

Testimony
House Bill 1012
Senate Appropriations
Senator Ray Holmberg, Chairman
March 9th, 2021

Chairman Holmberg, members of the Senate Appropriations Committee, I am Nancy McKenzie, outgoing Executive Director of Nexus-PATH. Nexus-PATH is a member of Nexus Family Healing, providing child welfare and behavioral health services in ND. I am here today to provide input on HB1012, specifically the Medical Services budget, relating to the equalization of Targeted Case Management (TCM) rates. My co-worker, Heather Simonich, is also providing testimony in this section, but specifically as it relates to school-based services.

We understand the Department's effort to equalize TCM rates within and across state plans. However, I speak to you today out of concern that the decision to equalize rates across all services and state plans, in a short time period, without a cost-based rate-setting process, has tremendous impact on delivery of care. I am referring to targeted case management within treatment foster care, which we provide statewide for youth who need more intensive services.

Treatment foster care is funded by a maintenance rate, with funding that flows through the Child & Family Services Division, and a targeted case management (TCM) rate billed to Medicaid. Roughly 15 years ago, when North Dakota worked to actively leverage more federal funding, those costs of treatment foster care that were eligible for Medicaid funding were shifted to the TCM "bucket" (about 30% of costs); other costs remained in the maintenance "bucket" (making up the remaining 70%).

The two together resulted in the established funding for treatment foster care. Since then, inflationary increases as legislatively allocated have been provided. Formal cost-based rate-setting has not been undertaken.

In mid-December of 2020, our agency received notification from DHS Medical Services Division that an equalization of rates was included in the Department's budget as submitted, and that equalizing all rates might have an impact on services we provide. A look at the proposed change showed a 46% reduction in the rate for our agency, to be implemented effective July 2021. Ours is a calendar year budget, and the impact of that reduction would be \$773,000 for the last six months of this year alone, over \$1.6 million in a 12-month period. The service is not sustainable with that reduction.

We have entered into discussions with Child & Family Services about starting a cost-based rate-setting process as it relates to the maintenance rate, as this has never been done; however, there are no clear timelines as to when this might be completed, given the need for CFS staff, DHS fiscal staff, and our agency staff to work together during the busy legislative session.

The concept of equalizing rates is not one we don't understand; however, it is not realistic to expect an agency to pivot and shift within a few months' time period to adjust to that large a loss. In addition, this comes at a time when the child welfare system is asking us to provide more intensive services in foster care, which isn't possible at a lower cost.

Nexus-PATH requests that your committee consider an amendment to HB1012 to delay implementation of the new lowered rate for a one-year period, to allow solid cost-based rate-setting to be completed for both the maintenance rate and the case management rate.

Thank you for consideration of this request; I'm happy to answer any questions you may have.