

**Testimony**  
**Senate Bill 2012 – Department of Human Services**  
**Senate Appropriations Committee**  
**Senator Holmberg, Chairman**  
**January 8, 2007**

Chairman Holmberg, members of the Senate Appropriations Committee, I am Brenda M. Weisz, Chief Financial Officer for the Department of Human Services. I will be providing an overview of the Department's 2007 – 2009 budget request included in SB 2012 along with the fiscal impact of SB 2024. This is the appropriation bill for the Medicaid Systems Project more commonly know as the MMIS (Medicaid Management Information System) Project.

**Current Budget / Budget Request**

The 2007 – 2009 Executive Budget request compared to the current 2005 – 2007 biennial budget is as follows:

Description	2005 - 2007 Budget	2007 - 2009 Budget	Increase / Decrease
Salary and Wages	33,043,914	37,317,448	4,273,534
Operating	120,738,767	129,007,769	8,269,002
Capital Assets	6,620	684	(5,936)
Grants	329,884,503	339,435,262	9,550,759
Capital Construction Carryover	350,000	-	(350,000)
HSCs / Institutions	205,417,955	241,334,386	35,916,431
Grants - Medical Assistance	988,884,468	1,101,375,452	112,490,984
Total	1,678,326,227	1,848,471,001	170,144,774
General Funds	483,805,731	582,160,899	98,355,168
Federal Funds	1,097,951,106	1,168,110,505	70,159,399
Other Funds	96,569,390	98,199,597	1,630,207
Total	1,678,326,227	1,848,471,001	170,144,774
FTE	2,058.43	2,085.68	27.25

## **Policy Changes**

The above 2007 – 2009 budget request includes three distinct policy changes as follows:

First, the budget reflects moving the Children's Special Health Services unit of the Medical Services Division to the Health Department. During the interim, the objectives of the program and the missions of both the Health Department and the Department of Human Services were considered. The Children's Special Health Services program serves to fill the gaps in financial coverage of specifically identified conditions, while the Medicaid program is insurance coverage for those who qualify based on a disability or income level. The current budget for the 2005 – 2007 biennium above reflects the elimination of the program so that a more representative comparison of the budget for each biennium can be made. The amount removed was \$2,069,580.

Second, the Developmental Disability grant payments are now reflected under the Long Term Care reporting level based on feedback that we received during the close of the last legislative session. This truly is one population that does receive long term care which spans the lifetime of the individuals.

Finally, the eligibility requirements for SPED funding under the Home and Community Based Services Program area were changed. Beginning July 1, 2007, new applicants will be screened for requiring assistance with one activity of daily living (ADL). Current recipients will be "grandfathered" and remain eligible. In conjunction with this change the Department will

submit four changes to their Aged and Disabled Waiver under the Home and Community Based Services Program. This will allow for:

- Home delivered meals - 3 meals per week for those with physical disabilities under age 60
- Family Home care for spouses – pay formal caregivers for spouses when extraordinary in-home care is required.
- Nurse delegated care – medication administration.
- Respite care change for those providing adult family foster care - this allows for payment of \$145 for additional clients after the first client. Currently the system allows for \$545 per month for 1-4 clients.

### **Major Budget Changes**

As noted above, the general fund increase is **\$98.4** million and can be explained as follows:

\$38.7 million – Net cost changes in the grant programs of the department including traditional Medicaid grants, nursing facilities, Developmental Disability grants, Home and Community Based Services, and child welfare grants. Changes are the result of several factors such as rate setting rules, federal mandates, and costs which cannot be controlled by the Department (drugs, premiums- Medicare, Healthy Steps.)

(\$14.3) million – net decrease in caseload / utilization. The largest impact of change in this area is the decrease in the number of prescriptions due to implementation of Medicare Part D. This decrease is offset by increases in other areas such as the Healthy Steps program and grants for the Developmentally Disabled.

\$14.1 million – 3% inflationary increase to providers in each year of the biennium.

\$9.9 million – the Governor's salary and benefit package.

