

**Department of Human Services
Budget No. 325
House Bill Nos. 1012, 1015, 1038, 1040, and 1041; Senate Bill Nos. 2015 and 2206**

	FTE Positions	General Fund	Other Funds	Total
2017-19 legislative appropriation	2,162.23	\$1,339,231,350 ¹	\$2,573,880,782	\$3,913,112,132
2015-17 legislative appropriation	<u>2,211.08</u>	<u>1,281,634,198²</u>	<u>2,264,456,973²</u>	<u>3,546,091,171²</u>
2017-19 appropriation increase (decrease) to 2015-17 appropriation	(48.85)	\$57,597,152	\$309,423,809	\$367,020,961

¹This amount includes \$26,150,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$1,313,081,350.

²Includes 2015-17 biennium deficiency appropriations. Section 11 of 2017 House Bill No. 1012 provided a deficiency appropriation of \$9 million from federal funds and Section 1 of 2017 House Bill No. 1024 provided a deficiency appropriation of \$9 million from the strategic investment and improvements fund for the 2015-17 biennium. Section 12 of House Bill No. 1012 provided a deficiency appropriation of \$834,020, including \$417,010 from the general fund, and Section 13 of House Bill No. 1012 provided a deficiency appropriation of \$200,000 from the general fund for the 2015-17 biennium.

Item Description

FTE changes - The Legislative Assembly reduced 48.85 FTE positions, for a total of 2,162.23 FTE positions during the 2015-17 biennium. The following FTE position adjustments were made by the Legislative Assembly:

- Added 6 FTE positions to implement a community behavioral health program.
- Added 1 FTE position to administer tribal health care agreements.
- Added 1 FTE position for specialized services for individuals with developmental disabilities.
- Removed 56.85 FTE positions, of which 23.85 FTE positions related to base payroll adjustments and 33 FTE positions related to departmentwide reductions.

One-time funding - In 2017 House Bill Nos. 1012 and 1040 and Senate Bill No. 2206, the Legislative Assembly appropriated one-time funding to the Department of Human Services (DHS) for the 2017-19 biennium as follows:

Description	General Fund	Other Funds	Total
Medicaid Expansion - Fee schedule enhancement		\$226,000,000	\$226,000,000
County social services pilot program	\$26,000,000	134,700,000	160,700,000
Child care licensing and data system		3,000,000	3,000,000
Health information network and care coordination		40,800,000	40,800,000
Children's prevention and early intervention behavioral health services pilot project	150,000		150,000
Total	\$26,150,000	\$404,500,000	\$430,650,000

Status/Result

The following are the status of the FTE position changes:

- Community behavioral health program positions - The positions have been filled as part of the free through recovery program. Five of the FTE positions were classified as human services program administrator III positions and one FTE position was classified as a human services program administrator IV position.
- Tribal health agreement administrator position - The position was filled in September 2017.
- Services for individuals with developmental disabilities position - The position was filled in December 2017.
- Reduction of positions in base budget and departmentwide reductions - Positions have been removed in various department divisions.

The following is the status of the one-time funding items:

- Medicaid Expansion fee schedule enhancement - The department anticipates spending all funding to maintain the Medicaid Expansion fee schedule at commercial rates. The department reviews the rates and program enrollment every 6 months to ensure the enhanced fee schedule is maintained within budgeted amounts.
- County social services pilot program - Senate Bill No. 2206 provides for DHS to administer a pilot program for the state to pay certain county social services costs. Through May 2018 DHS has distributed \$78.3 million of funding appropriated for the pilot program. The department anticipates spending approximately \$157 million for the pilot program during the 2017-19 biennium. Senate Bill No. 2206 also provides for DHS to study the pilot program and develop recommendations for a permanent system for the state to pay costs of social services programs. The department began the

study and is using four teams to review service needs and provide recommendations--children and family services, economic assistance eligibility, adults (aging and developmental disabilities), and administrative. The teams include representation from various stakeholder groups, including counties. The committees will develop recommendations for the redesign of the social services system. The recommendations will be provided to the Legislative Assembly for its consideration.

