

Program Budget Comparison

The following table summarizes the total executive 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	619.86	619.86	619.86	619.86	619.86	619.86	0.00	0.00%
Personal Services	34,307,972	35,525,822	38,054,821	37,916,624	69,833,794	75,971,445	6,137,651	8.79%
Operating Expenses	12,039,834	13,522,662	13,118,460	13,862,524	25,562,496	26,980,984	1,418,488	5.55%
Equipment & Intangible Assets	107,460	45,420	107,460	107,460	152,880	214,920	62,040	40.58%
Grants	3,711,911	5,145,999	3,717,411	3,723,021	8,857,910	7,440,432	(1,417,478)	(16.00%)
Benefits & Claims	67,014,551	73,876,535	76,155,341	78,959,095	140,891,086	155,114,436	14,223,350	10.10%
Transfers	30,000	30,000	24,300	22,500	60,000	46,800	(13,200)	(22.00%)
Debt Service	69,607	67,598	117,623	117,623	137,205	235,246	98,041	71.46%
Total Costs	\$117,281,335	\$128,214,036	\$131,295,416	\$134,708,847	\$245,495,371	\$266,004,263	\$20,508,892	8.35%
General Fund	60,625,217	63,015,207	65,372,930	66,802,505	123,640,424	132,175,435	8,535,011	6.90%
State Special	12,573,861	14,801,412	15,540,896	15,823,814	27,375,273	31,364,710	3,989,437	14.57%
Federal Special	44,082,257	50,397,417	50,381,590	52,082,528	94,479,674	102,464,118	7,984,444	8.45%
Total Funds	\$117,281,335	\$128,214,036	\$131,295,416	\$134,708,847	\$245,495,371	\$266,004,263	\$20,508,892	8.35%

Program Description

The Addictive and Mental Disorders Division (AMDD) provides chemical dependency and mental health services through contracts with behavioral health providers across the state. People with substance abuse disorders who have family incomes below 200% of the federal poverty level are eligible for public funding of treatment services. In addition, the Medicaid program funds outpatient and residential chemical dependency treatment services for adolescents and outpatient services for adults who are Medicaid eligible. The mental health program provides services to adults who are eligible for Medicaid as well as non-Medicaid adults up to 150% of FPL. The division also manages three inpatient facilities: the Montana State Hospital (MSH) in Warm Springs, Montana Chemical Dependency Center (MCDC) in Butte, and Montana Mental Health Nursing Care Center (MMHNCC) in Lewistown.

Program Highlights

Addictive and Mental Disorders Division Major Budget Highlights	
◆	The Addictive and Mental Disorders Division budget 2015 biennium budget request is \$20.5 million higher than the 2013 biennium
◆	The major changes that the legislature will consider are: <ul style="list-style-type: none"> • Annualization of Medicaid waiver services - \$8.2 million • Reinstatement of overtime, holiday, and shift differential pay for state mental health facility workers - \$5.1 million general fund • Inflationary increases in operating costs for state mental health facilities - \$2.5 million general fund • 2% annual provider rate increases - \$4.1 million total funds, including \$1.1 million general fund

Major LFD Issues
<ul style="list-style-type: none"> ◆ There are changes to services provided by two state facilities administered by AMDD that are not included in the executive budget request that the legislature may wish to consider: <ul style="list-style-type: none"> • A wing of the Nursing Care Center was remodeled to contract with the Department of Corrections to care for prisoners needed nursing home level of care • 20.25 new modified level FTE were added to staff the facility • It will be paid through an administrative appropriation from funds appropriated to the Department of Corrections • The Montana Chemical Dependency Center will be restructured to become a Medicaid eligible facility, housed in a new building

Program Narrative

The AMDD 2015 biennium budget request is \$20.5 million higher than the 2013 biennium budget. However, the present law adjustments and new proposals that the legislature will consider total \$28.2 million because these changes are measured from the FY 2012 base budget, which is \$11.0 million lower than the FY 2013 appropriation.

The most noticeable difference between FY 2012 base expenditures and the FY 2013 appropriation is in benefits and claims (services for individuals who meet financial eligibility and, in some instances, disability criteria). Base expenditures are \$5.8 million lower, primarily in Medicaid mental health services, compared to the FY 2013 appropriation.

The major changes that the legislature will consider are:

- Medicaid enrollment and service utilization increases - \$15.0 million, including \$1.1 million general fund
- Reinstatement of state facility overtime, holiday, and shift differential pay that is zero based - \$6.0 million, including \$5.1 million general fund
- State facility inflation and operating costs - \$2.4 million general fund
- A 2% annual provider rate increase - \$1.4 million total funds, including \$0.6 million federal funds

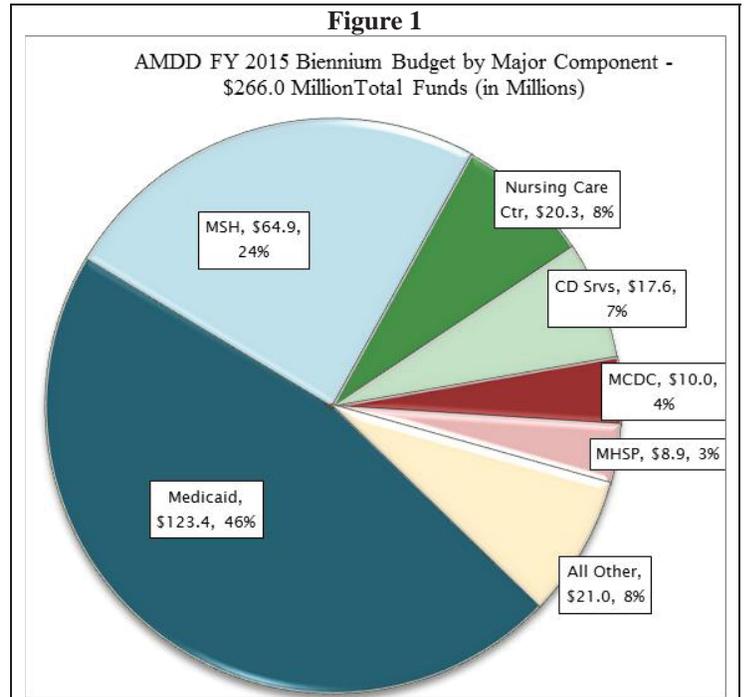
AMDD Budget Components

Figure 1 shows the major components of the 2015 biennium budget request. Medicaid services are the largest slice of the pie totaling \$123.45 million or 46%. MSH is just about one quarter of the budget followed by MMHNCC at 8%. The Mental Health Service Plan (MHSP), a state funded program, is about 3% followed by community chemical dependency (CD) services and MCDC. A table showing base budget expenditures compared to the 2015 biennium budget request can be found in the appendix.

State Facility Costs

Figure 2 shows the base budget and the FY 2013 appropriation compared to the 2015 biennium budget request for the three state facilities managed by AMDD. Overtime, holiday pay, and shift differential expenditures removed from the base budget are included in the table so that the annual budget amounts are more of an apples to apples comparison.

In total, the facilities budget request includes funding for almost 95% of AMDD division FTE and 64% of the general fund. The annual cost of serving one person in any of the three facilities is over \$100,000, while the average annual cost at MSH is over \$210,000 in FY 2015.



