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

Seventy-Fourth Session
March 27, 2007

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on K-12/Human Services was called to order by Chair Sheila Leslie at 8:10 a.m., on Tuesday, March 27, 2007, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Sheila Leslie, Chair
Assemblywoman Barbara E. Buckley
Assemblywoman Heidi S. Gansert
Assemblywoman Debbie Smith
Assemblywoman Valerie E. Weber

SENATE COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBERS ABSENT:

Assemblyman Mo Denis

STAFF MEMBERS PRESENT:

Gary Ghiggeri, Senate Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Mike Chapman, Senior Program Analyst
Rex Goodman, Program Analyst
Laura Freed, Program Analyst
Anne Bowen, Committee Secretary
Patricia Adams, Committee Assistant

Chairwoman Leslie said the Subcommittee was going to review various issues regarding budgets of the Department of Health and Human Services during this work session.

DHHS ADMINISTRATION (101-3150)
DHHS DIRECTOR'S OFC-1
METHAMPHETAMINE EDUCATION PROGRAM (E326)

Chairwoman Leslie referred to Enhancement Unit 326 (E326) and said there was $1 million for each year of the biennium proposed in The Executive Budget to create and administer a methamphetamine education program. There was very little information available about what that program would entail. Chairwoman Leslie noted that the Governor had appointed a task force through an Executive Order, headed by the Attorney General. Chairwoman Leslie disclosed that she represented the Assembly on the task force, and Michael J. Willden, Director of the Department of Health and Human Services, was on the task force as well.

Michael J. Willden, Director, Department of Health and Human Services, stated during the month of March 2007, the Governor's Working Group on Methamphetamine Use met three times and would meet again today regarding recommendations to be made to the Governor on or before April 1, 2007. The testimony heard in the task force regarding the prevention dollars was categorized in three areas. A presentation had been made by the Nevada Association of Counties (NACO) which suggested a new oversight organization be created to determine the release of prevention dollars, infrastructure grant dollars, and treatment dollars. Mr. Willden said there was also a presentation that suggested using R & R Partners as a pass-through mechanism to family resource centers. Finally, the Governor's Working Group heard testimony from a number of community partners that stated the money should flow through the existing funding mechanism. Mr. Willden said the final report to the Governor would recommend the funds flow through the existing funding mechanism. The Department of Health and Human Services through the Substance Abuse Prevention Treatment Agency (SAPTA) had a funding mechanism in place that would send funding through an open, public process that would provide funding to 13 local coalitions. Those coalitions would develop community-based prevention education programs. Mr. Willden said the Governor's Working Group had no interest in "reinventing the funding wheel."

Mr. Willden added there had been discussion that the funding process used previously might not have been as open and public as it could have been, and the Department had made commitments that all funding would be distributed in open, public hearings. There had been testimony that local coalitions might not, in all circumstances, have enough collaboration with local elected officials. Mr. Willden said a directive would be made to local coalitions requiring them to demonstrate local collaboration.

Chairwoman Leslie asked whether it made sense to leave the methamphetamine education program funding in the Director's Office budget, or move the funding to the Mental Health Division for use in the SAPTA program. Mr. Willden replied that the funding had been placed in the Director's Office budget in the hope that it would not have to be counted as Maintenance of Effort (MOE). Mr. Willden's personal opinion was the federal government would not accept that, and the funding would be counted in the MOE formula. Therefore, the most streamlined approach was to place the funding in the SAPTA budget. If the funding remained in the Director's Office budget and avoided the count as MOE, the Director's Office role would be as a pass-through account to local coalitions.

Chairwoman Leslie said she agreed, because the title, methamphetamine prevention and education, clearly indicated the funding purpose. The other

reason Chairwoman Leslie believed it made more sense to put the funding in the SAPTA budget was that the Agency had the infrastructure and available staff to perform the type of work needed. Chairwoman Leslie asked Mr. Willden whether that assessment was accurate, and he responded that it was.

Senator Raggio stated his concern was that the focus seemed to be on prevention, treatment, and education regarding the methamphetamine problem, and said he was not clear as to what the local coalitions were. He also asked how Methamphetamine Education Program funding differed from ordinary funding for substance abuse programs. Mr. Willden explained that there were "four pots of new money" being placed in the Health and Human Services budgets, primarily to focus on the methamphetamine problem. Although methamphetamine was the big issue, most methamphetamine users were polysubstance abusers. Mr. Willden said it was important to remember when treating methamphetamine users, there were probably other treatment issues present. There were two pots of money in SAPTA's budget to enhance treatment: approximately $3.8 million to increase treatment, and another $3 million that would be placed in SAPTA's budget to implement a new program on co-occurring disorders. Mr. Willden said approximately $6.8 million was new funding to purchase additional capacity for treatment. In prevention and education, SAPTA was going to lose the federal infrastructure grant June 30, 2007. Mr. Willden said when those grants were lost, there would be no way to fund local prevention and education efforts. The Governor's budget contained $5.3 million to continue the infrastructure grant process and fund the 13 local coalitions.

Senator Raggio asked what entities comprised the local coalitions. Mr. Willden replied treatment providers, education providers, school representatives, and law enforcement. Senator Raggio asked whether those coalitions were already in existence, and Mr. Willden replied that they were. Senator Raggio asked whether there was a need to restructure the coalitions to focus on the methamphetamine problem. Mr. Willden explained that the Department heard from the Governor's Working Group that perhaps the local coalitions did not have enough connection with local elected officials and local law enforcement, so the Department would direct that those connections be strengthened. The local coalitions would be required to demonstrate how the organization was working with local law enforcement, courts, and elected officials. Mr. Willden stated that, specifically, $2 million would be focused on education and awareness, primarily on methamphetamine. The funding would undergo a request for proposal (RFP) grant process that local coalitions, or other local entities, could apply for after complying with evidence-based criteria. The money would fund information dissemination programs, prevention education programs, alternative activities, community-based programs, environmental approaches, and problem identification and referral.

Chairwoman Leslie noted that Mr. Willden said the funding was to be used primarily for methamphetamine prevention, but it was her understanding the funding was to be used exclusively for methamphetamine prevention. Mr. Willden acknowledged that was correct, but the Governor's Working Group had been emphatic about not losing sight of the other drugs available.

HEALTHY NEVADA FUND (262-3261)
DHHS—DIRECTOR'S OFC-21
REDUCED EXPENDITURES FOR SENIOR Rx

Chairwoman Leslie requested information regarding the projections and possible revisions to the budget for the 2007-09 biennium.

Michael Torvinen, Deputy Director, Finance, Department of Health and Human Services, stated the Department provided LCB staff with revised expenditure projections and anticipated those projections would be further refined. Mr. Torvinen stated there were some substantial reductions from what had been projected in October 2006. The lower projections had been a result of compiling a history. It was assumed the Senior Rx budget would remain the same, according to Mr. Torvinen.

Chairwoman Leslie asked what plans the Department had for the money saved from reduction in expenditures. Mr. Torvinen replied that no concrete plan had been formulated, subject to statute. Chairwoman Leslie asked whether any thought had been given to offering vision and dental benefits. Mr. Torvinen replied some type of benefit probably could be offered.

Michael J. Willden, Director, Department of Health and Human Services, said that Department staff was working on a plan to offer dental and vision, with a dental program being the first consideration. Chairwoman Leslie commented that details regarding the program would probably not be available before budget closing, and she wanted to close with the correct projections. She asked whether the Department would return to the Interim Finance Committee (IFC) with a dental plan, and Mr. Willden replied that was correct.

Senator Cegavske asked whether the Department was working with the School of Dental Medicine at University of Nevada, Las Vegas (UNLV) regarding a possible dental plan. Mr. Willden responded his understanding was that the Department would purchase a dental plan by paying a capitation rate to an insurer for dental health care, but he was happy to investigate the possibility of working with the dental school. The Department had also considered providing a fixed sum, for example $500, per senior for dental care.

GRANTS MANAGEMENT UNIT (101-3195
DHHS—DIRECTOR'S OFC-29
ADMINISTRATIVE EXPENDITURES FOR PROBLEM GAMBLING PROGRAM (E225 AND E325)

Chairwoman Leslie requested the Department elaborate on the statutory and regulatory requirements for administering the Problem Gambling Program.

