

Agency Budget Comparison

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

Department of Public Health and Human Services Budget by Branch	Base Fiscal 2012	Approp. Fiscal 2013	Exec. Request Fiscal 2014	Exec. Request Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium \$ Change	Biennium % Change
Full Time Equivalents (FTE)	2924.6	2924.6	2953.1	2953.1	2924.6	2953.1	28.5	1.0%
6902 - Economic Securities and Services	\$425,158,046	\$532,756,214	\$250,127,681	\$252,649,411	\$957,914,260	\$502,777,092	(\$455,137,168)	-47.5%
6904 - Directors Office	5,217,577	3,840,372	3,900,726	3,899,778	9,057,949	7,800,504	(1,257,445)	-13.9%
6906 - Operations Services	49,894,777	42,626,406	55,746,356	54,904,458	92,521,183	110,650,814	18,129,631	19.6%
6907 - Public Health & Safety Division	59,233,552	58,070,458	65,498,828	65,500,972	117,304,010	130,999,800	13,695,790	11.7%
6911 - Medicaid and Health Services	<u>1,184,448,660</u>	<u>1,295,383,377</u>	<u>1,337,210,922</u>	<u>1,407,027,210</u>	<u>2,479,832,037</u>	<u>2,744,238,132</u>	<u>264,406,095</u>	10.7%
Total Proposed Budget by Agency	\$1,723,952,612	\$1,932,676,827	\$1,712,484,513	\$1,783,981,829	\$3,656,629,439	\$3,496,466,342	(\$160,163,097)	-4.4%
Personal Services	\$153,864,366	\$159,874,448	\$167,281,444	\$167,201,016	\$313,738,814	\$334,482,460	\$20,743,646	6.6%
Operating Expenses	111,109,855	103,664,824	121,519,726	125,677,150	214,774,679	247,196,876	32,422,197	15.1%
Equipment & Intangible Assets	712,994	670,318	740,994	802,994	1,383,312	1,543,988	160,676	11.6%
Grants	61,012,886	60,910,876	78,354,733	75,014,179	121,923,762	153,368,912	31,445,150	25.8%
Benefits & Claims	1,394,347,537	1,603,465,315	1,341,650,326	1,412,351,000	2,997,812,852	2,754,001,326	(243,811,526)	-8.1%
Transfers	2,650,614	3,597,289	2,644,914	2,643,114	6,247,903	5,288,028	(959,875)	-15.4%
Debt Service	<u>254,360</u>	<u>493,757</u>	<u>292,376</u>	<u>292,376</u>	<u>748,117</u>	<u>584,752</u>	<u>(163,365)</u>	-21.8%
Total Proposed Budget by Expense	\$1,723,952,612	\$1,932,676,827	\$1,712,484,513	\$1,783,981,829	\$3,656,629,439	\$3,496,466,342	(\$160,163,097)	-4.4%
01000 General Fund	\$398,337,886	\$422,356,927	\$444,387,071	\$463,365,804	\$820,694,813	\$907,752,875	\$87,058,062	10.6%
02000 State Special Revenue Funds	146,910,929	152,107,295	153,058,492	156,340,785	299,018,224	309,399,277	10,381,053	3.5%
03000 Federal Special Revenue Funds	<u>1,178,703,797</u>	<u>1,358,212,605</u>	<u>1,115,038,950</u>	<u>1,164,275,240</u>	<u>2,536,916,402</u>	<u>2,279,314,190</u>	<u>(257,602,212)</u>	-10.2%
Total Proposed by Funding	\$1,723,952,612	\$1,932,676,827	\$1,712,484,513	\$1,783,981,829	\$3,656,629,439	\$3,496,466,342	(\$160,163,097)	-4.4%

Total Adjustments Included in the Executive Budget

The following table summarizes the total adjustments by individual statewide present law adjustment, other present law adjustments, and new proposals for the department.

Department of Public Health and Human Services Present Law Adjustments and New Proposals (\$ Millions)								
Fiscal Year 2014								
Branch/Division	FY 2012 Base	Personal Services Adjustments	Vacancy Savings	Inflation Deflation	Fixed Cost Adjustments	Present Law Adjustments	New Proposals	Total
6902 - Economic Securities and Services Branch	\$425.16	\$6.40	(\$2.60)	(\$0.03)	(\$0.08)	\$5.57	(\$184.30)	(175.03)
6904 - Directors Office	5.22	(1.26)	(0.13)	(0.00)	0.02	0.00	0.00	(1.36)
6906 - Operations Services Branch	49.89	2.07	(0.66)	0.03	0.68	3.68	0.16	5.95
6907 - Public Health & Safety Division	59.23	1.66	(0.49)	(0.00)	0.12	0.90	4.08	6.27
6911 - Medicaid and Health Services Branch	<u>1,184.45</u>	<u>5.36</u>	<u>(2.85)</u>	<u>(0.07)</u>	<u>0.26</u>	<u>113.15</u>	<u>36.66</u>	<u>152.51</u>
Total FY 2014	\$1,723.95	\$14.23	(\$6.72)	(\$0.07)	\$1.00	\$123.31	(\$143.41)	(\$11.66)
Fiscal Year 2015								
Branch/Division	FY 2012 Base	Personal Services Adjustments	Vacancy Savings	Inflation Deflation	Fixed Cost Adjustments	Present Law Adjustments	New Proposals	Total
6902 - Economic Securities and Services Branch	\$425.16	6.48	(2.60)	0.00	(0.08)	7.06	(183.37)	(172.51)
6904 - Directors Office	5.22	(1.26)	(0.13)	(0.00)	0.02	0	0	(1.36)
6906 - Operations Services Branch	49.89	2.09	(0.66)	0.05	0.20	3.36	0.10	5.14
6907 - Public Health & Safety Division	59.23	1.68	(0.49)	0.00	0.11	0.90	4.08	6.27
6911 - Medicaid and Health Services Branch	<u>1,184.45</u>	<u>5.14</u>	<u>(2.84)</u>	<u>(0.01)</u>	<u>0.24</u>	<u>167.20</u>	<u>52.38</u>	<u>222.11</u>
Total FY 2015	<u>\$1,723.95</u>	<u>\$14.13</u>	<u>(\$6.72)</u>	<u>\$0.04</u>	<u>\$0.49</u>	<u>\$178.52</u>	<u>(\$126.81)</u>	<u>\$59.65</u>
Total 2015 Biennium		\$28.36	(\$13.44)	(\$0.03)	\$1.49	\$301.82	(\$270.22)	\$47.99

Mission statement: Improving and protecting the health, well-being and self-reliance of all Montanans. For additional information, please refer to the agency profile.

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention). The department has four branches and the Director's Office. The branches and the related divisions are:

- Economic Security Services Branch consisting of the Management and Disability Transition Program, Human and Community Services Division, Child and Family Services Division, and the Child Support Enforcement Division
- Operations Services Branch consisting of the Business and Financial Services Division, Quality Assurance Division, Technology Services Division, and the Management and Fair Hearings Program
- Public Health and Safety Branch
- Medicaid and Health Services Branch consisting of the Disability Services Division, Health Resources Division, Medicaid and Health Services Program, Senior and Long-term Care Division, and the Addictive and Mental Disorders Division

The department is also responsible for all state facilities except correctional institutions. DPHHS facilities include:

- Montana State Hospital, Warm Springs
- Montana Mental Health Nursing Care Center, Lewistown
- Montana Chemical Dependency Center, Butte

- Eastern Montana Veterans' Home, Glendive
- Montana Veterans' Home, Columbia Falls
- Montana Developmental Center, Boulder

Additional information is included in the agency profile.

