

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

[LB508 LB567 LB603]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Wednesday, February 22, 2017, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB567, LB603, and LB508. Senators present: John Murante, Chairperson; Tom Brewer, Vice Chairperson; Carol Blood; Joni Craighead; Mike Hilgers; John Lowe; and Justin Wayne. Senators absent: Tom Briese.

SENATOR MURANTE: (Recorder malfunction)...Gretna in northwest Sarpy County, and I'm the Chairman of this committee. We are here today for the purposes of conducting three public hearings. We will be taking the bills up in the order in which they appear on the agenda outside of this room. If you wish to testify on any of the matters before us, we ask that you fill out one of these green sheets of paper. They're located on either side of the room. If you are here and wish to express support or opposition for any of the matters before us but you do not wish to testify, we ask that you fill out one of these sign-in sheets. Again, they're located on either side of the room. If you do testify, we ask that you begin by stating and spelling your name for the record, which is important for our transcribers' office. Our order of proceedings is that the introducer will be permitted an opportunity to open. We'll then listen to proponent testimony, followed by opponent testimony, then neutral testimony, and the introducer will be given an opportunity to close. We ask that you listen very carefully to try not to be repetitive. In the Government Committee we do use the light system. Every testifier is allotted four minutes to testify. When the yellow light comes on, you have one minute remaining and we ask that you begin concluding your remarks. When the red light comes on, your time has expired and we will open up the committee to any questions they may have of you. At this time I would ask everyone to turn off or silence any cell phones or other electronic devices, anything that makes noise. If you have a prepared statement, an exhibit, or anything you wish to be distributed to the committee, we ask that you provide 12 copies to our page. If you don't have 12 copies, just provide what you have to the page and he will make copies for you. And our page for the day is Joe Gruber from Omaha. The members of the committee, on the far right, State Senator John Lowe, represents Kearney, Nebraska; to his left, Senator Tom Briese. Senator Briese represents Albion. I anticipate him in and out as he has some bills in the Revenue Committee. To his left, Senator Mike Hilgers, represents Lincoln; to his left, Senator Tom Brewer from Gordon, Nebraska; to my immediate right, Andrew La Grone. Mr. La Grone is the committee's legal counsel. To my immediate left, State Senator Justin Wayne. Senator Wayne represents Omaha. To his left, Senator Joni Craighead. Senator Craighead also represents Omaha. To her left, Senator Carol Blood. Senator Blood represents Bellevue. And on the far left is Sherry Shaffer. Sherry is the Government Committee's clerk. And with that we have dispensed with our formalities. Senator Bolz, welcome back to your committee on Government, Military and Veterans Affairs.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR BOLZ: (Exhibits 1-4) Thank you. Good afternoon. I'm Senator Kate Bolz, that's K-a-t-e B-o-l-z. I represent District 29 here in Lincoln and I'm here to introduce LB567 again. This bill would eliminate the statutory requirement that counties cover the cost of rent for space utilized by the Department of Health and Human Services. The Department of Health and Human Services administers Medicaid and economic assistance programs and yet the counties are required to provide space for those programs and pay for it. This bill I perceive as a matter of fairness and addresses an unfunded mandate on our county property taxpayers. In the 1980s, the state of Nebraska took over administration of Medicaid from the counties. A last minute amendment was adopted to require counties to provide space for the provision of public assistance programs such as Medicaid and SNAP, etcetera. I've always noted when I've introduced this bill in the past that I believed that that negotiation occurred prior to the birth of your illustrious chairman. (Laughter) Today these programs are state rented and administered and all those decisions are made at the state level, but the counties continue to pay for the space, and I've handed out a sheet that illustrates those costs, county by county. Not only does the state's requirement fail to make sense with the state administered structure, it also has disproportionate effects. So some counties are able to provide space in existing offices, but other counties are required by the Department of Health and Human Services to pay for a specific and costly spaces. So for example here in Lincoln, the Gold's building space is required to...the cost of \$278,000 a year to county taxpayers. A bill introduced in 2011 does allow counties the options of negotiating space requirements, but the Department of Health and Human Services has the final say. These costs can be especially challenging in light of the decision to eliminate state aid to counties in 2011. So, the burden is not equitable across the state and some counties bear significant expenses while other counties do not. In addition, some counties work with other counties and even though the individuals in those counties are receiving services through another county space, they're not required to pay. You've likely noticed the fiscal note. There are two ways of thinking about this. One, is the fiscal note in front of you which would illustrate that there would both be costs for the existing rent that is paid and to pay for the space that is borrowed. The amendment that I brought forth to you would pay only for the proactive rental requirements versus the shared space. So I'd be happy to answer any questions. I'll leave it there. Glad to be with you again, Government Committee. [LB567]

SENATOR MURANTE: And we're glad to have you back, Senator Bolz. Are there any questions for Senator Bolz? Senator Hilgers. [LB567]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you, Senator Bolz. Just so I'm clear, I think it was clear from your testimony, it's all clear, your amendment would change the scope of the bill to only cover where the counties are currently going out of pocket essentially? [LB567]

SENATOR BOLZ: Correct. [LB567]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR HILGERS: Okay. That addresses a lot of...several questions I had. Have you done the math as to what that might be? [LB567]

SENATOR BOLZ: We can certainly do that math. [LB567]

SENATOR HILGERS: Okay. I didn't know if you had done it already. Okay, thank you, Senator. Appreciate it. [LB567]

