

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### **BUDGET COMMITTEE ON HUMAN SERVICES**

Monday and Tuesday, July 10-11, 2006  
North Central Human Service Center, Minot, North Dakota  
West Central Human Service Center, Bismarck, North Dakota

Senator Dick Dever, Chairman, called the meeting to order at 1:00 p.m. at the North Central Human Service Center, Minot.

**Members present:** Senators Dick Dever, Richard L. Brown, Tom Fischer, Judy Lee, John M. Warner; Representatives Jeff Delzer, William R. Devlin, Vonnie Pietsch, Clara Sue Price, Sally M. Sandvig, Gerald Uglem, Alon C. Wieland

**Members absent:** Senators Aaron Krauter, Russell T. Thane; Representatives Lee Kaldor, James Kerzman, Gary Kreidt, Ralph Metcalf, Jon O. Nelson, Chet Pollert, Todd Porter, Louise Potter, Ken Svedjan

**Others present:** Larry Bellew, State Representative, Minot

Matthew M. Klein, State Representative, Minot

See Appendix A for additional persons present.

**It was moved by Senator Brown, seconded by Representative Wieland, and carried on a voice vote that the minutes of the previous meeting be approved as distributed.**

#### **BUDGET TOUR**

Ms. Marilyn Rudolph, Regional Director, North Central Human Service Center, Minot, and Northwest Human Service Center, Williston, provided an overview of the North Central Human Service Center programs, the number of clients served, current status of the center's 2005-07 budget, and major program changes and needs for the 2007-09 biennium. Ms. Rudolph said the North Central Human Service Center serves the counties of Bottineau, Burke, McHenry, Mountrail, Pierce, Renville, and Ward. She said the Northwest and North Central Human Service Centers share a director, business manager, regional child care representative, vulnerable adult services ombudsman staff person, and vision specialist.

Ms. Rudolph reviewed the residential programs provided by the center for individuals with addiction diagnoses, including New Hope, Brooklyn Flats, Recovery House, and Hope's House.

Ms. Rudolph said over 50 percent of addiction referrals to the center are from the Department of Corrections and Rehabilitation.

Ms. Rudolph said the Oppen Home serves young pregnant women and provides emergency shelter care services.

Ms. Rudolph expressed concern regarding the increasing costs of utilities, technology, and transportation. She said the center is also concerned

regarding its ability to recruit and retain staff. She said the North Central Human Service Center is aware of four of its staff members planning to retire this biennium and eight during the next biennium.

Ms. Rudolph said the North Central Human Service Center 2005-07 biennium budget totals \$15.3 million and is authorized 116.28 full-time equivalent (FTE) positions.

Ms. Rudolph reviewed the center's funding and program information which is included in Appendix B. A copy of the report is on file in the Legislative Council office.

In response to a question from Representative Delzer, Ms. Rudolph said the center is currently projecting a general fund turnback of \$1 million for this biennium.

In response to a question from Representative Price, Ms. Rudolph said the center is in need of a six-to-eight-bed transitional living facility for individuals being released from prison as they transition back into the community.

Ms. Rudolph provided an overview of the programs of the Northwest Human Service Center, the number of clients served, current status of its 2005-07 budget, and major program changes and needs for the 2007-09 biennium.

Ms. Rudolph said the Northwest Human Service Center serves the counties of Divide, McKenzie, and Williams.

Ms. Rudolph provided information on Western Sunrise, a consumer-run nonprofit organization providing work opportunities for its clients.

Ms. Rudolph also provided information on the center's peer support model which has been successful in preventing hospitalization of individuals with mental illness.

Ms. Rudolph anticipates the center will have difficulty recruiting staff during the next biennium. She said 10 employees of the current 45.5 FTE positions are eligible and plan to retire during the next biennium.

Ms. Rudolph provided budget and program statistics for the Northwest Human Service Center, which are included in Appendix B. A copy of the report is on file in the Legislative Council office.

In response to a question from Representative Delzer, Ms. Rudolph said the Northwest Human Service Center does not anticipate any general fund turnback for this biennium. She said the center is currently projecting a \$155,000 deficit due to less

revenue being generated from Medicaid-eligible clients. She said because of the increased economic activity in the Williston area due to the oil industry, fewer clients are eligible for Medicaid.

The committee conducted a tour of the North Central Human Service Center and the Oppen Home.

Ms. Nancy McKenzie, Statewide Human Service Center Director, Department of Human Services, provided information on clinical specialist services at the human service centers.

