

PUBLIC HEARING
ON
**B17-0076, THE “DEPARTMENT OF HEALTH CARE
FINANCE ESTABLISHMENT ACT OF 2007”**

**Before the
Committee On Health**

The Honorable David Catania, Committee Chair

**June 20, 2007, 10:00am
John A. Wilson Building, Room 412**



**Testimony of
Deloras Shepherd
Associate Chief Financial Officer
for the Human Support Services Cluster**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good Afternoon Chairman Catania, and members of the Committee on Health. I am Deloras Shepherd, Associate Chief Financial Officer for the Human Support Services Cluster. I am here today to present testimony on behalf of Dr. Natwar M. Gandhi, the District of Columbia's Chief Financial Officer, and to answer any questions the Council might have concerning the Fiscal Impact Statement for Bill number 17-76, introduced as "Department of Health Care Finance Establishment Act of 2007". With me today are Dr. Heather McCabe, Senior Medicaid Advisor to Dr. Natwar M. Gandhi, and Eric M. Cannady, Deputy Director for Budget Administration in the Office of Budget and Planning.

The proposed legislation would establish the Department of Health Care Finance (DHCF) – analogous to many state agencies throughout the country – that would be responsible for financing health care services associated with the Medicaid and Alliance programs. Funds are available in the FY 2008 budget and financial plan to implement the proposed legislation; however, additional appropriations would be needed to fund the proposed legislation for FY 2009 through FY 2011. The negative impact on the budget and financial plan would be \$2.13 million for the FY 2008 through FY 2011 period.

Any future savings, operational efficiencies and costs cannot be estimated at this time, until the structure and the organization of the proposed DHCF are outlined by the Executive and approved by the Council. At that point, further analysis must be conducted.

The fiscal effect we have identified so far is primarily a net reduction in federal revenue derived from Indirect Cost Recovery (IDCR). IDCR funds are federal funds meant to lower the burden of the operational cost (overhead) of administering the receipt and distribution of Federal grant dollars. The rate is based on a percentage of personnel service expenditures directly charged to the grant coupled with the overhead operating costs of the District. IDCR rates are set annually by the U.S. Department of Health and Human Services (HHS) based on an approved cost allocation plan submitted by the respective DC Agency.

This legislation would reduce the amount of IDCR available to the Department of Health and replace it with a lower amount available to the new DHCF. The IDCR collection on the Medicaid grant in FY 2007 is estimated at \$1.7 million in DOH; in FY 2008 these funds will no longer be available. The direct cost of the new DHCF is expected to be lower, thus lowering the associated IDCR rate available for reimbursement. In FY 2008, the new DHCF would collect approximately \$1.0 million in IDCR, creating a \$700,000 variance. This variance is off-set in FY 2008 by the one-time infusion of funding of \$800,000 appropriated in the FY 2008 Budget.

This concludes my testimony. The full Fiscal Impact Statement is attached, and I am available to answer any questions the Committee might have. Thank you.