program integrity is a high priority For us in state fiscal year 2324 recoveries and avoidances total more than \$490 million of Medicaid funds, an increase of more than 27 point 4 million over state fiscal year. 2223 we are leveraging technology to improve efficiency customer service and client outcomes, including implementing electronic health records at our state hospitals, launching pa navigate, a Resource Navigator and referral system connecting health care, social services and the public sector to better serve Pennsylvanians. We've offset almost 112 million in potential Medicaid spending through our health insurance premium payment program, which helps Medicaid covered Pennsylvanians pay for employer sponsored insurance when it is available, and more cost efficient options, sometimes than Medicaid coverage, utilizing technology and our Office of Developmental Programs to analyze data stored across multiple licensing and case management systems to reduce manual tasks and accelerate task completion time by 92% we've increased the number of automated renewals in our Medicaid program to 30% reducing administrative work and mailing costs. We've launched a new compass interface, which has created a more user friendly self service option for Pennsylvanians to apply for and manage their benefits. And we've implemented fraud capture, an AI driven system that analyzes Medicaid program data to identify potential outliers for further investigation and additional safeguards recognizing and covering street medicine and Medicaid has been started so that people experiencing homelessness receive quality care and services. We've launched the Women's Health Services Program grant, which funds six regional leads who are providing a range of services that can include nutritional support and education, mental health and emotional support services, safe and stable housing, pregnancy and parenting, education, transportation services, menstrual hygiene products and more. And we've also been working together to help stabilize our rural hospitals in the state fiscal year. 2425 investment of ten million which you all approved and appropriated. That 10 million in state funding allowed us to draw on additional federal funding for a total of \$35.9 million to support our rural hospitals, providers that we all know are the cornerstone in our rural communities, but often operate on limited margins. Additionally, DHS increased or initiated increased payments to our critical access hospitals by transitioning them from a disproportionate share hospital payment to a state directed payment beginning this past January, this transition between these two programs will mean that in 2025 our rural hospitals in County classes four through eight will receive \$60 million more than they received in calendar year 2024

while my goal and the goal of the entire DHS team is to continue to build on this success. As we look forward, we are facing an atypical fiscal challenge in our programs that serve our most vulnerable Pennsylvanians. Historically, the rate of increase in Pennsylvania's physical health Medicaid program has largely stayed in line with or typically below the consumer price index for healthcare spending. This year, all three of our Medicaid managed care programs, health choices for physical health, behavioral health choices for behavioral health and community health choices for long term services and supports for older Pennsylvanians and adults with disabilities are seeing atypical increases. These increases reflect ongoing cost impacts of the COVID 19 pandemic are largely driven by patient needs and the increased cost of care delivery, including medications. That is not unlike what the rest of the country is seeing in their Medicaid programs. Some specific examples of cost drivers in health choices and community health choices, which are seeing the largest increases year over year are the compounded impact of the nursing facility rate increases directed by the General Assembly in state fiscal years. 2223 and 2425 higher acuity of participants, which is resulted in increased utilization of personal assistance services and increased utilization of GLP one medications. And at the same time that we're monitoring these areas of growth and actively implementing strategies to shift these trends. We're evaluating changes to the current medical necessity guidelines for GLP ones to ensure the medications are used appropriately for those who need it most. We're also working with stakeholders to continue to improve the relatively new Community Health CHOICES program to ensure that older adults can continue to live in their community of choice. We're adding benefits this year to help them do that, including chore services and expanded tele service options, because living in the community remains more cost effective than going into a nursing home. We must also, of course, acknowledge uncertainty in federal funding for a number of these programs that help create stability and bridges to success for millions of Pennsylvanians, loss of funding or substantial programmatic changes will have significant ramifications for partners in local government, our provider community and our fellow Pennsylvanians Today, nearly 3 million Pennsylvanians, 23% 23% of our population access health care through Medicaid, including 750,000 who are covered through our expansion population. And each of you has hopefully gotten one of these. If you don't, someone back there has it for you, which is a breakdown in your district, district by district, of your constituents who are receiving Medicaid and some other services. In 2010 Pennsylvania's uninsured rate was 10% as of 2023 that number was down to 5.4% also of 2023 compensated care at Pennsylvania's hospitals is 27.7% less than it was prior to Medicaid expansion. I think that is a critically important thing to keep an eye on. Our hospitals are in very serious financial challenges right now, and they do not have the capacity to take on more uncompensated care. So I'm going to stop there and mindful of the time, and I look forward to talking through more of these in detail with you.

Senator Art Haywood 12:40

Thank you. If we have further questions during round two, please, thank you so much. We'll now

Chairman Scott Martin 12:45

move on to questions and comments from standing committee members. We'll start off with Senator Carney, followed by Senator Pennycook.

Senator Timothy Kearney 12:55

Thank you, Mr. Chairman, good morning. Dr. Akush, Madam Secretary, I want to start with talking about something that Governor Shapiro touched on in his budget address, and that's the role of private equity, in health care. I think you know, you know that we basically had hospital systems in Sharon and in Delaware County that were basically destroyed by private equity companies they've been getting. We also know that, you know, in Delco, we're in the middle of bankruptcy. We have, we're dealing with threats of closure basically every week at this point, going forward and trying to and I'm still remain hopeful that we're going to be able to save the hospital in Chester but we also know that this is not just a hospital problem that we're seeing private equity getting involved in pretty much all health care sectors, where third party payers like Medicaid and Medicare programs provide a certain level of reliability and cash flow. We're we hear about their impact in nursing homes and physicians practices, home care agencies, even hospice, so many of these sectors, anything that's paid. A lot of these things that are pay through pay for through DHS. So can you tell us as an agency what you're seeing in terms of the impact of private equity ownership across different service sectors, and how does the DHS hold itself accountable to ensure that taxpayer dollars are going to patient care and not to Wall Street investors. Thank

Secretary Val Arkoosh 14:41

you, Senator Carney. I appreciate your raising what is a very serious issue all across our Commonwealth. And I want to underscore the fact that you mentioned two hospital systems that have received a lot of press, and rightfully so. We have at least one other hospital system in a similar situation, and what has not gotten a lot of press is the impact on our nursing facilities. There are many, many nursing facilities that have been purchased by private equity and are in similar, very dire financial situations. I was very encouraged by Governor Shapiro's call in his budget address to take action against private equity to make it more difficult for private equity to come in and purchase these health systems. They're vital to Pennsylvanians. What we see, and it's a very typical playbook at this point, the private equity company comes in, they tend to purchase facilities that are already on a little bit of shaky financial ground, so they're vulnerable to be purchased. A few months later, the principals sell the land to a real estate investment trust, and then shortly after that sale happens, an institution that has had, you know, some stability, but maybe not great profitability over the years finds itself having to pay rent for the land on which the building sits. We have seen this playbook over and over and over again. You know Senator have been deeply engaged in the situation in Delco, and it's just a playbook that ends in the way that they're all ending, which is, at some point the original entity runs out of money, they can't carry that operating cost of having to pay some sort of rent or lease payment for the land that they sit on or the building. Sometimes they sell the building. And eventually we are looking at some sort of bankruptcy situation where we are seeing it not only in the impact of patient care, and in particular at one of the hospitals in Delaware County and the senators district. It is a hospital that serves a very low income

group of individuals. There's not a lot of great transportation, public transportation around there for those individuals to get to other hospitals. It's going to have a very, very dramatic impact on that community if that hospital closes. But where we're also seeing in nursing facility is difficulty in getting our nursing facility assessments paid in a timely way. And I think many of you are familiar with the fact that a number of nursing facilities are in arrears, and not all, but the majority are tend to be a for profit or private equity owned. So I encourage you to work with the governor if you are willing to really consider that we should take some action here to make it harder for private equity to come in and, frankly, pillage these hospitals and nursing facilities here in the Commonwealth. The governor has also proposed in his budget a \$20 million fund that would be available to address some of the crises that have come in the wake of these private equity bankruptcies, and would give the state some flexible dollars that could be used to help transition patient care, ensure patient safety, maybe stabilize some services, If a service has to be moved to another facility, it would actually give us some dollars to help do some of that in an emergency, like what potentially is going to be faced in Delco. As an

Senator Timothy Kearney 18:10

architect, I have to add in that, what do they do? Takeout does not get reinvested in the facilities and the infrastructure. And we're seeing that play out in spades and in Chester in terms of literally had a fire in a mechanical room that was directly traced to the fact that they hadn't been doing ongoing maintenance on the mechanical systems. I see my time is up, but hopefully we get around to and we can talk a little bit about child protective things. Thank you very much. Thank you, Mr. Chairman,

Chairman Scott Martin 18:41

Senator Penny Cook, followed by Senator Phillips Hill.

Senator Tracy Pennycuik 18:43

Thank you, Mr. Chair. Thank you Secretary for being here today. I want to switch over to the SNAP program. Per federal regulations, the able body adult without dependent Supplemental Nutritional Assistance Program or SNAP recipients, they only receive three months of benefits every three years, unless they meet the work requirements. Do we participate in the SNAP work requirements here in Pennsylvania?

Secretary Val Arkoosh 19:11

So if you are in the category of an able bodied adult without dependents, they are actually entitled to three months of benefits every three years. So basically, one month of benefit a year, or they can do all three months at once, but they won't get any more benefit for three months. That would be if they are not meeting certain work requirements that are in the SNAP program. The federal government has the set of requirements that enable a state to take waivers or receive an exemption

for this enrolled population under very strict reasons and conditions of employment within a state. And what are those kind of so it has to do with job availability in regions or statewide. I don't know the exact numbers, but Pennsylvania has been participating in that waiver program in different regions of the state, and sometimes statewide, as we are right now, back to 2009 so we

Senator Tracy Pennycuick 20:16

have a very low unemployment rate right now. And Montgomery has this waiver. Montgomery county has this waiver, yes, but yet there are so many jobs available in montgomery county. How is it that we are getting a waiver when there are so many unfilled jobs?

Secretary Val Arkoosh 20:33

Well, I will share that we anticipate that the statewide waiver, which is what Montgomery county is under right now, is going to expire. Well, it expires in May, and I do not believe that we will meet those requirements. For most places in the state after May, there will still be some regions where we probably will continue to meet those requirements, but probably not the southeast, broadly in the southeast, I don't anticipate that we would still meet that waiver requirement after May. Okay,

Senator Tracy Pennycuick 21:02

thank you. That really clarifies a lot for me. I want to move over to the intellectual disabilities list. The budget doesn't include any funding for an initiative to provide home and community based services for individuals on the emergency waiting list. Are you planning on moving any of these individuals off the waiting list with this budget?

Secretary Val Arkoosh 21:24

Yes, so thank you for bringing that up. I know this has been a source of a little bit of confusion for folks, so first of all, I just want to celebrate that with your support and really the historic funding that you appropriated in last year's budget, we have been able to make dramatic reductions in the adult emergency waiting list. We have reduced that list just in this past year and a half by nearly 20% so it's very, very exciting. We are down to 3703 adults on that waiting list. As of December 31 we were well over 4000 not long ago. And also, thanks to that historic investment that you made, we have been able to recruit more direct service providers, who are the folks that actually care for these people in their homes. The vacancy rate on that list is down to 14% which is the lowest that it's been in years. So we're very encouraged and grateful at the investment that you've made in this community. So

Senator Tracy Pennycuick 22:25

how much other piece? Oh, I'm sorry, how much funding is projected for this fund, for this budget?
So

Secretary Val Arkoosh 22:30

there's an increase in the ODP ID waiver budget of 175 point 3 million, which is a 7% increase. And let me explain why you're not seeing what you've historically seen, which is the number of slots, as we call them. You might also recall, as part of the multi year growth strategy that the governor kicked off last year, we are moving away from counties managing to certain slots of waivers and Senator. You probably remember this from when you were county commissioner. Counties were given a certain number of consolidated waivers and a certain number of community living waivers, and you had to manage, you know, put a person in a slot that was not very efficient. And it was not very efficient because, frankly, sometimes money would get left on the table. You know, our goal is to give person people the right services at the right time. And if they didn't need every single service in that waiver at that moment, services would go unused. Now we're having counties manage to a budget and so they can then say, Okay, I have this much money. This person needs these services, this person needs these we might be able to accommodate the needs of maybe two, maybe even a little bit of a third person with a slot, and so we're moving away from that slot. You're not going to see that slot increases in the budget any longer. Great. Thank

Senator Tracy Pennycuik 23:53

you. Thank you Mr. Chairman. Thank

Chairman Scott Martin 23:55

you Senator, Senator Phillips Hill, followed by Senator Vogel. Thank

Senator Kristin Phillips-Hill 23:59

you, Mr. Chairman, and good morning, Secretary arkoosh, thank you for being here today. We know that your department is not only the most expensive part of our state budget, but also the fastest growing department on the expense side of the ledger. So let's dig in earlier in your opening statement, you referenced medical assistance currently covering GLP one, medications that are used to treat diabetes as well as obesity. Can you speak to how much DHS has spent on GLP ones?

