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Appropriations Committee
March 25, 2013

[AGENCY 25]

SENATOR MELLO: Good evening. We're going to get started for tonight's hearings on Agency 25, the Department of Health and Human Services. Just as a quick reminder to those who may be joining us this evening after we finish with the legislative bills. In the corner of the room you'll see some yellow forms. If you're planning on testifying today, please fill out the form in its entirety. It helps us keep an accurate record of today's hearing. When you come up to testify, please give Anthony, our committee clerk, the yellow sheet. When you sit down, please tell us who you are and spell your first and last name for the public record. If you have any paper handouts, please give them to the pages before you begin. We ask that you have 11 copies. If you do not have 11 copies, they will make copies for you. Real quick, outside of the agency directors and division directors, we will be using a five-minute light system. There are lights at the front of the table. When you start, the light will turn green. When the yellow light comes on, that is your one-minute warning; and when the red light appears we ask that you wrap up your final thoughts. At this time I'd like to ask all of us again to double-check, senators included, make sure our cell phones are on vibrate or silent mode. And with that, we will start off with tonight's agency hearing, Agency 25, the Department of Health and Human Services. [AGENCY 25]

KERRY WINTERER: (Exhibit 35) Good evening. I guess it's officially evening after 5:00, right? Good evening, Senator Mello and members of the Appropriations Committee. For the record, I am Kerry Winterer. That's spelled K-e-r-r-y, last name is Winterer, W-i-n-t-e-r-e-r. I have the privilege of being the Chief Executive Officer of the Department of Health and Human Services. Today I am joined by Matt Clough who is our Chief Operating Officer; Dr. Joseph Acierno, who is the director of the Division of Public Health; Vivianne Chaumont, who is director of the Division of Medicaid and Long-Term Care; and John Hilgert, who is the director of the Division of Veterans Homes. The other directors will be joining us before the committee tomorrow. Before we begin, we wish to thank you and your staff for your work on behalf of the department,

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and especially on priority areas for us. We also thank you for including many of our requests in your preliminary recommendations. We will not address those requests unless you have additional questions for us. The budget adjustments proposed by Governor Heineman are intended to continue our initiative to improve services and allow us to fulfill our mission of helping people live better lives. The recommendations reflect the realities of the current economic situation, enable us to continue to implement operational efficiencies throughout the department, and adjust to changes in federal funding. Let me briefly touch on the differences between your budget and the Governor's budget for each division, and then each director and I can respond to questions. In regard to Medicaid and Long-Term Care, the committee has included \$28,400,000 for each fiscal year for the replacement of the Medicaid Management Information System, otherwise known as MMIS. That was not part of the Governor's recommendation. As you know, the Affordable Care Act has mandated significant changes to the Medicaid program, effective January 1, next year, 2014. Implementation of the ACA is and will continue to be a priority for Medicaid and Long-Term Care staff as well as others in the department who support this work. We simply do not have the resources at this time to work on replacing MMIS, given the federal mandates of the ACA. Additionally, this long-term project would also require appropriations in fiscal year '16 and '17, as well as the amounts the committee has set forth in '14 and '15. The Governor's recommendation includes \$53,400,000 in fiscal year '13-14, and \$105,800,000 in '14-15, to implement the service provisions of ACA. The committee has reduced this amount by \$8,400,000 in fiscal year '13-14, and \$18,300,000 in '14-15. The department retained Milliman, Inc., to assist the department in preparing a formal and independent actuarial analysis of the fiscal impact associated with ACA. The fiscal analysis provided by Milliman is the basis for the amounts included in the Governor's recommendation. No information has been provided to us that would cause us to change our estimates. Therefore, we continue to stand behind this analysis. The department would request that the committee include the amounts in the Governor's budget recommendation. As to Vital Records in Public Health, the Governor recommends \$690,000 of cash funds for fiscal year '13-14 and '14-15 for increased

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operating costs and security upgrades in the vital records program. Increased maintenance costs for the electronic registration system and new requirements and standards for document security require the additional funding. Revenue generated under the current fee structure will not meet future expenditures. Funding at the levels in the Governor's budget recommendations will allow us to continue services provided by Vital Records at the current level. We urge the committee to include this amount in its recommendation. In Public Health for the current fiscal year, the department is requesting an increased cash spending authority for Professional Licensure, Program 178. Effective July 1, 2012, the department received an approved increase in the indirect cost for Professional Licensure, Program 178, from 31 percent to 45 percent. In order to meet this increased share of costs, the cash spending authority needs to increase by \$422,556 for fiscal year '13, and the program has available funds to meet this need. Then as to a new veterans home, the Governor has recommended \$47,015,459 from the Nebraska Capital Construction Fund and \$74,004,854 estimated federal funds for fiscal year '13-14 for the construction of a veterans home in central Nebraska. The committee did not include this item in their preliminary recommendation. We believe it is time to replace the 126-year-old facility located in Grand Island to provide the care that our veterans deserve. John Hilgert, director of the Division of Veterans Homes, will present an overview of the need for this project at the conclusion of my testimony. We appreciate this opportunity to discuss our budget request with you. I would be happy to answer any questions you may have for me. Otherwise, I will turn this over to Director Hilgert for his presentation. After that presentation, the directors and I will be available for any questions you may have about these specifics and anything having to do with the department as a whole and the division. [AGENCY 25]

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

SENATOR HARMS: Thank you, Senator Mello. I don't know if you want to answer this or have someone else answer it, but I want to talk about the MMIS system. So do you

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want to do that now or would you like to do it later? [AGENCY 25]

KERRY WINTERER: It's up to you, however you'd like to proceed. [AGENCY 25]

SENATOR HARMS: Well, here's where I am at with the management information system. If I remember, some time ago we approved a previous management information system. Now was that system ever completed? My understanding is it was never completed and the company that got the MIS system contract just couldn't fulfill it. What actually happened there, so I have a better understanding, because it concerns me with the fact that if a previous MI system was not developed appropriately, we're going go into a massive change. And I worry about that, being able to put all of it together and get everything straight so that when what goes in it, it comes out right. [AGENCY 25]

KERRY WINTERER: Right. [AGENCY 25]

SENATOR HARMS: You know, the old saying, garbage in, garbage out. And that's what I worry about, because you start with...first of all, with what happened to the previous MI system, was it completed, or what happened here? [AGENCY 25]

KERRY WINTERER: Well, the MMIS system that we're operating under, which is, for the committee's benefit, is essentially the claims system for Medicaid, and it operates to adjudicate, as we say, claims and pay the claims out of the system. It is, in all honesty, an old system, and it does need to be updated. It does need to be replaced at some point in time. The project that you mentioned was going on about the time that I came in as being CEO. There had been a contract let and a contractor was on site to do the work to essentially develop a new MMIS system. Unfortunately, that contractor, for any number of reasons, was unable to complete that work--and we could get into a long description of the reasons for that. Essentially that contract was terminated with that contractor, because it just was not...it was not going to be accomplished. If you

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fast-forward to where we are now, as you...I'm not telling you anything you don't already know, things move very quickly when it comes to these systems. To a certain extent it could have been a blessing in disguise because there are other systems out there now that don't need to be developed from scratch, if you will, to replace the system that we have now. It doesn't mean it's necessarily going to be inexpensive, because it's not. But things have developed and systems have developed to a point now where it could be a much less risky project for the state the next time around than it was at that point in time. [AGENCY 25]

SENATOR HARMS: Now that contract was already cut before you came. You came right on...before they started or after they started, is that...? [AGENCY 25]

KERRY WINTERER: I came about the time that they were in the midst of... [AGENCY 25]

SENATOR HARMS: Trying to fix it. [AGENCY 25]

KERRY WINTERER: ...trying to execute the contract. [AGENCY 25]

SENATOR HARMS: Okay. Do we know how we ever made that kind of decision to put those kind of dollars into a program? It just never developed and it just...we failed from the beginning to the end on it. It worries me, Mr. Winterer, just basically with a new system that we probably have to add, are we going to be able to put that together and are we going to be able to make sure all the data that goes in is accurate data, correct data? Because when you switch into that system, you've got a massive amount of information that's going to have to go in there, and if it's not done right, the mess that we will have on our hands or you'll have on your hands--and it may also be a part of this--is going to be huge. Can you help me a little bit more with my comfort here in regard to this particular issue, and how you're...and actually how you would...how you're actually going to put this together and how you're going to carry this out? You know, you bring

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someone in to do it? I mean, I just...I'd like to have some... [AGENCY 25]

KERRY WINTERER: Well, some of those questions we don't really have answers to at this point. And Director Chaumont, I think might have more of the...I mean, she would probably have some more ways to enlighten you on this. But we've learned a lot from that particular project. We learned a lot I think in terms of how you ensure that who you contract with can actually perform. And as I said before, the technology has evolved. Even in the four years since that occurred, the technology has evolved such that you have systems that have been performing in other states, for example, that now you can look at another state and say, well, this system has been operating in another state; and to the extent we adopt that system or a system like that, then a lot of that risk goes away. It still comes down to however how you spec whatever it is that the project is and what your expectations are in terms of what the project needs to be and what the system needs to look like. [AGENCY 25]

SENATOR HARMS: I guess before I would (inaudible) be a part of approving an MMIS system like this, which I know we need it, there's no question about it, I'd really like to see an operational plan... [AGENCY 25]

KERRY WINTERER: Sure. [AGENCY 25]

SENATOR HARMS: ...so we have some idea just exactly how this is going to be carried out, who the players are, how that's going to be put together to have a little bit...I just need a little more comfort with this. [AGENCY 25]

KERRY WINTERER: Right. [AGENCY 25]

SENATOR HARMS: And I don't mean to put you on the spot or to be negative here. I just...I worry a little bit about that. It's a pretty big sum of money. [AGENCY 25]

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KERRY WINTERER: I think all of that is one of the reasons why we didn't come to the table this time requesting dollars for this project, because we, as the testimony refers to, we have a lot of things that are going on relative to IT projects, that are relative to ACA and some other things that we need to do that, probably for us, at least, are more urgent and have to be accomplished. We have to accomplish what ACA requests by January 2014; and so we only have limited resources and limited talent, if you will, inside the department in order to accomplish that. [AGENCY 25]

SENATOR HARMS: Okay, I'm fine. Thank you, Mr. President...yeah, Mr. President. Thank you, Mr. Chairperson. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you, Mr. Chairman. And just along those lines, just a quick question before we get to the vets home, on we did appropriate the \$22 million or \$23 million for the mandatory ACA information technology provisions. And I know that that's eligibility versus claims. Is there no overlap that there... [AGENCY 25]

KERRY WINTERER: I'm sorry, is there no what? [AGENCY 25]

SENATOR NORDQUIST: Is there no overlap that if those were developed concurrently that there would be savings? And maybe...if Director Chaumont would be better for answering that. [AGENCY 25]

KERRY WINTERER: Yeah, I think she could. My answer to that question is that each of them obviously has to interface with either, but I think one can certainly be an independent project versus the other. I mean, they are now. At this point in time with N-FOCUS which covers the eligibility, we have MMIS which does claims. [AGENCY 25]

SENATOR NORDQUIST: Okay. Okay. [AGENCY 25]

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KERRY WINTERER: And there's nothing that says that one has to necessarily be part and parcel of the other. [AGENCY 25]

SENATOR NORDQUIST: All right. Thank you. [AGENCY 25]

SENATOR MELLO: Are there any other questions right now for Director Winterer, or we can ask questions later after we go through the veterans home presentation. We'll probably come back, Director, afterwards. [AGENCY 25]

KERRY WINTERER: Okay. So I would like to introduce Director Hilgert, and then we'll be back after this to answer whatever other questions you have. [AGENCY 25]

JOHN HILGERT: (Exhibit 36) Good evening. Chairman Mello members of the Appropriations Committee, I am John Hilgert, J-o-h-n H-i-l-g-e-r-t. I am the division director of the Veterans Home Division of the Nebraska Department of Health and Human Services. I also serve as the director of the Nebraska Department of Veterans Affairs. I am here to request the Appropriations Committee to include the committee's final recommendations to the Legislature in the financing of the replacement of the Grand Island Veterans Home as recommended by the Governor. The Grand Island Veterans Home was established in 1887 by then-Governor Thayer, a veteran himself, on land donated by the community. Although the home has been expanded over time, and periodically updated, it is time to replace the facility. The administrator of the veterans home, Alex Willford, will immediately be following me to comment with more specificity of the demonstrated need for the replacement. Following Alex Willford, Roger Wozny and Mark Higgins of the Schemmer Associates will provide an overview of the grant process, as well as the vision and the preliminary design goals. Finally, I will return to comment on our plans for a site selection process. I will also provide you with a rough time line, hopefully culminating in the opening of a new facility. Alex. [AGENCY 25]

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ALEX WILLFORD: Thank you, John. Thank you, Chairman Mello and members of the Appropriations Committee. My name is Alex Willford, A-l-e-x W-i-l-l-f-o-r-d. I have served as the administrator of the Grand Island Veterans Home in Grand Island, Nebraska, since July 2009. I am here before you today to present testimony in support of construction of a new veterans home in central Nebraska. The staff at the Grand Island Veterans Home take great pride in providing quality care to its members. They have been doing so since 1887. As a nursing facility we are required to abide by and maintain compliance with various federal, state, and local rules and regulations while providing quality care to live in a safe and comfortable manner. Given the age of the existing facility, there are significant issues that I will share with you to help illustrate the need for a replacement facility. Fire code and life safety code. In a fire, an elevator is not to be used except by fire and emergency personnel to rescue individuals. Fire exits in the Pershing, Administration, and Phillips building do not meet current fire codes. The fire exit ramps and stairs are not easily accessible for those who use wheelchairs or walkers. Sprinkler systems and sprinkler heads are required in the member closets and do not exist in the World War II Memorial and Phillips buildings. Fire doors in the Phillips and World War II Memorial buildings need to be replaced as they do not meet the requirements to maintain smoke barriers. Also an issue is existing wall coverings found in the Phillips, Administration, and World War II Memorial buildings, as they do not provide the proper flame spread as required by life safety codes. Americans with Disabilities Act, ADA. The member bathrooms are not currently meeting the ADA requirements. The current configuration provides great difficulty in transfers, a risk for increased falls, decreased member independence, and the inability to use a mechanical lift when needed because there is not enough or adequate space for a lift to be used safely. Few members have private bathrooms, and instead share with two or more members. The facility serves 175 members with incontinence issues. Thirty percent of the members do not have a toilet adjacent to their bathroom. The elevators in the Pershing, World War II Memorial, and Administration buildings are also not ADA compliant and they are not wide enough for wheelchair-bound members to turn around.

