

January 15, 2010

Senator LaVon Heidemann, Chairperson
Appropriations Committee
State Capitol
P.O. Box 94604
Lincoln, NE 68509-4604

Dear Senator Heidemann:

This letter summarizes the reductions the Department of Health and Human Services (DHHS) will be making in the current fiscal year and for Fiscal Year 2011 in response to the recent special session.

FY2010

Across-the-Board Reductions:

The largest across-the-board reduction in the current fiscal year will be in Program 033 - DHHS Administration where 26.5 full-time equivalent (FTEs) positions will be eliminated, saving \$918,694 in General funds and \$42,713 in Cash funds for the remainder of FY2010. Most of the positions identified for elimination are currently or will soon be vacant, with job duties distributed among remaining staff. Elimination of these positions will also result in a reduction of \$489,991 in Federal funds. The Department's employee turnover rate has typically been higher than for State government as a whole, enabling the Department to accomplish this reduction in FTEs through attrition rather than through layoffs.

The next largest across-the-board reduction is in Program 263 - the Division of Medicaid and Long-Term Care. The Department will reduce General Fund expenditures for Medicaid Reform (\$556,811) and for the Medicaid Enrollment Center (\$175,000). The Medicaid Reform administrative savings result from less usage of the enhanced care coordination program than initially anticipated. The Medicaid Enrollment Center performs the enrollment broker services required for the Medicaid managed care program. The contractor was able to perform the duties of the contract for less funds than previously budgeted. In addition to reductions in General Funds, these reductions will result in lowering our federal expenditures by \$731,811.

Reductions will also be made in Program 261 - Operations by lowering mainframe charges (\$225,000). In addition to General Funds, lowering mainframe charges will result in a \$225,000 reduction in Federal funds.

Additional across-the-board reductions in Program 033 - Administration, totaling \$534,936 in General and cash funds, will be made, including a reduction in the use of SOS/temporary employees, a reduction in expenditures for testing, a 2.5% reduction in travel for the five Service Areas, and a reduction in operating expenditures for the Divisions of Behavioral Health, Children and Family Services, and Developmental Disabilities.

In the Division of Public Health, across-the-board reductions will also be made in the current fiscal year for Programs 175, 178 and 179, totaling \$212,731 in General and Cash funds. These reductions will include a reduction in the number of student loans to medical students and/or the amount of student loans to medical students, and leaving certain vacant positions unfilled and converting salaries from General or cash funds to federal grant funds to the extent possible. An across-the-board reduction of \$97,233 in cash funds will be made in Program 622 – Cancer Research Aid. The impact would be a reduction in the funds made available to the Eppley Cancer Research Center, the University of Nebraska Medical Center and the Creighton University Medical Center for cancer research. A reduction of \$75,150 in cash funds will be made in Program 030 – the Tobacco Prevention Program. This reduction will be accomplished by providing fewer grants to community agencies for tobacco prevention activities and by reducing the amounts of the grants.

No fees will be increased during the biennium to offset cash fund transfers to the General Fund or to cover across-the-board reductions.

Specific Appropriations Reductions:

Specific reductions totaling \$23,091,000 in General Funds will also be made. Those specific reductions include the following:

- a) Reducing the Beatrice State Developmental Center Contingency Fund (Program 422) by \$10 million in the current fiscal year, part of the \$25 million appropriated for the current fiscal year to supplant federal funds lost due to federal action to decertify the participation of the BSDC in the Medicaid program. Because BSDC was not decertified until September 23rd, almost a fourth of the way through the current fiscal year, the Department will not need the entire appropriation for FY2010. This reduction will have no impact on services to persons at the BSDC.
- b) Reducing General Funds to the Medicaid Program (Program 348) by \$8,591,000. As of April 1, 2009, Nebraska qualified for enhanced federal matching funds (FMAP) for the Medicaid Program based on state unemployment rates as provided for in the American Recovery and Reinvestment Act of 2009 (ARRA). This enhanced match allows the Department to reduce General Funds to the Medicaid Program in the current fiscal year by \$8,431,000. This reduction will have no impact on services provided through the Medicaid Program. In addition, the Department will save \$160,000 in the Medicaid and CHIP programs in the current fiscal year by implementing the radiology management program.
- c) Reducing General Fund expenditures for Program 033 – Administration by \$1.8 million in the current fiscal year by replacing them with federal Child Support Enforcement incentive payments received by the Department based upon its performance in establishing paternity, establishing court orders, collection of current support, collection of arrears, and cost effectiveness. The reduction will have no impact on the Child Support Enforcement program.
- d) Transferring \$1.3 million in cash funds from the available balance in the Tobacco Prevention and Control Cash Fund to the DHHS Cash Fund to be used to offset the use of General Funds for the Children's Health Insurance Program. The \$1.3 million represents interest earnings and some savings accumulated in the Tobacco Settlement fund for which the Department has never had spending authority. This transfer will not affect the current appropriations to the Tobacco Free Nebraska program.

