

S.B. 2124: DHS Testimony

Feb 13, 2019

- **Social (Human) Services Redesign (SB 2124)**

Social services is an essential link to connect citizens with a range of programs across social determinants of health

Administrator¹ PAYOR (State²)
 Provider
 Partner

| Social Determinant | Components | Social Services / Eligibility | Medical, DD & Long-term care | Behavioral Health Policy & Services ¹ | Agency Partners (not exhaustive) |
|----------------------------------|---|---|--|--|---|
| Economic Stability | <ul style="list-style-type: none"> Employment Income Expenses Debt | TANF, LIHEAP, Child Support, Vocational Rehab, Child care assist. | | EXTENDED SERVICES for those with SMI | Labor / Job Service Public Instruction Health / Local Public Health Transportation Housing Authority Corrections Juvenile Justice |
| Education | <ul style="list-style-type: none"> Early Childhood Literacy/language Vocational Higher Ed | Child care licensing | | | |
| Food | <ul style="list-style-type: none"> Hunger Access to healthy options | SNAP/ Food stamps | Nutrition Services | RECOVERY SUPPORT SERVICES (including Free Through Recovery, PATH for those experiencing homelessness, and other programs) | |
| Neighborhood & Built Environment | <ul style="list-style-type: none"> Housing Transportation Safety Parks | CPS, Foster care, FOSTER CARE (IV-e) | NURSING FACILITIES, ICFs | | |
| Social & Community Context | <ul style="list-style-type: none"> Integration Support Inclusion | In-home supports | DD, HOME & COMMUNITY BASED SERVICES | | |
| | | | CASE MANAGEMENT | | |
| Health & Healthcare | <ul style="list-style-type: none"> Coverage Providers Quality of care Cultural competency | Medicaid Eligibility | TRADITIONAL, WAIVERS, VOUCHERS, CHIP, Expansion, LSTC | SBIRT, Parent's LEAD, STATE HOSPITAL, LSTC, HSCs³ | |

- This is for illustrative purposes only to capture majority of programs/services/ entities and the connections they provide to social determinants of health; it is not exhaustive of all programs and services or connections
- While other public entities and private stakeholders also have an important role, they are excluded from this picture

1 Administrative role also includes the function of licensing professionals 2 Those programs for which the State pays a large share
 3 SBIRT = Screening Brief Intervention & Referral to Treatment, LSTC = Life skills & transition center, HSCs = Human Service Centers

Since the 1990s, social (human) services costs have been absorbed by the State incrementally

Timeline

Early 1990's: Social service delivery was one of largest single items in many county budgets, and one that was growing much faster than property values. So counties worked for legislation to shift that burden to statewide collected taxes.

1997: Counties were relieved of the local share of Medicaid payments to hospitals, doctors, and nursing homes, an area over which counties had no authority to approve, set rates, or change.

2007: The costs and employees of regional child support enforcement offices were shifted to the State.

2015: The county share of foster care maintenance payments was shifted to the State.

-> As a result of these transitions, **property tax payers were left with about \$80 million per year in staff costs** with great variation, **as some taxpayers were paying 8 mills, others over 45 mills**

In 2017-19, the State took over funding of social services in the 2017 S.B. 2206 pilot, keeping overall organizational structure intact

| Subject | Details |
|----------------------|--|
| Formulas | <p>NDCC § 53-34-04(4) Total Calendar Year Formula Payment = [Social Services (SS) Rate per case x SS Most Recently Available Calendar Year Case Month Data] + [Economic Assistance (EA) Rate per case x EA Most Recently Available Calendar Year Case Month Data]</p> <hr/> <p>NDCC § 53-34-03(2) January 10th Payment = Total Calendar Year Formula Payment x 50%</p> <hr/> <p>NDCC § 53-34-03(3-4) June 15th Payment = (Totally Calendar Year Formula Payment x 50%) – 1st Payment +/- True Up or True Down – Amount Exceeding Fund Balance</p> |
| Variable Definitions | <p>NDCC § 53-34-04(1) 2015 Net Expenditures = 2015 Gross Expenditures + 25% of Three-Year Average Eligible Federally Allowable Indirect Costs – 2015 Services Reimbursed by Medical Assistance</p> <hr/> <p>NDCC § 53-34-04(2-3) Rate per case = 2015 Net Expenditures / 2015 Case Month Data</p> <hr/> <p>NDCC § 53-34-03(3)(a) Recalculated Formula Payment = Rate per case x Most Recently Available Calendar Year Case Month Data</p> <hr/> <p>NDCC § 53-34-03(3)(b-d)) True Up/Down = If recalculated Formula is above or below 105% or 95% respectively of the Total Formula payment the county will receive or be reduced by the difference that is more or less than 105% or 95% respectively</p> |
| Fund Balances | <p>NDCC § 53-34-06 Fund balance (Effective January 1, 2019): NDCC § 53-34-05 Counties with \$2,000K expenditures may not exceed a fund balance of \$500k NDCC § 53-34-05 Counties with less than \$2,000k expenditures may not exceed a fund balance of \$100k</p> |

