

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	221.05	221.05	217.55	217.55	221.05	217.55	(3.50)	(1.58)%
Personal Services	11,707,257	12,731,317	13,083,137	13,067,036	24,438,574	26,150,173	1,711,599	7.00 %
Operating Expenses	7,156,221	10,182,788	9,758,896	10,182,587	17,339,009	19,941,483	2,602,474	15.01 %
Equipment & Intangible Assets	68,049	111,093	68,049	68,049	179,142	136,098	(43,044)	(24.03)%
Grants	11,644,859	12,615,529	19,451,414	19,451,414	24,260,388	38,902,828	14,642,440	60.36 %
Benefits & Claims	249,362,661	281,469,496	285,662,928	300,211,697	530,832,157	585,874,625	55,042,468	10.37 %
Transfers	163	5,000	163	163	5,163	326	(4,837)	(93.69)%
Debt Service	66,657	76,284	66,657	66,657	142,941	133,314	(9,627)	(6.73)%
Total Costs	\$280,005,867	\$317,191,507	\$328,091,244	\$343,047,603	\$597,197,374	\$671,138,847	\$73,941,473	12.38 %
General Fund	64,118,404	70,788,909	77,222,966	82,609,921	134,907,313	159,832,887	24,925,574	18.48 %
State/Other Special Rev. Funds	33,772,598	38,937,842	35,117,468	35,949,247	72,710,440	71,066,715	(1,643,725)	(2.26)%
Federal Spec. Rev. Funds	182,114,865	207,464,756	215,750,810	224,488,435	389,579,621	440,239,245	50,659,624	13.00 %
Total Funds	\$280,005,867	\$317,191,507	\$328,091,244	\$343,047,603	\$597,197,374	\$671,138,847	\$73,941,473	12.38 %

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

- 1) The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman and other services;
- 2) Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
- 3) Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 82 Montana nursing homes;
- 4) Protective services, including the investigation of abuse neglect and exploitation are provided by adult protective services social workers;
- 5) Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans Home in Glendive; and
- 6) the State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401 , MCA (authorizes and establishes Montana Veteran's Homes) ; 53-1- 6 02 , MCA (Eastern Montana Veteran's Home) ; Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Senior and Long Term Care Division Major Budget Highlights
<ul style="list-style-type: none"> • As shown in the main table, the 2017 biennium budget request is \$73.9 million higher than the 2015 biennium, which includes an increase of \$24.9 million general fund • Medicaid services costs grow \$54.9 million total funds, including \$23.7 million general fund due to primarily to: <ul style="list-style-type: none"> ◦ Increased Community First Choice services - \$16.6 million, including \$5.5 million general fund ◦ General 2% annual provider rate increases - \$15.6 million total funds, including \$5.2 million general fund ◦ Direct care worker wage increases - \$13.3 million total funds including \$4.6 million general fund ◦ Increased utilization of community waiver services - \$7.7 million, including \$3.8 million general fund ◦ Additional services for persons transitioning from facility based care to community services - \$4.7 million total funds, including \$0.5 million general fund ◦ Reductions in the number of days of nursing home care - \$2.5 million total funds • Federal block grant funds for aging services accounts for a \$7.8 million increase in federal authority and the biennial difference in the grants category • Operating costs increase by a net \$2.6 million primarily for Montana veterans' homes: <ul style="list-style-type: none"> ◦ \$2.2 million for the Montana Veterans' Home ◦ \$1.0 million for the Eastern Montana Veterans' Home • Personal services costs grow \$1.4 million largely due to annualization of pay plan changes
Major LFD Issues
<ul style="list-style-type: none"> • The legislature could increase general fund revenue by \$2.8 million if it appropriates increased funding from other state special and federal sources in place of cigarette tax state special revenue that supports the executive budget request for the Montana Veterans' Home • The division has not developed a cost reduction plan for the Montana Veterans' Home as agreed to by the department in response to a legislative audit finding in 2012 • The number of persons served in the Money Follows the Person program is much lower than anticipated by the 2013 Legislature • There will be changes to Medicaid funded community services due to recently adopted federal rules governing home and community like settings that may impact costs and services beginning in the 2017 biennium • The increase in federal aging services grants appears to be overstated, potentially by as much as \$15.0 million over the biennium

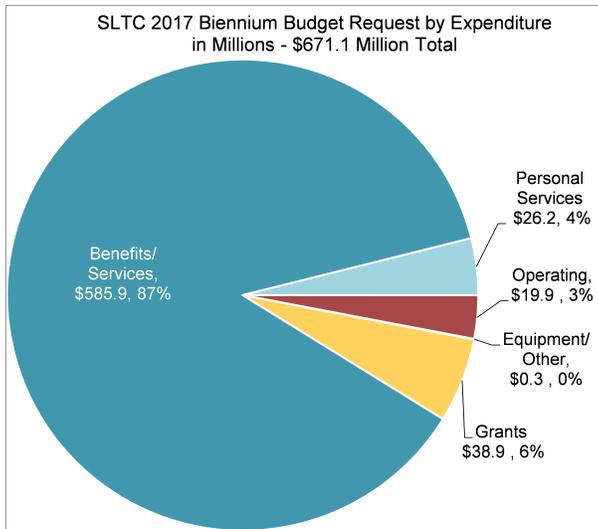
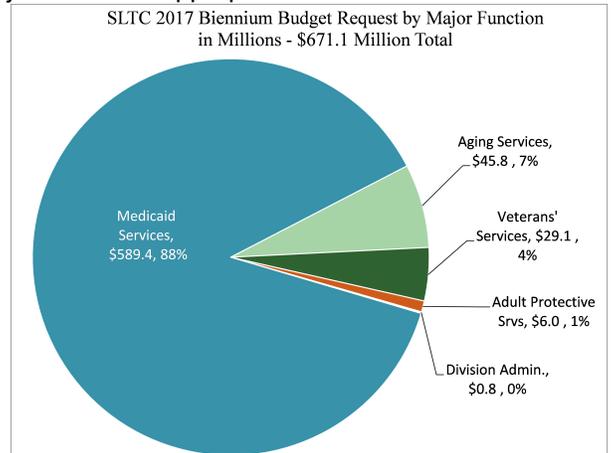
Program Discussion -

The 2017 biennium budget request is \$73.9 million higher than the 2015 biennium budget, largely due to new proposals for provider rate increases, including direct care worker wage increases, and increases in community funded Medicaid services. In addition, implementation of the 2015 biennium pay plan, fully funding positions, an increase in operating costs

for the Montana Veterans' Home, and increases in federal categorical grants for aging services contribute to higher costs in the 2017 biennium budget request compared to the 2015 biennium.

SLTC 2017 Biennium Budget by Major Function

The figure to the right shows the 2017 biennium budget request by major function. Appropriations for Medicaid services are the most significant budgetary item, comprising nearly 90% of the 2017 biennium division budget request. Aging services are 5% of the request and veterans' services account for 4%. Adult protective services are 1%, with division administration less than 1%.



2017 Biennium Request by Major Expenditure

The graph to the left shows the SLTC 2017

biennium budget request by major expenditure. Benefits and services, which are payments for services provided to persons who meet specific eligibility criteria, are 87% of the total request. Medicaid services dominate this expenditure type. Grants are 6% of the total and are primarily federal categorical grants for aging services. Most of these grant funds support contracts with Area Agencies on Aging to provide services such as Meals on Wheels,

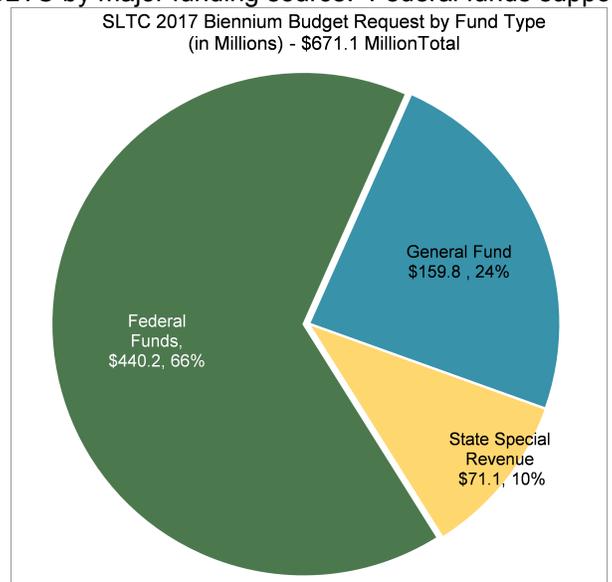
congregate meals, and other support services.

Personal services are 4% of the total, and fund the cost of state employees. Operating costs are 3%. The largest share of personal services and operating costs of the SLTC division pay for staff and operating of the Montana Veterans' Home. Equipment, debt service, and transfers are less than 1% of the total.

