Property Tax Exemption For Pollution Control Devices

Water And Air Pollution Control Facilities

RSA 72:12-a allows a property tax exemption for any entity that builds, constructs, installs, or places in use a treatment facility, device, appliance, or installation designed to reduce, control, or eliminate any source of air or water pollution. The tax exemption is valid for the years the facility or device is used for pollution control. The law allows a tax exemption for the value of the facility and the land on which it resides but does not apply to privately owned landfills or home sewage disposal systems. If a part of the facility is used for pollution control, the law allows an allocated portion to be exempt from property taxes. All six New England states offered exemptions from both the municipal and state portions for pollution control devices.

Parties seeking a property tax exemption must file an application with the Department of Environmental Services (DES) and provide a copy to the municipality where the facility is located. Applications must be filed at least 90 days before the first day of the tax year which the party is seeking an exemption. If a portion of the facility is used for pollution control, the DES must determine the percent of the total investment attributable to pollution control. After making its determination, the DES must inform the applicant and the municipality, which portion of the facility can be allocated for the property tax exemption. The municipality must exempt the appraised value of the facility and land from property taxes beginning April 1 of each year. The municipality must also appraise and describe the facility, and any related land, annually and keep an inventory of the facilities that are used for this purpose. Properties exempt from property taxes under RSA 72:12-a would not be subject to education taxes under RSA 76.

DES data show 24 entities requested and were approved to receive a property tax exemption for air pollution control devices and 23 entities requested an exemption for water pollution control since 1972. Some entities have multiple facilities throughout the State and 13 entities have both a tax exemption for air pollution control devices and water pollution control devices. All entities appear to be businesses. According to DES Air Resources Division records, 19 entities still operate air pollution control devices; however, two of these entities are operating under a pilot program. The Water Division's records did not contain this information. According to the DES, they have not received an application since approximately 2015; therefore, there has been no recent DES activity to audit.

Possible Objectives Of A Performance Audit

1. Determine if municipalities are applying the correct proportion to the property tax exemption for approved projects.
2. Determine if any properties are improperly receiving this exemption.
3. Determine whether municipalities have a process to periodically review whether facilities are still operating the pollution control device.
4. Determine if the process is compliant with State law and rules (however no recent activity).
5. Determine how the DES assesses applications for property tax exemptions and calculates the percent of the investment attributable to pollution control (however no recent activity).

Based on the objectives the LPAOC chooses, the LBA can write the question for the scope statement of the audit, which the LPAOC must approve at a later date. Please note, information contained in this document has not been audited and therefore has not been verified.

BUREAU OF ELDERLY AND ADULT SERVICES
& CHOICES FOR INDEPENDENCE

Bureau Of Elderly And Adult Services

The Department of Health and Human Services' (DHHS) Bureau of Elderly and Adult Services (BEAS) provides social and long-term supports to seniors and adults with chronic illness or disability. Services and supports can be accessed through local ServiceLink Resource Centers and DHHS District Offices. Services include home care; Meals on Wheels; long-term care (nursing homes and community-based care); information and assistance regarding Medicare and Medicaid; and investigation of reports of abuse, neglect, or exploitation of incapacitated adults. The BEAS defines their mission as developing and funding long-term supports and advocating for the elderly, adults with disabilities, and their families and caregivers; they envision a long-term system of supports that promotes and supports individual and family direction and provides supports to meet individual and family needs.

Community-based Care: Choices For Independence

The BEAS administers the Choices For Independence (CFI) Program, which is available for adults who are financially eligible for Medicaid and medically qualify for the level of care that is provided in nursing facilities. The program is Medicaid-funded and provides a wide range of services to help elderly, disabled, and chronically ill individuals to continue living independently in their own homes and communities. In order to qualify for CFI services, individuals must be at least 18 years old and must be determined to be both financially and clinically eligible. All individuals applying for CFI services must be approved for Medicaid. Individuals who are 18-64 years old must be disabled and must be approved for Social Security Disability benefits. Individuals who are 65 years old or older do not need to be determined to be disabled but must require a nursing facility level of care.

Applying For CFI Services

The process to apply, and be approved, for CFI services involves multiple agencies. Applicants' main resource for navigating the application process are Options Counselors at their local ServiceLink Resource Center, who are available to assist them throughout the application process. ServiceLink is a program for DHHS and is designated as New Hampshire's Aging and Disability Resource Center. After approval, an assigned Case Manager will develop a comprehensive care plan with a CFI participant through a person-centered planning process, including asking the participant about their choices for providers and coordinating with them to organize their services. The Case Manager will request authorization from DHHS for the services included in the comprehensive care plan, including the specific providers requested by the CFI participant.

