

MINUTES OF THE
JOINT HEALTH AND HUMAN SERVICES APPROPRIATION SUBCOMMITTEE
INTERIM
Monday, January 14, 2002, 2:00 p.m.
Room 403 State Capitol

Members Present: Sen. David H. Steele, Committee Co-Chair
Rep. Jack A. Seitz, Committee Co-Chair
Sen. Edgar Allen
Sen. Curtis S. Bramble
Rep. Trisha Beck
Rep. David L Hogue
Rep. David Litvack
Rep. Rebecca Lockhart
Rep. Carl S. Saunders
Rep. Matt Throckmorton

Member Excused: L. Steven Poulton

Staff Present: Spencer C. Pratt, Legislative Fiscal Analyst
Thor Nilsen, Legislative Fiscal Analyst
Norda Shepard, Secretary

Public Speakers Present: John Massey, State Fiscal Analyst
Robin Arnold-Williams, Executive Director, Department of Human Services
Emma Chacon, Director, Office of Recovery Services
Sue Geary, Director, Division of Services for People with Disabilities
Rod Betit, Executive Director, Department of Health
Michael Deily, Director, Division of Health Financing
Charles Brokopp, M.D., Director, Division of Epidemiology and Laboratory Services
Jan Ferre, FACT
Karen Crompton, Utah Children
Fraser Nelson, Executive Director, Disability Law Center

Visitors List on File

Committee Co-Chair Seitz called the meeting to order at 2:07 p.m.

Copies of a letter from the Utah Telehealth Network regarding the proposed cuts to the Department of Health budget were distributed to committee members.

1. State Fiscal Analyst Presentation

Co-Chair Seitz introduced John Massey, State Fiscal Analyst, who had been invited to make a presentation to committee members.

Mr. Massey stated that he had been asked to briefly explain the fiscal office's reporting process, both for information that is provided to legislators to do budget reviews and also the report that is completed at the end of the session. He explained that the green report that is sent out at the end of the session includes the appropriated amount that the legislature passed during the session. When providing documents for budget write-ups, both for the current fiscal year supplemental and the FY2003, an estimated column is included. They do not include an appropriated column. He explained that agencies are authorized to do a number of things within their budgets in terms of receiving funding

beyond the legislative appropriation, which is the General Fund and the Uniform School Fund. He explained that a big area of these additional funds are federal funds, which invariably change. He said if you go back any year, you

will never find the appropriated column the same as the estimated column. There are changes, either up or down, based on activities that take place under statutory authority. He stated there are restricted accounts, dedicated credits that an agency is allowed to receive, there are grants that they receive that change and many times Congress has not yet authorized particular grants, and these are not originally included in the appropriation because it was uncertain what was going to happen. This explains the difference between the appropriated and estimated figures. The Uniform School Fund and General Fund will not change. They are fixed, but many of the other funds are subject to change, either up or down. He stated there is no attempt to hide numbers. The attempt is to give legislators the most recent and most accurate numbers for comparison in doing budgets. He said he realizes the challenge the committee has in having such a short amount of time to go through so much material.

Rep. Hogue asked if any effort was being made to keep legislators informed of these grants. Mr. Massey answered that legislators have little opportunity to approve federal grants, but the analysts have tried to explain areas where there are differences. Sen. Steele asked how the supplementals for FY 2002 drive the budgets for FY 2003. Mr. Massey answered that on-going reductions in 2002 will carry forward in 2003. He stated you won't know what to do in 2003 until you know what to do in 2002.

2. Budget Discussion - Department of Human Services

Co-Chair Seitz stated that department heads and analysts have met together in response to committee recommendations to work out more acceptable budget reductions. He said the analysts would be discussing the new recommended reductions.

Analyst Thor Nilsen distributed two documents for the Department of Human Services, which he said he would discuss one at a time. The first one, called a "crosswalk," compares FY 2002 appropriated, estimated and revised amounts. He pointed out that the FY 2002 appropriated budget for the seven divisions of Human Services was \$461.9 million, the current estimated authorized budget, including federal fund increases, is \$475 million. The revised number, if you accept the proposal, would reduce the overall funding to \$459 million, which would be \$2.8 million below the original appropriation.

He explained that the major differences between the appropriated and estimated budgets were outlined in the handout. He drew attention to the grant increases in the Federal Substance Abuse Prevention and Treatment Grant, Community Mental Health Service Grant, the Social Services Block Grant, a new grant in the Division of Aging and Adult Services, and Federal Child Welfare grant increases. He also discussed transfers and non-lapsing funds included in the handout. He cautioned that if related state funds were transferred to other agencies, reduced or not used for specific grant purposes, these federal fund increases will be lost.

In answer to questions from committee members, Robin Arnold-Williams, Executive Director, Department of Human Services, explained that the federal match on the new grant to the Division of Aging and Adult Services is 25%. The state must put up 25% of General Funds to draw down the full grant.

