

S.B. 2124: Department of Human Services Testimony

Jan 14, 2019

Agenda

- Overview of Social (Human) Services in North Dakota
- 2017 S.B. 2206 Study Context and Results
- Key Components of Policy
- Detail for Fiscal Note
- Section by Section Review of Bill

S.B. 2124: DHS Testimony – Executive Summary

Overview of Social (human) services in North Dakota:

- The mission of DHS is to provide quality, efficient, and effective human services that improve the lives of people
- To improve lives, DHS enables access to social determinants of health when community resources are insufficient
- Social services is an essential link to connect citizens with a range of programs across social determinants of health
- To better encompass the role of “social services” in connecting people to social determinants of health, we have proposed shifting to the term “human services” in S.B. 2124

2017 S.B. 2206 Study Context and Results:

- Since the 1990s, social (human) services costs have been absorbed by the state incrementally
- In 2017-19, the state took over funding of social services in the 2017 S.B. 2206 pilot, keeping overall organizational structure intact
- Payment during 2017-19, then, has been driven by caseload amounts across each of the programs at the county level; for reference, these overall caseloads are shown (see charts)
- The 2017-2019 legislative session in 2017 S.B. 2206 also created an interim study to analyze pilot and develop implementation plan
- From the outset of the study, there has been recognition that ND does not have comparable scale to states that have state-supervised, county-administered programs
- Studies of SNAP administrative costs indicate that the county-administered model is correlated with higher costs
- But improving programs is more than looking at structure: process and cultural change must accompany structural change
- To examine holistic change, the 2017 S.B. 2206 interim study included 4 committees focused on each area of social (human) services
- Each committee submitted recommendations
- These recommendations highlighted a number of drivers of program improvements, though barriers exist with old structure
- To address process/cultural barriers, DHS and counties have improved programs through Theory of Constraint (TOC) method
- The first TOC pilot project – on CPS assessments – has shown early progress in participating counties
- Going forward, the department will continue using the TOC method to bring continuous improvement to process/culture
- However, entering a state of continuous improvement hinges crucially on the structural changes included in S.B. 2124

Key Components of Policy:

- As we have examined structure, process, and culture, guiding principles emerged as fixed points for policy
- Today’s model of delivering social (human) services can be disjointed and inefficient, resulting in worse outcomes for clients
- S.B. 2124 would shift delivery of social (human) services from counties to zones, a hybrid state/county structure
- Key Aspects of S.B. 2124:
 - The transition to zones is a county-led process with guiding principles for zone creation and approval
 - Human service zone directors are state employees responsible for management of staff, budgeting, operations & outcomes
 - The zone board is composed of representatives from each county in zone and responsible for oversight of operations
 - The increased flexibility of zone funding is meant to increase responsiveness to community needs and enable innovation
 - FTE transfer authority is for functions where the state can gain consistency or efficiency from specialization of work

Detail for Fiscal Note: The fiscal note associated with S.B. 2124 of \$182.3m will support transition to the new model of human service zones

Section by Section Review of Bill

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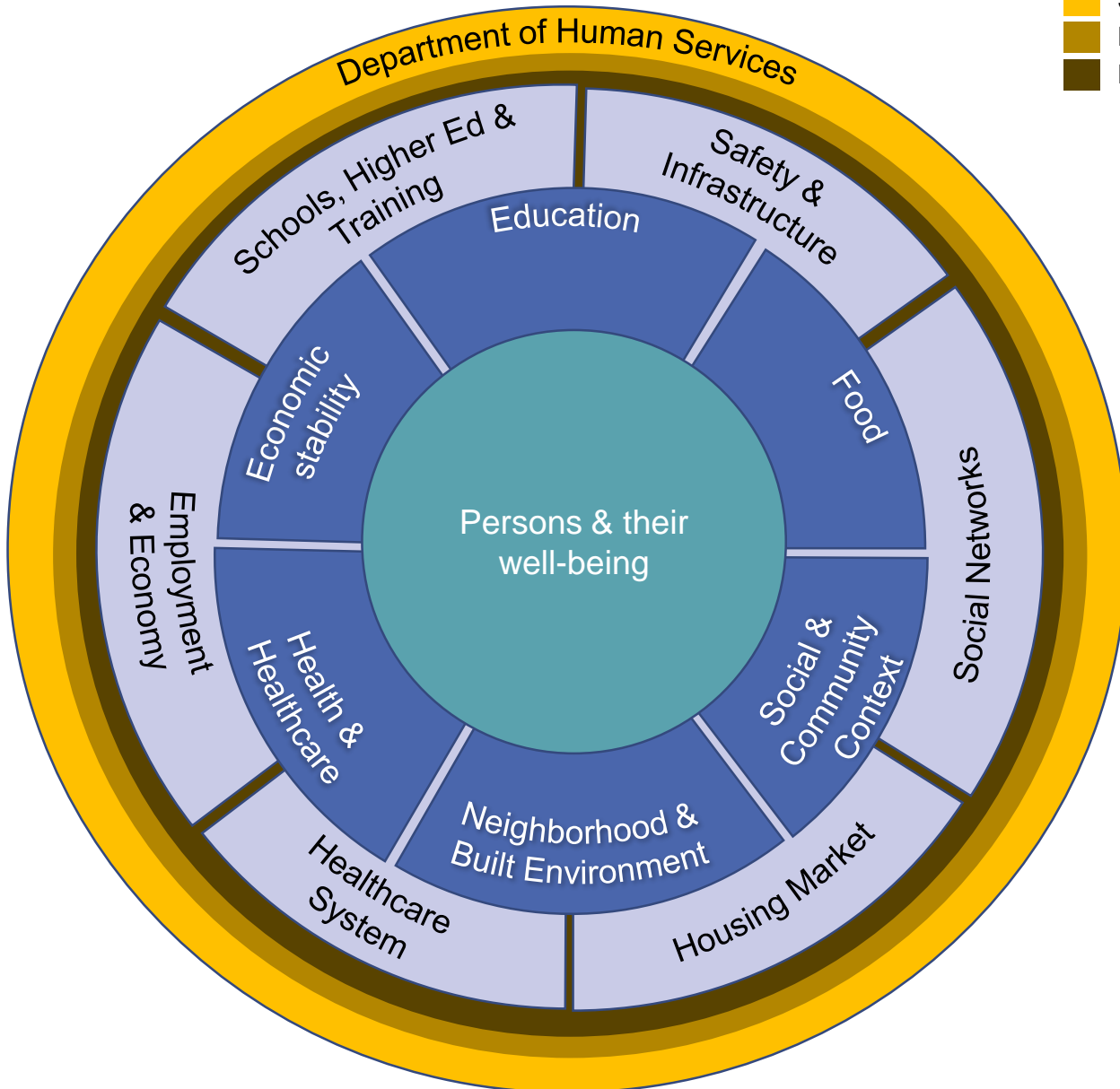
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The mission of DHS is to provide quality, efficient, and effective human services, which improve the lives of people

Mission	Principles
Quality services	<ul style="list-style-type: none">▪ Services and care should be provided as close to home as possible to<ul style="list-style-type: none">– Maximize each person’s independence and autonomy– Preserve the dignity of all individuals– Respect constitutional and civil rights▪ Services should be provided consistently across service areas to promote equity of access and citizen-focus of delivery
Efficient services	<ul style="list-style-type: none">▪ Services should be administered to optimize for a given cost the number served at a service level aligned to need▪ Investments and funding in DHS should maximize ROI for the most vulnerable through safety net services, not support economic development goals▪ Cost-effectiveness should be considered holistically, acknowledging potential unintended consequences and alignment between state and federal priorities
Effective services	<ul style="list-style-type: none">▪ Services should help vulnerable North Dakotans of all ages maintain or enhance quality of life by<ul style="list-style-type: none">– Supporting access to the social determinants of health: economic stability, housing, education, food, community, and health care– Mitigating threats to quality of life such as lack of financial resources, emotional crises, disabling conditions, or inability to protect oneself

To improve lives, DHS enables access to social determinants of health when community resources are insufficient



- Safety net
- Community resources
- Social determinants of health
- Early intervention
- Prevention

- **Social determinants of health are all necessary and mutually reinforcing** in securing the well being of an individual or family: **they are only as strong as the weakest link**
- **Community resources** shape and enable **access to the social determinants** (e.g., schools provide access to education, employment provides access to economic stability)
- **Investing in community resources** can in many cases **prevent individuals from needing to access DHS safety net services** to obtain the social determinants of health

Social services is an essential link to connect citizens with a range of programs across social determinants of health

Administrator¹ PAYOR (state²)
 Provider
 Partner

Social Determinant	Components	Social Services / Eligibility	Medical, DD & Long-term care	Behavioral Health Policy & Services ¹	Agency Partners (not exhaustive)
Economic Stability	<ul style="list-style-type: none"> Employment Income Expenses Debt 	TANF, LIHEAP, Child Support, Vocational Rehab, Child care assist.		EXTENDED SERVICES for those with SMI	Labor / Job Service Public Instruction Health / Local Public Health Transportation Housing Authority Corrections Juvenile Justice
Education	<ul style="list-style-type: none"> Early Childhood Literacy/language Vocational Higher Ed 	Child care licensing			
Food	<ul style="list-style-type: none"> Hunger Access to healthy options 	SNAP/ Food stamps	Nutrition Services	RECOVERY SUPPORT SERVICES (including Free Through Recovery, PATH for those experiencing homelessness, and other programs)	
Neighborhood & Built Environment	<ul style="list-style-type: none"> Housing Transportation Safety Parks 	CPS, Foster care, FOSTER CARE (IV-e)	NURSING FACILITIES, ICFs		
Social & Community Context	<ul style="list-style-type: none"> Integration Support Inclusion 	In-home supports	DD, HOME & COMMUNITY BASED SERVICES		
		CASE MANAGEMENT			
Health & Healthcare	<ul style="list-style-type: none"> Coverage Providers Quality of care Cultural competency 	Medicaid Eligibility	TRADITIONAL, WAIVERS, VOUCHERS, CHIP, Expansion, LSTC	SBIRT, Parent's LEAD, STATE HOSPITAL, LSTC, HSCs³	

• This is for illustrative purposes only to capture majority of programs/services/ entities and the connections they provide to social determinants of health; it is not exhaustive of all programs and services or connections
 • While other public entities and private stakeholders also have an important role, they are excluded from this picture

¹ Administrative role also includes the function of licensing professionals
 ² Those programs for which the state pays a large share
³ SBIRT = Screening Brief Intervention & Referral to Treatment, LSTC = Life skills & transition center, HSCs = Human Service Centers

To better encompass the role of “social services” in connecting people to social determinants of health, we have proposed shifting to the term “human services” in S.B. 2124

From: Old Terminology

Social Services (no definition)

To: New Terminology

Human Services =

+ A service or assistance provided to an individual or an individual's family in need of services or assistance, including child welfare services, economic assistance programs, medical service programs, and aging service programs, to assist the individual or the individual's family in achieving and maintaining basic self-sufficiency, including physical health, mental health, education, welfare, food and nutrition, and housing.

