

Testimony
Engrossed House Bill 1012 – Department of Human Services
Senate Appropriations
Senator Holmberg, Chairman
March 13, 2017

Chairman Holmberg, and members of the Senate Appropriations, I am Jenny Witham, Information Technology Services Director for the Department of Human Services (Department). I am here today to provide you an overview of the Information Technology Services Division (ITS) budget.

Overview of the Division

The Department's ITS Division is responsible for information technology strategic planning; business analysis; system security; project management; procurement; oversight of software development and maintenance; technology standards and policy enforcement; decision support services; claims processing; electronic health record incentive payment administration; desktop support; electronic document management support; and data entry services.

ITS provides technology services to support the business needs of the central office divisions, the eight human service centers, the State Hospital, the Life Skills and Transition Center, and the county social service offices across North Dakota.

Major Program Changes

The Department implemented the Medicaid Management Information System on October 5, 2015. We have not missed a payment cycle since

go-live and currently are processing over 300,000 claims per month representing over \$80 million dollars in payments per month. As expected with an implementation of this magnitude, there were several system issues. The Medicaid providers have been very understanding and the Department has worked to correct all system issues as quickly as possible. All major defects have been resolved; however, a process to reconcile the claims affected by defects in recipient liability processing is under review and development.

The Department is in the process of replacing several major information systems in the Economic Assistance Programs and Field Services areas. The Economic Assistance project, the Self Service Portal and Consolidated Eligibility System (SPACES), will replace five legacy eligibility systems for Child Care Assistance, Low Income Home Energy Assistance, Medicaid, Children's Health Insurance, Supplemental Nutrition Assistance and Temporary Assistance for Needy Families programs with an integrated eligibility system. The project has two releases. The first release was implemented on February 8, 2016 and included the Patient Protection & Affordable Care Act (ACA) Medicaid provisions and the Children's Health Insurance Program. The outstanding four programs and remaining Medicaid functionality is scheduled to be implemented in the Fall of 2017.

The Field Services project will implement an Office of National Coordinator Meaningful Use certified behavioral health Electronic Health Record (EHR) system for use by the eight Regional Human Service Centers, the Life Skills and Transition Center, and the State Hospital. The EHR system is scheduled to be fully implemented in the Fall of 2018.

As a part of the 2017-2019 Executive Budget request, \$3 million is included to build a Child Care Licensing system. Many of the current operations are manual and supported by disparate and disconnected data collection mechanisms. Reporting from these data sources is limited, affecting the Department's ability to generate reports that would benefit child care licensing oversight and meet federal mandates required by November, 2018. The new Child Care Licensing system will support certification and licensing functions and create a centralized repository of provider license, certification, inspection and sanction information. Additionally, child care monitoring inspections will be provided in a consumer-friendly and easily accessible format.

The Center for Medicare and Medicaid Services (CMS) is promoting increased access and enhancement of the North Dakota Health Information Network (NDHIN) through the availability of enhanced federal financial participation (FFP). The CMS FFP funding can be leveraged for Medicaid enrolled providers through the Medicaid Health Information Technology Incentive Payment program until 2021. The Department is requesting \$40,800,000 in federal authority to enhance the existing infrastructure of the NDHIN and to support the NDHIN's sustainability by increasing value to the provider community. The detail regarding the matching funds required for the FFP are included in the Information Technology Department (ITD) budget request.

Overview of Budget Changes

Description	2015-2017 Budget	Increase / (Decrease)	2017-2019 Executive Budget	House Changes	2017-2019 Budget To Senate
Salary and Wages	12,700,156	2,699,544	15,399,700	(1,221,660)	14,178,040
Operating	87,582,103	63,550,546	151,132,649	(197,375)	150,935,274
Capital Assets	26,000	(26,000)	0	0	0
Capital Construction Carryover	151,370,155	(151,370,155)	0	0	0
Grants	200,000	4,000	204,000	0	204,000
Total	251,878,414	(85,142,065)	166,736,349	(1,419,035)	165,317,314
General Fund	77,626,287	(33,354,290)	44,271,997	(551,892)	43,720,105
Federal Funds	173,057,432	(54,455,073)	118,602,359	(866,864)	117,735,495
Other Funds	1,194,695	2,667,298	3,861,993	(279)	3,861,714
Total	251,878,414	(85,142,065)	166,736,349	(1,419,035)	165,317,314
Full Time Equivalent (FTE)	72.50	10.00	82.50	(10.00)	72.50

Budget Changes from Current Budget to the Executive Budget:

The Salary and Wages line item increased by \$2,699,544 and can be attributed to the following:

- \$312,448 in total funds, of which \$175,685 is general fund, needed to fund the Governor’s compensation package for state employees.
- \$219,189 in total funds, of which \$133,895 is general fund, needed to sustain the employee increases approved by the last Legislative Assembly.
- Increase of \$1,031,467 for the cost of 10 FTEs that were repurposed or transferred for the state operation of Medicaid Expansion. Maggie Anderson will cover the details of the offsetting increases and decreases during her testimony on the Medical Services budget.

- Increase of \$891,084 in Temporary Salaries of which \$794,664 is due to the addition of 10 Medical Claims Service Specialists to provide call center services for Medicaid providers. The Department had contracted with Xerox for call center services, but elected to bring the service in-house after the Xerox call center failed to meet our quality of service standards. The remainder is a combination of increases and decreases in temporary staff to support the work of the Division.
- \$140,742 for single health insurance for temporary staff who work on average more than 30 hours per week during a year.
- The remaining increase of \$104,615 is a combination of increases and decreases needed to sustain the salary of the 72.5 FTEs in this area of the budget.

