

JOINT LEGISLATIVE FISCAL COMMITTEE-SPECIAL AGENDA

Legislative Office Building, Rooms 210-211

Concord, NH

Thursday, May 22, 2014

MEMBERS PRESENT:

Rep. Mary Jane Wallner, Chair

Rep. Ken Weyler

Rep. Peter Leishman

Rep. Cindy Rosenwald

Rep. Daniel Eaton

Rep. Sharon Nordgren (Alt.)

Sen. Jeanie Forrester

Sen. Chuck Morse

Sen. Bob Odell

Sen. Peggy Gilmour (Alt.)

Sen. Andy Sanborn

(Meeting convened at 1:03 p.m.)

CHAIRWOMAN WALLNER: Call the Fiscal Committee to order. And welcome, Governor. Thank you for joining us, and I will ask you to proceed with your request.

MARGARET HASSAN, Governor, State of New Hampshire: I certainly will. I just wanted to make sure this is working which it now is.

CHAIRWOMAN WALLNER: Okay. Good.

GOVERNOR HASSAN: Well, thank you very much. Madam Chairwoman, Senate President Morse, and Members of the Fiscal Committee, thank you for allowing me to join you today. And let me take a moment as well to acknowledge that with me is somebody you all know quite well, my Budget Director, Gerard Murphy, who is also available as we go through this presentation.

I am here today to present a preventative and preemptive Executive Order aimed at keeping our bi-partisan commitment to a fiscally responsible balanced budget.

Together, we developed a balanced budget aimed at meeting the real needs of the people of New Hampshire. We estimated conservative revenue growth of only 1% for Fiscal Year 2014. Through March, we were exceeding those revenue projections by \$25 million. In fact, at the end of April, revenue was still \$3.9 million ahead of plan. But we all agree that the revenue decline seen in April was very concerning, even though there is no evidence to suggest any reversal in our economic recovery.

In Fiscal Years 2011 and 2012, changes were made to the laws around business taxes and the interest and dividends tax. As you know, as part of the budget process we all debated whether to delay some of those changes to the tax laws, and we considered their fiscal impact. April was the first time that most of those changes would have impacted tax payments. And we saw a troubling drop in receipts. Business tax revenues were \$5.1 million below last year. Interest and dividend tax revenues were \$8.8 million below last year as well. We do not yet have enough information to conclude whether this was a one-time issue or a permanent revenue drop based on tax law changes, but we cannot afford to wait to find out. That is why with the approval of the Fiscal Committee, I will be issuing an Executive Order freezing state hiring, equipment purchasing, general purchasing, and out-of-state travel. Given the fact that revenues currently remain ahead of plan for the year, this is an unprecedented action that will help protect our budget.

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When Governor Lynch took similar actions in 2009, the State was already \$75 million behind. We are taking the fiscally responsible preemptive step of putting a freeze into place now so we are prepared in case the revenue trends seen in April continue. The Chief Justice has informed my office that the Judicial Branch will implement similar steps and I ask that the Legislature do the same.

While we continue to do our best to minimize the impact of these freezes, they will not be without disruption to the people of New Hampshire. Just thinking of an example or two, for instance, many of our computers are six to eight years old. And while we have invested through the Capital Budget in some new computer purchases, and while we have some new software in State Government, some of that software doesn't really work very well on computers that are six to eight years old. And with this equipment purchase freeze, we won't be able to replace those computers, and the people of New Hampshire may, in fact, find that they can't exchange documents over computer very well. So that's just one example of the type of thing an equipment freeze and a purchasing freeze, that's the kind of impact it can have on people.

Throughout the year, we've been working actively to manage the budget. As you know, Executive Branch agencies have already implemented a \$25 million biennial back-of-the-budget cut to personnel costs. The Executive Branch today is operating with 1,100 total fewer positions than in 2009 and we are running a 12% vacancy rate. As the budget instructed it to do the Department of Health and Human Services made a number of reductions to meet a back-of-the-budget cut of \$7 million over this biennium. To meet that target, the Department had to take a number of difficult steps,

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including reducing the amount of legislatively approved increases to the Community Health Centers, for example.

Unfortunately, this Executive Order may only be the first step in the efforts necessary to ensure a balanced budget. If June revenues perform similarly to April, we will need to take further action to reduce the State Budget. We are examining options for cuts, and I will implement them when necessary and possible through Executive Orders. But some steps may require full legislative approval and a Special Session of the full Legislature to make reductions may be necessary over the summer. We will continue to communicate with you about these issues as they develop and as we work to responsibly manage the State's budget.

These cuts, as you know, will not be easy. We developed a lean budget that made strategic investments in critical priorities. It will be impossible to leave those areas untouched if we must make deeper reductions.

I also wanted to give you an update on two other areas of critical importance. As you know, after the State cut Uncompensated Care Payments to hospitals, several hospitals challenged the Medicaid Enhancement Tax or MET and there were recently two Superior Court decisions that were adverse to the State. Since the very first decision, we had been meeting and negotiating with the hospitals in an effort to reach a settlement that protects the State Budget, our health care system, and continues to restore as we began to in our current budget, Uncompensated Care Payments for hospitals. Forty-eight other states have Medicaid Enhancement Taxes. As we head into our Conference Committee period, there are alternatives, as some of us have discussed individually, that will help strengthen our ability to protect this important source of health

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care funding. But we continue to work toward an amicable settlement and hope that the hospitals will be able to unify around reaching an approach that can achieve legislative support.

Finally, I want to update you on the Fiscal Year 14 lapse. As you know, the lapse is an estimate of what funds through the normal course of business will be left unspent at the end of the Fiscal Year. Agencies have been working hard to manage their budgets, and they have been working hard toward a lapse target at a time when they are already making reductions in the areas where lapses typically come from; primarily, the salary line.

As has been the case in past budgets, it is difficult for agencies to identify every potential lapse dollar because they come in small amounts from hundreds of line items. But despite that, agencies have already identified \$30 million in specific areas in which they have reduced spending toward meeting their lapse targets. History has shown that the number will grow as we finish out the Fiscal Year.

In addition, there are several areas that have historically have large lapses that we do not yet have lapse estimates for. These include the Secretary of State's Office, which normally lapses more than \$6 million a year, and the Treasury's Abandon Property Office and we don't have a lapse estimate from the Legislature. It is still too soon to tell how much greater than its baseline estimate the lapse for the Department of Health and Human Services will be, but as the Department has communicated throughout the year, it is unlikely to meet its total lapse target.

Health and Human Services is unlikely to meet its lapse targets because of a number of factors, including

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the final audit repayment to the Federal Government, the delay in Managed Care, and a recent spike in caseloads. This winter, recognizing that it had some budget shortfalls in addition to the back-of-the-budget cut, the Department proposed some additional reductions that would have required legislative approval. Given the financial picture at the time, legislative leaders chose not to go forward with those reductions, but also recognized that the Department would not need its original estimated lapse. And as we all worked to pass it, we also recognized that the cost of implementing the New Hampshire Health Protection Program would impact the lapse.

The HHS budget constitutes about half of State funding and its lapse is thus usually about half of the total lapse. But we expect that other agencies will pick up some of the HHS lapse shortfalls. For example, the Department of Education estimates that it will lapse an additional \$6 million more than anticipated due to declining school enrollments.

In conclusion, I believe this Executive Order is a fiscally prudent and preemptive step in response to the sudden drop in revenues we saw in April. I look forward to continuing to work with you to maintain a responsible bi-partisan budget. I ask for your quick action on this Executive Order, and I'm available to take a few questions. Thank you.