Ms. McKenzie said the department is experiencing increased turnover and recruitment difficulties for clinical specialists at the human service centers. She said the centers are unable to offer competitive salaries compared to the job market for a number of positions, including addiction counselors, nurses, psychologists, psychiatrists, and social workers. A copy of the report is on file in the Legislative Council office.

### **PUBLIC HEALTH UNIT STUDY**

Mr. Mike Melius, Executive Officer, Upper Missouri District Health Unit, Williston, provided information to the committee on its services and funding. Mr. Melius provided information on the unit's 2005 budget which totaled \$1.5 million. He said because the statutory mill levy limit for health unit operations is five mills, the district levies less than five mills to allow for fluctuations in the taxable valuation of real estate in the area. He said if an economic downturn occurs in the area, the district would need flexibility to increase its mill levy to provide additional funding to maintain the program.

Mr. Melius stressed the importance of discretionary funding provided by general state aid and local mill levy revenues to meet the programmatic needs of the unit. He discussed the essential services provided by the unit and believes the services that are most prevention-focused are the most important. Mr. Melius reviewed the food and lodging inspection services provided by the unit. He said the health unit inspects restaurants within the city of Williston and school food services throughout the four-county district. He also provided information on the fees charged by the unit. A copy of the report is on file in the Legislative Council office.

### **MEDICAID STUDY AND REPORTS**

Mr. Tim Carlson, North Dakota Pharmacists Association, Minot, commented on the availability and accessibility of pharmaceutical services across the state and on the appropriateness of the amounts paid by Medicaid.

Mr. Carlson said the Pharmacists Association is recommending maintaining the current Medicaid reimbursement rate for brand name medications of \$4.60 but increasing the dispensing fee for generic medications from \$5.60 to \$15. Mr. Carlson reviewed the following concerns affecting the future of community pharmacies in North Dakota:

1. The Medicare Part D prescription drug program.
2. Reductions in pharmacy reimbursements implemented in January 2006 by Blue Cross Blue Shield of North Dakota.
3. The impact of decreases for state Medicaid programs included in the federal Deficit Reduction Act of 2005.

Mr. Carlson provided information on a cost-of-dispensing study prepared by Dr. Michael Rupp, a researcher at Midwestern University in Phoenix, Arizona. He said 43 community pharmacies participated in this survey representing a response rate of 25 percent. He said dispensing costs of these pharmacies range from \$4.77 to \$15.04. He said the median cost was \$8.59 while the 80th percentile was \$11.03. He said to guarantee that dispensing costs are covered for 80 percent of the community pharmacies across the state, the dispensing fee would need to be \$11.73.

Mr. Carlson said Louisiana recently approved a dispensing fee of \$10 for brand name drugs and \$15 for generic drugs.

Mr. Carlson said the State Board of Pharmacy anticipates over 50 percent of the licensed practicing pharmacy owners in North Dakota will retire during the next 10 years. He said unless pharmacy payment rates are increased, it is likely that many of these pharmacies will close when the current owners retire.

Mr. Carlson suggested the committee consider recommending a medication therapy management services initiative, which is a collaborative effort involving physicians and pharmacists to resolve drug therapy problems for Medicaid patients. He said these initiatives are lowering health care costs in several states. He said while pharmacists in North Dakota have assisted the Department of Human Services in the past to successfully implement cost-savings programs, this initiative would provide further efficiencies to the Medicaid program. A copy of the report is on file in the Legislative Council office.

In response to a question from Senator Brown, Mr. Carlson said under the medication therapy management services initiative, pharmacists would be reimbursed for the time they spend reviewing drug therapy issues of Medicaid clients.

The committee recessed at 4:15 p.m. and reconvened at 8:15 a.m. on Tuesday, July 11, 2006, at the West Central Human Service Center, Bismarck.

### **BUDGET TOUR**

Mr. Tim Sauter, Regional Director, West Central Human Service Center, Bismarck, and Badlands Human Service Center, Dickinson, provided an overview of the programs and funding of the West Central Human Service Center. Mr. Sauter said the West Central Human Service Center serves the counties of Burleigh, Emmons, Grant, Kidder, McLean, Mercer, Morton, Oliver, Sheridan, and Sioux. He said the center has experienced a 7 percent increase in demand for services during the last year.

Mr. Sauter said while alcohol continues to be the number one drug problem in the area, the center is seeing more clients abusing methamphetamine and prescription drugs. He said 60 percent of the individuals served in the center's adult addiction program are referred by probation and parole while many others are referred directly by the courts. He said the center is also experiencing an increase in demand for presentencing evaluations. He said as the center prepares its 2007-09 budget request, it will consider requesting additional funding for residential services for adolescents.

