

**Program Budget Comparison**

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	614.86	614.86	622.86	695.56	614.86	695.56	80.70	13.12 %
Personal Services	38,092,489	40,445,756	43,129,421	47,203,068	78,538,245	90,332,489	11,794,244	15.02 %
Operating Expenses	13,538,426	13,833,324	15,641,966	17,376,685	27,371,750	33,018,651	5,646,901	20.63 %
Equipment & Intangible Assets	107,061	107,460	107,061	107,061	214,521	214,122	(399)	(0.19)%
Grants	3,696,524	4,049,612	5,521,524	5,521,524	7,746,136	11,043,048	3,296,912	42.56 %
Benefits & Claims	75,392,087	78,066,983	94,420,556	99,231,657	153,459,070	193,652,213	40,193,143	26.19 %
Transfers	24,300	22,500	17,800	17,800	46,800	35,600	(11,200)	(23.93)%
Debt Service	113,994	117,623	117,093	122,562	231,617	239,655	8,038	3.47 %
<b>Total Costs</b>	<b>\$130,964,881</b>	<b>\$136,643,258</b>	<b>\$158,955,421</b>	<b>\$169,580,357</b>	<b>\$267,608,139</b>	<b>\$328,535,778</b>	<b>\$60,927,639</b>	<b>22.77 %</b>
General Fund	66,023,522	67,942,332	79,073,831	86,727,732	133,965,854	165,801,563	31,835,709	23.76 %
State/Other Special Rev. Funds	14,125,830	15,873,645	15,747,203	16,150,769	29,999,475	31,897,972	1,898,497	6.33 %
Federal Spec. Rev. Funds	50,815,529	52,827,281	64,134,387	66,701,856	103,642,810	130,836,243	27,193,433	26.24 %
<b>Total Funds</b>	<b>\$130,964,881</b>	<b>\$136,643,258</b>	<b>\$158,955,421</b>	<b>\$169,580,357</b>	<b>\$267,608,139</b>	<b>\$328,535,778</b>	<b>\$60,927,639</b>	<b>22.77 %</b>

**Program Description**

The Addictive and Mental Disorders Division provides chemical dependency and mental health services through contracts with behavioral health providers across the state. People with substance abuse disorders who have family incomes below 200% of the federal poverty level are eligible for public funding of treatment services. In addition, the Medicaid program funds outpatient and residential chemical dependency treatment services for adolescents and outpatient services for adults who are Medicaid eligible. The mental health program provides services to adults who are eligible for Medicaid as well as non-Medicaid adults up to 150% of FPL. The division also manages three inpatient facilities: the Montana State Hospital in Warm Springs, Montana Chemical Dependency Center in Butte, and Montana Mental Health Nursing Care Center in Lewistown.

**Program Highlights**

<b>Addictive and Mental Disorders Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• As shown in the main table, the 2017 biennium budget request is \$60.9 million higher than the 2015 biennium, which includes an increase of \$31.8 million general fund</li> <li>• The legislative analysis uses the FY 2015 legislative appropriation as the base budget, which results in a biennial difference of \$54.9 million total funds including \$25.4 million general fund                         <ul style="list-style-type: none"> <li>◦ The legislative base budget is higher due to increases in Medicaid services, state facility inflation, state employee pay, and provider rate increases authorized by the 2013 Legislature</li> </ul> </li> </ul>

- The Governor's First Step mental health initiative and other mental health proposals add \$14.6 million general fund and \$0.8 million federal funds with a \$2.1 million reduction in state special revenue and 82.70 new FTE for:
  - Expansion of the forensic unit at the Montana State Hospital - \$4.0 million general fund and 43.50 FTE
  - Renovation of a wing at the Montana Mental Health Nursing Care Center for a dementia unit - \$2.0 million general fund and 29.20 FTE
  - Expansion of adult community mental health services for 72-hour crisis services, peer support services, drop in centers, contracted forensic beds, and secure crisis beds - \$3.8 million general fund
  - Elimination of county intergovernmental transfer funds - \$2.1 million general fund with an equal reduction in state special revenue
  - A new group home on the Montana State Hospital campus, which opened in the last quarter of FY 2014 - \$1.3 million and 10.00 FTE
  - Expansion of county matching grants to develop community crisis services and crisis intervention team training - \$0.8 million general fund
  - Addition of supported employment, housing, and community re-entry services - \$0.8 million federal funds and \$0.6 million general fund
  - Suicide prevention grants - \$0.5 million general fund
- Medicaid enrollment and service utilization increases and a reduction in the federal Medicaid match rate adds \$40.9 million, including \$13.6 million general fund
- A 2% annual provider rate increase adds \$4.9 million total funds, including \$1.9 million general fund

#### Major LFD Issues

- There are two mental health initiatives proposed for legislative consideration:
  - The Governor's HB 2 appropriation request with an annualized cost of \$9.1 million general fund
  - Several bills proposed by the Children, Families, Health, and Human Services Interim Committee with an annualized cost of \$6.0 million general fund
- The executive budget request exceeds the amount of alcohol tax state special revenue available by \$1.6 million over the biennium
- The legislature could consider lower annual inflation rates in state facility medical and food costs for reductions ranging between \$0.6 million and \$2.2 million
- The health and Medicaid initiatives state special revenue account balance, which funds multiple divisions in DPHHS including AMDD, is not adequate to fund the executive budget request with an estimated shortfall of \$4.5 million in FY 2017

**Program Discussion -**

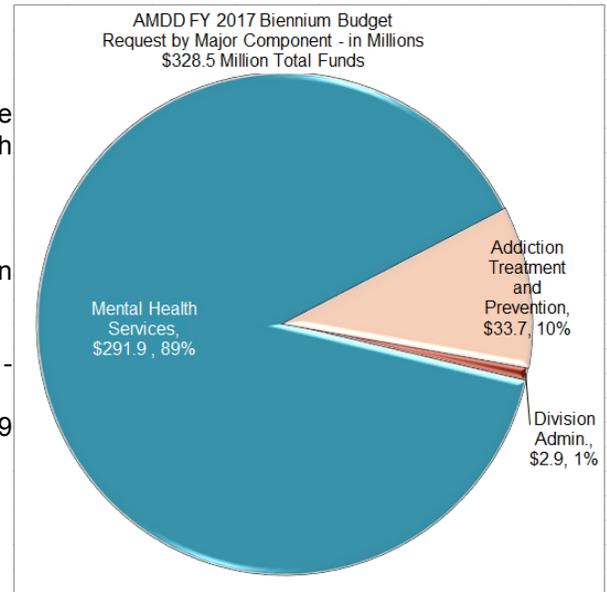
The following figure shows the AMDD 2017 biennium budget request by major component. Mental health services are the most significant with 89% of the total. Addiction treatment and prevention is 10% while division administration is 1% of the total.

Significant mental health services include:

- Medicaid services - \$164.5 million
- The two adult mental health state facilities – the Montana State Hospital (MSH) - \$80.9 million and the Montana Mental Health Nursing Care Center (MMHNCC) - \$24.4 million
- NonMedicaid mental health services - \$17.8 million

The most significant components of addiction treatment and prevention services are:

- NonMedicaid community prevention and treatment services - \$16.3 million
- The Montana Chemical Dependency Center (MCDC) - \$10.9 million
- Medicaid services - \$4.9 million

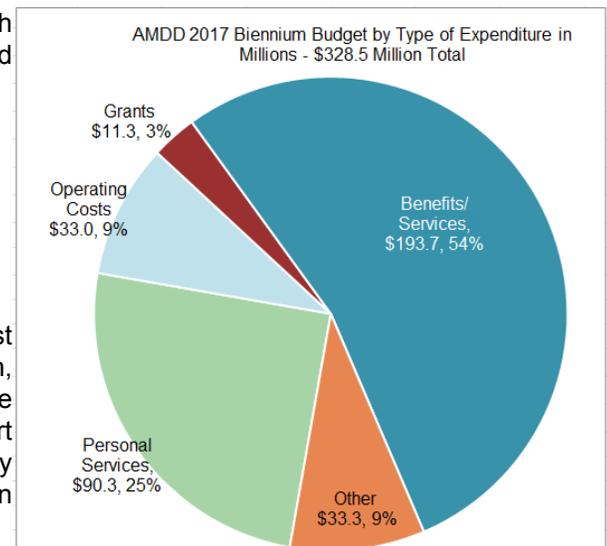


**2017 Biennium Budget by Type of Expenditure**

The figure below shows the 2017 biennium budget request by major expenditure type. Benefits and services are payments for specific services for individuals who meet program eligibility requirements.

