

SPENDING AND GOVERNMENT EFFICIENCY COMMISSION
(SAGE Commission)
Thursday, July 24, 2008 – 10:00 am
Grant Sawyer Building, Suite 1100
555 East Washington Street, Las Vegas, Nevada

MINUTES OF MEETING

Present: David Goldwater (Acting Chair), Don Ahern, Robert Feldman, Robert Forbuss, Randy Garcia, Stephen Greathouse, Howard Putnam, Jerome Snyder, Jim Thornton, Carole Vilardo

Absent: Barbara Smith Campbell, Steven Hill, Bruce James, Jan Jones

Also present: Frank Partlow (Executive Director), J. Perry Comeaux (Deputy Director), Suzanne Kilgore (General Manager), Michael Willden (Director, Department of Health and Human Services), Dr. Harold Cook (Administrator, HHS Division of Mental Health and Developmental Services), Charles Duarte (Administrator, HHS Division of Health Care Financing and Policy), Diane Comeaux (Administrator, HHS Division of Child and Family Services); Dan Stockwell (Director, Department of Information Technology).

I. CALL TO ORDER

Executive Director Frank Partlow called the meeting to order at 10:05 a.m., with a quorum of ten Commission members present. He reported Chairperson Bruce James would not be in attendance due to medical reasons. He suggested the Commission elect an Acting Chairperson for today's meeting, according to Robert's Rules of Order.

Stephen Greathouse moved to elect David Goldwater as Acting Chairperson, Robert Forbuss seconded the Motion. Motion carried unanimously.

It was noted Agenda Item 4, the Working Lunch with Legislative Leaders, and Agenda Item 11, Possible Selection of Commission Vice Chairperson, would each be rescheduled for a future meeting date.

II. APPROVAL OF MINUTES FROM THE JUNE 26, 2008 MEETING

Jerry Snyder moved to approve the June 26, 2008 meeting minutes as presented. Robert Forbuss seconded the Motion. Motion carried unanimously.

Regarding Deputy Attorney General George Taylor's comments from the last meeting that he would review two issues for the Committee, Executive Director Partlow reported a quorum would be adjusted if a Commission member had to abstain from a vote and that "staff" groups or task force meetings where no votes are taken are not subject to the Open Meeting Law.

Commission member Garcia requested to know if it would be feasible to further explore why federal grants were not being applied for. He also asked if it was the Commission's intention to establish a process for identifying and remedying duplications. Executive Director Partlow reported he and Perry Comeaux would be going to Washington D.C. to discuss federal grants. Regarding identifying duplications, Executive Director Partlow explained the Commission would review state government in three ways: horizontally; vertically; and diagonally.

Commission members Randy Garcia and Robert Feldman introduced themselves as they were not in attendance at the first meeting.

III. DEPARTMENT OF HEALTH AND HUMAN SERVICES REVIEW

Michael Willden, Department of Health and Human Services Director, provided a brief review of his professional and personal background. He introduced Charles Duarte, Administrator, HHS Division of Health Care Financing and Policy; Dr. Harold Cook, Administrator, HHS Division of Mental Health and Developmental Services; and Diane Comeaux, Administrator, HHS Division of Child and Family Services. With presentation material, Mr. Willden provided a brief overview of the Department and how the Department's approximately \$5 billion biennial budget was utilized through their operations. He noted that he had prepared a memo of recommendations the SAGE Commission may want to consider to further efficiency in the department. There were three rounds of

budget cuts since the first of the year. The first round was a 4.5% general fund budget cut which equaled \$81 million in general fund expenditures and approximately \$44 million in federal expenditures because of loss of matching funds. The second round was an elimination of funds such as the rainy day fund and reserves, but the Department benefited by a \$60 million add back because more services are needed as the economy declines. They were excluding the child welfare budget from cuts due to the increase in the need. The third round was an additional 3.3% cut, which totaled \$31 million in the general fund which resulted in a loss of approximately \$13 million in federal funds. In response to Commission member Garcia's concerns regarding federal grants, Mr. Willden reported the Health division has approximately one hundred federal grants.

Questions and answers were heard regarding how services were increasing due to the recent economic downturn, how statistics could be compared to other states, and how a better modeling system could help the Department run more efficiently.

