MINUTES OF THE
JOINT SUBCOMMITTEE ON HUMAN SERVICES/CIPS
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-sixth Session
April 1, 2011

The Joint Subcommittee on Human Services/CIPS of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Sheila Leslie at 8:08 a.m. on Friday, April 1, 2011, in Room 3137 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 5100, 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 SUBCOMMITTEE MEMBERS PRESENT:

Senator Sheila Leslie, Chair
Senator Barbara K. Cegavske

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman April Mastroluca, Chair
Assemblywoman Debbie Smith, Vice Chair
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Cresent Hardy
Assemblyman Joseph M. Hogan

SUBCOMMITTEE MEMBERS ABSENT:

Senator Steven A. Horsford (Excused)

STAFF MEMBERS PRESENT:

Michael J. Chapman, Principal Deputy Fiscal Analyst
Rick Combs, Assembly Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Heidi Sakelarios, Program Analyst

Teri Sulli, Program Analyst
Jackie Cheney, Committee Secretary

OTHERS PRESENT:

Jeff Fontaine, Executive Director, Nevada Association of Counties
Jerrie C. Tipton, Board of Commissioners, Mineral County; President, Nevada Association of Counties
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
Lynn Carrigan, Administrative Services Officer, Division of Health Care Financing and Policy, Department of Health and Human Services
Jon Sasser, Statewide Advocacy Coordinator, Washoe Legal Services
Kevin Schiller, Director, Department of Social Services, Washoe County
Misty R. Grimmer, Senior Legislative Strategist, Ostrovsky and Associates
Diane J. Comeaux, Administrator, Division of Child and Family Services, Department of Health and Human Services
Frances Doherty, District Judge, Family Division, Department 12, Washoe County
Carey Stewart, Director, Department of Juvenile Services, Washoe County
Mary C. Walker, CPA, Walker & Associates, Inc.
Christina Vela, President, Nevada Youth Care Providers
Pam Becker, Special Projects, The Children's Cabinet, Inc.
Wendy C. Garrison, Director of Youth Services, China Spring Youth Camp
Karen Taycher, Executive Director, Nevada Parents Encouraging Parents

CHAIR LESLIE:
We will open the meeting by hearing from the Nevada Association of Counties (NACO).

JEFF FONTAINE (Executive Director, Nevada Association of Counties):
I am here today with Jerrie Tipton, a commissioner of Mineral County. Commissioner Tipton is also the President of NACO. We will comment on the proposed shift of long-term care costs to the counties.

JERRIE C. TIPTON (Board of Commissioners, Mineral County; President, Nevada Association of Counties):
This change will cost Mineral County approximately $160,000 in fiscal year (FY) 2011-2012 and about $175,000 in FY 2012-2013. Mineral County has a capped tax rate with no option to increase taxes. Approximately 3 percent of the workforce would need to be cut to cover these costs.

The average pay for a Mineral County employee with 15 years of service, including benefits and salary, is about $60,000 per year. The most recent hires would be laid off first. However, considering our comparatively small workforce and lower pay scale, we would have to include some employees who have worked for the County for over ten years. Mineral County cannot afford to assume these costs.

CHAIR LESLIE:
Have you discussed your concerns with the Governor?

MS. TIPTON:
No, I have not.

CHAIR LESLIE:
I suggest you take that opportunity. I am not sure the Governor’s Office completely understands the impact to the counties.

MS. TIPTON:
I will do that.

HEIDI SAKELARIOS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
The *Executive Budget* recommends General Fund totaling approximately $96 million in FY 2011-2012 and $66.2 million in FY 2012-2013 to replace federal funds that were provided to states through an enhanced Federal Medical Assistance Percentage (FMAP) rate with the passage of the American Recovery and Reinvestment Act of 2009. The enhanced FMAP rate was approved by Congress as a temporary, one-time increase, effective for the 2009-2010 biennium, and will not be available for the upcoming biennium.

The recommended increase in the *Executive Budget* for additional General Fund appropriations replaces federal revenues that will be lost as a result of the decrease in FMAP. The FMAP was 63.93 percent during FY 2009-2010. The *Executive Budget* indicates FMAP will decrease to 55.05 percent in FY 2011-2012 and 57.66 percent in FY 2012-2013.

On March 25, 2011, the Federal Funds Information for States (FFIS) report showed revised FMAP projections for FY 2012-2013. The FMAP rate for Nevada is now expected to increase to 60.28 percent for federal fiscal year 2012-2013, resulting in a blended FMAP rate of 59.26 percent. This is an increase of 1.6 percent when compared to the blended FMAP rate of 57.6 percent used in the *Executive Budget*.

Staff met with representatives from the Department of Health and Human Services (DHHS) and the Budget Office to discuss changes in FMAP as well as changes to the projected caseload and cost per eligible (CPE) for the upcoming biennium. The changes to FMAP, projected caseload and CPE result in additional savings within the Medicaid account totaling about $52 million over the course of the 2011-2013 biennium. As a result, the Department is in the process of preparing a budget amendment.

The FMAP remains a projection and while the information provided by the FFIS has historically been used by the Legislature in projection rates for the upcoming biennium, it will not be finalized until the fall of 2011.

The decision to be made is whether to approve the FMAP rate published by FFIS for FY 2012-2013, which projects the FMAP rate to increase to 59.26 percent, compared to the FMAP rate of 57.66 percent used in the *Executive Budget.*

CHAIR LESLIE:
Before anyone gets too excited about these extra funds, remember there are still many uncertainties in the revenues including property tax.

How confident is the DHHS about the revised FMAP?

MICHAEL J. WILLDEN (Director, Department of Health and Human Services):
The new FFIS FMAP projections are reliable. This is what has always been used in the past. These numbers are typically close to what we will see in the final numbers. The Department has finished the work on the revised caseload and CPE and is comfortable with these numbers.

MS. SAKELARIOS:
The next item is budget account (B/A) 101-3158, decision unit E-680.

HUMAN SERVICES

HEALTH CARE FINANCING AND POLICY

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

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

The *Executive Budget* recommends 13 new full-time equivalent (FTE) positions during the 2011-2013 biennium. Most of the positions are linked to the implementation of health care reform mandates.

During the February 23, 2011, budget hearing, the Subcommittee requested additional information on several of the recommended positions in decision unit E-680. Approximately $1.6 million is requested in FY 2011-2012 and approximately $1.7 million in FY 2012-2013 for contract services and seven new FTE positions. This included the reclassification of an existing position to meet the Affordable Care Act mandates to combat fraud, waste, abuse, and improper payments within the Medicaid and Nevada Check Up programs. The decision unit also recommends the reclassification of an existing management analyst IV position, grade 39, to a social services chief III position, grade 41. The *Executive Budget* indicates the additional staff are needed for the audit unit because staffing levels have not kept pace with federal requirements to ensure program integrity and compliance sufficient to protect funding from Title XIX and Title XXI of the Social Security Act.

In June 2010, an evaluation of the Agency's audit operations and resources was conducted by an independent contractor. One of the risks identified during the audit involved monitoring of major Agency contracts, such as managed care organizations, transportation, actuarial services, managed care quality, consultant and audit contractors. There is not enough auditing being done on the major Division contracts such as managed care organizations and the fiscal agent for the Medicaid Program. The expansion of the audit unit is recommended to address audit program weaknesses identified through the evaluation and to allow the unit to better monitor high-value, high-risk contracts. The Governor recommends adding one auditor III position to manage all audit activities pertaining to the Division's fiscal agent and one auditor II position that would be responsible for auditing the maintenance care organizations.

