Director's Report
JLARC Impacts

2016

JLARC
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

Director's Report: JLARC Impacts 2016

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2016 Study Resolutions

The Commission's research agenda is set by the General Assembly, and most studies are mandated by resolution. In the 2016 legislative session, 12 JLARC study resolutions were introduced, and four were passed. Studies from these resolutions will be conducted over the next two years.

Virginia Economic Development Partnership Authority
Delegate Byron – HJR 7

JLARC is directed to study the operations, performance, and governance of the Virginia Economic Development Partnership (VEDP), the central public agency for promoting economic development in Virginia. JLARC will evaluate the effectiveness of VEDP initiatives and examine its accountability structure and coordination with other state and local entities.

Early childhood development programs
Senator Norment – SJR 88

JLARC is directed to assess the cost-effectiveness of programs for early childhood development, prenatal to age five, with a focus on best practices for program design, implementation, and measurement of outcomes. In the report, JLARC staff will propose options for strategic investment in future programs.

Virginia's community college system
Delegate Jones – HJR 157

JLARC is directed to review Virginia's community college system and assess how effectively and efficiently the system provides the education, training, and credentials needed for the workplace. JLARC staff will review spending and allocation of funds across the system and assess affordability for students. In the report, JLARC staff will compare Virginia's community college system to similar systems in other states and make recommendations as needed.

Industrial residuals and biosolids

Delegate Landes – HJR 120

JLARC is directed to study industrial residuals (waste from industrial processes) and biosolids (sewage sludge), which are treated and applied to agricultural land as fertilizer. JLARC staff will review research literature on risks to public health and the environment of using these waste materials on agricultural land, evaluate the impact of regulations on agriculture and economic development, and examine a variety of issues related to monitoring, testing, and permitting.

2016 JLARC Study Impacts

Impact: Medicaid

Study resolutions: HJR 637 (2015) – Delegate Landes and SJR 268 (2015) – Senator Hanger

In 2015 JLARC reported on eligibility determination, asset recovery, and non-emergency transportation in Virginia's Medicaid program.

Policies and resources used to ensure financial eligibility for Medicaid

State policy does not require eligibility workers to search for either unreported income or unreported assets, leaving the state vulnerable to erroneously providing benefits to individuals who do not meet Medicaid's financial eligibility criteria. The state is increasingly able to verify eligibility criteria using electronic data sources, and additional data sources could help eligibility workers efficiently identify assets owned by Medicaid applicants. Eligibility workers currently have no way to identify unreported bank accounts and real estate property in other localities and other states.

The JLARC report recommended that state policy be changed to direct eligibility workers to use currently available resources to search for unreported income and assets.

Other recommendations were aimed at improving the Asset Verification System, currently under development by the Department of Social Services (DSS), by (1) requiring the participation (which is currently voluntary) of financial institutions and (2) purchasing access to a nationwide real estate property database.

Action by the 2016 General Assembly

► Appropriation Act Items 310 and 350

The 2016 General Assembly sought to improve both the policies and resources used to ensure that all Medicaid recipients meet the financial eligibility requirements.

Through budget language, the General Assembly directed that income be verified for all Medicaid applicants, even those who reported no income, and that all available resources, such as local property tax and DMV databases, be used to search for unreported assets.

The General Assembly also used budget language to encourage financial institutions with branches in Virginia to collaborate with DSS to "maximize participation in the Asset Verification Service program."

Another budget provision directed DSS to develop and submit a plan to the Chairs of the House Appropriations and Senate Finance Committees to incorporate real estate property records into the Asset Verification System.

Determining Medicaid eligibility on time

The JLARC report found that local departments of social services have recently been unable to process renewals of Medicaid eligibility every 12 months as required by law. When renewals are performed late, Medicaid recipients who have become ineligible may continue to receive benefits. The JLARC report included an estimate that between $21 million and $38 million was spent in FY14 on benefits for ineligible recipients whose renewals were processed late.

Renewals could be performed more quickly if more recipients granted prior consent to use their federal tax data to renew their eligibility electronically. The JLARC report recommended increasing the number of recipients who use this option by modifying the Medicaid application forms.

