

JOINT FISCAL COMMITTEE

Legislative Office Building, Rooms 210-211

Concord, NH

Friday, October 14, 2016

MEMBERS PRESENT:

Rep. Neal Kurk, Chair

Rep. Ken Weyler

Rep. Lynne Ober

Rep. Mary Jane Wallner

Rep. Dan Eaton

Rep. Richard Barry (Alt.)

Sen. Jeanie Forrester

Sen. Chuck Morse

Sen. Lou D'Allesandro

Sen. Andy Sanborn

Sen. Gary Daniels

(The meeting convened at 10:08 a.m.)

(1) Acceptance of Minutes of the September 16, 2016 Meeting.

CHAIRMAN KURK: Good morning, everyone. I'd like to open the Fiscal Committee meeting of October 14th, 2016. The first item on our agenda is the acceptance of the minutes of September 16, 2016. Is there a motion?

****** SEN. D'ALLESANDRO: Move.

SEN. DANIELS: Move.

CHAIRMAN KURK: Moved by Senator D'Allesandro, seconded by Senator Daniels that the minutes be accepted. Discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the minutes are accepted.

***** {MOTION ADOPTED}**

(2) Old Business:

CHAIRMAN KURK: Under Old Business, we have a number of items on the table. Does anyone wish to remove -- Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chair. Yes, 16-087, 16-098 and 099.

CHAIRMAN KURK: Well, why don't we do one at a time.

SEN. D'ALLESANDRO: I think they're all connected.

CHAIRMAN KURK: Okay. Fair enough. Senator D'Allesandro moves that we take Fiscal 16-087, oh --

SEN. D'ALLESANDRO: 098.

CHAIRMAN KURK: 098 and 099 off the table. These are all related to Gateway to Work; is that correct?

SEN. D'ALLESANDRO: Yes.

REP. EATON: Second.

CHAIRMAN KURK: Motion is seconded by Representative Eaton. This is not debatable.

REP. EATON: Roll call.

CHAIRMAN KURK: Of course. If you're in favor of this, you'll answer -- if you're in favor of removing this item from the table, you'll answer yes when the clerk calls your name. If you're opposed, you'll answer no. The clerk will now call the roll on the motion to take these three items off the table.

REP. WEYLER: Weyler votes no. Representative Ober.

REP. OBER: No.

REP. WEYLER: Representative Wallner.

REP. WALLNER: Yes.

REP. WEYLER: Representative Eaton.

REP. EATON: Yes.

REP. WEYLER: Senator Forrester.

SEN. FORRESTER: Yes.

REP. WEYLER: Senator Daniels.

SEN. DANIELS: No.

REP. WEYLER: Let's see. Senator Morse isn't here. Senator Sanborn.

SEN. SANBORN: No.

REP. WEYLER: Senator D'Allesandro.

SEN. D'ALLESANDRO: Yes.

REP. WEYLER: Chairman Kurk.

CHAIRMAN KURK: No.

REP. WEYLER: Five to 4 or 4 to 5.

CHAIRMAN KURK: Four having voted in the affirmative, five in the negative, the motion fails.

***** {MOTION FAILED}**

CHAIRMAN KURK: We now turn to item number three.

SEN. FORRESTER: Senator Sanborn, did you want to remove that?

SEN. SANBORN: Item number three? No, ma'am.

CHAIRMAN KURK: No, under item number two, Fiscal 16-141 dealing with the Department of Environmental Services.

SEN. FORRESTER: We had talked about that the other day.

** REP. OBER: I would move to remove that, Mr. Chairman.

CHAIRMAN KURK: Representative Ober moves to take Fiscal 16-141 Replacement Department of Environmental Services' request off the table. Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Second by Senator D'Allesandro. This is -- this motion is not subject to debate. Are you ready for the question? The motion is to take Fiscal 16-141 off the table. All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is off the table.

*** {MOTION ADOPTED}

CHAIRMAN KURK: Is there someone from the Department who can answer questions?

REP. OBER: Mr. Chairman, is there I believe a replacement page for this item?

SEN. FORRESTER: That's why I had it come off the table. Vote on the replacement item. Supposed to pull it off the table and vote for the replacement.

REP. EATON: Right.

CHAIRMAN KURK: I see.

REP. EATON: The replacement got put into number eight, I think. Seven.

CHAIRMAN KURK: We had tabled the original item, I guess.

SEN. FORRESTER: Yes.

REP. OBER: Yes.

CHAIRMAN KURK: This is the replacement item. Is there a motion on this and is there some discussion? Is there a motion to accept the replacement item?

** SEN. D'ALLESANDRO: Move the item.

SEN. FORRESTER: Second.

CHAIRMAN KURK: Moved by Senator D'Allesandro, seconded by Senator Forrester that we accept replacement item Fiscal 16-141 dated September 19, 2016. Discussion? There being none, are you ready for the question? All those in favor, please indicate -- Senator, did you have a question?

SEN. SANBORN: I apologize, Mr. Chair. Just procedurally are we accepting this item or accepting the substitute item?

SEN. FORRESTER: The replacement item is what we are accepting.

CHAIRMAN KURK: The replacement item is now before us and the question is shall we accept that and approve it? Okay. If you voice yes, you're voting to approve this. If you vote no, you're voting to not approve.

SEN. SANBORN: Okay. Thank you, sir.

CHAIRMAN KURK: Do you have questions?

SEN. SANBORN: Not now.

CHAIRMAN KURK: This is the only opportunity, Senator.

SEN. SANBORN: Thank you, Mr. Chair.

SEN. FORRESTER: After we accept the replacement, then we have to vote on it; correct?

REP. EATON: Yes.

CHAIRMAN KURK: My understanding is that we are not voting to accept the replacement. We are voting to approve, not to allow it but to approve it. Mr. Kane.

MICHAEL KANE, Legislative Budget Assistant, Office of Legislative Budget Assistant: You can approve the replacement item. That could be the motion to approve the replacement item 16-141.

CHAIRMAN KURK: That's my understanding what the motion was, to approve this.

MR. KANE: It's on the agenda now.

REP. OBER: That is correct.

CHAIRMAN KURK: Okay. So if we vote yes on this, then this is approved. The original one is tabled. We are voting now to approve it or not approve it. Is there discussion on that? Does anyone have any questions? Representative Ober.

REP. OBER: Mr. Chair, we asked the agency to make a change. They did that and the replacement reflects what this Committee asked. So I'm voting yes on accepting.

CHAIRMAN KURK: Thank you. Good. The motion before us is to approve replacement item Fiscal 16-141. There being no further questions, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The item is approved and I'm sorry I called you up to the desk.

TED DIERS, Administrator, Watershed Management Bureau, Department of Environment Services: No problem. Thank you, have a great morning.

CONSENT CALENDAR

(3) RSA 9:16-c Transfer of Federal Grant Funds:

FIS 16-154

CHAIRMAN KURK: Sorry for that confusion. Moving on to the Consent Calendar, item number or agenda item number three, Fiscal 16-154, request from the Department of Safety for authorization to transfer \$4,000 in Federal funds. Is there a motion?

** REP. EATON: Move approval.

CHAIRMAN KURK: Representative Eaton moves, seconded by Senator Sanborn that the item be approved.

SEN. SANBORN: Oh, we are on three, Mr. Chair; correct?

REP. KURK: We are on three.

SEN. SANBORN: My apologies. Yes, I'm good.

CHAIRMAN KURK: There being no further discussion or questions, are you ready for the question? All those in favor of approving Fiscal 16-154, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

*** {MOTION ADOPTED}

(4) RSA 14:30-a VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from Any Non-State Source:

FIS 16-155

FIS 16-157

FIS 16-158

CHAIRMAN KURK: We turn now to the next item on the agenda.

REP. OBER: We are at Tab 4.

CHAIRMAN KURK: We are now on agenda item four. There are three items here. Does anyone wish to pull any one of them off Consent?

SEN. SANBORN: Yes, Mr. Chair. 158, please.

CHAIRMAN KURK: Senator Sanborn wishes to remove Fiscal 16-158. Representative Ober, did you wish remove 157?

REP. OBER: No, I'm good.

CHAIRMAN KURK: There are now two items for approval on this motion -- on this agenda item, Fiscal 16-155 and Fiscal 16-157. Is there a motion?

** SEN. D'ALLESANDRO: Move the item.

SEN. SANBORN: Second.