Major Funding Source

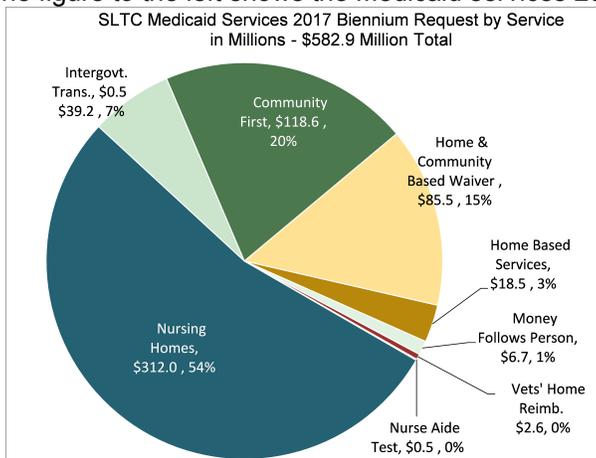
The figure to the right shows the 2017 biennium budget request for SLTC by major funding source. Federal funds support 66% of the total and are primarily comprised of Medicaid matching funds, aging services grants, and Veterans' Administration (VA) per diem payments for Montana veterans' homes services.

General fund is just under one quarter of the total. Predominant uses of general fund include state matching funds for Medicaid services and administration, adult protective services, and other administrative costs. State special revenue consists of cigarette tax revenue that supports Montana veterans' homes, and various taxes and fees that fund a portion of state Medicaid match. Funding is discussed in greater detail in the Funding section.



Medicaid Services

The figure to the left shows the Medicaid services 2017 biennium budget request. As noted in Figure 1, Medicaid services are the largest component of the SLTC division budget request. Nursing home services are more than half the total. Coupled with intergovernmental transfer (IGT) funds and reimbursements for Montana Veterans' Home services, the request for Medicaid funded nursing home services rises to 61% of the total. The intergovernmental transfer (IGT) program allows counties that own and manage nursing homes to transfer county funds to the state to be used as state Medicaid matching funds. DPHHS uses the county match to draw down federal Medicaid funds and Medicaid nursing home rate. The additional funds are distributed to nursing homes based on the number of Medicaid eligible days of care provided.



Nursing home services are more than half the total. Coupled with intergovernmental transfer (IGT) funds and reimbursements for Montana Veterans' Home services, the request for Medicaid funded nursing home services rises to 61% of the total. The intergovernmental transfer (IGT) program allows counties that own and manage nursing homes to transfer county funds to the state to be used as state Medicaid matching funds. DPHHS uses the county match to draw down federal Medicaid funds and Medicaid nursing home rate. The additional funds are distributed to nursing homes based on the number of Medicaid eligible days of care provided.

Community Services

Community services for aged, blind or disabled persons account for 39% of the SLTC Medicaid services budget request. These funds provide a variety of services that help persons live in home and community based settings and avoid placement in facility based care. In order to be eligible for community services, persons must be Medicaid eligible and must require hospital or nursing home level of care. Examples of services include personal care assistance with activities of daily living, home health, transportation, emergency contingent planning, hospice, and meal preparation.

Budget by Year by Major Component

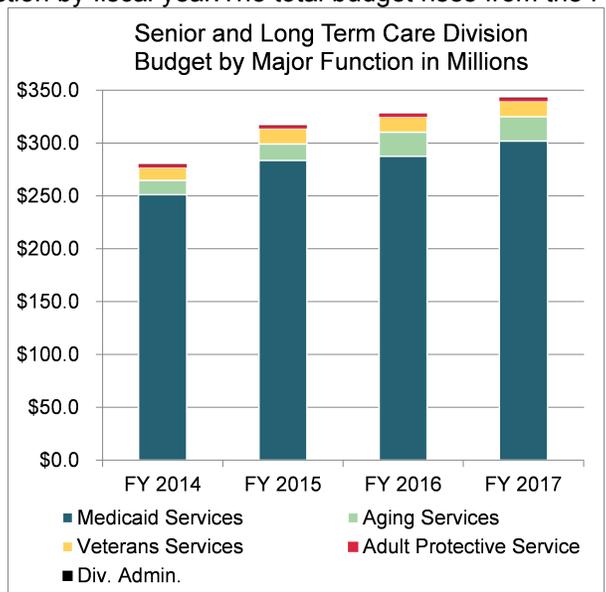
The figure to the right shows the SLTC Division budget by major function by fiscal year. The total budget rises from the FY 2014 expenditure level of \$316.8 million to the FY 2017 executive request of \$343.1 million, for an average annual growth rate of 7%.

Most of the increase is in the Medicaid services component of the division budget. It grows from \$251.3 million to \$301.9 million, which is about 6% annually. Aging services increases from \$13.4 million to \$23.0 million, for an annual rate of 20%.

The largest change between fiscal years is from FY 2014 expenditures to the FY 2015 legislative base budget, which is a \$36.8 million increase. The incremental change from FY 2015 through FY 2017 is about 70% of that amount at \$27.2 million.

Comparison of FY 2015 Legislative Appropriation to the FY 2015 Appropriation as Implemented by the Executive

The following figure shows the FY 2015 appropriation compared to executive implementation. The FY 2015 legislative appropriation is a net \$355,571 lower than the FY 2015 appropriation listed in the main program table due to:



- Inclusion of several one-time appropriations for, with the most significant being:
 - Housing assistance for persons transitioning from facility based to community services - \$300,000 general fund
 - Traumatic brain injury services - \$50,000 general fund
- A transfer of authority to Technology Services Division to fund computer support for a new field office location due to Bakken oil field activity - \$8,005

FY 2015 Appropriation Transactions - Department of Public Health & Human Services						
Program	Legislative Appropriation	Legislative App OTO	House Adj	Operating Plan	Program Transfers	Total Executive Implementation
SLTC	\$316,843,941	\$355,571	\$0	\$0	(\$7,724)	\$317,191,507
SLTC	-	-	-	-	(281)	
SLTC	-	-	-	(5,000)		
SLTC	-	-	-	5,000		
SLTC	-	-	(157,095)	-	-	
SLTC	-	-	157,095	-	-	
SLTC	-	-	(169,000)	-	-	
SLTC	-	-	164,500	-	-	
SLTC	-	-	(18,986)	-	-	
SLTC	-	-	18,986	-	-	
SLTC	-	-	(10,000)	-	-	
SLTC	-	-	10,000	-	-	
SLTC	-	-	(212,314)	-	-	
SLTC	-	-	212,314	-	-	
SLTC	-	-	4,500	-	-	
SLTC	-	-	(324,351)	-	-	
SLTC	-	-	324,351	-	-	
SLTC	-	-	(1,500,000)	-	-	
SLTC	-	-	1,500,000	-	-	
SLTC	-	-	(636,287)	-	-	
SLTC	-	-	636,287	-	-	
SLTC	-	-	(10,000)	-	-	
Senior and Long Term Care	-	-	10,000	-	-	
Program Total	\$316,843,941	\$355,571	\$0	-	(\$8,005)	\$317,191,507

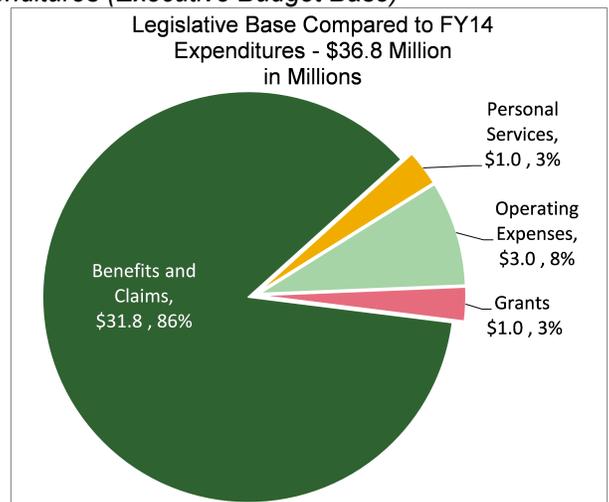
There were also adjustments internal to the division to align appropriation authority and expenditures that do not affect total appropriation authority.

Comparison of the FY 2015 Legislative Base to FY 2014 Actual Expenditures (Executive Budget Base)

The figure to the right shows the difference between the legislative base budget and FY 2014 expenditures by component. The base budget is higher primarily as the result of:

- Medicaid service utilization, caseload growth, and a 2% provider rate increase in FY 2015 approved by the 2013 Legislature - \$31.8 million
- Operating expenses of the Montana veterans' homes and other programs - \$3.0 million
- Personal services changes - \$1.0 million

A more detailed explanation of the differences between FY 2014 expenditures and the legislative base budget is provided as part of the discussion of the major components of the executive budget request for the 2017 biennium.