CHAIRWOMAN WALLNER: Thank you very much, Governor. Do we have any questions? Yes, Senator Odell.

SEN. ODELL: Thank you. Good afternoon, Governor.

GOVERNOR HASSAN: Good afternoon.

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SEN. ODELL: Mr. Murphy. I just -- I want to say that I support you in what you're attempting to do here today and I appreciate the fact that you've acted quickly after the April numbers came in. And I know I think we are all struggling with whether one month makes a trend.

GOVERNOR HASSAN: Right.

SEN. ODELL: I did also want to just highlight the fact that having been through this budget estimating process for the revenue side for six budgets, I'm actually quite pleased that we are where we are. I think we became a little overly exuberant in those first few months, then we had some troughs and then we went up again and then, obviously, April came long. But I think that in our process we did account for reductions in tobacco tax, reduction in communications service tax, and I also want to point out that we took into consideration any reduced revenue that might have come through the reforms in the tax policies from the prior legislature. And so as I look at the focus for the last -- the end of April, you know, we are down to \$4 million of -- ahead of the game, ahead of our plan.

GOVERNOR HASSAN: Hm-hum.

SEN. ODELL: But we're only off by two-tenths of 1%. So the fact is that, you know, we weren't looking in our budget estimates to overstate. We weren't trying to be optimistic. We certainly -- the Senate stood firm when other proposals came from the House to increase them, as I recall, by \$50 million. We stood resolute on our more conservative budget estimates; but I certainly appreciate what you're doing and understand that, and we wish you well for ourselves for May and June.

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GOVERNOR HASSAN: Thank you, Senator Odell. I think the important thing is we all work together to do the best we could with conservative revenue estimates and identify priorities for investment in the budget together; and I think we are going to continue to work together as we determine whether April is a one-time event kind of adjusting to those tax changes, in part, or whether it's a trend. And I think, you know, we'll be better positioned to deal with any trends by doing what we're doing now.

CHAIRWOMAN WALLNER: Further question? Yes, Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Good afternoon, Governor.

GOVERNOR HASSAN: Good afternoon, Representative.

REP. WEYLER: The April can be a forecast month as we know from experience and it's a fearful sign when it drops that much.

GOVERNOR HASSAN: Hm-hum.

REP. WEYLER: One of the things you do have control over is if there's any bill that comes to you that has an appropriation that's over and above what we put in the budget. Do you have a plan now to veto any of those bills that if they come to you?

GOVERNOR HASSAN: Representative, I think what will be important is that we look at the overall budget picture and how, if there are any bills that come with additional expenditures, how they fit into the overall goals of the priorities we're trying to fund. And so we will -- I will look at that very closely. But as you know, bills are rarely at this point stand-alone items.

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So we just have to understand what is in the bill. But we are going to continue to work with all of you to make sure that we are keeping our budget prudent and balanced and being as fiscally responsible as we all know we need to be.

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

CHAIRWOMAN WALLNER: Further questions? Yes, Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Governor, thanks so much for coming in today.

GOVERNOR HASSAN: You're welcome.

SEN. SANBORN: Mr. Murphy, thanks so much for you coming in today.

As a business owner, in addition to being a legislator, I hear the caution of your tone and as Senator Odell had said, I completely support the concept of managing our government well. I also hear Senator Odell and have seen just the amazing work he's always done on crafting good revenue sources and hear that our revenue is actually in reasonably good shape. But it concerns me when I hear from you, ma'am, that this is the first step; that it's a dire warning; that there could be a Special Session. There could be potential for lay-offs or other cuts. Those are pretty powerful, powerful statements. And the frustration I hear, and I guess the concern I have -- excuse me -- really comes down to maybe a lack of knowledge on the Legislature's part that traditionally when Governor Lynch came in that he outlined specific freezes and where they were, and we haven't really seen a plan put forward on what the freezes are. And as a business owner, obviously, I look at both sides. Its revenue and

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expense. And knowing that the revenue side from Senator Odell is in reasonable shape, don't take me wrong Governor, I always like cutting taxes and I prefer to cut some taxes, but my concern continues to lean towards we really have a spending problem and we haven't seen enough information about where we are on spending to budget and can you comment where we are on spending to budget and what type of cuts specifically you glancingly suggested might come?

GOVERNOR HASSAN: Well, I do want to be careful, Senator, that we don't overstate the potential problem. But, in fact, because the drop in revenues was so sudden, and significant, I think it's fair that we want to be prepared. And so the Executive Order outlines what kind of purchasing we are freezing. It's freezing all out-of-state travel, and it is freezing hiring in the same way Governor Lynch did with a Waiver process in place. We, obviously, don't freeze hiring for direct care, custodial care, or public safety. We do freeze other hiring and have a Waiver process. And that Waiver process generally is applied in circumstances in which we know the impact of not filling a particular vacancy.

For instance, when somebody leaves, like say from our IT Department, or let's say when we don't have an Attorney General, or a lawyer litigating on behalf of the people of New Hampshire or prosecuting crimes on behalf of the people of New Hampshire leaves the Attorney General's Office. That might be the type of position we would fill through a Waiver process. But, you know, we all decided in this budget together in a bi-partisan way what our investment priorities were. And I think we all know that it was a lean budget. We all know that we counted on very conservative revenue increases; and as a result, we're going to need to work together to make sure that if there are particular items that we need to cut further that we find a way to

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honor the spending priorities, the investment priorities that we all agree upon together to make that happen. And there's some that, frankly, require legislative approval. So I -- you know, the Executive Branch can't make them without asking the Legislature to approve them and that would require a Special Session if we are trying to be as timely as we can. We also all know that acting as early as we can reduces the overall impact because agencies can plan, and it allows us to make more gradual adjustments to the budget.

SEN. SANBORN: Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Representative Leishman.

REP. LEISHMAN: Thank you, Madam Chair. I guess I just like to applaud you for coming in before we were in deficit. I think you may recall that past Governors have waited until we were in a negative situation. So I would applaud you coming in while we still had a surplus even though it's only \$4 million but getting out in front versus getting behind. So thank you.

GOVERNOR HASSAN: Thank you very much. I appreciate that.

** REP. EATON: Move approval.

SEN. FORRESTER: I have a question.

CHAIRWOMAN WALLNER: Representative Forrester.

REP. EATON: Go ahead.

CHAIRWOMAN WALLNER: Senator Forrester.

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SEN. FORRESTER: Thank you, Governor, for coming in this afternoon. Nice to see you, Gerard.

I read your letter and very appreciative of reading in the last line where you talk about wanting to work in a bi-partisan fashion. I applaud your effort on that part. I think that's very important.

You may know that back on May 6th I sent out a letter to the departments asking for information on spending and lapses.

GOVERNOR HASSAN: Right.

SEN. FORRESTER: And asking for that information so the Senate Finance Committee could review that.

GOVERNOR HASSAN: Hm-hum.

SEN. FORRESTER: Asking for that information on May -- I guess it was 16th.

GOVERNOR HASSAN: Yes.

SEN. FORRESTER: I learned that we were not going to get that information. That it was actually going to go through the Governor's Office. However, I was promised that we would get that detailed information mid-week this week. I have not seen that information. So my question is, when will the Senate Finance Committee get to see that information?

