



ABH Preliminary Analysis of the Governor's FY 2012 Budget

January 26, 2011

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To: ABH Members
Fr: Vic DiGravio, President/CEO
Re: Preliminary Analysis of the FY 2012 Budget and Governor's Vetoes

Today, Governor Patrick released his FY 2012 budget proposal (sometimes called H1 after the assigned bill number).

Of interest to ABH members, the Governor's budget proposal:

- Appropriates \$30.5 billion in overall spending for FY 12
- Includes \$627.3 million in revenue initiatives
- Includes \$570 million in program cuts
- Increases funding for MassHealth by \$100 million for increased case load
- Reduces overall EOHHS spending by \$91 million
- Cuts the Department of Mental Health by \$21.4 million
- Level funds the Bureau of Substance Abuse Services
- Reduces funding for the Department of Children and Families by \$5.1 million

The legislation will now be sent to the House of Representatives. The House Ways & Means Committee will hold a budget hearing in the late winter or early spring, likely in conjunction with the Senate Committees on Ways & Means, in keeping with the tradition of the past several years. A few weeks after the hearing, usually in early April, the House Ways & Means Committee will release its own budget proposal which will be debated, amended and voted upon by the full House. After this, the Senate will follow in the same manner in May. After each chamber has approved its version of the budget, the Senate President and House Speaker will make appointments to a conference committee to resolve differences between the House and Senate spending bills and produce a final legislative budget known as a conference committee report. The conference committee report will be voted either up or down (no amendments are permitted) by each chamber, and if approved, sent to the Governor who will have ten days to review the budget and return his vetoes and recommendations for amendment.

ABH will hold an **all-member conference call on Thursday, January 27, 2011 at 8:00 a.m.** to brief you on the Governor's budget proposal. The conference call will provide an overview of the budget and its potential impact on ABH members. It will conclude with a question and answer period.

Community Conversation Details
Thursday, January 27, 2011 * 8:00 a.m.
1-800-714-9583 * Access Code: 973472



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Department of Mental Health

Line item/program	Final FY '09 (post-9C Cuts)	Final FY '10 (post-9C Cuts)	Final FY '11**	Governor's FY '12
5011-0100 Operations Account	\$37,033,864	\$28,672,819	\$26,401,636	\$26,484,325
5042-5000 Child/Adolescent Services	\$73,819,535	\$72,184,407	\$71,773,509	\$69,773,509
5046-0000 Adult Community Services	\$292,372,305	\$302,913,735	\$323,755,801	\$320,755,801
5046-2000 Statewide Homelessness Initiative	\$20,210,919	\$20,134,424		
5047-0001 Emergency Services/Acute Inpatient	\$35,936,259	\$34,704,390	\$34,122,197	\$34,122,197
5047-0002 Emergency Svs/Acute Inpatient RR				
5055-0000 Forensic services for the mentally ill	\$8,052,485	\$8,146,363	\$8,081,928	\$8,097,163
5046-4000 CHOICE program RR	\$125,000	\$125,000	\$125,000	\$125,000
5095-0015 State psychiatric hospitals/Community- Based Mental Health Services	\$181,414,591	\$167,133,711	\$143,900,803	\$127,500,803
TOTAL	\$648,964,958	\$634,014,849	\$628,295,298	\$606,993,222

*GAA= General Appropriation Act
**Includes FY 2010 and FY 2011 supplemental budgets

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Overview:

The Department of Mental Health is funded at \$606,993,222. This represents an overall cut of \$21 million from FY 2011. This will result in a \$2 million cut to Children/Adolescent Flex Support, a \$3 million cut to Clubhouse services, and a \$16.4 million cut to inpatient services.

5011-0100 Operations. Funding for this account increased by \$82,000 over the final FY 2011 budget.

5042-5000 Child/Adolescent Services. Governor Patrick's budget proposal would reduce funding for flex supports by \$2 million and impact approximately 175 children.

The account retains language enabling the DMH Commissioner to allocate funds from this account to other EOHHS departments in order to support services for children and adolescents "stuck" in inappropriately restrictive settings due to lack of more appropriate placements.