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The elevators are old and outdated, and it is almost a daily event that elevator repairmen are at our facility. There are also size limitations due to the existing physical components of the facility. A majority of our members' rooms are not bariatric accessible, limiting our ability to admit bariatric applicants. Several of the members' room doors in the Administration and Pershing buildings are not wide enough to accommodate wheelchairs or walkers. In addition, our elevators will not fit some of the most speciality equipment we would like to utilize, such as a Clinitron wound care bed. Environmental issues. The heating and cooling system for the entire facility are outdated, which promotes increased maintenance and repairs in order to maintain temperatures for resident care between 71 and 81 degrees Fahrenheit per U.S. VA-adopted CMS Medicare and Medicaid regulations. The chiller towers are past their life expectancy, which will mean that replacement will be needed. In addition, the facility low-water-pressure boiler, installed in the 1950s, is outdated and not energy efficient. These mechanical difficulties pose potential health issues for members with COPD, those that are congestive heart failure; lung disease; and other respiratory health problems. There are concerns with our gravity sewer system in that there are issues with that sewer transfer. There are daily backups, increased maintenance issues, and calls to the plumber for assistance. The heating and cooling pipes of the Anderson building lose several hundred gallons of heated and cooled water per week. Replacement of piping is estimated at a million-plus. The system is inefficient and costly to maintain and repair. Electric capabilities throughout the facility are very outdated. The facility does have backup generators but has experienced at least two major utility losses within a (inaudible) of this system. These failures post significant eruptions to services to elevators, computers, electronic medical equipment such as concentrators, feeding pumps, specialty air mattresses. Also our communication systems and our heating and cooling systems are affected by this outage. Since these systems were built, there have been major advances in the technology, leading to the considerable increase in electrical items that members like to use. Existing outlets are limited and not within easy reach of our members in World War II Memorial, Anderson, and Administration buildings. The Grand Island Veterans Home is sited on a flood plain. In

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years where there is normal to increased precipitation, the ground water rises and floods the basement level of the facility. The basement is used for daily functions such as supply, laundry, elevators, and facility building operation systems. In closing, we face many life safety, fire code, ADA, and environmental issues due to the increasing age of the facility. Despite these physical challenges, the staff of the Grand Island Veterans Home continues to provide quality care and services to our members. Thank you for the opportunity to testify before you today. I would be happy to answer any questions you may have. [AGENCY 25]

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

SENATOR HARMS: Thank you, Senator Mello. You testified you have 175 people now presently in the nursing home or in the vets home. [AGENCY 25]

ALEX WILLFORD: Those 175 I referred to, Senator, are just incontinent members. Currently we average about 200-205 members daily. [AGENCY 25]

SENATOR HARMS: Okay. Do you plan on...in building this facility, are you planning on expanding it or keeping it the same size that it is today as far as veterans? [AGENCY 25]

ALEX WILLFORD: The proposal we have is for 225 beds. [AGENCY 25]

SENATOR HARMS: Okay. Do you have the plan already developed and designed, or...? [AGENCY 25]

JOHN HILGERT: Well, Senator, I wanted to....this is again John Hilgert. Regarding the facility, it has an operational capacity of 266 if it wasn't presently being under renovation in sections right now. So the 225 beds that we're aiming for is based on what our

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census is now and what we foresee the need to be. The plan that you're asking for as far as design plan, sir, what you said... [AGENCY 25]

SENATOR HARMS: Yes, I was asking about the design. Yes. [AGENCY 25]

JOHN HILGERT: A design plan. Mark Higgins and Roger Wozny will be talking about the vision of our design plan. What we're going to address is basically the vision of how the community living centers from the U.S. VA currently, guidelines are currently in place. We do not have any actual plans, per se, right now. We're not that far along in the application process. I can share with you today that our initial application has been submitted to the United States Department of Veterans Affairs. And after, on the time line there, will be an opportunity for us...or a requirement that we submit more detailed plans. Those detailed plans right now are only conceptual right now, visionary to the extent of the program statement that basically shared with us what the cost of the square footage and what the building would be. But the Schemmer Associates would be able to share that vision with you, Senator. [AGENCY 25]

SENATOR HARMS: Roughly \$74 million that you're asking for, for federal funds. Will you have to have the General Funds to show that you have those dollars available before they'll actually match that? How does that work? [AGENCY 25]

JOHN HILGERT: That's correct. We'll have a...again, we'll have a time line later and we'll fill that out. But basically what we have right now is an initial application which basically says to the federal government, we're out there, we have a project, we are hoping to replace this facility. What happens is, is that after the state of Nebraska gives their commitment of their 35 percent match, which is the request that we have before you today, we'll certify that and we'll tell the federal government not only do we have this plan out there, we have our match. At that point the federal government then looks at our application, realizes and recognizes that we have the match, and then rates it for funding in the next fiscal year. So yes, we have to have our commitment up first before

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they will put it on a priority list. [AGENCY 25]

SENATOR HARMS: Do you have land to build it on or do you have land...what do you have...how's that going to work? Are you going to buy new land or try to build it in the same area? [AGENCY 25]

JOHN HILGERT: Again we'll...we have some...we'll address that as well, but I'll just get right to, right now, Senator. We have what's going to be a site selection process. We weren't looking to move the facility. We do have land in Hall County in Grand Island. But another community became interested in hosting this facility in their community. So at this point what our plan is to do, Senator, is to have a site selection process--a site selection process that will basically announce to all of the communities that are interested that we are going to go forward with the process. We'll have a meeting to talk about the criteria of what we're looking for. We'll have an answer period time to where folks can ask us specific questions about that site selection process, and we'll share these answers with all the identified interested participants. Then we'll have a time line for that, for the folks to get their site proposals in. We'll have a time period to review those proposals, including site visits, I would imagine. And then a recommendation would be made by this committee to the Division of Veterans Homes...or the Nebraska Department of Veterans Affairs, same person. And we will then take that recommendation, and based on that committee's work and the proposals that we've received from the communities, make that selection. So it's going to be a site selection process. [AGENCY 25]

SENATOR HARMS: Well, thank you very much. It's pretty clear from what you've said, a 126-year-old facility and all the problems you have. It sounds like a lot can happen (inaudible) out there. [AGENCY 25]

JOHN HILGERT: Well, and the fact that...and Alex had said it, but let me reiterate it, Senator. The care that we're providing today, the quality is due to our committed staff.

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Our state employees do a magnificent job for our veterans. [AGENCY 25]

SENATOR HARMS: I'm not questioning that at all. I'm just questioning the fact that it's 126 years old and, gosh, all the problems you're having, that's...I don't think we should be treating our veterans that way, quite frankly, but... [AGENCY 25]

JOHN HILGERT: That's why we're here today, Senator. [AGENCY 25]

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

SENATOR MELLO: Senator Wightman. [AGENCY 25]

SENATOR WIGHTMAN: Thank you, Senator Mello. I guess Mr. Willford, first, as I understand it, the \$47 million and the \$74 million does not include all of the construction sites, is that correct...or construction amounts? That that only is for the 126...or no, I don't know if we have the figures...175, I guess, members. [AGENCY 25]

ALEX WILLFORD: Senator, that would be a complete package. [AGENCY 25]

SENATOR WIGHTMAN: That would include all of those who I think you said there were 175 of one group and then a total of...I don't remember the amount. [AGENCY 25]

ALEX WILLFORD: Again, the reference was for 175 which are just those members that have incontinence issues. Our total facility occupancy today and our ability is about 205, 210. We have 266 capability. [AGENCY 25]

SENATOR WIGHTMAN: So we wouldn't be building new for those that are not incontinent, is that correct, in this? Or are we building...? [AGENCY 25]

JOHN HILGERT: We're building a completely new facility, Senator. The regulations

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today cite that every member should have their own bathroom. What we were trying to illustrate was that 48 of our members share a toilet with another member. Only 13 out of 210 do not share a toilet. That's about 197 short of what the current standard should be. Ninety-seven do not even have a toilet next to their room, so they have to go down the hall. Now 18 rooms to a bathroom area is fine for an office building. It's not acceptable for a skilled long-term care facility. And forgive us for, you know, confusing the matter with that 175 figure, but that was used to illustrate that this issue is very much applicable to why...one of the reasons why we believe the current facility, although we tried to maintain it well--and good committed staff--is not sufficient to provide modern care under current standards. The new facility would be totally new, wherever we have it, whether it's on the same original lot that we once had, the 640 acres that was donated by the Grand Island and Hall County community 126 years ago, or whether it's in another community. It will be a brand-new facility and everyone will have their own restroom. [AGENCY 25]

SENATOR WIGHTMAN: Okay. But if we had the \$47 million and the \$74 million, that's about \$121 million total. Is that correct? [AGENCY 25]

JOHN HILGERT: That is correct. And the federal government will not participate in certain parts of our request. For example, if there was to be some remediation of the land to get it site ready, the state would have to kick in all of that money. There are other unforeseen off-site ideas or expenses that that amount would cover. So there's some things the federal government will participate in, some things they won't. That's why if you do the math, it's not a 65/35; it looks like it's a little heavy on the state figure and that's the reason. Also we wanted to include money in the budget to raze the current facility once we move into the new one. If there's not a suitable use for that facility or an alternative use or a sale or something, we certainly want to be good stewards in the community and make sure that we don't leave any abandoned buildings with no use. [AGENCY 25]

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SENATOR WIGHTMAN: But to the best of your knowledge at the present time, and from the apparently bids you have...well, probably not bids--estimates,... [AGENCY 25]

JOHN HILGERT: Right. It's a rough estimate, Senator. [AGENCY 25]

SENATOR WIGHTMAN: ...that approximately \$121 million would be the total cost of what you think you will have to do. Is that correct? [AGENCY 25]

JOHN HILGERT: That's correct. And... [AGENCY 25]

SENATOR WIGHTMAN: That would serve not only the approximately 175 patients that are incontinent but the other patients that you have as well. Or would they...would there be a new facility for them? [AGENCY 25]

JOHN HILGERT: Yes, there would be a new facility for them. [AGENCY 25]

SENATOR WIGHTMAN: And it would be included in this figure. [AGENCY 25]

JOHN HILGERT: Absolutely. Not only would we serve the 225 that we aim to serve, but it would equip, it would furnish, it would develop, and the site would be prepared. It would be everything that we would need. I know it's always dangerous to say that, but it would be. We have tried to think of any issue that might come up, and that number would serve us very, very well. [AGENCY 25]

SENATOR WIGHTMAN: Okay. [AGENCY 25]

JOHN HILGERT: Completely. [AGENCY 25]

SENATOR WIGHTMAN: Now if this were done...and you said there's three buildings, I think, that would be...or three parts of the home that would be rebuilt, is that correct, but

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you'd do it all in one? [AGENCY 25]

JOHN HILGERT: We would rebuild the entire facility. The entire facility would be razed or not used anymore, and a brand-new total facility would be made. The brand-new facility would house all the components and care levels that we currently provide at the Grand Island Veterans Home. [AGENCY 25]

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

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

SENATOR NORDQUIST: Thank you, Mr. Chairman. And thank you. Can you tell me how many staff you have working at the facility right now, roughly? [AGENCY 25]

ALEX WILLFORD: We have approximately 350 full-time equivalents, multiple part-time and temporary staff members. [AGENCY 25]

SENATOR NORDQUIST: And they range from physicians that are on staff or...?
[AGENCY 25]

ALEX WILLFORD: We have a medical director. We have a full-time physician and a full-time nurse practitioner. [AGENCY 25]

SENATOR NORDQUIST: Okay. And maybe you can walk me through in your site selection discussions here, my concern is that either, number one, that it would be a political decision which would be very concerning; but even more so, that we would look at a shortsighted, you know, save a little bit of money by choosing, you know, another community, when we have a built-in work force here that we know has been doing a great job meeting the needs of the individuals that are being served. And we've seen, over my time in the Legislature, what happens at state institutions when we don't have

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the appropriate work force, and that would be a concern of mine, to make sure that that is at the top of the list when it comes to site selection, that we're not going to, you know, choose a community to save a few bucks on the construction or the land or whatever, and then not have that work force in place. [AGENCY 25]

JOHN HILGERT: Senator, we do not have...may I? [AGENCY 25]

SENATOR NORDQUIST: Yes, please. Yes. [AGENCY 25]

JOHN HILGERT: Senator, you're exactly 100 percent correct. When we have our site selection process, when we announce it, the factors will be weighted. A certain percentage will be physical location, basically the land availability. There will be a certain weight to that. The utilities infrastructure factors will be weighted. The cultural factors, environmental factors. Work force, I can share with you, Senator is the number one weighted thing. In fact, when we are ready to publish this, we would be more than happy to give a...when we're finished with it and ready to publish it, we would be more than happy to share this with the members of the committee. [AGENCY 25]

SENATOR NORDQUIST: I think that would be...I think that would be great. I think we would all appreciate that. [AGENCY 25]

JOHN HILGERT: It would be a public document and we certainly want to share with the communities. You know, the communities need to know that of what we're looking for and what our requirements are, it's more than simply 50 acres of land, that's for sure. [AGENCY 25]

SENATOR NORDQUIST: And then could you also kind of walk me through...so this was...was it \$40 million exactly, or what was it, whatever the cash... [AGENCY 25]

JOHN HILGERT: It's \$47 million total. [AGENCY 25]

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SENATOR NORDQUIST: Okay. We took that out of the Cash Reserve. And then I was a little...I think there's some confusion on the committee of how that got paid back. Do you have that? [AGENCY 25]

JOHN HILGERT: Well, yes. And I can't say that I'm the author of this because we did the same situation back in 2001-2008 was the time frame that we started the program statement was put in for the Eastern Nebraska Veterans Home in LR241 by then-Senator...from the 7th Legislative District. I don't remember who that was but he had great foresight. [AGENCY 25]

SENATOR NORDQUIST: He's a good man. [AGENCY 25]

JOHN HILGERT: And we used the same process and so this is what we did back then. It worked. LB200 has the provision of the draw down from the Cash Reserve for this purpose, and then gives a time line for the replacement of those funds back to the Cash Reserve from General Funds. The projection and the reason these dates were chosen for LB200 was to basically say that the Cash Reserve would be made whole or replaced with these funds, an estimated one year after construction is underway or finished. [AGENCY 25]

SENATOR NORDQUIST: All right. Okay, so it's a Cash Reserve transfer that we then...we just say in the next four, three or four years, we will repay with General Funds. [AGENCY 25]

JOHN HILGERT: Yes, and here's the key, and this is why we did it, is because the federal government says you have to have that money. They don't care where it's from, you know; but is Nebraska good for its 35 percent? And that's why we need that commitment now. Will all that money be drawn down from the Cash Reserve all in one moment? It will not. But it will be drawn down and transferred into the capital

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construction, and then that fund will be drawn down as we pay our bills through the construction phase. Money was drawn down towards the Eastern Nebraska Veterans Home project over a period of 4-5 years. So we just need that commitment now and we thought this would be a good way to do it because we did it before. [AGENCY 25]

SENATOR NORDQUIST: All right. Thank you, Mr. Director. [AGENCY 25]

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

SENATOR MELLO: Thank you, Senator Nordquist. Just a reminder to the committee, there are other testifiers here with Director Hilgert to answer different aspects of the project as he goes along, just to make sure everyone knows that some questions may be better saved at a later point. But, Senator Bolz. [AGENCY 25]

JOHN HILGERT: Oh, I'm sorry. I thought that was an invitation for us to move along. Senator Bolz, I'm sorry. [AGENCY 25]

SENATOR BOLZ: Thank you, gentlemen. And thank you for your service to our veterans. It's such an important job. [AGENCY 25]

JOHN HILGERT: It's our honor. [AGENCY 25]

SENATOR BOLZ: And I know there's some vets in the audience. Thank you for your service for all of us. So clearly, you know, this is an important issue. Could you just, for my own education, explain where the veterans who are not the 210, 215, who are currently in your facility, where do they get care? [AGENCY 25]

JOHN HILGERT: They currently are being served at the Grand Island Veterans Home. That's our current census. [AGENCY 25]

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SENATOR BOLZ: No. So those who are not currently in the Grand Island Veterans Home, I assume that there are veterans in the rest of the state as well. Where do they get care? [AGENCY 25]

JOHN HILGERT: Oh, oh. Well, we have three other veterans homes: Scottsbluff, Norfolk, and then Bellevue that I made reference to earlier, host our veterans homes and provide great community support. But there's roughly 142,000 veterans in the state of Nebraska. We have, you know, approximately 530 in our veterans homes right now. So they're getting care everywhere. In fact, I got a call from a spouse of a veteran this morning who's in the...the veteran is in another private-sector nursing home in Omaha, and inquired that they would like to go to the Eastern Nebraska Veterans Home in Bellevue. So the veterans receive service in many places. [AGENCY 25]

SENATOR BOLZ: That's reassuring to me. Thank you. [AGENCY 25]

JOHN HILGERT: Oh, absolutely. [AGENCY 25]

SENATOR BOLZ: And can you tell me about the time line of the availability of these federal funds? Is this a time-limited opportunity or is this something that might be available in the future? [AGENCY 25]

JOHN HILGERT: Well, the program has existed for many, many, many years, and I don't have how long it's been. Ever since I've been around or served in state government, the program has been there. So I'd say 20-plus. Maybe Roger Wozny and Mark Higgins have more information on that, but we could get that. It's been there. It's also not slated to end. So we believe that this program will continue on. The United States Department of Veterans Affairs takes these applications, the ones that are funded, and ranks them according to certain factors. And we'll have some people go into that a little bit. But, for example, safety and life codes are higher, than simply, we would like to have an extra veterans home in our state. Those are lower ranked. And

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they do that every year. They re-rank all the projects every year. So...and what I'm saying there is that there's not an assembly line that if you did it two years ago, you know, there's some projects right now that are on the federal list that are new facilities and not replacement facilities. And frankly, those are lower priority to our federal partners. This would be a higher priority. And with the condition the facility is in, in my opinion, it will be among the highest. The program has sometimes \$300 million, down to \$200 million. It fluctuates. The United States Department of Veterans Affairs is exempt from sequestration, I'd observe, so that's not an issue. But obviously, we don't know from year to year what exactly the Congress will be doing regarding this program. So it's important for us to get our commitment in from the state of Nebraska. It's important for us to make a very compelling initial application and other applications to show the need and the deficiencies that we currently have, and to get this started sooner rather than later. [AGENCY 25]

SENATOR BOLZ: That's helpful. And just one last question. I know the federal government's strength is not in creativity. I understand that. But just how much flexibility do you have in the grant funds? Is there any opportunity to renovate an existing facility or partner with an existing facility that would serve your needs while saving some dollars? [AGENCY 25]

JOHN HILGERT: Well, hum. We certainly couldn't renovate the facility we're in. [AGENCY 25]

SENATOR BOLZ: I understand that. [AGENCY 25]

JOHN HILGERT: I mean, when you have load-bearing walls that by... [AGENCY 25]

SENATOR BOLZ: No, that's clear. I'm just curious if you could upgrade an existing facility that's not being used elsewhere or put in a new wing on it. I'm just curious. [AGENCY 25]

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JOHN HILGERT: We don't...we're not...the state right now, all the facilities that we have, the Western Nebraska facility, would not be able to take these number of veterans by any means. The Grand Island Veterans Home is the flagship of the division. It's the largest. IT's the oldest. It's the biggest. And that's...there's nowhere to put these veterans regarding our state veterans home grant program that we have. When the state...I don't believe that there would be that type of partnership available with the flexibility of the program itself. We have to be the ones that are committed to utilizing this facility. We're the ones who have to say that it will be only used for veterans. We have to provide all those assurances that are part of a grant application to the federal government. So I don't believe that that particular grant is an option right now.