SENATOR MURANTE: Any additional questions? Seeing none, thank you very much. [LB567]

SENATOR BOLZ: Thank you. [LB567]

SENATOR MURANTE: We'll proceed to proponent testimony. Welcome back. [LB567]

KERRY EAGAN: (Exhibit 5) Thank you. Good afternoon, Senator Murante and members of the Government, Military and Veterans Affairs Committee. My name is Kerry Eagan, spelled K-e-r-r-y E-a-g-a-n. I am the chief administrative officer for the Lancaster County Board of Commissioners. I would like to thank Senator Bolz for introducing LB567. I am here to testify on behalf of the Lancaster County Board in support of this bill. As you may be aware, this bill has been brought to the Government Committee twice before, as LB632 in 2013, and as LB61 in 2015. On both occasions the principal argument against the bill was that in exchange for the state taking over responsibility for Medicaid that the counties agreed to maintain Health and Human Service offices and service facilities as they existed in 1983. However, this argument is not supported by the legislative history. The transfer of Medicaid to the state was authorized in 1982, Nebraska law, LB522. Nowhere in LB522 is there any mention of the counties' obligation codified under Neb. Rev. Stat. Section 68-130. In fact, the language for this section was added as a last minute amendment to another 1982 bill, LB602, which was introduced for the purpose of also transferring to the state the county responsibility for providing care to the medically indigent individuals who do not qualify for Medicaid. This obligation is commonly referred to as medical general assistance and it's the very obligation that if Medicaid was expanded, that obligation the counties would be covered. At the time the Legislature considered LB602, the transfer of Medicaid to the state under LB522 had already been advanced to final reading, and therefore, LB522 stood on its own merits and not on some deal that was made regarding that. It is simply not accurate to say that the counties accepted the obligation under Section 68-130 in exchange for the transfer of Medicaid to the state. Instead, the language of Section 68-130 was added as an afterthought to LB602. Ironically, the final version of LB602 not only left the responsibility for the medically indigent with the counties, but also imposed a new obligation which is codified under Section 68-130. Lancaster County covers these costs as part of our general assistance program. At the time of the transfer of Medicaid to the state, services were

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

being provided through county owned or controlled facilities. Maybe to help guarantee a smooth transition for clients and providers, it made sense at that time to continue providing these services in as many of the same facilities as possible. Also, requiring counties to maintain these facilities at no cost to the state softened the financial burden to the state during this transition of services. However, conditions have changed substantially since 1983. The State Department of Public Welfare grew and became the Department of Social Services, which later merged into the all-encompassing Department of Health and Human Services. As the role of HHS expanded, the manner in which services were provided became more centralized. HHS facilities in many counties have either been eliminated or reduced in size, and are being provided through call centers. Many counties no longer have facilities and other counties have questioned the payment for rent facilities that did not exist or were reduced. That was the reason for LB234 which allowed counties to reduce or eliminate their obligation. As a result, this financial burden under Section 68-130 is not being shared equally by taxpayers from one county to another. In fact, there's only seven counties now providing facilities are paying rent to HHS and I think 36 that are providing facilities. So that leaves 43 counties that are not paying anything. That's clearly unfair to the taxpayers of one county to be paying for a burden which provides services that cover the entire state. And I'm hurrying because I see my light is red and I will conclude at this time, but one final comment. We lost \$3 million in state aid to the counties during the last fiscal crisis. Maybe it's time to eliminate this outdated form of county aid to the state. So I'd be happy to answer any questions. [LB567]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none, thank you for coming down today. Appreciate it. Welcome. [LB567]

ELAINE MENZEL: Thank you. Chairman Murante and members of the committee, for the record, my name is Elaine Menzel. That's E-l-a-i-n-e M-e-n-z-e-l and I'm appearing here today on behalf of the Nebraska Association of County Officials in support of LB567. First, we would like to greatly express our appreciation to Senator Bolz for once again recognizing the need or the...to consider this legislation. I'll take you back and I believe Chairman Murante, you were the only one serving on the Government Committee at the time, but it was in 2014 when this committee participated in an unfunded and underfunded mandate study. And one of the proposals that was included as something that could be done to help alleviate some of the fiscal requirements of counties at that time was to take over or assume some of the fiscal responsibilities of the counties for providing office space for Health and Human Services. And so, that's why we're in part asking for this committee to support this. While we certainly would prefer the outright...or utilizing the original contents of the legislation, we certainly recognize the budget situation that the state is in and so we are very supportive as well for Senator Bolz's idea to...or amendment to address some of the concerns and help, maybe as a baby steps, in dealing with this issue. I would just like to note for the committee's reference that there is one county that apparently at this time rents not just private space but from the...back from the state. So, just

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

for consideration when you're talking about that. And I would also like to address, based upon the information that I have, Senator Hilgers, that the fiscal as I'm put together the figures based upon what we had from a 2015 study, and I believe that's the chart that Senator Bolz passed out to you. It's about \$350,000. There are a few counties that did not account for that information because they did not report to us at the time that information was gathered by contacting HHS as well as the counties tried to get some of that information and there's only a couple of topics that we get 100 percent response rate from the counties and unfortunately, this was not one of those topics. But I'll conclude at this time and if there's any questions, I'll be glad to try to answer them. [LB567]

SENATOR MURANTE: Okay. Thank you very much for your testimony. Are there any questions? Seeing none, thank you for coming down. Welcome back. [LB567]