The two mental health facilities receive reimbursement for their services, which is deposited to the general fund. The facilities receive reimbursement from:

- Medicaid
- Medicare
- Insurance
- Indian Health Services
- Local governments (for mental health evaluations at MSH)
- Individuals receiving services at the facility

Figure 2

State Facilities Administered by AMDD				
Base Budget Compared to 2015 Biennium Budget Request				
Facility	Base Budget	Appropriation	Executive Request	
Cost/Funding	FY 2012	FY 2013	FY 2014	FY 2015
Montana State Hospital				
FTE	405.40	402.40	405.40	405.40
Personal Services	\$23,563,237	\$24,325,105	\$25,663,205	\$24,325,105
Zero Based Overtime*	3,045,707	0	0	0
All Other	<u>6,081,851</u>	<u>6,845,301</u>	<u>6,574,270</u>	<u>8,316,936</u>
Total	<u>\$32,690,795</u>	<u>\$31,170,406</u>	<u>\$32,237,475</u>	<u>\$32,642,041</u>
General Fund	\$32,492,090	\$30,722,591	\$32,098,732	\$32,642,041
State Special Rev.	198,705	447,815	138,743	138,743
General Fund Revenue	5,521,855	6,921,890	7,273,121	7,609,283
Average Population	155	155	155	155
Costs Per Person	\$211,577	\$201,737	\$208,643	\$211,262
Cost Per Day	\$580	\$553	\$572	\$579
Annual Change		-4.7%	3.4%	1.3%
Mental Health Nursing Care Center				
FTE**	119.21	119.21	119.21	119.21
Personal Services	\$5,745,738	\$5,805,855	\$6,221,173	\$6,183,935
Zero Based Overtime*	451,476	0	0	0
All Other	<u>3,391,052</u>	<u>3,700,801</u>	<u>3,845,914</u>	<u>4,085,581</u>
Total	<u>\$9,588,266</u>	<u>\$9,506,656</u>	<u>\$10,067,087</u>	<u>\$10,269,516</u>
General Fund	\$9,588,266	\$9,506,656	\$10,067,087	\$10,269,516
General Fund Revenue	2,859,977	3,182,385	3,807,204	4,272,868
Average Population	84	82	84	84
Cost Per Person	\$114,720	\$115,935	\$120,449	\$122,870
Cost Per Day	\$314	\$318	\$330	\$337
Annual Increase		1.1%	3.9%	2.0%
Montana Chemical Dependency Center				
FTE	54.65	54.65	54.65	54.65
Personal Services	\$2,611,189	\$3,094,466	\$3,538,038	\$3,525,736
Zero Based Overtime*	591,524	0	0	0
All Other	<u>1,300,984</u>	<u>1,321,001</u>	<u>1,452,123</u>	<u>1,452,064</u>
Total	<u>\$3,912,173</u>	<u>\$4,415,467</u>	<u>\$4,990,161</u>	<u>\$4,977,800</u>
State Special Rev.	\$3,912,173	\$4,415,467	\$4,990,161	\$4,977,800
Federal Funds	0	0	0	0
Average Population	41	56	41	41
Cost Per Person	\$96,311	\$79,003	\$122,850	\$122,546
Cost Per Day	\$264	\$216	\$337	\$336
Annual Change	9.1%	-18.0%	55.5%	-0.2%
Total Division Facility Budget				
FTE**	579.26	576.26	579.26	579.26
% of Division Total	93.5%	93.0%	93.5%	93.5%
General Fund	\$42,080,356	\$40,229,247	\$42,165,819	\$42,911,557
% of Division Total	73.7%	62.6%	64.5%	64.2%
Total Funds	<u>\$46,191,234</u>	<u>\$45,092,529</u>	<u>\$47,294,723</u>	<u>\$47,889,357</u>
Annual Change		-2.4%	4.9%	1.3%
General Fund Revenue	\$8,381,832	\$10,104,275	\$11,080,325	\$11,882,151

*Zero based overtime costs are removed from base budget expenditures, but included in the total personal services amounts for FY13 - FY15.

**The FTE for the Nursing Care Center do not include the 20.25 FTE funded by a contract with the Department of Corrections to provide services to inmates needing nursing home level of care.

LFD
ISSUE

State Facility Inflation

As noted in the DPHHS agency overview, inflation applied to state facility operating costs varies widely. The budget submission for each facility administered by AMDD includes a request to fund inflationary cost increases in such items as medical services, food, drugs, and laboratory testing. The inflation rate applied to cost categories is different – sometimes significantly different - for the same items. Figure 3 shows the different inflation rates used for various expenses.

When the legislature considers present law adjustments for AMDD state facility inflation it may wish to request that DPHHS address why inflation rates for the same types of costs vary among facilities. If the legislature wishes to approve requests for inflation adjustments, it could also consider whether to use standard inflation rates for the same cost similar to the methodology used for calculation of statewide present law adjustments.

Figure 3

Item	MSH	MMHCC	MCDC
Medical	21.6%	11.3%	7.4%
Food	7.8%	15.0%	1.0%
Prescription Services	7.8%	7.7%	3.5%
Drugs	9.1%	15.0%	n/a
Laboratory	9.1%	n/a	3.5%
Grocery	7.8%	n/a	n/a
Laundry	7.8%	n/a	n/a
Dentistry	n/a	n/a	1.7%

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Addictive & Mental Disorders							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$132,175,435	\$0	\$0	\$132,175,435	48.3%		
State Special Total	\$31,364,710	\$0	\$7,488,244	\$38,852,954	14.2%		
02034 Earmarked Alcohol Funds	\$12,569,375	\$0	\$3,821,174	\$16,390,549	6.0%	53-24-108	Pass Thru
02053 Medicaid Nursing Home Match	\$2,099,808	\$0	\$0	\$2,099,808	0.8%		
02384 02 Indirect Activity Prog 33	\$276,387	\$0	\$0	\$276,387	0.1%		
02394 Montana State Hospital Rev Acc	\$0	\$0	\$3,667,070	\$3,667,070	1.3%	90-7-221	Pass Thru
02691 6901-msh/doc Maint Agreement	\$277,486	\$0	\$0	\$277,486	0.1%		
02772 Tobacco Hlth & Mediced Initiative	\$15,159,166	\$0	\$0	\$15,159,166	5.5%		
02987 Tobacco Interest	\$982,488	\$0	\$0	\$982,488	0.4%		
Federal Special Total	\$102,464,118	\$0	\$0	\$102,464,118	37.5%		
03171 Data Infrastructure Development	\$188,410	\$0	\$0	\$188,410	0.1%		
03505 93.150 - Mntal Hlth - Homeless	\$606,034	\$0	\$0	\$606,034	0.2%		
03507 93.958 - Mntal Hlth - Blk Grt	\$2,276,723	\$0	\$0	\$2,276,723	0.8%		
03508 93.959 - Adad - Blk Grt 100%	\$13,553,167	\$0	\$0	\$13,553,167	5.0%		
03580 6901-93.778 - Med Adm 50%	\$1,994,807	\$0	\$0	\$1,994,807	0.7%		
03583 93.778 - Med Ben Fmap	\$83,334,433	\$0	\$0	\$83,334,433	30.5%		
03601 03 Indirect Activity Prog 33	\$510,544	\$0	\$0	\$510,544	0.2%		
Total All Funds	\$266,004,263	\$0	\$7,488,244	\$273,492,507	100.0%		
Percent - Total All Sources	97.3%	0.0%	2.7%				

AMDD is funded by general fund, state special revenue, and federal funds. General fund supports:

- State adult mental health facility costs
- State Medicaid match
- Some adult mental health community services
- Community chemical dependency group home services for adults with methamphetamine and other addictions

**LFD
ISSUE**

Impact of the Patient Protection and Affordable Care Act (ACA)

As noted in the agency overview, ACA requires certain changes to Medicaid eligibility and establishes a new optional category of Medicaid eligibility for nondisabled, non-pregnant adults 19 – 64. (The executive budget implements this optional expansion – LC0900.) Medicaid eligibility changes mandated by ACA will increase Medicaid enrollment at the margin. However, Medicaid enrollment would grow even more if the legislature approves the optional Medicaid expansion.

AMDD administers several state funded programs that serve low income adults. There will be cost savings in those programs as persons become newly eligible for Medicaid, with greater savings attributable to the executive proposal to expand Medicaid.

The state funded AMDD programs that could see state fund savings are:

- o Mental Health Services Plan (MHSP)
- o Community chemical dependency services
- o State facility services
- o 72 hour community mental health crisis services
- o Community mental health crisis jail diversion services
- o Goal 189 services

Figure 4 shows the executive budget general fund cost of some of the services. The AMDD budget request does not identify nor include funding changes for either the Medicaid eligibility changes mandated by ACA or the executive proposal to expand Medicaid eligibility. DPHHS provided some information supporting LC0900, a bill to implement the optional Medicaid expansion, which shows \$9.0 million in general fund savings over the 2015 biennium. However, the documentation does not identify the program expenditures considered in the cost savings and it does not identify the savings that would occur due to mandated eligibility changes.

