[AGENCY 25]

SENATOR MELLO: That will end today's public hearing on LB233 and take us to our first and only state agency budget hearing of the day, Agency 25, the Department of Health and Human Services. For those in the audience, we will be discussing the following divisions: generally, department operations; Division of Public Health, Division of Medicaid and Long-Term Care; and the Divisions of Veterans' Homes. With that, Dr. Acierno. [AGENCY 25]

JOSEPH ACIERNO: (Exhibit 1) Good afternoon, Senator Mello--and it is warm in here, by the way, without question--and members of the Appropriations Committee. For the record, I am Joseph Acierno, that's J-o-s-e-p-h A-c-i-e-r-n-o. I'm the acting chief executive officer of the Department of Health and Human Services and the division director of the Division of Public Health. I'm joined today by Matt Clough, chief operating officer for the department; and the division directors, Calder Lynch, our newest director, director of the Division of Medicaid and Long-Term Care; and John Hilgert, director, Division of Veterans' Homes. The other directors will be before the committee tomorrow, but just to let you know they are here if any information is needed to answer your questions. Before we begin, we'd like to thank you and your staff for your work on behalf of the department. We also thank you for reflecting many of the Governor's budget recommendations in the committee's preliminary recommendations. Thank you. We will not address those requests unless you have additional questions for us. First of all, though, a clarification to some previous testimony. Before I begin budget testimony, I'd like to take a moment to respond to comments during the Supreme Court's appropriation hearing on Tuesday, March 10, regarding services to the Office of Juvenile Services' youth, who transferred from DHHS to Probation. The appropriate directors are here to respond to any questions you may have regarding this. I'll cover comments related to Medicaid, Title IV-E funding, dollars transferred to Probation, payment for services provided at the Hastings Regional Center, and status of the budget at the YRTC in Kearney. First, as to Medicaid reimbursement, I'd like to address

the issue that Probation youth are not receiving Medicaid coverage. There are three things that impact Medicaid reimbursement for services: first, the person must meet eligibility requirements; next, the service must be covered service; and finally, it must be medically necessary. Currently, and prior to any of these youth transitioning to the Office of Probation Administration, Medicaid eligibility was and is based on income. If a state ward is placed in out-of-home care, their income as a family of one is generally used for Medicaid eligibility determination, and in most cases they will be eligible for Medicaid. If a state ward remains in the home, the family's income must be considered for eligibility. Because this is based on the income of the household, some are eligible for Medicaid, while others are not. In addition, even if the youth is Medicaid eligible, the service or level of treatment must be determined to be medically necessary in order to be reimbursed by Medicaid. These criteria are the same for everyone: the general population, DHHS state wards, and youth served by Probation. Medicaid cannot make payments solely because it is court ordered. The services must meet all eligibility and medical necessity criteria. This is true for DHHS as well as Probation. Moving on to Title IV-E, the department has met on various occasions with the Office of Probation as it relates to Title IV-E claiming. These conversations began prior to LB561 being signed into law and continued thereafter. The department is the single state agency in charge of administering Title IV-E. On November 20, 2013, the department brought in consultants from Casey Family Programs to provide stakeholders with an overview of Title IV-E and its stringent federal requirements, which staff from the Office of Probation and the Legislative Fiscal Office attended. In addition, the department has had ongoing discussions, including with our federal partners at Administration for Children and Families, ACF, regarding entering into any agreement with the Office of Probation for Title IV-E. The department briefed the Appropriations Committee and Health and Human Services Committee on November 14 of 2014 regarding issues with bundling Title IV-E foster care payments. The department recently restructured the Title IV-E foster care maintenance requirements due to this bundled payment issue, now issuing two separate payments to the agency supported foster care providers: one for the maintenance of the child, and one for the administrative payment to the agencies. The

Office of Probation would need to follow this same protocol as other providers in order to ensure Nebraska does not receive any additional disallowances as it relates to Title IV-E claiming. The department has offered to enter into such agreement with the Office of Probation which would require the department's involvement and them relating to reasonable amounts being paid, the basis for the rates, administrative oversight, and obtaining source documentation for Title IV-E claiming purposes. The department remains willing to enter into such agreements with the Office of Probation once the rate methodology can be substantiated and is approved by our federal partners. Next, the transferred funds: The department has collaborated with the Supreme Court as it relates to costs and continues to provide requested information pertaining to those costs incurred by the department. This began during the 2013 Legislative Session in which LB561 passed as there are costs covered by the department that the Supreme Court would not pay. The department provided a list of the services and treatment that DHHS provided, the amounts spent, information about OJS population, and the mandated staffing levels that the department has to comply with. This was the basis for the calculation of the fiscal note in LB561, which in turn was used by the Legislative Fiscal Office to construct the transfer of funds contained in LB561A. All funds for this population have been transferred to Probation, as required by LB561. Next, the Hastings Regional Center Program: I also want to address the payment for services received at the Adolescent Residential Substance Abuse Treatment Program at the Hastings Regional Center. When these services were used by DHHS, the youth were either eligible for Medicaid or, if not, the Division of Children and Family Services paid for the services at the Medicaid rate. Medicaid continues to pay the costs for Medicaid-eligible youth. Probation is being invoiced the Medicaid rate at $397 per day for any non-Medicaid-eligible youth. This is actually less than the current Medicaid rate of $401. The rate changed on August 1, 2014, from $397 per day to $401; however, the invoices sent to Probation were rejected by Probation based on the rate change. HHS is currently billing at the $397 per day rate. In a February 2015 meeting with Probation, an offer was made to work with them to review the process for and related to Medicaid coverage for youth to be served at HRC. And finally, the YRTC-Kearney Program: The

decrease in the census at the Youth Rehabilitation and Treatment Center in Kearney was also mentioned. Because of the decrease in the census, the direct care staffing levels have improved and we now feel confident we'll be able to meet federally mandated staffing levels required by federal law, found at 29 C.F.R. Part 115, that will become effective in 2017. Even though the census has gone down, we must continue to provide all supportive services, such as the school, food service, mental health, and overall operations. For these reasons, we believe the funding levels for the YRTC at Kearney should not be adjusted. Thank you for your consideration of these items and we're happy, collectively here, to answer any questions you have prior to proceeding with the remainder of the budget testimony. [AGENCY 25]

SENATOR MELLO: Thank you, Dr. Acierno. Are there any questions at all from the committee? Senator Stinner. [AGENCY 25]

SENATOR STINNER: Thank you. On the Medicaid reimbursement, how much money were you spending on this portion of it, this $11 million portion that they have in question right now? [AGENCY 25]

JOSEPH ACIERNO: All right. What we're going to do is we're going to have some of the experts who have been dealing the program and moving the money, we'll have them answer some of the questions for you. So this is Tony Green, the acting director of Children and Family Services, and he can give you all the numbers. [AGENCY 25]

TONY GREEN: Good afternoon, Senators. I'm Tony Green, T-o-n-y G-r-e-e-n, acting director of Children and Family Services. The question again, Medicaid? [AGENCY 25]

SENATOR STINNER: I did ask a question. On the program, the $11 million, I'm going to call it a bust in the budget on the Supreme Court side, how much money did Health and Human Services pay in that direction before? How much did you incur before associated with that function? [AGENCY 25]

TONY GREEN: So the transfer of funds to Probation did not include Medicaid funding. It really looked at just the state General Funds that were being expended for the population that we had in our system. The services that would have been Medicaid eligible and covered would have continued to be after the transfer to Probation, so we didn't look at any of the Medicaid dollars transferring, so I can't speak to why there would be a shortfall on their end in their budget. I just know that when we transferred the money, because Medicaid eligibility was not going to change just by virtue of moving from HHS to Probation, we did not look at Medicaid funding. [AGENCY 25]

SENATOR STINNER: Well, somebody may be able to correct me on this, but I think their testimony was one that this money was covered under Medicaid before and all of a sudden it's not because there's been changes in programs or changes in definition of how you define this people. Therefore, we have to bear $11 million in cost. That's what I took out of it. If there's anybody that's heard it different... [AGENCY 25]

TONY GREEN: Correct. What I can say is that prior to 2011, children who were state wards, we used that as a categorical determination for Medicaid eligibility, meaning all state wards received Medicaid funding. Since 2011, up until the time of these youth transferring to Probation, we began to apply the new rules, the correct rules of Medicaid eligibility based on your income. Prior to these youth transferring to Probation, beginning July 1 of 2013, they all were covered or not covered by Medicaid under the new rules. So an argument that they were being covered by Medicaid prior to the transfer, we're not sure where that's coming from, because the eligibility of Medicaid was already established under the new guidelines before any of these youth went to Probation. [AGENCY 25]

SENATOR STINNER: Would you not agree, if you were incurring $11 million in cost and now you're not incurring that $11 million in cost because it was transferred, wouldn't that mean that you've got $11 million more to spend? Or should we reduce your allocation

by $11 million? This has to be a mirror thing. It's either...it's a debit/credit thing, okay? Is that...or do we have to go through kid by kid by kid to analyze if they were covered by Medicaid and why they're not now, and how we can get them covered if indeed they are coverable? If they're not coverable, then Health and Human Services needs to drop their funding on that by that amount. [AGENCY 25]

TONY GREEN: You really do have to go kid by kid... [AGENCY 25]

SENATOR STINNER: Okay. [AGENCY 25]

TONY GREEN: ...and look at what the funding source was prior to transfer. Again, you also have to look at what perhaps has changed to that child since leaving the department. Perhaps the child was in out-of-home care when they transferred from the Department of Health and Human Services to Probation, and qualified for Medicaid based on their own income; subsequently, have been now placed at home and they have to utilize the family's income as resources and, therefore, Medicaid is not...their eligibility is not appropriate. [AGENCY 25]

SENATOR STINNER: What would you advise the Supreme Court to do then in those cases when indeed they've maybe changed the way that a child's...you know, they're trying to put them back into a home environment. How do they get funded for that and why would they have to bear the cost of that? [AGENCY 25]

TONY GREEN: Well, it would be again, as Dr. Acierno testified, Medicaid really looks at three separate components. You have to, one, look at whether the child is actually eligible for Medicaid; whether the service is then a Medicaid-eligible service; and whether that child then meets medical necessity for that level of care. So just because a service is purchased or court ordered does not mean that the insurance program, i.e., Medicaid, would cover that, that service. [AGENCY 25]

SENATOR STINNER: I really need a thorough analysis of this $11 million before I can move ahead with this budget because it's a big number. And I think I need to find out on a case-by-case basis just what indeed happened and what we're doing different on one side of this thing, which is the Supreme Court, that we didn't do in Health and Human Services so I can truly understand what's going on. [AGENCY 25]

TONY GREEN: Okay. [AGENCY 25]

SENATOR STINNER: Is that...could you get that in a short period of time? [AGENCY 25]

TONY GREEN: I can just...I would be happy to, from the department's side, to look at those case-by-case kids... [AGENCY 25]

SENATOR STINNER: I would really appreciate that. [AGENCY 25]

TONY GREEN: ...and look at the funding prior to transfer and what that was and what it looks like today. [AGENCY 25]

SENATOR STINNER: Then I'd really like to get both sides in the room and kind of hash this out in how we move forward on the best practice basis, least-cost basis, because this is the taxpayer money and we've got to have some answers very shortly. [AGENCY 25]

TONY GREEN: Yes. [AGENCY 25]

SENATOR STINNER: Is that appropriate? Okay. Thank you. [AGENCY 25]

TONY GREEN: We'd be willing to do that. [AGENCY 25]

SENATOR MELLO: Any other questions from the committee? Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Thanks for coming this afternoon. [AGENCY 25]

TONY GREEN: You bet. [AGENCY 25]

SENATOR BOLZ: The other piece or the other factor that I'm trying to understand better is how Magellan, as the managed care provider, plays into the behavioral health pieces of this conversation, right? Can you refresh my memory? When did we go to Magellan for behavioral health managed care? What was the time frame? [AGENCY 25]

TONY GREEN: I would have to look to my partners in Medicaid to help. September of 2013. [AGENCY 25]

SENATOR BOLZ: Okay. So some of the changes that happened between HHS and the Supreme Court happened before we started using Magellan as a managed care provider, right? [AGENCY 25]

TONY GREEN: Again, short of check, I would probably have somebody from Medicaid come up and speak to those, if that would help. [AGENCY 25]

SENATOR BOLZ: I guess maybe to connect back to what Senator Stinner requested, I think perhaps we need a deeper conversation in terms of what are all of the factors that are leading to an $11 million bill for this committee. And one of the things that I hope to understand better is what are the choices that are or are not being made in a managed care context that lead to increases or decreases in what the state is paying. So maybe I'll just flag that for you for further conversation. [AGENCY 25]

TONY GREEN: Okay. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Bolz. Senator Haar. [AGENCY 25]

SENATOR HAAR: Yeah, again, thanks for being here. And it is a hot seat today for all of us, so. (Laughter) I think we're all puzzled by the issue that Senator Stinner raised, because it does feel like, from the testimony we had from the Supreme Court and everything, that there was a bunch of kids that had funding and then they were...the kids were moved to the Supreme Court or to the courts but none of the money. And we need...and then in the testimony that Dr. Acierno made in the written thing, it says here the department remains willing to enter into such an agreement. And then later on it says, an offer was made to work with them. Is...are you saying basically that they just haven't been willing to come to the table? Is that the implication or am I reading this wrong? [AGENCY 25]

TONY GREEN: Are you speaking to the Title IV-E reimbursement? [AGENCY 25]

SENATOR HAAR: To the $11 million, the kids and the $11 million. I mean is it just a matter of, almost as Senator Stinner was saying, get everybody in the room and don't let them leave until we've ironed this out? Or... [AGENCY 25]

TONY GREEN: Again, I can't speak to what's necessarily in Probation's budget. I can just tell you that the rules for Medicaid coverage and eligibility for Medicaid are not any different for an HHS child, a Probation child, or a child in the community. The same standards apply to all three populations. And so... [AGENCY 25]

SENATOR HAAR: And so even in... [AGENCY 25]

TONY GREEN: ...there are no different protocols that are being used for, when it comes to eligibility, for any of those three populations. [AGENCY 25]

SENATOR HAAR: So even in the shift to the judicial system, the shift of the kids, the money is there if they do it right, the same money that you had. [AGENCY 25]

TONY GREEN: For any child that the department was paying for treatment services out of their child welfare budget, that money was included in the total appropriation of $39 million that went from HHS to Probation. [AGENCY 25]

SENATOR HAAR: Okay. [AGENCY 25]

TONY GREEN: So there were children that were in our services at the time who, for whatever reason, did not meet one of the three criteria, meaning they weren't eligible, the service wasn't eligible, or the service did not meet medical necessity, but we still purchased that service, either because it was court ordered or felt it was in the best interests of the child. Those funds came out of child welfare funds and were included in the amount that we gave Probation. [AGENCY 25]

SENATOR HAAR: So theoretically, if they applied Medicare...or Medicaid properly and used the funds that you sent along, it should cover the kids. [AGENCY 25]

TONY GREEN: Again, I would just go back. It has to have those three components. You can apply for Medicaid... [AGENCY 25]

SENATOR HAAR: Yeah, I understand that. [AGENCY 25]

TONY GREEN: And we will determine eligibility just like we would anybody who applies. The service that they would want to be purchasing needs to be Medicaid reimbursable and they have to meet medical necessity for that level of care. So you may want a service... [AGENCY 25]

SENATOR HAAR: Right. [AGENCY 25]

TONY GREEN: ...but it doesn't mean that you meet medical necessity for that service to be purchased through Medicaid. [AGENCY 25]

SENATOR HAAR: Okay. I'm feeling I'm not asking the question the right way here. So in the judicial system, they'd have the same abilities to apply for Medicaid that you had. [AGENCY 25]

TONY GREEN: Correct. [AGENCY 25]

SENATOR HAAR: And you transferred over the other money to Probation that was using to support these kids. Then we ought to have just a...kind of a transfer from one agency to the other, but they're saying, $11 million short. And that's...I think that's something all of us want to get a handle on and understand it. And then you mentioned something about that when the rules were applied in the right way. What happened? Was there a penalty when the rules weren't applied in the right way that every child received Medicaid? I don't know if you said... [AGENCY 25]

TONY GREEN: A penalty to the state? [AGENCY 25]

SENATOR HAAR: Yeah. [AGENCY 25]

TONY GREEN: No, there was not. We just were incorrectly applying the federal rules for Medicaid eligibility by virtue of state wardship, and we began to correct that to make it a needs-based program. [AGENCY 25]

SENATOR HAAR: And they didn't penalize us for that. [AGENCY 25]

TONY GREEN: No. [AGENCY 25]

SENATOR HAAR: Okay. Okay. Well, again, I think we need to understand. Somehow it doesn't seem that the balances are coming out here the way we heard things. So anyway, thank you. [AGENCY 25]

TONY GREEN: You bet. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you, Mr. Chairman. So out of the three reasons or three criteria you have to meet for Medicaid to pay for a service, the scope of services shouldn't have changed in the transfer that we're covering, right? I mean we're covering the same services. If they're eligible today, we're covering the same services now under Probation as we did under Medicaid. Is that right? [AGENCY 25]

TONY GREEN: Correct. [AGENCY 25]

SENATOR NORDQUIST: And the medical necessity criteria shouldn't have changed. I mean Magellan hasn't, since transferring, tightened up the medical necessity requirement. Is that right? [AGENCY 25]

TONY GREEN: That's correct. [AGENCY 25]

SENATOR NORDQUIST: So shouldn't it all then fall on whether or not these kids are eligible or not and that being the issue of in-home versus out-of-home? Do you think that is the driver of the cost here? I mean I can't think of any other reason unless the courts have decided to order more services than before, but that's been an ongoing issue I think my entire time in the...in the Appropriations Committee. [AGENCY 25]

TONY GREEN: Right. [AGENCY 25]

SENATOR NORDQUIST: So I mean would you zero-in on mainly it being the eligibility of the kid changing from being in out-of-home versus in-home? [AGENCY 25]

TONY GREEN: Really, I think that the eligibility, if the child is out of home, predominantly both department kids as well as Probation kids will be found eligible for Medicaid. I really think what you're looking at is a medical necessity issue that perhaps the services have been identified by a probation officer, a therapist, somebody who says they need a level of care and when that application for that level of care is made, they do not meet the medical necessity criteria and, therefore, it's not a covered service because of the "med ness." [AGENCY 25]

SENATOR NORDQUIST: Okay. Would we be able to, I know when we had the Behavioral Health Oversight Committee we used to get reports from Magellan about the denial of services. Are we going to be able to get that report? Because if that's the case, then we should see a huge spike in denied services from Magellan based on medical necessity. Do you think that's where... [AGENCY 25]

TONY GREEN: We absolutely can generate those reports with Magellan. [AGENCY 25]

SENATOR NORDQUIST: Okay. Okay. We can follow up with that. Thank you. [AGENCY 25]

TONY GREEN: Okay. Uh-huh. [AGENCY 25]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Mr. Green. [AGENCY 25]

TONY GREEN: You bet. Thanks. [AGENCY 25]

JOSEPH ACIERNO: All right. At this point I'll proceed with our budget testimony. As to

reappropriation, the most notable variance between the appropriation bill introduced on behalf of the Governor and the Appropriation Committee's recommendations is the reappropriation of June 30, 2015, unexpended and unencumbered funds. The need for these funds vary within DHHS programs. Our testimony...in our testimony these needs will be addressed in individual programs. As to the Division of Public Health and operations, we appreciate the work of the committee on the budget for the Division of Public Health and operations. There are no significant variances between the Governor's and the committee's recommendations in these areas. I am asking, however, that the million dollar General Funds be reappropriated for the Nebraska Health Information Initiative in Program 033 to continue our efforts with respect to electronic health records. So Public Health and operations are very short. [AGENCY 25]

SENATOR MELLO: Okay. Thank you, Dr. Acierno. Any questions from the committee? Senator Kuehn. [AGENCY 25]

SENATOR KUEHN: Thank you, Chairman Mello. Dr. Acierno, can you give me your best estimate of what you anticipate your unexpended and unencumbered funds agencywide will be June 30? [AGENCY 25]

