

**MINUTES OF THE
LEGISLATIVE COMMISSION'S
BUDGET SUBCOMMITTEE**

**Seventy-fourth Session
January 30, 2007**

The Legislative Commission's Budget Subcommittee was called to order by Chair William J. Raggio at 8:43 a.m. on Tuesday, January 30, 2007, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Dina Titus
Senator Bernice Mathews

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chair
Ms. Sheila Leslie, Vice Chair
Ms. Barbara E. Buckley
Mr. Mo Denis
Mrs. Heidi S. Gansert
Mr. Tom Grady
Dr. Joe Hardy
Mr. Joseph M. Hogan
Mrs. Ellen M. Koivisto
Mr. John W. Marvel
Ms. Kathy A. McClain
Mr. David R. Parks
Mrs. Debbie Smith
Ms. Valerie E. Weber

STAFF MEMBERS PRESENT:

Steven J. Abba, Principal Deputy Fiscal Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Larry L. Peri, Principal Deputy Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Anne Vorderbruggen, Committee Secretary

OTHERS PRESENT:

Charles Duarte, Administrator, Division of Health Care Financing and Policy,
Department of Health and Human Services
Alexander Haartz, M.P.H., Administrator, Health Division, Department of Health
and Human Resources

Carol Sala, Administrator, Aging Services Division, Department of Health and Human Services
Daniel Stockwell, Director, Chief Information Officer, Department of Information Technology
James Elste, Manager, Chief Information Security Officer, Director's Office, Department of Information Technology
Gary Buonacorsi, Deputy Director, Communication and Computing Division, Department of Information Technology
Philip A. Galeoto, Director, Department of Public Safety
Dorla M. Salling, Chair, State Board of Parole Commissioners, Division of Parole and Probation, Department of Public Safety
Colonel Chris Perry, Chief, Nevada Highway Patrol, Department of Public Safety
Jim Wright, Chief, State Fire Marshal Division, Department of Public Safety
Mark Teska, Administrator, Administrative Services Division, Department of Public Safety
John Gonska, Chief, Division of Parole and Probation, Department of Public Safety

CHAIR RAGGIO:

Today, the Subcommittee will be hearing overviews of the budgets of the Division of Health Care Financing and Policy, the Health Division, the Aging Services Division, the Department of Information Technology and the Department of Public Safety. The public will be allowed to make comments. The purpose of these pre-session meetings is to obtain a budget overview, not to discuss the merits of the budget. We will begin with an overview of the budget of the Division of Health Care Financing and Policy.

HUMAN SERVICES

Health Care Financing & Policy — Overview (Volume II)

CHARLES DUARTE (Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services):

With me today are the Division's Deputy Administrator Mary Wherry and Administrative Officer Patrick Cates. The Subcommittee members have received a copy of our handout titled "Budget Presentation to Legislative Commission's Budget Subcommittee, FY 08-09" ([Exhibit C](#), original is on file in the Research Library).

The Division of Health Care Financing and Policy has undertaken a number of initiatives in the last two years. We have undergone stabilization of our Medicaid Management Information System. Approximately 60 percent of claims are filed electronically, and provider enrollment is up. We successfully initiated programs related to pharmacy and prescription drugs. We saw the culmination of the changeover for our 16,000 dual eligibles to Medicare Part D. We implemented wraparound programs to help those who are dual eligible with co-payments and with drugs excluded from the Medicare formulary.

As a result of a number of successful initiatives, the Division realized savings in 2005 which allowed us to reduce our drug-expenditure increase to 2.5 percent. The rest of the nation's Medicaid programs had a 14-percent drug-expense increase. We implemented the Health Insurance Flexibility and Accountability (HIFA) waiver program. In December 2006, we received approval for our program from the Centers for Medicare and Medicaid Services (CMS). We are in

the process of implementing the Employer Sponsored Insurance (ESI) component and have already implemented the expansion for pregnant women.

We have a new behavioral health redesign and have added 126 new providers to our behavioral health programs. There are some challenges we have to work through with CMS. We must sunset that program and have another program in place by June 30, 2007.

We implemented managed dental care in Clark County in July 2005 and in Washoe County in November 2006. Utilization is up 102 percent for dental services, primarily for children. We have reports which indicate 89 percent are able to get routine care in 45 days, and 68 percent report their experience in making appointments is good or excellent. The overall satisfaction with the quality of care is 71 percent.

We are under greater federal scrutiny. That is evident in the number of audits to which we have been subjected and in the reviews of changes to our Medicaid program. There are new rules associated with intergovernmental transfers. New rules are pending regarding whether CMS is going to pay for Therapeutic Foster Care, Case Management for Child Welfare Services and Juvenile Justice Services. We have also had an audit on Medicaid school-based administrative claiming, which I will address later.

Page 2 of [Exhibit C](#) is an organizational chart which gives a general overview of the Division.

On page 3 of [Exhibit C](#) is an overview of our current staffing levels and proposed staffing increases. The majority of these positions have to do with improving fiscal integrity, oversight for fraud and abuse detection, and recovery of payments.

Page 4 of [Exhibit C](#) is a summary of the Division's programs by budget account. The Division is requesting \$3.169 billion for the 2007-2009 biennium, including State, local and federal funds. The General Fund request is just over \$1 billion for the biennium.

CHAIR RAGGIO:

Is Medicaid a major portion of that?

MR. DUARTE:

Yes, it is.

A budget summary by decision unit is contained on pages 5 and 6 of [Exhibit C](#). The Division's largest one-shot request on page 7 is to move the Belrose District Office. We are constrained for space in that office. Most of the one-shot requests in our budget are associated with the move.

The Division has items for special consideration on page 7 of [Exhibit C](#). These items did not get into the *Executive Budget*, primarily because we had to make some choices given the constraints of the budget cap. Some of these items for special consideration are rural-related program enhancements which would increase the pay for skilled professionals in the Division.

Rural-provider rate enhancements that did not make it into the *Executive Budget* include a 10-percent enhancement for professional services, primarily for the physicians who work in rural communities. We also identified an increase for rural critical-access hospitals to pay them a cost-based rate for their outpatient services.

The special consideration items include increases for hospitals. Hospitals have not had an increase since 2002, and that was primarily based on 1991 costs. This special consideration item would give them a 19-percent increase. Another decision unit in the items for special consideration would enhance the current nursing facility rate for care for people with behavioral problems such as Alzheimer's, dementia and related disorders.

There are a number of other enhancements listed in the items for special consideration. I would be happy to answer any questions related to them.

CHAIR RAGGIO:

Are the items for special consideration that were not included in the *Executive Budget* listed in order of priority?

MR. DUARTE:

No. They are not in order of priority.

CHAIR RAGGIO:

Would you please prioritize the items that did not make the *Executive Budget*, in the event there is some capability to deal with them?

MR. DUARTE:

We would be glad to do that.

ASSEMBLYWOMAN LESLIE:

I would appreciate that information as well. Is decision unit E-428, "Nursing Home Rate," the behavioral and Alzheimer's rate? A lot of people were counting on that one.

MR. DUARTE:

Yes, that is it.

ASSEMBLYWOMAN LESLIE:

Was decision unit E-432, "Hospital Rate – Psychiatric Beds," intended to entice private hospitals in Las Vegas to convert some of their medical/surgical beds to psychiatric beds?

MR. DUARTE:

Yes. It was intended to provide a sufficient reimbursement. We were looking at a reimbursement level of about \$935 a day. Compared to the medical/surgical rates under Medicaid, it is still lower. We pay them about \$1,480 a day. If there is excess capacity, some facilities may want to release those beds for psychiatric care.

ASSEMBLYWOMAN LESLIE:

Those are two areas I would like to see on the priority list. I will be interested in seeing your prioritized list.

SENATOR BEERS:

Would the reimbursement levels for psychiatric services be matched by the federal government?

MR. DUARTE:

Yes, they would be matched.

The chart on page 8 of [Exhibit C](#) illustrates our Division's component of the funding for the Department. As I mentioned previously, the Division's total request for the biennium is \$3.169 billion, the majority of which is Medicaid.

As shown on the chart on page 9 of [Exhibit C](#), the Division's share of the Department's General Fund request is 50 percent, at \$1 billion. Page 10 of [Exhibit C](#) provides a breakdown of the funding sources, comparing fiscal year (FY) 2006-2007 to FY 2007-2008. The federal share was approximately 51.33 percent in FY 2006-2007. It has declined to 47.92 percent in FY 2008-2009. This is primarily the result of the decline in the Federal Match Participation (FMAP) or the rate we are reimbursed by CMS for services rendered to Medicaid-eligible recipients and to Nevada Check Up recipients. The total General Fund impact of the reduction in the FMAP rate is about \$9.6 million.

The chart on page 11 of [Exhibit C](#) shows the components of the Division's budget. The majority of this biennium's budget is a Base Budget. We have a smaller maintenance share on a percentage basis than in the previous biennium. Enhancements represent about 5 percent of the total requested funding.

Page 12 of [Exhibit C](#) outlines our administrative expenses. We are still below 6 percent for total administration, including school-based administrative claiming.

Page 13 of [Exhibit C](#) has a comparison of our Medicaid caseload with Medicaid expenditures. The majority of our patient caseload consists of the Temporary Assistance for Needy Families (TANF) and the Child Health Assurance Program (CHAP) populations. These are mothers and children. They make up almost 70 percent of the caseload, but they consume only about 34 percent of our overall budget. The majority of our expenditures are associated with the Medical Assistance for the Aged, Blind and Disabled (MAABD), who make up about 23 percent of our caseload. If you add to that the "Waiver" and "County Match" categories, which include individuals who are disabled and elderly, about 26.5 percent of our total caseload is for the aged and disabled. The aged and disabled make up about 62 percent of the Division's expenditures.

The chart on page 14 of [Exhibit C](#) is a breakdown of our budget by aid category. Page 15 has a breakdown by provider type. Hospital inpatient care is the largest consumer of our expenditures, followed by long-term care and pharmacy.

CHAIR RAGGIO:

Who is eligible for long-term care, and how is that program working?

MR. DUARTE:

Eligibility for long-term care is determined by the Division of Welfare and Supportive Services. It is primarily based upon income and assets. Individuals

have to be below 300 percent of the Supplemental Security Income (SSI) limit and have a limited amount of assets.

CHAIR RAGGIO:
Do they have to dispose of assets?

MR. DUARTE:
Yes, they do. They are allowed to retain their home and a car. If the recipient is in an institution, a nursing facility or a hospital, the community spouse is allowed to stay in the home. We will not take action to do anything with the real property if a community spouse is living in the home. If there is no longer a community spouse living in the home and there is a sale of the house, we can use those assets to pay for care.

Persons can become eligible if they are disabled and defined as disabled by the Social Security Administration. They can also qualify as State institutional cases if they are in a nursing facility or hospital on a long-term basis.

CHAIR RAGGIO:
Does this cover Alzheimer's and dementia patients?

MR. DUARTE:
Yes, it does.

Pages 16 and 17 of [Exhibit C](#) provide an overview of Nevada Check Up expenditures. The majority of services the Division paid for in Nevada Check Up are through Health Maintenance Organizations (HMOs).

Page 18 is the caseload section. There has been a significant slowdown in caseload growth over the last year. Our current caseload of 165,000 is below the caseload approved by the Legislature for FY 2006-2007. The caseload chart on page 19, in the section titled "Medicaid Caseload by Budget Category," compares budgeted and actual caseloads in FY 2005-2006. The Special Low-income Medicare Beneficiary (SLMB) category was removed from the chart because it is not relevant to the budget picture. There were significant declines between budgeted and actual in the TANF/CHAP population and the MAABD population in FY 2005-06 and in the projected caseloads for FY 2006-2007.

Page 20 of [Exhibit C](#) discusses Nevada's demographics. Nevada has one of the fastest-growing senior populations in the nation which is projected to continue. Despite that, we have maintained a relatively stable Medicaid nursing-facility census. Our Medicaid-bed census is currently 2,800. It has fluctuated a bit, but has been fairly flat at that level for three years. That is the result of the work done by our Division, the Aging Services Division and the Division of Mental Health and Developmental Services to ensure long-term care is rendered in the community instead of in an institution.

Page 21 shows we have a fast-growing disabled population in the State of Nevada compared to the rest of the nation.

Under "Medical Care" on page 22, our per-capita Medicaid spending is the lowest in the nation, at \$490 a person. The national average is \$1,027. Part of this is the result of rather restrictive eligibility in Nevada. The Division covers about 11 percent of the State's population compared to the national average

of 19 percent. That has some impact for people who have insurance, because much of their premium goes to subsidize the care for the uninsured rendered in hospitals and other facilities. We do pay a premium because we have low Medicaid coverage and a high uninsured rate in Nevada. Another impact of this is we rank low in federal dollars coming into the State against the dollars we pay to the federal government.

Page 25 of [Exhibit C](#) lists the initiatives we are proposing for the Division's Medicaid program. Our aged and disabled population is struggling in a fragmented health-care system. It is a challenge for them to find physician services on their own or even with the help of family. They often are dealing with multiple chronic illnesses and multiple prescriptions with multiple providers. It is a challenge for anyone to navigate the system. The initiatives we are proposing deal with access-to-care issues and care management which is more important than the unmanaged care they are currently receiving. We also want to look at fiscal integrity and ensure the quality of the services being rendered and the payments being made are appropriate.

Page 26 of [Exhibit C](#) addresses decision unit E-425. This is the physician-fee increase. We are requesting \$27.7 million in General Funds to update our professional-fee schedule to match the 2007 Medicare-fee schedule. We surveyed 600 physicians this year to see if they are taking Medicaid patients and what they are doing with their established Medicaid patients. Overall, 91 percent of doctors practicing in Nevada are contracted with Nevada Medicaid. Of these, 85 percent are accepting new patients and 90 percent are seeing established patients. Those numbers are declining every year.

There are differences between northern Nevada and southern Nevada in terms of access to care, with the south providing better care for our aged and disabled. In southern Nevada, 95 percent of physicians are contracted with the program. Of those, 91 percent are accepting new patients and 94 percent are seeing established Medicaid patients. In northern and rural Nevada, 71 percent of physicians are contracted with the program. Of those, 55 percent are seeing new patients and 68 percent are seeing established patients.

CHAIR RAGGIO:

According to some doctors, their concerns are with the rate of reimbursement, as well as the delay. What is the situation with that?

MR. DUARTE:

Ninety-nine percent of our claims are adjudicated within 30 days, and 100 percent in 90 days. In terms of the turnaround time of claims and payments, we are meeting nationally-recognized targets. When a physician, or other provider, submits a claim to us, if it is a clean claim, it will turnaround in ten days and they will receive a check.

