

SPENDING AND GOVERNMENT EFFICIENCY COMMISSION
(SAGE) Commission Meeting
Thursday, April 23, 2009 – 10:00 a.m.
Grant Sawyer Office Building – Suite 1100
555 East Washington Avenue, Las Vegas, Nevada

MINUTES OF MEETING

Present: Bruce James (Chairperson), Barbara Smith Campbell, Robert Feldman, Robert Forbuss, Randy Garcia, David Goldwater, Stephen Greathouse, Steven Hill, Jim Thornton

Absent: Don Ahern, Jan Jones, Howard Putnam, Jerome Snyder, Carole Vilardo

Also present: Governor Jim Gibbons, Mike Willden (HHS Department Director – via telephone), Chuck Duarte (Administrator, HHS Division of Health Care Financing and Policy – via telephone) Frank Partlow (Executive Director), Perry Comeaux (Deputy Director), Suzanne Kilgore (General Manager)

I. CALL TO ORDER/ROLL CALL/DETERMINATION OF A QUORUM - Chairperson James called the meeting to order at 10:05 a.m. He requested that agenda item III be heard at this time and introduced Governor Jim Gibbons.

III. ADDRESS BY GOVERNOR JIM GIBBONS - Governor Jim Gibbons extended his gratitude to the SAGE Commission for their efforts to make the State viable economically. He encouraged the Commission to continue to make recommendations that were in the best interest of the State's economy and not based on politics. Chairperson James noted Commission recommendations will create short-term benefits for the State as well as long-term solutions to protect the State in the future and cited some examples.

Governor Gibbons commented that, in his opinion, increasing taxes in an economic downturn would not prove beneficial to the economy. He explained the focus should be on diversifying the economy to generate new economic avenues and cited renewable energy as an example.

Commissioner Garcia requested to know how renewable energy would solve the economic challenges in the future. Governor Gibbons explained how the State of Nevada has the ability to create a new industry out of renewable energy that will ensure the State's prosperity in the long-term. Discussion followed about generating benefits from the presence of military facilities in Nevada.

I. CALL TO ORDER/ROLL CALL/DETERMINATION OF A QUORUM (Continued) - Roll call was heard and a quorum of nine members was determined.

II. APPROVAL OF MINUTES FROM MARCH 26, 2009 COMMISSION MEETING - **Robert Forbuss moved to approve the March 26, 2009 meeting minutes as submitted. Randy Garcia seconded the Motion. Motion carried unanimously.**

At this time, Chairperson James noted HHS Department Director, Mike Willden, would be calling in to the meeting at approximately 1:00 p.m. therefore he requested agenda item V be heard next.

V. IN-DEPTH DISCUSSION OF INDIVIDUAL TASK FORCE ACTION PLANS AND REPORT SCHEDULE FOR EACH TASK FORCE – Executive Director Partlow explained a staff meeting was held to review and schedule current task force issues over the remaining fifteen months of the Commission.

A. Information Technology (IT) – Executive Director Partlow reported a meeting was scheduled for May 11, 2009 with DoIT personnel and Mike Wash from the Government Printing Office (GPO) and that a pre-meeting with DoIT Director Dan Stockwell was also being scheduled. Commissioner Campbell requested to know if the Bill suggesting reorganization of DoIT is being tracked. Executive Director Partlow reported the task force would be reviewing that issue.

B. HHS Standardization & Regulatory Issues – Deputy Director Comeaux reported he and Commissioner Vilardo were in the process of circulating the definitions of fees and costs to other task force members. They would be able to meet the July 23, 2009 meeting report date and would start on the other two items at the conclusion of the Legislative session.

C. HHS Mental Health Services – Commissioner Forbuss stated it may be several more weeks before the task force can schedule the necessary meetings to move forward, given the fact that HHS personnel were involved in the Legislative session.

D. HHS Health Care Systems – Commissioner Greathouse reported Deputy Director Comeaux has followed up on the key initiative which is drug inventory in the state and the purchasing of drugs to compare prices to determine if prices are uniform or could be standardized. Deputy Director Comeaux noted this issue could be discussed during HHS Director, Mike Willden's telephone presentation later in the meeting.

E. Personnel – Deputy Director Comeaux reported a meeting was being scheduled with various agency administrators to discuss the pros and cons of consolidating human resource functions in state government, which may assist with other task force issues. Chairperson James suggested adding a senior advisor from the Federal Office of Personnel Management to the task force.

F. Dept. of Corrections/Prison Parole/Sentencing – Mary Lou Foley, Assistant to Commissioner Ahern, reported Senator Horsford introduced Senate Bill 398, "Intermediate Sanctions Facilities for Probationers". She explained the Bill would establish a two-year pilot program that would allow, per year, approximately 400 low-risk probation violators whose crimes were linked to drugs and alcohol the opportunity to participate in a six-month life skills or rehabilitation program in lieu of incarceration. It was estimated the program could save the State \$34 million over a five-year period at a cost of approximately \$2.2 million per year paid for with existing HHS funding. The program could operate at a 27:1 inmate to staff ratio and participants would be required to pay for the program. Discussion followed regarding showing Commission support for the concept of the Bill and concerns about requiring participants to pay for the program.

David Goldwater moved that the SAGE Commission send a letter to Senator Horsford with a copy to Chief Justice Hardesty expressing its support for the concepts presented in S.B. 398 as introduced. Jim Thornton seconded the Motion. Motion carried unanimously.

