

**Department of Human Services
Budget 325
House Bill Nos. 1012, 1015, 1196, 1472, Senate Bill No. 2308**

	FTE Positions	General Fund	Other Funds	Total
2001-03 legislative appropriation	2,238.57	\$369,683,875	\$1,031,121,972	\$1,400,805,847
1999-2001 legislative appropriation	2,286.05	348,505,717	882,492,667	1,230,998,384
2001-03 appropriation increase (decrease) to 1999-2001 appropriation	(47.48)	\$21,178,158	\$148,629,305	\$169,807,463

NOTE: The 2001-03 appropriation amounts include \$1,643,726, \$1,232,515 of which is from the general fund, for the agency's share of the \$5,000,000 funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Management

	FTE Positions	General Fund	Other Funds	Total
2001-03 legislative appropriation	122.80	\$18,133,095	\$39,773,184	\$57,906,279 ¹

¹ The 2001-03 appropriation amounts include \$80,401, \$77,746 of which is from the general fund, for this division's share of the department's allocation of \$1,643,726 for special market equity adjustments for classified employees.

Item Description

Anticipated salary savings - Departmentwide salaries and wages were reduced by \$1,195,013 from the general fund to recognize anticipated savings from vacant employee positions and employee turnover.

"Retained funds" - The 2001 Legislative Assembly anticipated the department collecting \$31,940,419 of "retained funds" during the 2001-03 biennium. "Retained funds" are federal funds received by the state for administrative costs incurred by counties that the state retains pursuant to the "swap" agreement with the counties.

HIPAA - The 2001 Legislative Assembly provided \$8,055,347, of which \$3,000,000 is from the health care trust fund and \$5,055,347 is from federal funds, for the Health Insurance Portability and Accountability Act (HIPAA) and other technology projects.

Sharing of workstations - The 2001 Legislative Assembly provided legislative intent that the department consider requiring employees to share workstations during the 2001-03 biennium.

Telephone cost savings - The 2001 Legislative Assembly provided legislative intent that the department consider distributing prepaid telephone calling cards to its employees for use when making allowable long-distance personal telephone calls when traveling on official state business for the 2001-03 biennium.

Status/Result

The department anticipates generating adequate general fund salary savings to provide for this budget reduction through employee turnover and by delaying filling certain vacant positions.

The department projects collecting the budgeted amount of "retained funds" during the 2001-03 biennium.

The HIPAA project is proceeding on schedule. Through January 2002, the department has spent \$1.4 million of the \$8.1 million appropriation. The majority of the costs will be incurred during the second year of the biennium.

Select employees at the State Hospital and Developmental Center are sharing workstations. The department is exploring the possibilities of employees at the human service centers sharing workstations.

The department explored the possibility of distributing prepaid telephone calling cards to employees but determined that the costs of monitoring the use of the cards and allocating the cost of each card to various cost centers based on usage would be too high for the benefit gained. The department

has pooled its cellular phones for employees to use as needed rather than assigning cellular phones to individuals.

The department has increased its use of e-mail and electronic reporting. Examples include providing the *At a Glance* report on the department's web site and e-mailing it to interested individuals and encouraging employees to use the on-line travel voucher and surplus property form. The department's food stamp caseload report is now being e-mailed to the counties and the department is exploring the possibility of developing a consolidated billing which could be e-mailed to the counties for their share of the various services provided by the department.

Printing cost savings - The 2001 Legislative Assembly provided legislative intent that the department consider expanding its use of e-mail for distributing information to reduce printing costs for the 2001-03 biennium.

Economic Assistance

	FTE Positions	General Fund	Other Funds	Total
2001-03 legislative appropriation	136.80	\$224,600,597	\$755,618,685	\$980,219,282 ¹

¹ The 2001-03 appropriation amounts include \$121,374, \$47,433 of which is from the general fund, for this division's share of the department's allocation \$1,643,726 for special market equity adjustments for classified employees.

Item Description

TANF - The 2001 Legislative Assembly appropriated \$25.6 million, of which \$4 million is from the general fund, \$11.1 million of federal funds, and \$10.5 million of other funds, for the temporary assistance for needy families (TANF) program for the 2001-03 biennium.