The Governor also recommends five new positions to expand the Surveillance and Utilization Review Services (SURS) unit. This unit is designed to identify and eliminate fraud, waste and abuse. The additional positions will help improve recovery and cost avoidance efforts and will monitor recovery audit contractors. Due to the increase in awareness of provider fraud, waste and abuse, referrals to the SURS Unit have increased significantly. There are currently about 400 cases pending. According to the Division, there is a direct correlation between recoveries and programmatic improvements and the number of staff dedicated to investigating referrals, performing comprehensive claims analyses and educating providers.

The five new positions include one management analyst II responsible for generating utilization reports and calculating losses to the Division after reviews are complete; recommending referrals as needed to the Medicaid Fraud Control Unit, and performing on-site provider reviews, as needed. Three management analyst I positions are recommended which would be responsible for identifying targets for State and federal recovery audit contractors, requesting information from providers to support provider claims and pursuing recoveries related to fraud, waste and abuse. The fifth position is an administrative aide III position that would provide support to this unit and would also monitor the financial transactions for the fiscal agent to ensure timely processing.

The *Executive Budget* indicates the recommended fraud, waste, abuse and improper payment activities will generate General Fund savings totaling about $7.9 million during the 2011-2113 biennium. The additional staff are necessary to accomplish this savings.

The decision to be made is whether to approve the Governor's recommendation to add seven new FTE positions to the Audit Unit and the SURS Unit. If the recommended positions are not approved, the Division's ability to generate the General Fund savings totaling $7.9 million over the course of the 2011-2013 biennium may be impacted.

CHAIR LESLIE:
The Division has made the case to add the seven positions.

The next budget is B/A 101-3243, decision units M-200 and M-201.

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

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

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

MS. SAKELARIOS:
The *Executive Budget* recommends approximately $231.2 million in FY 2011-2012 and about $290.7 million in FY 2012-2013 for increased costs associated with the projected growth in caseload for the Medicaid program over the 2011-2013 biennium. At the time the *Executive Budget* was prepared, the Medicaid caseloads were projected to increase approximately 23 percent in FY 2011-2012 over the actual caseloads in FY 2009-2010. They were projected to increase an additional 4.1 percent in FY 2012-2013. The latest caseload projections show a decrease for both Medicaid and Nevada Check Up over the course of the biennium.

CHAIR LESLIE:
What about CPE?

MS. SAKELARIOS:
Based on the meeting with the Division yesterday, it appears CPE will be increasing over the course of the biennium, but it is offset by the savings resulting from FMAP and the caseload decrease.

CHAIR LESLIE:
Why have we been seeing caseload increases? Is that trend expected to continue?

CHARLES DUARTE, (Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services):
The caseload projections are determined by the Department of Administration (DOA) Budget Division. I would have to defer to them in terms of what was used in their economic forecast for Medicaid. There is a direct correlation between employment and the Medicaid caseloads, particularly with the Temporary Assistance to Needy Families and Child Health Assurance Program caseloads. It is believed there will be a slight improvement in the economy resulting in a reduction in caseloads.

CHAIR LESLIE:
Why is CPE going up?

LYNN CARRIGAN (Administrative Services Officer, Division of Health Care Financing and Policy, Department of Health and Human Services):
The CPE for the Medicaid budget is not projected to increase. It is projected to go down by $11.51 million in FY 2011-2012 and $13.97 million in FY 2012-2013. The CPE for Nevada Check Up is increasing significantly due to increased dental costs in both fee for service and the Health Maintenance Organization (HMO) population.

CHAIR LESLIE:
What is causing the increase in dental costs?

MS. CARRIGAN:
There is an increased number of people utilizing dental services. The Division has had initiatives encouraging dental services. The HMOs have been asked to provide better dental services. It is basically a utilization issue.

ASSEMBLYWOMAN CARLTON:
Considering many people are employed part-time or working full time with low wages, how is this factored into the employment projections?

MR. DUARTE:
Employment is projected to improve which is, in part, why we have a new reduced caseload projection.

MR. WILLDEN:
The changes in the employment forecast and the new population forecast are not that significant. The new Medicaid caseload forecast is less than the original Governor recommended budget for FY 2011-2012. It is only about 600 recipients less per month. This is minor, considering there are about 300,000 Medicaid recipients. The savings has resulted from a slightly better caseload forecast, a slightly better CPE forecast and a better FMAP number.

CHAIR LESLIE:
We will move on to the discussion of decision unit E-651 in B/A 101-3178 and B/A 101-3243.

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

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

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

MS. SAKELARIOS:
The Governor recommends reducing General Fund appropriations by $6,682,078 in FY 2011-2012 and $6,529,047 in FY 2012-2013 by reducing the rates paid to inpatient hospitals, inpatient psychiatric facilities and specialty inpatient hospitals by 5 percent. Inpatient hospital rates were reduced by 5 percent in FY 2007-2008 as a budget reduction measure. The 2009 Legislature approved the continuation of the rate reduction during the 2009-2011 biennium; however, the Legislature did not approve the Governor’s recommendation to decrease rates paid to inpatient hospitals by an additional

5 percent. The 2009 Legislature determined that an additional 5 percent reduction would impact the abilities of the hospitals to provide care for Medicaid recipients.

During the budget hearings, the Division indicated that critical access hospitals, primarily located in rural areas, will not be affected by this rate reduction because they received cost settlements to pay the full cost of treating Medicaid clients. A portion of the proposed rate reduction for county-owned hospitals will be offset through supplemental payments received through the existing Upper Payment Limit (UPL) Program and the proposed expansion for outpatient services. Those programs are both supported through the Intergovernmental Transfer account.

The Division is exploring the possibility of expanding the UPL program to include noncounty-owned hospitals which would result in private hospitals making donations to a nonprofit entity that would assume responsibility for some items that are currently General Fund supported such as specific contracts for the Division of Mental Health and Development Services (MHDS). That frees up General Fund money within the State budget that could then be used as State match to generate the supplemental funds and increase the UPL for noncounty-owned hospitals. Texas and Louisiana have received Centers for Medicare and Medicaid Services approval to implement similar programs. The Division does not expect this proposal to be finalized before the budgets are closed for next biennium.

The decision to be made is whether to approve the Governor's recommendation to impose a 5 percent reduction in the reimbursement rates paid to inpatient hospitals, inpatient psychiatric facilities and specialty inpatient hospitals for the Nevada Medicaid and Nevada Check Up programs. If the Governor's recommendation is not approved, a General Fund appropriation of approximately $6.7 million in FY 2011-2012 and $6.5 million in FY 2012-2013 will need to be added to the Nevada Medicaid and Nevada Check Up budgets.

MS. SAKELARIOS:
The next items are decision units E-692 in B/A 101-3178 and B/A 101-3243.

E-692 Budget Reductions — Page DHHS DHCFP-29

E-692 Budget Reductions — Page DHHS DHCFP-43

The Governor recommends reducing General Fund appropriations by $1,374,802 in FY 2011-2012 and $1,340,584 in FY 2012-2013 through a reduction of 15 percent in the rates paid to outpatient hospitals. Reimbursement rates for outpatient hospital services have not previously been reduced. The reimbursement rates for evaluation and management codes will be held harmless. The Division does not anticipate any problems regarding patient access as a result of this recommended reduction.

As mentioned in the previous decision unit discussion, the *Executive Budget* recommends expanding the UPL program to include outpatient services provided at county-owned hospitals. This expansion is expected to mitigate the proposed rate reduction. The *Executive Budget* projects increased UPL payments totaling about $10 million in each year of the 2011-2013 biennium, prior to the recommended 15 percent rate reduction.

CHAIR LESLIE:
Please continue to the next issue.

MS. SAKELARIOS:
The next items are decision units E-697 in B/A 101-3178 and B/A 101-3243.

