MINUTES

JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, January 31, 2022

TIME: 8:01 A.M.

PLACE: Room C310

MEMBERS: Senators Co-chairman Agenbroad, Crabtree, VanOrden (Bair), Grow, Woodward, Lent, Riggs, Cook, Ward-Engelking, Nye

Representatives Co-chairman Youngblood, Troy, Horman, Amador, Syme, Bundy, Giddings, Nate, Green, Nash

ABSENT/ EXCUSED: Representative Giddings

Co-Chairman Youngblood called the meeting to order at 8:01 a.m.

Ms. Jill Randolph, Senior Analyst, LSO Budget & Policy Analysis, stated the Idaho Department of Health and Welfare (DHW) provides services and regulatory programs in partnership with taxpayers, consumers, and providers. DHW has six different budgets with different appropriations.

Mr. Dave Jeppesen, Director, Department of Health and Welfare, provided an overview of the current performance measures and goals for the department. These include increasing the percentage of Medicaid dollars paid under a value-based payment; improving the time to permanency for children in foster care; implementing 75% of the comprehensive strategic plan for the Idaho Behavioral Health System; improving the children's mental health system in Idaho by providing treatment and support to children, youth, and families, evidenced by an increase in the number of children/youth whose functional impairment has improved upon completion of services; establishing a customer effort score for a customer experience project; establishing an effective long-term system of care for individuals with developmental disabilities who exhibit severe behaviors; and reducing Idaho suicide deaths.

In response to a committee question, **Mr. Jeppesen** explained the FY 2019 Payment Error Rate Measurement (PERM) report found a significant amount of eligibility errors. Nearly all the errors were due to improper documentation. Upon investigation, DHW found its system wasn't capturing and processing documentation for all eligible Medicaid providers and participants. They have modified that process to ensure eligibility is properly documented. In response to another committee question, Mr. Jeppesen explained Medicaid provides medical benefit coverage based on a person's income. He further explained the best way to reduce dependency on Medicaid is to help people earn better incomes.

In response to committee questions, **Mr. Jeppesen** stated there is no budgetary impact from enactment of Crisis of Care standards and no change to reimbursement rates. In response to further questions, Mr. Jeppesen reminded the committee the vaccine mandates are federal policy and apply to the state's four health care facilities receiving both Medicare and Medicaid payments. He anticipated medical and religious exemptions will allow DHW to retain most employees.

Ms. Randolph gave an overview of the Division of Child Welfare, which has two budgeted programs and is responsible for child protection, foster care, and adoptions. The Child Welfare program comprises operating costs of the program including personnel, operating, and capital expenditures. The Foster and Assistance Payments Program contains only trustee and benefit payments for services or items purchased directly for children in the child welfare system. Ms. Randolph emphasized these trustee and benefit payments are going to Idahoans, with no associated government overhead.

Mr. Jeppesen requested supplemental appropriations for additional personnel dollars to support recruiting and retention bonuses, along with a 7% increase in pay for certain staff in addition to the normal CEC. In addition, DHW is requesting an additional 24 FTP. He expressed the need to retain experienced staff and provide them with support by hiring additional staff.

Mr. Jeppesen explained DHW was unable to find foster homes for some children in the Treasure Valley during parts of 2021. Lack of foster homes meant the department had to house children temporarily in hotels and short-term rentals. Currently, Idaho pays the lowest stipends for foster care among any neighboring state. DHW asks for support in increasing foster care and maintenance rates and the associated increases to the adoption subsidy payments for children ages 0-21. These funds assist foster parents in providing food, shelter, clothing and more for the children placed in their care.

In response to a committee question, **Mr. Jeppesen** explained the Federal Family First Act has two new standards which result in rate increases. The first standard requires more services for foster care; the second requires higher standards for group homes and treatment facilities. The federal government prefers foster homes to group homes; if a child is placed in a group home, it must be of the highest quality.

In response to a committee question, **Mr. Cameron Gilliland**, Administrator of Family and Community Services, DHW, explained the department uses federal reports to establish foster care maintenance rates; Idaho follows the same pattern as neighboring states by apportioning more money for older children.

In response to a committee question, **Mr. Jeppesen** confirmed a recent decline in people receiving SNAP benefits.

Ms. Randolph explained the two main programs in Services for Developmentally Disabled. Personnel costs make up the largest portion of both these appropriations. The first program, Community Developmental Disability Services, includes the Idaho Infant and Toddler Program, the Children's Developmental Disability Program, and Crisis Prevention and Court Services. The second program, the Southwest Idaho Treatment Center (SWITC), is a specialized provider of services to the most severely impaired clients in the state and serves only those clients who have no other placement option due to severe behavior or medical issues.

