

HUMAN SERVICES



HUMAN SERVICES

The Human Services function provides services directly to members of the public and includes the Department of Health and Human Services (DHHS) and the Department of Employment, Training and Rehabilitation (DETR). The DHHS consists of the Division of Health Care Financing and Policy (HCFP), the Division of Mental Health and Developmental Services (MHDS), the Health Division, the Division of Welfare and Supportive Services (DWSS), the Aging and Disability Services Division, the Division of Child and Family Services (DCFS), the Office of the Public Defender and the Indian Affairs Commission. The DETR consists of the Rehabilitation Division, the Employment Security Division, the Information Development and Processing Division and the Nevada Equal Rights Commission. The 2009 Legislature approved \$1.924 billion in General Fund support for the Human Services function for the 2009-11 biennium. This represents a decrease of approximately \$2.2 million compared to the General Fund support approved by the 2007 Legislature for the 2007-09 biennium.

It should be noted that approximately \$122.7 million in funding from the American Recovery and Investment Act (ARRA) was received by the Department of Health and Human Services in FY 2008-09 and some of the General Fund savings that was generated was utilized to provide additional funds to various divisions within the department in lieu of approving supplemental appropriations recommended by the Governor in FY 2008-09. In addition, approximately \$280 million in ARRA funds was approved to be received by the Department of Health and Human Services over the 2009-11 biennium, which reduced the need for General Fund support and allowed these savings to be allocated to support other costs both inside and outside the department.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

DIRECTOR'S OFFICE

The Director's Office is responsible for coordinating all departmental programs, the oversight of the department's budgets, and providing technical assistance to the various divisions. Prior to the 2009-11 biennium, eight budget accounts were directly administered by the office, including: Department of Health and Human Services Administration; Developmental Disabilities; Community Based Services; Healthy Nevada Fund Administration; the Grants Management Unit; the Children's Trust Account; the Revolving Account for the Prevention and Treatment of Problem Gambling; and the Supplemental Account for Medical Assistance to Injured Persons. The 2009 Legislature approved the Governor's recommendation to transfer the Office of Disability Services (Developmental Disabilities and Community Based Services) and the Senior Rx and Disability Rx programs from the Director's Office to the Aging and Disability Services Division and re-title the division, the Aging and Disability Services Division. The Legislature determined that the transfer of the programs would bring together common services that seniors and disabled persons most often need and would result in better coordination of services provided by the two agencies.

HEALTH AND HUMAN SERVICES ADMINISTRATION

The Administration budget is funded primarily with General Fund support. The 2009 Legislature approved General Funds totaling \$2.9 million for the 2009-11 biennium in support of the Director's Office Administration budget.

The 2009 Legislature restored General Fund appropriations totaling \$26,129 in FY 2009-10 and \$130,834 in FY 2010-11 for the Nevada 211 System. The Governor had recommended eliminating General Funds for the system entirely over the 2009-11 biennium. The General Funds will be combined with \$104,705 in UnitedHealth settlement funds in FY 2009-10 to support the system and help maintain current hours of operation. The Legislature approved the Governor's recommendation for authority to receive a new Suicide Prevention Grant from the Inter-tribal Council totaling \$150,000 in each year of the 2009-11 biennium. The grant will be used to establish a program to increase awareness and education regarding youth suicide and to provide training to improve the identification of suicide risks and the appropriate response to those risks.

GRANTS MANAGEMENT UNIT

The Grants Management Unit was approved by the 2003 Legislature to consolidate six existing grant programs into one account. The six grant programs include: Title XX Purchase of Social Services, Family-to-Family Connection, Family Resource Centers, Community Services Block Grant, Children's Trust Account, and Healthy Nevada Fund grants. In addition to these programs, the 2005 Legislature approved the Prevention and Treatment of Problem Gambling program, which is administered by employees of the Grants Management Unit.

- Title XX Purchase of Social Services – This program, established in 1974 under Title XX of the Social Security Act, provides states with block grant funds for a wide variety of social service programs. The funds received are then sub-granted to state and non-state agencies for social programs. The Executive Budget recommended total Title XX revenue authority of \$14.6 million for each fiscal year of the 2009-11 biennium. During its review of the distribution of Title XX funding, the 2009 Legislature identified Title XX funding totaling \$819,112 in FY 2009-10 and \$218,791 in FY 2010-11 that could be used to offset General Fund expenditures in other Department of Health and Human Services budget accounts that receive Title XX funding. These amounts include an augmentation of \$198,791 in each fiscal year of the upcoming biennium recommended for non-state agencies; \$600,321 remaining from previous fiscal years grant awards and not accounted for in The Executive Budget; and \$20,000 in each year of the biennium recommended by the Governor for transfer to the Aging and Disability Services Division for senior transportation services that continued to receive funding from a different revenue source. As a budget savings measure, the 2009 Legislature authorized the transfer of these Title XX funds to the Division of Child and Family Services to offset General Funds in a like amount recommended for children's mental health room and board expenditures during the 2009-11 biennium.

The 2009 Legislature also approved using \$200,000 in Temporary Assistance to Needy Families (TANF) Block Grant funding in each year of the 2009-11 biennium to support the Division of Child and Family Services' Domestic Violence program.

- Family-to-Family Connection and Family Resource Centers – The Family-to-Family program provides assistance to families with newborns with positive parenting, optimal child development, healthy family structures, and community support. The Family Resource Center program consists of neighborhood centers, which provide a wide array of services or referrals to services for at-risk families that promote individual and family well-being. The 2007 Legislature also approved funding to allow the Family Resource Centers to assist with child welfare cases that do not warrant investigative action by child protective services agencies so that those agencies are better able to respond to more severe cases.

The 2009 Legislature approved General Funds in the amount of \$1.4 million to support the Family-to-Family Connection and Family Resource Centers over the 2009-11 biennium. The 2009 Legislature also approved the receipt of \$170,000 in each year of the 2009-11 biennium from the Casey Family program to support the Differential Response program. The funding will support the expansion of the program in five counties and expand the evaluation component to include the new sites. Additionally, the 2009 Legislature approved the use of available UnitedHealth Settlement funds of \$170,988 in FY 2009-10 to offset General Fund expenditures for the Differential Response program.

INDIGENT SUPPLEMENTAL ACCOUNT

The primary purpose of the Indigent Supplemental account is to provide reimbursement to Nevada counties for unpaid hospital charges for medical treatment of indigent persons, and to provide reimbursement to hospitals for care provided to indigent persons who have been injured in motor vehicle accidents in Nevada. The claims are funded through property tax revenues equivalent to 1 cent per \$100 of assessed value and a property tax levy of 1.5 cents on each \$100 of assessed valuation.

The Governor recommended transferring the revenues generated in the account to the Division of Health Care Financing and Policy's Intergovernmental Transfer account as a means of offsetting General Funds in the Medicaid account. The Legislature instead approved the transfer of the revenues from the Indigent Supplemental account (\$25.2 million in FY 2009-10 and \$23.0 million in FY 2010-11) to the state General Fund. The Legislature was concerned that using the property tax receipts to offset General Fund appropriations for the Medicaid program would result in Nevada being unable to take advantage of the increased Federal Matching Assistance Percentage rates provided for in the American Recovery and Reinvestment Act of 2009.

FUND FOR A HEALTHY NEVADA

Revenue for the Fund for a Healthy Nevada is provided through a transfer from the Treasurer's Office of Tobacco Settlement funds received by the state of Nevada. The fund receives 50 percent of the Tobacco Settlement funds received by the state. Of this

amount, 15 percent is allocated for grants to reduce tobacco use, 10 percent is allocated for grants to improve the health of children, 10 percent is allocated for programs that improve the health and well-being of persons with disabilities, 30 percent is allocated to support the Senior Prescription Drug program (Senior Rx), and 5 percent is allocated for a program to extend coverage for prescription drugs and other related services to certain persons with disabilities (Disability Rx). The programs are administered by the Director's Office with direction from the Grants Management Advisory Board. The funding for grants to improve the health of children and disabled persons and grants to prevent or reduce the use of tobacco products is transferred to the Grants Management Unit account for allocation to various grantees. The remaining 30 percent of the total yearly tobacco settlement payment is allocated to the Aging and Disability Services Division for programs that assist senior citizens with independent living.

The 2009 Legislature approved caseload and inflationary increases for the Senior Rx and Disability Rx programs that will allow the Senior Rx program to serve up to 4,922 clients in FY 2009-10 and 5,031 clients in FY 2010-11. The funding approved will also allow the Disability Rx program to serve up to 518 clients in FY 2009-10 and 523 clients in 2010-11.

The 2009 Legislature approved Senate Bill 430, which transferred \$14.8 million of unspent funds from prior fiscal years from the Fund for a Healthy Nevada to the General Fund to offset a portion of the revenue shortfall experienced between the 74th and 75th regular sessions of the Nevada Legislature. Senate Bill 430 transferred an additional \$4.2 million from the tobacco settlement payment for FY 2008-09 to the General Fund to further reduce the General Fund shortfall, resulting in a reduction in the amount of funding available for grants during the 2009-11 biennium.

The Governor recommended and the Legislature approved the transfer of the Senior Rx and Disability Rx programs to the Aging and Disability Services Division. The Senior Rx and Disability Rx programs, and the five staff that administer them, were transferred to the Aging and Disability Services Division's Senior Rx and Disability Rx account.

OFFICE OF THE STATE PUBLIC DEFENDER

The Office of State Public Defender represents adult and juvenile indigent, criminal defendants when a court appoints the office as counsel. The office currently provides services for Carson City, Storey County, Eureka County, Lincoln County and White Pine County. The 12 remaining counties provide their own public defender services through a county public defender, or by contracting with a private attorney to provide those services.

The 2009 Legislature approved the Governor's recommendation for three new positions for the office. The positions include a Deputy Public Defender and an Administrative Assistant for the Carson City office and an Investigator for the Ely office. The positions were approved to attempt to address the performance standards adopted by the Supreme Court regarding the representation of indigent defendants in criminal and

juvenile delinquency cases. The Legislature also approved the Governor's recommendation for increased training funds that were also requested to address the court order.

INDIAN AFFAIRS COMMISSION

The Nevada Indian Affairs Commission was created in 1965 to study issues affecting the social and economic welfare and well-being of Native Americans residing in Nevada. The commission, comprised of five members appointed by the Governor, serves as a liaison between the state and 27 separate tribes, bands and community councils. Although, the 2009 Legislature approved the Governor's recommendation to reduce General Fund appropriations by \$50,941 over the 2009-11 biennium, the Legislature approved grant funding in the amount of \$29,000 in each fiscal year from the Casey Family program and the Inter-Tribal suicide prevention program to restore the budget reductions recommended in The Executive Budget. The grant funds approved will restore the Executive Director position to full-time and provide additional operational funding to allow the Commission to function more effectively.

AGING AND DISABILITY SERVICES DIVISION

The Aging and Disability Services Division (formerly the Division for Aging Services) serves as the primary advocate for Nevadans age 60 years and older. The 2009 Legislature approved the Governor's recommendation to consolidate Aging Services with the Office of Disability Services (ODS, previously located within the Department of Health and Human Services Director's Office). As a result, the following budgets transferred from the Directors' Office: Developmental Disabilities; Community Based Services; and IDEA Part C Compliance. In addition, the Senior Rx and Disability Rx programs, which were previously part of the Healthy Nevada Fund budget, were transferred to Aging and placed into their own budget account.

