

MINUTES OF THE FEBRUARY 9, 2010
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Cochair Steven Horsford called a regular meeting of the Interim Finance Committee (IFC) to order on February 9, 2010, at 9:11 a.m. in Room 4401 of the Grant Sawyer Office Building in Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Legislative Building in Carson City. [Exhibit A](#) is the agenda and [Exhibit B](#) is the guest list. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Steven Horsford, Cochair
Senator Bernice Mathews, Cochair
Assemblyman Morse Arberry Jr., Vice Chair
Assemblywoman Barbara Buckley
Assemblyman Marcus Conklin
Assemblyman Moises (Mo) Denis
Assemblywoman Heidi Gansert
Assemblyman Pete Goicoechea
Assemblyman Joe Hardy
Assemblyman Joseph Hogan
Assemblywoman Sheila Leslie
Assemblywoman Kathy McClain
Assemblyman John Ocegüera
Assemblywoman Debbie Smith
Senator Bob Coffin
Senator Joyce Woodhouse

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman Tom Grady
Senator William J. Raggio
Senator Dean A. Rhoads
Senator Randolph Townsend

COMMITTEE MEMBERS EXCUSED:

Assemblywoman Ellen Koivisto

LEGISLATIVE COUNSEL BUREAU STAFF IN LAS VEGAS:

Tracy Raxter, Fiscal Analyst, Assembly

Mark Krmpotic, Fiscal Analyst, Senate
Sherie Silva, IFC Recording Secretary

LEGISLATIVE COUNSEL BUREAU STAFF IN CARSON CITY:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Patti Sullivan, Secretary, Fiscal Analysis Division
Connie Davis, IFC Transcription Secretary

A. ROLL CALL.

Lorne Malkiewich, Director, Legislative Counsel Bureau, and Secretary of the Interim Finance Committee, called the roll and announced a quorum of each House was present.

Cochair Horsford announced that the Interim Finance Committee had gathered to continue hearings on the proposed budget reductions and expressed his thanks to Mike Willden, Director, Department of Health and Human Services, who was present to discuss reductions being considered for the agencies under his purview. Cochair Horsford advised that the Committee would first hear an overview of the proposals the Governor recommended to address the estimated state budget shortfall.

B. OVERVIEW OF PROPOSALS RECOMMENDED BY THE GOVERNOR TO ADDRESS THE ESTIMATED STATE BUDGET SHORTFALL.

Andrew Clinger, Director, Department of Administration was not present to deliver the overview on the Governor's recommendations to address the estimated state budget shortfall.

*C. REVIEW OF PROPOSALS FOR REDUCING SPENDING RELATED TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.

Mike Willden, Director, Department of Health and Human Services (DHHS), appeared before the Committee to review the highlights of the budget reductions for the DHHS. Mr. Willden noted, for the record, that the six division administrators for the DHHS were in Carson City and available to respond to questions for their respective agencies.

The following Exhibits were distributed to the Committee and available to those who were listening or in the audience through the DHHS' website, <http://dhhs.nv.gov/>:

- Department of Health and Human Services' organization chart and pie charts, ([Exhibit C](#)).
- Caseload Bar Charts and Graphs ([Exhibit D](#)).
- Tobacco Funding Reconciliations and Projections ([Exhibit E](#))

- Nevada Department of Health and Human Services' Proposed Budget Cuts ([Exhibit F](#))
- Division of Health Care Financing and Policy Skilled Nursing Facilities Impacted by \$10/Bed Day Rate Reduction ([Exhibit G](#))
- Access to Hospital Care Service Reductions due to Economic Environment ([Exhibit H](#))

Cochair Horsford advised the members of the Committee that, in an effort to manage time, Mr. Willden would provide an overview of the general budget reductions before responding to questions from the Committee.

Mr. Willden commented that he wanted the Committee to be aware of the process by which the DHHS staff accomplished budget reduction goals. He explained that staff first reviewed natural opportunities to make reductions and advised, for example, that actual caseload numbers that were less than the budgeted caseload numbers provided an opportunity for a funding "sweep," and he said that a reduction in caseload growth could take place by not adding new clients into service.

Additionally, Mr. Willden advised of a reconciliation of block grants and special funds in an effort to find surpluses that would allow moving non-General Fund money into the General Fund account. Mr. Willden explained that the DHHS' staff had attempted to keep clients in service where possible, an area he said that he would highlight throughout the day. Mr. Willden also advised that the DHHS was "sweeping" reserves from several activities or programs to provide greater efficiency in other areas and to reduce or eliminate programs or services that were "typically" defined as optional.

Mr. Willden began his presentation with the document entitled, *Department of Health and Human Services*, ([Exhibit C](#)), the first page of which reflected the Department's organization chart, programs, and the numbers of full-time equivalent (FTE) employees for each of the six agencies under the DHHS. Mr. Willden noted, for example, that the Division of Aging and Disability Services had 206 FTE employees, and the Division of Child and Family Services had 1,010 FTE employees. Additionally, Mr. Willden explained that the negative signs after the number of FTE employees for some DHHS' agencies reflected employee reductions made during the 2009 Legislative Session. Mr. Willden indicated that it was important to note that during the last several rounds of budget reductions, the Division of Child and Family Services was reduced by 42 staff; the Health Division was reduced by 37 staff, and the Division of Mental Health and Developmental Services was reduced by 193 staff.

Mr. Willden advised that page 2 of the document reflected a pie chart of the total DHHS Legislatively approved revenue by division for the 2010-2011 biennium, a total of \$5,743,239,473 of which the largest portion of funding, \$3,388,806,195 was provided to the Division of Health Care Financing and Policy.

Additionally, Mr. Willden advised that page 3 reflected a pie chart prepared by Andrew Clinger, Director, Department of Administration, which provided that the DHHS received 29.4 percent of the General Fund appropriation for fiscal years 2010 and 2011.

Mr. Willden reported that page 4 reflected a pie chart for the \$1,917,200,007 General Fund appropriation approved by the 2009 Legislature by DHHS' division. Mr. Willden pointed out that the majority of the General Fund dollars, \$935,181,713 or 48.92 percent was provided to the Division of Health Care Financing and Policy followed by the Division of Mental Health and Developmental Services, which received 24.36 percent of the funding and the Division of Child and Family Services, which received 13.23 percent of the funding. Mr. Willden advised that in discussions concerning budget reductions and targets, \$1,917,200,007 was the number of dollars from which the Department staff had worked.

Additionally, Mr. Willden advised that the pages following the pie charts reflected the General Fund dollars for each of the budget accounts the DHHS administered.

Mr. Willden next addressed charts that reflected the three public assistance caseloads ([Exhibit D](#)), which were updated monthly and used in the Department of Administration's shortfall analysis.

The first chart provided caseload information for the Temporary Assistance to Needy Families (TANF) program, which January 2010 figures showed there were more than 3,000 recipients over the number of recipients budgeted by the Legislature. Mr. Willden said projections indicated that by the end of biennium, the caseload would reach 4,400 recipients more than budgeted for by the Legislature, which placed pressure on the TANF block grant and indicated the need for additional General Fund in the TANF program.

The second chart provided caseload information for the Medicaid program, which showed January 2010 figures at 19,000 recipients over the number of recipients budgeted by the Legislature. Mr. Willden said projections indicated that by the end of the biennium, there would be 40,000 recipients over the caseload budgeted by the Legislature.

The third chart provided caseload information for the Supplemental Nutrition Assistance Program (SNAP), formerly defined as Food Stamps, which January 2010 figures showed 35,300 recipients over the number of recipients budgeted by the Legislature. Mr. Willden said projections indicated that by the end of the biennium, there would be 109,000 recipients over the caseload budgeted by the Legislature. Mr. Willden reported that Nevada's food stamp program had experienced the most rapid growth in the nation and advised that in measuring "October to October," which was the federal standard, Nevada grew almost 53 percent compared with 22 percent experienced by the nation, as a whole. Mr. Willden advised that the next three charts in the packet provided statistics that supported the caseload information he had just discussed.

Mr. Willden said that the last chart in the packet provided information concerning the timeliness of processing approved applications, which were affected by growing caseloads, hiring freezes, furloughs, and reduction in staff hours placing the DHHS' agencies "further and further behind in case processing time." Mr. Willden referenced the December 2009 statistics, at the bottom of the chart, which showed that the DHHS' agencies were only processing approved applications about 80 percent of the time in each program. Mr. Willden explained that SNAP, TANF, and Medicaid had processing standards, and the chart reflected that the agencies were declining in their ability to stay current in processing applications.

Mr. Willden next discussed the charts entitled, *Tobacco Funding Reconciliations and Projections* ([Exhibit E](#)), which he defined as important because of the recommendation to sweep \$41 million from the funds received from the Master Tobacco Settlement Agreement. Mr. Willden pointed out that the \$41 million was not a part of the \$109 million that appeared in the Department of Administration's 86-page document of recommended budget reductions.

Mr. Willden also pointed out that the last line on page 1 of the charts reflected a total \$60,178,996 of previously swept funds that occurred during the first four rounds of budget reductions. He advised that \$18,951,530 was swept from the Total Healthy Nevada Fund, which funded Senior Rx, Disability Rx, Independent Living, Tobacco Cessation, Children's Health Grants, and Disability Services Grants, and a sweep of \$41,227,466 from the Public Health Trust Fund for a combined total of \$60,178,996.

Mr. Willden pointed out that the first line on page 2 of the *Tobacco Funding Reconciliations and Projections'* charts reflected the DHHS' cash balance at the end of fiscal year 2009 reconciled with the State Treasurer. Additionally, he pointed out that the chart provided the total budgeted expenditures for fiscal year 2010 and the estimated payment the DHHS would receive from the Master Tobacco Settlement Agreement in April 2010 as well as the estimated amount available to balance forward to fiscal year 2011.

Moving to page 3 of the Tobacco Funding Reconciliations and Projections' charts, Mr. Willden explained that the chart reflected three policy decisions to move the balance of funds forward from fiscal year 2010 to fiscal year 2011 and to provide the ability to sweep the \$41 million from the tobacco settlement funds.

Mr. Willden advised that the first policy decision would "flat fund" the Senior Rx and the Disability Rx programs, which he defined as funding at the current level of program enrollment. Mr. Willden indicated that there were currently 150 seniors on the waiting list for Senior Rx and about 90 on the waiting list for Disability Rx for whom funding would not be available.

Mr. Willden reported that the second policy decision recommended eliminating tobacco cessation programs, and he pointed out the column entitled, Reduce Tobacco

Use Grants in which funding for tobacco cessation programs was eliminated in fiscal year 2011 and fiscal year 2012.

Mr. Willden advised that the third policy recommendation would reduce by 10 percent all other grantees that included Independent Living Grants, Children's Health Grants, and Disability Services Grants leaving 90 percent of existing funds available for grant awards going forward.

Mr. Willden reported that the three policy decisions in addition to sweeping the reserve balance forward would result in the recommendation to sweep \$40,890,585 from the tobacco settlement fund. Mr. Willden said that while other policy assumptions could be made, such as further reducing programs or changing the mix, DHHS' staff believed it was prudent to sweep the account by \$40,890,585, which he emphasized again was not a part of the \$109 million budget reduction.

Mr. Willden asked the Committee to keep in mind the sweep from tobacco settlement funds as well as the projected Medicaid shortfall that required \$60.9 million in additional General Fund dollars through the end of the biennium. Mr. Willden indicated that the Medicaid shortfall was included in the Department of Administration's 86-page budget shortfall document, and he recommended that a \$6.2 million surplus in the Nevada Check Up program be used to offset caseload growth.

Additionally, Mr. Willden advised of a projected \$6.8 million General Fund shortfall in the TANF program based on caseload, which he said was also included in the Department of Administration's 86-page budget shortfall document.

Mr. Willden discussed the funding received from the American Recovery and Reinvestment Act (ARRA) for which the higher federal matching percentage rate was scheduled to expire on December 31, 2010. Mr. Willden advised of a movement by the Obama Administration to extend the Federal Medicaid Assistance Percentage (FMAP) two additional quarters through fiscal year 2011, which he said would provide an additional \$89.7 million windfall to Nevada. Mr. Willden pointed out that taking all of the offline transactions into account amounted to almost \$193 million in budget adjustments.

Mr. Willden explained that the \$193 million in budget adjustments in either new revenues or budget adjustment included:

- \$109 million for which additional detail would be provided later in the presentation
- \$29 million in a net FMAP benefit after elimination of the Medicaid shortfall
- Proposed solutions to erase the TANF shortfall through policy decisions that would be discussed later in the presentation on TANF
- A \$6.2 million credit in the Nevada Check Up program

- \$1.5 million in administrative savings in SNAP
- A \$40.9 million sweep of Tobacco Settlement funds

In conclusion, Mr. Willden said that because acceptance of the ARRA funding prohibited reduction of eligibility standards, the DHHS had focused on service reduction, utilization of services or programs, and reducing rates and payments. Mr. Willden cautioned against making eligibility reductions, which he said would compromise ARRA dollars on which the DHHS had already drawn.

Mr. Willden advised that he would respond to questions before moving on to the presentation for the DHHS Director's Office.

Senator Coffin asked whether proposed funding reductions related to tobacco taxes or industry payments.

Mr. Willden reported that the DHHS received payments from the Master Tobacco Settlement Agreement each April.

Senator Coffin asked whether receipt of payments from the Tobacco Settlement Agreement required a maintenance of effort (MOE) responsibility by the DHHS to minimize tobacco usage.

Mr. Willden advised that a staff analysis of the Master Tobacco Settlement Agreement revealed no requirement to fund a tobacco cessation program, and he said that many states did not run tobacco cessation programs with their Master Tobacco Settlement dollars. Mr. Willden said, however, that the Health Division received other federal grant funding to continue some tobacco cessation efforts.

In response to Senator Coffin who questioned expenditures related to the high percentage of deaths and treatment for smokers' health related issues, Mr. Willden agreed that convincing smokers to avoid using tobacco products would save millions of dollars in health care spending.

Assemblywoman Buckley recalled that Attorney General Frankie Sue Del Pappa negotiated the tobacco settlement on behalf of the state of Nevada and at that time, there was a sense to use a portion of the dollars to discourage tobacco use. Assemblywoman Buckley agreed, however, that, given the current economy, choosing, for example, between the mentally ill not having access to a place to stay and other choices, funding efforts to discourage the use of tobacco would receive a lower priority from her.

Senator Rhoads questioned whether the \$193 million in budget adjustments for the DHHS were included in the Governor's recommended \$450 million budget reduction.

Mr. Willden explained that the DHHS' share of the recommended \$450 million budget reduction was \$109 million for which the six DHHS division administrators would provide additional detail during their presentations. As previously mentioned, Mr. Willden said several offline issues including lost revenues, the Medicaid caseload shortfall, the TANF shortfall and "add backs," such as sweeps from tobacco settlement funds made the \$193 million adjustment a combination of the \$109 million that was the hard-cut list and offline transactions.

