

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	202.75	202.75	219.55	221.05	202.75	221.05	18.30	9.03%
Personal Services	10,178,952	10,333,951	11,518,655	11,768,591	20,512,903	23,287,246	2,774,343	13.52%
Operating Expenses	6,880,404	7,242,406	7,879,533	7,940,170	14,122,810	15,819,703	1,696,893	12.02%
Equipment & Intangible Assets	230,716	100,165	230,716	230,716	330,881	461,432	130,551	39.46%
Grants	9,089,181	8,671,226	10,905,498	11,022,468	17,760,407	21,927,966	4,167,559	23.47%
Benefits & Claims	210,723,048	236,672,366	236,702,448	242,186,126	447,395,414	478,888,574	31,493,160	7.04%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	14,003	13,041	15,603	15,603	27,044	31,206	4,162	15.39%
Total Costs	\$237,116,304	\$263,033,155	\$267,252,453	\$273,163,674	\$500,149,459	\$540,416,127	\$40,266,668	8.05%
General Fund	49,990,569	56,228,953	61,243,944	62,764,652	106,219,522	124,008,596	17,789,074	16.75%
State Special	29,734,887	34,092,065	32,689,709	34,001,342	63,826,952	66,691,051	2,864,099	4.49%
Federal Special	157,390,848	172,712,137	173,318,800	176,397,680	330,102,985	349,716,480	19,613,495	5.94%
Total Funds	\$237,116,304	\$263,033,155	\$267,252,453	\$273,163,674	\$500,149,459	\$540,416,127	\$40,266,668	8.05%

Program Description

The Senior and Long Term Care Division (SLTC) 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 90 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 Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401, MCA (authorizes and establishes Montana Veteran's Homes); 53-1-602, MCA (Eastern Montana Veteran's Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Senior and Long Term Care Division	
Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The 2011 biennium budget is \$40.3 million total funds, including \$17.8 million general fund, higher than the 2009 biennium budget ◆ Most of the change between the two biennia is in services costs, which total \$31.5 million or 78 percent of the difference ◆ Compared to 2008 base budget expenditures, the executive request adds \$66.4 million over the biennium, including \$23.7 million general fund\ ◆ Major present law adjustments include: <ul style="list-style-type: none"> • Medicaid service utilization and eligibility increases (\$16.5 million, \$5.4 million general fund) • Annualization of 2009 biennium provider rate increases to fund healthcare for healthcare workers (\$10.3 million total funds, \$0.9 million general fund) • Increases in the state Medicaid match rate do not change total funds, but add \$3.3 million general fund and reduce federal Medicaid matching funds by a like amount ◆ New proposals add \$23.3 million, including \$8.8 million general fund to: <ul style="list-style-type: none"> • Expand Medicaid community services (\$13.0 million total funds, \$4.6million general fund) • Raise provider rates by 1 percent (\$5.8million total funds, \$2.1 million general fund) over the 2011 biennium with implementation October 1 each year • Add \$1.1 million general fund each year for aging services ◆ Division goals provide broad policy direction that: <ul style="list-style-type: none"> • Reflect public and legislative priorities • Can be used by the legislature to help establish appropriations ◆ SLTC has met many of the targets established to measure progress toward the goals during the 2009 biennium 	
Major LFD Issue	
<ul style="list-style-type: none"> ◆ LFD nursing home cost estimates are \$0.5million general fund lower over the biennium than the executive request <ul style="list-style-type: none"> • LFD includes reductions in nursing home utilization fee revenue, while the executive budget does not • Consideration of changes in the patient contribution may lower general fund costs of the LFD estimate ◆ The executive budget may be short \$1.7 million general fund to support its nursing home caseload estimates ◆ The executive budget includes \$11.0 million total funds (\$4.0 million general fund) for unspecified community based service, direct care worker wage, or provider rate increases ◆ About \$1.1 million of cigarette tax state special revenue funding the veterans' homes could be offset by using historic growth rates in Veterans' Administration, Medicaid, Medicare, and patient insurance, potentially increasing the cigarette tax transfer to the general fund ◆ The goal of reducing the percentage of Medicaid eligible persons under the age of 65 residing in nursing homes may not be met 	

Program Narrative

The Senior and Long Term Care (SLTC) Division 2011 biennium budget request is \$40.3 million higher than the 2009 biennium budget, including increases of \$17.9 million general fund, \$2.9 million state special revenue, and \$19.6 million in federal funds.

The most significant change in the SLTC budget request is the benefits and claims category - a growth of \$31.5 million, primarily in Medicaid services. Grant funds rise \$4.2 million, partially due to \$2.1 million general fund for community aging services to continue most services funded from the \$3.0 million in one time appropriations made by the 2007 Legislature.

Personal services rise \$2.8 million, partially due to funding for 18.30 new FTE. Most of the new FTE are requested for the Montana Veteran's Home (MVH - 14.30 FTE) and the remaining (4.00 FTE) are new adult protective services social workers. Operating cost increases between the biennia are largely due to cost increases for medical, food, and utility costs at MVH.

Biennial Change less than 2011 Budget Changes

The biennial change is less than the difference between base budget expenditures (\$58.5 million) and the executive 2011 biennium budget request. FY 2009 appropriations include Medicaid service utilization and provider rate increases above the FY 2008 level – a 2.5 percent general increase, an increase targeted to direct care worker wages to \$8.50 per hour including benefits, and an increase targeted to support the cost of healthcare for healthcare workers. The 2011 biennium present law adjustments bring the base budget up to the FY 2009 level and provide additional funds to continue the level of services authorized by the last legislature.

Executive Budget Request

The major changes in the executive budget are:

- o \$5.4 million general fund (\$16.5 million total funds) for Medicaid utilization, eligibility, and FY 2009 provider rate increases, partially offset by a \$4.6 million estimated decline in nursing home utilization
- o \$5.3 million general fund (\$23.2 million total funds) to annualize rate increases and expansions approved by the 2007 Legislature
- o \$5.1 million general fund (\$5.4 million total funds) for a proposed 1 percent annual provider rate increase initiated October 1 of each fiscal year
- o \$4.0 million general fund (\$12.0 million total funds) for unspecified services that might include a direct care worker wage increase, expansion of community waiver services, or other community services
- o \$3.3 million general fund with an offsetting reduction in federal funds due to state Medicaid match increases
- o \$3.5 million cigarette tax state special revenue to fund 18.30 new FTE at MVH, reinstate overtime, shift differential and holiday pay removed from base budget costs as well as operating cost increases and inflation for the Montana Veterans' Home (MVH)

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- o Goals, objectives and year-to-date outcomes from the 2009 biennium
- o Goals and objectives and their correlation to the 2011 biennium budget request

Goals monitored for SLTC by the Legislative Finance Committee during the 2009 biennium were:

- o Support Montanans in their desire to stay in their own homes or live in smaller community based residential settings for as long as possible
- o Increase the ability of Montanans to prepare to meet their own long term care needs or the long term care needs of a relative or a friend

Some of the outcome measures used to evaluate progress toward the goals were:

- In 2008, 94.8 percent of all Montanans age 65 or older lived in community settings, compared to 94.6 percent in 2007
- In FY 2007, 27 percent of the SLTCD budget funded community service programs compared to 25 percent in 2006. FY 2008 info is not complete as of this date for all of the programs that support this benchmark
- In FY 2008, 2,106 individuals were served under the HCBS waiver in 1,697 slots as compared to 2,019 individuals served in FY 2007
- The average length of stay on the HCBS waiver waiting list was 179 days in FY 2008 compared to 277 days in 2007 and 280 days in 2006
- 625,603 home delivered meals were provided in FY 2007 compared to 630,371 in 2006. While funding increased in the aging services programs the cost to produce and deliver a meal increased as well resulting in stable utilization data
- The number of individuals taking the elderly /dependent tax credit on state tax returns increased from 50 in 2005 to 55 in 2006
- The number of individuals claiming the long term care insurance tax deduction on state income tax returns increased from 10,624 in 2005 to 11,799 in 2006

**LFD
COMMENT**

Far Reaching Program Goals and Good Measures to Track Progress

The SLTC program goals call for outcomes that most elderly and physically disabled persons would desire – the ability to live as independently as possible and to provide for their own care. The legislature has also exhibited support for such outcomes in funding new and expanded community programs and enacting model legislation for long term care insurance. The goals also attempt to encourage persons to plan for and fund to the greatest extent possible their own long term care, stretching the public dollar to provide the most community services to the most persons.

SLTC goals are superior because the goals express broad directions and outcomes to guide program development and administration. The measures adopted to evaluate progress toward the goals are specific, measurable, time-bound and provide the information the legislature can use to help establish appropriations.

**LFD
COMMENT**

SLTC on Track to Meet Target of Transitioning 25 Persons Under 65 to Community Waiver Services

The Health and Human Services Joint Appropriation Subcommittee requested that a specific measure - the percentage of Medicaid eligible persons under 65 living in nursing homes - be added to those presented by SLTC during 2007 legislative appropriation hearings. The subcommittee wanted to evaluate whether Medicaid eligible persons under 65 living in nursing homes were being actively transitioned to community services. Testimony presented during the hearings identified 431 persons under 65 who resided in nursing homes – about 13 percent of the total Medicaid nursing home population. The specific SLTC objective that measures transitioning “under 65” from nursing homes to waiver services is:

Maintain or reduce the percentage of nursing facility residents under age 65 by targeting at least 25 individuals each biennium who are under age 65 for transition to community placements with “money follows the person” funding approaches.

SLTC is on track to meet its minimum target. As of October 2008, 14 individuals under the age of 65 had transitioned from nursing home to waiver services, with 10 transitioning in FY 2008. Legislative staff has asked SLTC to provide an update on the number of “under 65” transitions during 2009 appropriation hearings.

**LFD
COMMENT (CONT.)**

Waiver services for persons transitioned from skilled nursing facilities are funded by moving appropriations from skilled nursing services to waiver services, a concept known as “money follows the person”. This funding mechanism shifts more funds (and potentially more persons) to waiver services over the biennium than anticipated in legislative appropriation action. The 2007 Legislature was aware of that potential and did not restrict nursing home transitions to the waiver in any way.

**LFD
ISSUE**

Percentage of Under 65 in Nursing Homes is Slightly Higher

One of the targets expressed by SLTC was to reduce the percentage of Medicaid eligible persons under 65 living in nursing homes. The SLTC presented data to the Legislative Finance Committee workgroup monitoring DPHHS goals and outcomes in October 2008. While SLTC is on track to transition 25 persons, the data indicate a slight increase in the percentage of Medicaid eligible persons under the age of 65 who are living in nursing homes – starting at 13.0 percent in 2006, dropping slightly to 12.9 percent then increasing to 13.6 percent in 2008. SLTC measures the number of persons under 65 in nursing homes at a single point in time, which might not be representative over an entire year.

