

Department of Human Services

Budget 325

Senate Bill Nos. 2012, 2024, 2070, 2186, 2205, 2312, 2326; House Bill Nos. 1014, 1246, 1463

	FTE Positions	General Fund	Other Funds	Total
2007-09 legislative appropriation	2,223.38 ¹	\$593,916,230 ²	\$1,290,890,297	\$1,884,806,527
2005-07 legislative appropriation	<u>2,047.43</u>	<u>484,421,474</u>	<u>1,195,640,833</u>	<u>1,680,062,307</u>
2007-09 appropriation increase (decrease) to 2005-07 appropriation	175.95	\$109,494,756	\$95,249,464	\$204,744,220

¹The number of FTE positions for the Department of Human Services for the 2007-09 biennium has been adjusted by 12.60, from 2,210.78 to 2,223.38, to account for additional FTE positions transferred to the department from the counties for state administration of child support enforcement activities. The actual number of FTE positions transferred to the department was 135.2, 12.60 more than estimated during the 2007 legislative session.

²This amount includes \$11,887,264 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$582,028,966.

NOTE: The 2007-09 legislative appropriation amounts include \$2,759,109, of which \$1,953,442 is from the general fund, for the agency's share of the \$10 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Item Description

One-time funding - The Legislative Assembly identified \$11,887,264 from the general fund as one-time funding for the 2007-09 biennium. This amount relates to:

Medicaid management information system (MMIS) computer project	\$3,643,133
State Hospital sexual offender treatment addition	3,100,000
State Hospital capital improvements	3,062,757
State Hospital extraordinary repairs	1,153,500
Developmental Center capital improvements	300,000
Developmental Center extraordinary repairs	547,092
Developmental Center equipment	80,782
Total	\$11,887,264

This amount is not to be considered part of the agency's base budget for preparing the 2009-11 executive budget and the Department of Human Services is to report to the Appropriations Committees during the 2009 legislative session on the use of this funding.

Status/Result

The following is a summary of the status of the Department of Human Services' one-time funding:

MMIS computer project	See section below for information regarding the MMIS computer project.
State Hospital sexual offender treatment addition	The department is in the process of receiving bids for the construction of the State Hospital sexual offender treatment addition. The department anticipates the addition will be open by the end of the 2007-09 biennium.
State Hospital capital improvements	The department anticipates using all the funds for completing capital improvements at the State Hospital, including the electrical service replacement project - Phase 2 (\$2,498,757), the resurfacing of streets and parking lots (\$314,000), and a new lift station (\$250,000).
State Hospital extraordinary repairs	The department anticipates using all the funds for completing extraordinary repairs at the State Hospital during the 2007-09 biennium.
Developmental Center capital improvements	The department anticipates using all the funds for completing roof replacements on three buildings at the Developmental Center.
Developmental Center extraordinary repairs	The department anticipates using all the funds for completing extraordinary repairs at the Developmental Center during the 2007-09 biennium.
Developmental Center equipment	The department anticipates using all the funds for equipment purchases for the Developmental Center during the 2007-09 biennium.

Federal medical assistance percentage (FMAP) - The 2007 Legislative Assembly anticipated the following FMAPs in developing the Department of Human Services' 2007-09 biennium budget:

Federal Fiscal Year	North Dakota's FMAP Estimates
2007	64.72%
2008	63.75%
2009 (estimate)	64.08%

The FMAP determines the state and federal share of Medicaid, foster care, and other program costs within the department. The Legislative Assembly provided \$9.12 million of additional general fund support as a result of North Dakota's FMAP reductions projected for the 2007-09 biennium.

Medicaid management information system (MMIS) - The 2007 Legislative Assembly provided additional funding of \$31,072,641 to rewrite the MMIS computer application. Of the \$31,072,641, \$3,643,133 is state matching funds from the general fund. The 2005 Legislative Assembly appropriated \$29,188,859, of which \$3,667,820 was state matching funds from the permanent oil tax trust fund. Estimated total project costs include:

	State Match	Federal Funds	Total
2005-07 appropriation	\$3,667,820	\$25,521,039	\$29,188,859
2007-09 appropriation	3,643,133	27,429,508	31,072,641
Total	\$7,310,953	\$52,950,547	\$60,261,500

Child care transition assistance - The Legislative Assembly provided a special funds appropriation of \$2,897,370 for child care transition assistance. Of the \$2,897,370, \$1,491,210 was from federal TANF block grant funds appropriated in Senate Bill No. 2186 and \$1,406,160 is from other federal funds.

