

2011 SENATE HUMAN SERVICES

SB 2043

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee  
Red River Room, State Capitol

SB 2043  
1-10-2011  
Job Number 12693

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

To provide for a developmental disabilities service providers payment system pilot project.

## Minutes:

Includes written testimony.

**Senator Judy Lee** opened the hearing on SB 2043. This has a fiscal note.

**Roxanne Woeste** from the ND Legislative Council introduced SB 2043 and gave a quick summary. She provided an excerpt of the Long Term Care Committee's final report that gives some background - Attachment #1. The bill provides that the Dept. of Human Services implement a prospective payment pilot system project for developmental disabilities providers in the upcoming biennium.

**Barbara Murry**, Executive Director of the ND Association of Community Providers, testified in support of SB 2043. Attachment #2

**Senator Judy Lee** explained the history of the 95% occupancy and said it has created some financial hardships, especially for some of the smaller providers.

**Ms. Murry** explained that the 95% is very difficult to manage in the day programs. There is less control on the part of the provider in terms of attendance. It's also been a problem with the children's ICFMR's. One potential solution would be to look at blending the 95% occupancy across the programs into the adult ICFMR's. They are very excited about this bill and the possible changes but they want to take the time to do it right. It will be a major change for the industry.

**Senator Spencer Berry** asked what the problem was that brought about the need for this change and how the bill will address the problem.

**Ms. Murry** explained that years back the Dept. of Human Services had a different funding mechanism for some of the more emergency situations and had some emergency services dollars that could be used. Those dollars have gone away. This was set up to take a look upfront at each person at their medical and behavioral needs and make sure there is adequate staff to address those needs and tie it to a rate setting system.

**Senator Spencer Berry** asked how the dollars went away.

**Ms. Murry** answered that they were all state dollars and there was greater pressure on the state budget to make sure that there was federal match in all the programs. The program was eliminated because there couldn't be a federal match.

**Senator Judy Lee** offered information that the current system evolved 30 years ago and treatment and care giving types of services have evolved in a different way. It seems appropriate to match them up a little better.

**Senator Dick Dever** asked how they proposed to extend the time.

**Ms. Murry** said it would be ideal if it could be ready within the next biennium. She thinks it will take the better part of a year to make sure they have all the particulars worked out so they are doing a really good pilot which would probably be winding up about the end of this biennium. She would like to have a time frame where they could do adequate planning and have the pilot project ready to go July 1, 2013. She suggested extending this through the next biennium. Fitting it into the Dept. of Human Services budget process was one of her concerns.

**Senator Dick Dever** asked if Burns and Associates have an ongoing role in the implementation of this.

**Ms. Murry** didn't believe they were scheduled to have an additional role.

**Cal Rolfson**, representing the Anne Carlsen Center in Jamestown, provided background information and support for SB 2043 and proposed an amendment. Attachment #3.

**Senator Tim Mathern** asked if he had a suggested date for initiation and completion of the pilot project in order to be helpful in the budget process and the providers' ability to prepare for a new method of reimbursement.

**Mr. Rolfson** believes this pilot project can occur during this biennium.

**Jon Larson**, Executive Director of Enable Inc. a provider in Bismarck that serves people with developmental disabilities. They would be directly affected by this bill. He added some clarity to this issue. Burns and Associates studied their reimbursement system and the conclusion that he came out with was as follows: The current reimbursement system to providers of people who serve people with developmental disabilities is that it's the most complex one in the nation. This is a simple bill but a very complex issue. He thought they would want to take the next two years to thoroughly develop a system that's ready to implement.

**Senator Dick Dever** asked what portion of the total providers would be involved in the pilot project and if there was value going through with the process.

**Mr. Larson** said his personal opinion was that a pilot project could provide some valuable information, but you can't prepare for a pilot. You have to prepare for a complete reimbursement system.

There was no opposing testimony.

**Tina Bay**, Director of the Developmental Disabilities Division, referred to the study done by Burns & Associates – Attachment #4. She talked about the need to reassess everyone in the system. The fiscal note talks about doing ¼ of the providers in the pilot project.

**Senator Judy Lee** asked if she agreed to stretch out the time.

**Ms. Bay** supported a 2 year pilot project but also would like to continue to move forward with the project.

**Senator Judy Lee** asked how to create a time frame in which there is adequate time to do things but there is an incentive to do it with some dispatch.

**Ms. Bay** deferred and **Joanne Hoesel** from the Dept. of Human Services answered. She said there were two very distinct processes that would need to occur. The first was not only reassessing all the individuals involved in the pilot but also training. Secondly is the rate and reimbursement process.

**Senator Judy Lee** asked where it starts. The fiscal note assumes it starts when?

**Ms. Hoesel** said it assumes it starts immediately. Those costs will start being incurred because of the consultant and training time.

**Senator Tim Mathern** asked if there are interim steps that can be taken to assist the department and the providers as we do the pilot project and come to a new system.

**Ms. Hoesel** responded that as they move to a different assessment process they could take a look at whether they want to move the assessment part over to the current system.

**Senator Dick Dever** asked if it was correct that the cost of implementation beyond the pilot project would be relatively minimal.

**Ms. Hoesel** replied that the consultants have anticipated the cost over time and the cost does eventually level off.

Attachment #5 is information provided by **Ms. Hoesel**.

The hearing on SB 2043 was closed.

**Senator Tim Mathern** thought they should pass the bill but work on the fiscal note to make it more palatable through the system.

The fiscal note was discussed. Assessment of everyone is a huge part regardless of the number of providers involved. Questions that were posed: What can be done to justify it? Is it all new money?

Evaluations were discussed. All those in the facilities have already been evaluated under the old system. They would need to be reevaluated to go in on the new system because it's different criteria. Without the new system in place they can't use the new system to evaluate.

A big issue is that the one size payment plan doesn't work well. It isn't really fair for those areas that provide extraordinary care to the most fragile to be getting the same kind of reimbursement as someone who is providing more entry level services.

**Senator Judy Lee** said that very little has been done to change this in any significant way since the ARC lawsuit. Treatment modalities have changed dramatically during that time for individuals with disabilities. Care needs to suit the individual and the compensation for that care needs to be appropriate so facilities can afford to do it.

The committee was adjourned.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Human Services Committee  
Red River Room, State Capitol

SB 2043  
2-7-2011  
Job Number 14161

Conference Committee

Committee Clerk Signature

*J. Johnson*

**Explanation or reason for introduction of bill/resolution:**

**Minutes:**

*Attachments*

**Senator Judy Lee** opened SB 2043 for committee work. This has a fiscal note and it deals with the provider payment system pilot project. She asked **Tina Bay** if the amendment (Attachment #6) from the community providers was something that was worked out with everybody.

**Ms. Bay** reported that it had been.

The amendment was reviewed. It does not change the fiscal note.

**Senator Tim Mathern** moved to **adopt the amendment as provided.**

Seconded by **Senator Dick Dever.**

Roll call vote 5-0-0. **Amendment adopted.**

**Senator Tim Mathern** moved a **Do Pass as Amended and rerefer to Appropriations.**

Seconded by **Senator Dick Dever.**

The action of the committee was reconsidered when it was discovered that the wrong amendment had been adopted.

The correct amendment dated 2-7-2011 was presented and **Barbara Murry**, NDACP, summarized the amendment for the committee.

**Senator Tim Mathern** moved to **accept the amendment described by Ms. Murry.**

Seconded by **Senator Dick Dever.**

Discussion followed. The time frame for the pilot was left to the steering committee.

Roll call vote 5-0-0. **Amendment adopted.**

**Senator Tim Mathern** move a **Do Pass as Amended and rerefer to Appropriations.**

Seconded by **Senator Dick Dever.**

Roll call vote 5-0-0. **Motion carried.**

Carrier is **Senator Tim Mathern.**

**FISCAL NOTE**  
 Requested by Legislative Council  
 04/06/2011

Amendment to: Engrossed  
 SB 2043

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$887,500		\$985,500
<b>Expenditures</b>			\$887,500	\$887,500	\$985,500	\$985,500
<b>Appropriations</b>			\$0	\$0	\$985,500	\$985,500

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The amended Bill requires the Department to develop in conjunction with developmental disabilities service providers a prospective or related payment project. The project would transform the existing cost-based reimbursement system to a prospective or related payment system.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This developmental disabilities service providers payment system would transform the existing cost-based reimbursement system to a prospective rate/resource allocation framework where provider rates are set by the State and used to develop a resource allocation model that ties payment to the assessed level of need for the client.

Prospective reimbursement is distinguished from retrospective in that once the rate is established there is no after-the-fact reconciliation to cost data. Providers and the State know on a real-time basis what final payments are for a current year. Prospective reimbursement systems establish the payment for a service before the service is rendered. The established payment is made regardless of the cost of the service and there is no cost settlement. Both the State and the provider know what was spent and what revenue was received on a current basis.

As a strong foundation to a prospective rate/resource allocation payment system, the Supports Intensity Scale (SIS) assessment tool would be recommended to replace the Progress Assessment Review (PAR) tool.

The project would replace the existing cost-based system with prospective rates for services established on a state-wide basis using an independent rate-setting process and a resource allocation model. A contract would be set up to establish a dedicated team of SIS assessors who would receive thorough training on doing the SIS interviews and scoring the tool and perform the initial SIS assessments for the adults and children to be served by the providers included in the project. The SIS scores would also need to be incorporated into the State's DD Division IT systems and MMIS. The fiscal impact assumes sampling approximately 47% of the clients in the 2011 - 2013 biennium.

Additional consulting resources are needed as well for development of prospective rates and the resource allocation

model tying funding to assessed needs of clients.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The other funds revenue is a result of the additional Medicaid funding the state will be able to access.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The fiscal impact is for the Department to enter into a contract or contracts with a rate-setting consultant, contract for a team of SIS assessors and for IT Transition costs. For the 2011-2013 biennium, there is a total cost of \$1,775,000.

For the 2013-2015 biennium, there is a total cost of \$1,971,000.

The cost estimate is based on revised amounts from Burns and Associates.