- **Benefits of pilot formula:** shifted funding to the State under a more consistent reimbursement methodology, with some flexibility to adjust for workload changes as measured by caseload
- **Downsides to pilot formula:** caseload changes are only driver, locks in historical costs, locks in basket of services paid for in EA or SS rates, locks in current service levels even if variation

Several principles for zone budgeting are reflected in S.B. 2124 and fiscal note, expanding on the benefits of the pilot formula

Zone Budgeting Principles (in **BOLD** are principles driving prior formula)¹

1. **Reimburse historical costs of providing services across zone**
2. Adjust for differences in pay between zones and cost of living
3. Adjust for process change (enabling consolidation, sharing capacity)
4. Adjust for changes to the basket of services (enabling specialization)
5. **Adjust for caseload increases or decreases**
6. Adjust for equalizing service levels across the State, recognizing potential differences in delivery modes in different zones
7. Adjust for statewide changes in services or service levels
8. Adjust for contingencies or pressing situations

Ranked in order of priority

The fiscal note associated with S.B. 2124 of \$182.3m will support transition to new model of human service zones (1/2)

| Line Item | Estimated Amount¹, \$ | Rationale / Description of Calculation |
|---|---|--|
| Projection of CY18 and CY19 program-related costs | 161,106,222 | = [CY18 actuals] ² + [CY19 projection] ³ = 80,162,862 + 80,943,360 |
| Indirect Cost Obligation | 5,550,522 | Estimate for the indirect costs is 25% of the last available full 12 months of data plus the costs for preparing indirect cost allocation plan |
| Sub-total: Historical Costs | 166,656,744 | Sum of historical program-related costs and share of indirect costs |
| Revenue (MMIS Revenue Estimate) | (5,306,627) | 2 times the amount distributed from MMIS in CY18. Monies distributed to the counties from the Medicaid Management Information system (MMIS) support costs for services like home & community-based services |
| Inflationary Increases | 8,115,119 | Inflationary increases are based on 2% / 3% inflators for salaries, benefits other than health, and operating costs; health benefits are inflated at 6.4% each year |
| Sub-total: Total Costs minus Revenues plus Inflation | 169,465,236 | |
| Compensation Equity Adjustments | 3,408,119 | The same roles at various counties are paid very differently due to historical contingencies reinforced through the rate-per case formula; this amount would allow for bringing up compensation of lower-paid counties |
| Family First Legislation Implementation Investments | 7,500,000 | Funds to support preventative services and enhanced review of residential placements under Qualified Residential Treatment Provider (QRTP) provisions |
| Contingency & Pilot Implementation | 1,926,645 | Funds to support unforeseen county expenses (e.g., burials, overpayments), program pilots, and scaling of best practices from pilots |
| Total | 182,300,000 | |

¹ These estimates could adjust based on most recently available cost data from counties. ² [CY18 actuals] are reported based on data for actual Salaries, Benefits, and Operating cost payments from the counties for CY18. ³ [CY19 projection] is calculated as the [CY18 actuals] with any inflator of 6.4% for only the estimated health benefits portion of county social services spending.