Early childhood care workforce development statewide system - Senate Bill No. 2186 provided the Department of Human Services a special funds appropriation of \$500,000 from federal TANF block grant funds to establish a statewide system of early childhood care workforce development.

Child support enforcement activities - The 2007 Legislative Assembly approved Senate Bill No. 2205 providing for state administration of child support enforcement activities. Under provisions of the bill, the regional child support enforcement units, including an estimated 122.60 FTE positions under county supervision were to be transferred to the Department of Human Services effective July 1, 2007. The bill provided an appropriation of \$12,488,292, of which \$6,873,169 is from the general fund; however, these amounts are net of the \$617,076 Indian county allocation adjustment. Therefore, the total funding provided for these enforcement activity costs for the 2007-09 biennium is \$13,105,368, of which \$7,490,245 is from the general fund.

Actual FMAPs are:

Federal Fiscal Year	North Dakota's FMAP Estimates
2007	64.72%
2008	63.75%
2009	63.15%

As a result of the decreased FMAP for 2009, the department anticipates needing an additional \$4.4 million of funding from the general fund for the 2007-09 biennium.

The MMIS rewrite is on schedule in accordance with the Department of Human Services' workplan and is within budget. The following is a summary of the project budget:

	Budget	Expended (Through April 2008)	Balance Remaining
General fund	\$3,643,133	\$360,302	\$3,282,831
Federal funds	55,218,418	10,531,805	44,686,613
Other funds	3,667,820	1,007,597	2,660,223
Total	\$62,529,371	\$11,899,704	\$50,629,667

Through March 2008 the Department of Human Services has spent \$147,214 for child care transition assistance. The department anticipates spending approximately \$2.6 million of special funds for child care transition assistance for the 2007-09 biennium.

The Department of Human Services has awarded contracts in the amount of \$225,000 each to Lutheran Social Services and Lakes and Prairies Community Action Partnership for providing statewide early childhood care workforce development.

The Department of Human Services implemented state administration of child support enforcement activities on July 1, 2007, including the transfer of 135.20 FTE positions from county supervision to the department.

The department estimates funding of \$10.3 million from the general fund will be needed for continuation of state administration of child support enforcement activities in the 2009-11 biennium.

Medical assistance - The schedule below provides a comparison of funding for medical assistance, excluding funding relating to nursing facility care and other long-term care services, developmental disabilities (DD) grants, and Healthy Steps. The Legislative Assembly made a number of adjustments to the funding for medical assistance grants, including:

- Adding funds to provide for an inflationary increase of 4 percent for the first year of the biennium and a 5 percent increase for the second year rather than the 3 percent annual increases recommended by the Governor; continuous eligibility for children; additional dental services for children; increased payment rates for critical access hospitals, chiropractors, and ambulance services; a Medicaid buyin program for families of children with disabilities; and increasing the Medicaid eligibility level for children from 100 percent to 133 percent of poverty if allowed by the federal government.
- Reducing funds to reflect an anticipated reduction in funding needed for inpatient hospital services, prescription drugs, and durable medical equipment.

	2005-07 Biennium	2007-09 Biennium	Increase (Decrease)
Total medical assistance	\$369,706,833	\$394,810,053	\$25,103,220
General fund	\$87,151,956	\$103,611,790	\$16,459,834
Federal funds	\$256,278,074	\$260,288,053	\$4,009,979
Health care trust fund	\$846,712	\$0	(\$846,712)
Community health care trust fund	\$254,356	\$213,904	(\$40,452)
Estate collections	\$4,003,032	\$3,400,000	(\$603,032)
Other funds	\$21,172,703	\$27,296,306	\$6,123,603

Rebasing Medicaid rates - The Legislative Assembly provided funding of \$350,000, of which \$175,000 is from the general fund, to the Department of Human Services for expenses associated with developing a method for rebasing hospital, physician, dentist, ambulance, and chiropractic Medicaid service rates. Any general fund amounts remaining from the \$175,000 appropriation may not be spent for other purposes but must be a part of the department's general fund turnback.

