Government, Military and Veterans Affairs Committee
LB 61
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Good afternoon, Senator Murante and members of the Government, Military and Veterans Affairs Committee. My name is Dr. Joseph Acierno (J-O-S-E-P-H A-C-I-E-R-N-O), acting CEO of the Department of Health and Human Services. I'm here to testify in opposition to LB 61.

LB 61 requires DHHS to pay counties the cost for office space and service facilities used for the administration of public assistance programs. Currently, counties are required to maintain office space and service facilities used for public assistance programs as they existed on April 1, 1983, as part of a package of bills passed in the early 1980s.

Prior to July 1, 1983, county boards had responsibility for the county Departments of Public Welfare, including costs for building space, equipment, employees, and some program costs including 14 percent of the cost of the Medicaid program.

Several pieces of legislation in 1982 and 1983 mandated the transition of the 89 county welfare offices, 1,200 county employees and the Medicaid program from counties to state government. This was a purposeful cost shift from counties to the state. Left as one of the responsibilities of the counties was maintaining this office space at county expense. At the time, the county share of Medicaid was described as a $20 million burden to the local property tax base.

A report* documenting these changes states, in part: "Throughout the 1970s, the counties watched with alarm as the cost of the Medicaid program escalated. Although the Legislature acted on several occasions to lower the size of the county share from 20% to 14%, the counties still viewed Medicaid as an uncontrollable expense that was sure to continue to grow. And that it did. From 1975 to 1982 Medicaid expenditures grew at a rate of 13.9% per year. A small part of this was growth in program participation, but mostly it represented escalating medical costs. Between 1977 and 1982, the rate of growth of Nebraska's Medicaid costs exceeded 20% per year, while the recipient population was growing at less than 2% per year. During the same time the general inflation rate was a comparatively moderate 7.2% per year. Meanwhile, the counties were subject to a lid of 7% on increases in their revenues. By the time that 1982 arrived some county officials felt that the traditional activities of county government were jeopardized by continued participation in Medicaid funding."

The transition of welfare offices to state administration occurred in 1983. The transition of all costs of Medicaid transitioned to the state by 1986. The original legislation included the transition of this office space to the state, as well; however, other legislation that year allowed counties to keep the office space but required that it be used for the public assistance programs.

In Fiscal Year 2013, total Medicaid expenditures were nearly $1.8 billion. At fourteen percent, over $250 million would be the responsibility of the counties had the cost shift not passed years ago.

Medicaid expenditures in FY 2013 in Lancaster County alone were over $278 million; 14 percent would be nearly $39 million. Expenditures in Douglas County in FY 2013 were over $517 million; 14 percent is over $72 million.

The Department of Health and Human Services is committed to helping people live better lives wherever they reside. While we continue to improve access to services through efficiencies, we are also committed to being available in local offices across the state.

Through the legislative agreements reached in 1982 and 1983, counties today provide 185,000 square feet of either county-owned space or leased space for the Department. Since then, the Department's space needs have continually evolved through federal and state statutes, policy changes and agency mergers.

In 2011, LB 234 modified the office space requirement to allow counties to adjust space if the Department reduces its presence and notifies a county that it is vacating a particular facility, and we have worked with counties accordingly. On the other hand, if we identify that additional space is needed in a community over and above the original county requirement, the state, not the county, already pays for that additional space.

LB 61 would make space unavailable and/or it would increase Department costs significantly. Our estimate is that it would cost us $2.8 million annually to replace the space provided by the counties currently and could cause us to consider being physically located in fewer counties.

As you can see, the costs to the counties to continue to provide office space as required pales in comparison to the $250 million-plus that the counties would be paying today had the state not stepped up to relieve them of the financial burden of the costs of county public welfare offices and Medicaid.

I would be happy to answer any questions you may have.

"Nebraska's Experience – The Transition to State Administration of Social Services" can be found at:
http://dhhs.ne.gov/Documents/HisDocs_TransitionToSocialServicesDecember1984.pdf