Mr. Nilsen explained that he had met Thursday afternoon with Human Services and they did not arrive at a new plan, but came up with proposed additional or alternative FY 2002 budget adjustments, which are outlined in the second handout. He addressed proposals for the Division of Aging and Adult Services, the Office of Recovery Services, Division of Services for People with Disabilities, and Division of Aging and Adult Services.

Ms. Arnold-Williams and Emma Chacon, Director, Office of Recovery Services, discussed the proposed fee increase for child support service clients not receiving government assistance and how the service was handled. Ms. Chacon stated that current fees were based on the cost of operation in 1994.

Mr. Nilsen discussed the legislative audit of the Division of Services for People with Disabilities stating that in that audit, the auditors pointed out that the Legislature could decide to limit services to people who are Medicaid eligible, which would probably take a statutory change. He stated some DSPD clients are not Medicaid eligible due to their

financial situation or because of more strict medical criteria under Medicaid. He said in doing this it would free up about \$1.3 million in general funds to serve other people or to use elsewhere in the state or in the department.

Ms. Arnold-Williams and Sue Geary, Director, Division of Services for People with Disabilities, stated that if this was implemented, these non-Medicaid clients, if they did not have other backup with families or charitable organizations, would probably look to other agencies. The impact would probably be felt in increases in mental health programs, child welfare systems and the criminal justice system. Ms. Geary explained that the state requirements for eligibility are much broader than federal. She stated that local teams do Critical Needs Assessments for their own locality but they are looking to standardize.

Mr. Nilsen discussed the transferring of additional TANF funds. He said that TANF transfers do have certain restrictions and there is some questions as to how much more Human Services can really utilize in place of general funds. TANF funds have to be used for children or families 200% below poverty. Rep. Hogue said he had been after TANF for quite some time. He said he felt there are lots of different places to transfer TANF funds. He gave examples of where these have been used. He said he feels there should be an audit of what is happening with TANF funds. Co-Chair Seitz said he believes there is additional money in TANF that could be used in Human Services.

Sen. Steele said this kind of proposal, along with the consequences, could be made to the Executive Appropriations Committee. He explained that TANF does not flow through the Legislature, but through Work Force Services, which is an Executive Branch. However, he stated he felt the Legislature should have some voice in how these funds are used.

Mr. Nilsen stated one of the greatest challenges of the analyst's job is to try to present information that legislators need as decision makers in a manner that is most meaningful. He said if analysts fail to do this at times, they need to be made aware of that. He said they appreciate feedback. He said if they are not meeting this need for information, please inform them as that is their ultimate goal.

Ms. Arnold-Williams stated she had two points to add, one of which is that there is another appropriations committee that will have to look at some of these issues. She stated her second concern was that state law requires that when we pass through general funds, and general funds only, to the counties, they must put up a match. If we pass through federal funds, there is no required match, so if you reduce general funds to counties, they also will reduce their need for matching funds.

Co-Chair Seitz said the department and committee members should come prepared tomorrow for finalization on the proposed FY 2002 budget reductions.

3. Budget Discussions - Department of Health

Senior Fiscal Analyst, Spencer Pratt, distributed two handouts. He explained that the one began with the FY 2002 appropriated amount from last February of \$1,114,461,500, the estimated amount of \$1,164,877,200, a difference of \$50,415,700. He said that following the recommended cuts, the amount of the Health Department's budget will be \$1,150,754,085, which amounts to an increase of \$36.3 million. He stated that federal funds and transfers account for most of the increase. He said the bulk of the increase is reflected in federal funds increases of almost \$32 million and an increase of transfers of almost \$7.9 million. He pointed out that the Department of Health acts as a utility to draw down federal matching funds for other departments, thus approximately \$40 million of the \$50 million does not remain in the Department of Health. It is not an increase in program money as they do not have that money for their use.

Mr. Pratt discussed the grants the department has applied for and received since last February. These are addressed in the handout. He stated that federal grants are generally awarded to provide funds for a new service, or enhance an existing service. The grants come with numerous, specific conditions on their use. While they can ameliorate General Fund reductions, they generally cannot replace or supplant the General Fund. He stated there are increases

in the dedicated credits levels and private grants. These grants also come with specific conditions on their use and do not generally replace or supplant the general fund. He discussed non-lapsing balances, stating that during the session they estimate what will be available at the end of the fiscal year and balances that the legislature has authorized as non-lapsing. This is an estimate and no one knows how much is going to be remaining. Generally there is more than estimated.

Rep. Hogue asked if the \$400,000 increase in the BioTerrorism grant was a result of the September 11 events and Homeland Security. Charles Brokopp, Director, Division of Epidemiology and Laboratory Services, stated it did not come from Homeland Security. He stated this was funding already in place to enhance their ability to have communications in place with health departments that have laboratory capabilities to test agents and conduct investigations in the event of bioterrorist attacks. He said the grant was specific for BioTerrorism but CDC has allowed the division some flexibility in using that fund to develop the communication system.

