

### Agency Budget Comparison

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

Proposed Budget Table								Biennium
Budget Item	FY 2014	FY 2015	Executive Budget Request		2015 Biennium	2017 Biennium	Biennium	%
	Actuals	Appropriation	FY 2016	FY 2017			Change	Change
Full Time Equivalents (FTE)	2,923.58	2,923.58	2,872.80	2,945.49	2,923.58	2,945.49	21.91	0.7%
<b>By Branch/Division</b>								
6902 - Economic Security Services	\$418,039,816	\$448,569,434	\$253,241,922	\$256,171,739	\$866,609,250	\$509,413,661	(\$357,112,817)	-41.2%
6904 - Director's Office	6,848,480	4,764,783	5,768,945	5,780,210	11,613,263	11,549,155	(64,108)	-0.6%
6906 - Operation Services	46,033,250	52,635,940	50,779,235	50,100,954	98,669,190	100,880,189	2,210,999	2.2%
6907 - Public Health and Safety	61,132,663	66,164,415	64,114,812	64,114,636	127,297,078	128,229,448	932,370	0.7%
6911 - Medicaid & Health Services	1,339,739,577	1,431,080,562	1,569,642,204	1,669,501,573	2,770,820,139	3,239,143,777	473,249,062	17.1%
<b>By Expenditure</b>								
Total Personal Services	170,695,929	177,831,558	187,565,687	191,548,783	348,527,487	379,114,470	30,586,983	8.8%
Total Operating Expenses	106,482,041	121,938,450	116,914,722	118,987,309	228,420,491	235,902,031	7,564,312	3.3%
Total Equipment	628,233	772,994	728,233	653,233	1,401,227	1,381,466	(19,761)	-1.4%
Total Grants	74,885,046	75,708,585	88,281,954	88,281,954	150,593,631	176,563,908	25,970,277	17.2%
Total Benefits & Claims	1,515,940,213	1,623,550,967	1,546,897,599	1,643,033,441	3,139,491,180	3,189,931,040	50,439,860	1.6%
Total Transfers	2,939,272	3,090,204	2,932,772	2,932,772	6,029,476	5,865,544	2,579,649	42.8%
Total Debt Service	223,052	292,376	226,151	231,620	515,428	457,771	(57,657)	-11.2%
<b>By Fund</b>								
General Fund	445,923,423	469,041,374	528,406,791	564,413,772	914,964,797	1,092,820,563	174,786,217	19.1%
State Special Revenue	146,927,323	157,559,743	157,347,468	160,489,783	304,487,066	317,837,251	18,620,157	6.1%
Federal Special Revenue	1,278,943,040	1,376,614,017	1,257,792,859	1,320,765,557	2,655,557,057	2,578,558,416	(80,194,302)	-3.0%
<b>Total</b>	<b>\$1,871,793,786</b>	<b>\$2,003,215,134</b>	<b>\$1,943,547,118</b>	<b>\$2,045,669,112</b>	<b>\$3,875,008,920</b>	<b>\$3,989,216,230</b>	<b>\$113,212,072</b>	<b>2.9%</b>

### Agency Description

The Department of Public Health and Human Services (DPHHS) strives to improve and protect the health, well-being, and self-reliance of all Montanans. DPHHS administers a wide spectrum of programs and projects including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention). The department has four branches and the Director's Office. The branches and related divisions are:

- o Economic Security Services consisting of four divisions: Disability Employment and Transitions, Human and Community Services, Child and Family Services, and Child Support Enforcement
- o Operations Services consisting of four divisions: Business and Financial Services, Quality Assurance, Technology Services, and Management and Fair Hearings
- o Public Health and Safety
- o Medicaid and Health Services consisting of five divisions: Disability Services, Health Resources, Medicaid and Health Services, Senior and Long-Term Care, and Addictive and Mental Disorders

DPHHS is also responsible for all state facilities except correctional institutions. These facilities are:

- o Montana State Hospital (MSH), Warm Springs
- o Montana Mental Health Nursing Care Center (MMHNCC), Lewistown
- o Montana Chemical Dependency Center (MCDC), Butte
- o Eastern Montana Veterans' Home (EMVH), Glendive
- o Montana Veterans' Home (MVH), Columbia Falls
- o Montana Developmental Center (MDC), Boulder

Additional information is included in the agency profile: <http://leg.mt.gov/fbp-2017.asp>.

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ The DPHHS 2017 biennium budget request is \$113.2 million higher than the 2015 biennium; however, the general fund increase is \$174.8 million between biennia, while federal funds decline by \$82.7 million                             <ul style="list-style-type: none"> <li>• The most significant reduction in federal funds is due to the executive proposal to switch SNAP (Supplemental Nutrition Assistance Program) from a HB 2 appropriation to a statutory appropriation - \$363.9 million</li> <li>• Another part of this funding switch is due to a change in the Federal Medical Assistance Percentage (FMAP), which lowers the federal share and increases the state share of Medicaid services and foster care and adoption services - \$54.1 million</li> </ul> </li> <li>◆ Other major changes in the executive budget request include:                             <ul style="list-style-type: none"> <li>• A 2% annual provider rate increase and additional rate increases for some direct care workers - \$58.9 million total funds, including \$20.1 million general fund</li> <li>• An adult mental health initiative - \$12.6 million general fund and 82.70 new FTE for expanded community mental health services and addition of a wing for dementia services at the Montana Mental Health Nursing Care Center, and expansion of the forensic wing and for staff and operating cost support for a new group home at the Montana State Hospital</li> <li>• Medicaid enrollment and service utilization increases - \$383.7 million total funds, including \$116.3 million general fund</li> <li>• Additional enrollment in the Children’s Health Insurance Program (CHIP) funded components of Healthy Montana Kids (HMK) - \$46.8 million total funds, including \$3.9 million general fund</li> <li>• Overtime and operating cost increases at the six state facilities - \$21.7 million total funds, including \$16.3 million general fund</li> </ul> </li> <li>◆ The legislative budget analysis is based on the FY 2015 legislative appropriation, so changes that the legislature will consider are \$114.1 million, including \$178.0 million general fund, which is slightly higher than the biennial change shown in the main agency table</li> </ul>
Major LFD Issues
<ul style="list-style-type: none"> <li>◆ The executive budget anticipates continued funding for CHIP in the 2017 biennium, but does not include the effect of the enhanced federal match rate, which would reduce state funding requirements by an estimated \$50.2 million over the biennium</li> <li>◆ There is \$22.3 million in duplicate appropriation authority in the executive request that could be accommodated using a statutory appropriation</li> <li>◆ The amount requested for a provider rate increase is not adequate to raise rates by 2% annually for all services</li> <li>◆ There are legislative initiatives for mental health services from an interim study and proposed by the Children, Families, Health, and Human Services Interim Committee</li> <li>◆ The executive is proposing to expand Medicaid eligibility to non-disabled, non-pregnant persons between the ages of 19 – 64 with incomes up to 138% of the federal poverty level (LC 631), which would allow certain state funded DPHHS programs to be partially funded with federal Medicaid matching funds</li> <li>◆ The executive budget contains \$4.5 million more funding from the health and Medicaid state special revenue account than is projected to be available, while there is \$1.9 million more revenue available in the tobacco settlement interest state special revenue than requested in the executive budget</li> </ul>