Mr. Willden referenced the document entitled, *Nevada Department of Health and Human Services Proposed Budget Cuts*, ([Exhibit F](#)) and began his presentation with the reductions proposed for the DHHS Grants Management Unit and Director's Office on page 1. Mr. Willden pointed out that the reductions were reconciled to the Department of Administration's 86-page document of recommended budget reductions.

Mr. Willden reported that, as outlined in the first bullet of the document, the Director's Office would freeze a vacant administrative assistant position for the biennium for a General Fund savings of \$81,558.

The next four bullets, as outlined in the document, provided accounting information on reverting funds to the General Fund by reconciling the amount of money provided through the Legislature and granted from the DHHS to family resource centers during the last seven months. Mr. Willden advised that \$90,114 of funding not awarded to family resource centers would revert to the General Fund.

Mr. Willden explained that Title XX dollars, originally allocated to the Division for Aging and Disability Services, Elder Protective Services (EPS)/Homemaker program and funding from the Gleeson-Otten Trust, willed to the EPS program by two elderly women, would be swept from the program to fund family resource centers for a General Fund savings of \$605,694. Mr. Willden pointed out that the transfer of Title XX funding from the Homemaker program to the family resource centers avoided harming anyone.

Continuing, Mr. Willden advised that Title XX funds realized from a new federal grant reconciliation would provide \$365,725 to fund family resource centers and the same amount of General Fund dollars that supported the centers would revert to the General Fund.

Cochair Mathews asked how history would remember the women who bequeathed money through the Gleeson-Otten Trust after the sweep of funds from the EPS program.

Mr. Willden indicated he was thankful to them and that Carol Sala, Administrator, Division of Aging and Disability Services, would take charge of a way to ensure remembrance of their gift.

Continuing, Mr. Willden discussed the last bullet, a recommendation to eliminate the state's problem-gambling program. Mr. Willden advised that the 2005 Legislature approved a bill for the Gaming Control Board to collect a \$2 fee from the slot machine

tax to fund a problem-gambling program through the DHHS. Mr. Willden advised that from July 1, 2010 going forward, the DHHS would no longer fund the problem-gambling program. Mr. Willden reported that an advisory committee made funding recommendations for which 60 percent of the money currently went to treatment programs, 20 percent to prevention programs, 10 percent to workforce development and 10 percent to research, and that funding would end effective June 30, 2010.

Assemblywoman Smith recalled advertising she had seen for an 800 number for problem gambling and asked for additional information concerning the program in general and the availability of referrals.

Mr. Willden advised that Carol O'Hara, Executive Director, Nevada Council on Problem Gambling, was in the audience and could respond to questions. He said, however, that several problem-gambling organizations existed in the northern and southern areas of state and while he did not have specific information on their funding sources beyond the state, he believed funding was available from the National Gaming Association as well as local donations. Additionally, Mr. Willden advised that problem gamblers would have access to mental health related services and possibly other local services, and he assumed the availability of a referral hotline would continue.

Assemblyman Denis asked for additional information concerning the intent to revert the funds collected for the \$2 slot machine fee to the General Fund since the original intent for the fee was specific to a problem-gambling program.

Mr. Willden advised that DHHS had a placeholder bill draft request (BDR) concerning the fee and explained that under the provisions of current *Nevada Revised Statutes* (NRS), the Gaming Control Board collected the \$2 fee and provided the funds to the DHHS. Mr. Willden explained that the Gaming Control Board could continue to send the funds to the DHHS for reversion to the General Fund or they could send the funds directly to the General Fund.

In response to Senator Coffin's question concerning how the \$2 fee, specifically intended for the problem-gambling program could be reverted to the General Fund, Mr. Willden advised that the DHHS was attempting to "narrow down" to core services and problem gambling, unfortunately, did not meet the short list of a core service.

In an effort to protect as many jobs as possible and determine the impact of reduced positions, Cochair Horsford asked Mr. Willden to provide the Committee with information, going forward, on whether the DHHS eliminated positions based on vacancies or a reduction in staff.

Mr. Willden said he would provide a breakdown of vacant and eliminated positions to the Committee's staff. He advised, however, that while the DHHS had mailed layoff letters to 58 employees, some of those layoffs could be rescinded as budgeting decisions were made. Mr. Willden said that staff was working hard at the Department level to ensure that employees who qualified could move to other positions, such as

group supervisors who qualified could move to eligibility worker positions in the Division of Welfare and Supportive Services. Additionally, Mr. Willden pointed out that the DHHS eliminated hundreds of positions in the first four rounds of budget reductions but only laid off six or seven employees.

In response to Cochair Horsford's request for an analysis of DHHS supervisor-to-staff ratios, Mr. Willden advised that most DHHS major programs had supervisor-to-worker ratios, as well as clerical-support ratios, which he could provide. Using the Division of Welfare and Supportive Services as an example, Mr. Willden said that "scaling up or down" was typically accomplished in packages so that when a unit was pulled, the eligibility workers, the clerical support and the supervisor would be eliminated, which he said was also true in other programs.

In response to Assemblywoman McClain's question concerning the current number of family resource centers, Mr. Willden indicated that the number fluctuated between 17, 18, and 19 centers.

Assemblywoman McClain asked if funding for the resource centers would continue at the same level.

Mr. Willden advised that funding would continue at the same level and reported that the 2010 authorization for family resource centers was just shy of \$1.4 million. Mr. Willden pointed out that, among other things, family resource centers provided two important functions, family-to-family programs and differential response. Family-to-family functions, he said, were supported by a \$1.4 million General Fund appropriation and differential response, introduced during the 2009 Legislative Session, was the provision of services to help families avoid going into the child welfare system. Mr. Willden said the recommendation was that family resource centers continue to be funded at the same level but to replace General Fund dollars with Title XX dollars.

Mr. Willden advised that his commentary on the Grants Management Unit and Director's Office proposed budget reductions was concluded.

Cochair Horsford opened the hearing on the DHHS Grants Management Unit and the Director's Office to public comment and asked that comments be limited to three minutes. Additionally, Cochair Horsford advised that any written testimony provided to the secretary would be available to the members of the Committee and would become a part of the record.

Carol O'Hare, Executive Director, Nevada Council on Problem Gambling, testified that there was no single problem-gambling program. Ms. O'Hare advised that the funds provided by the state had supported a collection of non-profit agencies, treatment centers, and projects provided through the Nevada System of Higher Education (NSHE), and the Nevada Council on Problem Gambling was the information and referral portion of that collective.

Ms. O'Hare recalled the earlier referral to the helpline and explained that the Nevada Council on Problem Gambling operated the helpline, provided public awareness and education, workforce development, and prevention efforts. Additionally, Ms. O'Hare advised that the five-year period of state funding allowed for the expansion of treatment services for clients and noted that the Nevada Legislature adopted a credential requirement for the provision of treatment services by trained professionals.

Ms. O'Hare expressed concern that as the Council was preparing to "ramp up" for an expanded media campaign and greater prevention efforts, the "plug" was being pulled on treatment, and non-profit centers would have to rely on whatever donations they could get.

Recalling Mr. Willden's previous testimony, Ms. O'Hare respectfully advised that there are no federal dollars available for problem-gambling services in Nevada and said that the Nevada Council on Problem Gambling would have to resort to relying on the generosity of those in the gaming industry for support. Although aware of the state's current financial needs, Ms. O'Hare expressed concern about eliminating the progress made during the last five years.

Ms. O'Hare informed the Committee that the gaming industry had worked with the Nevada Council on Problem Gambling, established in 1984, to arrive at the point where state funding provided for treatment services to approximately 6 percent of Nevada adults with a gambling problem, a rate two or three times higher than any other state in the nation. Saddened to hear of the loss of funding, Ms. O'Hare asked the Committee members to consider the impact of the loss of treatment for clients who, most likely, would access services through other state programs because their need for assistance would continue.

Assemblywoman Buckley asked for information concerning the number of clients currently receiving treatment.

Ms. O'Hare responded that because she did not directly supervise the program for the half dozen statewide treatment providers, she could not provide an accurate number of clients.

Assemblywoman Buckley asked staff to follow up and provide the information to Committee members and expressed her thanks to Ms. O'Hare for her commendable work. On behalf of the Committee, Assemblywoman Buckley expressed support for the mission and indicated the Committee would do the best that they could under the current difficult circumstances.

Assemblyman Denis asked for additional information on what other state services problem-gambling clients would be using.

Ms. O'Hare said she would defer to Dr. Bernhard, University of Nevada, Las Vegas (UNLV) but before doing so would attempt to provide an "anecdotal non-research based

answer." Ms. O'Hare said that on a practical level, problem gambling was not a financial problem, but rather a life problem, and when clients faced marital and family problems, the loss of homes and jobs because of their inability to perform, they would need services. Ms. O'Hare pointed out that those services were provided during the last five years with funds that allowed the Nevada Council on Problem Gambling to move clients into the appropriate services that avoided the consequences of draining other resources.

Bo Bernhard, Ph.D., Assistant Professor, Director of Gaming Research, UNLV, identified himself for the record and said he had conducted a research evaluation of the clinics providing treatment for problem gamblers in Nevada. Dr. Bernhard reported a remarkable success rate and marked improvement in the lives of about 95 percent of the 300 clients who received treatment in the past year. Specifically, Dr. Bernhard said the documented research revealed that treatment for clients dramatically reduced gambling and positively affected their family, employment, financial, and housing situations.

Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada (PLAN), and a member of the DHHS' Grants Management Advisory Committee, commended Mr. Willden's work in reducing the budget for the DHHS, which she defined as an "incredibly difficult job."

As a member of the public and a representative of the PLAN, Ms. Gilbert expressed support for legislative consideration of tax increases to make up for budget reductions. Ms. Gilbert commented that after hearing the previous evening's state of the state message followed by pundits discussing duplicative services in the DHHS, she wanted the record to reflect that there was no duplication of services in the Department, which she indicated was "stretched thin." Ms. Gilbert again asked that legislators consider increasing taxes during the upcoming special session because she believed the severity of budget reductions would "destroy the state."

*D. REVIEW OF PROPOSALS FOR REDUCING SPENDING RELATED TO THE DIVISION OF HEALTH CARE FINANCING AND POLICY OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.

Charles Duarte, Administrator

Mike Willden, Director, Department of Health and Human Services, referred to page 2 of the document entitled, *Nevada Department of Health and Human Services Proposed Budget Cuts (Exhibit F)* and advised that the budget reductions for the Division of Health Care Financing and Policy (DHCFP) totaled \$36,252,315.

Mr. Willden provided the following information on the DHCFP budget reductions:

- A revised evaluation procedure for clients' personal care services provided for a General Fund savings of \$4,030,825. The revised procedure included evaluation by a physical therapist rather than a statement-of-need by the client and social

worker evaluations. Mr. Willden advised that public workshops and a public hearing in connection with the change took place in October 2009 and January 2010 respectively. Additionally, Mr. Willden advised that there were currently 80 provider agencies in the state involved in personal care services, and in fiscal year 2009, 5,680 clients received services.

- Medical services savings in the Aging and Disability Services Division's CHIP (Children's Health Insurance Program) Waiver provided \$1,991,026 for reversion to the General Fund. Mr. Willden advised that the savings in medical services generated from a caseload budgeted for 1,280 recipients per month provided one of the "natural opportunities," previously discussed as the result of a current caseload averaging about 1,100 recipients per month.
- Reduced Medicaid reimbursement rates to anesthesiologists would result in a 43 percent reduction that would bring Nevada's rate structure in line with the Medicare rate structure. Mr. Willden reported that in fiscal year 2009 over 14,000 recipients received anesthesia services. He said the rate reduction would affect 829 providers statewide and would provide a General Fund savings of \$2,489,913.
- Expansion of Medicaid's Preferred Drug List (PDL) to include atypical and typical antipsychotic drugs, certain anti-rejection medications, and some anti-convulsion drugs would provide a General Fund savings of \$766,741. Approval of the request would allow Medicaid Pharmacy and Therapeutic Committee management of the PDL. Mr. Willden advised that the change required Legislative approval to remove the exemptions from the PDL law in *Nevada Revised Statutes* (NRS) 422.4025.
- Reduction of the number of incontinence products, such as adult diapers and bed pads, for which Nevada Medicaid paid, from the current standard of 300 products a month to the national standard of 186. Mr. Willden reported that there were 215 statewide providers in the last year, and 3,492 clients received the service. The change, already in process, would affect approximately 343 clients and would provide a General Fund savings of \$829,304.
- Elimination of disposable gloves as a reimbursable expense for personal care services would provide a General Fund savings of \$834,271. Mr. Willden advised that Medicaid currently reimbursed medical supply providers for disposable gloves purchased by Medicaid clients. The change, already in process, required personal care attendants to provide their own disposable gloves. Additionally, the change affected 66 medical supply companies and 1,166 recipients.
- Reduction of the allowable administrative percentage for non-emergency transportation and capping the cost at 15 percent would provide a General Fund savings of \$644,149.

- Reduction of reimbursement rates for behavioral health training and psychosocial rehabilitation training, already in progress, would collapse payment tier structures to a flat structure for 394 statewide providers resulting in a General Fund savings of \$4,964,832. Mr. Willden advised that 4,869 recipients received behavioral health services in the previous year.
- A strict enforcement of documentation required when legally responsible relatives claimed an inability to provide personal care services for their family members would provide a General Fund savings of \$132,698. The change would affect 453 clients.
- Reduction of reimbursement rates for 80 personal care service providers from \$17.00 per hour to \$15.50 per hour would provide a General Fund savings of \$2,993,573. Mr. Willden explained that personal care attendants received a percentage of the reimbursement rate after administration costs and that the reduced reimbursement rate was a part of the 2009 budget reduction package but added back by the 2009 Legislature.
- Reduction of hospital reimbursement rates by 5 percent would result in a General Fund savings of \$5,310,880 but with a loss of federal matching funds. Mr. Willden referred to page 2 of the document, entitled *Division of Health Care Financing and Policy Skilled Nursing Facilities Impacted by \$10/Bed Day Rate Reduction (Exhibit G)*, which provided information on the hospitals affected by the rate reduction. The document included a list of rural critical access hospitals that were "cost settled" and to which the rate reduction did not apply. Mr. Willden reminded the Committee that a 5 percent rate reduction had already taken place in the first four rounds of budget reductions.
- Reduction of reimbursement rates by 5 percent to residential psychiatric treatment facilities that primarily served youth would affect 36 providers for a General Fund savings of \$924,162. Mr. Willden noted that currently 710 youth received services, some within the state and some in facilities located outside of the state.
- Premium payments for Nevada Check Up clients would increase from a \$25 quarterly premium to a \$75 quarterly premium for the lowest-income group of clients; from \$50 quarterly to \$140 for middle-income clients; and from \$75 to \$180 for higher-income clients. Increasing the Nevada Check Up premium would affect 22,000 recipients and provide General Fund savings of \$1,065,444.
- Mr. Willden provided the following list of Medicaid optional services proposed for elimination:

Eliminate non-medical adult vision coverage for a General Fund savings of \$716,766. The change would affect potential coverage for all adults enrolled in

Medicaid, and Mr. Willden noted that 6,300 recipients used the benefit in fiscal year 2009.

