



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL COMMITTEE

Thursday, July 24, 2014

Minutes

Members present: Representatives Ancel, Branagan, Heath, Johnson, and Sharpe, and Senators Ashe, Campbell, Kitchel, Sears, and Snelling.

Other Attendees: Administration, Joint Fiscal Office, and Legislative Council staff, and various media, lobbyists, advocacy groups, and members of the public.

A. Call to Order and Approve Minutes

The Chair, Representative Heath, called the meeting to order at 9:39 a.m. and approve minutes of November 21, 2013. Senator Kitchel moved to approve the minutes and the Committee approved the motion.

B. Administration's Fiscal Updates - 1. Unencumbered Balance

David Cameron, Administrative Services Director, Department of Financial Regulation, distributed and presented the FY 2014 receipts available for transfer to the General Fund for a total of \$11,885,010 from the Insurance and Securities Regulatory Funds. Senator Campbell moved to accept the certification for transfer of funds, and Senator Kitchel seconded the motion. The Committee approved the motion.

2. Transition of the Council on Problem Gambling

Gregory Smith, Executive Director, Vermont Lottery Commission, distributed and summarized the report. He noted that during researching whether there was a problem with gambling in Vermont, it was discovered that the most recent data were 20 years old and reporting requirements put forth by the grant had been minimal or insufficient. The Commission was developing measurements to make the program more viable and to address grant legislative reporting requirements. Senator Kitchel asked if there were reporting on how money was used and what information was collected to quantify investment. Mr. Smith responded that annual budgets had been submitted, but required quarterly reports had been sporadic. He added that the organization has had one person managing the grant. The Commission's expectation was to provide services directly to those afflicted Vermonters, track the data from those services, and provide measurable outcomes to the Legislature.

Representative Heath commented that the Legislature has been content in its knowledge the program existed to serve Vermonters, but it would like better accountability for the money spent by the program. Mr. Smith stated that once the Commission had ownership of the grant, it would be committed to spending more time and gathering more information to make the program successful and addressing legislative concerns. He explained that the Department of Health would transfer

grant administration to the Commission during the FY 2015 Budget Adjustment process. Representative Ancel expressed concern for the possible conflict of interest between the Commission promoting its product and also providing services to problem gamblers. She inquired what other states did in delegating the administration of these types of grants and what types of models they might have in managing conflict issues if they use the proposed Commission model. Mr. Smith responded that there were a variety of approaches that other states use. He stated the Commission has been the sole voice and financial provider in addressing problem gambling, and he believed the Commission's propriety of the grant program would cause it to be even more responsible for its results.

Senator Campbell inquired if there were a hotline for Vermonters, and if so, how many calls it generally receives. Mr. Smith responded there was a hotline and that last fiscal year there were 74 calls and the prior fiscal year there were just under 200. It was not possible to extract the number of calls that were related to problem gambling because many calls were associated with general questions on the lottery. The Commission has established a new service provider with the intent to track the number of overall calls and the caller's reason for calling.

The Chair suggested that the Commission and the Department work with the Administration on submitting the transfer of the grant in the FY 2015 budget adjustment process, and to fine tune the contract details with the service provider.

3. State Psychiatric Hospital Staffing Report

Susan Zeller, Chief Performance Officer, Agency of Administration, and Jeff Rothenberg, Chief Executive Officer, Vermont Psychiatric Care Hospital (VPCH), and Paul Dupree, Commissioner, Frank Reed, Deputy Commissioner, and Emma Harrigan, Mental Health Research and Statistics Chief, Department of Mental Health (DMH), distributed and summarized a report on the State psychiatric hospital's staffing plan. Mr. Rothenberg explained that in using an acuity tool they were able to establish an appropriate level of staffing for the hospital. In addition, physician need for staffing was taken into account, which consists primarily of nurses and direct care workers.

Ms. Zeller complimented VPCH and DMH staff for a well-thought-out plan that was based on good-results based accountability standards. Senator Snelling inquired when the Department anticipated that the hospital would be at capacity and when would it reassess and have more information on staffing needs. Commissioner Dupree responded that the Department anticipated that the facility would have all 25 beds online by mid-August to early-September. It would reach 12 patients over the next few days, and by the beginning of August another unit of the facility should be opened. In order to get a good picture of the entire staffing need for the whole facility, it would take upward of a year and depended on the final acuity level of the patients.