- Child care licensing and data system - A statewide child care licensing system committee was formed to develop a request for information on child care licensing management systems currently available and options to procure a system to meet the needs of the state. Responses to the request for information were received in February 2018 and are being evaluated. The department anticipates a request for proposal for the project will be issued by July 2018.
- Health information network and care coordination - The Health Information Technology Office has entered contracts with Orion Health, HealthTech Solutions, and CedarBridge Group for the project. The Centers for Medicare and Medicaid Services is reviewing the contracts and the project will begin when the contracts are approved. The project will establish health information network infrastructure, provide medication information and registry connections, and allow for administrative process automation and simplification.
- Children's prevention and early intervention behavioral health services pilot project - The department is consulting with other stakeholders to develop a pilot program to increase school-based behavioral health services.

Federal medical assistance percentage - The Legislative Assembly anticipated the following federal medical assistance percentages (FMAP) in developing DHS's 2017-19 biennium budget:

Federal Fiscal Year	North Dakota's FMAP	North Dakota's Enhanced FMAP
2011	60.35% (fourth quarter)	69.95% (first quarter) 66.95% (second quarter) 64.95% (third quarter)
2012	55.40% (actual)	N/A
2013	52.27% (actual)	N/A
2014	50.00% (actual)	N/A
2015	50.00% (actual)	N/A
2016	50.00% (estimate)	N/A
2017	50.00% (estimate)	N/A
2018	50.00% (estimate)	N/A
2019	50.00% (estimate)	N/A

Actual FMAPs are:

Federal Fiscal Year	North Dakota's FMAP	North Dakota's Enhanced FMAP
2011	60.35% (fourth quarter)	69.95% (first quarter) 66.95% (second quarter) 64.95% (third quarter)
2012	55.40% (actual)	N/A
2013	52.27% (actual)	N/A
2014	50.00% (actual)	N/A
2015	50.00% (actual)	N/A
2016	50.00% (actual)	N/A
2017	50.00% (actual)	N/A

The FMAP determines the state and federal share of Medicaid, foster care, and other program costs within DHS.

Medical services grants - The Legislative Assembly appropriated \$1,299,345,142 for medical services grants for the 2017-19 biennium, of which \$236,679,076 is from the general fund, \$945,336,793 is from federal funds, and \$117,329,273 is from other funds.

Through March 2018 DHS has spent a total of \$431,324,753, of which \$95,151,945 is from the general fund, for medical services grants. The department anticipates spending \$1,315,765,744 for medical services grants for the 2017-19 biennium, which is \$16,420,602 more than estimated.

The schedule below compares budgeted to actual costs for selected medical services grants through March 2018:

	Program Spending Through March 2018		
	Budget ¹	Actual	Variance
Inpatient hospital	\$58,683,106	\$54,066,058	\$4,617,048
Outpatient hospital	\$29,030,728	\$30,346,627	(\$1,315,899)
Physician services	\$28,873,734	\$29,705,198	(\$831,464)
Drugs	\$16,838,781	\$7,191,601	\$9,647,180
Dental services	\$10,227,032	\$9,557,227	\$669,805

¹The amounts shown do not reflect estimated overall medical services grants under funding of \$9.2 million.

Medical services grants also include Medicaid Expansion and the children's health insurance program (CHIP). Please see below for detail regarding these programs.

The Department of Human Services has spent a total of \$225,850,393, of which \$18,426,655 is from the general fund, for Medicaid Expansion through March 2018. The department anticipates spending a total of \$632,562,769 for Medicaid Expansion for the 2017-19 biennium.

Medicaid Expansion - The Legislative Assembly appropriated \$633,252,458, of which \$33,109,603 is from the general fund and \$13,300,000 is from the tobacco prevention and control trust fund, to continue the Medicaid Expansion program during the 2017-19 biennium. Part of the funding is to offset a reduction in federal funding as a result of the decrease in the federal matching percentage for the program. The schedule below presents the reduction in federal matching for Medicaid Expansion:

Federal Fiscal Year	Percentage of Medicaid Expansion Paid by Federal Government
2016	100%
2017	95%
2018	94%
2019	93%
After 2019	90%

Healthy Steps program - The Legislative Assembly appropriated \$15,582,977, of which \$1,870,086 is from the general fund, for the Healthy Steps program (children's health insurance program) for the 2017-19 biennium.

The Department of Human Services has spent a total of \$5,464,228, of which \$682,970 is from the general fund, for the Healthy Steps program through March 2018. As of March 2018 DHS reported 2,053 premiums were paid for the children enrolled in the program. The department anticipates spending \$15,618,426, or \$35,449 more than estimated, on the program during the 2017-19 biennium.