Eliminate non-medical adult audiology for a General Fund savings of \$113,850. The change would affect potential coverage for all adults enrolled in Medicaid, and Mr. Willden noted that 249 recipients used the benefit in fiscal year 2009.

Eliminate hearing aids for adults for a General Fund savings of \$18,073. The change would affect potential coverage for all adults enrolled in Medicaid, and Mr. Willden noted that 56 recipients used the benefit in fiscal year 2009.

Eliminate outpatient transitional rehabilitation for adults for a General Fund savings of \$280,600. The change would affect potential coverage for all adults enrolled in Medicaid, and Mr. Willden noted that 17 recipients used the benefit in fiscal year 2009.

Eliminate adult day health care for a General Fund savings of \$2,109,054. The change would affect potential coverage for all adults enrolled in Medicaid, and six adult day health-care providers. Mr. Willden noted that 367 recipients used the benefit in fiscal year 2009.

Eliminate adult dentures and denture reline program for a General Fund savings of \$2,549,664. The change would affect potential coverage for all adults enrolled in Medicaid, and Mr. Willden noted that 4,397 recipients used the benefit in fiscal year 2009.

Eliminate adult speech, physical, and occupational therapies for a General Fund savings of \$433,377. The change would affect potential coverage for all adults enrolled in Medicaid. Mr. Willden noted that 1,313 recipients used the benefit in fiscal year 2009.

- The reduction of reimbursement rates for skilled nursing facilities by \$10 per day would provide a General Fund savings of \$3,053,113. The change would affect 38 nursing homes, and currently, 4,600 Medicaid clients received skilled nursing care. Mr. Willden recalled that several years ago, representatives of the nursing home industry volunteered a provider tax, which, through a federal matching mechanism, allowed the state to increase payments to the rates reflected on the document, *Skilled Nursing Facilities Impacted by \$10/Bed Day Rate Reduction* ([Exhibit G](#)).

Senator Mathews recalled testimony during the 2009 Legislative Session that St. Mary's Medical Center would opt out of the program with enactment of a rate reduction and asked whether St. Mary's representatives had received notification of the change.

Mr. Willden advised that the DHHS had provided rate reduction notification to St. Mary's representatives, who would testify during the Aging and Disability Services Division's presentation.

Senator Coffin indicated that he had been under the impression that clients in most Medicaid programs would not lose coverage and asked whether the DHHS had any flexibility to make additional adjustments.

Mr. Willden defined the "loss of service" for clients in Medicaid, Check Up, and mental health programs as "a reduction, not elimination of the utilization of services." He said, however, that the elimination of the "optional services" he mentioned earlier would affect a significant number of clients who would have to try to find services through county social service agencies, non-profit organizations, or the generosity of others.

Senator Coffin asked whether the Department could impose or increase a fee for services.

Mr. Willden advised of fee increase opportunities of about \$550,000 in the Health Division. He said, however, that the only opportunity in health care was the increase in premium payments for Nevada Check Up clients discussed earlier in his presentation. Mr. Willden pointed out that the Department usually charged a fee for documents or inspections but not for service.

Mr. Willden also advised that the DHHS' staff recommended other options even more drastic than the options presented to the Committee, which the Governor did not want to implement. Mr. Willden indicated a choice, for example, to eliminate Nevada Check Up for a savings of \$14 million, or to eliminate optional services for the Medicaid population. Mr. Willden advised that another option the DHHS' staff reviewed was to eliminate paying for housekeeping and shopping services for seniors, a savings of about \$10 million but to continue to pay for feeding, grooming, and bathing services.

Senator Coffin referenced the \$10 per-bed-day reduction to nursing facilities and the industry's voluntarily imposed provider tax and asked whether industry representatives were privy to the information.

Mr. Willden advised that at the direction of the Governor and the Director of the Department of Administration, the DHHS staff did not engage in discussions concerning the rate reductions with any of the Department's providers or advocacy groups but that once decisions were made, information was provided to those groups. Mr. Willden provided clarification that the self-imposed provider tax could not be increased to offset the \$10 reduction because the tax on gross income was currently at the 5.5 percent maximum allowable by federal law. He explained that the current provider tax would continue with a \$10 per-bed-day reduction.

Senator Coffin recalled that the implementation of the provider tax allowed nursing facilities to continue to accept state Medicaid clients and asked whether the reduction would mean that facilities would stop taking clients or lower the quality of their care.

Mr. Willden advised that every reduction increased the possibility of putting clients at risk.

Assemblywoman Buckley pointed out that it was important to keep in mind that the proposals under discussion assumed a 10 percent reduction level that equaled only a percentage of the shortfall, which if not met would require additional across-the-board reductions totaling a 22 percent reduction.

Mr. Willden agreed with Assemblywoman Buckley and referenced page 1 of the document, *Department of Health and Human Services' Proposed Budget Cuts*, ([Exhibit F](#)). Mr. Willden pointed out that when the Administration requested the 10 percent reduction several months ago, the target was approximately \$400 million, not the current \$881 million shortfall, and the DHHS' share of the \$400 million target was \$132 million. Mr. Willden advised that he submitted reductions totaling \$132 million, which the Governor and the Director of the Department of Administration reviewed and deemed some reductions too drastic to implement. After reducing the \$132 million submittal to \$109 million, the DHHS accessed other funds that included tobacco, Check Up, and FMAP to bring up the DHHS' total share of budget reductions. Mr. Willden said, that the DHHS had additional cuts prepared if they were required to go deeper to meet the larger shortfall.

Assemblywoman Buckley acknowledged that the Department had been good at maximizing federal participation over the years, including hiring MAXIMUS, a partner in developing and managing health and human service programs, and conducting internal studies to ensure receipt of an optimum in federal matching dollars. Assemblywoman Buckley asked whether other opportunities existed for additional federal matching dollars.

Mr. Willden discussed the availability of two additional funding opportunities:

- The first was working with the hospital industry to maximize the Intergovernmental Transfer (IGT) and Upper Payment Limit (UPL) program to hospitals. A recent amendment to the state plan for Medicaid, submitted to the Centers for Medicaid and Medicare Services, provided an opportunity to match additional "local like" General Fund dollars submitted to the DHHS with federal dollars. If approved, the amendment would provide a revenue stream to local hospitals through the UPL program.
- The second opportunity in which the DHHS was working on was for targeted case management to get Medicaid dollars into juvenile justice and child welfare programs. Washoe County Child Welfare Integration was maximizing their

targeted case management opportunity while Clark County was still a work in progress.

Mr. Willden advised that while the two foregoing opportunities would not offset the DHHS' share of the General Fund shortfall, some relief could be provided to Washoe County and Clark County Child Welfare Integration programs. Additionally, Mr. Willden advised that the DHHS was maximizing Disproportionate Share Payments (DSH) from the federal government to match Medicaid costs and continuing efforts to find federal grants.

Assemblywoman Buckley asked Mr. Willden to work with the Committee's staff to look at every pending federal proposal and to send a letter from the Committee's leadership to Nevada's Congressional delegation urging action. Additionally, Assemblywoman Buckley noted that updating the standard of Temporary Assistance to Needy Families (TANF) on Child Welfare funding would be of assistance.

Mr. Willden agreed with the suggestions and advised that staff had reviewed pending federal proposals and were working with the Congressional delegation and federal partners to optimize federal funding opportunities. Mr. Willden advised that the Foster Care Program Title IV-E standard might produce additional revenue, and that staff members were closely following TANF, and Community Services, and Social Services block grants for the availability of larger block grants, or more emergency supplemental relief.

Before continuing, Cochair Horsford recognized Senate designee, Stan Olsen, appointed to fill the Senate District 12 vacancy created by the resignation of Senator Warren Hardy. Cochair Horsford welcomed Senator Olsen's participation and invited him to join the members of the Committee on the dais.

Assemblyman Denis asked how an increase in Nevada Check Up premium payments would affect recipients who could not afford the premium.

Mr. Willden advised that increased premium payments for Nevada Check Up had contributed to recipient drop off. Additionally, Mr. Willden reported that Nevada Check Up enrollment had been declining from a budgeted caseload of 30,000 to 32,000 recipients to a current caseload of 21,823 recipients, which he attributed to a lack of community outreach activity and to the downturn in the economy. Mr. Willden explained Nevada Check Up as a program for clients with a higher income level than required for standard Medicaid eligibility and so as the economy worsened, clients with less income no longer qualified for Nevada Check Up but could qualify for Medicaid's Child Health Assurance Program (CHAP). Additionally, Mr. Willden explained that Nevada Check Up clients who could not, or did not pay premiums received delinquency notices, which, in the past, took from 120 to 150 days before removal of the clients' benefit, but currently the process took only 60 days. Mr. Willden also advised that clients who wanted to reenroll were required to bring past premium payments up-to-date.

In response to Assemblyman Denis, who asked about current Nevada Check Up qualifications for enrollment, Mr. Willden said that, as previously discussed, the Nevada Check Up caseload had been declining over the last year. Mr. Willden explained that when the Nevada economy was good and outreach programs were funded in an attempt to achieve increased enrollment, the Check Up caseload approached the 30,000 to 32,000 mark. He said, however, that with the economic downturn, enrollment steadily declined because of the lack of outreach activity and because client income levels qualified them for other programs. Mr. Willden also mentioned a decline in the Hispanic population application and enrollment from 70 percent to between 40 percent and 50 percent. Mr. Willden indicated the decline was a dynamic he had not yet analyzed, and he expressed uncertainty as to whether he could attribute it to a lack of outreach or to a demographic situation.

Assemblyman Denis indicated he believed that many Hispanic families had left the state.

Assemblyman Conklin drew a parallel between the economic impact of the housing industry's foreclosure rate and the health-care industry noting that the continued reduction in Medicaid payments along with Nevada's unusually high number of uninsured would increase cost shifting. Assemblyman Conklin pointed out that the cost for medical services had the highest year-over-year growth index of any service measured in economics but that the proposed reductions would eventually create a larger number of people in need of services.

Mr. Willden responded that Assemblyman Conklin accurately described the economics of the health-care industry but that given the current economy, only a fixed amount of funding existed for distribution. Additionally, Mr. Willden confirmed that Nevada's uninsured population rate hovered around 20 percent, one of the highest in the nation, and with high eligibility standards, Nevada provided the lowest public assistance coverage at 8 percent compared with other states at about 14 percent. Mr. Willden advised that health-care providers had to cover their costs by shifting the cost to those with health-care insurance whose premiums increased by 10 to 12 percent.

In response to Assemblyman Conklin's question concerning proposed reductions increasing DHCFP costs over time, Mr. Willden advised he was uncertain that costs would increase although he explained that with more people asking for services, efficiency in processing applications needed to increase or additional staff hired. Mr. Willden pointed out, however, that hospital reimbursement rates would increase visits to hospital emergency rooms, which he defined as a type of cost shifting since emergency room procedures were more costly than an office visit to a physician.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, commented in response to the cross-shift cost discussion and advised that Nevada was not alone in shifting costs. Mr. Duarte pointed out that commercial payers had cost shifted for years in negotiations with hospitals and physicians so that, in effect, there

was no place remaining in which to shift costs, which he indicated would be discussed later in presentations regarding the cost of uncompensated care. Additionally, Mr. Duarte pointed out that people with commercial insurance coverage who could not meet their insurance copayment obligations led the nation in filing for medical bankruptcy. Mr. Duarte defined cost shifting in the health-care industry as a huge problem that was not working for providers in Nevada or across the nation and a problem that he did not see readily resolved.

Cochair Horsford asked whether budget reduction discussions considered phasing in the Nevada Check Up premium increase.

Mr. Willden advised that the decision to implement the increase in Nevada Check Up premiums by March 1, 2010 was to try save money as quickly possible but that he would defer to Mr. Duarte regarding phasing in the increase. Mr. Willden pointed out, however, that phasing in the increased premium rates would not save the targeted amount of money.

Mr. Willden provided the following sliding fee scale used to determine the increase in Nevada Check Up premiums for families in the lower, middle and upper poverty levels:

- lower group at 100 percent to 150 percent of poverty level
- middle group at 151 percent to 175 percent of poverty level
- upper group at 176 percent to 200 percent of poverty level

Mr. Duarte advised that the DHCFP staff did not consider phasing in the increase because as Mr. Willden had stated, phasing in the increased premium rates would not save the targeted amount of money. Mr. Duarte explained, however, that even though federal law allowed a higher rate, staff wanted to keep the new premium levels at or below 3 percent of household income.

In response to Cochair Horsford, who indicated that the proposed rate increase appeared to be disproportionately high for the lower-income group, Mr. Willden reiterated that although the premium rate tripled from \$25 to \$75, the benchmark was to keep the increase at or below 3 percent of income. Additionally, Mr. Willden pointed out that a \$25 a month health-care package was reasonable.

In response to Cochair Horsford's questions concerning the annual income for families meeting the poverty level, Mr. Willden advised that he believed that the income for one person was about \$7,000 a year and for a family of three close to \$21,000.

Cochair Horsford pointed out that for an individual who earned \$14,000, a \$25-a-month payment was significant and that it was likely that those individuals could not pay \$75 and would lose their coverage.

Mr. Willden confirmed that clients who did not pay the premiums would lose their health-care coverage.

Mr. Duarte provided clarification that the increase in premiums would not change the percentages and defined the \$75 rate as a per-quarter premium per household irrespective of the number of children, not a per-month cost and advised that on average there were about 1.8 children per household in a Nevada Check Up program.

Cochair Horsford said that while it was important to put the facts into perspective, the Nevada Check Up increase amounted to more than the initial 10 percent reduction the Governor requested. Cochair Horsford suggested revisiting the issue for reconsideration based on fairness.

Moving on, Cochair Horsford asked whether budget discussions considered implementing a co-payment for optional vision, dental, and rehabilitation services.

Mr. Duarte advised that federal law allowed for the establishment of copayments at a de minimis level that did not harm the recipient. He explained that some states established copayments primarily for programs in which they expanded eligibility beyond mandatory coverage groups. Mr. Duarte indicated, however, that the DHCFP could establish only small copayments for mandatory groups and could not deny services because of nonpayment.

Mr. Duarte advised that the most common copayment implemented was for prescription drugs. He explained that the copayment reduced the provider rate, which the provider had to attempt to collect from the recipient. Mr. Duarte reported that the average copayment for prescription medications was between \$1, \$2 and \$3, depending on the price of the drug and that if unable to collect the copayment, the provider was still required to dispense the prescription or in the case of services, to provide the service. Additionally, Mr. Duarte pointed out that the copayment option would require broad establishment rather than just the specific types of optional services targeted for elimination.

Cochair Horsford asked for information concerning contingency funds in the TANF program.

