

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION**

JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

Call to Order: By **CHAIRMAN CHRISTINE KAUFMANN**, on February 15, 2005 at 8:05 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Christine Kaufmann, Chairman (D)
Sen. Dan Weinberg, Vice Chairman (D)
Sen. John Cobb (R)
Rep. Joey Jayne (D)
Sen. Greg Lind (D)
Rep. Penny Morgan (R)

Members Excused: Rep. Walter McNutt (R)

Members Absent: None.

Staff Present: Pat Gervais, Legislative Branch
Laura Good, Committee Secretary
Lois Steinbeck, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted:

Executive Action: Establishment of Operations and Grants Issues work group; adoption of reporting requirements for DPHHS carry-forward savings.

CHAIR REP. CHRISTINE KAUFMANN, HD 81, HELENA, called the meeting to order.

Ms. Steinbeck discussed the Montana Comprehensive Health Association (MCHA) program and its funding sources. She agreed to provide **SEN. GREG LIND, SD 50, MISSOULA,** with information about other committee's decisions affecting MCHA.

Ms. Erin McGowan-Fincham, Policy Advisor, State Auditor's Office, discussed MCHA history, funding and program components.

EXHIBIT (jhh37a01)

{Tape: 1; Side: A; Approx. Time Counter: 2.3 - 3}

Responding to **REP. JOEY JAYNE, HD 15, ARLEE, Ms. McGowan-Fincham** explained that MCHA would need to receive a \$5.6 million biennial funding package in order to serve the 50 persons currently on the MCHA premium assistance program waiting list.

Prompted by questions from **SEN. JOHN COBB, SD 9, AUGUSTA, Ms. McGowan-Fincham** stated that there are 3,600 MCHA enrollees, 220 of which are served through the Premium Assistance Plus program. She expressed MCHA's interest in pursuing program benefits available through the Health Insurance Flexibility and Accountability (HIFA) waiver, as well as funding from general fund monies.

Mr. John Chappuis, Deputy Director, Department of Public Health and Human Services (DPHHS), discussed the fiscal benefits of refinancing MCHA.

{Tape: 1; Side: A; Approx. Time Counter: 7.6}

Ms. Tanya Ask, Board Chairman, MCHA, provided written testimony and a packet of information on the MCHA high-risk pool. She stated that in Fiscal Year (FY) 2004, the 3600 MCHA enrollees paid in excess of \$13 million in health care premiums costs, and received \$19 million in paid health care services. She noted that each enrollee has a \$1,000 deductible, and went on to describe MCHA's projected \$1.7 million FY 2005 shortfall.

EXHIBIT (jhh37a02)

EXHIBIT (jhh37a03)

In response to questions from **REP. JAYNE, Ms. Ask** defined and discussed the Health Insurance Portability and Accountability Act (HIPAA), and the Trade Adjustment Assistance Act (TAA).

At the request of **SEN. LIND, Ms. Ask** described how MCHA actuarials function in the era of pre-paid health care, and stated that per statutory requirements, MCHA's administrative overhead accounts for less than 12% of total costs.

{Tape: 1; Side: A; Approx. Time Counter: 24}

Responding again to **SEN. COBB, Ms. Ask** confirmed that in order to maintain MCHA's programs over the next biennium, MCHA would need an appropriation of \$5.6 million. She also confirmed that if the legislature enacts the HIFA waiver, the legislature could slate MCHA's \$1.5 million HIFA waiver funding portion as either funds to offset costs or monies for premium assistance plan expansion. They also discussed I-149 and I-146 funds usage options and Children's Health Insurance Program (CHIP) expansion funding.

{Tape: 1; Side: A; Approx. Time Counter: 26.2}

Prompted by **SEN. LIND, Ms. Ask** explained why MCHA's appropriations requests are not included in the budget.

In reply to **REP. JAYNE, Ms. Ask** stated that from 1997 to 2004, MCHA spent in excess of \$5 million on tobacco-related health needs and discussed how MCHA calculated this figure.

Ms. Marietta Bower, MCHA Board Consumer Representative, discussed the creation of the MCHA Medicare carve-out. She also provided the committee with letters from MCHA consumers.