CHAIR RAGGIO:

That is an improvement over past years when there were significant delays.

MR. DUARTE:

Yes, it is. Their concern now is the rate of pay. This particularly impacts specific specialties in the area of medicine and surgery. In the south, it is psychiatry, neurology and pain management. In the north, it is widespread in its impact on cardiology, dermatology, family practice, internal medicine, neurology,

orthopedics and many other medical and surgical subspecialties. Physicians are declining to see new patients and declining to see established Medicaid patients. This is an important reform we need to make in our payment system to attract and keep physicians.

CHAIR RAGGIO:

Will this rate increase make the rate the same as the Medicare rate?

MR. DUARTE:

Yes, it will.

SENATOR BEERS:

When we were in transition between systems, a number of disputed claims were piling up. Has that been resolved?

MR. DUARTE:

We have resolved the majority of them. There are still a few providers with whom we are reconciling. The rest of the providers, especially those billing electronically, are getting prompt payment with a fast turnaround on their claims.

SENATOR BEERS:

Is there any budgetary impact with the remaining advances we made that you are trying to reconcile?

MR. DUARTE:

Yes, there is. We have \$9 million outstanding in negative balances. About \$3.5 million of this is associated with State agencies. We are working with all of the providers who have a negative balance with us to make sure those funds get repaid.

SENATOR BEERS:

Does negative balance mean they owe us money?

MR. DUARTE:

Yes. We made advance payments when we were having a problem with our claims system. This was in the 2004 time frame. As their claims come into the system and get adjudicated, the negative balance is paid down by the amount of the claim.

Page 28 of [Exhibit C](#) addresses the initiative of care coordination for our aged and disabled population. Care coordination goes beyond case management which primarily deals with an individual's social needs. This involves bringing in licensed health care professionals who can take care of an individual's overall medical needs, including their social supports. They would work with physicians on existing claims and medical information in our system to make sure the needs of an individual are understood. High-cost/high-risk individuals would be targeted, particularly those who are amenable to a medical intervention. There are a number of people who have high-cost conditions who may not be amenable to medical intervention by a nurse, either by choice, or due to the fact their condition probably would not improve with extra care. We want to target those whom we feel we will have an impact on from the standpoint of quality of life and cost. These health care professionals would be responsible for the overall care management of a client, and they would work with the patient's

physicians. They would examine their pharmaceutical needs and make sure all their needs are being met. They would assist physicians with setting up referrals, getting diagnostic tests and making sure the patients receive all the medically-necessary care. We would have regional care coordinators who would handle this for approximately 4,000 clients.

Another target group is children with serious emotional disturbances who are going in and out of institutions. These institutions are residential treatment centers. A number of children are languishing for long periods of time, both in Nevada as well as other states. Even with the behavioral health redesign, there are lengths of stay of over 100 days for in-state facilities and over 170 days for harder-to-place children in other states. It is our goal to target children with whom we can work. We would find available community services to get them out of the institutions, stabilize them in a community and provide needed wraparound services to avoid further institutionalization.

This initiative for both populations would provide a reduction in high-cost utilization, primarily hospitals, residential-treatment centers and other institutional settings, while making sure care is delivered in the community which is much less expensive and better for the client.

ASSEMBLYWOMAN BUCKLEY:

With regard to the issue of children languishing in high-cost and inappropriate placements, I continue to hear complaints that Medicaid is the bottleneck. Do you have any initiatives authorizing your staff to work with line workers to get these children into more appropriate, lower-cost placements? Do you currently have anything active in that regard?

MR. DUARTE:

Yes, we do. Our staff frequently visits with staff in Juvenile Justice and Child Welfare Services in Clark County. I have met twice with Mr. Thomas D. Morton, director of the Department of Family Services in Clark County, to discuss how we might be able to assist them in their efforts to make sure children are placed appropriately and quickly. The issues are not with Medicaid or our fiscal agent, First Health Services Corporation. Much of the problem is educational and making sure line staff understand the process for getting prior approval for placement. First Health Services Corporation has two individuals on staff who work with child welfare agencies and with the agencies that care for children who have serious emotional disturbances. They are providing training and work directly with line staff.

ASSEMBLYWOMAN BUCKLEY:

What about the issue of the behavioral health redesign not yet yielding a group of providers who can do more to keep children in the community? This prevents them from leaving the higher-cost care. Part of the problem is there are no alternatives to putting children in residential-care facilities because there are not enough providers in the community. Can you describe any efforts you are undertaking in that regard?

MR. DUARTE:

We have 126 new providers who have signed up since April 2006. They are in a variety of areas and provide a variety of services focusing on these children. We have had some barriers to advancing this in as aggressive a manner as we would like. Approval of this change in our program is still pending at the federal

level. We have an agreement with CMS to allow this program to be federally matched, going back to January 1, 2006. However, we had to stipulate to them that we are going to sunset the entire program on June 30, 2007, and replace it with another model. There are certain parts of the program they do not like. They do not like the payment methodology for the therapeutic foster care or what we call "treatment homes." They may also be coming out with policies which restrict overall Medicaid payment for therapeutic foster care. When providers contact me, I have to be truthful and tell them, while we have a currently-approved payment methodology, it will not be the methodology in the future. I cannot assure anyone what the new payment methodology is going to be, particularly for therapeutic foster care. This has squelched any significant growth in that area.

ASSEMBLYWOMAN BUCKLEY:

I will look forward to receiving a report on that.

ASSEMBLYMAN HARDY:

I hear rumblings about the medically-ill child in southern Nevada who has to go outside Nevada to get medical care and is months in a hospital here trying to find a placement. Do we have a place or a program for children who need inpatient or rehabilitation care? Will care coordination address those issues? Is that somewhere in the budget?

MR. DUARTE:

I cannot say definitively whether care coordination is going to directly impact those children. Many of the children already have case managers through the Katie Beckett Program. That child would qualify under the Katie Beckett Program. The question is whether or not specific services are available in Nevada. A variety of services are not available here, and we end up sending our children to California, Arizona or other areas. This is particularly true in the area of pediatric medicine. We have a hard time finding pediatric subspecialists in a variety of specialties. It depends upon the child's condition and the child's needs in determining whether they will be served in Nevada or elsewhere.

ASSEMBLYMAN HARDY:

Is the lack of specialties partially because the insurance company does not cover the pediatric specialty, or is it actually a lack of the pediatric specialty and/or the place to put the pediatric patient?

MR. DUARTE:

Most frequently, it is a matter of the availability of services. The child's specialist or physician will usually make the referral to send the child to Davis Hospital and Medical Center, Lucile Packard Children's Hospital or a facility that will best meet that child's needs.

ASSEMBLYMAN HARDY:

I was referring to the rehabilitation, not the acute illness. Is that what you are talking about?

MR. DUARTE:

I was talking about acute episodes. There have been issues in southern Nevada associated with children, who have profound disabilities, who have been served primarily through nursing facilities. One of those facilities notified us it wanted to close its doors to these children. We were able to find placement in

Las Vegas for the 16 children, and they did not have to go out of the State. We have been able to develop options for rehabilitative services and long-term care services in the State for many children. Much of that effort is currently being undertaken by the Division of Mental Health and Developmental Services.

Page 29 of [Exhibit C](#) describes a pilot initiative we want to undertake for the aged, blind and disabled. It is a managed-care proposal. We are proposing to serve, on a voluntary basis, about 5,000 individuals through a specialized managed-care program. When a managed-care program is implemented, you start paying prospectively, but there are claims which will run out from prior service dates. Because of this, a "tail" of approximately \$5 million in General Funds is built into other parts of our decision unit. In the long run, this will be a cost savings. Currently, about 28 states have similar programs. Twelve states have programs for dual eligibles for Medicare and Medicaid recipients and 17 states have long-term managed care.

We have another opportunity in that a number of specialized Medicare programs are opening across the nation. Three of these are licensed in Nevada. They are called "special needs plans." They are interested in serving the aged and disabled who are dually eligible for Medicare and Medicaid. Our savings assumptions in this program are about 7.5 percent. National experience ranges from 2 percent to 19 percent. This will be a budget-savings initiative, and a quality-of-care initiative that will improve quality of life, similar to the way care coordination will assist individuals who need assistance in managing their own care in a complicated system.

CHAIR RAGGIO:
Would this begin in January 2008?

MR. DUARTE:
That is correct.

CHAIR RAGGIO:
Do you expect to serve 5,000 individuals?

MR. DUARTE:
We would start with approximately 5,000 individuals on a voluntary basis.

CHAIR RAGGIO:
Would you reimburse the HMOs that participate on a per-capita basis?

MR. DUARTE:
Yes.

ASSEMBLYWOMAN MCCLAIN:
I want to make sure you are going to be able to utilize some of the Aging and Disability Resource Centers (ADRCs) we are starting across the State to help coordinate some of these efforts.

MR. DUARTE:
Do you envision them aiding in coordinating specific services?

ASSEMBLYWOMAN MCCLAIN:

They could be used to identify the people who would qualify and assist people who come in for help. I am assuming you would work together, since you are all in the same Department.

MR. DUARTE:

We have had discussions about these initiatives with the Division for Aging Services. Yes, we will utilize them to get the word out and assist in coordination of care if needed.

Page 30 of [Exhibit C](#) summarizes a number of decision units in our fiscal integrity and accountability initiatives. We hope to generate \$945,000 in General Fund savings, and are asking for 22 full-time equivalents (FTEs). This is an important component of our budget. We have been under a great deal of scrutiny. In 2002, the U.S. Government Accountability Office (GAO) faulted CMS, our federal oversight agency, with lack of oversight in Medicaid. As a result, they put 100 FTEs in the field across the nation to oversee state Medicaid financing programs. They have also implemented a number of fiscal integrity initiatives across the nation. As a result of their assessments and reviews of states, we are seeing significantly more requests for information and audits.

Page 32 of [Exhibit C](#) lists some of the federal audits that are either scheduled or have been completed. A Payment Error Rate Measurement audit is scheduled for 2008. We have had a Skilled Professional Medical administrative claiming audit, a fiscal agent and Medicaid Management Information Systems audit, an audit of our sister agencies, a drug-rebate audit and a School-Based Health Services review.

There was also an audit of School-Based Administrative Claiming with the Clark County School District. In 2002, the Division entered into a contract with the Clark County School District to provide Medicaid administrative services to the children in Clark County. Under federal rules, the school district is able to claim for appropriate costs associated with assisting children with Medicaid outreach and eligibility assistance within the school. In 2006, the Office of Inspector General (OIG), on behalf of CMS, performed an audit of the Clark County School District and their administrative claims. Their report was issued on December 22, 2006. They found, for calendar years 2003 and 2004, the Clark County School District had been overpaid \$5.5 million in federal funds. The findings are fairly egregious. We are currently working with Clark County to get that money back and repay CMS the \$5.5 million in federal funds.

CHAIR RAGGIO:

Why does Clark County not just pay CMS? Why does the Division have to pay them?

MR. DUARTE:

The adjustments are part of the federal grant we get through the Office of the State Controller and CMS. The adjustments are made in the grant requests.

CHAIR RAGGIO:

Please keep us advised of this situation.

MR. DUARTE:

Yes. I will do that.

In addition, subsequent claims were reviewed and there is about \$3.4 million in deferred claims for the Clark County School District. All told, a total of about \$8.9 million in potentially unallowable costs were claimed and paid to the Clark County School District.

SENATOR CEGAVSKE:

Before the audit, did the State review what was being submitted?

MR. DUARTE:

No. We did not have the audit staff to do that.

SENATOR CEGAVSKE:

Are we now reviewing their claims, and do they know what is not allowable?

MR. DUARTE:

Yes. We have been working closely with them on current and future claims, and they understand the requirements. The Division will closely monitor the claims from the Clark County School District.

SENATOR CEGAVSKE:

Did Clark County indicate how they are going to pay back the \$5.5 million?

MR. DUARTE:

They have told us they will pay us \$5.5 million. The time frame within which Clark County was to begin the process of repayment was when the OIG audit was issued on December 22, 2006, and when CMS takes the money from the grant. We have advised them that could occur at any time since the audit has been published. They know we want the repayment immediately. They had an executive management meeting last week and will be advising us when they will repay the \$5.5 million.

SENATOR CEGAVSKE:

Will you be able to give us copies of the audit before we meet again?

MR. DUARTE:

Yes, I will.

Page 33 of [Exhibit C](#) lists our staffing requests.

ASSEMBLYMAN HARDY:

If we consider the concept of presumptive eligibility for Medicaid-pending individuals, are there any figures showing how many people are Medicaid-pending and how many months or years it takes to qualify? Would it be possible to fund the Medicaid-pending category so hospitals and practitioners could get paid instead of waiting a long time for their cash flow to catch up with the Medicaid approval process? What would the bill be for a presumptive-eligibility approach instead of a Medicaid-pending approach that delays the payments?

MR. DUARTE:

We will provide the statistics for you on the number of Medicaid-pending individuals. The predominant reason individuals, primarily the disabled and elderly, are Medicaid-pending is because the federal documentation requirements are substantial. This is particularly true for those who are disabled. Their pending federal Social Security adjudication for disability is an SSI determination that sometimes takes many months. They may not be approved and must reapply. Once they become SSI-eligible, it is a simple process of submitting the application to Medicaid to become eligible. My understanding from Ms. Nancy Ford, Administrator of the Division of Welfare and Supportive Services, is it takes about ten days.

I believe the Legislative Committee on Health Care did some work on pricing an initiative that would utilize existing federal code 42 C.F.R. It would allow us to do a presumptive determination of SSI eligibility which would deal with most of the high-cost pending cases. The Division would not lose federal matching funds unless we consistently made determinations that were later overturned by SSI. There would be an administrative cost associated with this initiative and it would duplicate what SSI does. However, there are ways to streamline the process and get those individuals eligible for Medicaid much more quickly.

ASSEMBLYMAN HARDY:

Will this staffing request address that kind of issue?

MR. DUARTE:

It will not. This staffing request deals with the oversight of programs like Clark County School District Medicaid Administrative Claiming, as well as many other initiatives already in existence or others which we are being asked to develop. A number of other school districts want administrative claiming. We have been approached by the tribes to do administrative claiming, and we currently have oversight responsibilities for some of our sister agencies for their State and federal expenditures. As a result, we need to have adequate audit and budget staff.

The Division is requesting ten fiscal staff positions primarily to deal with oversight. We are requesting seven staff in our fraud and abuse detection unit. We currently have three positions. A similar program in New Hampshire has 8 FTEs in this area, and Georgia has 53 FTEs. We already have the technology and tools available, but we need to develop investigative teams that can look at the programs and recover overpayments that may be associated with fraud and abuse.