Mr. Willden advised that minus the enactment of policy corrections and a decrease in caseload, the TANF program needed additional funding of \$6.8 million. The following proposals reduced the shortfall to zero:

- Reduction of staff and administrative costs.
- The Division of Welfare and Supportive Services would discontinue the \$1.5 million per year TANF to Title XX transfer, which would affect some children's services passing through to the Division of Child and Family Services.

- The Division of Welfare and Supportive Services would discontinue the transfer of about \$1.5 million per year in TANF dollars to the Division of Mental Health and Supportive Services for autism services.
- Elimination of a \$1.5 million transfer to the two child welfare agencies in Washoe County and Clark County that provided front-end child protective services.

Mr. Willden advised that the federal government funded the TANF program with a basic block grant of about \$44 million for which Nevada had to expend \$27 million to \$28 million in maintenance of effort (MOE). Mr. Willden explained that when the TANF caseload suddenly "skyrocketed," the federal government made a \$22 million emergency contingency fund available, of which 90 percent was already exhausted and the remainder would be gone by midyear. Mr. Willden advised that there was movement within the federal government to make more emergency contingency funds available to states, which could be used for cash assistance and employment and training programs, which if realized would avoid the reductions to the Division of Child and Family Services' and Division of Mental Health and Developmental Services' partners.

Senator Raggio expressed the "deep concern" felt by all involved in the budget reduction process and for the constituency affected by the cuts. Additionally, he noted that the reductions would impair progress made over the course of many years, not only in the area of Health and Human Services but across the state budget.

Senator Raggio discussed the process for the proposed budget reductions that had taken place over the past weeks, a process that included the involvement of Legislative leadership, staff from the Legislative Counsel Bureau's Fiscal Analysis Division, the Governor's Office, the Department of Administration's Budget Division, and state agency directors and administrators.

Senator Raggio dismissed the budget shortfall blame placed on the Legislature in the Governor's state of the state message as a negative political statement and defined such rhetoric whether from the Legislature or the Governor as unproductive in weathering the budget difficulty Nevada currently faced.

Senator Raggio said that the Legislature did not cause the shortfall and that the members of the 2009 Legislature, in fact, delayed the impact of the loss of services for many Nevadans. Additionally, Senator Raggio noted that, as previously discussed, the quality of health-care services Nevada provided per capita was already at the low end of the spectrum and that the discussion, for example, concerning reducing the number of adult-incontinence products was heart rendering.

Senator Raggio indicated he considered it noteworthy that the Governor's message did not suggest repeal of the temporary tax increases the Legislature enacted to fund the

current budget but pointed out that repeal of the tax increases would have doubled the budget reductions currently before the Committee.

Senator Raggio called for all involved in the process to work together in a spirit of cooperation to solve the budget shortfall.

In response to Senator Raggio's request for information regarding the proposed expansion of the Medicaid PDL, Mr. Willden advised that *Nevada Revised Statutes* (NRS) 422.4025 enabled the DHCFP to establish a PDL, and under the provisions of the statute, the Pharmacy and Therapeutics Committee determined which drugs were included on the list. Mr. Willden noted the exclusion of six specific classes of drugs from the PDL.

Additionally, Mr. Willden indicated that reluctance for expansion of the PDL on the part of the industry and the individuals receiving prescription drugs was their belief that they would no longer have access to the best drugs available for their situation. Mr. Willden advised, however, that the Pharmacy and Therapeutics Committee's position was that many drugs within a class were equally good and preferring one drug to another would save money.

Mr. Duarte reported that expanding the PDL to include atypical and typical antipsychotic, anti-rejection medications, and some anticonvulsant generic drugs, particularly in the antipsychotic classes, would save money. Mr. Duarte advised that many generic equivalents were currently widely prescribed and that working through the Pharmacy and Therapeutics Committee to determine appropriateness and with manufacturers to gain the best prices through rebates and supplemental rebates would provide the needed savings.

Senator Raggio asked whether members of the psychiatric profession agreed with the use of generic antipsychotic drugs.

Mr. Duarte responded that while he had not surveyed members of the psychiatric profession, a psychiatrist who served on the Pharmacy and Therapeutics Committee believed that the expansion of the PDL to include generic antipsychotic drugs would provide significant savings. Mr. Duarte advised that there was no restriction on access to drugs and if a compelling reason existed for a specific brand-name drug, the prescribing physician had only to provide that information to obtain the non-preferred product. Mr. Duarte reiterated that all generic drugs had to be medically appropriate, and that the pharmacists and physicians serving on the Pharmacy and Therapeutics Committee made those decisions in the best interests of patients without any consideration of cost savings.

Senator Raggio asked for additional information concerning the elimination of Medicaid optional services for non-medical adult vision, non-medical adult audiology, and outpatient transitional rehabilitation for adults.

Mr. Duarte provided the following information:

- Medicaid would no longer pay for eyeglasses and contact lenses but would continue to pay for eye-care services provided by ophthalmologists and eye examinations provided by optometrists.
- Medicaid would no longer cover the cost of hearing evaluations, hearing appliances, or batteries for appliances.
- Medicaid would no longer pay for day therapy, a service for adults with traumatic brain injuries and other types of related conditions. Currently, one facility in southern Nevada assisted 17 recipients with daily activities.

Senator Raggio asked for additional information concerning the elimination of adult day health care services.

Mr. Duarte advised that adults that required supervision during the day could go to facilities that provided routine medical care by a nurse that included, for example, monitoring of blood pressure and dispensation of medication. Mr. Duarte advised, however, that adults who would no longer receive the day health care benefit because of the elimination of optional services could still receive personal care agency services. Mr. Duarte said, however, that while Medicaid would no longer cover the nursing component for adult day health care in a facility, Medicaid would pay for nursing services for adults who were homebound and needed medical services. Mr. Duarte advised, however, that most would not have the medical needs necessary to meet the level-of-care criteria for nursing homes or for home and community-based waiver program services.

Senator Raggio asked where current recipients of optional services could turn to receive assistance if elimination of optional services took place.

Mr. Duarte responded that he had already directed the Division's four district office managers, in Las Vegas, Reno, Carson City, and Elko to start planning for the provision of assistance to clients, particularly in the adult day health care environment. Mr. Duarte said, however, that he could not promise that Medicaid could help everyone because he said there would be situations where individuals would not receive the assistance that they needed or that they were receiving previously.

Mr. Duarte advised that the DHCFP would send information to providers on how recipients and their families could contact the DHCFP district offices.

Adding to Mr. Duarte's response, Mr. Willden advised that DHHS and DHCFP staff would continue to work on alternatives but that in the meantime, Medicaid recipients could access the 211-system either by telephone or online for information on available services. Additionally, Mr. Willden advised that providers could also call 211 to indicate the type of services they could provide.

Assemblywoman Gansert also expressed concerns regarding the proposed budget cuts with respect to the availability of access to care for some of Nevada's most vulnerable population and the fact that additional cuts could be required.

Assemblywoman Gansert asked, in reference to expansion of the PDL whether individuals currently using brand-name drugs would be "grandfathered in" to allow for continued use of the same drug and whether the manufacturers of brand-name drugs could bid a proposal to continue providing those drugs.

Mr. Willden confirmed that a grandfather clause existed that would allow individuals using prescription brand-name medication to continue using the same drug.

In response to Assemblywoman Gansert's question concerning a bidding process for drug manufacturers, Mr. Duarte advised that a well-established bidding process existed for manufacturers to provide supplemental rebates to the state. Mr. Duarte explained that the process was invisible to the licensed professionals on the Pharmacy and Therapeutics Committee who made the decisions on which preferred drugs were included on the PDL. Additionally, Mr. Duarte explained that negotiations with manufacturers for supplemental rebates took place on an annual basis through the Division's fiscal agent, First Health Services. Additionally, Mr. Duarte discussed the situations in which manufacturers attempted to submit special bids indicating, for example, a proposal to give the state \$1 million, without strings, if that particular manufacturer was preferred. Mr. Duarte pointed out that a manufacturer with a preferred drug received market share for which any circumvention could create problems for the process and would be unfair to those who submitted legitimate bids.

In response to Assemblywoman Gansert's question concerning whether a program existed for donated eyeglasses that could be recycled to Medicaid clients, Mr. Willden advised that customer service representatives referred individuals to the local Lions Club where donated eyeglasses were recycled to those in need.

Senator Coffin commented on Senator Raggio's and his own long years of legislative experience in the budget process and pointed out that the current reductions were "generally well prepared." Senator Coffin said that he, like Senator Raggio, was surprised to hear that the Legislature was somehow to blame for the global economic crisis. While he agreed that the budget reduction process should be as nonpolitical as possible, Senator Coffin said he would not support the current round of budget reductions unless the Legislature made an effort to raise revenue. Senator Coffin pointed out that while the reductions discussed thus far were terrible, the reductions for the Division of Mental Health and Developmental Services were even worse because the Division's clients were not only poor but could not speak for themselves.

Senator Coffin commented on the ease of becoming cynical about the process after hearing the proposal in the state of the state message to introduce education gift certificates for members of the public to donate money for teachers' salaries.

Senator Coffin suggested that perhaps the Administration could also develop a method to request contributions for the poor, the mentally ill, the blind, and the disabled.

Senator Coffin discussed a letter ([Exhibit I](#)) sent by email from Candidate for Governor Gibbons that did not relate to contributions for teachers or the poor but rather to benefit the Governor's reelection campaign. Senator Coffin indicated he had submitted a copy of the letter for inclusion in the record to ensure that in conjunction with the budget testimony, awareness was raised that "the Governor's contribution to politics in the equation was to raise money for himself."

Assemblywoman Buckley defined many items on the list of proposed cuts as "utterly abhorrent" and expressed agreement with Senator Raggio's comments regarding the positive effect of the revenue the Legislature raised in 2009. Assemblywoman Buckley commented on the great challenges the Committee members faced in creating a prioritization list and seeking alternatives to the proposed cuts, which she said required difficult decisions. Assemblywoman Buckley expressed her appreciation to Mr. Willden and to his agency administrators for their work in developing the proposals.

Cochair Horsford also expressed his appreciation to Mr. Willden, who he said had outlined the budget reduction proposals as directed by the Governor for review by the Committee.

Hearing no further questions from the members of the Committee, Cochair Horsford advised that he would open the hearing to public comment. Additionally, Cochair Horsford reiterated previous remarks by Cochair Mathews that the Committee had gathered to identify options, solutions, and to consider alternatives to implement budget reductions and asked members of the public who wished to comment to express their opinions, but more so their ideas on responsible ways to balance the budget.

PUBLIC COMMENT

Barry Gold, Director of Governor Relations, AARP, Nevada, in an expression of concern regarding how the proposed budget cuts would affect the aging population, recalled comments regarding cost shifting and the elimination of adult day health care. From his experience as a social worker case manager, Mr. Gold advised that eliminating adult day care services now meant paying for nursing home care at a much higher cost.

Mr. Gold advised that one potential solution to the \$60.9 million Medicaid budget gap was the extension of the Federal Medicaid Assistance Percentage (FMAP), which, if approved, could provide about \$29 million that could pay for services necessary for Nevadans. Mr. Gold further advised that the AARP was advocating at the federal level for the extension.

Jon Sasser identified himself for the record as a Washoe Legal Services' representative, Advocacy Chair for Nevada Covering Kids and Families Coalition, and a member of the Nevada Commission on Services for Persons with Disabilities.

Mr. Sasser remarked that the Governor's comments wherein he defined the recession as an opportunity to reduce "bloated government services" by eliminating programs that might feel good to some people were counterproductive. Mr. Sasser pointed out that "feel-good services" were provided to 6,300 people to be able to see, 4,400 people to be able to chew, 250 people to hear and to 343 people for their incontinence needs.

Mr. Sasser expressed agreement with the importance of advocating Nevada's Congressional delegation for passage of the FMAP extension, extra TANF emergency contingency funds, and continuation of State Stabilization Fund funds that would provide funds for needed services; however, he pointed out that passage was far from assured.

Mr. Sasser also expressed agreement with previous comments for legislative consideration of tax increases to reduce the shortfall and to reduce the possibility of even more drastic reductions, which he said could include elimination of Nevada Check Up, in-home services for persons with disabilities, the waiver benefiting pregnant women, and the mental health court.

Charles Perry, President and Chief Executive Officer, Nevada Health Care Association, testified that the mission of skilled-nursing facilities was to provide services to as many patients as possible. Mr. Perry pointed out, however, that skilled-nursing facilities currently received \$12.27 per Medicaid patient per day less than documented costs and that the proposed \$10 reduction would only exacerbate that situation. Additionally, he pointed out that facilities were near the point of not being able to continue to lose funding and provide any type of service at all.

Mr. Perry discussed the extensive regulatory system for the provision of services in skilled-nursing and rehabilitation facilities and advised the Committee of how reductions in reimbursements severely affected the ability to provide services and meet regulatory requirements. Mr. Perry pointed out that the care of patients depended on paying staff to provide "person-to-person, hands-on service" and asked at what point federal and state governments that insisted on the provision of services at less than cost would take responsibility in the inability of skilled-nursing centers to meet legal and regulatory requirements.

Cochair Horsford asked Mr. Perry to work with Mr. Willden and DHHS' agency administrators on compliance with regulatory requirements, which he said was a critical factor in the Committee's decision-making process for budget reductions.

Jack Mayes, Executive Director, Nevada Disability Advocacy and Law Center (NDALC), testified that the NDALC was Nevada's federally funded advocacy agency charged with protecting people with disabilities up to and including litigation.

Mr. Mayes indicated that of primary concern was the state's compliance with the June 22, 1999 Supreme Court ruling on *Olmstead v. L.C. and E.W.*, which, under the

Americans with Disabilities Act (ADA), it was discriminatory to provide services within an institutional basis for people who could be served within the community. Mr. Mayes expressed concern that reductions to the already "fragile" budget for the Division of Mental Health and Developmental Services' budget could lead to increased institutionalization of clients and asked for a reevaluation of those proposals.

Mr. Mayes advised that another area of concern that placed the state in conflict with the Supreme Court ruling on Olmstead was that the reduction of personal care attendants would force clients into institutions.

Additionally, Mr. Mayes commented on the equality of proposed reductions to community-based services and institutions and recommended, for legal and equity reasons, to distribute budget reductions equally.

Mr. Mayes also encouraged the members of the Committee to review expansion of the PDL, which he said the NDALC would not oppose as long as there were protections for clients that needed the newer psychotropic medications. Mr. Mayes expressed concern that historically medications had been "forced" on patients that left them with lasting side effects such as facial tics, and the fear existed that patients would be forced to take those medications again.

Mr. Mayes also requested a review for the inclusion of day training and jobs programs in the metropolitan areas of Washoe County in Reno and Clark County in Las Vegas as well as in the rural areas.

Lastly, Mr. Mayes expressed concern regarding the possibility of limitations on supported living arrangements that would possibly place people in a position of choosing between an institution and community-based placement and place the state in conflict with the Olmstead decision.

Paul Gowins, representing the Nevada Commission on Services for Persons with Disabilities, expressed concern over the depth of the proposed budget reductions that he pointed out affected a broad spectrum of the population that included persons with disabilities.