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> ◆ The DPHHS 2015 biennium budget is \$160 million less than the 2013 biennium due to a \$257.6 million reduction in federal funds that is partially offset by a \$97.4 million increase in state funding (\$87.1 million general fund \$10.3 million state special revenue) ◆ Benefits (services to individuals) show a net reduction of \$243.8 million, due to an executive proposal to move \$381.9 million in Supplemental Nutrition Assistance Program (SNAP) benefits from HB 2 to a statutory appropriation ◆ Increased funding for enrollment and service utilization growth in Medicaid and other programs partially offsets the reduction and adds about \$213.4 million ◆ A new proposal for a 2% annual provider rate increase adds \$47.6 million including \$16.9 million general fund ◆ Health Information Technology federal funding increases \$17.6 million ◆ Increased funding for FTE is due to state wide present law adjustments that include pay increases that will grow the base \$6.0 million each year of the biennium. ◆ The 2015 biennium budget includes an increase of \$17.0 million general fund and a reduction of state special revenue due to fully expending one-time savings related to the enhanced federal Medicaid match authorized by the American Recovery and Reinvestment Act of 2009 ◆ Increases are partially offset by the removal of lawsuit settlement costs recorded as Medicaid service expenditures in the base budget

Major LFD Issues
<ul style="list-style-type: none"> ◆ The Medicaid present law budget request does not include the cost impacts related to Medicaid eligibility changes and reductions to disproportionate share hospital (DSH) implemented by the Patient Protection and Affordable Care Act ◆ The legislature may wish to review the most recent information for Medicaid services costs prior to taking action on present law adjustments for the following Medicaid services: <ul style="list-style-type: none"> ● Hospital ● Physician ● Medicare buy in ● Mid-level practitioners ● Pharmacy ● Indian Health Services ● Acute care ◆ Base budget Medicaid services costs include \$7.5 million in payments to settle two lawsuits, including \$3.0 million general fund for the South Pointe office space development lawsuit ◆ Due to the delayed receipt of documentation supporting the executive budget request there are several issues included in the budget analysis that are incomplete, but that will be finalized for presentation during legislative deliberations

Agency Overview

The 2015 biennium DPHHS budget is \$160.2 million lower than the 2013 biennium budget due to the executive proposal to remove federal budget authority for Supplemental Nutrition Assistance Program (SNAP) benefits from HB 2 to a statutory appropriation. This change totals a negative \$381.9 million over the biennium. It is offset by increases in other areas, primarily in Medicaid enrollment, service utilization increases and provider rate increases, which are about \$213.4 million greater over the biennium.

The proposed changes that the legislature will consider are the differences from the FY 2012 base budget that total a net increase of \$49.6 million. The difference between the two ways to compare the budget – biennium to biennium versus FY 2012 compared to each year of the 2015 biennium – differ markedly due to the FY 2013 appropriation. The FY 2013 budget is included in the biennium to biennium comparison but not the comparison of the base budget to each year of the 2015 biennium. Since the FY 2013 appropriation is higher than any of the other three years, it causes the biennium to biennium comparison to be lower than the comparison of the base year to each fiscal year of the 2015 biennium.

The executive proposal to remove SNAP benefits appropriations from HB 2 and provide a statutory appropriation lowers spending by \$410.6 million (compared to the base budget doubled). That reduction is offset by the following adjustments the legislature will consider:

- \$209.6 million in Medicaid caseload adjustments, with some of the biggest adjustments being:
 - \$49.8 million for two components of Healthy Montana Kids (HMK) that provide services to children from the highest income families
 - \$42.5 million in federal funds for pass-through payments for Medicaid services provided by Indian Health Services and schools
 - \$25.0 million including \$5.8 million general fund for Medicaid hospital and clinic services
 - \$22.5 million including \$9.5 million general fund for developmental disability waiver services
- \$47.6 million including \$16.9 general fund for a 2% annual provider rate increase
- \$9.5 million federal funds for increased authority for Temporary Assistance for Needy Families (TANF) benefits and programs

Overview Summary

The DPHHS agency overview will highlight several issues related to the DPHHS budget including:

- o Personal services costs related to pay increases granted by DPHHS, vacancy savings rates, and vacant positions
- o Provider rate increases by major function
- o Total caseload increases from base budget expenditures
- o General fund appropriated for Medicaid health services costs that was used for other purposes
- o The impact of federal sequestration if Congress does not act to prevent automatic reductions in certain federal funding sources
- o The Patient Protection and Affordable Care Act (ACA) as it relates to:
 - o The mandated changes required to the state Medicaid program
 - o The option to expand Medicaid eligibility included in the Governor’s budget proposal embodied in LC0900
- o Differences in inflation rates applied to facility operating costs
- o Differences in state Medicaid match rates
- o Discussion of major state special revenue sources that support multiple programs in DPHHS and two programs administered by the State Auditor
- o Other legislation that affects DPHHS
- o A table showing the 2012 federal poverty level

Personal Services

The 2015 biennium budget funds 2,953 FTE, an increase of 28.5 FTE from the 2013 biennium. A significant number of the FTE are located in field offices throughout the state and in the six state facilities managed by the department.

In FY 2012, the department utilized 97% of the FTE hours budgeted in HB 2, compared to a legislatively imposed vacancy savings rate on all positions of 4%. 217 (FTE) positions have been vacant for an average of six months, seven (FTE) positions have been vacant for over two years, 24 (FTE) positions have been vacant between one and two years and 32 (FTE) positions have been vacant between six months and one year. Figure 1 shows total usage rates for HB 2 funded FTE as well as other FTE (modified positions that are in addition to those funded by HB 2) and FTE funded from one time only sources.

Figure 1

Department of Health and Human Services Full Time Equivalent Usage Rate FY 2012				
FTE Type	FTE	Budgeted Hours	Hours Used	Utilization Rate
Budget Amendment	22	44,954	24,675	55%
Cat and Dog Approp	20	41,760	19,087	46%
HB 2 Modified	8	15,660	12,985	83%
HB 2 OTO	5	10,440	8,630	83%
HB 2 Regular	2,925	6,107,182	5,922,512	97%
Private Funds	<u>2</u>	<u>3,445</u>	<u>3,025</u>	88%
Grand Total	2,981	6,223,441	5,990,914	96%

In recent years, the department compensation averaged 85.8% of the local market. Figure 2 shows compensation relative to market for each pay band.

Figure 2

DPHHS Compensation Compared to Market	
Pay Band	Percent of Market
02	88.3%
03	82.5%
04	87.4%
05	87.0%
06	88.5%
07	80.6%
08	69.7%
09	83.7%
DPHHS Average	85.8%

DPHHS Pay Raises

DPHHS approved salary increases over the interim utilizing its authority granted in broadband pay plan statutes as authorized under Title 2, Chapter 18 MCA. The department implemented the broadband pay adjustments May 5, 2012 at an estimated cost of \$6,236,000 annually. Using the same general fund funding percentage for salaries as incurred in FY 2012, DPHHS estimated the general fund cost for salary increases at about \$3.2 million annually.

Each DPHHS employee received a raise equal to the greater of 20 cents per hour or 85% of the midpoint salary in an occupational range from the most recent market/salary survey conducted by the Department of Administration. Broadband adjustments were capped at \$1.15 per hour or 7.88% depending on work assignment.

The present law adjustment table shows personal services adjustments of \$14.2 million for each year of the biennium. The salary adjustments provided in May of 2012 account for \$6.0 million of that amount.

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Present Law Personal Services Adjustments by Program

Some statewide present law adjustments for individual program budgets are significant. The legislature may wish to evaluate the following components of those adjustments:

- The total amount for the pay raise granted by DPHHS
- The number and cost for positions vacant more than 1 year, as well as the reason for the extended vacancy by position

The legislature could request that DPHHS provide the information as part of its budget presentation for each division and if applicable each subprogram within the division.

Provider Rate Increases

The executive budget includes a 2% annual provider rate increase for most community services funded by DPHHS. Figure 3 shows the amount included in the executive request by service. Total costs for the rate increase are \$47.6 million total funds, including \$16.9 million general fund.