CHAIRMAN KURK: Moved by Senator D'Allesandro, seconded by Senator Sanborn that we approve the Consent Calendar -- the Consent Calendar under Tab 4 consistent with two items, Fiscal 16-155 and 157. Are we ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the items are adopted.

*** **{MOTION ADOPTED}**

CHAIRMAN KURK: We turn now to the remaining item under Tab 4, Fiscal 16-158, a request from the Department of Health and Human Services for authorization to accept and expend \$735,768 in federal funds. Chair recognizes Senator Sanborn. You had some questions?

SEN. SANBORN: I have some questions if you'll allow me, Mr. Chair.

CHAIRMAN KURK: Is there somebody from the Department who can respond to questions? Good morning.

PATRICIA TILLEY, Division of Public Health Services, Department of Health and Human Services: Good morning, Chair. I'm Trish Tilley. I'm from the Division of Public Health Services. Thank you.

CHAIRMAN KURK: Senator Sanborn has a question.

SEN. SANBORN: Trish, thanks for coming up. I appreciate it. I'm hoping the Chair will give me a little latitude to ask a couple questions because we spent a fair amount of time talking about this issue yesterday. Not, honestly, quite so much about what the policy should be, we are all very supportive of that; but trying to, for me, get a better understanding what we are really doing.

MS. TILLEY: Yes.

SEN. SANBORN: So how many people do we have operating as beneficiaries under this program today?

MS. TILLEY: So in the WIC Program -- let me just see if I can find that number for you. We are approximately -- -- we are just shy of 15,000 people participating in WIC. I can get you the exact number, but I'm just looking at -- but it's just shy of that.

SEN. SANBORN: But that helps. I appreciate it. And maybe at some point if you come with the Commissioner maybe we put that on the Dashboard with a number that large.

MS. TILLEY: Right, we'd be happy to do that.

SEN. SANBORN: So here's my question. If I understand this correctly, and there are certain times of the day I think that I do and other times I think that I don't, that we're looking to convert from essentially a paper system --

MS. TILLEY: Yes.

SEN. SANBORN: -- to a charge card system similar to what we are doing with EBT cards over at SNAP, TANF.

MS. TILLEY: Hm-hum.

SEN. SANBORN: I'm trying to reconcile how we are spending \$735,000 to turn on -- to give people a card.

MS. TILLEY: Sure.

SEN. SANBORN: And I can tell you in my business I went from paper to cards and it cost me like 3-cents. The charge card processing companies are all set up for this with ABA numbers and routing numbers. So all the background system I know exists, and it's essentially seamless and free. Every retail store participating already has some sort of a card reader so, therefore, it should be as opposed to us sending out a paper slip we send out a charge card. I don't know how we make the jump that that is going to cost us \$700,000 to do.

MS. TILLEY: So if I may, Chair? So one of the more complex things with the WIC Program, unlike SNAP, which is an amount of money, it's really a banking transfer. That you're simply saying, you know, Senator Sanborn, you get \$75 on your debit card. In WIC what's more complicated about that is we actually have to put for each individual participant a list of food items, essentially the UPC codes to which they're entitled.

So, Senator Sanborn, if you were in WIC, perhaps you would have a gallon of milk, ten dollars' worth of fruit and vegetables, some grains and all of that would be directed to you dependent on whether or not you were pregnant and the ages of your children. It's a far more complex process to go so it's not just a matter of putting \$140 on. It's really for each folks.

So we have to go in and we have to scan every UPC code of all the foods that are WIC eligible right now. That's part of

the process. And one of the other things we mentioned we work with a number of small grocers. There are some that we are actually working with right now to figure out how to get them to have the hardware system involved because they don't have the hardware system that would work with this. So part of this is funds in here so that we could help some of those small vendors.

SEN. SANBORN: Follow-up, if I may? So is this a program where like you're turning over to Associated Grocers of New England and they're uploading all the UPC codes into some sort of a database?

MS. TILLEY: So part of that work we are going to have to contract out with some of those. So the Associated Grocers, we don't know that Associated Grocers would do that so we are going to contract for some of that scanning. We have a project manager. We're also working tightly with several other states. New Hampshire is part of an interstate agreement with travel councils of Arizona, Hawaii, Kansas, and a few other states so that we can maximize some of our small numbers and, actually, New Hampshire wins because we are the tiniest, us and the tribal folks are the smallest so we get some bang for our buck. We get project management out of that and also going to help us upload some of the UPC codes and ensure that system is working correctly.

SEN. SANBORN: Mr. Chair, follow-up?

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you for the answer. I appreciate it.

MS. TILLEY: Sure.

SEN. SANBORN: So are we going to end up with every little grocery store, large and small in New Hampshire, is going to end up having to have its own hardware for its own database to slide a card to see if it's eligible for specific UPCs?

MS. TILLEY: No, it will work -- if you go to Market Basket right now it will be the same swipe you have that is in there. We are specifically working with some of the smaller vendors who may not quite have that capacity. The vendors are incredibly supportive of this because once it moves forward, the likelihood of them being in violation of some of our process because, as you know, WIC is complex. A woman comes in. They have this very -- the paper system and it says, okay, you can only have one milk. You can only have 62 ounces of this and there's often mistakes. And by our federal regulations we need to go in and inspect those and occasionally even fine some of our vendors when they -- when there's error by cashiers. This system will pretty much all but take away any of that problem because the card will just say, you know, the system will say "EHNT!" and it will say, no, you can't go forward.

So we are not asking -- the vendors will not need to -- especially the large vendors really will need to just turn it on. We're piloting -- our anticipation is that we pilot out in the Seacoast area, actually in Rockingham County with Market Basket. They have agreed to try this first to ensure that everything works smoothly before we roll it out to the larger; but we do not anticipate cost to the vendors.

CHAIRMAN KURK: Further question.

SEN. SANBORN: Yes, thank you. I appreciate that. So I have 20 years' experience with data processing for VISA, Master Card.

MS. TILLEY: Absolutely, yes, sir.

SEN. SANBORN: So I'm relatively familiar with that and, obviously, I have a high level familiarity with retail point-of-sale automated systems which are two different systems.

MS. TILLEY: Hm-hum.

SEN. SANBORN: So, again, I'm just trying to understand. You go into a grocery store, they're automated or manual.

MS. TILLEY: Hm-hum.

SEN. SANBORN: And somewhere there needs to be a list of eligible products or not.

MS. TILLEY: Yes.

SEN. SANBORN: Which will slide through when you're scanning yourself at the grocery store on the entity's specific point-of-sale system.

MS. TILLEY: Hm-hum.

SEN. SANBORN: Then when they give you a total and you slide your card that card is in an entirely different software package which goes specifically to the data processors, VISA, Master Card, or American Express.

MS. TILLEY: Right.

SEN. SANBORN: So, again, I'm confused because that system only tells you you just spent 140 bucks, slide the card, Visa looks at your bank account, the State's bank account, the money's there. It makes the charge. It doesn't go back and look at the grocery store's items of sold. We have to go look at the grocery store database for that.

MS. TILLEY: So we have two systems that are part of the expense of this so there's, essentially, the banking part of it that you described. So we have a contract to do that banking work which is just the dollar amount, and then the other system that has to work in collaboration with that is really the system that checks whether or not you have the correct food items on there. And both of those have to work in combination with the one debit card. And so we are working with both Xerox and Maximus and several other vendors which, again, leads to the cost of this process to turn it on. And I by no means have the 20 years of expertise that you have with at the point-of-sale, but these are the contracts that we are looking to move forward

with these funds so that we can have that in as a seamless integrated system for the vendors.

SEN. SANBORN: Thank you for the question. Although I sat here when I started saying I thought it was too much money, now I think you're short by about \$20 million to actually put this in. Best of luck.

MS. TILLEY: Fortunately we are -- well, New Hampshire is not on the leading edge of this process. So we are taking the experience of several other states, several other much larger states have done this. So we have that experience and there are only a handful of vendors who do this work for us anyway who have experience in this space. And so we are looking -- we are benefitting from the fact that others have gone before New Hampshire.

SEN. SANBORN: I wish you all the luck in the world; but I can't begin to tell you how many individual software programs there are for point-of-sale systems and to make each one of them work. God bless you.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Thank you, Mr. Chairman. The award documentation that you sent to us says, the last sentence, in the event that these federal funds become no longer available, General Funds will not be requested.

