

**Testimony**  
**Senate Bill 2012 – Department of Human Services**  
**House Appropriations Committee**  
**Representative Delzer, Chairman**  
**March 2, 2011**

Chairman Delzer, members of the House Appropriations Committee, I am Carol Olson, Executive Director of the North Dakota Department of Human Services. Thank you for the opportunity to introduce the Department's budget request for the 2011-2013 biennium. Brenda Weisz, the Chief Financial Officer for the Department will cover the changes made by the Senate.

The Department's budget request is \$2.6 billion total, which is a \$277.7 million increase in total funds (11.9% increase)

- \$927.4 million general funds
  - \$272.8 million general fund increase (41.67% increase)
- \$1.57 billion federal funds
- \$114 million other funds
  
- *2009-2011 Biennium Budget History*
  - *\$2.3 billion budget total*
    - *\$654.6 million general funds*
    - *\$1.56 billion federal funds*
    - *\$118 million other funds*

This budget also includes a reduction in 20.5 Full Time Equivalent (FTE).

The significant general fund increase (\$272.8 million) is due to these

reasons:

- The **decrease in the Federal Medical Assistance Percentage** (federal match rate for Medicaid that is referred to as FMAP) = \$171.4 million,
- **Cost and caseload increases in major grant areas** (especially Medicaid) = \$46 million,
- Annual **inflationary increases of 3% for Medicaid providers and other providers** during the biennium = \$25.5 million, and
- The **cost to continue the employee second-year salary increase** from the 2009-2011 biennium = \$3.8 million.

While the FMAP has fallen, the Medicaid caseload and health care costs and utilization in general have gone up, which compounds the Medicaid funding situation. Together, these areas represent about 80% of the general fund increase in the Department's budget.

I would like to expand on the cost and caseload growth in the major grants area, which again is responsible for a \$46 million increase in general funds. Most of this grant area increase is in Medicaid – the federal and state funded health coverage program for qualifying individuals – and much of it is in the Traditional Medicaid Grants area of the budget.

These funds go to thousands of health care providers and other providers of covered services. Without Medicaid, many of these services could be uncompensated.

These services include inpatient hospital care, outpatient surgery, clinic visits, prescription medications, and other health-related services.

Traditional Medicaid grants also pay for preventive health screenings of children.

Caseload and utilization increases are also driving up costs in the long-term care area of the Department's budget. This area includes support services that help the elderly and people with developmental and other disabilities to remain living in their homes and community settings, as well as 24-hour skilled nursing home care. Medicaid pays for the care of about half of the nursing facility residents in North Dakota.

Medicaid supports the quality of life of thousands of individuals who rely on Medicaid-funded services. It also compensates thousands of doctors, dentists, chiropractors, therapists, and ambulance service providers.

In this budget, there is only one significant policy change. This budget includes a **\$6.1 million increase for behavioral health services to address psychiatric inpatient hospitalization needs** in the regions and other capacity concerns. Most of this increase (\$3.43 million) is for about 4,900 contracted inpatient psychiatric hospital days to be paid at the Medicaid equivalent rate for regional human service center clients who do not qualify for Medicaid.

The other behavioral health capacity increases are as follows:

- An added 10-bed crisis residential unit in Minot for people with serious mental illness who need emergency shelter and care, but not hospitalization (\$1.4 million),
- Expands the adult crisis bed capacity in Bismarck by four additional beds (\$309,000),
- A 15-bed long-term residential facility in the Fargo region for people

affected by chronic and serious addiction (\$940,000).

I want to stress that aside from the highlighted areas, this budget holds other existing Department programs and services pretty even. Again, most of this budget is passed directly out-the-door to pay for health-related and other services in communities across the state and to provide benefits to qualifying vulnerable North Dakotans.

We take our mission very seriously and strive "to provide quality, efficient, and effective human services, which improve the lives of people." I am very proud of the fact that the Department can perform its responsibilities and also hold the line on administrative costs. For the past three biennia, the Department has held its administrative costs at six percent.

Before I close I would like to provide you with an update on our Medicaid Systems Project. ACS has informed us that they are currently tracking for a completion date of June 1, 2012 and that the project is scheduled to be on budget.

Thank you for this opportunity. Allow me to introduce the Department's Chief Financial Officer, Brenda Weisz who will provide a detailed overview of the Department's 2011-2013 budget.