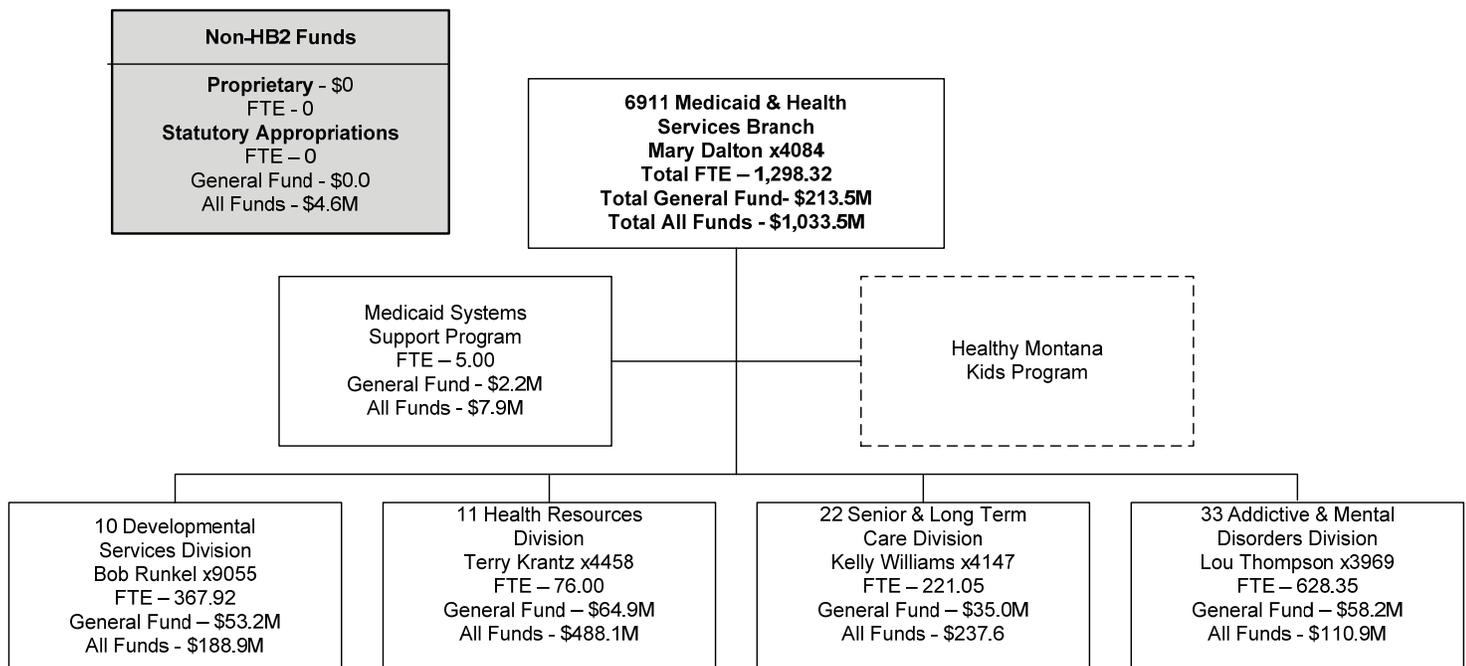


**Branch Budget Comparison**

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

Agency 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	1,298.32	1,298.32	1,300.12	1,295.83	1,298.32	1,295.83	(2.49)	(0.19%)
Personal Services	67,485,627	74,666,943	71,748,347	71,502,960	142,152,570	143,251,307	1,098,737	0.77%
Operating Expenses	42,292,043	45,608,242	45,908,041	46,721,734	87,900,285	92,629,775	4,729,490	5.38%
Equipment & Intangible Assets	180,673	345,348	180,673	180,673	526,021	361,346	(164,675)	(31.31%)
Grants	14,244,574	14,795,377	14,524,770	14,541,281	29,039,951	29,066,051	26,100	0.09%
Benefits & Claims	909,270,789	961,086,053	1,111,341,248	1,153,004,706	1,870,356,842	2,264,345,954	393,989,112	21.06%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	13,104	58,746	13,104	13,104	71,850	26,208	(45,642)	(63.52%)
<b>Total Costs</b>	<b>\$1,033,486,810</b>	<b>\$1,096,560,709</b>	<b>\$1,243,716,183</b>	<b>\$1,285,964,458</b>	<b>\$2,130,047,519</b>	<b>\$2,529,680,641</b>	<b>\$399,633,122</b>	<b>18.76%</b>
General Fund	213,499,708	274,336,885	330,841,349	322,376,619	487,836,593	653,217,968	165,381,375	33.90%
State Special	91,819,929	98,288,875	111,976,348	132,000,205	190,108,804	243,976,553	53,867,749	28.34%
Federal Special	728,167,173	723,934,949	800,898,486	831,587,634	1,452,102,122	1,632,486,120	180,383,998	12.42%
<b>Total Funds</b>	<b>\$1,033,486,810</b>	<b>\$1,096,560,709</b>	<b>\$1,243,716,183</b>	<b>\$1,285,964,458</b>	<b>\$2,130,047,519</b>	<b>\$2,529,680,641</b>	<b>\$399,633,122</b>	<b>18.76%</b>