Senator Sears showed concern for using 5 staff for the sole purpose of scheduling staff. Senator Campbell agreed with Senator Sears and asked for further information on the scheduling staff job descriptions. Mr. Rothenberg agreed to provide to the Committee a complete job description of the scheduling staff. Senator Kitchel asked if there was still a penalty for an entity that referred patients as requiring an incorrect level of care. Mr. Rothenberg stated that referrals were screened through the Department's care management system first before the VPCH admitted the patient. Senator Kitchel commended the State hospital planning team for engineering the intake

process. The Chair commented that the Committee would look forward to ongoing assessments of the State hospital for staffing levels and would review plans to see if they were appropriate.

4.a. Choices for Care

James Reardon, Commissioner, Department of Finance and Management, distributed and summarized information on Choices for Care and the reinvestment provisions. He explained that at the end of the FY 2014 closeout there was \$6.3 million total unexpended; of this total, \$2.7 million was General Fund. Most of the General Fund amount was anticipated and allocated in the budget: \$1.2 million for the Moderate Needs Group and meals investments in FY 2015, \$350k for FY 2015 direct care worker costs, and \$770k for a 1% program reserve, leaving \$413k available for onetime program investments. Representative Heath reminded the Administration that a concern from the Legislature was available funds not being expended to people for care in a timely manner. She inquired if there was planning for expending the carryforward in FY 2015. Commissioner Reardon confirmed there was a planning process for expending the funds and he offered to request a time frame from the Department of Disabilities, Aging, and Independent Living the following week, but cautioned the Committee that the pending revenue downgrade could impact the availability of the onetime investments.

b. FY 2014 Preliminary Closeout

Commissioner Reardon and Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, distributed the following documents: the FY 2014 General Fund Revenue Performance and the FY 2015 Budget Gap. The Commissioner summarized the FY 2014 preliminary closeout. Ms. Barrett explained the detail sheet. Representative Heath commented that the Estate Tax use for the revenue downgrade was disappointing to the Higher Education Trust Fund.

C. Vermont Economic Growth Investment (VEGI) Model

Kenneth Jones, Economic Research Analyst, Agency of Commerce and Community Development, distributed a memo requesting a change in the VEGI Cost Benefit Model and explained the proposed model calculation changes. He highlighted pages 6–8 of the proposal and stated that the background growth calculations would change next year.

Senator Kitchel moved to accept the proposed model changes, and the Committee approved the motion.

D. JFO #2688 - VT Low Income Trust for Electricity (VLITE)

Representative Sharpe made a statement on the grant and withdrew his objections. He added that he felt the funds in the VLITE program were being inappropriately used given the Legislature's initiatives toward solving low-income heating issues.

E. JFO #2689 - Integrated Eligibility Project – 37 Limited Services Positions

Lawrence Miller, Senior Advisor to the Governor, and Chief of Health Care Reform, Dixie Henry, Deputy Secretary, and Stephanie Beck, Program Director, for the Health and Human Services Enterprise Program, Agency of Human Services, introduced themselves. Mr. Miller explained the Health and Human Services Enterprise Program (HHSE) was created to replace the current 37-year-old Access Program in the Agency of Human Services. The HHSE began 6 years ago as a long-term project through an implementation advanced planning document from the

Centers for Medicare and Medicaid Services (CMS) and then accelerated by the U.S. Affordable Care Act with 97% federal funding that has five core elements. One is the Vermont Health Connect that includes the new rules for determination of eligibility for Medicaid. The current system has a sound platform based on Oracle software and hosting, but the aboveground Vermont Health Connect portal has issues in connecting to the new system platform.

Mr. Miller referred to the grant proposal and explained the requested 37-position job descriptions. Federal and State funding for the positions are 90%–10% or 95%–5%, respectively. Since the positions are part of developing a long-term system, State funding was included in the capital bill. The end objective of the HHSE is for all services to be on one system to enable Vermonters seeking services to have one caseworker for all eligible benefits thereby reducing staff and beneficiary work.