Mr. Sauter said the West Central Human Service Center has difficulty recruiting and retaining employees primarily because salary levels are not competitive with the private sector, county social services, and tribal entities. Mr. Sauter said 25 percent of the center's employees work a second job to generate additional income to meet their needs.

Mr. Sauter provided statistical information on the budget and services of the center which are included in Appendix B. A copy of the report is on file in the Legislative Council office.

Mr. Sauter provided an overview of the Badlands Human Service Center services and funding. Mr. Sauter said the Badlands Human Service Center serves the counties of Adams, Billings, Bowman, Dunn, Golden Valley, Hettinger, Slope, and Stark.

Mr. Sauter said demand for services at the center has remained fairly consistent over a number of years. He said the Badlands Human Service Center is also seeing an increase in the number of clients abusing methamphetamine and prescription drugs. He said 48 percent of the individuals served in the center's adult addiction program are referred by parole and probation.

Mr. Sauter said the Badlands Human Service Center has not had any turnover in addiction counselors for three years. However, he said, four of the center's five addiction counselors are contemplating retirement in the next two years. Mr. Sauter said 15 percent of the center's staff work a second job to generate additional income to meet their needs.

Mr. Sauter said budget concerns of the Badlands Human Service Center include increased energy prices putting upward pressure on rental rates as well as travel costs for state vehicles, Information Technology Department (ITD) rate increases, and the center's ability to provide competitive salaries for its employees.

Mr. Sauter reviewed the budget and program statistics of the Badlands Human Service Center which are included in Appendix B.

Mr. Sauter commented that the human service centers are effectively sharing information and collaborating to meet the needs of North Dakota residents in an efficient manner. A copy of the report is on file in the Legislative Council office.

Representative Delzer asked that for future budget status reports, the human service centers provide

additional information on the status of their current biennium's budget.

Ms. Leann K. Bertsch, Director, Department of Corrections and Rehabilitation, reviewed the process of providing treatment for inmates during incarceration and as a condition of parole or probation and the cost of providing treatment by the Department of Corrections and Rehabilitation. Ms. Bertsch said each inmate, when entering the prison, spends their first 30 days in an orientation program to identify problem areas that must be addressed if the inmate is to stay out of prison in the future. She said once the needs are identified, a case plan is developed for each offender outlining the programs the inmate will participate in during the inmate's prison sentence.

Ms. Bertsch said between 80 to 85 percent of offenders have a serious problem with alcohol and drug abuse with the drug of choice being methamphetamine. She reviewed the substance abuse treatment programs provided by the department, including:

1. Short-term residential program.
2. Long-term residential program consisting of 6 to 12 months of treatment.

Ms. Bertsch said approximately 37 percent of the inmate population has a mental illness diagnosis. Mental health programs provided by the department include:

1. Intensive anger management program.
2. Intensive anger education.
3. Batterers group.
4. Individual therapy.
5. Grief counseling.
6. Psychiatric referral.
7. Psychiatric monitoring.
8. Special needs mental health group.

Ms. Bertsch said approximately 16 percent of the department's inmates have a history of committing sexual offenses. She reviewed the sex offender treatment programs, including:

1. Low-intensity sex offender program lasting 10 weeks.
2. Intensive sex offender group.
3. Special needs sex offender program.

Ms. Bertsch said for the 2005-07 biennium, the department anticipates spending \$4.4 million, \$4 million of which is from the general fund, for providing treatment services to inmates.

For offenders under the supervision of parole and probation, Ms. Bertsch said it is important for communities to have treatment services available to meet the treatment needs of these individuals. Historically, Ms. Bertsch said the regional human service centers have provided much of the programming and services in the communities; however, as the offender population has increased, human service center resources have decreased or not increased enough to meet the demand. Therefore, access and capacity issues have become more pronounced.

Ms. Bertsch said the Department of Corrections and Rehabilitation will continue to collaborate with the Department of Human Services to develop strategies for providing appropriate levels of care to offenders under the supervision of parole and probation.

Ms. Bertsch presented the department's 2005-07 programming budget for the Field Services Division which totals \$11 million, \$9.2 million of which is from the general fund. A copy of her report is on file in the Legislative Council office.

Ms. McKenzie provided information on the number of individuals being referred by the Department of Corrections and Rehabilitation for treatment services at the human service centers, the cost of providing these treatment services, and alternative treatment options. As of March 2006, Ms. McKenzie said of the 1,253 human service center clients receiving substance abuse treatment services, 642, or 51 percent, were referred by the Department of Corrections and Rehabilitation. Regarding identifying alternative treatment options, Ms. McKenzie said when a referral is made to the human service center, staff identifies the appropriate level of care needed and any other providers that may be available to provide treatment services to the client. She said the Department of Human Services utilizes the drug court process where available as an alternative as well. A copy of the report is on file in the Legislative Council office.

