

TESTIMONY
HB 1012 – DEPARTMENT OF HUMAN SERVICES
SENATE APPROPRIATIONS COMMITTEE
SENATOR HOLMBERG, CHAIRMAN
MARCH 2, 2005

Chairman Holmberg and members of the Senate Appropriations Committee, I am Yvonne Smith, Deputy Director of the Department of Human Services. Today I will provide an overview of the human service centers, highlighting key trends and overall budget impact. You will receive written testimony from each of the human service center directors, containing greater detail on the needs, trends, and budget issues affecting each center.

Over the past several years, human service centers have taken on the role of “safety net” for individuals whose mental illness, addiction, or disability place them at risk for harming themselves or others, as well as children and adults whose conditions cause them to be at risk of out-of-home or institutional placement. In this capacity, human service centers deliver a wide array of community based services, including the following:

- Evaluation, treatment, and care coordination services for people who have serious mental illnesses, developmental disabilities, and substance abuse issues.
- Evaluation and treatment services for children who are abused or neglected, attending to the needs of not only the children but also their families.
- Assessment and intervention services for elderly people whose well-being is endangered by abuse, neglect, or exploitation.

- In addition to the direct service responsibilities, the human service centers are responsible for program supervision and regulatory oversight of the child welfare services provided by county social services and oversight of the Aging Services programs in their regions.

One focus of our management team during the past two biennia has been to create greater alignment of services among the regions. To this end, core services have been established and continue to be examined and refined among the regions. ([See Attachment A](#))

During State Fiscal Year 2004, human service centers served a total of 22,738 people, including 17,528 adults and 5,171 children. (39 people did not have birth dates recorded in our system.) This compares with a total of 23,086 clients served in SFY 2003 including 17,800 adults and 5,280 children. (6 people did not have birth dates recorded in our system.)

- Individuals received a total of nearly 773,000 hours of direct service.
 - Because of the variation in client service needs, actual direct “billable” service hours per client range from a low of less than one hour to a high of 59 hours during the year.
 - 9% (2,046) of the clients served were seen only one time in the year.
- Client fees are paid by third party insurance including Medicaid, or by the client subject to a sliding fee scale.
 - 43% of the clients seen have no third party payer at all.
 - 26% have Medicaid coverage only.
 - 17% have Medicaid coverage plus another third party payer.
 - 14% have no Medicaid coverage, but have another third party payer.

During the same time period, 6,815 individuals received services at the human service centers through Vocational Rehabilitation. Of these, approximately 30% also received another service through the human service center.

The charts on [Attachment B](#) show the percentage of the state's population living in each region, and the percentage of the total human service center clients served by each region. You will note that there is considerable consistency between these two sets of data.

Statewide there are general trends that affect the demands placed upon the human service centers:

- Centers face increasing referrals from the courts, law enforcement, and the corrections system, particularly in regard to the need for addiction evaluations and parental capacity evaluations. While we attempt to meet the expectations and timelines imposed, we are not always successful, particularly when we have staff vacancies.
- Centers face increasing referrals of young children with developmental delays. This appears to be related to earlier identification by hospitals and clinics, the survival of more at-risk infants, and the federal requirements for screening/assessment of young children who are victims of abuse or neglect.
- The treatment needs of methamphetamine users have affected the centers, creating a need for longer treatment programs, increased residential capacity, and increased medical detoxification services. Data indicates that overall the number of human service center clients involved with methamphetamine has doubled in the past year

and a half. Alcohol addiction, however, is still by far the most common.

- The complexity of the problems presented by clients continues to increase. Most individuals exhibit more than one presenting problem. Many clients are diagnosed with both an addiction and a mental illness. The design of the human service centers as multi-disciplinary teams is critical in comprehensively addressing the complex needs of the clients we serve.
- Human service centers are falling behind in our ability to compete in the marketplace for salaries for professionals. Because the demand for the skills of certain professionals exceeds the supply, there is considerable competition for licensed addiction counselors, clinical psychologists, psychiatrists, experienced social workers, and psychiatric nurses.

PERFORMANCE INDICATORS

- Since the human service centers are the direct service arm of the Department of Human Services, the performance outcomes of the human service centers are tied to the client services measures of the following divisions: Mental Health and Substance Abuse; Disability Services; Children and Family Services; and Aging Services.
- In addition, the following performance goals have been established:
 - 100% of the individuals requesting service will be given an initial appointment within 10 working days.