From a personal perspective, Mr. Gowins said he could guarantee that the reductions would place Nevada's disabled community in a position of "panic and reaction" and called on the members of the Committee to consider increasing revenue by taxes and fees to balance the need.

Mr. Gowins discussed the budget proposal to reduce the reimbursement rates for personal care services and pointed out that deleting another \$1.50 per hour from the hourly wage would affect 80 providers who would have to move on when they could find another job. Additionally, Mr. Gowins spoke about proposals to freeze employment and travel and pointed out the need to carefully review those issues because workers were needed to do their jobs and to keep state government functioning.

Mr. Gowins also spoke about the condition and adequacy of nursing home facilities and pointed out that while he agreed with previous comments concerning institutional and community-based services, placing persons with disabilities in nursing homes or in community-based services would not matter if services for those facilities proved inadequate. Additionally, Mr. Gowins pointed out that if the proposed cuts reduced community-based services, clients would fill available nursing home beds within a year.

In closing remarks, Mr. Gowins said he would provide suggestions for more specific ideas regarding the proposed budget reduction at the town hall meeting scheduled for Saturday, February 13, 2010. Mr. Gowins reiterated that the proposed reductions would negatively affect people with disabilities whether in the community or in institutions.

Assemblywoman Buckley suggested that in light of the recent reference to "bloated government" and discussions on the airwaves about unnecessary government services, perhaps the economic crisis would bring about discussions concerning the actual services state government provided. Assemblywoman Buckley pointed out that no one sitting in the meeting could say that the services the Department of Health and Human Services provided were unnecessary and asked all who had testified to redouble their efforts to tell others about state services and the discussions in legislative hearings concerning the proposed reductions.

In response, Mr. Gowins said that the content of the previous evening's state of the state message did not provide solutions to the crisis that was of any help but indicated that he hoped the generation of information through the hearings would dictate rational policy.

Bill Welch, President and Chief Executive Officer, Nevada Hospital Association, prefaced his presentation with an expression of gratitude to the members of the Committee and to all the others who he said had worked diligently in an effort to minimize the impact of the budget shortfall. Faced with similar challenges within their own organizations, Mr. Welch advised that the hospital industry, in conjunction with the DHHS, had engaged consultants to look at opportunities to maximize federal dollar matches. Mr. Welch pointed out that a realization of those opportunities would not solve the state's budget shortfall but would infuse cash into the health care delivery system to minimize some of the effects of the budget reductions.

Mr. Welch's presentation covered in documents entitled, *Access to Hospital Care Service Reductions due to Economic Environment* ([Exhibit H](#)) and *Decreasing Access to Health Care Services in Nevada* ([Exhibit J](#)) began with the latter exhibit. Mr. Welch pointed out that projections indicated that Nevada hospitals would provide \$1.15 million in uncompensated health care to the underinsured and uninsured populations of the state. He advised that the hospital industry was challenged by previous cost reductions imposed by the Legislature during the 24th and 25th Special Sessions in June and December 2008 including a \$15 million reduction in Medicaid reimbursements and a \$25 million reduction in the Indigent Accident Fund.

Additionally, Mr. Welch pointed out that in 2007, 36 percent of insured patients paid for the cost of their care as well as the unpaid cost for all other patients. In 2009, the insured population was reduced to 30 percent, and 70 percent of hospital patients paid less than the cost of the services they received. Mr. Welch also said that data concerning the percentage of cost paid for the uninsured, Medicaid, and Medicare patients led to projections that the hospital industry would be operating at a 4 percent negative margin. Mr. Welch told the Committee that operations based on a negative margin during the past 14 months had affected and would continue to affect access to health-care services. He said that mounting pressures placed on the system, such as the uninsured, state revenue shortfalls, and health-care reform would have a major impact on hospitals' financial liability going forward into the next several years.

Moving on to the document entitled, *Access to Hospital Care Service Reductions due to Economic Environment* ([Exhibit H](#)), Mr. Welch provided the following information:

- The unemployment chart on page 4, used as a proxy to demonstrate the growth of the uninsured, showed that Nevada's unemployment rate rose from 5 percent in 2001 to over 13 percent in 2009.
- Page 5 provided information on Nevada Medicaid reimbursement rates and that the rise in unemployment numbers had increased the number of Nevadans eligible for Medicaid. Mr. Welch pointed out that enactment of the proposed budget cuts would mean that hospitals would receive reimbursement at a rate below the rates received in 2001 despite the fact that costs had grown 50 percent in the same period. Additionally, he said that as eligibility for Medicaid increased beyond the 2009 legislatively approved budget level, more patients would utilize hospital emergency rooms for their health-care needs.
- Page 8 provided information on Medicaid revenue shortfalls and that county indigent programs and managed care Medicaid organizations based their reimbursement to hospitals on the Medicaid rate. Mr. Welch pointed out that a state reduction of 5 percent in Medicaid reimbursements would save the state \$6 million while hospitals would lose \$21.5 million.
- Page 9 provided information regarding health-care reform.
- Page 10 provided information on the United States aging population, the fastest growing population in Nevada and one that utilized most of the available health-care dollars.
- Page 11 provided information on Nevada Hospitals' Medicare reimbursement versus cost and showed that Medicare currently underfunded the cost of care to Nevada hospitals by \$428 million with projections that over the next four years that cost would increase to \$819 million.

- Page 12 provided additional information on the significant increase in the cost of health-care services for the Medicare population. Mr. Welch advised that cumulatively and on a conservative basis, hospitals would see a 13 percent increase in the cost of uncompensated health care in 2010 from approximately \$1 billion to \$1.13 billion driving the financial viability of hospitals downward.
- Page 13 provided information on the impact to patient care. Mr. Welch discussed efforts by hospitals to manage the cost of services before resorting to a reduction of services. He advised that efforts to reduce costs included a reduction in staffing, elimination of overtime, reduced hours, salary reductions, elimination or reduction of benefits, improvement of contracts and supply costs, renegotiation of contracts with physicians for emergency-room coverage, and standardization of supplies.

Mr. Welch advised that before considering a reduction of services, hospitals reviewed their core mission as well as the number of patients served and whether the services considered for reduction were available in the community.

- Page 17 summarized hospital services eliminated to date in the last 14 months and showed that North Vista Hospital in North Las Vegas substantially reduced obstetric services.
- Page 18 summarized hospital services that generated a loss to hospitals, and the list, while not all inclusive, included inpatient services for intensive care nursery, neurosurgery, nursery, obstetrics, oncology, orthopedics, and thoracic surgery.
- Page 19 provided information on recent headlines that showed that hospitals in California and elsewhere were experiencing the same financial difficulties as the hospitals in Nevada.
- Page 20 provided information that showed in 2008, Nevada hospitals treated and cared for over 262,000 inpatient admissions, 36,000 newborns, and 871,000 emergency-room patients. Additionally, hospitals provided care to over 1.9 million patients during outpatient visits and 46,000 dialysis treatments to over 8,300 patients.
- Page 21 provided information that the increasing unemployed, uninsured, and aging populations also increased the need for the hospital safety net and the financial challenges the hospitals faced.

Concluding his presentation, Mr. Welch said that ultimately hospitals had a fiduciary responsibility to manage their budgets to the bottom line, and, with respect to that effort, reiterated that representatives of the hospital industry were working with state representatives to find ways, through innovative programs, to infuse cash into the health care delivery system.

Connie McMullen, Chair, Senior Services Strategic Plan Accountability Committee, spoke in reference to the elimination of adult day health care for Medicaid recipients and the adverse effect elimination would have on the many low-income families who utilized the service.

Ms. McMullen advised that adult day health care was sometimes the only option for Medicaid recipients affected by dementia, stroke, Parkinson's disease, and Alzheimer's disease. Additionally, Ms. McMullen explained that although care was provided for up to eight or more hours a day, the state, at times, only covered the cost up to six hours and the county covered the balance.

Ms. McMullen cautioned that the elimination of community-based services would increase institutional care for which she pointed out a high vacancy rate was almost nonexistent in Nevada.

Jeff Fontaine, representing the Nevada Association of Counties (NACO), expressed his gratitude to the Committee for the opportunity to speak and to Mike Willden, Director, DHHS, for including county representatives in the budget-deliberation process.

Mr. Fontaine noted that much of the preceding testimony, concerning the budget reductions, related to cost shifting and to the provision of services and advised that county representatives viewed the delivery of social services as a partnership between the state and the counties. Mr. Fontaine indicated that with the reduction of services and programs at the state level, many, if not all, recipients of those services would turn to the counties for assistance.

With a statutory mandate to provide for the indigent, Mr. Fontaine said that the counties would do everything they could to address the increased caseload and the requirement for new services. He pointed out, however, that the direct and indirect effect of the proposed budget reductions would add stress to an already overburdened social services system in almost every county. Mr. Fontaine advised the members of the Committee that the impact of the budget reductions on each county would be different but that in some rural counties, for example, services might no longer be available.

Mr. Fontaine advised that as suggested by a previous speaker, NACO had contacted Nevada's Congressional delegation to ask for quick and immediate action to extend the FMAP percentage as had the National Association of Counties. Mr. Fontaine also noted that every General Fund dollar not available meant the same federal match dollar was unavailable for federal programs, such as Medicaid in Nevada.

Additionally, Mr. Fontaine encouraged the Committee to keep DHHS' staffing and programs at levels to address the backlog in processing applications for Supplemental Nutrition Assistance Program (SNAP) and Medicaid.

Concluding his remarks, Mr. Fontaine advised that he would discuss the provision of services with county representatives and would ask them to work with NACO and state

representatives to identify the availability of alternatives within their communities. Mr. Fontaine pointed out the need to factor into the budget reduction process the possibility that alternatives were unavailable.

Irene Smith, Chair, State of Nevada Advocacy Diabetes Association (ADA), spoke on behalf of the ADA as well as from personal experience as a parent of a diabetic child. Ms. Smith addressed concerns regarding the proposal to eliminate a current exclusion of "anti-diabetic" and other medications from restrictions related to the Medicaid's Preferred Drug List (PDL). Ms. Smith advised that a critical component of diabetes care was access to prescribed medications and supplies and pointed out that the costs incurred in the treatment of poorly managed diabetes and complications associated with the disease were overwhelming.

Ms. Smith reported that 217,500 Nevada residents were diabetic and that complications from diabetes, the fifth deadliest disease in the United States, could lead to kidney failure, amputation of lower extremities, heart disease, and stroke. Additionally, Ms. Smith reported that the Nevada Diabetes Prevention and Control Program estimated that Nevadans spent \$167 million annually on diabetes health care and treatments in Nevada. Ms. Smith said that although the members of the ADA understood the budgetary savings Nevada hoped to gain from the proposal to expand the Medicaid PDL, placing restrictions on access to necessary medications would result in increased costs for physician visits, treatment, and emergency room visits.

Ms. Smith expressed concern that with expansion of the PDL, the state rather than a prescribing physician would decide the type of insulin Nevada Check Up or Medicaid recipients should take. Specifically, Ms. Smith discussed the possibility that in an effort to save money, older, less effective and less expensive types of diabetes medications would be required.

Constance Brooks, representing Clark County, discussed the county's recent budget impact statement based on the state's proposed 10 percent budget cuts. Ms. Brooks advised that the total impact of the DHHS' budget reductions to Clark County totaled approximately \$30 million, which she said would affect the University Medical Center, Clark County Department of Juvenile Justice Services, Clark County Department of Family Services, and the Clark County Department of Social Service.

Ms. Brooks described Clark County as "weathering the storm," and looking toward the future with a solution-focused approach. She pointed out, however, that the cost containment and deficit reductions already in place were not enough to address the approximate \$200 million shortfall that Clark County faced. Ms. Brooks indicated that county leaders were currently exploring ideas and suggestions and had sought ideas from members of the community. Additionally, Ms. Brooks advised that each of the seven county commissioners held town-hall meetings with respect to the budget reductions, and the County had convened the Committee on Community Priorities, a group of citizens that after reviewing Clark County budgets that related to the General Fund, provided recommendations currently being examined.

Ms. Brooks introduced Nancy McLane, the Director of Clark County Department of Social Service, who provided a brief overview on how the cost reductions would affect the Department.

Nancy McLane, Director, Clark County Department of Social Service and Chair of the County Social Service Administrators of Nevada, told the members of the Committee that the County was prepared to assist the Nevada Department of Health and Human Services in their budget reduction process. Ms. McLane discussed the county's offer to become a partner agency for the Supplemental Nutrition Assistance Program (SNAP). As a partner agency, Ms. McLane said that county assistance to clients would allow Welfare Division staff time to focus on the timely processing of applications for TANF and SNAP clients. Ms. McLane noted the importance of keeping federal funds in Nevada for the SNAP because of the many Nevada families whose food needs were not secure. Ms. McLane advised that her associates in other counties had also indicated a willingness to participate in the partnering effort to the extent they were able to do so.

Ms. McLane expressed the need for a positive focus but pointed out that as the members of the Committee were aware, the proposed budget cuts would shift costs to county budgets. Ms. McLane advised that county indigent programs throughout Nevada faced double-digit budget cuts for the next fiscal year and that the proposed cuts would add a burden to already depleted budgets. Ms. McLane respectfully asked that the Committee use caution in approaching what she described as "a minefield of unintended consequences" in the implementation of the proposed cuts. Ms. McLane pointed out that one additional nursing home client could exhaust the indigent medical budget of a small rural county and that when county medical funds were depleted, hospitals were not paid to provide medical care to indigents although by federal law, they were required to treat emergency patients.

Ms. McLane said that the likely point of failure in Clark County was outpatient specialty care because small-business providers with high overhead costs would not accept clients if they were not going to be paid. Ms. McLane pointed out that the proposed budget cuts would place county-contracted services at risk for the provision of oxygen, cancer treatment, outpatient dialysis, and other lifesaving treatments that allowed individuals to remain in their homes as long as possible.

Additionally, Ms. McLane said that the proposed cuts to mental health services would drive mentally ill people to emergency rooms, which would limit access to people with medical emergencies and would increase the cost for indigent medical care in the counties. Ms. McLane advised that the average cost for treating a severely mentally ill homeless person circulating through the emergency medical system was \$50,000 a year.

Concluding her remarks, Ms. McLane told the Committee that the county had implemented cuts where possible and again offered a willingness to provide any assistance possible.

Hearing no further requests from members of the public to testify, Cochair Horsford recessed the meeting at 12:26 p.m.

Cochair Horsford reconvened the meeting at 1:42 p.m. and asked Mike Willden, Director, Department of Health and Human Services, to begin his presentation on the Division of Mental Health and Developmental Services' budget reduction proposals.

*E. REVIEW OF PROPOSALS FOR REDUCING SPENDING RELATED TO THE DIVISION OF MENTAL HEALTH AND DEVELOPMENTAL SERVICES OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.