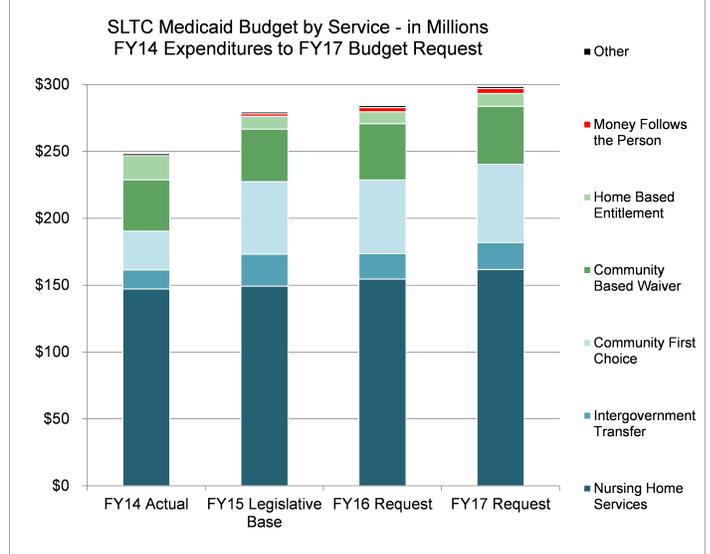
Medicaid Services

The figure to the right shows the SLTC Medicaid services budget by major service by fiscal year. This figure includes only reimbursements for Medicaid services. It does not include any of the SLTC administrative or operating costs related to Medicaid program administration.

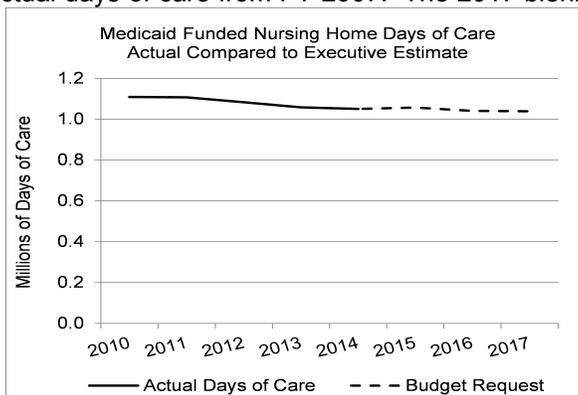
As noted previously, nursing home services (including IGT payments) are the majority of Medicaid services expenditures for the division. For the most part, the other services support the ability of persons to live in home and community services who might otherwise be served in facility based care.

Nursing Home Services

Nursing home services costs increase from \$147.2 million to \$161.7 million. The growth is primarily the result of 2% annual provider rate increases over all four years, with 2% approved by the 2013 Legislature and 2% requested in the executive budget for the 2017 biennium. In addition to a general rate increase, the executive budget includes a rate increase to raise direct care worker wages 50 cents per hour each year of the 2017 biennium. Part of the wage increase – 35 cents - is for salary and the remainder would cover the cost of benefits.



The figure below shows the executive budget estimate for Medicaid funded days of nursing home services compared to actual days of care from FY 2007. The 2017 biennium base budget request for this service is the number of days of care times the base amount of the daily rate. Any provider rate or direct care worker wage increases are added onto the base amount.



The days of care have declined steadily over the last several biennia. The executive request is based on a 0.9% increase from FY 2014 to FY 2015, followed by a 1.5% decline in FY 2016 and a 0.3% decline in FY 2017. The total budget request for nursing home services rises despite the decline in the number of days of care due to the proposal to raise provider rates and provide direct care worker wage increases.

LFD COMMENT	<p>Updates to Medicaid Estimates</p> <p>Historically, the legislature has considered an update to Medicaid estimates during the legislative session. There will be more data available to refine the FY 2015 estimated days of care and to revise caseload changes for the 2017 biennium if necessary. A 1% change in the number of days of care causes a \$138,000 change in the funding, not including any of the new proposals that raise provider rates.</p>
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Intergovernmental Transfer

IGT payments contribute to the difference between FY 2014 expenditures and the legislative base budget. IGT payments were \$9.7 million lower in FY 2014 than the legislative base because there was less county money transferred, resulting in lower expenditures than the FY 2014 appropriation. In addition, the FY 2015 appropriation was slightly higher than the FY 2014 appropriation. The 2017 biennium request for IGT funding is \$8.7 million lower than the FY 2015 base budget doubled.

Community First Choice and Home Based Services

Together Community First Choice (CFC) and home based services expenditures were a net \$16.8 million lower in FY 2014 when compared to the FY 2015 legislative base budget. The 2013 Legislature approved the executive request to implement CFC, a new optional Medicaid service. Prior to FY 2014, most Medicaid funded personal care services were provided in the home based services category, but shifted to the CFC program. CFC has an enhanced federal match, which is 6% above a state's regular federal match rate.

In addition to provision of personal care, CFC requires developing a person centered service plan, including an emergency contact/response component in the plan, establishing and maintaining a comprehensive continuous quality assurance system specifically for the CFC benefit, collecting and reporting information for federal oversight, and completing an evaluation of the program. Since most of personal care services were already being provided and paid for at the regular state match rate, implementation of CFC did not require additional general fund, but did require additional federal authority to fund the added requirements.

DPHHS submitted its CFC proposal for federal approval on October 1, 2013. It received federal endorsement in June 2014, which delayed full implementation of CFC, resulting in expenditures about \$25.2 million less than anticipated. However, since many of the services continued to be provided as part of the home based services program, there were \$8.4 more in expenditures for home based services compared to the legislative base. DPHHS moved appropriation authority between the services in order to balance authority with expenditures.

2017 Biennium Budget Request

The budget request for CFC and home based services is \$150,000 lower over the 2017 biennium than the legislative base budget doubled. The executive budget is based on full, annualized implementation of CFC with offsetting reductions in home based services as more of the services provided under the home based category in FY 2014 shift to CFC.

Even though the total funding for the 2017 biennium is close to the legislative base budget, there is a shift that increases general fund by \$1.4 million and lowers federal funds due to the Medicaid match rate change. The federal match rate declines each year of the 2017 biennium compared to FY 2015, raising the state matching funds necessary to provide the same level of services.

Community Based Waiver Services

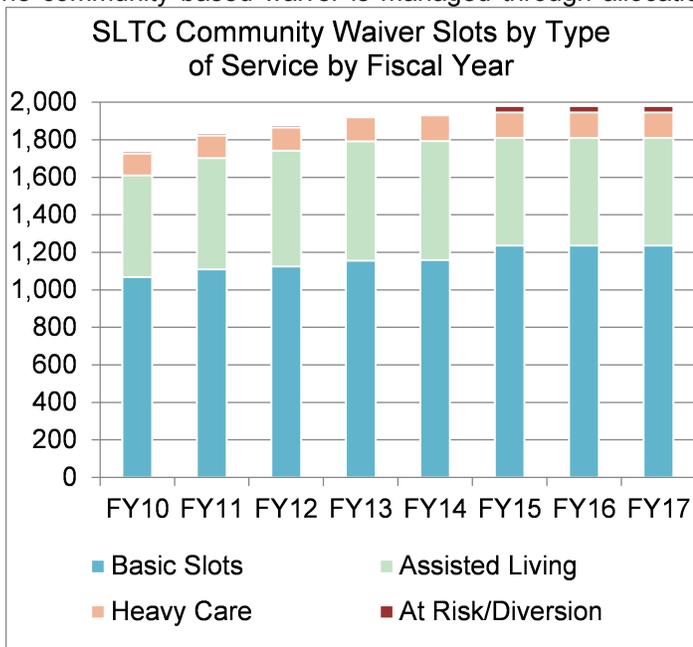
FY 2014 expenditures for community based waiver services were \$0.9 million lower than the FY 2015 legislative base budget. The difference is primarily due to increases in the FY 2015 appropriation authorized by the 2013 Legislature, including a 2% provider rate increase and slight growth in funding to offset waiver reductions implemented while the legislature was in session.

The 2017 biennium request for waiver services is \$4.4 million total funds, including \$2.9 million general fund, higher than the legislative base doubled. The increase funds:

- The annualized cost for 71 individuals who were transitioned or diverted from nursing home care and placed in community services throughout FY 2014
- A proposed 2% annual provider rate increase in the 2017 biennium
- A proposed direct care worker wage increase

Home and community based waiver service providers develop an individual service plan using a case management team, including the recipient. The service plan must meet the needs of the recipient and be cost effective. It is reviewed every 6 months or as the recipient's condition changes. Services available to recipients include case management, homemaker, personal care, adult day care, respite, habilitation, medical alert monitor, meals, transportation, environmental modification, respiratory therapy, nursing services, adult residential care provided in a personal care or assisted living facility, or adult foster home, as well as a number of specialized services for recipients with a traumatic brain injury.

