

**JOINT LEGISLATIVE FISCAL COMMITTEE**

Legislative Office Building, Rooms 210-211

Concord, NH

Friday, April 20, 2018

**MEMBERS PRESENT:**

Rep. Neal Kurk, Chair

Rep. Ken Weyler

Rep. Lynn Ober

Rep. Mary Jane Wallner

Rep. Dan Eaton

Rep. Frank Byron (Alternate)

Sen. Gary Daniels, Vice-Chair

Sen. Bob Giuda

Sen. Lou D'Allesandro

Sen. Andy Sanborn

(The meeting convened at 10:01 a.m.)

**(1) Acceptance of Minutes of the March 16, 2018, meeting  
and March 20, 2018 special meeting**

NEAL KURK, State Representative, Hillsborough County,  
District #02: Good morning, everyone. I'd like to welcome you to the April 20<sup>th</sup>, 2018, meeting of the Joint Legislative Fiscal Committee. First item on our agenda today is the acceptance of the minutes of the March 16<sup>th</sup>, 2018, meeting, and the March 20<sup>th</sup>, 2018, special meeting. May I have a motion on both?

**\*\* GARY DANIELS, State Senator, Senate District #11: So move.**

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

**\*\*\* {MOTION ADOPTED}**

(2) Old Business:CONSENT CALENDAR(3) RSA 14:30-a, VI Fiscal Committee Approval Required  
For Acceptance and Expenditure of Funds Over \$100,000  
From any Non-State Source:

CHAIRMAN KURK: We turn now to Consent Calendar on item number (3). Is -- does anyone wish to remove any of these items? There being none, then may I have a motion to accept the Consent Calendar, including items Fiscal 18-060, 063, 064, 065 and 075.

\*\* LYNNE OBER, State Representative, Hillsborough County, District #37: So move.

CHAIRMAN KURK: Moved by Representative Ober, seconded by Senator Daniels. Discussion? Questions? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the motion is adopted and those items are approved.

\*\*\* {MOTION ADOPTED}

(4) RSA 14:30-a, VI Fiscal Committee Approval Required for  
Acceptance and Expenditure of Funds Over \$100,000 from  
Any Non-State Source and RSA 9:16-a Transfers  
Authorized:

CHAIRMAN KURK: We turn now to agenda item number four, a request Fiscal 18-074, a request from the Department of Health and Human Services for authorization from June 30<sup>th</sup>, 2018, to accept and expend \$3.5 million in Other Funds and transfer \$3.5 million in General Funds, and contingent upon the approval of that request, accept and expend \$750,750 in additional Federal funds.

\*\* LOU D'ALLESANDRO, State Senator, Senate District #20: Move the item.

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ANDY SANBORN, State Senator, Senate District #09: I have questions.

CHAIRMAN KURK: Senator D'Allesandro moves we approve the item, seconded by Representative Wallner. Is there somebody from the Department who can answer a question? Good morning, folks.

KERRIN ROUNDS, Chief Financial Officer, Department of Health and Human Services: Good morning.

CHAIRMAN KURK: Would you identify yourself for the record, please?

MS. ROUNDS: Yes, Kerrin Rounds, CFO, Department of Health and Human Services.

CHRIS SANTANIELLO, Department of Health and Human Services: Chris Santaniello, Department of Health and Human Services.

ATHENA GAGNON, Department of Health and Human Services: Athena Gagnon, Department of Health and Human Services.

CHAIRMAN KURK: Thank you. Senator Sanborn.

SEN. SANBORN: Ladies, good morning. I didn't realize we were going to have a relationship so far away today. Typically, you're up here so I don't have to yell. So, look, this whole drug rebate thing to me seems to be getting more complicated regularly and the dollars are real significant. Where are we today, 'cause I thought last year it was reported that the drug rebate program was going away. We wouldn't be getting it, part of the MCO contract. Remember there was a fair amount of transfers last year about this? So I guess my question is what is our total expectation of what the State of New Hampshire is looking at for drug rebate money at this point? How much is the State going to keep and how much are we transferring to other entities? Just so you might handle it as we go towards the rest of the year and look forward. Is this something we can continue to count on? Where are we with it all?

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MS. GAGNON: So for this State Fiscal Year we're anticipating 3.5 available to cover this transfer.

SEN. SANBORN: I'm sorry?

MS. GAGNON: We're anticipating 3.5 that will already cover this transfer. By the end of June, we should have an additional roughly 3 million available. It's the timing of the rebates when they come in. So they're invoiced in May. They're generally received for that quarter; generally, the last week in June. Sometimes it crosses over into the new Fiscal Year. So we're anticipating an additional 3 million that will be available probably for lapse at that point because of the timing.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you. So with this three million, is that all we are expecting to receive for the balance of this year?

MS. GAGNON: Correct.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Yes.

SEN. SANBORN: And in the aggregate how much money did we receive? What are we in, Fiscal 17 or 18 right now?

CHAIRMAN KURK: We are in '18.

SEN. SANBORN: In Fiscal 18.

MS. GAGNON: We were budgeted at 18 million. We're anticipating roughly 24.

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SEN. SANBORN: Follow-up. And is it your expectation that looking forward we're going to be continuing in the 24 plus million or 18 million? Where kind of are we? 'Cause, obviously, there's a fair amount of difference in money, right?

MS. GAGNON: Correct.

SEN. SANBORN: And I continue to hear a year ago, and maybe the Chair can correct me if I'm wrong, but in this rare case I think I'm right that there was an expectation that we were actually going to be giving up the drug rebate money as part of a different contract. So we expected to receive to 18 or 25 million a year in perpetuity and all going to be State money at this point?

MS. GAGNON: Correct, yes.

SEN. SANBORN: Can I follow-up? Is there other drug rebate money that comes into the State of New Hampshire that goes to other entities?

MS. GAGNON: No, not that I'm aware of. No.

SEN. SANBORN: Thank you.

CHAIRMAN KURK: A question about lapses. The only reason the Department's Dashboard shows that it's meeting its lapse requirement is that you're including the CHIP'S money. We can debate whether or not that's appropriate, but if that doesn't happen you're going to be very short. When I say that doesn't happen, I mean if that isn't squirreled away by the Legislature for some other purpose which is being done at the moment as we speak in a couple of bills, so you have a \$22 million lapse requirement. I think you have about 6.7 now. If you spend this money the way you're proposing, you're going to have a difficult time in meeting your lapse requirement for this Fiscal Year. You care to comment?

MS. ROUNDS: I don't think I have any comment right now. It's something we are evaluating.

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CHAIRMAN KURK: Thank you.

MS. ROUNDS: You're welcome.

CHAIRMAN KURK: Further discussion? The motion is to approve the item. You ready for the question? All those in favor, please now indicate by saying aye? Opposed? No.

BOB GIUDA, State Senator, Senate District #02: No.

CHAIRMAN KURK: The motion carries, and the item is approved.

\*\*\* {MOTION ADOPTED}

- (5) RSA 14:30-a, VI Fiscal Committee Approval for Acceptance and Expenditure of Funds Over \$100,000 from Any Non-State Source and RSA 124:15 Positions Authorized:

CHAIRMAN KURK: We now turn to agenda -- the fifth item on our agenda. This is Fiscal 18-066, a request from the Department of Safety for authorization through June 30<sup>th</sup>, 2019, to accept and expend \$16,696,858 in federal funds, and contingent upon approval of that request to establish one temporary full-time Program Planner II, Labor Grade 21 position.

SEN. SANBORN: Question.

CHAIRMAN KURK: You have a question?

SEN. SANBORN: Yeah.

CHAIRMAN KURK: Is there someone from the Department who could answer a question?

STEVE LAVOIE, Director of Administration, Department of Safety: Good morning, Mr. Chairman, Members of the Committee.

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Steve Lavoie, Director of Administration for the Department of Safety.

PERRY PLUMMER, Director, Homeland Security and Emergency Management, Department of Safety: I'm Perry Plummer, the Director of Homeland Security/Emergency Management.

CHAIRMAN KURK: Good to see both of you. Good morning. Senator Sanborn has a question.

SEN. SANBORN: Gentlemen, good morning. Thanks so much for coming in. My question is more surrounded that we, as we all know, we clearly get FEMA money and we get emergency money on a regular basis; but I don't remember seeing the need for more FTEs or partial FTEs in order to dispense the money. So have we lost people or have we declassified positions? Why this time we feel we need to hire people to do something we've been doing regularly?

MR. PLUMMER: Great question. So it's really there's a couple of reasons. One is this will be our fifth disaster in one year. So it's a matter of capacity and getting the money out the door for one. So FEMA's changing their philosophical beliefs. They're trying to do more federally funded state managed activities because they were bringing people in before and from Tennessee or something and try to help manage these disasters and, quite frankly, haven't done a great job of dealing with the locals on some of that stuff. So what they're doing is they're saying we're giving you management costs. Please spend those management costs and get the money out the door to the local. So one is that it's efficiency, one that it's capacity because we -- like I said, we'll have five federal declared disasters in one year and that's -- and they provide those management costs to make sure that we get that money out the door.

SEN. SANBORN: Follow-up.

MR. PLUMMER: We have used part-time -- we used some of that money for part-time employees before. It's just the overall

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capacity of these disasters that we need someone to get the money out the door to the locals.

CHAIRMAN KURK: I need to inject another question at this time. Are you saying that regardless of whether this position's approved or not, it will have no impact on the amount of grants going out to the communities? In other words, this is money in addition to the grants that the federal government is providing us for this specific purpose. And if we don't spend it for this specific purpose then it lapses back to the Federal Government.

MR. PLUMMER: That's 100% correct.

CHAIRMAN KURK: Thank you.

MR. PLUMMER: And we have sent money back to the Feds before by not invoking some of these management costs and using them. Just goes back to them.

CHAIRMAN KURK: Thank you. Senator Sanborn for a follow-up.

SEN. SANBORN: Thank you. And even though this is a temporary full-time, is it your expectation with the change of protocol from the Feds that they're doing as you expended, sending more money down asking us to do the work this will become more of a temporary position?

MR. PLUMMER: So it's a temporary position based on the disasters. As long as there's those management costs and we continue to have disasters that we continue to be filled. If we have a lull in disasters, then this position would go away. When those management costs are done, this position goes away. With that being said, temporary is probably, you know, a year or months or more because of one disaster after another. But it will never -- I'm never going to be looking for this position to get on the State payroll rolls because it's only while we have disasters funded by FEMA to do that work.

SEN. SANBORN: Thank you.