E-697 Budget Reductions — Page DHHS DHCFP-31

E-697 Budget Reductions — Page DHHS DHCFP-45

The Governor recommends reducing General Fund appropriations by $1,106,833 in FY 2011-2012 and $1,079,275 in FY 2012-2013 by reducing the rates paid to ambulatory surgical centers, ambulance services and end stage renal disease services by 15 percent. These rates have not been previously reduced and no access issues are anticipated as a result of the recommended rate reductions.

The decision to be made is whether to approve the Governor's recommendation to impose a 15 percent reduction to the reimbursement rates paid to ambulatory surgical centers, ambulance services, and end stage renal disease services for the Nevada Medicaid and Nevada Check Up programs. If the Governor's recommendation is not approved, General Fund appropriations of approximately $1.1 million in each year of the 2011-2013 biennium will need to be added to the budgets.

ASSEMBLYWOMAN CARLTON:
I do not believe these rate reductions will cause access problems. Not too long ago, there was a problem with finding enough medical providers to accept Medicaid recipients.

CHAIR LESLIE:
These are valid concerns. As we go forward over the next two years, how will we keep track of where the access issues may be occurring?

MR. DUARTE:
The Division is receiving reports that will be useful for access studies for all the major provider types. A company called Health Services Advisory Group, which is a quality review organization that contracted with us to review managed care organizations and their networks, is also evaluating our access for the fee for service program. They are establishing benchmarks for access comparing the general population in the various geographic areas with Medicaid recipients. This will enable the Division to monitor any changes in access, including the names and number of physicians and other providers who are serving our clients over time. Additionally, we survey physicians and offices. There were problems in the past with access to some specialty physicians. For example, back in 2002 some obstetricians were boycotting Medicaid patients. It generated a lot of publicity, but in the long run did not cause an access issue for pregnant women.

The Division will monitor access through the work of the Health Services Advisory Group and my own staff. We also have case-management staff who may learn of access problems through their work.

ASSEMBLYWOMAN CARLTON:
When you say it will be compared to the general population, Nevada has one of the highest uninsured rates in the Country. I have concerns that we are comparing to something that has not been good. How do we improve if our benchmark starts off so low?

MR. DUARTE:
We are establishing this benchmark primarily to be consistent with federal regulations which require Medicaid clients to have the same access as the general population. We certainly do not want to see deterioration in access and that is what we will be looking for.

MS. SAKELARIOS:
Next are decision units E-691 and E-693 in B/A 101-3178 and B/A 101-3243.

E-691 Budget Reductions — Page DHHS DHCFP-29

E-693 Budget Reductions — Page DHHS DHCFP-30

E-691 Budget Reductions — Page DHHS DHCFP-42

E-693 Budget Reductions — Page DHHS DHCFP-43

The Governor recommends reducing General Fund appropriations by $3,885,009 in FY 2011-2012 and $3,788,230 in FY 2012-2013 by reducing the rates paid to nonprimary care physicians, physician assistants, nurse midwives and nurse practitioners by 15 percent.

The total reimbursement for these provider types has increased by 10.27 percent from FY 2008-2009 to FY 2009-2010 due to increases in service utilization. The rate reduction, as proposed, does not reduce rates for evaluation and management services; therefore, reimbursement rates will remain the same for routine office visits.

During the budget hearing on February 23, 2011, the Division indicated the budget reduction measure is targeted toward services considered to be nonprimary care services such as surgery, radiology and obstetrics. These services were targeted for two reasons. First, the primary care services are the largest area of services provided through Medicaid and is the most critical access area for clients. Additionally, the Affordable Care Act established a benchmark date for primary provider rates. If states reduce reimbursement rates after the benchmark date, the federal government will not assist states in paying the difference between the reimbursement rate and the federal Medicare rate. This restriction would result in the State having an increased financial obligation to the Medicaid program during FY 2012-2013 and FY 2013-2014. For these reasons, the nonprimary care services were identified for rate reductions during the 2011-2013 biennium.

The Division used a methodology provided by the Henry J. Kaiser Family Foundation to develop the proposed provider rate reduction and the proposed physician fees. The proposed provider fees are equivalent to 100 percent of the national average for state Medicaid programs. The Henry J. Kaiser Family Foundation reports 36 states are pursuing rate reductions or freezes during 2011. This appears to be an emerging nationwide trend.

The decision to be made is whether to approve the Governor's recommendation to impose a 15 percent reduction in the reimbursement rates paid to nonprimary care physicians, physician assistants, nurse midwives and nurse practitioners for the Nevada Medicaid and Nevada Check Up programs. If the Governor's recommendation is not approved, General Fund appropriations of approximately $3.9 million in FY 2011-2012 and $3.8 million in FY 2012-2013 will need to be added to the budgets.

CHAIR LESLIE:
The next item is decision unit E-640 of B/A 101-3243.

E-640 Budget Reductions — Page DHHS DHCFP-38

MS. SAKELARIOS:
The Governor recommends reducing General Fund appropriations by $904,303 in FY 2011-2012 and $851,795 in FY 2012-2013 by reducing rates by 15 percent for home and community-based services for the frail elderly, adult group care, and the disability waivers. The rate reduction applies to all services provided as part of these waivers including homemaker and adult day care services. However, it does not include personal care services and case management services. The *Executive Budget* indicates this rate reduction may impact access to services, and the litigation risk is high. The *Executive Budget* also notes that this recommendation is subject to federal approval and timelines.

During the February 23, 2011, budget hearing, the Division identified an error in the calculation for this budget reduction measure. The Division inadvertently included two program areas in the recommended reduction. The first is revenue for the Aging and Disability Services Division for case management services and the second area was for enhanced personal care service rates for individuals on disability waivers. The Division testified that a budget amendment would be submitted to reduce the amount of the anticipated General Fund appropriation reduction by approximately $455,000 during the 2011-2013 biennium. The budget amendment has not yet been received by the DOA Budget Division.

The decision to be made is whether to approve the Governor's recommendation to impose a 15 percent reduction in the reimbursement rates paid for home and community-based services for the frail, elderly, adult group care, and the disability waivers for the Nevada Medicaid program. If the Governor's recommendation is not approved, a General Fund appropriation of $904,303 in FY 2011-2012 and $851,795 in FY 2012-2013 will need to be added to the budget.

An additional decision to be made is whether to approve the restoration of General Fund appropriation of approximately $455,000 during the 2011-2013 biennium to support case management services within the Aging and Disability Services Division and to enhance personal care services for individuals on disability waivers, if the Governor submits a budget amendment.

CHAIR LESLIE:
Where is the budget amendment?

MR. WILLDEN:
I attended a meeting yesterday with the DOA Budget Office on a number of the addbacks and amendments. The Budget Office has been holding off on these decisions until the caseload projections, CPE and FMAP numbers were updated. Additionally, Director Andrew Clinger has indicated there are a number of outstanding DHHS issues that need to be resolved with staff and legislators. A total package of amendments and adjustments will be done once these issues are finalized.

CHAIR LESLIE:
Please address what is meant by Ms. Sakelario's statement that this rate reduction may impact access to services, and the litigation risk is high.

MR. WILLDEN:
The law requires the Division try to serve people in the least restrictive environment. Home and community-based services are preferred over institutionalization. There are also requirements that waiting lists do not exceed 90 days. The Aging and Disability Services Division and MHDS waiting lists generally do not exceed 90 days. The only exception is the physical disability waiver in Medicaid, where the waiting time can be significantly longer. In the case of the physical disability waiver, the Division does prioritize in an effort to serve first the people who are in immediate danger of institutionalization. The whole issue regarding access to services and possible litigation is primarily related to the Division having adequate funds to serve people timely in the least restrictive environment. The Division is acutely aware of the need to keep this on the forefront.

CHAIR LESLIE:
This is a continuing concern. I know the Division shares this concern as well.

