

## 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	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	54.00	54.00	51.62	51.62	54.00	51.62	(2.38)	(4.41)%
Personal Services	2,941,704	3,591,880	3,718,946	3,741,816	6,533,584	7,460,762	927,178	14.19%
Operating Expenses	9,569,124	8,777,561	10,949,030	10,353,769	18,346,685	21,302,799	2,956,114	16.11%
Benefits & Claims	640,048,260	659,061,176	727,683,696	787,880,390	1,299,109,436	1,515,564,086	216,454,650	16.66%
<b>Total Costs</b>	<b>\$652,559,088</b>	<b>\$671,430,617</b>	<b>\$742,351,672</b>	<b>\$801,975,975</b>	<b>\$1,323,989,705</b>	<b>\$1,544,327,647</b>	<b>\$220,337,942</b>	<b>16.64%</b>
General Fund	136,047,384	137,311,959	148,118,188	158,025,405	273,359,343	306,143,593	32,784,250	11.99%
State/Other Special Rev. Funds	67,041,676	69,165,712	72,160,509	74,104,934	136,207,388	146,265,443	10,058,055	7.38%
Federal Spec. Rev. Funds	449,470,028	464,952,946	522,072,975	569,845,636	914,422,974	1,091,918,611	177,495,637	19.41%
<b>Total Funds</b>	<b>\$652,559,088</b>	<b>\$671,430,617</b>	<b>\$742,351,672</b>	<b>\$801,975,975</b>	<b>\$1,323,989,705</b>	<b>\$1,544,327,647</b>	<b>\$220,337,942</b>	<b>16.64%</b>

## Page Reference

Legislative Budget Analysis, B-80

## Funding

The 2017 biennium legislative appropriation for the Health Resources Division (HRD) is \$220.3 million higher than the 2015 biennium. The majority of the increase is in the benefits and claims expenditure category, which funds Medicaid and Healthy Montana Kids (HMK) programs that provide medical services for persons who meet specific eligibility criteria.

The major changes from the FY 2015 appropriation that were adopted by the legislature are:

- Medicaid enrollment and service utilization increases - \$175.5 million for:
  - Hospital and physician services - \$129.8 million
  - Acute services such as vision, occupational therapy, speech therapy, and transportation services - \$23.5 million
  - Pharmacy - \$35.4 million
- Annual 2% provider rate increases for all providers except those who receive statutorily required cost of living adjustments - \$16.3 million
- HMK services funded from the Children's Health Insurance Program for enrollment increases - \$5.6 million

Increases were partially offset by anticipated reductions in reimbursements to Indian Health Services providers to account for the difference between the higher FY 2015 appropriation and anticipated expenditures in the 2017 biennium.

Net increases in general fund between the two biennia are \$32.8 million. A funding change in the CHIP program, which is discussed in greater detail in the funding section, reduced general fund appropriations for the 2017 biennium by \$47.5 million. Remaining general fund increases are due to increases in:

- Medicaid enrollment, service utilization, and pharmacy inflation - \$27.9 million
- The state Medicaid match rate - \$8.5 million

## Legislative Action Compared to the Executive Budget Request

The legislative appropriation for HRD is \$60.2 million lower than the revised executive budget that included changes to both Medicaid and CHIP funding requests. The legislative appropriations for these services are based on legislative staff

estimates of 2017 biennium Medicaid costs and legislative assumptions for CHIP enrollment and per child cost increases that were lower than the executive request.

Funding

HRD is funded from general fund, state special revenue, and federal funds. General fund is 20% of the total and pays the state matching cost for:

- Medicaid
- CHIP

State special revenue is 9% of the HRD budget request. Functions supported by state special revenue sources and the major source of funds are:

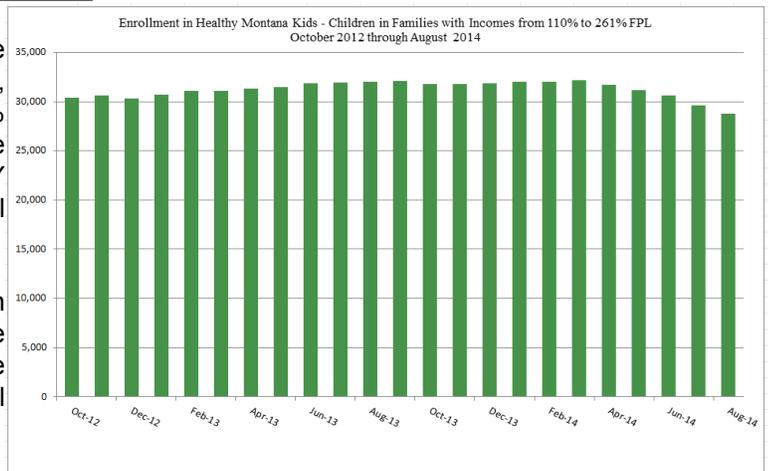
- State Medicaid match
  - Hospital utilization fee (\$50 per day assessed for each day of an inpatient stay)
  - Tobacco revenue from the health and Medicaid initiatives account
  - Insurance tax proceeds allocated to the HMK account
  - Tobacco settlement trust fund interest
- State CHIP match
  - Insurance tax proceeds allocated to the HMK account
  - Tobacco state special revenue from the health and Medicaid initiatives 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 tax revenue from the health and Medicaid initiatives account