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CHAIRMAN KURK: Thank you. Senator Giuda.

SEN. GIUDA: Thank you, Mr. Chairman. Director, from your comments can we glean that there's any progress in federal officials at FEMA accepting the State reports and accelerating the delivery of funds to the State?

MR. PLUMMER: It's a great question. And I know, Senator, that you and I had many conversations about that. Right now it takes about ten months to get the money from FEMA. One of the things that this action today will do is allocate money in anticipation of the federal dollars for the last couple disasters that have only been partially obligated. What happens now is that, as you know, we have a disaster. Ten months later, maybe 12 months later, the Federal Government allocates the money. And then we have to go through our process to get the grants out the door which is maybe another two months by the time it comes to hear, it goes to G & C. What we are trying to do with this is move it simultaneously. So we haven't been able to expedite FEMA yet, but we have been able to push this into us so when the FEMA money is ready it can go out the door immediately rather than waiting for our two months. Because that's creating hardships for our communities which you know.

With that being said, the FEMA administrator, I was on the phone as recently as last night talking about that complexity of FEMA programs and it is his goal to reduce the complexity of FEMA programs, reduce that time, and that's why they want to go to a fully managed for disasters under \$40 million, federally funded, locally managed so we can get that money out the door and cut down on all that red tape and that expense of that red tape.

SEN. GIUDA: Thank you.

CHAIRMAN KURK: Mr. Plummer, I thought that this money was reimbursing towns and cities for what they'd already spent? This was unanticipated revenue. And as far as they were concerned it basically lowered the tax rate. It wasn't available to be spent. And, therefore, I'm concerned, I don't understand

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why you made your comment about we need to get it out the door quickly so they can get it quickly.

MR. PLUMMER: So it is -- it is -- it is reimburse -- reimbursements. With that being said, some of them -- some don't have -- they don't have the money to spend. So roads are closed and sitting there until they get federal dollars to do the work. So it's not always reimbursed if that's the question.

CHAIRMAN KURK: I see. Yes.

MR. PLUMMER: We visited one the other day. The road is closed. There's two businesses there. They do not have the funds to fix the road. So they're waiting for this money. And I know that Senator Giuda and I have had that conversation about legislative action to try to fix some of those things at the state level, but.

CHAIRMAN KURK: Thank you. I appreciate the clarification.

\*\* KEN WEYLER, State Representative, Rockingham County, District #13: Move to approve.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Can I ask a question, Ken, before you do that?

REP. WEYLER: Sorry.

REP. OBER: When the towns apply to the State, don't they have to complete fairly thorough paperwork and what do you have to do because this said something about when you looked in here approving or reviewing. So what do you have to do above and beyond what the towns have done, sir?

MR. PLUMMER: So, just to kind of show you the process here. This five stages is the process for a town to get reimbursed. So

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it's from the time of disaster to the time they get the money. It is insane. With that being said, so initially, we have to do an initial damage assessment, an IDA. So before FEMA comes in and everything we have to go out. We meet with the towns. We help them put all their paperwork together. Then there's a preliminary damage assessment which means we've qualified for the IDA based on the numbers that we met with the towns. Then we go out with FEMA and help them put their paperwork together so they could apply for a disaster. That's all on the front-end.

Then we have scope meetings. We go out to meetings. We meet with the towns. We help them put their paperwork together. We go over all their eligibility. We oversee all the large and small projects throughout the State through the whole continuum. Every time FEMA meets with them we are involved. So right down to they're requiring FEMA -- they're requiring some towns to actually add all their numbers in, all their calculations in the computer systems. Some towns do not even have the ability to do that. We met with Sugar Hill just recently and he says I don't have anybody to do this. So that's what the management cost would do. We would help that town put that stuff in, paid for by the Federal Government, and that's some of the work these people would do is ease the burden on the communities because they don't have help to do that.

CHAIRMAN KURK: May I have a motion? Representative Weyler.

\*\* REP. WEYLER: Move to approve.

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Seconded. Moved by Representative Weyler, seconded by Senator D'Allesandro. The motion is to approve the request, the item. Further discussion or questions? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved. Thank you, gentlemen.

MR. PLUMMER: Thank you very much.

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MR. LAVOIE: Thank you.

\*\*\* {MOTION ADOPTED}

(6) RSA 198:15-y, III, Public School Infrastructure Fund:

CHAIRMAN KURK: We turn now to item (6) on the agenda, Fiscal 18-078, a request from the Office of the Governor to approve General Fund expenditures from the Public School Infrastructure Fund in the amount of \$4,946,214 through June 30<sup>th</sup>, 2019.

REP. OBER: I have a question.

CHAIRMAN KURK: Representative Ober has a question. Is there someone from the Governor's Office?

REP. OBER: I think Mr. Plummer might be able to answer it.

CHAIRMAN KURK: Good morning, again. Could you both identify yourself for the record?

MR. PLUMMER: Sure. Perry Plummer from -- Director of Homeland Security and Emergency Management.

AMY CLARK, Rehabilitation Counselor, Department of Education: Good morning, Amy Clark from the Department of Education.

CHAIRMAN KURK: Representative Ober.

REP. OBER: Thank you. We heard that for some reason a few of these grants, the money may not be spent by the School District for I don't know what reason, but we heard it's a possibility. In those cases, what happens to that money and how do we track whether it's spent or not?

MR. PLUMMER: So -- so the grant's awarded. If their work comes in less than what is anticipated or they decide not to do the project, the money would go back into the fund, go back to

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the Infrastructure Commission to be re-voted on and re-allocated to another applicant.

REP. OBER: And how do we track that?

MS. CLARK: So the Department of Education has a -- we are the ones paying those invoices. So the request for payments come to the Department of Education and we'll have -- we have a running list currently. We have paid just a few applications already have requested reimbursement.

REP. OBER: But how do you track if they spend all the money?

MS. CLARK: How do -- so our database, we have a database for all of the projects and all of the awards. And so when the requests come in, we'll pay them up to their award amount but no more than their requested -- their rate that they got paid on. And if they have leftover money, we can then report that to the Commission.

MR. PLUMMER: And they're signing an affidavit saying that the project is complete and at that time --

REP. OBER: Thank you, Mr. Plummer. Thank you, Mr. Chairman.

CHAIRMAN KURK: Further questions?

SEN. SANBORN: Yes.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you. Thank you for coming in. Thank you for answering our questions. First and foremost, I want to applaud the Governor and the Legislature for stepping up and doing the program, although I'm not here to try to litigate or relitigate school safety. Mine's more mechanical and why on a prioritized basis that what type of information or assurance that you can give, because clearly there's a lot of disbursements in here going towards school safety, which I think

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every one of us, every single one of us supports, understands, and wants to happen. But there is some projects in here that really aren't as much about school safety, because although replacing asbestos floor tile is important on the asbestos side, I'm not sure it's a school safety response to a guy like me. So what are you doing on this program to ensure that all of these funds are being prioritized for school safety more so than what I would consider to be secondary uses of the money?

MR. PLUMMER: So the fund -- by the rule of the fund, there's a number of different projects, really three different pools. One is infrastructure that's immediate need and life hazard which is a security but it's safety. So that's where you get some of the asbestos stuff, some of the mold remediation, those types of things. So that's one piece of the money. That money is allocated based on their Building Aid rate which could be 30%, could be 40% or 50%.

Then there's the second piece which was the E-rate piece which is the fiber going -- optics going to the door so that was one piece of this money that was allocated for that and that's at a 10% rate. And then the rest are security projects that are allocated at 80% rate. So when those applications come in, they come before the Commission and they get voted on based on the rules of the legislation and the ones that are not security or not E-rate have been determined that they're immediate life hazard within the school. And we have turned a number of them down because of that situation, that prioritization of whether that is an immediate life hazard or not. Unanticipated need, life hazard really was the kind of the determining factor.

With that being said, the majority of these funds, as you mention, did go to security items. Those security items are prioritized based on, first, we have a complex program that we have been doing for four years where we do complex in-person assessments, security assessments on the schools. And then a report goes back to the school identifying the gaps. And then so all of these programs in the security are funding identified gaps.

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So we're not saying, look, how do we know that our schools are safer because we threw \$20 million at it. What we're saying is we identify gaps and we put \$20 million or \$19 million towards those gaps so to make sure that that is prioritized and there's some checks and balances that we are filling gaps and the money is making a difference.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: Thank you. So we've allocated versus throwing \$20 million at the problem, although I would agree with you, you and I speak similarly. Have we identified, is this enough to ensure that all of our schools are safe or are there requests out there we were not able to accomplish? Specifically on the school safety side, right? As much as I want fiber-optic I want safety first.

MR. PLUMMER: So a great question. We are about \$10 million oversubscribed. So we have 19.3 I think it is. We have applications in-hand right now for \$10 million more than that.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Is that for safety?

MR. PLUMMER: For all -- for all the projects.

CHAIRMAN KURK: How much safety?

MR. PLUMMER: I don't know the exact number. I would say it's probably in the six or seven million dollar range.

CHAIRMAN KURK: Thank you. Follow-up.

SEN. SANBORN: That is my follow-up question. Could you provide this Committee that report even if you need to redact schools? I understand the safety side. Kind of highlight how much is for true safety, you know, how much is school safety and

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how much is what I would consider a little bit more ancillary. Could you provide that information to us?

MR. PLUMMER: Sure. And that was as of maybe a month ago we stopped accepting applications and froze and said we'll open back up if for some reason money becomes available, just oversubscribed.

CHAIRMAN KURK: Senator, would you care to make a motion?

\*\* SEN. SANBORN: I will make a motion of ought to pass.

REP. OBER: Second.

CHAIRMAN KURK: Senator Sanborn moves approval, seconded by Representative Ober. Further discussion or questions? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

\*\*\* {MOTION ADOPTED}

(7) RSA 227-G:5, I(b) Forest Funds and RSA 124:15  
Positions Authorized:

CHAIRMAN KURK: We turn now to item number (7) on the agenda. Request from the Fiscal 18-067, a request from the Department of Natural and Cultural Resources for authorization through June 30<sup>th</sup>, 2019, to budget and expend 17,000 in Other Funds and establish two temporary part-time Labor Technician positions. Is there a motion?

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

CHAIRMAN KURK: Senator D'Allesandro moves, seconded by Representative Weyler that the item be approved. Discussion? Questions? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

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\*\*\* {MOTION ADOPTED}

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

CHAIRMAN KURK: We turn now to item (8) in the agenda, Fiscal 18-079, a request from the Judicial Council for authorization to receive an additional appropriation for funds not otherwise appropriated in the amount of \$685,000 in General Funds through June 30<sup>th</sup>, 2018.