Figure 4

AMDD General Fund Mental Health Services and Executive Estimate of Optional Medicaid Expansion Savings			
Program/Service	FY 2012	FY 2014	FY 2015
MHSP	\$5,552,252	\$5,727,996	\$5,552,607
72 Hour Crisis Services	1,445,551	1,445,551	1,445,551
Goal 189	372,550	656,420	940,290
Jail Diversion Secure Beds	<u>230,450</u>	<u>235,059</u>	<u>239,760</u>
Total	\$7,600,803	\$8,065,026	\$8,178,208
MHSP Savings LC0900 (Optional Medicaid Eligibility Expansion)		(\$3,508,615)	(\$5,470,786)

The legislature may wish to request that AMDD provide the detail used to develop estimated cost savings under the executive proposal to adopt the optional Medicaid expansion as well as cost savings to these programs due to the Medicaid eligibility changes required by ACA.

State special revenue fund sources and their uses are:

- o Alcohol tax:
 - o State adult chemical dependency facility costs
 - o Community chemical dependency services
 - o State Medicaid match for chemical dependency services

- Statutory appropriation for chemical dependency services
- Health and Medicaid tobacco tax state special initiatives:
 - State Medicaid match for adult mental health and chemical dependency services

Major federal revenue sources are:

- Medicaid matching funds for adult mental health and chemical dependency services
- Substance abuse block grant fund
- Mental health block grant
- Grant funds to address homeless persons with a severe and disabling mental illness
- Funds to evaluate mental health needs of nursing home residents

Alcohol Tax Fund Balance

Figure 5 shows the alcohol tax state special revenue fund balance for the 2013 biennium budget compared to the executive request. The executive budget spending request exceeds the revenues available in both years of the 2015 biennium. Expenditure requests exceed revenues by about \$240,000 in FY 2014 and about \$75,000 in FY 2015.

Figure 5

Earmarked Alcohol Tax Revenue - 2013 Biennium Budget Compared to 2015 Budget Request					
Revenue/Expenditures	Base	Appropriation	Executive Request	% of	
Fund Balance	FY 2012	FY 2013**	FY 2014	FY 2015	Total
Beginning Balance	\$714,719	\$1,220,439	\$134,283		\$0
Revenues*					
Liquor License	5,850,168	6,241,000	6,609,000	7,007,000	76.6%
Beer Tax	915,225	944,000	949,000	954,000	10.4%
Wine Tax	963,075	988,000	1,021,000	1,052,000	11.5%
DPHHS Cost Recovery	134,283	134,283	134,283	134,283	1.5%
Total Revenue	<u>7,862,751</u>	<u>8,307,283</u>	<u>8,713,283</u>	<u>9,147,283</u>	100%
Annual Percent Change		5.7%	4.9%	5.0%	
Total Funds Available	8,577,470	9,527,722	8,847,566	9,147,283	
Disbursements					
Chemical Dependency Cntr (MCDC)	3,912,173	4,295,267	4,990,161	4,977,800	54.0%
Distribution to Counties***	1,436,532	1,634,600	1,715,800	1,802,600	19.5%
Services for Dually Diagnosed***	474,055	539,418	566,214	594,858	6.5%
CD Benefits - nonMedicaid	487,256	618,923	487,256	487,256	5.3%
CD Medicaid Services/Admin.	469,558	210,875	469,558	469,558	5.1%
Cost Allocated Administration	357,125	376,830	416,132	449,197	4.9%
CD Operations	287,846	248,761	343,796	343,990	3.7%
Quality Assurance-Licensure	72,007	70,945	70,463	71,040	0.8%
Department of Corrections-Pine Hills	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	<u>0.3%</u>
Total Disbursements	7,522,075	8,021,142	9,084,903	9,221,822	100%
Distribution to Counties - Ending Balance	0	1,372,297	0	0	
Adjustments****	<u>165,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Spending Reductions to Balance	<u>0</u>	<u>0</u>	<u>(237,337)</u>	<u>(74,539)</u>	
Ending Fund Balance	<u>\$1,220,439</u>	<u>\$134,283</u>	<u>(\$0)</u>	<u>\$0</u>	
*Revenue for liquor, beer, and wine taxes are based on LFD staff estimates presented to the Revenue Oversight and Transportation Interim Committee on November 19, 2012. Revenue for DPHHS cost recovery uses DPHHS estimates.					
** FY 2013 budgeted amounts are based on 2011 legislative appropriations, except indirect costs, which are based on historic trends.					
***26.6% of alcohol tax revenues are statutorily appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6% of total revenue) is statutorily required to be used to treat persons with alcoholism who also have a mental illness. Any fund balance remaining at fiscal year end, is statutorily appropriated to be distributed to state approved programs.					
****Adjustments include those made to comply with generally accepted accounting principles (GAAP) as well as actions needed to maintain the account in a positive balance.					

There are three statutory appropriations made from the alcohol taxes allocated to DPHHS:

- 26.6% of the revenue for distribution as grants to state approved public or private alcoholism programs
- 6.6% of total revenue for treatment of persons with alcoholism who also have a mental illness
- The fund balance remaining at fiscal year end for distribution to state approved programs

LFD ISSUE

Budget Items not Included in Executive Request for Alcohol Funds

There are some items in the executive request that would normally be funded from the alcohol state special revenue account that are not due to funding constraints:

- Present law adjustments for:
 - Medicaid enrollment and service utilization increases for chemical dependency services
 - Federal Medicaid match rate changes
- New proposal for an annual 2% provider rate increase for Medicaid chemical dependency services

Medicaid Enrollment and Utilization

Medicaid caseload growth and state Medicaid match rate changes for chemical dependency are instead funded from the health and Medicaid initiatives state special revenue in the executive budget, which appears to be an illegal use of funds from the account. Statute (53-6-1201(c), MCA) includes this restriction:

- “The increased revenue is intended to increase Medicaid services and Medicaid provider rates and not to supplant the general fund in the trended traditional level of appropriation for Medicaid services and Medicaid provider rates.”

While this statute is silent with respect to supplanting state special revenue (such as alcohol tax funds), it does signal the intent that the health and Medicaid initiatives account should not supplant spending for present law services.

Provider Rate Increase

The executive budget does not include a request to fund a 2% annual provider rate increase for Medicaid funded chemical dependency services. That omission is inconsistent compared to the treatment of nearly all other Medicaid services delivered by Montana medical providers where the executive budget includes a 2% annual provider rate increase. A 2% annual a rate increase for these services would cost \$127,655 in total funds and require a state match of \$29,006.

Federal Substance Abuse Block Grant

The other major funding source for chemical dependency services is the federal substance abuse block grant. In the past, AMDD has used the block grant for both community services and to fund a portion of MCDC operating costs. The 2015 biennium executive budget funds MCDC entirely out of alcohol tax funding.

Legislative Options

There are several options that could be considered by the legislature if it wishes to fund present law adjustments from alcohol taxes and if it wishes to consider funding a 2% provider rate increase consistent with other Medicaid service providers:

- Fund a portion of MCDC costs with the increases requested in the federal substance abuse block grant
- Review the MCDC budget request and determine where reductions could be made to balance spending and revenues from the alcohol state special revenue account
- Evaluate whether mandatory changes to Medicaid eligibility included in the Patient Protection and Affordable Care Act will result in net cost savings or increases to chemical dependency programs

Also, there may be some savings in alcohol tax support for MCDC since DPHHS will reconfigure the facility so that its services are eligible for Medicaid reimbursement. This subject is discussed in greater detail in the following issue.

**LFD
ISSUE**MCDC to Become Eligible for Medicaid Reimbursement

Services provided by MCDC are not eligible for Medicaid reimbursement due to the size of the facility. However, MCDC will be reconfigured to allow its services to be Medicaid eligible by converting to 3 facilities, each with 16 beds. Unlike other state facilities, AMDD leases a building to provide MCDC services. A private contractor will build the new 16 bed facilities and lease them back to AMDD. While there is a request for increased lease payments in the executive budget, there are no references to the anticipated changes for configuration of MCDC services and the issue was not discussed with the Legislative Finance Committee during the 2013 biennium interim.

Facility Reimbursements

MSH and MMHNCC, the other state facilities administered by AMDD, are funded almost entirely from the general fund. Reimbursements for MSH and MMHNCC services are deposited as revenue to the general fund.