Medicaid services are the largest component of this category, with \$169.4 million over the biennium or 87% of the total for benefits and services. Other programs in benefits and services include:

- 72 hour mental health crisis services - \$3.2 million
- Mental Health Services Plan - \$2.9 million
- Chemical dependency treatment - \$14.0 million



**Personal Services and Operating Costs**

Personal services are 25% of the AMDD 2017 biennium budget request primarily due to the three state facilities administered by the division, which account for 95% of the total division FTE. Operating costs are 9% of the 2017 biennium budget request. Most operating costs support the mental health and chemical dependency state facilities. Facility based budgets are discussed in greater detail under the section “Changes from the Legislative Base Budget”.

**Grants and Other Expenditures**

Grants are 3% of the biennial budget request and represent funds that are passed through to local entities that contract with AMDD. Grant expenditures provide broad public benefits and include such items as:

- Adult mental health community grants for various services - \$4.7 million
- Community grants to develop and maintain mental health crisis services - \$2.4 million

- Chemical dependency and prevention - \$2.1 million

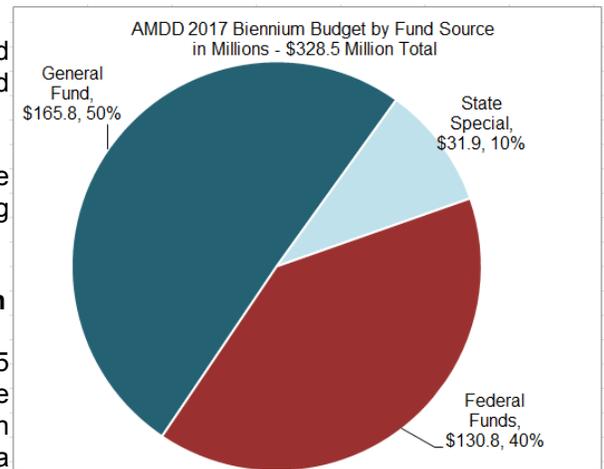
Other expenditures include equipment, debt service, and transfers.

**2017 Biennium Budget Request by Major Fund**

The following figure shows the AMDD budget request by major fund type. General fund is 50% of the total. General fund supports the adult mental health facilities, and provides state Medicaid matching funds, some adult mental health and chemical dependency services, and administrative costs.

State special revenue supports MCDC, a portion of the state Medicaid match, grants to counties for chemical dependency treatment and prevention, and some administrative costs.

Federal funds include federal categorical grants for substance abuse prevention and treatment, mental health, and federal Medicaid matching funds. Funding is discussed in greater detail in the Funding section.

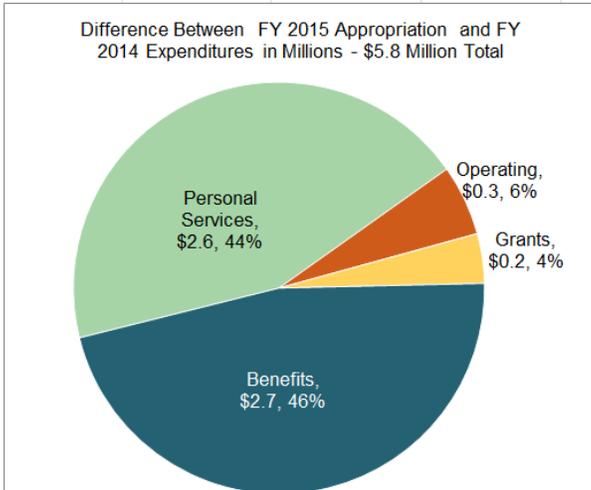


**Comparison of FY 2015 Legislative Base to FY 2015 Appropriation**

The following table highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base. The main differences between the FY 2015 legislative appropriation used as a base budget compared to the executive implementation are a transfer of about \$290,000, which moved information technology functions to the Technology Services Division, and inclusion of a one-time federal funds appropriation to prevent jail suicides.

FY 2015 Appropriation Transactions - Department of Public Health & Human Services					
Program	Legislative Appropriation	Legislative App OTO	House Adj	Program Transfers	Total Executive Implementation
Addictive and Mental Disorders	\$136,810,954	\$125,000	-	(\$222,571)	\$136,643,258
Addictive and Mental Disorders	-	-	-	(26,269)	
Addictive and Mental Disorders	-	-	-	(43,856)	
Addictive and Mental Disorders	-	-	(10,000)		
Addictive and Mental Disorders	-	-	10,000		
<b>Program Total</b>	<b>\$136,810,954</b>	<b>\$125,000</b>	<b>\$0</b>	<b>(\$292,696)</b>	<b>\$136,643,258</b>

**Differences Between FY 2014 Expenditures and the Legislative Base Budget**



The executive budget is based on the FY2014 level of expenditures while the legislative budget analysis uses FY 2015 legislative appropriations with certain adjustments as its base. The figure above shows the difference between the two base budgets. The legislative base budget is \$5.8 million higher than FY 2014 expenditures.

The largest difference is in benefits. The legislative base budget is \$2.7 million higher than FY 2014 expenditures due to a 2% provider rate increase approved by the 2013 Legislature in FY 2015 and appropriations for enrollment and service utilization increases – primarily in Medicaid services.

The personal services legislative base budget is \$2.6 million higher than FY 2014 expenditures. Pay plan increases add \$1.9 million.

Grants are higher in the legislative base budget because in FY 2014 AMDD did not spend an appropriation added by legislative initiative for \$0.2 million to prevent jail suicide. The legislature approved the same amount in FY 2015.

**LFD COMMENT** Request Information about FY 2015 Action

The legislature may wish to request that AMDD discuss whether it plans to spend the FY 2015 appropriation added by the 2013 Legislature for prevention of jail suicide and if so what it will fund with the appropriation.

Other expenditures are \$0.3 million different due to changes in inflation and operating costs for state facilities. The FY 2015 appropriation for those services is higher than FY 2014 expenditures for most facilities administered by AMDD.

**Biennial Difference Using FY 2015 Appropriation as Base**

The figure below shows the 2015 biennium budget compared to the 2017 biennium executive request for AMDD using the FY 2015 legislative base budget. The biennial difference is an increase of \$54.0 million total funds, including \$29.5 million general fund. The most significant difference is in benefits and claims and the addition of 80.70 new FTE.

Addictive and Mental Disorders Division Biennial Change Using FY 2015 Legislative Base Budget				
Expenditure and Funding	2015 Bien	2017 Bien	Difference	%
FTE	614.86	695.56	80.70	13.1%
Personal Services	\$81,336,750	\$90,332,489	\$8,995,739	11.1%
Operating Costs	27,725,048	33,018,651	5,293,603	19.1%
Equipment	214,920	214,122	(798)	-0.4%
Grants	7,849,224	11,043,048	3,193,824	40.7%
Benefits and Claims	156,215,720	193,652,213	37,436,493	24.0%
Transfers	45,000	35,600	(9,400)	-20.9%
Debt Service	235,246	239,655	4,409	1.9%
<b>Total Expenditures</b>	<b>273,341,662</b>	<b>328,260,523</b>	<b>54,918,861</b>	<b>20.1%</b>
General Fund	136,329,806	165,801,563	29,471,757	21.6%
State Special Rev.	31,799,828	31,897,972	98,144	0.3%
Federal Funds	105,492,274	130,836,243	25,343,969	24.0%
<b>Total</b>	<b>\$273,621,908</b>	<b>\$328,535,778</b>	<b>\$54,913,870</b>	<b>20.1%</b>

### Executive Budget Request and Legislative Decisions

The major appropriation request included in the AMDD budget request is the Governor's mental health initiative – First Step. The following figure shows the components of the request. In total, the initiative adds \$12.6 million general fund and 72.70 new FTE over the biennium. Part of the general fund offsets a reduction in county funds transferred from Community Mental Health Centers. FY 2017 would represent the annualized cost of the proposals once fully implemented, which would result in a biennial cost of \$17.6 million general fund in the 2019 biennium.