Laura Hale, Social Services Chief, Grants Management Unit, Department of Health and Human Services, stated that within the statute the Department was required to support the Advisory Committee on Problem Gambling, as well as solicit applications for treatment and prevention of problem gambling. The Department was also required to implement regulations which specified that the Department would put forward a fair and competitive process as well as administer the grants. Ms. Hale said as part of the process the Department issued 26 grants in FY 2007. There were several functions involved for the unit to administer grants: requests for funds; review progress reports; handle budget modification requests; provide technical assistance; and make recommendations to the Advisory Committee. The Grants Management Unit's ability to review

grants was limited because it did not have a separate staff person assigned to that task. Ms. Hale stated the initial review of the application was contracted out, and the Advisory Committee set up a subcommittee to specifically examine the prevention of problem gambling.

Chairwoman Leslie asked what the agency would not be able to accomplish if limited to a 5 percent cap. Ms. Hale stated if the cap was 5 percent, the agency would not be able to properly review backup material that supported the requests for funds, and the agency would not be able to comply with an LCB audit request to perform site visits with grantees. Chairwoman Leslie requested those figures in writing. Mr. Willden said that the percent used for grant administration was deceiving. The revenue generated from the slot tax was approximately $1.6 million per year; thus at 1 percent, the agency received $16,000 to administer 26 grants as well as provide support to the committee. Mr. Willden said that at 5 percent the amount was $80,000 to conduct five or six committee meetings per year as well as issue and evaluate annual RFPs. Chairwoman Leslie said her point was that perhaps the Subcommittee needed to examine some of those issues. Perhaps 26 grantees were too many, or the committee did not need to meet five or six times per year.

GRANTS MANAGEMENT UNIT (101-3195)
DHHS—DIRECTOR'S OFC-29
FUNDING FOR FAMILY RESOURCE CENTERS TO ASSIST CHILD WELFARE AGENCIES (E326)

Chairwoman Leslie said the recommendation regarding Enhancement Unit 326 (E326) was to continue the two pilot programs for Family Resource Centers (FRCs) to assist with child welfare cases that did not warrant investigative actions by child protection agencies in southern Nevada, add 4 new pilot sites on a staggered basis in the first year of the biennium, and add an additional 12 new pilot sites for eight months in FY 2009. Chairwoman Leslie asked the Department whether that was still the plan. Mr. Willden stated that was correct; there were two pilot sites in Las Vegas that began in February 2007. Four more sites would be added in 2008, and the rest of the FRCs would be active in 2009.

Chairwoman Leslie said she was aware FRCs varied in size, abilities, and specific areas of interest, and asked whether the Department had confirmed that every FRC was willing and able to perform the function. Mr. Willden acknowledged that each FRC had different abilities and capacities, as well as the desire to perform the function, and there were three or four FRCs that might not be as willing as others. Mr. Willden said the Department had been working with LCB staff on a potential "scale-back" plan. According to Mr. Willden, there was a negotiation with the federal Administration for Children and Families (ACF), as to how much the ACF would tolerate of the Department pushing full implementation out to future biennia. The ACF was insistent about seeing differential response, primarily in Clark County. Chairwoman Leslie stated she understood that, but did not believe, with her knowledge of the FRCs, it would be an easy transition. Mr. Willden stated the Department was happy to continue working with LCB staff on a different roll-out schedule, but cautioned the Subcommittee that he had no idea what delays the ACF would tolerate.

Senator Cegavske said a concern in many of the budgets was the issue of staffing and asked whether the Department would be able to staff the program with qualified employees. Ms. Hale replied that the Department considered increasing the salaries for employees who performed that type of work within

the FRCs and had framed requirements for the type of skills needed. There were possible problems in the rural areas, but the agency would work with the rural FRCs to provide training. Ms. Hale said licensing was not required for these positions, but the agency was looking for a background in social and child development services.

Senator Cegavske stated she was concerned that the Department had so many employee vacancies in so many different areas, and there would be more positions to fill. It appeared to be a continuous problem, according to Senator Cegavske. Mr. Willden agreed that finding qualified employees was a continuous problem and stated he shared Senator Cegavske's concern. The Department, and possibly the State, was struggling to locate and hire skilled, licensed professionals to fill vacant positions. However, Mr. Willden said his position was the Department needed to continue to use recruitment plans and incentives to attract new employees. To ensure success, Senator Cegavske suggested the best course of action might be moving slowly to implement the new program.

ADMINISTRATIVE CAPS FOR PROGRAMS FUNDED WITH TOBACCO FUNDS

Chairwoman Leslie commented that a bill was before the Legislature to remove the cap altogether, but there were several different options, and she requested information regarding those options.

Michael Torvinen, Deputy Director, Finance, Department of Health and Human Services, stated the entire Department of Health and Human Services was challenged fiscally to keep up with the workload and produce a good product. Mr. Torvinen noted that in the past few years the Department had added problem gambling, and suicide prevention, and now there was discussion regarding a dental program. All of those programs came with the need to enter into contracts and pay bills appropriately and the Director's Office could not perform that function at a 3 percent limit for administration costs, according to Mr. Torvinen. Mr. Torvinen said the Department was proposing raising the cap to 5 percent, which would still be a challenge.

Michael J. Willden, Director, Department of Health and Human Services, commented that throughout the Department the leanest administration ratio was in the Medicaid budget which was approximately 6.5 percent. Mr. Willden said the Department wanted to produce a quality product and hoped the Subcommittee would consider that.

DIVISION OF HEALTH CARE FINANCING AND POLICY
MEDICAID (101-3243) HCF&P—25
IMPACT OF DISCRETIONARY RATE INCREASES (E425) ON HMO PROVIDER RATES (M101)

Chairwoman Leslie noted there had been a change in the calculations by the actuary and requested an explanation.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services, introduced Patrick Cates, Administrative Services Officer (ASO), Division of Health Care Financing and Policy, and Mary Wherry, Deputy Administrator, Division of Health Care Financing and Policy. Mr. Duarte said as a part of the evaluation of the budget, the actuary, Milliman USA, reviewed a number of factors that were affecting the budget, such as inflation rates utilized in Maintenance Unit 101 (M101). As

a portion of Milliman USA's review, the organization evaluated the impact of the physician rate increase, particularly as it related to HMO rates. Mr. Duarte said the Division had initially assumed that the analysis Milliman USA was performing considered adjustments to physician reimbursements in the budget, but in the latest correspondence from Milliman USA, it appeared that was not the case. Milliman USA determined that because of the overall size of physician's services as a part of the HMO costs, the adjustment of rates for physicians would require an approximate 14 percent increase or $9 million in General Fund over the biennium. Mr. Duarte stated that separate from that evaluation Milliman USA had also determined that reevaluating the HMO rates separate from the physician fee increase would have no impact. Reevaluating the pharmacy inflators resulted in an approximate $1.7 million cost reduction, according to Mr. Duarte. Finally, the transportation broker, LogistiCare, saw an approximate $2.5 million General Fund savings over the biennium. Mr. Duarte said there was a $9 million need for the adjustments associated with the position rate increase, along with a total of $4.2 million in reduced need associated with other inflation rates.

Chairwoman Leslie asked the exact figure of the shortage, and Mr. Duarte replied $4.8 million. Chairwoman Leslie asked how the Division planned to address that shortage. Mr. Duarte replied that it would be necessary to evaluate caseload projections, and that was being done for Medicaid and Nevada Check Up. He further stated budget amendments would be required. The Division would also make any adjustments associated with the physician rate increase within E425. Mr. Duarte stated the Division would be working with the Budget Division to adjust E425 and evaluate options for staying within the General Fund request.

Chairwoman Leslie asked whether the Division anticipated requesting additional General Funds to address the shortfall, and Mr. Duarte replied the Division would be searching for alternatives to avoid that request.

Chairwoman Leslie asked when the Division and the Legislature would have been informed of the miscalculation had it not been discovered before the budget was closed. Mr. Duarte said probably by the second year of the biennium when HMO reimbursement rates were adjusted. Chairwoman Leslie asked whether the rate increases recommended for physicians would impact the budget as well, and Mr. Duarte replied that it would directly affect what the HMOs paid.

