

# DEPARTMENT OF HUMAN SERVICES

## BUDGET HEARING WRAP

### Tuesday, March 4, 2025



#### General Overview:

Pennsylvania Department of Human Services (DHS) Secretary Dr. Valerie Arkoosh and senior staff from DHS testified before the House Appropriations Committee today. Members questioned the secretary on the efficacy of current programs under the department's oversight, requested details on the new programs proposed, and expressed concerns with the overall fiscal footprint of the department on current and future state budgets. With a proposed budget that comprises over 41% of the total General Fund for the upcoming fiscal year, Republican members appreciated the opportunity to engage the department for a day-long hearing.

#### Key Takeaways:

- Committee members expressed concern regarding the Administration's unrealistic projections for the cost of Human Services over the next several years. General Fund Human Service cost increases in the current year are 6.3% over the prior year. The proposed DHS budget of \$21.17 billion is a substantial increase of \$1.96 billion, or 10.2%, over the current fiscal year.
  - However, the Governor's Executive Budget estimates cost increases in future years at only 1.5% annually for 2026-27 through 2029-30. Since costs are based on formulas and eligibility provided in statute, actual future cost increases are likely to resemble those seen in recent years.
  - While the Governor claims that his budget will not exhaust the Rainy Day Fund before the end of the decade, realistic projections of cost drivers in DHS show that the governor's spending will deplete the state's budgetary reserves in less than two years.
  - When asked if the Department would likely publish additional bulletins adding providers and services with additional costs in the coming fiscal year, the DHS secretary responded affirmatively. The secretary did not commit to seeking legislative approval for such changes.
  - Included in the governor's budget, is a proposed supplemental appropriation of \$250 million for the current fiscal year.
- The budget notably includes large increases in the Medical Assistance - Capitation and Medical Assistance - Community HealthChoices line items, which in total are proposed to increase by \$1.6 billion.
- Members shared concerns with the use of GLP-1 drugs for diabetes and obesity, driving up annual costs in the Pennsylvania's Medical Assistance Program by over \$1 billion.
  - Pennsylvania is one of 14 states who cover GLP-1 drugs for obesity. In response to our questioning, Secretary Arkoosh indicated that DHS is taking a closer look at this costly coverage.
- Mitigating waste, fraud, and abuse was a key topic for Republican members, particularly with the recent troubling trend of stolen SNAP benefits. Members pressed DHS on what more they can do to safeguard SNAP benefits against theft.
  - This morning, the Office of the State Inspector General announced felony charges against an individual for stealing \$8,237.09 in Supplemental Nutrition Assistance Program (SNAP) benefits from 17 Pennsylvanians. The individual in this case purchased bulk quantities of Red Bull, candy, and baby formula, which were then resold.

**Key Takeaways:** (continued)

- When asked about the department's rate setting process for seniors and individuals receiving services under the Office of Long-Term Living, the department acknowledged the fact that they do not utilize their actuary to determine appropriate rates for these services on an annual basis.
- Secretary Arkoosh repeatedly said the number of individuals with intellectual disabilities being served by DHS is increasing; however, the governor's budget book does not reflect an increase in the number of individuals served for FY 2025-26. The secretary later acknowledged this as an error when called out by a Republican committee member.
- The department submitted a waiver, and received approval, to suspend the SNAP benefit work requirements. This unilateral action, in effect, waives the work requirement for over 150,000 adults without dependents. DHS shared that many of these individuals face employment barriers, but that number encompasses roughly 35% of recipients. Members expressed a need to get these individuals back into the workforce.

**Notable Q&A:**



Rep. Thomas Kutz asks DHS about their supplemental appropriation for FY 2024-25.

Rep. Jeff Olsommer discusses the use of GLP-1's increasing costs in the Medical Assistance Program by \$1 billion.



Rep Krupa asks DHS what more can be done to secure EBT cards from fraud.

Rep. Eric Nelson discusses DHS efforts to end maternity deserts in Pennsylvania.



Rep. Torren Ecker talks about performance-based contracting within DHS.



Rep. Marla Brown questioned how the department sets rates in their Office of Long-Term Living.