It is unclear how MCDC Medicaid reimbursements would be managed. If Medicaid reimbursements are deposited to the general fund, they would not offset the alcohol tax state special revenue that funds the facility.

Another model that the legislature could consider is that of the Montana Veterans' Home (MVH) administered by the Senior and Long Term Care Division. Medicaid reimbursements are budgeted as one of the funding sources that support MVH services. If the legislature directly appropriated the federal Medicaid reimbursements to MCDC, it would free up alcohol tax state special revenue to be used for other purposes.

2011 Legislative Session

The Human Services Joint Appropriation subcommittee requested that DPHHS suggest a plan that would allow MCDC services to be Medicaid eligible. Some of the ideas discussed were:

- The possibility of constructing one or more smaller facilities that would be Medicaid eligible
- The potential to locate one or more of the smaller facilities in different geographic regions of the state
- The potential that a smaller facility would provide more medically intensive services and that some current MCDC services could be shifted to community providers

The subcommittee discussion did not result in legislation or binding direction to DPHHS.

Other Information

Legislative staff requested information about the planned changes to MCDC. Information was not received in time to be evaluated and included in the budget analysis. The legislature may wish to review the following information prior to taking action on budget items related to MCDC:

- Are there specific actions besides reconfiguring MCDC to 16 bed facilities that have been taken or that are planned that will allow MCDC services to be eligible for Medicaid reimbursement?
- Will staffing requirements for the reconfigured facilities be the same as the current single facility?
- What cost changes will occur for the facilities as a result of the reconfiguration?
- Where will the 3 facilities be located?
- How will federal Medicaid reimbursement for MCDC services be managed?
- How will the executive proposal to expand Medicaid eligibility affect Medicaid reimbursement for MCDC services?
- Can the federal substance abuse block grant be used to fund MCDC services that would not be eligible for Medicaid reimbursement?
- What contractual obligations has DPHHS entered into as a result of the anticipated change to the facility?
- At what date does DPHHS anticipate that MCDC will be eligible to receive Medicaid reimbursement?

LFD ISSUE	<p><u>Federal Sequestration</u></p> <p>Without Congressional action, automatic reductions will be made to various federal funding sources, including some that support AMDD services. If federal grant funding for AMDD functions is reduced, the legislature may wish to request that DPHHS provide detailed information on the effect of these reductions including:</p> <ul style="list-style-type: none"> ○ The specific grant subject to reduction ○ The amount of reduction by grant by fiscal year ○ The specific actions DPHHS will take to implement the grant reductions ○ The impacts of those actions <p>This issue is also discussed in the agency overview.</p>
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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	60,625,217	60,625,217	121,250,434	91.73%	117,281,335	117,281,335	234,562,670	88.18%
Statewide PL Adjustments	280,421	193,888	474,309	0.36%	786,257	684,871	1,471,128	0.55%
Other PL Adjustments	4,113,365	5,268,468	9,381,833	7.10%	11,377,543	13,503,378	24,880,921	9.35%
New Proposals	353,927	714,932	1,068,859	0.81%	1,850,281	3,239,263	5,089,544	1.91%
Total Budget	\$65,372,930	\$66,802,505	\$132,175,435		\$131,295,416	\$134,708,847	\$266,004,263	

The majority of the executive budget request supports continuation of present law services. Just under 2% of the request funds new proposals for a 2% annual provider rate increase and an increase in federal substance abuse block grant funds. General fund present law adjustments support adult mental health state facility cost increases, reinstatement of overtime pay that is zero based, and pay increases granted by DPHHS in FY 2012 as well as increases in Medicaid enrollment and service utilization growth for adult mental health.

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

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					2,196,951					2,065,730
Vacancy Savings					(1,460,233)					(1,454,915)
Inflation/Deflation					(40,406)					(7,160)
Fixed Costs					89,945					81,216
Total Statewide Present Law Adjustments		\$280,421	\$490,140	\$15,696	\$786,257		\$193,888	\$474,397	\$16,586	\$684,871
DP 33101 - MH Comm Crisis Serv Annualization (72hr/G-189)	0.00	283,870	0	0	283,870	0.00	283,870	0	0	283,870
DP 33103 - Med Ben Waiver Annualization MHSP (HIFA)	0.00	(470,860)	1,635,220	2,991,752	4,156,112	0.00	(470,860)	1,679,310	2,947,662	4,156,112
DP 33104 - Med Ben Waiver FMAP Adult Mental Health	0.00	0	(9,762)	9,762	0	0.00	0	(4,600)	4,600	0
DP 33200 - Med Ben Core Caseload Adult Mental Health	0.00	821,267	74,611	1,760,149	2,656,027	0.00	1,263,675	113,336	2,699,398	4,076,409
DP 33201 - Med Ben Federal Caseload Adult Mental Health	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 33300 - Required Overtime/Holiday/Differential MCDC	0.00	0	438,229	0	438,229	0.00	0	438,229	0	438,229
DP 33301 - Required Overtime/Holiday/Differential MSH	0.00	2,055,361	0	0	2,055,361	0.00	2,055,361	0	0	2,055,361
DP 33302 - Required Overtime/Holiday/Differential MMHNCC	0.00	516,541	0	0	516,541	0.00	504,247	0	0	504,247
DP 33400 - Med Ben Core FMAP Adult Mental Health	0.00	(12,048)	(3,594)	15,642	0	0.00	2,489	742	(3,231)	0
DP 33501 - Private Lease Adjustment MCDC	0.00	0	108,877	0	108,877	0.00	0	108,877	0	108,877
DP 33502 - Private Lease Adjustment Division Admin.	0.00	13,936	2,319	7,569	23,824	0.00	19,212	3,174	10,433	32,819
DP 33601 - MCDC Facility Operating Inflation	0.00	0	33,404	0	33,404	0.00	0	36,980	0	36,980
DP 33602 - Montana State Hosp Facility Operating Inflation	0.00	466,215	0	0	466,215	0.00	947,655	0	0	947,655
DP 33603 - MMHNCC Facility Operating Inflation	0.00	439,083	0	0	439,083	0.00	662,819	0	0	662,819
Total Other Present Law Adjustments	0.00	\$4,113,365	\$2,279,304	\$4,984,874	\$11,377,543	0.00	\$5,268,468	\$2,376,048	\$5,858,862	\$13,503,378
Grand Total All Present Law Adjustments	0.00	\$4,393,786	\$2,769,444	\$5,000,570	\$12,163,800	0.00	\$5,462,356	\$2,850,445	\$5,875,448	\$14,188,249

Program Personal Services Narrative

Statewide present law adjustments add a net increase of \$1.5 million over the biennium. The majority of the statewide present law adjustment funds pay increases granted in late FY 2012, which add \$2.4 million to the 2015 biennium budget request. Pay increases implemented by the executive in FY 2012 are discussed in the DPHHS overview.

Other adjustments such as workers' compensation costs and reclassification of positions due to changes in duties add about \$1.4 million. The remainder of personal services costs provides full funding for positions that were vacant during FY 2012. Vacancy savings offsets all but \$1.5 of the personal services increases.