Chairwoman Leslie requested that the Division keep LCB staff informed as a solution was worked out. Mr. Duarte commented that at the request of LCB staff the Division looked at a number of scenarios to reduce the physician rate increase to some percentage of Medicare reimbursement rates. Those analyses had been performed, but unfortunately, reduction of the percent of 2007 Medicare reimbursement had not resulted in significant cost adjustments, according to Mr. Duarte.

DISCRETIONARY RATE INCREASES (E425)

Chairwoman Leslie requested that Mr. Duarte address the discretionary rate increases two ways: (1) currently the Division paid at the 2002 Medicare rate schedule, but not 100 percent, some were much lower and some were much higher than 100 percent and, (2) the proposal in the budget was to use the 2007 Medicare payment schedule and pay everyone at 100 percent. Chairwoman Leslie said the Subcommittee requested the Division investigate

some options. Mr. Duarte referred to Enhancement Unit 425 (E425) in BA 3243 and said the Division considered a number of scenarios, including paying the 2007 Medicare fee schedule. Mr. Duarte said Chairwoman Leslie was correct, the Division currently paid some version of the 2002 Medicare fee schedule which depended on the specialty range of services. For example, obstetrics was paid at 128 percent of 2002 Medicare. Certain types of surgeries and radiology services performed on individuals less than 21 years of age were paid at a very high percentage, approximately 120 and 170 percent, respectively, of 2002 Medicare. Mr. Duarte noted where service reimbursements suffered were in evaluation and management codes as well as the medicine codes, which were services performed within a physician's office. Medicine codes and evaluation and management codes were paid at 85 percent of 2002 Medicare.

Mr. Duarte said the Division reviewed a number of plans associated with payments based on the 2007 fee schedule. One of the analyses performed was to review each of the code ranges that would be affected, such as obstetrics, radiology, surgery, and evaluation of management medicine. Mr. Duarte said those analyses were compared with the current reimbursement levels, and only obstetrics might receive a modest impact, with overall expenditures being reduced approximately $825,000 per year.

Mr. Duarte said the other analysis performed was to review the percent of 2007 Medicare to ascertain if some savings could be created by using 85 percent, 90 percent, and 95 percent of the total fee schedule payments. At 85 percent of 2007 Medicare there was a modest savings of approximately $2.6 million over the biennium in both Medicaid and Nevada Check Up. Mr. Duarte explained it appeared as if the change in fee schedule from 2002 to 2007 that made the difference, not necessarily the percentage being paid from Medicare.

Chairwoman Leslie asked what most other states were doing, and would Nevada be unusual if it used the 2007 Medicare payment schedule at 100 percent. Mr. Duarte replied Nevada would easily be in the top quartile, and possibly the top ten percent. Nevada was paying a high level of reimbursement for physicians but, according to Mr. Duarte, that was true across the board for all payers, including Medicare. Chairwoman Leslie commented that in a growing state with population problems, such as Nevada, access was a key issue.

Senator Cegavske asked about the time factor in reimbursing doctors for Medicaid patients. Mr. Duarte stated the payment turnaround time was averaging 14 days from the time a "clean claim" was submitted. Senator Cegavske asked whether the process had been streamlined for claims that were challenged in any way. Mr. Duarte said the denials of claims were relatively low, particularly for physicians' services. Unless billed incorrectly or the claimant was ineligible, claims were seldom denied.

Chairwoman Leslie asked whether there were options, other than the one presented, to reduce the cost impact. Mr. Duarte replied the ideas the Division had discussed focused on delaying the start date of the rate increase to later in the biennium. Mr. Duarte reiterated the percentage paid out of the fee schedule had only a modest impact on Medicaid spending.

Assemblywoman Gansert asked whether the Division had considered reimbursing groups with a small number of physicians at 100 percent, and reimbursing groups with a large number of physicians at a lower rate. Mr. Duarte replied that the Division considered that solution, but there were

reasons he was reluctant to head in that direction. One reason was that the "resource space relative value scale" used by Medicare was a balanced fee schedule. The errors with the schedule in 2002 resulted in problems regarding fairness in reimbursement to specialists as opposed to primary care physicians. Mr. Duarte said if the current level of reimbursement was reduced for specialists, radiologists, surgeons, and obstetricians, there would be a negative in the overall practice revenue from Medicaid, and that was a concern. There were also access problems with many medical and surgical subspecialties and the fee schedule was an attempt to improve access, especially in the area of pediatrics. In response to a comment by Mrs. Gansert regarding specialties that were currently paid at reimbursement rates above 100 percent, Mr. Duarte replied there were some small adjustments that could be made on obstetrics and surgery, as those categories profited more under the new fee schedule, but not substantially. Mrs. Gansert asked whether more patients went to primary care physicians than went to specialty services. Mr. Duarte replied that the large claims volume was in primary care services.

Assemblywoman Gansert commented that access for care was vitally important because it would cost more in the long run if the funds were not provided.

NEW INITIATIVES TO PROMOTE SAVINGS (E251, E254, E277, E401, E402, AND E403

Chairwoman Leslie stated the Subcommittee would briefly review the cost saving initiatives. Enhancement Unit 251 (E251) requested four new positions for the Medicaid Estate Recovery (MER) unit, and Chairwoman Leslie asked whether the new positions would recover more than the positions cost.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services, replied the State recovery team that was being proposed would be cost-effective for the review of estate claims, which were not currently being reviewed. There were approximately 4,600 eligible deaths that could be reviewed for estate recovery, but the Division now could only review approximately 1,500. Mr. Duarte said it was a matter of staff and caseload. He explained that after 120 days all assets were usually distributed, and there were none left to claim, making it important to perform reviews promptly. Chairwoman Leslie asked, if E251 was funded, whether the Division would be able to calculate the cost savings. Mr. Duarte replied that recoveries were shown as revenue and could be compared with the cost of the MER unit.

Assemblywoman Buckley asked what the current cost for staff was, as well as the current recovery, on the 1,500 cases being processed. Mr. Duarte said he would provide the total cost of staffing, but through the efforts of the present staff $1.9 million in liens had been secured in 2006.

Chairwoman Leslie commented this was an area where cost savings were easy to discern as well as making sense. She also noted that the Division assured her that estates with potential for recovery would be targeted. Mr. Duarte explained that the only estates the Division pursued were where the recipient was deceased, and there were assets not being used by the community spouse or by a dependent child.

Chairwoman Leslie addressed E254 which requested that the staffing component, which included two new auditor positions, be replaced with two health care coordinator positions.

Mr. Duarte stated in the original budget concept, health care coordinators, which were professional staff nurses, had been included. Because of recruitment issues, the request had been changed to auditors. Mr. Duarte said, upon reflection, health care coordinators were needed. In other states there was more clinical expertise available to investigative teams, and Mr. Duarte said he believed that was a necessary part of the staffing contingent. Chairwoman Leslie asked the Division to structure the request so the Subcommittee could see the cost savings. Mr. Duarte responded that some aspects of surveillance utilization review (SUR) could be directly offset by recoveries, which was what the Division intended to demonstrate. There were other aspects of SUR that would have a preventive effect on fraud and create cost-avoidance opportunities in the community. Mr. Duarte said that aspect could not be readily quantified, but the recoveries could be. Chairwoman Leslie noted that the request was for the addition of seven new positions, which was a large request and needed justification. Mr. Duarte said the Division had been conservative in its estimates and had attempted to model the organization design after New Hampshire, a state of similar size. New Hampshire spent approximately $1 billion per year, and had nine staff on the SUR unit. Mr. Duarte said what the Division was proposing to do with Nevada's $1.6 billion budget was of similar size and scope. Also, new system tools were available which the Division would utilize to improve retrospective payment reviews of providers.

Senator Cegavske asked whether the vacant audit positions within the Division were being filled instead of adding new ones. Mr. Duarte referred the question to Patrick Cates.