JOSEPH ACIERNO: I don't have that figure off the top of my head. I don't have. We could get you that number though. I don't have that, as far as agencywide, in front of me, unless somebody has that number. Do you have that number? [AGENCY 25]

SENATOR KUEHN: Do you have any divisionwide data? So you're... [AGENCY 25]

JOSEPH ACIERNO: Yeah, we have it division by division for you. [AGENCY 25]

SENATOR KUEHN: So you're asking for a reappropriation of which you can't give us an estimate of what that reappropriation is. [AGENCY 25]

JOSEPH ACIERNO: Well, we were going to go program by program during the testimony so we can go one by one where we thought that that was significant enough that we were going to bring it to your attention one by one. Where I started out in Public Health, regardless of what may expire, the only thing I was asking for, and in Public Health I think there's a few million dollars, but the only thing I was asking for, really it's in 033 more than the subprograms of Public Health, was the million dollars in General Funds for NeHII. Other than that, I wasn't asking for anything. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Kuehn. Senator Stinner. [AGENCY 25]

SENATOR STINNER: I was looking at just the old numbers just to try to give myself a flavor for appropriations versus what actually happened, and in 2013-14 our appropriations for General, I think it was Health and Human Services operations, was $233 million. And we actually spent $230 million. There was about a $2.8 million differential between what we actually spent and what we actually appropriated. Tell me how that works. I mean there's $2.8 million of expenditures that was appropriated that wasn't spent. [AGENCY 25]

JOSEPH ACIERNO: Yeah, and that would be true. Depends on what part of operations, which is fairly vast. And I'm going to ask Matt, if you have any insight into the $2.8 million. Operations deals from everything from IT to just physical plant, so I can't come up with the exact $2.8 million. I'm looking at $233 to 230 million. That's pretty darn close, but I can't give you exactly the $2.8 million. There's a lot of variables that go into the operations part of HHS. [AGENCY 25]

SENATOR STINNER: Okay, if I just looked at operations today, reappropriations would look like what, $2.9? So is that...I mean what I'm saying is, is there a cushion in this budgeting process of yours that allows for...? [AGENCY 25]

JOSEPH ACIERNO: Well, we were not looking for, as far as operations go. We were

talking about as far as unexpended and unencumbered funds in those. As far as Public Health and operations, we weren't looking for anything more to carry any of that over, so. [AGENCY 25]

SENATOR STINNER: Okay. What's your definition of sustainability? I'm curious. [AGENCY 25]

JOSEPH ACIERNO: It depends what you're talking about, but I would say sustainability is the ability to continue on whatever that mission is. [AGENCY 25]

SENATOR STINNER: Okay. So we have about $4.8 million or 4.8 percent coming in, in growth in revenues. Shouldn't sustainability mean something like a 4.8 percent increase on an annual basis or less? And I think we're trying to be... [AGENCY 25]

JOSEPH ACIERNO: Yes. [AGENCY 25]

SENATOR STINNER: ...at the Governor's number of 3.1, which gives us more of a definition of sustainability, doesn't it? [AGENCY 25]

JOSEPH ACIERNO: Yes. [AGENCY 25]

SENATOR STINNER: Okay. I was just looking at your total budget and I actually used the actual as a baseline, and the total amount Health and Human Services has gone up in asking in 2015-16 of about 18.3 percent in a three-year period of time. And I could average that out. And that's just using actual baseline numbers, 2013-14 through 2015-16. I mean is that going to be consistent on out into the future over my next four years? Is that what I'm going to be looking at? [AGENCY 25]

JOSEPH ACIERNO: The next...I'm sorry. How many years did you say, sir? [AGENCY 25]

SENATOR STINNER: I'm at 2013-14. There was a 2015. Now I'm comparing '15 and '16. There's one baseline number, actual, and I'm looking at what your askings are in total for the entire agency and the increase was 18.5 percent over that period of time. And my definition says that's not sustainable when I compare to revenue flows or revenue increases of 5.1, 5.2, whatever the number is, or it's 4.8. So I guess what I'm asking is, is that what we're doing here in Health and Human Services, as it relates to total revenue flows and total increases, a sustainable number and can we be sustainable? Now we're looking at 5.8 percent increase this year. We looked at other increases in the 4s and 5s pretty consistent throughout all the...well, 6.3 in 2013-14, it's 4.8, and now we're at 5.8. We got to get a grip on that, don't we? As a manager, don't you... [AGENCY 25]

JOSEPH ACIERNO: Well, I think generally we...well,... [AGENCY 25]

SENATOR STINNER: ...don't you have to look at what you're providing for and say, can I sustain this over a long period of time? [AGENCY 25]

JOSEPH ACIERNO: True, I do think that is the goal and I think when budget is developed, I think we look to see how can we sustain it. We can't. Our goal is not to have costs just outstripping revenue coming into the state. So we're doing our very best. We have a number of programs. Some require more attention than others at times. So I would agree with your basic premise, though. We can't just outstrip whatever revenue is coming to the state and I know I think I can safely say I'm not sure that anyone wants us to be doing that, whether it's you, whether it's the Governor or anyone else. [AGENCY 25]

SENATOR STINNER: Well, all of us managers have to deal with the reality of revenue flows and sustainability, so... [AGENCY 25]

JOSEPH ACIERNO: Correct. [AGENCY 25]

SENATOR STINNER: ...I guess maybe one of the questions I have for you that...what's your biggest challenge as it relates to either a department expense, an area, and what keeps you up at night? [AGENCY 25]

JOSEPH ACIERNO: What keeps me up at night? Everything keeps me up at night, but generally I think all the programs have unique needs and I think they have unique funding sources. And so that becomes the challenge. It's individually. It's almost hard to look at it as one giant enterprise. That money is coming in from various sources because the demands are being made on the various programs are coming from various places, whether it's the state appropriating money or whether it's cash coming in due to fees or whether it's the federal government, so...which has all its strings attached to whatever money. So I think those are the...I think those are the challenges generally that I think we face as an agency every day. Those are the things that keep me up at night, is making sure all those balls stay in the air that we're able to carry out whatever mission in whatever division, and I know Public Health the best out of all the divisions, is that we're able to carry out the mission within the constraints of the various masters we seem to be serving at times. And with that comes a great number of challenges, whether it's financially or whether it's outcome based. [AGENCY 25]

SENATOR STINNER: Okay. Some of the challenges that you've had to face are refunds due to the fact that you haven't complied with a certain amount of government regulations or how you... [AGENCY 25]

JOSEPH ACIERNO: Correct. [AGENCY 25]

SENATOR STINNER: ...cost allocate or whatever. [AGENCY 25]

JOSEPH ACIERNO: Right. And I think, specifically, I think you're looking at some of the

things we've done in Children and Family Services over the years. I think we've looked and corrected those issues. I'm confident that those issues have been resolved and we will be...we are with a clean slate and we are moving forward appropriately. [AGENCY 25]

SENATOR STINNER: Do we have the right kind of people to make sure? I have compliance people in my bank that look at making sure that we stay within the regulations. Do you have people that oversee this? Does it come out of operations and cascade down? [AGENCY 25]

JOSEPH ACIERNO: Well, actually out of operations. Actually compliance, when it comes to all programmatic issues, that is really down to the programmatic level, whether it is in, I'll use Public Health as an example. If we receive a grant, it is up to the program and its manager to determine whether that program is being carried out appropriately under the guidelines of that grant. So division to division, it is being...the oversight is really gets as deep as at the programmatic level, but, yes, with operations we have financial folks there also. So it truly is a team effort who's looking after all of this. And do we have the right people in place? I believe we do. But as you know, the team is still in some flux right now. We'll be taking on a new CEO in a couple weeks and then we will...eventually whatever other directors the Governor would like to appoint at that time. So we're in a little state of transition. But I'm confident that the team that's working right now is moving in the proper direction as the final team assembles. [AGENCY 25]

SENATOR STINNER: So have you restructured your organization as you look back and see all of the problems that you've had with this type of refunding? Wouldn't you have restructured or reorganized to ensure that those things don't happen? And what does that reorganization plan look like? [AGENCY 25]

JOSEPH ACIERNO: Oh sure. I think what you do is you look at the mistakes you made,

regardless of what they were, and how can you prevent that mistake from happening again? Now how you define restructure is up to you, but we've looked at various things. Let's say in the finance area we've looked to improve on our internal auditing. We've tried to train various folks throughout the agency grants management. Issues that came up to really work with the entire staff to be aware of certain issues that have come up so we don't make the same mistake again. People will make mistakes. Our goal is not to make the same mistake twice and so... [AGENCY 25]

SENATOR STINNER: I understand that. Then what I'm hearing you say is you've gone through it enough and have talked to your people and have made the appropriate...that this does not keep you up at night and will never have another... [AGENCY 25]

JOSEPH ACIERNO: Well, it keeps me up. I worry about everything so that isn't fair. [AGENCY 25]

SENATOR STINNER: Okay. [AGENCY 25]

JOSEPH ACIERNO: But I'm...yeah, my sleep cycle has been disturbed ever since they made me acting CEO. (Laughter) And...but with that being said, it's not that I rest easy. I mean there is always a need for vigilance by everyone within the agency. We have 5,500 employees. Doesn't matter what level you're at, so-called level, or what you were doing. In your job you should have vigilance in what you're doing. Whether it is at the director level or whether it is at the programmatic level, each job is as important. But we both have to be vigilant in what we're doing. [AGENCY 25]

SENATOR STINNER: Okay. [AGENCY 25]

SENATOR MELLO: Senator Haar. [AGENCY 25]

SENATOR HAAR: Okay. I'm going to take one more stab, going back, because I think I

can express it a little better. To myself and some other members on the committee, what it looks like happened is that kids got moved over from HHS to Probation, that the Medicaid reimbursement potential remains the same, but judicial is saying they're $11 million short. And without finger pointing from either group, we need to understand that. And, Chairman Mello, I don't know how that gets set up, but that's where I'm coming from. [AGENCY 25]

SENATOR MELLO: Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Well, thanks for coming in to the lion's den here. Appreciate it. [AGENCY 25]

JOSEPH ACIERNO: Yeah, that's fine. [AGENCY 25]

SENATOR KINTNER: (Laugh) My question is to follow up on what Senator Stinner was getting at. Right now we're giving the agency a total of 5.6 percent increase this year, 3.3 percent. If we gave you a flat 4 percent both years, would you make it work? [AGENCY 25]

JOSEPH ACIERNO: I don't know that I could answer that just flatly yes or no that we could make it work. I really don't know that because I can't foresee all the variables that go into running the hundreds of programs. I really can't say that. [AGENCY 25]

SENATOR KINTNER: Because clearly this growth is not sustainable until we start eating away money for education or something else. We just don't have that kind of money coming in. So, you know, at some point we've got to do something different. I don't know what that is. I mean you guys, you guys are the experts on that. But so that's kind of why I'm asking that question. [AGENCY 25]

JOSEPH ACIERNO: Yeah, I appreciate that. I don't have a perfect answer for you

because there's too many programs and too many variables involved. Some are more costly than others. [AGENCY 25]

SENATOR KINTNER: Okay. Well, I wanted you to take a stab at it. Thank you very much. [AGENCY 25]

JOSEPH ACIERNO: Sure. [AGENCY 25]

SENATOR KINTNER: Appreciate it. [AGENCY 25]

SENATOR MELLO: Senator Bolz. [AGENCY 25]

SENATOR BOLZ: I know that you have some other folks backing you up today and I know we have another... [AGENCY 25]

JOSEPH ACIERNO: Yeah, I really do. [AGENCY 25]

SENATOR BOLZ: ...another day of hearings, so if this isn't... [AGENCY 25]

JOSEPH ACIERNO: Yes. [AGENCY 25]

SENATOR BOLZ: ...an appropriate question for you, just direct me to who to direct this question to. [AGENCY 25]

JOSEPH ACIERNO: Absolutely. [AGENCY 25]

SENATOR BOLZ: But one question I have related to HHS operations, to Program 033, is related to the depletion of the IV-E training fund. And as I understand it, we were paying for IV-E training from some awards, payments from a lawsuit over time, that that's been depleted because of some of our other recent challenges with IV-E. My

question I guess is do we have a plan for paying for those costs in an ongoing manner? [AGENCY 25]

JOSEPH ACIERNO: And I'm going to refer back to Tony, who's the man who knows everything about IV-E. [AGENCY 25]

SENATOR BOLZ: (Laugh) Okay. [AGENCY 25]

JOSEPH ACIERNO: And so he will be best equipped to answer that question. [AGENCY 25]

SENATOR BOLZ: Okay. Well, I guess that hot potato is yours, Tony. [AGENCY 25]

JOSEPH ACIERNO: And whether you want to discuss that right now or you want to wait for Children and Family Services' testimony, it's up to you how you would like that responded to. [AGENCY 25]

SENATOR BOLZ: You know, we're on the topic and you're here; let's dive in. [AGENCY 25]

JOSEPH ACIERNO: Okay. I mean that's fine. [AGENCY 25]

TONY GREEN: I would actually...I can bring that back tomorrow, a bit more prepared for you. [AGENCY 25]

SENATOR BOLZ: Okay. That's fine. Okay. [AGENCY 25]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Dr. Acierno. [AGENCY 25]

JOSEPH ACIERNO: Thank you. [AGENCY 25]

SENATOR MELLO: Good afternoon. [AGENCY 25]

CALDER LYNCH: (Exhibit 2) Good afternoon. Good afternoon, Senator Mello, members of the Appropriations Committee. For the record, I am Calder Lynch, that's C-a-l-d-e-r L-y-n-c-h, director of the DHHS Division of Medicaid and Long-Term Care. I am pleased to be here in Nebraska. Today is my one-week anniversary. And I look forward to working with you, members of the committee and other members of the Legislature. The Department of Health and Human Services is currently involved in litigation regarding the provision of Medicaid behavioral health services for children with autism spectrum disorder, or ASD, and developmental disabilities. Intensive behavioral interventions, or IBI, has been requested as an appropriate Medicaid covered service in many states that have faced similar litigation. At this time, it's estimated that 2,305 children would be eligible to receive IBI services over a full 12 months in Nebraska. The department may be mandated by court order to provide IBI services to children with diagnoses outside the autism spectrum disorder. At a minimum, an additional 781 children currently on the registry of needs for persons with developmental disabilities and also eligible for Medicaid and CHIP, which is the Children's Health Insurance Program, would be eligible to receive IBI services. With the uncertainty of the resolution and the potential for significant cost, we request that the balance of unexpended and unencumbered state and federal funds in Programs 344 and 348 be reappropriated in the Medicaid and CHIP Programs. Continuing on the CHIP subject, I want to also make the committee aware that Congress is currently considering legislation to reauthorize the Children's Health Insurance Program beyond the end of this federal fiscal year. While we believe that Congress will ultimately reauthorize CHIP, there remains considerable uncertainty regarding a provision of the Affordable Care Act that provides for a 23 percentage point enhancement on the match rate for CHIP services beginning next federal fiscal year. The Governor's recommendation, as well as the committee preliminary recommendation, is based on the 23 percent enhanced CHIP match rate as it stands in

existing federal law. Should Congress choose to repeal this provision, these services would then continue to be financed at the regular CHIP match rate, which is currently 65.81 percent for federal fiscal year '16. This would require an additional $17.4 million in General Funds in FY '16, and $23.7 million in General Funds in FY '17. The reappropriation for this program provides the department and the state resources to begin to address such costs should they become necessary. Turning now to the Medicaid Prescription Drug Program, in regards to reappropriation, the Medicaid Prescription Drug Program, Program 032, requires additional funding as a result of a recent RFP and contract award process that resulted in a current annual contract that exceeds the annual appropriation. A reappropriation of $55,000 in state General Funds, and $55,000 in federal funds for a total of $110,000 in state fiscal year '16, and an estimated $65,000 state General Funds and $65,000 federal funds for a total of $130,000 for fiscal year '17 would be sufficient for this need. The need to address the appropriate base funding amount can be addressed in the next biennial budget request. Continuing on the topic of prescription drugs, we wish to address the need for approximately $3.2 million in General Funds and $3.4 million in federal funds, as recommended by the Governor, each year of the biennium towards hepatitis C medications. Treatment with new oral-only regimens is projected to cost $161,000 per treatment course. Treating between 42 and 167 Medicaid patients would correlate to a cost of $6.7 million to $27 million per year. We projected the low end of $6.7 million, rather than the high end, and continue to use that estimate. Any cost savings from additional rebates from the offset by an increased...will be offset, I'm sorry, by an increased demand for the more easily tolerated treatment. Because treatment with Harvoni and Viekira, which are the latest hepatitis C medications, do not require additional treatment with interferon, as Sovaldi did, we anticipate that the number of requests for Harvoni and Viekira will increase. The interferon-free treatments are more desirable, due to frequent toxicities of interferon. Although the cost per treatment will decrease, it is expected that the number of treatments will increase. On the subject of minimum wage, passage of the state minimum wage increases in January 2015 and January 2016 creates a need in the medical assistance program. This is because home

and community-based waiver providers of chore and respite care are required to be paid the minimum wage. In fiscal year '16, we request an appropriation increase of approximately $161,000 in state General Funds and $172,000 in federal funds. In fiscal year '17, we request an increase of $228,000 General Funds and $239,000 federal funds. This funding was included in the Governor's recommendation but is not included in the committee preliminary recommendation. Thank you for your consideration of these items. I'm happy to be here and I'm happy to answer any questions from the committee. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony today, Mr. Lynch. Are there any questions from the committee? Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you, Mr. Chairman. And thank you, Director Lynch. Welcome to Nebraska. [AGENCY 25]

CALDER LYNCH: Thank you, Senator. [AGENCY 25]

SENATOR NORDQUIST: Welcome before the committee. A couple questions: One, just looking at...I guess this has been a frustration in my six years on this committee, and I know other legislators have similar frustrations with Health and Human Services, and Medicaid probably being the biggest one being $2.2 billion total over each year of the next biennium, the concern about our ability to...lack of ability at times to track dollars both within the department but certainly within divisions in the department and certainly with the last administration was a real challenge. And I just wanted to know if you've given any thought or if you can go back and think about an ability to maybe provide us with, maybe on an annual basis, kind of the budgets within services and then maybe, you know, updated quarterly or something. That you know, obviously, we don't want to tie your hands and say you don't have the ability to shift dollars between services, because that flexibility at times is needed, but I think our concern is just lack of ability to track on an ongoing basis how we're doing in different service areas and be

able to go back historically and look how are specific service areas growing fiscal year to fiscal year. I don't know if that's something that you can comment on now or take back and think about with the new CEO when they come on board. [AGENCY 25]

CALDER LYNCH: Absolutely, Senator. I will say I've also recognized that need in my first week. We have tremendous talent in our team in Medicaid and Long-Term Care, but we do need to continue to work on our ability to track, particularly on expenditure in the service level, and that's really across multiple spectrums. It's looking at the fee-for-service program, where we need to do some forecasting to better understand where those expenditures are going to be, as well as on our managed care side, understanding detailed financial statements from our health plans, how those dollars are being spent, and being able to bring all of that together to better understand expenditures in the Medicaid Program as a whole. So I do look forward, we have some hires we'll be making in the new future in that area and doing some maybe looking at how we're organized there, and I would love to sit down with you and talk about what reports would be really useful for the committee. [AGENCY 25]

SENATOR NORDQUIST: Okay. Good. And then probably just an issue that certainly would correspond to that on some level, and that is just data analytics in general. [AGENCY 25]

CALDER LYNCH: Absolutely. [AGENCY 25]

SENATOR NORDQUIST: I don't know how much time you spent in your first week looking at that. I have a bill that would have...sitting before the committee that would appropriate to UNMC to do a study of our entire health data system and come back with some recommendations. Certainly just any thoughts you've had on where we're at with our current data analytics of staffing and contracts we have in place on that level. You know, I've heard at legislative conferences that Louisiana was actually very strong in that area and a lot of examples, both at the micro level and macro level, about how

Louisiana used data systems to improve Medicaid and improve efficiency. So any comments you can make to that, and then certainly be happy to follow up with you too. [AGENCY 25]

