**MINUTES OF THE JOINT MEETING OF THE SENATE COMMITTEE ON FINANCE AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-sixth Session**
**May 14, 2011**

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Steven A. Horsford at 7:20 a.m. on Saturday, May 14, 2011, 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 Steven A. Horsford, Chair
Senator Sheila Leslie, Vice Chair
Senator David R. Parks
Senator Moises (Mo) Denis
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Ben Kieckhefer

**ASSEMBLY COMMITTEE MEMBERS PRESENT**:

Assemblywoman Debbie Smith, Chair
Assemblyman Marcus L. Conklin, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin D. Atkinson
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblyman Randy Kirner
Assemblywoman April Mastroluca

Assemblyman John Oceguera

**STAFF MEMBERS PRESENT**:

Michael J. Chapman, Principal Deputy Fiscal Analyst
Sarah Coffman, Program Analyst
Rick Combs, Assembly Fiscal Analyst
Joi Davis, Senior Program Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Heidi Sakelarios, Program Analyst
Wayne Thorley, Program Analyst
Wade Beavers, Committee Secretary

**OTHERS PRESENT**:

Michael J. Willden, Director, Department of Health and Human Services
Charles Duarte, Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services
Jeffrey Mohlenkamp, Deputy Director, Support Services, Department of Corrections
James G. (Greg) Cox, Acting Director, Department of Corrections
Leo M. Drozdoff, P.E., Director, State Department of Conservation and Natural Resources
Scott K. Sisco, Administrative Services Officer, Nevada Division of Forestry, Department of Conservation and Natural Resources

CHAIR HORSFORD:
We will begin with a hearing on budgets from the Division of Health Care Financing and Policy (DHCFP).

HEIDI SAKELARIOS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
The budget closing information I will be presenting today is included in Closing List #21 (Exhibit C) and has been submitted to Committee Staff. The first budget account to be closed this morning is the Administration account for DHCFP, B/A 101-3158.

HUMAN SERVICES

HEALTH CARE FINANCING AND POLICY

HHS-HCF&P – Administration — Budget Page DHHS DHCFP-6 (Volume II)
Budget Account 101-3158

There are a number of federal mandates included in this budget account. The *Executive Budget* includes several maintenance decision units specifically related to health care reform.

The first decision unit, M-501, reflects the manual calculation of rate increases that are required by health care reform.

M-501 Mandates — Page DHHS DHCFP-10

The Governor recommends General Fund revenue totaling approximately $11,000 in matching money from Title XIX of the Social Security Act in fiscal year (FY) 2012-2013 to hire a contractor who would manually calculate a physicians' rate increase that is mandated by health care reform. This would begin on January 1, 2013.

The recommendation appears reasonable for FY 2012-2013, due to the fact that it is a requirement of the Affordable Care Act. Do the Committees wish to approve the Governor's recommendation to calculate federally mandated rate increases for physicians using a contractor?

> SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO CALCULATE FEDERALLY MANDATED RATE INCREASES FOR PHYSICIANS UTILIZING A CONTRACTOR IN B/A 101-3158.
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> ASSEMBLYWOMAN SMITH SECONDED THE MOTION.
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> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN MASTROLUCA WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The next decision unit, M-502, pertains to the Community Living Assistance Services and Supports (CLASS) Program, which is a national voluntary insurance program for purchasing community living assistance services and support.

M-502 Mandates — Page DHHS DHCFP-10

The Affordable Care Act requires states to survey providers and nonprofit organizations in order to identify the capacity for these types of services. States must then identify where additional capacity would be needed.

Representatives of DHCFP have indicated that the Division does not have the expertise or the resources necessary to conduct this survey. Therefore, the Governor has recommended $50,000 in FY 2011-2012 for a contractor to conduct the survey and analyze the data. Of the $50,000, $25,000 would come from the General Fund.

This recommendation appears reasonable in ensuring compliance with the Affordable Care Act requirements. The recommendation is further supported by the fact that it is for a one-time activity for the upcoming biennium, and DHCFP does not have staff with the appropriate skills to conduct the survey.

Do the Committees wish to approve the Governor's recommendation to utilize a contractor to conduct a survey required to be compliant with the CLASS Act provisions of the Affordable Care Act?

CHAIR HORSFORD:
Will all of these contracts be open for bidding? Will there be a request for proposal (RFP)?

MS. SAKELARIOS:
The Division would go through the appropriate procurement process.

SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO CALCULATE FEDERALLY MANDATED RATE INCREASES FOR PHYSICIANS UTILIZING A CONTRACTOR IN B/A 101-3158.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The Governor recommends the addition of 13 new positions in the Administration account during the upcoming biennium.

The Governor recommends $105,265 in FY 2011-2012 and approximately $129,000 in FY 2012-2013 to add two positions to assist the Division in meeting the federal requirements related to program integrity.

These activities include reducing improper payments and third-party liability as well as meeting federal and State requirements.

The first position recommended is a social services program specialist III. This person would ensure federal compliance with planning, implementing and overseeing the principal components of health care reform related to provider enrollment and provider screening. Duties would include verifying ownership of businesses, conducting background checks and verifying business license information.

The second position is a health care coordinator II which would be a nursing position. This person would ensure continued compliance with the federal fair hearing requirements, including the assurance of reasonable promptness. The Division indicates that it anticipates an increase in the number of hearings that will be requested due to the increased fraud, waste and abuse prevention activities. The Division indicates that the need for these positions is linked to increased activities to prevent fraud, waste and abuse, and that retaining the positions would be prudent, regardless of any U.S. Supreme Court appeals questioning the constitutionality of the health care reform package.

Based on the information provided by the Division, this recommendation appears reasonable. Do the Committees wish to approve the Governor's recommendation to add one social services program specialist III to oversee implementation of health care reform in Nevada, and one health care coordinator II position to meet the federal fair hearing requirements?

CHAIR HORSFORD:
In the portion related to the verification of business license information, will that be aligned with the business portal within the Secretary of State's office so that we are not duplicating efforts?

MS. SAKELARIOS:
During the budget hearings conducted with the Joint Subcommittee on Human Services and Capital Improvements, the Division was asked that question. They indicated that they would work with the Secretary of State's office.

> SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ADD ONE SOCIAL SERVICES PROGRAM SPECIALIST III POSITION IN B/A 101-3158 TO OVERSEE THE IMPLEMENTATION OF HEALTH CARE REFORM IN NEVADA AND ONE HEALTH CARE COORDINATOR II POSITION TO MEET FEDERAL FAIR HEARING REQUIREMENTS.
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> ASSEMBLYMAN CONKLIN SECONDED THE MOTION.
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> ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.
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> SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The Governor recommends approximately $107,000 in FY 2011-2012 and approximately $131,000 in FY 2012-2013 to add an additional two positions to oversee and implement Affordable Care Act mandates.

One position requested is a social services chief I. The second is a social services program specialist II. These positions would be responsible for overseeing the expansion of eligibility categories for Medicaid and benefit requirements for the new eligibility categories. The positions would also be responsible for the development of a health benefits plan for those who are not currently eligible for Medicaid.

The Division noted that continuity of care and services between the revisions in the Medicaid plan and the health care benefits plan is important because they anticipate that many clients may transition back and forth between the two programs as their eligibility status changes.

These positions are directly linked to the health care reform. In the event the U.S. Supreme Court determines that health care reform, as it is currently defined, is unconstitutional, it does not appear that these positions would be necessary.

Do the Committees wish to approve the Governor's recommendation to add one social services chief I and one social services program specialist II to oversee the expansion of the eligibility categories for Medicaid and establish the benefits requirements for these new categories? Additionally, do the Committees wish to place a sunset on these positions which would allow the 2013 Legislature to reconsider the retention of these positions after the current biennium in the event health care reform legislation is overturned or the requirements to states are significantly modified or reduced?

SENATOR LESLIE:
The Subcommittee reviewed this issue in-depth. We had discussions about whether the social services chief I position was necessary. Ultimately, there was consensus to accept this recommendation.

> SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ADD ONE SOCIAL SERVICES CHIEF I AND ONE SOCIAL SERVICES PROGRAM SPECIALIST II IN B/A 101-3158 TO OVERSEE EXPANSION OF THE ELIGIBILITY CATEGORIES FOR MEDICAID AND ESTABLISH THE BENEFIT REQUIREMENTS FOR THESE NEW CATEGORIES; AND TO PLACE A SUNSET ON THE POSITIONS SO THAT THE 2013 LEGISLATURE MIGHT REVISIT THEIR RETENTION IN THE

EVENT THE HEALTH LEGISLATION IS OVERTURNED OR REQUIREMENTS ON THE STATES ARE SIGNIFICANTLY MODIFIED OR REDUCED.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION:

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
In the next decision unit, E-680, the Governor recommends $1.6 million in FY 2011-2012 and $1.7 million in FY 2012-2013 for contract services and for seven new, full-time positions, as well as the reclassification of an existing position to meet Affordable Care Act requirements related to combating fraud, waste and abuse and improper payments in both the Medicaid and Nevada Check Up programs.

E-680 New Revenue or Expenditure Offsets — Page DHHS DHCFP-16

Three of these new positions would be assigned to the Audit Unit, and four would be assigned to the Surveillance Utilization Review Section (SURS) Unit. The following positions are included:

- One management analyst II position (Grade 35)
- Three management analyst I positions (Grade 33)
- One auditor III position (Grade 36)
- One auditor II position (Grade 34)
- One administrative assistant III position (Grade 27)
- Reclassification of an existing management analyst IV position (Grade 39) to a social services chief III position (Grade 41)

Staffing levels, according to the Division, have not kept pace with the additional federal requirements to ensure program integrity for both the Medicaid and Nevada Check Up programs.

The Division conducted an audit through an independent contractor in June 2010, during which it was identified that the unit needed more staff in order to improve monitoring, specifically of large, high-risk contracts. This includes the Medicaid Management Information System and the fiscal agent contract, as well as managed care organization contracts and nonemergency transportation broker contracts.

The Division also recommended the expansion of the SURS Unit to improve its ability to identify waste, fraud and abuse. As these activities continue, additional staff is needed to identify areas of concern, to work with providers to recover overpayments and to develop strategies to improve prevention and cost avoidance efforts.

The Division testified that, during 2006, they conducted seven investigations related to fraud, waste and abuse. In 2009, that number increased to approximately 650 investigations. The Division indicates that there are currently more than 400 cases pending review at this time.

During the Joint Subcommittee hearing on this budget, DHCFP noted that the amount of the recovery and other program investments are directly proportionate to the number of staff who are dedicated in investigating referrals, performing comprehensive claims analysis and educating providers.

Additionally, the *Executive Budget* includes $1.2 million in each year of the biennium for contractors who would perform administrative audits, risk assessments, performance audits and recovery audits. States are required, by the Affordable Care Act, to contract with outside vendors to conduct these additional provider audits. These contractors, which are called “recovery audit contractors,” are paid on a contingency fee basis.

The Committees should note that the *Executive Budget* indicates that the recommended fraud, waste, abuse and improper payment activities will generate a General Fund savings totaling $7.9 million during the upcoming biennium.

Do the Committees wish to approve the addition of seven positions and the reclassification of one management analyst IV to a social services chief III as recommended by the Governor to expand fraud, waste and abuse investigation activities within DHCFP? If the positions are approved, do the Committees wish to issue a letter of intent to DHCFP requesting semiannual reports documenting the performance of these new positions, including, but not limited to, the number of new cases investigated, clearance of a backlog of pending investigations, recoveries made as a result of the investigations performed and the number of audits performed, as well as corrective action recommendations made?

SENATOR KIECKHEFER MOVED TO APPROVE THE ADDITION OF SEVEN POSITIONS AND THE RECLASSIFICATION OF ONE MANAGEMENT ANALYST IV TO A SOCIAL SERVICES CHIEF III IN B/A 101-3158 AS RECOMMENDED BY THE GOVERNOR; AND TO ISSUE A LETTER OF INTENT TO DHCFP REQUESTING SEMIANNUAL REPORTS DOCUMENTING THE PERFORMANCE OF THE NEW POSITIONS.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
In the next decision unit, E-410, the Governor recommends $38.4 million in FY 2011-2012 and $38.1 million in FY 2012-2013 for ongoing program management incentive payments to providers and hospitals, and the addition of two auditor positions for the implementation of the health information technology requirements of the American Recovery and Reinvestment Act of 2009 (ARRA).

E-410 Access to Health Care and Health Insurance — Page DHHS DHCFP-13

The ARRA included the Health Information and Technology for Economic and Clinical Health Act of 2009 (HITECH) which established a plan for advancing the meaningful utilization of electronic health records and the facilitation of the Health Information Exchange. One component of HITECH is for states to serve as a pass-through entity through their Medicaid programs to provide incentive payments to health care providers and hospitals who adopt electronic health record technology and use it in a meaningful manner.

Professionals can receive as much as $44,000 over a five-year period through Medicare, or as much as $63,750 over a six-year period through Medicaid. Additionally, hospitals are eligible for millions of dollars if they utilize this technology and take advantage of the incentive program. The Division indicates that the auditor positions are needed to verify that providers are meeting the federal guidelines and are therefore eligible for the incentive payment. The Division indicated during the Subcommittee hearing that it intends to hire one auditor during the first quarter of FY 2011-2012, and would then delay hiring a second auditor position until the workload necessitated the additional position. Because it is not clear when the second position would be necessary, either in FY 2011-2012 or FY 2012-2013, Staff would recommend that the Division request approval from the Interim Finance Committee (IFC) for the second position if it is needed to meet workload demands during the upcoming biennium.

Do the Committees wish to approve the Governor’s recommendation to support ongoing program management for the Health Information Technology activities and incentive payments for providers and hospitals following the adoption of certified electronic health records technology? Additionally, do the Committees wish to approve the addition of one of the two auditor positions recommended by the Governor for the implementation of the health information technology requirements and allow the Division to request IFC approval for the second position when the workload is established?

> ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE GOVERNOR’S RECOMMENDATION TO SUPPORT ONGOING PROGRAM MANAGEMENT IN B/A 101-3158 FOR THE HEALTH INFORMATION TECHNOLOGY ACTIVITIES AND INCENTIVE PAYMENTS FOR PROVIDERS AND HOSPITALS FOLLOWING ADOPTION OF CERTIFIED ELECTRONIC CERTIFIED HEALTH RECORDS TECHNOLOGY; AND TO APPROVE THE

ADDITION OF ONE OF THE TWO AUDITOR POSITIONS RECOMMENDED BY THE GOVERNOR FOR THE IMPLEMENTATION OF THE HEALTH INFORMATION TECHNOLOGY REQUIREMENTS INCLUDED IN ARRA AND TO ALLOW DHCFP TO REQUEST IFC APPROVAL FOR THE SECOND POSITION WHEN THE WORKLOAD IS ESTABLISHED.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The next item pertains to a technology investment request. The Governor recommends $3.8 million in FY 2011-2012 and $6.5 million in FY 2012-2013 for two conversion projects for the Medicaid Management Information System (MMIS). The first project seeks to improve electronic data exchange functionality as part of the Health Insurance Portability and Accountability Act. This act requires that entities transmitting certain electronic data meet uniform transmission standards. These improvements would allow the State to continue to be in compliance with these requirements.

The project will also provide an upgraded set of diagnostic codes which will allow physicians to designate descriptions of types of illnesses or injuries that they treat within their respective practices. These new sets of codes, which are called “ICD-10” codes, will contain approximately 200,000 codes, while the current codes contain approximately 24,000.

The estimated cost for this type of project, based on information provided by DHCFP, ranges from $4.9 million to $10.9 million. The cost to upgrade Nevada’s system is on the higher end of that range because our State system is antiquated and it is also a State-specific program. Our State is not able to rely on the experiences or the investments made in other states for their program modifications.

Based on the information provided by DHCFP, the Governor's recommendation appears reasonable. Do the Committees wish to approve the Governor's recommendation for technology investment requests for two conversion projects for MMIS?

ASSEMBLYWOMAN MASTROLUCA MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR TECHNOLOGY INVESTMENT REQUESTS FOR TWO CONVERSION PROJECTS FOR MMIS IN B/A 101-3158.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The next area for review pertains to mandatory rate increases for administrative services. The *Executive Budget* recommends General Fund appropriations totaling approximately $420,000 in FY 2011-2012 and approximately $655,000 in FY 2012-2013, matched with federal funds, for contractually mandated rate increases for the fiscal agent and for physicians who are performing disability assessments.

Do the Committees wish to approve the Governor's recommendation for the rate increases for the fiscal agent, which are contractually required, and for physicians performing disability assessments?

SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR THE PAY INCREASES FOR THE FISCAL AGENT AND FOR PHYSICIANS PERFORMING DISABILITY ASSESSMENTS IN B/A 101-1358.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
In other closing items, decision unit M-200 recommends approximately $3.1 million in FY 2011-2012 and $4.4 million in FY 2012-2013 for administrative costs driven by caseload increases.

M-200 Demographics/Caseload Changes — Page DHHS DHCFP-9

Fiscal Staff would note that, while adjustments have been made in other budget accounts based on revisions to the projected caseload, none have been recommended for this account. Therefore, Staff would request authority to work with the Division to make technical adjustments to this decision unit based on revised Federal Medical Assistance Percentages (FMAP) caseload and costs for eligible projections.

Decision unit E-225 recommends the addition of a new expenditure category, designated specifically for expenditures paid with civil monetary penalties.

E-225 Reduce Duplication of Effort — Page DHHS DHCFP-12

The Division indicates that this new category will simplify their accounting activities and is cost-neutral. This recommendation appears reasonable.

Decision unit E-402 recommends federal funds totaling $1 million in FY 2011-2012 and $13.4 million in FY 2012-2013 for the costs associated with the implementation of an eligibility system interface with the Health Insurance Exchange.

E-402 Access to Health Care and Health Insurance — Page DHHS DHCFP-12

This decision unit includes federal Title XIX funds for the portion of the eligibility system that will be allocated to Medicaid clients and additional federal grant revenue for the portion of the system that will be allocated to non-Medicaid clients. The Affordable Care Act requires that this interface be implemented by January 1, 2014. Based on the information provided by DHCFP, this recommendation appears reasonable.

Decision unit E-606 recommends the elimination of one social services program specialist II position which has been funded through the federal Health Insurance for Work Advancement grant.

E-606 Staffing and Operating Reductions — Page DHHS DHCFP-14

The grant no longer supports the costs associated with this position. Therefore, it is being recommended for elimination.

The position is currently vacant. Therefore, there will be no layoff costs incurred. Based on the information provided by the Division, this recommendation appears reasonable.

Decision unit E-710 recommends approximately $395,000 in FY 2012-2013 and $145,000 in FY 2012-2013 for replacement equipment that will exceed its life expectancy, or for which warrantees will expire during the upcoming biennium.

E-710 Equipment Replacement — Page DHHS DHCFP-17

The equipment recommended for replacement includes 110 desktop computers, 10 laptops, tape drives, routers, firewalls and Poweredge servers.

Decision unit E-720 recommends $116,409 in FY 2011-2012 and $37,105 in FY 2012-2013 for new equipment and software.

E-720 New Equipment — Page DHHS DHCFP-17

Funding is also recommended in this decision unit to install a heating, ventilation and air conditioning system to ensure proper ventilation for the Las Vegas server and communications room.

Based on the information provided by the Division, both of these recommendations appear reasonable.

Decision unit E-800 recommends $3.3 million in each year of the upcoming biennium for adjustments to the transfers from this account to other Department of Health and Human Services (DHHS) accounts for Medicaid costs based on the Governor's recommended expenditure levels for those agencies.

E-800 Cost Allocation — Page DHHS DHCFP-17

The proposed adjustment reduces the amount of General Fund money transferred out of this account by approximately $176,000 in each year of the biennium.

Decision unit E-901 recommends transfers of $170,315 in FY 2011-2012 and $171,892 in FY 2012-2013 from the Nevada Check Up account, B/A 101-3178, to this account to streamline cost allocation, budgeting and accounting processes.

HHS-HCF&P – Nevada Check-Up Program — Budget Page DHHS DHCFP-23 (Volume II)
Budget Account 101-3178

E-901 Transfer from NV Check-Up BA 3178 to Admin BA 3158 — Page DHHS DHCFP-18

This recommendation appears reasonable.

Do the Committees wish to approve the other closing items as recommended by the Governor?

CHAIR HORSFORD:
The third item you described concerned the Health Insurance Exchange. How does that system work and what is the end product?

MS. SAKELARIOS:
The Health Insurance Exchange is something that is required through the health care reform act. It is a service that will allow people to identify insurance that is

available to them. The system that is required will be funded with federal money, so those expenses will be allocated. Those portions of that exchange that serve the Medicaid clients will be paid through the Medicaid grants. Those clients who would be served by that system who are not eligible for Medicaid would be served through a separate grant in which the revenue would come through the Division of Welfare.

CHAIR HORSFORD:
As the Affordable Health Care Act comes online in 2014, is this where people will be able to search and determine which providers are available to them?

CHARLES DUARTE (Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services):
Staff has correctly described the eligibility engine that we are currently in the process of designing. We are doing this with the Division of Welfare and Supportive Services and consulting assistants.

The engine, as we call it, is really a set of rules that will sit above our current welfare eligibility system, called Nevada Operations of Multi-Automated Data Systems (NOMADS). It would be able to assist the public in determining if they are eligible for health insurance exchange coverage. Some will be eligible for Health Insurance Exchange coverage with subsidized premiums, so that, if a person's incoming is up to 400 percent of the federal poverty level, they may be eligible for subsidies to help them purchase commercial insurance. The engine will also help them determine if a person is eligible for Medicaid or the Children's Health Insurance Program.

The set of rules that will be established for determining eligibility for those different categories of individuals and small-business employees are going to be driven by the eligibility engine. The Health Insurance Exchange that the State hopes to establish will use the data from that eligibility engine in order to determine who is going to be able to purchase coverage through the Health Insurance Exchange.

CHAIR HORSFORD:
How will we procure the services for this product?

MR. DUARTE:
The DHCFP, along with the Division of Welfare and Supportive Services, procured help for designing the system, but we are going to produce an RFP. I do not have the timing of that release in front of me, but I believe it must be released sometime in FY 2011-2012, toward the end of the year, so that the work can be completed by the deadline of January 1, 2014. The system must be operational by that date.

We will perform a competitive procurement of that system near the end of FY 2011-2012.

CHAIR HORSFORD:
Would it be correct to say that, as a policy, we have decided to do an in-State exchange?

MR. DUARTE:
At this stage, we are making an educated guess that we will be moving in that direction, as a State. To do otherwise would have been imprudent. It takes a great deal of time to build these types of systems and we needed all the lead time available to begin the design process. For this reason, we are moving forward with the assumption that the State will have its own exchange.

SENATOR DENIS:
Is this a separate piece of software being developed that will have an interface with NOMADS?

MR. DUARTE:
That is correct. It will have an interface, not only with NOMADS, but with other systems, including the Health Insurance Exchange.

SENATOR DENIS:
Does the federal government provide any code for us or any guidelines for what they want us to have, or do we have to design it from scratch?

MR. DUARTE:
The federal government, at this point, is indicating that they may design subcomponents of the system which could be, essentially, plug-and-play units.

They could be used by multiple states. At this time, however, no information or guidance to that effect has been released.

We are working under the assumption that we must build it ourselves.

CHAIR HORSFORD:
I would like to recommend that we request a letter of intent on this item requesting that IFC continue to receive updates as the procurement unfolds. This is an important part of our future ability to offer affordable health insurance to the people of our State. As elected officials, we need to understand how this system works when it becomes effective. We should know who the providers are.

To the motion to approve these items, I would like to add a letter of intent directing the Agency to submit quarterly updates to IFC on the federal grant.

> SENATOR LESLIE MOVED TO APPROVE DECISION UNITS M-200, E-225, E-402, E-606, E-710, E-720, E-800 AND E-901 IN B/A 101-3158 AS RECOMMENDED BY THE GOVERNOR; TO ISSUE A LETTER OF INTENT REQUESTING THAT DHCFP SUBMIT QUARTERLY UPDATES TO IFC CONCERNING THE PROCUREMENT AND IMPLEMENTATION OF THE ELIGIBILITY SYSTEM INTERFACE WITH THE HEALTH INSURANCE EXCHANGE AS DESCRIBED IN DECISION UNIT E-402; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS BASED ON ACTIONS TAKEN IN OTHER DHHS ACCOUNTS THAT AFFECT B/A 101-3158 AND FOR OTHER DEPARTMENTAL COST ALLOCATIONS.
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> ASSEMBLYMAN HOGAN SECONDED THE MOTION.
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> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)
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> SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MS. SAKELARIOS:
The next budget account for closing is the Intergovernmental Transfer (IGT) account, B/A 101-3157.

