

87th Legislative Session – 2012

Committee: Joint Appropriations

Friday, January 20, 2012

P - Present
E - Excused
A - Absent

Roll Call

P Wismer
P Dennert
E Sutton
P White
P Dryden
P Bolin
P Romkema
P Deelstra
P Peters
P Novstrup (Al)
P Heineman
P Haverly
P Juhnke
P Putnam
P Carson
P Tidemann
P Wink, Vice-Chair
P Brown, Chair

OTHERS PRESENT: See Original Minutes

The meeting was called to order by Chairman Corey Brown.

Laurie Gill, Secretary of the Department of Human Services, appeared before the Joint Appropriations Committee to discuss the department's proposed FY13 budget. Also in attendance were John Hanson, Dan Lusk, Ted Williams, Grady Kickul, Gaye Mattke, and Lloyd Johnson. Documents No. 1-7 were distributed.

The proposed FY13 budget totals \$162,829,164 involving \$60,268,232 in general funds, an increase of \$5,318,580, \$99,360,169 in federal funds, a decrease of \$614,197 and \$3,200,763 in other funds, a decrease of \$107,023. This is a total increase of \$4,597,360.

Secretary Gill said 61% of the department's funds are federal, 37% general funds, and 2% other. The proposed 1.8% provider increase is already loaded into the budget request as well as the proposed 3% salary policy.

Major Expansions and Reductions:

All Department

- FMAP – an increase of \$3,130,909 in general funds with a like reduction in federal funds.
- Provider Inflation of 1.8% - an increase of \$799,462 in general funds, and an increase of \$1,193,036 in federal funds for a total increase of \$1,992,498.
- Salary Policy – an increase of \$454,367 in general funds, an increase of \$668,881 in federal funds and an increase of \$5,346 in other funds for a total increase of \$1,128,594.
- Computer Services and Space – an increase of \$6,708 in general funds, an increase of \$16,875 in federal funds and an increase of \$131.00 in other funds for a total increase of \$23,714.

Development Disabilities

- Consumer Expansion – an increase of \$988,483 in general funds and an increase of \$1,306,579 for a total increase of \$2,295,062.
- Eliminate Autism Grant – a reduction of \$112,500 in other funds.

SDDC – Redfield

- Decreased Worker's Comp Rate – a reduction of \$86,195 in general funds and a reduction of \$113,934 in federal funds for a total reduction of \$200,129.
- Reduced Utility Costs – a reduction of \$30,961 in general funds and a reduction of \$40,923 in federal funds for a total reduction of \$71,884.

Rehabilitation Services

- Voc Rehab Client Services – an increase of \$44,645 in general funds and an increase of \$164,958 in federal funds for a total increase of \$209,603.
- ARRA Authority Not Needed – a reduction of \$720,000 in federal funds.

Service to the Blind & Visually Impaired

- Client Services – an increase of \$11,162 in general funds and an increase of \$41,240 in federal funds for a total increase of \$52,402.

Secretary Gill emphasized the department's strategic plan goals:

- Services are person-centered, developed with input and participation of consumers and other stakeholders, and result in improved satisfaction and quality of services.
- Services for children are family-centered and prepare children to become successful adults.
- People with multiple disabilities or disorders will have access to individualized, integrated services to achieve their desired quality of life.
- Quality assurance methods will guide service and promote continuous quality improvement.

Secretary Gill told the Committee the department expects to serve 28,003 clients at the community level in FY13. Of that number, 21,318 will be seen in rehabilitation services, 4,926 in developmental disabilities and 1,759 in service to the blind and visually impaired. In addition, the department is projecting 25 admissions to the South Dakota Developmental Center (SDDC) with an equal number of discharges. SDDC has a projected average daily census of 144.

Division of Developmental Disabilities

Dan Lusk briefed the Committee on the division's budget. Mr. Lusk said the division operates 2 Medicaid waivers that provide home and community based services. The comprehensive waiver started in 1981 and a family support waiver started in 1988. Both waivers are due for renewal within the next 18 months. Mr. Lusk said this renewal will be a very significant undertaking for the department. The department works closely with the Department of Social Services in this process as they are the administrating agency and the Department of Human Services is the operating authority. The divisions proposed budget is \$112,815,012. FMAP changes include an increase of \$2,459,250 in general funds with a corresponding reduction in federal funds. The FMAP will change to 43.07% general funds in FY13.