Figure 3

Department of Health and Human Services								
Provider Rate Increases								
Provider Rate Increase Decision Packages	New Proposal FY 2014				New Proposal FY 2015			
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
6902 - Economic Securities and Services Branch								
1901 - PRI Vocation Rehabilitation	\$67,384	0	\$104,226	\$171,610	\$136,116	0	\$210,536	\$346,652
20901 - PRI Child Care	489,482	0	0	489,482	988,754	0	0	988,754
30901 - PRI - Foster Care	153,014	0	69,218	222,232	309,193	0	139,716	448,909
30902 - PRI - Subsidized Adoption	23,746	0	28,261	52,007	48,009	0	57,045	105,054
30903 - PRI - Subsidized Guardianship	2,686	0	1,823	4,509	5,429	0	3,679	9,108
30904 - PRI - In Home Services	<u>31,976</u>	<u>0</u>	<u>0</u>	<u>31,976</u>	<u>64,591</u>	<u>0</u>	<u>0</u>	<u>64,591</u>
Subtotal	768,288	0	203,528	971,816	1,552,092	0	410,976	1,963,068
6911 - Medicaid and Health Services Branch								
10901 - DD Medicaid Provider Rate Incr.	638,857	0	1,258,551	1,897,408	1,295,474	0	2,537,290	3,832,764
10902 - DDP Non-Medicaid PRI	87,944	0	0	87,944	177,646	0	0	177,646
10903 - PRI - CMH Medicaid Core	467,987	0	921,935	1,389,922	948,983	0	1,858,660	2,807,643
10904 - CMH Non-Medicaid PRI	19,882	0	0	19,882	40,161	0	0	40,161
10905 - CMH 100% Federal Medicaid PRI	0	0	468,005	468,005	0	0	945,371	945,371
11901 - PRI - HMK Group	0	28,360	91,656	120,016	0	57,311	185,122	242,433
11902 - PRI - Medicaid Core	1,563,607	0	3,086,642	4,650,249	3,158,642	0	6,230,405	9,389,047
11903 - PRI - HMK Medicaid CHIP Funded Group	0	46,739	151,057	197,796	0	94,454	305,097	399,551
22901 - PRI Med Ben Core Nursing Homes	958,145	0	1,882,487	2,840,632	1,938,322	0	3,799,755	5,738,077
22902 - PRI Med Ben Core Home Based Services	276,720	0	543,679	820,399	559,804	0	1,097,401	1,657,205
22903 - PRI Med Ben Waiver SLTC	246,745	0	484,784	731,529	499,163	0	978,526	1,477,689
22904 - PRI - Aging Services	209,887	0	0	209,887	423,971	0	0	423,971
33901 - PRI Med Ben Waiver AMDD	0	102,377	201,142	303,519	0	207,108	406,001	613,109
33902 - PRI Med Ben Adult Mental Health	172,683	95,214	526,342	794,239	348,820	192,400	1,063,170	1,604,390
33903 - PRI - HB 131 Crisis Beds	5,500	0	0	5,500	11,110	0	0	11,110
33904 - PRI - CD SAPT Block Grant	0	0	82,718	82,718	0	0	167,091	167,091
33905 - PRI - Mental Health Services Plan	175,744	0	0	<u>175,744</u>	355,002	0	0	<u>355,002</u>
Subtotal	<u>4,823,701</u>	<u>272,690</u>	<u>9,698,998</u>	<u>14,795,389</u>	<u>9,757,098</u>	<u>551,273</u>	<u>19,573,889</u>	<u>29,882,260</u>
Grand Total	<u>\$5,591,989</u>	<u>\$272,690</u>	<u>\$9,902,526</u>	<u>\$15,767,205</u>	<u>\$11,309,190</u>	<u>\$551,273</u>	<u>\$19,984,865</u>	<u>\$31,845,328</u>
Biennial Total	<u>\$16,901,179</u>				<u>\$16,901,179</u>	<u>\$823,963</u>	<u>\$29,887,391</u>	<u>\$47,612,533</u>

Caseload Adjustments in the Executive Budget

The executive request includes \$243.4 million including \$49.8 million general fund for present law/current level enrollment and service utilization increases. Figure 4 shows the adjustment by function, with Medicaid services grouped first. Medicaid services account for 86.1% of the total, while the remainder of services comprises 13.9% of the total. The caseload increases are partially offset by a reduction of \$15.1 million to remove one-time lawsuit settlement costs that

were recorded as Medicaid services costs (see the discussion of general fund appropriated for Medicaid services that was used for other purposes).

Figure 4

Function	Total Present Law Caseload Increases - 2015 Biennium								% of Biennial Total
	FY 2014 Executive Request				FY 2015 Executive Request				
	General Fund	State Special Revenue	Federal Funds	Total	General Fund	State Special Revenue	Federal Funds	Total	
Medicaid Services									
Physical Health	\$8,028,589	\$1,202,882	\$18,273,153	\$27,504,624	\$12,525,719	\$1,922,071	\$28,525,488	\$42,973,278	29.0%
Physical Health Federal	0	0	11,978,152	11,978,152	0	0	18,115,282	18,115,282	12.4%
Waiver Services Developmental Disabled	4,103,138	0	8,061,516	12,164,654	5,266,621	0	10,324,321	15,590,942	11.4%
HMK Medicaid CHIP Funded Group	0	2,022,077	6,535,170	8,557,247	0	3,624,219	11,706,657	15,330,876	9.8%
Children's Mental Health	3,024,142	0	4,508,699	7,532,841	4,571,317	0	6,446,581	11,017,898	7.6%
Home Based	1,981,872	0	3,893,824	5,875,696	2,915,585	0	5,715,514	8,631,099	6.0%
Federal Only Caseload Dev Dis	0	0	4,813,949	4,813,949	0	0	7,580,458	7,580,458	5.1%
Hospital Utilization Fee	0	1,349,987	2,652,347	4,002,334	0	1,351,988	2,650,346	4,002,334	3.3%
Adult Mental Health	821,267	74,611	1,760,149	2,656,027	1,263,675	113,336	2,699,398	4,076,409	2.8%
Medicare Buy-In	670,733	0	1,317,803	1,988,536	1,287,459	0	2,523,845	3,811,304	2.4%
Clawback	1,546,845	0	0	1,546,845	2,643,582	0	0	2,643,582	1.7%
Nursing Homes	192,064	0	377,353	569,417	181,542	0	355,884	537,426	0.5%
Senior/Disabled Waiver	130,615	0	256,622	387,237	130,809	0	256,428	387,237	0.3%
Federal Adult Mental Health	0	0	200,000	200,000	0	0	200,000	200,000	0.2%
Remove One-Time Lawsuit Settlements	<u>(4,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(7,535,000)</u>	<u>(4,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(7,535,000)</u>	<u>-6.2%</u>
Subtotal Medicaid Services	<u>15,962,354</u>	<u>4,649,557</u>	<u>61,630,648</u>	<u>82,242,559</u>	<u>26,249,398</u>	<u>7,011,614</u>	<u>94,102,113</u>	<u>127,363,125</u>	86.1%
Other Caseload Adjustments									
HMK Caseload	1,689,730	936,338	8,487,215	11,113,283	2,613,601	889,886	11,316,681	14,820,168	10.7%
Subsidized Adoption Caseload	500,124	0	575,599	1,075,723	766,423	0	877,072	1,643,495	1.1%
Foster Care Caseload	729,288	0	176,017	905,305	1,088,638	0	143,751	1,232,389	0.9%
Child and Adult Care Food Program	0	0	600,000	600,000	0	0	1,016,000	1,016,000	0.7%
Big Sky RX Caseload	0	539,180	0	539,180	0	539,180	0	539,180	0.4%
Guardianship Caseload	<u>89,591</u>	<u>0</u>	<u>56,258</u>	<u>145,849</u>	<u>128,999</u>	<u>0</u>	<u>79,453</u>	<u>208,452</u>	<u>0.1%</u>
Subtotal Other Services	<u>3,008,733</u>	<u>1,475,518</u>	<u>9,895,089</u>	<u>14,379,340</u>	<u>4,597,661</u>	<u>1,429,066</u>	<u>13,432,957</u>	<u>19,459,684</u>	13.9%
Total All Caseload Adjustments	<u>18,971,087</u>	<u>6,125,075</u>	<u>71,525,737</u>	<u>96,621,899</u>	<u>30,847,059</u>	<u>8,440,680</u>	<u>107,535,070</u>	<u>146,822,809</u>	
Biennial Total					<u>\$49,818,146</u>	<u>\$14,565,755</u>	<u>\$179,060,807</u>	<u>\$243,444,708</u>	100.0%

New Proposals

The cost of new proposals that would increase spending in addition to caseload adjustments is not included in Figure 4. Those proposals are:

- The 2% provider rate increase
- A refinancing of personal assistance services to draw down an enhanced federal match rate for community services
- A proposal to add additional services to the HMK CHIP benefit package

General Fund Appropriated to Medicaid Services Used for Other Purposes

In FY 2012, DPHHS used \$9.1 million of general fund originally appropriated for Medicaid services costs for other purposes. Figure 5 shows the general fund Medicaid service appropriation and the amount that was used for other purposes.