Legislative Options

The legislature may wish to review SLTC progress toward reducing the percentage of persons under 65 who receive Medicaid skilled nursing services. Transitioning a minimum number of 25 persons may not reduce the percentage of those living in nursing homes. The legislature could consider several alternatives depending on information presented by SLTC during appropriation hearings. If the percentage of “under 65’s” increases or remains stagnant, the legislature could ask SLTC to:

- o Identify road blocks to lowering the percentage of persons in Medicaid skilled nursing services
- o Develop and present:
 - A higher numeric target for the 2011 biennium to reduce the number of Medicaid persons under 65 living in a nursing home
 - A specific plan to achieve the target, including milestones and objectives

Also, the legislature may wish to request that the Legislative Finance Committee track implementation of the plan and progress toward the goal during the 2011 biennium.

**LFD
COMMENT**

Total Increase in Waiver Services

The 2007 Legislature funded an additional 100 slots for community based waiver services. Typically, a “slot” provides services to more than one person. In FY 2008, about 1.2 persons were served per waiver slot funded. The increase in waiver slots was funded in part to reduce the waiting list for waiver services. SLTC presented a target to maintain the time on the waiting list at less than one year. During the 2007 session the average length of wait for services was 280 days. SLTC estimated that there were about 600 persons on the waiting list, which historically ranged from 450 to 600.

**LFD
ISSUE**

Measuring the Number of Persons Claiming Long Term Care Insurance Tax Credits May not be Sufficient Indicator

The number of persons taking the income tax credit for purchasing long term care insurance is one of the measures adopted by SLTC to measure progress toward the goal of increasing the ability of Montanans to prepare to meet their own long term care needs or the long term care needs of a relative or a friend. While this measure indicates growth in the number of persons claiming the tax credit, by itself it may not provide an accurate picture.

**LFD
ISSUE (CONT.)**

Figure 48 shows the number of days of skilled nursing care reimbursed by long term care insurance and the annual number of persons that could be provided services based on those payments. The days of care and number of persons served more than doubled between FY 2005 to FY2006. Since then the days of care and number of persons has steadily declined, falling about 24.5 percent.

The legislature may wish to ask SLTC whether long term care insurance payments for skilled nursing should also be tracked and evaluated. The legislature may also wish to ask SLTC why the number of days of care paid for are declining. For example, do long term care insurance products include sufficient inflation protections? Are other services, such as in home or assisted living, are being paid for instead of skilled nursing?

The 2007 Legislature enacted model legislation for long term care insurance so that SLTC could implement a long term care partnership model. This option was formerly available only through a Medicaid waiver, but is now a part of allowable Medicaid state plan eligibility. The initiative allows states to waive consideration of \$1 in assets for every \$1 of credible long term care insurance in determining a person’s Medicaid eligibility. The insurance pays for care that would otherwise be funded by a family reducing assets and it reduces potential Medicaid liability.

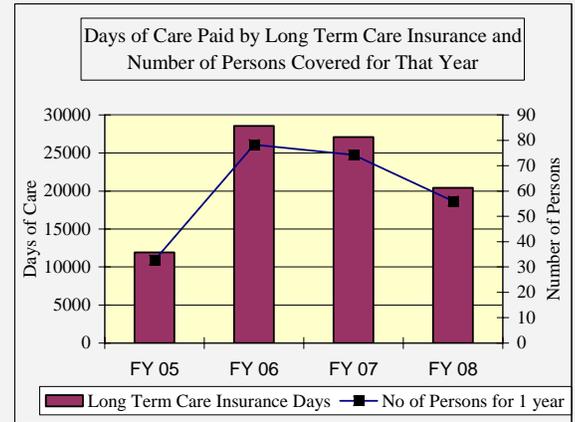
Implementation of the long term care partnership model has been delayed. Both the State Auditor as Insurance Commissioner and DPHHS need to promulgate rules to implement the program. A Medicaid state plan amendment must be submitted to the Centers for Medicare and Medicaid Services (CMS) and an administrative rule change for eligibility rules must be completed. DPHHS plans to file rules by December 2008 and implement the partnership model by July 2009.

Legislative Options:

The legislature may wish to ask SLTC how it will evaluate the outcomes of the long term care partnership model. While insurance reimbursement for the number of days of skilled nursing care may be one measure, the division may also want to measure payments for other types of long term care services as well.

The legislature may also wish to discuss with SLTC other measures that would indicate whether long term care insurance was being purchased and other ways to determine what is might be funding. The legislature may also wish to ask when the long term care partnership will be fully implemented.

Figure 48



SLTC Budget Request by Major Function

Although the division administers both Montana veterans’ homes, the majority of its 2011 biennium budget request (89 percent) funds benefits and claims – direct services to eligible persons. Figure 49 shows the SLTC base budget compared to the 2011 biennium budget request.

Figure 49

Senior and Long-Term Care Division 2008 Base Budget Expenditures and 2011 Biennium Budget Request by Major Function and Service

Function and Benefits and Grants	FY 2008 Base Budget				FY 2010 Executive Budget Request				FY 2011 Executive Budget Request				% of Total SLTC
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	
Division Administration	\$229,289	\$74,277	\$210,125	\$513,691	\$285,909	\$90,826	\$356,887	\$733,622	\$299,168	\$95,931	\$372,041	\$767,140	0.3%
Medicaid Services	44,256,351	22,249,457	145,517,970	212,023,778	53,873,074	23,397,999	161,090,417	238,361,490	55,196,884	24,509,480	164,098,001	243,804,365	89.3%
Aging Services*	3,701,870	0	7,299,802	11,001,672	5,110,812	0	7,502,594	12,613,406	5,282,037	0	7,503,989	12,786,026	4.7%
Veterans' Homes	0	7,092,961	3,978,502	11,071,463	0	8,736,780	3,969,735	12,706,515	0	8,840,639	4,020,793	12,861,432	4.7%
Adult Protective Svcs	<u>1,803,059</u>	<u>318,192</u>	<u>384,449</u>	<u>2,505,700</u>	1,974,149	464,104	399,167	<u>2,837,420</u>	<u>1,986,563</u>	<u>555,292</u>	<u>402,856</u>	<u>2,944,711</u>	<u>1.1%</u>
Total Division	<u>\$49,990,569</u>	<u>\$29,734,887</u>	<u>\$157,390,848</u>	<u>\$237,116,304</u>	<u>\$61,243,944</u>	<u>\$32,689,709</u>	<u>\$173,318,800</u>	<u>\$267,252,453</u>	<u>\$62,764,652</u>	<u>\$34,001,342</u>	<u>\$176,397,680</u>	<u>\$273,163,674</u>	100.0%
Percent of Total Budget	21.1%	12.5%	66.4%	100.0%	22.9%	13.0%	65.5%	100.0%	21.6%	13.1%	65.3%	100.0%	
Veterans' Homes													
Montana Vets' Home	\$0	\$5,640,906	\$2,004,300	\$7,645,206	\$0	\$8,438,942	\$2,524,557	\$10,963,499	\$0	\$8,542,419	\$2,575,615	\$11,118,034	4.1%
Eastern Vets' Home	0	<u>308,893</u>	<u>1,123,253</u>	<u>1,432,146</u>	0	<u>297,838</u>	<u>1,445,178</u>	<u>1,743,016</u>	0	<u>298,220</u>	<u>1,445,178</u>	<u>1,743,398</u>	0.6%
Subtotal Vets' Homes	<u>\$0</u>	<u>\$5,949,799</u>	<u>\$3,127,553</u>	<u>\$9,077,352</u>	<u>\$0</u>	<u>\$8,736,780</u>	<u>\$3,969,735</u>	<u>\$12,706,515</u>	<u>\$0</u>	<u>\$8,840,639</u>	<u>\$4,020,793</u>	<u>\$12,861,432</u>	
Percent of Total Budget	0.0%	2.5%	1.3%	3.8%	0.0%	69.4%	30.6%	100.0%	0.0%	69.8%	30.2%	100.0%	<u>4.7%</u>
Benefits													
<i>Medicaid</i>													
Nursing Homes	\$26,679,429	\$17,459,690	\$96,516,693	\$140,655,812	\$30,305,900	\$17,484,941	\$101,145,969	\$148,936,810	\$30,890,288	\$17,484,941	\$101,173,457	\$149,548,686	54.7%
IGT	0	1,708,234	3,719,902	5,428,136	845,412	1,673,022	3,452,757	5,971,191	845,412	1,843,131	3,722,804	6,411,347	2.3%
Home Based Services	8,570,540	1,625,654	22,278,031	32,474,225	13,356,445	2,394,149	32,518,864	48,269,458	13,346,053	3,335,510	33,925,554	50,607,117	18.5%
Waiver Services*	7,932,661	1,447,528	20,474,996	29,855,185	8,255,772	1,837,193	21,395,343	31,488,308	9,004,582	1,837,193	22,697,104	33,538,879	12.3%
Nurse Aide Testing	155,313	0	155,313	310,626	155,313	0	155,313	310,626	155,313	0	155,313	310,626	0.1%
State Supplement	963,100	0	0	963,100	990,091	0	0	990,091	1,033,507	0	0	1,033,507	0.4%
Adult Protective Services	38,365	0	0	38,365	38,365	0	0	38,365	38,365	0	0	38,365	0.0%
Institutional - MVH	0	0	<u>997,599</u>	<u>997,599</u>	0	0	<u>997,599</u>	<u>997,599</u>	0	0	<u>997,599</u>	<u>997,599</u>	<u>0.4%</u>
Subtotal Benefits*	<u>\$44,339,408</u>	<u>\$22,241,106</u>	<u>\$144,142,534</u>	<u>\$210,723,048</u>	<u>\$53,947,298</u>	<u>\$23,389,305</u>	<u>\$159,665,845</u>	<u>\$237,002,448</u>	<u>\$55,313,520</u>	<u>\$24,500,775</u>	<u>\$162,671,831</u>	<u>\$242,486,126</u>	<u>88.8%</u>
Percent of Total Budget	18.7%	9.4%	60.8%	88.9%	21.6%	10.6%	67.8%	100.0%	21.2%	10.6%	67.4%	100.0%	
Grants*													
Aging Grants	\$2,490,249	\$0	\$87,598,932	\$90,089,181	\$3,852,671	\$0	\$6,752,827	\$10,605,498	\$3,969,641	\$0	\$6,752,828	\$10,722,469	3.9%
Percent of Total Budget	1.1%	0.0%	36.9%	38.0%	21.6%	10.6%	67.8%	100.0%	21.2%	10.6%	67.4%	100.0%	

*Waiver services include \$300,000 that was reallocated from grants to benefits.

**Aging grants do not include the one time appropriation of \$1.5 million general fund each year of the 2009 biennium approved by the 2007 Legislature.

Medicaid benefits, and in particular skilled nursing, are the majority of the division budget request, rising \$17.2 million (\$7.8 million general fund) compared to base expenditures. Skilled nursing services are the single largest Medicaid service expenditure, followed by inpatient hospital services.