ASSEMBLYWOMAN MCCLAIN:

How closely do you work with the Office of the Attorney General and their Medicaid Fraud Control Unit? They have significant concerns.

MR. DUARTE:

We work closely with the Office of the Attorney General. We are the front line for them, although they get direct referrals. They handle the investigations and prosecutions of anything that may be criminal in nature. We try to identify overpayments and recover them. If we discover something is showing a pattern of potential fraud, we will refer it to them.

ASSEMBLYWOMAN MCCLAIN:

The personal-care assistants are an area of concern. They were supposed to become licensed, but the regulations were never completed.

MR. DUARTE:

We are spending a great deal of time on personal-care agencies. That is another reason why the additional staff is needed.

SENATOR CEGAVSKE:

Would you please provide the Subcommittee with a list of the vacancies in all areas of your Division, along with a priority list of the requested positions? Please include the numbers with the percentages for the performance indicators.

MR. DUARTE:

We will do that.

The Division is also proposing to add staff to our Medicaid Estate Recovery Program. The additional staff would review Medicaid deaths to find situations where it may be feasible to place a lien on property to preserve some of the assets to pay for medical services for Medicaid recipients. Last year, about \$1.9 million in liens were placed on properties. That money is recovered only if there is a sale of the property and there is not a community spouse living in the home.

CHAIR RAGGIO:

In summary, the budget is recommending 42 new positions, including 19 in administration, 15 in the Medicaid area and 8 in Nevada Check Up. If that is not correct, please let us know.

MR. DUARTE:

Page 34 of [Exhibit C](#) lists other initiatives in the Division's budget request. Some of the initiatives will continue to improve fiscal integrity, and some are program-related and will improve quality of care for the recipients. We are requesting the addition of a clinical claims editor to our Medicaid Management Information System. We currently have about 1,300 edits in our system. New software available to us could add one million more options. We can reduce spending by putting in place appropriate edits consistent with our program policies.

The Division would like to increase dental benefits for pregnant women. Studies show that periodontitis is a significant cause of preterm birth. Each child who is born preterm costs approximately \$75,000. For a nominal cost for cleaning and treatment of minor dental infections, we could forestall a significant number of preterm births.

SENATOR CEGAVSKE:

What is the age of the pregnant women covered by this benefit?

MR. DUARTE:

The program pays for dental care for individuals under 21 years of age. That is a federal law. This would be for pregnant women who are over 21 years of age.

We are proposing to eliminate the unearned income limit for health insurance for the work-advancement program. This would increase our caseload in that area

so individuals with disabilities can retain needed Medicaid benefits and continue to work.

CHAIR RAGGIO:

When that program was implemented, the caseload was estimated at 850 individuals, but the caseload has been limited.

MR. DUARTE:

The caseload was approximately 20.

CHAIR RAGGIO:

This allows disabled individuals who are working to get benefits.

MR. DUARTE:

It encourages individuals who are disabled and who may want to go back to work but do not want to lose their Medicaid eligibility. We want to make sure they have that option.

CHAIR RAGGIO:

How many do you think this might accommodate if you delete that limitation?

MR. DUARTE:

We are working with the best projections we can from other states. We are estimating there would be 215 new recipients in FY 2007-2008 and 260 in FY 2008-2009.

We are proposing to continue the Aging Out of Foster Care program for children.

The initiatives on page 36 of [Exhibit C](#) include an initiative to recruit and train behavioral health providers. The Division would hire a contractor to perform the recruitment and training and bring them into the State to expand our service capacity. We are requesting \$1 million in General Funds for traumatic-brain-injury services. These are primarily residential rehabilitation and behavioral adult day-care services. That would be added to our waiver for physical disabilities in 2009.

We are proposing to expand oversight of the Division's home- and community-based programs because of additional federal requirements for oversight. We are also requesting health care coordinator upgrades for our staff to make sure we can compete in hiring nurses.

Page 37 of [Exhibit C](#) deals with the HIFA Waiver. The HIFA program was approved in December 2006. The Division is requesting \$7.1 million in General Funds, \$6.5 million of which is for medical costs. The program was approved only as a State Children's Health Insurance Program (SCHIP) expansion. Individuals who qualify for the employer-subsidized insurance component of this program would have to be parents of children who are potentially eligible for Nevada Check Up. Over the five years of the waiver demonstration, we are projecting to increase the Division's caseloads. We are projecting to cap out at 2,048 pregnant women in FY 2007-2008, and at 5,500 eligibles for the employer subsidy insurance program in FY 2008-2009.

Page 42 of [Exhibit C](#) discusses our Medicaid projection model and our Nevada Check Up payment projection model. We have changed the way we project costs. We continue to use caseload projections from the Division of Welfare and Supportive Services and the Department's caseload office meetings, but we project costs in a different manner. If you have any questions about the methodology, I would be glad to answer them.

One of the things that will impact Nevada Check Up and the HIFA program is the 2007 reauthorization of SCHIP funding. Two months ago, the federal government reauthorized the SCHIP program for a limited period of time, but they also redistributed funds. They took funds from the states that did not expend their entire 2005 allotment as of March 31, 2007. Nevada will be one of those states. Those funds will be redistributed to other states that need additional SCHIP funds. We estimate Nevada will lose about \$12.4 million of its federal SCHIP allotment. That is money we have not claimed against in the 2005 allotment from the federal government. This has an impact down the road in the HIFA waiver. The HIFA waiver is a five-year demonstration project. At the end of five years, we have a buffer of approximately \$16 million. A reduction of \$12.4 million will significantly reduce that buffer. Should caseloads in Nevada Check Up grow, we may have to closely watch the HIFA program and, if necessary, cap enrollment there earlier than projected.

CHAIR RAGGIO:

What caused us to lose that amount of money?

MR. DUARTE:

The allotment for 2005 was not utilized by the State. We have three years to use federal SCHIP allotments, and we are still billing against the 2005 allotment. We have some excess funds in that federal appropriation, and because we have not used it all, it will be used by other states that are running out of SCHIP funds.

Page 49 of [Exhibit C](#) addresses our intergovernmental transfer (IGT) account. This account transfers funds from local government entities to the State for matching purposes. We have a number of programs that flow dollars through this account. The largest is the disproportionate share hospital (DSH) payment program which pays hospitals to serve a disproportionate number of Medicaid and indigent clients throughout the State. We make about \$82 million in payments to these facilities for uncompensated costs associated with Medicaid and the uninsured.

Another area where we subsidize public hospitals is the upper payment limit program. We pay out about \$32 million to public hospitals. These are county-run public entities, the largest of which is the University Medical Center. They are paid up to the Medicare allowable rate. In addition, we have a pending State plan amendment to pay the University of Nevada School of Medicine faculty an enhanced rate for services to Medicaid clients. The IGT account funds not used for these programs are used to offset the General Fund need in our Medicaid budget. In the next biennium, we are anticipating about \$45 million in General Fund offset associated with these transfers.

After the Division's budget was submitted, an error was found. Payments out of the budget to hospitals for DSH were understated. The overall impact across the 2007-2009 biennium is about \$9.6 million in General Funds. We will be closely

watching our IGT account balances to make sure there is a sufficient balance to pay for these services and offset the General Fund by that amount. We will also be monitoring our claims expenditures closely, the balance of this fiscal year, to see if there is an opportunity to move some of the dollars we might not have otherwise spent into the IGT account and offset this loss.

ASSEMBLYWOMAN LESLIE:

Will a budget amendment be forthcoming to adjust for that, and when might you know?

MR. DUARTE:

We have not discussed a budget amendment. I will discuss it with Mr. Willden of the Department of Health and Human Services and administrative services officer Michael Torvinen.

ASSEMBLYWOMAN LESLIE:

We do not want to get too far behind this session on that kind of budget amendment. We would like to have that information as soon as possible, as well as options that can be discussed in the Subcommittee.

MR. DUARTE:

We will do that and we will work with the director and his office.

SENATOR BEERS:

I would like some reassurance about the integrity of your accounting system. How were these payments missed? It should be impossible because, as you described it, you do not estimate payments. The payments happen and the accounting system captures them. Were these payments incorrectly categorized?

MR. DUARTE:

This was not an estimate of actual payments. This was what was in our budgets. We had projected what those payments were going to be and, in the meantime, we were making adjustments to the IGT account. The adjustments in the IGT account did not square with what we had budgeted in our medical-claims category payments to the hospitals. It was a matter of reconciling the payments with the transfers into our Medicaid budget from the IGT account. That step was not taken.

SENATOR BEERS:

There should be some third account involved where a balance shows up and it serves as a warning sign.

MR. DUARTE:

Yes. It is a matter of making sure we can review those transfers in and payments out more thoroughly. This is another justification for the request for additional staff.

CHAIR RAGGIO:

Is there any impact to the State for the DSH or upper-payment-limit rates as a result of the recent disclosures at the University Medical Center?

MR. DUARTE:

I have not heard any concerns or comments from the federal representatives about that.

A Notice of Proposed Rulemaking has been issued by the U.S. Department of Health and Human Services on changing payment methods for public hospitals. This primarily deals with intergovernmental transfers and how much we can pay public hospitals. We have reviewed the proposed rules and determined it will have a fiscal impact on our ability to subsidize public hospitals at the current level.

CHAIR RAGGIO:

Is that for Medicaid expenditures?

MR. DUARTE:

Yes, it is for Medicaid expenditures. They have not issued the final regulations. We intend to comment on those regulations as do a number of states concerned about its impact.

Page 53 of [Exhibit C](#) deals with the nursing-home-provider tax. Our tax is based on a percentage of the nursing facilities' gross revenues. We collect that tax from all freestanding nursing facilities. It is used as matching funds to enhance reimbursement for Medicaid clients. Previously, the way the law was established and approved by CMS, we were able to collect up to 6 percent of gross revenue and use it to pay enhanced rates to nursing facilities. The federal law changed with the Deficit Reduction Act of 2005. The percentage of gross revenue we are allowed to collect has been reduced to 5.5 percent. That reduction is reflected in our budget. This has an impact of approximately \$4.5 million on reimbursements to those facilities.

CHAIR RAGGIO:

Does it still result in an increase for the nursing homes?

MR. DUARTE:

Yes. Their base rate without this is about \$122 a bed day.

CHAIR RAGGIO:

Is it still worthwhile?

MR. DUARTE:

Yes. With this enhancement, they receive about \$170 a bed day. This will reduce it a little, to approximately \$163 a bed day, but it is still higher than their base rate of \$122.

Page 56 of [Exhibit C](#) outlines a number of the impacts and options available to us associated with the Deficit Reduction Act of 2005. There are specific opportunities for us in the areas of eligibility, fiscal oversight and program initiatives. In the area of eligibility, we are working with the Division of Welfare and Supportive Services and the Division of Insurance on expansion of the State long-term care partnership program. This would allow us to disregard assets equal to the insurance benefit payments made on behalf of an individual who is a Medicaid beneficiary and has a long-term care policy. It would create an incentive for individuals to obtain these kinds of insurance policies, as opposed to depending upon Medicaid.

Page 57 of [Exhibit C](#) addresses program integrity. We are enacting a number of these initiatives. We will be submitting a bill draft request (BDR) on strengthening the False Claims Act. This language is supported by the Medicaid Fraud Control Unit in the Office of the Attorney General. There will also be a BDR from us associated with requiring insurers to give us eligibility information on their members so they can be made a primary payer. That is a federal law, but states must enact their own policies.

CHAIR RAGGIO:

Is that entitled the "State False Claims Act"?

MR. DUARTE:

Yes. It will give us a reduced federal-match rate on recoveries, so we do not have to pay as much back to the federal government. This is an incentive to the Medicaid Fraud Control Unit to increase their efforts because they will retain more of those funds and we will get more back in our budget from recoveries. This goes hand-in-hand with the staffing increases proposed for fraud and abuse detection.

On page 58 of [Exhibit C](#) are a number of initiatives associated with improving the Medicaid program. We will be submitting a State plan amendment to expand access to home- and community-based services in our programs, and to offer optional choices of self-directed personal care assistance in our programs. Both of these new flexibility initiatives are allowed by the Deficit Reduction Act.

ASSEMBLYWOMAN LESLIE:

With regard to the initiatives recommended through the Legislative Committee on Health Care, you addressed traumatic brain injury, SCHIP and provider increases for doctors, but not for hospitals. I did not hear anything about the Medically-Needy Program or Presumptive Eligibility. Are other recommendations from the Committee included in your budget?

MR. DUARTE:

One of the priorities identified by the Legislative Committee on Persons with Disabilities was autism services which is not included in our budget. The items for special consideration include a number of initiatives which were the subject of discussion by the Legislative Committee on Health Care. If there are others that were not mentioned, I would be happy to provide information on them.

ASSEMBLYWOMAN LESLIE:

You gave a great presentation on a complicated subject. That is the kind of presentation we would like other groups to model, where the director reviews the highlights and staff are present to answer any questions.

One thing that concerns me is the \$8 million in savings built into the budget. While I understand the concept of spending money to save money, are you confident of that? Will you be providing our staff sufficient detail so we can be confident those savings are accurate? I do not want to get six months into the new fiscal year and find that we over-projected the savings.

MR. DUARTE:

I am confident we can create savings. Whether that is the exact figure will depend upon how we implement the new initiatives and their success. Our actuarial assumptions on care coordination and managed care are conservative.

Depending upon who is in those programs, who we target and how quickly we can get the program up and running will have an impact on the overall savings potential. That is also true of our other fiscal integrity initiatives. I am confident we can create the savings, but we are going to have to make adjustments as we go through the process of implementation.

ASSEMBLYWOMAN LESLIE:

Would you please provide that data to our staff so they can analyze it?

On the HIFA waiver, I notice the indigent supplement funds are still included, even though the part of the HIFA waiver the hospitals wanted was axed by the federal government. Have you discussed this with the hospitals? What was their reaction?

MR. DUARTE:

We have talked with the hospitals and with the Nevada Association of Counties. They have concerns because it was a revenue stream available for them that is currently not being covered. The county is still responsible, but the revenue stream has moved to our program. There is an argument to be made that this provides an overall benefit to hospitals to make sure more people, particularly pregnant women, are insured.

CHAIR RAGGIO:

At this time we will have an overview of the budget of the Health Division.

Health Division — Overview (Volume II)

ALEXANDER HAARTZ, M.P.H. (Administrator, Health Division, Department of Health and Human Resources):

Joining me this morning are Mr. Richard Whitley, Deputy Administrator of the Health Division; Ms. Amy Roukie, Administrative Services Officer; and Dr. Bradford Lee, State Health Officer.