The community based waiver is managed through allocation of various types of services depending on the health and needs of the individual. The figure to the left shows the types of services and the number of service slots available by type for FY 2010 through FY 2017.



The number of waiver slots was reduced in order to stay within appropriations while the 2013 Legislature was in session. The legislature added appropriation authority to partially mitigate the reduction. While the total number of service slots increased from 1,926 in FY 2013 to 1,980 in FY 2015 and beyond, the allocation of slots among service types changed.

Assisted living slots declined by 61, while all other slots increased. Basic waiver slots grew by 81 and heavy care increased by 6. In order to partially offset the decline in assisted living slots, the division established 28 more at risk/nursing home diversion slots.

LFD COMMENT

Waiver Capacity and Federal Regulatory Changes

The legislature may wish to discuss waiver capacity with SLTC. Community waiver services can help prevent placement in facility based care, which is often more expensive than community services. Although there is a planned transition from facility based care to community services using the Money Follows the Person grant funding (discussed next), the legislature may wish to ask SLTC what else it might do to ensure that persons are not placed in facility based care if they could be served in the community.

Federal regulations defining the characteristics of home and community based settings were finalized in 2014. The purpose of these regulations is to ensure that individuals receive Medicaid community waiver services in settings that are integrated in, and support full access to, the greater community. The goals include opportunities to engage in community life, control personal resources, receive services in the community, and, when appropriate, seek employment and work in competitive and integrated settings to the same degree as individuals who do not receive community waiver services.

The federal regulations also aim to ensure that individuals have a free choice of where they live and who provides services to them, as well as ensuring that individual rights are not restricted. These new regulations clarify that community waiver services will not be allowed in settings that have the qualities of an institution.

States have five years to come into compliance with the new regulations. Montana has begun the planning process, which requires:

- Development and submission of a transition plan
- Involvement of stakeholders in the plan
- Assessment of services to determine whether the services comply with regulations
- Remediation to address services that don't comply

Some states have determined that services such as group home and supported employment services must be changed to facilitate community integration and consumer choice. DPHHS has not determined the impact to Montana services due to these regulations. The legislature may wish to discuss the potential impact of these regulations on community waiver

services in the 2017 biennium. The legislature may also wish to request that the Legislative Finance Committee monitor this issue during the interim between legislative sessions.

Money Follows the Person

Money Follows the Person (MFP) is a 5 year federal grant that allows states to fund community services for Medicaid eligible persons leaving facility based care. MFP expenditures were \$1.8 million lower in FY 2014 than the legislative base budget.

Under MFP, the state match rate for the first year of services is one half the regular state Medicaid match rate and a wider array of services can be funded in the first year of transition to community services compared to other Medicaid community funded programs. The expectation is that persons served in MFP will transition to Medicaid funded home and community based services following the first year of MFP services.

LFD COMMENT

Fewer Number Served Under MFP than Estimated During 2013 Legislative Session

MFP expenditures were lower than expected because fewer persons were served than had been estimated. The figure shows the number of persons that the 2013 Legislature anticipated would be served under MFP compared to the total number served as of November 7, 2014. The data in the table is calendar year data.

Money Follows the Person Demonstration									
Estimated and Actual of Number of Persons Served 2013 and 2014 and Estimated Number to be Served by Calendar Year									
Group	CY 2013			CY 2014			CY 2015 Est.	CY 2016 Est.	CY 2017 Est.
	Original	Revised	Actual	Original	Revised	Actual			
Elderly	5	0	0	10	2	1	5	10	10
Developmental Disability	5	0	0	5	3	5	5	5	5
Physical Disability	5	0	0	10	3	1	10	10	10
Mental Illness	3	0	0	7	3	1	3	7	7
Other*	15	0	0	30	12	3	24	30	30
Total as of 11/7/14	33	0	0	62	23	11	47	62	62

MFP transitions occurred more slowly than anticipated. DPHHS revised its original estimate of the number to be served in both 2013 and 2014. The original estimate provided to the 2013 Legislature anticipated that 95 people would be identified and transitioned from facility based care to community services as part of MFP in calendar years 2013 and 2014. After DPHHS revisions, the estimated number to be served was 23. As of November 2014, 11 persons had been transitioned from facility

based care to community services under MFP.

The legislature may wish to request that DPHHS discuss its plan about how it will identify and transition persons from facility based care to community services and fully expend the MFP grant. The legislature may wish to consider requesting that the Legislative Finance Committee track implementation of the plan during the 2017 biennium.

Veterans' Services

The executive budget request for veterans' home services compared to the 2015 biennium budget is shown in the following figure Montana Veterans' Home (MVH) is the most significant component of the request because it is a state administered facility. Eastern Montana Veterans' Home (EMVH) has contracted management, where the state passes through the federal VA reimbursement and some cigarette tax state special revenue. The balance of EMVH revenues is paid directly to the contracted manager and therefore not included in the table. Since not all of the EMVH costs and revenues are reflected in the following figure, the budget information between the two facilities is not comparable.

The executive budget does not include a request for funding for the proposed Southwest Montana Veterans' Home (SMVH). As of November 2014, the home has not scored high enough in the federal VA priority list to receive federal construction funding. SMVH is included in the legislative base budget per the guidelines that include all HB 2 appropriations except for those designated as one-time.

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FY 2014 Expenditures Compared to FY 2015 Legislative Base

The executive budget does not include a request for funding for the proposed Southwest Montana Veterans' Home (SMVH). As of November 2014, the home has not scored high enough in the federal VA priority list to receive federal construction funding. SMVH is included in the legislative base budget per the guidelines that include all HB 2 appropriations except for those designated as one-time.

FY 2014 Expenditures Understated

The expenditures for FY 2014 are understated by \$1.2 million in federal VA reimbursements. The executive received higher reimbursements than budgeted in HB 2 and added the additional authority by budget amendment. Since budget amendment authority is not included in the FY 2014 base expenditures, the true operating costs and funding for both facilities are understated by:

- \$0.8 million for MVH
- \$0.5 million for EMVH

Senior and Long Term Care Division - Veterans' Homes				
FY 2014 Base Budget, FY 2015 Base, and Revenues Compared to 2017 Biennium Budget Request and Revenues				
Facility/ Cost/Funding	Expenditures		Budget Request	
	FY 2014*	Legislative Base FY 2015	FY 2016	FY 2017
Montana Veterans' Home				
FTE	141.86	141.86	141.86	141.86
Personal Services**	\$7,294,525	\$7,774,841	\$8,121,447	\$8,107,288
All Other	<u>2,300,513</u>	<u>3,614,281</u>	<u>3,149,981</u>	<u>3,258,689</u>
Total Cost	9,595,038	11,389,122	11,490,539	11,786,671
State Special Rev.	5,801,863	7,799,850	6,447,089	6,767,399
Federal Revenue*	<u>3,793,175</u>	<u>2,863,284</u>	<u>5,043,450</u>	<u>5,019,272</u>
Total Funding	9,595,038	10,663,134	11,490,539	11,786,671
Population**	112	96	96	96
Annual Cost Per Person***	86,031	111,074	119,693	122,778
Cost Per Day	236	304	328	336
Annual Change		29.1%	7.8%	2.6%
Annual Per Person Reimbursement				
State Special Revenue	52,021	81,248	67,157	70,494
Annual Change		56.2%	-17.3%	5.0%
Federal Special Revenue*	34,010	29,826	52,536	52,284
Annual Change		-12.3%	76.1%	-0.5%
Eastern Montana Veterans' Home				
FTE	2.06	2.06	1.06	1.06
Personal Services	66,746	73,945	69,498	69,810
All Other	<u>2,384,668</u>	<u>2,575,542</u>	<u>2,836,284</u>	<u>2,836,137</u>
Total Cost	2,451,414	2,649,487	2,905,782	2,905,947
State Special Revenue	273,384	272,975	277,753	277,918
Federal Special Revenue*	<u>2,178,030</u>	<u>2,369,952</u>	<u>2,628,029</u>	<u>2,628,029</u>
Total Funding	2,451,414	2,642,927	2,905,782	2,905,947
Population*	68	58	57	58
Annual Cost Per Person**	35,892	45,256	50,889	50,016
Cost Per Day	98	124	139	137
Annual Change		26.09%	12.45%	-1.72%
Annual Per Person Reimbursement				
State Special Revenue	4,003	4,674	4,864	4,783
Annual Change		16.8%	4.1%	-1.7%
Federal Special Revenue*	31,889	40,581	46,025	45,233
Annual Change		27.3%	13.4%	-1.7%
Southwest Montana Veterans' Home				
FTE	-	1.00	-	-
Personal Services	-	60,595	-	-
All Other	-	<u>1,265,454</u>	-	-
Total Cost	-	1,326,049	-	-
State Special Revenue	-	206,703	-	-
Federal Special Revenue	-	<u>1,113,615</u>	-	-
Total Funding	-	1,320,318	-	-
Grand Total				
State Special Revenue	6,075,247	8,279,528	6,724,842	7,045,317
Federal Special Revenue	5,971,205	6,346,851	7,671,479	7,647,301
Total Funding	\$12,046,452	\$14,626,379	\$14,396,321	\$14,692,618
*FY 2014 expenditures for MVH do not include an additional \$0.8 million of federal VA reimbursement added by budget amendment. EMVH expenditures do not include an additional \$0.5 million.				
**The FY 2015 population is based on DPHHS estimates as of November 2014 and the appropriation amounts are those included in HB 2. Pay plan allocations to each facility have been estimated by LFD staff as the amount of pay plan allocated to the veterans' homes is not included in the state accounting system.				
***Annual per person costs cannot be compared across facilities. There may be other costs and revenues associated with EMVH and SWMVH that are not included in HB 2 appropriations.				
****The executive budget does not include a request for the SWMVH. However, the appropriation is included in the legislative base budget according to guidelines that HB 2 appropriations that were not designated as a one-time appropriation be included in the base.				

