

Joint Legislative Audit and Review Commission



2007 JLARC Workplan

Commission Briefing
May 14, 2007

Studies and Oversight Activities Under Deputy Director Glen S. Tittermary

Impact of Assisted Living Facility Regulations (Final Report)

Growth in State Spending (2007 Update)

Review of Compensation for State Employees

Virginia Retirement System Oversight

2007 Report to the General Assembly

Internal Service Fund Oversight

Computer Resources and Website Support



Impact of Assisted Living Facility Regulations (Final Report)

Project Leader
Project Team

Walt Smiley
Jenny Breidenbaugh

Study Mandate

- Item 21E of the Appropriation Act directs JLARC to report on the impact of new regulations adopted pursuant to 2005 legislation
- New law phases in 2005-2008
 - Requires administrators to be licensed and medication aides to be registered
 - Strengthens enforcement tools, public disclosure

Assisted Living

- Non-medical residential settings provide personal and health care services and 24-hr supervision
- 583 licensed facilities
32,000 capacity
80% private pay
- Licensed by Department of Social Services
- JLARC has completed 5 prior reports

Study Issues

- How will new law and regulations affect
 - Cost of services
 - Access to facilities and services
 - Tangible improvements in quality of care

Research Activities

- Identify ALFs with problems
- Data analysis
- Site visits
- Interviews

Study Schedule

- Research and analysis Through May
- Commission briefing June 2007



Growth in State Spending (2007 Update)

Section Manager

Walt Smiley

Study Mandate

- *Code of Virginia* §30-58.3 directs JLARC to review State spending annually
 - Largest and fastest growing programs
 - Causes of expenditure growth
 - Programs that could be consolidated or are inefficient
- Prior reports focused on spending trends

Explaining Budget Growth

- Combination of methods best explains long-term growth
- Societal factors: population, inflation, personal income, etc.
- Virginia-specific factors: initiatives, funding decisions
- Budget drivers: agencies that account for bulk of growth
- Individual agency and program budgets

Research Activities

- Focus: FY 1998 – FY 2007
- Examine major trends and factors
- Review selected topics

Study Schedule

- Data analysis

Fall

- Commission briefing

December 2007



Review of Compensation for State Employees

Project Leader Justin Brown

Project Team Trish Bishop, Christine Wolfe, Tracey Smith, Janice Baab

Study Mandate

- On November 13, 2006, the Commission authorized JLARC staff to study compensation for employees of the Commonwealth
 - Determine appropriate mix of salaries and benefits
 - Identify alternative benefits for employees
 - Assess defined benefit, defined contribution, and hybrid retirement plans
 - Assess the provisions and requirements of each retirement system managed by VRS
 - Compare State employee total compensation to other public and private employers

Background

- Total compensation defined as cash, financial benefits, and leave and other flexibilities
- Major elements of total compensation include
 - Salary
 - Health insurance
 - Retirement contributions
 - Life insurance and disability
 - Leave
 - Flexibilities, such as part-time work or telecommuting
- State spent \$4.98 billion on total compensation for salaried, classified employees in FY 2006

Study Issues

- What potential changes to current compensation should the State consider?
 - Salary
 - Health insurance
 - Retirement
 - Leave and other flexibilities
- What decisionmaking framework should be used when considering and assessing the impact of potential changes?
- How would selected changes impact agency recruitment, productivity, and retention; State, local, and employee costs; and employee and employer satisfaction?

Research Activities

- Literature review, data analysis, and case studies
- Employer and employee surveys and group interviews
 - Primary focus on salaried, classified State employees
 - Teachers and localities (retirement-only)
- Total compensation RFP
- Retirement RFP

Study Schedule

- Data collection / contract award Spring/Summer 2007
- JLARC status briefings July, October 2007
- Analysis / options development Fall 2007/Winter 2008
- Analyze impact of potential options Spring 2008
- Final report Fall 2008



Virginia Retirement System Oversight

VRS Analyst Trish Bishop

VRS Oversight Act

- Oversee and evaluate VRS on a continuing basis
- Prepare semi-annual investment reports
- Prepare a biennial status report
- Conduct a quadrennial actuarial analysis
- Publish an informational guide for legislators
- Hire an actuary for use by JLARC, House Appropriations, and Senate Finance

Oversight Activities and Schedule

- Attend meetings of the Board and IAC
- Update the online *Legislator's Guide to VRS*
- Semi-annual investment reports July, December
- Status reports by VRS Director and CIO July



2007 Report to the General Assembly

Project Leader Martha Erwin
Project Team Brad Marsh

Legislative Mandate

- JLARC's enabling statutes require
 - Biennial report to General Assembly (RGA)
 - Agencies to report actions taken in response to JLARC recommendations

2007 RGA Will Focus on Results

- Recommendations implemented
- Savings achieved
- Use of reports by General Assembly members

RGA Will Have a New Look



Joint Legislative Audit and Review Commission



2007 Report to the General Assembly



To: Honorable Members of the
Virginia General Assembly

From: Thomas K. Norman, Jr.
JLARC Chairman

This report will bring you up to date on the Commission's work. In the last biennium, JLARC has investigated issues of critical importance to Virginia, such as emergency preparedness and the effects of our aging population on State services.

