

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of the biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
Full Time Equivalents (FTE)	2,923.58	2,923.58	2,869.30	2,941.99	2,923.58	2,941.99	18.41
Personal Services	\$170,695,929	\$178,200,890	\$184,639,399	\$187,555,327	\$348,896,819	\$372,194,726	\$23,297,907
Operating Expenses	106,482,041	125,764,489	118,132,243	117,416,309	232,246,530	235,548,552	3,302,022
Equipment & Intangible Assets	628,233	802,994	779,536	704,536	1,431,227	1,484,072	52,845
Grants	74,885,046	76,786,010	79,220,209	79,453,920	151,671,056	158,674,129	7,003,073
Benefits & Claims	1,515,940,213	1,625,209,646	1,696,881,795	1,782,096,820	3,141,149,859	3,478,978,615	337,828,756
Transfers	2,939,272	3,090,204	2,546,635	2,546,635	6,029,476	5,093,270	(936,206)
Debt Service	223,052	292,376	292,007	292,007	515,428	584,014	68,586
Total Costs	\$1,871,793,786	\$2,010,146,609	\$2,082,491,824	\$2,170,065,554	\$3,881,940,395	\$4,252,557,378	\$370,616,983
General Fund	445,923,423	470,181,099	503,772,116	519,042,722	916,104,522	1,022,814,838	106,710,316
State/Other Special Rev. Funds	146,927,323	157,696,682	160,693,938	163,287,515	304,624,005	323,981,453	19,357,448
Federal Spec. Rev. Funds	1,278,943,040	1,382,268,828	1,418,025,770	1,487,735,317	2,661,211,868	2,905,761,087	244,549,219
Total Funds	\$1,871,793,786	\$2,010,146,609	\$2,082,491,824	\$2,170,065,554	\$3,881,940,395	\$4,252,557,378	\$370,616,983

Agency Description

The mission of the Department of Public Health and Human Services (DPHHS) is 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:

Economic Security Services Branch (page B-1)

- Disability Employment and Transitions Division
- Human and Community Services Division
- Child and Family Services Division
- Child Support Enforcement Division

Director's Office (page B-32)

Operations Services Branch (page B-37)

- Business and Financial Services Division
- Quality Assurance Division
- Technology Services Division
- Management and Fair Hearings Division

Public Health and Safety Division (page B-57)

Medicaid and Health Services Branch (page B-64)

- Developmental Services Division
- Health Resources Division
- Medicaid and Health Services Division
- Senior and Long Term Care Division
- Addictive and Mental Disorders Division

DPHHS is also responsible for the following state facilities:

- Montana State Hospital (MSH), Warm Springs
- Montana Mental Health Nursing Care Center (MMHNCC), Lewistown

- Montana Chemical Dependency Center (MCDC), Butte
- Eastern Montana Veterans’ Home (EMVH), Glendive
- Montana Veterans’ Home (MVH), Columbia Falls
- Montana Developmental Center (MDC), Boulder