Acting Chair Goldwater requested clarification of what was meant by "expenses". Mr. Willden clarified "expenses" to the Department meant hard services to clients and explained the Department has eliminated approximately 50 percent of the budgeted growth, resulting in waiting lists for services getting longer.

Commission member Vilardo requested to know if the Department was taking advantage of waivers. Mr. Willden reported the Department is currently using waivers for disabled individuals, seniors, and low-income health care. He commented on the difficulty with obtaining waivers from the Federal Government.

In response to Commission member Putnam's question regarding vacant positions, Mr. Willden reported positions would be eliminated if not filled within six months, according to the rule of government.

Commission member Feldman requested to know if programs were available first-come, first-serve or by priority or if individuals were moved up to receive service in cases of emergencies. Mr. Willden replied yes to all.

Commission member Thornton requested clarification if there were 5,300 authorized FTEs or 5,300 working. Mr. Willden replied authorized. Commission member Thornton asked how many were authorized at the beginning of 2007. Mr. Willden reported vacancies had increased to approximately 700 due to the recent budget situation.

In response to Acting Chair Goldwater's request for clarification, Mr. Willden stated the department's budgeting accuracy would benefit from improving its modeling abilities and tools. An econometrician has recently been hired as a step toward improvement.

Commission member Garcia requested to know what cost benefits or other benefits would accrue if improvements were implemented in billing. Mr. Willden stated he could not provide that specific data. He explained general funds are used to pay for services not paid for by an outside source, including federal funds, patient payments and private insurance.

Executive Director Partlow questioned how less quality from privatization for mental health could be measured. Dr. Cook explained the different ways quality in mental health could be measured.

Commission member Greathouse requested to know how many suggested changes in Mr. Willden's memo could be implemented administratively and how many needed legislative approval. Mr. Willden replied most of the suggested changes could be implemented administratively if they had the start-up costs. Discussion followed about assessment.

Commission member Thornton requested to know if there was adequate evaluation of eligibility. Discussion followed regarding how fraud or an unlawful transfer of assets was evaluated and could be an area of additional revenue.

Commission member Ahern asked about overtime. Mr. Willden explained there were different classifications for overtime and exemption from overtime. Discussion followed.

With presentation material, Charles Duarte, Administrator, HHS Division of Health Care Financing and Policy, explained Medicaid was established to provide health services for mothers and children, disabled individuals, and low-income seniors. It was the largest federal grant source that returns funding back to Nevada. Medicaid had to operate in cooperation with the federal Centers for Medicare and Medicaid Services. He reviewed some of the business functions of Medicaid. The biggest areas of expenditure were hospital, patient and long-term care.

Commission member Vilardo asked about eligibility for Medicaid versus Nevada Check-Up. Mr. Duarte reported that for Medicaid eligibility, individuals had to be well below the poverty level or severely or permanently disabled. For Nevada Check-Up, individuals had to have an income just above the Medicaid level, but below the 200% of the Federal poverty level.

Commission member Vilardo requested information about per eligible Nevadans versus per capita. Mr. Duarte stated there could not be a comparison per eligible spending as a standard of measure with other state Medicaid programs because of differences in services, eligibility and other factors from state to states.

Discussion followed regarding how early Supplemental Security Income (SSI) eligibility could prevent long-term care costs.

Mr. Duarte reported mothers and children were primarily enrolled in managed care. Seniors and disabled individuals were case managed.

Commission member Forbuss requested to know if individuals feared applying for medical assistance early due to the fact that they were undocumented. Mr. Duarte replied yes. Mr. Willden reiterated that unlawful individuals could only receive emergency health care. Children of lawful or unlawful individuals can receive assistance. Under hospital law, hospitals had to serve individuals, lawful or unlawful.

Mr. Duarte reviewed revenue generated from the programs offered by the Division. He explained how revenue could be saved if there was a longer investment time. Working on a two-year budget window, it is difficult to see an ROI within a single budget cycle.

Commission member Garcia requested to know how it was determined to obtain fifty percent of revenue generated from a property sale to recover service costs. Mr. Duarte reported the recipient is usually fifty percent owner of a property and, by law, they can only go after his/her value in a property sale.

