

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION**

#### **SUBCOMMITTEE ON HUMAN SERVICES & AGING**

**Call to Order:** By CHAIRMAN DOROTHY BRADLEY, on January 25, 1991,  
at 8 a.m.

#### **ROLL CALL**

##### **Members Present:**

Rep. Dorothy Bradley, Chairman (D)  
Sen. Mignon Waterman, Vice Chairman (D)  
Rep. John Cobb (R)  
Rep. John Johnson (D)  
Sen. Tom Keating (R)  
Sen. Dennis Nathe (R)

**Staff Present:** Carroll South, Senior Fiscal Analyst (LFA)  
Bill Furois, Budget Analyst (OBPP)  
Faith Conroy, Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

##### **Announcements/Discussion:**

#### **DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES (SRS)**

Carroll South, Legislative Fiscal Analyst, distributed budget  
summaries for the Audit and Program Compliance, and Disability  
Determination bureaus. EXHIBIT 1-2

#### **HEARING ON THE DISABILITY DETERMINATION BUREAU**

**Tape 1A**

Julia Robinson, SRS Director, said the Disability Determination  
program is 100 percent federally funded and is designed to help  
people return to work. Disability payments are disbursed through  
local social security field offices, which are staffed with  
federal employees. Claims are processed by the Disability  
Determination Bureau in Helena. Examiners determine whether  
claims meet the federal definition of disability.

Joe Mathews, Rehabilitative and Visual Services Division  
Administrator, explained the claims process. He said a claim goes  
to the Disability Determination Bureau, where it is assigned to  
an examiner. The examiner gathers medical and psychological  
information to prepare the case for medical review. The examiner  
and medical consultant review the case to determine if the person  
can work. The case then goes to the Quality Assurance Unit for

internal review. The Social Security Administration releases notification of benefit awards. Disability determinations are based on rigorous adjudication standards. Professionals in this area must be highly trained.

**Bill Vollmer, Disability Determination Bureau Chief**, said the Supreme Court a year ago decided that childhood disability claims under Supplemental Security Income (SSI) that were previously denied would have to be re-evaluated. Claims used to have to meet medical criteria to be allowed. Now vocational and age-appropriate activities can be considered. About 125 claims are pending; however, the court's decision means the Bureau will have to re-evaluate 700-800 previously denied claims, possibly dating back as far as 1983. Terms of the court settlement are still being negotiated. Training for the re-evaluation process will begin March 1. The increased workload will impact the Bureau in June. The Bureau estimates benefits of between \$1.5 million and \$2 million will have to be paid. The Bureau is contracting out Medicaid cases that do not meet SSI and resources criteria but do meet limits under the State Medical Program. Medicaid-only claimants must meet the social security definition of disability. The workload is about 250 claims. The Bureau is contracting out the work because it doesn't have sufficient staff. Cases will be monitored and coordinated through the Bureau.

**Bill Furois, Office of Budget and Program Planning**, said the impact from the Supreme Court's decision couldn't be measured at the time the budget was developed. The executive budget was not reduced from the fiscal year (FY) 1991 appropriation and is higher than the LFA budget.

**Peter Blouke, SRS Deputy Director**, said the LFA budget eliminated three positions. One is currently filled and the Department wants to retain the other two to handle the increased workload from the Supreme Court's decision. Differences in the budgets involve 100 percent federal funds. The positions are included in the executive budget.

**SEN. WATERMAN** asked for an example of a childhood claim. **Mr. Vollmer** described such a claim as any child impaired to the degree that meets the income and resource standard for SSI. Eligibility determination begins in county offices and is referred to a social security field office for benefits and Medicaid coverage. The Bureau sees claims for newborns and children up to 18 years old. Most of them are under age 6. The Supreme Court decision impacted how those claims are reviewed and adjudicated. Claims used to have to meet a strict medical definition. Now other factors can be considered, such as how claimants carry out daily living activities, their educational development, and where they fall in population percentiles.

**SEN. WATERMAN** asked how long the process takes. **Mr. Mathews** said national standards indicate social security disability claims can take no longer than 54 days and SSI claims can take no longer

than 50 days. The state Bureau processes claims a bit faster than that.