Senator Kitchel stated it was her understanding that the Access program was a product that was difficult to support. She then asked what the risk associated with the current operating system was and whether that risk had been considered in the HHSE plan. Ms. Beck responded that as part of the funding for the new system, CMS' expectations was that the old Access program would be retired as soon as possible because ongoing technical support for Access was not guaranteed. She was unsure of the risk level but it was a constant conversation with the Information Technology staff of the Agency. Mr. Miller added that the Access programming language was not known by many people and was a constant source of stress for the Agency.

Representative Ancel inquired when the new system was planned to go live if the staffing request were approved and things went smoothly and also if they did not. Ms. Beck explained that within the phased program, currently the Agency was reviewing responses to the release of the Request for Proposal (RFP), it was anticipated that a contractor would be selected and hired within the next few months but it depended on what the potential contractors were proposing within their workplans in response to the RFP. However, there was urgency because of CMS stipulation on its enhanced match funding that ran through calendar 2015 to have the majority of the new health care system online before that potential funding ceases to exist. The desired date for the system to go live is January 1, 2016. Representative Heath asked when the final portion of HHSE system for the entire Agency would go online. Ms. Beck responded that the Department for Children and Families would be the final phase of the project.

Representative Sharpe showed concern for the State's track record for successful IT programs and the testimony from Mr. Miller before the House Health Care Committee the previous day explaining how the current software had caused a potential 15,000 to 30,000 Medicaid recipients to lose services. Mr. Miller explained that the number was closer to 15,000 people with a total of 30,000 people that were due to redetermine their eligibility for health care benefits within April through June, and had not approached the Agency for renewal. A possible reason for the lack of applications could have been changes in a paper form that caused confusion.

Senator Ashe asked how the 12 Program and Policy Subject Matter Experts were going to make the Integrated Eligibility (IE) system more successful. Deputy Secretary Henry responded that the project was not just about IT but rather the business plan and policy that linked the technology to the new system. Senator Ashe inquired why qualified people of this caliber would not seek permanent and consistent employment in the private sector rather than a limited service position

with the State. Mr. Miller explained that current employees with specialized knowledge of a particular area were temporarily reassigned and paired with IT staff to formulate questions and strategies for the business plan. The limited service positions were people that were backfilling those permanent skilled State employees' positions until the project was finished. Representative Ancel inquired if the Agency had identified the individuals. Deputy Secretary Henry confirmed it had.

In responding to questions of federal funding concerns past the CMS 2015 timeline, Mr. Miller stated the State had a good history with CMS in accomplishing its tasks and he was unconcerned that the funding level would drop after 2015 to the lower 50/50 match level but he would be concerned if the project became stagnant. He added that in the spring of the current year, the Administration restructured some areas of oversight for the project to ensure all needs are met.

Representative Ancel inquired what department the 12 program and policy experts were being borrowed from. Ms. Henry responded the positions were coming from the Department for Children and Families Economic Services Division. In responding to Senator Kitchel's question, Mr. Miller stated that the Department of Information and Innovation and specifically the Commissioner of that Department has been involved in the planning and implementation process meetings through an executive steering committee. Representative Sharpe asked if there would be proposed changes to statutes to affirm the new business plan for the Agency and, in doing so, reliability of the system. Mr. Miller confirmed that there would be proposals to change rules and possibly statutes.

Senator Sears showed concern for his constituents that were impatient to access Vermont Health Connect and its products, and that if the requested positions move the project forward then he was in favor of approving it. Senator Campbell added that he was comfortable with the staffing request because of the expertise of Mr. Miller and his team. Representative Ancel proposed to delay the decision on the request for positions until after the revenue update. Mr. Miller cautioned that a delay in approving the positions would have an immediate impact on Vermont Health Connect because of the IE program timelines. Representative Heath asked for a reiteration of the funding for the requested positions and what the consequences would be if the request were postponed until the Committee's September meeting. Mr. Miller explained that the work was capital-fund eligible for 2010 matching funds, and that delaying the position request would have a significant impact on the IE project, the VHC project, and the Medicaid Management Information System (MMIS) project because resources would be stretched between the three projects. The Administration would have a plan on how to manage within the gap of time. Representative Ancel asked that if that the request were delayed then why would the Administration just delay the IE project instead of continuing all three projects. Mr. Miller responded that it was important to get the requirements of the RFP and the CMS contract finished before the contractor was hired and engaged in the project. Ms. Beck added that it was critical that the request for positions was approved today in order to assemble a team to work with the vendor for design and implementation of the project. Otherwise the project schedule moves further out and potentially the costs would then increase.

