



DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

6901 Dept Of Public Health & Human Services							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	142,108,302	153,945,422	162,797,290	162,247,869	296,053,724	325,045,159	28,991,435	9.8%
Operating Expenses	96,844,794	95,175,297	101,338,057	96,934,519	192,020,091	198,272,576	6,252,485	3.3%
Equipment & Intangible Assets	1,319,488	473,578	1,293,488	1,293,488	1,793,066	2,586,976	793,910	44.3%
Capital Outlay	-	175,067	-	-	175,067	-	(175,067)	-100.0%
Grants	67,336,765	71,290,230	68,904,691	68,112,480	138,626,995	137,017,171	(1,609,824)	-1.2%
Benefits & Claims	1,049,202,540	1,268,162,821	1,265,962,533	1,260,011,437	2,317,365,361	2,525,973,970	208,608,609	9.0%
Transfers	-	-	-	-	-	-	-	0.0%
Debt Service	510,379	695,800	516,779	516,779	1,206,179	1,033,558	(172,621)	-14.3%
Total Costs	1,357,322,268	1,589,918,215	1,600,812,838	1,589,116,572	2,947,240,483	3,189,929,410	242,688,927	8.2%
General Fund	348,225,059	396,614,084	322,523,729	382,144,589	744,839,143	704,668,318	(40,170,825)	-5.4%
State/other Special Rev. Funds	106,278,801	130,660,952	153,578,824	132,515,287	236,939,753	286,094,111	49,154,358	20.8%
Federal Spec. Rev. Funds	902,818,408	1,062,643,179	1,124,710,285	1,074,456,696	1,965,461,587	2,199,166,981	233,705,394	11.9%
Total Funds	1,357,322,268	1,589,918,215	1,600,812,838	1,589,116,572	2,947,240,483	3,189,929,410	242,688,927	8.2%

Proposed Spending Reductions by Type of Expenditure

The Governor received a recommendation for a \$17.4 million general fund spending reduction or 4.6 percent of the total amount budgeted for the 2011 biennium for the Department of Public Health and Human Services (DPHHS). Including federal matching funds, the total spending reduction would be \$38.3 million.

The recommendation includes ongoing reductions of \$5.3 million general fund (\$9.1 million total funds) and one-time-only reductions of \$12.1 million general fund (\$29.3 million total funds).

Figure 1 shows the general fund spending reductions by budget level. Three quarters of the reductions are in benefits, due primarily to the proposal to eliminate the FY 2011 provider rate increases.

Figure 1
Recommended General Fund Reductions by Category

Category	FY 2010	FY 2011	Biennial
Personal Services	(\$173,070)	(\$1,513,717)	(\$1,686,787)
Operating Expenses	(471,076)	(1,752,555)	(2,223,631)
Grants	(50,000)	(275,000)	(325,000)
Benefits	(1,400,781)	(11,749,865)	(13,150,646)
Total	(\$2,094,927)	(\$15,291,137)	(\$17,386,064)
General Fund	(\$2,039,457)	(\$15,158,840)	(\$17,198,297)
State/Other Special	(55,470)	(132,297)	(187,767)
Total Funds	(\$2,094,927)	(\$15,291,137)	(\$17,386,064)

Major Components of Proposed Spending Reductions

Figure 2 shows the major components – those totaling more than \$0.5 million - of the proposed general fund spending reductions. Over one third of the proposed spending reduction is due to elimination of FY 2011 provider rate increases. About 10 percent is due to capping enrollment in Big Sky Rx (premium assistance to low-income Medicare eligible persons for drug coverage) and using the savings in state special revenue to offset general fund costs. The proposed spending reductions would limit expansion of the Medicaid home and community based waiver for the elderly and physically disabled to 80 service slots (instead of the 178 funded from a one-time appropriation).



Three of the major reductions will not affect services. Those include:

- \$1.3 million – some positions at state mental health institutions were assigned the wrong workers’ compensation classification
- \$1.3 million - implementation of a protocol to determine and pay the lowest price for Medicaid coverage of drugs manufactured by more than three companies
- \$0.7 million – various childcare management efficiencies

Figure 2
Major Components of DPHHS General Fund Spending Reduction

Proposed Reduction	Amount	Cumulative	% of Tot
Eliminate FY 2011 Provider Rate Increases	(\$6,427,083)	(\$6,427,083)	37.0%
Cap Enrollment in Big Sky Rx	(1,800,000)	(8,227,083)	10.4%
Limit Senior - Disabled Waiver Expansion	(1,282,160)	(9,509,243)	7.4%
Correct Work Comp Code - Institutions	(1,275,663)	(10,784,906)	7.3%
Pay Lowest Price for Drug with Several Suppliers	(1,268,960)	(12,053,866)	7.3%
Reduce HB 130&131 Mental Health Crisis Diversion	(1,077,696)	(13,131,562)	6.2%
Implement Childcare Management Efficiencies	(657,200)	(13,788,762)	3.8%
Balance of Reductions	<u>(3,597,302)</u>	<u>(17,386,064)</u>	<u>20.7%</u>
Total	<u>(\$17,386,064)</u>		<u>100.0%</u>

Finally, DPHHS will revert about \$1.1 million of the \$3.0 million general fund appropriated to implement mental health jail diversion crisis services (HB 130 and HB 131 passed by the 2009 Legislature).

Ongoing and One-Time-Only Reductions

Of the total reductions, \$5.3 million would reduce on-going expenditures, while \$12.1 million would reduce or eliminate one-time-only expenditures. Figure 3 shows the reductions by division, both general fund and total funds. Total funds reductions are due to loss of federal Medicaid matching funds; about two thirds is related to the elimination of provider rate increases.

Figure 3
Department of Public Health and Human Services
Ongoing and One-Time Only Reductions
2011 Biennium

Division	Ongoing		One-Time-Only		Total Reductions	
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds
Health Resources	(\$1,377,289)	(\$4,779,211)	(\$4,470,900)	(\$10,537,635)	(\$5,848,189)	(\$15,316,846)
Senior and Long Term Care	(33,982)	(33,982)	(3,297,531)	(11,502,484)	(3,331,513)	(11,536,466)
Addictive and Mental Disorders	(1,333,070)	(1,333,070)	(2,094,661)	(3,815,376)	(3,427,731)	(5,148,446)
Disability Services	(790,023)	(790,023)	(1,133,820)	(2,187,011)	(1,923,843)	(2,977,034)
Human and Community Services	(853,118)	(853,118)	(524,098)	(524,098)	(1,377,216)	(1,377,216)
Child Support Enforcement	(213,950)	(629,265)	0	0	(213,950)	(629,265)
Child and Family Services	(112,326)	(112,326)	(237,144)	(328,244)	(349,470)	(440,570)
Technical Services	(241,308)	(241,308)	(50,000)	(50,000)	(291,308)	(291,308)
Director's Office	(46,113)	(46,113)	(217,163)	(217,163)	(263,276)	(263,276)
Public Health and Safety	(99,143)	(99,143)	(58,000)	(58,000)	(157,143)	(157,143)
Business and Finance Services	(93,185)	(93,185)	(29,641)	(29,641)	(122,826)	(122,826)
Quality Assurance	(71,737)	(71,737)	(7,862)	(7,862)	(79,599)	(79,599)
Total	<u>(\$5,265,244)</u>	<u>(\$9,082,481)</u>	<u>(\$12,120,820)</u>	<u>(\$29,257,514)</u>	<u>(\$17,386,064)</u>	<u>(\$38,339,995)</u>

Reductions to Legislative Initiatives

About \$8.1 million general fund, or 47 percent of the proposed reductions, lower spending for initiatives added by the legislature. Including federal funds, the total reduction to legislative initiatives is \$21.0 million or 55 percent of the total funds reduction of \$38.4 million. Figure 4 shows proposed spending reductions to each legislative initiative approved by the 2009 Legislature.