MS. TILLEY: Correct.

REP. OBER: So you are anticipating you will get 100% federal funding for however long it takes until 2020 to make this happen or the State will not have to pay for it; is that correct?

MS. TILLEY: That is our assumption, that is correct. Thank you, ma'am.

REP. OBER: Mr. Chair.

CHAIRMAN KURK: Further question.

REP. OBER: No, but I can tell you I will support this on that basis, but I will not support this if the State was going to have to start dumping money into a federal requirement.

CHAIRMAN KURK: I wonder if you would comment on a sentence that I'm going to read you from the explanation section, Page 2 of 3 --

MS. TILLEY: Sure.

CHAIRMAN KURK: -- on the September 16th letter to the Committee, last sentence on the first paragraph of that page. EBT, the Electronic Benefit Transfer, allows for discrete transaction at the point-of-sale thus eliminating some of the stigma associated with using federal nutrition programs. Are we spending \$735,000 today and more later on to eliminate public shaming?

MS. TILLEY: Sir, I think that that's simply one of the benefits of this program. Truly, as I described to Senator Sanborn, the grocers are some of our biggest advocates for this right now because it is difficult for their cashiers. This is a cumbersome process to go through paper vouchers, try and match up and read that and make sure you have a -- sometimes a young cashier trying to assess with a long line behind her is that 20 ounces of that cereal? Is it 24 ounces of that cereal? This simply makes the process easier for everyone.

CHAIRMAN KURK: Thank you. Further questions? There being none, are you ready for the question?

SEN. SANBORN: Yes, sir.

CHAIRMAN KURK: All those in favor?

REP. WEYLER: We have a motion to approve?

CHAIRMAN KURK: Yes.

REP. OBER: I don't think we have a motion.

CHAIRMAN KURK: I thought Senator D'Allesandro and Senator Sanborn moved?

REP. WEYLER: Okay. Thank you.

CHAIRMAN KURK: If you're in favor of this item, please now indicate by saying aye? Opposed? The ayes have it and the item is approved. Thank you, ma'am.

MS. TILLEY: Thank you.

*** {MOTION ADOPTED}

(5) **RSA 124:15 Positions Authorized:**

FIS 16-156

CHAIRMAN KURK: We now turn to the Consent Calendar Tab 5, Positions Authorized. This is a request from the Department of Safety to retroactively extend the end date for one temporary part-time assistant position which was previously approved by this Committee.

** REP. EATON: Move approval.

REP. OBER: I have a question.

CHAIRMAN KURK: Representative Eaton moves, seconded by?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Senator D'Allesandro that the item be approved. Representative Ober has a question. Is there someone from the Department who might be able to answer the question?

STEVEN R. LAVOIE, Director of Administration, Division of Administration, Department of Safety: Good morning. Steve Lavoie, Director of Administration.

CHAIRMAN KURK: Good morning and welcome.

MR. LAVOIE: Thank you.

REP. OBER: Thank you for coming.

MR. LAVOIE: Sure.

CHAIRMAN KURK: Representative Ober.

REP. OBER: When we read this, it sounded like there was a person in the position, and so I wondered how you've been paying them. But Mr. Kane discovered working with you that you have nobody in this position. So now I question why you would write that you needed to retroactively approve this since it would seem that what we needed to do was extend it so you could try to hire a person. So I'm a little confused by the wording and your documentation. Could you explain that?

MR. LAVOIE: Sure, happy. When we prepared this item -- that is correct, there is no one in the position currently. When we prepared this item to request approval to extend the authorization, we consulted with Administrative Services and were -- the guidance they provided was that because this position was previously established and we were asking to have it continue forward, that the preference was to have it a retroactive item because of that to show that continued -- that continuation of the position itself.

REP. OBER: Then I guess Administrative Services needs to answer that question. Thank you. You're off the hook. Somebody else is on the hook.

CHAIRMAN KURK: Thank you, sir.

MR. LAVOIE: Thank you.

CHAIRMAN KURK: Good morning, Mr. Bouchard.

JOSEPH BOUCHARD, Assistant Commissioner, Department of Administrative Services: Good morning. Joe Bouchard, Assistant Commissioner for Administrative Services.

CHAIRMAN KURK: Representative Ober is recognized for a question.

MR. BOUCHARD: We were asked about -- approached for this item, and in that the Fiscal Committee had previously taken an action to -- upon the grant, upon the acceptance of the funds, upon the establishment of position to a date certain, we felt in lieu of coming in with a brand new item, which didn't reference back the prior action of Fiscal Committee, that we would go from the date of the last Committee action to forward. And because there was no one in the position -- excuse me. You have -- you make a valid point. There's not a position that would lapse, if you would, from October 1st to the State. However, the action we -- the way I interpreted it was the action would be a continuation of the concept. So we asked them to do it back to that date.

REP. OBER: Thank you for explaining.

MR. BOUCHARD: You're welcome.

CHAIRMAN KURK: Thank you, sir. You have a motion, right?

REP. OBER: Yes, we have a motion.

CHAIRMAN KURK: Further questions or discussion? There being none, are you ready for the question? All those in favor of approving this item, please indicate by saying aye? Opposed? The ayes have it. The item is approved.

*** {MOTION ADOPTED}

(6) RSA 604-A:1-b, Additional Funding:

JOINT FISCAL COMMITTEE
October 14, 2016

FIS 16-159

CHAIRMAN KURK: We turn now to item number six on the agenda, Fiscal 16-159, a request from the Judicial Council for authorization to receive an additional appropriation in the amount of \$100,000 in General Funds for the period effective July 1st, '16, through June 30th, '17.

** REP. OBER: Move to approve.

CHAIRMAN KURK: Representative Ober moves to approve. Is there a second?

REP. EATON: Second.

CHAIRMAN KURK: Seconded by Representative Eaton. Discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it. The item is approved.

*** {MOTION ADOPTED}

CHAIRMAN KURK: Mr. Kane, is there anything else that needs to come before us?

(7) Miscellaneous:

(8) Informational Materials:

LATE ITEMS

MR. KANE: There's two late items. One's an informational item, it's 161 and that's the Dashboard. There's a requested action which is 16-162 which is Administrative Services' request to transfer.

CHAIRMAN KURK: Does everyone have a copy of the late item?

REP. OBER: Yes.

REP. WEYLER: No.

CHAIRMAN KURK: It was distributed yesterday. Mr. Kane, if you have another copy for Representative Weyler that would be appreciated. Is there anyone else who does not have a copy?

** REP. OBER: Mr. Chairman, I would move to approve this item.

REP. EATON: Second.

CHAIRMAN KURK: Representative Ober moves, seconded by Representative Eaton that Fiscal 16-162 be approved.

SEN. SANBORN: Was there some discussion?

CHAIRMAN KURK: I think this probably deserves some discussion, yes. Did you have a question or did you wish to discuss it? Let me just say here's my understanding --

SEN. SANBORN: I'll defer to the Chair.

CHAIRMAN KURK: Here's my understanding of what we're doing. We've got a problem with Concord Steam and heating for 25 or so State buildings. Administrative Services believes they need a million dollars to do some advanced engineering work. The question is where to get it. It turns out that the account dealing with utilities is one of those accounts which gives the Fiscal Committee the authority to take money from surplus or funds not otherwise expended and fill this account. So because their budget is tight, and but for this transfer they will meet their lapses, they want us to take a million dollars out of the utilities line, put it into a line allowing them to contract for these engineering and other services, knowing that they will be coming back to us in a month or so to ask for a million dollars to put into this line to replace the money they took out and knowing that we have the authority to do that from surplus.

This is -- in my view, this is clearly an emergency situation and their request is justified so I will be supporting

it; but that in a nutshell is what I understand is happening. If you have questions, the Commissioner is here. She'd be pleased to answer them. Commissioner.

VICKI QUIRAM, Commissioner, Department of Administrative Services: Good morning, Committee. Vicki Quiram, Commissioner of Department of Administrative Services, and with me I have Mike Connor, Deputy Commissioner.

CHAIRMAN KURK: Good morning to both of you.

MS. QUIRAM: Good morning.

CHAIRMAN KURK: Senator Sanborn has a question.

SEN. SANBORN: Thank you, Mr. Chair. Vicki, great seeing you. Mike, been a long time. Great seeing you up here.

