

**Department of Human Services
Budget 325
Senate Bill Nos. 2012, 2168**

	FTE Positions	General Fund	Other Funds	Total
1999-2001 legislative appropriation	2,262.80	\$348,505,717 ¹	\$882,492,667 ¹	\$1,230,998,384
1997-99 legislative appropriation	<u>2,307.65</u>	<u>335,233,619</u>	<u>843,719,289</u>	<u>1,178,952,908</u>
1999-2001 appropriation increase (decrease) to 1997-99 appropriation	(44.85)	\$13,272,098	\$38,773,378	\$52,045,476

NOTE: The 1999-2001 appropriation amounts include \$1,900,800, \$1,349,544 of which is from the general fund, for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$192,206, \$129,632 of which is from the general fund, for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

¹ Includes contingent appropriations of \$4,262,410 from the general fund for the service payments for elderly and disabled (SPED) program if health care trust fund moneys are not available from Senate Bill No. 2168 and of \$200,000, of which \$60,000 is from the general fund, for the traumatic brain-injured (TBI) facility in western North Dakota.

Senate Bill No. 2168 - Health Care Trust Fund

	FTE Positions	General Fund	Other Funds	Total
1999 legislative appropriation	2.00	\$3,618,391	\$17,506,336	\$21,124,727

Item Description

Intergovernmental transfer program - The 1999 Legislative Assembly approved Senate Bill No. 2168 which established the health care trust fund to be used for making grants or loans to organizations for alternative nursing facility care. The legislation expires on June 30, 2001.

Moneys (federal funds) are generated for the health care trust fund as a result of the Department of Human Services making government nursing facility funding pool payments to two governmental nursing facilities in the state--one located at McVile and the other at Dunseith. These payments are made based on the average amount Medicare rates exceed Medicaid rates for all nursing care facilities in the state multiplied by the total of all Medicaid resident days of all nursing homes. Federal Medicaid funds are available for these payments and require a state match either from the general fund or a Bank of North Dakota loan for any additional federal funds that become available. Payments are made to the two governmental nursing facilities and are subsequently returned to the state, less a \$10,000 transaction fee retained by each of the two governmental nursing facilities. Once returned to the state, the state's matching share is either returned to the general fund or used to repay the Bank of North Dakota loan, as appropriate, and the federal funds are deposited in the health care trust fund. Interest earned is retained in the fund.

Status/Result

Because the calculation of Medicare and Medicaid rates resulted in more than estimated federal funding being available to the state, in March 2000 the Department of Human Services received Emergency Commission and Budget Section approval to increase the \$12.4 million appropriation for making the government nursing facility funding pool payments by \$24,628,405, \$17,357,920 of which is federal Medicaid funding and \$7,270,485 is from a Bank of North Dakota loan. On April 26, 2000, the department made the first-year government nursing facility funding pool payment of \$18.4 million to the McVile nursing facility and a payment of \$18.4 million to the Dunseith facility. The facilities returned the state matching share of \$10.9 million immediately to be deposited back into the general fund (\$3.6 million) and for the department to repay the Bank of North Dakota loan (\$7.3 million). On May 4, 2000, the facilities returned the federal share, less each facility's \$10,000 transaction fee. The department deposited this amount (\$25,902,739) in the health care trust fund.

For the second year of the biennium, the department anticipates making government nursing facility funding pool payments of \$35.7 million, which will result in an additional \$25 million to be deposited in the health care trust fund.

During the first round of applications for nursing facility grants or loans which ended in February 2000, the department received 56 applications. Of

Moneys in the health care trust fund can be used for nursing alternative loans or grants as determined by the Department of Human Services. The department may transfer funds to either a nursing facility alternative loan fund or a nursing facility alternative grant fund. Loans or grants are for capital or one-time expenditures to assist a nursing facility in converting to an alternative care facility. The Bank of North Dakota administers the loan program and interest rates are two percent below market, with a maximum rate of seven percent. The department's share of a project's cost is limited to \$1 million or 80 percent of the project cost, whichever is less.