The Subcommittee has received a booklet titled "Department of Health and Human Services, Nevada State Health Division, Agency Budget Highlights SFY 08/09" ([Exhibit D](#), original is on file in the Research Library).

In preparing the Division's biennial budget request, we faced numerous challenges with regard to the cap and meeting needs identified at the community level and through the interim committees.

The "Health Bureaus" section in the back of [Exhibit D](#) contains information on the programs and activities conducted by the Health Division. This is included for your review. I will not go over it today.

On page 6 of [Exhibit D](#) is a representation of the funding distribution within the Health Division for the 2007-2009 biennium. The General Fund is at 16 percent, federal is 51 percent and "other" is the balance.

Page 7 of [Exhibit D](#) is a chart showing what "other" represents in the Division's funding distribution. The majority of it represents rebates and trust funds. There is also fee revenue within the Division's budget, and a small amount of county participation which supports public health nursing in the rural counties.

Page 9 of [Exhibit D](#) is an organizational chart for the Division. Page 10 shows the locations of the Health Division's offices. In most of the rural counties, there are public health nurses and environmental health/sanitation staff. One change we implemented in the current biennium, which is continued in this budget, is that the Women, Infants and Children (WIC) U.S.D.A. Special Supplemental Food Program was also listed in Churchill and Humboldt Counties. We have continued the process of working with local organizations to have community-based organizations, local governments or someone who is close to the community and wants to provide those services perform the WIC clinic functions.

The functions listed on page 11 of [Exhibit D](#) are recognized as some of the core functions of a public health agency. These include collecting and analyzing health and disease data which is commonly referred to as surveillance. Other functions are working with the public protecting the public's health, protecting the environment, investigating and controlling the outbreak of disease and developing an infrastructure for a system that works together. Clark and Washoe Counties have county health departments, Carson City has a Department of Health and Human Services and there is a Southern Nevada Health District. Our role is to continue to encourage local governments to explore this option for a system on the local level.

Page 12 of [Exhibit D](#) lists the roles and responsibilities of the Health Division. The regulatory functions of the Division include emergency medical services, health protection services, licensure and certification of medical and health care facilities, and radiological health and safety. The radiological health section is also responsible for X-ray, radioactive materials and mammography.

The Health Division has a direct-service delivery component consisting of community health nursing within the rural counties and early intervention services.

Another aspect of the Health Division is program administration as listed on page 13 of [Exhibit D](#). These are many of the discretionary activities not necessarily set in statute. They comprise functions of public health such as epidemiology, HIV/AIDS prevention and childhood immunizations. These activities may include policies which have been passed and funded by the Legislature, or they may have originated at the federal level and are federally funded based upon a discretionary categorical grant.

The chart on page 15 of [Exhibit D](#) provides a representation of the three main funding sources which are General Fund, federal revenues and other revenues, by budget account. We are projecting approximately \$159 million in the first year of the biennium and approximately \$163 million in the second year. The Division frequently appears before the Interim Finance Committee (IFC) to adjust the revenues to account for variances in the grants.

ASSEMBLYWOMAN MCCLAIN:

Would you please provide a brief synopsis of the Health Alert Network?

Mr. HAARTZ:

The Health Alert Network is budget account (B/A) 101-3218. When the account was first established, we received a federal grant titled "Health Alert Network." It is a component of a federal Centers for Disease Control and Prevention Public

Health-Preparedness Program. It is a system in which states are tied to the federal public health agencies and are able to communicate alerts and information to health care providers in their communities. It is a way to alert providers and collect information. This budget account encompasses the original health alert grant which became the CDC public health-preparedness grant as well as the hospital-preparedness bioterrorism grant from the Health Resources and Services Administration.

CHAIR RAGGIO:

I am looking at the chart on page 15 of [Exhibit D](#). The General Fund monies are about \$52.7 million of a total budget of approximately \$322 million. It appears that more than half of the General Funds are dedicated to the Special Children's Clinic (B/A 101-3208).

MR. HAARTZ:

That is correct.

The FTE changes requested by the Division are listed on page 16 of [Exhibit D](#). In B/A 101-3224, "Community Health Services," 4 FTEs are being cut and 4 FTEs are added. We could not fully fund the public health nurses in the rural areas, so we had to cut them and bring them back with a proposal to restore them. We are requesting new staff in the Special Children's Clinics (also known as Early Intervention Services), the Radiological Health program and Consumer Health Protection. New regulatory staff is requested for the Bureau of Licensure and Certification.

SENATOR CEGAVSKE:

Please provide us with a list of your current vacancies including how long the positions have been vacant and prioritize the requested positions.

MR. HAARTZ:

Yes. We will also be providing to the Subcommittee the workload information which leads us to conclude additional staff is needed.

Page 17 of [Exhibit D](#) is a representation of how the Health Division's budget has grown since FY 1995-1996, and the General Fund component of the budgets. The Bureau of Alcohol and Drug Abuse has been transferred out of the Division's budget which changed the appearance of the budget.

The chart on pages 18 and 19 of [Exhibit D](#) lists the contract and subgrant amounts being contracted to the counties. The Health Division tries to push as much funding as possible to the local level. The Division sub-grants and contracts with local governments and local nonprofits, as they are able to provide the services at the closest level.

ASSEMBLYMAN HARDY:

Does the Bureau of Licensure and Certification involve inspections so Clark County, for instance, has options of decreasing the backlog? Are the increased FTEs in licensure and certification intended to address the backlog so health facilities can come online sooner? Do we take advantage of county personnel for the inspections?

MR. HAARTZ:

The Bureau of Licensure and Certification is responsible for licensing and certifying medical laboratories, medical facilities, facilities for the dependent and emergency medical facilities outside of Clark County. The Division has a decision unit to add several new staff to address the initial workload so facilities can open and not be delayed. One of the actions taken by the Health Division in this biennium was to stop certifying for Medicare services because we did not have the staff and the resources.

Page 21 of [Exhibit D](#) lists some of the issues facing the Division. There is a typographical error on page 21. The number of new FTEs is 77.28, not 78.28, and the total staffing over the biennium should be 605.75, not 606.75.

The Health Division has a turnover rate of 15.43 percent and a vacancy rate of 15.3 percent. That impacts our ability to complete our mission. One of the strategies we have incorporated into the Division's budget, in working with the University of Nevada's School of Public Health, is to create public service interns as a way to transition people from the academic environment into our workforce. We have proposed eight public service interns within our budget. They count as new FTEs. Some nurses will receive a two-grade increase to help in our recruitment and retention of nurses. We have also proposed some reclassifications. Even if the reclassifications are approved, they would be subject to the Department of Personnel concurring that the reclassification is warranted.

Page 22 of [Exhibit D](#) addresses the workload within the regulatory side of the Division. There are four decision units within B/A 101-3216 that add staff to perform initial workload inspections so facilities can open in a timely manner. The Division is proposing five new FTEs to address the initial workload.

We are also proposing two FTEs to make sure when a facility renews, we inspect it during the renewal process to ensure they are in compliance with either the *Nevada Revised Statutes* (NRS) or the *Nevada Administrative Code*. The Division is requesting two FTEs for the medical laboratories program because of workload.

Within the Bureau of Health Protection Services, we are requesting additional staff to assist in the radioactive materials licensing program. Their purpose is to ensure materials are handled safely and machines do not overexpose individuals when they are being used in physicians' offices, dental offices or veterinarians' offices.

The Division is requesting additional staff to deal with the workload in the Bureau of Health Protection Services for licensing food establishments, sanitation and child care facilities. We will present our workload calculations to the Subcommittee to illustrate how we arrived at our conclusions.

The Bureau of Early Intervention Services serves children from birth through age 2 with known or suspected developmental delays. Based on a straight-line projection, we are projecting approximately 79 additional children will need services in FY 2007-2008 and an additional 81 in FY 2008-2009.

CHAIR RAGGIO:

This program requires an Individualized Family Service Plan (IFSP) within 45 days of a child receiving Early Intervention Services. Have you been able to do that? I understand the average waiting time has been 55 days. Will the additional staffing you are requesting address that situation?

MR. HAARTZ:

The longest delays are in southern Nevada. Statewide, 67 percent of the children who meet eligibility requirements and need an IFSP have one within 45 days which is an increase from the beginning of this biennium. We are proposing several strategies in our budget to address this. We are proposing to convert independent or temporary contractors to become State FTEs because it is less expensive.

CHAIR RAGGIO:

Will you have new staff as well as the contract employees?

MR. HAARTZ:

We are requesting new staff for billing and accounting. There are also individuals who currently work for us as employees of a temporary employment agency. It is less expensive for us to convert them into State FTEs. That represents no new staff to address workload.

There is funding in the budget to address the caseload growth. Our plan is to sub-grant or contract all of that funding out to the community level so a private sector service delivery system continues to be built. This would enable community organizations to provide these direct services. Families could either approach the State or receive services from a community-based agency.

CHAIR RAGGIO:

It is my understanding you are projecting to provide services to 79 additional children in FY 2007-2008 and 81 additional children in FY 2008-2009. Is that with a combination of staff and private sector?

MR. HAARTZ:

It is our goal for it to be wholly in the private sector.

As a result of Medicare Part D, we have been transitioning individuals who are eligible for the AIDS Drug Assistance Program (ADAP) and Medicare off the State program and onto Medicare. That effort is working well. There is no waiting list. Individuals are not being dropped from services, and we are able to increase the number of individuals who are eligible for the State ADAP but not eligible for Medicare. That number is approximately 16 or 17, but we have sufficient resources to add more if necessary.

CHAIR RAGGIO:

When your Division came to the IFC in September, your projections for General Fund monies were higher than you are requesting in the *Executive Budget*. Do you believe the Division will be sufficiently funded?

MR. HAARTZ:

Yes, both for General Fund and ADAP. This is one of the few federal programs on the Health and Human Services side for which the federal government is proposing to provide additional funding.

CHAIR RAGGIO:

Have you projected those needs to ADAP?

MR. HAARTZ:

Yes. We have current caseload information.

Another initiative, on page 23 of [Exhibit D](#), is improving our business infrastructure so we do a better job of scheduling, billing and generating third-party reimbursement. Decision unit E-251 for the Bureau of Early Intervention Services has 15 FTEs. This is 100-percent General Funds. The driver for this is an audit performed by the Division of Internal Audits which suggested ways in which we can improve our accounting, billing and back-office functions.

In B/A 101-3216 the Health Division is requesting six FTEs for the Bureau of Licensure and Certification to perform management and administrative duties that the surveyors have been performing. This would free the surveyors from those duties.

Under the initiative for "Improving IT & Data Infrastructure" on page 24 of [Exhibit D](#), the Division is requesting replacement equipment. There are two technology improvement requests (TIRs). The TIRs are described following the tab labeled "TIRs" in [Exhibit D](#). One of them is a health data warehouse. There was discussion by the Legislative Committee on Health Care about improving the Division's data. Another TIR is for electronic registration of births. We currently have a system to perform the electronic registration of deaths and move into a complete electronic environment. We were able to fund that through the Social Security Administration and our preparedness funds. Electronic birth registration would provide an environment in which the Department of Motor Vehicles would be able to access birth certificates through a secure network to verify that the birth certificates are on file. This is one of the strategies other states are pursuing to be able to comply with the Real ID act.

ASSEMBLYWOMAN SMITH:

Will the improvements to the data and IT infrastructure do anything to improve the cancer registry?

MR. HAARTZ:

The cancer registry already operates at the national gold standard. This means that, based on national standards, the cancer registry is operating at the top of the level. The lag in the cancer registry system is not in the analysis or processing but in the diagnosis and reporting. There is often a six- to twelve-month delay in how the medical system works, from diagnosis to confirmation to reporting. That is out of our control. We are partnering more closely with the Nevada Cancer Institute. We are sharing data and working together.

As discussed by the Legislative Committee on Health, there is a decision unit in B/A 101-3213 to improve the State and local immunization registries. This would provide better information about who is being immunized. More importantly, it would provide information about who is not being immunized and the area of need. This is one strategy to improve Nevada's childhood immunization rate.

On page 25 of [Exhibit D](#) is a list of the Division's one-shot and supplemental appropriation requests. The one-shot appropriation requests are for standard personal computers, printers and office equipment.

Under "Supplemental Appropriations" on page 25 is a request for \$151,668 for ongoing support for a Statewide, toll-free Poison Control Information line. This is for the period of March 1, 2007, through June 30, 2007. The Division was to release a Request for Proposal (RFP) and find a statewide vendor. On January 26, 2007, the RFPs were opened and reviewed, and the Purchasing Division is in negotiations with one vendor. A supplemental appropriation for ongoing support of the Poison Control Information line for the 2007-2009 biennium is recommended in the Health Special Appropriations budget (B/A 101-3225).

The other supplemental appropriation request, on page 25, is for \$79,553 to provide maintenance for the mountaintop repeaters which carry the radio signals used by rural ambulance systems and rural hospitals.

Pages 26 and 27 of [Exhibit D](#) describe the Division's unfunded decision units.

Pages 30 and 31 of [Exhibit D](#) provide background information on the Division's two technology requests. I will provide additional information on these requests to the Subcommittee to help you understand what they seek to accomplish.

The biennial accomplishments of the Division are addressed, beginning on page 33 of [Exhibit D](#). Requirements to adopt regulations for community triage centers, facilities for transitional living and personal-care attendants came out of the 2005 Legislative Session. While we attempted to adopt regulations for personal-care attendants, it became clear a statutory change would be required for them to be effective. A BDR will be presented to address the statutory limitations of A.B. No. 337 of the 73rd Session. It was drafted too narrowly and did not provide for self-directed care.

The 22nd Special Session of the Legislature provided one-time funding in support of the Cervical Cancer Task Force, the Task Force on Prostate Cancer, the Council on Fitness and Wellness and a public health laboratory generator in southern Nevada. Due to cap issues and the Division's ability to fund them, none of these are included in our biennium budget request.

CHAIR RAGGIO:

What did the Prostate Cancer Task Force do? How was that utilized?

MR. HAARTZ:

The Prostate Cancer Task Force continued to meet. I believe they spent most of their time working on policy recommendations.

CHAIR RAGGIO:

Is the task force still in existence?

MR. HAARTZ:

It is still in existence.

CHAIR RAGGIO:

What is the status of the Cervical Cancer Task Force?

MR. HAARTZ:

The Cervical Cancer Task Force is still in existence. They have put forward a report that includes policy recommendations. The statute required a report be provided to the Legislature as well as to the Governor.

CHAIR RAGGIO:

Are those reports available now, or are they being prepared?