First and foremost, I just want to say that I know that Senator Daniels and you guys and a whole team have been working on this have truly done an amazing job in trying to get your hands around it. I'd like to compliment my colleague in the Senate because he's done a great, great job, although in discussions, you know, that you and I have had, I still remain kind of concerned with the overall premise of the challenge we are being faced with today. And that drives to a large degree, Commissioner, as you know, I own property on Main Street that is -- I am a customer of Concord Steam, have been for 30 years. So I've intimate knowledge of kind of how it works.

Part of my frustration is as we look to what our solution could be, we know that if we make the decision as a state to tie up, let's say, a gas company that we essentially become a captive customer for decades, if not the rest of all of our natural born life. I know that for commercial accounts utilities have oftentimes offered to help offset hardware costs or soft costs for engineering. That amounts up to 50% that I know I have been offered as a business owner in writing with this understanding that there's a long term annuity on the back side if they're able to secure the relationship.

So can you help us understand how we should be or haven't been able to or should be looking towards that potential of long-term supplier who has a history of helping to establish these types of solutions? Where is that at this point?

MS. QUIRAM: So thank you for the question. It's a good question, and I will tell you that we have been working very, very closely with Liberty Utilities as we have moved ahead. And they certainly are working as our partner, in many ways, I would say, to make this transition as seamless as possible.

One of the things that Liberty Utilities is doing for us is they're actually we are going to be using temporary power for a year so that we can go out to bid for these projects so that we can have competition on the projects and we can get them from the best possible prices that we can. And they are helping us with this temporary solution by helping us hook-up to the buildings, by bringing in the temporary power, by running it for us, making sure that we are able to go an extra year so that we can get good prices for the real projects, permanent projects we're doing.

As far as the Liberty helping us with costs, Liberty -- there's no utility under the law that could just hand you 50% of the money for boilers or for any of your projects. They are a regulated utility and their costs are spread across all their customers. If they were handing particular people favors that would be -- it just isn't something that they're allowed to do.

You may be speaking about their energy savings and if, in fact, if you're able to compete for their energy savings grants or get those type of rebates back, yes. And as we move ahead with these projects, we are doing energy savings in any way that we can. We are not completely stuck to Concord Steam on this. We are -- I mean, to Liberty Utilities on this. We are moving off of Concord Steam. Our engineers are in 25 buildings trying to determine what is the best way to heat those buildings and, in fact, air condition, as in the case of using heat pumps, and we

are looking at all kinds of alternatives. Some will use natural gas, some will not use natural gas. Those that will use natural gas where we can put through energy savings projects and meet the requirements of the grants or the subsidies that Liberty Utilities offer, we will absolutely be doing that.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you, Mr. Chair. Thank you for your answer. I appreciate it.

MS. QUIRAM: Hm-hum.

SEN. SANBORN: I also heard recently that the PUC has authorized a 23% increase in charges to continue along getting Concord Steam. And could you comment on that, what that affect is going to be financially on your heat budget for the next year?

MS. QUIRAM: Yes, we have. And I want to get the numbers exactly right so that you could see the cost estimates and how it is.

The -- what's happening with Concord Steam is they're closing down. Certainly, they're -- one of the things is they are losing customers. And the customers started going before they made this announcement because of the high cost. I think DAS has been telling people for years in the State that we are paying way too much for Concord Steam. Their facility's in disrepair. They need to make it for one more year to help us go through the winter. And so they have gone to the PUC, and we intervened in the case so we've been very involved with the PUC.

Our attorney at the Attorney General's Office, Chris Aslin, has been an incredible help to us. We've gone through with a fine-tooth comb what the Public Utilities is considering valid costs for them to pass on to their dwindling customers. And they are currently -- we currently are paying about \$49 per

million pounds. The new rate will be somewhere around \$61 per million pounds.

Just to let you know what the cost is, what we are paying right now, our annual bill runs about \$2.7 million. With the increase, the cost will run about \$3.3 million per year.

We -- with all of our alternatives that we have looked at and everything that we have looked at, what we have found is that one of the options we looked at was should we keep Concord Steam open for a year and run it ourselves and contract with the Concord Steam people to do that. The cost of doing that would have been about \$4 million a year. And so we started looking at what are the alternatives, what's available, and we looked at temporary boilers and people that bring in temporary boilers to heat our buildings. We think the temporary solution will run us about 2.2 million. So a lower cost than certainly we are paying now at a current rate. And when we finally get to the final solution, our guess is that we will be about \$1 million a year. So we will be paying much less.

As far as where we're going with this percent increase that the PUC has agreed upon, and certainly we looked at very closely -- by the way, we did not -- the PUC did not agree with their original ask. They did take it down because of the detailed look at what they're charging for. But the PUC, that's what they do. They have to look at rates and give the company what they need to keep -- stay in operation, and we certainly want them to stay in operation.

We think that we are going to be able to squeeze by with the current line item that we have for utilities with the \$3.3 million, as long as we don't have an extremely bad winter or we don't see any big raises in electricity prices, because our utility lines are all in one line. So because our electric prices are going down, we think we'll be able to make it through that really, really hard year which is going to be this upcoming year at the higher prices.

SEN. SANBORN: Thank you very much both of you. Thank you, Mr. Chair.

CHAIRMAN KURK: Let me ask you to clarify something you said.

MS. QUIRAM: Okay.

CHAIRMAN KURK: Three, four, five years from now after the new systems are in place, you're suggesting that the utility bill is going to go down from 2.7 million to \$1 million?

MS. QUIRAM: Yes. Efficiencies and natural gas, as well as other fuel sources.

CHAIRMAN KURK: And the bondable cost of that conversion from steam to solar, natural gas, whatever, will cost roughly how much?

MS. QUIRAM: A maximum we think of \$25 million.

CHAIRMAN KURK: So what's the payback period?

MS. QUIRAM: We're looking at somewhere around ten years.

REP. OBER: But Mr. Chair.

MS. QUIRAM: Simple, yes.

CHAIRMAN KURK: Representative Ober.

REP. OBER: You have to offset the payback period with the cost of buying parkas, gloves, and hats for all of our State Employees in 1.2 million square feet. So, you know, there's an offset.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: If it's only going to save us a million dollars a year --

CHAIRMAN KURK: No, 1.7; 1.7.

MS. QUIRAM: Our annual steam cost this year is going to be 3.3.

CHAIRMAN KURK: No, but prior to this we were spending how much?

MS. QUIRAM: We were spending 2.7.

CHAIRMAN KURK: And you're saying the replacement cost of that is 1 million, but we have to spend 25 million to bring the 2.7 down to one.

MS. QUIRAM: Exactly.

SEN. SANBORN: My apologies. I thought the saving was a million and not 1.7.

MS. QUIRAM: It's a big savings. We should have done it a long time ago.

CHAIRMAN KURK: Is -- is -- is there a history of Liberty pricing for its services being variable? In other words, natural gas over the past five years or so, perhaps a little more, has gone down. But if fracking, for example, were banned, for whatever reason, would that create a spike in natural gas prices such that the 1 million savings -- the 1.7 in savings would be diminished significantly?

MS. QUIRAM: I would say absolutely it could. I will say that our experience with the steam costs of Liberty Utility, their average increase over the last how many years?

MICHAEL CONNOR, Deputy Commissioner, Department of Administrative Services: Eleven.

MS. QUIRAM: Eleven years has been 8.5% per year. So we --

CHAIRMAN KURK: For the natural gas?

MR. CONNOR: Steam.

MS. QUIRAM: Steam. That's the steam. So when we're doing these cost comparisons, it's hard to guess what's going to happen. And, in fact, when you think about it, at one point in time Liberty Utilities had come to us and asked us if we would sign a 20-yearlong agreement at a certain cost and that cost was much, much higher, certainly, than we can move to right now. But long-term agreements when we're talking about utilities now are something that are very -- it will be -- it would be very hard for me to recommend that we enter into a very long-term agreement like that. With our energy abilities changing so quickly and the innovative things that are coming out on the market and the things we're able to do and the decrease of price of those things, you know, although I don't know where we will be in natural gas five years from now, ten years from now, my hope is, is that we will be using different things to heat our buildings that will take much more of any fuel source that we're using or use a fossil fuel source that doesn't require as much natural gas.