As we celebrate the 400th anniversary of Jamestown, let us remember that our nation's representative system of government began here in Virginia. The oversight function of the Commission is one of those vital checks and balances, acting as a check on how well Virginia's government serves the interests of its citizens.

I ask for your continued support of the Commission's function and invite you to take pride in our accomplishments.

Inside you will find

- highlights of recent studies
- measures of JLARC's performance, including savings to the Commonwealth
- comments from legislative sponsors of JLARC studies
- awards



Renovation of the Virginia State Capitol was completed in 2007, the 400th anniversary of the founding of Jamestown

About JLARC

JLARC has been the oversight agency for the Virginia General Assembly since 1973. Its membership consists of nine delegates, five senators, and the Auditor of Public Accounts, and its full-time staff includes experts in public policy, fiscal analysis, and research management.

Our staff can conduct a study at the request of the General Assembly (through a joint resolution) through language in the Appropriation Act, or at the direct request of the Commission. Individual legislators can also ask the Commission for a study.

JLARC studies typically evaluate the extent to which State agencies and programs

- accomplish legislative intent
- operate efficiently and effectively
- are adequately and appropriately funded
- may benefit from policy changes

Ongoing oversight and information activities of JLARC include

- annual reports on State spending and on State funding of Virginia's educational Standards of Quality
- oversight of the Virginia Retirement System, with biennial and semi-annual investment reports, actuarial reports every 4 years, and periodic special reports
- Guide to the Virginia Retirement System (vmguide.state.va.us) maintained for legislators
- evaluations of proposed mandated health insurance benefits (began in 2006)
- monitoring of 12 internal service funds within the Department of General Services and the Virginia Information Technologies Agency
- annual release of key benchmark comparisons of Virginia to the other states
- on-demand reviews of fiscal impact statements submitted with bills during Session



Schedule

- Online questionnaire to agencies May
- Commission briefing September 2007

Studies Under Division Chief Robert B. Rotz

Virginia Preschool Initiative: Current Implementation and Potential Changes

State Spending on Standards of Quality Costs
(2007 Update)

Review of Higher Education Management Agreements

Waste Minimization



Virginia Preschool Initiative (VPI): Current Implementation and Potential Changes

Project Leader Bob Rotz

Project Team Aris Bearse, Greg Rest, Kimberly Sarte, Anna Sereda (intern)

Study Mandate

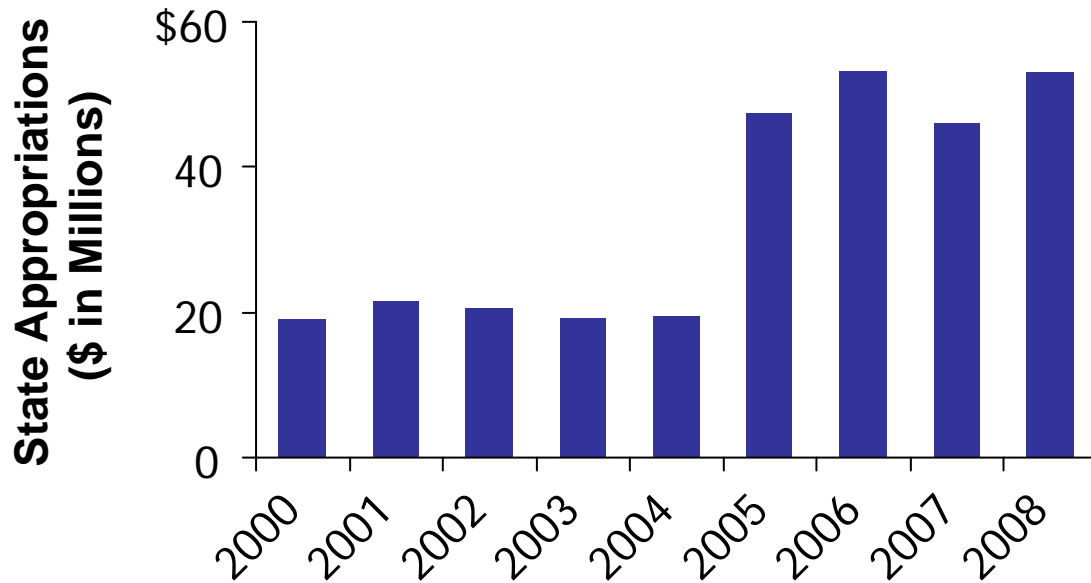
- House Joint Resolution 729 (2007 Session) requires a study of the Virginia Preschool Initiative (VPI) and the concept of universal preschool
 - VPI
 - State-sponsored grant program with local match support
 - Pre-K for at-risk 4-year-olds not already served by Head Start and 5-year-olds not eligible for kindergarten
 - Universal preschool
 - Would make government-supported pre-K classes available to all 4-year-olds (still voluntary participation)