MR. HAARTZ:

My staff indicates they were sent to the IFC, so they should be on file.

SENATOR TITUS:

Is it correct there is no funding for the task forces to continue past June 30, 2007?

MR. HAARTZ:

That is correct.

SENATOR TITUS:

Is there funding in this budget to implement any of the recommendations made in the reports submitted by the task forces?

MR. HAARTZ:

The only one I can think of is the Human Papilloma Virus vaccine. I will check to see if there are any others.

SENATOR TITUS:

Please tell me where that funding is. I have a BDR in to look at funding that vaccine, both through Nevada Check Up and by having private insurance companies cover it for people who are not in the program. The cost is about \$350 for the series of shots for a young woman. Where does that fit in this budget?

MR. HAARTZ:

The vaccine is in B/A 101-3213, the immunization program. The General Funds in that budget serve as match for the Nevada Check Up program.

SENATOR TITUS:

Will there be a requirement for young women who are in the Nevada Check Up program to have that vaccine?

MR. HAARTZ:

It is my understanding that is currently a policy decision. We have included funding for it, but it is ultimately a policy decision.

More biennial accomplishments are listed on page 35 of [Exhibit D](#). The Bureau of Alcohol and Drug Abuse has been transitioned to its new home in the Division of Mental Health and Developmental Services. The Office of Minority Health was established. They are on track in terms of integrating into the community and having community organizations use them as a resource. They were successful in receiving continuation funding from the federal government. A Nevada-specific health profile on minorities was generated which can be used to do more targeted health planning and program activities.

Page 36 of [Exhibit D](#) addresses the WIC program. Approximately 52,000 Nevadans access WIC program services each month. A portion of them are pregnant and women who breast feed. The remainder are infants.

ASSEMBLYMAN HARDY:

Was there a cost savings associated with combining the Bureau of Alcohol and Drug Abuse with the Division of Mental Health and Developmental Services?

MR. HAARTZ:

I do not know if there have been any significant cost savings. That was not the intent of the transition. The intent was to facilitate closer coordination around mental-health and substance-abuse issues at the community and State levels.

Newborn hearing screening was also an initiative of the 2003 Legislative Session. Over 96 percent of all newborns in Nevada are being screened for hearing deficit.

The AIDS Drug Assistance Program transitions eligible clients to the Medicare Part D program. The Breast and Cervical Cancer Screening Program continues to screen women and refer eligible women for treatment to the Medicaid program. The immunization program and its community partners developed a statewide five-year strategic plan. Due to funding challenges, the only part of the plan we have been able to include is the immunization registry.

As noted under the Bureau of Health Protection Services on page 39 of [Exhibit D](#), our staff has completed standardization of the staff of the Washoe County and Carson City Health Departments, enabling them to continue performing inspections and working under the federal standards.

Page 40 of [Exhibit D](#) lists the biennial accomplishments of the Bureau of Early Intervention Services. The Health Division staff, under the leadership of Deputy Administrator Richard Whitley, formed a work group to maximize efforts related to autism. A large meeting regarding autism was recently held in Carson City. The Bureau of Early Intervention Services is working to improve the overall system and ensure families have access to information and resources in Nevada.

SENATOR CEGAVSKE:

Is the Mammovan under your Division? Is it still in operation?

MR. HAARTZ:

The Mammovan is operated by Nevada Health Centers, a federally-qualified health center that provides health-care services to low-income individuals. Funding is included in the budget to continue that effort. Nevada Health Centers provides breast and cervical cancer screening. We reimburse them for providing those direct services to low-income women.

SENATOR CEGAVSKE:

I was impressed with the statistics about what was detected when the Mammovan went through the rural counties to provide screening to women who would not otherwise have received that service.

Regarding autism, I am hoping we will be able to re-create what was agreed upon in the last Legislative Session but, unfortunately, did not get into the final

budget. The families with autistic children came forward and gave us the evidence needed to determine this is an area that needs to be funded. I hope it will be brought back, incorporated into the budget, passed in both Houses and signed by the Governor this session.

MR. HAARTZ:

I am not sure that will be in the Health Division's budget. It may be within the Developmental Services side of Mental Health and Developmental Services or it may be in the director's office budget. We will continue our efforts to provide services to families.

On page 41 of [Exhibit D](#) are some of the accomplishments of the Bureau of Licensure and Certification. The federal government audited the Bureau of Licensure and Certification and the Clinical Laboratory Improvement Amendment programs and determined all the federal performance standards were met.

The Emergency Medical Services program implemented a new certification and licensure process which makes it easier for emergency medical technicians and ambulance services in all counties, except Clark County, to license and renew.

Two letters of intent were issued to the Division by the 2005 Legislature. Page 43 of [Exhibit D](#) summarizes the content of the letters and the actions taken by the Division. Copies of the two letters are on page 44.

The pages following the tab Health Bureaus on page 45 of [Exhibit D](#) contain information regarding the Division's bureaus and programs.

The Health Division has not submitted any BDRs for the 2007 Legislative Session.

ASSEMBLYWOMAN LESLIE:

I am happy to hear we are up to 96 percent in newborn hearing screening. That is a significant improvement over 2003 when we were screening something like 17 percent.

I want to make sure the Subcommittee closely follows the ADAP funding. Recently, I read people in a state back east were dying while they were on the waiting list. I am proud to say that is not happening in Nevada.

The Subcommittee will want to see justification for the 17 positions for the health facilities hospital licensing. I know those positions are fee-funded, but we will want to see good justification for their need.

MR. HAARTZ:

That is a large number of staff. Some of them are health-facility surveyors. The other component is support staff. There are a couple of management analysts, a computer network person and a couple of administrative assistants. We are looking at how to best utilize available resources and answer data requests.

Aging Services — Overview (Volume II)

CHAIR RAGGIO:

At this time we will have an overview of the budget for the Division of Aging Services.

CAROL SALA (Administrator, Aging Services Division, Department of Health and Human Services):

With me today is Ms. Carolyn Misumi, my administrative services officer, and my deputy administrators Ms. Tina Gerber-Winn and Ms. Marilyn Wills.

Since the last Legislative Session, I am the only member of my top management team left in this Division. We have had an exodus of high-level supervisors and management. Six were due to retirement, one to promotion and one resulted from a terminal illness. Even with this loss of institutional knowledge, the agency has been able to maintain its commitments to respond to Nevada constituents and refine or create new strategies to improve program services and staff efficiency.

The Subcommittee members have received a booklet titled "Overview of Budget Presentation to the Money Committees of the 2007 Legislature" ([Exhibit E](#), original is on file in the Research Library).

The first page of [Exhibit E](#) highlights our mission for the Division. Nevada continues to have the fastest-growing senior population in the nation. We were just recently passed by Arizona for the fastest-growing population overall.

One of the biggest challenges our Division faced in the last biennium was the implementation of Medicare Part D. Our staff was instrumental in assisting Medicare beneficiaries throughout the State in sorting through the nearly 40 drug plans that were available. Our State Health Insurance Assistance Program (SHIP) enrolled 80 percent of the Medicare beneficiaries throughout Nevada. Social workers in the field, whether or not they were in the SHIP program, helped their clients with the enrollment.

Another success we had over the biennium was that, in partnership with Medicaid, we applied for, and CMS approved, a new assisted-living (AL) waiver. This is a waiver that focuses on allowing people to move into facilities such as the new Silver Sky Assisted Living in Las Vegas which we hope to see replicated throughout the State over time.

Another success was the renewal of our group-care work waiver, where we removed the barriers to access for that waiver. That was in line with recommendations from the Strategic Plan Accountability Committee for Senior Citizens. We increased access to dental services for seniors through a set-aside of tobacco settlement funds. We applied for and were awarded funding to set up aging and disability resource centers in Nevada. This is a three-year grant for \$750,000. The aging and disability resource model ties into the Nevada 2-1-1 initiative.

We received our Alzheimer's demonstration grant in the amount of \$300,000 for another three years. We were told by the federal government this last round of funding would be highly competitive, and we should not expect to get it. However, we did get that funding.

CHAIR RAGGIO:

How is that grant money utilized?

Ms. SALA:

We sub-grant the money out to the northern and southern Nevada Alzheimer's Associations. They provide vouchers to families which can be used for various forms of respite.

The Division has instituted initiatives to help recruit and retain social workers in the Division. This has been a problem for our Division.

I was one of the Nevada delegates to the White House Conference on Aging which was held in December 2005. The number one priority that came out of that conference was the reauthorization of the Older Americans Act. That Act was reauthorized and signed into law by the President in October 2006. The Act will change the funding formula for how states receive federal funds under the Older Americans Act. As the state with the fastest growing senior population, Nevada should eventually benefit from it.

This last year, the funding for the Older Americans Act has remained flat. Until the continuing resolution ends and Congress puts out an appropriations bill, our funding will stay at 2006 levels. Our tobacco-settlement fund has been decreasing. In our last round of grants, we had to cut our grantees by 5 percent because of the decreasing funds.

We continue to struggle with reaching our caseload goals because of social worker vacancies. We continue to have turnover in training, although we have been doing some creative things to try to keep and attract people. We have several social workers working part time and sharing jobs.

On pages 2 and 3 of [Exhibit E](#) are pie charts showing the Division's share of the budget for the Department of Health and Human Services.

Page 4 shows how the Division's budget is broken out by funding type. Page 5 is an organizational chart for our Division.

The Division administers its budgets and programs out of four regional offices. They are in Elko, Las Vegas, Reno and Carson City. In our budget, we are requesting additional infrastructure to handle the new programs and tasks we continue to take on.

On page 7 of [Exhibit E](#) is a one-shot appropriation for replacement of equipment. This is the only one-shot appropriation in the Division's budget.

Page 8 of [Exhibit E](#) addresses B/A 262-3140 which supports the Independent Living Grants of the Fund for a Healthy Nevada. These grants enhance the independent living of older Nevadans through services which enable them to remain at home and avoid institutional placement. Funding is provided through the tobacco-settlement funds. Base funding is aligned with projected tobacco-settlement receipts allocated to the Division. These projections reflect a decrease of about \$2.8 million in tobacco-settlement funds over the biennium. There are no General Funds in this budget account.

Decision units E-500 and E-900 set up the transfer of two positions, an auditor and a grants and project analyst. They have historically been in this budget account. We are transferring them to B/A 101-3151. This will allow us to cost allocate their time more efficiently.

On page 9 of [Exhibit E](#) is B/A 101-3151. This budget account includes the Division administration as well as the Resource Development Unit, the Elder Rights Unit and the Fiscal Services Unit. The Resource Development Unit is responsible for grants administration, community resource development and elder rights advocates within our Division, formerly known as community ombudsmen. The Resource Development Unit manages the federal, State and tobacco-settlement independent-living grants to support statewide senior services.

The Elder Rights Unit is established under Title VII of the Older Americans Act and State statutes. This unit is responsible for keeping the Statewide repository of elder abuse reports, coordination of protective services, legal services development, ombudsman functions for institutional elderly and benefits counseling. Funding for this budget account is a combination of State General Funds and federal funds. The State General Fund appropriation supports the Division's administration. It also provides the required match for our federal funds, supplements older volunteer programs, senior transportation and rural senior services. Our federal funds are received from the Administration on Aging under Title III and Title VII of the Older Americans Act. There is also some funding from the Department of Labor under Title V.

Funds in this budget account are also received from the Taxicab Authority to operate the senior ride program. A small amount of money is received from the oil overcharge rebate from the Department of Transportation.

Decision unit E-250 recommends funding for a personnel officer 1. This position is critical to coordinate personnel matters for the Division's 172 FTEs. That does not include our 23 intermittent family support workers. Over the last ten years, the number of FTEs in our Division has increased by 278 percent. The complexity of personnel matters has also increased significantly. Currently, all personnel matters are handled by my executive assistant and me with guidance from the Department's deputy director.

Decision unit E-252 recommends two supervisory positions within the Elder Rights Unit. In the 2005 Legislative Session, we requested two supervisors in the Elder Rights Unit on the elder protective services side. This request is for the ombudsman side. We have managers who directly supervise about 14 professional staff and paraprofessional staff. Currently, we have two long-term-care ombudsmen acting as lead ombudsmen with a 5-percent salary increase. They are assuming some of the supervisory duties. We are looking for another tier, a direct supervisory tier. The two ombudsmen would no longer receive the 5-percent salary increase and would return to their full-time ombudsman duties.

There are several small decision units on page 10 of [Exhibit E](#). They include the funding for the Commission on Aging members to attend our quarterly meetings and travel costs for the Senior Services Strategic Plan Accountability Committee. Their travel costs have been covered by an Olmstead Grant through the Department, but that funding is ending.

Decision unit E-325 recommends funding for the Retired Seniors Volunteer Program Lifeline Program at the FY 2005-2006 level. We currently fund this program for personal emergency response services to seniors living in 11 rural

counties in Nevada through tobacco settlement funds. Those funds are decreasing. This would replace the funding with General Funds.

ASSEMBLYWOMAN MCCLAIN:

Why is one grantee of tobacco-settlement funds going to be replaced with General Funds? There are many grantees who receive tobacco-settlement funds.

Ms. SALA:

That decision was made outside of our Division.

ASSEMBLYWOMAN MCCLAIN:

I am concerned it may set a precedent. Will the other grantees also want to receive General Funds? We will discuss this in the subcommittee meetings.

Ms. SALA:

Decision unit E-327 on page 10 of [Exhibit E](#) recommends expansion of the Senior Ride Program. The Senior Ride Program is a self-funded program through the Taxicab Authority in Las Vegas. Seniors and persons with permanent disabilities are able to purchase \$40 in taxicab coupons for a \$20 fee. They can use those coupons for any taxicab company in Las Vegas twenty-four hours a day. Coupon sales fund 50 percent of the cost of the taxicab ride. The Taxicab Authority revenues fund the balance of the ride, as well as our Division's personnel and associated operating costs related to this program. We are proposing to increase the monthly coupon sales to \$40,000, in response to the increase in requests we are getting from eligible individuals. We have met with the Taxicab Authority, and they are in support of this expansion.

ASSEMBLYMAN HOGAN:

Is it possible to obtain the taxicab coupons without coming to your office?

Ms. SALA:

At this time, the only way to purchase them is through our office. We have had discussions with other entities regarding being able to pick up coupons for clients. We have run into some problems in the past where a nonprofit agency was picking up coupons, and we were finding there was no accountability. Currently, the only way to purchase the coupons is to come directly into our Las Vegas office.

ASSEMBLYMAN HOGAN:

We will appreciate your continuing to look for an easier method. Mobility in getting to a particular office can be quite a problem.