Agency Highlights

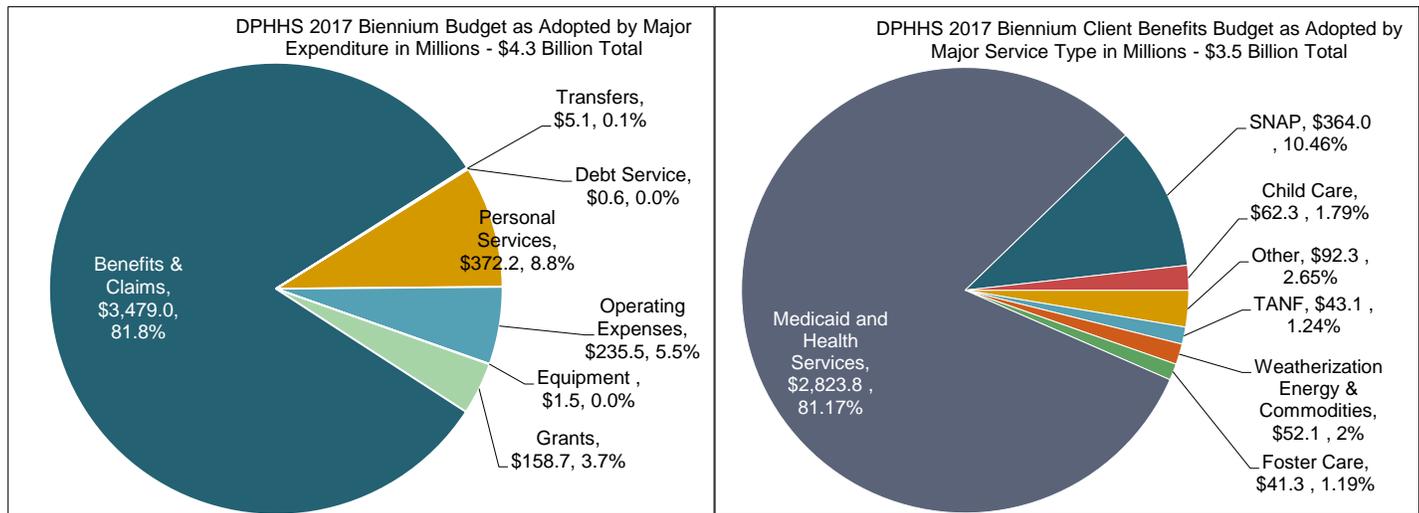
Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> ● The 2017 biennial legislative appropriation is 8.0% or \$315.1 million greater than the 2015 biennial appropriation ● Increases are primarily due to the following: <ul style="list-style-type: none"> ○ Medicaid enrollment, service utilization, and pharmacy cost changes - \$318.0 million ○ A restricted 2.0% annual provider rate increase for all providers except those that receive a statutorily required cost of living increase - \$52.2 million ○ Additional mental health community services - \$9.8 million ○ An increase to direct care worker wages - \$6.7 million ○ Expansion of state mental health facility services - \$5.0 million and 82.70 new FTE ● Increases are partially offset by: <ul style="list-style-type: none"> ○ Implementation of the enhanced federal CHIP match rate which lowers the general fund share of the Healthy Montana Kids (HMK) program - \$47.5 million ○ Reductions due to lower federal grant amounts and lower anticipated caseloads in the Economic Security Services branch - \$32.8 million ● The legislative biennial appropriation is a net \$277.2 million higher than the executive request. This amount is the product of reductions and increases including such items as: <ul style="list-style-type: none"> ○ Inclusion of the Supplemental Nutrition Assistance Program (SNAP) appropriation in HB 2 - \$363.9 million ○ Adoption of increases for adult mental health services - \$8.0 million ○ Adoption of lower CHIP enrollment and changes in per child costs - \$32.2 million ○ Adoption of lower estimates for Medicaid enrollment and services utilization changes - \$29.8 million ○ Reduction of Medicaid appropriations in anticipation of savings due to SB 405 (HELP Act) - \$10.8 million ○ Adoption of one-half of the executive request for increases to direct care worker wages - \$6.7 million ○ Movement of federal Title X (family planning) grant funds from HB 2 to a statutory appropriation - \$3.9 million ○ Reduction in Operations Services Branch appropriations - \$2.2 million ● Funding for FTE increases by a net 18.41 due to funding new positions for adult mental health facility services expansions that are partially offset by reductions made to comply with 2013 biennium HB 2 boiler plate language

Agency Discussion

The 2017 biennium legislative appropriation for DPHHS is 8.0% or \$315.1 million higher than the 2015 biennium. Benefits and claims (funds to support provision of services to persons who meet specific eligibility criteria) increase, largely due to growth in Medicaid appropriations. Personal services increase between biennia due to approval of the executive request for 82.70 new FTE for state mental health facilities, and 8.00 new one-time-only FTE for eligibility determination. FTE increases are partially offset by reductions made to comply with the 2013 biennium HB 2 boiler plate language. Appropriations for grants increase due to additional funding for tobacco control and prevention, aging services, and community mental health services.

General Expenditures

Expenditures in DPHHS are primarily driven by client benefits. The chart below on the left shows the breakdown of the agency budget by category of expenditure. Benefits and claims make up 81.8% of the 2017 biennium budget, personal services is the next largest category at 8.8%.



The chart above on the right shows a more detailed breakdown of benefits and claims across the agency. Medicaid is the largest expenditure category followed by SNAP, with no other single program making up more than 2.0% of the benefits and claims budget. Further detail for these budget items can be found in the program discussions throughout this section.

