

**MINUTES OF THE
JOINT SUBCOMMITTEE ON HUMAN RESOURCES/K-12
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-third Session
February 17, 2005**

The Joint Subcommittee on Human Resources/K-12 of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order at 8:00 a.m. on Thursday, February 17, 2005. Chair Barbara K. Cegavske presided in Room 3137 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Barbara K. Cegavske, Chair
Senator William J. Raggio
Senator Dina Titus
Senator Bernice Mathews

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Ms. Sheila Leslie, Chair
Mr. Mo Denis
Ms. Heidi S. Gansert
Ms. Chris Giunchigliani
Ms. Debbie Smith
Ms. Valerie Weber

STAFF MEMBERS PRESENT:

Rick Combs, Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Carol Simnad, Committee Secretary

OTHERS PRESENT:

Michael J. Willden, Director, Department of Human Resources
Michael Torvinen, Administrative Services Officer, Department of Human Resources
Todd M. Butterworth, Bureau Chief, Office of Disability Services, Department of Human Resources
Mary Liveratti, Deputy Director, Department of Human Resources
Greg Ferraro, Nevada Resort Association
Jan Gilbert, Progressive Leadership Alliance of Nevada
Robert Desruisseaux, Northern Nevada Center for Independent Living Management
Jon L. Sasser, Washoe Legal Services
John Yacenda, Center for Health Care Strategies, Incorporated
Kevin Quint, Vice President, Board of Examiners for Alcohol, Drug, and Gambling Counselors

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CHAIR CEGAVSKE:

We will be reviewing the budgets for the Department of Human Resources.

HUMAN RESOURCES ADMINISTRATION

DHR Administration – Page HR ADMIN-1 (Volume II)
Budget Account 101-3150

MICHAEL J. WILLDEN (Director, Department of Human Resources):

Referring to the handout, Overview of the Director's Office Budget Presentation Joint Subcommittee on K-12/Human Resources 2005 Legislature ([Exhibit C](#), original is on file at the Research Library), page 1 is an organizational chart of our Department. The three boxes on this page denote positions that are needed in the director's office: a public information officer, a management analyst in the Senior Rx program and two staff members for the Suicide Prevention Program. The funding for the Suicide Prevention Program was addressed in S.B. No. 49 of the 72nd Session, but this program has not been funded.

We manage \$1.6 billion of the General Fund. The director's office budget is 1.4 percent of the General Fund.

On page 3, are the proposed overall expenditures for the Department, over the next biennium, of almost \$4.7 billion. The director's office portion of this will be approximately \$121 million for the programs we manage directly, or 2.5 percent of the overall expenditures.

I will highlight four areas of this budget. The first area on page 4 of [Exhibit C](#) is in the revenue section of the Base Budget. There is a line item called Transfer from Health. This amount is administered by an outside contractor and referred to as our MAXIMUS revenue. During the 2003 Legislative Session, we budgeted about \$1.7 million per year of MAXIMUS revenue to fund six priority projects. Those projects were to make the Title XX Program whole; fund the Suicide Prevention Program; acquire an Olmstead consultant to assist in some of our issues, fund the Kids Count project; fund the Elder Count Program, and a one-time payment to a Suicide Prevention Program in Douglas County in the first year of the biennium.

In fiscal year (FY) 2003, we balanced forward about \$647,000 to FY 2004 in the MAXIMUS account. In addition to this figure, we expected to generate approximately \$1.7 million a year. In FY 2004, we only generated about \$35,000 on top of the balance forward. Approximately \$454,000 went to cover the Bureau of Alcohol and Drug Abuse Maintenance of Effort issue and we adjusted the Title XX problem in the first year of the biennium. Due to the difference in moneys from what was expected and the actual amount, the other five priorities were not funded.

At the end of FY 2004, we balanced forward approximately \$29,000 to FY 2005. Today, with the balance forward and what we have received from the MAXIMUS revenue collection effort, we have about \$261,000 to use toward those priorities. This is the amount of money available to fund the priorities previously defined. This money has not been distributed pending the results from this budget meeting. The next priority, after fixing the Title XX account, is

the Suicide Prevention Program. We do not have the money to fund this important issue. We have asked for General Funds to finance the Suicide Prevention Program that was created. We cannot start recruiting for the Suicide Prevention staff since we would have to stop on June 30, 2005. We could hold the Suicide Prevention Program until July 1, 2005 and fund Elder Count, Kids Count and the Douglas County Suicide Prevention Group with the \$261,000. Since we have resolved the Title XX issue, no additional funds are needed. Other processes have funded the Olmstead requirement. We request direction from you as to whether we should proceed this way.

CHAIR LESLIE:

I know you have a problem with the contractor for the MAXIMUS revenue collection effort giving you an estimate of \$1.7 million and the amount received was much less. Have you asked this contractor what the real number is from this contract?

MR. WILLDEN:

I receive monthly reports, which show variable levels depending on how successful they will be on certain projects. I do not believe we will get \$200,000 by the end of this year. I will be happy if we have \$500,000 by the end of FY 2005. In my opinion, there is no chance to get to the \$1.7 million estimate.

CHAIR LESLIE:

Is this contract continuing?

MR. WILLDEN:

We ended the contract at the end of FY 2004, but they have the right for a period of time after the contract to work on approved projects. They are still working on several approved projects, primarily on third-party liability insurance issues. This is where most of the money is coming from.

CHAIR LESLIE:

I agree with you on the Suicide Prevention Program. It is in the budget and I hope we approve the amount. I am not prepared to say we use this money for the other three priorities you mentioned because we do not know about the current needs. I know Mr. Hettrick is concerned because a nonprofit group in Douglas County spent funding prior to receiving it. Maybe you could return to Elder Count and suggest they testify concerning their needs.

