Testimony
Senate Bill 2012 – Department of Human Services
Senate Appropriations
Senator Holmberg, Chairman
January 19, 2015

Chairman Holmberg, members of the Senate Appropriations Committee, I am Maggie Anderson, Executive Director for the Department of Human Services (Department). I am here today to provide an overview of the Department's 2015–2017 Executive Budget request included in Senate Bill 2012. I will begin with a review of Senate Bill 2012.

Before I provide a high-level review of the budget, I would like to review several important items:

Medicaid Management Information System (MMIS)

The expected implementation date for the MMIS is June 2, 2015. As you know, this date has been postponed several times. The current implementation date includes several months of additional work needed to ensure the MMIS contained the requirements to accept eligibility information and process payments under the Affordable Care Act (ACA).

Xerox implemented their "core" MMIS in New Hampshire in March 2013 and Alaska in October 2013. The Department has been watching the post-implementation challenges in Alaska and the project team has used that experience to enhance our pre-implementation efforts.

Affordable Care Act

As you know, the 2013 Legislative Assembly approved the Medicaid expansion, as authorized in the ACA. Overall, the implementation of this health care coverage has gone well; however, the Department did have

to revert to a contingency eligibility system. This contingency has proven to be very resource intensive, for both county eligibility workers and Department staff. On Wednesday, you will hear Senate Bill 2177, which is a separate bill for the Department's funding request to complete the Eligibility Systems Modernization project.

CHIP Reauthorization

The Affordable Care Act authorized the Children's Health Insurance Program (CHIP) through **September 2019** and funded the program through **September 2015**. Congress needs to appropriate funds for CHIP prior to the end of September, 2015.

Considerations:

- Built 2015-2017 budget assuming Congress would continue the program
- Did not include an increase in federal match percentage
- Stand-alone program vs. Medicaid-expansion CHIP
- Carryover federal allotment

2013 House Bill 1378

- *The department of human services, during the 2013-14 interim, shall identify the estimated cost to implement a medicaid waiver or amend an existing Medicaid waiver, to provide coverage for children who have continued and substantial medical and support needs, but who, at the age of three years, no longer qualify for services under the developmental disabilities waiver. In preparing the estimate, the department shall secure input from stakeholders, including families, providers, and advocates. The department of human services shall report its findings to the sixty-fourth legislative assembly. The report shall include the estimated number of children eligible, criteria for the provision of services under the waiver, the services to be offered, and a timeline for implementation of the waiver.*

The Department coordinated a workgroup that included parents, advocates, Legislative representation and Department staff. The

workgroup met regularly throughout the interim with the final meeting held in July 2014.

As of result of the collective work of the group, the Department is providing this report as required in 2013 HB 1378.

Number of Children Eligible: This was an area that was a struggle when this study was first contemplated, and we are no closer to being able to quantify the number of children who would be eligible.

Criteria for the Provision of Services: The group worked from a "build a waiver" worksheet (Attachment A) which identifies the criteria that the group would propose for a new or amended waiver.

Services to be Included: Attachment A also contains the proposed services.

Timeline for Implementation of the Waiver: If there is direction and an appropriation to amend the existing Children's Medically Fragile Needs Waiver, the Department expects a January 1, 2016 implementation. If there is direction and an appropriation to initiate a new waiver, specifically for this population, the Department would expect a July 1, 2016 implementation.

Estimated Cost:

	TOTAL	General Fund	Federal Funds
For Every 15 children added to Waiver*	$ 770,436	$ 385,218	$ 385,218

* 18 months - January 1, 2016 Implementation

Assumptions:

15 new children would use $1,580.50 per month in waiver services
15 new children would also incur an average of $1,191.20 of other Medicaid costs per month
Average of $50 per month per child for fiscal agent costs
Medical costs were inflated by 4% in July 2016

Funding for a new waiver or an expansion of an existing waiver is not included in the Executive Budget recommendation.