HHS-HCF&P – Intergovernmental Transfer Program — Budget Page DHHS DHCFP-3 (Volume II)
Budget Account 101-3157

A description of this closing is listed on page 9 of Exhibit C.

This account is utilized to collect funds from other governmental entities to support three programs: the Disproportionate Share Hospital program, the Upper Payment Limit (UPL) program and the University Nevada School of Medicine Supplemental Payment program.

Funds are collected into the IGT account and then transferred over to the Medicaid account, B/A 101-3243, where they are used as State matching funds to draw additional federal funds.

HHS-HCF&P – Nevada Medicaid Title XIX — Budget Page DHHS DHCFP-33 (Volume II)
Budget Account 101-3243

Once payments are made to the entities that are making the contributions and participating in these programs, the State retains any excess IGT payments which are used to offset General Fund expenditures in the Medicaid account.

The first decision unit I will discuss in this budget account, E-699, pertains to a recommendation to expand the UPL program by adding outpatient services provided by county-owned hospitals to the program and adding the Graduate Medical Education (GME) program at University Medical Center (UMC).

E-699 Budget Reductions — Page DHHS DHCFP-47

Staff would note that the Department indicates contractual agreements with the counties for these programs have not yet been fully executed. The *Executive Budget* projects increased UPL payments totaling $10 million in each year of the biennium and GME payments totaling $8 million in each year of the biennium. The net benefit to participating outpatient hospitals is approximately $4 million in each year of the biennium. The net benefit to Clark County for GME is approximately $3.2 million in each year of the biennium. The Division indicates that a State Plan Amendment is necessary and has been submitted to the Centers for Medicare and Medicaid Services (CMS) for approval. If CMS does not approve the expansion of UPL to include outpatient services, the State would experience a budgetary shortfall totaling $1.5 million in each year of the biennium. Similarly, if CMS does not approve the restoration of GME, the State would experience a budgetary shortfall totaling $1.2 million in each year of the biennium. The Division has indicated, during Subcommittee hearings, that CMS approval for both of these items is highly likely.

Do the Committees wish to approve the Governor's recommendation to expand the UPL program by adding outpatient services provided by county-owned hospitals and adding the GME program at UMC?

SENATOR LESLIE:
I would like to move to approve. I would like to add a comment, however. This is a creative measure. As long as the federal government allows us to do it, it will be beneficial for the State to bring in this extra money. We certainly need to generate additional funds.

As long as the Division is comfortable with this measure, and it has been indicated that they were, I believe this should be approved.

> SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO EXPAND THE UPL PROGRAM BY ADDING OUTPATIENT SERVICES PROVIDED BY COUNTY-OWNED HOSPITALS AND ADDING THE GME PROGRAM AT UMC.
>
> ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

CHAIR HORSFORD:
I am in agreement with Senator Leslie on this issue. I have been briefed on this UPL issue. I know it has been discussed by the Chairs of the Subcommittee. As Senator Leslie indicated, it is creative, and we will need to see if CMS approves it. If it is not approved, we should not act surprised when the Division comes back before IFC because of a budget shortfall.

I am not clear on why there is not a formal bill proposing this change. Is this more of a new accounting approach than a real change in policy?

MR. DUARTE:
A bill was not deemed necessary in order to implement this measure. When it was implemented in the original program for public hospitals in 2003, it was done administratively. That is how we intend to go forward with some of these expansion initiatives at this time as well.

> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
Two amendments have been introduced with respect to this account.

Budget amendment No. A00260 recommends adjustments to the projected revenue from county reimbursements and fees and school district reimbursements, resulting in a net revenue increase of $8.4 million in FY 2011-2012 and $7.1 million in FY 2012-2013. The proposed increases in revenues, according to the Agency, are linked to a change in the methodology used to calculate payments and intergovernmental transfers for those entities participating in the programs.

The budget amendment also increases the transfer to the Medicaid account by approximately $8.5 million in FY 2011-2012 and $7.1 million in FY 2012-2013. The amendment decreases the transfer to the Nevada Check Up account by about $76,000 in FY 2011-2012 and approximately $6,000 in FY 2012-2013. These adjustments to the transfer of the Nevada Check Up account are driven by caseload adjustments and revisions to FMAP.

Do the Committees wish to approve Budget Amendment No. A00260 which recommends adjustments to the projected revenue from county reimbursements and fees and from school district reimbursements corresponding to transfer to the Medicaid and Nevada Check Up accounts?

SENATOR LESLIE MOVED TO APPROVE BUDGET AMENDMENT NO. A00260.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The second budget amendment that was presented with respect to this account recommends increasing the projected balance forward from FY 2010-2011 to FY 2011-2012 by $13 million, increasing the transfer from this account to the Medicaid account by an additional $14.6 million in FY 2011-2012.

During the March 25, 2011, Joint Subcommittee on Human Services and Capital Improvements budget hearing, Fiscal Staff noted that the *Executive Budget* includes an unobligated reserve of $1.5 million during the upcoming biennium. Additionally, the Division notified the Committees during the Work Session on April 1, 2011, that it was not necessary to transfer all of the revenue appropriated in this account to the Medicaid account for FY 2010-2011 expenditures.

Balancing forward the IGT surplus from FY 2010-2011 to FY 2011-2012 allows the Division to reduce the General Fund appropriation in the Medicaid account by $14.6 million in FY 2011-2012.

Do the Committees wish to approve Budget Amendment No. A00359 as adjusted which increased the balance forward from FY 2010-2011 to FY 2011-2012 and increases the transfer from this account to the Medicaid account by $14.6 million in FY 2011-2012, resulting in a General Fund offset in the Medicaid account?

> SENATOR LESLIE MOVED TO APPROVE BUDGET AMENDMENT NO. A00359, AS ADJUSTED.
>
> ASSEMBLYWOMAN SMITH SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. SAKELARIOS:
Representatives of DHHS have indicated that the Department is exploring the possibility of expanding the UPL program to include noncounty-owned hospitals. The Division indicated that these hospitals would form a private, nonprofit organization which would collect funds to offset State expenditures in other State agencies. The offset to State expenditures would free up General Fund revenue in DHHS accounts which would then be transferred into the Division and used to leverage additional federal match. The additional federal match would be used to make the UPL payments to the noncounty-owned hospitals.

This process is currently being implemented in Texas and Louisiana. The Division indicates that it is working with CMS to develop a State Plan Amendment. The Division does not anticipate that CMS approval will be received before the end of the Legislative Session. The actual benefit to the

State would depend on the size of the contracts the noncounty-owned hospitals were able to support through their nonprofit entity.

It may be necessary to add provisions to the General Appropriations Act to provide the Department with the flexibility needed to move funds from one division to another to allow the offset of General Fund expenditures in other budget accounts. Fiscal Staff requests authority to work with the Division on appropriate language to include in the Appropriations Act.

Do the Committees wish to issue a letter of intent requesting that the Division report to IFC on the status of the State Plan Amendment to expand the UPL program to include noncounty-owned hospitals and the State benefit resulting from the UPL program expansion?

ASSEMBLYWOMAN SMITH:
I would like to discuss this issue with someone from DHHS. We did not hear this item in the Joint Subcommittee meetings.

MICHAEL J. WILLDEN (Director, Department of Health and Human Services):
The private UPL project is very similar to the one involving public hospitals that was previously discussed. We have been running the public hospital UPL since 2003. We are expanding outpatient considerations for the public hospitals. We are also addressing the GME issue.

This is an effort that would affect private hospitals. We have been working for about 18 months with 4 different hospital chains in the State. We are working with the Hospital Corporation of America Group, the UnitedHealth Group, the IASIS Healthcare Group and Renown Health. The concept is similar to what is implemented on the public side. Instead of the local governments putting in a nonfederal share for the public UPL program, the private hospitals will put in the nonfederal share. They would do this by creating a nonprofit collaborative through which they will take over some of the expenditures that we have in other DHHS divisions, other than Medicaid.

For example, the collaborative created by these hospital chains may purchase some of our mental health contract expenditures. The Division of Mental Health and Developmental Services now contracts for physicians or nursing. The collaborative will now pay those expenditures, freeing up the General Fund that the Legislature will appropriate in the mental health accounts or in other accounts. As those contracts are taken over by the collaborative, the General Fund that is freed will be moved into the Medicaid budget and will act as the nonfederal match to leverage the federal dollars to make these UPL program payments to the noncounty-owned hospitals.

The concept would make each side a winner. The hospitals' money would be used to pay for contracts, freeing up General Fund dollars and making additional payments to the hospitals. The State of Nevada will receive a net State benefit as we do on the public side of this system.

The State Plan Amendment is pending. We have been working with the four hospital chains. The hospitals have engaged a number of consultants who will be working with us. They will be in my office again this week. I will be reviewing contracts.

A number of pieces must fall into place for this to be initiated. We must first get the State Plan Amendment approved by the federal government. We must get the collaborative created and contracts signed. Our recommendation, as DHHS, is that we be given flexibility in the language of the Appropriations Act to be able to move money around within the Department to make the nonfederal share component effective.

Because we cannot precisely estimate what volume of money would be flowing through the system as a result of this measure, we do not have a budgetary dollar amount to offer the Legislature at this time. We would be willing to come before IFC during the process and disclose all information as we receive it. We will be able to provide details on what the payments would be and what the net State benefit would be. This would, potentially, trigger net benefit to the State that could be used to restore or augment budgets. We will not have a dollar amount, however, until we get further into the process.

SENATOR LESLIE:
I trust that the Department sees a substantial benefit to this measure or else they would not be putting forth this great deal of effort.

MR. WILLDEN:
We could potentially see a very substantial benefit from this.

The UPL is the difference between what Medicare would have paid hospitals and what Medicaid pays, to oversimplify. That difference is currently around $80 million, which is what hospitals could be getting out of this new system. The net State benefit from this could be in the $10 million to $15 million range depending on how many contracts we can get. This is all pending federal approval, however. Mr. Duarte was in Washington, D.C. last week negotiating with the federal government and various consultants, and we are hopeful that it will be approved.

SENATOR LESLIE:
What is the time frame for this project?

MR. WILLDEN:
We would hope to have approval by July 2011.

MR. DUARTE:
My fiscal officer and I were in Baltimore on May 4, 2011, meeting with federal representatives from CMS to discuss this and several other initiatives. They acknowledged that they will likely approve this State Plan Amendment along with several of the other UPL proposals that have been discussed this morning. We are expecting approval around July of this year. The federal government may make adjustments to the program that could affect the UPL gap that Mr. Willden described. However, we believe that the benefits for both the hospitals and the State will remain substantial.

SENATOR LESLIE:
If the federal government approves the plan, how soon would the money start flowing back into the State?

MR. WILLDEN:
That will be entirely dependent on the creation of the collaborative and the dollar value of the contracts that could be purchased and taken over. The flow of money would probably be slow in the beginning. As we gain confidence, we will make gains in the strength of the program. I cannot say that, in FY 2011-2012, we would see a great deal of traction, but I would expect to see some results by the end of that year.

SENATOR LESLIE:
How does health care reform affect this initiative?

MR. WILLDEN:
I do not believe that it has any effect.

I would like to note that the four hospital chains have put a great deal of effort into this concept. They have invested a great deal of time and money in hiring consultants and trying to make this work.

ASSEMBLYWOMAN CARLTON:
I understand the creativity behind this. The concern that I have is that a hospital could walk away at any time. They are not obligated to participate. If they choose not to participate during a certain amount of time or if they want to reduce the amount of money that they are willing to contribute, the State will be left holding the bag for these services that we thought the hospitals would buy from us. Those services are, ultimately, our responsibility.

MR. WILLDEN:
We only move money to Medicaid when the hospitals purchase a contract or pay for a service. That is why I believe it is important for us to continue to appropriate money into those DHHS departments. The Legislature appropriates money into those mental health services and contracts that we currently purchase.

If you are asking if there is a risk that we might not have money to pay for doctors and nurses and residential support staff, I would say that it is unlikely to happen. We only do one transaction at a time. We would not move $10 million from a DHHS account. We would only move money as it is covered by hospitals’ purchases of contracts.

ASSEMBLYWOMAN CARLTON:
With the nonprofit collaborative, there is an amount of money that the hospitals will jointly contribute to be the base for the program. If one of the hospitals opts out of the program, there will not be as much money. Not as many contracts will be covered. I am afraid that, in the future, we will rely on these hospitals to cover these services and DHHS will have to come back and ask for additional funding when one of them opts out.

MR. WILLDEN:
That is a definite possibility.

CHAIR HORSFORD:
From a budgetary standpoint, if we start moving money out of certain accounts because contracts are being covered, there may come a time when DHHS departments are coming back asking for funding that was not anticipated if the assistance from the hospitals diminishes. I am not opposed to the approach. I do not disagree that the hospitals have invested effort in this program, but they are investing effort because they stand to benefit.

I would like to have seen the collaborative become more formally established as we seek to get this federal approval. That shows true commitment. I would like to see the pursuit of federal approval happen concurrently with the assembly of the nonprofit collaborative because I want to know that we can rely on the hospitals to assist us in this effort.

There is another approach. It would be similar to what other states have done in having a provider tax in place. That tax ensures that the funding goes to cover the services. I know that this is the option on which consensus was reached, but it is not the only approach we could take.

SENATOR KIECKHEFER:
From a technical perspective, if we must move funds out of one budget account and into the Medicaid account, would the Division have the authority to do that independently or would you have to come to IFC to make the transfer? Will the time restrictions of the IFC process limit your ability to implement the program?

MR. WILLDEN:
We do not currently have the authority to move money between divisions. That is one of the requests that we would have to add in the form of a change to the General Appropriations Act. We would be fully transparent in coming to IFC and I would see those transfers as IFC transactions.

ASSEMBLYWOMAN SMITH:
I would like to have Staff ask some questions of DHHS. We will need to have language for this item if it is approved. I am focused on where the savings for

the State will be going, and I want to make sure that we all understand the decision we are about to make.

RICK COMBS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Fiscal Staff would prefer to have had this measure more firmly planned so that, if the Committees chose to approve it, the Legislature could use the freed General Fund money to fund some of the other items in the budget.

We are not at that comfort level where we can present a dollar figure. The CMS approval process is not far enough along and we do not have an estimate for how much would be retained in additional net State benefit. Basically, the Committees would be authorizing DHHS to go forward with this program and allowing them the ability to come before IFC and move the necessary General Fund money between divisions in order to have it fully implemented.

Fiscal Staff would need direction from the Committees on the additional net State benefit. Typically, if an item like this comes along that would provide additional General Fund savings, we would advise the Committees that the additional money should be reserved for reversion to the General Fund.

Director Willden is proposing that those savings might be used to restore some of the cuts in DHHS. If the Committees would like Staff to provide something in the back language of the Appropriations Act which would provide a direction for the additional net State benefit that might be achieved through this program, we would need that to be indicated. It does not need to be specific, but I will discuss with the Legal Division the level of specificity that would be required. We do not want to put ourselves in a situation in which IFC could be accused of appropriating money.

If the Committees wish to use the additional net State benefit to restore a budget cut somewhere, you may need to decide what that would be so that it can be written into the back language. This does not need to be determined today, but when the funding bill is being approved, it would need to be decided. Staff will discuss this matter further with the Legal Division.

Today, Fiscal Staff would need direction on whether the money should revert to the General Fund as it would normally do or if it might be used for some other purpose within the Department.

SENATOR KIECKHEFER:
Would it be possible to put the money into the IFC Contingency Fund so that it could be allocated?

MR. COMBS:
It would go into the DHHS budget. While we would not be appropriating anything, they would receive it in additional net State benefit. If we did not have something in the back language to indicate that it must revert, or some other provision of law, it would remain with the Department. We could look at this as a section 7 issue in the Authorized Expenditures Act. That section states that if a department receives non-State General Fund money in addition to what was budgeted, a like amount of State General Fund money must be reverted.

I did not want to assume the direction of the Committees. We would need some indication as to whether the Committees would like the money to go to the General Fund or if you would like to see if it can be used in some other way.

SENATOR LESLIE:
I would put forward that this money should be used for health care. We have sizable budgetary holes in DHHS. With all the cooperation of our Staff with the hospitals and the health care industry, and in light of the budget cuts, I would like to explore the option of allowing the Legislature, through IFC, to approve the allocation of additional funds back into DHHS. I believe that we should examine the legal parameters and attempt to direct this money back into health care. There is a connection between the program and how the savings should be spent.

CHAIR HORSFORD:
I will accept a motion to provide the Department with the authority to move forward with this program. We will ask Fiscal Staff to work with the Agency on language that may be needed for the Appropriations Act. I will also include, in that motion, the letter of intent requesting that DHHS report to IFC on the status of this UPL program.

SENATOR LESLIE MOVED TO PROVIDE DHHS WITH THE AUTHORITY TO MOVE FORWARD WITH THE EXPANSION OF THE UPL PROGRAM TO INCLUDE PRIVATE HOSPITALS; TO DIRECT FISCAL STAFF TO WORK WITH DHCFP TO DETERMINE APPROPRIATE LANGUAGE TO BE ADDED TO THE APPROPRIATIONS ACT IN ORDER TO PROVIDE THE DEPARTMENT THE NECESSARY FLEXIBILITY TO MOVE FUNDS BETWEEN DIVISIONS; TO ISSUE A LETTER OF INTENT REQUIRING THAT THE DEPARTMENT REPORT PERIODICALLY TO IFC ON THE STATUS OF THE PROPOSED PROGRAM; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS TO B/A 101-3157 BASED ON THE ACTIONS TAKEN IN OTHER DHCFP ACCOUNTS AND FINAL DEPARTMENT COST ALLOCATIONS.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HARDY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MS. SAKELARIOS:
The next budget account to be closed is the Medicaid account, B/A 101-3243. A description of this closing begins on page 13 of Exhibit C.

The *Executive Budget* recommends General Fund expenditures totaling approximately $96 million in FY 2011-2012 and $66.2 million in FY 2012-2013 to replace federal fund money that was provided to states through an enhanced FMAP rate through ARRA. The increase in the General Fund support replaces revenues and does not provide any enhanced services within Medicaid. The *Executive Budget* projected the FMAP rate to decrease to 55.05 percent in FY 2011-2012 and 57.66 percent in FY 2012-2013.

According to an issue brief published by the Federal Funds Information for States on March 25, 2011, the FMAP rate for Nevada is projected to increase to 60.28 percent in federal fiscal year 2012-2013 which results in a blended FMAP rate for our State FY equaling 59.26 percent in FY 2012-2013. This is an increase of 1.6 percent in comparison with the FMAP rate that was used in the *Executive Budget*.

The Budget Division has submitted a budget amendment to incorporate the increased FMAP rate for FY 2012-2013 into the *Executive Budget*. The amendment also incorporates the adjusted FMAP rate increase across various decision units in this budget account and includes other revenue and expenditure adjustments that result from updated caseload projections, cost-per-eligible (CPE) revisions and corrections to errors and omissions in the *Executive Budget*. As a result of the manner in which the budget amendment was constructed, the impacts resulting solely from the revised FMAP are not easily isolated. However, information provided by the Budget Division indicates that the FMAP increase in this account resulted in a General Funds savings of approximately $25.8 million over the biennium.

The net General Fund reduction recommended in this budget amendment totals $16.1 million in FY 2011-2012 and $36.4 million in FY 2012-2013. This includes a decrease to the General Fund appropriation in the Base Budget of $7.7 million in FY 2011-2012 and $9.3 million in FY 2012-2013.

The revised FMAP rate impacts most of the decision units in the *Executive Budget.* Do the Committees wish to approve the FMAP rate, as amended, for the 2011-2013 biennium?

CHAIR HORSFORD:
I would like to note that the reason we qualified for this increase was because we have more people meeting the low-income criteria as a percentage of the overall population of the State.

SENATOR LESLIE MOVED TO APPROVE THE FMAP RATE AS AMENDED FOR THE 2011-2013 BIENNIUM.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
As has been the case in previous Legislative Sessions, the Division has rerun its caseload projection model which takes into consideration the most recent caseload data available, CPE data and mandatory inflation increases. The revised caseload projections are included in Budget Amendment No. A00261 and are based on actual caseload history through March 2011. Since the *Executive Budget* was submitted, actual caseload growth has been trending slightly lower than projected in the Governor's budget for most caseload groups. Additionally, CPE rates for all caseload groups are lower, with the exception of the mental retardation waiver slots which are increased due to the fact that the costs were based on caseload rather than on the number of waiver slots that are utilized.

Overall, the CPE rates proposed as part of the budgeted amendment are $11.51 per recipient per month lower than the overall CPE rate included in the *Executive Budget* for FY 2011-2012 and $13.97 lower for FY 2012-2013. There is a table on page 15 of Exhibit C that provides a comparison of the average monthly caseload projections that were included in the *Executive Budget* in contrast with those that were included to develop the budget amendment.

The *Executive Budget* provides approximately $231 million in FY 2011-2012 and approximately $291 million in FY 2012-2013 for the increased costs associated with the projected caseload growth for the Medicaid program. The budget amendment incorporates revised caseload projections and reduces caseload growth by approximately $5.4 million in FY 2011-2012 and about $13.9 million in FY 2012-2013 which reduces the projected General Fund appropriation to $97.1 million in FY 2011-2012 and $106.9 million in FY 2012-2013.

Staff has reviewed the revised caseload projections and CPE rates proposed in the budget amendment and find that they are reasonable based on the more recent caseload and CPE history. Based on this review, Staff recommends that the caseload revisions proposed as part of the budget amendment be approved.

Do the Committees wish to approve the Governor's recommended caseload projections as amended which reduce Medicaid expenditures in decision units M-200 and M-201 by approximately $19.3 million over the course of the 2011-2013 biennium?

M-200 Demographics/Caseload Changes — Page DHHS DHCFP-36

M-201 Demographics/Caseload Changes — PAGE DHHS DHCFP-36

SENATOR PARKS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDED CASELOAD PROJECTIONS AS AMENDED WHICH REDUCE MEDICAID EXPENDITURES IN DECISION UNITS M-200 AND M-201 IN B/A 101-3243 BY APPROXIMATELY $19.3 MILLION OVER THE 2011-2013 BIENNIUM.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The *Executive Budget* recommends $8 million in FY 2011-2012 and $14 million in FY 2012-2013 for mandatory rate increases for four provider groups. Those groups include hospice; Federal Qualified Health Centers and Rural Health Centers; and Indian Health Services and health maintenance organizations (HMO). This decision unit also includes a projected annual rate increase for Medicare Part A and Part B premiums that the Medicaid program pays for certain eligible groups.

Staff would note that the *Executive Budget* does not include an inflationary increase in pharmacy or nonemergency transportation rates for the upcoming biennium.

Additionally, there were no inflationary increases included for pharmacy rates during the 2009-2011 biennium. Although an inflationary increase was approved during the last Legislative Session for the current biennium, that was reduced during the Twenty-sixth Special Session as a budget reduction measure.

The budget amendment also recommends General Fund appropriations totaling $3.7 million in FY 2011-2012 and $5.5 million in FY 2012-2013. Compared to the *Executive Budget*, this is a General Fund increase of approximately $473,000 in FY 2011-2012 and approximately $184,000 in FY 2012-2013.

Based on the documentation provided by the Division, the proposed rate increases appear reasonable, and Staff recommends approval.

Do the Committees wish to approve the Governor's recommended provider rate increases for the upcoming biennium, as amended?

ASSEMBLYWOMAN CARLTON:
I would like to disclose that I work with people in these entities, and I will be abstaining from the vote.

> SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR PROVIDER RATE INCREASES IN B/A 101-3243 FOR THE UPCOMING BIENNIUM AS AMENDED.
>
> ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN CARLTON ABSTAINED FROM THE VOTE.)
>
> SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The next issue, item 4 on page 16 of Exhibit C, concerns recommended rate reductions for the upcoming biennium. We will begin with the rate reductions

that were imposed during the 2009-2011 biennium which are recommended for continuation into the next biennium.