Executive Budget Adult Mental Health Proposal						
	FY 2016		FTE	FY 2017		% of Total
	General Fund	Total		General Fund	Total	
Community and Facility Based Services						
<b>Expanded Community Services</b>						
72 Hour Crisis Intervention	\$500,000	\$500,000		\$750,000	\$750,000	9.2%
Peer Support Services	700,000	700,000		700,000	700,000	8.6%
Housing and Re-entry	315,000	315,000		315,000	315,000	3.9%
County Matching Grants (HB 130)	360,000	360,000		360,000	360,000	4.4%
Secure Crisis Beds (HB 131)	200,000	200,000		200,000	200,000	2.4%
Drop-In Centers	193,769	193,769		193,769	193,769	2.4%
Contracted Forensic Evaluations	180,000	180,000		180,000	180,000	2.2%
Crisis Intervention Team Training	50,000	50,000		50,000	50,000	0.6%
Medicaid IGT Funding Shift	1,049,904	-		1,049,904	-	0.0%
IPS Supported Employment	-	420,000		-	420,000	5.1%
<b>Subtotal Community Services</b>	<b>3,548,673</b>	<b>2,918,769</b>		<b>3,798,673</b>	<b>3,168,769</b>	<b>38.8%</b>
<b>Facility Based Services</b>						
Behavioral Health Inpatient Unit Plan	250,000	250,000		-	-	0.0%
Forensic Unit D Wing MSH	-	-	43.50	3,001,448	3,001,448	36.7%
Dementia Unit MMHNCC	-	-	29.20	2,001,740	2,001,740	24.5%
<b>Subtotal Facility Services</b>	<b>250,000</b>	<b>250,000</b>	<b>72.70</b>	<b>5,003,188</b>	<b>5,003,188</b>	<b>61.2%</b>
<b>Total Executive Proposal</b>	<b>\$3,798,673</b>	<b>\$3,168,769</b>	<b>72.70</b>	<b>\$8,801,861</b>	<b>8,171,957</b>	<b>100.0%</b>

In FY 2017 the executive proposal increases community services by a net of \$3.2 million and facility based services by \$8.2 million. The community services portion of the request includes:

- Expansion of adult community mental health services for 72-hour crisis services, peer support services, drop-in centers, contracted forensic beds, and secure crisis beds - \$3.8 million
- Elimination of county intergovernmental transfer funds, which have been used as state Medicaid matching funds - \$2.1 million general fund with an equal reduction in state special revenue
- Expansion of county matching grants to develop community crisis services and crisis intervention team training - \$0.8 million general fund
- Addition of supported employment, housing, and community re-entry services - \$0.8 million federal funds and \$0.6 million general fund

Facility based services include:

- Expansion of the forensic unit and an additional group home at MSH- \$4.3 million and 53.50 FTE
- Renovation of a wing at MMHNCC for a dementia unit - \$2.0 million and 29.20 FTE
- Funding to initiate planning for a community behavioral health inpatient facility - \$0.3 million

**Additional Mental Health Expenditure Proposals**

The executive budget includes an additional \$2.0 million general fund in mental health services and 10.00 new FTE, excluding the 2% annual provider rate increase and Medicaid services. The figure below shows the additional requests.

Mental Health Budget Requests in Addition to Those Included in the First Step Proposal		
Request	FTE	Biennial General Fund
McCollom Group Home - MSH	10.00	\$1,349,049
Suicide Prevention Grants	-	500,000
Occupational Therapist Services - MSH	-	126,430
Suicide Mortality Review Team - HB 583	-	67,000
<b>Total FTE and Total General Fund</b>	<b>10.00</b>	<b>\$2,042,479</b>

**LFD COMMENT**

**New Group Home on MSH Campus**

DPHHS opened a new eight bed group home on the MSH campus – the McCollom group home – on March 25, 2014. The MSH maintenance staff refurbished a house that was formerly used as a physician residence. Upgrades included re-doing the electrical work for lights and outlets, adding smoke alarms, repainting, installing escape windows in the upstairs bedrooms, converting one of the rooms into a medical room, and changing locks on the doors. There were about 480 hours of staff time used to convert the building, and including supplies and furnishings, the total cost was about \$25,000.

The group home is being staffed by 13.00 FTE including: 1 registered nurse, 1 licensed practical nurse, 1 social worker, and 10 psychiatric technicians. Twelve of the FTE are being accommodated within existing FTE levels funded for MSH, with one position being a modified, nonpermanent FTE.

The executive budget also includes \$0.5 million for suicide prevention grants. The executive budget includes funds to contract for occupational therapy services for MSH residents and funding to support the suicide mortality review team established and funded for the 2015 biennium by HB 583. The review team is scheduled to sunset after FY 2016.

**Legislative Mental Health Proposal**

There are also legislative proposals regarding mental health services that will be considered by the 2015 Legislature. Several bills requested by the Children, Families, Health, and Human Services Interim Committee based on the HJR 16 study of state-operated institutions address mental health issues and service needs. The following table shows each bill, the biennial general fund appropriation, and FTE. In total, the Interim Committee recommended seven bills that appropriate \$12.1 million general fund and support 5.00 FTE.

Interim Committee on Children, Families, Health, and Human Services - Mental Health Recommendations			
Bill Request	Purpose	FTE	Biennial Funding
LC 342	Community Mental Health Group Homes		\$3,000,000
LC 338	Mental Health Crisis Jail Diversion Grants		2,000,000
LC 339	Secure Psychiatric Detention Beds		1,200,000
LC 334	Mental Health Crisis Diversion - Youth		1,200,000
LC 347	Short-Term Mental Health Treatment		1,000,000
LC 337	5.00 Crisis and Transition FTE	5.00	690,000
Total General Fund Over the Biennium		5.00	\$9,090,000

There are similarities between the executive and legislative proposals, with both funding some of the same services. There is also a similarity in funding capacity for forensic mental health commitments, but the executive proposal funds additional beds for MSH while the Interim Committee appropriates funds for community facilities and group homes.

Both the Interim Committee proposals and the Governor’s initiative provide increases for two services – local grants for mental health crisis intervention services and additional secure community detention beds. The Governor’s proposal allocates \$1.2 million to mental health crisis grants while the Interim Committee bill (LC 338) appropriates \$2.0 million. The executive budget includes an additional \$0.4 million to community psychiatric secure beds, while the Interim Committee bill (LC 339) appropriates \$1.2 million.

The Interim Committee proposes expanding community services for forensic mental health commitments - LC 342 appropriates \$3.0 million for forensic community correction facilities and LC 241 appropriates \$3.0 million for transitional mental health group homes. The executive proposal funds a 20 bed expansion of the MSH forensic unit at an anticipated annual cost of \$3.0 million. Since the Interim Committee bills do not have an estimated capacity increase it is not possible to compare the number of beds/services.

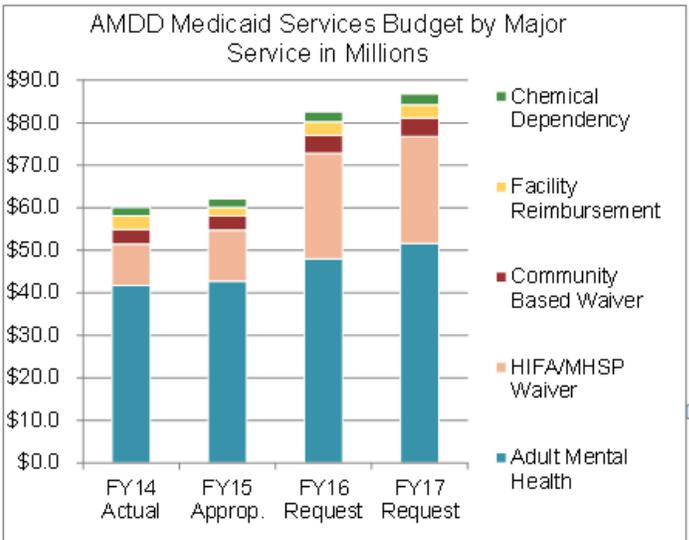
The Interim Committee proposals include funding for short term voluntary treatment and for children and persons who are developmentally disabled. LC 337 appropriates \$0.7 million general fund for 5.00 crisis and transition technician FTE to work with intellectually disabled individuals who are in or approaching a mental health crisis that could lead to a more restrictive placement or commitment to the Montana Developmental Center. LC 347 appropriates \$1 million general fund for short-term voluntary mental health treatment while a proceeding for involuntary commitment is suspended. LC 334 appropriates \$1.2 million in general fund to continue mental health crisis diversion pilot projects targeted toward youth.

**Medicaid Services**

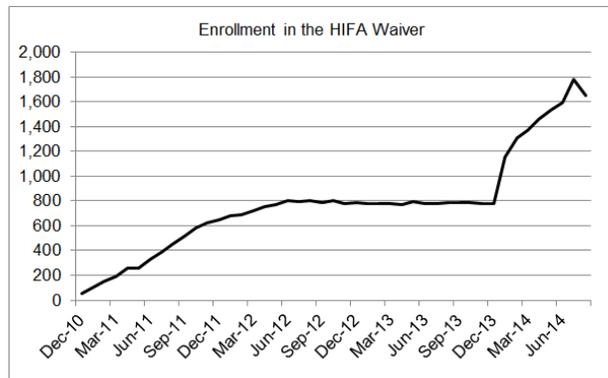
The following graph shows the AMDD Medicaid services budget request by major service from FY 2014 through FY 2017. All expenditures are included except the 2% annual provider rate increase.

Adult mental health services grow from FY 2014 expenditures of about \$42 million to about \$52 million in the FY 2017 budget request. Four services included in this category - mental health center, case management, licensed professional counsel, and hospital services – account for 77% of the total in FY 2017.