Statutory Provisions for VPI

- Section 22.1-199.1 C of the *Code of Virginia* (“programs designed to promote educational opportunities”) establishes the program
- Virginia Department of Education (DOE) to disburse grants “to schools and community-based organizations to provide quality preschool programs”
- Class size limited to 18; child-to-staff ratio is 9 to 1

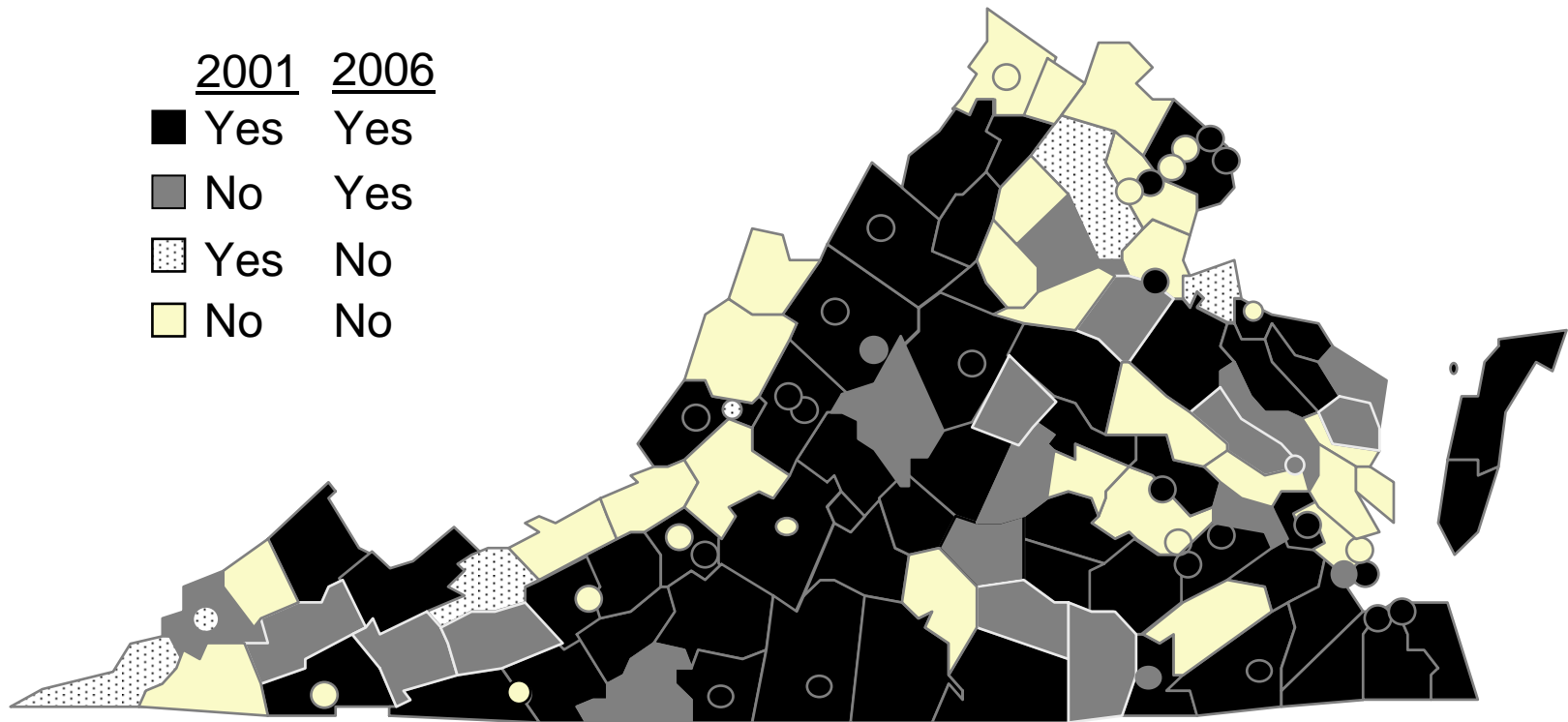
Funding for VPI

- State appropriations began in FY 1996
- Funding was substantially increased in FY 2005 with move to serve 100% of “unserved” at-risk children instead of 60%
 - Per-pupil amount increased from \$5,400 to \$5,700 in FY 2007