The Governor recommends the continuation of three budget reduction measures for the Medicaid program that were implemented during the current biennium. According to a budget amendment submitted by the Budget Division, the General Fund savings projected from these budget reduction measures total $8.8 million in FY 2011-2012 and $8.3 million in FY 2012-2013. Compared to the amounts originally recommended in the *Executive Budget*, the amended projections reduced the anticipated General Fund reduction by approximately $84,000 in FY 2011-2012 and $411,000 in FY 2012-2013.

The first budget reduction measure is described in decision unit M-160.

M-160 Position Reductions Approved During Biennium — Page DHHS DHCFP-34

As amended, this decision unit recommends reducing General Fund appropriations by approximately $7.6 million in FY 2011-2012 and $7.2 million in FY 2012-2013 by continuing various budget reduction measures approved by the Legislature during the Twenty-sixth Special Session. These budget reduction measures include requiring a therapy clinical assessment prior to the authorization of personal care services, lower monthly limits for incontinence supplies, eliminating disposable gloves as a covered medical service and revising behavioral health service rates from a three-tier structure based on provider qualifications to a single rate.

The decision unit, as amended, also includes a General Fund decrease of $2.5 million in FY 2011-2012 and $2.6 million in FY 2012-2013 as a result of continuing the reduction to the rates paid for anesthesia services in both the Medicaid account and the Nevada Check Up account.

This budget reduction measure was approved during the Twenty-sixth Special Session and reduced the reimbursement rates to levels comparable to the Medicare rate.

Decision unit E-327, as amended, recommends reducing General Fund appropriations by approximately $846,000 in FY 2011-2012 and $820,000 in

FY 2012-2013 by maintaining the expanded preferred drug list which was approved during the Twenty-sixth Special Session.

E-327 Deliver Public Services Directly and Efficiently — Page DHHS DHCFP-37
When approved, this allowed the Medicaid program to include atypical and typical antipsychotics, anticonvulsants and antidiabetic medications on the preferred drug list through June 30, 2011. Senate Bill (S.B.) 97 has been introduced during this Legislative Session to remove the sunset provision, and has been referred to the Senate Committee on Finance.

**SENATE BILL 97 (1st Reprint)**: Extends the prospective expiration of certain provisions governing the list of preferred prescription drugs to be used for the Medicaid program. (BDR S-940)

While a general inflationary increase for pharmacy rates was not recommended by the Governor in this budget account, inflationary increases of 3.4 percent are recommended in each year of the biennium for prescription medications purchased through this program.

The Agency indicates the inflation is necessary for these medications because most of them are name-brand and very expensive.

Decision unit E-663, as amended, recommends reducing General Fund appropriations by approximately $300,000 in FY 2011-2012 and $281,000 in FY 2012-2013 by continuing reimbursement rate reductions for oximeters, oxygen concentrators and negative pressure wound pumps.

E-663 Program Reductions/Reductions to Services — Page DHHS DHCFP-40

The rate reductions were made in 2011 to align reimbursement rates with Medicare.

Do the Committees wish to approve the Governor's recommendation, as amended, to continue the budget reduction measures that were imposed during the 2009-2011 biennium?

SENATOR LESLIE:
We are beginning to discuss rate reductions that, for me, are extremely difficult to approve.

I will begin by discussing my position as the Chair of the Senate side of the Joint Subcommittee on Human Services and Capital Improvements. I have lived through all of the cuts from the Twenty-sixth Special Session that have been described by Staff.

Nevada is fifty-first in the Nation in per-capita Medicaid spending. We were fifty-first before we made the budget reductions and we are fifty-first in the Nation today. This cannot go on. I am willing to accept the cuts that were just outlined that we established in the Twenty-sixth Special Session, but Medicaid currently pays about 58 percent of costs and the hospitals pick up the rest. We have 53 percent more people on Medicaid than we did before, because of the recession. We must find a way to manage it effectively.

I believe that we are at the tipping point. I am willing to accept the cuts we have made previously as permanent reductions, but if we go forward and we accept another 5 percent impact for the hospitals and all of the extra rate reductions that are in the Governor's recommended budget, we are going to see services closing in hospitals that will affect the entire population. This is not just about poor people or elderly people anymore. The services the hospitals will cut, as a result of this, as we have seen, will affect everyone. If you have a baby in certain places in the State, there will not be an obstetrics program at the hospital. We are jeopardizing the health care system for everyone, not just Medicaid patients.

We have heard a great deal about lawsuits over access. We have discussed that possibility at length in the Joint Subcommittee. What happens when a Medicaid patient cannot get an appointment to see a doctor? What happens when they cannot get the service they need? The federal government is being more and more vocal on this issue as more states make cuts. If we accept all of the budget reductions that the Governor recommends, we are going to be at a point where we will be exposed to those kinds of questions.

We hear a great deal about other states cutting Medicaid, but they are cutting components that we have never had. We are to the point where we are cutting funding for eyeglasses for senior citizens. I cannot agree to that.

Many people ask how we are going to pay for these programs. This is the reason we are meeting in the Senate Committee on Revenue every day. We will find a way to pay for it.

Personally, I can accept the cuts that were just heard, but I want to warn the Committees that I will not vote for further reductions. I believe that our system will collapse if we make these cuts and I cannot be a part of that.

ASSEMBLYWOMAN SMITH:
I would like to echo the concerns of Senator Leslie.

These rate reductions affect all of us. They affect those in the private sector. They affect businesses who are trying to provide insurance for their employees. Every time the hospitals, and other providers, lose reimbursement, someone has to pay for the services that were provided. If we think that this will somehow not have a ripple effect, we are wrong. This is something that everyone should be worried about. We need to pay close attention to how we provide services and who is paying for them. These cuts affect what we, as the State, are trying to provide for our State employees as well.

These reductions will have a considerable domino effect on the State fiscally, as well as in the availability of services.

ASSEMBLYWOMAN MASTROLUCA:
I also share the concerns and frustrations of Senator Leslie. I want to share a story that was told to me by a current Medicaid client.

This woman’s child needed mental health services which are difficult enough to find in this State as it is. Finding a mental health provider who will take Medicaid is very difficult. She spent weeks calling providers who would tell her that they no longer accept Medicaid patients. Either their lists would be full or they would not accept Medicaid at all.

Eventually, she found treatment for her child. She happened upon a doctor who had just started a practice. Even though this new doctor accepted Medicaid, it was not yet reflected on the rolls, so the practice was not full. That was the only way that the woman could get mental health services for her child.

When your child is sick, it is indescribably frustrating. When dealing with mental health services, it becomes even more difficult. It is difficult to understand why your child is acting the way he is. They cannot explain it to you. It is heartbreaking when you cannot find help. I agree that we cannot continue making reductions over and over and expect things to get better. We can put as much money as we want into creating jobs in this State, but if we do not fix every piece of this problem, things will continue to get worse.

SENATOR LESLIE MOVED TO APPROVE DECISION UNITS M-160, E-327 AND E-663 IN B/A 101-3243 AS RECOMMENDED BY THE GOVERNOR WHICH AS AMENDED CONTINUE THE BUDGET REDUCTION MEASURES THAT WERE IMPOSED DURING THE 2009-2011 BIENNIUM.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The next set of budget reduction measures are new reductions proposed for the 2011-2013 biennium. The Governor recommends additional budget measures in this account, some of which are also applicable to the Nevada Check Up account. The General Fund savings projected from these budget reduction measures in the Medicaid account, as amended, total $43.7 million in FY 2011-2012 and $44.3 million in FY 2012-2013. Compared to the original amounts of the reductions recommended in the *Executive Budget*, the amended projections for FMAP caseload and CPE result in reductions in the projected General Fund savings totaling approximately $900,000 in FY 2011-2012 and $1.9 million in FY 2012-2013.

Decision unit E-640, as amended, recommends reducing General Fund appropriations by approximately $561,000 in FY 2011-2012 and $518,000 in FY 2012-2013 by reducing rates by 15 percent for home-based and community-based services for the frail elderly, adult group care and disability waivers.

E-640 Budget Reductions — Page DHHS DHCFP-38

This rate reduction also applies to services provided as part of the waiver services such as homemaker and adult day care services.

The amendment corrects errors in the *Executive Budget* by eliminating the proposed rate reduction for case management services provided by the Aging and Disability Services Division, and the proposed rate reduction for personal care services under the disabilities waivers.

The amendment to correct these errors increases the General Fund support by approximately $234,000 in FY 2011-2012 and $221,000 in FY 2012-2013. The *Executive Budget* indicates that this rate reduction may impact access to services and that the litigation risk is high. The *Executive Budget* also notes that this recommendation is subject to federal approval and timelines.

Do the Committees wish to approve the Governor's recommendation to reduce rates for home-based and community-based services for the frail elderly, adult group care and disability waivers by 15 percent during the upcoming biennium?

> ASSEMBLYMAN CONKLIN MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE RATES FOR HOME-BASED AND COMMUNITY-BASED SERVICES FOR THE FRAIL ELDERLY, ADULT GROUP CARE AND DISABILITY WAIVERS BY 15 PERCENT DURING THE UPCOMING BIENNIUM.
>
> SENATOR LESLIE SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
Decision units E-650 and E-690, as amended, recommend reducing General Fund appropriations by $5.2 million in FY 2011-2012 and $4.8 million in FY 2012-2013 by reducing the per diem rates for skilled nursing facilities by $20 per day and reducing hospice bed rates which are paid at 95 percent of the daily bed rate.

E-650 Program Limits or Rate Reductions — Page DHHS DHCFP-38

E-690 Budget Reductions — Page DHHS DHCFP-42

The Division has provided information that indicates the per diem rates for skilled nursing facilities have increased from approximately $121 in FY 2001-2002 to $189 in FY 2010-2011, an increase of approximately 56.5 percent. This increase is primarily the result of revenue generating capabilities of the nursing home provider tax program. During this period of time, most other Medicaid providers experienced either no increase or a reduction to their reimbursement rates.

The Division indicates that, even with the proposed rate reduction of $20 per day, reimbursement rates for skilled nursing facilities will have increased by approximately 40 percent since FY 2001-2002. Additionally, the Division has conducted a survey of western states and determined that only Oregon and Idaho have higher skilled nursing facility rates than Nevada. It should be noted that reducing the per diem rate paid to skilled nursing facilities would also benefit counties who participate in the County Match Program. Senate Bill 54, which revises the statutes pertaining to the nursing home provider tax program has been introduced to enact this budget reduction measure, and was referred to the Senate Committee on Finance on May 7, 2011.

**SENATE BILL 54**: Revises provisions governing the Fund to Increase the Quality of Nursing Care. (BDR 38-444)

Included in the supporting documentation for the *Executive Budget*, as amended, the Division has included information on four rate reduction scenarios for skilled nursing facilities. These scenarios are summarized in Exhibit C, and illustrate the General Fund impact of a $5, $10, $15 and $20 rate reduction per bed-day.

The Budget Division has submitted a budget amendment which recommends reducing the rate reduction for skilled nursing facilities from $20 per day to $15 dollars per day, and restores General Fund appropriations totaling $1.26 million in FY 2011-2012 and $1.15 million in FY 2012-2013.

As a result of a work program approved during the last IFC meeting, the Division indicates that it will impose an additional $2 per bed day reduction in FY 2011-2012 from any rate reductions approved by the Legislature in order to reimburse the reserves in the IGT account which were used during FY 2010-2011.

Do the Committees wish to approve the Governor's original recommendation to reduce the per diem rate paid to skilled nursing facilities by $20 per bed day for a General Fund savings of $5 million in FY 2011-2012 and $4.6 million in FY 2012-2013, or do the Committees wish to approve the Governor's amended recommendation to reduce the per diem rates for skilled nursing facilities by $15 per day, for a reduced General Fund savings of $3.8 million in FY 2011-2012 and $3.4 million in FY 2012-2013?

Additionally, do the Committees wish to reduce hospice bed rates, which are paid at 95 percent of the daily bed rate, for skilled nursing facilities, in accordance with the previously approved rates?

> ASSEMBLYMAN CONKLIN MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE PER DIEM RATES PAID TO SKILLED NURSING FACILITIES AND TO RESTORE FUNDING TO $20 PER BED DAY; AND TO REJECT THE PROPOSAL TO REDUCE HOSPICE BED RATES FOR SKILLED NURSING FACILITIES IN B/A 101-3243.
>
> SENATOR PARKS SECONDED THE MOTION.

ASSEMBLYMAN KIRNER:
I understand the position being taken on this issue. It seems that the Governor began with one number on this item and then changed it to another number.

We have rejected the Governor's recommendations in a number of areas. There might be an advantage to taking a different approach to this item. I am not sure that this is a priority in the face of all the other numbers that we have been seeing. If we completely reject this, we are continuing a deficit that, at this moment in time, we do not have the money to support. There may be an opportunity for a different balance here.

CHAIR HORSFORD:
I respect that position. There is a policy issue in this item. The rates that were established were established with the understanding that the provider tax which was imposed previously would go to support the operations of these nursing facilities. Unilaterally changing the rate means going against a long-standing policy with the nursing home facilities that agree to impose a tax on themselves in order to maintain the rate that we have now.

That is a policy. This is not a case where we are trying to restore something simply to restore it. The justification behind restoring this rate is based on the agreement with those nursing home facilities. That agreement ensures there is a reimbursement rate in place to allow the continued provision of services.

I support the motion. My grandmother was in a nursing home for 25 years. She had a stroke and was severely paralyzed. She required around-the-clock assistance. My mother, who was very young at the time, could not provide the necessary care in our home. Throughout my entire childhood, we had to visit my grandmother in a nursing home. I saw how, not only my grandmother, but all of the people in that facility were cared for by nurses and certified nursing assistants. These were people who tried to provide the residents with the best care.

My grandmother was moved several times. There was a period, I suppose during some type of budget cut, where she was moved to St. George, Utah. In order to visit her, we had to drive out of the State.

There were many good facilities that provided quality care, but there were a few that did not. When you went into some of these facilities you saw people sleeping in hallways in their wheelchairs. Some of them had bedsores because they would sit in their beds for too long if the facility did not have adequate staff to perform proper cleaning and assistance. Some facilities did not have the staffing to bring the residents out for activities during the day.

There is a reason these rates need to be maintained at a certain level. Once you drop below that level, the adequacy of care gets compromised. We must ensure that the level is maintained. We are making decisions that will affect our grandmothers, our grandfathers and our parents. Nevada has a high percentage of seniors. Many of them do not have family members who are in the State. This will affect the way many Nevadans live. I will support this motion.

> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)
>
> SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
The next decision unit is E-666.

E-666 Program Reductions/Reductions to Services — Page DHHS DHCFP-40

As amended, this decision unit recommends reducing General Fund appropriations by approximately $875,000 in FY 2011-2012 and $820,000 in FY 2012-2013 by eliminating nonmedical vision services for adults age 21 and over.

The Committees should note that this is an optional benefit which was considered for elimination during the 2009 Legislative Session and again during the Twenty-sixth Special Session. According to the Division, recipients would continue to be able to receive eye exams, but funding would no longer be available to purchase glasses or other eye appliances.

This budget reduction measure does not affect children up to the age of 21.

Do the Committees wish to approve the Governor's recommendation, as amended, to eliminate nonmedical vision services for adults over the age of 21 during the upcoming biennium?

SENATOR LESLIE:
I will move that we reject this item. It does not make sense to provide someone with an eye exam and tell them that they need eye glasses, but not to help them get glasses.

I am unwilling to put this burden on charity. We should not have our Medicaid recipients depend on the Lions Club in order to get their glasses. If we approve this, some people will literally not be able to see.

> SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO ELIMINATE NONMEDICAL VISION SERVICES FOR ADULTS OVER THE AGE OF 21 IN B/A 101-3243 DURING THE UPCOMING BIENNIUM; AND TO RESTORE THE ORIGINAL FUNDING LEVEL.
>
> ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)
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> SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
Decision unit E-695, as amended, recommends reducing General Fund appropriations by approximately $594,000 in FY 2011-2012 and $557,000 in FY 2012-2013 by reducing rates for Intermediate Care Facilities for the Mentally Retarded and Developmentally Disabled, and nonpediatric home health services by 15 percent.

E-695 Budget Reductions — Page DHHS DHCFP-44

Information provided by the Division indicates that the per diem rates for the facilities are unique to each individual facility. Therefore, the Division anticipates needing the flexibility to negotiate each facility's rate reduction individually in order to avoid access issues.

Additionally, decision unit E-696, as amended, recommends reducing General Fund appropriations by approximately $365,000 in FY 2011-2012 and $342,000 in FY 2012-2013 by reducing the reimbursement rates for laboratory, pathology, clinic and radiology services by 15 percent.

E-696 Budget Reductions — Page DHHS DHCFP-45

These reimbursement rates have not been previously reduced, and, due to the number of participating providers, the Division does not believe these reductions would result in access problems.

Do the Committees wish to approve the Governor's recommendation, as amended, to reduce the rates for the Intermediate Care Facilities for the Mentally Retarded and Developmentally Disabled and nonpediatric home health services; and laboratory, pathology, clinic and radiology services by 15 percent during the 2011-2013 biennium?

> ASSEMBLYMAN CONKLIN MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE RATES FOR THE INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED AND DEVELOPMENTALLY DISABLED; NONPEDIATRIC HOME HEALTH SERVICES; AND LABORATORY, PATHOLOGY, CLINIC AND RADIOLOGY SERVICES BY 15 PERCENT DURING THE 2011-2013 BIENNIUM.
>
> SENATOR LESLIE SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
Decision unit E-698 recommends reducing General Fund appropriations by $17.4 million in FY 2011-2012 and $19.8 million in FY 2012-2013 by transferring financial responsibility for a portion of the Medical Aid for the Aged, Blind and Disabled (MAABD) institutional population and the waiver population to the County Match Program.

E-698 Budget Reductions — Page DHHS DHCFP-46

Currently, counties are only responsible for paying the State share of costs for Medicaid clients in institutional care whose income falls between 156 percent and 300 percent of the federal benefit rate (FBR) for Supplemental Security Income. Counties currently have no financial responsibility for waiver recipients.

This recommendation makes counties responsible for both the institutional population at a lower percentage of FBR and all of the waiver population. The *Executive Budget* indicates that the FBR percentage would need to be adjusted annually in order to accommodate this decision unit. The Governor's budget also indicates that the percentage of FBR at which a beneficiary will become a county responsibility will be at 132 percent and above in FY 2011-2012 and 124 percent and above during FY 2012-2013.

Senate Bill 485 will allow the Director of DHHS to determine the annual maximum income for which the State will cover the nonfederal share of Medicaid. It has been referred to the Senate Committee on Finance.

**SENATE BILL 485**: Revises provisions governing the payment of certain expenses for the provision of care pursuant to the State Plan for Medicaid. (BDR 38-1196)

A budget amendment has been submitted recommending reducing the counties' liability for the expansion of the Medicaid county match program. Each county's financial contribution would be capped at an amount equal to the revenue generated by its 8 percent ad valorem property tax levy for indigent care. The budget amendment increases the General Fund appropriation by $1.31 million in FY 2011-2012 and $1.25 million in FY 2012-2013, and decreases the counties' financial responsibility by an equivalent amount in each year of the biennium.

The budget amendment also addresses retaining and funding what is called "stop-loss" mechanisms which were discussed in a Joint Subcommittee hearing in February 2011. Currently, statute provides a mechanism for the State to assume the costs for the county match clients in certain situations if the county has expended property tax proceeds up to a specified level for the costs associated with institutional care. During the hearing in February, the Division indicated that there may be three counties in FY 2011-2012 and up to six counties in FY 2012-2013 that may reach the 8 percent cap and qualify to have their institutional care costs paid by the State for any amount that exceeds that cap.

The Committees may wish to consider one of several options.

The first would be to approve the Governor's original recommendation as included in the *Executive Budget* which reduces General Fund appropriations by $17.4 million in FY 2011-2012 and $19.8 million FY 2012-2013 by transferring financial responsibility for a portion of the MAABD institutional population and all of the waiver population to the County Match Program.

The second option would be to approve the Governor's recommendation, as amended in Budget Amendment A00362, to transfer financial responsibility for a portion of the MAABD institutional population and the waiver population to the County Match Program, and restore the stop-loss mechanism. The amendment reduces the General Fund savings by approximately $1.3 million in FY 2011-2012 and $1.25 million in FY 2012-2013.

The third option would involve reducing the financial responsibility transferred to the counties for the MAABD institutional population and the waiver population to an amount other than that recommended by the Governor. Based on information provided by the Division, Clark County's institutional care costs represent approximately 65 percent of the total expenditures for the County Match Program. Similarly, Washoe County's costs represent approximately

18 percent of the total costs. The remaining counties comprise the remaining 17 percent of the costs.

For every $1 million reduction to the amount transferred to the counties through this decision unit, for example, there would be a reduction in the financial impact on the counties. For Clark County, it would total approximately $648,000. For Washoe County, it would total approximately $182,000. The remaining counties would receive a percentage of the benefit of approximately $170,000.

SENATOR LESLIE:
This is a complicated issue. It is no exaggeration to say that this is another section in which we run the risk of causing the entire system to collapse if we start making significant changes. The federal government tells us that we must do this in every county. If one county falls out, we can no longer go forward.

Even the Governor has shown that he has reconsidered his first recommendation to put back the stop-loss mechanism for some of the rural counties. We heard S.B. 485 in the Senate Committee on Finance meeting last night. No one believes that this is a good idea. We all agree that this item is a disaster in the making.

We would be considering a significant restoration that would be included in our revenue plan. We cannot push these services to the counties. They will fall apart and we will be faced with an even larger hole. I cannot support the Governor's recommendation.

> SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO TRANSFER FINANCIAL RESPONSIBILITY FOR A PORTION OF THE MAABD INSTITUTIONAL POPULATION AND WAIVER POPULATION IN B/A 101-3243 TO THE COUNTY MATCH PROGRAM.
>
> ASSEMBLYMAN CONKLIN SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
The next five budget reduction measures are applicable to both Medicaid and the Nevada Check Up account. The information included on pages 20 and 21 of Exhibit C pertains specifically to Medicaid.

Decision unit E-651, as amended, recommends reducing General Fund appropriations by approximately $3.8 million in FY 2011-2012 and $3.5 million in FY 2012-2013 by reducing the rates paid to inpatient hospitals, inpatient psychiatric facilities and specialty inpatient hospitals by 5 percent.

E-651 Program Limits or Rate Reductions — Page DHHS DHCFP-39

Inpatient hospital rates were reduced by 5 percent in FY 2007-2008 as a budget reduction measure. The 2009 Legislature approved continuation of that rate reduction during the 2009-2011 biennium. However, the Legislature did not approve Governor Gibbons' recommendation at that time to decrease the rates paid to inpatient hospitals by an additional 5 percent. Critical access hospitals, primarily located in rural areas, will not be affected by this rate reduction because they receive cost settlements to pay the full costs of treating Medicaid clients. The Division indicates that a portion of the proposed rate reduction for county-owned hospitals would be offset by supplemental payments received from the existing UPL program and the proposed expansion for outpatient services described in the IGT account. Although privately owned hospitals do not currently receive supplemental payments through the UPL program, the Division has indicated that they are working to expand that program to include privately owned hospitals.

The Committees may wish to consider several options.

The first would be to approve the Governor's recommendation, as amended, to reduce rates paid to inpatient hospitals, inpatient psychiatric facilities and specialty inpatient hospitals by 5 percent, for a General Fund savings of approximately $3.7 million in FY 2011-2012 and $3.5 million in FY 2012-2013.

The Committees might, instead, wish to consider a reduction in the rate paid to inpatient hospitals that is less than the 5 percent reduction recommended by the Governor. As an example, if the Governor's recommendation to reduce the rate paid to inpatient hospitals is adjusted from 5 percent to 4 percent, the General Fund savings, compared to the Governor's recommendation, would be reduced by approximately $769,000 in FY 2011-2012 and $713,000 in FY 2012-2013. If the Governor's recommendation is adjusted by 2 percent, this would reduce the General Fund savings by twice the amount noted above.

SENATOR LESLIE:
In working with the hospital industry through the Joint Subcommittee hearings, it was indicated to the members that this issue is a top priority to them because of the ripple effect it could produce. We reduced the rate permanently by 5 percent in the Twenty-sixth Special Session. I cannot support a reduction of another 5 percent.

> SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE RATES PAID TO INPATIENT HOSPITALS, INPATIENT PSYCHIATRIC FACILITIES AND SPECIALTY INPATIENT HOSPITALS BY 5 PERCENT IN B/A 101-3243; AND TO RESTORE THE ORIGINAL FUNDING LEVEL.
>
> ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

CHAIR HORSFORD:
I would like to add that, as recommended, the Governor's budget imposes a tax increase on the hospitals of the State of Nevada. I do not understand why the other side does not see it this way, but it is true. This is a policy decision. The Governor has taken the position that he is against new taxes, but that is exactly what his budget does in this area.

ASSEMBLYMAN CONKLIN:
Approval of this item in the *Executive Budget* would impose a tax on anyone who lives in this State who purchases health insurance for themselves and their families.

Over the past several years, I have had the opportunity to tour some of our local hospitals. They do an impressive job in light of what they are asked to work with. We have a large uninsured population in Nevada. At one particular facility, several years ago, I asked if I could sit down with administrators and review some of their operations. In particular, I was interested in the amount of money that was being spent on indigent care and other types of care for which they are not reimbursed. In one instance, the company had written off $180 million in one year as a result of providing care to people who were uninsured and could not afford the services.

No business is able to write off $180 million. It must be collected from somewhere else. This means a rate increase for everyone else who can afford care or who has insurance. By accepting the Governor's recommendation, we would be forcing the hospitals to make these types of choices again. They must decide whether to continue writing off losses or eliminate certain services.

I wholeheartedly agree with Chair Horsford. This is an unnecessary burden on people who are already paying. In some cases, health insurance payments are already larger than house payments. I will support the motion for rejection of this item.

> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)
>
> SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
Decision unit E-692, as amended, recommends reducing General Fund appropriations by approximately $1.3 million in FY 2011-2012 and an additional $1.25 million in FY 2012-2013 by reducing the rates paid to outpatient hospitals by 15 percent.

E-692 Budget Reductions — Page DHHS DHCFP-43

According to the Division, reimbursement rates for outpatient hospital services have not been previously reduced. The Division would also note that reimbursement rates for evaluation and management codes would be held harmless. The Division does not anticipate that the imposed rate reduction would create patient access problems due to the number of current providers that accept Medicaid.

As noted previously, the *Executive Budget* recommends expanding the UPL program by adding outpatient services provided by county-owned hospitals which would help mitigate the proposed rate reduction for outpatient services for the county-owned hospitals.

Do the Committees wish to approve the Governor's recommendation, as amended, to reduce the rates paid to outpatient hospitals by 15 percent, for a General Fund savings of approximately $1.3 million in FY 2011-2012 and approximately $1.25 million in FY 2012-2013?

> SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE RATES PAID TO OUTPATIENT HOSPITALS BY 15 PERCENT IN B/A 101-3243; AND TO RESTORE THE ORIGINAL FUNDING LEVEL.
>
> ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)
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> SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
Decision unit E-691, as amended, recommends reducing General Fund appropriations by approximately $3.7 million in FY 2011-2012 and approximately $3.5 million in FY 2012-2013 by reducing the rates paid to nonprimary care physicians by 15 percent.

E-691 Budget Reductions — Page DHHS DHCFP-42

The Division further indicates that, while a rate reduction was imposed in FY 2008-2009, when rate enhancements were eliminated, the reduction was limited in its impact because it did not affect all pediatric and obstetric codes and it did not impact services to adults. The rate reduction, as proposed, does not reduce rates for evaluation and management codes, so the reimbursement rates would remain the same for routine office visits.

Similarly, decision unit E-693, as amended, recommends reducing General Fund appropriations by approximately $73,000 in FY 2011-2012 and about $68,000 in FY 2012-2013 by reducing the rates paid for physician assistants, nurse midwives and nurse practitioners by 15 percent.

E-693 Budget Reductions — Page DHHS DHCFP-43

The proposed reduction is consistent with the rate reduction proposed for physician services. It should be reiterated that this does not include evaluation or management codes.

The Committees may wish to consider the two decision units jointly. The Committees may also wish to consider one of several options for these items.

The first would be to approve the Governor's recommendation, as amended, to reduce the rates paid for nonprimary care services provided by physicians, physician assistants, nurse midwives and nurse practitioners by 15 percent during the upcoming biennium. The approval of this recommendation for both decision units would provide a General Fund savings of approximately $3.8 million in FY 2011-2012 and approximately $3.5 million in FY 2012-2013.

The Committee might alternatively wish to consider modifying the Governor's recommendation to reduce rates paid to these providers. As an example, if the Governor's recommendation to reduce the rates paid to these providers is adjusted from 15 percent to 10 percent, this reduces the General Fund savings, in relation to the Governor's recommendation, by $1.2 million in FY 2011-2012 and $1.1 million in FY 2012-2013.

> SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE RATES PAID FOR NONPRIMARY CARE SERVICES PROVIDED BY PHYSICIANS, PHYSICIAN ASSISTANTS,

NURSE MIDWIVES AND NURSE PRACTITIONERS BY 15 PERCENT; AND TO RESTORE ORIGINAL FUNDING.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

CHAIR HORSFORD:
I would like Staff to further explain the impact to pediatric and obstetric codes as described in decision unit E-691.

MS. SAKELARIOS:
The Division provided information prior to previous budget hearings indicating that the total reimbursement rates for these provider types had increased by approximately 10 percent from FY 2008-2009 to FY 2009-2010. That increase was due to an increase in the utilization of services. The Division also indicated, in their justification for the *Executive Budget*, that, although a rate reduction was imposed in FY 2008-2009, when the rate enhancements that had previously been approved were eliminated, the reduction was limited in its overall impact because the rate reduction did not affect pediatric and obstetric codes or services to adults.

It appears that, at some point, there was an enhancement to the reimbursement rate which was then later reduced, but only for certain provider types.

SENATOR LESLIE:
When we changed that back, it was because there was an outcry from pediatricians and obstetricians and we were afraid we would lose services for pregnant women.

CHAIR HORSFORD:
Was the Governor’s recommendation in decision unit E-693 to reduce the rate of reimbursement by 15 percent for nurse midwives, nurse practitioners, physicians and physician assistants?

MS. SAKELARIOS:
That is correct.

CHAIR HORSFORD:
Are obstetrics and gynecology practitioners (OB/GYN) included within either of these two categories? I have heard, from some of my constituents, that there are seniors on Medicaid who cannot get appointments to see an OB/GYN. Would we be able to improve the availability for those people by restoring funds in these items?

MR. DUARTE:
I would like to address this issue by providing some additional historical perspective. We eliminated rate enhancements that were approved in 2003 for obstetric pediatric services. We had increased a number of reimbursement rates for services rendered to individuals younger than 21 years of age and for obstetrical care during that same time frame. In 2008, we eliminated these enhancements as one of our budget reduction decisions. For obstetric codes, the enhancement was reduced from approximately 128 percent of the figure in the 2002 Medicare fee schedule to 100 percent. Certain codes for pediatric care went from 140 percent to 100 percent of the Medicare figure.

This item seeks further reductions. The only rates that we would leave unaffected would be rates for office visits. Most primary care physicians and most OB/GYNs provide services that are based on office visits, and those would remain unchanged. Surgical and diagnostic procedures that are performed by physicians, however, would be reduced under this proposal.

ASSEMBLYWOMAN CARLTON:
This will exacerbate a problem that the State is already experiencing. In my private work with the community health centers and tribal health clinics, we can find primary care for people. However, once a doctor finds that a patient has a blown-out knee, is diabetic or has a heart condition, it is extremely difficult to get that patient an appointment to see a specialist. At the clinics, we must call lists of doctors begging them to see the patient in a timely manner. Luckily, we have some exceptional doctors in this State who are willing to see them.

I see this provision as making the problem even worse. If a patient sees a primary care physician but then cannot see a specialist, they are no better off. Either physicians will say that they cannot see these types of patients anymore or they will shift the costs to those of us who do have health care.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
The next decision unit is E-694.

E-694 Budget Reductions — Page DHHS DHCFP-44

A description of this item is located on page 23 of Exhibit C. This decision unit, as amended, recommends reducing General Fund appropriations by approximately $4.8 million in FY 2011-2012 and $4.5 million in FY 2012-2013 by reducing the rates paid for dental services, durable medical equipment and disposable medical supplies by 25 percent.

The Division indicates that, due the number of suppliers for durable medical equipment, it does not anticipate that the proposed reduction would create an access issue. The Division also indicates that the proposed reduction for dental services aligns the fee-for-service rates with the rates being paid by HMOs participating in the Medicaid managed care program.

Do the Committees wish to approve the Governor's recommendation, as amended, to reduce the rates paid for dental services, durable medical equipment and disposable medical supplies by 25 percent during the 2011-2013 biennium?

SENATOR LESLIE:
Despite the summary of the Division's feelings on this item, I know that many of us continue to receive input from constituents indicating that people cannot get access to dental care.

SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE THE RATES PAID FOR DENTAL SERVICES, DURABLE MEDICAL EQUIPMENT AND DISPOSABLE

MEDICAL SUPPLIES BY 25 PERCENT IN B/A 101-3243 FOR THE 2011-2013 BIENNIUM; AND TO RESTORE ORIGINAL FUNDING.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
Decision unit E-697, as amended, recommends reducing General Fund appropriations by approximately $1.1 million in FY 2011-2012 and about $1 million in FY 2012-2013 by reducing the rates paid to ambulatory surgical centers, ambulance services and end-stage renal disease services by 15 percent.

E-697 Budget Reductions — Page DHHS DHCFP-45

The Division indicates that these rates have not been previously reduced. Additionally, they indicate that the number of providers for these services is sufficient, and access issues are not anticipated as a result of the recommendation.

Do the Committees wish to approve the Governor's recommendation, as amended, to reduce the rates paid to ambulatory surgical centers, ambulance services and end-stage renal disease services by 15 percent during the upcoming biennium?

SENATOR LESLIE MOVED TO REJECT THE GOVERNOR'S RECOMMENDATION TO REDUCE RATES PAID TO AMBULATORY SURGICAL CENTERS, AMBULANCE SERVICES AND END-STAGE RENAL DISEASE SERVICES BY 15 PERCENT IN B/A 101-3243 DURING THE UPCOMING BIENNIUM; AND TO RESTORE ORIGINAL FUNDING.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLYMAN HAMBRICK:
I have a question concerning technical procedure. Several times, the motion has included, not only a rejection of the Governor's recommendation, but also an indication that the Committees are approving a concurrent restoration of funding. I am under the impression that, if we reject a recommendation of a reduction, we are merely proposing that the funding be retained at status quo. We are not restoring anything. I take issue with the implication that we are allocating additional funds.

CHAIR HORSFORD:
A restoration is an add-back. The Governor's recommendations do not provide funding for some of these items. Therefore, the action of the Committees, through rejecting a proposed reduction, is to allocate money back into the programs. We are, indeed, restoring funding from what was originally proposed by the Governor.

ASSEMBLYMAN HAMBRICK:
I understand. Thank you.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
The next decision units recommend new Medicaid revenues and expenditure offsets. The Governor recommends four measures to generate new revenues or offset General Fund expenditures for the Medicaid program during the upcoming biennium. The General Fund savings projected to occur from these measures total $5.9 million in FY 2011-2012 and $5.8 million in FY 2012-2013.

Decision unit E-328 as amended, recommends restoration of the subpoena power to the Director of DHHS, allowing access to records to facilitate Medicaid Estate Recovery (MER) efforts for the Division.

E-328 Deliver Public Services Directly and Efficiently — Page DHHS DHCFP-38

Medicaid is required to review the financial records of Medicaid recipients following their deaths to identify how much funding could be available to recover the costs that the State incurred while they were enrolled in the program. In order to do this, they need subpoena power to examine bank records.

The MER efforts are projected to result in Medicaid recoveries totaling $204,000 in each year of the biennium, of which approximately $92,000 would be General Fund revenue in the first year of the biennium and $83,000 would be General Fund revenue in FY 2012-2013.

Senate Bill 477 has been referred to the Senate Committee on Finance to authorize the subpoena authority.

**SENATE BILL 477**: Authorizes the Administrator of the Division of Health Care Financing and Policy of the Division of Health and Human Services to administer oaths, take testimony and issue subpoenas for the purposes of recovering Medicaid benefits paid on behalf of certain recipients. (BDR 38-1195)

Decision unit E-654, as amended, recommends a projected savings to the General Fund of approximately $975,000 in FY 2011-2012 and $914,000 in FY 2012-2013, resulting from the addition of various editing procedures to MMIS, including an upgrade of existing claim checking software and the National Correct Coding Initiative.

E-654 Program Limits or Rate Reductions — Page DHHS DHCFP-39

Decision unit E-680, as amended, recommends a General Fund reduction totaling approximately $4 million in FY 2011-2012 and about $3.8 million in FY 2012-2013 from recoveries resulting from the implementation of program integrity activities mandated by the Affordable Care Act.

E-680 New Revenue or Expenditure Offsets — Page DHHS DHCFP-41

I would like to note that this decision unit is a companion to the decision unit E-680 in B/A 101-3158.

Decision unit E-681, as amended, recommends a net General Fund reduction in the Medicaid program totaling approximately $837,000 in FY 2011-2012 and $775,000 in FY 2012-2013, resulting from changes in the drug rebate law as enacted in the Affordable Care Act.

E-681 New Revenue or Expenditure Offsets — Page DHHS DHCFP-41

Three changes have occurred in federal legislation which have impacted the drug rebate programs at the national and State levels.

First, the minimum amounts of national rebates for various classes of drugs have been increased, and the rebates have been allocated entirely to the federal government. Because Nevada had sidebar agreements with pharmaceutical companies resulting in rebate percentages that exceeded the national minimum, the *Executive Budget* anticipates a loss of the State share of approximately $2.7 million in supplemental rebates. Second, federal law now requires states to recover rebates on pharmaceuticals purchased by HMOs, which is projected, in the *Executive Budget*, to result in a $5.6 million cost savings for Nevada. Lastly, HMOs are expected to impose rate increases to offset the increased costs associated with the pharmaceutical purchases.

Do the Committees wish to approve each of the Governor's recommendations, as amended, to generate new revenues or to offset General Fund expenditures for the Medicaid account during the upcoming biennium?

SENATOR LESLIE:
In this case, I will make a motion that we accept the Governor's recommendation for each of these items. I would like to note, for the Committees, that S.B. 477, which has been referred to, has passed the Senate Committee on Health and Human Services. It was heard in the Senate Committee on Finance last night, and I believe we are on track regarding these items.

SENATOR LESLIE MOVED TO APPROVE DECISION UNITS E-328, E-654, E-680 AND E-681 AS AMENDED IN B/A 101-3243 AS RECOMMENDED BY THE GOVERNOR TO GENERATE NEW REVENUES OR TO OFFSET GENERAL FUND EXPENDITURES FOR THE MEDICAID PROGRAM DURING THE 2011-2013 BIENNIUM.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. SAKELARIOS:
On April 27, 2011, the Budget Division submitted a budget amendment recommending implementation of a care management program for the aged, blind and disabled which is projected to result in a total savings of approximately $11.2 million and a General Fund savings of approximately $4.5 million in FY 2012-2013.

Budget Amendment No. A00363 indicates that the cost savings is based on a study conducted by an independent contractor. This is a new decision unit that has not been previously discussed by the Joint Subcommittee. The study identified several possible models for Nevada to consider in providing more cost-effective and efficient care to its fee-for-service population.

The Division indicates that it is still in the planning stages for the recommended care management program. The approach the Division is proposing at this time is to provide care coordination as an administrative function within the existing fee-for-service program. This type of approach does not appear to require any upfront costs. Staff would note that there are no upfront costs included in the budget amendment. The Division has not yet determined if the program will be voluntary or mandatory. They also indicate that they are working with CMS to determine if CMS's approval is required prior to implementation.

According to the Division, the care coordination program would not be limited to individuals who are aged, blind or disabled. In order to achieve the savings projected in the report, the Division would need to cover approximately 18,000 individuals. This is the figure the consulting firm used to determine the criteria for including people in the care management program.

The Division intends to issue an RFP to reprocure the current managed care program. The RFP is tentatively planned to be released in July 2011, and the contract would begin on July 1, 2012. The Division noted that the previous care management contract was not renewed last year.

Because this is a new item with significant budgetary impact and it has not been previously reviewed by the Joint Subcommittee, the Committees may wish to have representatives of DHHS provide brief testimony in support of the proposal.

Do the Committees wish to approve the Governor's recommendation, as amended, to implement a care management program for the aged, blind and disabled? If the measure is approved, the Committees may wish to consider issuing a letter of intent to require the Division to report to IFC on a quarterly basis regarding their progress in implementing the program. Additionally, provisions may need to be added to the Appropriations Act to provide the Department with the flexibility to move funds from one division to another so that the program can move forward.

CHAIR HORSFORD:
I would like to hear testimony from representatives of DHCFP on this issue.

ASSEMBLYWOMAN SMITH:
I would like to have a discussion of this issue on the record, as this is a new item to all of us.

MR. DUARTE:
The Division has been intending to implement a care management program for the aged, blind and disabled for quite a while. Several efforts have been made to do so.

In order to ensure that we fully understood the potential fiscal impact, we embarked on a number of studies, including one conducted by the University of

Nevada School of Medicine, to examine potential cost savings associated with care management.

We also contracted with Public Consulting Group to evaluate the potential of developing a care management program in association with the development of what are called "patient-centered medical homes" to better manage care for the fee-for-service population. This report has been submitted to the Legislative Counsel Bureau.

Quite often, we get caught up in discussions about putting aged, blind and disabled people in managed care. We are not bringing that to the table with this particular initiative. We are discussing the use of data to identify individuals who are at a high risk of using high-cost services. As a part of the study that was done by Public Consulting Group, they looked at people in our fee-for-service population, including those in the Temporary Assistance for Needy Families program and the Child Health Assurance Program. They identified 17,756 individuals who had, on average, 4 chronic conditions. Eighty-two percent of these people also had mental health conditions. The study identified this population as potentially eligible for the program. The contractor estimated a total savings of about $11.2 million over the course of a year, including General Fund savings of approximately $4.6 million. This has been included in the proposed decision unit.

The initiative would be completed through the procurement of a care management vendor who would work with the population beginning in FY 2012-2013. They would also be working with ongoing pilots for patient-centered medical homes which would help to offset some of the costs associated with this particular population.

We are recommending and looking to move forward with this hybrid approach. It would include the establishment of patient-centered medical homes, several pilots in 2011-2012 and the move onto a comprehensive care management program in 2013.

We would require the flexibility to move money between B/A 101-3243 and B/A 101-3158. There will be administrative costs, but we are estimating a net savings of approximately $4.6 million. We would need that flexibility to ensure that we can fund the contracts necessary for this initiative to proceed.

ASSEMBLYWOMAN CARLTON:
Is this going to be an HMO-based program?

MR. DUARTE:
We are not limiting ourselves to the possibility of an insurance-based or HMO-based program. We would not like to limit ourselves to a single approach.

What I am discussing today is an administrative service, rather than an insurance-based approach. The insurance-based approach you are describing would involve paying a monthly premium to an insurance company to manage care. In this administrative service, we would be paying a fee for managing patient care.

The difference is that, with an administrative service, there is no medical risk to the contractor. We are not paying them to accept risk, with the exception of contractual promises they might make. An HMO or an insurance company would have to be put at risk for the cost of medical care.

ASSEMBLYWOMAN CARLTON:
Are you implying that this is strictly an administrative issue which will not impact the day-to-day care of the population it seeks to serve?

MR. DUARTE:
My hope is that it will impact the day-to-day care of the population to the extent that it will reduce unnecessary levels of care. We will not only improve costs but we could potentially improve the quality of life for these individuals.

In terms of disrupting the relationship between patients and providers, it is possible that we might recommend that patients go to see other types of providers. We would work with the provider network to ensure those services can be rendered.

This is not an HMO program. It would not limit the provider network to what the HMO would provide. It would use the existing Medicaid, fee-for-service provider network.

ASSEMBLYWOMAN CARLTON:
In other words, they will use the existing provider network, and it may remain intact depending upon how the administrative changes and care coordination affect who they are seeing. Who, in the State, do you envision bidding on providing a service like this? I assume you would be submitting an RFP.

MR. DUARTE:
There are a number of companies across the Nation, and perhaps a few in Nevada, that are capable of performing these coordination of care activities, and do so in other state Medicaid programs as well as in commercial insurance programs. I believe that there are a wide array of entities that will be interested in bidding. I envision this as being a highly competitive bidding process.

ASSEMBLYWOMAN CARLTON:
Would you consider this care coordination to be similar to the responsibilities of a third-party administrator?

MR. DUARTE:
I do not envision this company performing third-party administration activities. The term "third-party administration" evokes claims payment, in my mind. Our current vendor, Hewlett-Packard Enterprise Services, will pay the claims. The new vendor will coordinate care. They may perform some utilization review, but they will not be paying claims, as a third-party administrator does.

ASSEMBLYWOMAN CARLTON:
Will they have the authority to deny care? Will patients have to go through a preauthorization process?

MR. DUARTE:
The vendor will have the authority to establish appropriate care plans which may include changes in services or reductions in services that are unnecessary. My general answer would be that, yes, care could be approved or denied as it is appropriate for the patient.

ASSEMBLYWOMAN CARLTON:
Different people have different views of what is appropriate for a patient. I am concerned about adding another level of oversight. I agree with the need for patient-centered medical homes. I agree with the need for care coordination and

patient navigators. However, I do not see the vendor as being the appropriate entity to determine where patients go for care. That should be a decision between the patients and the medical professionals. I am not sure that these care coordinators should have that authority.

This is a new item that was not discussed in the Joint Subcommittee. Any time we add another layer to patient care, particularly with this population, I will have questions.

MR. DUARTE:
I understand those concerns. I would like to note that patient-centered medical homes, alone, would not achieve the same savings that we could see through this proposal.

CHAIR HORSFORD:
I believe that this item is appropriate. Notwithstanding the concerns of Assemblywoman Carlton, we must seek innovative approaches.

This measure should be monitored and evaluated. There should be accountability and performance benchmarks.

I will accept a motion to approve this recommendation to implement the care management program for the aged, blind and disabled. If it should pass, we would include, in the motion, a letter of intent to require the Division to report to IFC on a quarterly basis and to work with Fiscal Staff to develop necessary language in the Appropriations Act that would facilitate the implementation of this measure.

> ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION AS AMENDED TO IMPLEMENT A CARE MANAGEMENT PROGRAM FOR THE AGED, BLIND AND DISABLED; AND TO ISSUE A LETTER OF INTENT REQUIRING DHCFP TO REPORT TO IFC ON A QUARTERLY BASIS AND WORK WITH FISCAL STAFF TO DEVELOP LANGUAGE IN THE APPROPRIATIONS ACT TO ALLOW TRANSFERS OF FUNDS IN ORDER TO FACILITATE THE IMPLEMENTATION OF THE PROPOSAL.
>
> SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
Decision unit M-501 recommends the allocation of $4.5 million of federal money in FY 2012-2013 to increase specific rates for primary care service providers, with a specialty designation of family medicine, general internal medicine or pediatric medicine.

M-501 Mandates — Page DHHS DHCFP-37

The Committees may recall that, as B/A 101-3158 was closed this morning, funding was requested to manually calculate the rate increases. Those actual rate increases are located in this budget account.

The Affordable Care Act requires that states pay no less than 100 percent of the Medicare rate beginning in January 2013. The rate increases for these specific primary care services will be 100 percent federally funded through December 31, 2014.

Do the Committees wish to approve the Governor's recommendation to increase the rates for specific primary care services provided by physicians with a specialty designation of family medicine, general internal medicine or pediatric medicine, as required by the Affordable Care Act?

SENATOR LESLIE MOVED TO APPROVE DECISION UNIT M-501 IN B/A 101-3243 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. SAKELARIOS:
Both of the items described at the bottom of page 25 of Exhibit C relate to the IGT account.

Decision unit E-699 recommends increasing the payments to public hospitals for outpatient, UPL program and payments to UMC for GME programs.

E-699 Budget Reductions — Page DHHS DHCFP-47

Budget Amendment No. A00261 recommends a General Fund reduction totaling $2.7 million in FY 2011-2012 and $3.5 million in FY 2012-2013 in association with this decision unit.

The next item is Budget Amendment No. A00350. This item is recommending a General Fund reduction in the base budget funding, totaling $14.6 million. This General Fund offset results from a corresponding increase in the transfer from the IGT account.

Do the Committees wish to approve E-699 and Budget Amendment No. A00350 as recommended by the Governor?