FRED UHE: It's good to be back. Chairman Murante, members of the Government, Military and Veterans Affairs Committee, my name is Fred Uhe, last name is spelled U-h-e. I am director of Community and Government Relations and a registered lobbyist for Sarpy County. I think the issue has been detailed pretty well by previous testifiers, but I think Sarpy is probably maybe the eighth county or the ninth county that is paying rent. I think when the original surveys were done, we were not in that situation. I know in the prior space looking over 30-some year time period, we had identified the value of that space being, I think, \$1.3 million, but currently due to space needs in our growing county, we actually under the law referenced by Senator Bolz, in 2011, I had contacted HHS twice to ask about them negotiating space and they declined both times. And the Medicaid and general assistance office personnel programs, that personnel was required by the original law in '83, have moved out. So there's actually, I think, we're housing some of the developmental disability programs and some other functions of HHS, which is without the intent of the original law back in the '80s. But currently we have moved our office to Brentwood Square in La Vista. The rent is about \$65,000 per year including utilities and common areas. And, you know, additionally we also rent two different facilities for probation as well. So I think we've been generous in providing space to the state of Nebraska and I think this is probably a good time to generate the discussion again as some of these unfunded, underfunded mandates that have occurred in the past, so. With that, I'd be willing to take any questions. [LB567]

SENATOR MURANTE: Thank you very much for your testimony. Senator Blood. [LB567]

SENATOR BLOOD: Thank you, Chairman Murante. Great testimony. Just for the record, what is the fastest growing county in Nebraska? [LB567]

FRED UHE: Sarpy. [LB567]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR BLOOD: Thank you. [LB567]

FRED UHE: Okay. (Laugh) I like the easier ones. [LB567]

SENATOR MURANTE: Any additional questions? Seeing none, thank you for coming down. [LB567]

FRED UHE: Thank you. [LB567]

SENATOR MURANTE: Welcome back. [LB567]

SEAN KELLEY: Good afternoon, Chairman Murante, members of the Government Committee. My name is Sean Kelley, S-e-a-n K-e-l-l-e-y, appearing today as a registered lobbyist on behalf of the Douglas County Board of Commissioners. Of that...of the square footage provided to the...for Health and Human Services, Douglas County provides 54,000 square feet. Of that 54,000, 36,000 is actually owned by Douglas County, but the other approximately 18,000 is leased at the cost of \$230,000 to Douglas County. So this is real money and real unfunded mandates and with that, I'd be happy to answer any questions. [LB567]

SENATOR MURANTE: Thank you very much for your testimony. Senator Wayne. [LB567]

SENATOR WAYNE: What's the largest county in Nebraska? [LB567]

SEAN KELLEY: I believe Douglas County. (Laughter) [LB567]

SENATOR MURANTE: But we're gaining on you, is the moral of the story. All right. Any additional questions? Seeing none, thank you for coming down. [LB567]

SEAN KELLEY: Thank you. [LB567]

SENATOR MURANTE: Additional proponent testimony to LB567. Is there any opposition testimony to LB567? Welcome. [LB567]

CALDER LYNCH: (Exhibit 6) Thank you. Good afternoon, Senator Murante and members of the Government, Military and Veterans Affairs Committee. My name is Calder Lynch, C-a-l-d-e-r L-y-n-c-h. I am the director of the Medicaid and Long-Term Care within the Department of Health and Human Services, and I'm here to testify in opposition to LB567. LB567 would

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

require HHS to pay counties for the cost of office space and service facilities used for the administration of public assistance programs. Currently, counties are required to maintain office space and service facilities used for these programs as they existed on April 1, 1983 at no cost to the department. Prior to that date in July of '83, counties had responsibility for the administration of these programs, and were responsible for the cost of building space, equipment, and employees. Counties were also responsible for some program costs including 14 percent of the cost of the Medicaid program, which equated to \$20 million in 1983. Legislation in 1982 and 1983 mandated the transition of 89 county welfare offices, 1,200 county employees, and the public assistance programs from counties to state government. In exchange for the state assuming responsibility and costs for these programs, the counties were required to provide HHS with office space to administer them. In 2011, LB234 created a process under which a county could request the department to waive their obligation to provide the space, and we have granted such requests in situations where it has vacated and no longer required space in that county. In other counties, the space required by HHS has exceeded the county's obligation, and we pay the county for that additional space. We currently occupy roughly 185,000 square feet of space provided by counties. This represents a decrease from the 210,000 square feet that they were required to provide in 1983. In fiscal year 2016, total Medicaid expenditures were nearly \$1.95 billion. Assuming the counties historical requirement of contributing to 14 percent of those costs, over \$273 million would be the responsibility of the counties had that cost shift not occurred. Medicaid expenditures in FY '16 in Lancaster County alone were over \$303 million; 14 percent would represent over \$42 million. In Douglas County over \$951 million; 14 percent equating to \$83 million. HHS estimates that the fiscal impact of no longer having office space provided at no cost would exceed \$3.2 million to the department. The current cost to the counties to provide this space is significantly less than the more than \$273 million that the counties would be paying today had the state not relieved the counties of the financial burden of the costs of county public assistance offices. We're committed to helping people live better lives wherever they reside. While we continue to improve access to services through efficiencies, we are also committed to being available in local offices across the state. And with that, I'd be happy to answer any questions from the committee. [LB567]