MR. WILLDEN:

We plan to hold off spending until we have Legislative direction. My main concern is that the cash will revert at the end of the biennium or we will have to make some adjustment of where to redirect the funds. We were told, in 2003 by the Legislature, that we should come back during the interim process to discuss the release of these funds.

CHAIR CEGAVSKE:

Prioritizing these issues is what we need to do.

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MR. WILLDEN:

Page 4 of [Exhibit C](#) is a request for a public information officer (PIO) for the Department. By comparison, every department in state government has a PIO with the exception of the Department of Human Resources which is the largest agency. We have daily requests for information from many media sources. It is extremely difficult for our administrative staff of three to respond to all these requests. We ask that you give serious consideration to our request for this position.

CHAIR CEGAVSKE:

You have asked that this position be funded with General Funds. Have you looked at any other funding source to cover this cost?

MR. WILLDEN:

No, we have not looked at any other funding source for this position.

CHAIR CEGAVSKE:

We have given you funding for two new positions within the audit section. Could one of those positions be used for the PIO you are requesting?

MR. WILLDEN:

I would not recommend that. We had difficulty in getting our audit function running in FY 2004. The two auditor positions were filled, but soon these positions will be vacant again. We were not able to implement an audit plan until February of the biennium. These positions have performed audit work and income verifications on the Senior Rx program. This work effort is ongoing and required.

CHAIR CEGAVSKE:

Has that work been completed?

MR. WILLDEN:

Yes. We have 14 audits completed for the Senior Rx program. It is our desire to conduct more program auditing, not monitoring, on nonprofit entities that we sub-grant funding to under our program.

CHAIR CEGAVSKE:

Can you provide those audits to this Subcommittee?

MR. WILLDEN:

Yes, we can provide that to the Subcommittee.

CHAIR CEGAVSKE:

Look to see if there is any other source of funding available for the PIO position other than General Funds.

MR. WILLDEN:

Yes, I will investigate other possibilities of funding.

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MR. WILLDEN:

On Page 17 of [Exhibit C](#) is our suicide mortality rate statistics. Our focus has been to look at the issue of crisis services because we have ranked first or second in the nation in our suicide rates for a number of years. We have not been successful in addressing this issue in Nevada.

CHAIR CEGAVSKE:

What is the status of the suicide hotline?

MR. WILLDEN:

We have received mixed reviews about this program. We need to coordinate it under a statewide system.

CHAIR LESLIE:

I agree that this is the most important item in the Human Resources budget. Why do you need the funding for the consultant on strategic planning?

MR. WILLDEN:

I am not aware of that item in the budget. I will check on this and report to the Subcommittee.

CHAIR LESLIE:

This budget item is for 1,200 hours of contract support for planning. Was this a function of the positions you are requesting?

MR. WILLDEN:

I will investigate this and report to the Subcommittee.

We have applied for three federal grants to fund the Suicide Prevention Program, but have been unsuccessful in our efforts.

CHAIR CEGAVSKE:

I am surprised you have been unsuccessful in your efforts to secure a federal grant in light of our state's high suicide rate.

E-811 Unclassified Changes – Page HR ADMIN-6

MR. WILLDEN:

This decision module is a request to convert the administrative services IV and personnel officer III positions to unclassified positions.

ASSEMBLYMAN DENIS:

Please provide me with a network map detailing the number of computer users for your entire Department and how each position is utilized.

MR. WILLDEN:

I note, for the record, that we do not have an information technology specialist in the director's office. It is a decentralized function. Most of our divisions have information technology units, but we also rely on the Department of Information Technology to assist us. We will furnish the information you are requesting.

Developmental Disabilities – Page HR ADMIN-9 (Volume II)
Budget Account 101-3154

MR. WILLDEN:

This budget is the account by which the Department provides administrative support to the Governor's Council on Developmental Disabilities. We have three full-time equivalency positions (FTEs) in this budget. This budget account provides support to the Council through a matching grant from the federal Administration on Developmental Disabilities. The federal government gives us a grant to provide services for 75 percent of the program and the state matches it by 25 percent. You can see in the Base Budget that the General Fund match is increasing. You will see in the actual column, under FY 2004, the amount of \$108,596. The Governor has recommended we increase it to approximately \$164,000. The reason for this is simply the mechanics of the 75–25 percent match. When the federal grant gets larger or smaller than the state's 25-percent match, it needs to be adjusted by the size of the federal grant in order to get the best advantage for the entire grant. We are requesting an adjustment of \$45,000 in General Funds so we can balance the entire federal grant.

CHAIR LESLIE:

We are increasing the General Funds for the Personal Assistant Services program; can this amount be used for the state's 25-percent match? If this qualifies, it would save us \$45,000 a year.

MR. WILLDEN:

I will check into that and report back to the Subcommittee.

E–901 Transfers Housing Position Out of 3266 – Page HR ADMIN-12

Currently we have a housing coordinator position that was funded out of the Office of Disability Services budget. We have a vacant position that is grant funded. That grant will be ending and we want to transfer that position out of the grant fund area to Developmental Disabilities budget. The Developmental Disabilities Council has made housing issues one of its top priorities and they agreed to fund this position with the Developmental Disabilities budget. In summary, we are asking to transfer the position out of the Community Based Services budget to the Developmental Disabilities budget and refund the amount to our federal developmental disabilities grant.

CHAIR CEGAVSKE:

Why is there an increase in the out-of-state travel expenditures?