Secretary Val Arkoosh 24:36

Well, I can tell you that actually, let me just back up one step. So these medicines are relatively new,

Senator Kristin Phillips-Hill 24:42

and we understand that. We understand that just the you could tell us what the Commonwealth is spending on GLP ones in the

Secretary Val Arkoosh 24:50

budget for next year for, well, I'm sorry for 2025 remember, let me also just remind everybody, because this gets confusing. Our MCO contracts are on the calendar year, not the state fiscal year. So it's always causes some confusion. So in the 2025 year, we have \$1.3 billion for GLP ones.

Senator Kristin Phillips-Hill 25:11

Excuse me, did you say 1.3 million or billion dollars? Billion with a B, \$1.3 billion for GLP ones. So are there any pre authorizations required for someone to have their GLP one covered by Medicaid? There

Secretary Val Arkoosh 25:29

are so doctors can prescribe GLP ones for diabetes or obesity, and in both cases, there are prior authorizations. The Medicaid program uses a drug utilization review board. All MCOs have representation on those boards. It's mostly pharmacists and things like that. They approve and agree to a set of prior authorizations, which they have done for the current prior authorization that we're under. In April, we have the next drug utilization board meeting, and we are going to present a new set of much more robust prior authorizations for them to consider and hopefully approve, and we're doing that for the use of this drug for obesity, the use of GLP ones for diabetes has been shown to reduce healthcare spending for individuals with diabetes. I think it would be very short sighted to take that away, but what we are,

Senator Kristin Phillips-Hill 26:21

I don't think you would really

Secretary Val Arkoosh 26:22

reduce or

Senator Kristin Phillips-Hill 26:24

disagree with that. I apologize. Cindy, you know, we have seen estimates that we have spent almost \$300 million on these drugs, roughly \$106 per Medicaid beneficiary. One paper that we saw indicated that we are second only to California in the amount that we are spending, and now it appears, based on what you shared here today, will be spending \$1.3 billion next year on those drugs for diabetes and obesity. So in the governor's executive budget, there's a statement that this budget seeks to contain spending on GLP ones. You've talked about increasing prior authorization, putting different requirements on there. What changes are the department making that will reduce the Commonwealth's GLP one spending, yeah,

Secretary Val Arkoosh 27:25

again for obesity, I do want to be really clear about that. So what will be presented at the drug utilization review board in April is a series of prior authorizations that would include things like requirements to have tried diet and exercise programs, to have tried lesser expensive medications. You know, there's many options in this area, and probably most significantly, would own would be to only allow their use for obesity with a extremely high body mass index, which is the typical, typical measure of obesity.

Senator Kristin Phillips-Hill 28:01

How much savings has been assumed in the budget, should these measures be approved?

Fiscal Management Director Gloria Gilligan 28:12

We haven't estimated a specific amount, but we have adjusted our out year projections to account for reductions. So it's there's not a specific amount that you're going to be able to point to. Point to that says here's the savings. It really will depend on the prior authorization

Senator Kristin Phillips-Hill 28:25

projections. What are you anticipating? Should these approvals go through?

Fiscal Management Director Gloria Gilligan 28:30

So we've shown in our competition out your projections, roughly 2% growth year over year.

Senator Kristin Phillips-Hill 28:35

Okay? Will these changes require anything from a regulatory or legislative approval perspective to allow for implementation. It

Secretary Val Arkoosh 28:46

won't require anything. From the legislative perspective, I think we will have to notify CMS if we're changing the way in which we're prior authorizing these medications. But those things are typically a fairly routine process, very good.

Senator Kristin Phillips-Hill 29:01

So my understanding is that you're going to constrain the large amount, the 1.3 billion that we're spending, but there's actually no savings in the out years, just less growth in the budget.

Secretary Val Arkoosh 29:15

Our Medicaid budget always grows year over year, and we've been very, very proud of the fact that that growth has been very low, specifically

Senator Kristin Phillips-Hill 29:24

to the GLP ones. So

Secretary Val Arkoosh 29:26

the way to think about it is that if we did not take these steps, the growth in the out years would be higher. The growth is not going to be negative in the Medicaid program, because health care spending does not ever get cheaper over the years.

Senator Kristin Phillips-Hill 29:41

Thank you, Madam Secretary, thank you, Mr. Chairman, thank

Chairman Scott Martin 29:44

you, Senator up next, Senator Vogel, followed by Senator Culver.

Senator Elder Vogel 29:54

We all know that the cost of human services continue to climb and year after year and by close to a billion dollars a year, but this year, your budget is almost \$2 billion more. So your budget for the planning years, the out years, averages about 335 million, but the growth of DHS over the last 11

years has been over a billion dollars a year, right around a billion dollars a year. So who developed these out year budgets for you, and what assumptions are using to develop these budgets that you're talking 330, 5 million roughly, and it's over a billion, close to \$2 billion

Secretary Val Arkoosh 30:28

well, we've developed that budget with our budget team with the governor's office. I also wanted to make sure that everybody had this which you should also have at your seat, which is a description of how the annual rate, the capitation rate setting process is undertaken every year for a managed care organization. So you can get a sense of how comprehensive this process is and what goes into it. And there are a number of drivers that are driving these increases, and I'd be happy to go through some of those if you'd like me to

Senator Elder Vogel 30:59

a couple quickly, five minutes. I can do

Secretary Val Arkoosh 31:03

it pretty quickly. So I think what we're seeing in our Medicaid programs and our physical health and our behavioral health programs are a couple of things we talked about, the GLP ones, very, very important. We've also got some legislative changes that are impacting these rates, the ambulance rate increase and the dental fee increases. And of course, we have seen as a result of the unwinding that the patients that remain in Medicaid are generally sicker, on average, many of them did not get any health care during COVID, and so they have shown up when they have returned for medical care with maybe more advanced stages of cancer than they would have had, had they gotten care regularly during COVID Very importantly, in our community, health choices, which is the program for our older adults and people with disabilities, we have seen a big increase in our personal assistance service rates of 8% but as I mentioned earlier, that enables people to stay in the community. The impact of that, just to give you a sense, back in 2018 when this program started, we had 80,754 people in the community, and 57,383 in a nursing home. Now today, we have 136,555 being cared for in the community, and only 43,175 in nursing homes. So what our population is aging, right? We are providing enabling those folks to stay in the community, which is much less expensive than going into a nursing facility. However, we also have legislated increases in nursing facility and fees. There was a 17 and a half percent increase in 2023 and there was a 7% increase for the year that we're in. So there's \$1.16 billion included in the rates for changes just in nursing facility increases.

Senator Elder Vogel 32:47

So what kind of initiatives Do you have that are actually cost savings, any or anything? I mean, you're you're talking \$600 million difference between what you're proposing, what actually is there?
So

Secretary Val Arkoosh 33:01

what I think it's really important to understand is that our population is aging, which I know, you know, yeah, and the and people are living longer, and the longer they live, the more needs they have in terms of of care needs. Our federal government deems a nursing facility admission, if you're if you have a clinical conditions that would be cared make you eligible to be cared for in a nursing home. That is considered an entitlement. Keeping people in the community is what we provide under this waiver service, and that is more cost effective than keeping people in a nursing home. So that right there is one of the biggest pieces of this. I also just want to remind everybody that all of our Medicaid MCOs are fully at risk. They're 100% capitated, and we undergo very robust rate negotiations with them every single year. That, in and of itself, keeps prices down. And we have, if you, if you look at this rate setting process, we have something called efficiencies, where we back out from the rates for what we consider to be lack of efficiencies, people not cared for in the most cost effective setting, things like that. And so as a result of that process, we've saved about a billion dollars over the last few years just in that rate setting process. So this is something that we look at very comprehensively and and I just want to, just for the record, for folks who weren't here before CHC started that the adult waiver, which is what community health choices replaced, that was seeing something along the lines of 30% year over year growth. And so we have, I think, made a very, very cost effective set of decisions here and caring for our aging population here in the Commonwealth. And you know, the other benefit is folks get to stay in the home that they love in their community. I don't know a lot of folks who would choose to a different type of setting. So it's the most cost effective, and it makes our seniors. It meets our seniors where they want to be. Okay. Thank you.

Senator Elder Vogel 35:05

Thank you Chairman. Thank

Chairman Scott Martin 35:07

you. Senator Culver, followed by Senator Costa.

Senator Lynda Culver 35:11

Thank you, Mr. Chairman. Thank you. Secretary Kush over here,

Secretary Val Arkoosh 35:15

Costa walked in. I didn't realize they was here. I'm not sure how to get down there. I'm back.

Senator Lynda Culver 35:23

Thank you for being here and your team. I want to start by talking about some child welfare topics, but first, want to thank you and your team for coming into my district on at least two separate occasions to boost up and help my children, youth case workers who are struggling. So I appreciate that. So the county child welfare, historically, the needs based budget increases at least 100 million per year in state funds. How are you able to level fund the program this year?

Secretary Val Arkoosh 35:54

So as you know, the counties do put in those needs based budgets, and we work very closely with them on the increases that they request. Could you move the mic just a little closer? I'm sorry, yeah, as I said, as you know, the counties every year do submit their needs based budget, and we work very, very closely with them to meet those requests as we work through them in this budget, we did as it all rolled up, we did end up with level state funding at 1.4 9 billion. It is my understanding that most counties got most of what they asked for, perhaps not everything. And we do see, though that there was a 9% increase right of 119 million in allocations directly to the counties. And we were actually, once you get into the details of how we did that, yeah, yeah. If

Fiscal Management Director Gloria Gilligan 36:54

you refer to your budget materials on page 259, you'll see on the very first line, which the is the needs based plan and budget line there is the increase that the Secretary just spoke about this 100 and 19 million. So the allocations to counties that will go out because we appropriate funds over two fiscal years in county child welfare. So we're making a larger adjustment forward to account for delays in billing from the counties we've experienced that over multiple years now because of workforce issues that is prevalent across the state. So they are seeing increases in allocations. The overall request for additional state funds is adjusted over those two fiscal years. Okay,

Senator Lynda Culver 37:30

so can you explain to me what has changed, and what I think is the roll forward process in county child welfare? I guess it's been what, 12.5% of the needs based budget around 230 million. However, we're budgeting for 468 million.

