

**PRESENTATION
TO
ADMINISTRATION-REGULATION APPROPRIATIONS
SUBCOMMITTEE**

February 18, 2010

Good Morning. I'm Beverly Zylstra, Deputy Director of DIA. With me this morning is Steve Mandernach, DIA's Legislative Liaison. We would like to thank you for the opportunity to present to you today.

We were asked to provide some information related to reorganization, issues and how we would handle a 10% cut.

Reorganization

We had previously provided information to Subcommittee staff regarding recommendations.

Three items are included in SF 2088:

- False Claims Act
- Divestiture
- Hospital Licensing Board Elimination – Senate did; House removed

The Public Works Report includes a recommendation for strengthening the Department's ability to investigate and recover improperly-claimed public benefits – specifically in the area of Divestiture and EBT.

- Divestiture/Transfer of Assets (Medicaid)
 - Over the last three years, over \$1.6 million has been collected plus an additional \$1.3 million in cost avoidance resulted.
 - Cost/Benefit for FY09 was 3 to 1 ratio
 - Proposed staffing increase: 6 FTE to generate over \$11 million in collections and cost avoidance with 1/3 of this retained by the state; First year cost of \$698,780.
 - Currently 50% of the cost of the program is covered by DHS in our 28E Agreement.
- Electronic Benefits Transfer - EBT (Food Assistance)

- In FY09, 1,156 investigations were initiated with a client cost savings of over \$1.3 million. The state retains 35% of the savings.
- Proposed staffing increase: 2 FTE to generate an additional \$1 million in client cost savings. First year cost of \$238,140.
- Currently 100% of the cost of the program is covered by DHS through our 28E Agreement.
- You may have recently read about inmates illegally collecting food-stamp benefits while in the Polk County jail. We are finding a similar situation in the Linn County jail. In Polk County 157 individuals found had payments halted by DHS, saving taxpayers an estimated \$200,000.

We had also provided information related to license fee increases that would cover current state regulatory costs for the Food Safety Program and the entities regulated by the Department in the Health Facilities Division. We can provide you this information electronically if you wish.

Issues

- Federal Stimulus - \$400,000 for inspection, licensing and complaint investigation of residential care facilities provided last session
 - No funding in Governor's Recommendation
 - State-licensed only program
 - Will require funding or legislation to reduce Code mandate
- New Federal CMS survey and certification process – QIS
 - 4 staff 6 days per survey
 - Currently 2 to 3 staff for 4 days
 - We are talking with CMS about funding but wanted to provide you a heads up. Will most likely impact FY12 budget request.
- Food Code Inspection Frequency
 - We have just been notified by the State Auditor that we will be getting an audit exception for the Department and our Contracts not meeting the Food Code Inspection Frequency.
 - As you may be aware, the Department has recommended an increase in regulatory fees to cover costs on numerous occasions. Over the past 24 years, there have been two minimal increases that have still failed to come close to covering costs to meet Inspection Frequency.

- We have been working with Senator Harkin's office regarding any Federal Funding that may be available to share in the cost given the national attention to Food Safety. We will continue working with them and FDA.
- Intent Language
 - Retain Food License Fees from the 4 counties that came under DIA jurisdiction during the year
 - Allow the Racing and Gaming Commission to hire additional staff if new boats come on during the fiscal year. Same language as used previously for the same purpose.
 - Authorization to add FTE for the IowaCares Program premium recovery if funded 100% by DHS

Additional 10% Budget Reduction

We were asked how we would handle an additional 10% budget reduction.

As you are aware, the majority of the department is heavily federally-funded with a required state match, so any further reduction would have more than a 10% effect. The match rates vary – 50/50; 14/86; 25/75; 10/90. In addition, in the Investigations Division, they are identifying and recouping benefit dollars owed to the state and federal governments. In the Health Facilities Division, since most of the work done is under federal standards, any reduction would impact the ability to meet federal standards and jeopardize our remaining federal funds.

In addition, while the Racing and Gaming Commission receives a General Fund appropriation, the regulatory fee charged to the tracks and boats is based on covering this appropriation 100% and is deposited in the General Fund, which results in a wash.

During FY09 and FY10, we closely reviewed our expenditures to see how we could reduce our costs further. Some of those changes include:

- Reviewing the use of IT-related equipment and eliminating unnecessary equipment or limiting which employees have what
- Reviewing all office supply orders and eliminating unnecessary items
- Maximizing non-General Fund resources to the extent possible
- Delaying filling vacant positions

- Reducing the amount of out-of-state travel and the number of staff attending
- Cancelled staff meetings – Last year there was a bill to require specific training for health facilities surveyors and monitors and this year there is a bill to require specific training for hospital surveyors
- Begun the use of webinars for short training instead of bringing in field staff every time
- Implementation of web-based licensing and reporting system for social and charitable gambling
- Did not hire additional staff when taking on additional counties for food and lodging inspections
- Reassigned/restructured staff
- Elimination of vacant positions
- Minimize changes to web-based licensing systems
- Enhance use of electronic notifications
- Reduced number of license renewal notices sent

Given the budget reductions over the last ten years and reduced staffing levels, any further reduction of DIA's budget will necessitate significant layoffs. That in turn will greatly impact the Department's ability to protect the health, safety and welfare of Iowans through the programs we administer.

In addition, the impact of the Early Retirement Program on staffing and budget levels is unknown at this time.

Other factors impacting the Department's budget is the increase in insurance costs for employees and those under SLIP or SERIP and if no salary adjustment is provided, the cost of living increases.

One additional option is to allow the Department to utilize the Medicaid Fraud Account created last session to cover any additional budget reductions.

The only other alternative is to discontinue entire state programs – and how do you choose? Having Safe Food vs ensuring only eligible persons, such as a mother and her young children, have Food Assistance and Medical Assistance available vs a neglected child having someone look out for their best interests vs quality of care for your vulnerable parent or grandparent or disabled child or sibling?

Thank you again for the opportunity to present.

Steve and I would be happy to respond to any questions.