CALDER LYNCH: Absolutely, Senator. I mean we really must make sure that all of our decisions are being driven by the data to better understand how we're impacting services, programs, and people. You know, when we can dive deeply and ask the right questions, we can better understand what's happening and how to prescribe policy solutions. There's two elements to that. There's having the necessary systems and architecture in place to capture that information accurately and report (inaudible). And it's also having the people, the smart people that can sit and ask the right questions and come up with the right queries to produce the reports that will be useful for me as the director overseeing the program on a day-to-day basis as well as for the Legislature in your oversight of the department and also your annual appropriations responsibility. So it is something we'll be working on through upcoming procurements to bring in new functionalities, but we also are going to be working and looking at our staff and how we have people in the right places to do those things. I look forward to working with you on that. [AGENCY 25]

SENATOR NORDQUIST: Thank you. [AGENCY 25]

SENATOR MELLO: Senator Haar. [AGENCY 25]

SENATOR HAAR: Thank you for being here. In the December 2013 Medicaid report, there was a projection of an 8 percent increase in the average number of Medicaid-eligible individuals. Yet, at the end of 2014, Medicaid reported that instead of an increase there was a 2 percent decrease. And so now you're projecting a 5 percent increase for 2015 and wondering if you'd be willing to share the data that's led to that projection. [AGENCY 25]

CALDER LYNCH: Sure. And, Senator, I'll comment on sort of the history and where we are, while we're projecting that going forward. From my understanding, part of that increase was projected because of what we call the crowd-out effect or the woodwork effect, rather, from the Affordable Care Act as individuals were applying for care through the federal exchange and would be determined Medicaid eligible and their eligibility file transferred to the state. We expected to see an increase there. At the same time that that was happening, there was also a major cleanup effort that the state undertook with the current eligibility file that resulted in some individuals being...that were no longer eligible being removed from those files. So together, you know, I think between the cleanup effort and maybe not seeing the woodwork effect to the extent that we were expecting in that first year contributed to that decline, I can tell you that the concern is that going forward, as the federal exchange has improved its functionality and people are maybe a little bit more apt to attempt to apply, as well as the individual mandate, penalties coming into effect, we will begin to see an uptick in those applications and those transfers to the state. And that is what is driving that 5 percent. And I'll ask the team to go back and provide further detail to you on that. [AGENCY 25]

SENATOR HAAR: I'd appreciate that. Thank you. [AGENCY 25]

CALDER LYNCH: Yes, sir. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Welcome to Nebraska. [AGENCY 25]

CALDER LYNCH: Thank you. [AGENCY 25]

SENATOR BOLZ: We're glad you're here. I have two things that are mostly requests, given this is week two for you, and one question for you. The first request is that Nebraska has now had a couple of years' experience with Medicaid at-risk capitated

care, and we've heard that this model has controlled or reduced in cost savings. And any data or information that you could give us about what that actually looks like would help us make decisions regarding managed care looking forward. [AGENCY 25]

CALDER LYNCH: Yes, we will. I'm interested in that data myself as well,... [AGENCY 25]

SENATOR BOLZ: Okay. [AGENCY 25]

CALDER LYNCH: ...so we'll be taking a look at that and I can tell you we're already talking about the next round of contracts and how we can strengthen and improve those. [AGENCY 25]

SENATOR BOLZ: Great. The second request is a small request but just for the sake of process. It came to my attention after we did our preliminary budget that there may be a small operations piece that needs to be pulled through regarding...relating to the balancing incentives program. And just for the state of committee process, I wanted to address that with you. [AGENCY 25]

CALDER LYNCH: Yes. [AGENCY 25]

SENATOR BOLZ: Great. [AGENCY 25]

CALDER LYNCH: Thank you. [AGENCY 25]

SENATOR BOLZ: And then my question is related to the autism spectrum disorder issue that you referenced in your testimony, and you're requesting the balance of the unexpended and unencumbered state and federal funds in 344 and 348. Do you have a sense of, in the ballpark, what that amount looks like for you? [AGENCY 25]

CALDER LYNCH: Yes, it's approximately $41 million. [AGENCY 25]

SENATOR BOLZ: Forty-one? [AGENCY 25]

CALDER LYNCH: Forty-one. Which, to give perspective, is approximately two weeks' worth of Medicaid payments. [AGENCY 25]

SENATOR BOLZ: Okay. And I guess maybe this is also, given that this is your second week, something to flag for you. I think it's worth exploring the assumptions that we've used in terms of who will qualify for those ABA payments, what our population looks like, what the assumptions in terms of utilization rates and costs are so that we can get in an accurate number. So I just would maybe request at this point that we think through what those actual amounts for that coverage will look like as it compares to your request for the unencumbered funds. [AGENCY 25]

CALDER LYNCH: I agree. It is somewhat of a projection. We base those numbers off of extrapolating some data that the CDC provided at a state level and applied it to the Medicaid population. But it will take some time to really understand the capacity of the provider network to provide those treatments as well as the number of children who will seek that treatment. [AGENCY 25]

SENATOR BOLZ: My hope is that we'll both be able to cover the kids and knock that number down a little bit. [AGENCY 25]

CALDER LYNCH: Exactly. Great. [AGENCY 25]

SENATOR BOLZ: Thanks. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Bolz. Are there any other questions from the committee? Senator Stinner. [AGENCY 25]

SENATOR STINNER: I guess I get to ask you the same question about sustainability. Obviously, 8, 9, 10 percent increases are not sustainable. I've listened to a couple seminars on this. I've read quite a little bit about what other states are doing to drive their costs down to get back to where it's a sustainable number. What's your thoughts? What's your plans? What are the big cost drivers in here that you need to attack? [AGENCY 25]

CALDER LYNCH: Yes, sir, I will tell you that in looking at our budget, I think that some of our larger cost drivers, and this is true for every Medicaid Program in the country, are going to be the individuals who are receiving some type of long-term care or home and community-based services. They tend to have higher acute care cost. Another piece is certainly individuals who are...who have co-occurring behavioral health conditions that drive higher acute care cost. And those are going to be some of the areas we're really going to be looking at targeting through deeper case management solutions, and we're going to be working with the staff to kind of chart out what that's going to look like going forward. But we do, compared to other states, have some of the highest long-term care cost in our...as a total percentage of our cost in Medicaid. You know, they're small, those tend to be the smaller shares of your population, but they drive a much larger percentage of your costs. And so we're going to be spending a lot of time focusing on them. [AGENCY 25]

SENATOR STINNER: And your ask for hepatitis C is curious to me because Gilead has come out with an $84,000 solution. It's a very good solution. Now they've talked about cutting that cost by 45 percent. And we're still at $161,000. Tell me how that works. [AGENCY 25]

CALDER LYNCH: Well, we have very little control over the pricing that's set for those drugs. Now those manufacturers will enter into federal rebate agreements with the federal government that will...that then, in essence, requires that we cover that drug,

and that can be of a varying percentage off, so to speak. You know, as those prices come down, we're still seeing that more and more individuals are seeking access to those treatment protocols. They are very expensive. They do work. They're very effective. They're very good. But they are...the costs are increasing, you know, very quickly. So we'll... [AGENCY 25]

SENATOR STINNER: Actually, actually, they're going down. [AGENCY 25]

CALDER LYNCH: Well, on a per drug basis. [AGENCY 25]

SENATOR STINNER: Yes. [AGENCY 25]

CALDER LYNCH: But total spending is increasing. [AGENCY 25]

SENATOR STINNER: Yes. Okay. [AGENCY 25]

CALDER LYNCH: And that's really what we're concerned about. You know, we do have some pretty tight prior authorizations in place to make sure that only the individuals who truly need access to those drugs are getting them. But it's going to be a bit of a moving target as we try to understand better how that population is going to access those drugs. [AGENCY 25]

SENATOR STINNER: So how...I mean, how do you? Can you control what they buy and where they buy it and how they get treatment? [AGENCY 25]

CALDER LYNCH: It's difficult. I mean we have very little control over the price that we reimburse, I mean, you know, so we typically are going to reimburse a pharmacy for that drug based off of a discount off of the average wholesale price. But that is set on a national price compendia that we don't control. And so our ability to control costs there is really around controlling utilization to the extent that we can. [AGENCY 25]

SENATOR STINNER: Okay. Thank you. [AGENCY 25]

CALDER LYNCH: Thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? Seeing none, thank you, Director Lynch. [AGENCY 25]

CALDER LYNCH: Thank you, Senator Mello. Appreciate it. Thank you to the committee. [AGENCY 25]

JOHN HILGERT: (Exhibit 3) Good afternoon, Senator Mello, members of the Appropriations Committee. I am John Hilgert, J-o-h-n H-i-l-g-e-r-t, director of the Department of Health and Human Services, Division of Veterans' Homes. As mentioned previously, the Governor's recommendation included reappropriation of unused state General Funds. The Veterans' Homes Division would respectfully request reappropriation of the state General Funds. Our reappropriation request includes the amount of $1.9 million to support ongoing efforts to modernize and improve efficiency for the comfort of our veterans in the facilities. Additionally, a project for $1.4 million to implement medication dispensing machines in each of the locations is planned to ensure the safe and proficient distribution of federal medications received in bulk. Also, $2.3 million of the appropriation is intended for the replacement of electronic medical record capabilities. The remaining reappropriation would be used to administratively support the capital construction plan to transition 12 Western Nebraska Veterans' Home beds from assisting living to skilled nursing. Both the Governor and the Appropriations Committee included this project in their recommendations. I thank you for that. Finally, we request that any remaining unobligated funds be reappropriated for our use in case of unexpected situations requiring immediate response that the facilities may face, necessitating financial need for such a response. Thank you for your consideration of these items, and I'm happy to answer any questions that you might have. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Director Hilgert. Are there any questions from the committee? Senator Haar. [AGENCY 25]

SENATOR HAAR: Yes. Thanks for being here. [AGENCY 25]

JOHN HILGERT: Absolutely. [AGENCY 25]

SENATOR HAAR: NPR radio has been doing a series on, you're probably aware of that,... [AGENCY 25]

JOHN HILGERT: A little bit. [AGENCY 25]

SENATOR HAAR: ...of nurses having to lift people and so on, and that actually Veterans Administration is one of the leaders in getting equipment to do that. Are you participating in that as well? [AGENCY 25]

JOHN HILGERT: Not the study that you...that I think you're referring to. I think that's United States Department of Veterans Affairs. Although the reappropriation that we've consistently been granted by the Appropriations Committee has allowed us to buy the modern equipment that we need and to pay for the staffing that we need to make sure. Some of those lifts require two persons and we need to have those individuals on site. And the appropriation helps us with that overtime in the agency and then, of course, the operating salaries so our staffing remains committed to that. But we're not involved with that particular effort. [AGENCY 25]

SENATOR HAAR: Gotcha. Well, thank you very much. Yeah, I'm glad to hear that. [AGENCY 25]

JOHN HILGERT: Certainly, Senator. [AGENCY 25]

SENATOR MELLO: Senator Kuehn. [AGENCY 25]

JOHN HILGERT: Yes, sir. [AGENCY 25]

SENATOR KUEHN: Thank you. Just looking at your total you're requesting, you've itemized $5.6 million in General Fund reappropriations. [AGENCY 25]

JOHN HILGERT: Right. [AGENCY 25]

SENATOR KUEHN: And what do you anticipate that balance will be on June 30th? [AGENCY 25]

JOHN HILGERT: I think it will be in excess of that. I think it will be closer to about $7.4 (million), I believe, in General Funds. And we would request the remaining too. We do have...would you like me to expand on the need, Senator? [AGENCY 25]

SENATOR KUEHN: Sure. [AGENCY 25]

JOHN HILGERT: I don't want to assume. But we have a couple of different things. We have the...let's see, I want to make sure. We have...we're going to an electronic medical record, a better service, and that's the bulk of it. We have these pharmacy dispensing machines. We have a detailed project list. And I might add that these efforts, we've never come to the Legislature saying, hey, we're going to go this direction. We've used the funds that we have regarding carryover, and at the same time we have made the division less reliant on General Funds over the years. In '12, fiscal year '12 and '13, we gave back $2.2 million; in '14 and '15, $1 million in each; and again we're requesting a reduction of General Funds again in '16 and '17, $1 million a year. What we're doing is we're increasing our reliance on federal funds and also through cash funds. And we're trying to use that to reinvest back into the system. The reason why I don't have a

specific project for every dollar is because I don't have a specific need right now. I am one gastrointestinal event away from needing more funds. And I use that as an example because if such an event would enter one of our facilities, it would require that our veterans need more care because of the illnesses that they're going through. At the same time, something that's easily transferred between member and staff is going to also negatively affect my staff. I'm going to have people calling in sick. So at the very time that I need to staff up, I'm going to have people calling in sick. And to have the overtime necessary and, at times, going to the agency staff that's necessary, meaning off the economy, private sector to augment, I'm going to need those resources. So that's one of the reasons why there's not a line item or there's not a, you know, a project number I can give you on that. We also have some infrastructure issues that may or may not be present. Right now there's some issues regarding our electronic systems, our IT systems. We're having to debug some of those things. Not fully understanding why some of this is happening may necessitate the cost in additional infrastructure so we can have that modern, electronic medical record and that pharmacy dispensing system. And also we want to be able to have some reserve, frankly, in case the...not "in case of" because it is being impacted, the move from the Central Nebraska Veterans' Home. The news that that project is underway, that we're moving along, we have our 35 percent design accepted by our federal partners at this time, that we have some funding for that reimbursement, for that stage of where we're at, it is affecting the number of staff that come to work. Some think we're moving tomorrow. It's going to be at least 2018 so, you know, it's far off. We need people today. The veterans that are there need service today. And it's going to be more of a challenge to retain some of the staff that we have. In fact, we're going through a...and I have a couple people here with me today: Pat Moeller, who's my systems clinician, is helping head this up. We're reviewing all of the retention issues that we have and all the efforts that we've had throughout our entire division, and it's now pages. So the flexibility that you would grant me by reappropriating those dollars is why I'm requesting it. [AGENCY 25]

SENATOR KUEHN: I guess I understand,... [AGENCY 25]

JOHN HILGERT: Sure. [AGENCY 25]

SENATOR KUEHN: ...and I'm not debating the worth or the value of those projects. [AGENCY 25]

JOHN HILGERT: Oh, I'm not...no. [AGENCY 25]

SENATOR KUEHN: My concern is your entire General Fund appropriation of Program 519 for the current fiscal year is $25 million. [AGENCY 25]

JOHN HILGERT: Right. [AGENCY 25]

SENATOR KUEHN: And you have $7.4 million in unexpended, unencumbered funds you're asking to be reappropriated. So I get a cushion, 27 percent roughly, sorry, my envelope math here. [AGENCY 25]

JOHN HILGERT: Sure. [AGENCY 25]

SENATOR KUEHN: That's a little bit more than a cushion. And my other concern is when you start talking about expenditures, line items of $2.3 million for medical records, $1.4 million for dispensing machines, those aren't going through any legislative oversight process. They're not going through...that's an internal decision that you have made to spend that money and not one that has come to this committee or seen oversight. And so I don't disagree with or take dispute with the value and the importance of these programs. [AGENCY 25]

JOHN HILGERT: Okay. [AGENCY 25]

SENATOR KUEHN: I take dispute with the lack of oversight. And it becomes very

difficult for us to get a true grasp of what the costs are associated when we're appropriating $25 million annually and there's $7.4 million in just an unappropriated kind of slush fund running out there. So my concern is not the value of the programs; it's the oversight and the way in which the funds are managed. So that leads to what is prompting my questions on this line, so. [AGENCY 25]

JOHN HILGERT: Certainly. Well, in fiscal year 2010 there was $26.5 million in General Funds appropriated to this division. We have reduced that reliance. We have not...and I can...I'm not sure if you want a response, but we do have needs and we think that they're legitimate. For example, part of the compliance for the ARRA funds--the ARRA Act was, what, 2009--there was the HITECH, which is...what was it, the...oh, I had it written down here, the HITECH economic...anyway. We have to...there is some compliance measures that we have to be cognizant of. Yes, here, the Health Information Technology for Economic and, let's see, and Clinical Health Act of 2009. There's some compliance issues the state has to be in. [AGENCY 25]

SENATOR KUEHN: And we... [AGENCY 25]

JOHN HILGERT: I guess we could have gone back to the Legislature and specifically asked for those, but what we wanted to do is try to solve the issues and look ahead and see what we're going to need and plan for those. So this is an attempt to plan for the present and future needs. Part of the issue, as far as we have to...we're going to have an incumbrance, incumbrances of the first payroll. Most of my expense is personnel. Also, there's a state policy that we need about 25 percent, which kind of dovetails with your number, because some of the federal and cash funds that come into my system sometimes are not as timely as you might think. Now to make sure that we're not using that for any slush fund purpose, I would certainly invite folks to look at how we're expending our funds. We do have some project lists. We would be more than happy to share with you our RFP when it comes in regarding our point of...or...I've got to be careful, the RFP for the EMR system. There are some characteristics that are...we use

it as...in a vernacular which may be copyrighted (laugh) so I don't want to go there. But we believe that those are needed and we wouldn't mind having you look at the expenditures of those. So we have the 25 percent for the cash flow. We have the encumbered payroll. We have identified these needs. We're giving back at least $1 million of General Funds a year as we migrate away from our reliance on General Funds. We're going with a more robust financial system. Beth Wewel, the other individual that is with me here today, was hired to do just that. When I came on board, frankly, we were not drawing down the funds that matched the appropriation that gave you us. We had more spending authority than we had funds coming in, in cash and federal. That has changed because we're now billing for things. And this is no impact to the veteran. The veteran, you know, doesn't hardly even see any of this. But when a veteran is eligible for certain programs and certain insurances, and the state of Nebraska isn't billing appropriately for which they've paid for, that's bad on us. And when we do that, we're able to do a couple things: We're able to modernize the system without any more requests from the Legislature's Appropriations Committee; and two, we're able to migrate our reliance away from General Funds. And that's what we've tried to do, Senator. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Kuehn. Any other questions from the committee? Director, I've got one, just in the sense of one of your reappropriation requests dealt with electronic medical record capabilities. I imagine, to some extent, your division is working with Dr. Acierno in the Division of Public Health in regards to how this would integrate with the NeHII system that the state currently is in a public-private partnership with. [AGENCY 25]

JOHN HILGERT: Not necessarily to a operational extent. HHS in the past has tried to, for example, our current system is I believe a behavioral health based system, Avatar. We have had one-size-fits-all. I basically run, we call them veterans' homes. What they are is long-term care facilities: assisting living and skilled nursing, thousands of them across the country. To try to modify disparate systems under the guise of, well, since

you're in this agency, you have to have this type of system, we have been granted permission by the last CEO and maintained by our current acting-CEO to go to for an RFP and find something that actually is a long-term care system. There's many of them out there. Everyone has...a lot of people have. I shouldn't say everyone because I can't speak for everyone. But this is not a huge...this is not new ground in the industry. [AGENCY 25]

SENATOR MELLO: Uh-huh. [AGENCY 25]

JOHN HILGERT: Long-term care has been around; the mandates are there for the entire nation. You're probably going to hear some providers speak to that in fact today. We want to participate in it. We want to compete with the industry standards. And at times we want to, because we're state employees and because we're motivated and because we have the staff that we do, we would like to actually lead instead of compete because I think we have a lot of folks that are very committed to our mission of caring for America's heroes. But... [AGENCY 25]

SENATOR MELLO: Thank you, Director. Are there any other questions from the committee? Seeing none, thank you, John. [AGENCY 25]

JOHN HILGERT: Thank you. Thank you. [AGENCY 25]

