

MINUTES OF THE
JOINT HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE
Thursday, September 25, 2008
Room C250, State Capitol

Members Present: Sen. Allen Christensen, Committee Co-Chair
Rep. Merlynn Newbold, Committee Co-Chair
Sen. Chris Buttars
Sen. Peter Knudson
Sen. Ross Romero
Rep. Richard Greenwood
Rep. David Litvack
Rep. Roz McGee
Rep. Paul Neuenschwander
Rep. Paul Ray
Rep. Steve Urquhart

Staff Present: Russell Frandsen, Fiscal Analyst
Saundra Maeser, Secretary

Public Speakers Present: Lisa-Michele Church, Executive Director, Department of Human Services
Mark Ward, Deputy Director, Department of Human Services
Brent Kelsey, Assistant Director of Substance Abuse and Mental Health
David Sundwall, Executive Director, Department of Health
Michael Hales, Division Director, Health Care Financing
Teresa Garrett, Director, Division of Epidemiology and Laboratory Services
Marc Babitz, Director, Division of Health Systems Improvement

A list of visitors and a copy of handouts are filed with the committee minutes.

The meeting was called to order by Co-Chair Christensen at 11:00 a.m.

Lisa-Michele Church, Executive Director, Department of Human Services, presented the Department of Human Services analysis in achieving a 3% budget reduction. She noted that the Department approached the cuts with serious reflection. Handouts were distributed to the committee members. She stated that the process included review of all 75 department programs; review of cuts already made in the 2002-2004 cycles; review of efficiencies already achieved through ordinary management on an ongoing basis; review of cost increases in materials, fuel, utilities, leases and supplies; and prioritizing department programs in terms of value. She noted that cuts had to be made to programs such as adult protective services, substance abuse prevention, child abuse investigations, prison substance abuse treatment and disabilities ombudsman. These cuts will be painful and may shift costs from one area of state government to another. In many areas, federal matching funds will be greatly reduced.

Ms. Church directed the committee's attention to the handout, "Human Services Budget Reduction Analysis," and detailed the reduction process, starting with the easier reductions and progressing to the most difficult. She commented on the categories:

1. Administrative expenses - Each Division was asked to make a 2% reduction in administrative costs and replacement of equipment.
2. Efficiencies or organizational changes that reduce costs.
3. Cutting preventive programs instead of acute
4. Not bringing new people into services
5. Impact on federal funding. The state will lose about \$1 million in federal match funds.
6. Impact on state and local agencies or contract providers.
7. Cutting people from existing acute services

Ms. Church discussed the handout, " Department of Human Services 3 percent reduction plan." and detailed the Department's suggested reduction for FY 09:

All Administrative Reductions	\$ 479,800
Executive Director's Office	286,400
Division of Substance Abuse & Mental Health	3,422,600
Division of Services for People With Disabilities	2, 059,500
Office of Recovery Services	25,000
Division of Child & Family Services	2,088,200
Division of Again & Adult Services	478,000
Division of Juvenile Justice Services	<u>2,870,400</u>
Total Department of Human Services	\$11,709,900

She noted that non-lapsing money are funds that the legislature has given permission to use as needed.

Co-Chair Newbold asked if she had the total of one-time monies and ongoing monies.

Mark Ward, Deputy Director, assisted Ms. Church in answering the question. He stated the one-time total is \$3.6 Million in 2009, and the ongoing total is \$8.8 Million in 2009 and for 2010.

Co-Chair Christensen discussed the difference between one-time money and ongoing money. He stated that although it is important to move carefully, Utah still has a \$300 Million increase over last year and that our economy is good compared to some other states.

Ms. Church, with the assistance of Brent Kelsey, Assistant Director of Substance Abuse and Mental Health, answered questions from committee members Rep. Neuenschwander, Rep. Magee, Rep. Greenwood, and Sen. Butters. In her closing comments, she stated difficult value judgements were made and asked the committee to look at the cuts carefully.

David Sundwall, Executive Director, Department of Health, outlined the recommendations for budget cuts in the Department of Health. He noted the rationale is to maintain services to the public and to identify deficiencies in the department, which is already fairly lean. The department has a \$2 Billion budget and receives a great deal of federal money. He identified reduction suggestions for 2009 from the handout, "Dept. of Health Three Percent Budget Reduction Summary." Michael Hales, Division Director, Health Care Financing, assisted in the presentation by outlining the medical assistance suggestions. The suggested cuts are as follows:

Ongoing Reductions	
Administration Reductions and Efficiencies	\$ 625,000
Program Reductions and Efficiencies	628,300
One-time Reductions	35,000
Medical Assistance	
Eliminate select optional services	354,327
Rollback provider inflation	2,571,359
More aggressive operation of the Utah MAC	918,763
Limit Medicaid crossover payments	2,039,906
Eliminate PCN inpatient Hosp. Physician	400,000
Suspend Transition Program	200,000
Reduce HMO Admin from 9% to 8%	440,604
Reduce Inpatient Outlier Payment Factor 1%	416,498

Savings from transition to "New Choices"	1,093,000
Increase resource test for pregnant women	<u>1,536,003</u>
Total Department of Health	\$ 9,970,460

Mr. Sundwall and Mr. Hales answered questions from Rep. McGee.