Fiscal Management Director Gloria Gilligan 37:46

Yeah, this is the piece I just alluded to just briefly. So in the past, we generally account for the rule forward. This roll forward is literally the piece that is appropriated to the well requested in the next

fiscal year. So it'd be 2627 historically, we've adjusted their appropriated words today requested 17% be adjusted forward, so we're making a change to that roll forward. I know you said 12 and a half, and that would be but we do it on a cash basis, not necessarily in a cruel because we were using it based on the way counties were billing at the time. So 17% was what was there before. So we're adjusting to about 30% 32% I think, is going to roll forward to 2627 and again, that's because when we look at the newer trend of how counties are actually billing, the amount that we expect to pay out in 2627 because we're appropriating over two fiscal years is a larger amount than what has paid out historically in the second year. If

Senator Lynda Culver 38:45

I could just shift for a minute, my colleague had spoke about this a little bit. I've had two rural hospitals close within my district, one several years ago and one more recently. I don't know that people understand the impact of that, the true impact, unless you're living there. So just a two fold question. I mean, Pennsylvania rural health model is ending. What steps is the department taking to ensure the financial sustainability of our rural hospitals? And I think the other issue we hear about is the payment to cost analysis, hospitals are getting about 82 cents on the dollar for treating Medicaid and uninsured patients and some hospitals are carrying a heavier load of Medicaid patients than others might be. Do you plan on doing something to address that issue and help some of our most vulnerable Pennsylvania and hospitals? Yeah, yeah. Thank

Secretary Val Arkoosh 39:35

you for asking those questions are extremely important questions. So this rural health issues have been a priority of this governor and this administration. Since we all walked in the door, there have been multiple in person convenings. We have a working group within the governor's office across agencies. We have also been working with the Pennsylvania Office of Rural Health and the Pennsylvania Maternal Health Collaborative. Both of those are out of Penn State, and we've been working with the National Governors Association, which is the bipartisan part of the Governor's Association that deals with common issues across states. So you've heard the governor's budget, some workforce suggestions around loan repayment and other strategies like that Department of Health has is in the middle of modernizing their hospital regulations, and I assume that came up with Secretary Bogan. We are working with hospitals around a number of administrative sufficient efficiencies. In fact, Commissioner Humphreys and I have been particularly focused on credentialing, which is a huge lift for small hospitals and protect particular and we've got some plans in the works for that. If we have time later, we can happy to get into that, and we have a whole maternal health strategic plan. So we have put a lot of focus on helping to these hospitals to stabilize. There are actually about, if you look at counties class four through eight, about half of them actually are slightly a slightly positive margins. And we really want to celebrate those hospitals. They're not huge. They're anywhere from, you know, half a percent to maybe two and a half or 3% but they are positive nonetheless, and then the other half are have negative margins. And so we're starting a series of convenings. We're starting in Indiana and Armstrong in April to help bring folks from a whole region together to talk about what's working. How can they work together?

How can hospitals share services like revenue cycle management, liability insurance, other things that they can purchase together? We have a lot of ideas and strategies, and we really want to help these hospitals stabilize, get connected to their communities in a robust way, so that they thrive on the payment side. So I mentioned very quickly earlier, two initiatives this year. One is that we're changing dish payments, which is that disproportionate share payment, to something called a state directed payment. We did worked on this together with half we're doing that because by doing a state directed payment, we can draw down federal funds. So that's one part, and then you all appropriated ten million to us to use for hospital stabilization. We are able, with that, to also draw down federal funds. I think it was 36 point 7,000,010 10 million turned into 36.7 and I know we're out of time, but we I can get into how we're distributing that later, if you'd like, but those two things together make it so that \$60 million more funding will go to hospitals, 60 hospitals who take care of Medicaid patients in counties class four through eight this year. So that's a substantial amount of funding, even without that 10 million just if you look at that state directed payment piece we are and this is actually true across the Commonwealth, between all the different assessment payments. If you take the Medicaid payment on its face value, but then you add to it what hospitals are getting through assessment payments, we are paying the equivalent of Medicare. So but what you have to understand, you can't just look at the Medicaid payment in isolation, but the Medicaid program enables these other payments to come in, and if you add that together, the typical Medicaid patient a hospital should be getting reimbursed for that patient at the same rate as Medicare. Thank you,

Senator Lynda Culver 43:17

Mr. Chairman, thank

Chairman Scott Martin 43:19

you. If I can remind all members and testifiers to please keep their phones away from active mics. They're picking up feedback on the can't see where it is. Not accusing anybody. Just be mindful, just moving on going back here. Point on the Child Welfare funding, you're rolling forward, and I think it's about \$240 million why would that not be reflected in your out years, as it looks as if the child welfare lines are level funded through 2930

Fiscal Management Director Gloria Gilligan 43:50

Yeah, I think that's a great question. Thank you. So I think if you recall for 2425 we utilized a one time use of prior year funds. Unfortunately, counties are experiencing challenges in their workforces, as well as the workforce issues with the providers that they contract with, so they have not been able to fully utilize the appropriations, and we have seen that unfortunately since COVID and even pre COVID, so we didn't account for growth in the out years, because it is very likely that we will have prior year funding that we will use, or at least request to use, but

Chairman Scott Martin 44:24

all the way the 2930, the counties would be level funded. We don't expect any growth at all. I

Fiscal Management Director Gloria Gilligan 44:29

think, when you go back to I think I'm sure this has come up, probably in every hearing so far. But when we make adjustments or predictions for the out years, we generally stick to those things that are known so the MA program, like capitation, chc, you see adjustments in those out years. Most of the administration lines are level funded. Almost everything else is level funded. That's the Commonwealth from the budgeting perspective, how we have approached the out years.

Chairman Scott Martin 44:59

Well, I mean, a billion and a half dollar program, line item, to think that it would be level funded, I think I'm sure, especially and Secretary certainly can relate as your days as a county commissioner as well, to think that this line item would be fully funded, A is not giving us a true picture of What to expect moving forward, and we'll get into that a little bit more later. We revisit that. I appreciate the answer. Moving back to the list, Senator Costa, followed by Senator Schwenk.

Senator Jay Costa 45:33

Thank you very much, Mr. Chairman and Secretary. Thank you for being here this morning, and your team and the work that you've done, I've often said that your your agency, is probably the most complex and complicated of any state agency, and as we see things starting to play out, both at the state and federal level, that hasn't changed, I think, as you know, and I think all my colleagues know that in Washington, there has been proposed a budget That would propose cutting \$2 trillion from federal spending in order to be able to pay for four and a half trillion dollar tax cut. The area that is going to be impacted is going to necessarily be do the House Committee on Energy and Commerce, which is tasked with cutting \$880 million over the next 10 years, which has jurisdiction over Medicaid program. One of the things I want to ask you some basic questions about numbers. How many folks are actually in Pennsylvania enrolled in the Medicaid program? As

Secretary Val Arkoosh 46:30

of the end of December, we had 2,994,014

Senator Jay Costa 46:38

and how many who are these individuals?

Secretary Val Arkoosh 46:41

1.3 million of them are children. So a third of the program is children. We have 312,000 older adults who are 65 plus. And we have a number of individuals within there, I don't have an exact number who are individuals with various disabilities, as

Senator Jay Costa 47:06

it relates to the ratio in terms of the number of individuals enrolled, and as it relates to the cost associated with what is that ratio? Like my recollection was it was 1/3 of the role enrollees represent about two thirds of the cost. Is that still the ratio?

Secretary Val Arkoosh 47:24

I actually have that, but I don't have it right in front of me. But yes, the it is correct that a significant share of the cost, I believe it's around 70% is borne by about 29% of the enrollees. Those numbers may not be exact nice, but it's definitely in that ballpark,

Senator Jay Costa 47:46

and those enrollees are seniors,

Secretary Val Arkoosh 47:50

either disability or individuals with disabilities. Correct? Now, let

Senator Jay Costa 47:54

me shift gears when you talk about the overall Medicaid program. Are we seeing also the Medicaid expansion program in there? Or is there a separate universe

Secretary Val Arkoosh 48:01

within that 3 million people, which is 23% of Pennsylvanians who are enrolled in Medicaid, 750,000 are in that Medicaid expansion population. And

Senator Jay Costa 48:12

of that group, I presume all these individuals are spread all across all of our counties.

Secretary Val Arkoosh 48:17

Oh yes, some have given handouts out to everybody on the Appropriations Committee. Chair, Appropriations Committee, on the number of members in their district? Yeah, they're by district.

Senator Jay Costa 48:27

Well, thank you very much. I had a chance to see that. I apologize. Some of the ways in which they appear to want to address the reduction achieving the \$880 million trillion, a billion dollars over the 10 years, is looking at the reimbursement rates. One of the things that I'm concerned about is that there's a variety of different options have been proposed. One is a per capita type approach. My question is, with respect to the per capita approach that you're familiar with, I'm sure, what happens if our expenditures exceed the per capita amount of money we would receive, and who would be on the hook to pay the difference. So

Secretary Val Arkoosh 49:03

what's important for everyone to understand is that the current system is considered what's called an entitlement. And so as people come into the program, they have needs. We meet those needs, and many of those needs are required to be met under federal various federal rules, and we are able to move forward under per capita system, it would initiate something along the lines of, you know you have, let's just pick a number, \$500 for this person. And any needs above \$500 for that person would either be uncompensated care or would have to be back filled with state dollars.

Senator Jay Costa 49:40

So going back to the composition of the enrollees in Medicaid, who would that change to a per capita impact the most? Would it impact our seniors and individuals who with disabilities more so than it would other individuals who are receiving medicaid

Secretary Val Arkoosh 49:56

a per capita cap, assuming that it was just applied equally per person would dramatically and have and devastatingly impact older adults and people with disabilities, so they

Senator Jay Costa 50:08

would be maxed out. We would then be responsible, we as a Commonwealth would be responsible for anything over and above that cap for those seniors, or they would have uncompensated care with respect to the Medicaid and enhance Medicaid program, Medicaid expansion. We had a lot of conversations, I know in the Senate a number of years back, and ultimately, Governor Wolf signed

us up. So to speak, we've been now receiving 90% reimbursement rates. One of the proposals is reducing it approximately to 54 55% I can't say specifically where it's at. What would the impact of that be on our commonwealth, more on the Pennsylvanians? What would have to happen? And I guess my question is, assuming that they reach a reconciliation in this upcoming month, and potentially the impact would be, possibly be, April 1. What would the impact be on our last three months of our budget, because we did our budget, we presume 90% reimbursement rates. What would happen? What would you if you're looking at this, what would you think it might be in terms of the amount of money we would need to recoup

Secretary Val Arkoosh 51:11

so it would be devastating for the 750,000 people. We do have a 90% federal match for that population. One of the most important things to know about that is that since Pennsylvania expanded Medicaid, uncompensated care at our hospitals has gone down 27.7% our hospitals would remain required to care for people in an emergency. Their amount of uncompensated care would rise dramatically. And there's not a hospital in this commonwealth, even ones that have positive profit margins today that could accommodate that kind of a thing increase. And then in terms of the federal match going down to our, what's called our regular map, yeah, which is right now, around 56 plus percent, again, we would have decisions to make. We would either have to forgo Medicaid expansion and decide that the state could not afford to keep offering Medicaid to those 750,000 people with only a 56% federal share, or the state would have to back fill that with state dollars, as we do now for the rest of the Medicaid system. It would be devastating. People would lose their insurance. Those that remained insured would have far fewer benefits, and we would see significant increases in uncompensated care, particularly at our hospitals.

Senator Jay Costa 52:32

Can you define for us who are the folks on the Medicaid expansion program? You give me a number, but tell me who those folks are and what the income limits are, and what's the level, excuse me, what's the level of health benefits they receive? Give

Secretary Val Arkoosh 52:47

me one second here. So in terms of the health benefits that they receive, they just get the regular Medicaid benefits. Yeah, there's nothing special about their benefits. 43% of the expansion population are working. There are 28,370 individuals who are between age 19 and 21 that are covered by the expansion population. 41% of the expansion population is over 41 a single adult cannot make more than \$21,128 to be eligible for Medicaid under the Medicaid expansion. So let me say that the other way, if you're single adult, you can make up to \$21,128 and if you're a parent with two children, you can make up to 35,978 to be eligible for Medicaid under the expansion. So

Senator Jay Costa 53:45

these are working poor being able to provide a minimum level of coverage, health care coverage at the end of the day, as you indicated, keep some of the hospitals with respect on compensated care. That's right. So let me just switch gears. One more question relates to a conversation that's arisen recently relating to the health care assessments. One of the areas that I read about was in the managed care space, for example, and the amount, the percentage which we would we currently utilize. There's some talk about possibly eliminating it completely, to be the ability for a state to do that, or reducing it from 6% to 4% to 4% to 3% etc. What? What would that impact have on our ability to be able to have help provide for Medicaid coverage for individuals, just the normal part of the program, as opposed to even expansion piece.

Secretary Val Arkoosh 54:34

So as I know you're aware, the Commonwealth uses a number of different assessments to help fund the Medicaid program, specifically the MCO assessment, which I know has gotten some traction in Washington. We currently have budgeted for that assessment \$2.3 billion in the 2526 budget. So if that were to be eliminated, it would, we would have a \$2.3 billion budget hole in our state fund budget, and so you can, you know, parse fractions of that, yeah,

Senator Jay Costa 55:07

what's your gut tell you what may come out of DC? Do you have any insight as to what may happen along those lines? If you don't know that's, I mean, it's, I know it's, it's too hard.