Ms. SALA:

We have started allowing people to receive the coupons by mail. Initially, the purchasers would have to come into the office to prove their eligibility, be certified and get into the system.

There are two reclassification requests in the Division's budget. One is for a grants project supervisor. The reclassification would change the position to reflect the actual duties being performed and would not change the grade or step of the position. The other request would reclassify an administrative assistant 1 to an administrative assistant 2. This position handles all of the money in the Senior Ride Program. The Taxicab Authority supports this reclassification.

There is another reclassification on page 11 of [Exhibit E](#). It is for the unclassified position of Division specialist for the rights of elderly persons. The person in that position is appointed by the Governor. We are proposing to realign this position with other attorneys in the State system. The incumbent is required to be a licensed attorney in the State of Nevada.

Budget Account 101-3146 starts on page 12 of [Exhibit E](#). This is the Community Based Care Unit which provides services to persons most at risk of nursing home placement through three Medicaid waivers and a State-funded program. The Community Home-Based Initiatives Program (CHIP), Community Options for the Elderly (COPE), the Waiver for the Elderly in Adult Residential Care (WEARC) and the new assisted-living waiver (AL) all provide alternatives to nursing home placement. Because it was confusing to refer to the State-funded CHIP program and Medicaid-funded CHIP, the State-funded program was renamed COPE.

The scope of work includes identification of clients, assessment, ongoing case management and brokering services for the clients. Each social worker is projected to carry a caseload of 50 clients. That includes 45 ongoing approved cases and 5 cases in process. Funding for this budget account is a combination of Medicaid Title XIX funds, State General Fund appropriations, a small amount of client co-payments and tobacco settlement funds under the Independent Living Grants. Medicaid funds represent about 82 percent of the total funding in this budget account. State appropriations within this budget account primarily support the COPE program and some caregiver training.

Decision unit M-200, on page 13 of [Exhibit E](#), addresses the demographic growth of caseloads under the Medicaid programs of WEARC and CHIP. This decision unit provides purchase of in-home services for new clients, four new direct service positions and support costs of these positions. This would provide an additional 116 slots over the biennium. The match for this decision unit is in Medicaid's budget account of 101-3243. The positions we are requesting in this decision unit are three social workers and one social worker supervisor. This decision unit will allow the Division to increase the number of clients receiving Medicaid-waiver services under CHIP and WEARC, in line with the growth projected by the State demographer. The demographics we use are for the age 75 and older population since the average age of our CHIP clients is 80 years and above.

Decision units M-201 and M-202 provide a transfer of 54 slots from the WEARC waiver into the AL waiver. During the 2003 Legislative Session, the Division requested 100 new slots in the WEARC waiver in anticipation of the new assisted-living service to be offered through facilities such as Silver Sky. The CMS decided a new waiver had to be written rather than amend the WEARC waiver to add the new service. The new waiver, AL, was approved by CMS effective July 1, 2006.

CHAIR RAGGIO:

What is the difference between WEARC and AL?

Ms. SALA:

The AL waiver requires that tax-credit criteria be met. The facility has to be certified by the Housing Division. It is more complicated. In AL, people have

their own apartments. In WEARC, people live in residential group homes and share a bathroom with several other residents.

Decision unit M-540 is based on NRS 426 which addresses the needs of those persons unable to bathe, toilet or feed themselves. This provides an increase of nine slots over the biennium for our COPE program. We prioritize our COPE waiting list to identify those persons who are most at risk and who qualify within NRS 426.

Decision unit M-541 on page 14 of [Exhibit E](#) enables the Division to comply with the Olmstead Act of 1999 which requires states to provide services in a community setting rather than an institutional setting. It also requires our waiting list for services to move at a reasonable pace which is defined as within 90 days. Our wait time averaged about 116 days during 2006. As of December 2006, our wait time was down to 105 days. This decision unit would increase the number of slots in the CHIP program by 73 over the biennium. The funding would provide for two social worker positions, their associated costs and costs related to the client increase.

Decision unit E-275 would add an information technology (IT) technician and an information systems specialist to support our Division's information systems. The information services specialist 3 would ensure appropriate configuration, technical development and security for the Division's information systems network, address end-user requirements and provide system quality assurance analysis. These positions are critical to the implementation and oversight of SAMS2000, a Web-based data collection system to which we are migrating. This system will handle our nursing home complaints, our case management programs and, eventually, our grants reporting requirements. It has a comprehensive service and care-planning component, integration of multiple assessment forms and data sharing among our different programs. It has powerful and flexible reporting capabilities.

The positions in decision unit E-275 would also facilitate the integration of the Division's single point-of-entry project with the State's 2-1-1 system. The single point-of-entry project is designed to provide Nevada seniors, family members, caregivers and providers with user-friendly access points for comprehensive information assistance.

Decision unit E-400 funds 25 slots in the group-care waiver to address the projected increase resulting from the removal of waiver parameters effective July 1, 2006. These parameters limited client access to group-care services. Prior to the removal of these parameters, the only way an individual was able to access the group-care waiver was through coming out of a nursing home, a hospital or coming off another Medicaid waiver. A recommendation of the Strategic Plan Accountability Committee was to provide easier access for people to get on the group-care waiver.

CHAIR RAGGIO:

If someone is not in the hospital and is otherwise eligible, how do they gain access to this program?

Ms. SALA:

As of July 1, 2006, they can call and get on the referral list for the group-care waiver.

CHAIR RAGGIO:

Who could call on their behalf?

Ms. SALA:

Anyone could make a referral.

Decision unit E-401, on page 15 of [Exhibit E](#), adds 54 slots to the AL waiver. The Department was directed by A.B. No. 248 of the 73rd Session to amend our group-care waiver. As previously discussed, we wrote a new waiver. Funding in this decision unit is for a social worker and associated costs to provide the case-management services for the additional 54 clients. The costs for these services are in the Medicaid budget.

Budget Account 101-3252 is addressed on page 16 of [Exhibit E](#). This budget supports the Title XX Homemaker Program and the Elder Protective Services Program. The Homemaker Program serves senior citizens and younger, disabled adults. It is part of our Community-Based Care Unit. Services provided by these programs include case management, housekeeping, laundry, shopping, meal preparation and standby assistance with bathing. Our Elder Protective Services Program, which is part of the Elder Rights Unit, investigates reports of elder abuse, neglect, exploitation and isolation. These programs are funded with Title XX funds, State General Fund appropriations and tobacco-settlement funds. Due to a cap on Title XX funding, the only enhancement in this budget account is for replacement equipment.

The Division's Senior Citizens Property Tax Program is B/A 101-2363. This program was transferred to the Division from the Department of Taxation on October 1, 2001. The program provides relief to eligible senior citizens who are carrying an excessive residential property-tax burden in relation to their income. It also provides relief to senior citizens who, through rent payments, pay a disproportionate amount of their income for property taxes. Funding for this budget account is 100-percent General Fund appropriations.

CHAIR RAGGIO:

You are proposing \$2.3 million over the biennium for this program. How many seniors take advantage of the program?

Ms. SALA:

Last fiscal year, we sent out over 17,000 applications. Over 14,000 refund checks were sent out. We expect that number to increase with the growing population.

Decision unit M-200 recognizes the projected growth in applications as well as the projected increase in refunds paid to eligible seniors. We projected our growth of applications at 3.5 percent each year based on a seven-year average. The increase in the refund amount is projected at a 5.5 percent growth.

CHAIR RAGGIO:

What percentage of a refund do they get after paying their taxes?

Ms. SALA:

The refund has a cap of \$500. It is not a percentage of taxes paid. There is a sliding scale for the refund, but the maximum refund is \$500. Significant

changes were made to this program at the recommendation of the Legislature during the 2003 Legislative Session.

Decision unit E-275 provides funding to migrate our existing Access database for the senior tax system to a Structured Query Language (SQL) database. The existing system has outgrown the Access database with 17,000 applications or clients listed in the database. We are at risk of losing that information. Our internal server can no longer support that type of load. It cannot efficiently support the file size and number of users. The Senior Rx system, which downloads its data from our Senior Tax database, has already been moved to the SQL server. This decision unit represents the Department of Information Technology's (DoIT) estimate of the database programming and administrative hours required to convert from the Access database to the SQL system.

Decision unit E-325 will restore travel authority to the FY 2006-2007 level. This is a small decision unit, but it is critical that our two senior tax staff members have the ability to work with the counties on the tax program as changes come about.

FINANCE AND ADMINISTRATION

Information Technology — Overview (Volume I)

CHAIR RAGGIO:

We have a handout from the Department of Information Technology titled "Department of Information Technology Budget Overview" [Exhibit F](#), original is on file in the Research Library.

DANIEL STOCKWELL (Director, Chief Information Officer, Department of Information Technology):

In today's presentation, we will cover the Department of Information Technology's (DoIT's) priorities, strategic focus, operational objectives and organizational changes. We will provide an overview of our major initiatives and our budget for the 2007-2009 biennium. We will also provide an overview of our information security and customer service areas and technical operations.

My vision for the Department, and role as a director and chief information officer, is to review the Department's current capabilities, satisfy our customers' IT requirements, maximize our efficiency and improve the Department's ability to deliver services in a cost-effective and fiscally-responsible manner. I will cover the strategic focus for the Department, with customer service as our number one priority. I will review our operational objectives going forward and recent organizational changes and provide a high-level look at the budget initiatives and departmental budgets. Our number one focus will be customer service. We will develop trust and stronger working relationships between DoIT and our customers, various communities, stakeholder groups, educational partners and agencies.

Information security will ensure a secure fiscal and technical environment and protect data and IT resources. Information technology governance will align State management strategies with the needs of the citizens, businesses and other governmental entities. The coordination of uniform IT services, systems and practices, providing efficient operations and improved sharing of data across all multiple agencies and platforms, will be achieved through

IT standardization. Communications will maintain and enhance the State's communications infrastructure to make it more accessible, dependable, secure, flexible and scalable.

Computing will improve support for the large-scale development and processing requirements of the State agencies through secure geographically disbursed planning projects. Programming will service all State agencies that do not have full-service internal support, as well as provide supplemental services to the agencies with internal IT shops. Our planned operational objectives include adherence to NRS 242, enhanced core-service efficiencies and ensuring fiscal responsibility and accountability.

Organizational changes I have requested include the move of the information security office to a separate budget account for management and tracking purposes. I have consolidated planning and programming to ensure maximum coordination between the agency support groups which reestablished the planning unit in their intended role as specified in NRS 242. I have asked that the IT contracting group be moved to the Purchasing Division to consolidate functions within the Department of Administration. This will place professional support together and allow us to focus on the core technology services provided by DoIT.

CHAIR RAGGIO:

Will the Purchasing Division have the expertise to deal with IT contracts?

MR. STOCKWELL:

Yes. Both DoIT and the Purchasing Division have provided this service in the past. It has been a duplication of effort.

CHAIR RAGGIO:

Will you provide input for those purchases and contracts?

MR. STOCKWELL:

Yes. Two weeks ago, we started working on a transition plan with Mr. Greg Smith, Administrator of the Purchasing Division. We want to make sure everything is done properly and on a timely basis.

We have eliminated the project oversight unit. This eliminates the newly-established project oversight service which has not been cost effective, and returns the responsibilities to the planning unit.

CHAIR RAGGIO:

That unit was just approved in the 2005 Legislative Session. What was its intended purpose?

MR. STOCKWELL:

At the time it was approved, the unit was set up to be on an hourly billable rate. It was projected it would bring in 130 hours of billable time each month. That goal was never met. It was to a point where it would not survive and would have created problems within the Department. Those duties will be overseen by the planning group along with the IT Project Oversight Committee. We will still provide those services, but we will not have two staffs set aside for that purpose.

The major initiatives for the Department in the 2007-2009 biennium are to satisfy State growth and disaster-recovery needs. We have requested the information-security unit services be increased to ensure standardization, compliance, the mitigation of threats, vulnerabilities and risks, and reduce the potential harm to or loss of critical data and information systems. Part of the information-security services will focus on disaster-recovery capabilities.

We have requested an expansion of the leased southern Nevada data center floor space. We requested the purchase of a second mainframe in southern Nevada to provide for mainframe processing growth while enabling the State to recover IT functions in the event of disaster. We have requested upgrading and expanding aging communication infrastructure, both data and voice, some of which is well beyond its life expectancy. We have requested increasing the processor and memory capacity for the mainframe to support the continual growth of applications. We have requested upgrades to e-mail and system software to stay current with technology.

The Department of Information Technology's budget for the 2007-2009 biennium is \$71.57 million with a total FTE count of 147 positions by the end of FY 2008-2009.

JAMES ELSTE (Manager, Chief Information Security Officer, Director's Office, Department of Information Technology):

The mission of the Office of Information Security is to provide value to the State by delivering information security expertise and effective information security services. The first step in information security is assessment. We have services designed to provide insight into the security risks and vulnerabilities of State agencies by performing security-risk assessments, technical-vulnerability assessments and physical-security assessments. From those assessments, we derive information that allows us to mitigate the risk and apply appropriate security protection measures. We do this through a number of different mechanisms.

Our Department performs intrusion detection and monitors the environment for misuse of computers. We do Website traffic monitoring, and we review log files for inappropriate activity. We have a cyber-security incident response team. We work with the agencies on continuity of operations and disaster-recovery planning and, when requested, we perform security investigations regarding the misuse of the State's information systems. By performing these services, we are able to better protect the agencies and ensure they have the ability to fulfill their missions.

Part of the focus of FY 2006-2007 has been to continue to develop the information security service line, the structured methodologies and the procedures and supporting tools to deliver these services. We have had a number of accomplishments with specific agencies in assisting them with security efforts.

For this public meeting, I have provided a limited amount of information about security activities we have undertaken. However, I would be happy to discuss these activities privately in more detail. We have worked with a number of agencies, including organizations such as the Legislative Counsel Bureau, who had a problem with rogue-wireless access. Our Department worked with the Nevada Supreme Court on their E-filing application. We worked with the Office

of the Attorney General to help them address a security vulnerability associated with the dual-homing of their network connectivity. We also worked with the Department of Personnel to evaluate a kiosk solution to make sure the information they were collecting in the kiosks would be secure and not subject to abuse.

We worked with agencies to address their disaster-recovery plans through our critical application disaster-recovery program. That effort is 98 percent complete. We have disaster recovery plans for the bulk of the State agencies.

Our Department is currently engaged in a project to install physical security access control in a number of buildings, including the Capitol Complex, the Supreme Court, the Office of the Attorney General, the Office of the Secretary of State and the Division of State Library and Archives. In addition to the projects and agency assistance, we have performed 46 security assessments. The bulk of these have been technical vulnerability assessments, wireless security assessments, and Website server reviews. Since I joined the Department, we have implemented a more robust risk-assessment methodology to give us a more complete picture of the security risks in the agencies. We have performed two of these.