5046-0000 Adult Community Services. This account is funded at \$320 million and will result in a \$3 million cut to Clubhouse services. This cut will impact approximately 2,000 clients.

Similar to past language, the account includes language requiring DMH to allocate up to \$5 million from the inpatient account (5095-0015) as necessary "for residential and day services" for consumers formerly receiving care at DMH facilities, provided that DMH submits spending plans to the House and Senate Committees on Ways & Means 30 days prior to the planned transfer.

In addition, DMH is required to submit a report to the Ways & Means Committees on the distribution of funds per adult and child planning population and the types of services received in each region during FY 2011 by February 1, 2011.

5046-2000. Homelessness Services. This account is funded at the same level as the final FY 2011 budget.

5047-0001 Emergency Services/Acute Inpatient. This account is funded at \$34,122,197; this the same appropriation that was included in the final FY 2011 budget and is \$500,000 less than the final FY '10 (post-9C cuts) appropriation.

5095-0015 State Psychiatric Hospitals/CMHCs. Governor Patrick's FY 2012 budget proposal funds this account at \$127,500,803. This is a reduction of \$16.4 million over the FY 2011 appropriation and will result in the closure of approximately 160 inpatient beds.



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In addition, the account contains language mirroring that in the adult community account (5046-0000) permitting the transfer of up to \$5 million from this account to the adult community account for “residential and day services” for consumers formerly receiving inpatient care, provided that DMH submits spending plans to the House and Senate Committees on Ways & Means 30 days prior to the transfer.

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Department of Public Health/Bureau of Substance Abuse Services

Line item/program	Final FY '09 (Post-9C Cuts)	Final FY '10 (Post-9C Cuts)**	Final FY '11**	Governor's FY '21
4512-0200 BSAS Programming & Operations	\$77,666,206	\$75,924,448	\$75,185,802	\$75,185,802
4512-0201 Step-Down Services	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000
4512-0202 Secure Treatment Facilities for Opiate Addiction/Pilot Jail Diversion	\$0	\$2,000,000	\$2,000,000	\$2,000,000
4512-0203 Intervention, Care Management, and Young Adult Treatment Pilot Program	--	\$1,500,000	\$1,500,000	\$1,500,000
4510-0700 Addiction Control Services (Consolidates 4512-0200, 4512-0201, 4512-0202, 4512-0203, and 4512-0225)				
TOTAL	\$82,466,206	\$84,224,448	\$83,485,802	\$83,485,802

**Includes FY 2010 and FY 2011 supplemental budgets

Overview:

The Governor's FY 2012 budget proposal level funds the Bureau of Substance Abuse Services at \$83.4 million. This appropriation will meet Maintenance of Effort Requirements.

4512-0200 BSAS Programming and Operations. This account is funded at \$75.1 million; the same amount was appropriated in FY '11.

4512-0201 Step-Down Services. This account is funded at \$4.8 million; the same amount was appropriated in the final FY 2011 budget and the final FY '10 (post-9C cuts) budget.

Language states that the account will fund "substance abuse step-down recovery services, otherwise known as level B beds and services, and other critical recovery services with severely reduced capacity."

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4512-0202 Pilot Jail Diversion Program. This account is funded at \$2 million.

The account appropriates funding for pilot jail diversion programs primarily for nonviolent offenders with OxyContin or heroin addiction (the number of programs is not specified). The programs will be procured by the Department of Public Health and are to be in separate counties "in a location deemed suitable by the Department of Public Health". The pilot programs "shall provide clinical assessment services to the respective courts, inpatient treatment for up to 90 days and ongoing case management services for up to 1 year." However, "not more than \$500,000 shall be used to support the ongoing treatment needs of clients after 90 days for which there is no other payer.

Language also states that an individual may be diverted to this or other programs by a district attorney (in conjunction with the Commissioner of Probation) if:

- a.) there is reason to believe that the individual being diverted suffers from an addiction to OxyContin or heroin, or other substance use disorder; and
- b.) the diversion of an individual is clinically appropriate and consistent with established clinical and public safety criteria;

4512-0203 Family Intervention, Care Management, and Young Adult Treatment Pilot Program. This account was first funded in FY 2010 and is level-funded at \$1.5 million this year. Language states that this appropriation is "for family intervention and care management services programs, a young adult treatment program, and early intervention services for individuals who are dependent on or addicted to alcohol or controlled substances or both alcohol and controlled substances."