The largest increase in the AMDD Medicaid services budget occurs in the HIFA/MHSP waiver, which grows from a FY 2014 expenditure level of about \$10 million to the executive request of \$24.6 million in FY 2017. This Medicaid service allows the state to provide health and physical health services to low-income individuals who have a serious and disabling mental illness with incomes up to 150% of the federal poverty level (\$35,775 for a household with 4 persons in 2014). The waiver allows DPHHS to transition persons from a state program – the Mental Health Services Plan (MHSP) – to Medicaid funded services. MHSP does not fund physical health services and the mental health service array and financial support provided by MHSP is less robust than provided under the HIFA/MHSP waiver.



Enrollment in the HIFA waiver was anticipated to be capped at around 800 persons when the 2013 Legislature considered the HIFA appropriation for the 2015 biennium. However, DPHHS requested an amendment to the waiver to increase enrollment, which was approved by the federal Centers for Medicare and Medicaid Services (CMS). The following figure shows enrollment in the HIFA/MHSP waiver since its inception. The executive budget request is based on enrollment growing to 3,600 persons. The increased state matching funds required to expand the waiver are being transferred from the MHSP program as persons transition from MHSP to the HIFA services.



Community based waiver services administered by AMDD are provided to Medicaid eligible persons who need the level of care provided by a nursing home or hospital, but with appropriate services can be maintained in the community.

Chemical dependency Medicaid services and federal funds for reimbursement of state facility services remain relatively constant from FY 2014 to FY 2017.

<b>LFD COMMENT</b>	<p>Alcohol Tax and Duplicate Federal Authority</p> <p>As noted in the funding section, the executive budget uses more alcohol tax revenue than projected to be available. The state Medicaid match for chemical dependency services is funded from alcohol state special revenue.</p> <p>The federal Medicaid reimbursement for AMDD facility costs is discussed in the DPHHS Budget Discussion in relationship to the issue that funding for facility expenditures has duplicate appropriation authority in HB 2.</p>
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State Facilities Administered by AMDD				
Base Budget Compared to 2017 Biennium Budget Request				
Facility	Base Budget	Legislative Base	Executive Budget Request	
Cost/Funding	FY 2014	FY 2015	FY 2016	FY 2016
<b>Montana State Hospital</b>				
FTE	405.40	405.40	415.40	458.90
Personal Services	\$26,320,250	\$27,466,436	\$29,187,604	\$31,717,750
All Other	8,039,567	5,175,605	3,453,758	10,524,350
Total	34,359,817	32,642,041	38,647,362	42,242,100
General Fund	33,265,957	31,503,298	38,537,470	42,132,452
State Special Rev.	107,670	138,743	103,892	103,648
Federal Funds	386,190	1,000,000	-	-
Facility Revenue**	8,407,412	8,661,714	8,344,869	3,174,172
Average Population	187	208	208	228
Costs Per Person	184,037	156,933	185,805	185,272
Cost Per Day	504	430	509	508
Annual Change		-14.8%	18.4%	-0.3%
<b>Mental Health Nursing Care Center</b>				
FTE***	120.21	119.21	120.21	149.41
Personal Services	6,322,852	6,665,491	7,717,037	3,275,082
All Other	3,066,572	3,603,725	3,395,406	4,001,476
Total	3,389,424	10,269,216	11,112,443	13,276,558
General Fund	3,389,424	10,269,216	11,112,443	13,276,558
Facility Revenue**	4,076,588	4,443,248	4,850,515	5,145,508
Average Population	82	95	95	120
Cost Per Person	122,509	108,037	116,373	110,638
Cost Per Day	336	296	320	303
Annual Increase		-11.8%	8.2%	-5.4%
<b>Montana Chemical Dependency Center</b>				
FTE	53.25	52.65	53.25	53.25
Personal Services	2,768,442	3,543,731	3,719,606	3,801,673
All Other	1,373,058	1,452,064	1,660,621	1,732,842
Total	4,141,500	4,995,795	5,380,227	5,534,515
State Special Funds	4,141,500	4,995,795	5,380,227	5,534,515
Federal Funds	-	-	-	-
Average Population	35	39	39	39
Cost Per Person	118,329	128,037	137,955	143,449
Cost Per Day	324	351	378	393
Annual Change		8.3%	7.7%	4.0%
<b>Total Division Facility Budget</b>				
FTE**	578.86	577.26	588.86	661.56
% of Division Total	94.1%	93.9%	94.5%	95.1%
General Fund	43,255,381	41,772,514	43,643,913	55,409,010
% of Division Total	65.5%	61.5%	64.0%	66.5%
Total Funds	\$48,430,741	\$47,907,052	\$55,140,032	\$61,113,173
Annual Change		-1.2%	15.1%	10.8%
General Fund Revenue		13,104,962	13,795,384	14,319,679
*An estimate of the of the pay plan allocated to each facility has been added to personal services costs for FY 2015.				
**Facility revenue includes payments for facility services, which are deposited to the general fund.				
***The FTE for the Nursing Care Center do not include the 20.25 FTE funded by a contract with the Department of Corrections to provide services to inmates needing nursing home level of care.				

### State Facility Costs

The preceding table shows the FY 2014 expenditures, the FY 2015 legislative base budget, and the 2017 biennium budget request for the three state facilities managed by AMDD. In total, the facilities budget request includes funding for 95% of AMDD division FTE and 65% of the general fund. The annual cost of serving one person in any of the three facilities is

over \$100,000, while the average annual cost at MSH is over \$185,000 in FY 2017. As noted previously, the executive budget includes expansions of services at MSH and MMHNCC starting in FY 2017.

**MSH Population Growth**

FY 2014 expenditures for MSH exceeded the original legislative appropriation of \$33.1 million by \$1.2 million general fund. The 2013 Legislature approved the executive request for MSH, which was based on an average daily population of 155. However, the actual population in FY 2014 was 187, which is 21% above budgeted level. Funds were transferred from several other division appropriations to cover the additional MSH cost.

MSH expenditures for FY 2015 in the November 2014 budget status report prepared by DPHHS are estimated to reach \$36.1 million, or \$1.6 million general fund higher than the legislative base budget. The FY 2015 base budget was predicated on an average daily population of 155. However, the most recent population estimate provided by DPHHS is 208 persons, which is expected to remain constant throughout the 2017 biennium.

<b>LFD COMMENT</b>	<p>MSH Population Growth</p> <p>The legislature may wish to review year to date MSH population levels to determine whether the current year estimate should be revised. The legislature may also wish to request information from DPHHS about what is driving MSH population increases, what plans it has to transition persons from facility based care to community based services, and what actions it will take to reduce admissions to MSH. The legislature may wish to ask what impact the Governor’s First Step mental health proposal will have on MSH population levels.</p>
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MSH and MMHNCC receive reimbursement for a portion of facility services, which is deposited to the general fund. The facilities receive reimbursement from:

- Medicaid
- Medicare
- Indian Health Services
- Local governments (for mental health evaluations at MSH)

MCDC also receives some reimbursements, which are deposited in a state special revenue account and appropriated to fund MCDC. Facility reimbursement for MCDC is discussed in greater detail in the Funding section.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Medicaid and Health Services Branch, 33-Addictive & Mental Disorders						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	165,801,563	0	0	165,801,563	49.23 %	
02034 Earmarked Alcohol Funds	13,651,102	0	4,761,286	18,412,388	45.85 %	
02053 Medicaid Nursing Home Match	(224,262)	0	0	(224,262)	(0.56)%	
02247 MMHNCC DOC INFIRMARY	0	0	0	0	0.00 %	
02384 02 Indirect Activity Prog 33	440,292	0	0	440,292	1.10 %	
02394 Montana State Hospital Rev Acc	0	0	3,497,136	3,497,136	8.71 %	
02598 MCDC COST RECOVERY	277,154	0	0	277,154	0.69 %	
02691 6901-MSH/DOC Maint Agreement	219,540	0	0	219,540	0.55 %	
02772 Tobacco Hlth & Medica Initiative	16,182,913	0	0	16,182,913	40.30 %	
02987 Tobacco Interest	1,351,233	0	0	1,351,233	3.36 %	
<b>State Special Total</b>	<b>\$31,897,972</b>	<b>\$0</b>	<b>\$8,258,422</b>	<b>\$40,156,394</b>	<b>11.92 %</b>	
03171 Data Infrastructure Development	120,615	0	0	120,615	0.09 %	
03491 Tobacco Retail Inspctn Program	0	0	0	0	0.00 %	
03504 Strategic Prevention Framework	0	0	0	0	0.00 %	
03505 93.150 - Mntal Hlth - Homeless	572,564	0	0	572,564	0.44 %	
03507 93.958 - Mntal Hlth - Blk Grt	2,461,772	0	0	2,461,772	1.88 %	
03508 93.959 - ADAD - Blk Grt 100%	12,759,764	0	0	12,759,764	9.75 %	
03513 CHIPRA Bonus	0	0	0	0	0.00 %	
03580 6901-93.778 - Med Adm 50%	2,174,918	0	0	2,174,918	1.66 %	
03583 93.778 - Med Ben Fmap	112,512,389	0	0	112,512,389	85.99 %	
03601 03 Indirect Activity Prog 33	234,221	0	0	234,221	0.18 %	
03902 HRSA Flex Rural Hlth Access Pg	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$130,836,243</b>	<b>\$0</b>	<b>\$0</b>	<b>\$130,836,243</b>	<b>38.85 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$328,535,778</b>	<b>\$0</b>	<b>\$8,258,422</b>	<b>\$336,794,200</b>		