[AGENCY 25]

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

JOHN HILGERT: Thank you. [AGENCY 25]

SENATOR MELLO: Senator Wightman. [AGENCY 25]

SENATOR WIGHTMAN: Thank you. Another couple of questions. One is, is it possible to do this over a longer period or would it not be as economical to do it over, say, a three- or four-year period than... [AGENCY 25]

JOHN HILGERT: It's going to take that long, frankly, to get all the plans in place, to do the 35 percent plans, to do the final plans, to put it out for construction, to bid it out, to do the site preparation, to do all the construction and so forth. So it will take several years even if we go at a very deliberate and quick speed. Whether we could do it in phases and do all of that in sections, anything is possible, Senator. But at the same...but what we're doing is, though, is we're having to maintain a facility that is decaying at the same time we're parceling out new sections. If you do want to do that,

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we don't believe it would be efficient, we don't believe it would be economical. I think you would have problems. For example, your heating systems, your HVAC, all of those central facility...all those central support systems for a larger facility would have to be in place when you do the initial grouping of rooms, if you will, so you wouldn't really be saving very much. [AGENCY 25]

SENATOR WIGHTMAN: I guess one other question. Do any states, instead of building a nursing home facility such as we'd be building here, do any states provide for them in nursing homes around the state? And is that even possible? [AGENCY 25]

JOHN HILGERT: Well, I think that our policymaking branch of the government determines what's possible for me. I don't know of any state that has a...that rents or has a contractual obligation with a private entity. I do know that the United States Department of Veterans Affairs, however, does; and they do have contracts with private facilities on a bed-by-bed situation. It's not an entire wing or a neighborhood or...it's veteran-specific, those type of arrangements. And since I've been director in the state, we've seen the number of those contracted arraignments with the United States Department of Veterans Affairs drop dramatically. They're going the other way on this. There's 135, I think last count, veterans homes across the United States; we have four of them. I'm unaware of any arrangement that you described from a state level. [AGENCY 25]

SENATOR WIGHTMAN: Thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Wightman. Senator Nelson. [AGENCY 25]

SENATOR NELSON: Thank you, Senator Mello. Thank you, Mr. Hilgert, for coming. [AGENCY 25]

JOHN HILGERT: Sure. Absolutely. [AGENCY 25]

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SENATOR NELSON: You are situated now between West Capital Avenue and Old Highway 2, is that correct? [AGENCY 25]

JOHN HILGERT: That's correct. [AGENCY 25]

SENATOR NELSON: Is that the 50 acres that you referred to? Is that a 50-acre tract? [AGENCY 25]

JOHN HILGERT: No. The 50 acres is what I referred to as our need. [AGENCY 25]

SENATOR NELSON: Is your what? [AGENCY 25]

JOHN HILGERT: Is our need. For the new facility, we'll need that. It's going to be one level. We don't like elevators. I don't like elevators. We're going to make it one level. And we need a large chunk of land for that. That land is...there is more than that available right now in Hall County in the city of Grand Island that's owned by the Department of Administrative Services, the state of Nebraska. It's originally part of the section that was donated 126 years ago. Over time, that section has been parceled out, to a certain extent. For example, there's a lake there now, there's athletic fields, soccer fields that were...that made the State Fair possible when that was brought to Grand Island. The Boy Scouts... [AGENCY 25]

SENATOR NELSON: That's the 640 acres that you referred to. [AGENCY 25]

JOHN HILGERT: Yeah. There's a lot more left. I think...I don't know how much we have that is under cultivation that is rented to...but there's...let's say...I think it's safe to say there's hundreds left of that. More than enough to build the home. If we were going to stay in Hall County, in Grand Island, we would be looking at south of Highway 2 and we would be looking at north of Capital. It would be basically immediately to the west of our

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current facility, next to the state veterans home cemetery. We...although the land is a little bit higher across Highway 2 on the northern part of that section, we thought that due to the folks that we have that live and work and visit, I'm not sure we want them crossing the highway and the Burlington Northern lines that are there. I'd rather keep them a little bit safer and have to deal with Capital Avenue, which is going through a wonderful expansion right now. [AGENCY 25]

SENATOR NELSON: Thank you. [AGENCY 25]

SENATOR MELLO: I have...Senator Kintner. [AGENCY 25]

SENATOR KINTNER: I just want to say for the record, the reason I'm not asking questions, I've already asked him my questions and he's already answered them. So it's not that I'm not taking an interest in this, for I took an interest in all year in things today. So I just want to say that for the record. [AGENCY 25]

SENATOR MELLO: Maybe this is for Mr. Willford, maybe a little bit more, in just the sense of looking at the handout you gave us. Your testimony laid out some concerns in the sense of existing fire codes that essentially the facility is not in compliance with. The current facility is not in compliance with ADA requirements. My question and concern, I guess right now, is knowing even if we were to move forward on new facility, what are your plans right now to meet...to help get the facility compliant with existing codes, with existing ADA requirements; and how long have we been out of those...how long have we been out of compliance with fire and safety codes and ADA requirements at the existing facility? [AGENCY 25]

ALEX WILLFORD: Well, I think, Senator, you bring up a great point. One of the things that I think we really need to focus on is the member dignity issues that I've outlined. To me, those are huge. They are consistent in our facility as far as providing good quality of care and service. The fire and life safety codes, we continue to work with our

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Department of Administrative Services, our maintenance department, and many other components to maintain that compliance. Those codes evolve. This building was built and the concept was 1887. Through that, the regulations have significantly increased over the years, and that model of care that we provide today is institutional. We want to go to more of the residential model, the neighborhood concept, which will make us more competitive and a supplier of quality care to our members in the future. [AGENCY 25]

JOHN HILGERT: Even though we are hopeful, and to replace the facility, as last week, in fact, I received a notification from the Department of Administrative Services reaffirming their commitment to respond to emergency fixes that are needed. So that still remains available to us and they certainly will respond to emergency repairs that need to be made. [AGENCY 25]

SENATOR MELLO: So I mean I...is it...would it be your understanding and essentially that we'll..if the Legislature was to move forward to appropriate the funding for a new veterans home in Grand Island, that we would...the existing facility would still be out of...would still be noncompliant during that period of time but we would have funding available through the Department of Administrative Services in case of emergency situations. [AGENCY 25]

JOHN HILGERT: That's a correct summary. Some of the things that bring us out of compliance is what Alex has referenced. When you have a fire escape corridor, it was built that size. It didn't somehow shrink due to some, you know, state snafu. It was up to regulation way back in the day. It no longer is. So it became...we became out of compliance because time marched on. If there's emergency issues regarding life safety, you know, electrical, situations like that, we'll certainly respond to them, and...but yes, and that's why we would...you know, we want to get this built as very deliberately and as soon as practicable. [AGENCY 25]

SENATOR MELLO: And I guess I only have one other question. It's maybe more from

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the federal level and your interpretation in regards to the federal regulations. I know that the handout here shows in regards to having essentially individual members with single toilets or rooms with single toilets, that only 13 members do not share toilets now, and that's a requirement for the U.S. Department of Veterans Affairs. Is it causing a problem right now, obviously that we've not in compliance with those existing regulations? Is that part of the driving force of the immediacy right now, or...? [AGENCY 25]

JOHN HILGERT: Let me answer you this way. They've grandfathered and they recognize that this is an old building. Even though that they've grandfathered us into, our commitment is to the dignity and the quality of service of our veterans. Therefore, it's a significant issue for my division, my staff, and the people that work there. The problem that it causes is the recognition of that and our not providing that quality of service that we could with the new facility. The U.S. VA does recognize that it's noncompliant. If we were to build a new facility, we would never build it like this, but they do know that it's an old facility and it's not an automatic deficiency per se on some of those life safety measures. [AGENCY 25]

SENATOR MELLO: Okay. Thank you, Director. Are there any further questions from the committee at this moment in time? Seeing none, thank you. [AGENCY 25]

JOHN HILGERT: Thank you. [AGENCY 25]

MARK HIGGINS: Chairman, committee members, my name is Mark, M-a-r-k, Higgins, H-i-g-g-i-n-s. I'm an architect with the Schemmer Associates. We are consultants for the Nebraska Department of Administrative Services and HHS Division of Veterans Affairs. My testimony picks up on page 12 of the handout. In keeping with the current best design practices outlined in the U.S. Department of Veterans Affairs Community Living Centers Design Guide--and a community living center is what they call a nursing home--this replacement home is programmed and will be designed to provide for the dignity, privacy, and special needs of the veteran resident. This design guide is

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applicable to state veterans home and it represents the evolution in the approach to the environment of care for long-term care residents. It is the strong preference of the federal Veterans' Affairs to create single bedrooms to address the needs for dignity and privacy. This replacement home would allow, as Alex had mentioned, the state of Nebraska to complete their transformation from a medical model of care to a resident-centered model driven by the needs and preferences of the resident and which involves the resident directly with decisions made about their care. This model of care will provide an environment of life and optimism in a home/neighborhood/community center hierarchy of spaces within the building. A home is defined as a group of 10-15 members or residents in which you create an intentional community, and this community focuses on life and the relationships that can flourish within the home and the relationships with the staff that can now be consistently assigned to a community within a home setting. This is where members can receive assistance and support without this assistance becoming the focus of their existence. Now there are efficiencies derived by connecting homes into neighborhoods, with shared support spaces such as medication, charting, and so forth; and the neighborhoods are in turn connected to the community center, which is the central hub for socialization and large group activities and support services. So the community center will host special events and large group gatherings and provide the centralized support services such as food service, therapy, pharmacy, and administration. So a broad and brief overview of the replacement home will be a single-story building of approximately 330,000 square feet, with 225 private bedrooms with private baths. The building configuration will allow for flexibility and adaptability to provide for a range of care levels and provide the ability to respond to changing demographics and future demand for services. Thank you. [AGENCY 25]

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

SENATOR WIGHTMAN: Just one question. I think I missed what you said. I think you said this would be 330,000 square feet, is that correct? [AGENCY 25]

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MARK HIGGINS: That is correct. [AGENCY 25]

SENATOR WIGHTMAN: And then how many patients would it be for? [AGENCY 25]

MARK HIGGINS: Two hundred and twenty-five. [AGENCY 25]

SENATOR WIGHTMAN: Two twenty-five. Okay, thank you. [AGENCY 25]

SENATOR MELLO: Senator Nelson. [AGENCY 25]

SENATOR NELSON: Thank you, Senator Mello and Mr. Higgins. Is the facility now, the home in Bellevue, is it right along these lines here that you're proposing? Do they have single rooms with...were you involved in that? [AGENCY 25]

MARK HIGGINS: Pardon me? [AGENCY 25]

SENATOR NELSON: Were you involved in that? [AGENCY 25]

MARK HIGGINS: Yes, sir. [AGENCY 25]

SENATOR NELSON: Okay. [AGENCY 25]

MARK HIGGINS: It has a mix of semiprivate and private rooms and that was designed in 2003 essentially. And the model of care has evolved in those intervening years; so it's a precursor. It has many of the characteristics that the current design lines do but not all private rooms. [AGENCY 25]

SENATOR NELSON: That's all. Thank you. [AGENCY 25]

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SENATOR MELLO: Thank you, Senator Nelson. Mr. Higgins, I have one question. It's maybe...I know you're here as the engineer and kind of the designer. We heard from Mr. Willford's testimony that there seems to be a significant amount of inefficiencies in regards to utility usage at the current facility based on...simply based on its age. In regards to any of your planning, are you taking that into consideration at all in regards to maybe the increased efficiency through the utilities in regards to where any cost savings at all for the new project? Would that be (inaudible) that considered at all in regards to the existing operational budget for the existing facility in relationship to the creation and building...the creation of the new facility? [AGENCY 25]

MARK HIGGINS: We would certainly expect the utility use to be significantly lower on a per-square-foot basis with the new facility. We haven't gotten to the point of selecting precise systems, but there's many techniques: geothermal systems, energy recovery systems. The buildings we're designing currently are typically at least 30 percent more efficient in terms of the utility costs. And this runs the gamut of HVAC systems, lighting, and so forth. [AGENCY 25]

SENATOR MELLO: Because that maybe I...I guess maybe I have a follow-up with maybe Director Hilgert afterwards and just in the sense of more of the operational cost savings that would come from the replacement of a building that's 120 years old. I imagine the efficiencies would be much greater than 30 percent in the sense of utility usage. But where does that savings fall, I guess? And that's a question I can ask Director Hilgert maybe later then, so thank you. Seeing no further questions, thank you, Mr. Higgins. Our next testifier. [AGENCY 25]

ROGER WOZNY: Chairman Mello, members of the committee, thank you for allowing me to be here today. I'm Roger Wozny; that's R-o-g-e-r W-o-z-n-y. I am a professional engineer and executive vice president with the Schemmer Associates. We're consultants to the Nebraska Department of Administrative Services, Department of Health and Human Services Division of Veterans Homes. I've been traveling to

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Washington, D.C., for about the last 15 years working with the State Home Construction Grants Program, and have been involved with several of these projects. What I'd like to discuss, I'm beginning on page 21 of the handout. A state veterans home, as you know, it's really owned by the state. And the U.S. Department of Veterans Affairs, referred to as U.S. DVA, provides federal assistance to states by participating in a percentage of the cost of construction; and, in addition, the U.S. DVA assures Congress that the homes provide quality care through annual inspections and audits to ensure that the standards are met. Replacement of construction of a new assistance is provided by, to the states, by the U.S. DVA State Home Construction Grants Program--and construction grant program is a separate line item in the U.S. DVA's budget. The U.S. DVA participation is limited, as has been discussed here and pointed out by Director Hilgert, to 65 percent of the total project costs. And it has a couple of exceptions that also have been covered. One of them is that the State Home Construction Grant Program cannot participate in the cost of land acquisition, and the State Home Construction Grant cannot participate in the cost of off-site improvements if you needed to develop an intersection or traffic signalization, those types of things. In order to compete for the State Construction Grant Program, the state must document the need for the proposed project, submit an initial application, and receive a favorable priority group ranking based on that justification. And in the case of a replacement project, the state must stipulate that the former home will not be utilized for a veterans home or a long-term care facility. So normally that would mean that the property would be directed to the state Department of Administrative Services for surplus or disposition. The items of information that must be contained in the initial application are prescribed by the U.S. Department of Veterans Affairs submittal checklist, and they're very thorough about this and they have a requirement schedule that must be met. An overview of the significant dates...and I won't bore you with all of those, they're included in your handout. But it's important to note that a proposed project will not be placed on the priority group list, Group 1, unless the availability of state funds is certified by August 1 of this year. Certification, as Director Hilgert mentioned, means that the funds have to have been appropriated by the Legislature or on deposit in the State Treasury or that the bonds

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can be issued without further action. The stated practice of the U.S. DVA is to announce the prioritization of projects by October 31. However, it's important to note that there have been 2-4 months' delay in notification in the past several years. As noted here on the handout, this year's priority list was published on February 14 of this year. Once the initial application has been placed in Priority Group 1 and the state is notified that federal matching funds are available, a sequence of additional document submittals that must be completed by August 15 of the following year are set in motion. Upon approval of the submittals, the state requests and the U.S. DVA provides conditional approval of the grant. The state then has 180 days to complete the final construction drawings and contract documents, receive and tabulate and certify the bids for construction. Approximately 75 days after that final application, the grant is awarded and federal funds are obligated and construction begins. That completes my comments. [AGENCY 25]

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

SENATOR NELSON: Thank you. Thank you, Mr. Wozny. Federal funds are obligated and construction begins. What guarantee do we have that the funds are going to be there from the Veterans Administration and the construction will begin? [AGENCY 25]

ROGER WOZNY: Well, as Director Hilgert indicated, and in the...our experience with the plan over a good number of years with the program is that this is important for the dignity and the care of our veterans, and to my knowledge there hasn't been any revocation of those funds. As has been indicated, the amount of matching funds that are available at the state level has varied from year to year, as one would expect; but that commitment...this is part of the commitment of the U.S. DVA to help states provide for those that have served. [AGENCY 25]

SENATOR NELSON: With regard to the state's part of this, and we need to have that

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commitment made by the first of August, as you said. Is that right? [AGENCY 25]

ROGER WOZNY: That's correct. [AGENCY 25]

SENATOR NELSON: Do those funds have to come out of our Cash Reserve and go into the State Treasury? I mean, do they have to be segregated at this time? [AGENCY 25]