Co-Chair Newbold thanked both department directors for their concise information.

Co-Chair Christensen recessed the meeting until 2:30 in the afternoon.

The afternoon meeting was called to order by Co-Chair Newbold at 2:40 p.m.

Co-Chair Newbold noted that before the lunch break both the Department of Human Services and the Department of Health presented their recommendations for the budget cuts. She explained that concerning the Department of Human Services budget, there was a disadvantage because the Department doesn't have a fiscal analyst right now and in communication between the Governor's Office and the Fiscal Analysts Office there was a slight misunderstanding. In coming to their 3% cut, the Department of Human Services actually used column FY10 General Fund even though it has not yet been appropriated. In some instances it differs from FY 09 General Fund Reduction. They have added in some one-time reductions in other funds that would not be in line to make up those additional monies in arriving at their 3% target. However, some of those monies may not be available to be moved from line item to line item. If we were to adopt the Human Services budget it would be in the amounts of FY10 General Fund. There would be a few changes and one of the biggest changes would be in Local Mental Health Services where this year they were recommending \$250,000 reduction but FY 10 would be a \$500,000 reduction, so that would be the actual amount of money that would be reduced in their budget. She said that she appreciated Human Services coming to her and explaining the misunderstanding and how two different expectations were reached.

Russell Frandsen further explained the situation with a PowerPoint presentation.

Co-Chair Newbold noted that she was instructed to cut 3% ongoing as well as 3% one-time and because of miscommunication between the two offices, the 3% reduction in the Department budget would have to be the amount shown in FY 10, which in some cases does not correspond with the figures in FY 09.

Lisa-Michele Church stated that the instructions she was given were to cut a certain part of FY 09 immediately and then to make ongoing cuts in FY 10. She made assumptions based on information that was given to her that turned out not to be true in non-lapsing carry-forwards. Because of that the FY09 cuts are insufficient to make the target. She is concerned about cutting people out of needed services. In moving the FY 10 column into the FY 9 column several of the impacts she mentioned earlier will be accelerated.

Co-Chair Newbold reiterated that it was a miscommunication. She asked Ms. Church if she would make different recommendations using the FY 10 cuts than she had presented earlier.

Ms. Church replied that she would revisit her recommendations. She thought she should be allowed to use attrition to get to the eventual cut.

Rep. Litvack asked Mr. Frandsen what the dollar target amount is. Mr. Frandsen answered that the on-going 3% target cuts for FY 09 is \$29,576,700.

Sen. Romero had a question regarding other areas of potential cuts. He wondered if caseworker FTE's were going to be cut. Ms. Church answered they were not.

Co-Chair Newbold suggested moving to the Department of Health's budget to give Health and Human Services time to regroup. She stated that 3% ongoing must be cut and 3% one-time, with some optional 1% on-going if needed, from the recommendations of the Department and from this committee.

Mr. Frandsen presented PowerPoint options for the Department of Health's budget and referred to an updated handout of ongoing reductions proposed, which was distributed. He drew attention on page 3 of the handout to new monies recently appropriated available as of November 1. He also discussed the one-time reductions proposed. Page 1 is the proposed one-time cuts, page 2 lists alternatives, and page 3 is new monies. He noted that in ongoing reductions, an additional \$773,000 is needed to reach the goal of \$20.6 Million.

Dr. Sundwall said that everything is as he proposed it, but, after talking with the Governor's Office, he would like the Committee to consider the option of being allowed to annualize the Medicaid savings and backfill with monies from the Medicaid restricted account.

Co-Chair Newbold commented that she understood the two operations chairs would like 3% ongoing and no backfilling. She asked if the Committee would like to make any changes to the Department of Health proposed reduction list.

Sen. Buttars cautioned to be careful in cutting programs that save money in the long run. He mentioned DORA as an example.

Co-Chair Newbold asked him to save these comments for the Human Services discussion. She drew attention to the recommendations made by the Department of Health. She asked Dr. Sundwall for comments on new programs, as she felt it would better to hold off on implementing new programs.