\*\* REP. OBER: Move to approve.

CHAIRMAN KURK: Representative Ober moves the item be approved, seconded by Senator D'Allesandro. Discussion or questions? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

\*\*\* {MOTION ADOPTED}

(9) Chapter 155, Laws of 2017, Department of Corrections;  
Budget Footnote:

CHAIRMAN KURK: Turn now to item (9) on the agenda consists of two items. The first is Fiscal 18-068, request from the Department of Corrections for authorization of a 100% General Fund appropriation for an additional \$211,144 for medical payments to providers to cover projected shortfalls for the remainder of State Fiscal Year 2018. Is there someone from the Department who can answer questions? Good morning, Commissioner.

HELEN HANKS, Commissioner, Department of Corrections: Good morning.

ROBIN MADDAUS, Director, Division of Administration,  
Department of Corrections: Good morning.

CHAIRMAN KURK: Good morning to both of you. Could you identify yourselves for the record?

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MS. HANKS: Yes, of course. Good morning, Honorable Chair, Members of the Committee. My name is Helen Hanks. I'm the Commissioner of the Department of Corrections.

MS. MADDAUS: Robin Maddaus, Director of Administration, Department of Corrections.

CHAIRMAN KURK: Thank you. The question I have is this, and it really doesn't relate to this but I'm taking advantage of the opportunity. I read in the papers that you're going to provide tablets of some sort to prisoners to communicate. My concern is this. Will you be facilitating gang type control strategies that the leader of the gang who happens to be in jail could use to tell his mother to communicate to his lieutenants that some action be taken? In other words, are we setting ourselves up for situations which the State might be liable for some action that was facilitated as a result of these tablets? So please tell me that that can't happen.

MS. HANKS: So that can't happen from the perspective you're sharing. What I want to back up and say to you is the tablet technology is operated under the same premise that we operate our telephone technology. It's all recorded and monitored and part of the technology which has already been implemented in many other state correction institutions comes with that investigative component on purpose for the points you just articulated.

So to say it couldn't ever happen that would be very inappropriate for me to say that because that could happen even if we didn't implement it through telephone phone calls; but we monitor it very closely and it has not happened in the State of New Hampshire.

CHAIRMAN KURK: Further question then. Will these tablets give access to the Internet unfettered or will you be able to control that?

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MS. HANKS: It does not give access to the Internet unfettered. There's a security internal network monitored by the vendor as well as our investigative department.

CHAIRMAN KURK: Final question. In any other states that use this, have there been any untoward situations?

MS. HANKS: Not that I'm aware of.

CHAIRMAN KURK: Thank you.

MS. HANKS: Thank you.

CHAIRMAN KURK: Further questions on this item.

\*\* REP. OBER: Move to approve.

SEN. SANBORN: Thank you, Mr. Chair. Being the Chair opened the question up. Several of us had this type of a question and we appreciate his indulgence and his kicking off these questions.

I, like the Chair and several others, read this article in the paper and scratched my head that I'm trying to understand how this becomes a role of our punitive justice system that we're providing tablets for people to serve and communicate. Seems a wonderful accommodation many parents don't give their kids, but now we're giving it to people we have incarcerated for doing bad things.

MS. HANKS: So I respect your question. And what I want to do is help demystify its intent and what it is and what it is not. So the tablet has specific applications. And the reason Corrections Department have implemented it is because it helps us streamline messaging so we can better control and audit the dialogues between families that are occurring now in paper form. It allows the individuals to write to us requesting grievances in electronic form. We do that all on paper now. So that we have a transparent process if someone makes a concern about

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medical services or anything else as far as the condition of confinement.

It deploys rehabilitative programs across the tablet. So there are education and other programming to help the individuals self-direct and engage their rehabilitation with our institutions, but it is not an open door conduit to the community. It is not intended as a circumvention of safety. So it's really a tool. It's not -- it's not what you expect that many of our children have. It's not an iPad. It's not -- it's not anything of that level, because it's all within a controlled network. They only have access to what we deploy and deliver to them.

So it's become a tool more for the Department to help engage in paper systems across the digital platform than it is anything more and to enhance the access to rehabilitative programs.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

SEN. SANBORN: So it's your intent to go paperless and, if so, when?

MS. HANKS: So we actually just deployed these this week, and we're going through the same thing that happens in any organization when you deploy something, change and adjustments and understanding and learning. So it will happen over the course of a period of months and time. And just as I like to see things go off of paper, there is some realities where we do have individuals in other institutions and other states and so we'll receive paper that way; but we're moving that way now.

SEN. SANBORN: Follow-up. How much will it cost or save by the time you're fully implemented?

MS. HANKS: So the tablets do not cost the State anything. They are a self-funded device through the clients themselves.

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And I don't know the cost projections at this point on paper savings. I'll have a better sense as we move through months under this product.

SEN. SANBORN: Follow-up. I apologize. So I thought I had read in the article that it was like a 40-cent charge per attached to the phone call so that inmates themselves are essentially funding at some level.

MS. HANKS: Correct.

SEN. SANBORN: So essentially I guess --

MS. HANKS: Those monies do not come to the Department.

SEN. SANBORN: Do not come to the Department, but they go to the private corporation to fund.

MS. HANKS: Those other services.

SEN. SANBORN: Okay.

MS. HANKS: Just as you would pay for a stamp, they're expected to pay that amount as a stamp rate.

SEN. SANBORN: But as a capitalist and free market guy, 40-cents to send an e-mail seems like a lot of money.

MS. HANKS: It was competitively bid so other vendors did bid for this product and went through that whole process.

SEN. SANBORN: Okay. Thank you. Thank you.

CHAIRMAN KURK: My experience says when you make something easy or less expensive you get more of it. So would it be fair to say that we're going to get a lot more complaints about inadequate medical service?

MS. HANKS: I wouldn't make that statement today.

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CHAIRMAN KURK: Keep track of it and let us know.

MS. HANKS: I absolutely will. I personally expect to receive a lot more requests.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober.

\*\* REP. OBER: I would move to approve item 068. I need that to be clear. It doesn't include anything to do with tablets.

SEN. SANBORN: No idea what you're talking about.

CHAIRMAN KURK: Is there a second?

SEN. D'ALLESANDRO: Second.

CHAIRMAN KURK: Moved by Representative Ober, seconded by Senator D'Allesandro the item be approved. I do have a question about the guts of the item. This is a significant amount of money in excess of what was appropriated, and I know you're making strong efforts to keep these costs down. Where is our spending going to be as a result of this for Fiscal 18 compared with Fiscal 17?

MS. HANKS: I just want to be clear since we spent a lot of time on tablets, which item are we on, sir?

CHAIRMAN KURK: We're on item 068.

MS. HANKS: Okay.

CHAIRMAN KURK: And these are expenditures for Accounting Unit 8234, Class 101, medical payments to providers.

MS. HANKS: Okay. So as relation to 2017, I'm going to let Robin --

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MS. MADDAUS: Our actual first '17 was 4.9 million and we're estimating the 5.7 for this year.

CHAIRMAN KURK: Why do I see 12 million at the bottom of this page?

MS. MADDAUS: That's the total for the whole accounting unit. That was just specific to --

CHAIRMAN KURK: I see.

MS. MADDAUS: -- 101.

CHAIRMAN KURK: Got it. And what about the total for the whole budget? 12 -- you're budgeted at 12.118. What was the spend in '17?

MS. MADDAUS: Oh, I don't know if I have that figure. I don't have the total.

CHAIRMAN KURK: Did it go up significantly or it's pretty close?

MS. MADDAUS: I would say it's pretty close.

MS. HANKS: I would agree that it would be very close. We'll get that number to the Committee, absolutely.

CHAIRMAN KURK: Thank you. Further discussion or questions? Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chairman. Just a point of in the narrative you say there are unanticipated events that take place that are costly and you mentioned a couple, the dialysis situation.

MS. HANKS: Right.

SEN. D'ALLESANDRO: And the unusual cost of specialized surgery --

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MS. HANKS: Right.

SEN. D'ALLESANDRO: -- for prosthetic device, that's not a usual occurrence.

MS. HANKS: Correct.

SEN. D'ALLESANDRO: The costs related to that are fairly significant.

MS. HANKS: Yes.

SEN. D'ALLESANDRO: I think that's one of the reasons we see a little bump here and you got to do it.

MS. HANKS: Yes. To your point, Senator, we even had a very tragic unanticipated death of a dentist. So we wouldn't have had these oral surgical costs if that tragedy had not happened.

SEN. D'ALLESANDRO: Thank you, Mr. Chairman.

CHAIRMAN KURK: Question on the \$22,000, I think it was a hip replacement. Yes. It was day surgery. Why wasn't it inpatient surgery since you can get reimbursed for that? Why would you want to spend 22,000 when it could have been close to nothing?

MS. HANKS: Chairman, I am impassioned with your question because it was the same comment I made. But the hospital did it as an outpatient observation stay which is a piece of contention that I have been fighting for quite a long time. And it's how the hospital remitted the claim and they're allowed to under certain claim regulations to remit it as an observation stay.

CHAIRMAN KURK: And another issue. And this is a very broad one. Are we providing more than the legally required quality and level of care? And when I say legally required, I hope it's constitutional as opposed to the *Laaman* Decree.

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MS. HANKS: So we do not provide more service than is required. It's all constitutionally appropriate care. And to the *Laaman* Decree that was born out of the 1970s and it was born because even during that time we were not providing constitutionally appropriate care. So as we fast-forward to today, the *Laaman* Decree is equitable to the constitutionally appropriate level of care.

CHAIRMAN KURK: So you're telling me a hip replacement is a constitutionally required service?

MS. HANKS: When it puts the person in undue pain or duress, we're not allowed to allow that condition to happen, and we would engage in the hip replacement. Free of cruel and unusual punishment.

CHAIRMAN KURK: Thank you. Senator Sanborn.

SEN. SANBORN: Thank you. Thank you for taking my question. So the world of health care is changing pretty dramatically, right, these days? And with the advent of day surgical centers, like I have to say, for the record, I have one in the District I represent, Town of Bedford and walk-in clinics where they're offering x-rays for \$60 where hospitals are charging \$800. What are we doing at the State level that if an inmate needs testing for medical service, are we -- do we have a process or should we have a process that we are going to some sort of an authorized walk-in clinic or in every case is it a hospital visit based upon, clearly, the profile of the patient?