Executive Request Compared to Legislative Base Budget

The 2017 executive budget request is \$0.1 million below the legislative base budget doubled. If the appropriation for SWMVH, which is not requested, is removed from consideration, the executive request is \$2.5 million higher than the base budget doubled.

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Declining Population at MVH not Reflected in Lower Costs

The executive budget estimates that population at MVH will decline from 112 annual residents in FY 2014 to 96 estimated in each of the following years. Despite the lower census, the executive budget does not account for lower costs associated with serving fewer persons. The average cost per resident rises from \$86,031 to \$122,778 in FY 2017, or a total increase of 43%. If the budget amendment expenditures are included in the FY 2014 expenditures, the per person cost would be \$93,195, an increase of 32%.

The figure to the left shows the FY 2014 actual expenditures for variable costs that increase in the executive budget request and the amount in FY 2017. Most of the cost categories would decline if there are fewer residents. These variable costs grow from \$8,502 per person to \$14,040 per person or a 65% change from FY 2014 to FY 2017.

The legislature may wish to review updated information about the number of residents at both MVH and EMVH before it establishes appropriations for the facilities. The figure to the right shows the actual and projected MVH population from FY 2010 through FY 2017.

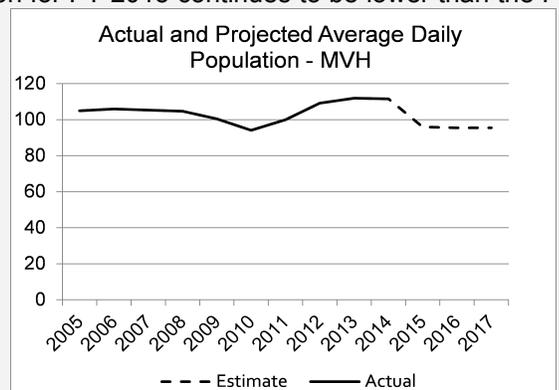
Variable Cost Increases - MVH		
Expense	FY 2014 Expenditures	FY 2017 Request
Laboratory Testing	\$20,214	\$28,447
Laundry	105,967	132,465
Medical Services	72,004	90,004
Food Services Expense	12,428	14,914
Prescription Services	122,821	180,205
Clothing & Personal	5,050	6,676
Disposable Briefs	64,533	93,638
Medical & Hosp Supp/Equip	78,503	115,380
Drug	42,039	61,107
Paper/Non State Provider	46,885	68,023
Meat	61,651	92,053
Dairy	47,080	70,599
Produce	39,711	59,016
Bakery	15,570	20,550
Linens & Bedding	18,741	23,712
Grocery	143,001	214,738
Water & Sewage	38,080	48,181
Garbage & Trash Removal	18,012	28,134
Total	\$952,290	\$1,347,842
ADP	112	96
Per Person Cost	\$8,503	\$14,040
Percent Change		65.1%

If the average daily population for FY 2015 continues to be lower than the FY 2014 level, the legislature may wish to revise variable costs associated with providing services to a lower population.

Legislative Audit Finding

The 2011 Joint Appropriations Subcommittee on Health and Human Services requested that the

Legislative Auditor undertake an audit with respect to the level of expenditures at MVH. The 2013 Joint Appropriations Subcommittee heard the results of the audit, including a finding that there were areas of costs at MVH that could be reduced. DPHHS agreed with the audit finding and agreed to develop a cost reduction plan. In the follow up to the 2012 audit, the Legislative Audit Division



noted that the cost reduction plan had not been developed nor implemented.

The legislature may wish to request a cost reduction plan from SLTC prior to establishing the appropriation for MVH. The cost reduction plan could assist the legislature in establishing appropriation levels, particularly if the population at MVH is declining.

Other Issues Related to MVH

There are issues related to funding for MVH discussed in the Funding section that are also influenced by the average daily population. For instance, if the census remains constant at or near 112, the level of funding from federal VA per diem payments and other payment sources is understated by as much as \$2.6 million over the biennium. However, if

the population level declines to 96, the amount of federal VA per diem payments and other revenue available would also decline.

Funding

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

Medicaid and Health Services Branch, 22-Senior & Long Term Care Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	159,832,887	0	0	159,832,887	23.82 %	
02023 Private Ins. Medicaid Reim.-Ve	10,074,402	0	0	10,074,402	14.18 %	
02032 Vets-I&I Lease	30,264	0	0	30,264	0.04 %	
02053 Medicaid Nursing Home Match	15,109,512	0	0	15,109,512	21.26 %	
02260 Cigarette Tax Revenue	3,692,099	0	0	3,692,099	5.20 %	
02497 6901-Lien & Estate - SLTCD	2,388,085	0	0	2,388,085	3.36 %	
02772 Tobacco Hlth & Medicd Initiative	21,392,318	0	0	21,392,318	30.10 %	
02783 6901-Traumatic Brain Injury Dn	6,932	0	0	6,932	0.01 %	
02959 EMVH Clinic Rent	95,165	0	0	95,165	0.13 %	
02987 Tobacco Interest	1,763,432	0	0	1,763,432	2.48 %	
02990 69010-Nursing Home Utilization	16,514,506	0	0	16,514,506	23.24 %	
State Special Total	\$71,066,715	\$0	\$0	\$71,066,715	10.59 %	
03005 EMVH V-A Nursing Reimbursement	5,256,058	0	0	5,256,058	1.19 %	
03073 Aging - Farmers Market	390,236	0	0	390,236	0.09 %	
03112 Vets-V.A. Reimb	8,211,482	0	0	8,211,482	1.87 %	
03193 MIPPA AAA	0	0	0	0	0.00 %	
03202 MIPPA CMS	0	0	0	0	0.00 %	
03279 SLTC Lifespan Respite	107,694	0	0	107,694	0.02 %	
03350 Aging-SHIP-ACL	1,255,351	0	0	1,255,351	0.29 %	
03368 MIPPA CMS - SHIP	0	0	0	0	0.00 %	
03372 MIPPA CMS - ADRC	144,558	0	0	144,558	0.03 %	
03381 MIPPA CMS - AAA	0	0	0	0	0.00 %	
03456 69010-AOA Aging One-Stop Shop	316,582	0	0	316,582	0.07 %	
03501 64.014 - Vets St. Domic Care 1	1,851,240	0	0	1,851,240	0.42 %	
03511 SW MT Vet Home Cnstr	0	0	0	0	0.00 %	
03512 MFP Demonstration Grant	0	0	0	0	0.00 %	
03514 10.570 - Elderly Feeding 100%	3,909,222	0	0	3,909,222	0.89 %	
03515 93.041 - Elder Abuse Prev 100%	85,996	0	0	85,996	0.02 %	
03516 93.042 - Ombudsman Activity 10	310,874	0	0	310,874	0.07 %	
03517 93.043 - Preventive Hlth 100%	430,412	0	0	430,412	0.10 %	
03518 93.044 - Aging Sup S & Train 1	7,922,573	0	0	7,922,573	1.80 %	
03519 93.045 - Aging Meals 100%	13,766,196	0	0	13,766,196	3.13 %	
03537 93.779 - Hlth Info Counseling	0	0	0	0	0.00 %	
03563 Community Living	0	0	0	0	0.00 %	
03579 93.667 - SSBG - Benefits	650,511	0	0	650,511	0.15 %	
03580 6901-93.778 - Med Adm 50%	4,578,471	0	0	4,578,471	1.04 %	
03583 93.778 - Med Ben Fmap	388,013,623	0	0	388,013,623	88.14 %	
03666 Aging - Caregiver III-E	3,038,166	0	0	3,038,166	0.69 %	
03819 MIPPA ADRC	0	0	0	0	0.00 %	
Federal Special Total	\$440,239,245	\$0	\$0	\$440,239,245	65.60 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$671,138,847	\$0	\$0	\$671,138,847		

