

**Testimony of
Deputy Commissioner of Finance Alec Porteous
Department of Health and Human Services**

**Before the Joint Standing Committee on Appropriations and Financial Affairs and
The Joint Standing Committee on Health and Human Services**

**LD 390 "An Act Making Unified Appropriations and Allocations for the Expenditures of
State Government, General Fund and Other Funds, and Changing Certain Provisions of
the Law Necessary to the Proper Operations of State Government for the Fiscal Years
Ending June 30, 2018 and June 30, 2019**

Hearing Date: February 23, 2017

Senator Hamper, Representative Gattine, Senator Brakey, Representative Hymanson, Members of the Joint Standing Committee on Appropriations and Financial Affairs and Members of the Joint Standing Committee on Health and Human Services; I am Alec Porteous, Deputy Commissioner of Finance for the Department of Health and Human Services (DHHS). I am here today to speak in support of LD 390, the Governor's Biennial Budget proposal for State Fiscal Years 2018 and 2019.

During Governor LePage's service in office, and under Commissioner Mayhew's leadership, DHHS has made a firm commitment to good governance. The initiatives to be discussed this morning fall along those lines. Many of them right-size budget accounts or otherwise realign those accounts for more effective budgeting. From a financial operations standpoint, these proposed changes would significantly enhance efficiencies. From a legislative oversight—and public review—standpoint, these changes would considerably increase transparency.

Many of the administrative changes that the Department is proposing come on the recommendation of civil servants administering the DHHS budget on a daily basis. As part of the biennial budget development process, which DHHS undertook more than a year ago, Department leadership tasked team members with identifying budget reforms that would boost financial management efficiencies. Those were thoroughly vetted and many of them are before you today.

Several key financial operations initiatives include combining the Department's two legacy budget accounts; creating a DHHS Central Operations program; and consolidating the Department's regional accounting function. I will speak in more detail about each of these initiatives as we proceed.

Before that, however, I would like to address a key aspect of Department financial management that is critical to DHHS—and State—budgeting, but that is not reflected in a budget initiative. The MaineCare Review is the Department's Medicaid forecasting process that Commissioner Mayhew implemented early in her tenure.

MaineCare accounts for 24 percent of all General Fund spending, so predicting program expenditures accurately is essential to assessing state budgetary needs. Along those lines, the

MaineCare Review provides critical insight into appropriations lines that can make or break a balanced budget, and informs sound budgeting and decision-making.

The forecast itself, run twice annually, is a product of months of data gathering that culminates in several weeks of detailed analysis by cross-functional Department and DAFS DHHS Service Center teams. The basis of the forecast is an algorithm that utilizes “triple exponential smoothing” of past data, trend and seasonality to project MaineCare’s top 75 cost-drivers. The algorithmic results provide a granular, “object-code” level view of expenditures.

With the algorithmic results in hand, DHHS and DAFS Service Center professionals from across the Departments’ finance, program and licensing teams review the results of each forecasted object code line, vetting those projections to account for necessary adjustments—e.g., new policy initiatives or rate changes that the algorithm would not capture—ensuring that the forecast accounts for all drivers of future MaineCare expenditures.

Finally, when the forecast is complete, DHHS finance officials present the findings to DHHS and DAFS executives. The process is lengthy and the work tedious, but the insights that the forecast provides are essential to decision making regarding our state budget and to analysis of how our state deploys taxpayer dollars.

While financial forecasting may not be a headline generating topic, it is important for Committee Members and the public to be aware of this work and to have an understanding of its significance. It is likewise important for the civil servants who run the MaineCare Review to be recognized for their diligence and aptitude in administering a complex, highly accurate forecast that has such significant implications on the state’s bottom line.

This forecasting capability represents a significant step forward for good governance in Maine, and it will benefit future Administrations of any political stripe.