Federal funds are 71% of the HRD appropriation. The majority of federal funding is Medicaid matching funds and CHIP federal grant funds.

HMK State Special Revenue Used to Offset General Fund Costs

The legislature applied the enhanced federal match rate for CHIP that is authorized in the Affordable Care Act, which raises the federal CHIP match rate by 23% effective October 1, 2015. That change lowers the state match rate to 1.22% for the final three quarters of FY 2016 and to 1.49% in FY 2017. The enhanced federal match rate will continue until September 30, 2019.

In addition, the legislature adopted a lower appropriation for CHIP funded services than included in the executive budget request. The adjustment was made since enrollment in CHIP has declined over the last several months as shown in the adjacent figure.



The legislative actions to implement the enhanced federal match and adopt lower CHIP caseloads reduced state costs for CHIP funded services in the 2017 biennium by \$10.2 million general fund and \$37.3 million state special revenue. The legislature used the state special revenue that was no longer needed for state CHIP matching funds to lower the general fund cost for Healthy Montana Kids Medicaid funded services.

**Budget Summary by Category**

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

Budget Summary by Category								
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	137,311,959	137,311,959	274,623,918	89.70 %	671,430,617	671,430,617	1,342,861,234	86.95 %
PL Adjustments	9,113,708	17,313,911	26,427,619	8.63 %	65,479,061	119,661,368	185,140,429	11.99 %
New Proposals	1,692,521	3,399,535	5,092,056	1.66 %	5,441,994	10,883,990	16,325,984	1.06 %
<b>Total Budget</b>	<b>\$148,118,188</b>	<b>\$158,025,405</b>	<b>\$306,143,593</b>		<b>\$742,351,672</b>	<b>\$801,975,975</b>	<b>\$1,544,327,647</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment	0.00	28,251	(155,531)	214,667	87,387	0.00	37,366	(154,256)	227,147	110,257
DP 102 - Other Differences for Executive PL	0.00	312,681	(1,126,948)	2,609,022	1,794,755	0.00	330,923	(1,276,573)	2,145,123	1,199,473
DP 515 - State Share Health Insurance	0.00	7,255	949	16,883	25,087	0.00	7,255	949	16,883	25,087
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	3,193	1,943	9,456	14,592	0.00	3,193	1,943	9,456	14,592
DP 525 - Fixed Costs Adjustment	0.00	(1,385)	(690)	(3,247)	(5,322)	0.00	(1,385)	(690)	(3,247)	(5,322)
DP 527 - Inflation/Deflation	0.00	20,297	0	45,465	65,762	0.00	20,304	0	45,479	65,783
DP 1100444 - Statewide 4% FTE Reduction - Program 11	(2.38)	0	0	0	0	(2.38)	0	0	0	0
DP 1111002 - Med Ben Other Cload Clawback	0.00	(1,986,095)	0	0	(1,986,095)	0.00	(1,201,381)	0	0	(1,201,381)
DP 1111008 - HMK CHIP-Funded Caseload	0.00	0	(28,196)	(2,282,941)	(2,311,137)	0.00	0	117,663	7,779,186	7,896,849
DP 1111010 - MED Admin Contractual Adjustments	0.00	158,137	0	158,137	316,274	0.00	158,137	0	158,137	316,274
DP 1111012 - Med Ben Other FMAP Breast and Cervical	0.00	29,065	0	(29,065)	0	0.00	42,595	0	(42,595)	0
DP 1111013 - HMK FMAP Change All CHIP Funded Admin and Benefits	0.00	(5,094,321)	(11,790,525)	16,884,846	0	0.00	(5,162,320)	(17,262,698)	22,425,018	0
DP 1111015 - Med Ben Core FMAP Hospital, Clinic, Physician	0.00	1,982,196	0	(1,982,196)	0	0.00	2,730,326	0	(2,730,326)	0
DP 1111016 - Med Ben Core FMAP Managed Care	0.00	737,684	0	(737,684)	0	0.00	966,559	0	(966,559)	0
DP 1111017 - Med Ben Core FMAP Acute Services	0.00	556,667	0	(556,667)	0	0.00	760,778	0	(760,778)	0
DP 1111018 - Med Ben Core FMAP Medicare Buy In	0.00	295,653	0	(295,653)	0	0.00	404,059	0	(404,059)	0
DP 1111019 - Med Ben Core FMAP Pharmacy	0.00	0	0	0	0	0.00	0	0	0	0
DP 1111020 - Enhanced CHIP FMAP Funding Change	0.00	(15,153,885)	15,153,885	0	0	0.00	(22,193,109)	22,193,109	0	0
DP 1111021 - Med Ben Other FMAP Hosp. Util Fee	0.00	0	600,018	(600,018)	0	0.00	0	820,024	(820,024)	0
DP 1111026 - Med Ben Other Hospital Utilization Fee Csls	0.00	0	220,638	415,573	636,211	0.00	0	220,638	415,573	636,211
DP 1111030 - Med Ben Fed Indian Health Services	0.00	0	0	(13,566,591)	(13,566,591)	0.00	0	0	(7,798,449)	(7,798,449)
DP 1111031 - Med Ben Fed School Based Services	0.00	0	0	1,923,954	1,923,954	0.00	0	0	2,976,086	2,976,086
DP 1111060 - Med Ben Core Hospital, Physician	0.00	19,472,801	0	36,677,145	56,149,946	0.00	25,794,874	0	47,883,714	73,678,588
DP 1111061 - Med Ben Core Acute Services	0.00	2,474,158	0	4,660,092	7,134,250	0.00	5,728,379	0	10,633,742	16,362,121
DP 1111062 - Med Ben Core Medicare Buy In	0.00	438,751	0	826,390	1,265,141	0.00	1,374,812	0	2,552,101	3,926,913
DP 1111063 - Med Ben Core Pharmacy	0.00	4,832,605	0	9,102,242	13,934,847	0.00	7,512,546	0	13,945,740	21,458,286
<b>Grand Total All Present Law Adjustments</b>	<b>(2.38)</b>	<b>\$9,113,708</b>	<b>\$2,875,543</b>	<b>\$53,489,810</b>	<b>\$65,479,061</b>	<b>(2.38)</b>	<b>\$17,313,911</b>	<b>\$4,660,109</b>	<b>\$97,687,348</b>	<b>\$119,661,368</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 101 - Personal Services Adjustment -

