

Virginia Commonwealth University Summary of the Governor's Proposed Amendments to the 2014-16 Biennial Budget

On December 17, 2014, Governor McAuliffe presented his proposed amendments to the 2014-16 biennial budget. This summary has been prepared based on a review of the introduced budget bill and summary budget documents and presentations provided by the administration.

The Governor's budget proposal contains no new cuts to higher education. The Governor's recommendations contain only the cuts for Virginia Commonwealth University identified in Chapter 3, Special Session 1, 2014 (\$5,377,759 in both FY 2015 and FY 2016). Language in Chapter 3 had specified that institutions of higher education could not use tuition and fee revenue to address budget reductions. That language was removed by the Governor.

While the VCU Health System line item in the Department of Medical Assistance Services' (DMAS) budget remained relatively stable, as anticipated, the Governor's budget amendments do include other Medicaid policy changes. Language amendments provide for Medicaid expansion, and the Governor has included an associated \$105,000,000 savings for FY16. Another language amendment creates a voluntary pilot program for hospitals, which could potentially include VCUHS. The pilot, which would be developed by DMAS, would allow up to a 6% assessment of hospital revenues in exchange for future enhanced Medicaid reimbursements. This approach will be thoroughly reviewed by VCUHS staff and other interested parties.

VCU

Pass-through reductions: In order to allow institutions the ability to implement identified budget reduction strategies new language has been recommended authorizing the adjustment of embedded pass-through amounts included in VCU's budget item. The following state general fund reductions were included in VCU's strategies, as they were not exempt from the state budget cuts for FY 2016:

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| • Family Practice Residency Program | \$141,373 |
| • Graduate Engineering Education | \$10,828 |
| • Virginia Center on Aging | \$12,606 |
| • Virginia Geriatric Education Center | \$8,256 |
| • Council on Economic Education | \$7,944 |
| • Education Policy Institute | \$1,068 |
| • MCV Palliative Care Partnership | \$8,235 |
| • Pharmacy Compounding Lab | \$16,300 |

Need-based undergraduate financial aid: There is a recommended increase of \$100,000 in need-based undergraduate financial aid for FY 2016 included in the amended budget.

Compensation and Benefits: No broad based salary actions are included in the Governor's budget amendments. There are no changes to the retirement rate for state employees or other post-employment benefits (OPEBs). Health insurance premiums are projected to increase 2.9%, rather than the 6.9% assumed in the biennial budget.

Higher Education Equipment Trust Fund (HEETF): The proposed budget provides an increase of \$1,009,802 to \$6,534,182 in FY 2016. Institutions are allowed to purchase equipment in 2015, but will not be reimbursed until at least the first quarter of FY 2016 depending on final 2015 General Assembly budget actions.

Capital Outlay Budget: No major capital outlay package is being recommended for higher education in the 2015 Session. Maintenance reserve recommendations increase \$220,591, from \$3,326,873 to \$3,547,464, in FY 2016.

The Governor's budget provides authority for equipment associated with the Virginia Treatment Center for Children facility.

VCU Health System (VCUHS)

VCUHS Medicaid/Indigent Care funding: The VCUHS line item in the Department of Medical Assistance Services' (DMAS) budget remained relatively stable, and appears to have been decreased only slightly due to downward-trending utilization forecasts.

Medicaid Expansion: The Governor included language for implementation of a Medicaid expansion, effective January 1, 2015, "or as soon as feasible thereafter." Similarly, the Governor struck the language found in the "Stanley Amendment," which effectively precluded executive action to enact a coverage expansion. The Governor has included a \$105,000,000 savings for FY16 as a result of expanding Medicaid, in large part due to the fact that new Medicaid funding would supplant state-supported indigent care costs, mental health services payments, and inpatient hospitals costs for state correctional inmates.

Medicaid Provider Assessment (Tax): The Governor included budget language providing authority for DMAS to pilot an assessment on hospitals of up to six percent of their revenue. It appears that the pilot will be voluntary for hospitals. It is expected that at least a portion of the enhanced federal funding received through such an assessment could support the state's future portion of covering the expansion population; the remainder would be used to bolster hospital payment rates.

Poison Control Center funding: Poison Control funding for the three centers in the state, including VCU's, remains constant.