SENATOR MURANTE: Thank you very much for your testimony. Senator Craighead. [LB567]

SENATOR CRAIGHEAD: Thank you, Chairman Murante. Thank you for being here this afternoon. About the \$3.2 million that would be required to be paid by HHS, where do you think that might come from? [LB567]

CALDER LYNCH: I would tell you, Senator, that we would not have the money in our existing administrative budget today. And it would need to be appropriated to the department to assume those costs. And given, of course, the state's current fiscal position, I'm not sure where that would come from. [LB567]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR CRAIGHEAD: Thank you. [LB567]

SENATOR MURANTE: Thank you, Senator Craighead. Senator Hilgers. [LB567]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you for your testimony, Director Lynch. On a \$3.2 million, is that tied to the green copy of the bill or the amendment? I don't know if you've seen the amendment or heard it described. [LB567]

CALDER LYNCH: No, sir, I have not seen the amendment. [LB567]

SENATOR HILGERS: The amendment just so you know, as I understand it from my conversation with Senator Bolz, is that it only applies now to where the counties go out of cost...out of pocket for the costs, so...just so that \$3.2 million is the green copy, not the amendment. [LB567]

CALDER LYNCH: Okay. Yes, for the green copy. [LB567]

SENATOR HILGERS: And I take your point about making...and maybe there was a deal back in '83 that the counties would in exchange for...you know, giving the state the responsibility for all the Medicaid, the counties would, you know, would give them free office space. I mean, that may have been the deal, now, I mean, we're sort of in a different era and I guess the question I've got is, we're grappling with property tax crisis which is driven a large part...in a large part by unfunded mandates from the state, among other reasons. And so, isn't it...and I just want to get your thoughts on this, I mean, isn't it more equitable if the state is using the resource for the state to pay and if we're running everything from Medicaid expenses through the state, shouldn't that be...should have we used state tax dollars rather than county tax dollars for that purpose? [LB567]

CALDER LYNCH: Thank you, Senator. You know, from the department's perspective, we want to work in partnership with the counties and with NACO to determine the best way for us to have a local presence and to work with the Legislature to ensure that we're appropriately funding the programs and services. You know, whether that comes from property tax dollars, from income tax dollars, I think is a decision that the Legislature and, of course, you know, with review by the Governor, too, has to make. And from the department's perspective, this has been an arrangement that's existed for many years and with regard to the dollars it would take to shift it back over, we would need that funding appropriated to us. But I can't say whether it should come from one source or another from my perspective. [LB567]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR HILGERS: I appreciate that. For the leases that have been paid out of pocket, the county it goes out and finds leases. I don't know whether you know the answer to this question, but do you know if the state has been involved with negotiating those leases either whether they're tripled net or not, or the amounts that's paid, or the location and size of space for the link. Any of those details, do you know? [LB567]

CALDER LYNCH: Yes, I know that we do work closely with the counties when we have to lease additional space, or we're looking at using commercial space when the county has an obligation. I know there was mentioned specifically with regard to here in Lincoln in the Gold's building and had the state worked recently in the last few years to renegotiate some of that lease that saved Lancaster County over \$700,000. And, you know, we're certainly willing to work with counties if they have alternative proposals with regard into which space we're occupying. We're open to those conversations and how best to serve the residents of that county. [LB567]

SENATOR HILGERS: Okay. Thank you. [LB567]

SENATOR MURANTE: Senator Brewer. [LB567]

SENATOR BREWER: Thank you, Mr. Chairman. Well, in following with the questioning...the line of questioning from my Omaha counterparts, can you tell me which county has the least population? (Laughter) [LB567]

CALDER LYNCH: I can't tell you that off the top of my head, Senator. [LB567]

SENATOR BREWER: That would be Arthur. Can you...would you care to venture a guess on the population of Arthur? (Laughter) That would be 460, thank you very much. [LB567]

CALDER LYNCH: Thank you, Senator. [LB567]

SENATOR MURANTE: And welcome to the Government Committee hearing. (Laughter) Any additional questions? Seeing none, thank you for your testimony. [LB567]

CALDER LYNCH: Thank you, Senator. Thank you, members of the committee. [LB567]

SENATOR MURANTE: Additional opposition testimony to LB567? Are there additional opponents? Is there any neutral testimony? Senator Bolz. [LB567]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR BOLZ: Very briefly. I just wanted to make a couple of comments, but the first was just about how Health and Human Services have evolved over time. I think that if we look across the country we can see that those states that have remained with some county level systems, those are pretty inefficient. They're uneven. That state level leadership allows us to create efficiencies and maximize strategies and staff. And I think the economic assistance call centers are a good example of that. We've got two or three call centers, those that handle all the calls from the state and I think it's time for this piece of the puzzle to move forward to that future vision. I also couldn't resist the opportunity to step back to the microphone to see if Senator Hilgers wanted to ask me any questions about the illustrious Lancaster County. (Laughter) [LB567]

SENATOR HILGERS: Where is the football...the five-time national championship football team located in Nebraska? Do you know the county, Senator Bolz? (Laughter) [LB567]

SENATOR BOLZ: That would be the one, the only Lancaster County. [LB567]

SENATOR HILGERS: Thank you, Senator Bolz. [LB567]

