

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	76.00	76.00	96.00	96.00	76.00	96.00	20.00	26.32%
Personal Services	3,859,994	3,857,284	5,195,824	5,190,957	7,717,278	10,386,781	2,669,503	34.59%
Operating Expenses	8,446,921	11,461,343	10,260,744	10,513,332	19,908,264	20,774,076	865,812	4.35%
Equipment & Intangible Assets	2,950	5,535	2,950	2,950	8,485	5,900	(2,585)	(30.47%)
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	475,835,262	512,789,028	623,090,790	657,684,824	988,624,290	1,280,775,614	292,151,324	29.55%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$488,145,127	\$528,113,190	\$638,550,308	\$673,392,063	\$1,016,258,317	\$1,311,942,371	\$295,684,054	29.10%
General Fund	64,901,357	92,710,304	127,070,748	115,132,270	157,611,661	242,203,018	84,591,357	53.67%
State Special	47,033,799	48,827,716	63,269,716	82,036,092	95,861,515	145,305,808	49,444,293	51.58%
Federal Special	376,209,971	386,575,170	448,209,844	476,223,701	762,785,141	924,433,545	161,648,404	21.19%
Total Funds	\$488,145,127	\$528,113,190	\$638,550,308	\$673,392,063	\$1,016,258,317	\$1,311,942,371	\$295,684,054	29.10%

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (formerly the Children's Health Insurance Program and children's Medicaid services), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children and low-income families.

The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty. HMK eligibility is determined by division staff.

Big Sky Rx is a state funded program that helps Montanans, who are at or below 200% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

Program Highlights

Health Resources Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The HRD 2013 biennium budget is \$295.7 million greater than the 2011 biennium including \$84.6 million general fund, \$161.6 million federal funds, and \$49.4 million state special revenue ◆ The major changes in the executive budget request include: <ul style="list-style-type: none"> • \$75.0 million in general fund to offset both the loss of the 10% temporary increase in the federal match rate and for the increase in the regular state Medicaid match rate; there is a like reduction in federal Medicaid matching funds • \$223.7 million for eligibility and service utilization changes in physical health Medicaid services • \$71.8 million for Healthy Montana Kids for the amount funded from the federal Children's Health Insurance Program (CHIP) grant (not including the request for new FTE) ◆ Funding for 20.00 new FTE and operating costs to support the new FTE as well as current services <ul style="list-style-type: none"> • 15.00 FTE to administer Healthy Montana Kids (HMK), which includes continuation of 6.00 FTE funded on a one-time basis by the 2009 Legislature - \$1.3 million • 5.00 FTE to expand Medicaid funded family planning services to adults with incomes up to 200% of the federal poverty level - \$1.2 million • Increases in contracts for the Medicaid Management Information System and hospital cost reports - \$1.6 million ◆ Funding increases are partially offset by reductions in operating costs
Major LFD Issues
<ul style="list-style-type: none"> ◆ State special revenue dedicated to HMK is not adequate to fund services costs for all children eligible for funding from the account, with an estimated \$11.8 million shortfall based on LFD enrollment and cost estimates <ul style="list-style-type: none"> • The executive budget funds \$15.6 million of projected HMK costs from the general fund based on LFD estimates of 2013 biennium enrollment • The amount shifted to the general fund could be lowered by \$3.6 million and still keep the HMK state special revenue account solvent based on LFD enrollment and cost estimates <ul style="list-style-type: none"> ○ Just prior to publication LFD staff received documentation from DPHHS that the executive budget request for HMK may be amended and some of the HMK state special revenue used to offset \$3.1 million general fund ◆ Growth rates for major Medicaid services from FY 2012 to FY 2013 are low compared to historic changes and there appear to be no significant policy changes in program administration that would contribute to lower cost trends

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2011 biennium.
- Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

2011 Biennium Goals

The following provides an update of the goal monitored by the LFC during the 2011 biennium.

Goal: Increase the number of low-to-moderate income Montana children who have health care coverage.
Baseline: 19,012 children were enrolled in CHIP and 50,290 in Medicaid effective September 2009.

HMK enrollment is discussed in greater detail in the division budget discussion.

2013 Biennium Goals

During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The identified critical goals are:

- Implementation of broad based budget reductions and the effect on DPHHS operations; workgroup members discussed the 4% reduction in FTE and personal service costs in relation to this goal
- Implementation of Healthy Montana Kids
- Evaluation of the impacts of the economy and recession on workload and programs
- Implementation of components of federal health insurance reform including:
 - Integrate Medicaid eligibility determination in the health insurance exchange design
 - Evaluate the potential for a single system to determine Medicaid eligibility
 - Outline components and cost of Medicaid eligibility expansion for consideration by the 2013 Legislature

Each of these goals is relevant to HRD in the coming biennium, particularly the goal related to HMK and goals related to implementation of federal health insurance reform. Ongoing implementation of HMK is discussed in greater detail in the division budget narrative.

Implementation of federal health reform will have an impact on the HRD budget request for the 2015 biennium. Federal health insurance reform raises Medicaid eligibility to 138% of the federal poverty level (133% initial floor plus a 5% income disregard) and eliminates consideration of assets for nondisabled, nonelderly persons. Montana Medicaid eligibility for children is established in statute at 185% of the federal poverty level, with funding in the 2011 and 2013 biennia pegged at supporting eligibility at 133%; Montana Medicaid eligibility for non-elderly, non-disabled adults will be raised from the current level of about 33% to 138%.

LFD COMMENT

The legislature may wish to ask DPHHS to address the potential impacts to Medicaid program administration and eligibility levels. The legislature may wish to ask that an interim committee such as the LFC or Children, Families, Health, and Human Services Interim Committee monitor and comment on implementation of federal changes during the interim.

Program Budget Discussion

The Health Resources Division (HRD) has the single largest budget in DPHHS with a \$1.3 billion request for the 2013 biennium or 35% of the total agency request. There are two basic ways to compare budget changes for the 2013

biennium. The first is to compare the difference from the 2011 biennium, which is about \$295.7 million for HRD. The second way is to compare each year of the 2013 biennium to the FY 2010 base budget expenditures - about \$335.7 million, which is the basis used by the legislature for appropriation decisions.

A biennial comparison includes changes in appropriations from FY 2010 to FY 2011, which is important in programs with Medicaid services. Historically there are ongoing annual increases in Medicaid service utilization and usually in the number of persons eligible for services, unless the legislature, DPHHS, or federal policies make programmatic changes that lower annual cost growth. So absent programmatic changes, the FY 2011 cost for Medicaid services will be higher than the FY 2010 cost. Therefore the total cost increase between biennia is usually smaller than the 2013 biennium budget request compared to the base budget doubled.

Major Components of Budget Increases

The main program table for HRD shows the biennial comparison. However, the appropriation decisions the legislature will consider are based on the difference from the base budget. The most significant changes in the executive budget are:

- o Medicaid physical health cost increases (not including those listed below) - \$189.2 million total funds, \$105.0 million general fund
- o Healthy Montana Kids Initiative – 15.00 new FTE, \$88.7 million total funds, \$21.1 million state special revenue from insurance premium taxes
- o Medicaid reimbursement for Indian Health Services (I.H.S.) - \$46.7 million federal funds
- o Medicare buy in (payment of Medicare Part A and Part B insurance for persons eligible for both Medicare and Medicaid) - \$6.2 million total funds, including \$2.1 million general fund
- o Medicaid service expansions to cover additional types of organ transplants for adults and to allow disabled enrollees to earn more income and retain Medicaid services - \$1.9 million total funds, \$0.1 million general fund
- o \$0.6 million tobacco settlement trust interest state special revenue
- o 5.00 new FTE to administer expansion of Medicaid family planning services - \$1.2 million

Increases are partially offset by:

- o A one-time reduction in general fund match by \$17.0 million in state special revenue from the federally allowable set aside of a small portion of the temporary increase in the federal Medicaid match rate during FY 2010
- o Supplemental payments to hospitals (\$50 per day utilization fee) - \$6.5 million total funds reduction due to discontinuation of the temporary increase in the federal Medicaid match rate, which reduces federal funds more than the increase in hospital tax state special revenue matching funds anticipated during the 2013 biennium

General Fund Increases

General fund increases \$112.4 million between the FY 2010 base budget and the 2013 biennium. A significant portion of the change is due to state Medicaid match requirements and the temporary increase in the federal Medicaid match rate in FY 2010.

Funding Shifts due to Federal Medicaid Match (FMAP)

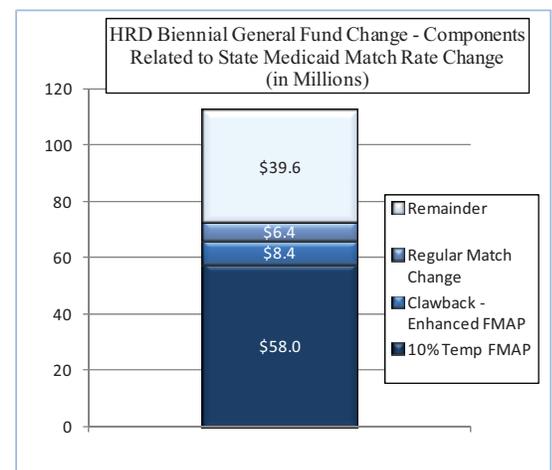
General fund increases \$70.5 million for the state Medicaid match rate. All but \$8.2 million is offset by equal reductions in federal Medicaid matching funds.

Figure 19 shows the general fund changes related to the state Medicaid match rate compared to the total general fund request for HRD.

The state Medicaid match requirements increase due to:

- o Discontinuation of the 10% temporary increase in the federal Medicaid match rate for Medicaid services (\$58.0 million)

Figure 19



- Discontinuation of the 10% temporary increase in the federal Medicaid match for the clawback payment (reimbursement for savings due to implementation of the federal Medicare Part D prescription drug benefit - \$8.4 million)
- Implementation of increases in the regular state Medicaid match rate (\$6.4 million)

Majority of Cost in Present Law Adjustments

The majority (\$324.6 million) of the 2013 biennium budget request supports present law adjustments to continue services at the level authorized by the last legislature.

HRD Division Budget by Service

Figure 20 shows the HRD 2013 biennium budget request compared to base budget expenditures. The budgets for major division functions are shown as well as the amount requested for each major service.