The appropriation for the county intergovernmental transfer (IGT) is listed separately. Counties that fund county nursing homes transfer revenues to DPHHS. The county funds are used as state match to draw down additional federal Medicaid matching funds and raise nursing home rates. The rate increases funded by IGT are considered one time by the legislature, and continue only so long as counties participate and federal regulations allow the funding mechanism to be used.

Home based services include personal assistance, hospice, and home health. Personal assistance is the most significant of the three services accounting for over 85 percent of FY 2008 expenditures. Home based services grow due to:

1. Projected growth in service utilization and the number of persons eligible as well as annualization of 2009 provider rate increases \$11.7 million total funds (\$3.8 million general fund);
2. Annualization of the provider rate increase to fund healthcare for healthcare workers, which was approved and funded by legislative initiative in the 2007 session (\$0.9 million general fund, \$10.3 million total funds); and
3. A new proposal for \$11.0 million total funds (\$4.0 million general fund) for unspecified services, which may include waiver expansion, direct care worker wage increases, or other community services

The appropriation for healthcare for healthcare workers was restricted to rate increases for contractors that provide in-home services administered by SLTC and receive the majority of their income for those services from the Medicaid program. Providers accepting the rate increase must fund health insurance that meets certain bench marks for employees working a designated number of hours. SLTC estimates that about 750 workers will be covered in the 2011 biennium at a cost of \$495 to \$545 per month. DP 22202 Healthcare for healthcare workers (Medicaid Services Subprogram) includes a more detailed discussion of the rate increase to fund health insurance.

Skilled nursing and home-based services are an entitlement, meaning that if a person meets Medicaid eligibility criteria (briefly described in the agency overview) and the service is medically necessary, then the state must pay for the service.

The home and community based waiver provides community services for aged and physically disabled persons who meet nursing home or hospital level of care requirements. The waiver allows DPHHS to limit enrollment in the services and to provide services that are not included in the standard array of allowable Medicaid services. Annualization of the 2009 biennium provider rate increase and growth in waiver slots adds \$1.2 million funds (\$0.7 million general fund). The adjustment reduces general fund by \$1.1 million general fund, and raises health and Medicaid state special revenue by a like amount to reflect FY 2009 legislative appropriations for the waiver expansion. A provider rate increase and a 2011 expansion in the waiver add \$2.8 million total funds (\$0.9 million general fund).

Although the increase in the state Medicaid match rate discussed in the summary section does not change total funding for any of the Medicaid services administered by SLTC, it does add \$3.3 million general fund with a like reduction in federal funds in the 2011 biennium. The state Medicaid match rate rises gradually from 31.41 percent in FY 2008 to an estimated 32.97 percent in FY 2011.

Other benefits remain relatively constant over the 2011 biennium compared to the FY 2008 base budget.

- o State supplement payments from the general fund are made to persons eligible for federal Supplemental Security Income (SSI) payments living in certain congregate living situations such as group homes
- o Nurse aide testing provides funds to ensure aides meet certain qualifications to work in nursing homes
- o Adult protective services aides victims of elder abuse, funding such services as cleaning and temporary lodging

Grants fund community aging services such as meals on wheels, congregate meals, information and assistance, and care giver support. The funds are distributed to the 11 Area Agencies on Aging and those agencies deliver community services in their respective regions.

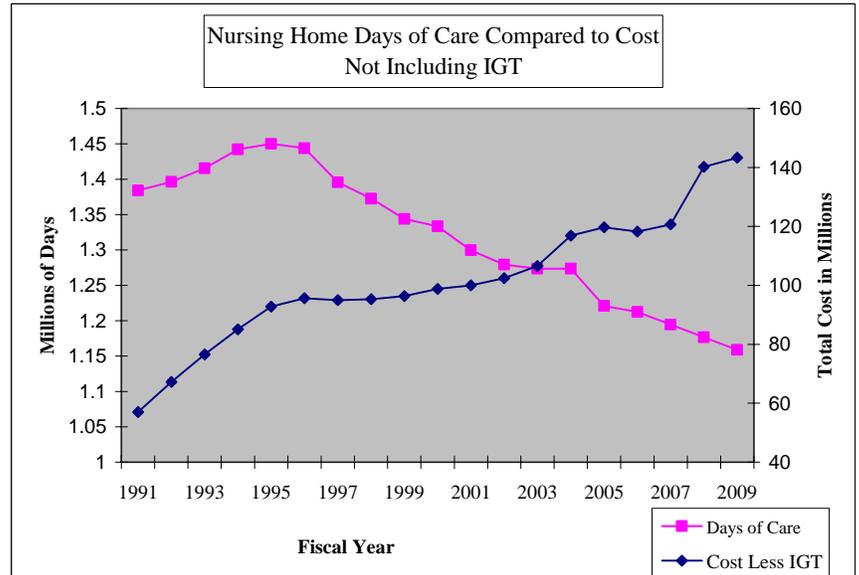
2011 Biennium Skilled Nursing Costs

Skilled nursing services are about 20 percent of total DPHHS Medicaid expenditures, the largest service expenditure of the Medicaid program. In comparison, the inpatient hospital services are the second most expensive with about 16 percent of the total. However, the daily rate for inpatient hospital services is about seven times higher than skilled nursing care.

The number of days of skilled nursing care reimbursed through the Medicaid program has steadily declined over the last several years, although total cost has not. Figure 50 shows the days of care and total Medicaid cost for skilled nursing services.

From FY 2000 through FY 2008 the number of days of Medicaid skilled nursing care declined an average of 1.8 percent per year. In the most recent two years (FY 2006 to FY 2008) the decline jumped to 2.4 percent, a 40 percent change. The decline in Medicaid funded days of care follows a general trend in nursing home care statewide. Movement of persons out of nursing homes into community waiver services has also contributed to overall declines in Medicaid funded skilled nursing care.

Figure 50

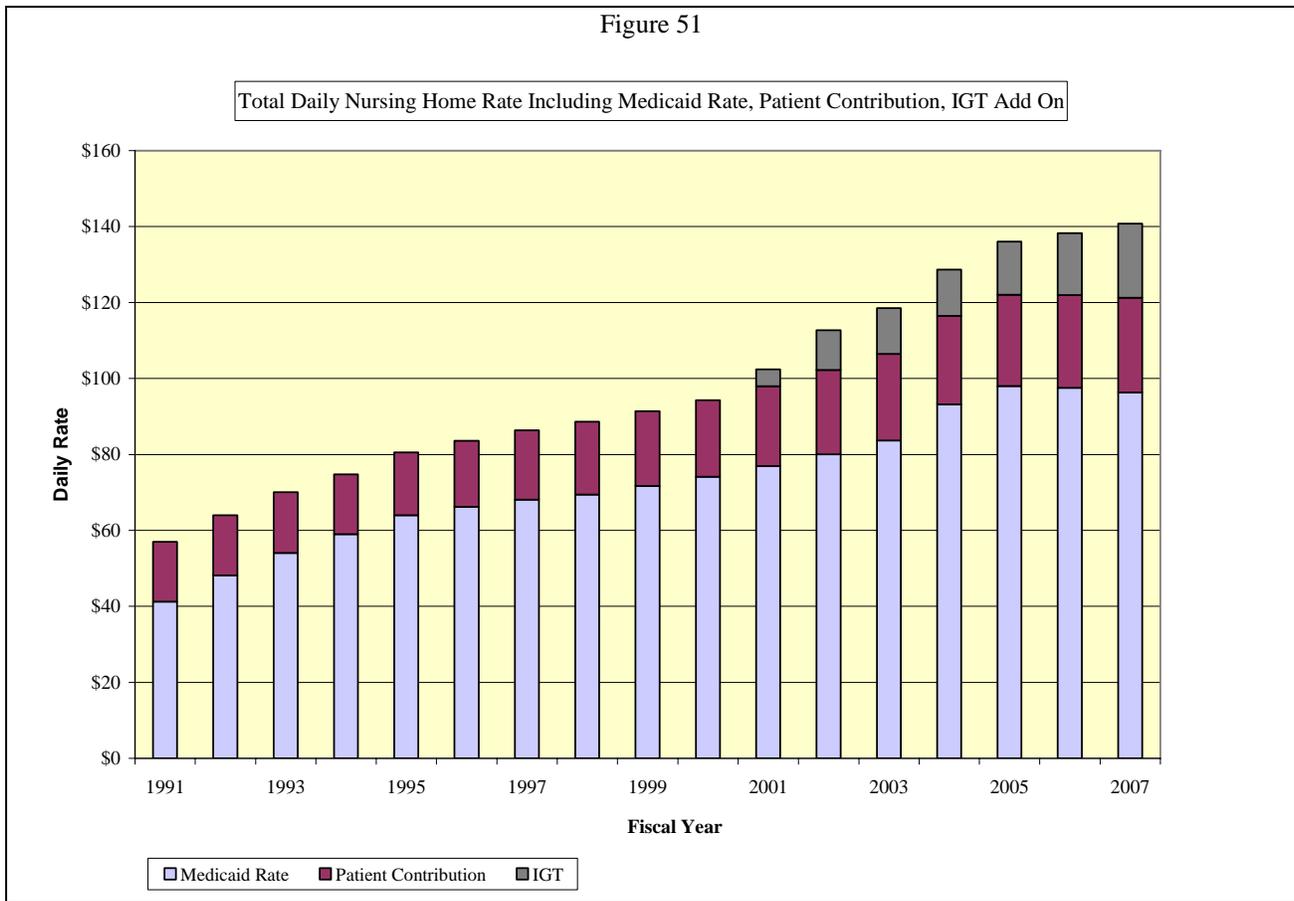


Nursing home occupancy rates have declined gradually over the last 10 to 15 years. Recently occupancy rates have hovered in the 72 to 73 percent range over the last several years. Historically, Medicaid occupancy has averaged around 60 percent of total nursing home occupancy.

Despite the reduction in days of care, the total cost of skilled nursing care has continued to rise. The total cost of care rose an average of 4 percent from FY 2000 to FY 2008 and 7.8 percent annually from FY 2006 to FY 2008.

The cost of care has risen for a number of reasons. Skilled nursing facilities care for more medically complex and fragile persons, have implemented processes and procedures to meet federal Medicaid and Medicare regulations, compete with other medical providers for nursing staff, and must sometimes hire “traveling” staff at significantly higher amounts.

The Medicaid rate for skilled nursing care has steadily increased in recognition of medical complexity and the rising cost of services. Figure 51 shows the daily Medicaid rate for skilled nursing care from FY 1991 through the FY 2009 budget request. FY 2008 and FY 2009 rates increased more rapidly than others due to a general provider rate increase of 2.5 percent annually and a rate increase targeted to raise direct care worker wages up to \$8.50 per hour (including benefits).



