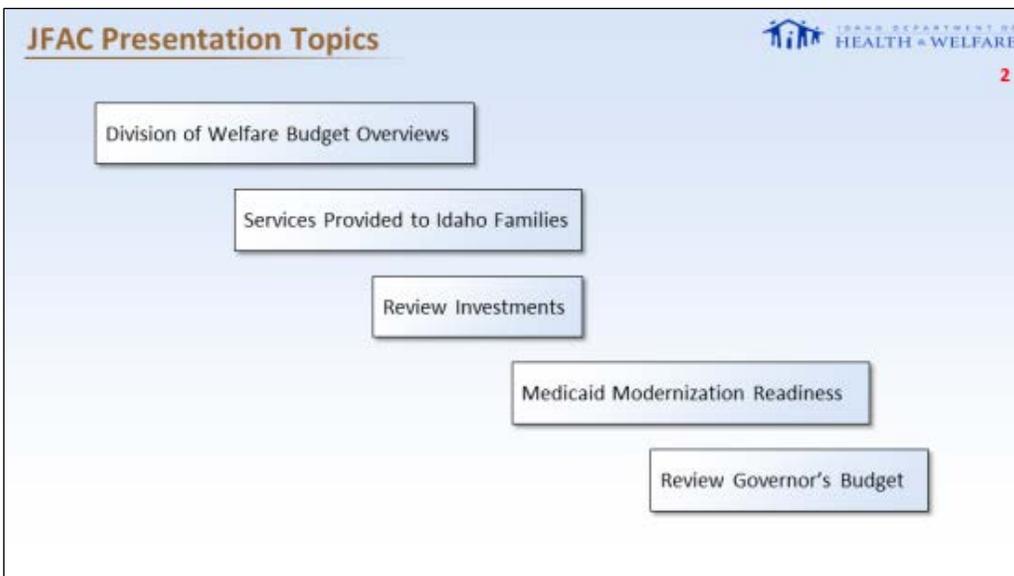




Good morning Mr. / Madam Chairman and members of the committee. My name is Russ Barron. It has been my privilege to serve as the administrator for the Division of Welfare for the past 9 years. I appreciate the opportunity to speak with you today about

the Division of Welfare, the important work we do, some of the challenges we currently face, and the recommendations for our budget.

I'd like to introduce Greg Kunz, Deputy Administrator, who is here today to assist with the presentation.

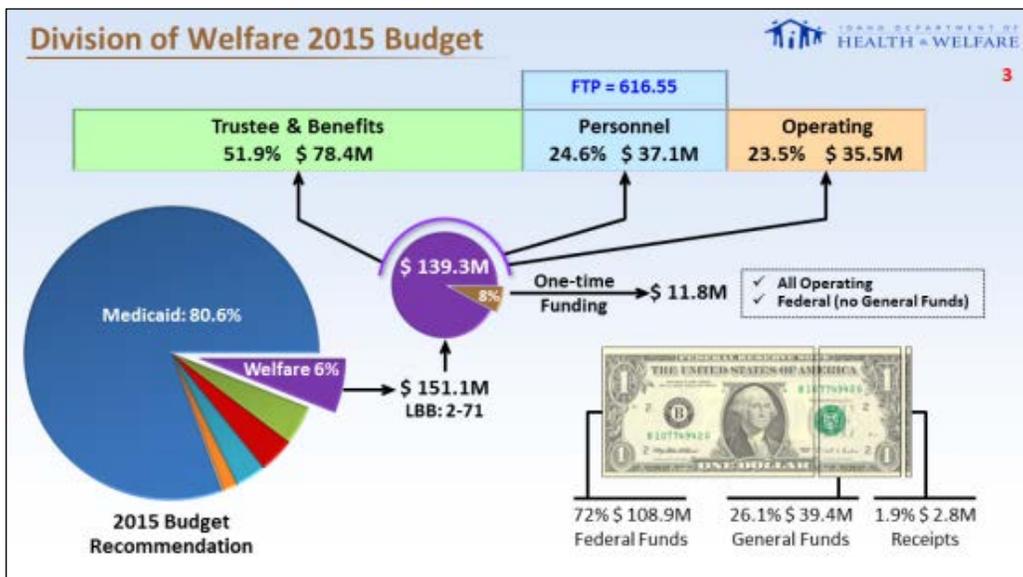


In the next 30 minutes, I will:

- Provide you with a high-level overview of the division's budget, describe the services we offer to Idaho families.
- Review investments that have been made to improve Idaho's

Welfare Programs and share the results.

- Give an update on the status of our Medicaid Modernization Readiness project, Idaho's approach to responsibly implementing the Medicaid mandates under the Affordable Care Act.
- Finally, I will review the Governor's budget recommendations for the Division of Welfare, which are located on pages 2-71 through 2-77 of your legislative budget book.



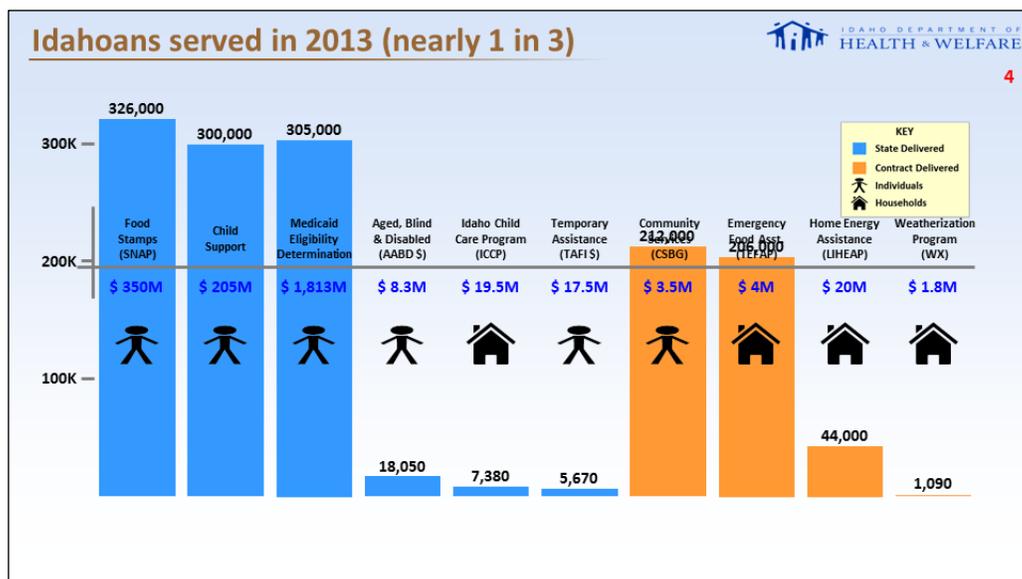
The Division of Welfare makes up about 6% of the Department's overall budget.