Action by the 2016 General Assembly

► Appropriation Act Item 310

Legislation required the Department of Medical Assistance Services (DMAS) to change Virginia's Medicaid application so that applicants "opt in" by default to consent for electronic renewal, and are offered the choice to "opt out."

Asset recovery to reimburse state for Medicaid costs

The JLARC report found that DMAS does not proactively identify assets that could be recovered from the estates of deceased Medicaid recipients to defray the cost of the services they received.

The state relies on heirs and estate administrators to report the existence and value of assets, even though these individuals may have an inherent conflict of interest, if they stand to inherit the assets that would be used to reimburse the state.

Identifying assets for recovery was difficult before the availability of electronic data, but the state's new eligibility determination system contains information that could be used to identify which estates may have recoverable assets and prioritize those with the highest values. Other sources of data can be used to search for assets that were not identified during the eligibility determination process.

Action by the 2016 General Assembly

► Appropriation Act Item 310

Through budget language, the General Assembly directed DMAS to work with DSS to develop a plan to improve Virginia's asset recovery process by obtaining access to data sources that could help the state to identify assets, including real estate and financial assets.

Medicaid non-emergency transportation

As part of the broader study of Virginia's Medicaid program, JLARC reported in 2015 on the performance and cost of Medicaid non-emergency transportation services. DMAS has a contract with a transportation broker to provide federally mandated transportation services to Medicaid recipients.

The report recommended changes to performance standards in the transportation contract that could improve performance and reduce the risk that unreliable transportation poses for the most vulnerable and medically fragile Medicaid recipients. The report also recommended modifying the rate-setting process to reduce financial risk to the state and the broker.

Action by the 2016 General Assembly

► SB 774 – Senator Dunnavant

The General Assembly enacted legislation that requires DMAS to enter into a new contract for Medicaid non-emergency transportation services by July 1, 2017. The new contract will enable DMAS to implement many of the other recommendations from the JLARC report.

Impact: Line of Duty Act

Study mandate: HJR 103 (2014) – Delegate Jones

In 2014, JLARC presented a report on Virginia's Line of Duty Act (LODA) program. The LODA program provides a lump sum death benefit and lifetime health insurance benefits to public safety officers who were killed or permanently disabled in the line of duty. JLARC staff reviewed the program's administration and costs and identified ways to improve its implementation and financial sustainability.

The JLARC report found that administration of the LODA program would be better suited to the Virginia Retirement System (VRS) and Department of Human Resources Management (DHRM), agencies that administer state disability and health insurance benefits. The report recommended transferring administration of the program from the Department of Accounts to DHRM and VRS to improve the efficiency of the program and the credibility of administrative decisions.

The JLARC report found that not all beneficiaries use the most cost-efficient health insurance plan available to them and included policy options to reduce the cost of providing health insurance benefits.

JLARC's analysis showed that the cost of the LODA program would continue to grow for the state and localities, driven by an increasing number of beneficiaries. The report identified several policy options to narrow the initial and ongoing eligibility criteria for the program.

Action by the 2016 General Assembly

► HB 1345 – Delegate Jones

In accordance with recommendations in the JLARC report and the findings of a 2015 workgroup, the 2016 General Assembly made three types of changes to LODA: (1) transfer of program administration to VRS and DHRM; (2) creation of a separate health insurance plan for LODA beneficiaries; and (3) modifications to the program's eligibility criteria. The changes are intended to reduce costs and improve the long-term sustainability of the program.

Responsibility for eligibility determinations will be transferred to VRS, and responsibility for administering health insurance benefits will be transferred to DHRM.

The new health insurance plan for LODA beneficiaries will standardize benefits and improve the predictability of future costs. Program costs will be controlled through DHRM's management of the plan and coordination with other health benefits such as Medicare.

Changes to eligibility criteria will narrow the circumstances under which beneficiaries continue to receive benefits. Changes include the discontinuation of benefits (1) when recipients turn 65 and become eligible for Medicare (unless they are severely disabled) and (2) when individuals earn at least as much money as they did prior to the disability. Benefits will be reinstated if the earnings of these individuals subsequently fall below their pre-disability income.

