MINUTES

JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE:	Monday, January 19, 2015
TIME:	8:00 A.M.
PLACE::	Room C310
MEMBERS PRESENT:	Senators Co-chairman Cameron, Keough, Mortimer, Bair, Nuxoll, Johnson, Thayn, Guthrie, Schmidt, Lacey Representatives Co-chairman Bell, Gibbs, Miller, Youngblood, Burtenshaw, Horman, Malek, Monks, King, Gannon
ABSENT/EXCUSED:	None
CONVENED:	Chairman Cameron convened the meeting at 8:00 A.M.
STAFF PRESENT:	Tatro
AGENCY PRESENTATION:	**DEPARTMENT OF HEALTH AND WELFARE (DHW)**
PRESENTER:	**Overview of Department of Health and Welfare** **Richard Armstrong, Director**

To view the presentation, please click on the following link: Department of Health and Welfare Overview

Armstrong discussed the following areas: 1) the State Healthcare Innovation Plan (SHIP) to transform Idaho's healthcare system, 2) Employee Change in Employment Compensation (CEC), 3) a second Community Crisis Center, 4) the unique and vital role DHW's eligibility system provides for Idaho's insurance exchange, and 5) economic recovery continues but high workloads remain.

He briefly covered the budget recommendation for DHW which would increase 3.3% or about $83 million; if non-discretionary adjustments, the CEC, employee benefit costs, and the federal SHIP grant recommendation were subtracted, the actual increase is closer to one percent. The increase in receipts is almost 32 percent, mostly due to new federal regulations in Medicaid. Medicaid continues to be four-fifths of the budget. The Department is also proposing a new program called Healthcare Policy Initiatives while discontinuing the Medically Indigent Administration program. Appropriated funding goes to the private sector for their services and goods. The FTP increase of almost 23 positions occurred due to converting long-term, temporary positions to FTP authority; there are no additional costs for the employees, just the FTP count increased. The total FTP request for FY 2016 is 2,870 workers which is 271 fewer workers than the Department had six years ago.

The evolution toward a more sustainable/effective healthcare system began in 2007 because of the Department's involvement with Medicaid, one of the larger insurers in the state, covering almost 270,000 Idahoans. Many of Medicaid's participants have serious illnesses or disabilities that result in very high medical costs. The Department's emphasis is to transition Medicaid participants to health homes and care management solutions with the goal of transitioning all Medicaid participants to care management. In 2012–13 Idaho piloted a Patient Centered Medical Home (PCMH) model. During that same time period, Idaho opted for a state insurance exchange to improve healthcare coverage. Recently Idaho received a $39.6 million State Healthcare Innovation Plan (SHIP) grant to reform the healthcare system relying on PCMH as the foundation. It is a model that holds patient and the healthcare delivery system accountable for improved outcomes. The payment model also changes from a fee-for-service claim to a per-member-per-month fee for managing patients.

During a recent two-year health home pilot of Medicaid adults with chronic illnesses, hospital admissions were reduced by 26%, hospital readmissions by 41% and emergency room visits by 24%; overall an average of 20% was saved during the pilot. The participants in the pilot were some of the most chronically ill and expensive participants, all of whom would greatly benefit from coordinated, care management. Using the managed care system with the general Medicaid population should also result in savings and improved outcomes, probably not with such a high rate of return.

The $39.6 million SHIP grant mentioned above will be spread over four years. The Department is requesting spending authority for $8.9 million for Fiscal Year 2015 which will be administered by the newly created Healthcare Policy Initiatives program. They will begin transitioning 165 primary care practices to the medical home model, targeting 55 in FY 2016. The funding will also be used to connect the primary care practices' electronic health records to the Idaho Health Data Exchange to allow better patient management and collection of outcome data. The Idaho model relies heavily on developing regional collaboratives to support local, coordinated care. The Department plans to work with the seven Idaho public health districts in order to improve the overall health of each community.