GOVERNOR HASSAN: It should be to you shortly. As you may recall, the first letter issued didn't go to all of the departments. So there was a second round of letters. As, similarly, there was not a stated format in which the information was requested. So we thought it prudent to make sure after we saw the second letter

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go out to the second group of agencies to collect all the information, make sure that it was collated in a consistent way. As somebody responsible for the Executive Branch, I thought it was important that the Legislative Branch get information in a consistent and complete way. And we know that it is something that the Senate wishes to see as quickly as possible. And, Gerard, I don't know if you have a precise update, but I think you're just about done with organizing all the information.

GERARD MURPHY, Budget Director, Office of the Governor, Executive Branch: That's correct, Senator Forrester. I am finalizing the packet of information. And as soon as I get back to the office, I'll put the finishing touches on and bring a copy down to your office.

SEN. FORRESTER: So that will be today?

MR. MURPHY: Yes, it will.

SEN. FORRESTER: Okay. Thank you.

CHAIRWOMAN WALLNER: Thank you. Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Governor, thank you. I just had a follow-up on as we all know that salaries is such a large part of what our budget is today. And you had made reference to our numbers close to 2009 till today. And along with Senator Forrester as part of the frustration you're hearing from us that we're just concerned about not having information that sometimes we ask for and sometimes the like we haven't seen. Along that line, I continually hear that we've seen somewhere in the vicinity of 450 to 500 person increase in FTE's of the state in the past year, but I've been unable to verify that.

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Obviously, an average cost of benefits would make that a pretty significant number. Can you bring us up to speed or maybe, Gerard, you could. In the past year, how many increases in FTEs have we seen in the state just in that 12 months?

MR. MURPHY: Thank you for the question, Senator Sanborn. I do know that the most recent vacancy report I looked at was a vacancy rate of about 12% which against the authorized position count of about 10,000, just over 10,000. That leads to be about a number of vacancies in the realm of 1200.

CHAIRWOMAN WALLNER: Thank you.

GOVERNOR HASSAN: And just to, perhaps, put that in terms of what it can mean to people in our state, we have really focused in the last several years on trying to make sure that we are adjusting to a customer service model of State Government and an awful lot of what State Government does is person-to-person contact, person-to-citizen contact. And we are working to innovate State Government as much as we can, be as productive as we can. But when we see a level of vacancies like this, and when we project that we may not be able to fill necessary positions because of budgetary concerns, it does impact the people of our state. And so it's one of the things that I think, again, I thought we did a good job in this bi-partisan budget of all working together to identify what our investment priorities were to serve the people of New Hampshire, and then really have been trying to focus on those jointly identified priorities, and we'll continue to do that. But it's -- we are down 1100 positions from 2009, and that does have an impact on our capacity to do the things that the citizens of New Hampshire tell us that they want us to do and expect us to do as effectively as we can.

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SEN. SANBORN: Thank you.

CHAIRWOMAN WALLNER: Thank you. Want to thank you very much, Governor, for spending so much time with us and answering our questions. And thank you, Mr. Murphy, for joining the Governor. And I know that we appreciate your work you're doing. And I personally appreciate you being so proactive and bringing this to us and in such a timely manner. Thank you.

GOVERNOR HASSAN: Thank you very much.

** REP. EATON: Move approval.

CHAIRWOMAN WALLNER: Representative Eaton moves approval. Do I see a second? Representative Rosenwald seconds. All in favor?

(Governor Hassan leaves the committee room.)

CHAIRWOMAN WALLNER: All in favor?

SEN. SANBORN: Move discussion.

CHAIRWOMAN WALLNER: Okay. He wants discussion. Discussion.

SEN. SANBORN: Thank you, Madam Chair. I appreciate that. On the discussion side, my feeling is, probably all of us on both sides are encouraged to have a conversation about where our finances are in the state today and acknowledging that things might need a little bit of work, and I think we all look forward to that. But my concern as I had indicated to the Governor, as an example of not having the answer to how many you have staff in the past 12 months, I continue to see a level of frustration in the Legislature. That we, as a

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state, as policy makers, are failing in our job of protecting the amount of money that we are spending, the people's money. And if we don't have the information we need, we continue to hear on the revenue side. Senator Odell's outstanding in his capacity to bring us revenue numbers and I know how hard Senator Forrester is working on the expense side. But without getting from the Executive Departments the strong handle on where we are on lapses, we are supposed to come up with \$50 million in lapses and the Governor mentions maybe 30, that makes some people concerned and would love, as we have seen from Governor Lynch, all of his Executive Orders or most of them were very specific about how much the cuts were, how big the cuts were going to be, and that gave the Legislature the comfort to better understand, better go back to the taxpayers on where the cuts are. So, again, I guess I ask this Committee since we are all on Fiscal Committee, what type of shape are we in on spending and how big is this potential problem? And I just don't want to see us gloss over the fact, 'cause you hear directly from the Governor there's a problem. How big is this problem? How big is this problem? Does anyone have an answer to that?

CHAIRWOMAN WALLNER: I certainly don't have an answer to it, Senator Sanborn. But I think that the Governor and Mr. Murphy have been -- are very willing to work with all of us in addressing the issues that are facing the State, and they have come here in a very timely manner and brought us an Executive Order. That is the first step in being sure we are addressing this in a proactive way. And I personally appreciate how close they're willing to work with us and provide us with the information we ask for.

CHAIRWOMAN WALLNER: Senator Morse.

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SEN. MORSE: I just -- and I appreciate the Governor bringing this forward and I'll support it. But I want to make it clear. Representative Almy held a meeting and everyone came and testified on where the revenues were going to be. Senator Odell ran a report where the revenues are going to be. The State does not have a revenue problem. There is no revenue problem. In both reports that I read from the House version and the Senate's version, we are so close to zero in one direction or the other we're exact. So the problem is expenses. And I do think sharing of knowledge is very important in this government. It's always worked. It's always been the way we have accomplished things. I can say we had an effect in this Waivers happening right now, because we sent the letter a month ago, realizing we weren't going to make it there. I think this is an expense problem. We have to be very careful.

I don't know what this talk is about us coming back for Special Session, unless it's on the MET. If we are coming back about expenses and improving going over, I can tell you the Senate will not be coming back. So I think it's important to understand the revenues are right to the budget right now. And it's the expenses we're concerned about and we need to make sure they come in right.

CHAIRWOMAN WALLNER: Thank you. Further comment? We did have a motion on the floor. Representative Eaton moved and Representative Rosenwald seconded that the Executive Order be approved. All in favor? Any opposed? Motion passes seeing none opposed.

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: We are going to take about a two-minute recess.

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(Recess taken at 1:31 p.m.)

(Reconvened at 2:47 p.m.)

(2) Chapter 3 (SB 413), Laws of New Hampshire
Health Protection Act:

CHAIRWOMAN WALLNER: Call the Fiscal Committee back to order, and I want to apologize to the audience for what was going to be a very short break that turned into a much longer one, and I'm sorry for wasting all of your time this afternoon sitting there waiting for us. And I think we have -- we have come to a good working agreement here. And I ask Attorney Meyers to go through the SPA, the State Plan Amendments.

JEFFREY MEYERS, Assistant Commissioner and Director of Intergovernmental Affairs, Department of Health and Human Services: Thank you, Chairman Wallner, and Members of the Committee. Good afternoon. Before you are a couple of documents. The document I'm going to refer to first has a cover letter that is dated today, May 22nd. It was signed by the Commissioner and myself, and attached to that document are three -- excuse me -- four State Plan Amendments that are required for implementation of the New Hampshire Health Protection Program. The Alternative Benefit Plan Amendment appears first, followed by the Cost-Sharing Amendment, followed by the FMAP Amendment. And I'll describe these in just a moment. And then, lastly, some changes to the payment pages of our Medicaid State Plan.