Mr. Jeppesen explained the division's FY 2022 supplemental appropriation requests to deliver the new stakeholder-driven treatment model at SWITC. These requests include funding to construct an observation and assessment unit and step-down housing, as well as funding to address current staffing shortages. Mr. Jeppesen explained the division's FY 2023 line-item requests would provide a pay differential for personnel in high-turnover positions.

Mr. Jeppesen explained the division's FY 2023 request for federal funds for the Head Start program. This pass-through funding would support year one of a three-year plan. In response to committee questions, **Mr. Bill Foxcroft**, Executive Director, Idaho Head Start Association, stated the budget request would allow Head Start to serve more children.

Mr. Alex Adams, Administrator of the Division of Financial Management, Office of the Governor, reminded the committee this budget proposal involves ARPA funds, which have strict limits on allowable uses. This budget request is part of a holistic recommendation including childcare, home visiting, workforce housing, behavioral health, and so on.

Ms. Randolph explained the DHW division of Service Integration, which focuses on improving customer service to clients. This division is responsible for the 2-1-1 Idaho CareLine and Resource and Service Navigation. **Mr. Jeppesen** said the division has no new budget requests.

Ms. Randolph presented an overview of the Division of Welfare, also known as Self-Reliance, which provides assistance and support services for eligible families and individuals. Programs administered by the division include Child Support; Supplemental Nutrition Assistance (SNAP or Food Stamps); Child Care; Temporary Assistance for Families in Idaho (TAFI or TANF); and Aid to the Aged, Blind, and Disabled (AABD). She explained this division also determines eligibility for Medicaid.

Mr. Jeppesen explained the division's FY 2023 line-item budget requests for federal funds. The Division of Welfare requests approval to use ARPA funds for $13M for the low-income household energy assistance program and $2.77M for the low-income household water assistance program. The division also requests $5M in IIJA funds for year one of a five-year program for home weatherization assistance to low-income households to reduce their energy burden.

In response to committee questions, **Mr. Shane Leach**, Administrator, Division of Welfare, confirmed the weatherization assistance program already exists as part of community agency programs. This appropriation request for IIJA funds will help those agencies expand their existing programs to serve more households. **Mr. Jeppesen** clarified the heating assistance program has existed for some time; the water assistance program was newly appropriated last year. The division asks for the maximum dollar amount allowed by ARPA.

Mr. Jeppesen explained the division's FY 2023 line-item budget request for $135.5M in federal ARPA funds for the Childcare Development program. This program supports community partner grant funding for Covid-19–related impacts for children ages 5-13. The childcare stabilization funds are subgrants to childcare providers to support the stability of the childcare sector. They also increase eligibility limits and lower the copay for families needing childcare. Mr. Jeppesen stated these newly requested funds would be applied to current functioning programs.

Ms. Randolph gave an overview of the Medicaid division of DHW. This division has a stand-alone appropriation bill. She reminded the committee the Division of Welfare determines eligibility for Medicaid, but the Medicaid division administers the program and provides benefits to eligible individuals. The total appropriation comprises 20% General Fund, 11% dedicated funds, and 69% federal funds. Ms. Randolph explained operating expenditures constitute the largest portion of the budget, and computer services constitute the largest portion of operating expenditures.

Ms. Randolph stated four programs are benefited by Medicaid. These include the coordinated plan, primarily for those 65y and older who are dual eligible for Medicare/Medicaid; the enhanced program plan, primarily for children and adults with disabilities or special health needs; the basic Medicaid plan, primarily for pregnant women and children on CHIP; and the expansion plan, for those with an income level 138% above the federal poverty limit or less. In reviewing the budgets for the four programs, she demonstrated the majority of the population on Medicaid does not comprise the majority of expenses; the population in the enhanced program, with more complex developmental disabilities or health needs, comprises the highest percentage of expenditures.

Mr. Jeppesen explained the Division of Medicaid focuses on two goals: cost containment within the program and ensuring a strong and long-term sustainable provider network. He pointed out over the past seven years, Medicaid has cumulatively reverted over $238M to the General Fund.

Mr. Jeppesen explained the FY 2023 line-item budget requests focus on cost containment. The request for the Value Care program has a zero-dollar impact; the division will move funds from TMB to operations and personnel in order to launch the Healthy Connections Value Care program. The IMD waiver evaluation request supports the federally required monitoring and evaluation activities of the 1115 Behavioral Health Transformation Demonstration Waiver (IMD). The division is also requesting General Fund and federal monies to upgrade the claims payment systems to allow different rates for rural providers.

Mr. Jeppesen explained the FY 2023 line-item budget requests are designed to sustain access to existing services. These include multiple provider rate increases and other items for home and community-based services (CBS). Many of these CBS providers have not had rate increases in four to nine years. The Center for Medicaid and Medicare Services has provided written confirmation that ARPA funds can be used for these rate increases.