Figure 5

Health Resources Medicaid Services General Fund Appropriations Used for Other Purposes - FY 2012			
Source of General Fund/Use of Funds	To Program	Amount	% of Tot
<u>Medicaid Managed Care Benefits</u>			
South Pointe Lawsuit Settlement		\$3,000,000	33.1%
Montana Developmental Center Repairs	10 MDC	600,000	6.6%
Purchase a Wandergard System & Congregate Meals Plan - Eastern Montana Veterans' Home	22 SLTC	397,097	4.4%
Food and Consumer Safety - Local Inspections	07 PHSD	57,178	0.6%
<u>Medicaid Acute Services & Pharmacy</u>			
MMIS System, Operations, Personal Services, Centralize Managing/Purchasing of PC Fleet	09 Tech Servs	2,900,000	32.0%
<u>Medicaid Hospital Services</u>			
Blanton Lawsuit Settlement		1,536,911	17.0%
Nursing Care Center D Wing Expansion	33 AMDD	334,612	3.7%
Nursing Care Center Infirmary	33 AMDD	118,000	1.3%
Montana Zero to Three Project	03 CFSD	<u>110,000</u>	<u>1.2%</u>
Total General Fund Medicaid Services Appropriations Used for Other Purposes		<u>\$9,053,798</u>	100.0%
Total HRD General Fund FY 2012 Medicaid Services Appropriations		\$109,054,115	
% Used for Other Purposes			8.3%

The two largest amounts were used to fund lawsuit settlement costs. The first - \$3.0 million or 33% of the total – was used to settle the South Pointe lawsuit. District Court Judge Jeffrey M. Sherlock ordered the State of Montana to pay \$3.0 million to SBC Archway III, LLC to resolve a lawsuit that arose from the state's lease termination. The state's self-insurance policy does not provide for actions due to breach of contract. The court required the state to pay the judgment by May 1, 2013 or pay simple interest of 10% on the unpaid portion of the judgment going forward.

The second lawsuit – the Blanton lawsuit – will change the methodology that DPHHS uses to calculate lien and estate recoveries for Medicaid services. The old methodology resulted in DPHHS recovering payments in excess of Medicaid services costs.

The other uses of Medicaid general fund listed in Figure 5 were done through a transfer of Medicaid appropriation authority to other programs. All of the transfers were legal with the potential exception of the transfer of general fund appropriated for Medicaid services to support construction and remodeling costs of the nursing care center D wing expansion undertaken by the Architecture and Engineering Division of the Department of Administration. Statute allows appropriation authority to be transferred among state agencies only as long as the original purpose of the appropriation is maintained.

**LFD
ISSUE**
Excess Medicaid Services Appropriation Authority in FY 2013

The DPPHS FY 2013 budget status report published December 15, 2012, projects that Medicaid services general fund expenditures will be \$11.7 million less than appropriations. The legislature may wish to consider whether it wishes part or all of the excess general fund appropriation authority to revert to the general fund. If the legislature wishes to insure reversion of a specified amount it could consider:

- Amending HB 2 that governs 2013 biennium appropriations by reducing specific Medicaid general fund appropriations or restricting the use of the appropriations
- Amending state statute to allow only a certain percent of state funds appropriated for Medicaid services to be used for other purposes
- Amending state statute to prohibit transfer of state funds appropriated for Medicaid services to other uses

Sequestration

About two thirds of the 2015 biennium budget request for DPHHS is funded from federal funds, including categorical grants that could be subject to federal sequestration. Absent Congressional action, some of the federal funding that supports DPHHS programs could be reduced. Please note that under the current federal budget control statute Medicaid benefits would be exempt from reduction.

LFD ISSUE

Impact of Federal Sequestration

The legislature may wish to request that each DPHHS division present the following information as part of its presentation to the Health and Human Services Joint Appropriation Subcommittee:

- Name and use of grant subject to sequestration
- Amount of grant in executive budget each year
- Amount of potential reduction each year
- Impact of potential reduction
- Potential ways to partially or fully offset impact of reduction

Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (ACA) passed in 2010 requires several changes to state Medicaid programs and allows states the option to expand Medicaid to nondisabled, non-pregnant adults between the ages of 19 to 64. This summary focuses on ACA provisions related to Medicaid and discusses:

- Required changes to the Montana Medicaid program:
 - Areas of potential state cost increases and cost offsets
 - Issues for legislative consideration
- Allowed, optional eligibility expansion:
 - Comparison of several estimates of potential number of persons who would be newly eligible
 - Summary of estimated costs for LC0900, the bill requested by the Governor to implement the expansion
 - Policy questions that the legislature may wish to consider

ACA – Required Changes and Optional Change

The U.S. Supreme Court upheld all but one provision of ACA. Therefore, most provisions will go into effect and will have an impact on the DPHHS budget in the 2015 biennium. The single provision the Court struck down was the requirement that states expand Medicaid eligibility to all nondisabled persons ages 19-64 with household incomes less than 138% of the federal poverty level or lose all federal Medicaid funding for current Medicaid programs. The expansion is now optional and the legislature must amend state statute to implement the expansion to 138% of the federal poverty level and provide appropriation authority for the new expenditures.

Changes Required by ACA

Several changes required by ACA will affect the Montana Medicaid program. Effective January 1, 2014, state Medicaid programs must implement the following changes:

- Raise Medicaid rates for primary care physicians to the Medicare rate
- Extend Medicaid eligibility for foster care children to age 26
 - Current state statute allows eligibility until age 21
- For nondisabled, non-pregnant adults aged 19 to 64:
 - Use modified adjusted gross income (MAGI) for Medicaid eligibility determination and apply a 5% income disregard
 - Currently eligibility determination includes a variety of income disregards, with some tied to specific costs such as child care
 - May not consider assets as a condition of eligibility
 - Current state Medicaid eligibility rules include consideration of assets (limit of \$3,000 for low-income working parents; no assets tests for eligibility for children)

These required changes would expand the number of adults eligible for Medicaid and would shift some children currently eligible for HMK/CHIP services to HMK Plus Medicaid services. The cost of services for new enrollees would be paid at the same rate as current Medicaid costs and subject to a state match rate of about 34% in the 2015 biennium.

In addition to required changes to Medicaid eligibility, ACA also implements reductions to Medicaid disproportionate share hospital payments (DSH). Federal Medicaid DSH funds provide reimbursement to hospitals that serve a proportionally higher number of low-income persons compared to other hospitals. These funds require a state match and are distributed in the same method as the additional hospital reimbursements funded through the hospital utilization fee (provider tax). The federal DSH payments will be gradually reduced.

Montana statute requires DPHHS to raise Medicaid physician rates based on a specific set of criteria, but increases must be no less than the consumer price index calculated by the U.S. Department of Labor.

HB 2 Does Not Include Present Law Adjustments for Changes Required by ACA

The executive recommendation for HB 2 funding does not include present law adjustments for Medicaid costs and funding reductions that are required by ACA with the possible exception of Medicare equivalent rates for primary care physicians. The following present law adjustments would be necessary to capture changes required by ACA:

- Estimated number and total Medicaid cost for new:
 - Foster care enrollees
 - Adult enrollees
- Estimated number and cost of children shifting from CHIP services to Medicaid services within the HMK
- Reduction in disproportionate share (DSH) hospital reimbursements
- Potentially, the impact of requirement to raise Medicaid rates for primary care physicians to the Medicare rate

There would be cost savings due to the change in Medicaid enrollment. Some persons who are receiving services that are fully funded from state revenues would become Medicaid eligible. A portion or all of the cost of their services could shift to Medicaid. Examples of state funded services that could see some reduction in costs due to required changes to Medicaid eligibility are:

- Adult mental health services such as Mental Health Services Plan (MHSP), 72 hour crisis stabilization
- Adult chemical dependency community services
- State facility services for the Montana Mental Health Nursing Care Center and the Montana Chemical Dependency Center
- Potentially some community medical costs for the Department of Corrections (explained later in the optional expansion discussion)

Request for Information

LFD staff requested information about the cost and potential savings due to the changes required by ACA. DPHHS provided the cost estimate of the Governor's proposal to expand Medicaid eligibility (discussed later). While some elements of the required ACA changes were included in the documentation (those for foster care children and children transitioning from CHIP to Medicaid services), there were notable gaps in the information including:

- The increased state cost for adults who would be newly eligible for Medicaid due to elimination of assets tests and the additional 5% income disregard
- The reduction in DSH payments
- The amount required to raise primary care physician Medicaid rates to the Medicare rate

The documentation provided by DPHHS identified savings in the Mental Health Services Plan and for some Medicaid services due to the Medicaid expansion. However, it is not possible to determine state funded program savings due to the required changes from the information provided by DPHHS, as the savings for the required changes would be much smaller than those estimated for the expansion.

Eligibility Maintenance of Effort

ACA includes a maintenance of effort (MOE) provision related to Medicaid and CHIP eligibility. A state that makes a change to eligibility standards, methodologies, or procedures that is more restrictive than those in effect as of the date of ACA passage would face a loss of federal Medicaid matching funds. The Medicaid eligibility MOE provision is effective until January 1, 2014 while the MOE for CHIP eligibility extends to September 30, 2019.

