

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 | 55.00 | 55.00 | 55.00 | 55.00 | 55.00 | 55.00 | 0.00 | 0.00% |
| Personal Services | 2,679,990 | 3,317,996 | 3,300,874 | 3,301,113 | 5,997,986 | 6,601,987 | 604,001 | 10.07% |
| Operating Expenses | 7,946,429 | 8,246,012 | 8,644,559 | 8,777,561 | 16,192,441 | 17,422,120 | 1,229,679 | 7.59% |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n/a |
| Benefits & Claims | 550,752,377 | 646,663,466 | 616,579,842 | 656,655,487 | 1,197,415,843 | 1,273,235,329 | 75,819,486 | 6.33% |
| Total Costs | \$561,378,796 | \$658,227,474 | \$628,525,275 | \$668,734,161 | \$1,219,606,270 | \$1,297,259,436 | \$77,653,166 | 6.37% |
| General Fund | 109,441,719 | 127,348,230 | 128,566,340 | 137,489,937 | 236,789,949 | 266,056,277 | 29,266,328 | 12.36% |
| State Special | 68,580,290 | 72,329,622 | 66,684,421 | 69,080,738 | 140,909,912 | 135,765,159 | (5,144,753) | (3.65%) |
| Federal Special | 383,356,787 | 458,549,622 | 433,274,514 | 462,163,486 | 841,906,409 | 895,438,000 | 53,531,591 | 6.36% |
| Total Funds | \$561,378,796 | \$658,227,474 | \$628,525,275 | \$668,734,161 | \$1,219,606,270 | \$1,297,259,436 | \$77,653,166 | 6.37% |

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (formerly the Children's Health Insurance Program), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children, and low-income families.

The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty.

Big Sky Rx is a state funded program that helps Montanans who are at or below 200% of poverty and eligible for the Medicare Part D prescription drug program to pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

Program Highlights

| Health Resources Division Major Budget Highlights |
|--|
| <ul style="list-style-type: none"> ◆ The HRD 2015 biennium budget is \$77.7 million greater than the 2013 biennium ◆ The specific adjustments the legislature will consider total \$154.5 million because the changes are added to the FY 2012 base budget, which is significantly lower than FY 2013 appropriated level ◆ The major adjustments the legislature will consider are: <ul style="list-style-type: none"> • \$49.8 million in enrollment and per child cost increases for two components of Healthy Montana Kids that provide services to children from the highest income families • \$30.1 million in federal funds for pass through payments for Medicaid services provided by Indian Health Services and schools • \$25.0 million total including \$5.8 million general fund for Medicaid hospital and clinic services • \$16.1 million total funds, including \$2.5 million general fund for physician, mid-level practitioner, care management and other Medicaid services grouped in the managed care category • \$12.5 million for pharmacy services • Projected enrollment and per child cost increases in the Healthy Montana Kids program • \$15.1 million including \$4.6 million general fund for a 2% annual provider rate increase ◆ 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

- ◆ The Medicaid present law budget request does not include the cost impacts related to Medicaid eligibility changes and reductions to disproportionate share hospital (DSH) payments that are implemented by the Patient Protection and Affordable Care Act
- ◆ Although there is a projected ending fund balance of \$2.7 million in the state special revenue account that funds the Healthy Montana Kids (HMK) program it is insufficient to fund a 2% provider rate increase and it appears that the executive budget does not include a 2% rate increase for the HMK program
- ◆ It is not possible to determine whether the executive budget includes the statutorily required provider reimbursement increases for Medicaid funded physician services
- ◆ Due to the delayed receipt of documentation supporting the executive budget request, staff was unable to reconcile the projected Medicaid caseload estimate with the amounts included in the executive budget request
- ◆ 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:
 - Hospital
 - Physician
 - Medicare buy in
 - Mid level practitioners
 - Pharmacy
 - Indian Health Services
- ◆ Base budget Medicaid services costs include \$7.5 million in payments to settle two lawsuits, including \$3.0 million general fund to settle the Southe Point office space development lawsuit

Program Discussion

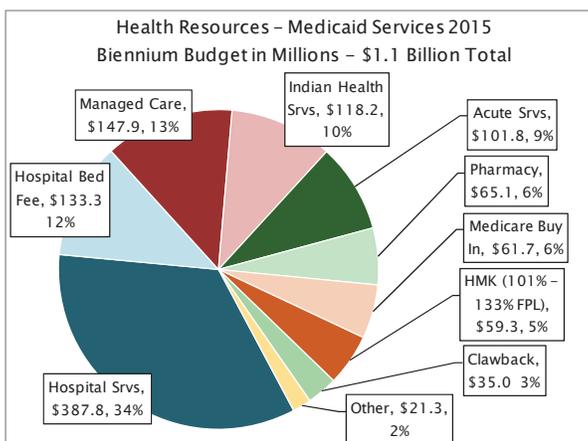
The 2015 biennium HRD budget grows \$77.7 million compared to the 2013 biennium due to:

- Projected increases in Medicaid enrollment and service utilization
- Higher enrollment and service utilization in HMK
- New proposals for a 2% annual provider rate increase and additional services for the HMK/Children's Health Insurance Program (CHIP) service package

The majority – 84% - of the HRD budget funds health services for persons enrolled in Medicaid (see Figure 1). There were about 105,000 persons eligible for Medicaid services in FY 2012. (See the appendix for a more detailed breakout of the HRD 2013 biennium budget compared to the 2015 biennium executive budget request.)

Figure 2 shows the FY 2015 Medicaid services request by major function, including one component of HMK (services for children in families with incomes from 101% of the federal poverty level (FPL) to 133% FPL). Hospital services are the largest expenditure with \$387.8 million or just over a third of the total. Combining the Medicaid reimbursement provided by the \$50 per day fee levied on each inpatient hospital bed that is used as state matching funds to draw down additional federal Medicaid match, total hospital reimbursement grows to \$521.1 million or just under one half of the total. (See the appendix for more detailed information showing the FY 2012 base budget for Medicaid services administered by HRD compared to the 2015 biennium budget request.)

Figure 2



The clawback is a 100% general fund payment to reimburse the federal government for savings to state Medicaid programs when Medicare Part D prescription drug coverage was implemented. Previously, Medicaid had paid the drug costs for dual eligibles. When Medicare assumed those costs, the federal government required states to repay a portion of the state Medicaid savings.

School based services are payments to schools that provide Medicaid eligible services to Medicaid eligible students. The payment is 100% federally funded since schools pay the state share of costs from state funds budgeted for schools. A second much larger component of school based services is funded in the Developmental Services Division and pays for children’s mental health Medicaid services provided by schools.

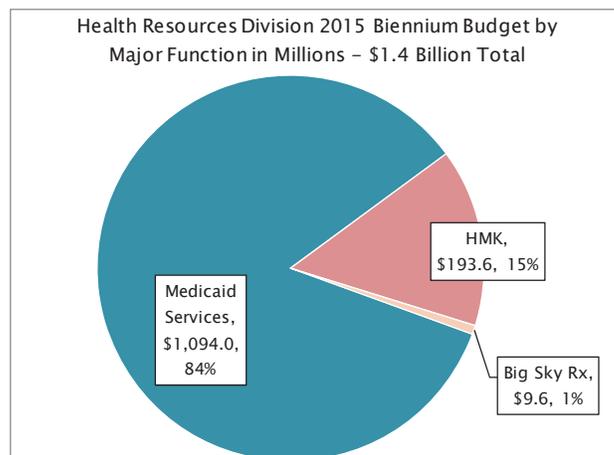
Breast and cervical cancer is an array of services provided to persons who are screened through the federally funded breast and cervical cancer program administered by the Public Health and Safety Division. Cancer treatment services and a limited array of other physical health services are provided. These services received an enhanced federal Medicaid match rate.

Medicaid Services Budget Request Compared to Base Budget

Figure 3 shows the base budget by Medicaid service compared to the executive budget request. Base budget expenditures total \$448.9 million compared to the executive request of:

- o \$549.4 million in FY 2014
- o \$585.6 million in FY 2015

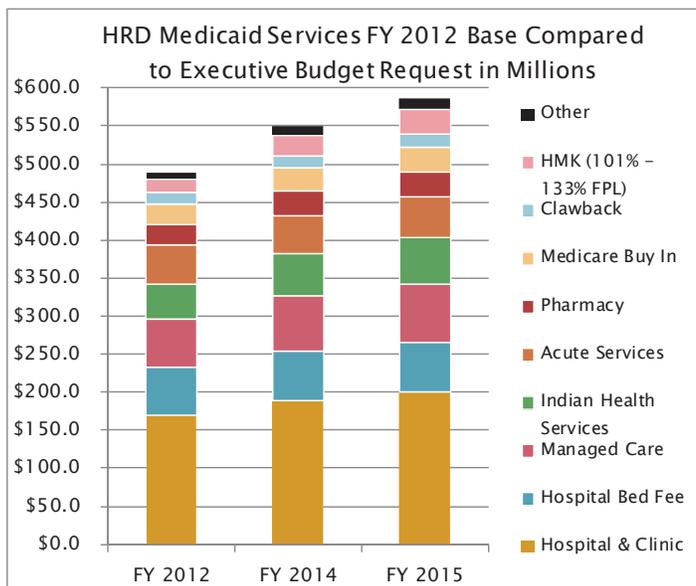
Figure 1



Managed care services – primarily physician services – is 13% or \$147.9 million and reimbursements to Indian Health Services providers is \$118.2 million. Acute services is \$101.8 million and includes services such as physical, occupational, and speech therapy, dental, private nursing, durable medical equipment, and transportation. Pharmacy is about 6% of the total and a portion of the cost - \$91.2 million - is offset by rebates from drug manufacturers as a condition of participation in the Medicaid program.

The Medicare buy-in pays for Medicare co-payments for individuals who are eligible for both Medicaid and Medicare. (dual eligibles). Medicare then becomes the primary payer, offsetting costs that would otherwise be borne by the Medicaid program.

Figure 3



The executive request adds \$118.6 million for anticipated enrollment and service utilization growth and \$14.0 million for a 2% annual provider rate increase. There is further discussion in the present law and new proposals section of this narrative.