Status/Result

Through February 2002, the department has spent \$9.4 million for TANF benefits, \$1.3 million more than the \$8.1 million estimate made during the legislative session. For the biennium, the department projects that actual expenditures may exceed the funds appropriated by \$3.8 million. As a result, the department may seek Emergency Commission and Budget Section approval to spend additional federal TANF block grant funds for this program. If approved, the federal TANF block grant funds that were anticipated to be carried forward to the 2003-05 biennium would be reduced by \$3.8 million, from \$8.9 million to \$5.1 million.

Medicaid - The 2001 Legislative Assembly appropriated \$584.3 million, of which \$151.7 million is from the general fund, for the medical assistance program for the 2001-03 biennium. These amounts exclude funding relating to the intergovernmental transfer program, developmental disabilities grants, and Healthy Steps.

Actual expenditures through February 2002 for the medical assistance program, excluding the intergovernmental transfer program, developmental disabilities grants, and Healthy Steps, totaled \$167,200,000, of which \$47,600,000 is from the general fund.

Included in the actual expenditures are \$1,100,000 of payments made for costs incurred during the 1999-2001 biennium; \$300,000 of the \$1,100,000 is from the general fund. These amounts were charged to the 2001-03 biennium appropriation because inadequate appropriation authority remained in the medical assistance grants line item to charge these payments to the 1999-2001 biennium.

For the 2001-03 biennium, the department is projecting a general fund shortfall in the medical assistance program of \$14.8 million. The projected shortfall is the result of the 1.51 percent reduction in the state's federal medical assistance percentage for the last nine months of the biennium and projected costs in a number of medical assistance categories exceeding the

Intergovernmental transfer program - The 2001 Legislative Assembly anticipated two intergovernmental transfer payments being made during the 2001-03 biennium totaling \$38,750,000. From these payments, an estimated \$26,896,590 would be deposited in the health care trust fund.

Healthy Steps - The 2001 Legislative Assembly appropriated \$8,917,719, of which \$1,886,714 is from the general fund, for the children's health insurance program (Healthy Steps) for the 2001-03 biennium. This level of funding was anticipated to serve 2,885 children at the beginning of the biennium and up to 2,995 by the end of the biennium.

Removal of Medicaid asset test - 2001 House Bill No. 1441, approved by the Legislative Assembly, removes the asset test requirement for children and families coverage groups and pregnant women for Medicaid eligibility. The bill provides that the removal of the asset test becomes effective when the state plan amendment is approved, but not before January 1, 2002, and is effective through June 30, 2003.

Developmental disabilities grants - The 2001 Legislative Assembly appropriated \$164.2 million, of which \$53.7 million is from the general fund, for developmental disabilities grants for the 2001-03 biennium.

Basic care assistance - The 2001 Legislative Assembly appropriated \$8,864,258, of which \$382,080 is from the health care trust fund, \$2,400,992 is from "retained funds," and \$6,081,186 is from federal funds, for basic care assistance grants for the 2001-03 biennium.

FMAP - The federal medical assistance percentage (FMAP) was anticipated in the department's 2001-03 biennium budget to be:

- 69.99 percent in federal fiscal year ending September 30, 2001.
- 69.87 percent in federal fiscal year ending September 30, 2002.
- 69.87 percent in federal fiscal year ending September 30, 2003.

Targeted case management - House Bill No. 1117, approved by the 2001

estimates made during the legislative session, including drugs, inpatient hospital, outpatient hospital, and physician services.

The department made the July 2001 intergovernmental transfer payment which totaled \$22.1 million. As a result of this payment, \$15,400,000 was deposited in the health care trust fund, \$256,000 more than estimated.

Due to the removal of the Medicaid asset test for children and families coverage groups, as approved by the 2001 Legislative Assembly in House Bill No. 1441, the department anticipates that up to 960 children will be covered by Medicaid rather than Healthy Steps during the 2001-03 biennium. As a result, the department transferred \$1,675,715 from the Healthy Steps program to the Medicaid program to provide for the change in coverage for these children. Through February 2002, the department has spent \$2,300,000, of which \$500,000 is from the general fund for the Healthy Steps program, \$100,000 less than the \$2,400,000 budgeted. For the biennium, the department projects expenditures on Healthy Steps to be \$100,000 less than appropriated.

The asset test requirement for children and families coverage groups and pregnant women was removed for Medicaid eligibility effective January 1, 2002. Due to this change, the department anticipates that up to 960 children will be covered by Medicaid rather than Healthy Steps during the 2001-03 biennium. As a result, the department transferred \$1,675,715 from the Healthy Steps program to the Medicaid program to provide for the change in coverage for these children.