e) Eliminating redundant data collection. The Division of Children and Family Services currently contracts with an outside vendor for certain services including behavioral health utilization management services, quality assurance/quality improvement, data collection and data reporting. These functions will now be provided as part of the Child Welfare/Office of Juvenile Services reform contracts with the five lead provider agencies, saving the Department \$900,000 in the current year.

f) Reducing expenditures in Program 424 by \$500,000 in General funds from the \$5 million appropriated for the waiting list.

Reappropriation Reductions:

The Department will also reduce the re-appropriation of General and cash funds for FY2010 in the amount of \$54,538,281, specifically:

- \$ 2,722,300 from Program 033 – Administration
- \$ 4,767,970 from Program 038 – Behavioral Health Aid
- \$ 291,612 from Program 178 – Bureau of Examining Boards
- \$ 25,342 from Program 179 – Public Health Administration
- \$ 8,364 from Program 250 – Juvenile Services
- \$ 656,914 from Program 344 – Children’s Health Insurance Program
- \$16,774,352 from Program 348 – Public Assistance
- \$25,397,150 from Program 348 – Medical Services (Medicaid)
- \$ 2,081,751 from Program 421 – Beatrice State Developmental Center
- \$ 1,812,526 from Program 519 – Veterans’ Homes

This represents unspent carryover money from the previous fiscal year and should not result in an impact on services provided or on persons receiving services from these programs.

FY2011

Across-the-Board Reductions:

The across-the-board reductions in FY2010 will be continued for FY2011. In addition, 12.4 more FTEs will be eliminated in Program 033 – DHHS Administration, generating a savings of \$348,116 in General and cash funds and \$369,055 in federal funds. Further operational savings in all of Program 033 will result in an expected savings of \$618,746 in General Funds, \$541,309 in cash funds, and a reduction of \$638,487 in Federal funds.

In addition, a reduction in General Funds of \$1,190,003 will be made in Program 263 – Medicaid and Long-term Care - by funding the Primary Care Case Management (PCCM) contract as a service instead of as an administrative expense.

Specific Appropriations Reductions:

Specific reductions totaling \$39,460,256 in General Funds will be made in FY2011.

First, the Department will save \$14,580,256 in General Funds in FY2011 by reducing planned provider rate increases for Aid programs. These rate reductions affect the following programs: 038 – Behavioral Health Aid; 250 – Juvenile Services Aid; 344 – Children’s Health Insurance Program; 347 – Public Assistance; 348 – Medical Services (Medicaid); 424 – Developmental Disabilities Aid; 502 – Public Health Aid; 514 – Health Aid; 559 – Aging Care Management; and 571 – Aging Services Aid. Maintaining provider rates for FY2011 at the FY2010 level may result in some providers deciding to no longer participate in these programs and may affect access to services for some individuals and families.

The Department will reduce General Fund expenditures for Program 033 – Administration by \$1.8 million in the current fiscal year by replacing them with federal Child Support Enforcement incentive payments received by the Department based upon its performance in establishing paternity, establishing court orders, collection of current support, collection of arrears, and cost effectiveness. The reduction will have no impact on the Child Support Enforcement program.

As a result of eliminating redundant data collection in the Division of Children and Family Services in FY2010, the Department will save an additional \$1.6 million in FY2011.