MS. HANKS: Thank you for that question. We have already engaged in contracts that try to avoid hospitalization. And if we can do them within our own facility, we do. To your example, we have a separate contract for mobile x-ray service. So they come into our facilities and when we look at those rates in comparison to what we would be charged at a hospital, our contract is lower. So we target different areas of the health care process to engage in contract and to approve the rates to the State so that we can find a most effective, lowest cost rate but providing the constitutionally appropriate care.

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SEN. SANBORN: Thank you. Thank you.

CHAIRMAN KURK: Further questions on this? We have a motion; is that correct, Mr. Clerk? The motion before us is to approve the item. Further questions or discussion? There being none, are you ready for the question?

All those in favor, please indicate by saying aye? Opposed? The ayes have it and the item is approved.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: We now turn to -- please don't go away, folks.

MS. HANKS: I would never do that to you, sir.

CHAIRMAN KURK: We now turn to Fiscal 18-073, a second request from the Department of Corrections for authorization of a 100% General Fund appropriation for an additional \$1,045,334 amount for prescription drug expenses to cover projected shortfalls for the remainder of State Fiscal Year 2018. I have a question on this.

Is providing Hepatitis C medication constitutionally required?

MS. HANKS: Yes. To the point where the disease is causing irreversible damage we have to engage. So we have seen an increase in the number that have met the treatment threshold this year. Last year we had 15 people who we engaged in Hepatitis C treatment through these drugs and this year we're at 22.

With that said, we have a 37% prevalence rate of people who come in as Hepatitis C positive. So with that rate, we're not engaging in treatment with all of those people. Just those who hit the threshold in which their liver disease requires us based on national standards.

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CHAIRMAN KURK: Thank you.

MS. HANKS: You're welcome.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: We are on 73, right?

CHAIRMAN KURK: Yep.

SEN. SANBORN: So prescription drugs continue to be a huge problem for us; right?

MS. HANKS: Yes.

SEN. SANBORN: When I first read this I said to myself, if people have -- people are being prescribed what today is very expensive, long-term drugs is not something that typically pops up in the middle of the day. So where is this going, right? I think you guys do a great job. You do a great job. I'm trying to understand what your expense is going to be. So I'm a little concerned about where this number is going.

MS. HANKS: Hm-hum.

SEN. SANBORN: Clearly, prescription drugs are not coming down yet.

MS. HANKS: Right.

SEN. SANBORN: Do you anticipate the balance of this year -- so, obviously, May and June there will be a different additional numbers or as you look towards next year what are you seeing for cost containment?

MS. HANKS: So for this year our intent is that we would not be back to see you this year. We are concerned about next Fiscal Year and we're trying to track those and, again, that prevalence rate was a good example in that group of individuals who might hit that threshold. It's a hard thing to do and we do

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that in comparison to other national statistics. I'm concerned about next year, but we are trying to forecast and track and see what happens.

SEN. SANBORN: How concerned? Like million dollar concern or \$10 million concern?

MS. HANKS: If I gave you a number I could not standby it today.

REP. OBER: That's a pretty large concern.

CHAIRMAN KURK: You have the authority to, I believe, discharge or place on probation prisoners whose medical expenses are very high.

MS. HANKS: Hm-hum.

CHAIRMAN KURK: Are you using that authority with these Hepatitis C patients or inmates?

MS. HANKS: So, yes, we use the medical parole statute and we put forward we have eight cases pending. So we are trying to engage in the use of that. Obviously, the Parole Board contingent on the criminal acts of the person. There are statutory requirements that we have to hit in order to put a person forward. Now, someone with Hepatitis C as far as a high cost hits one of those, but the other areas around public safety we generally can't mitigate their -- them as a non-public safety risk. So when that happens, the Parole Board would be denying that case more often. I would as the Commissioner be looking at that medical parole case and saying, yes, the Hep C costs are high, but this individual's criminogenic factors as a public safety risk is also still too high. We might revisit after they engage in treatment, but it's a definite balance and, yes, we are engaging the use of that statute.

CHAIRMAN KURK: If you transfer a prisoner to another facility, let's say in another state or federal facility for some safety reason or conflict reason.

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MS. HANKS: Hm-hum.

CHAIRMAN KURK: Do you pick up the medical costs?

MS. HANKS: I would pick up the medical costs if they exceed the capacity of the facility. And so just as we exchange inmates with other states, if that individual's cost exceeded our internal, we would bill the sending state and they would reimburse us.

CHAIRMAN KURK: For Hepatitis C, for example?

MS. HANKS: That would be a good example.

CHAIRMAN KURK: Thank you.

MS. HANKS: Thank you.

CHAIRMAN KURK: Representative Weyler.

REP. WEYLER: Thank you. Commissioner, we just had testimony from Health and Human Services. They're expecting between 18 and 25 million in drug rebates. When you pay for all these drugs, are your cost of drugs included in what their costs are that give the rebates or is there a possibility you can get rebates on a separate contract?

MS. HANKS: So our costs are not inclusive of theirs. And we work with Administrative Services using the municipal multi-state purchasing group to purchase and at the end of the year we do get a small sum back each year. It's usually around \$20,000 that goes back to the State, and I don't believe the term is rebate. It's another term they're using around efficiencies and purchasing. But I will examine your question further to see if there's other opportunities.

REP. WEYLER: Thank you.

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CHAIRMAN KURK: When you do that, would you check with Health and Human Services to see if the net cost of the drugs to their side of the house is the same as the net cost of the drugs on your side of the house?

MS. HANKS: Yes, sir.

CHAIRMAN KURK: Thank you. Representative Weyler is recognized for a motion.

\*\* REP. WEYLER: Move to approve the item.

CHAIRMAN KURK: Seconded by?

SEN. GIUDA: Second.

CHAIRMAN KURK: Senator Giuda. Further discussion or questions? If there are none, are you ready for the question? If you're in favor of the item, please now indicate by saying aye? Opposed? The ayes have it. The item is approved.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Thank you both very much.

MS. HANKS: Thank you very much.

(10) Chapter 156:183, Laws of 2017, Department of Health And Human Services; Unfunded Positions; Authorization:

CHAIRMAN KURK: We turn now to agenda item number (10) Fiscal 18-069, request from the Department of Health and Human Services for authorization to fill one unfunded position effective on Fiscal Committee approval through the biennium ending June 30<sup>th</sup>, 2019. Is there a motion?

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

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CHAIRMAN KURK: Senator D'Allesandro moves, seconded by Representative Weyler that the item be approved. Discussion or questions?

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Representative Ober, do you have a question from someone from the Department?

REP. OBER: I don't know if it's for the Department. I will share with you my concern and you tell me if the Department can respond to this. My feeling is they won't be able to.

The idea was, as I understood it from the Senate side when they wrote this section into law, is that these positions would be swapped out for like positions. But, once again, we see we are going to pay more money for the new position than the swapped out position. So we're slowly spending more and more money than we were supposed to spend, and we don't see an actual record of how much we spent and this is not supposed to include dollars from vacant positions that you haven't filled. This is supposed to include these positions.

CHAIRMAN KURK: We have somebody -- we have the CFO to answer your question.

REP. OBER: And she's fairly new. That's why I wasn't going to ask her a question because I'm not sure she had time to dig into this.

MS. ROUNDS: Good morning, Representative. Thank you.

CHAIRMAN KURK: Would you identify yourself again.

MS. ROUNDS: Kerrin Rounds, CFO, Department of Health and Human Services. So this is actually something that I started looking into probably my third week at the Department and looking at the unfunded positions and also looking at House Bill 517 and what the language in there said. At this point I'm comfortable that we are following the statute. But I appreciate

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your question and I'll go back and look at it a little bit closely and be sure that we're not in violation. But when I looked about three weeks ago I was comfortable that we were following the statute.

REP. OBER: Thank you.

CHAIRMAN KURK: When you swap a position, they don't have to be at the same salary level, as long as on balance over the course of all of the swaps the equation is met.

MS. ROUNDS: That's my understanding of the statute, yes. As long as at the end of the day we've balanced then we are okay.

CHAIRMAN KURK: Thank you.

MS. ROUNDS: And I believe that we are.

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

\*\*\* {MOTION ADOPTED}

MS. ROUNDS: Thank you. And I'll also just mention I will work with the Commissioner of Corrections on that.

CHAIRMAN KURK: Thank you.

REP. WEYLER: Thank you.

(11) Miscellaneous:

(12) Informational Materials:

CHAIRMAN KURK: Are there any issues that anyone wishes to raise from any of the information items?

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MICHAEL KANE, Legislative Budget Assistant, Office of Legislative Budget Assistant: Mr. Chairman, if I could before you get to the information items, could I approach the table?

CHAIRMAN KURK: Mr. Kane.

MR. KANE: Good morning, Mr. Chairman, and Members of the Committee. My name is Michael Kane, the Legislative Budget Assistant. I'm here to request the authority to fill a vacancy in our office in the financial division. So I would like to do that. We've held the vacancy probably a few months.

\*\* DANIEL EATON, State Representative, Cheshire County, District #03: Move approval.

REP. OBER: Second.

CHAIRMAN KURK: Would you care for him to identify the position?

MR. KANE: Financial auditor. Staff auditor.

REP. EATON: We got a little inside info earlier but sure.

CHAIRMAN KURK: Thank you. Is there a second to the motion? Second by Senator Sanborn. Discussion? There being none, are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it.

MR. KANE: Thank you.

CHAIRMAN KURK: The request is approved.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Apparently, you're very popular, Mr. Kane. They were prepared to give you anything you wanted cart blanche.

MR. KANE: Our Audit Division does a great job. Thank you.

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SEN. SANBORN: Mr. Kane, I would say you couldn't reduplicate this.

MR. KANE: I don't know. I do have a twin.

CHAIRMAN KURK: At this point --

SEN. SANBORN: A couple things in there.

CHAIRMAN KURK: Where's the audit? If have you an information item request, yes, please.

SEN. SANBORN: To direct you, Mr. Chair, 061 which is implementation of Medicaid Care Management for Step 2.

CHAIRMAN KURK: 18-061. Is there someone from the Department? Chief Financial Officer again.

SEN. SANBORN: It's a policy question but.

MS. ROUNDS: Good morning.

CHAIRMAN KURK: Senator, this is -- good morning to both of you. Senator, this is a report. This is not an action item.

SEN. SANBORN: It's a report on the implementation of Step 2.

CHAIRMAN KURK: Yes.

SEN. SANBORN: Right. And so my question was --

CHAIRMAN KURK: Before you ask your question, folks, could you identify yourselves again for the record.