Commission member Thornton requested to know the inflation rate in long-term care facilities during the past two years. Mr. Duarte stated it was masked by the fact that costs have increased, but payments have not increased since 2003.

Commission member Vilardo requested clarification that counties absorb costs for long-term care over monthly eligibility amounts. Mr. Duarte stated that was correct, by State law. Commission member Vilardo requested to know if catastrophic insurance was still a possibility to consider. Mr. Duarte reported they reviewed catastrophic re-insurance as a way of financing Medicaid, but re-insurance would be more expensive.

At 12:15 p.m., Acting Chair Goldwater called for a short lunch break. At 12:30 p.m., the meeting resumed.

Acting Chair Goldwater commented on the waste of government agencies lobbying other government agencies. He asked if the Welfare Division pays any outside lobbyists to lobby the Federal Government. Mr. Willden reported the Division is not allowed to lobby, but belongs to associations that lobby.

Harold Cook, Administrator, HHS Division of Mental Health and Developmental Services, distributed and reviewed information regarding the Mental Health Division. Mr. Cook reported the Mental Health Division had 1,900 employees across the State and provides services in every county. He reviewed services provided by agencies in Washoe County, rural Nevada, and Clark County. He stressed that every individual served by the division has a condition that was not curable. In all programs, housing, job training, some substance abuse treatment, and help with applying for other assistance such as Medicaid or Medicare was provided. Typically, the division serves approximately fifty percent of the population that could be served. He reviewed the Substance Abuse Prevention Treatment Agency.

Commission member Vilardo requested to know if the 21-day clinics in the rural communities were through non-profits or local governments. Mr. Cook reported mental health services were primarily a State-run program with 250 positions allocated to the rural areas.

Acting Chair Goldwater requested to know if there was something the division would like to accomplish. Mr. Cook stated the division was reviewing how to cut their budget without affecting services too drastically, but they would like to have one computer system for the entire division rather than the current three.

Commission member Greathouse requested to know if there was an association with 501(c)3s. Mr. Willden replied absolutely. A large portion of 501(c)3 funding came from contracting with Mental Health or various granting processes.

Executive Director Partlow asked if the division had considered allowing private investors to fund building facilities. Mr. Willden reported that was a 1970's model, but that it changed to a more community-based programming. Mr. Cook reported, in September, the division would no longer provide institutionalized services.

Commission member Snyder requested to know if there was the competency level with 501(c)3s as with other services. Mr. Cook reported the division did not have enough funding to obtain the level of competent staff that was needed.

Commission member Feldman requested to know what percentage of patients were court-ordered. Mr. Cook reported all patients in Lake Crossings were court-ordered; all others were emergency commitments which were a prelude to a court order. Commission member Feldman asked if funding was received from the court system. Mr. Cook stated no. Patients were placed on a waiting list for emergency room (ER) beds.

Discussion followed regarding how funding could be saved if efficiency was improved. Mr. Willden suggested funding could be saved through medication management and medication inventory and re-invested in hospital and community ERs.

Commission member Greathouse commented that the Commission should make recommendations to validate the Legislature reviewing spending issues during the next Legislative session. Acting Chair Goldwater pointed out the subject of eligibility within a State agency are policy decisions made at the Legislative/Gubernatorial level.

Mr. Cook commented that the division was in competition with the private sector and other government agencies for employees and that decent wages would need to be paid in order to obtain good employees.

Diane Comeaux, Administrator, HHS Division of Child and Family Services, distributed and reviewed information regarding the Child and Family Services Division. Ms. Comeaux reviewed pre-service training provided for the division's agencies. The division provided state-wide licensing for child care facilities; worked with 100 non-profit agencies to provide child care services within their home; and obtained domestic violence or family violence grants. Ms. Comeaux reviewed child mental health services provided throughout the state. There was an approximately \$200 million a year budget; 50% went towards child welfare services; 18% went for children's mental health; and 18% went for juvenile services. 14% of the overall budget went for administration and other programs. Youth probation services are provided at the county level. Funding is approximately 50% General Funds, 40% federal funds and 10% from other sources. The division anticipates federal funds will continue to decline in future years.

Discussion was heard regarding budget changes for Child and Family Services.