EXHIBIT (jhh37a04)

{Tape: 1; Side: B}

Ms. Steinbeck provided and discussed information entitled, "Expenditure Requests and Revenues - I-149 funds Executive Recommendations Compared to Tobacco Alliance Recommendations." She noted differences between this handout and yesterday's, and also compared it to information regarding "CHIP Funding - Expressed Per Alliance Request, Executive Recommendations Compared to Tobacco Alliance Recommendations."

EXHIBIT (jhh37a05)

EXHIBIT (jhh37a06)

{Tape: 1; Side: B; Approx. Time Counter: 9.4}

Mr. Terry Johnson, Fiscal Analyst, Montana State Legislature, discussed tobacco tax revenue projections, describing an expected initial 22% consumption decline rate followed by a steady

0.8%/year decline rate. He stated that these assumptions are currently built into HB 2.

Mr. Johnson stated that usual tobacco revenues total \$3.5 million per month, but that tobacco revenues in November and December of 2004 reached \$6 million per month. He also discussed why and how the general fund will benefit because of this acceleration, while the Health and Medicaid Initiative Account will suffer. He stated that without the acceleration, the Health and Medicaid Initiative Account would have had \$2.6 million more monies for use in FY 2005.

{Tape: 1; Side: B; Approx. Time Counter: 16.8}

Responding to **SEN. COBB**, **Mr. Johnson** said that this expected \$2.6 million has not been appropriated for expenditure. He stated that House Joint Resolution 2 currently resides in the Subcommittee of the House Taxation Committee. He also strongly advised the Joint Appropriations Subcommittee on Health and Human Services not to make any revenue adjustments until the Senate considers the matter.

In reply to **SEN. LIND**, **Mr. Johnson** estimated 4.5% in unexpected benefits to the long range building account. He agreed to calculate and provide an exact amount to the committee.

At the request of **CHAIR KAUFMANN**, **Mr. Johnson** described how low acceleration of wholesale insignia purchases prior to January 1, 2005, led to general fund benefits and Health and Medicaid Initiative Account shortfalls.

Prompted by **REP. PENNY MORGAN, HD 57, BILLINGS**, **Mr. Johnson** stated that the elasticity factor does not take into account internet sales and out-of-state purchasing. He also told the committee that the State will not have a clear and accurate understanding of consumption declines for approximately 12 months.

{Tape: 1; Side: B; Approx. Time Counter: 24.6}

CHAIR KAUFMANN introduced a review of the HIFA waiver, in preparation for Director's Office Executive Action.

Ms. Steinbeck and **Mr. Chappuis** discussed the HIFA waiver, noting a Director's Office Decision Package (DP) that refers to HIFA waiver funding authority. **Ms. Steinbeck** also discussed HIFA wavier requirements and state funds that could be leveraged in relation to the waiver, and stated that the waiver covering

parents of children on Medicaid will provide state funds that count toward State Maintenance of Effort (MOE) levels.

{Tape: 2; Side: A}

Ms. Steinbeck went on to describe planned expansions under the HIFA waiver, including those affecting the Mental Health Services Program (MHSP), care for Severely Emotionally Disturbed (SED) children, adult parents of Medicaid children, and CHIP. She also discussed the role of SB 110 and possible amendments in sculpting the HIFA waiver.

{Tape: 2; Side: A; Approx. Time Counter: 6.3}

Mr. Chappuis discussed SB 110, noting that it provides broad-based authority for 1115 waivers.

SEN. COBB described ways in which the committee might change SB 110, but cautioned that members not amend the bill excessively prior to Federal changes in HIFA regulations.

Mr. Chappuis noted issues that the committee might want to affect through specific language. He also explained that passage of the Director's Office HIFA waiver DP would only affect HIFA waiver federal funds.

{Tape: 2; Side: A; Approx. Time Counter: 11.2}

SEN. LIND briefly offered a rationale against supporting the HIFA waiver.

Mr. Chappuis told the committee that he does not see a downside for the State in HIFA waiver implementation. He noted that on the Federal level, **SEN. MAX BAUCUS'** staff has significant concerns regarding the Bush Administration's attempts to block grant Medicaid through the HIFA waiver. **Mr. Chappuis** stated that if the Bush Administration tried to enact such reforms, he would discontinue HIFA waiver negotiations on behalf of the State.