CHAIRMAN KURK: Thank you. Further questions?
Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. Commissioner, I hadn't heard of temporary boilers. Now, how long are they going to be temporary? During the period of time we're doing this or are they going to only be for a year or two? And if they are temporary, then if we have a different fuel mix five years from now, whatever, can we take those boilers out and bring in ones that use the other fuel mix?

MS. QUIRAM: Thank you very much. Our projects schedule shows a schedule that takes us through, basically -- this has been complicated. It's been really a complicated project to put together. So we will have temporary -- we will have Liberty Utilities serving us until 6/31/17. So through this winter.

On 7/1/17, we will need to have these temporary boilers set up for both the Hugh Gallen Campus and the Downtown area that will provide us natural gas that will -- that will work on natural gas but they will provide steam to our buildings so that we can continue to heat those buildings. The reason we have to have it right when Concord Steam closes --

CHAIRMAN KURK: But these temporary boilers are strictly something that we rent?

MS. QUIRAM: Trailer-mounted, rented boilers. Thank you.

CHAIRMAN KURK: So when we are finished with the boilers, the owners move them off the trailers to some other site?

MS. QUIRAM: Yes, they take them away and we will pay for them -- pay for those temporary boilers. Liberty Utilities is setting them up for us. They will just charge us a surcharge on our bill which will be lower than we are paying now, and we'll be able to just pay them back on a monthly basis as we use those temporary boilers. Those temporary boilers then will move away. And by the time they move away, our hope is that we will have all of our 25 building projects completed on a permanent basis and up and running.

CHAIRMAN KURK: Follow-up.

REP. WEYLER: So what will be the fuel in those 25 boilers that we are --

MS. QUIRAM: It will be different in every building. There are some buildings that we will have to do with steam. Many of our -- the State Houses is a great example where all the piping inside the State House is just -- it's so old that it probably will not be able to hold the pressure of anything other than steam. So that would be a building where you will probably see us still steam -- on steam. However, we might be able to use heat pumps, also. You know, we are -- every building is being looked at very carefully by the engineers. They have already done preliminary analysis and they will, hopefully, if we can

get this million dollars to move them ahead very quickly. By March 1st we should be ready to go out to bid on 25 buildings, each -- possibly each with a different solution. Although, in some cases they are looking at, you know what, there may be three or four buildings here that we may be able to combine in one place and that might work better that way.

REP. WEYLER: Thank you very much. Thank you, Mr. Chairman.

CHAIRMAN KURK: Further discussion or questions? There being none, are you ready for the question? All those in favor of approving this late item, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

***** {MOTION ADOPTED}**

CHAIRMAN KURK: Thank you both very much and good luck.

MS. QUIRAM: Thank you very much.

CHAIRMAN KURK: At this point we have completed our agenda. We now turn to audits.

SEN. SANBORN: Mr. Chair, can we talk about the Dashboard?

CHAIRMAN KURK: I'm sorry?

SEN. SANBORN: The Dashboard.

CHAIRMAN KURK: We certainly can, if you wish. Before you do that, just let me announce something that I think that's obvious to everyone.

DAS did not submit any kind of an item dealing with retiree health care costs and that's because there is sufficient money in the budget to continue the program as is with no changes in the plan or premiums, at least through the end of this Fiscal Year on June 30th, 2017. So there was no action item for us today and, obviously, none is going to be taken.

That having been said, let's move to our Audit.

REP. OBER: Dashboard.

REP. WEYLER: Dashboard.

CHAIRMAN KURK: Oh, sorry. Dashboard. This Dashboard is Fiscal 16-161. Is there someone from the Department who can answer questions? For the record, the Commissioner informed me that he wanted to be here, but he had a previous commitment to speak to.

SHERI ROCKBURN, Chief Financial Officer, Department of Health and Human Services: I know he was supposed to be up at one of the hospitals, but I don't remember which one.

CHAIRMAN KURK: Thank you. Good morning to both of you. Good to see you again.

MS. ROCKBURN: Good morning, Sheri Rockburn, CFO for the Department.

DEBORAH FOURNIER, Director, Office of Medicaid Business and Policy, Department of Health and Human Services: And Deb Fournier, Medicaid Director.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Ladies, thank you. Good morning.

MS. FOURNIER: Good morning.

SEN. SANBORN: Thank you for coming in. I guess first we'll start with -- I guess it's not Medicaid but Disproportionate Share. I see on the front part of the Dashboard there's a conversation about looking at uncomp care is going to be coming down for two reasons. One is, obviously, the Medicaid Expansion. The other one is a change in the formula of third-party payments.

Sheri, can you at some point, if not today, give us kind of a breakdown of where you see the allocation of savings coming from? Is it all coming from third-party payments? Is it all coming from Medicaid Expansion? So as we look at the budget going forward we'll control the numbers on that.

MS. ROCKBURN: We can definitely do a follow-up on that, Senator. Just in a brief description, the way uncompensated care is calculated for DSH Payments, there's a two-year lag when we look back at the Uncompensated Care claim. So, for example, in 2016 we are going to be looking at what the hospitals claim for Uncompensated Care in '14. In 2017, and those payments get made the end of May of the State Fiscal Year, we look back on the 2015 Uncompensated Care period. So this will be the first year we look at uncompensated care where all of the Medicaid Expansion Program will have been placed for that entire State Fiscal or the Calendar Years or whatever the operating cycle will be for the hospitals. So we anticipate that they are going to have less uninsured claims in that period as compared to the prior years in terms of the Uncompensated Care that they have reported to us.

We don't have an exact number on that. We can, obviously, look at some history, some estimates of what we think it can be and get back to you on that. So that's the one part of that.

The second part is that in previous years the definition of what's considered uninsured or uncompensated was under a Federal Court injunction last year, and that resulted in Uncompensated Care being much higher than we had ever seen. Generally speaking, what that was is that if a claim received third-party payments, such as Medicare, the hospitals were allowed to exclude that payment and still call that claim uncompensated.

SEN. SANBORN: Correct.

MS. ROCKBURN: So by doing that, even though they, I would say technically were compensated, the Federal Law, the injunction, the court injunction allowed them to exclude it. So we had a substantial number of claims that came forward that

were part of the Uncompensated Care which drives the DSH Payment.

We are hoping that during this year that that court injunction and the court case gets resolved. Obviously, if it's resolved in our favor, then those claims would no longer be considered uncompensated. They would truly be compensated claim. That would drive down the Uncompensated Care and, in turn, drive down the DSH Payment.

CHAIRMAN KURK: Will we get back the \$15.9 million?

MS. ROCKBURN: My understanding is that the -- depending on how the settlement occurs, there is a chance that that could be retroactive, in which case the hospitals would pay us back additional money from last year.

MS. FOURNIER: But that's a possibility. I don't think Sheri is in any way estimating that she can guarantee that's going to happen or which way the local court case is going to come out or there's a federal rule that's been proposed which would define that Uncompensated Care or clarify, as CMS would say, the Uncompensated Care does not include services for which some third-party liability payment has been collected. But that rule is not yet final, and we don't have a crystal ball to know when it would be made final or what the local judge would think of that rule if it were made final in its current form.

CHAIRMAN KURK: Thank you for dashing my expectations.

SEN. SANBORN: A follow-up.

CHAIRMAN KURK: Next.

SEN. SANBORN: Something that is very, very, very, very dear to all of us, but especially the Senate, but no disrespect to the fine members of the House, and you know I pound this table a lot and the Commissioner is not here, which is probably a good thing for him. I see that the DD Wait List again is continuing to climb. Now we are back up to 180 numbers. So that,

combined with the fact there's some \$3.8 million, granted less than the \$38 million it was seven months ago, but we are still at \$3.8 million. The number's been going backwards now for three or four months. I'm not going to lie to you, Ladies. You know how I am about this issue. I'm upset is a polite way to say it. What are we doing? How we going to solve this by what date?

MS. FOURNIER: You want me to go?

MS. ROCKBURN: Yes.

MS. FOURNIER: Let me start out by saying I appreciate your frustration, and I don't want to invalidate that in any way. I want to also say that we are -- we are on track to serve 415 people that we projected we would serve through the Wait List. But there are people coming onto the Wait List that were not anticipated and if you just bear with me, just bear with me and I'll talk you through what I know about that.

We do know that some people were served on the Wait List and then more people come on. So it's not that folks are not being served. It's that there is unanticipated need that the 415 didn't take into consideration. So we have people -- so the DD Wait List is available to people 21 and over, right? So we always know and we have a good idea of who is turning 21 and who is coming off.