The state reached the FMAP minimum for CHIP of 65 percent on October 1, 2013, and continued until September 30, 2015. Provisions in the federal Affordable Care Act allowed the state to be eligible for an additional 23 percent federal match

increase, therefore, the FMAP for CHIP is currently 88 percent. The 23 percent FMAP adjustment for CHIP will continue through federal fiscal year 2019. Beginning in federal fiscal year 2020, the FMAP adjustment percentage will be decreased to 11.5 percent. After federal fiscal year 2020, the matching rate will be returned to regular CHIP FMAP levels.

"Clawback" payments - The 2017 Legislative Assembly appropriated \$40,361,496, of which \$39,017,496 is from the general fund and \$1,344,000 is from estate collections for Medicare Part D "clawback" payments.

Temporary assistance for needy families - The Legislative Assembly appropriated \$8,273,556 for the temporary assistance for needy families program for the 2017-19 biennium.

Long-term care - The Legislative Assembly appropriated \$693,467,835 for long-term care services for the 2017-19 biennium, of which \$353,227,477 is from the general fund, \$334,447,824 is from federal funds, and \$5,792,534 is from other funds.

Through March 2018 DHS has spent a total of \$11,997,965 for Medicare Part D clawback payments. The department anticipates spending a total of \$36.6 million for clawback payments during the 2017-19 biennium which is \$3.8 million less than estimated. The decrease in estimated costs is a result of the actual average cost per person per month being less than budgeted. The primary reason for the decrease in per person costs is a decline in Hepatitis C prescriptions.

As of March 2018 DHS anticipates spending \$7,374,677 for the 2017-19 biennium, which is \$898,879 less than estimated. The schedule below compares budgeted to actual cases and costs for the program through March 2018:

	Temporary Assistance for Needy Families		
	Budget	Actual	Variance
Cases per month	1,207	1,109	98
Average cost per case	\$286	\$278	\$8
Total program spending	\$3,102,979	\$2,776,547	\$326,432

As of March 2018 DHS anticipates spending \$661,715,503 for long-term care services during the 2017-19 biennium which is \$31.8 million less than estimated.

The following schedules compare budgeted to actual cases and costs for long-term care programs through March 2018:

	Nursing Homes		
	Budget	Actual	Variance
Bed days per month	95,485	94,929	556
Cost per unit	\$242	\$229	\$13
Total program spending	\$184,682,963	\$173,632,519	\$11,050,444

	Basic Care		
	Budget	Actual	Variance
Bed days per month	19,373	20,956	(1,583)
Cost per unit	\$85	\$85	\$0
Total program spending	\$13,241,292	\$14,220,375	(\$979,083)

	Home- and Community-Based Services		
	Budget	Actual	Variance
Monthly average number of persons receiving service	2,975	2,732	243
Monthly average cost per person	\$1,243	\$1,297	(\$54)
Total program spending	\$29,575,247	\$28,344,575	\$1,230,672

Developmental disabilities - The Legislative Assembly appropriated \$590,191,534 for development disability grants for the 2017-19 biennium. Of this amount, \$289,575,165 is from the general fund. The Legislative Assembly also appropriated \$9,339,728 to enhance developmental disabilities funding for various critical needs provided to children and adults with disabilities.

Through March 2018 DHS spent \$183,154,341 for developmental disabilities grants during the 2017-19 biennium which is \$8 million less than estimated. The department anticipates spending \$582,728,808 for developmental disabilities grants for the 2017-19 biennium, which is \$7,462,726 less than estimated.

The following schedules compare budget to actual persons served and costs for selected developmental disability programs through March 2018:

	Intermediate Care Facility for Intellectually Disabled		
	Budget	Actual	Variance
Monthly average number of persons receiving service	461	422	39
Monthly average cost per person	\$16,322	\$15,286	\$1,036
Total program spending	\$60,178,362	\$51,622,211	\$8,556,151

	Day Supports		
	Budget	Actual	Variance
Monthly average number of persons receiving service	1,406	1,280	126
Monthly average cost per person	\$3,207	\$3,278	(\$71)
Total program spending	\$36,076,890	\$33,571,343	\$2,505,547