The purpose of these Amendments is to be able to effectuate the implementation of the New Hampshire Health Protection Program, particularly the Bridge and the HIPP Program. The -- what I'm going to do is just a note for the record that you received draft copies of these State Plan Amendments back about a week or so

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ago. So the final version of the State Plan Amendments is attached to this letter. What I would do in the absence of any objection is just to point out the differences between the drafts and the final version, highlight those differences. Some are very technical, some are more policy related, and then you can decide how you'd like to go forward with respect to each of these State Plan Amendments.

The first State Plan Amendment I'll address is the Alternative Benefit Plan Amendment and that is the first document that begins right after --

CHAIRWOMAN WALLNER: Excuse me one minute. What my plan is to vote on each of these individually. So as Mr. Meyers explains it to us and talks about it, we will ask questions on each one individually, and then vote on each one individually. And thank you.

MR. MEYERS: Thank you, Chairman Wallner. The Alternative Benefit Plan, just to remind you, is the plan that is required to be established in New Hampshire for the provision of medical service benefits to the new adult group under the New Hampshire Health Protection Program. So CMS requires each state that expands health coverage to establish an Alternative Benefit Plan. So the document that is before you, and it is a total of about 30 or so pages, there are 11 different sections to the Alternative Benefit Plan. You will see on the first page after the end of the letter that there is a reference in the upper right in the gray shaded area to ABP 1. That's first section of the plan. Then there are ten succeeding sections as well.

As I said, this plan really articulates the benefits that will be provided and how they're being provided. New Hampshire has modeled its Alternative Benefit Plan on the Secretary-approved coverage in New

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Hampshire on the Exchange. That's the Matthew Thornton Blue Plan. We've done so in recognition of the fact that as this program proceeds, if we are successful in obtaining the Premium Assistance Waiver, then the majority of this population that is covered under this Alternative Benefit Plan will be transitioned onto the Federal Marketplace beginning in January of 2016 for coverage under Qualified Health Plans. So we wanted to align our Alternative Benefit Plan with the type of coverage that will most -- mostly resemble the Qualified Health Plan coverage that they will receive in January of 2016.

In terms of -- and I will also note that that coverage includes all of the ten essential health benefits. So under the Affordable Care Act, Congress established ten essential health benefits that must be provided to the -- any expansion population. So our Alternative Benefit Plan includes the ten essential health benefit. It also includes a couple of other things as we've talked about in the past. It includes non-emergency medical transportation, which CMS is going to require New Hampshire to provide. It requires all states to provide. And it will also require Early Periodic Screening and Diagnostic Services, EPSDT, to 19 and -- 19 and 20-year olds so that they receive the same benefit. They are considered covered for these services under the Affordable Care Act. Our State Plan goes up to 19 and so we'll cover those same services for 20 and 21-year olds. That is, essentially, what this plan reflects.

In terms of differences in the draft that you had seen earlier, the essential health benefits covers certain vision services, eye exams, for example, but does not cover the cost of eyeglasses. So as a policy decision the Department is recommending that our ABP also include cost to pay for eyeglasses for those

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individuals that are covered under this plan that require eyeglasses. So we've added that.

In addition, we have added treatment of acute dental services for individuals over 21-years old. There are certain acute dental services that are not covered under our existing plan, but under the Essential Health Benefits that we want to include under our Alternative Benefit Plan. So we've included those services.

Lastly, and perhaps most significantly, we are clarifying the services around payment for non-emergency use of emergency room departments. Our State Plan now, with respect to the current Medicaid population, covers emergency room services without distinguishing between those services that are essential, that are necessary, and those that are not necessary emergency room services.

There has been a fair discussion about personal responsibility measures, consistent with the language of Senate Bill 413. As you know, you included language -- the Legislature included language in the bill that asked the Department to look at imposing personal responsibility measures. I will address those in a little bit more detail when I get to the cost-sharing SPA; but, as you know, we brought forward some increased drug co-pays for the new adult population, as well as an \$8 fee for non-emergency use of the emergency room department. And so our initial proposed SPA that went out for public comment would have imposed this fee on the new adult population to try to disincentivize non-emergency use of the E.R.

We received public comment from the Hospital Association and others that were opposed to this. They wrote to us that they felt that this was very difficult

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to implement. We received a lot of feedback from the Centers from Medicare and Medicaid Services. We were told by CMS that in order for the State to impose this type of fee for non-emergency use of the E.R. that the State and the hospitals in New Hampshire would have to work together to ensure a referral network that could provide alternative services essentially on a 24-hour, 7-day a week basis. Given the opposition of the Hospital Association to the \$8 fee, we felt that if we went forward and submitted a State Plan Amendment to CMS that included that \$8 fee that that State Plan Amendment would not be approved. And under our -- under our legislation, Senate Bill 413, we would not be able to go forward and implement the program if all of the State Plan Amendments for that program were not approved.

There was discussion about the extent to which the State should cover non-emergency use of the E.R. services. The Department made known the fact that when this population is transitioned to Qualified Health Plans on the exchange that current commercial products do not cover non-emergency use of the E.R. and so the Department has made a commitment to submit, if you approve this Alternative Benefit Plan SPA today, the Department has affirmed its commitment to come forward and bring forward a further State Plan Amendment that would be submitted to CMS. It would be required to go out for public notice and comment. It requires a 30-day notice and comment period. Then we would bring that State Plan Amendment, along with the comments received, and that State Plan Amendment would remove non-emergency services in the emergency room departments from coverage for the new adult population, would remove those services for payment under our State Plan.

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And the Commissioner and I have today signed a letter that was submitted to the Committee affirming our commitment to do so. We feel that that is an appropriate thing to do. I should note for the Committee as we've -- as we've said that non-emergency use of E.R. services are not a covered service under the essential health benefits. And we have spoken with our consultants and with others and feel that were we to submit a State Plan Amendment to CMS that would remove the non-emergency use of E.R. service from -- for the new adult population that Centers for Medicare and Medicaid Services would approve that State Plan Amendment. So we are committed to do so. We have asked for 60 days in light of the public notice period, because we want to be able to, obviously, comply with that requirement. We clearly will have to engage in some conversation with CMS around defining what non-emergency use of the E.R. is so that that is clearly understood. That will be detailed explicitly in the State Plan Amendment that we will bring forward. And so that is -- that is what we are proposing to do in light of the fact that we feel unable to come forward with the \$8 fee for inappropriate use of the E.R.

There was only one other change to the Alternative Benefit Plan SPA that was made from the draft and that was with respect to ABP 11. That's the very last part of the document. And so there's a -- there's a single white page that separates the ABP SPA from the Cost-Sharing SPA, and it has to do with payment methodology.

As I said in my cover letter, we are submitting along with the ABP the so-called "payment pages" that will add to our State Plan, authorization to pay Substance Abuse Disorder Services that are now not part of our State Plan that will be delivered to the new

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adult population beginning upon commencement of coverage for the Bridge and HIPP Programs. And so I can note to you that the payment pages that will be separately presented to you in a few moments that essentially turn on payment by the Federal Government for the SUD services that are part of and incorporated into our ABP, those are going to be attached and uploaded with the ABP. So the only difference from the version you got before is that we -- we are attaching those six or seven "payment pages" which will be presented today after we get through the other -- the other SPAs. Those are the only changes to the ABP SPA.

