NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT SERVICES

Tuesday, December 9, 1997
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Janet Wentz, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Janet Wentz, James O. Coats, April Fairfield, James A. Kerzman, Jon O. Nelson, Carol A. Niemeier, Al Soukup

Members absent: Representatives Amy N. Kliniske, Edward H. Lloyd, Elwood Thorpe; Senators Ray Holmberg, Elroy N. Lindaas

Others present: See attached appendix

It was moved by Representative Coats, seconded by Representative Soukup, and carried on a voice vote that the minutes of the previous meeting be approved.

The Legislative Council staff presented a memorandum entitled *Mental Health Services Funding - 1997-99 Biennium* which provides information on the allocation of funds for mental health services for the 1997-99 biennium and comparisons to previous bienniums. The Legislative Council staff said that funding for mental health services and the State Hospital for the 1997-99 biennium totals $95,955,472, $52,036,802 of which is from the general fund.

The Legislative Council staff reviewed the funding allocated to each human service center for mental health services for the 1997-99 biennium by funding source. Mental health funding allocated to all human service centers totals $32,121,374, $12,742,449 of which is from the general fund.

Ms. Karen Larson, Director, Mental Health and Substance Abuse Services, Department of Human Services, provided information on effective mental health services. Ms. Larson said a major factor in enabling individuals with serious mental illness to live in communities is effective medications to treat these illnesses. Ms. Larson provided an example of the types of symptoms, difficulties, programs, and services an individual with serious mental illness may encounter while dealing with the disease.

Ms. Larson reviewed the key components of community mental health services including:

1. Crisis stabilization and resolution.
2. Inpatient services.
3. Medication and other health service management.
4. Partial care/day treatment.
5. Social, residential, and support services.
6. Vocational, educational, and supported employment services.
7. Opportunity for social and leisure activities.
8. Case management.
9. Regional intervention services.
10. Extended care services.
11. Outreach.

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

Mr. Alex Schweitzer, Superintendent, State Hospital, commented on the efforts of the Department of Human Services, human service centers, and the State Hospital to reduce the number of State Hospital admissions. Mr. Schweitzer said the State Hospital's admissions from 1992 to 1996 average 1,638 per year while the prior five years, from 1987 to 1991, the average annual admissions were 2,238. He said several reasons contribute to the reduction and stabilization in the number of patients at the State Hospital including:

1. Regional human service centers screen individuals in their respective regions to assure that appropriate treatment is provided locally and inappropriate use of the State Hospital is reduced.
2. All voluntary admissions to the State Hospital require screening and approval for admission from a regional human service center.
3. All regions operate regional intervention service teams to divert patients from inappropriate use of the State Hospital.
4. A cooperative partnership between the Division of Mental Health, State Hospital, and the human service centers has been established in the areas of admission

planning, discharge planning, and after-care coordination.

Mr. Schweitzer reviewed the following community initiatives that are currently in place or being developed:

1. The North Central Human Service Center is beginning a one-year pilot program to treat involuntary admissions from its region in the Minot community rather than the State Hospital.
2. The West Central Human Service Center is beginning a community program to divert admissions from the State Hospital to community short-term inpatient hospitalization and to regional intervention services.
3. The State Hospital began a pilot program in the adult psychiatric service unit utilizing the hospital's admissions, continued stay, and discharge criteria to determine appropriateness of admission. He said in October and November the admission team screened 63 percent of all potential admissions and 14.6 percent of these were not admitted or other alternatives were found.
4. The State Hospital has provided funding for a full-time case manager at the Northeast Human Service Center who works exclusively with individuals with serious mental illness.
5. The Sheyenne Care Center, a skilled nursing facility in Valley City, has presented a proposal to the State Hospital and the Department of Human Services for a geropsychiatric unit for 15 State Hospital patients. He said the proposal is currently under review.
6. The Southeast Human Service Center and State Hospital may implement a cooperative program with MeritCare Health Systems in Fargo to treat more individuals in the community rather than the State Hospital.