MR. DUARTE:
Home and community-based services are not only made up of waiver program services. The most important services that people with physical or other types of disabilities receive are personal care services. A significant amount of money is spent on these services which have continued to grow over the past decade. I just wanted to make sure this essential service was not left out of the mix as you are discussing the needs for this population.

CHAIR LESLIE:
I agree.

MS. SAKELARIOS:
The next items are decision units E-650 and E-690 in B/A 101-3243.

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

E-690 Budget Reductions — Page DHHS DHCFP-42

The Governor recommends reducing General Fund appropriations by about $5.2 million in FY 2011-2012 and approximately $4.9 million in FY 2012-2013 by reducing per diem rates for skilled nursing facilities (SNF) by $20 per day and reducing hospice bed rates which are paid at 95 percent of the SNF daily bed rate. This recommendation reduces overall expenditures for SNF by approximately $18 million in each year of the 2011-2013 biennium and reduces expenditures for hospice services by approximately $609,000 in each year of the 2011-2013 biennium.

The per diem rates for SNF have increased from $121 per day in FY 2001-2002 to $189 per day in FY 2010-2011, an increase of 56.6 percent. This is primarily the result of the revenue generated through the nursing home provider tax program, included in B/A 101-3160, the Increased Quality of Nursing Care account. During this period of time, most other Medicaid providers have experienced either no increase or a reduction to their reimbursement rates. The Division indicates that even with the proposed per diem rate reduction from approximately $189 per day to $169 per day, reimbursement rates for SNF have increased by approximately 40 percent since FY 2001-2002.

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

It should be noted that reducing the per diem rate paid to SNF will also benefit all counties participating in the County Match Program. To enact this budget reduction measure, Senate Bill (S.B.) 54 revises the statutes pertaining to the nursing home provider tax program and has been referred to the Senate Committee on Finance.

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

Surveys have been conducted comparing per bed-day rates paid to SNF in Nevada with other western states. The survey results indicate that Nevada's average per diem rate is higher than the average per diem rate of the ten western states over the past three years.

Additionally, the Division conducted a second survey as recently as February 2011. It again substantiated that Nevada is paying higher per bed-day rates than the other states. The average per diem rate for other states is $173.50 which is approximately $16 less than the $189.38 per bed-day rate currently paid in Nevada.

The decision to be made is whether to approve the Governor's recommendation to impose a $20 per bed-day reduction to the reimbursement rates paid to SNFs and to reduce the hospice bed rates which are paid at 95 percent of the daily bed-rate through the Medicaid program. If the Governor's recommendation is not approved, a General Fund appropriation of approximately $5.2 million in FY 2011-2012 and $4.9 million in FY 2012-2013 will need to be added to the budget.

CHAIR LESLIE:
We just heard this issue the other day in another subcommittee meeting. If this reduction is approved, Nevada will be under the average paid in the western states. Why was $20 chosen?

MR. DUARTE:
At a minimum, we were trying to get to the average. The recommendation is only $4 less than the average.

CHAIR LESLIE:
Please continue with decision unit E-695 in B/A 101-3243.

E-695 Budget Reductions — Page DHHS DHCFP-44

MS. SAKELARIOS:
The Governor recommends reducing General Fund appropriations by $607,350 in FY 2011-2012 and $592,206 in FY 2012-2013 through a 15 percent reduction in rates for nonpediatric beds for intermediate care facilities for the mentally retarded and developmentally disabled (ICF/MR) and home health services.

The Division indicates that the per diem rates for ICF/MR facilities are unique to each individual facility. Additionally, some clients require specialty care, and their costs are considered on a case-by-case basis. For these reasons, the Division anticipates needing flexibility to negotiate each facility's rate reductions in order to avoid access issues.

CHAIR LESLIE:
Next is decision unit E-666 of B/A 101-3243.

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

MS. SAKELARIOS:
The Governor recommends reducing General Fund appropriations by $896,716 in FY 2011-2012 and $875,383 in FY 2012-2013 by eliminating nonmedical vision services for adults age 21 years and older. Clients would still be eligible for eye exams; however, funding would no longer be available to purchase glasses or other eye appliances. Approximately 7,833 patients would be impacted by this reduction. This is an optional benefit that was considered for elimination during the 2009 Legislative Session as well as during the Twenty-sixth Special Session.

It is important to note the Agency will continue to work with local service organizations to assist clients in obtaining glasses. This budget reduction does not affect children up to the age of 21.

CHAIR LESLIE:
Is this change all or nothing? Is there any way to prioritize the worst cases?

MR. DUARTE:
The Division can impose prior authorization requirements for lenses and glasses based on vision acuity. It is difficult to say exactly how this would be done and whether it would be effective in reducing costs. The Division is willing to examine the possibilities.

CHAIR LESLIE:
It concerns me that people with poor vision may need to drive and may not be able to get help. Please reexamine this issue to determine if there is any way to assist those most in need.

ASSEMBLYWOMAN CARLTON:
In other health care programs, a base amount per year or every two years is allowed each participant. Is it possible to give each person an allotment with the understanding they would pay for anything over that amount? This recommendation pays only for the exam, but nothing else. Some places will give a free exam if you purchase the glasses. We are covering something they may be able to get for free.

MR. DUARTE:
Cost sharing in the Medicaid program is complicated to implement. Eye exams or medical services will continue. Eyeglasses are an optional item for the State to cover. I recommend considering a prior authorization program with criteria aimed at serving people with the most serious acuity levels.

ASSEMBLYWOMAN MASTROLUCA:
When you look at the prior authorization, can you provide an estimated cost for this to be added back in?

MR. DUARTE:
Currently, the Division does not get clinical information on the patient's prescription for eyeglasses. If we implement prior authorization criteria, the Division will need this information from the optometrist. I am unsure how to do a cost estimate with any kind of meaningful methodology.

ASSEMBLYWOMAN MASTROLUCA:
Vision can change frequently. Some people may have to get a new prescription annually. Even if the Agency could pay for the lenses and the client would have to pay for the frames, it would be helpful.

MR. DUARTE:
We certainly can explore options. I do not know how quickly I can come back with a meaningful methodology.

CHAIR LESLIE:
The Subcommittee would like you to try.

MS. SAKELARIOS:
The next item is E-698 in B/A 101-3243.

E-698 Budget Reductions — Page DHHS DHCFP-46

The Governor recommends reducing General Fund appropriations by approximately $17.4 million in FY 2011-2012 and about $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.

Currently, counties are only responsible for paying the State share of the costs for Medicaid clients for institutional care whose income falls between 156 percent and 300 percent of the federal benefit rate (FBR) for Supplemental Security Income (SSI). Counties currently have no financial responsibility for waiver recipients. This recommendation makes counties responsible for both the institutional population at a lower percentage of the FBR and all of the waiver population. The *Executive Budget* indicates that the FBR percentage threshold will be adjusted annually and may go as low as 101 percent in future years. The percentage, however, will vary due to requirements that were approved as a part of health care reform that limit the contributions by political subdivisions for these types of expenses. The *Executive Budget* also indicates that the county responsibility will become 132 percent of the FBR and above in FY 2011-2012, and 124 percent of the FBR, and above, in FY 2012-2013.

Senate Bill 485 has been introduced to allow the State to annually determine the income standard based on the SSI FBR in order to maximize the counties' obligation to fund medical assistance while allowing the State to remain compliant with health care reform.

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)

During previous budget hearings, the Division indicated that the amounts per county are estimates. Final calculations will not be available before the end of the Legislative Session. The Division also testified that the FBR will be set at a level that remains in compliance with health care reform limitations while maximizing the General Fund savings. Currently, statutes provide a mechanism for the State to assume responsibility for the costs of county match clients in certain situations if a county has expended property tax proceeds up to a specified level for costs associated with institutional care. Three counties in FY 2011-2012 and up to six counties in FY 2012-2013 may be impacted by this, resulting in a decrease in the General Fund reduction by $600,000 to $800,000 per year during the 2011-2013 biennium.