Figure 4
Proposed Spending Reductions to Legislative Initiatives

Proposed Reduction*	< - - - General Fund - - - >			%	Reduction Total Funds
	Biennial Total	Reduction	Remainder		
Eliminate FY 2011 Provider Rate Increases	\$17,108,497	(\$6,427,083)	\$10,681,414	-37.6%	(\$19,177,840)
Reduce HB 130 & 131 Mental Health Crisis Diversion*	2,980,320	(1,077,696)	1,902,624	-36.2%	(1,077,696)
Eliminate FY 2011 Match for System of Care Grant	667,000	(333,500)	333,500	-50.0%	(444,667)
Reduce Homeless Prevention Grants	<u>1,500,000</u>	<u>(259,240)</u>	<u>1,240,760</u>	<u>-17.3%</u>	<u>(259,240)</u>
Total	<u>\$22,255,817</u>	<u>(\$8,097,519)</u>	<u>\$14,158,298</u>	<u>-36.4%</u>	<u>(\$20,959,443)</u>
Grand Total for All Proposed Spending Reductions for DPHHS		(\$17,386,064)			(\$38,339,995)
Legislative Initiatives as a Percent of Grand Total		46.6%			54.7%

*All appropriations except \$2.4 million for implementation of mental health jail diversion crisis services were funded as one-time

The two largest spending reductions to legislative initiatives – provider rate increases and mental health jail diversion crisis services - were both discussed previously. Together these two reductions total \$7.4 million general fund – all from one-time appropriations in HB 645, except for \$0.6 million from the ongoing HB 2 appropriation for implementation of mental health crisis services. The proposed reductions to these two legislative initiatives would reduce spending by nearly 40 percent for each initiative.

The legislature added a one-time annual appropriation of \$333,500 to HB 645 to pay the match for the federal grant to develop a system of care for children’s mental health services. The FY 2011 appropriation will be reverted.

The legislature also added \$1.5 million of one-time funding in HB 645 for grants to Human Resource Development Councils (HRDC) to support homeless shelters across the state. HB 645 contains language authorizing support in any of the following federal HRDC categories: 1) essential services to homeless families; 2) one-time payments for homeless prevention services; 3) maintenance funding in support of existing emergency shelters; and 4) rehabilitation or conversion of buildings for homeless shelters including “shovel-ready” infrastructure projects. The proposed reduction would reduce spending by about 17 percent for this initiative.

Other Funding Reductions

Of the total \$17.4 million spending reduction, about \$11.2 million is from HB 2 / HB 13 appropriations. As reflected in Figure 5, about \$6.2 million comes from HB 645 and HB 173.

House Bill 645 appropriated the American Reinvestment and Recovery Act funding. HB 173 established a pilot project to help local public health agencies meet national guidelines and implement national public health standards. The legislature funded the pilot project in HB 645.

Figure 5
Recommended General Fund Reductions for
HB 645 and HB 173

DP #	Description	General Fund
PL02007	Eliminate Provider Rate Increase	\$230,358
PL03001	Eliminate Provider Rate Increase	237,144
PL09004	System Efficiencies - HIT	50,000
PL10002	Eliminate FY 2011 Provider Rate Increase	1,133,820
PL11002	Eliminate FY 2011 Provider Rate Increase - HB 645	1,145,536
PL11006	Eliminate FY2011 PR Increase - CMH- HB 645	374,113
PL22001	Eliminate FY 2011 Provider Rate - HB 645	1,827,604
PL33001	Eliminate FY 2011 Provider Rate Increase	660,757
PL33006	Program Efficiency - HB 130, HB 131, HB 132, HB 645	458,228
PL07001	Program Efficiencies - HB 173	<u>50,000</u>
		<u>\$6,167,560</u>

Elimination of the MACWIS System

OBPP has included in its balance sheet a recommendation from the Budget Director for a total reduction of about \$10.3 million over the biennium in Long Range Information Technology (LRIT) funds for the Montana Automated Child Welfare Information System (MACWIS) that was initially funded in HB 4 during the 2007 May Special Session. The reduction impacts both the Child and Family Services (CFSD) and Technology Services (TSD) divisions and delays the DPHHS system upgrade for at least two years.



MACWIS is being designed to replace the aging Child and Adult Protective Service System (CAPS), which is presently not meeting all federal requirements attached to Foster Care and Subsidized Adoption tracking associated with federal Title IV-E funding.

Child and Family Services Division would continue its operations on the existing CAPS system while TSD works on program changes addressing federal program compliance. TSD, working with CFSD, would also complete the initial planning process and identify the components for the future MACWIS re-build.

Because these are LRIT associated with HB 4 from the 2007 May Special Session, this reduction does not augment the HB 2 reduction to general fund. There is further discussion in Section F.

Physician Provider Rate Increase

Statute governs how Medicaid rates for physician services are established (53-6-125, MCA). The statutory formula establishes three variables that must be applied, including a 6 percent increase, to base year costs. The OBPP recommendations to the Governor propose to eliminate the FY 2011 physician rate increase. Legislative legal staff have determined that implementation of this reduction requires an amendment to statute.

Temporary Increase in the Federal Medicaid Match Rate

The American Recovery and Reinvestment Act of 2009 (ARRA) included a temporary enhancement to the federal medical assistance percentage (FMAP) that establishes the federal match rate for several costs including Medicaid services and federal funding for foster care and subsidized adoption. The temporary increase started October 1, 2008 and ends December 31, 2010. The 2009 Legislature reduced Medicaid and foster care services appropriations by \$97.0 million over the 2011 biennium and increased general fund revenue by \$17.0 million due to the effect of the temporary FMAP increase. Revenue increases are the result of federal higher reimbursement for state institution services that are Medicaid eligible and deposited in the general fund and the temporary diversion of a portion of the hospital bed tax to the general fund.

FMAP Savings not Anticipated by 2009 Legislature - \$31.5 Million

There are several changes in the application of the enhanced FMAP that were not available for consideration by the 2009 Legislature. Together these changes reduce general fund spending by an estimated \$4 million and increase general fund revenue by an estimated \$3.9 million. Both the LFD and OBPP general fund balance sheets include these changes.

Unemployment Adjustment to Temporary FMAP Increase - \$23.1 Million

During the 2009 session, the legislature assumed that unemployment adjustment component of the temporary FMAP enhancement would be 2.41 percent and would end June 30, 2010. However, the unemployment adjustment was raised to 3.26 percent for the final three quarters of FY 2010 (October 1, 2009 to June 30, 2010). Unless federal statute is changed to a different method or time period of calculating the unemployment adjustment, it appears that the state will continue to receive this higher rate until December 31, 2010. The reduced spending for FY 2010 is estimated to be \$5.4 million and the reduced spending for FY 2011 is estimated to be \$13.9 million. However, if the unemployment adjustment is lowered back to 2.41 from for the first six months of FY 2011, the state will receive about \$4.4 million less in spending reductions and revenue.

Note that both the LFD and OBPP balance sheets include the higher amounts for continuation of the unemployment adjustment at 3.26 percent. There is a relatively small risk that the unemployment adjustment would be discontinued effective June 30, 2010. If it were discontinued, the general fund balance would decline by \$16.7 million.



Application of Enhanced FMAP to Clawback - \$8.4 Million

The federal Center for Medicare and Medicaid Services (CMS) recently announced that it will apply the enhanced FMAP to a state payment made to reimburse the federal government for Medicaid drug cost savings due to implementation of Medicare Part D prescription coverage. When the legislature was in session, CMS had indicated that the enhanced FMAP would not be applied to this payment. DPHHS estimated that this change represents an \$8.4 million general fund cost savings from October 1, 2008 to December 31, 2010.

