

**Testimony**  
**Senate Bill 2012 – Department of Human Services**  
**Senate Appropriations**  
**Senator Holmberg, Chairman**  
**January 17, 2011**

Chairman Holmberg, members of the Senate Appropriations Committee, I am Maggie Anderson, Director of Medical Services, for the Department of Human Services. I am here today to provide you with an overview of the Traditional Medicaid and the Children's Health Insurance Programs, as well as the administrative costs of the Medical Services Division. The Long-Term Care Continuum overview will be provided separately.

**Programs**

The Medical Services Division currently administers two programs; they are Medicaid and the Children's Health Insurance Program (Healthy Steps). This area of the budget for Medicaid and Healthy Steps provides health care coverage for qualifying families and children, pregnant women, the elderly, and disabled citizens of North Dakota. **Attachment A** lists the Medicaid Mandatory and Optional Services, and **Attachment B** lists the current services that have a limit or a co-payment.

**Caseload**

**Attachment C** shows the Medicaid Enrollment (eligibles) and the unduplicated count of recipients for the last twenty-four months.

The 2009-2011 appropriation included funding to increase the income level for Healthy Steps to 160 percent of the federal poverty level (net). This increase was implemented July 1, 2009. The Executive Budget for

Healthy Steps was built on an average caseload of 4,256 children.

**Attachment D** shows the number of children enrolled each month in Healthy Steps for the last twenty-four months, and also provides the number of children enrolled in Medicaid for the same time period.

Currently, children eligible for either Healthy Steps or Medicaid coverage are approved for twelve months of coverage; and the twelve-month continuous coverage is included as part of the Executive Budget. When Medicaid continuous eligibility was implemented in June 2008, there were 25,914 children enrolled in this coverage. For June 2009, the enrollment was 31,780 and for June 2010, it was 33,921. The average amount paid by Medicaid per child per month prior to June 2008 was \$205.65; the average from July 2008-June 2009 was \$221.01; and the average from July 2009 – June 2010 was \$233.75. The averages include the increases to provider reimbursement rates.

### **Program Trends / Program Changes**

The following items were authorized by the 2009 Legislature and were implemented during the 2009-2010 Interim:

- The **funeral set aside** for Medicaid was increased to \$6,000 on July 1, 2009.
- The **Medically Needy income levels** were increased to 83% of poverty, effective July 1, 2009.

- The first payment under the **critical access hospital supplemental payment** was made in March 2010. The second payment will be made in April 2011. This was one-time funding, and the funding to continue the payments was not included in the Executive Budget.

#### Medicare Savings Programs

The Medicare Improvements for Patients and Providers Act of 2008, which was signed into law on July 15, 2008, increases the federal asset allowance for individuals who apply for coverage under the Medicare Savings Programs (QMBs, SLMBs, and QIs), to be equal to the asset allowance for LIS (low income subsidy) recipients of Medicare Part D. These new asset levels were effective January 1, 2010. In 2010, the asset allowance level for a one person household increased from \$4,000 to \$6,600 and is increasing to \$6,680 in 2011; and from \$6,000 for a couple to \$9,910 in 2010 and is increasing to \$10,020 in 2011. This allows current recipients to save more assets and allows additional individuals to qualify for coverage. The expected increased enrollment was accounted for in the 2011-2013 Executive Budget request. We do not know the exact levels yet for 2012 and 2013 as they are increased each year by the Consumer Price Index (CPI). The above Act also prohibits estate recovery collections for Medicare Savings Programs costs paid by Medicaid after January 1, 2010. This will reduce estate recovery collections over time; however, the impact is unknown at this time.

#### Money Follows the Person Demonstration Grant

In 2007, the Department was awarded a Money Follows the Person (MFP) Demonstration Grant. The grant funding is provided to North Dakota for the purpose of assisting individuals in nursing facilities and institutions

that serve individuals with developmental disabilities in transitioning to home and community-based settings. The passage of the Affordable Care Act extended the grant through 2020. CMS has authorized 100 percent federal administrative funding to address housing barriers, nurse quality assurance, increase awareness of Home and Community-Based Services (HCBS), and transition coordination capacity. Three Requests for Proposal have been issued for:

1. Housing Assistance: to assist MFP Grant consumers in securing safe, affordable, and accessible housing opportunities through such activities as helping them assess and update their current housing plan and options, working with community agencies to eliminate systemic barriers and to create improved pathways to appropriate housing, helping consumers and their families access income such as housing subsidies, and working with housing providers to improve consumer access.
2. Nurse Quality Assurance: to provide nursing input, assessment and recommendations to the Centers for Independent Living in all four quadrants of the state as they transition individuals from nursing facilities or other designated institutional settings to assure all health related aspects of services that will be needed in the community are addressed.
3. HCBS Marketing: to develop and implement a marketing plan to promote awareness of Home and Community Based Services in North Dakota.

Six additional transition coordinators will be hired by the Centers for Independent Living to enhance the efforts for outreach and transition coordination activities for individuals choosing to move from institutions to their communities.

I will provide additional information on the transitions in the Long-Term Care Services overview.

### Health Care Reform

As I cover the Administrative Budget portion of this testimony, you will see there are five new full-time equivalents (FTE) that were included in the Executive Budget. These five FTE will assist the Division in the implementation and operation of the Medicaid provisions related to health care reform, and I will provide the details for each position later in my testimony.

The Affordable Care Act (ACA), or “health care reform” includes a significant expansion to the Medicaid program. This expansion would require Medicaid programs to cover the population often referred to as “childless adults.” The Medicaid coverage would extend to all individuals under the age of 65 below 133% of the Federal Poverty Level (plus a 5% income disregard); and would be **effective January 1, 2014**. To date, there has been little guidance from the Centers for Medicare and Medicaid Services (CMS) about the details states need to move forward with the implementation; however, based on feedback received from CMS, we expect to receive some of the needed guidance in 2011.