In addition to the budgets transferred as part of the consolidation of ODS with Aging, the division administers five other budget accounts: Senior Citizens' Property Tax Assistance; Tobacco Settlement Program; Home and Community Based Programs; Aging Federal Programs and Administration; and Elder Protective Services/Homemaker Programs. Funding for these budgets is a combination of state General Fund appropriations, federal funds, and tobacco settlement proceeds.

The 2009 Legislature approved approximately \$130.3 million in total funding for the Aging and Disability Services Division for the 2009-11 biennium. The General Fund support approved for the 2009-11 biennium totals \$45.4 million. In comparison, the total legislatively-approved amount for the 2007-09 biennium was \$83.9 million, with \$21.7 million of the total being General Fund appropriations. The 2009-11 amounts are significantly greater than the amounts approved for the 2007-09 biennium because of the consolidation, which added four budgets from ODS, bringing the total number of Aging and Disability Services budget accounts to nine.

If one compares these nine budgets' actual General Fund expended during FY 2007-08 (\$17.1 million) to the legislatively-approved General Fund for FY 2009-10 (\$22.4 million) and FY 2010-11 (\$23.0 million), the percentage increase is 31 percent for the first year and 3 percent in the second year of the biennium. However, if the reversions necessitated by budget reductions had not occurred in FY 2007-08, the percentage increase in General Fund from FY 2007-08 actual to FY 2009-10 legislatively approved would drop to 21.5 percent.

SENIOR CITIZENS' PROPERTY TAX ASSISTANCE

The Senior Citizens' Property Tax Assistance program provides relief to eligible senior citizens who are carrying an excessive residential property tax burden in relation to their income or through rent payments, are paying a disproportionate amount of their income for property taxes. The program is funded entirely with General Funds.

The 2009 Legislature approved a decrease in the amount of funding for caseload growth from the amount recommended in The Executive Budget, based on an analysis of the expenditures incurred for the program during FY 2008-09 and the impacts of the property tax abatement legislation approved by the 2005 Legislature. These factors were not fully considered in The Executive Budget and they allowed the 2009 Legislature to reduce the General Fund appropriation by \$154,196 in FY 2009-10 and by \$259,876 in FY 2010-11 from the Governor's recommendations. Therefore, to account for demographic growth in the property tax refund program, the 2009 Legislature approved approximately \$2.4 million over the 2009-11 biennium, which is in addition to the approved base budget funding of \$4.7 million per fiscal year. The total amount of General Fund approved to sustain the property tax refund program is approximately \$11.8 million over the 2009-11 biennium.

In addition, the 2009 Legislature approved \$45,428 in FY 2009-10 for technology enhancements, with \$10,314 approved for technology enhancements in FY 2010-11. Enhancements include completion of the conversion of the senior tax database to a System Query Language server, and upgrades and new programming for the database.

TOBACCO SETTLEMENT PROGRAM

This budget supports the Independent Living Grants (ILG) program, and all funding is provided by Tobacco Settlement Agreement monies. This program enhances the independent living of older Nevadans through respite care and relief for care giving, transportation options and care in the home to enable older persons to remain at home rather than in institutional placement. The total amounts legislatively approved to be sub-granted to non-profit agencies as part of the ILG program are \$4.7 million in FY 2009-10 and \$6.6 million in FY 2010-11. The amount approved for the first year of the biennium is less than the FY 2007-08 actual amount (\$5.3 million) because during the 24th Special Session, the Legislature redirected \$4.2 million from the FY 2008-09 tobacco settlement payment to the General Fund (later codified in S.B. 430, 2009 Legislature).

The 2009 Legislature approved the Governor's recommendation to transfer the Senior Rx and Disability Rx programs from the DHHS Director's Office to Aging, but disapproved the Governor's recommendation to place those programs into this budget account. Instead, the Legislature approved creating a new budget account for the Senior Rx and Disability Rx programs. The new budget account ensures that the tobacco funds in the Tobacco Settlement program will not be commingled with General Funds that support the Senior Rx and Disability Rx programs.

HOME AND COMMUNITY BASED PROGRAMS

There are three federally-funded Medicaid waiver programs included in this budget, all with the objective of replacing or delaying placement of seniors into institutional care. The programs are: the Community Home-Based Initiatives Program (CHIP); the Waiver for Elderly in Adult Residential Care (WEARC); and the Assisted Living (AL) program. Originally, the 2007 Legislature approved 1,713 CHIP waiver slots, 324 WEARC slots, and 79 AL slots. However, as a result of budget reductions, the amended number of slots for FY 2008-09 was as follows: 1,241 for CHIP, 326 for WEARC (moved slots from CHIP); and 45 for AL. The adjusted FY 2008-09 caseload slots for each waiver were the result of discussions with Nevada Medicaid regarding budget reductions and the availability of funding for waiver services. In The Executive Budget, the Governor recommended the continuation of this reduced number of caseload slots for the 2009-11 biennium.

The primary issue facing the money committees involved determining a reasonable number of waiver slots for the 2009-11 biennium considering the budget reductions undertaken during the interim, the projected caseloads, and the most recent waiting lists for services.

After considerable debate and public input, the 2009 Legislature approved additional slots over what the Governor recommended, bringing the total number of caseload slots to the same number that was originally legislatively approved for FY 2007-08 (2,006) before budget reductions were made. Specifically, 239 slots were added back to CHIP, 146 slots were added back to WEARC and 9 slots were added back to AL. The additional slots approved bring the total slots for each waiver to: 1,480 CHIP slots; 472 WEARC slots; and 54 AL slots. The majority of the General Fund added back to support the additional waiver slots (approximately \$3 million) was added to the Medicaid budget. Within Home and Community Based programs, the General Fund added back was \$89,942 in FY 2009-10 and \$185,701 in FY 2010-11.

The 2009 Legislature also approved the Governor's recommendation of a General Fund enhancement of \$40,585 in FY 2009-10 and \$110,340 in FY 2010-11 to add 6 caseload slots to the Community Options for the Elderly (COPE) program in each fiscal year. The COPE program is the state-funded equivalent to the CHIP waiver, and provides similar services, but to non-Medicaid eligible clients. A subset of the COPE program is the *Nevada Revised Statutes*, Chapter 426 program. The federal Olmstead court decision ruled that Title II of the Americans with Disabilities Act prohibits the unnecessary

institutionalization of persons with disabilities. The Olmstead decision requires states to move eligible persons off waiting lists at a “reasonable pace,” which the Department of Health and Human Services (DHHS) has interpreted to mean 90 days or fewer. Services provided pursuant to NRS 426 constitute the state’s response to the Olmstead decision. *Nevada Revised Statutes* 426 services include assistance with bathing, toileting and feeding. The enhancement approved by the 2009 Legislature brings the total COPE slots to 187 at the end of FY 2009-10 and 193 at the end of FY 2010-11.

Finally, the Legislature approved a smaller reduction to the reimbursement rate for Personal Care Attendant (PCA) services than the Governor recommended. The Executive Budget recommended an hourly rate of approximately \$15.50 for PCA services, and the Legislature approved an hourly rate of \$17.00. This is a reduction from the rate that was effective for the 2007-09 biennium, which was approximately \$18.50.

AGING FEDERAL PROGRAMS AND ADMINISTRATION

This budget is the division’s primary administrative account and provides for various grant programs as well as resource development, elder rights, and fiscal services for the division.

As discussed in the introductory section, the 2009 Legislature approved the Governor’s recommendation to transfer the Office of Disability Services (ODS) from the DHHS Director’s Office to Aging and create a new Aging and Disability Services Division. The objective of this merger is to provide a continuum of services for all disabled people over their lives and to bring together common services that seniors and the disabled need most often, such as in-home care, home modifications, and transportation. Senate Bill 434 formalized the merger of ODS and the Senior Rx and Disability Rx programs with Aging Services.

The Legislature also approved the Governor’s recommendation to utilize General Fund appropriations to pay for two program efforts that are no longer supportable with federal funds. First, \$28,328 was approved to partially support one Social Services Program Specialist position to oversee the Aging and Disability Resource Center program effort throughout the state. Funding this position with a combination of federal Title III-C funds, tobacco settlement funds, and state General Fund appropriations will allow work on developing the state’s system of Aging and Disability Resource Centers to continue, thereby making Nevada eligible for more funds from the federal Administration on Aging.

Second, \$209,135 in General Fund appropriations was approved to partially support 17 positions within the Ombudsman program over the 2009-11 biennium. Previously, the positions were supported (either wholly or partially) with Title XIX funds from Medicaid, but since the Centers for Medicare and Medicaid Services disallowed reimbursement for Elder Rights Advocate services for Medicaid clients during FY 2007-08, the division was forced to find other funding sources.

Finally, the Legislature approved using \$83,900 in federal stimulus funds to offset General Fund appropriations. The funding, received as part of the American Recovery and Reinvestment Act of 2009, is to be used for senior nutrition programs and community service employment for seniors.

ELDER PROTECTIVE SERVICES/HOMEMAKER PROGRAMS

The Elder Protective Services (EPS) program provides protective services to prevent and remedy abuse, neglect, exploitation and isolation of elderly persons 60 years and older. Services may include investigation, evaluation, counseling, arrangement and referral for other services and assistance. The Homemaker program is part of the division's Community Based Care Unit and serves both senior citizens and younger disabled adults with case management, housekeeping, laundry, shopping, meal preparation and stand-by assistance with bathing.

The 2009 Legislature approved funding for the EPS/Homemaker budget as recommended in The Executive Budget with only minor technical adjustments. The Legislature approved the issuance of a letter of intent instructing the division to expend its federal Title XX funds and tobacco settlement funds prior to expending any of the General Fund appropriations in this budget. The letter of intent clarifies that the division's past practice of expending General Fund appropriations prior to tobacco settlement funds was an incorrect interpretation of a letter of intent issued by the 2003 Legislature.

DEVELOPMENTAL DISABILITIES

The Developmental Disabilities account provides conditional demonstration grants to the community, conducts analyses of various services and provider systems, and works to identify and fill gaps in service delivery through a matching grant from the federal Administration on Developmental Disabilities. General Funds provided to this program are used to manage housing development and home ownership opportunities for low-income people with disabilities. The 2009 Legislature approved General Funds in the amount of \$156,565 in each year of the 2009-11 biennium to continue to match the annual federal developmental disabilities grant. The federal developmental disabilities grant requires a 25 percent cash or in-kind match.

COMMUNITY BASED SERVICES

The Office of Community Based Services (OCBS) provides community-based resources to people with severe disabilities who are ineligible for services through public entitlement programs or for whom services do not exist. The agency provides services through its Personal Assistance Services (PAS) program, the Traumatic Brain Injury (TBI) program, the Independent Living Services program, and the Assistive Technology programs, which include a program to provide telecommunications devices for persons with communications difficulties. The 2009 Legislature approved ongoing General Fund appropriations for the office's programs totaling approximately \$15.0 million over the 2009-11 biennium. This represents an increase of 10.0 percent in ongoing

General Fund support over amounts legislatively approved for the office's programs for the 2007-09 biennium.

The 2009 Legislature approved the Governor's recommendation to provide PAS to 17 additional people in each year of the 2009-11 biennium at a cost of \$368,097 in each year. The Legislature did not approve the Governor's recommendation to reduce the reimbursement rate for PAS from approximately \$18.50 per hour to approximately \$15.50 per hour for all department programs that use such services. It was noted during the budget hearings that the provider of services for the PAS program for the Office of Disability Services also performed case management services for the clients of the program. In contrast, in the Nevada Medicaid and the Aging and Disability Services Division programs, case management services are provided by state employees. Based on this information, the Legislature approved a proposal submitted by the department to retain the \$18.50 reimbursement rate for the Office of Disability Services program and to reduce the rate for the Medicaid and the Aging and Disability Services Division programs to \$17.00 per hour, which is one-half of the reduction recommended by the Governor. The department's proposal resulted in the need for additional General Funds totaling \$593,462 in each year of the biennium for the Office of Disability Services PAS program.