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

6901 Dept Of Public Health & Human Services				All Programs		
Budget Reduction Percentages				-0.63%	-3.97%	-2.44%
Executive Spending Reductions (Feb. 16, 2010)				General Fund	General Fund	General Fund
Decision Package	FY 2010	FY 2011	FY 2010-11	Total Funds	Total Funds	Total Funds
	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL010001 Program Efficiency - DSD	(91,891)	(367,564)	(459,455)	(91,891)	(367,564)	(459,455)
PL010002 Eliminate FY 2011 Provider Rate Increase	-	(1,133,820)	(1,133,820)	-	(1,133,820)	(1,133,820)
PL010003 Program Efficiency - Eliminate adaptive equipment	-	(93,484)	(93,484)	-	(93,484)	(93,484)
PL010004 Operations Efficiency - DSD	-	(98,584)	(98,584)	-	(98,584)	(98,584)
PL010005 Program Efficiency - Optimize Section 110 program	(21,600)	(64,800)	(86,400)	(21,600)	(64,800)	(86,400)
PL010006 Reduce funding for older individuals w/ blindness	-	(5,300)	(5,300)	-	(5,300)	(5,300)
PL010007 Reduce funding for Independent Living centers.	-	(46,800)	(46,800)	-	(46,800)	(46,800)
PL011001 Operations Efficiency - HRD	(29,211)	(79,118)	(108,329)	(29,211)	(79,118)	(108,329)
PL011002 Eliminate FY 2011 Provider Rate Increase - HB645	-	(1,145,536)	(1,145,536)	-	(1,145,536)	(1,145,536)
PL011003 Program Efficiency - SMAC	-	(1,268,960)	(1,268,960)	-	(1,268,960)	(1,268,960)
PL011004 Program Efficiency - Capping Big Sky	(900,000)	(900,000)	(1,800,000)	(900,000)	(900,000)	(1,800,000)
PL011005 Eliminate FY 2011 Provider Rate Increase - HB2	-	(817,751)	(817,751)	-	(817,751)	(817,751)
PL011006 Eliminate FY 2011 PR Increase - CMH - HB 645	-	(374,113)	(374,113)	-	(374,113)	(374,113)
PL011007 Program Efficiency - CMH	-	(333,500)	(333,500)	-	(333,500)	(333,500)
PL02001 Operations Efficiency - HCSD	(54,345)	(121,873)	(176,218)	(54,345)	(121,873)	(176,218)
PL02002 Program Efficiency - Homeless Prevention	(34,500)	(259,240)	(293,740)	(34,500)	(259,240)	(293,740)
PL02003 Program Efficiency - Eliminate Funds-MTCCRRN	-	(75,000)	(75,000)	-	(75,000)	(75,000)
PL02004 Program Efficiency - Centralize Call Center	-	(150,000)	(150,000)	-	(150,000)	(150,000)
PL02005 Program Efficiency: Restructure Resource&Referral	-	(150,000)	(150,000)	-	(150,000)	(150,000)
PL02006 Program Efficiency-Revise Categorical Eligibility	-	(200,000)	(200,000)	-	(200,000)	(200,000)
PL02007 Eliminate Provider Rate Increase	-	(230,358)	(230,358)	-	(230,358)	(230,358)
PL02008 Program Efficiency - Consumer Ed	-	(50,000)	(50,000)	-	(50,000)	(50,000)



PL02009 Increase Vacancy Savings	(12,500)	(25,000)	(37,500)	(12,500)	(25,000)	(37,500)
PL02010 Program Efficiency - Invoices and Payments	(7,200)	(7,200)	(14,400)	(7,200)	(7,200)	(14,400)
PL022001 Eliminate FY 2011 Provider Rate - HB645	-	(1,827,604)	(1,827,604)	-	(1,827,604)	(1,827,604)
PL022002 Increase Vacancy Savings	-	-	-	(55,470)	(132,297)	(187,767)
PL022003 Program Efficiency - HCBS	(408,890)	(873,270)	(1,282,160)	(408,890)	(873,270)	(1,282,160)
PL022004 Operations Efficiency - SLTC	-	(33,982)	(33,982)	-	(33,982)	(33,982)
PL03001 Eliminate Provider Rate Increase	-	(237,144)	(237,144)	-	(237,144)	(237,144)
PL03002 Operations Efficiency - CFSD	(56,163)	(56,163)	(112,326)	(56,163)	(56,163)	(112,326)
PL033001 Eliminate FY 2011 Provider Rate Increase	-	(660,757)	(660,757)	-	(660,757)	(660,757)
PL033002 Operations Efficiency - AMDD	-	(57,407)	(57,407)	-	(57,407)	(57,407)
PL033003 Workers Comp & Related Efficiencies -MMHNCC	-	(300,000)	(300,000)	-	(300,000)	(300,000)
PL033004 Workers Comp & Related Efficiencies - MSH	-	(975,663)	(975,663)	-	(975,663)	(975,663)
PL033005 Program Efficiency - Eliminate expansion of HCBS	-	(356,208)	(356,208)	-	(356,208)	(356,208)
PL033006 Program Efficiency - HB 130, HB 131, HB 132 HB645	-	(458,228)	(458,228)	-	(458,228)	(458,228)
PL033007 Program Efficiency - HB 130, HB 131, HB 132 - HB2	-	(619,468)	(619,468)	-	(619,468)	(619,468)
PL04001 Operations Efficiency - Director's Office	(9,302)	(36,811)	(46,113)	(9,302)	(36,811)	(46,113)
PL04002 Increase Vacancy Savings	(101,100)	(116,063)	(217,163)	(101,100)	(116,063)	(217,163)
PL05001 Operations Efficiency - CSED	(119,492)	(94,458)	(213,950)	(119,492)	(94,458)	(213,950)
PL06001 Operations Efficiency - BFSD	-	(43,581)	(43,581)	-	(43,581)	(43,581)
PL06002 Increased Vacancy Savings	-	(29,641)	(29,641)	-	(29,641)	(29,641)
PL06003 Operations Reduction - BFSD	-	(49,604)	(49,604)	-	(49,604)	(49,604)
PL07001 Program Efficiencies - HB173	(25,000)	(25,000)	(50,000)	(25,000)	(25,000)	(50,000)
PL07002 Increase Vacancy Savings	(4,000)	(4,000)	(8,000)	(4,000)	(4,000)	(8,000)
PL07003 Optimize federal funding for BRFS	(18,000)	(21,212)	(39,212)	(18,000)	(21,212)	(39,212)
PL07004 Optimize poison control federal funding	-	(39,384)	(39,384)	-	(39,384)	(39,384)
PL07005 Operations Efficiency - PHSD	(7,800)	(12,747)	(20,547)	(7,800)	(12,747)	(20,547)
PL08001 Operations Efficiency - QAD	(10,983)	(60,754)	(71,737)	(10,983)	(60,754)	(71,737)
PL08002 Increase Vacancy Savings	-	(7,862)	(7,862)	-	(7,862)	(7,862)
PL09001 Operations Efficiency - TSD	(6,324)	(23,842)	(30,166)	(6,324)	(23,842)	(30,166)
PL09003 Systems Efficiencies: Maintain/Enhance	(61,669)	(102,037)	(163,706)	(61,669)	(102,037)	(163,706)
PL09004 Systems Efficiencies - HIT	(50,000)	-	(50,000)	(50,000)	-	(50,000)
PL09005 Systems Efficiencies - EBT Ports	(9,487)	(37,949)	(47,436)	(9,487)	(37,949)	(47,436)
Present Law Total	(2,039,457)	(15,158,840)	(17,198,297)	(2,094,927)	(15,291,137)	(17,386,064)
Total All Decision Packages	(2,039,457)	(15,158,840)	(17,198,297)	(2,094,927)	(15,291,137)	(17,386,064)

Disability Services Division (DSD)

PL

10001

Program Efficiency – DSD

Optimize federal funding for individuals with developmental disabilities by identifying individuals that can be made Medicaid eligible. There is minimal impact on existing clients by this reduction. The action is permissive.

LFD COMMENT

This reduction is a funding switch of \$459,455 over the biennium that would replace general fund support with Medicaid waiver support. The funding switch would involve about 50 non-Medicaid clients throughout the state that could qualify for Medicaid waiver services. These clients are presently funded only with general fund and the level of support varies. Ages vary from childhood to adult.