SENATOR LESLIE MOVED TO APPROVE DECISION UNIT E-699 AND BUDGET AMENDMENT NO. A00350 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS BASED ON THE ACTIONS TAKEN IN OTHER DHCFP AND DHHS ACCOUNTS AND FINAL DEPARTMENTAL COST ALLOCATIONS.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

MS. SAKELARIOS:
The closing information for the Nevada Check Up Program, B/A 101-3178, begins on page 27 of Exhibit C.

HHS-HCF&P – Nevada Check-Up Program — Budget Page DHHS DHCFP-23 (Volume II)
Budget Account 101-3178

As in the Medicaid account, the FMAP rate for Title XXI programs is calculated on an annual basis. A budget amendment has been submitted incorporating the FMAP changes for the Nevada Check Up Program.

According to the Federal Fund Information for States report from March 25, 2011, the revised, blended FMAP for the Nevada Check Up program is 68.54 percent in FY 2011-2012 and 71.49 percent in FY 2012-2013. These rates are slightly higher than the rates projected in the Governor's recommended budget.

As in the Medicaid account, the amendment for the Nevada Check Up account incorporates the adjusted FMAP rate increase across various decision units in the budget and includes other revenue and expenditure adjustments resulting from revised caseload projections and CPE adjustments.

As a result of the manner in which the budget amendment was constructed, the impact resulting solely from the revised FMAP is not easily isolated. The Committees should note, however, that the budget amendment, in its entirety, recommends a net General Fund reduction totaling approximately $406,000 during the course of the 2011-2013 biennium.

Do the Committees wish to approve the Governor's recommended General Fund reduction resulting from the revised FMAP provided in Budget Amendment No. A00235?

SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDED GENERAL FUND REDUCTION RESULTING FROM THE REVISED FMAP PROVIDED IN BUDGET AMENDMENT NO. A00235.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN OCEGUERA WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. SAKELARIOS:
The *Executive Budget* recommends approximately $813,000 in FY 2011-2012 and about $1.2 million in FY 2012-2013 for federally or contractually mandated rate increases for providers. These rate increases apply to HMOs and rural health centers.

The Governor also recommends a 3.4 percent increase in pharmacy rates in each year of the biennium for clients not enrolled in managed care, resulting in a General Fund increase of approximately $16,000 in FY 2011-2012 and about $21,000 in FY 2012-2013.

Budget Amendment No. A00235 adjusts the projected expenditures for the mandatory rate increases, which result in a General Fund appropriation increase totaling approximately $431,000 in FY 2011-2012 and $370,000 in FY 2012-2013. According to the Division, an actuarially determined rate increase for HMOs of 8.58 percent was approved effective January 2011. The approved rate increased the HMO capitated rates from $104.64 in calendar year 2010 to $113.62 in calendar year 2011.

The Division's actuary projects the HMO rates to increase by 1.5 percent in each fiscal year during the 2011-2013 biennium. This rate is attributed to an increase in the HMO capitated rates resulting primarily from utilization of dental services.

The CPE rate for fee-for-service recipients has increased during the current fiscal year compared to the projections that were available when the Governor's budget was presented. The CPE rate for these recipients has increased from $191.25 per recipient per month in FY 2009-2010 to $200.82 per recipient per month in FY 2010-2011, representing a 14.6 percent increase. The Division projects that the CPE rate for fee-for-service recipients will increase by an additional 1.7 percent in each FY of the upcoming biennium. Similar to the increase in HMO rates, the Division attributes this increase for fee-for-service CPE rates to an increase in the utilization of dental services.

The budget amendment projects expenditures for HMO capitation rates to increase from $105.00 per participant per month in FY 2009-2010 to $115.00 per participant per month in FY 2011-2012 and $117.00 per participant per month in FY 2012-2013.

Do the Committees wish to approve the provider rate increases as recommended by the Governor for the Nevada Check Up Program providers during the upcoming biennium, as proposed in Budget Amendment No. A00235?

> ASSEMBLYWOMAN MASTROLUCA MOVED TO APPROVE THE PROVIDER RATE INCREASES AS RECOMMENDED BY THE GOVERNOR FOR THE NEVADA CHECK UP PROGRAM PROVIDERS DURING THE UPCOMING BIENNIUM AS PROPOSED IN BUDGET AMENDMENT NO. A00235.
>
> SENATOR LESLIE SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN OCEGUERA WAS ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. SAKELARIOS:
The *Executive Budget*, as amended, recommends a net reduction totaling approximately $590,000 in FY 2011-2012 and a net increase of approximately

$89,000 in FY 2012-2013 for adjustments to the costs associated with the projected caseload growth in the Nevada Check Up program over the course of the 2011-2013 biennium.

According to the revised caseload projections, caseloads are projected to decrease by approximately 0.67 percent in FY 2011-2012 compared to the caseload projections for FY 2010-2011. The projections indicate an increase of 1.3 percent in FY 2012-2013 compared to FY 2011-2012.

The table on page 29 of Exhibit C compares the caseload projections from the *Executive Budget* with the revised caseload projections presented in the amendment. The amended caseload projections result in a General Fund decrease of approximately $418,000 in FY 2011-2012 and $649,000 in FY 2012-2013.

Based on the information provided by the Agency, the caseload projections for the upcoming biennium, as presented in the budget amendment, appear reasonable. Do the Committees wish to approve the Governor's recommended caseload projections, as amended, for the Nevada Check Up program during the upcoming biennium?

> SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDED CASELOAD PROJECTIONS AS AMENDED FOR THE NEVADA CHECK UP PROGRAM DURING THE UPCOMING BIENNIUM.
>
> ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

CHAIR HORSFORD:
Are the parents who participate in the Nevada Check Up Program involved, in any way, with Silver State Works? They should be. These people are the working poor. If we get them back to work at a higher rate, they will not need to be in this program and we can provide the services to others.

SENATOR KIECKHEFER:
Why does the caseload decrease in both years, but the costs are increasing in the second year?

MS. SAKELARIOS:
The CPE are increasing, offsetting the decreasing caseload projections.

CHAIR HORSFORD:
The variable factor in this situation is employment. If we are able to find employment for people who are currently on Medicaid, we will see increased enrollment in the Nevada Check Up program.

That is not factored into this item. The item is implying that employment will not improve, and people will continue to be in the same situations. I believe that it is likely to change, however.

> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN OCEGUERA WAS ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. SAKELARIOS:
The *Executive Budget* recommends reducing expenditures by eliminating nonemergency transportation as a covered medical service for Nevada Check Up recipients. Nonemergency transportation services are an optional service for, the program. Services are not being extensively utilized at this point in time, and do not appear to be cost-effective. The Nevada Check Up Program was paying a capitated rate of approximately $4.08 per recipient per month based on an average caseload per month. The service is being used by approximately 20 clients per month, while the Nevada Check Up program is paying for over 20,000 people to use it per month.

Senate Bill 429 makes contracting for transportation services through the Children's Health Insurance Program discretionary. That bill has been referred to the Senate Committee on Health and Human Services.

**SENATE BILL 429**: Revises the authority of the Division of Health and Human Services to contract for transportation services for the recipients of services under the Children's Health Insurance Program. (BDR 38-1197)

A budget amendment has been submitted to revise the amount of the reduction recommended in decision unit E-652.

E-652 Program Limits or Rate Reductions — Page DHHS DHCFP-27

According to the amendment, eliminating nonemergency transportation services would reduce expenditures by approximately $1 million in FY 2011-2012 and approximately another $1 million in FY 2012-2013. Compared to the amount originally recommended in the *Executive Budget*, the amended projections reduce the amount of the projected General Fund savings by approximately $17,000 in FY 2011-2012 and $38,000 in FY 2012-2013.

Do the Committees wish to approve the Governor's recommendation, as amended, to eliminate nonemergency transportation for Nevada Check Up recipients during the upcoming biennium?

ASSEMBLYWOMAN MASTROLUCA:
We discussed this issue at length in the Joint Subcommittee on Human Services and Capital Improvements. We recognized that there is a great discrepancy between the number of patients utilizing the service and the number the budget allows.

I am still concerned, however, about the small number of people who actually use the service. We discussed the possibility of having this information tracked to ensure that the impact of the reduction will be as small in scope as is indicated in the amendment. I would ask that we have a report made to IFC on this item during the upcoming biennium.

> ASSEMBLYWOMAN MASTROLUCA MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION AS AMENDED TO ELIMINATE NONEMERGENCY TRANSPORTATION FOR NEVADA CHECK UP RECIPIENTS DURING THE UPCOMING BIENNIUM; AND TO ISSUE A LETTER OF INTENT REQUIRING THE DIVISION TO MAKE A REPORT TO IFC ON THE IMPACT OF THE REDUCTION.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. SAKELARIOS:
The next section of Exhibit C concerns budget reduction measures. These will be similar to reductions that were previously discussed in the Medicaid account. Based on Budget Amendment No. A00235, these recommendations would reduce General Fund appropriations by approximately $259,000 in FY 2011-2012 and $238,000 in FY 2012-2013.

Decision unit M-160, as amended, recommends reducing expenditures by approximately $277,000 in FY 2011-2012 and $281,000 in FY 2012-2013 by continuing the rate reductions that were previously approved for anesthesia services during the Twenty-sixth Special Session.

M-160 Position Reductions Approved During Biennium — Page DHHS DHCFP-25

Decision unit E-651, as amended, recommends reducing expenditures by approximately $30,000 in FY 2011-2012 and an additional $30,000 in FY 2012-2013 by reducing the rates paid to inpatient hospitals, inpatient psychiatric facilities, and specialty inpatient hospitals by 5 percent.

E-651 Program Limits or Rate Reductions — Page DHHS DHCFP-26

Decision unit E-691, as amended, recommends reducing expenditures by approximately $48,000 in FY 2011-2012 and approximately $49,000 in FY 2012-2013 by reducing the rates paid to nonprimary care physicians by 15 percent.

E-691 Budget Reductions — Page DHHS DHCFP-29

Decision unit E-692, as amended, recommends reducing the rate paid to outpatient hospitals by 15 percent, resulting in a savings totaling $33,000 in FY 2011-2012 and $34,000 in FY 2012-2013.

E-692 Budget Reductions — Page DHHS DHCFP-29

Decision unit E-693, as amended, recommends reducing expenditures by approximately $1,000 in FY 2011-2012 and an additional $1,000 in FY 2012-2013 by reducing the rates paid for physician assistants, nurse midwives and nurse practitioners by 15 percent.

E-693 Budget Reductions — Page DHHS DHCFP-30

Decision unit E-694, as amended, recommends reducing expenditures by approximately $413,000 in FY 2011-2012 and $418,000 in FY 2012-2013 by reducing the rates paid for dental services, durable medical equipment and disposable medical supplies by 25 percent.

E-694 Budget Reductions — Page DHHS DHCFP-30

Decision unit E-697, as amended, recommends reducing expenditures by $22,000 in FY 2011-2012 and an additional $22,000 in FY 2012-2013 by reducing rates paid to ambulatory surgical centers, ambulance services and end-stage renal disease services by 15 percent.

E-697 Budget Reductions — Page DHHS DHCFP-31

Do the Committees wish to approve the other budget recommendations as recommended by the Governor and as amended?

SENATOR LESLIE:
I believe that we should stay consistent between Nevada Check Up and Medicaid. In this case, I would move to accept decision unit M-160, because it is a continuation of a Special Session budget reduction measure. I would reject decision units E-651, E-691, E-692, E-693, E-694 and E-697. I would also move to approve the requested technical adjustments.

SENATOR LESLIE MOVED TO APPROVE DECISION UNIT M-160 IN B/A 101-3178 AS RECOMMENDED BY THE GOVERNOR; TO REJECT THE GOVERNOR'S RECOMMENDATION IN DECISION UNITS E-651, E-691, E-692, E-693, E-694 AND E-697; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

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MS. SAKELARIOS:
The *Executive Budget* recommends expenditures totaling $146,000 in FY 2011-2012 and $154,000 in FY 2012-2013 resulting from changes in the drug rebate law enacted through the Affordable Care Act.

The Committees should note that the Children's Health Insurance Program does not have rebate agreements. Therefore, the State will not lose revenue from rebates being diverted to the federal government. The State is required, however, to recover rebates from pharmaceuticals purchased through HMOs. The Agency anticipates that this will result in increased HMO rates.

A budget amendment was submitted revising the recommended expenditures associated with these changes. It recommends expenditures totaling $156,000 in FY 2011-2012 and $165,000 in FY 2012-2013. Compared to the amounts originally recommended in the *Executive Budget,* the amended projections increase the General Fund appropriations by $3,204 in FY 2011-2012 and $1,324 in FY 2012-2013.

Do the Committees wish to approve the Governor's recommendation, as amended, to increase the revenue in the Nevada Check Up account based on changes in the drug rebate law enacted through the Affordable Care Act?

SENATOR LESLIE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION AS AMENDED TO INCREASE THE REVENUE IN THE NEVADA CHECK UP ACCOUNT BASED ON CHANGES IN THE DRUG REBATE LAW ENACTED THROUGH THE AFFORDABLE CARE ACT.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. SAKELARIOS:
There are several other closing items in this account. The first is concerning decision unit E-275 which recommends net General Fund appropriations of $846 during the biennium to purchase DocRecord software.

E-275 Best Use of Technology — Page DHHS DHCFP-26

This software will allow the Nevada Check Up program to process premiums in-house and discontinue utilization of a bank lockbox contract. The Agency indicates that this will improve efficiency of premium processing.

Decision unit E-901 recommends the transfers of expenditures allocated among multiple programs from the Nevada Check Up account to the Administration account to streamline cost allocation, budgeting and accounting processes.

E-901 Transfer from NV Check-Up to DHCFP Administration — Page DHHS DHCFP-31

Based on information provided by the Agency, both of these recommendations appear reasonable. Do the Committees wish to approve the other closing items as recommended by the Governor?

SENATOR LESLIE MOVED TO APPROVE DECISION UNITS E-275 AND E-901 IN B/A 101-3178 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL

ADJUSTMENTS BASED ON ACTIONS TAKEN IN OTHER DHCF AND DHHS ACCOUNTS AND FINAL DEPARTMENT COST ALLOCATIONS.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MS. SAKELARIOS:
The next account to be closed is the Health Insurance Flexibility and Accountability (HIFA) Medical account, B/A 101-3247.

HHS-HCF&P – HIFA Medical — Budget Page DHHS DHCFP-49 (Volume II)
Budget Account 101-3247

A description of this closing begins on page 33 of Exhibit C. The *Executive Budget* recommends the termination of the HIFA waiver program when the waiver expires on November 30, 2011. The Children's Health Insurance Program Reauthorization Act of 2009 limits coverage for adults and prohibits new waivers for parent coverage. States may continue covering parents utilizing waivers through FY 2010-2011. Senate Bill 452, which eliminates the HIFA waiver demonstration initiative currently defined in statute, was referred to the Senate Committee on Finance on April 4, 2011.

**SENATE BILL 452**: Eliminates the Medicaid waiver carried out pursuant to the Health Insurance Flexibility and Accountability demonstration initiative. (BDR 38-1198)

The *Executive Budget* projects savings of Title XXI funding in the amount of $600,169 in FY 2011-2012 and $1,034,874 in FY 2012-2013. This money will remain allocated to Nevada for use in the Nevada Check Up program.

According to the Agency, in their Expanded Program Narrative in FY 2009-2010, the average monthly enrollment for pregnant women was 188 and the average monthly enrollment for the Employees Subsidies Insurance (ESI) program was 9. As of December 2010, there were 121 pregnant women and 9 families in the program. The enrollment for the pregnant women is capped at 150.

The Agency will begin winding down activities on or around June 1, 2011. Those activities include posting public notices and contacting current enrollees. Specifically, pregnant women will be advised that their coverage will continue through two months postpartum, and ESI participants will be offered information on resources such as the Access to Health Care Network and Nevada's 2-1-1 information system. This should assist them in identifying other health care coverage options.

Additionally, the Agency indicates that it will not enroll new recipients in either program beginning June 1, 2011.

The Agency anticipates that fewer than five women will remain eligible for services following the expiration of the waiver in November 2011. It has been confirmed by CMS that the State will continue to receive federal match for all eligible women who were enrolled in HIFA through two months postpartum, even after the waiver expires.

The Agency confirmed that the coverage of pregnant women who are at 133 percent of the federal poverty level or below will continue in the Medicaid program. Medicaid allows states the option to provide coverage to pregnant women between 133 percent and 185 percent of the federal poverty level. Coverage for the optional group would become an entitlement, and the federal match rate would be at a lower rate compared to the Title XXI rate.

The Agency indicated that it had previously done projections on what it would cost to add this entitlement to the Medicaid program. It would come out to approximately $1 million in General Fund money.

Do the Committees wish to approve the elimination of the HIFA waiver program, as recommended by the Governor due to the expiration of the waiver on November 30, 2011?

SENATOR LESLIE MOVED TO APPROVE THE ELIMINATION OF THE HIFA WAIVER PROGRAM IN B/A 101-3247 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL ADJUSTMENTS BASED ON THE ACTIONS TAKEN IN OTHER DHCFP AND DHHS ACCOUNTS AND FINAL DEPARTMENT COST ALLOCATIONS.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MS. SAKELARIOS:
The next account is the HIFA Holding Account, B/A 101-3155.

HHS-HCF&P – HIFA Holding Account — Budget Page DHHS DHCFP-1 (Volume II)
Budget Account 101-3155

Due to the elimination of the HIFA waiver program, changes must be made to this account. This will result in General Fund appropriation reductions totaling $141,097 in FY 2011-2012 and $233,400 in FY 2012-2013.

Decision unit E-661 also eliminates the transfer from the Indigent Supplemental Account, B/A 628-3244, totaling $141,096 in FY 2011-2012 and $233,399 in FY 2012-2013.

E-661 Program Reductions/Reductions to Services — Page DHHS DHCFP-1

HHS-DO – Indigent Supplemental Account — Budget Page DHHS DIRECTOR-39 (Volume II)
Budget Account 628-3244

Do the Committees wish to approve the elimination of the HIFA waiver program when the waiver expires on November 30, 2011, as recommended by the Governor?

SENATOR LESLIE MOVED TO APPROVE THE ELIMINATION OF THE HIFA WAIVER PROGRAM IN B/A 101-3155 WHEN THE WAIVER EXPIRES ON NOVEMBER 30, 2011 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR RHOADS WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. SAKELARIOS:
The next account is the Increased Quality of Nursing Care account, B/A 101-3160.

HHS-HCF&P – Increased Quality of Nursing Care — Budget Page DHHS DHCFP-21 (Volume II)
Budget Account 101-3160

This account receives funding through the imposition of a provider tax paid by long-term care providers. The tax is used as match for federal funding and is then applied toward increasing reimbursement rates to skilled-nursing facilities. This account functions similarly to the IGT account.

Originally, the Governor’s budget recommended a $20 reduction in per bed day funding. The Committees voted not to approve that item in the Medicaid account. Staff would recommend closing this account based on actions from that closing.

SENATOR LESLIE MOVED TO CLOSE B/A 101-3160 TO REFLECT THE DECISIONS MADE IN THE CLOSING OF THE MEDICAID ACCOUNT; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL ADJUSTMENTS BASED ON ACTIONS TAKEN IN OTHER DHCFP AND DHHS ACCOUNTS AND FINAL DEPARTMENT COST ALLOCATIONS.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HARDY VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATOR RHOADS WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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JOI DAVIS (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

I will present the closing for the Indigent Supplemental Account, B/A 628-3244, which begins on page 40 of Exhibit C.

The first major closing issue is concerning the redirection of property tax proceeds to offset General Fund shortfalls. The Governor recommends property tax proceeds from this account, budgeted at $19.6 million in FY 2011-2012 and $19.8 million in FY 2012-2013, be redirected to the General Fund to offset shortfalls. Previously, these funds would have been used to reimburse Nevada counties for indigent hospital care.

Assembly Bill 529, which is currently in the Assembly Committee on Ways and Means, would authorize this money to be used for any purpose by the Legislature.

**ASSEMBLY BILL 529**: Revises provisions relating to the Fund for Hospital Care to Indigent Persons. (BDR 38-1194)

During a budget hearing before the Joint Subcommittee on Human Services and Capital Improvements on February 11, 2011, representatives from the University Medical Center in Las Vegas and the Nevada Hospital Association testified that the redirection of these revenues would impact the quality and quantity of services provided.

Additionally, during a Work Session on this budget, the Division provided information which is included on pages 43 and 44 of Exhibit C. This data presents the amounts of claims on indigent care that were not paid at various county hospitals. Since December 2008, approximately $112.6 million in property tax proceeds collected for this account have been diverted to the General Fund, leaving minimal amounts of funding for this purpose over the past three years.

Fiscal Staff has updated the revenue projections for property tax revenue. This has been reflected in Exhibit C. New projections show a decrease in revenue of $408,641 in FY 2011-2012 and $560,387 in FY 2012-2013. This reduces the Governor's recommended redirection to $19.1 million in FY 2011-2012, in contrast with the $19.6 million that was originally projected. In FY 2012-2013, the amount would be $19.2 million, in contrast to the projection of $19.8 million.

Do the Committees wish to approve the redirection of property tax proceeds of approximately $19.1 million in FY 2011-2012 and $19.2 million in FY 2012-2013 from the Indigent Supplemental Account to the State General Fund?

ASSEMBLYWOMAN MASTROLUCA:
This is another example of an item with a wide-ranging effect. By continuing to take money from this account, we will force hospitals to forego reimbursements which will cause service rates and insurance rates to rise. This is a deplorable cycle. The money was not intended to be diverted from this account.

In the place we find ourselves today, however, I do not see another solution. I will support a motion to approve this item, but I will not make it.

SENATOR LESLIE:
I agree. This is something that we should not do. In my meetings with hospital representatives, however, it has been indicated that the hospitals prefer the measures we have already taken because they generate additional revenue. There is a ripple effect where they can take the reimbursements and create more money for the health care system.

The Governor is asking that we sweep this account permanently. I do not support that in any way. It was never the intent to do that the first time we redirected money from this account. This is another example of something we have done when desperate that is now being recommended as a permanent change.

I know that the bill dealing with this issue is currently in the Assembly Committee on Ways and Means. I would support a motion to approve the Governor's recommendation with the understanding that it will not be permanent.

ASSEMBLYWOMAN SMITH:
To follow up on Senator Leslie's comment, we do currently have A.B. 529 in the Assembly Committee on Ways and Means. We are examining amendments that would make this a temporary redirection and limit the scope. I have serious concerns about doing anything that might broaden the redirection or make it a permanent move.

CHAIR HORSFORD:
The attached data on page 43 is from FY 2009-2010. It shows that approximately $116 million in indigent claims have been submitted to hospitals participating in the program. Is that correct?

MS. DAVIS:
That is correct. These are the amounts that would have been reimbursed.

CHAIR HORSFORD:
The Indigent Supplemental Account, as proposed to be redirected, is $19.1 million in FY 2011-2012 and $19.2 million in FY 2012-2013. Beyond that amount, these hospitals are providing the services without compensation, is that correct?

MS. DAVIS:
That is my understanding, yes.

CHAIR HORSFORD:
This is approximately $90 million in uncompensated care.

ASSEMBLYMAN KIRNER:
Patients receive bills from the hospitals at one rate but they are reimbursed at another rate. Are these the billing rates or are these the net costs? Almost no one pays the billing rates.

MR. WILLDEN:
It is my understanding that these figures represent billed charges.

SENATOR LESLIE:
We must remember that billed charges are how the hospitals recover funding for all of the people who do not pay. The system works together, as a whole. These are billed charges, and they are not being compensated.

CHAIR HORSFORD:
This is a $19 million tax on these hospitals. This is money that they were going to receive as compensation. They still must provide the care, but it will now be provided without reimbursement.

There are taxes throughout this budget, and this is one of them. This could make or break some of these hospitals. For some of the other hospitals that are already struggling financially, this creates an additional burden for them in balancing their books.

> SENATOR LESLIE MOVED TO ACCEPT THE GOVERNOR'S RECOMMENDATION TO REDIRECT PROPERTY TAX PROCEEDS FROM B/A 628-3244 TO THE GENERAL FUND WITH THE UNDERSTANDING THAT AN AMENDMENT WILL BE MADE TO A.B. 529 PREVENTING THIS MEASURE FROM BEING PERMANENT.