Dr. Michel Hillman, Vice Chancellor for Academic and Student Affairs, North Dakota University System, presented information on selected clinical specialty programs of the University System. Regarding the psychiatry program, Dr. Hillman said the UND School of Medicine and Health Sciences Department of Clinical Neuroscience is accredited to accept four psychiatric residents per year. To accept more residents in the program and still maintain accreditation, he said, the medical school would need to hire more faculty.

Ms. Thomasine Heitkamp, Chair of Social Work, University of North Dakota (UND), presented information on the UND social work program and licensed addiction counselor program. Ms. Heitkamp said the university admits 113 students to its undergraduate social work program and 73 graduate students. To maintain accreditation, Ms. Heitkamp said the university may not have more than 12 students for each faculty member in the graduate social work program and no more than 25 students for each faculty member at the undergraduate level.

Ms. Heitkamp said the Department of Social Work at UND has been actively involved in a number of activities to increase the number of social workers in North Dakota, including offering graduate and undergraduate curriculum on a more flexible basis, providing child welfare stipends to assist undergraduate and graduate social work students, involvement in planning efforts with the Western Interstate Commission on Higher Education, and working collaboratively with directors of county social

service centers in North Dakota to address concerns about workforce shortages at county social service centers, especially in rural counties in North Dakota.

Regarding licensed addiction counselors, Ms. Heitkamp said addiction counselors are required to have a bachelor's degree in addiction studies or a closely related field, including 32 credit hours in addiction studies. After obtaining a bachelor's degree, she said, candidates need to complete a 1,400-hour full-time clinical training program and pass both the written and oral examinations.

Ms. Heitkamp said additional faculty would be necessary to increase the number of licensed addiction counselors being trained by the University System.

Dr. Jeffrey Weatherly, Department Chair, Department of Psychology, University of North Dakota, presented information on psychology programs of the University System. Dr. Weatherly said over the past five years, 317 individuals have applied for entrance into the clinical psychology program at UND, 40 have been accepted, and 29 PhDs have been granted. During a student's final two years of academic instruction, he said, they are supported by paid practicum placement in psychological facilities across the region. Before graduating, students must also complete a year-long predoctoral internship. He said currently all of the approved internship sites are outside North Dakota.

Dr. Weatherly said the number of students admitted into the clinical program is constrained by a number of factors, including the amount of funding the program receives, the level of financial support available for students, the number of faculty, the number of paid practicum placement sites available, and the number of internship sites available. A copy of the report is on file in the Legislative Council office.

Mr. Rolf P. Sletten, Executive Secretary and Treasurer, State Board of Medical Examiners, provided information on the number of psychiatrists practicing in North Dakota. Currently, Mr. Sletten said 87 psychiatrists are licensed to practice in North Dakota, the majority of which are practicing in Fargo, Bismarck, and Grand Forks. A copy of the report is on file in the Legislative Council office.

Mr. Tom Tupa, representing the Board of Addiction Counseling Examiners and the Board of Social Work Examiners, provided information on the number of licensed addiction counselors and social workers in the state. Mr. Tupa said there are currently 313 addiction counselors and 2,220 social workers licensed in the state. He said the majority of addiction counselors practice in Fargo, Bismarck, and Minot, while the majority of social workers practice in Fargo, Bismarck, and Grand Forks.

Mr. Tupa said establishing a student loan forgiveness program for licensees practicing in the more rural parts of the state may be a method to attract more addiction counselors and social workers to the rural parts of the state. In addition, Mr. Tupa said the Board of Addiction Counseling Examiners is

considering making some of its requirements more flexible which may result in more addiction counselors practicing in the state. He said the board may be introducing a bill to the 2007 Legislative Assembly making these changes. A copy of the testimony is on file in the Legislative Council office.

In response to a question from Senator Lee, Mr. Tupa said licensing requirements for addiction counselors are set in statute and North Dakota does have more stringent requirements relating to the oral examination than surrounding states.

In response to questions from Senators Fischer and Brown, Ms. Carol K. Olson, Executive Director, Department of Human Services, said the department will provide information on programs affected due to the difficulty the department is having hiring licensed addiction counselors and the number of clients required to travel to receive addiction services and on waiting lists at human service centers.

The committee conducted a tour of the West Central Human Service Center.

The committee recessed for lunch at 12:00 noon and reconvened at 12:30 p.m.