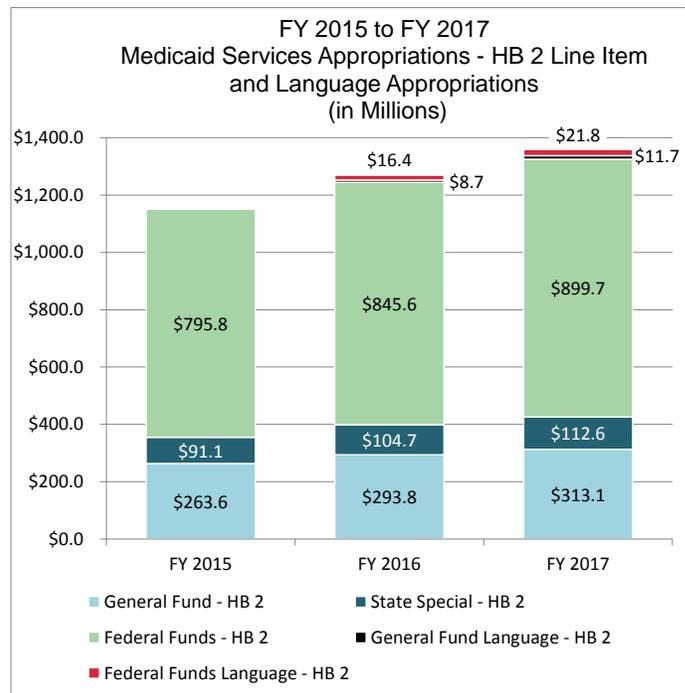
Summary of Legislative Action

Medicaid Services

Appropriations for Medicaid services are 60.5% of the total 2017 biennium appropriation for DPHHS and 42.0% of the total appropriated in HB 2. However, the legislature also added language appropriations to HB 2 which incrementally add funds for Medicaid services if incurred costs reach certain thresholds. The total appropriated in HB 2, by fund source and component, is shown in the adjacent figure.

The FY 2015 appropriation for Medicaid services totals \$1.2 billion. The total appropriated in HB 2 (including language and line item appropriations) is \$1.3 billion in FY 2016 and \$1.4 billion in FY 2017. The majority of the appropriation in each fiscal year is the FY 2015 base. Incremental changes include:

- Enrollment and service utilization increases
- A 2.0% annual provider rate increase for most services
- Increases to fund direct care worker wage increases and health care for health care workers
- Community services expansions for adult mental health



More detail describing specific legislative actions related to Medicaid appropriations can be found in the Medicaid and Health Services Branch as well as the narratives describing appropriations for Medicaid services.

SB 405 – Montana Health and Economic Livelihood Partnership Act (HELP Act)

The legislature passed the HELP Act, which impacts DPHHS programs in several ways. It:

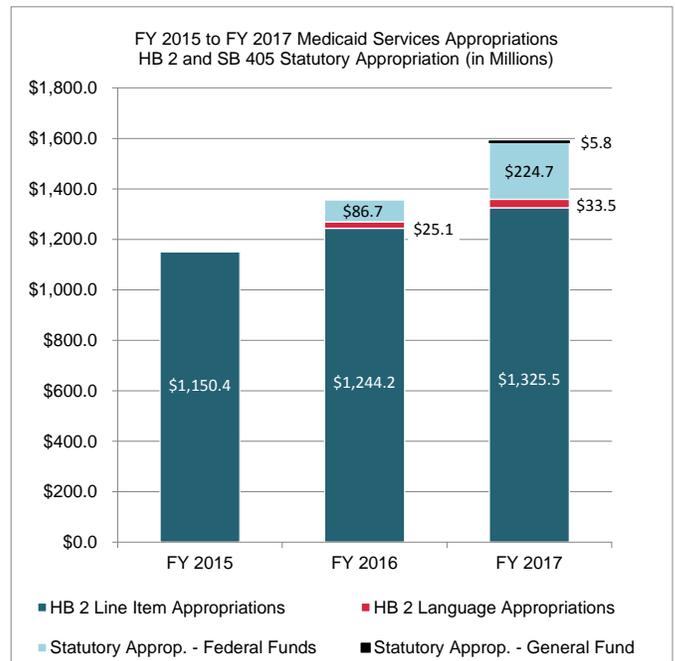
- 1) Adds a new Medicaid eligibility group – adults between the ages of 21 and 64 who are not disabled, who are not pregnant, and who have household incomes below 138% of the federal poverty level (about \$33,500 for a family of four);
- 2) Establishes statutory appropriations of both general fund and federal funds to pay for administrative costs and medical services provided to the new enrollees;
- 3) Requires persons who are newly eligible for Medicaid to pay premiums equal to 2.0% of their adjusted gross income for Medicaid coverage, and co-payments for services;
- 4) Provides that participants with incomes above 100% of the federal poverty level may be disenrolled from Medicaid for nonpayment of premiums, with some exemptions;
- 5) Requires DPHHS to institute Medicaid reforms designed to better coordinate and manage health care as well as improve outcomes;
- 6) Requires DPHHS to contract with a third party administrator (TPA) to manage services for new enrollees, establish provider networks, collect premiums, coordinate medical care, pay providers, and assist with Medicaid health reforms;
- 7) Allows DPHHS to divert certain of the new enrollees from TPA services to the regular Medicaid program, such as persons with exceptional health care needs or those who live in an area that may not have access to the third party administrator provider network;
- 8) Requires DPHHS to reimburse outside medical costs for residents of state facilities at the Medicaid reimbursement rate, which is lower than the current private pay rate; and
- 9) Establishes an oversight committee to HELP Act development and implementation.

