

Testimony
House Bill 1012 – Department of Human Services
Senate Appropriations Committee
Senator Raymond Holmberg, Chairman
March 3, 2009

Chairman Holmberg, members of the Senate Appropriations Committee, I am Carol K. Olson, Executive Director of the North Dakota Department of Human Services. Thank you for this opportunity to introduce the Department's budget, after House amendments for the 2009-2011 biennium and to provide you with background about the Department and how human service related needs were identified and incorporated into the Executive Budget.

The Department is an umbrella agency that serves vulnerable individuals by providing and funding health and human services. The Department's clients primarily include low-income and at-risk infants and children, pregnant low-income women, single-parent families, the elderly, and people with disabilities of all ages.

Our mission is to provide quality, efficient, and effective human services, which improve the lives of people.

To build the Department's budget, we actively seek out information about health and human service needs at the local level by hosting stakeholder meetings statewide each biennium. These public meetings are held in non-session years and participants include clients, providers, advocates, legislators, Tribal program representatives, interested members of the public, Department and county employees, and others. The Department also receives, reviews, and considers written comments and requests submitted by many of these same entities. Based upon the comments

and information received, plus numerous meetings with various groups and associations, we begin to set priorities and to develop the budget.

Behavioral Health Needs

During the public stakeholder meetings, we heard repeated concerns expressed about the state's capacity to serve individuals with behavioral health needs – which are those individuals with substance abuse or mental health needs. The State Hospital has been at capacity for some time, and there is a concerted effort nationally and in the state to serve all people with disabilities in the least restrictive setting.

Stakeholders told us that there were not sufficient resources at the community level to address the needs of those who need more structured and supervised care. Private hospitals that contract with the Department's regional human service centers were concerned about reimbursement levels and their costs for providing inpatient crisis stabilization services and care. Some hospitals closed or limited admissions to their behavioral health units, putting even more pressure on others and on the State Hospital.

In building the budget, we used consistent methods to set hospital reimbursement rates across all regions rather than negotiate different contracts, and we increased those rates to the same level as the inpatient hospital rebasing in the Medicaid budget to encourage hospitals to continue to serve clients locally. Rates for other providers are increased as well. The Executive Budget recommended a seven percent inflationary increase each year of the biennium. The House changed that to six percent.

The Executive Budget also included funding to increase the number of residential beds in Minot and Dickinson. It also provided for more client service hours in the Grand Forks region and extra staffing in Fargo as a result of the Cooper House project. Supported residential services help people with chronic serious mental illness or addictions break the cycle of evictions, crisis bed admissions, emergency room visits, jail, and inpatient hospitalization. The House removed all funds associated with these capacity needs except for the 24/7 contract program assistant at the Cooper House project.

There was also funding for additional staff at the State Hospital, which was removed by the House as well. In short, the Executive Budget would have allowed us to address capacity concerns and to provide behavioral health services in a variety of settings to meet individual needs.

Impact of Aging Population

The needs of North Dakota's aging population are already impacting service capacity. By the year 2020, it is projected that about one in four North Dakotans will be age 60 and older, and three in 100 will be age 85 and older – the group most likely to need services.

The budget funds training in-home care providers known as Qualified Services Providers (QSP). It also includes \$900,000 to address cost increases experienced by the Older Americans Act service providers who provide senior meals, outreach, and health maintenance services, and contained \$600,000 to fund an Aging and Disability Resource LINK that will help people locate and access needed long term care services

[\(Attachment A\)](#), which was removed by the House. The budget also provides important inflationary increases to all long term care service providers. Qualified Service Providers (QSP) were recommended to receive a seven percent inflationary increase proposed by the Executive Budget. As the budget stands, this is now at six percent.

Statewide, participants in our stakeholder meetings told us the state needs to raise the income levels for the Medicaid Medically Needy coverage group, which includes low-income children, people who are older, blind, disabled, and families with deprived children who do not have enough income to meet their medical needs. The Medicaid program requires them to pay for their medical costs until they reach the “Medically Needy Income Level.” At that point, Medicaid pays their medical costs. This “income level” is supposed to be enough to cover food, shelter, utilities, and clothing needs. The Medically Needy Income Level was last changed in 2003. The Executive Budget included funding to raise the income limit to 83 percent of the federal poverty level in order to significantly help these Medicaid recipients. The House modified this to 75 percent of the federal poverty level.

Services for Children

To address the health needs of uninsured children, this budget increases the income eligibility level for the State Children’s Health Insurance Program (SCHIP) to 200 percent of the poverty level (uses net income). The House amended the Governor’s recommendation to 160 percent.

The Department continues to support the Executive Budget request to increase the income level to 200% of the poverty level. As part of the

Department's monitoring of the trend change that Maggie Anderson will cover in more detail, we have reprojected the SCHIP enrollment expectations for 2009-2011. Because of the decline in SCHIP enrollment that we are experiencing, our estimates now indicate:

Executive Budget (with SCHIP at 200%)	\$35.2 million
Reprojected Cost to increase SCHIP to 200%	\$25.7 million
Funds currently in HB 1012 to increase to 160%	\$32.6 million

Summary: Increasing SCHIP back to the Governor's recommendation at 200%, based on the reprojected enrollment, compared to the current funding in HB 1012 to increase SCHIP to 160% will be a decrease of \$6.9 million, of which \$1.7 million are general funds.

During our stakeholder meetings, we also heard about the need to be more effective serving young people transitioning from foster care or other services into adulthood and adult services. Often these young people do not have a place to live and are not ready to live on their own. In response to this identified need, the Executive Budget included funding for youth facilities in Bismarck and Fargo, each providing eight residential beds for youth in transition. In addition to shelter, participating youth will have access to counseling, case management, and other services through the regional human service centers. These facilities were removed by House amendments.

Overview of Department Budget Changes

The House modified the Executive Budget by a net decrease of \$60.8 million in total with \$29.2 million from the general fund. This results in a budget of \$2.2 billion in total funds. This budget before you retains inflationary and other increases to providers, the Governor's salary and benefit package for state employees, along with the priorities of the House.

In closing, the Executive Budget was developed to meet the needs identified in communities across the state. It sustains important existing services, increases Medicaid payments for hospitals, doctors, dentists, chiropractors, and ambulance service providers, and provides an inflationary increase for all providers. It also allowed North Dakota to provide important health coverage for uninsured children that would have been comparable to other states. It truly was developed to improve the quality of life of our citizens.

Thank you for your time. Allow me now to introduce the Department's Chief Financial Officer Brenda Weisz who will be providing a detailed overview of the Department's 2009-2011 budget.