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 33803 - Substance Abuse Prevention Treatment Grant	33	0.00	0	0	488,561	488,561	0.00	0	0	488,561	488,561
DP 33901 - PRI Med Ben Waiver AMDD	33	0.00	0	102,377	201,142	303,519	0.00	0	207,108	406,001	613,109
DP 33902 - PRI Med Ben Core Adult Mental Health	33	0.00	172,683	95,214	526,342	794,239	0.00	348,820	192,400	1,063,170	1,604,390
DP 33903 - PRI - HB 131 Crisis Beds	33	0.00	5,500	0	0	5,500	0.00	11,110	0	0	11,110
DP 33904 - PRI - CD SAPT Block Grant	33	0.00	0	0	82,718	82,718	0.00	0	0	167,091	167,091
DP 33905 - PRI - Mental Health Services Plan	33	0.00	175,744	0	0	175,744	0.00	355,002	0	0	355,002
Total	0.00	\$353,927	\$197,591	\$1,298,763	\$1,850,281	\$1,850,281	0.00	\$714,932	\$399,508	\$2,124,823	\$3,239,263

Sub-Program Details

MENTAL HEALTH 01

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	543.21	0.00	0.00	543.21	0.00	0.00	543.21	543.21
Personal Services	30,451,639	2,636,992	0	33,088,631	2,512,875	0	32,964,514	66,053,145
Operating Expenses	9,931,550	903,742	0	10,835,292	1,638,480	0	11,570,030	22,405,322
Equipment & Intangible Assets	107,460	0	0	107,460	0	0	107,460	214,920
Grants	1,895,950	0	5,500	1,901,450	0	11,110	1,907,060	3,808,510
Benefits & Claims	58,693,937	7,171,098	1,273,502	67,138,537	8,518,828	2,572,501	69,785,266	136,923,803
Transfers	30,000	(5,700)	0	24,300	(7,500)	0	22,500	46,800
Debt Service	69,607	48,016	0	117,623	48,016	0	117,623	235,246
Total Costs	\$101,180,143	\$10,754,148	\$1,279,002	\$113,213,293	\$12,710,699	\$2,583,611	\$116,474,453	\$229,687,746
General Fund	57,794,785	4,249,545	353,927	62,398,257	5,314,421	714,932	63,824,138	126,222,395
State/Other Special	7,083,630	1,633,320	197,591	8,914,541	1,720,115	399,508	9,203,253	18,117,794
Federal Special	36,301,728	4,871,283	727,484	41,900,495	5,676,163	1,469,171	43,447,062	85,347,557
Total Funds	\$101,180,143	\$10,754,148	\$1,279,002	\$113,213,293	\$12,710,699	\$2,583,611	\$116,474,453	\$229,687,746

Sub-Program Description

The Mental Health Services function administers:

- o Community mental health services for adults
- o Two mental health facilities for adults – Montana State Hospital (MSH) and the Montana Mental Health Nursing Care Center (MMHNCC)

Community mental health services include both Medicaid and state funded services. Examples of services include:

- o Traditional medical services such as hospital, prescription, and therapy services
- o Specialized services such as adult foster care, adult group homes, community based support services
- o One-time supports for persons transitioning from state facilities to community services
- o Broad based community services such as drop in centers, crisis stabilization services, and suicide prevention

Budget Request

The Mental Health Services budget request increases \$27.3 million over the biennium primarily due to:

- Annualization of startup costs for the Health Insurance Flexibility and Accountability (HIFA) Medicaid waiver - \$8.3 million
- Medicaid services enrollment and service utilization increases - \$6.4 million including \$2.1 million general fund
- Reinstatement of funding for overtime, shift differential, and holidays worked at two adult mental health state facilities, which are zero based - \$5.1 million general fund
- Operating cost inflation for state adult mental health facilities - \$2.5 million general
- A 2% annual provider rate increase - \$3.9 million, including \$1.1 million general fund

**LFD
ISSUE**Expansion of Services – Nursing Care Center

The 2011 Legislature appropriated nearly \$3.0 million to the Department of Corrections (DOC) to contract for 20 secure assisted living beds and 100 other male prison beds. DOC initially issued, but later withdrew, a request for proposal (RFP) for the assisted living beds. Instead, DOC entered into a memorandum of understanding (MOU) with DPHHS to provide infirmary care for 25 low-security male inmates at MMHNCC for an estimated cost of \$1.3 million per year.

Inmates treated at MMHNCC, because of illness, injury, or a medical/psychiatric condition, require nursing care and assistance with everyday tasks such as bathing, personal hygiene, and taking medications. DOC retains responsibility for medical costs when the service is not available through the infirmary and for transportation to and from the facility or to services outside the facility.

The executive took the following actions to implement the MOU:

- An unused wing of the MMHNCC was retrofitted to accommodate the program at a cost of \$920,000
- DPHHS hired an additional 20.25 FTE (modified, not permanent FTE) to staff the wing
- The DOC budget request includes funds for the contract, including 5.00 FTE for security at the facility
- Provision of services for the DOC population will commence January 2013

Issues related to the retrofit are:

- The use of these funds was not approved by the legislature as statutorily required for construction of a building when costs exceed \$150,000
- Transfers of funds between agencies are allowed only when the original purpose of the appropriation is maintained. General fund eventually used for the retrofit had been appropriated by the legislature to support Medicaid managed care services (physician, dental, and other services) and was transferred from the Health Resources Division to AMDD and then to the Architecture and Engineering Division of the Department of Administration, changing the original purpose of the appropriation

Legislative Finance Committee Review

The Legislative Finance Committee (LFC) requested a legislative staff opinion on the legality of the mechanisms used to fund renovation of the MMHNCC to accommodate the secure assisted living inmates. The staff legal analysis concluded that without legislative approval, the executive did not have authority to spend funds to renovate the building when costs exceeded \$150,000. However, the LFC did not have standing to bring legal action against the executive for proceeding with the renovations. For further information and to view the report presented to the LFC see the June and September 2012 committee meeting reports at: <http://leg.mt.gov/css/fiscal/reports/2011-2012-interim-reports.asp>.

Options

The legislature may wish to consider whether to take actions to prevent this type of situation from occurring in the future. The legislature could consider amending statute to:

- Give the LFC or other appropriate legislative entity standing to bring a court action in similar circumstances
- Tighten or eliminate general statutory authority to transfer appropriations among state agencies

Funding

The Mental Health Services function is funded from general fund, state special revenue, and federal funds. General fund supports:

- State mental health facility costs
- State Medicaid costs
- State funded services
- Program administration

State special revenue funds include:

- Health and Medicaid initiatives used for state Medicaid match
- Tobacco settlement interest used for state Medicaid match
- County funds used to support community mental health centers transferred to AMDD to be used as state Medicaid match
- Payments from the Department of Corrections for maintenance performed for the Watch program located on the MSH campus

Major sources of federal funds include:

- Medicaid matching funds
- Two block grants to support mental health services/needs generally and to help reduce homelessness due to mental illnesses

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	57,794,785	57,794,785	115,589,570	91.58%	101,180,143	101,180,143	202,360,286	88.10%
Statewide PL Adjustments	150,116	65,165	215,281	0.17%	105,850	21,789	127,639	0.06%
Other PL Adjustments	4,099,429	5,249,256	9,348,685	7.41%	10,648,298	12,688,910	23,337,208	10.16%
New Proposals	353,927	714,932	1,068,859	0.85%	1,279,002	2,583,611	3,862,613	1.68%
Total Budget	\$62,398,257	\$63,824,138	\$126,222,395		\$113,213,293	\$116,474,453	\$229,687,746	

Except for a request for a 2% annual provider rate increase, the executive budget funds continuation of present law services. Present law adjustments fund state facility inflation and overtime personal services costs and Medicaid caseload growth as well as some increases in state funded community mental health services.

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

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					1,336,651					1,220,104
Vacancy Savings					(1,271,561)					(1,266,837)
Inflation/Deflation					(40,323)					(7,920)
Fixed Costs					81,083					76,442
Total Statewide Present Law Adjustments		\$150,116	(\$59,962)	\$15,696	\$105,850		\$65,165	(\$59,962)	\$16,586	\$21,789
DP 33101 - MH Comm Crisis Serv Annualization (72hr/G-189)	0.00	283,870	0	0	283,870	0.00	283,870	0	0	283,870
DP 33103 - Med Ben Waiver Annualization MHSP (HIFA)	0.00	(470,860)	1,635,220	2,991,752	4,156,112	0.00	(470,860)	1,679,310	2,947,662	4,156,112
DP 33104 - Med Ben Waiver FMAP Adult Mental Health	0.00	0	(9,762)	9,762	0	0.00	0	(4,600)	4,600	0
DP 33200 - Med Ben Core Caseload Adult Mental Health	0.00	821,267	71,081	1,638,768	2,531,116	0.00	1,263,675	104,695	2,510,476	3,878,846
DP 33201 - Med Ben Federal Caseload Adult Mental Health	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 33301 - Required Overtime/Holiday/Differential MSH	0.00	2,055,361	0	0	2,055,361	0.00	2,055,361	0	0	2,055,361
DP 33302 - Required Overtime/Holiday/Differential MMHNCC	0.00	516,541	0	0	516,541	0.00	504,247	0	0	504,247
DP 33400 - Med Ben Core FMAP Adult Mental Health	0.00	(12,048)	(3,257)	15,305	0	0.00	2,489	672	(3,161)	0
DP 33602 - Montana State Hosp Facility Operating Inflation	0.00	466,215	0	0	466,215	0.00	947,655	0	0	947,655
DP 33603 - MMHNCC Facility Operating Inflation	0.00	439,083	0	0	439,083	0.00	662,819	0	0	662,819
Total Other Present Law Adjustments	0.00	\$4,099,429	\$1,693,282	\$4,855,587	\$10,648,298	0.00	\$5,249,256	\$1,780,077	\$5,659,577	\$12,688,910
Grand Total All Present Law Adjustments	0.00	\$4,249,545	\$1,633,320	\$4,871,283	\$10,754,148	0.00	\$5,314,421	\$1,720,115	\$5,676,163	\$12,710,699

Statewide present law adjustments for personal services include pay increases authorized by DPHHS late in FY 2012 and fully funding positions that were vacant during FY 2012. Vacancy savings almost fully offsets these increases.