Patrick Cates, Administrative Services Officer 4, Division of Health Care Financing and Policy, Department of Health and Human Services, said the existing auditor positions were dedicated to the Payment Error Rate Measurement (PERM) Program, which was a federal requirement. One auditor did not perform a PERM function and was charged with oversight of the First Health Contract to ensure compliance with that contract. Mr. Cates said two of the additional requested auditors would enhance the function and provide oversight for the First Health Contract, as well as provide audit oversight over other administrative contracts with sister agencies. Mr. Cates said the agency was requesting four auditors, two for administration contract oversight and two for medical rate setting. The agency was being compelled by the Center for Medicare and Medicaid Services (CMS) to adopt certified public expenditure processes, which involved cost reporting and cost settlement. Those processes had never been in place before and to implement them, audit resources were needed.

Senator Cegavske remarked that she would work with LCB staff regarding the vacant audit positions.

MANAGED CARE AGED, BLIND, DISABLED POPULATION (E400)

Chairwoman Leslie noted the Division submitted an aggressive implementation timeline and asked what would happen if any of the milestones were missed and the implementation delayed.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, agreed the timeline was aggressive and if a key date was missed or skipped, it would delay the implementation. One safeguard the Division planned to use

was the adoption of good Request for Proposals (RFP) from other states where the program was already in place. Another idea was to procure a plan already licensed in the state of Nevada that had an established network of providers. Mr. Duarte said that was always an issue during the licensing process.

Chairwoman Leslie said it was her understanding that during the pilot stage there would be only one provider and asked how long the pilot program would last, and how soon competing vendors would be available. Mr. Duarte estimated the pilot program would last at least two years to accrue pertinent data to judge whether or not to expand the program to other populations throughout the State.

Chairwoman Leslie reiterated that for this biennium the pilot program would be limited to one provider. Mr. Duarte replied that was correct.

CARE MANAGEMENT AND REGIONAL CARE COORDINATION (E402)

Chairwoman Leslie referred to Enhancement Unit 402 (E402), which received 75 percent federal matching funds. The Division was estimating that the cost savings would come from reduced stays in residential and acute care facilities.

Mr. Duarte explained the Care Coordination Initiative was an administrative function that was provided for through a Quality Improvement Organization (QIO). First Health, for example, was a QIO, according to Mr. Duarte. The Division would utilize a QIO to enable it to receive increased matching funds because of the use of skilled professional medical personnel in those organizations. That was how the Division received the 75 percent match. Mr. Duarte said the caseload was intended to be approximately 4,000 individuals, who would be high-cost, high-risk individuals, possibly with multiple chronic diseases, but who would still be responsive to medical intervention. The cost savings associated with this population came through reduced admissions to hospitals, reduced access to emergency departments, reduced use of inappropriate medications, and reduced use of diagnostic procedures.

Mr. Duarte stated there was a second population that the Division would like to target, namely, children and adolescents who were frequently admitted to residential treatment facilities (RTCs). According to Mr. Duarte, they were seriously emotionally disturbed children who spent an inordinate amount of time as an inpatient in a residential treatment facility (RTC). The Division would like to work with community partners and providers to develop a community-based array of services to safely transition those children to the community and reduce their expensive lengths of stay at the RTCs.

Chairwoman Leslie noted the Care Coordination Initiative was based on what other states had implemented as well as national trends. She asked whether the Division could correlate those trends to Nevada-specific information. Mr. Duarte responded that the information had not been applied directly to Nevada circumstances. The information provided for both initiatives came from the Division's fiscal agent, First Health, which had contracts in a number of states. Mr. Duarte said the information came from First Health's experience in other states regarding potential cost savings.

Chairwoman Leslie asked whether Mr. Duarte was confident of real savings and that Nevada was not too different for the plan to work here. Mr. Duarte replied that he was very confident case management and regional care coordination

would work in Nevada. He said representatives in other states that were utilizing the program had very good things to say about it, including the recognition of cost savings.

DENTAL BENEFITS FOR PREGNANT WOMEN (E403)

Chairwoman Leslie commented that she wished dental care could be provided for everyone on Medicaid, not just pregnant women. She further said the information regarding pregnant women and dental care seemed to be based upon some national studies that were not convincing.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, admitted the request was based upon national data and peer-reviewed studies and said he was not certain how else to present the information or what else to use to document the benefits for pregnant women. The estimates developed were conservative, as well as consistent with findings in the peer-reviewed studies, according to Mr. Duarte. There was also significant anecdotal evidence from managed care programs that had large numbers of pregnant women on Medicaid, and dental benefits offered. Mr. Duarte opined there was probably a reason those programs were offering dental benefits. He maintained studies substantiated that reduction in periodontal and gingival disease had a direct correlation to a reduction in pre-term birth and low birth weight babies, as well as associated costs.

Senator Cegavske asked whether the national study that had been cited included other factors, such as whether the mothers were single or drug addicted. Mr. Duarte replied he did not know what the study population consisted of, except that they were pregnant women, and he did not believe a particular socio-economic class was examined. Senator Cegavske said she had inquired about drugs use as that crossed all socio-economic lines and requested a copy of the study. Mr. Duarte replied the study had been submitted to LCB staff.

Senator Cegavske asked whether there was any correlation to the results of the national study from data on pregnant women and dental care in Nevada. To compile an accurate analysis, Mr. Duarte stated the Division would have to perform a retrospective review, including an oral examination of a pregnant woman who gave birth, to determine if she had periodontal disease. The Division had never documented those records and Mr. Duarte did not believe it was feasible. Senator Cegavske noted that such analysis had apparently been done on a national level. Mr. Duarte stated there was a direct correlation between periodontal disease and low birth weight babies.

Chairwoman Leslie commented that while good dental care would help both the mother and the baby, the issue was about saving money. Chairwoman Leslie further stated it would be helpful to know how many premature, low birth weight deliveries occurred in the Nevada Medicaid population. Mr. Duarte said the rate of premature births compiled from the study was 12 percent nationally. Chairwoman Leslie requested more information as to how Nevada fit into the national picture.

PREFERRED DRUG LIST

Chairwoman Leslie noted that in 2004 the Nevada Medicaid Preferred Drug List (PDL) was implemented. There had been discussion about using a PDL for the medications that had been exempted, such as atypical antipsychotic,

anticonvulsant, or antidiabetic medications to save money, according to Chairwoman Leslie.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, said placing mental health drugs on a PDL was never an enjoyable task. If there was strong interest in finding a way to reduce drug expenditures without jeopardizing the quality of patient care, Mr. Duarte said the use of a PDL for some medications would be appropriate.

Chairwoman Leslie referred to the Texas Medication Algorithm which was in use in the Division of Mental Health and asked how that differed from the PDL. Mr. Duarte replied the use of the Texas Medication Algorithm, as utilized by the Division of Mental Health and Developmental Services, had an impact in the reduction of polypharmacy, but he was not aware of how it affected costs. Mr. Duarte said the PDL could work in concert with the Algorithm because the Algorithm designated a class of drugs to be used first, before moving on to a higher-cost class of drugs. A preferred drug list would, within that class, designate a particular product as preferred. Mr. Duarte stated what would happen was a "market shift" to that drug, which would in turn change prescribing patterns by physicians and, as a result, deliver the lowest net price because of negotiations occurring outside the system. There would be the benefits of having an appropriate drug available, reducing the impact of polypharmacy issues, and obtaining the best net price for preferred drugs, according to Mr. Duarte.

Chairwoman Leslie asked what cost savings were involved. Mr. Duarte said estimates had been compiled based on experience in other states, particularly Georgia, where a PDL had been implemented on atypical antipsychotic drugs and other classes of drugs. Mr. Duarte said using comparable experience, but the Division's utilization, it was estimated that Nevada would save approximately $1.2 million per year. Chairwoman Leslie inquired about the savings for the anticonvulsant and antidiabetic medications. Mr. Duarte replied there was estimated to be a small savings for the anticonvulsant medication of approximately $72,000, with antidiabetic medication savings of $246,000.