Secretary Val Arkoosh 55:21

And, you know, I do want to just say, since we are in a public forum here, I just want Pennsylvanians to know that right now nothing has changed, that their Medicaid is safe, their SNAP is safe, nothing has changed, Senator, there is enormous fear out there. I every time I am I step outside of the door, someone comes up to me terrified, and so I don't even want to speculate on how this program might change. I don't want to contribute to what is already an incredibly fearful 23% of our Pennsylvanians who are very worried about this and so, but we are keeping a very close eye

Senator Jay Costa 55:57

after your concerns. I hear the same thing, and we get calls to our office on a regular basis. Thank you. Thank you, Mr. Chairman,

Chairman Scott Martin 56:05

thank you, Senator. Just to re emphasize you said you have received no direction as to what, what the cuts may be exactly, that's correct.

Secretary Val Arkoosh 56:12

Senator, I don't have any more information than what is generally publicly available. Thank

Chairman Scott Martin 56:16

you. Okay. Moving on to our next week. We have Senator schwang followed by Senator Brown.

Senator Judy Schwank 56:24

Thank you, Mr. Chairman and good morning, Secretary and director, thank you so much for being here. You're pretty good on the answers, and I appreciate that. Thank you for keeping your finger on such an important part of our budget, as my colleague, you know, leader, Senator Costa, talked about those federal dollars, and what they're going to do in Washington is going to impact what we do here, and we will be the first line in having to determine how we're going to handle this. So that's why I want to specifically ask you about a program you know is dear to my heart, which is child care, and where we get federal funding for child care, and I believe it's in the Social Services Block Grant program from the feds. And can you talk about, I think we're getting 1.6 billion annually, and it's a very flexible funding. Is Child Care covered under that? What does, exactly, does that program do?

Secretary Val Arkoosh 57:20

So there's a couple of different ways that, on the DHS side that we pay for child care, and this is where I have to say some of that is actually on the P, D, E side, right education department, but on our side, we are able to draw on TANF funds to help pay for some of our child care, and then we do also get some block grant funding through those programs. It is one of the things as I look at the totality of my programs that at least right now, does not seem to be a specific target of the cost cutting measures that are being talked about that could change. Obviously, it would be really, you know, to cut child care. That just means that parents can't go to work, and so it would be very nonsensical to cut that, but we'll keep a close eye on it. I appreciate

Senator Judy Schwank 58:21

that. I know that you know, as we're looking this year, and I'm grateful for it, increasing funding to child care providers, the individuals who are in the classrooms and the day cares with our kids, who are critically important. We're looking at increasing their salaries through this budget this year. Is any of that funding coming from federal funding, or is that all state dollars that we're looking at there?

Secretary Val Arkoosh 58:47

So right now, as you know, this governor has been very focused on supporting our child care community, and I'm very happy to say that as of January, we are now paying at for the first time ever, at the 75th percentile of private pay rates in child care works. So that's the federal standard that a child care Works program would pay at the 75th percentile of what private pay parents are paying. So I am thrilled that we have finally achieved that benchmark here in Pennsylvania. So that is underway. And then, of course, the governor has a couple proposals. Very importantly, one is to raise the minimum wage many child care workers, and these are teachers and teaching assistants degrees, which degrees, often masters degrees, are still not at that \$15 an hour in some regions of our state. And so raising that minimum wage would be extremely helpful for child care providers. And then, of course, you're very familiar with the \$55 million proposal that is a one time proposal for retention bonuses and recruitment bonuses to teachers and teaching assistants that work in our child care, that work for providers that are in our childcare works programs, and those would be just, again, an acknowledgement of how hard they work and how low their pay has been these years. So I think you know, if we are able to do both, to raise the minimum wage and provide this one year support, that would go a long way to letting this group of providers know that they are deeply appreciated in the Commonwealth and essential, essential to our economy.

Senator Judy Schwank 1:00:24

Well, my colleagues often talk talk about what's going to happen in the out years. I'm going to send the first vote of approval for making sure that that \$1,000 if not more, continues to be delivered to these individuals who are so critical to the future. You know, of our workforce most certainly, and making sure that parents can can work or get the education that they need. This is, you know, an area that we haven't necessarily neglected, but this specific piece of it is critically important, and so I hope we'll continue that it will be approved in this year's budget as we go forward and that we continue to look at how we can even increase that, because that alone isn't as much as we would need to absolutely make sure that these individuals are paid and the classrooms are open. I think sometimes that's not discussed, the fact that if you can't find people to work for this low wage, then you're not going to be able to serve those children. I've met with many providers to say I've closed classrooms because I simply can't get people to actually work. This

Secretary Val Arkoosh 1:01:32

work has long been undervalued, and it is essential to our economy. It's just that simple, and so it's, again, very short sighted to undervalue this work, and I really hope this is the beginning of providing stability for this really dedicated workforce that that helps our kids at that those early years, when the learning and the support and the things that they're taught in those early years, you know, they set the ground their foundation for the rest of their lives,

Senator Judy Schwank 1:01:57

For generational change. Absolutely. Thank you Secretary. Thank you

Chairman Scott Martin 1:02:02

Senator Brown, followed by Senator Coleman.

Senator Rosemary Brown 1:02:06

Thank you Mr. Chairman, thank you, Madam Secretary. So as you know, DHS is the fastest growing department on the expense side of our budget. And I'd like to dig into a little bit more detail to the GLP conversation of medications, Medicaid has definitely been using glps for quite some time, for three years or

Secretary Val Arkoosh 1:02:30

so, so that they really came in in 2023 so not that long, but, but

Senator Rosemary Brown 1:02:34

there's glps, and then there's the weight loss glps. There are two different, two different GLP groupings, correct?

Secretary Val Arkoosh 1:02:40

Well, I mean, as a practical matter, doctors are kind of prescribing them in lots of different ways. There's not really that. There's FDA approval of different drugs for different uses, but they don't necessarily get prescribed that way. Okay? It's kind of a mixture. And,

Senator Rosemary Brown 1:02:57

you know, in my thought process here, there are expenses and there are costs, and then there are costs, and for the return on investment within our budget and ways to utilize expenses that possibly could reduce future expenses down the road. So while you're saying the cost of the glps right now in our Medicaid population, especially for obesity, but you're saying it's \$1.3 billion right? Does that? Is that lumping all of the GLP together?

Secretary Val Arkoosh 1:03:30

So and it was actually 1.2 1.2 I spoke, 1.2 billion. For obesity, approximately 616 million. And for diabetes, approximately 581 million,

Senator Rosemary Brown 1:03:43

okay, and thank you for that. So the cost you say is that 1.2 billion, 616 for obesity? Does that include the reductions on for the cost from the manufacturer rebates and also the federal match? We

Secretary Val Arkoosh 1:04:01

do receive rebates, but the cost in the capitated rates for 2025 is 1.2 billion. Okay,

Senator Rosemary Brown 1:04:08

so, so that's the rebates are not included in that number. That's the cost in our capitated rate. So the number could be less expensive than the number you're you're have on paper here. Well, when

Secretary Val Arkoosh 1:04:21

you just, when you look at the total cost of our program, that is the cost 1.2 billion. Okay,

Senator Rosemary Brown 1:04:26

so I just yes or no rebates, reduction of the cost is included in this or not.

Secretary Val Arkoosh 1:04:35

Rebates provide a cost savings to the Medicaid program.

Senator Rosemary Brown 1:04:39

Okay, so I guess I'm just confused. Yes, so so that rebate savings is included in this number.

Secretary Val Arkoosh 1:04:47

It's not that direct, and we are rebates are considered confidential information. So really, all I can say to you is that the cost and the rates for 2025 is 1.2

Senator Rosemary Brown 1:04:59

billion. Okay, so, so my reasoning behind this is the cost that's noted could be higher for what we think, for the the ability to offer go to Medicaid patients, because the rebate may not be noted in that number. And the reason I say this is in some of my background in the pharmaceutical world, you know, I've been exposed to the obesity and the comorbid situations and obesity being cost drivers in cardiovascular, liver diseases, diabetes, many things that could be even more expensive to a Medicaid patient than providing a weight loss medication that could help prevent and so my questioning to you is on that I think we have to be very careful and smart with if we spend up front, could we reduce the cost of a Medicaid patient, and what we pay, which is which is growing and growing every year, and a common sense level. And this is a medical question, which leads me to who is on the drug utilization board that determines the formulary for our Medicaid patients. Are there physicians on that board?

Secretary Val Arkoosh 1:06:21

I believe so yes, we have our own medical physicians, and then there are pharmacists and others. But let me just take a step back, because you're getting to the crux of the matter here, which is why we are proposing, at least at this time, to continue the use for diabetes. There is, I think, at this point, substantial evidence in the medical literature that GLP wants her diabetes does produce a cost savings down the road. That data is less clear for obesity at this moment in time again, we don't have that many years of experience here. And you know, it could be that five years from now, I come back and say, You know what? The data is 100% clear. We should be using these drugs to cover obesity. It's very clear that it saves money. You know, 234, years later, I do not have that data today, and so given the challenges in front of us with this budget, we've made the difficult decision to recommend that we continue with diabetes and make it a much more constrained use, really, for those most you know, extreme high weight, obesity situations, more but obesity kinds of things I know you're very familiar with. I don't I make that choice today,

Senator Rosemary Brown 1:07:34

right? And I know amount of time I thank you for that. I don't like the number. I don't like the \$1.2 billion I don't like that, but I think if we could get that number down based on Smarter medical prescribing, and we reduce our Medicaid in the long run, I think this is a really big topic that needs to be looked at. I agree. Mr. Chairman, thank you. Thank you.

Chairman Scott Martin 1:07:55

Senator Coleman, followed by Senator Picozzi

Senator Jarrett Coleman 1:07:59

Thank you. Mr. Chairman, Good morning, Madam, my secretary, I just wanted to follow up quickly on the discussion on the \$15 minimum wage, as you caused did you talk about it so important to pay the \$15 but we also hear from constituents the cost of childcare and how expensive that is. If current childcare centers that aren't paying \$15 an hour are required to pay \$15 an hour. Who do you think is going to pay for that? Ultimately,

Secretary Val Arkoosh 1:08:25

yeah, no, that's that's a good question, Senator, and it is. It is part of the challenges that we're all facing. Who do you think it would be? And it would depend on how that person is paying so for individuals that I am most familiar with, which are the ones that we cover, families that we cover through Child Care works, we would continue to pay at the 75th percentile of what private individuals are paying, and we would pay for that through TANF funds primarily, and

Senator Jarrett Coleman 1:08:53

for the individuals that are paying on their own, cost would be offset to them. I'm going to move on. Thank you. Thank you. I'm going to move on. I'm I have limited time this morning, but the truth is that the customers and the parents will pay the higher rates that will be that will be required to support the increased wage. I don't think it's that simple, Madam Secretary, Mr. Chairman, I must move on classrooms

Secretary Val Arkoosh 1:09:15

and, you know, bring in and actually bring some of their costs down per pupil.

Senator Jarrett Coleman 1:09:20

Okay, thank you. I must continue as you unders, as you know, we're unlimited time on February 21, of 2025, the Department issued an RFI for equity trainings. What's the need for this additional contracted service when Commonwealth employees currently complete online trainings, including diversity, equity, inclusion, prevent discrimination and harassment for all and disability related training. Do you have a widespread problem with discrimination or harassment by employees that you're unable to address through like a normal managerial process, and what's not happening at the department that you think justifies this new training program, or what is the problem that you're trying to solve? Getting lots of questions about this RFI,

Secretary Val Arkoosh 1:10:09

I would characterize it as we're trying to improve our customer service. So you know, and I've taken all those online trainings, and they're very, frankly cursory, I would say I've done a number of different those different kinds of trainings as a physician, as a county commissioner, all along the way, and they're important, but they're cursory. We have literally 1000s of people who are public facing in the Department of Human Service says they are interacting with folks from every imaginable, imaginable background, including people that are new citizens here in the country, that speak multiple languages, that have very diverse backgrounds, and we want to make sure that we're offering the best possible customer service to the Pennsylvanians that we serve, and that our employees have the right training and background, or the right training to allow them to interact with lots of different people and meet them where they are and serve them as our taxpayer dollars are intended to

Senator Jarrett Coleman 1:11:05

do. You believe there's a problem currently in the department as it relates to discrimination,

Secretary Val Arkoosh 1:11:09

I would say that we could enhance our general knowledge of people of different problem, though, not that I'm aware of, but I think our goal is to always strive to do better.

