

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	55.00	55.00	55.00	55.00	55.00	55.00	0.00	0.00%
Personal Services	2,679,990	3,317,996	3,300,874	3,301,113	5,997,986	6,601,987	604,001	10.07%
Operating Expenses	7,946,429	8,246,012	8,644,560	8,777,561	16,192,441	17,422,121	1,229,680	7.59%
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	550,752,377	646,663,466	622,600,890	659,061,715	1,197,415,843	1,281,662,605	84,246,762	7.04%
<b>Total Costs</b>	<b>\$561,378,796</b>	<b>\$658,227,474</b>	<b>\$634,546,324</b>	<b>\$671,140,389</b>	<b>\$1,219,606,270</b>	<b>\$1,305,686,713</b>	<b>\$86,080,443</b>	<b>7.06%</b>
General Fund	109,441,719	127,348,230	128,695,326	137,205,876	236,789,949	265,901,202	29,111,253	12.29%
State Special	68,580,290	72,329,622	67,090,512	69,145,228	140,909,912	136,235,740	(4,674,172)	(3.32%)
Federal Special	383,356,787	458,549,622	438,760,486	464,789,285	841,906,409	903,549,771	61,643,362	7.32%
<b>Total Funds</b>	<b>\$561,378,796</b>	<b>\$658,227,474</b>	<b>\$634,546,324</b>	<b>\$671,140,389</b>	<b>\$1,219,606,270</b>	<b>\$1,305,686,713</b>	<b>\$86,080,443</b>	<b>7.06%</b>

### Page Reference

Legislative Budget Analysis, B-122

### Funding

#### Division Appropriation Highlights

The Health Resources Division (HRD) 2015 biennium budget is \$95.7 million total funds, including \$33.0 million general fund, greater than the 2013 biennium due to the following major changes:

- Medicaid cost growth due to enrollment and increased service utilization - \$44.5 million total funds, including \$28.9 million general fund
- Additional enrollment in the Healthy Montana Kids program for children in families with incomes from 100% of the federal poverty level to 250% of the federal poverty level - \$34.5 million total funds, including \$2.1 million general fund
- A 2% annual provider rate increase - \$15.0 million, including \$4.7 million general fund
- Addition of new services to the Healthy Montana Kids (HMK) program Children's Health Insurance Program (CHIP) component - \$3.0 million

Total funding increases are partially offset by a legislative reduction of 1% on the present law estimate for all Medicaid services except hospital utilization fee state special revenue and federal Medicaid match for those revenues. This reduction lowered total appropriations by \$9.6 million, including \$2.5 million general fund.

State special revenue declines by a net of \$5.6 million due to elimination of a one-time funding source of \$8.5 million each year of the biennium. The state was allowed to save part of the general fund savings due to enhanced federal Medicaid match rate authorized by the American Recovery and Reinvestment Act of 2009. The savings was deposited to a state special revenue account and used to fund 2013 biennium Medicaid state match with the understanding that the funding was one-time. The 2013 Legislature appropriated \$17.0 million general fund to "back fill" the one-time state special revenue funding. Other increases – primarily for the state match for HMK enrollment increases - partially offset the reduction in state special revenue.

HRD is funded from general fund, state special revenue, and federal funds. General fund pays:

- State Medicaid match
- State CHIP (Children's Health Insurance Program) match
- Administrative costs

Functions supported by state special revenue sources and the major source of funds:

- State Medicaid match
  - Tobacco state special revenue from the health and Medicaid initiatives account
  - Insurance tax proceeds allocated to the HMK account
  - Hospital utilization fee (\$50 per day assessed for each day of an inpatient stay)
  - Tobacco settlement trust fund interest
  - Third party collections (payments by insurance companies)
- State CHIP match
  - Tobacco state special revenue from the health and Medicaid initiatives account
  - Insurance tax proceeds allocated to the HMK account
  - Tobacco settlement funds
  - Tobacco settlement trust fund interest
- Big Sky Rx (premium assistance for low-income persons to purchase Medicare Part D drug coverage)
  - Tobacco state special revenue from the health and Medicaid initiatives account

Federal funding sources include:

- Federal Medicaid matching funds
- Federal CHIP grant

**Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	109,441,719	109,441,719	218,883,438	82.32%	561,378,796	561,378,796	1,122,757,592	85.99%
Statewide PL Adjustments	271,568	270,075	541,643	0.20%	745,010	739,794	1,484,804	0.11%
Other PL Adjustments	17,284,677	24,182,639	41,467,316	15.60%	65,971,871	97,419,228	163,391,099	12.51%
New Proposals	1,697,362	3,311,443	5,008,805	1.88%	6,450,647	11,602,571	18,053,218	1.38%
<b>Total Budget</b>	<b>\$128,695,326</b>	<b>\$137,205,876</b>	<b>\$265,901,202</b>		<b>\$634,546,324</b>	<b>\$671,140,389</b>	<b>\$1,305,686,713</b>	

The majority of the legislative appropriation supports continuation of present law services. A new proposal to increase provider rates by 2% annually is just over 1% of the total. Present law adjustments fund increases in enrollment and service utilization for Medicaid services, HMK, and, to a lesser degree, Big Sky Rx and account for the vast majority of the present law adjustments, which total 13% of the 2015 biennium appropriation. General fund changes are driven by Medicaid enrollment and service utilization changes and the provider rate increase.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					758,421					758,672
Vacancy Savings					(137,537)					(137,549)
Inflation/Deflation					102					243
Fixed Costs					124,024					118,428
<b>Total Statewide Present Law Adjustments</b>		<b>\$271,568</b>	<b>\$52,664</b>	<b>\$420,778</b>	<b>\$745,010</b>		<b>\$270,075</b>	<b>\$57,204</b>	<b>\$412,515</b>	<b>\$739,794</b>
DP 50 - Initial Motion to FY 2012 Base	0.00	(271,568)	(52,664)	(420,778)	(745,010)	0.00	(270,075)	(57,204)	(412,515)	(739,794)
DP 51 - Adjustment for Statewide Personal Services	0.00	243,833	3,345	373,706	620,884	0.00	244,143	3,183	373,797	621,123
DP 52 - Adjustment for Statewide Operations	0.00	41,068	14,088	68,970	124,126	0.00	39,268	13,455	65,948	118,671
DP 53 - Base Funding Switch	0.00	(13,333)	35,231	(21,898)	0	0.00	(13,336)	40,566	(27,230)	0
DP 11201 - Med Ben Core CLoad Physical Health	0.00	11,379,350	1,202,882	25,939,556	38,521,788	0.00	15,619,731	1,922,071	34,444,713	51,986,515
DP 11202 - Med Ben Other CLoad Medicare Buy-In	0.00	753,027	0	1,479,487	2,232,514	0.00	1,660,466	0	3,255,063	4,915,529
DP 11203 - Med Ben Federal CLoad Physical Health	0.00	539	0	16,075,381	16,075,920	0.00	539	0	21,736,726	21,737,265
DP 11204 - Med Ben Other CLoad Clawback	0.00	1,607,927	0	0	1,607,927	0.00	2,327,096	0	0	2,327,096
DP 11206 - Med Ben Other CLoad Hospital Utilization Fee	0.00	0	1,349,987	2,652,347	4,002,334	0.00	0	1,351,988	2,650,346	4,002,334
DP 11208 - HMK Medicaid CHIP-Funded Caseload	0.00	0	2,022,077	6,535,170	8,557,247	0.00	0	3,624,219	11,706,657	15,330,876
DP 11209 - HMK Caseload	0.00	1,689,730	936,338	8,487,215	11,113,283	0.00	2,613,601	613,954	10,425,389	13,652,944
DP 11210 - Offset General Fund with HMK State Special Revenue	0.00	0	0	0	0	0.00	(275,932)	275,932	0	0
DP 11211 - Med Ben SSR Hold Harmless Adjustment	0.00	8,492,260	(8,492,260)	0	0	0.00	8,492,260	(8,492,260)	0	0
DP 11212 - Big Sky RX Caseload	0.00	0	539,180	0	539,180	0.00	0	539,180	0	539,180
DP 11213 - Offset HMK/CHIP General Fund - Tobacco Settlement	0.00	(628,453)	628,453	0	0	0.00	(294,045)	294,045	0	0
DP 11214 - Restrict Medicaid Services Funding	0.00	0	0	0	0	0.00	0	0	0	0
DP 11221 - One-Time Settlement Costs	0.00	(4,536,911)	0	(2,998,089)	(7,535,000)	0.00	(4,536,911)	0	(2,998,089)	(7,535,000)
DP 11222 - 2% Reduction to Present Law Medicaid Services	0.00	(2,460,942)	(444,724)	(6,439,344)	(9,345,010)	0.00	(2,581,668)	(459,110)	(6,754,796)	(9,795,574)
DP 11401 - Med Ben Core FMAP Physical Health	0.00	663,642	(292)	(663,350)	0	0.00	843,538	(201)	(843,337)	0
DP 11402 - Med Ben Other FMAP Physical Health	0.00	277,600	(100,266)	(177,334)	0	0.00	267,056	(68,933)	(198,123)	0
DP 11403 - HMK Medicaid CHIP-Funded FMAP	0.00	0	528,360	(528,360)	0	0.00	0	530,100	(530,100)	0
DP 11404 - HMK FMAP	0.00	0	(9,638)	9,638	0	0.00	0	(4,571)	4,571	0
DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust	0.00	0	0	107,872	107,872	0.00	0	0	164,247	164,247
DP 11602 - Med Admin CPI Contractual Inflationary Adjust	0.00	46,908	0	46,908	93,816	0.00	46,908	0	46,908	93,816
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$17,284,677</b>	<b>(\$1,839,903)</b>	<b>\$50,527,097</b>	<b>\$65,971,871</b>	<b>0.00</b>	<b>\$24,182,639</b>	<b>\$126,414</b>	<b>\$73,110,175</b>	<b>\$97,419,228</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$17,556,245</b>	<b>(\$1,787,239)</b>	<b>\$50,947,875</b>	<b>\$66,716,881</b>	<b>0.00</b>	<b>\$24,452,714</b>	<b>\$183,618</b>	<b>\$73,522,690</b>	<b>\$98,159,022</b>