MICHAEL TORVINEN (Administrative Services Officer, Department of Human Resources):

The travel expenses are for the Developmental Disabilities Council, three staff and personal attendants for some of the Council members. We have provided those details in the Base Budget. The purpose of the travel is for 22 people to attend 3 or 4 meetings throughout the state. Some of these trips are required. The out-of-state travel is required to attend meetings in Washington, D.C. These figures were acquired by adjusting our actual costs incurred in 2004.

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CHAIR LESLIE:

This question also relates to the out-of-state travel. It was \$324 in the last biennium and now it is over \$4,000. Is this money being taken away from services? Is this something that the Council has recommended?

MR. TORVINEN:

The federal grant and the 25-percent state match fund this. The Council has recommended this travel fund request. Part of the problem was it was not appropriately budgeted for last biennium.

CHAIR LESLIE:

We just want to make sure that everyone understands what we will be doing. If the Council recommended this, I feel more comfortable.

CHAIR CEGAVSKE:

Will you explain the phaseout of what you term "The Money that Follows the Person Grant?"

MR. WILLDEN:

The Money that Follows the Person Grant ends in September 2006.

Community Based Services – Page HR ADMIN-14 (Volume II)
Budget Account 101-3266

M-504 Mandates – Page HR ADMIN 17

Even though this is a small amount of money, \$5,478, it is necessary for the expenses of the Personal Assistance Advisory Committee. This Committee provides recommendations to the Director of the Department of Human Resources and to the Division of Employment Training and Rehabilitation (DETR). Money was appropriated when the Committee was created and provided to DETR to help meet the Committee's expenses. When we went through the budget cuts, this amount was eliminated. This information is highlighted on page 6 of [Exhibit C](#).

CHAIR CEGAVSKE:

Please provide our Subcommittee with a list of the members of the Governor's Councils and Committees.

MR. WILLDEN:

I will do that.

M-540 Mandates – Olmstead – Page HR ADMIN-17

Let me draw your attention to page 26, of [Exhibit C](#), where you will find a brief description of the services that we provide in this budget through the Office of Disability Services.

CHAIR CEGAVSKE:

Is the traumatic brain injury (TBI) benefit just for adults? Does this include any minors?

TODD M. BUTTERWORTH (Bureau Chief, Office of Disability Services, Department of Human Resources):

I am not aware of any children served through the program. It is primarily for adult indigents.

MR. WILLDEN:

The Department of Human Resources worked hand in hand with Senator Titus' Legislative Committee on Persons with Disabilities during the interim. That Committee made 40 recommendations; three of those recommendations are specifically addressed in budget line items titled Personal Assistance Services, Traumatic Brain Injury and Independent Living.

Please look at our request for Personal Assistant Services of \$1.1 million in FY 2006 and \$1.4 million in FY 2007. If you go back through the Base Budget, you can compare this to the chart on Page 27 in [Exhibit C](#). The Personal Assistance Services (PAS) budget is where we provide assistance for bathing, toileting and eating for the severely functionally, disabled individuals. We have a Base Budget of about \$2.1 million and that serves about 97 clients. What we are asking for is based on waiting lists and testimony taken during the interim. There is currently a waiting list of about 31 people. They wait 11 months to receive services. We want to comply with the Olmstead Supreme Court decision which means we must serve people in less than 90 days. To accomplish this, we need to offer help in a timely manner to more people. In 2006 we would add 59 more clients. In 2007 we would carry over the 59 and add another 15 clients. By the end of 2007 we would add a total of 74 more clients. In total, we would have the 97 base plus the additional 74. This should allow us to reduce our waiting list down to the 90-day Olmstead requirement.

SENATOR TITUS:

We worked closely with Mr. Willden and Mr. Butterworth. Our major goal during the interim in complying with the Olmstead decision, was to move disabled individuals, as much as possible, from being institutionalized to living in community settings. If we can do this, people with disabilities have a much more meaningful life. If we do not do this, the state can be sued because we will not be in compliance. To accomplish this goal we needed to shorten the waiting list. Additionally we need to raise the rate for services that are provided which help those with disabilities. All this was to streamline the process of getting disabled individuals into the community and hasten their access to available services so they will be able to meet their needs more efficiently.

MR. WILLDEN:

Due to the hard work of Senator Titus' Committee during the interim, the disabled community is approaching a better environment and services from our state.

The traumatic brain Injury services are onetime post-acute rehabilitation services. The Base Budget shows that we spend approximately \$276,000. We are able to serve 14 people. These are expensive services for a small number of

recipients. We are asking for \$450,000 in FY 2006 and FY 2007. With this additional funding, we would be able to increase our services from the 14 recipients in the Base Budget to 23 in 2006. We would be able to maintain the total of 37 into 2007. We are currently able to maintain a 90-day wait list for this group of disabled individuals.

CHAIR LESLIE:
Is this onetime post-acute care?

MR. WILLDEN:
Yes, that is correct.

CHAIR LESLIE:
I disagree with you on this point. In the community we see a gap in the services for people with TBI and they are not able to maintain their independence. When they get in the criminal justice system, we have no place to refer them for ongoing services. What are we doing about ongoing services for this group of our disabled residents?

MR. WILLDEN:
When we evaluate these patients for our services, we look at several criteria. Two of these are recovery expectation and their support systems that are in place, such as family and/or community. We do not serve everyone that comes to us. We are trying to ensure that the dollars we spend on services are going to people who will have hope of long-term success.