- Local match based on composite index measure of local ability to pay

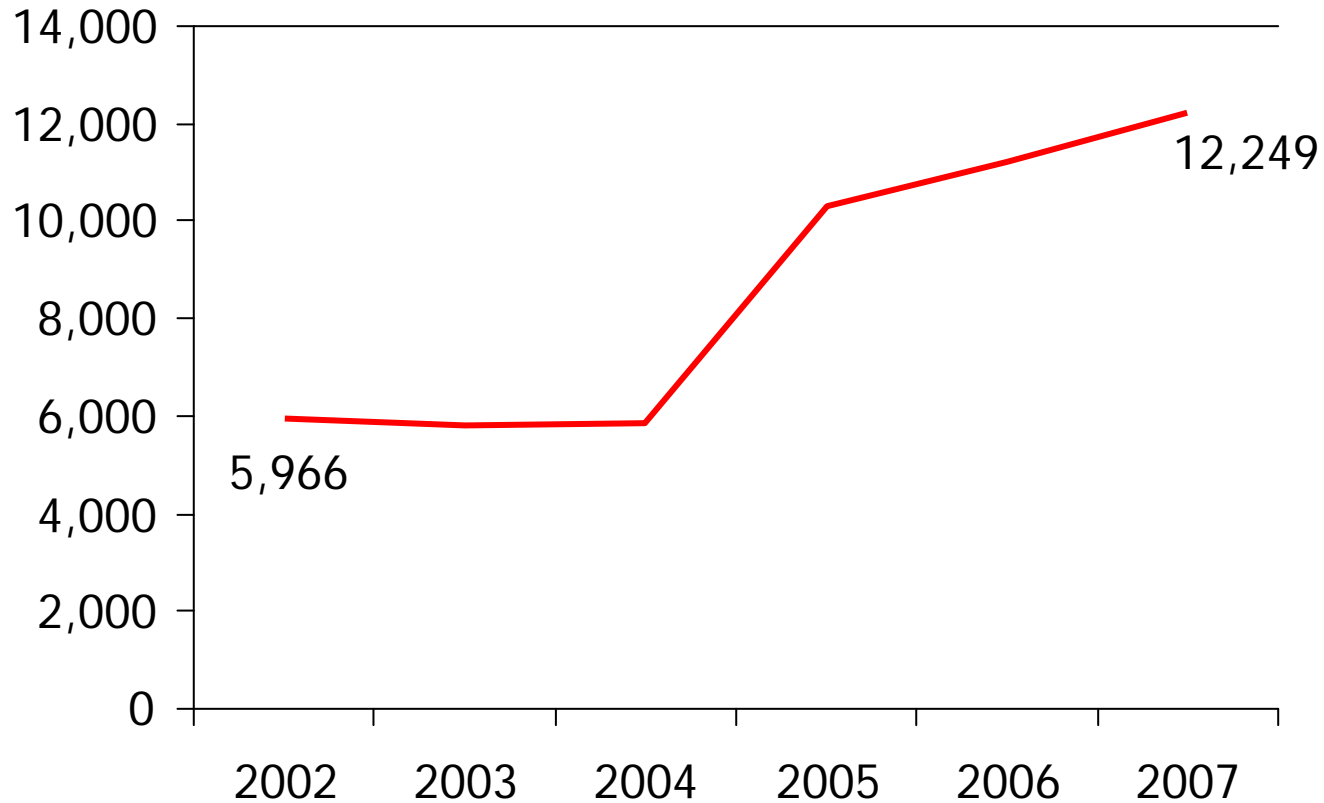
Locality Participation in VPI, FYs 2001 and 2006



Note: Some localities participated in FYs 2001 and 2006 but not all years between.

Source: Based on information from the Virginia Department of Education.

Number of Children in VPI, FY 2002-2007



Study Issues: VPI Program as Currently Implemented

- What is the statutory authorization and funding for VPI?
- What are the costs of the program since inception?
- How has VPI been implemented? What is the quality of VPI across divisions, and how effective has it been in preparing children for kindergarten?
- How have VPI graduates fared academically and socially after kindergarten?
- At the State and local levels, what support and accountability mechanisms are in place for VPI?