Mr. Lusk said the \$1,911,974 provider increase of 1.8% includes \$755,798 in general funds and \$1,156,176 in federal funds. Secretary Gill commented that the provider rate increase had been discussed at great length between the Governor's Office, the Joint Appropriations Committee Chairs and the departments. The FY13 Governor's Proposed Provider Rate Distribution was distributed (Document #3). Governor Daugaard recommends utilizing \$9.0 million in one-time general funds to reduce provider rate reductions for SFY13. The proposal aligns with the approach used in FY12 to distribute provider rate reductions based on providers' reliance on Medicaid funding. The proposal distributed 1.8% to all providers in the base budget (\$6.2 million). One-time general funds would be used to "hold harmless" so that no provider takes an additional rate cut in FY13. The remaining one time general funds (\$3.1 million) would be distributed so that community support providers would received a 1.5% increase above their current FY12 reimbursement rates. John Hanson distributed the Developmental Disabilities Performance Indicators (Document #4) that detail the rate changes for the department's providers.

Mr. Lusk told the Committee the FY13 proposed budget eliminates the \$112,500 Autism Grant. The FY12 budget eliminated the general fund grant; however, it was continued by the Legislature through the use of other funding. Secretary Gill said while the decision was difficult, there are no other funding sources available. Senator Heineman spoke to the importance of the autism evaluations and asked for comments from the USD Center for Disabilities staff. Dr. Eric Kurtz, Director of the Autism Specters Program explained that the diagnostic evaluation is just one of the services provided. The evaluation is very important and intensive, running two full days. The evaluation is inter-disciplinary with individuals from all fields of expertise including psychology, psychiatry, speech language pathology, occupational therapy, nutrition, education and others as needed. This information is used to determine what each individual needs. In response to Senator Peter's question, Dr. Kurtz said his budget totals \$459,000 and the \$112,500 represents approximately one-third of the budget. The Center is able to leverage these funds to generate other funding. Representative Bolin asked for the other funding source. Dr. Kurtz reported the Center receives funds from the Department of Education, training seminars, clinic fees, etc. In response to Senator Tidemann, Secretary Gill said the Center does valuable work.

Mr. Lusk reported the projected number of clients to be served in home and community based services in FY13 was 58 at a total cost of \$2,295,062. This includes 70 kids turning 21. In FY13, a total of 84 children were identified as moving from local school districts funding to the adult system. Approximately 70 of these children will need adult services and 14 will be served by the Family Support 360 Program.

A vast majority of the funds (\$58,108,620) for Developmental Disabilities come from federal funds with the remainder (\$44,706,392) from general funds. Federal funding sources include Title XIX, Developmental Disabilities basic support and Respite Care.

In response to Representative Wismer's question, Mr. Lusk explained that a group of state agencies reviewed Children's Care Hospital and School and determined the certification for the services being provided for a majority of the children best fit under intermediate care facilities. Consequently a majority of the services were transitioned from a specialty hospital services to intermediate care facilities. The department then began oversight responsibilities of private ICF/MR services for children in FY11. The Division initiated the license change from a specialty hospital to intermediate care facilities. This is facility based 24/7 intense care and support. The department works closely with Children's Care Hospital and School to transition children back into their home communities. Residential services and supports are provided for children through age 21 and are funded through the Medicaid State Plan. The school districts are responsible for the funding match and tuition for the services provided. The department draws down the federal Medicaid funding.

Senator Heineman asked how the department determines the level of care for new clients in the home and community based services. Mr. Lusk said they do an extensive analysis on who is leaving, where they are going, and the level of services they were receiving. For those clients

coming in, the department knows where they are coming from, especially those children that are aging into the adult system.