LFD ISSUE

Effect of the Patient Protection and Affordable Care Act

As discussed in the agency narrative, if the Patient Protection and Affordable Care Act (ACA) is implemented without substantial amendment it will require several changes to state Medicaid programs that may materially impact current level, present law Medicaid costs, including:

- Requiring states to increase primary care physician rates to the Medicare rate
- Phasing out disproportionate share hospital (DSH) payments that help offset the cost of charity care
- Extending Medicaid eligibility to fostercare children to age 26
- Changing eligibility for nondisabled, nonpregnant persons 19 to 64 by:
 - Requiring eligibility to be based on consideration of modified adjusted gross income (MAGI) and eliminating consideration of assets
 - Requiring states to add a 5% income disregard

LFD staff requested information on the mandatory changes required by PACA including the estimate cost to the Montana Medicaid program for:

- The increase due to persons who are currently eligible but not enrolled in Medicaid
- The increase due to persons who will become eligible due to the 5% income disregard and discontinuation of consideration of assets
- The reduction in DSH payments
- The amount added to Medicaid costs for the increase in physician rates

The executive provided the estimate of the fiscal impact for LC0900, the bill to implement the optional Medicaid expansion in response to LFD questions. However, that estimate did not include estimates for:

- The cost of adults who would become eligible for Medicaid due to changes required by ACA
- The savings for some state funded programs due to the changes
- The phased-in reduction of DSH payments
- The physician rate increase

The legislature may wish to request that DPHHS provide its estimate and supporting documentation for the cost increases and savings that will occur in Medicaid as required by ACA prior to establishing the appropriation for Medicaid caseload adjustments.

LFD ISSUE \$9.1 Million of General Fund Appropriated for Medicaid Services Used for Other Purposes

In FY 2012, DPHHS used a significant amount of general fund originally appropriated for Medicaid services for other uses throughout the department. The issue and options for legislative consideration are discussed in the agency overview.

Healthy Montana Kids

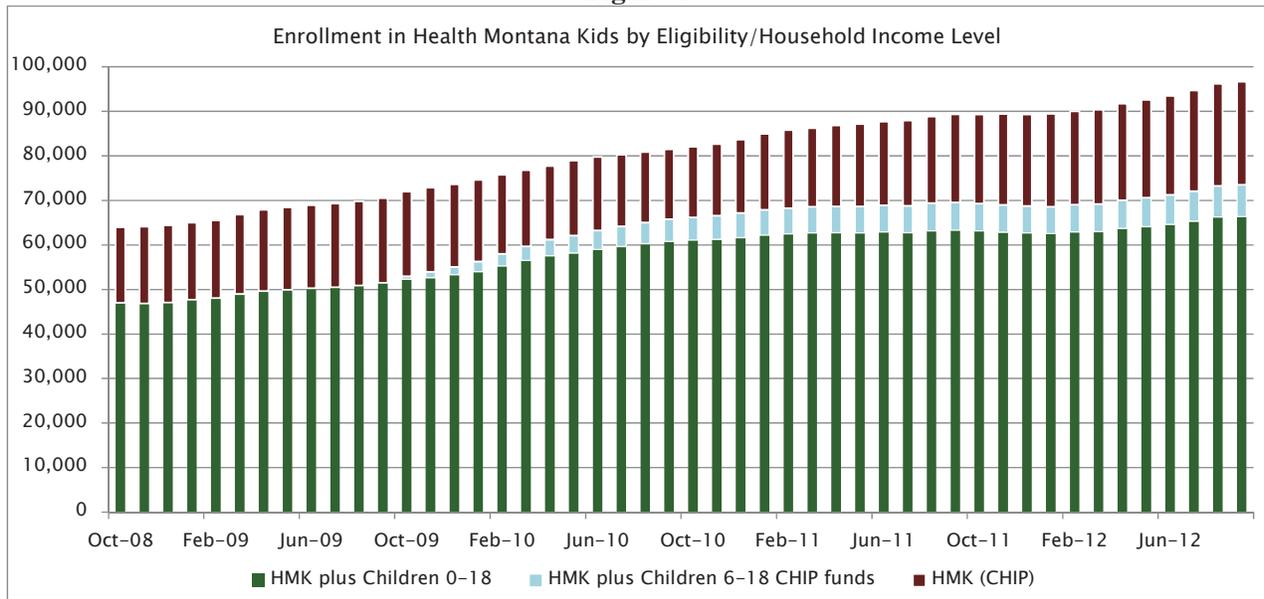
About 7% of the 2015 biennium budget request supports services funded from the federal CHIP grant for 30,000 of the 96,000 children enrolled in HMK.

HMK services and funding are tracked by major eligibility component. Figure 4 shows the 3 major groups for children in families by household income as a percentage of the federal poverty level (FPL):

- HMK Plus - under 100% FPL
- HMK Plus CHIP Funded Group - 101% to 133% FPL
- HMK CHIP – 134% to 250% FPL

Figure 4 shows total enrollment in HMK since it was enacted by voter initiative in November 2008. (A more detailed graph is included in the appendix.) The majority of enrollment (69%) is HMK Plus or children in families with the lowest household income. Issues related to the HMK budget are discussed in the following funding section and in conjunction with the executive budget request to expand present law appropriations.

Figure 4



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 - Health Resources Division | | | | | | | |
|--|-----------------|-------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds | HB 2 | Non- | | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| | | Budgeted Proprietary | Statutory Appropriation | | | | |
| General Fund | \$266,056,277 | \$0 | \$0 | \$266,056,277 | 20.5% | | |
| State Special Total | \$135,765,159 | \$0 | \$0 | \$135,765,159 | 10.5% | | |
| 02053 Medicaid Nursing Home Match | \$123,019 | \$0 | \$0 | \$123,019 | 0.0% | | |
| 02142 Medicaid Third Party Revenue | \$1,604,792 | \$0 | \$0 | \$1,604,792 | 0.1% | | |
| 02164 Mt Univ System Grad Med Ed | \$636,188 | \$0 | \$0 | \$636,188 | 0.0% | | |
| 02311 6901-02 Indret Activty Prog 11 | \$63,734 | \$0 | \$0 | \$63,734 | 0.0% | | |
| 02597 Montana Healthy Kids Initiative | \$40,421,204 | \$0 | \$0 | \$40,421,204 | 3.1% | | |
| 02772 Tobacco Hlth & Mediced Initiative | \$32,291,953 | \$0 | \$0 | \$32,291,953 | 2.5% | | |
| 02789 6901-chip/mcha Tobacco Sett Fd | \$7,606,161 | \$0 | \$0 | \$7,606,161 | 0.6% | | |
| 02987 Tobacco Interest | \$8,010,132 | \$0 | \$0 | \$8,010,132 | 0.6% | | |
| 02989 69010-hospital Utilization Fee | \$45,007,976 | \$0 | \$0 | \$45,007,976 | 3.5% | | |
| Federal Special Total | \$895,438,000 | \$0 | \$0 | \$895,438,000 | 69.0% | | |
| 03426 Chip Program Fed | \$147,785,599 | \$0 | \$0 | \$147,785,599 | 11.4% | | |
| 03580 6901-93.778 - Med Adm 50% | \$11,908,559 | \$0 | \$0 | \$11,908,559 | 0.9% | | |
| 03582 93.778 - Med Ben 100% | \$118,182,732 | \$0 | \$0 | \$118,182,732 | 9.1% | | |
| 03611 6901-03 Indret Activty Prog 11 | \$573,656 | \$0 | \$0 | \$573,656 | 0.0% | | |
| Total All Funds | \$1,297,259,436 | \$0 | \$0 | \$1,297,259,436 | 100.0% | | |
| Percent - Total All Sources | 100.0% | 0.0% | 0.0% | | | | |

HRD is funded from general fund, state special revenue, and federal funds. Figure 5 shows each funding source and the program that it supports as well as the amount included in the 2015 biennium budget request. All but two state funding sources are used for state Medicaid matching funds, while five fund the state match for the federal CHIP grant, and Big Sky Rx is supported by a single funding source. Tobacco tax health and Medicaid initiatives state special revenue supports all three major programs.

Figure 5

| Funding Sources Supporting HRD by Major Function and 2015 Biennial Amount in Millions | | | | | |
|---|----------|------|---------------|--------------------|---------------|
| Fund | Medicaid | | Big Sky Rx | Biennial Amount | % of Total |
| | Services | CHIP | | | |
| General Fund | X | X | | \$266.1 | 20.5% |
| State Special Revenue | | | | | |
| County Ambulance Funds | X | | | 0.1 | 0.0% |
| Insurance Premium Tax - Montana Healthy Kids | X | X | | 40.4 | 3.1% |
| Hospital Utilization Fee | X | | | 45.0 | 3.5% |
| MT University System Graduate Med Ed | X | | | 0.6 | 0.0% |
| Third Party Reimbursement | X | | | 1.6 | 0.1% |
| Tobacco Settlement Revenue | | X | | 7.6 | 0.6% |
| Tobacco Settlement Trust Interest | X | X | | 8.0 | 0.6% |
| Tobacco Tax - Health and Medicaid Initiatives | X | X | X | 32.3 | 2.5% |
| Overhead Costs Allocated Among Funding Sources | X | X | X | 0.1 | 0.0% |
| Federal Special Revenue | | | | | |
| Medicaid Administrative Match | X | | | 11.9 | 0.9% |
| Medicaid Entitlement Funds - Services Match | X | | | 735.2 | 56.7% |
| CHIP Federal Grant | X | X | | 147.7 | 11.4% |
| Overhead Costs Allocated Among Funding Sources | X | X | X | 0.6 | 0.0% |
| Total | | | | \$1,297.2 | 100.0% |

Compared to the base budget doubled, major general fund increases are:

- o State Medicaid match for services and administration - \$41.5 million
- o State match for the federal CHIP grant - \$5.0 million

Compared to the base budget doubled, major increases in state special revenue are:

- o Insurance premium tax used as state match for HMK, including the federal CHIP grant and federal Medicaid funds - \$8.6 million
- o Hospital utilization fees used as state Medicaid match - \$2.5 million
- o Tobacco settlement trust fund interest used as state Medicaid match for hospital services - \$2.3 million
- o Cost increases for Big Sky Rx premium assistance and program administration - \$1.1 million

**LFD
ISSUE**

HMK State Special Revenue Excess Fund Balance

Figure 6 shows the fund balance for the insurance premium tax allocated to HMK for the 2013 biennium budget and the 2015 biennium executive budget request. There is additional revenue in the account that could be used to partially fund a 2% provider rate increase for HMK or to offset the general fund cost of Medicaid services for the HMK Plus (lowest income group) by up to \$2.7 million.