**LFD
COMMENT CONT.**

In arriving at the \$459,455 figure, DPHHS projected average spending for the yearly cost plans to be \$523,446 for all clients and used a projected blended federal Medicaid share (FMAP) of .7022 for its calculations. The resulting formula provides funding for Medicaid

waiver services of:

- \$38,971 general fund and \$91,891 federal funds for FY 2010
- \$155,882 general fund and \$367,564 federal funds for FY 2011.

The savings (funding switch) is the sum of the federal funds (\$91,891 for FY 2010 and \$367,564 for FY 2011) that replaces general fund of equal amounts from the previous cost plans.

This recommendation leaves general fund of \$38,971 in FY 2010 and \$155,882 in FY 2011 in the DSD budget as the match for Medicaid.

The total savings is not certain. The department intends to convert the individuals to Medicaid by April 1, 2010. If this is not possible other reductions will be needed.

PL

10002

Eliminate FY 2011 Provider Rate Increase

This reduction eliminates the FY2011 2% provider rate increase for Disability Services Division. The rate increases were funded as OTO increases and are not sustainable. The impact will be continuation of provider payments at the FY2010 level, which included a 2% increase over the FY 2009 level. The action is permissive.

**LFD
COMMENT**

Provider rate reductions are discussed in the agency overview. This \$1,133,820 general fund reduction is the difference of the allocation from FY 2010 to FY 2011. The federal fund reduction is \$1,053,191.

PL

10003

Program Efficiency - Eliminate adaptive equipment

This reduction eliminates the adaptive equipment contract for a limited number of people with developmental disabilities. Adaptive equipment refers to items, such as adapting a wheelchair for a person with a specific physical need that can not be met with a standard wheelchair. This program is state-funded. Beneficiaries are people who are not eligible for Medicaid due to financial determination. Beneficiaries of the program are different each year. Although this will not eliminate the service for people who have been served in the past, the program will no longer be available to those who might have used it in the future.

**LFD
COMMENT**

This \$93,484 decision package for FY 2011 relates to a program funded by DPHHS general fund and contracted with the Montana Adaptive Equipment Program (MAEP) at the University of Montana Rural Institute.



**LFD
COMMENT CONT.**

The program serves only clients that are deemed eligible by DPHHS. It was originally started to address the needs of clients as they moved from institutions into community support services. Services include an equipment recycle program, equipment loan, purchase of new equipment, and professional evaluations (therapists work with the families) for determination of appropriate adaptive equipment.

Clients presently in the lending program will not lose services. However, as the program works to absorb the reduction, it could consider changes like family co-pay for shipping and equipment repairs, which could impact access to equipment.

PL
10004
Operations Efficiency – DSD

This action reduces general operating expenses in areas such as: reducing staff and contractor/provider travel, meeting and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; and utilizing electronic access in lieu of print media for employment advertisements. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; as well as risk of computer equipment failure. The action is permissive.

**LFD
COMMENT**

This is a \$98,584 reduction for FY 2011.

PL
10005
Program Efficiency - Optimize Section 110 program

This reduction optimizes federal funding in the Vocational Rehabilitation program by combining allowable transitions activities, such as in-school coordination for job development with the Section 110 program. There is no anticipated impact on clients. The action is permissive.

**LFD
COMMENT**

This is an \$86,400 funding switch over the biennium from general fund to Section 110 federal funding for the Vocational Rehabilitation program. The recommended switch reduces the general fund for a legislative initiative from the 2007 session that established a position for a transitions councilor to work with local school districts to assist in identifying disabled students and coordinating available services they might use as they transition from high school into adult life. The funding switch does not impact legislative intent.

PL
10006
Reduce funding for older individuals w/ blindness

This action reduces general fund for Independent Living Part B services. It may delay services to some clients. The action is permissive.

LFD COMMENT This \$5,300 reduction for FY 2011 is for a program that serves individuals who are blind or have low vision and are over 55 years of age. The program funding source is a capped federal grant that comes with a 90:10 federal to state funding ratio. The reduction is the amount over the full match of the grant.

PL
10007
Reduce funding for Independent Living centers.

This action reduces contract funding in the Vocational Rehabilitation program for Independent Living Centers. This optimizes federal funding available and frees up general fund. There is minimal impact on current clients. The action is permissive.

LFD COMMENT This \$46,800 general fund reduction is for FY 2011. This general fund reduction does not change the federal funds available.
Independent Living Centers receive funding from three sources – two federal funds and the state general fund. The legislature has historically provided additional general fund to independent living programs. This reduction applies only to the general fund.

Health Resources Division (HRD)

PL
11001
Operations Efficiency - HRD

This action reduces general operating expenses in areas such as: reducing staff travel; reducing office supplies and small equipment including increasing years of use for computers and peripherals; and reducing communications expense for cellular phones and devices. The reduction also reduces the contract for Department collaboration with the contractor in weighing evidence-based benefit and coverage design. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; limiting information that could be gained for benefit and coverage design; as well as risk of computer equipment failure. The action is permissive.

LFD COMMENT Various operating efficiencies would reduce general fund spending by \$108,329. If all of the efficiencies occurred in Medicaid administration, federal funds would decline by \$108,329 as well.

PL
11002
Eliminate FY 2011 Provider Rate Increase - HB645

This reduction eliminates the FY 2011 2% provider rate increase for HRD. The rate increases were funded as OTO increases and are not sustainable. The impact will be continuation of provider payments at the FY2010 level, which included a 2% increase over the FY 2009 level. The action is permissive.

**LFD
COMMENT**

This proposal would reduce \$1.1 million general fund spending for a one-time 2 percent provider rate increase in FY 2011 funded in HB 645. The total spending reduction for this proposal is \$4.1 million, including federal Medicaid matching funds. See agency overview for complete analysis.

PL

11003

Program Efficiency – SMAC

This reduction utilizes the State Maximum Allowable Cost (SMAC) program for rebatable multiple source (those drugs marketed or sold by three or more manufacturers or labelers) and specific brand name prescription drugs that are reimbursed by the Montana Medicaid and MHSP programs. The SMAC program will result in an estimated total savings of \$4.6 million in the prescription drug program. The FY 2011 savings (\$1.2 million) is general fund only, net of the SMAC contract operation. The action is permissive.

**LFD
COMMENT**

This proposal would fund a contract so that the Medicaid program could identify the lowest cost for a drug marketed by more than three manufacturers. The Medicaid program would then pay the lowest cost, saving an estimated net \$1.268 million general fund in services costs. Including federal Medicaid matching funds, the total reduction would be \$4.6 million in FY 2011. These savings would be ongoing.

PL

11004

Program Efficiency - Capping Big Sky

Big Sky Rx (BSRx) helps Montanans pay for Medicare-approved prescription drug insurance premiums. The program serves 11,000 clients. This reduction caps the program at 11,000 clients and is projected to generate a savings of \$900,000 per year in state special revenue (SSR) I-149 funds. The SSR will be used to match Medicaid costs, resulting in general fund savings. There is no anticipated impact to existing program participants. No new clients will be added to the program. The action is permissive.

**LFD
COMMENT****One-Time Funding Shift to Offset General Fund**

This proposal would cap enrollment in a state funded premium assistance program for Medicare enrollees with incomes below 200 percent of the federal poverty level, lowering program expenditures for Big Sky Rx by \$1.8 million state special revenue over the biennium. The state special revenue would be shifted to cover general fund costs in another program eligible for health and Medicaid initiatives funding for FY 2011 only.

A citizen ballot initiative – I-149 – passed in November 2004 created the health and Medicaid initiatives state special revenue account, raised tobacco taxes and allocated the revenue to the account, and specified that the funds be used only for certain populations and programs (see 53-6-1201, MCA).

PL

11005

Eliminate FY 2011 Provider Rate Increase - HB2

This reduction eliminates the FY 2011 6% physician rate increase in 53-6-125, MCA. The impact will be continuation of physician provider payments at the FY2010 level, which included a 6% increase over the FY 2009 level. The action affects a mandatory service.