The decision to be made is whether to approve the Governor's recommendation to transfer financial responsibility for a portion of the MAABD institutional population and the waiver population to the County Match Program for the Nevada Medicaid program. If the Governor's recommendation is not approved, a General Fund appropriation of approximately $17.4 million in FY 2011-2012 and $19.8 million in FY 2012-2013 will need to be added to the budget.

CHAIR LESLIE:
Which counties are affected in FY 2011-2012 and FY 2012-2013?

MS. CARRIGAN:
Mineral County met the criteria in FY 2009-2010. The three counties that will meet it in FY 2011-2012 are Carson City, Mineral, and Pershing Counties. In FY 2012-2013, it is Carson City, Lyon, Lincoln, Mineral, Nye and Pershing Counties.

CHAIR LESLIE:
This concludes the Nevada Medicaid Title XIX budget. We will now take public testimony.

JON SASSER (Statewide Advocacy Coordinator, Washoe Legal Services):
I want to respond to a question brought up by Assemblywoman Carlton. She commented that many people going back to work are only earning $9 an hour without benefits. She asked specifically if these people are considered in the caseload projections. The answer is no. Individuals with a $9 an hour job do not

qualify for any of the programs because their income is too high. Their children may qualify for Nevada Check Up, but the adults will not qualify.

Mr. Duarte commented this morning that if home and community-based services are reduced, the personal care attendant (PCA) services would still be available. I want to clarify that the waiver programs allow a higher income level than what is allowed for PCA services. Normally, to qualify for PCA services, one must be receiving SSI. The waiver allows persons to have incomes up to 300 percent of that amount. Without the waiver, people with incomes between 100 percent and 300 percent of the SSI payment level will not qualify for PCA services. The only way they can be served with this income level, is if they are in a nursing home. This is an example where clients may not be able to be served in the least-restrictive community environment. The reductions made to waiver slots could force individuals to live in nursing homes in order to receive assistance.

I have a number of concerns regarding the shift of medical costs from the State to the counties for people in nursing homes with incomes between 128 percent and 156 percent of the SSI payment level. The first concern is Medicaid must be statewide. Medicaid cannot be offered in some, but not all, of the 17 counties. In terms of the counties' legal obligation, I do not believe the counties have the legal obligation to participate. Perhaps the passage of S.B. 485 will change that, but, as of today, the counties' participation is voluntary. If one county drops out, there is not a statewide Medicaid program thus putting the State's entire Medicaid program at risk. Also, dropping this category of assistance is not an option. Even though people with incomes between 100 percent to 300 percent of the SSI payment level are an optional coverage group, under federal health care reform, States cannot reduce their eligibility groups. Therefore, Nevada cannot threaten to drop this group as it would violate federal law and put the entire Medicaid grant at issue.

KEVIN SCHILLER (Director, Department of Social Services, Washoe County):
Shifting the Medicaid nursing home costs to the counties will have a significant impact. Washoe County anticipates a cost of approximately $3.1 million in FY 2011-2012 and $3.6 million in FY 2012-2013.

CHAIR LESLIE:
How will you pay for this?

MR. SCHILLER:
Washoe County will see a reduction in our capacity to meet those needs. As a county, we recognize the need for reductions. We will look at how our practice shifts could occur around diversion, recognizing that these are costs that we avoid.

MISTY R. GRIMMER (Senior Legislative Strategist, Ostrovsky and Associates):
I am here today representing North Vista Hospital. I would like to respond to Assemblywoman Carlton's comment earlier about the effects on access resulting from Medicaid cuts. As you know, in the hospital industry we do not have the ability to turn away Medicaid recipients. Consequently, when Medicaid cuts occur, we have to find the funds somewhere else which may, unfortunately, end up resulting in reduced services. These changes absolutely affect access.

CHAIR LESLIE:
We will now move to the Division of Child and Family Services Juvenile Justice issues.

TERI SULLI (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
Before discussing the individual accounts, I will give a brief overview of the discussions that have taken place regarding juvenile justice and the plans that have been presented.

The Governor is recommending the elimination of approximately $27.9 million in General Fund appropriation to support the juvenile justice programs, youth camps, youth parole service and mental health room and board funding. Included in this, is a reduction of 50 state juvenile justice correctional beds.

At the Joint Subcommittee hearing on March 4, 2011, the Nevada Association of Juvenile Justice Administrators (NAJJA) representatives presented an alternative plan to the Governor's proposal to eliminate General Fund appropriation for Juvenile Justice Programs. This plan took into consideration the Governor's recommendations and additionally recommended eliminating 110 juvenile correctional beds in each year of the biennium. The plan requested reinvesting the savings of about $8.7 million in each year of the biennium back into the juvenile justice programs and youth camps, as well as the continuation of the mental health room and board payments for children not in the Division's custody. Unlike the Governor's recommendation, the NAJJA plan did not recommend that youth parole services become the responsibility of the counties. The NAJJA plan estimates a General Fund savings of approximately $15.6 million over the 2011-2013 biennium, compared to the roughly $27.9 million of savings in the *Executive Budget.*

At the March 4, 2011, hearing, the Joint Subcommittee members expressed concerns with both the *Executive Budget* and NAJJA plan and requested that the Division go back and meet with all juvenile justice stakeholders again and present another optional plan. The Division indicates they have met and developed a priority list of six juvenile justice program addbacks totaling approximately $8 million in each year of the biennium.

Would the Subcommittee like the Division to present their alternative plan?

CHAIR LESLIE:
Yes, we would like a presentation. We value your input about what are the most important items to restore going forward.

DIANE J. COMEAUX (Administrator, Division of Child and Family Services, Department of Health and Human Services):
The Division asked NAJJA to have a special meeting and prioritize the items they would like to see added back if there are available funds. Following is their list in order of priority.

1. Add back the youth mental health treatment room and board. First, restore the base and then increase at least half the projected annual caseload increase.

2. Reinstate the General Fund for support of the county camps and restore the two 10 percent reductions within those.

3. Restore the base for the Community Corrections Partnership Block Grant.

4. Restore the 7 percent caseload growth for the Community Corrections Partnership Block Grant.

5. Restore the Community Corrections Partnership Block grant decision unit regarding the Nevada Youth Training Center budget that closed two of the living units and reinvests those savings back into the Community Corrections Partnership Block Grant program.

6. Reinstate the reduction and detention cost reimbursement.

MS. SULLI:
We will begin with the Community Juvenile Justice Programs, B/A 101-1383, decision unit E-699.

<u>HHS-DCFS – Community Juvenile Justice Programs</u> — Budget Page DHHS DCFS-57 (Volume III)
Budget Account 101-1383

E-699 Budget Reductions — Page DHHS-DCFS-62

The Governor is recommending the elimination of approximately $1.4 million in General Fund money in each year of the 2011-2013 biennium for the Community Corrections Partnership Block Grant to judicial districts. These funds are used to implement programs that reduce or limit commitments to the State, as well as provide funds for outpatient treatment and sex offender evaluations.

The initial NAJJA plan recommended about $3.5 million in General Fund appropriation be applied to this account and be distributed to the individual judicial districts in the form of vouchers. The vouchers are for the individual jurisdictions to develop programs to purchase services aimed at reducing commitments to the State juvenile correctional facilities.

The options to be considered at this time are:

1. Approve the Governor's recommendation to eliminate approximately $1.4 million in General Fund appropriation in each year of the biennium.

2. Approve the initial NAJJA recommendation which requires adding a General Fund appropriation of about $3.5 million in each year of the biennium for distribution to judicial districts in the form of vouchers; however, it is offset by the elimination of 110 beds at state juvenile correctional facilities.