Dr. Sundwall agreed with the principle that brand new programs will be put on hold, but said he may not be consistent with that. In the case of STD control that can be started next year.

Sen. Romero expressed the importance of protecting against losing federal matching funds. Some programs are very worthy but do not have matching federal dollars.

MOTION: Sen. Romero moved to recommend to the Executive Appropriations Committee that cuts be limited to 2.5% ongoing and one-time in the Department of Health budget because federal funds are affected and individual lives are impacted.

SUBSTITUTE MOTION: Co-Chair Christensen moved that the 3% cut be identified as recommended, with the suggestion that ½% less would be considered.

Sen. Romero restated his motion to offer a 2.5% cut recommendation both ongoing and one-time. We calculate it at 3% but stress that 2.5% be considered.

Rep. Litvack asked if the committee was to stop right now, what percentage are they of the 3% goal. Mr. Frandsen answered that the current recommendations are 96% of the goal.

The original motion passed with Sen. Buttars, Rep. Greenwood and Rep. Urquhart voting in opposition and Sen. Knudson absent for the vote.

Dr. Sundwall stated that he has changed his position on STD Control because he has been informed that it is not a good idea to take all the funds from STD Control. It is important to keep the \$20,000.

Teresa Garrett, Director, Division of Epidemiology and Laboratory Services, for clarification stated that the ongoing

STD Control budget is \$175,000 and the proposal is a \$20,000 decrease.

Rep. Litvack asked to recess for 30 minutes to give the department heads time to come back with additional recommendations because they know their departments best. Co-Chair Newbold replied that because the Senate is caucusing at 4:00 p.m. she felt the committee should not recess. Co-Chair Christensen said that the committee has only to identify that 5% for the Department of Health. He suggested discussing Human Services for a few minutes, while Health negotiates on this to identify a 5% cut.

MOTION: Sen. Christensen moved to adopt a 3% cut recommendation for the Department of Health for ongoing money.

Rep. McGee expressed opposition to the motion as it is a disservice to Executive Appropriations Committee regarding federal funds.

Rep. Urquhart asked that the committee members who are opposed to the motion express their reasons.

Rep. Litvack responded that he objects to the entire process. He expressed his confidence in Dr. Sundwall but felt the committee hasn't had the time or opportunity to explore all options.

Co-Chair Newbold acknowledged the frustration involved and that difficult decisions have to be made. She expressed hope that the committee would be able to come to a recommendation.

Rep. Urquhart suggested that since this committee understands the budget best, the task is to come up with a 3% cut in the two budgets. The process benefits when the committee exercises creativity.

Rep. Romero stated that a 2.5% cut in Health and Human Services be conveyed to the Executive Appropriations Committee, as that was his motion, which passed.

Co-Chair Newbold replied that she and Sen. Christensen would be making a presentation to the Executive Appropriations Committee Meeting and would convey Rep. Romero's message.

AMENDED SUBSTITUTE MOTION: Co-Chair Christensen said that regardless of the motion that was passed, the Committee should fulfill its charge and accept the recommendation of a 3% cut that can be accepted. The Committee further would recommend strongly to the Executive Appropriations Committee that a way be found to do a 2½% cut.

Sen. Romero spoke in opposition but said he understood the rationale.

The motion passed with Rep. Newbold, Sen. Romero and Rep. McGee voting in opposition.

Rep. Urquhart recommended identifying programs that might be eliminated.

Co-Chair Newbold stated that the 3% recommendation has been reached, and we have also been asked to identify another 1% ongoing monies that may be backfilled with one-time money. She asked Dr. Sundwall to share the items from the Department of Health that he feels could be included in this 1%.

Dr. Sundwall answered that he was not prepared to discuss this request.

Mr. Frandsen clarified with PowerPoint information. It is his understanding that we have been asked for a 3% one-time cut and 1% of that will be used to backfill the 4th% of ongoing cuts.

Dr. Sundwall said he was prepared to comment on requested one-time reductions. He accepted the proposed reductions but asked the Committee to consider two items that are critical for clinical laboratory services. One is the O&M for State Lab (delayed completion) in the amount \$92,400, and the other is State Drug Testing Lab in the amount of \$50,500. He suggests these not be cut. He asked that the alternative, Primary Care Grants in the amount of \$165,000, be considered.

Mr. Frandsen stated that these cuts are not sufficient to reach the 3% goal. If the items on the first page of the "One-Time Reductions-Proposed" handout are taken minus the O&M Motor State Lab and the State Drug Testing Lab, and the Primary Care Grants from the second page are included, we are still \$300,000 short.

Dr. Sundwall said that EMS Restricted Fund, \$500,000, could also be taken.