The Medicaid rate for skilled nursing services has two major components: the state/federal share, and the patient contribution. The state/federal share was 82.7 percent of the total rate in FY 2008, and is funded by state and federal Medicaid funds. The patient contribution, which would include Social Security, other retirement fund payments, and other personal assets, is paid directly to the nursing home and covers a portion of the cost. As shown in Figure 50 the state and federal portion of the total rate has risen much faster than the average daily patient contribution, which has increased about 3.3 percent per year from FY 2004 through FY 2008.

LFD
ISSUE

Medicaid Nursing Home Costs

The LFD estimates for skilled nursing costs are lower over the 2011 biennium than the executive budget request by \$7.3 million total funds, including \$0.5 million general fund (Figure 51). Compared to the executive budget, the LFD estimate has:

- o In FY 2012, a slightly lower state/federal share of the daily rate based on the FY 2009 rate funded by the legislature
- o A lower number of days of care
- o A reduction in the amount of nursing home utilization fee state special revenue due to the reduction in the number of days of care statewide

**LFD
ISSUE (CONT.)**

Figure 52 shows a comparison of the executive skilled nursing estimate and the LFD estimate. The executive assumes that the number of days of care will decline by 0.75 percent per year from base budget levels. The LFD assumes that the decline will average 1.5 percent, about 60 percent of the annual decline from FY 2006 through FY 2008.

The LFD used a smaller rate of decline in the number of bed days than the average 2.5 percent reduction in the most recent two years. Part of the reduction in nursing home days is due to persons transitioning from nursing home services to waiver services as well as persons funding more of the cost of care for community alternatives, such as independent living. If the legislature funds an expansion of the waiver, a larger decline in days of care could be considered.

Figure 52
Funding for Executive and LFD Estimates
2011 Biennium Nursing Home Caseload Costs

Fund and Present Law	Executive Budget		LFD Estimate	
	FY 2010	FY 2011	FY 2010	FY 2011
General Fund	\$29,941,549	\$30,021,640	\$29,629,579	\$29,799,337
State Special Revenue	17,484,941	17,484,941	17,382,122	17,280,330
Federal Funds	100,389,584	99,407,443	97,595,192	95,715,805
Total Funds	\$147,816,074	\$146,914,024	\$144,606,893	\$142,795,472
Projected Days	1,138,474	1,129,935	1,121,732	1,107,681
Cost per Day	\$129.84	\$130.02	\$128.91	\$128.91
LFD Over (Under) Executive				
General Fund			(\$311,970)	(\$222,303)
State Special Revenue			(102,819)	(204,611)
Federal Funds			(2,794,392)	(3,691,638)
Total			(\$3,209,181)	(\$4,118,552)

Base year Medicaid costs will not be final until June 2009. As new claims are paid and previous claims are adjusted, FY 2008 and FY 2009 year to date costs will fluctuate. Medicaid cost estimates will be updated in February 2009 to reflect the most recent cost data.

Daily Rate for 2011 Biennium Declines Despite Fewer Number of Days

The executive budget daily rate for nursing home care declines from the FY 2009 amount paid despite the reduction in bed days anticipated. Figure 52 shows executive budget rates for the 2011 biennium compared to FY 2008 and FY 2009. LFD staff has requested that information be updated for presentation during the 2009 session showing the estimated final rate for FY 2008, the estimated FY 2009 rate, and the 2011 daily rates used in the executive budget. The LFD has also requested updated estimates of the daily patient contribution over the same time period.

Figure 53
State/Federal Share of Nursing Home Daily Rate to FY 2011
Executive Budget

Rate	FY 2009*		Change	FY 2011	
	Rate	Percent		Rate	Percent
Budgeted*	\$126.46	\$128.91	1.9%	\$130.71	\$129.87
Paid/Established**	126.56	132.00	4.3%		
Percent Difference	0.1%	2.4%		-1.0%	-0.6%

The budgeted rate was taken from SLTC caseload estimates.
**FY 2009 state/federal share of the rate was set at the beginning of the year and could differ from the state/federal share amount of the actual rate.

The total general fund requirement to fund each estimate of the state federal share of the nursing home payment is listed in Figure 53. The LFD estimate is \$0.5 million general fund lower over the biennium than the executive budget request, due to the cumulative effects of a lower number of bed days, and a lower daily rate in FY 2011.

Declines in Nursing Home Utilization Fee

Both cost estimates apply each state special revenue source to the total state match required, netting to the

annual general fund cost. The LFD and SLTC agree on all state special revenue sources except the nursing utilization fee. The LFD estimates include a reduction in the nursing home utilization fee of about \$300,000 over the biennium compared to the executive budget request. The estimate of the fee income will be updated during legislative consideration of the SLTC budget request.

General Fund Executive Budget Request for Nursing Home Care Appears to be too Low

The executive budget request appears to be about \$1.7 million too low in its general fund request for nursing home costs. DPHHS is aware of this aberration and will address funding with the legislature when it convenes.

**LFD
ISSUE (CONT.)***Patient Contribution*

The LFD analysis does not address differences in the estimate of patient contribution, due in part to the potential funding error in the executive budget. Both the LFD and SLTC will present estimates of the patient contribution for the 2011 biennium. The patient contribution could also be revised once Social Security cost of living adjustments are known. If the patient contribution continues to increase, the legislature could decide to offset some state funds.

Legislative Options

There are several decision points for the legislature to consider in establishing the appropriation for Medicaid nursing home services. The legislature could:

1. Accept either the LFD estimate or executive estimate without change, or
2. Select its own combination of variables to determine an appropriation, which could include the:
 - a. LFD or SLTC estimate of days of care
 - b. FY 2009 appropriated rate or actual rate paid
 - c. LFD or SLTC patient contribution

No matter which nursing home caseload estimate the legislature adopts it also needs to make decisions about two issues that affect the level of general fund appropriated – the nursing home utilization fee and the amount of the patient contribution. The nursing home utilization fee is a direct offset to general fund, but is estimated to decline during the 2011 biennium. Changes in the patient contribution can either be passed through to nursing homes or can be used to offset a portion of the state match.

The legislature could also decide whether to provide direction regarding future rate increases either through discussions with agency staff during appropriations hearings or through contingency language in the appropriations act addressing allowable rate increases. While verbal discussions establish legislative expectation, nothing in the discussion is binding upon the agency. Agency staff may agree to proceed in a specific manner, but they are subject to legal requirements and gubernatorial direction, which may differ from verbal testimony.

Funding

SLTC is funded by general fund, state special revenue, and federal funds. General fund is about 21 percent of the base budget funding rising to 23 percent of the FY 2011 request. General fund rises due to the increase in the state Medicaid match rate, provider rate increases, and growth in Medicaid costs.

Program Funding Table									
Senior & Long-Term Care									
Program Funding	Base		% of Base		Budget		% of Budget		
	FY 2008		FY 2008		FY 2010		FY 2011	FY 2011	
01000 Total General Fund	\$	49,990,569	21.1%	\$	61,243,944	22.9%	\$	62,764,652	23.0%
01100 General Fund		49,990,569	21.1%		61,243,944	22.9%		62,764,652	23.0%
02000 Total State Special Funds		29,734,887	12.5%		32,689,709	12.2%		34,001,342	12.4%
02023 Private Ins. Medicaid Reim.-Ve		3,873,671	1.6%		4,841,870	1.8%		5,023,533	1.8%
02032 Vets-I&I Lease		11,809	0.0%		4,995	0.0%		4,996	0.0%
02053 Medicaid Nursing Home Match		2,538,203	1.1%		2,502,991	0.9%		2,673,100	1.0%
02260 Cigarette Tax Revenue		3,281,758	1.4%		3,980,741	1.5%		3,908,041	1.4%
02497 6901-Lien & Estate - Sltd		915,991	0.4%		1,061,903	0.4%		1,153,091	0.4%
02772 Tobacco Hlth & Medica Initiative		7,991,308	3.4%		8,424,719	3.2%		8,424,719	3.1%
02783 6901-Traumatic Brain Injury Dn		8,351	0.0%		8,694	0.0%		8,705	0.0%
02987 Tobacco Interest		831,850	0.4%		1,581,850	0.6%		2,523,211	0.9%
02990 69010-Nursing Home Utilization		10,281,946	4.3%		10,281,946	3.8%		10,281,946	3.8%
03000 Total Federal Special Funds		157,390,848	66.4%		173,318,800	64.9%		176,397,680	64.6%
03005 Emvh V-A Nursing Reimbursement		1,445,166	0.6%		1,445,178	0.5%		1,445,178	0.5%
03073 Aging - Farmers Market		42,643	0.0%		101,920	0.0%		101,920	0.0%
03108 Alzheimer Demonstration Grant		-	-		-	-		-	-
03112 Vets-V.A. Reimb		2,435,087	1.0%		2,417,835	0.9%		2,466,734	0.9%
03456 69010-Aoa Aging One-Stop Shop		-	-		-	-		-	-
03460 6901 - Csb Independence Plus		-	-		-	-		-	-
03501 64.014 - Vets St. Domic Care 1		98,249	0.0%		106,722	0.0%		108,881	0.0%
03514 10.570 - Elderly Feeding 100%		809,097	0.3%		809,097	0.3%		809,097	0.3%
03515 93.041 - Elder Abuse Prev 100%		10,796	0.0%		25,028	0.0%		25,028	0.0%
03516 93.042 - Ombudsman Activity 10		76,618	0.0%		77,106	0.0%		77,106	0.0%
03517 93.043 - Preventive Hlth 100%		104,078	0.0%		104,078	0.0%		104,078	0.0%
03518 93.044 - Aging Sup S & Train 1		1,807,230	0.8%		1,841,987	0.7%		1,847,321	0.7%
03519 93.045 - Aging Meals 100%		2,872,675	1.2%		2,969,941	1.1%		2,970,397	1.1%
03537 93.779 - Hlth Info Counseling		272,103	0.1%		282,526	0.1%		282,824	0.1%
03579 93.667 - SsbG - Benefits		296,812	0.1%		295,759	0.1%		295,678	0.1%
03580 6901-93.778 - Med Adm 50%		1,610,472	0.7%		1,807,111	0.7%		1,822,861	0.7%
03583 93.778 - Med Ben Fmap		144,142,534	60.8%		159,665,845	59.7%		162,671,831	59.6%
03666 Aging - Caregiver Iii-E		769,223	0.3%		780,678	0.3%		780,757	0.3%
03799 6901-Older Worker Program		598,065	0.3%		587,989	0.2%		587,989	0.2%
03976 Hcsb - Tbi Planning - 93.234A		-	-		-	-		-	-
Grand Total	\$	237,116,304	100.0%	\$	267,252,453	100.0%	\$	273,163,674	100.0%

State special revenue remains relatively constant, comprising 13 percent of total base funding and rising slightly to 14 percent in FY 2011. Most state revenue sources are used as state match for Medicaid services. Nursing home utilization fee revenue (\$8.30 per bed per day) is the most significant source of state match providing 4 percent of FY 2011 funding. Some of the fee revenue is deposited to the general fund and most of the fee (\$5.50 per day) is deposited to the state special revenue account.