	Independent Supported Living Arrangement		
	Budget	Actual	Variance
Monthly average number of persons receiving service	963	922	41
Monthly average cost per person	\$5,997	\$6,128	(\$131)
Total program spending	\$46,203,591	\$45,220,532	\$983,059

Community behavioral health plan - In Section 4 of 2017 Senate Bill No. 2015, the Legislative Assembly appropriated \$7 million and authorized 6 FTE positions for the community behavioral health program in DHS. The source of funds is special funds received from the Department of Corrections and Rehabilitation (DOCR). In Section 9 of Senate Bill No. 2015, the Legislative Assembly provided for DOCR, in collaboration with DHS, to develop a community behavioral health plan as a term of parole or an alternative to incarceration. The Department of Corrections and Rehabilitation was also appropriated 1 FTE position for the community behavioral health program.

The Department of Human Services and DOCR launched the free through recovery program in January 2018. The mission of the program is to improve health care outcomes and reduce recidivism by delivering behavioral health services through community providers with proper supervision. Eligible program participants include individuals at least 18 years of age that are involved in the criminal justice system and have symptoms of a behavioral health condition.

From January 10, 2018, through April 18, 2018, there were 328 referrals to the program which resulted in 289 participants. Program providers began documenting the following outcome metrics:

- Is the participant living in a residence that is supportive of their recovery;
- Is the participant actively seeking or participating in employment;

- Is the participant demonstrating effort to reduce their substance use or the harm associated with their use or improving their mental health functioning; and
- Did the participant avoid law enforcement involvement resulting in arrest, criminal charges, or probation violations?

In March 2018, 78 percent of program participants achieved at least three of the four outcome measurements while 22 percent of program participants achieved less than three of the measurement outcomes.

The majority of program referrals are from parole and probation officers. Parole and probation officers validate outcome reports submitted by program providers.

The Department of Human Services implemented the Medicaid management information system in October 2015. A total of \$9,918,360 of project funding, of which \$996,664 is from the general fund, was continued into the 2017-19 biennium. Maintenance and support costs of the new system are approximately \$1 million per month.

Phase 1 of the project was completed in February 2016, and included the implementation of the Medicaid and CHIP eligibility determination for individuals under the federal Affordable Care Act. Phase 2 of the project, which is anticipated to be completed by March 2019, includes Medicaid eligibility determination for individuals who are aged, blind, or disabled, as well as eligibility determination for the supplemental nutrition assistance program, temporary assistance for needy families, and the child care assistance program. Phases 3 and 4 of the project will implement eligibility systems for the traditional Medicaid program and the low-income home energy assistance program.

Through April 2018 DHS has spent \$23 million of general fund appropriations and \$87 million of federal funds on the project.

The autism spectrum disorder voucher program began on July 1, 2014, to assist in funding equipment and general educational needs for individuals with incomes below 200 percent of the federal poverty level from ages 3 to 18 years old who have been diagnosed with autism spectrum disorder. The voucher may not exceed \$12,500 for a fiscal year and any unused funds are returned to the program. Since the program began, 126 children have participated in the program.

During state fiscal year 2017, 50 children were served with an average expenditure of \$4,398 per child. Items purchased for eligible children include electronic tablets, swimming lessons, activity center memberships, tutoring, and stress-relieving and safety-related items. As of October 2017 there were 53 voucher slots available and DHS received applications from 63 individuals.

Medicaid management information system replacement project - Exemption - Section 5 of House Bill No. 1012 provides for a continuation of previous legislative appropriations for the Medicaid management information system replacement project into the 2017-19 biennium.

Eligibility systems project - The Legislative Assembly, during the 2011 regular legislative session, provided funding of \$250,000, of which \$25,000 was from the general fund, for costs associated with planning for the replacement of DHS's eligibility systems. The Legislative Assembly, during the 2011 special legislative session, provided one-time funding of \$42,617,925, of which \$8,736,675 was from the general fund, and 1 FTE business analyst position for completing the replacement of DHS's eligibility systems. In addition, the 2015 Legislative Assembly, in Senate Bill No. 2177, appropriated \$60,872,269, of which \$14,012,167 is from the general fund for the eligibility system computer project.