Departmental Administration Initiatives

Pages 298, 328, 380, CDC C-A-1108, Allotment Reduction, (0143, Z037) Federal Funds, FY18 \$(9,720,000): FY19 \$(9,720,000); (0143, 0205, Z037) Other Special Revenue, FY18 \$(2,290,000): FY19 \$(2,290,000)

This initiative reduces allocation for eight accounts to more accurately reflect actual expenditures. It will align the budget with available resources in the Federal Expenditures Fund and the Other Special Revenue Fund in the Center for Disease Control and Prevention program and the Data, Research and Vital Statistics program and the Other Special Revenue Fund in the Control Over Plumbing program.

Pages 298, 312, 382, 315, 329, 333, 334, 341, 380, 385, 388, CDC C-A-1113, Personal Services Realignment (0143, Z008, Z036) General Fund, FY18 \$(110,122): FY19 \$(107,493); (0143,0205, 0697,0728, Z036, Z037, Z118) Other Special Revenue, FY18 \$592,006: FY19 \$617,367; (0228, 0191, 0143) Federal Funds, FY18 \$(557,714): FY19 \$(576,929); (0189, 0204, 0191, 0143) Block Grant Funds, FY18 \$(57,717): FY19 \$(66,430); (0143) Funds for Healthy Maine, FY'18 \$0: FY'19 \$0

This initiative transfers and reallocates 66 positions between various accounts within programs administered by the Maine Center for Disease Control and Prevention to place them in the proper functional location. Position detail is on file with the Bureau of the Budget. All Other charges will be absorbed by each respective account.

Pages 299, 285, 294, 300, 322, 329, 385, 326, 387, 394, CDC C-A-1105, Eliminate Inactive Programs (Z027, 0143, 0143, 0076, Z054) Other Special Revenue, FY18 \$(706,999): FY19 \$(706,999); (0486, 0489, 0496, 0497, 0487, Z037) Block Grant, FY18 \$(11,848): FY19 \$(11,848)

This initiative reduces allocation to align with available resources and eliminates various dormant accounts within the Department of Health and Human Services.

C-A-1105 Language

Page 144L, Part AAAA: This Part reflects the elimination of the Bone Marrow Screening Fund program within the Department of Health and Human Services and eliminates the option to designate a portion of an individual's tax refund be paid into the Bone Marrow Screening Fund. This account was intended to be funded through an income tax check off on income tax returns. The revenue from this check-off has been insufficient for its continued inclusion on tax returns and revenue is no longer raised for this account.

Page 144L, Part BBBB: This Part reflects the elimination of the Comprehensive Cancer Screening, Detection and Prevention Fund within the Department of Health and Human Services. This fund has remained inactive since its inception. It has never been funded.

Page 145L, Part DDDD: This Part reflects the elimination of the Maine Asthma and Lung Disease Research Fund program within the Department of Health and Human Services. This part also eliminates the option to designate a portion of an individual's tax refund be paid into the Maine Asthma and Lung Disease Research Fund. The revenue from this check-off has been insufficient for its continued inclusion on tax returns, and revenue is no longer raised for this account.

Pages 299, 284, 305, 313, 368, 377, 331, 358, 316, 346, 371, 302, 287, 364, 292, 344, 388, C-A-1215, (0100, 0129, 0142, 0143, 0452, 0453, Z036, Z037, Z040, 0121, 0679, 0700, 0136, 0122, Z041), General Fund, FY18 \$(6,710,976): FY19 \$(6,956,058); (0100, 0129, 0143, 0208, Z037) Federal Fund, FY18 \$(1,853,853): FY19 \$(1,930,750); (0100, 0142, 0143, 0452, 0453, Z036) Other Special Revenue, FY18 \$(1,028,999): FY19 \$(1,077,244); (0146, 0191, 0204) Block Grant, FY18 \$(5,409,986): FY19 \$(5,538,186); (0143) FHM, FY18 \$(208,180): FY19 \$(217,727)

This initiative eliminates 192 positions from various programs within the Department of Health and Human Services and reduces funding for related All Other. Position detail is on file with the Bureau of Budget.