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Executive Office of Health & Human Services (EOHHS)/Office of MassHealth

Line item/program	Final FY '09 (post-9C Cuts)	Final FY 2010 (Post-9C Cuts)**	Final FY '11**	Governor's FY '12
4000-0300 EOHHS Admin. Account	\$143,776,773	\$91,326,742	\$86,970,271	\$84,000,300
4000-0500 Managed Care Plans	\$3,026,044,286	\$3,600,131,677	\$3,772,835,669	\$3,872,835,669
4000-0650 Community First Waiver	\$5,543,000	\$0	\$0	\$0
4000-0700 TPL Plans/Indemnity/Fee- for-Service	\$1,471,659,571	\$1,719,399,286	\$2,009,447,966	\$2,026,206,633
4000-0870 MassHealth Basic*	\$122,700,000	\$155,139,729	\$165,351,318	\$157,016,626
4000-1405 MassHealth Essential	\$304,600,000	\$324,450,150	\$389,757,408	\$389,757,408
4000-0950 Children's Behavioral Health Initiative	---	\$65,688,963	\$214,743,708	\$214,743,708

*For remaining DMH-eligible and EAEDC populations.

**Includes the FY 2010 and FY 2011 supplemental budgets/cuts

4000-0300 Administrative. The Governor's FY 2012 budget proposal funds this account at \$2.9 million below the FY 2011 budget appropriation.

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The account also retains language requiring the DMH Commissioner to approve prior authorization and other restrictions on medication used to treat mental illness “in accordance with written policies, procedures and regulations” of the Department of Mental Health.

The line item also retains language forbidding expenditures on programs that are not federally reimbursable (including those related to Medicaid, SCHIP, the Section 1115 Waiver or the Community First section 1115 demonstration waiver) except as specifically authorized in the account or those made for cost containment purposes. The line item also includes language that requires 30-days advance notice to the House and Senate Committees on Ways & Means before making such expenditures.

The account retains recurring language forbidding EOHHS/Division of Health Care Finance and Policy from implementing provider rate increases in the absence of “all measures possible” under the federal Social Security Act (which includes Medicaid) *“to ensure that rates of payment to providers do not exceed such rates as are necessary to meet only those costs which must be incurred by efficiently and economically operated providers in order to provide services of adequate quality.”*

Language also states “that the federal financial participation received from claims filed based on in-kind administrative services related to outreach and eligibility activities performed by certain community organizations, under the “covering kids initiative”, and in accordance with the federal revenue criteria in 45 CFR 74.23 or any other federal regulation which provides a basis for federal financial participation, shall be credited to this item and may be expended, without further appropriation, on administrative services including those covered under an agreement with the organizations participating in the initiative.”

Language is also retained that permits EOHHS to recover provider overpayments made in the current and prior fiscal years and that EOHHS may collect directly from a liable third party any amounts paid to providers, if no other course of recoupment is possible.

Finally, language authorizes MassHealth “to conduct a trial to determine the effectiveness of various fraud management tools to identify potential fraud at claims submission and validation.” This trial may include the use of “actual claims data...to identify suspicious provider billing patterns, document the results of any potential fraud findings and estimate anticipated savings and benefit to the commonwealth associated with such a fraud protection system.”

4000-0500 Managed Care Plans. This account is funded at \$100 million above FY 2011. This line item does NOT include consumer protection language that has been included in prior budgets. The language that was included in prior budgets prohibited the unilateral reassignment of MassHealth members to a different managed care plan without the member’s written or verbal consent to the reassignment.

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4000-0700 MassHealth Fee-for-Service Payments. This account is funded at \$16.75 million above FY 2011. The line item includes language stating that children who have aged out of the custody of the Department of Children and Families shall be eligible for MassHealth benefits until they reach age 21 and states that funds may be used for individuals who qualify for early intervention. The account retains language permitting use of funds to purchase third party insurance for MassHealth members. The Governor's budget renews language permitting EOHHS to reduce premiums and/or co-pays or to offer other incentives to encourage MassHealth members to comply with wellness goals. The budget also retains language permitting the use of funds for disability determination activities, utilization management and review, and patient screenings and evaluations.

