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Commissioner

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TO: Ben Barnes, Secretary
Office of Policy and Management

FROM: Roderick Bremby, Commissioner
Department of Social Services

DATE: July 15, 2016

RE: DSS Savings Plan for SFY 2017

As requested in your June 8, 2016 memo, attached please find the Department of Social Services SFY 2017 Savings Plan. The guidance included in that memo also recommended that the Department develop its SFY 2017 savings plan in a framework that considers the likely possibility of at least a 10% further reduction in SFY 2018. The attached plan outlines our preliminary planning for SFY 2018 in accordance with that guidance.

In constructing this plan, we have sought to meet the savings objectives with the minimum level of impact on services to our clients. We remain committed to that goal as we move forward. We will carefully monitor our progress against both our savings and service objectives throughout the fiscal year, and will be prepared to share information in that regard as needed.

Thank you.

Attachments

c: Paul Potamianos, Executive Budget Officer, OPM
Judy Dowd, OPM
Sue Eccleston, OPM
Kasia Purciello, OPM
Kathleen Brennan, Deputy Commissioner
Janel Simpson, Deputy Commissioner
Astread Ferron-Poole, Chief of Staff
Diane Benedetto, Director
Michael Gilbert, Director

DEPARTMENT OF SOCIAL SERVICES
SFY 2017 SAVINGS PLAN &
SFY 2018 PRELIMINARY PLANNING

JULY 15, 2016

Personal Services Funding

SFY 2017 Funding and Actions

The Personal Services (PS) base funding level established in the Governor's proposed budget revision was $129.3 million. This base was adjusted by the following changes, leading to the Department's final PS funding level of $114.1 million for SFY 2017.

-$10.2 m	Savings in recognition of original DSS savings plan
-$ 1.6 m	Savings associated with the Torrington office
-$ 2.7 m	Savings inadvertently removed for fringe savings (not in DSS budget)
-$ 1.2 m	Savings from SFY 2017 required holdbacks
+$ 0.8 m	Transfer of Autism staff from DDS

To meet this overall reduction, Personal Services expenditures are reduced by a total of 12.2%, or $15.7 million, in SFY 2017. This will be achieved as outlined below.

Overtime Reductions

In SFY 2015, the Department expended $8.8 million in overtime. In SFY 2016, the Department reduced overtime expenses to $5.5 million, a reduction of 38%. As of March 2016, the Department suspended virtually all overtime in preparation for lower PS funding levels in SFY 2017. Beginning July 1, 2016, overtime will be managed to a targeted average of $60,000 per pay period, or $1.56 million for the year. This will save $4.16 million from the "baseline" forecast of $5.72 million.

Retirements and No Refill Policy

The Department has experienced 94 vacancies as of July 1, 2016, primarily as a result of retirements. The Department will not be refilling these vacancies. This is projected to save over $7.6 million in SFY 2017.

Targeted Reductions in Force

The Department reviewed all areas of its operations to determine where staffing adjustments could be made with the minimal impact on services to clients, and with minimal disruption to the agency workforce. Reductions are primarily centered on the following:

- Elimination of certain clerical position classes in areas where such positions were less critical to agency operation; and
- Organizational changes to certain areas to realign groups to similar service functions, achieving efficiencies of operations and reducing/realigning management.

Total position reductions total 78 staff and $3.5 million in savings.

Projected Additional SFY 2017 Attrition

The Department expects additional attrition throughout SFY 2017, and is projecting two additional position losses per pay period. The Department will not refill these positions, resulting in an additional savings of $1.6 m. Attrition in excess of these levels, however, is expected to be refilled.

Taken collectively, these actions total $16.9 million, in excess of the targeted savings level by $1.2 million. The Department will utilize the $1.2 million to support potential overtime needs that may arise due to ImpaCT implementation, and/or to refill other critical vacancies if a clear and present need arises.

Further, it should be noted that this plan continues support for the costs associated with all staff in our Torrington office.

SFY 2018 Preliminary Planning

SFY 2018 planning guidance received from the Office of Policy and Management has directed agencies to: (1) plan for reductions of at least ten percent of SFY 2017 funding levels, and (2) develop a glide path through SFY 2017 that will allow agencies to meet that additional savings target.

The Department is requesting consideration of two adjustments to the additional 10% target for SFY 2018. The first of these is to recognize our excess savings contribution for SFY 2017 ($2.75 m) as an acceleration of efforts to meet the additional 10% savings goal for SFY 2018. We are also asking that the $2.7 million fringe benefit reduction be more appropriately shifted to the fringe benefit funding source, thereby restoring that excess reduction to our funding base.