The following is the branch organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



**Branch Description**

The Medicaid and Health Services Branch provides direct supervision over the Senior and Long-term Care Division, Disability Services Division, Addictive and Mental Disorders Division, Health Resources Division, and the Medicaid and Health Services Management Program. The branch also provides medical, rehabilitative, and mental health services for Montanans through a variety of programs, including all six state institutions. The branch manager oversees and coordinates programs and activities of the branch and, as the state Medicaid director, establishes policy for the Montana Medicaid program.

Mission – Coordinate Medicaid and Health Services Programs to optimize efficient delivery of services.

MCA 2-4-201  
ARM 37.1.101

### Branch Highlights

<b>Medicaid and Health Services Branch</b>	
<b>Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The Medicaid and Health Services Branch 2013 biennium request is \$399.6 million higher than the 2011 biennium budget, with 34% of the increase funded from the general fund</li> <li>◆ The majority of the growth, \$394.0 million is in benefits and claims, for services to individuals who meet specific eligibility criteria:               <ul style="list-style-type: none"> <li>• Medicaid services rise \$262.5 million, including \$17.0 million for the new mental health expansion (HIFA waiver)</li> <li>• Healthy Montana Kids (HMK) grows \$92.3 million</li> </ul> </li> <li>◆ General fund growth between the biennial budgets is \$165.4 million with the majority of the change due to increases in the state Medicaid match rate:               <ul style="list-style-type: none"> <li>• The temporary federal rate increase will expire at the end of FY 2011</li> <li>• There is an increase in the regular state match rate during the 2013 biennium</li> </ul> </li> <li>◆ Personal services funding grows \$1.1 million despite the Governor’s proposed 4% personal services reduction and a net reduction in funding for 2.49 FTE due to:               <ul style="list-style-type: none"> <li>• 15.00 FTE for HMK</li> <li>• 5.00 FTE to implement an expansion of Medicaid family planning services</li> </ul> </li> <li>◆ The executive proposes to reconfigure services at the Montana Developmental Center (MDC) thereby:               <ul style="list-style-type: none"> <li>• Eliminating 8.71 FTE in FY 2012 and 13.00 FTE in FY 2013</li> <li>• Moving up to 12 individuals out of MDC and increasing community waiver services to serve the individuals in the community</li> </ul> </li> </ul>	

<b>Legislative Action Issues</b>
<ul style="list-style-type: none"> <li>◆ Major policy issues include:               <ul style="list-style-type: none"> <li>● Potential revisions to the DPHHS budget request that would lower the 2013 biennium budget general fund by \$3.1 to \$3.5 million</li> <li>● LFD estimates of the HMK enrollment and funding increases are projected to exceed available insurance premium tax state special revenue by \$11.7 million</li> <li>● Portions of the 5% reduction plans that are not part of the Governor's budget include proposals to reduce general fund and federal Medicaid funds for nursing homes, personal care, and long term care waiver services</li> <li>● If the legislature accepts recommended reductions to the DPHHS budget, the Legislative Finance Committee recommends that the effect of the reductions be assessed during the 2013 biennium</li> </ul> </li> <li>◆ Policy issues are discussed in greater detail in division budget narratives</li> </ul>



### **Branch Discussion**

#### *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:

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

#### 2011 Biennium Goals

2011 biennium goals selected for review by the LFC are discussed in the agency summary and the applicable program narratives of the divisions that make up the Medicaid and Health Services Branch.