### **PUBLIC HEALTH UNIT STUDY**

The Legislative Council staff presented a memorandum entitled [Public Health Units - Services and Funding](#). The memorandum summarizes survey responses from the 28 public health units in North Dakota relating to their funding, programs, demographics, and essential services.

The Legislative Council staff said the 2005 budgets for the public health units totaled \$26.5 million, \$9.9 million of which was from federal funds, \$2 million of state funding, and the remainder from city, county, and other sources.

Ms. Kelly Nagel, Local Public Health Liaison, State Department of Health, presented information on local public health planning activities and suggested legislative changes affecting duties and responsibilities relating to public health.

Ms. Nagel said the overall goal of the local public health planning process is to determine the public health services every citizen in North Dakota should receive regardless of where they live. She said representatives of local public health units have met twice and have developed the following seven strategies for building local public health capabilities:

1. Service delivery;
2. Structure;
3. Funding;
4. Workforce;
5. Information and education/advocacy;
6. Laws and regulations; and
7. Communication.

Ms. Nagel said a Public Health Task Force has been established to develop a process to analyze data and other information about public health services and to discuss issues and strategies for building local public health capabilities identified in the planning process. She said although the task force

has just begun its work, the State Department of Health plans to discuss with the task force members the following public health concerns:

1. Tribal structure - Tribal health systems within reservations function as separate entities even though they are geographically located within a local public health jurisdiction.
2. Regional structure - In some instances, regional services are provided from a single public health unit, resulting in that public health unit paying costs above the regional grant amount provided.
3. Accounting and administration - Federal grants often require specific accounting for federal funds spent which need to be accurately recorded by the public health units.
4. Equity and service levels - Every North Dakota resident should reasonably receive an equal amount of public health service regardless of where they live in the state.
5. Standard regulations - Public health regulations are not standardized across the state.

Ms. Nagel said the task force is in the process of reviewing the allocation of local public health resources and expenditures of public health units. A copy of the report is on file in the Legislative Council office.

Mr. L. David Glatt, Environmental Health Section Chief, State Department of Health, commented regarding the involvement of public health units in the cleanup of methamphetamine laboratories.

In the past, Mr. Glatt said the State Department of Health provided guidelines to local law enforcement regarding the proper handling and disposal of wastes relating to illegal methamphetamine laboratories. As local law enforcement has become more aware of the actions necessary to dispose of confiscated materials, the role of the department has diminished.

Mr. Glatt said in discussions with local public health units across the state, the department learned that local public health units have had very little involvement with the cleanup of methamphetamine laboratories during the past year. A copy of the report is on file in the Legislative Council office.

Ms. Kathy Albin, Accounting Division Director, State Department of Health, provided information regarding federal fund reductions affecting public health services.

Ms. Albin said the department is concerned regarding the following changes relating to public health-related federal grants:

1. A \$62,914 reduction in the grant for chronic disease and tobacco prevention results in a decrease in health disparities planning efforts.
2. The United States Environmental Protection Agency (EPA) performance partnership grant utilized by the Environmental Health Section to operate many of its environmental protection activities is projected to decrease by approximately 2 percent with larger

percentage reductions proposed for specific programs.

3. Reductions in emergency preparedness and response funding affect the ongoing costs of the bioterrorism infrastructure and the ability of the state to respond to disasters and emergencies.
4. The cost of vaccines for immunizations is increasing faster than the federal funds provided for these costs.

Ms. Albin said the preventative health block grant has been eliminated from the President's budget in each of the past several years. In previous years, she said, Congress has reinstated the grant but at lower levels. She said it again has been eliminated from the President's budget and Congress has not yet acted to restore funding. She said this grant is one of the few flexible federal funding sources the department may use for a number of different programs, including the Healthy North Dakota Initiative, emergency medical services, and suicide and rape prevention. A copy of the report is on file in the Legislative Council office.

Mr. Kenan Bullinger, Division of Food and Lodging Director, State Department of Health, presented suggested legislative changes relating to the food and lodging inspection services system.

Mr. Bullinger said the State Department of Health is the primary agency responsible for the enforcement of food and protection laws. He said the department accomplishes its responsibilities with the assistance of seven local public health units through memorandums of understanding. He said these memorandums allow the public health units to provide some of the inspections and licensing functions within their areas of jurisdiction. He said the public health units establish and retain their own license fees to pay for the cost of operating their investigational services. Recent changes in the memorandums include the addition of West Fargo food service facilities to the Fargo/Cass Public Health Unit and the addition of food service facilities in the city of Williston to the Upper Missouri District Health Unit.