MR. COMBS:
I would like to clarify a point on A.B. 529. The bill authorizes the money to be used for any purpose deemed appropriate by the Legislature. That provision

could be marked to sunset, but it is not clear from the language of the bill that it is the Administration's intent for the measure to continue beyond the biennium.

SENATOR LESLIE:
That being the case, I will defer to the Assembly Committee on Ways and Means in handling the policy measures of that bill.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN ATKINSON AND CARLTON VOTED NO.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. DAVIS:
The next item is concerning the transfer for the HIFA waiver program. The *Executive Budget* inadvertently excluded a $96,246 transfer from B/A 628-3244 to the HIFA Holding Account, B/A 101-3155, in FY 2011-2012 to continue support for the HIFA program through November 30, 2011. To effectuate this transfer, the Budget Division has submitted Budget Amendment No. A00243. The Joint Subcommittee on Human Services and Capital Improvements approved that amendment.

HHS-HCF&P – HIFA Holding Account — Budget Page DHHS DHCFP-1 (Volume II)
Budget Account 101-3155

Do the Committees wish to approve Budget Amendment No. A00243, transferring $96,246 from the Indigent Supplemental Account to the HIFA Holding Account, B/A 101-3155, in FY 2011-2012?

SENATOR LESLIE MOVED TO APPROVE BUDGET AMENDMENT NO. A00243 AS RECOMMENDED BY THE GOVERNOR, TRANSFERRING $96,246 FROM B/A 628-3244 TO B/A 101-3155 IN FY 2011-2012.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. DAVIS:
The last item for this account is concerning the continuation of the Nevada Association of Counties (NACO) contract. The Governor recommends continuing funding of $60,000 in each year of the biennium to allow NACO to continue to administer the claims for this budget.

Currently, the NACO contract is in effect until June 30, 2013. This contract provides for the review and verification of the hospital applications for reimbursement, maintenance of board records and training for the counties.

The Agency has indicated that it is important for NACO to continue administering indigent claims because funds in excess of the amounts proposed to be swept may be available for claims payments. The Association has indicated that there is an interest in continuing to compile data regarding uncompensated medical care for the indigent.

Staff would note that the Subcommittee recommended that this item be approved. Do the Committees wish to approve $60,000 in each year of the upcoming biennium to continue the NACO contract?

ASSEMBLYMAN GOICOECHEA MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR CONTINUING THE $60,000 PER YEAR CONTRACT WITH NACO FOR THE ADMINISTRATION OF INDIGENT CLAIMS THROUGH THE UPCOMING BIENNIUM.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

CHAIR HORSFORD:
We will now move on to a discussion of accounts in the Nevada Department of Corrections (NDOC).

MARK KRMPOTIC (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
Information on the next set of accounts is located in a separate closing list (Exhibit D) and has been submitted to Committee Staff.

SARAH COFFMAN (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
Before discussing individual accounts, I will discuss several agency-wide issues. The decisions made on these issues will affect each of the other budgets within NDOC.

The discussion of the closure of the Nevada State Prison (NSP) and the Wells Conservation Camp (WCC) will occur in the resolution of the second major closing issue as it is listed on page 1 of Exhibit D. This item is concerning the bed capacity and housing plan for inmates.

On page 1 of Exhibit D, the first major closing issue is the revised inmate projection populations. The population projections developed by the consulting firm JFA Associates in September of 2010 were used to develop the NDOC long-range Capital Improvement Project (CIP) plan and, subsequently, the Department's 2011-2013 Biennium Plan.

In February 2011, an update was provided by JFA on those population projections. These new numbers reflected a lower number of inmates projected to need housing during 2011-2013 biennium.

The *Executive Budget* was constructed based on an inmate population of 12,751 inmates in FY 2011-2012 and 12,789 inmates in FY 2012-2013. With the February 2011 revisions, the inmate population is now estimated to be 12,568 in FY 2011-2012 and 12,575 in FY 2012-2013.

The Budget Division has submitted several budget amendments reflecting these revisions to the caseload and the inmate-driven costs. With the various revisions to the budget amendments, there would be a reduction of total funding of $515,399 in FY 2011-2012 and $628,863 in FY 2012-2013. I would point out that Staff has provided the Committee with a loose-leaf table (Exhibit E) documenting the inmate driven costs for the upcoming biennium. The columns compare the Governor's recommendations to the revised numbers.
There are several factors that have contributed to the decrease in the inmate population. Much of the drop can be attributed to the effects of Assembly Bill No. 510 of the 74th Session. This Legislation provided an increase to the amount of good time and program credits offered to offenders, and allowed those credits to be applied to both minimum and maximum sentences.

Assembly Bill 136 would extend these good time credits to Category B felons.

**ASSEMBLY BILL 136 (1st Reprint)**: Revises provisions governing credits for offenders sentenced for certain crimes. (BDR 16-634)

Based on this information, Staff recommends approval of the revised inmate populations as presented in the February 2011 updated report from JFA Associates.

CHAIR HORSFORD:
Despite the fact that there is an overall decrease in the inmate population, the net effect of the Governor's budget is to effectuate an overall increase in funding compared to two years ago. Is that correct?

MS. COFFMAN:
That is correct. There were some differences in the inmate-driven costs. The cost per inmate for food and clothing and other similar items has risen. While the population has decreased, the rates associated with the variable costs have increased.

CHAIR HORSFORD:
Two years ago, $72 million in ARRA funding was allocated to NDOC from the State Fiscal Stabilization Account, B/A 101-1007. Is it correct that the Governor has recommended the restoration of that amount?

State Fiscal Stabilization Account — Budget Page ELECTED-12 (Volume I)
Budget Account 101-1007

MS. COFFMAN:
That is correct. That funding was restored. The recommended budget reductions were taken on top of that.

CHAIR HORSFORD:
I would like to reiterate a point that I have made several times this Session. A budget reflects priorities. The Governor, in his budget, has chosen to restore all of the ARRA money that was provided to NDOC. On top of that, because of inflationary costs, there is a net increase of funding to NDOC.

In contrast, the Governor did not restore funding for education. The one-time funding was lost.

This illustrates my greatest concern with this budget. The priorities are skewed. We will guarantee that there is a prison cell waiting for somebody, but we will not guarantee that people will have access to college or to a classroom with an adequate student-to-teacher ratio.

> ASSEMBLYMAN OCEGUERA MOVED TO APPROVE THE REVISED INMATE-DRIVEN COSTS REFLECTING THE REVISED FEBRUARY 2011 INMATE POPULATION PROJECTION DEVELOPED BY JFA ASSOCIATES.
>
> SENATOR PARKS SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HOGAN WAS ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. COFFMAN:
The next major issue concerns the bed capacity and housing plan for inmates. The Governor's original recommendation reflects a net decrease of 80 open beds over the 2011-2013 biennium. However, with the February 2011 revised inmate population projections, the budget now reflects a net decrease of 437 open beds over the 2011-2013 biennium. Staff has provided a table on the bottom of page 2 of Exhibit D which gives a summary of where those reductions will occur.

The Department's long-range CIP projections no longer reflect the closure of Northern Nevada Restitution Center or the simultaneous opening of Eagle's Nest during the 2011-2013 biennium. Staff will note that the Department is now recommending a May 2014 opening date for the Eagle's Nest facility.

As has been indicated, the Governor's housing plan includes the closure of NSP, the reopening of two vacant housing units at High Desert State Prison (HDSP) and the closure of WCC. The Governor is recommending the closure of NSP in a series of three phases to be completed by October 31, 2011. As part of the closure, the *Executive Budget* reflects the elimination of 103 positions at NSP, 3 positions within the prison medical account and 6 additional positions throughout the Department.

Originally, the *Executive Budget* indicated that this would provide a $7.4 million savings in FY 2011-2012 and an $8.7 million savings in FY 2012-2013. However, on March 28, 2011, the Budget Division submitted a budget amendment which revised the mothballing costs associated with the closure. This amendment also eliminated four additional positions that were originally recommended for transfer and revised the projected inmate population. As a result, the closure of NSP is now projected to save $7.8 million in FY 2011-2012 and $9.5 million in FY 2012-2013.

As part of the closure plan, the Department is recommending the transfer of 59 positions and approximately 578 inmates to HDSP. There are currently 682 inmates at NSP. The remaining 104 will be transferred among various institutions, including Southern Desert Correctional Center, Warm Springs Correctional Center, Ely State Prison, Lovelock Correctional Center and Northern Nevada Correctional Center.

The Governor is recommending the transfer of 27 positions from NSP to other facilities. The Department has provided a prioritization list of those 27 positions. That transfer list can be found on page 9 of Exhibit D. These position transfers are explained more thoroughly in the closing documents for each of the individual accounts receiving the transfers. Staff would recommend that those transfers be considered by the Committees during the closings of those respective budgets, providing that the recommendation to close NSP is approved.

On page 4 of Exhibit D, there is a discussion of the mothballing costs for the facility. Originally, the mothball costs associated with closing NSP were projected to be $932,611 in FY 2011-2012 and $680,224 in FY 2012-2013. However, the State Public Works Board has recommended that the Department no longer heat or cool the facilities once they are closed, reducing the mothballing costs to $758,610 in FY 2011-2012 and $199,822 in FY 2012-2013.

I would note that, at the Joint Subcommittee hearing on this item, NDOC indicated that if NSP is closed for more than two years, the State Public Works Board believes that the structure will be damaged beyond repair. After two years of closure, the facility would have to remain closed indefinitely.

The majority of all close or maximum-security inmates are housed at Ely State Prison. However, some maximum-security inmates have historically been housed in Unit 12 at NSP to receive medical care or to attend court proceedings. Unit 12 holds approximately 40 inmates and requires 15 staff members for its operation.

According to NDOC, because of the mandatory furloughs and the recently implemented hiring freeze, the Department has decided to close Unit 12 and move some of the maximum-security inmates to Unit 7A at Northern Nevada Correctional Center (NNCC). They will have to upgrade the security status of that housing unit at NNCC. Unit 7A currently has 84 single-cell beds and is staffed with 13 correctional officers.

The Department has indicated that it has temporarily transferred two senior correctional officers and two correctional officers from NSP to NNCC to enhance the security at Unit 7A. These position transfers will be more thoroughly addressed in the NNCC budget closing.

The Governor is recommending that the license plate factory and the print shop continue to operate at NSP. The Department is recommending that it be allowed to shuttle minimum-security inmates from the Stewart Conservation Camp to the facilities at NSP. They have elected to use minimum-security inmates to run these programs because they require less supervision and they can be transferred more easily.

Nevada State Prison has the State's only execution chamber. If an execution is required the Department would temporarily open up the chamber unit to perform the execution. That operation would not be transferred to a different facility.

In order to facilitate the closure of NSP, the Governor originally recommended $5 million in FY 2011-2012 and $5.1 million in FY 2012-2013 to reopen, populate and staff two vacant housing units at HDSP which has a total of 672 medium-security beds. However, the Budget Division has submitted budget Amendment No. A00194 which increased General Fund appropriations by $412,812 in each year of the biennium for utility costs that were not accounted for in the Governor's original budget.

In addition, the amendment increased funding by $65,804 in FY 2011-2012 and decreased funding by $11,395 in FY 2012-2013 to adjust for the revisions that were made in accordance with JFA Associates' final inmate population projections.

The amendment also increased General Fund appropriations by $1,880 in FY 2011-2012 and $1,889 in FY 2012-2013 to ensure HDSP's new boiler meets the U.S. Environmental Protection Agency's air quality standards.

With the noted adjustments, the revised General Fund appropriations needed to reopen, staff and populate HDSP's two vacant housing units has increased to $5.4 million in FY 2011-2012 and $5.5 million in FY 2012-2013.

As has been previously indicated, the Governor recommends transferring 59 positions from NSP to HDSP. There is a table on page 5 of Exhibit D that shows the positions that will be transferred to HDSP. Three protective service positions with 5-day posts will be transferred, along with 45 correctional officers with 7-day posts. Seven professional staff, meaning caseworkers; three skilled craft workers, meaning maintenance employees; and one food service supervisor will also be transferred.

The last major issue pertaining to the Governor's housing plan relates to the closure of WCC.

The *Executive Budget* originally provided for the closure of WCC, effective August 1, 2011. This measure would eliminate 150 minimum-security beds and 12 positions, of which 9 are currently filled. At the time, this was projected to result in a General Fund savings of $994,952 in FY 2011-2012 and $1.08 million in FY 2012-2013.

On March 28, 2011, the Budget Office submitted Budget Amendment A00185, reflecting the final inmate population projections. As a result, General Fund savings are now projected to be $1.1 million in FY 2011-2012 and $1.2 million in FY 2012-2013. The amendment also includes adjustments to the mothballing costs.

According to JFA Associates' final inmate population adjustments, the minimum-custody male inmate population will be 1,482 at the end of FY 2011-2012 and 1,483 at the end of FY 2012-2013. The Department's long-range CIP report for male inmates indicates that NDOC will have 1,934 minimum-custody beds available at the end of FY 2012-2013.

If WCC were closed, there would still be 1,784 beds available for minimum-custody inmates throughout the system, with 301 beds being empty at the end of FY 2012-2013. On April 27, 2011, the Budget Division submitted Budget Amendment No. A00331 which added back General Fund appropriations of $1.1 million in FY 2011-2012 and $1.2 million in FY 2012-2013 to restore the operating budget and maintain the operations of WCC through the biennium. There were also 12 accompanying budget amendments submitted by the Budget Office which reflect the various transfers back to WCC that would need to take place in order to restore operations. The amendment also provided funding for replacement equipment totaling $21,412 and deferred maintenance expenditures of $8,424. This last item includes funding for replacement of windows, an oven and a kitchen griddle.

This request is not discussed anywhere in Exhibit D as it was discovered after the document was prepared.

If the restoration of WCC's operating budget was approved, the Department would maintain the 1,934 minimum-custody beds, and would have an excess capacity of 451 beds over what is recommended to be housed by the population projections.

Staff would like to note that Budget Amendment No. A00331 did not provide justification or the reasons for the restoration of funding to WCC. However, several concerns were mentioned during the Joint Subcommittee hearing in relation to the State's ability to respond to wildfires. The responsibility for handling wildfires in the area that had previously been served by WCC would fall to Carlin Conservation Camp, 70 miles away from the town of Wells.

The General Fund impact of the Governor's inmate housing plan, as originally recommended in the *Executive Budget*, is as follows:

- General Fund savings of $7.4 million in FY 2011-2012 and $8.7 million in FY 2012-2013 relating to the closure of NSP, including the elimination of 103 positions and the transfer of 90 positions
- General Fund savings of $994,952 in FY 2011-2012 and $1.08 million in FY 2012-2013 related to the closure of WCC, including the elimination of 12 positions
- General Fund appropriations of $5 million in FY 2011-2012 and $5.1 million in FY 2012-2013 to reopen, populate and staff two vacant housing units at HDSP

With the Governor's amendments, the recommendation is now as follows:

- General Fund savings of $7.8 million in FY 2011-2012 and $9.5 million in FY 2012-2013 related to the closure of NSP, including the elimination of 107 positions and the transfer of 86 positions
- General Fund appropriations of $1.1 million in FY 2011-2012 and $1.2 million in FY 2012-2013 to restore the operating budget and staffing for WCC
- General Fund appropriations of $5.4 million in FY 2011-2012 and $5.5 million in FY 2012-2013 to reopen, populate and staff two vacant housing units at HDSP

Do the Committees wish to approve the Governor's housing program, as amended, which closes NSP by October 31, 2011, restores funding to WCC's operating budget over the 2011-2013 biennium and reopens two housing units at HDSP?

Staff would note that, if the Committees approve Budget Amendment No. A00331 which restores WCC's budget, Staff would need to request authority to make technical adjustments associated with the 12 accompanying budget amendments that affect NDOC and its other facilities and camps. Staff would recommend approval for the replacement equipment and deferred maintenance for WCC as noted.

CHAIR HORSFORD:
We will take each of these major items as separate motions. The first order of business, then, would be to consider the Governor's recommendation to close NSP by October 31, 2011.

ASSEMBLYMAN GRADY:
I am concerned about the way this issue has been handled over the past several years. The former director of NDOC intentionally wanted to close NSP. Proper maintenance has not been done. I believe that the disrepair was intentional and indicates the former director's desire to have the prison closed. I am disappointed because this will allow a great number of people from this area to be laid off. I cannot support the closure of NSP.

SENATOR KIECKHEFER:
I need clarification on some of these numbers. If the savings from the closure of NSP is accounted for, along with the appropriation of funds for HDSP, there would be a total savings over the biennium of approximately $6.4 million. Is that accurate?

MS. COFFMAN:
In the Governor's original recommendation, the savings would be $16.1 million. However, with the adjustments, the total would be $17.3 million.

SENATOR KIECKHEFER:
Would this include the subtraction of additional funds that would be required to reopen units at HDSP?

MS. COFFMAN:
It would account for that, yes. This would represent the total savings.

SENATOR KIECKHEFER:
Would the total savings be $17.3 million?

JEFFREY MOHLENKAMP (Deputy Director, Support Services, Department of Corrections):
The savings achieved would be $17.3 million over the biennium. That number includes the diversion of costs to HDSP and all of the other transfers that will occur. It is the net savings.

The full amount of savings from closure of NSP is over $18 million in each year, leaving approximately $36 million in savings for the biennium. We did not save the full amount because of the need to open the two units at HDSP and the other transfers.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO CLOSE NSP BY OCTOBER 31, 2011.

SENATOR CEGAVSKE SECONDED THE MOTION.

ASSEMBLY: THE MOTION FAILED. (ASSEMBLYMEN AIZLEY, ATKINSON, BOBZIEN, CARLTON, CONKLIN, GRADY, HOGAN, MASTROLUCA, OCEGUERA AND SMITH VOTED NO.)

SENATE: THE MOTION FAILED. (SENATORS LESLIE, PARKS, DENIS AND HORSFORD VOTED NO.)

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CHAIR HORSFORD:
I will entertain an alternative motion. I have requested that Staff examine the possibility of delaying the closure. I am considering this for several reasons.

The first is that we must figure out how to properly handle the transition in order to ensure that the receiving facility for these inmates will be adequate. We must also allow additional time for staff at NSP to make any necessary adjustments in their living conditions if they were to transfer or find other employment. I will have Staff present that information to the Committees for consideration.

MR. KRMPOTIC:
The annual operating costs, should NSP remain open, total approximately $18 million per year. The Governor's recommended budget calls for that cost to go down to about $2 million in the first year and approximately $200,000 in the second year of the biennium.

The reduction to the NSP budget comes through a combination of eliminating positions; moving inmates to other facilities, mainly HDSP; and transferring 59 positions to HDSP, and a smaller number of positions to other facilities throughout the State. This last item includes other prison institutions and possibly some conservation camps.

At the same time, the HDSP costs will go up by virtue of the transfer of the inmates and the positions from NSP. The net effect of that decrease at NSP and the increase at HDSP totals approximately $17.3 million, as recommended by the Governor.

As Chair Horsford has indicated, Staff has looked at a scenario in which we would phase in the closure of NSP over the course of six months, with final closure of the facility on January 1, 2012. In this scenario, the prison would begin transferring inmates and closing units beginning on July 1, 2011.

In that scenario, inmates would remain at NSP for a longer period of time in FY 2011-2012. A number of officers and employees at NSP would remain there for a longer period of time as well. They were previously recommended for elimination or transfer earlier in the year. The transfer would begin in August and would continue until January 1, 2012.

The estimation of the budgetary effect of this scenario was just performed within the last day. The Department goes through a thorough exercise in determining the housing situations and custody levels of its inmates. This exercise was not very difficult to perform in this situation. Primarily, the inmates will move from NSP to HDSP.

The prolonged closure process will mean that the cost of NSP in the first year of the biennium will rise from $2 million to $5.4 million. The second year cost will remain the same. At HDSP, instead a $45 million cost per year, as recommended by the Governor, the cost will decrease to about $43.8 million in the first year and will remain about the same in the second year. That is because all of the inmates will be transferred by the second year.

The net effect of those decisions, in General Fund restoration, will be between $2 million and $2.5 million in the first year of the 2011-2013 biennium.

I want to emphasize that this is an estimate provided by Staff. There are other position eliminations in the medical budget and the correctional programs budget that would need to be inspected in conjunction with the other components of this estimate.

CHAIR HORSFORD:
The proposal would be to delay the closure from what was recommended by the Governor at a restoration level of approximately $2 million to $2.5 million, with authority for Staff to work with the Department in determining the final figures. The Department would be required to revise their housing plan accordingly, delaying the closure of units at NSP now, so that, by the time the closure is complete, the units at HDSP will be in place.

ASSEMBLYWOMAN SMITH:
I want to clarify a point. Would the intention be to change the entire housing plan or would everything simply be delayed on a commensurate basis?

MR. KRMPOTIC:
That is mostly correct. The bulk of the impact occurs between NSP and HDSP. There is a slight ripple effect on some of the other institutions, but, based on the housing plan that will be developed by the Department, in collaboration with Staff, that would mostly be kept to a minimum.

I would emphasize that the Department has the authority to transfer appropriations between budget accounts, subject to IFC approval. That is largely done to accommodate the movement of inmates and the accompanying costs between facilities. The housing plan that would be approved today will be the Legislatively approved plan, but it will undoubtedly change through the movement of inmates during the biennium. The Department can correct for whatever is unaccounted for in the adjustments that are being proposed.

CHAIR HORSFORD:
I want to get a response from the Director of NDOC on the housing plan issue.

I also want to be assured that the closure of NSP will, in no way, put the Department in a position where it must request the construction of additional prison facilities in the near future. I want that testimony to be on the record.

JAMES G. (GREG) COX (Acting Director, Department of Corrections):
There is no indication that we will need to expand or build a new prison in our State.

CHAIR HORSFORD:
There have been no talks, deliberations or plans, public or private, about building a new prison?

MR. COX:
That is correct.

CHAIR HORSFORD:
Please provide details on the situation at the prison in Jean. Are there any discussions for how that facility is to be used, now that is has remained vacant?

MR. COX:
Southern Nevada Correctional Center, in Jean, has 712 close-custody and medium-custody beds. That facility has been unoccupied for almost three years. Those beds are still available to the State if there is a need to reopen the facility.

Numerous groups have examined the possibility of using that facility, from private contractors to other states. The fact that there are only 712 beds seems to be the stumbling point for the prospective users in wanting to operate it or take it over. In my conversations with private contractors and other states, it has been indicated that they are looking for facilities with 1,200 beds to 1,500 beds.

CHAIR HORSFORD:
Will your housing plan, with the delayed closure of NSP, remain mostly the same except for revised dates?

MR. COX:
If I understand the plan correctly, it will move the closure out two months. Is that correct? The original closure date was October 31, 2011, and you are now proposing to close it on January 1, 2012.

CHAIR HORSFORD:
To be clear, I wanted the plan to move back six months from October 31, 2011. This would imply a closure date in April 2012. The restoration level would be approximately $2.5 million.

MS. COFFMAN:
Staff performed the analysis based on the original recommendation that was given to us. The estimation on the restoration was for a closure date on January 1, 2012. I would recommend reviewing those numbers if the closure were to be pushed back to April 2012. The $2.5 million estimate would most likely be inaccurate.

CHAIR HORSFORD:
We will direct Staff to revise that estimate within the consideration of this motion.

SENATOR KIECKHEFER:
I want to clarify the motion. We are moving to continue with plans to close NSP, but we will be pushing the date back three months?

CHAIR HORSFORD:
The January 2012 closure date, as previously mentioned, was not the intent. The intent is to move the closure back six months from the Governor's original recommendation to April 2012.

SENATOR KIECKHEFER:
I understand.

ASSEMBLYMAN GOICOECHEA:
Staff presented calculations citing a $2.5 million difference for the two month delay of the closure. Are we now anticipating an additional $5 million in restorations to push the date back to April 2012?

MS. COFFMAN:
Staff would need time to examine the data. It appears that there is an approximate $2.5 million cost for every two months that NSP remains open. For a six month delay, it appears accurate to assume that the cost would be an additional $5 million on top of that.

ASSEMBLYMAN GOICOECHEA:
We seem to be using imprecise numbers on this item.

ASSEMBLYWOMAN CARLTON:
I understand the discussions about the housing plans and ensuring the timely location of the inmates. We are also, however, faced with the reality that employees will be losing their jobs in the spring of 2012. These are a very select group of employees who have a special skill set.