4000-0870 MassHealth Basic. This account is funded at the same level as the FY 2011 budget.

4000-0950 Children's Behavioral Health Initiative. This account is funded at the same level as FY 2011 (taking into account the FY 2011 supplemental budgets). This line item replaced the Rosie D. Reserve (1599-7050) in the FY 2010 budget and funding is appropriated for "administrative and program expenses associated with the children's behavioral health initiative...to provide comprehensive community-based behavioral health services to children suffering from severe emotional disturbances."

4000-1405 MassHealth Essential. This account is funded at the same level as the FY 2011 budget. The budget adopts account language similar to that included in past budgets which directs that MassHealth Essential be operated to provide "preventive and primary care for chronically unemployed persons who are not receiving unemployment insurance benefits and who are not eligible for medical assistance but who are determined by the executive office of health and human services to be long-term unemployed..." and who have incomes up to 100% of the federal poverty level.

Consistent with past budgets, account language also permits the restriction of the program to "certain providers" when taking into account capacity, continuity of care and geographic considerations. EOHHS is authorized to limit or close enrollment to ensure that expenditures do not exceed the appropriation, but the Secretary of EOHHS must notify the House and Senate Committees on Ways and Means and the Joint Committee on Health Care Financing 90 days before limiting or closing enrollment.

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Department of Children and Families

Line item/program	Final FY '09 (post-9C Cuts)	Final FY 2010 (Post-9C Cuts)**	Final FY 2011**	Governor's FY '12
4800-0015 Operations account	\$75,048,703	\$68,088,577	\$64,091,716	\$63,677,819
4800-0025 Foster care review	\$2,799,282	\$2,677,181	\$2,671,274	\$3,035,868
4800-0030 Service Coordination/Admin.	\$18,278,821	\$7,000,000	\$6,000,000	\$10,300,000
4800-1100 Social workers for case mgmt.	\$156,302,697	\$155,091,220	\$155,132,354	\$161,022,453
4800-0016 Transitional Employment Program	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
4800-0021 Comprehensive social service prog.	\$3,976,000	----		
4800-0038 Services for Children and Families	\$306,415,694	\$293,440,713	\$247,433,594	\$242,507,069
4800-0036 Sexual abuse intervention	\$723,551	\$697,508	\$697,508	\$699,031
4800-0041 Group care	\$224,066,091	\$219,854,417	\$201,586,480	\$192,364,169
4800-0151 Overnight non-secure placements	\$317,256	\$270,919	\$270,919	\$276,243
4800-0091 Social worker development	\$2,672,812	\$2,133,535	\$2,058,735	\$1,858,735
4800-1400 Domestic Violence services	\$23,441,406	\$21,422,460	\$20,094,458	\$20,129,711
4800-0040 Family Support & Stabilization			\$40,950,000	\$39,989,000
TOTAL	\$816,042,313	\$775,676,358	\$742,987,038	\$737,860,098

**Includes FY 2010 and FY 2011 supplemental budgets/cuts



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Overview:

The Governor's FY 2012 budget proposal funds the Department of Children and Families at \$5.1 million less than FY 2011.

4800-0015 Operations Account. This account is funded at 463,677,819; this is \$43,897 less than FY 2011.

4800-0030 Service Coordination/Administration. This account is funded at \$4.3 million above FY 2011. The account appropriates funds for "local and regional administration and coordination of services" and states that the Department of Children and Families "may explore the establishment of a DCF operated service coordination and referral function." In addition, DCF may enter into a "public-private partnership contract agreement for utilization management functions. Finally, language states that "flex services provided by the department" may be funded from the account.

4800-0016 Transitional Employment Program. This account is funded at \$2 million. Account language states that DCF may enter into a contract with Roca, Inc. to manage the transitional employment program and "to provide services to participants from the aging out population, parolees, probationers, youth service releases, or other community residents considered to have employment needs."