The table above shows funding for the SLTC division. SLTC is funded by general fund, state special revenue, and federal funds. General fund supports:

- State Medicaid match
- Aging services
- Adult protective services

- Administrative costs

General fund increases due to:

- Annual 2% provider rate increases for Medicaid and aging services
- Direct care worker wage increases
- Medicaid services increases
- Higher state Medicaid matching costs due to the reduction in the federal match rate

Most state revenue sources are used as a match for Medicaid services, including:

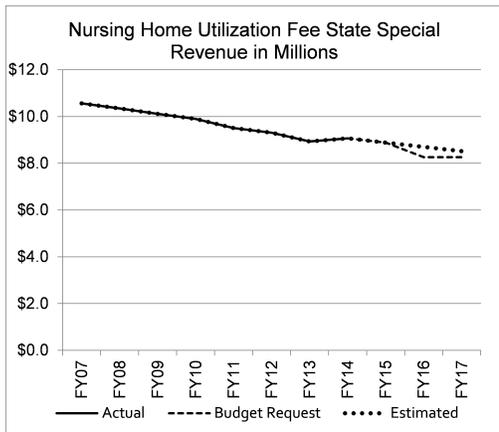
- Nursing home utilization fee
- Health and Medicaid initiative tobacco tax revenue
- County intergovernmental transfer revenues (IGT)

Other state special revenue sources are used to fund the Montana veterans' homes including:

- Cigarette taxes
- Payments for facility services

Nursing Home Utilization Fee

A portion of the state Medicaid match for nursing homes is paid from a fee assessed for each day of nursing home care. The total fee levied is \$8.30 per day, with \$2.80 of the fee deposited to the general fund and the balance (\$5.50) deposited to a state special revenue account.



The figure to the left shows the nursing home utilization fee revenue. Actual receipts are shown for FY 2007 through FY 2014. FY 2015 and FY 2016 data compares the revenue estimate adopted by the Interim Committee on Revenue and Transportation to the amount included in the executive budget request. The legislative revenue estimate is about \$0.7 million higher than the executive request.

Historically, the number of days of nursing home care has fallen steadily since the mid-1990s, with the exception of FY 2010 and FY 2014. The projected change for the 2017 biennium continues the historic decline with revenues estimated to decrease by 2.1% per year in the 2017 biennium. The executive budget holds the revenue from the nursing utilization fee constant across the 2017 biennium, but assumes that the level will be higher than the revenue estimate.

Cigarette Tax Revenue

By statute, 8.3% of cigarette taxes collected are deposited into a state special revenue account for support of veterans' nursing home costs at state operated veterans' homes. Statute requires that funds in excess of \$2.0 million in the veterans' portion of the cigarette tax revenue be transferred to the general fund at the end of the fiscal year. The table below shows the estimated revenue, expenditures, and fund balance for the cigarette state special revenue account as well as the actual or estimated transfer to the general fund at fiscal yearend.

Senior and Long Term Care Division Veterans' Services - Cigarette Tax Fund Balance					
Fund Balance	Actual	Appropriated	Executive Budget Request		% of Total
Deposits/Expenditures	FY 2014	FY 2015	FY 2016	FY 2017	
Beginning Fund Balance*	\$2,086,942	\$2,000,000	\$2,000,000	\$2,210,000	
Revenue/Transfers In**					
Cigarette Tax	5,789,774	5,859,000	5,754,000	5,577,000	
Total Revenue	7,876,716	7,859,000	7,754,000	7,787,000	
Expenditures/Transfers Out**					
<u>Veterans' Homes Operations</u>					
Montana Veterans' Home	750,173	3,062,149	1,394,739	1,715,083	57.6%
Eastern Montana Veterans' Home	225,813	272,975	230,171	230,335	7.7%
Southwest Montana Veterans' Home***	-	206,703	-	-	0.0%
<u>Transfers/DPHHS Administrative Costs</u>					
Long Range Building MVH	4,157,425	-	-	-	
DPHHS Cost Allocated Admin	380,911	392,338	404,108	416,232	14.0%
SLTC Division Admin Cost	61,055	61,055	60,962	60,809	2.0%
Subtotal Expenditures	5,575,377	3,995,220	2,089,980	2,422,459	81.4%
Annual Rate of Increase		-28%	-48%	16%	
Adjustments	(30,606)	-	-	-	
<i>Transfer to the General Fund</i>	270,733	1,863,780	3,454,019	3,154,541	
Ending Fund Balance	\$2,000,000	\$2,000,000	\$2,210,000	\$2,210,000	

* Statute requires that at fiscal year end unexpended cash balances in excess of \$2.0 million be transferred to the general fund.

** Revenue estimates are based on those adopted by the Interim Revenue and Transportation Committee at its November 2014 meeting.

***The executive budget does not include a request for the Southwest Montana Veterans' Home.

Cigarette taxes are a declining revenue source, and revenue estimates adopted by the Interim Committee on Revenue and Transportation decrease from a base amount of \$5.8 million to \$5.6 million in FY 2017. Services supported by the cigarette tax include:

- Operational costs of Montana veterans' homes
- Indirect administrative costs of DPHHS
- Long range building projects

The lion's share of cigarette tax revenue dedicated to veterans' services supports MVH, with a request of \$3.1 million over the 2017 biennium. The EMVH and budget request is about \$230,000 annually.

Indirect costs - DPHHS centralized services and some statewide centralized services - continue to rise from about \$381,000 in FY 2014 to an estimated \$416,000 in FY 2017. Indirect cost increases are driven by:

- Employee pay levels

- Statewide fixed cost changes
- Inflation
- Growth in operating costs

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Other Funding Understated Causing Shift to Cigarette Tax Revenue

As noted earlier, funds in excess of \$2 million in cigarette tax state special revenue allocated to support veterans' homes must be transferred to the general fund at fiscal yearend. To the degree that other funding sources are available to cover the cost of services – especially at the MVH - the need for cigarette tax revenue is reduced and the transfer to the general fund is increased.

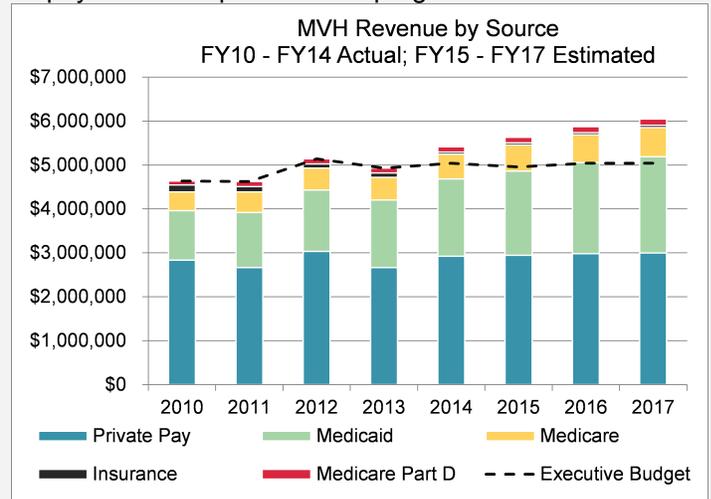
As noted earlier, the executive budget request is based on a declining population at MVH. However, if the MVH population does not decline or if the legislature reduces variable spending at MVH for a lower population, the legislature could maximize other funding sources available to support MVH and increase general fund revenues by up to \$2.6 million over the 2017 biennium. The total increase in general fund revenue depends on population estimates for MVH over the 2017 biennium and whether the legislature was to reduce variable operating costs if population levels decline.

Other Sources

The executive budget understates two funding sources available to support the veterans' homes, thereby shifting the cost to cigarette tax funding. Those sources are payments from various entities for reimbursement of MVH services and federal per diem payments made by the Veterans' Administration (VA).

Facility Reimbursements for MVH Services

The figure to the right shows the estimated revenue from private payments and public health programs for MVH services by fiscal year if the average daily population of MVH remains near the FY 2014 level. Actual data is shown through FY 2014 and estimated data based on revenue estimates adopted by the Interim Committee on Revenue and Transportation is shown for FY 2015 through FY 2017.