So I'll stop there and answer any questions and the Committee can act as it may determine to.

CHAIRWOMAN WALLNER: Thank you. Are there questions for Mr. Meyers about the Alternative Benefit Plan Amendment? Yes, Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chair. Jeff, thanks for coming in. I'll let you get some water. We know how complicated this gets.

Two questions: One is on the substance abuse program and the cost of it. It's not a benefit we're providing to the existing Medicaid population; correct?

MR. MEYERS: Correct.

SEN. SANBORN: For some, there's some concern that as we look at the benefits we're providing to the existing Medicaid population and the benefits to the Medicaid Expansion population --

MR. MEYERS: Yeah.

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SEN. SANBORN: -- what point might they bisect each other for more parity across the lines? Do you have a handle on what the cost might be of that program, either per person or per universe so better understanding? Have you guys done some work like that?

MR. MEYERS: We have not looked at the cost for implementing the SUD benefit for the current population currently as it may apply to those that are currently enrolled. You know, the Department has expressed an interest, obviously, in bringing on-line at some point in the future the SUD benefit for the existing population. The Commissioner may want to address that issue himself. So I can't present cost information to you today. Clearly, if we were to go forward with any proposal to cover the existing population that would probably -- it would have to be within the context of the budget process. And we would develop full cost information for the Legislature in connection with that and would make it available, obviously, well before we would bring it forward.

SEN. SANBORN: Thank you. Follow-up, if I may, Madam?

CHAIRWOMAN WALLNER: Yes.

SEN. SANBORN: Thank you, ma'am. I appreciate it. Same thing, can you comment and, Commissioner, thanks for coming in. Same thing, there's some relative concern about the benefits being provided when compared to those people who are actually paying for their own insurance. And providing, you know, a dental benefit and providing glasses as a benefit, some might suggest exceeds the benefits that people who are paying for their own insurance can get today. Can you comment a little bit about the philosophy where we're going since we're essentially beginning to walk down a path where

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we're providing benefits and, again, you include the fact that there's no limitation what hospital they can go to, dental, glasses, all of it, that we are now at that point where we are providing benefits to those who aren't paying for health care that exceed the benefits that those who are paying can get and there's concern about that shift.

MR. MEYERS: Well, the benefits that I outlined that we're adding, the eyeglasses and some of the acute care services for adult, we do not provide an adult benefit other than some certain kind of emergency room services are limited. And so we felt even though they're not covered under the ten essential health benefits that they were benefits that were important to cover as part of this program. I don't know how they stack up against every possible product that will be on the Exchange, you know, starting in 2015. Because, obviously, there's additional Qualified Health Plans seem to be coming forward. So we can take a look at that.

I mean, this program, I would just point out, again, is a transition program. It's called a Voluntary Bridge for a reason because it is a bridge to a different model that the Legislature has adopted where people would go into a QHPs in 2016. So we felt that this was appropriate to bring forward now and, obviously, as we develop the Premium Assistance Waiver that will reset the ABP for the Qualified Health Plans in 2016, we can look at what that needs to include or not include.

SEN. SANBORN: Thank you, sir. Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Thank you. Questions? No further questions on this.

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SEN. SANBORN: If I could make a motion on that one?

CHAIRWOMAN WALLNER: Yes.

** SEN. SANBORN: Thank you, Madam Chair. I appreciate it. I move approval of the requested action of item number one labeled the Alternative Benefit Plan Amendment as presented on the condition that the Department will within 60 days bring forward for further approval -- I'm sorry -- bring forward for approval a further State Plan Amendment to remove coverage for inappropriate use of the emergency room for newly eligible adults.

CHAIRWOMAN WALLNER: Do I hear a second?

SEN. FORRESTER: Second.

CHAIRWOMAN WALLNER: Senator Forrester seconds. Would you like me to take a roll call vote or show of hands? Show of hands. Okay.

REP. ROSENWALD: Could we clarify what the motion is?

CHAIRWOMAN WALLNER: Want to read the motion again?

SEN. SANBORN: Like me to repeat it again? Yes, absolutely. I move approval of the requested action in item number one labeled the Alternative Benefit Plan Amendment as presented on the condition that the Department will within 60 days bring forward for approval a further State Plan Amendment to remove coverage for inappropriate use of the emergency room for newly eligible adults.

REP. ROSENWALD: Thank you.

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CHAIRWOMAN WALLNER: Discussion? Any further questions on -- let's do it by show of hands then. All in favor? Senator Sanborn, are you in favor?

SEN. SANBORN: No, ma'am.

CHAIRWOMAN WALLNER: The motion six -- against the motion, is that two?

SEN. SANBORN: Three.

CHAIRWOMAN WALLNER: The motion passes six to three. Did I miss somebody?

REP. ROSENWALD: There are ten of us.

CHAIRWOMAN WALLNER: There are ten of us. I only added to nine. So okay. So let's do it one more time. All in favor of the motion? One, two, three, four, five, six, seven, and three opposed. Seven in favor and three opposed. The motion passes.

***** {MOTION ADOPTED}**

REP. WEYLER: When we say the first part, does that include ABP what through what?

CHAIRWOMAN WALLNER: That goes, I believe, from Page one through --

MR. MEYERS: They're not sequentially numbered. The various sections are numbered individually. But that motion refers to all pages that are entitled Alternative Benefit Plan. So it refers to the Alternative Benefit Plan State Plan Amendment.

REP. WEYLER: Okay.

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MR. MEYERS: Which is the first document in the packet.

SEN. SANBORN: Which is about the first half of the packet.

REP. WEYLER: All right. All ABP pages.

MR. MEYERS: Correct.

CHAIRWOMAN WALLNER: We are going to move now to the Medicaid Premiums and Cost-Sharing.

MR. MEYERS: Right. The second document -- and there's a single, blank, white page that separates the two documents about two-thirds of the way through -- the second State Plan Amendment is the so-called Cost Sharing Amendment. There were some minor changes to this. The only significant change was the removal of the cost sharing for non-emergency use of the E.R. And if you take -- if you start with the first page and you go one, two, three -- to the fourth page, so it's Page 1 of 2, and it's the document entitled G2c in the shaded gray toward the upper right, and it has the drug co-pay in a box in the middle of the page.

REP. ROSENWALD: Where is it?

MR. MEYERS: Are people with me? I'm sorry. So if you go to the fourth page in on the Medicaid Premium and Cost Sharing SPA.

REP. ROSENWALD: All right.

MR. MEYERS: There's a white page separating the ABP SPA and the Cost Sharing SPA.

CHAIRWOMAN WALLNER: Everybody got --

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REP. NORDGREN: We are on the right page.

CHAIRWOMAN WALLNER: Okay.

MR. MEYERS: Is everybody there? Okay. So as I said earlier, initially we came forward with two components of personal responsibility measures: A drug co-pay for the new adult group of \$1 for generic drugs, \$4 for brand name drugs, and the \$8 E.R. fee. We have now removed the \$8 E.R. fee from this document.

In addition, we are only applying the drug co-pay for the new adult group. And we are modifying our current State Plan for the current population for the drug co-pay to apply solely to those individuals that are over 100% of the Federal Poverty Level. So let me take this in two steps. So for the new adult group, they will now pay a drug co-pay of a dollar for generics, \$4 for brand name drug and that will be applied solely to those new adults over 100% of the FPL.