We have conducted 18 investigations related to the misuse of State computers. These range from e-mail misuse, Internet misuse, and general misuse of the State computers. From a security awareness and training perspective, we have launched our online security awareness and training program which is available to all State employees through the Intranet. We have trained over 6,000 State employees with this online training program.

We also launched the Nevada Information Security professional certification program for IT professionals in the State. The program evaluates and certifies the professionals as having a certain level of information security expertise. We performed multiple security-training presentations in a classroom setting.

It is not included in [Exhibit E](#), but there have been security incidents. None of them involved personally-identifiable information, but security incidents are occurring in our environment.

Our objectives for the biennium are to focus on providing information security services to the agencies in a structured manner. This would enable us to reach more of our agencies and provide those services to a broader constituency. We are concerned about improving our ability to respond to a crisis, to evolve our current disaster-recovery plan into a more effective continuity of operations program, and to integrate the southern Nevada disaster-recovery capabilities into the State's overall disaster-recovery plan. A standing objective is to improve our understanding of the information-security risks and what our mitigation alternatives are so we can improve and eliminate any risk we face and continue to enhance our protection of the State's valuable information resources.

In support of these objectives, we are requesting a separate budget account for information security, B/A 721-1389. This is a net-zero cost transfer from the director's budget account to a separate budget account. We are requesting four additional FTEs to support our program, two in FY 2007-2008 and two in FY 2008-2009. We are requesting \$36,000 for additional assessment tools to

improve our ability to assess risk in our environment. We are asking for \$22,000 for incident-response tools to enhance our ability to respond to a crisis. We are asking for \$25,000, not \$60,000 as stated on page 13 of [Exhibit E](#), for the Nevada Access System, hardware, software and maintenance.

GARY BUONACORSI (Deputy Director, Communication and Computing Division, Department of Information Technology):

The primary objective of the Department's technical operations division is to improve customer service. We do this by focusing on the delivery of services in our three primary areas of operation which are communications, computing, and planning and programming services. The communications unit has requested initiatives that include retrofitting the entire router infrastructure that distributes SilverNet services throughout the State. SilverNet is the network backbone for data transmission of all the services we provide. The equipment is now beyond its life expectancy. This will require a major upgrade of hardware to maintain vendor support. This would include the core and distribution routers owned and operated by DoIT as well as the end routers being requested by individual agencies in B/A 101-1325.

We will also be enhancing the data transport capacity to satisfy the increasing demands for services. As an example, the Las Vegas Internet connection is already at maximum capacity. The rural backbone bandwidth connectivity is fully utilized in distribution locations for Elko and Ely. Pahrump continues to trend upward as delivery of State services increases in that area. To satisfy our customer requests, additional bandwidth is being requested in the FY 2007-2008 *Executive Budget*. As of January 2007, the centralized State telephone system has grown beyond 7,500 users. Much of this growth was attributed to the addition of the Richard H. Bryan Building, the State Emergency Operations Center and the Department of Health and Human Services' Technology Way buildings after they vacated the Kinkead Building.

The attractions of the system for customers continue to be the five-digit interstate calling, voice mail, enhanced system services and competitive price performance they cannot get in the private sector. Based upon customer inquiries and requests for DoIT assistance, we anticipate strong continued growth for the telephone systems throughout the next biennium.

The communication unit's budget request is to increase capacity to satisfy customer growth. This includes Internet service expansion, backup circuits and lines and voice mail accounts. There are many significant projects scheduled for the next biennium. The Department will be replacing the network core and distribution routers. The current equipment manufacturer has issued a limited end-of-life support notification to the State. It must be replaced in order to maintain support from the vendor. The edge router replacements the agencies will be requesting, through B/A 101-1325, are an integral part of the State's overall network architecture. If we had to proceed without the edge router replacements, it would create a service-delivery problem for the State. Please consider that as you review the requests from other agencies.

There is also a need for additional Internet service capacity. We will be moving from a local service to a carrier-class provider to obtain higher-bandwidth speeds at a lower cost per megabyte. This provides additional Internet bandwidth needed to meet the demands of agencies to increase their presence on the Website.

The Carson City and Las Vegas PBX enhancements will support agency requests for services such as Voice over Internet Protocol telephone technology. With this enhancement, smaller locations will be able to participate in the State telephone systems. Previously, only larger locations could justify the cost associated with moving to the centralized system.

Another project will be the procurement and installation of additional PBX right-to-use (RTU) licenses. These are needed to accommodate the expected growth in the State telephone system. This budget request will increase the RTU licenses by an additional 500 units.

Our budget has requests for phase 1 and phase 2 microwave spare parts. The microwave system supports critical public safety communications, SilverNet and State telephone communication systems. The existing equipment has been in service for seven years. There is a long lead time on frequency-sensitive components. If one were to fail, the spare parts would minimize down time and agency impact.

This past biennium, the communications unit has undertaken many significant projects. The first is the continued progress on the microwave project. All sites in phase 3 of the microwave buildout are operational and carrying digital traffic. There are still ongoing channel cutovers to migrate old analog circuits to the new digital system. In phase 4 of the microwave project, 7 of 28 sites are completed to date. They include the Carson Emergency Operations Center, the Richard H. Bryan Building, the DoIT computer facility, the Elko mountain site, the Elko Department of Transportation site, the Cherry Creek site, and the Rocky Point location.

Permits have been approved for Warm Springs, which is east of Tonopah, and Bald Mountain, which is southwest of Wells. Three permits are pending approval. Prospect Peak is still awaiting completion of an environmental analysis. The Bureau of Land Management is processing the permit for Fairview Peak. The permit for Austin Summit is being processed by the U.S. Forest Service. Federal Communications Commission licensing is complete for all locations.

The microwave site upgrades are complete. This project consisted of upgrading buildings, power plants, towers and generators at Montezuma Peak, TV Hill and Pinenut Peak. The Stewart microwave complex is also finished. This consisted of installing an OC3 microwave site which required building new power plants, installation of a monopole, generator and fiber-optic capabilities. This facility is now fully-operational and carrying digital traffic.

The core-network infrastructure move was completed. The communications unit moved the entire core-network infrastructure during the facility remodel with little interruption to customer service. The Reno-to-Carson City fiber project that was approved by the IFC is underway and expected to be complete in late May or June. This project will provide a gateway to carrier-class providers for data replication to Las Vegas. It will also complete the fiber tieback to both the I-80 fiber project and Carson City utilizing the Wendover fiber communication links.

The computing unit's budget requests address customer growth needs in two areas. The first will add mainframe memory and central processing units (CPU) to satisfy increasing customer demand for services. Current growth projections

indicate the need for one CPU each fiscal year. The second budget request will add additional disk storage capability in line with the agency request.

CHAIR RAGGIO:

We were told mainframe utilization reached 86 percent of capacity last September and will have reached 90 percent by this March.

MR. BUONACORSI:

I do not have the exact growth figures. The changes depend upon agency utilization.

CHAIR RAGGIO:

Is that the justification for increasing the mainframe?

MR. BUONACORSI:

It is. We monitor utilizations on a daily and weekly basis. We meet with each customer on a monthly basis to review the capacity-planning initiatives. Our growth projections are still in line with the requests we have made in the budget.

One of the projects slated for the computing unit, over the next biennium, is the e-mail and live communications server enhancement. It upgrades the State's e-mail environment to the latest release of the application software and upgrades a 2000 version of Instant Messenger to the latest release.

The next set of projects focuses on the southern Nevada initiatives. The first acquires additional space in their leased data-center facility. This will accommodate additional DoIT and customer-owned equipment while improving the business continuity capabilities of the State. The second project provides for a mainframe processing environment in southern Nevada to reduce the exposure to outages and interruptions of services. This request will allow the State to terminate its IBM Business Continuity and Recovery Service contract.

CHAIR RAGGIO:

How will the mainframe Enterprise Server you are recommending for southern Nevada impact the mainframe expansion program?

MR. BUONACORSI:

Based upon our current growth projections, both appear to be viable alternatives. We continue to monitor our growth capabilities as well as the expected capacity utilizations from our customers. In addition to disaster-recovery and continuity-of-business planning, this will allow us to load-balance application services.

CHAIR RAGGIO:

The Subcommittee will want an update on your findings and justification for the requested additional disk-storage capacity.

MR. BUONACORSI:

We will be prepared to provide detailed information justifying both the capacity for the data-storage needs and the capacity needs for the mainframe.

The UNIX consolidation plan will provide a more cost-effective way of delivering distributed UNIX services to our customers.

The computing unit's capital improvement projects are focused on the State's data center in Carson City. The first project addresses additional security items identified by an external contractor assessment while the computer facility was being renovated. The next project provides an additional uninterrupted power source and generator at the computer facility to ensure continued operations in the event of a failure.

The computing unit had many significant projects during the last biennium. The first was a complete renovation of the State's data center. This resulted in a significant amount of disruption to normal DoIT operations as staff endured construction noise and physical relocations. It also required multiple relocations of equipment within the facility. Through careful planning and cooperation with different State agencies, there was minimal impact to services during the entire construction process.

The mainframe process or upgrade was completed at the end of the last calendar year.

The data-replication project continues to be on schedule for completion by the end of this fiscal year. The Nevada shared information technology services consortium is progressing well. This project is looking for opportunities to collaborate with partners like Clark County, Las Vegas and the Las Vegas Metropolitan Police Department. The coalition's goal is that, wherever feasible, common services and infrastructure be leveraged to reduce operating costs for all.

With the organizational changes in planning and programming, we will also begin to focus on increasing the unit support for agencies and enhance the services provided by the unit. To do this, planners will meet with the agencies, boards and commissions to assist them in evaluating their current and future IT needs. We will establish enterprise-wide requirements for agency convenience contracts to reduce costs to the State. This enhanced level of service will provide support for both old and new technologies as we assist agencies in our plans to acquire new IT solutions to address their business needs.

To increase our customer base, planning will serve as the front-line marketing force for the unit services by actively meeting with customers on a regular basis. Not only will we focus on the services the unit provides, but we will enhance staff efficiency and effectiveness with the requested business and technical training budgets in this biennium's *Executive Budget*. We will support application upgrades and transfer of Legacy system applications. By assisting agencies as they identify and seek to replace Legacy applications that have reached the end of their life cycle, we will also help modernize State-owned software and any applications acquired from other states which will need to be converted for use in Nevada. This will require database consolidation, conversions and upgrades.

In summary, the initiatives and associated budget requests I have presented to this Subcommittee will allow our Division to provide the level of customer service and support our customers deserve and need.

SENATOR BEERS:

In the overview of the Welfare Division's budget last week, they had budget expenditures for T-1 communication lines. They were not aware the IFC had

approved a fiber project. Will budget amendments be required for expenses anticipated without the knowledge they would have this tool at their disposal?

MR. BUONACORSI:

The projects are not directly related. Our department provides the backbone transport from Elko to Reno and Carson City. My understanding is the Welfare Division's T-1 request is from their office back to our distribution point in Elko. It would not be cost effective for them to run the line all the way back to Carson City.

SENATOR BEERS:

Will we be able to realize some telecommunication savings from investing in this fiber?

MR. BUONACORSI:

As we move forward and the implementations are complete, we will be able to negotiate with the telecommunication carriers and change the way we get services. The DoIT currently pays a lot of the last-mile connections. I think we would be able to leverage and reduce some of those last-mile connections. This would help the overall State budget and DoIT in particular. It will not have much impact for this biennium, but ongoing biennium costs should begin to reduce significantly.

SENATOR BEERS:

By ongoing biennia, do you mean 2007-2009?

MR. BUONACORSI:

No. It would be 2009-2011.

MR. STOCKWELL:

The demand for technology services continues to increase. There is continued growth in network service needs with e-mail service additions and increased participation in our telephone services. As a newly-appointed director and CIO, I will ensure the highest quality of service is delivered, with focus on information security and disaster-recovery capabilities, while ensuring maximum effectiveness and fiscal integrity.

ASSEMBLYMAN DENIS:

Would you please discuss the decision to eliminate the project delivery unit and how it will affect the budget?

MR. STOCKWELL:

At the time the project delivery unit was approved, the goal was to bring project oversight to a point that justified two positions. We were hoping for additional positions beyond that. This did not occur. It was becoming a financial disaster for the group. In attempting to reduce the overall expenditures in that particular group, I had no choice but to eliminate the project oversight unit which amounted to two positions. We will redirect project oversight to the planners still on staff in that area. We will also utilize the Information Technology Project Oversight Committee. We will review the budgets with project oversight. It may require someone to come in and complete that portion of the project. At this time, we are transferring many of our planners in that area to work on those projects.

ASSEMBLYMAN DENIS:

Some of the changes you are planning to make affect other agencies. The changes would make them do things differently, such as the consolidation of the Integrated Financial System. Have you taken input from those agencies and worked with them?

MR. STOCKWELL:

We are working with the agencies. Depending upon the criticality of the project, we are addressing it now with those that have projects these people were overseeing. We are transferring planners in those areas to assist them currently with the ongoing projects.

ASSEMBLYMAN DENIS:

It concerns me we are going to change the way they do things if we have not taken input from them.

PUBLIC SAFETY

Department of Public Safety — Overview (Volume III)

CHAIR RAGGIO:

At this time we will begin the overview of the budget for the Department of Public Safety. The Subcommittee has received a copy of your handout titled "Nevada's Statewide Law Enforcement Agency Governor Recommended Budget for 2007-2009 Biennium" ([Exhibit G](#), original is on file in the Research Library).

PHILIP A. GALEOTO (Director, Department of Public Safety):

Page 2 of [Exhibit G](#) contains the Vision Statement for the Department of Public Safety (DPS). The DPS is committed to achieving the highest standards of excellence through the use of comprehensive training programs, aggressive technology and partnerships with interagency cooperation to ensure the safety of all citizens and visitors in Nevada. That is what the Department of Public Safety was committed to even before it became the current consolidated department.

On page 4 of [Exhibit G](#), under "Capital Improvement Projects," we have two significant projects, both of which have been previously dealt with by this Subcommittee.

CHAIR RAGGIO:

Both of these projects were discussed when we met with the Public Works Board.

MR. GALEOTO:

There is nothing new to report on these projects, other than we hope you will positively consider them.

The Department has a supplemental appropriation request for the Nevada Highway Patrol involving the cost of fuel which has risen \$1 a gallon this year and about 63 percent between FY 2003-2004 and FY 2006-2007.