3. Evaluate a new plan, provided by the Division, and presented at this Work Session.

CHAIR LESLIE:
In my opinion, this is a high priority. This, and other items already mentioned that keep adolescents out of the State system, is good from a fiscal point of view.

MS. SULLI:
The next item is B/A 101-3147, decision units M-160, E-660 and E-699.

HHS-DCFS – Youth Alternative Placement — Budget Page DHHS DCFS-65 (Volume III)
Budget Account 101-3147

M-160 Position Reductions Approved During Biennium — Page DHHS DCFS-66

E-660 Program Reductions/Reductions to Services — Page DHHS DCFS-66

E-699 Budget Reductions — Page DHHS DCFS-67

The Governor recommends the elimination of about $1.7 million in General Fund appropriations in each year of the 2011-2013 biennium for the operational support of China Spring Youth Camp, Aurora Pines Girls Facility and Spring Mountain Youth Camp.

The initial NAJJA plan recommends that approximately $1.9 million in General Fund appropriations in each year of the 2011-2013 biennium for operational support of the three youth camps be placed back into this account. Please note, the initial NAJJA plan overstated the General Fund appropriation as it did not consider the reductions that had already occurred in this account. The priority list provided by the Division shows this as Priority No. 2.

The options to be considered at this time are:

1. Approve the Governor's recommendation to eliminate about $1.7 million in General Fund money in each year of the biennium for the three youth camps.

2. Approve the initial NAJJA recommendation to restore funding for youth camp operations which requires adding a General Fund appropriation of about $1.9 million in each year of the biennium for the Youth Alternative Placement account.

3. Evaluate a new plan provided by the Division at today's Work Session.

CHAIR LESLIE:
If we do not have the camps, we will end up with many more juveniles in our correctional institutions.

MS. SULLI:
Next, we will discuss B/A 101-3259, decision units E-326 and E-660.

HHS-DCFS – Nevada Youth Training Center — Budget Page DHHS DCFS-81 (Volume III)
Budget Account 101-3259

E-326 Deliver Public Services Directly and Efficiently — Page DHHS DCFS-84

E-660 Program Reductions/Reductions to Services — Page DHHS DCFS-84

The Governor recommends the closure of three 20-bed residential units and proposes increasing one 20-bed residential unit to 30 beds and reassigning it as an intensive supervision unit at the Nevada Youth Training Center (NYTC). This recommendation decreases the facility from 160 beds to 110 beds which is recommended to address the decrease in the number of commitments for correctional care at NYTC. The *Executive Budget* also includes the elimination of 18 positions for an overall General Fund savings of approximately $1 million in each year of the 2011-2013 biennium. However, it should be noted that $267,031 of that in FY 2011-2012 and $270,550 in FY 2012-2013, are recommended to be reinvested back into the Community Corrections Partnership Block Grants.

The initial NAJJA plan recommends the elimination of 110 state juvenile correctional beds at a savings of approximately $8.7 million in each year of the 2011-2013 biennium to be used to offset other recommended reductions, including mental health room and board, youth alternative placements and vouchers to the judicial districts for juvenile justice programs. The recommendation to reduce beds at NYTC is not included on the priority list of addbacks provided by the Division.

The options to be considered at this time are:

1. Approve the Governor's recommendation to close three residential units and increase one residential unit to 30 beds at NYTC, reducing bed capacity at the facility by 50 beds and eliminating 18 staff positions.

2. Approve the initial NAJJA recommendation to eliminate the State juvenile correctional beds for a savings of approximately $8.7 million in each year of the 2011-2013 biennium, to be expended for other services recommended for elimination in the Governor's proposal.

3. Evaluate a new plan provided by the Division presented at this Work Session.

CHAIR LESLIE:
The new plan, should money be available, is to keep the bed reduction in place and add money to the Community Corrections Partnership Block Grant.

MS. SULLI:
The last item is B/A 101-3263, decision unit E-699.

<u>HHS-DCFS – Youth Parole Services</u> — Budget Page DHHS DCFS-88 (Volume III)
Budget Account 101-3263

E-699 Budget Reductions — Page DHHS DCFS-92

The Governor is recommending shifting the youth parole service costs of about $5.4 million in each year of the biennium from the General Fund to an assessment charged to the county judicial districts. The Governor also recommends the counties assume the responsibility for detention costs of approximately $576,090 in each year of the biennium.

The NAJJA plan did not recommend that youth parole services become the responsibility of the counties. The priority list of addbacks provided by the Division identifies the detention costs as Priority No. 6.

The options to be considered are:

1. Approve the Governor’s recommendation to shift the youth parole service costs of about $5.4 million in each year of the 2011-2013 biennium to the county judicial districts.

2. Approve the initial NAJJA plan to not shift youth parole service costs to the county judicial districts. Approval of this option would require the addition of about $5.4 million in General Fund appropriation in each year of the 2011-2013 biennium.

3. Evaluate a new plan provided by the Division at this Work Session.

CHAIR LESLIE:
The latest proposal is to add money back for the detention costs, but this item is last on the priority list.

MS. COMEAUX:
As a clarification, I did not ask for youth parole to be prioritized in NAJJA’s overall priority process. In previous discussions, they indicated it was a State responsibility and the State should continue to pay for it or eliminate the service.

REX GOODMAN (Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
The next item is B/A 101-3145, decision units M-210 and E-665.

HHS-DCFS – Children Youth & Family Administration — Budget Page DHHS DCFS-1 (Volume III)
Budget Account 101-3145

M-210 Demographics/Caseload Changes — Page DHHS DCFS-5

E-665 Program Reductions/Reductions to Services — Page DHHS DCFS-7

As of June 30, 2010, room and board expenses were paid for 266 youth in mental health treatment homes and it is projected that total will increase by 7 percent in each year of the 2011-2013 biennium. The Governor's budget recommends eliminating funding for room and board placements and expects the counties to fund these services. The majority of the youth in these placements are in county or parental custody.

The Division states the recent growth in room and board expenses appear to be the result of a change in practice that occurred in FY 2005-2006 with the Behavioral Health Redesign in which the Division began to reimburse providers for room and board expenses including youth not in the Division's custody. The population of children in county probation custody, for which the Division has funded mental health room and board expenses, has increased from FY 2006-2007 to FY 2009-2010 by 374 percent, from 43 cases to 204 cases.

This service has been identified by NAJJA as the first priority for addbacks. Specifically, they have requested the base amount of about $3.5 million be added back and approximately one-half of the projected caseload growth which would be an addition of about $745,000 per year. The Subcommittee may wish to ask the Division why the youth population in mental health room and board placements has grown so dramatically over the last four years. Representatives from NAJJA have said it is related to the behavioral health redesign. Another question is whether there are differing levels or other types of services where there are logical distinctions between services that could be defined for add back.

CHAIR LESLIE:
How did the behavioral health redesign affect this? Were the youth already there with the counties picking up the costs prior to the behavioral health redesign?

MS. COMEAUX:
Previously, Medicaid was paying the full costs for treatment homes. As part of the behavioral health redesign, room and board was split out. It is not an allowable service under Medicaid. There has been a significant increase in the number of youth accessing these services because of county initiatives where they have been trying to keep more youth in the community while addressing their mental health needs rather than sending them to a correctional facility.

Children are categorically eligible for Medicaid if they are in the custody of a public entity that has accepted financial responsibility for them and they are in an out-of-home placement. There is not an option under Medicaid to serve their mental health needs in their own home.

If this money is restored, the Division recommends transferring the funds to the Community Corrections Partnership Block grant, making the counties accountable for managing the funds. This would give the counties flexibility for how to use the funds in the best interest of the child. They could bring the services into the child's existing home or have the child access services through the community.