**REP. JOHNSON** asked if the contract-for-services request involved the 3 FTEs previously discussed. **Mr. Vollmer** said no. Social security receives the funding but doesn't provide the FTEs to handle the increased workload stemming from the Supreme Court decision. The best way to handle the increased workload is to contract it out.

**REP. JOHNSON** asked how the Bureau would maintain quality control. **Mr. Vollmer** said the Bureau will continue to monitor and review determination decisions before they go to county offices.

**SEN. KEATING** asked if this program was the only one providing financial assistance for this group of people. **Mr. Vollmer** said he wasn't prepared to answer the question. Other programs exist. The Department of Health has the Maternal and Child Health Program, SRS has the Food Stamps Program, etc. **Ms. Robinson** said many programs work with handicapped people, but the state should make as many children as possible eligible for SSI because of the financial resources received.

**SEN. KEATING** said he wanted to know if each of the programs screens for eligibility. **Ms. Robinson** said yes. Federal requirements differ. The Department tries to do as much cross-checking as possible to avoid duplication.

**CHAIRMAN BRADLEY** suggested the subcommittee adopt the executive budget. She noted the Bureau reverts unneeded money.

**SEN. WATERMAN** asked how the Bureau would get social security to finance the FTEs and other costs by contracting out the work. **Ms. Robinson** said the Bureau would not receive social security money to pay for the contract, but the state will benefit from the contract. Medicaid kicks in for people on social security, so the state doesn't use 100 percent General Fund money for the program. The Department wants to be more aggressive in bringing more clients into this program because Medicaid provides a 70 percent match. The state will finance the contract.

**SEN. WATERMAN** asked why the Department can be more aggressive with a contract rather than internal personnel. **Ms. Robinson** said the Department does not have the staff. Personnel are 100 percent federally funded and the FTEs will be needed to handle the new caseload. The Department wanted to find a creative solution to the problem rather than increasing the number of state FTEs.

**SEN. WATERMAN** said she wonders how it can be cheaper to contract out the work rather than use state employees. **Mr. Vollmer** said he isn't sure it will be cheaper. **SEN. WATERMAN** asked why the Department would want to do it then. **Mr. Vollmer** said the Department considers it a cost-avoidance measure. Operations are monitored by the federal government. Social security hasn't given

the state the staff to handle the workload. Instead of social security getting that funding, the contractor will.

**Mr. South** reviewed **EXHIBIT 2**. He said the difference between FY 90 expenditures and FY 91 appropriations has to do with the reversion of money in 1990. In Medical Services, the executive budget increases the base by \$56,000. The LFA budget used actual FY 90 figures, inflating them by 6 percent and 12 percent. In the first year, it is nearly a wash. In the second year, inflation amounts to more than what was built into the base.

The largest difference is in No. 3, which shows less was spent in FY 90 than what was appropriated in FY 91. The difference in benefits on Page 1 is due to the executive using FY 91 appropriated figures and the LFA using FY 90 expenditures. The appropriate figure to use, if there is an increased workload in disability determinations, may be the FY 91 appropriation for benefits and claims.

There may be a problem if the FY 90 expenditure base used by the LFA is too low for the agency to carry out its duties. The Department may not be able to get a budget amendment because the subcommittee would have already considered the higher amount and rejected it. The only other option would be for the Department to get a supplemental appropriation to use federal money from 1993 in 1992. If the subcommittee wants to increase the base above the LFA budget level, it should adopt the executive budget and funding.

#### EXECUTIVE ACTION ON THE DISABILITY DETERMINATION BUREAU

**MOTION:** **SEN. KEATING** moved approval of the executive budget for the Disability Determination Bureau.

**VOTE:** The motion passed unanimously 5-0. **SEN. NATHE** was absent.

#### HEARING ON THE AUDIT AND PROGRAM COMPLIANCE BUREAU

**Erich Merdinger**, Audit and Program Compliance Bureau Chief, distributed charts on Third-Party Liability and Surveillance-Utilization Review savings. **EXHIBIT 3-4**

**Ms. Robinson** said the Audit and Program Compliance Bureau had been a separate division within SRS. Through reorganization, it became a bureau under the Support Services Division. Units within the Bureau are audit, quality control, survey and utilization, third-party liability, and fraud and recovery. The Bureau had 42 FTEs during the 1991 biennium and is requesting 40 FTEs for the 1993 biennium. The Department is voluntarily cutting 2 FTEs.