CFI Services

Services provided through the CFI Program include: adult day health care (supervision, assistance with daily living activities, and social activities during daytime hours), adult in-home care (meal preparation, laundry, light housekeeping, and shopping for essentials), adult family care (personal care provided in a certified residence with 1-2 care recipients), community transition assistance (to help nursing home residents return to living at home), environmental accessibility for homes

and vehicles, home delivered meals, home health services, homemaker services, non-medical transportation, personal care assistance, personal emergency response service, residential care services (assisted living services), respite care for the caregiver, skilled nursing, specialized durable medical equipment, and supported employment.

Gaps In Service

There appear to be gaps in services available or provided to CFI participants. Not all services authorized for CFI participants are fulfilled, meaning the services were either not delivered or not paid for by Medicaid. In total, about 31 percent of authorized services were not paid for in State fiscal years (SFY) 2017-2020. There may be several explanations for some of these unfulfilled services. Gaps could be an indication of lack of available services or an over estimation of services needed.

Nursing Home Care

Nursing facilities are licensed and certified by the state. They provide care for individuals with impairments that prevent them from living independently. Services provided by nursing facilities include residency, meals, rehabilitative care, medical services, protective supervision, and skilled nursing care. Nursing facility services are available through the BEAS for individuals found to be financially and medically eligible under New Hampshire Medicaid regulations for Long Term Care Services. The assessment process is the same as the process for applying for CFI services, and individuals can contact any ServiceLink Resource Center for help with the application process.

Program Costs

The average number of individuals in nursing facilities in New Hampshire during SFY 2020 was 3,911 and the average number of individuals receiving CFI home services was 3,141. Effective January 1, 2021, the statewide average daily rate for nursing facilities in New Hampshire is $342.80, making the average annual rate, per resident, $125,122. Typically, the value of CFI services cannot exceed 80 percent of what those services would cost if provided to a participant in a nursing facility. At the end of August 2019, the BEAS reported 3,657 individuals were served through the CFI program, at "an average cost of less than $15,000 per year," which is significantly less than 80 percent of the average annual cost of nursing facility care.

Evaluations Of The BEAS

In 2003, the LBA performed an audit of the BEAS, the purpose of which was to determine whether the BEAS (then the Division of Elderly and Adult Services) had effectively and efficiently made changes to the long-term care system in the state, promoting a rebalancing from nursing facility services to home and community-based services as proposed in Shaping Tomorrow's Choices (1998) and required by Chapter 388, Laws of 1998. The audit made 18 recommendations, and the BEAS concurred with all of them.

BUREAU OF ELDERLY AND ADULT SERVICES & CHOICES FOR INDEPENDENCE

The LBA audited the BEAS again in 2009. The purpose of that audit was to evaluate the financial and medical eligibility determination process, management and coordination of service provision, and oversight of case management, providers, and costs associated with the long-term care program. The audit made 15 recommendations, with the BEAS concurring with 14 recommendations and concurring in part with one recommendation. The DHHS recently provided the LBA with a status update for the 2009 audit which asserts that all but two of the 15 recommendations are either substantially resolved or fully resolved.

In its March 15, 2019, issue brief, the New Hampshire Fiscal Policy Institute (NHFPI) posited that gaps in services are due, at least in part, to challenges service providers face in hiring and retaining qualified staff. Surveyed CFI Case Management agencies indicated services may not be received because there are not enough workers to meet the need for services, in general, or at the time the services are needed. All of the agencies reported the availability of workers had "decreased significantly" since December of 2015. According to the NHFPI, providers primarily serving individuals covered by Medicaid rely on Medicaid reimbursements to pay their workers, but evidence suggests reimbursement rates in New Hampshire have fallen behind the rate of inflation. Adjusting for inflation, Medicaid reimbursement rates in SFY 2018 were lower than they were in SFY 2007 for the most common CFI Medicaid Waiver services, and the rate increases since SFY 2007 have not matched the growth in real costs.