Because of high employee turnover with a FY 2014 rate of 13.6% the Department is very supportive of the Governor's recommended 3% salary increase. Over 30% of turnover in 2014 was with workers who had less than two years of service. The Department cannot afford to become the training ground for the private sector.

Armstrong was appreciative of the appropriation last session for the development of the Behavioral Health Community Crisis Center which opened in Idaho Falls in December of 2014. The contract developed with Bonneville County requires the county to develop a plan to cover 50% of operating costs within two years. The purpose of a crisis center is to provide a safe, voluntary, effective and efficient alternative to emergency rooms and jails for people suffering a behavioral health crisis. And further, a crisis center can save on law enforcement resources, county indigent funds, emergency department services to uninsured patients, and reduce court-ordered civil commitments. The Governor has recommended additional funding for a second crisis center. Counties in which future crisis centers are located will also be required to develop plans to cover 50% of operating expenses within two years of opening.

Eligibility services provided to Your Health Idaho, the state's insurance exchange, were also discussed. In October, 2014 Your Health Idaho was approved for $70 million in federal funds to build its exchange. In November, 2014 Idaho implemented its own insurance marketplace, doing so at less than half the cost of most other states. The development costs for DHW to provide eligibility shared services for the exchange is expected to total $14 million over a two-year period. Idaho has one of the most effectively operating exchanges in the country. The Department's eligibility services are recognized nationwide for being efficient and accurate. Idaho's model is known as Eligibility Shared Services. **Armstrong** asked for the Committee's support as the Department requests receipt authority for development and operational costs from Your Health Idaho to ensure it meets the legislative intent that no state funds be used to implement Idaho's Exchange.

Transition from the federal marketplace was delayed from October 1, 2014 to November, 2014. Despite the delay, DHW authorized tax credits for 84,000 people which was accomplished by sharing eligibility services. One advantage of this shared service is the data being obtained. On top of the Exchange and Medicaid enrollments, 17,000 applications were received from people earning less than 100% of the federal poverty level; that group of people is known as the Gap population. These are people who are extremely low income but do not qualify for a tax credit or Medicaid so they do not receive healthcare. The same eligibility system used for healthcare assistance is also used to determine Food Stamp eligibility; therefore, the Department has been able to identify an additional 36,000 Idaho adults with incomes below 100% of the federal poverty level who have not applied for Medicaid or a tax credit. Combining those 36,000 with the 17,000 in the Gap population, the Department has been able to identify almost 53,000 uninsured, low-income Idaho adults. The consultants who conducted the actuarial work for the Governor's Medicaid redesign workgroup, estimated the Gap population to be 78,000. **Armstrong** gave examples of how the Gap group slips through both Medicaid and tax credit coverages. The Gap population was the group the Governor's Medicaid Redesign workgroup was most focused on. The question remains – how to pay for that population's healthcare. Those costs are currently being paid for through costly and poor alternatives with the county and state indigency program.

Both the national and state economies are recovering; however, the number of Idahoans receiving public assistance remains high, even as unemployment falls. People are working but they are not earning a livable wage and some can still qualify for public assistance. In 2006 only 14% of the state's population received some form of public assistance. Since the recession people are still feeling the effects of the downturn; in 2014, 20% of Idahoans were receiving public assistance. The need for public assistance varies throughout the state. The long-term answer is livable wages for Idaho workers.

PRESENTATION:: **Report on Legislative Intent Language in Senate Bill 1384, Section 9: Appropriation by Fund from the 2014 Legislative Session**

PRESENTER: **David N. Taylor, CPA, CFE, Deputy Director, Department of Health and Welfare**

To view the presentation, please click on the following link: S1384, 2014 Session Intent Language in Section 9: Appropriation by Fund

Intent language in Senate Bill 1384 requested that DHW provide to the Legislature by December 31, 2014 a plan that included: 1) ensuring appropriation compliance and providing transparency with the appropriation remaining in the Cooperative Welfare Fund, 2) providing the Department's solution to handling accounting transactions in coming years which may include: a) replacing the current software system, and working with the Office of the State Controller to use the new accounting system when developed, 3) identifying the steps and projected costs that would need to occur if the Legislature was to appropriate by a specific fund source, rather than the Cooperative Welfare Fund for a program or programs.