Figure 20

FY 2010 Base Budget Compared to 2013 Executive Budget Request - Health Resources Division													
Major Function and Services	FY 2010 Base Budget				FY 2012 Executive Request				FY 2013 Executive Request				% of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
<u>Major Function</u>													
Medicaid Services	\$64,901,357	\$32,143,371	\$339,108,374	\$436,153,102	\$127,070,748	\$37,641,608	\$380,186,256	\$544,898,612	\$115,132,270	\$54,764,929	\$404,374,611	\$574,271,810	85.3%
Healthy Montana Kids	0	10,863,619	37,101,597	47,965,216	0	21,624,283	68,023,588	89,647,871	0	23,267,940	71,849,090	95,117,030	14.1%
Big Sky Rx Programs	0	4,026,809	0	4,026,809	0	4,003,825	0	4,003,825	0	4,003,223	0	4,003,223	0.6%
Total Division Budget*	<u>64,901,357</u>	<u>47,033,799</u>	<u>376,209,971</u>	<u>488,145,127</u>	<u>127,070,748</u>	<u>63,269,716</u>	<u>448,209,844</u>	<u>638,550,308</u>	<u>115,132,270</u>	<u>82,036,092</u>	<u>476,223,701</u>	<u>673,392,063</u>	<u>100.0%</u>
Percent of Total	13.3%	9.6%	77.1%	100.0%	19.9%	9.9%	70.2%	100.0%	17.1%	12.2%	70.7%	100.0%	
<u>Medicaid Services*</u>													
Hospital & Clinic Services	28,003,097	1,202,694	105,209,526	134,415,317	54,189,385	1,456,269	106,284,350	161,930,004	56,724,934	1,459,644	106,942,868	165,127,446	24.5%
Hospital Utilization Fee	0	18,508,647	51,506,796	70,015,443	0	22,660,858	44,363,271	67,024,129	0	22,785,989	43,723,027	66,509,016	9.9%
Managed Care Services	7,170,829	5,272,338	42,913,460	55,356,627	19,537,862	5,272,338	49,670,304	74,480,504	20,189,335	5,272,338	50,669,198	76,130,871	11.3%
Acute Services**	5,646,699	5,734,891	38,537,244	49,918,834	12,969,955	5,738,837	31,286,909	49,995,701	(3,781,152)	22,723,412	31,737,607	50,679,867	7.5%
Pharmacy Services	5,641,784	1,274,999	14,971,871	21,888,654	12,039,089	2,066,153	31,529,000	45,634,242	12,204,375	2,076,683	31,537,803	45,818,861	6.8%
Medicare Buy-In	5,161,750	0	19,341,863	24,503,613	8,464,070	0	18,900,051	27,364,121	8,774,573	0	19,458,290	28,232,863	4.2%
Clawback Payment - Part D	9,221,169	0	0	9,221,169	15,453,000	0	0	15,453,000	16,535,000	0	0	16,535,000	2.5%
Cervical and Breast Cancer	1,117,380	0	3,796,575	4,913,955	1,140,690	0	3,872,036	5,012,726	1,153,041	0	3,909,811	5,062,852	0.8%
Indian Health Services	0	0	32,499,158	32,499,158	0	0	48,748,737	48,748,737	0	0	60,935,921	60,935,921	9.0%
School Based Services	0	0	25,003,301	25,003,301	0	0	39,060,000	39,060,000	0	0	48,825,000	48,825,000	7.3%
<u>Healthy Montana Kids/CHIP</u>	0	9,889,112	34,769,509	44,658,621	0	20,047,930	64,899,126	84,947,056	0	21,651,196	68,735,361	90,386,557	13.4%
<u>Big Sky Rx</u>	0	3,434,270	0	3,434,270	0	3,434,270	0	3,434,270	0	3,434,270	0	3,434,270	0.5%
<u>PharmAssist Program</u>	0	6,300	0	6,300	0	6,300	0	6,300	0	6,300	0	6,300	0.0%
Total Benefits Costs	<u>\$61,962,708</u>	<u>\$45,323,251</u>	<u>\$368,549,303</u>	<u>\$475,835,262</u>	<u>\$123,794,051</u>	<u>\$60,682,955</u>	<u>\$438,613,784</u>	<u>\$623,090,790</u>	<u>\$111,800,106</u>	<u>\$79,409,832</u>	<u>\$466,474,886</u>	<u>\$657,684,824</u>	<u>100.0%</u>
Percent of Division Total	95.5%	96.4%	98.0%	97.5%	97.4%	95.9%	97.9%	97.6%	97.1%	96.8%	98.0%	97.7%	
*State costs for Medicaid services shown for FY 2010 are funded at the temporary enhanced federal match rate, which reduced state match requirements by about 10%.													
**The FY 2013 general fund reduction is due to a one-time infusion of \$17.0 million in state special revenue from a federally allowable set aside of the temporary federal Medicaid match rate increase.													

Figure 21

Medicaid Services

The Medicaid services function is 85% of the FY 2013 budget request, followed by HMK with 14%. The remaining functions – Big Sky Rx and PharmAssist – are less than 1% of the FY 2013 budget request. Funding for services to individuals is \$657.7 million or 98% of the total FY 2013 request and Medicaid services are the vast majority of that amount. Figure 21 shows the Medicaid services request by service.

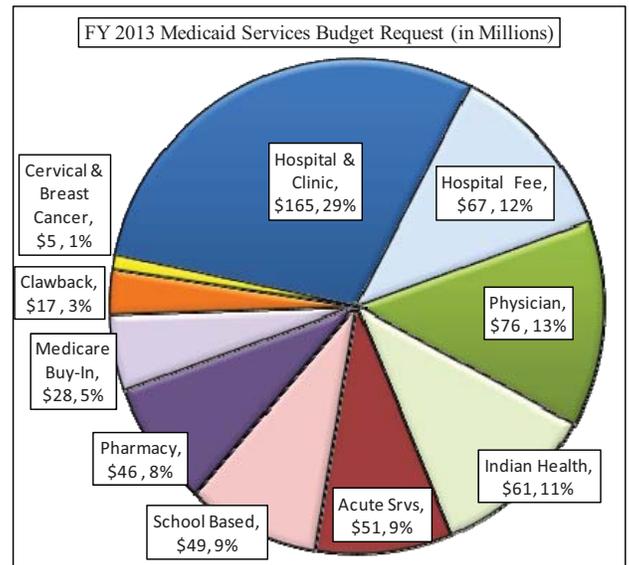
The Medicaid services budget request is discussed in greater detail in the agency overview. LFD staff analysis of the caseload estimates and identification of risk associated with Medicaid cost projections is discussed in relationship to all services. Generally, the budget request for HRD Medicaid services increases \$243.1 million compared to FY 2010 base budget expenditures.

Hospital and Clinic Services

The single largest expenditure made by HRD is for inpatient and outpatient hospital and clinic services, projected to reach \$165.1 million in FY 2013, not including supplemental payments funded by the hospital utilization fee, which add another \$66.5 million. Examples of clinic services include ambulatory free standing surgical centers, Federally Qualified Health Centers (FQHCs), and rural health clinics.

The utilization fee is a \$50 per day assessment for each day of inpatient hospital care provided by a hospital. The hospital fee is used to match federal Medicaid funds and provide additional reimbursements to hospitals for Medicaid eligible services.

Managed care services are 12% of the total benefits budget and include physician and laboratory services. As part of the Governor’s spending reductions under 17-7-140, MCA, the statutorily required rate increase for physicians was suspended in FY 2010. Medicaid physician rates are tied to Medicare fee schedules and together with increases in the fee schedules and state statutorily required increases, Montana Medicaid physician rates exceeded Medicare rates.



LFD COMMENT	<p><u>Legislation Needed to Implement Executive Budget Request</u></p> <p>The executive will request legislation to amend 53-6-125, MCA that requires DPHHS to adjust Medicaid physician rates based on several factors including a minimum increase of 6% per year. A part of the 17-7-140 reductions, DPHHS withheld the rate increase in FY 2010. The Medicaid caseload estimates are based on the elimination of the statutory requirement to raise physician rates. If the bill is not passed and approved, projected Medicaid costs would be too low by about \$7.7 million over the biennium (\$2.6 million general fund) based on DPHHS Medicaid services cost documentation.</p>
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Acute services include private duty nursing, hearing aids, and most of the therapies (physical, occupational, and speech). Acute services are about 8% of the total FY 2013 request.

Medicare buy in funds Part A and Part B premiums for persons eligible for both Medicare and Medicaid (dual eligibles). Medicare is billed first for services provided to dual eligibles and Medicaid pays the balance of allowable charges.

The clawback payment (100% general fund) is made to the federal government and represents the savings to the state Medicaid program due to implementation of Part D for prescription drugs. Previously, Medicaid paid the drug costs for

dual eligibles. The clawback is based on the number of dual eligibles and a payment for each. It is funded entirely from the general fund.

The clawback payment increases from \$9.2 million to \$16.5 million in FY 2013 in large part due to savings from the temporary increase in the federal Medicaid match rate and the increase in the regular state Medicaid match rate. After the 2009 legislative session a revision in federal interpretation of the American Recovery and Reinvestment Act of 2009 allowed the temporary increase to be applied to the clawback resulting in a general fund savings of \$4.2 million in FY 2010. So most of the increase in the clawback is due to the federal Medicaid match rate returning to the level it would have been without the temporary change. Another \$0.9 million is due to the regular annual change in the state Medicaid match rate. The two other factors – the number of persons eligible for both Medicare and Medicaid as well as federally determined cost increases in the per capita drug cost used for the clawback calculation – result in \$3.7 million over the biennium.

Cervical and breast cancer services – under 1% of the division budget request - are provided to persons with incomes under 200% of the federal poverty level and who are screened and diagnosed through the Montana breast and cervical cancer program. Medicaid covers the cost of cancer treatment and other basic health services.

Indian Health Services (I.H.S.) benefits represent federal Medicaid reimbursement for services provided by: 1) I.H.S. to Medicaid eligible persons; or 2) by tribes that directly administer services that in other instances would be administered by I.H.S. The I.H.S. request increases from \$32.5 million in the base budget to \$60.9 million in FY 2013 because reimbursement will move to an encounter (per visit) rate rather than an all-inclusive rate and due to increased service utilization.

Schools receive federal reimbursement for Medicaid services provided by schools for eligible students. The executive request anticipates increases in school based services from \$25.0 million in FY 2010 to \$48.8 million in FY 2013.

Healthy Montana Kids (HMK)

The amount listed for HMK program services in the following figure is 14% of the FY 2013 budget request. Voters enacted Initiative 155 (I-155) November 2008 to establish the HMK program. Figure 22 shows the two basic eligibility groups in the program.

The initiative combined the Children’s Health Insurance Program (CHIP) and children’s Medicaid services into a single program and raised financial eligibility for children’s health services by:

- Removing consideration of family assets for Medicaid eligibility
- Increasing financial eligibility for CHIP services from 175% to 250% of the federal poverty level for family income
- Raising Medicaid eligibility for children in families with incomes up to 185% of the federal poverty level

The legislature appropriated funds based on CHIP eligibility at the 250% level and children’s Medicaid eligibility at 133% of the federal poverty level.