CHAIR LESLIE:
There is a large group in the community with TBI that are not being helped. The results are tragic. They alienate their families, they are difficult to deal with and end up in the criminal justice system. We cannot take these people into the Mental Health Division. There is no place to refer them to in the community. It is a huge problem. There are not enough services for those suffering with TBI.

MR. WILLDEN:
We will take this information back to our Strategic Planning Committee.

CHAIR CEGAVSKE:
Is there a waiting list?

MR. BUTTERWORTH:
This program is a little different. Services have to be given quickly to have a successful outcome. If recipients are not served within this window of opportunity, they fall by the wayside. There is not a long waiting list to serve.

CHAIR CEGAVSKE:
Are you saying there is no waiting list?

MR. BUTTERWORTH:
We have a waiting list of 23 people.

ASSEMBLYWOMAN GIUNCHIGLIANI:
Are the numbers available for what the 2-1-1 telephone system would cost?

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MR. WILLDEN:

The rough estimate is a formula whereby you take your state population and multiply that by \$1.25. With Nevada, our cost would be about \$2.5 million, to operate the 2-1-1 system.

ASSEMBLYWOMAN GIUNCHIGLIANI:

In the states that have the 2-1-1 system, did they take steps before this was fully implemented or did they go right into full operation? Is this an access issue?

MR. WILLDEN:

Yes, this is an access issue. There are stepping stones to full access of this program. There are about ten states that have statewide 2-1-1 systems in place.

ASSEMBLYWOMAN GIUNCHIGLIANI:

It is nice to have a program like this, but if we do not have the services in place for them to call, this cannot be a complete program and we need to look at it.

I also share the concern for our residents with traumatic brain injuries. We added TBI in the 1995 Legislative Session, but we have not been able to get adequate funding to develop comprehensive programs for these people. Do we have enough independent living beds for individuals? How can we work with local governments and nonprofit agencies to develop better programs?

MR. WILLDEN:

Page 30 in [Exhibit C](#) is a brief description of where we are in the 2-1-1 planning process. The major objective is simple. Call 2-1-1 and you can get any help you need with regard to human services. We have worked with the United Way. There is a grant in place to pay a statewide coordinator to help put this program together. Our concern right now is the funding stream. The recommendation we are making is that we place a surcharge on the telephone lines to help finance this program. Historically there has been an 8-cent surcharge on telephones that supported disability programs. This charge has been lowered over time due to collection of more funds than necessary. The surcharge was lowered to 3 cents recently by the Public Utilities Commission. We are suggesting increasing this rate to fund about one-half of the 2-1-1 system. The remaining funds will come from community partners like United Way and other grants. We need a funding source to make the 2-1-1 program work. We have provided a chart ([Exhibit D](#)) showing the 2-1-1 program status nationwide.

CHAIR CEGAVSKE:

We need to make sure the services are in place before any discussion of funding takes place. Our residents are having problems right now with access to the existing 800 number.

SENATOR TITUS:

We studied this problem in the Interim Committee on Persons with Disabilities. We are aggressively working to find partial funding for the 2-1-1 program.

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ASSEMBLYWOMAN GIUNCHIGLIANI:

If the Public Utilities Commission lowered the telephone surcharge from 8 cents to 3 cents, could they increase it by 1 cent or more through legislation?

MARY LIVERATTI (Deputy Director, Department of Human Resources):
The statute is specific about how the surcharge can be used.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Is that what is in your bill? To allow more flexibility?

Ms. LIVERATTI:

That is correct. We are asking to amend the statute and allow for more expansion of these charges.

ASSEMBLYWOMAN GIUNCHIGLIANI:

This is a great idea. They could impose the fee and we would not have to issue a mandate.

Ms. LIVERATTI:

Correct. The three purposes we use it for are the Relay Nevada program, to support out Deaf Centers and to fund the telephone equipment for people who are hard of hearing. These users would not be affected. We would continue to fund these. The additional surcharge would not take away services from the hard of hearing.

SENATOR RAGGIO:

This issue is of primary concern to me. I helped create the surcharge for use in the hearing-impaired community. I want to make sure that whatever we do, the funding is not taken away from the purposes for which it was created. You are correct in that the Public Utilities Commission has to limit their decisions based on what we have authorized. Having said this, the 2-1-1 program is worth looking at. As you have shown, this is a nationwide program. The primary issue is that if we had it today, we are not prepared to use it to the extent it needs to be used. I would support this program, but I need to alert you that this does not come easy. Many people will have philosophical objections to it. The argument should be made as we did when we were fighting for the hearing impaired, that this is providing access for everyone. This is not a significant amount of money and everyone should be able to contribute.

E-429 Enable, Motivate and Reward Self Sufficiency – Page HR ADMIN-18

MR. WILLDEN:

This is the decision unit to request a rate increase for Personal Assistant Services providers from \$17.00 per hour to \$18.50 per hour. We have worked on this issue for four years. This request is for the group of people that this budget serves. There are two other groups that will be affected by this rate increase, individuals in the Aging Services budget and individuals in the Medicaid budget. We did not coordinate this well between the three budgets. It is our goal to have the providers in all of these programs paid the same amount.

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CHAIR CEGAVSKE:

How did you come up with the rate increase amount?

MR. WILLDEN:

I do not have the worksheets from the Provider Rates Task Force with me. The Task Force developed these documents. We brought a consultant in to further assess the amount.

CHAIR LESLIE:

For the Independent Living Services budget, the Legislative Committee on Persons with Disabilities report indicates that approximately \$600,000 would be needed in each year of the biennium and yet in the *Executive Budget* the recommendation indicates approximately \$300,000 in both years. Please comment on the difference.