Impact: Veterans services

Study resolution: HJR 557 (2015) – Delegate O'Bannon

In 2015, JLARC reported on a study of the Virginia Department of Veterans Services (DVS). The majority of DVS funding and staffing are devoted to running two veterans care centers, which operate using non-general funds. Most other DVS programs rely primarily on state general funds.

One DVS program that uses state general funds is the Virginia Veteran and Family Support program, which was created by the General Assembly to monitor and coordinate mental health and rehabilitative services for veterans. The JLARC report found that Virginia Veteran and Family Support program faced a number of major challenges, including a lack of clarity about the program's role, uncertainty about staff expectations and qualifications, gaps in policy guidance, and lack of formal connections with other state, regional, and local providers. Left unaddressed, these challenges present some risk to the health and safety of veterans receiving services. The JLARC report recommended that DVS develop clearly defined partnerships and that a working group be convened to develop a plan for the Virginia Veteran and Family Support program to meet its purpose as established by statute.

Action by the 2016 General Assembly

► Appropriation Act Item 466

Through budget language, the General Assembly directly addressed the recommendations of the JLARC report on veterans services by establishing a working group to review mental health and rehabilitative services for veterans and make recommendations for better coordination and monitoring of these services. After conducting its review, the working group will direct the appropriate agency staff to develop and present a detailed implementation plan for the Virginia Veteran and Family Support program to fulfill its statutory mandate.

Impact: K-12 Spending

Study mandate: SJR 328 (2013) – Senator Saslaw

In 2015, JLARC reported on the efficiency and effectiveness of K-12 spending. Virginia school divisions collectively spent $15.6 billion on K-12 education for 1.27 million elementary and secondary students in FY14. Salaries and benefits for staff account for approximately 75 percent of total K-12 spending.

The JLARC report found that even though school divisions spent less in 2014 to educate each student than 10 years prior, they spent more on health insurance for teachers and other school division employees. Health spending increased over the decade at twice the rate of inflation, from $665 million to $1.1 billion. The report identified an option to help divisions better manage health insurance spending by allowing school division employees to participate in the state employee health plan.

School divisions reported to JLARC that limited compensation growth has made it increasingly difficult to recruit and retain teachers. Teacher turnover is not systematically tracked by school divisions or the state, so it not possible to know whether turnover is increasing statewide. The JLARC report recommended tracking information about teacher turnover: how many teachers leave their jobs at Virginia schools and why they leave.

Action by the 2016 General Assembly

► SB 364 – Senator Chafin

► SB 360 – Senator Howell

The General Assembly addressed several recommendations from the K-12 spending report, with Code amendments intended to help divisions manage health insurance spending increases and teacher turnover.

One new provision allows the Department of Human Resource Management to establish a health insurance plan, similar to the state health insurance plan, for employees and retirees of school divisions.

Another provision requires the Superintendent of Public Instruction to develop a standard "exit" questionnaire that will allow school divisions to consistently collect information from teachers about why they choose to leave their jobs.

Impact: Higher education

Study resolution: HJR 108 (2012) – Delegate Landes

In 2012, 2013, and 2014, JLARC presented a series of five reports on the academic and non-academic factors affecting the cost of higher education at Virginia's public colleges and universities. Addressing the General Assembly's mandate to identify opportunities to reduce the cost of public education in Virginia, the report series included a combined 32 recommendations and seven options.

Cost to students of public higher education

JLARC's higher education series culminated with a report concluding that Virginia's 15 public four-year higher education institutions collectively achieve their mission—to educate and graduate students—better than most. The state's public institutions are also among the nation's most expensive for students. This comparatively high cost is attributable to institutions spending more while state funding for operations and student financial aid declined.

The JLARC report found that part of the reason for tuition increasing was a drop in state funding. Over a 15-year period, state funding per student declined by 33 percent, and tuition and mandatory fees increased by 64 percent. The report identified an option—if additional state funding were to become available—to offset forgone tuition revenue by allocating additional state operating funding to higher education.