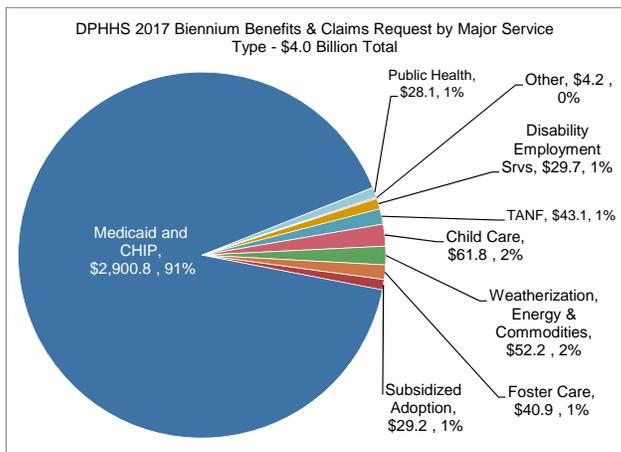
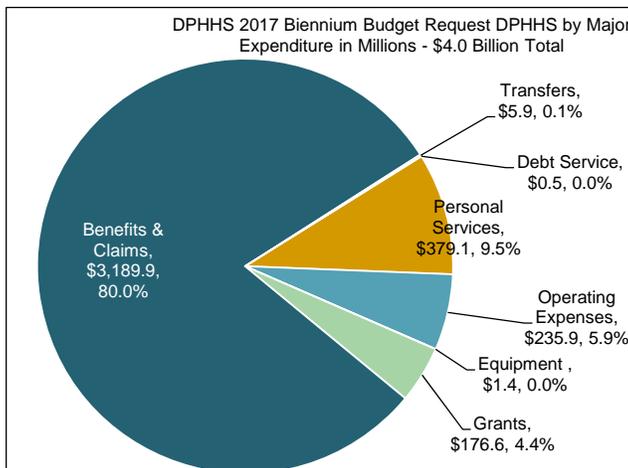
**Agency Discussion**

The graph on the right shows the DPHHS 2017 biennium budget request by major component. The total request is just under \$4.0 billion.

Personal services are about 10% of the total or \$379.1 million. The six state facilities operated by DPHHS comprise about 34% of personal services costs. State facilities also contribute significantly to operating costs for the agency, with about 21% of the total operating budget. In FY 2017, state facility FTE total 1,055.51, or 36% of the FTE funded in the executive request.

The personal services budget for the 2017 biennium is \$379.1 million, which is an increase of \$30.2 million or 8.7% over the 2015 biennium. In addition to annualization of HB 13 salary and benefit adjustments, increases for the 2017 biennium are due to:

- o Restoration of full funding for the 2015 legislatively authorized FTE
- o Increases in the health insurance state share
- o Broadband pay adjustments, including reclassifications
- o Requests for overtime, holiday, and differential pay



Grant expenditures are 4% of the total of \$176.6 million. Grants fund contracts with entities that undertake activities that provide broad public benefits such as public health education and emergency preparedness.

Equipment, debt services, and transfers are under 1% of the total.

The majority of the request - \$3.2 billion for benefits and claims – supports services for persons who meet specific eligibility criteria, including financial, and sometimes age, medical, and disability criteria. The breakout of benefits by major service can be seen in the figure to the left. Medicaid services encompass most of the benefits expended by the department and are discussed further below.

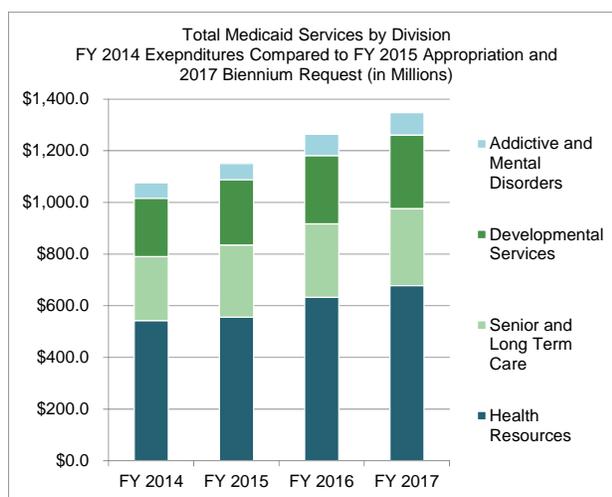
**Medicaid Services**

The most significant component of the benefits and claims funding is Medicaid services, which is 65% of the 2017 biennium executive budget request and 60% of the general fund. Medicaid services grow from \$1.1 billion in FY 2014 to \$1.3 billion in FY 2017, or an annual 7.8%. About 2% of the increase is attributable to the proposed provider rate increase. The majority of the change is due to enrollment and service utilization increases anticipated over the next three years. The graph on the right shows the cost of Medicaid services by division.