In FY2011, Nebraska will continue to qualify for enhanced federal matching funds (FMAP) for the Medicaid Program based on state unemployment rates as provided for in the American Recovery and Reinvestment Act of 2009 (ARRA), allowing the Department to reduce General Funds to the Medicaid Program by \$15.6 million. Other initiatives within Program 348 – Medicaid will result in savings in FY2011: (a) moving to at-risk contracting for managed care for physical health services (\$2.8 million); (b) implementing a transportation broker (\$360,000); (c) continuing the radiology management program (\$320,000); and (d) eliminating Medicaid reimbursement on Medicare claims in nursing facilities (\$2.4 million).

If you have questions about any of these reductions, feel free to contact me.

Sincerely,

Kerry T. Winterer
Chief Executive Officer
Department of Health and Human Services

xc: Senator Danielle Conrad
Senator Tony Fulton
Senator Thomas Hansen
Senator John Harms
Senator Heath Mello
Senator John Nelson
Senator Jeremy Nordquist
Senator John Wightman
Sandy Sostad – Legislative Fiscal Office
Liz Hruska – Legislative Fiscal Office
Elton Larson – Budget Office

Attachments

Testing	\$	75,000.00			\$	75,000.00
SOS/Temps	\$	75,850.00	\$	109,150.00	\$	185,000.00
Total Operations	\$	200,850.00	\$	461,546.00	\$	662,396.00

Total Program 262 Reductions 2 \$ 381,821.70 \$ 505,001.10 \$ (133,900.00) \$ 752,922.80

Program 263 - Medicaid

Staff Position Reductions	FTE	General	Cash	Federal	Total
					\$ -
					\$ -
Total Staff	0	\$ -	\$ -	\$ -	\$ -

Benefits @ 30% \$ - \$ - \$ - \$ -

Total Medicaid Staff Reductions	0	\$ -	\$ -	\$ -	\$ -
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Operations Reductions	General	Cash	Federal	Total
Medicaid Enrollment Ctr	\$ 200,000.00		\$ 200,000.00	\$ 400,000.00
PCCM Contract	\$ 1,190,003.14		\$ 1,190,003.14	\$ 2,380,006.28
Medicaid Reform	\$ 582,850.00		\$ 582,850.00	\$ 1,165,700.00
Total Operations	\$ 1,972,853.14	\$ -	\$ 1,972,853.14	\$ 3,945,706.28

Total Program 263 Reductions 0 \$ 1,972,853.14 \$ - \$ 1,972,853.14 \$ 3,945,706.28

Program 264-266 CFS

Staff Position Reductions	FTE	General	Cash	Federal	Total
Acct II CSE	1	\$ 13,553.42		\$ 25,337.58	\$ 39,863.00
Prog Spec	1	\$ 12,626.24		\$ 23,600.76	\$ 37,136.00
Staff Assist I	1	\$ 28,118.63		\$ 4,735.38	\$ 33,675.00
IMFC Supervisor	1	\$ 36,320.00		\$ 7,177.01	\$ 43,497.00
Total Staff	4	\$ 90,618.28	\$ -	\$ 60,850.72	\$ 154,171.00

Benefits @ 30% \$ 27,185.48 \$ - \$ 18,255.22 \$ 46,251.30

Total CFS Staff Reductions	4	\$ 117,803.76	\$ -	\$ 79,105.94	\$ 196,909.70
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Operations Reductions	General	Cash	Federal	Total
WSA Travel 5.0%	\$ 8,734.56		\$ 13,101.84	\$ 21,836.40
CSA Travel 5.0%	\$ 5,555.38		\$ 8,333.07	\$ 13,888.45
NSA Travel 5.0%	\$ 8,413.48		\$ 12,620.22	\$ 21,033.70
SESA Travel 5.0%	\$ 6,433.24		\$ 9,649.86	\$ 16,083.10
ESA Travel 5.0%	\$ 4,544.62		\$ 6,816.93	\$ 11,361.55
Overtime Reductions	\$ 6,000.00		\$ 9,000.00	\$ 15,000.00
WSA Office Changes	\$ 37,200.00		\$ 55,800.00	\$ 93,000.00
CSA Office Changes	\$ 14,400.00		\$ 21,600.00	\$ 36,000.00
CSA Operations Reductions	\$ 6,000.00		\$ 9,000.00	\$ 15,000.00
NSA Office Changes	\$ 26,970.40		\$ 40,455.60	\$ 67,426.00
NSA Storage Reduction	\$ 220.00		\$ 330.00	\$ 550.00
SESA Office Changes	\$ 41,600.00		\$ 62,400.00	\$ 104,000.00
ESA Office Changes	\$ 70,042.80		\$ 105,064.20	\$ 175,107.00
ESA Other savings	\$ 9,600.00		\$ 14,400.00	\$ 24,000.00
Central Office Operations	\$ 9,600.00		\$ 14,400.00	\$ 24,000.00
	\$ -		\$ -	\$ -
Total Operations Reductions	\$ 255,314.48	\$ -	\$ 382,971.72	\$ 638,286.20