The Audit Unit reviews financial records of various programs. The Quality Control Unit is responsible for determining the error rate by sampling AFDC, Food Stamps and Medicaid cases for

eligibility compliance. The Fraud and Recovery Unit collects money owed from overpayments and abuse of services.

**Mr. Merdinger** said the Survey and Utilization Review Unit monitors use of the Medicaid program to ensure claims are paid correctly. If recipients abuse services, such as emergency rooms and prescriptions, the Bureau can mandate a Medicaid recipient use one primary physician and pharmacy. This enables case management and physician control over services. Some 40 people are restricted in this way. The program generates savings of about \$2,000 per year per recipient.

The Third-Party Liability Unit collects money for the state and federal government. Tort and accident claims resulted in more than \$1 million in collections. An insurance company or another liable party is charged before Medicaid. The premise is that Medicaid is the payer of last resort. The number of people identified by the Bureau as having some type of insurance has increased from 3 percent in the last few years to more than 6 percent currently. When a bill comes into the Medicaid program and the person has insurance, the claim is denied and the provider is told to first bill the insurance company. Often the bill is paid by the insurance company. That provides a cost-avoidance to the program. Claims rejected in whole or in part by the insurance company are reviewed and paid according to the Medicaid fee schedule. Staff either collect or avoid paying some \$20 million to \$25 million in claims per year. The Bureau projects in the next biennium the total will exceed \$50 million per year.

**John Donwen, Support Services Division Administrator**, said the Department received an additional 2 FTEs for the Third-Party Liability Unit from the 1989 Legislature and the subcommittee mandated they generate a certain amount of money. The staff recovered \$272,000 in FY 90 and more than \$500,000 over the biennium. Another \$300,000 was saved in Medicaid Program cost-avoidance. The Bureau believes it met the subcommittee's mandate.

The subcommittee last session also requested the Department become involved in quality control reviews in state-assumed county welfare cases.

**Tape 1B**

The Bureau developed a comprehensive data-processing tracking system for General Relief programs. Because of information obtained from the system and the decreased workload, the Department felt it wasn't necessary to expend a lot of effort in that area.

**Mr. Furois** said \$143,223 in benefits and claims in the executive budget and \$111,433 in transfers in the LFA budget are federal dollars only. Because SRS operates the Medicaid program, this money goes through SRS to the Department of Revenue. The \$111,433 is an average of three or four years. The executive budget figure is the FY 91 appropriation. Neither of the numbers means much.

The federal total to be received through SRS is \$173,578. It can be put into transfers.

**SEN. KEATING** asked if the \$173,600 is in lieu of the \$143,223 and \$111,433. **Mr. South** said there is a small base difference in operations, where the executive budget is slightly higher than the LFA budget. **EXHIBIT 1.** The amounts in benefits and claims, and transfers are the same expenditures, but they are in different categories and have become irrelevant. The correct numbers should be \$198,226 in FY 92 and \$198,234 in FY 93. This is simply a transfer of federal funds to the Department of Revenue, which matches it with General Fund money and conducts fraud investigations on behalf of SRS. The figures can be changed later if they are too high. But the money will not be transferred if it is not needed. It will revert. The amounts should be appropriated as a transfer rather than benefits and claims because they are not benefits and claims. **CHAIRMAN BRADLEY** said a motion isn't needed. The subcommittee will use the revised figures.

**SEN. KEATING** asked if quality assurance reviews are conducted in state-assumed counties only. **Mr. Merdinger** said quality control reviews are conducted in all counties in the Food Stamps, AFDC and Medicaid programs. Quality assurance reviews are used to ensure eligibility determinations were done properly. The reviews are outside federal requirements and enable the state to look at programs that use only General Fund money.

**SEN. KEATING** asked how much it costs for reviews in state-assumed counties. **Mr. Merdinger** said it doesn't cost anything. The Bureau did not spend much time on that function in the last biennium. Since the caseload is down considerably and the Bureau has a computer system that tracks demographic information, the Bureau has not received requests for quality assurance reviews.