SENATOR MURANTE: (Exhibit 7) Thank you, Senator Hilgers and Senator Bolz. Enjoy Appropriations Committee, Senator Bolz. And we do have a letter of neutral from Nathan Leach, representing himself. That closes the hearing on LB567 and brings us to the next item on the agenda, LB603. Senator Riepe. Apparently it's county trivia day in the Government Committee, so. Welcome. [LB567]

SENATOR RIEPE: (Exhibits 1-2) Thank you, sir. Chairman Murante and members of the Government, Military and Veterans Affairs Committee, I am Merv Riepe, and that's M-e-r-v, Riepe is spelled R-i-e-p-e. I represent the 12th Legislative District which is Omaha, Millard and Ralston, and I'm clearly in hopes that no one on this committee asks me how many freckles are on a frog. (Laughter) So I know you're in great details. Today, I'm here to address one part of my healthcare reform package. I know that many of you are aware that I have a keen interest in the need for reform, and quite frankly the way that we might go about doing that. Obviously, healthcare is a hot issue not only in the state of Nebraska but across the country and something that hopefully we'll be able to come up with in the near future with some better answers than we've had in the past. Some answers that are maybe more affordable, more accessible, and work for the public. Both political parties have attempted to bring their own style of healthcare reform and all have failed because while the program services or benefits might be ideal, they're not financially viable. We have allowed perfect to get in the way of good. We cannot do more of the same and watch healthcare consume a larger part of our gross domestic product, now at 17 percent and with no end in sight. Keeping all of this in mind, LB613 was one step that the state

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

could take to ensure Nebraska was continuing with healthcare reform. I want to share this handout simply because it reflected a little bit of a dynamics and the complexity of healthcare in America as we know it today. I'm going to work the page here today because I have a second one, but I wanted just to a small time for you to absorb the dynamics of the existing and then this is my own thoughts that I want to briefly talk about. In my rush to reform, I sought to establish a pilot project with the state employee health plan. As we reached...as we researched, we determined that the department does offer a high deductible health plan to state employees and we do not feel...or I do not feel a mandate is necessary as the state will continue to provide a high deductible health plan. And for that I could not agree more. What I did want to briefly talk about on the second handout was a simple model, I think that...I'm a subscriber that, you know the old adage of keep it simple stupid. You know, I mean some of these things like the first handout make it so complicated that it's an impossible way to try to solve some of these problems. On more simpler approach, some of the issues I would think and hope that we're going to get is, I hope that we're going to see block grants. I think, I hope that we're going to see higher deductibles, but I want to see those higher deductibles quite frankly on the hospital, on the medical specialist, on the pharmacy, and quite frankly, on maybe some of the outpatient. I want to see lower, no deductibles for primary care. And as you know, I had a bill last session which was direct primary care where the patient or individual would have a relationship directly with the physician, primary care, and exclude the insurance company in the middle, they paid fundamentally, approximately \$75 a month. But for that they had the opportunity to have unlimited visits. There's no co-pay, there's no deductible and it clearly engaged the use of electronics and the smart phone and I think every day that we pick up the paper, you'll see something where the new applications for smart phones and new technology. I heard one the other day that in...I think it's in Dallas that they're running a pilot where there would be no cash and quite frankly on apps on your phone you're going to be doing everything. Even for a gray-haired guy like me, that sounded pretty exciting. I want to also see health savings accounts. And I'd like to see these not unlike the 401 plans for individuals that stay with the individual and not the employer. Staying with the organization is not likely for a career of 30 years in the 21st century much like...unlike maybe our fathers, or for some of you, your grandfathers saw in the 20th century. And so with this portability like a 401K plan, we would not have to worry about preexisting conditions because they would go with you, the holder of this. On the HS safe plans, I would see this as having a lifetime estate. Some people scoff at that a little bit saying if you could ever end up with any extra money when it comes to healthcare, you're a very fortunate person. But in the event that you could, you could use it through long-term care all the way through...and it would go to your heirs so that you don't get into a mentality of the, you know, spend it or lose it type of thing. Also, we would see, I would see the deductibles for that being fundamentally what the federal requirements are. If the federal government can choose its insurance programs, or healthcare programs reform can do this, that would make me happy, but it's about \$6,750 per individual at the national HSA levels at this time. If you're over 55 you get an extra thousand dollars. Some way or another, I can see if the feeders on this as you see on

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

your visual there would be the employer feeding into this HSA 401 plan type. The individual needs to have some skin in the game and so in some states, for example, in Indiana there's a mandatory requirement that anyone that's receiving Medicaid benefits has to participate financially. Also on the side there of the government...and the government and the state would be able to put money in for those people who have no money or inability based on their federal poverty line. I want to preserve private health insurance. I want to see high-risk catastrophic healthcare come back, although it's expensive. We have to have a last home for the people that cannot afford or obtain healthcare in any other way. A high deductible pilot was a proposed step but given the states...the states proactive administrative actions by offering that, I am here in front of you today to make your life easy and I'm asking you to IPP LB603. Thank you for the opportunity to share my hopes and dreams for healthcare. Thank you. [LB603]

SENATOR MURANTE: Thank you for coming. Senator Blood. [LB603]

SENATOR BLOOD: Thank you, Chairman Murante. I'm glad you ended that way because I kept...I heard you from the beginning and I was waiting to hear that last sentence and it was like, I could have sworn, he told us this was going on, so. I also want you to know that there are multiple apps available already for us to stay with our phones. Beyond the testing program in Lincoln and there have been for several years, so I'd be happy to come over to your cubicle and share that with you on your smart phone and show you how to use it. [LB603]

