



## 2006 Impact of JLARC Studies

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The 2006 General Assembly and the executive branch agencies took significant action in response to the study recommendations of the Joint Legislative Audit and Review Commission (JLARC).

### **USE AND FINANCING OF TRAUMA CENTERS IN VIRGINIA**

As a result of concerns that access to trauma centers in Virginia might be compromised, in 2004 JLARC was directed to identify steps that could be taken to maintain trauma services throughout the Commonwealth. The study found that hospitals designated as trauma centers and physicians are incurring substantial financial losses as a result of treating trauma patients. These losses appear to result primarily from uncompensated care, low reimbursement rates from public insurers, and unreimbursed readiness costs.

#### **Action**

To alleviate the burden of these losses and mitigate the possibility that trauma programs in certain regions of the State might be discontinued, the 2005 General Assembly created a Trauma Center Fund, which collects approximately \$4.3 million per year from fees imposed on the reinstatement of driver's licenses and registrations. During the 2006 Session, the House of Delegates included language in the 2007-2008 Appropriation Act that directs an additional \$15.9 million be deposited into the fund.

### **SPECIAL REPORT: CERTAIN PERSONNEL ISSUES AT THE VIRGINIA RETIREMENT SYSTEM**

In June of 2005, the JLARC Retirement Oversight Subcommittee directed staff to study two personnel issues at the Virginia Retirement System (VRS): (1) a potential conflict of interests of a member of the Board of Trustees relative to his interest in seeking the chief investment officer (CIO) position, and (2) the circumstances regarding the former director's severance payment.

JLARC staff found that the CIO search committee promptly and appropriately addressed the conflict of interests issue. With regard to the severance for the former director, however, the review found that the severance payment was authorized by the former Board chairman without the knowledge and approval of the Board. Further, JLARC staff concluded that the amount of the severance pay-

ment exceeded the provisions of the Workforce Transition Act (WTA).

To ensure public confidence in the system, the JLARC report recommended that (1) members of the Board and the Investment Advisory Committee (IAC) be prohibited from employment by VRS for one year after the end of their service, (2) the Board and employees receive training on the requirement of the Conflicts of Interests Act and the Freedom of Information Act (FOIA), and (3) the Board adopt a policy on the use of severance. The report also recommended that the Board either recover the severance payment made to the former director or authorize its payment.

### **Actions**

The VRS Board implemented all of JLARC's recommendations. In addition, the Board went beyond the recommended one-year restriction on employment of Board and IAC members and adopted a five-year restriction. The Board declined to retroactively authorize the severance payment to the former director; in order to recover those funds, VRS initiated litigation which is pending.

In addition to actions taken by the Board, three bills relating to the provision of severance benefits were adopted by the General Assembly in 2006. HB 15 (Lingamfelter) and SB 364 (Wampler) require that gubernatorial appointees and positions appointed by the VRS Board be covered under the WTA regardless of prior years of service. The bills also require all gubernatorial appointees who are eligible for benefits under the WTA to sign a statement annually certifying their understanding of those benefits. Also, HB 476 (Purkey) requires public announcement of severance benefits provided to cabinet secretaries, State agency heads, and officials appointed by a local body.

### **HOMELAND SECURITY FUNDING AND PREPAREDNESS IN VIRGINIA**

In 2005, JLARC reviewed the State's homeland security funding and preparedness. The study found that Virginia had received \$532 million in federal homeland security funds and that the State's management of homeland security efforts and funding had been effective. A key recommendation was to ensure continuity of homeland security leadership in Virginia by establishing the Office of Commonwealth Preparedness (OCP) in statute. OCP had been established by executive order as a "cabinet level" organization in the Governor's office. Continued funding was also uncertain, as the office was funded through federal grants which expired in December 2005.

## **Actions**

The 2006 General Assembly adopted SB 363 (Wampler) and HB 1004 (Sherwood), which implement several recommendations from the JLARC report. First, the legislation establishes OCP in statute, directs the Governor to appoint an assistant for commonwealth preparedness, and establishes a 29-member Secure Commonwealth Panel. The assistant would serve a four-year term coincident with the Governor and be confirmed by the General Assembly.

The legislation also establishes duties of the office, including coordinating the development of allocation formulas to localities and State agencies based on actual risk and threat. It directs that regional working groups be established to:

- Focus on initiatives in training, equipment, and strategy.
- Ensure ready access to response teams in time of emergency.
- Facilitate training exercises for emergencies and mass casualty preparedness.