{Tape: 2; Side: A; Approx. Time Counter: 15.1}

Responding to questions from **REP. MORGAN**, **Mr. Chappuis** stated that the Director's Office has withdrawn its request for six additional Full-Time Equivalents (FTE's), and chosen to implement modified FTE's instead.

CHAIR KAUFMANN specified to committee members that the DP in question regarding the HIFA waiver is Director's Office DP 188.

Responding to **CHAIR KAUFMANN's** questions, **Ms. Steinbeck** confirmed that if the committee wanted to act on DP 188 without the originally proposed FTE's, it should move to accept DP 188 with staff direction not to record FTE as part of its decision. She also asked the committee if they wanted to include restrictions that would make DP 188 contingent on passage and approval of SB 110, or restrictions that would make DP 188 contingent on approval and implementation of the Federal waiver.

{Tape: 2; Side: A; Approx. Time Counter: 18.1}

Mr. Chappuis Stated that the Department did not see such restrictions as necessary.

Ms. Steinbeck countered with possible applications of restrictions, especially regarding federal grant authority.

Mr. Chappuis assured the committee that DPHHS would never intentionally receive and use new grant monies without notifying the finance committee.

{Tape: 2; Side: A; Approx. Time Counter: 22.7}

Prompted by **REP. JAYNE**, **Mr. Chappuis** described the two types of HIFA waiver caps.

SEN. LIND stated that he would like to delay action on the HIFA waiver, expressing concerns about HIFA expansions.

SEN. COBB offered the committee his reflections regarding MCHA expansion and the HIFA waiver.

Mr. Chappuis responded to **SEN. COBB's** comments, confirming some components but expressing concerns regarding budget neutrality issues.

{Tape: 2; Side: B}

Ms. Steinbeck discussed cost neutrality and ways that the State might be able to extend service to unserved populations without use of the waiver.

Responding to **REP. MORGAN**, **Mr. Chappuis** discussed how the HIFA waiver would benefit MCHA.

Ms. Erin McGowan-Fincham addressed MCHA-HIFA waiver issues.

Again responding to **REP. MORGAN, Mr. Chappuis** stated that he was unsure of the scope of MCHA service expansions possible through the HIFA waiver. He discussed additional federal funding that the waiver would offer to MCHA.

{Tape: 2; Side: B; Approx. Time Counter: 5}

CHAIR KAUFMANN introduced discussion grants and operating issues.

Ms. Steinbeck provided and discussed "Options for Consideration - Issue: Whether to Delegate the Definition of Grant Expenditure to the Executive."

EXHIBIT (jhh37a07)

Prompted by **SEN. LIND, Mr. Bob Andersen, Office of Budget and Program Planning (OBPP)**, stated that he can only recall one instance in which DPHHS used its 30% carry-forward savings. He went on to discuss broader issues regarding carry-forward savings usage.

SEN. LIND noted a bill carried by **SEN. JOHN BRUEGGEMAN, SD 6, POLSON**, regarding increased carry-forward savings language. He also explained to the committee and DPHHS a carry-forward savings reporting requirement he would like to adopt.

REP. MORGAN emphasized the importance of increased carry-forward savings transparency in operations and grants.

CHAIR KAUFMANN voiced her support for HB 2 language that would direct all involved parties to discern and implement a solution to operating and grants issues.

{Tape: 2; Side: B; Approx. Time Counter: 22}

Responding to **REP. MORGAN's** questions about Exhibit 7 language, **Ms. Steinbeck** discussed accountability outcomes of adopting various measures.

Mr. Chappuis noted DPHHS's support for Option, Part 3 as noted on Exhibit 7. In response to **REP. MORGAN's** comments, he cautioned the committee against adopting language measures that cause the budget to drive accounting. He suggested instead the creation of a reporting workgroup, describing how such an entity could promote holistic budget and accounting practices.

{Tape: 2; Side: B; Approx. Time Counter: 25.9}

Ms. Steinbeck expressed her belief that DPHHS will receive an audit citation due to past and current operations and grants issues, despite any actions on behalf of the committee.