SENATOR RIEPE: Absolutely. One of the reasons...because...up on the floor, it was difficult at best to get into a position to be able to withdraw legislation. So this was coming faster than the opportunity to withdraw there, so I appreciate your willingness to listen to my piece. [LB603]

SENATOR BLOOD: Thank you. [LB603]

SENATOR MURANTE: Senator Hilgers. [LB603]

SENATOR HILGERS: Thank you, Mr. Chairman. I just wanted to say you mentioned your direct primary care bill from last session and I've got to tell you, that's the kind of innovation we need in the healthcare space. When I went door to door that was a topic of conversation for a lot of people was healthcare costs. Obviously, in that particular as a...innovative way under this restrictive federal regime to try to tackle healthcare costs. I appreciate your leadership in that area and thanks for your comments today. [LB603]

SENATOR RIEPE: Thank you. You're very kind. Change is difficult, change is very difficult. [LB603]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR MURANTE: All right. Seeing no additional questions, thank you for your opening. [LB603]

SENATOR RIEPE: Thank you so much. I won't be staying for closing. (Laughter) [LB603]

SENATOR MURANTE: (Exhibits 3-4) All right. Are there proponents wishing to speak on LB603? Are there any opponents? Is there any neutral testimony? Seeing none, Senator Riepe waives closing. I do have letters in the neutral from Bo Botelho of the Nebraska Department of Administrative Services and Nathan Leach representing himself. That closes the hearing on LB603. Proceed to the last item on the agenda, Senator Hilgers, welcome back to your committee on Government, Military and Veterans Affairs. [LB603]

SENATOR HILGERS: Thank you. Chairman Murante, fellow members of the Government, Military and Veterans Affairs Committee, my name is Mike Hilgers, M-i-k-e H-i-l-g-e-r-s, elected to represent the people of northwest Lancaster County and Lincoln in District 21. I'm here to open today on LB508 and Lancaster County is not the biggest nor is it the fastest county in the state. However, it has grown fast enough and is big enough to have created the problem that LB508 is intended to solve. Specifically in statute, there are a number of requirements that when a county of a certain size, of 300,000 people in this case, when they hit that size they have to add a number of additional pieces of bureaucracy. A previous piece of legislation which I'll touch on in a second dealt with a number of these requirements but there is one in particular that LB508 would address which would change the population threshold from 300,000 to 400,000 for counties to be required to have a civil service commission. Civil service commission is sort of...it's another layer of bureaucracy, it's sort of like another HR group and in this day and age of high property taxes, tight budgets, and with the system that generally works well, this is not the time to add that additional bureaucracy on Lancaster County. So that's what LB508 would do. It's very simple, very straightforward. Now this has some history behind it. There was an interim study a couple of years ago, I believe at the...of the Lancaster County Board of Commissioners to address some of these population thresholds that I mentioned. As part of that process, LB742 was introduced last session that actually changed a number of the thresholds from 300,000 to 400,000 including, by the way, the threshold that's in LB508. Between General and Select some objections were raised and this piece of that...of LB742 was pulled out. Now the rest of that, by the way, was passed. LB508 now we're bringing it forward and I should mention that Mr. Eagan will be testifying on some of the particular details on how this impact...would impact Lancaster County. Some of the same objections have been raised this time around. I wasn't there last session. We're working collaboratively with some of the opponents of this piece of legislation hoping to work through a compromise that would...a compromise amendment that we could all agree upon. So as I mentioned, Mr. Eagan will be coming forward to speak, but I'm happy to answer any questions. [LB508]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

SENATOR MURANTE: Thank you for your testimony. Are there any questions? Seeing none, thank you for your opening. Welcome. [LB508]

KERRY EAGAN: (Exhibit 1) Thank you. Good to be back. I'll talk fast. Good afternoon, Senator Murante and members of the Government, Military and Veterans Affairs Committee. Again, my name is Kerry Eagan, spelled K-e-r-r-y E-a-g-a-n. I am the chief administrative officer for the Lancaster County Board of Commissioners. I want to thank Senator Hilgers for introducing LB508. Again, I'm here testifying on behalf of the county board. In February of 2014, the county board began a thorough review of how the county would be affected when its population crossed the 300,000 population threshold. As a result of that study, three major impacts were identified. The mandated changes to the county's civil service system; the second was a requirement for seven county commissioners rather than five; and the third was the sunset of the statutory authority for the County Employees Retirement Plan. Initially, the county intended to introduce comprehensive legislation in 2015 to address these impacts, but given the number of statutes it was, I think, between ten and 15 statutes that were affected, we thought a legislative review would be better to make sure that we caught everything in the process. Lancaster County did testify on LR196 on November 4, 2015. At the time the county identified changes to the civil service system as the county's biggest concern. No testimony was offered at the hearing identifying concerns with the existing civil service system in Lancaster County. In 2016, LB742 was introduced by Senator Hansen to raise the 300,000 population threshold to 400,000, thereby addressing the county's concerns. The county again testified in favor of raising the threshold at the committee hearing which was held February 4, 2016. Again, no opposition testimony was introduced. LB742 advanced to General File on February 19, 2016. At that point the county was notified by Senator Hansen that he was withdrawing LB742 because of opposition from AFSCME Union regarding how LB742 would impact the county's civil service system. Rather than withdraw the entire bill, the county asked Senator Hansen to remove the civil service provisions and proceed with the remainder of the bill. At the time of this request we made clear our intent that we intended to introduce legislation the following year addressing the civil service system because we thought a full debate was warranted. Senator Hansen agreed and LB742 was signed into law by Governor Ricketts on April 7, 2016. As previously stated, the county board's biggest concern with the 300,000 threshold is how it will impact the county civil service system. Presently, the county's system is governed by a personnel policy board consisting of noncounty government members, who are persons in sympathy with the application of merit principles to public employment. On reaching 300,000, the county will be required to replace the personnel policy board with a civil service commission which consists of two elected county officials, two county employees, and a member of the public holding no public or political office. Of those appointees, one has to be a Democrat, one has to be a Republican, same for the employees. They try to have one Democrat, one Republican. The county believes the makeup of this Civil Service Commission is more likely to lead to favoritism and partisan politics, which undermines the very purpose of a merit system. Another concern is the loss of statutory