#### 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 Legislative Finance Committee (LFC) recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this branch:

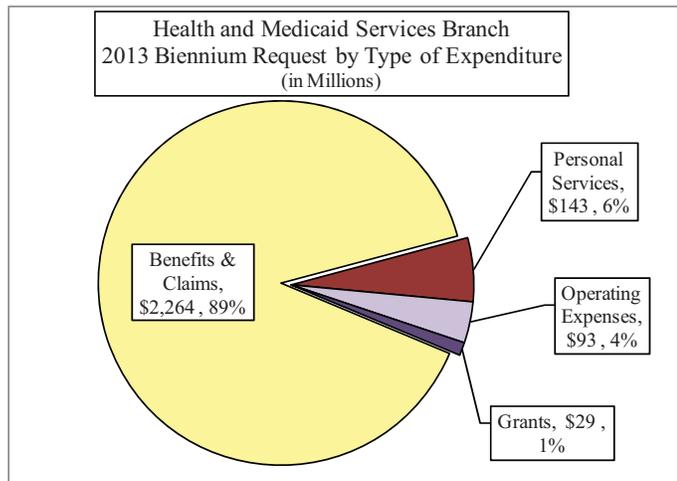
- o Implementation of broad based budget reductions and the effect on DPHHS operations; workgroup members discussed the 4% reduction in FTE and personal service costs in relation to this goal
- o Implementation of Healthy Montana Kids
- o Monitoring the impacts of the economy and recession on workload and programs
- o 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

**LFD COMMENT**

While the LFC identified critical goals, it did not identify the performance measurements the legislature will use to evaluate the department successes and challenges in the 2013 interim. The Health and Human Services Joints Appropriations Subcommittee may wish to discuss the department proposals for measurements of the goals for the 2013 biennium.

**Branch Budget Discussion**

DPHHS reorganized its structure over the last two years, instituting four branches that generally manage a group of divisions. This is the first time that branch division budgets have been included in the LFD budget analysis and were added at the request of DPHHS.



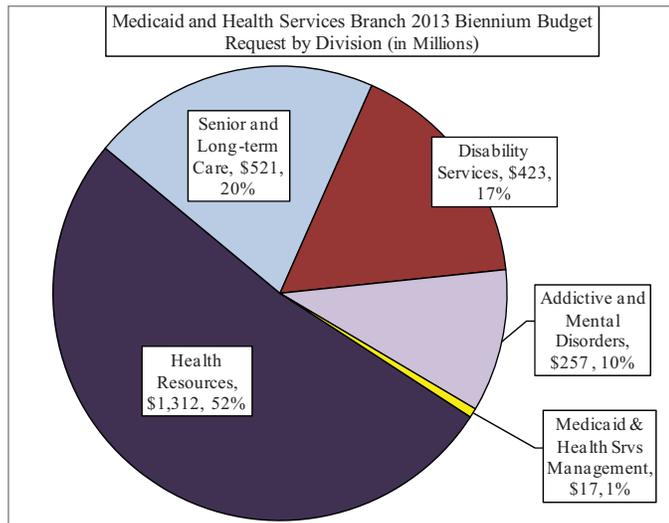
The Medicaid and Health Services Branch 2013 biennium budget request totals \$2.5 billion, which is 68% of the agency request. The 2013 biennium request grows \$399.6 million over the 2011 biennium budget. The majority of the increase - \$394.0 million – is in benefits and claims, which funds services to individuals who meet specific eligibility criteria. This figure shows the 2013 biennium budget request by type of expenditure.

The following figure shows the branch budget by division. Health Resources Division, which administers physical health Medicaid services and the Healthy Montana Kids (HMK) program, is slightly more than half the total branch budget. Senior and Long-term Care, which administers Medicaid and other community services for the aged and disabled, is about one fifth of the budget request. Disability Services Division, which manages developmental disability services and children’s mental health services, is about 17% of the total. Addictive and Mental Disorders, which administers chemical dependency and adult mental health services, is 10%.