Harold Cook, Administrator

Mike Willden, Director, Department of Health and Human Services, referred to page 7 of the document entitled, *Nevada Department of Health and Human Services' Proposed Budget Cuts* ([Exhibit F](#)) and provided the following proposals:

- Carry forward UnitedHealth Settlement funding for a total General Fund savings of \$116,555. A 36-state settlement based on a violation of laws concerning the handling of claim payments by UnitedHealth Group provided money that the DHHS used to fund health and wellness programs. Mr. Willden advised that settlement funds, used to support a mobile mental health clinic in Reno and Sparks, was not used in its entirety and that a portion reverted to the Office of the Attorney General. Mr. Willden advised that DHHS' staff were working with the Attorney General to return the funding to the Mental Health budget.
- Vacancy savings from the Mental Health Information System budget for a General Fund savings of \$50,090.
- Reversion of utility costs for buildings closed at Northern Nevada Adult Mental Health Services (NNAMHS) through Capital Improvement Projects (CIP) provided a General Fund savings of \$300,000.
- Pharmacy savings in mental health services because of better-than-anticipated efforts to steer Medicaid and Medicare clients to private pharmacies and the release of several popular medications in generic form for a General Fund savings of \$8,162,406.

Mr. Willden provided the following additional information concerning pharmacy savings:

- Ø Previous budget reductions of nearly \$30 million were the result of significantly higher inventories than were needed for mental health medication clinics.
 - Ø By shifting Medicaid and Medicare clients' pharmacy costs from mental health service clinics to community pharmacies, other insurance carriers paid the costs.
 - Ø Medication clinics saw a significant movement from the use of brand name or patented psychiatric drugs to generic drugs for mentally ill clients.
 - Ø The reversion of \$8,162,406 through the end of the biennium was provided by \$2,810,000 from NNAMHS, \$4,833,206 from SNAMHS, and \$519,200 from Rural Clinics.
- Reduction of out-of-state travel for administration in fiscal year 2010 for a General Fund savings \$5,700.
- Elimination of budgeted caseload growth for supportive living arrangements for people with developmental disabilities:
 - Ø Desert Regional Center (DRC), with a current client population of 1,129 and a wait list for 78 individuals, would serve 147 fewer individuals over the biennium for a General Fund savings of \$3,796,898.
 - Ø Sierra Regional Center (SRC), with a current client population of 616 clients and a wait list of 33 individuals, would serve 97 fewer individuals over the biennium for a General Fund savings of \$1,947,010.
 - Ø Rural Regional Center (RRC), with a current client population of 328 and a wait list of 51 individuals, would serve 39 fewer individuals over the biennium for a General Fund savings of \$242,355.
- Elimination of base budget funding for supportive living arrangements for people with developmental disabilities:
 - Ø Elimination of 50 slots, not currently filled, from the Desert Regional Center (DRC) base budget would take no clients out of service but would increase the wait list. The availability of current vacancies related to a delay in placements made during the previous biennium to meet budget cut targets for a General Fund savings of \$5,790,819.
 - Ø Elimination of 49 slots not currently filled from Sierra Regional Center (SRC) for a total General Fund savings of \$1,800,722.

- Elimination of caseload growth for job and day training for developmentally disabled people at the Rural Regional Center (RRC), with a current client population of 263 individuals and a wait list of 52, would reduce the ability to serve 53 individuals for a General Fund savings of \$449,546.
- Reduction of the number of developmentally disabled clients the Rural Regional Center (RRC) could serve through its Purchase-of-Service program. The program provided one-time assistance to clients for emergency needs, health and safety issues, or to enhance quality of life. The RRC, currently budgeted to serve 141 clients over the biennium, would serve 70 fewer families for a General Fund savings of \$100,000 and would create a wait list for the first time.
- The reduction of residential placement caseload for mental health patients at the Southern Nevada Adult Mental Health Services (SNAMHS) by 142 clients would not remove patients from current placements and would provide an estimated General Fund savings of \$4 million. The SNAMHS currently supported 953 clients with residential placements.

In response to Assemblywoman Buckley's question concerning capping future caseload growth, Mr. Willden confirmed that "essentially" the services under discussion would be available only after the departure of clients.

Assemblywoman Buckley commented on the cost associated with capping caseload growth since clients were unlikely to leave the provision of services. Assemblywoman Buckley pointed out that not stabilizing the mentally ill with housing would most likely mean that those individuals would continually attempt to access already overcrowded hospital emergency rooms limiting access to people with medical needs. After noting the potential for even higher costs, Assemblywoman Buckley asked whether staff could project the retention of some caseload growth based on an absolute need and the availability of revenue.

Mr. Willden responded that while the retention of some caseload growth was desirable, the numbers before the Committee resulted from an exercise in reaching a "hard-line number," but he said that DHHS' staff could work on a re-projection of numbers for the Committee. Mr. Willden discussed the importance of stabilizing mentally ill clients with medication and the provision of a safe-living environment. He said that although he believed the provision of medication could continue, the provision of supported-living arrangements could not increase.

Assemblywoman Buckley asked that a projection of the retention of some caseload growth be provided to the Committee's staff for evaluation.

Harold Cook, Ph.D., Administrator, Division of Mental Health and Developmental Services, expressed agreement with Mr. Willden that the preservation of some funds to provide some growth in supported living would be desirable. Dr. Cook agreed to review the cost for a minimal number of placements but asked that any funding for caseload

growth occur in fiscal year 2011 since funding for fiscal year 2010 could not occur in time for access.

Assemblywoman Leslie requested that projections for caseload growth include all major residential and supportive-living arrangements for the severely mentally ill, and she also requested information on the loss of federal dollars for each of the General Fund savings proposals under discussion.

Mr. Willden responded that he did not have the federal matching dollar loss number with him but advised that the information was available on the Nevada Executive Budget System (NEBS). Mr. Willden explained that upon entering each budget reduction number into the NEBS and the General Fund savings identified, NEBS calculated the federal fund loss. Mr. Willden confirmed that the DHHS loss of federal funds generally was dollar for dollar, but in programs such as Medicaid, one state dollar was matched by two federal dollars. For other programs, he said the match was not as good and not every program had an associated federal match.

Dr. Cook provided an example for SNAMHS that \$4 million in General Fund savings would result in a loss of \$674,000 in federal funds.

Mr. Willden pointed out and Dr. Cook confirmed that the \$674,000 loss in federal funds for SNAMHS took into account that not all clients were Medicaid eligible.

In response to Assemblyman Goicoechea who asked about the correlation between the 142 residential placements by SNAMHS and the \$4 million in General Fund savings, Mr. Willden confirmed a direct correlation as well as \$152 million in non-caseload growth as a portion of the \$4 million. Mr. Willden reiterated, however, the loss of federal dollars for SNAMHS was only \$674,000 because some clients were Medicaid eligible and some were not.

In response to Assemblyman Goicoechea who asked whether the MHDS staff would use a triage process following the program reductions, Mr. Willden advised that staff currently used the triage process on a daily basis to provide services to those most in need but that the wait list would continue to become larger and the wait times longer.

Cochair Horsford asked for information concerning federal compliance requirements concerning caseload and response time as well as meeting mental health requirements under the Nevada Constitution.

Mr. Willden advised that the MHDS was required, under the provisions of the Nevada Constitution, to provide services to the mentally ill; however, he said that, as previously discussed, federal litigation over the level of community-based and institutional services for the mentally ill was a larger issue. Mr. Willden advised that the DHHS made a "concerted effort" over the years to place clients in community rather than institutional programs and had a long record of accomplishment in closing institutional programs and moving mentally retarded clients, for example, from

intermediate-care facilities to community placements. Additionally, he said the DHHS made a "concerted effort" to fund and move wait lists to meet a 90-day standard but that he expected the wait time to increase.

In response to Cochair Horsford who asked about the status of current wait lists, Dr. Cook advised that currently there was no wait list for mental-health housing.

Mr. Willden advised, however, that there were substantial wait lists for people with developmental disabilities.

Continuing his presentation, Mr. Willden provided the following proposed budget reductions related to the MHDS:

- The reduction of services to the Co-occurring Disorder Treatment program resulted in 60 fewer people receiving services statewide for a General Fund savings of \$350,944. The DHHS contracted with three providers in northern Nevada to serve 160 clients in fiscal year 2010 and two in southern Nevada to serve 373 clients in fiscal year 2010.
- Freezing two vacant positions in the Substance Abuse Prevention and Treatment Agency (SAPTA) and the transfer of one position to other funding sources provided a General Fund savings of \$353,035.
- Reduction of the SAPTA's prevention efforts through a 3 percent reduction in fiscal year 2010 would reduce substance abuse prevention capacity by 474 clients for a General Fund savings of \$176,481.
- Reduction of funding for professional services in Rural Clinics would result in a General Fund savings of \$290,921. Mr. Willden said, however, that reduced funding would result in fewer psychiatric visits for clients placing them at a greater risk for relapse and undermining the division's ability to increase caseload already standing at 146 adults and 17 youth.

Mr. Willden advised that the following three budget reduction proposals were controversial:

- The reduction of 22 beds at the 190-bed Rawson-Neal Hospital provided a General Fund savings of \$1,533,421. Mr. Willden reported that the 22-bed reduction, based on closure of the Muri Stein Hospital located on the MHDS campus, would freeze the number of staff associated with the Stein Hospital and downsize the number of beds in the Rawson-Neal Hospital.

Assemblyman Conklin reported that he had recently spoken with certain MHDS staff that brought to his attention personnel safety and staffing issues that needed the Director's immediate attention. Assemblyman Conklin advised that staff expressed

concerns regarding the lack of security related to staff furloughs and the inadequacy of technician-to-psychiatric nurse ratios that they said placed staff and patients at risk.

Mr. Willden responded that he, along with Dr. Cook, would be happy to meet with staff to review staffing and security issues. Elaborating on the issue from his perspective, Mr. Willden reported that he and members of his staff were closely monitoring all incident reports to determine whether the incidents related to staffing ratios. Mr. Willden confirmed, however, that although he had not seen an increased number of reports, staff and patients alike had experienced serious incidents.

Mr. Willden recalled the elimination of 193 mental health workers during the 2009 Legislative Session, approximately 100 from the Rawson-Neal Hospital where staffing ratios were reduced from approximately 1 staff to 2.4 clients to the national norm in public and private hospitals of 1:2. Mr. Willden reiterated that he would be happy to speak with staff.

Assemblyman Conklin expressed his appreciation and asked Mr. Willden to follow up with him after meeting with staff.

Mr. Willden expressed his concern for security and safety in all DHHS' public assistance buildings and advised of trying to obtain additional security to protect the safety of staff, patients, and clients and to protect assets as well. Mr. Willden told the Committee that serious incidents were an almost daily occurrence in the Division of Welfare and Supportive Services' lobbies in which 150 to 200 people waited each morning before the doors opened. Mr. Willden reported a serious incident had taken place the previous week in the Nellis District office in southern Nevada when a division janitor walked in on a burglary in progress and suffered a severe beating that resulted in broken hands and fingers.

- Freezing multiple vacant positions at the Lake's Crossing facility, including 6 vacant forensic specialist III positions, 2 forensic specialist IV positions, 1 senior correctional officer, 1 administrative assistant, 1 quality assurance specialist and 1 psychiatric nurse would provide a General Fund savings of \$1,366,247.

Mr. Willden discussed the MHDS' ability to increase or decrease the number of beds at the Lake's Crossing facility because of a remodeling project and because the current moderate population provided a natural opportunity to freeze and eliminate positions. Mr. Willden cautioned, however, that new commitments from the courts for Lake's Crossing placements might undermine the facility's ability to maintain patient and staff safety, meet minimum staffing requirements, and implement procedures to bill Medicare for patient services, among other services. Additionally, he said that if court referrals increased, the facility might be unable to comply with a court-ordered maximum wait list of 7 days. The average daily census for Lakes' Crossing in January 2010 was 47.1 clients with a budgeted capacity of 76 clients.

- The reversion of unused funds for autism treatment from Desert Regional Center during fiscal year 2010 would provide a General Fund savings of \$120,000 in fiscal year 2011.

Mr. Willden advised that reductions to the MHDS' budget totaled \$30,953,150, which did not include a 22 percent reduction in autism services to the Desert Regional Center, Sierra Regional Center, and Rural Regional Centers. Mr. Willden reported that the 22 percent reduction in monthly support to the three regional centers for autism services was because of the loss of \$151,739,843 in TANF block grant funds from the Welfare Division. Mr. Willden pointed out that while support would continue, autism clients would see their monthly support rates decline.

In response to Assemblywoman Leslie's request for confirmation concerning the loss of federal funds, Dr. Cook confirmed that with the loss of TANF funds, the total budget reduction to the MHDS totaled almost \$48 million.

Assemblywoman Leslie emphasized the importance of focusing on the total loss, which she defined as a "catastrophe."

Mr. Willden agreed and advised that the \$109,362,973 in proposed cuts approved by the Governor only reflected a General Fund reduction and not the equal or in some federal programs more than a matching loss of federal funds.

Assemblywoman Leslie asked whether the proposed cuts would affect the state's eligibility to maximize the Federal Medicaid Assistance Percentage (FMAP) rate, which she indicated she believed was \$95 million.

Mr. Willden agreed that increased budget reductions decreased the state's share of the FMAP although he indicated that the \$95 million was a "federal funds information system estimate" while the DHHS' estimate was \$89.7 million. Mr. Willden reiterated that every General Fund dollar reduced for services, the possibility existed for a \$2 loss in federal dollars or a total loss of \$3 in the health care human services' economy.

Assemblywoman Leslie commented on the common complaint that Nevada did not receive a fair share of federal tax money, which she reasoned was due to the lack of state General Fund matching dollars.

Assemblyman Conklin discussed the economic impact of Medicaid dollars across the states and said that although the legislative body would balance the budget because of their constitutional responsibility, the consequences of doing so went beyond patients and recipients.

Assemblyman Conklin discussed the fact that every state program put money into the economy. He pointed out, for example, that the multiplier effect of 1.5 to 2 on unemployment was average, but that surprisingly the multiplier effect on Medicaid dollars across all states was substantial and in excess of 3 because of the services

provided and the way money "trickled" through the economy and was spent "over and over again." Assemblyman Conklin indicated that the Committee should be cognizant that the economics of the reduction of services not only affected clients but also the economy because money that turned over at a rate three times the amount spent affected business, future tax revenue, and education.

Mr. Willden expressed agreement with Assemblyman Conklin and advised that he would, if so desired, provide studies to the Committee's staff concerning the multiplier effect, which differed for each of the Department's programs.

Cochair Horsford asked if the level of services affected by the implementation of the proposed budget reductions would compare to a level established in a previous period.

Mr. Willden responded that although the level of services provided through many DHHS programs, particularly in mental health would be sliding backward, multiple issues and dynamics were involved in the budget process. Mr. Willden discussed the importance of understanding that in the first four rounds of budget reductions, the DHHS reduced its budget by \$241 million of General Fund and lost \$400 million in federal funds. He explained, however, that the Legislature in 2009 placed a large amount of money back into the DHHS budget for a variety of reasons including caseload growth. Additionally, he explained that budget reductions occurred in some areas and increases in other areas so that a year-to-year review might not provide an "absolute" decline. Mr. Willden also indicated that he did not believe "actual hard dollars" were "totally negative back to some point in time" because of increased caseload growth and the increasingly larger DHHS percentage share of the state budget.