Figure 6

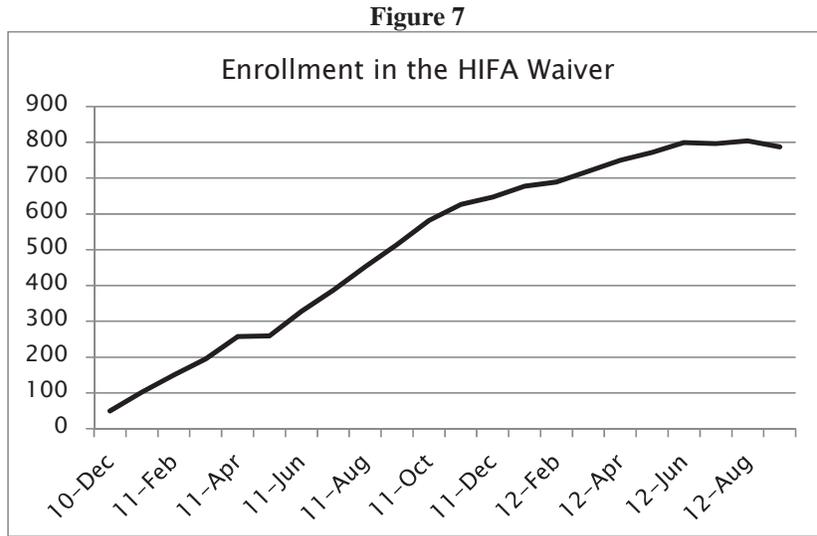
DP 33101 - MH Comm Crisis Serv Annualization (72hr/G-189) - This present law adjustment would fund Goal 189 community crisis services. This funding supports services provided in a group home or individual setting. The amount requested would bring base year costs up to the level of the FY 2012 appropriation. AMDD has worked with service providers in an effort to expand participation. Figure 6 shows the number of persons who received services in FY 2012 compared to AMDD estimates for FY 2013 through FY 2015.

Actual and Estimated Number of Persons Receiving Goal 189 Services				
Type of Service	FY12	FY13	FY14	FY15
Individual	31	86	100	115
Group	38	42	46	50
Total	69	128	146	165

LFD ISSUE	<u>Potential to Shift State Costs to Medicaid</u>
	As discussed in the agency overview, ACA mandates several changes to Medicaid eligibility that could make more persons eligible for Medicaid and allows states the option to further expand Medicaid to all persons 19 – 24 who are not disabled or pregnant with household incomes up to 138% of the federal poverty level. Some Goal 189 services may be eligible for Medicaid reimbursement.

DP 33103 - Med Ben Waiver Annualization MHSP (HIFA) - This present law adjustment would fund continuation of the HIFA waiver initiated in December 2010. Enrollment in the waiver increased between 1 to 69 persons per month until about 800 service slots were filled in July 2012. The waiver provides Medicaid funded mental health services and most Medicaid physical health services to persons eligible for the MHSP program who have incomes up to 150% of the federal poverty level and who have a mental health diagnosis of schizophrenia or bipolar disease. This waiver allows

persons to move from 100% state funded services to a more comprehensive array of Medicaid funded services. Enrollment in the waiver is capped at around 800 slots. Figure 7 shows HIFA waiver enrollments.



**LFD
ISSUE**

General Fund Reduction and Remaining Matching Funds

DP33103 includes a general fund reduction of \$470,860 each year of the biennium to reflect cost savings of persons moving from the state funded Mental Health Services Plan to the Medicaid funded HIFA waiver. The executive budget allocates the general fund reduction to the Medicaid program rather than the state funded program. The legislature may wish to direct LFD staff to correctly allocate the reduction if it adopts this present law change.

The state Medicaid match for the HIFA waiver is paid from the health and Medicaid initiatives state special revenue account. Figure 8 shows the HIFA waiver budget for the FY 2015 biennium based on the average per person cost and enrollment assumptions used in the development of the executive budget and the funding needed to support the budget request. It appears that the executive budget includes about \$300,000 more in state match than needed to support present law services.

Figure 8

Cost Element/Funding	FY 2014	FY 2015
Average Cost	\$14,450	\$14,450
Number Enrolled	800	800
Total Annual Cost	11,560,000	11,560,000
State Match Required	3,899,188	3,904,968
Match in Executive Budget	4,026,644	4,077,664
Executive Budget Over (Under) Required Match	127,456	172,696
Biennial Difference		\$300,152

DP 33104 - Med Ben Waiver FMAP Adult Mental Health - This present law request adjusts for the change in the state Medicaid match rate. The state match rate declines from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015.

DP 33200 - Med Ben Core Caseload Adult Mental Health - This present law adjustment would fund enrollment and service utilization growth in adult mental health Medicaid services. Base expenditures were \$39.8 million

**LFD
ISSUE**

Caseload Growth and the AMDD Community Based Waiver

The adult Medicaid mental health services caseload increases about 3% per year from the projected FY 2013 costs. Cost changes for specific categories of services will be updated and reviewed in February when the legislature considers final Medicaid caseload costs.

One of the adjustments included in DP 33200 would continue funding for the AMDD home and community based waiver that provides services to Medicaid eligible persons with a serious and disabling mental illness who meet nursing home level of care criteria. The AMDD waiver request is based on an average per person cost of \$19,198.

The AMDD per person cost is about \$3,250 higher than the cost to serve a disabled person in the waiver administered by the Senior and Long Term Care Division. Figure 8 shows the difference in average cost per person between the two waivers.

The executive may wish to request information about why the average per person cost is about 17% different between the two waivers and it may wish to ask for updated information about FY 2012 costs prior to taking action on DP 33200.

Figure 9

AMDD Community Waiver Services AMDD Cost per Waiver Slot Compared to Cost of Senior and Long Term Care Disabled Waiver Slot	
Executive Request, Comparison of Waiver Cost, Difference	
	Annual Cost
<u>AMDD Waiver</u>	
Total Cost	\$3,225,182
Number Served	<u>168</u>
Annual Cost per Per Person Served	19,198
<u>Senior and Long Term Care Waiver Cost</u>	
Disabled Service Slot	15,944
Difference	3,254
<u>AMDD Waiver Over SLTC Cost</u>	
Annual Amount @ 168 Recipients	546,590
Biennial Amount	1,093,180
State Match Difference	\$369,003

DP 33201 - Med Ben Federal Caseload Adult Mental Health - This present law adjustment adds federal funds for Medicaid reimbursement for services provided by state adult mental health facilities. Base expenditures were \$ 2.0 million.

DP 33301 - Required Overtime/Holiday/Differential MSH - This present law adjustment would fund overtime, holidays worked, differential pay, and the corresponding benefits at the Montana State Hospital. These expenditures are removed from base year expenditures and totaled \$ 3,045,707 in FY 2012.

DP 33302 - Required Overtime/Holiday/Differential MMHNCC - This present law adjustment would fund overtime, holidays worked, differential pay, and the corresponding benefits for the Montana Mental Health Nursing Care Center. These expenditures are removed from the base budget and totaled \$ 451,476 in FY 2012.