Through February 2002, a total of \$46,800,000 has been spent for developmental disabilities grants, \$200,000 less than the \$47,000,000 projection.

Through February 2002, basic care assistance expenditures have totaled \$2,521,000, \$63,000 less than estimated expenditures of \$2,584,000.

The FMAP was the same as the department's projection for federal fiscal years 2001 and 2002; however, for federal fiscal year 2003, the FMAP will be 68.36 percent, 1.51 percent less than anticipated. This will result in the state needing to pay a greater percentage of the cost of a number of programs, including medical assistance, foster care, subsidized adoption, developmental disabilities, and various programs of the Developmental Center and human service centers. The estimated additional general fund cost for the final nine months of the biennium (October 2002-June 2003) is \$6 million.

Targeted case management services were implemented on July 1, 2001;

Legislative Assembly, establishes targeted case management services for eligible elderly and disabled individuals who are at risk of requiring long-term care services.

Children's special health services - Senate Bill No. 2239, approved by the 2001 Legislative Assembly, transfers responsibility for phenylketonuria (PKU) treatment services from the State Department of Health to the Department of Human Services.

Medical services utilization review - The 2001 Legislative Assembly provided legislative intent that the department enhance the effectiveness of its utilization review efforts in the medical services program during the 2001-03 biennium.

Critical access hospitals - The 2001 Legislative Assembly provided legislative intent that the department implement a charge-based payment schedule for critical access hospitals for the 2001-03 biennium.

Personal care option - House Bill No. 1115, approved by the 2001 Legislative Assembly, authorizes the department to implement a personal care option benefit program for qualified individuals residing in basic care facilities. The Legislative Assembly anticipated that this program would access an estimated \$5,609,666 of federal Medicaid funds for the 2001-03 biennium.

however, computer system changes to make payments and claim federal funds are still underway. The estimated cost of the computer system changes is \$28,000. When completed, county social service boards will receive retroactive payments for the services provided after July 1, 2001.

The PKU program has been transferred from the State Department of Health to the Department of Human Services. Since August 1, 2001, the Department of Human Services has provided the metabolic food to 23 individuals at a cost of \$38,521.

The department's utilization review efforts include:

- Reviewing inpatient hospital claims to ensure that hospitals are coding and billing appropriately.
- Requiring certain recipients to receive permission from their designated physician before payment will be authorized for the service.
- Involving the Drug Utilization Review Board in changing the prescribing practices of physicians, ensuring that prescribed drugs are used only for approved conditions, instituting a disease state management process for certain conditions for ensuring patients are receiving and utilizing drugs appropriate for their medical condition, and performing onsite visits to ensure compliance with program requirements.
- Implementing onsite visits to nursing facilities to ensure that residents are properly classified.
- Performing prospective review for certain services, including nonemergency out-of-state services, durable medical equipment, etc.
- Reviewing payments made for indication of fraud or abuse activities.
- Reviewing selected claims to ensure services were medically necessary.
- Instituting a process of ensuring that residential treatment center and psychiatric hospital placements and discharges are made when appropriate.

The department, with the assistance of the North Dakota Health Care Association, is in the process of developing a system of increasing the amount of Medicaid payments made to smaller critical care access hospitals within the department's appropriation. The system would not be a charged-based system but would increase base rates for these hospitals compared to those paid to larger facilities. Because additional funding was not provided for this purpose, a redistribution of the funds available will result.

The department has been claiming federal funds for personal care services provided in basic care facilities since February 2001. The department has been manually calculating the amounts that are eligible for federal Medicaid matching funds. Computer system changes are being made to automatically calculate the federal share. The estimated cost of the computer system changes is \$26,000.

Nursing facility loans - The 2001 Legislative Assembly appropriated \$12,000,000 from the health care trust fund for nursing facility loans for the 2001-03 biennium, \$4,960,000 for loans committed but not paid during the 1999-2001 biennium and \$7,040,000 for new nursing facility renovation project loans.

Nursing facility bed reduction incentive program - The 2001 Legislative Assembly appropriated \$4 million from the health care trust fund for providing incentives to nursing facilities to reduce licensed beds. The department was authorized to pay incentives of up to:

- \$15,000 per bed if a facility eliminates its entire licensed bed capacity.
- \$12,000 per bed if a facility reduces at least eight beds.
- \$8,000 per bed if a facility reduces fewer than eight beds.