MS. ROUNDS: Kerrin Rounds, Department of Health and Human Services.

MS. SANTANIELLO: Chris Santaniello, Division Director, Long-Term Supports and Services.

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CHAIRMAN KURK: Thank you. You're recognized.

SEN. SANBORN: So this is a report on implementation of Step 2; but my understanding – I try not to look over the House and keep my curtains drawn and let them do what they do – is that there could be a bill that may have come through the House to suspend, if not eliminate, implementation of Step 2. So if we're spending money for a beautiful presentation of what we're doing to implement, I guess what are your thoughts and comments on where we go from here?

MS. SANTANIELLO: So I -- I want to be careful because -- I want to be careful how I speak for the Commissioner. But yes, House Bill 1816 is in process. But up until that point, the Department was under or is under Senate Bill I want to say five -- I can't remember. Legislative --

SEN. SANBORN: 155.

MS. SANTANIELLO: 155, thank you, okay, to move forward with Step 2 and so part of that was we were required to move forward. And if something changes legislatively we will adjust our plans.

SEN. SANBORN: Thank you.

CHAIRMAN KURK: Are there questions on this or any other information item? Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Mr. Chair. We usually get a quick review of the Dashboard.

SEN. SANBORN: Yes.

SEN. D'ALLESANDRO: Could we have that, please? I've looked at it and as a comment I looked at the lapse and how it's going to be achieved, and could you just run through that for me.

MS. ROUNDS: Sure. The --

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SEN. D'ALLESANDRO: Excuse me. And, Mr. Chairman, this is not appropriate, because usually the Commissioner does it. I don't want to put you in a situation where you're not prepared.

MS. ROUNDS: Well, I think I spoke earlier as far as the bottom line in the lapse. So I don't really have any further comment on that. But I can walk you through at least what's on the Dashboard there.

SEN. D'ALLESANDRO: That would be very helpful.

MS. ROUNDS: Okay. So the MET revenue, as you know, is just an informational item.

SEN. D'ALLESANDRO: Right.

MS. ROUNDS: The DSH is still to be determined. The State phase-down was addressed by the Fiscal item that was just approved. The CFI was also just addressed by the Fiscal item that was just approved. The residential out-of-home placement and child care incentive funds claiming issues have small deficits that are being addressed.

The additional recovery services I believe were addressed in that Fiscal item as well or at least partially. And then the potential CHIP repayment is the item that Representative Kurk asked us to keep on the Dashboard and to keep in mind and the Commissioner said that he would monitor and do his best to look at.

On the revenue side is the CHIP reauthorization. The drug rebate estimate which partially was used as part of the Fiscal item and as was mentioned will be adjusted for your next Dashboard as we do anticipate more revenue there, which then results in the net excess.

We also have an estimated program lapse of about 10 million which has been pretty level for a while.

SEN. SANBORN: Question.

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CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you, Mr. Chair. Thank you for your explanation. I appreciate it. So the hope and the prayer on CHIP reauthorization, so are we just funding that out of the Treasury at this point for \$24 million and we're expecting to be reimbursed for it? Talk to me about how you're accounting for it.

MS. ROUNDS: I would actually need to call up Athena Gagnon to answer that question.

MS. GAGNON: Hi. Again, I'm Athena Gagnon, Department of Health and Human Services. So for the CHIP reauthorization for the enhanced match for State Fiscal Year 18 we had budgeted the first quarter at the enhanced match because at that point we knew that the authorization at least carried us through September 30<sup>th</sup> of '17. We had then budgeted the remaining three-quarters of State Fiscal Year 18 and all of '19 at 50% match. So how we get that enhanced match for the CHIP children is their CMIA which means as soon as we incur the expense, the payments are made. We get the enhanced match at 88%. So, again, while we had budgeted 50% for three-quarters of the Fiscal Year, we're actually earning 88%.

SEN. SANBORN: So the 25 you're showing as potential income is the difference between the 50 and the 88.

MS. GAGNON: Correct. And it's the -- it's the gap between what was budgeted and what we're actually earning.

SEN. SANBORN: Okay. So found money.

MS. ROUNDS: I don't know that I would use that term.

SEN. SANBORN: If we approved the budget at 50% --

CHAIRMAN KURK: If we had been --

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SEN. SANBORN: Didn't we --

CHAIRMAN KURK: If I had been fully aware of this at the time we did the budget this would not be occurring.

SEN. SANBORN: I'm asking politely.

CHAIRMAN KURK: What happened -- what happened, I believe, was the Department assumed that the Act would not be re-authorized and, therefore, they budgeted at the traditional level of 50/50. In point of fact, the Act was re-authorized and surprise, surprise, it went up to 88% for two years. So we budgeted more in General Funds. The difference between the 50 and the 88% that we needed. We're being reimbursed at 88-cents on the dollar, and, therefore, the difference is General Funds that are not being expended.

SEN. SANBORN: And so I guess I'm not sure if I asked the question to you all or I'm asking to the Chair, that if there's a \$25 million unanticipated realization of General Fund money, who makes the policy of where that money goes or does it just go to surplus?

CHAIRMAN KURK: If we do -- if the Legislature takes no action that will fall to surplus and then at the end of the year will go to the Rainy Day Fund, unless we take some other action. At the end of the biennium, if the Rainy Day Fund is full, would go to surplus and then carried over to start off Fiscal Year 20.

SEN. SANBORN: Okay.

CHAIRMAN KURK: But I can assure you that action is being taken on the House to deal with this matter.

SEN. SANBORN: The House wants to spend everything. I get that.

CHAIRMAN KURK: Not spending necessarily, please. Preserving.

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SEN. SANBORN: There's two words for that. All in the definition, Mr. Chair. All in the definition.

CHAIRMAN KURK: Further questions or discussion?

SEN. SANBORN: Hum -- on the Dashboard?

CHAIRMAN KURK: On the Dashboard.

SEN. SANBORN: So, ladies, thank you. So I noticed on the Dashboard there seemed to be a little bit of an aberration and I'm going to number seven and number eight on your results that which is on social services under TANF and APTD. Under TANF a year ago we were -- looks like we were down to about five -- actually 4900. But now we've jumped back up to 7,000. So on a percentage basis there seems to be a noticeable tick that seemed to be a bit of an aberration. So I don't know if we had changes in policy or something has happened that make a pretty significant change there.

I also see the same thing on Table 3 under mental health. We're seeing an increase in 13,000 to 15,000. So it just seems like a change from what has been a relatively consistent presentation of where we stand today.

MS. ROUNDS: I don't know that I can speak to the mental health, but I believe the first one you're asking questions about is regarding CCDF, the child care.

SEN. SANBORN: FANF.

MS. ROUNDS: I don't know if I have that information.

SEN. SANBORN: Page 7 on the Dashboard. Seeing an increase of 40% in a year where it's been very, very stable for --

CHAIRMAN KURK: It's on Page 7 and it's Table 7.

MS. ROUNDS: Thank you.

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SEN. SANBORN: First column on the left-hand side on the bottom, April '17 to January of '18.

MS. ROUNDS: I would have to get back to you on that. I can look at that and get you that information.

SEN. SANBORN: And also on Page 8, your report number 8, same thing from December of '17 to January of '18 we are seeing an increase from thirteen six to 15,000.

MS. ROUNDS: Okay.

SEN. SANBORN: It seems like a relatively large change in the numbers that are presented.

MS. ROUNDS: Okay. I'll get back to you on that. Thank you.

CHAIRMAN KURK: Further questions on the Dashboard? There being none, are there questions on any other information item?

REP. OBER: Well, Mr. Chairman, could I ask the Commissioner questions about item 076? I think she's here. That's about state health insurance.

SEN. SANBORN: I also actually have a question on Table 16 as well.

CHAIRMAN KURK: Table 16 on?

SEN. SANBORN: On the Dashboard.

CHAIRMAN KURK: On the Dashboard. You want the same information?

SEN. SANBORN: I guess more holistic. I haven't seen this page before and I've been gone for a couple moths. If you'll allow, Mr. Chair.

So, ladies, it's showing unique, I call belly buttons or clients, who are receiving substance abuse disorder services and

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with a general recognition that we have a pretty -- that I would consider to be a very significant opioid crisis that we're facing where we regularly talk about 10% of our population are struggling with some sort of a substance use disorder. To see that only 4,000 or 4500 people under Medicaid are getting service for it, it struck me as a low number. But I have no basis but I wish to say that. But it just seems we've got 200,000 people that are presently on Medicaid and Medicaid Expansion with another 35,000 people who qualified that are not today getting services on it. So we have got a roughly 230,000 people who qualify for services under Medicaid, but are we saying only 4,000 of them are actually seeking treatment today? It just -- again, just numerically I just -- finance guy, right?

MS. ROUNDS: I can appreciate that. Yes, I'll look into that as well and let you know.

SEN. SANBORN: If you could tie that to spend would be great, too.

MS. ROUNDS: Okay.

SEN. SANBORN: How much we are actually spending in this bucket.

CHAIRMAN KURK: Thank you very much, ladies. Is someone available from the Department of Health and Human Services to discuss questions about the State Retiree Health Plan? And I see someone who looks as though she's in a position to do that. Good morning, folks.

CATHERINE KEANE, Deputy Commissioner, Department of Administrative Services: Good morning.

CHAIRMAN KURK: This is Fiscal 18-076, an information item dealing with State Employee Health Insurance Plan.

CHARLES ARLINGHAUS, Commissioner, Department of Administrative Services: For the record, Charlie Arlinghaus, Commissioner of Administrative Services.

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MS. KEANE: Cassie Keane, Deputy Commissioner of Administrative Services.

SARAH TRASK, Administrator, Bureau of Risk and Benefit Management Services, Department of Administrative Services: Sarah Trask, Risk Management Services.

CHAIRMAN KURK: Thank you and good morning. Representative Ober has a question.

REP. OBER: Thank you, Mr. Chairman. Cassie, I just really wanted to know how we were doing with our statutory reserve, because we all know a couple years ago we took it down pretty low. How is that now?

MS. KEANE: On retirees we're maintaining the reserve at 5%. We've reported that to the Fiscal Committee in the past, and we are running with very positive experience.

REP. OBER: Okay. Great. Thank you.

MS. KEANE: You're welcome.

REP. OBER: Seeing three people walked up for that.

CHAIRMAN KURK: There being no further questions, thank you, folks, very much.

MS. KEANE: Thank you.

SEN. SANBORN: Exercise day, Commissioner. Just exercise day.

CHAIRMAN KURK: Is there any other item that Members wish to ask about?

SEN. SANBORN: Yes, PDMP.

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CHAIRMAN KURK: Is there someone here who can respond to the Prescription Drug Monitoring Program questions?

REP. OBER: What's the number of that, Andy?

SEN. SANBORN: Seventy-two.

REP. OBER: Seventy-two. Thank you.

CHAIRMAN KURK: Good morning, folks.

MICHELLE RICCO JONAS, Administrator, Prescription Drug Monitoring Program, Division of Health Professionals, Office of Professional Licensure and Certification: Good morning.

MICHAEL BULLEK, Administrator, Division of Health Professionals, Office of Professional Licensure and Certification: Good morning.

CHAIRMAN KURK: Could you identify yourselves for the record, please.

MS. RICCO JONAS: Michelle Ricco Jonas, Program Manager for the Prescription Drug Monitoring Program.

MR. BULLEK: Mike Bullek, Administrator, Chief of Compliance for the Board of Pharmacy.

CHAIRMAN KURK: Thank you. Representative -- excuse me, Senator Sanborn has a question.

SEN. SANBORN: You guys, thanks so much for coming in. Truly appreciate it. I'm not delving too much into the audit because I know you guys are working your best to try to get your hands back around this. My question was more just about the PDM Program itself, right. So a year ago if we gave out 560,000 -- sorry -- a year -- in March of '17, 632,000 individual prescriptions and that was nearly half of that, 41%, was opioid based.

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MS. RICCO JONAS: You're looking at the graph, the data that I gave you? That's quarterly data.

SEN. SANBORN: Right, so a year ago. Not for the year but for the quarter.

MS. RICCO JONAS: Right. Yes, thank you.

SEN. SANBORN: My apologies.

MS. RICCO JONAS: That's okay.

SEN. SANBORN: So the report that you're giving the edification of my Committee Members, this is a quarterly report. So in the quarter from January to March there were 632,000 prescriptions of which 40% of them were for opioids.

MS. RICCO JONAS: Correct.

SEN. SANBORN: And in March of '18, again for the quarter, 560,000 individual prescriptions, 38% of them for opioids.

MS. RICCO JONAS: Correct.

SEN. SANBORN: So slight statistical variation, but we still seem to be prescribing nearly a million prescriptions, right, for opioids in the course of a year.

MR. BULLEK: Hm-hum.

SEN. SANBORN: For 1.3 million people which leads me to believe the same concern I had today that I always have and you all know, this is no surprise to you, why I'm so concerned that we have a faucet that rages when it comes to dispensing opioid drugs. We know 93% of the people who say they're addicted say they started with opioids with prescription drugs. So it's great that we're getting some data and I appreciate that but I'm concerned, right? I'm not going to lie to you. You guys know I'm always concerned about this.

MS. RICCO JONAS: So 38% of the 561,000 were opioids.

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SEN. SANBORN: Yes.

MS. RICCO JONAS: For the quarter of 2018.

SEN. SANBORN: Right.

MS. RICCO JONAS: Okay.

SEN. SANBORN: Nearly 200,000.

MS. RICCO JONAS: Yes.

MR. BULLEK: We're on a downward trend which is a good thing compared to what we were.

SEN. SANBORN: By a couple points.

MR. BULLEK: And, you know, again, it all comes down to the pen. We have to work with our providers to educate them to either use alternate types of therapy or non-opioid prescriptions and the quantity limitations that go along with it. So it's education process, Senator. And, you know, we're trying to work at it from a couple of different angles. This is one. Another is going to be going out into the community and, you know, talking to them, you know, through programs that we do. Or -- hum -- you know, if we find issues where we see overprescribing, our investigators go and do talk directly to the doctors in that regard.

SEN. SANBORN: Follow-up.

CHAIRMAN KURK: Follow-up.

MS. RICCO JONAS: Okay.

SEN. SANBORN: So of the 632,000 prescriptions and 561,000 prescriptions, my question is you have certainty that's the total number of prescriptions that have been dispensed?

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MR. BULLEK: Hm-hum.

SEN. SANBORN: What percentage of those what the PDMP system used as a check before the prescription was dispensed on opioids.

MS. RICCO JONAS: So that's one of the things we are actively working on, and we're actually working with another state who have been very successful in that exact measurement. The state --

SEN. SANBORN: We used to have that number.

MS. RICCO JONAS: Right, no. Well, we're working towards the analysis of it. So one of the things that just got passed with our budget is the ability to hire a full-time analyst. So that will be -- that person will be on board in July. And in preparation of that person coming on board, we've connected with other states who have developed those measurement mechanisms to look at how to measure the utilization piece and put that -- to be able to put that system in place when that person's on board to be able to give you that information.

So of these number of prescriptions, how many practitioners, what is the percentage of practitioners that we're able to query the system at the time, and we'll be able to show that in a data form.

SEN. SANBORN: Follow-up, Mr. Chairman?

CHAIRMAN KURK: Sure.

SEN. SANBORN: But we used to get that information.

MS. RICCO JONAS: I mean, we had it on an individual; but I don't have -- I personally don't have a mechanism to show you the identifying percentage data. We're working with other states who have been able to put that into a formulary, and I need staff to help me to do that. We did have assistance through the Institute of Health Policy and Practice. We went after a federal

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grant to continue that relationship, but we didn't -- we weren't successful in obtaining that grant. So that assistance has gone aside. We were successful with the funding with General Funds to now hire an -- an analyst full-time.

SEN. SANBORN: And do we have the ability -- I apologize -- do we have the ability to look at the number of pills per prescription and include that in the data? Because, clearly, the Legislature made some pretty significant changes in the allowed numbers of opioids per prescription, right? We went from 90 days down to seven, I think, at some level. So, I mean, clearly, I'm aghast and freaked out that we're doing 200,000 opioid prescriptions a quarter in our state with a million -- 1.3 million people. But now I'm concerned how many -- you know, how many pills are each prescription? Because if we're doing 200,000 90-day supply or only doing 200,000 seven day supply completely changes the dynamic.

MS. RICCO JONAS: With our current system we migrated over to the Appriss system. Our current data analysis system doesn't allow us necessarily to get to that granular but with an enhancement we would be able to do that. So we are working with our funding formulary to add advance analytics to our package.

MR. BULLEK: This -- in this state we can only dispense a 30-day supply of an opioid med. We have discussed at the Board level of going back to our old formulary which was a 34-day supply or 100 dosage units, whichever was -- whichever was greater and putting a cap that way. But there has been an awful lot of talk about initial prescriptions on opioids of the seven-day quantity limit. And that's, again, that's something that the Pharmacy Board rules can't put into play. That may have to come back to going to the Medical Board or maybe a statute change to achieve that.

Pharmacy Board can put in things where we -- in our rules where we can ask pharmacists to question high dose prescriptions. That's actually being discussed in our rules now on anything over 100 morphine equivalence is going to require both an a Naloxone consult and a phone call to the provider.

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Some of the stuff that we would like to do would probably have to come back as a statute change.

CHAIRMAN KURK: Representative Eaton has a question.

REP. EATON: I'm going to go the opposite direction. I'm not aghast by the numbers, by any means. I actually have a concern -- I guess there's a couple of questions and that is when you're talking with providers is there intimidation factor, a fear factor, because I've been hearing this out in the field that doctors are concerned about prescribing anything. My concern is how many people are sitting out there needlessly in pain because they're not getting the meds that they do need which are opioids?

MS. RICCO JONAS: Correct.

REP. EATON: This whole fear of the epidemic is channeling into real care.

MR. BULLEK: I can answer that question two ways, sir. First of all, pharmacists has corresponding liability on any prescription that is filled. And if they don't like a quantity or directions or something of that nature, they can refuse to fill a prescription if they don't get the answer correctly from the doctor they're looking for.

Second issue comes up with insurances. A lot of your insurance companies now are putting manual limits on quantities and day supply. And that is causing us -- we're getting quite a bit of feedback from the pharmacy community on that end of things. And, you know, oncology patients, cancer patients, we're seeing it more with them.

MS. RICCO JONAS: Hospice.

MR. BULLEK: It's becoming a concern. Whether the Board of Pharmacy can deal with that on our level, not really -- can't really answer that. I think that we need to take a really strong look at how opioids are prescribed in this state and come up

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with a plan and the Board, you know, the Board of Pharmacy, the Board of Nursing, and the Medical Board really has to sit down and formulate a plan together as to how we are going to attack this. Right now we're all over the place with this. And you're correct, I have a complaint right now from a provider out in Hanover who had a buprenorphine prescription refused by a pharmacist. I understand the pharmacist called and stated they wouldn't fill the prescription unless the provider gave them the medical notes proving why he was using it. Needless to say, we attacked that this morning and, you know, coming from individual pharmacists, coming from individual chain stores, everybody is on a different page with this, and we need to come to an agreement.

REP. EATON: And how you going to do that?

MR. BULLEK: I think it's going to end up having be a legislative agreement on your end that's going to -- going to bring us all together for that.

MS. RICCO JONAS: And I will add to that that I get often a number of calls from patients who -- who are being told that they are no longer going to be getting treatment. That their provider's going to wean them off of their drugs because the rules say or the State says that they can no longer be on these drugs any more. And I will give them the rules. I will provide them the rules that are in place. And it doesn't say that they can no longer be on these medications anymore. It defines what a practitioner has to follow when prescribing controlled substances for chronic pain. But it doesn't say they can't do it anymore. It just says what they have to do if a person is going to be on controlled substances for more than 90 days. And so there's, I think, a confliction or perception, misunderstanding, or uneasiness that, you know, someone is, you know, going to do something wrong or whatever. I think it's going -- the pendulum's sometimes going way too far one way or another, and there's definitely a lot of education that has to be done, specifically with patients who are dealing with chronic pain.

CHAIRMAN KURK: Further question.

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REP. EATON: Follow-up is, I know there's folks out there that are in pain on a daily basis that are not being taken care of. There are new patients coming in that are not going to be taken care of either because a doctor or pharmacist is either afraid or objecting. You said there needs to be conversation. Is that something you folks can do between now and the upcoming session and get that resolved with the medical community, with the providers, with the pharmacists, in some sort of joint discussion or do we need to now before end of session find a bill to establish a Task Force to have a legislative solution ready for us at the upcoming session?

MR. BULLEK: If you want it to have the teeth to be able to enforce it or be able to bring it together, I would say that you are in a better position than we are to be able to do that.

REP. EATON: And next follow-up is since we have some Health and Human Services people in the room and there's some bills floating still, would you be willing to offer to us some sort of language since you know the players that need to be involved and essentially what needs to be done to get this fixed?