The Governor's total budget recommendation for 2015 is \$151.1M. However, about \$11.8M or almost 8% is for one-time costs.

This one-time federal funding supports operational costs in the final phases of the Medicaid Readiness Initiative.

You can see that Trustee & Benefits is our largest category of spending, with almost 52% of the division's funds used for a portion of the actual benefits delivered. This amount does not include Child Support payments or actual Food Stamps benefits. Almost 25% of the budget will be spent on personnel, which consists of about 616 full time positions. And 23.5% of the budget will be used to cover operating expenses, and this includes funding for 86 contracts.

You will also notice that 72% of the Division of Welfare's budget is from federal funds, about 26% from state funds, and almost 2% from receipts. Receipts include collections from overpayments in various programs, fees involved in the Child Support Program, and grocery tax credit donations for low income heating assistance.



Now I want to give you a brief summary of who we serve with these funds. There are several programs and services administered by the Division of Welfare intended to help low-income individuals and

families, and the working poor, as well as the Child Support Program. In SFY 2013, we served about 1 in 3 Idahoans through the combination of these programs. As you can see, the dollar value of benefits or services administered within the Division of Welfare varies dramatically between programs.

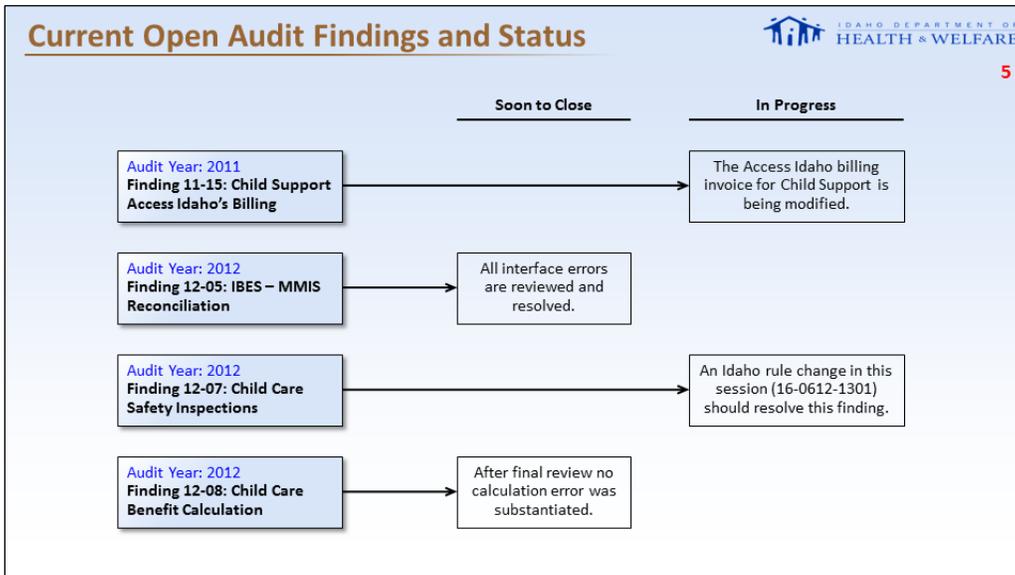
The participation numbers I'm providing in this presentation are not the point-in-time caseload numbers we provide to Legislative Services each quarter in the Self Reliance Forecast, but rather a total count of all individuals served throughout the year. We served just over 326,000 individuals in Food Stamps, also known as the Supplemental Nutrition Assistance Program or SNAP. We served about 300,000 individuals with Child Support Services, and just over 305,000 individuals with Medicaid services. The Division of Welfare performs the eligibility work for all Medicaid programs, but the Division of Medicaid manages the various plans and the payments to providers.

Some smaller, but still important, programs include:

- The Aid to the Aged, Blind, and Disabled Program, which provided cash assistance to more than 18,000 individuals.
- The Idaho Child Care Program provided help to more than 7,300 low-income, working households or those attending an accredited college or university.
- The Temporary Assistance to Families in Idaho Program provided temporary cash payments to more than 5,600 low-income families.

All of these programs I've mentioned so far are administered by state employees within the Division.

Services provided through partnership contracts with the community action agencies include the Community Services Block Grant, which helped about 212,000 individuals, the Emergency Food Assistance Program, which provided food commodities to about 206,000 households, the Low Income Home Energy Assistance Program, which provided a home heating payment for about 44,000 families, and the Weatherization Program, which weatherized over 1,000 Idaho homes.



Before I get into the business details and budget recommendations for the division, I want to provide an update on the status of the Legislative Audit Findings currently open in the Division of Welfare. We have a total of four

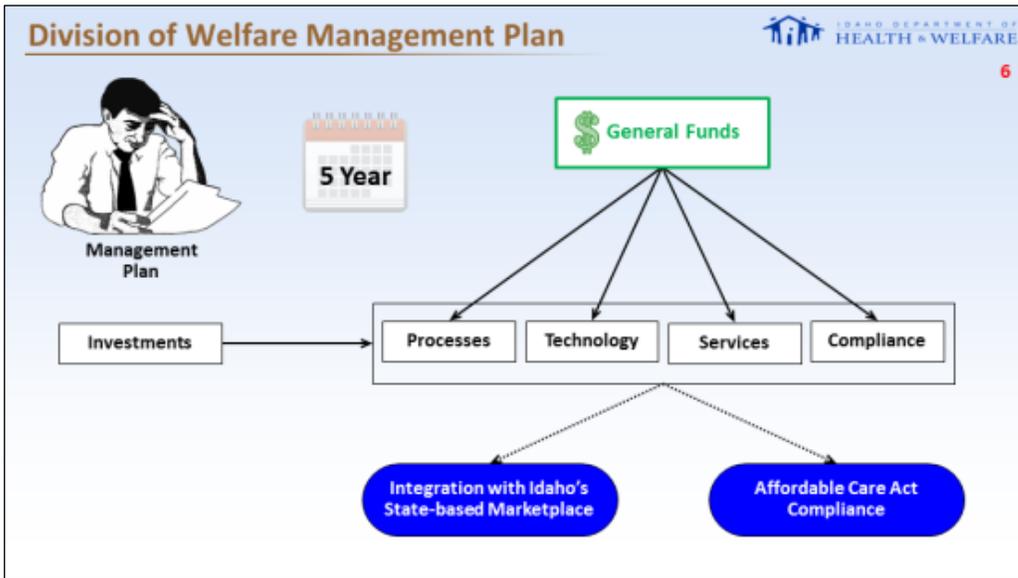
findings, two in progress, and two soon be closed.