Long-term care needs study - An appropriation of \$241,006 from the health care trust fund was provided for the department to conduct a long-term care needs assessment and nursing facility payment system study.

Health care trust fund investment income - The State Investment Board is responsible for investing the moneys in the health care trust fund. The 2001 Legislative Assembly estimated investment income of \$6,758,207 to the fund for the 2001-03 biennium.

Long-term care and basic care bed transfers - The 2001 Legislative Assembly authorized, not more than once in a 12-month period, a nursing facility to convert licensed nursing facility bed capacity to basic care bed capacity and a basic care facility to convert basic care bed capacity that was licensed after July 2001 to nursing facility bed capacity. In addition, the Legislative Assembly authorized a municipality to transfer existing nursing facility or basic care bed capacity to a tribal reservation during the 2001-03 biennium only to the extent that the transferring facility reduces its licensed capacity by twice the number of beds transferred.

Program and Policy

	FTE Positions	General Fund	Other Funds	Total
2001-03 legislative appropriation	102.50	\$30,230,454	\$130,611,631	\$160,842,085

¹ The 2001-03 appropriation amounts include \$69,662, \$31,699 of which is from the general fund, for this division's share of the department's allocation of \$1,643,726 for special market equity adjustments for classified employees.

Through December 31, 2001, the department has provided \$701,477 for loans committed during the 1999-2001 biennium and \$996,041 for two loans committed during the 2001-03 biennium.

Through February 2002, the department has paid \$3,095,874 to nursing facilities to delicense 256 beds, an average of \$12,093 per bed. The department has outstanding payments of \$142,400 relating to the delicensure of an additional 14 beds. Appropriation authority of \$761,726 remains.

The department has contracted with the University of North Dakota and North Dakota State University for conducting the long-term care needs assessment at a cost of \$193,900 and has contracted with Myers and Stauffer for conducting the nursing facility payment system portion of the study at a cost of \$86,770. The department may access \$43,385 of federal funds for 50 percent of the cost of the nursing facility payment system portion of the study.

The State Investment Board has been given responsibility for investing the money in the health care trust fund. The department initially transferred \$53.5 million of funding for investment by the State Investment Board. Through December 2001, earnings on these funds totaled \$222,671. For the biennium, the department estimates earnings on the health care trust fund to total \$4 million, \$2.8 million less than the \$6.8 million estimate made during the 2001 legislative session.

Through March 2002, three nursing facilities have converted six beds each from skilled nursing to basic care.

Through March 2002, there have been no requests from municipalities to transfer existing nursing facility bed capacity to a tribal reservation.

Item Description

Status/Result

SPED - The 2001 Legislative Assembly appropriated \$13,415,595, of which \$5,835,142 is from the general fund and \$6,898,302 is from the health care trust fund for service payments for the elderly and disabled (SPED).

Expanded SPED - The 2001 Legislative Assembly appropriated \$1,203,280 from the general fund for the expanded service payments to the elderly and disabled (Expanded SPED) program.

Contingent funding for gambling services - The 2001 Legislative Assembly provided that \$50,000 of the \$150,000 appropriated for compulsive gambling services in House Bill No. 1012 may be spent only if the Mental Health Association in North Dakota receives at least \$220,000 of funding from Indian gaming sources for compulsive gambling services during the 2001-03 biennium.

Moratorium on the expansion of foster care facilities - House Bill No. 1415, approved by the 2001 Legislative Assembly, continues the moratorium on the expansion of residential treatment center or residential child care facility bed capacity through June 30, 2003, unless the department determines that a need exists for additional bed capacity.

Through February 2002, the department has spent \$4,200,000, which is \$400,000 more than the department's original estimate of \$3,800,000 made during the 2001 legislative session. Through February 2002, caseloads have averaged 1,435 clients per month, 93 clients per month more than the anticipated caseload of 1,342. Projected expenditures for the biennium are estimated to exceed the appropriated amount by \$1 million.

Through February 2002, the department has spent \$392,000, which is \$48,000 more than the department's original estimate of \$344,000 made during the 2001 legislative session. Through February, the number of clients has averaged 7 fewer per month than the 170 budgeted; however, the monthly cost per client of \$328 has exceeded the budgeted amount by \$50. Projected expenditures for the biennium are estimated to exceed the appropriated amount by \$92,000.