The cost is shared equally between federal and state dollars.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The appropriation of \$887,500 from the general fund and \$887,500 of other funds for a total appropriation of \$1,775,000 for the 2011-2013 biennium has been included in SB 2012.

For the 2013-2015 biennium, the Department would need an appropriation of \$1,971,000 of which \$985,500 would be general fund and \$985,500 would be federal funds.

<b>Name:</b>	Brenda M. Weisz	<b>Agency:</b>	DHS
<b>Phone Number:</b>	328-2397	<b>Date Prepared:</b>	04/06/2011

**FISCAL NOTE**  
 Requested by Legislative Council  
 03/23/2011

Amendment to: Engrossed  
 SB 2043

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$887,500		\$985,500
Expenditures			\$887,500	\$887,500	\$985,500	\$985,500
Appropriations			\$0	\$0	\$985,500	\$985,500

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The amended Bill requires the Department to develop in conjunction with developmental disabilities service providers a prospective or related payment project. The project would transform the existing cost-based reimbursement system to a prospective or related payment system.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This developmental disabilities service providers payment system would transform the existing cost-based reimbursement system to a prospective rate/resource allocation framework where provider rates are set by the State and used to develop a resource allocation model that ties payment to the assessed level of need for the client.

Prospective reimbursement is distinguished from retrospective in that once the rate is established there is no after-the-fact reconciliation to cost data. Providers and the State know on a real-time basis what final payments are for a current year. Prospective reimbursement systems establish the payment for a service before the service is rendered. The established payment is made regardless of the cost of the service and there is no cost settlement. Both the State and the provider know what was spent and what revenue was received on a current basis.

As a strong foundation to a prospective rate/resource allocation payment system, the Supports Intensity Scale (SIS) assessment tool would be recommended to replace the Progress Assessment Review (PAR) tool.

The project would replace the existing cost-based system with prospective rates for services established on a state-wide basis using an independent rate-setting process and a resource allocation model. A contract would be set up to establish a dedicated team of SIS assessors who would receive thorough training on doing the SIS interviews and scoring the tool and perform the initial SIS assessments for the adults and children to be served by the providers included in the project. The SIS scores would also need to be incorporated into the State's DD Division IT systems and MMIS. The fiscal impact assumes sampling approximately 47% of the clients in the 2011 - 2013 biennium.

Additional consulting resources are needed as well for development of prospective rates and the resource allocation model tying funding to assessed needs of clients.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The other funds revenue is a result of the additional Medicaid funding the state will be able to access.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The fiscal impact is for the Department to enter into a contract or contracts with a rate-setting consultant, contract for a team of SIS assessors and for IT Transition costs. For the 2011-2013 biennium, there is a total cost of \$1,775,000.

For the 2013-2015 biennium, there is a total cost of \$1,971,000.

The cost estimate is based on revised amounts from Burns and Associates.

The cost is shared equally between federal and state dollars.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The Bill contains an appropriation of \$887,500 from the general fund and \$887,500 of other funds for a total appropriation of \$1,775,000 for the 2011-2013 biennium.

For the 2013-2015 biennium, the Department would need an appropriation of \$1,971,000 of which \$985,500 would be general fund and \$985,500 would be federal funds.

<b>Name:</b>	Brenda M. Weisz	<b>Agency:</b>	DHS
<b>Phone Number:</b>	328-2397	<b>Date Prepared:</b>	03/23/2011

**FISCAL NOTE**  
 Requested by Legislative Council  
 03/11/2011

**REVISION**

Amendment to: SB 2043

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$1,873,000		\$391,534
<b>Expenditures</b>			\$1,873,000	\$1,873,000	\$391,535	\$391,534
<b>Appropriations</b>			\$1,873,000	\$1,873,000	\$391,535	\$391,534

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The amended Bill requires the Department to develop in conjunction with developmental disabilities service providers a prospective or related payment project. The project would transform the existing cost-based reimbursement system to a prospective or related payment system.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This developmental disabilities service providers payment system would transform the existing cost-based reimbursement system to a prospective rate/resource allocation framework where provider rates are set by the State and used to develop a resource allocation model that ties payment to the assessed level of need for the client.

Prospective reimbursement is distinguished from retrospective in that once the rate is established there is no after-the-fact reconciliation to cost data. Providers and the State know on a real-time basis what final payments are for a current year. Prospective reimbursement systems establish the payment for a service before the service is rendered. The established payment is made regardless of the cost of the service and there is no cost settlement. Both the State and the provider know what was spent and what revenue was received on a current basis.

As a strong foundation to a prospective rate/resource allocation payment system, the Supports Intensity Scale (SIS) assessment tool would be recommended to replace the Progress Assessment Review (PAR) tool.

The project would replace the existing cost-based system with prospective rates for services established on a state-wide basis using an independent rate-setting process and a resource allocation model. A contract would be set up to establish a dedicated team of SIS assessors who would receive thorough training on doing the SIS interviews and scoring the tool and perform the initial SIS assessments for the adults and children to be served by the providers included in the project. The SIS scores would also need to be incorporated into the State's DD Division IT systems and MMIS. In order to eliminate the need to operate two systems, the fiscal impact assumes sampling 100% of the clients in the 2011 - 2013 biennium.

Additional consulting resources are needed as well for development of prospective rates and the resource allocation model tying funding to assessed needs of clients.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The other funds revenue is a result of the additional Medicaid funding the state will be able to access.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The fiscal impact is for the Department to enter into a contract or contracts with a rate-setting consultant, contract for a team of SIS assessors and for IT Transition costs. For the 2011-2013 biennium, there is a total cost of \$3,746,000.

For the 2013-2015 biennium, there is a total cost of \$783,069.

The cost estimate is based on revised amounts from Burns and Associates.

The cost is shared equally between federal and state dollars.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The funding needed for the Department to implement the project is not included in the Executive Budget; therefore the Department would need an appropriation of \$3,746,000 of which \$1,873,000 would be general fund and \$1,873,000 would be federal funds for the 2011-2013 biennium.

For the 2013-2015 biennium, the Department would need an appropriation of \$783,069 of which \$391,535 would be general fund and \$391,534 would be federal funds.

<b>Name:</b>	Brenda M. Weisz	<b>Agency:</b>	DHS
<b>Phone Number:</b>	328-2397	<b>Date Prepared:</b>	03/14/2011

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/10/2011

Amendment to: SB 2043

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$2,735,750		
Expenditures			\$2,735,750	\$2,735,750		
Appropriations			\$2,735,750	\$2,735,750		

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The amended Bill requires the Department to develop in conjunction with developmental disabilities service providers a prospective or related payment project. The project would transform the existing cost-based reimbursement system to a prospective or related payment system.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The assumption is that the project would include an appropriate sampling of developmental disabilities service providers and clients. With the project providers, the State would replace the existing cost-based system with prospective or related rates for services using an independent rate-setting process.

The State would contract with a consultant to develop the rate-setting process. In addition, the State would contract with a team of support intensity scale assessors. The team will assess the identified client pilot group.

Initially there will be no administrative cost savings realized within the Department's budget because the current cost-based payment system will need to remain in place for the providers not included in the project.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The other funds revenue is a result of the additional Medicaid funding the state will be able to access.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The fiscal impact is for the Department to enter into a contract or contracts with a rate-setting consultant and a team of SIS assessors for a total cost of \$5,471,500. The cost estimate is based on the amounts in the Burns and Associate report presented to the Long-Term Care Committee during the 2009-2010 interim.

The cost is shared equally between federal and state dollars.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The funding needed for the Department to implement the project is not included in the Executive Budget; therefore the Department would need an appropriation of \$5,471,500 of which \$2,735,750 would be general fund and \$2,735,750 would be federal funds.

<b>Name:</b>	Brenda M. Weisz	<b>Agency:</b>	DHS
<b>Phone Number:</b>	328-2397	<b>Date Prepared:</b>	02/10/2011

# FISCAL NOTE

Requested by Legislative Council  
12/16/2010

Bill/Resolution No.: SB 2043

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$2,735,750		
<b>Expenditures</b>			\$2,735,750	\$2,735,750		
<b>Appropriations</b>			\$2,735,750	\$2,735,750		

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This Bill requires the Department to implement a prospective payment pilot project for developmental disabilities service providers. The pilot project would transform the existing cost-based reimbursement system to a prospective payment system.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The assumption is that the pilot project would include 1/4 of the developmental disabilities service providers. With the pilot project providers, the State would replace the existing cost-based system with prospective rates for services using an independent rate-setting process.

The State would contract with a consultant to implement the rate-setting process. In addition, the State would contract for a team of assessors to do Supports Intensity Scale (SIS) interviews and to perform the initial SIS assessments for the adults and children to be served by the providers included in the pilot project.

Initially there will be no administrative cost savings realized within the Department's budget because the current cost-based payment system will need to remain in place for the providers not included in the pilot project.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The other funds revenue is a result of the additional Medicaid funding the state will be able to access.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The fiscal impact is for the Department to enter into a contract or contracts with a rate-setting consultant and a team of SIS assessors for a total cost of \$5,471,500. The cost estimate is based on the amounts in the Burns and Associate report presented to the Long-Term Care Committee during the 2009-2010 interim.

The cost is shared equally between federal and state dollars.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The funding needed for the Department to implement the pilot project is not included in the Executive Budget; therefore the Department would need an appropriation of \$5,471,500 of which \$2,735,750 would be general fund and \$2,735,750 would be federal funds.

<b>Name:</b>	Brenda M. Weisz	<b>Agency:</b>	DHS
<b>Phone Number:</b>	328-2397	<b>Date Prepared:</b>	01/07/2011

Section 1. Developmental Disabilities Service Providers Payment System Project. The department of human services in conjunction with developmental disability service providers shall develop a revised provider payment system utilizing the Supports Intensity Scale. Activities will include:

- Establish a steering committee consisting of Provider representatives and DHS representatives.
- Hire a consultant
- Select a sample to be evaluated using the Supports Intensity Scale – sample to make up entire providers – a sample to inform the development of a model
- Design proposed payment strategy
- Apply proposal to sample to evaluate effect and revise accordingly.
- Report to next legislative assembly a strategy for phasing-in the implementation of new payment system beginning July 01, 2013.

