Program Proposed Budget Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	182.54	11.00	0.90	194.44	11.00	0.90	194.44	194.44
Personal Services	5,922,966	1,546,645	35,826	7,505,437	1,572,114	35,892	7,530,972	15,036,409
Operating Expenses	4,114,978	453,254	142,142	4,710,374	486,019	149,645	4,750,642	9,461,016
Equipment	29,188	44,166	3,000	76,354	44,006	0	73,194	149,548
Grants	6,733,625	475,644	303,000	7,512,269	475,644	303,000	7,512,269	15,024,538
Benefits & Claims	156,816,094	14,409,817	(64,296)	171,161,615	18,399,710	2,851,010	178,066,814	349,228,429
Transfers	0	0	0	0	0	0	0	0
Debt Service	17,726	0	0	17,726	0	0	17,726	35,452
Total Costs	**$173,634,577**	**$16,929,526**	**$419,672**	**$190,983,775**	**$20,977,493**	**$3,339,547**	**$197,951,617**	**$388,935,392**
General Fund	43,176,672	2,745,891	(2,185,068)	43,737,495	3,935,352	(2,451,763)	44,660,261	88,397,756
State/Other Special	7,494,929	1,621,722	1,672,292	10,788,943	1,623,987	2,715,323	11,834,239	22,623,182
Federal Special	122,962,976	12,561,913	932,448	136,457,337	15,418,154	3,075,987	141,457,117	277,914,454
Total Funds	**$173,634,577**	**$16,929,526**	**$419,672**	**$190,983,775**	**$20,977,493**	**$3,339,547**	**$197,951,617**	**$388,935,392**

Program Description

The Senior and Long Term Care Division plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs: 1) The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman, and other services; 2) Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care; 3) Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 97 Montana nursing homes; 4) Protective services, including the investigation of abuse, neglect, and exploitation, are provided by adult protective services social workers; 5) Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and 6) the State Supplemental Payment Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Program Narrative

Senior and Long Term Care Division
Major Budget Highlights

- Total increase of $42 million comparing each year of the 2005 biennium to base budget expenditures, with a net increase of $2 million general fund
- Medicaid eligibility reductions estimated to affect 511 persons receiving nursing home services
- A net increase of $33 million total funds, including $2 million general fund, for Medicaid services with the following expansions and contractions:
  - Increased caseloads
  - Expansion of the nursing home IGT ($19 million federal and state special revenue)
  - Expansion of the Home and Community Based waiver by 30 slots
  - Reductions in eligibility

- Elimination of the Medicaid hospice program
- Elimination of in-home therapy services for persons in the Medicaid waiver
- Provider rate reductions

- Other reductions include:
  - Aging services community services reductions
  - Reductions in APS services and abuse prevention grants
- Increases of $3.3 million federal and state special revenue for veterans' homes, including funding for 10.4 FTE to staff the special care unit at MVH and to deal with increasing patient acuity and service needs

Major LFD Issues

- Nursing home present law caseload (bed days) continues to decline, although at a much slower rate than previous biennia
- Veterans' homes cigarette tax ending fund balance:
  - Some issues are mutually exclusive
  - Structural imbalance and DPHHS recommendations
  - Long Range Building project potentially should not be funded from cigarette tax revenue
  - One-time use of ending fund balance to offset general fund cost of Medicaid nursing home services and mental health services provided to veterans
  - Use of ending fund balance if federal revenue and private revenue are insufficient to fund 2005 biennium costs
- Potential cost shift due to elimination of hospice not netted against executive cost saving estimates

The Senior and Long Term Care Division (SLTCD) 2005 biennium budget request is $22 million higher than the 2003 biennium, but $0.9 million general fund lower. As in other divisions with significant Medicaid components, this budget request is an anomaly compared to recent history. The reduction in general fund between the two biennia is due to proposed Medicaid eligibility changes that make some persons currently in Medicaid nursing home services ineligible for such services, proposed provider rate reductions, and elimination and/or reduction of programs.

As illustrated in Figure 42, 2005 biennium funding for the division increases 6 percent when compared to the 2003 biennium. General fund support for the division remains essentially the same. The majority of the division's funding, 73 percent, supports personal services, while the division's remaining funding supports operating costs.

Benefit and grant budgets are the most significant share of the increase at 84 percent. Personal services increase due to annualization of fiscal 2003 pay plan increases, vacancy savings during fiscal 2002, and phasing in of staffing for the special care unit at MVH during fiscal 2002.

Federal funds comprise 77 percent of the increase and state special revenue funds the balance. Federal and state special revenue funds increase due to increases in the Medicaid nursing home intergovernmental transfer (IGT) program and veterans' home increases.

Figure 42

2003 Biennium Compared to 2005 Biennium

Director's Office

Budget Item/Fund	2003 Biennium	2005 Biennium	Change	Percent of Total
FTE	47.00	49.75	2.75	
Personal Services	$ 4,365,410	$ 4,639,843	$ 274,433	24.6%
Operating Costs	5,113,121	5,999,369	886,248	79.6%
Equipment	8,948	0	(8,948)	-0.8%
Grants	91,779	45,792	(45,987)	-4.1%
Debt Service	37,612	45,550	7,938	0.7%
Total Costs	$ 9,616,870	$ 10,730,554	$ 1,113,684	100%
General Fund	$ 2,871,211	$ 2,071,492	$ (799,719)	-71.8%
State Special	2,480,869	3,959,992	1,479,123	132.8%
Federal Funds	4,264,790	4,699,070	434,280	39.0%
Total Funds*	$ 9,616,870	$ 10,730,554	$ 1,113,684	100%
Percent Increase			11.6%	

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table
Senior & Long-Term Care

Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	$ 43,176,672	24.9%	$ 43,737,495	22.9%	$ 44,660,261	22.6%
02023 Private Ins. Medicaid Reim.-Ve	2,022,840	1.2%	2,231,185	1.2%	2,258,510	1.1%
02032 Vets-I&I Lease	5,000	0.0%	5,000	0.0%	5,000	0.0%
02053 Medicaid Nursing Home Match	3,697,565	2.1%	5,689,096	3.0%	6,738,413	3.4%
02260 Cigarette Tax Revenue	915,666	0.5%	1,715,940	0.9%	1,681,255	0.8%
02497 Over $600,000 Lien & Estate	150,079	0.1%	384,890	0.2%	383,852	0.2%
02796 Sltc Conference	-	-	59,053	0.0%	63,430	0.0%
02987 Tobacco Interest (Real Fund)	703,779	0.4%	703,779	0.4%	703,779	0.4%
03005 Emvh V-A Nursing Reimbursement	999,962	0.6%	1,226,569	0.6%	1,247,285	0.6%
03015 Aging - Fire Assistance	45,390	0.0%	45,390	0.0%	45,390	0.0%
03062 Aging - Nasua	42,605	0.0%	42,605	0.0%	42,605	0.0%
03073 Aging - Farmers Market	34,265	0.0%	34,265	0.0%	34,265	0.0%
03112 Vets-V.A. Reimb	1,524,897	0.9%	1,973,743	1.0%	2,013,183	1.0%
03501 64.014 - Vets St. Domic Care 1	127,218	0.1%	133,753	0.1%	136,428	0.1%
03514 10.570 - Elderly Feeding 100%	740,694	0.4%	740,694	0.4%	740,694	0.4%
03515 93.041 - Elder Abuse Prev 100%	19,082	0.0%	19,082	0.0%	19,082	0.0%
03516 93.042 - Ombudsman Activity 10	44,730	0.0%	44,730	0.0%	44,730	0.0%
03517 93.043 - Preventive Hlth 100%	104,003	0.1%	104,003	0.1%	104,003	0.1%
03518 93.044 - Aging Sup S & Train 1	1,630,744	0.9%	1,842,430	1.0%	1,842,577	0.9%
03519 93.045 - Aging Meals 100%	2,600,251	1.5%	2,600,251	1.4%	2,600,251	1.3%
03537 93.779 - Hlth Info Counseling	130,480	0.1%	130,480	0.1%	130,480	0.1%
03579 93.667 - Ssbg - Benefits	299,936	0.2%	297,973	0.2%	298,072	0.2%
03580 93.778 - Med Adm 50%	1,275,716	0.7%	1,315,176	0.7%	1,315,440	0.7%
03583 93.778 - Med Ben Fmap	112,706,687	64.9%	124,584,877	65.2%	129,521,316	65.4%
03666 Aging - Caregiver Iii-E	636,316	0.4%	636,316	0.3%	636,316	0.3%
03799 Older Worker Program	-	-	560,000	0.3%	560,000	0.3%
03976 Hcsb - Tbi Planning - 93.234A	-	-	125,000	0.1%	125,000	0.1%
Grand Total	$ 173,634,577	100.0%	$ 190,983,775	100.0%	$ 197,951,617	100.0%

The SLTCD is funded primarily by federal funds - about 72 percent over the 2005 biennium. General fund declines from 25 percent of base budget funding to 22 percent of the executive request. State special revenue increases from 4 percent of fiscal 2002 costs to 6 percent of the fiscal 2005 budget request

General fund pays the state match for Medicaid eligible costs, the majority of protective services for adult and disabled persons, state supplement payments for persons receiving Social Security supplemental income, and a portion of aging services administrative and service costs.

State special revenue is comprised of several sources. County funds support the non federal share of Medicaid matching funds for the nursing home IGT. Cigarette tax revenue (11.11 percent of the total tax) and Medicaid reimbursement support veterans' services, including the two veterans' homes. Lien and estate revenue collections fund APS workers and offset general fund Medicaid match, and interest from the tobacco tax settlement proceeds constitutional trust fund also provides Medicaid matching funds.

Figure 43 shows the projected fund balance for cigarette tax revenue allocated to veterans' services. Expenditures increase due to the new Special Care Unit at MVH. The projected ending fund balance appears adequate to fund the Executive Budget request, including the Long-Range Building proposal.

Figure 43
Cigarette Tax Proceeds and Fund Balance
Veterans' Services

Fund Balance Deposits/Expenditures	Fiscal 2002	Fiscal 2003*	Fiscal 2004*	Fiscal 2005*
Beginning Fund Balance	$2,264,621	$2,164,443	$1,641,654	$875,114
Revenue/Transfers In				
Cigarette Tax	1,199,664	1,197,000	1,181,000	1,166,000
Service Reimbursements**	820,142	0	0	0
Expenditures				
Veterans' Homes Operations	915,666	1,264,666	1,715,940	1,681,255
Long-Range Building	1,406,838	455,123	231,600	
Cost Allocated Admin.	61,563	63,410	65,312	67,272
Adjustments	202,520	0	0	0
Ending Fund Balance	$2,164,443	$1,641,654	$875,114	$359,859

*Revenue based on estimates adopted by the Revenue Oversight Taxation and Transportation Committee. Expenditures based on the Executive Budget request. Interim expenditures also include long-range building proposals funded from the veterans' cigarette allocation in fiscal 2002 and estimated indirect cost allocation within DPHHS.

**Reimbursement from Veterans' Administration for Special Care Unit construction costs.

LFD ISSUE

There are several issues related to funding veterans' services. The issues are mutually exclusive and are:

- Structural imbalance of fund
- Long-Range Building request
- One-time use of ending fund balance
- Proposed executive use

Structural Imbalance

The amount of cigarette tax allocated to support veterans' homes is higher than estimated annual revenues over the 2005 biennium (see Figure 44). The one-time spike in costs and revenues in fiscal 2002 funded construction of the 15-bed Special Care Unit at MVH.

While DPHHS staff anticipate that updated estimates during the legislative session may show that the veterans' homes will receive more federal and private reimbursement, it may not be enough to offset the ongoing imbalance between revenues and costs. The legislature may wish to ask DPHHS how it will propose to correct the imbalance or it may request options for consideration during the 2007 biennium, depending on updated funding estimates.

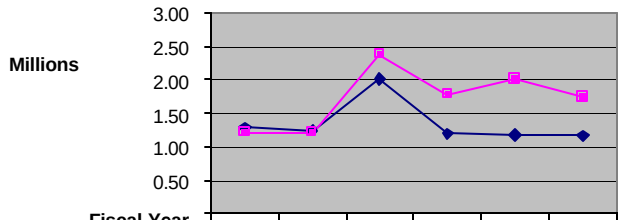
Potential options that the legislature may wish to review are: cost containment measures; increased private payments; increased cigarette taxes; or potentially a combination of all three.

LFD ISSUE (continued)

Long Range Building Proposal

The Executive Budget currently funds demolition of an old dormitory at MVH from cigarette taxes. DPHHS staff have concerns that the project should not be funded from cigarette tax revenue. If the proposal is approved, the legislature may wish to review how it is funded. If it is not funded from cigarette taxes, the projected ending fund balance in the account would be about $0.5 million.

Figure 44



Fiscal Year	2000	2001	2002	2003	2004	2005
Revenue	1.29	1.25	2.02	1.20	1.18	1.17
Expenditures	1.22	1.22	2.38	1.78	2.01	1.75

One-Time Use of Ending Balance

The legislature could consider using some of the cigarette tax fund balance to offset state costs for providing medical services to veterans in nursing homes and for mental health services. Recent federal interpretations made some costs of nursing home care the responsibility of the state Medicaid program and DPHHS has provided mental health services to veterans through the Mental Health Services Plan (MHSP) and state hospital. Using cigarette tax fund balances to offset general fund costs for either of these uses would require an amendment to statute. LFD staff has requested information from DPHHS staff regarding estimates of state general fund costs for providing Medicaid nursing home care and MHSP and state hospital services. Using the one time balance would exacerbate the structural imbalance in the fund.

Proposed Executive Use

The Executive Budget requests HB 2 language to allow OBPP to increase the veterans' homes state special revenue appropriations in the event federal revenues or private payments received are less than the appropriation. If the legislature accepts the executive proposal, it might also wish to cap the amount of the appropriation in order to make it a valid language appropriation (see LFD Issue in Executive Recommended language section). The legislature may also wish to consider alternatives presented by DPHHS as to what type of cost containment measures would be possible in the event that all projected revenues would be insufficient to funds operating costs of the veterans' homes. The legislature may want to take action to allow DPHHS to pursue alternatives if that problem were to arise.

LFD COMMENT

Lien and estate revenue is the state share of Medicaid funded services recouped from estates of former Medicaid recipients. Recoupments are primarily for nursing facility services and revenue is deposited to the general fund. Beginning in the 1995 biennium when the lien and estate recovery program was implemented, the legislature appropriated an amount of lien and estate revenue above $600,000 in annual collections to be used for Medicaid services. In the 1997 and 1999 biennia, the funds were appropriated in language and used for one-time expenditures to improve quality of services for nursing home residents. In the 2001 biennium, the funds were also used for one-time improvements in Medicaid funded community waiver and home based services. Beginning in the 2003 biennium, the legislature approved the executive request to fund operating costs for additional adult protective services workers from lien and estate funds. The 2005 biennium executive request uses lien and estate funds to continue funding for APS workers and for the first time offsets general fund Medicaid match.

Present Law Adjustments	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					1,328,370					1,349,196
Vacancy Savings					(290,065)					(290,882)
Inflation/Deflation					1,146					4,485
Fixed Costs					12,761					21,471
Total Statewide Present Law Adjustments					**$1,052,212**					**$1,084,270**
DP 99 - APS Lien and Estate PLA Annualization										
	2.00	0	71,821	0	71,821	2.00	0	71,593	0	71,593
DP 101 - HCBS Waiver Caseload										
	0.00	256,456	0	689,178	945,634	0.00	257,497	0	676,478	933,975
DP 103 - Nursing Hm FY 02-03 IGT Budgeted Adjustments										
	0.00	0	596,140	1,602,015	2,198,155	0.00	0	606,031	1,592,124	2,198,155
DP 105 - Home Based Caseload and FY 02 Base Correction										
	0.00	1,036,180	0	2,784,543	3,820,723	0.00	2,006,465	0	5,271,246	7,277,711
DP 106 - NH Caseload Growth Base Correction & Rate Increase										
	0.00	1,415,381	0	5,977,997	7,393,378	0.00	1,573,016	0	6,306,939	7,879,955
DP 109 - State Supplement FY 02-03 Caseload										
	0.00	51,927	0	0	51,927	0.00	109,914	0	0	109,914
DP 115 - EMVH Program Adjustments										
	0.00	0	57,000	226,607	283,607	0.00	0	57,000	247,323	304,323
DP 116 - EMVH Equipment										
	0.00	0	18,000	0	18,000	0.00	0	18,000	0	18,000
DP 119 - MVH Program Adjustments										
	9.00	0	556,948	0	556,948	9.00	0	562,636	0	562,636
DP 120 - Aging FY03 Wage Increase, Fed Spending Auth										
	0.00	0	0	198,255	198,255	0.00	0	0	198,255	198,255
DP 121 - APS Medicaid Spending Authority										
	0.00	0	0	312,700	312,700	0.00	0	0	312,700	312,700
DP 122 - MVH Equipment										
	0.00	0	26,166	0	26,166	0.00	0	26,006	0	26,006
Total Other Present Law Adjustments										
	11.00	**$2,759,944**	**$1,326,075**	**$11,791,295**	**$15,877,314**	**11.00**	**$3,946,892**	**$1,341,266**	**$14,605,065**	**$19,893,223**
Grand Total All Present Law Adjustments					**$16,929,526**					**$20,977,493**

Executive Present Law Adjustments

Present law adjustments add $38 million total funds, including $7 million general fund. The biggest changes fund increases in Medicaid caseloads and utilization and add $21 million total funds, including $7 million general fund. Annualization of increases due to the fiscal 2003 nursing home IGT add $4 million state special revenue and federal funds. Present law adjustments also add funding for 11.0 FTE to operate the Special Care Unit at MVH, which came on line throughout fiscal 2002, and for APS workers added in fiscal 2003.

LFD ISSUE The LFD staff estimate of present law nursing home caseload cost is slightly lower than that included in the Executive Budget. Days of care, or bed days, have been declining since fiscal 1995 due in large part to expansion of home and community based services, both in Medicaid and the private sector.

Figure 45 shows actual through fiscal 2002 and projected days of care through the end of the 2005 biennium.