Continuous Medicaid eligibility - The Legislative Assembly provided funding of \$4,164,354, of which \$1,500,000 is from the general fund, to provide for continuous Medicaid eligibility for children under 19 years of age who are either categorically needy or optionally categorically needy beginning January 2008.

The Department of Human Services anticipates spending \$398,878,254, of which \$116,853,822 is from the general fund, \$259,792,531 is from federal funds, and \$22,231,901 is from other funds, for medical assistance for the 2007-09 biennium which is \$4,068,201 more than budgeted. Medical assistance payments are anticipated to be more than budget for inpatient hospital, outpatient hospital, and physician services and less than budgeted for prescription drugs.

The Department of Human Services awarded contracts totaling \$326,180 to the following entities for rebasing select Medicaid rates:

Hospital	Myers and Stauffer LC
Physician	Public Consulting Group
Dentist	Public Consulting Group
Ambulance	SafeTech Solutions
Chiropractic	Public Consulting Group

The department anticipates the process will be complete by June 2008, and the department will use the information to prepare its budget request for the 2009-11 biennium.

The Department of Human Services anticipates manually implementing continuous Medicaid eligibility for children under 19 years of age who are either categorically needy or optionally categorically needy before July 1, 2008. The department anticipates all necessary computer programming changes will be completed to electronically implement continuous eligibility in the fall of 2008. The implementation date was revised due to the number of information technology projects to be completed by the department for the 2007-09 biennium.

Medicaid buyin program and Medicaid waiver - Senate Bill No. 2326 provided the Department of Human Services funding of \$2,733,767, of which \$1,059,932 is from the general fund, for establishing and implementing a Medicaid buyin program for families of children with disabilities and for the Medicaid waiver to provide in-home services to children with extraordinary medical needs.

Cost-based reimbursements for critical access hospitals - The Legislative Assembly provided the Department of Human Services funding of \$4,287,810, of which \$1,544,469 is from the general fund and \$2,743,341 is from other funds, for implementing cost-based reimbursement for critical access hospitals.

Section 6 of Senate Bill No. 2012 requires the Department of Human Services to implement a cost-based reimbursement system for inpatient and outpatient hospital services of critical access hospitals.

Medicare Part D "clawback" payments - The 2007 Legislative Assembly appropriated \$19,149,615 from the general fund for making Medicare Part D prescription drug "clawback" payments to the federal government for the estimated prescription drug costs paid by Medicare for individuals eligible for both Medicare and Medicaid.

Healthy Steps (HB 1463) - The 2007 Legislative Assembly provided funding of \$20,204,746, of which \$4,649,132 is from the general fund and \$15,555,614 is from federal funds, for Healthy Steps (children's health insurance program).

The Legislative Assembly made a number of adjustments to the funding for Healthy Steps, including adding funding to allow income eligibility disregards similar to the Medicaid program and reducing funding to reflect an anticipated reduction in the cost and caseload/utilization of the program from the amounts included in the executive budget. In addition, the Legislative Assembly, in House Bill No. 1463, increased Medicaid eligibility for children under 19 years of age from 100 percent to 133 percent of poverty and the children's health insurance program net income eligibility from 140 percent to 150 percent of poverty. The Medicaid eligibility change is contingent on the federal government's approval. If the federal government does not approve the change, the children's health insurance eligibility change is contingent on the federal government providing additional children's health insurance program funding to provide the additional federal matching funds needed to allow for this change to be made.

The department estimates funding of \$2.25 million from the general fund will be needed for continuous Medicaid eligibility in the 2009-11 biennium.

The Department of Human Services has implemented a Medicaid buyin program for families of children with disabilities. As of April 2008, 12 families have enrolled in the program.

The department received approval from the federal government for a Medicaid waiver to provide in-home services to children with extraordinary medical needs effective April 1, 2008. As of April 2008 no individuals have accessed the waiver.

The Department of Human Services implemented cost-based reimbursement for critical access hospitals on July 1, 2007. The department anticipates spending all the funding provided for the cost-based reimbursements.

The Department of Human Services is required to make "clawback" payments monthly. The department estimates "clawback" payments to total \$18,027,473 for the 2007-09 biennium.