MS. LIVERATTI:

We were able to access other funding. Some of the money came through the Aging Services Division and we received a donation from Ameristar Mortgage Corporation. The Independent Living Services program was also able to receive funding from the tobacco funds that come out of our Grant Unit for the people with disabilities.

MR. WILLDEN:

On page 29 of [Exhibit C](#) you will see where the alternative funding came from and how it is being utilized. This is why we are able to lower our General Fund request.

Healthy Nevada Fund – Page HR ADMIN-22 (Volume II)
Budget Account 262-3261

I would like to discuss the line item in the Base Budget, Senior Prescription Program (Senior Rx Program). On page 35 of [Exhibit C](#), you will see the cost comparison as of January 1, 2005, for the Senior Rx program from an insured model to a state-operated Pharmacy Benefits Manager (PBM) contracted model of delivery. The left side of the page depicts how the original insured model worked. Drug costs were from \$52 to \$63 a member, each month in FY 2004. We paid dispensing fees on average of \$2.16 for each prescription. We did not receive any rebates. We paid our contractor \$14.86 each month to coordinate these services. There were PBM fees and administrative costs in running the program. This was not the best investment for our state. I have renegotiated this contract three times since I have been the director. We have improved this each time. As of January 1, 2005, we contracted with Catalyst Rx to run the program. On the right side of the chart, you can see the improvements that have been made. We do not know the new per member per-month cost. We have not done the final calculations. We have much lower dispensing fees on the Catalyst Rx contract. We have negotiated a drug rebate of a minimum of \$2.00 for each prescription, where we were getting no rebate previously. Some classes of drugs will get a higher rebate.

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CHAIR LESLIE:

Congratulations, Mike. You have done an excellent job in negotiating this new program. Have you factored these savings into the projection of 15-percent inflation for the drug costs each year of the biennium?

MR. WILLDEN:

Yes, I have factored the savings into the projections. These administrative savings are being offset by higher drug costs and higher utilization in two ways: we have more members who are enrolling and we also see them getting more prescriptions each month.

CHAIR LESLIE:

We would like to see these figures to see where these savings are going.

MR. WILLDEN:

We have a significant lower PBM fee with the new contract and better discounts on drugs. This totals to about \$2 million in administrative savings. On the program expenditure side we can use this savings to invest in increasing enrollment and a better drug package.

M-101 Inflation – Page HR ADMIN-23

This decision unit shows the inflation for pharmacy costs. We were budgeted at \$47 each month, per member for raw drug costs in this biennium. In FY 2004, we saw the raw drug costs rise to almost \$57 and over the last few months, from \$62 to \$64. We have to use administrative savings to help pay for this difference.

E-403 Access to Health Care and Health Insurance – Page HR ADMIN-26

This decision module shows higher pharmacy utilization. On page 32 of [Exhibit C](#), you will see the number of eligible seniors budgeted for over the last three fiscal years. These senior members are using this program.

CHAIR CEGAVSKE:

What is the enrollment cost?

MR. WILLDEN:

There is no enrollment cost to the members.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Do you have a pharmacy-match component in this program where contraindicated drugs are researched?

MR. WILLDEN:

Yes, we do have that as part of the program.

On pages 32 and 33 of [Exhibit C](#), you can see the increasing utilization from 53 percent using this program in 2002, increasing to 56 percent in 2003 and increasing to 59 percent in 2004. Our enrollment is increasing with seniors that really need and use the pharmacy coverage rather than those that use us as just an insured product.

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Page 34 indicates the average number of prescriptions is increasing to about three prescriptions each month. This is better than the national average, but utilization is increasing. The more prescriptions we have to cover, the higher the cost on the program side.

CHAIR CEGAVSKE:

What is the age of the members in the Senior Rx program?

MR. WILLDEN:

Members have to be at least 62 years of age.

CHAIR CEGAVSKE:

What percentage of the drug cost does this program cover?

MR. WILLDEN:

To be eligible for the Senior Rx program, seniors must be Nevada residents, 62 years of age or older, not eligible for Medicare Part A or B and have an income limit of \$22,434 (single) or \$29,205 (married). There is no charge for enrollment and they pay a \$10 co-payment for a generic drug or \$25 for each brand name drug, for a maximum annual benefit amount of \$5,000. The average senior out-of-pocket cost each month is \$63. The average state payment every month is \$104. The average annual senior out-of-pocket cost is \$761.

[Exhibit C](#), page 36, indicates our projections for enrollment for the next biennium. We are at about 9,000 seniors now. We want our enrollment to grow to about 12,189 by the end of 2007.

E-402 Access to Health Care and Health Insurance – Page HR ADMIN 25

Due to the change in our PBM contract, we have to do more work and we only have three positions and need one more. This is a request for about \$40,000 to \$50,000 a year, but we have saved \$2 million in restructuring the administrative side of the contract.

We are having problems on the administrative side of the Senior Rx contract. Statutorily, we have a 3-percent administrative cap. We cannot stay within that required amount. We have had to borrow from the General Fund. We have requested a bill draft request (BDR) to change that administrative cap from 3 to 5 percent. If this BDR is not enacted, we will need to keep borrowing from the General Fund.

CHAIR CEGAVSKE:

In module E-402, how is the work that will be assigned to that position currently being accomplished?

MR. WILLDEN:

We are using staff from the director's office and some of the work has not been done because we are just one month into the new contract. This is a management analyst position we are requesting. We have great tools to work with in the Catalyst Rx database. The new position will be assigned to make decisions, and inform us where the trends are going, using this information.

ASSEMBLYMAN DENIS:

We have gone from an insured program to a self-insured program, is that correct? Is that saving us money?