The executive estimate increases days of care 0.25 percent from fiscal 2003 to fiscal 2004 and 0.5 percent from fiscal 2004 to fiscal 2005, while the LFD estimate is based on continuing the annual decline of 0.7 percent that was experienced from fiscal 2001 to fiscal 2002.

Figure 46 shows the total daily Medicaid rate for nursing home services. The rate includes a portion of patient payment. The daily rate is held constant from fiscal 2003 through fiscal 2005. The 2005 biennium estimated daily Medicaid rate is $106.76, which includes a patient contribution of about $24.

Nursing home caseload estimates, including the estimated payment rate, will be updated during the legislative session. However, if utilization and payment trends do not change significantly, the legislature can assess whether to accept the executive or LFD staff estimates for Medicaid nursing home costs. As in past sessions, the judgment call is whether the utilization reductions will continue. The LFD staff estimates are $0.85 million general fund ($3.1 million total funds) lower over the biennium than the executive estimates.

Figure 45

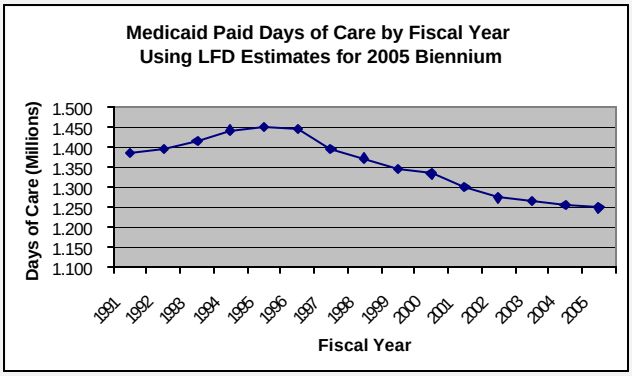
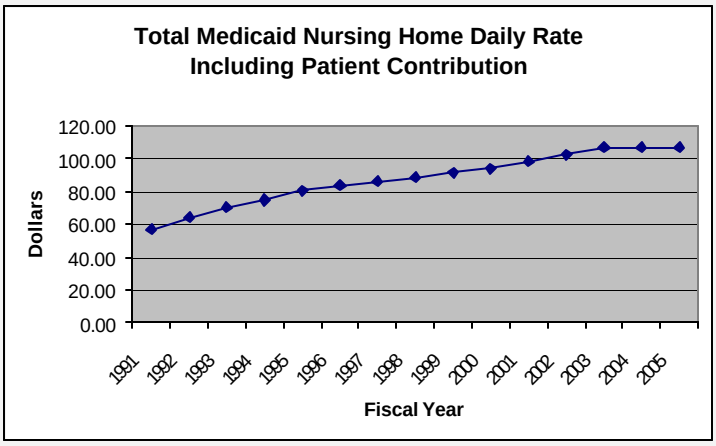


Figure 46



New Proposals	Fiscal 2004					Fiscal 2005				
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 102 - TBI Grant Spending Authority										
22	1.00	0	0	125,000	125,000	1.00	0	0	125,000	125,000
DP 104 - Nursing Hm FY 04-05 IGT Spending Authority										
22	0.00	0	1,395,391	3,766,988	5,162,379	0.00	0	2,434,817	6,520,010	8,954,827
DP 113 - Additional Federal Spending Authority										
22	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 114 - Aging/HCBS Conference Spending Authority										
22	0.00	0	59,053	0	59,053	0.00	0	63,430	0	63,430
DP 117 - MVH Staff										
22	1.40	0	54,858	0	54,858	1.40	0	54,896	0	54,896
DP 125 - Older Workers Program Grant										
22	0.00	0	0	560,000	560,000	0.00	0	0	560,000	560,000
DP 284 - FTE Reduction										
22	(1.50)	(40,545)	0	(17,398)	(57,943)	(1.50)	(40,545)	0	(17,244)	(57,789)
DP 992 - Medicaid Provider Rate Cut										
22	0.00	(873,056)	0	(2,346,178)	(3,219,234)	0.00	(926,715)	0	(2,434,605)	(3,361,320)
DP 993 - Cut Home Health Therapy Benefits										
22	0.00	(34,000)	0	(91,369)	(125,369)	0.00	(34,000)	0	(89,322)	(123,322)
DP 994 - Reduce Meals on Wheels Program										
22	0.00	(257,000)	0	0	(257,000)	0.00	(257,000)	0	0	(257,000)
DP 995 - Eliminate Hospice Program										
22	0.00	(174,466)	0	(470,987)	(645,453)	0.00	(193,048)	0	(516,950)	(709,998)
DP 996 - Change Medicaid Eligibility Standards										
22	0.00	(593,011)	0	(1,593,608)	(2,186,619)	0.00	(788,275)	0	(2,070,902)	(2,859,177)
DP 998 - Remove APS Abuse Prevention Grants										
22	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
DP 999 - FY 03 Lien and Estate Expenditures										
22	0.00	(162,990)	162,990	0	0	0.00	(162,180)	162,180	0	0
Total	**0.90**	**($2,185,068)**	**$1,672,292**	**$932,448**	**$419,672**	**0.90**	**($2,451,763)**	**$2,715,323**	**$3,075,987**	**$3,339,547**

New Proposals

New proposals add $3.8 million in total funds, with a net reduction of $2.6 million general fund. The general fund reductions are due to changes in Medicaid eligibility standards, elimination of the Medicaid hospice program, provider rate cuts; reductions to aging services; APS prevention grants; and home therapy services; and using lien and estate revenue to offset general fund. The Medicaid program reductions also reduce federal funds. An increase in the nursing home IGT and requests for additional federal authority add $16 million.

Language Recommendations

"The Senior and Long Term Care Division is appropriated $5,794,452 in fiscal year 2004 and $5,824,989 in fiscal year 2005 for the operation of the Montana Veterans' Home. In the event that federal funds totaling $2,107,496 in fiscal year 2004 and $2,149,611 in fiscal year 2005 are not available, the Office of Budget and Program Planning is authorized to increase state special revenue authority to allow expenditure of private reimbursement funds and/or cigarette tax revenue to maintain the funding for the Montana Veterans' Home at this level."

LFD ISSUE If the legislature approves this concept it may want to consider a change to make the state special revenue language appropriation legal by including an amount. LFD staff has requested that SLTCD inform the legislature of the amount of state special revenue that could be appropriated each year of the biennium. The legislature may also want to review updated cigarette tax fund balance projections to ensure that there is adequate state special revenue available to fund the proposed appropriation.

"State special revenue and federal special revenue associated with the nursing home intergovernmental program may be used to make one-time payments to nursing homes based on the number of Medicaid services provided. The funds for non-county nursing homes may be expended only after the office of budget and program planning has certified that the department has received $2 million each year from counties participating in the intergovernmental transfer program for nursing homes."

Sub-Program Details

MEDICAID SERVICES 01

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	15.89	0.00	1.00	16.89	0.00	1.00	16.89	16.89
Personal Services	732,638	65,901	38,911	837,450	65,016	38,785	836,439	1,673,889
Operating Expenses	1,066,718	(1,202)	83,089	1,148,605	(988)	86,215	1,151,945	2,300,550
Equipment	2,334	0	3,000	5,334	0	0	2,334	7,668
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	155,872,393	14,357,890	(64,296)	170,165,987	18,289,796	2,851,010	177,013,199	347,179,186
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	**$157,674,083**	**$14,422,589**	**$60,704**	**$172,157,376**	**$18,353,824**	**$2,976,010**	**$179,003,917**	**$351,161,293**
General Fund	39,468,939	2,493,455	(1,887,523)	40,074,871	3,622,080	(2,154,218)	40,936,801	81,011,672
State/Other Special	4,401,344	596,140	1,558,381	6,555,865	606,031	2,596,997	7,604,372	14,160,237
Federal Special	113,803,800	11,332,994	389,846	125,526,640	14,125,713	2,533,231	130,462,744	255,989,384
Total Funds	**$157,674,083**	**$14,422,589**	**$60,704**	**$172,157,376**	**$18,353,824**	**$2,976,010**	**$179,003,917**	**$351,161,293**

Medicaid Services includes reimbursements for Medicaid eligible services provided by state institutions and three types of health services administered through contracts with local providers - nursing home services, home-based entitlement services, and community services limited by a waiver of federal Medicaid regulations. The present law adjustment for each of these services is due to increases in the number of persons eligible for services and utilization changes and annualization of the fiscal 2003 Medicaid county nursing home IGT increase authorized by the 2001 legislature.

New proposals include funds for expansion of the Medicaid community based waiver services and for the nursing home IGT. Expansions are more than offset by reductions in eligibility and services and elimination of the Medicaid hospice service.

Medicaid Services is funded with general fund, state special revenue from the interest on the tobacco settlement trust fund and Medicaid lien and estate recoveries, and federal Medicaid matching funds. The Medicaid program accounts for 89 percent of total SLTCD expenditures in fiscal 2005, declining slightly from the base budget at 91 percent. The Medicaid general fund expenditures declined from 91 percent in the base budget to 90 percent of the 2005 request.

Present Law Adjustments	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					99,172					98,252
Vacancy Savings					(33,271)					(33,236)
Inflation/Deflation					502					716
Fixed Costs					(1,704)					(1,704)
Total Statewide Present Law Adjustments					**$64,699**					**$64,028**
DP 101 - HCBS Waiver Caseload	0.00	256,456	0	689,178	945,634	0.00	257,497	0	676,478	933,975
DP 103 - Nursing Hm FY 02-03 IGT Budgeted Adjustments	0.00	0	596,140	1,602,015	2,198,155	0.00	0	606,031	1,592,124	2,198,155
DP 105 - Home Based Caseload and FY 02 Base Correction	0.00	1,036,180	0	2,784,543	3,820,723	0.00	2,006,465	0	5,271,246	7,277,711
DP 106 - NH Caseload Growth Base Correction & Rate Increase	0.00	1,415,381	0	5,977,997	7,393,378	0.00	1,573,016	0	6,306,939	7,879,955
Total Other Present Law Adjustments	**0.00**	**$2,708,017**	**$596,140**	**$11,053,733**	**$14,357,890**	**0.00**	**$3,836,978**	**$606,031**	**$13,846,787**	**$18,289,796**
Grand Total All Present Law Adjustments					**$14,422,589**					**$18,353,824**

Executive Present Law Adjustments

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

DP 101 - HCBS Waiver Caseload - This proposal adds $513,953 general fund and $1,365,656 in federal funds over the biennium to increase the Home and Community Based (HCBS) waiver by 30 slots over current level. The waiver provides services that assist people to remain in their own homes, or live in small residential settings. Without the HCBS funded support, many people have no choice but to enter a nursing home. Medicaid funded nursing home care has decreased significantly over the past several years due, in part, to the targeted expansion of HCBS services.

This proposal adds the funding for waiver services to support about 30 people over the fiscal 2003 level. The proposal does not include funding of a 1.5 percent provider rate increase, a 3 percent direct care wage increase appropriated in fiscal 2003, or the remainder of the fiscal 2003 legislatively approved waiver expansion, all of which were delayed as part of the SLTCD 3.5 percent reductions to comply with section 17-7-140, MCA.

DP 103 - Nursing Hm FY 02-03 IGT Budgeted Adjustments - This request is for an additional $4,396,310 (state special revenue and federal funds) to implement the legislatively approved Medicaid IGT for nursing homes during the 2005 biennium. The 2001 legislature approved an IGT in which counties were able to enter into voluntary agreements to transfer county funds to the SLTCD to be used as Medicaid match to make lump sum payments to "at risk" county affiliated nursing homes, and smaller lump sum payments to non-county nursing homes. The program also provides $2.0 million per year in additional state special revenue that is appropriated for state mental health services. This proposal funds the IGT increase appropriated by the legislature for fiscal 2003 that is not in the fiscal 2002 base.

DP 105 - Home Based Caseload and FY 02 Base Correction - Caseload growth in Medicaid personal assistance and home health of about 2 percent per year will require an increase of $3,042,645 general fund and $8,055,789 in federal funds for the biennium. The Medicaid home based services programs provide supports necessary to assist people to remain in their homes for as long as possible, maintain independence, and avoid unnecessary institutionalization. Caseload growth for Medicaid home based services programs has been increasing between 8 to 10 percent per year. This proposal assumes that caseloads will grow at a rate of no more than 2 percent per year. The SLTCD will take steps to reduce services and contain caseload growth within the projected levels. Should expenditure projections exceed the

appropriation, further reductions in provider reimbursement rates would become necessary. The proposal also adds $1.482 million to correct an error in the fiscal 2002 accrual that is reflected on MBARS.

DP 106 - NH Caseload Growth Base Correction & Rate Increase - This proposal requests $2,997,833 general fund and $12,275,500 in federal funds for the biennium for changes in the federal interpretation regarding the eligibility of veterans for Medicaid funded nursing facility services, anticipated caseload growth, and to correct a problem with the fiscal 2002 accrual that is reflected on the state budgeting system.

The legislature appropriated a 4.5 percent increase in reimbursement for nursing facility providers for fiscal 2003 that is not included in the fiscal 2002 base and assumed a slight decrease in caseload growth for fiscal 2003. Several changes proposed in Medicaid eligibility will have a large impact on the number of persons entering nursing homes by delaying when Medicaid will begin to pay for their care. This proposal assumes that Medicaid will appear to have a large increase in caseload in fiscal 2005 as Medicaid begins to pay for the costs of those delays in fiscal 2004. Some of the increased appropriation was transferred to the HCBS waiver to move people out of nursing homes into community services at a lower cost. Federal funds totaling $2,174,421 were added to fiscal 2002 to adjust for an error in the accrual for projected nursing home costs in fiscal 2002.

New Proposals

	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - TBI Grant Spending Authority										
01	1.00	0	0	125,000	125,000	1.00	0	0	125,000	125,000
DP 104 - Nursing Hm FY 04-05 IGT Spending Authority										
01	0.00	0	1,395,391	3,766,988	5,162,379	0.00	0	2,434,817	6,520,010	8,954,827
DP 113 - Additional Federal Spending Authority										
01	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 992 - Medicaid Provider Rate Cut										
01	0.00	(873,056)	0	(2,346,178)	(3,219,234)	0.00	(926,715)	0	(2,434,605)	(3,361,320)
DP 993 - Cut Home Health Therapy Benefits										
01	0.00	(34,000)	0	(91,369)	(125,369)	0.00	(34,000)	0	(89,322)	(123,322)
DP 995 - Eliminate Hospice Program										
01	0.00	(174,466)	0	(470,987)	(645,453)	0.00	(193,048)	0	(516,950)	(709,998)
DP 996 - Change Medicaid Eligibility Standards										
01	0.00	(593,011)	0	(1,593,608)	(2,186,619)	0.00	(788,275)	0	(2,070,902)	(2,859,177)
DP 998 - Remove APS Abuse Prevention Grants										
01	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
DP 999 - FY 03 Lien and Estate Expenditures										
01	0.00	(162,990)	162,990	0	0	0.00	(162,180)	162,180	0	0
Total	**1.00**	**($1,887,523)**	**$1,558,381**	**$389,846**	**$60,704**	**1.00**	**($2,154,218)**	**$2,596,997**	**$2,533,231**	**$2,976,010**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 102 - TBI Grant Spending Authority - This proposal is for $250,000 federal funds and 1.00 FTE for the biennium for the Traumatic Brain Injury implementation grant during the 2005 biennium. The Traumatic Brain Injury grant program is a federal initiative designed to improve access to health and other services for all individuals with brain injury and their families. The grant program is divided into two phases, providing two-year planning grants followed by separate two-year implementation grants. The SLTCD is in the second year of an assessment and planning grant awarded in April 2001. Federal officials have strongly encouraged Montana to submit an implementation grant request and there is a high probability that the request would be approved. In anticipation of a successful application, this proposal provides the federal spending authority necessary to begin work soon as possible after the grants are awarded in April 2003.

DP 104 - Nursing Hm FY 04-05 IGT Spending Authority - Additional authority of $3,830,208 state special revenue and $10,286,998 federal funds is recommended to pursue any possible increase in intergovernmental transfer payments to county and non-county nursing facilities during the 2005 biennium. The potential for an increase in funding generated

through the Medicaid nursing home IGT program depends on several factors, including the nature of any possible actions by the federal government to further restrict the states' ability to use this funding mechanism and the level of future increases or decreases in Medicaid and Medicare nursing home reimbursement rates. Assuming the federal government will not enact further regulations affecting the use of IGTs, the SLTC is authorized to make expanded IGT payments to nursing facilities within the limits of the amount of this appropriation request.

LFD ISSUE The 2001 legislature authorized reimbursements through the IGT as one time, lump sum payments to nursing homes, clearly indicating that such payments were not part of the ongoing rate structure. The 2001 legislature also appropriated part of the county revenue from IGTs as state matching funds for mental health Medicaid services. The legislature may want to include language about the nursing home IGT in HB 2 similar to the language it included last biennium. The language added last biennium was:

> "Funds in item [one-time payments to nursing homes] may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in item [one-time payments to nursing homes] may be expended only after the Office of Budget and Program Planning has certified that the department has received $2 million each year from counties participating in the intergovernmental transfer program for nursing homes."

DP 113 - Additional Federal Spending Authority - This proposal adds $2 federal fund million for the biennium in a language appropriation to allow the SLTCD division to pursue additional federal funding. The past three legislatures have provided the SLTCD with federal spending authority in order to pursue and spend additional federal funding as long as such funding does not require the commitment of additional state funding now or in the future. SLTCD has used this authority in a variety of ways including securing additional federal grant funding and using existing state general fund as Medicaid match to increase HCBS waiver services. This executive recommends continuing the following HB 2 language adopted by the 2001 legislature:

> The senior and long term care division is appropriated up to $2 million in federal special revenue during the 2005 biennium to enhance or improve division services or programs. This additional federal special revenue may be expended by the division on services so long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated for the 2003 biennium by the legislature to the division in [this act]."

LFD ISSUE The issue of adding "hollow" federal authority is discussed in the agency narrative. The legislature may wish to consider options listed there in connection with this proposal.

Additionally, if the legislature approves this language and/or the appropriation request it may wish to adjust the wording proposed by the executive. The recommendation by the executive would approve an additional $2 million in federal authority over the biennium. The legislature could consider striking the first sentence of the proposed language and inserting the following sentence instead:

> "Item [federal authority] includes $1 million in federal special revenue each year of the biennium which may be used to enhance or improve division services or programs."

DP 992 - Medicaid Provider Rate Cut - This decision package reduces the payments made to Medicaid providers saving $1,799,771 general fund and $4,780,783 in federal funds for the biennium. The rate reduction is 1.87 percent.

LFD ISSUE The issue of reducing provider rates is discussed in greater detail in the agency overview. The legislature may wish to review issues associated with provider rates in that section.

DP 993 - Cut Home Health Therapy Benefits - This proposal saves $68,000 general fund and $180,691 of federal funds over the biennium by removing physical therapy, occupational therapy, and speech therapy services under the Medicaid home health program. While these therapies are an important component of care to individuals in the community, under federal regulations, these services are optional in the home setting because they are available in other outpatient settings.

LFD ISSUE As noted in the executive's explanation of this reduction there is a potential cost shift to outpatient services. The potential cost shift is not noted and would be paid by the Health Policy and Services Division. The legislature could discuss the likely cost shift with both divisions to arrive at a best estimate of potential cost shift, if it approves this reduction and wishes to appropriate funds to cover the cost shift in Health Policy and Services Division.

DP 994 - Reduce Meals on Wheels Program - This proposal saves $257,000 general fund in each year of the biennium and reduces the number of meals that can be delivered by the Aging Services program, Meals on Wheels.

The Aging Services program provides funding for a variety of services across Montana. The majority of the funds go to purchase meals for senior citizens, either delivered to their homes or at a meal site such as a senior citizen center. Assuming the budget reductions are made in the meals programs, about 67,000 fewer meals will be served each year. This proposal was not part of the SLTCD 3.5 percent budget reduction plan implemented under section 17-7-140, MCA.

LFD ISSUE Although this proposal specifies that the reduction will be made in senior meal programs, SLTCD does not plan to specify how providers allocate funding reductions. LFD staff has requested that SLTCD staff provide options in directing how the reductions might be made so that the legislature can evaluate policy choices that it might have if it accepts the executive proposal. When the legislature approved general fund increases for community aging services programs over the last several years, most were appropriated as provider rate increases rather than service expansions.

DP 995 - Eliminate Hospice Program - This request reduces $367,514 general fund and $987,937 federal funds for the biennium and eliminates the Medicaid Hospice program, which is a valuable, but optional, service. Federal law allows states the choice of providing, or not providing, each of the Medicaid optional services. In fiscal 2002, a total of 104 people received Medicaid funded hospice services.

LFD ISSUE One of the challenges in crafting Medicaid service or eligibility reductions is accurately forecasting cost shifts to other Medicaid services or other payers. Elimination of the hospice program could cause a shift to mandated services (nursing home or hospital care) for some persons. Although DPHHS staff note that there could be an additional 2,873 days of nursing home care (about $240,000 or $64,400 general fund annually) that cost shift is not factored into this proposal. The legislature could either:

- ask DPHHS for other options to reduce costs another $64,000 general fund annually
- reduce anticipated cost savings for this proposal by the potential estimated cost shift
- accept or reject the executive proposal without change

DP 996 - Change Medicaid Eligibility Standards - This proposal reduces $1,381,286 general fund and $3,664,510 federal funds for the biennium as a result of the Medicaid eligibility changes included in the Executive Budget. The four changes are: eliminate the real property for sale exclusion; change the treatment of income from contracts for deed; excluding the value of life estates when the life estate is being used to produce income; and limiting the exclusion of home property under the intent to return rule. If adopted, each of these changes will restrict the number of people eligible for Medicaid and thereby reduce Medicaid long-term care expenditures. The cost of the services could be shifted to the recipients, their families and/or the service providers.

LFD COMMENT

The proposed Medicaid eligibility change is discussed in greater detail in the agency narrative. The proposed eligibility change impacts persons in nursing homes more than any other Medicaid service group.

DP 998 - Remove APS Abuse Prevention Grants - This request reduces general fund by $50,000 each year in the Adult Protective Services abuse prevention grants. APS purchases a variety of services from local agencies and individuals to help prevent or alleviate the abuse, neglect, or exploitation of the elderly and disabled.

LFD COMMENT

The Executive inadvertently included this DP in the Medicaid Subprogram. It should be in APS services.

LFD ISSUE

The legislature first appropriated general fund for APS services in 1999. During fiscal 2002, expenditures rose to the full appropriated amount of $100,000. Almost one-half of the expenditures were made in contract addenda implemented the last week of the fiscal year and funds reserved through accruals. LFD staff questioned whether all of the accruals had been expended and has requested follow up documentation. The legislature can review the additional documentation to evaluate what types of services will be foregone with this proposed reduction.

DP 999 - FY 03 Lien and Estate Expenditures - This proposal uses the portion of the proceeds from Medicaid lien and estate recoveries that traditionally have been used to enhance nursing home and community services to offset general fund expenditures in the nursing home base budget. General fund expenditures are reduced by $325,170 for the biennium and state special revenue expenditures are increased by an equal amount. This reduction was included in the SLTCD 3.5 percent budget reduction plan.

Sub-Program Details

VETERANS 02

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	113.70	9.00	1.40	124.10	9.00	1.40	124.10	124.10
Personal Services	3,089,264	1,128,513	54,858	4,272,635	1,154,915	54,896	4,299,075	8,571,710
Operating Expenses	2,426,454	452,890	0	2,879,344	481,830	0	2,908,284	5,787,628
Equipment	18,688	44,166	0	62,854	44,006	0	62,694	125,548
Debt Service	7,317	0	0	7,317	0	0	7,317	14,634
Total Costs	**$5,541,723**	**$1,625,569**	**$54,858**	**$7,222,150**	**$1,680,751**	**$54,896**	**$7,277,370**	**$14,499,520**
General Fund	1,260	(1,260)	0	0	(1,260)	0	0	0
State/Other Special	2,888,386	944,841	54,858	3,888,085	937,192	54,896	3,880,474	7,768,559
Federal Special	2,652,077	681,988	0	3,334,065	744,819	0	3,396,896	6,730,961
Total Funds	**$5,541,723**	**$1,625,569**	**$54,858**	**$7,222,150**	**$1,680,751**	**$54,896**	**$7,277,370**	**$14,499,520**

Veterans' Services account for about 3 percent of the division base budget expenditures and rises to 4 percent in the 2005 biennium request. The program includes the two veterans' homes. The 2003 biennium appropriation increases are due primarily to present law adjustments for annualization of the cost of a new 15-bed special care unit that became operational during fiscal 2002 and other operating and equipment costs. One new proposal requests funding for 1.40 FTE to meeting increased service needs for the MVH.

The homes are funded with a combination of private payments, state special cigarette tax revenue, and federal funds from the Veterans' Administration. Veterans' services receive 11.11 percent of cigarette tax revenue (Section 16-11-119(1), MCA). In addition to appropriations for operating costs for the veterans' homes in HB 2, building projects funded in the Long-Range Building program are also supported from cigarette taxes allocated to veterans' services.

Present Law Adjustments	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					886,340					907,901
Vacancy Savings					(159,035)					(159,882)
Inflation/Deflation					3,890					4,917
Fixed Costs					9,653					16,850
Total Statewide Present Law Adjustments					**$740,848**					**$769,786**
DP 115 - EMVH Program Adjustments	0.00	0	57,000	226,607	283,607	0.00	0	57,000	247,323	304,323
DP 116 - EMVH Equipment	0.00	0	18,000	0	18,000	0.00	0	18,000	0	18,000
DP 119 - MVH Program Adjustments	9.00	0	556,948	0	556,948	9.00	0	562,636	0	562,636
DP 122 - MVH Equipment	0.00	0	26,166	0	26,166	0.00	0	26,006	0	26,006
Total Other Present Law Adjustments	**9.00**	**$0**	**$658,114**	**$226,607**	**$884,721**	**9.00**	**$0**	**$663,642**	**$247,323**	**$910,965**
Grand Total All Present Law Adjustments					**$1,625,569**					**$1,680,751**

Executive Present Law Adjustments

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

DP 115 - EMVH Program Adjustments - EMVH requests $587,930 (federal funds and state special revenue) to fund repair and maintenance costs and physician services provided through a sharing arrangement with the Veterans' Administration.

While the operation of EMVH is done through a contract with a private provider, the State of Montana owns the building and grounds and is responsible for repair and maintenance. While maintenance costs have been low during the first seven years of operation, they are now beginning to increase as the physical plant ages. This proposal adds $15,000 per year in state special revenue from the portion of the cigarette tax earmarked for veterans' nursing homes to address the increasing repair and maintenance needs at EMVH and additional funds to cover the cost of physician services provided under a sharing agreement with the Veterans' Administration. Also included is the additional federal spending authority necessary to pay the contractor the projected increase in the Department of Veterans' Affairs per diem payments to EMVH residents to help offset the cost of their care.

DP 116 - EMVH Equipment - This request adds $36,000 state special revenue for the biennium for equipment for the Eastern Montana Veterans' Home. The funding is from the portion of the cigarette tax earmarked for state veterans.

DP 119 - MVH Program Adjustments - This request is for $1,119,584 state special revenue and 9.00 FTE for the biennium to adjust the base budget of the MVH for routine operational cost increases, restoring the base for overtime, holiday, and differential pay, and annualization of the cost and the staffing of the new Special Care Unit. The funding comes from the portion of the state cigarette tax earmarked for veterans.

The SLTCD will update funding for this facility during the session when more information becomes available. The division is requesting flexibility to fund the facility first from all available federal funds, but should they be less than anticipated, that OBPP allow expenditure of state special revenues from private reimbursement and/or cigarette taxes to operate the facility at the level appropriated by the legislature.

DP 122 - MVH Equipment - This request adds $52,172 state special revenue for the biennium for equipment at MVH with funding from the portion of the state cigarette tax that is earmarked for veterans.

New Proposals

	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 117 - MVH Staff										
02	1.40	0	54,858	0	54,858	1.40	0	54,896	0	54,896
Total	**1.40**	**$0**	**$54,858**	**$0**	**$54,858**	**1.40**	**$0**	**$54,896**	**$0**	**$54,896**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 117 - MVH Staff - This request is for $109,754 state special revenue and funding for 1.40 additional FTE at MVH for the biennium. The funding comes from the portion of the state cigarette tax earmarked for veterans.

MVH is providing services to a population with increased needs and complexity of medical problems. With the opening of the 15-bed Special Care Unit (SCU) at MVH to provide services for residents with dementia and Alzheimer's related illnesses and behaviors, has come a need for additional staff. This request would add a 1.00 FTE MDS coordinator position at MVH to ensure that the care planning process at the facility includes accurate assessment of the nursing, medical, dietary and psychosocial needs of each of the residents. An additional 0.40 FTE laundry worker will assist the current staff in keeping up with the increased need for laundry services, is required by the increase in residents occupying the SCU and the more complex needs of the residents in the facility.

Sub-Program Details

AGING 03

Sub-Program Proposed Budget

Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	8.00	0.00	0.00	8.00	0.00	0.00	8.00	8.00
Personal Services	380,586	42,171	0	422,757	41,844	0	422,430	845,187
Operating Expenses	284,305	(20)	59,053	343,338	192	63,430	347,927	691,265
Grants	6,733,625	162,944	303,000	7,199,569	162,944	303,000	7,199,569	14,399,138
Benefits & Claims	824,000	51,927	0	875,927	109,914	0	933,914	1,809,841
Total Costs	**$8,222,516**	**$257,022**	**$362,053**	**$8,841,591**	**$314,894**	**$366,430**	**$8,903,840**	**$17,745,431**
General Fund	2,227,690	53,641	(257,000)	2,024,331	111,602	(257,000)	2,082,292	4,106,623
State/Other Special	0	0	59,053	59,053	0	63,430	63,430	122,483
Federal Special	5,994,826	203,381	560,000	6,758,207	203,292	560,000	6,758,118	13,516,325
Total Funds	**$8,222,516**	**$257,022**	**$362,053**	**$8,841,591**	**$314,894**	**$366,430**	**$8,903,840**	**$17,745,431**

Aging Services administers funding from the Older Americans Act, which supports contracts with Area Agencies on Aging to provide meals, transportation, public education, information and assistance, and other services to older Montanans.

The 2005 biennium budget request for Aging Services increases by $1.4 million total funds, but the general fund declines by about $300,000 over the biennium compared to base budget expenditures. General fund reductions are due to reducing general fund for community aging services and APS grants. Total funds rise due to increases in federal grants and changing the way federal grant funds are allocated.

Aging Services is primarily funded with federal grant funds from the Older Americans Act and some federal Medicaid administrative matching funds. State special revenue is from Medicaid lien and estate recoveries and funds guardianship services for older adults at risk of abuse and neglect. General fund supports some of the required state match for federal funds and in recent biennia has funded provider rate increases since federal funds have been capped. Aging services comprise 5 percent of the total division budget in fiscal 2005 and 5 percent of the general fund request.

Present Law Adjustments	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					23,004					22,663
Vacancy Savings					(16,144)					(16,130)
Inflation/Deflation					(4,400)					(4,188)
Fixed Costs					4,380					4,380
Total Statewide Present Law Adjustments					**$6,840**					**$6,725**
DP 109 - State Supplement FY 02-03 Caseload	0.00	51,927	0	0	51,927	0.00	109,914	0	0	109,914
DP 120 - Aging FY03 Wage Increase, Fed Spending Auth	0.00	0	0	198,255	198,255	0.00	0	0	198,255	198,255
Total Other Present Law Adjustments	**0.00**	**$51,927**	**$0**	**$198,255**	**$250,182**	**0.00**	**$109,914**	**$0**	**$198,255**	**$308,169**
Grand Total All Present Law Adjustments					**$257,022**					**$314,894**

Executive Present Law Adjustments

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

DP 109 - State Supplement FY 02-03 Caseload - This request is for $161,841 general fund for the biennium for the State Supplement caseload increase projected to occur in fiscal 2003 through fiscal 2005. In addition, the proposal funds an expected increase in the processing fee charged by the Social Security Administration.

DPHHS makes a monthly payment to supplement the federal Social Security room and board payment of people with disabilities who live in certain licensed facilities, primarily developmental disabilities group homes. This proposal assumes no caseload increases will occur in fiscal 2003.

During fiscal 2004 and fiscal 2005 the average annual caseload is expected to increase by 45 persons per year. The cost per month per recipient is $94.00 in group homes and personal care facilities, $52.75 in adult foster homes, and $26.00 per month in DD transitional living facilities. In addition, the department must pay the Social Security Administration $8.50 per person per month to have the supplement added to the client's social security check in fiscal 2002. That amount is projected to increase to $9.00 in fiscal 2003, $9.50 in fiscal 2004 and $10.00 in fiscal 2005.

There is a federal maintenance of effort requirement for the State Supplement program. If caseloads increase beyond the appropriated levels no reduction in State Supplement is possible and further cuts in other SLTCD programs would be necessary.

LFD ISSUE The present law adjustment for this proposal assumes expansion in DD and mental health group homes. The legislature may want to coordinate this request with action it takes with regard to DD and mental health community services. Alternatively, the legislature could require the division that places clients in an independent living situation to transfer the general fund to SLTCD to fully fund the cost of community placements.

DP 120 - Aging FY03 Wage Increase, Fed Spending Authority - This request is for $396,510 federal funds for the biennium for the Title III grant for the Family Caregiver and Ombudsman programs.

New Proposals										
	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 114 - Aging/HCBS Conference Spending Authority										
03	0.00	0	59,053	0	59,053	0.00	0	63,430	0	63,430
DP 125 - Older Workers Program Grant										
03	0.00	0	0	560,000	560,000	0.00	0	0	560,000	560,000
DP 994 - Reduce Meals on Wheels Program										
03	0.00	(257,000)	0	0	(257,000)	0.00	(257,000)	0	0	(257,000)
Total	**0.00**	**($257,000)**	**$59,053**	**$560,000**	**$362,053**	**0.00**	**($257,000)**	**$63,430**	**$560,000**	**$366,430**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 114 - Aging/HCBS Conference Spending Authority - This proposal adds $122,483 state special revenue for the biennium for the Governor's Conference on Aging and the Home and Community Services Conference. This will allow the division to spend the fees, registrations, and donations necessary to put on these two conferences.

DP 125 - Older Workers Program Grant - This request is for $1,120,000 federal funds for the biennium for the Older American Community Service Employment Program to comply with a change in the funding distribution method. Changes in funding streams at the national level require that federal funds for the Older American Community Service Employment Program, authorized under Title V of the Older Americans Act, as Amended in 2000, be allocated to a designated state agency instead of directly funded to the private program contractors in Montana. The designated state agency in Montana for Older American Act funds is DPHHS, Senior and Long Term Care Division, Aging Services Bureau. This is a federally required change in the distribution process for these funds, not an increase in the amount of money available in the state.

DP 994 - Reduce Meals on Wheels Program - This proposal saves $257,000 general fund in each year of the biennium and reduces the number of meals that can be delivered by the Aging Services program, Meals on Wheels.

The Aging Services program provides funding for a variety of services across Montana. The majority of the funds go to purchase meals for senior citizens, either delivered to their homes or at a meal site such as a senior citizen center. Assuming the budget reductions are made in the meals programs, about 67,000 fewer meals will be served each year. This proposal was not part of the SLTCD Special Session 3.5 percent budget reduction plan.]

LFD ISSUE Although this proposal specifies that the reduction will be made in senior meal programs, SLTCD does not plan to specify how providers allocate funding reductions. LFD staff has requested that SLTCD staff provide options in directing how the reductions might be made so that the legislature can evaluate policy choices that it might have if it accepts the executive proposal.

When the legislature approved general fund increases for community aging services programs over the last several years, most were appropriated as provider rate increases rather than service expansions.

Sub-Program Details

DIVISION ADMINISTRATION 04

Sub-Program Proposed Budget

Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	6.45	0.00	(0.50)	5.95	0.00	(0.50)	5.95	5.95
Personal Services	280,534	47,093	(21,730)	305,897	47,149	(21,675)	306,008	611,905
Operating Expenses	63,013	8,600	0	71,613	10,123	0	73,136	144,749
Equipment	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	**$343,547**	**$55,693**	**($21,730)**	**$377,510**	**$57,272**	**($21,675)**	**$379,144**	**$756,654**
General Fund	136,867	22,191	(6,295)	152,763	22,820	(6,295)	153,392	306,155
State/Other Special	55,120	8,920	0	64,040	9,171	0	64,291	128,331
Federal Special	151,560	24,582	(15,435)	160,707	25,281	(15,380)	161,461	322,168
Total Funds	**$343,547**	**$55,693**	**($21,730)**	**$377,510**	**$57,272**	**($21,675)**	**$379,144**	**$756,654**

Division administration oversees administration and management of the Senior and Long-Term Care Division. Division administrative costs are less than 1 percent of the total biennia l budget request and is cost allocated among functions it oversees. Other than statewide present law adjustments, the only other recommendation is a funding reduction for 0.5 administrative support FTE.

Present Law Adjustments

	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					60,744					60,802
Vacancy Savings					(13,651)					(13,653)
Inflation/Deflation					640					650
Fixed Costs					7,960					9,473
Total Statewide Present Law Adjustments					**$55,693**					**$57,272**
Grand Total All Present Law Adjustments					**$55,693**					**$57,272**

Executive Present Law Adjustments

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

New Proposals	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 284 - FTE Reduction										
04	(0.50)	(6,295)	0	(15,435)	(21,730)	(0.50)	(6,295)	0	(15,380)	(21,675)
Total	**(0.50)**	**($6,295)**	**$0**	**($15,435)**	**($21,730)**	**(0.50)**	**($6,295)**	**$0**	**($15,380)**	**($21,675)**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 284 - FTE Reduction - This proposal reduces 1.50 FTE for a saving of $81,090 general fund and $34,642 in federal funds for the biennium. 1.00 APS FTE is filled and the other 0.5 FTE was transferred to the MVH and is being held open. DPHHS will identify another position for reduction.

Sub-Program Details

APS 05

Sub-Program Proposed Budget

Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	38.50	2.00	(1.00)	39.50	2.00	(1.00)	39.50	39.50
Personal Services	1,439,944	262,967	(36,213)	1,666,698	263,190	(36,114)	1,667,020	3,333,718
Operating Expenses	274,488	(7,014)	0	267,474	(5,138)	0	269,350	536,824
Equipment	8,166	0	0	8,166	0	0	8,166	16,332
Grants	0	312,700	0	312,700	312,700	0	312,700	625,400
Benefits & Claims	119,701	0	0	119,701	0	0	119,701	239,402
Debt Service	10,409	0	0	10,409	0	0	10,409	20,818
Total Costs	**$1,852,708**	**$568,653**	**($36,213)**	**$2,385,148**	**$570,752**	**($36,114)**	**$2,387,346**	**$4,772,494**
General Fund	1,341,916	177,864	(34,250)	1,485,530	180,110	(34,250)	1,487,776	2,973,306
State/Other Special	150,079	71,821	0	221,900	71,593	0	221,672	443,572
Federal Special	360,713	318,968	(1,963)	677,718	319,049	(1,864)	677,898	1,355,616
Total Funds	**$1,852,708**	**$568,653**	**($36,213)**	**$2,385,148**	**$570,752**	**($36,114)**	**$2,387,346**	**$4,772,494**

The protective services function includes investigation of allegations of abuse and neglect for adults age 60 or older and disabled individuals age 18 or older. When allegations are substantiated, adult protective services workers assist victims of abuse and neglect to access services.

The 2005 biennium budget request increases $1.2 million total funds, including $0.3 million general fund compared to base budget expenditures. The increases are due primarily to the addition of 2.0 adult protective services FTE in fiscal 2003 approved by the 2001 legislature and a request for federal Medicaid authority in case protective services can be eligible for federal match. The Executive Budget also reduces funding for 1.0 administrative support FTE.

The adult protective services function is funded predominately from the general fund. State special revenue includes Medicaid lien and estate recoveries. The protective services function is 1 percent of the total division request, but the general fund request is 3 percent of the total general fund request.

Present Law Adjustments

	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					259,110					259,578
Vacancy Savings					(67,964)					(67,981)
Inflation/Deflation					514					2,390
Fixed Costs					(7,528)					(7,528)
Total Statewide Present Law Adjustments					**$184,132**					**$186,459**
DP 99 - APS Lien and Estate PLA Annualization	2.00	0	71,821	0	71,821	2.00	0	71,593	0	71,593
DP 121 - APS Medicaid Spending Authority	0.00	0	0	312,700	312,700	0.00	0	0	312,700	312,700
Total Other Present Law Adjustments	**2.00**	**$0**	**$71,821**	**$312,700**	**$384,521**	**2.00**	**$0**	**$71,593**	**$312,700**	**$384,293**
Grand Total All Present Law Adjustments					**$568,653**					**$570,752**

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 99 - APS Lien and Estate PLA Annualization - This proposal requests 2.00 FTE and $143,414 in state special revenue funds over the biennium. The state special revenue is from lien and estate recoveries from Medicaid eligible persons who received Medicaid services. Funding for these FTE in fiscal 2003 was approved by the 2001 legislature. The positions were left vacant as part of the general fund spending reductions implemented for section 17-7-140, MCA.

DP 121 - APS Medicaid Spending Authority - This proposal requests $625,400 federal funds authority for the biennium to pursue Medicaid funding for a portion of the Adult Protective Services program. Medicaid currently provides almost no funding for APS services. In light of the U.S. Supreme Court Olmstead decision that state and federal governments examine and change practices that act as barriers to providing community-based services to appropriate individuals, the SLTCD has asked the Center for Medicaid and Medicare Services (CMS) to reconsider its position that APS is not a Medicaid reimbursable service.

SLTCD has proposed that Medicaid provide reimbursement for APS services as a 50/50 administrative expense for the estimated one-third of the APS caseload that receives one or more of the following Medicaid funded services: HCBS waiver, personal assistance, and home health. Should federal reimbursement become available, SLTCD intends to use the additional funds to contract with private agencies for a variety of APS support services, including: abuse prevention, guardianship, and caseload reduction. The proposal will not require an additional general fund appropriation, now or in the future.

LFD ISSUE

The legislature may wish to examine how SLTCD will ensure that a Medicaid service program remains at a constant expenditure level. The legislature may wish to provide direction either through statute or through expressed legislative intent in the narrative accompanying HB 2 that if approved, this program must be managed within a capped expenditure level.

If the legislature approves this proposal it might also want to consider whether to fully or partially offset current general fund costs of APS administration with additional federal reimbursement. Depending on the legislative decision, language could be added to HB 2 to require such an offset.

New Proposals

	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 284 - FTE Reduction										
05	(1.00)	(34,250)	0	(1,963)	(36,213)	(1.00)	(34,250)	0	(1,864)	(36,114)
Total	**(1.00)**	**($34,250)**	**$0**	**($1,963)**	**($36,213)**	**(1.00)**	**($34,250)**	**$0**	**($1,864)**	**($36,114)**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 284 - FTE Reduction – This proposal reduces 1.50 FTE for a saving of $81,090 general fund and $34,642 in federal funds for the biennium. 1.00 APS FTE is filled and the other 0.5 FTE was transferred to the MVH and is being held open. DPHHS will identify another position for reduction.

Program Proposed Budget Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	586.41	(47.49)	2.90	541.82	(47.49)	2.90	541.82	541.82
Personal Services	20,778,870	3,227,381	154,626	24,160,877	3,389,001	155,416	24,323,287	48,484,164
Operating Expenses	10,165,225	6,448,392	256,197	16,869,814	6,887,072	230,599	17,282,896	34,152,710
Equipment	23,990	47,751	0	71,741	20,751	0	44,741	116,482
Local Assistance	0	0	0	0	0	0	0	0
Grants	5,427,532	624,037	800,000	6,851,569	624,037	0	6,051,569	12,903,138
Benefits & Claims	90,113,744	6,533,931	4,439,327	101,087,002	16,019,882	5,276,050	111,409,676	212,496,678
Transfers	0	0	0	0	0	0	0	0
Debt Service	44,502	0	0	44,502	0	0	44,502	89,004
Total Costs	**$126,553,863**	**$16,881,492**	**$5,650,150**	**$149,085,505**	**$26,940,743**	**$5,662,065**	**$159,156,671**	**$308,242,176**
General Fund	50,224,453	884,123	(1,306,997)	49,801,579	4,023,944	(1,354,603)	52,893,794	102,695,373
State/Other Special	5,027,791	1,971,909	1,452,605	8,452,305	2,036,746	1,470,605	8,535,142	16,987,447
Federal Special	71,301,619	14,025,460	5,504,542	90,831,621	20,880,053	5,546,063	97,727,735	188,559,356
Total Funds	**$126,553,863**	**$16,881,492**	**$5,650,150**	**$149,085,505**	**$26,940,743**	**$5,662,065**	**$159,156,671**	**$308,242,176**

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention, treatment and aftercare services, and mental health treatment services. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) and provide services to individuals earning up to 150 percent of the federal poverty level. Montana State Hospital (MSH) at Warm Springs (licensed capacity of 189 beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (licensed capacity of 165 beds) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the MMHNCC are considered to be long term.

Program Narrative

Addictive and Mental Disorders Division
Major Budget Highlights

- Reduction in state funded Mental Health Services Plan (MHSP) for adults from about 3,000 slots to 350
  - Proposed Medicaid waiver may provide some services for most seriously ill who lose MHSP services
- Capping Montana State Hospital capacity at 135 (reduction of 54 beds)
  - Potentially charging counties for hospital use above historic level
- Developing 3 new 15-bed Behavioral Inpatient Health Facilities (BHIF)
  - Potentially require involuntary commitment first to BHIF
  - Require counties to take emergency detentions to BHIFs
- Capping Mental Health Nursing Care Center capacity at 75 (reduction

of 35 beds from current 105 population) and contracting for community services for those residents

- Funding reductions for 44.59 FTE, primarily from downsizing institutions
- Reduction in Medicaid provider rates
- Expansion of mental health Medicaid intergovernmental transfer (IGT)
- Shifting $2 million in state special alcohol tax revenue formerly distributed to county chemical dependency programs to match mental health Medicaid benefits
    - Backfill loss to county programs with increased Medicaid payments funded from $0.4 million general fund and federal matching funds

Major LFD Issues

- Significant policy issues related to executive proposal to cap the state hospital population and develop BHIFs
    - Feasibility of BHIFs difficult to determine
    - Reduction in state funding for community services for non Medicaid population and recent reductions in community hospital and crisis services will put increased pressure on MSH and BHIF services, capping population may not be feasible
    - Potential cost shift to local governments
    - Potential reduction of Medicare general fund revenue depending on licensure/certification criteria for BHIF
- Shift in general fund to more institutional/hospitalization support than to community services
    - Marked increase in the annual per person cost of institutional care
    - Greater overall general fund cost despite shift to community services and closure of two wings of the nursing care center
- Diversion of alcohol tax funds and backfill with increased Medicaid payments
    - Loss of flexible funding source for county chemical dependency programs
    - Allocation among programs may be different than historic allocation of alcohol tax
    - Subject to reductions to avoid supplemental or due to implementation of 17-7-140, MCA general fund spending reductions by Governor
- Potential loss of county revenue to community mental health centers in proposed IGT
- Amount of alcohol tax requested in Executive Budget above the level of annual revenues

Biennial Comparison

The AMDD budget increases $44 million total funds, including $0.7 million general fund from the 2003 biennium to the 2005 biennium budget request (see Figure 47). The executive removes funding for 44.59 FTE during the 2005 biennium, largely due to downsizing MSH and MMHNCC.

As illustrated in Figure 47, 2005 biennium funding for the division increases 6 percent when compared to the 2003 biennium. General fund support for the division remains essentially the same. The majority of the division's funding, 73 percent, supports personal services, while the division's remaining funding supports operating costs.

The most significant components of the AMDD budget are Medicaid and institution services, which together account for about 83 percent of the general fund request. About 94 percent of the funded FTE are in the chemical dependency and two mental health institutions and over 50 percent of the 2005 biennium general fund budget supports the institutions. Medicaid services account for about a third of the total division budget request and comprise $33 million or about a third of the general fund budget request.

Figure 47
2003 Biennium Compared to 2005 Biennium
Addictive and Mental Disorders Division

Budget Item/Fund	2003 Biennium	2005 Biennium	Change	Percent of Total
FTE	586.41	541.82	(44.59)	
Personal Services	$ 44,305,690	$ 48,484,164	$ 4,178,474	9.4%
Operating	20,695,242	34,152,710	13,457,468	30.3%
Equipment	205,407	116,482	(88,925)	-0.2%
Grants	11,407,501	12,903,138	1,495,637	3.4%
Benefits/Claims	187,061,589	212,496,678	25,435,089	57.2%
Debt Service	127,166	89,004	(38,162)	-0.1%
Total Costs	$263,802,595	$308,242,176	$ 44,439,581	100.0%
General Fund	$101,910,987	$102,695,373	$ 784,386	1.8%
State Special	12,973,688	16,987,447	4,013,759	9.0%
Federal Funds	148,917,920	188,559,356	39,641,436	89.2%
Total Funds*	$263,802,595	$308,242,176	$ 44,439,581	100.0%
Percent Increase			16.8%	

As in other divisions with significant Medicaid program components, the 2005 biennium general fund increase is significantly lower than comparable requests in recent biennia. For instance, last biennium, the executive request for this division increased $75 million total funds, including $22 million general fund, between the 2001 and 2003 biennia.

However, that increase did not take into account an $11.2 million general fund supplemental request for mental health services in fiscal 2003.

Benefits increase the most, accounting for 57 percent of the change. Operating costs increase by nearly 30 percent due to including the budget for BHIF hospital services in operating costs. Personal services increase by 9 percent despite the reduction in funding for 44.59 FTE. The increase in personal services is due to the large number of positions held vacant in AMDD and annualization of the fiscal 2003 pay plan increases.

Federal funds support almost 90 percent of the increase in the 2005 biennium AMDD budget request. Federal funds increase significantly due to refinancing school based mental health services, and expansion of Medicaid services in the mental health area that were previously funded by general fund in the state mental health institutions. Services provided by an institution for mental disease for Medicaid eligible persons between the ages of 21 and 64 are not Medicaid eligible, while community mental health services for the same persons are Medicaid reimbursable. The executive proposes to create Medicaid eligible community services for residents of state institutions to serve those persons in the community and to leverage federal Medicaid match.

Other significant components of the Executive Budget include:

- Reducing and restructuring MHSP - a net $16.2 million general fund reduction
- Reducing the average daily population of the state hospital and MMHNCC, funding community services, and adding present law adjustments - a net increase of $16.2 total funds, including $6.1 million general fund
- Lowering mental health Medicaid reimbursements - $3.3 million total funds, $0.9 million general fund
- Increasing Medicaid caseload and service utilization, including offsets due to eligibility, service and provider rate reductions - $39.9 million, $5.4 million general fund
- Shifting up to $4.4 million of general fund mental health Medicaid matching costs to state special revenue

LFD ISSUE There are several policy issues embodied in DPHHS administration of mental health services during the 2003 biennium and in the 2005 biennium Executive Budget proposal for mental health services. These are: 1) a shift in general fund resources from community services to state institutions; 2) higher proportional reductions in children's mental health services compared to adult mental health services; and 3) a potential increase in general fund revenues due to anticipated changes for MMHNCC.

Shift in General Fund Resources to State Institution Care

Total funding for community mental health services has increased over the years, largely due to growth in Medicaid spending. In addition to Medicaid, however, Montana offered the MHSP program that invested general fund in services for low-income seriously mentally ill adults with incomes below 150 percent of the federal poverty level but not eligible for Medicaid. However, Montana through MHSP also invested general fund in services for low-income seriously mentally ill adults with incomes below 150 percent of the federal poverty level but above Medicaid financial eligibility standards. The MHSP program had its origins in the statewide mental health managed care contract (1997-1999), and expanded services previously provided through contracts with community mental health centers, administered by the Department of Institutions, prior to executive branch reorganization that created and moved such programs to DPHHS.

The managed care contract created an entitlement program for adults with a serious and disabling mental illness and seriously emotionally disturbed (SED) children in families with incomes under 200 percent of the federal poverty level. DPHHS allowed the contractor to reduce financial eligibility to 150 percent of the federal poverty level due to cost over-runs. DPHHS continued the program when the managed care contract was terminated April 1999. During the 2001 biennium, DPHHS capped MHSP enrollment and refinanced MHSP services for children through CHIP to mitigate ongoing cost-over runs in all mental health service components, but primarily in Medicaid funded services. The 2001 legislature authorized a $44 million supplemental appropriation ($11.4 million general fund) in the 2003 biennium for mental health services, despite cut backs and cost containment measures implemented by the executive.

LFD ISSUE Over the last two biennia DPHHS has responded to increased Medicaid, MHSP and state hospital costs by reducing mental health services, including elimination of some services. Some of the most noticeable changes that have been made since the 2001 session include:

- Elimination of children's MHSP services provided above the level of regular CHIP benefits
- Elimination of outpatient therapy for adults without a serious mental illness and children who are not SED
- Discontinuation of Medicaid reimbursement for out-of-state inpatient psychiatric care for children if those services can be provided in Montana, and limited slots for payment of the room and board portion of therapeutic group care and family foster care
- Further reductions in MHSP through sole source contracting with mental health centers, capping prescription drug coverage at $250 monthly per enrollee, and reducing enrollment (effective December 1, 2002)
- Changing children's case management services and awarding sole source contracts to two providers in each mental health region (effective January 1, 2003)
- Withholding of fiscal 2002 provider rate increases
- Use of $2.1 million of the $2.4 million general fund appropriation for development and implementation of community services for cost over runs at the state hospital

Additional Medicaid service and provider rate reductions to be implemented January 1, 2003, including:

- Elimination of intensive level of therapeutic family care
- Reduction in therapeutic group home rates accompanied by some staff ratio requirements for the homes
- Reduction of 10 percent in the payment rate for community-based psychiatric rehabilitation and support
- Elimination of a monthly reimbursement for case management services and institution of a 15 minute unit rate
- Limitation of individual outpatient therapy for adults by psychologists, social workers, and professional counselors to 16 sessions per year

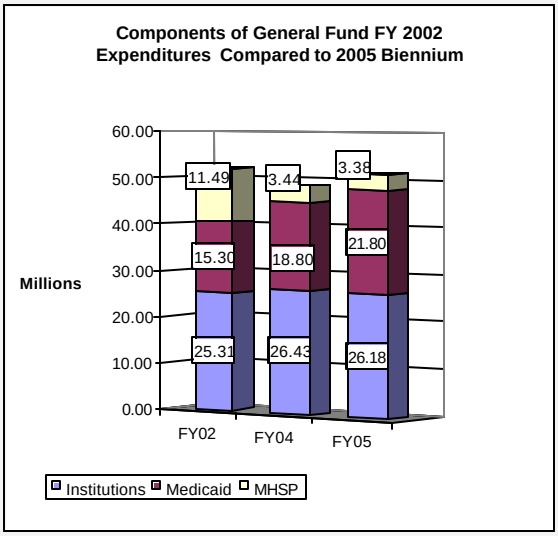
LFD ISSUE (continued)

- Elimination of 75-80 minute therapy sessions provided by psychologists, social workers, and professional counselors Reduction of 5 percent in payment rates for: all psychologist, social worker and professional counselor services, day treatment (adult and youth), adult foster care, adult group home, crisis facility, residential treatment facility, permanency therapeutic family care, moderate level therapeutic family care, and partial hospitalization

These changes have reduced the availability of, and in some instances the duration of community mental health services and the number of persons eligible for services. And, although state hospital cost containment measures were vigorously pursued, more general fund was transferred into and used by the state hospital than included in the 2003 biennium Executive Budget request. The 2001 legislature initiated and added a one-time appropriation of $2.4 million general fund to develop and implement community services or use in the state hospital as necessary, of which $2.1 million was expended for MSH during the base budget year.

The policy reflected in general fund expenditure patterns in the Executive Budget continues these trends and is contrary to best practices and legal requirements in providing services to disabled persons. Both tenets emphasize provision of community services in preference to institutional services. The executive proposal anticipates serving 205 adults in the state mental health institutions during the 2005 biennium, which is a reduction of 35 at MMHNCC and a minimum reduction of 31 at the state hospital. However, the general fund cost of continuing state institution services does not decline significantly due to such population reductions, resulting in a rising proportion of general fund allocated to institutional care rather than community services. Additionally, reductions to community services, both during the 2003 biennium and in the proposed budget, may result in the need for additional hospital services, which could further exacerbate the funding shift if resources are transferred to institutional budgets from community services.

Figure 48



The general fund executive budget request for mental health services does not change significantly from base year expenditures. However, the allocation of general fund between hospital and community services does change. Institutions accounted for 50 percent of base budget general fund expenditures (including $2.1 million of a one-time appropriation), rising to 53 percent in fiscal 2004 and declining to 50 percent in fiscal 2005. Additionally, substantially fewer persons will be served in state institutions, raising the average general fund cost per day from $292 in fiscal 2002 to $412 per day in fiscal 2005 for MSH services (an increase of 39 percent) and from $159 per day in fiscal 2002 to $213 per day in fiscal 2005 for MMHNCC (an increase of 33 percent).

One striking comparison of the number and cost of persons served and the general fund cost over the biennium as proposed in the Executive Budget is:

- $26.18 million general fund to serve 205 adults in state mental health institutions
- $3.38 million general fund to serve 350 adults and 235 children in the community, with children's costs accounting for $0.7 million of the $3.38 million total

The 2005 biennium funding shift augments the reductions in community services made by the executive during the 2003 biennium to avoid a supplemental appropriation and to implement Section 17-7-140, MCA. It is significant because if general fund were available to support community services, it would help prevent the need for more intensive state institution services and if used to leverage federal Medicaid funding, it would generate a $3 federal cost share for every $1 of general fund spent.

LFD ISSUE (Cont.)

As noted in the previous issue, DPHHS has implemented numerous changes over the 2003 biennium to contain general fund cost increases in mental health services. While all mental health service components (state institutions, MHSP and Medicaid) have experienced cost increases and been subjected to service limitations and cutbacks, the most dramatic changes have occurred in children's mental health services. For instance, here are some comparative examples:

- Elimination of expanded mental health services for SED children who are also eligible for CHIP, while the comparable adult program experienced some service reductions
- Elimination of intensive therapeutic family care and collapsing levels of therapeutic group care for children into a single service, with no change for group home or foster care services for adults
- Elimination of partial hospitalization services for children while reducing, but maintaining, the adult day services

DPHHS staff note that the cost of children's Medicaid mental health services has increased at annual rates of 13 percent compared to cost increases of 9 percent for adult Medicaid services. While that cost comparison is important, it does not paint a complete picture. Adult mental health services include two significant components (MSH and MHSP) for which there are either no comparable children's services or comparable services and eligibility are more limited. So, using Medicaid service differences between adults and children for allocating reductions leaves out important components of the adult system that provide a more complete service continuum.

Additionally, DPHHS has maintained MHSP for adults who are seriously mentally ill but ineligible for Medicaid that has a greater level of funding and mental health service array than available to children. While SED children can receive services through the regular CHIP program, services such as inpatient psychiatric care are subject to limits and some services, such as foster care and group home care, are not available. The comparable adult program includes a greater array of intensive level services than that available to children and does not have inpatient service limits (as long as the services are medically necessary).

Montana does not operate a children's mental health facility similar to the state hospital or MMHNCC. While the state funds the most intensive mental health services for adults meeting statutory commitment standards, it does not have a comparable service for children.

It is important to note that DPHHS is currently involved in a lawsuit that alleges the lack of a children's commitment process and payment for services similar to the involuntary commitment process and payment for adult mental services is unconstitutional based on equal protection considerations. The legislature may wish to ask DPHHS what steps it might take it if were to lose the lawsuit.

Potential General Fund Revenue Increase for MMHNCC

One potential positive feature of the total general fund impact of the executive proposal relates to MMHNCC downsizing. If the MMHNCC population remains at the projected occupancy level it could produce additional general fund reimbursement. Federal Medicaid reimbursement for MMHNCC services is used to match Medicaid services for children's inpatient residential psychiatric care and to pay MSH construction bond debt with the remainder deposited to the general fund. Because the MMHNCC daily rate is higher in the 2005 biennium, DPHHS would collect additional Medicaid if the remaining population or a high proportion of them were Medicaid eligible. LFD and DPHHS staff will work together to refine such estimates for legislative consideration.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table
Addictive & Mental Disorders

Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	$ 50,224,453	39.7%	$ 49,801,579	33.4%	$ 52,893,794	33.2%
02034 Earmarked Alcohol Funds	2,745,379	2.2%	4,621,421	3.1%	4,686,559	2.9%
02053 Medicaid Nursing Home Match	2,106,155	1.7%	3,200,000	2.1%	3,200,000	2.0%
02384 02 Indirect Activity Prog 33	26,048	0.0%	29,844	0.0%	29,887	0.0%
02691 6901-Msh/Doc Maint Agreement	-	-	339,304	0.2%	356,960	0.2%
02987 Tobacco Interest (Real Fund)	150,209	0.1%	261,736	0.2%	261,736	0.2%
03197 Msh Mh Medicaid Reimb	3,180,119	2.5%	3,180,119	2.1%	3,180,119	2.0%
03366 Csat Demand & Needs Assessment	32,025	0.0%	-	-	-	-
03426 Child Health Insurance	706,848	0.6%	-	-	-	-
03500 Adad - Needs Asm Study	-	-	946,415	0.6%	103,585	0.1%
03505 93.150 - Mntal Hlth - Homeless	287,256	0.2%	300,000	0.2%	300,000	0.2%
03507 93.958 - Mntal Hlth - Blk Grt	1,250,525	1.0%	1,300,525	0.9%	1,300,525	0.8%
03508 93.959 - Adad - Blk Grt 100%	5,918,710	4.7%	6,610,892	4.4%	6,831,818	4.3%
03580 93.778 - Med Adm 50%	1,732,962	1.4%	2,027,399	1.4%	2,272,449	1.4%
03583 93.778 - Med Ben Fmap	57,907,188	45.8%	76,146,983	51.1%	83,419,455	52.4%
03601 03 Indirect Activity Prog 33	285,986	0.2%	319,288	0.2%	319,784	0.2%
Grand Total	$ 126,553,863	100.0%	$ 149,085,505	100.0%	$ 159,156,671	100.0%

AMDD is funded from general fund, state special revenue and federal funds. General fund accounts for a third of the 2005 biennium budget, compared to 40 percent of base budget expenditures. Federal funds rise from 56 percent of base budget funding to 61 percent of the 2005 biennium request. State special revenue rises from 4 to 5 percent over the same period.

General fund supports most of the cost of MHSP, the state match for mental health Medicaid benefits, and a portion of costs for both state institutions of mental disease and administration. Federal funds support a share of Medicaid costs, and federal block grants for mental health, homeless, and chemical dependency. The base budget includes federal CHIP grant funds that supported a share of the costs for expanded mental health services for children in MHSP. That part of the MHSP program was discontinued as a general fund spending reduction in order to avoid a supplemental appropriation. State special revenue is primarily alcohol taxes allocated to DPHHS, county funds provided to community mental health centers, revenue from the Medicaid nursing home intergovernmental transfer program, payments from the Department of Corrections for a new maintenance agreement for the Xanthapolous building and interest income from the constitutional tobacco settlement trust.

Alcohol Tax Funds Allocated to DPHHS

DPHHS is allocated a portion of the liquor license, beer and wine tax. Figure 49 shows the fiscal 2002 actual revenues and expenditures for alcohol tax funds allocated to DPHHS and projections of fiscal 2003 through fiscal 2005. Statutes specify how funds can be used and that the balances remaining in the account after legislative appropriations have been made are statutorily appropriated for distribution counties for use by approved private or public chemical dependency programs (Sections 53-24-206 (3)(b) and 17-7-502, MCA).

Figure 49
Earmarked Alcohol Tax Revenue and Expenditures
Fiscal 2002 Actuals Through Fiscal 2005 Budget Request

Revenue/Expenditures	Actual	Estimated	Executive Budget		Percent
Fund Balance	Fiscal 2002	Fiscal 2003	Fiscal 2004*	Fiscal 2005*	of Total
Beginning Balance	$369	$34,277	$0	($64,796)	
Revenues					
Liquor License	$3,248,958	$3,365,000	$3,496,000	$3,628,000	69.0%
Beer Tax	854,530	896,000	939,000	984,000	18.7%
Wine Tax	562,559	578,000	586,000	595,000	11.3%
Cost Recovery for MCDC	37,985	50,000	50,000	50,000	1.0%
Total Revenue	$4,704,032	$4,889,000	$5,071,000	$5,257,000	100.0%
Annual Percent Change		3.9%	3.7%	3.7%	
Total Funds Available	$4,704,401	$4,923,277	$5,071,000	$5,192,204	
Disbursements					
Chemical Dependency Cntr	$1,966,013	$2,024,993	$2,476,355	$2,321,567	44.6%
CD Medicaid Services/Admin.	242,788	242,788	649,525	869,454	16.7%
Distribution to Counties	1,348,803	730,000	0	0	0.0%
Mental Health Medicaid	0	830,892	1,000,000	1,000,000	19.2%
Justice - Equipment	303,204	303,205	303,204	303,204	5.8%
Mental Health Services Plan	233,506	233,506	0	0	0.0%
Behavioral Health Facilites	0	0	233,506	233,506	4.5%
CD Operations	228,612	290,515	191,720	191,681	3.7%
Cost Allocated Admin.	76,381	78,672	78,672	78,672	1.5%
Montana State Hospital	75,000	75,000	75,000	75,000	1.4%
Quality Assrnce. - Licensure	57,834	60,485	58,204	58,204	1.1%
Pine Hills	25,523	25,523	25,523	25,523	0.5%
Labor - POL Board	24,592	27,697	44,087	44,087	0.8%
Total Disbursements	$4,582,256	$4,923,277	$5,135,796	$5,200,898	100.0%
Adjustments	($87,868)	$0	$0	$0	
Ending Fund Balance	$34,277	$0	($64,796)	($8,695)	

*Estimated revenues are based on Revenue and Taxation Committee action and fiscal 2003 costs are based on the legislative appropriation. 2005 biennium costs reflect the executive request.

The August 2002 special session of the legislature adopted temporary amendments to section 53-24-108, MCA in order to implement the executive proposal to allocate $1 million of alcohol tax as Medicaid match for mental health benefits, replacing a like amount of general fund. The first amendment allowed the use of alcohol taxes as matching funds for Medicaid benefits, including illnesses related to chemical dependency. In the second temporary amendment, the legislature wanted to ensure that counties and local programs continued to receive a portion of alcohol tax proceeds that had been statutorily appropriated. Historically counties had received at least $1 million from the statutory appropriation in addition to amounts paid as part of contracts with AMDD. The temporary amendment effective until June 30, 2003 states:

> 53-24-108(2)(b) The department shall distribute at least $1 million to state-approved chemical dependency programs during fiscal year 2003. During fiscal year 2003, the department may use other sources of funding to meet its obligations under this subsection (2)(b). At least $730,000 of funds distributed under this subsection (2)(b) must be derived from revenue generated by 16-1-404, 16-1-406, and 16-1-411 and must be distributed to counties, as provided in 53-24-206(3)(b), for the private or public programs approved pursuant to 53-24-208. The remaining balance may consist of a combination of funds generated by taxation on alcoholic beverages and other funds available to the department.

LFD ISSUE

In Figure 48, the alcohol tax distribution to counties in fiscal 2003 shows $730,000 as required by statute. However, after that distribution and taking into account the other projected fiscal 2003 expenditures, it will leave about $170,000 less than anticipated during the August 2002 special session as match for Medicaid mental health benefits. LFD staff has been unable to obtain budget status information from DPHHS to review fiscal 2003 projections, so it is not possible to determine whether this shortfall has been taken into account.

Legislative staff has requested information from AMDD regarding whether this shortfall is included in current budget projections, and if not, how the shortfall will be funded. Options that the legislature can consider, in addition to, or instead of, information that will be supplied by AMDD include:

- Amend the temporary Section of 53-24-108(2)(b) to reduce the minimum transfer of alcohol tax proceeds to counties to $460,000 to provide the full match for mental health Medicaid benefits
- Request that DPHHS suggest service reductions that could be considered in lieu of reducing the county transfer
- Appropriate general fund, or other funds (potentially federal chemical dependency block grant) to augment the transfer to county programs in fiscal 2003

Statute describes how funds are to be used. Section 53-24-108(1), MCA, effective July 1, 2003, states:

Revenue generated by 16-6-104, 16-6-406, and 16-1-411 and allocated to the department to be used in state-approved private or public programs whose function is the treatment, rehabilitation, and prevention of alcoholism, which for the purposes of this section includes chemical dependency, may be distributed in any of the following ways:

(a) as payment of fees for alcoholism services provided by state-approved private or public alcoholism programs and licensed hospitals for detoxification services;

(b) as grants to state-approved private or public alcoholism programs; or

(c) as matching funds for the Montana Medicaid program administered by the department that are used for alcoholism and chemical dependency programs.

LFD ISSUE

There are two major issues related to the projected alcohol tax fund balance: 1) funds requested above the level of annual revenue in the 2005 biennium; and 2) uses of the tax proceeds not authorized by statute.

Expenditures in Excess of Revenue

The Executive Budget appropriates more funds than will be available in the alcohol tax state special revenue account during both years of the 2005 biennium. The legislature can consider several options:

- Request suggested adjustments from the executive to bring expenditures and revenues in line
- Allocate additional federal block grant funds to offset alcohol state special revenue expenditures in either MCDC or program administration
- Reduce the executive request for some appropriations out of alcohol tax proceeds
- Take no action

Statutory Uses of Alcohol Tax

Some of the uses of alcohol tax funds requested in the Executive Budget do not appear to be authorized by the statute. Those include: matching funds for mental health Medicaid services; equipment for the Department of Justice; licensure or certification activities performed by the Department of Labor and Quality Assurance Division; or potentially services provided by the state hospital and MHSP.

The legislature has several options:

- Enact statutory changes to authorize use of alcohol tax funds allocated to DPHHS for uses specified in the Executive Budget
- Deny funding for uses not allowed by statute
- Appropriate general fund or another source of funds for uses not specified
- Appropriate alcohol tax funds as requested by the executive

Present Law Adjustments	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					4,559,635					4,693,130
Vacancy Savings					(1,013,536)					(1,018,875)
Inflation/Deflation					21,370					29,047
Fixed Costs					355,249					371,445
Total Statewide Present Law Adjustments					**$3,922,718**					**$4,074,747**
DP 135 - Mental Health Intergovernmental Transfer Caseload										
	0.00	0	436,612	1,172,368	1,608,980	0.00	0	445,612	1,163,368	1,608,980
DP 140 - Block Grant Increase										
	0.00	4,248	0	619,789	624,037	0.00	4,248	0	619,789	624,037
DP 141 - MH UR Contract /Retrospective Reviews										
	0.00	(287,810)	0	209,334	(78,476)	0.00	(206,368)	0	453,660	247,292
DP 143 - Medicaid Program Changes										
	0.00	3,350,771	518,480	7,823,225	11,692,476	0.00	5,994,587	738,409	14,507,231	21,240,227
DP 144 - Mental Health Block Grant Increase										
	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 145 - MCDC Base Adjustment										
	0.00	0	93,460	49,908	143,368	0.00	0	(70,923)	269,837	198,914
DP 147 - MMHNCC Base Adjustments and Restructuring										
	(21.56)	(31,651)	0	1,629,324	1,597,673	(21.56)	64,002	0	1,619,263	1,683,265
DP 335 - Reduce CIP FTE										
	(3.00)	0	(103,480)	0	(103,480)	(3.00)	0	(103,224)	0	(103,224)
DP 344 - Restructure/Reduce Mental Health Services Plan										
	0.00	(8,054,160)	(233,506)	(708,161)	(8,995,827)	0.00	(8,116,907)	(233,506)	(708,161)	(9,058,574)
DP 351 - IGT Refinancing - Medicaid Caseload										
	0.00	(657,600)	657,600	0	0	0.00	(648,600)	648,600	0	0
DP 352 - Mental Health Community Services FMAP Change										
	0.00	72,480	0	(72,480)	0	0.00	214,582	0	(214,582)	0
DP 354 - Medicaid Eligibility Changes										
	0.00	(15,546)	0	(41,777)	(57,323)	0.00	(15,546)	0	(40,830)	(56,376)
DP 8146 - MSH Base Adjustments and Restructuring (Requires Legislation)										
	(22.93)	2,987,324	233,506	3,256,516	6,477,346	(22.93)	3,077,012	233,506	3,120,937	6,431,455
Total Other Present Law Adjustments										
	(47.49)	**($2,631,944)**	**$1,602,672**	**$13,988,046**	**$12,958,774**	**(47.49)**	**$367,010**	**$1,658,474**	**$20,840,512**	**$22,865,996**
Grand Total All Present Law Adjustments					**$16,881,492**					**$26,940,743**

Executive Present Law Adjustments

Present law adjustments add $44 million total funds, and include a net reduction of $2 million general fund and a reduction in funding for 47.49 FTE. The general fund reductions are due to a $16 million decrease due to restructuring the MHSP program and $2 million in vacancy savings. The largest offsets to that reduction are $5.4 million for Medicaid caseload growth and utilization increases, and $6 million to cap MSH and develop BHIFs. Reductions in funding for FTE are due primarily to downsizing both MSH and MMHNCC. Fully funding personal services and annualizing the fiscal 2003 pay plan increase adds $9 million in total funds, which is partially offset by $2 million in vacancy savings.

New Proposals		Fiscal 2004					Fiscal 2005				
Program		FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 131 - Continue Data Infrastructure & Integration Grant											
	33	1.00	0	0	146,415	146,415	1.00	0	0	103,585	103,585
DP 132 - Continue Community Incentive Grant											
	33	0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 133 - MCDC Staffing Changes											
	33	2.90	0	113,301	0	113,301	2.90	0	113,645	0	113,645
DP 154 - MSH DoC Agreements											
	33	4.00	0	339,304	0	339,304	4.00	0	356,960	0	356,960
DP 287 - FTE Reduction											
	33	(5.00)	(154,942)	0	(33,255)	(188,197)	(5.00)	(155,010)	0	(33,165)	(188,175)
DP 339 - Federal Medicaid for School-based Mental Health											
	33	0.00	0	0	5,000,000	5,000,000	0.00	0	0	6,000,000	6,000,000
DP 350 - Alcohol Tax - General Fund Replacement											
	33	0.00	(1,000,000)	1,000,000	0	0	0.00	(1,000,000)	1,000,000	0	0
DP 353 - Medicaid Provider Reimbursement Reduction											
	33	0.00	(423,255)	0	(1,137,418)	(1,560,673)	0.00	(475,293)	0	(1,248,657)	(1,723,950)
DP 355 - Chemical Dependency Access Payment											
	33	0.00	271,200	0	728,800	1,000,000	0.00	275,700	0	724,300	1,000,000
	Total	**2.90**	**($1,306,997)**	**$1,452,605**	**$5,504,542**	**$5,650,150**	**2.90**	**($1,354,603)**	**$1,470,605**	**$5,546,063**	**$5,662,065**

New Proposals

New proposals add $11 million total funds, fund 2.90 new FTE and include a $3 million general fund reduction over the biennium. The most significant changes include a funding switch, which uses $2 million in state special alcohol tax proceeds previously distributed to state-approved local chemical dependency programs in place of general fund for mental health Medicaid match, and $11 million in federal Medicaid funds to match school expenditures for mental health services for Medicaid eligible children.

Other Issues

There are two other significant issues related to the AMDD budget that transcend individual appropriation decisions and funding sources: overall direction of mental health services and the implied policy or vision; and mental health state institution cost increases despite downsizing.

LFD ISSUE

Mental Health System Policy/Vision

The legislature will be reviewing a mental health budget request that involves significant policy changes for involuntary mental health commitments. The proposal to cap the state hospital population and implement BHIFs clearly links policy and appropriation decisions. Without statutory changes to establish a policy to cap state hospital admissions, the successful implementation of the executive budget proposal will be nearly impossible.

However, the policy decision that cannot be easily deduced through review of the executive request is the future direction of mental health services. One month prior to the last session, the executive proposed moving to a "new" regional managed system for mental health services. The executive decision was closely linked to a consultant's review of mental health services and recommendation for Montana. The 2001 legislature endorsed the executive proposal and appropriated funds, including funding for FTE, to implement a regional system.

During the 2001 session, AMDD staff anticipated that a pilot regional contract could be let by the second year of the biennium. The pilot program would have been structured to ensure smooth transition to state wide implementation after 1 to 2 years experience.

During the interim AMDD defined three mental health regions within the state and has begun planning within each region to define preliminary regional entities. Additionally, AMDD has worked to define outcome measures and develop a plan to serve mentally ill persons in the least restrictive environment as a first step to comply with the U.S.

LFD ISSUE (Cont.)

Supreme Court Olmstead decision. All of these elements could complement development of the regional managed care contract and the current BHIF proposal would seem to dovetail with the regional plan concept. However, a great deal more work remains before a regional contract could be let, including integration of outcome measures and the Olmstead planning effort with the regional concept.

The current budget situation and several rounds of spending cutbacks first initiated in December 2001 to avoid a supplemental appropriation, implement Section 17-7-140, MCA, and implement August 2002 special session reductions have introduced a degree of instability into mental health services that exacerbates effective planning for regional implementation. Despite the uncertainties however, slow progress is being made in at least one region.

The Executive Budget proposes reductions in community services that will place additional burdens on hospital capacity and funding, even if BHIFs are feasible and quickly implemented. Additionally, many community services have been limited or eliminated and eligibility has been reduced. It is probable that hospital services will expand beyond the forecast level in the Executive Budget, which would necessitate funding shifts from community services to cover additional hospital costs. So, a repetition of the spending reductions in the 2005 biennium might be necessary.

Significant staff resources have been diverted to managing crises and developing cost containment measures during the 2003 biennium. As one DPHHS staff person noted, it is difficult to manage and plan for system change at the same time that significant spending reductions must be enacted. However, the current executive budget proposal has the potential to continue the same type of crisis response situation that has existed over the last several years.

The legislature may want to ask the executive to articulate its goals for mental health services over the coming biennium and the longer term. The legislature may want to ask the executive how it will manage its resources, including allocation of scarce staff resources, to ensure that long term planning can continue and progress.

Base Expenditures Compared to 2005 Biennium Budget Request
Institutions Administered by Addictive and Mental Disorders Division

Institution Cost/Funding	Actual Fiscal 2002*	Requested Fiscal 2004	Requested Fiscal 2005
Montana State Hospital			
FTE	361.80	335.97	335.97
Personal Services	$ 13,043,902	$ 16,077,981	$ 16,191,258
Gen. Fund - One Time**	2,099,455		
All Other	3,562,634	3,899,997	4,113,372
Total	$ 18,705,991	$ 19,977,978	$ 20,304,630
General Fund	$ 18,630,991	$ 19,902,978	$ 20,229,630
State Special Rev.	75,000	75,000	75,000
Population	175.75	135	135
Costs Per Person	$ 106,435	$ 147,985	$ 150,405
Costs Per Day	$ 292	$ 405	$ 412
Percent Increase		39.0%	1.6%
Mental Health Nursing Care Center			
FTE	144.26	122.70	122.70
Personal Services	$ 4,760,355	$ 4,418,035	$ 4,453,825
All Other*	1,914,818	1,770,068	1,856,474
Total	$ 6,675,173	$ 6,188,103	$ 6,310,299
General Fund	$ 6,675,173	$ 6,188,103	$ 6,310,299
State Special Rev.			
Population	114.75	70	70
Cost Per Person	$ 58,171	$ 88,401	$ 90,147
Cost Per Day	$ 159	$ 242	$ 247
Percent Increase		52.0%	2.0%
Montana Chemical Dependency Center			
FTE	48.25	48.25	48.25
Personal Services	$ 1,602,803	$ 2,051,481	$ 2,062,241
All Other*	962,827	1,074,399	1,128,780
Total	$ 2,565,630	$ 3,125,880	$ 3,191,021
State Special Rev.	$ 1,966,013	$ 2,476,355	$ 2,321,567
Federal Funds	599,617	649,525	869,454
Population	53.85	53.85	53.85
Cost Per Person	$ 47,644	$ 58,048	$ 59,258
Cost Per Day	$ 131	$ 159	$ 162
Percent Increase		21.8%	2.1%
Total Division Institution Budget			
FTE	554.31	506.92	506.92
% of Division Total	94.5%	93.6%	93.6%
General Fund**	$ 25,306,164	$ 26,091,081	$ 26,539,929
% of Division Total	48.4%	52.4%	50.2%
Annual Growth Rate			2.4%

*Fiscal 2002 FTE are the number of FTE that were funded by the 2001 legislature.

**$2.1 million of expenditures from a one time only general fund appropriation are included in this table to compare actual base budget experience at MSH with the 2005 biennium request.

LFD ISSUE (Cont.)

The legislature may also want to consider its priorities for the longer-term goals and policy for publicly funded mental health services. If the legislature has different goals and policies than articulated by the executive or that seem feasible to implement given the current budget situation, it may want to consider several alternatives.

Does the legislature want the executive to continue to pursue a regional mental health managed care system and if so, what kind of direction does it want to establish, including formal or informal timelines, milestones, and/or reporting requirements? If the legislature establishes goals and policies different that than those articulated by the executive, it may need to review the budget proposal to determine whether sufficient funding exists or whether it desires to stipulate how certain funds must be used.

Does the legislature want to delegate broad management authority to the executive, including accepting the executive policies as guidance?

The legislature always has the option to take no action.

Mental Health Institution Costs

The figure on the previous page shows the base expenditures for the chemical dependency center and two state mental health institutions compared to the 2005 biennium request. The Executive Budget proposes to lower the average daily population of both mental health institutions - 41 persons for the state hospital and 35 for the nursing care center - and to provide services for those persons in the community. The Executive Budget also reduces funding for FTE - 22.93 FTE at the state hospital and 21.56 FTE at the nursing care center. In addition, two wings of the nursing care center will be closed.

Despite these proposed reductions in institutional costs, the total general fund cost of the 2005 biennium Executive Budget is higher than continuing to serve persons in the institutions if DPHHS were to manage institutions in the same manner as during the base budget year.

The executive request for the two mental health institutions rises significantly despite the reductions in population and staff. While one would expect an increase in the average daily cost because fixed costs form a higher proportion of the total cost, it seems odd that it would require more funds to operate the state hospital at a lower population than it did in the base budget year. While the total annual nursing care center budget request is lower than the base budget, it is not significantly lower, despite closing two wings. Furthermore, the percentage increase between the base budget and fiscal 2004 at each mental health institution is significantly higher than that of the chemical dependency institution where the population and staffing remain stable.

The legislature may wish to know the kinds of efficiencies implemented at the mental health institutions during the base budget year to determine if any of them could be ongoing and mitigate increases.

Sub-Program Details

MENTAL HEALTH 01

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	516.06	(44.49)	0.00	471.57	(44.49)	0.00	471.57	471.57
Personal Services	18,144,125	2,827,874	19,884	20,991,883	2,976,594	20,389	21,141,108	42,132,991
Operating Expenses	8,539,763	6,298,841	156,197	14,994,801	6,682,850	173,316	15,395,929	30,390,730
Equipment	23,990	36,000	0	59,990	9,000	0	32,990	92,980
Grants	649,156	16,992	0	666,148	16,992	0	666,148	1,332,296
Benefits & Claims	89,219,305	5,028,370	3,439,327	97,687,002	13,714,321	4,276,050	107,209,676	204,896,678
Debt Service	27,995	0	0	27,995	0	0	27,995	55,990
Total Costs	**$116,604,334**	**$14,208,077**	**$3,615,408**	**$134,427,819**	**$23,399,757**	**$4,469,755**	**$144,473,846**	**$278,901,665**
General Fund	49,670,583	801,333	(1,562,214)	48,909,702	3,940,228	(1,614,354)	51,996,457	100,906,159
State/Other Special	2,564,870	1,205,372	1,339,304	5,109,546	1,205,372	1,356,960	5,127,202	10,236,748
Federal Special	64,368,881	12,201,372	3,838,318	80,408,571	18,254,157	4,727,149	87,350,187	167,758,758
Total Funds	**$116,604,334**	**$14,208,077**	**$3,615,408**	**$134,427,819**	**$23,399,757**	**$4,469,755**	**$144,473,846**	**$278,901,665**

The Mental Health Bureau administers state institutional and community mental health services for adults and residential and community mental health services for children. MSH and MMHNCC are state institutions funded from general fund and Medicaid funds. Matching federal Medicaid funds are available for services provided by an institution for mental disease to persons under age 22 and over age 65. Community services are funded from Medicaid and general fund for Medicaid eligible adults and children and from the MHSP program for adults with a serious and disabling mental illness, below 150 percent of the federal poverty level.

The mental health function comprises the largest share of the division budget request with 90 percent of the total funds and nearly all of the general fund (98 percent). Net general fund changes over the biennium are about a $1.6 million increase, while total funds increase $45 million. General fund changes embody some significant policy changes including:

- Reducing MHSP capacity from about 3,000 slots to 350 slots - $16.2 million
- Reducing MSH capacity to 135 from 189
- Contracting for services from 3 new 15-bed BHIFs
- Reducing MMHNCC to 70 from 165, although the institution had a population of 105 in November 2002
- Contracting for community services for 35 current residents of MMHNCC

Present Law Adjustments	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					3,967,558					4,089,143
Vacancy Savings					(884,457)					(889,329)
Inflation/Deflation					15,617					23,167
Fixed Costs					303,079					319,076
Total Statewide Present Law Adjustments					**$3,401,797**					**$3,542,057**
DP 135 - Mental Health Intergovernmental Transfer Caseload	0.00	0	436,612	1,172,368	1,608,980	0.00	0	445,612	1,163,368	1,608,980
DP 140 - Block Grant Increase	0.00	4,248	0	12,744	16,992	0.00	4,248	0	12,744	16,992
DP 141 - MH UR Contract /Retrospective Reviews	0.00	(287,810)	0	209,334	(78,476)	0.00	(206,368)	0	453,660	247,292
DP 143 - Medicaid Program Changes	0.00	3,350,771	111,527	6,724,617	10,186,915	0.00	5,994,587	111,527	12,828,552	18,934,666
DP 144 - Mental Health Block Grant Increase	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 147 - MMHNCC Base Adjustments and Restructuring	(21.56)	(31,651)	0	1,629,324	1,597,673	(21.56)	64,002	0	1,619,263	1,683,265
DP 344 - Restructure/Reduce Mental Health Services Plan	0.00	(8,054,160)	(233,506)	(708,161)	(8,995,827)	0.00	(8,116,907)	(233,506)	(708,161)	(9,058,574)
DP 351 - IGT Refinancing - Medicaid Caseload	0.00	(657,600)	657,600	0	0	0.00	(648,600)	648,600	0	0
DP 352 - Mental Health Community Services FMAP Change	0.00	72,480	0	(72,480)	0	0.00	214,582	0	(214,582)	0
DP 354 - Medicaid Eligibility Changes	0.00	(15,546)	0	(41,777)	(57,323)	0.00	(15,546)	0	(40,830)	(56,376)
DP 8146 - MSH Base Adjustments and Restructuring (Requires Legislation)	(22.93)	2,987,324	233,506	3,256,516	6,477,346	(22.93)	3,077,012	233,506	3,120,937	6,431,455
Total Other Present Law Adjustments	**(44.49)**	**($2,631,944)**	**$1,205,739**	**$12,232,485**	**$10,806,280**	**(44.49)**	**$367,010**	**$1,205,739**	**$18,284,951**	**$19,857,700**
Grand Total All Present Law Adjustments					**$14,208,077**					**$23,399,757**

Executive Present Law Adjustments

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

DP 135 - Mental Health Intergovernmental Transfer Caseload - The community mental health centers participate with DPHHS in an intergovernmental transfer program for Medicaid services to encourage the delivery of services in frontier or rural areas of Montana. The mental health centers provide the Medicaid match for this program. This proposal requests $882,224 state special revenue and $2,335,736 federal Medicaid funds for the biennium for anticipated caseload and utilization changes.

Community mental health centers provide the bulk of Medicaid services in frontier counties. Due to the widely distributed nature of the population in these counties, the productivity of clinicians and other providers is necessarily less than for comparable services delivered in Montana's relatively few population centers.

To provide essential face-to-face treatment services and case management, either a mobile professional must spend extensive time and resources traveling great distances or a professional must be permanently located in a smaller community with a much-reduced caseload. In either event, the cost of providing services to communities in frontier counties is substantially greater. Provision of these services helps persons remain in the community, potentially preventing a greater cost for possibly including commitment at MSH.

DP 140 - Block Grant Increase - This request adds $34,000 total funds, including $8,496 general fund over the biennium to maximize the amount of Homeless or PATH Grant funds. The federal grant is $300,000 per year and requires a 25 percent general fund match. Base year expenditures were $283,008. Additional authority would be required to maximize this federal source.

LFD ISSUE The 2001 legislature appropriated $304,036 for the Homeless or PATH Grant funds, along with all general fund match requested by AMDD. Base year expenditures were $283,008. It appears that the appropriation made by the last legislature was sufficient to fund the entire grant and matching funds, but that the match was diverted for other uses.

DP 141 - MH UR Contract /Retrospective Review - This present law adjustment requests an annual contract increase of 5 percent per year in fiscal 2004 and fiscal 2005, for a total biennial increase of $150,000 in operating costs. The contract was funded at a higher percent of general fund during the base budget year because it included functions related to MHSP that were funded entirely from the general fund. The contract would be funded at 25 percent general fund and 75 percent federal funds in the 2005 biennium since it would be related to Medicaid functions. This funding change results in a net decrease of $494,178 general fund and an increase of $662,994 federal funds over the 2005 biennium.

DP 143 - Medicaid Program Changes - AMDD requests $9.4 million general fund. $0.2 million in state special revenue tobacco settlement revenue, and $19.6 million in federal funds for mental health Medicaid caseload and utilization increases over the biennium. The request would fund an 11 percent annual growth in mental health services in fiscal 2004 and fiscal 2005, consistent with growth rates since fiscal 2000.

DP 144 - Mental Health Block Grant Increase - The department requests an increase of $100,000 federal funds for the biennium from an anticipated increase in the federal Community Mental Health Block Grant for fiscal 2004 and fiscal 2005. The block grant is used to serve adults in community mental health settings. This federal grant provides a relatively small, but important, source of funding for community mental health services. The grant funds are intended to help the state develop an effective system of mental health care and are spent in accordance with a state plan approved by the Center for Mental Health Services.

LFD ISSUE The federal mental health block grant is estimated to provide $1.3 million in federal funds each year of the 2005 biennium. It requires a maintenance of effort equal to the average of the two previous years' state expenditures for community mental health services. DPHHS estimates that the proposed Executive Budget will not be able to maintain that maintenance of effort. DPHHS wrote a letter to SAMSHSA (Substance Abuse and Mental Health Administration) to determine if the block grant would be withheld or not and, if so, how much block grant the state could expect. LFD staff has requested that this information be provided to the legislature.

DP 147 - MMHNCC Base Adjustments and Restructure - This proposal to restructure services for MMHNCC residents reduces funding for 21.56 FTE, and requests an increase of $32,351 general fund and $3,248,587 federal funds over the biennium. MMHNCC has experienced a slow but steady decline in utilization for more than a decade as expanded community mental health and private nursing home services have provided for alternative care options. The current MMHNCC patient census is about 105. The Center is using 4 of its 6 wings for patient care. Among the current residents are about 35 individuals who are younger than 65. These people have had long histories of institutional care, primarily at MSH, and multiple placements in community services.

DPHHS proposes the creation of an intensive community support program for these 35 residents in order to serve them outside the institution in programs that will allow for federal financial participation. The plan includes the closure of a wing at the center and a reduction of the capacity to 75. The savings from the reduced cost at the center will leverage substantial federal money for community programs and provide services for this group of residents in a less restrictive, more integrated, setting.

The department has asked major community mental health providers to review the needs of these residents and to assist with planning the necessary services. At least one provider has already indicated that it believes appropriate community services can be created for these people.

The average cost per person to serve 35 persons in the community is almost half the average per person cost of downsizing MMHNCC and no longer providing institutional services: $127 per day in the community compared to $242 in the institution in fiscal 2004. The average of the community services proposal is significantly lower than the average cost for high-level secure care - $188.44 per day in fiscal 2003 or intermediate level care - $142.69 per day in fiscal 2003

LFD COMMENT

The executive proposal inadvertently omitted reductions in overtime due to reduced funding for FTE. The proposal could be reduced by $37,484 general fund in fiscal 2004 and $38,731 in fiscal 2005.

DP 344 - Restructure/Reduce Mental Health Service - This proposal both reduces the size of and restructures MHSP for a biennial savings of $16.2 million general fund, $0.5 million state special revenue funds and $1.4 million federal funds.

MHSP is a non-Medicaid program that provides mental health services for adults who have serious mental illnesses and incomes below 150 percent of the federal poverty level. Expanded mental health services for seriously emotionally disturbed children in families with incomes below 150 percent of the federal poverty level were eliminated during fiscal 2002 as part of the DPHHS effort to avoid general fund cost over runs.

The Executive Budget reduces the size of this program and restructures it. MHSP has been a quasi-entitlement program since 1999. Although membership has been capped, once in the program members have had access to a wide variety of services based on medical necessity and, until very recent changes, there has been a wide range and high number of providers participating in the program.

In order to get maximum benefit from a reduced funding level, MHSP will be restructured as a program contracted out to a limited number of providers on a "slot" basis. That is, each contracted agency will have a certain capacity of MHSP clients for whom the department will fund services. Separate adult and youth caps will be established, however, youth services are limited to $671,928 general fund annually. The general fund used for youth services is also counted toward the TANF maintenance of effort.

Criteria for eligibility for MHSP services will be tightened to assure only the most in need are served. Additional criteria (beyond 150 percent of poverty and serious mental illness) that will be used include previous MSH or residential treatment admissions, co-occurring substance abuse, history of dangerous behavior, and a primary diagnosis of a "severe mental illness" as defined in section 33-22-706, MCA.

The department is working on a plan for defining and allocating the slots but the initial analysis indicates that the MHSP program will be able to establish 350 slots for adults and 100 slots for youth under 18. These numbers are a significant reduction from the 3,073 people enrolled in the MHSP program on August 1, 2002.

LFD ISSUE

There are several issues related to this proposal:

- Potential loss of federal mental health block grant - $1.3 million
- Potential impact to Montana State Hospital
- Potential of reducing impact through a federal Medicaid waiver

Potential Loss of Federal Mental Health Block Grant

As noted in the division-funding summary, the state must maintain a maintenance of effort (MOE) equal to the average state expenditures over the previous two years to receive the mental health block grant, which is budgeted in support of this proposal.

LFD ISSUE (continued) DPHHS staff has indicated that the MOE will not be met during fiscal 2004 and maybe not during fiscal 2005. DPHHS is in contact with appropriate federal authorities to determine whether the block grant will be fully or partially withheld. If it is withheld, and the funding in this proposal reduced proportionally, the adult slots would be reduced from 350 to 238. Children's services would not be impacted since a fixed amount of general fund (about $672,000) is allocated from the general fund that supports the TANF block grant and must be spent for those services.

Potential Impact to Montana State Hospital

MHSP provides community services, including prescription medication, to seriously mentally ill adults. Persons who are no longer eligible for services may decompensate and require hospital services. Loss of community services could increase the need for and use of state hospital services.

Potential of Reducing Impact Through a Federal Medicaid Waiver

DPHHS has been evaluating a waiver request to help reduce Medicaid costs. Elements of the waiver, most notably the provision of basic Medicaid services to TANF eligible Medicaid recipients, are necessary to continue Medicaid changes included in the FAIM waiver, which expires December 2003. DPHHS initially believed it could provide an expansion within the waiver proposal to fund a limited package of physical health services and continue mental health services for former MHSP recipients, and fund the total package through Medicaid. DPHHS anticipated refinancing MHSP expenditures funded fully from the general fund with 72 percent federal Medicaid matching funds. However, preliminary direction from the Centers for Medicare and Medicaid Services (CMS) indicated that, since a fully state funded program would be refinanced through Medicaid, it would require a maintenance of effort (MOE). Further federal direction indicated that if another group were added to the mental health expansion group, there would not be an MOE requirement. It could be possible to add an expansion group of low-income pregnant women, potentially offsetting some of the service losses due to elimination of the MIAMI program, and manage the program within initial anticipated funding levels. LFD staff has requested an update on the executive waiver proposal for legislative consideration and discussion.

DP 351 - IGT Refinancing - Medicaid Caseload - The community mental health centers typically receive county tax funds of about $1.2 million per year. Under this proposal, the counties would pay these funds to DPHHS to provide the Medicaid match for this program, saving $1,306,200 general fund over the biennium and replacing it with $1,306,200 state special revenue funds for the biennium, for anticipated caseload and utilization changes, and to pay mental health service providers. This proposal is a companion decision package with DP 135.

LFD ISSUE DPHHS has not indicated how much of the county funds will be used to replace general fund Medicaid match and how much of the county funds will be returned to community mental health centers in the form of higher payments. The legislature may wish to know if or how AMDD plans to allocate funds equivalent to the nonfederal match. This proposal has the potential to divert all county support of community mental health centers to offset general fund Medicaid match, unless counties specify under what type of conditions they will participate.

DP 352 - Mental Health Community Services FMAP - This proposal increases general fund $287,062 and reduces federal funds by a like amount to adjust for the changes in the federal Medicaid match rate.

LFD COMMENT The legislature could consider including the matching rate change in the present law caseload adjustment as is done in other DPHHS programs. That approach allows data to be more comparable among programs and will help ensure that fewer mistakes are made

DP 354 - Medicaid Eligibility Changes - This proposal reduces Medicaid expenditures over the biennium by $31,092 general fund and $82,607 federal funds due to Medicaid eligibility changes, primarily regarding changes in the treatment of assets. See related discussion in the agency over view.

DP 8146 - MSH Base Adjustments and Restructuring - This proposal requests $6.1 million general fund, $0.5 million state special revenue and $6.4 million federal funds and a reduction of 22.93 FTE for the biennium to cap MSH patient capacity at 135 and to create 45 community-based inpatient psychiatric beds to offset the reduced capacity at MSH.

The MSH patient population grows at about 0.4 percent per month. The licensed capacity of 189 has already been exceeded twice during the 2003 biennium and, if the census continues to grow at the same rate, the monthly average will exceed capacity by December 2003.

Aside from state policy expressed in Title 53, Chapter 21 to use least restrictive services whenever possible and direction in the U.S. Supreme Court Olmstead decision to serve people with disabilities in the most integrated setting possible, there are financial reasons to consider alternatives to simply expanding the MSH capacity. Federal Medicaid regulations prohibit federal financial participation in services provided by "institutions for mental diseases" of 16 beds or larger to Medicaid recipients between the ages of 21 and 64. The department's approach would be to create three 15-bed "Behavioral Health Inpatient Facilities" (BHIFs), 1 in each of 3 communities, to provide more dispersed capacity, which would be eligible for Medicaid federal funding.

The three BHIFs would be privately operated with contracts with the DPHHS to serve individuals who are involuntarily committed for psychiatric inpatient treatment. These facilities are similar in concept to small freestanding inpatient facilities that are used for a similar population in Arizona.

Legislation will be required to implement this decision package. The legislation would: 1) give the department authority to create BHIFs and limit the size and number of them; 2) require judges to use BHIFs rather than MSH for commitments if a bed is available at a BHIF; 3) require law enforcement to use BHIFs for emergency detentions of people suspected of being seriously mentally ill; 4) allow for the transfer of committed persons from BHIFs to MSH if longer term (more than 30 days) treatment is required; 5) provide the authority to cap the MSH patient capacity or create financial incentives to use other services when the MSH budgeted capacity is reached.

Under this plan MSH would be used for the treatment of all criminally committed individuals and those civilly committed individuals who require longer-term treatment than can be provided at a BHIF. The department believes the creation of 45 BHIF beds, with appropriate utilization management, will enable MSH to operate within a 135 patient census.

This proposal assumes a staffing pattern and operational costs similar to those at MSH. There is an assumption that 70 percent of the patients will be Medicaid eligible. The time necessary to transition to full implementation of the three BHIFs is unknown. To the extent the transition creates additional costs, the department will have to cover those costs by shifting resources from other mental health programs.

The executive notes that it believes the alternative to creation of BHIFs is continued patient census growth at MSH and growing general fund costs. The additional costs of the expanding patient census in the coming biennium are:

Restoring funds to serve an average patient census of 175	$4,528,309
Additional funds necessary to serve a patient census that will reach 204 by 6/05	$3,276,390
Building renovations necessary for expanded population	$1,200,000
Biennium Total	$9,004,699

LFD ISSUE

There are several issues related to this proposal:
- Legal ability of the state to cap MSH capacity and continue to receive Medicare reimbursement
- Feasibility of BHIFs and the proposal in general
- Enacting statutory changes that reflect appropriation action
- Impact of the proposal on Medicare reimbursement

Legality of Capping MSH Capacity

MSH was licensed as a hospital about two years ago, enabling DPHHS to claim Medicare reimbursement for MSH services. Federal Medicare and Medicaid reimbursements for both MSH and MMHNCC are first applied to repayment of MSH construction bonds and Medicaid reimbursements may be appropriated to support mental health managed care. Any remainder is deposited to the general fund. About $2.6 million of Medicare reimbursement for MSH services is estimated to be collected each year of the 2005 biennium. As a hospital licensed to accept Medicare reimbursement MSH is required to comply with the federal Emergency Medical Treatment and Active Labor Act (EMTALA).

> EMTALA is a federal law which requires hospitals that receive Medicare funds to treat individuals who come to the hospital with an emergency medical condition, regardless of their ability to pay. If the hospital is capable of providing the necessary emergency care to a patient and an emergency medical condition is found to exist, the hospital is prohibited from refusing to provide any treatment to the individual or from transferring the patient to another medical facility without good cause. Thus, an appropriate medical screening must be provided to every person who comes to an emergency treatment center in order to determine whether an emergency medical condition exists or, in the case of a pregnant woman, whether labor is imminent. In either instance, the hospital must treat and stabilize the patient prior to discharge or transfer, except under certain limited circumstances.
>
> When transferring a patient who has not been stabilized, the transferring hospital is required to provide medical treatment within its capability to minimize the risks to the individual's health. Further, the transferring hospital must provide an appropriate transfer which means that the transfer must be effected through qualified personnel and transportation equipment. The patient's medical records, the results of any tests performed and the informed written consent to transfer or appropriate certification must be forwarded to the receiving facility. In turn, the receiving facility must agree to accept the transfer and have both available space and qualified personnel to treat the patient. If a medical facility has specialized facilities (e.g., a burn unit), it cannot refuse to accept an appropriate transfer if it has the capacity to treat that person.

Any statutory changes enacted by the legislature to cap MSH capacity must consider how MSH compliance with EMTALA will be impacted. If Medicare reimbursement is threatened or curtailed due to non-compliance, it could result in lower general fund revenues.

Enacting a statutory cap on enrollment may not comply with EMTALA. In cases interpreting EMTALA, courts have held that the definition of capacity includes historical information about a hospital's willingness to accept patients above its occupancy level.

DPHHS has considered two separate proposals that would allow it to effect the cap: 1) assign involuntary commitments to DPHHS; and 2) charge counties for use above historic levels. The first option would allow DPHHS to determine appropriate services for persons involuntarily committed to its care, thereby managing resources and contracting for appropriate care from other providers as necessary. The second option would provide a budget cap that, when exceeded, would garner the additional resources from counties that exceed their historic use. Counties have never been financially responsible for costs beyond the culmination of the court commitment proceeding. As of early December 2002, DPHHS had not determined the manner in which historic use would be calculated nor the charge to counties.

LFD ISSUE (Continued)

Impact on Medicare Reimbursement

Currently, MSH is expected to generate about $2.6 million in Medicare reimbursement each year of the 2005 biennium. Medicare payments are first applied to MSH bond debt and then the balance is deposited to the general fund. Under this proposal a share, perhaps a significant share, of Medicare reimbursement formerly recouped by MSH might be paid to BHIFs. If that were the case, the revenue available to repay bonds, as well as general fund revenue, would be reduced and the general fund impact of implementing BHIFs could be understated.

The impact on Medicare reimbursement to MSH would depend on licensure and/or certification criteria for a BHIF. If BHIFs are inpatient hospital facilities they will most likely be eligible to receive Medicare reimbursement.

Medicare provides 90 days of reimbursement for an episode of inpatient hospital services related to mental health, with a lifetime limit of 190 days in an institution of mental disease (state hospital). So, if a Medicare eligible person who is involuntarily committed spends the first 30 days in a BHIF, which is paid by Medicare, and then is transferred to the state hospital, MSH could collect up to 60 days of Medicare reimbursement if necessary

DPHHS is preparing additional analysis regarding average length of stay for persons involuntarily committed to MSH and the average Medicare reimbursement. Data on of November 30, 2002 indicated that 35 percent of persons involuntarily committed to and on campus at the state hospital were Medicare eligible.

Feasibility of BHIFs

Two groups studied mental health issues throughout the 2003 biennium and were closely assisted by DPHHS - the interim legislative study authorized by HJR 1, and the Mental Health Oversight Advisory Council. During that time, DPHHS anticipated that it would be moving to a regional managed care system as proposed by its consultants in December 2000 just prior to the 2001 legislative session. During the last meeting of the HJR 1 study, DPHHS staff proposed the BHIF idea as a solution to address the problem of a higher number of commitments to MSH than budgeted. There are numerous issues related to BHIFs, largely due to the last minute nature of the proposal.

LFD staff has asked DPHHS to provide the following information related to the BHIF proposal. These are basic questions that DPHHS should be able to answer in order to assure the legislature that this proposal will work and produce the promised outcomes.

- Is a BHIF a stand-alone facility or part of an existing hospital or other health care facility?
- If it is not part of another facility:
    - What are the licensing or certification criteria?
    - What are the staffing requirements?
    - Will all BHIFs have emergency room capability as well as longer term inpatient capability? If so, how many of the 15 beds in each facility will be allocated between the two types of medical care?
    - Will BHIFs be subject to EMTALA?
- Provide the timeline with critical milestones identified for developing BHIFs.
- What will happen if the BHIFs and MSH are full and there are additional: 1) involuntary commitments; or 2) emergency detentions?
- Will DPHHS provide start up costs for BHIFs, and if so, are start up costs for BHIFs included in this proposal?
- Will DPHHS sole source or competitively procure for the BHIFs?
- What is the assumed patient mix by funding source for BHIFs?
- What entity or who will pay for BHIF services if a person is not eligible for Medicaid, Medicare, or Indian Health Services, does not have private insurance, is not eligible for county funding, and does not have the ability to pay for services?

LFD ISSUE (Continued)

Community providers are reducing the capacity of services that are very similar to those provided by a BHIF, citing the losses due to such services. Deaconess Hospital in Billings has reduced the number of inpatient psychiatric beds, the Golden Triangle Mental Health Center has closed an 8 bed crisis facility in Helena, and the St. Peter's Hospital inpatient psychiatric unit in Helena was closed permanently after a temporary closure due to a lack of psychiatrists and lack of profitability. So questions regarding start up costs, daily rates, patient eligibility for public funding sources, and payment responsibilities are highly germane.

BHIFs have been successful additions to the continuum of mental health services in other states. However, success in other states is related to the mix and availability of other community services as well other considerations, such as construction of specific types of buildings, provision of start up costs by the state, and competitive rates. BHIFs are being proposed at a time when funding and eligibility for mental health community services is being reduced, which seems another obstacle. The question of what happens if BHIFs are full to capacity and MSH has a population of 135 become more important when services that may have prevented hospitalization are being curtailed.

At this point, it is not clear whether BHIFs will be stand alone hospitals or associated with existing medical facilities. It would seem that if BHIFs were stand alone hospitals, the daily cost could be high because the facility would not have the economies of scale that benefit full sized hospitals. It is also unclear how BHIFs will recruit and retain adequate staff resources if they are stand alone hospitals

It is unclear whether BHIFs would be required to comply with EMTALA. If BHIFs are a type of hospital and accept Medicare reimbursement, they might be subject to EMTALA. It is also unclear how BHIFs would control the number of persons committed to their care. Unless the statutory mental health involuntary commitment process is changed, BHIFs may face the same population and capacity predicaments as MSH.

The executive used a rate of $380 per day if all 15 beds of each BHIF are full at all times, for an annual per facility cost of $2,075,150. If BHIFs are to be licensed hospitals, that rate may not be sufficient to cover costs, especially if the daily population fluctuates.

The Executive Budget does not include either start up costs for BHIFs or transition costs at the MSH while these facilities are coming on line. The assumption that a private entity would construct a new facility in the current unstable funding environment for mental health services might be questionable. In the developmental disability system, DPHHS has provided start up grants for specialized group homes and worked with providers to obtain favorable financing. Other states that have services similar to BHIFs have provided start-up grants because in those states BHIFS were specifically designed to provide the necessary specialized services. It may be unrealistic to assume that existing structures, such as a large house for instance, could be remodeled to provide BHIF services.

Based on data from the MSH regarding admissions, DPHHS estimated that 70 percent of the individuals admitted to BHIFs would be Medicaid eligible. However, it appears that assumption may be too high. Data for MSH on November 30, 2002 shows that about 13 percent of non-forensic patients on campus were Medicaid eligible and 24 percent were eligible for both Medicare and Medicaid, bringing the potential total of those Medicaid eligible to 37 percent. Additionally, BHIF admission patterns may be different than current MSH admission patters due to potential admissions of persons who lose community MHSP services.

Enacting Statutory Changes to Reflect Appropriation Action

If the legislature accepts the executive proposal to cap the MSH population and contract with three BHIFs, it should enact changes to statute to allow and facilitate implementation of the proposal. Without appropriate statutory changes, successful implementation of a cap for MSH will be nearly impractical. Furthermore, if successful lawsuits were brought against DPHHS because such changes were not made, the court decision could constrain future legislative actions and policies. The policy changes to cap the MSH population may be more contentious and difficult than reviewing appropriation issues.

LFD COMMENT If the legislature adopts the executive proposal to implement BHIFs, it might want to consider allocating the appropriation to the benefits category of expenditure. The executive includes the request in operating costs as if BHIFs are the cost to operate a state agency cost rather than a direct service to individuals provided through contracts. Other hospital service benefits provided to individuals by contractors and funded through Medicaid are budgeted and expended in the benefits category. This distinction is important because it indicates that funds are appropriated to services for individuals rather than operating costs for state agencies, or specifically in the case of AMDD, state mental health institutions.

New Proposals

	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 154 - MSH DoC Agreements										
01	4.00	0	339,304	0	339,304	4.00	0	356,960	0	356,960
DP 287 - FTE Reduction										
01	(4.00)	(138,959)	0	(24,264)	(163,223)	(4.00)	(139,061)	0	(24,194)	(163,255)
DP 339 - Federal Medicaid for School-based Mental Health										
01	0.00	0	0	5,000,000	5,000,000	0.00	0	0	6,000,000	6,000,000
DP 350 - Alcohol Tax - General Fund Replacement										
01	0.00	(1,000,000)	1,000,000	0	0	0.00	(1,000,000)	1,000,000	0	0
DP 353 - Medicaid Provider Reimbursement Reduction										
01	0.00	(423,255)	0	(1,137,418)	(1,560,673)	0.00	(475,293)	0	(1,248,657)	(1,723,950)
Total	**0.00**	**($1,562,214)**	**$1,339,304**	**$3,838,318**	**$3,615,408**	**0.00**	**($1,614,354)**	**$1,356,960**	**$4,727,149**	**$4,469,755**

DP 154 - MSH DoC Agreements - This proposal requests $696,264 of state special revenue authority and funding for 4.00 FTE at the Montana State Hospital for the services related to the DPHHS agreement with the Department of Corrections for maintenance and utility costs.

DP 287 - FTE Reduction - This proposal reduces 5.00 FTE for a saving of $309,952 general fund and $66,420 in federal funds for the biennium. The funding reduction is allocated 3.00 FTE to MSH and 2.00 FTE to the central office, of which 4.00 FTE are in the mental health services function. The central office FTE are an adult program mental health services officer and an administrative support person.

DP 339 - Federal Medicaid for School-based Mental Health - The Executive Budget includes an increase of $11 million in federal Medicaid funds for the biennium to match in-school mental health programs that are currently being re-financed through the use of state and local education funds for non-federal match.

DP 350 - Alcohol Tax - General Fund Replacement - This proposal switches $2 million general fund to alcohol tax special revenue funds to continue to provide Medicaid mental health services. These funds were previously distributed to counties and passed through to alcohol and drug programs.

LFD ISSUE This proposal would make permanent a temporary funding switch authorized by the August 2002 special session. This proposal would require an amendment to Section 53-24-108, MCA in order to use alcohol tax revenue allocated to DPHHS for Medicaid matching funds for mental health services. The temporary amendment allowing this use of alcohol taxes that was enacted by the August 2002 special session expires June 30, 2002. This proposal has the same issues as those reviewed by the special session:

- Alcohol tax proceeds are a much more flexible funding source than block grant and Medicaid funding
- Alcohol tax is used as a match for other grants, which may be reduced or eliminated without necessary matching funds
- Alcohol tax can be used to fund services for low-income persons who are not Medicaid eligible

LFD ISSUE (continued)

DPHHS contracts with 27 approved chemical dependency programs that provide services in all 56 counties. DPHHS cannot provide an estimate of the number of persons who receive services supported by alcohol tax.

State approved programs are supported by alcohol tax funds, the federal SAPT block grant and private payments. Some of the larger state approved programs are also Medicaid providers and receive Medicaid funding. Some programs receive other federal grants and in some cases, the alcohol tax funds provide the non-federal match required for those federal grants. Therefore, a reduction in the alcohol tax may reduce or eliminate receipt of other federal grants.

Alcohol tax is the most flexible funding source that supports state approved county programs. Other funding sources stipulate criteria governing how funds must be spent. Reducing alcohol tax funds for state approved programs will limit administrative flexibility to design and deliver services deemed appropriate by the program. Additionally, programs may not have as much funding to deliver services to low-income persons with incomes or resources above Medicaid eligibility levels if alcohol tax funds are reduced. In some smaller programs alcohol tax may support up to 50 percent of the treatment budget.

The executive proposes to offset the alcohol tax funding shift by requesting $0.5 million general fund over the biennium to leverage additional Medicaid funds to provide payments to chemical dependency programs (see DP 355 Chemical Dependency Access Payment in the Addiction and Treatment Services program). If the legislature approves this proposal - DP 350, but not DP 355, counties will lose a significant source of funds for chemical dependency treatment.

While the executive proposal seems to hold the counties harmless, there is some risk for county payments. Since general fund would be budgeted for the match for the access payment, it could be subject to reductions considered by DPHHS in order to avoid a supplemental appropriation or to implement Section 17-7-140, MCA. Reductions in the match for access payments would reduce county reimbursement for local chemical dependency programs.

Options that the legislature can consider:

- Accept DP 350 and DP 355 or only DP 350
- Accept neither proposal
- Accept $0.5 million in alcohol tax funding in place of general fund Medicaid mental health matching funds and $0.5 million in general fund

DP 353 - Medicaid Provider Reimbursement Reduction - This proposal reduces provider payments across-the-board for the 2005 biennium and saves $0.9 million of state general fund and $2.4 million federal funds.

LFD COMMENT

The executive includes a 1.87 percent reduction for Medicaid mental health service rates. It is unclear whether the most recent provider rate reductions (those enacted January 1, 2003) will be continued during the 2005 biennium. LFD staff has asked DPHHS to provide this information to the legislature.

Sub-Program Details

ADDICTION TREATMENT & PREVENTION 02

Sub-Program Proposed Budget

Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	56.35	(3.00)	2.90	56.25	(3.00)	2.90	56.25	56.25
Personal Services	1,999,672	331,326	113,301	2,444,299	342,997	113,645	2,456,314	4,900,613
Operating Expenses	1,387,585	99,371	0	1,486,956	153,826	0	1,541,411	3,028,367
Equipment	0	11,751	0	11,751	11,751	0	11,751	23,502
Grants	4,778,376	607,045	800,000	6,185,421	607,045	0	5,385,421	11,570,842
Benefits & Claims	894,439	1,505,561	1,000,000	3,400,000	2,305,561	1,000,000	4,200,000	7,600,000
Debt Service	13,035	0	0	13,035	0	0	13,035	26,070
Total Costs	**$9,073,107**	**$2,555,054**	**$1,913,301**	**$13,541,462**	**$3,421,180**	**$1,113,645**	**$13,607,932**	**$27,149,394**
General Fund	16	(16)	271,200	271,200	(16)	275,700	275,700	546,900
State/Other Special	2,436,873	762,741	113,301	3,312,915	827,535	113,645	3,378,053	6,690,968
Federal Special	6,636,218	1,792,329	1,528,800	9,957,347	2,593,661	724,300	9,954,179	19,911,526
Total Funds	**$9,073,107**	**$2,555,054**	**$1,913,301**	**$13,541,462**	**$3,421,180**	**$1,113,645**	**$13,607,932**	**$27,149,394**

Addiction treatment and prevention services include the Montana Chemical Dependency Center, community services, and funding for state approved chemical dependency programs. The most significant budget proposal is expansion of Medicaid funding for community, outpatient and residential chemical dependency services. The division began implementing the expansion in fiscal 2001 and is requesting only the federal Medicaid matching funds in its budget request. The state match comes from existing expenditures.

The major state funding source for this function is the earmarked alcohol tax. A table showing alcohol tax revenues, expenditures, and fund balance is shown in the division overview. Allocation of tax proceeds and disbursements is also discussed.

Present Law Adjustments

	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					494,593					505,224
Vacancy Savings					(99,776)					(100,193)
Inflation/Deflation					2,614					2,724
Fixed Costs					5,129					5,129
Total Statewide Present Law Adjustments					**$402,560**					**$412,884**
DP 140 - Block Grant Increase	0.00	0	0	607,045	607,045	0.00	0	0	607,045	607,045
DP 143 - Medicaid Program Changes	0.00	0	406,953	1,098,608	1,505,561	0.00	0	626,882	1,678,679	2,305,561
DP 145 - MCDC Base Adjustment	0.00	0	93,460	49,908	143,368	0.00	0	(70,923)	269,837	198,914
DP 335 - Reduce CIP FTE	(3.00)	0	(103,480)	0	(103,480)	(3.00)	0	(103,224)	0	(103,224)
Total Other Present Law Adjustments	**(3.00)**	**$0**	**$396,933**	**$1,755,561**	**$2,152,494**	**(3.00)**	**$0**	**$452,735**	**$2,555,561**	**$3,008,296**
Grand Total All Present Law Adjustments					**$2,555,054**					**$3,421,180**

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 140 - Block Grant Increase - This request adds $1.2 million in federal funds over the biennium for an expected increased in the block grant from the Substance Abuse and Mental Health Services Administration. It is also included in the Mental Health subprogram writeup.

DP 143 - Medicaid Program Changes - AMDD requests $9,345,358 general fund, $1,256,889 state special revenue and $22,330,456 in federal funds for mental health Medicaid caseload and utilization increases over the biennium. The request would fund an 11.0 percent annual growth in mental health services in fiscal 2004 and fiscal 2005, consistent with growth rates since fiscal 2000. The request also includes present law adjustments for chemical dependency Medicaid services of 30 percent annual increases in fiscal 2004 and fiscal 2005 above the projected increase in fiscal 2003. The chemical dependency Medicaid program is projected to have a higher growth rate because Medicaid coverage for this service is new and provider capacity is in a growth stage.

DP 145 - MCDC Base Adjustment - AMDD requests $342,282 federal and state special revenue for the biennium for routine MCDC base adjustments attributed to rent and food inflation, pharmacy inflation, outside medical costs, equipment, and restoration of zero-based overtime, differential and holiday pay for staff. The decision package also switches funding of alcohol tax and substance abuse block grant funds of $714,090 over the biennium. In fiscal 2002 there was $357,045 in excess block grant funds utilized at MCDC. It is anticipated that these funds will be utilized for community services in the 2005 biennium.

DP 335 - Reduce CIP FTE - The Community Incentive Grant has exhausted the administrative funding of 15 percent allowable under the grant. Positions were funded in the adjusted base with state special funds. This action eliminates 3.00 FTE and $206,704 state special revenue funds in the 2005 biennium associated with the administration of the grant. Positions eliminated are two trainers and one administrative support.

New Proposals

	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 132 - Continue Community Incentive Grant										
02	0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 133 - MCDC Staffing Changes										
02	2.90	0	113,301	0	113,301	2.90	0	113,645	0	113,645
DP 355 - Chemical Dependency Access Payment										
02	0.00	271,200	0	728,800	1,000,000	0.00	275,700	0	724,300	1,000,000
Total	**2.90**	**$271,200**	**$113,301**	**$1,528,800**	**$1,913,301**	**2.90**	**$275,700**	**$113,645**	**$724,300**	**$1,113,645**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 132 - Continue Community Incentive Grant - This proposal requests $800,000 in federal authority for the biennium to finalize the Substance Abuse and Mental Health Services Administration State Incentive Grant program. This grant was started in fiscal 1999 for $8.992 million and the request represents the estimated balance to complete the grant.
The purpose of the grant is to provide the funding for training assistance to communities to assist with alcohol prevention, planning, and programming. The funds that remain represent the final amount of funds to distribute to communities.

DP 133 - MCDC Staffing Changes - This proposal requests $226,946 state special revenue funds and 2.90 FTE for the biennium to fund aggregate positions at MCDC. This aggregate position pool is used to provide nursing coverage for the facility. The proposal is funded from alcohol tax allocated to DPHHS.

DP 355 - Chemical Dependency Access Payment - This proposal requests $546,900 general fund and $1,453,100 in federal funds over the biennium for a single payment to chemical dependency providers to ensure services to Montana rural communities. This previously was statutorily appropriated. The general fund replaces the alcohol tax revenue that went to county alcohol treatment programs.

LFD ISSUE This proposal is linked to DP 350 Alcohol Tax for General Fund Replacement in the mental health services function, which diverts $1.0 million in state special alcohol taxes from local chemical dependency programs to offset general fund match for Medicaid mental health services. Issues and options for legislative consideration are presented in the discussion regarding DP 350.

Sub-Program Details

DIVISION ADMINISTRATION 03

Sub-Program Proposed Budget

Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	14.00	0.00	0.00	14.00	0.00	0.00	14.00	14.00
Personal Services	635,073	68,181	21,441	724,695	69,410	21,382	725,865	1,450,560
Operating Expenses	237,877	50,180	100,000	388,057	50,396	57,283	345,556	733,613
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	3,472	0	0	3,472	0	0	3,472	6,944
Total Costs	**$876,422**	**$118,361**	**$121,441**	**$1,116,224**	**$119,806**	**$78,665**	**$1,074,893**	**$2,191,117**
General Fund	553,854	82,806	(15,983)	620,677	83,732	(15,949)	621,637	1,242,314
State/Other Special	26,048	3,796	0	29,844	3,839	0	29,887	59,731
Federal Special	296,520	31,759	137,424	465,703	32,235	94,614	423,369	889,072
Total Funds	**$876,422**	**$118,361**	**$121,441**	**$1,116,224**	**$119,806**	**$78,665**	**$1,074,893**	**$2,191,117**

Division administration is responsible for operation and management of the division. The administrative function is cost allocated across division activities and is supported from a mix of general fund, alcohol state special revenue, and federal Medicaid and block grant funds. The administrative budget request is 1 percent of the total funds requested and 1 percent of the general fund. The major changes are for statewide present law adjustments and two new proposals, which add a net increase of about $200,000, primarily supported by federal funds.

Present Law Adjustments

	Fiscal 2004					Fiscal 2005				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					97,484					98,763
Vacancy Savings					(29,303)					(29,353)
Inflation/Deflation					3,139					3,156
Fixed Costs					47,041					47,240
Total Statewide Present Law Adjustments					**$118,361**					**$119,806**
Grand Total All Present Law Adjustments					**$118,361**					**$119,806**

Executive Present Law Adjustments

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

New Proposals										
	Fiscal 2004					Fiscal 2005				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 131 - Continue Data Infrastructure & Integration Grant										
03	1.00	0	0	146,415	146,415	1.00	0	0	103,585	103,585
DP 287 - FTE Reduction										
03	(1.00)	(15,983)	0	(8,991)	(24,974)	(1.00)	(15,949)	0	(8,971)	(24,920)
Total	**0.00**	**($15,983)**	**$0**	**$137,424**	**$121,441**	**0.00**	**($15,949)**	**$0**	**$94,614**	**$78,665**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 131 - Continue Data Infrastructure & Integration Grant - This proposal requests $250,000 in federal funds and funding for 1.00 FTE for the biennium for the continuation and completion of a Mental Health Services Data Infrastructure and Integration Grant designed to improve accountability, increase access, target resources and continuously improve the quality of care of adults and children with mental illness.

DP 287 - FTE Reduction - This proposal reduces 5.00 FTE for a saving of $309,952 general fund and $66,420 in federal funds for the biennium. The funding reduction is allocated 3.00 FTE to MSH and 2.00 FTE to the central office, of which 4.00 FTE are in the mental health services function. The central office FTE are an adult program mental health services officer and an administrative support person.