Chairwoman Leslie asked how long it would take the Division to establish a PDL for drug classes that were excluded and whether the Nevada Revised Statutes (NRS) would have to be changed. Mr. Duarte acknowledged that the NRS would have to be changed as well as Division regulations. Anyone on a particular drug in that class would be "grandfathered" in, according to Mr. Duarte, so the current patients would not be affected. Chairwoman Leslie asked whether there had been any discussions with the mental health community, and Mr. Duarte replied there had not been any discussions.

Chairwoman Leslie asked how step therapies could aid in providing Medicaid savings that ensured patient safety and access without establishing a PDL and whether there were other options available as well. Mr. Duarte replied that the Division of Mental Health and Developmental Services (MHDS) used a step protocol, and the Division could implement a step protocol without placing drugs on a preferred list. Chairwoman Leslie said that plan could be a midway step, because the Subcommittee wanted to save money without unduly moving patients from drug-to-drug. She further stated more competition between the drug companies should be encouraged.

Carlos Brandenburg, Ph.D., Administrator, Division of Mental Health and Developmental Services, stated that when the Division of Mental Health had

implemented the step therapy and algorithm there had been some concern, but consumers had been reassured that problems would be addressed. Dr. Brandenburg likened the program to a three-legged stool with the first leg being cost-effectiveness. If the Division had not implemented the program it would have run out of money and would not have been able to prescribe medications. Dr. Brandenburg said safety and professional judgment were also considerations. Under the guidance of Director Willden, Dr. Brandenburg said he and Mr. Duarte could work on a program with the consumer to implement the same type of system in the Medicaid program.

Chairwoman Leslie thanked Dr. Brandenburg for his comments and stated that would be an excellent first step. At the very least, Medicaid could use the same step therapy model which would promote consistency and some cost savings, according to Chairwoman Leslie.

Senator Cegavske commented putting patients through a process of trial and error to discover a drug that worked had been a concern to her. Patients' doctors usually knew of a drug that worked, and if that drug was not available to the patient because of the PDL, there could be delays in treatment or something worse.

Mr. Duarte said the tools being discussed were used throughout the nation by health plans and employer sponsors and were not unique to Medicaid. Medicaid was somewhat behind the times because of federal rules associated with payment of prescription drugs in the Medicaid program. Mr. Duarte said Medicaid had a process whereby a clinical review was performed on a patient that requested a drug beyond the first step of the PDL. A good example, according to Mr. Duarte, was a nonsteroidal anti-inflammatory drug. A patient who presented with general joint pain would not be eligible for a high-cost, nonsteroidal, anti-inflammatory drug. There was a clinical criterion in place to step patients up to a more costly, specific drug, if necessary. A physician could prescribe a drug not on the PDL, talk to someone on the clinical staff, and procure a clinical override. Senator Cegavske asked how long that process would take, and Mr. Duarte replied, one day.

Chairwoman Leslie commented when the Texas Algorithm was implemented there had been some fear, but it had worked well with the override procedure. She wondered whether there would be the same concerns with the anticonvulsant and antidiabetic medications, and asked whether the addition of the antipsychotic drugs to the PDL could be delayed or would all three have to be added.

Mary Wherry, Deputy Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services, said it would depend upon whether the anticonvulsants were being prescribed for bipolar disorders or neurological disorders. Ms. Wherry said the same public outcry would probably be heard for the bipolar anticonvulsants as would be heard for the antipsychotic drugs. The antidiabetic drugs would probably not be an issue, according to Ms. Wherry. Patients on a solid regimen for managing diabetes would not be disrupted. Ms. Wherry stated patients entering the program or those newly diagnosed with diabetes would possibly be affected.

Mr. Duarte said the algorithms previously discussed also dealt with prescriptions associated with the antipsychotic drugs.

Chairwoman Leslie suggested there be some discussion within the various agencies regarding step therapy.

HOSPITAL RATE INCREASES

Chairwoman Leslie noted two areas previously discussed in budget hearings that had not been included in The Executive Budget were hospital rate increases and the establishment of rates for nursing homes based on patient behavior. The hospitals had not had a rate increase in some time, but Chairwoman Leslie said under former Governor Guinn, a special rate adjustment in the amount of $10.5 million had been given to hospital providers in January 2006. At the March Subcommittee hearing the Hospital Association had requested a general rate increase of either 5 percent or 3.5 percent which would cost the General Fund approximately $15.8 million or $11 million, respectively, over the 2007-09 biennium. Legislative Counsel Bureau (LCB) staff had been unable to determine how the Hospital Association had calculated the effect of the proposed rate increases.

Mr. Duarte commented that the $10 million adjustment in rates in January of 2006 was associated with a change in payment methodology. The intention had been to be "cost neutral" but the way the change had been calculated the hospitals had lost approximately 7 percent of total revenues. The adjustment provided in January 2006 had not been for costs, but to "true up" to the old methodology, according to Mr. Duarte. Mr. Duarte commented on the calculations provided by the Hospital Association, and said the Division had used a different approach in calculating the proposed rate increases. Therefore, it was impossible to reconcile the numbers between the two approaches. Chairwoman Leslie commented it was known to be more than $10 million, and Mr. Duarte agreed.

BEHAVIORAL RATES FOR NURSING HOMES

Chairwoman Leslie explained that the Subcommittee had been asked to reconsider the behavioral rate for nursing homes that had been an item for special consideration but had not been included in The Executive Budget. Chairwoman Leslie asked if the increase was implemented would the Medicaid recipients being sent to out-of-state facilities be able to return to Nevada.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, replied there was no guarantee those patients would be returned to Nevada because many were in very specialized programs in other states. Even if the State paid for enhanced services for long-term care for behavioral patients, they might not be a good fit in those programs. Mr. Duarte said it was difficult after even a few months, nevertheless years, to remove patients from familiar settings.

Chairwoman Leslie commented that by granting the increase it might provide an incentive to the industry to provide placements for those types of patients.

Mary Wherry, Deputy Administrator, Division of Health Care Financing and Policy, said that one of the points that had been raised was that people would no longer be moved out-of-state, but there was potential for moving some people back to Nevada by means of a one-shot appropriation that would enable a vendor operating in another state to establish a facility in Nevada. Ms. Wherry stated one of the issues raised by the industry was that increased rates would not relieve nursing homes of the risk associated with the sanctions

that could be applied. Ms. Wherry commented that those sanctions were federally applied conditions of participation which applied to every nursing facility in the United States and were not unique to Nevada. The out-of-state facilities that admitted Nevada residents bore the same risk, but did not suffer the consequences. There were vendors willing to come into the state and to take the risk, but did not have start-up money, according to Ms. Wherry.

Chairwoman Leslie recessed the meeting at 9:39 a.m. and reconvened at 9:46 a.m.

DIVISION OF MENTAL HEALTH AND DEVELOPMENTAL SERVICES
NORTHERN NEVADA ADULT MENTAL HEALTH SERVICES (NNAMHS)
(101-3162) MHDS-13

NEW POSITIONS—PSYCHIATRIC OBSERVATION UNIT (POU) (M209)

Chairwoman Leslie stated that Maintenance Unit 209 requested an additional 6.51 Full Time Equivalent (FTE) positions to fully staff the Psychiatric Observation Unit (POU) as it had been envisioned in 1999. The census at the POU had been 6 clients, not 10, and the census at the inpatient hospital where there were 40 beds had been consistently less than 30 patients. Chairwoman Leslie asked how the addition of the new positions could be justified.

Carlos Brandenburg, Ph.D., Administrator, Division of Mental Health and Developmental Services, Department of Health and Human Services, agreed with Chairwoman Leslie and said it was difficult to justify the addition. However, Dr. Brandenburg said only last night there had been 37 patients in the hospital and 9 patients in the POU. Dr. Brandenburg stated in 1999 when 29 positions had been requested, only 16 were authorized, but that was understandable because he knew it would take some time for the program to become fully operational. In 2001, inpatients beds were reduced from 50 to 40, and 7.5 positions were moved from the hospital to the POU, but the hospital was still short 5 positions. Dr. Brandenburg said he had to move mental health technicians between the inpatient hospital and the POU, which was possible when the census was down, but when the census was up, it became a life-safety issue. Dr. Brandenburg stated the program was growing, and the inpatient census would continue to grow as well.