The appropriation includes \$12.4 million, \$3.6 million of which is from the general fund for making government nursing facility funding pool payments, \$4.4 million from the health care trust fund for nursing facility grants or loans, and \$4.3 million from the health care trust fund for funding the SPED program.

The Legislative Assembly authorized the department to hire two FTE positions to administer the program.

Subdivision 1 - Management and Councils

	FTE Positions	General Fund	Other Funds	Total
1999 legislative appropriation	127.60	\$14,896,463	\$40,548,830	\$55,445,293

Item Description

CCWIPS - The 1999 Legislative Assembly provided \$1,444,000, \$722,000 of which is from the general fund for continued development of the comprehensive child welfare information and payment system (CCWIPS). A section of legislative intent was added to the bill indicating the funding provided to this project is for the completion of the project during the 1999-2001 biennium. The CCWIPS computer system will improve the efficient management and delivery of the continuum of child welfare services administered by the Children and Family Services Division of the department. The department began this project in June 1991.

FACSES - The 1999 Legislative Assembly provided \$2.6 million of federal and other funds for continued development of the fully automated child support enforcement system (FACSES). This computer system resulted from federal changes in the child support program to comply with provisions of the federal Family Support Act of 1988. The department began this project in 1989.

the 56 applications, 33 were approved by the department to proceed to the second stage of the grant or loan application approval process.

The department has hired one FTE position to administer the program. The department does not anticipate needing to fill the other position.

Status/Result

The department anticipates completing development of the CCWIPS computer system during the 1999-2001 biennium.

North Dakota's FACSES system received certification by the federal government in May 2000. As a result, the federal government will forgive 90 percent (\$310,186) of the state's 1999 penalty of \$344,651, which was imposed because the state's system was not certified by the federal government's 1999 certification deadline. Prior to this, the state was penalized \$125,805 because of the state's failure to meet the federal government's 1998 certification deadline.

HIPAA - The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) may have an impact on the administration of the Medicaid program. The intent of the Act is to reduce administrative costs and burdens on the health care industry. The regulations resulting from this Act focus on creating one standard for all payers, providers, and employers allowing information to be shared easily and in one standard transaction method. Any health care provider or payer that stores, submits, or processes health care data electronically is required to comply with these standards. Once the federal regulations are finalized, the state has 26 months to implement the changes.

The department anticipates needing to make substantial changes to a number of computer systems including the Medicaid management information system (MMIS), automated regional information system (ARIS), and the institution system (State Hospital and Developmental Center). The estimated cost of these changes is unknown at this time. Depending on when the federal regulations are finalized, the department may need to begin making these changes during the 1999-2001 biennium.

Subdivision 2 - Economic Assistance

	FTE Positions	General Fund	Other Funds	Total
1999 legislative appropriation	111.80	\$196,046,377	\$612,360,645	\$808,407,022

Item Description

TANF - The 1999 Legislative Assembly appropriated \$25 million for the temporary assistance for needy families (TANF) program for the 1999-2001 biennium. Of this amount, \$18.6 million was federal funds and \$6.4 million was other funds. In October 1999 the department received Emergency Commission and Budget Section approval to transfer \$5.5 million of general fund moneys from foster care to TANF with a corresponding transfer of \$5.5 million of federal funds from TANF to foster care. The change resulted from a TANF regulation that became effective on October 1, 1999, which requires state funds to be spent on cash assistance under the TANF program in order to meet the state's maintenance-of-effort requirements. As adjusted, funding for TANF includes \$5.5 million from the general fund, \$13.1 million of federal funds, and \$6.4 million of other funds.

Status/Result

Through March 2000, actual TANF expenditures were \$9,186,534, \$216,864, or 2.3 percent, less than estimated expenditures of \$9,403,398. The average monthly payment per case has been \$355.86, \$19.01 less than the estimate of \$374.87. Actual cases have averaged 2,868 per month, an average of 81 more cases per month than the estimate of 2,787.

Tribal administration of TANF - The Legislative Assembly approved Senate Bill No. 2114 providing that the department offer to negotiate with a tribal government to establish a pilot project to begin operation no sooner than July 1, 2001, regarding the administration of a tribal family assistance grant.

Through April 2000, the department has not received any formal proposals from a North Dakota tribe requesting to operate its own assistance program. However, the Turtle Mountain Band of Chippewa submitted a "letter of intent" to the federal government in March 2000 indicating an interest for tribal administration of the TANF program for American Indians in Rolette County.

Food stamp eligibility - In July 1999 President Clinton issued a declaration which allows states to align the food stamp program with other economic assistance programs. The most significant change permits the department, when determining eligibility, to disregard one motor vehicle, as is done in the Medicaid and TANF programs. This change will allow more families to be eligible for the food stamp program.

The department anticipates this change in the eligibility requirements to be effective October 1, 2000. The department estimates an additional 1,500 families will qualify for the program because of this change and an additional \$5.76 million of benefits will be distributed during the 2001-03 biennium. The department anticipates it will have adequate spending authority for the increases that may result for the remainder of the 1999-2001 biennium. Funding for the food stamp program is 100 percent federal funds.

Food stamp benefits - The federal government now requires that food stamp benefits be redeemable in any state. Currently, only retailers with the North Dakota redemption machine may redeem North Dakota food stamp benefits.

Medicaid - The 1999 Legislative Assembly appropriated \$518.2 million, \$146.6 million of which is from the general fund, for medical assistance grants, excluding funding for developmental disabilities services, for the 1999-2001 biennium.

Reimbursing for certified nurse midwives - The 1999 Legislative Assembly included legislative intent that the medical assistance program reimburse certified nurse midwives at 85 percent of the physician fee schedule.

Basic care rates - The 1999 Legislative Assembly included legislative intent that the basic care rates include a three percent operating margin on direct care costs and include property costs as passthrough costs and allows the department to adopt interim final rules to implement these rates.

Nursing home care cost limits - The 1999 Legislative Assembly included legislative intent that the department not reduce nursing home limitations for direct, other direct, and indirect cost categories from the levels anticipated in its 1999-2001 biennium appropriation for nursing homes.

CHIP (Healthy Start) - The 1999 Legislative Assembly established the children's health insurance program (CHIP) at 140 percent of the federal income poverty level. The program is to be provided through private contracts with insurance carriers. The program includes copayments and deductibles, provides coverage for medical services including preventive dental and vision services, and becomes effective October 1999. The Legislative Assembly appropriated \$3.9 million, \$818,000 of which is from the general fund for the program for the 1999-2001 biennium.

Assisted living - The Legislative Assembly approved Senate Bill No. 2036 that requires the Department of Human Services and the State Department of Health to prepare a recommendation for the 57th Legislative Assembly regarding the conversion of basic care and assisted living facilities into an integrated long-term housing and service system entitled assisted living, including a proposed budget and any necessary implementing legislation.

North Dakota currently contracts with Citigroup to administer the North Dakota food stamp electronic benefit transfer cards. Although the estimated costs associated with implementing this new federal requirement are not yet known, additional funding will be requested.

Through March 2000, actual Medicaid expenditures, excluding expenditures relating to developmental disabilities services, were \$162.2 million, \$7.3 million less than estimated expenditures of \$169.5 million. Of the \$7.3 million savings to date, \$1.3 million is from the general fund. Major expenditure variances include nursing home care which is \$4.4 million less than estimated and drugs (net) which are \$3.5 million more than estimated.

The department implemented this change in February 1999.

The department has implemented these provisions for the July 1, 1999, rates and is planning to include them again for the July 1, 2000, rates.

As of April 7, 2000, the department has not reduced the limit rates used to calculate nursing home rates.

The department implemented the program in October 1999, and the number of children enrolled in the program has been increasing by 150 to 200 children each month. In March 2000, 1,352 children were enrolled in the program. Actual expenditures through March 2000 have totaled \$578,403, \$321,327 less than estimated expenditures of \$899,730. For the biennium, the department anticipates that expenditures may exceed the original budget by \$226,000. The department plans to reallocate funding from other areas of the Medicaid budget to provide the additional funding.

An ad hoc committee of the Long-Term Care Task Force is studying this issue. The department anticipates the ad hoc committee will present its recommendation to the Long-Term Care Task Force in June 2000. The Long-Term Care Task Force will be reporting to the interim Budget Committee on Health Care.

Subdivision 3 - Program and Policy

	FTE Positions	General Fund	Other Funds	Total
1999 legislative appropriation	119.20	\$37,119,942	\$110,894,017	\$148,013,959

Item Description

Developmental disabilities providers wage increases - The 1999 Legislative Assembly included legislative intent that funding increases provided community developmental disabilities provider agencies specifically for salaries and wages adjustments be allocated by the department specifically to those areas and the funds be used only for that purpose by the provider agencies.

Developmental disabilities copay - The 1999 Legislative Assembly approved the executive recommendation reducing the general fund support for developmental disabilities grants by \$500,000 as a result of parent contributions.

Children and Family Services - Moratorium on the expansion of foster care facility beds - The 1999 Legislative Assembly provided a moratorium on the expansion of residential child care facility and residential treatment center beds through June 30, 2001.

Aging Services - SPED - The 1999 Legislative Assembly appropriated \$12,814,290 for SPED, \$7,911,168 of which is from the general fund, \$4,262,410 of which is from the health care trust fund, and \$640,712 of which is from county funding.

Mental Health/Substance Abuse - Gatekeeping provision - The 1999 Legislative Assembly amended North Dakota Century Code Section 25-03.1-04 to require individuals, prior to admission to a public treatment facility for observation, diagnosis, care, or treatment, to be screened by the regional human service center for mental illness or chemical dependency.

Status/Result

The department's budget instructions to the providers contained language increasing direct contact and professional wage reimbursements by 36 cents per hour effective July 1, 1999, and the fringe benefit allowance was increased from 25 to 30 percent of salaries. Interim rates were also increased two percent for inflation. Providers with fiscal years beginning other than July 1 had their interim rates prorated and adjusted for the wage, inflation, and fringe benefit increases.

The policy providing for family and individual responsibility for participation in cost of service became effective November 1, 1999. The family or individual contributions are made directly to the developmental disabilities provider. Although these funds are not received by the department, it estimates recipients have paid approximately \$57,000 for services received during the November 1999 through March 2000 period.

In January 2000 the Southwest Key program in Mandan discontinued operations of its 24-bed residential child care facility and its 16-bed residential treatment center. The department has receive a license application from Dakota Boys Ranch in Minot for the 16 residential treatment center beds which may be available in July 2000.

Through March 2000, actual SPED expenditures were \$3,729,532, \$319,742 less than estimated expenditures of \$4,049,274. The average number of persons receiving payments each month through March 2000 has been 1,285, 213 fewer than the estimated average number each month of 1,498. Through March 2000, actual monthly payments have averaged \$362.76 per person, \$24.87 more than the estimated monthly payment of \$337.89.

The department has implemented this provision cooperatively with the Mental Health/Substance Abuse Division, the State Hospital, and the human service centers.

Subdivision 4 - Field Services

	FTE Positions	General Fund	Other Funds	Total
1999-2001 legislative appropriation				
Northwest Human Service Center	67.00	\$4,163,879	\$3,554,087	\$7,717,966
North Central Human Service Center	110.75	7,424,261	7,042,718	14,466,979
Lake Region Human Service Center	66.00	4,358,579	3,098,942	7,457,521
Northwest Human Service Center	157.65	6,764,356	10,638,223	17,402,579
Southeast Human Service Center	181.75	7,854,136	10,938,869	18,793,005
South Central Human Service Center	79.00	5,107,531	4,348,784	9,456,315
West Central Human Service Center	131.15	7,290,322	10,750,566	18,040,888
Badlands Human Service Center	90.50	4,356,727	4,638,453	8,995,180
State Hospital	537.10	35,457,035	15,818,558	51,275,593
Developmental Center	481.30	9,725,308	30,213,639	39,938,947
Total field services	1,902.20	\$92,502,134	\$101,042,839	\$193,544,973

Item Description

Northwest Human Service Center - Sharing responsibilities.

Northwest Human Service Center - Vocational rehabilitation-supported employment program.

Northwest and North Central Human Service Centers - Position sharing.

Northeast Human Service Center - General fund savings - The 1999 Legislative Assembly required the department to identify budget savings in the 2001-03 biennium budget request for the Northeast Human Service Center totaling \$500,000 from the general fund relating to efficiencies and the collocation of service delivery and to present a report regarding the planned reductions to the Budget Section prior to submission of the department's 2001-03 biennium budget request.

Northeast Human Service Center - Chemical dependency adolescent residential facility.

Northeast Human Service Center - Hospital alternative.

Southeast Human Service Center - Adoption and Safe Families Act - The Act requires parental capacity evaluations to determine the ability of parents to care for their child who is in the foster care system.

South Central Human Service Center - Serious mental illness (SMI) transitional living facility.

Status/Result

The Northwest Human Service Center director and program manager are sharing the duties and responsibilities of the regional supervisor position.

Due to the private provider's notice that service for this program would be discontinued, the center has begun providing these services directly.

The Northwest and North Central Human Service Centers are sharing the business manager position between the centers.

The center is identifying options for efficiencies that will result in savings for the 2001-03 biennium in order to comply with this provision. The department plans to present this information to the Budget Section at its June 2000 meeting.

Rather than directly operating this facility with center staff as anticipated when the budget was approved, the center is planning to contract with a private organization for the operation of this facility beginning January 2001.

Rather than directly operating this program with center staff as anticipated when the budget was approved, the center is planning to contract with a private organization for the operation of this program beginning January 2001.

The number of these evaluations being conducted at the center is much greater than anticipated. One of the center's six FTE psychologists is primarily involved only in conducting these types of evaluations.

The center plans to open a transitional living facility for persons with serious mental illness on the State Hospital grounds in July 2000. The facility

will serve eight clients. Funding of \$318,705, \$199,753 of which is from the general fund and \$118,952 of federal funds and eight FTE positions have been transferred from the State Hospital to the center for costs associated with the facility for the remainder of the 1999-2001 biennium. The center currently estimates funding of approximately \$600,000, \$200,000 of which would be from the general fund, will be needed to operate the facility for the 2001-03 biennium.

The Dakotah Foundation has constructed an addition to the Manchester House, the center's adolescent treatment center, which has allowed the center to expand the bed capacity of the facility by two, from 10 to 12. The center's rent for the Manchester House will increase by \$35,000 per biennium, from \$329,000 to \$364,000.

The center has discontinued its direct provision of developmental disabilities residential services with its center's staff. The center will contract for these services with private nonprofit providers in the region.

The interim Budget Committee on Institutional Services is conducting this study. At the committee's March 2000 meeting, the department reported that because of the resignation of Mr. Brian Lunski as superintendent of the Developmental Center, the department appointed Mr. Alex Schweitzer to serve as both the superintendent of the State Hospital and the superintendent of the Developmental Center.

The State Hospital is projecting that its 1999-2001 biennium revenues from federal and other funds will be \$1.7 million less than appropriated. The revenue reduction results primarily from a reduction in Medicaid, Medicare, and third-party insurance payments relating to patients that are being served in the community rather than at the State Hospital. The State Hospital anticipated the shortfall and expects expenses relating to staffing and direct patient expenses will also be less than budgeted.

The State Hospital has closed its geropsychiatric unit and transferred 14 patients to the Sheyenne Care Center in Valley City.

The State Hospital began this replacement project in February 2000 and anticipates completing the project in September 2000 within the appropriated amount.

The State Hospital anticipates its disproportionate share revenue will decrease by \$757,419 for the 2001-03 biennium as the result of the federal Balanced Budget Act. Therefore, the hospital anticipates receiving only \$650,000 from this source during the 2001-03 biennium.

West Central Human Service Center - Manchester House expansion.

Badlands Human Service Center - Developmental disabilities residential services.

State Hospital and Developmental Center - Sharing services - The 1999 Legislative Assembly directed a Legislative Council study of the feasibility and desirability of collocating the Developmental Center and the State Hospital at one location.

State Hospital - Revenue shortfall - The 1999 Legislative Assembly appropriated \$15,717,017 of federal and other funds to the State Hospital for the 1999-2001 biennium.

State Hospital - Geropsychiatric unit - The 1999 Legislative Assembly allowed the establishment of one geropsychiatric nursing facility, required the State Hospital to perform evaluations of individuals before being admitted to a geropsychiatric facility, and provided that if a facility is established, the State Hospital may not offer geropsychiatric services through a separate unit.

State Hospital - Boiler replacement - The 1999 Legislative Assembly provided \$1,050,000 from the general fund to replace the hospital's boiler.

State Hospital - 2001-03 disproportionate share revenue - The federal government allocates a portion of Medicaid funding to each state for hospitals that provide care of indigent and uninsured patients. The State Hospital

anticipates receiving approximately \$1.4 million of disproportionate share revenue for the 1999-2001 biennium.

Developmental Center - Traumatic brain injury unit - The 1999 Legislative Assembly provided an appropriation of \$575,000 of other funds for the center to operate a traumatic brain injury unit to serve those persons with traumatic brain injury who cannot be appropriately served at another North Dakota facility.

Developmental Center - Revenue shortfall - The 1999 Legislative Assembly appropriated a total of \$30,040,448 of federal and other funds for the Developmental Center for the 1999-2001 biennium.

The center began operating its traumatic brain injury unit in the Cedar Grove building in July 1999. In March 2000 the unit was serving four individuals. The unit is certified to serve up to 12 individuals. The center anticipates expenditures for the unit may total \$600,000 for the 1999-2001 biennium. The program receives funding under the Medicaid program. As a result, the center is responsible for providing the state matching funds of approximately \$180,000. Because other funds are not available for this program, the center has had to reallocate general fund moneys internally to provide the state matching funds.

As of May 2000 the Developmental Center anticipates its 1999-2001 biennium revenues may be \$1.6 million less than projected primarily as the result of lower than estimated other funds collections due to the center not receiving revenues relating to three out-of-state sexual offenders who were anticipated to be served at the Developmental Center this biennium. The center plans to reduce salaries and wages expenditures by \$850,000 associated with vacant positions and a reduction in overtime costs, to reduce operating expenses by \$509,000 associated with cost-savings relating to utilities and client supplies, and to utilize some other funds carryover to make up for the revenue shortfall.

Contingent Appropriations - 1999 Legislative Appropriation

	FTE Positions	General Fund	Other Funds	Total
TBI facility - Western North Dakota	0.00	\$60,000	\$140,000	\$200,000
SPED - If funds are not available in health care trust fund	0.00	\$4,262,410	\$0	\$4,262,410

Item Description

TBI facility in western North Dakota - The 1999 Legislative Assembly provided a contingent appropriation to the department of \$200,000, \$60,000 of which is from the general fund, that may be spent only if additional beds for TBI persons are established in western North Dakota and only after receiving Emergency Commission and Budget Section approval.

Senate Bill No. 2038 requires the Department of Human Services to report to the Legislative Council during the 1999-2000 interim regarding the establishment of a traumatic brain-injured facility in western North Dakota.

Status/Result

The department reported to the interim Budget Committee on Institutional Services in March 2000 that Housing, Industry, and Training, Inc. (HIT) of Mandan has obtained approval from the State Health Council to establish a TBI facility in western North Dakota. The organization intends to break ground in April 2000 and to begin facility operations in late summer of 2000.

Contingent appropriation for SPED - The 1999 Legislative Assembly provided a contingent appropriation of \$4,262,410 from the general fund to the department for making service payments for elderly and disabled if the funding is not available in the health care trust fund during the 1999-2001 biennium (see Senate Bill No. 2168 as noted previously for additional information on the health care trust fund).

First-year funding of \$25.9 million was deposited in the health care trust fund in May 2000. This funding will be adequate for providing the funding for the payments as appropriated; therefore, the funding available from the contingent general fund appropriation will not be needed.