4800-0038 Services for Children and Families. This account is funded at \$242 million, approximately \$4.9 million below FY 2011. Funding is appropriated "for services to children and families, including but not limited to permanency, placement and stabilization."

4800-0040 Family Support and Stabilization. This account, which funds "family prevention and unification services" is funded at \$961,000 less than FY 2011.

4800-0041 Group Care. The Governor's FY 2012 budget proposal funds this account at \$192 million; this is \$9.2 million less than the FY 2011 appropriation.

Language in the account permits the use of funds for "intensive community-based services to children who would otherwise be placed in residential settings, including intensive in-home support and stabilization services." Additional language calls for the formation of area review teams "to evaluate the feasibility of maintaining the child in the community in this manner wherever possible before recommending placement in a residential setting."

4800-1100 Social Worker Case Management. This account is funded at \$161 million; this is \$5.89 million above FY 2011.



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4800-1400 Domestic Violence Services. This account is funded at \$20 million (approximately \$35,000 above FY 2011). This account funds shelter and support services for people at risk for domestic violence as well as for the operation of the New Chardon Street Homeless Shelter.

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Department of Housing & Community Development

Line item/program	Final FY '09 (post-9C Cuts)	Final FY '10 (Post-9C Cut)	Final FY '11	Governor's FY '12
7004-9033 Rental Subsidies for DMH consumers	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000

Human Services Salaries Reserve/POS Reform

Line item/program	Final FY '09 (post-9C Cuts)	Final FY '10	Final FY '11	Governor's FY '12
1599-6901 Human Services Salaries/POS Reform	\$23,000,000	\$0	\$0	\$0

Other Reserves

Line item/program	Final FY '09 (post-9C Cuts)	Governor's FY'10	Final FY '11	Governor's FY '12
1599-1004 Homelessness Commission Reserve	\$8,250,000	\$0	\$0	\$0
1599-7050 Rosie D. Reserve	\$19,283,600	\$0 (Moved to MassHealth budget)	\$0 (Moved to MassHealth budget. Now line item 4000- 0950)	\$0

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OTHER ITEMS OF INTEREST

Governor Patrick's FY 2012 budget proposal appropriates \$1 million to the **compulsive gamblers treatment program** (line item 4512-0225), which is funded with unclaimed lottery monies.

Governor Patrick appropriated \$3,569,444 for the **Department of Public Health's Statewide Suicide Prevention & Intervention Program (4513-1026)**.

The **Department of Public Health's HIV/AIDS Program (4512-0103)** is funded at \$31 million. It was funded at \$33 million in FY 2011.

The **HIV/AIDS drug assistance program at DPH (4512-0106)** is funded at \$1.5 million. **This is the same amount that was appropriated in FY 2010.**

\$750,000 is appropriated for a **Department of Early Education and Care line item (3000-6075)** to early childhood mental health consultation services. Preference is to be given to services designed to limit the number of expulsions and suspensions.

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Outside Sections

Section 5. Changing Administration of Supplemental Security Income Program. This section authorizes the Department of Transitional Assistance and the Commission for the Blind to transfer administration of the Supplemental Security Income program to the state or a third party.

Section 9. A&F Oversight of Commonwealth Performance and of Access and Opportunity. This section creates an Office of Access and Opportunity and an Office of Commonwealth Performance, Accountability, and Transparency, both of which would be overseen by the Executive Office of Administration and Finance. The Office of Access and Transparency is charged with promoting and ensuring “nondiscrimination and equal opportunity in the policies, programs, and activities of executive agencies.” The Office of Commonwealth Performance, Accountability, and Transparency shall:

- (1) execute a performance management program throughout the executive department, including within statutory limits for each agency defining missions, creating measurable goals, establishing strategies for achieving them, and relating them to budget development;
- (2) monitor and review federal grant applications made on behalf of the commonwealth and coordinate efforts to maximize federal revenue opportunities and oversight of compliance with federal reporting requirements;
- (3) ensure transparency of the commonwealth's administration and finance activities, including the operation of the searchable website required by section 14C;
- (4) establish and maintain a central intake unit for reports of fraud, waste and abuse;
- (5) establish and maintain an economic forecasting and analysis unit to coordinate all spending and revenue forecasting by state agencies;
- (6) perform the executive office's duties for privatization contracts under section 54;
- (7) have whatever other duties with respect to state agencies that the governor or secretary may assign; and
- (8) collaborate with other state agencies, authorities and other entities to carry out these purposes.