AMDD is funded by general fund, state special revenue, and federal funds. General fund is one half of the division budget request and supports:

- State adult mental health facility costs
- State Medicaid match
- Some adult mental health community services such as:
  - 72 hour community crisis services
  - Drop in centers
  - Goal 189 services
  - Community mental health crisis jail diversion services
- Community chemical dependency group home services for adults with methamphetamine and other addictions
- Grants to counties to develop mental health crisis jail diversion services
- Training for crisis intervention teams

State special revenue funds about 10% of the division budget request and supports:

- MCDC
- The state Medicaid match for chemical dependency services and a portion of the match for adult mental health community waiver services and the HIFA/MHSP waiver
- Grants to counties to support state approved chemical dependency programs
- Other division administrative costs

### Alcohol Taxes

The following figure shows the alcohol tax state special revenue fund balance for the 2017 biennium budget compared to the executive budget. The executive budget request exceeds the revenue available by about \$860,000 each year of the biennium.

Earmarked Alcohol Tax Revenue - 2015 Biennium Budget Compared to 2017 Biennium Budget Request					
Revenue/Expenditures Fund Balance	Legislative				% of Total
	FY 2014	Base FY 2015**	Budget Request FY 2016	FY 2017	
Beginning Balance	\$1,514,092	\$0	\$0	\$0	
<b>Revenues*</b>					
Liquor License	6,328,906	6,633,114	6,853,810	7,101,417	77.0%
Wine Tax	1,030,618	1,067,283	1,099,591	1,129,885	12.3%
Beer Tax	<u>935,365</u>	<u>965,360</u>	<u>973,297</u>	<u>986,184</u>	<u>10.7%</u>
Total Revenue	8,294,889	8,665,757	8,926,698	9,217,485	100.0%
Annual Percent Change		5.7%	5.7%	5.7%	
Total Funds Available	9,808,981	8,665,757	8,926,698	9,217,485	
<b>Disbursements</b>					
Montana Chemical Dependency Center	4,007,219	4,766,605	5,242,085	5,365,327	53.2%
Statutory Distribution to Counties****	2,031,981	1,733,151	1,785,340	1,843,497	18.3%
Statutory Distribution to Counties - Services for Dually Diagnosed****	547,463	571,940	589,162	608,354	6.0%
Cost Allocated Administration	515,950	541,748	568,835	597,277	5.9%
CD Medicaid Services	422,524	444,413	550,143	614,687	6.1%
CD Benefits - nonMedicaid	450,088	487,256	446,312	446,314	4.4%
CD Operations	340,809	343,990	493,262	492,972	4.9%
Quality Assurance- Licensure	78,003	71,040	82,431	82,303	0.8%
Department of Corrections- Pine Hills	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	<u>0.3%</u>
Total Disbursements	8,419,559	8,985,666	9,783,093	10,076,254	100.0%
Adjustments*****	(1,159,680)	-	-	-	
Ending Fund Balance	\$229,742	(\$319,909)	(\$856,395)	(\$858,769)	
Spending Adjustments Needed to Balance Acct		(\$319,909)	(\$856,395)	(\$858,769)	
Transportation.					
** FY 2015 budgeted amounts are based on 2013 legislative appropriations, except indirect costs, which are based on LFD estimates.					
****26.6% of alcohol tax revenues are statutorily appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6% of total revenue) is statutorily required to be used to treat persons with alcoholism who also have a mental illness. Revenues in excess of appropriations or unencumbered balances remaining at fiscal year end, also are statutorily appropriated to be distributed to state approved programs.					
*****Adjustments include those made to comply with generally accepted accounting principles (GAAP) as well as actions needed to maintain the account in a positive balance.					

There are several statutory appropriations made from the alcohol taxes allocated to DPHHS and distributed to state approved chemical dependency programs and local governments:

- 20% of the total revenue

- 6.6% of total revenue allocated to treatment of persons with alcoholism who also have a mental illness
- Any fund balance remaining at fiscal yearend
- Any funds reverted from allocations to local programs or unexpended appropriations

**LFD  
ISSUE**
**Alcohol Tax State Special Revenue Shortfall and Legislative Options**

There is insufficient revenue in the alcohol tax state special revenue account to distribute the statutory appropriations from the account and to fully fund the executive budget request. The above figure shows anticipated FY 2014 expenditures, FY 2015 appropriations, and the executive budget request. The amount shown for the statutory appropriations is the full amount that should be distributed to state approved programs.

The executive budget assumes that there will be reductions in the statutory appropriations sufficient to fund the executive HB 2 request. The budgeting system shows that the executive budget bases statutory appropriations on the FY 2014 expenditure level and then reduces the amount by \$198,000 each year of the 2017 biennium. However, as shown in the , the total short fall is about \$900,000 each year of the 2017 biennium.

Legislative legal staff reviewed statutes governing statutory appropriations of the alcohol taxes and concluded that the executive cannot override statute and reduce the amount of alcohol tax that is distributed to state approved programs. Since it is not a legal option, the reduction included in the executive budget request is not reflected in the fund balance table.

The legislature has several options it may consider to address the shortfall in alcohol tax revenue:

- Reduce the 2017 biennium budget request
- Increase tax rates on alcohol
- Find other sources to support costs
- Amend statute to lower the statutory appropriation from the account

There are several requests to increase spending from the alcohol tax, which are identified in the LFD budget analysis that follows. If the legislature chooses to reduce spending from the alcohol account it can alter these increases.

If the legislature chooses to raise revenue, it would need to increase tax rates by about 14% since a portion of the increase (26.6%) would flow to state approved chemical dependency programs via the statutory appropriation. If a tax increase had a dampening effect on alcohol consumption, the increase would need to be larger.

Other sources of revenue that could be considered are general fund and facility reimbursements. DPHHS could attempt to collect more revenue for facility services. The following graph shows facility reimbursement revenue for MDCDC from FY 2010 and the 2017 biennium revenue based on estimates adopted by the Interim Committee on Revenue and Transportation.

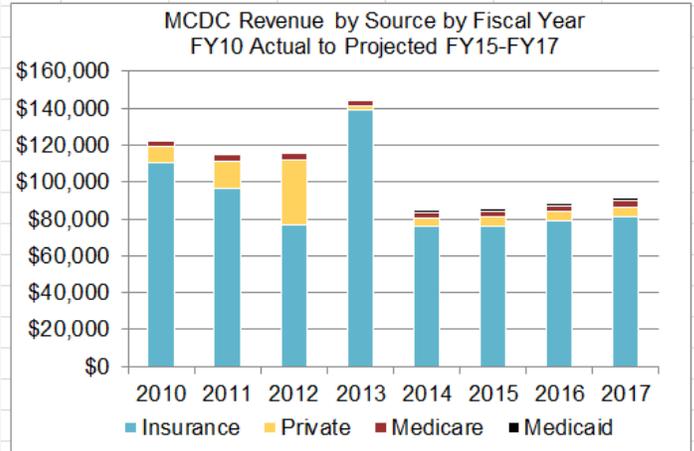
Legislative staff requested information from DPHHS as to why MCDC facility revenues had declined between FY 2013 and FY 2014. DPHHS responded that private revenues were lower for two primary reasons:

1. The census declined from 14,697 days of care in FY 2013 to and 12,636 days of care in 2014 (a 14% reduction); and
2. FY 2014 revenues declined in part due to difficulties with the pre-authorization process.

DPHHS reviewed MCDC pre-authorization and admission procedures with the goal of streamlining the process. The changes are anticipated to be implemented in the current fiscal year and are anticipated to improve operating processes as well as the patient treatment experience.

Legislative staff has requested that DPHHS discuss these process changes with the legislature and highlight how the changes will impact facility reimbursement. The legislature may wish to consider whether it would alter the amount of facility reimbursement for MCDC based on information provided by DPHHS.

Finally, the legislature could lower the statutory appropriations from the alcohol tax state special revenue account. The legislature may wish to discuss any potential changes to the statutory appropriation with stakeholders who currently receive the funds to determine the benefits and costs of such a change.



Federal sources that support AMDD include:

- Medicaid matching funds
- Categorical block grants for chemical dependency treatment and prevention and mental health

**LFD COMMENT**

Impact of Governor’s Healthy Montana Plan – Medicaid Expansion

The Governor’s proposed expansion of Medicaid would impact AMDD funding and related expenditures. The proposed expansion – LC 631 - is discussed in greater detail in the Agency Budget Discussion. The most significant change would be related to persons currently receiving state funded services who become eligible for Medicaid. The cost of ongoing services would shift from state funded programs to Medicaid funded services. A smaller impact would be that some current AMDD Medicaid services would be reimbursed at a higher federal match rate.