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Joint Appropriations Subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 11201 - Med Ben Core CLoad Physical Health - This present law adjustment adds funds for the increase in the number of eligible people, service utilization, acuity levels, and cost per service for medical care.

DP 11202 - Med Ben Other CLoad Medicare Buy-In - This present law adjustment funds estimated increases the number of enrollees and for cost increases in premiums for Medicare Part A and Part B. The Medicaid program purchases Medicare coverage by paying the premiums for persons eligible for both Medicare and Medicaid (dual eligible). Medicare then covers the cost of most services for the individual. Medicaid is liable for the cost of services not covered by Medicare and for some co-insurance and deductibles related to services utilized. The program is mandated by federal law (Title XVIII of the Social Security Act).

DP 11203 - Med Ben Federal CLoad Physical Health - This present law adjustment adds funds for increased enrollment and service utilization as well as federal rate increases in the Medicaid Indian Health Service (I.H.S.) program. Base level expenditures were \$47.6 million.

DP 11204 - Med Ben Other CLoad Clawback - This present law adjustment adds general fund for the clawback payment that state Medicaid programs owe to the federal government for savings due to implementation of the Medicare Part D prescription drug program. Some persons are eligible for both Medicaid and Medicare (dual eligible). Prior to passage of the Medicare Modernization Act (MMA) state Medicaid programs paid the drug costs for dual eligibles. Since Medicare assumed those costs, states are required to pay back to the federal government a phased down contribution, known as clawback. The variables governing calculation of the clawback amount are adjusted each year by the federal Centers for Medicare and Medicaid (CMS).

DP 11206 - Med Ben Other CLoad Hospital Utilization Fee - The legislature added funds for the hospital utilization fee, which is assessed for every inpatient hospital day. The fee is used to match federal Medicaid funds and then redistributed to hospitals as Medicaid reimbursements. The regular Medicaid rate covers about 65% to 68% of the cost of hospital care. Adding the amount from the hospital utilization fees raises Medicaid reimbursement to about 95% to 98% of the cost of hospital care.

The Montana Medicaid program has historically reimbursed the Montana hospitals at a rate less than the cost of providing hospital services to Medicaid clients. Federal regulations require hospitals to provide services to all citizens without regard to ability to pay, and require the hospitals to have a methodology in place to provide charity care to patients who do not have the ability to pay for the hospital services.