+ A service or assistance provided, administered, or supervised by the department of human services in accordance with chapter 50-06

+ Licensing duties as administered or supervised by the department of human services or delegated by the department of human services to a human service zone

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- **2017 S.B. 2206 Study Context and Results**
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Since the 1990s, social (human) services costs have been absorbed by the state incrementally

Timeline



Early 1990's: Social service delivery was one of largest single items in many county budgets, and one that was growing much faster than property values. So counties worked for legislation to shift that burden to statewide collected taxes.

1997: Counties were relieved of the local share of Medicaid payments to hospitals, doctors, and nursing homes, an area over which counties had no authority to approve, set rates, or change.

2007: The costs and employees of regional child support enforcement offices were shifted to the State.

2015: The county share of foster care maintenance payments was shifted to the state.

-> As a result of these transitions, **property tax payers were left with about \$80 million per year in staff costs** with great variation, **as some taxpayers were paying 8 mills, others over 45 mills**

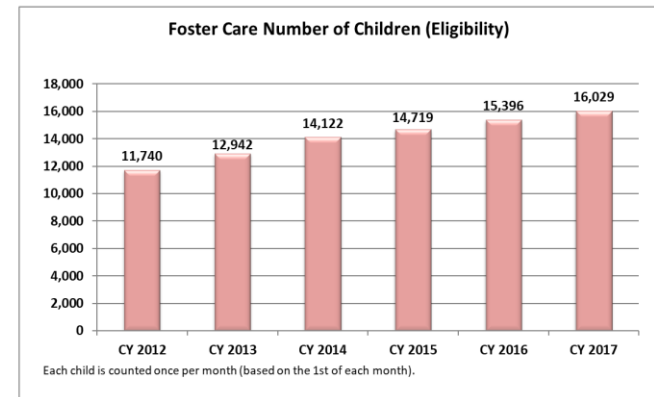
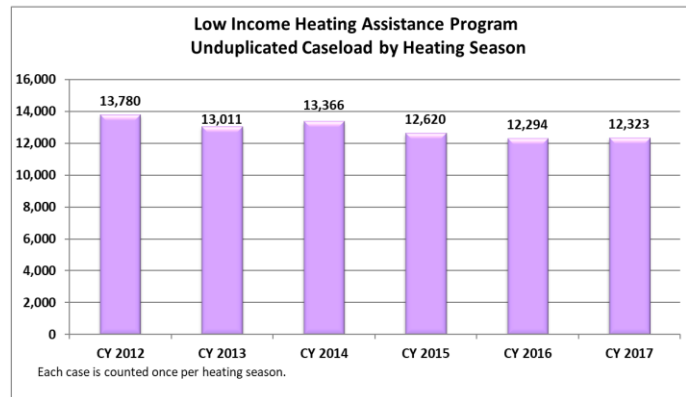
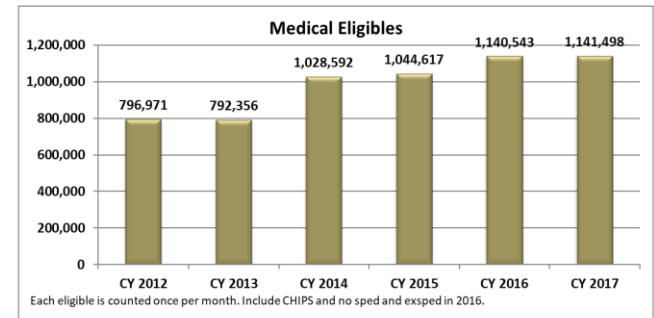
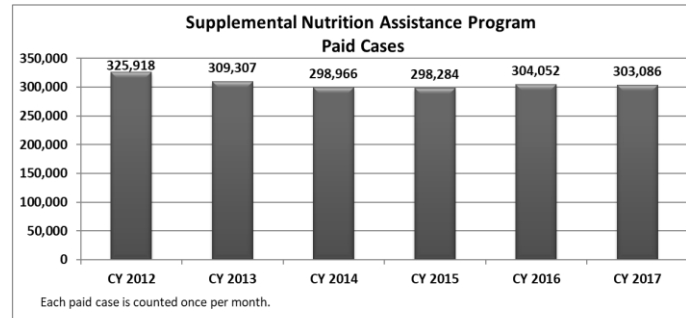
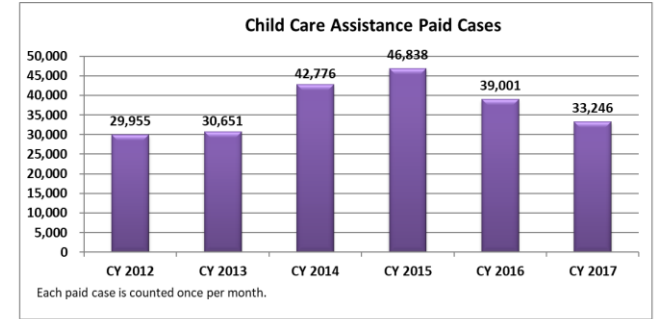
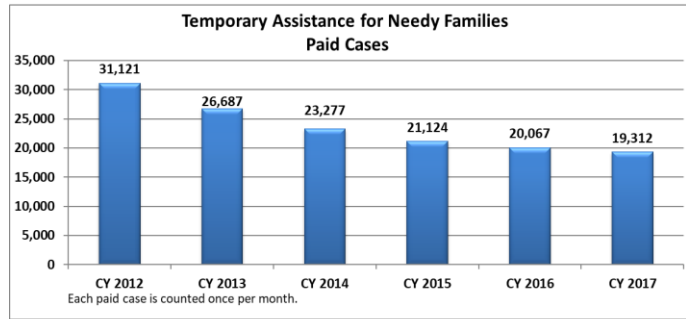
In 2017-19, the state took over funding of social services in the 2017 S.B. 2206 pilot, keeping overall organizational structure intact

Subject	Details
Formulas	<p>NDCC§53-34-04(4) Total Calendar Year Formula Payment = [Social Services (SS) Rate per case x SS Most Recently Available Calendar Year Case Month Data] + [Economic Assistance (EA) Rate per case x EA Most Recently Available Calendar Year Case Month Data]</p> <hr/> <p>NDCC§ 53-34-03(2) January 10th Payment = Total Calendar Year Formula Payment x 50%</p> <hr/> <p>NDCC§ 53-34-03(3-4) June 15th Payment = (Totally Calendar Year Formula Payment x 50%) – 1st Payment +/- True Up or True Down – Amount Exceeding Fund Balance</p>
Variable Definitions	<p>NDCC§ 53-34-04(1) 2015 Net Expenditures = 2015 Gross Expenditures + 25% of Three-Year Average Eligible Federally Allowable Indirect Costs – 2015 Services Reimbursed by Medical Assistance</p> <hr/> <p>NDCC§ 53-34-04(2-3) Rate per case = 2015 Net Expenditures / 2015 Case Month Data</p> <hr/> <p>NDCC§ 53-34-03(3)(a) Recalculated Formula Payment = Rate per case x Most Recently Available Calendar Year Case Month Data</p> <hr/> <p>NDCC§ 53-34-03(3)(b-d)) True Up/Down = If recalculated Formula is above or below 105% or 95% respectively of the Total Formula payment the county will receive or be reduced by the difference that is more or less than 105% or 95% respectively</p>
Fund Balances	<p>NDCC§ 53-34-06 Fund balance (Effective January 1, 2019): NDCC§ 53-34-05 Counties with \$2,000K expenditures may not exceed a fund balance of \$500k NDCC§ 53-34-05 Counties with less than \$2,000k expenditures may not exceed a fund balance of \$100k</p>

- **Benefits of pilot formula:** shifted funding to the state under a more consistent reimbursement methodology, with some flexibility to adjust for workload changes as measured by caseload
- **Downsides to pilot formula:** caseload changes are only driver, locks in historical costs, locks in basket of services paid for in EA or SS rates, locks in current service levels even if variation

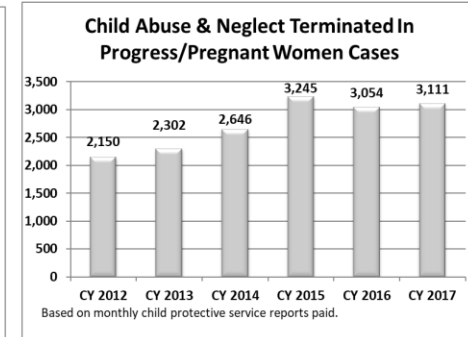
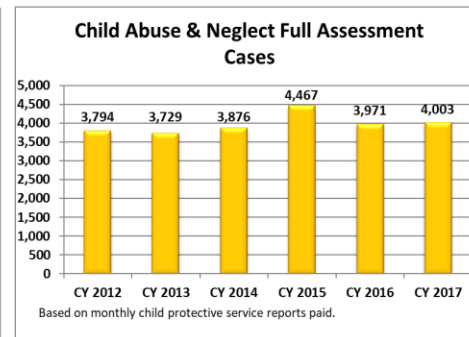
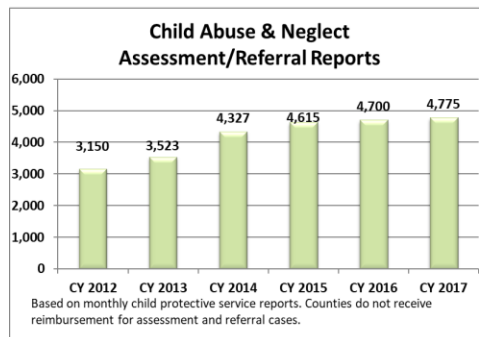
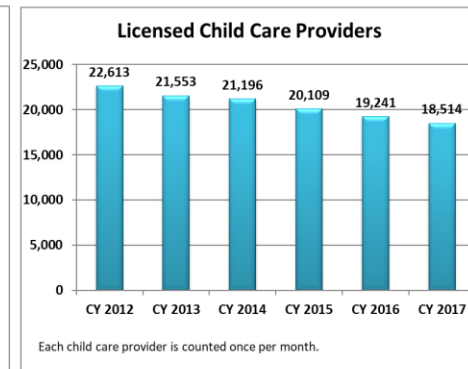
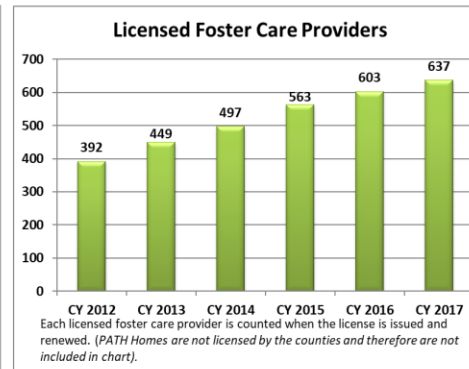
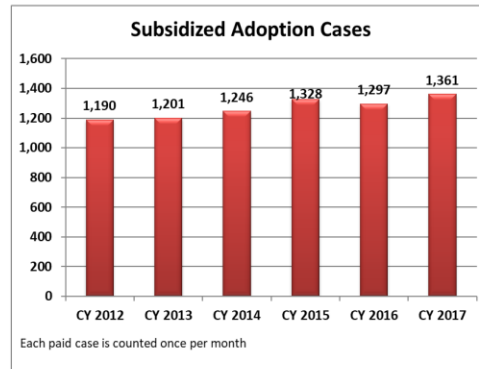
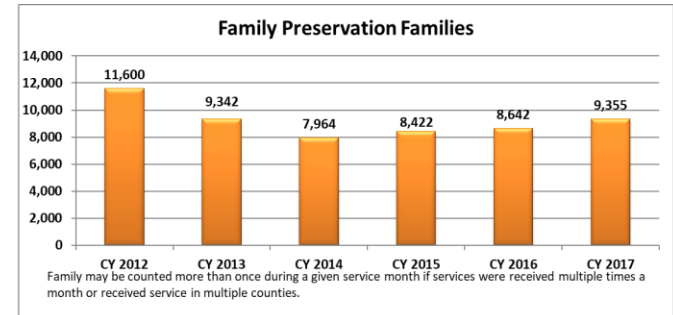
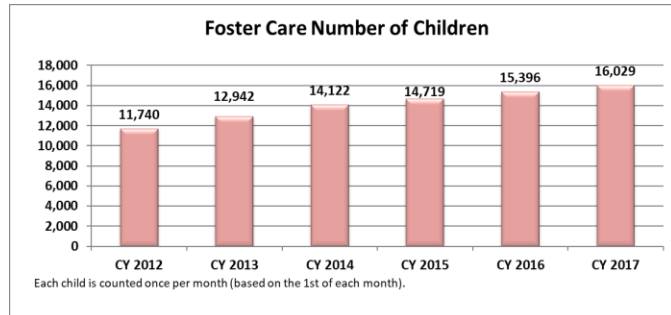
Payment during 2017-19, then, has been driven by caseload amounts across each of the programs at the county level; for reference, these overall caseloads are shown (1/2)