The Operating line item increased by \$63,550,546 and is mainly attributed to the following:

- IT Contractual Services increase of \$16,942,944; the change is mainly attributable to the following:
 - \$14,400,260 increase in maintenance and operations for SPACES.
 - \$3,970,650 increase in maintenance and operations for the new EHR system.
 - \$3,000,000 to develop a Child Care Licensing System to comply with new federal mandates.
 - \$4,186,417 decrease in maintenance and operations for the Medicaid Management Information System (MMIS).
- IT – Data Processing increased \$46,567,011; the change in services provided by the ITD is mainly attributable to the following:

- \$40,800,000 increase for North Dakota Health Information Network/Care Coordination.
- \$3,956,810 increase due to additional software development staff to support MMIS and SPACES.
- \$3,058,243 increase due to additional system administration staff to support MMIS and SPACES.
- \$1,946,484 increase in dedicated server application hosting usage for MMIS and SPACES.
- \$2,333,916 decrease in mainframe processing charges due to the transitioning of the legacy eligibility systems to SPACES.
- \$672,316 decrease in AS/400 processing charges due to the transitioning of the legacy State Hospital and the Life Skills Transition Center systems to the EHR system.
- Supplies-IT Software increased \$287,458; the change is mainly attributable to the following:
 - \$650,380 increase for the upgrade of Microsoft Office 2010 to the most recent software version.
 - \$343,000 decrease for the one-time licensing cost for Quality Management Software that will be purchased in the 2015-2017 biennium.
- Professional Development decreased \$95,850, of which \$87,750 is due to the Department-wide process used to develop the Department's savings plan.
- Travel decreased \$106,518, of which \$70,938 is due to the Department-wide process used to develop the Department's savings plan.

Capital Construction Carryover had a decrease of \$151,370,155 in total funds, of which \$37,514,440 is general fund, for MMIS, SPACES, and the

EHR projects. However, Sections 8, 9 and 10 of 2017 HB 1072 provides that any unexpended funds be made available for the completion of the MMIS, SPACES and EHR projects.

The general fund request decreased \$33,354,290, which consists of a \$37,514,440 decrease due to the Capital Construction Carryover related to MMIS, SPACES and EHR projects. This is offset by an increase of \$3,719,769 related to other salary and operating changes for the ITS Division.

The other funds increased \$2,667,298 of which \$3,000,000 is for the development of a Child Care Licensing System. The remaining decrease in other funds, and the decrease in federal funds, is mainly attributable to the removal of capital construction carryover and the county no longer paying for a share of technology costs based upon 2015 SB 2206.

House Changes From Executive Budget

- The Department-wide FTE allocation would result in the reduction of two FTE for the Information Technology Services area of the budget, resulting in a \$306,000 decrease in Salary and Wages, of which \$152,181 is general fund.

The loss of these FTE will result in workload being shifted to others in ITS already working at full capacity. In the Medical Services area alone, we are focusing on the stabilization of the MMIS, preparation for CMS system certification, and deploying two other major projects for operating rules and federal reporting requirements. In other areas, we are in the process of finalizing the deployment of

an integrated eligibility system and an electronic health record system. Both of these projects are running at full speed with knowledgeable staff needed for key processes such as data conversion, system interfaces, security setup, and readiness for systems cutover. All of this is in addition to maintaining the current legacy systems supporting Economic Assistance, the Human Service Centers and the State Hospital. Increased workloads on existing staff can result in multiple high risk impacts such as increased staff stress and burnout, extension of project schedules, and perhaps most importantly, reductions to the timeliness and quality of the services we provide.

- \$56,831 decrease in Salary and Wages, of which \$32,342 is general fund due to the House Amendments that removed funding for the anticipated retirements of five FTE in this area.
- \$81,233 decrease in Salary and Wages, of which \$49,365 is general fund due to the removal of the Fair Labor Standards Act overtime funding. The overtime funding for ITS primarily represents coverage for Data Processing Coordinators responsible for the monitoring and oversight of our nightly system processing. If a batch job or key interface should fail in off-hours, it is this staff that work to coordinate our mitigation strategy to ensure that systems are available in the morning and communication is proactive. Without the ability to compensate these individuals for overtime, the issues that arise in the night will have to wait until normal business hours to be addressed, potentially resulting in downtime and lost productivity of state and county workers. Ultimately, this affects the delivery of services to our clients and providers.

- \$52,129 decrease in Salary and Wages, of which \$32,393 is general fund due to the elimination of the 1% salary increase that had been proposed for the second year of the biennium.
- \$173,097 general fund decrease in Operating expenses, which will result in an overall operating expense decrease of approximately \$651,966 when federal matching funds are considered. It is anticipated that this reduction will result in the loss of at least two ITD software development resources needed to support critical Department information systems.

The impact of a reduction to the ITD support team, in addition to the ITS staff reduction outlined above, concerns me about our ability to maintain an appropriate level of service. Recent system modernization efforts have delivered on increased program efficiencies, but those efficiencies have also increased some of our support requirements. Specifically, the replacement systems we have deployed over the past five years for Medical Services, Developmental Disabilities, Vocational Rehabilitation, and Economic Assistance have increased functionality, but they are also more complex than the systems that they replaced.

Additionally, the staffs' competencies that we need to recruit and retain are more complex as well. Retaining quality staff is paramount to ensuring efficient operations and availability of the systems that support our programs and the citizens served by them.

- Reduction of 10 FTEs and \$1,052,707, of which \$263,176 is general fund, as a result of Medicaid Expansion remaining as a Managed Care program instead of a Fee-for-service program.
- \$3,038 decrease in Operating expenses, of which \$1,519 is general fund for computer equipment and the ITD technology fee associated with the elimination of the 1 FTE for specialized services for individuals with disabilities (1915c Waiver).

This concludes my testimony on the 2017–2019 budget request for the ITS Division of the Department. I would be happy to answer any questions.