The Legislature approved funding to provide TBI services for 93 people over the 2009-11 biennium in an effort to reduce the waiting list for the program to 11 people and to decrease the average wait time to 90 days. The Governor had recommended additional General Funds totaling \$616,067 in each year of the biennium to provide TBI services to 122 people over the biennium. The office indicated that an error had occurred in calculating the additional funding necessary to provide services, and the funding included in the Governor's budget was more than was needed to eliminate the waiting list for the program completely. Reducing the number of people for which services could be provided to 93 people produced General Fund savings totaling \$197,247 over the biennium.

The Legislature also reduced the additional funding recommended by the Governor for the Independent Living program by \$605,284 in each year of the 2009-11 biennium. The Governor had recommended General Funds totaling \$1,184,424 in each year of the biennium to provide services for 712 people. Based on revised cost per case information and revised projections of caseload provided by the agency, the Legislature determined that the wait time for the program could be reduced significantly below the 6-month level projected by the agency at its budget hearing, while serving only 559 people rather than the 712 people for which funding was provided in the Governor's budget.

Through the enactment of A.B. 629, the 2007 Legislature appropriated \$2 million in General Funds to assist parents and legal guardians of children with autism in paying treatment costs. Pursuant to the provisions of A.B. 629, the funds may also be used to fund expenditures associated with the Nevada Autism Task Force created by the legislation and to provide for reasonable administrative expenses incurred by the department in administering the task force and providing assistance to parents and legal

guardians of children with autism. Although the Governor did not recommend additional funds for autism services in The Executive Budget for the 2009-11 biennium, the Legislature approved additional General Funds totaling \$3.2 million over the 2009-11 biennium to continue services for the 109 children currently being served by the program. The money committees directed that the funds should not be included in the base budget for the 2011-13 biennium as an ongoing General Fund appropriation.

IDEA PART C COMPLIANCE OFFICE

The Individuals with Disabilities Education Act (IDEA) Part C Compliance Office serves as the lead agency for Nevada Early Intervention Services. The office monitors the compliance of providers with federal laws and provides ongoing technical assistance to programs providing early intervention services. The office is supported entirely with federal funds from the federal Department of Education (Part C of the Individuals with Disabilities in Education Act). The Legislature concurred with the Governor's recommendations to transfer this program out of the Department of Health and Human Services Director's Office into the Aging and Disability Services Division and make the Office of Disability Services the primary recipient of the Part C grant funds.

DIVISION OF HEALTH CARE FINANCING AND POLICY

The mission of the Division of Health Care Financing and Policy is to purchase and provide quality health care service to low-income Nevadans through the Medicaid, Nevada Check Up and HIFA Medical (HIFA waiver) programs in the most efficient manner; to promote equal access to health care at an affordable cost; to restrain the growth of health care costs; and to maximize the receipt of federal revenue for the provision of health care programs.

The 2009 Legislature approved approximately \$3.4 billion in total funding for the division over the 2009-11 biennium, an increase of approximately \$75.9 million when compared to the total funding recommended by the Governor. The funding includes General Fund support in the amount of approximately \$935.2 million over the 2009-11 biennium, a decrease of approximately \$62.1 million when compared to the General Fund support recommended by the Governor. When compared to the 2007-09 biennium, the 2009 Legislature approved an decrease of approximately \$6.3 million in General Funds to operate the division for the 2009-11 biennium, which represents an decrease of less than 1.0 percent.

HEALTH CARE FINANCING AND POLICY ADMINISTRATION

The Administration budget provides the administrative staff and the support services for the division, which include administration, accounting, budgeting, personnel, rates, compliance, surveillance, utilization review, provider enrollment and information technology.

The 2009 Legislature approved the Governor's recommendation for state and federal funds totaling \$1,051,532 in FY 2009-10 and \$1,251,051 in FY 2010-11 to conduct the

procurement process for a new vendor to take over the existing Medicaid Management Information System (MMIS). The takeover was recommended based on the current vendor's indication that it is leaving the MMIS business market and does not wish to rebid the Nevada MMIS and fiscal agent contract past its current term. Because the typical replacement time for a MMIS is approximately five years, the division believed it was risky to continue with a vendor that does not currently have MMIS contracts in other states and does not wish to provide the services in the future. The Legislature approved three new positions to manage the project for the division.

The 2009 Legislature also approved the Governor's recommendation to transfer the administrative expenditures and all 151 positions from the Medicaid account to the Administration account. The transfer places all administrative costs for the Medicaid program in the Administration account and leaves only medical services costs in the Medicaid account. The division indicated during its budget hearings that the transfer would simplify its reporting requirements as dictated by the Centers for Medicare and Medicaid Services (CMS) and that it would simplify the division's budgeting and accounting processes as well. The transfer of all administrative expenditures to the Administration account will also simplify the manner in which staff time is allocated among the various programs administered by the division.

The Legislature also approved the Governor's recommendation for \$414,200 in FY 2009-10 and \$215,100 in FY 2010-11 to perform audits of hospitals that receive Disproportionate Share Hospital (DSH) payments. New CMS provisions require the division to increase its oversight of annual cost reports and revenue information submitted by DSH and Upper Payment Limit (UPL) hospitals. The costs of the audits will be funded one-half with General Funds and one-half with federal Title XIX funds.

INTERGOVERNMENTAL TRANSFER PROGRAM

The Intergovernmental Transfer (IGT) budget collects funds from other governmental entities to support three programs: Disproportionate Share Hospitals (DSH), Upper Payment Limit (UPL), and University of Nevada School of Medicine (UNSOM) Supplemental Payments. Funds are collected in the IGT budget and then transferred to Medicaid for use as state matching funds for these programs.

- Disproportionate Share Hospital Program – The DSH program provides payments to hospitals that have a disproportionate share of uncompensated costs due to services provided to indigents and the uninsured in comparison to other hospitals. Pursuant to NRS 422.380 through NRS 422.390, Clark and Washoe Counties are required to make IGTs to the division in support of this program. Intergovernmental transfer payments in excess of the DSH match requirements are used to offset General Funds for other Medicaid expenditures.

The IGT budget as legislatively approved continues the DSH program for the 2009-11 biennium as designed and approved by the 2003 Legislature through the enactment of A.B. 297. The provisions of A.B. 297 established a long-term

methodology for distributing disproportionate share funding to qualifying hospitals. Participating hospitals will receive payments of approximately \$94.6 million for FY 2009-10 and \$95.2 million for FY 2010-11. The counties benefit indirectly from these payments by approximately \$28.3 million for FY 2009-10 and \$28.4 million for FY 2010-11 when comparing the hospital DSH payments to the amount of the IGT payments. For the 2009-11 biennium, the IGT program will generate a benefit to the state in the amount of approximately \$19.0 million for FY 2009-10 and \$19.2 million for FY 2010-11.

Although the IGT budget was approved based on the provisions of A.B. 297, the 2009 Legislature approved changes to the manner in which the IGT program will be conducted in the future. Through the enactment of S.B. 382, the 2009 Legislature eliminated the specific amounts of the intergovernmental transfers which must be made by counties to the division to fund the non-federal share of the program beginning in FY 2010-11. The bill also eliminates the specific amounts that must be paid by the division to hospitals that serve a disproportionate number of low-income patients for their uncompensated costs associated with providing services to those patients.

The bill was requested in response to a final rule issued by CMS in January of 2009. The rule requires the state to amend its State Plan for Medicaid to provide for the auditing of hospitals that receive disproportionate share payments and to ensure that any overpayments of disproportionate share payments are recovered and redistributed to eligible hospitals. The division indicates that when the State Plan is amended, CMS will likely determine that the existing methodologies included in the State Plan for distributing disproportionate share hospital payments do not comply with federal regulations and will, as a result, require the state to amend its plan to comply with current federal rules.

The bill requires the division to adopt regulations to ensure that the State Plan complies with the current federal rules before July 1, 2010. The regulations must include the procedures for determining the intergovernmental transfers of money from the counties to the division for the program, the methodology for calculating the disproportionate share payments for the hospitals, the procedures for auditing hospitals that receive payments to ensure that they were not paid more than they were entitled to receive, and the procedures for recovering overpayments and redistributing them to eligible hospitals. The bill further provides that the regulations must be adopted in accordance with the Nevada Administrative Procedure Act. The division is currently exempt from the act with respect to other regulations it adopts.

The bill provides that if CMS denies the State Plan amendment that is consistent with the regulations adopted by the division pursuant to the provisions of the bill, the division may negotiate terms which are acceptable to CMS. Before the amendment is finalized, however, it must be approved by the Interim Finance Committee.

The bill provides that the division must consider providing transitional payments for hospitals which currently receive payments that will no longer receive them under the new rules. The division must also consider increasing state revenue available for disproportionate share payments to fill any loss in revenue from counties in future biennia. The regulations will not have an impact on the state's net benefit from the disproportionate share program over the 2009-11 biennium.

- Upper Payment Limit Program – The UPL program provides payments to county-owned hospitals. Federal Medicaid law allows states the option of making supplemental payments to qualifying hospitals (county or municipal hospitals) up to the Medicare upper payment limit. The intent is to preserve access to inpatient hospitals for needy individuals by reimbursing hospitals that qualify for uncompensated or under-compensated care. Pursuant to interlocal agreements, counties make IGT payments to this budget to be used as state matching funds for the UPL payments to its hospitals. Excess IGT payments are used to offset General Funds for other Medicaid expenditures.

The budget as approved continues the UPL program without change for the 2009-11 biennium. Participating hospitals will receive payments of approximately \$30.1 million in FY 2009-10 and \$31.4 million in FY 2010-11. A provision of the ARRA that prohibits states from receiving the increased federal medical assistance percentage (FMAP) rates provided for in the ARRA if the state requires political subdivisions to pay a greater percentage of the non-federal share of payments than the respective percentage that would have been required under the Medicaid State Plan on September 30, 2008. This provision required changes to the UPL program that resulted in an increased net benefit to counties. The net benefit to counties (hospital payments less IGT payments) is approximately \$16.4 million for FY 2009-10 and \$14.8 million for FY 2010-11, while the net benefit to the state will be approximately \$2.9 million for FY 2009-10 and \$3.0 million for FY 2010-11.

- University of Nevada School of Medicine Program – During FY 2006-07, the division and UNSOM entered into an agreement that provides UNSOM supplemental payments in recognition of the gap between Medicaid reimbursement and the average private insurance reimbursement for the same services (primarily outpatient services). The agreement is designed to recognize the higher cost of providing medical services in a teaching environment. The UNSOM will provide the IGT payments to be used as the state's match to receive federal Title XIX funds that in combination will be used to make the supplemental payments. The Executive Budget included approximately \$1.7 million in each fiscal year of the 2009-11 biennium to pay the supplemental payments to UNSOM. Based on the FMAP increase provided for in the ARRA and the reduced state share for the program, the amount was reduced to approximately \$1.3 million in FY 2009-10 and \$1.5 million in FY 2010-11.

INCREASED QUALITY OF NURSING CARE

The Increased Quality of Nursing care budget account was created in accordance with A.B. 395 of the 2003 Legislature, which instituted a methodology that requires the division to establish a provider tax program encompassing all freestanding long-term care facilities (except those owned by the state) in Nevada. Assembly Bill 395 stipulates that funding received via the provider tax which is used to match federal Title XIX funds must be applied to increasing reimbursement rates and cannot be used to replace existing state expenditures paid to long-term care facilities. The budget accounts for the provider tax received by the industry.