Section 13. Health Information Technology and Build America Bonds Trust Funds. This section establishes a Health Information Technology Trust Fund to be administered by the Secretary of Health and Human Services. The fund shall be credited with federal health information technology revenues and any other funds that the Commonwealth may receive “for the support of the health care provider incentive payment program and for the promotion of electronic health record adoption and health information exchange.” Funds from the

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trust will be appropriated to “eligible Massachusetts Medicaid health care providers for the adoption, implementation, upgrade or meaningful use of certified electronic health record technology.”

Section 18. One-time Settlements to Stabilization Fund. This section states that any one-time settlement or judgment of \$10 million or more is to be deposited in the Commonwealth Stabilization Fund.

Section 21. Emergency Spending Authority. This section authorizes the Governor to expend up to \$25 million in the event of a declared emergency.

Section 26. Nursing and Resident Care Facility Base Year. This section established 2005 at the base year for FY 2010 nursing and resident care facility rates.

Section 33. Commonwealth Care Bridge Program Reauthorization. The section reauthorizes the Commonwealth Care Bridge Program (for aliens with special status) for FY '12. Costs for the program are capped at \$50 million for FY '12.

Section 34. Allow Medical Security Trust Fund Deficit for Fiscal Year 2012. Currently, law allows the Medical Security Trust Fund to be in deficit at the end of FY 2010 and 2011. This section states that this law may also apply to FY '12.

Section 36. Nursing Home Assessment. This section states that the nursing home assessment is to be sufficient enough to generate \$220 million in FY 12.

Section 38. Procurement Reform Savings. If the Secretary of Administration and Finance determines that “procurement reforms or initiatives have resulted in cost savings,” the Secretary of A&F may reduce appropriations to reflect some or all of the amounts saved. The total amount of these reductions cannot exceed \$30 million.

Section 40. Stabilization Fund Transfers. The section transfers \$200 million from the Commonwealth's Stabilization Fund, although this amount may be reduced by the Secretary of Administration and Finance. This section also cancels the automatic transfer of .5 percent of total tax revenue (although this may be reinstated if funds are available), and authorizes the use of interest on the Stabilization Fund to pay certain debt service.

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Section 44. MassHealth Program Changes. This section gives MassHealth authority to restructure benefits as allowed by federal law and increases MassHealth co-pays for brand name prescription drugs from \$3 to \$5 (co-pays for Commonwealth Care will increase by the same amount). This section also authorizes the Secretary of Health and Human Services to make expenditures that are not federally reimbursable for certain DYS, DCF, and DDS clients.

Section 45. MassHealth and Commonwealth Care Dental Services. This section states that MassHealth adult dental will continue as is. It also gives MassHealth and Commonwealth Care discretion to limit adult dental services as needed.

Section 46. UMass/Health and Human Services Interagency Service Agreements. This section reauthorizes EOHHS to enter into interdepartmental services agreements with the UMass. Medical School to perform administrative activities relative to Medicaid and other federal programs. Activities include administrative services, utilization management activities, determining eligibility, supporting case management activities, consulting services related to quality assurance, program evaluation and development, etc. and services pursuing FFP or cost avoidance. Federal reimbursement for any expenditure made by the medical school for services under ISA or contract to EOHHS will go directly to the school. EOHHS would be permitted to negotiate contingency fees up to \$40 million per year for up to three years for the pursuit of federal reimbursement or cost avoidance. EOHHS would be required to make quarterly reports on the projects and activities taking place under this authorization.

Section 47. Initial Gross Payments to Qualifying Acute Care Hospitals. Directs the Comptroller to transfer the greater of \$45,000,000 or one-twelfth of the total expenditures to hospitals and community health centers in order to make initial gross payments to qualifying acute care hospitals. This money is later transferred back to the General Fund.

Section 48. Special Education Inflation Rate Freeze. This section freezes FY 12 special education school rates at FY 2011 rates.