\$9.1 million – increase in the Federal Medical Assistance Percentage (FMAP). This percentage is based on per capita income of ND in relation to other states. The increase in ND per capita income was not as drastic in relation to other states this biennium so the decrease in FMAP is not as drastic as last biennium. The FMAP rates for the upcoming biennium are as follows:

- FFY 2007 – 64.72% Final – in effect now
- FFY 2008 – 63.75% Final
- FFY 2009 - 64.08% Estimated (preliminary number usually issued in April)

\$6.6 million – increase needed to maintain the third unit for civilly committed sex offenders (\$2.2 million), to add a fourth unit (\$1.3 million) and to provide an addition to the current building for better security based on a more dangerous population (\$3.1 million). 82 beds are included in the budget.

\$6.1 million – to fund capital projects, extraordinary repairs and major equipment needs at the Institutions for repair and maintenance of infrastructure and operations. (\$1.6 million - Developmental Center and \$4.5 million – State Hospital)

\$4.6 million – increase as a result of the decreased use of Intergovernmental Transfer funds, and decreased Social Services Block Grant funds.

\$3.9 million - \$.60 per hour increase to employees of the DD providers in addition to the 3% inflationary increase.

\$3.6 million – the amount included in appropriation bill SB 2024 for the completion of the design, development and implementation of the Medicaid system project (MMIS.)

\$3.3 million – increase in the Medicare Part D “clawback” payment based on 24 months of payment vs. 18 months in the current biennium along with increases in the cost estimates utilized by the federal government. The federal government refers to this payment as the “phased down monthly contribution” based on the state Medicaid savings as a result of Medicare covering the drug costs for those eligible for both Medicaid and Medicare (dual eligibles). The “contribution” is 90% beginning in 2006, with the savings phased down by 1.67% each year until reaching 75% in 2015. The savings are based on per capita Medicaid expenditures for covered drugs increased by the growth in per capita prescription drug spending nationally.

\$2.9 million – increase to provide 24 months of funding needed for year two of the state employee salary increase rather than for the 12 months reflected in the current biennium.

\$2.9 million – to address capacity issues being experienced at the Human Service Centers by

- Providing funding for the continuation of the drug courts that have been so effective in North Dakota. Increases provided for Bismarck, Fargo, Grand Forks and Minot (\$.3 million)
- Increasing funding for additional crisis beds for those with both serious mental illness and substance abuse issues in the Fargo region, residential beds for seriously mentally ill in Grand Forks region and enhanced adolescent substance abuse treatment in Bismarck region. (\$1.0 million)
- Providing for community placement in the Jamestown region for those in the State Hospital with a serious mental illness by continuing with a six bed expansion and a new facility for up to 15 beds which will be operational by May 2007. (\$1.6 million)

\$2.8 million – increase to provide for the community treatment of sex offenders who have not been civilly committed.

\$0.7 million –funding for a second meth treatment center similar to the Robinson Recovery Center.

\$0.5 million – increase in daily rate for to the corporate guardianship services to those with a developmental disability. This also provides for petitioning costs, the elimination of the waiting list and anticipated growth.

\$0.3 million – increase in the program State Funds to Providers, which is passed through to those providing services under the Older American Act in order to keep seniors in their homes. The providers offer congregate meal sites and home delivered meals among other services.

\$0.2 - rebasing of Nursing Facility building limits.

\$0.1 million – increase for the recruitment and retention of foster care homes for those children in our system.

\$0.1 million – increase related to a proposed federal regulation requiring criminal background checks on Certified Nursing Assistants (CNAs.)

The remaining 2.3% of the general fund increase - \$2.3 million – is tied to miscellaneous net increases throughout the Department, which will be addressed by each division in the upcoming days.

### **Key Points in Developing the Budget**

**Traditional Medicaid grants** – The overall decrease in the drug budget is \$27.8 million in total funds. A breakdown of this change is as follows:

- Cost changes in drug prices and 6.5% inflation each year of the biennium - \$72.3 million;
- Utilization changes for dual eligibles being paid by Medicare – (\$73.4 million)
- Excess federal authority – (\$26.7 million)

The traditional Medicaid budget is based on estimated eligibles of 52,308, which is down from the estimate used for the current budget of 52,909.