SB 1384 was the FY 2015 appropriation bill for Indirect Support Services within DHW. Taylor explained the meaning of the following terms: 1) Cooperative Welfare Fund which is a single fund used to pool multiple funding sources, 2) STARS – the current accounting and reporting system, 3) FISCAL – DHW's financial information system with cost allocation; FISCAL interfaces with STARS, 4) cost allocation which is an approved method to determine the cost of services provided to users of that service. He presented a chart that showed the mix of funding the Department receives and said there are over a hundred grants and awards with different levels of state and federal participation. He shared another slide that demonstrated the systemic complexity of the Department's system infrastructure. DHW maintains multiple agency-specific systems to support its administrative business processes, programmatic systems to support its core mission business processes, and multiple interfaces between administrative and programmatic systems to enable automated data exchange. DHW's approved cost allocation plan is a critical component of its financial infrastructure. Predicting cost allocation is very complex. The Department's use of the Cooperative Welfare Fund is a critical part of its ability to efficiently and cost-effectively manage the innumerable variables that occur in daily business that can affect a given reporting period.

Taylor briefly discussed the following two reports: 1) Office of Performance Evaluations (OPE's) report which was released in December of 2013, and 2) a Legislative Audit report issued in October, 2013, recommending the Department increase its documentation surrounding its compliance with legislative appropriations and year-end closing activities.

To address the first of three areas of legislative intent in Section 9 regarding ensuring appropriation compliance and providing transparency with appropriations remaining in the Cooperative Welfare Fund, the Department has improved supporting documentation and internal controls and now performs quarterly reconciliations between STARS and FISCAL. Transfers are entered into STARS prior to fiscal year end with backup documentation that includes the fund detail for transparency of General, Federal, and Dedicated funds in the Cooperative Welfare Fund. In addition, a quarterly report is provided to Legislative Services Office (LSO) and the Division of Financial Management (DFM). The Department continues to provide LSO's Audit Division on-site and remote access to all of its systems required to perform audit and review functions and provides training on how to use and navigate their systems.

The second area of legislative intent, to address future solutions to handling accounting transactions, the Department contracted with two outside experts, Information Service Group (ISG) and Eide Bailly. The Department's plan is to work closely with the Controller's Office in the possible development of a statewide accounting solution and to prioritize the use of existing resources in order to begin a comprehensive system analysis and requirements review of existing financial and reporting systems.

The third area of intent language to be addressed was to identify steps and projected costs that needed to occur if the Legislature were to appropriate by a specific fund source. In consultation with both Eide Bailly and ISG, it was determined that the appropriation of funds by specific source would require the development of a completely new financial management system for DHW because the existing system cannot support extensive changes.

PRESENTATION: **Indirect Support Services, Department of Health and Welfare (DHW)**

PRESENTER: **David N. Taylor, CPA, CFE, Deputy Director for Support Services, DHW**

To view the presentation, please click on the following link: Indirect Support Services

Taylor's presentation included an overview of the Governor's FY 2016 recommended budget for Indirect Support Services, the Governor's recommendation to establish an Office of Healthcare Policy Initiatives, Department-wide changes in the FTP count, and an update on the Southwest Idaho Treatment Center (SWITC) Master Plan.

Support Services is 1.6% or $41.5 million of the Department's $2.6 billion FY 2016 budget. The Healthcare Policy Initiatives program equates 0.3% of the budget. He provided slides showing the budget recommendation by fund source and by object.

Support Services provides administrative services in support of the Department's programs including the Office of Financial Services, the Division of Information Technology, the Division of Operational Services, and the Bureau of Audits and Investigations. The Department supports the Governor's recommended 3% merit-based pay increase for state employees.