To address the findings related to the services billed by Access Idaho for the Idaho Child Support Website, which functions to allow non-custodial parents to view their cases and make child support payments, we are working with Access Idaho to make modifications to the invoices to specify more detailed cost information.

The interface reconciliation findings between IBES, our eligibility system, and MMIS, the Medicaid payment system, are also being addressed through improved processes and reporting where interface errors found are reviewed daily and resolved as quickly as possible to ensure accuracy in the information shared between the two systems. With investments in the Medicaid Readiness project, we have significantly improved information-sharing between the two systems.

To address the findings in the Idaho Child Care Program, we will be presenting a rule change this session to clarify our approach to regulations related to monitoring safety inspections for in-home providers and facility providers.

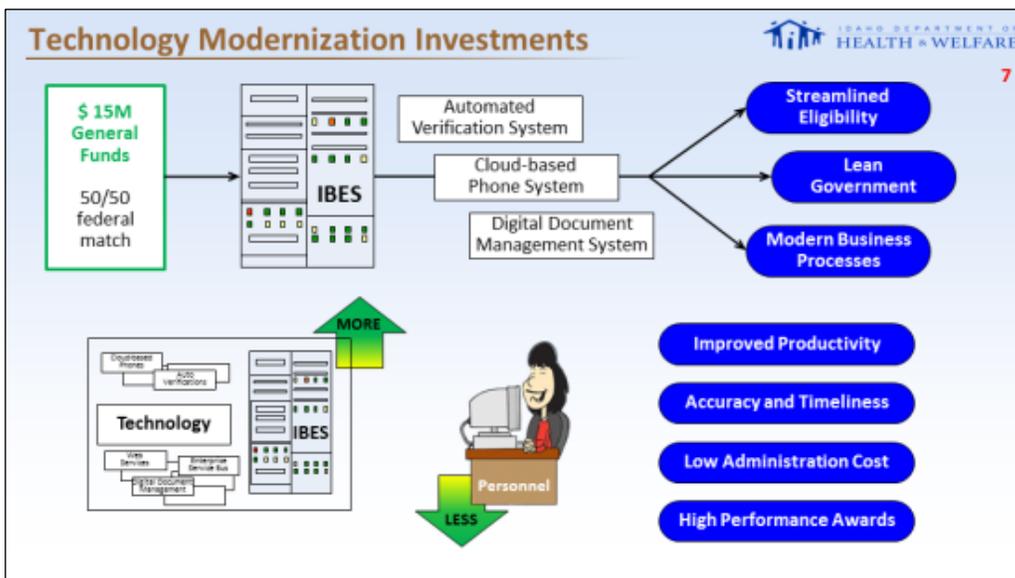
For the second finding related to the child care benefit calculation, after final review, there were no calculation errors actually substantiated and that finding will be closed.



I would like to discuss the management plan we've had over the past five years.

The management plan includes investments you have made with General Fund dollars to improve these programs, what we have been able to

accomplish with those investments, and our strategic approach for future management, including how we will complete our Medicaid Readiness Project, as well as the integration plan with Idaho's State Based Marketplace.



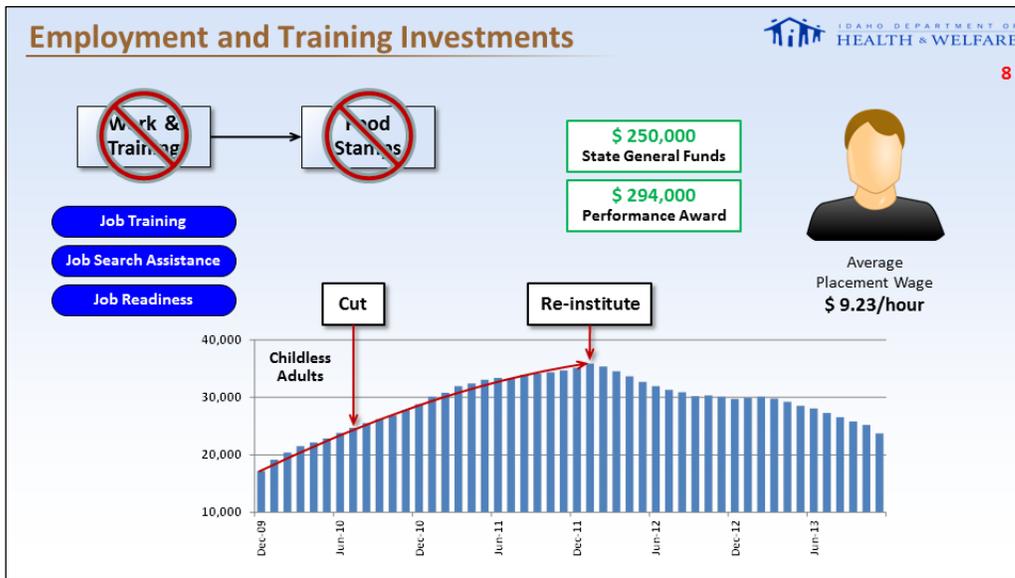
Some critical technology investments have been made in the Welfare Programs since 2009.

As some of you may remember, a few years ago you invested nearly \$15 million in General Funds (matched 50/50 with federal funds) into

implementing a new automated system, called IBES, for determining eligibility. This investment wasn't only new technology; it also started us on a path of streamlined eligibility, lean government, and modernized business processes. Our efforts to modernize technology over the past five years have led to automated verification systems, cloud-based phone technology that supports our processing centers, and a document management system, which has greatly reduced paper use and allowed a more efficient approach to making eligibility decisions.

These modernization efforts also marked the transition for us to making one-time investments in modernization and technology and relying less on a regular need for

increases to base funding in personnel to handle substantial increases in caseloads and workloads. This investment allowed us to absorb nearly 75% more workload with fewer staff and improve outcomes in Food Stamps and Medicaid eligibility that has led to reinvestments in our programs by receiving high performance awards for the excellent work done by our staff.