MR. WILLDEN:

Yes, it saves us about \$2 million a year.

ASSEMBLYMAN DENIS:

Does it increase our risks?

MR. WILLDEN:

Yes, it does. We are using part of the tobacco settlement dollars to fund the Senior Rx program to assume part of this risk.

ASSEMBLYMAN DENIS:

How long have we been self-insured?

MR. WILLDEN:

We have been self-insured about six weeks.

My final item is found on pages 37, 38 and 39 of [Exhibit C](#). How are we going to refashion the Senior Rx program to comply with the Medicare Modernization Act Part D drug coverage? Starting January 1, 2006, Medicare eligible seniors and disabled individuals will get a federal drug benefit. Some of these people are on our Senior Rx program. We have the challenge of trying to figure out how we are going to run both of these programs in tandem. One program for the group of people who are now in our program that will not get the federal benefit and another program for those who will get federal benefits. We have had the federal regulations for this new program for about one month. We do not as yet have a plan as to what needs to be done. Our major objective, through all this planning, is to make sure that no senior in Nevada is any worse off with the federal program than they were on Senior Rx. They are to have similar drug coverage, and they should not have to spend more than \$760 a year for their medications.

CHAIR LESLIE:

Our need for this information is urgent. Our Legislative Session will be over on June 6, 2005, and, in order for us to make good decisions regarding this we need to know by mid-March. Will you be able to give us the data we need by that date?

MR. WILLDEN:

We are aware of your need. Due to time and personnel constraints, it will not be the most comprehensive data. We will be given additional regulations from the Medicare Modernization Act in August and September. We do not know yet whom the pharmacy drug plans for this federal program will be in our state.

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CHAIR LESLIE

You have projected a 10-percent growth in the Senior Rx program for the next biennium. This growth figure seems high.

MS. LIVERATTI:

We were able to get a state Pharmacy Assistance Program Outreach Grant. We received almost \$500,000 for this year and another \$500,000 for next year. We are using these funds to educate seniors in our state regarding the new Medicare benefits and how it pertains to the Senior Rx program. We are anticipating many more people to sign up for the Senior Rx program with our aggressive outreach education.

CHAIR LESLIE:

Please provide this committee with more comprehensive information.

CHAIR CEGAVSKE:

Please tell us about the BDR you are requesting.

MS. LIVERATTI:

The BDR proposes to increase the administrative cap for the Senior Rx program from 3 percent to 5 percent. We are looking at having this in place to help budget for what happens to Senior Rx in the future, as it correlates to the new Medicare benefit.

CHAIR CEGAVSKE:

Do you have a plan in place if the cap is not increased?

MS. LIVERATTI:

We are using our General Funds and our budget. We are over the 3 percent right now.

MR. WILLDEN:

We have two major issues with this budget. Not only do we have Senior Rx impact with the Medicare Modernization Act, but we also have the challenge of the dual eligibles. These individuals are on Medicare and Medicaid. For the first time, people on Medicaid who are getting their pharmacy needs free will be changed over to the federal system. Under the new plan, the state will be paying for part of the new federal system. In this new system, the Medicaid recipients will now have to pay for a portion of their medication. How do we handle this? Do we ask these people to pay for these drugs, or do we use our funds to defray this charge?

ASSEMBLYWOMAN WEBER:

Does our Senior Rx cover residents with disabilities?

MR. WILLDEN:

On page HR ADMIN-28 of the *Executive Budget* is an expenditure line item titled Disabled Rx program. We are budgeting about \$500,000 each year for this program.

For the first time, a funding mechanism was initiated for the state to fund a Disability Rx program. We have not implemented it yet. Part of A.B. 504 of the

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72nd Session stipulated that we were to receive a waiver to improve the Senior Pharmacy Services program. We were not able to obtain this waiver. This waiver process ended when the Medicare Modernization Act was passed by the federal government which placed these individuals under that program. Section 7 of A.B. 504 of the 72nd Session stipulated 2.5 percent of the tobacco settlement money we received would fund the Disability Rx mechanism. The Legal Division of the Legislative Counsel Bureau told us that unless we had a waiver, we could not fund this program. We have talked with the sponsor of A.B. 504 of the 72nd Session to have new legislation brought forward to fix this problem in statute. We will then be able to fund the Disability Rx program.

CHAIR LESLIE:

When is the earliest we will be able to fund this Disability Rx program?

MR. WILLDEN:

The earliest we can put this into effect is January 2006. We are looking to start a pilot program soon after July 2005.

CHAIR LESLIE:

I would like to see you get this program up and running as soon as possible.

MR. WILLDEN:

I would like to note that there is about \$1 million reserve in that category right now in addition to the \$500,000 budgeted for each year of this biennium.

CHAIR LESLIE:

What is the reason for the severe reduction in the Healthy Nevada Grants Program from \$9.6 million to \$7.3 million?

MR. TORVINEN:

What we have budgeted for is what the Task Force to Fund Healthy Nevada has allocated at this point. We balanced our account to this allocation. There were also additional administrative costs.

CHAIR LESLIE:

What is the amount of unused money available?

MR. TORVINEN:

We have a total of about \$12 million which includes Senior Rx. We are asking for about \$8.6 million of that for this program.

CHAIR LESLIE:

Please give us the Treasurer's projections by program.

MR. TORVINEN:

Yes, I will get those figures to the Subcommittee.

Page 40 of [Exhibit C](#) is a request to set up a budget-funding mechanism to address problem gambling in Nevada. The *Executive Budget* includes \$200,000 each year of the biennium for this purpose. The initial \$100,000 would come from the General Fund with an expectation the remainder would be derived from grants, gifts and donations. This will not be a matching funding source; General Funds will be given no matter the amount from the other sources.