Other significant sources of state match are:

- o Health and Medicaid initiative tobacco tax revenue – 2 percent of total division funding
- o County intergovernmental transfer income (Medicaid nursing home match) – 0.8 percent of total funding

Health and Medicaid initiative state special revenue supports Medicaid provider rate increases and expansion of the community services waiver authorized in the 2005 and 2007 legislative sessions. The fund is discussed in the agency overview because it supports Medicaid and health services throughout the department as well as health insurance programs administered by the State Auditor.

County intergovernmental transfer revenue (IGT) is used as state match to draw down additional federal funds to augment payments to nursing homes for Medicaid eligible services. The revenue source is declining largely due to federal regulations limiting the use of Medicaid payments received from transfer revenue as well as new upper payment limits for skilled nursing facilities (either the state Medicaid rate or actual cost). Montana has one of the few federally approved intergovernmental transfer programs in the western region. Rate increases funded by IGT revenue are considered one time and not continuing.

Lien and estate funds are reimbursements from estates of persons who received Medicaid services (53-6-143, MCA). The funds are used to support Adult Protective Services (APS) and a small portion of nursing home Medicaid match.

Cigarette tax revenue, veterans' interest and income, and private insurance, Medicare, and Medicaid reimbursement for services support the Montana veterans' homes and account for a total of 1.4 percent of the FY 2011 budget. Donations for traumatic brain injury programs are the only other state special revenue that is not used as Medicaid match.

Cigarette Tax Revenue

Figure 54 shows the estimated fund balance in the cigarette state special revenue account allocated to veterans and the projected transfer to the general fund. Statute requires that amounts in excess of \$2.0 million in the veterans' portion of the cigarette tax fund be transferred to the general fund at fiscal year end.

Fund Balance	Actual	Appropriated	Executive Request	
Deposits/Expenditures	FY 2008	FY 2009	FY 2010	FY 2011
Beginning Fund Balance*	\$10,474,759	\$2,190,236	\$2,000,000	\$2,000,000
Revenue/Transfers In**				
Cigarette Tax	\$6,626,059	\$6,694,000	\$6,758,000	\$6,824,000
Other Deposits	7,586			
Expenditures				
<u>Veterans' Homes Operations</u>				
Montana Veterans' Home	\$2,947,623	\$3,284,652	\$3,592,077	\$3,513,890
Eastern Montana Veterans' Home	259,858	307,119	297,638	258,220
<u>Long-Range Building***</u>				
Montana Veterans' Homes	3,198,585	2,078,049	2,395,050	1,124,000
DPHHS Cost Allocated Admin.	206,163	255,642	317,047	387,749
Division Administrative Cost	74,277	48,845	90,826	95,931
Pay Plan and Retirement Costs	0	181,172	0	0
Subtotal Expenditures	\$6,686,506	\$5,974,307	\$6,692,638	\$5,379,790
Annual Rate of Increase		-10.7%	12.0%	-19.6%
Transfer to General Fund	(\$8,224,076)	(\$909,929)	(\$65,362)	(\$1,444,210)
	\$0	\$0	\$0	\$0
Ending Fund Balance	\$2,190,236	\$2,000,000	\$2,000,000	\$2,000,000

*Statute requires that unexpended cash balances in excess of \$2 million be deposited to the general fund. Fund balances include other adjustments and may not equal cash balances.
**Revenue based on estimates adopted by the Revenue Oversight Taxation and Transportation Committee. Expenditures are based on executive budget request. Estimated expenditures also include indirect costs allocated across DPHHS.
***Long range building projects include amounts that are included in the fund balance report as well as the 2011 biennium long range building program.

FY 2008 expenditures were in excess of annual revenues, with long range building projects nearly half the total. Building projects, primarily for MVH, remain a major expenditure at over \$2.0 million in both FY 2009 and FY 2010.

MVH costs rise from \$2.9 million in FY 2008 to \$3.5 million in the FY 2011 request. Eastern Montana Veterans' Home contract amounts remain relative stable at about \$260,000 in FY 2008, declining to \$258,000 in FY 2011.

Amounts paid for indirect costs, DPHHS centralized services, and some statewide centralized services continue to rise, from \$206,000 in FY 2008 to an estimated \$388,000 in FY 2011.

LFD ISSUE Indirect Costs are Rising in Excess of 20 Percent per Year

In four of the last five years, the amount withdrawn from the veterans' cigarette tax fund for overhead costs has grown at rates in excess of 20 percent per year. Overhead or indirect costs support department wide administrative functions such as accounting, budgeting, personnel and the director's office. The costs of some statewide services provided by the Department of Administration such as warrant writing and SABHRS (state accounting system) maintenance are also included in the indirect cost allocation. Figure 55 shows the indirect costs allocated to the fund from FY 2004 through the LFD estimate in FY 2011.

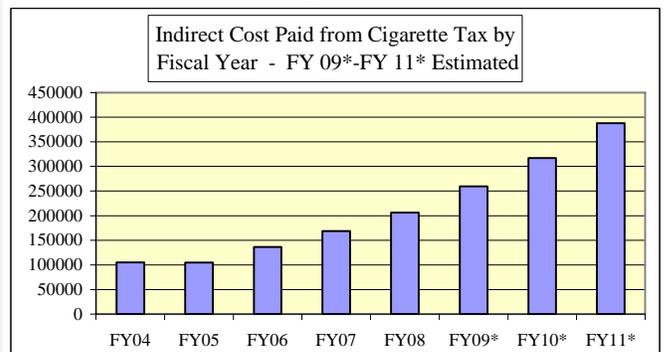
The legislature enacted 17-1-106 MCA in the August 2002 special session. This statute prohibits agencies from waiving or otherwise forfeiting recovery of indirect costs that are allowable program costs funded by state special revenue and federal funds. Agency indirect and administrative costs must be claimed first from nongeneral fund sources and direct program costs must be claimed last. Enactment of this statute is not the sole reason that indirect costs are rising, but it has had an impact.

Clearly, the legislature wanted nongeneral fund to be maximized in support of overhead/indirect costs. However, the rapid growth of indirect costs is limiting the funds for direct program services, and in the cigarette tax state special revenue fund, the indirect cost growth is limiting deposits to the general fund. The legislature may have a difficult time evaluating whether direct program services should be curtailed in order to pay indirect costs when indirect cost amounts are not known. If program impacts are known when the legislature is establishing appropriations it can chose which program reductions to implement or to appropriate another fund source, most likely general fund, to prevent program cut backs.

Legislative Options

The issue of significant increases in indirect costs was identified in the 2009 biennium budget analysis as well and it is also discussed in relation to the alcohol tax state special revenue fund in the Addictive and Mental Disorders Division. The legislature may wish to request that legislative staff review indirect costs allocated to state special revenue accounts to determine cost drivers and to determine whether programs funded by indirect cost allocation are growing at rates disproportionate to other programs or if the amount of allowable cost allocated expenses exceeds the limits of some funding sources and uncompensated costs in other programs are being shifted to open ended nongeneral fund sources.

Figure 55



Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	49,990,569	49,990,569	99,981,138	80.62%	237,116,304	237,116,304	474,232,608	87.75%
Statewide PL Adjustments	186,166	231,176	417,342	0.34%	38,563	97,018	135,581	0.03%
Other PL Adjustments	7,361,638	7,421,286	14,782,924	11.92%	20,555,362	22,217,624	42,772,986	7.91%
New Proposals	3,705,571	5,121,621	8,827,192	7.12%	9,542,224	13,732,728	23,274,952	4.31%
Total Budget	\$61,243,944	\$62,764,652	\$124,008,596		\$267,252,453	\$273,163,674	\$540,416,127	

Base budget expenditures are 88 percent of the total FY 2011 budget request and 80 percent of the total general fund request. Statewide present law adjustments add a net \$135,581, shifting some base costs to the general fund.

**LFD
ISSUE****Cost Shift to General Fund**

There are two places in the executive request where the funding ratios between general fund, state special revenue, and federal funds change between base budget funding and the adjusted base budget for FY 2010 and FY 2011 – the division administration function and adult protective services function.

Legislative Option

The legislature could opt to fund the adjusted base budget for the division administration and adult protective services function at the same funding ratios as the base budget, reducing general fund cost of statewide present law adjustments by about \$123,000 and increasing other funding sources by a like amount. Specific information is in the sub-program analysis.

Present Law Adjustments

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

Present law adjustments are 8 percent of the total FY 2011 budget request, but 12 percent of the general fund. State Medicaid match rates increase about 1 percent over the biennium causing a shift to the general fund. New proposals are 4 percent of the total FY 2011 budget request.

Present Law Adjustments	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					466,746					515,532
Vacancy Savings					(425,828)					(427,780)
Inflation/Deflation					56,347					67,706
Fixed Costs					(58,702)					(58,440)
Total Statewide Present Law Adjustments					\$38,563					\$97,018
DP 22201 - Montana Veterans' Home Contingency Fund	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 22202 - Healthcare for Healthcare Workers	0.00	917,763	750,000	3,462,237	5,130,000	0.00	0	1,691,361	3,438,639	5,130,000
DP 22203 - Dept of Transportation Cars	0.00	10,003	0	10,003	20,006	0.00	13,454	0	13,454	26,908
DP 22205 - Nursing Home IGT Adjustment	0.00	0	(35,212)	(267,145)	(302,357)	0.00	0	134,897	2,902	137,799
DP 22206 - Annualize Nursing Home Provider Increase	0.00	1,097,351	25,251	2,459,266	3,581,868	0.00	1,109,780	25,251	2,459,266	3,594,297
DP 22207 - Annualize Home Based Provider Increase	0.00	217,738	18,495	513,951	750,184	0.00	217,738	18,495	513,951	750,184
DP 22208 - Annualize Community Based Waiver Increase	0.00	253,509	(21,063)	492,362	724,808	0.00	255,104	(21,063)	490,767	724,808
DP 22209 - Annualize Aging Services Provider Increase	0.00	226,310	0	0	226,310	0.00	226,310	0	0	226,310
DP 22210 - MVH Restore Overtime/Holidays Worked.	0.00	0	380,165	0	380,165	0.00	0	389,160	0	389,160
DP 22211 - State Supplemental Payments	0.00	37,825	0	0	37,825	0.00	91,833	0	0	91,833
DP 22212 - Annualize Waiver and Fund Switch	0.00	(234,307)	410,728	373,691	550,112	0.00	(233,097)	410,728	372,481	550,112
DP 22213 - Annualize IGT Offset Funding	0.00	845,412	0	0	845,412	0.00	845,412	0	0	845,412
DP 22214 - Home Based Caseload	0.00	1,336,647	0	2,774,849	4,111,496	0.00	2,022,454	0	4,111,771	6,134,225
DP 22215 - Nursing Home Caseload Adjustment	0.00	1,163,336	0	2,415,058	3,578,394	0.00	878,293	0	1,785,622	2,663,915
DP 22216 - Medicaid Nursing Home FMAP Adjustment	0.00	1,001,433	0	(1,001,433)	0	0.00	1,354,138	0	(1,354,138)	0
DP 22217 - Medicaid Waiver FMAP Adjustment	0.00	204,504	0	(204,504)	0	0.00	276,529	0	(276,529)	0
DP 22218 - Home Based Medicaid FMAP Adj	0.00	203,817	0	(203,817)	0	0.00	275,601	0	(275,601)	0
DP 22219 - Operating Cost Adjustments	0.00	80,297	0	173,297	253,594	0.00	87,737	0	197,379	285,116
DP 22220 - Increase in Federal Aging Grants	0.00	0	0	153,895	153,895	0.00	0	0	153,895	153,895
DP 22222 - MVH Operating Expenses	0.00	0	263,650	0	263,650	0.00	0	263,650	0	263,650
Total Other Present Law Adjustments	0.00	\$7,361,638	\$2,042,014	\$11,151,710	\$20,555,362	0.00	\$7,421,286	\$3,162,479	\$11,633,859	\$22,217,624
Grand Total All Present Law Adjustments					\$20,593,925					\$22,314,642