The hospital utilization fee and the corresponding federal funding is distributed using disproportionate share payments and hospital reimbursement adjustment payments to allocate the payments to hospitals based on Medicaid inpatient days and Medicaid inpatient/outpatient charges.

DP 11208 - HMK Medicaid CHIP-Funded Caseload - This present law adjustment adds funds for estimated caseload growth for the Healthy Montana Kids eligibility group from families with incomes from 101% to 133% of the federal poverty level. Children in this eligibility group receive Medicaid services and the costs are funded from the CHIP federal grant.

DP 11209 - HMK Caseload - This present law adjustment reflects the caseload growth for the Healthy Montana Kids eligibility group of children in households with family incomes from 134% to 250% of the federal poverty level. Children in this group receive CHIP services funded from the federal CHIP grant.

DP 11210 - Offset General Fund with HMK State Special Revenue - The legislature adopted a 4% projected growth rate for HMK CHIP compared to the executive request, which inflated costs 5.9%. The reduced cost for the HMK CHIP group was used to offset a portion of the general fund cost for the HMK Plus group.

DP 11211 - Med Ben SSR Hold Harmless Adjustment - The legislature added about \$17.0 million general fund over the biennium and reduced state special revenue by a like amount. The state special revenue was a one-time funding source from a portion of the savings due to the temporary increase in the federal Medicaid match rate authorized by the American Reinvestment and Recovery Act of 2009. States were allowed to set aside savings of a small portion of the enhanced federal Medicaid match (the hold harmless component). The legislature appropriated the funds as a one-time source of state Medicaid matching funds.

DP 11212 - Big Sky RX Caseload - This present law adjustment adds tobacco tax state special revenue for Big Sky Rx, which provides subsidies to help purchase Medicare Part D prescription coverage. Persons must be Medicare eligible with incomes under 200% of the federal poverty level.

DP 11213 - Offset HMK/CHIP General Fund - Tobacco Settlement - The legislature used tobacco settlement revenue allocated to the CHIP program to offset the general fund state match for services for the HMK CHIP eligibility group.

DP 11214 - Restrict Medicaid Services Funding - The legislature restricted Medicaid services appropriations to be used only for payment of medical services for persons eligible for Medicaid. The department will be able to transfer appropriations for Medicaid services among divisions, but will not be able to transfer Medicaid appropriations to divisions to be used for other purposes.

DP 11221 - One-Time Settlement Costs - This present law adjustment reduces benefits expenditures that were incurred in FY 2012 for one-time settlement costs for two lawsuits.

DP 11222 - 2% Reduction to Present Law Medicaid Services - The legislature reduced the present law request for Medicaid services administered by the Health Resources Division by 2% each year of the biennium. The reduction was not applied to the hospital utilization fee nor the federal matching funds for the fee. The legislature applied the reduction in two separate actions that reduced present law services by 1%. The first action was taken by the Health and Human Services Joint Appropriation Subcommittee and the second action was taken by the Senate Finance and Claims Committee.

DP 11401 - Med Ben Core FMAP Physical Health - The legislature adjusted federal Medicaid funds and general fund due to the increase in the federal Medicaid match rate. The state Medicaid match rate will decline from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015. Funding was adjusted for hospital and clinic services, managed care, breast and cervical cancer, pharmacy, and acute care services.

DP 11402 - Med Ben Other FMAP Physical Health - This present law adjustment adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds and the FY 2015 rate of 33.78% state funds and 66.22% federal funds. The total cost for the program does not change.

DP 11403 - HMK Medicaid CHIP-Funded FMAP - This present law adjustment reflects the anticipated change in the state match rate for CHIP. The state match rate for CHIP in FY 2012 was 23.60% compared to the FY 2014 rate of 23.63% and an estimated rate of 23.64% in FY 2015.

DP 11404 - HMK FMAP - This present law adjustment adjusts funding for the regular change in the Medicaid match rate, which is used to determine the state share of CHIP costs. The state match rate for CHIP in FY 2012 was 23.60% compared to the FY 2014 rate of 23.63% and an estimated rate of 23.64% in FY 2015.

DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust - This adjustment adds federal Medicaid authority for administrative matching funds to match allowable Medicaid costs incurred by schools and tribal nations.

DP 11602 - Med Admin CPI Contractual Inflationary Adjust - This present law adjustment funds contract increases for the Health Resources Division. Contracts are funded 50% general fund and 50% federal funds.

### New Proposals

Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 11218 - HMK Additional Services	11	0.00	356,117	0	1,126,469	1,482,586	0.00	382,356	0	1,189,184	1,571,540
DP 11901 - Provider Rate Increase - HMK Group	11	0.00	0	28,360	91,656	120,016	0.00	0	57,311	185,122	242,433
DP 11902 - Provider Rate Increase - Medicaid Core	11	0.00	1,341,245	222,362	3,086,642	4,650,249	0.00	2,929,087	229,555	6,230,405	9,389,047
DP 11903 - PRI - HMK/Medicaid CHIP-Funded Group	11	0.00	0	46,739	151,057	197,796	0.00	0	94,454	305,097	399,551
<b>Total</b>	<b>0.00</b>	<b>\$1,697,362</b>	<b>\$297,461</b>	<b>\$4,455,824</b>	<b>\$6,450,647</b>	<b>0.00</b>	<b>\$3,311,443</b>	<b>\$381,320</b>	<b>\$7,909,808</b>	<b>\$11,602,571</b>	

DP 11218 - HMK Additional Services - This new proposal adds funds over the biennium to cover additional benefit costs for Healthy Montana Kids enrollees to obtain necessary services in the HMK program. The new services are: non-emergency transportation, durable medical equipment, nutrition, home health, hospice, obesity, chiropractic and contraceptives.

DP 11901 - Provider Rate Increase - HMK Group - This new proposal funds a 2% provider rate increase in each year of the biennium for the highest income HMK group (FPL level 134-250%). The legislature included language in HB 625 to implement HB 2 to require that DPHHS raise provider rates by 2% annually.

DP 11902 - Provider Rate Increase - Medicaid Core - This new proposal funds a 2% provider rate increase in each year of the biennium for most Medicaid services administered by the division. The legislature included language in HB 625 to implement HB 2 to require that DPHHS raise provider rates by 2% annually.

DP 11903 - PRI - HMK/Medicaid CHIP-Funded Group - This new proposal funds a 2% provider rate increase in each year of the biennium for the HMK/Medicaid Expansion Group (FPL level 101% to 133%). The legislature included language in HB 625 to implement HB 2 to require that DPHHS raise provider rates by 2% annually.

### Language and Statutory Authority

The legislature proposes the following language for inclusion in HB 2.

“Medicaid Services -- Developmental Services, Medicaid Services -- Health Resources, Medicaid Services -- Senior and Long-Term Care, and Medicaid Services -- Addictive and Mental Disorders may be used only to pay for Medicaid services for eligible Medicaid enrollees for expenses recorded as benefits and claims in the state accounting system and may not be transferred to other uses in the department.

The Department of Public Health and Human Services must use the following amounts of money in the following appropriations to raise Medicaid provider rates, except those Medicaid services funded by the federal children's health insurance grant, by 2% in fiscal year 2014 and by 2% in fiscal year 2015:

(1) Medicaid Services -- Developmental Services, \$3,755,335 in fiscal year 2014 and \$7,585,778 in fiscal year

2015;

(2) Medicaid Services -- Health Resources, \$4,650,249 in fiscal year 2014 and \$9,389,047 in fiscal year 2015;

(3) Medicaid Services -- Senior and Long-Term Care, \$4,392,560 in fiscal year 2014 and \$8,872,971 in fiscal year 2015; and

(4) Medicaid Services -- Addictive and Mental Disorders, \$1,097,758 in fiscal year 2014 and \$2,217,499 in fiscal year 2015."

"The Department of Public Health and Human Services must use \$317,812 in fiscal year 2014 and \$641,984 in fiscal year 2015 of funds in Health Resources Division to raise provider rates for those services funded from the federal children's health insurance program grant and for providers who are not paid by a third-party administrator by 2% in fiscal year 2014 and by an additional 2% in fiscal year 2015."