Mr. Bullinger said the department is considering legislation to allow the department to immediately fine or close an establishment that does not pay its annual renewal fee by February 1. He said each year many establishments do not pay their license renewal fees by the deadline. He said this results in the State Department of Health staff spending a considerable amount of time and resources trying to collect the fees.

Mr. Bullinger suggested a statutory change to allow the department to assess a reinspection fee if a facility has a number of critical violations. Mr. Bullinger suggested a statutory change to require all high-risk establishments be inspected annually rather than biennially. He said annual inspections would require additional resources for the department either from additional general fund support or increased fees. A copy of the report is on file in the Legislative Council office.

In response to a question from Representative Price, Mr. Bullinger said a high-risk establishment is one that manually prepares, chills, and reheats food.

Mr. Chad Kramer, Indian Affairs Commission, distributed testimony from Ms. Cheryl Kulas, Executive Director, Indian Affairs Commission. Ms. Kulas's testimony provided information on the coordination of public health services on Indian reservations. Ms. Kulas's testimony included the following issues relating to the provision of health services on Indian reservations:

1. Structure - The structure of the state public health system is not organized to work with the North Dakota American Indian public health system.
2. Health disparities - The federal Indian Health Services, which also provides health services on Indian reservations, does not meet the health service needs on Indian reservations.
3. Health disparities and underfunding - Tribal governments do not have adequate funding to provide quality health care for the residents of the reservations.
4. Lack of culturally trained staff - Staff of public health units are unable to coordinate effectively with the tribal public health system.

A copy of the report is on file in the Legislative Council office.

## **MEDICAID STUDY AND REPORTS**

Ms. Maggie Anderson, Medical Services Director, Department of Human Services, provided information on the development of management initiatives, the biennial medical assistance report, activities relating to the prescription drug monitoring program, status of the Medicaid management information system (MMIS) project, the percentage of Medicaid payments to billed charges by provider type, and the department's review of its budget, programs, and services.

Regarding the development of a disease management program, Ms. Anderson said the department has selected Specialty Disease Management Services, Inc., Florida, to provide health management services to Medicaid recipients with selected chronic conditions. She said the department is in the process of submitting its state plan amendment and waiver application to the Centers for Medicare and Medicaid Services for authority to operate the health management program. Once the amendment and waiver are approved, the department will enter into a contract with Specialty Disease Management Services, Inc., and begin the program. Ms. Anderson said once operational, this program should avert more costly health care services, such as emergency room visits or unnecessary physician visits or hospitalizations.

Regarding the development of risk-sharing agreements or managed care programs, Ms. Anderson said the department is considering two agencies to provide a Program for All-Inclusive Care of the Elderly (PACE). She said the program will be

for individuals age 55 and older and provide a comprehensive package of acute and long-term care services through an interdisciplinary team of professionals. She said the intent of the program is to provide necessary services to prevent these individuals from moving to a more costly level of care, such as skilled nursing care. However, if an individual requires care in a skilled nursing facility, the PACE agency is responsible for those costs within their capitated payments.

Regarding the development of a long-term care insurance/partnership program, Ms. Anderson said the department is collaborating with the Insurance Department to develop a long-term care insurance partnership program. She said the program will allow a person who purchases long-term care insurance to protect assets equal to the amount the insurance has paid if they need to apply for Medicaid. The Insurance Department's role is to ensure the insurance policies meet the criteria required by the federal Deficit Reduction Act of 2005. She said the program may not begin until acceptable insurance policies are available in North Dakota and a state plan amendment has been approved by the federal Centers for Medicare and Medicaid Services.

Regarding the biennial medical assistance report, Ms. Anderson said the department anticipates receiving the actuarial analysis soon, which will include a comparison to other payers and surrounding states. She anticipates the report will be available for the committee's September meeting.

Regarding the prescription drug monitoring program, Ms. Anderson reviewed the activities of the prescription drug monitoring workgroup and said the workgroup has decided the State Board of Pharmacy should be the entity responsible for operating the program when established.

Regarding the status of the MMIS project, Ms. Anderson said the department has submitted and received approval from the Centers for Medicare and Medicaid Services of the proposed MMIS contract and entered into an agreement with Affiliated Computer Services, Inc., in June 2006. The department has also selected a vendor to complete an independent analysis of the acceptance of the current Affiliated Computer Services, Inc., bid, rebidding of the project, joint development with other states, use of a fiscal agent, and outsourcing the billing and payment components. She said this information will be presented to the 2007 Legislative Assembly.

Regarding the percentage of Medicaid payments to billed charges, Ms. Anderson said the percentage ranges from 32.4 percent for ambulance services to 92.7 percent for hearing aid dealers.