These programmatic changes are dependent on federal approval of a waiver of certain federal Medicaid regulations. The legislature assumed that the HELP Act would be implemented no later than January 1, 2016 (midway through FY 2016).

Budgetary Impact of the HELP Act: HB 2 and Statutory Appropriations

The legislature lowered HB 2 general fund appropriations by \$10.8 million in FY 2017 in anticipation of savings related to the HELP Act. Savings occur as persons who are currently enrolled in the regular Medicaid program under various state waivers shift to the new eligibility group, which has a higher federal match rate.

The fiscal note for the HELP Act estimated that there would be an additional 30,020 persons enrolled in Medicaid by FY 2017 due to the new eligibility expansion. As noted earlier, medical services for these enrollees will be paid from a statutory appropriation. The adjacent figure shows the total for Medicaid services appropriated both in HB 2 and statutorily by source of authority for FY 2015 – FY 2017. The legislature assumed that the Medicaid expansion is implemented midyear in FY 2016, which would total \$230.5 million in statutory appropriations for Medicaid services in the 2017 biennium.



Impact of SB 411 – Closure of Montana Developmental Center

Most persons who will move from the Montana Developmental Center (MDC) to community services are Medicaid eligible. The fiscal note estimates that new Medicaid community services will cost about \$1.1 million in FY 2016 and \$6.9 million in FY 2017. FY 2017 costs are offset by reductions in MDC operating costs and the increased federal Medicaid share. Revenues to the general fund will decrease by \$7.4 million in FY 2017 due to loss of facility revenues and the facility bond transfer. The general fund match to support the new Medicaid services will be provided by appropriations made to support MDC.

Agency Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Funding by Source of Authority				
Budget Item	HB 2	Statutory Appropriation	Total All	% Total All Funds
General Fund	\$1,022,814,838	26,099,155	\$1,048,913,993	22.7%
State Special Revenue Funds	323,981,453	10,411,350	334,392,803	7.2%
Federal Special Revenue Funds	<u>2,905,761,087</u>	<u>340,530,226</u>	<u>3,246,291,313</u>	70.1%
Total	\$4,252,557,378	\$377,040,731	\$4,629,598,109	
Percent - Total All Sources	91.9%	8.1%		

DPHHS is funded predominantly with federal funds – 68.2% over the biennium, with general fund making up 24.0% of the total. Across the department, general fund is used primarily as a matching source to draw down federal funding for various social and medical assistance programs. The required match rates vary by function throughout the department. The primary match rate is the Federal Medical Assistance Percentage (FMAP) which is about 35% state funds and 65% federal funds. There are enhanced FMAP rates for some services such as the Children’s Health Insurance Program (CHIP). Some state funds are also used for maintenance of effort (MOE), which is spending required in order to receive block grants for services such as Temporary Assistance for Needy Families (TANF) and child care.