Figure 6

| Healthy Montana Kids State Special Revenue Fund Balance | | | | | |
|---|--------------------|-------------------|-----------------------|--------------------|-------------|
| 2011 Biennium Appropriations and 2013 Biennium Estimate | | | | | |
| Fund Balance | 2013 Biennium | | 2015 Biennium Request | | Biennial |
| Revenue/Expenditures | Base | FY 2013* | FY 2014 | FY 2015 | % Total |
| Beginning Fund Balance | \$16,778,785 | \$9,146,661 | \$480,416 | \$1,557,922 | 4.0% |
| Revenue - Insurance License Tax** | <u>10,400,655</u> | <u>11,055,526</u> | <u>23,039,843</u> | <u>23,964,483</u> | 92.9% |
| Total Revenue | 27,179,440 | 20,202,187 | 23,520,259 | 25,522,405 | 96.9% |
| Estimated Interest Earnings | <u>543,589</u> | <u>20,202</u> | <u>282,243</u> | <u>1,276,120</u> | <u>3.1%</u> |
| Total Funds Available | \$27,723,029 | \$20,222,389 | \$23,802,502 | \$26,798,525 | 100.0% |
| Expenditures** | | | | | |
| Medicaid Services (Under 100% FPL) | 9,451,640 | 6,787,870 | 9,451,238 | 9,626,463 | 41.1% |
| HMK Benefits (101% - 250% FPL) | 6,278,128 | 11,094,692 | 9,763,763 | 11,381,873 | 45.6% |
| Children's Mental Health | 1,154,754 | 78,917 | 1,154,754 | 1,154,754 | 5.0% |
| HMK Direct Administration | 81,107 | 89,218 | 98,986 | 98,881 | 0.4% |
| Indirect Administrative Costs | <u>1,610,739</u> | <u>1,691,276</u> | <u>1,775,840</u> | <u>1,864,632</u> | <u>7.9%</u> |
| Total Expenditures | <u>18,576,368</u> | <u>19,741,973</u> | <u>22,244,581</u> | <u>24,126,603</u> | <u>100%</u> |
| Ending Fund Balance | <u>\$9,146,661</u> | <u>\$480,416</u> | <u>\$1,557,922</u> | <u>\$2,671,922</u> | |

*FY 2013 amounts are the HB 2 appropriations with one adjustment. In FY 2012 HMK administrative staff was transferred from HRD to Human and Community Services Division, which lowered HMK direct administrative costs and increased indirect administrative costs.

**Revenue based on LFD staff estimates presented to the Revenue and Transportation Interim Committee on November 19, 2012. Beginning in FY 2014, insurance premium tax proceeds allocated to the Healthy Montana Kids state special revenue account increases from 6.67% to 33.0%.

These issues and options for legislative consideration are discussed further in relationship to the executive request for increased present law spending for HMK and for the new proposal to raise provider rates.

Despite increases in most state revenue fund sources, a reduction of \$17.0 million in one-time funding from the Medicaid reserve account results in a net overall reduction in state special revenue. Medicaid reserve funds accrued from a small portion of the temporary increase in the federal Medicaid match rate authorized by the American Reinvestment and Recovery Act of 2009.

Compared to the base budget doubled federal funds increase due to:

- o Medicaid matching funds for increased enrollment, service utilization, and program administration and a higher federal match rate - \$87.5 million
- o CHIP federal grant funds - \$39.4 million

| | |
|---|-----------------------------------|
| LFD ISSUE | <u>CHIP Funding Authorization</u> |
| The CHIP program is federally authorized through 2019. However, federal funding for the program is funded through 2015 only. The legislature may wish to ask DPHHS to discuss the implications of this dichotomy. | |

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 | 109,441,719 | 109,441,719 | 218,883,438 | 82.27% | 561,378,796 | 561,378,796 | 1,122,757,592 | 86.55% |
| Statewide PL Adjustments | 271,568 | 270,075 | 541,643 | 0.20% | 745,010 | 739,794 | 1,484,804 | 0.11% |
| Other PL Adjustments | 16,879,396 | 24,183,212 | 41,062,608 | 15.43% | 59,896,889 | 94,959,067 | 154,855,956 | 11.94% |
| New Proposals | 1,973,657 | 3,594,931 | 5,568,588 | 2.09% | 6,504,580 | 11,656,504 | 18,161,084 | 1.40% |
| Total Budget | \$128,566,340 | \$137,489,937 | \$266,056,277 | | \$628,525,275 | \$668,734,161 | \$1,297,259,436 | |

The majority of the executive budget request for HRD supports continuation of present law services. A new proposal to increase provider rates by 2% annually is just over 1% of the total. Present law adjustments fund increases in enrollment and service utilization for Medicaid services, HMK, and, to a lesser degree, Big Sky Rx account for the vast majority of the present law adjustments, which total 12% of the 2015 biennium request. General fund changes are driven by Medicaid enrollment and service utilization changes and the proposed provider rate increase.

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 | | | | 758,421 | | | | | 758,672 | |
| Vacancy Savings | | | | (137,537) | | | | | (137,549) | |
| Inflation/Deflation | | | | 102 | | | | | 243 | |
| Fixed Costs | | | | 124,024 | | | | | 118,428 | |
| Total Statewide Present Law Adjustments | \$271,568 | \$52,664 | \$420,778 | \$745,010 | | \$270,075 | \$57,204 | \$412,515 | \$739,794 | |
| DP 11201 - Med Ben Core Caseload Physical Health | 0.00 | 8,028,589 | 1,202,882 | 18,273,153 | 27,504,624 | 0.00 | 12,525,719 | 1,922,071 | 28,525,488 | 42,973,278 |
| DP 11202 - Med Ben Other Caseload Medicare Buy-In | 0.00 | 670,733 | 0 | 1,317,803 | 1,988,536 | 0.00 | 1,287,459 | 0 | 2,523,845 | 3,811,304 |
| DP 11203 - Med Ben Federal Caseload Physical Health | 0.00 | 0 | 0 | 11,978,152 | 11,978,152 | 0.00 | 0 | 0 | 18,115,282 | 18,115,282 |
| DP 11204 - Med Ben Other Caseload Clawback | 0.00 | 1,546,845 | 0 | 0 | 1,546,845 | 0.00 | 2,643,582 | 0 | 0 | 2,643,582 |
| DP 11206 - Med Ben Other Caseload Hospital Utilization Fee | 0.00 | 0 | 1,349,987 | 2,652,347 | 4,002,334 | 0.00 | 0 | 1,351,988 | 2,650,346 | 4,002,334 |
| DP 11208 - HMK Medicaid CHIP Funded Caseload | 0.00 | 0 | 2,022,077 | 6,535,170 | 8,557,247 | 0.00 | 0 | 3,624,219 | 11,706,657 | 15,330,876 |
| DP 11209 - HMK Caseload | 0.00 | 1,689,730 | 936,338 | 8,487,215 | 11,113,283 | 0.00 | 2,613,601 | 889,886 | 11,316,681 | 14,820,168 |
| DP 11211 - Med Ben SSR Hold Harmless Adjustment | 0.00 | 8,492,260 | (8,492,260) | 0 | 0 | 0.00 | 8,492,260 | (8,492,260) | 0 | 0 |
| DP 11212 - Big Sky RX Caseload | 0.00 | 0 | 539,180 | 0 | 539,180 | 0.00 | 0 | 539,180 | 0 | 539,180 |
| DP 11221 - One-Time Settlement Costs | 0.00 | (4,536,911) | 0 | (2,998,089) | (7,535,000) | 0.00 | (4,536,911) | 0 | (2,998,089) | (7,535,000) |
| DP 11401 - Med Ben Core FMAP Physical Health | 0.00 | 663,642 | (292) | (663,350) | 0 | 0.00 | 843,538 | (201) | (843,337) | 0 |
| DP 11402 - Med Ben Other FMAP Physical Health | 0.00 | 277,600 | (100,266) | (177,334) | 0 | 0.00 | 267,056 | (68,933) | (198,123) | 0 |
| DP 11403 - HMK Medicaid CHIP Funded FMAP | 0.00 | 0 | 528,360 | (528,360) | 0 | 0.00 | 0 | 530,100 | (530,100) | 0 |
| DP 11404 - HMK FMAP | 0.00 | 0 | (9,638) | 9,638 | 0 | 0.00 | 0 | (4,571) | 4,571 | 0 |
| DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust | 0.00 | 0 | 0 | 107,872 | 107,872 | 0.00 | 0 | 0 | 164,247 | 164,247 |
| DP 11602 - Med Admin CPI Contractual Inflationary Adjust | 0.00 | 46,908 | 0 | 46,908 | 93,816 | 0.00 | 46,908 | 0 | 46,908 | 93,816 |
| Total Other Present Law Adjustments | 0.00 | \$16,879,396 | (\$2,023,632) | \$45,041,125 | \$59,896,889 | 0.00 | \$24,183,212 | \$291,479 | \$70,484,376 | \$94,959,067 |
| Grand Total All Present Law Adjustments | 0.00 | \$17,150,964 | (\$1,970,968) | \$45,461,903 | \$60,641,899 | 0.00 | \$24,453,287 | \$348,683 | \$70,896,891 | \$95,698,861 |

New Proposals

| Program | -----Fiscal 2014----- | | | | | -----Fiscal 2015----- | | | | | |
|---|-----------------------|--------------------|-----------------|--------------------|--------------------|-----------------------|--------------------|------------------|--------------------|---------------------|-----------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| DP 11217 - Transportation for Deceased Clients (Requires Legislation) | 11 | 0.00 | 53,933 | 0 | 0 | 53,933 | 0.00 | 53,933 | 0 | 0 | 53,933 |
| DP 11218 - HMK Additional Services | 11 | 0.00 | 356,117 | 0 | 1,126,469 | 1,482,586 | 0.00 | 382,356 | 0 | 1,189,184 | 1,571,540 |
| DP 11901 - Provider Rate Increase - HMK Group | 11 | 0.00 | 0 | 28,360 | 91,656 | 120,016 | 0.00 | 0 | 57,311 | 185,122 | 242,433 |
| DP 11902 - Provider Rate Increase - Medicaid Core | 11 | 0.00 | 1,563,607 | 0 | 3,086,642 | 4,650,249 | 0.00 | 3,158,642 | 0 | 6,230,405 | 9,389,047 |
| DP 11903 - PRI-HMK Medicaid CHIP-Funded Group | 11 | 0.00 | 0 | 46,739 | 151,057 | 197,796 | 0.00 | 0 | 94,454 | 305,097 | 399,551 |
| Total | 0.00 | \$1,973,657 | \$75,099 | \$4,455,824 | \$6,504,580 | 0.00 | \$3,594,931 | \$151,765 | \$7,909,808 | \$11,656,504 | |

Sub-Program Details

MEDICAID 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 | 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 | 45.00 | 0.00 | 0.00 | 45.00 | 0.00 | 0.00 | 45.00 | 45.00 |
| Personal Services | 2,216,718 | 551,511 | 0 | 2,768,229 | 552,534 | 0 | 2,769,252 | 5,537,481 |
| Operating Expenses | 6,062,186 | 295,448 | 0 | 6,357,634 | 347,715 | 0 | 6,409,901 | 12,767,535 |
| Benefits & Claims | 479,014,175 | 39,485,491 | 4,704,182 | 523,203,848 | 64,010,780 | 9,442,980 | 552,467,935 | 1,075,671,783 |
| Total Costs | \$487,293,079 | \$40,332,450 | \$4,704,182 | \$532,329,711 | \$64,911,029 | \$9,442,980 | \$561,647,088 | \$1,093,976,799 |
| General Fund | 106,982,702 | 15,459,809 | 1,617,540 | 124,060,051 | 21,838,295 | 3,212,575 | 132,033,572 | 256,093,623 |
| State/Other Special | 50,792,630 | (6,037,252) | 0 | 44,755,378 | (5,284,652) | 0 | 45,507,978 | 90,263,356 |
| Federal Special | 329,517,747 | 30,909,893 | 3,086,642 | 363,514,282 | 48,357,386 | 6,230,405 | 384,105,538 | 747,619,820 |
| Total Funds | \$487,293,079 | \$40,332,450 | \$4,704,182 | \$532,329,711 | \$64,911,029 | \$9,442,980 | \$561,647,088 | \$1,093,976,799 |

Sub-Program Description

The Medicaid program manages state plan Medicaid services, which are those that most closely resemble services provided in a private insurance plan. Examples of services administered by the Medicaid program are:

- o Hospital and clinic
- o Physician
- o Pharmacy
- o Occupational, speech, and physical therapy
- o Transportation

The program also provides federal reimbursement to Indian Health Services (I.H.S.) and schools for Medicaid services provided to Medicaid eligible enrollees. An average of 104,976 Montanans were eligible for Medicaid in FY 2012.