In 2019, the BEAS engaged Guidehouse, Inc. to conduct an independent assessment of New Hampshire's long-term services and supports model for seniors and adults with chronic illnesses or disabilities, and to advise the DHHS and the BEAS accordingly. Their report was issued on March 12, 2021, and made nine recommendations to:

1. improve existing processes and public-facing materials related to Medicaid financial eligibility determinations;
2. evaluate New Hampshire's home and community-based services payment rate methodologies;
3. update the performance measures/waiver assurances included in the CFI waiver to improve quality and oversight of vendors;
4. determine whether transitioning targeted case management services to the CFI waiver would improve quality and performance;
5. assess current IT infrastructure and data analytic capabilities to identify opportunities to improve information sharing, data collection, and reporting across the long-term services and supports continuum;
6. assess BEAS staff resources to improve vendor oversight and quality management;
7. perform a detailed analysis of long-term services and supports workforce shortages to determine whether there is an adequate supply of providers to meet care and service needs;
8. consider contracting with case management entities directly rather than having them licensed as home care providers through the standard Medicaid provider enrollment process; and
9. assess roles and responsibilities across case managers, ServiceLink contractors, and direct service providers to improve care coordination and reduce duplicate activities performed across providers.

Additionally, Guidehouse identified two other issues that could not be validated due to the intervention of COVID-19. The issues were presented as a high-level summary for DHHS to use as a starting point for further review and analysis. The issues identified were the high aggregate nursing facility occupancy rate (in 2016, New Hampshire's rate was 89 percent, compared to 81 percent nationally), and a significant gap between the number of authorized CFI Waiver services and the number of paid units.

Issues Repeated In the Audits and Evaluations

Both of the audits and the Guidehouse report made multiple recommendations related to the CFI process. **In particular, all three reports called attention to the apparent gaps in services available to CFI participants.** The Guidehouse report noted 31 percent of the authorized units were not paid, indicating potential network adequacy gaps. The 2003 audit noted the BEAS reported that CFI clients were not receiving the amount of care they needed because of workforce challenges faced by service providers. The 2003 audit also noted 86 percent of the client files reviewed received fewer services than were called for in their plan of care. At that time, the BEAS believed the two major reasons why clients were not receiving the services they required were workforce shortages in the health care field and low reimbursement rates for CFI and other publicly funded services. The 2009 audit noted the varying availability of services across the different regions of the state and providers refusing to accept CFI clients due to low reimbursement rates. All three reports raised concerns over provider rates and/or the methodologies used to establish them.

The report issued by Guidehouse on March 12, 2021, suggested the BEAS analyze this issue in more detail to better understand the variances and look at gaps by service area or county to see if these issues are more pronounced in rural areas. The report stated that on October 28, 2019, the BEAS added the service authorization category "no provider available" to begin tracking service gaps, which the report states is the best approach to assess gaps in service coverage for home and community-based services.

Possible Objectives Of A Performance Audit

1. Identify and determine the causes of the gaps in services (i.e., types of services, location of needed services, and time of needed services).
2. Determine if the BEAS and Case Management agencies are compliant with law and rules in determining and assigning CFI services.

Based on the objectives the LPAOC chooses, the LBA can write the question for the scope statement of the audit, which the LPAOC must approve at a later date. Please note, information contained in this document has not been audited and therefore has not been verified.

Mental Health Workforce Development

Bureau Of Behavioral Health

The Department of Health and Human Services is responsible for establishing, maintaining, and coordinating a comprehensive, effective, and efficient service system for those with severe mental illness. The Bureau of Behavioral Health (BBH) oversees community-based services by contracting with ten regional community mental health centers (CMHC). The CMHCs provide contracted services and follow BBH administrative rules. RSA 135-C:1, II contains the State's policy that the mental health services system is to provide adequate and humane care to severely mentally disabled persons within each person's own community, in the least restrictive environment, and directed toward eliminating the need for services and promoting independence. In 2010, the LBA released a performance audit with 14 observations on the BBH's management of the community mental health system; however, workforce development was not a focus of the audit.

Recent Workforce Efforts

In 2019, the Governor issued Executive Order 2019-03 which established the Statewide Oversight Commission on Mental Health Workforce Development (Commission). The order recognized the shortages of psychiatrists and other mental health professionals; high turnover rates with approximately 10 percent of the clinical positions in New Hampshire vacant as of April 2018; the relative lack of clinical psychologists, social workers, and mental health counselors compared to neighboring states; low pay; large caseloads; demanding productivity expectations; limited advancement opportunities; and excessive documentation requirements. **The order established the Commission as the statewide coordinator for all efforts to address the State's mental health workforce shortages and directed the Commission to develop strategies to boost recruitment and retention** and assigned the following duties, among others:

- reviewing licensure statutes and regulations governing mental health professions and identifying opportunities for streamlining such requirements;
- developing recommendations for professional development programs for workers;
- evaluating the feasibility of a centralized training and technical assistance center to aid in training workers; and
- identifying policy changes that may promote enhanced compensation for workers.