These FY 2023 federal funds requests will support a new model of care for the Developmental Disability Services program; increase provider rates for Adult Developmental Disabilities and Aged and Disabled services, Adult Developmental Disabilities residential habitation, Personal Assistance Agencies, and residential assisted-living facilities; increase provider rates for medical services based on the Medicaid fee schedule effective July 1, 2022; and support a recommended change in methodology to compute supplemental payments to hospitals.

In response to committee questions, **Mr. Jeppesen** explained some provider rate increases are part of the court-ordered KW lawsuit settlement plan. Other rate increases are due to developmental disability provider staffing shortages.

Mr. Jeppesen explained the FY 2023 request transferring $466K from Trustee and Benefits to Operations has a zero-dollar impact on the budget. The transfer will allow information systems upgrades for a new system of care, updates to the claims payment system, and provide better data related to patient care for SWITC's Medicaid patients.

Mr. Jeppesen explained the FY 2023 line-item budget request for General Fund and federal monies would allow implementation of a new method to determine the budgets for necessary services for the Adult Developmentally Disabled Program. This request also complies with the KW class-action lawsuit settlement agreement.

Mr. Jeppesen explained the FY 2023 line-item budget request for $5.22M in General Fund and federal monies for contractual pricing obligations for the operations of Medicaid's information systems. These systems support weekly payments to over 4K providers and five managed care plans. This request reflects a price increase from the contracted providers of the MMIS system.

Mr. Jeppesen explained the FY 2023 line-item budget request for $5.05M in General Fund and federal monies for MMIS system changes. These are federally required changes to Medicaid's information system including patient data sharing, reporting requirements, and enrolling Medicare providers in the Medicaid system.

Mr. Jeppesen explained the FY 2023 line-item budget request to make accounting transfers within the division. This request has a zero-dollar impact on the budget but will allow the division to recategorize certain contract expenditures within their budget structure.

Mr. Jeppesen explained the FY 2022 one-time supplemental appropriation requests. These include $16M in federal funds to continue Home and Community-Based Services supplemental payments for temporary pay increases or bonuses for direct care workers. Other FY 2022 one-time supplemental appropriations request General Fund and federal monies for the following purposes: $1.2M to fulfill a federal requirement to modernize the Medicaid Management Information System (MMIS); $2.29M to fulfill a federal requirement to enroll providers directly in MMIS; $34M for the retrospective claim settlement to managed care companies that reconciles to actual utilization; and $17.5M for health claims for Medicaid expansion in June 2021, when claim payments exceeded the appropriation. Mr. Jeppesen also explained almost $76.2M would revert to the General Fund, due to the additional quarter extension of the Public Health Emergency FMAP rate increase.

Mr. Jeppesen explained the FY 2022 ongoing supplemental appropriation requests. The division requests $8.88M in General Funds for the Medicaid expansion attributable to Idaho counties; $30.5M in a Medicaid expansion reduction; and a zero-dollar impact to adjust receipts and federal authority for increases in drug rebates, provider cost settlements, assessments, and third-party receipts to return revenue back into the Medicaid program.

In response to committee questions, **Mr. Jeppesen** explained during the declared public health emergency, the division is federally prohibited from removing anyone from Medicaid unless they move out of state, ask to be removed, or pass away. The division estimates 108K may be eligible for removal; they will verify once the public health emergency ends. He also stated the extra federal funding is renewed quarter by quarter; federal partners have pledged to give a 60-day warning before ending the program.

In response to committee questions, **Mr. Jeppesen** explained the federally mandated changes to Medicaid's information system regarding patient data sharing. Managed care providers are required to share claims data with the Idaho Medicaid division and their federal partners; this allows auditing to ensure legitimate expenses and proper administration of the program. He confirmed the previously mentioned 108K participants are not considered improper or ineligible, because they are federally prohibited from removal until the end of the declared public health emergency.

In response to committee questions, **Mr. Jeppesen** explained how the division will adjust after ARPA money is no longer available to fund the provider rate increases. The division is working to bring forward legislation this session to allow them to use hospital assessments to offset the new General Fund costs; in return, the hospitals will qualify for an additional settlement payment from CMS because of the increased assessment they are paying to the state. Mr. Jeppesen assured the committee that despite several major cost increases, the division is not anticipating an impact to their future budgets, because unused Medicaid monies will revert to the General Fund.

In response to committee questions about the $26M contract to maintain MMIS, **Mr. Jeppesen** explained the system is the backbone of all processes performed by Medicaid. MMIS is an operational system that processes claims and payments, tracks providers and participants, and captures all data for analysis and reports.

Ms. Sarah Stover, Senior Policy Advisor, Office of the Governor, further stated this is the last remaining General Fund requirement to fulfill the Medicaid expansion costs. In 2021 the Legislature enacted a law to remove Public Health Districts' funding from the state's General Fund and moved those expenses from the health districts to the counties. This offset required counties to pay the General Fund portion of the health district expenses.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:35 a.m.

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Representative Youngblood	Alyson Jackson
Chair	Secretary