Given this guidance, and the adjustments noted above, the Department has rolled out the impact of our SFY 2017 actions to determine if they will be sufficient to meet the adjusted OPM savings target for SFY 2018. We believe that through continuing all changes initiated in SFY 2017, and with the annualization of the SFY 2017 attrition, we will meet the targeted funding level of $110.9 million in SFY 2018.

As will be the case for all aspects of our plan, we will carefully monitor progress throughout SFY 2017 to both assure we are meeting the SFY 2017 targets, and that we are on a path to meet our SFY 2018 targets.

Other Expenses Funding

The Other Expenses (OE) base funding level established in the Governor's proposed budget was $165.6 million. This base was adjusted by the following changes leading to the Department's final OE funding level of $143.1 million for SFY 2017.

-$10.6 m	Savings in recognition of original DSS savings plan
-$ 0.1 m	Savings associated with the Torrington office
-$10.4 m	Savings inadvertently removed twice
-$ 1.4 m	Savings from SFY 2017 required holdbacks

To meet this overall reduction, Other Expenses expenditures must be reduced by a total of 13.6%, or $22.5 million, in SFY 2017. This will be achieved as outlined below.

Targeted Savings for Operational Contracts

The Department contracts for several large support services under its Other Expenses budget. The largest of these include a contract with HPE for Medicaid claims processing and other related services. In addition, we have a large contract with Xerox for eligibility and exchange-related support services. We also have two other broad areas of support costs that include Money Follows the Person services and Access Health CT shared services. These four cost areas alone were expected to account for over $89.4 million in expenses in our original "baseline" budget, representing over 50% of our entire Other Expenses funding. We have set a targeted savings goal of $12.3 million for these cost centers, slightly under 14% for the group. Efforts are well under way to achieve this objective in SFY 2017.

Other significant areas targeted for savings include a $1.6 million reduction to the Mercer actuarial services contract, as well as up to an $8 million reduction to the 21CT contract for data analytics-based provider reviews.

It should be noted that while these major contracts are highlighted, the Department is actively pursuing savings from all contractors. We have made significant progress in achieving reductions in those areas also. Given the need for even greater savings in SFY 2018, this full proactive review is essential to meeting those additional future objectives.

In total, a savings of at least $21.9 million is expected from these efforts in SFY 2017.

Funding Shifts to Federal Sources

The Department is proposing to fund all expenses associated with its upcoming MMIS planning and procurement through a combination of federal revenue diversion funds and IT Capital Fund support. This will allow for a $250,000 reduction in the Other Expenses budget.

Further, the Department will seek to shift other IT investments funded via federal Advance Planning Documents from OE to revenue diversion. These projects receive significantly enhanced federal contributions, often at 90%, and budgeting for the full cost of such efforts under the OE account in effect adversely impacts the Department for making proactive infrastructure changes with long term benefits. No savings is recognized for this change as of yet.

Target Savings for Operational Supports

The Department is conducting a full review of all operational expenses. The initial concentration is on higher cost areas such as equipment leases and security costs, but the review will be more universal in approach as the year progresses. A savings of $500,000 is expected in this area.

It should be noted that the Department's ability to meet the SFY 2017 savings target will also be significantly impacted by our request to carryforward funds from SFY 2016 into SFY 2017. We have requested a carryforward of $7.8 million, of which over $6.2 million is related to AHCT costs that the Exchange has incurred but not yet paid (MAXIMUS 30% payment withholds of $4.6 m) and AHCT costs under further review or lacking backup ($1.6 m). The most significant other carryforward item is related to our SNAP reinvestment requirements of approximately $0.5 million, which were budgeted in SFY 2016, but remained unexpended at year end as we awaited approval of our plan by FNS. The remaining carryforward request consists of MFP ($0.5 m) and several other smaller items. Without this carryforward, it is highly likely that we will miss our savings target by a comparable magnitude.

SFY 2018 Preliminary Planning

As noted above, SFY 2018 planning guidance received from the Office of Policy and Management has directed agencies to: (1) plan for reductions of at least ten percent of SFY 2017 funding levels, and (2) develop a glide path through SFY 2017 that will allow agencies to meet that additional savings target.

The Department is requesting consideration of an adjustment to the additional SFY 2018 10% target to recognize our excess savings contribution for SFY 2017 ($9.7 m) as an acceleration of efforts to meet the additional 10% savings goal for SFY 2018. Our SFY 2017 funding levels already have an excess $10.3 million removed from our appropriation, given an inadvertent double-counting of our proposed savings plan efforts.