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

authority, which only Lancaster County now has, to transfer functions performed by state employees from other political subdivisions of the state to the county, while at the same time protecting rights and accrued benefits to county employees. We transferred drug court to the county using these statutes that only apply to Lancaster County. A final concern is that in the Douglas County system, directors are protected merit employees. The county believes that these employees who are the number one lieutenants of the county board should serve at the pleasure of the board and should not be subject to civil service protections. They should serve at the will of the board. This is really a very big concern that we have. Thank you. I would be happy to try to answer any questions at this point. [LB508]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none, thanks for coming down today. Much appreciated. Still on proponent testimony to LB508. Are there any additional proponents? Opponent testimony. Welcome. [LB508]

LARRY CARR: Good afternoon, Chairman Murante and members of the committee. My name is Larry Carr, L-a-r-r-y C-a-r-r. I am a Lancaster County employee. I am also the secretary-treasurer of AFSCME Local 2468. I'd like to talk to you about LB508 and I guess the best way I know how to do that is to give you the history of it as I know it. In March of 2016...most of us are engineering employees who do the snow removal around here. This time of year is really pretty busy for us, really hectic. Last year was one of those years. We became aware of LB742 in March. We met with Senator Hansen and shared our concerns with him over this. Senator Hansen talked to someone from the county. I don't know who, I wasn't involved in that. Through those proceedings we came up with AM2649 which took the civil service part changing it to...or the personnel policy board for civil service system out to preserve for us at 300,000. The county approved it. It went through. Everything was finished and it was entered into law, signed by the Governor. Come along this year I became aware of LB508. After I read LB508, I spoke with Senator Hilgers and I said if you read LB508 and AM2649, I said they're the same thing, only in reverse. I guess in conclusion, I'm not sure what the county's intentions were when they agreed to AM2649. If they did...just did not do their due diligence and decided later that wasn't what they wanted, or if they had no intentions of fulfilling AM2649 and figured they would come back with LB508 and remove that. Thank you. Can I answer any questions? [LB508]

SENATOR MURANTE: Are there any questions? Seeing none, thanks for coming in. [LB508]

LARRY CARR: Thank you. [LB508]

SENATOR MURANTE: Welcome. [LB508]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

RICK DeBOER: Good afternoon, Chairman Murante and members of the committee. My name is Rick DeBoer, R-i-c-k D-e-B-o-e-r. I am the president of AFSCME Local 2468. As Mr. Carr said, we kind of went through this last year. We do not have a lobbyist on our payroll. We do not have anyone on our payroll. Everything we do is volunteer and if we need any legal services, we pay for that ourselves. So we don't have a lobbyist to watch out for us. We have good people out here, some good senators that are labor friendly that kind of give us the heads up. When we made a compromise at the last minute, Mr. Eagan is correct. We opposed to that the last minute because we were not aware of it. And then the compromise was made to remove the Civil Service Commission from the 400,000 threshold. This year, 12 months later, here we are again. And we were not aware of the county's intent to bring this back to life again until someone pointed it out and caught it at the last minute. And so we expressed our concerns why we wanted the Civil Service Commission and why we made the compromise last year. We felt like it was made last year and the county agreed to it, we did not know that they were going to bring it back this year in a different form. That being said, three weeks ago we met with Senator Hilgers in his office, expressed our concern, and he was going to work with some people and talk to some people and yesterday, for the first time, we got a proposed amendment, not an official form, just some ideas of what could be reached in an agreement. I don't know if it's a good amendment or not because 18 hours is not enough time to look to see if that is a good amendment for us to agree with or disagree. We're more frustrated with the fact that if they knew that we opposed it last year, why didn't they give us the heads up this year that they were going to bring it to the table again. It doesn't seem like it's in good faith, but since that time I've been in communication with some of the members of the county board and they have assured me that they are trying to take steps to better communicate the process and give us the heads up on some of these things that affect us. And so we're looking forward to working with the county board as far as that goes. Like I said, I don't know what's going to happen. I know that Senator Hilgers feels that this is not ready for a vote. Some language needs to be worked on yet. We're just very frustrated with the way this went about it...or came about, and 18 hours is not enough time to decide whether we are in agreement with this or not. So, thank you for your time. [LB508]