**LFD
COMMENT**

Medicaid Physician Rates Governed by 53-6-125, MCA

State statute requires the Montana Medicaid program to establish rates for physician services according to a specific formula using three factors including a 6 percent increase each fiscal year starting in FY 2010. The increase is to be calculated using the previous year rate as the base rate. Legislative legal staff have determined that implementation of this reduction requires an amendment to statute.

This proposal if implemented would reduce general fund spending by \$0.8 million. Including federal Medicaid matching funds, the total reduction would be \$2.9 million. Provider rate spending reductions are discussed in greater detail in the agency overview.

PL

11006

Eliminate FY 2011 PR Increase - CMH - HB 645

This DP reduces the FY 2011 2% provider rate increase for Children's Mental Health Bureau in Health Resources Division. The rate increases were funded as OTO increases and are not sustainable. The impact will be continuation of provider payments at the FY2010 level, which included a 2% increase over the FY 2009 level. The action is permissive.

**LFD
COMMENT**

This proposal would reduce \$0.4 million general fund spending for a one-time 2 percent provider rate increase in FY 2011 funded in HB 645. The total spending reduction for this proposal is \$1.3 million, including the federal Medicaid matching funds. See agency overview for a complete analysis.

PL

11007

Program Efficiency – CMH

With this reduction, the Children's Mental Health Bureau will not request extension of the federal SAMSHA grant, saving the general fund match. This completes the grant at the original end date, removing the need for additional general fund. The department will assist the four affected communities that have kid's management authorities to come up with a locally sustainable plan. The action is permissive.

**LFD
COMMENT**

This proposal would reduce general fund spending by \$0.3 million, a one-time appropriation in HB 645 to provide part of the match for the federal grant from the Substance Abuse and Mental Health Services Administration to assist in implementing a system of care for children's mental health services. DPHHS staff has indicated that federal grant funds, or a portion of the federal grant, might continue if local entities are able to provide matching funds or SAMHSA opts to provide the grant with a lower or no match requirement.

Human and Community Services (HCSD)

PL

2001

Operations Efficiency – HCSD



This reduction is in general operating expenses in areas such as: reducing staff and contractor/provider travel, meeting and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; utilizing electronic access in lieu of print media for employment advertisements; and reducing office rent expense through space consolidation and eliminating inflation adjustments in office leases. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; as well as risk of computer equipment failure. The action is permissive.

**LFD
COMMENT**

This is a biennial reduction of \$176,218. In response to a LFD staff question, DPHHS indicated that it is anticipating no or minimal impact on OPA office space, although any future renewals will be reviewed for efficiencies.

PL

2002

Program Efficiency - Homeless Prevention

Funding for homeless shelters in FY 2011 would be reduced. Shelters will need to forego renovations and repairs that would have been provided with these funds. Of the \$1.5 million originally authorized, \$1.2 million remains available following this reduction.

**LFD
COMMENT**

The funding of \$293,740 over the biennium comes from the one-time-only legislative appropriation of \$1.5 million general fund in HB 645 for grants to assist shelters across the state.

There are two parts to this reduction. The first is \$63,000 over the biennium that was awarded to HRDC District 6 (Lewistown) but the district did not accept the contract. An additional \$6,000 was not allocated, leaving \$69,000 of the appropriation unexpended. The recommendation applies the unexpended funds as a reduction to general fund.

The second part reduces FY 2011 grant funds by \$224,740 that would have supported shelter renovations or repairs.

PL

2003

Program Efficiency - Eliminate Funds-MTCCRRN

This reduction is part of the re-engineering plans for the Early Childhood Services Bureau. It eliminates funding to the MT Child Care Resource & Referral Network (MTCCRRN). It requires a state plan change and contract modification. MTCCRRN is a membership association of the Childcare Resource and Referral (R & R) agencies with limited staff. A preliminary discussion with the R & R agencies and ECSB has taken place. This reduction may impact the association staff and will shift some responsibilities/projects to membership agencies. The action is permissive.

**LFD
COMMENT**

The reduction would be \$75,000 in FY 2011. There should be time for the Early Childhood Services Bureau (ECSB) to adjust the state plan and modify contracts.



PL
2004
Program Efficiency - Centralize Call Center

This reduction is part of the re-engineering plans for the Early Childhood Services Bureau. It consolidates existing call centers for efficiencies into one call center at a centralized location for parent referrals and optimizes federal funding for the call center generating a savings of \$150,000 general fund in FY 2011. The reduction requires a state plan change and may require statutory change. There is no anticipated impact on users from this efficiency. The action of this reduction affects a mandatory service.

**LFD
COMMENT**

This \$150,000 reduction in FY 2011, along with PL 2005 below, impacts funding for local child-care resource and referral programs as defined in the Montana Code Annotated - MCA, 52-2-711. While the concept of a call center is not addressed, MCA does allow the department “to award grants to private, nonprofit organizations and public organizations that demonstrate the ability to provide child-care resource and referral services.” MCA continues with a description of resource and referral services that are to be provided “in the local area” that would now be provided by one call center serving all localities throughout the state. According to legal council this proposal would not be contrary to MCA, but the legislature may wish to assist with language clarification in the MCA in the next session.

PL
2005
Program Efficiency: Restructure Resource&Referral

This reduction is part of the re-engineering plans for the Early Childhood Services Bureau. It restructures the Resource and Referral processes and may include more centralized services, reduced administration and combines existing programs while maintaining the same quality of service. Parents needing childcare will not be impacted; however, community organizations may be impacted related to contracted funding and service expectations. This reduction requires a state plan and rule change. The action is permissive.

**LFD
COMMENT**

This \$150,000 reduction in FY 2011 refers to a restructure process that “may include more centralized services reduced administration and a combination of existing services.” As mentioned in DP 2004, there is language in MCA, 52-2-711 that references “in the local area” that may need to be addressed. Please see comments under PL 2004.

PL
2006
Program Efficiency-Revise Categorical Eligibility

This reduction creates savings as part of the re-engineering plans for the Early Childhood Services Bureau. It re-engineers the child care eligibility process using SNAP verification/categorical income eligibility for an “Express Lane” model and extends eligibility verification from a 6-month certification period to a 12-month certification period. This will positively impact affected parents and create efficiencies for the eligibility agencies. The action is permissive.

**LFD
COMMENT**

This is a \$200,000 general fund savings for FY 2011.

PL
2007
Eliminate Provider Rate Increase

This reduction eliminates the market rate survey for provider rates in FY2011 and eliminates the Child Care provider rate increase in FY2011. A state plan and rule change are necessary for this reduction. The impact of this change will be to forego a survey of market rates for comparison with rates paid for child care providers. The action is permissive.

LFD COMMENT This \$230,358 reduction is contained in the one-time-only provider rate increase in HB 645. For several sessions, the legislature has chosen to use state general fund to enhance Montana child care services. There is no federal funding directly associated with this reduction. There is further discussion in the agency overview.

PL
2008
Program Efficiency - Consumer Ed

This reduction is part of the re-engineering plans for the Early Childhood Services Bureau (ECSB). It eliminates the child care consumer education contract and RFP to an outside source. Consumer education services will now be provided by ECSB staff. The action affects a mandatory service.

LFD COMMENT This is a \$50,000 reduction in FY 2011.

PL
2009
Increase Vacancy Savings

This reduction is part of the re-engineering plans of the Early Childhood Service Bureau by restructuring staff responsibilities to reduce overtime and compensatory time for staff. The impact of this reduction will be reduced staff time available to the public. The action is permissive.

LFD COMMENT This is a \$37,500 reduction over the biennium that is not actually related to vacancy savings. It is a savings garnered from eliminating overtime and compensatory time for federally funded staff in the Early Childhood Service Bureau (ECSB). ECSB could then shift the federal fund savings to eligible general fund operating expenses thereby reducing the general fund.

PL
2010
Program Efficiency - Invoices and Payments

This reduction is part of the re-engineering plans of the Early Childhood Service Bureau by batching CACFP payments to child care providers. There is no anticipated impact to providers from this reduction. The action is permissive.

LFD COMMENT The reduction is \$14,400 over the biennium related to Child and Adult Care Food Program funds.