The executive budget request for the 2017 biennium holds facility reimbursement for MVH at the expenditure level recorded in the state accounting system for FY 2014. However, reimbursements are projected to increase by about \$1.0 million per year above that amount. The legislature could establish appropriations from facility reimbursement revenue at the level adopted by Interim Committee on Revenue and Transportation and lower the cigarette tax by a like amount, increasing general fund revenue by about \$2.0 million over the biennium.

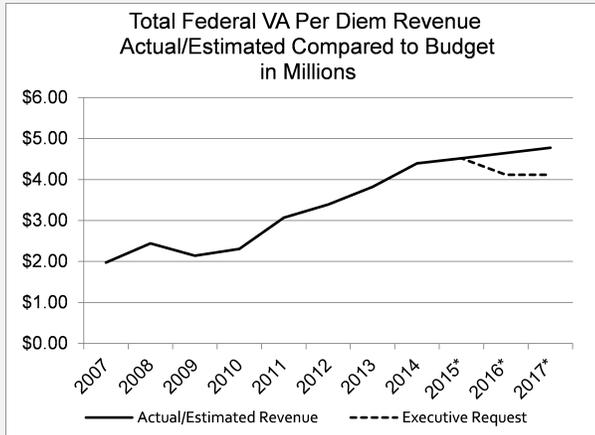
Federal Funds

Federal funds increase over the 2017 biennium due to:

- Medicaid services for provider rate increases and growth in service utilization
- Aging services grants
- Less Medicaid federal match due to a lower federal match rate
- Higher anticipated federal VA per diem payments

Federal VA Per Diem

The executive budget understates the estimated increase in federal VA per diem rates expected during the 2017 biennium, causing an increase in the amount of cigarette tax revenue needed to support MVH by up to \$0.8 million. The executive



budget request includes less federal VA per diem payment revenue annually than was received in FY 2014. As noted previously, the executive budget is based on a lower population at MVH over the 2017 biennium.

The figure to the left shows actual and estimated VA per diem revenue available for the operation of the veterans' homes compared to the executive budget request. Total revenue has steadily increased from FY 2009 through FY 2015.

Annual increases in the per diem payment per eligible veterans have ranged from a high of 18% from 2010 to 2011 to a low of 1.3% from 2013 to 2014. Increases have averaged 2.8% annually over the most recent 4 years. Depending on whether the legislature reduces

MVH operating costs or adjusts the average daily population upward, it could increase federal VA per diem reimbursement by about \$0.8 million over the biennium and reduce cigarette tax funding by a like amount, which would increase the transfer of cigarette tax revenue to the general fund.

The legislature could also consider adding language to HB 2 to allow state special revenue to be reduced and federal authority to be increased as allowed by section 17-2-108(3), MCA if federal per diem payment revenue is higher than anticipated. This action would increase the transfer of cigarette state special revenue to the general fund.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	70,446,633	70,446,633	140,893,266	88.15 %	316,849,512	316,849,512	633,699,024	94.42 %
PL Adjustments	3,192,816	4,994,853	8,187,669	5.12 %	1,067,543	6,020,389	7,087,932	1.06 %
New Proposals	3,583,517	7,168,435	10,751,952	6.73 %	10,174,189	20,177,702	30,351,891	4.52 %
Total Budget	\$77,222,966	\$82,609,921	\$159,832,887		\$328,091,244	\$343,047,603	\$671,138,847	

Present Law Adjustments -

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

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	78,039	(1,131,006)	1,404,787	351,820	0.00	74,634	(644,511)	905,596	335,719
DP 99 - LEG. Present Law	0.00	3,114,777	(2,689,368)	290,314	715,723	0.00	4,920,219	(2,344,084)	3,108,535	5,684,670
Grand Total All Present Law Adjustments	0.00	\$3,192,816	(\$3,820,374)	\$1,695,101	\$1,067,543	0.00	\$4,994,853	(\$2,988,595)	\$4,014,131	\$6,020,389

DP 98 - LEG. Personal Services Present Law -

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

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	217.55	\$19,165	\$42,402	\$44,163	\$105,729
Executive Implementation of 2015 Pay Increase		42,139	75,132	85,711	202,982
Fully Fund 2015 Legislatively Authorized FTE		6,085	33,000	22,232	61,317
Other		10,650	(1,281,540)	1,252,682	(18,209)
Personal Services Present Law Adjustments	217.55	\$78,039	(\$1,131,006)	\$1,404,787	\$351,820
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	217.55	\$19,165	\$42,402	\$44,163	\$105,729
Executive Implementation of 2015 Pay Increase		42,145	75,315	85,522	202,982
Fully Fund 2015 Legislatively Authorized FTE		6,085	33,000	22,232	61,317
Other		7,239	(795,228)	753,679	(34,310)
Personal Services Present Law Adjustments	217.55	\$74,634	(\$644,511)	\$905,596	\$335,719

The executive budget for personal services increases by about 3% each year of the 2017 biennium when compared to the FY 2015 legislative appropriation. As shown in the following table, 87% of the change is due to costs associated with HB 13 enacted by the 2013 Legislature. Other adjustments include:

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

LFD COMMENT	<p>Funding Shift Reduces State Special Revenue and Increases Federal Authority</p> <p>There is a \$2.1 million dollar reduction in state special revenue and a like increase in federal funds in funding for personal services over the biennium. This change is due almost solely to the increase in federal VA per diem payments received for services provided by the Montana veterans' homes in FY 2014. Actual expenditures, which form the basis for the executive budget in the 2017 biennium includes a higher proportion of federal funds compared to the FY 2015 legislative base budget. In addition, the executive included a \$0.3 million funding shift that reduced state special revenue and increased federal funds each year of the biennium in the adjusted base budget for the Montana veterans' homes.</p>
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DP 99 - LEG. Present Law -

The following table shows present law adjustments in costs other than personal services. Each adjustment is discussed separately.

Legislative Present Law Adjustments				
CP 99 Item	FY 2016			
	General Fund	State Special	Federal Special	Total Funds
2222102 - Med Ben Core Nursing Homes	\$1,630,319	(\$990,150)	(\$2,780,186)	(\$2,140,017)
2222103 - Med Ben Core Home Based	(317,197)	(2)	(846,962)	(1,164,161)
2222106 - Med Ben SLTC Waiver Svcs	1,306,323	(260,849)	947,781	1,993,255
2222109 - Med Ben Other IGT	-	(1,354,413)	(3,587,400)	(4,941,813)
2222111 - Med Ben Core CFC	522,949	-	(782,264)	(259,315)
2222201 - Med Ben Other MFP	(111,500)	-	1,208,488	1,096,988
2222202 - Facility Reimbursements MVH	-	-	133,484	133,484
2222203 - Nurse Aide Testing	14,703	-	14,703	29,406
2222113 - State Supplemental Payments	42,422	-	-	42,422
2222116 - MVH Fed Auth Per Diem	-	-	779,998	779,998
2222117 - EMVH Fed Auth Per Diem	-	-	449,999	449,999
2222123 - Medicaid Operating Contracts	26,758	-	121,898	148,656
Other	-	(83,954)	4,630,775	4,546,821
Legislative Present Law Adjustments	3,114,777	(2,689,368)	290,314	715,723

FY 2017				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
2222102 - Med Ben Core Nursing Homes	1,983,651	(990,150)	(3,511,053)	(2,517,552)
2222103 - Med Ben Core Home Based	(126,575)	(2)	(572,758)	(699,335)
2222106 - Med Ben SLTC Waiver Svcs	1,576,339	(260,849)	1,055,764	2,371,254
2222109 - Med Ben Other IGT	-	(842,999)	(2,951,471)	(3,794,470)
2222111 - Med Ben Core CFC	1,349,555	-	627,092	1,976,647
2222201 - Med Ben Other MFP	14,302	-	1,773,707	1,788,009
2222202 - Facility Reimbursements MVH	-	-	133,484	133,484
2222203 - Nurse Aide Testing	14,703	-	14,703	29,406
2222113 - State Supplemental Payments	50,190	-	-	50,190
2222116 - MVH Fed Auth Per Diem	-	-	779,998	779,998
2222117 - EMVH Fed Auth Per Diem	-	-	449,999	449,999
2222123 - Medicaid Operating Contracts	58,054	-	90,802	148,856
Other	-	(250,084)	5,218,268	4,968,184
Legislative Present Law Adjustments	4,920,219	(2,344,084)	3,108,535	5,684,670

2222102 Med Ben Core Nursing Homes - This present law adjustment represents the change between the legislative base budget and the executive budget request for Medicaid nursing home services. The adjustment includes the changes in the number of Medicaid funded days of nursing home care, the change in the state and federal Medicaid match rates, and a funding switch that increases general fund and reduces nursing home utilization fees.