SEN. SANBORN: So how do you not know?

MS. FOURNIER: That's -- so that's -- but that's only one group of people, right? Then we have people who we didn't know anything about before who are unidentified to the system who come on and put their hands up and say I need help. And then we have people who may have been receiving one level of service and now need an enhanced level of service, and there are bunch of trends in forming those last two buckets.

Well, actually, there's trends in forming all three buckets. One, we have folks being diagnosed and identified as

having autism at a rate that is unparalleled over the last 10 and 15 years. So those folks are coming into our system.

We have a ton of families who have been taking care of their loved one in their home. They have been jerry-rigging the system to keep their loved one at home and mom and dad are aging, becoming ill, becoming infirm, and cannot continue to provide that service at home. So they have to put their hand up and say we need something different for our family member.

And then you have folks who are aging. The people living with disabilities through modern medicine are able to live much longer than has ever been previously possible. And so they are, in addition to living with their disability, they are aging. And they are reflecting the medical needs that come along with aging, in addition to their disability and so their needs are increasing. And that's that last bucket, people who need enhanced service. So folks are moving on and moving off, but we have more folks coming on than the 415 that we projected. So I'm going to stop there.

Sheri, you want to add anything?

MS. ROCKBURN: Sure. The 415 that Deb is referencing is when the 16-17 budget was prepared, that was the number that we anticipated to serve over the biennium and that we had funding to cover those 415 clients. So that has been -- that was put together in our 16-17 budget period.

As an example, and this is what's in the Dashboard letter, it's on Page 4, is that at the end of June of State Fiscal 16, we served 262 individuals. There were 383 that came knocking on the door. So right there, although we served a significant number, there were still additional clients that were coming in. Most of those clients are not the 21-year olds, because those are identified in the system. Most of all of those are those needing those additional or enhanced services.

MS. FOURNIER: We are now, Senator, we meet weekly on the Wait List. So I don't want -- I don't want -- look, that's all I'll say, that we are -- we take this very seriously.

CHAIRMAN KURK: As a result of this experience, what are you projecting for '18 and '19? Four hundred fifteen currently and what are you doing --

SEN. SANBORN: Three eighty-three are previously unidentified and brand new. I mean, is this line item, and Senate President because he's an expert at this, how much did we spend on the DD line in the last budget? We about to see a 50, 60, 80% increase in that line item?

MS. ROCKBURN: Well, the 383 that's not -- that came forward versus the 262, the delta between those two numbers of about 121 that's sort of contributing to that Wait List number. So it's not that we are able to serve that full 383 that came forward. Our budget is restricted for that.

CHAIRMAN KURK: The question is for '18 and '19.

MS. ROCKBURN: For '18 and '19. So a few things. I don't have the exact number or the number of clients. I can get that for you. What I will say is that we have been meeting weekly with a group of all the Area Agencies. In addition to that, we just hired a brand new director for Developmental Disabilities. I think today -- either -- I think today, actually, is her first day that she's coming on board. She came from one of the Area Agencies. So I think that's going to be a great addition to our team.

We also named a Deputy Director in our Bureau, and she's been serving as the Interim Director for quite a while. So we have put some really great individuals in those roles that we haven't had before. So we continue to hold the line with our Area Agencies.

When we worked on the 18-19 budget for the Agency phase, we asked the Area Agencies directly who is coming into this system

and what do you know about those clients that might need additional services that traditionally we may not have budgeted for because they were not the ones turning 21. So the budget that we built was 100% based on numbers we received from the Area Agencies themselves. So that's where we had done that homework or legwork for.

CHAIRMAN KURK: You'll send us that information.

MS. ROCKBURN: And I can send you the specific information on that.

CHAIRMAN KURK: Senator Morse.

SEN. PRESIDENT MORSE: Yeah, I'd just like to follow-up on it though, because I went searching for these. Your lapse in Developmental Services is 14 million in '14, 13 million in '15, and then this year you pretty much put it all out on the road. And I do think this is a management problem. So I'm not going to beat around the bush and the Department knows that, but they have known it for a long time, because I've been involved in it. And I couldn't go back and find that 415 number that you're talking about. But I can assure you that the Senate in balancing the budget, the Governor's Office wanted everything put back in this line, and we did it. And in her speech that she gave, which was the only number I could pin to this line, she said we were servicing 600 people. I don't know where --

MS. ROCKBURN: Okay.

SEN. PRESIDENT MORSE: -- the difference between the 415 and the 600 is, but all the Senate believed when the budget left was we fully funded this. I mean, we were looking to take a couple of million and move it around and solve other problems. And the answer was if you want to fully fund it, you have to go to this number. No one expected to end the year with 160 people on there. I think the problem's much bigger than we're talking about today.

I've met with the Area Agencies. They told me about the changes that have happened within the management side of it that make it difficult for them to keep up with the people. We need to get this done. I mean, all I hear about is heroin, and the reality is if you go into my district, this is a big problem. I mean, and it's not getting done, so.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. I recall from the audit that there was a capacity problem. And I'm not hearing you saying anything about whether the Area Agencies or whomever is the contractor doing anything to increase capacity. Obviously, that's one of the biggest needs we have. What's the progress there?

MS. FOURNIER: Want to take that?

MS. ROCKBURN: Yeah. In some of our meetings we have talked about it a little bit. They bring up that the salary that the staff, the direct workers are receiving, is insufficient to recruit and retain the workforce that they need. I don't have any specific information on that, but I can follow back up on that.

REP. WEYLER: Thank you. Thank you, Mr. Chair.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Still on DD. Sheri, so even though part of what the Senate President was talking about you had this lapse ongoing for years. And if my understanding is correct, a lot of that has to do with the fact that we're budgeting for people needing services on January 1st --

MS. FOURNIER: Right.

SEN. SANBORN: -- but mathematically people not turning 21 on January 1st. So we've always kind of baked in some sort of a cushion, which is millions of dollars, that that's kind of where

that lapse is going to fall back from. Are you going to -- did you or are you changing that to be more accurate in your budgeting, 18-19 budget, that reflect these tens of millions of dollars? That's more a timing issue than an actual issue?

MS. ROCKBURN: That's a great question and yes, we did. We went and looked at for all the 21-year olds when their birth date was and we built the budget based on a prorated start date, knowing that not every person is going to start on July 1 and need services for a full 24 months. So the budget does look at individual start dates. So some of that we made sure we addressed. I think there's good and bad with that. The good is that it makes budgeting a little bit more precise. The con side of that is that when there's flexibility and additional funds that are out there if you might need them. And, obviously, we didn't want to go through a period where there's money that's being held up in a system that is any cushion, and so we really looked at for '18 and '19 about prorating all the starts and the budgeting for that. We did do that for '18 and '19.

SEN. SANBORN: Thank you.

CHAIRMAN KURK: Further questions?

SEN. SANBORN: On DD, no.

CHAIRMAN KURK: On anything else on this Dashboard because we need to move on to the Audit.

SEN. SANBORN: Just real quick?

CHAIRMAN KURK: Sure.

SEN. SANBORN: New Hampshire Hospital. Again, we are seeing a lapse, something that this body is phenomenally concerned about. What's happening?

MS. ROCKBURN: So the lapse at New Hampshire Hospital from last year was really related to the vacancy savings or vacancies in the positions. We had a -- the end of the last year, I want

to say around March, April, we went to the Committee. We asked for a 15% salary enhancement to try to work on the recruitment. It helps. I wouldn't say it solved the problem by any means. There's still a pretty large vacancy rate and turnover that's occurring, but it definitely gave us a better position in terms of the market. I will say right after we did that 15% Concord Hospital bumped their salary by about 20%. So we were back in the hole right almost on day one. But that we just saw about three months of effort.

The other thing that was approved around the same time period was we hired a staffing agency to come in with contracted nurses to try to help or social workers to try to help fill that gap a little bit. So last year those lapses were definitely related to vacancies and staff.

This year we are trying to make sure that we can get full-time staff in place. If you like, we can give you some staffing information on the next Dashboard to see where we are at in terms of vacancy rates. I don't have that available today.

CHAIRMAN KURK: Thank you.

SEN. SANBORN: Final question. How far off are we on our offer to hire staff compared to the market? I mean, we gave a 15% bump.