Pages 308, 309, 311, 376, COMM C-A-1205, Consolidation of Offices (0142, Z035, Z038, Z157, 0196) General Fund, FY'18 \$0: FY'19 \$0; (0142, Z035, Z157, 0196) Other Special Revenue, FY18 \$0: FY19 \$0

This initiative transfers all positions and All Other funding from the General Fund and Other Special Revenue Funds in the Division of Contract Management, Division of Audit, Administrative Hearings and the Office of the Commissioner District Operations programs to the General Fund and Other Special Revenue Funds in the DHHS Central Operations program. It closes accounts under the programs from which these funds are transferred. Position Detail is on file with the Bureau of Budget.

This initiative will increase administrative efficiencies by consolidating central operations activities into a single program.

Page 309, COMM C-A-1220, Increases Funding (Z157) General Fund, FY18 \$45,521: FY19 \$46,520; (Z157) Other Special Revenue, FY18 \$45,515: FY19 \$46,529

This initiative provides funding for the approved range change of 17 Fraud Investigator positions from range 20 to range 22. This is a management initiated range change approved by the Bureau of Human Resources on August 15, 2016, and would become effective on July 1, 2017.

Page 312, CDC C-A-1118, Alignment of DLC Cost Allocated Account (Z036) Other Special Revenue, FY18 \$396,281: FY19 \$396,281

This initiative provides allocation to align the budget with available resources. It would enable the Department to discontinue the reliance on annual financial orders to increase allocation in the account.

Pages 325, 366, OADS C-A-1605, HCBS Settings – Federal Mandate (0420) General Fund, FY18 \$50,000: FY19 \$50,000; (0129) Federal Funds, FY18 \$51,614: FY19 \$51,614

This initiative provides one-time funding in the Long Term Care - Office of Aging and Disability Services program, General Fund; and in the Office of MaineCare Services program, Federal Expenditures Fund, to undertake the verification process of consumers and providers in the home and community based setting as required by federal regulations.

New federal Home and Community Based Services regulations require that each state survey all home and community based setting providers and consumers through a self-assessment, and then

implement a verification process to ensure that all settings are in compliance. This initiative seeks authorized funding to implement the transition plan which is eligible for a 50% Federal match.

Pages 325, 295, OADS C-A-1606, Home Based Care Streamlining (Z215) General Fund, FY18 \$(2,239,658); FY19 \$(2,244,260); (0420) General Fund, FY18 \$2,239,658; FY19 \$2,244,260

Legislatively approved appropriations for the state-funded home based care and consumer-directed home based care programs are currently separate. This initiative would allow the Department to seamlessly integrate the two state-funded programs consistent with Resolve 2011, Chapter 71, *Resolve, To Implement the Recommendations of the Report on Services for Elders and Other Adults Who Need Long-term Home-based and Community-based Care*, by transferring funds for the consumer-directed home based care program into the appropriation containing the home based care program funds.

Pages 325, 359, OADS C-A-7003, Transfer Funding (0140) General Fund, FY18 \$(1,226,400); FY19 \$(1,226,400); (0420) General Fund, FY18 \$1,226,400; FY19 \$1,226,400

This initiative transfers the appropriation related to a rate increase for personal care and related services pursuant to Resolve 2015, Chapter 83 from the Office of Aging and Disability Services Central Office program, General Fund, to the Long Term Care - Office of Aging and Disability Services program, General Fund. The Resolve placed the resources in the incorrect appropriation. This initiative corrects that error.

C-A-3090 / C-A-3091, Combining the Department's Chart of Accounts

Page 157L, Part LLLL: This Part contains transition provisions for the consolidation of programs and accounts from the former Department of Human Services and the former Department of Behavioral and Developmental Services to the current Department of Health and Human Services. Public Law, Chapter 689, enacted in the 121st Legislature, combined DHHS' two predecessor agencies. Part of the law called on the Department to combine the budget accounts of those agencies. That consolidation never occurred, and these initiatives, and this language, would address that oversight. It will make Department budgeting and day-to-day financial management more straightforward and efficient, and it will enhance budget transparency for legislators and members of the public seeking to analyze Department expenditure figures and trends. Consolidating these two accounts is essential to good governance and sound financial operations.