JUDY HALSTEAD: (Exhibits 4 and 5) Good afternoon, Chairman Mello and members of the Appropriations Committee. My name is Judy Halstead. For the record, it's J-u-d-y H-a-l-s-t-e-a-d. I am the director for Lincoln and Lancaster County Health Department. I am here testifying in support of HHS's Public Health budget, but in addition we, as local health departments, have made a request of this committee and we are specifically asking for an additional $5.2 million to be appropriated in Agency 25 and it's in Program 502. This is Public Health Aid to the local health departments. As most of you recall, when the local health departments were created, some of us, over 100 years ago, but

many in our state were not created until 2001 when the Legislature at that time, in its wisdom, took the tobacco settlement dollars and helped create a public health system. At that time, only 21 of the counties in Nebraska had a local public health department. Today all of our 93 counties are represented by a local health department. But I will also tell you that as part of that development, those funds that were appropriated from the Health Care Cash Fund in 2001 are the exact same dollar amounts we were receiving from the cash fund in 2015. We've not had an increase in those 14 years. And so today, as we are here to support HHS's budget, and I do have to tell you that Dr. Acierno and his two deputies in Public Health, Judy Martin and Jenifer Roberts-Johnson, who have been very supportive to us as local health departments. And I know you don't always hear that about HHS, but I did want you to know that the local health departments do support HHS in their efforts and we appreciate the partnership we have with them. But today, to give you a little bit of information and the reason why we're here today is to talk about that all public health is local. I'll tell you that out of respect to the committee, many of the local health department directors are represented here today, but we are not going to have all 18 of the local health departments come up and testify. I will be, hopefully, trying to do some due diligence to representing their interests. I'll ask the Chairman if I could have just a few additional moments, if he would be willing to grant me just a couple extra minutes just to make sure I represent my other partners, but I won't go long. I promise. In addition, we have a representative here from the Nebraska Hospital Association, but before you the page should be also giving you letters from the Nebraska Medical Association and the Public Health Association of Nebraska that are supporting our request. Public health is not healthcare. Unlike going to the doctor for one-on-one healthcare, public health is addressing the health of our entire population. We partner with healthcare providers, but our job is to look out for the health of the entire community, the entire state, if you will, through our network of our local 18 health departments. As I mentioned before, in 2001, only 21 counties in Nebraska had a local public health department, but the Legislature determined how we would be structured and they determined what we would specifically do, which include our three core functions and our ten essential services of public health, and those are outlined in

Chapter 71 in state statute. Just as you fund public education in the state of Nebraska because you plan for the future, we're asking that you also look at that same consideration for planning for the future in public health. A little later in my testimony, I'll talk about what's changed since 2001. But what we focus on is prevention. We focus on prevention in one key way, through chronic disease and its complications. Those cost you billions of dollars in healthcare dollars. You've already heard that. Medicaid pays quite a lot to deal with the aftereffects of chronic disease that are created here in Nebraska. One example is if we can prevent youth to start...to stop using tobacco or to never start using tobacco, those are saved healthcare costs down the line. We also promote increased physical activity to prevent obesity. Obesity is known to be tied to virtually all chronic diseases, including heart disease, hypertension, cancer, diabetes, and stroke. Many of your local health departments have established programs to prevent these chronic diseases. Panhandle Public Health Department, for example, through the Panhandle Worksite Wellness Council, provides direct technical assistance to businesses in the region to promote health and wellness. And through this coordinated voluntary program, businesses that are too small to have a program of their own come together with the local health departments to build, to share resources, and to build a coordinated wellness system for their employees. Similar programs are also happening in Four Corners, North Central, and other local health districts in Nebraska. Two Rivers Public Health Department provides evidence-based program working with children to prevent obesity. They do those programs in schools in Gosper, Franklin, Harlan, Buffalo, Dawson, Kearney, and Phelps Counties. Sarpy/Cass Department of Health and Wellness has implemented a senior care program to bridge identified gaps in senior care continuum by connecting seniors and caregivers to community resources, partnering with their aging services, and working on health education to keep seniors remain...help seniors remain in their home. We focus on prevention through surveillance and response to communicable disease. You've heard a lot about this, this last year. As an example, the elimination of measles was documented in the United States in 2000. We didn't have any cases of measles in the United States, and we thought we had eradicated it. Unfortunately, in 2014 there were 644 cases of measles in 27 states in the

United States. This included 142 people from seven states related to an amusement park in California, and that included 2 cases here in Nebraska. We were one of the seven states that was tied to that amusement park. In Lincoln and in other communities in Nebraska, we have record high cases of pertussis, which is whooping cough, which can be fatal for young infants. Our staff contacts every known person or the parent of that person testing positive for pertussis, follows up to make sure they and their immediate family members receive appropriate treatment from their doctors. Local public health contacts the schools and the childcares to make sure that they take reasonable precautions to prevent the spread of pertussis. We work with adults and children so that they can learn ways to prevent more people getting sick. This work of surveillance and follow-up is not invisible. It's happening in local health departments across Nebraska every day. But why should it matter to you? If Blair, through the work of the Three Rivers Health Department and with the help of Douglas County Health Department, had not contained those two cases of measles, we would have had a measles outbreak throughout Nebraska. It's their work that helped prevent that spread to all the rest of our communities. If the cost of healthcare for people who are obese continues to skyrocket without any efforts to prevent obesity, this generation of youth and young adults won't live as long as we do. In 1989, in Nebraska, 46 percent of those individuals 18 and older were overweight and obese. In 2010, just slightly over 20 years later, 64.9 or almost 65 percent of our population is overweight or obese. Obesity is becoming a fatal epidemic for our state. Our communities have become more mobile and more global in the years since 2001, when most of our local public health system was created, and diseases such as measles, that we thought was gone, have had a resurgence and new diseases have emerged in the U.S. Cases of mosquito-borne Chikungunya have become more common, blood-borne cases of Ebola occurred for the first time in the United States in 2014, and new strains of airborne viruses threaten us daily with the mobility of our citizens. However, Senators, our funding through the infrastructure and per capita for public health established in 2001 has remained flat, and those permanent ongoing funds have not increased in 14 years. Since the designated tobacco settlement dollars were allocated, we have had to maintain with what we've

had. We've also sought funds through federal government. We've sought funds through user fees. My largest portion of my department is user fees, above all other sources of funding, and that includes city dollars, county dollars, state, federal, and other donations. We're asking support from you now, but we recognize there's significant demands on the state budget. Here's why we think we're a little bit different from some of the other requests that you might receive. In addition to focusing on prevention, we're trying to prevent additional costs down the line. Our 18 local health departments statewide have agreed to this structure of financing based on the infrastructure dollars that all local health departments need, coupled with per capita funding to further assist the larger jurisdictions with the needs of serving larger populations. Our hospital, physician, and other public health partners are supporting us in this request, and you have letters from them and you'll hear from the Nebraska Hospital Association, as our only other testifier. We promised to keep it short. Each of the local health departments has developed what's called a local community health improvement plan. This was developed as a result of communitywide health assessment with our local hospitals, our healthcare providers, our local not-for-profit agencies, our schools, and our other local partners. This plan prioritizes local community health needs of our jurisdiction and these plans are the basis for how our funds are spent. We prioritize it based on the state law, based on what the Legislature has told us we need to do. But it's also based on what our local communities need. By state law, we're also required to report to you annually about how we spend our funds and how our outcomes are achieved. We are accountable to you. And all of us have local elected officials on our boards of health and we're accountable to them as well. Local public health is here to protect and promote the public's health, the community's health, and the state's health. We're here to protect you and your families and your constituents, but we need your help through funding. Because of our close working relationship with our local hospitals, Theresa Hilton, representing the Hospital Association, will testify following me today. And I've also given the page the letters of support from the Medical Association and the Public Health Association so that they could be on record. I really appreciate your time today and your consideration of our request and how we can continue to do a strong job for protecting

the health of Nebraska citizens. And I'm happy to answer any questions you might have. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Ms. Halstead. Are there any questions from the committee? Senator Haar. [AGENCY 25]

SENATOR HAAR: Yes. I have great respect for local health departments. I was on the Lincoln-Lancaster Health Department board when I was on the Lincoln City Council. Have you as a group started to talk about climate change and what that could so in terms of disease vectors and those sorts of issues? [AGENCY 25]

JUDY HALSTEAD: We have. We've just barely started, though, Senator Haar. We've begun, in looking with our partnership with UNL, to look at some of those implications. I will be honest, though. That is one of our largest unmet needs in being able to address that because we have no additional funding or no targeted funding to address that need. But certainly we understand those impacts. We, as you well know, we have an air quality program at the Lincoln-Lancaster County Health Department. We obviously are looking at our air quality, automobiles of course being our largest, but we look at other manufacturing and we look at the climate as how it impacts as well on the health of our citizens. [AGENCY 25]

SENATOR HAAR: Okay. Is the temperature in here today dangerous for older people? (Laughter) I'm starting to be concerned. [AGENCY 25]

JUDY HALSTEAD: As being over 50 myself, and actually two years I testified before this committee and Senator Kintner warned me that I was in the hot seat. I have to tell you, Senator, it's hotter today than it was two years ago. Yes. [AGENCY 25]

SENATOR HAAR: Good. Well, thank you very much. [AGENCY 25]

JUDY HALSTEAD: Thank you, Senator. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Senator Stinner. [AGENCY 25]

SENATOR STINNER: I just have one question. How are you going to allocate the $5.2 (million)? Is that equally across the board to everybody? [AGENCY 25]

JUDY HALSTEAD: We already have a formula that we use, Senator Stinner, that we actually all support. We have what's called infrastructure funding and then we have per capita funding, and in 2001 the Legislature determined that in order to build a public health system in Nebraska we would have both an infrastructure that helps build our capacity, things like being able to look at data, looking at surveillance, but then also a per capita funding and that per capita funding obviously addresses the difference in the size in our districts in Nebraska. [AGENCY 25]

SENATOR STINNER: Does distance ever enter into that equation? [AGENCY 25]

JUDY HALSTEAD: We actually have looked at that, Senator, and that's part of the reason why we asked for infrastructure funding, because regardless of the size of your department, whether I'm serving close to 300,000 people in my county, or whether it would be a smaller county, we all have to have personnel to do certain jobs. And while the cost of employees may vary a little bit, you certainly would have a much further distance to travel in the Panhandle than I, my staff or myself, have in Lancaster County. And so we've looked at it to try to be fair and equitable by asking for an infrastructure funding and then a per capita funding. [AGENCY 25]

SENATOR STINNER: Okay. Thank you. [AGENCY 25]

JUDY HALSTEAD: Uh-huh. Thank you. [AGENCY 25]

SENATOR MELLO: Any other questions from the committee? Senator Hilkemann. [AGENCY 25]

SENATOR HILKEMANN: Yeah, just one question. You can, you are as a county agency, there's a taxing agency that from the county could also provide for these funds. Am I correct? [AGENCY 25]

JUDY HALSTEAD: You are. And actually in my case, Senator, the city also does as well. The city provides a little over $4 million. The county provides about $2.4 (million). My user fees are about $4.6 million. They're actually the highest of my sources of funding. And so in my jurisdiction they actually have. We currently receive about $700,000 in public health aid from the state, but we believe that we're helping to protect the rest of the state by helping to do things like Director Hilgert talked about of gastrointestinal illnesses. We try to prevent those in Lincoln, when you come to Lincoln for state basketball games, by inspecting our restaurants so that we hope you don't...we don't send you home with a bad experience by getting a food-borne illness in Lincoln. And so we believe that by building the public health infrastructure or all of us working together statewide, we can help to prevent that. [AGENCY 25]

SENATOR HILKEMANN: Thank you. [AGENCY 25]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Ms. Halstead. [AGENCY 25]

JUDY HALSTEAD: Thank you. [AGENCY 25]

SENATOR MELLO: One second here. Ms. Halstead jumped the gun a little bit... [AGENCY 25]

JUDY HALSTEAD: Yes. I apologize. Excuse me. [AGENCY 25]

SENATOR MELLO: ...in the sense of seeing if there was anyone else from the department who needed to testify. [AGENCY 25]

JUDY HALSTEAD: Excuse me. [AGENCY 25]

SENATOR MELLO: No, you're fine. You're excused, Ms. Halstead. You're fine. Was there anyone else from the department who needed to testify? Okay. All right. That...we will now open it up to other...anyone else who wishes to testify on Agency 25, the Department of Health and Human Services. Could I please get a show of hands who all plans to testify on agency budget requests? All right. [AGENCY 25]

THERESA HILTON: (Exhibit 6) Thank you. Good afternoon, Senator Mello and members of the Appropriations Committee. I am Theresa Hilton, director of patient and outreach services at Columbus Community Hospital in Columbus. That's T-h-e-r-e-s-a H-i-l-t-o-n. On behalf today of our 89 member hospitals and the 41 individuals...41,000 individuals they employ, the Nebraska Hospital Association offers the following testimony in support of the request for an increase of $5.2 million in state funding for Nebraska's public health districts. Public health districts are a vital partner in improving the health of all Nebraskans. This request would add General Fund dollars to the infrastructure and our per capita funding that is derived from the public health aid distribution from the Nebraska Care Cash Fund. Infrastructure and per capita spending is combined to fund an array of services determined by communities through a comprehensive health needs assessment that Judy just alluded to. Core public health services are delivered through public partnerships. As varied as Nebraska communities can be, this funding will strengthen the public health programs in numerous ways. Local health departments are fundamental components of the local health system that include physicians, hospitals, academia, business, media, and other local and state governmental agencies. Local health departments use a systematic approach to build health programs and services. By statute, local health departments provide or assure

ten essential services. They include: first, assessment of community health needs; environmental health; preparedness against public health threats; prevention; public health education; public health nursing; public health policy; screening and immunizations; and finally, surveillance and communicable disease control. Currently, there are inadequate financial resources committed to these efforts of the public health departments. Public health districts have experienced increased incidences in influenza, measles, West Nile virus, meningitis, tuberculosis, and sexually transmitted diseases. The vast majority of funds spent in our state and nation are for preventable chronic conditions such as obesity, heart disease, and diabetes. Unfortunately, right now less than 3 percent of our healthcare spending is spent on public health and preventative...preventing of these chronic conditions. Funding our public health infrastructure protects Nebraska communities and families, and saves lives and saves money. All local health departments are successful in leveraging other funds, as you heard Judy speak, both public and private. According to the American Public Health Association, every dollar spent on preventative programs saves $5.60 in health spending. And a 10 percent increase in local public health spending would decrease infant deaths by 6.9 percent, decrease cardiovascular deaths by 3.2 percent, diabetes deaths by 1.4 percent, and decrease cancer deaths by 1.1 percent. Nebraska's economy is tied to the health of everyone of us here in Nebraska. We need strong, effective local public health departments to make positive changes in the health of all people who live here. The NHA thanks Senator Mello and the committee by allowing us this opportunity to comment on this important matter, and urges the Appropriations Committee to include this request in their biennium budget. [AGENCY 25]

SENATOR HILKEMANN: Are there questions from the committee members of Ms. Hilton? You're in Platte County. Am I correct? [AGENCY 25]

THERESA HILTON: Yes. [AGENCY 25]

SENATOR HILKEMANN: Do you have a Platte County public health? [AGENCY 25]

THERESA HILTON: We absolutely do. It's East Central District Health Department. We've been associated, our hospital, with that. Actually, they incorporated in 1998. It was just about three years prior to when the tobacco settlement funds came out. We were, I think, the 14th health department to organize in the state. And then, as Judy said, there were about 21 in '01, when this money was first appropriated and it has not...we have not seen an increase since. So this infrastructure increase for us, we have about 51,000 folks that East Central serves in our four-county area, and this infrastructure money would absolutely benefit that, as well as the increase in the per capita rate. [AGENCY 25]

SENATOR HILKEMANN: And are you...are they located within the hospital? [AGENCY 25]

THERESA HILTON: No, sir, they are a separate entity, always have been, and actually just made a move kind of adjacent to the hospital grounds. We work very closely together. And as we think of public health as one of those things that's...it's out of mind until you have the tornado in Pender. We followed that. Our staff was very busy with the communicable disease outbreak in our region. And so it's those times when we hear about public health, but if it's doing its job right, it's unseen. [AGENCY 25]

SENATOR HILKEMANN: Okay. Are there other questions? Thank you for coming to testify today. [AGENCY 25]

THERESA HILTON: Appreciate it. Thank you. [AGENCY 25]

MICHAEL WASMER: (Exhibit 7) Good afternoon, Chairman and members of the committee. My name is Mike Wasmer, W-a-s-m-e-r, and I'm the director of state government affairs for Autism Speaks. I'm also the father of a 15-year-old with autism. Autism Speaks is the world's leading autism science and advocacy organization. For the

past decade our government affairs team has been dedicated to advocating for meaningful insurance coverage for the treatment of autism. This has included efforts in the private health insurance market, ACA-compliant plans, federal health employee benefit plans, and Medicaid. I am here today to clarify an item included in the Department of Health and Human Services, Division of Medicaid and Long-Term Care budget. In response to increased national interest and activity related to the coverage of Applied Behavior Analysis, or ABA, for autism, CMS issued a bulletin in July of last year that clarified states' obligation to cover medically necessary treatment for autism under EPSDT. EPSDT stands for Early, Periodic Screening, Diagnosis and Treatment, and is a benefit for Medicaid-eligible individuals under the age of 21. This benefit is designed to assure that children receive early detection and care so that health problems are averted or diagnosed and treated as early as possible. CMS does not specify which treatments must be covered for any particular disorder. Rather, they clarify that the treatment must be both medically necessary and coverable under a 1905(a) benefit category. ABA for autism satisfies both of these conditions, which has been the basis for the positive outcomes of litigation against state Medicaid directors. CMS has, however, clarified that a state seeking to deny ABA services to a specified...to a specific child with autism to correct or ameliorate their condition must demonstrate the availability of, and approve payment for, alternative services that will be equally effective in meeting the child's needs. There is no equally effective alternative to ABA. Pending the outcome of a lawsuit against Nebraska Medicaid and a response to DHHS's challenge to the authority of CMS to clarify coverage for autism, the Governor's Office has authorized the reappropriation of unexpended General Fund and federal fund estimate appropriation balances for the Medicaid and CHIP Programs to finance services for the possibility of covering services for autism. DHHS projected a cost of $115 million for fiscal year 2016. It's our opinion that this is a gross overestimate as a result of several incorrect assumptions. A detailed discussion of these assumptions is included in my written comments. I also provide you what we believe to be a much more realistic projection of the cost to providing medically necessary treatment for autism for EPSDT-eligible children in Nebraska. Provided are two estimates that consider not only

the spectrum of severity of autism and utilization rate of ABA but national claims experience and differences in the age at diagnosis, reimbursement rates, and treatment adherence between the Medicaid population and the commercially insured population. Estimate A, $2.3 to $4.7 million, which is the state portion after the federal match, is based on results of an independent actuarial analysis of the cost estimate of providing coverage for the...in the commercial market for benefits proposed by LB1129 of the 2012 Nebraska Legislature. The second estimate, Estimate B, $900,000, is based on actual claims data from the commercial market as reported by the Missouri Department of Insurance. Missouri has required coverage for medically necessary treatment of autism, including ABA, since 2011. Because it's based on actual claims data, Estimate B likely provides the more accurate cost projection. However, for purposes of budgeting, a more conservative estimate such as that projected in the low scenario in Estimate A, or $2.3 million, should be considered. I've also included in my written testimony suggested language to amend Nebraska's Medicaid state plan to include coverage for ABA. Although not required for coverage, a state plan amendment should be considered in order to facilitate payment of federal financial participation for covered services. I appreciate your considering my comments and I'd be happy to stand for any questions. [AGENCY 25]

SENATOR HILKEMANN: Thank you, Director Wasmer. Are there...yes, Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Thanks for coming this afternoon. There's kind of a significant difference between the Department of Health and Human Services' estimation for what this coverage might cost and what you're... [AGENCY 25]

MICHAEL WASMER: Right. [AGENCY 25]

SENATOR BOLZ: ...estimating. Could you just walk me through that in a little bit more detail? [AGENCY 25]