LFD COMMENT	<p>Nursing Home Costs and Funding</p> <p>This legislative decision point includes both caseload adjustments and match rate adjustments. The caseload and match rate changes will be segregated into separate adjustments for consideration during the</p>
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legislative session. The estimate for the number of nursing home days of care is reviewed in the Division Budget Discussion.

2222103 Med Ben Core Home Based - This present law adjustment represents the change between the legislative base budget and the executive budget request for home based entitlement services. It includes both caseload changes and the federal/state match rate changes. The executive request is based on changes from FY 2014 expenditures of 4.23% per year for home health, 9.79% for hospice, and an average of 9% for personal assistance programs. The adjustment is negative despite the underlying cost growth since the annual 2017 biennium request is above the FY 2015 legislative base budget.

2222106 Med Ben Waiver SLTCD - This present law adjustment represents the change between the legislative base budget and the executive budget request for home based entitlement services. It includes both caseload changes and the federal/state match rate changes.

LFD Waiver Services

COMMENT

The caseload and match rate changes will be segregated into separate adjustments for consideration during the legislative session. The number of service slots and allocation among types of waiver services was reviewed in the Division Budget Discussion.

2222109 Med Ben Other NH IGT - This present law adjustment represents the change between the legislative base budget and the executive budget request for home based entitlement services. It includes both changes in the level of county funding anticipated and the federal/state match rate changes.

LFD IGT Appropriation

COMMENT

The county funding and match rate changes will be segregated into separate adjustments for consideration during the legislative session. The change in IGT among fiscal years was reviewed in the Division Budget Discussion. The executive has requested that language governing IGT be added to HB 2.

2222111 Med Ben Core CFC - This present law adjustment represents the change between the legislative base budget and the executive budget request for CFC services. It includes both changes in the level of services anticipated and the federal/state match rate changes.

2222201 Med Ben Other MFP - This adjustment represents the change between the legislative base budget and the executive budget request for Money Follows the Person (MFP) services.

2222202 Facility Reimbursements MVH - This adjustment represents the change between the legislative base budget and the executive budget request for Medicaid reimbursement for MVH services.

LFD Double Appropriation Authority in HB 2

COMMENT

This request provides double appropriation authority for a portion of MVH services. This issue is addressed in the DPHHS agency overview. The legislature could consider establishing a statutory appropriation for Medicaid reimbursements for all state facility services.

2222203 Nurse Aide Testing - This adjustment represents the change between the legislative base budget and the executive budget request for Medicaid reimbursement for the cost of nurse aide testing.

2222113 State Supplemental Payments - This present law adjustment supports an additional 30 people in FY 2016 and an additional 5 in FY 2017 for the State Supplemental Payment program. These people will be moving from facility based disability services into the community during the biennium. State supplemental payments provide a monetary addition to the Social Security payment made to SSI eligible individuals who reside in designated residential care facilities. Monthly benefits are \$94. In addition DPHHS pays the Social Security Administration an administrative fee to process payments. The administrative fee is estimated to increase to \$11.54 in 2016 and \$11.66 in 2017 per payment. Funding is 100% from the general fund.

2222116 MVH Fed Auth Per Diem - This present law adjustment increases federal authority for VA per diem reimbursement for the domiciliary and the nursing facility days of care at MVH. VA per diem rates change on October 1 of each year, and this adjustment assumes the 70%-disabled, service connected veterans per diem payments will increase 2%, and the traditional veterans per diem payments will increase 5% each year of the biennium.

LFD COMMENT	<p>Increase in Federal VA Per Diem Payments Understated</p> <p>As noted in the funding discussion, federal VA per diem payments have increased annually over the last four years. This decision point includes the increase above the amount appropriated by the legislature for FY 2014. The legislature could consider increasing the amount of federal VA per diem revenue above the level requested by the executive. The federal increase could be used to offset cigarette tax revenue and increase the transfer of cigarette tax revenue to the general fund.</p>
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2222117 EMVH Fed Auth Per Diem - This present law adjustment adds federal authority for the VA per diem payments that will be reimbursed for the nursing facility days of care EMVH. The VA per diem rate increases effective October 1st of each year. This adjustment is based on an estimated 2% annual increase in the VA per diem for 70% service connected veterans and a 5% increase for traditional veterans per diem in each year of the biennium. The federal VA payments are passed through to the contractor who operates the EMVH facility. This pass through is funded with 100% federal funds.

2222123 Medicaid Operating Contracts - This present law adjustment adds funds for operational contracts for the personal assistance, waiver case management and nursing home eligibility contracts.

New Proposals -

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

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2222204 - Med Ben HCHCW Increase	0.00	111,852	0	278,148	390,000	0.00	113,139	0	276,861	390,000
DP 2222205 - Direct Care Worker Wage Increase	0.00	1,527,223	0	2,873,993	4,401,216	0.00	3,093,190	0	5,820,904	8,914,094
DP 2222206 - PRI Med Ben Core Nursing Homes	0.00	1,045,177	0	1,968,597	3,013,774	0.00	2,131,347	0	3,956,477	6,087,824
DP 2222207 - PRI Med Ben Core Home Based Services	0.00	37,866	0	71,322	109,188	0.00	77,218	0	143,342	220,560
DP 2222208 - PRI Med Ben Community Based Waiver	0.00	272,964	0	514,129	787,093	0.00	556,634	0	1,033,294	1,589,928
DP 2222209 - PRI Aging Services	0.00	232,757	0	0	232,757	0.00	470,170	0	0	470,170
DP 2222210 - PRI Med Ben Community First Choice	0.00	342,119	0	850,765	1,192,884	0.00	699,032	0	1,710,594	2,409,626
DP 2222211 - PRI Med Ben Money Follows the Person	0.00	13,559	0	33,718	47,277	0.00	27,705	0	67,795	95,500
Total	0.00	\$3,583,517	\$0	\$6,590,672	\$10,174,189	0.00	\$7,168,435	\$0	\$13,009,267	\$20,177,702

DP 2222211 - PRI Med Ben Money Follows the Person -

This new proposal requests a 2% annual provider rate increase in each year of the biennium for services provided under the Money Follows the Person grant.

DP 2222205 - Direct Care Worker Wage Increase -

This new proposal funds Medicaid rate increases to allow providers to give wage increases or lump sum payments to workers who provide direct care and ancillary services in the nursing facility, personal assistance, CFC, and community waiver programs. Funding is based on an estimated \$0.50 hourly increase in combined wages and benefits in FY 2016 and up to \$1.00 hourly increase in FY 2017. About 70% of this funding would go towards wage increases and 30% would fund employee benefits and employer taxes.

DP 2222209 - PRI Aging Services -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for aging services. The increase is fully funded from the general fund.

<div style="border: 1px solid black; padding: 2px; width: fit-content;"> LFD ISSUE </div>	<p><u>Use of Federal Funds for Rate Increase</u></p> <p>The legislature could consider using federal funds to pay for a portion of the provider rate increase. The legislature could prorate the total rate increase based on the ratio of funding for services included in the rate increase.</p>
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DP 2222208 - PRI Med Ben Community Based Waiver -

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

DP 2222207 - PRI Med Ben Core Home Based Services -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for home based services, which consist primarily of home health, personal care, and hospice services.

DP 2222206 - PRI Med Ben Core Nursing Homes -

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

**LFD
COMMENT**

Total Nursing Home Rate

The following figure shows the components of the total daily rate for Medicaid nursing home services compared to the upper payment limit. The rate increase requested by the executive is applied to the largest component – the state and federal per diem share. The 2% rate increase would raise the base per diem rate from \$137.80 in FY 2014 to \$140.56 in FY 2016 and \$143.37 in FY 2017.

DP 222204 - Med Ben HCHCW Increase -

This new proposal adds funds for growth of the Health Care for Health Care Workers (HCHCW) program community based waiver services. This proposal funds an increase of 50 workers who are expected to enroll in this program January 1, 2016. The amount of funding is based on an estimated premium of \$650 per year. Providers of community based waiver services who offer health employee insurance to workers are given a rate increase to contribute to the cost of insurance coverage.

**LFD
COMMENT**

Enrollment in Insurance

The open enrollment period for health insurance is typically at the beginning of a calendar year. The HCHCW program is (or is not – waiting to hear) organized the same way. The legislature could reduce the FY 2016 amount by 50%.

DP 222210 - PRI Med Ben Community First Choice -

This new proposal funds a 2% provider rate increase in each year of the biennium for CFC.

Language and Statutory Authority -

The executive proposes the following language be included in HB 2.

“County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the office of budget and program planning has certified that the department has collected the amount that is necessary to make one-time payments to nursing homes based on the number of Medicaid services provided and to fund the base budget in the nursing facility program and the community services program at the level of \$564,785 from counties participating in the intergovernmental transfer program for nursing facilities.”