Sen. Allen asked if the overall increase in federal funds requires state match. Mr. Pratt answered that it did need state match but that it came from other departments who want to maximize their state dollars and utilize the Health Department to draw down the federal dollars. It does not add to or subtract from the Health Department appropriations. Rep. Lockhart asked what happens if a grant is discontinued. Rod Betit, Executive Director, Department of Health, answered that the policy of the Health Department when grant funds expire is to terminate the funded project. Employees handling the program are also terminated. However, employees are given the opportunity to compete for other positions in the Department.

Mr. Pratt reported on the meeting held last week with the department to work out alternative budget reductions that would be more workable to the department. He stated the results of that meeting are on the legal size handout. He explained that the underscored items are new items that haven't been talked about before, the crossed out ones are the ones the department felt they did not want to lose, and the ones in italics were there before but are now changed. He explained the Department felt the three loan programs should be retained, and this could be accomplished by consolidating them and decreasing the level of funding. Fewer people would be served, but the program could then be retained. He stated this would probably require some modification in state statute to combine the three programs together and there may be some resistance to that from each of the three populations that are affected.

He discussed the other recommended changes and stated these changes have the same bottom line reduction of \$10.4 million to the Department but are realigned. He stated this is a compromise position. No one wants to take reductions, but this is a fairly agreeable position considering the \$10 million reduction and where the analyst first started.

Rep. Hogue voiced concern about the CHIP enrollment cap and asked for an estimate of how much money it would take to lift this cap and restore dental benefits. Mr. Pratt answered that it would take around \$750,000 to remove the enrollment cap and \$1 million to restore dental benefits. Co-Chair Seitz stated that there is a misconception that CHIP funding is being reduced. He stated the funding is not being reduced, the program has just reached a cap of what funding is already there.

Sen. Bramble stated one of his concerns is that the Health Department is delivering \$36 million more in services than was appropriated in February. Mr. Betit said this is mostly increased matching federal dollars which are not added to the Health Department's bank account. In reality it is Utah State Government and local governments that are spending this \$36 million. The Health Department is the vehicle through which those funds are obtained. He stated there is a lot of complexity to federal financing.

Mr. Betit stated that these adjusted recommendations do constitute the Department's recommended alternative to what was originally proposed. He stated he felt there were positive items, even through they are taking a larger

reduction than what the Governor recommended. There are some significant changes being made. It stated he felt it was important to keep the loan programs rather than eliminating them. He stated that FACT is a very important program and a lot of direct care is provided through FACT to very troubled kids. Parents have to agree to multiple agency involvement with those children. He stated he does not think it is in the interest of the state to cut the FACT funding that is going to schools and local health departments for nursing services.

Rep. Beck asked what the reaction has been to the seven prescription limit and people requesting exemptions. Michael Deily, Director, Division of Health Financing, said they have received about 6400 requests for exceptions already. Mr. Betit said the exceptions will bear out whether people on Medicaid really need all the drugs they are receiving and if they are receiving the proper ones. He said this will be a painful process for everyone but a necessary step to go through before eliminating or cutting other programs.

Co-Chair Seitz asked committee members to come to tomorrow's meeting prepared with motions. The committee needs to adopt these budget reductions as a committee so they can be presented to Executive Appropriations on Wednesday.

4. Public Testimony

Jan Ferre, FACT Steering Committee Member, stated arrangements had been made to use TANF funds as part of the flexible pool. That was taken off the table in the fall. She stated if that was restored it would be a helpful option for the FACT programs.

Karen Crompton, Executive Director, Utah Children, asked the committee to consider funding to open up enrollment for CHIP and reinstate the dental program. She said she felt there were funding options that could be utilized.

Fraser Nelson, Executive Director, Disability Law Center, spoke concerning the seven prescription limit. She stated many of her clients are expressing great concern in how this is going to work, She urged committee members to keep eyes open on ways to maintain this coverage.

Rep. Litvack asked the Health Department how they arrived at the cut off at seven prescriptions. Mike Deily, Director, Division of Health Financing, stated that studies show that after seven drugs you start to see drug interaction. He explained that other states have restrictions, some as low as three, but none as high as seven. Sen. Allen asked who will make the decision on exceptions. Mr. Deily said the pharmacy and medical staffs would review the patient's medical records and ultimately the patient's physician would make the decision. He stated that the decision to limit the number of prescriptions was mostly budget driven.

MOTION: Sen. Steele moved to approve the minutes of 1-09-02. The motion passed unanimously with Rep. Throckmorton absent at the time of voting.

MOTION: Sen. Allen moved to adjourn. The motion passed unanimously with Rep. Throckmorton absent at the time of voting.

Co-Chair Seitz adjourned the meeting at 4:52 p.m.

Minutes reported by Norda Shepard, Secretary.

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Sen. David H. Steele
Committee Co-Chair

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Rep. Jack A. Seitz
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