The provider tax is an established uniform rate based on the non-Medicare patient days. Since the inception of the program, the tax has been set at the equivalent of 6 percent of total annual gross revenues. For the 2007-09 biennium, the Legislature approved a reduction in the amount of provider tax to 5.5 percent beginning October 1, 2007, in order to comply with the Deficit Reduction Act (DRA), which placed restrictions on the use of provider taxes. The reduction in the provider tax rate reduces the pool of revenue available to match federal Title XIX funds, which in turn reduces the amount of funding used to increase reimbursement rates paid to long-term care facilities. Even with the rate reduction, long-term care facilities continue to receive a reimbursement rate that is significantly higher compared to the rates received prior to the implementation of the provider tax program. It is estimated long-term care facilities will receive an average per bed day rate of \$169.25 for FY 2009-10 and \$169.35 for FY 2010-11, compared to the average per bed day rate of \$121.73 received prior to the implementation of the provider tax program. The net increase (net of the tax) realized by nursing homes is anticipated to be \$23.76 in FY 2009-10 and \$24.19 in FY 2010-11.

NEVADA CHECK UP

The Balanced Budget Act of 1997 created the State Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act to enable states to initiate and expand health care coverage targeted to low-income and uninsured children. The Check Up program was approved as a stand-alone program that covers children ages birth through 18 years from families with income up to 200 percent of the federal poverty level (FPL). Eligibles pay quarterly premiums ranging from \$0 to \$80 based on their income level and family size. Services are provided under a managed care arrangement with participating HMOs in Clark and Washoe Counties and on a fee-for-service basis in areas of the state where an HMO network does not exist.

Overall, the Legislature approved total funding for the Check Up program of approximately \$89.7 million for the 2009-11 biennium, which is only slightly more than the \$89.5 million approved for the 2007-09 biennium. The Legislature approved General Fund support totaling approximately \$27.7 million over the 2009-11 biennium, which is an increase of approximately \$4.3 million when compared to the legislatively-approved amount for the 2007-09 biennium.

- Caseload – Nevada Check Up is not an entitlement program like Medicaid; therefore, enrollments can be capped and funding for caseload growth is considered an enhancement. The 2009 Legislature did not approve the Governor’s recommendation to cap enrollment in the Check Up program at 25,000 enrollees in each year of the 2009-11 biennium. The department had indicated that removing the enrollment cap was its first priority for additional funding from the Legislature. Concern was expressed during the budget hearings that capping the program during the current economic downturn would eliminate an option for families that are struggling financially to ensure that their children are provided basic health services.

Based on these concerns and updated caseload projections provided by the division, the Legislature approved an uncapped average monthly enrollment for the program of 24,753 in FY 2009-10 and 31,035 in FY 2010-11. The division indicated that enrollment in the program had decreased during the last half of FY 2007-08 and most of FY 2008-09 primarily because there were vacancies in the program’s eligibility staff positions and because processing times were increasing due to new federal requirements. Although the Legislature determined that the enrollment projections were aggressive, it approved the funding necessary to serve those projections based on the fact that uninsured children were likely to be enrolled in either the Medicaid CHAP eligibility group or the Check Up program depending on the income level of their parents. The Legislature reasoned that if the enrollment in the Medicaid CHAP eligibility group continues to increase, the projected enrollments for Check Up may not be reached. However, the Legislature noted that if the Medicaid CHAP enrollment levels off or declines over the 2009-11 biennium, it is likely that Check Up enrollments will increase as a result. The money committees noted that if an increase in the Medicaid CHAP eligibility group occurs, the funds approved for the projected Check Up enrollment could be transferred from the Check Up account to the Medicaid account to fund the enrollment growth. Removing the enrollment cap from the Check Up program increased General Fund need for the program by approximately \$2.8 million over the 2009-11 biennium.

- Budget Reduction Measures – As originally submitted, The Executive Budget recommended continuing to cap dental services for Check Up enrollees at \$600 per year. Based on the requirements included in the Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA) for states to include dental services as a benefit under SCHIP, the Governor submitted a budget amendment, which was approved by the Legislature, to restore full dental benefits to Check Up enrollees. The Legislature went further by not approving the Governor’s recommendation to continue the elimination of non-medical vision services and orthodontia services for Check Up enrollees. The decision to restore these services resulted in the need to add General Funds totaling approximately \$350,445 over the 2009-11 biennium.
- Rate Increases – Similar to the rate increases approved in the Medicaid budget (see the Medicaid section of this report), the Legislature approved mandatory rate increases for HMOs and inflation adjustments for transportation services. The

revised mandatory increases for HMOs and non-emergency transportation rates reduced General Fund appropriations by approximately \$863,000 in FY 2009-10 and \$918,000 in FY 2010-11. During the Legislature’s review of the Governor’s recommendations, it was determined the HMO inflation rates were overstated because the actuary did not consider the 5 percent reduction in inpatient hospital rates implemented during the 2007-09 biennium. The costs of uncapping the enrollment in the Check Up program were offset significantly by the reduction in HMO and non-emergency transportation rates.

MEDICAID

Medicaid is the state-administered program for medical assistance. The Medicaid program purchases or provides medical services for persons who meet certain eligibility criteria. Medicaid covers three main groups of low-income people: parents and children; the elderly; and the disabled. Under federal Medicaid law, there are certain eligible groups and benefits that must be covered by states. However, states are given discretion and flexibility to determine the various categories of benefits and the eligible groups their Medicaid programs will cover. Nevada has adopted both optional eligibility groups and optional benefit packages to be covered under its Medicaid plan.

The 2009 Legislature approved total funding in the Medicaid program of approximately \$2.91 billion for the 2009-11 biennium, which is an increase of approximately \$117.8 million when compared to the total funding recommended by the Governor. The funding includes General Fund support of approximately \$867.9 million for the 2009-11 biennium, which is a decrease of approximately \$62.1 million when compared to the General Fund support recommended by the Governor.

The 2009 Legislature addressed a number of major issues during the process of reviewing the Medicaid budget for the 2009-11 biennium. From a General Fund standpoint, the most significant issue was the increase in the federal medical assistance percentage (FMAP) resulting from the American Recovery and Reinvestment Act of 2009 (ARRA). Although the Governor had included an FMAP increase in his recommended budget, ARRA included a far more generous FMAP increase than the one projected in The Executive Budget. The following table compares the FMAP increase recommended in The Executive Budget to the FMAP increase provided for in ARRA:

**Governor Recommends FMAP Compared to
ARRA FMAP**

State FY	2008-09	2008-09	2008-09	2009-10	2009-10	2009-10	2009-10	2010-11	2010-11
Quarter	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd
Ending on	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10
Governor Rec.	50.00	52.64	52.64	52.64	58.00	58.00	58.00	58.00	50.00
ARRA									
Hold Harmless	52.64	52.64	52.64	52.64	52.64	52.64	52.64	52.64	52.64
Gen. Increase	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Unemployment	5.09	5.09	5.09	5.09	5.09	5.09	5.09	5.09	5.09
Final Total	63.93	63.93	63.93	63.93	63.93	63.93	63.93	63.93	63.93

The Governor submitted a budget amendment to incorporate the ARRA FMAP increases in the budget. Rather than including the impact of the increased FMAP in a separate decision unit as was done in The Executive Budget for the Governor's projected FMAP increase, the amendment incorporated the adjusted FMAP rate increase provided for in the ARRA across the various decision units in the budget and included other revenue and expenditure adjustments and corrections to errors in The Executive Budget. As a result of the manner in which the budget amendment was constructed, the impact resulting from the ARRA was not easily identified during the 2009 Session; however, since the Legislative Session, the division has estimated that based on the legislatively-approved expenditures in the Medicaid budget, General Fund appropriations were approximately \$152.0 million less in FY 2009-10 and approximately \$76.4 million less in FY 2010-11 than they would have been if the same level of expenditures had been approved without the increased FMAP provided for in the ARRA.

As is customary during the Legislative Session, the division reprojected Medicaid expenditures in March. The rejections considered the most recent caseload projections, cost per eligible (CPE) data and mandatory inflation rate increases for pharmacy, managed care and transportation services. This information is used as a guide to make adjustments to the Medicaid budget as recommended by the Governor. Although the rejections of mandatory inflation increases for managed care increased Medicaid expenditures by approximately \$5.7 million in FY 2009-10 and \$5.8 million in FY 2010-11, the latest caseload projections and CPE data reduced Medicaid expenditures by approximately \$6.7 million in FY 2009-10 and \$14.3 million in FY 2010-11.

- Caseload Growth – The 2009 Legislature approved an increase in the projected caseloads for the upcoming biennium based on actual caseload history through February 2009, which indicated caseloads were trending higher than the caseload projections included in the Governor's budget. Of the total increase in caseloads noted in the table below, the Child Health Assurance Program (CHAP)-eligible caseload is projected to increase by 5,763 recipients per month for FY 2009-10 and 10,313 recipients per month for FY 2010-11.

FY 2009 (proj)	FY 2010 Gov Rec	FY 2010 Revised	Diff +/-	FY 2011 Gov Rec	FY 2011 Revised	Diff +/-
189,014	208,021	213,511	5,490	224,489	226,373	1,884

Note: Caseload totals exclude **Special Low Income Medicare Beneficiaries (SLMBs)** who are Medicare recipients with incomes between 100% - 120% of the federal poverty level. Medicaid pays the Medicare Part B medical insurance premiums only for these recipients.

Although overall caseloads are projected to increase slightly over the caseloads recommended in The Executive Budget, projected expenditures were reduced as a result of a reduction in the CPE rate for the Temporary Assistance for Needy Families (TANF)-eligible caseload group. The CPE used in the Governor's recommended budget was heavily impacted by FY 2007-08 expenditures that were

not paid until July of 2008 (FY 2008-09) because of insufficient available funding at the end of FY 2007-08.

- Mandatory Rate and Inflationary Increases – The 2009 Legislature approved approximately \$107.4 million (\$47.3 million General Funds) over the 2009-11 biennium for mandatory inflation and rate increases for pharmacy, managed care and transportation services. Adjustments to the inflation and rate increases were approved based on more recent information provided by the division’s actuary. The table below compares the mandatory inflation and rate increases recommended by the Governor to the revised increases approved by the Legislature.

Provider	Gov Rec FY 2010	Revised FY 2010	Gov Rec FY 2011	Revised FY 2011
HMOs	4.7%	2.9%	5.0%	5.0%
Transportation	5.0%	2.6%	5.0%	4.9%
Pharmacy	0.0%	0.0%	0.0%	0.0%

The division indicated that although pharmacy rates are increased annually, the Medicaid program had not experienced an increase in pharmacy CPE due to reduced pharmacy utilization. The division indicated that the implementation of the national Drug Code (NDC) requirement had not only increased drug rebates for the program, but had decreased utilization of prescription drugs as well. For these reasons the Legislature approved the Governor’s recommendation not to include funding for pharmacy inflation in either year of the 2009-11 biennium.

- Increased Rates for Pediatric Home Health Providers – Based on information presented during the budget review process indicating that recipients of pediatric home health services would be unable to access services during the upcoming biennium if rates for providers were not increased, the Legislature approved additional General Funds totaling approximately \$478,000 in FY 2009-10 and \$558,000 in FY 2010-11 to increase rates for those providers. The increase amounted to an average 40 percent increase in the rates provided for pediatric home health services, including nursing, physical therapy and occupational and speech therapy services. The increase was not included in the Governor’s recommended budget, but the Legislature determined that funding for the rate increase was necessary to ensure access to care.
- Budget Reduction Measures – The 2009 Legislature considered the Governor’s recommendation to continue five budget reduction measures that were implemented during the 2007-09 biennium and to implement five new budget reduction measures for the 2009-11 biennium.