Secondly, this document will have the effect of removing the drug co-pay that is currently in effect for the current population, which is a dollar for generics and \$2 for brand name drugs from those current Medicaid beneficiaries that are less than 100% of the FPL. We are making that recommendation for the following reason.

In discussing the implementation of drug co-pays with CMS, CMS made clear to us that because Federal law requires that no Medicaid beneficiary pay more than 5% of their aggregate income, aggregate annual income, and any co-pay, that they were concerned that the under 100% FPL population would bump up against that 5%. And in order to assure the Federal Government that those

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under 100% would not bump up or exceed that 5% aggregate income limit that CMS would require the State of New Hampshire to implement an automated tracking system that it does not now have in order to track in real-time a Medicaid beneficiaries aggregate expenditure on co-pays to ensure that they wouldn't exceed the 5% cap.

We did some ballpark review of what that type of automated tracking system might cost and to the best of our knowledge, it would be in the range of 4 or \$5 million or more. And we felt that that was a very expensive system to implement for this type of program. So our recommendation is that we go forward with the 1 and \$4 for the new adults for the over 100% population. Want you to understand that this State Plan Amendment will have the effect of removing the current cost-sharing of 1 and \$2 drug co-pay from the under 100% of the current population. We believe the State Plan Amendment is approvable by CMS were you to approve it and allow us to file it with the Federal Government. That is really the major change in the draft that you saw and what is before you today.

CHAIRWOMAN WALLNER: Questions of Mr. Meyers? Seeing no questions, do we have a motion --

** REP. ROSENWALD: So moved.

CHAIRWOMAN WALLNER: -- on the Medicaid Premium and Cost Sharing? Representative Rosenwald moves.

REP. NORDGREN: Second.

CHAIRWOMAN WALLNER: Representative Norgdren seconds. Discussion of this State Plan Amendment? All in favor? Any opposed?

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REP. WEYLER: No.

SEN. SANBORN: No.

CHAIRWOMAN WALLNER: Two opposed. The motion passes.

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: Let's move on to the next --

MR. MEYERS: The next document, Chairman Wallner, and Members of the Committee, are the so-called FMAP, so-called FMAP SPA. This is the State Plan Amendment that will allow the State to access the Federal matching funds. In this case, 100% through December of 2016 from CMS for services for the new adult population. The first page looks like this. It's kind of a half page. It's at the end of the Cost Sharing SPA.

This is really pretty technical. It's only a few pages. It essentially lays out the methodology by which FMAP is calculated for the new adult population. And, basically, what we have done in these few pages is really just affirmed the methodology is the Secretary-approved methodology for applying FMAP to the new adults. All of the checked boxes you see on these few pages are required fields that we have to check. This is essentially Federal Government boilerplate language. And the only legal effect of this document is to allow us to apply for and get the Federal matching funds for the new adult group. As I said, 100% for the time period that the Federal Government is making that available.

CHAIRWOMAN WALLNER: Questions of Mr. Meyers?

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** REP. ROSENWALD: So moved.

CHAIRWOMAN WALLNER: Representative Rosenwald moves we accept.

REP. LEISHMAN: Second.

CHAIRWOMAN WALLNER: And Representative Leishman seconds.

REP. WEYLER: We already had that motion.

REP. LEISHMAN: No, this is the next one.

CHAIRWOMAN WALLNER: This is on the FMAP.

REP. WEYLER: All right. The first part was ABP. The second one was cost sharing. What was the third part?

MR. MEYERS: This is FMAP. This is the Federal Medicaid.

REP. WEYLER: This the third part?

MR. MEYERS: It is numbered number four on the list. I'm sorry. On the front page it's numbered four but it was put number three in the packet. It's out of order in the packet.

REP. WEYLER: All right. I got it. Who made the motions?

CHAIRWOMAN WALLNER: Representative Rosenwald made the motion and Representative Leishman second. Any discussion? All in favor? Any opposed?

SEN. SANBORN: No.

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REP. WEYLER: No.

CHAIRWOMAN WALLNER: Eight in favor, two opposed, and continue on.

***** {MOTION ADOPTED}**

MR. MEYERS: Thank you, Madam Chair. The last State Plan Amendment we're presenting today is the so-called "payment pages". And, as I've said, and as you know, the State currently doesn't provide a Substance Use Disorder benefit to the current population. That is required as one of the ten essential health benefits for the new adult population that will be covered under the New Hampshire Health Protection Program. So the State has never submitted to CMS prior to this time basically a request for authority for Medicaid funds to pay for SUD services as part of our Medicaid Program. And so these so-called "payment pages" will be incorporated in our State Plan. They list out the services that are being added. And I should say it's SUD, plus chiropractic, because chiropractic is part of the essential health benefits itself. So the first page of the payment pages you will see at the top, the first benefit listed is chiropractic services. So that is being added as well as all of the SUD services, inpatient, outpatient, residential, and so forth. And so, again, the legal effect of this document and the effect of your approval of this document is to allow the State and the Department to submit it to CMS for approval and then upon approval we can then access Medicaid funds 100% for the first -- the next couple years. We'll access Federal funds to pay for the chiropractic and SUD services.

So that is really what this is. It describes all the services that will be covered. This is actually

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incorporated as an attachment to our ABP. But I'm presenting it separately so that you can see it, understand it, and approve it.

CHAIRWOMAN WALLNER: Questions of Mr. Meyers? Representative Rosenwald.

REP. ROSENWALD: I can't find it.

MR. MEYERS: It's the last document in the package.

REP. ROSENWALD: Sorry.

MR. MEYERS: It's about seven or eight pages at the bottom of the packet.

CHAIRWOMAN WALLNER: Wait one minute.

MR. MEYERS: Says Final Draft Alternative Benefit Plan.

REP. NORDGREN: Is this it right here?

MR. PATTISON: No.

REP. ROSENWALD: Okay. Got it.

CHAIRWOMAN WALLNER: Did you have this one listed as Payment Amendment?

MR. MEYERS: Yes, it's the "payment pages". It's the State Plan Amendment for payment. Yes, they're one and the same.

CHAIRWOMAN WALLNER: On the front page of the letter it's listed number three, but it's actually out of order.

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MR. MEYERS: Right. It's actually the fourth in the packet. Three and four got reverse.

CHAIRWOMAN WALLNER: Could I have a motion?

** SEN. GILMOUR: So move.

CHAIRWOMAN WALLNER: Representative Gilmour moved and Representative Rosenwald seconds the Amendment on the Payment Amendment. Any discussion? All in favor? Any opposed?

SEN. SANBORN: Opposed.

REP. WEYLER: No.

CHAIRWOMAN WALLNER: Motion passes eight to two.

*** {**MOTION ADOPTED**}

CHAIRWOMAN WALLNER: And I believe that is all the State Plans.

MR. MEYERS: Those are all the State Plan Amendments we needed to present today. Thank you.

CHAIRWOMAN WALLNER: Thank you. And thank you, Mr. Meyers, for all your work on these. I know it's been -- had a lot to get done --

MR. MEYERS: Yes.

CHAIRWOMAN WALLNER: -- in a very short number of days so thank you.

MR. MEYERS: There are some other items on the agenda. I don't know when you would like to move -- what you want to move to next.

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CHAIRWOMAN WALLNER: I would like to move to the transfers next. Okay.

MR. MEYERS: Yes, that's fine.