**Components
of Economic
Assistance
Formula
Caseload**



Payment during 2017-19, then, has been driven by caseload amounts across each of the programs at the county level; for reference, these overall caseloads are shown (2/2)

**Components
of Social
Services
Formula
Caseload**



The 2017-2019 legislative session in 2017 S.B. 2206 also created an interim study to analyze pilot and develop implementation plan

2017 S.B. 2206 Section 8

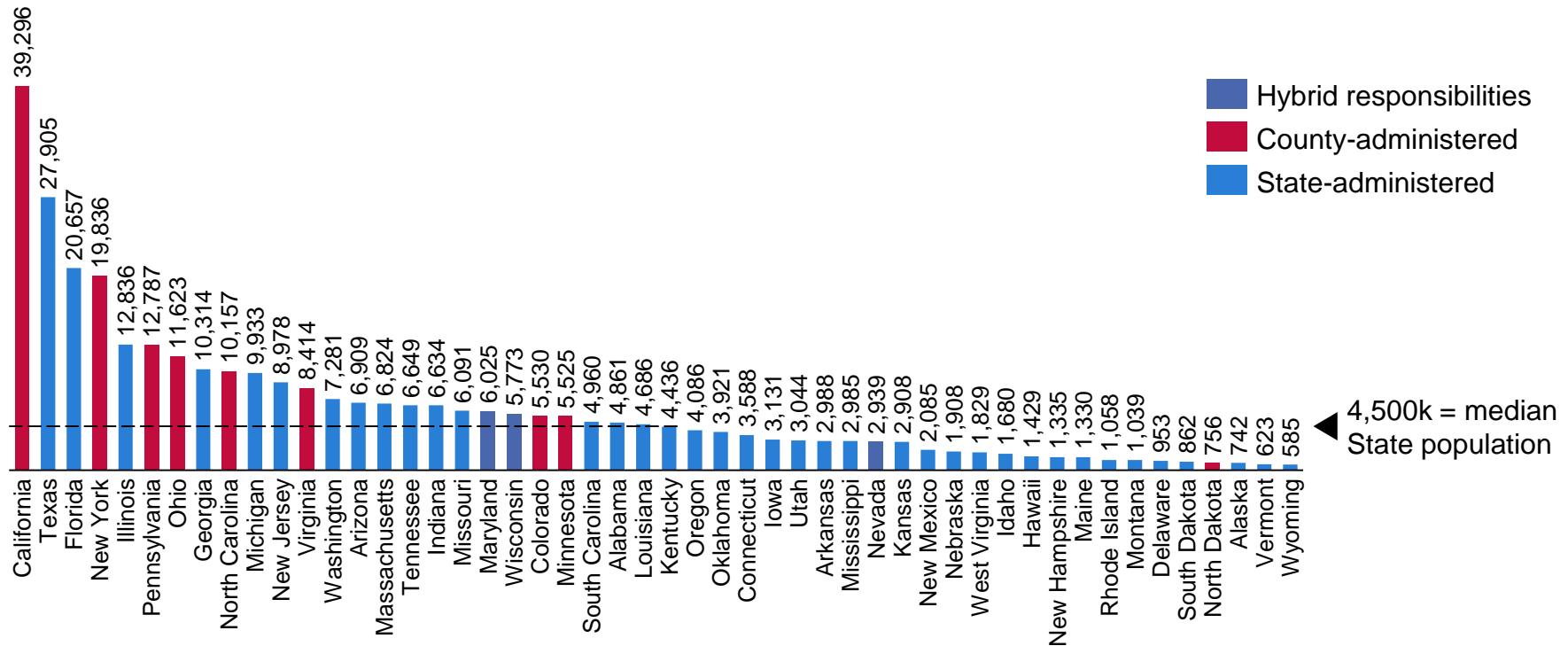
Before November 1, 2018, the department of human services shall report to the legislative management on the status of the pilot program and the development of a plan for permanent implementation of the formula established in section 50-34-04. The implementation plan must include

- recommendations for caseloads and outcomes for social services, designated child welfare services, and economic assistance;
- considerations regarding the delivery of county social services to ensure appropriate and adequate levels of service continue;
- options for efficiencies and aggregation;
- analysis of the potential reduction in social service offices, organizations, and staff due to consolidations;
- the feasibility and desirability of, and potential timeline for, transitioning county social service staff to the department of human services;
- and considerations for oversight and chain of command within social services and human services.

The implementation plan must be submitted to the sixty-sixth legislative assembly as part of the department of human services budget request and identify the estimated biennial cost of the plan.

From the outset of the study, there has been recognition that ND does not have comparable scale to states that have state-supervised, county-administered programs

Child Welfare Delivery System (as part of Social Services): Organization by State
States ranked by population, shown here in thousands (k)

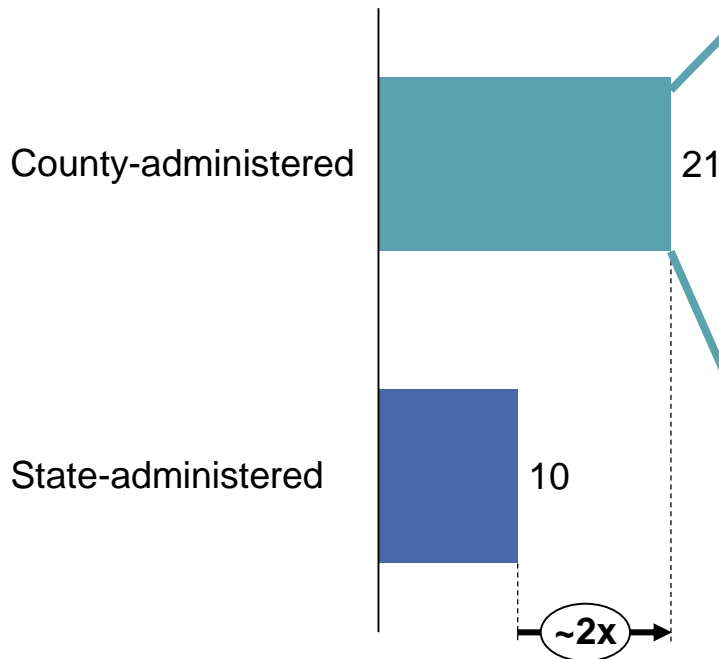


The **other 8 states** (other than North Dakota) with a state-supervised, county-administered social services system are all in the top 50% of states by size of population

Studies of SNAP administrative costs indicate that a county-administered model is correlated with higher costs