- **100% of emergencies will be responded to through all human service centers 24 hours a day, seven days a week.**
- **Human service center administrative costs will be under 10%.**
- **80% of clients surveyed will report overall satisfaction with the services received at the human service centers.**

MAJOR BUDGET HIGHLIGHTS

- **Human service centers receive a lump sum budget, in order to allow the needed flexibility in managing resources to meet the client needs. This flexibility has allowed centers to adjust their resources by choosing between purchasing and providing services, based on cost-efficiency, service demand and availability within the regions, and staff recruitment factors.**
- **The budgets are funded with a mix of general and federal funds, along with third party collections.**
 - **The general funds are necessary either to draw down the federal match, as in Medicaid reimbursement, or to provide the maintenance of effort for the Substance Abuse Prevention and Treatment Block Grant and the Mental Health and Substance Abuse Block Grant**
 - **Federal funding enhancements were received by the centers from the Substance Abuse Prevention and Treatment Block Grant (\$2.3 million), and Vocational Rehabilitation (\$200,000). Each of these funding sources is tied to specific service requirements, and cannot be used to supplant other funding or substitute for lost general funds.**

- The total executive budget request for the human service centers is \$116,856,144, of which \$54,970,793 are general funds. When compared to the overall budget of the Department of Human Services, the human service center budgets comprise just under 7% of the total budget request. This request compares with a 2003-2005 budget of \$109,240,856, of which \$51,941,128 are general funds.
 - The Governor’s salary and health insurance package accounts for \$5,037,225 of the total increase, and \$3,029,076 of the general fund increase.
 - Prior to the Governor’s salary and health insurance package, along with a slight increase in bond payment (\$783), the human service center request in the executive budget had increased by only \$589 in general fund.

- With the action taken in the House, the human service center budgets were reduced by \$1,066,739 in general funds, including:
 - \$206,739 reflecting the change to a 3% and 4% increase
 - \$460,000 in salary underfunding
 - \$400,000 in operating reductions

This results in a net general fund reduction from the 2003-2005 biennium to the 2005-2007 biennium (excluding the Governor’s salary and health insurance package and the bond payment increase) of \$859,411.

- The House reduction is complicated by the fact that when the health insurance increase was allocated through the BARS system, the system did not recognize “closed end” grants that had already been fully used in the budget. Therefore, the health insurance increase

was allocated in part to federal funding that does not exist. The effect of this “system allocation” is a funding shortfall in the amount of \$858,519. When added to the House action, the human service center budgets are \$1,717,930 short of the projected general fund needed to maintain services.

- The decision in the House to reduce the human service center budget was based upon two assumptions: 1) that salary roll-up will occur due to vacancies; and 2) that there are further efficiencies that can be found in operating the centers.
 - The human service centers are the safety net for people with serious mental illness and chronic addictions. Qualified staff are the key ingredient, without which we cannot fulfill our responsibilities. Since we have fallen behind the marketplace in salaries for several key professionals, we must from time to time allow “marketplace adjustments” to recruit and retain qualified staff. Without the use of salary rollup, we cannot compete in the marketplace for qualified professionals. Without adequate professional staff, clients will not be served in a timely fashion, the quality of service will degenerate, and we can expect more referrals to the State Hospital.
 - The budgets of the centers include inflationary increases for providers. These inflationary increases cannot be honored without adequate funding. Other increases are not negotiable, such as increases in rent. Meeting those increases without adequate funding will reduce the dollars available for direct client services.

- **In the 1999-2001 and 2001-2003 biennia, we shifted funding from the State Hospital to the community, in order to place emphasis on community-based services. We have reduced the average daily “traditional service” population of the State Hospital from 228 in 1997 to an average of 123 in 2004. However, as you will hear later today, the Hospital is currently operating at or above capacity, with the numbers of first time admissions and poly-substance abuse referrals increasing over the past few months. The regions are facing challenges in meeting the demand for mental health and substance abuse treatment service in a timely fashion, due to the difficulty in recruiting and retaining qualified professionals and the increasing need for longer stays in the crisis and residential beds. As a system, we are at a point where we truly have no excess capacity in the Hospital or in the regions. Again, resources are stretched thin because of the complexity of problems, the increasing referrals especially from law enforcement and the courts, and the impact of methamphetamine on length of treatment episodes.**

- **In the executive budget, the human service centers managed, with no increase, to address the inflationary needs of providers and adjusted to reductions in FMAP. We have made concerted efforts to streamline operations, focus on core services, and cut administrative costs statewide. If funding is not restored, the Department will need to determine what changes in service availability would be the least detrimental to the populations we serve. Preliminarily, we have discussed:**
 - **further restrictions to core services which would allow us to eliminate more staff positions or reduce contracts**

- **reducing outreach services**

Neither of these options is without negative impact on client services and all will affect the reliance placed on the centers by the courts, medical community, schools, counties, and other referral sources. We ask that you consider restoring the funding to our requested level.

This concludes our statewide overview of the human service center budgets. Please refer to the written testimony for specific information on each center's budget. I would be happy to answer questions.