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Medicaid and Health Services Branch 2013 Biennium Budget Request by Major Program/Division					
Program/Division	General Fund	State Special		Total	% of Ttl
		Revenue	Federal Funds		
Health Resources	\$242,203,018	\$145,305,808	\$924,433,545	\$1,311,942,371	51.9%
Senior and Long-term Care	127,960,003	59,243,412	333,872,502	521,075,917	20.6%
Disability Services Division	150,465,770	11,214,356	260,996,484	422,676,610	16.7%
Addictive and Mental Disorders	127,899,383	28,136,514	101,119,740	257,155,637	10.2%
Medicaid & Health Srvs Management	<u>4,689,794</u>	<u>76,463</u>	<u>12,063,849</u>	<u>16,830,106</u>	<u>0.7%</u>
<b>Total Branch</b>	<b>\$653,217,968</b>	<b>\$243,976,553</b>	<b>\$1,632,486,120</b>	<b>\$2,529,680,641</b>	<b>100.0%</b>
Percent of Total	25.8%	9.6%	64.5%	100.0%	

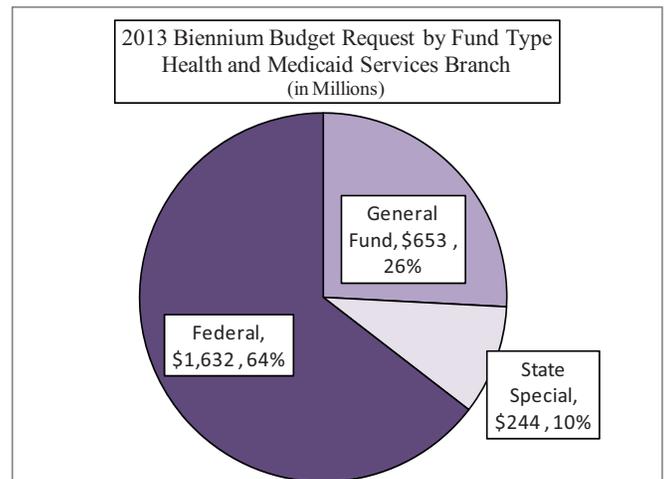
The next figure shows the relative proportion of each division budget as a component of the branch.



Two thirds of the branch budget is supported by federal funds, with Medicaid funds being the most significant source (\$1.4 billion over the biennium). General fund is 26% of the request, with the state match requirement for Medicaid services being the primary driver of general fund cost for this branch (\$471.9 million to support Medicaid services in the 2013 biennium budget request). The figure below shows the funding for this division.

Medicaid programs are the single most significant cost driver for this branch budget. Medicaid service costs account for \$262.5 million of the difference between the 2011 and 2013 biennium budgets. Specific changes to Medicaid services are discussed in each division and the agency narrative includes a discussion of Medicaid eligibility and service utilization changes.

The 2013 biennium branch budget supports 1,295.82 FTE or 44% of the department wide total. Most of the FTE – 793.16 – are employed by the six state institutions. FTE changes in the 2013 biennium are discussed in the division budget narratives.