We privatized the State Industrial Insurance System in 1999. All of those employees were put at the top of the transfer list. However, they had skills that would transfer to other State agencies. I am concerned that, with these correctional officers being at a Category III level, they may not be able to move into some open positions or vacant positions that may become available. I would hope that we would try to find some way to help them get reclassified as either Category II or Category I employees so that they do not have to relocate. They should be able to stay in their homes and continue to provide for their families. I am not sure what we would have to do to make this happen.

If we cannot help these employees, they will not have any other options, because they have such select skill sets.

CHAIR HORSFORD:
To the Director, what abilities do you have in assisting the NSP workers in any reclassifications that might help them find employment in the local area?

MR. COX:
We have taken an intensive look at reducing the layoffs. With the approval of the Board of State Prison Commissioners, I have asked for a hiring freeze in northern Nevada. That will allow us to continue to add positions that could be taken by Staff at NSP.

Our efforts to reduce layoffs have been progressing fairly well. As it looks now, we would have to lay off 30 employees. With the vacancies that the Department currently has throughout the State, almost everyone would have a job available if they could relocate to Las Vegas or other areas.

ASSEMBLYWOMAN CARLTON:
I understand that. Some people, however, cannot move. They may have spouses, children, parents or mortgage payments that prevent them from leaving the area. We know that there is a high turnover rate in the prisons in southern Nevada. I would hope that we would be able to do better than this for people.

If someone wants to upgrade their skills, there must be a way to help them return to the Peace Officer Standards and Training (P.O.S.T.) office and do that. We know that things will get better in the future. There are vacancies in the Department of Public Safety all over the State.

If the employees cannot qualify, I am not suggesting that they should be automatically qualified. If they can qualify, we should help retrain them because we have put them in this position. The same process occurs in private industry.

MR. COX:
I would have to have a discussion with P.O.S.T. concerning the process by which officers could reclassify from a Category II to a Category I peace officer status. I know that significant training would be required, because it means a different certification in this State.

CHAIR HORSFORD:
I will entertain a motion to delay the closure of NSP for six months from the Governor's original recommendation, with a target closure date in April 2012. This should allow time for Staff to identify the exact restoration that would be required and make a report of those findings to the Committees. Staff would be

given the authority to make the necessary adjustments in this decision unit. A letter of intent would also be issued indicating that there are currently no plans to construct new prison facilities in the State, and that the Department will make every effort to work with NSP employees to determine if additional training would help them qualify for other positions in the local area. The Department should also submit the revised schedule for the HDSP housing unit plan.

SENATOR LESLIE MOVED TO DELAY THE CLOSURE OF NSP FOR SIX MONTHS BEYOND THE DATE ORIGINALLY RECOMMENDED BY THE GOVERNOR, FOR A NEW CLOSURE DATE OF APRIL 2012; TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS TO NDOC ACCOUNTS REGARDING THIS DECISION; AND TO ISSUE A LETTER OF INTENT INDICATING THAT THE DEPARTMENT HAS TESTIFIED THAT THE STATE HAS NO FORESEEABLE NEED FOR NEW PRISON FACILITIES IN THE FUTURE, THE DEPARTMENT WILL MAKE EVERY EFFORT TO WORK WITH NSP EMPLOYEES TO DETERMINE IF ADDITIONAL TRAINING MIGHT ASSIST THEM IN FINDING EMPLOYMENT IN THE CARSON CITY AREA, AND THAT THE DEPARTMENT WILL SUBMIT A REVISED SCHEDULE FOR THE HDSP HOUSING UNIT PLAN.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HARDY VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE VOTED NO.)

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CHAIR HORSFORD:
We will now move on to a discussion of WCC.

MS. COFFMAN:
In the Governor’s original budget, the closure of WCC would result in General Fund savings of $994,952 in FY 2011-2012 and $1.08 million FY 2012-2013. This would include the elimination of 12 positions. However,

the Governor has submitted an amendment which would adjust these savings in accordance with the population projection revisions from February 2011. As such, the revised General Fund savings are expected to be $1.1 million in FY 2011-2012 and $1.2 million in FY 2012-2013.

On April 27, 2011, the Budget Division submitted an additional amendment which adds back General Fund appropriations of $1.1 million in FY 2011-2012 and $1.2 million in FY 2012-2013 to restore the operating budget for WCC through the biennium. Staff would note that the Budget Division submitted 12 accompanying amendments transferring back the various inmate-driven expenses.

Staff would note that, in the budget amendment, the Governor recommended $21,414 for deferred maintenance expenditures as well as $8,424 for replacement equipment.

Do the Committees wish to approve the Governor's amended recommendation to restore General Fund appropriations of $1.1 million in FY 2011-2012 and $1.2 million in FY 2012-2013?

CHAIR HORSFORD:
I would like to discuss this amendment with the Director of the Budget Division.

ANDREW CLINGER (Director, Department of Administration):
I will defer to the Director of NDOC to provide information on this add-back.

MR. COX:
One of the most difficult decisions we made came in examining the Nevada Division of Forestry's (NDF) proposed closure of WCC. A compelling argument was made by the citizens of Wells to leave the Camp open.

I have asked that the National Institute of Corrections come to the State and perform a validation of our classification instrument. An initial impression was given by Patricia Hardyman, a nationally renowned expert who has performed evaluations of the classification instruments in 19 different states.

Dr. Hardyman was in Nevada for one week. Her initial impression was that we had not had our classification instrument reviewed for its reliability in any way. It was last updated in 1991.

Other initial findings centered on the fact that we do not use a gender-specific classification system. We are one of the only states that do not do so. One of the reasons I had initially thought to request the study stemmed from my belief that we have female offenders at our facilities who could possibly be moved to conservation camps. In looking at our classification instrument, it appeared that we may be "overclassifying" inmates.

The next step is to formally ask for technical assistance from the National Institute of Corrections to redesign and reevaluate our classification instrument. Dr. Hardyman's initial impression was that we will most likely be able to move additional inmates to our conservation camp population. I concur with that assessment.

This process has generally taken between six months and nine months in other states. I do not control the dynamics of the time frame. I have already sent a memo to the National Institute of Corrections asking that it be done as quickly as possible.

Other issues associated with the evaluation pertain to the consistency of the instrument and the training of staff. Dr. Hardyman commented that our staff seemed to be doing an effective job, but she stressed the point that we are one of the few states using a classification instrument of this type.

CHAIR HORSFORD:
Are you referring to the classification of inmates?

MR. COX:
That is correct.

CHAIR HORSFORD:
Are you suggesting that, because we do not have an adequate classification instrument in place, the placement of inmates at certain facilities may not be warranted?

MR. COX:
The instrument that we have in place has never been tested for reliability. It has never been evaluated. Typically, in this profession, we make sure that the classification instrument is evaluated every five years for its appropriateness. Numerous states have done this, including, Idaho, Montana and Wyoming. Dr. Hardyman is the foremost expert on performing these evaluations.

I believe that the instrument needs to be reevaluated.

CHAIR HORSFORD:
I understand. What does this have to do with WCC? You said that the residents of Wells had made a compelling argument for the continuation of operations there. What were those arguments?

MR. COX:
In my discussion with members of the Wells community, it was indicated that the fire prevention services were important to them. The Camp provides various services in the area from Jackpot to Wendover. The inmate population cuts wood for the elderly, shovels sidewalks and does other things for the community. That part of the State relies on the inmate population, where there is no one else to perform those types of services.

CHAIR HORSFORD:
How much do we pay the inmates who work in these conservation camps?

MR. COX:
The inmates are paid by NDF. I would defer to them on this issue.

LEO M. DROZDOFF, P.E. (Director, State Department of Conservation and Natural Resources):
For fighting fires, the pay is $1.00 an hour. For project work, the pay is $2.10 a day.

CHAIR HORSFORD:
How much is NDF paid by the Bureau of Land Management (BLM)?

SCOTT K. SISCO (Administrative Services Officer, Nevada Division of Forestry, Department of Conservation and Natural Resources):
The inmates are paid $1 an hour for fighting fires. They are billed out at minimum wage to any other cooperator, such as a local agency or a federal agency, such as the BLM. We receive money from that minimum wage billing and then we put it into the Forest Fire Suppression Account.

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CHAIR HORSFORD:
So we pay the inmates $1.00 an hour, but we are receiving minimum wage.

MR. SISCO:
That is correct.

ASSEMBLYMAN GOICOECHEA:
I know that much of the work the inmates do for NDF is project work. Do the inmates receive $2.10 a day while you are billing the entities at a higher rate? If the inmates are let out to the Nevada Department of Transportation, I would assume the crew rates would be approximately $600 per crew.

MR. SISCO:
That is correct. Each inmate receives $2.10 a day and we would receive between $300.00 and $400.00 for an inmate crew for a day.

CHAIR HORSFORD:
I take issue with this system. Inmates should pay their price for whatever crime they have committed and for whatever reason they are incarcerated. Does the $1.00 an hour go into their account at the institution?

MR. SISCO:
That is correct.

CHAIR HORSFORD:
And the State gets paid by the entities that contract the work, whether it be BLM or a private landowner or someone else, is that correct?

MR. SISCO:
That is correct.

CHAIR HORSFORD:
In other words, NDF makes money off of those inmates and the money is then deposited into the Forest Fire Suppression Account.

MR. SISCO:
That is correct.

CHAIR HORSFORD:
Again, I have no issue with inmates paying their debt to society. It seems, though, that this has become a business in some regards.

MR. SISCO:
I should clarify a point. Although we make money from these programs, only about 25 percent of NDF's budget is brought in as camp revenues. The other 75 percent comes from the General Fund. The entirety of NDOC's budget comes from the General Fund. We are not making money off the inmates, and it is not a self-sufficient program. We simply use this program to make the placement of the inmates more cost-effective.

CHAIR HORSFORD:
There is a difference between what you pay the inmates and what you bill the entities. Where does the difference go?

MR. SISCO:
On the NDF side, we are bringing in approximately 25 cents on the dollar. This is built into the budget and forms approximately 25 percent of NDF's budget. When we contract the inmates out for firefighting, the money goes into the Forest Fire Suppression Account.

CHAIR HORSFORD:
How is the money in the Forest Fire Suppression Account used?

MR. SISCO:
It pays for fire suppression. Over the course of a year, depending on the severity of the fire season, we share that money with the federal government

for forestry activities linked to controlling wildfire. This money is combined with the $2.5 million the State gives to the Forest Fire Suppression Account. If the money is not used to pay for fires, it is reverted back to the General Fund.

CHAIR HORSFORD:
How much money comes into the Forest Fire Suppression Account annually?

MR. SISCO:
It depends. In 2008, the number was between $8 million and $9 million. In the last few years, things have been slower, and the number has been closer to $300,000.

CHAIR HORSFORD:
Is there any other justification for the continuing operation of WCC?

SENATOR RHOADS:
I want to remind the members of the Committees that it costs $13,000 a year to keep an inmate in a conservation camp, compared to the $23,000 a year it costs to keep them in prison. We would be saving $10,000 a year for each inmate we move to a conservation camp.

CHAIR HORSFORD:
I respect that position. I would point out that it only costs $5,000 to educate a child. That would be the most cost-effective way of keeping people out of the conservation camp or the prison.

To the Department, you have brought us a significant amount of new information today. All of this is on the basis of the new approach to the classification instrument. I am glad to hear that we are doing this kind of evaluation. This still does not provide the empirical data we would need to make policy decisions or budgetary decisions. I would encourage the Department to continue forward, but I do not believe the case has been made to keep WCC open without the data showing an impact.

MR. COX:
I believe that, with the reevaluation of the classification instrument within the next six to nine months, we will be able to move more inmates to conservation

camps. This stance was taken by Dr. Hardyman in her initial assessment of our situation. I agree that this reevaluation should be done more frequently.

CHAIR HORSFORD:
Would the other conservation camps be available for this purpose if it is determined that more inmates could fit that classification?

MR. COX:
That is correct.

> ASSEMBLYWOMAN MASTROLUCA MOVED TO DELAY THE CLOSURE OF WCC FOR SIX MONTHS PAST THE DATE ORIGINALLY RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.
>
> SENATOR PARKS SECONDED THE MOTION.

ASSEMBLYMAN KIRNER:
From what Senator Rhoads has said, I gather that, if we close this facility, we will be paying $10,000 more per inmate to house them somewhere else. How many minimum-custody inmates are in the State?

MR. COX:
There are approximately 1,000 minimum-custody inmates in the system at this time.

ASSEMBLYMAN KIRNER:
So we would be looking at added costs of 1,000 times $10,000. We should also remember the benefits they provide to the community. They chop wood for the elderly. They clean driveways and walkways and provide fire suppression work. It seems that, economically, we would be much better served, as a State, if we were to keep this conservation camp open.

MR. COX:
Our costs are less at a camp than at one of our major facilities.

ASSEMBLYMAN KIRNER:
I appreciate Assemblywoman Mastroluca's motion, but I cannot support a motion that could end up costing the State more money.

ASSEMBLYWOMAN SMITH:
I would like to make two points on this issue.

The first is that, we cannot make the assumption that none of those inmates would end up going to other conservation camps if WCC was closed. Those calculations would have to take place.

Also, as we have been closing this budget over the past several weeks, we have constantly been spending more money up front and spending less time taking fiscally prudent actions. The argument that this type of item should be approved in the interest of saving the State money was lost a long time ago. We are tripping over dollars to pick up pennies.

We cannot say what the hard costs for this will be until we know exactly where all of the inmates will end up.

CHAIR HORSFORD:
I want to have clarification from Staff on some of these figures. This is not the only camp. To Fiscal Staff, in the event that the review from the Department should determine that some of the inmates have been misclassified and could work in a camp, would there be other facilities where they could be relocated?

MR. KRMPOTIC:
I believe that part of the basis for the Governor's original recommendation to close WCC was the determination that there were surplus minimum-custody beds in the system. There were approximately 300 extra minimum-custody beds in the State. That number has not varied greatly since the *Executive Budget* was released, as the inmate population has been stable. The revised projections, from the independent contractor JFA Associates, suggest slight decreases in the inmate population. It is my understanding that, if we were to close WCC, there would continue to be a surplus of minimum-custody beds.

Staff has no way of knowing how the proposed revision of the classification instrument might affect the numbers of inmates in each level of custody.

Ostensibly, certain numbers of inmates would move from medium-custody facilities to minimum-custody facilities. However, unless statute is changed, part of the criteria for moving an inmate to a minimum-custody camp will continue to be that they are within three years of release.

There are a number of considerations that the Department would need to take in addition to the reevaluation of the classification instrument before determining the needs for inmate housing over the long term.

CHAIR HORSFORD:
That is information that we do not have. I want it to be shown on the record, however, that there is capacity for these inmates at other facilities. It should also be reiterated that inmates will continue to have to meet certain requirements before they can be moved. We simply do not have enough data to make accurate estimates in this area right now. If we would have had this information prior to our discussions of the budget, we might have been able to use it. We must make our decisions based upon the availability of facts.

SENATOR RHOADS:
Wells Conservation Camp holds approximately 150 inmates. By ensuring that they can be housed at a conservation camp, we can save $10,000 a person, meaning $1.5 million a year.

> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)
>
> SENATE: THE MOTION CARRIED. (SENATORS RHOADS, CEGAVSKE AND KIECKHEFER VOTED NO.)

*****

MS. COFFMAN:
As other budget accounts will be affected by the previous two decisions, it would be appropriate to provide wide approval for the necessary technical adjustments to the other accounts that will now be necessary.

> ASSEMBLYWOMAN SMITH MOVED TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS TO OTHER

NDOC ACCOUNTS TO EFFECTUATE THE DECISIONS MADE CONCERNING WCC AND NSP.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. COFFMAN:
The next major issue for NDOC is described on page 7 of Exhibit D. This item concerns the elimination of incentive and differential pay for Department employees.

The Governor is recommending the elimination of swing-shift differential pay for a General Fund savings of $1 million in each year of the biennium.

The Governor is also recommending the elimination of remote area differential (RAD) pay for staff beginning employment on or after July 2, 2011. This recommendation would provide General Fund savings of $294,116 in each year of the 2011-2013 biennium. Currently, employees who work at the Indian Springs and Jean facilities receive $7.50 for each day they reports to work. This particular incentive pay was initiated to generate interest in employment in these remote areas.

The Department is now indicating that they no longer need these pay incentives, as they are no longer having issues recruiting in Jean and Indian Springs.

Assembly Bill 489 has been introduced and is currently in the Assembly Committee on Ways and Means. It would revise *Nevada Revised Statute* (NRS) 209.183 in order to eliminate the RAD pay differential for employees beginning employment on or after July 1, 2011.

**ASSEMBLY BILL 489**: Revises provisions governing compensation for travel expenses for certain persons employed at certain correctional institutions or facilities within this State. (BDR 16-1206)

The Governor is also recommending the elimination of rural employment differential pay. With this recommendation, the General Fund savings would be $209,341 in FY 2011-2012 and $210,284 in FY 2012-2013. This differential pay is specifically for custody staff at Lovelock Correctional Center and Ely State Prison. This pay is not specifically provided for in NRS and, therefore, would not require any legislation in order to accommodate its elimination.

The Committees may wish to choose from among several options in this case. They are listed on page 7 and page 8 of Exhibit D.

The first option would be to approve the elimination of swing-shift differential, as well as reductions to rural employment incentive pay and RAD pay, as recommended by the Governor and contingent upon the passage of A.B. 489.

The second option would be to eliminate swing-shift differential pay while maintaining the rural employment incentive pay and RAD pay for all corrections staff who are currently eligible.

The second option would require additional General Fund appropriations of $503,457 in FY 2011-2012 and $504,400 in FY 2012-2013.

SENATOR KIECKHEFER MOVED TO APPROVE THE ELIMINATION OF SWING-SHIFT DIFFERENTIAL PAY, AS WELL AS REDUCTIONS TO RURAL EMPLOYMENT INCENTIVE PAY AND RAD PAY, AS RECOMMENDED BY THE GOVERNOR AND CONTINGENT UPON THE PASSAGE OF A.B. 489.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

ASSEMBLYWOMAN SMITH:
I will reluctantly support this motion. We have A.B. 489 in the Assembly Committee on Ways and Means and I will advocate making this a temporary measure.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. COFFMAN:
The next major issue concerns the elimination of the senior correctional officer classification. The Governor is recommending General Fund reductions of $54,875 in FY 2011-2012 and $55,398 in FY 2012-2013 to reclassify all senior correctional officers to correctional officers as the positions become vacant.

According to NDOC, the senior correctional officer classification is used as a tool to reward exemplary correctional officers. The Department has indicated that the elimination of the senior correctional officer position will not lead to an imbalance of unqualified or inexperienced staff in any particular shifts. The correctional officers and the senior correctional officers both receive the same training.

Do the Committees wish to approve the Governor's recommendation to reclassify all senior correctional officer positions to correctional officer positions as they become vacant?

ASSEMBLYWOMAN SMITH:
This has been viewed as a recruiting and retention tool in the past. I would like to know if there is a way we could approve this item in accordance with the Governor's recommendation and eliminate the funding, but retain the classification so that, if we need this tool again in the future, we will have it available without having to rewrite legislation.

MS. COFFMAN:
The classification would still be available. As it stands, there would simply be no authorization for promotion to this classification from within or hiring for it from without.

ASSEMBLYWOMAN SMITH:
I understand. If we vote on a motion to simply reclassify the positions, rather than eliminate the classification, I would support that.

ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO RECLASSIFY ALL SENIOR CORRECTIONAL OFFICERS TO CORRECTIONAL OFFICERS AS THE POSITIONS BECOME VACANT, WITH THE UNDERSTANDING THAT THE CLASSIFICATION SHOULD REMAIN AVAILABLE TO BE USED IN THE FUTURE IF NECESSARY.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. COFFMAN:
The next item concerns the proposed reductions for nonnutritional food items for inmates. The Governor is recommending General Fund reductions of $209,807 in FY 2011-2012 and $210,875 in FY 2012-2013 to eliminated nonnutritional food items, such as tea, coffee and other flavored drinks, from the inmates' food allowance.

Do the Committees wish to approve the Governor's recommendation to reduce General Fund appropriations by $209,807 in FY 2011-2012 and $210,875 in FY 2012-2013 by eliminating certain nonnutritional food items for inmates? Also, on this item, Staff requests authority to make adjustments based on caseload-driven revised estimates. In other accounts as well, the revisions made to the inmate-driven cost revisions are affected by the food costs.

SENATOR PARKS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO REDUCE GENERAL FUND APPROPRIATIONS BY $209,807 IN FY 2011-2012 AND $210,875 IN FY 2012-2013 BY ELIMINATING THE AVAILABILITY OF CERTAIN NONNUTRITIONAL FOOD ITEMS FOR INMATES; AND TO GRANT AUTHORITY TO STAFF TO

MAKE ADJUSTMENTS TO THOSE FIGURES AND FIGURES IN OTHER ACCOUNTS BASED ON THE CASELOAD-DRIVEN REVISED ESTIMATES.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MS. COFFMAN:
Next I will discuss the closing of B/A 101-3711, the Correctional Programs account.

PUBLIC SAFETY

CORRECTIONS

NDOC – Correctional Programs — Budget Page CORRECTIONS-23 (Volume III)
Budget Account 101-3711

There are two major closing issues in this account.

The first involves the change in funding sources for reentry programs. The Governor is recommending expenditures of $474,730 in FY 2011-2012 and $476,560 in FY 2012-2013 to continue certain existing inmate reentry services that are primarily funded with federal money. Of the first year's recommendation, $26,974 would come from federal money and the remaining $447,756 would come from the General Fund. All of the second year's expenditures are recommended to come from the General Fund.

The reentry services that are provided in southern Nevada are currently funded with General Fund appropriations. However, the services in northern Nevada are funded with federal dollars. There are two positions in the northern Nevada district that provide these services. They are funded with the Going Home Prepared grant which expires on December 31, 2011, and the Prison Reentry Initiative grant which expires June 30, 2011.

It is the Governor's recommendation that those program officer positions should be retained, and that their salaries and operating expenditures should be supported with General Fund appropriations of $111,746 in FY 2011-2012 and $113,576 in FY 2012-2013. The funding source then would be similar to the funding sources that are currently available for the reentry staff in southern Nevada.

The Department believes that they will be able to qualify for a new reentry grant called the Second Chance grant. If awarded this grant, they would be able to provide federal funding to support these two positions. However, the federal government has not provided the Department with a grant letter or any assurance that the grant will be made available.

Both the Going Home Prepared grant and the Prison Reentry Initiative grant support other expenditures in addition to the two program officer positions. The Governor recommends the continuation of these other expenditures with General Fund appropriations. The Department collaborates with the Urban League, a nonprofit organization which currently provides reentry services such as cognitive behavior therapy, housing assistance, education, vocational training and employment training.

The Governor recommends continued funding of $232,232 in each year of the 2011-2013 biennium for the Urban League. This would be in General Fund appropriations instead of the federal grant money that is currently provided.

The Governor is also recommending General Fund appropriations of $130,752 in each year of the biennium to replace grant fund dollars for the assistance of indigent inmate housing. This will also fund "green job" construction training for inmates.

On page 12 of Exhibit D, there is a table providing a breakdown of the various expenditures related to this decision unit. The Committees may wish to consider one of several options.

The first option would be to approve the Governor's recommendation to replace federal fund dollars with General Fund appropriations of $447,758 in FY 2011-2012 and $476,560 in FY 2012-2013 to continue funding for the two program officers, a subgrant to the Urban League, housing assistance for indigent inmates and "green job" training for inmates.

The second option would be to reject the Governor's recommendation to replace federal funds with General Fund appropriations of $447,758 in FY 2011-2012 and $476,560 in FY 2012-2013.

The third option would be to discontinue the subgrant to the Urban League, funding for "green job" training, and provisions for indigent inmate housing for a General Fund savings of $362,984 in each year of the biennium, while providing General Fund appropriations of $111,746 in FY 2011-2012 and $113,576 in FY 2012-2013 for the two program officer positions.

If either the first or the third options are approved, the Committees may wish to issue a letter of intent directing NDOC to revert the General Funds provided for the two program officers if federal grant money is awarded to support the northern Nevada reentry program. The Committees should note that certain federal grants have clauses which prevent them from supplanting funding. This could supersede the direction provided in the letter of intent in regard to the reversion.

CHAIR HORSFORD:
I will disclose that I am a volunteer board member for the Urban League.

ASSEMBLYWOMAN SMITH:
Does the Urban League also coordinate the reentry programs for northern Nevada?

