



OFFICE OF MANAGEMENT & BUDGET

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MEMORANDUM

To: The Honorable Ryan W. Pearson
Chairman, Senate Committee on Finance

From: Jonathan Womer
Director, Office of Management and Budget

Date: February 3, 2021

Subject: Senate Finance Follow-Up

Thank you for the opportunity to appear before and offer testimony to the Senate Committee on Finance on January 21, 2021. As a follow-up to the answers we provided at this hearing, this memo addresses some of the questions we said we would get you further information on. We will send an additional memo to address the outstanding questions. As always, if you require more information or need any clarification on what has been presented below, please feel free to reach out to me and my team.

Alternative Hospital Sites

Which entities received contracts and subcontracts for the decommissioning of the Quonset alternative hospital site?

See the table below for the prime contractors and MBE/WBE vendors used in the decommissioning of the alternative hospital site in the former Lowe's building at Quonset.

Decommissioning of the Quonset Alternative Hospital Site			
Prime Contractor	Prime Contract Value (\$)	MBE/WBE Vendor	MBE/WBE Subcontract Value (\$)
Dimeo Construction Co.	308,962.00	Gentry Storage	60,000.00
Peregrine Group LLC	87,952.00	Sitecon Corp.	56,760.00
Gentry Storage	60,000.00	Brewster Thornton Group Architects LLP	41,410.00
Brewster Thornton Group Architects LLP	41,410.00	Integrated Contract Design	30,250.00
Gentry Moving	10,880.00	Gentry Moving	10,880.00
		Jomar Painting LLC	8,105.00
		Miyakoda Consulting	6,333.00
		Custom Drywall Inc.	4,200.00
Totals	509,204.00		217,938.00

Rhode Island National Guard

How is the Rhode Island National Guard employed to leverage federal funds and reduce general revenue costs?

The Rhode Island National Guard continues to be a valuable partner and resource in the State's response to the COVID-19 pandemic. The Rhode Island National Guard's role has evolved to meet the pressing needs facing Rhode Island, including contributing to testing, case investigation and contact tracing, and vaccine efforts. There are approximately 450 personnel currently deployed and an additional 100-plus who may be added in the coming months. The impact of the Rhode Island National Guard personnel is continually being evaluated, and the State will direct personnel to functions where they will be most effective.

As a result of a recent Executive Order from the new federal administration, it is anticipated that at least the current mission (January through March) will be 100% reimbursable.

Here is a breakdown of the efforts by function:

- Testing
 - The Rhode Island National Guard has played a critical role in Rhode Island's testing campaign, initially supporting testing kit assembly, execution of mass testing sites and mobile testing operations, reducing the State's need to contract for these services.
 - As a result of the surge in cases last fall and the need to expand testing capacity, the role pivoted to the execution of mobile testing operations at seven sites, allowing the State to increase its testing footprint.
 - There are currently 128 personnel assigned to administering the Binax test at mobile testing sites.
 - Contracting for this service would have cost the state an estimated \$500,000-plus per week (\$125,000-plus in general revenue).
- Case investigation and contact tracing
 - The Rhode Island National Guard has played a central role in these functions, with 71 personnel currently dedicated to support these functions.
 - This has directly offset general revenue expenditures as contracting for these services would have cost the State approximately \$75,000-plus per week.
- Vaccine
 - There are currently 100-plus personnel supporting vaccination operations, and it is anticipated that more personnel will be dedicated to this effort as vaccine operations and capacity continue to grow.
 - The Rhode Island National Guard is running a State-sponsored mass-vaccination site administering the vaccine.
 - The Rhode Island National Guard is staffing the site with its medics and administrative help.
 - Without the Rhode Island National Guard's support through the beginning of March, this operation would have cost the State \$250,000-plus in all (\$62,500-plus in general revenue).

Long Term Services and Supports Resiliency (LTSS) Program

What are the programs included in LTSS Resiliency?

The programs for LTSS Resiliency fall within three main categories:

- Nursing Facility Supports: Funds distributed to nursing homes to enhance their infection control practices, purchase personal protective equipment and further support their workforces.
- Program Support and Change for Nursing Facilities: Funds distributed to nine nursing facilities to implement facility-designed and facility-led projects to restructure and repurpose their facilities to promote infection control and consumer independence, and to reduce risks related to COVID-19.
- Home and Community Based Services (HCBS) Investments: Funds distributed to over 10 projects to support consumers who want to receive services in their home, through investments in home-based care capacity and self-directed home care.

How is the State monitoring whether the program is making investments to promote the long-term health and stability of the long-term care system?

Through the Executive Office of Health and Human Services' performance management program, data is being used to understand and evaluate the impact of these programs on the Medicaid program's statutory rebalancing goals. Nursing home utilization is used on a monthly basis to help determine the overall impact of COVID-19 and HCBS programs that build capacity for the workforce to provide those services. The reporting process is being finalized for the initiatives to understand and monitor the impacts and to incorporate them in additional budget, regulatory and policy proposals going forward.