Chairwoman Leslie said hospitals were anxious to remove psychiatric patients from emergency rooms, which required the POU to fulfill the function of emergency management of psychiatric patients. Chairwoman Leslie asked what the priority would be if the requested 6.5 positions were not granted for the POU. Dr. Brandenburg emphasized that the requested 6.5 positions were needed, but if he had to prioritize he would say he needed the techs, the nurses, the communication specialist, and the administrative support position in that order.

Chairwoman Leslie asked what the communication person's duties entailed. Dr. Brandenburg responded that person worked with the Avatar management information system. There was no one on call in the evenings when the computer system failed, and Dr. Brandenburg said a person needed to be available in the evening to help staff.

MOBILE OUTREACH/RENO POLICE INITIATIVE

Chairwoman Leslie explained that the Mobile Outreach/Reno Police Initiative had been submitted as an item of special consideration, but had not been included in The Executive Budget. The Initiative supported two mental health counselors to assist with the Legal Form 2000 commitments.

Carlos Brandenburg, Ph.D., Administrator, Division of Mental Health and Developmental Services, Department of Health and Human Services, stated that before the budgets were prepared for the 2007-09 biennium, the Division had been approached by the Reno Chief of Police, who requested a partnership between the Northern Nevada Adult Mental Health Services (NNAMHS) and the Reno Police Department, especially the Crisis Intervention Team. Dr. Brandenburg said the purpose of the partnership was to provide good community intervention, especially for those individuals who were mentally ill, suicidal, or constantly in need of wellness checks. General Fund appropriations would support two mental health counselors who would work closely with the Crisis Intervention Team. Dr. Brandenburg said it sounded like a great program, but because of priorities, funding had not been included in the budget.

Senator Cegavske asked whether the Reno Police Department had investigated how the mobile crisis program was handled in Las Vegas. Dr. Brandenburg replied that the Reno Police Department had investigated the Las Vegas program and that was one of the reasons the Reno Police Department wanted its version of the mobile crisis team.

Dr. Brandenburg commented that the partnership between the Reno Police Department and NNAMHS would result in effective policing and effective mental health treatment.

Senator Cegavske asked whether Dr. Brandenburg had received any statistics regarding the mobile crisis team in Las Vegas.

Dr. Brandenburg replied that he would be happy to provide staff with any information in his possession regarding the mobile crisis team in Las Vegas. Senator Cegavske requested any information that reflected how the mobile crisis team was functioning in Las Vegas.

Senator Raggio asked whether there was any possibility that if the positions for the POU were approved, those positions could be coordinated with the Mobile Outreach/Reno Police Initiative. Dr. Brandenburg replied he would be willing to talk with the Reno Chief of Police about the possibility. There were several options that could be examined to expand the duties and responsibilities of personnel in the community, according to Dr. Brandenburg.

Chairwoman Leslie commented that Senator Raggio had a great suggestion and said perhaps Dr. Brandenburg could return on another day to present options.

RURAL CLINICS (101-3648) MHDA-32

ELIMINATE 28.51 POSITIONS—OUTPATIENT COUNSELING (M203)

Chairwoman Leslie said there had been discussion in the previous budget hearing about the concern of the Subcommittee for eliminating the 28.51 positions and the resulting reduction in caseload. An item for special consideration had been submitted regarding rural area pay incentives for

psychologists, social workers, and nurses, including new employee bonuses, a 10 percent pay differential, and the one-year retirement credit.

Chairwoman Leslie referred to Exhibit C, a document titled Response to Human Resources Joint Subcommittee, and Exhibit D, a document titled Mental Health and Developmental Services History of Caseload Changes. If all requests were approved the total would be $3.9 million in FY 2007-08 and $4.3 million in FY 2008-09.

Chairwoman Leslie asked Dr. Brandenburg, if all of the requests could not be granted, which would be the Division's priorities.

Carlos Brandenburg, Ph.D., Administrator, Division of Mental Health and Developmental Services, Department of Health and Human Services, replied that the Division had presented the Subcommittee with a plan (Exhibit C) that could be used at the Department of Health and Human Resources level as well as the Division level to examine recruitment and retention. In terms of priorities, Dr. Brandenburg stated the 10 percent rural pay differential was extremely important. Another important incentive for the Division was a $3,500 signing bonus for individuals who would work for a minimum of three years. Dr. Brandenburg stated the tenure for rural employees of the Division was less than two years.

Dr. Brandenburg stated another priority was assistance with recruiting. He said it would cost approximately $75,500 to hire an advertising firm to develop a marketing plan, place continuous ads in national print publications and national employment websites, and send approximately 10,000 direct mailings to licensed professionals in other states.

Staff in Rural Clinics had indicated a need for assistance with moving expenses for new employees at an approximate cost of $30,360 per year. Staff also indicated a need for another personnel analyst at a cost of $54,109 in FY 2008 and $65,090 in FY 2009, according to Dr. Brandenburg.

Dr. Brandenburg said he was aware that the Legislature might not reinstate all 29 of the frozen positions presented in Maintenance Unit 203 (M203); however, if some of the positions were reinstated, the Division would hire two mental health counselors for Carson City who would travel to rural areas. There had been difficulty recruiting in rural areas such as Winnemucca, Elko, and Ely. Dr. Brandenburg requested approximately $52,557 per year for travel expenses, which would allow the two mental health counselors to travel throughout rural Nevada.

Dr. Brandenburg stated there was an approximate 60 percent turnover rate for clinical program managers who managed the clinics in rural Nevada. The reason for the high turnover rate was that nurses and social workers received a higher salary than the clinical program managers. Dr. Brandenburg requested $113,879 in FY 2008 and $120,756 in FY 2009 for salary increases for the clinical program managers.

In rural Nevada, the staff was available 24 hours per day, 7 days per week. Dr. Brandenburg said the Division was trying to be a good community partner by being aware that crisis happened in rural areas. The only mechanism available to pay for additional staff hours was to provide compensatory time, according to Dr. Brandenburg. When staff received compensatory time they were required

to use it, and as a result, there was no available staff. Dr. Brandenburg was requesting overtime or emergency on-call pay for rural staff in the amount of $223,783. Dr. Brandenburg explained that if the Division did not receive the funds for overtime, he would be forced to eliminate the answering of emergency calls by staff in the evening hours in the rural areas.

In terms of staff development, Dr. Brandenburg stated staff was needed to perform training for AVATAR. While it was possible for staff to perform training for AVATAR in Las Vegas or Reno, where the staff was all in one place, the rural areas did not have that advantage. Dr. Brandenburg requested a training officer and administrative assistant to coordinate training for each of the 21 services sites.

Chairwoman Leslie asked whether the Division had a plan regarding the restoration of some of the positions, given the difficulty with recruiting, and where those positions would be stationed.

Dr. Brandenburg replied that the Division was in desperate need of staffing in Elko, Ely, and Winnemucca, and with the pay differential and the incentives, recruitment would be improved. Dr. Brandenburg noted that incentives would not be a panacea, but would be a beginning to aid the Division in providing services to the rural areas.

Chairwoman Leslie requested the Division prepare, in priority order, the number of positions needed, where they would be stationed, and the incentives to be offered so the Subcommittee could calculate which solution might work the best.

Dr. Brandenburg commented that LCB staff had already received a list of vacancies by site.

Assemblywoman Smith commented that the Subcommittee heard a lot about personnel shortages in the rural areas and said she was beginning to have concerns about the various ways employees were compensated. She requested staff examine incentives for mental health personnel as compared to the incentives offered to rural personnel in the education budgets. Assemblywoman Smith said she was concerned about the parity between the two areas of employment.

Chairwoman Leslie commented that Assemblywoman Smith's concern made sense and mentioned the need for flexibility because one incentive might work well for one employee, but not be as attractive for another.

Mrs. Smith agreed that flexibility was very important in offering incentives to new employees.

Chairwoman Leslie asked whether tailoring incentives to the person being recruited would be too difficult for an administrator. Dr. Brandenburg replied that he did not believe it would be difficult to accomplish and further believed the staff would welcome the opportunity.