The department has not received certification from the Mental Health Association that it has received at least \$220,000 of funding from Indian gaming sources for compulsive gambling services during the 2001-03 biennium.

There has been no expansion of residential treatment center or residential child care facility bed capacity as of March 1, 2002.

Field Services

	FTE Positions	General Fund	Other Funds	Total
2001-03 legislative appropriation				
Northwest Human Service Center	60.68	\$4,108,915	\$4,086,144	\$8,195,059 ¹
North Central Human Service Center	116.85	8,507,970	5,804,705	14,312,675 ¹
Lake Region Human Service Center	68.00	4,579,754	3,608,774	8,188,528 ¹
Northeast Human Service Center	144.40	7,609,892	11,206,923	18,816,815 ¹
Southeast Human Service Center	188.75	9,227,485	11,136,624	20,364,109 ¹
South Central Human Service Center	89.00	5,730,427	5,471,587	11,202,014 ¹
West Central Human Service Center	140.15	8,280,431	10,467,854	18,748,285 ¹
Badlands Human Service Center	88.50	4,488,033	5,134,420	9,622,453 ¹
State Hospital	509.00	33,424,734	17,961,143	51,385,877 ²
Developmental Center	471.14	10,762,088	30,240,298	41,002,386 ³
Total Field Services	1,876.47	\$96,719,729	\$105,118,472	\$201,838,201

¹ The 2001-03 appropriation amounts include \$796,364, \$719,903 of which is from the general fund, for the human service centers' share of the department's allocation of \$1,643,726 for special market equity adjustments for classified employees.

² The 2001-03 State Hospital appropriation includes \$261,426 from the general fund for its share of the department's allocation of \$1,643,726 for special market equity adjustments for classified employees.

³ The 2001-03 Developmental Center appropriation includes \$314,499, \$94,308 of which is from the general fund, for its share of the department's allocation of \$1,643,726 for special market equity adjustments for classified employees.

Item Description

Adult protective services - The 2001 Legislative Assembly removed \$210,000 of general fund support from the human service centers for adult protective services.

Northeast Human Service Center general fund reduction - The 2001 Legislative Assembly reduced the general fund support for the center by \$175,000 and provided that any budget adjustments made as a result of this reduction be made to areas of the budget other than funding for contracts with private providers.

State Hospital DUI offender treatment - The 2001 Legislative Assembly appropriated \$2,139,284 of special funds to be received from the Department of Corrections and Rehabilitation for driving under the influence (DUI) offender treatment services provided to corrections inmates at the State Hospital.

State Hospital landfill - The 2001 Legislative Assembly authorized the State Hospital to close its landfill if funding becomes available within the hospital's 2001-03 biennium appropriation during the second year of the biennium.

State Hospital estimated income - The State Hospital projected collecting \$3.6 million from clients during the 2001-03 biennium.

Developmental Center - Traumatic brain injury (TBI) unit.

Status/Result

The department has utilized available federal carryover funds from the 1999-2001 biennium of \$80,000 and additional federal funds available from the federal Title III Older Americans Act of \$115,680 to provide \$195,680 for adult protective services at the human service centers.

The Northeast Human Service Center anticipates having adequate savings resulting from employee turnover, delaying filling vacant positions, and not filling certain temporary positions to provide for the \$175,000 general fund reduction.

Because the Department of Corrections and Rehabilitation was appropriated only \$1.6 million for these services, the amounts received by the Department of Corrections and Rehabilitation will provide only for the direct cost of these services. The State Hospital will need to generate savings in other areas to provide for the administrative costs associated with these services.

The estimated cost of closing the landfill is \$414,000. The State Hospital will attempt to generate the savings necessary to close the landfill during the second year of the biennium, but current estimates indicate that the funding needed will not be available.

The State Hospital anticipates collecting only \$1.5 million from its clients during the 2001-03 biennium, \$2.1 million less than projected. The lower collections result primarily from fewer patients than anticipated having insurance coverage. The State Hospital plans to delay filling vacant positions to reduce costs as a result of the revenue reduction.

In January 2002, the Developmental Center discontinued its operating TBI unit. The department determined the unit was not operating cost-effectively because of staffing requirements needed to maintain licensure as a skilled care unit for caring for these four individuals. The individuals were transferred into the general population of the Developmental Center. In February 2002, the department issued a request for proposal for the private sector to provide care for these individuals. Funding for their care is available through the Medicaid program.