The Legislature approved the Governor’s recommendation to continue the elimination of payments to hospitals for Graduate Medical Education during the 2009-11 biennium for a General Fund savings of \$295,929 in FY 2009-10 and \$353,113 in FY 2010-11. The Legislature also approved the Governor’s

recommendation to continue the elimination of the pediatric and obstetric enhancements for physicians in the Nevada Medicaid and Check Up programs. The elimination of the rate enhancements reduced General Fund appropriations for the division by approximately \$2.6 million in FY 2009-10 and \$3.1 million in FY 2010-11. Although physicians and other health care professionals expressed concerns regarding the impact of these reductions, the division indicated that Nevada Medicaid's physician rates still compare favorably to 2007 Medicare rates and the reimbursement rates paid in other western states.

The Legislature also approved the Governor's recommendation to continue the 5 percent reduction in inpatient hospital reimbursement rates that was implemented during the current biennium; however, the Legislature did not approve the Governor's recommendation to decrease those rates by an additional 5 percent during the 2009-11 biennium. The Legislature determined that the continuation of the 5 percent rate reduction implemented during the 2007-09 biennium was necessary based on the General Fund revenue shortfall, but the Legislature determined that any additional reductions would impact the abilities of hospitals to provide care for Medicaid recipients. The decision not to implement the second 5 percent rate reduction resulted in increased General Fund expenditures totaling approximately \$4.1 million in FY 2009-10 and \$5.6 million in FY 2010-11 in the Medicaid and Check Up budgets.

The Legislature concurred with the Governor's recommendation to continue the limitations on personal care services implemented during the 2007-09 biennium. Personal care services for bathing, grooming and dressing were limited to one hour per day and personal care services for exercise were eliminated entirely. The division indicated that it had implemented administrative provisions to ensure that people who are at risk of being placed in an institution can receive additional hours of service to enable them to live independently. The division also noted that reports provided by personal care agencies to the division reflect that the reduction in hours of service was not having any significant impact on hospital or nursing home placements for recipients of personal care services. The Legislature did not concur with the Governor's recommendation to continue the elimination of non-medical vision services for adult Medicaid recipients. The restoration of these services resulted in the need to add General Funds totaling \$419,682 in FY 2009-10 and \$516,858 in FY 2010-11 to the Medicaid budget.

The Legislature approved a budget amendment submitted by the Governor to eliminate a decision unit that would have revised the TANF/CHAP earned income disregards back to the ones in effect prior to February 2007. Because the Governor's original recommendation would have violated the maintenance of effort requirement included in the ARRA, the Legislature concurred in the elimination of the recommendation to ensure the state could receive the increased FMAP provided for in the ARRA.

The Legislature approved the Governor's recommendation to eliminate incentive payments paid to health maintenance organizations (HMO) for achieving certain health outcomes, but did not approve the Governor's recommendation to remove statutory restrictions that prevent the division from adding certain categories of drugs to the division's preferred drug list. The decision not to approve the changes to the preferred drug list resulted in the need for additional General Funds totaling approximately \$1.0 million in FY 2009-10 and \$1.2 million in FY 2010-11. Members of the money committees expressed concerns that adding the proposed classes of drugs to the preferred drug list would restrict the ability of Medicaid recipients to fill prescriptions prescribed by their doctors.

The 2009 Legislature did not approve the Governor's recommendation to reduce the reimbursement rate for personal care services from approximately \$18.50 per hour to approximately \$15.50 per hour for all department programs that use such services. It was noted during the budget hearings that the provider of services for the PAS program for the Office of Disability Services also performed case management services for the clients of the program, whereas in the Nevada Medicaid and Aging and Disability Services Division programs, case management services are provided by state employees. Based on this information, the Legislature approved a proposal submitted by the department to retain the \$18.50 reimbursement rate for the Office of Disability Services program and to reduce the rate for the Medicaid and the Aging and Disability Services Division programs to \$17.00 per hour, which is one-half of the reduction recommended by the Governor. The partial restoration of the personal care services rate for the Medicaid program resulted in the need to add General Funds totaling approximately \$1.6 million in FY 2009-10 and \$1.9 million in FY 2010-11.

- Revenues and Expenditure Offsets – The 2009 Legislature approved the Governor's recommendation to continue six measures that were implemented during the 2007-09 biennium to generate new revenues or to offset expenditures for the Medicaid program over the 2009-11 biennium. The measures include:
 - Installing clinical claims editor software for MMIS. The software identifies claims that should be denied for such reasons as billing mutually exclusive procedure codes, using an assistant surgeon when not warranted, or claiming for unlisted procedures. The 2007 Legislature approved approximately \$1.4 million in funding to procure a clinical claims editor system. The General Fund savings are projected to be \$439,418 in FY 2009-10 and \$542,187 in FY 2010-11, based on the increased FMAP resulting from the ARRA.
 - Implementing more efficient diabetic supply procurement practices. The supply procurement program uses the First Health/Provider Synergies market share purchasing power in the Medicaid market to negotiate rebates for diabetic supplies paid for by the states that participate in the program. First Health or Provider Synergies have pharmacy contracts in over one-half of the states. The General Fund savings are projected to be \$108,697 in FY 2009-10 and \$142,258 in FY 2010-11 based on the increased FMAP resulting from the ARRA.

- Implementing poly pharmacy criteria that prevent the prescription of multiple drugs in the same therapeutic class to the same recipient at the same time. The poly pharmacy criteria were implemented July 1, 2008. The General Fund savings is projected to be \$195,443 in FY 2009-10 and \$240,696 in FY 2010-11.
- Increasing rebates from physician-administered drugs. Due to a requirement in the federal Deficit Reduction Act, a National Drug Code (NDC) number is now required for all physician-administered drugs. Prior to the implementation of the NDC requirement, the state received rebates only for physician-administered brand name drugs. The General Fund savings are projected to be \$1,770,131 in FY 2009-10 and \$2,179,996 in FY 2010-11.
- Finalizing a care management and care coordination contract with APS Healthcare Midwest (APS). A clause in the contract requires that the division must realize savings of \$4 million in FY 2008-09 and \$6 million in FY 2009-10. The contract can be renewed for another two fiscal years (FY 2010-11 and FY 2011-12). Based on the current contract terms and the increased FMAP resulting from the ARRA, the General Fund savings are projected to be \$1,596,581 in FY 2009-10 and \$2,215,868 in FY 2010-11. The 2007 Legislature approved approximately \$8.5 million over the 2007-09 biennium to contract with a utilization review contractor to establish a care management and care coordination program for an estimated 4,000 Medicaid recipients not enrolled in managed care.
- Increasing County Reimbursement revenue and decreasing General Fund appropriations by \$1,758,031 in FY 2009-10 and \$1,791,226 in FY 2010-11, based on the decision made during the 2007-09 biennium to charge the counties for Medicare Part D Clawback payments for dual eligibles in the County Match aid category. When Medicare Part D was implemented on January 1, 2006, states that had been responsible for 100 percent of the costs for prescription drugs for dual-eligibles (those eligible for Medicare and Medicaid) were no longer required to cover prescription drug costs for these recipients, because those costs were covered under Medicare Part D. Because the states were no longer responsible for these costs, the Part D provisions require states to pass the savings on to the federal government in the form of a monthly Clawback payment.
- Use of Indigent Supplemental Account Funds to Offset General Funds for the Medicaid Program – The 2009 Legislature did not approve the Governor's recommendation to transfer the revenues projected for the Indigent Supplemental account (\$55.9 million over the biennium) to the division's Intergovernmental Transfer account as a means of offsetting General Funds in the Medicaid account. The Legislature instead approved the transfer of the revenues from the Indigent Supplemental account to the state General Fund. As a result of decreased property tax revenue projections, the amount transferred to the state General Fund

was reduced to \$48.2 million over the biennium. The Legislature was concerned that using the property tax receipts to offset General Fund appropriations for the Medicaid program would result in Nevada being unable to take advantage of the increased FMAP rates provided for in the ARRA.

HIFA MEDICAL

With passage of A.B. 493, the 2005 Legislature approved a significant expansion of health care coverage for low-income Nevadans. The legislation required the division to apply for a HIFA waiver from the CMS. A HIFA waiver provides states flexibility to expand health care coverage while limiting financial risk through various means, such as capping enrollment and expenditures, cost-sharing, and limiting services and benefits. The expansion was intended to cover the following three coverage groups:

- Pregnant women with income levels from 134 percent of the FPL up to 185 percent of FPL.
- A premium subsidy for an Employer Sponsored Insurance Subsidy (ESI) product in an amount up to \$100 per person, per month, to employees and their spouses who work for small employers (2-50 employees) and who have household incomes less than 200 percent of FPL.
- Catastrophic event coverage to qualified indigent individuals with incomes up to 150 percent of FPL currently covered under county-based programs funded by the Indigent Supplement monies.

To fund the expansion, the 2005 Legislature approved the use of a combination of state General Funds, proceeds received from property tax levies that fund the Indigent Supplement Fund, and federal Title XXI (SCHIP) and Title XIX (Medicaid) funds. The CMS approved Nevada's HIFA waiver in November 2006, and enrollment for pregnant women began effective December 1, 2006. The approval was contingent on the division significantly reducing the original scope and design of the expansion and modifying the intended funding sources. First, CMS did not consider the proposal to cover inpatient hospitalization services (episodic care) under the catastrophic care initiative as meeting HIFA demonstration waiver's primary goal of expanding health insurance coverage. Therefore, this portion of the expansion as proposed in A.B. 493 was eliminated from the waiver. Second, the Deficit Reduction Act of 2005 approved by Congress prohibits CMS from approving any future waivers that allow a state to use Title XXI funds for health insurance coverage for non-pregnant individuals without children. This restriction limits marketing the ESI product to employees of small employers who are parents; single adults are not eligible. Additionally, CMS reinterpreted how Title XIX funds can be used under a HIFA waiver. Based on this new interpretation, if Nevada uses federal Title XIX funds to cover the expansion of health care coverage for pregnant women, the expansion will be considered an entitlement similar to other categorical eligible groups covered by Medicaid. The new interpretation from CMS limits the flexibility to fiscally manage and control costs and caseloads under the HIFA waiver by not allowing Nevada to cap pregnant women caseloads or expenditures if federal Title XIX funds are used.

The Governor recommended terminating the HIFA waiver program effective June 30, 2009, primarily because the program had to be discontinued in order to cap enrollment in the Nevada Check Up program. In approving the HIFA waiver in November 2006, CMS stipulated that the approval should not be at the expense of covering children's health care in the SCHIP program. The Legislature approved additional General Funds totaling approximately \$817,000 over the biennium to continue the HIFA waiver program throughout the 2009-11 biennium at the division's latest projected enrollment for the program. The division's projections of enrollment for the pregnant women component of the program averaged 189 women in FY 2009-10 and 227 women in FY 2010-11. The division's projections of enrollment for the ESI component of the program averaged 13 employees in FY 2009-10 and 23 employees in FY 2010-11.

The money committees received testimony from the division indicating that the HIFA waiver program will likely need to be terminated after the 2009-11 biennium as a result of the provisions of CHIPRA. Based on those provisions, if the state wishes to continue covering the health care costs of pregnant women between 133 percent of FPL and 185 percent of FPL after September 30, 2011, the state will need to cover them under the Medicaid program. The SCHIP coverage for non-pregnant adults will no longer be available at that time.