The Commission is required to meet at least monthly and is directed to submit a report to the Governor by November 30 of each year. The Commission's 2019 report set the following agenda for 2020:

- develop an inventory of all service organizations in the mental health arena,
- understand the legislative/policy landscape and where alignment may be needed,
- understand the challenges and gaps within the mental health care workforce arena,
- understand where New Hampshire stands related to behavioral health and its career trajectory among the general New Hampshire population, and
- understand the licensing parameters and where alignment may be needed.

It does not appear a 2020 report has been released.

Possible Objectives Of A Performance Audit

1. Analyze BBH data, files, and interviews with system officials and stakeholders to quantify workforce issues.
2. Conduct a follow-up of the 2010 performance audit (this wouldn't be related to the mental health workforce). Have weaknesses identified in the 2010 audit been adequately addressed by the Bureau and Legislature?

Based on the objectives the LPAOC chooses, the LBA can write the question for the scope statement of the audit, which the LPAOC must approve at a later date. Please note, information contained in this document has not been audited and therefore has not been verified.

NEW HAMPSHIRE RETIREMENT SYSTEM INVESTMENTS

New Hampshire Retirement System

The roles and responsibilities of public pension plan sponsors and plan administrators are fundamental and distinct concepts defined by the Internal Revenue Code. A plan sponsor is typically the entity that establishes and designs the retirement plan. In the case of the New Hampshire Retirement System (NHRS), the plan sponsor is the New Hampshire General Court. As the plan sponsor, the state is responsible for making policy decisions like who is eligible to participate, when is someone eligible to retire, how benefits are calculated, and many other specific details. A plan administrator, on the other hand, is the party tasked with the responsibility of running the plan. NHRS staff – with oversight from and authority granted by the retirement system Board of Trustees (Board) – manages day-to-day operations, ensures benefits are being delivered promptly and correctly, monitors investments, communicates with stakeholders, and conducts other duties delegated by the plan sponsor. On April 1, 2021, NHRS hired a new Executive Director from the New Mexico Education Retirement Board.

NHRS' objective is to provide services, disability, death and vested retirement benefits, and other postemployment benefits to members and their beneficiaries. The NHRS is a component unit of the state governed by statute and overseen by the Board. Trustees are fiduciaries bound by law to act solely in the interest of the participants and beneficiaries of the pension plan. The Independent Investment Committee (Committee) of the NHRS is responsible for investing in accordance with policies established by the NHRS Board; making recommendations to the Board regarding asset allocation; investment consultants, and other investment policy matters. In addition, the Committee is responsible for selecting investment managers, agents, and custodial banks; and reviewing performance.

The 2020 pension plan funded ratio was 61 percent; this means the actuarial value of the plan's assets is 61 percent of the projected amount needed for current and future retirees. Some literature suggested an 80 percent or higher ratio is one sign of a "healthy" plan; a fully funded pension plan would be at 100 percent. The NHRS has adopted the following investment objectives:

1) Efficiently allocate and manage the assets so that beneficiaries will receive promised benefits.
2) Manage the portfolio on a total return basis, which recognizes the importance of the preservation of capital, as well as the fact that reasonable and varying degrees of investment risk are generally rewarded over the long-term.
3) Work towards achieving and then maintaining a fully funded pension status.
4) Exceed the policy benchmark on a net of fees basis over a full market cycle.

NHRS diversified its investments across the following asset classes: domestic equity, non-domestic equity, fixed income, real estate, and alternative investments. Investment performance is commonly measured by returns net of any fees paid compared to an appropriate benchmark. The NHRS had underperformed its benchmark return for each one-, three-, five-, and ten-year periods. The total net investment returns for the NHRS for the 10-year period ending June 30, 2020 were 8.7 percent while the benchmark (InvMetrics Public Defined Benefit Net Universe) was 9.3 percent, meaning the NHRS beat its expected rate of 6.75 percent but underperformed compared to its benchmark of 9.3 percent. Looking at a five-year horizon, the NHRS returned 5.9 percent,

underperforming its benchmark of 6.9 percent. The NHRS returned 1.1 percent in State fiscal year 2020, underperforming its benchmark of 4.8 percent.

Possible Objectives Of A Performance Audit

1. Determine how NHRS investment performance compares to similar pension plans.
2. Determine whether NHRS has met its investment objectives.
3. Determine how the NHRS, Board, and Committee oversees and evaluates investment managers' performance.
4. Compare NHRS investment activity to Government Finance Officers Association's best practices for pension administration.

Based on the objectives the LPAOC chooses, the LBA can write the question for the scope statement of the audit, which the LPAOC must approve at a later date. The LBA Audit Division does not have the expertise to comment on specific strategies, investments, or financial businesses contracted with NHRS. Please note, information contained in this document has not been audited and therefore has not been verified.