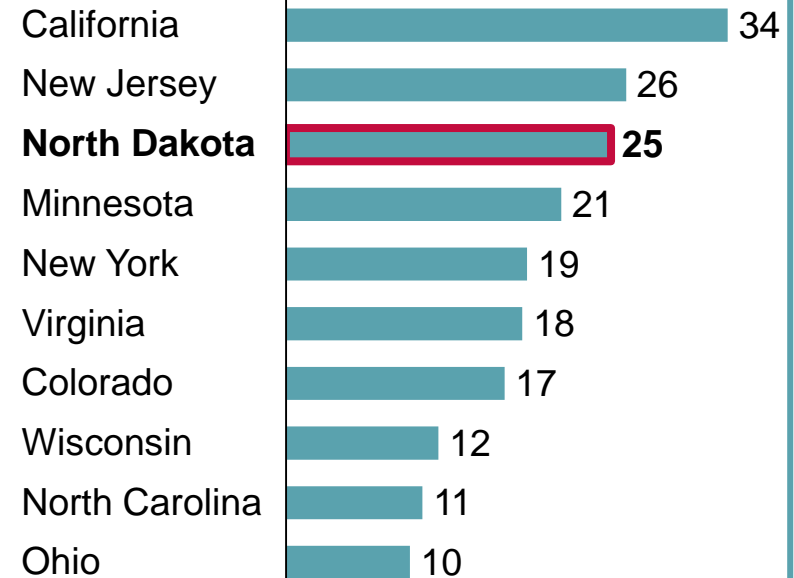
Cost-per-Case by Model

FY14 \$ per case per month



Cost-per-Case for County-admin States

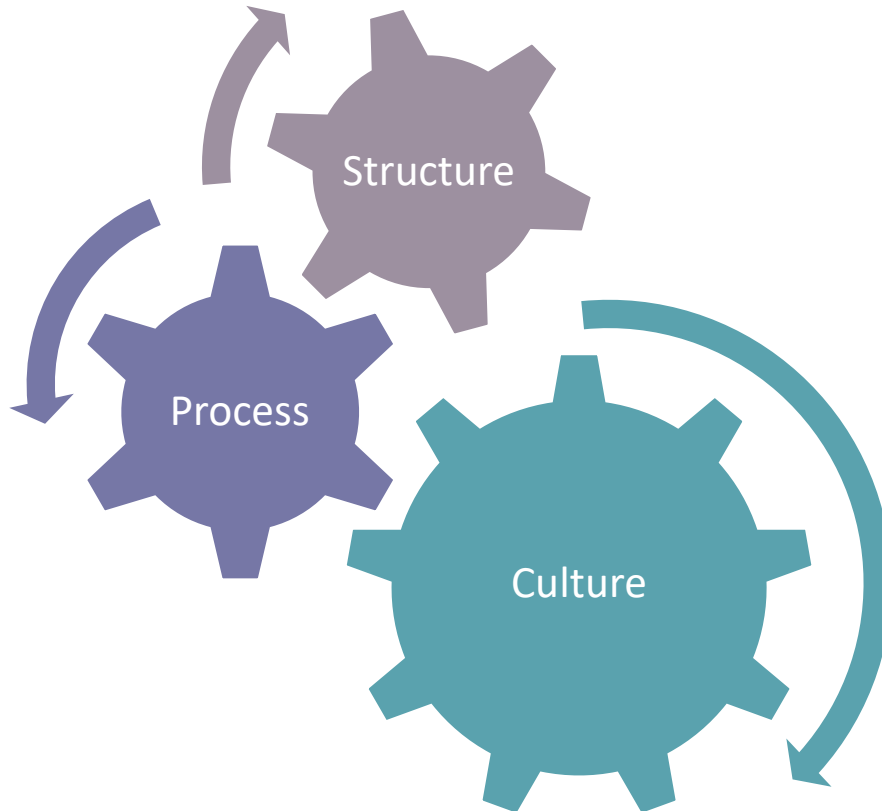
FY14 \$ USD per case per month



- The **cost per SNAP case is about 2 times higher in states with county-administered programs**
- **Among state with county-administered program, ND has one of highest costs per case for SNAP** at about \$25 per case per month
- Using SNAP as an indicator, **these findings suggest an opportunity for increasing overall efficiency of administering programs** in ND, particularly around eligibility programs

But improving programs is more than looking at structure: process and cultural change must accompany structural change

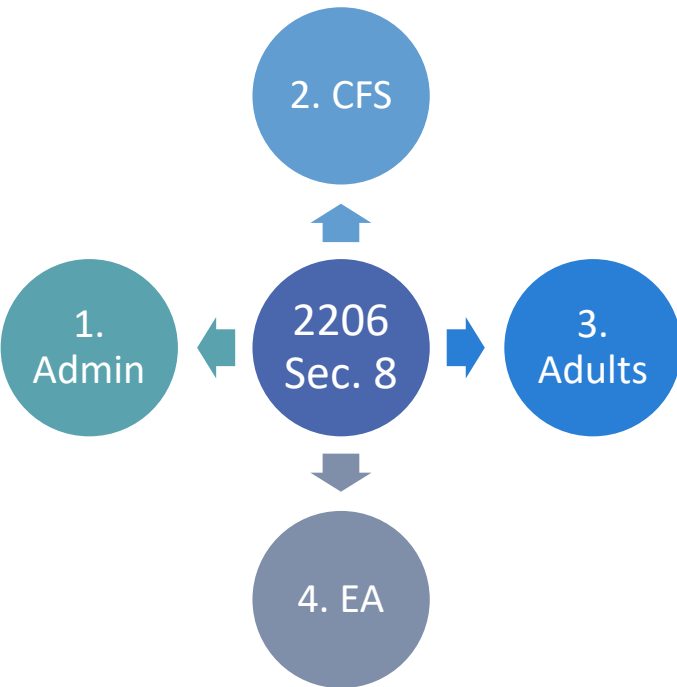
3 Key Levers for Change



- 3 Core Areas
 - Process
 - Structure
 - Culture
- Focus is on service delivery to the client in the most effective and efficient way possible
- Seek to remove geographic, political and cultural boundaries to deliver smart, efficient and compassionate human services
- Primary Stakeholders
 - Individuals & Families
 - Taxpayers
 - Employees

To examine holistic change, the 2017 S.B. 2206 interim study included 4 committees focused on each area of services

Committee Organization



- Pilot study kicked off on Oct. 12, 2017
- Each committee met about a dozen times (monthly) between Oct. 2017 and Sept. 2018

(Admin = Administrative; CFS = Child & Family Services; Adults includes older adults and persons with disabilities; EA = Economic Assistance)

Committee Participants

Name	Organization/Title	Committee / Role
Chris Jones	ND DHS, executive director	All
Sara Stolt	The Project Co.	Facilitator and project manager
Jason Matthews	JM Strategies	Facilitator
Terry Traynor	ND Association of Counties (NDACo), director	All
Lukas Gemar	DHS Administration	All
Amy Erickson	DHS Human Resources (HR), administrator	Administrative Committee
Steve Reiser	Dakota Central Social Services, director	Administrative Committee
Joe Morrissette	Office of Management and Budget, director	Administrative Committee
Kim Jacobson	Trail and Steele County Social Services, director	Administrative Committee
Laural Sehn	DHS Fiscal, accountant	Administrative Committee
Marcie Wuitschick	DHS HR, director	Administrative Committee
Tom Solberg	DHS, deputy director	Administrative Committee
Heidi Delorme	DHS Fiscal, deputy director	Administrative Committee
Jonathan Alm	DHS Legal, director	Administrative Committee
Kim Osadchuck	Burleigh County Social Services, director	Administrative Committee
Michelle Masset	Emmons County Social Services, director	Administrative Committee
Rhonda Allery	Lake Region Social Services, director	Administrative Committee
Tom Eide	DHS, chief financial officer	Administrative Committee
Chip Ammerman	Cass County Social Services, director	Children and Family Services Committee
Marlys Baker	DHS Children and Family Services (CFS), CPS	Children and Family Services Committee
Dennis Meier	Morton County Social Services, director	Children and Family Services Committee
Em Burkett	Stutsman County Social Services, director	Children and Family Services Committee
Karin Stave	DHS CFS, regional representative	Children and Family Services Committee
Peter Tunseth	UND CFS Training Center, director	Children and Family Services Committee
Diana Weber	DHS CFS, in-home program administrator	Children and Family Services Committee
Kelsey Bless	DHS CFS, permanency program administrator	Children and Family Services Committee
Amanda Carlson	DHS CFS, early childhood services	Children and Family Services Committee
Monica Goesen	DHS CFS, regional representative	Children and Family Services Committee
Vince Gillette	Sioux County Social Services, director	Economic Assistance Committee
Brenda Peterson	Morton County Social Services, eligibility manager	Economic Assistance Committee
Sidney Schock	Cass County Social Services, eligibility manager	Economic Assistance Committee
LuEllen Hart	Grand Forks County Social Services	Economic Assistance Committee
Michelle Gee	DHS Economic Assistance, director	Economic Assistance Committee
Linda Brew	DHS Economic Assistance, regional representative and system support and development director	Economic Assistance Committee
Diane Mortenson	Stark County Social Services, director	Adult Services Committee
Doug Wegh	Hettinger County Social Services, director	Adult Services Committee
Joyce Johnson	DHS Economic Assistance, Medicaid policy director	Adult Services Committee
Kristen Hasbargen	Richland County Social Services, director	Adult Services Committee
Nancy Nikolas-Maier	DHS Aging Services, director	Adult Services Committee
Karla Kalanek	DHS DD, program administrator	Adult Services Committee
Heather Steffl	DHS, public information officer	Adult Services Committee

2. Recommendations from Child & Family Services Committee

Recommendation	Benefits + Notes
a) Move sub-adopt negotiations to region or state	<ul style="list-style-type: none"> • Provide consistent service delivery across all counties by having a few identified experts who will focus solely on sub-adopt
b) Shift foster care licensing to one entity per region	<ul style="list-style-type: none"> • Regionalize expertise by having an experienced county take the lead on foster care licensing in each service delivery region
c) Regionalize foster care placement-intake/call center	<ul style="list-style-type: none"> • Allows counties to share licensed foster homes across county lines, so that placements match a child's needs and a provider's preferences, experience and abilities
d) Reduce the CPS assessment from 62 days to 25 days	<ul style="list-style-type: none"> • Provide upfront timely services to families • Provide faster resolution while keeping children safe
e) Maintain local access for providers, while eliminating redundancy/multiple levels of review of licensing decisions	<ul style="list-style-type: none"> • Simplify the licensing process • Create standard work practices • Increase ability to share licensing resources across county lines
f) Develop a navigator role to partner with CFS/Child Protection Services (CPS)	<ul style="list-style-type: none"> • Help address social determinants of health with the family • Connect regularly with families • Reduce the caseload for CPS case managers by providing early support and intervention
g) Establish a statewide foster care recruitment strategy	<ul style="list-style-type: none"> • Replaces fragmented and diluted funding to regional foster care coalitions with a statewide recruitment strategy and tools • Provides consistent recruitment messages and outreach material statewide • Contract with marketing agency to develop the strategy/message
h) Regionalize foster care licensing	<ul style="list-style-type: none"> • Provide consistent and timely licensing by using dedicated expert staff for licensing of foster homes • Increase efficiency due to staff focus and expertise
i) Expand access to Universal Home Visit Program in partnership with hospitals	<ul style="list-style-type: none"> • Provide front-end prevention • Has a parent-aide checking on high-risk (to be defined) parents after birth of a child for up to (TBD) years • Generate cost savings over time by increasing family connections, parenting skills and understanding of child development and reducing risk of abuse and neglect • Applies a consistent evidence-based model • Divert at-risk population from foster care • Is primary prevention – offered to every family that has a baby
j) Expand Alternative Response beyond current target population	<ul style="list-style-type: none"> • Provides needed services to families without filing a formal CPS report

3. Recommendations from Adult Services Committee

Areas of Focus	Notes and Recommendations
<p>a) Worker Specialization</p>	<p>Notes:</p> <ul style="list-style-type: none"> • Specialization is a necessity to ensure quality delivery of services • Current system expects every professional to know a little bit about everything, which is overwhelming and may result in misinformation or misunderstandings <p>Recommendations:</p> <ul style="list-style-type: none"> • If possible, designate staff to only work in one program. At a minimum, require specialization and expertise in a key area • Establish annual proficiency standards (benchmarks) for each worker to meet
<p>b) Information and referral assistance</p>	<p>Notes: People are unaware of available services and the Aging and Disability Resource LINK (ADRL) online and telephone information and assistance resources</p> <p>Recommendation: Expand the ADRL's capacity to provide information about community-based services and supports for people with disabilities across the lifespan to better connect people to needed services and supports</p>
<p>c) Universal Intake and Assessment</p>	<p>Notes:</p> <ul style="list-style-type: none"> • Clients are overwhelmed with having to fill out multiple forms • Challenges are further compounded by a lack of communication among various entities and programs • Currently, intake is not a centralized system; the goal should be to utilize whatever hidden capacities exist within the system to improve efficiencies <p>Recommendation: Eliminate multiple assessments. Develop an easy-to-access universal intake process using a universal set of questions to screen applicants and determine eligibility for long-term supports services for adults. This will greatly benefit clients and create greater efficiency.</p> <p>SPECIAL NOTATION: As this will be a significant change, the Adult Services Committee has agreed to continue working as a group to identify further efficiencies/improvements and create and implement a new intake and assessment system.</p>