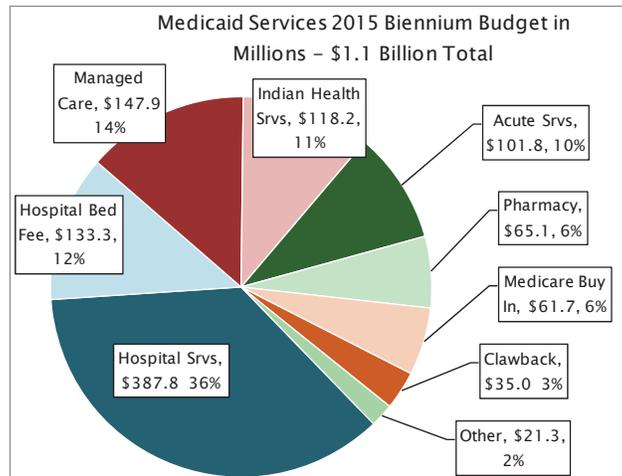
Sub-Program Overview

The Medicaid Services sub-program 2015 biennium budget request increases \$119.4 million over the FY 2012 base budget (doubled) due to:

- o \$88.5 million total funds (\$26.7 million general fund) for higher enrollment and increased service utilization
- o \$30.1 million in federal Medicaid funds for increases in Indian Health Services (I.H.S.) and school based services
- o \$12.5 million (\$4.8 million general fund) for a 2% annual provider rate increase
- o A reduction of \$15.1 million total funds (\$9.1 million general fund) due to removal of lawsuit settlement costs recorded as Medicaid services expenditures in the FY 2012 base budget

Figure 7 shows the services funded in the Medicaid services function. Hospital and clinic services are the largest with component. (See the appendix for a table showing the FY 2012 base budget compared to the executive request for each Medicaid service.

Figure 7



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 | 106,982,702 | 106,982,702 | 213,965,404 | 83.55% | 487,293,079 | 487,293,079 | 974,586,158 | 89.09% |
| Statewide PL Adjustments | 270,143 | 268,684 | 538,827 | 0.21% | 645,271 | 642,186 | 1,287,457 | 0.12% |
| Other PL Adjustments | 15,189,666 | 21,569,611 | 36,759,277 | 14.35% | 39,687,179 | 64,268,843 | 103,956,022 | 9.50% |
| New Proposals | 1,617,540 | 3,212,575 | 4,830,115 | 1.89% | 4,704,182 | 9,442,980 | 14,147,162 | 1.29% |
| Total Budget | \$124,060,051 | \$132,033,572 | \$256,093,623 | | \$532,329,711 | \$561,647,088 | \$1,093,976,799 | |

The majority of the Medicaid services request supports continuation of present law services. A single new proposal supports a 2% annual provider rate increase. Adjustments for anticipated enrollment and service utilization increases are about 10% of the total.

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 | | | | | 666,854 | | | | | 667,923 |
| Vacancy Savings | | | | | (115,343) | | | | | (115,389) |
| Inflation/Deflation | | | | | 72 | | | | | 186 |
| Fixed Costs | | | | | 93,688 | | | | | 89,466 |
| Total Statewide Present Law Adjustments | | \$270,143 | \$2,697 | \$372,431 | \$645,271 | | \$268,684 | \$2,683 | \$370,819 | \$642,186 |
| DP 11201 - Med Ben Core CLoad Physical Health | 0.00 | 8,028,589 | 1,202,882 | 18,273,153 | 27,504,624 | 0.00 | 12,525,719 | 1,922,071 | 28,525,488 | 42,973,278 |
| DP 11202 - Med Ben Other CLoad Medicare Buy-In | 0.00 | 670,733 | 0 | 1,317,803 | 1,988,536 | 0.00 | 1,287,459 | 0 | 2,523,845 | 3,811,304 |
| DP 11203 - Med Ben Federal CLoad Physical Health | 0.00 | 0 | 0 | 11,978,152 | 11,978,152 | 0.00 | 0 | 0 | 18,115,282 | 18,115,282 |
| DP 11204 - Med Ben Other CLoad Clawback | 0.00 | 1,546,845 | 0 | 0 | 1,546,845 | 0.00 | 2,643,582 | 0 | 0 | 2,643,582 |
| DP 11206 - Med Ben Other CLoad Hospital Utilization Fee | 0.00 | 0 | 1,349,987 | 2,652,347 | 4,002,334 | 0.00 | 0 | 1,351,988 | 2,650,346 | 4,002,334 |
| DP 11211 - Med Ben SSR Hold Harmless Adjustment | 0.00 | 8,492,260 | (8,492,260) | 0 | 0 | 0.00 | 8,492,260 | (8,492,260) | 0 | 0 |
| DP 11221 - One-Time Settlement Costs | 0.00 | (4,536,911) | 0 | (2,998,089) | (7,535,000) | 0.00 | (4,536,911) | 0 | (2,998,089) | (7,535,000) |
| DP 11401 - Med Ben Core FMAP Physical Health | 0.00 | 663,642 | (292) | (663,350) | 0 | 0.00 | 843,538 | (201) | (843,337) | 0 |
| DP 11402 - Med Ben Other FMAP Physical Health | 0.00 | 277,600 | (100,266) | (177,334) | 0 | 0.00 | 267,056 | (68,933) | (198,123) | 0 |
| DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust | 0.00 | 0 | 0 | 107,872 | 107,872 | 0.00 | 0 | 0 | 164,247 | 164,247 |
| DP 11602 - Med Admin CPI Contractual Inflationary Adjust | 0.00 | 46,908 | 0 | 46,908 | 93,816 | 0.00 | 46,908 | 0 | 46,908 | 93,816 |
| Total Other Present Law Adjustments | 0.00 | \$15,189,666 | (\$6,039,949) | \$30,537,462 | \$39,687,179 | 0.00 | \$21,569,611 | (\$5,287,335) | \$47,986,567 | \$64,268,843 |
| Grand Total All Present Law Adjustments | 0.00 | \$15,459,809 | (\$6,037,252) | \$30,909,893 | \$40,332,450 | 0.00 | \$21,838,295 | (\$5,284,652) | \$48,357,386 | \$64,911,029 |

The statewide adjustment for personal services increases due to fully funding the cost of positions that were vacant during FY 2012 and to cover the cost of pay increases granted by DPHHS in late FY 2012. The issue of pay increases is discussed in greater detail in the agency overview.

**LFD
COMMENT**

The executive budget includes \$118.6 million (\$26.7 million general fund) for caseload increases compared to a base budget total of \$471.5 million. The FY 2014 caseload adjustment is about a 10% increase compared to the base budget and the FY 2015 request represents about a 15% increase. Figure 8 shows each present law adjustment requested for Medicaid enrollment and service utilization increases for services administered by HRD, including two other adjustments that materially affect the total request and state funding required.

Figure 8

| Health Resources Medicaid Services Enrollment and Service Utilization Changes, Funding Shift, and Removal of Settlement Costs | | | | | | | | | | |
|---|-------------------|--|--------------------|--------------------|--------------------|--|-----------------------|---------------------|----------------------|---------------------------|
| Adjustment Requested/Service | FY 2012 Base | FY 2014 Executive Budget Request Incremental Increase Over FY 2012 Base | | | | FY 2015 Executive Budget Request Incremental Increase Over FY 2012 Base | | | | % of Biennial Incr. |
| | | General Fund | State Special | Federal | Total | General Fund | State Special | Federal | Total | |
| 11201 - Med Ben Core Caseload Physical Health | | | | | | | | | | |
| Hospital and Clinic Services* | \$169,817,810 | \$3,409,198 | \$1,202,882 | \$9,061,445 | \$13,673,525 | \$5,126,938 | \$1,746,846 | \$13,474,897 | \$20,348,681 | 28.7% |
| Managed Care Services* | 62,879,486 | 2,948,511 | 0 | 5,775,638 | 8,724,149 | 4,352,691 | 175,225 | 8,849,937 | 13,377,853 | 18.6% |
| Pharmacy Services | 26,317,459 | 1,837,136 | 0 | 3,609,457 | 5,446,593 | 2,379,314 | 0 | 4,664,246 | 7,043,560 | 10.5% |
| Breast and Cervical Cancer | 4,529,505 | 120,947 | 0 | 390,887 | 511,834 | 180,586 | 0 | 583,315 | 763,901 | 1.1% |
| Acute Services | <u>50,623,473</u> | <u>(287,203)</u> | <u>0</u> | <u>(564,274)</u> | <u>(851,477)</u> | <u>486,190</u> | <u>0</u> | <u>953,093</u> | <u>1,439,283</u> | <u>0.5%</u> |
| Subtotal Base and DP 11201 | 314,167,733 | 8,028,589 | 1,202,882 | 18,273,153 | 27,504,624 | 12,525,719 | 1,922,071 | 28,525,488 | 42,973,278 | 59.4% |
| 11202 - Med Ben Other Caseload Medicare Buy In | | | | | | | | | | |
| Medicare Buy In | 27,934,866 | 670,733 | 0 | 1,317,803 | 1,988,536 | 1,287,459 | 0 | 2,523,845 | 3,811,304 | 4.9% |
| 11203 - Med Ben Federal Caseload Physical Health | | | | | | | | | | |
| Indian Health Services | 47,604,511 | 0 | 0 | 8,950,022 | 8,950,022 | 0 | 0 | 14,023,688 | 14,023,688 | 19.4% |
| School Based Services | <u>3,706,327</u> | <u>0</u> | <u>0</u> | <u>3,028,130</u> | <u>3,028,130</u> | <u>0</u> | <u>0</u> | <u>4,091,594</u> | <u>4,091,594</u> | <u>6.0%</u> |
| Subtotal Base and DP 11203 | 51,310,838 | 0 | 0 | 11,978,152 | 11,978,152 | 0 | 0 | 18,115,282 | 18,115,282 | 25.4% |
| 11204 - Med Ben Other Caseload Clawback | | | | | | | | | | |
| Clawback | 15,399,465 | 1,546,845 | 0 | 0 | 1,546,845 | 2,643,582 | 0 | 0 | 2,643,582 | 3.5% |
| 11206 - Med Ben Other Caseload Hospital Utilization Fee | | | | | | | | | | |
| Hospital Utilization Fee | <u>62,666,273</u> | <u>0</u> | <u>1,349,987</u> | <u>2,652,347</u> | <u>4,002,334</u> | <u>0</u> | <u>1,351,988</u> | <u>2,650,346</u> | <u>4,002,334</u> | <u>6.8%</u> |
| Subtotal Base and Caseload Increase | 471,479,175 | 10,246,167 | 2,552,869 | 34,221,455 | 47,020,491 | 16,456,760 | 3,274,059 | 51,814,961 | 71,545,780 | 100% |
| 11211 - Med Ben SSR Hold Harmless Adjustments | | | | | | | | | | |
| Pharmacy | | 8,492,260 | (8,492,260) | 0 | 0 | 8,492,260 | (8,492,260) | 0 | 0 | |
| 11221 - One-Time Settlement Costs | | | | | | | | | | |
| Managed Care Services | | (3,000,000) | 0 | 0 | (3,000,000) | (3,000,000) | 0 | 0 | (3,000,000) | |
| Hospital and Clinic Services | | <u>(1,536,911)</u> | <u>0</u> | <u>(2,998,089)</u> | <u>(4,535,000)</u> | <u>(1,536,911)</u> | <u>0</u> | <u>(2,998,089)</u> | <u>(4,535,000)</u> | |
| Subtotal DP 11221 | | <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> | |
| Net Change with Settlement Costs | | <u>14,201,516</u> | <u>(5,939,391)</u> | <u>31,223,366</u> | <u>39,485,491</u> | <u>20,412,109</u> | <u>(5,218,201)</u> | <u>48,816,872</u> | <u>64,010,780</u> | |
| Net Biennial Change | | | | | | <u>\$34,613,625</u> | <u>(\$11,157,592)</u> | <u>\$80,040,238</u> | <u>\$103,496,271</u> | |