**LFD
ISSUE**Legislative Options

The legislature can consider several options related to the required changes for ACA, including:

- Adding present law adjustments to HB 2 to account for required changes both for increased costs and potential cost reductions
- Considering eligibility changes that partially or fully offset required cost increases

If the legislature wishes to include present law adjustments related to ACA in HB 2, it may wish to request that DPHHS provide:

- An estimate of the number of new adult enrollees
- An estimate of the per person cost of a new adult enrollee
- The documentation supporting the per person cost estimate
- Potential savings to state funded services due to a shift to Medicaid funded services
- An estimate in the reduction of DSH payments
- An estimate of the reduction in certain Medicaid services with higher income eligibility including:
 - Breast and cervical cancer
 - Family planning
 - Pregnant women coverage

Medicaid Eligibility Expansion

The executive budget includes a recommendation to expand Medicaid for nondisabled persons up to age 64 with household incomes up to 138% of the federal poverty level. Funding for this optional expansion is included in the bill authorizing the changes (LC0900). This discussion about the proposed expansion explains:

- Legislative action necessary to implement the expansion
- Optional Medicaid expansion allowed by ACA
- Preliminary estimates of the number of persons newly eligible for Medicaid
- Potential areas of savings associated with the optional expansion
- Issues related to LC0900
- Options for legislative consideration

Optional Expansion Requires a Statutory Change and State Plan Amendment

Legislative legal staff has concluded that 53-6-131, MCA would need to be amended to authorize an expansion of Medicaid to all nondisabled, nonpregnant persons with household incomes below 138% of the federal poverty level. Therefore, if the legislature chose to expand Medicaid it would need to pass a bill to change that section of law and it would need to appropriate funding for the last half of FY 2014 and for FY 2015 for the increased cost of Medicaid services. Additionally, a state must amend its state Medicaid plan to implement the expansion.

If Montana were to implement this expansion the following changes would occur:

- Nondisabled childless adults ages 19 – 64 with incomes less than 138% of the federal poverty would become eligible for Medicaid
- Additional low-income parents would become eligible for Medicaid

Federal Match Rate for Expansion and Cost to State

If a state opts to expand Medicaid as allowed by ACA, it will receive 100% federal funding for those newly eligible beginning January 1, 2014 through December 31, 2016. After that, the federal match rate will gradually decline until it reaches 90% in 2020. States must pick up the balance of costs.

The cost of expanding Medicaid depends on a number of variables including:

- The number of people who would be newly eligible
- Take up rates, or how many eligible people enroll
- The services provided
- Rates paid to medical providers

Number of People Eligible/Take Up Rates

There are several estimates of the number of newly eligible people who would enroll under the proposed Medicaid expansion. As noted previously, enrollment depends on how many of those eligible would apply.

There is no public program that has a 100% take up or enrollment rate, especially when it is first starting. Medicare, which is universally available to all citizens reaching a certain age and which was started in 1965, has a take up or enrollment rate of 96%. The take up rate for a new program depends on a number of factors including the type and effectiveness of outreach efforts, the availability of enrollment sites, and the ease of enrollment.

Services Provided – Benchmark Plan

States may select from 1 of 4 types of health insurance coverage for services provided to the expansion population. The benchmark plans are:

- Federal employees health benefit plan equivalent coverage
- State employee coverage that is generally available to employees in the state
- Health maintenance organization (HMO) plan that has the largest insured commercial, non-Medicaid enrollment in the state
- Benchmark-equivalent coverage approved by the Secretary of the Department of Health and Human Services, which has an actuarial value equivalent to another benchmark package and includes the following types of services:
 - Inpatient and outpatient hospital service
 - Physicians' surgical and medical services
 - Laboratory and x-ray services
 - Well-baby and well-child care including age-appropriate immunizations
 - Emergency services
 - Family planning services and supplies
 - Other appropriate preventive services, as defined by the Secretary

Montana Specific Questions – Optional Expansion

As noted earlier, DPHHS provided a cost estimate supporting the appropriation request for LC0900, the bill to implement the optional Medicaid expansion. Some of the information that legislators may wish to consider in evaluating whether to expand Medicaid is included, such as:

- The number of newly eligible adults (estimated by DPHHS to be 44,702 in FY 2014 rising to 55,096 in FY 2015)
- Some of the expected savings in state programs such as the Mental Health Services Plan

However, there are certain components of the cost estimate that are difficult to determine based on the information provided such as:

- The estimated per person cost for the newly eligible persons and the assumptions used to develop that cost
- The assumed increase in medical services utilization from year to year
- The administrative costs attributable solely to the expansion, including the methodology used to estimate those costs

Legislators may wish to request the following information from DPHHS in order to more fully evaluate the impact of expanding Medicaid:

- An explanation of the benchmark plan used in the fiscal note assumptions for LC0900
- An estimate of the per person cost of other benchmark service plans considered (if available)
- An estimate of the number and cost of those who would be newly eligible by fiscal year through FY 2020
- An estimate of potential cost savings in other state programs whose enrollees would now be eligible for and served by Medicaid
- Concerns that DPHHS may have

Legislators may also wish to review estimates of the optional Medicaid expansion that are being prepared by the Montana Bureau of Business and Economic Research (BBER). Those estimates should be available by the start of the legislative session in January. Both DPHHS and BBER have longer term estimates that project what the state share of costs would be when the federal match rate begins to decline in 2017.

Savings for Some State Programs

Figure 6 shows Montana specific examples of state program savings that have been included by other states in their evaluation of whether to expand Medicaid, with the exception of potential savings for the Department of Corrections. Some states have included cost savings for the incarcerated corrections population when inmates receive inpatient hospital care in a community hospital. Legislative staff is researching this issue and will have more information for legislative consideration during the session.

Figure 6

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	<u>\$8,065,026</u>	<u>\$8,178,208</u>
MHSP Savings LC0900 (Optional Medicaid Eligibility Expansion)		(\$3,508,615)	(\$5,470,786)

Figure 6 only includes general fund services. However, there would also be savings in some services that are funded with state special revenue including community chemical dependency services and potentially the state high risk pool administered by the State Auditor.

Legislative Action With Respect to an Optional Medicaid Expansion

Legislators may wish to consider the following actions based on their decision regarding the executive proposal to implement the optional Medicaid expansion under ACA. If legislators want to implement the expansion, they would need to pass legislation authorizing the expansion and structure appropriations to fund increased service costs.

However, if legislators do not want to expand Medicaid, they may wish to take actions to ensure that their policy goals are clear in statute. Legislators may wish to enact specific legislation to prohibit an optional expansion as allowed by ACA or to restrict the use of DPHHS appropriations in HB 2 to prevent expenditures for an expansion.

State Facility Inflation

DPHHS manages six state facilities. Each of the state facilities includes a present law adjustment for inflation in operating costs in addition to the inflation that is included in fixed cost adjustments for all state agency budgets. However, each of the requests uses different inflation rates and inflates different costs.

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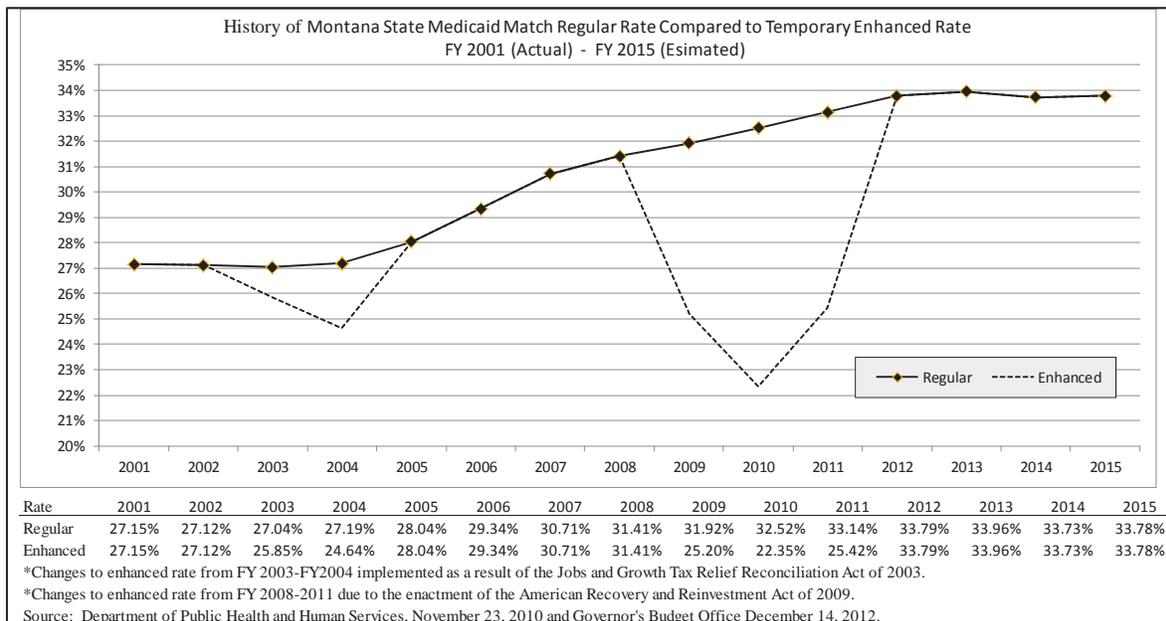
Legislative Review of Facility Inflation

The legislature may wish to ask DPHHS to explain why the inflation rates are different and, if there is not a specific reason for a difference, decide whether to apply uniform inflation rates if it approves the requests.