4. Recommendations from Economic Assistance Committee

Recommendation	Benefits + Notes
<p>a) Eliminate the work eligibility workers do that isn't part of eligibility determination</p>	<p>Gives eligibility workers more time for processing applications and providing case management</p> <p>Examples of work not related to eligibility:</p> <ul style="list-style-type: none"> • Fraud investigations • Estate collections • Third Party Liability • Health Tracks Referral • Primary Care Physician assignment
<p>b) Regionalize eligibility determination for Medicaid coverage of foster children, Temporary Assistance for Needy Families, Medicaid long-term care, Child Care Assistance and Basic Care Assistance</p>	<ul style="list-style-type: none"> • Creates specialized teams across regions who regularly work with and process these complex cases • Improves the quality of eligibility determinations
<p>c) Develop the Full Kit for processing program applications and determining eligibility</p>	<ul style="list-style-type: none"> • Workers have the information they need to accurately determine eligibility <ul style="list-style-type: none"> ○ Identify the necessary items to begin starting an eligibility application ○ Provide the Full Kit checklist for all programs
<p>d) Central client call center</p>	<ul style="list-style-type: none"> • Provides one number for clients to call across the state to ask questions, get an update on their applications, change addresses, etc. • Creates a designated team of call center experts • Assures universal access regardless of location to all EA client information • Builds a triage process
<p>e) Centralize training for EA program eligibility determination</p>	<ul style="list-style-type: none"> • Develops training curriculum and offers consistent ongoing training to eligibility workers statewide • Establishes a training team connecting trainers with policy and program administrators to assure consistent development and delivery of training
<p>f) Policy development</p>	<ul style="list-style-type: none"> • Include frontline eligibility workers in the policy development and training curriculum process <p>Create program work groups that include eligibility workers to improve programs</p>
<p>g) Outsource Low Income Home Energy Assistance Program (LIHEAP)</p>	<ul style="list-style-type: none"> • Connects LIHEAP with organizations familiar with the program
<p>h) Build a robust set of interfaces to allow eligibility workers access to more information to more efficiently and effectively process client applications</p>	<p>Examples of interfaces</p> <ul style="list-style-type: none"> • Job Service North Dakota, Child Support, Unemployment, WSI Benefit • Work #

These recommendations highlighted a number of themes for program improvements, though barriers exist with old structure

Theme	Examples from Committee Recommendations	Barriers to Change Today	
		Structure	Process & Culture
Specialize work	<ul style="list-style-type: none"> 2a) Move sub-adopt to a few identified experts 2b) Shift foster care licensing to one entity per region to allow dedicated staff to focus on it 3a) Designate aging/ adult services staff to specialize in one program if possible 4b) Eliminate the work eligibility workers do that isn't part of eligibility determination 	Rate per case funding formula does not enable change in mix of services provided, thereby preventing specialization	Every county is accustomed to doing every function; specialization requires integration with other counties
Collaborate effectively to share resources/ capacity	<ul style="list-style-type: none"> 2c) Allow counties to share licensed foster homes across county lines, so that placements match a child's needs and provider capabilities 4b) Regionalize eligibility determination for Medicaid coverage of foster children, TANF, Medicaid long-term care, Basic Care Assistance, etc. 	County boundaries create siloed operations, and grant-like funding formula disincentivizes sharing of resources	County offices are not responsible for program outcomes outside the boundaries of their counties
Improve ways of working and align to best practices	<ul style="list-style-type: none"> 2d) Reduce the CPS assessment from 62 to 25 days 2e) Eliminate redundancy/multiple levels of review of licensing decisions 2f) Develop a navigator role to partner with CFS/Child Protection Services (CPS) 4c) Develop the Full Kit for processing program applications and determining eligibility 	Scaling best practices across counties can be difficult due to institutional silos of county-based org. structures and funding formula	Making improvements requires time, effort, and a willingness to embrace changes
<p>Importantly, S.B. 2124 does not make any of these changes; rather, the intent of the bill is to address and eliminate the <i>barriers</i> (in particular, the structural barriers) that exist to making these changes or improvements today</p>		<p>Address these barriers through S.B. 2124</p>	<p>Address these barriers through pilot projects</p>

To address process/cultural barriers, DHS and counties have improved programs through Theory of Constraint (TOC) method

What is Theory of Constraints (TOC)?

- TOC is a methodology for identifying the most important limiting factor (i.e. constraint) that stands in the way of achieving a goal and then systematically improving that constraint until it is no longer the limiting factor. Combined with a focus on systems thinking, TOC can transform operations within an organization or system.
- The primary focus of TOC is to identify the constraints, believe there is hidden capacity and apply the “rules of flow” to measure the work output and the quality of work.

How did North Dakota get involved in TOC?

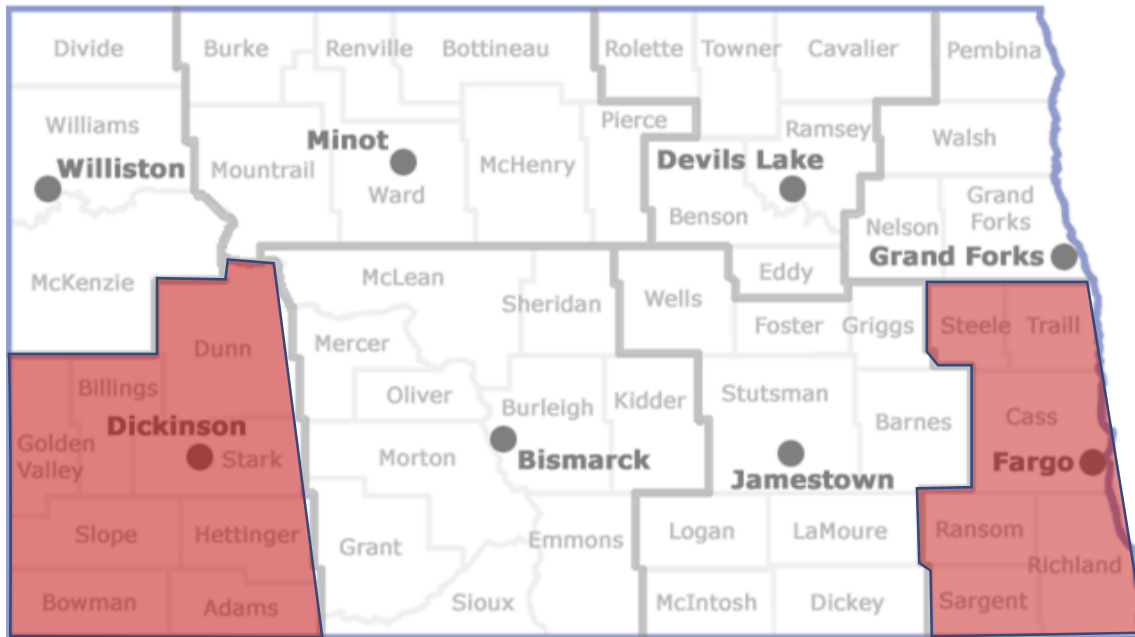
- DHS Executive Director Jones was introduced to Kristen Cox, the Executive Director of OMB in the Utah Governor’s Office. Ms. Cox is a leading expert in TOC and finding efficiencies within government agencies and programs.
- Ms. Cox and her team visited North Dakota on May 1, 2018, and provided a day-long seminar on TOC and how it would work in social services. A broad audience attended including state and county social service system professionals.
- DHS engaged Ms. Cox and her team in a one-year contract to apply TOC to human services programs, and to mentor and train DHS staff, county social service staff, NDACo staff and consultants to continue the work in the future.

Where has TOC been used?

- Child Protection Services was identified as the first program to apply TOC. Based on a detailed review of CPS cases over a 12-month period the team identified three major opportunities for improvement.
 - Engaging with the alleged victim (child) immediately.
 - Timeliness of CPS assessments from initiation to completion.
 - Thorough and complete CPS assessments.

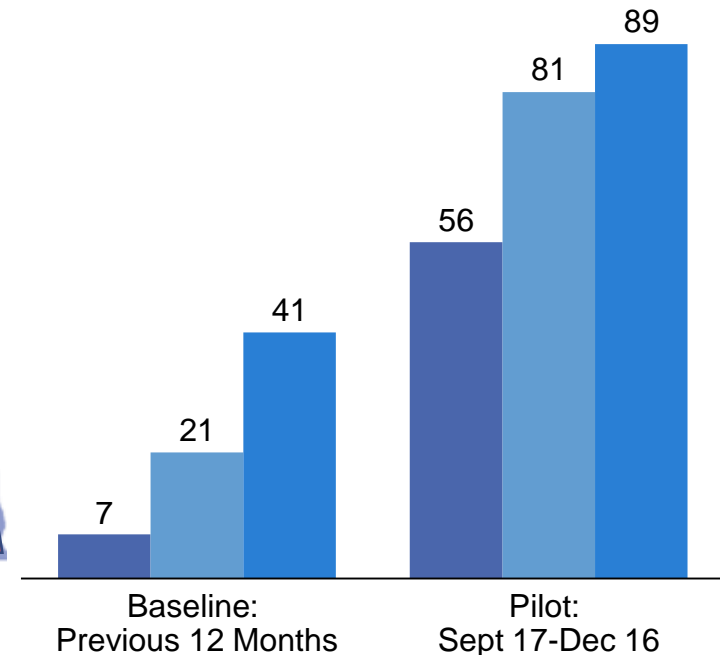
The first TOC pilot project – on CPS assessments – has shown early progress in participating counties