INCREASE IN CONTRACT PSYCHIATRIST PAY

Chairwoman Leslie stated another issue to be addressed was the increase in contract psychiatrist pay, which would cost approximately $360,000 in

FY 2007-08 and $540,000 in FY 2008-09. The increase was not included in The Executive Budget.

Dr. Brandenburg stated the increase was extremely important and a high priority of the Division. In order for the Division to provide sufficient psychiatric services a pay increase for the contract psychiatrists was paramount. Dr. Brandenburg said a 10 percent increase had been included in the budget for psychiatrists, psychologists, nurses, and mental health counselors employed by the State, but the contract psychiatrists had not received the pay increase. Dr. Brandenburg said it was important for the pay scale to be competitive to continue to provide psychiatric services for rural clinics. He had been informed by some of the contract psychiatrists that if a pay increase was not forthcoming, they would not be able to continue contracting with the Division.

Chairwoman Leslie asked whether there was anything else that could be done to encourage the contract psychiatrists to remain with the Division. Dr. Brandenburg replied it was mainly an issue of compensation. Many doctors wanted to continue working with the Division, but also wanted adequate compensation.

Chairwoman Leslie asked when the last time the contract psychiatrists received a pay increase. Dr. Brandenburg said he could not recall, but would inform the Subcommittee after researching the matter.

SOUTHERN NEVADA ADULT MENTAL HEALTH SERVICES (101-3161) MHDS-43

Chairwoman Leslie stated the issue with medication clinics, outpatient counseling, psychiatric ambulatory services (PAS), and acute psychiatric beds, were the decreases in clients in the 2007-09 biennium and how those decreases were tied to the vacant positions for which the Division had trouble recruiting. The Subcommittee wanted to ensure that a budget was not approved that was too low, but the budget had to match the caseload evaluation organization (CLEO) projections.

MEDICATION CLINICS (M200)

Dr. Brandenburg stated that decision units M200, M203, M204, and E328, had all been negatively affected by the vacancies in staffing, and the projections had been based on the CLEO numbers. Dr. Brandenburg said there were some variables the Subcommittee needed to be aware of. During the time the budget was being formed, the Division was in the process of undergoing the Joint Commission on Accreditation of Health Care Organizations (JCAHO) review. Dr. Brandenburg explained one of the items revealed in the JCAHO review was that there was no active treatment being performed in the hospital because of lack of staff. Dr. Brandenburg said he made the decision to move outpatient staff from the clinics into the hospital because he did not want to lose close to $2 million in Medicaid funding and jeopardize JCAHO.

Dr. Brandenburg stated that outpatient counseling was fully staffed and the Medication Clinics had a total of approximately 29.5 psychiatrists. Dr. Brandenburg said, as of today, there were 17.5 vacancies, but between now and July 2007, he expected to hire 9 psychiatrists. Chairwoman Leslie asked whether the Division was recruiting for those positions or whether the psychiatrists had been hired. Mr. Brandenburg replied that the psychiatrists had been hired and would begin working at the Southern Nevada Adult Mental

Health Services (SNAMHS) between now and July 1, 2007 to fill 9 of the 17.5 vacancies. In reference to the remaining 8.5 vacancies, 7 psychiatrists had been interviewed and were undergoing background and reference checks, according to Mr. Brandenburg. Mr. Brandenburg said there was no doubt in his mind that in the 2007-08 biennium, the Medication Clinics would be fully staffed with psychiatrists.

Chairwoman Leslie asked whether the caseload figure in the budget was too low. Dr. Brandenburg replied that each of the nine doctors being hired was able to provide for a caseload of 300, enabling the Division to meet the projected CLEO numbers. The other variable, according to Dr. Brandenburg, was that the Division had not had a full-time medical director to assist with recruiting until recently. In October 2006, the Division hired a full-time medical director for the Northern Nevada Adult Mental Health Services, who did nothing but recruit for the Division. Dr. Brandenburg said that was the reason the Division was able to hire nine new psychiatrists to begin work before July 1, 2007, and would be able to hire eight more psychiatrists within the first year of biennium.

Senator Cegavske asked whether recruitment went better in one area as opposed to another, and Dr. Brandenburg replied recruitments came from everywhere in the United States. Senator Cegavske asked whether current recruitment procedures differed from previous recruitments. Dr. Brandenburg explained that the Division now had an employee who did nothing but recruit physicians which had increased the success rate of recruitments.

Senator Cegavske asked whether most of the recruitments were from out-of-state, and Dr. Brandenburg replied approximately 95 percent were.

Chairwoman Leslie asked about the impact data cleansing had on the caseload projections and how many cases were closed as a result. Dr. Brandenburg responded that AVATAR had produced a very accurate information management system that closed cases within the 90-day period. When AVATAR was implemented, a reduction in case management occurred. Dr. Brandenburg said caseload evaluation organization (CLEO) was reduced as a result of two major factors (1) the position vacancy rate, and (2) the data cleansing.

Chairwoman Leslie stated there was a concern that one of the reasons cases were being closed was because clients did not show up, and one of the reasons clients did not show up was because of the long waiting list to see a doctor. Dr. Brandenburg replied there was no doubt that was a possible reason cases were closed, but he believed many cases had not been closed because staff had no procedure in place; however, because of electronic recordkeeping, closing cases had become automatic. Dr. Brandenburg agreed that many patients probably had not received care because of the lengthy wait time.

Dr. Brandenburg stated one of the systems the Division had implemented was decentralized outpatient services. At one time all outpatient services were centralized in West Charleston. For example, a client in Henderson would be sent from Henderson to West Charleston for intake. Dr. Brandenburg said under the new system, if a patient was in Henderson, intake and services were provided in Henderson, which increased productivity.

Dr. Brandenburg said the other variable was the budget was predicated on the opening of the Seventh Street site in Las Vegas. That site would not be opened until May or June 2007 because of negotiations with landlords and location. A

downtown Las Vegas site would be very accessible and, according to Dr. Brandenburg, would increase caseload numbers.

Chairwoman Leslie returned to the subject of the Medication Clinics, and asked if the Division was successful with the hiring of nine psychiatrists in the new fiscal year, would the funding in the budget be sufficient to support the amount of caseload the psychiatrists would carry. Dr. Brandenburg replied that it would not be sufficient and after a discussion with the Budget Division, it had been agreed to request a Letter of Intent.

Chairwoman Leslie asked whether Dr. Brandenburg had any idea what amount of funding would be needed. Dr. Brandenburg stated he would probably request $2.415 million the first year and $2.506 the second year of the biennium.

OUTPATIENT COUNSELING SERVICES (M203)

Chairwoman Leslie noted that Dr. Brandenburg had already described the new decentralized intake plan and asked how that plan would factor into caseload, along with data cleansing.

Dr. Brandenburg replied that it would be difficult to examine data cleansing and present a concrete answer to the Subcommittee. It had taken over a year of data cleansing in Rural Clinics for the figures to stabilize enough to discern a trend, according to Dr. Brandenburg. He said the new process of decentralization of outpatient services would produce an increase in caseload.

Chairwoman Leslie asked whether the wait list for services would decrease once the new plan was completed. Dr. Brandenburg emphasized that it would and added that one of the new systems already in place moved patients away from emergency rooms with the mobile crisis team and into urgent care centers.

Chairwoman Leslie referred to the social worker position requested in Maintenance Unit 203 (M203) and asked if the position were eliminated would it dramatically impact the caseload. Dr. Brandenburg replied that it would not dramatically impact the caseload, because it was only one social worker position for outpatient services. However, the recommended elimination was based upon CLEO numbers from September 2006, and Dr. Brandenburg reiterated that outpatient services were fully staffed.

PSYCHIATRIC AMBULATORY SERVICES (PAS) (M204)

Chairwoman Leslie noted that no updated projections had been provided to the Subcommittee and asked whether the Division wanted to submit any changes or continue with decreased caseload projected in The Executive Budget.