Senior and Long Term Care Services (SLTC)

PL

22001

Eliminate FY 2011 Provider Rate - HB645

This reduction eliminates the FY 2011 2% provider rate increase for Senior and Long Term Care Division. The rate increases were funded as OTO increases and are not sustainable. The impact will be continuation of provider payments at the FY 2010 level, which included a 2% increase over the FY 2009 level. This reduction removes the following amounts in FY 2011:

Nursing Home Services	1,080,577
Home Based Services	283,492
Senior & Long Term Waiver Services	271,529
Aging Services	192,006

LFD COMMENT This proposal eliminates \$1.8 million general fund spending for the one-time 2 percent FY 2011 provider rate increase. Including federal Medicaid matching funds (\$3.4 million), the total spending reduction would be about \$6.6 million. See the agency overview for complete analysis.

PL

22002

Increase Vacancy Savings

This reduction eliminates the Montana Veterans' Home Safety Officer position (1.00 FTE) that was funded in DP22105 in the 2009 legislative session with Cigarette Tax funds. The action reduces Cigarette Tax revenue use, resulting in revenue reverting to the general fund at year end. Safety duties will be assigned within the facility. There will be minimal impact on residents. The action is permissive.

LFD COMMENT This proposal increases general fund revenue by \$55,470. This proposal does not reduce general fund spending. At fiscal year end, state special revenue funds in excess of \$2.0 million are transferred to the general fund. If the executive budget proposal eliminates the safety officer position from the MVH budget request, savings would be ongoing in the 2013 biennium.

Legislative legal review has concluded that reductions made to non-general fund sources do not qualify as a reduction in spending pursuant to Section 17-7-140, MCA. Moreover, legislative review has concluded that this reduction should be listed as other adjustments in the balance sheet as opposed to a Section 17-7-140, MCA proposed reduction.

PL

22003

Program Efficiency – HCBS

This reduction eliminates 52 Home and Community-based (HCBS) waiver slots that have not been allocated in FY 2010 and 46 HCBS waiver slots for FY 2011 that were funded with OTO funding and are not sustainable.



There is no impact to existing users of the slots with this reduction; the slots will not be available for new individuals. The action is permissive.

**LFD
COMMENT**

Total General Fund Reduction - \$1.3 Million; Total Funding Reduction - \$4.6 Million

SLTC received a one-time biennial appropriation of \$8.9 million to add 178 additional service slots for Medicaid community services in the 2011 biennium. This proposal would lower the number of slots funded to 80, with a one-time reduction of \$1.3 million general fund over the biennium. Including federal Medicaid matching funds, the total reduction would be \$4.6 million.

Some persons needing services might be admitted to nursing homes if the waiver services are discontinued. Nursing home services are a mandatory Medicaid service, meaning that the state must pay for the service if it is medically necessary and a person meets financial eligibility criteria. On average, the Medicaid cost of nursing home services is greater than the cost of waiver services.

PL

22004

Operations Efficiency – SLTC

This action reduces general operating expenses in areas such as: reducing staff travel, meeting and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; utilizing electronic access in lieu of print media for employment advertisements; and reducing expense for client supplies and nutrition in the Montana Veterans' Home by finding purchasing efficiencies. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; as well as risk of computer equipment failure. There is minimal anticipated impact to MVH residents. The action is permissive.

**LFD
COMMENT**

This proposed spending reduction lowers general fund by \$33,982 over the 2011 biennium. There would also be federal funding reductions if the administrative cost savings are eligible for Medicaid match. Medicaid administrative costs are matched 50 percent.

Child and Family Services (CFSD)

Long Range Information Technology

There is a reduction of nearly \$10.3 million to Long Range Information Technology (LRIT) for the Montana Automated Child Welfare Information System (MACWIS). The reduction delays the DPHHS system upgrade for at least two years and impacts CFSD as well as the Technology Services Division (TSD).

MACWIS is being designed to replace the aging Child and Adult Protective Service System (CAPS), which is presently not meeting all federal requirements attached to Foster Care and Subsidized Adoption tracking associated with federal Title IV-E funding.

Child and Family Services would continue its operations on the existing CAPS system while TSD would work on program changes addressing federal program compliance. TSD staff, working with CFSD, would guide the initial planning process, identify the components for the future MACWIS re-build, and guide its reentry into the process should the next legislature opt to appropriate any of the \$10.27 million for this purpose. There is additional discussion in Section F.

PL
3001
Eliminate Provider Rate Increase

This reduction eliminates the FY 2011 2% provider rate increase for Foster Care rates (\$216,144), Adoption Subsidy rates (\$6,000), and In-Home Services rates (\$15,000). The rate increases were funded as OTO increases and are not sustainable. The impact will be continuation of provider payments at the FY2010 level, which included a 2% increase over the FY 2009 level. The action is permissive.

LFD COMMENT This recommendation eliminates \$237,144 allocated to CFSD. The associated reduction in federal funds would be about \$91,100. At the time of this writing the statewide budgeting system shows that the funds for DP 3001 have not been expended. Please see the agency overview.

PL
3002
Operations Efficiency – CFSD

This action reduces general operating expenses in areas such as: reducing staff and contractor/provider travel, meeting and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; utilizing electronic access in lieu of print media for employment advertisements; and reducing office rent expense through space consolidation and eliminating inflation adjustments in office leases. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; office space lessors will be impacted by inflation adjustment caps; as well as risk of computer equipment failure. The action is permissive.

LFD COMMENT The reduction is \$92,326 over the biennium.

Addictive and Mental Disorders Division (AMDD)

PL
33001
Eliminate FY 2011 Provider Rate Increase

This reduction eliminates the FY 2011 2% provider rate increase for Addictive and Mental Disorders Division. The rate increases were funded as OTO increases and are not sustainable. The impact will be continuation of provider payments at the FY2010 level, which included a 2% increase over the FY 2009 level. The action is permissive.

LFD COMMENT Elimination of the FY 2011 provider rate increase will reduce general fund spending for mental health services by \$660,757. The total spending reduction will include \$0.8 million of federal Medicaid matching funds for a total reduction of \$1.5 million. See agency overview for complete analysis.



PL
33002
Operations Efficiency – AMDD

This action reduces general operating expenses in areas such as: reducing staff and contractor/provider travel, meeting and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; and utilizing electronic access in lieu of print media for employment advertisements. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; as well as risk of computer equipment failure. The action is permissive.

**LFD
COMMENT**

The estimated general fund spending reduction for operations efficiencies for AMDD would be \$57,407 in FY 2011. There would also be a loss of federal funds, potentially up to \$57,407 if all general fund spending reductions were related to administration of AMDD Medicaid services.

PL
33003
Workers Comp & Related Efficiencies – MMHNCC

This reduction eliminates general fund savings in workers' compensation costs and related vacancy savings for benefits, overtime and hourly rates paid under the amount appropriated for Montana Mental Health Nursing Center (MMHNCC) due to an adjustment in workers' compensation rates and management efficiencies at the facility. There is no anticipated impact on the residents from this reduction. The action is permissive.

**LFD
COMMENT**

PL 33003 and 33004

The majority of this reduction is due to an error that established workers' compensation rates at too high a level in FY 2008 and FY 2009 for some positions in state mental health institutions. The error was discovered near fiscal year end 2009. The 2011 biennium appropriation was based on higher rates so spending at both state mental health institutions can be reduced without impacting services provided by the institutions. The nursing care center spending reductions will total \$300,000 general fund and the state hospital spending reductions will total \$975,663. Reductions due to lower workers' compensation rates will carry forward into the 2013 biennium barring significant changes in those rates for the state mental health institutions.

PL
33004
Workers Comp & Related Efficiencies – MSH

This reduction eliminates general fund savings in workers' compensation costs and related vacancy savings for benefits, overtime and hourly rates paid under the amount appropriated for Montana State Hospital (MSH) due to an adjustment in workers' compensation rates and management efficiencies at the facility. There is no anticipated impact on the residents from this reduction. The action is permissive.