MICHAEL WASMER: Sure. Two of the most common errors when estimating the cost of coverage for ABA result from not considering the utilization rate of Applied Behavior Analysis for a child with autism and also not considering the fact that autism presents a spectrum of severity. So taking the two different issues, utilization rate, based on actual claims data across the country and direct reports from providers looking at the estimated rate of autism from the CDC, which is 1 in 68 children, we have to understand that the utilization rate is not 100 percent, meaning not all of those 1 in 68 children are going to be prescribed Applied Behavior Analysis, either because their signs are so mild that they were never diagnosed in the first place or they're so mild that they're only...they may not even be prescribed ABA. And that could be up to 50 percent of those children. The other issue relates to the fact that, again, autism is a spectrum. Only the most severely affected individuals are going to be prescribed a maximal intensity program. Now understandably, you know, a high-intensity program could run about $70,000-$80,000 a year, but that's only for the fraction of children that are severely affected. The other issue that, you know, I question in the DHHS estimate is that they refer to actually the actuarial report that I referred to on that first estimate, my Estimate A. They misquoted a statement in there. The actuary commented that the medium cost of an individual...of an ABA program for a child with autism is about $50,000. What the report actually said is that that is the medium estimate for a child age zero to eight. The cost of an Applied Behavior Analysis treatment program decreases substantially after age eight, is because those early years are the years where the child is going to typically be prescribed the most intensive treatment. And what the DHHS estimate did was, you know, what commonly will happen is that they took that, you know, estimated number of individuals with autism, the 1 in 68, multiplied by $50,000 a year. You know, that's a simple way to do it, but it also leads to considerable inaccuracies. In one of the handouts that I passed out, the colorful PowerPoint presentation, I believe it's slide 17, we were able to go back and look at states where...there are now 38 states that have passed laws that require coverage for ABA in the state-regulated plans. Among those first states that did it, we were able to go back and look at actual claims data from those

states and compare it to the fiscal notes that were projected by the state agencies, and you can see the gross overestimates. In one instance they overestimated the cost by over 1,200 percent. So the other issue that I would question in the report is that they make the...in the DHHS report, they make the statement that it's likely that a portion of children currently diagnosed with childhood disruptive behavior disorder will receive an autism diagnosis when ABA services come available, and I don't really understand that statement. Autism and childhood disruptive behavior disorders are entirely different disorders and easily distinguishable when examined by a qualified diagnostician. And furthermore, the prevalence of the disorder is not in any way influenced by the availability or absence of an available treatment. So those are really the big issues that I see that resulted in the overestimate. [AGENCY 25]

SENATOR BOLZ: Well, that's helpful. And I think we heard earlier a willingness to have a discussion about it, so. [AGENCY 25]

MICHAEL WASMER: Yeah, absolutely, and I'd be happy to sit down with the department. We've been able to collect, like I say, national claims data which I think would be useful to share with the department. [AGENCY 25]

SENATOR BOLZ: Calder is shaking his head, so we'll follow up. Thank you both. [AGENCY 25]

MICHAEL WASMER: Thank you. [AGENCY 25]

SENATOR HILKEMANN: Are there other questions of the committee to Director Wasmer? [AGENCY 25]

MICHAEL WASMER: Thank you. [AGENCY 25]

SENATOR HILKEMANN: Okay. Thank you very much. [AGENCY 25]

DEBORAH BASS: (Exhibits 8, 9, 10, 11, 12, and 13) Good afternoon, Chairperson Mello and members of the committee. My name is Deb Bass. For the record, that is spelled D-e-b B-a-s-s, and I am the chief executive officer of the Nebraska Health Information Initiative, known as NeHII. I would like to begin by thanking the committee and the Legislature for your support of NeHII over the last budget biennium and for including an appropriation for ongoing operational support of the Health Information Exchange in the preliminary budget. My comments will be brief today. I am passing around the letters of support that we were able to receive from a number of the major participants in NeHII. Those include: Jeanette Wojtalewicz and Dr. Michael Westcott from CHI; Jim Saul from Great Plains Regional Health; Pat Bourne from Blue Cross Blue Shield of Nebraska; Stephanie Daubert from Nebraska Medicine; Eric Bremers from CFO 4 Your Biz; Roger Hertz from Methodist Health System; and Kevin Conway from the Nebraska Hospital Association. We greatly appreciate your consideration and your past support, and I would be very happy to answer any questions that you have today. [AGENCY 25]

SENATOR HILKEMANN: Are there questions for Ms. Bass? Seeing none, thank you very much coming. [AGENCY 25]

DEBORAH BASS: Thank you. We greatly appreciate it. [AGENCY 25]

JOHN TURNER: (Exhibits 14 and 15) Good afternoon. My name is John Turner, J-o-h-n T-u-r-n-e-r. I'm the administrator at Immanuel Fontenelle, a skilled facility in Omaha. I currently serve as the cochair for Nebraska Health Care Association, which is the parent association to a family of entities, including the state's largest association of nursing facilities, the Nebraska Nursing Facility Association. I also serve as chair of that association. I appear before the committee today to respectfully request an increase of a minimum of 3 percent to the Medicaid provider rates. As service providers, we're pleased that the preliminary budget proposals have included a provider rate increase of

2 percent. However, this is not enough to keep up with the inflationary costs of providing care. I'd also like to highlight to you that long-term care facilities in the Medicaid budget actually account for only 18 percent of the budget. I have managed many nursing facilities over the course of my career, including two with high Medicaid utilization. This experience has provided me with a firsthand knowledge...understanding of how the financial loss resulting from a low Medicaid reimbursement from a state can negatively impact a facility's ability to contain cost and stay in operation. So if you are spending...if for every dollar you're spending you're only getting back basically 70 cents, that's a very difficult financial circumstance to be in. We have to offset that by high increases to our private pay and our reliance on Medicare. The big issue right there is we are rolling over our private pay at a higher rate to offset our loss. Another factor adding to the overall cost is the increase in minimum wage from $7.25 to $8.00 per hour, and to $9 per hour beginning in January 2016. And that means in order to stay competitive in a challenging job market with low unemployment, nursing facilities and assisted-living facilities, especially those in rural communities, already are paying nurse aides an average of $11.50 an hour, will need to increase their employee wages significantly to continue to attract and retain quality staff. And again, the largest percentage of cost in nursing and assisted-living facilities are the wages paid to staff. If these wages were increased by the same percentage as minimum wage, this would amount to approximately $88 million in 2015 and another additional $118 million in 2016. In addition to the financial impact of the minimum wage increase, we're concerned about the impact of moving too quickly, at risk for the long-term care managed system. Although we're not necessarily opposed to the model, we have heard from our peers in other sates about their experiences with delayed, incorrect, and denied payment for services provided in good faith, as well as increased administrative burdens that have already added to our overall cost of healthcare. We're asking that you help ensure that a quick transition does not hamper the ability of individuals to access the services they need, and when and where they want them delivered. On a side note, I'm very blessed that I've had two grandparents that, one is still living, outlive their financial resources. We, our family, budgeted and we projected about 38 months' worth of finances so they could pay

privately, and they've outlived those resources. And so I say thank you for making Medicaid funds available because without that, it would be a very huge burden on us. So from a personal perspective, I know what the burden is on families as well as what I see from the other side of making sure we're getting reimbursed appropriately. Any questions I can answer? [AGENCY 25]

SENATOR HILKEMANN: Senator Haar. [AGENCY 25]

SENATOR HAAR: Thank you. Just kind of a wild guess, what percent of your...in the nursing profession do you think are minimum wage jobs? [AGENCY 25]

JOHN TURNER: We are...we have to be above the minimum wage because we wouldn't attract the workers. [AGENCY 25]

SENATOR HAAR: I understand that. [AGENCY 25]

JOHN TURNER: So I would say at this point in time maybe 2 percent at best, and probably your dietary aides would be the most logical piece at that point in time. [AGENCY 25]

SENATOR HAAR: So that... [AGENCY 25]

JOHN TURNER: And again, those are your 4:00 to 8:00 shift people. [AGENCY 25]

SENATOR HAAR: So... [AGENCY 25]

JOHN TURNER: So pretty much everybody else is currently sitting above minimum wage already. [AGENCY 25]

SENATOR HAAR: Okay. So, and I understand what you're talking about, but really the

increase in minimum wage isn't a big deal. [AGENCY 25]

JOHN TURNER: To the rural communities, it would be a greater impact to them, versus coming from Omaha where the competition is very, very heavy, no, not as much, correct. [AGENCY 25]

SENATOR HAAR: Okay. Thank you. [AGENCY 25]

JOHN TURNER: Yes, sir. [AGENCY 25]

SENATOR HILKEMANN: Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Thank you for coming out today. First of all, I'm glad you mentioned minimum wage. I wish I could take what you just said and slap it across "Dancing with the Stars" every night so all the people who thought it was cute to vote themselves other people's money see there's a cost to it. I think that's excellent. It's a very good point that when the government sticks its big, fat nose into other people's business, someone's got to pay for it. Thank you very much. [AGENCY 25]

JOHN TURNER: Right. [AGENCY 25]

SENATOR KINTNER: When we look at the reimbursement rate, how's our reimbursement rate compared to other states, the other 49 states? [AGENCY 25]

JOHN TURNER: I can get that information to you. I'll have Nick Faustman from Nebraska Health Care get that information to you and do a comparison. [AGENCY 25]

SENATOR KINTNER: Yes. That would be excellent. [AGENCY 25]

JOHN TURNER: Absolutely. [AGENCY 25]

SENATOR KINTNER: I was wondering where we rate and if we're high or low or doing well or need a little bit of work. [AGENCY 25]

JOHN TURNER: Yeah. Yeah, we can get that information on your behalf. [AGENCY 25]

SENATOR KINTNER: Okay. Well, thank you very much. And I certainly understand the difference between those two numbers there, so... [AGENCY 25]

JOHN TURNER: Thank you. [AGENCY 25]

SENATOR KINTNER: ...appreciate it. [AGENCY 25]

JOHN TURNER: All right. [AGENCY 25]

SENATOR HILKEMANN: Other questions? I have a question, Mr. Turner. And Senator Kintner took mine. This shows 2011 as $144.20. [AGENCY 25]

JOHN TURNER: Okay. [AGENCY 25]

SENATOR HILKEMANN: What was the rate for 2014? [AGENCY 25]

JOHN TURNER: I don't know if we have that information yet, but we can get that information for you. So let us get the information for you. But again, the increases have steadily gone up from the separation for what our costs are to what the expenses are, so...and what we're getting reimbursed by Medicaid. So we'll get that information for you and get you updated. [AGENCY 25]

SENATOR HILKEMANN: Could you just...you shared a personal thing about your grandparents. What...could you go through that again with me? You said you projected

30... [AGENCY 25]

JOHN TURNER: Well, statistically, on average in long-term care is about 28 to 30 months. We basically budgeted to make sure that they had about 38 to 40 months' worth of revenues available for them based on what they had in assets. So they weren't able to purchase any long-term care policies based on how the price of the long-term care policies were based on their age at that moment in time. So we made sure that the money was set aside in case they had that need. And unfortunately or fortunately, depending on how you look at the system, I mean both of my grandmothers were...outlived those resources. And Medicaid was available as that backup resource for us, so. And that's where we are very, very grateful. [AGENCY 25]

SENATOR HILKEMANN: Okay. All right. Other questions? Yes, Senator Haar. [AGENCY 25]

SENATOR HAAR: Just more a statement: In Nebraska we are good-hearted people and we care very much about our children, our elderly, and the infirm. And I'm glad to hear that there are very few minimum wage people working in those facilities. [AGENCY 25]

JOHN TURNER: Yeah. [AGENCY 25]

SENATOR HAAR: I think we need to go for the best. [AGENCY 25]

JOHN TURNER: Agreed, especially if you're going to regulate it. Absolutely. [AGENCY 25]

SENATOR HAAR: You bet. Thank you. [AGENCY 25]

SENATOR HILKEMANN: Any other questions? Thank you, Mr. Turner. [AGENCY 25]

JOHN TURNER: Thank you. [AGENCY 25]

SENATOR MELLO: Good afternoon. [AGENCY 25]

JEREMY HOHLEN: (Exhibit 16) Good afternoon, Chairman Mello, Senators of the Appropriations Committee. Thank you for the opportunity to provide comment today. My name is Jeremy Hohlen, J-e-r-e-m-y H-o-h-l-e-n, and I'm the vice president of operations for Tabitha. We provide aging-related services in 28 southeast Nebraska counties, with nursing communities in Crete and in Lincoln. We are also members of LeadingAge Nebraska, whose membership is comprised of nonprofit nursing facilities from across the state. I come before this committee today to request a minimum of a 3 percent increase to current Medicaid provider rates. We are indeed very thankful the preliminary budget proposals have included a rate increase of 2 percent, however, this is not enough to cover the cost of providing care. I understand firsthand the financial hardship low Medicaid reimbursement has on a community and the resulting negative impact it can have on operations. In 2013 Tabitha communities in Lincoln and Crete combined had 36,441 Medicaid days, or 41.6 percent of its occupancy. In 2014 that number was 45.2 percent of occupancy. Statewide, 52 percent of nursing facility residents are on Medicaid, with many facilities averaging percentages of Medicaid residents much higher. Medicaid cost per day far exceeds the reimbursement received to provide that care. The Medicaid shortfall at Tabitha is over $1.8 million per year and growing. Our business model is far different than most across the state. Only the diversity of the services we provide through our full continuum of care and through heavy reliance on our foundation are we able to continue serving individuals utilizing Medicaid as their primary payment source. Each year our nursing facility operations are becoming more and more reliant on the subsidy received from our foundation and private pay residents. Facilities with higher Medicaid populations cannot continue to operate with a shortfall. In fact, we are seeing facilities closing, in part due to the lack of the ability to cover these costs, most of which are wages. Keeping provider rates below

the cost of care causes facilities to shift those costs more heavily to private pay and insurance, causing those residents to spend down assets faster, thus, creating a larger base of Medicaid-eligible recipients. The minimum wage increase is creating additional competition for our employees, in turn causing facilities to raise wages, thereby increasing our costs. With unemployment rates in Nebraska at national lows, staying competitive in this challenging job market is exceptionally difficult for nursing facilities. Average wage for nursing applicant...assistants has surpassed $11.50 per hour and will even need to go higher to attract and retain staff. In our profession, the largest direct cost is wages paid to staff caring for elders. In 2014 Tabitha had to do an across-the-board wage adjustment for individuals working as nursing assistants to remain competitive and simply to be able to recruit and retain them. That adjustment represents a one-year payroll increase of $750,000 to our organization. If we continue to fall behind now, we will never be able to catch up. According to the "Aging Nebraskans Task Force Strategic Plan Report," which was provided to the Legislature in December of 2014, Nebraska's population of individuals 65 years or older is projected to grow 31.6 percent by the year 2020. As the baby boomer generation reaches retirement, demographics in Nebraska are changing, resulting in higher numbers of seniors across our state. We must plan for this demographic change. The solution is multifaceted. Sufficient resources, such as adequate Medicaid reimbursement, will cement other strategies in the background that will provide a return on this investment. Nebraska also needs to address the supply of senior care workers in our state. Without access to an adequate work force pool, nursing facilities will continue to struggle to sustain quality of care and to remain viable. Nursing facilities in Nebraska are working tirelessly to ensure the best care in our nation for our most vulnerable and elder adults is provided right here in our state. We cannot penalize facilities to the degree where they no longer can navigate through the transitions of healthcare. We must be able to care for people now, even as we create new and different possibilities for doing so in the future. Tabitha and our LeadingAge peer members appreciates the collaborative support of this Legislature and of the Department of Health and Human Services as we work together finding measures which will sustain long-term care options for all

Nebraska now and into the future. Thank you for the opportunity to provide feedback on this most important issue. And I'd be happy to answer any questions. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony today, Mr. Hohlen. Are there any questions from the committee? Senator Haar. [AGENCY 25]

SENATOR HAAR: Yes. I'd like to ask you the same question I asked Mr. Turner. What percent of Tabitha's employees are at minimum wage right now do you think about? [AGENCY 25]

JEREMY HOHLEN: And my answer would be relatively the same. I would hesitate to give you an actual percentage, Senator,... [AGENCY 25]

SENATOR HAAR: It's low, right? [AGENCY 25]

JEREMY HOHLEN: ...but it's low. It would be our entry level dietary servers. In fact, the minimum wage increase, while we didn't have...we don't have a lot of minimum wage workers, it has impacted the entire market. So everything is shifting up. When you can go to work at a fast-food entity now for $10 to $11 an hour, those same workers used to be...those entry level workers in healthcare. And you look at the demands of the work. Which one are they going to steer toward? So it really is having a larger effect, minimum wage is, as opposed to we didn't have a lot of those to begin with. [AGENCY 25]

SENATOR HAAR: Again, I just sort of question. We seem to...it seems to be okay to pay like childcare providers and servers, and my mother-in-law was in and needed that kind of service. Those are people who need a lot of empathy. It's not an easy job. But yet we seem to be willing to pay them minimum kinds of wages and not value...I think we need to value those jobs much higher. [AGENCY 25]

JEREMY HOHLEN: Amen. I concur completely. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Are there any other questions from the committee? Seeing none, thank you, Mr. Hohlen. [AGENCY 25]

JEREMY HOHLEN: Thank you for your time. [AGENCY 25]

SENATOR MELLO: Next testifier on Agency 25, the Nebraska Department of Health and Human Services. [AGENCY 25]

JON DAY: (Exhibit 17) Good afternoon, Chairman and fellow committee members. My name is Jon Day and I'm the executive director of Blue Valley Behavioral Health. We are a private, nonprofit organization providing outpatient mental health and substance abuse services to approximately 5,000 adults and youth in 16 counties in southeast Nebraska each year. We are the largest outpatient provider in the state geographically and in the number of Nebraskans served. I'm here today also representing the Nebraska Association of Behavioral Health Organizations, also known as NABHO. Blue Valley, along with 52 other organizations, hospitals across the state are represented by NABHO, the largest behavioral health organization in the state. Over the last 20 years, the Nebraska Legislature has been a strong partner in our efforts to keep mental health and substance abuse services available across the state. Over those years when we have come to you to increase our provider rates so that services can continue, particularly in rural Nebraska, you have all responded. You've listened to when we have grappled with increased demand for services, payment issues, ever-changing rules and regulations, and the continued struggles to cover our actual costs to deliver services. Now we are in the unfortunate circumstance of coming back to you because of a desperate situation. Two years ago, the state implemented a new system covering the delivery of behavioral health services. This was called At Risk Managed Care. A private, for-profit company now oversees delivery and payment of services, supervised by the state Medicaid office. We knew this change was coming, to be implemented, and we made every effort to work with this new system. In some cases, we've had successful

cooperation, but in many situations that has not been the case. In the last two fiscal years, the Governor had included a 2.25 (percent) rate increase for all Medicaid providers. We were appreciative that we did not have to come to you again to talk about our rates and Nebraskans' reduced access to behavioral health services. But I'm here today to report that those rate increases did not translate into actual increases being moved to the provider community, but rather most of the dollars you appropriated went to the for-profit managed care company. NABHO conducted a study of membership for youth and adult services, inpatient and outpatient services. As a result, we did not see the full 2.25 percent increase distributed with the provider rates. In fact, our calculations showed instead slightly more than .5 percent increase was implemented, and certainly that was not distributed equitably. Those dollars that were to go to providers went to the managed care company instead. We know the Nebraska Legislature did not intend for that to happen. So I'm here today representing the vast majority of behavioral health providers to ask for your consideration of an additional rate increase in the next budget. Governor Ricketts has already included a rate increase of 2 percent for all Medicaid providers, and you have also included it in your preliminary budget. We respectively ask that this increase rise to 5 percent for behavioral health providers in the Medicaid system. We know you have a variety of issues to process in the state budget this year with a great deal of competing interests. You will hear today a study conducted by a respected healthcare firm working with NABHO that shows behavioral health rates have not kept up with costs. As all small businesses, we have had to deal with increased personnel expenses, rising health insurance costs, as well as added reductions implemented by the new managed care company. Unfortunately, adequate time is not available to go over the different actions that have been taken to make providers even more financially vulnerable. However, one quick example from just seven months ago, in August 2014. There was a 16 percent rate decrease in one regularly used therapeutic service, and then another treatment service was completely eliminated in November. Prior to these reductions, providers were told by the managed care company that those reimbursement decreases would be cost neutral and shifted to other services. In other words, reducing current funding for behavioral health treatment and providers would not

happen. That definitely was not the case. Our organization, Blue Valley Behavioral Health, has already lost $33,000 just since November of 2014. Because of these kinds of adjustments, we predict a loss of approximately $100,000 through 2015. Most behavioral health providers are much smaller than Blue Valley, particularly in rural Nebraska. The impact of these types of adjustments, in addition to expecting but not receiving a rate increase, has all hit us hard. We come to ask you for a 5 percent rate increase to continue to provide behavioral health services to low-income Nebraskans. Behind me, Roger Howard from Seim Johnson will bring you the data showing why this is a critical request, particularly with the anticipated additional services needed by community providers who work with parolees and probationers coming out of the corrections system. This is not a time to close down or reduce services but rather invest in services that will keep Nebraskans working and leading healthy and productive lives. This should be an attainable and realistic expectation for all of us. Thank you. And I'm available for any questions. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Day. Are there any questions from the committee? Senator Stinner. [AGENCY 25]