The initiative diverted 33% of insurance premium taxes from the general fund to a state special revenue account to fund enrollment in HMK. The 2009 Legislature reduced the flow of insurance premium taxes into the HMK state special revenue account by half (16.5%) effective for four years (July 1, 2009 through June 30, 2013) during initial program implementation. The funds are to be used to support enrollment above the level on November 4, 2008.

Figure 22

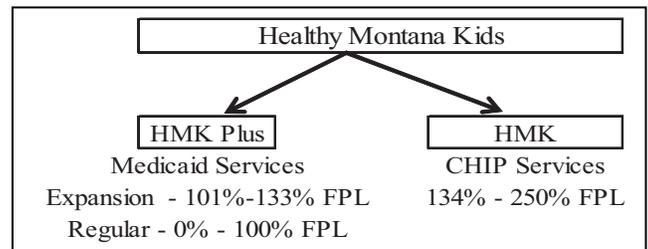


Figure 23

HMK Eligibility Type, Age, Family Income, Services Package, State Match Rate							
Eligibility Group	Age	Family Income		Services Package	Federal Fund Source	State Match Rate	
		by Federal	Poverty Level			FY12	FY13
HMK Plus							
Children 0-18	0 - 18	0-100%	Medicaid	Medicaid	33.81%	34.26%	
Children 6-18 (Expansion)	6 - 18	101-134%	Medicaid	CHIP	23.60%	23.95%	
HMK (CHIP)	0 - 18	134-250%	CHIP	CHIP	23.60%	23.95%	

HMK Eligibility Categories

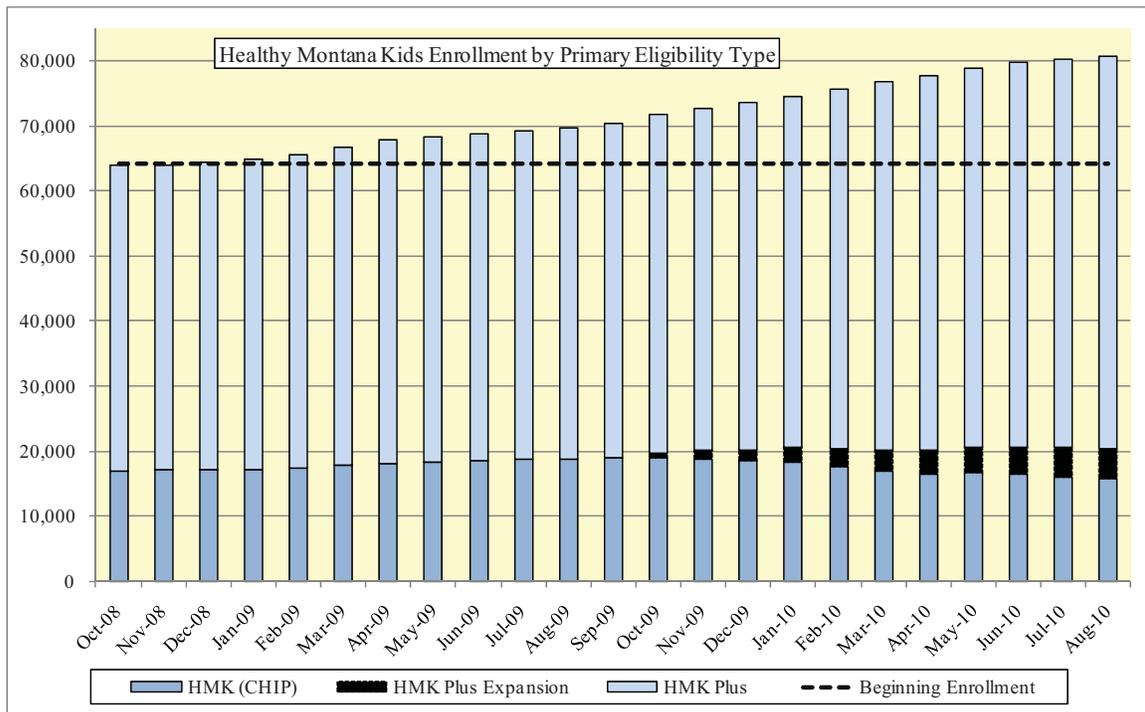
DPHHS tracks eligibility in three separate groups so that it can allocate costs between federal CHIP block grant funds and Medicaid matching funds. Figure 23 shows the eligibility types and income limits for the program that DPHHS uses for budgeting purposes.

HMK/CHIP and HMK Plus expansion are funded from the CHIP federal grant, which has the lowest state match. HMK Plus non expansion is funded from Medicaid funds.

Enrollment in the HMK Program

Figure 24 shows enrollment in the HMK program. Although I-155 passed November 4, 2008, DPHHS did not raise financial eligibility for HMK/CHIP and HMK Plus expansion until September 2009 after it had received federal approval for changes to the Medicaid and CHIP state plans. However, enrollment in both HMK/CHIP and HMK Plus (non expansion) increased during that time.

Figure 24



Total enrollment in the HMK program grew by 16,428 children from October 2008 for a total enrollment of 80,056 children in August 2010. The highest enrollment over that time period occurred in the HMK Plus non expansion group with 13,303 additional children. HMK Plus expansion population rose to 4,732, while enrollment in HMK/CHIP declined.

2011 Biennium Enrollment Compared to Projections During 2009 Session

Figure 25 shows actual enrollment in all components of HMK compared to the medium growth scenario discussed in the LFD 2011 Biennium Fiscal Report. Actual enrollment through August 2010 closely mirrored a medium growth scenario.

Figure 25

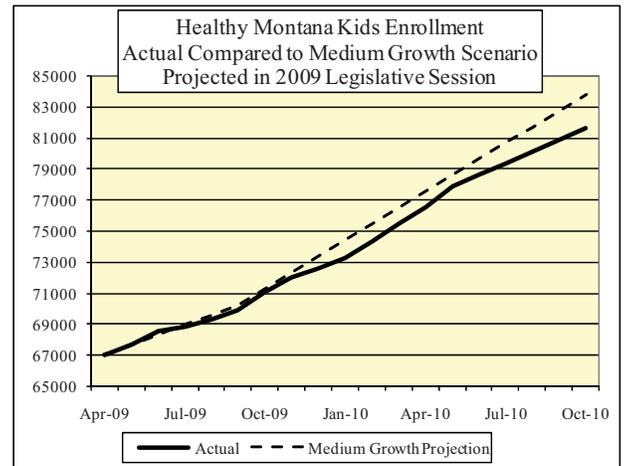


Figure 8 shows enrollment in HMK/CHIP from the beginning of CHIP implementation through August 2010. HMK/CHIP enrollment declined from 16,977 in October 2008 to 15,791 as of August 2010. Part of the reason enrollment in HMK/CHIP declined was due to children moving from HMK/CHIP to HMK Plus. Because of the elimination of family assets tests and income eligibility increasing to 133% of the federal poverty level for all children, some children formerly eligible for HMK/CHIP moved to HMK Plus. DPHHS estimated that between 1,000 to 1,200 children per month transitioned from HMK/CHIP to HMK Plus from September 2009 to August 2010.

Figure 26

Enrollment Projections

Figure 26 shows the HRD enrollment projections for HMK/CHIP, HMK Plus expansion, HMK presumptive eligibility, and the LFD estimate for increased enrollment in HMK Plus non expansion. Presumptive eligibility will be implemented January 1, 2011 for children treated at hospitals. Hospital staff will provide application forms to families and if family income appears to be within program eligibility, the child and all siblings will be presumed to be eligible for HMK. The eligibility will last one year and families will be encouraged to enroll in HMK through DPHHS.

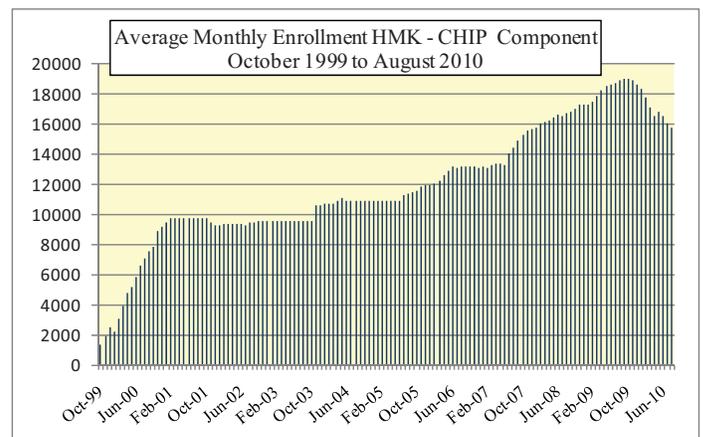
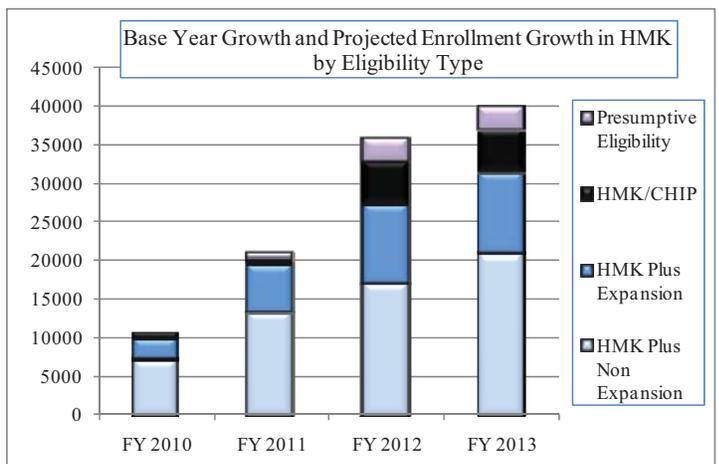


Figure 27

Enrollment is expected to increase in part due to outreach funded from a federal grant. The enrollment outreach will focus on enrolling Tribal members. DPHHS estimates that average annual enrollment in HMK/CHIP is expected to increase to about 23,260 each year of the 2013 biennium and the expansion group is expected to rise to 10,423 by FY 2013. DPHHS did not provide enrollment projections for the HMK Plus non expansion group, which experienced the most growth in the 2011 biennium. The LFD estimate assumes that HMK Plus non expansion group enrollment will continue to increase at the FY 2010 rate - adding about 3,900 children annually.



Funding for HMK Enrollment Increases

As discussed previously, I-155 diverted a portion of the insurance premium tax to pay for the HMK program. 53-4-1115 (2)(a) MCA says that money in the HMK state special revenue account . . . “is to be used solely to cover the number of additional enrollees in the plan that exceeds the number of enrollees as of November 4, 2008, . . . and to pay administrative costs associated with expanded eligibility.”