Mr. Schweitzer said the mental health system faces the following three major obstacles when considering a further reduction of patients at the State Hospital:

1. The shift in the state for chemical dependency treatment from a high number of inpatient beds to predominantly outpatient services. He said the chemical dependency service unit of the State Hospital constitutes 56 percent of the hospital's total admissions.
2. The State Hospital controls only 26 percent of its admissions through the voluntary admission process. He said 74 percent are not controlled by the State Hospital because of emergency admissions (49 percent) or involuntary commitments by the court (25 percent).
3. Using fairly critical standards for extended care, Mr. Schweitzer said there are approximately 80 patients at the State Hospital who could be placed elsewhere. However, he said, there are a variety of reasons for these individuals remaining at the State Hospital, including that some of these individuals do not want to leave and may sabotage any attempted placement, they have behaviors not acceptable to presently available facilities, waiting lists for facilities such as Grafton are very long, and gaps in the present system of care which do not allow these individuals to receive appropriate care in the community.

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

Mr. Chester E. Nelson, Jr., Legislative Budget Analyst and Auditor, asked whether the billing process for care and treatment at the human service centers is the same as at the State Hospital. Mr. Schweitzer said the State Hospital bills the majority of its charges to third-party payers and any unpaid amount is billed to the patient until fully paid. Mr. Schweitzer indicated that the human service centers bill clients on a sliding fee scale based on the individual's ability to pay.

The Legislative Council staff presented a memorandum entitled *Case Manager Caseloads - Mental Health Services* which presents the average caseloads of case managers at human service centers whose major responsibility is to provide case management services for individuals with serious mental illness. The following information is based on October 1997 caseload information:

Human Service Center	Number of Case Managers	Average Caseload
Northwest	4	25
North Central	8	24
Lake Region	3	30
Northeast	6	27
Southeast	10	20
South Central	10	20
West Central	10	30
Badlands	4	24

Ms. Chris Runge, Executive Director, North Dakota Public Employees Association, expressed support for mental health services provided by the Department of Human Services Mental Health

Division, human service centers, and the State Hospital. She commented that the employees of these agencies are providing quality services and asked the committee to continue to provide adequate staffing and training for these agencies.

The Legislative Council staff presented a memorandum entitled *Reimbursement System for Group and Residential Child Care Facilities* which provides information on the reimbursement system for residential child care facilities. The Legislative Council staff said each facility, after the close of its fiscal year, prepares reports based on its costs for the previous fiscal year which are submitted to the Department of Human Services. The cost reports are used to develop each facility's foster care reimbursement rate for maintenance and service functions. Major components and calculations of the cost report include:

1. Annual costs categorized as administration, maintenance, service, nonallowable, and non-foster care cost.
2. Allowable costs for maintenance and service functions of a facility are increased by the consumer price index for salary and other costs.
3. The administrative cost allocation is added to the maintenance cost but limited to 20 percent of the adjusted total maintenance and service costs for the year.
4. Based on the total allocated costs for maintenance and service and the annual census of the facility, the daily maintenance rate and service rate are developed for the facility. The service rate is the lesser of the actual calculated monthly rate or $300 per month.

Subsequent to the submission of the costs reports, the Department of Human Services provider audit section audits the cost report information to adjust or confirm the new rates which become effective when the audit is complete.

The Legislative Council staff said major concerns regarding the current reimbursement system expressed by representatives of the residential child care facilities during the 1995-96 interim include delays in rate adjustments usually caused by the provider audit section of the Department of Human Services being unable to complete the cost report audit in a timely manner and certain costs which are nonallowable.

Mr. Mike Schwindt, Chief Financial Officer, Department of Human Services, commented on the department's suggested changes to the rate-setting system for group and residential child care facilities. Mr. Schwindt said the department is in the process of amending its administrative rules regarding the reimbursement system for these facilities and based on discussions with facility representatives in October, the department is further reviewing the draft rules. He said major changes being considered include:

1. Salary projections would change from using the facility's budget with a consumer price index limit to using the consumer price index as an inflator.
2. The new rate for maintenance and service would be effective the first day of the seventh month after the close of the fiscal year rather than when the rate is finalized after the audit or rate resolution process.
3. Administrative cost allocations would change from being limited to 15 percent of allowable maintenance and service costs to a level consistent with the budget approved by the Legislative Assembly which for the 1997-99 biennium is 20 percent.
4. Allow for startup costs of a new facility. The proposed rule provides that costs incurred prior to the admission of the first client would be capitalized and recovered over the next 60 months.
5. Changing the depreciation policy to provide that equipment may be depreciated over 10 years, vehicles over four years, and buildings over the greater of 25 years or the life of the mortgage.
6. Allow for reconsideration of rate adjustments before an actual appeal is filed.
7. Capitalize repair expenditures at $5,000 rather than $1,000.

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

Representative Wentz asked for the estimated biennial cost of these administrative rule changes. Mr. Schwindt indicated that until the rules are finalized, a cost estimate would not be determined.

Representative Kerzman asked that the Legislative Council staff present information to the committee at its next meeting on the effect the proposed rules may have on private fundraising needs of the facilities. Chairman Wentz indicated that this information would be provided at the next meeting.

Representative Soukup suggested that foster care facilities be asked to comment at a future meeting on their staffing issues under the current employment market in the state.

Chairman Wentz asked that the Legislative Council staff invite facilities to comment at the next committee meeting on staffing issues and

their response to the proposed administrative rule changes.

Ms. Jean Doll, Foster Care Administrator, Department of Human Services, presented a report on the number of licensed residential child care facility beds in the state. Ms. Doll said that as of December 1, 1997, the following residential child care and group home facilities are licensed in the state:

Licensed Facility	Number of Beds
Charles Hall Youth Services	24
Home on the Range	79
Red River Victory Ranch	12
Eckert Youth Homes	16
Harmony House	7
Little Flower Freedom Center	14
Dakota Boys Ranch	39
Dakota Boys Ranch-Fargo	10
Dakota Boys Ranch-Transitional Living	10
Prairie Learning Center	50
New Outlooks	10
Lake Oahe Group Home	8

Ms. Doll said recent changes regarding the number of licensed beds in the state include:

1. Charles Hall Youth Services closed its Mandan facility which was licensed for 13 children.
2. Little Flower Freedom Center is in the process of having its license revoked and the administrative appeal hearing took place in November and the ruling is pending.
3. Prairie Learning Center increased its bed capacity from 41 to 50 effective October 1, 1997.
4. Southwest Key residential child care facility has an application pending for 12 beds.
5. Little Shell Group Home has applied for an eight-bed license and approval will be granted after resolution of several compliance issues.

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

Representative Wentz asked for the status of the Southwest Key license application. Ms. Doll said the residential child care facility license has not yet been granted primarily because of a problem with requirements for the program director of the facility; however, she believes the issue will be resolved and the license should be issued by January 1, 1998. She said the residential treatment center portion of the Southwest Key facility has had its license approved for a 16-bed facility and is operational.

Ms. Larson presented information on the number of licensed residential treatment center beds. She said the following providers are currently licensed in the state:

Licensed Facility	Number of Beds
Dakota Boys Ranch	16
Luther Hall	16
Manchester House	10
Rivers Edge	12
Ruth Meiers Adolescent Center	10
James River Adolescent Center	8
Southwest Key	16

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

Representative Kerzman asked that the committee be provided a copy of Southwest Key's license application. Chairman Wentz asked that the department provide this information to the committee.

Mr. Dan LeRoy, Director, Central Personnel, presented preliminary information on the state employee compensation report. Mr. LeRoy said Central Personnel is planning to survey a number of employers in the state to collect information on the cost of employer-paid benefits for employees. A copy of the draft survey is on file in the Legislative Council office.

Mr. LeRoy said the report will focus on the 6,326 classified employees of the state. He said the report will include background information on the salary distribution among classified employees, years of service, employees in salary ranges, previous salary increases, discretionary salary increase distribution models, and employee turnover.

Mr. LeRoy said the report will include an analysis of the costs of directly addressing compression problems, comparisons of total compensation between the classified work force and relevant employment market, and plans to compensate employees in a fair and adequate manner. A copy of the report is on file in the Legislative Council office.