Cochair Horsford noted that Senator Townsend, Assemblywoman Leslie, Senator Rawson, after whom the Rawson-Neal Hospital was named, and others had worked diligently to build programs and services to their current level and said it was important to put into perspective the budget reductions would move the level of services backward by perhaps a decade.

Hearing no additional questions from the members of the Committee, Cochair Horsford opened the hearing to public comment and hearing none closed the hearing to public comment.

- *F. REVIEW OF PROPOSALS FOR REDUCING SPENDING RELATED TO THE DIVISION OF WELFARE AND SUPPORTIVE SERVICES OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.
Romaine Gilliland, Administrator

Mike Willden, Director, Department of Health and Human Services (DHHS), referred to page 5 of the document entitled, "*Nevada Department of Health and Human Services' Proposed Budget Cuts*," ([Exhibit F](#)) and advised that the total budget reduction for the Division of Welfare and Supportive Services (DWSS) was \$8,303,834. Mr. Willden provided the following DWSS' budget-reduction proposals:

- Contract savings on the IBM Enterprise License Agreement provided a General Fund savings of \$106,943.
- The JP Morgan Alternative Cost Proposal for the state's electronic benefit transfer system would provide a General Fund savings of \$640,834. Mr. Willden explained that the state would currently pay a lower cost per client and in later years a higher cost per client to pay back the savings.
- Reversion of money for administration costs and replacement of those funds with the state's share of collections from the Child Support Enforcement program would provide a General Fund savings of \$2,182,615. Mr. Willden advised that the opportunity existed, during the current biennium going forward, to use the state's share of collections in three areas to replace General Fund dollars. Additionally, he said a recent decision through the American Recovery and Reinvestment Act (ARRA) allowed the use of incentive payments as a match to obtain funds and that members of the Child Support Enforcement staff were reviewing opportunities to use the funds from the state's share of collections and incentive enhancements.
- Reduction of travel and training expenses would provide a General Fund savings of \$6,789.
- Reversion of Food Stamp High Performance Bonus' funds intended to replace equipment and fund repairs would instead provide a total General Fund savings of \$6,957.
- Reversion of funds from additional administration staff turnover would provide a total General Fund savings of \$127,785.
- The use of Temporary Assistance for Needy Families (TANF) funds for staff in the administration budget would provide a General Fund savings of \$473,872.
- Closure of the Research Way print shop facility and elimination of one maintenance position would provide a General Fund savings of \$28,224 made possible by moving to a greater and more efficient use of high-speed copiers, multiple copy forms, and online forms.
- Savings based on caseload changes in the aged, blind and adult group care categories would provide a General Fund savings of \$300,000.
- The reversion of General Funds in lieu of the state's share of collections from the Child Support Enforcement program would provide a General Fund savings of \$65,307.

- A 5 percent reduction of travel and training for field service offices would provide a General Fund savings of \$4,902.
- The reversion of funds from additional staff turnover in the field services' budget would provide a General Fund savings of \$1,259,582 but would reduce the state's ability to process existing and new cases.
- Discontinuing the northern Nevada New Employees of Nevada (NEON) pilot program, approved by the 2007 Legislature, would provide a total General Fund savings of \$131,757. Mr. Willden advised that existing state staff would provide case management services for the program.
- Closure of the Welfare office in Winnemucca and elimination of one vacant position would provide General Fund savings of \$22,460. The Family Resource Center in Winnemucca would provide information and intake services, and the Elko office would process applications and provide client services.
- Elimination of 77 intermittent staff positions of the 250 positions received in the fiscal year 2009 budget for caseload growth would provide a General Fund savings of \$1,381,899. The elimination of the 77 positions would begin in June 2010.

Cochair Horsford asked for information concerning the criterion used to train other entities and individuals to assist the DWSS.

Mr. Willden advised that the DWSS was moving in the direction of using "trusted partners," such as Family Resource Centers, food banks, and county personnel to process applications. Toward that end, Mr. Willden advised that the budget reduction proposals did not include a reduction or elimination of the \$11 million automated-system enhancement that the Legislature approved in 2009, a system the DWSS needed in order for "trusted partners" to process applications for them. Mr. Willden reported that the web-based application was on track and in some phases a pilot program. He said, however that the DWSS would continue to maintain ultimate responsibility for the determination of eligibility.

Romaine Gilliland, Administrator, Division of Welfare and Supportive Services, provided the following information in which the DWSS used community partners to assist in the application process:

- A demonstration project in which, for example, the Food Bank of Northern Nevada and HELP of Southern Nevada were engaged to accept applications and interview applicants on behalf of the DWSS. Mr. Gilliland affirmed that after receipt of a completed package, the final eligibility decision remained with the Welfare staff.

A trusted partner, 3 Squares in southern Nevada was engaged to obtain the Supplemental Nutrition Assistance Program (SNAP) application and collateral information from clients for submittal to the DWSS for completion of the interview and final eligibility determination.

Mr. Gilliland advised that electronic transmission of applications to the DWSS was in final production and would be "rolled out" as a pilot project in the Family Resource Center in Carson City and the Carson City Health Department. Additionally, Mr. Gilliland reported that by the end of the year, electronic transmission of applications could occur from any site in the state with Internet access.

Mr. Gilliland also reported that all new DWSS' eligibility staff employees were required to attend an eight-week academy for training on the regulations regarding client eligibility and utilization of the NOMADS computer system, which served the Temporary Assistance for Needy Families (TANF), SNAP, and Medicaid populations.

Cochair Horsford asked whether the DWSS' staff had evaluated waiving rules or policies because of the current economic emergency and the need to streamline operational functions.

Mr. Gilliland advised that the DWSS' staff were working to simplify in-house policies and were working with federal government staff that had encouraged various changes to assist in speeding up and facilitating the eligibility process.

Mr. Gilliland provided the following changes for the Supplemental Nutrition Assistance Program:

- Utilization of telephone interviews with clients rather than face-to-face interviews.
- Utilization of self-declarations of rental or utility costs rather than a verification of costs.
- Utilization of a 1-page review form rather than a 22-page redetermination form clients had been required to complete for SNAP once every 6 months and for TANF and Medicaid once every 12 months. Mr. Gilliland advised that the 1-page form would significantly reduce the number of pieces of paper that had to be printed, the forms the applicant had to complete and that the DWSS staff had to review, file, and store. Additionally, Mr. Gilliland advised that approval of the change occurred during a public hearing in early January 2010.

Mr. Willden provided the following clarification concerning the proposal to eliminate 77 intermittent staff positions:

- 250 new positions were approved in the fiscal year 2009 budget
- 60 staff were hired, trained, and began work in October 2009
- A second group of 60 staff were hired in January 2010

- A third group of 60 staff were being trained to begin work in March 2010
- The 77 staff targeted for elimination in the budget reduction proposal would have been hired to begin work in June 2010

Cochair Horsford indicated that he as well as other legislators received mail on a daily basis suggesting that a high percentage of undocumented Nevada residents were receiving welfare services and asked Mr. Willden to explain the eligibility and verification process.

Mr. Willden responded that it was important to understand that residents who were not citizens were not eligible for public assistance but that they were eligible for emergency medical assistance. He advised that the Division of Health Care Financing and Policy expended approximately \$22 million a year on emergency medical assistance for residents who were not citizens. Additionally, he pointed out that children born in the United States of noncitizen parents were eligible for public assistance. Mr. Willden also advised that lawfully admitted immigrants could not receive public assistance for five years and that when the state's electronic verification system determined that clients were not citizens or lawfully admitted immigrants, they were banned from receiving services.

In response to Cochair Horsford who asked whether emergency medical assistance for noncitizens was a federal requirement, Mr. Willden confirmed that federal law required the provision of emergency medical assistance for noncitizens.

Assemblyman Denis pointed out that emergency medical assistance would be provided to tourists and noncitizens alike who went to an emergency room despite their citizenship status.

Mr. Willden agreed with Assemblyman Denis but explained that the hospital assigned social service staff to emergency room patients without financial resources to assist them with Medicaid eligibility or some other pay source. He said, however, the hospital assigned noncitizens to a special Medicaid category for payment of services under the federal Emergency Medical Treatment and Labor Act.

In response to Assemblywoman Gansert's questions concerning the \$22 million used to pay for noncitizens' emergency medical care, Mr. Willden advised he was uncertain whether the funding for Medicaid eligible noncitizens was a mix of federal and state dollars but that he would find out prior to the end of the hearing.

Cochair Horsford discussed the public's growing anxiety regarding the budget shortfall as well as the proposed budget reductions and expressed his appreciation to Mr. Willden for clarifying the facts regarding noncitizens' eligibility for services.

Mr. Willden advised that while noncitizens' eligibility for services was a volatile issue, medical assistance, regardless of citizenship, was provided to anyone with a sexually

transmitted disease, tuberculosis, or any other disease that could be spread throughout the community.

In response to Cochair Horsford's comments concerning the overall public health needs of the general population, Mr. Willden advised of "the absolute need to protect the general population from disease and disease outbreak."

Assemblyman Goicoechea questioned the verification and application process for food stamps, welfare, or other programs by noncitizen parents on behalf of their eligible children born in the United States.

Mr. Willden explained that parents, guardians, or grandparents could initiate an application for assistance for eligible children born in the United States and advised that the noncitizen parents' income or lack of income was counted in the eligibility process. Mr. Willden pointed out, however, that noncitizen adults applying for assistance for their children were not eligible for assistance.

Mr. Willden advised of the availability of a "white briefing paper" on the subject of eligibility of services for noncitizens and their children born in the United States that he would provide to members of the Committee or to staff, if so desired.

In response to Assemblywoman Gansert's question concerning proof of legal citizenship, Mr. Willden advised that clients had to provide documents that included an identification card regarding their legal status. Additionally, he said the state had established an electronic verification system that identified whether identity documents were fraudulent.

In response to Assemblyman Denis' question concerning massive fraud, Mr. Willden advised that all welfare programs included rigid quality-control assurance requirements. Mr. Willden explained, for example, that DWSS staff determined and reviewed eligibility for SNAP cases followed by a federal government review to ensure that state workers properly determined clients' eligibility and that clients received the correct benefits. Additionally, Mr. Willden pointed out that the federal government penalized the state for overpaying or underpaying clients although he noted that Nevada's error calculation rate in determining eligibility was approximately 95 percent accurate and that DWSS staff and their trusted partners did a good job of meeting the federal requirements. Mr. Willden reported that similar processes, even though not necessarily federally driven, applied in the TANF and Medicaid programs with cases reviewed by supervisors, quality-control specialists, and management-evaluation oversight teams.

In response to Assemblyman Denis, who asked about "undocumented individuals" receiving services, Mr. Willden advised that although the children of the noncitizen sector of the TANF caseload was growing, the state's electronic verification system prevented noncitizens' application for services for themselves. Additionally, Mr. Willden pointed out that a definition of being a pushover state for the provision of welfare services would not apply to Nevada.

Mr. Gilliland commented that the *Child Only, Nonqualified Noncitizen* category to which Mr. Willden had previously referred was a category description that led people to believe that Nevada served nonqualified noncitizens. Mr. Gilliland advised that the category would be renamed to provide a better definition of citizen children who were eligible to receive benefits. Additionally, Mr. Gilliland confirmed that the DWSS' eligibility staff reviewed "tangible paper verification as well as certain electronic interfaces" to confirm benefits for citizen children of nonqualified, noncitizen parents.

Mr. Gilliland also confirmed, as previously stated by Mr. Willden, that the DWSS' positive error rates, *mistakes made in providing benefits*, and negative error rates, *denial of benefits that should have been provided*, were "well below" the national average. Mr. Gilliland explained that divisional-level reviews followed by a federal government review of selected cases determined "a statistically meaningful assessment."

Following up on Assemblywoman Gansert's earlier question concerning the \$22 million a year expended for emergency medical assistance for residents who were not citizens, Mr. Willden advised that the Medicaid funding for nonresidents was provided in a mix of 64 percent federal dollars and a 36 percent match by the state. Mr. Willden confirmed that the federal funding was a provision of enhanced FMAP rates.

Assemblyman Grady discussed constituent calls he received concerning food-stamp fraud committed at grocery stores and asked Mr. Willden to comment on grocery stores' acceptance of food-stamp benefits.

In response, Mr. Willden advised that Nevada used electronic benefit transfer (EBT) debit cards to provide food stamp benefits and explained that with a monetary monthly benefit placed on cards, clients completed their grocery purchases using an assigned personal identification number (PIN). Mr. Willden expressed doubt that rampant fraud was taking place at grocery stores unless he said clients were selling their EBT cards and personal identification numbers. Additionally, Mr. Willden advised that other programs such as Women, Infants, and Children (WIC), TANF, and Child Support Enforcement used EBT cards as well. Additionally, Mr. Willden pointed out that Nevada had not provided program services through cash and paper transactions for a long time and advised that Nevada was the first state in the nation to use WIC EBT cards statewide.

Cochair Horsford expressed his congratulations to the DWSS' team for a job well done and for being "ahead of the curve" in the use of EBT cards for WIC as well as other programs.

Assemblywoman Leslie recalled that Nevada was the the last state in the union to accept food stamps and had a reputation since that time of being a difficult state in which to obtain food stamps.

Mr. Willden confirmed that in the mid 1970s he worked as a program specialist in the DWSS to bring the food stamp program to Nevada.

Mr. Willden advised of the following additional proposed budget reduction:

- A shift from partial state funding, designated for childcare assistance, to total federal funding, provided through excess discretionary funds, would provide a General Fund savings of \$738,390. Mr. Willden advised that the shift from partial state to total federal funding would not affect any of the 347 children currently receiving childcare assistance. Additionally, he reported that members of the DWSS' staff were reviewing their ability to increase eligibility for the childcare delivery service model by \$11 million because of the reserve and additional federal dollars that would allow an increase of payments to childcare providers up to the 75 percent level of the market rate, last adjusted in 2004.

Mr. Gilliland commented that the DWSS would increase the market rate for providers to the median current survey rates, which was below the federal target of the 75th percentile.

Cochair Horsford asked Mr. Willden to comment on any programs that might shift between local and state governments.

In response, Mr. Willden indicated that several programs would shift and advised that state law permitted one of three entities, counties, state, or law enforcement, to conduct elder protective services investigative work. Mr. Willden reported that Clark County had notified the state that effective July 2010, they would no longer provide elder protective services investigative work, and currently the Division for Aging Services' staff was working with Clark County Department of Social Service' staff on the transfer, which added cost to the state and a need for additional staff.

Additionally, Mr. Willden advised that Clark County had also notified the state that they would no longer license childcare providers; the City of Las Vegas no longer licensed childcare providers, and Washoe County was discussing potentially not licensing childcare providers. Mr. Willden pointed out that the state could ultimately be the only entity licensing childcare providers.