Autism spectrum disorder program pilot project - North Dakota Century Code Section 50-06-32.1 requires DHS to establish a voucher program pilot project beginning July 1, 2014. The program is to assist in funding equipment and general educational needs related to autism spectrum disorder for individuals below 200 percent of the federal poverty level from age 3 to under age 18 who have been diagnosed with autism spectrum disorder. In addition, DHS is required to adopt rules addressing management of the voucher program pilot project and to establish eligibility requirements and exclusions for the voucher program pilot project

Developmental disability Medicaid waiver study - Section 2 of 2017 Senate Bill No. 2041 requires DHS to study the current eligibility requirements for the developmental disability Medicaid waiver. The study is to include an analysis of whether the current developmental disability waiver eligibility determination protocol uses age-appropriate assessment methods, uses assessment tools reliable and valid in nature for level of need determinations, and utilizes assessment information that may already be available in an individual's record. The study is also to include an evaluation of the feasibility and desirability of including in the eligibility determination consideration of related conditions and the possible use of certain medical conditions, such as Down syndrome.

Medicaid fraud control unit study - Section 1 of 2017 House Bill No. 1226 requires DHS, with the cooperation of the Governor and Attorney General, to study the feasibility and desirability of establishing a Medicaid fraud control unit. The primary function of a Medicaid fraud control unit is to investigate provider fraud, including billing for services not performed, billing for a more expensive process, billing twice for the same service, and billing for services that should be combined into one billing. A fraud control unit can also investigate nursing home neglect and abuse complaints and theft of nursing home resident personal funds.

Care coordination agreements - Section 18 of House Bill No. 1012 provides legislative intent that DHS establish requisite agreements with tribal health care organizations that will result in 100 percent federal funding for eligible medical assistance provided to American Indians through care coordination agreements.

Lifespan respite program - House Bill No. 1038 (2017) appropriated \$200,000 of federal funds to DHS for administering a lifespan respite care program.

Substance use disorder voucher program - In 2015 Senate Bill No. 2048, the Legislative Assembly appropriated funding to DHS to establish and administer a voucher system to address underserved areas and gaps in the state's substance abuse treatment system. House Bill No. 1136 (2017) created a new section in Chapter 50-06 to continue the substance use disorder voucher program.

The 2017 Legislative Assembly appropriated \$2,779,159, of which \$1 million is from the general fund and \$1,779,159 is from the tobacco prevention and control trust fund, for the substance use disorder voucher program during the 2017-19 biennium.

As part of the study, DHS requested technical assistance from the Centers for Medicare and Medicaid Services home- and community-based services technical assistance project. The goals of receiving the assistance were to conduct a comprehensive review of the state's existing Medicaid waiver programs to identify potential options for eligibility for individuals without an intellectual or developmental disability, to provide DHS with strategies to improve and maintain consistency in the application of criteria, to assist DHS in identifying strategies to address gaps in service, to provide technical assistance relating to mitigating conflict of interest in case management structures, and to provide information and strategies related to person-centered practices and planning. The department received several recommendations which it is reviewing and determining an implementation plan.

A Medicaid fraud control unit study workgroup was formed to review options to establish a fraud control unit in the state. The workgroup reviewed Medicaid fraud control units operated by the states of Montana, South Dakota, and Wyoming.

Based on the review of other states, the workgroup recommended a fraud control unit of seven to nine staff members be established. The estimated cost of the unit ranges from \$1.7 million to \$2.2 million per year. The fraud control unit would be funded 90 percent from federal funds the first 3 years after being established and would be funded 75 percent from federal funds after 3 years.

The department has coordinated meetings with federal Indian Health Service and private providers to develop care coordination agreements. Initial efforts focused on agreements with the Standing Rock Service Unit, which were implemented in March 2018. Department staff have been meeting with other tribal representatives in the state to develop additional care coordination agreements.

In September 2017 DHS was awarded a \$200,000 lifespan respite grant from the United States Department of Health and Human Services Administration for Community Living. The department's Aging Services Division will administer the grant program in partnership with the North Dakota Respite Care Coalition and AARP. Grant funds are anticipated to be used to increase awareness of existing respite care and resources, to develop a voucher program for emergency respite care, and to support training for caregivers.

From July 2017 through April 2018 there were 946 voucher applications received. Of the total, 913 were approved, 14 were pending, 3 were denied, and 16 were withdrawn. Through March 2018 DHS has spent a total of \$1,342,435 for the voucher program. The department anticipates spending all the funds by the end of the biennium.