The difference between the HB 2 column and the Total All Sources column in the preceding table is in statutory appropriations for:

- The HELP Act
- Some of the alcohol tax revenues that are allocated to DPHHS
- Federal Title X (family planning funds)
- Debt service on bonds for the Montana State Hospital.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 16-17	Percent of Budget	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 16-17	Percent of Budget
2015 Budget	468,734,721	468,734,721	937,469,442	91.66%	2,002,994,740	2,002,994,740	4,005,989,480	94.20%
PL Adjustments	18,372,521	33,884,666	52,257,187	5.11%	42,919,865	115,522,891	158,442,756	3.73%
New Proposals	16,664,874	16,423,335	33,088,209	3.24%	36,577,219	51,547,923	88,125,142	2.07%
Total Budget	503,772,116	519,042,722	1,022,814,838		2,082,491,824	2,170,065,554	4,252,557,378	

Other Legislation

HB 33 – This bill amends statutes governing matching grants provided to counties that establish mental health crisis jail diversion services or programs. The bill requires that appropriations above the level appropriated in FY 2015 must be used in the following order:

- 1) Create crisis intervention or jail diversion services in areas of the state that currently lack services;
- 2) Provide new crisis intervention or jail diversion services in areas of the state that have received funding in previous years;
- 3) Recognized an increase in the demand for or use of services that have received funding in previous years.

The bill requires that DPHHS maintain the level of state matching funds provided to counties in FY 2015 if the county's request continued funding of the services created or provided through use of the matching funds.

HB 47 – This bill appropriates \$1.2 million general fund to DPHHS for youth mental health crisis diversion pilot projects. The department can distribute this money through grants to up to six licensed children's mental health providers. Grant qualifications must meet the needs of the community being served and offer one or more of the following services:

- 24 hour crisis line
- Case management within 24 hours of a crisis situation
- Family assessment for service declaration
- Short-term crisis stabilization services
- A part-time project coordinator

Grantees shall report to the interim Children, Families, Health, and Human Services committee on the use of the grant funds including outcome measures as defined by the department.

HB 223 – This bill increases the cost of death certificates by \$3.00 and uses the funding to support the Board of Funeral Services in the Department of Labor and Industry (DOLI).

HB 337 – This bill increases the resource limits for Medicaid programs for workers with disabilities from \$8,000 to \$15,000 for an individual and from \$12,000 to \$30,000 for a couple. Resource tests are used in conjunction with other eligibility criteria, including income and disability, to determine eligibility for the workers with disabilities. DPHHS estimated that Medicaid costs would increase by \$226,000 over the biennium due to the eligibility change. The legislature did not add funds to HB 2.

HB 237 (VETOED) – This bill establishes requirements for Medicaid overpayment audits. The Governor vetoed the bill and the subsequent override poll was unsuccessful.

HB 472 – This bill makes permanent the Office of the Child and Family Ombudsman that was created one-time-only by the 2013 Legislature. It provides funding for this position by transferring \$85,741 in each year of the biennium from DPHHS to the Department of Justice.

HB 478 – This bill implements safety standards and oversight for cottage food operations and clarifies state regulation of mobile food establishments. The bill also provides certain exemptions for farmers' markets. Other than rule making authority, there is no fiscal impact to DPHHS due to changes in the bill.

HB 606 – This bill establishes a statutory appropriation for federal Title X (family planning) grant funds. Previously, these funds were appropriated in HB 2.

SB 150 – This bill increases the amount of a public utility's minimum annual funding requirement for low-income energy and weatherization assistance. It has no impact on the department's budget.

SB 193 – This bill revises agency liquor store laws and impacts state revenue from the sale of liquor in two ways. First, it increases the state markup on liquor from 40.0% to 40.5%. Second, it replaces the current method of calculating each agency liquor store's discount rate with an alternative method. These changes increase estimated revenue for the state special revenue account for the prevention and treatment of substance abuse disorders.

SB 216 – This bill establishes and requires Medicaid in-home fraud prevention training for certain services. In addition, the bill mandates cost information and reporting while providing rule making authority for fiscal accountability of home and community based services.

SB 217 – This bill revises the rule making authority of the Office of Vital Records and requires that information collected for medical, health, or administrative use is optional and may only be collected after securing the parent's consent. DPHHS did not anticipate additional costs as a result of this bill.

SB 316 (VETOED)– This bill generally revises laws governing when particular individuals may be transferred to a correctional facility. The Governor vetoed the bill and the subsequent override poll was unsuccessful.