Medicaid Match Rates

Figure 7 shows historic and projected Medicaid state match rates for the cost of most Medicaid services (some services are 100% federally funded, one is 100% general fund, and a few others have an enhanced match). State Medicaid match rates are based on a formula that compares changes in state per capita income compared to changes in national per capita income. As a state’s per capita improves in relationship to the national per capita income, the state match rate goes up and the federal match rate goes down. There have been two times in since 2001 that the federal government has authorized a temporary increase in the federal match rate, both during recessionary time periods.

Figure 7



The executive budget is based on a state Medicaid match rate reduction compared to the rate in the base budget year. The actual and projected match rates are:

- FY 2012 - 33.79%
- FY 2013 – 33.96%
- FY 2014 – 33.73%
- FY 2015 (projected) – 33.78%

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State Match Rates Vary from Budget Documentation

Figure 8 shows the match rate for some of the Medicaid services included in the executive request. Some of the match rates are different than the documentation provided in support of the executive budget request. LFD staff will work with DPHHS staff to determine whether there are non Medicaid costs included with the Medicaid services budget requests that affect the state match rate. If not, the legislature may wish to request that match rates be updated as part of the legislative action on Medicaid services requests.

Figure 8

Effective State Match Rates in Executive Budget Compared to Published Match		
Division/Service	FY 2014	FY 2015
Executive Budget Published Match	33.73%	33.78%
<u>Health Resources</u>		
Hospital Services	33.75%	33.79%
Managed Care	33.74%	33.79%
<u>Senior and Long Term Care</u>		
Nursing Home	33.70%	33.75%
<u>Developmental Services</u>		
DD Comprehensive Waiver	33.72%	33.77%
Children's Mental Health	34.31%	34.72%
DD Targeted Case Management	34.32%	34.77%
DD Community Srvs Waiver	33.88%	33.93%
Autism Waiver	33.87%	33.92%
<u>Addictive and Mental Disorders</u>		
Adult Mental Health	34.11%	34.45%
HIFA Waiver	31.65%	32.13%
Community Waiver Services	31.93%	31.93%
Chemical Dependency	31.94%	31.12%

Agency Funding

The following table shows agency funding by source of authority, as proposed by the executive.

Total Public Health and Human Services Funding by Source of Authority 2015 Biennium Budget			
Funds	HB 2	Total All Sources	% Total All Funds
General Fund	\$907,752,875	\$907,752,875	26.0%
State Special Total	309,399,277	309,399,277	8.8%
Federal Special Total	2,279,314,190	2,279,314,190	65.2%
Total All Funds	<u>\$3,496,466,342</u>	<u>\$3,496,466,342</u>	100.0%
Percent - Total All Sources	100.0%		

DPHHS is funded by general fund, state special revenue, and federal funds.

Major Sources of State Special Revenue

There are three sources of state special revenue that support multiple programs in DPHHS as well as programs administered by the State Auditor. All were enacted by citizen initiative:

- o Tobacco settlement funds
- o Interest from the tobacco settlement trust fund
- o Health and Medicaid initiatives account – tobacco and cigarette taxes

The projected fund balance over the 2015 biennium for each of these accounts is summarized. Issues related to the account are also discussed.

The Use of Tobacco Settlement Proceeds

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- Constitutional Amendment 35 in November 2000 requiring not less than 40% of tobacco settlement money to go to a permanent tobacco trust fund
- Initiative 146 (17-6-606, MCA) to allocate 32% of the total tobacco settlement funds to tobacco prevention/cessation programs and 17% to CHIP supporting HMK and the Montana Comprehensive Health Association (MCHA), a state funded high risk insurance pool

Money not appropriated within two years is transferred to the trust fund. The remaining 11% of the MSA money is deposited to the general fund.

Figure 9 shows revenues, expenditures, appropriations, and fund balances for the interest from the tobacco settlement trust fund. There is a single increase - \$2.3 million - in expenditures from this account in the executive budget to fund present law caseload growth for Medicaid hospital and clinic services. There is a projected ending fund balance of about \$400,000 that could be used to offset general fund costs depending on legislative action.

Figure 9

Tobacco Settlement Trust Fund Interest - Fund Balance					
Fund Balance, Revenues, Expenditures	Actual FY 2012	Appropriated FY 2013	Budget Request		Biennial % of Ttl
			FY 2014	FY 2015	
Beginning Fund Balance	\$13,363	\$16,258	\$1,147,645	\$798,866	
Revenues*	<u>6,030,990</u>	<u>6,143,000</u>	<u>6,575,000</u>	<u>7,072,000</u>	
Revenues Available for Appropriation	6,044,353	6,159,258	7,722,645	7,870,866	
Expenditures					
Health Resources Division					
Medicaid Acute Services	2,304,649	1,245,757	2,304,649	2,304,649	32.0%
Medicaid Hospital & Clinical Services	<u>543,647</u>	<u>543,647</u>	<u>1,428,671</u>	<u>1,972,163</u>	<u>23.6%</u>
Health Resources Division Subtotal	2,848,296	1,789,404	3,733,320	4,276,812	55.7%
Public Health and Safety Division					
Adolescent Vaccinations	400,000	400,000	400,000	400,000	5.6%
Children's Special Health Services	240,542	284,708	240,247	240,235	3.3%
Emergency Medical Services	119,889	122,288	119,889	119,889	1.7%
HIV Treatment	84,000	84,000	84,000	84,000	1.2%
Montana Health Professional Recruitment	75,000	75,000	75,000	75,000	1.0%
WIC Farmer's Market	9,000	9,732	9,000	9,000	0.1%
PHSD Cost Allocation**	13,538	16,029	14,215	14,926	0.2%
Genetics	<u>41,176</u>	<u>0</u>	<u>41,462</u>	<u>41,176</u>	<u>0.6%</u>
Public Health and Safety Division Subtotal	983,145	991,757	983,813	984,226	13.7%
Senior and Long Term Care Division					
Medicaid Nursing Home Services	831,850	831,850	831,850	831,850	11.6%
Traumatic Brain Injury Services	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0.7%</u>
Healthcare for Healthcare Workers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Senior and Long Term Care Div. Subtotal	881,850	881,850	881,850	881,850	12.3%
Developmental Services Division					
Medicaid Children's Mental Health Service:	233,552	233,552	233,552	233,552	3.2%
DD Part C, Title XX and MOE	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>8.3%</u>
Developmental Division Subtotal	833,552	833,552	833,552	833,552	11.6%
Addictive and Mental Disorders Division					
Mental Health Community Support	415,511	429,468	415,511	415,511	5.8%
Adult Mental Health Medicaid Benefits	27,659	27,659	27,659	27,659	0.4%
Mental Health Administration	<u>48,074</u>	<u>57,923</u>	<u>48,074</u>	<u>48,074</u>	<u>0.7%</u>
Addictive and Mental Disorders Div. Subtotal	<u>491,244</u>	<u>515,050</u>	<u>491,244</u>	<u>491,244</u>	<u>6.8%</u>
Total Expenditures	<u>6,038,087</u>	<u>5,011,613</u>	<u>6,923,779</u>	<u>7,467,684</u>	100.0%
Adjustments	<u>9,992</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Ending Fund Balance	<u>\$16,258</u>	<u>\$1,147,645</u>	<u>\$798,866</u>	<u>\$403,182</u>	

*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus. Revenues are based on LFD staff assumptions presented to the Revenue and Transportation Oversight Committee on November 19, 2012.
** Nonbudgeted expenditures

**LFD
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Use of Account Proceeds for Current Level Services

Use of tobacco settlement trust fund interest for current level services may be an illegal use of these funds. The issue is discussed in the Health Resources Division budget analysis.