The fiscal note associated with S.B. 2124 of \$182.3m will support transition to new model of human service zones (2/2)

| Line Item | Estimated Amount, \$ | Zone Budgeting Principles Supported | | | | | | | |
|---|----------------------|-------------------------------------|---|---|---|---|---|--|---|
| Projection of CY18 and CY19 program-related costs | 161,106,222 | 1 | 3 | 4 | 5 | | | | |
| Indirect Cost Obligation | 5,550,522 | 1 | | | | | | | |
| Sub-total: Historical Costs | 166,656,744 | | | | | | | | |
| Revenue (MMIS Revenue Estimate) | (5,306,627) | 1 | | | | | | | |
| Inflationary Increases | 8,115,119 | | 2 | | | | | | |
| Sub-total: Total Costs minus Revenues plus inflation | 169,465,236 | | | | | | | | |
| Compensation Equity Adjustments | 3,408,119 | | 2 | | | | | | |
| Family First Legislation Implementation Investments | 7,500,000 | | | | | 6 | 7 | | |
| Contingency & Pilot Implementation | 1,926,645 | | | 3 | 4 | | | | 8 |
| Total | 182,300,000 | | | | | | | | |

Zone Budgeting Principles¹

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- 5 **Adjust for caseload increases or decreases**
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- 8 Adjust for contingencies or pressing situations

¹ See Section 130 of S.B. 2124 as amended

FTE transfer authority is included in 2124 for functions where State can gain consistency/efficiency from specialization of work

| Subject | Design Intent / Brief Description | Bill Text Language (19.8057.02000) | Rationale | Bill Text Reference(s) (19.8057.02000) |
|--|--|--|---|--|
| FTEs authorized as transfers from county | <p>+ From: each county operates same basket of services</p> <p>+ To: services are distributed to maximize efficiency and client outcomes</p> | <p>Up to [223]¹ full-time equivalent positions included in Senate Bill No. 2012, as approved by the sixty-sixth legislative assembly, may be adjusted or increased only if one or more human service zones transfers powers and duties...Any positions added to the department of human services under this section would be position transfers from the human service zones</p> | <p>+ The contingent authorization for these functions reflect 2206 study committee recommendations, as some functions were determined to be more efficiently performed in consolidated manner (which does not mean centralized)</p> <p>+ Authorizations are contingent because not all may happen this biennium, or alternative strategies may be developed</p> | <p>SECTION 140 p.135:20-26</p> |
| FTEs transferred for specific functions | <p>Broadly, those functions targeted for potential transition to the State are those where work requires a greater specialization and content knowledge. Through specialization of work, these transitions would ensure more consistent and efficient delivery.</p> | <p>[4 FTEs] to serve as human service zone operational directors</p> <p>[16 FTEs] if [DHS] assumes...duties associated with foster care training and the recruitment and licensing of family foster care homes</p> <p>[2 FTEs] if [DHS] assumes...duties associated with adoption assistance eligibility determination</p> <p>[14 FTEs] if [DHS] assumes...duties associated with foster care assistance or IV-E eligibility determination</p> <p>[27 FTEs] if [DHS] assumes...duties associated with child care licensing</p> <p>[16 FTEs] if [DHS] assumes...duties associated with [LIHEAP]</p> <p>[104 FTEs] if [DHS] assumes...determination of eligibility and other related activities [for various programs]</p> <p>[30 FTEs] to relieve human service zones of miscellaneous duties [e.g., fraud investigations, estate collections, third party liability, etc.]</p> <p>[10 FTEs] to serve as quality control to the human service zones</p> | <p>DHS will need positions for operations directors to oversee zone functions</p> <p>CFS committee recommendations included:</p> <ul style="list-style-type: none"> ▪ Establish statewide foster care recruitment strategy ▪ Regionalize foster care licensing ▪ Move sub-adopt negotiations to region or State <p>IV-E determinations are complicated/error-prone, and a specialized team may perform better than generalists</p> <p>Inconsistency or lack of critical mass in regional delivery motivates consolidating operations</p> <p>EA committee suggested to outsource; consolidation to State may be preferred</p> <p>Some eligibility functions, such as long-term care eligibility, would be more efficiently performed at State level</p> <p>The State is better positioned to perform duties that would make human service zones less efficient by distraction</p> <p>Quality control positions will support and ensure performance across zones</p> | <p>SECTION 140 p.136:16-18</p> <p>SECTION 140 p.136:19-21 p.137:1-3</p> <p>SECTION 140 p.136:22-24</p> <p>SECTION 140 p.136:25-26</p> <p>SECTION 140 p.136:27-29</p> <p>SECTION 140 p.137:4-8</p> <p>SECTION 140 p.137:9-11</p> <p>SECTION 140 p.137:12-13</p> |

¹ Needs amendment for consistency on p. 137, line 14