SB 399 – This bill authorizes the creation of the Montana Achieving a Better Life Experience Program (ABLE Act). The bill as it pertains to DPHHS:

- Authorizes a tax-exempt savings accounts for disability-related expenses
- Requires the 529 program comply with federal laws
- Authorizes the department to contract with other states' 529 programs for residents using the program in Montana
- Ensures that the 529 utilization does not count in determining eligibility for state programs

SB 405 – This bill authorizes an expansion of Medicaid eligibility. More detailed information is available in the "Summary of Legislative Action" section.

SB 411 – This bill requires DPHHS to close the Montana Developmental Center (MDC) by June 30, 2017. Closure of MDC will move persons from the center to community-based services to provide for the necessary care, treatment, and support. The bill also mandates that a transition planning committee be formed to assist the department in the planning and execution of the closure.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget FY 2014	Executive Budget 2016	Legislative Budget 2016	Leg. - Exec. Difference 2016	Executive Budget 2017	Legislative Budget 2017	Leg. - Exec. Difference 2017	Bien. Diff. 16-17
Full Time Equivalents (FTE)	2,923.58	2,872.80	2,869.30	(3.50)	2,945.49	2,941.99	(3.50)	(3.50)
Personal Services	\$170,695,929	\$187,565,687	\$184,639,399	(\$2,926,288)	\$191,548,783	\$187,555,327	(\$3,993,456)	(\$6,919,744)
Operating Expenses	106,482,041	116,150,557	118,132,243	1,981,686	118,223,144	117,416,309	(806,835)	1,174,851
Equipment & Intangible Assets	628,233	728,233	779,536	51,303	653,233	704,536	51,303	102,606
Grants	74,885,046	82,112,783	79,220,209	(2,892,574)	82,112,783	79,453,920	(2,658,863)	(5,551,437)
Benefits & Claims	1,515,940,213	1,546,897,599	1,696,881,795	149,984,196	1,643,033,441	1,782,096,820	139,063,379	289,047,575
Transfers	2,939,272	2,932,772	2,546,635	(386,137)	2,932,772	2,546,635	(386,137)	(772,274)
Debt Service	223,052	226,151	292,007	65,856	231,620	292,007	60,387	126,243
Total Costs	\$1,871,793,786	\$1,936,613,782	\$2,082,491,824	\$145,878,042	\$2,038,735,776	\$2,170,065,554	\$131,329,778	\$277,207,820
General Fund	445,923,423	528,406,791	503,772,116	(24,634,675)	564,413,772	519,042,722	(45,371,050)	(70,005,725)
State/Other Special Rev. Funds	146,927,323	157,347,468	160,693,938	3,346,470	160,489,783	163,287,515	2,797,732	6,144,202
Federal Spec. Rev. Funds	1,278,943,040	1,250,859,523	1,418,025,770	167,166,247	1,313,832,221	1,487,735,317	173,903,096	341,069,343
Total Funds	\$1,871,793,786	\$1,936,613,782	\$2,082,491,824	\$145,878,042	\$2,038,735,776	\$2,170,065,554	\$131,329,778	\$277,207,820

The legislative appropriation for DPHHS is \$277.2 million higher than the executive request for the biennium. This difference is primarily due to the legislature's inclusion of Supplemental Nutrition Assistance Program (SNAP) funding in HB 2 at \$363.9 million for the biennium. HB 148 provided for these funds to become statutorily appropriated rather than included in HB 2. The bill was tabled in the House Appropriations Committee. Adding SNAP funding to the executive's HB 2 request brings that total to \$96.3 million above the final legislative budget.

As noted earlier, the legislative general fund appropriation is lower than the executive request. This difference is primarily due to implementation of the enhanced federal match for CHIP. That change lowered legislative general fund appropriations \$47.5 million from executive request. The legislature reduced the executive Medicaid services request by about \$20.5 million general fund. Additionally, the legislature lowered general fund by \$10.8 million in FY 2017 due to anticipated savings when the HELP Act is implemented. These reductions were partially offset by legislative increases in adult mental health services totaling \$8.0 million above the executive request.

FTE are 3.50 lower than the executive request because the legislature moved Title X funding from HB 2 to a statutory appropriation.

Language and Statutory Authority

Language governing HB 2 appropriations is discussed in each branch overview.