Participating Counties, participating counties highlighted in red



Results, cumulative % of assessments completed in less than N day timeframe

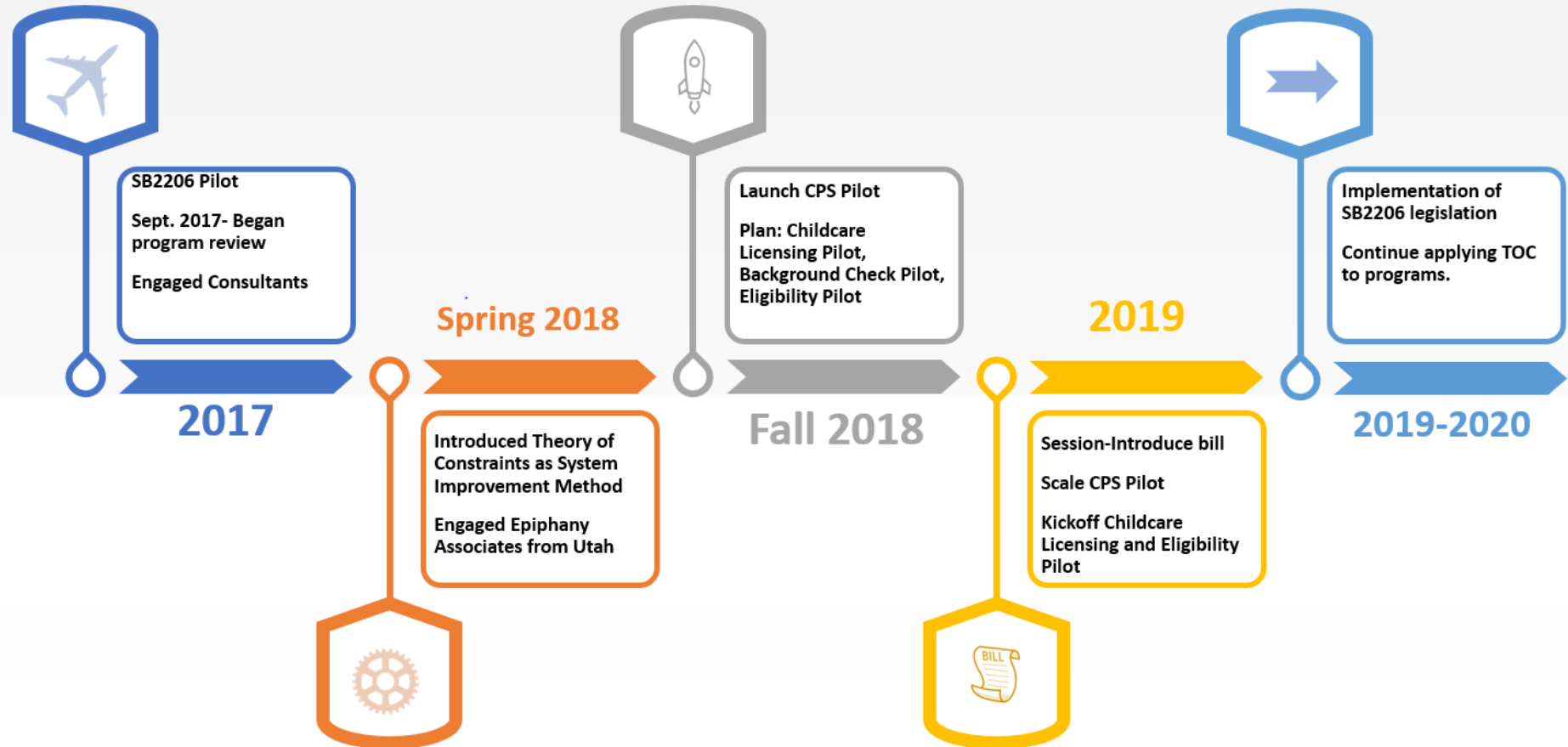
< 25 Days **< 45 Days** **< 62 Days**



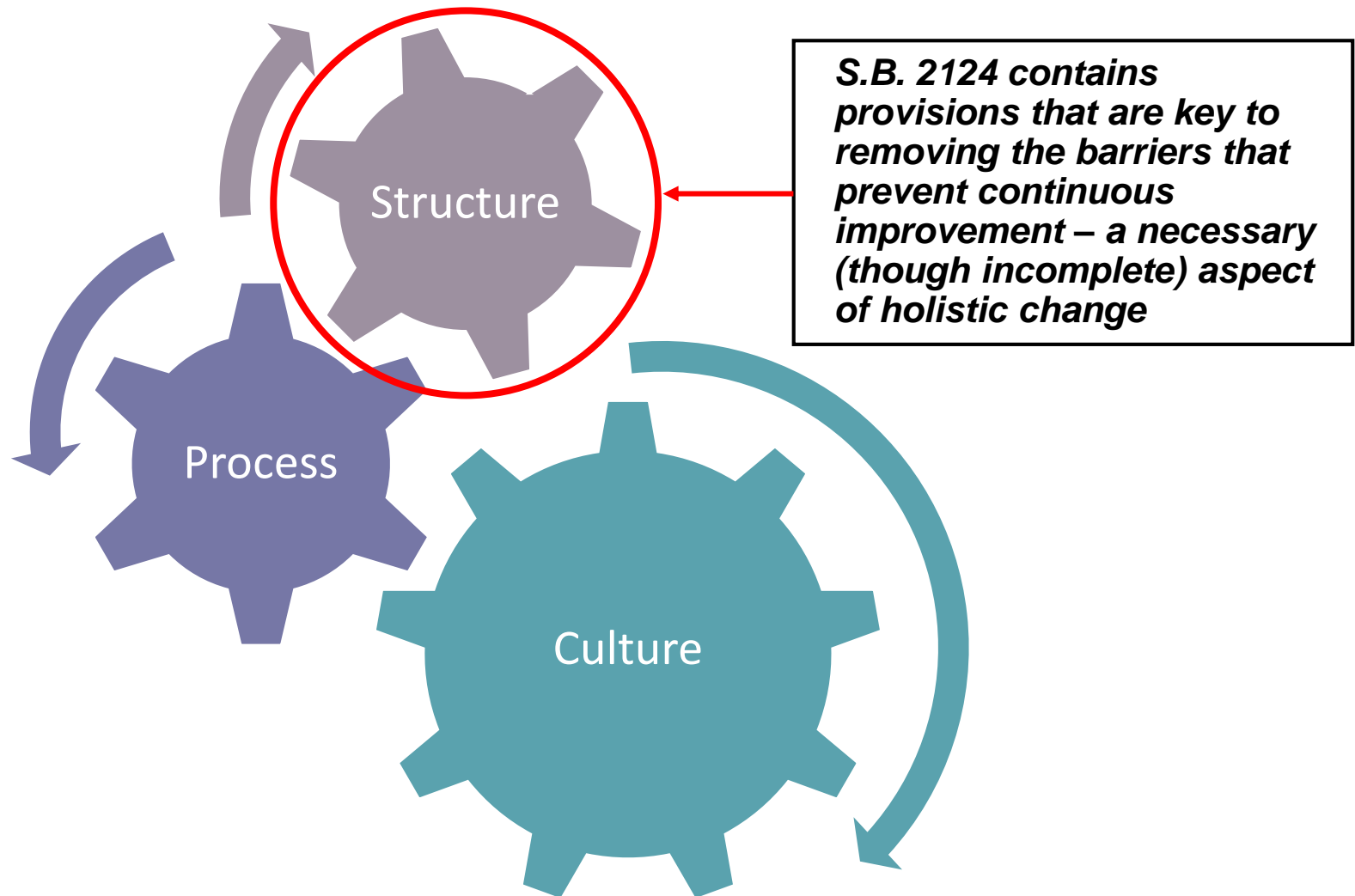
- **Within the pilot, 89% of the closed cases were closed within 62 days** (the current law to complete an assessment), versus a baseline for 12 months of CPS cases in the pilot regions of just 40.8%.
- Additionally, **56% of the 499 closed cases were closed within 25 days**, versus a baseline for 12 months of CPS cases in the pilot regions of only 7.35%.
- Not only has timeliness of assessments improved, but **pilot regions have in some cases unlocked hidden capacity**, increasing access to services and **transferring staff from administrative work to direct client services**

Going forward, the department will continue using the TOC method to bring continuous improvement to process/culture

Theory of Constraints (TOC) Implementation Timeline



However, entering a state of continuous improvement hinges crucially on the structural changes included in S.B. 2124



S.B. 2124: Department of Human Services Testimony

Jan 14, 2019

Agenda

- Overview of Social (Human) Services in North Dakota
- 2017 S.B. 2206 Study Context and Results
- **Key Components of Policy**
- Detail for Fiscal Note
- Section by Section Review of Bill

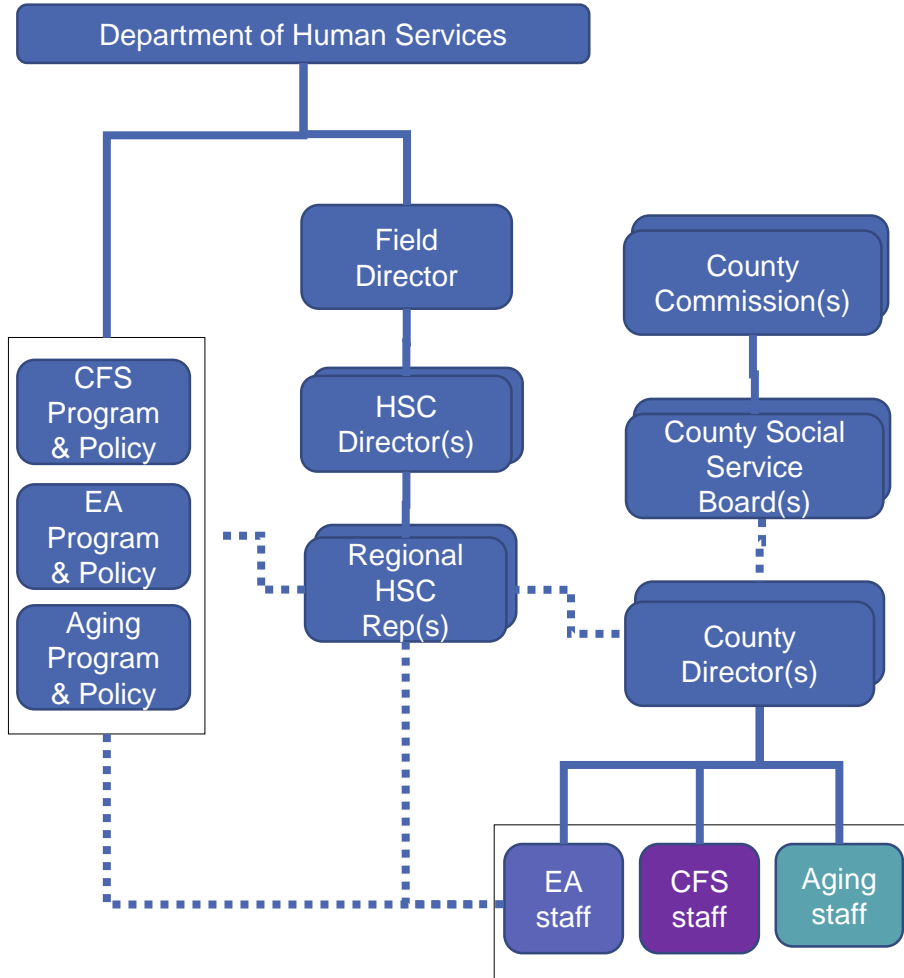
As we have examined structure, process, and culture, guiding principles emerged as fixed points for policy