The legislature adopted all other personal service cost adjustments, except the annualization of the 2015 biennium pay plan.

DP 102 - Other Differences for Executive PL -

The legislature adopted all other operating cost adjustments.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 1100444 - Statewide 4% FTE Reduction - Program 11 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 1100444 includes a reduction of 2.38 FTE each year of the biennium.

DP 1111002 - Med Ben Other Cload Clawback -

This present law change reduces general fund because the FY 2015 legislative base budget is higher than the amount for the 2017 biennium appropriation. The funding is 100% general fund and represents the payment to the federal government for Medicaid program savings due to implementation of the Medicare Part D drug benefit.

DP 1111008 - HMK CHIP-Funded Caseload -

This adjustment reflects enrollment and service utilization changes for the Healthy Montana Kids Medicaid CHIP-funded group. FY 2016 biennium costs are anticipated to be lower than the FY 2015 legislative appropriation, while FY 2017 costs are expected to exceed the FY 2015 base appropriation.

DP 1111010 - MED Admin Contractual Adjustments -

This adjustment increases funding for contracts related to administration of the Medicaid program, including contracts to administer prior authorization functions for high cost services.

DP 1111012 - Med Ben Other FMAP Breast and Cervical -

This present law adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. This adjustment provides funding changes to the FY 2015 legislative appropriation at the correct match rate. The total cost for the base appropriation does not change.

DP 1111013 - HMK FMAP Change All CHIP Funded Admin and Benefits -

This present law adjustment changes the funding mix for CHIP administrative and services expenditures to account for the increase in the federal CHIP match rate effective October 1, 2015 and the reduction in the state match rate. This adjustment provides funding changes so that the FY 2015 legislative appropriation is funded at the correct match rate. The total cost for the base appropriation does not change. The state match rate for CHIP after October 1, 2015 is 1.22% and after June 30, 2016 is 1.49%.

DP 1111015 - Med Ben Core FMAP Hospital, Clinic, Physician -

This present law adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. The total cost for the base appropriation does not change.

DP 1111016 - Med Ben Core FMAP Managed Care -

This present law adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. The total cost for the base appropriation does not change.