In response to a question from Acting Chair Goldwater, Mr. Willden responded that unused funds revert at the end of the biennium. By law, the department is unable to transfer funds from one division to another, even when it means missing an opportunity to acquire federal matching funds.

Deputy Director Comeaux reported a recommendation was made at the last meeting to assemble one or more working groups to study HHS. He recommended that task forces be formed to study three functional areas: Mental Health Services, Health Care Systems, and Regulatory Issues. He pointed out Chairperson James wanted to have one or more Commission members review each area along with staff and outside resources and advisors.

Commission member Vilardo asked Mr. Willden to break down his recommendations according to administrative, legislative and executive actions. Executive Director Partlow asked Deputy Director Comeaux to work with Mr. Willden on this breakdown.

VII. UPDATE ON HORIZONTAL REVIEW OF INFORMATION TECHNOLOGY

Dan Stockwell, Director, Department of Information Technology (IT), provided an overview of DoIT such as that it maintains 277 individual websites and handles 250,000 e-mails per day.

Mr. Stockwell stated IT oversees security for the State and complete investigations of intrusion and assessments. Funding for IT was provided through internal services from other agencies. They do not receive funding from the general fund. He explained how IT was consolidating and the Committees that were being formed. Areas to review from the 42 states who have already implemented consolidation included such things as virtualization, which would save \$200,000 in one year.

Commission member Vilardo requested information regarding virtualization and if systems would be moved onto IT's field or to an agency. Mr. Stockwell explained how information could be condensed on fewer file servers to save funding. They were also working on a \$12 million savings for SilverNet as well as savings with AT&T and web publishing.

Commission member Putnam commented on the assistance that was being provided to the IT Task Force.

Acting Chair Goldwater requested to know why there were previous computer problems that cost millions. Mr. Stockwell replied bad management. It was noted that changes to a computer system caused a lot of problems. Acting Chair Goldwater requested information regarding how the state could do better on computer programs.

V. UPDATED REVIEW AND COST ESTIMATES OF 2001 GUINN STEERING COMMITTEE'S UNIMPLEMENTED RECOMMENDATIONS

Executive Director Partlow distributed a two-page summary of cost estimates for unimplemented recommendations for review by Commission members.

VI. REPORT ON STATUS OF POSSIBLE OPINION SURVEY(S) OF STATE EMPLOYEES

Executive Director Partlow requested Commission members provide input regarding possible opinion surveys of state employees. Surveys are slated to be on the website during November. Surveys would be anonymous.

VIII. UPDATES BY INDIVIDUAL COMMISSIONERS ON POSSIBLE AREAS FOR SAGE REVIEW

It was noted it was too early for updates. Acting Chair Goldwater noted he was working on lobbying and advocacy.

IX. COMMISSION DISCUSSION AND POSSIBLE ACTION ON RECOMMENDATIONS TO INCLUDE IN INITIAL 90-DAY REPORT TO GOVERNOR

Executive Director Partlow reiterated they have asked Directors for their input regarding the 90-day report to Governor Gibbons. The report would be presented to the Commission during the September meeting.

Commission member Vilardo requested to know if motions needed to be made for all action items listed. Executive Director Partlow explained possible action could be taken on action items, but action could not be taken on non-action items, according to the Open Meeting Law.

X. COMMISSIONER LIAISON AND STAFF ASSIGNMENTS TO PROJECTED TASK FORCES

Executive Director Partlow commented that Chairman James would welcome volunteers for the HHS Task Forces. Commission member Forbuss reported he is already committed.

XII. DISCUSSION AND POSSIBLE ACTION ON COMMISSION'S 2008-2009 MEETING SCHEDULE

Suzanne Kilgore, General Manager, explained a proposed schedule had been devised to avoid consistent conflict for any Commission member based on their input.

Stephen Greathouse moved to adopt the proposed SAGE Commission Meeting Schedule as presented. Carole Vilardo seconded the Motion. Motion carried unanimously.

XIII. PUBLIC COMMENTS

There were no public comment requests.

XIV. ADJOURNMENT

There being no further business, the meeting adjourned at 2:45 p.m.

Carole Vilardo moved to adjourn the meeting. Stephen Greathouse seconded the Motion. Motion carried unanimously.