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the program budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – As of June 30, 2008 SLTC personal services costs were at 92 percent of the 2008 market survey, which was 8 percent below the agency-wide 100 percent expectation. In 2006, SLTC pay rates were at 98 percent of the market survey. SLTC will make exceptions from market to hire difficult to recruit positions and

for inequities in the institutions in order to maintain the work force for retention purposes.

- o **Vacancy** – Vacancies are most significant at the MVH in certified nurse aides due to pay competition among providers and the difficulty of the work. Like other medical facilities, it has difficulty keeping all positions filled. MVH has hired contract nursing staff to ensure that it meets appropriate care standards. Contract staff is more expensive than state employee staff and existing staff work more overtime. MVH has implemented a "pay as you train" program for CN A's to recruit these workers after they pass training program
- o **Legislatively Applied Vacancy Savings** – The program met vacancy savings costs from the operations budget and through vacancy savings due to normal turnover. The MVH has turnover in nursing positions, which can be difficult to fill and generate unintended vacancy savings.
- o **Pay Changes** - The types of pay changes made by SLTC include pay equity adjustments and market adjustments to compete in labor markets in specific geographic areas.
- o **Retirements** – Nine employees retired in the 2009 biennium (as of November 1, 2008) and 123 employees (50 percent of total program workforce) will be eligible for retirement in the 2011 biennium. SLTC estimates that 12 employees will retire with an anticipated compensated absence liability of \$97,776.

New Proposals

Program	-----Fiscal 2010-----					-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 22101 - Continue Aging Services Funding	22	0.00	1,050,000	0	0	1,050,000	0.00	1,050,000	0	0	1,050,000
DP 22102 - MVH Dom/Nursing Wing Facility Upgrades	22	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22103 - HCBS Waiver Expansion	22	0.00	40,000	0	84,727	124,727	0.00	600,000	0	1,258,160	1,858,160
DP 22105 - MT Vets Home Safety Officer	22	1.00	0	55,470	0	55,470	1.00	0	55,488	0	55,488
DP 22106 - Provider Rate Increase - Nursing Home	22	0.00	364,351	0	756,385	1,120,736	0.00	868,648	0	1,766,014	2,634,662
DP 22107 - Provider Rate Increase - Home Based	22	0.00	89,205	0	185,188	274,393	0.00	218,354	0	443,926	662,280
DP 22108 - Provider Rate Increase - Comm. Based Waiver	22	0.00	75,903	0	157,573	233,476	0.00	181,537	0	369,077	550,614
DP 22109 - Provider Rate Increase - Aging Services	22	0.00	86,112	0	0	86,112	0.00	203,082	0	0	203,082
DP 22112 - New APS Field Staff	22	2.50	0	146,784	0	146,784	4.00	0	238,058	0	238,058
DP 22114 - EMVH Facility Painting and Upgrades - OTO	22	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 22115 - MT Vets Home New CNAs FTE	22	4.80	0	223,874	0	223,874	4.80	0	224,514	0	224,514
DP 22117 - MVH Additional Aggregate RNs	22	2.00	0	183,095	0	183,095	2.00	0	183,790	0	183,790
DP 22118 - MVH Additional Aggregate LPNs	22	0.50	0	30,561	0	30,561	0.50	0	30,656	0	30,656
DP 22119 - MVH Additional Aggregate CNAs	22	3.00	0	134,655	0	134,655	3.00	0	135,114	0	135,114
DP 22120 - MVH Additional Aggregate Activity Positions	22	3.00	0	110,656	0	110,656	3.00	0	111,017	0	111,017
DP 22122 - MVH Wage Increases Based On Wage Survey	22	0.00	0	33,525	0	33,525	0.00	0	134,090	0	134,090
DP 22223 - Additional Funding for SLTC HCBS	22	0.00	2,000,000	0	3,529,160	5,529,160	0.00	2,000,000	0	3,456,203	5,456,203
Total	16.80	\$3,705,571	\$1,123,620	\$4,713,033	\$9,542,224	\$9,542,224	18.30	\$5,121,621	\$1,317,727	\$7,293,380	\$13,732,728

Language and Statutory Authority

DP 22201 Montana Veterans Home Contingency Fund – “Funding in Montana Veterans' Home Contingency Fund may be used only if federal and private revenue available from federal special revenue and private payment state special revenue appropriations in fiscal year 2010 or fiscal year 2011 are insufficient to operate the homes at capacity to maximize collection of federal and private payments. The office of budget and program planning shall notify the legislative finance committee when the appropriation will be used.”

DP 22213 Annualize IGT Offset Funding – “Funds in IGT Offset may be used as Medicaid matching funds for nursing home services and home-based services for aged and physically disabled persons only if the county nursing home intergovernmental transfer program is not sufficient to reimburse county nursing homes a net payment of a least \$5 a day for Medicaid services and other nursing homes a net payment of at least \$2 a day for Medicaid services. IGT Offset must be used only to fund a shortfall in the amount of county funds transferred as part of the county nursing home intergovernmental transfer program that is appropriated as state match for Medicaid nursing home and home-based services.”

Sub-Program Details**MEDICAID SERVICES 01****Sub-Program Proposed Budget**

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	17.60	0.00	0.00	17.60	0.00	0.00	17.60	17.60
Personal Services	991,975	84,681	0	1,076,656	87,231	0	1,079,206	2,155,862
Operating Expenses	1,286,022	622	0	1,286,644	685	0	1,286,707	2,573,351
Equipment & Intangible Assets	24,198	0	0	24,198	0	0	24,198	48,396
Grants	0	0	300,000	300,000	0	300,000	300,000	600,000
Benefits & Claims	209,721,583	18,969,917	6,982,492	235,673,992	20,530,752	10,861,919	241,114,254	476,788,246
Total Costs	\$212,023,778	\$19,055,220	\$7,282,492	\$238,361,490	\$20,618,668	\$11,161,919	\$243,804,365	\$482,165,855
General Fund	44,256,351	7,047,264	2,569,459	53,873,074	7,071,994	3,868,539	55,196,884	109,069,958
State/Other Special	22,249,457	1,148,542	0	23,397,999	2,260,023	0	24,509,480	47,907,479
Federal Special	145,517,970	10,859,414	4,713,033	161,090,417	11,286,651	7,293,380	164,098,001	325,188,418
Total Funds	\$212,023,778	\$19,055,220	\$7,282,492	\$238,361,490	\$20,618,668	\$11,161,919	\$243,804,365	\$482,165,855

Sub-Program Description

Medicaid services administered by the Senior and Long Term Care Division include skilled nursing, home based (personal assistance and hospice), and community waiver services for adults who are physically disabled or elderly.

The Medicaid services function comprises the lion's share of the SLTC division budget with 89 percent (\$482.2 million) over the 2011 biennium. Figure 56 lists each Medicaid service, shows the base budget, each change requested by the executive by fiscal year, and the total amount requested for each Medicaid service administered by SLTC.

The Medicaid benefits request for the 2011 biennium increases \$58.1 million, including \$20.4 million general fund, compared to the base budget. Nursing home services are 62 percent of the FY 2011 request. The LFD nursing home estimates are lower than the executive request and the LFD has raised an issue with the need to annualize nursing home rate increases (DP 22206) since the FY 2009 rates used to develop 2011 biennium cost estimates already include the 2.5 percent increase for FY 2009. The differences are discussed in the division overview.

Home based services are 19.6 percent of the FY 2011 budget request and include the three largest biennial adjustments

- o \$11.0 million total funds (\$4.0 million general fund) for unspecified services that might include expansion of the community waiver or direct care worker wage increases
- o \$10.3 million (\$0.9 million general fund) to annualize provider rate increases to support the cost of healthcare for healthcare workers
- o \$10.2 million (\$3.4 million general fund) for eligibility and service utilization increases

The community waiver services budget request rises due to annualization of service expansion funded by the 2007 Legislature and FY 2009 provider rate increase. New proposals for a provider rate increase and additional waiver slots add \$2.8 million.

Although total budget amounts do not change, the increase in the state Medicaid match rate adds \$3.3 million general fund and reduce federal funds by a like amount. Changes in administrative costs are minimal compared to the increase requested for Medicaid services.