Given this guidance, and the adjustments noted above, the Department has rolled out the impact of our SFY 2017 actions to determine if they will be sufficient to meet the "adjusted" OPM savings target for SFY 2018. We have identified two additional strategies/developments in SFY 2018, resulting in an additional $5.2 million savings. The first of these will be to recognize potential AHCT call center savings related to their reprocurement of this services, as well as other potential cost reduction efforts in the AHCT shared services cost center ($1.6 m). In addition, the implementation of ImpaCT is expected to eliminate the need for Xerox support of manual pdf-based enrollment as that function becomes automated (3.6 m savings). We believe that with these adjustments, as well as the recognition of the excess savings in SFY 2017, we will meet a target funding level of $138.5 million in SFY 2018.

We will carefully monitor progress throughout SFY 2017 to assure we are meeting the SFY 2017 targets, as well as confirming that we are on a path to meet our SFY 2018 targets.

Grant Funding

SFY 2017 Funding and Actions

In general, the Department will meet the required savings in our grant accounts by making the directed adjustments required in both the appropriation and the supplementary holdback actions. For most of our grantee agencies, this additional holdback adjustment represents a 3% reduction to appropriated levels. Contract adjustments will be made to implement these changes.

There are a few areas were the holdback requirements were in excess of 3% and those areas are discussed below.

HUSKY Performance Monitoring

This grant was reduced by 31% beyond the appropriated levels in the recent holdbacks. Given the level of the reduction, the contractor has decided that it is unable to continue the project at this funding level and has requested termination of this contract effective July 31, 2016.

The Department would like to work with OPM to have the additional funds that will be saved beyond the 31% holdback adjustment transferred to the Brain Injury Association ($57,000) and Domestic Violence Shelters (balance of savings) to offset reductions to those areas. We would propose to do this through a release of holdback under these two accounts, offset by the corresponding lapse in the HUSKY Performance Monitoring account (or through an additional holdback adjustment to that account).

State Funded SNAP

Certain adult non-citizens are ineligible for the federally-funded Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program), such as individuals admitted as permanent residents but who have not been in the U.S. for five years. Connecticut provides a state-funded benefit to these individuals equivalent to 75% of the federal benefit that they would otherwise receive.

It should be noted that children of non-citizens are eligible for assistance under the federal SNAP program.

The Department will discontinue any new enrollment into the program as of August 1st in order to meet this 35% holdback. Clients who are on the program will continue to receive services. If they remain eligible through the five year period noted above, they can then be converted to federal SNAP benefits.

Community Services (grants to other than local governments)

The Community Services account received a 24% holdback reduction. To manage within this level, a 1% cost of living adjustment provided to federal programs, to match a similar increase granted to all General Fund programs several years ago, will be removed. Generally, federally funded programs have not been subject to the same budget mitigation reductions as the General Fund programs, so removal of this inflation adjustment would align with reductions taken against General Fund programs. This results in a savings of $186,153.

In addition, three programs funded under this account will be subject to the same 3% reduction that will impact all other grantees in SFY 2017. This includes:

- Safety Net Services
- Person-to-Person
- Christian Community Action

Finally, the balance of the savings comes from the elimination of a small unallocated balance in the account.

Community Services (municipal account)

The municipal Community Services account ($75,647) has provided support funds to a limited number of municipalities. These funds supplemented case management funding that was available under SSBG. Given the re-procurement of SSBG Case Management services, case management services will now be supported and coordinated by a single entity, the Connecticut Association for Community Action (CAFCA). Given that there were no municipalities that bid for the case management services, this supplementary funding will be discontinued to meet the 100% holdback in this account.

SFY 2018 Preliminary Planning

As noted above, guidance received from the Office of Policy and Management has directed agencies to: (1) plan for reductions of at least ten percent of SFY 2017 funding levels, and (2) develop a glide path through SFY 2017 that will allow agencies to meet that additional savings target.

Given this SFY 2018 planning guidance, the Department will need to further review the implications of the additional 10% reduction. Funds that remain for these grant-based services have been reduced over time and represent a total expense of $27.2 million, after holdbacks, in SFY 2017. An additional 10% reduction beyond SFY 2017 levels would mean an overall reduction in this area of $2.7 million. At the present time, we have not yet completed our SFY 2018 planning for this area.