*One-time settlement costs were removed from the base budget expenditures.

The majority of the caseload increase supports hospital and clinic services – 24%. The next largest increase supports services that are fully funded from federal funds payments for Medicaid services provided by Indian Health Services and schools – 21% of the total increase requested.

There are two other significant adjustments that affect the total caseload change and general fund cost. The first – DP 11211 – removes one-time state special revenue funds and replaces it with general fund - \$17.0 million over the biennium. This change was expected by the 2011 Legislature since the state special revenue funds accrued due to the temporary increase of the federal Medicaid match rate authorized by the American Recovery and Reinvestment Act of 2009. States were allowed to keep a portion of the increase, which the 2011 Legislature used to offset general fund in the 2013 biennium.

The second adjustment removes \$7.5 million in lawsuit settlement costs that were recorded as Medicaid services payments in the base budget. The total impact of this reduction offsets the increase by \$15.1 million. Please note that the FY 2012 base costs in Figure 8 do not include the settlement costs enabling an accurate comparison to present law adjustments.

There are specific comments about each present law adjustment related to Medicaid caseload estimates included in the discussion for the each decision package.

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

**LFD
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Reconciliation of Executive Medicaid Estimates to Budget Request, Hospital Costs, and Updated FY 2012 Estimates

Reconciliation

LFD staff requested the estimates for Medicaid services costs that were used to develop the executive budget. The information was not provided in time to be fully evaluated and included in the budget analysis. For instance, LFD staff was unable to reconcile the Medicaid projections with the current level costs included in the executive budget. LFD staff was unable to determine whether there were errors in the LFD allocation methodology or whether the executive budget request was different than the Medicaid cost documentation.

Figure 9 shows several examples of the differences. In two instances, the executive budget is very close to the allocation of individual services costs to the combined service group budget. In other instances, the differences exceed \$3.4 million annually. In each case the executive budget is lower than the Medicaid estimate. LFD staff will work with DPHHS staff to resolve this issue and present findings to the legislature.

Figure 9

| Documentation Supporting Present Law Medicaid Estimate Compared to Executive Budget Request for Selected Medicaid Services | | | | | | |
|--|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
| Services | FY 2014 | | | FY 2015 | | |
| | Medicaid Estimate | Executive Budget | Difference | Medicaid Estimate | Executive Budget | Difference |
| Hospital and Clinic | \$183,781,157 | \$183,491,335 | \$289,822 | \$190,505,656 | \$190,166,491 | \$339,165 |
| Managed Care | 71,718,166 | 71,603,635 | 114,531 | 76,374,773 | 76,257,339 | 117,434 |
| Acute Care | 53,178,449 | 49,771,996 | 3,406,453 | 55,674,829 | 52,062,756 | 3,612,073 |
| Pharmacy | <u>31,764,052</u> | <u>33,438,953</u> | <u>1,674,901</u> | <u>35,732,664</u> | <u>33,631,019</u> | <u>2,101,645</u> |
| Total | <u>\$340,441,824</u> | <u>\$338,305,919</u> | <u>\$5,485,707</u> | <u>\$358,287,921</u> | <u>\$352,117,605</u> | <u>\$6,170,316</u> |
| Executive Budget Different from Estimate | | | 1.6% | | | 1.8% |

Elements of DP 11201

Figure 10 shows each of the adjustments included in DP 11201 by group of Medicaid services. Adjustments to hospital and clinic services are nearly half of the total increase in FY 2015. Managed care services – primarily physician services – are the second largest with nearly a third of the total.

Figure 10

| Components of DP 11201 Medicaid Caseload Increase Compared to Base Budget | | | | | | | | | | |
|---|---------------------|--------------------------|---------------|----------------|----------------|--------------------------|---------------|----------------|----------------|-------------|
| Service Group | FY 2012 Base Budget | FY 2014 Executive Budget | | | | FY 2015 Executive Budget | | | | % of Total |
| | | General Fund | State Special | Federal Funds | Total | General Fund | State Special | Federal Funds | Total | |
| Hospital and Clinic | \$169,817,810 | \$3,409,198 | \$1,202,882 | \$9,061,445 | \$13,673,525 | \$5,126,938 | \$1,746,846 | \$13,474,897 | \$20,348,681 | 47.4% |
| Managed Care | 62,879,486 | 2,948,511 | 0 | 5,775,638 | 8,724,149 | 4,352,691 | 175,225 | 8,849,937 | 13,377,853 | 31.1% |
| Pharmacy | 26,317,459 | 1,837,136 | 0 | 3,609,457 | 5,446,593 | 2,379,314 | 0 | 4,664,246 | 7,043,560 | 16.4% |
| Acute Care | 50,623,473 | (287,203) | 0 | (564,274) | (851,477) | 486,190 | 0 | 953,093 | 1,439,283 | 3.3% |
| Breast & Cervical Cancer | <u>4,529,505</u> | <u>120,947</u> | <u>0</u> | <u>390,887</u> | <u>511,834</u> | <u>180,586</u> | <u>0</u> | <u>583,315</u> | <u>763,901</u> | <u>1.8%</u> |
| Total | \$314,167,733 | \$8,028,589 | \$1,202,882 | \$18,273,153 | \$27,504,624 | \$12,525,719 | \$1,922,071 | \$28,525,488 | \$42,973,278 | 100% |
| Percent Increase Over Base | | | | | 8.8% | | | | | 13.7% |

Hospital and Clinic Costs

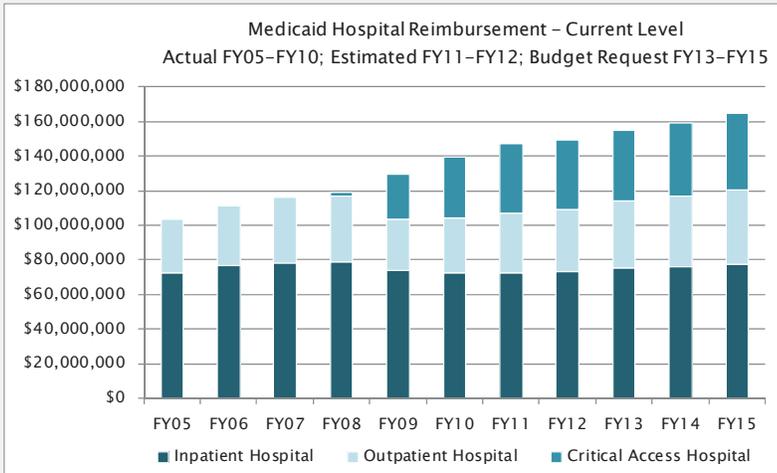
The types of services included in hospital and clinic services group are:

- Inpatient and outpatient hospital services
- Critical access hospitals
- Federally qualified health centers
- Ambulatory surgical centers
- Rural health clinics

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CONT.**

The majority of costs, however, are those associated with hospital services. Figure 11 shows actual and projected costs for the three largest categories of hospital and clinic services. FY 2005 through FY 2010 are actual costs. FY 2011 and FY 2010 are projected costs and FY 2013 to FY 2015 are the estimates used to develop the executive budget.

Figure 11



As discussed later in conjunction with DP 11206 that adjusts the appropriation for the hospital utilization fee, the total number of hospital days of care is declining. The largest three categories of hospital services total \$149.5 million of the \$169.8 million base budget for hospital and clinic Medicaid services. The cost of these services is expected to increase by \$15.1 million from the base budget through FY 2015. The costs in FY 2010 and FY 2011 include a one-time 2% provider rate increase that was not continued. However, even taking into account the temporary rate increase, hospital costs appear to be moderating.

As noted previously, the LFD staff requested the documentation supporting the executive budget Medicaid request. LFD staff received an estimate for FY 2013 through FY 2015. Based on that data, the executive budget assumes the following annual increases in hospital costs from its estimate of FY 2013 costs:

- Inpatient care - 1%
- Outpatient care – 6.3%
- Critical access hospitals – 4.2%

The LFD did not receive an updated estimate for Medicaid costs for FY 2012 from DPHHS. The FY 2012 data is particularly important since FY 2012 payments are much more nearly complete while the paid claims incurred in FY 2013 as of November 2012 will be a fraction of the FY 2013 final cost.