CHAIR LESLIE:
If the money is transferred to the counties, how can the children receive the services at home?

MS. COMEAUX:
The children would not have to be Medicaid eligible in order for them to get mental health services. The funds would be all General Fund dollars. Because the funds would not be Medicaid reimbursable, the Medicaid rules do not apply.

CHAIR LESLIE:
Could the counties use the funds to place a child in a treatment home if that was what was needed?

MS. COMEAUX:
Yes, they could use the money to pay the room and board or pay for in-home services.

FRANCES DOHERTY (District Judge, Family Division, Department 12, Second Judicial District Court):
I am a district court judge and the presiding judge in the juvenile court. We welcome the discussion of addressing the board and care dollars. There has been some crisis in that component of our work. I want to specifically point out that the Juvenile Detention Alternatives Initiative (JDAI) is not the driving force behind the increase in board and care dollars. The JDAI keeps children out of detention centers. These are children who need significantly higher levels of care. They have been identified as suffering from health problems which are often mental health problems that prevent appropriate treatment in the community and prevent an appropriate placement in one of the NYTC commitment facilities. Typically, they need to be treated therapeutically to protect themselves and to protect the community. These youth fall into categories of higher-offender juveniles who also have mental health challenges. Because of their higher therapeutic needs, instead of committing them to NYTC, they may end up in a Rite of Passage placement. That facility addresses conduct disorder behavior and offers mental health wraparound services. Another group of children is juvenile sex offenders. These individuals have had highly successful outcomes in therapeutic treatment homes in research-based environments. In closing, the need for these beds is critical. Please find a way to continue the funding to keep our youth out of detention centers.

CAREY STEWART (Director, Department of Juvenile Services, Washoe County):
I am here today as president of NAJJA. The prioritized areas build the funding back into those areas responsible for the reduction in correctional facility beds. We understand it is not possible to have the entire list of priorities added back to the budget. We would like to see the most critical items added back so that we can transition our system during these difficult times. We must keep our children out of correctional care.

CHAIR LESLIE:
Do you agree with Ms. Comeaux that transferring the money to the counties is the best option for being able to manage the money and keep children out of institutions?

MR. STEWART:
Yes, this is a good solution. This is similar to the NAJJA proposal presented at the hearing on March 4, 2011. The counties could manage their system to best fit their needs by blending their resources with the State resources aimed at keeping children in the community with community-based programs. They would also have the flexibility to place children in an appropriate treatment-based home.

CHAIR LESLIE:
Does this preclude parents from having to give up custody in order to get mental health care?

MR. STEWART:
Yes, it does.

DISTRICT JUDGE DOHERTY:
It is an acceptable system to return those funds to counties or keep the funds in the State budget. The real issue is retaining funding. The location of the dollars is secondary. What is not acceptable is to lose the funding. Either way, county probation departments, as overseen by the courts, will be working to be more efficient.

ASSEMBLYWOMAN MASTROLUCA:
The amount of work that has gone into these proposals is commendable. Viable options have been provided.

MR. GOODMAN:
The next budget accounts are B/As 101-3145, 101-3141 and 101-3142.

HHS-DCFS – Washoe County Integration — Budget Page DHHS DCFS-25 (Volume III)
Budget Account 101-3141

HHS-DCFS – Clark County Integration — Budget Page DHHS DCFS-32 (Volume III)
Budget Account 101-3142

The *Executive Budget* recommends providing the State's portion of funding in the Washoe and Clark County Integration Accounts to those counties in the form of capped annual block grants, instead of the historic model of line item expense budgets. The new funding method includes a performance improvement plan with performance targets to improve the safety, permanency and well-being outcomes for abused and neglected children. A fiscal incentive program, outside of the block grant, is also proposed to stimulate and support improvement in defined areas.

Under the block grant proposal, General Fund appropriations would total $50 million in each year of the 2011-2013 biennium for the two counties to support child welfare services. Funds in the amount of approximately $12.5 million would be given to Washoe County and about $37.5 million would go to Clark County. Outside of the block grant, an approximate $7 million in additional funds supports the fiscal incentive program. Of these funds, about $1.75 million would be for Washoe County and about $5.25 million for Clark County.

Senate Bill 447 has been submitted to amend the *Nevada Revised Statutes* to implement this recommendation. The Division indicates it anticipates forming local workgroups consisting of Division of Child and Family Services staff as well as local stakeholders to identify barriers to meeting performance improvement goals and to identify strategies, action steps and resources needed to achieve the goals.

SENATE BILL 447: Makes various changes concerning the administration of child welfare services. (BDR 38-1218)

The Division indicates that Title XX and Title IV-B of the Social Security Act and other non-General Fund revenues allocated to the Washoe County and Clark County Integration budget accounts can be adjusted to more equitably allocate the funds between the two accounts. This could be done in the same percentages as the allocation of General Fund money in the recommended block grant. The basic calculation of the funding distribution recommended in the block grant/performance incentive plan is 75 percent for Clark County and 25 percent for Washoe County. The budget projections are based on the FY 2010-2011 caseloads of children in the counties' custody in out-of-home placements.

The Division has been meeting, and will continue to meet, with the Clark and Washoe County child welfare agencies, including fiscal staff, to work out the details regarding implementation of the proposed plan.

The decision to be made is whether to implement block grants for state funding in the Clark and Washoe County Integration accounts, as recommended by the Governor and whether to implement the performance improvement/fiscal incentive plan, as recommended by the Governor.

MR. WILLDEN:
As Mr. Goodman indicated, there have been ongoing meetings to determine how the block grant, versus the incentive portion of the funding, will work for meeting performance goals, percentage reductions and how the targeted case management funds will be earned. We plan to have a finalized proposal by the end of next week. The Department of Health and Human Services is committed to the block grant concept.

CHAIR LESLIE:
We appreciate the extra effort put forth by all the parties involved. Please submit a final recommendation to this Subcommittee.

MR. GOODMAN:
We will now discuss B/A 101-3143, decision unit E-586 regarding the computer system.

<u>HHS-DCFS – UNITY/SACWIS</u> — Budget Page DHHS DCFS-18 (Volume III)
Budget Account 101-3143

E-586 Technology Invest, Reduce Duplicate Effort — Page DHHS DCFS-21

The Division proposes to enhance the management tools of the Division's information technology system, UNITY. The recommended funding includes $818,135 in FY 2011-2012 and $3,052,576 in FY 2012-2013 split evenly between the General Fund and federal funding from Title IV-E of the Social Security Act. The UNITY system is the Division's case management system for child protection, child welfare, and adoption cases statewide and facilitates the Division's compliance with federal reporting requirements. The system is also used to administer payments for service providers and determine federal reimbursement of placement and administrative costs incurred by the State.

The current system has some flaws the Division would like to address, including enabling a new Web presentation layer for accessing the system. A new data warehouse would be installed to improve the ability to request data from the system. Additionally, implementation of the block grant for the funding and performance improvement plan with Clark and Washoe Counties is dependent upon improving the UNITY system.

The decision to be made is whether to approve the recommended technology investment to enhance the UNITY system. In the alternative, the subcommittee could choose to use these funds to restore other recommended reductions.

ASSEMBLYWOMAN MASTROLUCA:
Will this enhancement approve the timeliness for getting information?

MS. COMEAUX:
That is correct. We had a consultant do a walk-about study where they first flowcharted all the processes for inputting a case. They timed someone to determine how long it takes to retrieve data and then extrapolated that out to the number of hours to get information. The current system is difficult to navigate. The proposed system would be set up like a Web portal where the information requested would appear similar to what you experience on the Internet Web pages.

ASSEMBLYWOMAN MASTROLUCA:
What is the timeline for implementation?