Mr. Willden also advised that during the last several years the state had to take over child support enforcement for three or four northern Nevada rural counties that provided clients with public assistance services. Mr. Willden advised that while those counties generally provided services to nonpublic assistance clients, in some cases the state had taken over the entire function. Mr. Willden also pointed out that under the provisions of Assembly Bill (A.B.) 97, 2009 Legislature, the transfer of governmental functions between and among local governments and state agencies had to take place within established regulation procedures and with the provision of a year's notice.

Mr. Willden also discussed the "trickle-down effect" to Clark and Washoe Counties without their receipt of TANF emergency assistance funding for child protective services and reductions to county-operated programs for juvenile justice and child-welfare integration budgets. Mr. Willden advised, however, that although the DHHS proposed \$109,362,973 budget reduction shifted some costs to the counties, the proposal also saved the counties money in other areas. Mr. Willden provided an example concerning the reduction of skilled-care nursing rates that would save General Fund dollars and saved the counties money as well because of the county and state participation in the nonfederal share of the federal benefit rate.

Assemblyman Hogan, from his perspective as a former federal government employee, commented that the people of Nevada were being well served and should know that the DHHS team of officials were very well informed, hard working, and dedicated, which he indicated was generally true throughout state government.

Assemblywoman Smith expressed agreement with Assemblyman Hogan comments that described the qualities of the DHHS' team.

Assemblywoman Smith referred to previous testimony concerning the issue of the counties no longer licensing childcare providers and recalled the 2009 Legislature's inability to approve legislation concerning licensing because terms could not be reached with providers to pay for the licensing costs. Assemblywoman Smith asked Mr. Willden to comment on childcare licensing as cost neutral to the state.

Mr. Willden advised that Diane Comeaux, Administrator, Division of Child and Family Services, would appear during the next day's hearings and would provide a detailed response to the cost involved in licensing childcare providers. Mr. Willden said, however, that there were a number of ways to fund childcare licensing costs and that block grant funds paid for a large portion of the cost. He said, however, with the counties no longer providing the service and the need for additional funding returned to the state, a larger demand was placed on the General Fund and whether block grant funds could continue to be accessed was in question because those funds were needed to provide subsidies to "kids." Additionally, Mr. Willden discussed the issue of analyzing whether childcare providers should pay fees for the privilege of being inspected and licensed. Mr. Willden reiterated that Ms. Comeaux would provide a more detailed response during the next day's hearings.

Assemblywoman Smith asked Mr. Willden to comment on the legal requirement for licensing childcare providers.

Mr. Willden advised that the counties were not processing new license applications for childcare providers and elder protective investigative services and acknowledged that the state needed to resolve the issue as quickly as possible by determining what needed to be done and how to pay for licensing providers.

Assemblywoman Smith noted that perhaps it would prove more efficient to provide services through one entity.

Mr. Willden responded that the service-delivery system for many programs was divided between the state and counties but agreed that in the end, services might be better provided through one entity.

H. PUBLIC COMMENT.

Nancy McLane, Director, Clark County Department of Social Service, advised that Clark County provided a two-year notice concerning the transition of the elder protective services function to the state. Ms. McLane explained that Clark County paid half of the budgeted expense for the program and after a 20 percent reduction in grant funds that provided support for the program as well as their own budget reductions, a focus had to be placed on Clark County core services for the indigent.

Ms. McLane advised that the two-year notice provided adequate time for the transition plan design and for the transition to occur. Ms. McLane also advised that during that time, Department of Social Service staff worked closely with Carol Sala, Administrator, Division of Aging and Disability Services and her staff to fund a small consulting contract to develop the implementation and transition plan. Additionally, staff was cross-trained, and a first set of cases transitioned on February 1, 2010 with 25 percent of the cases scheduled to transition each month until July 1, 2010. Ms. McLane advised that the process had been orderly and that an effective long-term plan was established.

Assemblywoman Smith expressed her thanks for the information and asked whether a Clark County representative would be available for the next day's discussion on licensing childcare providers.

Ms. McLane advised that although licensing for childcare took place in the Clark County Department of Business License, it was her understanding that a one-year notice to transition was provided to the state.

Assemblywoman Smith requested that a Clark County Department of Business License representative be available the following day to respond to childcare licensing questions.

Paula Berkley, representing Food Bank of Northern Nevada, addressed the "trusted partner" relationship that had existed between the Food Bank of Northern Nevada and the DWSS for the past 18 months. Ms. Berkley recalled initial projections that the Food Bank could assist the DWSS with outreach services to complete applications for 1,500 participants a year in the SNAP. She pointed out, however, that Food Bank workers were completing an average of 500 applications a month, which she said provided an "effective and efficient" method of bringing nearly \$9 million a year in federal food assistance dollars to the state for "very needy" people.

Ms. Berkley described the "tension and sense of urgency" in the DWSS' offices for staff and applicants alike because of the increasing caseload and told the Committee of a recent incident in which a DWSS worker was visibly overwhelmed when handed 84 additional applications by a Food Bank worker.

Ms. Berkley advised that the Food Bank of Northern Nevada had remained very cautious that DWSS' eligibility staff determined ultimate eligibility and pointed out that the state of Texas' privatization of eligibility services ultimately led to a takeover of services by the federal government. Ms. Berkley advised that the Food Bank of Northern welcomed the oversight provided by the DWSS for the "very effective" job she believed the Food Bank was doing.

Ms. Berkley commended DHHS' Director Mike Willden and DWSS' Administrator Romaine Gilliland, who she advised had worked tirelessly with Food Bank of Northern Nevada representatives in weighing considerations to increase efficiency and to implement new ideas to develop their "trusted partner" relationship.

Cochair Horsford expressed his appreciation to Ms. Berkley for bringing to the attention of the Committee the dedication of state workers who provided vital services to the state.

Assemblywoman Smith also discussed the dedication of state workers and recalled earlier testimony concerning the custodian, who suffered injuries after entering an office in the process of a burglary. Assemblywoman Smith advised that Committee members felt the urgency concerning the skyrocketing increases in caseloads for services provided through the DHHS.

In closing, Ms. Berkley expressed frustration on behalf of the Food Bank of Northern Nevada representatives' inability to plan on how to serve the poor better and more effectively in the future because of the current economic crisis.

Khanh Pham, Ph.G., Las Vegas, a certified diabetes educator and a member of the Nevada Diabetes Council "dedicated to improving the lives of diabetic Nevadans," expressed concerns over expansion of the Medicaid Preferred Drug List (PDL) and elimination of the current exclusion for "anti-diabetic" medications.

Ms. Pham asked that, in the process of approving budget reductions, the members of the Committee think about Nevada diabetics who relied on the newer types of insulin medication that provided better and more predictable outcomes and fewer side effects. Ms. Pham pointed out that in the long term, the newer diabetic medications would save money by reducing stroke, kidney failure, amputation, and hospital emergency room visits.

Allison Newlon Moser, Executive Director, American Lung Association of Nevada (ALAN), and a member of the Executive Board of the Nevada Tobacco Prevention

Coalition, expressed concerns related to proposals to reduce or eliminate funding for tobacco cessation programs.

Ms. Moser discussed the work to prevent lung disease accomplished by various organizations during the last ten years with funds provided through the Master Tobacco Settlement Agreement and advised that prior to Nevada's receipt of that funding, one third of Nevadans under the age of 18 were smokers. Ms. Moser reported tobacco use as the number one cause of death and disease in the world and spoke about the current year's work by the ALAN and twenty other agencies in Nevada with just a little over \$3 million from the settlement agreement funds. Ms. Moser advised that during the last ten years, the work of those organizations reduced the incidence of smoking among Nevadans under the age of 18 from 33 percent to 17 percent.

Ms. Moser pointed out that the elimination of funds for tobacco cessation programs in other states quickly reversed the trend for reduced tobacco use among young people and that reducing or eliminating tobacco cessation programs would "enormously" increase the future cost of providing health assistance to Nevadans suffering from lung disease.

In closing, Ms. Moser asked the Committee to consider increasing taxes on tobacco products, which would make them unaffordable for young people, would raise state revenue, and would not affect Nevadans, who could not afford a tax in their paychecks or on their property.

Samantha King, President of The League of Women Voters of Nevada, spoke regarding the League's continuing advocacy for responsible government and policy.

Ms. King expressed her appreciation for the Legislative process and echoed the comments of previous speakers who requested the Committee's consideration of new sources of revenue and options to curb the devastation brought about by the current widespread economic crisis.

Ms. King commented on the previous evening's state of the state message, which she described as not illuminating and asked the members of the Committee, in their capacity as legislators, "to keep the light on in Nevada."

Cochair Horsford asked the Senate Fiscal Analyst, Mark Krmptic, to provide information on the agenda for the following day's hearing.

Mark Krmptic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reported that the Committee would meet on February 10, 2010, beginning at 9:00 a.m. in Room 4401 of the Grant Sawyer Building, in Las Vegas, with a simultaneous video broadcast to Room 4100 of the Legislative Building, in Carson City. Beginning at 9:15 a.m. the Committee would hear information from Mike Willden, Director, Department of Health and Human Services, concerning budget reduction proposals for the Health Division, the Division of Child and Family Services, and the

Division of Aging and Disability Services. Beginning at approximately 1:30 p.m., the Committee would hear budget reductions proposals from the Directors for the Department of Corrections and the Department of Public Safety. Additionally, Mr. Krmptic advised that the Committee would hear public comments following each budget proposal presentation.

Additionally, Cochair Horsford advised that the Committee would hear additional public comment on Saturday, February 14, 2010, at 9:00 a.m. in Room 4401 of the Grant Sawyer Building, Las Vegas and Reno City Hall, located at 1 East First Street in Reno. Cochair Horsford also said that Sierra Nevada Community Access Television (SNCAT) in Reno and COX Television Channel 96 in Las Vegas would telecast the broadcasts live.

Cochair Horsford expressed the Committee's desire that members of the public participate in the budget process by providing public testimony prior to the 26th Special Session of the Legislature.

***G. DISCUSSION OF THE STATE BUDGET SHORTFALL AND PROPOSED SOLUTIONS.**

Cochair Horsford deferred the discussion of the state budget shortfall and proposed solutions.

Cochair Horsford recessed the meeting at 3:31 p.m. and advised that he would reconvene the meeting at 5:30 p.m. in order for the Committee to hear additional public testimony.

I. ADDITIONAL PUBLIC COMMENT.

Cochair Horsford reconvened the meeting at 5:32 p.m.

The Committee heard testimony from the following individuals for whom verbatim transcripts ([Exhibit K](#)) were prepared and attached for the record:

From Las Vegas:

- Loretta Harper, Counselor, Desert Pines High School
- Barbara Clark, Counselor, Shadow Ridge High School
- Mary Ann Wagner, R.N., Rawson-Neal Psychiatric Hospital

From Carson City:

- Philip Kaiser, Washoe Education Association
- Michael McMurray, Washoe County School District
- Dana Galvin, Sun Valley Elementary School, Vice President, Washoe County Education Association

From Las Vegas:

- Alison Turner, President, Nevada PTA Association
- Aldo Vennetilli, Field Services Director, American Federation of State, County and Municipal Employees (AFSCME) International
- Justin McAfee, President of Capitol Club, College of Southern Nevada

From Carson City:

- Susan Kaiser, Washoe Education Association
- Michael Erickson, Washoe Education Association
- Wendy Boszak, Washoe Education Association

From Las Vegas:

- Shonda Moore, Clark County School District
- Ed Smalley, Rancho High School
- Mary Beth Price-Heavrin, Clark County School District

From Carson City:

- Annie Alfano, AFSCME
- Will Kontine, Kindergarten Student
- Benny Kontine, Carson High School

From Las Vegas:

- Turessa Russell, Administrative Assistant, Women's Studies, University of Nevada, Las Vegas (UNLV)
- Logan Moore, Rawson-Neal Psychiatric Hospital
- Frank Russo, Teacher, Silverado High School

From Carson City:

- Mary Young, Pine Middle School Teacher, Washoe Education Association
- Natha Anderson, Washoe County Teacher, Nevada Education Association
- Diane Cerruti, Glenn Duncan Elementary School, Washoe Education Association

From Las Vegas:

- Kyle George, Professor, University of Nevada, Las Vegas
- Amanda Ketzenberger, College of Southern Nevada
- Aimee Riley, Student, College of Southern Nevada, member of the Capitol Club

From Carson City:

- Steve Gargan, Yerington, Nevada, President, Lyon County Teachers Association
- Jim Guier, Washoe County, Teacher Title I School
- Linda Fields, Teacher, Carson Valley Junior High School

From Las Vegas:

- Patricia Hein, Teacher, Clark County, Nevada

- Vik Sehdev, Engineering Student, UNLV
- Adam Cronis, UNLV Student Body President

From Carson City:

- Holly Davidson, Kindergarten Teacher, Washoe County

From Las Vegas:

- Terry Schumann, Area Representative, Education Support Employees Association (ESEA), Clark County School District
- Marie Torres, UNLV Student
- Ernie Spikes, Counselor, College of Southern Nevada
- Samye Flynom, Speech Language Pathologist, Clark County School District
- Ruben R. Murillo, Jr., Special Education Teacher, Clark County School District, President, Clark County Education Association
- Katherine D. Brown, Senior Advocate for the Clark County School District

Cochair Mathews closed the hearing to public comment and adjourned the meeting at 7:42 p.m.

Senator Horsford, Cochair
Interim Finance Committee

Senator Mathews, Cochair
Interim Finance Committee

Lorne Malkiewich, Director
Legislative Counsel Bureau and Secretary
Interim Finance Committee

**EXHIBITS
INTERIM FINANCE COMMITTEE**

Exhibit	Witness/Agency	Description
A	Fiscal Analysis Division, Legislative Counsel Bureau	Agenda
B	Fiscal Analysis Division, Legislative Counsel Bureau	Guest List
C	Mike Willden, Director, Department of Health and Human Services	Department of Health and Human Services Organization Chart and Pie Charts
D	Mike Willden, Director, Department of Health and Human Services	Caseload Bar Charts and Graphs
E	Mike Willden, Director, Department of Health and Human Services	Tobacco Funding Reconciliations and Projections
F	Mike Willden, Director, Department of Health and Human Services	Nevada Department of Health and Human Services' Proposed Budget Cuts
G	Mike Willden, Director, Department of Health and Human Services	Division of Health Care Financing and Policy Skilled Nursing Facilities Impacted by \$10/Bed Day Rate Reduction
H	Bill Welch, President and Chief Executive Officer, Nevada Hospital Association	<i>Access to Hospital Care Service Reductions due to Economic Environment</i>
I	Senator Bob Coffin	Email from Governor Jim Gibbons titled <i>Help Me Ensure That We Can Bring Nevada Back to Prosperity</i>
J	Bill Welch, President and Chief Executive Officer, Nevada Hospital Association	<i>Decreasing Access to Health Care Services in Nevada</i>
K	Members of the Public	Verbatim Transcripts