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Guy Hobbs, Chairman
Governor's Task Force on Tax Policy in Nevada
c/o Lorne Malkiewich, Director
Legislative Counsel Bureau
401 South Carson Street
Carson City, NV 89701-4747

Dear Chairman Hobbs:

I'm writing to present my comments and suggestions to the Task Force pursuant to your letter to interested parties dated January 9, 2002. My letter addresses both the extent of the structural deficit and projected expenditures for the next ten years.

I have lobbied the Nevada Legislature on behalf of low income Nevadans since the 1983 session regarding their need for human services. By far the largest item within that budget is, as you know, the Medicaid program. In the analysis of structural deficits which I heard at your last hearing, your projections of growth for human services needs were based upon a 7% annual growth in the Medicaid program.

Mike Willden, the Director of the Department of Human Resources, and his staff have developed case load projection models which are certainly more accurate than anything I can say. I would question, however, a simple assumption that the growth in cost for human services will be only 7% annually.

The Governor's budget request to the last Legislature was for an increase from \$787.9 million in General Fund dollars for the 1999-2001 biennium to \$1.09 billion for the 2001-2003 biennium to support the overall human services budgets, an increase of more than 38% for a two-year period¹. That increase covered not only caseload growth, but long overdue provider rate increases and very modest enhancements within the programs.

¹State of Nevada, *Executive Budget in Brief*, Governor Kenny C. Guinn, p. 57

Recent events are even more troubling. In the aftermath of September 11, 2001 and the recession, caseloads in Medicaid have jumped from 126,775 from the end of August 2001 to 141,029 at the end of December with a projected shortfall in the budget of \$36 million this fiscal year². The assumption which I heard advanced at your last meeting is that since we are unlikely in Nevada to bring eleven new mega resorts online over the next ten years that population growth will slow. As a result there was an assumption that growth in human services programs may slow as well. In fact, the converse may be true.

As the economy slows down more people need these programs. The Temporary Assistance for Needy Families (TANF) caseload fell from a "high water" mark of 42,703 in March 1995 to a "low water" mark of 15,487 in March 1999³. There was much public debate over whether the decrease was attributable primarily to "welfare reform" changes or due to an improved economy. It now seems obvious that at least a major portion of the caseload reduction was due to the formerly robust economy. Caseloads have grown dramatically since the economy has worsened and have now jumped to 30,427 in December 2001. A huge 72% jump from 21,903 to 30,427 took place in the four months from September to December.

A person eligible for TANF is automatically eligible for Medicaid. Moreover, many Medicaid recipients receive benefits as "TANF-related recipients." These individuals retain Medicaid for a period of time after leaving TANF or for a period of time while their income remains very low.

There also remains some disturbing demographic trends which will impact the Medicaid caseload. Nevada's growth in its senior citizen's population is directly related to the number of individuals who ultimately end up in nursing homes at Medicaid expense. According to the U.S. Census Nevada residents age 65+ grew 71% between 1990-2000 (almost three times the national rate) and those 85+ grew 128% (more than three times the national rate)⁴.

I would also note that between 1980 and 1990, when Nevada did not "build eleven new mega resorts," our state's population grew by 50%. More disturbingly during that same ten-year period, the number of Nevadans to living in families with incomes below the federal poverty level, rose from 69,000 in 1980 to roughly 120,000 individuals in 1990 for an increase of 73.9%, far out

²Mike Willden, Nevada Appeal, *Budget falling short as demand for welfare and Medicaid rises*, 2-6-02

³All statistics in this paragraph are from the Nevada State Welfare Division: *Welfare Reform Quarterly Information*, 1-22-02.

⁴United States Census Bureau data reported to the Governors Task Force on Disabilities by the Renasselaerville Institute, January 2002.

stripping the second leading state of Wyoming at 44%⁵. The most current data available Nevada's population grew from 120,000 in 1990 to 18,000⁶ less than 1998 populations' estimates (a 57.5% increase).

The Bureau of the Census should release new official poverty statistics for 2000 this Spring. The committee may want to track those very closely. The point is even without the building of new mega resorts our population may continue to grow rapidly and the poverty population, who will need human services, may grow at an even greater rate.

On top of the growth in caseloads, there is growth in costs associated with that caseload. The consumer price index for medical care has always been much higher than the general rate of inflation. In addition, Medicaid providers continually claim that the rates paid are too low and that they are entitled to a major increase. Just within the last biennium, the Legislature approved a \$76 million dollar (50/50 state and federal) increase⁷. Moreover the nursing home industry was granted a retroactive \$16 million (50/50 state and federal) increase in July 2000⁸.

Finally there is a major need to enhance the Medicaid program as well as other human services within the state. Nevada ranks last in the United States in per capita spending on Medicaid at \$302.11, which is less than one-half of the national average (\$620.31 per capita)⁹. Nevada's financial eligibility criteria for Medicaid is among the tightest in the country. Only 26.1% of persons less than 65 years old living in families with incomes below the poverty level have Medicaid coverage. This 26.1% ranks 51st among the states and is far below the national average of 45.6%¹⁰. Only 4.7% of Nevadans are covered by Medicaid (48th among the states)

⁵United States Census Bureau. Between the 1970 and 1980 censuses the number of Nevadans with incomes below the federal poverty level increased from approximately 43,000 individuals to 69,000 for a percentage increase of 60.5%. The increase was also the largest in the United States, with Arizona in second place with 33%.

⁶*Census Bureau News*, U.S. Census Bureau Public Information Office 8-31-01.

⁷Department of Human Resources, *Final Budget Highlights*, July 2001.

⁸Las Vegas Sun, *Guinn orders 7.6 percent rate hike for nursing homes*, 7-26-00

⁹Burwell, B. (1999). Medicaid Long Term Care Expenditures in FY 1998. Cambridge, MA: The Medstat Group.

¹⁰Nevada Health Statistics compiled by the Center on Disability and Health from AARP, Reforming the Health Care System: State Profiles, 1999, Public Policy Institute, Washington, D.C..

compared to the national average of 9.3%¹¹.

As a result of our general failure to cover optional Medicaid groups, Nevada ranks 47th of the 50 states in terms of the percentage of our population which is insured (21.2%)¹². There are a number of specific choices which Nevada has made which lead to these gaps in coverage. For example, some 37 other states have adopted the "medically needy" state option which allows a state to deduct medical expenses in determining whether the applicant is financially eligible.

In June 1999, the U.S. Supreme Court held in Olmsted v. L.C. & E.W., that states may violate the Americans with Disabilities Act by segregating persons with disabilities in institutions (like nursing homes) instead of offering community-based services. As a result, the state is under pressure from the federal government and potentially the courts to increase funding for community-based services. Nevada ranks 50th of the 50 states for community-based services¹³. Mike Willden was recently quoted in the papers as acknowledging it is time to move to community-based services and that he would be recommending program changes to the Governor in the next budget cycle to move in that direction¹⁴.

Our low Medicaid expenditures are one of the reasons which we do so poorly in terms of national health statistics. Nevada ranked 46th in overall health rating compared to other states in 1999 as it did in 1990-to1991¹⁵. We ranked 43rd in 1992 and 50th in 1996. We are in the bottom 10 states for prevalence of smoking (49), motor vehicle deaths (45), violent crimes (43), adequacy of prenatal care (46) adequacy of prenatal care (46) total mortality (45) and premature death (43).

Recently Nevada was ranked 38th in women's health among the 50 states. Most sadly, we had dropped eight spots since last year¹⁶.

¹¹Nevada Health Statistics compiled by the Center on Disability and Health from AARP, Reforming the Health Care System: State Profiles, 1999, Public Policy Institute, Washington, D.C..

¹²Health Insurance Coverage: 1998-Table 8. U.S. Census Bureau. By contrast, AARP rated Nevada 9th worst in 1995-97 with 20.7% uninsured.

¹³Nevada Appeal, *Less institutional care for the disabled*, 2-5-22

¹⁴Nevada Appeal, *Less institutional care for the disabled*, 2-5-22

¹⁵ The statistics in this paragraph are from *Health Status of Nevada Children: Selected Health Indicators*. Mary Guinan, State Health Officer, 2-22-00.

¹⁶Las Vegas Review Journal , *Nevada ranks 38th in women's health*, 12-12-01

The 2001 Legislature passed AB 513 which commissions a study of the long-term healthcare needs of senior citizens, persons with disabilities and rural Nevadans. It also commissioned a study of needed Medicaid provider rate increases. These studies will be complete prior to the end of the work of this Task Force. I highly recommend that you have your staff analyze those studies for their impact on your work.

In summary, I hope I have convinced you that a projection of a 7% growth in expenditures for human services over the next 10 years is certainly not overestimated and, in my opinion, is a severe underestimate of the baseline. In this biennium, the growth is 15% annually. I believe that there is a growing consensus that Nevada needs to do better than simply maintaining what it has done in the past. We need to continue to significantly enhance support for this area over the next ten years to continue the progress started by Governor Guinn and the Legislature in 2001.

Sincerely,



Jon L. Sasser
Statewide Advocacy Coordinator

cc: Jeremy Aguero
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