**5% Reduction Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

Medicaid and Health Services Branch Total 5% Reduction Plan Identified Included and not Included in the 2013 Biennium Executive Budget					
	FTE	General Fund	% Of Branch Total	State Special Revenue	% Of Branch Total
<i>Included in Executive Budget</i>					
<u>Disability Services Division</u>					
55410 4% GF PS - MDC Reconfiguration*	13.00	\$289,126	1.3%	\$0	0.0%
55140 17-7-140 Reductions - Operations Efficiency	0.00	197,168	0.9%	0	0.0%
10107 DD Refinancing	0.00	4,034,276	18.0%	0	0.0%
<u>Health Resources Division</u>					
55420 17-7-140 Operations Efficiencies	0.00	99,814	0.4%	0	0.0%
55140 17-7-140 Reduction - Pharmacy Savings w/SMAC	0.00	2,537,920	11.4%	0	0.0%
55411 4% Personal Services Reduction	0.00	49,544	0.2%	0	0.0%
<u>Medicaid and Health Services Management Program</u>					
	0.00	0	0.0%	0	0.0%
<u>Senior and Long-term Care Division</u>					
55422 4% FTE Reduction	1.00	185,282	0.8%	0	0.0%
55423 Eliminate PACE	0.00	628,918	2.8%	0	0.0%
55140 17-7-140 Operating Efficiencies	0.00	67,964	0.3%	0	0.0%
<u>Addictive and Mental Disorders Division</u>					
55433 4% FTE Reduction	8.49	1,029,536	4.6%	0	0.0%
55140 17-7-140 Reduction - Operations Efficiencies	0.00	114,814	0.5%	0	0.0%
55141 17-7-140 HB 2 Crisis Diversion HB 130	0.00	1,238,936	5.5%	0	0.0%
Reduce Transfer to MHSP for Overage in FY 2010	0.00	1,933,624	8.6%	0	0.0%
Subtotal Included in Executive Budget	<u>22.49</u>	<u>\$12,406,922</u>	<u>55.5%</u>	<u>\$0</u>	<u>0.0%</u>
<i>Not Included in Executive Budget</i>					
<u>Disability Services Division</u>					
	0.00	\$0	0.0%	\$0	0.0%
<u>Health Resources Division</u>					
Eliminate Big Sky Rx	0.00	0	0.0%	8,006,446	97.3%
9% Reduction in Physician and Anesthesia RBRVS Conversion Factors	0.00	3,335,658	14.9%	0	0.0%
Eliminate Hosp Adjustment for Pediatric Mental Health and Newborns	0.00	1,270,000	5.7%	0	0.0%
Dental Reduction - Limit on Crown Services	0.00	636,136	2.8%	0	0.0%
Reduction for Dual Eligible Hospital Crossover Coverage	0.00	407,972	1.8%	0	0.0%
<u>Medicaid and Health Services Management Program</u>					
Eliminate Claim Jumper Publication	0.00	60,000	0.3%	0	0.0%
<u>Senior and Long-term Care Division</u>					
3% Reduction Medicaid Nursing Home Budgets	0.00	2,522,222	11.3%	0	0.0%
2.22% Reduction in Medicaid Home and Community Based Waiver Budgets	0.00	476,104	2.1%	0	0.0%
2.22% Reduction in Medicaid Personal Assistance Budgets	0.00	502,716	2.2%	0	0.0%
<u>Addictive and Mental Disorders Division</u>					
Reduce Targeted Case Management Rates	0.00	737,660	3.3%	0	0.0%
MCDC Reduction in Food Service Costs	0.00	0	0.0%	223,216	2.7%
Subtotal Not Included in Executive Budget	<u>0.00</u>	<u>\$9,948,468</u>	<u>44.5%</u>	<u>\$8,229,662</u>	<u>100.0%</u>
Total Medicaid and Health Services Branch	<u>22.49</u>	<u>\$22,355,390</u>	<u>100.0%</u>	<u>\$8,229,662</u>	<u>100.0%</u>

\* DSD eliminates 8.71 FTE in FY 2012 and 13.00 FTE in FY 2013.

**LFD  
COMMENT**

The Governor's budget included \$10.5 million of the reductions identified in the 5% reduction plan submitted by DPHHS. The 2013 biennium executive budget did not include the remaining \$21.1 million in general fund and state special reductions identified in the reduction plan.

Most of the general fund reductions identified in the 5% plan would also reduce federal funds and in some instances state special revenue. The legislature may wish to request that DPHHS identify the total funds that would be reduced for each of the items in the 5% plan and if the legislature adopts any of the items it could also reduce the federal matching funds or state special revenues. Refer to the discussion included at in the agency summary for further information and options for legislative consideration. Specific risks and impacts to programs related to these reductions are included in the program narratives for this branch.

**Funding**

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

Total Branch Funding 2013 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %	
10 Disability Services Division	\$ 150,465,770	\$ 11,214,356	\$ 260,996,484	\$ 422,676,610	16.71%	
11 Health Resources Division	242,203,018	145,305,808	924,433,545	1,311,942,371	51.86%	
12 Medicaid And Health Services Managem	4,689,794	76,463	12,063,849	16,830,106	0.67%	
22 Senior & Long-Term Care	127,960,003	59,243,412	333,872,502	521,075,917	20.60%	
33 Addictive & Mental Disorders	127,899,383	28,136,514	101,119,740	257,155,637	10.17%	
Grand Total	<u>\$ 653,217,968</u>	<u>\$ 243,976,553</u>	<u>\$ 1,632,486,120</u>	<u>\$ 2,529,680,641</u>	<u>100.00%</u>	

The Medicaid and Health Services Branch is funded by general fund, state special revenue, and federal funds. General fund is used for:

- o State mental health and developmental disability institutions
- o State Medicaid match
- o Community aging services grants
- o A portion of the community mental health services for low-income adults with a serious and disabling mental illness
- o Community services for persons with developmental disabilities
- o A portion of administrative costs

Major sources of state special revenue (over \$2.0 million annually), the tax or fee funding source, and the programs supported are:

- o Cigarette tax revenue
  - Montana veterans' services – operational costs and long-range building projects for the Montana Veterans' Home in Columbia Falls and Eastern Montana Veterans' Home in Glendive
- o Tobacco tax health and Medicaid initiatives state special revenue
  - Big Sky Rx – premium assistance for low income Medicare beneficiaries to pay Medicare Part D prescription drug coverage
  - State Medicaid match
- o Tobacco settlement funds and tobacco settlement trust fund interest state special revenue
  - State match for the federal Children's Health Insurance Program (CHIP) grant
  - State Medicaid match
- o Hospital utilization fee and nursing home bed fee state special revenue
  - State Medicaid match to raise reimbursement rates for hospital and nursing home services
- o Alcohol tax state special revenue
  - State chemical dependency institution and some program administrative costs

- Local chemical dependency programs
- A portion of state Medicaid match for chemical dependency services
- o Insurance premium state special revenue
  - State match for Medicaid and CHIP services and administration for the Healthy Montana Kids (HMK) program
- o Medicaid reserve account funded from a portion of the enhanced federal Medicaid match in FY 2010
  - One-time offset to general fund Medicaid matching costs in FY 2013

Major sources of federal funds include:

- o Medicaid matching funds
- o CHIP block grant
- o Aging services block grant
- o Chemical dependency block grant
- o Social services Title XX block grant
- o Mental health services block grant

All funding sources are discussed in greater detail in division budget narratives.

*Common Purpose Decision Packages*

This figure shows the decision packages that are related to changes in the Medicaid match rate, which total \$20.8 million general fund. All of the changes except for \$8.2 million for the clawback FMAP change are related to the regular annual revisions to the federal Medicaid match rate. The FMAP change for clawback reinstates the general fund necessary to offset the temporary increase in federal match rate (about 10%) in FY 2010.

FMAP Adjustments - Medicaid and Health Services Branch		
	FY 2012	FY2013
DP Number and Summary Description	General Fund	General Fund
10001 - FMAP Adj DD & CMH	\$688,471	\$1,346,538
11005 - FMAP Adj - HRD Medicid	2,569,918	3,879,402
11010 - FMAP Adj - Clawback	4,198,641	4,198,641
22102 - Nursing Home FMAP	1,641,322	2,284,394
22105 - Home Based FMAP Adj	426,988	598,106
22108 - CHCHW FMAP	41,032	57,476
22110 - Waiver FMAP Adj	(203,853)	(62,804)
33007 - FMAP Adj - Mental Health	<u>(526,524)</u>	<u>(383,349)</u>
<b>Total</b>	<b>\$8,835,995</b>	<b>\$11,918,404</b>

**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	213,499,708	213,499,708	426,999,416	65.37%	1,033,486,810	1,033,486,810	2,066,973,620	81.71%
Statewide PL Adjustments	71,036,793	71,063,260	142,100,053	21.75%	598,268	644,594	1,242,862	0.05%
Other PL Adjustments	48,792,515	40,121,143	88,913,658	13.61%	204,642,951	245,831,477	450,474,428	17.81%
New Proposals	(2,487,667)	(2,307,492)	(4,795,159)	(0.73%)	4,988,154	6,001,577	10,989,731	0.43%
<b>Total Budget</b>	<b>\$330,841,349</b>	<b>\$322,376,619</b>	<b>\$653,217,968</b>		<b>\$1,243,716,183</b>	<b>\$1,285,964,458</b>	<b>\$2,529,680,641</b>	

Statewide present law adjustments include a funding switch that increases general fund by \$71.0 million and reduces federal funds by a like amount. This change, authorized by HB 645 of 2009 session, reflects the discontinuation of the nearly 10% temporary increase in the federal Medicaid match rate in the federal stimulus legislation, which reduced general fund Medicaid costs in the 2011 biennium. Other present law adjustments and new proposals are discussed in detail in the program narratives that follow.