**LFD
COMMENT**

See write up under PL 33003



PL
33005
Program Efficiency - Eliminate Expansion of HCBS

This reduction eliminates expansion of the Home and Community-based Services (HCBS) waiver program by eliminating an additional 40 slots at two sites. There is no impact to existing clients; slots will not be available for new individuals. The action is permissive.

**LFD
COMMENT**

One-time Funding Shift Offset General Fund

This proposal would limit enrollment in the Medicaid waiver services program for adults with a serious and disabling mental illness, lowering the state match required by \$356,208 in FY 2011 and eliminating funding for 40 new service slots in FY 2011. The ongoing service capacity in the AMDD waiver would be 150 slots

The Medicaid state match for the program is funded from the health and Medicaid initiatives state special revenue. Spending reductions in this program will be used to offset general fund costs in other areas. DPHHS has indicated the funding switch would be one-time only. The legal uses of health and Medicaid initiatives state special revenue are described under 53-6-1201, MCA.

Legislative legal review has concluded that reductions made to non-general fund sources do not qualify as a reduction in spending pursuant to Section 17-7-140, MCA. Moreover, legislative review has concluded that this reduction should be listed as other adjustments in the balance sheet as opposed to a Section 17-7-140, MCA proposed reduction.

PL
33006
Program Efficiency - HB 130, HB 131, HB 132 HB645

This reduction eliminates OTO funding for the crisis diversion programs funded for HB130-131-132 in HB645 by the 2009 Legislature. This DP eliminates funding for expansion that is not sustainable. The impact will be to maintain the program at current levels. The action is permissive.

**LFD
COMMENT**

HB 645 Appropriation – Mostly Unexpended

The legislature made two appropriations to fund implementation of Title 52 Chapter 21 Part 12, MCA enacted through passage and approval of HB 130, HB 131, and HB 132 in the 2009 legislative session. This title establishes community mental health crisis services to divert persons from the criminal justice system. HB 645 includes a one-time appropriation of \$500,000 general fund over the biennium. HB 2 includes a \$2.4 million general fund appropriation to implement the new services that ongoing (see DP 33007).

DPHHS expended about \$42,700 of the one-time \$500,000 general fund in HB 645 to fund OTO expenses at the Billings Community Crisis Center.

PL
33007
Program Efficiency - HB 130, HB 131, HB 132 - HB2



This reduction eliminates funding for the crisis diversion programs funded for HB130-131-132 in HB2 by the 2009 legislature. This action decreases the number of projects that will be funded. The action is permissive.

**LFD
COMMENT**

Expenditures for Mental Health Crisis Services and Jail Diversion Services Grants Reduced by About Half in FY 2011

HB 2 includes \$2.4 million general fund over the 2011 biennium to implement Title 52 Chapter 21 Part 12, MCA enacted through passage and approval of HB 130, HB 131, and HB 132 in the 2009 legislative session. This DP reduces general fund spending from the HB 2 appropriation by \$619,468 in FY 2011. It is not clear whether this reduction will be ongoing.

DPHHS has obligated the following amounts for FY 2010 as of January 2010.

- Yellowstone County (partners include Big Horn, Carbon, Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, Stillwater, Sweet Grass, and Wheatland) for use by the Billings Community Crisis Center (\$294,287)
- Western Montana Mental Health – Butte (\$100,000) and Bozeman (\$37,000) for one secure crisis bed in each location.

All other contracts for FY 2010 are pending final budget reduction decision by the Governor.

In FY 2011 DPHHS anticipates continuing the contracts with Western Montana Mental Health – Butte (\$100,000) and Bozeman (\$100,000) for one secure crisis bed in each location. All other contracts for FY 2011 are pending final budget reduction decision by the Governor.

Director's Office

PL

4001

Operations Efficiency - Director's Office

This action reduces general operating expenses in areas such as: reducing staff and contractor/provider travel, meeting and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; utilizing electronic access in lieu of print media for employment advertisements; and reducing office rent expense through space consolidation and eliminating inflation adjustments in office leases. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; office space lessors will be impacted by inflation adjustment caps; as well as risk of computer equipment failure. The action is permissive.

**LFD
COMMENT**

The Director's Office proposes operational efficiencies including reducing agency dues in FY 2010 and reducing expenditures on supplies, dues, temporary services, and employment advertising in FY 2011.

PL

4002

Increase Vacancy Savings

This reduction is part of the re-engineering plans in the Director's Office and results in continued efficiencies through the branch organizational structure. For example, an FTE can be "decentralized to the branches" (for a



project such as Health Information Technology), allowing for receipt of new federal funding for salary costs. There is no adverse impact anticipated for the public. The action is permissive.

**LFD
COMMENT**

The 2009 Legislature imposed increased vacancy savings of 3 percent in addition to 4 percent proposed by the executive for the Director's Office in FY 2010 and FY 2011. This requires the Director's Office to reduce personal service expenditures by \$49,905 in FY 2010 and \$50,058 in FY 2011. OBPP is proposing additional vacancy savings of \$101,100 in FY 2010 and \$116,063 in FY 2011.

As of February 22, 2010, the Director's Office had three vacant positions, an operations manager, an attorney, and a budget analyst. General fund personal service costs budgeted for the three positions total \$146,515 in FY 2010 and \$146,990 in FY 2011. Total reductions in personal services including the increased vacancy savings of 3 percent total \$151,005 in FY 2010 and \$166,121. These amounts are \$4,490 in FY 2010 and \$19,131 in FY 2011 more than current vacant positions would generate in savings. It is unclear how the Director's Office will be generating the additional savings.

Child Support Enforcement (CSED)

PL

5001

Operations Efficiency – CSED

This action reduces general operating expenses including supplies, postage and travel. The reduction realizes efficiencies by switching from the Montana Access Card to the ReliaCard product for Electronic Benefit Transfers (EBTs); eliminates mailing postcards and advices; and eliminates a statewide training session. CSED also received \$72,859 in federal incentive payments for efficient operations, which was higher than planned. The incentive payment replaces appropriated General Funds of the same amount. There is a potential impact on staff, training and communication; there is no anticipated impact on clients or the public. The action is permissive.

**LFD
COMMENT**

The reduction is \$213,950 over the biennium. The major components of the general fund reduction include:

- \$112,278 in savings by changing card vendors to Relia Card
- \$72,859 for a funding switch from general fund to federal funds because CSED received a higher federal incentive payment
- \$25,681 in postage and training

There is also a reduction in the Technology Services Division (TSD) due to the switch to the Relia Card system, which reduces the number of customer access calls. Please see the TSD discussion.

Business and Financial Services (BFSD)

PL

6001

Operations Efficiency – BFSD

This action reduces general operating expenses in areas such as: reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; and utilizing electronic access in lieu of print media for employment advertisements. The potential impact is risk of computer equipment failure. The action is permissive.

LFD COMMENT This decision package represents a \$43,581 reduction for FY 2011.

PL
6002
Increased Vacancy Savings

This reduction is part of the re-engineering plans and obtains continued efficiencies through the branch organizational structure. There is no adverse impact anticipated for the public. The action is permissive.

LFD COMMENT This reduction is a \$29,641 reduction for FY 2011.
BFSD intends to achieve the vacancy savings by managing personnel resources within the appropriated budget. It may achieve vacancy savings through attrition, maintaining extended vacancies, reassignment, and potential reductions in force.

PL
6003
Operations Reduction - BFSD

This action reduces the fixed statewide costs for DOA payroll, SABHRS, rent and worker's compensation bureau services, per OBPP guidance. There is no anticipated impact on the public. The action is permissive.

LFD COMMENT This decision package reduces general fund by \$49,604 in FY 2011 for rent payments of state-owned buildings, fees for SABHRS, payroll, worker's compensation management that are paid to the Department of Administration. See the Department of Administration for a more detailed discussion of fee adjustments.

Public Health and Safety Division (PHSD)

PL
7001
Program Efficiencies - HB173

This action reduces the number of grant awards for pilot projects authorized under HB173 from eight to seven. This is one-time funding in HB645. There is no anticipated impact on the public from this reduction. In FY 2010, RPFs were requested for this project, and only seven responses were received. The action is permissive.