How was it determined to allocate the \$10 million beyond Dec. 30, 2020, for the HCBS Access Program for individuals living with intellectual or developmental disabilities? How does this align with that long-term view of rebalancing the system toward HCBS? How will it be gauged what types of investments are needed in the future?

The State worked with the provider community and the federal court to determine a financial relief solution to address providers' short-term needs that arose because of COVID-19. Much of the current reimbursement structure is based on volume; however, the State was aware that providers of day services and community-based services have not been able to serve the same number of clients due to health and safety concerns related to COVID-19.

The \$10 million budgeted amount for beyond Dec. 30, 2020, was calculated using claims data from July 2020 through December 2020 and based on a proxy of the difference between the total dollars that are authorized in the services packages for clients and the historical utilization rate.

Additionally, the State is working with the provider community and other stakeholders to work toward a negotiated solution regarding mid-to-long-term system improvements, with an emphasis on a three-year plan. A primary focus is to ensure there are sufficient investments to support and rebalance the system. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, the Executive Office of Health and Human Services, the Office of Management and Budget, and the Governor's Office are working through the questions similar to those posed by the Senate Committee on Finance. The stakeholders are working to determine what specific solution or specific investment is necessary, with the goal of having the proposal in the Governor's Fiscal 2022 budget proposal.

RI Works

Has there been any consideration to include non-school-age children in the clothing allowance?

Under current law, only children ages 4 to 18 are eligible. In 2020, the clothing allowance cost \$372,000. Providing this support to the roughly 1,200 children from birth to age 3 in RI Works would require an additional \$120,000.

Budget Forecasts

What forecasting assumptions were considered in setting the budget for supplies?

The pre-12/30 budget for the procurement of personal protective equipment (PPE) was set based on the following factors:

- Expected monthly distributions through the end of the fiscal year
- Estimates for a surge event that would require additional distributions to hospitals and other entities
- Existing PPE inventory
- Stability in the supply chain for critical PPE

Based on the modeling done throughout the fall, which resulted in the procurement of additional PPE, it is expected that supplies will at least last through the end of the current fiscal year. Work will continue with the Rhode Island Emergency Management Agency and the supplies team to monitor and evaluate stockpiles, procuring additional PPE if necessary.

The post-12/30 budget for supplies focuses primarily on the costs associated with the warehousing and distribution of PPE, which is currently split between a leased warehouse space and the Cranston Street Armory. The facilities are staffed by a combination of personnel from the Rhode Island Emergency Management Agency, Rhode Island National Guard, Rhode Island Department of Health and Division of Capital Asset Management and Maintenance. The Department of Administration is evaluating the warehousing space and operational needs for both PPE and equipment from the alternative hospital sites.

The current budget is estimated to carry the supplies effort through the end of the fiscal year pending the outcome of efforts to evaluate available warehouse space and operational needs.

What forecasting assumptions were considered in setting the budget for testing?

With the increased positivity rate last fall, Governor Raimondo committed to make testing more available at scale. To meet this commitment, the testing workstream rapidly expanded testing. That expansion has increased testing capacity to 30,000 daily tests, keeping Rhode Island as the national leader in tests per capita.¹ This expansion is focused on asymptomatic Rhode Islanders and is enabled by a more robust communications and outreach campaign designed to drive testing and limit the spread of COVID-19.

The expansion was modeled and resulted in a significant increase in forecast spend through the end of the fiscal year when compared to spending to date. Due to the ever-changing nature of testing demand and evolving strategy, forecast costs are regularly updated and evaluated against the budget. As part of this ongoing evaluation, the testing budget will be adjusted to reflect the full testing lifecycle costs across lab contracts, supplies and equipment, staff and other costs.

The budget model was based on the following factors:

Fixed costs associated with making approximately 30,000 tests available to Rhode Islanders per day from January 2021 through June 2021, including but not limited to:

- Staffing costs for swabbers and administrative duties
- Mobile testing and collection for congregate care facilities
- Couriers and waste disposal
- Testing site infrastructure and equipment
- State lab equipment costs
- State lab personnel

¹ <https://coronavirus.jhu.edu/testing/states-comparison>

- Contract services such as consultants and call center support
 - Variable costs associated with testing delivery based on demand over time
- Lab processing fees to run different specimen tests
- Testing supply costs for consumables involved in swabbing
- Collection fees for certain tests collected by outsourced vendor contracts

Variable costs associated with testing represent a large majority of anticipated spend and are subject to the ongoing demand for testing. This is continually evaluated, and the post-12/30 budget estimates will continually evolve through the end of the fiscal year.

Under the current testing strategy, it is expected that the \$188 million budget will sufficiently support testing operations from January 2021 through June 2021. As mentioned above, estimates are subject to change in order to meet emergent needs that cause a shift in strategy.

What forecasting assumptions were considered in setting the budget for case investigation and contact tracing?

