

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, January 13, 2014
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Chairman Cameron, Vice Chairman Keough, Senators Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey
Chairman Bell, Vice Chairman Bolz, Representatives Eskridge, Thompson, Gibbs, Miller, Stevenson, Youngblood, Ringo, King
ABSENT/ EXCUSED: None
STAFF PRESENT: Tatro
CONVENED: Chairman Cameron convened the meeting at 8:00 a.m.
DEPT. OF HEALTH AND WELFARE PRESENTATION: **DEPARTMENT OF HEALTH AND WELFARE**
Child Welfare and Service Integration
Richard Armstrong, Director, Department of Health and Welfare

To view **Mr. Armstrong's** presentation, click the following link [Health and Welfare Overview](#)

Mr. Armstrong discussed the following areas: 1) budget recommendations for his department, 2) challenges the Department is facing to integrate the Medicaid eligibility system with the federally facilitated marketplace, 3) a workforce update, 4) three important State initiatives for FY 2015 that could have a lasting impact on Idaho citizens, and 5) the concept of a "livable wage" and its impact on public assistance programs.

The FY 2015 Governor's budget recommendation totals \$2,537,477,000 with \$632,363,800 from General Funds and 2,848.16 full-time positions. It is a maintenance budget with a total increase of 1.6% from last year. There was a slight increase in general funds and a decrease in receipts, mainly due to a reduction in pharmacy receipts. Medicaid was 80.6% of the entire Department's budget, down from 81.4% last year. Most money appropriated to the Department is paid directly to Idaho citizens and healthcare and social service providers.

A frustrating challenge concerns the Affordable Care Act. Because Idaho's state-based marketplace is not yet functional, Idaho consumers apply for tax credits and shop for private insurance through the federal marketplace. Initially Idaho agreed to accept federal determinations of Idaho Medicaid eligibility. Test files used to verify eligibility were supposed to be received in October, 2013; that information was not received until the first part of January, 2014. A letter was sent to Secretary Sebelius stating that Idaho would not accept federal Medicaid determinations at face value as of January 1, 2014, when Idaho had no opportunity to validate federal decisions. Therefore, Idaho is requesting separate Medicaid applications processed by state eligibility workers to protect program integrity until full testing, which takes about four weeks, is completed. Transitioning to a state-based exchange will make it easier for consumers to evaluate and apply for coverage, while assuring accurate Medicaid eligibility determinations.

Mr. Armstrong also discussed workforce issues. DHW turnover in FY 13 was 15% involving 339 employees. High workload, stress and pay were contributing factors in employee turnover. A fundamental shift in the workforce occurred since the recession which necessitated reorganizing and consolidating positions to meet demands. The Department continues to lose experienced, high-performing workers, especially eligibility workers and child protection social workers. Employees are the Department's most valuable asset and the CEC Committee's recent recommendation for a state employee raise is encouraged and supported by the Department of Health and Welfare.

The Department strongly supports three initiatives that could have an impact on the citizens of Idaho. The first is a state funded program that establishes behavioral health community crisis centers for people with behavioral health disorders in order to reduce incarcerations and hospital emergency room use. Initially the plan would be to pilot three crisis centers and expand to seven centers based on success and costs. The second initiative, federally funded, is a Title IV-E Child Welfare Pilot to reduce foster care entries by allowing alternative use of federal funds targeting prevention rather than waiting until children enter the foster care program. Long-term outcomes for children improve if families can safely remain together while problems are addressed. The third initiative is the State Healthcare Innovation Plan known as SHIP which is a partnership with healthcare providers, insurers and participants that pays to oversee patients' healthcare needs within a medical neighborhood in order to improve patient outcomes (rather than paying for the number of services provided). In other words the initiative would transform healthcare from a volume-based to value-based system.

There is a concern about the number of people on public assistance in Idaho. **Director Armstrong** reviewed the enrollment of four public assistance programs over a 12-year period: Cash Assistance, Medicaid, Food Stamps, and Child Care. DHW serves over 20% of Idaho's population in these four programs, an increase from 13% ten years ago. It might appear there is a growing dependence on government welfare; however, **Mr. Armstrong** referred to a report from the CATO Institute entitled, "Work vs. Welfare Tradeoff 2013," that ranks Idaho lowest of all states with a total benefit package of \$5.36 per hour for a full-time worker. In the same CATO report, another chart showed Idaho number one for the percentage of adults receiving TANF (Temporary Assistance for Needy Families) benefits who participate in work activities. As the Department analyzed the high number of working people who continue qualifying for public assistance, administrators learned from the Idaho Department of Labor that since the recession there has been a fundamental shift in jobs from goods production (construction and

manufacturing) to service industry, People are returning to work as unemployment falls, but often earn less; service jobs pay approximately \$10,000 less per year than production jobs. People are working but not earning as much. Idaho's individual median income is the lowest in the nation at \$23,200 per year (\$11.15/hr), The national average is \$29,538 (\$14.20/hr). There are 121,000 households in Idaho with collective incomes below Idaho's median wage. Many Idaho incomes fall below the minimum standard of living which requires private, family, or government assistance. Idahoans must earn a "livable wage" to reduce the need for public assistance. Until wages improve, there will be high utilization of public assistance programs.