Unlike most other cabinet and appointed officials, OCP does not have direct authority over any State agencies. Instead, the statute states that the purpose of the office is "to work with and through others to develop a seamless, coordinated security and preparedness strategy and implementation plan." It also directs the office to serve as liaison between the Governor and the federal Department of Homeland Security.

The legislation also addresses other recommendations of the JLARC study. It provides that the assistant appoint an interoperability coordinator to review all communications-related grant requests from State agencies and localities in order to ensure federal grants are used to enhance interoperability.

The proposed budget for the 2006-2008 biennium provides \$478,956 in general funds and three staff positions for the office.

## **OPERATION AND PERFORMANCE OF VIRGINIA'S SOCIAL SERVICES SYSTEM**

The 2004 General Assembly directed JLARC staff to study the operation and performance of the Commonwealth's social services system. The study found that Virginia's locally-administered system has a number of strengths but also found areas for improvement. Recommendations included:

- The State Department of Social Services (DSS) needs to improve supervision and support of local departments, notably in strategic management and human resources.
- A pending, major systems development initiative needs additional oversight and more rigorous planning to address the risks of transitioning to a new systems environment.
- Given the longstanding nature of many of the problems identified in the report, a subcommittee or task force is needed to develop a comprehensive improvement plan to address needed changes.

### **Actions**

DSS and the 2006 General Assembly have taken actions consistent with these recommendations. In December 2005, DSS created a Division of Strategic Management and Research, which is charged with improving the system's strategic and analytic capabilities. DSS recently identified local retention, recruiting, and retirement transitions as human resources management priorities. Additionally, planning for the major systems development initiative now includes more detailed analysis of the transition. Finally, the House-approved proposed budget for the 2006-2008 biennium establishes a joint subcommittee to assess the progress of DSS in implementing the study recommendations.

### **SELF-SUFFICIENCY AMONG SOCIAL SERVICES CLIENTS IN VIRGINIA**

HJR 193 (2004) directed JLARC to assess the extent to which Virginia's social services system has enabled its clients to improve their financial independence and achieve self-sufficiency. This study found that the majority of Virginia's social services clients decreased their reliance on government assistance over the course of two years, but they seldom achieved self-sufficiency. To increase the number of clients who become self-sufficient, recommendations were made that build upon current programs:

- Emphasize the importance of job quality and prepare welfare recipients for long-term job retention.
- Increase personal accountability and provide services aimed at improving job retention and career advancement for non-welfare clients.
- Assist families in claiming all federal tax credits for which they are eligible.

## **Actions**

The 2006 General Assembly enacted SB 42 (Puller) and HB 407 (Callahan) to increase tax credit utilization, which could provide low-income Virginians with as much as an additional \$170 million annually. These bills give the tax commissioner the authority and responsibility to obtain information as to whether each Virginia taxpayer claimed a federal income tax credit so that eligible social services clients can be identified and assisted with making claims. In addition, the House-approved proposed budget for the 2006-2008 biennium would establish a joint subcommittee to assess efforts by the Department of Social Services to implement the study recommendations that would increase personal accountability and enhance the effectiveness of services in helping clients attain self-sufficiency.

## **IMPACT OF AN AGING POPULATION ON STATE AGENCIES**

HJR 103 (2004) directed JLARC staff to review the impacts of an aging population on the demand for and cost of State agency services. The study found that a continuance of existing State policies will exert considerable fiscal pressures upon the State.

## **Actions**

The 2006 General Assembly enacted two bills that will better position State agencies to respond to the service demands of older Virginians. HB 110 (Reid) requires each State agency's strategic plan to identify how the aging population will affect the agency's ability to deliver services and to describe at least five actions the agency is taking to respond to these challenges. HB 854 (Ebbin) requires each State agency to designate an employee who will review policy and program decisions in light of their impact on older Virginians and adults with disabilities.

## **ASSESSMENT OF REIMBURSEMENT RATES FOR MEDICAID HOME AND COMMUNITY-BASED SERVICES**

In 2005, JLARC conducted a review of the adequacy of Medicaid reimbursement rates for home and community-based services. The study found that reimbursement rates have not risen at the rate of inflation, reimbursement rates for many services are lower in Virginia than in other states, and many of the rates do not allow providers to pay a competitive or living wage to direct-care staff. In addition, the study found that the low personal maintenance allowance precluded some individuals from receiving home and community-based services. Options were identified for increasing Medicaid reimbursement rates.

## **Actions**

The Senate and House-approved budgets address the study findings. Both budgets would increase the rate for mental retardation waiver services and congregate residential care provided through the mental retardation waiver. In addition, the House-approved budget would increase the Medicaid reimbursement rates for personal care and skilled nursing services. Both budgets would increase the personal maintenance allowance.