The operational aspect of this consolidation has been a significant undertaking. It began in March 2015, and numerous civil servants from DHHS and the Department of Administrative and Financial Services deserve significant credit for their diligence in seeing this process through. Similar to accurately forecasting MaineCare expenditures, the Chart of Accounts consolidation project has required skill, precision and hard work. Having the combined DHHS budget account in place for the coming biennium will be a major upgrade for state budgeting and financial management efficiency.

Pages 366, 374, 345, SAMHS C-A-1910, OMS Staff Transfer (Z198, 0129) General Fund, FY18 \$(148,696): FY19 \$(154,367); Other Special Revenue, FY18 \$49,944: FY19 \$52,372; Federal Funds, FY18 \$112,536: FY19 \$115,969

This initiative transfers and reallocates one Behavioral Health Program Coordinator position and one Deputy Director Office of Aging and Mental Health Services position and related All Other from 100% Mental Health Services - Community program, General Fund to 50% General Fund and 50% Federal Expenditures Fund in the Office of MaineCare Services program. The initiative also transfers and reallocates one Integrated System Manager position and related All Other from 100% Mental Health Services - Community program, General Fund to 60% General Fund and 40% Other Special Revenue Funds in the Office of the Commissioner program. This initiative places the positions in the appropriate functional location.

Pages 366, 332, OMSA C-A-2010, Reduces Allotment (0129) Other Special Revenue FY18 \$(1,376,703): FY19 \$(1,376,703).

We intend to remove this initiative and the accompanying language (Part YYY).

Page 366, OMSA C-A-2005, Service Center Charges (0129), Block Grant, FY18 \$124,769: FY19 \$124,769

This initiative provides allocation in the Office of MaineCare Services program, Federal Block Grant Fund for allocated payroll and associated All Other costs.

Several positions, budgeted in other accounts, occasionally perform duties that are allowable under the State Children's Health Insurance Program (SCHIP) that funds this Office of MaineCare Services account. Historically, financial orders have been processed in order to cover these payroll costs. This initiative would improve administrative efficiency by providing Personal Services and related All Other allocation rather than relying on financial orders.

Pages 366, 375, COMM C-A-1212, Transfers and Reallocates (0142, 0129) General Fund, FY18 \$(12,950): FY19 \$(13,016); (0129) Federal Funds, FY18 \$64,856: FY19 \$65,187; (0142) Other Special Revenue, FY18 \$(51,886): FY19 \$(52,151)

This initiative transfers and reallocates one Public Service Coordinator II position and related All Other from 60% General Fund and 40% Other Special Revenue Funds in the Office of the Commissioner program to 50% General Fund and 50% Federal Funds in the Office of MaineCare Services program.

This initiative places the position in the appropriate functional location.

Pages 367, 376, OMSA C-A-2003, Transfers and Reallocates Positions (0129, 0142), General Fund, FY18 \$8,875: FY19 \$9,272; (0129) Federal Funds, FY18 \$(103,051): FY19 \$(105,445); (0142) Other Special Revenue, FY18 \$93,880: FY19 \$95,864

This initiative transfers and reallocates one Director of Special Projects and related All Other funded 50% General Fund and 50% Federal Expenditures Fund in the Office of MaineCare Services program to 60% General Fund and 40% Other Special Revenue Funds in the Office of the Commissioner program to align funding with duties. It also transfers one Public Service Manager I position and related All Other funded 50% General Fund and 50% Federal Expenditures Fund in the Office of MaineCare Services program to 50% General Fund and 50%

Other Special Revenue Funds in the Office of the Commissioner program to align funding with actual duties performed.