**LFD
ISSUE**

HMK State Special Revenue Could Offset General Fund Medicaid Costs

Executive Budget Request for HMK May be Modified

LFD staff evaluated the executive budget request received November 1 with respect to HMK services. Based on questions raised by LFD staff, DPHHS staff reviewed several assumptions and variables used in the documentation supporting the HMK budget request.

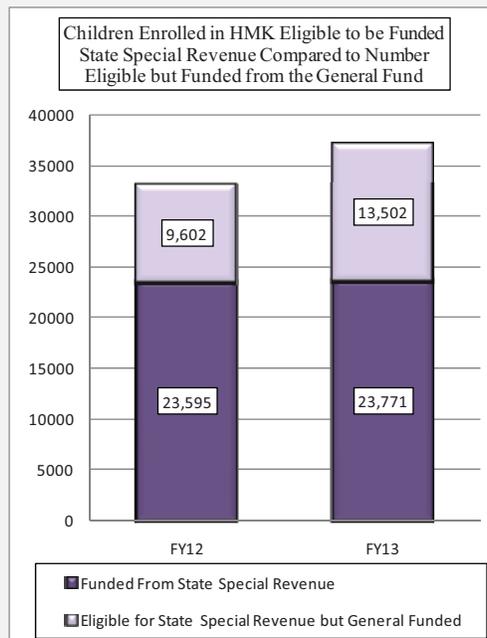
DPHHS provided revised documentation to LFD staff on December 3. Publishing time constraints did not allow evaluation of the revised documentation prior to publication of the LFD Budget Analysis. DPHHS staff indicated that there may be changes to the executive budget request for HMK that use a portion of the state special revenue to offset some level of general fund costs.

This issue is based on the executive budget as published. The basic premise and discussion that follows and will remain germane for legislative consideration of HMK appropriation levels.

November 15 HMK Budget Request

The executive budget funds the full state match required for services for HMK/CHIP and HMK Plus expansion from the insurance premium tax state special revenue account and a small portion of the state match for services for the HMK Plus non expansion group. The remainder of state cost for services related to enrollment increases in HMK Plus non expansion from FY 2011 through FY 2013 is funded from the general fund.

The figure below shows the HMK enrollment level funded from state special revenue in the executive budget compared to enrollment level that is eligible for the state special revenue match, but that is currently funded from the general fund. As noted previously, the number of children estimated to be enrolled in HMK Plus non expansion is based on LFD assumptions. The estimated number eligible for funding from state special revenue but currently funded with general fund is based on the enrollment trends in the HMK Plus non expansion group since November 2008. The assumption is that enrollment continues to increase by an average annual amount of 3,900 children.



**LFD
ISSUE**HMK State Special Revenue Account Balance

The figure below shows the actual and estimated fund balance for the HMK state special revenue account for the executive budget request. As discussed earlier, there may be a modification to the executive request to use about \$3.1 million of the HMK state special revenue to offset general fund. That would leave an estimated \$0.6 million in the account. Including the executive budget request and the LFD estimate of the total cost of all children eligible for funding from the account, the ending fund balance in the HMK account would be overdrawn by \$11.8 million at the end of FY 2013.

The legislature can consider several options with regard to funding HMK. It can:

- Accept the current or revised executive budget without change
- Request that DPHHS staff identify planned expansions that could be curtailed or postponed, service changes that could be made, or other cost containment options

Healthy Montana Kids State Special Revenue Fund Balance				
2011 Biennium and 2013 Biennium				
Fund Balance/Revenue/Expenditures	Actual	Estimated	2013 Biennium	
	FY 2010	FY 2011	FY 2012	FY 2013
Beginning Fund Balance	\$14,622,499	\$18,156,927	\$15,652,491	\$10,161,319
Revenue - Insurance License Tax*	<u>9,660,567</u>	<u>10,108,683</u>	<u>10,648,316</u>	<u>11,257,752</u>
Total Revenue	24,283,066	28,265,610	26,300,807	21,419,071
Estimated Interest Earnings	<u>42,672</u>	<u>70,664</u>	<u>240,652</u>	<u>377,815</u>
Total Funds Available	24,325,738	28,336,274	26,541,459	21,796,886
Expenditures				
Medicaid Expansion Services**	1,122,627	3,684,226	5,433,863	6,018,907
CHIP Services**	879,328	809,322	6,666,786	7,620,100
Medicaid Services - Physician**	1,509,723	3,283,629	1,509,723	1,509,723
Medicaid Services - Other Outpatient**	1,509,723	3,283,629	1,509,723	1,509,723
Medicaid Mental Health Services**	78,917	78,917	78,917	78,917
Direct Administrative Costs	535,337	1,233,391	854,926	867,113
Indirect Administrative Cost***	<u>295,875</u>	<u>310,669</u>	<u>326,202</u>	<u>342,512</u>
Subtotal Expenditures	<u>5,931,530</u>	<u>12,683,783</u>	<u>16,380,140</u>	<u>17,946,995</u>
Adjustments	<u>(237,281)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$18,156,927</u>	<u>\$15,652,491</u>	<u>\$10,161,319</u>	<u>\$3,849,891</u>
LFD Estimate for HMK Plus (0-100% FPL)			<u>6,561,996</u>	<u>9,064,687</u>
Revised Ending Fund Balance			<u>\$3,599,323</u>	<u>(\$11,776,792)</u>
*Revenue based on estimates adopted by the Interim Revenue and Transportation Committee on November 19, 2010.				
**The Medicaid expansion services are those provided to children in families with incomes between 101% to 133% of the federal poverty level and CHIP services are provided to children in families with incomes between 134% to 250% of the federal poverty level. Medicaid services are those provided to children with family incomes 0% to 100% of the federal poverty level. The FY11 cost estimate is drawn from the November 2011 DPHHS budget status report and other DPHHS information.				
***These costs were estimated by LFD staff for FY 2011 - FY 2013.				

If the legislature opts to prioritize the use of HMK state special revenue among eligibility groups it could consider whether it would prefer to direct funds first to the support of:

- HMK/CHIP and HMK Plus expansion groups
- The entitlement components of the program (HMK Plus/Medicaid groups) and then toward HMK/CHIP
- HMK Plus non expansion first to offset costs shifted to the general fund and then to HMK Plus expansion group followed by HMK/CHIP

Big Sky Rx

Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200 percent of the poverty level. The executive budget maintains expenditures for Big Sky Rx at the FY 2010 expenditure level. Average enrollment in Big Sky Rx was 10,008 during FY 2010, with an estimated average monthly enrollment of 11,000 in FY 2011.

PharmAssist

PharmAssist pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans. The executive budget maintains expenditures at the base budget level of \$6,300.

Reorganization

Children's mental health Medicaid services for seriously emotionally disturbed (SED) children were transferred to the Disability Services Division as part of the agency reorganization. The reorganization is discussed in the agency overview.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 64,901,357	13.3%	\$ 127,070,748	19.9%	\$ 115,132,270	17.1%
01100 General Fund	64,901,357	13.3%	127,070,748	19.9%	115,132,270	17.1%
02000 Total State Special Funds	47,033,799	9.6%	63,269,716	9.9%	82,036,092	12.2%
02053 Medicaid Nursing Home Match	33,869	0.0%	37,815	0.0%	37,868	0.0%
02137 Medicaid Reserve Account	-	-	-	-	16,984,522	2.5%
02142 Medicaid Third Party Revenue	1,598,692	0.3%	1,598,692	0.3%	1,598,692	0.2%
02311 6901-02 Indret Activty Prog 11	27,547	0.0%	29,139	0.0%	29,141	0.0%
02514 Comm Hlth Care Ssr	122,255	0.0%	122,030	0.0%	122,040	0.0%
02597 Montana Healthy Kids Initiative	5,556,738	1.1%	16,318,091	2.6%	17,961,931	2.7%
02772 Tobacco Hlth & Medicid Initiative	13,978,482	2.9%	14,209,073	2.2%	14,211,846	2.1%
02789 6901-Chip/Mcha Tobacco Sett Fd	4,922,406	1.0%	4,921,717	0.8%	4,921,534	0.7%
02987 Tobacco Interest	2,285,163	0.5%	3,372,301	0.5%	3,382,529	0.5%
02989 69010-Hospital Utilization Fee	18,508,647	3.8%	22,660,858	3.5%	22,785,989	3.4%
03000 Total Federal Special Funds	376,209,971	77.1%	448,209,844	70.2%	476,223,701	70.7%
03426 Chip Program Fed	36,236,181	7.4%	67,158,965	10.5%	70,984,678	10.5%
03580 6901-93.778 - Med Adm 50%	5,509,043	1.1%	6,637,278	1.0%	6,800,534	1.0%
03582 93.778 - Med Ben 100%	32,499,158	6.7%	48,748,737	7.6%	60,935,921	9.0%
03583 93.778 - Med Ben Fmap	301,723,566	61.8%	325,408,851	51.0%	337,246,534	50.1%
03611 6901-03 Indret Activty Prog 11	<u>242,023</u>	<u>0.0%</u>	<u>256,013</u>	<u>0.0%</u>	<u>256,034</u>	<u>0.0%</u>
Grand Total	<u>\$ 488,145,127</u>	<u>100.0%</u>	<u>\$ 638,550,308</u>	<u>100.0%</u>	<u>\$ 673,392,063</u>	<u>100.0%</u>

The division is funded from a combination of general fund, state special revenue, and federal funds. General fund is used to pay a portion of the state match for Medicaid services and Medicaid program administration.

Sources of state special revenue and what each supports are:

- o Cigarette and tobacco tax health and Medicaid initiatives pays state match for Medicaid services and the Big Sky Rx program (assistance to low-income persons to pay premiums for Medicare Part D prescription drug coverage)
- o Insurance premium taxes to pay a portion of the state match for Medicaid and CHIP federal grant funds for Healthy Montana Kids
- o Tobacco settlement funds and interest income from the tobacco settlement trust for state Medicaid match and state match for the CHIP grant

The 2013 biennium fund balances for the state special revenue sources that fund HRD services are discussed in the agency overview since the accounts support several DPHHS functions and the Insure Montana program (premium assistance and tax credits for small employers that provide group health insurance) administered by the State Auditor’s Office.

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HMK Funding

HMK/CHIP is funded from the federal CHIP grant and the state match is paid from several state special revenue sources. As discussed earlier, the costs for enrollment in HMK/CHIP above the November 2008 level can be funded from the insurance premium tax state special revenue account. The remaining two of the sources – tobacco settlement funds and tobacco settlement trust fund interest – pay for base level HMK/CHIP enrollment and also support other programs throughout the department. The fund balance for these accounts is summarized in the agency overview.