Another supplemental appropriation request is for dignitary protection to bring the operation of the dignitary protection unit for the Governor back into line with the way it was originally designed. There has been a decrease in that unit

over several years. This resulted in a significant amount of overtime and a lapse in protection between southern and northern Nevada. It is now back to the five-person detail.

Page 6 of [Exhibit G](#) lists the one-shot appropriations. The majority of this is for updating and replacing computer equipment and for maintenance software. Ten vehicle replacements are requested under Investigations. These are regular replacements typically figured at three years and 80,000 miles on law enforcement vehicles. We have motor vehicles dating back to 1988, 1989 and 1990 with over 100,000 miles on them.

Because of the mission and size of this State, our vehicles have to travel long distances at high speeds. They must be reliable. We are asking for the ability to return to the three-year and 80,000 mile limits for motor vehicles.

ASSEMBLYWOMAN LESLIE:

Are you familiar with the policy for selling these vehicles, and are you aware of the controversy we had in the past?

MR. GALEOTO:

No. I was not aware of that.

ASSEMBLYWOMAN LESLIE:

We may want to check to make sure the correct policy is in place.

MR. GALEOTO:

I realize these vehicles come through another State department. In a previous position, I converted investigation vehicles to low-mileage, used rental vehicles and saved a significant amount of money.

SENATOR BEERS:

The computer equipment one-shot appropriation for the Parole Board also mentions the Offender Management System module. One of the things we hoped to see this biennium, in a new system for Corrections, would be increased integration with Public Safety. Are you aware of that from the Public Safety side?

MR. GALEOTO:

I am aware we are working on it. I agree with you and we are attempting to accomplish that.

SENATOR BEERS:

Are there some people from the Department of Public Safety on the oversight committee for the corrections project?

DORLA M. SALLING (Chair, State Board of Parole Commissioners, Division of Parole and Probation, Department of Public Safety):

I am on the oversight committee, through the Nevada Department of Corrections, that is helping coordinate the Parole Board's database. Our database is their database. People from the Division of Parole and Probation are also on the oversight committee. We are all working together to try to make sure the new systems will be able to communicate with each other.

MR. GALEOTO:

Under one-shot appropriations on page 7 of [Exhibit G](#), we are requesting replacement vehicles for the Fire Marshal's office. The workload in the Fire Marshal's office is expanding, and we want to be sure they have the appropriate and reliable emergency response vehicles.

The one-shot appropriations in training include computer equipment replacement and ongoing purchase of classroom furniture for the two academies. We have just moved one academy. There is a continuing need to outfit the academies to handle training for all disciplines of recruits.

Under Highway Patrol, it was recommended to us that we make an attempt to see how many of the new, replacement vehicles we can outfit ourselves. There are limitations on the number of motor vehicles that can be outfitted in one day. We are asking to outsource 50 vehicle builds to see how quickly it can be accomplished and what impact it would have on our fleet replacement.

The one-shot appropriations for the Highway Patrol include aircraft upgrades and maintenance. A Cessna 210 turbo airplane was donated to us. It will require regular upgrades. Over the biennium, both major avionics will be required to bring the airplane up to fit our needs plus regular maintenance. Regular maintenance and repair for the two older, smaller airplanes, owned by the Highway Patrol, must be performed. We make full-time use of these three airplanes.

The in-car video systems for 93 units are a one-shot appropriation to bring our equipment up to standard so we have video systems in all motor vehicles.

The request for 60 additional officers is the result of a study done by the University of Nevada, Las Vegas and the University of Nevada, Reno to determine the appropriate number of personnel for the Highway Patrol. The study recommended 93 officers. With our facilities and staffing, we are limited in the number of recruits we can train over the biennium. The cost includes the supervisor and administrative support for the 60 positions.

ASSEMBLYMAN HARDY:

One of the challenges we have faced is in keeping the Highway Patrol personnel in the Highway Patrol and not being used by Metro or some other organization. Could more recruits be trained if we used another training source? Are we going to be able to catch up and retain officers or train in a different venue? Have those options been considered?

COLONEL CHRIS PERRY (Chief, Nevada Highway Patrol, Department of Public Safety):

Yes. We have looked at moving some of our trainees to other training facilities. The problem is they are in the same position we are. They have extended loads, limited budgets and limited trainers. One of the reasons we opened the southern academy in Las Vegas was so we could complete and maintain a level of response to our vacancy rate. It has been successful to this point. With our newest hires, we are down to about 23 vacancies statewide in the Highway Patrol.

We also have been able to move forward on some of our in-service training. From July 2005 to June 2006, we trained about 815 of our staff who have not had the opportunity to have some of the advanced training curriculum.

We are researching partnering with the Las Vegas Metropolitan Police Department, as well as other public safety entities in southern Nevada, in a combined regional emergency vehicle operation center. We currently train with Metro for firearms qualifications.

MR. GALEOTO:

Page 10 of [Exhibit G](#) refers to the Governor's initiative on dealing with the methamphetamine problem. We are proposing to develop roving target teams that will deal specifically with intelligence and narcotics-related information gathered Statewide to deal with methamphetamine-related issues throughout the rural portion of the State. Unless there is a case that takes us there for a specific and approved reason, our intention is to use these teams in the 15 counties outside the two metropolitan areas. We will target methamphetamine sales, trafficking and movement. We would use this as a pilot program to see what kind of impact it will have.

Our officers assigned to narcotics investigations are stretched thin. There are areas in the State that have no current narcotics investigations because we have no people to put there. The teams would be assigned a specific mission and would operate as independent units. We have asked for funding to enable these traveling teams to work throughout the State. This would be one piece of the Governor's initiative to deal with the methamphetamine problem. The teams would be supported by existing personnel and departments throughout the State. This will be done in partnership with all existing law enforcement agencies.

ASSEMBLYWOMAN LESLIE:

Where will these teams be based?

MR. GALEOTO:

They would probably be based out of our two headquarters in northern and southern Nevada.

ASSEMBLYWOMAN LESLIE:

Is the focus more on trafficking than on methamphetamine laboratories?

MR. GALEOTO:

Methamphetamine laboratories are included. The number of methamphetamine laboratories has decreased. We have learned that methamphetamine is moving into and through the State. We will focus on the things we normally do in narcotics investigations, which is everything.

ASSEMBLYWOMAN LESLIE:

When you have the details, I would like to review them with you.

MR. GALEOTO:

Certainly.

An initiative of the Governor is to make the Office of Homeland Security a stand-alone organization that can deal with intelligence information and

protection of the State. The Office of Homeland Security is currently under the Department of Public Safety. I believe the Governor will be asking you to consider a different approach. In the interim, we need to budget for it and support it in its current mode.

CHAIR RAGGIO:
When will additional details be available?

MR. GALEOTO:
I am assuming it will be very soon.

CHAIR RAGGIO:
The Office of Homeland Security was moved to the Department of Public Safety from the Office of the Governor. Under this proposal, it is going back to the Office of the Governor. Was the anticipated federal funding to justify this position not realized?

MR. GALEOTO:
The federal funding is being reduced.

CHAIR RAGGIO:
Are we now going to fund it with General Funds?

MR. GALEOTO:
My understanding is it will be funded partially with General Funds.

CHAIR RAGGIO:
We need to know quickly what is being proposed.

MR. GALEOTO:
Many of the items under "Records and Technology" are the result of the separation of the Department of Motor Vehicles and the Department of Public Safety to realign their operations, and for us to be able to bring our technology up to speed to deal with the growth of the State and the need for delivery of services. We are currently short a manager between the records and technology groups. We are requesting that position in our budget. Other positions requested are to be able to respond to fingerprinting requests and gun clearances required under the Brady Act. We are outgrowing the building for the Department of Motor Vehicles and the Department of Public Safety. We will be moving some of our staff, and there is a request for moving costs.

ASSEMBLYWOMAN MCCLAIN:
When you come to the Subcommittee for the records management items, would you please bring a report on the different computer systems used by the courts, law enforcement and your Department so we can get an overall picture of the need statewide?

MR. GALEOTO:
Yes.

There is reference to a security officer position on page 13 of [Exhibit G](#), under records and technology. That is not a person who is going to provide security. It is a technical position that actually has to provide security for our systems, including audits.

The disaster-recovery and infrastructure upgrades are needed for records and technology. Currently, when something goes down in records and technology throughout the State, it can put us out of business for several days.

CHAIR RAGGIO:
Is this for backup?

MR. GALEOTO:
Yes. It is for backup and repair.

Page 14 of [Exhibit G](#) addresses the budget for the Fire Marshal's Office. The funding sources for some positions are uncertain. Clark County may be considering, or may have already decided, to perform some plan reviews currently performed by the State Fire Marshal's Office. I have been told if this occurs, the Clark County School District will want the State Fire Marshal's Office to perform their plan reviews. Many of the positions are fee funded. This leaves us uncertain as to what to do from a budgeting standpoint.

CHAIR RAGGIO:
Will there be less fee-funded revenue for this Office?

MR. GALEOTO:
Yes. We do not yet know to what extent.

CHAIR RAGGIO:
This is an 81-percent increase in General Funds. What is the justification for that? Is it because you will be losing some of the fee revenue?

JIM WRIGHT (Chief, State Fire Marshal Division, Department of Public Safety):
As we have worked through these fee issues with Clark County, there was a significant impact to the proposed budget, with the plan checks shifting to local governments. With the potential of the plan checking coming back to our Department, the revenue would come back, but that has not been decided.

CHAIR RAGGIO:
According to information developed by our staff, the previous budget had plan review fees of \$1.3 million collected in FY 2005-2006. In this budget, that is going to drop to \$500,000 in each year of the biennium.

MARK TESKA (Administrator, Administrative Services Division, Department of Public Safety):
Part of the requested increase in General Funds is the result of unfreezing the five positions frozen due to uncertainties regarding plan review. Plan reviews have been significantly higher. The original budget was built under the assumption the State Fire Marshal would not be doing plan reviews in Washoe and Clark Counties and in Carson City. Late in the budget development process, we had communications with the Clark County School District which indicated we may be back in the plan review business, at least for the Clark County School District. The intent was to bring the five frozen positions back with plan review revenues. We can do an analysis and provide that to staff if you want to see that.

CHAIR RAGGIO:

Do you anticipate that will be determined within a short period of time and before we close the budgets?

MR. TESKA:

Yes.

MR. GALEOTO:

The final issue for the Fire Marshal's Office is Motor Pool vehicles for the inspectors.

The additional positions and motor vehicles requested, on page 15 of [Exhibit G](#), for parole and probation are the result of projections by JFA Associates. We are trying to bring the number of motor vehicles in line with usage needs to travel throughout the State on demand and deal with the caseloads in the urban areas on demand. We currently do not have enough Motor Pool vehicles to move our people at the times they need to be moved twenty-four hours a day.

We also have a request to make certain the Department's motor vehicles, driven by law enforcement personnel, are equipped as emergency vehicles.

Pages 16, 17 and 18 of [Exhibit G](#) refer to the number of staff currently distributed throughout the State and the dollars assigned to those units.

CHAIR RAGGIO:

Are the new positions in Parole and Probation listed on page 15 of [Exhibit G](#) primarily for the presentencing report situation in Clark County?

MR. GALEOTO:

No. Not the positions I have addressed so far. They are necessary for the current caseloads, as projected by JFA Associates.

CHAIR RAGGIO:

Will 29 positions be needed to meet caseload projections?

MR. GALEOTO:

Yes. There will also be 11 support positions.

CHAIR RAGGIO:

Are all the officer positions filled at the present time? Do you have some vacancies?

JOHN GONSKA (Chief, Division of Parole and Probation, Department of Public Safety):

Yes. There are approximately 12 vacancies. We have been aggressive in filling these positions and are close to filling some.

CHAIR RAGGIO:

Will the budget authorize an additional 29 positions?

MR. GONSKA:

That is correct.

CHAIR RAGGIO:

What is the current average or assigned caseload?

MR. GONSKA:

For intensive supervision, caseloads are 30 to 45. We try to keep the regular caseloads between 70 and 75. Unfortunately, they swell. Maintenance caseloads, which are those offenders who are considered lower risk, are close to 3,000 across the State. Our emphasis is on high risk.

CHAIR RAGGIO:

What is the likelihood of filling the 29 new positions in an expeditious manner?

MR. GONSKA:

Every law enforcement agency is having a difficult time recruiting. Most have more money and resources than we do. We have been recruiting aggressively this past year, even going out of state.

CHAIR RAGGIO:

Have the salary increases we authorized helped?

MR. GONSKA:

Absolutely.

CHAIR RAGGIO:

I am concerned that the Division of Parole and Probation will be fully staffed and can reduce the caseload for the officers as much as possible over the biennium.

MR. GONSKA:

I appreciate that. We are trying and have made progress.

MR. GALEOTO:

Page 20 of [Exhibit G](#) addresses the presentence investigation (PSI) workload for Parole and Probation. We had originally requested ten additional PSI specialists. I am taking a best-practice look at this as I am not certain we need all the positions. We may come back to you, but, at the moment, I have withdrawn the request for the ten PSI specialists.

CHAIR RAGGIO:

Why have you withdrawn the request?

MR. GALEOTO:

I am not convinced I can justify the ten positions. I want to review this and come back to the Subcommittee with the appropriate number.

CHAIR RAGGIO:

The budget had requested ten positions. Apparently, most of that was for the situation in Clark County.

MR. GALEOTO:

Yes. I am concerned about the difference in needs between the north and south. I want to make sure we have a standardized approach for dealing with PSI reports.

CHAIR RAGGIO:

Please get back to us as soon as you can so the Committee can consider it.

ASSEMBLYWOMAN BUCKLEY:

I would appreciate having a report on that as well. I have received several calls from Clark County officials concerned they had to suspend their request for PSI reports. They were told it was due to a lack of staff and exhausting the overtime budget. While ten positions may not be needed, a smaller number may be required to ensure the court is able to process its requests and individuals are not staying too long in the jails, which are already overcrowded. I would appreciate hearing further about this.

MR. GALEOTO:

The parole figures are self-explanatory. The prison population not only is increasing, but it is hardening. We have higher-risk offenders in the prison population serving longer sentences. This has an impact on the number of people who are released. However, as you can see on page 21 of [Exhibit G](#), the rate of paroles granted was 49 percent. I understand this is more than 10 percent higher than the national average.

CHAIR RAGGIO:

There being no public input and no further business to come before the Subcommittee, the meeting is adjourned at 3:12 p.m.

RESPECTFULLY SUBMITTED:

Anne Vorderbruggen,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____

Assemblyman Morse Arberry Jr., Chair

DATE: _____