The legislature will consider updated Medicaid estimates in February. Prior to taking action on this request the legislature may wish to request and review the following information:

- The most recent estimates for FY 2011, FY 2012, and FY 2013
- Changes in DPHHS assumptions for FY 2014 and FY 2015 costs based on more complete data

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Managed Care Services

DP 11201 includes \$22.1 million over the biennium for increased managed care services. Base budget expenditures for this group were \$62.9 million. This increase represents a 6.5% annual growth from FY 2013 estimated costs. Major categories of services included in the managed care grouping are:

- Physicians
- Psychiatrists and psychologists
- Podiatrists
- Laboratory
- Health Improvement Program (disease management program)
- PASSPORT to Health (reimbursements to primary care doctors who provide care management)
- Mid-level practitioners (for example, nurse practitioners, nurse midwives, nurse anesthetists, clinical nurse specialists and physician assistants)
- Public health clinic

Areas of Significant Increase

Physician costs are \$61.0 million or 80% of the FY 2015 total for the managed care services group. Changes in this service have a proportionally higher impact on total cost than other services. For instance, mid-level practitioner services are the next highest with 13% of the FY 2015 budget and none of the remaining services account for more than 4% of the total.

Physician services increase for several reasons. 53-6-125, MCA requires physician rates to be increased, at a minimum, by the same percentage increase as the consumer price index for medical care for the previous year, as calculated by the Bureau of Labor Statistics of the United States Department of Labor. As noted previously, effective January 1, 2014, ACA requires states to increase Medicaid rates for primary care physicians to the Medicare rate.

LFD staff requested information about the specific adjustments that DPHHS made to comply with state and federal law, but did not receive a definitive answer other than the growth rates included both adjustments. The legislature may wish to ask DPHHS to provide the specific adjustments that were made.

The executive budget grows mid-level practitioner service costs by 9.3% per year compared to estimated FY 2013 costs. LFD staff has requested information about issues that are driving costs in that service category.

As noted with hospital costs, the LFD did not receive an updated FY 2012 cost projection as part of the executive budget documentation. The legislature may wish to request and review the most recent cost data for mid-level practitioners prior to acting on Medicaid caseload costs.

Acute Care Services

As shown in Figure 9, the LFD staff was unable to reconcile differences between the executive Medicaid caseload and the executive budget. LFD staff has requested additional information from DPHHS to help explain the difference between the budget and the estimate. LFD staff will provide an update to the legislature when it considers the Medicaid services appropriation.

One-Time Appropriations

Present law caseload requests include funding adjustments to “backfill” one-time appropriations. Figure 12 shows two one-time appropriations that supported costs in the base budget. Neither of these was broken out from the present law caseload adjustment for legislative approval.

Figure 12

| One-Time Appropriations Included in Base Expenditures | |
|---|--------------------|
| Budget Item | Biennial Funding |
| Indian Property Exclusion | \$528,580 |
| Reestablish Hospital Base | <u>614,536</u> |
| Total | \$1,143,116 |

**LFD
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Potentially Illegal Use of Tobacco Settlement Trust Fund Interest

The executive budget funded caseload adjustment increases in DP 11201 - Med Ben Core Caseload Physical Health with tobacco settlement trust fund interest - \$ 2,313,540 over the biennium. The trust fund is established in the Montana Constitution and includes the following restriction on its use:

“Appropriations of the interest, income, or principal from the trust fund shall be used only for tobacco disease prevention programs and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana and may not be used for other purposes. Appropriations of the interest, income, or principal from the trust fund shall not be used to replace state or federal money used to fund tobacco disease prevention programs and state programs that existed on December 31, 1999, providing benefits, services, or coverage of the health care needs of the people of Montana.”

Legislative appropriations of tobacco settlement interest have been used to expand services, including Medicaid provider rates. The interpretation of the constitutional language has been considered to prevent its use to supplant general fund used to pay for ongoing, normal cost increases in state programs including Medicaid services. The legislature may wish to find another source to support caseload increases for Medicaid services. If the legislature approves the 2% annual provider rate increase requested in the executive budget it could use the tobacco settlement interest for that purpose.

DP 11202 - Med Ben Other Caseload Medicare Buy-In - This present law adjustment would fund estimated increases in premiums for Medicare Part A and Part B. Medicare buy-in allows state Medicaid programs to purchase Medicare coverage through premium payments for persons eligible for both Medicare and Medicaid (dual eligible). Medicare then covers the cost of most services for the individual. Medicaid is only liable for the costs of services not covered by Medicare and for some co-insurance and deductibles related to services utilized. The program is mandated by federal law (Title XVIII of the Social Security Act).

**LFD
ISSUE**

Base Level Enrollment and Premium Increase

The executive budget is based on Medicare buy in enrollment that is higher than actual enrollment. Figure 13 shows monthly enrollment for Part B buy in compared to actual enrollment.

Applying the executive budget assumptions to the actual enrollment levels would reduce the 2015 biennium budget request by \$1.8 million general fund (see Figure 14). The legislature may wish to review the most current enrollment levels in the Medicare buy in when it considers updates to Medicaid caseload estimates in February to determine whether enrollment assumptions should be changed.

Figure 13

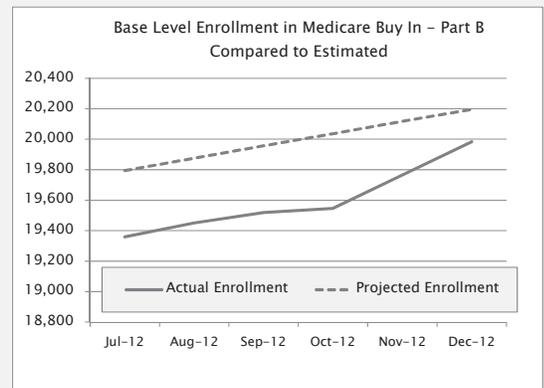


Figure 14

| Medicare Buy In - Executive Budget Request Compared to Estimates Based on Newer Enrollment Data | | |
|---|------------------|------------------|
| Funding | FY 2014 | FY 2015 |
| Executive Budget Request | \$29,923,402 | \$31,746,170 |
| Newer Enrollment Data | 27,353,337 | 28,881,890 |
| Budget Over (Under) Newer Data | <u>2,570,065</u> | <u>2,864,280</u> |
| General Fund Match | <u>866,883</u> | <u>967,554</u> |
| Biennial Difference | | \$1,834,437 |

**LFD
ISSUE CONT.**

The executive budget assumes the following rates of increase for Medicare premiums:

- Part A – 3.1%
- Part B – 4.9%

Premium increases over the last four years have been about 2.1% for Part B and negative for Part A. It is doubtful that Part A premiums will continue to decline. However, Part B premium increases may be less than projected by the executive. The legislature may wish to review expected premium increases during its review of February Medicaid caseload projections.

DP 11203 - Med Ben Federal Caseload Physical Health - This present law adjustment adds funds for increased enrollment and service utilization as well as federal rate increases in the Medicaid Indian Health Service (I.H.S.) program and the school based programs. The majority of the increase is for I.H.S. adding \$23.0 million over the biennium to base level expenditures of \$47.6 million. The balance - \$7.1 million over the biennium – is for school based services with a base expenditure amount of \$5.6 million. The request is funded from federal Medicaid funds.

**LFD
ISSUE**

Base Level FY 2012 Indian Health Services Significantly Less than FY 2011 Expenditures

Medicaid services costs are not final until almost a year after the close of a fiscal year due to billing delays, eligibility changes, and resolution of disputed or rejected claims. However, at fiscal year end most Medicaid service costs are 95% to 98% complete. As of December 2012, I.H.S. paid claims totaled \$26.0 million, which is about \$12.3 million less than paid in FY 2011, and \$30.6 million lower than the FY 2014 request and \$35.0 million lower than the FY 2015 request.

Legislative staff requested information about the decline in I.H.S. Medicaid reimbursements. DPHHS did not provide information in time to be reviewed and included in the budget analysis. The legislature may wish to review I.H.S. payment information prior to establishing the appropriation for this Medicaid service.

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

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

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

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

**LFD
ISSUE**Hospital Days of Care Declining

Recently the number of hospital days of care subject to the hospital utilization fee have declined:

- 443,554 in 2010
- 436,381 in 2011
- 424,752 in 2012

The executive budget is based on continuing the level of days of care in 2012 in each year of the 2015 biennium. The legislature may wish to review the most current information on reported days of care prior to establishing the 2015 biennium appropriations.

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

DP 11221 - One-Time Settlement Costs - This present law adjustment reduces expenditures that were paid as Medicaid services in FY 2012 for one-time settlement costs for law suits. State Medicaid funds were used to settle two lawsuits:

- Blanton lawsuit, which changed the way Medicaid recovers costs from estates of persons who received Medicaid services
- South Pointe lawsuit, where developers sued the state for improperly terminating a lease for a proposed new office

**LFD
COMMENT**

As discussed in the agency overview, DPHHS transferred \$9.1 million general fund appropriated for Medicaid services to other programs to pay costs unrelated to Medicaid. This issue and legislative options are discussed in the agency overview.

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

**LFD
COMMENT**

As discussed in the agency overview, the state match budgeted for Medicaid services funding does not appear to be consistent with executive assumptions used to develop the budget request. The legislature may wish to direct staff to adjust funding to be consistent with assumed state match rates.

DP 11402 - Med Ben Other FMAP Physical Health - request adjusts federal Medicaid funds and general fund due to the increase in the federal Medicaid match rate. The state Medicaid match rate will decrease from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015. This request adjusts funding for managed care, pharmacy, hospital utilization fee, and Medicare buy in benefits.

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

DP 11602 - Med Admin CPI Contractual Inflationary Adjust - This present law adjustment is for \$187,632 total funds for the biennium. This present law adjustment is made to maintain existing levels of services for the Medicaid program in the Health Resources Division. The request adjusts the base year expenses from the FY 2012 level. The adjustment is necessary to provide current Medicaid contracts services. This service is funded with 50% general fund and 50% federal funds.

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 11217 - Transportation for Deceased Clients (Requires Legislation) | | | | | | | | | | |
| 01 | 0.00 | 53,933 | 0 | 0 | 53,933 | 0.00 | 53,933 | 0 | 0 | 53,933 |
| DP 11902 - Provider Rate Increase - Medicaid Core | | | | | | | | | | |
| 01 | 0.00 | 1,563,607 | 0 | 3,086,642 | 4,650,249 | 0.00 | 3,158,642 | 0 | 6,230,405 | 9,389,047 |
| Total | 0.00 | \$1,617,540 | \$0 | \$3,086,642 | \$4,704,182 | 0.00 | \$3,212,575 | \$0 | \$6,230,405 | \$9,442,980 |

DP 11217 - Transportation for Deceased Clients (Requires Legislation) - This proposal would add general fund to cover the costs of returning the remains of Medicaid/Health Montana Kids clients to their home communities. Periodically, clients are referred for out of area medical services, but expire before returning to their home communities. This new proposal is contingent on passage of legislation (LC 0312).

| | |
|----------------------|---|
| LFD ISSUE | <u>Contingency Language</u> |
| | If the legislature approves this request, it may wish to make the appropriation contingent on passage and approval of LC0312. |

DP 11902 - Provider Rate Increase - Medicaid Core - This new proposal would fund a 2% provider rate increase in each year of the biennium for most Medicaid services administered by the Health Resources Division.