Senator Jarrett Coleman 1:11:21

Thank you. You mentioned in the RFI that you want employees as part of this training to exam, quote, examine one's own implicit bias. Could you please explain what these implicit biases are and what you consider problematic biases that require examination?

Secretary Val Arkoosh 1:11:38

I think everybody's human, and humans have opinions about all sorts of things, and in some cases, those opinions or beliefs or embedded approaches to dealing with people that are new to them or different from them, or maybe somebody they've with a background they've never encountered before. Sometimes people aren't comfortable in situations like that, embedded,

Senator Jarrett Coleman 1:12:05

embedded beliefs. But how about would you call these unconscious beliefs sometimes?

Secretary Val Arkoosh 1:12:12

So they're unconscious. I mean, look, Senator, you know, I practiced medicine for 20 years. I worked with people in all kinds of different ways, and went through a number of these trainings over the years. And I think you learn a lot about yourself things that maybe you don't even fully appreciate when you go through these trainings. And it's if our goal, the Department of Human Services, is to meet Pennsylvanians where they are. They come to us in time of great need, and we I want to make sure that my team is meeting them, understanding them, listening to them, hearing what they're saying. Sometimes there are cultural differences in the way that people express things. We're here to do the best job we can serving Pennsylvanians. That is what this is about. There's

Senator Jarrett Coleman 1:12:56

no discernible difference between an implicit bias or an unconscious bias. But could you explain what that means to you? What an unconscious

Secretary Val Arkoosh 1:13:06

bias? Sure, you know, I think that sometimes people are raised in situations where they've perhaps grown up in a community that was fairly homogeneous, maybe they never met somebody from another country, or somebody with a significantly different background from them, and then they find themselves in a work situation and they're uncomfortable, and they may not even know why they're uncomfortable, and it's it can be because they've never had the opportunity to understand where a person of a different background or different ethnicity is coming From. That's all. Thank you.

Senator Jarrett Coleman 1:13:40

Thank you. Thank you, Mr.

Chairman Scott Martin 1:13:42

Chairman, Senator Bucha, followed by Senator capaletti.

Senator Joe Picozzi 1:13:47

Thank you, Madam Speaker, Madam Secretary, for joining us today. It's going to be represented. Is

Secretary Val Arkoosh 1:13:52

that a promotion? I don't know.

Senator Joe Picozzi 1:13:57

Thank you. Thank you joining us. It's going to be represented by somebody from the southeast who understands the challenges of Northeast Philadelphia quite well. I want to start off by asking about how many children are currently on the wait list for child care services in the Commonwealth.

Secretary Val Arkoosh 1:14:12

So there's, there's a couple different kinds of wait lists. I want to be really, really clear about this. The wait list that we would manage is in our child care Works program, that is the families that because of their low incomes, these are low income working families, they qualify to take advantage of or have the benefit of subsidized child care. And in that program, we are able to serve 80,000 children and we sometimes have very brief wait lists in certain regions of the states, and if we have capacity in another part of the state, we'll actually shift funding from one region to another to get those kids into care as quickly as we can so those parents can get to work. That is the waiting list that is in DHS that is completely separate from what private pay families might be experiencing who are trying to get their child into a particular child care provider, maybe the one that's most convenient to their home or to their work, or provider that they think really highly of so they want their child to go to that particular provider. That may be a different wait list. You know that individual provider may have a wait list for private pay families. These two things sometimes get put together, but they really are separate. So what I can tell you right now that in child care works, there is effectively no wait list for those low income, working families who are eligible for the subsidized child care. We don't have a wait list, and when one starts to bubble up, we'll try to move funding to make sure that that wait list is dealt with quickly. But private pay is a whole nother

Senator Joe Picozzi 1:15:54

story. Has there been any trends in areas where that bubbles up, where there's the short term wait list is certain parts of the state more than others?

Secretary Val Arkoosh 1:16:00

You know, I do think sometimes we tend to see them a little bit in the southeast more than other places. But yeah, yeah, and the and I think that again, I want to put this back into the larger context of what the Governor has proposed, both with the one time, funding for child care workers and the increase in minimum wage that helps open classrooms for all children, and so it helps to address that wait list for private pay parents who are on wait lists for sure at many child care providers, it helps those child care providers get more classrooms open. Most of our child care providers still don't have every single classroom open that they had open before COVID.

Senator Joe Picozzi 1:16:40

Is there any need for additional funds to help smooth these things out? You talk about classrooms not being open?

Secretary Val Arkoosh 1:16:44

Yeah, so in right now, in the DHS budget, we're in a with the funding that we currently have, we're able to manage our list. We're not requesting any additional funds in that particular place right now. But I do think the governor's initiatives are very important for this larger issue of we need more child care. Beds open. I'm sorry, beds, you can tell I'm a doctor. We need more child care, classrooms open. We're

Senator Joe Picozzi 1:17:10

all playing with our words today. Yeah, in the fee for service budget model included in your budget documentation, there's a line item entitled health enterprise zones, H, E, z, what is a health enterprise

Secretary Val Arkoosh 1:17:21

zone? Yeah, so a health enterprise zone. And right now, the primary one that we have is actually in kind of North Philadelphia. I can't remember the exact set of blocks right now, but it's sort of around the temple med school area, North City Hall, part of your district, for sure. Not quite, but maybe yeah, maybe not quite, yeah, probably just south of it. In that district, we have a very high percentage of our Medicaid population that lives in that district. And so what the health Enterprise Zone allows is flexibility in dollars that are put to use for more and enhanced community based services to work to get individuals connected to services, make sure that people are not falling through the cracks meet needs like housing, food insecurity, things like that, and so they get some more flexibility, I would say, in the way that they can use dollars to help meet the very high number of health related social needs that are typically found in a region like that, with the goal of decreasing Medicaid clinical medical spending, right So, with the goal of helping prevent unnecessary emergency room visits, unnecessary hospitalizations by making sure people get connected to services before things get that bad. How much

Senator Joe Picozzi 1:18:43

has been spent on health enterprise zones in the past, and how much is proposed for 2025, 2020,

Secretary Val Arkoosh 1:18:49

get you that here. Have that one at my fingertips? Nice. Yeah, I think it's been pretty I think it's been pretty level. Yeah, we just heard it, yeah. So it's 6.75 6.7

Senator Joe Picozzi 1:19:04

million. 6.7 million. Thank you, Madam Secretary, thank you. Thank you.

Chairman Scott Martin 1:19:09

Senator Capaletti, followed by Senator Street.

Senator Amanda Cappelletti 1:19:13

Thank you, Mister Chairman. Doctor CUSH. Thank you so much for being here and for honestly how well prepared you are and your answers. It is great to hear somebody that is so fluent this stuff is really complicated issues as someone who has done a bit of studying in this area. So just thank you for all of that, that your knowledge is truly appreciated, I think, by all of us trying to think where I really want to start, because there are so many programs that you work on that your department works on that I'm terribly passionate about. My colleague, leader Costa, talked about a little bit about Medicaid, and really wanted maybe delve in a bit more about that. You gave us some great numbers to understand who all in our districts and throughout Pennsylvania are served by Medicaid. But maybe if we could talk a little bit about it from the perspective of having your masters of public health and what the access of Medicaid coverage does to improve outcomes and the quality of life for Pennsylvania's families.

Secretary Val Arkoosh 1:20:18

Yeah, sure, I'd be happy to do that. You know, Medicaid is a program that is a little different than regular health insurance, in that we work very hard to help people be healthy, and that's not always so easy to do, as we all know. And so the Medicaid provide program is often able to provide additional services. For instance, we've been able to incorporate doula services for pregnant women who are interested in that support and service while they're pregnant. We have been able to incorporate peer services individuals who achieve a certification of certified peer specialists that have a lived experience with serious mental illness, who have been shown to be extremely effective in helping connect people very successfully to ongoing mental health care, things like that. So we're able to provide that additional sort of what are often referred to as wrap around services. And the goal there is to keep people healthy, to enable people to go to work, to enable people with disabilities to stay in the community through home and community based services, to keep our emergency room visits focused on true medical emergencies and not people who are seeking care for primary care type of needs, which is often what you see in our hospital emergency rooms, the loss of the Medicaid system would be catastrophic to Pennsylvanians if it stopped in its entirety, there would be 23% of Pennsylvanians who could not access health care. There is no way that anyone can compensate for that. It would be devastating. So

Senator Amanda Cappelletti 1:21:58

I want to expand on that a little bit to something that's even a bit more personal to me. And I know you know my story, because I you know we are from the same county. The Medicaid expansion for postpartum individuals. We expanded that under Governor Wolf and Governor Shapiro has kept that. It has gone from 60 days of coverage for an individual was postpartum to a year of coverage that was a big win by the Women's Health caucus out there really touting that. And as a co chair of the Women's Health caucus, I'm really proud of that. And as Still, I'd consider myself a relatively new mother to tomorrow she turns too. So this is very

Secretary Val Arkoosh 1:22:36

long way to go. I'm just telling you,

Senator Amanda Cappelletti 1:22:41

thank you. Yes, my laugh would agree. But you know, could you talk a little bit about what that that expansion of coverage has done, not just for the part the postpartum individual, but for the health of the children in our country, in our commonwealth and our country and other states that have expanded and the importance of this, yeah. So

Secretary Val Arkoosh 1:23:03

I think, as many of you have heard me talk about in the last couple of years, I did spend five years on the maternal mortality review committee, from 2018 to 2023 until I became secretary and had to step off. And one of the things that was so striking about the work on that committee was that, and it was such a surprise to all of us that were doctors, that the majority of the deaths actually were occurring postpartum. 52 to 53% of the maternal deaths in the Commonwealth happened postpartum, and they happen for a whole variety of reasons, postpartum depression, which the governor has thankfully highlighted this year, women who fall through the cracks in their care, they get disconnected from care. So the expansion of Medicaid for that full year postpartum is essential in turning around our unacceptably high maternal mortality rate here in the Commonwealth. If we were to lose the funding for our Medicaid program, that would be another program that we would have to make a decision on is, do we continue that postpartum expansion of Medicaid? It is not a requirement. It is an option. So it would be one of those things that we would have to make a decision about, sure,

Senator Amanda Cappelletti 1:24:12

if you don't mind, Mr. Chairman, just one follow up point. Thank you. You talked about the postpartum women, but I'd also just like to highlight the impact it has on the family and the child and the child's ability to thrive when both parents are healthy and able to access care 100%

Chairman Scott Martin 1:24:32

it makes you feel better. I thought the terrible twos really happened around three with you.

Senator Amanda Cappelletti 1:24:37

Oh no, I am currently being bossed around, being told where I can sit and where I can stand. She is

Chairman Scott Martin 1:24:44

a cutie. I'll give you that she really is. To close out round one, Senator Street,

Senator Sharif Street 1:24:52

good morning. Good morning, right. Good morning, madam. Secretary one, thank you for your knowledge and your service and your stamina. So I represent some of the highest Medicaid utilization hospitals and communities, some of whom were just are in the health enterprise zone you just talked about, which include hospitals like Einstein and temple who have some of the highest Medicaid utilization rates in the Commonwealth. It is also true that Medicaid, Medicaid reimbursement rates, sometimes, many times, don't cover the full cost of services that hospitals render. And when Medicaid utilization rates are very high, those costs, those services have to be those costs have to be spread over. Hospital have to make that up with what they charge private pay customers where they're just short falls. MCOs also pay a hospitals and MCOs, as you've described, both pay and assessment. Can you discuss ways in which the department can work to make sure that these high Medicaid ecosystems that they're that they're adequately resourced. Because the concern is, just as there are very real challenges that need to be addressed amongst rural hospitals, that we don't redirect resources in a way that where there's a hospital down the street from you, you can't get seen for nine hours because they just are under, understaffed and resourced. Yeah,

Secretary Val Arkoosh 1:26:20

yeah, no, that's a really great question. So we are seeing challenges at hospitals all across our Commonwealth, and with that question, whether that hospital is in an urban setting or a rural setting, the higher percentage of revenue that they get from Medicaid, they tend to have more challenging financial pictures. Earlier I mentioned that with some of the ways that we are now using assessments and the way that we're converting dish payments to state directed payments, that when you look at the Medicaid rate for a particular service in isolation, that's a number, but what you really need to do is look at the additional funds that these hospitals are getting because they're serving Medicaid patients, and the goal with that funding is to make the addition of the two be the equivalent of what Medicare pays. Now, Medicare is not the most generous payer either, but it is

better than Medicaid. And so our goal here is that those Medicaid reimbursements, together with the money coming in through the assessments, gets that payment to a Medicare payment, and that we also know that certain hospitals with really significantly high percentages of Medicaid patients do get, oftentimes, some additional payments. And so we're very, very mindful, you know, St. Christopher's is a good example of that, I think, also in your district, or, well, right next to your district of the hospital with, I think 80 to 85% of the children that they see are on Medicaid, and so they do get some additional payment for because of that situation. So we are very mindful of it. It's something that we think about all the time. These assessment payments are essential to funding our Medicaid program and enabling us to meet those needs. One, two things.