The case investigation and contact tracing budget was set through the development of a model that incorporated the following factors:

- Modeled expectations around daily positive COVID-19 test results over time
- Staffing expectations based on positive caseload and type of case (Community, K-12, etc.)
 - Staff productivity (case investigators and contact tracers)
 - Staff needed to support case investigators and contract tracers
 - Epidemiologists
 - Nurses
 - Managers
 - Supervisors
- Additional staffing required to operate the case investigation and contact tracing and related functions
 - K-12 call center
 - Rhode Island Department of Health hotline
 - Management personnel
 - Additional personnel to support
 - Operational data analysis
 - Hiring
 - Training
- IT costs for staff
- Operational costs associated with office space

After setting the budget over the summer with existing caseload assumptions, the budget was revisited in late fall and increased significantly as cases began to rise and testing activity was increased. In alignment with the revised modeling, the State has worked aggressively to hire staff for this critical function.

As an ongoing response to the changing nature of the pandemic, budgeted funding is being consistently evaluated against changing caseload assumptions and adjusted procedures designed to improve the case investigation and contact tracing process.

Under the current case investigation and contact tracing assumptions, it is expected the \$41.5 million budget is sufficient to support these efforts from January 2021 through June 2021. As mentioned above, the budget is continually evaluated as caseloads change and the functions evolve. The budget for the case investigation and contact tracing functions may also be impacted by a further extension of the Rhode Island National Guard mission beyond March 2021 as servicemembers are continuing to support the contact tracing function.

What forecasting assumptions were considered in setting the budget for vaccines?

The vaccine budget was set through the development of estimates pertaining to the following costs:

- Contracted services necessary to:
 - Execute critical communication to the public about vaccination
 - Support the State's vaccination rollout
 - Manage the IT systems necessary to register people for vaccinations and track vaccination activity
 - Respond to questions from healthcare providers related to vaccination and the IT system
 - Support analysis and reporting on vaccination efforts
- Mass-vaccination site costs and contracted services necessary to administer vaccines, including:
 - Spending for transportation
 - Warehousing
 - Clinical costs to administer vaccine
 - Medical waste removal
 - Licensed EMS services to monitor for adverse allergic reactions to the vaccine

Vaccine expenditures are being forecast based on estimated vaccination rates for Rhode Island's population, a current understanding of the supply of vaccine to the State and initial expectations about how the vaccine will be administered. Based on these assumptions, the current budget assumes that the State will not have to pay for 100% of the costs for vaccination. Pharmacy partners, hospitals and physician providers can bill private insurance or Medicaid/Medicare for their cost of administering the vaccine. While current budgeting would allow the State to cover the costs of vaccinating a significant portion of the population, final costs will be dependent on how many vaccination events are executed by the State versus the traditional health care delivery system and the ability to claim insurance reimbursement in the different vaccination constructs. The Rhode Island Department of Health is also working with the Office of Management and Budget in assessing the financial impact of the state portion of Medicaid costs for the cost of vaccine administration from private vaccine providers (e.g., hospitals, private physicians and pharmacies) for the state's Medicaid population who are eligible for the vaccine.

The cost of mass-vaccination personnel, sites and related contracted services may increase over time, as the vaccination effort advances and additional vaccine doses are received in the State. The operational approach and balance between the use of mass-vaccination sites and other channels will drive personnel costs. Factoring in the number of vaccines administered and the remaining population versus eligibility over time enables the State to forecast vaccine site and personnel costs over time.

Testing Reimbursements

What amount of the costs for testing is being reimbursed by insurers?

Insurance companies have worked with the State to reimburse the cost of tests for insured individuals who did not initially provide insurance information. The State also has been working with laboratories to bill insurance companies for tests performed prior to billing the State when information is available and the test is eligible for insurance reimbursement. However, a large portion of asymptomatic tests are not insurance reimbursable. Altogether, we expect that between 20% and 30% of tests processed by the major commercial labs will be reimbursed by insurance companies.

Rhode Island Department of Transportation Federal Funding

How does the additional \$54.0 million in federal funds line up with existing federal projects?

The \$54.0 million will be administered through the Surface Transportation Block Grant Program and must be obligated by Sept. 30, 2024. Unlike most federal transportation awards, these funds can be used for items typically funded entirely by the State, such as maintenance, operations, personnel (including employee and contractor salaries) and debt service payments. The Department of Transportation plans to use these funds to offset losses in gas tax and sustain current levels of maintenance and operations.

How will it be used in relation to the \$70.0 million general obligation bond on the ballot?

The proposed \$71.7 million general obligation bond issue would be used to match \$286.8 million in federal funds for a total of \$358.5 million for existing and ongoing federally reimbursable projects. The \$71.7 million in bond proceeds would be used to continue existing and ongoing projects to mitigate delays or setbacks on federally funded projects included in the 10-year Transportation Improvement Program.

Can the \$54.0 million be used to match existing federal funds that require a state match?

The \$54.0 million cannot be used as the 20% local match on existing eligible projects; however, the \$54.0 million will free up other State funds, which can be used for matching.

cc: Members of the Senate Committee on Finance
Stephen Whitney, Senate Fiscal Advisor
Brett Smiley, Director of Administration