Entitlement Account Funding

<u>SFY 2017 Funding Review</u>

Entitlement accounts were not affected by the holdbacks and hence are not specifically addressed in this plan. It should be noted, however, that we are currently reviewing all caseload and cost trends in these programs to better understand our financial position in these areas. While figures are under full review in all of these accounts, from initial reviews it is apparent that we will be particularly challenged to meet the funding levels that have been established for the Medicaid account.

SFY 2017/2018 Planning Framework for Personal Services

SFY 2017 PS Available Funding	Current Appropriation	
Base	129,003,892	
Plan Reductions	(10,182,829)	*
Torrington Savings	(1,640,300)	
Autism Staff	790,000	
Correct Target	117,970,763	
Excess Fringe Savings	(2,723,987)	
Holdbacks	(1,152,467)	
Available Funds	114,094,309	

SFY 2017 Savings Plan	Revised Plan	
Base	129,003,892	
Reduce OT	(4,160,000)	**
CCT Classes	-	
Retirements/Terms	(6,303,120)	
Refill Retirees	-	
Non-Permanent Reductions	(387,421)	
Permanent Reductions	(3,089,950)	
Torrington Savings	(1,640,300)	
Absorb Torrington Savings	1,640,300	
Retirements Beyond Plan	(1,311,838)	
Attrition - 2 Per Pay Period	(1,620,000)	
Reinvestment of Surplus to OT	1,172,746	
Total Savings	(15,699,583)	
Add Autism Staff	790,000	
Estimated Expenses	114,094,309	
Surplus/(Shortfall)	(0)	

*DSS Plan was Close to Twice Required Amount (once fringe was removed)
**Overtime Reduced from $8.8 m in FY 15 to $5.5 m in FY 16 to FY 17 Target of $1.5 m

SFY 2018 PS Initial Plan

SFY 16 Base	129,003,892	
Original SFY 2017 Savings Target	(7,433,536)	Target w/fringe
DSS 2017 Plan Excess Savings	(2,749,293)	Without fringe savings
Torrington Savings	(1,640,300)	
Autism Staff	790,000	
Continuation of 2017 Holdback	(1,152,467)	
Added 10% Beyond SFY 2017	(11,409,431)	
Recognize 2017 Excess Savings	2,749,293	
Restore Excess Fringe Savings	2,723,987	
Total SFY 18 Available Funding	110,882,145	
Estimated SFY 2017 Expense	114,094,309	
Min. Additonal Savings Needed	(3,212,164)	
Savings Possibilities		
Annualize SFY 2017 Attrition	(3,120,000)	
Total New Savings	(3,120,000)	

SFY 2017/2018 Framework for Other Expenses

SFY 17 Base (Governor's Revised)	165,606,911
First Reduction	(10,736,301)
Excess Reduction	(10,368,171)
Holdback	(1,445,024)
Revised 17 Appropriation	143,057,415

SFY 17 Base		165,606,911
<u>DSS Original Savings</u>		(11,350,000)
Reduce Operational Supports	(500,000)	
Access IT Capital Funds - MMIS	(250,000)	
HPE Contracts	(2,400,000)	
MFP Contracts	(1,770,000)	
AHCT Shared Services Costs	(3,210,000)	
Xerox Contract	(1,620,000)	
Adjust Mercer Contract Scope	(1,600,000)	
<u>DSS Additional Savings</u>		
Reduction-21CT		(8,000,000)
Additional AHCT		(1,600,000)
Additional MFP Reductions		(885,000)
Additional Xerox Reduction		(810,000)
Total Savings		(22,645,000)
Estimated FY 17		142,961,911
Difference		95,504

Unbudgeted Costs to Accommodate

EVV (1.7m), Hospital Appeals Legal Support (.89m), Audit Appeals (.1m), BEST Security Monitoring (1.5m), EMPI M&O (.6m)

SFY 18

SFY 16 Base	165,606,911	
First Reduction	(10,736,301)	
Excess Reduction	(10,368,171)	
Restore 2017 Excess Savings	9,754,472	
Continuation of 2017 Holdback	(1,445,024)	
Added 10% Beyond SFY 2017	(14,305,742)	10% of SFY 17 Available Funds
Total SFY 18 Available Funding	138,506,146	
Estimated SFY 2017 Expense	142,961,911	
Min. Additional Savings Needed	(4,455,766)	
Savings Possibilities		
Additional AHCT Savings	(1,610,000)	
Eliminate PDF Processing	(3,600,000)	Xerox Contract Component
Total New Savings	(5,210,000)	

Not Included - Other Costs to Accommodate

Annualization of ImpaCT M&O Support