DP 33400 - Med Ben Core FMAP Adult Mental Health - This present law request adjusts base level expenditures for the change in the state Medicaid match rate. The state match rate declines from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015.

LFD COMMENT The Medicaid mental health services state funding ratios do not equal the state match rate discussed in DP 33400. The issue of consistency of Medicaid match rates across services is discussed in the agency overview. In this particular case, the state Medicaid match rate is incorrect because the MHSP provider rate increase is allocated to Medicaid services in the executive budget request rather than MHSP. The legislature may wish to direct LFD staff to correct the error when it considers action on the MHSP provider rate increase.

DP 33602 - Montana State Hosp Facility Operating Inflation - This present law adjustment would fund increases in certain operating costs for the Montana State Hospital. Figure 10 shows each adjustment compared to base budget expenditures. The request is funded entirely from the general fund. State facility inflationary adjustments are discussed in the agency overview.

Figure 10

Annual Rate of Change for Inflationary Increases - MSH				
Type of Expenditure	Base Budget	Executive Request		Inflation Rate
		FY 2014	FY 2015	Base - FY15
Drug Costs	\$865,095	\$121,113	\$259,182	9.1%
Medical	265,002	153,000	211,521	21.6%
Laboratory Testing	196,133	27,459	58,761	9.1%
Prescription Services	910,856	91,086	231,357	7.8%
Grocery*	394,033	39,403	100,084	7.8%
Food Services	228,699	22,867	58,082	7.8%
Laundry	<u>112,866</u>	<u>11,287</u>	<u>28,668</u>	<u>7.8%</u>
Total	<u>\$2,972,684</u>	<u>\$466,215</u>	<u>\$947,655</u>	9.7%

Grocery includes additional fixed cost inflation of \$11,623 in FY14 and \$20,608 in FY15.

DP 33603 – MMHNCC Facility Operating Inflation – This present law adjustment would fund increases in certain operating costs for the Montana Mental Health Nursing Care Center. Figure 11 shows each adjustment compared to base operating costs. The request is funded entirely from the general fund. State facility inflationary adjustments are discussed in the agency overview.

Figure 11

Annual Rate of Change for Inflationary Increases - MMHNCC				
Type of Expenditure	Base Budget	Request		Inflation Rate
		FY 2014	FY 2015	Base - FY15
Drug Costs	\$766,688	\$247,257	\$399,349	15.0%
Food Services*	268,096	86,461	139,645	15.0%
Consulting Services	201,249	72,000	72,000	10.7%
Prescription Services	123,182	19,883	30,575	7.7%
Medical	<u>56,280</u>	<u>13,482</u>	<u>21,250</u>	<u>11.3%</u>
Total	<u>\$1,415,495</u>	<u>\$439,083</u>	<u>\$662,819</u>	13.7%

Food services includes additional fixed cost inflation of \$7,909 in FY14 and \$14,021 in FY15.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33901 - PRI Med Ben Waiver AMDD											
01	0.00	0	102,377		201,142	303,519	0.00	0	207,108	406,001	613,109
DP 33902 - PRI Med Ben Core Adult Mental Health											
01	0.00	172,683	95,214		526,342	794,239	0.00	348,820	192,400	1,063,170	1,604,390
DP 33903 - PRI - HB 131 Crisis Beds											
01	0.00	5,500	0		0	5,500	0.00	11,110	0	0	11,110
DP 33905 - PRI - Mental Health Services Plan											
01	0.00	175,744	0		0	175,744	0.00	355,002	0	0	355,002
Total	0.00	\$353,927	\$197,591		\$727,484	\$1,279,002	0.00	\$714,932	\$399,508	\$1,469,171	\$2,583,611

DP 33901 - PRI Med Ben Waiver AMDD - This new proposal would fund a 2% annual provider rate increase for Medicaid community mental health waiver services.

DP 33902 - PRI Med Ben Core Adult Mental Health - This new proposal would fund a 2% provider rate increase for adult mental health Medicaid services.

DP 33903 - PRI - HB 131 Crisis Beds - This new proposal would fund a 2% annual provider for contracted community crisis beds funded under 53-21-1204, MCA (HB 131 passed during the 2009 session).

DP 33905 - PRI - Mental Health Services Plan - This new proposal would fund a 2% annual provider rate increase for the state funded Mental Health Services Program (MHSP).

LFD COMMENT	As noted in the Medicaid services write up, the executive budget allocates the funding for the MHSP provider rate increase to Medicaid services. If the legislature approves the request, it could instruct staff to correct the allocation of funds.
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Sub-Program Details

ADDICTION TREATMENT & PREVENTION 02

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 14-15
FTE	63.65	0.00	0.00	63.65	0.00	0.00	63.65	63.65
Personal Services	3,100,500	1,006,669	0	4,107,169	994,312	0	4,094,812	8,201,981
Operating Expenses	1,768,252	151,068	0	1,919,320	151,032	0	1,919,284	3,838,604
Grants	1,297,985	0	0	1,297,985	0	0	1,297,985	2,595,970
Benefits & Claims	8,259,114	124,911	571,279	8,955,304	197,563	655,652	9,112,329	18,067,633
Total Costs	\$14,425,851	\$1,282,648	\$571,279	\$16,279,778	\$1,342,907	\$655,652	\$16,424,410	\$32,704,188
General Fund	1,540,932	23,799	0	1,564,731	23,573	0	1,564,505	3,129,236
State/Other Special	5,351,458	1,137,131	0	6,488,589	1,130,482	0	6,481,940	12,970,529
Federal Special	7,533,461	121,718	571,279	8,226,458	188,852	655,652	8,377,965	16,604,423
Total Funds	\$14,425,851	\$1,282,648	\$571,279	\$16,279,778	\$1,342,907	\$655,652	\$16,424,410	\$32,704,188

Budget Request

The Chemical Dependency Services budget request increases \$3.9 million over the biennium due to:

- o Statewide present law adjustments primarily for personal services - \$1.1 million
- o Federal Substance Abuse and Prevention block grant increases - \$1.0 million
- o Reinstatement of overtime, shift differential, and holiday pay for MCDC - \$0.8 million
- o Medicaid chemical dependency enrollment and service utilization increases - \$0.3 million
- o Lease increases for MCDC operating costs - \$0.2 million

LFD COMMENT	DPHHS is implementing changes to MCDC services that will make services eligible for Medicaid reimbursement. This change will have implications for facility funding, service delivery, and potentially staffing. The issue is discussed in the division overview.
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Funding

The chemical dependency function is funded from general fund, state special revenue, and federal funds. General fund supports group homes for methamphetamine and other addiction treatment.

State special revenue sources are:

- o Alcohol taxes that fund:
 - o MCDC
 - o Grants to approved chemical dependency programs for services to persons with incomes below 200% of the federal poverty level
 - o Statutory appropriations for chemical dependency community services
 - o State Medicaid match for chemical dependency services
 - o Program administration
- o Health and Medicaid initiative state special tobacco taxes that fund:
 - o Medicaid match for historic provider rate increases for chemical dependency services

Federal fund sources are:

- o Substance abuse block grant funds that support:
 - o Community treatment and prevention services
 - o Program administration
- o Federal Medicaid matching funds

Alcohol tax funding is discussed in greater detail in the division overview. Use of federal Medicaid reimbursement for MCDC facility services is also discussed in the division overview.