**SEN. KEATING** said the funding split is closer to 45-55. More General Fund money is being used for this program. He asked if money is returned to the General Fund from monies recaptured. **Mr. Merdinger** said yes. Recovery in the Third-Party Liability Unit is based on financial participation, which is generally a 70 percent-30 percent match. Proportionate amounts are returned to the federal government and General Fund. The total is about \$50 million for all programs in the third-party liability area. About 30 percent of the total would go to the General Fund.

**SEN. KEATING** asked if the program enables General Fund savings of about \$5 million. **Mr. Merdinger** said yes. It is very cost-effective.

**CHAIRMAN BRADLEY** asked if costs can be cut as a result of TEAMS. **Ms. Robinson** said the Department has run the program cost-effectively. She doesn't believe it can be cut further. **Mr. Merdinger** said TEAMS will help the Bureau become more efficient, but it won't help if the Bureau has to cut the program. Staff are

busy with collections. Mr. Blouke said the Department already cut two positions. This program is similar to the Child Support program because it generates revenue. The Department hopes TEAMS will improve efficiency and allow even more savings.

SEN. NATHE asked how SEARCHS will help. Mr. Blouke said SEARCHS will be in the Child Support Enforcement Bureau and will tie into TEAMS. Ms. Robinson said the computer systems will help staff find people with insurance, which will help save money. The program can't afford additional cuts.

EXECUTIVE ACTION ON THE AUDIT AND PROGRAM COMPLIANCE BUREAU


MOTION: REP. JOHNSON moved approval of the LFA budget with revised figures.

VOTE: The motion PASSED unanimously.

ADJOURNMENT

Adjournment: 9:15 a.m.

  
\_\_\_\_\_  
REP. DOROTHY BRADLEY, Chairman

  
\_\_\_\_\_  
FAITH CONROY, Secretary

DB/fc

**HOUSE OF REPRESENTATIVES**  
**HUMAN SERVICES SUBCOMMITTEE**

**ROLL CALL**

**DATE**

1-25-91

NAME	PRESENT	ABSENT	EXCUSED
REP. JOHN COBB	✓		
SEN. TOM KEATING	✓		
REP. JOHN JOHNSON	✓		
SEN. DENNIS NATHE	LATE		
SEN. MIGNON WATERMAN, VICE-CHAIR	✓		
REP. DOROTHY BRADLEY, CHAIR	✓		

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	41.00	40.00	40.00	.00	40.00	40.00	.00
Personal Services	959,605	1,074,588	1,074,588	0	1,073,671	1,073,671	0
Operating Expenses	167,306	164,751	162,404	2,347	165,942	162,826	3,116
Equipment	34,415	3,420	3,420	0	3,420	3,420	0
Benefits and Claims	87,519	143,223	0	143,223	143,223	0	143,223
Transfers	0	0	111,433	111,433	0	111,433	111,433
Total Expend.	\$1,248,845	\$1,385,982	\$1,351,845	\$34,137	\$1,386,256	\$1,351,350	\$34,906
<u>Fund Sources</u>							
General Fund	598,523	601,866	599,515	2,351	602,167	599,358	2,809
Federal Revenue Fund	650,322	776,447	744,618	31,829	776,435	744,296	32,139
Proprietary Fund	0	7,669	7,712	43	7,654	7,696	42
Total Funds	\$1,248,845	\$1,385,982	\$1,351,845	\$34,137	\$1,386,256	\$1,351,350	\$34,906

PAGE REFERENCES:

LFA Current Level Analysis Reference: B-93  
Executive Budget Summary Reference: 129  
Executive Budget Narrative Reference: 105

EXECUTIVE AND LFA CURRENT LEVEL DIFFERENCES

Operations:

Executive (Under)Over	
LFA	1993
1992	1993
\$2,347	\$3,116

1) Base Difference

Benefits/Transfers: This expenditure funds a contract with the Department of Revenue (DOR) to provide fraud investigations. Federal funds transferred by SRS are matched with general fund in the DOR. The Executive Budget carries the 1991 appropriated level into the 1993 Biennium, while the LFA used a three year average. However, the DOR billed SRS for additional services provided in fiscal 1990 after year-end closing. The actual expenditure by SRS for this purpose in fiscal 1990 was \$120,876. The \$143,233 level in the Executive Budget would seem to be an appropriate funding level, unless SRS documents a need for more.