Study Issues: Potential Changes to VPI, Such as Making It Universal

- What is universal preschool or pre-kindergarten, and how does it work in theory and practice?
- What are additional costs, if any, of aligning VPI components with the quality standards checklist recommended by the National Institute for Early Education Research (NIEER) ?
- What research has been conducted about the efficacy of preschool programs for children of middle- and upper-income parents? What were the findings and recommendations?
- What policy options are available to better prepare children for success in school?

Research Activities

- Literature review
- Interviews
- Comparison of program with established standards such as NIEER's; estimates of costs to meet such standards
- Site visits, classroom observations
- Analysis of test score data and VPI program information
- Surveys

Study Schedule

■ Research and analysis

May - October

■ Commission briefing

November 2007



State Spending on Standards of Quality (SOQ) Costs (2007 Update)

Project Staff

Bob Rotz

Study Mandate

- Section 22.1-97 of the *Code of Virginia*
- Statutory section provides that
 - DOE must report data on required and actual local expenditures for SOQ
 - JLARC required to report on State expenditures for SOQ

Background


- Third in series of annual special reports by JLARC completed December 2006
- State SOQ spending in FY 2006 was \$4.47 billion
- Report briefed by JLARC staff to the Commission, then furnished to House Appropriations, Senate Finance, and education committees

Fourth Report in Series Will Address

- Total State SOQ spending statewide in FY 2007
- Factors impacting the amount of State SOQ spending
- State dollars spent in each school division, total and per pupil

Study Schedule

- Data analysis Oct / Nov
- Commission briefing December 2007
- Written report to education and money committees January 2008



Review of Higher Education Management Agreements

Project Leader Aris Bearse
Project Team Unassigned (report due June 2009)

Study Mandate

- Section 23-38.88 D.3 of the *Code of Virginia* requires JLARC, in cooperation with the APA, to review certain management agreement issues in higher education
- Review will consider degree to which institutions
 - comply with terms of management agreements,
 - successfully manage administrative and financial operations, and
 - meet 12 objectives identified in the statute

Background

- “Restructured Higher Education Financial and Administrative Operations Act”
 - Provides for independent administrative and financial operations for institutions entering into management agreements
 - Management agreements executed Nov. 2005 by UVa., Va.Tech, and William & Mary; effective July 1, 2006
- JLARC review of outcomes to be based on a period of at least 2 years after agreements executed

Study Schedule

- Preparatory research work 2007
- Two-year time period reached July 2008
- Data collection and analysis Summer 2008 to Spring 2009
- Commission briefing June 2009

Studies Under Division Chief Hal E. Greer

Use and Financing of Licensed Inpatient
Psychiatric Facilities

Review of Mandated Health Insurance Benefits

Access to Brain Injury Services in Virginia

Costs and Benefits of Substance Abuse Services
in Virginia



Use and Financing of Licensed Inpatient Psychiatric Facilities

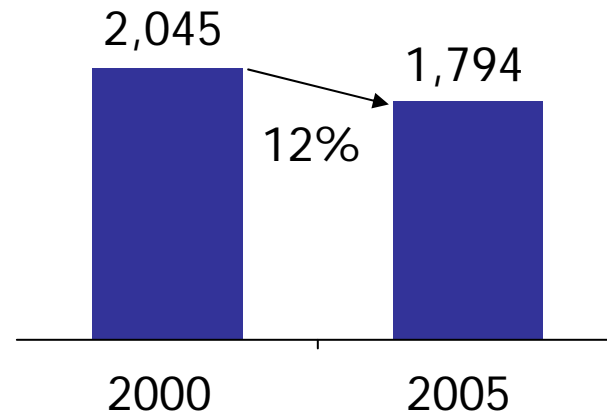
Project Leader Ashley Colvin

Project Team Paula Lambert, Eileen Fleck, Brad Marsh

Study Mandate

- Senate Joint Resolution 185 (2006 Session) directs JLARC to examine inpatient mental health care
- Study results from concern over decreasing number of acute care psychiatric beds in private hospitals
- Community services boards increasingly use private hospital beds to replace beds in State hospitals

Number of Licensed Inpatient Psychiatric Beds Has Been Decreasing



- Actions since passage of SJR 185 have addressed some Medicaid-related funding concerns
 - \$4.9 million to increase Medicaid rates for inpatient psychiatric services
 - Funding also provided to exclude 4 free-standing psychiatric hospitals from rebasing of Medicaid rates