Tobacco Settlement Account

Figure 10 shows the state special revenue account that receives a direct allocation of tobacco settlement funds. There is a \$3.7 million projected ending fund balance in the portion of the account that receives 32% of the proceeds. Statute governing the account limits its use to tobacco control and prevention, including prevention of chronic diseases related to tobacco use.

Figure 10

Tobacco Settlement Account - Fund Balance					
Master Settlement Agreement Payment Allocations to State Special Revenue Accounts					
Allocation of Revenue, Expenditures, and Fund Balance	Actual FY 2012	Appropriated FY 2013	Budget Request FY 2014	Budget Request FY 2015	Biennial % of Ttl
32% Allocated to Tobacco Cessation/Prevention					
Beginning Fund Balance	\$188,713	\$1,615,766	\$3,535,901	\$2,941,528	
Revenues*	<u>9,664,875</u>	<u>10,333,000</u>	<u>10,238,000</u>	<u>10,140,000</u>	
Total Available for Appropriation	9,853,588	11,948,766	13,773,901	13,081,528	
Expenditures					
Department of Revenue	301,974	303,271	318,989	318,557	3.2%
Department of Justice	111,045	123,972	118,272	118,564	1.2%
Public Health and Safety Division					
Tobacco Control & Prevention	3,997,104	4,000,000	6,163,409	4,724,708	53.8%
Chronic Disease Programs	2,617,360	2,617,456	2,967,969	2,974,256	29.4%
Home Health Visiting/MIAMI	403,736	404,036	404,012	403,971	4.0%
Tribal Programs	689,554	698,910	720,000	720,000	7.1%
Hospital Discharge	130,313	132,151	0	0	0.0%
Cost Allocated Administration**	<u>126,732</u>	<u>133,069</u>	<u>139,722</u>	<u>146,708</u>	<u>1.4%</u>
Subtotal Expenditures	<u>8,377,818</u>	<u>8,412,865</u>	<u>10,832,373</u>	<u>9,406,764</u>	<u>100.0%</u>
Adjustments	<u>139,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		0.4%	28.8%	-13.2%	
Ending Fund Balance	<u>\$1,615,766</u>	<u>\$3,535,901</u>	<u>\$2,941,528</u>	<u>\$3,674,764</u>	
17% Allocated to HMK/MT Comprehensive Health Association					
Beginning Fund Balance	\$0	\$0	\$257,255	\$628,453	
Revenues*	<u>5,134,465</u>	<u>5,489,000</u>	<u>5,439,000</u>	<u>5,387,000</u>	
Revenues Available for Appropriation	5,134,465	5,489,000	5,696,255	6,015,453	
Expenditures					
Healthy Montana Kids Benefits	3,654,168	3,807,867	3,632,791	3,634,403	71.5%
Healthy Montana Kids Administration	51,577	60,349	69,121	74,449	1.4%
MT Comprehensive Health Assoc.	925,563	925,563	946,455	943,696	18.6%
DPHHS Cost Allocated Administration**	<u>399,462</u>	<u>437,966</u>	<u>419,435</u>	<u>440,407</u>	<u>8.5%</u>
Subtotal Expenditures	<u>5,030,770</u>	<u>5,231,745</u>	<u>5,067,802</u>	<u>5,092,955</u>	<u>100.0%</u>
Adjustments	<u>(103,695)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		4.0%	-3.1%	0.5%	
Ending Fund Balance	<u>\$0</u>	<u>\$257,255</u>	<u>\$628,453</u>	<u>\$922,498</u>	
* Revenues developed by LFD staff and presented to the Revenue and Transportation Interim Committee on November 19, 2012.					
**Nonbudgeted expenditures that are allocated across funding sources to support shared administrative costs.					

**LFD
ISSUE**Use of Funds

The legislature may wish to ask DPHHS to identify areas in the executive budget funded from general fund that could be funded from the tobacco settlement funds allocated to tobacco prevention and control.

The 17% of tobacco settlement funds allocated to HMK and the Montana Comprehensive Association also has an ending fund balance of about \$900,000. Funds in the 17% allocation can only be used to fund HMK and the Montana Comprehensive Association (MCHA).

**LFD
ISSUE**Use of Excess Fund Balance

The legislature can use the excess fund balance in the tobacco settlement account to fund increased enrollment costs in the HMK/CHIP program. That action would free up funds in the HMK state special revenue account that could then be used to offset general fund costs for the children in households with incomes up to 100% of the federal poverty level.

The legislature may also wish to consider the future of the MCHA. As of January 1, 2014 persons will be able to purchase health insurance on the online exchanges subject to guaranteed issue, meaning that persons will not be denied coverage due to preexisting conditions.

Health and Medicaid Initiatives

The health and Medicaid initiatives account was established by voter initiative, which raised tobacco taxes and cigarette taxes by \$1 per pack. Uses for the account are established in statute and fund Medicaid, Healthy Montana Kids, Big Sky Rx, and the Insure Montana program (premium assistance and tax credits for small employers who provide group health coverage for their employees). The Insure Montana program is administered by the State Auditor's Office. Figure 11 shows the projected account balance.

Figure 11

Health and Medicaid Initiatives Fund Balance - 2013 Biennium Compared to 2015 Biennium Request Including Elected Official Proposals Tobacco Tax Revenue Dedicated to Health Initiatives					
Fund Balance	Actual	Estimated	Budget Request		% of
Revenue/Expenditures/Elected Official Request	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Fund Balance	\$29,199,806	\$23,070,266	\$10,148,571	\$3,074,737	8.1%
Revenue - Cigarette and Tobacco Tax*	37,383,560	36,580,000	35,927,000	35,105,000	91.9%
Transfer from Older Montanans' Trust (HB 604)	<u>3,166,502</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Total Revenue	69,749,868	59,650,266	46,075,571	38,179,737	100%
Interest Earnings	<u>638,211</u>	<u>59,650</u>	<u>92,151</u>	<u>190,899</u>	
Total Funds Available	70,388,079	59,709,917	46,167,722	38,370,636	
Expenditures					
<u>Medicaid Services</u>					
State Plan Services - Hospitals, Physicians, Prescription Drugs, Dental**	7,869,907	8,058,130	7,869,907	7,869,907	20.6%
Nursing Home Services	5,746,948	6,844,244	5,746,948	5,746,948	15.0%
HIFA Waiver - Adult Mental Health Services	2,402,403	1,843,997	3,918,397	3,965,871	10.4%
Senior/Physically Disabled Waiver	3,092,008	3,476,576	3,092,008	3,092,008	8.1%
Developmental Disability Benefits	2,942,130	2,942,130	2,942,130	2,942,130	7.7%
Mental Health and Chemical Dependency	2,045,955	2,055,711	2,045,955	2,045,955	5.3%
Home-based Services	1,857,206	2,106,888	1,857,206	1,857,206	4.9%
Children's Mental Health Services	1,741,003	1,741,003	1,741,003	1,741,003	4.5%
Adult Mental Health Community Svcs Waiver	1,090,044	1,035,744	1,222,624	1,237,560	3.2%
<u>Other Programs</u>					
Insure Montana Premium Assistance***	7,274,373	6,298,152	3,622,283	(64,037)	-0.2%
Insure Montana Health Insurance Tax Credits**	2,917,736	4,159,099	1,498,190	64,037	0.2%
Big Sky Rx/PharmAssist	4,268,759	4,003,223	4,283,303	4,282,634	11.2%
Healthy Montana Kids/CHIP	3,453,921	3,403,921	3,453,921	3,453,921	9.0%
Insure Montana 95% Restriction/Other Adj.***	523,248	(522,863)	(256,024)	0	0.0%
Mental Health Services Plan	0	2,060,256	0	0	0.0%
Other Services/Administration	<u>92,172</u>	<u>55,134</u>	<u>55,134</u>	<u>55,134</u>	<u>0.1%</u>
Subtotal Expenditures	<u>47,317,813</u>	<u>49,561,345</u>	<u>43,092,985</u>	<u>38,290,277</u>	100.0%
Annual Change	2.4%	4.7%	-13.1%	-11.1%	
Ending Fund Balance	<u>\$23,070,266</u>	<u>\$10,148,571</u>	<u>\$3,074,737</u>	<u>\$80,359</u>	
<u>State Auditor Elected Official Requests</u>					
Reinstate Base Level Funding for Insure Montana			\$5,090,001	\$10,206,715	
Restore 5% Spending Restriction			<u>156,181</u>	<u>156,181</u>	
Subtotal Elected Official Requests			<u>\$5,246,182</u>	<u>\$10,362,896</u>	
Ending Fund Balance With Elected Official Requests***			<u>(\$2,171,445)</u>	<u>(\$13,357,274)</u>	

*Revenue based on estimates developed by LFD staff and presented to the Revenue and Transportation on November 19, 2012.