Tobacco Settlement Funds Over Budgeted

Tobacco settlement revenues are over appropriated in the executive budget. State special revenue for base level funding for HMK/CHIP services is over budgeted by \$0.8 million to \$3.0 million in FY 2012 and by \$1.8 million to \$4.1 million in FY 2013 in the executive budget request. The shortfall has a wide variance because the account was over expended in FY 2010 and DPHHS received a general fund loan that is to be repaid in FY 2011. However, the account may be over expended by \$2.2 million in FY 2011. If the over expenditures are not addressed through spending reductions or provision of alternative funding sources, the account could start the 2013 biennium in a deficit situation.

The legislature can consider two options related to this issue.

- Request that DPHHS staff identify options to alter services available or increase cost sharing to lower HMK/CHIP costs
- Request that the executive identify other options for consideration by the legislature

There are two federal funding sources – state Medicaid matching funds and the federal CHIP grant. This division administers entitlement Medicaid services, meaning that persons who are deemed eligible for services must receive the services if they are medically necessary. The CHIP grant is a fixed federal grant that must be matched. The state has two years to spend the federal CHIP grant.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	64,901,357	64,901,357	129,802,714	53.59%	488,145,127	488,145,127	976,290,254	74.42%
Statewide PL Adjustments	29,770,889	29,771,076	59,541,965	24.58%	461,640	460,159	921,799	0.07%
Other PL Adjustments	32,210,638	20,268,479	52,479,117	21.67%	144,889,709	179,747,735	324,637,444	24.74%
New Proposals	187,864	191,358	379,222	0.16%	5,053,832	5,039,042	10,092,874	0.77%
Total Budget	\$127,070,748	\$115,132,270	\$242,203,018		\$638,550,308	\$673,392,063	\$1,311,942,371	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					633,422					630,416
Vacancy Savings					(179,736)					(179,615)
Inflation/Deflation					(5,068)					(4,947)
Fixed Costs					13,022					14,305
Total Statewide Present Law Adjustments		\$29,770,889	\$586,112	(\$29,895,361)	\$461,640		\$29,771,076	\$679,649	(\$29,990,566)	\$460,159
DP 11001 - Med Ben - Physical Health Caseload	0.00	23,455,855	3,946	58,460,352	81,920,153	0.00	25,728,600	3,999	71,669,148	97,401,747
DP 11002 - Med Ben - Medicare Buy-In Caseload	0.00	928,553	0	1,817,834	2,746,387	0.00	1,187,584	0	2,278,803	3,466,387
DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload	0.00	38,584	0	75,537	114,121	0.00	90,056	0	172,807	262,863
DP 11004 - Med Ben - Breast & Cerv Cancer Caseload	0.00	23,310	0	75,461	98,771	0.00	35,661	0	113,236	148,897
DP 11005 - FMAP Adj - HRD Medicaid	0.00	2,569,918	0	(2,569,918)	0	0.00	3,879,402	0	(3,879,402)	0
DP 11008 - Med Ben - Clawback Caseload	0.00	2,033,190	0	0	2,033,190	0.00	3,115,190	0	0	3,115,190
DP 11009 - Med Ben - IHS Caseload	0.00	0	0	16,249,579	16,249,579	0.00	0	0	28,436,763	28,436,763
DP 11010 - FMAP Adj - Clawback	0.00	4,198,641	0	0	4,198,641	0.00	4,198,641	0	0	4,198,641
DP 11011 - Hospital Cost Rpt Audit Contract Increases	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11016 - EFMAP Adj - HMK	0.00	0	325,277	(325,277)	0	0.00	0	418,849	(418,849)	0
DP 11017 - HMK - CHIP - Caseload	0.00	0	4,235,670	13,712,087	17,947,757	0.00	0	5,107,638	16,218,619	21,326,257
DP 11020 - Med Ben - HMK Expansion Caseload	0.00	0	5,433,863	17,590,984	23,024,847	0.00	0	6,018,907	19,112,228	25,131,135
DP 11022 - CPI - MMIS Components	0.00	106,547	0	314,990	421,537	0.00	161,827	0	478,415	640,242
DP 11023 - Med Ben Hold Harmless Account - OTO	0.00	0	0	0	0	0.00	(16,984,522)	16,984,522	0	0
DP 11112 - Hospital Utilization Fee Authority	0.00	0	4,152,211	(7,143,525)	(2,991,314)	0.00	0	4,277,342	(7,783,769)	(3,506,427)
DP 11113 - Administrative Claiming - MAC & MAM	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 11122 - Reduction to HRD Base	0.00	(307,268)	0	0	(307,268)	0.00	(307,268)	0	0	(307,268)
DP 11123 - Re-establish Medicaid Hospital Services Base	0.00	307,268	0	0	307,268	0.00	307,268	0	0	307,268
DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm	0.00	(1,268,960)	0	0	(1,268,960)	0.00	(1,268,960)	0	0	(1,268,960)
Total Other Present Law Adjustments	0.00	\$32,210,638	\$14,150,967	\$98,528,104	\$144,889,709	0.00	\$20,268,479	\$32,811,257	\$126,667,999	\$179,747,735
Grand Total All Present Law Adjustments	0.00	\$61,981,527	\$14,737,079	\$68,632,743	\$145,351,349	0.00	\$50,039,555	\$33,490,906	\$96,677,433	\$180,207,894

Statewide Present Law Funding Shift

HRD statewide present law adjustments include a funding shift that increases general fund by \$29.0 million and reduces federal Medicaid matching funds by a like amount. This base adjustment was authorized in HB 645 to take into account the general fund increase that is necessary in the 2013 biennium due to discontinuation of the 10% temporary increase in the federal Medicaid matching rate during FY 2010. All Medicaid services and foster care services include this adjustment. The total adjustment is summarized in the agency overview.

Program Personal Services Narrative

- o **Pay Plan Exceptions** – None
- o **Vacancy** - Ongoing vacancies have increased overtime, contributed to delays in client application processing and subsequent delays in delivery of client benefits, and increased employee workload and stress. Supervisors are carrying increasingly heavy workloads across all agency programs to cope with staff vacancies and as new

employees are trained to be fully productive in their positions.

- o **Pay/Position Changes** – Two positions were reclassified resulting in pay increases.
- o **Retirements** – About one-half (40 FTE) of HRD employees are eligible for retirement. Three employees retired as of the end of FY 2010. Retirements of six employees are anticipated in the coming biennium with a potential liability of \$53,130.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals											
Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 11014 - Health Care Reform Rebate Reduction	11	0.00	0	791,154	1,548,846	2,340,000	0.00	0	801,684	1,538,316	2,340,000
DP 11027 - Med Ben - Indian Property Exclusion	11	0.00	262,543	0	513,982	776,525	0.00	266,037	0	510,488	776,525
DP 11029 - Med Ben - Family Planning	11	5.00	0	295,984	295,982	591,966	5.00	0	295,682	295,682	591,364
DP 11119 - Med Ben - Restore Adult Transplants	11	0.00	0	253,575	496,425	750,000	0.00	0	256,950	493,050	750,000
DP 11121 - Make Temporary HMK FTE Permanent	11	15.00	0	158,125	511,895	670,020	15.00	0	157,071	498,761	655,832
DP 55411 - 4% Personal Services Budget Reduction	11	0.00	(24,772)	0	0	(24,772)	0.00	(24,772)	0	0	(24,772)
DP 55420 - 17-7-140 Operation Efficiencies	11	0.00	(49,907)	0	0	(49,907)	0.00	(49,907)	0	0	(49,907)
Total	20.00	\$187,864	\$1,498,838	\$3,367,130	\$5,053,832	\$5,053,832	20.00	\$191,358	\$1,511,387	\$3,336,297	\$5,039,042

Sub-Program Details
MEDICAID 01**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	43.50	0.00	5.00	48.50	0.00	5.00	48.50	48.50
Personal Services	2,267,940	402,841	252,399	2,923,180	402,105	251,797	2,921,842	5,845,022
Operating Expenses	6,149,091	858,289	264,888	7,272,268	1,078,292	264,888	7,492,271	14,764,539
Benefits & Claims	427,736,071	103,100,568	3,866,525	534,703,164	132,255,101	3,866,525	563,857,697	1,098,560,861
Total Costs	\$436,153,102	\$104,361,698	\$4,383,812	\$544,898,612	\$133,735,498	\$4,383,210	\$574,271,810	\$1,119,170,422
General Fund	64,901,357	61,981,527	187,864	127,070,748	50,039,555	191,358	115,132,270	242,203,018
State/Other Special	32,143,371	4,157,524	1,340,713	37,641,608	21,267,242	1,354,316	54,764,929	92,406,537
Federal Special	339,108,374	38,222,647	2,855,235	380,186,256	62,428,701	2,837,536	404,374,611	784,560,867
Total Funds	\$436,153,102	\$104,361,698	\$4,383,812	\$544,898,612	\$133,735,498	\$4,383,210	\$574,271,810	\$1,119,170,422

Sub-Program Description

The Medicaid sub-program administers Medicaid physical health services such as hospital, physician, and pharmacy services. It is the single largest component of the HRD division budget with an annual request over half a billion dollars. Compared to FY 2010 base expenditures, present law adjustments add \$238.1 million total funds (\$112.1 million general fund).

A significant portion of the general fund change is due to discontinuation of the temporary 10% increase in the federal Medicaid match rate. HB 645 allowed the Office of Budget and Program Planning to increase general fund and reduce federal funds in the FY 2010 adjusted base budget equal to the 10% match rate change. The effect for the Medicaid sub-program was about \$29.0 million in general fund with a like reduction in federal funds.

The Medicaid Services sub-program budget includes a request for 5.00 FTE to implement an expansion of family planning services.