Guiding Principles

- No reduction in access points
- Redistribution of dollars from administration to direct client service delivery
- No reductions in force or reductions in pay (roles will be redesigned for some)
- Promote equity in access and meet clients where they are
- Promote specialization of efforts where possible to improve consistency of service
- Promote decision making as close to the client as possible

Today's model of delivering social (human) services can be disjointed and inefficient, resulting in worse outcomes for clients

State supervised, county-administered structure: Visual



State supervised, county-administered structure: Detail

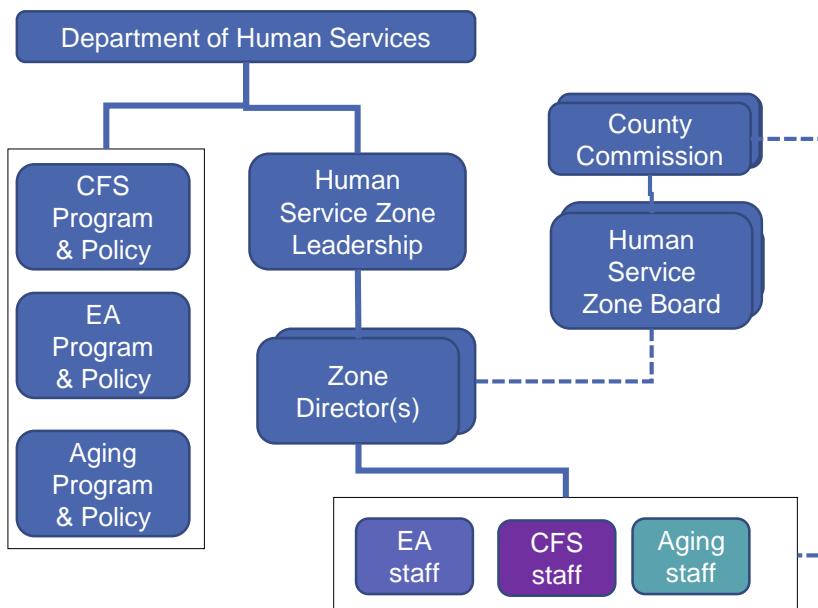
- The State of North Dakota's state supervised county administered social delivery model consists of **multiple management layers of supervision to deliver social services**.
- The **Department of Human Services Program and Policy provide administrative oversight**, ensure federal and state reporting compliance, create and update policy and administrative rule, and ensure Human Service Center (HSC) administrative rule compliance.
- The **DHS Regional Representatives are part of the Field Services** function and are typically housed in HSCs. They are **responsible for providing administrative oversight and technical assistance** for County Social Services. Additionally, they are responsible for approving payments, licenses and other decisions.
- **County Social Services are responsible for administering the programs as directed by the State.**
- Along with these three layers, **each layer reports up separately or to other entities all together.**
 - Program and Policy do not directly oversee the Field and Regional Representatives and the Regional Representatives do not directly oversee County Social Services, as they report up through County Commissions.
 - However, due to client privacy protections, County Commissions do not have a full picture of performance into the delivery of Social Services.
- **With these multiple layers, there are times that decisions may be made too far away from the client(s).**
- Finally, and most importantly, **this structure, at times, causes a fair amount of confusion and stress for staff and clients, especially on difficult cases.**

S.B. 2124 would shift delivery of social (human) services from counties to zones, a hybrid state/county structure

Spectrum of structural models for social (human) services delivery

Scenario A: State supervised, county-administered

Scenario C: Hybrid organization of "Human Service Zone"



Scenario B: State administered

Detail of Preferred Model: Scenario C

- This is the **Department of Human Services structural recommendation** for SB 2124.
- This model creates up to 19 zones and is **structurally similar to current law for multi-county social service districts**.
- This structural model creates **clearer lines of accountability** between State Program and Policy and the administration of Social Services.
- Structurally different for multi-county social districts is that the intent is that **Zones are defined for the responsibility for delivering state mandated services, regardless of client address**.
- With that difference, **budgets will be completed by Zones**, however, as we move forward with pilots within the TOC process, this structural model, along with changes to funding flexibility will promote **greater collaboration, specialization and utilization of capacity** that exists in the State today.
- In this model, **Zone Directors will report and participate in a DHS Human Service Zone Leadership Team** and partners with Social Service Program and Policy to ensure effective and compliant delivery in each zone.
- **The Department will provide consistent budgeting guidelines, HR policies and policies and guidelines for standard and consistent program delivery.**
- This model also **supports incremental movements toward improvements in efficiency and effectiveness** in client centered delivery.

Key Aspects of S.B. 2124 Bill

1. The transition to zones is a county-led process with guiding principles for zone creation and approval (Sections 48 and 49)
2. Human service zone directors are state employees responsible for management of staff, budgeting, operations & outcomes (Sections 51 and 53)
3. The zone board is composed of representatives from each county in zone and responsible for oversight of operations (Sections 57 and 59)
4. The increased flexibility of zone funding is meant to increase responsiveness to community needs and enable innovation (Sections 2 and 115)
5. FTE transfer authority is for functions where the state can gain consistency or efficiency from specialization of work (Section 124)

1. The transition to zones is a county-led process with guiding principles for zone creation and approval

Subject	Design Intent / Brief Description	SB 2124 Language	Rationale	SB 2124 Reference(s)
Zone creation process	<ul style="list-style-type: none"> + Counties submit a plan by Sept 15, 2019 + The department reviews plans and initially approves by Dec 1, 2019 + The maximum number of zones allowed would be 19 	<p><u>Counties shall identify other counties with which to enter a human service zone agreement, and together the board of county commissioners of any county desiring to become a member of a multicounty social service district shall file with the state department a written request for membership proposal to create a human service zone by September 15, 2019...</u></p> <p><u>...The department has final approval of a human service zone. The department may establish or modify a human service zone based on the criteria set forth...All human service zones must be initially approved or established by December 1, 2019...</u></p>	<ul style="list-style-type: none"> + Zone creation process gives counties control over the plan for consolidated zone operations + The timeline for zone creation balances a swift transition to new model with providing the requisite time to create and approve plans 	<p>SECTION 48 page 34 lines 13 through 17 (that is: 34:13-17)</p>
	<p>The maximum number of human service zones created may not exceed nineteen.</p>	<p>Max of 19 is based on an approximate distribution of about 3 counties per zone, accounting for single-county zones</p>	<p>SECTION 49 p.36: 24-25</p>	
	<p>The goal is to establish zones in a way that will enable efficiency and effective service delivery. These are pertinent criteria (among others) to that end:</p>	<p><u>The amount of current and future access points for individuals to apply for and receive services within a human service zone.</u></p> <p><u>The existing pattern of the counties trade area and any regional pattern established by the department.</u></p> <p><u>The county has a population exceeding sixty thousand individuals...to operate as a single...zone...and...it is in the best interest of the neighboring counties.</u></p> <p><u>The proposed human service zone is excluding a county that shares an urban area with other counties in the proposed human service zone.</u></p> <p><u>The human service zone director can adequately supervise the activities and operations of the human service zone.</u></p>	<p>Access points should be maintained or increased for counties that are part of zone</p> <p>Leveraging existing county connections promotes efficiency and alignment with other services (e.g., public health units)</p> <p>Large counties have sufficient scale to operate independently, and this should be allowed if neighboring counties also benefit from being part of different zone</p> <p>Urban areas will benefit from being in 1 zone since this prevents bifurcating of services for citizens in same community</p> <p>The zone should not be so large as to make it difficult for a zone director to supervise performance of services across communities</p>	<p>SECTION 49 p.36:15-16</p> <p>SECTION 49 p.36:17-18</p> <p>SECTION 49 p.36:19-21</p> <p>SECTION 49 p.36:22-23</p> <p>SECTION 49 p.36:26-27</p>

2. Human service zone directors are state employees responsible for management of staff, budgeting, operations & outcomes

Subject	Design Intent / Brief Description	SB 2124 Language	Rationale	SB 2124 Reference
Employment of zone director	<ul style="list-style-type: none"> + From: county director is county employee + To: zone director is to be a state employee 	<p><u>[Zone directors] [m]ust be employees of the department of human services and located within the human service zone, unless serving more than one human service zone.</u></p>	<p>State employment of zone directors facilitates partnership with the state as well as peers, helping to ensure that operations are collaborative and uniform</p>	<p>SECTION 53 p.42:26-27</p>
Authority for supervision of staff	<ul style="list-style-type: none"> + Zone director has authority to hire and fire zone employees + Zone director must notify county commissioner of staffing changes and receive approval for increases in staff above approved level 	<p><u>[Zone directors] [m]ay hire, take disciplinary actions, and direct the work of a human service zone team member in accordance with the department's policies. The human service zone director has discretion to hire a human service zone team member, on behalf of the county, subject to the allotted number of staff positions approved by the board of county commissioners of the county by which the staff position is employed.</u></p>	<ul style="list-style-type: none"> + Zone directors should have authority to manage staff in order to ensure program compliance and performance + Since counties have FTEs, commissioners are given authority to approve positions above number already authorized 	<p>SECTION 53 p.43:4-7</p> <p>(see also: SECTION 2 p.6:23-27</p>
Role in budgeting	<ul style="list-style-type: none"> + From: county directors are given a grant amount + To: zone directors have active role in creating budget 	<p>The governing board of the multicounty social human service district annually <u>zone director shall prepare a proposed budget for the district human service zone...</u></p>	<p>An active role of zone directors in creating the budget will ensure that there is constant attention to how the budget can enable operations that proactively meet the needs of all citizens and incorporates best practices from across the state</p>	<p>SECTION 51 p.39:22-23</p>
Role in foster care grievance process	<ul style="list-style-type: none"> + From: regional representative review of foster care grievance + To: peer review of foster care grievance by zone director in conflict-free human service zone 	<p>If no written resolution between the parties relating to the grievance is made at the informal meeting, the foster parents may request a formal hearing to be held at the regional foster care <u>conflict-free human service zone</u> office... The regional foster care <u>human service zone director or the director's designee</u> shall review all prior contact... [and] shall then make a final determination relating to the grievance.</p>	<ul style="list-style-type: none"> + Simplifying the organization complexity of delivering human services will involve re-imagining the role of the regional representatives at Human Service Centers 	<p>SECTION 97 p.86:4-16</p>