Overview of Budget Changes

Description	2013 – 2015 Budget	2015 – 2017 Executive Budget	Increase / (Decrease)
Salary and Wages	78,183,550	99,613,787	21,430,237
Operating	176,772,009	204,421,896	27,649,887
Capital Assets	26,000	36,000	10,000
Capital Construction Carryover	77,151,465	60,872,269	(16,279,196)
Grants	459,420,321	471,439,630	12,019,309
HSCs/Institutions	313,165,027	358,814,492	45,649,465
Grants - Medical Assistance	1,920,074,262	2,451,508,134	531,433,872
Total	3,024,792,634	3,646,706,208	621,913,574
General Fund	1,181,372,441	1,385,967,182	204,594,741
Federal Funds	1,707,065,723	2,148,081,505	441,015,782
Other Funds	136,354,470	112,657,521	(23,696,949)
Total	3,024,792,634	3,646,706,208	621,913,574

Full Time Equivalent (FTE)	2,200.08	2,224.58	24.50

Major Budget Changes - Current Budget to Executive Budget

General Fund Only - Increase of $204.6 million

$48.1 million – 4% inflationary increase for providers each year of the biennium (Medicaid Providers $12.6 million; Long Term Care (LTC) Providers $11 million; Program and Policy $2.2 million; Foster Care and Adoption $4 million; Developmental Disabilities Providers $15.9 million; Autism Providers $.1 million; and HSC Contract Providers $2.3 million).

$40.4 million – increase attributed to the Governor's compensation package ($23.8 million); the continuation of four FTEs authorized by the 2013 Legislative Assembly and the cost to continue the salary increase for

the second year of the current biennium for approximately 2,200 employees ($6.5 million); the market policy point package ($4.1 million); and for the occupational salary adjustment to recruit and retain staff in hard to fill positions ($6.0 million).

$27.2 million – net increase in caseload/utilization, with the largest changes consisting of an increase of $9.7 million in the developmental disability grants followed by increases in LTC grants of $6.8 million and child care of $6.7 million.

$24.4 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, autism 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 4% inflationary increase (3% for those providers receiving the $1 wage/fee schedule increase), along with health care costs that cannot be controlled by the Department (drug prices, Medicare premiums and Healthy Steps premiums.)

$23.2 million – increase for the state to assume the cost of certain county social services, thus reducing the local property taxes related to county social services. **$19.3 million** of this increase is for the following areas: Child Welfare, Service Payments for the Elderly and Disabled (SPED), administrative costs related to the Supplemental Nutrition Assistance Program (SNAP) Electronic Benefit Transfers and county technology costs. **$3.9 million** would be used to establish a grant program for counties who have historically used the emergency human services levy (Levy 1222).

$18.1 million – increase to fund heating plant repairs and upgrades at the North Dakota State Hospital (NDSH) ($1.5 million); to add surveillance cameras at the NDSH ($.4 million); to add central air for the Tompkins Rehabilitation Program building ($.6 million); to fund heating plant repairs and upgrades and the Life Skills and Transition Center (LSTC) ($.2 million); to renovate kitchens in six living areas on the campus of the LSTC ($.7 million); to provide additional funds for the demolition of two buildings at the LSTC ($.7 million); and to complete the development of the Eligibility Systems Modernization Project ($14 million).

$9.2 million – increased information technology costs related to rate increases and an increase in the utilization of services received from the Information Technology Department ($2.2 million); an anticipated decrease in vendor contracts ($.1 million); and the post production support of the MMIS Health Enterprise system ($7.1 million).

$8.2 million – increase to support the estimated cost of Medicaid expansion coverage for the last six months of the biennium. The Affordable Care Act (ACA) calls for states to assume a portion of the cost for coverage on January 1, 2017, at which time the federal share begins to decrease from 100% federal funding to 90%. Under the current provisions of the ACA, the 90% federal funding is effective for coverage on and after January 1, 2020. The total estimated cost of the Medicaid expansion for the 2015-2017 biennium is $542 million. 2013 House Bill 1362 included a sunset clause for the Medicaid Expansion of July 31, 2017.