MS. ROCKBURN: Right.

SEN. SANBORN: Are we at market? So is it more a position issue or is it a financial issue?

MS. ROCKBURN: I think we are still below market in terms of our salaries, but I can look and just see. I can do a comparison. I know we have that information

SEN. SANBORN: Thank you. Thank you, Mr. Chair.

CHAIRMAN KURK: Further questions on the Dashboard? Senator Morse.

SEN. PRESIDENT MORSE: We have -- I think it went to everyone in the Senate. I don't know if it went to the House. It was an analysis done as to some of the shortfalls that we have in the revenues where they are going to come and everything. And Medicaid on this document caseloads was attributed to 12.5 million and rate increases were attributable to 30 million in '17 as the shortfall. It's both things are a problem. I mean, the caseloads we can argue the responsibility there till the cows come in. But the rate increases, I looked at the GAAP adjustments again and under Medicaid in '16 it's 9.6 million, 26 million in '15, and 17 million in '14. I'm just bringing this up now because the budget that the House and the Senate, in my opinion, these rate increases need to be studied.

I certainly talked to the Commissioner about it, and he had concerns about admin fees and one contract being like at 18%, and then another contract being what it looks like across the country at 8 to 10%. I think we have to budget for the GAAP adjustments in the next budget which we've never done. But they continue to come in and they -- there's got to be a problem with rate increases, and I don't think we have the talent within the Legislature to look at this. You have someone that goes and studies it.

MS. ROCKBURN: Yeah.

SEN. PRESIDENT MORSE: And we can't question it because we don't have it here to do. I just think maybe we are doing this the wrong way. Everyone wants MCOs in this building and we have no way to protect the State in reviewing this analysis, and it's killing us. It's going up so fast I don't think anyone is paying attention, and then we're, obviously, getting hit with these other bills. So I don't know what we're doing about it, but it's a problem to look at.

MS. ROCKBURN: I do know and I'll -- I haven't covered it. I'll let Deb take over. With our current MCO contracts, we do

have an actuary that is contracted with us that is responsible for making sure rates are actuarially sound. So you heard that before, that those rates are not something that's directly set by the Department. They have to be actuarially sound and approved by CMS. So we do have somewhat of a limited control on those rates and those increases.

I will tell you though that we are actively working with a new Medicaid Director, obviously our new Commissioner with our actuaries, to make sure that we have a better understanding of any assumptions that go into that actuarial analysis. We also know that we -- I want to say it was about a month ago G&C approved a one-year contract extension for the MCOs and that was it. And then we are anticipated to go out for re-procurement and that RFP should be released early spring time. And we're hoping that during that time we really have a better understanding and we are more educated to look at rates, projections, what are we really procuring in this MCO Managed Care environment. And I'm hoping that that can help address minimizing any significant increases in rates. I know that doesn't solve our immediate '17 issue, which is clearly something that the Department's going to have to look at, because that is something that's real right now.

I think going forward for '18 and '19 in our budget we try to be very conservative with any changes and hoping that the re-procurement can help address those increased costs that we're seeing. So I think in terms of where we're going, we have some strategy for that. I do think we probably need a further discussion on how do we manage '17, because that's obviously my concern as well.

SEN. PRESIDENT MORSE: Can we get something that shows us what the administration fees on this last, in total, what they were by company?

MS. ROCKBURN: We can look into that.

SEN. PRESIDENT MORSE: It would explain to me that they're dramatically different, and I'm not sure anything has been done to solve it.

MS. ROCKBURN: The one thing I can add to that that even though the MCOs may be very different in their administrative fees, and I'm just going to makeup numbers here. I don't know for sure, but let's say one is trending at 9% and the other is trending at 20%. The administrative fee that's built into the PMPM, I believe, is either nine or 10%. So even though the other MCO is experiencing a much higher admin, we are not paying for that. Our amount that goes to them is fixed at that rate assumption of I want to say it's either 9 or 10%. So that's something that they're incurring on their own, but that's not an additional cost that we are paying for.

CHAIRMAN KURK: Are you in a position now to evaluate this program and to say whether it's costing us more or less than it would have cost us if we continued with the fee-for-service?

MS. ROCKBURN: I am not in a position to do that. I know that that's been asked. So I can do a follow-up internally to see if that has taken place.

CHAIRMAN KURK: And, secondly, would you prepare, not necessarily for the Fiscal Committee, but certainly for the House Finance Committee, a list of the assumptions on which the actuary bases his opinion and which of those are changeable legislatively?

MS. ROCKBURN: Sure.

CHAIRMAN KURK: And a list of the various Medicaid services that are being provided and their effectiveness with respect to those services over which the Legislature has control. In other words, some are mandated if we are going to continue under Medicaid but some are optional.

MS. ROCKBURN: Yeah.

CHAIRMAN KURK: For example, we've added a new benefit for opioid treatment. Can we get some information on how effective that is so that we can look at this to try to decrease, not just hold steady or go up at a smaller rate, but to decrease the cost of the Medicaid Program? If we understand these knobs and dials and the tweaks that we can make and understand the consequences, we'll do a better job of budgeting.

REP. OBER: When would you get that? You should ask for a delivery date.

CHAIRMAN KURK: Well, we certainly need that at the time the budget is presented.

MS. ROCKBURN: Right. Absolutely.

CHAIRMAN KURK: Thank you.

SEN. FORRESTER: Sheri, House Finance Committee would like that. Please share that with the Senate as well.

MS. ROCKBURN: Yes, absolutely.

SEN. SANBORN: Mr. Chairman. Sheri, along that same line, I know we had discussion here about when we consider the savings from Managed Care. There was also an expectation that many people working in the fee-for-service side of HHS would be relieved because now we have a new organization doing it. I know back in Commissioner Toumpas' days, he and I had many conversations about the fact that we never saw reductions at the State level, even though we are now incurring all those admin expenses with the MCOs because he said they were reverting from doing fee-for-service work to doing an oversight job. So I think we need to include that --

MS. ROCKBURN: Sure.

SEN. SANBORN: -- early expectation of savings which turned out now is an oversight capacity.

MS. ROCKBURN: We can include that.

SEN. SANBORN: Thank you.

CHAIRMAN KURK: Thank you. There being no further questions, we thank you both very much.

AUDITS:

CHAIRMAN KURK: We now turn to the audit. This is an Internal Control Review of Medicaid Eligibility dated October 6, 2016. Chair recognizes Mr. Smith and associates.

STEPHEN SMITH, Director, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, Members of Committee.

CHAIRMAN KURK: Good morning.

MR. SMITH: For the record, Steve Smith, LBA Audit Director, and with me to present the audit is Jim LaRiviere, Senior Audit Manager. And joining us from the Department is Melody Braley and Sheri.

MELODY BRALEY, Chief of Operations, Division of Client Services, Department of Health and Human Services: Good morning.

CHAIRMAN KURK: Good morning and welcome.

JAMES LARIVIERE, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chairman, Members of the Committee. Again, for the record, my name is Jim LaRiviere, and we are here to present the report from our Internal Control Review Over Medicaid Eligibility.

This report presents our review over the Department of Health and Human Services' Internal Control Over Medicaid Eligibility during the nine months ended March 31st, 2016.

The Table of Contents identifies five recommendations that we believe will help strengthen the Department's controls over Medicaid Eligibility determinations. The Department fully concurs with four of the comments and concurs, in part, with one. As noted by the asterisks on the Table of Contents, none of the comments suggest legislative action may be required.

The Executive Summary begins on Page 1 and notes the objective of the audit was to evaluate whether the Department has established and implemented suitable internal controls over the collection and processing of client information in determining and verifying client Medicaid eligibility.

As described in the summary of results, we found the Department's controls over Medicaid eligibility were generally suitably designed. We did note opportunities for the Department to improve certain control areas which I will address shortly.

Page 2 includes some background information. The Department determines eligibility for Medicaid assistance in accordance with requirements contained in Federal and State laws, the State Medicaid Plan, the Department's Administrative Rules, and its *Medical Assistance Manual*. The eligibility determinations are the responsibility of the Department's Division of Client Services.

The Department operates 11 district offices, each staffed with a supervisor, and a number of Family Services Specialists and Family Services Associates. The New HEIGHTS information system is the primary system used to support and process eligibility determinations.