Medicaid services caseload estimates are discussed in the agency overview.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	64,901,357	64,901,357	129,802,714	53.59%	436,153,102	436,153,102	872,306,204	77.94%
Statewide PL Adjustments	29,770,889	29,771,076	59,541,965	24.58%	444,593	445,155	889,748	0.08%
Other PL Adjustments	32,210,638	20,268,479	52,479,117	21.67%	103,917,105	133,290,343	237,207,448	21.19%
New Proposals	187,864	191,358	379,222	0.16%	4,383,812	4,383,210	8,767,022	0.78%
Total Budget	\$127,070,748	\$115,132,270	\$242,203,018		\$544,898,612	\$574,271,810	\$1,119,170,422	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012				Fiscal 2013					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					514,123					513,359
Vacancy Savings					(111,282)					(111,254)
Inflation/Deflation					(533)					(518)
Fixed Costs					42,285					43,568
Total Statewide Present Law Adjustments		\$29,770,889	\$1,367	(\$29,327,663)	\$444,593		\$29,771,076	\$1,379	(\$29,327,300)	\$445,155
DP 11001 - Med Ben - Physical Health Caseload	0.00	23,455,855	3,946	58,460,352	81,920,153	0.00	25,728,600	3,999	71,669,148	97,401,747
DP 11002 - Med Ben - Medicare Buy-In Caseload	0.00	928,553	0	1,817,834	2,746,387	0.00	1,187,584	0	2,278,803	3,466,387
DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload	0.00	38,584	0	75,537	114,121	0.00	90,056	0	172,807	262,863
DP 11004 - Med Ben - Breast & Cerv Cancer Caseload	0.00	23,310	0	75,461	98,771	0.00	35,661	0	113,236	148,897
DP 11005 - FMAP Adj - HRD Medicaid	0.00	2,569,918	0	(2,569,918)	0	0.00	3,879,402	0	(3,879,402)	0
DP 11008 - Med Ben - Clawback Caseload	0.00	2,033,190	0	0	2,033,190	0.00	3,115,190	0	0	3,115,190
DP 11009 - Med Ben - IHS Caseload	0.00	0	0	16,249,579	16,249,579	0.00	0	0	28,436,763	28,436,763
DP 11010 - FMAP Adj - Clawback	0.00	4,198,641	0	0	4,198,641	0.00	4,198,641	0	0	4,198,641
DP 11011 - Hospital Cost Rpt Audit Contract Increases	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11022 - CPI - MMIS Components	0.00	106,547	0	314,990	421,537	0.00	161,827	0	478,415	640,242
DP 11023 - Med Ben Hold Harmless Account - OTO	0.00	0	0	0	0	0.00	(16,984,522)	16,984,522	0	0
DP 11112 - Hospital Utilization Fee Authority	0.00	0	4,152,211	(7,143,525)	(2,991,314)	0.00	0	4,277,342	(7,783,769)	(3,506,427)
DP 11113 - Administrative Claiming - MAC & MAM	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 11122 - Reduction to HRD Base	0.00	(307,268)	0	0	(307,268)	0.00	(307,268)	0	0	(307,268)
DP 11123 - Re-establish Medicaid Hospital Services Base	0.00	307,268	0	0	307,268	0.00	307,268	0	0	307,268
DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm	0.00	(1,268,960)	0	0	(1,268,960)	0.00	(1,268,960)	0	0	(1,268,960)
Total Other Present Law Adjustments	0.00	\$32,210,638	\$4,156,157	\$67,550,310	\$103,917,105	0.00	\$20,268,479	\$21,265,863	\$91,756,001	\$133,290,343
Grand Total All Present Law Adjustments	0.00	\$61,981,527	\$4,157,524	\$38,222,647	\$104,361,698	0.00	\$50,039,555	\$21,267,242	\$62,428,701	\$133,735,498

DP 11001 - Med Ben - Physical Health Caseload - This request adds \$179.3 million in total funds, including \$49.2 million general fund and \$130.1 million in federal funds for projected changes in the number of persons eligible for services, service utilization, and patient acuity levels. Examples of caseload services are: inpatient, outpatient, dental, pharmacy, and physicians.

**LFD
COMMENT**

The executive request for Medicaid services is discussed in the agency overview.

DP 11002 - Med Ben - Medicare Buy-In Caseload - This proposal adds \$6.2 million, including \$2.1 million general fund, for expected increases in premiums for Medicare Part A (inpatient care) and Part B (outpatient services). The state Medicaid program purchases Medicare coverage for persons eligible for both programs. Medicare then covers the cost of most services for the individual. Medicaid is only liable for the costs of non-Medicare covered services and for some co-insurance and deductibles related to services utilized. Base expenditures were \$24.5 million.

DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload - The legislature approved implementation of a Medicaid buy-in program for workers with disabilities. Montana's eligibility standards cover people with incomes up to 250% of the federal poverty level. This program allows workers with disabilities, whose resources or income exceeds the limits for eligibility under existing coverage groups, to qualify for Medicaid. The program eliminates a significant barrier, which prevented people from working due to loss of comprehensive health care coverage.

**LFD
COMMENT**Expanded Justification

LFD staff met with OBPP and DPHHS staff to identify budget requests that would be augmented by an expanded justification. Continuation of Medicaid benefits for workers with disabilities was included in that list. LFD has not received an expanded justification and has asked that one be developed for legislative consideration. This issue is discussed in greater detail in the agency overview.

DP 11004 - Med Ben - Breast & Cerv Cancer Caseload - This present law adjustment adds \$247,668 for the biennium including \$58,971 general fund and \$188,697 in federal funds for the breast and cervical cancer treatment program. Base expenditures were \$4.9 million. The Medicaid program provides health care coverage for those individuals screened through the Montana Breast and Cervical Health (MBCH) program, who are diagnosed with breast and/or cervical cancer or pre-cancer. The individual must also be under 65 years of age, uninsured, and have a family gross income at or below 200% of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment - the same coverage that is provided under the FAIM (Families Achieving Independence in Montana) program.

DP 11005 - FMAP Adj - HRD Medicaid - This request adds \$6.4 million in general fund offset by an equal reduction in federal funds. This funding change accounts for the increase in the state Medicaid match rate for base budget expenditures. The state match rises from about 32% to about 34%.

**LFD
ISSUE**Match Rate Adjustment is Too High

The executive Medicaid services request includes more general fund than required for state match for the 2013 biennium. The legislature could reduce general fund by about \$0.5 million over the biennium if it accepts the Medicaid services caseload adjustments without changes.

DP 11008 - Med Ben - Clawback Caseload - This request includes \$5.1 million general fund over the biennium. The Medicare Modernization Act (MMA) requires the federal government to pay prescription drug costs for Medicaid clients, who had previously been covered in part by states. States are required to reimburse a portion of state Medicaid savings due to the MMA to the federal government through a phased down contribution known as clawback, which is adjusted each year based on Montana's medical expenditures. Clawback costs are based on the number of persons eligible for both Medicare and Medicaid and a federally determined adjustment for the cost of prescription drugs. This adjustment accounts for those changes. Base budget expenditures were \$9.2 million.

DP 11009 - Med Ben - IHS Caseload - The executive budget includes \$44.7 million in federal funds for the projected caseload and federal rate increases as well as a major modification to the method of payment for services for the Medicaid Indian Health Services program. The establishment of rates for Indian Health Services will now be based on an encounter (per visit) rate rather than an all-inclusive rate, which covers multiple services received in one day with one billed claim. This request is 100% pass through of federal funds. Base budget expenditures were \$32.5 million.

DP 11010 - FMAP Adj - Clawback - This request adds \$8.4 million general fund. The American Recovery and Reinvestment Act of 2009 temporarily increased the federal Medicaid match rate by nearly 10% in FY 2010, reducing the clawback payment. Base expenditures were \$9.2 million.

DP 11011 - Hospital Cost Rpt Audit Contract Increases - This proposal would add \$500,000 over the biennium for hospital cost report audits, half from the general fund and half in federal funds. The audits are required by federal law and are critical for calculating items related to disproportionate share payments. Base expenditures for hospital cost reports audits were \$355,200.

Disproportionate share audits were initiated in 2010, but not all annual audits were completed. The funding requested reflects additional resources in addition to the base expenditures, necessary to complete the requirements for annual audits on an ongoing basis.

DP 11022 - CPI - MMIS Components - This request adds \$1.1 million total funds over the biennium, which includes \$0.3 million general fund and \$0.8 million federal Medicaid funds. This request reflects the pricing adjustment for 3 components (Smart PA, Impact Pro, and Enrollment Broker) of the Medicaid Management Information System (MMIS) within HRD. Together the base cost of all contracts was \$1,052,408.

The current MMIS fiscal agent contract contains a pricing adjustment pegged to the increase in CPI (Consumer Price Index). The annual pricing adjustment shall not exceed 75% of the rate of increase in the cost of living as reflected in the Federal Bureau of Labor Statistics, CPI. The increase is implemented annually in July and over the prior 6 years has increased an average of 2.5% annually.

**LFD
COMMENT**Request Will be Lowered

This request will be revised and the amount lowered since a portion of the funding for the MMIS contract cost increase was requested in the Medicaid and Health Services Management Program.

DP 11023 - Med Ben Hold Harmless Account - OTO - This proposal adds \$16.9 million in state special revenue and reduces general fund by the same amount in FY 2013 only. The state special revenue is from the Medicaid reserve account established in section 34 of HB 645. States were allowed to set aside savings due to a portion of the enhanced federal Medicaid match rate (the hold harmless component). Funds in the account must be used by the department for Medicaid benefits after June 30, 2011.

DP 11112 - Hospital Utilization Fee Authority - HRD experienced increased service demands in Medicaid hospital services beyond the budgeted benefit appropriation. Funds were available in other areas of the department. This negative decision package removes \$307,268 in general fund and brings the program back to the level established by the 2009 Legislature.

Total revenues are projected to peak in FY 2011 at \$82.3 million and decline in the 2013 biennium. The peak is due to the extension of the enhanced federal match rate as well as the increase in the daily fee. Total revenues are projected to decline in the 2013 biennium since the federal match rate will be about 10% to 11% lower as it returns to normal levels.

Hospital Utilization Fee Receipts, State Medicaid Match Generated and Total Funds Reimbursed to Hospitals				
Year	Daily Rate	Days	State Special Rev. Match	Total Reimbursement
2009	\$48.00	455,414	\$21,859,872	\$61,982,064
2010	48.00	443,544	21,290,112	76,397,030
2011	50.00	450,000	22,500,000	82,697,042
2012	50.00	450,000	22,500,000	67,024,129
2013	50.00	450,000	22,500,000	66,509,016

DP 11113 - Administrative Claiming - MAC & MAM - This request is for \$290,000 in federal funds for the biennium. It provides funding for the administrative match claiming with the seven tribal governments. This provides a method of federal reimbursement for eligible Medicaid Title XIX outreach and administrative services, currently performed by both the school districts and tribal nations.

DP 11122 - Reduction to HRD Base - Health Resources Division experienced increased service demands in Medicaid hospital services beyond the budgeted benefit appropriation. Funds were available in other areas of the department. This negative decision package removes \$307,268 in general fund from the base and brings the program back to the level established by the 2009 Legislature.

LFD COMMENT The legislature could reduce federal matching funds if it accepts this proposal.

DP 11123 - Re-establish Medicaid Hospital Services Base - This request for \$307,268 general fund each year of the biennium restores Medicaid hospital services to the FY 2010 expenditure level. This proposal offsets DP 11122.

DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm - This proposal continues the savings from the State Maximum Allowable Cost (SMAC) program to pay the lowest cost for drugs marketed or sold by three or more manufacturers or labelers and specific brand name prescription drugs. The program was included in the 17-7-140 spending reductions implemented in the 2011 biennium. It reduces general fund by \$1,268,960 each year.