Health Resources administers state plan services such as hospital, physician, pharmacy, and laboratory services. It has 50% of the total Medicaid services 2017 biennium budget request, and increases from the FY 2014 expenditure level of \$556.0 million to \$678.1 million in FY 2017. Similar changes in other divisions are:

- o Senior and Long Term Care - \$248.4 million to \$298.6 million
- o Developmental Services - \$224.9 million to \$284.1 million
- o Addictive and Mental Disorders - \$60.2 million to \$86.8 million

The amounts shown in the graph include present law changes for enrollment and service utilization changes as well as new proposals for provider rate increases.



*Provider Rate Increases*

The executive budget includes \$73.0 million total funds, including \$25.0 million general fund, for provider rate increases.

The adjacent table shows the executive budget request for provider rate increases by division and by fund source. Included in the table is a 2% annual provider rate increase for all divisions (\$58.9 million, including \$20.1 million general fund, of the total), as well as rate increases for direct care worker wages and to support the provision of health insurance for healthcare workers in the Senior and Long Term Care Division.

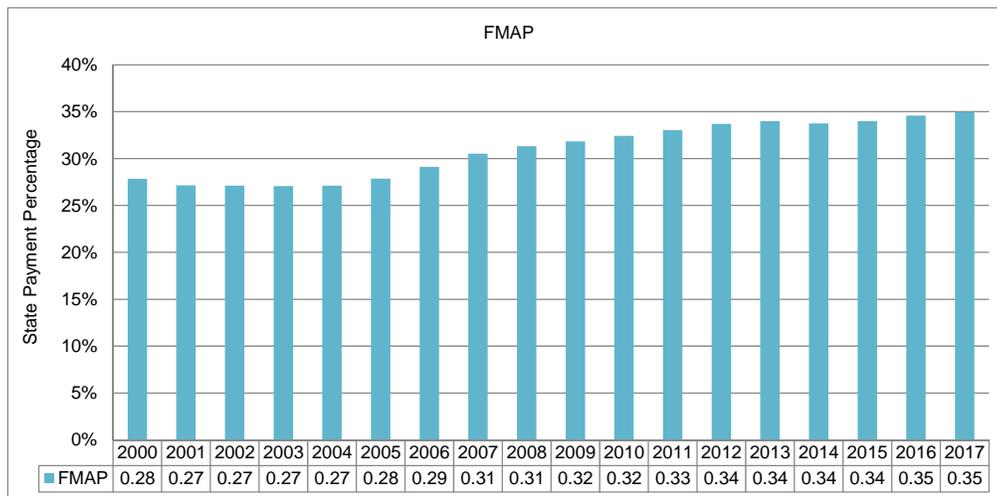
DPHHS Provider Rate Increases by Program and Fund Type				
Division and Funding	FY 2016	FY 2017	Biennial Total	% of Total
Disability Employment & Transitions	\$264,649	\$534,592	\$799,241	1.1%
Child & Family Services	384,382	775,475	1,159,857	1.6%
Disability Services	5,287,746	10,850,489	16,138,235	22.1%
Health Resources	6,606,343	13,212,687	19,819,030	27.2%
Senior & Long-term Care	5,382,973	10,873,608	16,256,581	22.3%
Direct Care Worker Wage	4,401,216	8,914,094	13,315,310	18.2%
Healthcare for Healthcare Workers	390,000	390,000	780,000	1.1%
Addictive & Mental Disorders	<u>1,551,628</u>	<u>3,165,444</u>	<u>4,717,072</u>	6.5%
Total Expenditures	24,268,937	48,716,389	72,985,326	
General Fund	8,277,787	16,699,042	24,976,829	34.2%
State Special	119,254	279,113	398,367	0.5%
Federal Special	15,871,896	31,738,234	47,610,130	65.2%
Grand Total	\$24,268,937	\$48,716,389	\$72,985,326	149.8%

The 2% annual provider rate increase totals \$58.9 million, including \$20.1 million general fund.

As noted previously, the funding request is not sufficient to cover the full cost of a 2% increase for all providers. Areas with insufficient funding and the amount of the rate increase that could be supported are noted throughout the legislative budget analysis.

*State/Federal Match Rate Changes*

The federal medical assistance match rate (FMAP) changes annually on October 1, affected by the strength of the state’s economy. This percentage defines the proportion of various expenditures that are reimbursed to the state by the federal government. The following chart shows the FMAP for FY 2000 – FY 2017. FY 2017 is an estimate, while the rate for FY 2016 is known.



The state percentage has been increasing recently, leading to rising state fund expenditures for these services. The effect of the FY 2016 and anticipated FY 2017 FMAP changes can be seen in the adjacent table, broken down by service and program.

Budget Item	General Fund	State Special	Federal Funds	Net Change
<b>Child &amp; Family Services</b>				
Foster Care	\$261,282	\$0	(\$261,282)	\$0
Guardianship	39,346	-	(39,346)	-
Subsidized Adoption	<u>476,986</u>	-	<u>(476,986)</u>	-
Subtotal	777,614	-	(777,614)	-
<b>Disability Services</b>				
Children's Mental Health	3,730,866	-	(3,730,866)	-
Waiver Providers	<u>5,210,972</u>	-	<u>(5,210,972)</u>	-
Subtotal	8,941,838	-	(8,941,838)	-
<b>Health Resources</b>				
HMK (CHIP)	-	2,172,504	(2,172,504)	-
HMK (CHIP-Funded)	-	3,920,716	(3,920,716)	-
Physical Health	21,503,534	-	(21,503,534)	-
Breast & Cervical Cancer	134,040	-	(134,040)	-
Hospital Util. Fee	<u>0</u>	<u>3,089,608</u>	<u>(3,089,608)</u>	-
Subtotal	21,637,574	9,182,828	(30,820,402)	-
<b>Senior &amp; Long Term Care</b>				
Community First Choice	1,362,308	-	(1,362,308)	-
Home Based Services	714,410	-	(714,410)	-
Nursing Homes	6,482,212	-	(6,482,212)	-
Nursing Homes IGT	-	669,644	(669,644)	-
Home & Community Based	<u>1,691,002</u>	<u>0</u>	<u>(1,691,002)</u>	-
Subtotal	10,249,932	669,644	(10,919,576)	-
<b>Addictive &amp; Mental Disorders</b>				
Adult Mental Health	1,554,500	394,632	(1,949,132)	-
Chemical Dependency	-	95,660	(95,660)	-
Home & Community Based	-	162,592	(162,592)	-
HIFA MHSP	-	<u>458,934</u>	<u>(458,934)</u>	-
Subtotal	1,554,500	1,111,818	(2,666,318)	-
<b>Total</b>	<b>\$43,161,458</b>	<b>\$10,964,290</b>	<b>(\$54,125,748)</b>	<b>\$0</b>