## Overview of Budget Changes

Description	2009 - 2011 Budget	2011 - 2013 Budget	Increase / Decrease
Salary and Wages	8,416,259	10,139,971	1,723,712
Operating	23,813,704	34,236,842	10,423,138
Grants	515,394,985	663,715,079	148,320,094
Total	547,624,948	708,091,892	160,466,944
General Fund	148,519,693	239,977,645	91,457,952
Federal Funds	365,011,673	433,243,028	68,231,355
Other Funds	34,093,582	34,871,219	777,637
Total	547,624,948	708,091,892	160,466,944

FTE	67.5	73.5	6.0
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The Salaries line item increased by \$1,723,712 and can be attributed to the following changes:

- \$496,027 in total funds, of which \$217,159 is general fund, is due to the Governor's salary package for state employees.
- \$168,882 in total funds, of which \$115,447 is general fund, is needed to fund the second year employee increase for 24 months versus the 12 months that are contained in the current budget.
- An increase of \$30,807 to cover an underfunding of salaries from the 2009-2011 budget.
- \$293,010 in total funds, of which \$99,395 is general fund for an increase in temporary salaries for additional claims staff needed to ensure timely processing of provider payments. The Department expects to retain the temporary staff until implementation of the

new Medicaid Management Information System, scheduled for June 2012.

- \$123,341 in total funds, of which \$63,322 is general fund, for temporary salaries to assist with the review of service limits requests, administrative support, and primary care provider questions and oversight.
- During the interim, the Department recognized a need for an additional FTE to assist with the volume of management duties within the Division. An FTE was transferred from within the Department to the Medical Services Division. The new position serves as the Deputy Director of Medical Assistance. The transfer of this position represents an increased need of \$59,554.
- \$16,724 in total funds, of which \$4,066 is general fund, to provide for the annual and sick leave lump sum payouts for three FTE expected to retire.
- The Budget includes a new FTE in the 2011 – 2013 biennium for the conversion of a claims analyst who has been a temporary employee working for the Department full time for over four years without benefits. This FTE was derived from the FTE no longer needed at the Developmental Center and was reduced in their budget request. Total budget need for adding benefits - \$23,533, with \$7,559 being general fund.
- The Executive Budget also added five FTE for Health Care Reform, totaling \$312,609 of which \$137,697 is general fund. The addition of the positions would be staggered based on our estimates of when the additional assistance would be needed.

<b>Position</b>	<b>Start Date</b>	<b>Total Funds</b>	<b>General Funds</b>
Eligibility Policy	July 1, 2011	\$ 110,919	\$ 55,460
Program Integrity	January 1 2012	\$ 103,961	\$ 51,980
Nurse	October 1, 2012	\$ 52,896	\$ 13,224
SURS Analyst	January 1, 2013	\$ 24,221	\$ 5,888
Administrative Support	January 1 2013	\$ 20,612	\$ 11,145

*Eligibility Policy – This position would help develop policy for the rules surrounding Medicaid expansion. This position would also develop training for county staff and assist with defining business rules for the design of the eligibility system needed to convert from the current “net” income rules to the “modified adjusted gross income” rules required by the health care law.*

*Program Integrity – The expectations for Medicaid program integrity are increasing significantly and with an expanded number of individuals enrolled in the program, additional staff are needed to ensure all program integrity efforts can keep up with the increased Medicaid enrollment*

*Nurse – This position will be responsible for managing the increased prior authorization requests expected with an expansion of Medicaid.*

*Surveillance and Utilization Review System (SURS) Analyst – as the Medicaid enrollment increases, so does the need to analyze recipient “use” information and ensure services are being utilized appropriately.*

*Administrative Support – This position would provide administrative support for the new positions as well as assist in answering an increased volume of telephone and paper correspondence, which is expected because of an increased Medicaid enrollment.*



- The remaining \$199,225 is a combination of increases and decreases needed to sustain the salary of the 73.5 FTE in this area of the budget.

The Executive Budget for Operating Expenses is \$34.2 million which is an increase of \$10.4 million.

- The Medicare Part D Clawback payment is the most significant portion of this budget area. The Clawback is estimated at \$26.3 million for 2011-2013. This is an **increase of \$6.9 million** over the current budget of \$19.4 million, and was built based on an average of 10,825 individuals at an average payment of \$101.26 per person per month. The Clawback payment is funded with 96 percent general fund and 4 percent estate collections.
- The Money Follows the Person (MFP) Demonstration Grant **increased \$2.5 million**. This increase is primarily funded by Federal MFP Funds.
- Operating expenses also include contracts for services, such as: utilization review and prior authorization; drug pricing; Medicaid identification cards; nursing facility screenings; actuary services; and third party liability identification.

The Executive Budget for Grants is \$663.7 million, which is an increase of \$148.3 million.

**Attachment E** shows the changes in the Traditional Medicaid Grants Budget from 2009-2011 Appropriation to the 2011-2013 Budget to the Senate.

**Attachment F** is a cost and caseload comparison of the 2009-2011 Traditional Medical Grants Appropriation to the 2011-2013 Budget to the Senate for the top thirteen services. These services represent 94% of the Traditional Medicaid Grants.

**Attachment G** shows each Traditional Medicaid Service comparing the 2009-2011 Budget, 2009-2011 Projected Need, and the 2011-2013 Executive Budget request.

I would be happy to address any questions that you may have.