ROGER WOZNY: No, they do not, Senator. They need...what it amounts to is that the state must represent to the U.S. Home Construction Grants Program that the funds are reserved and available for use in the program but they don't have to be... [AGENCY 25]

SENATOR NELSON: Okay. [AGENCY 25]

ROGER WOZNY: As Director Hilgert indicated, they don't have to immediately have been spent or paid out. [AGENCY 25]

SENATOR NELSON: Okay. All right, thank you. [AGENCY 25]

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

JOHN HILGERT: Thank you. Senator, just...I will answer your question, but let me briefly just touch on just a brief aspect of that site selection process. This is a replacement facility to one that we currently have; therefore, the federal government will only consider it a replacement facility if it's within two hours' driving time, which could mean different things in different parts of the United States. So imagine that. But two hours' driving time on I-80 in Nebraska when the wind is behind you, (laugh) goes...anyway, so we're talking about central Nebraska. That's the main. You know, we're not talking about Lincoln. Because not only does it have to be within two hours'

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driving time of Grand Island where we currently have the home, it has to be two hours away from any other facility. Lincoln would be within two hours' driving time of Bellevue, therefore, Lincoln is not eligible. Columbus would be within two hours' driving time of Norfolk, therefore ineligible. It goes on and on. So in your packet we have kind of a zone of where we're looking as far as eligible communities, so I just wanted to make that point and make it on the record. The cost...the...Senator Mello, or Mr. Chairman, you're interested in green design perhaps and energy efficiency. I'd just note that the Schemmer Associates prepared life cycle cost-benefit studies for the Iowa Veterans Home in Marshalltown and that the Iowa Veterans Home is currently on track for LEED gold certification. Regarding any budget savings that we might have, we have become more efficient over the last five years I'm happy to report to you. And I appreciate your willingness as well as the Governor's to allow us to reinvest in the efficiencies back into service for our veterans. Right now, we're going through a very...a challenging time regarding electronic medical records. You have not seen me come before you or the Governor requesting additional funds for that. We're coping with that with the efficiencies within the budget that you've allowed us. So we're continually enhancing our services to our veterans with those cost savings. Would there be cost savings? Obviously there would be more efficiencies in a new facility. I cannot quantify that at that time. I don't know what that amount may be. I also don't know what new regulations the United States Department of Veterans Affairs may have in the next five years. There may be more and more demands put upon us that we would have to address, and maybe those efficiencies and those savings would have to be deployed to answer those heightened regulations. The U.S. VA is continually getting closer and closer to CMS, and, in fact, some of their contractors now in our surveys are CMS survey-contracted people. We just...last Thursday, we...I can report to you that we have a deficiency-free survey in Norfolk, Nebraska, so we're very happy and pleased about that. And again, all the credit goes to the staff and our state employees that make these facilities work--make these home. And I'd like to end my comments by thanking the thousands of state employees that have worked in that facility over the last 126 years. And obviously I would like to thank and honor all of those who have served in our armed forces. Thank

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you. [AGENCY 25]

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

SENATOR WIGHTMAN: Thank you again for giving us that latest information. But I was just looking and it's about 330,000 square feet and 225 patients. That's approximately 1,500. But I assume there's a lot...1,500 square feet for a bid, is that correct, or a facility? But I'm assuming there's a lot of space used up other than just... [AGENCY 25]

JOHN HILGERT: I will say that the new standards do have larger rooms for our veterans, but that is no way all-encompassing of that square footage. There are extra-wide hallways that we have. I'd like you to walk down the hallways of the Eastern Nebraska Veterans Home. General Beavers, who was just here, who is the executive director of my association, couldn't believe the wide hallways that we have at the Eastern Nebraska Veterans Homes. And then look at the hallways at the Western Nebraska Veterans Home. They're substantially different. That's square footage. The common areas that we have, the common areas that we'll have for our work therapy, that wood shop, that ceramics area that we have in the Grand Island Veterans Home that we hope to replicate in the new facility, the chapel, the dining, all of those things, the baths that we have. Even though that we have individual bathrooms, the bath areas are something different. Those people need assistance. There's lots of, lots of treatment areas that add to that huge square footage number. [AGENCY 25]

SENATOR WIGHTMAN: I'm assuming that some of the employees of the veterans homes are also--or are they--"officing" in that same facility, or not? [AGENCY 25]

JOHN HILGERT: All of the activities that we have within our veterans home are self-contained. The...and some administrative support obviously we benefit currently from our placement within Health and Human Services. Matt Clough's shop offers us

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quite a bit of support regarding human resources supply; Mr. Winterer, you know; the IS&T and so forth. Some of those assets are in Lincoln. But all of our...all the people that serve our veterans are in that facility, whether it's your computer...the IS&T person in our facility has an office; our social workers have an office; we even give offices to administrators. [AGENCY 25]

SENATOR WIGHTMAN: In that same square footage, in the 300,000. [AGENCY 25]

JOHN HILGERT: It's all included, Senator. [AGENCY 25]

SENATOR WIGHTMAN: Thank you. [AGENCY 25]

SENATOR MELLO: Director Hilgert, I guess I have only one real question left, and it deals I think to part of the issue that we discussed as a committee in the preliminary discussions is the actual location of where this will be at, of why the state wouldn't instead focus right now on the community that the current home is in and put more time, energy, and resources into utilizing space that we have, existing state property within the city of Grand Island, working with an existing community where the home is located instead of putting it out, so to speak, to bid to other competing cities, so to speak, to move the home. I know you briefed us, but I think Senator Harms and Senator Nordquist briefly talked on that, but. [AGENCY 25]

JOHN HILGERT: Sure. [AGENCY 25]

SENATOR MELLO: But I mean what seems to be the rationale behind that decision instead of simply working with the city of Grand Island right now to look for the location for the new home? [AGENCY 25]

JOHN HILGERT: Well, we were. And again, we weren't looking to move the home. In fact, I shared with you if we were going to stay in Hall County where that location would

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be. We've even talked about, you know, do you want to cross the Burlington (inaudible) and whatnot and so forth. What...a couple things came to bear. One is another community became interested and said, hey, we'd like to compete, just like communities competed for the Nebraska State Fair that had been in Lincoln for a long, long time. Probably not as long as this veterans home but...because they used to rotate it, I know, when I served on the committee. But we would...another community became interested in it, and at that point there's a question of fairness. Also there's a question of what can we do for the Nebraska taxpayers. Do we owe an obligation to say if there is competing interests that we ought to look at them? That's all the site selection process is. We have weighted it; we think it's going to be fair. We'll share that criteria with you. So that would be my answer. Another community became interested, and once that happened, there's a question of fairness and stewardship at that point to consider alternatives, and that's what we're doing. The site selection process is the consideration of the alternatives that present themselves to us. We haven't started that yet and it's not certain that any community will come forward with a proposal. I think that's highly unlikely but that's possible. [AGENCY 25]

SENATOR MELLO: I can appreciate that, Director. And I guess the question...and then maybe it's something that is something that can be considered moving forward is the concern I have to some extent is essentially an arms race between communities trying to land a very large \$125 million public facility in their community. And the concern I have is, even if one community is interested in comparison to where the current facility is at, how much taxpayer dollars are going to be spent trying to lobby and market, essentially, their community to the Department of Health and Human Services, and ultimately, to the state of Nebraska, to try to land that facility in comparison to initially seeing at first if the city of Grand Island has the property that works for the agency to essentially test the waters first with the existing community. And if they don't ultimately meet the needs of the agency and the state, then maybe it's worthwhile to open up the pool to other interested communities only in the...I guess, only in the spirit of trying to save hostility amongst maybe competing communities and ultimately I think from our

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perspective trying to save taxpayer dollars. They may be local taxpayer dollars at the end of the day, but still trying to save money in the long run for not trying to have that arms race against neighboring communities. (Sneeze) [AGENCY 25]

JOHN HILGERT: I'm sorry, Senator. Is that a question or a statement? (Laugh)
[AGENCY 25]

SENATOR MELLO: It's a little bit of both. I guess, Director, it's a little bit of both.
[AGENCY 25]

JOHN HILGERT: I would stand by again...and again, and I don't mean to be repetitive and I don't want to...try to be nonresponsive. I'm not. We weren't looking to consider it until another community came forward. And when it did, the first thing we wanted to do and something I...here's...you know, I don't...this is not finished yet, but I have, you know, 45 pages of what it's going to look like. That's not a political document. This is an...this is an assessment. The assets that I've talked to the Department of Labor, for example, the need to staff the facility. We need a community that's going to staff the facility, that can support the 340-380 individuals that staff that facility. I would gather that most people, most communities that would say that we would like to have the facility, are going to say, yeah, we can do it. But who's going to be on the committee to check? And I've asked someone from the Department of Labor to be on that review committee. I want someone who's going to be able to...that has evaluated business proposals in the past that Nebraska has reviewed, to say, fine, you say that you can do it; we're going to check your materials and make sure that you can. We have someone that we're going to have from the Department of Economic Development be on that committee, and someone who is experienced and looking at those type of business proposals. We want to be able to look at these proposals and look...review them by experts so that we can evaluate them correctly and not simply have a list of boxes that someone checked. So it's going to be more than that. So that would be my assurance to you that this is going to be taken extremely seriously and we're...and try to be very objective in our approach.

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The comment or statement requested regarding the cost, I believe that that is a cost that...frankly, my opinion would be that that's a cost borne by that community that decides they want to participate. If the community chooses not to compete for this, there is no cost, so it's somewhat their choice. And we have been contacted that other communities besides Grand Island would be interested in hosting the facility; and just like the State Fair, we would like to open that up. [AGENCY 25]

SENATOR MELLO: Thank you, Director. [AGENCY 25]

JOHN HILGERT: Thank you, Senator Chairman. I appreciate it. I appreciate all the members and the time that you've given. [AGENCY 25]

SENATOR MELLO: Thank you. That will take us back to any questions the committee may have for Director Winterer or any other director on behalf of the programs today. [AGENCY 25]

KERRY WINTERER: I believe directors are still here so they'd be happy to talk about something other than veterans home. There are other things going on. [AGENCY 25]

SENATOR MELLO: I'm sure there's plenty of questions amongst the committee here. [AGENCY 25]

KERRY WINTERER: Sorry, John. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Yes, I would have some for Director Chaumont, I guess if she's in the crowd. Well, I'll start with the question I first...oh, do we need the director to state and spell her name? [AGENCY 25]

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SENATOR MELLO: Please. [AGENCY 25]

VIVIANNE CHAUMONT: Good evening. I'm Vivianne Chaumont, V-i-v-i-a-n-n-e C-h-a-u-m-o-n-t, and I'm the director of the Division of Medicaid and Long-Term Care. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you. I'll start with the question I asked Mr. Winterer about whether or not there would be any potential cost savings if we developed MMIS and the changes to our eligibility system concurrently? [AGENCY 25]

VIVIANNE CHAUMONT: They really are two separate systems. The systems will have to talk to one another, but the eligibility system is very different than the MMIS system. [AGENCY 25]

SENATOR NORDQUIST: Okay. I've heard, and we've talked about it in the committee, the discussion of moving eligibility for Medicaid out of other...breaking it away. I was on a call last week with Cindy Mann, a webinar...a large call, a national call, and they mentioned that the federal government maybe would be...or is willing to do Medicaid eligibility determination? Has that been something we have looked into at all? [AGENCY 25]

VIVIANNE CHAUMONT: That the federal government is willing to do Medicaid eligibility determination? That's the first I would have heard of that. It is a state function. [AGENCY 25]

SENATOR NORDQUIST: Well, yeah, that was...that was last Thursday or Friday, I think, was the (inaudible). [AGENCY 25]

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VIVIANNE CHAUMONT: There is a federal facilitated exchange, is that what you're talking about? [AGENCY 25]

SENATOR NORDQUIST: Um-hum. [AGENCY 25]

VIVIANNE CHAUMONT: Federal facilitated exchange, which they have now renamed the federally facilitated marketplace, that the system, the exchange or the marketplace would be able to do Medicaid eligibility... [AGENCY 25]

SENATOR NORDQUIST: Okay, so it would just be for the... [AGENCY 25]

VIVIANNE CHAUMONT: ...determinations. Right. Through the exchange. Yes. [AGENCY 25]

SENATOR NORDQUIST: Just for the...just through the exchange. Sorry. That should have...yeah, that's what the purpose of the call was. [AGENCY 25]

VIVIANNE CHAUMONT: And so what we are choosing to do is have them make the assessment and we will make the determination. [AGENCY 25]

SENATOR NORDQUIST: Okay. Would that reduce any of the administrative costs that we've either built into the mandatory population component in the budget now or...if we chose to allow them to do that and are we considering...? [AGENCY 25]

VIVIANNE CHAUMONT: No, I don't think it would change anything. That option has been there since we built the budget. [AGENCY 25]

SENATOR NORDQUIST: Okay, okay. I just wanted to...I know we're going to have a big discussion in the upcoming weeks here about Medicaid in general, and just I've heard a lot of rhetoric tossed around about our Medicaid program in general, and I just

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want to get a few comments from you regarding that. I've heard it even described so far as a bad program. That it's...that people are worse off being served by Medicaid than not being served by anything at all. Can you give me your thoughts on that? [AGENCY 25]

VIVIANNE CHAUMONT: Okay. I couldn't possibly agree with that. [AGENCY 25]

SENATOR NORDQUIST: Okay. And can you...I think also I think there's certainly in the general public and I think even amongst legislators, it certainly took me a while to get a clear understanding of who our current Medicaid adult population is that's eligible. Can you review that for our committee? [AGENCY 25]

VIVIANNE CHAUMONT: Sure. Let me tell you who is eligible normally under Medicaid: children, pregnant women who are adults or not, the aged, and the disabled, and then the caretaker relatives of children who are on ADC. Those are the adults that would be eligible. [AGENCY 25]

SENATOR NORDQUIST: Okay. So with that population knowing that we're serving the aged, the disabled, and very low-income parents, would the cost of serving that population would you assume be greater than serving someone in the expansion population, for example? [AGENCY 25]

VIVIANNE CHAUMONT: That depends. Children, of course, are cheap. [AGENCY 25]

SENATOR NORDQUIST: Children aside, but yeah, the adults. [AGENCY 25]

VIVIANNE CHAUMONT: But adults, they... [AGENCY 25]

SENATOR NORDQUIST: If you compared our current adult population we're serving versus even the...either the expansion population or the population at large. [AGENCY

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VIVIANNE CHAUMONT: Um-hum. States...I'm familiar with a couple of states. I can think of Arizona, having had this conversation with their Medicaid director there. When they expanded years ago, they found that the cost of their ADC adults was substantially lower than the cost of the expansion population simply because a lot of the expansion population had behavioral health issues. [AGENCY 25]

SENATOR NORDQUIST: All right. [AGENCY 25]

VIVIANNE CHAUMONT: And the pent-up demand. [AGENCY 25]

SENATOR NORDQUIST: Okay, okay. I didn't look...I didn't see in Milliman...I know that the expansion population costs in Milliman was somewhere around \$4,000. I didn't see that the ADC adult average was... [AGENCY 25]

VIVIANNE CHAUMONT: It's lower than that. Well, \$4,000 a year, \$4,000 a month. [AGENCY 25]

SENATOR NORDQUIST: It was \$4,000 a year for an expansion adult according to the Milliman study, but... [AGENCY 25]

VIVIANNE CHAUMONT: I'm sorry, I don't remember the numbers. [AGENCY 25]

SENATOR NORDQUIST: Then also an issue that's been thrown around too is the issue of fraud in our Medicaid system. Can you address what activities the department does to combat fraud in our Medicaid system? [AGENCY 25]

VIVIANNE CHAUMONT: Well, there's client fraud and then there's provider fraud and abuse. And we have many programs. We have program integrity for the provider fraud.