Representative Dennert asked if there is a waiting list for un-served clients. Mr. Lusk said there is generally not a waiting list because the department works closely with the providers to prevent this from happening.

SD Developmental Center (SDDC)

Dr. Ted Williams briefed the Committee on the Center's budget request. Dr. Williams told the Committee the Center provides individualized services to people in three program areas:

- Program One: has the capacity to serve approximately 60 men with challenging behaviors within six living areas and one transitional living area.
- Program Two: has the capacity to serve 40 adolescents with challenging behaviors within four structured living areas and one transitional living area. Education is provided through the Redfield Public School.
- Program Three: has the capacity to serve approximately 50 men and women with a variety of behavioral issues within six living areas and one transitional living area.

Dr. Williams said the services provided are part of the budget costs and are because of needs that come up. In addition, the Center provides dental services to 19 individuals in the community. Levels of support and supervision vary from 22.3% low, 56.1% moderate, 19.4% significant and 2.2% high. Dr. Williams stressed that the risks are relative to the SDDC staff and not the community. In response to Representative Wink's question, Dr. Williams said evaluations depend on the individual; however, everyone is evaluated at least annually.

The SDDC FY13 budget totals \$24,446,398. The FMAP increase is the largest at \$572,476. The division receives \$13,347,809 in federal funds, \$10,106,444 from general funds and \$992,145 in other funds. A vast majority of the federal funds come from Title XIX. Representative Wismer asked why utilities costs have decreased. Dr. Williams said they closed an old building that wasn't conducive for treatment; that closure saved nearly \$200,000. The current changes are due to rates and utilization. Representative White asked how the \$450 daily cost/individual compared to a private placement. Dr. Williams said the daily cost/individual covers everything including room/board, medical, prescriptions and mental health. Private rates would not include a number of those services.

Representative Wink asked how South Dakota compares to other states regarding institutions versus private placement. Dr. Williams said every state is different; however, in talking with other directors, South Dakota is very fortunate to have the system they do. Representative Carson asked about the \$200,000 reduction in workman's comp. Dr. Williams said less injuries have caused the rates have dropped. Senator Putnam asked if the facility had any pending workman's comp claims. Dr. Williams said there are people who have been on workman's comp

for a very long time. Representative Dennert asked if the state would have time to prepare if federal funding was eliminated. Secretary Gill said yes and said the impact of health care reform would affect the Department of Social Services more.

Senator Heineman asked about the increased FTE count last year. Dr. Williams said there are always turnover and short-term vacancies; however, the clients still require the same amount of services which is handled through overtime. This accounts for the actual FTE utilization versus budget FTE.

Division of Rehabilitation Services

Grady Kickul briefed the Committee on the division's budget request and services provided. Mr. Kickul said individuals with intellectual impairments made up 39% of the clients served, followed by mental illness at 32%, physical impairments at 24% and communicative impairments at 5%. South Dakota ranks as the highest state in the nation with an employment rate of 61% of people with disabilities who are working. The national average is 39%. In fiscal year 2011, the average annual income of consumers rehabilitated was \$14,696.00. Prior to rehabilitation the average income was \$2,943.72.

Budget changes include an increase in general funds for the FMAP change, the 1.8% provider inflation, the elimination of ARRA stimulus funding and the cost-of-living adjustment that is mandated in federal regulations. This cost of living adjustment is estimated at 2% with matching funds. Mr. Kickul reported the division had expended all ARRA funds by the end of 2011.

Mr. Kickul said 81% of the divisions funding come from federal or other funds. Federal funds total \$15,213.144 and those funds come from 7 different sources. General funds amount to \$3,881,962 and \$1,950,019 from other funds.

Senator Heineman commented on the performance outcomes. Mr. Kickul said they directly reflect federal performance indicators that all rehabilitation agencies are rated against on an annual basis. Senator Brown commented that the performance indicators listed are the exact type of indicators the Joint Committee is looking for and complimented Mr. Kickul on the progress. Mr. Kickul said the department looks at the program as a return on investment.