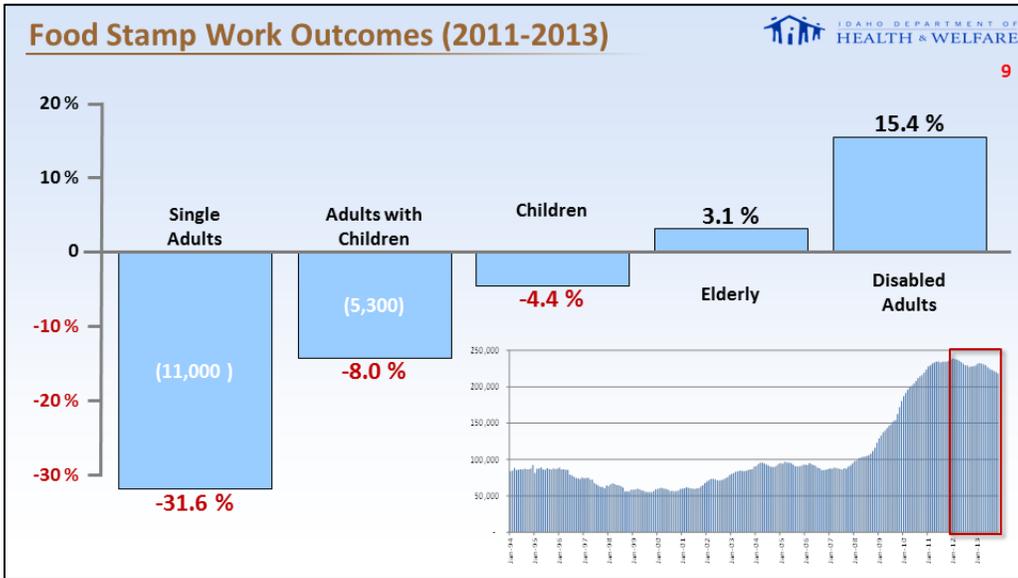


Another important investment was funding for our Work and Training Program for individuals receiving Food Stamps. This program is critical to move people into the workforce by providing job training, job search assistance, and job readiness skills. Idaho’s Work and Training

program is designed as a condition to participating in the Food Stamp Program for those individuals with no income and not working. In other words, to receive Food Stamps in Idaho, you must either be working or actively participating in our Work and Training program in order to receive either Food Stamps or cash assistance unless you are a child, elderly, or disabled. For all abled-bodied adults, this means no work and training – then no Food Stamps.

However, during budget reductions in 2010, we had to cut funding to this program, forcing us to decrease the number of individuals served through Employment and Training, specifically the childless adult population. When we cut funding in 2010, participation in Food Stamps by this group of participants more than doubled from about 17,000 to over 35,000 in about two years. With the \$250,000 general fund investment and an additional investment of \$294,000 from a SNAP performance award, we have been able to reinstitute work requirements for all eligible participants, encouraging and moving people into the workforce with an average wage at placement of \$9.23 per hour and decreasing overall participation and reliance on Food Stamps.

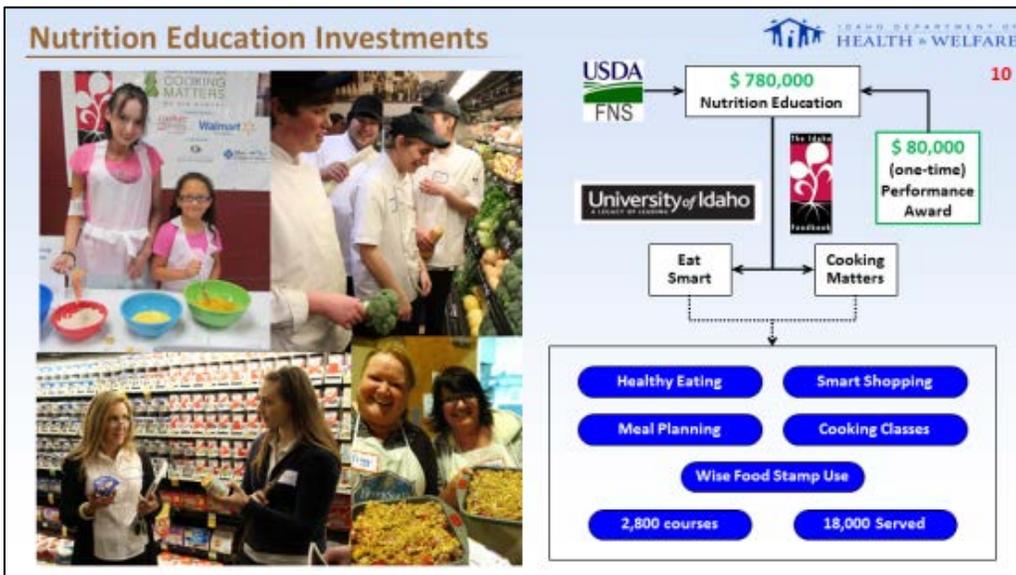
Let me share a little more detail of this impact on the Food Stamp caseload.



This first chart (in the lower right of the slide) shows the entire Food Stamp caseload over time beginning in 1994. The red boxed area on the right of the chart references fluctuations in participation for the past 24 months,

actually, November 2011 through November 2013.

This next chart (starting with single adults in the slide above) shows where we are experiencing increases and decreases in Food Stamp participation, partially as a result of that investment in the employment training program I mentioned earlier. In our single adult population, SNAP enrollment decreased by nearly 32%, or 11,000 individuals, because they either got a job with a high enough wage to put their household over the income limit for Food Stamps or were sanctioned and closed off the program because they chose not to comply with the work requirements. Adults with children in the home also received Employment and Training services resulting in decreased participation in SNAP for this population by 8% or about 5,300 individuals, which also reduced the number of children participating in the program by almost 4.5%. The only growth we have seen in Food Stamp participation over the past two years has been in our low-income elderly and disabled populations.