Exhibit #1  
1/25/91  
Human Serv  
Subcomm

1-25-91

6901 DEPT SOCIAL & REHAB SERVICES  
11 DISABILITY DETERMINATION PGH  
00000

DATE : 01/08/91  
TIME : 21/29/24  
CURRENT LEVEL COMPARISONS

Budget Item	Actual Fiscal 1990	Executive Fiscal 1992	LFA Fiscal 1992	Difference Fiscal 1992	Executive Fiscal 1993	LFA Fiscal 1993	Difference Fiscal 1993
FTE	43.13	41.00	38.00	3.00	41.00	38.00	3.00
Personal Services	1,293,256	1,076,603	1,012,619	63,984	1,075,726	1,011,889	63,837
Operating Expenses	1,066,215	1,539,779	1,463,220	76,559	1,539,652	1,511,022	28,630
Equipment	12,803	14,000	14,000	0	14,000	14,000	0
Benefits and Claims	44,071	68,000	44,071	23,929	68,000	44,071	23,929
Total Expend.	\$2,416,345	\$2,698,382	\$2,533,910	\$164,472	\$2,697,378	\$2,580,982	\$116,396
Fund Sources							
Federal Revenue Fund	2,416,345	2,698,382	2,533,910	164,472	2,697,378	2,580,982	116,396
Total Funds	\$2,416,345	\$2,698,382	\$2,533,910	\$164,472	\$2,697,378	\$2,580,982	\$116,396

PAGE REFERENCES:

LFA Current Level Analysis Reference: B-100  
Executive Budget Summary Reference: 129  
Executive Budget Narrative Reference: 139

EXECUTIVE AND LFA CURRENT LEVEL DIFFERENCES

Personal Services:

LFA Eliminated Positions	Position Type	Time Vacant
1.0 FTE	Unclassified	7/1/89 through 9/21/90
1.0 FTE	Quality Control Reviewer	7/1/89 through 9/21/90
1.0 FTE	Word Processing Operator III	1/02/90 through 9/21/90
3.0 FTE		

Exhibit #2  
1/25/91  
Human Serv  
Subc.

<u>Operations:</u>		<u>Executive (Under) Over</u>	
		<u>LFA</u>	
		1992	1993
1) Inflation		(45,544)	(94,048)
2) Medical Services		56,326	56,901
3) Base Difference		65,777	65,777
		-----	
Total Difference		76,559	28,630

Benefits:

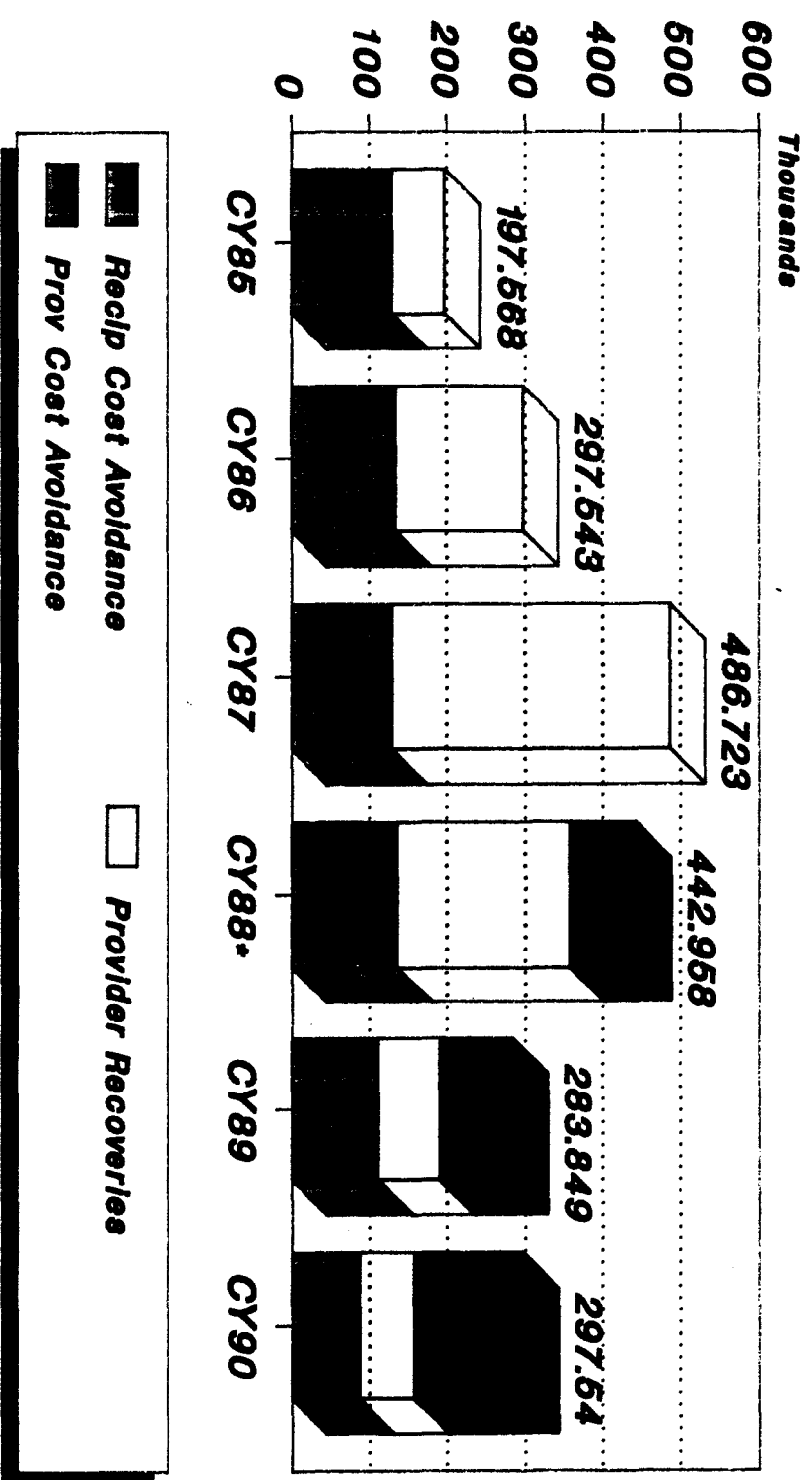
Benefits are expenses for client travel to obtain disability examinations. The Executive Budget carries the 1991 appropriated level into the 1993 Biennium, while the LFA used the actual 1990 expenditure level.

ISSUES:

Department staff believe that the U.S. Supreme Court Decision, Zebley vs. Sullivan will result in significant workload increases during the 1993 Biennium over the actual fiscal 1990 level.