Senator Sharif Street 1:28:12

One, that's very impressive, because Saint Chris only a block out of the district. The fact that, you know, it's one block out of the district, and I, well,

Secretary Val Arkoosh 1:28:18

that's because Senator Tartaglia and keeps me on speed dial. So I'm, I know,

Senator Sharif Street 1:28:23

yeah, we share Senator take and I own and I share in ecosystems. Our districts are geographically small, and so we share the same health care institutions. Just one other thing that, as you think about driving resources into the ecosystem. So the for instance, then you can a hypothetical the resources that so when you look at an Einstein or a temple or St. Chris, there are resources that get driven there. The other thing is that the majority of those folks also come out of the who are private pay, for instance, would probably be Keystone folks. So if the Keystone, if the Keystone folks, can't afford to pay more in terms of a rate, then that that has a direct impact on the overall health of the ecosystem. And so we just want to make sure, I'm just concerned that when you look at because you've got a lot of different things to sort of way, when you're thinking about both the MCO assessment and the hospital assessments, I just want you to think about the fact that they're ultimately you're driving resources into the same systems, and so you are a wise woman and have big challenges. I thank you. I see we're running out of time. I'll save the other questions for us subsequent round Thank you, Mr. Chair. I yield. Thank you,

Chairman Scott Martin 1:29:35

Senator. Okay, that's the end of round one. We'll move on to round two. We'll do 10 minutes for standing committee chairs, five minutes for committee members, just a reminder, somewhere along this route of round two, we will probably end up taking the break and reconvene at one o'clock and probably finish out what's remaining in round two and have a much briefer round three.

So that's kind of the plan. So we'll start off round two with Standing Committee Chair, Senator Haywood, and move on to Senator Phillips the laughter.

Senator Art Haywood 1:30:08

Thank you. And then collected to say Happy Women's History Month. Thank you.

Secretary Val Arkoosh 1:30:15

You have a day was Gloria's birthday. So

Senator Art Haywood 1:30:18

congratulations. We're not going to have time to say she

Secretary Val Arkoosh 1:30:22

hates him when I do that.

Senator Art Haywood 1:30:26

So there's a income and employment support program. And when I did my poverty tour, we went around the state and we talked to individuals desperate to get out of public assistance support, and they mentioned a number of barriers in terms of challenges to get away from public assistance. I know that there have been a number of efforts to create more work opportunities for individuals. Could you give us a brief update on what the current status of creating work opportunities is in the department for those who are relying on public assistance,

Secretary Val Arkoosh 1:31:10

yeah, we are very, very focused and proud of our training programs. We work with other agencies, Labor and Industry others on our training programs, and it is something that we continue to see growth in happily, I think we seen about a 9% increase in growth in a number of our training programs. Lost my training programs. Hold on, yeah, that's right. I'll be there in a second. Bear with me.

Senator Art Haywood 1:31:44

The largest agency in the nation. There

Secretary Val Arkoosh 1:31:47

we go. Okay, sorry about that. Apologies. So most of our job training programs run through or associated with our office of income maintenance, as you're familiar with, we have four that I'll touch on, and I'd be happy to go into the details about any of them. Our keys program is one that we're particularly proud of, because it helps individuals achieve an associate's degree. All 14 of our Commonwealth community colleges are participating in the Keys program provides funding for books and transportation and child care and sometimes sometimes tuition, depending on the circumstances, but it allows people to actually afford to go to school and get that associate's degree, which, obviously, you know, they can take on to higher levels. We have our earn program and our elect program and our jets program, each of those are a little bit different jets you may have known previously as SNAP 5050, program. Senator tech Centro in your district is one of those programs has been extremely successful. It's a program where they're focused, typically on teaching of specific skill set. It could be a building trade. It could be something in the hospitality, a space number of different options. The entity puts up the dollars to start the program, and then we are able to use federal dollars to pass through to them to cover 50% of that cost. And so it's really just a tremendous opportunity for these local entities. I've been to tech Central, they're fantastic, and they're very successful in terms of giving people skills that are needed in their community, you know, right now, and getting those folks into the job market. So it's something that we put a lot of time and effort into. It's very important that we give people the opportunity to choose work that's meaningful to them, and that's where we see the greatest success is when people find something they're excited about and passionate about, whether it's getting that associate's degree or going into one of these job programs. When they're able to make that choice. We give them that flexibility, they do very, very well. The success rates are high. Thank

Senator Art Haywood 1:34:05

you so much. One move on to mental and behavioral health. So I had a neighbor of mine share how he avoided committing suicide because of the behavioral health services he received from the Medicaid program. Would you describe what are exactly the mental health, behavioral health programs that are available?

Secretary Val Arkoosh 1:34:30

You bet. So as you've been hearing me talk about now for this will be my third year, we have been working as rapidly as possible to create what we call the crisis continuum, and that means that a person has somewhere to call that there's someone to respond and that they have somewhere to go. And so that starts with 988 our 988 program has become tremendously successful. We have 12 sites open, and two more that are standing up, and they are able to now, with this expansion, handle over 90% of the calls from Pennsylvanians in Pennsylvania and connect them to local services. The Governor's proposed an additional 10 million of funding to 988, for some very important things that we'd like to continue to grow in that program. One is to improve our chat

ability to chat. A growing number of people are texting 988, rather than calling. And of course, that takes longer to handle that call. So we literally need to hire people to do the chat, to do the texting. We also want to improve interoperability between our county 911, systems and 988, the can you, I'm sure you've heard from the counties, the cost of running their 911, systems is considerable, and we'd like to more create the greater interoperability there, so they can just immediately divert these calls to 988, and reduce some of their costs and liabilities associated with that population. So we're hopeful that you will approve that ten million the next step is someone to respond. I'm very proud to say now that all 67 counties have some degree of mobile crisis response. Not all necessarily 24/7 but they all have something now, which is a huge improvement from two years ago. And so those are people that can come to someone, literally meet them where they are, or maybe someone can walk into a particular place and again, de escalate the situation, connect them to services, and then the next piece is somewhere to go. And we now have behavioral health walk in sites that can help someone stabilize for up to 23 hours, do initial assessments and then make referrals. And then we also now are standing up crisis stabilization centers where someone can stay for up to, I believe it's nine days to get, you know, kind of a little longer intervention to hopefully get provide some stability for them. So it is this continuum, but I want to go back to the fact that that 988, piece, they're able to handle 90% of the situations on the phone, and that person knows what to do the next day. They know who they're going to call the next day to hopefully get the help that they need.

Senator Art Haywood 1:37:13

Thank you so much. Our next question is in the area of special education for children, K to 12, and I had a fantastic conversation with some neighbors in Abington who shared serious concerns about the loss of Medicaid funding, which provided speech therapy for children, loss of chip that might provide speech therapy and other services for children in special education with very special needs. Would you describe what kind of services are provided by Medicaid for some of our children who are in special education in K to 12?

Secretary Val Arkoosh 1:38:02

Yeah, and this kind of goes along with the answer, my prior answer to Senator capaletti about Medicaid is able to provide a more holistic set of services for needs like this that are identified. Children in particular qualify for lots of these types of services that they're in the Medicaid program and they are diagnosed as as being a benefit to those children. And it really starts with the earliest you know, zero to three age with early intervention. And as you know, the governor has proposed a 10 million increase to improve rates to providers in that zero to three group, that is where we get the most long, lasting impact of dollars that we spend on speech therapy, behavioral therapy, occupational and physical therapy. So I don't want that to get lost in the details, but certainly, as children age, children with intellectual disabilities or autism are able to benefit from a whole set of services through the Medicaid program that enable them to attend public school and be integrated in classrooms and go on to live very healthy, productive lives. These are all things that are at risk if our Medicaid program has to undergo the types of cuts that are being talked about in Washington that Senator Costa mentioned earlier, yeah,

Senator Art Haywood 1:39:25

families are very concerned. Families have children's special education programs, very concerned about the risk associated. We were talking somewhat about the desire to have more affordable childcare, and that was one of the four main barriers that individuals mentioned in terms of trying to get out of poverty, the lack of affordable child health care. As you surveyed different strategies that would make it more likely that we'd have more child care for families, for Is there any strategy that you have seen that says paying these individuals less money is more effective than getting them up to 15 hours? Any evidence that says paying 11 and 12 is more is more a more effective way to get the results that we intend.

Secretary Val Arkoosh 1:40:24

No Senator, I mean, I think we've been doing that, and we know that we have many closed classrooms as a consequence.

Chairman Scott Martin 1:40:35

Senator Phillips Hill, followed by Senator Costa.

Senator Kristin Phillips-Hill 1:40:38

Thank you, Mr. Chairman, Madam Secretary, the cost of Human Services, it continues to climb. You've spoke about it here today. It's been over the past few years, a billion dollars a year. This time, the new cost to taxpayers is proposed to be more than \$2 billion so I was heartened with all of those savings that you have mentioned here today. And want to know, Are you committing to only \$300 million in growth a year, as presented in this budget for the out years?

Secretary Val Arkoosh 1:41:12

Well, you know, one of the challenges that we face when we plan our out your budgets is something that I know you all are very well aware of, but I just want to say it out loud for folks that don't live in the weeds of appropriations, which is that, as I mentioned earlier, we do. We negotiate our Medicaid MCO contracts on a calendar year, and so the budget, of course, is not on a calendar year, right? And so we shared that earlier, and we saw this year where, while we had a placeholder number for January of 2025, to June of 2025, in our budget, when the rates were, when the actuary completed the rate analysis and determined the actuarially sound rates, and we went into negotiations which were very contentious. I know some of you got phone calls about them, because we try to keep those rates as low as we can. We were above what had been budgeted in this year, and so I think it's and this is why I shared with you this capitation rate setting diagram. There are so many factors that go into the rates that none of us can predict. What I can

Senator Kristin Phillips-Hill 1:42:27

say will do everything you possibly can in any future negotiations to try and hold that growth to what you have projected in this year's budget. Again, you've got the largest, most expensive part of our state budget, so it would be greatly appreciated. I didn't

Secretary Val Arkoosh 1:42:46

get a chance to copy this for all of you, but historically, we have done extremely well. This top line is state is us, Medicaid growth, and down here, you share that with the

Senator Kristin Phillips-Hill 1:42:58

community. We're gonna have very little time. But I wanted to follow up on the questions with regard to SNAP work requirements with the general you had a conversation with the gentle lady from Montgomery County, and am I to understand that when the federal waiver for able bodied recipients of food stamps to not have work requirements that have been in place for the last eight years, that that exemption for the estimated 170,000 able bodied Pennsylvanians will no longer be in existence. Is that correct?