**Summary of State Facility Budget Requests**

The table below shows a biennial summary of state facility costs by facility. The executive budget funds a total of 597 persons served each day in all six state facilities. As noted previously, facility FTE and personal services costs are more than one third of the 2017 biennium budget request. In total, state facility budgets are \$139.1 million general fund or about 13% of the total agency general fund request.

The average annual cost to serve one person in each facility ranges from a high of about \$310,000 at the Montana Developmental Center to a low of \$50,000 at the Eastern Montana Veterans' Home (EMVH). Not all facility costs for EMVH are included in the HB 2 appropriation so the cost to serve one person is understated. The state contracts for operation of EMVH, so only the cost of the FTE to administer the contract and the pass through of

Facility/Funding	ADP*	FTE	Personal Services	All Other	Annual per Person Cost
Montana State Hospital	228	458.90	\$60,905,354	\$19,984,108	\$177,389
Montana Developmental Center	56	250.67	26,290,123	8,438,129	310,074
Mental Health Nursing Care Center	120	149.41	16,992,119	7,396,882	101,621
Montana Veterans' Home	96	141.86	16,228,735	6,408,670	117,903
Montana Chemical Dependency Center	39	53.25	7,426,372	3,453,463	139,485
Eastern Montana Veterans' Home	<u>58</u>	<u>1.06</u>	<u>139,308</u>	<u>5,672,421</u>	<u>50,015</u>
<b>Total</b>	<b>597</b>	<b>1,055.15</b>	<b>127,982,011</b>	<b>51,353,673</b>	<b>150,172</b>
General Fund					139,147,370
Other					40,188,314
<b>Total</b>					<b>\$179,335,684</b>

ADP is average daily population.

federal Veterans' Administration per diem reimbursements and some cigarette tax state special revenue are reflected in the table. Any other facility costs and revenues, such as Medicare and private reimbursements, are not included. As noted in the summary of the Governor's mental health initiative, it includes expansion of services at both MSH and the Montana Mental Health Nursing Care Center. In addition, there are other requests for facility cost increases.

Budget Item	General Fund	State/Federal	Total
<b>Montana State Hospital</b>			
Inflation	\$5,397,300	\$0	\$5,397,300
Overtime/Holiday/Differential	6,600,000	-	6,600,000
Subtotal	11,997,300	-	11,997,300
<b>Montana Veterans' Home</b>			
Inflation	-	1,503,688	1,503,688
Overtime/Holiday/Differential	-	1,715,264	1,715,264
Subtotal	-	3,218,952	3,218,952
<b>Montana Chemical Dependency Center</b>			
Inflation	-	1,155,202	1,155,202
Overtime/Holiday/Differential	-	1,040,912	1,040,912
Subtotal	-	2,196,114	2,196,114
<b>Montana Mental Health Nursing Care Center</b>			
Inflation	1,472,548	-	1,472,548
Overtime/Holiday/Differential	2,816,244	-	2,816,244
Subtotal	4,288,792	-	4,288,792
Grand Total Inflation	6,869,848	2,658,890	9,528,738
Grand Total Overtime	9,416,244	2,756,176	12,172,420
<b>Total</b>	<b>\$16,286,092</b>	<b>\$5,415,066</b>	<b>\$21,701,158</b>

*Facility Inflation and Overtime*

The adjacent figure shows the increases included in the executive request for facility inflation and overtime, by facility and by fund source. Facility inflation increases represent 5% of the 2017 biennium budget request for state facilities. These increases are compared to FY 2014 expenditures.

**Executive Mental Health Proposal**

The executive budget includes \$12.6 million general fund over the biennium to fund additional adult mental health services. The table below shows the biennial funding requested for each component, including 72.70 new FTE for facility based services. There is also a \$7.6 million appropriation requested in the long range building program to support construction of the facility services. The executive proposal is discussed in greater detail in the Addictive and Mental Disorders Division. As noted earlier, the Children, Families, Health and Human Services Interim Committee requested several bills to fund mental health services as well. A table at the end of the agency discussion lists those bills.

**Comparison of FY 2015 Legislative Base to FY 2014 Expenditures**

The legislative analysis for each DPHHS program uses the FY 2015 legislative appropriation. (However, the executive budget request is based on FY 2014 expenditures. The changes discussed in this overview are also based on the amount of funding needed to move from FY 2014 expenditures to the FY 2016 and FY 2017 executive request.)

The FY 2015 legislative base appropriation by program is shown in the following table. In total, the FY 2015 appropriation is \$131.5 million higher than FY 2014 expenditures. General fund is \$23.0 million higher.