$6.0 million – increase funding to provide additional resources to provide support to individuals who need behavioral health services: over

100 additional slots for pre-vocational and extended services to support individuals with a mental illness or a traumatic brain injury ($1.2million); additional bed capacity for transitional living, crisis residential, alternative care, and residential addiction for individuals with mental illness (MI) and/or chemical dependency issues ($1.6 million); to expand the mobile crisis program (currently in the Fargo region) statewide ($1 million); to expand the integrated dual diagnosis treatment in the Bismarck region ($.4 million); expansion to the Tompkins Rehabilitation and Corrections Center at the NDSH ($1.5 million); to continue the development of a trauma-informed system of care for children ($.2 million); and the development of a telemedicine residency program ($.1 million).

$4.7 million – increase in funding for home and community-based services to develop two, four-bed Intermediate Care Facilities within the community of Grafton to serve eight medically-frail individuals transitioning from the LSTC to the community ($.8 million); increase in the age limit, the number of waiver slots, and the number of voucher slots to provide services for individuals with autism, and for a staff officer to assist with program administration as the autism program matures ($1.8 million); to sustain and fund expected increases for the personal care with supervision authorized during the prior session ($.7 million); to provide for an assisted living administrator to continue to license and monitor the increasing number of assisted living facilities across the state ($.1 million); to provide for a nurse in the Developmental Disability Division to support clients with complex medical needs ($.1 million); to increase the funding available for the guardianship establishment (52 new slots - $.1 million); to sustain and increase resources across the state for adult protective services ($1 million).

$3.6 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. On October 1, 2013, the FMAP for North Dakota dropped to the current "floor" of 50%. The **2013-2015 appropriation** was based upon an FMAP of 52.27% for July 2013 thru September 2013 and an FMAP of 50% for the remaining 21 months. The FMAP rates used for preparation of the **2015-2017 biennium** are as follows:

- FFY 2015 (July 2015 – September 2015) 50.00% Final
- FFY 2016 50.00% Final
- FFY 2017 50.00% Estimated

The areas affected by FMAP are:

Traditional Medical Grants	$1.1
LTC Grants	1.2
Developmental Disability Grants	1.0
Foster Care and Adoption Grants	0.1
Institutions	0.1
Human Service Centers	0.1
Total	$3.6

$2.2 million – increase for child care efforts to provide an enhancement to child care provider rates within the Child Care Assistance Program to assist in addressing the child care workforce throughout the state ($2.0 million) and an increase in efforts to address new federal child care laws ($.2 million).

$1.9 million – increase to rebase the Medicaid ambulance rates to 80% of the 2014 Workforce Safety and Insurance rates. Future rate increases would be provided based on legislatively-authorized increases.

$1.5 million – increase in funding for other capacity issues, enhancements and provider requests included in the Executive Budget to:

- Provide post adoption services to families to maintain placements and permanency ($.2 million);
- Support for veterans by developing training materials and a website for ND Cares collaboration ($.1 million);
- Support an increase in child welfare needs ($.4 million);
- Support the increase in case management needed due to an increase in the number of individuals served within the Developmental Disabilities system ($.3 million); and
- Support services provided by the Centers of Independent Living ($.5 million)

$.6 million – increase to rebase the Minimum Monthly Maintenance Needs Allowance for community spouses whose spouse is Medicaid eligible and residing in a nursing facility.

$.4 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.

($15.8) million – decrease in one-time funding for the following: extraordinary repairs, and one time capital projects ($.3 million); the MMIS Health Enterprise System Projects ($3.4 million); the Eligibility Systems Modernization Project ($8.1 million); the Field Services Electronic Health Records Project ($2.5 million); the Mainframe Migration Project ($.1 million); the Energy Impact Funding and internship programs ($1.1 million); and a grant to Ramsey County ($.3 million).

The remaining **$.7 million** or .3% 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 B is a one page presentation of our $3.65 billion budget.

Attachment C is a breakdown of "Where the Money Goes" in the Executive Budget. 67% of the budget is medical assistance grants which is the portion that is similar to insurance coverage; 9% of the budget is for the delivery of healthcare via the institutions and human service centers; 16% is for direct client services; 5% is for the Department's administrative costs; and the remaining 3% is for system maintenance and capital projects.

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

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.

Attachment G is a summary of the Department's efforts to meet the Behavioral Health Needs in western North Dakota.

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