DP 1111017 - Med Ben Core FMAP Acute Services -

This present law adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. The total cost for the base appropriation does not change.

DP 1111018 - Med Ben Core FMAP Medicare Buy In -

This present law adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. The total cost for the base appropriation does not change.

DP 1111019 - Med Ben Core FMAP Pharmacy -

This present law adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. The total cost for the base appropriation does not change.

DP 1111020 - Enhanced CHIP FMAP Funding Change -

The legislature made adjustments to reflect the 23% increase in the federal share of CHIP funding beginning October 1, 2015, which lowered the amount of state special revenue needed to fund CHIP services during the 2017 biennium by \$37.3 million. This present law adjustment uses the state special revenue that is no longer needed as state match for CHIP services and applies it to Medicaid funded HMK services that were previously funded from the general fund. There is an increase in state special revenue equal to the general fund reduction. There is no change in total funding.

DP 1111021 - Med Ben Other FMAP Hosp. Util Fee -

This present law adjustment changes the funding mix for Medicaid services to account for the increase in the state match rate and the reduction in the federal match rate that occurs each year of the 2017 biennium. The total cost for the base appropriation does not change.

DP 1111026 - Med Ben Other Hospital Utilization Fee Cslid -

The legislature added appropriation authority for hospital utilization fee revenues. The fee income is used as state Medicaid match and the additional revenue is distributed to hospitals based on a formula that takes into account the proportion of low income persons served and Medicaid days of service.

DP 1111030 - Med Ben Fed Indian Health Services -

The legislature adjusted appropriations for reimbursements for Indian Health Services providers to fund the executive present law request for the 2017 biennium. The reimbursements are 100% federal funds.

DP 1111031 - Med Ben Fed School Based Services -

The legislature made adjustments for reimbursements to schools that provide Medicaid services to eligible children. The DPHHS portion of the expenditures are 100% federal and the schools provide the necessary state match.

DP 1111060 - Med Ben Core Hospital, Physician -

The legislature added appropriation authority based on legislative staff estimates of the 2017 biennium cost for hospital and physician Medicaid services.

DP 1111061 - Med Ben Core Acute Services -

The legislature added funds for acute services such as transportation, speech therapy, occupational therapy, and private duty nursing. The amount of the appropriation was based on legislative staff estimates of the 2017 biennium expenditures.

DP 1111062 - Med Ben Core Medicare Buy In -

The legislature added appropriation authority to pay the Medicare Part A and Part B premiums for persons eligible for both Medicare and Medicaid. The appropriation is based on legislative staff estimates for the 2017 biennium.

DP 1111063 - Med Ben Core Pharmacy -

The legislature added appropriation authority for pharmacy services based on legislative staff estimates of the cost of services in the 2017 biennium.

**New Proposals -**

The "New Proposals" table shows the changes from the legislative appropriation for FY 15 to the proposed budget.

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 1111022 - PRI - HMK (CHIP)	0.00	35,000	20,763	174,474	230,237	0.00	35,000	78,553	346,922	460,475
DP 1111023 - PRI HMK (CHIP-Funded)	0.00	0	98,491	308,160	406,651	0.00	0	200,560	612,742	813,302
DP 1111024 - PRI Med Ben Medicaid Core	0.00	1,636,937	0	3,083,182	4,720,119	0.00	3,305,027	0	6,135,212	9,440,239
DP 1111025 - PRI Med Ben Breast & Cervical Cancer	0.00	20,584	0	64,403	84,987	0.00	59,508	0	110,466	169,974
<b>Total</b>	<b>0.00</b>	<b>\$1,692,521</b>	<b>\$119,254</b>	<b>\$3,630,219</b>	<b>\$5,441,994</b>	<b>0.00</b>	<b>\$3,399,535</b>	<b>\$279,113</b>	<b>\$7,205,342</b>	<b>\$10,883,990</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1111022 - PRI - HMK (CHIP) -

This adjustment funds a 2% provider rate increase in each year of the biennium for HMK CHIP program.

DP 1111023 - PRI HMK (CHIP-Funded) -

This adjustment funds a 2% provider rate increase in each year of the biennium for HMK Medicaid services that are funded from the CHIP grant.

DP 1111024 - PRI Med Ben Medicaid Core -

This adjustment funds a 2% provider rate increase in each year of the biennium the following Medicaid services: hospital, pharmacy, managed care, and acute care services.

DP 1111025 - PRI Med Ben Breast & Cervical Cancer -

This adjustment funds a 2% provider rate increase in each year of the biennium for Medicaid funded breast and cervical cancer services.