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We have program integrity activities. There are a lot of separate mandated federal activities that address fraud and abuse. Sometimes it's education, teaching a provider how to bill in a more compliant manner, and sometimes it's going after providers who abuse the system. So we have several programs and we're about to start a new program required by the ACA called the recovery audit contractors, the RAC. We're about to do that. And then the recipient fraud I think is probably a tougher issue. And there is some investigative staff in the Division of Public Health that addresses that or it's done at the local level. [AGENCY 25]

SENATOR NORDQUIST: And that would be people who submit fraudulent numbers to become eligible for services or...? [AGENCY 25]

VIVIANNE CHAUMONT: They submit information that's not correct and therefore become eligible. [AGENCY 25]

SENATOR NORDQUIST: So do we in our Medicaid system do as much as private insurance does to combat fraud? [AGENCY 25]

VIVIANNE CHAUMONT: By providers? [AGENCY 25]

SENATOR NORDQUIST: Yes. [AGENCY 25]

VIVIANNE CHAUMONT: We do a lot. I don't know what they do but we do...there are quite a few programs. As a matter of fact, that's something that's been addressed with CMS is that they just keep piling on programs, program after program, and maybe they should sit down and see all what they have and come up with one, you know, encompassing program so that would be more administratively efficient. [AGENCY 25]

SENATOR NORDQUIST: Sure, sure. Well, if other people have questions, I don't want to...I have some others, but I...I'll come back to them. [AGENCY 25]

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SENATOR HARMS: Thank you, Senator Nordquist. Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Good evening, Director Chaumont. [AGENCY 25]

VIVIANNE CHAUMONT: Hi. [AGENCY 25]

SENATOR BOLZ: Thanks for sticking with us tonight. I just have one question for you. I participated in a briefing last fall in which a Medicaid managed care provider was sharing that their numbers had fluctuated greatly as far as enrollment goes, and they were concerned that folks were sliding off of managed care and ending up in emergency services when they could have been better kept retaining eligibility and keeping in the managed care, which is more cost-efficient. Can you just comment on that reflection and tell me if there's anything that's been sorted out regarding that circumstance? [AGENCY 25]

VIVIANNE CHAUMONT: Well, the use of emergency care by Medicaid clients and actually by private-pay clients is a totally different issue. But what happens to Medicaid clients is that sometimes when they have information that they need to submit and they don't get it submitted, then they get a notice and they're told they're not on Medicaid any longer. And then they...and so they fall off the managed care enrollment because that goes in at the end of the month, and then they get the notice that says you're not on the program anymore. And they say, oh, and then they come in and they do submit the documentation that they need and then they get Medicaid eligibility back to the first of the month. So we have a month there where they went to fee for service instead of to managed care. So depending on the usage of that particular client, it might have been cheaper to have them in managed care than it would have to pay that fee for service. We are trying to address that. There's different ways to address that. One of the ways that we are trying to address is to change the...it's technical, I don't remember, but to change the date that the file gets transmitted from N-FOCUS, it's transmitted to the

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MMIS or something, so they don't go off the managed care plan until a much later time so the chances increase for them staying on managed care. And then another thing that we would be exploring is simply to pay capitation back to just do capitation, the payment to the managed care company even though the client wasn't on there if the client comes back, so that the client never goes on fee for service. [AGENCY 25]

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

VIVIANNE CHAUMONT: Some states do that. [AGENCY 25]

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

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: I didn't want to cut ahead of Bill. Why don't we go Kintner (inaudible). [AGENCY 25]

SENATOR MELLO: Oh, I'm sorry. Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Now I'm not quite...thanks for coming, by the way. I'm not quite the expert that my colleague to my right is. He knows more about...he forgets more every morning about government programs than I even know, I think. But as I understand it, Medicaid was rapidly...well, first of all, I was understanding we're going to spend about \$133 million more in the next two years on Medicaid. So I think that's what it's looking like right now. Is that about right? [AGENCY 25]

VIVIANNE CHAUMONT: I don't remember the number. I know that there's an increase. There are increases for...certainly for the federal match, for the program going down. And the match since I've been here has gone down from about 60 percent federal to the...it's going down about 4 percentage points, I think. It's 55 or 56 at this point, which I

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think it's about 56. I don't remember. But every percentage point in a billion-dollar program adds up to money. [AGENCY 25]

SENATOR KINTNER: Well, my question is, it looks like we're...the rapid increases we were seeing in Medicaid costs, forget the match part, just our costs, it looks like we've slowed it down a little bit. [AGENCY 25]

VIVIANNE CHAUMONT: Yes, we have. [AGENCY 25]

SENATOR KINTNER: Yes. So which is really good news. So my question to you is, how have we slowed it down? Are we going to manage...you know, forget the new managed stuff that may be coming down the line. With our current program, how have we slowed it down? And are the prospects for the next...the spending for the next few years, are they going to increase or is it going to stay the same or do you think we can hold the line? Unless, you know, the match part may change, I understand that. [AGENCY 25]

VIVIANNE CHAUMONT: Right, other than the match. We have successfully slowed down the growth of the medicaid program in the last five years, and I would say that the large part of that has to do with managed care. Managed care has saved the state quite a bit of money. I see that continuing. We just implemented statewide managed care for physical health, July 1, '12; so we should see some continued savings. We are looking at managed care for long-term care. We currently manage the cheapest populations. Kids tend to be cheap whether they're on Medicaid or not, as far as healthwise, because, you know, most kids are healthy. So we manage them and we manage their parents, but we don't manage the expensive populations. And it's that 20/80 thing that you always hear. We're spending 80 percent of our money on 20 percent of the folks. So we are...we have started on the path of developing a move towards long-term care and managed care, so that that should help as well. [AGENCY 25]

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SENATOR KINTNER: Appreciate that. Thank you. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you. So I want to talk...and I pulled up the Milliman report on my phone here just to...just for the record. The newly eligibles is \$4,300 and the woodwork adult is \$3,700 average annual cost. For the woodwork population, that's a part of what Director Winterer had a comment about, about the amount we gave. And we went off kind of a combination of the Milliman midrange and our Legislative Fiscal Office, which ultimately came...both of those were within about a million dollars of each other. So that's, I think, the direction the committee went. Can you talk about the incentive for someone who has been eligible for our current Medicaid program, you know, for however long? What incentive is there for them to just up and start to seek services now if they don't need services? [AGENCY 25]

VIVIANNE CHAUMONT: I think that what the states are talking about and what the federal government is talking about is thought there's going to be so much publicity about the need that everybody needs to be insured on January 1, 2014, and there are penalties; and you know, go in and get your insurance, everybody has got to be insured by January 1, '14; that people who are not currently insured, Medicaid being a form of insurance, will come in. [AGENCY 25]

SENATOR NORDQUIST: Sure. But just the...and that very well could happen, like you know, we are all making assumptions here, but also that they wouldn't, because they're so low-income, those adults wouldn't have a penalty, correct? That's at least my understanding. [AGENCY 25]

VIVIANNE CHAUMONT: No. No. If they're eligible for Medicaid, the chances are that they probably would not have a penalty. [AGENCY 25]

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SENATOR NORDQUIST: Okay. And you talked about the managed care that we've done... [AGENCY 25]

VIVIANNE CHAUMONT: But they may not understand that, let me just clarify that... [AGENCY 25]

SENATOR NORDQUIST: Yeah, that's...no, you're right. You're right. [AGENCY 25]

VIVIANNE CHAUMONT: Because there's a lot of times when we sent what we think are really clear letters saying, don't worry, this doesn't affect you, this is just a notice. And then we get the phone call: What are you doing; you know, what are you doing? [AGENCY 25]

SENATOR NORDQUIST: Sure, sure. [AGENCY 25]

VIVIANNE CHAUMONT: So. [AGENCY 25]

SENATOR NORDQUIST: I guess also talking about that population, we've also had discussions for as long as I've been on this committee about over...just underutilization of dollars at the end of the year. Sometimes it's...I think last year maybe it was as much as \$50 million of underutilization in Medicaid. Is that money that ultimately was appropriated to serve this population but we just never...they just never got needed services? [AGENCY 25]

VIVIANNE CHAUMONT: No. My understanding is that the money left over at the end of the year is to pay for the July...is usually a one month of payments... [AGENCY 25]

SENATOR NORDQUIST: Reserve. [AGENCY 25]

VIVIANNE CHAUMONT: [AGENCY 25]

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SENATOR NORDQUIST: Okay. But isn't it just an underutilized amount that we didn't...that wasn't spent? I mean, we appropriated that amount for that fiscal year but we just didn't spend that amount. [AGENCY 25]

VIVIANNE CHAUMONT: We didn't spend it because... [AGENCY 25]

SENATOR NORDQUIST: It's just carryover. [AGENCY 25]

VIVIANNE CHAUMONT: Right. It's for...yeah, a carryover for... [AGENCY 25]

SENATOR NORDQUIST: Okay. And then on managed care, I've heard a lot of concerns about the direction of our managed care behavioral health contract. And I don't know that I fully understand all the details of it, so could you give us kind of a briefing on it, and I can also share some concerns that I've heard from the provider community. [AGENCY 25]

VIVIANNE CHAUMONT: Sure. We decided to move to at-risk behavioral health managed care. Nebraska currently has a managed care model which is an administrative services organization. So under that model, the contractors, Magellan may authorize and does authorize certain services, not all of them. They manage certain services and then we pay them an administrative fee. But the Medicaid program, the MMIS, is who pays the actual bills. Under...and Magellan is not at risk under that contract. [AGENCY 25]

SENATOR NORDQUIST: Um-hum. [AGENCY 25]

VIVIANNE CHAUMONT: So September '13, we are going to an at-risk model. We developed the RFP. We had to develop actuarially sound rates. We hired an actuary. He developed the rates. And there's an actuarial range. We picked a number in that

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actuarial range. We put it out to bid and we got only one bid and that was Magellan, and signed a contract. [AGENCY 25]

SENATOR NORDQUIST: And that I've heard from the provider community that we're looking at a reduction in I guess total spending of \$16 million, is...\$15 million, \$16 million, is that correct? [AGENCY 25]

VIVIANNE CHAUMONT: There has been a reduction in spending in the last few years, and I can explain the reduction in spending of approximately that amount. That's the amount that we were spending for services that were not allowed by CMS. We had to change our behavioral health benefit structure. We paid for a lot of residential facilities where Medicaid only is allowed to pay for basically an inpatient level of care. We had to unbundle some rates and some services where we were paying a monthly fee. And CMS says, you can't pay by the month; you have to pay for a particular service rendered. So the actuary took, looked at the past I don't remember which years, 3-4 years of actual claims paid by the program, and then they do a trend and set the rate based on that amount. [AGENCY 25]

SENATOR NORDQUIST: Is there...do you anticipate that this arrangement, the at-risk managed care contract now, will result in decreased services for our constituents? [AGENCY 25]

VIVIANNE CHAUMONT: No. [AGENCY 25]

SENATOR NORDQUIST: So... [AGENCY 25]

VIVIANNE CHAUMONT: Well, it will result...okay, let me go back, because that's the whole point of managed care is to manage the care. We are not and we did not incorporate any kind of reduction in benefits. Any reductions would be in efficiencies and in managing services that are currently not managed. Additionally, we added

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populations that are not currently managed at all, and not in the ASO contract.
[AGENCY 25]

SENATOR NORDQUIST: So you're comfortable that under this arrangement Magellan can provide the same services we've been providing or at least the same benefit package for \$16 million or less a year if that's what it comes out to. [AGENCY 25]

VIVIANNE CHAUMONT: We've been providing the services for less and less as we implemented those federal changes. Yes. [AGENCY 25]

SENATOR NORDQUIST: Okay. So but for our constituents that have...that are served by this, there should be no impact on receiving the services that they need and that they qualify for. [AGENCY 25]

VIVIANNE CHAUMONT: They will continue to receive what is medically necessary for them to receive. [AGENCY 25]

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

SENATOR MELLO: Senator Kintner. [AGENCY 25]

SENATOR KINTNER: I have no idea what he was talking about so I'm going to ask some nice, easy questions here. [AGENCY 25]

VIVIANNE CHAUMONT: Great. (Laugh) [AGENCY 25]

SENATOR KINTNER: Now as I understand the utilization rate or people who are eligible, the number of the...the percent of the people who are eligible are using Medicaid right now is in the 50 percent range, is that correct? [AGENCY 25]

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VIVIANNE CHAUMONT: I think it's about 1 in 3 Nebraskans are Medicaid eligible. Is that what you meant? [AGENCY 25]

SENATOR KINTNER: No, no, no, no, no. The percent who are eligible, what percent are taking advantage or enrolled in Medicaid right now? [AGENCY 25]

SENATOR NORDQUIST: Fifty-six percent. [AGENCY 25]

SENATOR KINTNER: Oh, 56 percent? [AGENCY 25]

SENATOR NORDQUIST: I've read that somewhere. [AGENCY 25]

SENATOR KINTNER: Okay, he says 56 percent. He knows his stuff. You know, he knows his stuff. [AGENCY 25]

VIVIANNE CHAUMONT: Yes, he does. But I have no idea what 56 percent he's talking about. (Laugh) [AGENCY 25]

SENATOR KINTNER: So let's say it's 56 percent. [AGENCY 25]

VIVIANNE CHAUMONT: Fifty-six percent of all Medicaid clients use a service? [AGENCY 25]

SENATOR NORDQUIST: No. Those that are eligible and participate. [AGENCY 25]

VIVIANNE CHAUMONT: Oh, okay. [AGENCY 25]

SENATOR NORDQUIST: And I'm sure it's different for different categories. [AGENCY 25]

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SENATOR KINTNER: I have no reason to doubt him so we're going to go with that number for right now. And then we're going to have this big push now under the Affordable Care Act to get people into Medicaid so everyone is covered, right?
[AGENCY 25]

VIVIANNE CHAUMONT: Correct. [AGENCY 25]

SENATOR KINTNER: So if we're going to...let's say another 30 percent of those eligible get in the program, where's that money going to come? Are we budgeting any...or are you coming back to us in a year to say, hey, okay, I need another \$25 million, \$100 million, \$200 million? I don't know what it's going to be. [AGENCY 25]

VIVIANNE CHAUMONT: Our budget submission, the Governor's budget submission for this year puts in...has requested that money. [AGENCY 25]

SENATOR KINTNER: And what percent are we anticipating? When they up (inaudible) request, what percent are you anticipating would enroll, additional from the 56 percent? Another 30 percent maybe, get up to 86 percent, or...? [AGENCY 25]

VIVIANNE CHAUMONT: I didn't do it by percentage. The Milliman report talks about how many people we anticipate in the woodwork that Senator Nordquist was talking about. Then there's also the switchers, people who will switch from private insurance to the Medicaid program, come January 1, '14. And so I don't know what percentage that all added up to, but the numbers of the people and how much we think they'll cost are in the budget. [AGENCY 25]

SENATOR KINTNER: Part of the increase that we've already talked about this year.
[AGENCY 25]

VIVIANNE CHAUMONT: Yes. Yes. [AGENCY 25]

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SENATOR KINTNER: Well, I feel a little better. Thank you. Appreciate it. [AGENCY 25]

SENATOR MELLO: Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Along the same lines, you know, regardless of what this body moves forward with related to the Medicaid option, we'll likely see more people enrolling or interested in these programs, are there specific plans in place so that the department can manage that in a way that helps people move on but also helps the administrative system function? And are there any federal standards or rules that we have to abide by with that process? [AGENCY 25]

VIVIANNE CHAUMONT: Well, they will be eligible, these people that come forward that qualify for the Medicaid program as it is today. We do anticipate that we'll have more and that's why there's administrative costs in there for more caseworkers, more program integrity, more claims payers, more...all of that. On top of everything else, the federal government is changing the way that we're going to have to do Medicaid eligibility for the large majority of Medicaid clients, children, pregnant women, and their caretaker relatives, by moving to a totally different way of determining Medicaid eligibility from the way we do it now to the modified adjusted gross income that we have to go to. So yes, we are busy making plans, trying to be sure that we deal with all of the current people and the additional people that we're anticipating. [AGENCY 25]

SENATOR BOLZ: Sorry, maybe that wasn't the clearest question I've ever stated. I'm just curious in terms of outreach so that the folks who need the information are getting it so that we're having people who are informed, enrolling and applying, and I'm just concerned...I'm wondering about the outreach portion so that we have educated consumers working through the system. [AGENCY 25]

VIVIANNE CHAUMONT: We are supporting some grants that some folks have put in

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with the federal government. OneWorld has a grant; several public health departments, local public health departments. Usually providers are the best motivators for people to sign up. [AGENCY 25]

SENATOR BOLZ: And are there any federal rules or obligations around that work? Or is it solely determined by this (inaudible)? [AGENCY 25]

VIVIANNE CHAUMONT: Around outreach? No. [AGENCY 25]

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

VIVIANNE CHAUMONT: Sorry, I misunderstood. [AGENCY 25]

SENATOR BOLZ: That's okay. It's getting late. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: A real, real quick one here. On the afford the mandatory population, I think we included...or I was going to see if we can get the sheet, but maybe \$7 million a year for administrative costs for that. Is that a net number? Does moving to MAGI for children, which is the largest number of enrollees in our Medicaid program, does that save us money? Because it would seem that if you have to do income and then all the disregards, that moving to MAGI would be simpler and it should save... [AGENCY 25]

VIVIANNE CHAUMONT: We were real hopeful of that, to be honest. We...you know, the part of ACA was the federal government is supposed to give a simplified application for all the states to use, and there's only one application. And I've been saying that this is going to make things easier. And we've seen the simplified application and we just don't really think that's any...it might be simpler in some ways but then it gets more complex

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in other ways. So what we tried to do in the budget is make sure that we have enough people to take care of all the clients that can come. I think that should it be that we don't need as many people as we thought we needed, then we simply won't hire them.
[AGENCY 25]

SENATOR NORDQUIST: (Inaudible). Great. Thank you. [AGENCY 25]

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

VIVIANNE CHAUMONT: Thank you. [AGENCY 25]