MS. COMEAUX:
It would be implemented over the upcoming biennium.

MR. GOODMAN:
Next is B/A 101-3229, decision unit E-699.
HHS-DCFS – Rural Child Welfare — Budget Page DHHS DCFS-39 (Volume III)

Budget Account 101-3229

E-699 Budget Reductions — Page DHHS DCFS-46

The State's cost for the provision of Child Protective Services (CPS) in the rural counties is recommended to be allocated to the counties receiving the services. The General Fund appropriations will be reduced by about $2.4 million in each year of the biennium and would be replaced with funding from the rural counties, based on a random moment sampling analysis of case management staff's activities.

The allocation of CPS costs to the counties was recommended by the Legislative Committee for the Fundamental Review of Base Budgets of State Agencies for consideration by the 2011 Legislature. This would align the rural counties' funding with the way Clark and Washoe County fund the front-end CPS. Staff has not heard or received any comments from the rural counties on their willingness or ability to pay for CPS. Senate Bill 480 has been submitted to make this change in statute.

SENATE BILL 480: Provides for the collection of costs for providing child protective services in certain less populated counties. (BDR 38-1219)

The decision to be made is whether to approve the Governor's recommendation to allocate the costs of CPS in the rural counties to those counties.

CHAIR LESLIE:
Has anyone from the rural counties expressed any concerns about having to pay for the costs of CPS?

MR. WILLDEN:
Yes, they have voiced concerns to my office, as they have with the entire list of 12 or 13 items requiring county involvement. We have had preliminary conversations in my office with some of the northwestern counties as to whether they would have the skill set to take it over, rather than pay the State to administer the program. This will not occur for several years.

CHAIR LESLIE:
The State would continue to provide the services and would expect the counties to pay.

MR. WILLDEN:
That is correct.

MARY C. WALKER, CPA (Walker & Associates, Inc.):
I am here representing Carson City, Douglas County, Lyon County and Storey County. There are 13 services that are being shifted to the rural counties within the *Executive Budget.* Our counties have examined each one of those. As Mr. Willden has stated, CPS is outside the counties' skill set. There are other areas we believe the counties can take on that are more related to local government services such as some of the Health Division items. We will be going to our board of county commissioners next week with a proposal to see if they are interested in getting a board approval to come to the Legislature with the types of assistance we can provide the State during this difficult time. This includes taking over Consumer Health, which encompasses environmental health and public health nursing. It would be a regional effort among our four counties. This would set a foundation. Anything we do would need to be phased in. We have some projected time frames where some of the services would be taken over on July 1, 2011, some January 1, 2012, and some July 1, 2012. The CPS will cost the four counties over $1 million per year. The rural counties are unable to fund this amount. What we will do is show you what we can fund, and what we can take over in a responsible manner.

CHAIR LESLIE:
We have heard you, but it is important for you to also speak directly to the Governor's Office so he also understands what impact this will have on rural counties.

MS. WALKER:
We have met with Andrew Clinger and Mike Willden. We will be speaking directly with the Governor's Office after we have approval from our boards.

MR. GOODMAN:
The final item is B/A 101-3278, decision units E-911, E-913 and E-914 regarding the merger of the wraparound services in Nevada.

HHS-DCFS – Wraparound in Nevada — Budget Page DHHS DCFS-95 (Volume III)
Budget Account 101-3278

E-911 Transfer from Wraparound in NV to SNCAS — Page DHHS DCFS-98

E-913 Transfer FMAP from Wraparound in NV to SNCAS — Page DHHS DCFS-99

E-914 Transfer FMAP from Wraparound in NV to NNCAS — Page DHHS DCFS-100

The Governor recommends transferring the revenues and expenses of the Wraparound In Nevada (WIN) program to the Northern Nevada Child and Adolescent Services (NNCAS), B/A 101-3281, and the Southern Nevada Adolescent Services (SNCAS), B/A 101-3646, thereby eliminating the WIN account. The recommendation would not reduce funding for the program, but would increase Medicaid reimbursements for existing services by adding the WIN program to the different cost allocations of the NNCAS and SNCAS accounts. By adding the WIN program to these budgets' allocations, a significant amount of unallocated expenses, which would have been funded by the General Fund, would become eligible for Medicaid reimbursement and result in General Fund savings of $340,936 over the 2011-2013 biennium.

HHS-DCFS – Northern NV Child & Adolescent Services — Budget Page DHHS DCFS-101 (Volume III)
Budget Account 101-3281

HHS-DCFS – Southern NV Child & Adolescent Services — Budget Page DHHS DCFS-112 (Volume III)
Budget Account 101-3646

The proposed transfers would reassign 22 FTE positions to the NNCAS account and 35 FTE positions to the SNCAS account.

Staff has requested additional information on this proposed merger. The Division has identified some additional General Fund savings that could be realized due to new FMAP information.

The decision to be made is whether to approve the Governor's recommendation to transfer the functions of the WIN program to the NNCAS and SNCAS accounts and eliminate the program's budget account.

CHAIR LESLIE:
That concludes the staff presentation. We will now open it up for public comment.

CHRISTINA VELA (President, Nevada Youth Care Providers):
Nevada Youth Care Providers (NYCP) is a nonprofit membership organization open to service providers, government representatives and advocates who share concerns for improving the services available to Nevada's at-risk children, youth and families. The NYCP supports the prioritization for room and board for those juvenile justice children not in child welfare custody. Additionally, we want to call your attention to 34 children who are not involved in juvenile justice or the child welfare system, but who are currently accessing services in treatment homes. At this time, there is no proposed funding for these children. Without this funding, families may be forced to relinquish custody. The cases may escalate to the point where child welfare becomes involved and the children may have to be placed at a costly residential-treatment facility. In conclusion, we ask you to invest in the children and families of Nevada.

PAM BECKER (Special Projects, The Children's Cabinet, Inc.):
I am here today representing the Washoe County Children's Mental Health Consortium. The consortium has always focused on keeping children and youth with their families. We support retaining the funding for room and board. These

funds are a vital component to our continuum of care and we urge you to do all that you can to keep those funds available.

WENDY C. GARRISON (Director of Youth Services, China Spring Youth Camp):
I am here to speak about the recent reduction in funding to the China Spring Youth Camp. This has resulted in several changes to the camp. The administration has been restructured. We have lost three staff members in the dormitories, reducing the staffing ratio from 1:8 to 1:14. Any further reductions to the camp budget will result in additional staff losses and will directly impact safety in the dormitories. If there is another 20 percent reduction at the camp, we will have to reduce beds. Please consider not reducing the funding to the camp.

CHAIR LESLIE:
I thought the most recent list of priorities from NAJJA recommends not cutting the camp funding.

MR. STEWART:
We have recommended the 20 percent cut to the camps be restored. Safety and security would be jeopardized with these kinds of cuts.

KAREN TAYCHER (Executive Director, Nevada Parents Encouraging Parents):
Please do not cut funding for the 34 children in parental custody who are not yet involved with the child welfare or juvenile justice system. If we do not find a solution, these children will be criminalized. They will have to create a situation in their lives where they are arrested or the parents will have to give up custody in order for these youth to access services.

MS. COMEAUX:
These children are included in the NAJJA proposal for add backs.

CHAIR LESLIE:
Remember, limited funding is available. We will do our best with what we have to work with.

There being no further business, this meeting is adjourned at 10:27 a.m.

RESPECTFULLY SUBMITTED:

____
Jackie Cheney,
Committee Secretary

APPROVED BY:

____
Senator Sheila Leslie, Chair

DATE:________________________________

____
Assemblywoman April Mastroluca, Chair

DATE:________________________________

EXHIBITS			
Bill	**Exhibit**	**Witness / Agency**	**Description**
	A		Agenda
	B		Attendance Roster