Secretary Val Arkoosh 1:43:38

It's a little bit lower than that right now. I think, I think also what's important to know is we think about 40% of those folks. I think right now it's about 147,000 approximately 150 it's in that ballpark. We also think that about 40% of those folks are actually working but not earning enough wages that they are out of eligibility, but your department

Senator Kristin Phillips-Hill 1:43:59

is not going to apply for the SNAP work requirement waiver. Again,

Secretary Val Arkoosh 1:44:04

we don't anticipate applying for it statewide. We're not going to meet the requirements. I don't have an answer for you just yet on whether there may be regions in the state where we will apply, and it's really important, and I would

Senator Kristin Phillips-Hill 1:44:18

just want to share with you exactly how those regional waivers are applied for, because right now there's a waiver for seven counties, Adams, center, Chester, Lancaster, Lebanon, Montgomery and York, they were granted discretionary exemptions from the work requirement, meaning that they don't have to demonstrate economic hardship To be exempt from those work requirements. I'm curious, because those discretionary waivers for counties like York with unemployment in this past year of 3% if you look at the York Adams or the York Hanover greater area, our unemployment is 2.5% our businesses are clamoring for people to fill jobs. So can you explain exactly how those counties were selected? I

Secretary Val Arkoosh 1:45:10

can get you the list of federal requirements. We can follow up with you. I don't have that right in front of me, but I really do want to mention that it's not just about there are wider impacts when snap, when people lose their SNAP. The University of Pittsburgh has recently shared with us data that when a healthy person is disenrolled from snap, often because of work requirements, we see a \$56 increase in per member per month medical spending in our Medicaid program for someone with a pre existing chronic condition, we see an increase of \$123 per member per month. And for somebody with diabetes, we see a \$270 per member per month increase when someone gets loses their SNAP. So I do want to just make sure that you're thinking about the whole impact here when people lose snap.

Senator Kristin Phillips-Hill 1:45:59

Well, I certainly think we we most definitely are thinking about the whole impact, and it's a very large entitlement program, and we're trying to make sure that in the challenging financial circumstances that we face in this commonwealth, that we have the resources to care for the neediest and most vulnerable beauty among us. We're here today, Secretary. Thank you, Mr. Chairman,

Chairman Scott Martin 1:46:24

thank you. Just for a point of reference, the in terms of the MCO contracts that you reference, with every 1% increase to those contracts, it equates to about \$180 million to the state's general fund. Is that correct?

Fiscal Management Director Gloria Gilligan 1:46:41

I don't have that number, but I believe that the IFO has shared that stat. Okay,

Chairman Scott Martin 1:46:45

all right, thank you, Senator Acosta followed by Senator Pecos he. Thank

Senator Jay Costa 1:46:51

you very much, Mr. Chairman, Madam Secretary. Just quick question regarding waiting list, Mercy waiting list and Ida funding and the like. Where are we this year and what are we going to tell folks that their chances of getting a waiver or some other services the upcoming year? So

Secretary Val Arkoosh 1:47:10

thanks to all of you and the historic investment that you supported last year, we are in the best place we've ever been in many, many years, we have been able to reduce the adult emergency waitinglist by 19% we currently have 3000 or as of December 31 we have 3703 adults on that list. It was well over 4000 when I was here a year ago. We now have over 40,000 individuals enrolled in waiver services, and we have a capacity of 41,555 so we are, we have counties are, you know, continuing to very rapidly enroll. It's, it's a huge success, Senator,

Senator Jay Costa 1:47:53

does that mean there's capacity for 1000 folks to receive waivers going into this upcoming year? Yeah,

Secretary Val Arkoosh 1:47:58

at least. And I'm not sure if you were here earlier for my discussion about slots versus budget, but you know, as you know historically, and we certainly know as county commissioners, Senator Martin and I, that counties were given slots. You were given X number of community waivers, X number of consolidated waivers, and you could only put one person in a slot. Now we are giving and working with counties to manage to a budget, because most people don't need all the services in a particular waiver on day one, and our goal is to get people the right services at the right time, and so if an individual comes into a waiver and doesn't need literally every service in that waiver on day one, we can now give counties the flexibility to enroll another person and use some of that money to give that person, so it's a much more efficient use of the funds, and that is why you don't see an increase in the slots. You know that traditional slot in the governor's proposed budget, it is because we don't believe that thinking about it that way is helpful any longer, and that we'll be able to enroll more people than we would of using that slot system

Senator Jay Costa 1:49:04

very quickly. So there are a number of folks who have family members who have complex medical or behavioral issues who are placed in residential settings, and with regard to those organizations

or entities that have been approved by DHS in the past, you've implemented a new sort of contracting program to assess those folks. As I understand it, I'm not mistaken, and how what happens to those, those folks who do not make the list of being sort of an approved residential provider, if they don't meet the criteria set forth by, I guess, to be performance based contracting or whatever. Yeah, so

Secretary Val Arkoosh 1:49:46

in our Office of Developmental Programs, which serves the individuals with intellectual disabilities and autism, we are in the process of initiating performance based contracting. The goal there is to improve quality of care delivered to this extremely vulnerable population, as you know, you know, a lot of these individuals aren't able to communicate using speech and other issues that can really impact them if they don't get high quality care. And so the goal here is not to punish, places or kick people out. It's really to incentivize better quality in the entire program and to provide financial resources to help do that. One of the things that we see is that many providers are reluctant to take on some of the most complex individuals into their programs, and for those that now are going to be willing to do that, they'll actually have incentives to help cover the cost of taking care of these more complex cases. And so even though we are literally just getting started, we are already starting to see more providers willing to take on some of these more complex individuals. So for us, it's more of a kind of a lifting all boats in a very positive way, in helping incentivize them with additional funding, rather than be some sort of like punitive type of program. Is that sort of just the opposite? We need to build capacity for these really complex individuals. Today. We won't be leaving anyone behind. That's the goal, in fact, to make it even better. Thank you.

Senator Jay Costa 1:51:19

Thank you, Mr. Chairman.

Chairman Scott Martin 1:51:22

I thank you, Senator. We'll have Senator Pecos, he followed by Senator Carney.

Senator Joe Picozzi 1:51:30

Thank you, Mister Chairman, and thank you, Madam Secretary. Since 2021 106 personal care homes caring for low income seniors across the Commonwealth have closed? Has the department analyzed these closures or made recommendations for how to support the continued operation of these personal care homes serving our most vulnerable seniors?

Secretary Val Arkoosh 1:51:52

Yes, we have, and it is something that we are actually keeping a very, very close eye on. So we have a very large number of personal care homes in our system. We have 1010 at the moment, and what we are seeing is that across that system, the occupancy rate is 64%

Senator Joe Picozzi 1:52:19

is that for all personal care homes, or just those which accept the SSI, SSI boarding supplement.

Secretary Val Arkoosh 1:52:26

That is all of them. I believe all personal Yeah, I think occupancy is right at about 64% now, when it comes to the ones that accept SSI, that is not all of them, but it is a good portion of them. Did you

Senator Joe Picozzi 1:52:39

have data on the occupancy rate for those personal care homes, specifically for low income seniors that are utilizing the SSI benefit, I

Secretary Val Arkoosh 1:52:48

do believe it's pretty comparable. Okay, yeah, we can get back to you for sure, but it's not dramatically different. And

Senator Joe Picozzi 1:52:58

when a personal care home that provides for low income seniors on SSI closes, they cannot go in, and they cannot go into a non SSI personal care home. Do you know where they go?

Secretary Val Arkoosh 1:53:08

Well, we have a whole team that when a personal care home closes, and you know, because people sometimes they just decide to close their personal care home they want to retire, right? We have a whole team we work with the ombudsman from aging Department of Health comes in, and we have a team that relocates people. And to my knowledge, we have not had difficulty, partly because there is quite a bit of capacity in moving people to a new home. Did you

Senator Joe Picozzi 1:53:30

have a sense of how many go into skilled nursing facilities? Well,

Secretary Val Arkoosh 1:53:34

pretty much, by definition, if you're living in a personal care home, you're not nursing facility clinical clinically eligible, which is the very wonky term that we used to describe being eligible to go into a nursing facility. They're they're healthier than that. Otherwise they probably wouldn't be in a personal care home.

Senator Joe Picozzi 1:53:52

The next line questioning, so what interaction is there between the DHS and Department of Labor and Industries employment training and work support programs that both departments, respectively, oversee,

Secretary Val Arkoosh 1:54:01

yeah, I sort of talked a little bit about that with Senator Haywood and a number of our training programs. We work closely with Career Link and the Workforce Board. Some of our programs interface directly with those. And so our goal is really to meet with individuals, figure out what their goals and needs are, and then connect them to the program that would best meet their needs. And it's that whole gamut of programs that I mentioned earlier. So what

Senator Joe Picozzi 1:54:30

are some of the main differences in the job training, preserve services provided by LNI and DHS?

Secretary Val Arkoosh 1:54:38

You know, really, we kind of work together in terms of that. Sorry. So the keys program, which I mentioned earlier, is one of our programs, and that's the program that allows people to get to get to work on their associates degree, the Earn programs and the elect programs, I think, tend to interact more with labor and industry and some of those Career Link and other workforce board programs, but we can certainly get you more information on the very specifics of those programs and who's eligible, if that would be of interest to

Senator Joe Picozzi 1:55:14

you. Do you track the effectiveness of the department's training program? Is there any comparison between that and Ellen eyes training program.

Secretary Val Arkoosh 1:55:22

I don't know if we have that data that compares. Yeah, sure. Let me invite Deputy Secretary Pham up. Thank you, Deputy Secretary, she probably has that data. Oh, here I was moving my phone away from the microphone. I was hoping

Senator Joe Picozzi 1:55:35

we get some of these to come up.

Deputy Secretary Hoa Pham 1:55:40

We are happy to join the party. Thank you for the question. So I understand your question is seeking distinction between DHS job training programs and

Senator Joe Picozzi 1:55:47

Department of Labor and trusting offering redundancies. Essentially, right? That's where I'm

Deputy Secretary Hoa Pham 1:55:51

going with it. Very fair question. So I want to be very specific in that DHS job training programs are specifically limited to our beneficiaries the program that the Secretary mentioned earlier about earn is explicitly partnering with Department of Labor and Industry and local workforce development boards to support both TANF and SNAP recipients. So while there may be overlap in the services and supports wrap around services and supports and job training programs would be very clear. It is limited to eligibility to an active TANF or SNAP recipient, so strictly based on eligibility, there's a very clear line and divide in the separation of those services, given the fact that these are services that we are providing support of benefit recipients, again, for the goal of setting them up for long term economic success and reducing their dependency on that public benefit, we incorporate a number of supportive services and requirements on hours of participation, for instance. So we are, of course, within our TANF program, beholden to state law that requires adult TANF recipients to participate in 20 hours of either work or a job training program like the Earn program. So as in terms of performance standards or requirements of the program, those have to be carefully tracked. I cannot speak to the types of performance standards that our colleagues over at labor and industry have for their recipients, but I can guarantee you that there are very specific requirements that we must meet on our end

Senator Joe Picozzi 1:57:26

Understood. Thank you very much. Thank you. Thank

Chairman Scott Martin 1:57:30

you. Senator Carney, thank

Senator Timothy Kearney 1:57:33

you, Mr. Chairman, Dr Akash, I wanted to touch on act 23 which was a bill signed by the governor, was my bill, which allowed protections for children testifying before the Bureau of Hearings and Appeals. I've heard the department's been actively working on implementation of act 23 since it passed last spring. Can you tell us how it's been going and how does your budget play into plans for implementation in the future,

Secretary Val Arkoosh 1:58:01

I'm going to invite Deputy Secretary chaos up to give us the latest on that.

Deputy Secretary Stephanie Shell 1:58:16

Good morning, everyone. So yes, we are. We are actively working with a group of stakeholders from across the Commonwealth on our implementation plans for ACT 23 we've been meeting regularly, about once every three months, with a very specific group that represents stakeholders, you know, again, from across the Commonwealth and particularly those active in child advocacy. So it's, you know, I think we haven't seen a tremendous number of requests yet under that act, which is specifically calls for us to provide supports to children, you know, as they are testifying in front of our Bureau of Hearings and Appeals. And what we've worked most carefully on is how we provide an actual person that is supportive and ready to go with that child to a hearing, to be with them and support them through the process. And so we we've been working with our stakeholders, we have ruled out the documentation that the counties need to be able to request that type of accompaniment. And as you're aware, there's other things they can request as well, like side witness rooms and different waiting areas and the ability to bring other supportive things in with them. And we are, we are winding our way towards an actual training program that we will be training some people up to serve as accompanyers when we get those requests. But again, we haven't had a tremendous number. It's been under 20 at this point, and most have, you know, most we've been able to, sort of, like, you know, resolve, sure, carefully,

Senator Timothy Kearney 1:59:48

yeah. I mean, we, we've been working with probably the same stakeholders, and they need to come to us since we, we've been, we worked on that bill for five years before filing through. But we're, we're hearing that there are still sort of issues that are people. And I wonder, if you talk about the current budget and staffing levels at the Bureau of Hearings and Appeals, we understand that there

are significant delays in determinations being released, issues with notices not being sent timely, et cetera, et cetera. I wonder if you could comment on that?