Total CFS Reductions 4 \$ 373,118.24 \$ - \$ 462,077.66 \$ 838,708.50

Program 267 - Service Coordination

Staff Position Reductions	FTE	General	Cash	Federal	Total
Staff Position Attrition	5	\$ 50,000.00		\$ 150,000.00	\$ 200,000.00
Total Staff	5	\$ 50,000.00	\$ -	\$ 150,000.00	\$ 200,000.00

Benefits @ 30%		\$ 15,000.00	\$ -	\$ 45,000.00	\$ 60,000.00
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Total Svs Coordination Staff Reductions	5	\$ 65,000.00	\$ -	\$ 195,000.00	\$ 260,000.00
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Operations Reductions	General	Cash	Federal	Total
	\$ 12,500.00		\$ 37,500.00	\$ 50,000.00
Total Operations Reductions	\$ 12,500.00	\$ -	\$ 37,500.00	\$ 50,000.00

Total Program 267 Reductions	5	\$ 77,500.00	\$ -	\$ 232,500.00	\$ 310,000.00
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Program 267 is funding is based on fee for service, not a match rate.

Program 268 - Behavioral Health

Staff Position Reductions	FTE	General	Cash	Federal	Total
DPI PROGRAM SPECIALIST	1	\$ 48,485.00			\$ 48,485.00

Total Staff	1	\$ 48,485.00	\$ -	\$ -	\$ 48,485.00
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Benefits @ 30%		\$ 14,545.50	\$ -	\$ -	\$ 14,545.50
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Total Behavioral Health Staff Reductions	1	\$ 63,030.50	\$ -	\$ -	\$ 63,030.50
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Operations Reductions	General	Cash	Federal	Total
Reduced travel and conferences, reduced contracts for admin services	\$ 50,000.00			\$ 50,000.00
Total Operations Reductions	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00

Total Program 268 Reductions	1	\$ 113,030.50	\$ -	\$ -	\$ 113,030.50
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Program 269 - Developmental Disabilities

Staff Position Reductions	FTE	General	Cash	Federal	Total
Staff Assist I	1	\$ 22,464.60		\$ 14,976.40	\$ 37,441.00
Total Staff	1	\$ 22,464.60	\$ -	\$ 14,976.40	\$ 37,441.00

Benefits @ 30%		\$ 6,739.38	\$ -	\$ 4,492.92	\$ 11,232.30
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Total DD Staff Reductions	1	\$ 29,203.98	\$ -	\$ 19,469.32	\$ 48,673.30
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Operations Reductions	General	Cash	Federal	Total
	\$ 15,000.00		\$ 10,000.00	\$ 25,000.00
Total Operations Reductions	\$ 44,203.98	\$ -	\$ 29,469.32	\$ 73,673.30

Total Program 269 Reductions	1	\$ 73,407.96	\$ -	\$ 48,938.64	\$ 122,346.60
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Multiple Division Reductions

CFS, PH, DD Office Consolidation		\$ 60,000.00		\$ 90,000.00	\$ 150,000.00
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	FTE	General	Cash	Federal	Total
Total Staff Savings	38.9	\$ 1,266,067.40	\$ 43,455.10	\$ 859,046.32	\$ 2,168,568.82
Total Non Staff Savings		\$ 2,970,721.60	\$ 1,021,083.90	\$ 2,887,794.18	\$ 6,879,599.68

TOTAL PRG 033 REDUCTIONS		\$ 4,236,789.00	\$ 1,064,539.00	\$ 3,746,840.50	\$ 9,051,681.10
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Total Prg 033 Reductions needed		\$ 4,236,789.00	\$ 1,064,539.00		
Over (Under)		\$ 0.00	\$ -		