**Healthy Steps Program** – The budget is based on an average caseload of 3,958 children along with a premium increase of 13.99%. Although this is the lowest premium increase since the inception of the program, it has always been a double digit increase. (Last biennium – 17.85% increase; 2003 – 2005 biennium - 21.12% increase.) 2007 - 2009 will be

the first biennium the Department will operate the program without federal grant dollars being carried forward from previous federal funding years and we anticipate fully expending each grant year's allotment in the upcoming biennium.

**Home and Community Based Services** – After the 3% provider increase each year of the biennium, the funding request for 2007 – 2009 as compared to the budget for 2005 – 2007 has decreased by \$922,382 in total funding. Part of this decrease is due to the SPED eligibility change previously mentioned and the remainder is a result of a current budget that had anticipated a higher level of need than currently being utilized. However, we feel that other funding efforts need to be noted along with this reduction. The providers in the regions that are responsible for the congregate meal sites, home delivered meals, outreach, etc., which is funded with federal Older American Act funds will see an increase as noted above by adding \$280,000 to the State Funds for Providers program. Additionally, although the Mill Levy match program was moved to the State Treasurer's Office during the last legislative session, this has been another area of increase for these same entities. During the 2003 – 2005 biennium \$1,662,945 of mill levy funds were distributed by the Department of Human Services. In the current biennium, the projected distribution by the State Treasurer's Office is \$2,057,109. The projected distribution for the 2007 – 2009 biennium is \$2,297,942, an estimated increase of \$240,833. These funds in addition to the funding provided for congregate and home delivered meals do contribute to the ability for individuals to remain in their homes longer as they age. The discussion and funding of Home and Community Based services are that of a philosophical nature. However, when preparing the

budget request, we did so by using caseload information that could be defended. See [Attachments A and B](#).

**Institutions** – The budget request for the State Hospital is based on 222 beds for the traditional population which includes 90 beds for the Tompkins program. Additionally, the budget includes 82 beds for the civilly committed sex offender program. The budget request for the Developmental Center is based on a population of 127.

**FTE** – Prior to addressing the ability to effectively serve clients at the Human Service Centers (11 FTE) and the addition of the fourth unit for the civilly committed sex offender program at the State Hospital (17 FTE), the Department's FTE request had decreased by .75 FTE. This reduction included the continuation of the 19 FTE added during the interim for the opening of the third unit to the civilly committed sex offender program requested of the Emergency Commission.

**Optional Adjustment Requests (OARs)** – When preparing the 2007 – 2009 budget, the Department approached the prioritization of the OARs differently. We developed overall categories of request and prioritized those categories. Some categories have many parts others have only one part. We did not prioritize within a category as one population is just as important as the other. [Attachment C](#) includes a listing of the OARs that were submitted with shading to indicate which were included in the Governor's budget funding fully or partially. During the detailed review of the Department's budget we would be willing to cover the requests in more detail.

At this time I would like to direct your attention to [Attachment D](#), which indicates “Where the Money Goes” in the Department. 81% of the budget goes directly “out the door” to providers or grant recipients. This compares to 80% of the budget request for the 2005 -2007 biennium. Another 11% is expended on direct client services at the Human Services Centers and the Institutions, which remains the same as the 2005 – 2007 budget request.

We in the Department feel this budget has something for everyone. Many of the needs have been addressed in this budget recommendation, while other needs have been left for possible future funding. In the upcoming days and weeks, I encourage you to ask questions as you hear the testimony of the division directors. We truly do like to share our story and how our budget affects those we serve.

This concludes my testimony. I realize that I have taken a \$1.8 billion budget and attempted to provide an explanation of the general fund increase in less than ten pages. In the upcoming days, testimony will be provided that will further breakdown these changes. At this time I would be willing to address your remaining questions and will also be available for any budget questions that may come to mind in the upcoming months.

Thank you.