MR. BULLEK: Yes, we can provide that.

REP. OBER: Mr. Chairman.

CHAIRMAN KURK: Just so you know, you have two or three days.

MR. BULLEK: Two or three days? Nothing like pressure, Representative Kurk.

CHAIRMAN KURK: The last time this Committee will be acting on bills will be Tuesday. So we would need the amendment before then.

MR. BULLEK: You taking good notes?

MS. RICCO JONAS: Yep.

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MR. BULLEK: Right.

CHAIRMAN KURK: Representative Ober.

REP. OBER: I'm going to be opposite.

REP. EATON: I'm shocked.

REP. OBER: I think the last day has passed. This is a significant issue that deserves the public's input, that deserves careful thought and process. We are beyond where we can post anything in the calendar for next week.

CHAIRMAN KURK: If it's a non-germane amendment. But if it's a germane amendment, we can add it onto the bill.

REP. OBER: Mr. Chairman, this is a brand new idea for this Task Force to do this. Whatever you do would be non-germane because nobody has had a chance to chime in. And I think when you rush to judgment -- and we've had a couple of bills for the PDMP. You guys have been in Division I recently.

MR. BULLEK: Hm-hum.

REP. OBER: We're making some small but appropriate steps. We don't even have the analyst that they talked about yet. Somebody who would be able to provide backup data for such a Task Force. I really don't think you need a bill. You may want to have an ad hoc group that meets over the summer and I know you guys have always met with me --

MR. BULLEK: Hm-hum.

REP. OBER: -- when I needed. I didn't have to have a bill to call up the phone. You always came and worked with me. I just think it's too late to try to rush something right now.

MS. RICCO JONAS: Can I propose something based on Representative Ober's comments? We are doing a strategic

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planning process in June as a result of our audit. Some initial conversations might start there. And then let that proceed potentially through the summer and we know that there's going to be some legislation that will likely be proposed in the next session. And if as a result of that maybe we could if we don't have enough as a result of those conversations, we could then more formally do what Representative Eaton is suggesting.

REP. OBER: I agree.

CHAIRMAN KURK: Why don't you folks get together perhaps at some time beyond --

REP. OBER: I think two of us right here would be happy to help.

CHAIRMAN KURK: Excuse me, Representative Ober. Beyond the Fiscal Committee and work it out.

MS. RICCO JONAS: Okay. And then that way it doesn't feel so rushed.

REP. OBER: Right.

CHAIRMAN KURK: Thank you. Senator Giuda.

SEN. GIUDA: Thank you, Mr. Chairman. You have a great complex task and my question would be this. Have you developed a process, and this might be your strategic planning, an end-state product, an end-state process and product that will drive to reducing the abuse of opioids while meeting the needs of legitimate customers? Have we gotten that far yet or are we still --

MS. RICCO JONAS: I think that's part of what the strategic plan is looking at and to look at, more appropriately, the way the legislation as it relates to the prescription drug monitoring is because I think there's a lot from the way the original legislation was written whether or not we can actually do some of the things the way it was written so we're looking at

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all of that. And then what are the measurements we really have to look at to get to the points that you're talking about.

SEN. GIUDA: Thank you very much.

SEN. SANBORN: Mr. Chair, I actually want to get back to policy for a second.

CHAIRMAN KURK: We do have other items so this is your last question, please.

SEN. SANBORN: Thank you. The things I had asked for can we get prescriptions, can we get this data, you say you're working on it. You guys have a date by which you can tell this Committee that the report's going to be a little bit more comprehensive that we can drill down a little bit?

MS. RICCO JONAS: Hum -- we're hiring someone for July. We're work -- and in the meantime, I'm working on collecting how we will be able to collect that data. I'm working with the vendor to make sure that our database is capable of getting the data that we need once we have the staff person to be able to work with the data to produce the results that you want. So between now and --

CHAIRMAN KURK: End of year?

SEN. SANBORN: End of year?

MS. RICCO JONAS: Well, we'll hopefully be able to produce quarterly data is our end goal and then annual reports. Because, technically, legislatively it's an annual report, but we want to be able to do quarterly information.

**AUDITS**:

CHAIRMAN KURK: Thank you both very much. Is there any other agenda item, information item people wish to discuss? There being none, then at this time I'd like to recognize Mr. Smith

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for the presentation of the Single Audit of Federal Financial Assistance Programs.

Good morning, folks, and welcome to House Finance. Some of you look very familiar.

KAREN FARRELL, KPMG: Yes, we have been here before.

STEPHEN SMITH, Director, Audit Division, Office of Legislative Budget Assistant: Good morning, Mr. Chair, Members of the Committee. For the record, I'm Steve Smith, Director of Audits for the LBA. Both of these reports that we'll be presenting will be done by KPMG. They're under contract with us for the Single Audit and the Management Letter is also a follow on from the CAFR audit. So beginning with the Single Audit here from KPMG is Jayme Silva, the Partner on the engagement, and then Karen Farrell, the manager. And also joining us from Admin Services is Commissioner Arlinghaus and Dana Call, State Comptroller. I'll turn it over to KPMG.

JAYME SILVA, Partner, KPMG: Good morning. This is Jayme Silva. We are going to present the Single Audit. So we are not going -- I think I've said this before, but we're not going to -- this is the report we're going to talk about today, the gray book. We are not going to cover -- I think there's 500 pages. We are not -- we are going to cover I think four pages out of this book. We're going to do a very brief Executive Summary of the opinion and then we are going to talk about something in the report on a finding that we believe would be interest -- something that would be interesting to the Committee to hear today.

So if you go to Page D-3, and there's Appendices, etcetera, but D-3 is KPMG's opinion on the Single Audit. The Audit opinion is four pages long or so. What I can say is we have completed the audit. The opinion was dated March 29, 2018. And this report you see in this book was logged on time to the Federal Government which has a due date of March 31<sup>st</sup>. So New Hampshire -- I think I've been on the account five years or so -- a timely filer for this report.

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Now what the report says in the four pages, there's opinions attached to the four pages. And so it's on compliance of certain programs that we audited and the related internal control. So what I can tell the Committee is we had 21 programs under audit for Fiscal 2017 and you can see on Page D-4 we actually had eight qualified programs. You can see them on the left-hand side. And really, as a synopsis, three out of the eight related to subrecipient monitoring. Karen Farrell, my manager, is going to get into one of these in a minute. What I can also say related to the 21 programs, I think there was a question a year ago pretty much to the day, was what does this report mean? And so what I can say is we have compliance findings and the severity is on D-4. There's eight programs that we had qualifications and then the other programs that we did had clean opinions; but there's also internal controls related to findings. And so at D-5 and D-6 has are material weaknesses and significant deficiencies. And what I can say for 2017, we had 12 material weaknesses in 2017 and 35 significant deficiencies.

Now -- and I'll just be brief. A material weakness is sort of a magnitude is over here and significant deficiencies sort of falls in the middle and control deficiency. So the severity material weaknesses is the one that used to be called reportable conditions in severity. What I can say as a summary, if you look at material weaknesses year on year, 2016 to 2017, that we audit different programs, what I can say is I said we had 12 for '17. There were 24 in '16. So the severity of material weaknesses has gone down.

What I can say for qualified opinions, we had nine in '16. We have eight for '17. So those pretty much, depending on what we audit and what programs is what we have. So I guess I'll pause for questions on the opinion before we go to one other thing that we -- I think will be interesting for the Committee. Anything on the opinion itself?

CHAIRMAN KURK: Your opinion basically states that you audited these and they -- and you found that these programs are  
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in compliance with the federal requirements and that's all you're telling us.

MR. SILVA: Correct.

CHAIRMAN KURK: Thank you.

SEN. SANBORN: Mr. Chair.

CHAIRMAN KURK: Senator Sanborn.

SEN. SANBORN: Thank you. Did I understand you correctly because I guess my reluctance this morning from what you looked at last year, the reducing number for betterment is, of course, we have a great Commissioner who always makes everything better every day, like peanut butter and apple pie. That they're reducing qualifications. Are you looking at the exact same programs. I thought you were looking at different programs every day. So hard for me to say apples to apples to apples here if you're looking at different programs.

MR. SILVA: So the opinions that we -- the programs that we qualified last year come back so '16 we had nine. Those automatically come in to be audited for '17. So there is -- there's some apples and oranges, but there's some apples to apples. I don't have the remark here, but we had 21 programs last year. I bet you at least half we looked at the same 16 to 17. So probably 12 to 13 we looked at similar and then we rotate programs in that that are clean. The federal government says you want to rotate programs to get all material programs in once every three years.

SEN. SANBORN: Great. Thank you.

MR. SILVA: Yes.

CHAIRMAN KURK: Please continue.

MR. SILVA: Okay. So one other item that we're going to note is a finding. So we have 49 findings in the Appendix F. And I

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think there's one finding that I believe is going to be interesting to this Committee, so we go to Page F-16. And this is a cash management finding related to Medicaid Assistance Programs, Finding 2017-004. This is a new finding for '17. And so this is -- it's very brief. It's really three or four pages. I'm going to let Karen talk about just factually what we found as the cash management finding and then maybe have Charlie or Dana chime in from the standpoint of what the -- what the view of the officials of the State of New Hampshire is. I think that might be better served for this purpose today. So Karen.

MS. FARRELL: Okay, thanks. Karen Farrell, with KPMG for the record. As Jayme mentioned, this cash management finding resulted in a qualification of the opinion for cash management and was a material weakness in controls over the cash management compliance requirement and it relates to the State -- excuse me -- deferring at year-end \$26 million of Medicaid federal funds that it believed were overdrawn.

The State currently now is in the process of reconciling that deferral to a proper resolution. But at the time of our audit opinion that reconciliation process was still ongoing. And I believe that the Department of Administrative Services would like to give you a status of that.

MR. ARLINGHAUS: Hi, Charlie Arlinghaus. The -- so the \$26 million was -- is deferred revenue. So it's not in the Fiscal 17 numbers. And one of the things that we've been doing since this was found during the year-end closing and, frankly, set aside to figure out what it was. We have been working very closely -- God knows how many hours Dana and her people have spent on this -- with HHS to determine whether the money's properly drawn or not properly drawn, and whether -- that is to say, whether we can recognize it as revenue or whether the money has to I'm going to say go back but not be taken. And where we are today is that based on a review of the series of internal ledgers at the Department of Health and Human Services, we believe this money is properly drawn and we believe the State can now recognize it as revenue.