HEALTH DIVISION

The State Health Division has four bureaus, plus an administrative section, to protect the health of Nevadans and visitors to the state. The division operates under the guidance of a seven-member, Governor-appointed State Board of Health that enforces health laws and regulations, promotes public health education, investigates the causes of disease, and provides direct public health services in Nevada's rural counties.

In total, the 2009 Legislature approved \$166.7 million in funding in FY 2009-10 for the Health Division, with \$173.4 million approved for FY 2010-11. The amount approved for FY 2009-10 represents an 18.6 percent increase from the actual amount expended in FY 2007-08 (\$140.6 million). This 18.6 percent increase is partly due to the \$1.3 million in General Fund budget reductions made during FY 2007-08. The legislatively-approved amount for FY 2010-11 is a 4 percent increase over the FY 2009-10 amount.

General Fund support for the Health Division for FY 2009-10 totals \$25.9 million, which is a 9 percent increase from the amount actually expended in FY 2007-08. For FY 2010-11, the approved amount of General Fund is \$28.8 million. Over 60 percent of the total General Fund within the Health Division is used to support early intervention services for children with developmental delays.

The total approved federal funding decreased slightly from the FY 2007-08 amount of \$84.2 million. For FY 2009-10, the total federal funding is \$82.3 million, and for FY 2010-11, the total federal funding authorized is \$86.2 million. The reduction in FY 2009-10 reflects the transfer of the IDEA Part C grant to the Aging and Disability Services Division effective FY 2009-10, which is discussed in more detail in the Early Intervention Services section below.

OFFICE OF HEALTH ADMINISTRATION

The Office of Health Administration provides support functions for the entire Health Division, including the State Board of Health. Programs include administration, central business management, accounting, personnel and the division's health planning function.

In an effort to perform its work more efficiently, The Executive Budget recommended, and the Legislature approved, a reorganization of the Health Division's bureaus. The reorganization reduced the number of bureaus within the division from six to four. The new bureaus are listed below, with the types of programs that are now housed in them.

1. Child, Family and Community Wellness
 - Autism Screening
 - Minority Health
 - Community Health Programs (Chronic Disease, Communicable Disease, WIC, Maternal and Child Health, Immunization)
2. Frontier and Rural Public Health Services
 - Community Health Nursing
 - Frontier and Rural Health
 - Environmental Health
3. Health Care Quality and Compliance
 - Health Facility Inspection and Licensing
 - Radiological Health Inspection and Licensing
 - Medical Laboratory Inspection and Licensing
4. Health Planning, Statistics and Emergency Response
 - Emergency Medical Services Licensing (rural and frontier)
 - Public Health Preparedness
 - Vital Statistics

Early Intervention Services will be a separate program under the aegis of the Health Administration function.

A total of 30 positions were approved to transfer among Health Division budget accounts to implement the reorganization plan. Furthermore, 41.77 positions were eliminated division-wide due to the reorganization.

In the Health Administration budget, 13 positions were approved for elimination, but 13 other positions were approved to transfer in for the purpose of consolidating the fiscal and accounting services within Health Administration, under the supervision of the division's Chief Fiscal Officer.

HEALTH STATISTICS AND PLANNING (FORMERLY VITAL STATISTICS)

The Office of Vital Records serves as the official permanent custodian of original documents, which encompasses: filing, maintaining and protecting birth and death certificates and related vital records; providing legal corrections and amendments to vital records; and maintaining an official database of vital statistics information for use in a wide variety of private and public programs both statewide and nationally.

The Legislature approved an amendment to The Executive Budget which corrected an erroneous recommendation that reduced General Fund support in order to balance a reduction in the Behavioral Risk Factor Survey category. The Behavioral Risk category is solely funded by federal grant monies. The amendment restored \$486,102 in state General Fund to this budget over the 2009-11 biennium. In addition, the 2009 Legislature approved General Funds of \$236,124 over the biennium to support software upgrades and maintenance, particularly for the Electronic Death Registry System. Finally, two positions that were approved by the 2007 Legislature to staff the Health and Human Services Data Warehouse (one Biostatistician and one Information Systems Specialist) were eliminated, for a General Fund savings of \$130,694 in FY 2009-10 and \$131,815 in FY 2010-11. The positions were eliminated because the data warehouse enhancement was eliminated during FY 2007-08 to realize budget reductions, and so the positions to staff it were never filled.

EARLY INTERVENTION SERVICES

Early Intervention Services (EIS) works to identify infants and toddlers with, or who are at risk for, developmental delays. The program provides services and support to families with children from birth to age three, who have been diagnosed as developmentally delayed in the areas of cognition, communication, physical development, social/emotional development and adaptive skills. In addition, the clinics provide services to children who are at risk of becoming developmentally delayed.

Program services and support to families is provided by and budgeted within the Health Division. However, administration and oversight for the IDEA Part C federal grant is now operated within the Aging and Disability Services Division. The Part C compliance function provides the federal portion of EIS's funding as well as the program's regulatory structure. In FY 2007-08, the administration and compliance function was transferred from the Health Division to the Department of Health and Human Services Director's Office, in order to keep direct services and compliance separate. However, with the 2009 Legislature's approval of the consolidation of the Office of Disability Services with the Aging Services Division, the IDEA Part C Compliance budget moved to the newly created Aging and Disability Services Division, effective July 1, 2009.

To address caseload growth and the waiting list for intervention therapies, the 2009 Legislature approved a caseload enhancement of \$10.4 million over the 2009-11 biennium, of which \$6.5 million is General Fund and \$3.9 million comes from the federal American Recovery and Reinvestment Act. The enhancement is designed

to clear the waiting list for intervention therapies and add new caseload capacity to serve additional children. The Health Division calculated the waiting list at 669 children. The enhanced funding will not be used in the EIS clinics, but instead will be provided to non-profit organizations that contract with the state to provide intervention services to children. The Legislature issued a letter of intent instructing the division to report every six months on the progress made toward clearing the waiting list.

PUBLIC HEALTH TOBACCO FUND

The Public Health Tobacco Fund budget exists to administer public health grants using the interest income from the Trust Fund for Public Health. The Trust Fund for Public Health was created by the 1999 Legislature, and it receives 10 percent of each annual tobacco settlement payment. The interest from that portion of the tobacco settlement payment supports various projects that promote public health in Nevada, such as smoking cessation, child health, and disease prevention.

Pursuant to Senate Bill 430 of the 2009 Legislature, \$36,827,466 was diverted from the Trust Fund for Public Health to the General Fund in order to help meet budget reduction targets. As a result, only approximately \$1.6 million remains in the Trust Fund. This amount is insufficient to generate enough interest income to operate the grant program, so the 2009 Legislature approved the elimination of the Public Health Tobacco Fund budget for the 2009-11 biennium. The money committees also issued a letter of intent instructing the Health Division to consult with Budget Division and Fiscal Analysis Division staff on whether to include the Public Health Tobacco Fund budget in its budget request for the 2011-13 biennium, based on how much principal is in the Trust Fund for Public Health at the time of budget building.

IMMUNIZATION PROGRAM

The purpose of the Immunization program is to prevent the occurrence of vaccine-preventable diseases in Nevada by promoting immunizations and by providing vaccines to health care providers for uninsured and under-insured Nevadans. State-supplied vaccines are provided free of charge to all physicians, hospitals, or clinics that agree to meet the requirements of the program.

The 2009 Legislature approved the reinstatement of the Immunization Registry expansion effort that was approved by the 2007 Legislature. This approval will permit the state Program Officer position to continue to provide training and guidance to providers in using the immunization registry (known as WebIZ) and will provide funding for contract information technology workers to design and update the WebIZ database. The total cost of this enhancement is \$256,260 in FY 2009-10 and \$209,230 in FY 2010-11, half of which is funded by the General Fund, with the other half funded by the federal Immunization grant. The money committees issued a letter of intent instructing the Health Division to seek other, non-state funds that could offset some or all of the General Fund cost for this enhancement.

The 2009 Legislature approved an increased transfer of Title XXI funds from the Nevada Check Up budget from \$956,760 in FY 2007-08 to \$1.53 million for FY 2009-10 and \$1.57 million for FY 2010-11. The transfer of Title XXI funds provide for the purchase of vaccines made available to children who are enrolled in Nevada Check Up. Most of the General Fund appropriation included in the Immunization budget is used as state match for the Title XXI funds. To correspond to the increased Title XXI funding, General Fund support for vaccine purchases was approved to increase to approximately \$816,000 in FY 2009-10 and approximately \$841,000 in FY 2010-11. In comparison, approximately \$529,000 in General Fund was spent on vaccines during FY 2007-08. Total General Fund approved for this budget for FY 2009-10 is approximately \$968,000, with approximately \$969,000 approved for FY 2010-11.

COMMUNICABLE DISEASES (FORMERLY SEXUALLY TRANSMITTED DISEASE CONTROL)

The major objective of the programs comprising the Communicable Diseases budget is to reduce the incidence and prevalence of HIV/AIDS and other sexually transmitted diseases. The program emphasizes the importance of education, counseling, testing, treatment and referrals to appropriate community services. Program efforts include HIV/AIDS surveillance and monitoring; HIV/AIDS comprehensive care, including drug treatment and community-based services; tracking of other reportable diseases; and planning/community organization for HIV prevention and care services.

Since the Department of Health and Human Services' projections for caseload for the AIDS Drug Assistance Program (ADAP) indicate that there may not be sufficient funding for ADAP clients' medications in the 2009-11 biennium, the Legislature approved more funding than was recommended by the Governor for the ADAP. The Legislature approved \$1.9 million for each fiscal year of the biennium to support ADAP medication costs, compared to the Governor's amended request of \$1.8 million per year. The extra funding could forestall the need for the Health Division to redirect some of its federal Ryan White grant monies to medication expenses. However, if the caseload produces a strain on the ability to serve all qualified ADAP clients who need medications, the Health Division may fund fewer sub-grants for "wraparound services" such as counseling and drug treatment in order to address the caseload needs.

In addition, the Legislature permitted the Health Division the flexibility to transfer its General Fund appropriations for ADAP medications between fiscal years of the 2009-11 biennium with the approval of the Interim Finance Committee (pursuant to Assembly Bill 562, the Appropriations Act). However, this flexibility was approved on the condition that the division present cost containment measures for the ADAP if it requests a General Fund transfer, and that the Health Division discuss the feasibility of implementing a waiting list for ADAP with all relevant stakeholders. The Legislature's instruction to hold discussions with stakeholders about the possibility of implementing cost containment measures and an ADAP waiting list is addressed in a letter of intent issued by the money committees.

Pharmaceutical company rebates are also expected to increase somewhat in the 2009-11 biennium, owing to the division's improved processes for requesting rebates from companies. Therefore, the Legislature authorized approximately \$500,000 per fiscal year in rebate revenue. This revenue also supports ADAP medication costs. In contrast, during FY 2007-08, the division received approximately \$110,000 in pharmaceutical company rebates.

HEALTH FACILITIES HOSPITAL LICENSING

The primary function of the Health Facilities budget is to license and regulate health facilities in accordance with NRS and NAC regulations, and to certify that health facilities that participate in Medicare/Medicaid reimbursement programs comply with the federal agreements with the Centers for Medicare and Medicaid Services. The program also has the responsibility to inspect, monitor and evaluate the care and treatment received by individuals residing in medical and group care facilities. The program also conducts complaint investigations regarding medical facilities and coordinates with other oversight bodies, such as the Board of Medical Examiners and the Board of Pharmacy.