Page 367, OMSA C-A-2011, Transfers and Reallocates Positions (0129), General Fund, FY18 \$0: FY19 \$0; (0129) Federal Funds, FY18 \$0: FY19 \$0

This initiative transfers and reallocates one Clerk IV position from 50% General Fund and 50% Federal Expenditures Fund in the Office of MaineCare Services program, Department of Health and Human Services to 100% Financial and Personnel Services Fund in the Division of Financial and Personnel Services program, Department of Administrative and Financial Services. It also increases All Other in the equivalent amount in the Office of MaineCare Services Program to fund the services now provided by DAFS.

The position is being transferred from DHHS to DAFS as part of an effort to drive efficiencies in financial and accounting services. The position already functionally reports to DAFS, and this transfer aligns the funding as such. See ADM C-A-42.

Pages 373, 301, OADS C-A-1609, Position Transfers and Reallocations (Z208) General Fund, FY18 \$(261,302): FY19 \$(267,810); (0142) General Fund, FY18 \$159,707: FY19 \$163,612; (0142) Other Special Revenue, FY18 \$106,472: FY19 \$109,075

This initiative transfers and reallocates one Public Service Executive II position and one Public Service Manager II position and related All Other from 100% Developmental Services - Community program, General Fund to 60% General Fund and 40% Other Special Revenue Funds within the Office of the Commissioner program.

This initiative places the positions in the appropriate functional location.

Pages 374, 328, CDC C-A-1127, Personal Services Realignment (0142) General Fund, FY18 \$116,886: FY19 \$122,238; (0142) Other Special Revenue, FY18 \$80,524: FY19 \$84,214; (0143) Federal Funds, FY18 \$(140,383): FY19 \$(146,783); (0143) Block Grant Funds, FY18 \$(60,928): FY19 \$(63,749)

This initiative transfers and reallocates one Public Service Manager II funded 50% Federal Expenditures Fund and 50% Federal Block Grant Fund and one Planning and Research Associate II position funded 100% Federal Expenditures Fund in the Maine Center for Disease Control and Prevention program to 60% General fund and 40% Other Special Revenue Funds in the Office of the Commissioner program to align with the proper funding sources.

This initiative places the positions in the appropriate functional location.

Pages 374, 378, COMM C-A-1204, District Operations Positions Transfer to Service Center (0196, 0142) General Fund, FY18 \$0: FY19 \$0; (0196, 0142) Other Special Revenue, FY18 \$0: FY19 \$0

This initiative transfers and reallocates the cost of 18 Accounting Assistant Technician positions and 5 Clerk IV positions from the Department of Health and Human Services, Office of the Commissioner District Operations program, funded 64% General Fund and 36% Other Special Revenue Funds, to the Department of Administrative and Financial Services, Financial and Personnel Services program, funded 100% Financial and Personnel Services Fund. Also

increases All Other in an equivalent amount in the Office of the Commissioner program to pay for the financial and accounting services now provided by the department of Administrative and Financial Services.

The positions are being transferred from the Department of Health and Human Services (DHHS) to the Department of Financial and Administrative Services (DAFS) as part of an effort to drive efficiencies in financial and accounting services. The positions were formerly part of an antiquated DHHS regional accounting unit that was consolidated into the DAFS Service Center Accounts Payable Unit.

Page 375, COMM C-A-1206, Central Operations – Reduces Allotment (0142) Federal Funds, FY18 \$(373,191): FY19 \$(373,191): (0142) Other Special Revenue, FY18 \$(326,516): FY19 \$(326,516): (0142) ARRA Funds, FY18 \$(4,361): FY19 \$(4,361)

This initiative reduces allocation to align the budget with available resources in the Federal Expenditures Fund and the Other Special Revenue Funds in various accounts within the Office of the Commissioner program.

Pages 375, 346, 370, SAMHS C-A-1906, Data Staff Transfer (Z198, Z199, 0142) General Fund, FY18 \$(107,501): FY19 \$(107,305); (0142) Other Special Revenue, FY18 \$204,794: FY19 \$208,567; (Z199) Block Grants, FY18 \$(87,404): FY19 \$(91,380)

This initiative transfers and reallocates 2 Statistician I positions and one Social Services Program Specialist II position from 100% Mental Health Services - Community program, General Fund, one Comprehensive Health Planner II position from 100% Office of Substance Abuse and Mental Health Services program, Federal Block Grant Fund and one Statistician I position and one Supervisor Data and Research position from 100% Office of Substance Abuse and Mental Health Services program, General Fund to 60% General Fund and 40% Other Special Revenue Funds in the Office of the Commissioner program. The transfers include related All Other.