SENATOR MELLO: Are there any further questions for the Department of Health and Human Services directors? Seeing none, that will open up testimony for other testifiers here today on behalf of Agency 25, the Nebraska Department of Health and Human Services. Good evening. [AGENCY 25]

CINDY JOHNSON: (Exhibit 37) Good evening, Senator Mello and members of the Appropriations Committee. My name is Cindy Johnson, C-i-n-d-y J-o-h-n-s-o-n. I'm with the Grand Island Chamber of Commerce in Grand Island, Nebraska. Thank you for the opportunity to visit with you this evening about the appropriations allocation for a new veterans home and for a new veterans home in Grand Island. For 125 years, Grand Island has been privileged and proud to serve Nebraska veterans. In 1887, the Grand Island community donated 640 acres of land to the state of Nebraska for this purpose. A donation of this size is almost without precedent in the history of our state. Since that time Grand Island has distinguished itself over and over again through its support of our facility and for our state's military and veterans. The Nebraska Veterans Home in Grand Island, for more than a century, has given our veterans the support and respect that they have earned as a result of their selfless contributions in defense of our country. Grand Island, like no other city in the state of Nebraska, has earned a reputation as a

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beacon for the service for our veterans and military. Grand Island is home to the only Veterans Administration medical center in outstate Nebraska. We are the home of the Nebraska National Guard helicopter base, and soon a new armory and readiness center that will be constructed by 2014, and the Nebraska Law Enforcement Center, as well as the state's veterans cemetery. We have been a partner to the state in providing facilities, infrastructure, and services; and equally important, a skilled, trained, experienced work force dedicated to our veterans. We believe as the experience of the last 125 years has demonstrated, that Grand Island is an ideal location for one of our state's four veterans homes. Each year, hundreds of veterans and their families, medical experts, technicians, travel to Grand Island from across the country to visit or serve the Veterans Administration center. This has resulted in a great synergy by integrating a culture of service and expertise in Grand Island on behalf of veterans. The attributes of our community as a site for the veterans home are no less, and in fact, are many times greater than they were in 1887. The site is massive. It not only accommodates every possible facility and service need that could arise; it provides a huge buffer from inconsistent uses and activities. This affords an outstanding sense of privacy and is a great amenity for members as it allows a level of serenity and peace that small sites and urban settings do not. The site has sufficient utilities, capacity to serve several veterans homes, and the city is in the process of upgrading the street that runs along the facility: Veterans Memorial Avenue. But the real story of the tremendous attributes and characteristics of the site is our people, the dedicated current employees and their predecessors who have devoted their lives to caring for our veterans as they would their own family members. These members have come to know that they can count on Grand Island. This is their home, and in the great time of their greatest need, we are there for them as we have been for decades. Today we reaffirm this pledge, a pledge made to the Legislature, the state, and the veterans 125 years ago. Now we'd like to go into some specifics about the location and the site, and I have with me the city engineer/public works director, John Collins, from Grand Island, who will help me with this presentation. I'm not sure if you're able to see the large map that Marlan Ferguson, our economic development director, has put on the easel. In the event that you're not,

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we are handing out a presentation that has some of these same maps for your review. If, in fact, a picture is worth a thousand words, then aerial photographs must be worth 10,000, right? That is an aerial photograph of the proposed site that was included in the state's program statement. And in your packet you'll have information--it starts on page 6--that actually shows outlined in yellow the 640 acres that the state of Nebraska was given by the residents of Grand Island in 1887. You'll see, off to the right-hand side of that map, near Broadwell Avenue, and of course, north of Capital Avenue where the existing site of the veterans home is, and also again, that proposed site. Just left of the proposed site on the corner of Capital Avenue and Webb Road, you'll see a little segment of land. That's your veterans cemetery in Grand Island. On the next page then is maybe just a little bit bigger version of the existing site. Next page, page 8, shows you the proposed site. It gives you an opportunity to see what this really looks like on the ground out in Grand Island. As members of the Appropriations Committee, I heard it earlier as you were visiting with Mr. Hilgert and Mr. Willford, you've got to be concerned about fund allocation, budgetary impacts, and cost containment. We hope over the course of this testimony to alleviate those concerns specifically as they relate to a secured site, infrastructure to meet today's and future needs, work force, and protection of our investment. Now we're going to have Mr. Collins from the city's public works department talk a little bit about the investment the city is making today on this site that will serve the Nebraska Veterans Home. [AGENCY 25]

SENATOR MELLO: Thank you, Ms. Johnson. Mr. Collins. [AGENCY 25]

JOHN COLLINS: I'm John Collins, J-o-h-n C-o-l-l-i-n-s, with the city of Grand Island. One point of clarification before I start about the flood plain comment earlier. Technically this parcel is in the flood plain but actually the elevation is above the 100-year flood plain. You just submit the CLOMA document and it will take it officially out of the map and that won't show up anymore. It's a matter of paperwork on that issue. But what are we doing there today? Grand Island has three projects taking place in this immediate area. We're coordinating them because these are three separate projects that came

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together. One is a trail, one is a road improvement, and one is our large wastewater project, all of which will directly benefit the veterans home. Whether you put a new one there or whether you keep the existing one there, this is the same benefit. This portion of it is around a \$34 million investment by the city in this, not that we're asking money from the state. This is what we're doing in our community. We're a big and growing community. Ten million is being...well, \$10.5 million in the immediate vicinity around the veterans home because that's where it's needed to complete our projects. One of the projects which you've already heard about is the two-lane road in front is going to become a five-lane road. That's four travel lanes, one continuous turn lane. Custer, which is...if you see the red lines, which are almost invisible to the right of the facility, that's the potential to expand Custer. It dead-ends at Capital now. We have a signal going in there. One reason that's important is we have a trail project going directly in front. This is not a 4-foot sidewalk. This is a 12-foot trail that will be concrete. And right out of the front door of the facility, this is part of an integrated network going throughout the city that connects the east side and the west side. One potential...the reason I mentioned Custer, is by rotating the facility 90 degrees you could actually expand Custer where you would get access to both Capital and Highway 2 as well, which would make access for family members and such a little bit easier. Another (inaudible) with our sanitary sewer project. Right now, the current facility has a number of lift stations because the facility is too low for the waste to flow downhill from there. The new sanitary sewer line took that into account. That will be taken out of the picture and it will just directly flow into the pipe. This north interceptor was made to replace the northeast interceptor, which is the main line going through the north part of the city. Additionally, with the trail I mentioned, the light at Custer, that is a crossing point as is another pedestrian crossing east of Webb which allows residents walking along the trail to cross; not only those residents but the general citizenry of Grand Island. In the immediate vicinity of this project there's several commercial destinations that you could walk to as well as two parks that are within walking distance from the veterans home. Additionally, you were questioning utility improvements in addition to the wastewater improvement, the water district is working with the facility at this time to replace the

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large 10-inch meter with smaller water meters for each building which will allow, (1) a savings on their water bill each month, and (2) let you monitor water usage, where it's going. So the city of Grand Island is already taking steps and making a pretty big investment in this facility as it exists whether it's changed or not. But we are supportive of the change. [AGENCY 25]

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

SENATOR KINTNER: Well, thanks for coming out. Personally, I'd be happy as a pig in the sunshine if you stayed in Grand Island. I've got no problem with that. And I'm not speaking for the committee, but this is a decision that HHS should make. They're qualified. They know what they need. You know, and I'm not sure this committee is the one to actually go in the weeds and look at every site; although I would say you ought to have a leg up on anybody from what I can tell on this. But I would think this is a decision that HHS ought to make as to what the best...they know this stuff. This is...you know, that's...I'm not sure we're the best person to make that decision at this point. Although I do appreciate all the hard work you've done. It's pretty impressive, but I'm not sure I'm the guy who needs to see it. Thank you. [AGENCY 25]

CINDY JOHNSON: Thank you, Senator. And our understanding is that the representatives of the HHS Department and specifically the Veterans Division will be making that decision. But we knew that as Appropriations Committee members, because your budget did not include funding for the veterans home, you would want to concern yourself with those issues that are going to impact your budget not only this year but in future years as operations came up and was discussed earlier as well. Thank you. [AGENCY 25]

SENATOR MELLO: Senator Wightman. [AGENCY 25]

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SENATOR WIGHTMAN: Yes, Mr. Collins, thank you for being here. When we talked about 50 acres previously, I think, is the 50 acres just the area in the green or is this the whole site or...? [AGENCY 25]

JOHN COLLINS: Oh, 50 acres would be the...more or less the area in green, yes. [AGENCY 25]

SENATOR WIGHTMAN: So it is. Okay. So that includes all the area that you'd be looking at or at least as of right now in the construction and operation. Thank you. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you, Mr. Chairman. And I just...thinking about the 350 full-time FTEs, at least, that are employed here, that's got to be a huge impact on a community the size of Grand Island, especially if it were to lose that. And coming from the Chamber of Commerce, can you speak to what you've heard from businesses in your community about that impact. [AGENCY 25]

CINDY JOHNSON: Absolutely. Again I'm with the Chamber of Commerce in Grand Island. I'm the president of that organization. And secondarily to the service that we've provided over the years--decades really--for the veterans, we recognize that the veterans home is an economic engine for our community, whether it's the direct 350 employees or it's the ancillary dollars that are expended in the community, providing services, supplies, products, etcetera, to the veterans home itself. So yes, it will be an economic...it is an economic engine for our community. Absolutely. [AGENCY 25]

SENATOR NORDQUIST: Well, thank you. And, you know, I don't know ultimately how the decision will be made and how the dollars will go, but I do think that, you know, Grand Island has been a great home for this for 126 years and for the state, you know. I

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think that needs to be a big part of our decision-making process, whether that's done in the Legislature or in HHS, that this community has been good to us for that long and we should be equally as good to it. So thank you. [AGENCY 25]

CINDY JOHNSON: Thank you. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? I have one maybe for Mr. Collins maybe in the sense from the perspective from the city. Looking through the handout here that Ms. Johnson gave us, it appears the city has made a pretty sizeable investment already, I mean. On page 16, you talk about roughly \$34.3 million investment in infrastructure kind of around the proposed site area. My question to some extent is, is that already been...is part of that project already in the works right now, or is that to be slated based on the proposed site being in Grand Island? [AGENCY 25]

JOHN COLLINS: All of these are integral to other projects. This is one segment of the wastewater line. Capital Avenue is needed. That's been in the works for quite a while; the trail, even longer. That's an integrated network through the whole city so there's other pieces that's already been built. We wanted to coordinate these together for a cost savings as well as to minimize inconvenience to the public is why there's so much all at once in that one segment. [AGENCY 25]

SENATOR MELLO: Have you been...Mr. Collins, have you been in conversation at all with the Department of Health and Human Services or the Department of Administrative Services regarding the city's investment in this infrastructure regarding this proposed site? [AGENCY 25]

JOHN COLLINS: I haven't personally, but some of my subordinates as well as our consultants, have. That's where we've got some of our information, including where we were suggesting that is they rotate the site 90 degrees, extend Custer as part of the

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project, that would give them much better access plus they would have a signal light instead of a driveway entering Capital Avenue, which is a fairly busy road. So we've gotten into the details with them. [AGENCY 25]

SENATOR MELLO: Okay. All right. Are there any further questions from the committee? I guess just as a polite reminder, the Legislature is the supreme body that can make decisions through legislation ahead of the executive branch, to my colleague. So we do have the ability to make the decision over any executive branch. And this is a polite reminder to our colleagues that we ultimately as a Legislature have the authority over the executive branch. So with that, thank you for your testimony. [AGENCY 25]

CINDY JOHNSON: Thank you. We appreciate the opportunity to share our passion about Grand Island with you today. [AGENCY 25]

SENATOR MELLO: Any further testifiers tonight on behalf of Agency 25, the Nebraska Department of Health and Human Services? Good evening. [AGENCY 25]

BOB McFARLAND: (Exhibit 38) Good evening. Good evening, Senator Mello and members of the Appropriations Committee. I'm Bob McFarland, and that's B-o-b M-c-F-a-r-l-a-n-d, and I reside in Grand Island. I'm a lifelong resident of Grand Island, a member of the Grand Island Home for Our Heroes Committee, and a proud veteran of the United States Army from 1969-1971. As a committee member, I have toured the Grand Island Veterans Home and attended several meetings there. I commend the current administration and staff of the home for (1) their exemplary care and dedication to the residents, and (2) the way they maintain the aging facility; all of this, in spite of the accessibility issues of the buildings due to the multiple stories, small elevators, narrow hallways, and crowded conditions throughout that Alex Willford told you about earlier. These facilities have served the residents for 125 years, and it's now time to replace them with modern, one-story buildings, with private rooms and restrooms, similar to those at the Eastern Nebraska Veterans Home in Bellevue. It is my sincere hope that

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the new veterans home will be built in Grand Island so we can continue the tradition of caring for our heroes that we have done for so many years through the VA Hospital located just blocks from the home, the Veterans Club and Hall County Veterans Memorial Park adjacent to the home, the Veterans Day parade to the home provided by the combined bands of Grand Island Senior High, Northwest High School, and Central Catholic High School, and the veterans cemetery located on the west side of the existing facility. Also Grand Island is proud to call itself the Home of the 124th Air Cavalry Squadron Chinook Helicopter Base which serves 230 cavalry and aviation maintenance National Guard soldiers, and the new 92,000-square-foot, \$22 million readiness center which is scheduled to be completed in the summer of 2014 and will serve an additional 260 National Guard soldiers. I feel that this shows Grand Island's commitment not only to active duty military but to our veterans. That's all I have. If brevity gets an award, I should get it for this one tonight. (Laughter) But I'd like to thank you for your time and consideration, and if you have any questions I'd be happy to entertain them. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Mr. McFarland. Are there any questions from the committee? Seeing none, thank you. [AGENCY 25]

BOB McFARLAND: Thank you. [AGENCY 25]

MIKE CALVERT: There goes my audiovisual. Good evening. I'm Dr. Mike Calvert. I'm the campus president for Central Community College in Grand Island, and I appreciate the honor to speak with you this evening. It's been a rather long day and I'll try and be brief, and by now we all probably need one of those cappuccinos we had earlier. So I would call your attention to the handout on page 22, and I'm going to speak to a couple of things related to Central Community College and the role that we play with the veterans home and certainly within the community of Grand Island. On page 22, it talks about the training and the work force development piece that Central Community College has a long history of providing in the community of Grand Island not just for this

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but certainly to support the veterans home. We have a long history of our nursing degree program, certified nursing assistants, LPN program, and most recently, an occupational therapist assistant program. You can see there the number of annual graduates on average that each one of these programs supports, and it certainly feeds...has a history of feeding the veterans home in terms of employment of qualified workers. On the next page we reference a couple of exciting opportunities in addition. Recently, at Central in Grand Island, we've added a nursing simulation facility which is state of the art, and the whole health science wing has just been a great addition to the whole medical community, but certainly again supporting these programs. Another exciting program that's coming on board starting this fall is the career pathways institute which has many vocational pathways that certainly feeds into the medical arm, and this is going to start at the high school level and will be cooperative with business and industry in the community as well as Central Community College. So you're taking high school-age students, making them employable immediately, certificate bound, while taking college courses and building their future if they would like to go on and take additional college and postsecondary level courses. We also have a couple of partners in Grand Island: Doane College, which has a registered nurse to bachelor of science program. So we can start at the basics and get a trained work force, put them to work, and if they want to continue training and enhance those skills and keep raising the bar, those resources are there. On the next page it also speaks to our partnership with Bellevue College also in the nursing program, okay? Thank you for that. But to me, another compelling factor that Central Community College offers is an exciting thing that took place in 2011. Central vied for a federal grant and it was called the Centers of Excellence of Veteran Student Success. There were 277 colleges, four- and two-year schools, that vied for this grant; 15 received it, and Central was one of them. Part of this grant, Central Community College established a veterans resource center on each one of our campuses, our main campuses that are located in Grand Island, Hastings, and Columbus. These centers are one-stop shops for veterans providing resources, academic support as they immerse themselves back into the academic community. Imagine coming from the Middle East in harm's way and back into a classroom and the

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change and things like that. One of the goals there was to improve graduation rates. The Veterans Services folks have increased Central Community College students' graduation rates 18 percent. That's significant. That's a great, great piece. I also brought in \$1.6 million directly to GI in forms of the GI Bill housing allowance that had a direct impact on Grand Island. One of the other pieces at Central Community College, we've had a mandatory boot camp which we've run over this last fall where faculty and staff are made aware of the many challenges that veterans face. This past January, Central Community College was honored by G.I. Jobs magazine as being a top 15 military-friendly school, which is a national ranking. It's the top one that they give. And then Military Times ranked Central Community College number 2 out of 650 schools as best for veterans for two-year schools, all speaking to the community, ultimately a Grand Island military-friendly community. So it permeates the whole culture of our community. So certainly we support all the other folks that have been here today in support of the long history with the home in Grand Island. So thank you for listening and I appreciate your support on this. Any questions? [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Dr. Calvert. Are there any questions from the committee? [AGENCY 25]