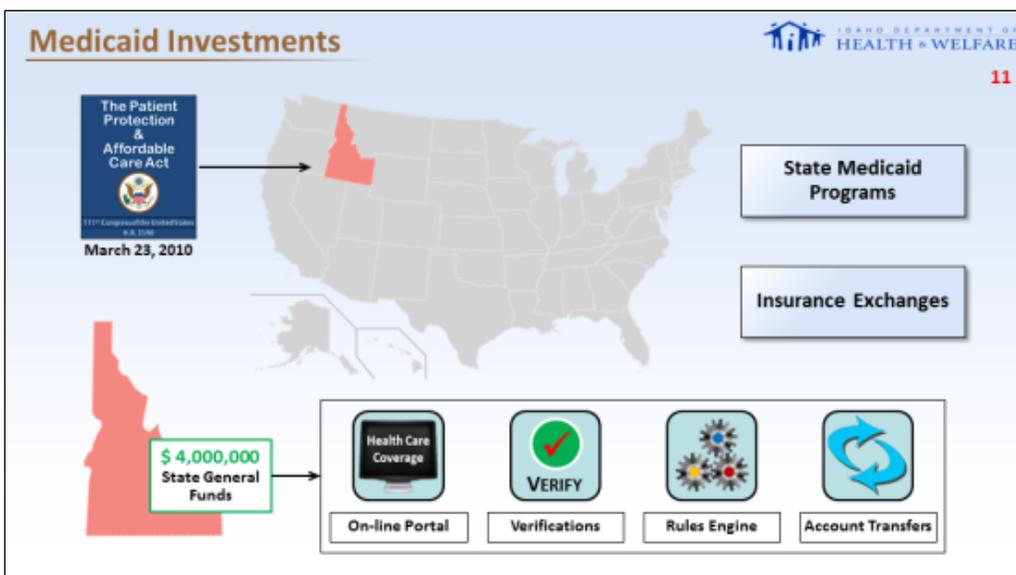


The Division of Welfare has also made significant investments in nutrition education programs for individuals receiving Food Stamps. Last year Idaho's overall Nutrition Education budget was about \$780,000, and almost all of it came from

Food and Nutrition Services, under the United States Department of Agriculture. About \$80,000 of the total Nutrition Education budget was invested by the Department from our SNAP performance funding to assist with these efforts.

About 87% of our Nutrition Education budget is invested in the University of Idaho's Program called Eat Smart, and the remaining budget helps fund a program offered by the Idaho Food Bank called Cooking Matters.

The Department partners with the Idaho Food Bank and University of Idaho to educate individuals about healthy eating, smart shopping habits, cooking classes, and meal planning to encourage wise use of Food Stamp dollars. Between these two excellent programs, we offered about 2,800 courses and served just over 18,000 individuals. With long-term investments in a Nutrition Education program, we will bolster efforts to inform and encourage families to spend food benefits wisely, and to encourage healthy food purchasing and eating habits among those receiving food assistance.

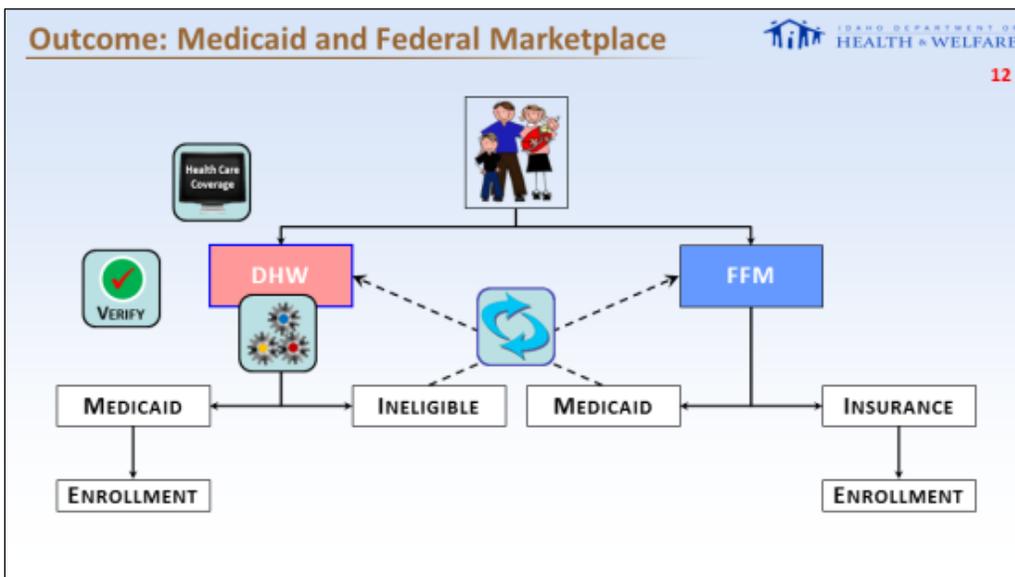


Moving on now to investments in Medicaid eligibility. As we all know, the implementation of the Affordable Care Act has been one of the most controversial changes in recent history; not

just in Idaho but also on the national level. States have been caught in major predicaments trying to completely revamp state Medicaid programs as well as build infrastructure for insurance exchanges. Idaho is no different and over the past three years you have invested nearly \$4 million to be matched with enhanced federal funding into our Medicaid program to ensure we are able to meet the new mandates of the federal law.

The Department has used these dollars wisely to acquire new technology and infrastructure. We now have an online portal for families to complete their re-evaluations, and later this summer, it will allow online application for Medicaid. We have also enhanced the automated interface and verification systems to improve real-time eligibility decisions based on information from key federal and state agencies, and to ensure accurate eligibility decisions. This month, we are implementing a business-friendly rules engine in IBES that will allow us to accurately make eligibility decisions and rapidly change eligibility rules when necessary. Finally, we continue to work with the Federal Marketplace on completing development and testing to share data files back and forth through account transfers. These enhancements will improve Idaho's ability to implement the new mandated changes at a low cost.

Later in my presentation, I will review the new enhanced federal funding and how it will help us maintain our new automated systems and reduce the need for additional general funds for ongoing maintenance.