3. The zone board is composed of representatives from each county in zone and responsible for oversight of operations

Subject	Design Intent / Brief Description	SB 2124 Language	Rationale	SB 2124 Reference(s)
Board President	Zone director serves as the president of the social service zone board	<u>The human service zone director shall serve as president of the human service zone board as a nonappointed member.</u>	Since the zone director is responsible for client service delivery and the day-to-day operations of the zone, they are well-positioned to set the agenda of the zone board and facilitate discussion	SECTION 57 p.45:10-11
Process of appointing members	Appointed members selected by county commissioners	The board of county commissioners <u>of each county within the human service zone</u> shall appoint the <u>appointed</u> members of the <u>county social human service zone board</u> based upon fitness to serve as members by reason of character, experience, and training without regard to political affiliation.	The county commissioners have insight into who will be more effective in representing the human service needs of their counties on the human service zone board	SECTION 57 p.44:31 & p.45:1-3
Qualities of appointed board members	<ul style="list-style-type: none"> + Demographics of board must reflect constituent counties + Each county must be represented on the zone board by at least one county commissioner 	<u>Each sex, race, and ethnicity must be fairly represented on the human service zone board based on the zone's demographics, and each county must be represented on the human service zone board by at least one county commissioner of that county.</u>	<ul style="list-style-type: none"> + Zone board must ensure that the needs of all counties within the zone, and all communities within each county, are receiving sufficient service levels + Adequate representation of community perspectives is essential to fulfilling the oversight role of the board, especially in recognizing gaps or flaws in services 	SECTION 57 p.45:4-8
Duties of board members	<ul style="list-style-type: none"> + Advocate for those in need + Make recommendations on how to improve programs + Assist in coordination of services for public and private agencies + Audit the claims against the human service fund 	<p><u>[1] Provide information to the department relative to the community needs of the human service zone residents and advocate to meet those needs...</u></p> <p><u>[2] Review services and programs provided by the human service zone and make periodic recommendations for improvement in services, programs, or facilities...</u></p> <p>[3] Aid and assist in every reasonable way to efficiently coordinate and conduct human service activities within the <u>county human service zone</u> by private as well as public organizations...</p> <p><u>[4] Audit all claims against the human service zone human services fund.</u></p>	<p>The oversight role of the zone board is designed to accomplish 4 distinct goals:</p> <ul style="list-style-type: none"> ▪ Highlight community needs or gaps in services so that those needs are front-and-center to address as part of zone strategy, operations, and budgets ▪ Ensure that any flaws in zone performance are brought both to the attention of the department to address and ensure that the constituent counties can hold the department accountable to action ▪ Promote collaboration between community stakeholders ▪ Maintain responsibility of fiscal affairs 	SECTION 59 p.46:6-22

4. The increased flexibility of zone funding is meant to increase responsiveness to community needs and enable innovation

Subject	Design Intent / Brief Description	SB 2124 Language	Rationale	SB 2124 Reference(s)
Formula starting point	+ Historical costs less income is funding starting point	<u>The calculation must be based on the human service zone's most recently available data on historical cost and income...</u>	This approach strikes an initial balance between covering expenses that support operations while not overpaying	SECTION 115 p. 99:22-24
Flexibility of formula	+ The department adjusts formula up or down from historical cost and income + The adjustments up or down are based on factors such as compensation equity, actual expenditures, current costs, services provided, need, duties assigned and caseload	<u>[The director's calculation] of the total formula payment...may include...</u> <u>...human service zone director's proposed budget...</u> <u>...Compensation equity and increases...</u> <u>...[c]urrent and future duties of and services offered by the human service zone...</u> <u>...[other] pertinent factors, which include actual expenditures over the previous or current payment period, current costs, offered services, need, income, performance of duties directed or assigned and supervised by the department, and caseload.</u>	+ Adjustment in response to “need” and the human service zone director’s proposed budget will better tie the funding to the needs of the local context + Adjustment for “current and future duties” would allow funding to reflect operational changes to the basket of services at the zones, enabling specialization and sharing of resources; adjustments for “actual expenditures” enable these transitions to occur smoothly + Adjustment for “compensation equity and increases” is included because payment is currently unequal between counties – which is reflected in differences in the rate per case by county in the old formula – and this would move toward equity under new method + Adjustments for “caseload” are still included as an essential part of the formula calculation, but no longer the only driver	SECTION 115 p. 99:22-31 p.100:1-15
Formula recalculation	Recalculation of formula to occur biannually	<u>The director may recalculate and adjust each human service zone’s formula payment biannually [based on factors outlined above]</u>	Recalculating 2x per year makes the zone operations more nimble while matching the biannual payment timeline	SECTION 115 p.100:9-11
Indirect cost formula	The intent is to continue reimbursing counties for a share of indirect costs incurred that support delivery of human services	<u>The director shall calculate payment for indirect costs...The total payment by the department for reimbursement of indirect costs incurred to support human services cannot be less than the prorated amount paid to counties for this purpose in state fiscal year 2018 as identified in the indirect cost plan, unless a cost reduction or cost savings is achieved by the county.</u>	The goal of this provision is to protect the payment for indirect costs supported by counties, ensuring that counties receive an amount that fairly protects the reimbursement they have received in the past for indirect costs	SECTION 2 p. 6:1-4

5. FTE transfer authority is for functions where the state can gain consistency or efficiency from specialization of work

Subject	Design Intent / Brief Description	SB 2124 Language	Rationale	SB 2124 Reference(s)
<p>FTEs authorized as transfers from county</p>	<p>+ From: each county operates same basket of services + To: services are distributed to maximize efficiency and client outcomes</p>	<p>Up to [228] full-time equivalent positions included in Senate Bill No. 2012, as approved by the sixty-sixth legislative assembly, may be adjusted or increased only if one or more human service zones transfers powers and duties...Any positions added to the department of human services under this section would be position transfers from the human service zones</p>	<p>+ The contingent authorization for these functions reflect 2206 study committee recommendations, as some functions were determined to be more efficiently performed in consolidated manner (which does not mean centralized) + These authorizations are contingent because not all may happen this biennium, or alternative strategies may be developed</p>	<p>SECTION 124 p.109:3-9</p>
		<p>FTEs transferred for specific functions</p>	<p>Broadly, those functions targeted for potential transition to the state are those where work requires a greater specialization and content knowledge. Through specialization of work, these transitions would ensure more consistent and efficient delivery.</p>	<p>[19 FTEs] to serve as human service zone directors</p>
<p>[16 FTEs] if [DHS] assumes...duties associated with foster care training and the recruitment and licensing of family foster care homes</p>	<p>CFS committee recommendations included: ▪ Establish statewide foster care recruitment strategy ▪ Regionalize foster care licensing ▪ Move sub-adopt negotiations to region or state</p>			<p>SECTION 124 p.110:1-3 p.110:12-14</p>
<p>[2 FTEs] if [DHS] assumes...duties associated with adoption assistance eligibility determination</p>	<p>IV-E determinations are complicated/ error-prone, and a specialized team may perform better than generalists</p>			<p>SECTION 124 p.110:4-6</p>
<p>[14 FTEs] if [DHS] assumes...duties associated with foster care assistance or IV-E eligibility determination</p>	<p>Inconsistency or lack of critical mass in regional delivery motivates consolidating operations</p>			<p>SECTION 124 p.110:7-8</p>
<p>[27 FTEs] if [DHS] assumes...duties associated with child care licensing</p>	<p>EA committee suggested to outsource; consolidation to state may be preferred</p>			<p>SECTION 124 p.110:9-11</p>
<p>[16 FTEs] if [DHS] assumes...duties associated with [LIHEAP]</p>	<p>Some eligibility functions, such as long-term care eligibility, would be more efficiently performed at state level</p>			<p>SECTION 124 p.110:15-19</p>
<p>[104 FTEs] if [DHS] assumes...determination of eligibility and other related activities [for various programs]</p>	<p>The state is better positioned to perform duties that would make human service zones less efficient by distracting them from core operations</p>			<p>SECTION 124 p.110:20-22</p>
<p>[30 FTEs] to relieve human service zones of miscellaneous duties [e.g., fraud investigations, estate collections, third party liability, etc.]</p>				

S.B. 2124: Department of Human Services Testimony

Jan 14, 2019

Agenda

- Overview of Social (Human) Services in North Dakota
- 2017 S.B. 2206 Study Context and Results
- Key Components of Policy
- **Detail for Fiscal Note**
- Section by Section Review of Bill

The following principles for zone budgeting are reflected in the fiscal note

Zone Budgeting Principles (in **BOLD** are principles driving prior formula)

1. **Reimburse historical costs of providing services across zone**
2. Adjust for differences in pay between zones and cost of living
3. Adjust for process change (enabling consolidation, sharing capacity)
4. Adjust for changes to the basket of services (enabling specialization)
5. **Adjust for caseload increases or decreases**
6. Adjust for equalizing service levels across the state, recognizing potential differences in delivery modes in different zones
7. Adjust for statewide changes in services or service levels
8. Adjust for contingencies or pressing situations

Ranked in order of priority

The fiscal note associated with S.B. 2124 of \$182.3m will support transition to the new model of human service zones

Line Item	Estimated Amount¹, \$	Rationale / Description of Calculation
Projection of CY18 and CY19 program-related costs	155,669,639	= [CY18 run-rate] ² + [CY19 projection] ³
Indirect Cost Obligation	5,351,022	The estimate for the indirect costs is 25% of the last available full 12 months of data (which is the state fiscal year 2018)
“Unallowable” Costs	683,734	The “unallowable” costs are those not submitted through accounting 119 forms and include additional activities (e.g., food pantries) that support individuals
Sub-total: Total Costs	161,704,395	Sum of program-related costs, indirect costs, unallowable costs
MMIS Revenue Estimate	5,445,672	Estimated as 2 times the amount distributed from MMIS in CY18. Monies distributed to the counties from the Medicaid Management Information system (MMIS) support costs for services like home & community-based services
Sub-total: Total Costs minus Revenues	156,258,723	
Inflationary Increases ⁴	7,845,750	Inflationary increases are based on Governor’s recommendation of 4% and 2%, enabling counties to give same comp increases for staff as state
Compensation Equity Adjustments	3,408,119	The same roles at various counties are paid very differently due to historical contingencies reinforced through the rate-per case formula; this amount would allow for bringing up compensation of lower-paid counties
Family First Legislation Implementation Investments	10,000,000	Funds to support preventative services and enhanced review of residential placements under Qualified Residential Treatment Provider (QRTP) provisions
IT/Transitional Costs	3,000,000	Investments to support pilot projects, training, or adjustments to SPACES
Contingency/ Emergency Fund	1,787,408	Calculated as about 20% of fund balances available for contingency use
Total	182,300,000	

1 Could adjust based on most recently available cost data from counties 2 [CY18 run-rate] is calculated as the actual costs reported on the 119 for the first 11 months, plus an estimate for December costs, which is projected to be the average of the costs for the first 11 months. 3 [CY19 projection] is calculated as 3% times the [CY18 run-rate] 4 Current accounting standards do not support splitting out costs based on Salaries and Wages from other operating costs; therefore, DHS here assumes that 100% of costs are salaries & wages, to which the 4/2 applies, recognizing that these costs are the majority but do not in fact constitute all costs included. It is the intent of the department to begin capturing Salaries & Wages separately in CY19 119 accounting forms.

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