Representative Soukup asked how Central Personnel will determine what to include in the survey. Mr. LeRoy said Central Personnel plans to work with Job Service to identify 70 to 100 of the larger employers in the state to include in the survey.

Representative Soukup suggested the survey include how employers address flextime for employees. Mr. LeRoy said Central Personnel considered including this in the survey but chose not to because the survey is focusing on the cost

of benefits for employers and flextime programs have no direct cost for an employer.

Representative Fairfield asked whether any input has been requested from employees or employee associations in developing the report information. Mr. LeRoy said that input has not yet been sought from employees or associations.

Representative Fairfield suggested that employees and employee associations be involved in the compensation study. Mr. LeRoy said opportunities for input from employees or associations may be more appropriate when the study is beyond the information-gathering period.

The Legislative Council staff presented a memorandum entitled *Residential Child Care Facilities and Residential Treatment Centers - Limitations on Beds* which addresses whether any limits exist on the number of beds that a residential child care facility or residential treatment center for children may have. The Legislative Council staff said regarding residential child care facilities, no limits exist, either by federal or state statute or rule, on the number of beds that a residential child care facility may have.

The Legislative Council staff said, regarding residential treatment centers, no limits exist in the North Dakota Century Code or Administrative Code regarding the number of beds that a residential treatment center for children may have; however, a Medicaid provision limits the number of residential treatment center beds to 16 for institutions which are eligible for Medicaid funding. An institution with more than 16 beds is considered an institution for mental diseases and must be accredited as a medical facility to be eligible for Medicaid funding. An institution for mental diseases must be licensed by the state and accredited by the Joint Commission on the Accreditation of Hospitals as a medical facility to be eligible for Medicaid funding.

The Legislative Council staff said that although there are several residential treatment centers in the state, only the Rivers Edge residential treatment center in Fargo and the James River Adolescent Center in Jamestown are licensed and accredited as institutions for mental diseases and therefore are allowed more than 16 beds.

The Legislative Council staff presented a memorandum entitled *North Dakota Foster Care Statistics - 1991-97* which includes schedules and charts presenting information on the number of children in foster care in North Dakota, foster care placements, and trends since 1991. The Legislative Council staff said the number of children in foster care has increased from 1,271 in 1991 and to 1,721 in 1997. The average number of months a child is in care has generally ranged from 14 to 15 months. The Legislative Council staff said the recidivism percentage for children in foster care has increased from approximately 22 percent in 1991 to 25 percent in 1997. The Legislative Council staff presented information on the number of children in North Dakota by region and the number of children in foster care by region as well as changes in the number of children in foster care by region since 1991.

The committee recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

Ms. Doll distributed copies of select sections of the Southwest Key license application to operate a residential child care facility in North Dakota. A copy of the information is on file in the Legislative Council office.

Representative Wentz asked that the department also provide a copy of the names and addresses of members of the organization's governing body. Ms. Doll said this information would be provided.

Representative Soukup asked whether the department collects any background information on companies that request to provide services in the state. Ms. Doll said that based on legislation passed by the 1997 Legislative Assembly, the department will be conducting background checks on employees of residential child care facilities in the state. Ms. Rita Weisz, Regional Supervisor of County Social Service Programs, West Central Human Service Center, said that as part of her review of the application, she contacts her counterparts in other states who have dealt with the organization requesting to do business in North Dakota. She said in these discussions regarding Southwest Key, the other states' personnel indicated a good working relationship with Southwest Key personnel.

Representative Soukup asked whether the department has considered conducting site visits of new facilities. Ms. Weisz said site visits may be scheduled once a facility has been operational for a few months.

Representative Niemeier asked whether Southwest Key will provide specialized services which may result in fewer out-of-state placements of children in foster care. Ms. Weisz said that some of their services are specialized and may reduce the number of children that need to be placed out of state.

Ms. Weisz presented a report on procedures involved in placing children in foster care homes or facilities.

Ms. Weisz said North Dakota requires a permanency planning committee meeting within 30 days of a child's initial placement and every three months thereafter unless a child has been in care

for longer than two years then the meetings may be every six months.

Ms. Weisz said that in determining the level of foster care in which a child will be placed, the committee considers the needs of the child as well as negative behaviors being exhibited and may also depend on the resources available at the time the placement is made. Consideration is given to the most appropriate and least restrictive environment to place the child and to keeping the child as close to the child's home community as possible. Ms. Weisz said many times the child's custodian's familiarity and experience with certain facilities may have an effect on the placement of a child.

Ms. Weisz said out-of-state placement decisions are made for a number of reasons, including that in-state facilities may not believe the child is appropriate for their program, no beds may be available for an extended period of time, or their program cannot provide the needed treatment. A copy of the report is on file in the Legislative Council office.

Representative Soukup asked how closely a child is monitored when released from a foster care home or facility. Ms. Weisz said the child is generally under the custody of the Division of Juvenile Services or a county social service agency for a few months to continue to monitor the child as the child transitions back to the child's family.

Representative Nelson asked for reasons why the department may revoke a facilities license. Ms. Weisz said that generally a facility's license is revoked because the facility is not meeting licensing standards such as educational requirements or medical care of the children.

Representative Soukup asked for the major contributing factors to the increasing number of children in foster care. Ms. Doll said that while a variety of factors have an effect, two of the more common factors are substance abuse and the deterioration of a child's family.

Ms. Doll presented information on the number of children placed in out-of-state facilities in August 1997. Ms. Doll said that in some instances, North Dakota facilities do not have a bed available or are unable to provide the appropriate treatment for the child.

Ms. Doll said that recurring issues associated with children placed in out-of-state facilities include substance abuse and dependency, chronic family problems, borderline intellectual functioning, educational problems, sexual victimization and perpetration, assaultive behavior, mental health issues, and the need for structure. A copy of the report is on file in the Legislative Council office.

Ms. Doll presented a report on children placed in facilities during September and October 1997. Ms. Doll said 56 children were placed in residential or group care during this period, 53 of which were placed in North Dakota facilities and three of which were placed out of state.

Ms. Doll presented the following facility placements for the 53 children placed in state:

Facility	Number of Children
Prairie Learning Center	14
Home on the Range	14
Dakota Boys Ranch	10
Charles Hall Youth Services	10
Eckert Youth Home	2
Lake Oahe Group Home	1
Oppen House	1
Luther Hall	1
Total	53

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

Representative Niemeier asked for the type of monitoring that occurs on children who are over the age 18 and released from the foster care system. Mr. Al Lick, Director, Division of Juvenile Services, commented that older children in foster care generally receive independent living skills training to teach them to live on their own; however, in many instances an effort is also made to reunite the child with the child's family.

Representative Kerzman asked that the report on foster care placements be provided at each committee meeting and that any transfers between facilities and facilities that are offered but do not accept a child be noted.

Mr. Lick commented on children placed out of state. He said it is important that a child is placed in an appropriate facility that can meet the needs of the child. He said multiple placements are not in the best interests of the child.

Representative Soukup suggested the committee tour facilities such as the Southwest Key facility in Mandan or other area facilities when the committee meets. Chairman Wentz said the committee next meets in Minot and will consider a tour of the Dakota Center as the agenda is prepared.

Mr. Kevin Kiconas, American Federation of State, County and Municipal Employees, commented on the state employee compensation report being prepared by Central Personnel. Mr. Kiconas asked that employee groups have the opportunity to provide input into the salary study,

including input on any survey instruments that are distributed.

Representative Soukup commended the individuals working with children in foster care for their dedication and accomplishments. Chairman Wentz expressed the committee's appreciation for the work of these individuals.

Chairman Wentz announced that the next committee meeting is tentatively scheduled for Wednesday, Thursday, and Friday, April 15-17, 1998, in Minot and said the meeting will, in addition to general committee work, include a number of budget tours in the Minot and Bottineau areas.

The committee adjourned subject to the call of the chair at 2:30 p.m.

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Allen H. Knudson
Senior Fiscal Analyst

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Chester E. Nelson, Jr.
Legislative Budget Analyst and Auditor

ATTACH:1