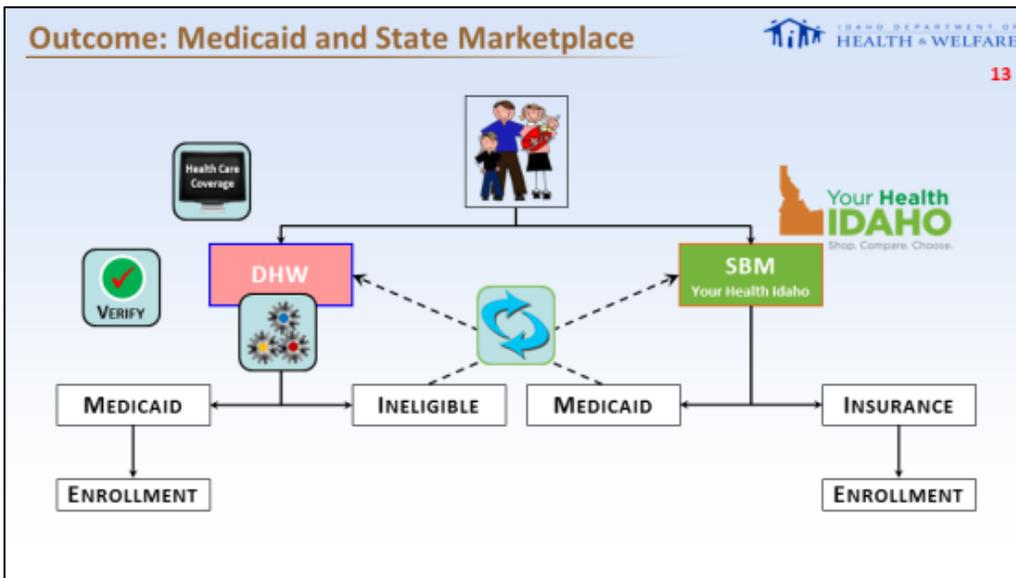


This picture depicts the system we have built in the Department of Health and Welfare with that new technology to ensure compliance with the new federal law.

We also built an automated connection with the

Federal Exchange because beginning last October we were mandated to be prepared to send and receive account transfers for open enrollment with the insurance exchange servicing Idaho applicants. Although there have been significant delays and problems with the Federal Exchange, known as the Federally Facilitated Marketplace (or FFM), we have

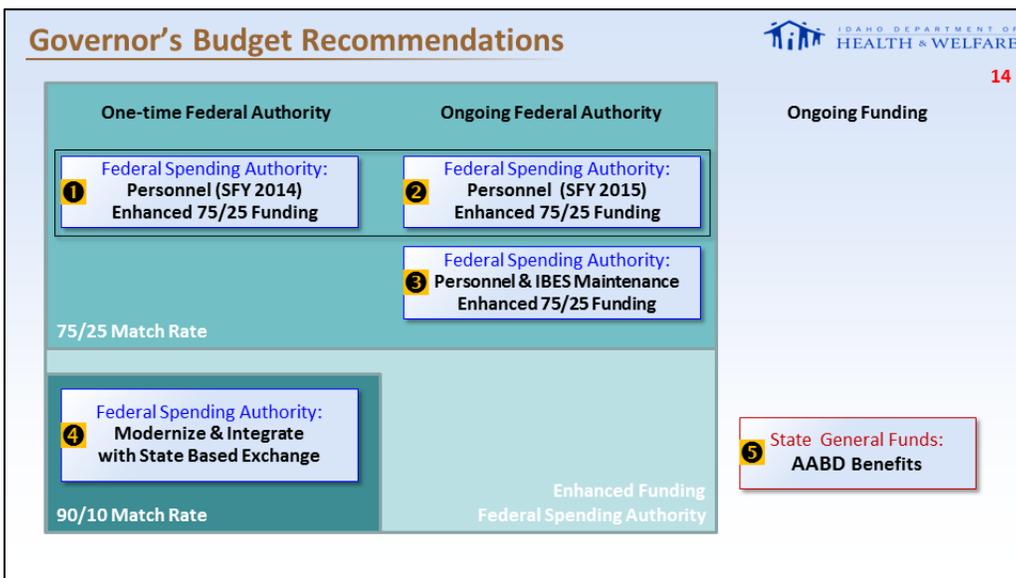
worked closely to ensure all functionality is in place in Idaho to enroll people quickly and accurately.



Based on the design of Idaho’s State Based Marketplace, the Department of Health and Welfare will have to build similar functionality with Your Health Idaho to be ready for the next open enrollment. Similar to our requirements with the Federal

Exchange, we will send and receive information with our State Based Marketplace to ensure applicants receive assistance with health coverage, whether it is through Medicaid or through a tax credit on the Marketplace.

This leads me to our priorities and the Governor’s budget recommendations for 2015.



Before I get into the details of the budget recommendations, here is a summary of the recommendations and the order in which I will present them.

The first four are very inter-related; all use enhanced funding to invest in

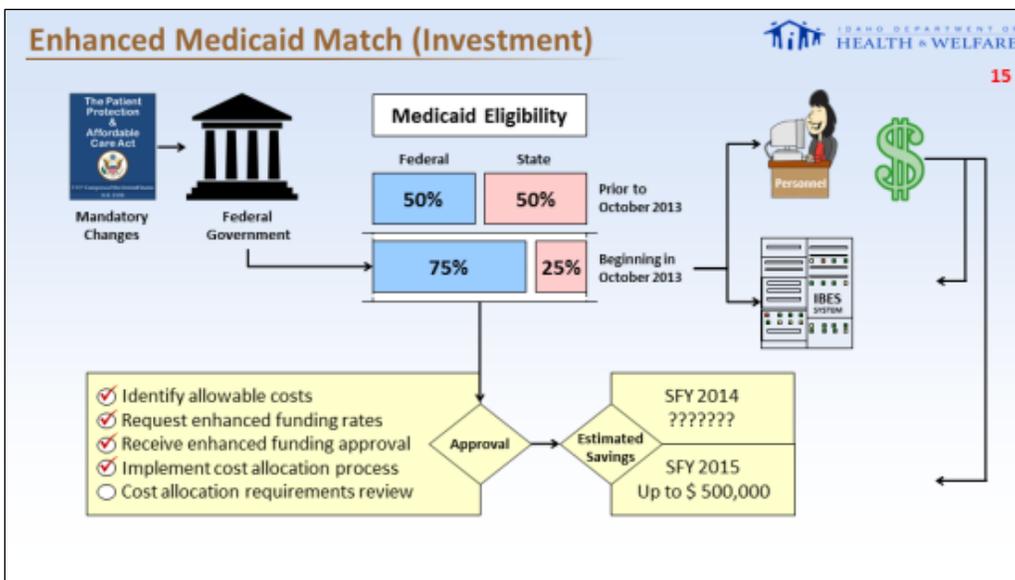
modernization, technology, and compliance. All four are for federal spending authority and do not include any state General Funds. And the first three recommendations depend on the new and ongoing 75/25 enhanced match rate.

Recommendations 1 and 2 are basically the same: The first is a 2014 supplemental for one-time spending authority; the second is for ongoing spending authority.