- (3) Chapter 3:7, II, Laws of 2014, Department of Health And Human Services; Contracting; Transfer Among Accounts, and RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from any Non-State Source:

CHAIRWOMAN WALLNER: We'll move to the transfers and then you can come back and go through the Waiver with us. Waiver information. Thank you.

Now moving to on your agenda, we'll go into the Health and Human Service transfers and the first one is 14-067, and I'll ask the Commissioner if he would like to address that transfer.

NICHOLAS TOUMPAS, Commissioner, Department of Health and Human Services: This is the first of two transfers that we're doing as we look at our accounts in order to move the dollars around so that we have -- where we had surpluses in certain accounts to be able to move them to allow us to basically cover the obligations that we have.

CHAIRWOMAN WALLNER: Thank you. Any questions of the Commissioner? Yes, Senator Forrester.

SEN. FORRESTER: Thank you, Commissioner. I just have a question on these transfers from Glencliff, in particular, and Developmental Services, the Bureau. This is not going to impact them in any way negatively in terms of --

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MR. TOUMPAS: I'm sorry, I can't hear you very well.

SEN. FORRESTER: I'm looking at the transfers from Glencliff Home and the Bureau of Developmental Services, and my question is this transfer is not going to negatively impact them in any way, is it?

MR. TOUMPAS: No on both. We're not -- these are not any type of moves that we're making in order to cut existing services or cut existing obligations. We make projections in terms of what our budget is going to be. If we're underspending in that area and kind of looking forward to that, then we will try to move those dollars around in order to cover all the other obligations that we have.

SEN. FORRESTER: Thank you.

MR. TOUMPAS: But it's not making any reductions to either the Glencliff Home or to the Developmental Services Area.

SEN. FORRESTER: Thank you.

CHAIRWOMAN WALLNER: Further questions? Do we have a motion?

** REP. ROSENWALD: Move adoption.

CHAIRWOMAN WALLNER: Representative Rosenwald moves adoption of Fiscal Item 067 and Representative Nordgren seconds. All in favor? Any opposed? The motion passes.

*** {MOTION ADOPTED}

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CHAIRWOMAN WALLNER: And let's move on to Item 068, also transfers from the Health and Human Services. Commissioner, could I ask you to maybe address this.

MR. TOUMPAS: Basically, similar type of situation. These are -- and a number of these are related to our making payments to the Managed Care Organizations moving things in the provider payments line.

CHAIRWOMAN WALLNER: Thank you. Are there questions for the Commissioner?

** REP. LEISHMAN: Move.

CHAIRWOMAN WALLNER: Representative Leishman moves.

REP. ROSENWALD: Second.

CHAIRWOMAN WALLNER: And Representative Rosenwald seconds. Any discussion? Seeing none, all in favor? Any opposed? Motion passes.

*** {**MOTION ADOPTED**}

CHAIRWOMAN WALLNER: Now we can go back -- now we can go back to the minutes from the previous meeting, which we haven't done yet and I know Pam is looking at us like you've forgotten something. So if you look on your Fiscal Committee agenda for the special meeting, you will see that the first item of business that we should have attended to was the acceptance of the minutes of our April 18th special meeting.

** REP. WEYLER: Move to approve.

CHAIRWOMAN WALLNER: Representative Weyler moves to approve the minutes.

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REP. ROSENWALD: Second.

CHAIRWOMAN WALLNER: And Representative Rosenwald seconds. Any corrections or comments? Seeing none, all in favor? Any opposed? The minutes are accepted. Thank you.

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: The one -- we do have one item that Mr. Meyers has brought to us and this is not for action today, but it's additional information he would like to talk to us about. It's about the 1115 Demonstration Waiver.

MR. MEYERS: Yes. Jim Hardy from Deloitte Consulting is coming up to join me as well. I wanted to say at the outset that we had planned to bring the completed Waiver application to the Committee today for review and, hopefully, approval. Our public comment period on the Waiver ended at 5 o'clock on Tuesday, the 20th, and at the last moment we got a number of comments that were submitted by a number of organizations and many of them were substantial comments. After taking a look at the comments, after consulting with Jim and his team, and the Commissioner, we really felt that it -- we had an obligation to really take a little bit of time in looking at those comments and assessing them, determining whether or not they impacted any aspect of the Waiver that we would bring forward to you, and we would have to have finalized that less than 40 hours or so from the time we would appear here today. We didn't feel that that was fair to those organizations and individuals that had taken the time to submit those comments.

The Federal Government requires the State to evaluate all public comments received and to

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incorporate those comments and responses to those comments in the -- in an Appendix to the Waiver that is going to be submitted to them. So as a result of that, I reached out to both House and Senate leaders and to Fiscal Committee leaders and we had a conversation about how we should proceed and it was general agreement that we should hold off. And so today we would like to just update you on where we stand.

We are certainly prepared the Department will be able to complete the Waiver application, I believe, by Tuesday of next week. And then we would be in a position to come back and to present it to the Fiscal Committee, you know, when you wished us to come back. This is -- we feel this is important to approve before the deadline that was set in statute. We want to come back here at some point next week. We realize next week is a difficult week for the Legislature given all the work the Committees of Conference and the end of the session work that is going on. We understand that. And we hope we'll find the time that's agreeable to both House and Senate so we come back, but we'll make ourselves available. As I said, I think we can complete this probably at some point, you know, on kind of early Tuesday afternoon-ish, mid-afternoon Tuesday, and then we could transmit it, obviously, to LBA. So that's just by way of context. We want to just take a few minutes to update you to where we are.

The beginning of the presentation kind of outlines what the public comment period was and so forth, how we reached out, the fact that we got these late comments. We listed the stakeholders on Slide 5.

The meat of what we want to really present just for a few minutes are an updated list of the funding sources beginning on Slide 6, and then some further information on some program adjustments that we looked

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at in updating the financial calculation of the cost and savings associated with these programs.

So on Slide 6 I would just take a moment to point out that we have updated this list of so-called CNOM Funding Sources. These are the state, county, and municipal funds that are available potentially to be matched by CMS that are not now matched now. This is current spending in the Fiscal 15 budget, both of the State and of Counties and municipalities. And what we've done here there was one addition that I want to point out. The total is 79,882,000. We added 1.235 million to the State Funding Sources, reflecting the State General Fund appropriation for the Laconia DRF. And so that now is in the list of CNOM sources. So I just want to point that out that we've done that.

Starting on seven, Slide 7, this is just a review of the programs that we had brought to you earlier in our preview of the Waiver. And I'm going to turn it over to Jim to just touch on how we have added a program. It's on Slide 8. And then Jim will also talk about the financial aspects of the Waiver.

JAMES HARDY, Specialist Leader, Deloitte Consulting: Thank you, Jeff. Actually, if the Committee would work with Slide 9, I think it's the easiest way at this point. So I can walk through the programs and also the changes that have been made on the financial aspects of the Waiver.

CHAIRWOMAN WALLNER: Thank you.

MR. HARDY: So on Slide 9, one of the first programs is the Community Reform Pool. And we've made two changes to this pool since we were here last, one on the Capacity Retention Pool, which is the Mental Health Capacity Retention Pool. We have originally had this

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just available to hospitals, and we have included now -- expanded to Community Mental Health Centers, and that has added approximately \$10 million a year into the Capacity Retention Pool. The Capacity Expansion Pool and the New Service Pool, again, both of these are mental health related, we have added for Substance Use Disorder providers to those pools.