Division of Blind and Visually Impaired

Gaye Mattke briefed the Committee on the divisions FY13 budget request. Services provided include vocational rehabilitation and independent living primarily for older citizens with vision loss. Ms. Mattke said approximately 50% of the cases served deal with job retention. The vocational rehabilitation program has had a 24% increase since 2007, and the average age served is 48. Federal regulations allow services to begin at the age of 55; however, the average age in the Older Blind Program is 80 and in FY11 four individuals over the age of 100 received services. The individuals receiving services are in their home. The division gets a great response from consumer satisfaction surveys. Last year 34% indicated the services helped them stay at

home. In response to Representative Bolin, Ms. Mattke said teachers go into homes and help the individual access whatever they need. They may need help with cooking skills, magnification to read their bills, or teach them mobility with a cane. In response to Senator Heineman, Ms. Mattke said they work closely with other agencies for referrals and support in serving these individuals.

The division's proposed FY13 budget is \$3,210,857 of which \$2,140,363 is federal funds. The increases deal with the mandated cost of living increase and the Governor's proposed salary package.

Public Testimony

Gail Eichstadt from Pierre told the Committee she first recognized the need for more services for autism in 1990 and was here when a bill was drafted and legislation enacted that created the autism and related disability system. In the past it was 1 out of 10,000 children would be affected by autism; however, studies now show that 1 in 110 will be diagnosed with the autism spectrum disorder. Ms. Eichstadt encouraged the committee to find an additional funding source for this program; to look at this program in the long-term.

Tami Tolton from Ft. Pierre spoke regarding her 7 and 9 year old sons who both have had an autism diagnosis. Ms. Tolton has worked closely with the USD Center for Disabilities and spoke to her concern that this funding has been unstable. Ms. Tolton encouraged the Committee to make this a more secure program. Senator Brown said the Committee would be working with the department and other staffs to draft an amendment that will attempt to restore the funding.

Angie Brown from the Children's Care Hospital and School (Document #5) spoke to the Committee regarding the specialized services provided at that facility. Ms. Brown said they are passionate about their work and finding solutions that are in the best interest of South Dakotans with disabilities. In response to Representative Dennert's question, Ms. Brown said the Children's Care Hospital and School sets their own fees based on costs and unfortunately had to raise them last year to meet the budget. A total of 83 school districts were served with children coming from all areas of the state.

Darryl Kilstrom, Executive Director of Life Quest in Mitchell and Jennifer Gray from Aspire in Aberdeen representing the 19 community based service providers spoke to the continued increase in people served along with the reduced funding (Document #6). Ms. Gray said not only is the number of people increasing but their needs are becoming more complex. Approximately 50% of those receiving support have a co-occurring mental health diagnosis. All this requires additional staff and training. Mr. Kilstrom said staff turnover is usually 40% or more and collectively hire and train over 1300 employees each year. In order to work with last years budget cuts the agencies increased staff/client ratios and increased the workloads. Ms. Gray said those working in this field are the "working poor".

Mr. Kilstrom said they appreciate the proposed 1.5% increase but in reality they need more. They can and will work with the current proposal. While they appreciate the positive working relationship with the department, they have an obligation however; to point out that the approach of limited or no increases can not continue. It all affects what they do and who they are able to help.

Representative Wismer asked how training is handled in light of the funding cuts. Ms. Gray said each agency has a different way of training its employees. Training outside of the agency is difficult with funding cuts. Basic orientation and training is still done but the agencies are sending fewer people to training. Representative Dennert spoke to the 1319 turnover amounts to 70 for each facility. 50-70 staff is hired each year in Mitchell and in Aberdeen, in October there were 10. Senator Putnam commented that some mandated training is costly. Mr. Kilstrom said many of these mandates are very important and are things staff needs to know. In response to Representative Carson's question, Mr. Kilstrom said staff/client ratio is based on the needs of the clients and reminded the Committee that cut-backs also bring safety issues.

Ms. Gray presented a written testimony from Vickie Arneson (Document #7).

MOTION: ADJOURN

Moved by: Tidemann
Second by: Peters
Action: Prevailed by voice vote.

Barb Bjorneberg
Committee Secretary

Corey Brown, Chair