Examples of state funded services that are currently accessed by low-income persons who would potentially shift to Medicaid funded services under the expansion proposal include:

- Community chemical dependency services, including group homes that treat methamphetamine and other addictions
- MHSP, 72 hour crisis services, and community mental health crisis beds
- MCDC

Under a Medicaid expansion, Medicaid service utilization would increase as more persons become eligible and access services. The increased state Medicaid match for additional Medicaid services could be provided in whole or part from reductions in state funded programs that currently serve low-income persons who become Medicaid eligible.

Under a Medicaid expansion, most of the persons served under the HIFA/MHSP waiver would be part of the new expansion population. Currently, services provided through the HIFA/MHSP waiver are matched at the regular Medicaid match rate. Under a Medicaid expansion, the services provided to the expansion population would be eligible for a higher federal match rate, which is 100% in calendar year 2016, then gradually declines to 90% in 2020.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	68,164,903	68,164,903	136,329,806	82.22 %	136,810,954	136,810,954	273,621,908	83.29 %
PL Adjustments	5,914,644	7,684,348	13,598,992	8.20 %	17,046,169	20,662,317	37,708,486	11.48 %
New Proposals	4,994,284	10,878,481	15,872,765	9.57 %	5,098,298	12,107,086	17,205,384	5.24 %
<b>Total Budget</b>	<b>\$79,073,831</b>	<b>\$86,727,732</b>	<b>\$165,801,563</b>		<b>\$158,955,421</b>	<b>\$169,580,357</b>	<b>\$328,535,778</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	2,612,275	76,750	(743,562)	1,945,463	0.00	2,420,760	63,719	(660,761)	1,823,718
DP 99 - LEG. Present Law	0.00	3,302,369	744,698	11,053,639	15,100,706	0.00	5,263,588	1,103,582	12,471,429	18,838,599
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$5,914,644</b>	<b>\$821,448</b>	<b>\$10,310,077</b>	<b>\$17,046,169</b>	<b>0.00</b>	<b>\$7,684,348</b>	<b>\$1,167,301</b>	<b>\$11,810,668</b>	<b>\$20,662,317</b>

**DP 98 - LEG. Personal Services Present Law -**

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	612.86	\$261,884	\$30,035	\$5,931	\$297,850
Executive Implementation of 2015 Pay Increase		581,232	68,523	14,764	664,520
Fully Fund 2015 Legislatively Authorized FTE		89,021	24,625	10,118	123,764
Other					
Funding Shift in Base Budget		986,190	-	(986,190)	-
Remainder of Other		693,948	(46,433)	211,814	859,329
Total Other		1,680,138	(46,433)	(774,376)	859,329
Personal Services Present Law Adjustments	612.86	\$2,612,275	\$76,750	(\$743,562)	\$1,945,463

FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	612.86	\$261,884	\$30,035	\$5,931	\$297,850
Executive Implementation of 2015 Pay Increase		581,232	68,524	14,764	664,520
Fully Fund 2015 Legislatively Authorized FTE		89,021	24,625	10,118	123,764
Other					
Funding Shift in Base Budget		986,190	-	(986,190)	-
Remainder of Other		502,433	(59,465)	294,615	737,584
Total Other		1,488,623	(59,465)	(691,575)	737,584
Personal Services Present Law Adjustments	612.86	\$2,420,760	\$63,719	(\$660,761)	\$1,823,718

The executive budget for personal services increases by about 5% each year of the 2017 biennium when compared to the FY 2015 legislative appropriation. As shown in the table, about half of the change is due to costs associated with HB 13 of the 2013 Legislature. Other adjustments include:

- Longevity changes
- Broad band pay increases
- Full funding of positions that were unfilled during a portion of the year

**LFD ISSUE**

Funding Shift Should be a New Proposal and Balance of Personal Services Cost Increase

The 2013 Legislature funded a portion of MSH overtime pay with federal CHIPRA bonus funds. The legislature used the one-time funds, knowing that overtime pay must be requested and reauthorized each legislative session. The executive budget includes a funding shift lowering the federal funds when it created the adjusted base budget for each year of the biennium. According to section 17-7-102(9) MCA, changes in funding are to be included in a new proposal. The legislature could segregate the funding shift included in the statewide present law in a new proposal.

There is an increase of about \$1.2 million general fund in the personal services present law adjustment that is not explained by reclassification actions or vacancies that occurred in FY 2014. Legislative staff has requested that AMDD help identify the reasons for the balance of the unexplained changes.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments. Present law budget adjustments for other costs are discussed separately. The amount of each change is based on the difference from the FY 2015 legislative appropriation.

Legislative Present Law Adjustments				
CP 99 Item	FY 2016			
	General Fund	State Special	Federal Special	Total Funds
DP 3333105 Med Ben Core Cslid Adult Mental Health	\$1,801,921	\$53,802	\$2,571,684	\$4,427,407
DP 3333108 Med Ben Waiver Adult Mental Health	-	225,704	329,114	554,818
DP 3333106 Med Ben Core Cslid Chemical Dep.	-	133,124	197,738	330,862
DP 3333109 Med Ben Facility Reimbursement	-	-	1,178,150	1,178,150
DP 3333303 Med Ben Waiver HIFA MSHP	-	54,553	8,011,079	8,065,632
DP 3333307 Facility Inflation MMHNCC	(536,729)	-	-	(536,729)
DP 3333308 Facility Inflation MCDC	-	113,841	-	113,841
DP 3333309 Facility Inflation MSH	1,036,952	-	-	1,036,952
DP 3333310 McCollum Group Home	160,555	-	-	160,555
DP 3333311 AMDD Suicide Mortality Review Team	67,000	-	-	67,000
DP 3333312 MSH Operating Increases	772,670	-	-	772,670
Other	-	163,674	(1,234,126)	(297,782)
<b>Legislative Present Law Adjustments</b>	<b>3,302,369</b>	<b>744,698</b>	<b>11,053,639</b>	<b>15,100,706</b>
FY 2017				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
DP 3333105 Med Ben Core Cslid Adult Mental Health	2,863,265	81,510	4,150,950	7,095,725
DP 3333108 Med Ben Waiver Adult Mental Health	-	239,061	315,757	554,818
DP 3333106 Med Ben Core Cslid Chemical Dep.	-	181,555	265,959	447,514
DP 3333109 Med Ben Facility Reimbursement	-	-	1,178,150	1,178,150
DP 3333303 Med Ben Waiver HIFA MSHP	-	86,776	7,978,856	8,065,632
DP 3333307 Facility Inflation MMHNCC	(364,223)	-	-	(364,223)
DP 3333308 Facility Inflation MCDC	-	250,150	-	250,150
DP 3333309 Facility Inflation MSH	1,732,688	-	-	1,732,688
DP 3333310 McCollum Group Home	160,555	-	-	160,555
DP 3333311 AMDD Suicide Mortality Review Team	-	-	-	-
DP 3333312 MSH Operating Increases	871,303	-	-	871,303
Other	-	264,530	(1,418,243)	(282,410)
<b>Legislative Present Law Adjustments</b>	<b>\$5,263,588</b>	<b>\$1,103,582</b>	<b>\$12,471,429</b>	<b>\$18,838,599</b>

**LFD COMMENT** FMAP Changes  
 Legislative decision points for Medicaid services in the present law table combine service utilization and enrollment increases with funding adjustments due to federal Medicaid match rate (FMAP) changes, which

occur annually. The two items will be separated into distinct decision points for legislative consideration when Medicaid cost estimates for the 2017 biennium are updated.

DP 3333105 Med Ben Core Cslid Adult Mental Health – This present law adjustment fund enrollment and service utilization increases in the 2017 biennium.

DP 3333108 Med Ben Waiver Adult Mental Health - This present law adjustment fund the Home and Community Based Services (HCBS) waiver program in AMDD. The funding is anticipated to be sufficient to provide services to 198 persons annually.

DP 3333106 Med Ben Core Cslid Chemical Dep. - This present law adjustment fund enrollment and service utilization increases in chemical dependency Medicaid services the 2017 biennium.