SENATOR STINNER: I presume you have a board of directors with your...the... [AGENCY 25]

JON DAY: Yes, for Seim Johnson? [AGENCY 25]

SENATOR STINNER: Yeah. [AGENCY 25]

JON DAY: Seim? Uh-huh. [AGENCY 25]

SENATOR STINNER: You know, and I hear what you're saying. I hear this all across the board. What's the conversation in your board room as you look at what you're trying to provide versus how it's being reimbursed? And of course, the state is somewhat of a

partner in this but not a full-time partner. I mean we're... [AGENCY 25]

JON DAY: Sure. [AGENCY 25]

SENATOR STINNER: ...constricted too. So what's your board...what solutions are you looking to right now to try to continue to deliver services but still trying to survive? [AGENCY 25]

JON DAY: Sure. Actually, the board meetings tend to be pretty spirited, which makes it enjoyable. The concern that we have for Blue Valley but, more importantly, throughout all organizations throughout Nebraska, providers and organizations themselves, our first concern is always addressing any type of rate decrease that we experience, that I just referenced in this letter. So fortunately, the new Medicaid director has been hired and we plan on having a good conversation with him about addressing that issue. That's where we want to start. If there's any problems getting that problem resolved, then just like any other small business, we will be forced to look at our budgets and look at what we have to do to survive. That might mean a decrease in services. That might be elimination of services altogether in certain communities. I think it's always important to liken behavioral health services with medical care services you get. If you or your family member is having any type of medical problem, respiratory issue, you know, small, medium, large issue, you want to be able to go to your doctor and get the treatment you need. You don't want to have to wait four to six weeks or you don't want to have to travel an hour and a half to get the treatment you need. If you have to wait, most likely treatment is going to be delayed. You're going to have to have an increased recovery time, plus there's going to be more costs involved. Same thing it is as it comes to behavioral health services. If you or your family member or somebody you care about has a problem with depression, anxiety, or some type of family or behavioral health conflict, you want to make sure you get to the treatment as soon as you can, not waiting four to six weeks, which could happen, or having to drive a further distance if you're in a rural community to get to the treatment you need. Same results: It takes longer to

recover. You have more medical...more costs and it creates more of an impairment in your daily functioning. So those are the conversations we tend to have with our board. [AGENCY 25]

SENATOR STINNER: Thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Stinner. Any other questions from the committee? Senator Hilkemann. [AGENCY 25]

SENATOR HILKEMANN: You're asking for a 5 percent... [AGENCY 25]

JON DAY: Correct. [AGENCY 25]

SENATOR HILKEMANN: ...and the Governor had set 2 percent. You're asking us for mental healthcare providers. [AGENCY 25]

JON DAY: And substance abuse, correct. [AGENCY 25]

SENATOR HILKEMANN: If we do the 5 percent for mental healthcare providers, how you feel other Medicaid providers are going to respond to this? [AGENCY 25]

JON DAY: Well, I'm accountable and responsible for our behavioral health services. I know that our services and the rate that we get reimbursed now is low. And we need to make sure that we're providing the services that we're prescribed to, which is adults and youth needing behavioral health services. [AGENCY 25]

SENATOR HILKEMANN: Okay. So is it more costly to run a mental health facility than it is other healthcare facilities? [AGENCY 25]

JON DAY: I really can't attach to whether it costs more or not. I know that providing

behavioral health services, particularly rural behavioral health services does cost more funding. A lot of times hospitals, rural hospitals and even other clinics receive enhanced payment from Medicare or Medicaid because they're a rural provider. Behavioral health organizations really don't have that same luxury. But how we compare to other medical clinics and so forth, I really can't make a strong comparison with that. [AGENCY 25]

SENATOR HILKEMANN: Well, when I was going door to door, there's no area that people asked me more than we need to address the mental health issues of this state. [AGENCY 25]

JON DAY: Definitely. [AGENCY 25]

SENATOR HILKEMANN: And so that your...that's certainly a concern that's expressed by our citizens. [AGENCY 25]

JON DAY: Thank you. [AGENCY 25]

SENATOR MELLO: Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Hi. It's hot. I'm going to try to keep it pretty quick. I don't want to keep you on the hot seat too long. Thanks for coming out today. [AGENCY 25]

JON DAY: No problem. You bet. [AGENCY 25]

SENATOR KINTNER: I'm very sympathetic to your request but...well, let me ask this. What's the amount of actual dollars? You gave me a percent, 2 to 5. Do you know how many dollars that is each year? [AGENCY 25]

JON DAY: I think the extra 3 percent increase... [AGENCY 25]

SENATOR KINTNER: Yes. [AGENCY 25]

JON DAY: ...would be approximately around $3 million, $3 to $4 million. [AGENCY 25]

SENATOR KINTNER: Well, we're going to have some interesting conversations after these hearings are over because I think we could...we've probably got enough requests to cover the entire $41 million that we've got sitting out there for spending. [AGENCY 25]

JON DAY: Uh-huh. [AGENCY 25]

SENATOR KINTNER: And I think if we dumped the entire $41 million in HHS programs, we'd still not have enough money for all the requests. [AGENCY 25]

JON DAY: Sure. [AGENCY 25]

SENATOR KINTNER: So we're trying to dice and slice and figure out who really needs it, who doesn't need it, who can take half of what they...I mean it's a very, very tough, tough decision that we have to make. And everyone comes in here and makes incredible cases for programs to help people and, you know, I don't know where it ends. But I guess it ends when we run out of money, unlike the federal government, but. So I just wanted to tell you that's kind of where we are right now. [AGENCY 25]

JON DAY: Sure. And I definitely appreciate the position the committee is in, in making those type of decisions. As behavioral health providers, we are constantly, as I mentioned before, constantly dealing with a new type of delivery system, such as with managed care. That's a new system that affects primarily behavioral health providers, not so much the other medical providers. And so there's percentages that we always have to deal with on an annual basis. We also have to deal with the growing fact that behavioral health issues continue to grow. Ourselves, we continue to use new

technology out there, we use a lot of telehealth. We've actually been able to expand our services because of new technology out there. And so I understand the importance of not throwing down...money down a rabbit hole because it will always be there. However, I think it's important to demonstrate that when behavioral health providers, behavioral services are able to continue to grow, the overall community, the overall Nebraska population continues to become better and stronger. And so one thing I always try to make sure we always identify with behavioral health, these faces aren't people that we don't know. These are the faces that we look in the mirror. These are ourselves, our family members, people that we care about. They can deal with the behavioral health issue. That can take...so that can go from mild impairment to severe impairment within a matter of weeks, and so we always want to make sure that we're taking care of those situations as quick as we can and making sure those services are available. [AGENCY 25]

SENATOR KINTNER: Well, I'm kind of hoping HHS comes up with a better model for providing those services and we do it. We know if they can't design a better model, we work together to make sure who gets the right amount of money. I... [AGENCY 25]

JON DAY: Sure. [AGENCY 25]

SENATOR KINTNER: ...I think we're kind...it seems to me we're kind of piecing it together a little bit here, a little bit there. We've got a new administration coming in and... [AGENCY 25]

JON DAY: Right. [AGENCY 25]

SENATOR KINTNER: And we'll see where that goes and maybe next budget cycle we're on the same page with a grand plan of how to deliver this stuff. And it's getting hot so I'm going to stop right there. [AGENCY 25]

JON DAY: You bet. [AGENCY 25]

SENATOR KINTNER: Thank you for coming out. [AGENCY 25]

JON DAY: Thank you for your questions. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Kintner. Senator Haar. [AGENCY 25]

SENATOR HAAR: Well, Senator Kintner and I would both agree we get paid well for the stress this budget situation puts on us, right? (Laughter) [AGENCY 25]

SENATOR MELLO: Mr. Day, I have one question and maybe just because it was a little unclear in your testimony. Who is this managed care company? I assume I know you're talking about... [AGENCY 25]

JON DAY: It's Magellan Behavior. [AGENCY 25]

SENATOR MELLO: ....Magellan,... [AGENCY 25]

JON DAY: Yeah. [AGENCY 25]

SENATOR MELLO: ...but I didn't want to just assume that. [AGENCY 25]

JON DAY: Sure. [AGENCY 25]

SENATOR MELLO: And for some of the new members who are unaware of the state's relationship and contract with Magellan, I just wanted to make sure that was clear... [AGENCY 25]

JON DAY: Correct. [AGENCY 25]

SENATOR MELLO: ...based on your testimony. [AGENCY 25]

JON DAY: That's accurate. [AGENCY 25]

SENATOR MELLO: Okay. Any other questions from the committee? Seeing none, thank you, Mr. Day. [AGENCY 25]

JON DAY: Thank you. [AGENCY 25]

SENATOR MELLO: Next testifier for Agency 25, the Nebraska Department of Health and Human Services. [AGENCY 25]

ROGER HOWARD: (Exhibit 18) Good afternoon, Chairman, committee members. My name is Roger Howard and I'm a partner in the CPA firm of Seim Johnson in Omaha and I'm presenting some testimony in behalf of what Mr. Day just spoke about, about comparing the Medicaid rates for behavioral health, the inflation rate for the last 12 years. And what you'll do with that thick...I have the thickest report and the shortest testimony. If, when you get your report, if you'll just pull those two colored graphs out of it, it's a lot easier. That will kind of summarize what we're going to say here. I think when you see what's happened to Medicaid rates over the last 12 years, you'll see that his 5 percent increase is fairly modest. The purpose of this testimony, as I said, is to compare the increases in behavioral healthcare rates for Medicaid and Medicaid managed care to the actual cost of doing business over the last 12 years. We presented this similar report to this, to this committee, in 2008 and we incorporated those results so we'd have a 12-year study, a little longer study so you can see what that looks like. We compared the rate increases for Medicaid managed care, inpatient and outpatient; and fee-for-service rates, which aren't run through Magellan. We compared those to the rates of inflation. So what rate of inflation do you use? There's a lot of factors out there. But we used three inflation factors. One is the Consumer Price Index, the medical

component of that. On physician services we used the Medicare Economic Index, which is what CMS uses for physician rates. And on hospital rates, the inpatient psych rates, we used the Hospital Input Price Index. So we blended those rates, the CPI and the Medicare Economic Index, for the outpatient care; and the HIPI, or the Hospital Input Price Index, and the Medicare...and the Medicare component of CPI for the inpatient psych care. The report is kind of lengthy but, as I indicate, you can look at this graph and see what we found. If you take a look at Exhibit 1, the burgundy line is the rate of inflation. So over 12 years, we've had about 46 percent inflation from 2002 through 2014. The next line down, the blue line, is the increase in the rates that have been paid for outpatient managed care behavioral health, which is 24 percent, which is about half the rate of inflation. And the fee-for-service Medicaid, the standard Medicaid rates, have increased 12 percent over that same 12-year period versus 47 percent inflation, about a fourth of the rate of inflation. In other words, the costs of doing business have not been covered. If we flip to the next chart, Exhibit 2, this is the inpatient rates. And here, using those two indices that we talked about for inflation, inflation has been 50 percent over 12 years. I don't that surprises anyone. And the rate of increase, the blue line, for managed care has been about 19 percent, obviously way less than half of the rate of inflation. And the effective rate of increase for inpatient psychiatric care has been 1 percent over that 12 years. There was a dramatic decrease in 2009. So the rates of increase in the rates has dramatically fallen behind the cost of doing business. And that's our testimony today. I think it shows that it's just not kept pace with the cost of providing these services. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Howard. Are there any questions from the committee? Senator Stinner. [AGENCY 25]

SENATOR STINNER: I do have some questions. There's no question about the rate of increase in medical cost. Is that that top line, this red line? [AGENCY 25]

ROGER HOWARD: Yes, it is. [AGENCY 25]

SENATOR STINNER: Okay. I think we know that that, in private business, has been an extraordinary number--the rate of inflation compared to where we're at. Now when we talk about budgeting and sustainability,... [AGENCY 25]

ROGER HOWARD: Uh-huh. [AGENCY 25]

SENATOR STINNER: ...GDP growth enters into how fast your economy has grown, therefore, how fast our receipts can grow within the state of Nebraska. Wouldn't that be a pretty good comparison as to what's going on in Medicaid, you know, on a more micro level? [AGENCY 25]

ROGER HOWARD: The overall rate of growth in the... [AGENCY 25]

SENATOR STINNER: Okay, my budget is or the state of Nebraska's budget... [AGENCY 25]

ROGER HOWARD: Okay. [AGENCY 25]

SENATOR STINNER: ...is increasing 5 percent, 5.1. Now we're projecting out 4.8 because we've made some changes in the way we tax. [AGENCY 25]

ROGER HOWARD: Uh-huh. [AGENCY 25]

SENATOR STINNER: Wouldn't that be a good comparison relative to where our Medicaid expansion has gone and what that funding was? [AGENCY 25]

ROGER HOWARD: That would be an interesting comparison and had they had 4 or 5 percent increases or the increase in...of those same rates, they'd be probably on this top line instead of where they're at on their rates. [AGENCY 25]

SENATOR STINNER: Okay. [AGENCY 25]

ROGER HOWARD: Almost no increases in some cases, Senator, yes. It's a good point. [AGENCY 25]

SENATOR STINNER: Okay. Thank you for the information, by the way. [AGENCY 25]

ROGER HOWARD: You're welcome. [AGENCY 25]

SENATOR MELLO: Senator Haar. [AGENCY 25]

SENATOR HAAR: Yes. A question on the graphs: Does that rapid raise...rate of inflation reflected more people being served or the cost of serving a person? [AGENCY 25]

ROGER HOWARD: Good question. That's a market basket rate of all the inputs that goes into providing medical care in the outpatient setting, which would be people and equipment and all the various costs, administration, everything, and the market basket that CMS puts together for what are the costs it takes to provide a hospital service, a day of inpatient care. [AGENCY 25]

SENATOR HAAR: For one patient. So this doesn't...isn't so much a reflection of more people being served but... [AGENCY 25]

ROGER HOWARD: No, that's right. This is... [AGENCY 25]

SENATOR HAAR: ...the cost of serving a person. [AGENCY 25]

ROGER HOWARD: ...this is the cost, exactly right. Thank you. [AGENCY 25]

SENATOR HAAR: Yeah. Thank you. [AGENCY 25]

ROGER HOWARD: Yes, Senator Hilkemann. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Senator Hilkemann. [AGENCY 25]

SENATOR HILKEMANN: Yes, Mr. Howard, on Exhibit 2 we see the sharp decrease from 2008 to 2009. Was...why the huge...how should I read that? [AGENCY 25]

ROGER HOWARD: Okay. What happened when July 1, 2009, DHHS decreased the rates for the average psych inpatient day, they actually broke it out into categories. It used to be you got the same amount per day, roughly $700, no matter how long you kept them. They broke it down into days one and two was one rate, three and four was another rate, five and six, and then everything over seven was another rate. At that same time when they broke it into those categories, that average rate went down 21 percent in one year for the psych facilities, the psychiatric hospitals. [AGENCY 25]

SENATOR HILKEMANN: So they decreased the amount that they were paying 21 percent. [AGENCY 25]

ROGER HOWARD: Yes. [AGENCY 25]

SENATOR HILKEMANN: Okay. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Hilkemann. Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Hi. Thanks for coming out today. You know, you're a CPA, right? [AGENCY 25]

ROGER HOWARD: Correct. [AGENCY 25]

SENATOR KINTNER: Okay. So let me have you switch over to our side of the table here for a second. [AGENCY 25]

ROGER HOWARD: Okay. [AGENCY 25]

SENATOR KINTNER: If you saw all these numbers and you were sitting in my seat, as a CPA what would you say? I mean how would you say to contain this? Or would you say, get out of the business, this is ridiculous; quit helping people on behavioral health and go do something that you can contain the cost? Or maybe you don't go there. Maybe you say, cut something here, do something here. What advice would you give us if you were sitting on this side as a CPA? [AGENCY 25]

ROGER HOWARD: Very interesting question. You have to take a look at the big picture, as you stated earlier, and what have the increases been in other areas over this last 12 years. Perhaps they've been higher than 1 percent or 12 percent. Don't know the answer. I didn't study every aspect of the budget for DHHS. It's a complex problem. Where do we rank in the nation in terms of reimbursement for behavioral healthcare? I happened to look that up just on the Web and I think we're like 40th or something, so maybe there's a little concern there. I look at it from a personal standpoint. [AGENCY 25]

SENATOR KINTNER: Can you speak right into the mike so everybody can hear you? [AGENCY 25]

ROGER HOWARD: Okay. [AGENCY 25]

SENATOR KINTNER: I hear people straining to hear you here. [AGENCY 25]

ROGER HOWARD: (Laugh) Just looking on the Web, I think we rank 40th or something like that in behavioral healthcare. That may change over the years. It's a very difficult situation. From a personal standpoint, I look at this and I say, it would be one thing if I had a physical ailment. I've been pretty healthy. Grew up on the farm, ate a lot more, and I kept eating that much when I took an office job, unfortunately. But it's one thing if you have a physical ailment. But if you get up every day and your mind is kind of foggy and you can't make decisions and good choices, I think I become a stronger proponent of behavioral healthcare. Really taking a hard look at this, it isn't the largest part of your budget, but those kinds of increases just don't make sense to me. So I'd have to kind of balance that, as you suggested earlier, with the other requests, and the history of what had happened to rates in other parts of healthcare and DHHS. [AGENCY 25]

SENATOR KINTNER: Okay. I appreciate it. I kind of like the way CPAs think, so I always ask CPAs, what would you do, but. Well, okay, appreciate it. Thank you very much. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Kintner. Senator Hilkemann. [AGENCY 25]

SENATOR HILKEMANN: Yeah, I know that this is your area of expertise, and how does...how do we differ from...you're just addressing today the mental health issue. [AGENCY 25]

ROGER HOWARD: Uh-huh. [AGENCY 25]

SENATOR HILKEMANN: How do we differ as far as other healthcare providers, non-mental healthcare providers in our...you said we're 40th in mental healthcare. Where are we with our other healthcare providers on a national level? [AGENCY 25]

ROGER HOWARD: Bob, I'm sorry, I didn't happen to look that up,... [AGENCY 25]

SENATOR HILKEMANN: Okay. [AGENCY 25]

ROGER HOWARD: ...how we rank in terms of average expenditures for acute care. [AGENCY 25]

SENATOR HILKEMANN: Okay. All right. Thank you. [AGENCY 25]

ROGER HOWARD: Uh-huh. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Hilkemann. Any other questions from the committee? Seeing none, thank you, Mr. Howard. [AGENCY 25]

ROGER HOWARD: Thank you. [AGENCY 25]

SENATOR MELLO: Next testifier. [AGENCY 25]