Ms. Gervais discussed ways to promote connections between accounting and budgeting practices.

Mr. Chappuis again requested that the committee appoint a workgroup to deal with these issues.

{Tape: 3; Side: A}

Responding to **REP. MORGAN**, **Ms. Steinbeck** noted statutes involving and affecting accounting and operations and grants issues.

Ms. Gervais expressed that she does not foresee resolution on this issue during the course of the committee's final week, and judged that effective resolution would probably require either statutory change or workgroup deliberation and action.

EXECUTIVE ACTION ON OPERATIONS & GRANTS ISSUES

Motion: **REP. KAUFMANN** moved that **THE COMMITTEE REQUEST THAT THE EXECUTIVE BRANCH ESTABLISH A WORKGROUP TO ADDRESS OPERATIONS AND GRANTS ISSUES.**

Discussion:

Responding to questions from **REP. JAYNE**, **Mr. Chappuis** stated that Mr. Mick Robinson, Administrator, Fiscal Services Division, would represent DPHHS in such a workgroup. **Mr. Chappuis** also emphasized his own commitment to resolving Legislative Fiscal Division (LFD) staff concerns, and addressed **REP. JAYNE**'s misgivings about DPHHS's ability to direct energies toward a workgroup.

At **REP. JAYNE**'s request, **CHAIR KAUFMANN** provided her rationale for advocating the workgroup.

{Tape: 3; Side: A; Approx. Time Counter: 8.4}

Mr. Chappuis suggested that Mr. Paul Christofferson, Administrator, Administrative Financial Services, Department of Administration, and representatives of OBPP and the State Auditor's Office also participate in, or advise, the workgroup.

Prompted by **REP. MORGAN**, **Mr. Chappuis** further explained accounting issues in questions.

{Tape: 3; Side: A; Approx. Time Counter: 12.4}

Ms. Gervais discussed statutory changes that the legislature might wish to consider, in the event that a workgroup did not move to change accounting definitions.

**EXECUTIVE ACTION ON REPORTING REQUIREMENT LANGUAGE FOR DPHHS
CARRY-FORWARD SAVINGS**

Motion/Vote: SEN. LIND CALLED THE QUESTION ON MOVE THAT THE COMMITTEE DIRECT THE EXECUTIVE TO ESTABLISH A WORKGROUP TO ADDRESS OPERATIONS AND GRANTS ISSUES. Motion carried 6-0 by voice vote. REP. MCNUTT and SEN. COBB voted by proxy. REP. MCNUTT voted with REP. MORGAN; SEN. COBB voted with SEN. LIND.

Discussion:

{Tape: 3; Side: A; Approx. Time Counter: 13.6}

Motion: SEN. LIND moved that REPORTING LANGUAGE FOR DPHHS CARRY-FORWARD SAVINGS, AS FOLLOWS, BE ADOPTED.

SEN. LIND's proposed language states:

The department shall complete a report on the status of reverted appropriations for the end of fiscal year 2005 and for the end of fiscal year 2006. The report will be presented to the legislative finance committee [and the Joint Subcommittee on Appropriations for Health and Human Services, per voice amendment] and the Office of Budget and Program Planning. The report shall aggregate the information by fund type and at the first level account. The report will include a definition by fund type, first level account, and purpose any funds that were reappropriated for expenditure to the subsequent year as authorized by 17-7-304, MCA.

{Tape: 3; Side: A; Approx. Time Counter: 15}

At the request of REP. JAYNE, SEN. LIND provided a rationale for his proposed language.

Vote: Motion carried 6-0 by voice vote. REP. MCNUTT and SEN. COBB voted by proxy. REP. MCNUTT voted with REP. MORGAN; SEN. COBB voted with SEN. LIND.

Responding to questions from REP. MORGAN, Mr. Bob Tallerico, Fiscal Bureau Chief, Human and Community Services Divison (HCSD),

and **Mr. Chappuis** discussed the history and present status of the Medicaid offset component.

ADJOURNMENT

Adjournment: 12:00 A.M.

REP. CHRISTINE KAUFMANN, Chairman

LAURA GOOD, Secretary

CK/lg

Additional Exhibits:

EXHIBIT ([jhh37aad0.PDF](#))