Study Issues

- Examine utilization trends, including sources of payment
- Evaluate Medicaid rate-setting process for psychiatric services, including temporary detention orders (TDO)
- Evaluate manner in which community services boards contract with licensed psychiatric facilities
- Examine adequacy of and funding for licensed psychiatric beds, including child and adolescent mental health services
- Determine steps that can be taken to maintain appropriate and necessary licensed psychiatric services in Virginia

Research Activities

- Interviews with State and local mental health agencies and private hospitals
- Extensive data analysis
 - Survey of hospitals with licensed acute care psychiatric beds, including UVA and MCV
 - Analysis of longitudinal data on psychiatric beds and characteristics of persons receiving acute psychiatric care
- Examination of contracting process used by community services boards and extent of State oversight
- Review of assumptions used to set Medicaid rates, and comparison with other psychiatric rates

Study Schedule

- Research and analysis Through July
- Commission briefing October 2007



Review of Mandated Health Insurance Benefits

Project Leader Kimberly Sarte
Project Team Jason Powell

Study Mandate

- Sections 2.2-2503 and 30-58.1 of *Code of Virginia* direct JLARC to
 - assist Special Advisory Commission on Mandated Health Insurance Benefits
 - evaluate social and economic costs and benefits of proposed mandated health insurance benefits
- Bureau of Insurance also assists Special Advisory Commission

Background on Health Insurance Mandates

- Require health insurers to
 - cover or offer specific benefits
 - cover specific providers
 - extend benefits to certain populations

- *Argument For*
 - Provide consumers better access to health care services

- *Argument Against*
 - Can increase health insurance costs

Mandated Benefits in Virginia

- Approximately 1/3 of Virginians affected by mandates
 - individual and employer fully insured plans
- 28 mandated benefits and offers of coverage and 15 mandated providers
 - Virginia among top 5 states in number of health insurance mandates in 2006*

**Source: Council for Affordable Health Insurance*

Three Mandates Proposed in 2007 Session

- Second opinions for malignant brain tumors at comprehensive cancer centers
- Human papillomavirus (HPV) vaccinations
- Prosthetic devices and components at Medicare level

Project Schedule

- Review proposed mandates Summer/Fall
- Advisory Commission meeting July
 - second opinions for brain tumors
- Advisory Commission meeting Fall 2007
 - HPV vaccinations
 - prosthetic devices and components



Access to Brain Injury Services in Virginia

Project Leader Eric Messick
Project Team Jamie Bitz, Pinki Shah

Study Mandate

- Item 21F of 2006 Appropriation Act calls for report on access to brain injury services in Virginia
 - Effectiveness of current State-funded services at improving outcomes of brain-injured population
 - Effectiveness of Department of Rehabilitative Services' oversight of State-funded brain injury services
 - Sufficiency of current resources to meet need of Virginia's brain-injured population
- Increases in State funding have raised interest regarding effectiveness of State-funded services

What Is Traumatic Brain Injury (TBI)?