Budget Summary by Category

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

Budget Summary by Category 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	1,540,932	1,540,932	3,081,864	98.49%	14,425,851	14,425,851	28,851,702	88.22%
Statewide PL Adjustments	23,799	23,573	47,372	1.51%	577,227	561,258	1,138,485	3.48%
Other PL Adjustments	0	0	0	0.00%	705,421	781,649	1,487,070	4.55%
New Proposals	0	0	0	0.00%	571,279	655,652	1,226,931	3.75%
Total Budget	\$1,564,731	\$1,564,505	\$3,129,236		\$16,279,778	\$16,424,410	\$32,704,188	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

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					721,318					708,440
Vacancy Savings					(152,878)					(152,357)
Inflation/Deflation					(75)					401
Fixed Costs					8,862					4,774
Total Statewide Present Law Adjustments		\$23,799	\$553,428	\$0	\$577,227		\$23,573	\$537,685	\$0	\$561,258
DP 33200 - Med Ben Core Caseload Adult Mental Health	0.00	0	3,530	121,381	124,911	0.00	0	8,641	188,922	197,563
DP 33300 - Required Overtime/Holiday/Differential MCDC	0.00	0	438,229	0	438,229	0.00	0	438,229	0	438,229
DP 33400 - Med Ben Core FMAP Adult Mental Health	0.00	0	(337)	337	0	0.00	0	70	(70)	0
DP 33501 - Private Lease Adjustment MCDC	0.00	0	108,877	0	108,877	0.00	0	108,877	0	108,877
DP 33601 - MCDC Facility Operating Inflation	0.00	0	33,404	0	33,404	0.00	0	36,980	0	36,980
Total Other Present Law Adjustments	0.00	\$0	\$583,703	\$121,718	\$705,421	0.00	\$0	\$592,797	\$188,852	\$781,649
Grand Total All Present Law Adjustments	0.00	\$23,799	\$1,137,131	\$121,718	\$1,282,648	0.00	\$23,573	\$1,130,482	\$188,852	\$1,342,907

Personal services statewide adjustments include the cost of pay increases granted during the 2013 biennium and fully funding vacant positions. However, the increase from those types of adjustments is offset by the 4% vacancy savings factor.

LFD COMMENT	During FY 2012, MCDC had 11 full time positions that were vacant throughout FY 2012 and 1 full time position that was filled for 8 hours. Legislative staff asked DPHHS to discuss the reasons that these positions were vacant for an extended time. The legislature may wish to review vacancy issues prior to taking action on MCDC appropriation requests.
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DP 33200 - Med Ben Core Caseload Chemical Dependency Services - This present law adjustment would fund increased enrollment and service utilization for Medicaid chemical dependency services.

DP 33300 - Required Overtime/Holiday/Differential MCDC - This present law adjustment would fund overtime, holidays worked, aggregate costs, and the corresponding benefits at the Montana Chemical Dependency Center. These costs are removed from base year expenditures and totaled \$591,524 in FY 2012.

DP 33501 - Private Lease Adjustment MCDC - This present law adjustment would fund an increase in rent for three buildings to house operations for the Montana Chemical Dependency Center. AMDD rented new space for MCDC because the former facility no longer met licensure requirements. The new site meets safety and security requirements for licensing the facility and allows essential services to continue.

LFD COMMENT As discussed in the division overview, MCDC will be reconfigured so that MCDC services will be eligible for Medicaid reimbursement. The legislature may wish to review information requested by LFD staff when it considers the request for lease payment adjustments.

DP 33601 - MCDC Facility Operating Inflation - This present law adjustment would fund increases in certain operating costs for the Montana Chemical Dependency Center. Figure 12 shows each adjustment compared to the base budget cost. The adjustment is funded from alcohol tax state special revenue. The issue of facility inflation is discussed in the agency overview.

Figure 12

Annual Rate of Change for Inflationary Increases - MCDC				
Type of Expenditure	Base Budget	Request FY 2014	FY 2015	Inflation Rate Base - FY15
Food Services	\$273,325	\$8,200	\$8,446	1.0%
Prescription Services	123,182	12,317	13,550	3.5%
Laboratory Testing	47,446	4,745	5,219	3.5%
Medical	40,548	8,110	9,732	7.4%
Dentistry	633	32	33	1.7%
Total	\$485,134	\$33,404	\$36,980	2.5%

New Proposals

Sub Program	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33803 - Substance Abuse Prevention Treatment Grant										
02	0.00	0	0	488,561	488,561	0.00	0	0	488,561	488,561
DP 33904 - PRI - CD SAPT Block Grant										
02	0.00	0	0	82,718	82,718	0.00	0	0	167,091	167,091
Total	0.00	\$0	\$0	\$571,279	\$571,279	0.00	\$0	\$0	\$655,652	\$655,652

LFD COMMENT As noted in the division overview, the executive budget does not include a 2% annual provider rate increase for Medicaid chemical dependency services. All other Medicaid community services and chemical dependency services were included in the executive budget request for a 2% rate increase. The legislature may wish to consider whether to fund such a rate increase for Medicaid chemical dependency services if it approves the executive request for other providers.

DP 33803 - Substance Abuse Prevention Treatment Grant - This new proposal would add federal authority for anticipated increases in the Substance Abuse Prevention Grant.

LFD COMMENT As noted in the division overview, it may be possible to use some of the increase in the block grant to fund a portion of MCDC to free up alcohol taxes to offset the funding shortfall in the executive budget.

DP 33904 - PRI - CD SAPT Block Grant - This new proposal would fund a 2% annual provider rate increase in each year of the biennium for chemical dependency services.

Sub-Program Details

AMDD DIVISION ADMIN 03

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	755,833	103,188	0	859,021	101,465	0	857,298	1,716,319
Operating Expenses	340,032	23,816	0	363,848	33,178	0	373,210	737,058
Grants	517,976	0	0	517,976	0	0	517,976	1,035,952
Benefits & Claims	61,500	0	0	61,500	0	0	61,500	123,000
Total Costs	\$1,675,341	\$127,004	\$0	\$1,802,345	\$134,643	\$0	\$1,809,984	\$3,612,329
General Fund	1,289,500	120,442	0	1,409,942	124,362	0	1,413,862	2,823,804
State/Other Special	138,773	(1,007)	0	137,766	(152)	0	138,621	276,387
Federal Special	247,068	7,569	0	254,637	10,433	0	257,501	512,138
Total Funds	\$1,675,341	\$127,004	\$0	\$1,802,345	\$134,643	\$0	\$1,809,984	\$3,612,329

Sub-Program Description

AMDD Division Administration provides oversight and administrative support for division programs.

Division Administration Budget Request

Statewide personal services adjustments and a request for lease increases are the major changes to the division administration function 2015 biennium budget compared to the FY 2012 base. Division administration is funded from general fund, state special revenue and federal funds.

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	1,289,500	1,289,500	2,579,000	91.33%	1,675,341	1,675,341	3,350,682	92.76%
Statewide PL Adjustments	106,506	105,150	211,656	7.50%	103,180	101,824	205,004	5.68%
Other PL Adjustments	13,936	19,212	33,148	1.17%	23,824	32,819	56,643	1.57%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$1,409,942	\$1,413,862	\$2,823,804		\$1,802,345	\$1,809,984	\$3,612,329	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

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					138,982					137,186
Vacancy Savings					(35,794)					(35,721)
Inflation/Deflation					(8)					359
Total Statewide Present Law Adjustments		\$106,506	(\$3,326)	\$0	\$103,180		\$105,150	(\$3,326)	\$0	\$101,824
DP 33502 - Private Lease Adjustment Division Admin.	0.00	13,936	2,319	7,569	23,824	0.00	19,212	3,174	10,433	32,819
Total Other Present Law Adjustments	0.00	\$13,936	\$2,319	\$7,569	\$23,824	0.00	\$19,212	\$3,174	\$10,433	\$32,819
Grand Total All Present Law Adjustments	0.00	\$120,442	(\$1,007)	\$7,569	\$127,004	0.00	\$124,362	(\$152)	\$10,433	\$134,643

LFD
ISSUE

Amount and Funding of Statewide Personal Services Adjustments

Amount

The increase in statewide present law personal service adjustment is largely attributable to the reclassification of a position from a health program officer to psychiatrist. LFD staff has requested information on whether the position works in the Division Administration program or whether the position should be transferred to one of the state mental health facilities. If the psychiatrist is part of central office functions, then the position may be subject to cost allocation discussed in the following point.

Funding of Adjustment

The base level funding mix for Division Administration is 77% general fund. However, the statewide present law adjustments are funded entirely from general fund. If the statewide present law adjustment were funded at the same funding mix as the base budget, the general fund would be reduced by about \$47,200 over the biennium.

Legislative staff requested information as to why the statewide present law adjustment is not funded at the same funding ratio as the base budget. DPHHS responded that it was an error. The legislature can make this change as a present law adjustment.

DP 33502 - Private Lease Adjustment Division Admin. - This present law adjustment would fund increases in the rental agreement for office space. Lease payments are discussed in the agency overview.