Sub-Program Details

HEALTHY MONTANA KIDS 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 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 | 6.00 | 0.00 | 0.00 | 6.00 | 0.00 | 0.00 | 6.00 | 6.00 |
| Personal Services | 259,035 | 67,114 | 0 | 326,149 | 66,446 | 0 | 325,481 | 651,630 |
| Operating Expenses | 1,485,254 | 390,397 | 0 | 1,875,651 | 471,685 | 0 | 1,956,939 | 3,832,590 |
| Benefits & Claims | 68,072,669 | 19,298,214 | 1,800,398 | 89,171,281 | 29,696,646 | 2,213,524 | 99,982,839 | 189,154,120 |
| Total Costs | \$69,816,958 | \$19,755,725 | \$1,800,398 | \$91,373,081 | \$30,234,777 | \$2,213,524 | \$102,265,259 | \$193,638,340 |
| General Fund | 2,459,017 | 1,691,155 | 356,117 | 4,506,289 | 2,614,992 | 382,356 | 5,456,365 | 9,962,654 |
| State/Other Special | 13,518,901 | 3,512,560 | 75,099 | 17,106,560 | 5,080,280 | 151,765 | 18,750,946 | 35,857,506 |
| Federal Special | 53,839,040 | 14,552,010 | 1,369,182 | 69,760,232 | 22,539,505 | 1,679,403 | 78,057,948 | 147,818,180 |
| Total Funds | \$69,816,958 | \$19,755,725 | \$1,800,398 | \$91,373,081 | \$30,234,777 | \$2,213,524 | \$102,265,259 | \$193,638,340 |

Sub-Program Description

The Healthy Montana Kids (HMK) sub-program includes the budget authority for administration and the funding for 2 of the 3 eligibility components of HMK:

- The HMK/CHIP population of children in families with incomes above 133% of the federal poverty level
- The HMK Plus expansion group of children in families with incomes between 101% to 133% of the federal poverty level

The services cost for the component HMK Plus group of children in families with incomes lower than 100% of the federal poverty level are funded in the Medicaid Services sub-program.

HMK Budget Discussion

The HMK appropriation increases due to a projected per child cost increase of 6% annually and increased enrollment growth.

Figure 15 shows the executive enrollment estimate for HMK Plus ages 6-18 (Medicaid CHIP funded) enrollment and HMK CHIP enrollment from FY 2010 through the executive budget request in FY 2015. DPHHS did not provide an estimate for enrollment of children in families with incomes less than 100% of the federal poverty level.

Enrollment in the HMK/CHIP component of HMK has grown from 19,773 to 23,101 children (September 2011 to September 2012 the most recent month available) or 17%. That growth is lower than the 26% annual increase from September 2010 to September 2011. The executive request is based on growth through FY 2013, then a leveling off to an annual enrollment level of 24,432 each year of the 2015 biennium.

Enrollment in the HMK Plus 6-18 has increased 14% from September 2011 to September 2012. The executive budget grows enrollment in this group by 16% in FY 2013 and then by 19% per year in FY 2014 and in FY 2015. Enrollment grows from 6,219 in FY 2012 to 10,259 in FY 2015.

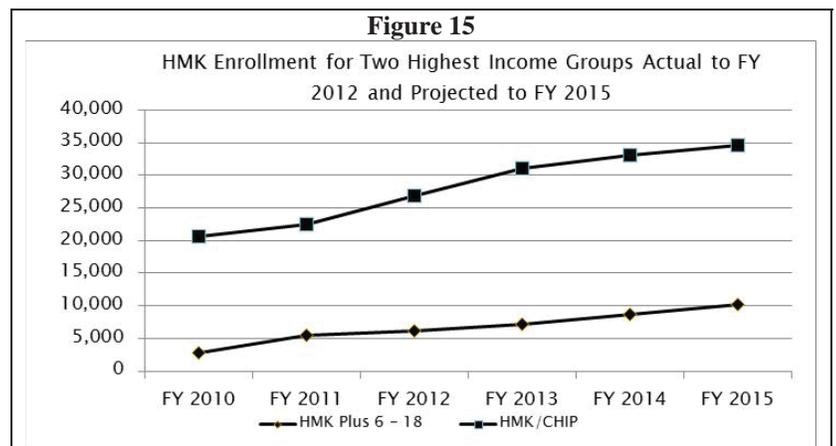
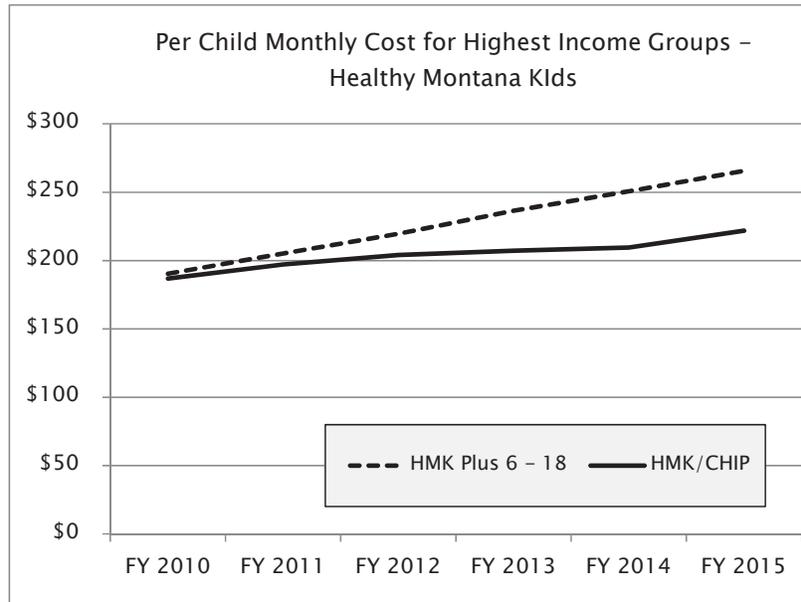


Figure 16 shows the annual cost per child for the highest two income groups. FY 2010 through FY 2012 are actual costs and FY 2013 through FY 2015 are projected costs. The per child cost of the two groups is very similar in FY 2010 then begins to diverge. The per child cost of the HMK Plus 6 – 18 group is projected to grow at about 7% annually. The per child cost of the HMK/CHIP group is essentially flat (1.1% increase) from FY 2013 to FY 2014 then jumps to 5.5% in FY 2015.

Figure 16

**LFD
ISSUE**Additional Information on the HMK Budget Request and Updated Information

Prior to taking action on the caseload increase requested for HMK, the legislature may wish to ask DPHHS:

- Why the inflation rates between the HMK Plus 6 – 18 and HMK/CHIP groups are different
- Why inflation for the HMK group jumps to 5.5% in FY 2015 after a moderating trend over the previous three years
- What the most recent enrollment and per child costs are prior to taking action on the requested caseload increases

Funding

HMK is funded by general fund, state special revenue, and federal CHIP grant funds. General fund pays part of the state match for the federal CHIP grant for children enrolled prior to November 4, 2008.

State special revenue sources are also used as state match for the federal CHIP grant and include:

- Tobacco settlement revenues dedicated to HMK
- Insurance tax proceeds dedicated to HMK
- Tobacco tax health and Medicaid initiatives

CHIP federal grant funds are the single federal funding source.

**LFD
ISSUE**Proposed Legislation

DPHHS requested legislation to remove the statutory language specifying that insurance tax proceeds allocated to HMK could be used only to fund enrollment levels above that on November 4, 2008. If that bill is passed, the legislature may wish to review whether general fund is needed for some of the funding in this program.

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 | 2,459,017 | 2,459,017 | 4,918,034 | 49.36% | 69,816,958 | 69,816,958 | 139,633,916 | 72.11% |
| Statewide PL Adjustments | 1,425 | 1,391 | 2,816 | 0.03% | 85,195 | 83,733 | 168,928 | 0.09% |
| Other PL Adjustments | 1,689,730 | 2,613,601 | 4,303,331 | 43.19% | 19,670,530 | 30,151,044 | 49,821,574 | 25.73% |
| New Proposals | 356,117 | 382,356 | 738,473 | 7.41% | 1,800,398 | 2,213,524 | 4,013,922 | 2.07% |
| Total Budget | \$4,506,289 | \$5,456,365 | \$9,962,654 | | \$91,373,081 | \$102,265,259 | \$193,638,340 | |

The majority of the HMK 2015 biennium budget supports continuation of current level services. New proposals for a 2% annual provider rate increase and to expand the services offered to the highest HMK income group add about 2%.

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 | | | | | 80,704 | | | | | 80,007 |
| Vacancy Savings | | | | | (13,590) | | | | | (13,561) |
| Inflation/Deflation | | | | | 2 | | | | | 6 |
| Fixed Costs | | | | | 18,079 | | | | | 17,281 |
| Total Statewide Present Law Adjustments | | \$1,425 | \$35,423 | \$48,347 | \$85,195 | | \$1,391 | \$40,646 | \$41,696 | \$83,733 |
| DP 11208 - HMK Medicaid CHIP Funded Caseload | 0.00 | 0 | 2,022,077 | 6,535,170 | 8,557,247 | 0.00 | 0 | 3,624,219 | 11,706,657 | 15,330,876 |
| DP 11209 - HMK Caseload | 0.00 | 1,689,730 | 936,338 | 8,487,215 | 11,113,283 | 0.00 | 2,613,601 | 889,886 | 11,316,681 | 14,820,168 |
| DP 11403 - HMK Medicaid CHIP Funded FMAP | 0.00 | 0 | 528,360 | (528,360) | 0 | 0.00 | 0 | 530,100 | (530,100) | 0 |
| DP 11404 - HMK FMAP | 0.00 | 0 | (9,638) | 9,638 | 0 | 0.00 | 0 | (4,571) | 4,571 | 0 |
| Total Other Present Law Adjustments | 0.00 | \$1,689,730 | \$3,477,137 | \$14,503,663 | \$19,670,530 | 0.00 | \$2,613,601 | \$5,039,634 | \$22,497,809 | \$30,151,044 |
| Grand Total All Present Law Adjustments | 0.00 | \$1,691,155 | \$3,512,560 | \$14,552,010 | \$19,755,725 | 0.00 | \$2,614,992 | \$5,080,280 | \$22,539,505 | \$30,234,777 |

DP 11208 - HMK Medicaid CHIP Funded Caseload - This present law adjustment adds funds for estimated caseload growth for the Healthy Montana Kids Medicaid expansion group (101-133% FPL).

| | |
|------------------|---|
| LFD ISSUE | <p><u>Additional Information and Updated Information on HMK Caseload Adjustments</u></p> <p>The legislature may wish to review the assumptions used to develop the caseload adjustments requested in DP11208 and DP11209 prior to taking action. The assumptions are discussed in the HMK program overview.</p> |
|------------------|---|

DP 11209 - HMK Caseload - This present law adjustment reflects the caseload growth for the Healthy Montana Kids (children in households with family incomes from 134% to 250% FPL).

