Testimony
House Bill 1012 – Department of Human Services
House Appropriations - Human Resources Division
Representative Pollert, Chairman
January 11, 2013

Chairman Pollert, members of the House Appropriations Committee – Human Resources Division, I am Maggie Anderson, Interim Executive Director for the Department of Human Services. I am here today to provide an overview of the Department's 2013–2015 Executive Budget request included in House Bill 1012. I will begin with a review of House Bill 1012.

Before I provide a high-level review of the budget, I would like to touch on two items, Medicaid Management Information System (MMIS) and the Affordable Care Act (ACA).

Medicaid Management Information System (MMIS)

As many of you know, the implementation of the Medicaid Management Information System (MMIS) has been delayed several times. The delays have been the result of the vendor (XEROX) having difficulties with developing and testing the system code. The current scheduled implementation date for the full MMIS is October 1, 2013.

While the Department recognizes that some are concerned about the viability of the system ever coming to fruition, at this time, the Department believes the best course of action is to move forward. Our position is based on the following reasons:

- New Hampshire is scheduled to go live with the **full MMIS** application in April 2013 (New Hampshire will be the first state to implement the XEROX Enterprise MMIS.)

- North Dakota is scheduled to go live with the Provider Enrollment application in April 2013.
- **Medicaid providers have been waiting for this system** for several years. They, like us, have been waiting for the business process improvements that will be realized with a new system. We rely on the Medicaid providers to care for the Medicaid population and we risk losing providers should this effort cease and re-start.
- During the life of the current effort – **the state (DHS and ITD) has lost subject matter and systems experts**; we would certainly lose more with a secondary effort. This would significantly impact the quality of design and functionality of a system secured through a secondary effort.
- Initiating a new project – starting with writing a Request for Proposal - would have resource implications for DHS and ITD and disrupt the ability to concentrate on existing projects and priorities.
- CMS has been kept informed about all past schedule delays and they are updated regularly on the status of the MMIS project.
    - CMS has supported the state moving forward with the current effort and vendor.
    - If we terminate this contract, **CMS will hold the state responsible** for the federal share of expenditures.
    - CMS would not authorize the State to proceed with another replacement project until the federal share is repaid.

<u>Affordable Care Act</u>

While the Affordable Care Act (ACA) contains many provisions with various implications in the Department, the provision that has the greatest potential to impact Department programs and services is the Medicaid expansion. As I mentioned as I walked through the bill, Section 3 contains language that authorizes the Department to implement the Medicaid Expansion, per the provisions of the ACA. As enacted, the ACA

required states to expand their Medicaid programs. The Supreme Court ruling in June 2012 struck down the mandate; leaving the decision to each state. When I provide the detail testimony for the Medical Services Division, I will have additional information regarding the estimated coverage as well as the estimated cost for the expanded coverage.

Overview of Budget Changes

Description	2011 - 2013 Budget	2013 - 2015 Budget	Increase / Decrease
Salary and Wages	66,765,546	99,944,332	33,178,786
Operating	198,638,581	179,287,005	(19,351,576)
Capital Assets	138,400	216,160	77,760
Capital Construction Carryover IT	21,291,536		(21,291,536)
Capital Construction Carryover SH	62,601		(62,601)
Grants	486,292,857	453,774,130	(32,518,727)
HSCs and Institutions	287,138,184	302,172,950	15,034,766
Grants-Medical Assistance	1,608,193,844	1,755,124,680	146,930,836
Total	2,668,521,549	2,790,519,257	121,997,708
General Fund	942,035,307	1,176,869,527	234,834,220
Federal Funds	1,612,444,686	1,488,818,284	(123,626,402)
Other Funds	114,041,556	124,831,446	10,789,890
Total	2,668,521,549	2,790,519,257	121,997,708

FTE	2,197.35	2,197.08	(0.27)

Major Budget Changes - Current Budget to Executive Budget

General Fund Only - Increase of $234.8 million

$93.3 million – increase in state funds is a result of the decrease in the Federal Medical Assistance Percentage (FMAP). The FMAP is based on the three year average of North Dakota's per capita personal income as

compared to the three year average of the national per capita personal income. The FMAP rates used for preparation of the 2013-2015 biennium are as follows:

- FFY 2013 (July 2013 – September 2013) 52.27% Final
- FFY 2014 50.00% Final
- FFY 2015 50.00% Estimated

The areas affected by FMAP are:

Traditional Medical Grants	$30.7
Long Term Care Grants (non-DD)	30.4
Developmental Disability (DD) Grants	24.7
Foster Care and Adoption Grants	1.9
Institutions	3.0
Human Service Centers	2.6
Total	$93.3

$55.8 million – 4% inflationary increase extended to providers each year of the biennium ($40.9 million); and a $0.50 per hour wage pass-through to staff of nursing homes, basic care and developmentally disabled service providers and a $.50 per hour fee increase for qualified service providers ($14.9 million).