LFD COMMENT HB 173 created a pilot project to help county public health agencies undertake activities related to meeting national guidelines. The bill directed PHSD to grant funding to 8 local public health agencies based on county populations. Funding for the project was provided from HB 645, the federal stimulus bill. PHSD did not receive sufficient county applications to grant all of the funding and as a result will not require \$50,000 of general fund over the 2011 biennium.

PL
7002
Increase Vacancy Savings

This reduction is part of the re-engineering plans and obtains continued efficiencies through the branch organizational structure. There is no adverse impact anticipated for the public. The action is permissive.

LFD COMMENT PHSD proposes to hold positions open longer to generate vacancy savings. As of February 23, 2010, 13.00 of the 182.00 FTE or 7 percent of the FTE allocated to PHSD were vacant. If left unfilled, only one position generates general fund savings, \$10,270 in FY 2010 and \$10,273 in FY 2011. The remaining vacancies are funded entirely from state special revenue or federal special revenues and result in no general fund savings. The 2009 Legislature increased vacancy savings in the general fund by \$33,814 in FY 2010 and \$33,897 in FY 2011 for the division. PHSD is proposing to increase these savings by an additional \$4,000 each year of the biennium. It is unclear how the division will achieve the savings.

PL
7003
Optimize federal funding for BRFSS

This action reduces general fund in the Behavioral Risk Factor Surveillance Survey program and optimizes federal funding. The department is anticipating increases in federal funding and state special revenue for fees charged to programs that participate in the survey. There is no anticipated impact on the public from this reduction. The action is permissive.

LFD COMMENT The Behavioral Risk Factor Surveillance Survey Program charges programs for inclusion of questions in addition to those generally included on the survey. Agencies requesting additional questions include the Office of Public Instruction and various other state agencies that work with health or safety of Montanans. PHSD indicates they will increase the price of additional questions to generate additional revenue to offset a portion of the general fund spending reduction. Federal requirements for the program do not require state matching funds

PL
7004
Optimize poison control federal funding

This action reduces General Fund in the Poison Control Program contract and optimizes federal funding through the use of the Preventive Health block grant and a reallocation of unexpended grant funds. There is no anticipated impact on the public from this reduction. The action is permissive.

LFD COMMENT General fund support for the Poison Control Program included offsetting the costs of a 24 hour poison control hotline. Federal requirements for the program do not require state matching funds.

PL
7005
Operations Efficiency - PHSD



This action reduces general operating expenses in areas such as: reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; and utilizing electronic access in lieu of print media for employment advertisements. The potential impact includes risk of computer equipment failure. The action is permissive.

**LFD
COMMENT**

PHSD indicates it will be reducing supplies, travel, and phones to achieve the outlined operational reductions.

Quality Assurance Division (QAD)

PL
8001
Operations Efficiency – QAD

This action reduces general operating expenses in areas such as: reducing staff travel, meeting and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; utilizing electronic access in lieu of print media for employment advertisements; and reducing office rent expense through space consolidation and eliminating inflation adjustments in office leases. The potential impact includes limitations to staff, contractor/provider training, communication and meetings; office space lessors will be impacted by inflation adjustment caps; as well as risk of computer equipment failure. The action is permissive.

**LFD
COMMENT**

The division did not supply specific amounts or expenditure categories for the proposed spending reductions. The division responded that items considered include supplies, travel, membership dues and fees, cell phones, employment advertisements, and other operational support.

PL
8002
Increase Vacancy Savings

This reduction is part of the re-engineering plans and obtains continued efficiencies through the branch organizational structure. Current vacant FTE positions will be held open longer. There is minimal adverse impact anticipated for the public. The action is permissive.

**LFD
COMMENT**

QAD proposes to hold positions open longer to generate vacancy savings. As of February 23, 2010, 12.00 of the 120.73 FTE or 10 percent of the FTE allocated to QAD were vacant. If unfilled for the entire biennium, these vacancies would result in \$327,199 in general fund savings in FY 2010 and \$323,486 in FY 2011. The 2009 Legislature increased vacancy savings in the general fund by \$89,297 in FY 2010 and \$88,251 in FY 2011 for the division. QAD is proposing to increase these savings by an additional \$7,900 each year of the biennium. It is unclear if additional vacancies above the amount required for QAD may be used to offset vacancy savings requirements in other divisions.

Technology Services Division (TSD)

Long Range Information Technology

As mentioned earlier, there is an additional reduction of nearly \$10.3 million to Long Range Information Technology (LRIT) for the Montana Automated Child Welfare Information System (MACWIS). The reduction delays the DPHHS system upgrade for at least two years and impacts TSD as well as the Child and Family Services Division. Please see the agency overview for additional information.

PL
9001
Operations Efficiency – TSD

This action reduces general operating in areas such as: reducing staff travel and training expenses; reducing office supplies and small equipment including increasing years of use for computers and peripherals; reducing communications expense for cellular phones and devices; utilizing electronic access in lieu of print media for employment advertisements. The potential impact includes: staff training, communication and meetings will be limited; risk of computer equipment failure. The action is permissive.

**LFD
COMMENT**

This decision package represents a \$30,166 general fund reduction over the biennium.

PL
9003
Systems Efficiencies: Maintain/Enhance

This action reduces contracts for system maintenance and enhancements by 5%, reduces the hardware maintenance contracts for servers, reduces consulting services for ISB-managed contracts by 10% and eliminates the NOREX research collaboration service for FY2010 and FY2011. The impact of this reduction is to delay systems updates and risk server hardware failure. The action is permissive.

**LFD
COMMENT**

The total reduction is \$163,706 over the biennium.

PL
9004
Systems Efficiencies – HIT

This action reduces the contract for Health Information Technology for FY2010 due to delay in start-up. There is no anticipated impact on the users from this reduction. The action is permissive.

**LFD
COMMENT**

This \$50,000 was included in a HB 645 appropriation of \$714,000 for a Health Information Technology Grant to HealthShare Montana. Legislative intent was that the funds would help establish a structure in Montana that would guide the development of HIT and be used as match for funding from the federal Department of Health and Human Services. The designated entity to guide federal applications is HealthShare Montana. It has submitted a recent proposal of \$5.7 million that requires a 15 percent match beginning in FY 2011. HealthShare Montana may have to raise the \$50,000 or could risk losing around \$300,000.

The funds are available for reduction. The legislative appropriation was distributed at \$357,000 each year of the biennium. Of the \$357,000 appropriated for FY 2010, \$89,375 had been spent as of February 9, 2010. This is primarily due to the length of time it has taken to get the project launched. However, as of this writing, an executive director has been hired to start February 22, 2010 and the board has selected a vendor for system development. Contract negotiation will begin by the end of the month with implementation to begin by September 2010.

PL

9005

Systems Efficiencies - EBT Ports

This action reduces the number of telephone ports for customer access to account balance information on the Montana Access Card, the Electronic Benefits Transfer system for TANF and SNAP recipients. The Child Support Enforcement Division replaced use of the MAC EBT system with the Reliacard system, reducing the number of customer access calls. There is no anticipated impact on users from this reduction. The action is permissive.

**LFD
COMMENT**

This \$47,436 reduction over the biennium is primarily due to the change to the Relia Card system because clients can check their balance by calling the card provider directly with an 800 number. TANF and SNAP clients receive balance updates upon use of the card.

There is additional discussion about Relia Card in the Child Support Enforcement Division discussion.

Other Options

In addition to the general fund spending reductions discussed above, the executive could consider alternatives. The following outline areas identified that could result in increased general fund revenues or alternative spending reductions for consideration.

Alternative General Fund Spending Reductions

Within the Public Health and Safety Division the legislature provided new general fund appropriations for two proposals, offsetting increased contraceptive costs for Title X family planning clinics and providing general fund support for the public health lab. General fund appropriations for both proposals are \$830,000 annually. The executive could consider reducing spending for a portion of either new proposal to maximize general fund reductions.