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

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

New Proposals

| New Proposals | | | | | | | | | | | |
|---|-------------|------------------|-----------------|--------------------|--------------------|--------------------|--------------|------------------|------------------|--------------------|--------------------|
| Sub Program | FTE | Fiscal 2014 | | | | Fiscal 2015 | | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| DP 11218 - HMK Additional Services | 02 | 0.00 | 356,117 | 0 | 1,126,469 | 1,482,586 | 0.00 | 382,356 | 0 | 1,189,184 | 1,571,540 |
| DP 11901 - Provider Rate Increase - HMK Group | 02 | 0.00 | 0 | 28,360 | 91,656 | 120,016 | 0.00 | 0 | 57,311 | 185,122 | 242,433 |
| DP 11903 - PRI-HMK Medicaid CHIP-Funded Group | 02 | 0.00 | 0 | 46,739 | 151,057 | 197,796 | 0.00 | 0 | 94,454 | 305,097 | 399,551 |
| Total | 0.00 | \$356,117 | \$75,099 | \$1,369,182 | \$1,800,398 | \$1,800,398 | 0.00 | \$382,356 | \$151,765 | \$1,679,403 | \$2,213,524 |

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

| | |
|---|--|
| LFD COMMENT | DPHHS lost a lawsuit in district court challenging the HMK restriction to not cover family planning services. The court found that the HMK restriction was invalid. The ruling does not apply statewide. DPHHS chose not to appeal the district court decision and to implement the ruling statewide rather than maintain two coverage criteria. |
| The remainder of the new services funded in this proposal is not required by law. The new benefits would more closely align the service package of the HMK/CHIP coverage group with benefits available to children eligible for HMK Plus (Medicaid) programs. | |

DP 11901 - Provider Rate Increase - HMK Group - This new proposal would fund a 2% provider rate increase in each year of the biennium for the highest income HMK group (FPL level 134-250%).

LFD
ISSUE

Funding Inadequate to Support a 2% Annual Provider Rate Increase

DP 11901 and DP 11902 do not include adequate funding for a 2% provider rate increase. Figure 17 shows the total service level for HMK Medicaid CHIP – Funded Group and HMK/CHIP, the cost of a 2% annual rate increase, and the amount in the executive budget request.

Figure 17

| Cost of a 2% Annual Provider Rate Increase Compared to Executive Request and HMK State Special Revenue Fund Balance | | |
|---|------------------|------------------|
| Group | FY 2014 | FY 2015 |
| HMK/CHIP | \$61,395,661 | \$97,738,185 |
| 2% Annual Rate Increase | 1,227,913 | 3,987,718 |
| DP 11903 HMK/CHIP Group | <u>120,016</u> | <u>242,433</u> |
| Additional Funds for a 2% Increase | 1,107,897 | 3,745,285 |
| HMK Plus 6 - 18 | 25,933,058 | 32,701,178 |
| DP 11902 HMK Medicaid CHIP Funded Group | 518,661 | 1,334,208 |
| 2% Annual Rate Increase | <u>197,796</u> | <u>399,551</u> |
| Additional Funds for a 2% Increase | 320,865 | 934,657 |
| Total Additional Needed for 2% Rate Increase | 1,428,762 | 4,679,942 |
| Balance in HMK State Special Revenue Account | <u>1,557,922</u> | <u>2,671,922</u> |

DP 11902 - Provider Rate Increase – HMK Medicaid CHIP Funded Group - This new proposal would fund a 2% provider rate increase in each year of the biennium for the middle income HMK group (FPL level 101%-133%).

Sub-Program Details

PRESCRIPTION DRUG PROGRAM 05

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 | 4.00 | 0.00 | 0.00 | 4.00 | 0.00 | 0.00 | 4.00 | 4.00 |
| Personal Services | 204,237 | 2,259 | 0 | 206,496 | 2,143 | 0 | 206,380 | 412,876 |
| Operating Expenses | 398,989 | 12,285 | 0 | 411,274 | 11,732 | 0 | 410,721 | 821,995 |
| Benefits & Claims | 3,665,533 | 539,180 | 0 | 4,204,713 | 539,180 | 0 | 4,204,713 | 8,409,426 |
| Total Costs | \$4,268,759 | \$553,724 | \$0 | \$4,822,483 | \$553,055 | \$0 | \$4,821,814 | \$9,644,297 |
| State/Other Special | 4,268,759 | 553,724 | 0 | 4,822,483 | 553,055 | 0 | 4,821,814 | 9,644,297 |
| Total Funds | \$4,268,759 | \$553,724 | \$0 | \$4,822,483 | \$553,055 | \$0 | \$4,821,814 | \$9,644,297 |

Sub-Program Description

The Prescription Drug sub-program administers two programs:

- Big Sky Rx, a premium assistance program to assist low-income Medicare beneficiaries in the purchase of Medicare Part D prescription drug coverage (\$3.7 million in benefits payments in FY 2012)
- PharmAssist, a program that contracts with pharmacists to provide review and counseling about prescriptions about (\$5,000 in FY 2012)

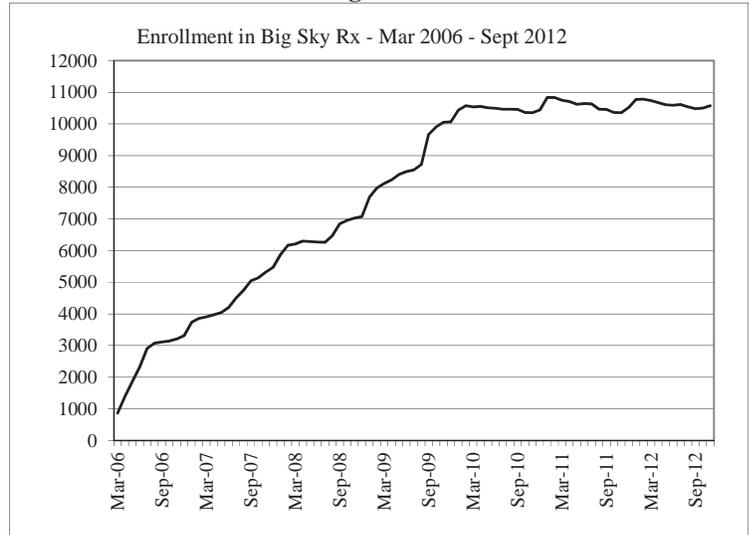
Big Sky Rx

Big Sky Rx is funded entirely from tobacco tax health and Medicaid initiatives state special revenue. The 2015 biennium appropriation continues the FY 2012 base budget adjusted for about \$1.1 million in increased premium assistance and some operating cost increases. There is not enough money in the health and Medicaid initiatives account to fund the executive budget and State Auditor’s budget request. This issue and options for legislative consideration are discussed in the DPHHS agency overview.

FY 2012 average monthly enrollment in Big Sky Rx was 10,582, with an average per capita assistance amount of \$28.81 per month. The 2015 biennium appropriation is based on average annual enrollment of 11,000, and an average per capita premium assistance amount of \$31.82 per month. Figure 18 shows Big Sky Rx enrollment from the beginning of the program through September 2012.

The average monthly enrollment in Big Sky Rx for FY 2012 was 10,582. Year to date monthly enrollment for FY 2013 as of November 1, 2012 was 10,545. The executive budget is based on a monthly enrollment level of 11,000 persons.

Figure 18



**LFD
ISSUE**

Level of Premium Assistance

Figure 19 shows the average monthly premium assistance paid by the Big Sky Classic program from FY 2010 through FY 2012, the executive budget request, and the estimated monthly amount using historic rates of premium increases. From FY 2010 through FY 2012, the average monthly premium assistance provided by Big Sky Rx increased 0.21%. The executive budget assumes a rate increase of 1.5% annually from FY 2012 through FY 2015.

Figure 20 shows the executive budget request compared to a scenario based on FY 2012 enrollment of 10,582 per month with monthly premium increases at a rate equivalent to that from FY 2012 to FY 2012. The executive budget is about \$700,000 higher than a scenario with constant enrollment and historic levels of premium assistance increase.

Figure 19

| Big Sky Premium Assistance Monthly Average by Fiscal Year Actual, Executive Request, and Estimated Historic Rate | | |
|---|---------|----------|
| Fiscal Year | DPHHS | Historic |
| <u>Actual</u> | | |
| FY10 | \$28.63 | \$28.63 |
| FY11 | 29.53 | 29.53 |
| FY12 | 28.81 | 28.81 |
| <u>Estimated</u> | | |
| FY13 | 29.97 | 29.97 |
| FY14 | 31.82 | 30.33 |
| FY15 | 31.82 | 30.69 |

Figure 20

| Big Sky Premium Assistance | | |
|--|--------------------|--------------------|
| Executive Request, Historic Increase | FY 2014 | FY 2015 |
| Executive Request | \$4,204,713 | \$4,204,713 |
| Historic Increase and Present Level Enrollment | <u>3,851,318</u> | <u>3,897,534</u> |
| Over (Under) Executive | <u>(\$353,395)</u> | <u>(\$307,179)</u> |

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 | 0 | 0 | 0 | 0.00% | 4,268,759 | 4,268,759 | 8,537,518 | 88.52% |
| Statewide PL Adjustments | 0 | 0 | 0 | 0.00% | 14,544 | 13,875 | 28,419 | 0.29% |
| Other PL Adjustments | 0 | 0 | 0 | 0.00% | 539,180 | 539,180 | 1,078,360 | 11.18% |
| New Proposals | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% |
| Total Budget | \$0 | \$0 | \$0 | | \$4,822,483 | \$4,821,814 | \$9,644,297 | |

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 | | | | | 10,863 | | | | | 10,742 |
| Vacancy Savings | | | | | (8,604) | | | | | (8,599) |
| Inflation/Deflation | | | | | 28 | | | | | 51 |
| Fixed Costs | | | | | 12,257 | | | | | 11,681 |
| Total Statewide Present Law Adjustments | | \$0 | \$14,544 | \$0 | \$14,544 | | \$0 | \$13,875 | \$0 | \$13,875 |
| DP 11212 - Big Sky RX Caseload | 0.00 | 0 | 539,180 | 0 | 539,180 | 0.00 | 0 | 539,180 | 0 | 539,180 |
| Total Other Present Law Adjustments | 0.00 | \$0 | \$539,180 | \$0 | \$539,180 | 0.00 | \$0 | \$539,180 | \$0 | \$539,180 |
| Grand Total All Present Law Adjustments | 0.00 | \$0 | \$553,724 | \$0 | \$553,724 | 0.00 | \$0 | \$553,055 | \$0 | \$553,055 |

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