The third recommendation is for spending authority and our attempt to be transparent in a strategy that involves shifting money from personnel to operating to cover increased costs in operating systems without additional general funds.

The fourth recommendation is for one-time funding for our final year of the Medicaid Readiness Initiative and uses the one-time 90/10 match rate.

The fifth recommendation is the only one involving an increase in ongoing general funds. This is for the cash program known as Aid to the Aged, Blind, and Disabled, or AABD. I will speak to this recommendation last and provide an update on the program and our maintenance of effort requirement.



To set the stage for the first three budget recommendations, I would like to explain the new enhanced federal funding.

With the implementation of the mandatory changes of the Affordable Care Act, the legislation

provided enhanced funding to help cover the increased costs of administering Medicaid. Due to new technology requirements and potential increases in personnel needs, the federal government decided to offset the costs to states by providing an enhanced match rate to minimize the impact on State General funds.

Prior to October 2013, all administrative costs, including personnel, were matched at 50/50, where 50% of the cost was paid by the state General Fund and 50% of the cost was covered by the federal government. Beginning October 2013 states could apply for and, if they demonstrated a valid method of identifying specific Medicaid eligibility costs they could match at 75/25. The 75/25 match can apply to operating costs, such as automation, and personnel costs associated with doing Medicaid eligibility.

We have been working on approval for Idaho's enhanced funding, which requires several steps, but are still awaiting a final review of our cost allocation methodology.

Based on early analysis, and the fact that Idaho invested one-time funds into technology development, streamlining the eligibility process and reducing the need for more staff, we will likely see some savings in our personnel budget beginning in SFY 2014.

Last year I mentioned this could happen and there was legislative intent language for SFY 2014 regarding any personnel savings due to the enhanced match rate. The division was directed to identify the amount of personnel savings and not consider it as salary savings and for the typical use of salary savings. Although at this point we are not sure how much we will save in SFY 2014, we are complying with that direction and at the end of SFY 2014 will revert these savings to the General Fund.

For SFY 2015 we have made some projections for ongoing savings and a budget transfer from personnel to operating to support the transition of costs from personnel to our automated systems. Beginning in SFY 2015 we anticipate there could be General Fund savings of about \$500k annually.

**Enhanced Medicaid Match (2014)** IDAHO DEPARTMENT OF HEALTH & WELFARE

16

Enhanced Medicaid Match	
LBB: Page 2-74 #4	Supplemental SFY 2014
<i>Federal spending authority including estimated one-time costs for 75/25 match in SFY 2014</i>	
General Funds	\$ 0
Federal Funds	\$ 2,263,400
<b>Total Funds</b>	<b>\$ 2,263,400</b>

The first budget recommendation is found on page 2-74 of the LBB, item #4, called Enhanced Medicaid Match and it is a supplemental for SFY 2014 for \$2,263,400 in federal spending authority. This is our best estimate and includes the federal match

necessary to use the 75/25 enhanced match I mentioned earlier. We will abide by the legislative intent language and any personnel savings in state general funds generated in SFY 2014 because of the enhanced match in personnel will be reverted.

## Enhanced Medicaid Match (2015)

2

### Use Enhanced Rate for Personnel

LBB: Page 2-77 #28

SFY 2015

*Estimated ongoing costs for Personnel (using 75/25 match SFY 2015 and ongoing) - federal spending authority*

General Funds	\$	0
Federal Funds	\$	2,234,800
<b>Total Funds</b>	<b>\$</b>	<b>2,234,800</b>

The next budget recommendation is located on page 2-77 of the LBB, item #28, and is titled Use Enhanced Rate for Personnel. It is almost the same as the SFY 2014 supplemental, except this is for SFY 2015 and ongoing and is a recommendation for

federal spending authority for \$2,234,800. As I move into the next recommendation, I will explain the general fund savings generated from this enhanced funding and how we plan to re-invest a portion of this savings in ongoing Medicaid administration.

## Eligibility System (IBES) Maintenance

3

### Eligibility System IBES Maintenance

LBB: Page 2-76 #26

SFY 2015

*Federal spending authority for Eligibility Systems using 75/25 match and General Fund transfer from Personnel*

General Funds	\$	0
Federal Funds	\$	2,415,000
<b>Total Funds</b>	<b>\$</b>	<b>2,415,000</b>

This budget recommendation is found on page 2-76 of the LBB, item #26, and is called Eligibility System IBES Maintenance and involves additional details on the General Fund savings from the 75/25 enhanced match in SFY 2015. This recommendation

is for \$2,415,000 in federal spending authority for the enhanced match to support our automated systems. A portion of the general fund savings in personnel discussed earlier, about \$636,400, will be transferred from personnel to operating and matched with these federal funds to help cover increased costs for the new rules engine, our online portal, new hardware and software support, and increased licensing costs.

In addition, we are anticipating personnel savings of \$503,000 in general funds with the new enhanced match rate. We have not invested this money yet, as we are trying to be cautious as we move through the new process.

## Integrate with State Based Exchange

4

### Integrate Eligibility System with State Exchange

LBB: Page 2-75 #2

SFY 2015

*One-time development for Integration with State Based Exchange and Modernization*

General Funds	\$	0
Food Stamp Performance Award – One-time	\$	1,318,000
Federal Funds – One-time	\$	10,482,000
<b>Total Funds</b>	<b>\$</b>	<b>11,800,000</b>

The next budget recommendation is on page 2-75 of the LBB, item #2, and is called Integrate Eligibility System with State Exchange. The recommendation is for \$11.8 million in SFY 2015 for one-time development to continue the Medicaid Readiness Initiative,

which uses enhanced 90/10 funding from the Centers for Medicare and Medicaid (CMS) to modernize and meet requirements of the Medicaid program. This one-time funding is for mandatory changes only and has nothing to do with the optional Medicaid expansion.

There are no general funds in this recommendation; the Division will use \$1,318,000 from a federal performance award as match. This funding will be used to build critical functionality to integrate with the new State Based Marketplace that enables us to conduct data transfers by the next open enrollment later this year, as well as update critical software for existing noticing processes, document management, and middleware within our eligibility system.