Deputy Secretary Stephanie Shell 2:00:23

Sure. So bureau of Hearings and Appeals, up until about six months ago, was a entirely manually based work process. So every appeal that came into the bureau, there's over 120,000 appeals that are heard every single year at BHA at this point, every appeal that came in is a manual folder that had to be moved throughout the process. And we, six months ago, went on the very first IT system that the Bureau has been able to utilize to improve their workflow and bring efficiency to all that they do. That's the enterprise case management in the enterprise case management system. So it's a new system. We're still have a lot of work to do with it, but we you know, so I will say that some of the delays that we've seen in the last year or so have related to our transition that system. But VHA is a big, active bureau that is constantly as you know, moving through 1000s and 1000s and 1000s of Appeals, and typically, doesn't always know what's coming at them until it's there. And so we are, we are always trying to keep our staffing levels in a place that we can be, you know, responsive and timely, and we are going to continue to work towards

Senator Timothy Kearney 2:01:41

that. On the same line, there was a Commonwealth Court was hearing a case called the SF case, which I think you're probably familiar with. It's basically saying that teachers must receive robust pre deprivation hearings before they can be placed on a child abuse registry. And there's another case were in the court which would potentially extend this ruling to anyone being placed on the registry. Can you talk about how the department whether you're prepared to fully comply with the court's rulings in this case?

Secretary Val Arkoosh 2:02:10

So Senator, I can't, I'm sure you understand, because it's still going through litigation. I can't really get an end into any of the details. But should the court find that every person that of the 120 some 1000 appeals that we receive a year undergo a full hearing before a determination is made, it would be an enormous increase in needs for the agency you have

Senator Timothy Kearney 2:02:34

any idea about what the staffing with, what more funding you would need in order have be able to Staff such a requirement, we

Secretary Val Arkoosh 2:02:40

have not even sat down to seriously try to envision what that would be, because you're taking a process that is relatively brief. Maybe, you know, some are very brief, 30 minutes or so to an hour, hour or two, half a half a day at the most. You're talking about now an actual full hearing that could go a day or two, significant. It would be substantial, very significant. Mr.

Senator Timothy Kearney 2:03:10

Chair, can I just finish on one thing? One more quick thing. Yeah, just real quick, pharmacies reimbursements, the we keep hearing MCOs that there's a variance in reimbursements that people are receiving. One of my pharmacies, for example, reported to me that 30 suboxone strips, they it cost them \$73.17 to to get those strips. Keystone first place, \$70.23 UPMC plays 72 health partners pay 74 so that's literally only one of the reimbursements that's actually above what it actually costs. And that does nothing about the cost to actually fill, you know, actually dispense and to kind of make that work. Can you talk about the department's role in ensuring that these MCOs fairly reimburse community pharmacists? The wide there can be such a wide there's such a wide discrepancy in how this is done.

Secretary Val Arkoosh 2:04:11

So you know, when I mentioned earlier that these MCOs are fully at risk and capitated, it is actually the MCOs that negotiate the PBM contracts and then the PBMs contract with pharmacists, so we do provide oversight to that contract between the MCO and the PBM and we do take a Look at the overall rates of those contracts, not necessarily for every single drug, but for the entirety of what a pharmacist might be receiving. They are also required to give them to contract with them for some kind of dispensing fee. That has been a lot of the debate around that. We don't, we don't prescribe that, but that is something that is part of that contract negotiation between the pharmacist and the PBM.

Senator Timothy Kearney 2:05:09

We have made great strides. We've made a

Secretary Val Arkoosh 2:05:12

lot of progress, but we do not allow in Medicaid, and have not for several years. Is that idea of spread pricing, where the PBM says to the MCO, I'm going to charge you \$20 for this, and then the PBM only gives the pharmacist 10 if the PBM is getting 20 bucks from the MCO, they are required to give the pharmacist 20 bucks. And we keep a very, very close eye on that. And we have also eliminated something called a transmission fee, which was a fee between agreement between the pharmacist and the PBM had nothing to do with the Medicaid program. It's nothing that we reimburse. It was sort of like a, literally, like a it type of a fee to these pharmacies. It caused a lot of confusion. Some people thought that that was spread pricing. It isn't. But because of all the

confusion, because we care deeply, particularly these independent pharmacists who are struggling mightily in some cases and integral to their communities and their neighborhoods. In our MCO contracts this year, we forbid transmission fees, so we can't control what's happening on the commercial side with those insurers. But in the Medicaid program, there is no spread pricing, and we have eliminated transmission,

Senator Timothy Kearney 2:06:24

hopefully that spreads. I hope so. I'm a big fan of community pharmacists, and I appreciate your looking into it. I appreciate your testimony today. Thank you, Mr. Chairman.

Chairman Scott Martin 2:06:33

I'll now turn it over to Senator Kim.

Senator Patty Kim 2:06:37

Good morning, morning. Thank you for you and your team for being here. I have a series of questions, if you be if you could be brief, I don't have a timer, but the longer that I go, he starts to breathe loudly. So that's my timer. Do you know you do that? Do you know you do that? He starts. So if we can, he's very interested in your questions. Okay, thank you. Thank you. All right, Secretary, I want to follow the line of questioning of leader Costa and Senator schwang Regarding the possible actions in Washington, DC. It's true, nothing has changed in your department. Good, but what usually happens in DC, as I've noticed, a decision comes down fast and hard and there's chaos. Discussing the different scenarios is important. It's a good exercise as state lawmakers, and it helps them zoom in on what an 80 \$880 billion cut would look like, who and what it will impact, right? So I'd like to get your thoughts on the impact of the following changes that will affect Pennsylvania hospitals and our budget. But first, can you talk about the investments in hospitals that the governor has proposed in the

Secretary Val Arkoosh 2:07:44

budget? Sure. So he's proposed three specific investments. One is to continue the 10 million that was appropriated last year that was targeted at county classes, hospitals within county classes four through eight I alluded to earlier, and we have a we worked with a half and others to develop a formula that we used to distribute that money, which I'll we can give you the details later if you're interested. That's one and to continue that, the second would be the \$20 million that we discussed earlier that would create some flexible funds that could be used in these sort of near crisis situations to preserve patient safety or patient services. And then the third is a separate ten million that could be used more broadly, beyond just rural hospitals, because we have hospitals, as you heard, in both urban and suburban settings, as well as rural hospitals that are experiencing

significant financial challenges. So those are the three buckets that are currently under consideration

Senator Patty Kim 2:08:42

perfect. You talked previously about potential Medicaid cuts and the impact those would have on Pennsylvanians. What would be the impact for Medicaid reimbursement cuts on our hospitals and on our rural hospitals as well? Yeah, in both

Secretary Val Arkoosh 2:08:58

cases, they would be devastating. I pointed out earlier that since Medicaid was expanded in 2015 we've been able to reduce uncompensated care at hospitals by 27.7% there is no hospital in any community in the Commonwealth that has the capacity to absorb that much uncompensated care. And as a reminder, hospitals are required under EMTALA to treat emergencies. So if someone shows up in the emergency room, whether they have insurance or not, and they're having a heart attack or are in labor or in a car accident, they must be treated.

Senator Patty Kim 2:09:33

Congress is considering eliminating federal tax credits that could help people cover the cost of insurance premiums under ACA. How important are those ACA tax credits to families? So

Secretary Val Arkoosh 2:09:46

I don't know if you've spoken with Commissioner Humphrey said, or if you will, but that particularly impacts Penny our state based exchange under the Affordable Care Act, those enhanced premiums under the Biden administration has contributed to the lowest number of uninsured Pennsylvanians possibly ever. And there is great concern that if those tax credits, those enhanced premium credits, go away, that there will be a whole group of people that will not be able to afford to purchase plans on Penny. And we're fortunate to have our own state based exchange. It's given us enormous flexibilities, but we worked very closely during the unwinding for people who no longer qualified for Medicaid, we automatically sent them to Penny. I think 80,000 people were able to enroll in health insurance through Penny who were no longer qualified for Medicaid. It's a huge story of success and cross agency work, but that would be, they would be very impacted by that. And

Senator Patty Kim 2:10:43

then the cost of insurance, the tax credits are eliminated, yeah,

Secretary Val Arkoosh 2:10:46

the cost would go up. And, you know, just to sort of circle back to the loss of Medicaid. We haven't really talked about this today, but before the Affordable Care Act, when there were so many people without health insurance, hospitals would cost shift to people that had insurance. So what that means is that back in the days when there was routine to have 15, 20% of people who didn't have health insurance, the way hospitals managed that was they increased prices for the people that did have insurance. And then, of course, that meant the cost of that health insurance went up. And so for those of you who ran in the run up to the ACA, the cost of private health insurance was one of the biggest drivers to getting the Affordable Care Act passed, because people finally were able to connect the dots that someone has to pay. And so if Medicaid isn't paying, then the only payer left is private health insurance. And so that means that all of us that are fortunate enough to have private health insurance, our costs will go up. And of course, for those of us that get health care from through the Commonwealth, we're right back at the taxpayers paying again. And so this is a deeply interconnected system, and pulling out those dollars from Medicaid is one that will have devastating impacts, not just to folks that are covered in Medicaid, but to everybody

Senator Patty Kim 2:12:02

else as well. Thank you. You spoke earlier about the potential changes to the federal F map percentage and the impact of limiting state provider taxes. How would reducing the federal M F map percentage and limiting revenue tools like provider taxes impact care,

Secretary Val Arkoosh 2:12:20

so it will impact care by the fact that we will as a state, be chased with choices. So just for folks listening who may not be as familiar, the F map refers to the federal sharing of these costs. So right now, for every dollar that we spend in the Medicaid program, the federal government covers about 56 to 57 cents of that dollar. For that expansion population, they cover 90 cents of every dollar. But on average, it's around 5657 cents. And so if they reduce the F map, oh, and then I'm sorry, the state, the state general fund, including the funds from the assessments pay the rest. Okay, so if the F map goes down, let's say it goes down to 40% then of every dollar federal government will cover 40 cents, the state would have to cover 60. And, you know, would likely have to cut services and disenroll people, because the state doesn't necessarily have that kind of funds available. And similarly, if they cut the assessment which contributes to that state share of that money, we again, we would be stuck making some very hard choices. I mean, the MCO assessment alone, we have budgeted for \$2.3 billion next year. And so if that went away, the federal government prohibited that, then we would be have a hole in our state general fund, in the Medicaid program of \$2.3 billion

Senator Patty Kim 2:13:50

all right, the last subject would be one of the tax proposals on the table would eliminate non profit status for hospitals and tax them as for profit businesses, given the fragile state of our health care system, what impact would such a change have on hospitals and patient access to care? Well,

Secretary Val Arkoosh 2:14:09

that's a question best suited for hap but I will give you my simple answer. It would be really bad, and it would be catastrophic for those hospitals,

Senator Patty Kim 2:14:20

as the governor stated in his budget speech, and you brought this up, private equity in the hospital business is a huge problem because they are driven by profits, not service to the community. If Congress eliminates nonprofit status for hospitals, isn't the likely result that former nonprofit hospitals will be forced to shift to focusing on profit motive rather than patient care. I mean, you mentioned that a little bit, but yeah, if you could just,

Secretary Val Arkoosh 2:14:45

I mean, presumably, you know, I'm not an expert in hospital finance. Again, that's probably a question better suited for half but one would assume that that would be out of necessity, the direction in which they would have to

Senator Patty Kim 2:14:55

move. Thank you so much. I know you don't have a crystal ball in front of you, but again, this exercise is really important for us to discuss. Thank you, Mr. Chairman, you didn't breathe loudly. Thank you. I

Chairman Scott Martin 2:15:07

was holding my breath. Okay, we're going to recess the committee until 1pm where we'll continue with our question and answers with the Department of Human Services.

Secretary Val Arkoosh 2:15:22

Thank you. Thank you. Applause