GRAPH A

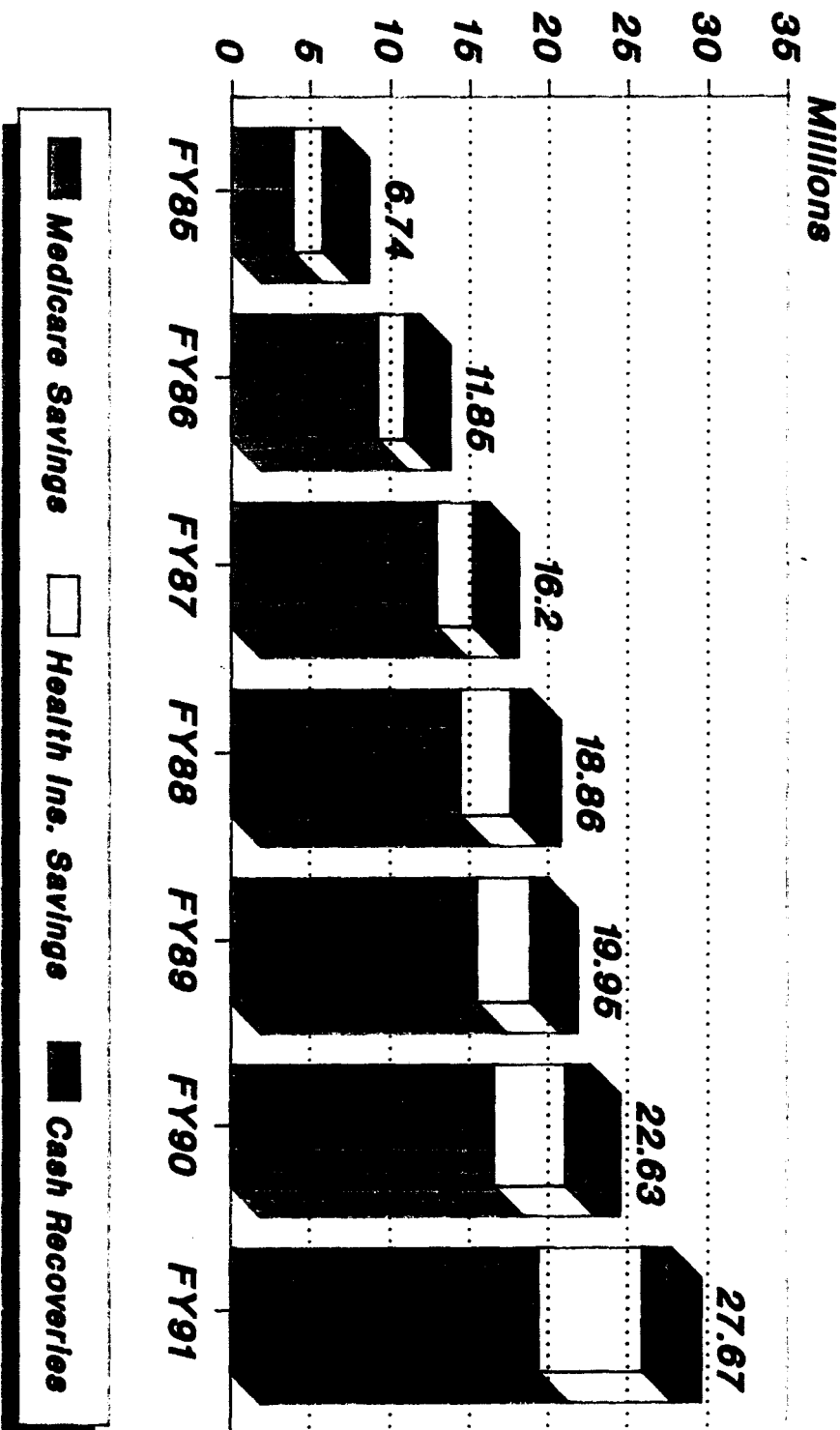
# Surveillance/Utilization Review Savings to Medicaid CY85 - CY91



CY is Calendar Year  
\*First Yr Initiated Prov Cost Avoidance

EXHIBIT 4 Exhibit #14  
 DATE 1-25-91 1/25/91  
 HB Human Serv. Subc

# Third Party Liability Savings to Medicaid FY85 - FY91



FY91 is projected.

WITNESS STATEMENT

Please Print

NAME JOE MATHEWS BILL NO. \_\_\_\_\_  
ADDRESS P.O. Box 4210 - Helena DATE 1-25-91  
WHOM DO YOU REPRESENT? SRS - Vocational Rehab.  
SUPPORT ✓ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WITNESS STATEMENT

NAME BILL VOLLMEYER BILL NO. \_\_\_\_\_  
ADDRESS 1330 HELENA AVE - HELENA DATE 1/25/91  
WHOM DO YOU REPRESENT? STATE DDJ SRS  
SUPPORT ✓ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