#6

Date: 2-7-2011

Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2043

Senate HUMAN SERVICES Committee

Check here for Conference Committee

Legislative Council Amendment Number NDACP Amendment

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Sen. Mathern Seconded By Sen. Dever

Senators	Yes	No	Senators	Yes	No
Sen. Judy Lee, Chairman	✓		Sen. Tim Mathern	✓	
Sen. Gerald Uglem, V. Chair	✓				
Sen. Dick Dever	✓				
Sen. Spencer Berry	✓				

Total (Yes) 5 No 0

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

*Reconsidered*

February 7, 2011

*[Handwritten signature]*  
2-7-11

PROPOSED AMENDMENTS TO SENATE BILL NO. 2043

Page 1, line 1, remove "service providers payment"

Page 1, line 2, replace "pilot" with "reimbursement"

Page 1, line 4, remove "**SERVICE PROVIDERS PAYMENT**"


Page 1, line 5, replace "**PILOT**" with "**REIMBURSEMENT**"

Page 1, line 5, after "services" insert ", in conjunction with developmental disabilities service providers,"

Page 1, line 5, replace "implement" with "develop"

Page 1, replace lines 6 and 7 with "or related payment with an independent rate model utilizing the support intensity scale.

1. The department shall establish a steering committee consisting of representatives from all interested providers and department representatives. The steering committee shall guide the development of the new payment system including assisting a consultant to conceptualize, develop, design, implement, and evaluate a new payment system.
2. The department shall contract with a consultant by September 1, 2011, to develop, in collaboration with the steering committee, the payment system and the resource allocation model tying funding to support intensity scale assessed needs of clients.
3. After the prospective or related payment system rates are developed, the new rates must be tested on a sampling of clients and providers, the sample to be determined by the steering committee, allowing sufficient time to capture provider cost, client realized need, and service provision data. The consultant shall provide the appropriate sampling number to sufficiently test the rates, types of services, and needs of clients with the intent to include as many providers as fiscally feasible.
4. The department, shall contract with a team of support intensity scale assessors by September 1, 2011. The team shall begin assessing immediately the identified client pilot group identified by the consultant contracted in subsection 2.
5. Once testing is complete, the data must be analyzed by the consultant and the consultant shall make any needed rate adjustments, resource allocation modifications, or process assumptions.
6. Beginning in June 2012, the department and the steering committee shall report development activities and status information to an interim legislative committee.

- 
7. Implementation of any system developed under this Act may not occur before the implementation of the department's new medicaid management information system."

Renumber accordingly

Date: 2-7-2011

Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2043

Senate HUMAN SERVICES Committee

Check here for Conference Committee

Legislative Council Amendment Number 11.0243.01001

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Sen. Mathern Seconded By Sen. Dever

Senators	Yes	No	Senators	Yes	No
Sen. Judy Lee, Chairman	✓		Sen. Tim Mathern	✓	
Sen. Gerald Uglen, V. Chair	✓				
Sen. Dick Dever	✓				
Sen. Spencer Berry	✓				

Total (Yes) 5 No 0

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 2-7-2011

Roll Call Vote # 3

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2043

Senate HUMAN SERVICES Committee

Check here for Conference Committee

Legislative Council Amendment Number 11.0243.01001 Title 02000

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Sen. Mathern Seconded By Sen. Dever

Senators	Yes	No	Senators	Yes	No
Sen. Judy Lee, Chairman	✓		Sen. Tim Mathern	✓	
Sen. Gerald Uglem, V. Chair	✓				
Sen. Dick Dever	✓				
Sen. Spencer Berry	✓				

Total (Yes) 5 No 0

Absent 0

Floor Assignment Sen. Mathern

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2043: Human Services Committee (Sen. J. Lee, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2043 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "service providers payment"

Page 1, line 2, replace "pilot" with "reimbursement"

Page 1, line 4, remove "**SERVICE PROVIDERS PAYMENT**"

Page 1, line 5, replace "**PILOT**" with "**REIMBURSEMENT**"

Page 1, line 5, after "services" insert ", in conjunction with developmental disabilities service providers,"

Page 1, line 5, replace "implement" with "develop"

Page 1, replace lines 6 and 7 with "or related payment with an independent rate model utilizing the support intensity scale.

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5. Once testing is complete, the data must be analyzed by the consultant and the consultant shall make any needed rate adjustments, resource allocation modifications, or process assumptions.
6. Beginning in June 2012, the department and the steering committee shall report development activities and status information to an interim legislative committee.
7. Implementation of any system developed under this Act may not occur before the implementation of the department's new medicaid management information system."

Re-number accordingly

2011 SENATE APPROPRIATIONS

SB 2043

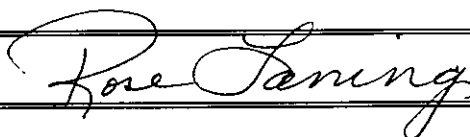
# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

SB 2043  
February 10, 2011  
Job # 14316

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A bill to provide for a developmental disabilities service providers payment system pilot project.

### Minutes:

See attached testimony #1.

**Chairman Holmberg** called the committee hearing to order on SB 2043.  
Becky J. Keller Legislative Council; Joe Morrissette OMB.

**Senator Judy Lee, State Senator, District 13** – Introduces the bill. She explains the time spent in the interim learning about the payment system for providers of services to folks with developmental disabilities. They have learned that the retrospective system that we have which pays 18 to 24 months after a service has been provided is convoluted and cumbersome. They are looking to establishing a more prospective system.

**Senator Warner** – Asks Maggie Anderson if it is net neutral on the payment costs but it may have a slight duplication on the administrative costs as the transition is going through.

**Maggie Anderson, Medical Services Division, Department of Human Services** – Responds that it is Medicaid funded but the DD division is taking the lead on this project.

**JoAnne Hoesel - Mental Health & Substance Abuse Services Division, Department of Human Services** – She states that the work that was done in the past biennium was working with administrative costs. She says as they move forward it is taking a look at it would cost from an administrative prospective for both providers and state staff to move to a prospective related reimbursement type system. She says the service dollars that are currently in the system that pay for specific services are not in question at this time. This study did not deal with that.

**Senator Warner** – Questions you have a slight increase in administrative costs because you are running a prospective and a retrospective system briefly at the same time.

**JoAnne Hoesel** –Replies the recommendation of the consultant was to move to a new assessment process. It is called the Support Intensity Scale. (SIS). She says initially those costs will be higher because of training and one time administrative costs. She says to keep in mind that about 1/3 of all developmentally disabled individuals in the state will be assessed on

an annual basis. She adds that in the developments stage you are piloting a new reimbursement system and at the same time running our current system.

**Senator Warner** – Asks if there is potential of shifting cost from one biennium to another.

**JoAnne Hoesel** – Replies the consultant has taken a look at this aggressively taking place over 5 years with decreases in the 3<sup>rd</sup> and 5<sup>th</sup> year. It would be taking place over several bienniums.

**Barb Murry - Director, ND Association of Community Providers** – Testimony attached #1

**Senator Bowman** – Asks if the departments can do this.

**Barb Murry** – She explains the new system is a whole new animal for them and they don't have the in-depth understanding needed to develop this on their own without a consultant.

**Chairman Holmberg** closed the hearing on SB 2043.


# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

SB 2043  
02-17-2011  
Job # 14672 (Meter 5.29)

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A SUBCOMMITTEE HEARING ON SB 2012 (SEVERAL BILLS WERE DISCUSSED AND ACTION WAS TAKEN BY THE SUBCOMMITTEE)

### Minutes:

You may make reference to "attached testimony."

**Senator Fischer, Chairman** opened the subcommittee hearing in reference to the Department of Human Services. Senator Kilzer, Senator Erbele, Senator Warner were also present. Lori Laschkewitsch, OMB and Roxanne Woeste, Legislative Council were also present.

**Senator Kilzer** states he would like to go through the nine "stand alone" bills.

**The bills that this subcommittee is assigned to are: 2029, 2043, 2163, 2212, 2240, 2264, 2298, 2334, 2357.**

**Senator Kilzer** states the next bill to be talked about is SB 2043. This bill will provide us with a pilot project system and that is something that has been looked in the past. It is the long term care committee that has brought this bill forward.

**Senator Erbele** recommends a **DO NOT PASS**.

**Senator Kilzer** seconds the motion.

**Roll call is taken with Yea: 4. Nay: 0. It was carried. (SB 2043).**

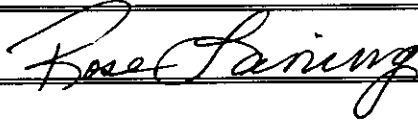
# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee  
Harvest Room, State Capitol

SB 2043  
February 18, 2011  
Job # 14729 (Meter starting at 17:23)

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A committee vote on SB 2043 – pilot project for payment to developmental disabilities service providers.

## Minutes:

You may make reference to "attached testimony."

**Chairman Holmberg** opened the hearing on SB 2043.

**Senator Kilzer** said this was recommended as a Do Not Pass in the DHS subcommittee.

**Senator Kilzer** moved Do Not Pass on SB 2043.

**Senator Bowman** seconded.

A Roll Call vote was taken. Yea: 3 Nay: 10 Absent: 0

Motion failed.

**Senator Fischer** moved Do Pass on SB 2043.

**Senator Robinson** seconded.

A Roll Call vote was taken. Yea: 11 Nay: 2 Absent: 0

**Senator Mathern** will carry the bill.

Date: 2-18-11  
 Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2043

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Kilzer Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Warner		<input checked="" type="checkbox"/>
Senator Bowman	<input checked="" type="checkbox"/>		Senator O'Connell		<input checked="" type="checkbox"/>
Senator Grindberg			Senator Robinson		<input checked="" type="checkbox"/>
Senator Christmann	<input checked="" type="checkbox"/>				
Senator Wardner		<input checked="" type="checkbox"/>			
Senator Kilzer	<input checked="" type="checkbox"/>				
Senator Fischer		<input checked="" type="checkbox"/>			
Senator Krebsbach		<input checked="" type="checkbox"/>			
Senator Erbele		<input checked="" type="checkbox"/>			
Senator Wanzek		<input checked="" type="checkbox"/>			

Total (Yes) 3 No 10

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

*Failed*

Date: 2-18-11  
 Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2043

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Fisher Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann		✓			
Senator Wardner	✓				
Senator Kilzer		✓			
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 11 No 2

Absent 0

Floor Assignment Mathers Human Services

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2043, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO PASS** (11 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2043 was placed on the Eleventh order on the calendar.

2011 HOUSE HUMAN SERVICES

SB 2043

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Human Services Committee  
Fort Union Room, State Capitol

SB 2043  
March 15, 2011  
Job #15443

Conference Committee

Committee Clerk Signature	<i>Nicky Crabtree</i>
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**Explanation or reason for introduction of bill/resolution:**

A bill to provide for a developmental disabilities system reimbursement project.

**Minutes:**

See Testimony #1
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**Chairman Weisz:** Opened the hearing on SB 2043.

**Roxanne Woeste:** Fiscal analyst from the Legislative Council provided a summary of the bill. The bill has been amended by the Senate and is in a much different form than the bill that was introduced. The bill does provide that the DHS in conjunction with developmental disabilities service is to develop a prospective or related payment with an independent rate model utilizing the support intensity scale. (She read right from SB 2043 for rest of introduction.)

**Barbara Murry:** Executive Director of ND Association of community Providers testified in support of the bill. (See Testimony #1)

**Cal Rolfson:** Representing the Anne Carlson Center in Jamestown, ND testified in support of the bill. The center cares for some of the state's highly medical fragile and behaviorally challenged children. They have facilities in Fargo, Grand Forks and Jamestown and will expand to facilities with daycare services. I would like to iterate what Ms. Murry said. We have the most antiquated reimbursement system for ICFMR intermediate care facility for mentally retarded adults and children in the United States. This system was created as a result of the AFC lawsuit in the 1970's to decentralize what use to be called Grafton and now is the developmental center there. The complexities that were created by that created significant problems for the providers to provide that service for the state that stays legally bound to care for those people. That complexity takes two years to have a final audit done and decide how much do I need to pay us back? One example is the Anne Carlson Center. It loses at lease it use to, a million dollars a year just to provide the care that the state is obligated to care for through the Anne Carlson Center. The rates are not tied to acuity presently. Unlike nursing homes that have a 34 rate step system based on the needs of the patient. That is not the case of those highly fragile behaviorally challenged folks. Sometimes in serious cases, serious acuity, it might take one to three people to care for one person. Sometimes one person can care for five or six people. It is such a varying system and to have one flat rate is unusual. ND in funding ICFMR facilities probably has

the best financial deal you will ever have in caring for these people. To finally create a prospective system what is most appropriate both for the care that is required and for the state and providers, the Anne Carlson Center supports what Barb Murry has just said in supporting this bill. It will go into a trail project and it will come back after two years to see if it works. You policymakers will get to take another look at it and see what needs to be tweaked if anything.

**Rep. Holman:** About 5 of us here weren't on the interim. What are some of things you or Anne Carlson or some of the other places would have to do with money to handle things? Because of this system based on figuring it out later rather than paying it up front I assume there would be some processes that would potentially change.

**Cal:** I'll begin with one anecdotal story that frustrated at least the Anne Carlson Center. A little girl that was born in Altru in Grand Forks and her name is Arienna. Arienna was born very fragile and Altru couldn't handle her so she went to Mayo. She was at Mayo in Rochester for about six months. This was about 2005 Mayo was billing the DHS \$3,000 a day and accepting \$2,000 a day on Medicaid funding which is FMAP, federal-state money. At that time it was close to 2/3, 1/3 and it would be closer to 50 and 50 now. Finally it was draining the budget. Someone contacted the Ann Carlson Center because we are like a step down ICU unit and have the facilities, pediatricians and skilled specialists to care for folds like this. They brought her there and because of flat rate the Anne Carlson center had to accept \$375 a day to care for her. They provided essentially the same care and Carlson Center is the only facility of its kind that is also a K-12 licensed school in ND through the Dept. of Public Instruction. They do a lot of special education. They were able to care for her and now she is 6-7 years old and eats at the table and plays with little balls, but she will always be highly I fragile. The difference in care is not warehoused, but she is progressing slowly. That is the type of difference \$375 a day and \$2,000 providing the same care. If she were not in the state in either one of the other facilities or the Anne Carlson Center, she would be either be out of state which the state would pay more or she would be in a state hospitalized ICU unit and that would be 2 to three times more than that. That is the frustration that might explain why back in 2009 HB 1556 was passed that provided for the interim study. To cover that disparity and hat frustration that providers have. That was the background that prompted that. As to the accounting and how they do that, I'm just a meager attorney and don't know how to deal with accounting issues. Anne Carlson has a foundation they can draw from and that saved them from bankruptcy. It will save money and take 4-5 years to catch up through the new prospective system. Rep. Al Wieland was the prime sponsor. It was a bipartisan bill.

**JoAnne Hoesel:** From the DHS and here to answer any questions you have about the study that was done prompted by 1556 and go through the fiscal note (FN) because the FN has been adjusted. It came to our attention that Burns and Associates had included duplicate numbers in their initial budget. So they provided us with new information and it is significantly less when it was heard on the Senate side. At this point it is general funded \$1.8 million and 1.8 million in other funds and that would be Medicaid dollars. In biennium 13-15 it drops down to \$391,000 general fund with that being matched with Medicaid dollars.

**Chairman Weisz:** Can you go into more detail on the fiscal.

**JoAnne:** The first two years are really the development of the new system. We are going from a retrospective cost base system. Currently the process includes at the end of the day in each year, state staff touch the same data 5 times. And then in addition the providers touch it 4 times. What is included in all that data maneuvering is that first providers need to present to the department a provider budget. And then the provider budget limitations are put in place. What those are, the division overlays the appropriation that is available with allowable, reasonable and client related costs. They give these providers an interim rate. They submit claims and reimbursed based on that interim rate. At the end of provider's fiscal year they provide to the department with a cost report. That cost report then is overlaid with their initial budget. Providers are given a three month window of time with the potential of a one month extension. Then the audit cost and settlement process kicks in. The department then has to assure that they are taking a look at the units of service provided; the appropriation of the classification of costs, accuracy of real pop property expenses, the consideration of salary schedules and the rural development rental rates and then a final rate is given. If there is any difference between the interim rate and final rate, what will result at the cost settlement time the provider has to pay back the department or the department has to give more to the provider. That is why they are talking about the two year length of time that it can occur; between when the services were provided and when they are actually cost settled and books are closed out on that year. In the development phase of switching over to a prospective process, one way to look at that is there is no after the fact reconciliation to cost data. Providers in the state would know on a real time basis what the rate is, the reimbursement is and the final payment for that. There would be no audits to be done. Both the state and provider would know what was spent and what revenue would be received. The new system is called prospective for that reason. Most importantly I think and what has prompted HB 1556, is that it is tied to the intensity of need of the client. If you see written anywhere a resource allocation model; the resources will be allocated to individuals that need it most. There is an important intensity scale so every person in the developmentally disability system will have an assessment done by this scale. That is giving them a score on how much service and support they need to be as independent as possible. You could have a very large range of people in the state. Some need much more. Right now our cost and reimbursement are not tied to that. We have an assessment process which does a fairly good job. Then when you cost settle at the end of the day it wipes out anything that you have done to tie reimbursement to the level of need. In the new system a rate would be determined that is a negotiated process that we would work through with the providers to see if they are being appropriately being reimbursed. It would be tied to the individual. The first year you have the majority of one time funding and that goes to starting up the whole assessment process. The plan is to have a support intensity team that would be a contract through the DHS and they would be the people that would be trained in the support intensity scale, trained in interviews and they would go around the state and interview and assess every person in the DD system. They would be interviewing the providers and the DD program administrators at the regional centers as well.

**Chairman Weisz:** How many in are in the DD system?

**JoAnne:** About 4500. Based on what Burns and Associates have recommended, would be able to do that in 2 years with this aggressive schedule. One half each year. It also

includes purchasing of those assessments and that is the most costly part of the start up phase because that accounts for one million dollars of that. After that they will be assessed every 3 years and it will be on a tiered system.

**Chairman Weisz:** If this system is in place a client will be assessed once every 3 years?

**JoAnne:** Correct. Children will be assessed every year because of their developmental changes, but adults once every 3 years. Then we have funding in there for documentation. We will have to revise all the policies and protocols. The consulting fee where they may be some with implementing the support intensity scale; the majority of the consulting time is needed on setting the prospective rates and developing the resource allocation model. That is the key to all of this to make sure the rates are appropriate and they are tied to the level of need of client. We have a few IT technology transition costs that are \$200,000 each year for the next biennium. And you integrate the support intensity scale numbers into our system and the resource allocations. So when a claim comes in it will be overlaid with that score and make sure there aren't more resources that have been approved then have been delivered. There are no new provider administrator costs. We are talking on the development stage all administrative costs. The service costs we are fine. It is a matter of changing a different way of reimbursing them. That is what is taking place the first two years.

**Chairman Weisz:** After this initial, who is going to do the assessments?

**JoAnne:** That would continue to be done through that contract with the (inaudible) assessment team.

**Chairman Weisz:** Those will be ongoing costs just smaller?

**JoAnne:** Yes. We anticipate they may need a few more people up front, but they will be able to level off. Burns had reflected that. In year for as you can see in the FN how it drops off, there are no new state administrative costs then what is currently in place. One of the other things that Burns and Associates discovered is that between the providers and the state, we already spend \$2.6 million a year to maintain our current system. As so we have then removed that and are carving out what are new funds, and once that development phase is in place the high in year one is really a one-time implementation cost.

**Chairman Weisz:** You are saying that it is costing you \$2.6 million just to maintain the system. What you are telling us is that you will actually save money once we are rolling here.

**JoAnne:** That is what Burns and Associates say in here and we can get you all copies of that.

**Chairman Weisz:** What is the assessment per client going to average once we get (drops sentence).

**JoAnne:** The support intensity scale?

**Chairman Weisz:** Right. If we are going to continue to pay Burns and Associates down the road to do the assessments every 3 years, do you have a cost per client?

**JoAnne:** A \$100 per assessment.

**Rep. Hofstad:** Once the intensity scale has been determined, are those rates be applied to everybody? How does that work? Are you going to assign a rate and apply that to everybody uniformly?

**JoAnne:** That is what the consultant will assist us with. There are a number of ways to design a prospective rate setting system. While acknowledging some have more transportation needs so you can put the modifiers in the rate. We would start with one rate, but it would be changed on the intensity of the client. You can have a person in an ICSMR or a group home and one person needs far less support than another person that might need 24/7 staffing which would require a number of people. That rate needs to be higher than this person that may only need to check in to see that they haven't gotten into trouble. That is where the allocation piece of this process will acknowledge the differences in client need.

**Rep. Hofstad:** Is there a difference in facility costs and will those be accounted for?

**JoAnne:** Yes they will, what Burns and Associates has described to us is that we will be looking at the provider's actual cost and negotiating through what is a reasonable rate is where we would start. We need to make sure this system adequately reimburses the providers.

**Chairman Weisz:** How is this going to affect your budget? Is that going to be an issue?

**JoAnne:** As it is describing the FN we have the development phase taking the initial big push of that is over the next two years. In 3 years we would have some time, but we are minimizing the time that we need to run both systems. They are going to continue to be reimbursed as it is now. And then we will be testing the new system and that is reflected in this budget. We feel the FN reflects doing both of those systems for the smallest amount of time necessary. I don't think I answered your question.

**Chairman Weisz:** No you didn't. When you come in with your budget for the DD, now you are looking at depending on intensity you could have a dramatic difference in the cost per of client. When it comes to putting a budget together for the (inaudible) biennium and not knowing where the intensity levels will be, will that cause you more trouble in budgeting?

**JoAnne:** We don't believe so.

**Chairman Weisz:** I'm talking about what you are paying providers down the road.

**JoAnne:** In addition to the rate that a provider is given currently, Burns and Associates also discovered that 50% of the clients currently served, already receive an enhancement in funding to the provider because of the unique needs. The new system will take that into consideration.

**Rep. Louser:** You mentioned the fiscal note changed because of duplication. It was \$1,000,000. Where was the duplication?

**JoAnne:** It was more than that. Our current administrative costs were included in that and we don't need to include that as it isn't new. I do need to make a correction. It is \$500 not \$100 per assessment.

**Rep. Holman:** That this probably would improve the interaction between your department and your providers as far as type of interaction that you will be having with this in settling things.

**JoAnne:** That wouldn't surprise me at all. In their report they are talking about negotiating through the budget limitations, but when things arrive it is a constant challenge to make sure that the system is running and providers being adequately being reimbursed. We do believe that just because it is so complicated we do have providers that run into some problems with this system. Tina has four new staff in her division and how many years it takes to learn a new system.

**Rep. Devlin:** I'm assuming that this is a priority item for the department and why isn't in the executive budget?

**JoAnne:** This bill and 1556 was initiated by providers in the last session. They brought it forward and it was heard and we are here to provide information and work with any decision the legislators give. You are right it was not included in the budget most likely because of how it had started.

**Chairman Weisz:** You will get us a copy of that breakdown?

**JoAnne:** I will.

**NO OPPOSITION**

**Chairman Weisz:** Closed the hearing on SB 2043.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Human Services Committee  
Fort Union Room, State Capitol

SB 2043  
March 21, 2011  
Job #15704

Conference Committee

Committee Clerk Signature *Vicky Crabtree*

Minutes:

No attachments

**Chairman Weisz:** There are two fiscal notes and the one that was presented to us was \$1.873 million. I met with the providers this morning. There was a breakdown sheet that showed the assessments, and IT costs. You should have that. There is an issue because MMIS is still being delayed. I'm only speaking for myself here, but I think we have to make this change to go to prospective versus the retrospective. The current system is hated by everybody. The providers and department don't like it. If this committee believes we should go to it then we spend the money that is necessary to make sure it gets done. I didn't want this delayed anymore than necessary because of MMIS. We came up with figures. It would roughly be \$1.3/4 million which half would be general fund for the 2011-2013 biennium. That would include assessments of 1500 at \$750,000. They figured at least a third of the assessments done as part of what they need to do for the programming and determining the actual rate setting on a perspective rate. Instead of the full 4500 we would do a total of 1500 for the 2 year biennium. The consulting costs \$800,000 for the biennium. The IT transition costs would only be \$200,000 for the second year of the biennium. The \$25,000 for documentation would be in there. The \$233,200 that is startup costs, they thought they could move back to the 13-15 biennium. They won't be staring up in the 2011-13 anymore. They will move it out to the end of 2014 before this will actually get going. You have \$875,000 general fund dollars. We talked about the assessments and the cost. Upfront they don't think they can lower this cost. Their hope is that once we go to this system that you will see somebody in the state like the Lutheran Social Services or some other group who will decide to bid and take that on and do the assessments. There seemed to be a universal agreement between the provider and the department that neither one should be doing the assessments. There is hope that the cost will come down. That includes all of their costs. Appropriations still have some heartburn. My opinion is, give them the money or kill the bill. I think the costs identified are reasonable. They are working at the end of 2014 before they can start. If you agree we go to the perspective system, even the best case scenario, it is still 3 years away.

**Rep. Holman:** During interim my discussions with one provider indicated that sometimes this back and forth that exists now to determine the money; they had an instance where it was merely five years before it was settled. My understanding is this would be similar what we are doing with nursing homes. If in place in 3-4 years the organization say LSS or another organization will have a certain client load and will say this is what we need to cover that and make an agreement up front and that is the money they have to live with. Is that sort of where we are at?

**Chairman Weisz:** I think the nursing home is kind of a relevant example. Like in a nursing home you have all the different levels of acuity and that would happen here too. The only difference is here you will have an assessment up front of the client and if a child it will have to be done every year. They will make an assessment of the acuity level of care needed and that is what the rate will be based on. That will get reassessed every year if a child and an adult every three years. We don't assess the patients per say just the amount of care they receive. They will negotiate with providers what that reimbursement rate will be at that level of care. That is why they have to have one-third of these assessments done up front so they can determine the rates that should be set.

**Rep. Holman:** At the end of the year with a child, there is no renegotiation?

**Chairman Weisz:** They will determine up front that this child gets \$800 a day and that is what he gets paid for that year. It is determined and set for that year. For the next year the child will be reassessed and if it's acuity level changes then the rate will change accordingly. There is no renegotiation. That amount is locked in for the year. What does the committee think? I think these are realistic numbers.

**Rep. Porter:** I move the amendment.

**Rep. Damschen:** Second.

**Voice Vote: Motion Carried.**

**Rep. Porter:** I move a Do Pass as amended and re-referred to appropriations.

**Rep. Damschen:** Second.

**VOTE: 11 y 1 n 1 absent – Rep. Hofstad**

**Bill Carrier: Rep. Weisz**

March 21, 2011

VK  
3/21/11

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2043

Page 1, line 1, after "project" insert "; and to provide an appropriation"

Page 2, after line 7, insert:

**"SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$887,500, or so much of the sum as may be necessary, and from special funds derived from federal funds and other income, the sum of \$887,500, to the department of human services for the purpose of the developmental disabilities system reimbursement project, for the biennium beginning July 1, 2011, and ending June 30, 2013."

Renumber accordingly

Date: 3-21-11  
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2043

House HUMAN SERVICES Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Porter Seconded By Rep. Damschen

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN WEISZ			REP. CONKLIN		
VICE-CHAIR PIETSCH			REP. HOLMAN		
REP. ANDERSON			REP. KILICHOWSKI		
REP. DAMSCHEN					
REP. DEVLIN					
REP. HOFSTAD					
REP. LOUSER					
REP. PAUR					
REP. PORTER					
REP. SCHMIDT					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

*Motion Carried*

Date: 3-21-11  
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2043

House HUMAN SERVICES Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Porter Seconded By Rep. Damschen

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN WEISZ			REP. CONKLIN		
VICE-CHAIR PIETSCH			REP. HOLMAN		
REP. ANDERSON			REP. KILICHOWSKI		
REP. DAMSCHEN					
REP. DEVLIN					
REP. HOFSTAD					
REP. LOUSER					
REP. PAUR					
REP. PORTER					
REP. SCHMIDT					

Total (Yes) 11 No 1

Absent 1

Floor Assignment Rep. Weisz

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2043, as engrossed: Human Services Committee (Rep. Weisz, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (11 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2043 was placed on the Sixth order on the calendar.

Page 1, line 1, after "project" insert "; and to provide an appropriation"

Page 2, after line 7, insert:

**"SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$887,500, or so much of the sum as may be necessary, and from special funds derived from federal funds and other income, the sum of \$887,500, to the department of human services for the purpose of the developmental disabilities system reimbursement project, for the biennium beginning July 1, 2011, and ending June 30, 2013."

Renumber accordingly

**2011 HOUSE APPROPRIATIONS**

SB 2043

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee  
Roughrider Room, State Capitol

SB 2043  
3/29/11  
16112

Conference Committee

Committee Clerk Signature

*Meredith Tracholt*

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for a developmental disabilities system reimbursement project; and to provide an appropriation.

## Minutes:

You may make reference to "attached testimony."

**Chairman Delzer:** The next bill is SB 2043.

**Representative Robin Weisz, District 14:** This bill is about rate setting. There was a bill to do a study on our current system of rate setting last session. Right now, it can take more than two years to determine what a facility will get paid for a particular client, and the data will be handled an average of nine times in that time period. It is agreed by both the department and providers that the current system doesn't work. It doesn't adequately pay for the different levels of acuity care required, and the providers never know for sure what they'll be paid. The recommendation of the study was prospective rate setting. The human services committee feels strongly that this will save administration costs down the road. We tried to pare down the costs of the bill as much as we could but still have it move forward as fast as possible, starting this coming biennium. The numbers that came out of our committee were \$1.75 million. Half is federal, which leaves the state with \$877,000, which is considerably reduced from the Senate version of the bill. If we're going to go forward, I believe this amount of money is necessary. We've been supplementally appropriating to institutions like the Anne Carlsen School, and I think this is the answer to that. Providers will know up front, they can budget for it, they'll know based on their clientele what they're going to get paid, there won't be any more audits years later requesting repayments.

**Chairman Delzer:** This is not a pilot project anymore, it's statewide?

**Representative Weisz:** Correct, this is changing our retrospective rates setting to prospective rate setting.

**Chairman Delzer:** The human services committee added an appropriation section, appropriating the general fund share, but not the authority for the federal fund share?

**Representative Weisz:** You're probably correct about that, we may have missed that. No, it's in there, both state and federal for \$887,500 each.

**Representative Pollert:** On SB 2043, we were going to pull the funds out of this and put it in DHS budget; those amendments are coming forward today.

**Representative Weisz:** We don't have any problem with that, but this is the minimum amount required for the next biennium to move this process forward. Our committee feels very strongly we need to move this direction.

**Chairman Delzer:** The Fiscal Note looks like it's another \$100,000 next biennium. Is that over and above what we're already currently funding for DD?

**Representative Weisz:** There will be additional costs going into next biennium because it won't be completed yet. The \$1.775 million that's in front of you is including assessments for 1500 clients. There are roughly 4500 clients, so we'll have to finish those assessments going into the next biennium. All clients must be assessed to determine their level of acuity.

**Chairman Delzer:** The full \$1.75 million is for assessments, or is there software in there?

**Representative Weisz:** No, there is \$25,000 for documentation; \$800,000 for consulting fees to put this together and determine the prospective rates; there's \$200,000 for programming changes for that biennium, with an additional \$200,000 needed in the following biennium; \$750,000 for assessments. It totals \$1.775 million.

**Chairman Delzer:** Are we making changes to the current MMIS to deal with this, and dealing with it in the new MMIS, or are we waiting for the new MMIS?

**Representative Weisz:** This would be the new MMIS, that's the reason that only \$200,000 was factored in for this biennium, from the standpoint that the new MMIS isn't finished yet and they wouldn't be able to make all the changes anyway in this biennium.

**Chairman Delzer:** Questions by the committee? Thank you, we'll continue to the next bill.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee  
Roughrider Room, State Capitol

SB 2043  
4/4/11  
16291

Conference Committee

Committee Clerk Signature *Meredith Trachsel*

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for a developmental disabilities system reimbursement project; and to provide an appropriation.

## Minutes:

You may make reference to "attached testimony."

**Chairman Delzer:** SB 2043 deals with changing the way we deal with DD (developmental disabilities) providers.

**Representative Wieland:** I move adoption of amendment .02002.

**Representative Pollert:** Second.

**Representative Wieland:** This bill takes the funding of our vulnerable developmentally disabled kids and adults in our ICMFR facilities from an antiquated and expensive system to a better funding alternative. When this bill went to policy, the human services committee added in the funding, which we have put into SB 2012 (department of human services budget) for \$1.775 million. To make this amendment follow, you'll have to use the first engrossment of the bill.

**Chairman Delzer:** Just a point of explanation, when we amend something, we have to amend from the engrossed Senate version, we can't amend from the House policy committee amended version.

**Representative Wieland:** This amendment puts in the word 'system' after payment. That means the bill will be exactly as the Senate engrossed version, with that word added.

**Chairman Delzer:** Questions on the amendment? Further discussion on the motion to amend? If not, we'll do a voice vote. Motion carries.

**Representative Wieland:** I move Do Pass as Amended on SB 2043.

**Representative Nelson:** Second.

**Chairman Delzer:** Discussion.

**Representative Bellew:** If this bill passes, how much will this cost next biennium?

**Representative Wieland:** Approximately \$2.2 million, total funds.

**Chairman Delzer:** Do you have it any further than that? The hope is in the end this is a better situation of paying and actually saves money.

**Representative Wieland:** I can go through the testimony briefly, as I've written it. 2043 moves us from a retrospective system of funding to a prospective system, which is now used by most states. Right now it takes up to approximately two years for providers to settle up with the state, and it requires two expensive audits before final settlements. It is a system that is frustrating and expensive both for the providers and the department. The new system is called the Oregon system and is based on a scoring system, SIS (supports intensity scale), that identifies and weighs the clients based upon their medical and behavioral severity. There are many reasons why this system should be adopted, but basically, it allows providers to properly plan so they can better serve the clients; it's less expensive for the state in the long run, because it eliminates unnecessary audits and provides for many other money saving implementations. It's also a better predictor of needs and is more fiscally responsible. There is \$1.775 million, 50% federal and 50% general funds in the bill that was moved to SB 2012. These funds include \$25,000 for documentation, \$800,000 for consultant planning and evaluations of approximately 1/3 of the clients or 1500 people, \$200,000 for preliminary software, and \$750,000 for actual SIS evaluations. This bill allows the work to get started in this biennium, and will have to be continued with one-time costs of approximately \$1.8 million, not \$2.2, I misspoke earlier, in the next biennium to finish the STS for the other 3000 clients and complete the IT work. To put the system in operation the MMIS system will have to be in place, that's why we're spreading it out over two biennia. This is a good system for the providers, the department, and the clients, and I hope we can support it.

**Chairman Delzer:** Didn't we study this during the interim? Was the recommendation to actually make the change, or to do a pilot?

**Representative Wieland:** We did in fact do a study. This would implement the recommendation, I was not aware we were going to do a pilot.

**Chairman Delzer:** Further discussion?

**Representative Pollert:** The bill that came out of the interim committee shows savings to the program in about year five, changing from retrospective to prospective. Since with the funding we're doing only about a third of the assessments, that does delay the five years further. They currently go through about nine layers of paperwork, and this will eliminate almost all of that. It costs us up front, but it is better for the people under the system, and there will be delayed cost savings.

**Chairman Delzer:** Further discussion? Seeing none, we'll call the roll for a Do Pass as Amended on SB 2043. Motion carries 18-3-0. Representative Wieland will carry the bill.

11.0243.02002  
Title.04000

Prepared by the Legislative Council staff for  
Representative Wieland  
March 25, 2011

VR  
4/4/11

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2043

In lieu of the amendments adopted by the House as printed on page 1067 of the House Journal, Engrossed Senate Bill No. 2043 is amended as follows:

Page 1, line 5, after "payment" insert "system"

Renumber accordingly

Date: 4/4  
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2043

House Appropriations Committee

Legislative Council Amendment Number 02002

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Wieland Seconded By Rep. Pollert

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

*voice vote carries*

Date: 4/4  
 Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2043

House Appropriations Committee

Legislative Council Amendment Number 02002

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Wieland Seconded By Rep. Nelson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew		X	Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch		X	Representative Williams	X	
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 18 No 3

Absent 0

Floor Assignment Rep. Wieland

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2043, as engrossed and amended: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (18 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2043, as amended, was placed on the Sixth order on the calendar.**

In lieu of the amendments adopted by the House as printed on page 1067 of the House Journal, Engrossed Senate Bill No. 2043 is amended as follows:

Page 1, line 5, after "payment" insert "system"

Re-number accordingly

2011 TESTIMONY

SB 2043

**Recommendation**

The committee recommends House Bill No. 1041 that incorporates the statutory changes recommended by the State Department of Health's long-term care professionals workgroup. The bill creates a new chapter to NDCC Title 23 relating to nurse aide registry and amends sections of Chapter 43-12.1 relating to individuals exempt from regulation by the State Board of Nursing and delegation of medication administration.

- Provided for a report to the Legislative Management regarding the outcomes of the program.
- Provided a \$1.2 million general fund appropriation for the program.

**OTHER RESPONSIBILITIES**

The committee was also assigned to:

1. Receive a report from the Department of Human Services regarding the outcomes of the dementia care services program pursuant to Section 2 of House Bill No. 1043 (2009).
2. Receive a report from the Department of Human Services regarding the outcomes and recommendations from the study of the methodology and calculations for the ratesetting structure for public and private licensed developmental disabilities and home and community-based service providers pursuant to Section 1 of House Bill No. 1556 (2009).

**Dementia Care Services Program**

Section 2 of House Bill No. 1043 (2009) required the Department of Human Services to report to the Legislative Management after June 30, 2010, regarding the outcomes of the dementia care services program. The Legislative Management assigned the responsibility to receive this report to the Long-Term Care Committee.

**Report**

The committee received reports from the Department of Human Services and learned that the department entered a contract with the Alzheimer's Association of Minnesota-North Dakota Chapter for provision of a dementia care services program in each area of the state served by a regional human service center. The association has hired five regional care consultants to provide services in the state. The consultants have been fully trained and are networking with other agencies and organizations to coordinate efforts, develop referral processes, and assure that services are not duplicated. Preliminary outcomes include:

- The number of citizens completing intake into the program continues to grow each month.
- Services are being provided in all eight Department of Human Services regional service areas.
- An estimated 56 percent of those living with Alzheimer's disease remain in their own home.
- Families caring for the family member in their own home are those needing the greatest assistance.

**Recommendation**

The committee made no recommendations regarding the report on the outcomes of the dementia care services program.

**Background Information**

The 2009 Legislative Assembly approved House Bill No. 1043 which:

- Directed the Department of Human Services to contract with a private provider for a dementia care services program in each area of the state served by a regional human service center. The dementia care services must include:

- Identifying available services within the region.
- Providing information to medical professionals, law enforcement, and the public regarding the symptoms of dementia, the benefits of early detection and treatment, and the services available to individuals with dementia and their caregivers.
- Assessing the needs of individuals with dementia and their caregivers.
- Training care providers to manage and provide for the care of individuals with dementia.
- Providing consultation services to individuals with dementia and their caregivers.
- Facilitating the referral of individuals with dementia and their caregivers to appropriate care and support services.

**Developmental Disabilities  
Service Provider Rates**

Section 1 of House Bill No. 1556 (2009) required the Department of Human Services to report to the Legislative Management before September 1, 2010, regarding the outcomes and recommendations from the study of the methodology and calculations for the ratesetting structure for public and private licensed developmental disabilities and home and community-based service providers. The Legislative Management assigned the responsibility to receive this report to the Long-Term Care Committee.

**Background Information**

House Bill No. 1556 (2009) provided that during the 2009-10 interim the Department of Human Services contract with an independent contractor to study the methodology and calculations for the ratesetting structure used by the department to reimburse all developmental disabilities service providers, including public and private, licensed developmental disabilities ICF/MR facilities, such as the Anne Carlsen Center, and home and community-based service providers serving ICF/MR medically fragile and behaviorally challenged individuals. The study was to address reimbursement adequacy and equitability and fairness of reimbursement rates among such providers; the level of medical and supportive services required by providers to adequately

serve individuals in those categories; the varying levels of medical and behavioral complexity of individuals requiring services by the providers; and any other analytical comparisons bearing upon issues of reimbursement adequacy, fairness, and equitability to such providers. The bill provided a \$200,000 appropriation, of which \$100,000 was from the general fund, to the department for conducting the study.

The committee received information from the Department of Human Services regarding the state's developmental disabilities ratesetting process. The committee learned the current ratesetting process for the developmental disabilities program is a mix of a cost-based, retrospective ratesetting system with additional compensation provided for individuals who are medically fragile or behaviorally challenging. The following is a summary of the ratesetting and reimbursement process:

1. Submission of a provider budget - Each developmental disabilities service provider submits an annual budget based on allowable, reasonable, and client-rated costs to the department's Developmental Disabilities Division, and an interim rate is established.
2. Establishment of a provider budget limitation - Provider budget limitations are used to implement available appropriations and apply appropriation increases or decreases. Payments are made in the current year based on this interim rate.
3. Application of targeted appropriations - After the budget limitation and interim rate are set, targeted appropriations tied to six specific categories of adults and children who are medically fragile or behaviorally challenging are applied. These targeted appropriations are based on two assessment tools. Payments for these targeted groups are totaled by provider, and each provider is paid that provider's allotment on a quarterly basis.
4. Submission of cost reports - At the end of the provider's fiscal year, a cost report is submitted to the department's Developmental Disabilities Division. Providers are allowed three months with a potential of a one-month extension to submit their cost reports.
5. Audits and cost settlement - The department conducts an annual compliance audit of reported costs for each provider, and the audited, allowable costs are compared to the reimbursements received through the interim rate. Final payments are cost-settled after completion of an audit. Actual revenue received by a provider is limited to the lesser of the budget limitation or cost, whichever is less. The audit and cost settlement is a lengthy process. Some audits and cost settlements are completed approximately 20 months after the end of the fiscal year.

#### Report

The committee received reports from the Department of Human Services and learned that the department

contracted with Burns and Associates, Inc., to complete the study. The following is a summary of findings and recommendations by Burns and Associates, Inc.:

Assessment findings and recommendations	Discontinue use of the Oregon behavioral assessment for both children and adults  The Oregon medical assessment does have predictive value for children, but it is no better than the currently used progress assessment review to predict costs for adults.  The progress assessment review is a powerful tool and predicts 43.1 percent of the current developmental disabilities expenditures.
Reimbursement systems findings	North Dakota's current system is seen by providers to adequately pay in total for services and supports, but the dollars are not always distributed to the individuals who are medically fragile or behaviorally challenged.  Other states that base payment on the needs of individuals do not use cost-based reimbursement systems.  North Dakota's reimbursement system is slow and very resource-intensive.

The committee learned Burns and Associates, Inc., offered four options for consideration by the state--two options for adults and two options for children. The following is a summary of the four options:

Adults	Option A - Revise and shorten the progress assessment review and continue the cost-based, retrospective reimbursement process  Option B - Adopt a new assessment tool--supports intensity scale--and move to a prospective reimbursement process
Children	Option C - Pilot the child supports intensity scale and move to a prospective reimbursement process  Option D - Continue the Oregon medical tool and add the child and adolescent level of care utilization system or other similar tools and continue the cost-based, retrospective reimbursement process

The committee learned replacing the progress assessment review with the supports intensity scale would result in high administrative costs initially because it requires new assessments to be performed on all consumers and the results of those assessments to subsequently be used to develop a resource allocation model and prospective rates. However, administrative costs would decrease in future years. The following is a five-year summary of estimated state administrative costs for the four options:

	Options A and D		Options B and C	
	Low	High	Low	High
Year 1	\$1,422,000	\$1,665,000	\$2,459,000	\$2,879,000
Year 2	1,252,000	1,297,000	2,582,000	3,023,000
Year 3	1,314,000	1,362,000	1,586,000	1,586,000
Year 4	1,380,000	1,430,000	1,666,000	1,666,000
Year 5	1,449,000	1,501,000	818,000	818,000
Total	\$6,817,000	\$7,255,000	\$9,111,000	\$9,972,000

The committee learned the department agrees with the recommendation to move to a prospective reimbursement process using an independent ratesetting model and a resource allocation for the entire developmental disability client base. The department recommends hiring a consultant to guide the ratesetting and assessment implementation process and to begin implementation with a pilot project.

#### **Audit and Reimbursement Review**

The committee learned Senate Bill No. 2423 (2009) requires the Department of Human Services to conduct a review of the audit and reimbursement process and a review and reconsideration of the 95 percent occupancy rule. The department established a workgroup comprised of members from developmental disabilities providers, the department, and the North Dakota Association of Community Providers. The workgroup issued a request for information to gain an understanding of the available services that could address the timing of the audits and the costs associated with an independent audit firm completing the audits of

the cost reports rather than provider audit. The workgroup learned the estimated biennial cost for independent audit firms completing the audits is \$298,020 to \$471,600 compared to the department's estimated biennial cost of \$171,447. The workgroup also reviewed the 95 percent occupancy rule. The department believes the only method that would allow the elimination of the 95 percent occupancy limitation would be to no longer use the retrospective reimbursement process.

#### **Recommendations**

The committee recommends Senate Bill No. 2043 requiring the Department of Human Services to implement a prospective reimbursement pilot project for the developmental disabilities program during the 2011-13 biennium.

The committee also recommends the department maintain the 95 percent occupancy rule while proceeding with the prospective reimbursement pilot project.

**TESTIMONY**  
**Senate Bill 2043 – Developmental Disabilities Service Providers**  
**Payment System Pilot Project**  
**Senate Human Services**  
**Senator Judy Lee, Chairman**  
**January 10, 2011**

Chairman Lee, members of the Senate Human Services Committee, I am Barbara Murry, Executive Director of the North Dakota Association of Community Providers. I am here today to testify in support of the payment system pilot project.

In general, NDACP supports this bill. There are a few areas that I would like to highlight for your consideration. The study completed by Burns and Associates was designed to look at fair and equitable methodology to tie rates to the needs of consumers who are medically fragile or have high behavioral needs. It was limited in its scope. It did not evaluate all aspects of our reimbursement system, which will need to be looked at if we proceed to a new payment system or a pilot. Examples of the areas that will need to be reviewed are administrative and property costs, as well as historical costs and other elements necessary to provide services. A careful review of how these items will be included into a prospective payment system need to be done. There has been no substantive discussion of this, to date.

Providers were included in discussion with Burns and Associates on a limited basis during their review of the possibility of the Support Intensity Scale or another assessments being tied to the rate setting. Providers need to be at the table as full partners as the pilot is being developed, and as the additional elements are built into a prospective payment system pilot project.

Our lack of participation led to some erroneous conclusions by Burns and Associates. One example of this can be found in Ms. Engquist's testimony to the Interim Committee, where she stated that Providers did not have concerns over the 95% rule. That is not accurate. Providers did not bring their concerns regarding the 95% rule to Burns and Associates because we felt that was to be looked at in the SB 2423 study, not HB 1556. Providers did not see it as appropriate or relevant to bring that concern to Burns and Associates.

I believe the time frame indicated in the current bill draft may be overly ambitious. It would seem that the pilot should run a full year to give accurate data to allow for analysis and assessment. There will be revisions which will be included in the budget planning that will take place for the next legislative session. We may not have time to analyze the current data to establish the pilot, have it running for a full year, and make modifications,

to allow for budget preparation for the 2013 legislative session. I

respectfully request a longer time frame for implementation to assure that something as important as a new payment system be done right with the fewest, negative, unintended consequences possible.

Thank you for the opportunity to testify on this bill. I would be happy to answer any questions you might have.

#3

TESTIMONY  
OF  
Anne Carlsen Center  
By  
Calvin N. Rolfson  
To  
Senate Human Services Committee  
RE:  
Senate Bill No. 2043

Madam Chairman, members of the Committee, my name is Cal Rolfson. I represent the Anne Carlsen Center in Jamestown, ND. I appear to propose an amendment to SB 2043 and to present some additional background.

During the last Legislative Session, there was much discussion in the appropriations committees about the unfairness with which various DD service providers were treated financially. Among them at that time was the Anne Carlsen Center. HB 1556 was drafted with the view in mind to independently study the way in which DD facilities were funded. As you know, there is basically a flat daily rate that facilities receive, that has little or inadequate bearing upon the severity of the clients that facilities serve. For example, the Anne Carlsen Center, like a step-down ICU, cares for children and young adults that are among the most medically fragile and behaviorally challenged in the State, yet receives a flat daily reimbursement rate from the department that does not fully take into account these levels of acuity.

When HB 1556 and its study authorization was adopted last Session, and the department hired Burns and Associates to conduct the study. B & A is nationally recognized as a leader in this area. By any reasonable measure this was the first time since the ARC law suit over 30 years ago that the DD funding mechanism was externally studied and good recommendations resulted. So, the B & A study was

and is a significant piece of analysis and their recommendations have been reported to the Interim Long Term Care Committee this past October.