SENATOR MURANTE: Okay. Thank you. And just by way of process, I would say, first of all, as it related, I was the committee chairman last year when Senator Hansen's bill came through. As I understood the agreement it was, essentially, your organization would withdraw their opposition to the bill as it was on the floor provided that an amendment to take out the provision which you found to be objectionable, as long as that amendment was adopted. That amendment was adopted. You withdrew your objections, the bill passed. As far as I can see, everyone lived up to their end of the bargain. And here we are, Senator Hilgers already indicated to you that we are not voting on this today. We'll reiterate the plan. We're not going to vote on this today. [LB508]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

RICK DeBOER: Right and I understand that. The reason I'm here today is because I'm a rookie at all this. [LB508]

SENATOR MURANTE: Right. [LB508]

RICK DeBOER: I did not know how...I thought I'd better...you know, I know what we've been told but I'd better show up just in case because this is my first time. [LB508]

SENATOR MURANTE: Well, notwithstanding, you'll have plenty of time to work with Senator Hilgers before we have a vote by this committee on... [LB508]

RICK DeBOER: So, like I said, the county has reached out and made an effort to make some compromises and that we might be okay with, but we just didn't think that 18 hours was enough time. So I just wanted to make that clear before the committee today. [LB508]

SENATOR MURANTE: Sure. Well, you'll have plenty more than 18 hours to work on this, so. [LB508]

RICK DeBOER: Okay. Thank you, sir. [LB508]

SENATOR MURANTE: Senator Blood. [LB508]

SENATOR BLOOD: Thank you, Chairman Murante. Thank you for your testimony. I hear you saying the part about part of your issue is that they just didn't get to you in a timely manner and you feel that you're under the gun. But I'm still fuzzy on, what exactly is it that your union has in reference to the bill? What is not sitting well with you? I don't understand what....(inaudible). [LB508]

RICK DeBOER: The bill, LB508 is the one thing, the compromise that we agreed upon last year and that was removed the personnel policy board and go to a Civil Service Commission at 300,000. And now the county wants to change that back what we compromised on last year and bump that up to 400,000 and go to a Civil Service Commission. [LB508]

SENATOR BLOOD: And why would that be bad? That's what I'm trying to... [LB508]

RICK DeBOER: That would be...we thought the Civil Service Commission would be more to our advantage, kind of not even advantage, but to kind of level the playing field. Because right

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

now on the personnel policy board, we have four members from management side and two members from employee side. And so we're behind the eightball four to two on everything we present. And we just don't feel like it was a balanced board. We felt like there should have been slam dunk wins for us that we would barely win by a four to three vote or a five to four vote, whatever the number is. I think there's six currently on the personnel policy board, but it was four managers' sides and then two employees' sides and so we didn't feel like it was a balanced system where a Civil Service Commission would actually put on two active current employees on that board. So it would...Civil Service Commission would balance it out according to what we believe to be more of a equal employee and manager. [LB508]

SENATOR BLOOD: But not if they raise the threshold. [LB508]

RICK DeBOER: Not if they raise the threshold, then the personnel policy board stays intact and currently it's under four to two. But as Senator Hilgers has said and the commissioners have voiced to us, that they are willing to work on making it more of a playing field. And we might be fine with that and we just didn't have time to process everything before today. [LB508]

SENATOR BLOOD: So you're working with Senator Hilgers' office in hopes that you'll find a resolution and if indeed you find a resolution, then your opposition would change. [LB508]

RICK DeBOER: That is correct. [LB508]

SENATOR BLOOD: Thank you. [LB508]

SENATOR MURANTE: All right. Any final questions? Seeing none, thank you for your testimony. [LB508]

RICK DeBOER: Thank you. [LB508]

SENATOR MURANTE: Are there any additional opponents to LB508? Is there any neutral testimony? Senator Hilgers. [LB508]

SENATOR HILGERS: Thank you, Mr. Chairman. I'll be brief. I appreciate Mr. Carr and Mr. DeBoer coming down with their testimony. I wasn't here for part of the process the last time. I've been focusing exactly on what Senator Blood's question got to, which is the substance of LB508 and what the concerns are. We had a very candid conversation in my office drilling down on that particular question. Mr. DeBoer accurately described, I think, the problem that they have and potential solution. We'll go around and make up with the personal...personnel policy board. So

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Government, Military and Veterans Affairs Committee
February 22, 2017

we're committed to working with them and seeing if we can reach a compromise. If we can, we'll bring it to the committee and we'll go from there. But they've been very open and candid and it's been a good working collaboration so far. So with that, I have nothing further. [LB508]

SENATOR MURANTE: All right. Any final questions? Seeing none...oh, excuse me, Senator Lowe. [LB508]

SENATOR LOWE: Thank you, Mr. Chairman. Thank you, Senator. Negotiations are always good and that's how we should work it. And thank you for coming down and speaking pieces today. We're not such a bad lot here. Now to my true question, can you tell me what county Fort Kearny is located? (Laughter) [LB508]

SENATOR HILGERS: Buffalo. [LB508]

SENATOR LOWE: A trick question. Kearney County. [LB508]

SENATOR HILGERS: Kearney County, huh? [LB508]

SENATOR BREWER: Wow. He gives you so ...(inaudible). (Laughter) [LB508]

SENATOR MURANTE: (Exhibits 2-3) Well, we'll finish on a positive note for you, Senator. Senator Hilgers, I do have a letter of support for your bill from Larry Dix of NACO and a letter of neutral from Nathan Leach representing himself. That closes the public hearing on LB508 and ends our public hearings for the day. [LB508]