Through March 2008 expenditures for Healthy Steps totaled \$6,426,624, of which \$1,620,048 is from the general fund and \$4,806,575 is from federal funds. The department anticipates spending \$19,427,593, of which \$4,952,650 is from the general fund and \$14,474,945 is from federal funds, for Healthy Steps for the 2007-09 biennium.

The following is a summary of the number of participants in Healthy Steps compared to estimates used to determine the legislative appropriation:

	Legislative Appropriation Estimate	Actual	Increase (Decrease)
August 2007	4,589	3,787	(802)
September 2007	4,697	3,871	(826)
October 2007	4,637	4,011	(626)
November 2007	4,577	4,019	(558)
December 2007	4,517	4,071	(446)
January 2008	4,457	4,008	(449)
February 2008	4,397	4,027	(370)
March 2008	4,337	3,959	(378)

The department's request to increase Medicaid eligibility for children under 19 years of age from 100 percent to 133 percent of poverty was denied by the federal government.

In addition, the federal government has not provided additional children's health insurance program funding; therefore, the department has not changed the Healthy Steps net income eligibility from 140 percent to 150 percent of poverty.

The Department of Human Services is in the process of negotiating a contract. The department anticipates spending all of the funding provided.

The Department of Human Services anticipates spending \$264,264,458, of which \$95,552,600 is from the general fund, \$167,343,005 is from federal funds and \$1,368,853 is from Bank of North Dakota loan proceeds for DD grants for the 2007-09 biennium.

Healthy Steps - Additional outreach - The Legislative Assembly provided funding of \$453,000, of which \$114,201 is from the general fund and \$338,799 is from other funds, for providing additional outreach services for the children's health insurance program. The department is to provide this funding to an entity that focuses on statewide community health care initiatives and issues.

Developmental disabilities grants - The schedule below provides a comparison of funding for DD grants. The Legislative Assembly added funding to provide a 4 percent inflationary increase for the first year of the biennium and a 5 percent increase for the second year for DD service providers rather than the 3 percent annual inflationary increase recommended in the executive budget and reduced funding to reflect an anticipated reduction in the cost and caseload/utilization of the program from the amounts included in the executive budget. The Legislative Assembly did not change the executive recommendation to increase the average wage of employees of DD service providers by 60 cents per hour effective July 1, 2007. In addition, the Legislative Assembly provided a \$3.5 million contingent appropriation from the Bank of North Dakota loan proceeds to provide additional state matching funds for DD services grants, contingent on cost and caseload/utilization being more than anticipated and subject to Budget Section approval.

	2005-07 Biennium	2007-09 Biennium	Increase (Decrease)
Total DD grants	\$211,379,320	\$273,312,975	\$61,933,655
General fund	\$74,552,161	\$95,552,600	\$21,000,439
Health care trust fund	\$975,408	\$0	(\$975,408)
Contingent Bank of North Dakota funds	\$0	\$3,500,000	\$3,500,000
Federal funds	\$135,851,751	\$174,260,375	\$38,408,624

Nursing facilities - The schedule below provides a comparison of funding for nursing facility payments under the medical assistance program. The Legislative Assembly added funding to provide a 4 percent inflationary increase for the first year of the biennium and a 5 percent increase for the second year for nursing facilities rather than the 3 percent annual inflationary increase recommended in the executive budget and reduced funding to reflect an anticipated reduction in the cost and caseload/utilization of the nursing facility services from the amounts included in the executive

The Department of Human Services anticipates spending \$361,849,280, of which \$131,243,910 is from the general fund and \$230,605,370 is from other funds for nursing facility payments for the 2007-09 biennium which is \$9,625,936 less than budgeted. The nursing facility payments are anticipated to be less than budgeted due to the cost per person receiving services being less than budgeted.

budget. The Legislative Assembly did not change the executive recommendation to include funding to rebase nursing home rates effective January 1, 2009, and to change the nursing home rebasing formula to use the RS means construction index rather than the consumer price index.

	2005-07 Biennium	2007-09 Biennium	Increase (Decrease)
Total nursing facilities	\$343,013,040	\$371,475,215	\$28,462,175
General fund	\$120,807,641	\$133,318,915	\$12,511,274
Health care trust fund	\$736,598	\$525,597	(\$211,001)
Federal funds	\$221,468,801	\$237,630,703	\$16,161,902

Aging and disability resource center - The Legislative Assembly added funding of \$840,000, of which \$40,000 is from the general fund, for establishing or contracting for an aging and disability resource center. The other funds are from a federal grant.