Figure 56

Senior and Long Term Care Division 2011 Biennium Medicaid Services Appropriation by Function and Component

Medicaid Services	FY 2010				FY 2011				% of Total
	Present Law and New Proposals	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	
Nursing Home Services									
<u>FY 2008 Base Budget</u>	\$26,679,429	\$17,459,690	\$96,516,693	\$140,655,812	\$26,679,429	\$17,459,690	\$96,516,693	\$140,655,812	58.3%
Intergovernmental County Transfer	0	1,673,022	3,452,757	5,125,779	0	1,843,131	3,722,804	5,565,935	2.3%
MT Veterans' Home Federal Authority	0	0	997,599	997,599	0	0	997,599	997,599	0.4%
Nurse Aide Testing	155,313	0	155,313	310,626	155,313	0	155,313	310,626	0.1%
PL22206 Annualize Provider Increase	1,097,351	25,251	2,459,266	3,581,868	1,109,780	25,251	2,459,266	3,594,297	1.5%
PL22213 Annualize IGT Offset Funding	293,027	0	0	293,027	293,027	0	0	293,027	0.1%
PL22215 Nursing Home Caseload Adjustment	1,163,336	0	2,415,058	3,578,394	878,293	0	1,785,622	2,663,915	1.1%
PL22216 Medicaid State Match Increase	1,001,433	0	(1,001,433)	0	1,354,138	0	(1,354,138)	0	0.0%
NP22106 Nursing Home Rate Increase	364,351	0	756,385	1,120,736	868,648	0	1,766,014	2,634,662	1.1%
Subtotal Appropriation Changes	3,919,498	25,251	4,629,276	8,574,025	4,503,886	25,251	4,656,764	9,185,901	3.8%
Total Nursing Home Appropriation	30,598,927	17,484,941	101,145,969	149,229,837	31,183,315	17,484,941	101,173,457	149,841,713	62.1%
Percent Increase Over Base Budget	14.7%	0.1%	4.8%	6.1%	16.9%	0.1%	4.8%	6.5%	
Home Based Services - Entitlement									
<u>FY 2008 Base Budget</u>	8,570,540	1,625,654	22,278,031	32,474,225	8,570,540	1,625,654	22,278,031	32,474,225	13.5%
PL22202 Healthcare for Healthcare Workers	917,763	750,000	3,462,237	5,130,000	0	1,691,361	3,438,639	5,130,000	2.1%
PL22207 Annualize Provider Increase	217,738	18,495	513,951	750,184	217,738	18,495	513,951	750,184	0.3%
PL22213 Annualize IGT Offset Funding	552,385	0	0	552,385	552,385	0	0	552,385	0.2%
PL22214 Home Based Caseload	1,336,647	0	2,774,849	4,111,496	2,022,454	0	4,111,771	6,134,225	2.5%
PL22216 Medicaid State Match Increase	203,817	0	(203,817)	0	275,601	0	(275,601)	0	0.0%
DP 22107 Rate Increase - Home Based	89,205	0	185,188	274,393	218,354	0	443,926	662,280	0.3%
DP 22223 Additional Funds for SLTC HCBS	2,000,000	0	3,529,160	5,529,160	2,000,000	0	3,456,203	5,456,203	2.3%
Subtotal Appropriation Changes	5,317,555	768,495	10,261,568	16,347,618	5,286,532	1,709,856	11,688,889	18,685,277	7.7%
Total Home Based Appropriation	13,888,095	2,394,149	32,539,599	48,821,843	13,857,072	3,335,510	33,966,920	51,159,502	21.2%
Percent Increase Over Base Budget	62.0%	47.3%	46.1%	50.3%	61.7%	105.2%	52.5%	57.5%	
Community Services Waiver - Nonentitlement									
<u>FY 2008 Base Budget</u>	7,932,661	1,447,528	20,474,996	29,855,185	7,932,661	1,447,528	20,474,996	29,855,185	12.4%
PL22208 Annualize Waiver Incr.	253,509	(21,063)	492,362	724,808	255,104	(21,063)	490,767	724,808	0.3%
PL22212 Annualize Waiver and Fund Switch	(234,307)	410,728	373,691	550,112	(233,097)	410,728	372,481	550,112	0.2%
PL22217 Medicaid Waiver FMAP Adjustment	204,504	0	(204,504)	0	276,529	0	(276,529)	0	0.0%
DP 22103 HCBS Waiver Expansion	40,000	0	84,727	124,727	600,000	0	1,258,160	1,858,160	0.8%
DP 22108 Rate Increase - Waiver	75,903	0	157,573	233,476	181,537	0	369,077	550,614	0.2%
Subtotal Appropriation Changes	339,609	389,665	903,849	1,633,123	1,080,073	389,665	2,213,956	3,683,694	1.5%
Total Waiver Appropriation	8,272,270	1,837,193	21,378,845	31,488,308	9,012,734	1,837,193	22,688,952	33,538,879	13.9%
Percent Increase Over Base Budget	4.3%	0.0%	4.4%	5.5%	13.6%	0.0%	10.8%	12.3%	
Total Medicaid Services - Senior and Long Term Care									
<u>Total Medicaid Services Base Budget*</u>	\$43,337,943	\$22,205,894	\$143,875,389	\$209,419,226	\$43,337,943	\$22,376,003	\$144,145,436	\$209,859,382	86.9%
Present Law Annualization - 2009 Expansions	3,097,466	1,183,411	7,301,507	11,582,384	2,194,937	2,124,772	7,275,104	11,594,813	4.8%
Present Law Adjustments - Caseload	2,499,983	0	5,189,907	7,689,890	2,900,747	0	5,897,393	8,798,140	3.6%
Present Law Due to State Match Change	1,409,754	0	(1,409,754)	0	1,906,268	0	(1,906,268)	0	0.0%
New Proposals for Provider Rates	529,459	0	1,099,146	1,628,605	1,268,539	0	2,579,017	3,847,556	1.6%
New Proposals for Service Expansion	2,040,000	0	3,613,887	5,653,887	2,600,000	0	4,714,363	7,314,363	3.0%
Subtotal Appropriation Changes*	\$9,576,662	\$1,183,411	\$15,794,693	\$26,554,766	\$10,870,491	\$2,124,772	\$18,559,609	\$31,554,872	13.1%
Grand Total Annual Appropriation**	\$52,914,605	\$23,389,305	\$159,670,082	\$235,973,992	\$54,208,434	\$24,500,775	\$162,705,045	\$241,414,254	100%
Percent Increase Over Base Budget	22.1%	5.3%	11.0%	12.7%	25.1%	9.5%	12.9%	15.0%	
Grand Total Biennial Increase	\$20,447,153	\$3,308,183	\$34,354,302	\$58,109,638					

*Base budget amounts include present law changes in IGT funds. For that reason base budget and appropriation change totals will differ from the amounts shown in the main table.

**Benefit costs include \$300,000 of grant funds in DP Additional Funds for SLTC HCBS.

Budget Summary By Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	44,256,351	44,256,351	88,512,702	81.15%	212,023,778	212,023,778	424,047,556	87.95%
Statewide PL Adjustments	40,061	70,042	110,103	0.10%	85,303	87,916	173,219	0.04%
Other PL Adjustments	7,007,203	7,001,952	14,009,155	12.84%	18,969,917	20,530,752	39,500,669	8.19%
New Proposals	2,569,459	3,868,539	6,437,998	5.90%	7,282,492	11,161,919	18,444,411	3.83%
Total Budget	\$53,873,074	\$55,196,884	\$109,069,958		\$238,361,490	\$243,804,365	\$482,165,855	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					129,543					132,197
Vacancy Savings					(44,862)					(44,966)
Inflation/Deflation					622					685
Total Statewide Present Law Adjustments					\$85,303					\$87,916
DP 22202 - Healthcare for Healthcare Workers	0.00	917,763	750,000	3,462,237	5,130,000	0.00	0	1,691,361	3,438,639	5,130,000
DP 22205 - Nursing Home IGT Adjustment	0.00	0	(35,212)	(267,145)	(302,357)	0.00	0	134,897	2,902	137,799
DP 22206 - Annualize Nursing Home Provider Increase	0.00	1,097,351	25,251	2,459,266	3,581,868	0.00	1,109,780	25,251	2,459,266	3,594,297
DP 22207 - Annualize Home Based Provider Increase	0.00	217,738	18,495	513,951	750,184	0.00	217,738	18,495	513,951	750,184
DP 22208 - Annualize Community Based Waiver Increase	0.00	253,509	(21,063)	492,362	724,808	0.00	255,104	(21,063)	490,767	724,808
DP 22212 - Annualize Waiver and Fund Switch	0.00	(234,307)	410,728	373,691	550,112	0.00	(233,097)	410,728	372,481	550,112
DP 22213 - Annualize IGT Offset Funding	0.00	845,412	0	0	845,412	0.00	845,412	0	0	845,412
DP 22214 - Home Based Caseload	0.00	1,336,647	0	2,774,849	4,111,496	0.00	2,022,454	0	4,111,771	6,134,225
DP 22215 - Nursing Home Caseload Adjustment	0.00	1,163,336	0	2,415,058	3,578,394	0.00	878,293	0	1,785,622	2,663,915
DP 22216 - Medicaid Nursing Home FMAP Adjustment	0.00	1,001,433	0	(1,001,433)	0	0.00	1,354,138	0	(1,354,138)	0
DP 22217 - Medicaid Waiver FMAP Adjustment	0.00	204,504	0	(204,504)	0	0.00	276,529	0	(276,529)	0
DP 22218 - Home Based Medicaid FMAP Adj	0.00	203,817	0	(203,817)	0	0.00	275,601	0	(275,601)	0
Total Other Present Law Adjustments	0.00	\$7,007,203	\$1,148,199	\$10,814,515	\$18,969,917	0.00	\$7,001,952	\$2,259,669	\$11,269,131	\$20,530,752
Grand Total All Present Law Adjustments					\$19,055,220					\$20,618,668

DP 22202 - Healthcare for Healthcare Workers - This request adds \$10.3 million total fund including \$0.9 million general fund and \$2.4 million tobacco settlement trust fund interest state special revenue over the biennium to continue an initiative of the 2007 Legislature. The legislature appropriated \$2.6 million for six months of FY 2009 (beginning January 1, 2009) for a provider rate increase to pay health insurance premiums for workers in the personal assistance and the private duty nursing programs. If the agency employing the workers accepts the rate increase, it must provide health

insurance coverage that meets a set of defined criteria for all of its employees. The FY 2009 appropriation supports a premium of \$450 for about 950 workers for six months in 2009.

Employees will pay no more than \$25 towards the cost of the insurance while the bulk of the insurance premium cost will be paid for in the form of a Medicaid payment to agencies for the specific purpose of obtaining health insurance for their workers. The goal of this DP is to continue to cover the workers in the personal assistance and private duty nursing programs with health insurance by providing funding to pay up to \$495 in 2010 and \$545 in 2011 of premium costs. The funding provided in 2009 at \$450 was estimated to provide insurance to approximately 950 workers. Due to the increase in the cost of insurance premiums and the reduced funding level in this decision package it is unlikely that the 950 workers who were targeted with the funding for the six months in 2009 can be maintained, it is more likely that the funding will provide coverage for approximately 750 workers.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Providing healthcare to direct care workers will help retain workers.

Goal: Provide meaningful health insurance coverage to previously uninsured individuals that work in a predominantly Medicaid funded, direct care program.

Performance Criteria and Milestones: Benchmarks for coverage have been drafted and providers are soliciting insurance bids from carriers for their specific employees. Funding will begin on or after January 1, 2009 for those agencies that provide the state with specific information as to what insurance carrier they are using, when SLTC determines that it meets the benchmark criteria, and if the defined number of workers that will be covered is consistent with the funding allocation for that agency. SLTC will monitor this program for the six months that funding is available and use this information to evaluate and make changes as necessary to the healthcare for healthcare workers model in order to continue the rate increase into the 2011 biennium.

Progress will be measured by determining how many agencies take the funding to provide health insurance coverage for their direct care workers and by how many workers that were previously uninsured have meaningful insurance coverage through this program.