MS. COFFMAN:
Currently, the two program officers coordinate with inmates prerelease. The Urban League provides assistance to inmates postrelease.

ASSEMBLYWOMAN SMITH:
Are those services bid upon? Is there a request for proposal associated with these programs?

MS. COFFMAN:
This funding was provided in the Prison Reentry Initiative grant. It contained a provision requiring NDOC to collaborate with a nonprofit organization. If the grant is no longer awarded, the provision would no longer exist and the State would not be required to use the services of the Urban League. As such, if the Committees decided to continue funding, the Department could shop those services to another organization.

ASSEMBLYWOMAN SMITH:
Who provides the "green job" training?

MR. MOHLENKAMP:
That training is contracted out as well. It is a separate contract, but the Department does not provide those services internally.

ASSEMBLYWOMAN SMITH:
I feel that I do not have a great deal of information on this item, but I acknowledge that we need to close this budget. I would like to move that we approve the Governor's recommendation with the direction that, if some of the money can be reverted while still maintaining federal grant obligations, we should do so.

I would also like to ask that reports be made back to IFC on the two grant programs. I fully support reentry programs and I believe that we should fund them, but I want to ensure that informational reports are being made.

> ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO REPLACE FEDERAL FUNDING WITH GENERAL FUND APPROPRIATIONS OF $447,756 IN FY 2012-2013 TO CONTINUE FUNDING FOR TWO PROGRAM OFFICERS, A SUBGRANT TO THE URBAN LEAGUE, HOUSING ASSISTANCE FOR INDIGENT INMATES AND GREEN JOB TRAINING FOR INMATES IN B/A 101-3711; TO DIRECT NDOC TO REVERT MONEY TO THE GENERAL FUND IF ALTERNATIVE FUNDING SHOULD BE MADE AVAILABLE, PROVIDED THAT THIS WOULD NOT INTERFERE WITH FEDERAL GRANT OBLIGATIONS; AND TO ISSUE A LETTER OF INTENT REQUIRING NDOC TO REPORT TO IFC ON THE STATUS OF THE TWO GRANT PROGRAMS.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (CHAIR HORSFORD ABSTAINED FROM THE VOTE.)

*****

MS. COFFMAN:
The next major issue for this account is on the elimination of two positions. The Governor is recommending the elimination of two psychologist positions for a General Fund savings of $179,638 in FY 2011-2012 and $181,748 in FY 2012-2013.

These positions are currently filled. They provide the inmates housed at NSP with psychology-related services. The Governor is recommending the elimination of these positions as a result of the NSP closure.

If the Committees wish to eliminate these positions, Staff would recommend that the elimination be delayed until April 2012, consistent with the approval for the closure of the prison.

SENATOR PARKS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ELIMINATE TWO POSITIONS IN B/A 101-3711 IN CONJUNCTION WITH THE DELAYED CLOSURE OF NSP; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATORS LESLIE AND CEGAVSKE WERE ABSENT FOR THE VOTE.)

*****

MS. COFFMAN:
There are several additional closing items associated with this account. The first pertains to the adjustments that have been provided by JFA Associates to the final inmate-driven revenue and expenditure projections. Staff has received authority to make adjustments to this item in each account, as necessary.

The second item on page 13 of Exhibit D pertains to decision unit E-901.

E-901 Trans FTE from Medical to Correctional Programs — Page CORRECTIONS-28

This item recommends the transfer of ten staff psychologist positions and the associated revenues and expenditures from the Prison Medical Care account, B/A 101-3706, to the Correctional Programs account.

NDOC – Prison Medical Care — Budget Page CORRECTIONS-13 (Volume III)
Budget Account 101-3706

According to the Agency, the current supervisor of these ten psychologist positions resides in the Correctional Program account. This decision would realign these positions with their current supervisor. This recommendation appears reasonable to Staff.

The third additional item pertains to decision unit E-910 which requests the transfer of an administrative assistant III position and associated revenues and expenditures from the Correctional Programs account to the NDOC Director's Office, B/A 101-3710.

E-910 Trans FTE from Corr Programs to Directors Office — Page CORRECTIONS-28

NDOC – Director's Office — Budget Page CORRECTIONS-1 (Volume III)
Budget Account 101-3710

The northern deputy director was transferred to B/A 101-3710 in 2007. The administrative assistant associated with that position was not transferred. This recommendation realigns those two positions so that the northern deputy director has an assistant. This position is funded with General Fund appropriations in either account, and this recommendation appears reasonable to Staff.

According to Budget Amendment No. A00199, the Department of Public Safety will be receiving additional federal grant funds from the Residential Substance Abuse Treatment grant in the amount of $78,593. However, this grant also requires a 25 percent match. In response to this, the Governor has recommended that $25,805 in each year of the biennium be transferred from the Inmate Welfare account, B/A 240-3763, to satisfy the match requirement.

NDOC – Inmate Welfare Account — Budget Page CORRECTIONS-197 (Volume III)
Budget Account 240-3763

With these funds, the Department plans to create additional substance abuse programs in the Stewart Conservation Camp and the Three Lakes Valley Conservation Camp. This recommendation appears reasonable to Staff.

Do the Committees wish to approve the other closing items as listed on page 13 of Exhibit D, including adjustments related to Budget Amendment No. A00199?

ASSEMBLYWOMAN SMITH MOVED TO APPROVE DECISION UNITS E-901 AND E-910 IN B/A 101-3711 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL ADJUSTMENTS AS RELATED TO BUDGET AMENDMENT NO. A00199.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HAMBRICK WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

*****

CHAIR HORSFORD:
I will ask Staff to address the remaining accounts in Exhibit D. As many of these items are technical in nature and may be based on decisions that have already been made, we will take motions on some issues in groups.

MS. COFFMAN:
The next account is for HDSP, B/A 101-3762.

NDOC – High Desert State Prison — Budget Page CORRECTIONS-39 (Volume III)
Budget Account 101-3762

The only major issue in this account is related to the reopening of the two housing units to receive inmates from NSP. This item has been approved by the Committees.

Another closing item is related to the caseload adjustments which have already been approved by the Committees.

The second closing item, as listed on page 15 of Exhibit D, pertains to deferred maintenance costs. The Governor is recommending General Fund appropriations of $76,939 in FY 2011-2012 and $52,389 in FY 2012-2013 to replace damaged steam pipe insulation in the culinary and two obsolete air compressors. This item would also implement a four-year replacement schedule for the facility's water distribution system. This recommendation appears reasonable to Staff.

The last additional closing item is described on page 16 of Exhibit D. The Governor is recommending General Fund appropriations of $123,757 in FY 2011-2012 to replace two Cushman carts, a forklift, a pallet jack, a bread slicer, a Hobart mixer, an icemaker, a pressure washer, a sewer and drain cleaner, a wire feed welder and an automotive scan kit. The Department has indicated that, if the Legislature approves the closure of NSP, the Cushman carts, the forklift, the sewer and drain cleaner and the wire feed welder could be replaced with equipment that is currently at NSP. This would reduce the Governor's funding recommendation by $49,681.

Do the Committees wish to consider approval of all other items and technical adjustments recommended for the HDSP account, including previously discussed adjustments related to Budget Amendment No. A00194?

ASSEMBLYWOMAN SMITH MOVED TO CLOSE B/A 101-3762 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS, INCLUDING THOSE RELATED TO BUDGET AMENDMENT NO. A00194.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HAMBRICK WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

*****

MS. COFFMAN:
The next account for closing is the NNCC account, B/A 101-3717.

NDOC – Northern Nevada Correctional Center — Budget Page CORRECTIONS-48 (Volume III)
Budget Account 101-3717

The only major issue relates to the transfer of eight positions from NSP to NNCC in response to the closure of NSP. Of these positions, four are correctional officers. This is the second priority from NDOC's transfer list as shown on page 9 of Exhibit D.

The Department is also recommending the transfer of several maintenance personnel, including a heating, ventilation, air conditioning and refrigeration specialist which is a fourth-tier transfer priority, as indicated by the Department. An electronics technician and a facility supervisor are recommended to be transferred, as a sixth-tier priority.

Staff would note that the Department has provided a list of 46 maintenance projects which are currently backlogged. The Department indicates that they will not be able to provide the necessary maintenance support for these projects in the next biennium if they do not receive those transferred maintenance positions.

The Governor is also recommending that a food service manager be transferred to NNCC from NSP in order to accommodate some of the special diets required by certain inmates at NNCC. If this position is transferred, NNCC would be the only facility with two food service managers.

The Committees may wish to consider approving one of several options.

The first option would be to approve the Governor's recommendation to transfer the eight positions from NSP to NNCC.

The second option would be to reject the Governor's recommendation to transfer the eight positions, for a General Fund savings of $1.2 million over the 2011-2013 biennium.

The third option would be to approve a combination of the position transfers recommended by the Governor. The table at the bottom of page 19 of Exhibit D provides information on the General Fund costs associated with each of the various positions. Staff would note that any position transfer not approved would be eliminated as part of the NSP closure. This would result in commensurate General Fund reductions.

There are several additional closing items. The first pertains to caseload-driven revenue and expenditure increases which have already been approved.

The second item, decision unit M-425, pertains to deferred maintenance costs for electrical work and repairs in the vinyl products building and the laundry facility.

M-425 Deferred Facilities Maintenance — Page CORRECTIONS-50

Staff would note that $32,500 of the $49,100 recommended in this unit is associated with the prison industries facilities. The Committees may wish to fund only the deferred maintenance associated with the laundry facility, for a total of $16,600, and recommend that the Department use prison industry revenues to complete the other deferred maintenance.

The last closing item is decision unit E-710.

E-710 Equipment Replacement — Page CORRECTIONS-53

The Governor recommends General Fund appropriations of $70,977 in FY 2011-2012 to replace culinary equipment.

> ASSEMBLYMAN KIRNER MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO TRANSFER EIGHT POSITIONS FROM NSP TO NNCC; TO APPROVE DECISION UNITS M-425 AND E-710 IN B/A 101-3717 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY ADJUSTMENTS TO ACCOMMODATE THE DELAYED NSP CLOSURE DATE.
>
> SENATOR LESLIE SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN AIZLEY WAS ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)
>
> BUDGET CLOSED.

*****

MS. COFFMAN:
The next account is for NSP, B/A 101-3718.

NDOC – Nevada State Prison — Budget Page CORRECTIONS-56 (Volume III)
Budget Account 101-3718

The Committees have recommended that NSP be closed by April 2012. Staff would request authority to make the necessary technical adjustments in closing the account.

CHAIR HORSFORD:
Hearing no objection, it is so ordered.

MS. COFFMAN:
The closing document for Southern Desert Correctional Center (SDCC), B/A 101-3738, begins on page 24 of Exhibit D.

NDOC – Southern Desert Correctional Center — Budget Page CORRECTIONS-71 (Volume III)
Budget Account 101-3738

The Governor is recommending the transfer of nine correctional officer positions from NSP to SDCC. The Department has indicated that SDCC has the highest inmate-to-correctional officer ratio among all male, medium-security facilities.

The new positions would guard three areas within the facility, including the education area, Unit 11 and Unit 12 which are module areas and the visitation area.

A relief factor is used to determine the number of positions that are required. Staff believes that the relief factor is reasonable.

The Department has identified the recommendation for these transfers as a third-tier priority. The Committees may wish to approve one of several options.

The first option would be to approve the Governor's recommendation to transfer nine correctional officers from NSP to SDCC.

The second option would be to reject the Governor's recommendation to transfer the positions, for a General Fund savings of $1.3 million over the biennium.

The third option would be to approve a transfer of a combination of the positions recommended by the Governor.

There is a table on page 27 of Exhibit D which identifies the General Fund savings that would be realized should certain positions of the nine not be transferred.

There are several additional closing items for this account. The first pertains to the revisions for the caseload-driven revenue and expenditure increases.

The second closing item relates to decision unit M-425.

M-425 Deferred Facilities Maintenance — Page CORRECTIONS-73

This unit is for deferred maintenance. The Governor is recommending General Fund appropriations of $97,965 in FY 2011-2012 for three deferred maintenance projects involving the upgrade of plumbing and housing units, replacement of control room doors in the administration building and replacement of interior walls and ceilings in a walk-in refrigerator.

The third additional item relates to decision unit E-601.

E-601 Budget Reductions — Page CORRECTIONS-74

The Governor is recommending savings of $176 in each year of the biennium to eliminate insurance liability for a truck that the Department no longer possesses.

Staff would also request authority to make technical adjustments in this account.

> ASSEMBLYMAN CONKLIN MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO TRANSFER NINE CORRECTIONAL OFFICER POSITIONS FROM NSP TO SDCC; TO APPROVE THE CASELOAD-DRIVEN REVENUE AND EXPENDITURE INCREASES AND DECISION UNITS M-425 AND E-601 IN B/A 101-3738 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS.
>
> SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN OCEGUERA WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

*****

MS. COFFMAN:
The next account is for Warm Springs Correctional Center (WSCC), B/A 101-3716.

NDOC – Warm Springs Correctional Center — Budget Page CORRECTIONS-92 (Volume III)
Budget Account 101-3716

This budget account contains recommendations for the transfer of seven positions from NSP to WSCC. This includes five correctional officers who would be responsible for guarding the northern perimeter of the facility which is currently guarded by staffed towers at NSP. Without the staffing in those towers following the closure of NSP, WSCC would require additional security personnel.

The budget also recommends the transfer of a maintenance specialist. This employee would be responsible for maintaining NSP in a mothball state. In addition, the employee would be responsible for the heating, ventilation and air conditioning systems at WSCC.

The last position to be transferred in this account would be a correctional sergeant. This person would be responsible for inmate property and would be an eighth-tier priority on the Department's transfer list.

The Committees may wish to consider one of several options.

The first option would be to approve the transfer of the seven positions, as recommended by the Governor.

The second option would be to approve only the five correctional officer positions which have been indicated as the Department's top transfer priority. The elimination of the maintenance specialist position and the correctional sergeant position would result in General Fund savings of $147,337 in FY 2011-2012 and $149,227 in FY 2012-2013.

The third option would be to transfer the five correctional officers and the maintenance specialist, but eliminate the correctional sergeant position for a General Fund savings off $74,458 in FY 2011-2012 and $74,402 in FY 2012-2013.

A fourth option would be to reject the Governor's recommendation to transfer the seven positions, for a General Fund savings of $530,819 in FY 2011-2012 and $537,462 in FY 2012-2013.

There are several additional closing items for this account. The first relates to the revision of caseload-driven revenue and expenditure increases.

The second additional item pertains to decision unit M-425.

M-425 Deferred Facilities Maintenance — Page CORRECTIONS-94

This unit is for deferred maintenance. The Governor is recommending General Fund expenditures of $2,261 to tune boilers and a water heater. This recommendation appears reasonable.

The third additional closing item pertains to decision unit E-713.

E-713 Equipment Replacement — Page CORRECTIONS-97

The Governor is recommending General Fund appropriations of $55,968 in FY 2011-2012 to replace culinary equipment, including one oven and two gas kettles. The Department has indicated that, if the Committees move to close NSP, the rack oven could be replaced with NSP's existing oven, reducing General Fund expenditures by $36,210.

The fourth additional item is a position transfer, decision unit E-900.

E-900 Trans FTE From Directors Office to Warm Springs — Page CORRECTIONS-97

This unit recommends the transfer of an administrative services officer from the NDOC Director's Office to the WSCC account. This particular position handles the accounting and financial services associated with WSCC. This item appears reasonable to Staff.

Do the Committees wish to approve the additional closing items in this account, while providing authority to Staff to reduce replacement equipment costs by $36,210 if NSP is closed? Staff also requests authority to make technical adjustments to this account based on the Committees' decisions related to the closure of NSP and WCC.

SENATOR PARKS MOVED TO APPROVE THE TRANSFER OF SEVEN POSITIONS FROM NSP TO WSCC AS RECOMMENDED BY THE GOVERNOR; TO APPROVE THE REVISED CASELOAD-DRIVEN REVENUE AND EXPENDITURE INCREASES AND DECISION UNITS M-425, E-713 AND E-900 IN B/A 101-3716 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO REDUCE REPLACEMENT EQUIPMENT COSTS BY $36,210 IN RESPONSE TO THE CLOSURE OF NSP AND TO MAKE ANY OTHER NECESSARY TECHNICAL ADJUSTMENTS TO THIS ACCOUNT IN RELATION TO THE COMMITTEES' APPROVAL OF THE CLOSURE OF NSP AND WCC.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. COFFMAN:
The next account is for the Florence McClure Women's Correctional Center (FMWCC), B/A 101-3761.

NDOC – Florence McClure Women's Correctional Center — Budget Page CORRECTIONS-100 (Volume III)
Budget Account 101-3761

There is one major closing issue in this account, relating to the transfer of three correctional officers from NSP to FMWCC. These positions would provide additional escort services for the female inmates when they go outside of the facility to receive medical treatment or attend court proceedings.

According to the Department, FMWCC currently only has one transport team. On a day-to-day basis, they need approximately three transport teams. They provide personnel for this purpose by shutting down certain posts throughout the day.

The Department has indicated that this is a seventh-tier priority on the transfer list.

There is a deferred maintenance item for this account, decision unit M-425.

M-425 Deferred Facilities Maintenance — Page CORRECTIONS-102

SENATOR PARKS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO TRANSFER THREE POSITIONS FROM NSP TO FMWCC, TO APPROVE THE REVISED CASELOAD-DRIVEN REVENUE AND EXPENDITURE INCREASES AND DECISION UNIT M-425 IN B/A 101-3761 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS TO THIS ACCOUNT.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. COFFMAN:
The next account is for Three Lakes Valley Conservation Camp (TLVCC), B/A 101-3725.

NDOC – Three Lakes Valley Conservation Camp — Budget Page CORRECTIONS 136 (Volume III)
Budget Account 101-3725

The Governor has submitted Budget Amendment No. A00184 to withdraw an original recommendation to transfer three correctional officer positions from NSP to TLVCC. The Department has indicated that TLVCC no longer needs these positions.

Staff also requests approval of the revised caseload-driven revenue and expenditure increases and authority to make any necessary technical adjustments in this account.

CHAIR HORSFORD:
Hearing no objection, it is so ordered.

MS. COFFMAN:
The next account is for WCC, B/A 101-3739.

NDOC – Wells Conservation Camp — Budget Page CORRECTIONS-143 (Volume III)
Budget Account 101-3739

There are no major closing issues for this account. As the Committees have recommended that WCC be closed, Staff is requesting authority to make necessary technical adjustments.

CHAIR HORSFORD:
Hearing no objection, Staff is granted authority to make those technical adjustments. We will bring this account back after Staff has made adjustments so that the Committees can review what was finally approved.

MS. COFFMAN:
The next account is for Tonopah Conservation Camp, B/A 101-3754.

NDOC – Tonopah Conservation Camp — Budget Page CORRECTIONS-182 (Volume III)
Budget Account 101-3754

There are no major closing issues for this account. Staff would note that there are three additional closing items. Staff is requesting approval for the revised caseload adjustments, deferred maintenance in decision unit M-425 and replacement equipment in decision unit E-711.

M-425 Deferred Facilities Maintenence — Page CORRECTIONS-184

E-711 Equipment Replacement — Page CORRECTIONS-187

CHAIR HORSFORD:
Hearing no objection, the caseload adjustments, decision unit M-425 and decision unit E-711 in B/A 101-3754 are approved. Staff is also granted authority to make any technical adjustments necessary in this account.

MS. COFFMAN:
The next account is for the Offender’s Store Fund, B/A 240-3708.

NDOC – Offenders' Store Fund — Budget Page CORRECTIONS-189 (Volume III)
Budget Account 240-3708

This account has one major closing issue pertaining to the elimination of two positions as a result of the closure of NSP.

Staff recommends that the elimination of these positions be delayed until the Legislatively approved April 2012 closure date for NSP.

There are several additional closing items in this account. The first pertains to the revised inmate-driven revenue and expenditure increases.

The second additional closing item pertains to the Residential Substance Abuse Treatment grant. This item has already been approved by the Committees in the Correctional Programs account.

The third additional item relates to replacement equipment, decision unit E-710.

E-710 Equipment Replacement — Page CORRECTIONS-194

The replacement equipment would include four freezers, three refrigerators and some office equipment. These items appear reasonable to Staff.

The fourth additional closing item would restore travel expenditures in this account to the 2009 Legislatively approved amount. This is contained in decision unit E-750.

E-750 Budget Restorations — Page CORRECTIONS-194

The fifth additional closing item would restore training expenditures in this account to the 2009 Legislatively approved amount. This is contained in decision unit E-751.

E-751 Budget Restorations — Page CORRECTIONS-194

These items appear reasonable to Staff.

SENATOR LESLIE MOVED TO APPROVE THE ELIMINATION OF TWO POSITIONS IN B/A 240-3708 AS RECOMMENDED BY THE GOVERNOR; TO APPROVE THE REVISED CASELOAD-DRIVEN REVENUE AND EXPENDITURE INCREASES AND DECISION UNITS E-710, E-750 AND E-751 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS IN THIS ACCOUNT.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. COFFMAN:
The next account is the Inmate Welfare account, B/A 240-3763.

NDOC – Inmate Welfare Account — Budget Page CORRECTIONS-197 (Volume III)
Budget Account 240-3763

There is one major closing issue in this account, relating to the elimination of two positions as a result of the closure of NSP. The first position is a law librarian and the other is an athletic and recreation specialist. If the Committees choose to eliminate these positions, Staff would request authority to delay their elimination based on the April 2012 closure date for NSP that has been approved.

There are several additional closing items in this account. The first pertains to the revised caseload-driven revenue and expenditure increases.

The second additional closing item relates to the Residential Substance Abuse Treatment grant issue which has already been approved by the Committees.

The third additional closing issue pertains to decision unit E-710.

E-710 Equipment Replacement — Page CORRECTIONS-202

The Governor is recommending replacement of office equipment for this account. These recommendations appear reasonable to Staff.

SENATOR PARKS MOVED TO APPROVE THE ELIMINATION OF TWO POSITIONS IN B/A 240-3763 AS RECOMMENDED BY THE

GOVERNOR; TO APPROVE THE REVISED CASELOAD-DRIVEN REVENUE AND EXPENDITURE INCREASES AND DECISION UNIT E-710 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS BASED ON THE ACTIONS TAKEN IN OTHER ACCOUNTS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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WAYNE THORLEY (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
I will discuss the closure of the Forestry Conservation Camps account, B/A 101-4198.

INFRASTRUCTURE

CONSERVATION AND NATURAL RESOURCES

DCNR – Forestry Conservation Camps — Budget Page DCNR-33 (Volume III)
Budget Account 101-4198

The first major closing issue in this account pertains to the closure of WCC. Staff is requesting authority to make technical adjustments based on the Committees' decision to delay the closure of WCC for six months.

The second major closing issue in this account is relating to the elimination of three vacant positions. This has been recommended in the *Executive Budget* in response to declining inmate populations.

The third major closing issue pertains to the elimination of RAD pay. The Committees have approved this item in the NDOC accounts, contingent upon the approval of A.B. 489.

There are several additional closing items associated with this account. The first relates to decision unit M-425.

M-425 Deferred Facilities Maintenance — Page DCNR-35

The Governor is recommending funding for several deferred maintenance projects in this item.

The second additional item pertains to decision unit E-710.

E-710 Equipment Replacement — Page DCNR-38

The Governor is recommending funding for replacement equipment in this item.

ASSEMBLYMAN KIRNER MOVED TO APPROVE THE ELIMINATION OF THREE VACANT POSITIONS IN B/A 101-4198 AS RECOMMENDED BY THE GOVERNOR; TO APPROVE DECISION UNIT M-425 AND DECISION UNIT E-710 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS BASED ON ACTIONS IN OTHER ACCOUNTS.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR CEGAVSKE WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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CHAIR HORSFORD:
This meeting is adjourned at 1:20 p.m.

RESPECTFULLY SUBMITTED:

Wade Beavers,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE:

Assemblywoman Debbie Smith, Chair

DATE:

| EXHIBITS | | | |
|---|---|---|---|
| **Bill** | **Exhibit** | **Witness / Division** | **Description** |
| | A | | Agenda |
| | B | | Attendance Roster |
| | C | Legislative Counsel Bureau | Closing List #21 |
| | D | Legislative Counsel Bureau | Closing List #10 |
| | E | Legislative Counsel Bureau | Inmate Cost Table |