ANNETTE DUBAS: (Exhibit 19) Good afternoon, Senator Mello and members of the Appropriations Committee. My name is Annette Dubas, A-n-n-e-t-t-e D-u-b-a-s, and I'm the executive director for the Nebraska Association of Behavioral Health Organizations, here today testifying on their behalf. You've just heard the testimony from one of our members as well as the study that we had commissioned talking about what we believe is a very necessary rate increase. My testimony goes down a little bit of a different path and maybe we'll get into some of the questions that senators have asked, asking you to consider statutory language for the transfer bill, LB661, to protect against some of the future problems that were addressed by Mr. Day with rate increases intended to go to behavioral health providers, but instead appear to be diverted to contractors implementing managed care in the state. On your handout I have statutory language for any future rate increases for behavioral health providers approved by the Legislature and the Governor in the budget that those rate increases shall be distributed to providers for that purpose and shall be in effect on the first day of the fiscal year that the

budget goes into effect. It also requires that the Department of Health and Human Services shall provide assurances to the Legislature that these rate increases have been distributed to behavioral health providers. So for the record, that language would state that all rate increases for providers of behavioral health services under the medical assistance program shall be passed on in their entirety by any contractor governing at-risk managed care service delivery for behavioral health services and shall go into effect on the first day of the next fiscal year following enactment of such rate increases. In an annual support submitted electronically to the Clerk of the Legislature and the Legislative Fiscal Analyst, the department shall provide assurances that all provider rate increases have been distributed to providers of behavioral health services under the medical assistance program. We strongly believe that this language is necessary to carry out the intent of the Legislature in keeping a fragile behavioral health system in place for those who need such services. And again, I think this may go to a question that Senator Kintner asked about so what does that percentage translate into actual dollars. And we've been trying to get that question answered as well and are really struggling. I mean, we've worked with a variety of different people to try to figure out what does the percentage actually equate into dollars? So how can we know for sure that all of the dollars that the Legislature appropriates for behavioral health providers actually are going to the providers? And we believe with this reporting requirement put in place, through some of the audits and other things that managed care contractors are required to provide we can get you in particular, as a Legislature, can get a much better handle on what those dollars look like and if they really are going where you, as a Legislature, intend for them to go. I appreciate your time and will try to answer any questions should you have them. [AGENCY 25]

SENATOR MELLO: Thank you, Ms. Dubas, for your testimony this afternoon. Are there any questions from the committee? [AGENCY 25]

SENATOR HAAR: Yes. [AGENCY 25]

SENATOR MELLO: Senator Haar. [AGENCY 25]

SENATOR HAAR: Thank you. Since I've been on the Appropriations Committee this year and I haven't been on Health and Human Services before, so how would that differ from the way things are...just the contract from where we are now and what this would do? [AGENCY 25]

ANNETTE DUBAS: I'm not exactly sure I'm tracking with your question, but when you as a legislator make a request to Fiscal or to a department or an agency about can you tell me, you know, how many dollars are being provided for provider rates for behavioral health and you can't...I think you probably experienced as a legislator, you can't always get your questions answered that specifically. This would put in statute, provide statutory language that when you make that request we're asking for those assurances to be put forward by the department to the Legislature so that you do have a better handle on where the dollars go. I'm very appreciative and aware of what this committee is doing as far as trying to keep track of all the dollars. And in my mind, in this particular area anyway, will help you get a better handle on those dollars. [AGENCY 25]

SENATOR HAAR: Okay. Thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Are there any other questions from the committee? Seeing none, thank you, Annette. Next testifier. Can I get a quick show of hands to see how many individuals would like to still testify on Agency 25? Six, okay. [AGENCY 25]

MIKE MARVIN: (Exhibit 20) Good afternoon, Senator Mello, members of the Appropriations Committee. My name is Mike Marvin. I am the executive director of the Nebraska Association of Public Employees. We are the union representing the vast majority of state employees. Thank you for the opportunity to address you today. I'm going to change the direction. I'm here to talk about the veterans homes today and the

sad state that we believe that they are in. We are understaffed at every one of them. This understaffing creates a situation that does nothing but exacerbate that problem. You're a worker, you go to work. You get mandated you got to work a 16-hour day. That happens to you two to three times in a week. You get tired of it, you quit. It makes the problem worse because there's less people. They get tired, they quit. Could you imagine going to work every day and not knowing when you're going to get home, get to go home? What if you have childcare that you have to arrange? It's an issue for all of them. I don't know if these numbers are accurate. Mr. Hilgert has told me a little bit ago that he's going to give me some numbers, but I was told yesterday by workers at the Norfolk Veterans Home that there are 50 vacant positions there. About a month ago I was told there are 70 vacant at the Grand Island. Again, I don't know if those are accurate. Mr. Hilgert is going to get them to me. I will get them to you when he gets them to me. These are problems we deal with on a daily issue, but it goes into a yearly issue too. Our workers are getting denied their vacation time all the time. We bid on vacations twice a year. Those bids are just uniformly denied at the time of request. We did take one of the issues to arbitration, but the worker was allowed the last week before they went on that vacation they were finally allowed to get it. It was too late for her to get any decent airfare. She can't plan a family vacation that way. So we have a lot of issues there. I've given you five handouts. Three are from former workers at the Norfolk Veterans Home talking about the working conditions. The other is from a worker at the Western Nebraska Veterans Home talking about their vacation issues. The fifth is a complaint I just filed with the Inspector General of the Department of Veterans Affairs. While most of the handouts came from the Norfolk Veterans Home, these problems do exist at all four homes. The situation just seems to be worse at the Norfolk facility. In the handouts I issued you, you'll see several references to the directors of nursing and the assistant directors of nursing at the Norfolk facility. If you want to see more about these issues and these people, I can send you information on a case involving Dr. Voss. Dr. Voss is a doctor at the Norfolk veterans facility. He was improperly fired. The personnel board hearing officer ordered him back to work. The facility appealed that to the full personnel board. Dr. Voss prevailed there. Dr. Voss then had to go to Madison County

District Court to be reinstated. I have the documents from the personnel board, from the hearing officer, a deposition from one of the employees, and the Madison County court case if any of you would like to see it. I didn't want to print it all out and bring you documents that thick today. I can send them to you electronically. One of the interesting things that has been hung on...titles been hung on these DONs and ADONs is their called the mean girls, and that came out of that case. It was in the testimony of that case. If you read these documents, you'd be stunned by what you read. These problems are not new. The Grand Island Vets Home had a lot of problems in 2007, 2008 with overtime. They've been going on since then. I've been talking to people and telling them that I think our veterans homes are the next BSDC. The difference I see is they are not a CMS facility and so they don't lose any CMS funding. I'm sure that Director Hilgert will tell you that he has passed every inspection with good numbers, but they don't dig into how much overtime is required to meet the minimum staffing levels. You need to really take a look at the money you're putting out to them and how it is being spent. Take a look at how much money is being put out in overtime and the abuse of staff that goes with that. We have a lot, a lot of issues there that are the same as what I talked to you about last week with the Department of Corrections. Workers get hired at a wage. They don't progress through the time line. They don't move to the max rate. That goes throughout the full state. You'll hear me say that again at Department of Roads time. They just...they get hired at this rate and then as the hiring rate moves up, they move up. So a worker hired in 2002 makes the same as a worker hired today. So with that, I will conclude my testimony. And if you have any questions of me, I would be happy to answer them. And if you have any questions at any time, again, please never hesitate to call me. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Marvin. Are there any questions from the committee? Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Thank you, Mr. Marvin, for coming in. My question to you I guess would be what do you want us to do about it? Someone can't schedule vacation, has to

work some overtime, we're Appropriations so we handle budgets. That sounds like a Business and Labor issue to me. [AGENCY 25]

MIKE MARVIN: I understand, Senator, what you're saying. What I'm saying is the money that's getting appropriated to them is probably not being spent or you're not getting accurate on it. You need to track how much overtime is there and the understaffing issues and just have some oversight of their budget altogether is what I believe. You know, the overtime issues, they create problems and it's not just a little overtime. It's a lot of overtime. [AGENCY 25]

SENATOR KINTNER: All right. Well, thank you, Mr. Marvin, appreciate it. [AGENCY 25]

SENATOR MELLO: Any other questions from the committee? Mr. Marvin, I've got one and it's more of a...when I first was elected, we had just started the process of the challenges at BSDC and obviously over the last couple of years have been intimately involved in some of the challenges at Department of Corrections. They always say bad news travels in three. In both of those instances, we had a very similar challenge with overtime of...mandatory overtime at both of those facilities that are causing some fairly...they did cause significant stress on both BSDC and Corrections. I'm sure I'm going to probably find some quality time to sit down with Director Hilgert following today's hearing to follow up on this a little bit. But do you know how long this has been...from your conversation with members, how long this has been happening at the veterans homes? Is this something that more of a recent event... [AGENCY 25]

MIKE MARVIN: No, it's not a... [AGENCY 25]

SENATOR MELLO: ...or has this been around for a couple of years? [AGENCY 25]

MIKE MARVIN: It's been around for several years. As I said, and I can show you the documentation from Grand Island in the newspapers and everything, Grand Island just

got the press. But it's back to 2007 that it's been going on and there's been a real problem with overtime at the facilities. [AGENCY 25]

SENATOR MELLO: Okay. Senator Hilkemann. [AGENCY 25]

SENATOR HILKEMANN: Mr. Marvin, you mentioned Dr. Voss. [AGENCY 25]

MIKE MARVIN: Yes. [AGENCY 25]

SENATOR HILKEMANN: In a sense, was he trying to push for more employees? [AGENCY 25]

MIKE MARVIN: You really need to read the case. For me to go along and explain that whole case to you would take hours. I can send that to you. I'd be more than happy to send it to you. He was terminated for what they said was improper behavior, but the personnel board, the hearing officer, and the court didn't believe and they had some serious questions of the people that were giving testimony. [AGENCY 25]

SENATOR HILKEMANN: Okay. If you've got it and would drop that off at my office, I would take a look at it. [AGENCY 25]

MIKE MARVIN: I will e-mail it to you tomorrow or not tomorrow, I'm not working tomorrow so it will be the next day, Wednesday. [AGENCY 25]

SENATOR HILKEMANN: Thank you. [AGENCY 25]

MIKE MARVIN: Okay. [AGENCY 25]

SENATOR MELLO: Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Just one question that comes to mind after hearing some of the dialogue. Some of your documentation addresses a concern related to lack of RNs on staff, lack of nursing staff. I'm trying to understand that information and line it up with what I hear about positive surveys about our veterans homes. And I'm just trying to...can you help eliminate anything about what this means in terms of quality of life or health served, those kinds of things for the veterans (inaudible)? [AGENCY 25]

MIKE MARVIN: The way I see it, Senator Bolz, and as I read through the same surveys and things they say, they set staffing levels that you have to achieve. They don't look at how that staffing level is achieved. They don't look to see whether it's through overtime or how it's done. It's just that it's there. Now have there been issues that have come up? Have people been hurt? I don't believe so at this point in time. I've heard a couple things, but I can't substantiate those. What I think it creates a situation, a very dangerous situation where you have these overtired workers who are working this much overtime. I think there's something bad set to happen. [AGENCY 25]

SENATOR BOLZ: Okay, appreciate it. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Bolz. Are there any other questions from the committee? Seeing none, thank you, Mr. Marvin. [AGENCY 25]

MIKE MARVIN: Thank you. I'll get that for you Wednesday or Thursday. [AGENCY 25]

JAMES GODDARD: (Exhibit 21) Good afternoon. My name is James Goddard, that's J-a-m-e-s G-o-d-d-a-r-d, and I'm the director of the economic justice and healthcare access programs at Nebraska Appleseed. I will attempt to be brief, but here today to talk to you about operations and encourage the committee to consider increasing the state's investment in the ACCESSNebraska system. For some background, the department, as we've heard today, is responsible for managing public benefit programs. This includes processing applications, verifying eligibility, and providing various

services. The department used to have individual caseworkers, local offices, and physical case files, but things changed dramatically in about 2009 when the system was modernized through an initiative known as ACCESSNebraska. This meant no more individual caseworkers primarily whereas before you could pick up the phone, know the name of your caseworker, and call him or her up. That is not really the case for very many people at all anymore. There was also a reduction in the number of local offices and how they're accessed with in turn a focus on call center model and a heavier reliance on technology and community partners. As many of you have heard over time and as some of you may have not heard, since its inception the system has had serious problems, including long call wait times, lost paperwork, and delayed processing. Because of all these issues, the Legislature rightly has been involved in oversight of the system since 2011. I've provided...my testimony is not as long as it appears in the handout. There's actually an attachment there to give you some background if you want more detail on the time line of the system, starting in about 2009. There have been at least ten legislative resolutions or bill hearings on the subject, one legislative audit, and one special investigative committee last year, LR400. The LR400 Committee performed an investigation, including looking at the adequacy of staff levels and employee training. They issued a report December 2014 detailing many system problems, but including a poor working environment for employees and task backlogs, especially in the SNAP program. The report stressed a need for investing in the system and recommended additional staffing and improved technology. This system has been in disarray, as I would describe it, for far too long. And one remedy to that is ensuring that it's adequately staffed. Adequate staff would provide more people to conduct tasks, allow more training, and retain staff with institutional knowledge. Without additional employees, clients will continue to be harmed, workers will continue to be unprepared and burned out, and the Legislature will need to continue significant oversight. With this in mind, we would encourage the committee to appropriate funding specifically to finance additional full-time employees within the ACCESSNebraska system. With that, I would conclude and thank you for your time. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Goddard. Are there any questions from the committee? Senator Kintner. [AGENCY 25]

SENATOR KINTNER: (Inaudible). You kept your jacket on. I'm amazed. Congratulations. You're a better man than I. [AGENCY 25]

JAMES GODDARD: I had it off earlier, but thank you. [AGENCY 25]

SENATOR KINTNER: Okay. All right. Hey, have you ever asked yourself how Amazon can process billions of orders a year, mostly on-line, some by phone, how Visa can process billions of transactions every year and keep accurate records and deliver a good service, American Express, and on and on and on? Yet our Department of HHS miserably fails in a lot of these areas. Why do you think that is? I think I know why, but I want to see what you think. [AGENCY 25]

JAMES GODDARD: Senator, I think it is, is because we have not invested appropriately or adequately in the system. Visa, those other companies, they put money into technology. That's a big piece of what they do, and they put money into staffing and training. And when we made this change in 2009, it was done by the department. The department made the change, not the Legislature, but it was done on a shoestring without being piloted, without new technology, and without adequate staffing. So my answer would be I think those companies invest in their systems in a much stronger way than we have in ACCESSNebraska. [AGENCY 25]

SENATOR KINTNER: I think I have a better answer. They have to make money. They have to answer to stockholders. If they don't get it right, they're screwed. You know, their cost per transaction is way less than our cost per transaction because they have to make money. We don't have anyone looking over this that says you have to do it this way. We screw up, we'll just fix it later. I mean it's a different mentality when you've got to make money answer for what you're doing. If you're...you know, I spoke earlier today,

remember the movie Ghostbusters? And Bill Murray and Dan Akroyd being thrown out of the university and Dan Akroyd says to Bill Murray, you don't know what it's like out there. It's a dog eat dog world. You got to produce something in the real world. That's exactly where we are. I mean, do you really think that a government that doesn't have to make any money, doesn't have to report to any stockholders is ever going to get this right? [AGENCY 25]

JAMES GODDARD: Well, I would say it's a good film. I agree with you on that. I would also add there are states that are doing this within their state government--it's not privatized--so systems like ACCESSNebraska where the system actually does work. So I do believe that the state can make a system that functions effectively when it's done in the appropriate way with the right thought, the right investment, and the right folks doing it. So we have examples at least from other states that are getting it done and the state is doing that. [AGENCY 25]

SENATOR KINTNER: I'm going to trust that our new leadership at HHS is looking at those states and is going to follow through on that and we'll see where we land. Thanks for coming out today. I appreciate it. [AGENCY 25]

JAMES GODDARD: Thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Kintner. Senator Stinner. [AGENCY 25]

SENATOR STINNER: Thank you. Now you said that there are other states that are making it work. Now do you compare the number of cases that they're handling to the number of employees? And have you taken a look at the number of employees we have trying to handle the number of cases? [AGENCY 25]

JAMES GODDARD: Yeah. In some of the states that are doing better, you'll see they have a bigger population or a larger caseload and probably, I believe, a larger set of

workers. But as the LR400 report stated and we can share that with the committee if you haven't looked at it, the report said we need to either invest...we need to invest in technology that can mean maybe we don't need so many staff or until we do that we need to make sure there are enough hands at the table to do the work. And so what we're encouraging the committee to do is one or the other of those things. And for our purposes today, focusing on full-time employees because this has been going on for years, as many folks in the room know. And it's time to put enough people around the table to get the job done. [AGENCY 25]

SENATOR STINNER: Thank you. And that's exactly what my next question is. I noticed that they bifurcated the system. It looks like that ended up being chaotic so do we have a technology system problem or do we have a people problem? [AGENCY 25]

JAMES GODDARD: I would suggest we have both. But when the system was split, part of the idea there was Medicaid. Medicaid has a fairly sizable caseload, and there are also some federal dollars that could be pulled down to improve system technology on that side of the equation. And I believe that the Medicaid side actually has a...and the department can tell you much better than I can, but I believe that side of the system's technology is quite a bit better than the other side of the system, the children and family services side of the system. So I think that's part of the reason for splitting the system apart. And there have been, as I said, some improvements; but there are also several ways we could make these...both of those systems communicate better and more efficiently. [AGENCY 25]

SENATOR STINNER: You know, we've been at this for quite a long time and it has failed in several different fashions. Are we better served as far as containing costs and as our future just outsourcing this to somebody that has the technical know-how to get this done and can manage people and systems and procedures? Is that a better way of doing it? [AGENCY 25]

JAMES GODDARD: Well, I really would say it really depends because if all we're doing is outsourcing it without giving any more money or any more investment in it, I don't see how you're going to get a different outcome with the same level of resources. It would be dressing it up in a different outfit but not actually giving enough to change anything. And beyond that, I...we have seen in other states that said what we're going to do is just privatize this--Indiana is an example of that--where they privatized the whole thing with IBM, huge mess, it turned into a total disaster and lawsuit that is still going on ten years later. So I think the answer is to make sure we're investing in this system, whether it be in technology, in human capacity. That's the way for us to fix this less than whose hands is it in. That would be my opinion. [AGENCY 25]

SENATOR STINNER: Well, apparently I get to have this summer looking at this so. [AGENCY 25]

JAMES GODDARD: I'll look forward to talking to you about it. [AGENCY 25]

SENATOR STINNER: Maybe I'll have...well, we have a call center out in Gering/Scottsbluff. [AGENCY 25]

JAMES GODDARD: Oh, right, right. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Stinner. Senator Haar. [AGENCY 25]

SENATOR HAAR: I know that technology is a really important part of this. But isn't the training and the personnel you have behind ACCESS the most important thing, giving out good information and just knowing a broad spectrum of things? [AGENCY 25]

JAMES GODDARD: Absolutely. The technology can make workers' lives much easier. It can make case processing faster. But at the end of the day, if you don't have...if your constantly looking from one thing to the next without any time to breathe or you haven't

had adequate training, then your life is going to be pretty hard. These are pretty complicated programs. And when we changed the system in 2009, we lost a lot of very experienced folks who moved on or just retired and walked out with all this institutional knowledge. So, yes, the human investment is critical, especially initial training and ongoing training to make sure people have the knowledge to make the right decisions and to retain talent because lots of people come in and out of this employment side pretty quickly because the job sounds pretty tough, as I think you'll hear from others coming after me. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Are there any other questions from the committee? Seeing none, thank you, James. [AGENCY 25]

JAMES GODDARD: Thank you. [AGENCY 25]

JULIE PHAM: Good afternoon, Senator Mello and members of the Appropriations Committee. My name...can you hear me? [AGENCY 25]

SENATOR MELLO: You can adjust it down, too, if you'd like. [AGENCY 25]