Jeff L. Mohlenkamp, Administrative Services Officer (ASO), Division of Mental Health and Developmental Services, stated that regression lines were difficult because forecasts were based on historical information which was not always solid. The current forecast indicated the Division would increase to 1,333 visits per month in 2008 and increase to 1,427 visits per month in 2009. Mr. Mohlenkamp said the PAS had been budgeted for 1,620 contacts as of the end of 2007, and the forecast numbers indicated a significant decrease in contacts. The forecast did not take into account the potential effects of decentralization, according to Mr. Mohlenkamp, and as with outpatient services, it was difficult to assess whether the numbers would rise to historical projections. At the direction of the Budget Division, four nursing staff positions

had been eliminated. Mr. Mohlenkamp said it was difficult to assess whether those positions could be reinstated.

ACUTE PSYCHIATRIC BEDS (E328)

Chairwoman Leslie asked whether delaying the start date for all of the new positions to October 1, 2007, and extending the WestCare contract through September 30, 2007, would be acceptable to the Division. Dr. Brandenburg replied that WestCare would continue 25 beds at $489 per bed, per day for 92 days, through September 30, 2007, for a total cost of approximately $1.124 million. Dr. Brandenburg said with a combination of State staff and contract staff, 22 beds would be open on October 1, 2007. Chairwoman Leslie asked whether any WestCare staff would consider working for Southern Nevada Adult Mental Health Services (SNAMHS). Dr. Brandenburg replied that some WestCare personnel would probably want to work for SNAMHS, and that possibility would be explored.

Senator Cegavske referred to the contract with WestCare, which was paid whether or not the beds were being used, and asked whether there were vacancies or whether the beds were used on a regular basis. Dr. Brandenburg acknowledged there were vacancies, and noted that when the Rawson-Neal Psychiatric Hospital opened, there were problems with moving patients from WestCare to the hospital. Senator Cegavske inquired as to what problems. Dr. Brandenburg said, for example, in the evening staff from both WestCare and Rawson-Neal were not willing to transfer patients, wanting to perform transfers in the morning. Dr. Brandenburg said that SNAMHS was attempting to ensure that the beds a Rawson-Neal were 100 percent occupied, as well as attempting to ensure that the 25 beds at WestCare were 100 percent occupied. Dr. Brandenburg said there had been times when beds at WestCare had not been occupied at 100 percent; however, in the past two or three weeks that had improved, and WestCare was up to 90 percent occupancy.

Senator Cegavske requested occupancy figures for various periods of time during the past year, and Dr. Brandenburg stated those figures would be supplied.

MENTAL HEALTH COURT CASELOAD

Chairwoman Leslie stated the mental health court caseload was submitted by the Division of Mental Health and Developmental Services as an item for special consideration requesting $872,526 in FY 2007-08 and $1.9 million in FY 2008-09, including 4.51 positions to support the phase-in of 77 additional clients into the mental health court program, including housing placements. Chairwoman Leslie asked Dr. Brandenburg whether there was anything he wanted to add.

Dr. Brandenburg stated the mental health court was a great program which kept people out of the criminal justice system and the hospital and in the community. Assembly Bill 175 instructions did not allow the Division to include mental health funding caseload into the base budget, and as a result it had to be an item for special consideration. Dr. Brandenburg said because of other needs and priorities it had not been funded.

Chairwoman Leslie asked whether it was possible to calculate fewer additional clients if it was impossible to fund 77 clients. Dr. Brandenburg said those calculations could be compiled.

CONDITIONAL RELEASE PROGRAM

Chairwoman Leslie referred to the conditional release program which would establish revised decision unit E331 appropriations of $146,027 the first year of the biennium and $190,962 in the second year of the biennium to support the program, including two psychiatric caseworker positions, to serve a total of 30 clients.

Dr. Brandenburg said the Division had submitted a bill draft request (BDR) for a conditional release program. The Division was aware that there were individuals sent to the Lake's Crossing Center for the Mentally Disordered Offender, who had committed major felonies and were deemed "unrestorable." Those individuals were sent to Lake's Crossing as incompetent to stand trial, and staff determined they were incompetent with no substantial probability of attaining competency. Dr. Brandenburg said, as a result, those individuals, as well as those deemed not guilty by reason of insanity, were eventually released into the community. The Division wanted to ensure there was a program in place for monitoring and supervision of the mentally disordered offender. Dr. Brandenburg said there had been over 89 individuals, from both northern Nevada and southern Nevada sent to Lake's Crossing Center for a period of time, who were subsequently released into the community without necessary monitoring and supervision. Dr. Brandenburg said the purpose of the BDR would have been to develop the statutory authority to create a conditional release program, but the BDR had not been introduced as a bill.

Chairwoman Leslie commented that the program could not be approved without examining the statutory language. Dr. Brandenburg said there were two bills pending: Senate Bill 380, which developed a pre-condition release program for the unrestorable, and Assembly Bill 369, which developed a pre-condition release program for the not guilty by reason of insanity. Dr. Brandenburg noted that both bills were in the Judiciary committees.

Chairwoman Leslie agreed that it was a public safety concern to have mentally disordered offenders in the community with no supervision, and it was only a matter of time before they were in serious trouble again.

HEALTH DIVISION

GLOBAL ISSUE—BUDGET AMENDMENTS IN HEALTH BUDGET ACCOUNTS

Chairwoman Leslie stated there were budget amendments in the Health Budget Accounts relating to fee increases. Chairwoman Leslie said her understanding was that the Governor had not endorsed the fee increases in any of the Health budgets, and in several budgets had restored General Fund at a reduced level, which had resulted in the removal of over two base positions from the Health Administration budget.

Alex Haartz, Administrator, Health Division, Department of Health and Human Services, said that budget amendments had been submitted for four budget accounts, BA 3101, Radiological Health; BA 3153, Cancer Registry; BA 3194, Consumer Health Protection; and BA 3216, Health Facilities. Mr. Haartz said the General Fund, as he understood it, was a slightly reduced amount because the starting dates of the proposed positions had been staggered in BA 3101 and BA 3194. The two positions that were removed were in BA 3153, Cancer Registry, and not in Health Administration, according to Mr. Haartz.

Chairwoman Leslie stated she was under the impression both budget accounts were losing positions, and Mr. Haartz acknowledged she was correct.

Chairwoman Leslie noted the Subcommittee had reviewed the matter several times, and staff had done an excellent job of pointing out the adjustments. The staff had also presented the choices of whether to follow the Governor's recommendation to provide General Fund, reinstate fee increases, or disapprove any additional fees or General Fund budget and require the Division to work within its adjusted base budget. Chairwoman Leslie stated she was reluctant to follow either the first or third options, especially since staff had provided historical reasons why industries had funded their own regulation. She also said there were issues in all of the Health Division budgets before the Subcommittee concerning the public's health and safety.

Mr. Haartz stated he appreciated the dilemma before the Subcommittee and assured them that the Health Division would perform as much work as possible with the resources at its disposal.

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Chairwoman Leslie said there was concern about the 7.51 new personnel positions requested when the new billing system, for which they were needed, was not yet in place.

Mr. Haartz stated while he understood, the Division's position was the more resources applied to improving the back-office function would ultimately provide benefit to the entire system. The back-office function had been neglected over the years to provide direct services to children. Mr. Haartz maintained adding additional resources to provide accounting services should generate more resources that would offset those costs.

Chairwoman Leslie said that justification would work better if the Division was aggressively pursuing third-party payments. Mr. Haartz said the challenge was that Division staff explain the larger picture to families seeking services for their children that this was a partnership and that federal law offered them certain rights. If you explained the program well, families were not always reluctant to have their insurance billed. Mr. Haartz also believed that the Division could do a better job on the front end by prioritizing some accounting positions above personnel or computer positions.

Chairwoman Leslie requested the Division make its priorities clear to LCB staff.

Chairwoman Leslie adjourned the meeting at 10:47 a.m.

RESPECTFULLY SUBMITTED:

_____
Anne Bowen
Committee Secretary

APPROVED BY:

Sheila Leslie
_____
Assemblywoman Sheila Leslie, Chair

DATE:_____

_____
Senator Barbara Cegavske, Chair

DATE:_____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on K-12/Human Services

Date: March 27, 2007 **Time of Meeting: 8:00 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Sign-in Sheet
	C	Dr. Carlos Brandenburg	Response to Human Resources Joint Subcommittee
	D	Dr. Carlos Brandenburg	Mental Health and Developmental Services History of Caseload Changes