More detailed information about the differences between the FY 2015 legislative appropriation and FY 2014 expenditures is available in the legislative analysis of each division. However, the main reasons that the FY 2015 appropriation exceeds the FY 2014 expenditure level are:

- o Medicaid enrollment and service utilization expansion - \$74.5 million total funds
- o A 2% provider rate increase authorized by the 2013 Legislature - \$18.2 million total funds
- o Childcare services - \$10.5 million
- o SNAP appropriation differences - \$9.0 million
- o TANF appropriation levels - \$5.5 million funds
- o Pay plan funding changes authorized by the 2013 legislature

Community and Facility Based Services	FTE	General Fund	Total
<b>Expanded Community Services</b>			
72 Hour Crisis Intervention		\$1,250,000	\$1,250,000
Peer Support Services		1,400,000	1,400,000
Housing and Re-entry		630,000	630,000
County Matching Grants (HB 130)		720,000	720,000
Secure Crisis Beds (HB 131)		400,000	400,000
Drop-In Centers		387,538	387,538
Contracted Forensic Evaluations		360,000	360,000
Crisis Intervention Team Training		100,000	100,000
Medicaid IGT Funding Shift		2,099,808	-
IPS Supported Employment		-	840,000
<b>Subtotal Community Services</b>		<b>7,347,346</b>	<b>6,087,538</b>
<b>Facility Based Services</b>			
Behavioral Health Inpatient Unit Plan		250,000	250,000
Forensic Unit D Wing MSH	43.50	3,001,448	3,001,448
Dementia Unit MMHNCC	29.20	2,001,740	2,001,740
<b>Subtotal Facility Services</b>	<b>72.70</b>	<b>5,253,188</b>	<b>5,253,188</b>
<b>Total Executive Proposal</b>	<b>72.70</b>	<b>\$12,600,534</b>	<b>\$11,340,726</b>

FY 2015 Legislative Base by Program Compared to Total FY 2014 Expenditures					
DPHHS Program	General Fund	State Special	Federal Special	Total Funds	% of Ttl
Disability Employment & Transitions	\$5,767,310	\$1,017,608	\$22,222,841	\$29,007,759	1.4%
Human & Community Services	34,364,835	2,948,659	302,412,167	339,725,661	17.0%
Child & Family Services	36,748,590	2,187,681	29,168,285	68,104,556	3.4%
Director's Office	1,764,065	425,791	1,837,529	4,027,385	0.2%
Child Support Enforcement	3,061,768	878,448	8,486,326	12,426,542	0.6%
Business & Financial Services	3,540,308	711,881	5,079,942	9,332,131	0.5%
Public Health & Safety	3,970,896	16,858,475	45,572,002	66,401,373	3.3%
Quality Assurance	2,724,281	578,112	6,393,424	9,695,817	0.5%
Information Technology Services	11,380,597	1,187,702	19,635,850	32,204,149	1.6%
Developmental Disability Services	86,403,724	6,632,480	194,837,054	287,873,258	14.4%
Health Resources	137,311,959	69,165,712	464,952,946	671,430,617	33.5%
Medicaid & Health Services Mngmt	2,837,618	94,504	15,406,536	18,338,658	0.9%
Management & Fair Hearings	429,634	26,912	642,222	1,098,768	0.1%
Senior & Long Term Care	70,446,633	38,937,842	207,465,037	316,849,512	15.8%
Addictive & Mental Disorders	68,164,903	15,899,914	52,746,137	136,810,954	6.8%
<b>Grand Total</b>	<b>\$468,917,121</b>	<b>\$157,551,721</b>	<b>\$1,376,858,298</b>	<b>\$2,003,327,140</b>	<b>100%</b>
FY 2014 Expenditures	445,923,423	146,927,323	1,278,943,040	1,871,793,786	
FY 2015 Appropriation Over FY 2014	22,993,698	10,624,398	97,915,258	131,533,354	
Percent Different	5.2%	7.2%	7.7%	7.0%	

**Legislative FY 2015 Appropriation Compared to the FY 2015 Appropriation in the Main Budget Table**

The main agency table shows the FY 2015 appropriation as implemented by the executive. It is about \$112,000 lower than the FY 2015 legislative appropriation, primarily in general fund. The difference is due to a combination of factors. Each division has a detailed description of the differences.

**Agency Funding**

The following table shows agency funding by source of authority as proposed by the executive.

Funding by Source of Authority			
	HB 2	Total All Sources	% Total All Funds
General Fund	\$1,092,820,563	\$1,092,820,563	27.3%
State Special	317,837,251	328,251,243	8.2%
Federal Special	2,578,558,416	2,578,558,416	64.5%
<b>Total</b>	<b>\$3,989,216,230</b>	<b>\$3,999,630,222</b>	<b>100.0%</b>

DPHHS is funded predominantly with federal funds – 64.5% over the biennium. General fund is 27%. State special revenue is 8%.

The difference between the HB 2 column and the Total All Sources column is due to a statutory appropriation of a portion of the alcohol tax proceeds that are allocated to DPHHS. The statutory appropriation distributes funds to state approved programs for the prevention and treatment of chemical dependency and is included in the Total All Sources amount.

<b>LFD ISSUE</b>	<p>General Fund Reduction</p> <p>The Affordable Care Act increases the federal CHIP match rate by 23%, which would lower the state funds required for the CHIP funded component of HMK by \$50.2 million over the 2017 biennium. The executive budget does not include this federal match rate adjustment in its HB 2 request.</p> <p>The legislature may wish to include the CHIP match rate change in HB 2. A further discussion is in the Health Resources Division.</p>
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**SNAP**

The executive has proposed a significant change in federal funding in HB 2 regarding Supplemental Nutrition Assistance Program (SNAP) benefits. SNAP is a fully federally funded program, with an anticipated budget of \$363.9 million over the 2017 biennium. The proposal is to shift the appropriation for SNAP from a HB 2 appropriation to a statutory appropriation.

**Major Sources of State Special Revenue**

There are three sources of state special revenue that fund multiple programs in DPHHS. Together they support about one third of the state special revenue portion of the 2017 biennium budget request. They were all established by citizen initiative, with uses of the revenue outlined in the statutes that created each account.