LFD COMMENT Federal Funds Could be Reduced Also
The legislature could reduce federal funds as well since pharmacy benefits are matched at a rate of about 66%. The federal reduction would be about \$2.5 million per year. If the federal reduction is not made, there would be excess federal funding in the DPHHS appropriation.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Sub Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11014 - Health Care Reform Rebate Reduction										
01	0.00	0	791,154	1,548,846	2,340,000	0.00	0	801,684	1,538,316	2,340,000
DP 11027 - Med Ben - Indian Property Exclusion										
01	0.00	262,543	0	513,982	776,525	0.00	266,037	0	510,488	776,525
DP 11029 - Med Ben - Family Planning										
01	5.00	0	295,984	295,982	591,966	5.00	0	295,682	295,682	591,364
DP 11119 - Med Ben - Restore Adult Transplants										
01	0.00	0	253,575	496,425	750,000	0.00	0	256,950	493,050	750,000
DP 55411 - 4% Personal Services Budget Reduction										
01	0.00	(24,772)	0	0	(24,772)	0.00	(24,772)	0	0	(24,772)
DP 55420 - 17-7-140 Operation Efficiencies										
01	0.00	(49,907)	0	0	(49,907)	0.00	(49,907)	0	0	(49,907)
Total	5.00	\$187,864	\$1,340,713	\$2,855,235	\$4,383,812	5.00	\$191,358	\$1,354,316	\$2,837,536	\$4,383,210

DP 11014 - Health Care Reform Rebate Reduction - This request adds \$4.7 million total funds for the biennium, including \$1.6 million tobacco settlement interest state special revenue and \$3.1 million federal funds. Montana had supplemental rebate agreements in place in excess of the federal minimum rebate amounts and previously collected the

state share of these rebates. Drug rebates are payments from drug companies to state Medicaid programs based on drug sales. Rebates offset the cost of Medicaid drug costs.

A change in the Patient Protection and Affordable Care Act of 2010 (PPACA) increased the minimum federal rebate in many cases from 15.1% to 23.1%. This change will result in loss of the state share of a portion of supplemental rebates that were collected. It is estimated that this change will decrease Montana's share of rebates by \$2,340,000 each year.

**LFD
ISSUE**Use of Tobacco Settlement Interest State Special Revenue Account

The executive budget requested more state special revenue funding from the tobacco settlement trust fund interest than is projected to be available in FY 2012. This issue is discussed in more detail in the agency overview.

DP 11027 - Med Ben - Indian Property Exclusion - This request adds \$1,553,050 total funds, including \$528,580 general fund and \$1,024,470 federal funds. Federal changes exempted certain Indian property from consideration in Medicaid eligibility determination resulting in additional persons becoming eligible for Medicaid. This change was funded from a one-time appropriation in the 2011 biennium. This request reinstates funding to continue Medicaid services.

DP 11029 - Med Ben - Family Planning - This decision package requests 5.00 FTE that would be used for the family planning program. This request is for \$591,666 in state special revenue funds and \$591,664 in federal funds over the biennium. The personnel would be used to perform functions for Medicaid family planning, including program development, eligibility determinations and operations. Previously Montana had submitted a waiver request to add this group prior to the passage of the Patient Protection and Affordable Care Act (PPACA) and was waiting action by the Centers for Medicaid and Medicare (CMS). Now, under the PPACA, family planning services are available as state plan services.

**LFD
COMMENT**DPHHS Reviewing Statutory Authority to Implement Service as a State Plan Amendment

DPHHS is reviewing whether it has the statutory authority to implement this proposal as a state plan amendment since eligibility for services would be established at 200% of the federal poverty level. If the legislature approves this request, it may wish to ask DPHHS about the outcome of the legal review.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification

The proposal would implement Montana Plan First, Montana's family planning program. The program will increase costs during the first year and will provide savings during years 2 through 5. The proposal will facilitate implementation of Montana Plan First in calendar year 2011. Montanans eligible for Plan First will receive contraceptives and associated reproductive health services, but will not be eligible for full Medicaid coverage.

The personnel would be used to perform functions for the Medicaid family planning expansion including program development, eligibility determinations and operations.

Goals

- o Improve access to and use of family planning services among Montanans in the target population.
- o Reduce number of unintended pregnancies for Montana women ages 14 through 44 who live at or below 200% of the federal poverty level.
- o Improve birth outcomes and participant health by increasing the child spacing interval among women in the target population.

Performance Criteria

At the end of each year, DPHHS will complete a program evaluation. The evaluation will include the number of individuals served and rate in expenditure growth for family planning expansion services on a per capita basis, using total expenditures recorded during the first year of the program as a baseline. The evaluation will also compare the annual rate of growth of actual expenditures with the baseline amount trended forward.

Milestones

- o The number of individuals enrolled in the program.
- o The estimated decrease in the number of births paid by Medicaid per 1,000 population.

FTE

This request would add 5.00 FTE to be used for the family planning program. The personnel would be used to perform functions for the Medicaid family planning including program development, eligibility determinations and operations.

Funding

This proposal is funded at the Medicaid administrative match rate of 50% tobacco settlement trust fund interest state special revenue funds and 50% federal funds.

Challenges

Outreach: DPHHS will use targeted outreach to identify potentially eligible individuals. As always, targeted outreach in Montana is challenging because of large distances between population centers and sparsely populated rural areas.

Provider training: All Medicaid providers who deliver family planning services will be able to deliver services under the program. DPHHS anticipates that private providers, health departments, family planning clinics, and Community Health Centers will provide services to eligible women. Adequate training for these providers will necessitate creative training delivery methods, such as web-based training sessions, training CDs or DVDs, and specialized claims submission training. In addition, providers must be trained in the importance of referrals for primary care services for individuals who receive family planning services under the expansion.

Risks Of No Adoption

The risk of not implementing the family planning expansion is that Medicaid will continue to pay for births to low-income and high-risk women that could have been averted if the expansion had been implemented. A decade of evaluations of state family planning programs has shown that the investment has prevented unintended pregnancies and abortions, and generated substantial cost savings for states.

DP 11119 - Med Ben - Restore Adult Transplants - This request continues Medicaid funding for a non-experimental organ or tissue transplants for adults. The 2009 Legislature approved one-time funding and this request would make coverage of those procedures permanent. This proposal adds \$1.5 million total funds for the biennium, including \$510,525 in health and Medicaid initiatives tobacco tax state special revenue and \$989,475 in federal funds.

**LFD
COMMENT**2011 Biennium Costs Funded from General Fund and Request for Information

The 2011 biennium state match for Medicaid coverage of certain transplants for adults was funded from the general fund. The executive budget shifts the match to health and Medicaid initiatives state special revenue. Statutory requirements for health and Medicaid initiatives funding are for new programs so the use of funds for this purpose may not be within statutory guidelines.

Request for Information

The Legislative Finance Committee workgroup for the LFD Reference Book about general fund spending reductions requested information on transplant costs for adults and for children by type of transplant for the last several years. The information is not yet available.

DP 55411 - 4% Personal Services Budget Reduction - The Governor has included a 4% reduction in general fund personal services budgets. This decision package lowers general fund by \$24,772 per year and represents a 2% contract reduction. This amount was calculated based on the anticipated general fund budgeted for personal services and will reduce operating expenses in the consultant and professional services category.

**LFD
COMMENT**Clarification of Reduction and Total Funding

LFD staff has requested additional information about the specific contracted services that would be reduced so that the legislature can better understand the impact of this proposal. If the reductions support Medicaid administrative costs, the legislature may wish to reduce federal matching funds if it approves this request.

DP 55420 - 17-7-140 Operation Efficiencies - This reduction lowers general fund spending by \$49,907 for each year of the biennium. This amount annualizes and makes permanent the 17-7-140, MCA, 5% budget reduction put in place in the 2011 biennium. This request will eliminate the Oregon Health and Science Contract for the purpose of collaborating and weighing evidence-based benefits and design coverage. Loss of this contract reduces the capacity to develop evidence-based coverage and reimbursement policy for the Health Resources Division.

**LFD
COMMENT**Federal Funds Could be Reduced

The contract that will be eliminated by this reduction is funded 50% by federal funds. The legislature could consider including a like reduction in federal funds as well.

Sub-Program Details
HEALTHY MONTANA KIDS 02**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	27.50	0.00	15.00	42.50	0.00	15.00	42.50	42.50
Personal Services	1,345,382	45,118	629,745	2,020,245	43,571	628,365	2,017,318	4,037,563
Operating Expenses	1,958,263	679,082	40,275	2,677,620	724,475	27,467	2,710,205	5,387,825
Equipment & Intangible Assets	2,950	0	0	2,950	0	0	2,950	5,900
Benefits & Claims	44,658,621	40,288,435	0	84,947,056	45,727,936	0	90,386,557	175,333,613
Total Costs	\$47,965,216	\$41,012,635	\$670,020	\$89,647,871	\$46,495,982	\$655,832	\$95,117,030	\$184,764,901
State/Other Special	10,863,619	10,602,539	158,125	21,624,283	12,247,250	157,071	23,267,940	44,892,223
Federal Special	37,101,597	30,410,096	511,895	68,023,588	34,248,732	498,761	71,849,090	139,872,678
Total Funds	\$47,965,216	\$41,012,635	\$670,020	\$89,647,871	\$46,495,982	\$655,832	\$95,117,030	\$184,764,901

Sub-Program Description

The Healthy Montana Kids (HMK) sub-program includes the budget authority for administration and the funding for 2 of the 3 eligibility components of HMK. Benefits or services costs for the HMK/CHIP population and for the HMK Plus expansion group of children in families with incomes between 101% to 133% of the federal poverty level are included. The services cost for the HMK Plus group of children in families with incomes lower than 100% of the federal poverty level are funded in the Medicaid Services sub-program.