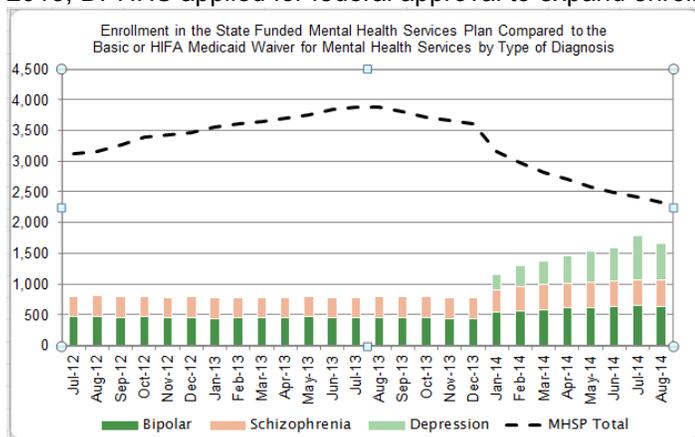
DP 3333109 Med Ben Facility Reimbursement – This present law adjustments represents the difference between the FY2015 legislative appropriation and the executive budget request for Medicaid reimbursement for facility based services.

DP 333303 - Med Ben Waiver HIFA MHSP -

This present law adjustment funds transition of persons served in the state funded MHSP program to a Medicaid program that provides mental health and physical health services. General fund is shifted from the MHSP program to pay the state Medicaid match for the increased enrollment in the HIFA/MHSP waiver. The table below shows the net funding change due to this proposal.

Funding Change in DP 333303 - Med Ben Waiver HIFA MHSP				
Service	General Fund	State Special Revenue	General Fund	State Special Revenue
HIFA/MHSP Waiver	\$4,490,494	\$718,125	\$4,490,494	\$818,862
MHSP State Program	(4,490,494)	-	(4,490,494)	-
<b>Net Change</b>	<b>\$0</b>	<b>\$718,125</b>	<b>\$0</b>	<b>\$818,862</b>

The graph below shows enrollment in the state MHSP program and the HIFA/MHSP Medicaid waiver. Enrollment in the waiver is shown by mental health diagnosis. Initial enrollment in the Medicaid waiver was targeted to persons with a diagnosis of bipolar disorder and schizophrenia and limited to an enrollment level of 800 persons. However, in late FY 2013, DPHHS applied for federal approval to expand enrollment in the waiver.



Current DPHHS estimates anticipate waiver enrollment to increase by about 50 persons per month until June 2017, when enrollment would be about 3,600 persons.

There would be about \$1.5 million left to fund MHSP after funds are shifted to pay the state match for the expanded HIFA/MHSP waiver. The enrollment in the state funded plan would be limited to about 450 persons.

**LFD COMMENT**

HIFA/MHSP Waiver Partially Funded from Medicaid and Health Initiatives State Special Revenue

The HIFA waiver adjustment is partially funded from the health and Medicaid initiative state special revenue account. As discussed in the DPHHS agency summary, the executive budget requests more money from this account than is estimated to be available in the 2017 biennium. The legislature may wish to consider whether to reduce expenditures from the account, substitute another funding source, or increasing tobacco taxes to cover the projected short fall in health and Medicaid initiatives funding.

DP 3333307 - Facility Inflation MMHNCC - This present law change adjusts certain medical and food costs from the FY 2015 legislative budget to the executive request for MMHNCC for the 2017 biennium. The adjustment reduces general fund. The adjacent table shows each type of cost that is included in this adjustment, the FY 2014 actual expenditure, the FY 2015 legislative base budget, and the executive request for each year of the biennium. Inflation in operating costs in FY 2014 was lower than anticipated by the 2013 Legislature. The figure also shows the annual rate of change over the four year time period. Annual costs range from a 76% increase between FY 2014 expenditures and the legislative base budget to a reduction of 28% in FY 2016 and a 13% increase in FY 2017.

Inflationary Increases - MMHNCC					
Type of Expenditure	FY 2014	FY 2015	Total with DP 33307		Inflation Rate FY14 - FY17
			FY 2016	FY 2017	
Drug Costs	\$515,947	\$1,166,037	\$660,870	\$750,015	13.3%
Food*	309,389	421,762	407,178	467,330	14.7%
Prescription Services	205,044	225,904	225,878	237,083	5.0%
Medical Services	42,240	77,530	60,578	72,582	19.8%
<b>Total</b>	<b>\$1,072,620</b>	<b>\$1,891,233</b>	<b>\$1,354,504</b>	<b>\$1,527,010</b>	<b>12.5%</b>
Annual Change		76.3%	-28.4%	12.7%	
Reduction from Legislative Base			(\$536,729)	(\$364,223)	
Overall Percent Increase from FY 2014			-50.0%	-34.0%	
Food includes additional fixed cost inflation of \$12,314 in FY16 and \$16,893 in FY17.					

**LFD ISSUE**

Inflation in Medical and Food Costs – MMHNCC

Annual inflation rates used for operating cost increases range from 5% to 20% from FY 2014 expenditures to the FY 2017 budget request. The I.H.S. service used by legislative and executive branch staff to estimate revenues projects annual inflation rates for various items. It estimates inflation in the cost of food consumed off premises to range between 1.1% to 1.7% annually from calendar year 2016 through 2018, while comparable inflation rates for medical services and pharmaceuticals is 3.0% to 3.6%. If the legislature were concerned that the consumer price index may understate actual inflation, it could also consider using the inflation rate included in the executive estimate of cost increases in the state employee plan. The high cost scenario assumed medical cost growth of 11% annually. The legislature could consider using either of these annual inflation rates. Over the biennium, that would reduce the request by \$568,000 using the CPI of by \$93,000 using the high trend for the state employee group plan estimate.

DP 33308 - Facility Inflation MCDC - This present law adjustment adds state special revenue to fund inflationary increases in certain operating costs for MCDC. The adjacent table shows each type of cost that is included in this adjustment, the FY 2014 actual expenditure, the FY 2015 legislative base budget, and the request for each year of the biennium. The figure also shows the annual inflation rate over the four year time period. Annual costs increase from 22% to 20%.

Inflationary Increases - MCDC					Inflation
Type of Expenditure	Actual FY 2014	Budget FY 2015	Total with DP 33308		Rate FY14 - FY17
			FY 2016	FY 2017	
Food Services	\$271,840	\$281,771	\$397,144	\$474,218	20.4%
Prescription Services	103,907	136,732	147,605	174,485	18.9%
Drugs	52,433	72,249	75,733	90,066	19.8%
Laboratory Testing	48,221	52,665	65,053	75,406	16.1%
Medical	10,574	50,280	21,895	29,305	40.5%
Dentistry	633	666	874	1,033	17.7%
<b>Total</b>	<b>\$487,608</b>	<b>\$594,363</b>	<b>\$708,304</b>	<b>\$844,513</b>	<b>20.1%</b>
Annual Change		21.9%	19.2%	19.2%	
Increase from Legislative Base			\$113,941	\$250,150	

**LFD  
ISSUE**

**Inflation in Medical and Food Costs - MCDC**

This issue is the same as the one introduced regarding MMHNCC inflationary adjustments, which discusses alternative inflation rates that the legislature could consider. If the legislature chose an alternative rate, that would reduce the request by \$514,000 to \$285,000 over the biennium.

As noted in the division budget discussion, the executive budget requests more money from the alcohol state special revenue tax than is estimated to be available in the 2017 biennium.

DP 33309 - Facility Inflation MSH - This present law adjusts various operating costs for inflation for MSH. The table on the right shows each type of cost that is included in this adjustment, the FY 2014 actual expenditure, the FY 2015 legislative base budget, and the request for each year of the biennium. The figure also shows the annual inflation rate over the four year time period. Overall the inflationary adjustment increases the selected base costs by 25% to 13% over the FY 2015 legislative base budget.

Inflationary Increases - MSH					
Type of Expenditure	FY 2014	FY 2015	Total with DP 33309		Inflation Rate
			FY 2016	FY 2017	FY14 - FY17
Medical Services	\$1,281,584	\$476,523	\$1,429,063	\$1,525,594	6.0%
Prescription Services	929,472	1,142,213	1,170,458	1,343,014	13.1%
Drug Costs	593,945	1,124,277	759,042	863,435	13.3%
Grocery	517,683	494,117	681,556	798,896	15.6%
Medical Supplies	251,123	212,626	352,393	427,685	19.4%
Laboratory Testing	234,792	254,894	314,636	373,997	16.8%
Food Services	247,834	286,781	309,012	352,821	12.5%
Laundry	116,306	141,534	140,801	154,915	10.0%
Food*	28,298	32,577	45,533	57,873	26.9%
<b>Total</b>	<b>\$4,201,037</b>	<b>\$4,165,542</b>	<b>\$5,202,494</b>	<b>\$5,898,230</b>	<b>12.0%</b>
Annual Change		-0.8%	24.9%	13.4%	
Increase from Legislative Base			\$1,036,952	\$1,732,688	
Food includes additional fixed cost inflation of \$2,321 in FY16 and \$3,183 in FY17.					

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3333319 - Expanded Community Mental Health Services (RST)	0.00	3,548,673	(1,049,904)	0	2,498,769	0.00	3,798,673	(1,049,904)	0	2,748,769
DP 3333320 - Med Ben MFP AMDD Community Placements	0.00	0	60,604	114,653	175,257	0.00	0	102,204	189,891	292,095
DP 3333501 - McCollom Group Home Staffing MSH	10.00	515,583	0	0	515,583	10.00	512,356	0	0	512,356
DP 3333502 - Occupational Therapist MSH	0.00	63,215	0	0	63,215	0.00	63,215	0	0	63,215
DP 3333504 - B Wing Dementia Unit MMHNCC (RST)	0.00	0	0	0	0	29.20	2,005,057	0	0	2,005,057
DP 3333505 - Forensic Unit D Wing Montana State Hospital (RST)	0.00	0	0	0	0	43.50	2,980,827	0	0	2,980,827
DP 3333506 - Suicide Prevention Grants (OTO/RST/Biennial)	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 3333901 - PRI CD SAPT Block Grant	0.00	0	0	121,266	121,266	0.00	0	0	247,383	247,383
DP 3333902 - PRI Med Ben Waiver Services	0.00	107,315	0	203,024	310,339	0.00	221,518	0	411,573	633,091
DP 3333903 - PRI Med Ben Chemical Dependency	0.00	0	15,141	28,645	43,786	0.00	0	31,254	58,069	89,323
DP 3333904 - PRI Med Ben Mental Health	0.00	308,325	0	583,304	891,629	0.00	636,441	0	1,182,482	1,818,923
DP 3333905 - PRI MHSP	0.00	117,097	0	27,281	144,378	0.00	238,878	0	55,653	294,531
DP 3333906 - PRI Community Support	0.00	43,717	0	0	43,717	0.00	89,184	0	0	89,184
DP 3333907 - PRI RTEC Meth Substance Abuse	0.00	40,359	0	0	40,359	0.00	82,332	0	0	82,332
<b>Total</b>	<b>10.00</b>	<b>\$4,994,284</b>	<b>(\$974,159)</b>	<b>\$1,078,173</b>	<b>\$5,098,298</b>	<b>82.70</b>	<b>\$10,878,481</b>	<b>(\$916,446)</b>	<b>\$2,145,051</b>	<b>\$12,107,086</b>

DP 3333505 - Forensic Unit D Wing Montana State Hospital (RST) -

This new proposal would fund expansion of the Forensic Unit D Wing at MSH and support 43.50 new FTE. The D Wing is designed for 32 individuals and has had a census as high as 54. The expansion would provide space for containing aggressive patients and could decrease the need for intervention by a high profile corrections operation. This proposal is funded with 100% general fund.

<b>LFD COMMENT</b>	MSH Population Estimates  The executive budget assumes that the new forensic beds would be full on the first day of FY 2017. The legislature may wish to discuss where the new MSH residents would be transferred from or where the new residents would be residing before being placed in the MSH forensic unit.
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DP 3333906 - PRI Community Support -

This new proposal would fund a 2% annual provider rate increase for intensive community support services.

DP 3333504 - B Wing Dementia Unit MMHNCC (RST) -

This new proposal would fund a 25 bed dementia unit at MMHNCC. The request adds 29.20 FTE in FY 2017 and personal services and operating expenses. The proposal is funded with general fund.

<b>LFD ISSUE</b>	Increased Medicaid Reimbursement
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If the legislature approves this request, it could consider increasing the federal Medicaid appropriation authority for facility reimbursement. Dementia unit services would be eligible for Medicaid reimbursement if the person being served is under 21 or over 65 and Medicaid eligible. Federal Medicaid payments for MMHNCC facility based services are deposited to the general fund. This action would raise general fund revenue estimates as well.

DP 3333501 - McCollom Group Home Staffing MSH -

This new proposal would fund 10.00 FTE to operate the McCollom group home at MSH. The home was opened in late FY 2014 to alleviate overcrowding at the state hospital. Personnel include 7 psychiatric technicians, 1 social worker, 1 registered nurse, and 1 licensed practical nurse. The social worker would focus on making appeals and working aggressively to seek off-campus placement for forensic patients.

**LFD COMMENT**

Current Staffing

The current staffing arrangement of the McCollom group home is 13.00 FTE as noted in the Division Budget Discussion. This new proposal would provide new FTE slots for 10.00 of the 13.00 FTE.

Currently, 12.00 of the FTE supporting the group home have been reallocated from the permanent FTE funded for MSH. One of the FTE is a modified, temporary position. The legislature may wish to review with AMDD why additional FTE beyond the one temporary FTE are needed.

DP 3333502 - Occupational Therapist MSH -

This new proposal would fund contracted services for an occupational therapist at MSH. The contract would augment the services performed by the 1.00 occupational therapist FTE who serves more than 190 individuals. The number of older, physically, and mentally challenged individuals at MSH is increasing.

**LFD ISSUE**

Workload Indicators

The legislature may wish to review workload indicators for this service to determine the level of contracted services that would be necessary. Legislative staff has requested information regarding waiting lists for services or other data and information to evaluate the number of older adults with other health conditions.

DP 3333904 - PRI Med Ben Mental Health -

This new proposal funds a 2% annual provider rate increase for Medicaid adult mental health services.

**LFD ISSUE**

Appropriation Insufficient to Fund 2% Provider Rate Increase

The executive budget includes a request to fund a 2% annual provider rate increase. The following figure shows the cost of a 2% rate increase for Medicaid services administered by AMDD, the estimated cost of a 2% provider rate increase, and the executive budget request. The executive request is \$0.7 million less than needed to fully fund a 2% provider rate increase. The funding in the executive budget is sufficient to fund a 1.5% rate increase in each year of the biennium.

Legislative staff has requested additional information on how nonMedicaid rate increase were calculated including which services are to receive a rate increase, the estimated base amount subject to a rate increase, and the allocation of the rate increase funding to each service. That information will be available for legislative consideration.

DPHHS updates its Medicaid cost estimates during the legislative session. The legislature may wish to review the revisions to services listed in the figure below and the amount of funding requested in the executive budget to determine the actual level of rate increase that could be funded compared to the level, if any, provider rate increase the legislature wishes to fund.

Adequacy of Executive Request to Fund a 2% Annual Provider Rate Increase				
Service Group	2% Rate Increase	Exec. Request	2% Rate Increase	Exec. Request
Adult Mental Health Medicaid	\$943,328	\$891,629	\$1,818,923	\$1,979,141
HIFA/MSHP Waiver	491,530	165,375	992,892	472,636
HCBS Waiver	78,654	78,655	158,882	160,455
Chemical Dependency Medicaid	<u>46,006</u>	<u>43,786</u>	<u>97,646</u>	<u>89,323</u>
Total	1,559,519	1,179,445	3,068,342	2,701,555
Executive Request Over (Under)		(\$380,074)		(\$366,787)
Biennial Shortfall				(\$746,861)

DP 3333902 - PRI Med Ben Waiver Services -

This new proposal funds a 2% annual provider rate increase for Medicaid community waiver services and the HIFA/MHSP waiver.

DP 3333903 - PRI Med Ben Chemical Dependency -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for Medicaid chemical dependency services.

**LFD COMMENT**

Alcohol State Special Revenue Insufficient to Fund Executive Request

This new proposal uses alcohol state special revenue as the source of state Medicaid match for the provider rate increase. As discussed in the Funding section, there will be insufficient money in the account to fund the executive budget request based on revenue estimates adopted by the Interim Committee on Revenue and Transportation.

DP 3333907 - PRI RTEC Meth Substance Abuse -

This new proposal would fund a 2% annual provider rate increase in each year of the biennium for community group home services to treat methamphetamine addiction and other types of chemical dependency.

DP 3333319 - Expanded Community Mental Health Services (RST) -

This new proposal includes funding for additional community mental health services and a funding switch that reduces state special revenue and increases general fund. Community services funding would support: housing and re-entry, crisis intervention training, additional 72 hour crisis services, drop in centers, county matching grants (HB130), peer support, contracted forensic psychologists, and supported employment. The funding switch eliminates state special revenue

transferred from Community Mental Health Centers that is used as state Medicaid match and replaces the county funds with general fund. This proposal was discussed in the Division Budget Discussion.

DP 3333320 - Med Ben MFP AMDD Community Placements -

This new proposal requests \$467,352 in total funds over the biennium including \$162,808 in state special revenue to fund additional slots for the Home and Community Base Services Waiver expansion through the Money Follows the Person program. This change package will provide funding for an additional 9 slots in FY 2016 and 15 slots in FY 2017 for individuals transitioning out of state facilities.

DP 3333905 - PRI MHSP -

This new proposal requests funds a 2% annual provider rate for the state funded MHSP program. The rate increase is funded partially from general fund and from the federal mental health block grant.

DP 3333506 - Suicide Prevention Grants (OTO/RST/Biennial) -

This proposal would use general fund to provide grants for suicide prevention.

DP 3333901 - PRI CD SAPT Block Grant -

This new proposal funds a 2% annual provider rate increase for chemical dependency community services funded from the federal substance abuse prevention block grant.