This initiative places the positions in the appropriate functional location.

Page 376, COMM C-A-1216, Increases Funding, (0142) General Fund, FY18 \$383,672: FY19 \$419,968; (0142) Other Special Revenue, FY18 \$194,666: FY19 \$213,081

This initiative provides appropriation in the Office of the Commissioner program due to increases in costs for financial, accounting and human resource management services provided by the Department of Administrative and Financial Services.

The DAF DHHS Service Center provides financial, accounting and human resource management services to DHHS, and DHHS pays the costs associated with these services. The annual charge for the latter has increased with rising employee wages and benefits as well as increases in related All Other expenditures. This initiative provides the necessary funding to maintain the services provided by the DAFS DHHS Service Center.

DCO Language

Transfer between OMSM Accounts

Page 158L, Part MMMM: This Part authorizes the Department of Health and Human Services to transfer available balances of appropriations between the MaineCare General Fund accounts for the 2018-2019 Biennium.

MaineCare Transfer Authority / State Psychiatric Hospital Transfer Authority

Page 158L, Part NNNN: This Part does the following: (1) It authorizes the Department of Health and Human Services to transfer by financial order any available appropriations, including those in Personal Services, into MaineCare accounts. (2) It authorizes DHHS to transfer by financial order available Personal Services balances to All Other accounts in the Dorothea Dix Psychiatric Center program and Riverview Psychiatric Center program, as well as to transfer balances between the two state psychiatric hospitals.

Rename Commissioner's Office

Page 160L, Part RRRR: This Part changes the name of the Office of the Commissioner program to the Department of Health and Human Services Central Operations program.

Rename DLRS to DLC

Page 160L, Part SSSS: This Part changes the name of the Division of Licensing and Regulatory Services program to the Division of Licensing and Certification program.

Adopt Emergency Rules

Page 161L, Part TTTT: This Part gives the Department of Health and Human Services the authority to adopt emergency rules to implement any provisions of this Act over which it has specific authority that has not been addressed by some other Part of the Act without the necessity of demonstrating that immediate adoption is necessary to avoid a threat to public health, safety or welfare.

Pages 293, 289, 324, 343, 390, OCFS C-A-1706, Adjusts Excess Allotment (0139, 0454, 0136) Federal Fund, FY18 \$(4,762,598): FY19 \$(4,762,598); (0137) Other Special Revenue, FY18 \$(1,000,000): FY19 \$(1,000,000); (0716, 0136) Block Grant Funds, FY18 \$(1,449,477), FY19 \$(1,449,477)

This initiative reduces allocation to align the budget with available resources in the following accounts. There is no actual funding reduction.

- **Federal:** Child Welfare Services (0139); Child Care Food Program (0454); Mental Health Services Children (Z206)
- **Block Grant:** Community Services Block Grant (0716); Community Mental Health Block Grant (Z206)
- **OSR:** Foster Care (0137)

Pages 382, 290, 324, OCFS C-A-1705, Adjusts Insufficient Allotment (0137, 0228) Federal Fund, FY18 \$4,000,000: FY19 \$4,000,000; (0228, 0563) Block Grant Funds, FY18 \$3,870,890: FY19 \$3,870,890

This initiative provides allocation to align the budget with available resources in the IV-E Foster Care/Adoption Assistance program, Federal Expenditures Fund, in the Federal Expenditures Fund and the Federal Block Grant Fund in the Purchased Social Services program and the Child Care Services program, Federal Block Grant Fund.

Thank you for the opportunity to present the Governor's proposed budget for the Department of Health and Human Services for State Fiscal Years 2018-2019.