## VISITOR'S REGISTER

Human Services

SUBCOMMITTEE

AGENCY(S) \_\_\_\_\_

DATE

1/25/91

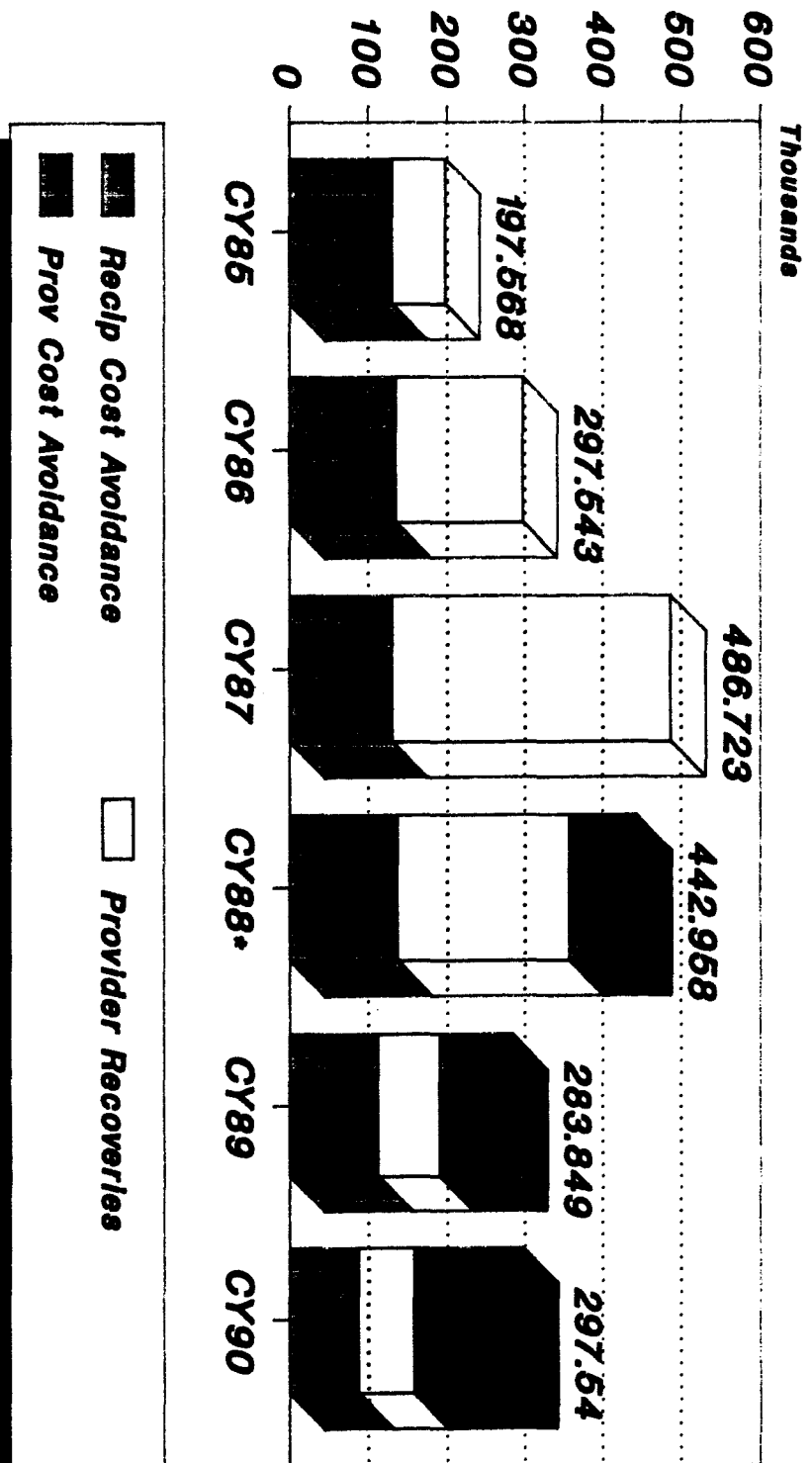
DEPARTMENT \_\_\_\_\_

NAME	REPRESENTING	SUP- PORT	OP- POSE
BILL VOLLMER	DDB - SRS	✓	
Connie McEachern	DOB / SRS	✓	
<sup>Erick</sup> Merdinger Cheryl Pfister	Audit & Compliance / SRS	✓	
Julie Roberts	SRS	✓	
<del>ES</del> <del>Blond</del>	SRS	✓	
<sup>Donwen</sup> John Donnen	SRS	✓	
Joe Matthews	<sup>SRS</sup> Voc Rehab		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
 IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.

GRAPH A

# Surveillance/Utilization Review Savings to Medicaid CY85 - CY91



CY is Calendar Year  
\*First Yr Initiated Prov Cost Avoidance

WITNESS STATEMENT

Please Print

NAME Joe MATHEWS BILL NO. \_\_\_\_\_

ADDRESS P.O. Box 4210 - Helena DATE 1-25-91

WHOM DO YOU REPRESENT? SRS - Vocational Rehab.

SUPPORT ☒ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: