

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	115.73	115.73	117.73	117.73	115.73	117.73	2.00	1.73%
Personal Services	6,115,754	6,674,730	6,921,989	6,925,817	12,790,484	13,847,806	1,057,322	8.27%
Operating Expenses	1,628,479	1,641,313	1,763,410	1,708,520	3,269,792	3,471,930	202,138	6.18%
Equipment & Intangible Assets	525	0	525	525	525	1,050	525	100.00%
Grants	584,941	554,578	584,941	584,941	1,139,519	1,169,882	30,363	2.66%
Transfers	32,695	0	32,695	32,695	32,695	65,390	32,695	100.00%
Total Costs	\$8,362,394	\$8,870,621	\$9,303,560	\$9,252,498	\$17,233,015	\$18,556,058	\$1,323,043	7.68%
General Fund	2,313,244	2,332,972	2,551,731	2,554,836	4,646,216	5,106,567	460,351	9.91%
State Special	517,547	735,257	585,099	586,576	1,252,804	1,171,675	(81,129)	(6.48%)
Federal Special	5,531,603	5,802,392	6,166,730	6,111,086	11,333,995	12,277,816	943,821	8.33%
Total Funds	\$8,362,394	\$8,870,621	\$9,303,560	\$9,252,498	\$17,233,015	\$18,556,058	\$1,323,043	7.68%

Program Description

The Quality Assurance Division (QAD) promotes and protects the safety and well-being of people in Montana by providing responsive and independent assessment and monitoring of human services through respectful relationships. It does so through activities related to licensing, fraud investigations, fair hearings, ensuring federal compliance, and operating the medical marijuana registry.

The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Miles City, and Missoula.

The QAD is part of the online publication of the full profile of the Department of Health and Human Services. For additional information, please refer to the agency profile.

Program Highlights

Quality Assurance Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive requests a total fund increase over the 2013 biennium primarily for two adjustments: <ul style="list-style-type: none"> • About \$1.4 million total funds in statewide present law adjustments offset by about \$0.6 million in vacancy savings • Nearly \$0.5 million total funds in two requests for a total of 2.00 FTE and associated operating costs

Program Discussion

As shown in the introductory budget comparison, the majority of the budget increase is in personal services when the 2015 requested biennium budget is compared to the 2013 biennium final budget. These are due to statewide present law adjustments and a request for 2.00 FTE that are discussed in the personal services section, and new proposals.

The budget comparison table shows a transfer of \$32,695 for the base year and each year of the 2015 biennium. The transfer amount relates to state special revenue associated with the Marijuana Registry Program and is listed as a transfer as requested by the Department of Administration.

LFD
COMMENT

According to QAD, the transfer funded the cost of a laminating printer that the Department of Administration (DOA) purchased. DOA staff agrees and confirmed that the laminating machine is fully paid for, as it was a one-time transfer from QAD for its part of the cost of the machine.

Since it was a one-time payment, the inclusion of the transfer in the 2015 biennium is unnecessary. The legislature may wish to eliminate the 2015 biennium amounts.

Additionally, the \$25,000 amount that QAD included in operating expenses for marijuana registry printing and graphics for both years of the 2015 biennium remains the same as the 2012 budgeted amount. However, that amount was appropriated by the 2013 Legislature to cover funding for the height of the marijuana registry program. Registered cardholders have dropped from 31,522 in May of 2011 to about 8,404 by November, 2012 and DPHHS implemented an administrative rule change to adjust application fees due to this impact. Since the November election did not repeal the present law, the entire \$25,000 may not be needed in the medical marijuana program as the number of registry cards may be less. There is additional discussion in the Medical Marijuana section.

The legislature may want to request a detailed report when discussing the appropriation for QAD.

Personal Services

The budget request for the 2015 biennium would support 117.73 FTE and 28 programs with budgets ranging from a high of about \$2.0 million down to a few thousand dollars. If the budget is approved, it would contain just under \$7.0 million each year of the biennium for the total salaries including costs for longevity, employee benefits, and health insurance.

As mentioned earlier, employees work across the state in a myriad of positions supporting compliance, licensing, investigations of fraudulent or abusive practices, independent audits for DPHHS programs, monitoring and evaluation of programs, helping reduce Medicaid costs by identifying insurers or parties responsible for paying a beneficiary’s medical expenses in Medicaid cases, operating the Montana marijuana registry, and many other tasks to ensure the integrity of DPHHS programs. There is a more detailed list in the appendix section.

The state accounting system listed 11.50 FTE (about 10% of the total FTE) as vacant in early December. It shows that positions have been vacant ranging from one position since October 2009 to 4.00 FTE over four months and several for over two months. Vacant positions include facility surveyors, compliance specialists, an insurance claims examiner, an eligibility technician, and an occupational health safety specialist.

QAD Personal Services Hours Budgeted and Used				
Program	FTE	Hours Budgeted	Hours Used	Percent of Usage
Administration	3.00	6,264	6,262	100.0%
Audit / Program Compliance	39.00	81,432	74,917	92.0%
Audit	7.00	14,616	14,122	96.6%
Certification	32.00	66,816	58,903	88.2%
Licensure	<u>34.73</u>	<u>72,517</u>	<u>67,961</u>	<u>93.7%</u>
	115.73	241,645	222,165	91.9%
FY 2012 Actual FTE	115.73			

The figure shows the positions relative to hours worked and hours that were budgeted. The difference reflects 19,480 unused hours in the base year or a vacancy rate of just over 8% compared to the legislatively imposed rate of 4%.

As of December 3, 2012 there was one position advertised for QAD.

**LFD
COMMENT**

The legislature may wish to consider a discussion about vacancies with the QAD director concerning the relationship of the QAD positions that have been vacant for an extended period, the unused budgeted hours in FY 2012, and the Governor's request for 2.00 new FTE.

As mentioned, the QAD vacant position report for December, 3, 2012 shows one position open since 2009 and four have been vacant for four months or more. The legislature may wish to visit with QAD about reclassifying three current, vacant positions that have been open for a long period of time to be used for the Governor's request rather than enlarging the FTE total by 2.00.

The FTE request is in the new proposal section of this write-up.

The Budget Request

Part of the budget increase is associated with recovery audit contracts and related legislative action from the 2011 session. The executive had requested funding due to a federal requirement from part of the Affordable Care Act's larger strategy to address waste, fraud, and abuse in the health care system, called a recovery audit contract. The legislature addressed the approval of the executive request for \$276,050 total funds over the biennium to administer the recovery audit contract including operational costs and 1.00 temporary FTE to manage the program. The present request, DP 8002, would continue the recovery contract

The Montana Marijuana Program

The responsibility of monitoring the marijuana registry rests with QAD and the Montana Marijuana program. Registry fees cover the administrative cost of the registry.

The 2011 Legislature faced a growing marijuana industry when it convened for the 2011 session. The number of patients had grown from 428 in September of 2007 to 23,613 in September of 2010. In response to the growth, the legislature approved the Governor's request for restricted state special revenue over the biennium to support:

- The production and issuance of registration cards - \$59,240
- 3.50 FTE in anticipation of increased applications - \$160,643

Legislators also approved a one-time-only amount of \$300,000 over the biennium to support the anticipated increase in the marijuana registry.

However, the legislature implemented Senate Bill 423, which repealed Montana's Marijuana Act and set new requirements for the cultivation, manufacture for growth, manufacture, and possession of marijuana for use by people with debilitating medical conditions. The implementation of SB 423 impacted the marijuana industry and the need for the legislative appropriation. The number of patients decreased from 23,613 in September of 2010 to 8,404 for November of 2012. As a result, the above appropriations went unused. The most recent statistics may be found at: <http://www.dphhs.mt.gov/marijuanaprogram/index.shtml>.

Since the implementation of SB 423, there has been a reduction in the number of patients and providers as well as a coinciding reduction in revenue from the applications. The fees of \$25 for new applications and \$10 for renewals proved to be insufficient to allow the program to remain self-sufficient. DPHHS implemented an administrative rule change during the interim allowing cardholder application fees to be increased from \$25 to \$75, renewal fees from \$10 to \$75 and provider/Marijuana Infused Products Provider (MIPP) application fees went to \$50. Provider/MIPP must reapply annually. Fees and regulations can be viewed at the above link.

Funding

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

2015 Biennium Program Funding Table By Source of Authority							
Quality Assurance Division							
Funds	HB 2	Non- budgeted Proprietary	Statutory Appropriation	Total All Sources	Percentage Total All Funds	Statutory Appropriation Code	Statutory Appropriation Category
General Fund	\$5,106,567	\$0	\$0	\$5,106,567	27.5%		
02034 Earmarked Alcohol Funds	\$141,503			\$141,503	0.8%		
02380 02 Indirect Activity Prog 08	\$51,963			\$51,963	0.3%		
02497 6901-lien & Estate - Sltd	\$132,504			\$132,504	0.7%		
02566 Medical Marijuana	\$781,178			\$781,178	4.2%		
02585 Recovery Audit Contract	<u>\$64,527</u>			<u>\$64,527</u>	<u>0.3%</u>		
State Special Revenue	\$1,171,675	\$0	\$0	\$1,171,675	6.3%		
03096 Discretionary Child Care	\$1,402,681			\$1,402,681	7.6%		
03251 Child Care Admin	\$262,237			\$262,237	1.4%		
03303 Title 18 Clia	\$290,057			\$290,057	1.6%		
03359 Recovery Audit Program	\$64,528			\$64,528	0.3%		
03335 Fda Mammography Inspections	\$85,680			\$85,680	0.5%		
03530 6901-foster Care 93.658	\$134,150			\$134,150	0.7%		
03580 6901-93.778 - Med Adm 50%	\$1,463,594			\$1,463,594	7.9%		
03597 03 Indirect Activity Prog 08	\$2,583,862			\$2,583,862	13.9%		
03960 Rural Hospital Flexibility Prog	\$1,285,383			\$1,285,383	6.9%		
03948 T-19 Obra Nurse Aid	\$215,039			\$215,039	1.2%		
03935 Title 18	\$3,962,300			\$3,962,300	21.4%		
03934 Title 19	<u>\$528,305</u>			<u>\$528,305</u>	2.8%		
Federal Special Total	\$12,277,816	\$0	\$0	\$12,277,816	66.2%		
Total All Funds	\$18,556,058	\$0	\$0	\$18,556,058	100.0%		
Percentage - Total of All Sources	100.0%	0.0%	0.0%				

The Quality Assurance Division is funded primarily with federal funds at 66.2%. General fund supports 27.5% of program costs with the remaining 6.3% of budgeted expenditures supported by state special revenues.

General fund supports some administrative functions as well as:

- The state match for eligible costs in Medicaid, Title IV-E (foster care), and federal discretionary child care funds, community residential facilities, and program compliance
- The full cost of radiological equipment testing, certificate of need determinations, and state licensure for assisted living or other facilities that receive no federal support as required in MCA, Title 55, Part 5.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, marijuana registry fees, and indirect cost recovery funds:

- Alcohol taxes fund staff and operational costs for chemical dependency program licensure
- Lien and estate funds support services to pursue recoveries for the costs of Medicaid, mainly for nursing home services
- Marijuana registry fees cover the cost of administering the registry
- Recovery Audit Contract funds support the audit process addressing fraud, waste or abuse in Medicaid.

There are 12 separate federal funding sources in the Quality Assurance Division budget. Some of the federal sources support more than one function. For instance, Medicaid funds support:

- Third party recovery
- The surveillance, utilization, and review unit (SURS)
- The nurse aide registry for nursing homes
- The federal match of the Recovery Audit Program
- The Department of Justice fraud surveillance contract

Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare

CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities to provide foster care. Mammography funds pay for contracted inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs.

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					963,541					967,723
Vacancy Savings					(283,172)					(283,340)
Inflation/Deflation					(1,856)					796
Fixed Costs					778					647
Total Statewide Present Law Adjustments		\$238,487	\$35,418	\$405,386	\$679,291		\$241,592	\$36,636	\$407,598	\$685,826
DP 8002 - Recovery Audit Contractor Program Permanency	0.00	0	32,134	32,134	64,268	0.00	0	32,393	32,394	64,787
Total Other Present Law Adjustments	0.00	\$0	\$32,134	\$32,134	\$64,268	0.00	\$0	\$32,393	\$32,394	\$64,787
Grand Total All Present Law Adjustments	0.00	\$238,487	\$67,552	\$437,520	\$743,559	0.00	\$241,592	\$69,029	\$439,992	\$750,613

DP 8002 - Recovery Audit Contractor Program Permanency - The executive requests funding to replace the OTO 1.00 FTE provided last session with a contract to provide monitoring and reporting on the contract, collections, and payments for the federally required Recovery Audit Program established in the 2011 session via a legislative language appropriation. This request is funded at a 50% state special and 50% federal fund matching rate. For a discussion see the Budget Request section of this narrative.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 8005 - Survey Federal Compliance	08	2.00	0	0	197,607	197,607	2.00	0	0	139,491	139,491
Total		2.00	\$0	\$0	\$197,607	\$197,607	2.00	\$0	\$0	\$139,491	\$139,491

DP 8005 - Survey Federal Compliance - This proposal is a request for 2.0 FTE and Title 18, Medicare federal funds for the 2015 biennium. This request is made to meet federal requirements for the survey and certification of health care and nursing facilities in Montana as required under Section 1864 of the Social Security Act agreement and the CMS contract.