**DIVISION PRESENTATION: DIVISION OF FAMILY AND COMMUNITY SERVICES (FACS)
Child Welfare and Service Integration
Robert B. Luce, Division Administrator**

To view the presentation, please click the following link [Child Welfare and Service Integration](#)

CHILD WELFARE The presentation by **Mr. Luce** covered the following areas: 1) a brief overview of facts, figures and trends from last year, 2) FY 2015 budget recommendation, 3) one supplemental request, and 4) two line items.

Child Welfare is focused on protecting children. The program is statutorily responsible for child protection, foster care, adoption, compliance with the Indian Child Welfare Act, and compliance with the Interstate Compact on the Placement of children. Last year there were 19,324 total referrals, 2,388 foster care placements, 1,324 children in care on June 30, 2013, and 331 finalized adoptions.

The FACS recommended FY 2015 budget represents only 3.9% of the entire DHW budget, and the Child Welfare amount totals \$59,666,700 with 388.75 full-time employees; only 31.5% of the recommendation amount is from state general funds, the remainder comes from federal dollars. The one supplemental is a funding adjustment requesting a net zero funding transfer to correct the funding mix and align appropriations with the proper expenditure categories within two child welfare budget units. The total appropriation does not change.

There are also two line items in the child welfare budget. The first is a request to internally transfer eight unfunded full-time child welfare social worker positions from the Southwest Idaho Treatment Center to the child welfare program. The additional FTP will provide front line services in child welfare to maintain children (who would otherwise be in foster care) safely in their own homes. Also, ongoing personnel funding of \$976,100 is requested to support the eight new positions and provide discretionary funding for six established but unfunded positions within child welfare. The funds will provide flexibility to increase salaries in order to recruit and retain quality candidates for this high-turnover job class. The second line item is a request to increase federal authority as a result of the Title IV-E waiver which allows restricted federal funds to be used for children who would not otherwise be eligible for the funds to remain safely in their homes rather than being placed in foster care.

SERVICE INTEGRATION The Service Integration presentation included an overview of facts and trends, the FY 2015 budget recommendation, and one supplemental request to increase federal authority.

To view the presentation, please click on the following link [Child Welfare and Service Integration](#)

Service Integration is a short-term, solution-focused service that helps Idahoans who are experiencing temporary instability link to community services and support. The program is focused on prevention, strengthening families and supporting kinship care. The two components to the program are the 2-1-1 CareLine and Navigation. There were 158,570 calls to the CareLine and Navigation served 10,318 individuals, families and children last year. There are over 29,000 children (6% of all children in Idaho) who are not living with their parents and are cared for by other relatives; more than 22,000 live in grandparent-headed households. Navigation helps maintain and support relative placements thereby avoiding higher costs associated with foster care and residential care.

The recommended budget for Service Integration is \$5,800,400. Only 15.7% or \$910,700 comes from General Funds. The one supplemental request is for additional federal spending authority in personnel for \$530,300.

DIVISION Indirect Support Services
PRESENTATION: David N. Taylor, CPA, CFE, Deputy Director

Mr. Taylor gave an overview of the Governor's FY 2015 recommended budget for Indirect Support Services, reported on some legislative intent language, and provided a summary and review of the Department's legislative audit findings.

To view the presentation, please click the following link [Indirect Support Services](#)

Support Services provides administrative functions for the Department of Health and Welfare including operational, financial and information technology services. The Governor's recommended FY 2015 budget totals \$40,902,900 which is 1.6% of the entire DHW budget with \$18.4 million coming from the General Fund. The Governor's recommendation includes an FY 14 supplemental giving spending authority for court-appointed guardians criminal history background check fees. The FY 2015 budget recommendation also includes replacement items totaling \$3,409,500 (\$1.9 million in one-time general funds and \$1.5 million in one-time federal funds) and the following three line items: mandatory medical changes for 24/7 IT operations, two financial services positions, and welfare fraud staffing.

Mr. Taylor briefly discussed some legislative intent language enacted last session as House Bill 328 which required Legislative Audit to conduct a management review to assess spending compliance with appropriations for the Division of Public Health. DHW has agreed to implement the two recommendations from the audit. The report was also to provide information about staffing and accounting processes that would be affected by a change in a single fund or Cooperative Welfare account to a multi-fund system for the Division of Public Health. The Department agreed with the two main conclusions.

Over the past twelve months DHW has taken the following steps to improve its responsiveness: 1) held an audit entrance conference in August, 2013, involving about 40 department and audit staff, 2) improved the SharePoint site which is an internal website for sharing and archiving information between Department and audit staff, 3) established monthly meetings with individual division administrators and staff responsible for addressing audit findings in order to receive in-person updates on progress made to address audit findings, 4) continued the practice of holding regularly scheduled meetings with Legislative Audit's Managing Auditor and Senior Staff Auditor assigned to DHW, and 5) worked with the local chapter of the Association of Government accountants to establish a grant training workshop attended by several Department financial and program staff. When the 2011 audit was initially issued in May of 2012, the Department had 17 open audit findings. Of the three audit findings that remain open, one relates to the Department's Medicaid Management Information System data-mining tools and is expected to be closed. Because the Department disagrees with the second finding, it is currently under review by federal partners, and the third open finding will be discussed by Russ Barron, Division Administrator for the Division of Welfare, at tomorrow's hearing.

Senator Cameron
Chair

Peggy Moyer
Secretary