**Health and Medicaid Initiatives**

The following table shows the revenues, expenditures, and fund balance for the health and Medicaid initiatives account from FY 2014 through the end of the 2017 biennium. The citizen initiative that created the account raised tobacco taxes and dedicated the revenue to certain uses including:

- o State match for the federal CHIP grant and for increased Medicaid services and Medicaid provider rates
- o New programs to assist eligible small employers with the costs of providing health insurance benefits to eligible employees
- o Need-based prescription drug programs

The majority – 75% - of the health and Medicaid initiatives revenue supports the state Medicaid match for historic provider rate increases and in some instances service expansions. Other expenditures from the account include funding for a portion of the state match for the federal CHIP grant and the Big Sky Rx program, which provides financial assistance to low-income Medicare eligible persons to purchase Medicare Part D drug insurance. The health and Medicaid initiatives revenue is the only funding source for Big Sky Rx. During the 2015 biennium, a portion of the Insure Montana program, which offers premium assistance and tax credits to small employer who provide health insurance to their employees, was funded from the account.

Health and Medicaid Initiatives Fund Balance - 2015 Biennium Compared to 2017 Biennium					
Tobacco Tax Revenue Dedicated to Health Initiatives					
Fund Balance	Actual	Estimated	Executive Budget		% of
Revenue/Expenditures	FY 2014	FY 2015**	FY 2016	FY 2017	Total
Beginning Fund Balance	\$12,462,291	\$5,904,554	\$1,770,528	(\$1,806,343)	
Revenue - Cigarette and Tobacco Tax*	36,622,559	36,316,487	35,308,229	35,957,166	
Interest Earnings	98,170	118,219	407,866	860,601	
<b>Total Funds Available</b>	<b>49,183,020</b>	<b>42,339,260</b>	<b>37,486,624</b>	<b>35,011,423</b>	
<b>Expenditures</b>					
<u>Medicaid Services</u>					
State Plan Services - Hospitals, Dental, Physicians, Prescription Drugs**	7,869,905	8,099,462	7,869,905	7,869,905	19.9%
Nursing Home Services	5,746,947	5,746,948	5,746,947	5,746,947	14.6%
HIFA Waiver - Adult Mental Health	3,293,696	5,188,511	4,110,443	4,243,403	10.8%
Senior/Physically Disabled Waiver	3,092,007	3,092,008	3,092,007	3,092,007	7.8%
Developmental Disability Benefits	2,942,130	2,942,130	2,942,130	2,942,130	7.5%
Mental Health and Chemical Dependency	2,361,843	2,238,732	2,446,647	2,474,355	6.3%
Home Based Services	1,857,205	1,857,206	1,857,205	1,857,205	4.7%
Children's Mental Health Services	1,741,003	1,741,003	1,741,003	1,741,003	4.4%
Adult Mental Health Community Waiver	1,167,327	1,328,414	1,365,950	1,379,307	3.5%
<u>Other Programs</u>					
Insure Montana Premium Assistance***	3,604,651	-	-	-	0.0%
Insure Montana Health Ins. Tax Credits***	1,496,793	-	-	-	0.0%
Big Sky Rx	3,793,148	4,821,814	3,805,459	3,805,649	9.6%
Healthy Montana Kids/CHIP	4,218,520	3,453,921	4,218,520	4,218,520	10.7%
Other Services/Administration	93,290	58,583	96,751	98,618	0.2%
<b>Subtotal Expenditures</b>	<b>43,278,465</b>	<b>40,568,732</b>	<b>39,292,967</b>	<b>39,469,049</b>	<b>100%</b>
<b>Ending Fund Balance</b>	<b>\$5,904,554</b>	<b>\$1,770,528</b>	<b>(\$1,806,343)</b>	<b>(\$4,457,626)</b>	

\*Revenue based on estimates adopted by the Interim Committee on Revenue and Transportation.  
 \*\*FY 2015 costs are based on projected expenditures in the November 2014 DPHHS budget status report.  
 \*\*\*Insure Montana is funded through the end of the 2015 biennium from one-time appropriations.

<b>LFD ISSUE</b>	<p>Fund Inadequate to Support Executive Request</p> <p>Revenue from the health and Medicaid initiatives account is not adequate to support the executive budget request. The account is \$4.5 million short over the biennium. The legislature may wish to reduce spending from the account or increase revenue to the account to cover the shortfall.</p>
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**Tobacco Settlement Trust Fund Interest**

A portion (90%) of the interest from the tobacco settlement trust fund is deposited to a state special revenue account that may be used for tobacco disease prevention and for state programs that provide benefits, services, or coverage of health care needs. The following figure shows the revenues, expenditures, and fund balance for the account from FY 2014 through the end of the 2017 biennium. The ending fund balance in the account is expected to be \$1.7 million.

The majority – 60% - of the funding is used for state Medicaid match. A portion of the revenue funds public health programs and state funded programs for developmentally disabled persons and persons with a traumatic brain injury or with a serious and disabling mental illness. The 2013 Legislature appropriated funds on a one-time basis for mental health crisis jail diversion services. However, the department did not implement the appropriation in FY 2014 and is not likely to in FY 2015.