The HMK budget request increases due to:

- o Per child cost increase of 6% annually and projected enrollment growth - \$90.4 million
- o Addition of 15.00 FTE for program administration (20.00 FTE agency wide) - \$1.3 million

The total HMK budget request (HMK sub-program and Medicaid Services sub-program component) are discussed in more detail in the HRD over view. The following issues related to HMK are discussed in the HRD summary:

- o Base level funding for HMK/CHIP services may be too low by \$0.8 to \$4.0 million by FY 2013 depending on FY 2011 expenditure levels
- o State special revenue set aside to fund increased enrollment in HMK will be too low to support the entire state share of costs for all eligible children in the 2013 biennium

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0.00%	47,965,216	47,965,216	95,930,432	51.92%
Statewide PL Adjustments	0	0	0	0.00%	40,031	38,590	78,621	0.04%
Other PL Adjustments	0	0	0	0.00%	40,972,604	46,457,392	87,429,996	47.32%
New Proposals	0	0	0	0.00%	670,020	655,832	1,325,852	0.72%
Total Budget	\$0	\$0	\$0		\$89,647,871	\$95,117,030	\$184,764,901	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					103,056					101,441
Vacancy Savings					(57,938)					(57,870)
Inflation/Deflation					(4,607)					(4,501)
Fixed Costs					(480)					(480)
Total Statewide Present Law Adjustments		\$0	\$607,729	(\$567,698)	\$40,031		\$0	\$701,856	(\$663,266)	\$38,590
DP 11016 - EFMAP Adj - HMK	0.00	0	325,277	(325,277)	0	0.00	0	418,849	(418,849)	0
DP 11017 - HMK - CHIP - Caseload	0.00	0	4,235,670	13,712,087	17,947,757	0.00	0	5,107,638	16,218,619	21,326,257
DP 11020 - Med Ben - HMK Expansion Caseload	0.00	0	5,433,863	17,590,984	23,024,847	0.00	0	6,018,907	19,112,228	25,131,135
Total Other Present Law Adjustments	0.00	\$0	\$9,994,810	\$30,977,794	\$40,972,604	0.00	\$0	\$11,545,394	\$34,911,998	\$46,457,392
Grand Total All Present Law Adjustments	0.00	\$0	\$10,602,539	\$30,410,096	\$41,012,635	0.00	\$0	\$12,247,250	\$34,248,732	\$46,495,982

DP 11016 - EFMAP Adj - HMK - This proposal adds \$744,126 in insurance premium tax state special revenue and reduces federal funds by a like amount. This request provides funds for the change in the increase in the state match rate for the CHIP federal grant. The state match will increase from gradually from 22.70% in FY 2010 to 23.95% in FY 2013.

DP 11017 - HMK - CHIP - Caseload - This request adds \$39.2 million in total funds for HMK. The increase reflects the executive assumptions for growth in the number of children eligible for services, service utilization, and patient acuity levels. This portion of HMK cost increases is for children in families with incomes between 134%-250% of the federal poverty level (comparable to the former CHIP program).

DP 11020 - Med Ben - HMK Expansion Caseload - This request adds \$48.1 million in total funds for HMK for children in families with incomes between 101%-133% of the federal poverty level. The other portion of HMK costs (children in families with incomes below 100% of the federal poverty level) is paid by and budgeted in the Medicaid Services subprogram.

LFD COMMENT	Funding for the total HMK Plus enrollment receiving Medicaid services is discussed in the division budget overview.
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New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals											
Sub Program	-----Fiscal 2012-----					-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 11121 - Make Temporary HMK FTE Permanent											
02	15.00	0	158,125	511,895	670,020	15.00	0	157,071	498,761	655,832	
Total	15.00	\$0	\$158,125	\$511,895	\$670,020	15.00	\$0	\$157,071	\$498,761	\$655,832	

DP 11121 - Make Temporary HMK FTE Permanent - This request funds 15.00 FTE and includes \$315,196 in state special revenue and \$1,010,656 in federal funding over the biennium. The 2009 Legislature approved 24.00 FTE to implement the Healthy Montana Kids Plan (HMK) with 12 funded on a one-time basis.

LFD
ISSUE

HMK FTE Funded by 2009 Legislature, Enrollment Levels, and Performance Measures

HMK FTE are allocated to HRD and to the Human and Community Services Division (HCSD) because it determines Medicaid eligibility. The 2009 Legislature funded 24.00 FTE for HMK administration. 12.00 of the FTE were permanent and the remaining 12.00 were funded on a one-time basis. The 24.00 FTE funded were allocated between the divisions. Both division budgets include base budget funding for HMK FTE and both division budgets include funding for new FTE. The figure below shows the temporary FTE allocated to both divisions, the permanent FTE funded in the base budgets, and the new proposals. Some of the FTE funded for HRD by the 2009 Legislature were not filled until late in FY 2010/early FY 2011.

Funding for FTE to Administer HMK				
Division	2011	2013		Total
	Biennium Temp FTE	Base Budget	New Proposal	
Health Resources	9.00	9.00	15.00	24.00
Human & Community Services	<u>3.00</u>	<u>3.00</u>	<u>5.00</u>	<u>8.00</u>
Total	<u>12.00</u>	<u>12.00</u>	<u>20.00</u>	<u>32.00</u>

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification

DPHHS continues to enroll more children in the HMK plan. The number of staff needed to determine HMK Plus (children’s Medicaid) eligibility has increased due to the program regulations and policies. The process for determining eligibility is labor intensive for the HMK plan. These positions are needed for the upcoming biennium due to an increase in outreach to targeted populations. HMK received a federal grant in 2010 to assist in reaching Montana’s uninsured population. HMK is also expecting an increase in applicants since the approval of the state plan amendment that allows state and university employees to be eligible for the HMK plan, along with the implementation of enrolling presumptive eligible groups.

Goals

- o Maintain the current level of eligibility and enrollment services to Montana families for the HMK and HMK_Plus programs
- o Continue to increase the number of children enrolled in HMK
- o Continue outreach to targeted population in Montana's communities

Performance Criteria

- o Maintain enrolled in accordance with milestones
- o Maintain enrollment process requirements in accordance with federal standards

Milestones

Estimated HMK/CHIP and HMK Plus Medicaid expansion enrollment is 31,911 in FY 2012

FTE

This request would make 15 temporary FTE permanent positions to be used for the Healthy Montana Kids plan. The personnel would be used to perform functions for eligibility determinations and operations

Funding

This decision package will be funded at the CHIP match rate of 23.60% state special revenue in 2012 and 23.95% in 2013. The remaining funding is federal.

Risks Of No Adoption

If HMK does not have the support staff to process applications it would result in a backlog of applications with longer waiting times for enrollment.

**LFD
COMMENT**Enrollment Levels, Performance Measures, and One-Time FundingEnrollment Levels

The expanded justification for this proposal lists a milestone 31,911 enrollment in FY 2012. That enrollment level is lower than the enrollment used to project costs for the executive budget request in either FY 2012 or FY 2013. The legislature may wish to change the milestone for enrollment levels if it approves this request.

Performance Measures

The performance measures listed for the new FTE do not provide measureable outcomes that would enable the legislature to evaluate the effectiveness of this proposal beyond enrollment levels. The number of children enrolled in the program may not be indicative of the value of adding additional FTE, particularly if enrollment levels are lower than projected.

One-Time Funding

If the legislature approves this request, it may wish to consider making the funding for FTE a one-time appropriation. Insurance exchanges will be implemented January 2014 (barring changes in the federal health insurance laws). An exchange is an internet based system that allows individuals to compare health insurance and purchase a policy. Exchanges will be required to determine Medicaid and CHIP eligibility or provide a transparent link to the state Medicaid and CHIP eligibility system. Additionally, eligibility determination for nonelderly, nondisabled adults will be simplified compared to current procedures. Eligibility will be determined based on income reported on federal tax forms, potentially lessening the need for FTE.

Sub-Program Description

Sub-Program Details
PRESCRIPTION DRUG PROGRAM 05

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	246,672	5,727	0	252,399	5,125	0	251,797	504,196
Operating Expenses	339,567	(28,711)	0	310,856	(28,711)	0	310,856	621,712
Benefits & Claims	3,440,570	0	0	3,440,570	0	0	3,440,570	6,881,140
Total Costs	\$4,026,809	(\$22,984)	\$0	\$4,003,825	(\$23,586)	\$0	\$4,003,223	\$8,007,048
State/Other Special	4,026,809	(22,984)	0	4,003,825	(23,586)	0	4,003,223	8,007,048
Total Funds	\$4,026,809	(\$22,984)	\$0	\$4,003,825	(\$23,586)	\$0	\$4,003,223	\$8,007,048

Sub-Program Description

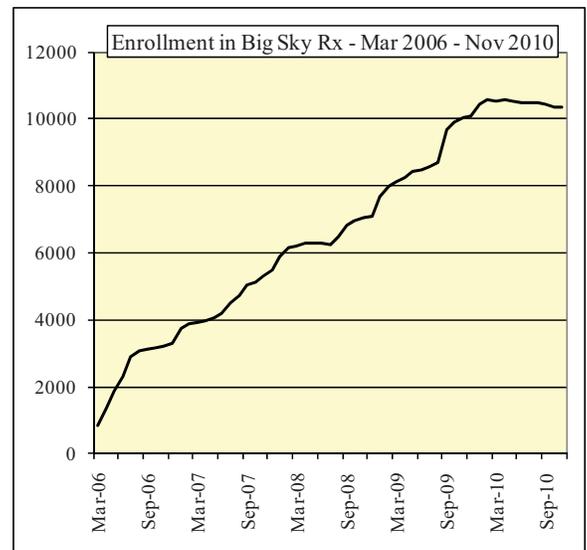
The Prescription Drug sub-program administers two programs:

- o Big Sky Rx, a premium assistance program low-income Medicare beneficiaries to assist in the purchase of Medicare Part D prescription drug coverage (\$3.4 million in benefits payments in FY 2010)
- o PharmAssist, a program that contracts with pharmacists to provide review and counseling about prescriptions (\$6,300 in FY 2010)

The sub-program is funded entirely from tobacco tax health and Medicaid initiatives state special revenue. The 2013 biennium budget request continues the FY 2010 base budget less vacancy savings included in the present law statewide adjustments.

Figure 28

FY 2010 average monthly enrollment in Big Sky Rx was 10,008, with an average per capita assistance amount of \$28.60 per month. The 2013 biennium executive budget is based on average annual enrollment of 11,000, which would yield an average per capita premium assistance amount of about \$26 per month. The maximum premium assistance amount that the program will provide is \$37.47 based on the regional low-income Medicaid Part D subsidy benchmark effective January 2011. Figure 28 shows Big Sky Rx enrollment from the beginning of the program through November 2010.



Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0.00%	4,026,809	4,026,809	8,053,618	100.58%
Statewide PL Adjustments	0	0	0	0.00%	(22,984)	(23,586)	(46,570)	(0.58%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$4,003,825	\$4,003,223	\$8,007,048	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					16,243					15,616
Vacancy Savings					(10,516)					(10,491)
Inflation/Deflation					72					72
Fixed Costs					(28,783)					(28,783)
Total Statewide Present Law Adjustments		\$0	(\$22,984)	\$0	(\$22,984)		\$0	(\$23,586)	\$0	(\$23,586)
Grand Total All Present Law Adjustments	0.00	\$0	(\$22,984)	\$0	(\$22,984)	0.00	\$0	(\$23,586)	\$0	(\$23,586)