Regarding the department's review of its budget, programs, and services as required by Section 11 of House Bill No. 1012, Ms. Anderson said changes to the federal medical assistance percentage (FMAP) will require an additional \$21.7 million of general fund appropriations for the 2007-09 biennium. In addition, she said, the North Dakota Medicare Part D clawback

payment will increase by \$3.8 million during the 2007-09 biennium. For the 2005-07 biennium, she said, the clawback payment was made for only 18 months.

Ms. Anderson said the department has received information from Blue Cross Blue Shield of North Dakota indicating that the monthly premium payment for the children's health insurance program (CHIP) will increase by 20.3 percent or \$36.94 per month per contract. She said the current monthly premium is \$181.71.

Ms. Anderson provided other information relating to the Medicaid program, including eligibility categories and expenditures, mandatory and optional services, current service limits and copayments, and input received from Medicaid providers. A copy of the report is on file in the Legislative Council office.

In response to a question from Senator Lee, Ms. Anderson said the current dispensing fee for pharmacies under the Medicaid program is \$4.60 per prescription brand name drug and \$5.60 for filling a generic drug. She said if the generic dispensing fee increased to \$15 for the 2007-09 biennium, an additional appropriation of \$6.8 million would be necessary, \$2.5 million of which would be from the general fund.

Ms. Debra A. McDermott, Department of Human Services, provided information on the estimated cost increase to the department, by funding source, of ITD rate increases for the 2007-09 biennium. Ms. McDermott said based on the rate increases provided by ITD for the 2007-09 biennium, the department will need additional funding of \$1.4 million, \$615,000 of which is from the general fund.

Representative Devlin asked for additional detail on the cost increases. Mr. Mike Ressler, Information Technology Department, said the major areas of rate increases include software development which is increasing from \$58 to \$63 per hour, wide area network services, and telephone services.

Ms. Shelly Peterson, President, North Dakota Long Term Care Association, Bismarck, commented regarding the availability and accessibility of long-term care services across the state and on the appropriateness of the amounts paid by Medicaid. Ms. Peterson said North Dakota operates under a rate equalization system meaning the amounts paid by Medicaid for long-term care services determine the amounts paid by all payers, except Medicare. She said the 2.65 percent annual inflationary increases approved by the 2005 Legislative Assembly are not adequate. She said concerns of the long-term care industry include the ability to recruit and retain staff and facilities' actual costs exceeding payment rates. Another concern in rural facilities is a declining census. Ms. Peterson said the 2007 Legislative Assembly will be asked to consider larger inflationary increases for long-term care services. A copy of the report is on file in the Legislative Council office.

Ms. Barbara Murry, President, North Dakota Association of Community Facilities, Bismarck,

commented on the availability and accessibility of services for individuals with developmental disabilities and on the appropriateness of amounts paid by Medicaid. Ms. Murry said providers of developmental disabilities services are concerned with their ability to recruit and retain staff. She said providers are experiencing staff turnover of 46 percent. She said the association will be asking the Legislative Assembly to provide inflationary increases of at least 4 percent for each year of the next biennium.

To improve recruitment and retention of staff, Ms. Murry said providers will be asking the Legislative Assembly to provide funding to increase wages by at least \$1.50 per hour for all community provider staff and for a 3 percent increase in the allowable fringe benefit rate for providers.

Ms. Murry said providers are requesting an increase in funding for the individualized supported living arrangement to provide for additional placements during the next biennium.

Ms. Murry said other areas where additional funding will be requested include complex behavioral, medical care, and guardianship services. A copy of the report is on file in the Legislative Council office.

Mr. Arnold Thomas, President, North Dakota Healthcare Association, Bismarck, commented on the availability and accessibility of hospital services across the state and on the appropriateness of the amounts paid by Medicaid. Mr. Thomas said although the state's demographics are shifting to an aging population, and more of the state's population is shifting from the western to the eastern part of the state, the public still expects physician and hospital services will be available close to home and that the services be available 24 hours a day 7 days a week. Mr. Thomas said a hospital's largest expense is personnel. He said North Dakota hospitals compete for personnel locally, regionally, and nationally. He said often hospitals need to provide higher salaries to attract health professionals to work in North Dakota.

Based on a 2004 study, Mr. Thomas said North Dakota Medicaid pays 70 percent of the actual costs incurred by a hospital in providing services. In the past, he said, hospitals have been able to shift this payment shortfall to commercial payers and the self-insured; however, commercial insurers are no longer willing to pay increased rates to offset the low payments paid by the Medicaid program. Mr. Thomas stressed the importance of providing adequate inflationary adjustments for hospital services to cover the actual cost of the services.