In order to keep within our overall financial framework of the Waiver, we funded those changes by reducing the Pilot Program Pool. If you remember from the previous presentation, that pool had been at \$30 million and we had reduced it down -- now down to 21 and there's an additional slide we'll go over about how we have actually broken up that pool. We have gotten some requests from the Committee and addressed it in the Waiver about providing some more specifics about this and how the funds would be used within those pools.

The Provider Incentive Pool hasn't changed. It's a mechanism where we're actually holding back a portion of these payments in this pool for them to be earned back by the providers meeting the metrics that we established for these pools.

The next one there's been no change in the Enhanced Community-Based Mental Health Services. This is the funding of the State-only expenditures, the DOJ settlement, as well as the ten-year mental health plan.

The next initiative is the InShape Program which is providing population health programs for individuals with severe mental illness. We're expanding the population. We haven't changed it in the application. We have not changed the oral health for pregnant women and mothers initiative and so those funding amounts remain the same from the previous draft.

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We have added a program, the last one in the System of Care/FAST Forward Program, which is a small program that the Department administers for 20 children with significant mental illness and provides community-based support for those. And this is a -- the grant actually that administers this program is expiring and so within the Waiver application we are transferring the services from grant to the DSHP Program, as well as adding some additional services, additional benefits for that small population.

The other thing that we've done, added to the document, is the -- we have identified the savings associated with these initiatives. If you looked at the next to the last line, Total Funds Saving for the DSHP Initiatives, we are now showing the savings that accrue from each one -- from the programs in the aggregate, and I call your attention to that we start out spending more, and then as we get toward the end of the period we're spending about the same, but the savings then exceed the expenditures. It actually begins to flip in year four and year five. We actually see positive financial outcomes from these initiatives.

One other point that I want to make about the -- another one of the changes that we've made in a couple of places is that we've front-ended some of the programs. So, originally, we had sort of straight-lined the availability of the pools. And in several, and particularly in the Pilot Program Pool, we moved more of the funding into year one of the program to reflect wanting to support the initiatives of the Department around the expansion and Medicaid Managed Care to be able to provide that boost infrastructure to make those programs successful.

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Turning to Slide 10. This is a breakout of the Community Reform Pool. As you can see, we have developed six sub pools. The first one focuses on new models to increase access to services for the expansion population.

The second one is to develop Telehealth Delivery Models. The third is develop Care Models to generally support Managed Care Program Step 1 Initiatives.

The next bucket is for Care Models to Support the Integration of Behavioral Health, Physical Health, SUD, and Long-Term Care Services. We've also included a program for specific Quality Improvement Projects related to mental health, and also allocated a portion of the pool for proposals and programs that support the New Hampshire State Health Improvement Plan. So we have just, again, attempted to direct these pools in areas that we think are important for the Department's overall objectives. And you can see that we front-ended and moved a lot of those into year one. So those are those six programs.

MR. MEYERS: Right.

MR. HARDY: One other point I wanted to make is that one of the questions that we got at the last hearing was around measurement and effectiveness of the program. One of the criteria that we will use for evaluating the proposals that we receive from the provider community is the documentation of a return on investment so that we'll be looking for a positive return on investment from these investments. And that will become one of the criteria in which they will be evaluated to earn back their Quality Withholds.

The last question -- the last item I want to cover is Slide 11, which is Budget Neutrality. It's important

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for everyone to understand that inside the Waiver the total spending under the Waiver must be equal to or less than what the Federal Government would have spent without the Waiver. So it has to be, in essence, cost-effective for the Federal Government for them to support the Waiver.

The methodology includes three components. One is looking at the Managed Care savings related to the implementation of Medicaid Care Management. The next, the net expenditures, so expenditures and savings combined from the DSHP. And then third, the Federal match that we are requesting for those CNOM expenditures. And our estimates indicate that using those three factors that we can meet the CMS standard for Budget Neutrality and show an estimated savings of \$47 million.

Now there are a couple of caveats I want to put on that number. One is that there are a lot of calculations in those numbers, and they're subject to negotiation with CMS. You know, they will look at it and decide whether they agree with those calculation and there will be a back and forth negotiations between the Department and CMS on that. But we think the assumptions that have been made while they're aggressive, they are defensible and so we will find out once we submit the application and begin negotiations with CMS where we end up on.

CHAIRWOMAN WALLNER: Thank you. Do we have questions? Yes, Senator Sanborn.

SEN. SANBORN: Thank you, Madam Chairman. Gentlemen, thanks so much. I appreciate it. Are you posting the comments up on-line so people can read them?

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MR. MEYERS: They are. I don't know whether the latest ones have been posted yet or not, but I know that we will be posting them if they haven't been posted already.

SEN. SANBORN: Thank you very much.

CHAIRWOMAN WALLNER: Thank you very much.
Representative Rosenwald.

REP. ROSENWALD: I have a comment and a question, if I could.

CHAIRWOMAN WALLNER: Yes.

REP. ROSENWALD: First, my comment. I'm pleased that you have front-loaded the investment in the SUD Workforce Development. I know that's a change from a prior draft and I think it's helpful. My question is though as I look at Slide 9 and Slide 11, how do I get to the net savings of 46.9 million when I see a net expenditure?

MR. HARDY: What you see on Slide 9 is actually the number from step that would be in number two on Slide 11. So what we have, so in one, which you don't see in the -- in this document, are the savings from Managed Care. So the Department's actuary Milliman has done a calculation of what we save by doing the care management initiative as opposed if we had done nothing. So that generates --

REP. ROSENWALD: Regardless of this Waiver.

MR. HARDY: Regardless. So we haven't included that number in this presentation. The number from Slide 9 relates to number two which is the net expenditures for the DSHP.

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REP. ROSENWALD: When you include savings from Managed Care you get to the net savings of 46.9.

MR. HARDY: Yes, that's correct.

REP. ROSENWALD: Okay. Thank you.

CHAIRWOMAN WALLNER: Further questions? Seeing none, I want --

MR. MEYERS: So I just want to add at the end. In terms of next steps, I'll follow-up with you, Madam Chair, and we'll schedule a time, hopefully.

CHAIRWOMAN WALLNER: I believe we have a time.

MR. MEYERS: We have a time?

CHAIRWOMAN WALLNER: I believe we have a time. Next Wednesday which is -- is that May 28th? Wednesday, the 28th, at 1 o'clock.

MR. MEYERS: At 1 o'clock. We will be here then. We will deliver the Waiver application to LBA prior to that. With respect to the State Plan Amendments that you approve today, we will be going forward right away and submitting them to CMS. And as we have indicated, we will follow-up with the additional State Plan Amendment with respect to the E.R. use issue.

CHAIRWOMAN WALLNER: All right. Thank you. Our next meeting is a special meeting just to look at the 1115 Waiver and approval on that. That's next Wednesday at 1 o'clock. And our next regular Fiscal Committee meeting is on June 9th at 10:00 a.m. and that will be probably the last one for this Fiscal Year.

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MR. MEYERS: Great.

CHAIRWOMAN WALLNER: Yes, Senator Forrester.

SEN. FORRESTER: Jeff, when will we see the updated Waiver?

MR. MEYERS: Well, I think we'll be able to complete it on Tuesday. As I indicated, as soon as we complete it we'll make it available.

SEN. FORRESTER: Okay.

CHAIRWOMAN WALLNER: Wednesday at one. Thank you. Meeting adjourned.

(The meeting adjourned at 3:41 p.m.)

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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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