Co-Chair Newbold said 3% in one-time monies would be cut in each department budget; which would be \$11,566,000 in the Department of Health and \$9,010,300.

MOTION: Co-Chair Newbold moved to put the \$92,400 O&M for State Lab back onto the reductions proposed reductions list.

The motion passed unanimously with Sen. Knudson, Rep. Litvack and Rep. Ray absent for the vote.

MOTION: Co-Chair Newbold moved to add \$50,000 back into Primary Care Grants.

The motion passed unanimously with Sen. Knudson, Rep. Litvack and Rep. Ray absent for the vote.

MOTION: Sen. Romero moved to remove HB 174 Traumatic Brain Injury, from the proposed reduction list.

The motion passed unanimously with Sen. Christensen and Sen. Knudson absent for the vote.

MOTION: Rep. Litvack moved to remove \$100,000 reduction from Community Health Centers, which would leave \$150,000; and to reduce the reduction amount on HB 131, Community Based Self Sufficiency Program, to \$75,000, which would leave \$100,000 for HB 175.

Marc Babitz, Director, Division of Health Systems Improvement, answered questions from the Committee.

Sen. Romero spoke in support of Rep. Litvack's motion.

Dr. Sundwall noted that the Department gets millions of dollars in federal funding for community health centers. He supported the motion.

AMENDED MOTION: Rep. Litvack moved to remove \$100,000 reduction from Community Health Centers, and to reinstate HB 131, Community Based Self Sufficiency Program, at \$150,000.

The motion passed with Rep. Newbold and Rep Ray voting in opposition and Rep. McGee and Rep. Urquhart absent for the vote.

MOTION: Rep. Ray moved to adopt the proposed list of one-time reductions, as amended.

The motion passed unanimously with Rep. McGee and Rep. Urquhart absent for the vote.

Mr. Frandsen showed that, based on the on-going cuts that were approved for the Department of Health, the

committee has already achieved a reduction beyond the requested amount. In order to get to the 4%, we needed \$6.9 Million and at this point, for both Health and Human Services, we have \$11.3 Million, so we have more than doubled what is needed.

Lisa-Michele Church presented revised recommendations for the Department of Human Services. On the Ongoing Reductions-Proposed sheet, two cuts using the 2010 levels she cannot live with are Nursing Home Alternatives and the increase to Local Mental Health Services. There would be devastating impacts. She suggested increasing the cuts to Substance Abuse Prevention and DORA ongoing. If extra money is needed, the Foster Care Citizen Review Board can be eliminated and she will try to continue the important efforts of those people.

Co-Chair Newbold restated Ms. Church's recommendations: That she didn't want to move to 2010 cuts in Nursing Home Alternatives, which she wants to leave at \$250,000, and Local Mental Health Services, which she wants to leave at \$250,000. This means the Committee must come up with an extra \$500,000. The Substance Abuse Prevention Program is to be reduced by \$478,900.

Sen. Buttars said that when DORA was approved, the funds were split between Human Services and Law Enforcement, which has taken it off the bench for consideration of cuts. Ms. Church said Human Services fund the treatment portion and Law Enforcement funds the prison portion.

Co-Chair Newbold had Mr. Frandsen put DORA back on the list.

Sen. Romero said that if DORA needs to be cut to preserve other programs, then that is the Committee's recommendation. He emphasized the need to preserve federal funds and matching dollars.

Co-Chair Newbold stated that the committee is \$773,000 short in cuts.

Mr. Frandsen said it was his understanding that if \$3,294,900 were to be taken from DORA the program would be completely eliminated. If a portion is taken the service would be reduced. If DORA is cut, people would have to be served somewhere else. Brent Kelsey clarified that there were no required services if DORA was cut completely.

Marc Babitz said the base budget amount for DORA this year is \$5.4 Million .

MOTION: Rep. Ray moved to take \$773,000 from DORA to fulfill the cut recommendation.

Sen. Christensen said that Executive Appropriations may approve giving some of the money back.

Sen. Buttars agreed with the motion but asked for a commitment to keep the program going.

Rep. Litvack asked for clarification: The recommendation for Nursing Home Alternatives and Local Mental Health Services would be reduced by half. So the \$773,000 cut does not reach the desired goal if that recommendation is followed.

AMENDED MOTION: Rep. Ray moved to take \$853,000 from DORA , \$250,000 from Nursing Home Alternatives and \$250,000 from Substance Abuse Prevention.

Sen. Buttars asked if Foster Care Citizen Review Board was taken out. Co-Chair Newbold answered that it was not. Sen. Buttars stated that was where the money was to come from. Ms. Church replied that was a suggestion.