## Aid to the Aged - Blind - Disabled (AABD) Benefits

5

### Aged, Blind, Disabled – Caseload Change

LBB: Page 2-76 #9

SFY 2015

*Increased costs for AABD caseload increase*

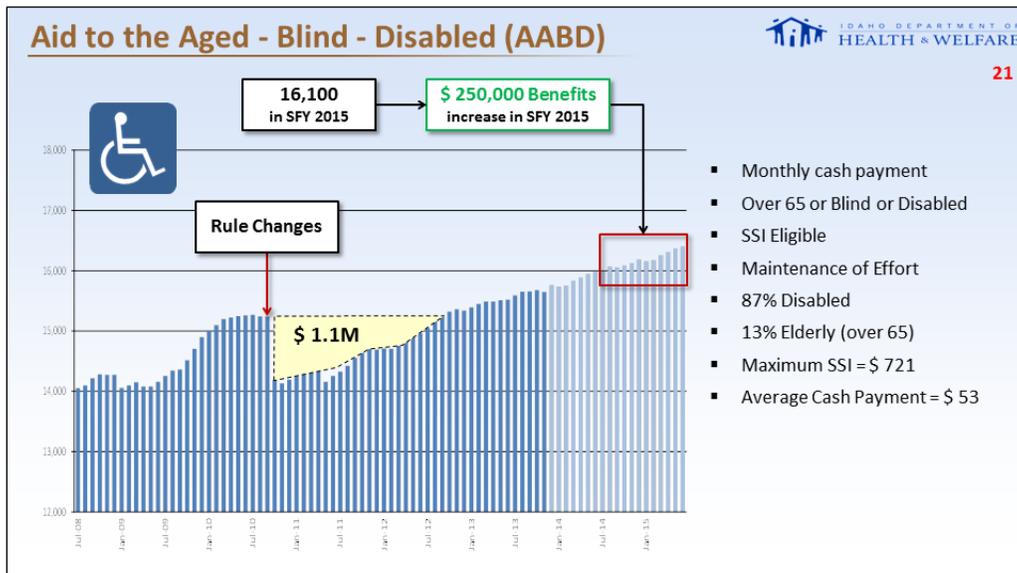
General Funds	\$	250,000
Federal Funds	\$	0
<b>Total Funds</b>	<b>\$</b>	<b>250,000</b>

The last budget recommendation is found on page 2-76 of the LBB, item #9, and is called Aged, Blind, Disabled – Caseload Change.

This recommendation is for \$250,000 in General Funds for ongoing Trustee & Benefit cash

payments to certain low-income participants who are blind, disabled or over the age of 65. The General Fund supports this program in its entirety and the current base funding is \$8,553,100.

Let me provide some more details on this program.



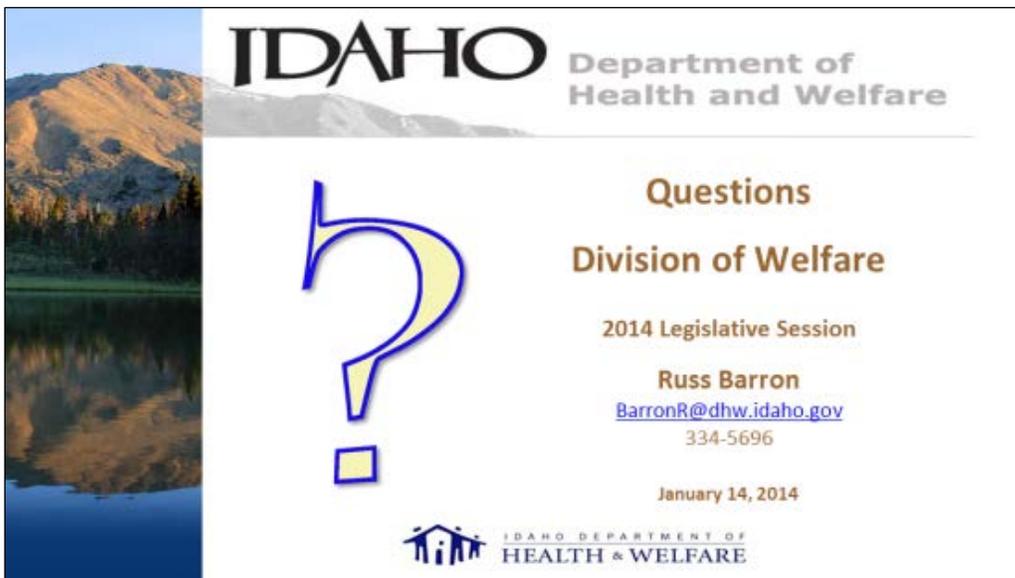
Aid to the Aged, Blind, and Disabled, or AABD Cash as it is commonly called, is a 100% state-funded program administered by the Division of Welfare that provides a monthly cash payment to those who are over 65, blind, or disabled and

eligible to receive Supplemental Security Income (SSI). Idaho has a requirement to provide a cash assistance program for the elderly and disabled as part of our Maintenance of Effort to receive most of Idaho's Medicaid match. Most of the individuals receiving a cash benefit in Idaho are disabled and only about 13% of the population receiving this benefit is over the age of 65. Those receiving AABD cash have extremely low income and virtually no assets. These individuals typically get the maximum SSI payment of \$721 per month, and the AABD cash payment would be about \$53 per month. An example of someone receiving an AABD cash payment in Idaho is a middle-aged and disabled individual, unable to work but trying to live independently in the community. The individual's only income would be their SSI payment and their AABD cash payment, totaling about \$774 per month. The majority of these individuals also receive food stamps and Medicaid.

The Department has made several changes over the past several years to try and contain program costs. In 2010, we limited the number of individuals that could receive AABD. The anticipated budget reductions based on these changes was about \$1.1 million dollars. The new rules limited cash benefits to only those receiving SSI and eliminated eligibility for many in a semi-independent living arrangement. You can see the decrease in participation on this chart when these rules were implemented. Also, the Department attempted to contain costs by capping the average AABD cash amount at \$53. All of these changes were made to try and maintain this program at a reasonable cost to the state.

Even with these changes in place, we continue to see caseload increases in our AABD cash program, primarily in our disabled population. The caseload is anticipated to increase from

about 15,500 this year to about 16,100 in SFY 2015, thus the recommendation for an additional \$250,000 to cover the increased cost.



Mr./Madam Chairman, members of the committee, thank you for the investments you have made in the Division of Welfare that have provided us the opportunity to serve those in need to the best of our ability. And thank you for your consideration of

the Governor's budget recommendations I've reviewed with you this morning. This concludes my prepared remarks and I will now stand for questions.