The 2009 Legislature approved the addition of 11 new Health Facility Surveyor positions in order to bring the time between inspections of currently regulated facilities to 18 months, except where more frequent inspections are already mandated. This enhancement was funded entirely with fee revenues, at a cost of approximately \$734,000 in FY 2009-10 and \$911,000 in FY 2010-11. Previously, many types of facilities went several years between inspections, due to the prioritization of the workload. Eighteen-month periodicity for inspections will allow the staff of the Bureau of Health Care Quality and Compliance to develop relationships with licensed facilities that can facilitate training opportunities and the ability to catch problems in the early stages, before complaints might be generated.

The 2009 Legislature also added a new facility to the list of facilities to be inspected. A.B. 123 mandates that doctors' offices where procedures requiring anesthesia are performed must receive a permit from and be inspected by the Health Division annually. Assembly Bill 123 also makes permitting and yearly inspections a requirement for Ambulatory Surgery Centers. Depending on how many doctors' offices will require permitting and inspection, approximately three additional Health Facility Surveyors may be hired to address the new workload. All new staff necessary to address the requirements of A.B. 123 will be funded with reserved fees until the new staff can be supported with fee income from the regulated facilities.

The Legislature also approved one new Biostatistician position, funded by fees, to identify trends in the inspection data that will assist in policy development and decision-making for the Bureau of Health Care Quality and Compliance. The Legislature disapproved the Governor's recommendation to add one new Management Analyst position to this budget, since the new Biostatistician, in coordination with bureau and division management, would be expected to develop program guidance and policy for Health Facility Surveyors.

EMERGENCY MEDICAL SERVICES

The Emergency Medical Services (EMS) program establishes and enforces standards for the provision of quality pre-hospital emergency care, the operation of ambulance services, certification of EMS personnel and licensure of attendants. The program also supports the emergency medical services system in all counties except Clark by providing technical assistance, consultation and training to EMS personnel. The EMS budget is funded by General Fund appropriations and licensure fees.

An Executive Branch audit completed during FY 2007-08 (Audit 08-03) recommended that the Medical Marijuana Registry program, authorized under NRS 453A, be moved from the Department of Agriculture to the Health Division. This transfer to the Health Division was recommended by the Governor and the Marijuana Registry program was recommended to be placed into the EMS budget. The Medical Marijuana Registry provides cards enabling chronically ill persons or their designated caregivers to purchase or possess certain amounts of marijuana. The 2009 Legislature approved the formal transfer of the program from the Department of Agriculture to the Health Division, via the approval of Assembly Bill 538. However, instead of locating Medical Marijuana within EMS, the program was established in the Medical Marijuana budget account, which was added to The Executive Budget. In addition, one existing Administrative Assistant position was transferred from the EMS budget to the Medical Marijuana budget to administer the registry. The position is to be funded by registration and application fees. Since the transferred position was previously funded by General Fund appropriations, the transfer saved approximately \$97,000 in General Fund over the 2009-11 biennium.

DIVISION OF WELFARE AND SUPPORTIVE SERVICES

The Division of Welfare and Supportive Services is responsible for administering the delivery of cash grants and food stamps, enforcing child support, administering employment and training programs for welfare recipients, distributing child care funding, and determining eligibility for Nevada's Medicaid program.

The 2009 Legislature approved \$569.7 million in total funding for the division over the 2009-11 biennium, an increase of \$18.6 million when compared to the total funding recommended by the Governor. The funding approved for the division includes General Fund support in the amount of \$147.1 million over the 2009-11 biennium, a decrease of approximately \$13.2 million when compared to the General Fund support recommended by the Governor, and an increase of \$2.0 million when compared to the General Fund support approved for the 2007-09 biennium.

WELFARE AND SUPPORTIVE SERVICES ADMINISTRATION

The Division of Welfare and Supportive Services Administration budget supports the administrative staff that provides oversight to the various programs administered by the division. The budget also includes support resources utilized by and provided to the division's field staff for the operation of the various programs under the division's jurisdiction.

To improve efficiency in the division's field offices and expand the application for public assistance online, the Legislature approved transfers of \$1.6 million in federal Supplemental Nutritional Assistance Program (SNAP) and Title XIX funding to support a technology investment request (TIR) in the Information Technology Projects account of the Department of Administration. To provide product management support and development for the TIR, the Legislature approved eight of the nine new information technology positions recommended by the Governor. In approving these positions, the Legislature approved accelerated start dates to allow the positions to participate in training as soon as they are hired and to better coordinate the timeframes the positions will work with the implementation vendor.

The Legislature approved the Governor's recommendation to add two Quality Control Specialist positions to address caseload increases associated with SNAP case review requirements, and one Hearing Officer to address the impact of caseload increases on federally-mandated hearings.

The Legislature supported increases in the cost of electronic benefit transfers (EBT) each year associated with increases in SNAP and Temporary Assistance for Needy Families (TANF) cases, as recommended by the Governor, with revisions provided by the division. In supporting increases in EBT costs, the Legislature approved the addition of federal SNAP American Recovery and Reinvestment ACT (ARRA) funds of \$651,992 in FY 2009-10 and \$217,331 in FY 2010-11 in lieu of General Funds as recommended.

To reduce its reliance on master service agreement (MSA) contract expenses, the Legislature supported the Governor's recommendation to add 13 Information Technology positions, with offsetting reductions in MSA contractors. In considering this recommendation, the Legislature supported a revision in the timeframe under which the MSA contractors would overlap with state positions from six months to four months resulting in savings of approximately \$400,000 over the biennium.

The Governor recommended the elimination of 12 positions from the Administration account, including 4 Information Technology positions. Upon closer review by the Legislature, it was determined that elimination of the Information Technology positions would affect the ability of the division to meet federal mandates relative to the NOMADS system. Therefore, the Legislature supported the elimination of 8 positions, excluding the Information Technology positions. To address the increase in the cost by not supporting the Governor's recommendation, the Legislature approved the elimination of an Auditor and Telecommunications Coordinator in lieu of two Administrative Assistant positions to generate additional savings.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

The Temporary Assistance for Needy Families (TANF) budget provides funding for cash assistance for eligible recipients, which is time limited; supports the employment and training programs and services administered by the division designed to help clients prepare for and find work; and provides a wide variety of services for families and individuals to support and maintain self-sufficiency.

Federal funding to support the TANF program is allocated to states in the form of a capped block grant that covers cash assistance, welfare employment and training, and the administrative costs associated with providing these services. Temporary Assistance for Needy Families has provided states the flexibility to design their own self-sufficiency programs for welfare recipients in conformance with the capped funding, time limitations on program eligibility and work requirements. The TANF program requires work in exchange for time-limited assistance. Temporary Assistance for Needy Families is intended to provide assistance to needy families so dependent children can be cared for in their own home or in the home of a relative by furnishing financial assistance on a temporary basis.

- Funding – Nevada will continue to receive its annual TANF Block Grant of approximately \$44 million each year. Supplemental grants, which were previously anticipated to be phased out beginning October 1, 2008, pursuant to the Deficit Reduction Act of 2005, were extended until September 30, 2010. Nevada receives an annual supplemental grant of approximately \$3.7 million for its high population growth. Beginning in FY 2010-11, Nevada will lose \$2.8 million in federal TANF funding and \$3.7 million each fiscal year thereafter. The TANF Block Grant is allocated between the Division of Welfare and Supportive Services Administration and Field Services budgets. The TANF Block Grant funds are also allocated to other divisions within the Department of Health and Human Services to support TANF-eligible programs.

The 2009 Legislature approved total funding (state and federal) to support the TANF budget in the amount of \$53.2 million in FY 2009-10 (\$24.6 million General Fund) and \$57.4 million (\$24.6 million General Fund) for FY 2010-11, a decrease of \$2.4 million when compared to the funding recommended by the Governor over the 2009-11 biennium.

The Governor's budget assumed an unspent balance of TANF funding of \$15.1 million at the end of the 2007-09 biennium. The balance of unspent TANF funding is projected by the Governor to be depleted at the end of the 2009-11 biennium due to TANF-related expenditures exceeding available resources in each year of the 2009-11 biennium. Based on the projected depletion of the TANF reserve, the Governor recommended General Funds, in lieu of TANF, of \$4.4 million in FY 2009-10 and \$7.5 million in FY 2010-11 to provide cash assistance payments. Under the ARRA, Nevada qualifies for Emergency Contingency TANF funding of \$18.0 million over the 2009-11 biennium, based on actual and projected caseload increases in each quarter over the two-year period beginning October 1, 2008. Based on the anticipated receipt of ARRA funds, the Legislature supported removal of General Funds, in lieu of TANF, with Emergency Contingency TANF funding by the same amounts.

Based on the lack of available TANF funds, the Legislature concurred with the Governor's recommendation to reduce the transfer of TANF funds to Clark and Washoe counties by \$3.6 million each year. Funding of \$1.2 million each year would continue to assist in funding child protective services in each county.

In approving the Governor's recommendation, the Legislature was concerned with the possible impact on child protective services in Clark County that are funded with TANF funds and the resulting affect on investigation caseloads and emergency response units established with county child protective services staff if those positions were eliminated. To address the reduction of TANF funds, the Legislature supported the inclusion of language in the General Appropriations Act (A.B. 562, 2009 Legislature) to provide flexibility to Clark and Washoe counties to utilize state General Funds, to the extent other monies are not available, for child protective services.

Based on the Legislature's actions in the TANF account, a reserve of approximately \$1.2 million is projected at the end of the 2009-11 biennium. In estimating the TANF reserve, the Legislature excluded the TANF supplemental grant in FY 2010-11 totaling \$2.8 million, since the grant is not approved for continuation beyond September 30, 2010.

- Caseloads – The 2007 Legislature approved funding that would support TANF caseloads at 13,699 average monthly recipients in FY 2007-08 and 13,919 in FY 2008-09. For FY 2007-08, actual average monthly TANF recipients totaled 20,522, which was greater than the approved caseload by 6,823 average monthly recipients. Based on revised caseload projections presented by the division, the 2009 Legislature approved funding that would support TANF caseloads at 25,873 average monthly recipients in FY 2009-10, for a decrease of 2,551 average monthly recipients compared to totals included in The Executive Budget, and 29,376 average monthly recipients in FY 2010-11, for an increase of 89 average monthly recipients compared to the totals included in The Executive Budget. The table below displays the TANF caseloads used in constructing The Executive Budget compared to the TANF caseloads approved by the Legislature over the 2007-09 biennium.

Fiscal Year	Governor Recommended*	Legislature Approved*	Difference+/-*
2009-10	28,424	25,873	(2,551)
2010-11	29,287	29,376	89

*Average monthly recipients

- Cash Grants – The Executive Budget recommended and the 2009 Legislature approved retaining cash assistance grants at their existing levels over the 2009-11 biennium. The monthly cash assistance grant for a three-person household is currently \$383 for a TANF recipient without public housing, and \$306 for a TANF recipient with public housing. The 2009 Legislature approved retaining the cash assistance grant for recipients in the Kinship Care program at \$534 per month for a single child age 12 and under, and \$616 per month for a single child 13 years of age and older.

- New Employees of Nevada (NEON) – The 2009 Legislature approved approximately \$3.6 million over the 2009-11 biennium to meet stricter work participation rates mandated by the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA). The PRWORA requires adults in families receiving assistance (unless exempted) to participate in countable work activities that are federally defined. States must achieve minimum work participation rates for both TANF and TANF two-parent families. The NEON program provides assessments, testing, education, training, treatment, counseling and employment referral services to TANF parents and non-custodial parents of TANF children. The Legislature concurred with the Governor's recommendation to increase TANF funding by \$53,335 in FY 2009-10 and \$73,247 in FY 2010-11 to provide NEON program services to additional participants projected over the biennium.

ASSISTANCE TO AGED AND BLIND

The Supplemental Security Income (SSI) program was created by Congress effective January 1, 1974, and is administered by the Social Security Administration (SSA). States were given the option to make payments in addition to the amount paid by the federal government. Nevada has paid state supplements to the aged and blind since the beginning of the program, but has never supplemented payments to the disabled. The purpose of the program is to provide supplemental income to low-income aged and blind individuals and provide adult group care facilities with supplements that enable individuals to avoid institutionalization. The state supplement for the aged is \$36.40 per month and the supplement for the blind is \$109.30 per month. The Division of Welfare and Supportive Services contracts with the SSA for the determination of eligibility and the issuance of the state supplement. The federal and state supplemental payments for the aged and blind are combined into one benefit check and are issued on a monthly basis by the SSA.

The 2009 Legislature approved General Fund support for the aged and blind in the amount of \$15.7 million over the 2009-11 biennium, an increase of \$1.8 million when compared to the 2007-09 biennium. The increase is \$122,680 more than recommended by the Governor, and will cover the additional costs for projected caseload and the additional processing fee assessed by the SSA for determining eligibility and administering the issuance of state supplemental payments. The money committees, through a letter of intent, requested the Division of Welfare and Supportive Services report to the IFC prior to implementing the annual federal SSI cost-of-living increase. This will allow the IFC an opportunity to review and fully understand the criteria the division uses when determining how to best implement the annual SSI cost-of-living increase.

WELFARE AND SUPPORTIVE SERVICES FIELD SERVICES

The Division of Welfare and Supportive Services Field Services budget provides for the salaries, operating expenses and support costs for the staff that determines eligibility for the TANF, Food Stamp and Medicaid programs, as well as the staff that supports the employment and training education programs administered by the division.

In addition to 478 new positions to address projected increases in public assistance cases, the Governor recommended the elimination of 114.5 positions, which included the elimination of 105.5 existing positions and 9 positions associated with the closure of the Yerington, Winnemucca and Hawthorne offices. Instead of eliminating existing positions as recommended, the Legislature approved the reduction of 118 of the 478 new positions and did not approve the closure of the Yerington, Winnemucca and Hawthorne offices. The Legislature approved the modification of start dates for the remaining new positions to better meet the increasing caseloads during the early part of the biennium.

Based on efficiencies anticipated in field offices and the availability of online public assistance applications by January 2011 resulting from implementation of the technology investment request, the Legislature did not support the addition of 87 of the 478 new positions recommended to start in FY 2010-11. The Legislature also did not support the addition of 15 new lead and supervisory positions, based on the ratio of lead and supervisory positions to staff included in the existing budget.

With the changes in positions recommended by the Legislature, a total of 258 new positions would be included in the Field Services budget to address projected caseloads over the biennium. The Legislature approved the addition of 245 of the new positions as intermittent positions, which will provide the opportunity for the division to reduce its workforce toward the end of the 2009-11 biennium once benefits resulting from the technology investment request are realized. Intermittent positions will provide the division flexibility to address fluctuations in workload associated with processing public assistance applications. A total of 13 new permanent supervisory positions are recommended to be retained in the budget.

The Legislature supported the Governor's recommendation to add 10 new Administrative Assistant positions to the customer service unit to address increased telephone call volume and longer wait times for citizens contacting the division by telephone.

To assist in meeting federally mandated quality control requirements on projected increases in public assistance cases, the Legislature concurred with the Governor's recommendation to add three Administrative Assistant positions. In approving this recommendation, the Legislature approved the establishment of the positions as intermittent positions to provide flexibility to the division in reducing its workforce once benefits from implementation of the TIR are realized.

The Legislature did not support the Governor's recommendation to close the Owens field office in Las Vegas as recommended by the Governor. The Legislature restored funding for the Owens office and also the Professional Development Center in Las Vegas, where staff training is presently conducted. To offset cost increases associated with the restoration of these offices, funding for new leased building space was eliminated by the Legislature.

CHILD SUPPORT ENFORCEMENT

The Child Support Enforcement program provides five basic services: location of absent parents, establishment of parentage, establishment of child support orders, collection of support payments, and enforcement of private medical insurance. In Nevada, the Child Support Enforcement program is administered by the Division of Welfare and Supportive Services and jointly operated by the division and county district attorneys. The Child Support Enforcement budget is funded with a portion of the child support collections the state is allowed to retain, which is used to match federal Title IV-D funds. The state share of collections supports all non-federal expenditures; no General Fund support is provided in this budget.

The Legislature supported the Governor's recommendation to provide funding of approximately \$1.0 million over the biennium to fund a technology investment request to conduct a study to identify alternative solutions and estimate costs for modernizing the child support enforcement software application residing on NOMADS. In approving this recommendation, the Legislature was concerned with the size and cost of the recommendation that might result from the study. Based on this, the money committees approved a letter of intent to the division to tailor the study in such a way as to identify solutions that could be funded from resources within the program with the potential use of ARRA funds.

The ARRA temporarily repeals the prohibition on using federal child support enforcement incentive funds as match to draw down additional child support funds for child support programs. The repeal is effective through September 30, 2010. Approximately \$1.0 million of additional federal funding would be received in Nevada as a result of applying state incentive funding to the non-federal portion. The ARRA provides federal funding of \$9.3 million to Nevada as a result of applying county federal incentive funding. The money committees requested, via letter of intent, that the division report to the Interim Finance Committee (IFC) on the proposed use of federal funds received under the ARRA prior to their expenditure, and that the division submit a plan for expenditure of the ARRA funds subject to IFC approval.

CHILD ASSISTANCE AND DEVELOPMENT

The Child Assistance and Development budget provides for all child care related expenditures for TANF recipients, former TANF recipients, non-TANF eligible clients who are at risk of losing employment due to a lack of assistance with child care, and low-income non-TANF eligible clients.

The Legislature did not concur with the Governor's recommendation to convert child care eligibility and support services from the University of Nevada, Las Vegas (UNLV) as recommended by the Governor. The Legislature recommended continuation of UNLV contract with additional federal funding of \$110,992 each year for additional quality assurance services to be provided by the UNLV, and additional federal funding of \$256,832 in FY 2009-10 and \$259,101 in FY 2010-11 to provide for security services and rent at a leased facility to house education staff employed by the UNLV. The Legislature expressed its desire for the division to identify a community-based provider

to provide child care services similar to the range of services provided by the community-based provider in northern Nevada. The money committees issued a letter of intent for the division to report back to the IFC on its efforts in identifying and contracting with a community partner to provide comprehensive child care services in southern Nevada over the biennium.

The Legislature approved revised child care caseload projections resulting in increases in subsidy payments greater than the levels recommended by the Governor for New Employees of Nevada (NEON) and at-risk cases over the 2009-11 biennium. To address funding for increased child care caseloads, the Legislature concurred with an amendment from the Governor to add approximately \$14.3 million in ARRA child care funds over the biennium. To provide full funding for NEON and at-risk cases the Legislature also approved the use of \$1.2 million in reserves, the redirection of \$1.9 million from quality assurance funding, and the redirection of \$1.9 million in discretionary child care funding. As a result of redirecting discretionary child care funding, a maximum of 2,500 discretionary child care cases would be funded over the biennium, which would result in the establishment of a waiting list for child care services. The Legislature directed the division to increase funding for discretionary child care cases if additional funding becomes available or if caseloads are not realized at their projected levels.

ENERGY ASSISTANCE

The Energy Assistance program provides payments for eligible households, which can either be applied to the heating provider, the cooling provider, or split between them. Funding is provided through a combination of Low Income Home Energy Assistance Program (LIHEAP) block grant funds and Universal Energy Charges established by the 2001 Legislature and collected from certain electric and gas utilities.

In order to remain within existing funding levels for Universal Energy Charges and federal LIHEAP block grant funds the Governor recommended reductions of \$2.7 million in FY 2009-10 and \$4.4 million in FY 2010-11 resulting in reductions in the payments of benefits from the program. The Executive Budget also recommended a decrease in the average payment per case from \$903 in FY 2007-08 to \$559 in each year of the 2009-11 biennium. Based on revised projections of available funding, the Legislature supported modifications to the budget, which eliminated the reduction recommended by the Governor in FY 2009-10 and reduced the decrease in funding in FY 2010-11 from \$4.4 million to \$697,006. The modifications to the budget approved by the Legislature result in all projected households served under the program in FY 2009-10 and approximately 4,000 un-served households in FY 2010-11.

DIVISION OF MENTAL HEALTH AND DEVELOPMENTAL SERVICES

The Division of Mental Health and Developmental Services (MHDS) is responsible for the development, administration, coordination and evaluation of state treatment and training programs for mentally ill and mentally retarded citizens. The division consists of the following programs and facilities: Northern Nevada Adult Mental Health Services

(NNAMHS); Southern Nevada Adult Mental Health Services (SNAMHS); Lake's Crossing Facility for Mentally Disordered Offenders; Rural Clinics; Desert Regional Center; Sierra Regional Center; Rural Regional Center; the Family Preservation Program; and the Substance Abuse Prevention and Treatment Agency (SAPTA).

The 2009 Legislature approved funding for MHDS totaling \$705.4 million over the 2009-11 biennium, an increase of approximately \$10.9 million when compared to total funding of \$694.5 million recommended by the Governor. General Fund support for the 2009-11 biennium totals \$465.7 million, which represents a decrease of 6.5 percent compared to appropriations of \$498.3 million provided over the 2007-09 biennium. For the division as a whole, the Governor recommended reducing the number of positions from 1,918.6 to 1,693.26 or 225.34 positions. The 2009 Legislature restored a total of 31.48 positions, primarily at SNAMHS and Rural Clinics, for a legislatively-approved staffing level of 1,724.74 positions.

Funding for mental health services approved by the 2009 Legislature is projected to provide resources to serve an estimated 15,067 unduplicated individuals at the end of FY 2010-11, an increase of 366 individuals or 2.5 percent from the 14,701 individuals served as of January 31, 2009. The developmental services caseload is projected to increase to 5,517 individuals at the end of FY 2010-11, an increase of 387 individuals or 11.4 percent over the 5,130 individuals currently budgeted through FY 2008-09.

With the passage of the federal American Recovery and Reinvestment Act of 2009 (ARRA), the Legislature approved additional Medicaid reimbursements for services totaling \$16.0 million in FY 2009-10 and \$8.5 million in FY 2010-11, which is \$8.3 million and \$6.1 million more, respectively, than the amounts recommended by the Governor. In addition, the ARRA included a retroactive provision which provides the MHDS with additional reimbursements of \$8.0 million in FY 2008-09. The additional Medicaid reimbursements are utilized to reduce General Fund support in the division's budgets.

The 2009 Legislature also approved medication funding totaling \$47.4 million in the 2009-11 biennium, which includes an inflation adjustment of \$3.51 million. This funding level represents a decrease of approximately \$20.6 million, or 30.3 percent, when compared to medication funding approved by the 2007 Legislature. The money committees noted the reductions, primarily at SNAMHS and NNAMHS, were achieved by diverting more Medicaid and Medicare-eligible clients from state pharmacies to retail pharmacies, increased usage of free medications, and better management of inventory costs and formulary utilization.

MENTAL HEALTH AND DEVELOPMENTAL SERVICES ADMINISTRATION

The 2009 Legislature approved the Governor's recommendation to continue General Fund appropriations for the psychiatric residency program of \$155,860 each year in northern Nevada and \$250,574 each year in southern Nevada, as well as transferring General Fund support of \$100,000 each year for the cost of operating the suicide prevention hotline to the Department of Health and Human Services Director's