Tobacco Settlement Trust Fund Interest - Fund Balance					
Fund Balance, Revenues, Expenditures	Actual FY 2014	Budget FY 2015*	Executive FY 2016	Request FY 2017	Biennial % of Ttl
Beginning Fund Balance	\$3,696	\$238,085	\$151,851	\$901,382	
Revenues**	<u>5,933,186</u>	<u>6,336,576</u>	<u>6,457,809</u>	<u>6,549,889</u>	
Revenues Available for Appropriation	5,936,882	6,574,661	6,609,660	7,451,271	
<b>Expenditures</b>					
Health Resources Division					
Medicaid Hospital & Clinical Services	1,685,660	1,487,736	1,685,660	1,685,660	29.5%
Medicaid Acute Services	<u>688,436</u>	<u>1,167,787</u>	<u>688,436</u>	<u>688,436</u>	12.1%
Health Resources Division Subtotal	2,374,096	2,655,523	2,374,096	2,374,096	41.6%
Public Health and Safety Division					
Adolescent Vaccinations	400,000	400,000	400,000	400,000	7.0%
Newborn Screenings	241,401	240,235	242,772	242,735	4.3%
Emergency Medical Services	118,778	119,889	118,778	118,778	2.1%
HIV Treatment	83,999	84,000	83,999	83,999	1.5%
MT Health Professional Recruitment	75,000	75,000	78,750	78,750	1.4%
WIC Farmer's Market	8,987	9,000	8,987	8,987	0.2%
PHSD Cost Allocation**	15,761	16,029	16,510	17,005	0.3%
Genetics	<u>39,998</u>	<u>41,176</u>	<u>40,405</u>	<u>40,394</u>	0.7%
Public Health and Safety Division Subtotal	983,924	985,329	990,201	990,648	17.3%
Senior and Long Term Care Division					
Medicaid Nursing Home Services	831,850	831,850	831,850	831,850	14.6%
Traumatic Brain Injury Services	<u>50,000</u>	<u>50,000</u>	<u>49,868</u>	<u>49,864</u>	0.9%
Senior and Long Term Care Div. Subtotal	881,850	881,850	881,718	881,714	15.4%
Developmental Services Division					
Medicaid Children's Mental Health Svcs.	202,259	202,259	202,259	202,259	3.5%
DD Part C, Title XX and MOE	<u>592,794</u>	<u>592,794</u>	<u>592,352</u>	<u>592,374</u>	10.4%
Developmental Division Subtotal	795,053	795,053	794,611	794,633	13.9%
Addictive and Mental Disorders Division					
Mental Health Community Crisis Svcs	616,544	617,102	616,544	616,544	10.8%
MH Crisis Jail Diversion**	-	403,177	-	-	0.0%
Adult Mental Health Medicaid Benefits	28,212	26,853	28,212	28,212	0.5%
Mental Health Administration	<u>49,514</u>	<u>57,923</u>	<u>22,896</u>	<u>22,910</u>	0.4%
Addictive & Mental Disorders Subtotal	694,270	1,105,055	667,652	667,666	11.7%
Total Expenditures	5,729,193	6,422,810	5,708,278	5,708,757	100.0%
Adjustments	30,396	-	-	-	
<b>Ending Fund Balance</b>	<b>\$238,085</b>	<b>\$151,851</b>	<b>\$901,382</b>	<b>\$1,742,514</b>	

\*FY 2015 budget represents the estimated expenditures from the November 2015 DPHHS budget status report.  
 \*\*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus. Revenues are those adopted by the Interim Revenue and Transportation Oversight Committee.  
 \*\*\*Nonbudgeted expenditures are cost allocated administrative overhead expenses.  
 \*\*\*\*Mental health crisis jail diversion funds are a biennial appropriation. None of the appropriation was expended in FY 2014 so the entire amount is reflected in FY 2015.

<b>LFD ISSUE</b>	<p>Offset General Fund or Shortfall in Health and Medicaid Initiatives</p> <p>The legislature could use the excess revenue in the tobacco settlement interest income account to offset general fund costs in health programs or it could use the funds to offset part of the shortfall in the health and Medicaid initiatives account.</p>
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**Tobacco Settlement Account**

A portion of tobacco settlement revenues is deposited to two accounts for specific uses. The following figure shows the allocations, revenues, expenditures, and ending fund balance from FY 2014 through FY 2017.

Just under one third of tobacco settlement revenues are to be used only for funding statewide programs for tobacco disease prevention designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use.

17% of tobacco settlement revenues are allocated to the Montana Comprehensive Health Association (MCHA) and to CHIP. MCHA was the state’s high risk insurance pool for persons who could not obtain health care insurance largely due to preexisting health conditions. Since the Affordable Care Act requires health insurance carriers to cover a person who wishes to purchase health insurance, the 2013 Legislature required the MCHA board to develop a plan to discontinue the high risk pool. The executive budget includes a reduction in the funding allocated to MCHA in FY 2016 and does not include an appropriation in FY 2017. Despite that reduction, the account is overdrawn by \$0.6 million in FY 2017.

Tobacco Settlement Account - Fund Balance					
Master Settlement Agreement Payment Allocations to State Special Revenue Accounts					
Allocation of Revenue, Expenditures, and Fund Balance	FY 2014	FY 2015	Executive Request FY 2016	Biennial FY 2017	% of Ttl
<b>32% Allocated to Tobacco Cessation/Prevention</b>					
Beginning Fund Balance	\$3,030,402	\$4,275,215	\$3,960,142	\$2,218,993	
Revenues*	<u>10,605,355</u>	<u>9,239,711</u>	<u>9,149,784</u>	<u>9,061,336</u>	
Total Available for Appropriation	13,635,757	13,514,926	13,109,926	11,280,329	
Expenditures					
Public Health and Safety Division					
Tobacco Control & Prevention	4,745,263	4,744,708	5,745,262	5,745,262	52.7%
Chronic Disease Programs	2,845,622	2,974,256	3,305,046	3,304,562	30.3%
Home Health Visiting/MIAMI	404,358	403,971	409,912	409,912	3.8%
Tribal Programs	699,999	700,000	700,000	700,000	6.4%
Direct Administrative Charge	126,871	133,215	120,871	120,871	1.1%
Cost Allocated Administration**	153,856	161,549	169,626	178,108	1.6%
Department of Revenue	311,898	313,110	310,266	310,266	2.8%
Department of Justice	<u>119,688</u>	<u>123,976</u>	<u>129,950</u>	<u>130,227</u>	<u>1.2%</u>
Subtotal Expenditures	9,407,555	9,554,784	10,890,933	10,899,208	100.0%
Adjustments	<u>47,013</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		1.6%	14.0%	0.1%	
Ending Fund Balance	\$4,275,215	\$3,960,142	\$2,218,993	\$381,122	
<b>17% Allocated to HMK/MT Comprehensive Health Association</b>					
Beginning Fund Balance	\$0	\$341,842	\$392,949	(\$131,015)	
Revenues*	<u>5,634,095</u>	<u>4,908,597</u>	<u>4,860,823</u>	<u>4,813,835</u>	
Revenues Available for Appropriation	5,634,095	5,250,439	5,253,772	4,682,820	
Expenditures					
Healthy Montana Kids Benefits	4,160,921	3,928,448	4,640,321	4,920,321	89.7%
Healthy Montana Kids Admin.	89,962	74,449	89,962	89,962	1.7%
MT Comprehensive Health Assoc	813,624	618,696	406,812	0	3.8%
Cost Allocated Administration***	<u>224,664</u>	<u>235,897</u>	<u>247,692</u>	<u>260,077</u>	<u>4.8%</u>
Subtotal Expenditures	5,289,171	4,857,490	5,384,787	5,270,360	100.0%
Adjustments	<u>(3,082)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		-8.2%	10.9%	-2.1%	
Ending Fund Balance****	\$341,842	\$392,949	(\$131,015)	(\$587,540)	
*Estimated revenues are those adopted by the Revenue and Transportation Interim Committee.					
**FY 2015 costs reflect the fiscal impact due to passage and approval of SB 223, which requires development and approval of a plan to terminate MCHA due to changes in the federal Affordable Care Act. The FY 2015 cost is based on the fiscal note estimate for SB 223.					
support shared management and operational costs.					
****There will need to be reductions in appropriation amounts to offset projected shortfalls.					