The Committee agreed to delay action on the grant until after the next item on the agenda, the Revenue Forecast Update.

F. Revenue Forecast Update

Tom Kavet, Legislature's Economist, distributed the July 2014 Economic Review and Revenue Forecast Update and summarized the information, including the reasons for the revenue

downgrade. Senator Campbell inquired the reason for the reduced revenue in the Secretary of State's Office. Mr. Kavet explained that there was a legislative change during the 2013 session that was not accounted for within the previous consensus forecast. Representative Sharpe asked about the change in the property evaluation amount on page 4, quarter one of 2014, of the handout. Mr. Kavet explained that the change was not expected and had a direct reflection in the Education Fund property tax. He added that it only shows in the first quarter and could be an aberration nor is it entirely unprecedented as it happened in the late 1970s and again in the 1980s, but he is unsure of its significance until another quarter or two of data was available.

The Chair reminded the Committee that there would be additional work and meetings to address the revenue downgrade once the Administration proposed a plan for rescissions to the FY 2015 Budget.

The Chair reintroduced JFO #2689 - Integrated Eligibility Project – 37 Limited Services Positions for action. Senator Campbell moved to accept JFO 2689, and Senator Sears seconded the motion.

Representative Ancel explained that she would have preferred to hold off on voting on the grant until after a rescission plan had been submitted by the Administration. Representative Heath stated she was comfortable with the request because it did not include general funds anywhere in the near future. Representative Sharpe stated he shared Representative Ancel's misgivings but ultimately would support the request. Senator Kitchel commented the reality was that the current Agency system was very old and there needed to be trust that lessons learned would translate into successful projects. She added that there was money available in a previous capital bill to do the work, and the replacement of the old system was essential to the overall success of State government functions.

The Committee accepted the motion with Senators Ashe and Snelling voting no.

G. Fiscal Office Updates – 1. Temporary Staff Introductions

Catherine Benham, Associate Fiscal Officer, Joint Fiscal Office, introduced the Office's newest staff, Joyce Manchester, Senior Economist, who would be starting July 18, 2014, and explained that she was working on the health care modeling. Ms. Manchester gave an overview of herself and her thoughts on the contract work ahead.

2. Joint Legislative Council and Joint Fiscal Office Policy Review Relating to Requests from Political Candidates

Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office, and Michael O'Grady, Deputy Director, Legislative Council, referred to an attachment to the Fiscal Officer's Report and a memo from Legislative Council, and explained the joint political policy proposal. Senator Campbell asked what part of the public records statute did the policy fall under. Michael O'Grady responded that the current policy conflicted with existing policy of the Joint Fiscal Committee and the Legislative Council, along with the Public Records Act and a Supreme Court decision. Senator Ashe inquired if the proposal was an actionable item for the Legislative Council Committee in addition to the Joint Fiscal Committee. Mr. O'Grady stated the Legislative Council Committee did not have a formal process in place for adopted formal policies as the Fiscal Committee does for its office, but the head of the Council would notify the Committee of the proposal.

Senator Sears moved to adopt the policy. Representative Ancel asked to change the title of the policy to include Political Action Committees (PACs) and other parties. The Committee approved the motion.

Medicaid Year-End Report

Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office, distributed a report to the Emergency Board and summarized the information. Senator Kitchel asked for clarification on the Medicaid recipients that had been dropped from the Health Care program due to the change in the redetermination process. Ms. Barrett responded that eligibility was being extended through CMS without going through the redetermination process.

The Committee confirmed members would reserve a week in August to receive and respond to the Administration's proposed rescission plan. It would include a public hearing on the plan before making final decisions. In addition, it confirmed all-day meetings for September 5 and November 12, 2014.

The Committee adjourned at 12:10 p.m.

Respectfully Submitted,

Theresa Utton-Jerman, Joint Fiscal Office