The audit Objectives, Scope, and Methodology are outlined on Page 3, and on Page 4 we note there were no prior audits that specifically addressed the scope of this audit.

The Appendix in the report does provide a current status of Observations contained in the Fiscal Year 2002 Financial and Compliance Audit Report of the Medicaid Program that are relevant to the scope of this audit.

First Observation begins on Page 5 and recommends the Department review the effectiveness of its monitoring controls. Approximately 5.2% of two separate Medicaid case-determination samples tested during the audit were identified as having been processed without having obtained all required documentation or having incorrect determinations made.

While the Department does certain supervisory reviews of the assisted program determinations to ensure determinations are properly made, the Department has not established standard policies and procedures for the performance of the reviews, and there is no documentation maintained of the extent of the reviews that are performed.

We recommend the Department review to ensure monitoring controls are operating as intended, and that the Department expand its policies and procedures for case reviews to provide management with better information of the scope, comparability, and actual basis of the review information.

Observation No. 2 on Page 7 reports the Department does not currently have an approved Asset Verification System in place for determining and re-determining an individual's eligibility for medical assistance. An Asset Verification System is required by Federal regulations and is intended to ensure all applicants' resources are considered in determining Medicaid Program assistance.

We recommended the Department implement an Asset Verification Control System that is responsive to the Department's Medicaid Program needs and is compliant with federal regulations.

Observation No. 3 begins on the bottom of Page 8. We noted where the Department could redesign controls to include more frequent cross-checks of wage data and reviews of the difference identified in the cross-check to determine whether identified differences represent unreported sources of client income.

Observation No. 4 on Page 10 identified in seven out of 27 denial determination actions randomly selected for testing the denials and determinations occurred from four to 33 days after the anticipated date for action.

We recommended the Department re-emphasize its controls to monitor the timeliness of Medicaid eligibility denial or termination actions to minimize unnecessary costs.

In Observation No. 5 on Page 11, we recommended the Department establish controls to reasonably ensure that denial and termination actions with increased potential for payment of ineligible claims are appropriately recognized, determined and referred to the Department's Special Investigation Unit for review and possible action, as appropriate.

The Appendix on Page 13 reports the current status of five Observations from the Fiscal Year 2002 Financial and Compliance Audit Report of the Medicaid Program that were relevant to the scope of this audit. The Department has either fully or substantially resolved those prior findings.

This concludes my presentation. I would like to thank Commissioner Meyers, Director Carol Sideris, and Melody Braley, and their staff for their assistance throughout the audit, and we would be happy to take any questions you may have. Thank you.

CHAIRMAN KURK: Thank you. Would the Department care to respond?

MS. BRALEY: Only that I concur with -- we concurred with all of them. One was in part. And we agree with some -- with all their recommendations, and we'll look forward to bringing into fruition the recommendations.

SEN. D'ALLESANDRO: Could she identify herself?

MS. BRALEY: Excuse me. My name is Melody Braley, and I'm the Chief of Program Operations overseeing eligibility for Medicaid.

CHAIRMAN KURK: I have a question for whomever would like to answer it. Assuming all of these changes are made, what will be the cost impact on the Medicaid Program? Will we save money? Will it cost us more money? Because there's some indication in here that there was -- there were eligibility questions. So, presumably, some people were either granted access to Medicaid who didn't deserve it or some people who deserved access to Medicaid were denied it.

MS. BRALEY: There will be savings on making the determination -- the determination of eligibility sooner. Like closing them sooner than we did. That will save dollars potentially. But there is also that whole AVS, the Asset Verification System that is required by CMS for us to put forth which will be a cost.

MS. ROCKBURN: And I can speak to that. Sheri Rockburn, for the record. The Asset Verification System was an antiquated system and a few years back we had noticed that. We did some piloting, I think, back in 2014. I do know that in the 18-19 budget there is a line item in our Class 27 which is our Department of Information Technology or our DoIT budget line to make sure there is funding for that project and that is part of our efficiency request in our 18-19.

We are also actively working on an RFP right now to try to automate that and get a better system in place. So I don't have any cost information on that yet, but that is something that we worked within our efficiency budget in terms of that project.

CHAIRMAN KURK: But is it your opinion that after implementing this there will be a cost impact, an ongoing cost impact, not for the verification system but for the consequences of it? People who are -- who have assets that were not disclosed who now will no longer be eligible or whose eligibility will be terminated earlier because of these assets?

MS. ROCKBURN: While I appreciate the question, I think it's too hard to tell. I think we are going to have both situations.

I think we are going to be able to identify individuals that would need to be Medicaid eligible that are not and then vice-versa, those that likely shouldn't be on the program. So I'm not sure we have a dollar number for that.

CHAIRMAN KURK: One other question. Once this system is up and running, let's assume that somebody has access to the system in the Department, has a child who's getting married, and there's some question about the fiancé's financial capacity. I take it that that person could illegally but could through this system determine that individual's assets wherever they are throughout the country through what you call --

SEN. SANBORN: Automated Asset Verification.

CHAIRMAN KURK: Well, no, it's some -- Financial Institutions network. In other words, privacy concerns. I would hope that one of the things that you would do would be to make sure through some sort of system that this is not abused. Because every one of us in this room could have his assets checked and used in a political campaign or for whatever reason if this system is abused. This is a very invasive tool.

MS. ROCKBURN: I would -- yes. I ensure that the ethical and privacy and security features are as robust as possible, especially in a system like that. We would definitely make sure that's a clear priority.

CHAIRMAN KURK: Thank you. Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. When we had our budget go way up because of Modified Adjusted Gross Income, made a whole group of new available -- new eligible people for the program, yet in here we talk about asset verification for everyone.

MS. BRALEY: Not for that group. Not for the MAGI group.

REP. WEYLER: So how do we separate?

MS. BRALEY: We have different Medicaid categories and so the categories for the elderly and the categories for the disabled population that are not using the MAGI, the Modified Adjusted Gross Income, those are the categories that we'll need to use the AVS for.

REP. WEYLER: Thank you.

CHAIRMAN KURK: So, basically, traditional Medicaid continues --

MS. BRALEY: Correct.

MS. ROCKBURN: Correct.

CHAIRMAN KURK: -- using the traditional verification.

MS. ROCKBURN: Correct.

MS. BRALEY: Yes.

CHAIRMAN KURK: But the expanded population is exempt from that with respect to assets.

REP. WEYLER: Doesn't seem right.

MS. BRALEY: Yes.

MS. ROCKBURN: Yes.

CHAIRMAN KURK: In general terms.

MS. BRALEY: That's what it is, yes.

CHAIRMAN KURK: Thank you. Further questions?
Representative Ober.

REP. OBER: Mr. Chair, a concern for you should you come back and come back to Finance and sit on Division III, the system that was described and being budgeted in Class 27 is

inappropriate. I think it should have been budgeted both Class 37 and 38, and we need to start using the correct class numbers which the DoIT Commissioner said he was going to work on this year. Because in the past people have lumped all kinds of things into Class 27 that transfer to DoIT and that means software and hardware are supposed to be broken out and budgeted appropriately. So, Sheri, I would ask you to look into that.

MS. ROCKBURN: Sure, I will.

REP. OBER: And I'll mention it to the Chairman so he can kind of work with you so we have a better understanding what we're really getting.

CHAIRMAN KURK: Thank you, Representative Ober. I appreciate that.

Further discussion or questions? There being none, the Chair recognizes Representative Weyler for a motion.

** REP. WEYLER: Thank you, Mr. Chair. I move we accept the report, place it on file, and release in the unusual manner.

REP. OBER: Second.

CHAIRMAN KURK: Moved and seconded that the report be treated in the usual manner, recognized, and placed on file. Thank you. Discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the report is approved. Thank you all very much.

MS. BRALEY: Thank you.

*** {MOTION ADOPTED}

MR. SMITH: Thank you.

CHAIRMAN KURK: Is there any other business to come before us? Our next meeting will be on Friday, October 18th.

**JOINT FISCAL COMMITTEE
October 14, 2016**

REP. OBER: November.

CHAIRMAN KURK: Excuse me. November 18th. November 18th.
Further discussion or questions? Anything else, Mr. Kane?

MR. KANE: No.

REP. WEYLER: Move to adjourn.

CHAIRMAN KURK: We stand adjourned.

(The Committee meeting adjourned at 11:28 a.m.)

CERTIFICATION

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

Cecelia A. Trask

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