JULIE PHAM: Is that good? No? My name is Julie Pham, J-u-l-i-e P-h-a-m. I'm the deputy ombudsman for welfare services. I'm here today to share with you some of the results from an ACCESSNebraska survey which was completed by the Ombudsman's Office back in September 2014 at the request of Senator Annette Dubas, Chairperson of the LR400 ACCESSNebraska Special Investigative Committee. The results of the survey showed that employees are overwhelmed and frustrated with the workload and are asking for more employees to be hired in order to address the main issues present within the ACCESSNebraska system. The Ombudsman's Office had sent out a request to 932 ACCESSNebraska employees. Of that number, 69 percent completed the on-line survey. And although only three questions on the survey were asked about work duties, this section of the survey along with the responses to the open-ended questions seems

to reveal where the highest level of discontentment among ACCESSNebraska staff lies. The results of the survey indicated that 56 percent of respondents felt there was consistent backlog in work duties to be performed. A similar percentage of respondents felt they have less than enough time to complete their work duties. The written portion of the survey supports respondents' concerns with workload. Even though the survey did not ask whether more ACCESSNebraska employees are needed, the written portion of the survey revealed that respondents from all four call centers, as well as local offices, explicitly stated that there are not enough workers for the amount of work that needs to be done and a need to hire more workers for all locations. One respondent pointed out, "We need more staff to complete backlog of applications and work tasks. It gets very frustrating trying something different every week to try to figure out ways to alleviate this problem when you know the only solution to being timely is we need more people to complete the work." So besides workload and backlog issues, some other problems identified by survey respondents as a result of not having enough ACCESSNebraska employees are: long call wait time for clients, timeliness of benefits or lack of benefits, low morale amongst the employees, stressful work environment, high turnover rates, and high error rates by the employees due to pressure to work faster, process more cases, answer more phone calls. I realize I'm talking about a survey that was done six months ago. But at the Ombudsman's Office we still receive complaints from Nebraskans regarding the system. We are still hearing of the long wait time, delayed benefits, processing errors. All the issues mentioned by employees and Nebraskans can really be best addressed by hiring more employees. Thanks. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this evening, Ms. Pham. Are there any questions from the committee? Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Mr. Chairman, can we get a copy of your testimony? Can we...can you give that to a page and they'll run it off? [AGENCY 25]

JULIE PHAM: I have my notes. [AGENCY 25]

SENATOR KINTNER: Oh, you handwrote it? [AGENCY 25]

JULIE PHAM: Can I...no, no. Can I e-mail the page? [AGENCY 25]

SENATOR KINTNER: Yeah, could you do that? That would help me. [AGENCY 25]

JULIE PHAM: I'll do it after. [AGENCY 25]

SENATOR KINTNER: Because you were a little soft. I'm not sure I got it all. [AGENCY 25]

JULIE PHAM: I'm sorry. [AGENCY 25]

SENATOR KINTNER: I wanted...that's okay. [AGENCY 25]

JULIE PHAM: I didn't... [AGENCY 25]

SENATOR KINTNER: So if you could e-mail that to Senator Mello. [AGENCY 25]

JULIE PHAM: Sure. My husband keeps complaining I'm too loud and (laughter) I need to get a copy of this transcript. [AGENCY 25]

SENATOR KINTNER: Thank you very much for coming today, appreciate it. [AGENCY 25]

JULIE PHAM: Thank you. [AGENCY 25]

SENATOR MELLO: Senator Bolz. [AGENCY 25]

SENATOR BOLZ: I don't know that...whether or not you've done this, but are you able to tell us anything about vacancy rates? Can you illuminate anything as it relates to the current number of employees versus the number of employees that they could be staffed up to? [AGENCY 25]

JULIE PHAM: And I don't have that data. The nature of our office we get calls from Nebraskans and issues come in that way. So we...in terms of ACCESSNebraska, mostly from clients complaining about long wait times, still 40 minutes average. [AGENCY 25]

SENATOR BOLZ: Okay. Yeah. And I think that data is available. It just seems that with the information that you've provided us that it's a good question to try to understand, not just how many new employees are needed... [AGENCY 25]

JULIE PHAM: Sure. [AGENCY 25]

SENATOR BOLZ: ...but whether or not there are opportunities for us to fully staff existing spots. [AGENCY 25]

JULIE PHAM: Definitely, that's an issue. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Bolz. Are there any other questions from the committee? [AGENCY 25]

JULIE PHAM: Thank you. [AGENCY 25]

SENATOR MELLO: I see none, thank you. [AGENCY 25]

BRIAN KRANNAWITTER: (Exhibit 22) Chairman Mello and members of the committee, good afternoon. My name is Brian Krannawitter and I'm the government relations

director for the American Heart Association. Today I'm providing testimony on behalf of the Heart Association in support of recommendation of 300,000 of additional dollars to Nebraska Department of Health and Human Services Program 514 to be used for acquisition of prehospital 12-lead electrocardiogram equipment for our EMS services. Every year hundreds of thousands of Americans experience ST-elevation myocardial infarction, STEMI, the deadliest type of heart attack. When a person has a STEMI heart attack, the blood flow is completely blocked to a portion of the heart. Unless the blockage is eliminated quickly, the patient's health and life are at serious risk. One of the critical steps in saving a person's life who is undergoing a STEMI is early diagnosis so the best treatment available for that person can then be expedited. Many of the ambulances in Nebraska are in the process of being equipped through the American Heart Association's Mission Lifeline initiative as well as a prior appropriation of $150,000 from the Legislature in 2013. However, even with the grant dollars from the AHA and the appropriation from 2013, there will still be pockets of areas in Nebraska that will need funding for the 12-leads. Outfitting our ambulances with 12-lead equipment and having EMS personnel is crucial in closing the gap in the system of care. The problem is we have several ambulances in Nebraska that do not have this equipment. The 12-lead ECG equipment is something that ambulance...excuse me, I got lost here. A 12-lead ECG equipment is something that ambulances must have to quickly diagnose a STEMI. Having ambulances equipped with 12-lead ECG equipment is absolutely essential in diagnosing a STEMI patient and increasing their chance for survival. The longer the blockage is left untreated your chances of surviving a STEMI increase. Time is muscle as a cardiologist would say. An appropriation of $300,000 to outfit ambulances with 12-lead ECG equipment would help to close gaps in developing a statewide system of care for ambulances that have the capacity to accurately and quickly diagnose a STEMI heart attack. Just a few things I want to add to the testimony and I want to go back just a couple of years ago. Indeed in 2013 the Legislature appropriated $150,000. I want to thank the committee members for supporting that. The following year in 2014, the organization that I'm a part of, the American Heart Association, we applied for a grant to enhance heart attack care in the state. We were awarded the grant and through

fund-raising and through other private donors we are in the midst of a $5.3 million initiative in Nebraska to improve heart attack care. A good chunk of this money will go to grants to EMS services to acquire this equipment. In talking with our director today of this program, she estimated probably close to 100 of the 12-lead equipment will be able to be dispersed throughout Nebraska. To date, it's my understanding that between our grant and the appropriation in 2013, I believe around 45 of the ECG 12-leads have already been dispersed. And I'm trying to think of anything else. I think that's the gist of what I was going to say. I'll try to answer any questions you have. Just for disclosure, I don't have a medical background so I'll do my best to any technical questions on 12-leads or any treatment in respect to STEMI. The one thing I would say about heart attack care, among the many important things regarding this is when a person has a STEMI heart attack it's critical that it's diagnosed early. And I mentioned in my testimony that time is muscle. If they can diagnose it in the ambulance, they can then transmit...actually they can hook the 12-lead and they can transmit the reading to a cath lab in the hospital and get that person there sooner. But if they don't have this equipment, they're not going to know if the person is having this particular type of heart attack. I'm hoping that made sense and I'll entertain any questions. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this evening, Mr. Krannawitter. Are there any questions from the committee? Senator Hilkemann. [AGENCY 25]

SENATOR HILKEMANN: Yes. Is this...you answered one of my questions when you said about 100 ambulances that this would... [AGENCY 25]

BRIAN KRANNAWITTER: About 100 pieces of equipment. There might be a few, for example, I guess that's right 100 ambulances. Yeah, I'm sorry. [AGENCY 25]

SENATOR HILKEMANN: Douglas County, Lancaster County, all the ambulances in those areas already probably have these 12-lead? [AGENCY 25]

BRIAN KRANNAWITTER: Yes and no. What we're finding out is our major focus for this project has been in our most rural areas. But the feedback we've been getting is even in our areas that are somewhat close to Lincoln and Omaha, including we've had some outreach from a service in Seward County, one from Cass County I believe, one in Saunders County. In discussions with our Mission Lifeline director today, she was at I think it was the NEMSA conference in Omaha, some of the Omaha folks were questioning her about the need. And so our best estimate is the reason why the rationale for the $300,000, if you will, is to try to get 25 more of these beyond the capacity of our grant. And these aren't inexpensive pieces of equipment. I've talked with some of you about this. It's not uncommon for them to run, you know, up to $20,000. There are some that are cheaper, but it depends on a lot of things. Often they come in like bundle packages, if you will, where you have the 12-lead and the AED that comes with it. Also the decision of what type of 12-lead you get. It's also dependent upon what kind of receiving equipment your hospital gets as well because they have to be able to interface so you can transmit it and they can read it. So that also goes into the decision of, you know, how much is spent and what type you get as well. [AGENCY 25]

SENATOR HILKEMANN: And you said you got 40 pieces of equipment from the first grant that was done. [AGENCY 25]

BRIAN KRANNAWITTER: There's 45. That's a combination of our grant and the appropriation. I don't have the exact numbers from each, but that's my understanding. It's about 45 that have gone out right now. [AGENCY 25]

SENATOR HILKEMANN: And how was that determined how to distribute that? [AGENCY 25]

BRIAN KRANNAWITTER: There's various things that go into it. One of them is do they have a 12-lead? Another one is the number of runs per year. For example, if you have an EMS service that, you know, is maybe only doing 11 or 12 runs per year, others are

going to be on a higher priority. So those are a couple of decisions. We actually have a committee where they apply to and there's different criteria that go into it. But those are a couple of the things, yeah. [AGENCY 25]

SENATOR HILKEMANN: Thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Hilkemann. Senator Haar. [AGENCY 25]

SENATOR HAAR: Are Malcolm and Raymond on that list of high priority (laugh)? [AGENCY 25]

BRIAN KRANNAWITTER: I can tell you Malcolm I believe did receive... [AGENCY 25]

SENATOR HAAR: They have one. [AGENCY 25]

BRIAN KRANNAWITTER: ...a 12-lead equipment through the $150,000 appropriation. Raymond doesn't ring a bell. So I'm not...I don't... [AGENCY 25]

SENATOR HAAR: Malcolm is close enough. [AGENCY 25]

BRIAN KRANNAWITTER: Okay. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Are there any other questions from the committee? Seeing none, thank you, Brian. [AGENCY 25]

BRIAN KRANNAWITTER: Thanks. [AGENCY 25]

BRUCE BEINS: (Exhibit 23) Good afternoon, Senators. My name is Bruce Beins, spelled B-r-u-c-e B-e-i-n-s, and I'm here representing the Nebraska Emergency Medical Services Association. This is like deja vu for me. The first time I came to the

Appropriations Committee, Governor Ben Nelson was into starting his first term and we waited 5.5 hours to testify and we were the last ones. So I'm feeling like this is almost deja vu. The handout I'm passing around to you is going to fill in a lot of blanks for those that weren't on this committee when we came last year. For those that were, just a quick reminder: LB889, which was actually Senator Dubas' bill that was here earlier, was a bill to take some funding that EMS had been getting for a lot of years but wasn't on a specific line item. I think when we first went in Senator Ben Nelson's reign we were getting $160,000 a year. About five years later, because of increases in tuition and book costs, we come in and got some additional appropriation. Over the years, we asked a lot of questions, couldn't get any answers as far as where the money was going, how HHS was determining where this money was going. It got very frustrating to the point to where we come to this committee last year and said, look, you know, we're struggling. There's some real needs out there, and you were able to accommodate us for at least some of what we asked for. The biggest problem we have Nebraska-wise is we don't have an EMS system in Nebraska by design. We have an EMS system by evolution. So...and that system is about 80 percent volunteer over most of the state. So I've been coming to the Legislature for 20 years and testifying, mostly on recruitment and retention issues. And we still have those recruitment and retention issues today. My organization talks about them at every meeting and tries to figure out ways that we can effect that. If this is our system, this is a vital service provided to the state that is worth hundreds of millions of dollars in the efforts of the volunteers and some local governments. So it all comes down to money to us too. I look forward to any strong questions on how we would spend this money. The money that was appropriated last year was for reimbursement for initial training of EMTs. I'd like to say that since things last year that it's gotten better. It has not, although I hope by the end of the fiscal year we'll be able to get some real answers on what...where the money went. But we're still hearing anecdotal evidence from HHS that we're not spending the money. Well, it's not us that decides how that money gets disbursed. It's HHS. So we do have some additional askings as you'll see in that letter. You know, we want to support the EMS conferences in the state. Conferences is where you get your best bang for the buck in

education. You can gather a lot of people together and very efficiently provide a lot of training. The spring EMS conference was just in Omaha this past weekend to where we actually had 3.5 days of education all in one place, all at one time. There's another one in January that's held in Kearney and then there's a statewide conference also held in Kearney every July. We've worked with the state over the years to try to get them to better support those conferences, and we have not had any luck with the state on supporting it. They are talking about supporting those things now. To give you just an estimate, I'm the financial chair also of the organization. This conference that we had in Omaha, because of the cost, will probably run $100,000 and we educated about 350 people. So with a lot of education. So the education part is expensive. They're always adding new things like 12-leads that you have to stay up on and keep your education up on if you're going to provide that service to the people. And we've also recognized that we have a real shortage of instructors, of EMS instructors. So we want to do some work to provide some good EMS instructors out there in the field. Just to kind of give you a couple of numbers that kind of brings home our need, in the last renewal cycle of EMS providers--now keep in mind I've been testifying for 20 years of our recruitment and retention needs--we dropped 489 EMS providers in the state. We dropped 61 instructors. And we lost 15 ambulance services. Like I say, our system is not a system of design. It's strictly here by evolution. And if we're going to support that system, it's going to take some investment by the state to go along with the investment that the volunteers in the community and so forth are putting in to take care of our friends and neighbors and people of the state. So with that, if you have any questions, I'd be more than happy to answer them. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this evening, Mr. Beins. Are there any questions from the committee? Senator Haar. [AGENCY 25]

SENATOR HAAR: So does your organization include professional firefighters like in Lincoln and Omaha? [AGENCY 25]

BRUCE BEINS: We have some that are members. The EMS Association is made up of EMS providers so there's Lincoln and Omaha firefighters that are also EMTs or paramedics that are members of our association. [AGENCY 25]

SENATOR HAAR: Okay, thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Haar. Are there any other questions from the committee? Seeing none, thank you, Mr. Beins. [AGENCY 25]

BRUCE BEINS: Thank you. [AGENCY 25]

MICHEAL DWYER: Good evening, Chairman Mello and members of the Appropriations Committee. My name is Micheal, M-i-c-h-e-a-l, Dwyer, D-w-y-e-r, and I'm here just to assure anyone on the committee that you know the procedures to treat heat stroke this evening. I'm a 32-member of the Arlington Volunteer Fire Department. I've spent 12 years as EMS captain and cocaptain, and I'm here today in support of Program, I believe it's 514, of Agency 25. I hope I have the numbers right. I apologize that I don't have prepared testimony, but my only goal today is to put a face on perhaps a ground-level conversation about EMS in Nebraska and how incredibly important the funding for the training that we're required to get is. To give you a little glimpse of that, my day yesterday started at the EMS conference that Bruce mentioned a moment ago. And I got out of that just in time to make church. And I got out of church just in time to make a fire call. And I got out of the fire call just in time to run to the office for a couple of minutes, run home and grab a cold turkey sandwich, and start laundry. And that's kind of a sort of--particularly as dry as it is--that's kind of a normal day for volunteer firefighters and EMS providers, which in many cases in Nebraska are joined together. I want to make sure that you know that the degree to which you do or do not fund this program will determine the degree to which volunteers must fund-raise or in some cases pay for this required training out of our own pockets. I would reiterate that our relationship with NEMSA...Bruce just spoke a moment ago, he's excellent, the

conference was tremendous, national speakers on a multitude of topics which are, again, incredibly important to the guys and the men and women on the ground. So with that, I would thank you for the opportunity to testify and be happy to answer any questions that I might. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony this evening, Mr. Dwyer. Are there any questions from the committee. [AGENCY 25]

MICHEAL DWYER: I got off easy. [AGENCY 25]

SENATOR MELLO: Seeing none, thank you and thank you for your service, Micheal. [AGENCY 25]

MICHEAL DWYER: Thank you. [AGENCY 25]

SENATOR MELLO: Is there anyone else wishing to testify to Agency 25, the Department of Health and Human Services? Looks like you're the last one tonight. [AGENCY 25]

MARK INTERMILL: (Exhibit 24) Okay. Great. Good evening, Senator Mello and members of the Appropriations Committee. My name is Mark Intermill, that's spelled M-a-r-k I-n-t-e-r-m-i-l-l. And I'm going to go as long as my voice permits. I thought it was just a fever in here, but some people are saying it's warm, huh, so. I'm here today to raise a couple of issues with regard to the Program 348 budget. I'm going to go through this quickly. In the second paragraph, I make reference to the Department of Administrative Services annual budgetary report and compare what is listed as being budgeted in that report and what was actually expended. In terms of the General Fund, there was a $90,702,306 difference between what was budgeted and what was spent; so there was more budgeted than spent. In the next paragraph down I compare what the increases are in the actual spending in FY '14, which was 6.7 percent from the

previous year, FY '13. The appropriation for FY '15 is 13.1 percent increase, followed by an 8.1 percent increase and a 4.9 percent increase. We are looking at also the utilization information, and the last page of the handout is a report from the Centers for Medicaid Services that lists--this is actually the states that did not participate in Medicaid and what their rate of increase and participation in Medicaid has been. Nebraska has grown by 1.2 percent through the first six months of this year so it's a very modest increase on the rate of growth. If you look at the November to December on that report, it's less than .2 of a percent so we seem to be going down in terms of the growth in utilization. Based on my review of the budgetary report, the utilization that we're seeing from the CMS reports it appears that we might have more included in the appropriations bill than might be needed in the coming biennium. If the FY '15, FY '16, and FY '17 were to grow at 8 percent per year, we would see that there's about $54 million more in the appropriations bill than would be expended. Then that begs the question, is 8 percent a reasonable number? And I think we've heard some discussion about the increases in terms of the percentage, rates of increase in terms of provider rates. There's a 2 percent budgeted. We can expect probably a 2.5 percent to maybe a 3.5 percent rate of increase in terms of utilization. So I think with even with leaving some room, I think an 8 percent increase in both years might be realistic. The average rate of growth in Medicaid spending for the last six years has been less than 3 percent. That's the utilization plus price. And that's included...the third page of the handout I've included some information going back to FY '08--what the General Fund change was, what the federal amount was, and what total expenditures were. So the 3 percent was an average of FY '09 to FY '14. What we're looking at in the appropriation in total is a 16 percent increase. On the General Fund side, you see a lot of fluctuation. That has to do with changes in the federal matching percentage. During the times where we see a negative, that's when we were getting additional FMAP through the ARRA money funding. Once that went away, that's when you see the increase in FY '12. I guess what I would just to close in with...in my conversations with AARP members, they recognize the importance of the services that you are considering today. They're supporting of providing adequate funding to meet the cost of essential services but not a penny more.

I would encourage the committee to take a close look at this budget. Make sure it's being built on a reasonable base. There are many needs that you have heard about that are worthy of your consideration. Let's make sure we can do the best job possible of meeting those needs. And I have a red light so I will stop. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Mr. Intermill. Are there any questions from the committee? Senator Stinner. [AGENCY 25]

SENATOR STINNER: Thank you, Senator Mello, and thank you for this report. This is something that we're trying to dig through it to make sense to connect all the dots to make sure our budget makes absolute sense to the taxpayer. I appreciate your work. [AGENCY 25]

MARK INTERMILL: Thank you. [AGENCY 25]

SENATOR STINNER: We're trying to get the answers. [AGENCY 25]

MARK INTERMILL: Yep. I would just...there was one handout that I didn't cover which is the one that's kind of in the blue shading. That compares the expenditures for vendor payments for each of the four eligibility categories. Back in 1985, 41 percent or almost 42 percent of the Medicaid spending went for people over 65. That has dropped to just above 20 percent. We've gone from 41 to 20 percent. I just want to clear up some of the things that I have heard even today that the elderly are consuming an inordinate segment of the Medicaid budget. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? Seeing none, thank you, Mr. Intermill. [AGENCY 25]

MARK INTERMILL: Thanks. [AGENCY 25]

SENATOR MELLO: Is there anyone else here wishing to testify to Agency 25, the Department of Health and Human Services? Seeing none, that will close today's public hearing on Agency 25, the Department of Health and Human Services, and take us to the first of five bills for the evening. (Laughter) I'm going to start off first with LB397 from Senator Burke Harr. [AGENCY 25]