CHAIR CEGAUSKE:

Has Mr. William Bible of the gaming industry promised to match the amount the state contributed?

MR. WILLDEN:

He did not state that specifically; however, I was encouraged by the meeting we had. The gaming industry is doing a great deal to help. An example is they are funding the hotline and the problem gambling center.

We have had two studies about problem gambling funded by the Legislature. The results of these studies can be found on pages 40 and 41 of [Exhibit C](#). There are now ten certified gambling addiction counselors in the state and five interns. The Nevada Council on Problem Gambling has given us its 2004 Annual Report, ([Exhibit E, original is on file at the Research Library](#)). You can see, with emphasis from many areas, more treatment for problem gamblers is available. A voluntary advisory group is needed and in the planning stages of formation. The objective of this group would be to make sure services would not be duplicated. The area of most need at this time is treatment. This treatment needs to be linked to the associated issues of mental health and drug and alcohol abuse.

CHAIR LESLIE:

Clarify your budget statement.

MR. WILLDEN:

It is \$100,000 from the General Fund and \$100,000 from gifts, grants and donations.

E-452 Effectiveness of Family Services – Page HR ADMIN 34

This decision module addresses our need to combine three different advisory groups. We have a Family Resource Center's Advisory Group, Block Grant Advisory Group and Children's Trust Fund Advisory Group. We have agreed to put all of these groups under one unified advisory group for the Grants Management Unit. The Grants Management Unit will still work with the Task Force to Fund Healthy Nevada.

CHAIR LESLIE:

Do you have an efficiency report on the Grants Management Unit? Have the objectives been met that we discussed last session when we created this program?

MR. WILLDEN:

The auditing section of the Grants Management Unit remains problematic. Many of the audits have not been completed. On the plus side, we now have one

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Request for Application process. Having a central source for all funding questions saves time and money for our clients. We were able to downsize the Grants Management Unit by one position. We eliminated two positions managing Family Resource Center money. We were able input directly about \$100,000 into direct services from this savings.

CHAIR LESLIE:

Yes, this is exactly the kind of information we need.

MR. WILLDEN:

Another large savings can be seen on page 50 of [Exhibit C](#). In FY 2005, the Family Resource Centers and Family-to-Family funding and service areas started to merge. We downsized from 13 Family-to-Family grant mechanisms and from 30 Family Resource grant mechanisms down to 18 service areas.

CHAIR LESLIE:

I would hope that the Grants Management Unit can help us by keeping a closer financial overview of the department's expenditures.

MR. WILLDEN:

The state was not as proactive as it should have been in the past. We have learned to have strong fiscal oversight and controls.

In conclusion, I want to state that we manage \$28 million through the grants management process.

CHAIR CEGAUSKE:

I have a question on the transfer of Title XX funds to the Aging Services Homemaker account. Could you explain the intent of the Governor with respect to the transfer? Do you have a waiting list in this area? Are there any additional funds for non-state agencies along this line?

MR. WILLDEN:

We have about \$475,000 in the Title XX account we are unable to use. This is the problem with funds shown in the Aging Services Homemakers account and the organization not being able to use these funds. Competition for Title XX money is fierce. Not enough money is put toward Title XX non-state agencies. It is approximately \$700,000 a year. I would like to increase this allocation to \$1 million a year.

CHAIR CEGAUSKE:

How would you use these funds in the Homemaker account?

MR. WILLDEN:

The Homemaker account is funded through a number of funding mechanisms, two of which are the tobacco settlement money and the Letter of Intent from the Legislature stating we are not to use tobacco money for financing the Homemaker account. We have a problem. Do we want to take excess Title XX dollars and put them into non-state agency contracts, or do we want to put them into the Homemaker account and take away the tobacco settlement money we have been using to support this account? My recommendation is to

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use these monies to support non-state agencies and we need to finance the Homemaker account with either tobacco money or General Fund dollars.

CHAIR CEGAVSKE:

What is the waiting list for the Homemaker program?

MS. LIVERATTI:

Yes, there is a waiting list for the Homemaker program. I do not know the exact number, but the Aging Services Division will be presenting it in their budget hearing.

CHAIR LESLIE:

I agree with your Title XX priorities. Are you aware of the President's budget eliminating the Community Services Block Grant?

MR. WILLDEN:

Yes, there is a recommendation to eliminate the Community Services Block Grant. The amount of money involved in this area for Nevada would be about \$3 million. In the past, the President has eliminated this in his budget, but the U.S. Congress has always seemed to put this back into the final budget. We are watching this closely.

CHAIR LESLIE:

I agree we have seen this process before. It does concern me that this may be the year, due to our national deficit, that the Community Services money is not put back into the final budget. Do we have a contingency plan?

MR. WILLDEN:

The Governor will be going to Washington, D.C. to discuss these types of cutbacks. We are trying to monitor each of these areas and lobby where we can.

ASSEMBLYMAN DENIS:

I am still not clear on the system you wish to use about combining the three advisory boards. Please explain.

MR. WILLDEN:

The Grants Management Unit is advisory in nature and serves four different policy groups. The first is a statutory committee, which is called The Task Force for The Fund for A Healthy Nevada. This group decides how the tobacco settlement money will be spent. There are three other groups, two statutorily created. One of these groups is called the Block Grant Commission. They advise us how to spend the Title XX dollars and the Family-to-Family program money. The second committee is one that is statutorily created through the Family Resource Center funding. They advise how to run our Family Resource Centers. The third committee is the Children's Trust Account Advisory Board. They advise us how to spend the Children's Trust Account funds. The Grants Management Unit manages all of these dollars and receives advice from all three of these groups. We are recommending that these three advisory committees be combined into one. If there are any specific problems, we can work through subcommittees. This change will make our department much more efficient.