The report also found that as the cost of attendance rose, financial aid funding did not keep pace with student need. Student financial aid met only one-third of the total financial need of students at Virginia's public four-year institutions. Further, allocation of aid through the Virginia Student Financial Assistance Program did not correspond to student need; in fact, the state disproportionately provided financial aid funding to institutions with lower financial need.

The JLARC report recommended reallocating financial aid funding across institutions so that the same percentage of financial need would be met at each institution.

Action by the 2016 General Assembly
► Appropriation Act Item 144

The 2016 General Assembly addressed one recommendation and one option from this report, both aimed at alleviating the effects on students of the rising cost of higher education. First, the General Assembly used budget language to direct all 15 four-year public higher education institutions to "seek to minimize tuition and fee increases for in-state undergraduate students." Second, the General Assembly appropriated additional funding for student financial aid. The additional funding is to be allocated by the State Council of Higher Education for Virginia under the direction of a joint subcommittee.

Academic spending and workload

In 2014 JLARC presented a report on academic spending and faculty teaching load. Faculty salaries and benefits are the largest single instructional expenditure for higher education institutions.

The JLARC report found a marginal decline in average teaching load in Virginia, which appeared to reflect a nationwide trend and would not necessarily correspond to a substantial increase in costs. The JLARC report recommended that Virginia's four-year public institutions participate in national faculty teaching load assessments, in order to obtain data on teaching load in Virginia compared to other states.

The JLARC report also found that faculty salaries were below institutional goals and that the process used to fund faculty salaries could be improved. The report included a recommendation that SCHEV change the process so that comparisons are made by academic discipline rather than institution-wide, and that SCHEV improve the transparency of how it selects institutions for comparison groups.

Action by the 2016 General Assembly

► Appropriation Act § 4-9.04

Through budget language, the 2016 General Assembly addressed two JLARC recommendations. First, boards of visitors of the 15 four-year public institutions were directed to participate in national faculty teaching load assessments. Second, SCHEV was directed to include factors such as discipline, faculty rank, cost of living, and regional comparisons when developing faculty salary goals.

Instructional technology

The report included a finding that in certain circumstances instructional technology can reduce instructional costs, and that Virginia's institutions have not used instructional technology as much as schools in other states. Because of the potential of technology to reduce costs, and because it is still an emerging area, the report recommended that SCHEV facilitate regular collaboration about instructional technology among higher education institutions.

Action by the 2016 General Assembly

► Appropriation Act § 4-9.04

Through budget language, the 2016 General Assembly directed SCHEV to identify best practices for the use of instructional technology in higher education.

Impact: IT governance

Study mandate: Appropriation Act (2012-2014) Item 31

In 2014, JLARC reported on Virginia's IT governance structure, which is partially centralized and requires cooperation between the Virginia Information Technologies Agency (VITA) and other state agencies.

The JLARC report identified concerns about VITA's statutory responsibilities and those of other agencies, and noted that state agency involvement in central IT decisions is too limited. The report included a recommendation that Virginia develop a governance approach that better incorporates agency input.

The report found that the responsibilities of the Secretary of Technology and the Chief Information Officer were not well defined, and included recommendations that would clearly articulate the roles of leadership and clarify and strengthen the IT statutes as they relate to VITA and the other agencies.

Action by the 2016 General Assembly

► HB 1064 – Delegate Jones

The General Assembly enacted legislation to clarify leadership roles and reorganize and document VITA's statutory responsibilities. Changes to the Code of Virginia implemented the findings of a technical work group, which was recommended in the IT governance report and created by the 2015 Appropriation Act. Nearly all of the recommendations from the IT governance report have now been implemented.

Upcoming JLARC Studies

2016

Development and Management of State Contracts in Virginia

Impact of Regulations on Virginia's Manufacturing Sector

Effectiveness of Virginia's Water Resource Planning and Management

Effectiveness of the Virginia Economic Development Partnership

Managing Costs in Virginia's Medicaid Program

2017

Early childhood development programs

Virginia's community college system

Industrial residuals and biosolids

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