**FY 2013 estimated costs are based on HB 2 appropriations.

***Insure Montana is eliminated in the Governor's budget. However, the State Auditor has requested continuation and expansion of the program in elected official budget proposals. The Insure Montana 95% Restriction/Other Adjustments account for the 95% statutory spending restriction from Insure Montana appropriations. In the base year, more is transferred to the Insure Montana appropriations than can be expended. In other years, the negative amounts account for the statutorily required reversion from the full appropriation.

The executive budget includes a recommendation to eliminate funding for the Insure Montana program administered by the State Auditor's Office, which results in a positive ending balance. However, the State Auditor has requested that the program continue. Including the elected office request results in the account being overdrawn by \$13.4 million at the end of the biennium. The issues related to the Insure Montana program are discussed in the State Auditor budget analysis in the General Government section of the LFD budget analysis.

The executive budget for DPHHS includes \$3.5 million in increases from the health and Medicaid initiatives account:

- \$3.1 million to annualize the enrollment increases for the mental health HIFA waiver
- \$0.4 million for the mental health home and community based waiver

**LFD
COMMENT**

The Health and Human Services Joint Appropriation Subcommittee may wish to have a joint meeting with the General Government Joint Appropriation Subcommittee to discuss appropriations from this account. If the legislature wishes to continue the Insure Montana program it can consider options such as reducing expenditures in other categories funded from the account or increasing revenues.

Children and Families Interim Committee (SJR 30 Study)

Two bills have been proposed in response to the Senate Joint Resolution 30 Study of Childhood Trauma that if passed would:

- Create an Office of Child and Family Ombudsman and appropriate \$250,000 general fund to the Department of Justice for the biennium. Click to access the bill draft: LCCF04
- Seek Accreditation of Child Protective Services and appropriate \$100,000 general fund to DPHHS for Children and Family Services. Click to access the bill draft: LCCF05

Other proposed legislation includes:

- Authorizing DPHHS to share limited information about an investigation into a report of child abuse or neglect with a mandatory reporter. (presently LC0313.01)
- Appropriating general fund to the DPHHS for FY 2013 for provider rate payments
- Appropriating \$20,000 general fund to the office of public instruction (OPI) each year of the biennium to support grants for new school breakfast programs and \$150,000 general fund to OPI each year of the biennium for reduced-price meals served in a school breakfast program. Both programs would begin July 1, 2013.
- Appropriating \$250,000 of TANF funds to DPHHS for grants to provide children with nutritious food and alleviate childhood hunger.
- Creating a pilot project to reimburse certain Medicaid provider based on performance, creating a "pay-for-performance task force, and pay-for-performance model
- Providing an increase in the amount of recoverable damages and attorney fees relating to the malicious destruction of property by minors
- Revising the fetal, infant, and child mortality act to allow for review of maternal mortality
- Creating a jail suicide prevention program in DPHHS
- Removing obsolete statutory language regarding county government offices and the state offices of public assistance
- Revising involuntary commitment and emergency detention laws
- Revising 72-hour presumptive eligibility requirements for crisis stabilization
- Increasing reimbursement rates for children's medicaid mental health services
- Creating advisory committee on cost-base medicaid mental health rate reimbursement
- Providing for licensure and regulation of mental health peer support specialists
- Revise criminal justice system laws related to mental illnesses

Agency-wide Leases

The lease amounts are shown in the figure on the following page with square footage by program. In FY 2012 total expenditures on leases were \$6.3 million. 70% of the square footage and total expense are incurred in the following cities. The percent of total cost is in parenthesis.

- Helena (25.4%)
- Billings (13.4%)
- Missoula (12.6%)
- Butte (10.2%)
- Great Falls (8%)

Agency-Wide Leases					
Program	Square Feet	2012 Lease Amount	2014 Projected Lease Amount	2015 Projected Lease Amount	FY 2012 Amount by Square Foot
Human and Community Services	\$161,356	\$2,186,032	\$2,462,759	\$2,481,398	\$13.55
Child and Family Services	140,235	1,982,926	2,027,194	2,073,290	14.14
Child Support Enforcement	47,967	707,058	731,820	747,121	14.74
Addictive and Mental Disorders	52,532	553,388	686,089	695,084	10.53
Senior and Long Term Care	24,108	411,626	416,441	424,169	17.07
Disability Services Division	51,734	287,477	305,384	318,109	5.56
Technology Services Division	<u>13,752</u>	<u>198,778</u>	<u>237,767</u>	<u>241,370</u>	<u>14.45</u>
Total	\$491,684	\$6,327,284	\$6,867,454	\$6,980,541	\$12.87

2012 Federal Poverty Level

Figure 12 shows the federal poverty level for 2012 and various levels of poverty.

Figure 12

2012 Federal Poverty Index													
Levels of Poverty by Family Size													
Family Size	Percent of FPL 2012												
	30%	33%	40%	100%	133%	138%	150%	175%	185%	200%	250%	300%	350%
1	\$3,351	\$3,686	\$4,468	\$11,170	\$14,856	\$20,501	\$16,755	\$19,548	\$20,665	\$22,340	\$27,925	\$33,510	\$39,095
2	\$4,539	\$4,993	\$6,052	\$15,130	\$20,123	\$27,770	\$22,695	\$26,478	\$27,991	\$30,260	\$37,825	\$45,390	\$52,955
3	\$5,727	\$6,300	\$7,636	\$19,090	\$25,390	\$35,038	\$28,635	\$33,408	\$35,317	\$38,180	\$47,725	\$57,270	\$66,815
4	\$6,915	\$7,607	\$9,220	\$23,050	\$30,657	\$42,306	\$34,575	\$40,338	\$42,643	\$46,100	\$57,625	\$69,150	\$80,675
5	\$8,103	\$8,913	\$10,804	\$27,010	\$35,923	\$49,574	\$40,515	\$47,268	\$49,969	\$54,020	\$67,525	\$81,030	\$94,535
6	\$9,291	\$10,220	\$12,388	\$30,970	\$41,190	\$56,842	\$46,455	\$54,198	\$57,295	\$61,940	\$77,425	\$92,910	\$108,395
7	\$10,479	\$11,527	\$13,972	\$34,930	\$46,457	\$64,111	\$52,395	\$61,128	\$64,621	\$69,860	\$87,325	\$104,790	\$122,255
8	\$11,667	\$12,834	\$15,556	\$38,890	\$51,724	\$71,379	\$58,335	\$68,058	\$71,947	\$77,780	\$97,225	\$116,670	\$136,115

Family Size	Monthly Earnings 2012 FPL												
	30%	33%	40%	100%	133%	138%	150%	175%	185%	200%	250%	300%	350%
1	\$279	\$307	\$372	\$931	\$1,238	\$1,708	\$1,396	\$1,629	\$1,722	\$1,862	\$2,327	\$2,793	\$3,258
2	\$378	\$416	\$504	\$1,261	\$1,677	\$2,314	\$1,891	\$2,206	\$2,333	\$2,522	\$3,152	\$3,783	\$4,413
3	\$477	\$525	\$636	\$1,591	\$2,116	\$2,920	\$2,386	\$2,784	\$2,943	\$3,182	\$3,977	\$4,773	\$5,568
4	\$576	\$634	\$768	\$1,921	\$2,555	\$3,525	\$2,881	\$3,361	\$3,554	\$3,842	\$4,802	\$5,763	\$6,723
5	\$675	\$743	\$900	\$2,251	\$2,994	\$4,131	\$3,376	\$3,939	\$4,164	\$4,502	\$5,627	\$6,753	\$7,878
6	\$774	\$852	\$1,032	\$2,581	\$3,433	\$4,737	\$3,871	\$4,516	\$4,775	\$5,162	\$6,452	\$7,743	\$9,033
7	\$873	\$961	\$1,164	\$2,911	\$3,871	\$5,343	\$4,366	\$5,094	\$5,385	\$5,822	\$7,277	\$8,733	\$10,188
8	\$972	\$1,069	\$1,296	\$3,241	\$4,310	\$5,948	\$4,861	\$5,671	\$5,996	\$6,482	\$8,102	\$9,723	\$11,343