G. Purchasing/Procurement – Commissioner Campbell reported progress was being made on the credit card processing contract. Executive Director Partlow reported a meeting was being scheduled with officials from state purchasing and the DMV. Commissioner Campbell suggested officials from the Taxation Department be included in the meeting.

H. Real Estate/Public Works Bd. /Public Private Partnerships – Executive Director Partlow reported the task force was still attempting to obtain a list of state asset inventory. Chairperson James noted governments were moving rapidly to reduce existing rents and suggested the task force move quickly on this matter.

I. Nevada Department of Transportation (NDOT) – Commissioner Thornton reported a meeting was held with NDOT and that one suggestion from NDOT was to allow NDOT to purchase heavy, specialized equipment without having to go through State Purchasing, which could produce a cost savings for the State. Deputy Director Comeaux cautioned that the current approach is designed to prevent favored vendor status being developed directly with an entity and that the task force should take this into consideration when reviewing this issue. Commissioner Thornton commented on construction costs for NDOT and suggested a review of the need for the current forty-five maintenance stations. Discussion followed regarding doing research on how many states have privatized this function; the amount of equipment owned by NDOT; and, including the Associated General Contractors (AGC) in the review.

J. Budget Process – Commissioner Goldwater reported he put together a PowerPoint© presentation regarding the pros and cons of annual sessions and that input from former budget directors was supportive of annual budgeting and to have someone in State Government review local government financing. Chairperson James suggested Commissioner Goldwater give his presentation at the May 28th meeting. Commissioner Feldman reported the DMV report was complete with the exception of the IT issue, which would be worked on with the IT task force.

K. Additional Areas for Review by Task Forces – Executive Director Partlow reported an Energy Task Force would be established once the Legislature completes its work on the Energy Bill. A task force would also be established to study organizational issues. Chairperson James suggested including University resources on that task force.

At 12:30 p.m., Chairperson James called for a lunch break. At 12:45 p.m., the meeting resumed with agenda item VI.

- VI. DISCUSSION AND POSSIBLE ACTION ON DRAFT PROPOSAL A CONCERNING INTEREST RATES CURRENTLY PAID BY THE STATE FOR OVERPAYMENT OF TAXES** – Commissioner Campbell reported the State was currently paying and charging interest rates on tax payments that are in excess of banks and other lending institutions. She reviewed current federal rates charged for corporations and individuals. She suggested Nevada establishes a system of updating its rates that would reflect economic conditions. Discussion followed about updating rates accordingly for both underpayments and overpayments by the index used by the Internal Revenue Service.

Barbara Smith Campbell moved that a recommendation be sent to the Governor stating that the State should make statutory changes to the interest rates paid on overpayment and underpayment of taxes for both individuals and businesses and for interest rates to be based on the index used by the Internal Revenue Service which was adjusted periodically for businesses and individuals. Stephen Greathouse seconded the Motion. Motion carried with one abstention from Steven Hill.

- IV. DISCUSSION OF POTENTIAL APPLICATION FOR OUTSIDE CONTRACTOR IN EVALUATION AND IDENTIFICATION OF IMPROPER PAYMENTS IN THE MEDICAID NV PROGRAM**

Mike Willden, Health and Human Services Department Director, and Chuck Duarte, HHS Division of Health Care Financing Policy Administrator were in attendance via telephone to make a presentation. Mr. Duarte reviewed current contracts and sub-contracts already in place to assist in detecting fraudulent claims and payment recovery. He noted two products were being considered at this time that would assist with the back-end of detection and that one product would also use software technology to detect fraud and stop payments. There was a meeting with Apollo to discuss using their proprietary software for analysis. Mr. Willden noted their recommendation was to evaluate different products and that the Apollo proposal would require a 37% contingency fee, which would amount to a loss for the State. Mr. Duarte added a legal review would need to be completed of existing contracts to determine if the Apollo proposal would interfere with current contracts. Mr. Willden noted for the record that Nevada representatives of Human Management Services (HMS) have contacted them this morning to caution them about allocating additional work to other contractors.

Commissioner Greathouse requested to know if there were other states that could be the model for detecting the highest level of fraud and recovery. Mr. Duarte reported Texas had an aggressive program, but it was not technology-based. He noted Nevada had similar technology tools as other states. Mr. Willden noted Nevada's third-party liability rates were higher than the national average.

Deputy Director Comeaux commented that the Apollo proposal or a similar proposal should be considered if it would improve the detection of overpayments. He asked how the technology could be tested. Mr. Duarte reported products were already being evaluated and that a Legislative Bill was pending to begin the RFP process because a take-over was being planned in 2010. Discussion followed. Chairperson James encouraged purchasing services rather than technological software.

- VII. PUBLIC COMMENT AND DISCUSSION Time Limit: three minutes per person. No action may be taken on a matter raised under this agenda item until the matter itself has been specifically included on an agenda as an item on which action will be taken.**

A. Marty Bibb, Executive Director, Retired Public Employees of Nevada, commented on how the Health Care plan and Pension plan for the State would affect retired public employees and cited some examples. Discussion followed clarifying the Commission's recommendation was to protect low-income retired public employees from the reduction in the plans.

- VIII. ADJOURNMENT**

There being no further business, the meeting adjourned at 2:05 p.m.

Robert Forbuss moved to adjourn the meeting. Barbara Smith Campbell seconded the Motion. Motion carried unanimously.