AMENDED MOTION: Rep. Ray moved to take \$773,000 from DORA, \$80,000 from Foster Care Citizen Review Board, \$250,000 from Nursing Home Alternatives and \$250,000 from Substance Abuse Prevention.

Mr. Frandsen said that the Committee is still \$401,300 short of the 3% mark.

The amended motion passed unanimously with Rep. Urquhart absent at the time of voting.

Sen. Christensen asked what percentage of the goal has been achieved. Mr. Frandsen answered 98% of the goal.

MOTION: Sen. Buttars moved to eliminate the total amount for the Foster Care Citizen Review Board.

Sen. Romero and Rep. McGee spoke in opposition to the motion

Rep. Neuenschwander asked Ms. Church to provide background information about the Foster Care Citizen Review Board. She answered it was formed because of child abuse issues and court litigation.

Sen. Buttars felt it was time to eliminate the Board.

The motion failed with Sen. Christensen, Sen. Buttars, Sen Knudson, Rep. Newbold and Rep. Greenwood voting in favor; Sen. Romero, Rep. Litvack, Rep. McGee, Rep. Neuenschwander and Rep. Ray voting in opposition; and Rep. Urquhart absent at the time of voting.

MOTION: Co-Chair Christensen moved to accept the discussion list as it is, although it is a little short.

Rep. Litvack said he cannot accept that motion.

Sen. Romero expressed support for the motion.

The motion passed with Rep. Newbold, Rep. Litvack and Rep. McGee voting in opposition and Rep. Urquhart absent at the time of voting.

Co-Chair Newbold moved to consideration of 3% reductions in one-time monies.

Ms. Church discussed the list, assisted by Mark Ward who answered questions from the Committee. Ms. Church's recommendations were to include the Aging Caregiver for \$50,000, Aging 211 for \$50,000, DHSEDO Nonlapsing for \$2,000,000, Liquidate DP Internal Service Fund for \$50,000, Drug Court Nonlapsing for \$43,000, Family Preservation Pilot for \$129,500 and Delay Computer Replacements for \$578,500.

MOTION: Co-Chair Christensen moved to accept the one-time reductions of Aging Caregiver for \$50,000, Aging 211 for \$50,000, DHSEDO Nonlapsing for \$2,000,000, Liquidate DP Internal Service Fund for \$50,000, Drug Court Nonlapsing for \$43,000, Family Preservation Pilot for \$129,500 and Delay Computer Replacements for \$578,500.

The motion passed with Rep. McGee voting in opposition and Rep. Urquhart absent at the time of voting.

Mr. Frandsen stated that the Committee is still \$5,726,700 short of the goal.

MOTION: Co-Chair Christensen moved to accept the cut list as formerly presented with the alternative additional list of the four items that were left off of the cut list and then let the Executive Appropriations Committee add them to the cut list.

SUBSTITUTE MOTION: Co-Chair Newbold moved to accept everything on the proposed One-Time Reductions list with the strong recommendation that we look closer at the DHSEDO Nonlapsing funds at \$2,000,000 and the DHSDCF Nonlapsing funds .

The motion failed with Rep. Newbold voting in support; Sen. Christensen, Sen. Knudson, Sen. Romero, Rep. Litvack, Rep. McGee, Rep. Neuenschwander, Rep. Ray and Rep. Greenwood voting in opposition; and Sen. Buttars and Rep. Urquhart absent at the time of voting.

The original motion passed unanimously with Sen. Buttars and Rep. Urquhart absent at the time of voting.

Co-Chair Newbold said the Committee has met the one-time monies and the ongoing monies. There is an additional 1% ongoing cuts.

Mr Frandsen asked if the Committee wants \$500,000 cut in FY 2010 from Human Services in addition to the \$11.3 Million reduction in Health in FY 2010. Mr Frandsen stated that, based on the decisions that Committee has taken for the on-going cuts, Human Services does not have a 4% cut for FY 2010 but Health does.

MOTION: Sen Christensen moved to back out the \$500,000 in Human Services, per Ms. Church's recommendation.

The motion passed unanimously with Sen. Buttars and Rep. Urquhart absent at the time of voting.

Co-Chair Newbold expressed appreciation for the difficult decisions that were made.

MOTION: Sen. Romero moved to adjourn.

The motion passed unanimously with Sen. Buttars and Rep. Urquhart absent at the time of voting.

Co-Chair Newbold adjourned the meeting at 5:40 p.m.

Minutes recorded by Sandra Maeser, Secretary

Sen. Allen Christensen, Committee Co-Chair

Rep. Merlynn T. Newbold, Committee Co-Chair