The Interim Long Term Care Committee directed the Department to create a pilot project that is the subject of this Bill before you today. Doubtless, because of the complexity of creating essentially the first new method of funding DD providers in decades, the Interim felt that it was important to get it right and to do a pilot project with selected providers during this coming biennium. We agree. The Anne Carlsen Center has been assured by members of the Interim Committee and by the Department that the Center would be one of the facilities participating in the pilot project particularly due to their vast diversity of clients and the significant level of client acuity, making them a valuable participant in the pilot project. There will be other facility participants as well.

During the past interim while the B & A study was being conducted, under the direction of the Department, there was created an advisory-type committee to assist the Department and the B & A study analysts in providing helpful input from the providers because they were the very basis of the study in the first place. The Anne Carlsen Center believes that this valuable concept should continue during the pilot project interim.

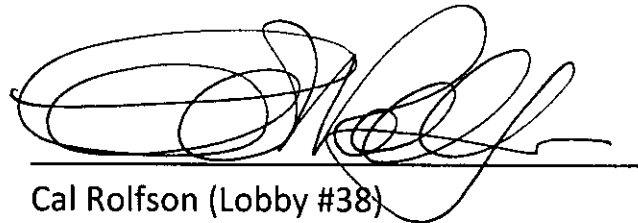
It would serve little purpose, after all the helpful input from providers during the study, to now find their continued input of little or no value during the pilot project implementation stage contemplated by SB 2043. The Department has always been supportive of this type of feedback from those whom they fund in this important support of our vulnerable citizens, so we hope they will support this added and heartfelt effort to continue that feedback during this coming Interim.

Referring to the amendment we are offering, it is before you. It simply requires input from those affected by these important Department decisions and still leaves the decisions to the Department. It also underscores the belief that this Legislative Assembly and the next one, should have an interest in what is

happening and to hear that from the Department as well as from those affect by this very new and important funding process.

The Anne Carlsen is honored to appear before you today. You are all welcome to tour the Center any time you are going through Jamestown. You will never come away without being affected by seeing the care that is provided and visiting with those whom we are privileged to serve, as is certainly also true of all the dedicated DD providers throughout the State.

Allow me to answer any questions if you have any. Thank you.

A handwritten signature in black ink, appearing to read 'Cal Rolfson', written over a horizontal line.

Cal Rolfson (Lobby #38)

The Anne Carlsen Center

Cal Rolfsen 1-10-2011

PROPOSED AMENDMENTS TO SENATE BILL NO. 2043

Page 1, line 7, after the period insert "The department shall form a steering committee consisting of representatives from the department and from developmental disabilities service providers for the purpose of conceptualizing, developing, designing, implementing and evaluating the pilot project. Each provider whose facility is a participant in the pilot project shall also be represented on the steering committee. The department and the steering committee shall report the progress and results of the pilot project to the designated 2011-2012 interim committee and the sixty-third legislative assembly of North Dakota."

Renumber accordingly

STATE OF NORTH DAKOTA  
DEPARTMENT OF HUMAN SERVICES  
DEVELOPMENTAL DISABILITIES DIVISION

DEVELOPMENTAL DISABILITIES  
REIMBURSEMENT STUDY

**DELIVERABLE 8: FINAL REPORT**

SUBMITTED BY:

BURNS & ASSOCIATES, INC.  
3030 NORTH THIRD STREET  
PHOENIX, ARIZONA 85012

August 13, 2010

Section 1: Developmental Disabilities System Reimbursement Project. The Department of Human Services (Department) in conjunction with developmental disability service providers shall develop a prospective payment system with an independent rate model utilizing the Support Intensity Scale (SIS). Activities will include:

The Department's 11-13 submitted fiscal note contains funds to accomplish the following unless noted.

1. Establish a steering committee consisting of provider representation and DHS representatives.
2. The Department, through a request for proposal process, will establish a dedicated team of SIS assessors and who will begin assessing the identified client pilot group as soon as possible.
3. The Department will procure the services of a consultant to develop, in collaboration with the steering committee, the payment system and the resource allocation model tying funding to SIS assessed needs of clients.
4. After the prospective rates are developed, a pilot will begin to test the developed rates on a sampling of clients and providers allowing sufficient time to capture provider cost, client realized need, and service provision data. The consultant will provide the appropriate sampling number to sufficiently test the rates, types of services, and needs of clients with the intent to include as many providers as fiscally feasible.
5. Once the test is completed, the data will be analyzed by the consultant and needed rate adjustments, resource allocation modifications, or process assumptions made.
6. Beginning in mid 2012, the Department will begin reporting to the Legislative interim committee on the development activities and status.
7. The Department will schedule this implementation to accommodate the changes already in cue for the MMIS system.

Section 1. Developmental Disabilities Service Providers Payment System Project. The department of human services in conjunction with developmental disability service providers shall develop a revised provider payment system utilizing the Supports Intensity Scale. Activities will include:

- Establish a steering committee consisting of Provider representatives and DHS representatives.
- Hire a consultant
- Select a sample to be evaluated using the Supports Intensity Scale – sample to make up entire providers – a sample to inform the development of a model
- Design proposed payment strategy
- Apply proposal to sample to evaluate effect and revise accordingly.
- Report to next legislative assembly a strategy for phasing-in the implementation of new payment system beginning July 01, 2013.

#6

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**TESTIMONY**  
**Senate Bill 2043 – Developmental Disabilities Service Providers**  
**Payment System Pilot Project**  
**Senate Appropriations**  
**Senator Ray Holmberg, Chairman**  
**February 10, 2011**

Chairman Holmberg, members of the Senate Human Services Committee, I am Barbara Murry, Executive Director of the North Dakota Association of Community Providers. I am here today to testify in support of the payment system pilot project bill.

NDACP supports this bill. The recent study by Burns and Associates identified that our current payment system is the most complex in the nation, extremely labor intensive, and does not tie acuity of consumer need to rates.

There are a few areas that I would like to highlight for your consideration. The study completed by Burns and Associates was designed to look at fair and equitable methodology to tie rates to the needs of consumers who are medically fragile or have high behavioral needs. It was limited in its scope. By that I mean, it did not evaluate all aspects of our reimbursement system, which will need to be looked at if we proceed to a new payment system. Some of the major areas that will need to be reviewed are environmental factors for consumers, initial handling of historical costs, including administrative costs, property, and other

elements such as travel. A careful review of how these items will be included into a prospective payment system or fee for service system needs to be done. There has been no substantive discussion of this, to date.

Providers were included in discussion with Burns and Associates on a more limited basis during their review of the Support Intensity Scale being tied to the rate setting. Language in the bill, regarding the steering committee will assure Providers are at the table as full partners as the payment system is being developed.

Providers want to look at a prospective or related payment system. The “related payment system” language is to assure that possibility of a fee for service system is also considered, along with a strictly defined prospective payment system model. This variation is important to us. It is important to fund this bill because provider and DHS personnel do not have the expertise to develop a new system. We badly need to move towards a simpler, easier to understand and administer system.

I would be happy to answer any questions you might have.

Barbara Murry  
NDACP  
220-4778 barbndacf@btinet.net

#1

**TESTIMONY**  
**Senate Bill 2043 – Developmental Disabilities Service Providers**  
**Payment System Pilot Project**  
**House Human Services**  
**Representative Robin Weisz, Chairman**  
**March 15, 2011**

Chairman Weisz, members of the House Human Services Committee, I am Barbara Murry, Executive Director of the North Dakota Association of Community Providers. I am here today to testify in support of the payment system pilot project bill.

SB 2043 is a result of HB 1556, which passed the 2009 Legislature. It instructed the Department of Human Services to obtain a consultant to examine whether our current system fairly reimbursed providers in relation to the acuity of the needs of clients who are medically fragile or have intense behavioral issues. The study was presented to the interim Long Term Care Committee and resulted in SB 2043.

The study by Burns and Associates identified three major problems with our current system. (1) It is the most complex in the nation. (2) It is extremely labor intensive, both for providers and for the state. (3) It doesn't tie acuity of consumer need to rates.

The current retrospective system is so complex that it takes years to learn. Accountants coming out of school or other private industry positions are overwhelmed trying to learn our detailed rules. The audit process,

which often culminates two years after the close of the current fiscal year, leaves providers in the position to carry any audit exceptions into subsequent years without knowing they are operating out of compliance with the rules. This creates unexpected payback of dollars that are already expended, which is like spending the funds twice. Providers have difficulty developing the next year's budget when audits are lagging.

It is important to fund this bill because provider and DHS personnel do not have the expertise to develop a new system. We badly need to move towards a simpler, easier to understand and administer system. We would be unable to move ahead without the assistance of a consultant who is well versed in the development of a prospective payment system.

Providers are eager to look at a prospective or related payment system. The "related payment system" language is to assure that possibility of a fee for service system is also considered, along with a strictly defined prospective payment system model. This variation is important to us. I would be happy to answer any questions you might have.

**Barbara Murry, Executive Director**  
**NDACP**  
**220-4778 [barbndacp@midco.net](mailto:barbndacp@midco.net)**

## Summary of Senate Bill 2043 Fiscal Note Costs

	<u>2012</u>	<u>2013</u>	<u>2011-2013 Biennium</u>	<u>2013-2015 Biennium</u>
SIS Start-up (one-time cost)	233,200	-	233,200	-
SIS Assessments	1,116,000	1,171,800	2,287,800	783,069
Documentation and Rulemaking	25,000	-	25,000	-
Consulting Fees	400,000	400,000	800,000	-
IT Transition Costs	<u>200,000</u>	<u>200,000</u>	<u>400,000</u>	<u>-</u>
New State Administrative Costs	1,974,200	1,771,800	3,746,000	783,069
Clients	2,250	2,250	4,500	1,467
Rate	496.00	520.80		533.82
Cost	1,116,000	1,171,800		783,069