MIKE CALVERT: Thank you for your persistence today. [AGENCY 25]

SENATOR MELLO: Thank you. [AGENCY 25]

JAY VAVRICEK: Well, good evening. My name is Jay Vavricek, spelled J-a-y, last name V-a-v-r-i-c-e-k. I have the proud honor of serving as mayor of Grand Island. And indeed, first I know the hour is long. I'll be direct and I'll be brief. I won't refer to the handout but first let me just say thank you for your leadership, and thanks is what this is all about in terms of 125 years ago our community stepped up to serve and thank our veterans who have served and sacrificed. And that spirit is still alive and well in Grand Island. So first, I would commend to you what the message that we will say to the state of Nebraska is

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there's no need to move the veterans home from Grand Island. It's working. The work force is sound. The community embraces it. For 125 years strong, as evidenced by our culture, we support the veterans in service and sacrifice, and we will go ahead and stand besides them for another 125 years to the best of our abilities. Number two, I know we're going on six hours of testimony here. This is almost like a city council meeting. But nonetheless, let me just say this: You're seeing, front and center, why the veterans home will be successful for another 125 years. Just look at the audience. How many people from Grand Island are here, I mean if you'll stand up? Just stand up because we're proud to be here and we've invested time. Now I would say, are there any other members here from a competing city, please stand. So once again, let the record show, indeed we're to be here going forward in the most economical, commonsense way. We would obviously ask for your consideration for funding to ensure that the Governor's recommendation works. We'll go ahead and reach out to Mr. Hilgert and their committee and make a recommendation that's sound. But come away with this: Indeed, our community is a very proud community and we're ready to make the investment. We'll do whatever is necessary to ensure the state of Nebraska's veterans are treated in a most honorable way, just like they have for the last century in Grand Island. So with that, I conclude my remarks. But nonetheless, if you have specific questions the city administrator Mary Lou Brown is here. Obviously, our public works director is here. I'm here with the unanimous endorsement of our city council that provided the resolution 2013-40 that provided unanimous support to the committee's efforts to maintain the home in Grand Island. We're also joined by City Councilmember John Gericke here as well. But I know it's (inaudible) to go ahead and recognize your leadership. Thank you so much. Please do what you can to move forward with the funding and we'll be ready to go ahead and make sure we do our part going forward. Thank you, Senator Mello. [AGENCY 25]

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

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SENATOR HARMS: Thank you, Senator Mello. More of a statement rather than just a question. [AGENCY 25]

JAY VAVRICEK: Yes, sir. [AGENCY 25]

SENATOR HARMS: And that is, after listening to the testimony and all the history that you have there for 125 years, and the investments that you're making, and the fact you've got the Central Community College there which is a great asset for your training, and you've got Bellevue, you've got everything you need. I don't know any other community that could step up to the plate to truly compete with you. And it just seems to me, from my observation if I was going to choose, I would choose Grand Island. I just think that's where it needs to be. It's been there and we can surely do some things to speed that up if we want to, too, so. [AGENCY 25]

JAY VAVRICEK: Thank you, Senator. And let me conclude, once funding is approved and hopefully it is by the Legislature, I think the dollars will be well-served much like the community has already expressed with the Nebraska State Fair relocation, going on its fourth year, very successful, just as we met the last ten years of service for the Nebraska Army National Guard aviation facility. When you look at the Nebraska Law Enforcement Training Center in central Nebraska, it's located in Grand Island. Those are state investments where the people of Grand Island and the city indeed have embraced and want to ensure. So every dollar that's relocated going forward I can assure will be dedicated by the people of Grand Island in the strongest manner. And thank you for your vote of confidence, Senator Harms. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Mayor. [AGENCY 25]

JAY VAVRICEK: You bet. Thank you so much. [AGENCY 25]

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

DARREN ROBINSON: They called me (inaudible) and he should have known that was coming. (Laugh) My copy of my testimony is completely different from when it started earlier today, so there's not really any sense to submit that. I'm Darren Robinson, president of the Economic Development Council of Buffalo County. It's D-a-r-r-e-n R-o-b-i-n-s-o-n, and I represent in Kearney. My statement...actually my testimony today was really just to come forward and provide our community support that the state veterans home does need to be rebuilt. I'm going to read a little bit of that. I don't know if it's necessarily relevant, but just so you know that that is where our original intent was is to support that today, so. First of all, scratch the good afternoon off there and put good evening. So I've toured the facility. I've been through the facility, and not that it's a qualified opinion, but the existing facility is past the point of economical, efficient, and effective repair. The facility was established, as we know, 125 years ago, with additions in 1931, 1965, and 1968. It would seem fair to assume the 125-year-old facility is grossly outdated in relation to today's standards of care and efficiency. It's also fair to assume the Department of Health and Human Services has made the best of an outdated structure, and most likely, struggles bringing funding requests to you with costly, inefficient, and difficult renovations to meet code requirements. Given the age of the facility, I'm certain the facility's utility expense is outrageous. Distribution of medications and food has to be a challenge and inefficient. And I can only imagine future code requirements will continue to force costly Band-aid renovations. So there are limitations and inefficiencies that simply cannot be addressed economically of the existing facility. In my opinion, the existing facility does not represent the respectful culture of Nebraskans and the high regard and respect we have for our veterans. Our first priority is our veterans and I'm certain you feel the same. So accordingly, this is where things start to change a little bit. There's a number of reasons, I'm not sure this is the venue tonight that we should debate that, but maybe I'm incorrect. I wasn't certain of that. There are a number of reasons Kearney asked for the opportunity to bid for the

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new state veterans home. And in regard to employees, over 100 of the Grand Island state veterans home employees come from the Kearney area. So in response to some of the things that we noticed, we noticed extensive efforts on behalf of the veterans home, including a "rent me" sign on the property that never left for hiring of employees. When we pulled the turnover numbers for CNAs, quite frankly, there could be a lot more competition for long-term care facilities in Grand Island. Those are things that I'm not going to profess to be an expert on, and I think that that should be part of that process is to make sure that Grand Island is prepared to continue going forward. In fact, a little friendly competition obviously brings out quite a few people from the community. And I guess I would say that they're here today talking about all the things they're going to do, so in my opinion it's already turned out better as a benefit to our veterans. The fact that they have an existing site that's right next to the current site that's in the flood plain and there was a complaint tonight about water in the basement, I'm not so sure that's going to address the needs of the Department of Health and Human Services and the Veterans Affairs...or the...and the building. So I think at the end of the day what we're asking for in Kearney is just an opportunity to keep Grand Island honest about that. That's not...really just looking for an opportunity to put our best foot forward. We have the new University of Nebraska Medical Center that's a significant boost to our community. We're going to have a lot of opportunity for students to spend time with our veterans. We have a very nice Army ROTC. We already have the land owned and the infrastructure is in place. There's a lot of things that we could bring to the table. That's not ours to decide. That's for us to put our best foot forward. And what other community, whether it be Hastings, North Platte, whoever is going to come forward, I think that burden should go to the people that run the facility, in my opinion. And it wasn't my goal here today to convince you that it needs to come to Kearney. I just think that we should have the opportunity to compete. After that I'd take any questions. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Mr. Robinson. Are there any questions from the committee? I have a quick question and it's maybe just as a follow-up. This committee last year appropriated I believe--I could be incorrect in the

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exact dollar amount--I thought we appropriated close to \$15 million last year for a new allied health science building through the University of Nebraska-Kearney and the University of Nebraska Medical Center. And in the process of hearing that legislation that was brought forward last year, we heard...and I have a letter from the Kearney Chamber of Commerce that specifically said that Kearney didn't have the work force and that's why---healthcare work force--and that's why they were in such strong support of us appropriating \$15 million to build this new allied health sciences college at UNK. Is that project, so to speak, I mean, could you give us an update from the community? Is that project moving along? I know there were some fund-raising requirements that were tied into that, and determining whether or not the university has been able to raise the private dollars to build that college to help start to help with the lack of healthcare work force in Kearney? [AGENCY 25]

DARREN ROBINSON: Sure. And I would say that comment was not necessarily in regards to just work force in Kearney but work force in rural Nebraska. I mean the whole purpose of the University of Nebraska Medical Center is to really provide opportunities. There's about 720 allied health students that go through the University of Nebraska at Kearney, and we're turning away a lot of our students to go elsewhere. So I certainly appreciate that you guys...or this committee had approved the funding for the University of Nebraska Medical Center. It's a benefit for the entire region not just Kearney. A prime example of that, not to go too far, but funding, Good Samaritan Health Systems has put a million dollars into a project. The Board of Regents approved going forward with it. What we're finding is the facility keeps getting larger and larger because of the demand. We've had a lot of testimony last year. I remember being in Grand Island and one of the nurses was upset that her son couldn't go to physical therapy school in Nebraska because the schools were full, and he had to leave Cozad to go to Des Moines. And she said it's going to be pretty hard to get him back. So I think that...Kearney is going to change dramatically. Central Nebraska healthcare training is going to change dramatically. We also have the Central Community College. So I...you know, I wouldn't...it wouldn't be fair for me to sit here and say Kearney has all the answers,

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right? But we'd like to put together a proposal that could be weighed, anyway. So yeah.
[AGENCY 25]

SENATOR MELLO: Thank you for that update. Appreciate it. [AGENCY 25]

DARREN ROBINSON: Yeah. Thanks. [AGENCY 25]

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

DARREN ROBINSON: Great. Thank you. [AGENCY 25]

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

ANDREW KELLER: (Exhibit 39) Good evening, Senator Mello, committee members. Thank you for the opportunity to talk to you tonight. My name is Andrew Keller, A-n-d-r-e-w K-e-l-l-e-r, and I'm here representing the Nebraska Association of Behavioral Health Organizations. And lucky you all, you get to have one of the most technical discussions of the day at the very end of the day. So I'm going to try and do that concisely but also clearly. There's a handout going around that will hopefully elucidate that a bit. On the first page, there's just some information about my background and my organization. We've been working with NABHO since 2011, and we were specifically brought in to consult on Medicaid policy and financing. In preparation, NABHO basically saw this at-risk arrangement that Senator Nordquist had inquired about of Director Chaumont earlier today, earlier this evening. And they brought us in because we've been consulting on this for quite a while. I am not an actuary; I am a psychologist. But my firm regularly works with actuarial firms, and one of the main things we do is we vet the clinical assumptions that actuaries use to determine rates. And I'm sure you've all heard the old joke: If you ask an accountant what 2 plus 2 is,

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they will say 4; and if you ask an actuary, they will say, what do you want it to be? Because actuarial models are models. They are meant to project something going into the future, and I think Director Chaumont talked about that to some degree. But there's some very important details that I think, actually I'm not entirely sure, are known to the department, and I'd like to go over them with you. If you could go to slide 3, it talks about the implications of that. Now remember, I told you I'm not an actuary. I'm a psychologist. So the \$16 million or \$19 million figures on this are very straightforward extrapolations by me. I don't know if those are exactly right. It may be...they are probably on the high end but they're in the ballpark. I'll tell you what is right are the percentages. The RFP that was referenced...this is the RFP that was awarded to Magellan with one bidder. There were originally going to be five bidders that approached NABHO and expressed interest. All four dropped out. Three of them communicated to us that the reason they did that was because of the inadequacy of the rates. They were surprised at how much the rates were cut; 13.8 percent was what was cut in the rates. Do I not have to tell you that Nebraska isn't ranked very high in terms of mental health funding? This would be a dramatic setback to cut this much out of the system. The mainstay of the system is Medicaid. The other thing the RFP did, and this is less significant but it's important, is underfunded administrative spending. LB1158, which your colleagues in the Health and Human Services Committee approved last year and the entire Legislature approved last year, with I think very overwhelming support, built in the opportunity for enhanced administration because they saw, particularly the lessons that was talked about when I was testifying and listening for a very long testimony back then, the lessons learned through the child welfare privatization effort that there needs to be strong administrative capacity to handle something, particularly going into an era like we are with the Accountable Care Act and all the changes coming on. That allowed for up to 10 percent to be built in, and it was only funded through the actuarial study at 7 percent. There was no provision built in for the additional administrative funding. What is the lesson learned? Well, one lesson we think came out of the child welfare privatization effort was when you underfund something going in and you try to take cuts early, it's going to haunt you. It's going to haunt you not just with

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harm to folks but it's also going to haunt you with additional spending later. The slide 4 quotes in its entirety the entire rationale from the actuarial analysis of the RFP as to why this 14 percent was reduced. It's three sentences plus an additional sentence that explains to look below. And I'm going to "unpackage" that with the next slides, if you want to go to slide 5. Slide 5 says the main reason that they expect there to be a 14 percent--13.8 percent--savings is because of service utilization for some services being reduced, such as inpatient care and PRTF. Well, those have already been reduced I would say to you. And as Director Chaumont said, this is a managed system. This is not a fee-for-service system, even though that was the assumption that Milliman brought in. There have been hundreds of inpatient beds reduced. Where is the capacity to get another 14 percent reduced? And I don't believe that...I'm not even sure the department is aware that this was built in. I mean, the savings that Director Chaumont talked about that accrued in prior years are not this. These are prospective savings. So, you know, I guess I'd just mention the last slide here, or slide 6. The way that happens is through managed care, medical necessity criteria, and UM protocols--utilization management protocols. Those have specifically been in place since 1995. In fact, Magellan's are so onerous that there have been many committee meeting just in the two years that I have been working on this project about whether they're cutting things back too much. So I think the bottom line is there were assurances from the department, if you want to look on slide 7, that savings were not the goal for this. The goal was to preserve the IMD funding, which I am happy to tell you more about that in questions if anybody doesn't remember that. No expert that consulted on this, that gave input, including the considerable input we gave, it was funded at least in half by private foundations who were concerned about this because it is such an important safety net feature of your community. It said no one recommended taking the savings out at the beginning. It's sort of like saying, you know, let's take the savings now, and not only that, we think it's just totally unrealistic. So the last slide asks you to put that back in. It points out that you really just need to put back in the state portion, and I conclude there. Thank you.

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

SENATOR NORDQUIST: Just real quick and it's probably something I could ask Director Chaumont. Do you know where the agreement with Magellan is right now and if the savings can be...I mean, can this be renegotiated at this point? The rates reworked? [AGENCY 25]

ANDREW KELLER: I think there's some question about that. The award has been made. There is, you know, a material change clause in a procurement. I think someone could make the argument that an increase in funding like this did represent a material change. And we had a long debate last week at NABHO about whether this was worth it, because we like Magellan. We've worked with them. We look forward to working with them. And we think there is a significant risk that this will disqualify the decision and lead to, you know, a rebidding. That being said, we also looked forward to the competition, just like this last discussion. You know, we think competition is a good thing. So while we would not advocate for that, we certainly don't think it's worth giving up \$16 million from the system just to avoid another procurement. [AGENCY 25]

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

ANDREW KELLER: Certainly. [AGENCY 25]

SENATOR MELLO: Real...I have one question real quick. Dr. Keller, I was just talking with our Fiscal Analyst, and can you direct us where this \$7 million cut is occurring at? I mean, was it in the...we're looking through our preliminary budget right now, and the committee took a preliminary recommendation of \$1.6 million savings in behavioral health managed care--both General Fund, both years. But we're trying to piece together this \$7 million... [AGENCY 25]

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ANDREW KELLER: Absolutely. So I can't reconcile it back to the budget figures. We have not done that analysis. And you will recall that Director Chaumont, in her testimony, mentioned that there's expansions. There's an additional state plan amendment. There's other things--new populations that are built in here. So there's things going up and things going down. You have to actually dig into the technical background of the RFP and look at Milliman's actuarial analysis. And in their actuarial analysis, on page 8, it's attachment C, there's a table which lays out the cuts that are due to managed care savings, and they range from 8-16 percent. Then you have to use attachment B to prorate those basically to say, you know, how many members, how much money, apply the cut. And that's why I'm very confident the 13.8 percent, what that 13.8 percent should be applied to; whether it's the entire rate or whether it's the services portion, I don't know. And then how that goes through all the other machinations and changes that gives you a bottom-line budget figure, that I do not know. But I am very confident, and not only did we do the calculations but we had three of the managed care organizations during the rate development process share the same analysis with us. So they had their actuaries look at it. I would invite you to...you know, certainly they can provide additional input on this. So that's all I can really say on that. [AGENCY 25]

SENATOR MELLO: Okay. Thank you, Dr. Keller. Are there any further questions from the committee? Actually I will give you the opportunity to explain to us a little bit, you mentioned earlier and I know it was because you were trying to get a lot of testimony in five minutes. Part of the goal, as in your last slide here, or second-to-last slide, slide 7, the goal was to preserve...quote, the goal is to preserve IMD service options and funding. Can you explain that a little bit further what the goal was and how we came to that goal? [AGENCY 25]

ANDREW KELLER: Absolutely. And this actually has its roots in the at-risk arrangement that ValueOptions had back in 1995 to 2000. Under an at-risk capitation arrangement, the managed care vendor has the ability to purchase services and facilities that

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normally would not be eligible for federal Medicaid reimbursement. These would be facilities called institutes for mental disease. There's other ones that they can use as well. But institutes for mental disease, IMDs, were originally conceived as state hospitals, but they've been defined as basically any institutional setting that has over 16 beds that serves primarily people with serious mental illness. This applies to adults. During the ValueOptions' at-risk period, there were many IMDs that came on-line, and that's why you were able to see the hundreds of beds reduced in inpatient care, and that was a big savings to the system. When they went from at-risks back to the managed ASO contract that Magellan had, those facilities continued even though there was no longer appropriate authority. So when Medicaid came in and CMS came in and did a review, they said, oh my gosh, you're doing IMDs, you can't do that; we're going to basically take that money away. NABHO had historically been opposed to at-risk arrangements because they were fearful that it would be used to have cost reductions. There was a very open spirit of collaboration that the department had. NABHO and others came to the table. We believe in good faith. We were told that there was no intent to cut. I think Director Chaumont earlier today did not say she had any intent to cut. We believe that. But we believe that this analysis was flawed because it failed to take that into account. So the IMD piece was basically a risk to funding that was averted by this. Does that...I don't know if that explains it well enough. It's super complicated and I talk too fast, so. [AGENCY 25]

SENATOR MELLO: That helps to provide some background of what we've talked about in committee before, so thank you. [AGENCY 25]

ANDREW KELLER: Absolutely. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Forgive me, I'm still catching up with you. [AGENCY 25]

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ANDREW KELLER: Yes, let's... [AGENCY 25]

SENATOR BOLZ: But slide 6, you reference that it's possible that the system can learn to work better and reduce the growth of savings but we have to start at a safe starting place. [AGENCY 25]

ANDREW KELLER: Absolutely. [AGENCY 25]

SENATOR BOLZ: Can you just explain to me what the system could do better? What on earth would that mean? It seems like you're already working really hard to save money every place possible, so how could that possibly be done without (inaudible) access? [AGENCY 25]

ANDREW KELLER: Well, it can't be done in this scope. There's no way there's going to be 14 percent savings, let me just stipulate that at the beginning. But we think there could be some incremental savings and it was the points that were made earlier today about coordination of care. Right now, Magellan basically gets to preauthorize against criteria, and they don't even have the claims data to know if those services are delivered. In an at-risk contract they have the claims because they pay the claims and they know and they'll have very good data on what's delivered and what's not, and that allows them to see basically behind the scenes. And they can see, you know, whether somebody is seeing multiple clinicians. And more importantly, that's not happening so much these days. What tends to happen now is that people fall out of care and so we authorize care, we put...they go in the hospital but then they disappear. And so the types of quality improvement initiatives you can do to basically help people stay in care, to be able to not fall out of the system when their eligibility changes like the question we had earlier, those are the types of things that can incrementally improve health outcomes. And then, you know, I think the other piece that's really very exciting about this at-risk contract is the ability to take that data and lay it alongside the physical health

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managed care organizations, because we know that people with serious mental illness are dying at age 55. We know that...on average, we know that they have a tremendous number of preventable health conditions and are driving a lot of outlier costs. So the ability to have that data, those are the kinds of the things we can do. But they're through better care delivery, not through saying, hey, we're not going to use hospitals anymore, if that makes sense. [AGENCY 25]

SENATOR BOLZ: That's helpful. Thank you. [AGENCY 25]

ANDREW KELLER: Thanks. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Dr. Keller. [AGENCY 25]

ANDREW KELLER: Thank you very much. [AGENCY 25]

SENATOR MELLO: Next testifier tonight on behalf of Agency 25. [AGENCY 25]

MARK INTERMILL: (Exhibits 40 and 41) Good evening, Senator Mello and members of the committee. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l, and I'm here today representing AARP. And Mr. Chairman, with your permission, I also have a statement from Nebraska Appleseed that I'd like to hand in. [AGENCY 25]

SENATOR MELLO: Okay. [AGENCY 25]

MARK INTERMILL: What's circulating is just a request that AARP would like to request of the committee to increase funding for a couple of the smaller programs in this particular budget, in the Medicaid and Long-Term Care Division, and those are the care management and community aging services, Programs 579 (sic--559) and 571. What we are requesting is a total increase in funding in FY '14 for those two programs of

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\$669,955; and in FY '15, \$1,445,855. As I mentioned to the committee a couple of days ago, we are looking at an increase in the 80-plus population. In 2026, the oldest baby-boomer will hit the age of 80. I've included the Census Bureau projections of the 80-plus population. You can see just the year before we'll hit \$91,500, and then five years later we'll increase by about \$19,000 of the 80-plus population. The 80-plus population is significant because that's the age group that's most likely to use long-term care services. The chart at the bottom of the first page gives you some information about the nursing home resident profile in terms of age. Beginning in the fourth quarter of 2002, you'll see that by far the largest, a little over half of the residents, were over the age of 85. And the interesting thing I think about that chart is the number of people over the age of 85 has decreased in that eight-year period. And I think that's the good news I want to bring you today, and that is that our long-term care system has become more efficient. And if you flip over on the backside of that sheet, we...between 1985 and 1995...well, this particular chart shows Medicare vendor payments for Nebraskans over the age 65. From 1985 to 1995, that amount grew by about 12.3 percent a year. That was the average. Beginning in the mid-'90s, we began to look at our long-term care system more systematically and try to make sure that the services...we're providing the right care at the right time to individuals in that system. As a result of a number of initiatives, including a planning process that took place in 1999, we've seen the amount of Medicaid spending for people over the age of 65 actually decrease. We spent less in 2012 for vendor payments for people over the age of 65 than we did in 2002, and that's what we consider to be a success. We've served more people with less money. And the way that we've done it is by providing community aging services where they're appropriate, and providing nursing facility care where that's appropriate. We feel that our funding of community aging services is at a point where we may begin to lose some ground; and that's why we're coming to you today, to ask your consideration of some additional funding for those services so that we can continue to provide the right care at the right time through the care management program and through the community aging services program. So that's what I would ask your consideration of that and I would be happy to try to answer any questions. [AGENCY 25]

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SENATOR MELLO: Thank you for your testimony, Mr. Intermill. Are there any questions from the committee? Seeing none, thank you, Mark. [AGENCY 25]

MARK INTERMILL: Thank you. [AGENCY 25]

SENATOR MELLO: Are there any further testifiers tonight on behalf of Agency 25? [AGENCY 25]

NICK FAUSTMAN: Good evening. I'm Nick Faustman with Nebraska Health Care Association. It's N-i-c-k F-a-u-s-t-m-a-n. The Nebraska Health Care Association is a parent entity to a number of other healthcare associations, including the Nebraska Nursing Facility Association. And earlier, Keith Fickenscher, who is the administrator at Lancaster Manor Rehabilitation Center here in Lincoln, was here to testify on behalf of the Nebraska Nursing Facility Association. But unfortunately he had to leave to tend to some other commitments this evening, and so I wanted to make sure that NNFA, the Nebraska Nursing Facility Association, was on the record as respectfully requesting that the committee sustain the 2.25 percent Medicaid provider rate increase for this budget cycle. And I do believe that you have a copy of Mr. Fickenscher's letter that he was planning on submitting in his testimony this evening. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Mr. Faustman. Are there any questions from the committee? I have one question, just a point of clarification. That 2.25 percent increase, that's the 2.25 percent increase in the committee's preliminary budget that you're in support of? [AGENCY 25]

NICK FAUSTMAN: Yes, that is correct, sir. [AGENCY 25]

SENATOR MELLO: Okay. Thank you. Seeing no further questions, thank you, Mr. Faustman. [AGENCY 25]

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NICK FAUSTMAN: Thank you very much. [AGENCY 25]

SENATOR MELLO: Next testifier tonight on behalf of Agency 25. [AGENCY 25]

DON RICE: (Exhibits 42, 43, and 44) I don't know if I'm last, but if I am, dinner is close. Good evening. I'm Dr. Rice, Don Rice, D-o-n R-i-c-e. I reside locally in Denton, Nebraska. I'm a physician who's practiced and lived in Nebraska since 1996. I graduated from Creighton, so I'm local. This is home for me. But I'm here today because I am a medical director of both rural and urban ALS services and basic life support services. As a point of disclosure, since the year 2000 I've served as the EMS physician medical director for the state of Nebraska through the Department of Health and Human Services, but I'm not representing them for this part of this, for this talk this evening. I'm representing the Nebraska Chapter of the American Heart Association. What am I asking for? A one-time appropriation of \$930,000 to provide medical cardiac monitors and training to rural EMS rescue services to diagnose heart attacks in the field in Nebraska. A very simple breakdown: Depending on the vendor and the cost of the equipment, about \$660,000 for devices, and about \$270,000 for training. Every year hundreds and thousands of Americans experience heart attacks known to physicians, will call the larger part of ones STEMI's--it's an acronym that stands for ST elevation myocardial infarction. Basically, unless the blockage is eliminated quickly, the patient's health and life are at serious risk. Even if they survive, the problem is the damage to the heart, the pump; leaves the person not able to do all of the things that they could. So one of the things that's become really important in the last decade in heart and cardiac medicine is trying to diagnose the STEMI in a prehospital environment before the patient even makes it to the emergency room. In December 2012, Nebraska actually successfully launched a statewide STEMI system. We updated our rules and regulations to allow these rescue services to diagnose heart attacks in the field, and by doing that move the patient quickly to the most appropriate facility, avoiding any delays in transport. Medical literature over the last decade has been really analyzing and

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supporting the need for rapid diagnosis of a heart attack. The American Heart Association now has a growing body of evidence that supports prehospital diagnosis as one of the most important steps in eliminating delay to treatment. So we really need to close this unnecessary time gap in treatment. The prehospital diagnosis depends on trained personnel with proper equipment. And most of the basic rescue services in Nebraska would have an AED on board, which is a defibrillator. More advanced services would have a simple cardiac monitor, but you cannot use those to diagnose a heart attack. I'm talking very specifically about a little bit more specialized piece of equipment or what we call a 12-Lead EKG or ECG, and that's what I'm looking at trying to install into these rescue services. The greatest need for the lifesaving equipment is with our basic EMS ambulances; and the vast majority of rescue services are basic and many of these are in rural areas. Many of the rural areas in Nebraska do have a disproportionate aging population, and even if we don't live in a rural area, we often vacation there. So this request really is, to me, for every Nebraskan. The ultimate goal with this appropriation is to save lives. As the medical director for Beatrice Rescue, which is an ALS service south of here, I can tell you that we do utilize the 12-Lead EKGs and trained EMS personnel, and it has made a fantastic difference in not only saving lives but also reducing morbidity so these people are actually able to get back home and be completely functional within just a few days, which over the life span of a Health and Human Services budget is a very cost-effective alternative to spending money on diseased hearts. So with that being said, I want to thank you for your time and I respectfully urge your consideration for this funding. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Dr. Rice. Are there any questions from the committee? I have a couple clarification questions, I guess, in the sense of the number of medical devices under your appropriations request. Would that be for every EMS in the state? [AGENCY 25]

DON RICE: What I would like to do is based on looking at public information, average run volumes for rescue services, and in knowing that in any given rescue service

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approximately 10 percent of their total run volume will be cardiac in nature. What we're trying to do is target rescue services that might have, say, 100 runs or more a year. That would mean approximately 200 of the 400 rescue services in Nebraska. But then when you realize that the other 200 may run literally a half-dozen runs a year, this would easily cover almost the far majority of the state and its population. [AGENCY 25]

SENATOR MELLO: Okay. Thank you for that clarification. Are there any further questions from the committee? Seeing none, thank you, Dr. Rice. [AGENCY 25]

DON RICE: Thank you. [AGENCY 25]

SENATOR MELLO: Any further testifiers tonight on behalf of Agency 25? Good evening. [AGENCY 25]

BRUCE RIEKER: Senator Mello and members of the committee, before I start, I saw that look like, Bruce, please don't tell me you're coming up here. I saw that. [AGENCY 25]

SENATOR MELLO: (Laugh) [AGENCY 25]

BRUCE RIEKER: But my name is Bruce Rieker, B-r-u-c-e R-i-e-k-e-r, vice president of advocacy for the Nebraska Hospital Association. I marked on my testifier sheet that I'm testifying in a neutral capacity because I don't know if I'm testifying to the Appropriations Committee budget proposal or the HHS testimony. But I'd make a couple comments. One, we're very appreciative of the preliminary budget proposal of the 2.25 percent per annum provider rate increase. And now I'm going to talk about the Medicaid Management Information System. One thing that I looked at HHS's testimony, it's posted on the Web site, and it says that, you know, the ACA has mandated significant changes to the Medicaid program. Implementation of the ACA is and will continue to be a priority. However, they simply do not have the resources at this time to work on

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replacing the MMIS, given the federal mandates of the ACA. We're no strangers to the pressures that come from ACA, as well, and the deadlines are definite for us in the hospital industry and the healthcare industry. But let me give you a little bit of recap. You probably already know this but somebody at HHS thought that this was incredibly important because it was in the HHS original request, the budget request that was submitted to the Governor on September 15 that somebody at HHS thought that this was the thing to do and that it was a good investment. Anecdotally, visiting with CMS, our federal partners, they have described our system as the most antiquated system in the country; that it's like having an iPad trying to talk to a chalkboard, okay? Last year, I think it was last year when you were debating the Medicaid integrity program, I distinctly recall Senator Carlson asking a question on the floor of why in the world you're looking at a Medicaid integrity program, and he said, we can't even tell if we're paying people correctly, and the answer is no. Now, the financial part of it is there, and we hear...I don't know whether this is right or wrong, but we hear from the administration or the executive branch that it's estimated...and I think that there were some numbers to this regard in the LB542 report a couple years ago that estimated how much waste there was in the Medicaid system and how much they thought they could recover, investing some money on a contingency fee basis to go after that money. I'm not saying that it was fraud; it was just whether it was inappropriate payments or whatever it may be. But we hear the number, it's used nationally, it's also used in this state that there's 30 percent waste in the system. Okay, if we're spending \$690 million a year of state money on Medicaid and \$1.6 billion when you add in the federal match, if 30 percent of that is waste you cannot afford not to make this investment. The best time to plant a tree is 20 years ago. The second best time is today. Senator Harms, we share maybe your concern a little bit about the Medicaid management...I mean, I'm not trying to put words in your mouth. We're worried that the landscaper won't water the tree. We need the state to be a partner. We need to have them aggressively invest in this Medicaid Management Information System. It will help them trace the money with their Medicaid...with the managed care organization and things like that. It's also, as we look at the federal pressures, you may lose the opportunity for the federal match if you don't

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take advantage of it now. I'm not saying the federal government is going to do that but right now it's a 90/10 match and you may run out of the opportunity to have that federal match associated with it depending on what happens with the federal budget. So we and our members, we go through a very rigorous process. The number one thing that they identified as a priority is (1) to have the state as a partner, and (2) data...well, actually I put that in the wrong order. We need to have the data to make informed decisions about what we're doing so that we can have a better utilization of care. And we don't have that partnership or the information available, so we are very supportive of the MMIS system. [AGENCY 25]

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

SENATOR BOLZ: One quick question, I promise. Thanks for hanging with us, Bruce. Can you just give me a little bit of detail about the flexibility in the utilization of these dollars? Can we use this money for administrative purposes? [AGENCY 25]

BRUCE RIEKER: For administration of the Medicaid program or the...? [AGENCY 25]

SENATOR BOLZ: If some administrative experts were needed to put this effort into place to help people get on board, to review contracts. [AGENCY 25]

BRUCE RIEKER: To build the system, yes. [AGENCY 25]

SENATOR BOLZ: Let me ask that slightly differently and maybe this is a better question for Mr. Winterer, but can you speculate as to what type of pressure you think is the pressure that would make them hesitate and is there flexibility in the funding stream to adapt to those pressures? [AGENCY 25]

BRUCE RIEKER: You mean, the pressures that would apply to HHS? [AGENCY 25]

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SENATOR BOLZ: Um-hum. [AGENCY 25]

BRUCE RIEKER: I think it's political, pure and simple, whether or not they're going to do it. And as far as the finances go, building the system and using consultants to build it, the 90/10 match applies to that. Once it's built and administering the program from there on out, I think it's a 50/50 match, at last under the current guidelines. But I will double-check that and I can get the information to all of you on the committee. [AGENCY 25]

SENATOR BOLZ: Thank you. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Bruce. [AGENCY 25]

BRUCE RIEKER: Thank you. [AGENCY 25]

SENATOR MELLO: (Also see Exhibits 45-47) Are there any further testifiers tonight on Agency 25, the Nebraska Department of Health and Human Services? Anyone else? Seeing none, that will close tonight's hearing on Agency 25, the Department of Health and Human Services, and will end the Appropriations Committee hearings for the day. Thank you. [AGENCY 25]