$47.4 million – net cost increase in the grant programs of the Department including traditional Medical grants, nursing facilities, developmental disability grants, home and community based services, child welfare grants, and Indian County allocation payments to counties. Changes are the result of several factors such as rate setting rules, federal or state mandates, continuation of the year two 3% inflationary increase, increases in the personal needs allowances, along with costs that cannot be controlled by the Department (drug prices, Medicare premiums and Healthy Steps premiums.)

$30.1 million – increase ($21.6 million) attributed to the Governor's salary and benefit package, the continuation of the seven FTE authorized during the 2011 special Legislative session and the cost to continue this biennium's year two salary increase ($5.2 million) for just under 2,200 employees; and ($3.3 million) for an oil patch add-on for staff of the Williston, Minot, and Dickinson regions due to the increases in housing and cost of living.

$8.0 million – increased information technology costs related to utilization of services from the Information Technology Department, along with anticipated vendor contracts for MMIS maintenance and support ($2.8 million); replacement of the Advanced Institutional Reimbursement Software and Regional Office Automation Project software systems at the State Hospital and Human Service Centers and to implement Electronic Health Records ($5.0 million); and an analysis of migrating the remaining Department systems from the mainframe to a new application or operating environment ($.2 million).

$4.1 million – increase funding in the regions to provide additional bed capacity for the transitional living program, short term crisis stabilization and long term residential program for individuals with mental illness (MI) and/or chemical dependency issues ($2.1 million); provide funding to meet client demand for services such as the partnership program, DD program management, and MI adult case management ($.8 million); and rent increases along with the continuation of the year two 3% inflationary increase for providers and the long term residential facility in Fargo for a full 24 months vs. the 18 months included in the 2011-2013 budget ($1.2 million).

$3.2 million – increase in the Medicare Part D clawback payment as a result of increased per month payments and increased dual eligibles – those eligible for both Medicare and Medicaid.

$2.8 million – to fund extraordinary repairs ($1.5 million); capital improvements at the State Hospital for street reconstruction ($.9 million); and the demolition of two buildings at the Developmental Center ($.4 million).

$2.8 million – increase in funding for home and community-based services to provide home delivered meals 7 days a week to SPED & ExSPED clients under 60 years of age; to add extended personal care services to the SPED program, to allow qualified service providers to administer medications and perform other medical tasks; to allow individuals with a primary diagnosis of dementia or traumatic brain injury (TBI) to receive 24-hour supervision within the daily rate ($.3 million); to provide increased funding for congregate meals ($.8 million); and to provide a mileage differential to qualified service providers for round trips in excess of 20 miles ($1.7 million).

$2.3 million –increase in funding for other capacity issues, enhancements and provider requests included in the Executive Budget to:

- Provide services for 14 additional referrals for the Community Based Sex Offender High Risk Treatment Program ($ .3 million);
- Provide post adoption services to families to maintain placements and permanence ($.1 million);
- Enhance the Peer Support program which is a key component in client recovery efforts ($.3 million);
- Support the current Healthy Families Program service areas ($.3 million);

- Support state-wide 2-1-1 services ($.2 million);
- Support facilitators in each quadrant of the state to act as a resource to patients of traumatic brain injury, in order to increase the chances of full recovery ($.3 million); and
- Support services provided by the Centers of Independent Living ($.8 million)

$1.3 million – increase for continuation of the cost based reimbursement to critical access hospitals for outpatient laboratory and care provided by certified registered nurse anesthetists ($.6 million), and to rebase the rural health clinics to Medicare rates ($.7 million).

$1.2 million – increase in guardianship services to meet the demand for developmental disability corporate guardianships and to expand the aging services guardianships.

($3.8 million) – net decrease in caseload/utilization, with the largest changes consisting of an increase of $11.3 million in the developmental disability grants followed by decreases in traditional medical assistance grants of $11.0 million and nursing facility utilization of $6.2 million.

($16.2) million – decrease in one-time funding for the following: extraordinary repairs, equipment over $5,000 and one time capital projects ($3.3 million); the MMIS project and the Medicaid system modifications needed to process medical claims for inmates of county jails ($2.5 million); the Eligibility Modernization Project ($8.7 million); cost-based reimbursement for critical access hospitals ($1.5 million); and the guardianship and internship programs ($.2 million).

The remaining **$2.5 million** or 1% of the general fund increase is tied to miscellaneous net increases throughout the Department, which will be addressed by each division as they present their overview testimony.

Attachment A is a one page presentation of our $2.8 billion budget.

Attachment B provides a detailed breakdown of the medical assistance grants by major service.

Attachment C is a breakdown of "Where the Money Goes" in the Executive Budget. 63% of the budget is medical assistance grants which is the portion that is similar to insurance coverage; 10% of the budget is for the delivery of healthcare via the institutions and human service centers; and 20% is for direct client services. The remaining 7% is for the Department's administrative costs.

Attachment D is a breakdown of the Long Term Care services in the Executive Budget.

Attachment E is a list of the Department's Optional Adjustment Requests (OARs) submitted to OMB.

Attachment F provides a detailed description of the Department's OARs.

This concludes my overview testimony and I would be happy to address your questions.