Mr. Thomas presented a number of recommendations prepared in 2004 by a task force of the North Dakota Healthcare Association and the North Dakota Medical Association on Medicaid reimbursements. A copy of the report is on file in the Legislative Council office.

Mr. Bruce Levi, Executive Director, North Dakota Medical Association, commented on the availability and accessibility of medical services across the state and on the appropriateness of the amounts paid by

Medicaid. Mr. Levi distributed a resolution prepared by the North Dakota Medical Association encouraging the Governor and legislative leaders to address the unfairness of state Medicaid rates that do not cover the practice costs for physicians and hospitals.

Mr. Levi said the primary concern is that Medicaid payment methodologies have systematically resulted in payments being substantially less than the actual cost of services. He said it is estimated that Medicaid payments for physicians' services cover only 74 percent of the actual cost of providing the services. He suggested the 2007 Legislative Assembly address the payment rates for physicians and hospitals to more adequately cover the costs of the services. A copy of the report is on file in the Legislative Council office.

Mr. John Hougen, Public Assistance Director, Department of Human Services, provided information on federal changes affecting the temporary assistance for needy families (TANF) program. Mr. Hougen said Congress approved the Deficit Reduction Act of 2005 which reauthorized the TANF program through September 30, 2010, with limited changes. He said significant changes affecting the North Dakota TANF program include:

1. Recalibrating the caseload reduction credit - Starting in October 2006 states must achieve a 50 percent work participation rate for TANF households with credits only with reducing caseloads below the federal fiscal year 2005 level. He said failure to achieve a work participation rate of 50 percent results in an annual penalty of 5 to 12 percent of the annual TANF block grant which for North Dakota would range from \$1.3 million to \$5.5 million per year.
2. Adding a penalty for failure of a state to establish or comply with work participation verification procedures.
3. Eliminating the high-performance bonus provisions - North Dakota has previously collected a number of high-performance bonuses.
4. Authorizing the Secretary of Health and Human Services to issue healthy marriage promotion and responsible fatherhood grants; however, these grants do not provide regular funding for any existing state activity.
5. Counting in the state work participation rate any parent living with a child who is getting a TANF grant, even if the parent is denied TANF assistance.
6. Granting the Secretary of Health and Human Services additional regulatory and oversight authority to determine what the state may count as a work activity and to require states to establish work participation verification procedures.

Mr. Hougen reviewed activities of the department to comply with the federal TANF program changes. He anticipates that with the plans now in place, North

Dakota will avoid penalties for failure to achieve the 50 percent work participation rate effective October 2006. A copy of the report is on file in the Legislative Council office.

### **CHILDREN WITH SPECIAL HEALTH CARE NEEDS STUDY**

The Legislative Council staff presented a memorandum entitled [Programs for Children With Special Health Care Needs - Surrounding States and Survey Results](#). The Legislative Council staff said the memorandum summarizes state programs for children with special health care needs in North Dakota, Minnesota, Montana, and South Dakota and presents selected results from a 2004 United States Department of Health and Human Services report of a 50-state national survey of parents of children with special health care needs.

Ms. Anderson provided information on the status of the department's Medicaid waiver application to provide in-home services to children with extraordinary medical needs and on the status of services being provided to medically fragile children.

Ms. Anderson said the Medical Needs Task Force convened by the department in 2005 continues to meet and has completed a study estimating the number of medically fragile children in North Dakota and profiling their medical care costs. She said the task force is now in the process of validating and prioritizing the most critical service needs for these children and their families. The department has completed a preliminary fiscal analysis estimating the cost per child for the waiver program.

Ms. Anderson anticipates the department will have a draft waiver application available this fall for public

comment and anticipates the waiver application being submitted later this year with an effective date beginning July 2007.

Ms. Anderson reviewed the allocation of the additional funding of \$569,800 approved by the 2005 Legislative Assembly for "medically fragile" children. A copy of the report is on file in the Legislative Council office.

In response to a question from Senator Fischer, Ms. Anderson said the department will provide information on the costs of providing services to children with phenylketonuria and Russell-Silver Syndrome.

Senator Dever asked for information on waivers surrounding states have submitted for programs for children with special health care needs. Ms. Anderson said the department will gather that information and provide it to the committee.

Chairman Dever announced the committee's final meeting is tentatively scheduled for September 12-13, 2006, in Bismarck. The meeting adjourned subject to the call of the chair at 4:45 p.m.

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Allen H. Knudson  
Assistant Legislative Budget Analyst and Auditor

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Jim W. Smith  
Legislative Budget Analyst and Auditor

[ATTACH:2](#)