Taylor addressed the following items in the Governor's recommended budget: 1) an FY 2015 supplemental for increased spending authority in dedicated receipts for $3.2 million for IT development costs. All costs associated with this line supplemental will be covered by Your Health Idaho. 2) A line item for "Shared Eligibility Services" which reflects a $1.7 million reimbursement from Your Health Idaho for one-time system development costs, including a one-time federal fund reduction in spending authority to align costs with the budget. 3) Replacement items totaling $1.7 million in general funds and $1.3 million in federal funds, one time. 4) A supplemental in one-time federal fund spending authority for $3.5 million for the State Healthcare Innovation Plan (SHIP) and placing it in the proposed Healthcare Policy Initiatives program within DHW. 5) One-time FY 2016 spending authority for the State Healthcare Innovation Plan totaling almost $8.8 million over a 12-month period.

Taylor gave an update on the results of an FY 2012 dedicated fund appropriation whereby the Department received authority to reconstruct the roadway to the Southwest Idaho Treatment Center (SWITC) and have a master plan prepared for the SWITC campus. Both projects have been completed. The next steps will be a design review process and selling the property. The State of Idaho will not be the developer of the land.

He spoke briefly about some Legislative Intent Language in the Support Services appropriation bill from a prior year and informed the Committee the Department is providing quarterly reports to DFM and LSO on the financial performance of its Medicaid Program Integrity Unit. In FY 2014 that unit recovered nearly $2.4 million with a net return of approximately $1.5 million.

The last issues discussed were the Legislative Audit Findings for FY 2012, FY 2013 and FY 2014. Some findings have been resolved and are closed, others are being disputed, and some are still open.

PRESENTATION: **Division of Public Health, Department of Health and Welfare**

PRESENTER: **Elke Shaw-Tulloch, Division Administrator**

To view the presentation, please click on the following link: Public Health Services

The Division of Public Health Services includes Physical Health Services, Emergency Medical Services, and Laboratory Services; there are eight bureaus. The goal of Public Health is to assist in preventing communicable disease and other health threats through targeted efforts and to support and encourage healthy lifestyles, healthy communities and healthy environments. Public Health partners with the health care system in preparing for emergencies (such as Ebola readiness and response), keeping people out of hospitals and making sure when there are medical emergencies people are taken to the right place at the right time. **Shaw-Tulloch** reviewed the following successes in her division: 1) Time Sensitive Emergencies (TSE) system of care, 2) State loan repayment program for health care practitioners, 3) an outbreak management system to monitor outbreaks and epidemiological activity, and 4) Ebola preparedness. She also briefly discussed the legislative audit regarding the Women Infants and Children (WIC) Supplemental Nutrition Program where one finding remains open.

The Governor's budget recommendations were reviewed for FY 2015 and FY 2016. **Shaw-Tulloch** discussed TRICARE which is a federal insurance program for military personnel and their families; since 2012, the program has not been authorized to pay into state vaccine assessments like other insurers. Since there are approximately 7,400 Idaho children covered by TRICARE who are without immunization coverage, the Department has requested $596,000 in one-time trustee and benefit payments from the General Fund to pay for vaccines. The Department of Health and Welfare and the Governor are working to find a long-term solution to this ongoing problem. Other budget issues discussed were: 1) Project Filter is requesting a total of $2.5 million in dedicated Millennium funds for Nicotine Replacement Therapy (NRT) and ongoing countermarketing activities, 2) a laboratory compensation package for scientist positions where there is a 33% turnover rate, and 3) $39,000 for some laboratory replacement items.

PASS THE GAVEL: Chairman Cameron passed the gavel to Co-Chair Bell at 10:30 A.M.

ADJOURNED: There being no further business to come before the Committee, the meeting was adjourned by Co-Chair Bell at 10:36 A.M.

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Senator Cameron
Senate Finance Chair

Peggy Moyer
Secretary

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Representative Bell
House Appropriations Chair