<b>LFD ISSUE</b>	<p>Reduce Expenditures</p> <p>The legislature may wish to reduce expenditures from the tobacco settlement account allocated to CHIP to bring the account to a positive ending fund balance.</p>
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<b>LFD ISSUE</b>	<p>Certain Funds for Support of State Facilities are Double Appropriated</p> <p>Certain state facility costs have duplicate appropriations in HB 2, essentially doubling the spending authority</p>
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– one from state funds to support the entire operation of the facility and one to recoup allowable federal

Medicaid reimbursements as necessary. This practice results in a duplication of HB 2 authority by about \$22.3 million in the 2017 biennium.

*Facility Reimbursement*

The legislature funds the operation of three state facilities almost entirely with general fund: the Montana State Hospital (MSH), the Montana Mental Health Nursing Care Center (MMHNCC), and the Montana Developmental Center (MDC). In addition, the legislature funds a portion of the Montana Veterans' Home (MVH) operating costs from cigarette tax state special revenue.

However, DPHHS receives reimbursement for facility services from Medicaid, Medicare, private insurance, payments from persons served, counties, and the Indian Health Services. Revenue received for services provided by MSH, MDC, and MMHNCC is applied first to debt service for construction of buildings on the MSH and MDC campuses and the balance is deposited to the general fund. Revenue received for the MVH is deposited to a state special revenue account for operation of the facility.

*Funding for Facility Operating Costs*

The amount of reimbursement received for facility costs varies each year. In order to insure that facilities have adequate funding, the legislature has chosen to appropriate operating costs from state funds rather than funding costs partly from state funds and partly from variable reimbursement income.

Medicaid Reimbursements for State Facility Services		
Division	FY 2016	FY 2017
Developmental Disability Services	\$6,662,730	\$6,662,730
Addictive and Mental Disorders	3,201,546	3,201,546
Senior and Long Term Care	1,294,304	1,294,304
Annual Total	11,158,580	11,158,580
Biennial Total		\$22,317,160

*Medicaid Reimbursement for Facility Services*

HB 2 includes an appropriation so that facilities can claim federal Medicaid reimbursement, which was \$11.2 million in FY 2014. The adjacent table shows the amount of federal authority requested in the executive budget to draw down Medicaid reimbursement.

*Alternative*

The legislature could consider establishing a statutory appropriation for federal authority for Medicaid reimbursement for state facility services instead of appropriating funds in HB 2. Statutory appropriations are suitable if the expenditure is recurring and of a variable level. If the legislature opted to establish a statutory appropriation for facility reimbursement, it would need to pass legislation to amend 17-7-502, MCA. This option could be utilized for all state facilities and it would continue the legislative policy of funding facilities from state funds and depositing reimbursements to the general fund and the MVH state special revenue account.

*Medicaid Expansion*

The Governor is proposing to expand Medicaid as allowed by the Affordable Care Act (ACA). The expansion proposal is embodied in separate legislation – LC 631. DPHHS would contract with a third party administrator to manage Medicaid services for the new enrollees. The third party administrator would:

- Enroll providers
- Establish reimbursement rates
- Pay claims
- Implement programs and protocols to enhance health outcomes and improve economic efficiency

The newly eligible population would be individuals between the ages of 19 to 64 who are not disabled and not pregnant. Medicaid eligibility would not change for children, people over 65, the disabled, or for low income parents with incomes below 47% of the federal poverty level.

<b>LFD COMMENT</b>	<p>Impact of Medicaid Expansion on Present Law Services Costs</p> <p>The funds allocated to tobacco use and prevention are not structurally balanced with the ongoing costs, exceeding annual revenue by about \$1.8 million in FY 2017.</p> <p>If the legislature approves a Medicaid expansion, it would have a cost impact on current DPHHS programs. First, there would be additional cost increases due to enrollment of people who are currently eligible for Medicaid, but not enrolled (the welcome mat or wood work effect). DPHHS has not asked for this change in its current budget request.</p> <p>Second, there would be some savings to programs currently funded solely with state funds and some Medicaid programs that would have a higher federal match rate. For instance, some persons currently receiving state funded adult mental health or chemical dependency services would become Medicaid eligible. Continued services for those individuals would be provided by Medicaid at a lower state cost. In addition, some Medicaid services such as the HIFA/Mental Health Services Plan waiver would be funded at a higher federal match rate.</p>
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*Interim Study Recommendations*

The Children, Families, Health, and Human Services Interim Committee as part of its HJ 16 interim study on state operated facilities proposed several bills that fund mental health services. Each bill draft request and the purpose and the amount of general fund appropriated by the bill are listed in the following table.

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