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ASSEMBLYMAN DENIS:
How do you plan to accomplish this?

MR. WILLDEN:
We plan to take the members of the 3 advisory committees, which is about 30, and downsize them into one 11-member committee. The committee will advise the department on all funding mechanisms except tobacco.

ASSEMBLYMAN DENIS:
How is the makeup of this new committee going to be determined?

MR. WILLDEN:
We have picked representatives from each of the specialties from the three committees. Each discipline has representation in the final committee.

ASSEMBLYMAN DENIS:
Will the Governor be making these recommendations?

MR. WILLDEN:
As director of the department, I will be making the recommendations.

CHAIR CEGAUSKE:
MR. WILLDEN, I want to compliment you on your presentation. The exhibits were well done and very helpful.

Are there any other people who wish to speak?

GREG FERRARO (Nevada Resort Association):
I would like to address the topic of problem gaming. I would like to thank this Legislative body for its leadership in this area. Senator Mathews has been assertive in the problem gaming area. We would like to compliment her and the Legislature. Our gaming industry and its members are making a large contribution to this effort. We want this to be an important long-term partnership between our industry and the State of Nevada.

JAN GILBERT (Progressive Leadership Alliance of Nevada):
I am a volunteer member of the Block Grant Commission. We support the reorganization and consolidation plan as defined earlier by Mr. Willden. All of the groups have been meeting together for the last six months. We all agree that we need to become one unit. I commend Mr. Willden. He has come and participated in every one of our meetings. We are working in subcommittees now through the Department. In March, we will be overseeing a granting process. We strongly encourage you to support this budget. We think it is well thought out and the right thing to do.

ROBERT DESRUISSEAU (Northern Nevada Center for Independent Living):
Our organization has worked closely with Mr. Willden and strongly support his budget. The Office of Disability Services, Independent Living Program and the Traumatic Brain Injury Program are all programs that have not received any increases in funding over the last ten years with the exception of some onetime appropriations for the Independent Living Program. It is encouraging to see that these recommendations for increases are moving forward. They were priorities

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and recommendations made by the Strategic Planning Accountability Committee. The Traumatic Brain Injury Program is specifically located in Las Vegas. If you are not able to get to Las Vegas, many of these services are not available to you. We look forward to working with the Legislature to make sure these services are made more readily available to the residents with TBI.

CHAIR CEGAVSKE:

Bonanza High School in Las Vegas had a wonderful program for young people with TBI. The problem is that once these students graduate from high school, these services are no longer available to them.

JON L. SASSER (Washoe Legal Services):

We appreciate the hard work Mr. Willden and his department have done on this budget and I am here today in support of it. We appreciate the increase in funding for the Office of Community Based Services. The Office of Community Based Services serve those not eligible for Medicaid. We support the Olmstead issues in this budget specifically in bringing the waiting list down to less than 90 days.

I want to address items that did not get in this budget. We would like to focus, not only on adding spaces in these programs, but additional services were not addressed. Particularly, patients with TBI, were not given more funding for services. Places on the list were increased but services were not. In the developmental disabilities, area services for autism were not added and we would like to see that addressed.

CHAIR CEGAVSKE:

Mr. Willden, I compliment you on your efforts in reaching out to the community as evidenced by the testimony today.

SENATOR RAGGIO:

The media needs to hear testimony like this and they will see the reasons why these programs have to be funded.

JOHN YACENDA (Health Care Strategies, Incorporated):

I am here to support the budget request for a management analyst position for the Senior Rx program. In the PBM arena today, the need for analysis and for someone who can work online with management programs is absolutely essential to track and project costs. This is a wise investment and I hope the Subcommittee will support this.

KEVIN QUINT (Vice President, Board of Examiners for Alcohol, Drug, and Gambling Counselors):

I am here to speak in favor of the allocation for gambling treatment and submit my written testimony, ([Exhibit F](#)), and to ask that you place that allocation under the Bureau of Alcohol and Drug Abuse (BADA). There are three good reasons for this. The first is that gambling is an addiction issue. Administering this money through BADA will facilitate coordination of services with other addictive disorder disciplines. Secondly, gambling is often a co-occurring disorder. Many people that present with gambling problems also have drug and alcohol problems. Third, BADA already has a funding and regulatory structure in place to administer this money. We want to emphasize that for the budget you

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have for problem gambling, it would be more efficient to go with BADA. Refer to ([Exhibit F](#)) for my testimony. Finally, as part of my testimony this morning I ask that you authorize the establishment of a gambling advisory committee. I see two options: the first would be to have an advisory committee all by itself and the second would be to add to the BADA advisory committee as it stands. You may even want to look at a process where you can do both. The biggest issue right now is workforce development. Our major challenge is to train counselors.

CHAIR CEGAVSKE:

My question is for Mr. Willden. Can BADA handle this program?

MR. WILLDEN:

If the level of funding is about \$200,000, we can do this. If there is a higher funding source, we would need to look at the situation. I will be happy to get back to you on this.

CHAIR CEGAVSKE:

There being no further business, I will adjourn this meeting at 10:15 A.M.

RESPECTFULLY SUBMITTED:

Carol Simnad,
Committee Secretary

APPROVED BY:

Senator Barbara K. Cegavske, Chair

DATE: _____

Assemblywoman Sheila Leslie, Chair

DATE: _____