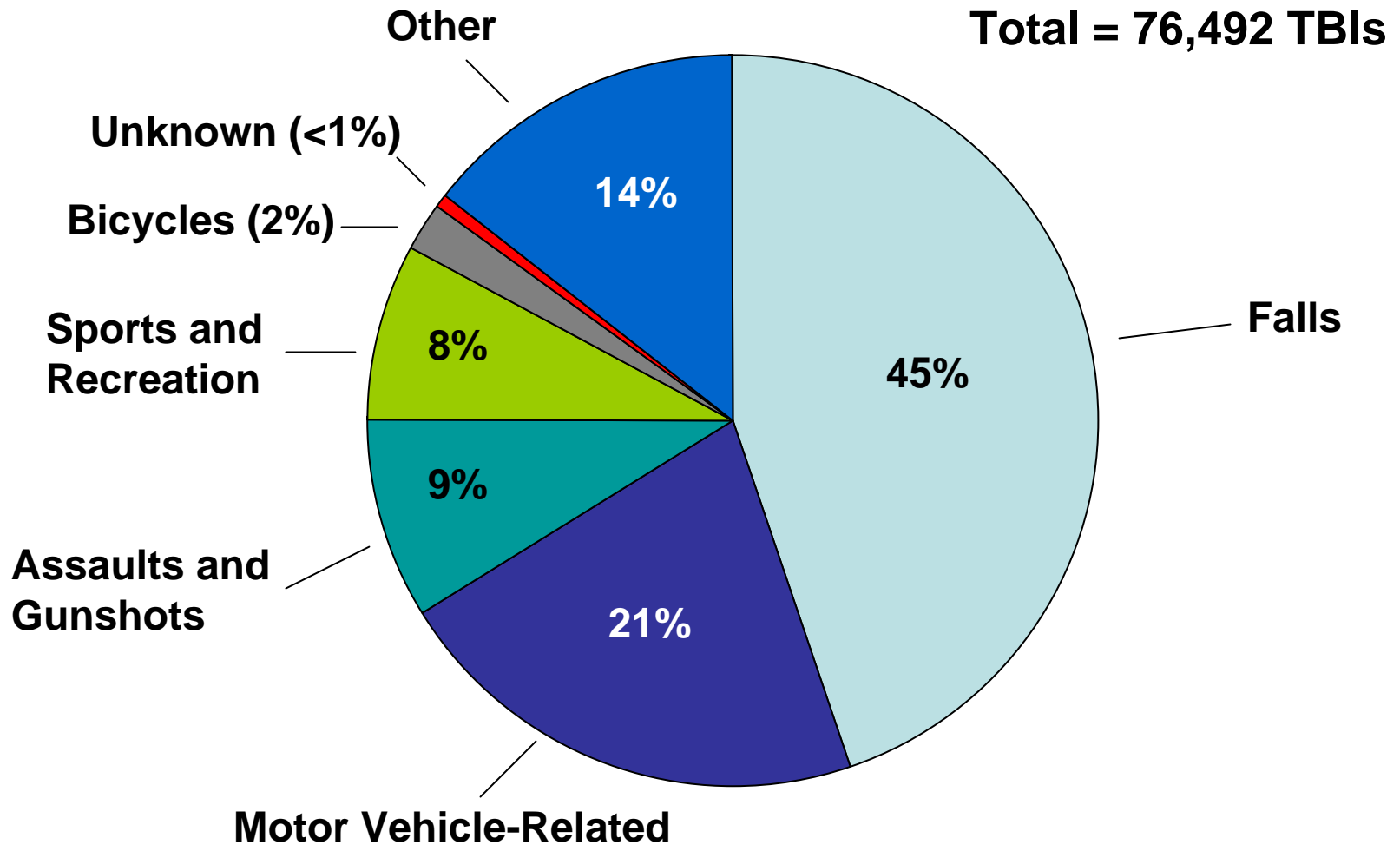
- TBI is
 - blunt or penetrating trauma or
 - accelerating/decelerating forces applied to the brain
 - resulting in altered consciousness

- TBI is not the result of congenital defects or disease

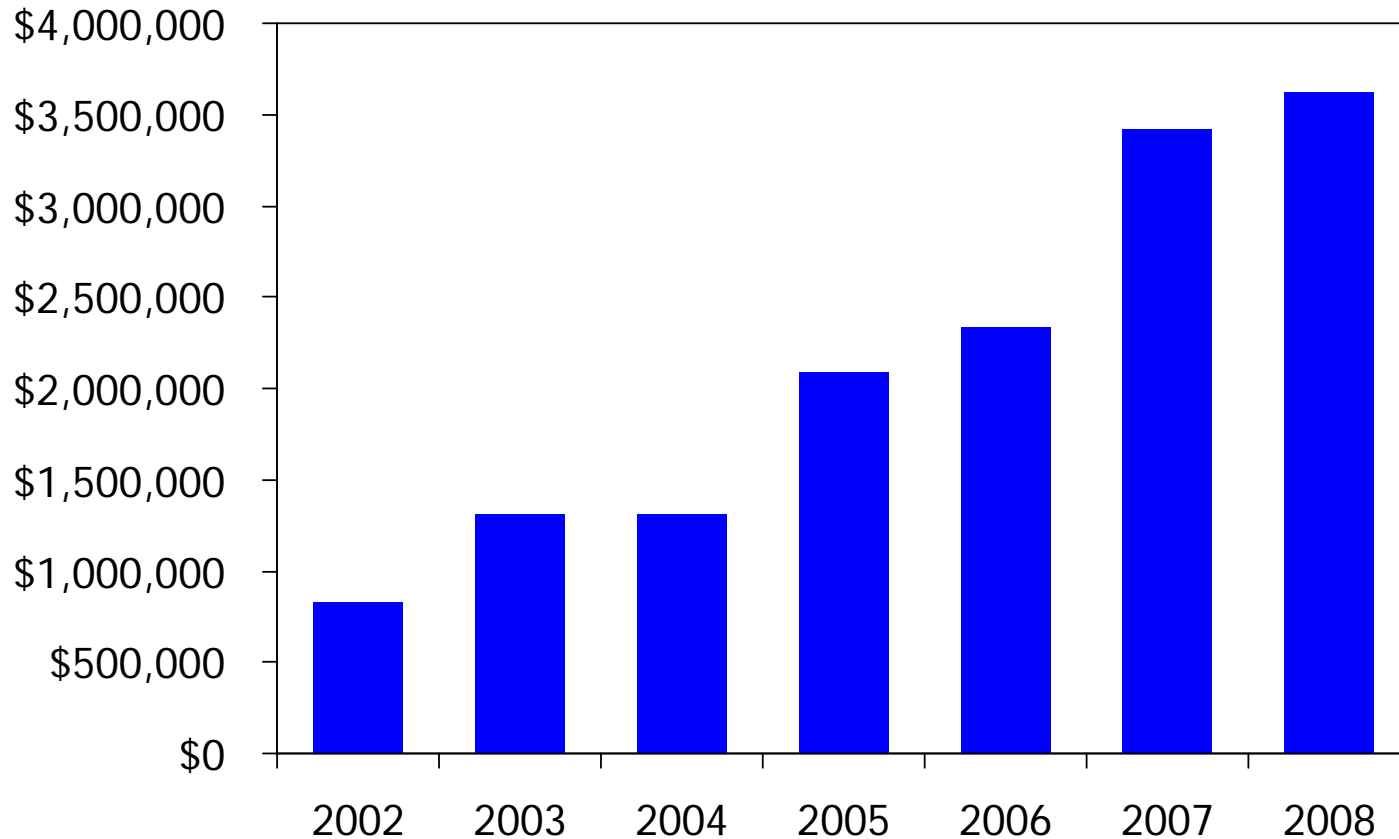
What Are the Effects of TBI?