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There is a great deal, as the audit finding will show you, there's a great deal of work still going on. There's a lot of different controls that are being implemented as a result of this. Kerrin Rounds, the new CFO there, and her team have been very helpful and very useful to us. But that's the status of it today and that's where we think it is.

CHAIRMAN KURK: Was that part of your audit or not, 26 million?

MR. SILVA: Yes, it was part of what we did. We looked at the 26 million, the different reconciliations, the internal ledgers that the State provided us to look at.

CHAIRMAN KURK: But I don't see that number in this report on Page F-16. Did I miss it?

MR. KANE: Seventeen.

CHAIRMAN KURK: Oh, it's at the top of 17.

SEN. D'ALLESANDRO: Right at the top of 17.

CHAIRMAN KURK: Thank you. How solid is that? Is that money in the bank?

MR. ARLINGHAUS: In terms of "in the bank", you mean is it currently "in the bank" or is it --

CHAIRMAN KURK: As we proceed --

REP. OBER: How literal are we?

MR. ARLINGHAUS: Yeah.

CHAIRMAN KURK: So let me ask, at the end of the session as the Legislature proceeds to deal with financial issues, can we assume that --

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MR. ARLINGHAUS: Yes, you can assume that that money is available.

CHAIRMAN KURK: Thank you. Even though it may not be in hand today, it is -- it will be in hand by the end of this Fiscal Year.

MR. ARLINGHAUS: Yeah. And I think it might actually be in hand today.

DANA CALL, State Comptroller, Department of Administrative Services: Yes.

CHAIRMAN KURK: That's even better than the end of the session. Representative Ober and then Senator Sanborn.

REP. OBER: Okay. Commissioner, is this money that's going to the General Fund or money earmarked for an agency?

MR. ARLINGHAUS: Well, it's money that -- I mean, functionally, if we had recognized it and not chosen to defer it at the end of '17, the money would otherwise have lapsed. So because it's -- essentially it's associated with the Medicaid Program, and it's as you -- as you went through the discussion of CHIP earlier in this meeting, most of it is related to CHIP and it's functionally that. So it is federal revenue but displacing General Funds and, therefore, it would be available as General Fund money if it had lapsed.

CHAIRMAN KURK: Because the numbers are very similar, I want to make sure we are not triple counting. My understanding from HHS is that there is -- and the Dashboard shows this \$25.5 million of General Funds that we will be getting this Fiscal Year from the difference between what we budgeted for CHIP in General Funds and the actual expenditure from that account. Is this the same money?

MR. ARLINGHAUS: No, I don't know if the 25 is right and they do. I don't think we even looked at that. But this 26 is

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absent all of that. This is -- while there are similar reasons, it's unrelated.

CHAIRMAN KURK: So this comes from '17 -- '16 or '17?

MR. KANE: '17.

MR. ARLINGHAUS: Fiscal 17.

CHAIRMAN KURK: Fiscal 17 and the money that I was talking about is Fiscal 18.

MR. ARLINGHAUS: That's correct.

CHAIRMAN KURK: Plus I understand there's going to be even more in Fiscal 19.

MR. ARLINGHAUS: Not a question for me.

CHAIRMAN KURK: This would have been -- this would have been very -- thank you. Senator Sanborn.

SEN. SANBORN: Thank you. So, Charlie, I just want to make sure I'm clear. So it's your estimation at this point that we could be looking at additional revenue of the 25.5 from CHIP, plus your 26, of which none of which has been appropriated or pledged.

MR. ARLINGHAUS: Yeah, I'm not sure I would describe it as my 26, but --

SEN. SANBORN: It's in your bank.

MR. ARLINGHAUS: Yes.

SEN. SANBORN: You did say your bank.

MR. ARLINGHAUS: It's in your bank. You're the Legislature. You appropriate. No, that money has not been appropriated.

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SEN. SANBORN: So 50 million bucks, 52 million bucks.

MR. ARLINGHAUS: And I can speak to the 26.3.

CHAIRMAN KURK: Senator Sanborn, plus a comparable amount in '19.

SEN. SANBORN: Of both?

CHAIRMAN KURK: 26 plus 25.5, plus 25 to 30 for '19.

SEN. SANBORN: But not --

CHAIRMAN KURK: It's a total of roughly 75.

SEN. SANBORN: Total roughly 75.

CHAIRMAN KURK: Over the biennium.

SEN. SANBORN: Of unappropriated revenue on the line item.

CHAIRMAN KURK: Correct. And that has nothing to do with any additional revenue we might get from our standard revenue sources.

SEN. SANBORN: Correct.

CHAIRMAN KURK: Various business taxes and so forth.

REP. WEYLER: Or litigation awards.

CHAIRMAN KURK: Yes, or litigation awards.

SEN. SANBORN: Should we be spending that before we get it in?

CHAIRMAN KURK: Did you folks -- we've asked enough questions. Did you folks wish to continue?

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MR. SILVA: Those are our prepared remarks for the Single Audit. I don't know if Charlie and Dana had anything further.

MR. ARLINGHAUS: Did everybody get the one -- the one-pager Dana prepared?

REP. WEYLER: Appreciate it.

REP. OBER: This is great.

MS. CALL: I would like to thank Steve Giovinelli for that because he handles that, but he wasn't able to be here today.

REP. WEYLER: We miss him from LBA.

SEN. SANBORN: I miss him as an employee so many years ago.

CHAIRMAN KURK: Mr. Arlinghaus, did you wish to comment further? Is your presentation completed?

MR. ARLINGHAUS: Hang on a second.

SEN. SANBORN: Never get in trouble for what you won't say, Commissioner.

MR. ARLINGHAUS: It's a very large book. It represents an enormous amount of effort, and it was not possible without the stellar work of KPMG, who does a lot of work, and Steve Giovinelli, who isn't here, but does a ton of work on this, and Steve and the LBA staff who are remarkably helpful.

CHAIRMAN KURK: I want you to know you set a very high bar for yourself because next year we are looking forward to 50 million.

REP. OBER: No pressure.

CHAIRMAN KURK: Mr. Kane, do we need a motion on this?

MR. KANE: Yes.

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\*\* REP. WEYLER: I move we accept the report, place it on file and release in the usual manner.

REP. OBER: Second.

SEN. GIUDA: Second.

CHAIRMAN KURK: Seconded by Representative Ober. Are you ready for the question? All those in favor, please indicate by saying aye? Opposed? The ayes have it. And the item -- and the motion is adopted.

\*\*\* {MOTION ADOPTED}

CHAIRMAN KURK: Thank you all very much.

MS. FARRELL: Thank you.

MR. SILVA: Thank you.

CHAIRMAN KURK: Our next meeting will be on May 18<sup>th</sup>.

MR. KANE: There's one more, just a Management Letter.

REP. WEYLER: Management Letter, also.

MR. KANE: There's the Single Audit and the follow-up Management Letter from the CAFR which should be quick.

CHAIRMAN KURK: I apologize, Mr. Smith. I forgot.

MR. SMITH: Thank you, Mr. Chairman. As was said, this is the Management Letter. It's really composed of two letters, and it's a function of the financial reporting controls as a follow-on from the CAFR audit work. And to present this from KPMG is Marie Zimmerman. She was the Partner on the CAFR audit and Beth Clague, the manager.

CHAIRMAN KURK: Good morning.

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MARIE ZIMMERMAN, Partner, KPMG: Good morning.

CHAIRMAN KURK: Do you have \$26 million, too?

MS. ZIMMERMAN: We worked together at that. Good morning, Chairman, and Committee. For the record, my name is Marie Zimmerman. I'm the Lead Engagement Partner on the financial statement audit. We had presented our opinion on the financial statement audit back in the January meeting. Today, we are just presenting our report on internal controls over financial reporting.

The first report is actually in the book that you have. It's on Page D-1 and D-2. That is what we consider our yellow book report. That report would summarize any material weaknesses that we had identified and significant deficiencies. We do not have any material weaknesses that we identified. We did identify three deficiencies that we consider in the aggregate to be a significant deficiency over capital assets as they relate to year-end financial reporting, and those are noted within the report that Jayme Silva went through.

Within our Management Letter, the second letter, you will not find that in this book because it is only addressed to management and yourself, the Committee. It is not provided to the federal government as a part of the entire book in the data clearinghouse.

That letter we had identified eight deficiencies. As Jayme had described, deficiencies are less severe in nature. Five of those deficiencies related to year-end financial reporting. Management agreed with all the deficiencies that we had identified and has been already taking corrective action steps that they had provided in the Management Letter. They've already started taking those steps to put in place.

That is a summary of what I wanted to provide to you today. Does anyone have any questions?

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CHAIRMAN KURK: I do. On Page 2 there's a 24 million -- \$24.5 million figure and a \$23.3 million figure. Could you explain those and how they might relate, not from an accounting point of view, but from a financial point of view to the \$26 million we just heard about?

MS. ZIMMERMAN: They are actually a separate number; and although their values are very similar, they actually represent different amounts. We had -- when we looked at unearned revenue, we have determined it was overstated by this amount, and Management had corrected that. And, actually, throughout the -- throughout Management's year-end process, actually this amount was identified. When they went to make the adjustment at year-end in the financial records, it had just been coded, I would say, almost to the incorrect account. We had identified that as part of our audit and they made that adjustment.

CHAIRMAN KURK: So the 26 million we just heard about is not diminished by these amounts?

MS. ZIMMERMAN: It's a separate 26 million.

CHAIRMAN KURK: And these have already been accounted for and, therefore, you're telling us there was a problem but the problem has been corrected, and our financial statements reflect the corrected amounts.

MS. ZIMMERMAN: That is correct.

CHAIRMAN KURK: Thank you. Just wanted to make sure they weren't giving on the one hand and taking on the other. Are there questions from members? Thank you.

MS. ZIMMERMAN: Thank you. Have a good afternoon.

**\*\*** REP. WEYLER: Move we accept the report, place it on file, and release in the usual manner.

REP. OBER: Second.

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SEN. GIUDA: Second.

CHAIRMAN KURK: All those in favor, please indicate by saying aye? Opposed? The ayes have it and the motion is adopted. Thank you again.

REP. OBER: May 18<sup>th</sup>, Mr. Chairman?

CHAIRMAN KURK: May 18<sup>th</sup> is our next meeting. Mr. Kane, is there anything else we need to bring up?

MR. KANE: There is not.

CHAIRMAN KURK: Thank you. Then we stand adjourned.

(The meeting adjourned at 11:37 a.m.)

## CERTIFICATION

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

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