Healthy Families - The Legislative Assembly provided funding of \$300,000 from the general fund for the Healthy Families program--a home visitation program for newborns and their parents.

Community-based sexual offender treatment services - The Legislative Assembly provided funding of \$2,774,562 from the general fund to the Department of Human Services for phasing in a community-based sexual offender treatment program to provide services for up to 140 offenders.

Secure services - The Legislative Assembly provided the following items for the secure services unit (sexual offender treatment services and services to individuals that are mentally ill and dangerous) at the State Hospital:

- Provide \$3.1 million from the general fund to construct a high security addition to the GM Building at the State Hospital for individuals requiring a high level of security within the secure services unit
- Continue funding of \$2.3 million, of which \$2.2 million is from the general fund, and 19 FTE positions approved by the Emergency Commission during the 2005-07 biennium and related operating expenses for expanding the secure services unit from 42 beds to 62 beds during the 2005-07 biennium

In the fall of 2007 the Department of Human Services submitted a grant application to the federal government's Administration on Aging to establish aging and disability resource centers in North Dakota. To date funding has not been available through the Administration on Aging for the state's application.

The Centers for Medicare and Medicaid Services has announced a grant opportunity under which approximately two or three grants will be awarded to states for developing new aging and disability resource centers. The grants are limited to \$800,000 each and the funding would be available for a three-year time period from September 30, 2008, to September 29, 2011. Grant applications are due by July 17, 2008, and the department has submitted an intent to apply for the grant to the Centers for Medicare and Medicaid Services.

The Department of Human Services has awarded a contract in the amount of \$300,000 to Lutheran Social Services for establishing the Healthy Families program in the 2007-09 biennium.

The Department of Human Services has awarded a contract to Rule CPC for providing a community-based sexual offender treatment program. To date the department has provided services to 57 offenders. The department anticipates spending approximately \$1.2 million for the program for the 2007-09 biennium.

The Department of Human Services is in the process of completing the fourth unit of the secure services unit, which includes the expansion of 20 beds for a total of 82 beds. The fourth unit is anticipated to open during the summer of 2008. As of May 11, 2008, 56 beds in the secure services unit are occupied.

The department is in the process of receiving bids for the construction of a high security addition to the GM Building. The department anticipates the addition will be open by the end of the 2007-09 biennium.

- Expand the secure services unit by an additional 20 beds for a total of 82 beds by providing an additional \$1.3 million from the general fund and by authorizing an additional 17.5 new FTE positions

Transition of Developmental Center residents - The Legislative Assembly provided funding of \$1,110,495, of which \$400,000 is from the general fund and \$710,495 is from other funds, for the transition of selected Developmental Center residents to community programs.

Child support fees - Senate Bill No. 2129 establishes fees for child support services.

State Hospital security services - Senate Bill No. 2136 authorizes the Department of Human Services and the Department of Corrections and Rehabilitation to enter into an interagency agreement allowing the Department of Corrections and Rehabilitation to train, consult, and assist in the provision of security services at the State Hospital.

State Hospital collections.

The Department of Human Services has transitioned eight Developmental Center residents to community programs through April 2008. The department anticipates spending all funding provided for transitioning residents during the 2007-09 biennium.

The Department of Human Services is collecting fees for child support services as provided for in Senate Bill No. 2129. The amount collected will be reported to the federal government at the end of the federal fiscal year.

The Department of Human Services and the Department of Corrections and Rehabilitation have entered an agreement under which personnel from the James River Correctional Center (JRCC) are providing training, consultation, and assistance to the personnel at the State Hospital's sexual offender unit. The warden of the JRCC has also reviewed the safety and security procedures at the sexual offender unit and has developed a list of recommendations to improve the supervision of clients in the unit.

The Department of Human Services anticipates State Hospital collections for the 2007-09 biennium to be approximately \$13.3 million, which is \$2 million more than originally estimated. The increase in collections is due to a change in Medicare reimbursement methodology from a reimbursement methodology which pays based on actual costs to a perspective methodology which pays a set amount for specific procedures or services.