- Problems resulting from TBI
 - Short-term memory loss, poor judgment
 - Behavioral dysfunction, depression
 - Walking or talking impaired
- CDC estimates 5.3 million Americans currently disabled by TBI
- Children (0-9), older adolescents (15-19), and adults 75 years and older are more likely to sustain a TBI

Falls Account for Most Traumatic Brain Injuries in Virginia Since 2002



General Fund Support of Brain Injury Services Increased by \$2.5 Million Since 2002



Study Issues

- To what extent does Virginia's traumatically brain-injured population have access to needed services?
- Has State funding for traumatic brain injury services been effectively and efficiently allocated?
- Following issues will also be addressed
 - Causes and prevalence of traumatic brain injuries
 - Community-based medical and rehabilitative services
 - Private insurance involvement
 - Other states' activities in addressing needs

Research Activities

- Structured interviews and site visits
- Surveys
- Document reviews
- Data analysis

Study Schedule

Research activities

Spring - Summer

Commission briefing

September 2007



Costs and Benefits of Substance Abuse Services in Virginia

Project Leader
Project Team

Nathalie Molliet-Ribet
Ellen Miller, Elisabeth Thomson, Jenny Breidenbaugh

Study Mandate

- House Joint Resolution 683 and Senate Joint Resolution 395 (2007) direct staff to
 - Study the impact of substance abuse on State and local budgets
 - Determine savings that could be achieved through enhanced substance abuse services
 - Recommend funding initiatives needed to provide adequate services to Virginians who need them
- HJR 683 focuses on offender population and SJR 395 considers all Virginians

Substance Abuse Imposes Costs Upon State and Local Governments

- Substance abuse linked to societal problems that create costs for State and localities

Societal Problem

- Crime
- Injuries & illness
- Child abuse & domestic violence
- Lower productivity

Cost to State/Localities

- Criminal justice system
- Medicaid
- Social services system
- Foregone taxes

- National study suggests that Virginia spent \$1.8 billion as a result of substance abuse in 1998

Substance Abuse Services Could Generate Net Savings to State and Localities

- Scientific advances continually improve effectiveness of substance abuse treatment
- Several states found that investing in treatment resulted in savings due to lower incidence of societal problems linked to substance abuse
 - California, Maine, Oregon, Washington
- Cost-benefit analyses estimate savings to society ranging from \$3 to \$7 for every \$1 spent on treatment

Study Issues

- What is the fiscal impact of substance abuse on State and local expenditures?
- To what extent do existing services mitigate the fiscal impact of substance abuse on State and local budgets?
- What steps could be taken to maximize the benefits of substance abuse services in Virginia?

Research Activities

- Data analysis
- Literature review
- Structured interviews with local and State stakeholders
- Visits to treatment and prevention programs
- Surveys
- Examination of other states' service delivery system

Study Schedule

- Data collection Spring/Summer
- Analysis of costs and benefits Summer/Fall
- Commission interim briefing December 2007
- Recommendations development Winter 2007-2008
- Final Commission briefing and report Spring 2008