

Department of Public Health & Human Services  
2013 Biennium Budget Reduction - Work Plan

**Background:**

HB 676 directs the Department to prepare a work plan with goals, milestones and measures to guide its review of alternatives to identify, evaluate and select initiatives to reduce ongoing state spending in the Department's 2013 biennium budget submission. The Department submitted the initial work plan to the legislative finance committee at the June 15, 2009 meeting, and will submit updates at each meeting of the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee.

**Preface:**

The Department has embarked on an 18-month study in response to appropriations decisions made in the 2009 legislative session. Budget reductions and one-time-only appropriations for services, activities, benefits and provider rates in the 2011 biennium will have a significant effect on the 2013 biennium budget. The Department is studying the overall effect of the appropriations decisions, which have the potential to result in spending reductions of \$57 million general fund (over \$190 million total funds) compared with the 2011 biennium.

HB676 requires the Department to develop a work plan for reducing 2013 biennial expenditures to the amount appropriated in the general appropriations act. The reductions, which are shown in the table below, include (a) one-time-only (OTO) designation of \$22 million general fund for Medicaid structural balance (\$107.6 million total funds). Other reductions include (b) an across-the-board 2% cut, (c) \$2.5 million agency-wide cut, (d) a one-time-only provider rate and direct care wage increase of \$19.3 million general fund in HB 645, and (e) other OTO appropriations.

**The goal of the 18-month study is to balance expectations for services and programs with the resources to provide them in compliance with laws and regulations.**

**Budget Implications of the reductions and General Fund OTOs:**

Budget Reduction/OTO (in millions)	GF	SSR	FF	Total Funds
a. Medicaid Structural Balance OTO	\$22.0	\$8.8	\$76.8	\$107.6
b. 2% Across the Board Reduction	(\$7.2)	\$0	\$0	(\$7.2)
c. Agency General Fund Reduction	(\$2.5)	\$0	\$0	(\$2.5)
d. HB645 Provider Rate/Wage Increases OTO	\$19.3	\$.06	\$36.4	\$55.8
e. Other OTO (Medicaid, Autism, Other Services)	\$6.1	\$.4	\$13.3	\$19.8
<b>Total Reductions and OTO</b>	<b>\$57.1</b>	<b>\$9.2</b>	<b>\$126.5</b>	<b>\$192.9</b>

**Work Plan:**

The Department will review alternatives to identify, evaluate, and select initiatives to reduce ongoing state spending in the 2013 budget submission, as required by HB676.

**Work Plan Goal:**

The goal of the 18-month study will be to balance expectations for services and programs with the resources to provide them in compliance with laws and regulations. The effect of the spending reductions will be evaluated to determine those that:

1. Have the least impact on clients' health and safety
2. Affect the least number of clients and are equitable in their effect
3. Protect the most vulnerable clients
4. Are cost-effective and efficient to implement
5. Are not required by state or federal law
6. Do not shift costs inappropriately to other areas or funding streams
7. Mitigate indirect effects of the reductions

**Areas of Study:**

The department's work plan includes the following steps:

1. Reviewing current initiatives that enable the department to live within its budget
  - Status: the department is reviewing initiatives.
2. Evaluating the impact of past funding reductions
  - Status: The department has gathered information on FY2003 reductions and is including this information in the review.
3. Identifying operational efficiencies to deliver services
  - Status: the department has implemented restrictions on travel and hiring.
4. Provider rates
5. Program reductions, program elimination, and changes in program scope
6. Recipient service reductions or changes
7. Eligibility requirement changes (while maintaining compliance with ARRA)

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**Statutory Consideration:**

Section 53-6-101, MCA, was amended previously by directing the department and the legislature to consider funding principles when considering changes that either increase or reduce services. This section applies to the review directed by HB 676.

**53-6-101. Montana medicaid program -- authorization of services.** (1) There is a Montana medicaid program established for the purpose of providing necessary medical services to eligible persons who have need for medical assistance. The Montana medicaid program is a joint federal-state program administered under this chapter and in accordance with Title XIX of the Social Security Act, 42 U.S.C. 1396, et seq. The department shall administer the Montana medicaid program.

**(2) The department and the legislature shall consider the following funding principles when considering changes in medicaid policy that either increase or reduce services:**

**(a)** protecting those persons who are most vulnerable and most in need, as defined by a combination of economic, social, and medical circumstances;

**(b)** giving preference to the elimination or restoration of an entire medicaid program or service, rather than sacrifice or augment the quality of care for several programs or services through dilution of funding; and

**(c)** giving priority to services that employ the science of prevention to reduce disability and illness, services that treat life-threatening conditions, and services that support independent or assisted living, including pain management, to reduce the need for acute inpatient or residential care.

**Milestones, Timeframe & Measure:**

The following table presents the work plan and estimated timeframes for each area of study. The timeframes will be adjusted as necessary to complete the review of alternatives.

Milestones	Timeframe	Measure
Develop work plan	June 15, 2009	Presentation to LFC/CFHHC
Periodic Updates to LFC & CFHHC	Quarterly	Status Reports to LFC/CFHHC
Analyze areas of study	Ongoing	Status Reports to LFC/CFHHC
Area of Study #1	Sept 10, 2009	Review initiatives
Area of Study #2	Sept 10, 2009	Review 2003 reductions
Area of Study #3	July 1, 2009	Restrict travel and hiring
Area of Study #4	April 1, 2010	Evaluate provider rate issues
Area of Study #5	August 1, 2010	Evaluate program changes
Area of Study #6	August 1, 2010	Evaluate service changes
Area of Study #7	August 1, 2010	Evaluate eligibility changes
Prepare report on recommendations	October 2010	Report analyzing options
Submit budget request	November 2010	Governor's Budget Submission

### **BUDGET REDUCTION PROPOSAL TEMPLATE**

(Note: there will be one page per subject/idea for cost savings, with attachments as necessary to explain. These proposals will be compiled and summarized for presentation to Legislative Committees.)

**Area:**

What cost-saving category does the idea fall under? (See Areas of Study on Pg. 2)

**Branch/Division:**

What branch/division does the idea affect?

**Subject:**

What program, rule, operating practice, system, etc. could be changed to save money?

**Summary:**

In three sentences or less, what is the proposed change?

**Projected Cost/Savings Analysis:**

What is the initial cost? How much money would be saved in year one? How much would be saved over the biennium? Please provide a brief summary of how savings were calculated.

**Impact:**

Please provide a short description of the proposal's impact using both quantitative and qualitative measures, if applicable.

Quantitative Measures (examples)

- How many FTEs would be cut?
- How many program recipients would be affected?

Qualitative Measures (examples)

- What are the human costs? (i.e., potential deaths, untreated conditions, etc.)
- What would be the impact on the Department's relationships with providers?
- What is the demographic and/or geographic distribution of those affected?
- If reductions of this nature have been enacted in the past, what were their effects?

**Consideration of Unintended Consequences:**

What other factors should be considered when evaluating the proposal?

Examples:

- Would the proposal require a rule change?
- What are the indirect effects of the change? (ex. Decreased funding for foster care leading to increased juvenile crime)
- Would the change result in a loss of federal funds?
- Does the proposal require third party approval? (i.e., CMS, etc.)

**Public Comment (if known):**