Funding: The insurance premium cost will be paid in the form of a Medicaid payment to agencies for the specific purpose of obtaining health insurance for their workers. The funding requested is inadequate to continue to maintain the program at the fully annualized level. SLTC will decide how many individuals can be covered with this level of funding commitment. It is expected that premiums will increase and as a result there will be a lower number of employees that can be covered. Another option would be to potentially modify the benchmarks, which could result in changes to the premium cost that would an increase in the number of workers that can be covered with this funding.

FTE: Current staff would implement the health care for health care workers initiative.

Challenges to Implementation: The state has little ability to control the cost of the premiums, which are based in part on the health status of the employees that are being insured, or the insurance rating for this workforce of direct care workers who provide hands-on care. The challenge will be to maintain quality health insurance coverage that is meaningful to the employees while staying within the funding levels appropriated.

Risks of Not Adopting Proposal: Individuals who have been able to access health insurance through this model will be without coverage or with reduced coverage if this funding is eliminated or not continued at levels that cover the increased cost of insurance premiums over time. If funding levels are inadequate, the insurance benchmarks may be reduced so much that the insurance coverage is no longer meaningful to workers who provide this hands-on direct care to vulnerable populations across Montana.

Healthcare for Healthcare Workers Implemented January 1, 2009

The fundamental assumptions of the 2007 Legislature when it funded the healthcare for healthcare workers program were:

- Medicaid rate increases would supply additional funding for employers to provide healthcare
- Employers were eligible to participate in the program if the majority of their income for personal assistance and private duty nursing services was from the Medicaid program
- The program is optional, not mandatory
- Employers accepting the rate increase would fund a health insurance product or health savings account that met benchmarks established by SLTC
- Employees working a certain number of hours would be eligible for the insurance
- Rate increases for healthcare must be used only for healthcare

SLTC would monitor employer participation and compliance

SLTC met with a work group of personal assistance provider and employee representatives in early 2008 to flesh out the healthcare for healthcare worker initiative. In June 2008 DPHHS sent an initial application to every enrolled Medicaid personal assistance and private duty nursing provider. The application provided information on the funding initiative to provide health insurance for direct care workers and detailed the requirements to receive the funding. Agencies wishing to participate in the program provided an indication by July 23, 2008 and will submit the insurance product for review by SLTC by December 1, 2008 to enroll.

Number of Providers that Might Participate

Forty eight Medicaid personal assistance service (PAS) and private duty nursing/PAS providers received applications to participate in the health insurance for healthcare worker funding. Twenty of the PAS and seven of the private duty nursing/PAS agencies plan to apply. Together these businesses provide 97 percent of the total Medicaid personal assistance services and 71 percent of the total Medicaid private duty nursing services. They include statewide providers, regional providers, and local area agencies on aging and hospitals. Six of the agencies that plan to apply currently offer health insurance to direct care workers.

Of the agencies that opted out of health insurance funding, only one agency provides more than 1 percent of the share of Medicaid personal assistance services in Montana. The reasons agencies opted out of the funding included: “insurance premiums were too high”, “funding was insufficient to cover the cost to the agency”, “portion of Medicaid was too small to provide insurance”, “consultation with lawyers and tribal council”, “employees who qualify are qualified under other plans”, “potential impact on the cost of private pay”, and “the benchmarks were too restrictive”.

Premium Cost

The cost of the worker insurance premium ranges from \$0.00-\$218.00. The cost of the employer insurance monthly premium ranges from \$56-\$840. Some of the insurance plans meet most of the benchmark standards. However, many agencies must offer a separate plan in order to meet the criteria to receive the enhanced Medicaid rate to support health insurance funding. Currently, none of the agencies offer a health insurance plan to a majority of their direct care workers that meets the benchmark standards.

Monitoring Provision of Insurance

SLTCD will monitor the expected number of individuals that should have insurance based on payments and those that actually are insured by employers. If the average number of covered workers falls below the expected level for a period of three months or more recovery of Medicaid payments can occur.

SLTC will provide final enrollment numbers to the 2009 Legislature, including the number of workers that will receive health insurance or approved participation in a health savings account.

If the legislature approves this request, it could also consider restricting the appropriation to be used only for rate increases to fund healthcare for healthcare workers. If employers decline to continue healthcare, the service rates would also decline leaving excess appropriation authority.

If the legislature approves this request it could also ask that the Legislative Finance Committee monitor the initial two years of program implementation over the 2011 biennium. It may also wish to request that SLTC develop objectives and measures for the program to evaluate its effectiveness.

**LFD
COMMENT**
Tobacco Settlement Trust Interest Supports Annualization

Most funding shifts are required to be presented as new proposals. This present law adjustment includes what could be considered a funding switch since the legislature approved general fund for the state Medicaid match for the program and the executive budget shifts the state match to tobacco settlement trust income.

The LFD is not raising an issue related to inclusion of a potential funding shift in present law. Annualization of the cost of the rate increase is an appropriate present law adjustment. If the adjustment had been moved to a new proposal due to the funding shift, present law would have been understated by \$10 million.

The use of trust fund interest to support the rate increase for healthcare for healthcare workers is within the constitutionally allowable use of the tobacco settlement trust fund interest (Montana Constitution Article XII, Section 4). Appropriations of the interest, income, or principal from the trust fund shall be used only for tobacco disease prevention programs and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana and may not be used for other purposes. The trust income may not be used for services or programs in existence prior to December 31, 1999.

The legislature has two policy choices with regard to annualization of the rate increase to fund healthcare for healthcare workers. It must approve or deny the adjustment. If the adjustment is approved it can consider whether to accept the executive proposal to fund the state match with tobacco settlement trust fund interest or to use general fund.

DP 22205 - Nursing Home IGT Adjustment - This request adds \$99,587 state special revenue and reduces federal Medicaid matching funds by \$264,243, for a net reduction of \$164,558 in nursing home intergovernmental payments (IGT) over the biennium. This adjustment reflects the increase in the state match rate and a slight increase in transfer amounts in FY 2011.

The IGT funds are paid to the state by counties eligible to provide the matching funds on behalf of county affiliated nursing facilities. The IGT funds are used to match federal funds and raise the daily Medicaid nursing home rate.

DP 22206 - Annualize Nursing Home Provider Increase - This request adds \$7.2 million to annualize the 2.5 percent provider rate increase that was appropriated for FY 2009 for nursing facility providers. It includes \$2.2 million general fund and a small amount of health and Medicaid initiative state special revenue.

**LFD
ISSUE**
Nursing Home Estimates Use FY 2009 Rate - Annualization Funding Unnecessary

The estimated change in nursing home costs from FY 2008 to FY 2011 is based on the daily rate multiplied by the number of days of care. The LFD estimates use the FY 2009 rate approved by the 2007 Legislature to develop estimates, which includes the annual rate increase. This adjustment is unnecessary.

**LFD
ISSUE (CONT.)**

Legislative Option

The legislature could combine all funding for present law nursing home costs to minimize confusion. When the legislature considers the nursing home caseload estimate and funding, it considers total amounts by specific funding sources.

DP 22207 - Annualize Home Based Provider Increase - This adjustment adds \$1.5 million total funds, including \$0.5 million general fund and a small amount of health and Medicaid initiatives state special revenue, to annualize the FY 2009 provider rate increase of 2.5 percent that was appropriated by the 2007 Legislature for the home based program, which includes the Medicaid funded home health, personal assistance and hospice programs. The legislature appropriated 2.5 percent in each year of the 2009 biennium.

**LFD
ISSUE**

Caseload Projections May Capture Annualization of Rate Increase

When the caseload estimates are updated for the 2009 Legislature, LFD staff will review the most recent data to determine whether the effect of the FY 2009 rate increase is reflected in the most recent data used to estimate caseload costs.

Legislative Option

Depending on the updated caseload estimates, the legislature may reduce all or part of the request to annualize the FY 2009 provider rate increase.

DP 22208 - Annualize Community Based Waiver Increase - This adjustment adds \$1.4 million total funds, including \$0.5 million general fund, and reduces a small amount of health and Medicaid initiatives state special revenue, to annualize the 2.5 percent provider rate increase funded in FY 2009 by the 2007 Legislature for the community based services program.

DP 22212 - Annualize Waiver and Fund Switch - This request adds \$1.1 million total funds, reduces general fund by \$0.5 million, and increases health and Medicaid initiatives state special revenue by \$0.8 million. The 2007 Legislature provided funding for 102 new service slots for the Medicaid community based waiver services in FY 2008. The new service slots were allocated throughout FY 2008 so the full annual cost is not reflected in base budget expenditures. This request annualizes the cost of slots that were distributed throughout FY 2008, includes the switch in funding from general fund to health and Medicaid initiatives state special revenue included in the FY 2009 legislative appropriation, and adjusts for the change in the state match rate. Changes in waiver services are discussed in the division overview.

DP 22213 - Annualize IGT Offset Funding - This request adds \$1.7 million general fund over the 2011 biennium to reflect funding changes made by the 2007 Legislature. The legislature added \$2.8 million general fund over the 2009 biennium to offset the anticipated reduction in county nursing home intergovernmental transfer (IGT) state special revenue used as state Medicaid match for current level nursing home and home based services. The appropriation was restricted and could be used only if federal rule changes prohibited or restricted the use of IGT funds as Medicaid match or the IGT program was not viable. Viable was defined as receiving enough county IGT funds for the state Medicaid match to fund a daily payment of \$5 to county nursing homes and \$2 to all other nursing homes. About \$720,000 of general fund was used in FY 2008 to maintain the IGT program at the \$5 and \$2 payment level for nursing homes. In FY 2009, \$1 million of the IGT offset is appropriated for home based services and \$0.6 million is appropriated for nursing home services.

LFD ISSUE Continuation of Restriction

If the legislature approves this general fund appropriation it might want to consider restricting the use of the appropriation in the same way as it did in the 2009 biennium. The language in HB 2 conditioning the IGT offset appropriation was: “Funds in IGT Offset may be used as Medicaid matching funds for nursing home services and home-based services for aged and physically disabled persons only if the county nursing home intergovernmental transfer program is not sufficient to reimburse county nursing homes a net payment of at least \$5 a day for Medicaid services and other nursing homes a net payment of at least \$2 a day for Medicaid services. IGT Offset must be used only to fund a shortfall in the amount of county funds transferred as part of the county nursing home intergovernmental transfer program that is appropriated as state match for Medicaid nursing home and home-based services.” If IGT funding remains viable, then the general fund will not be accessed.

The legislature could consider adding a second condition that the IGT offset funding could be used only if the general fund appropriated for nursing homes was not adequate to maintain the daily rates expected by the legislature. That language would also ensure that if bed days continued to decline, that the IGT offset would not be used unless other general fund was insufficient to fund expected rate increases.

The executive budget allocates the general fund to the IGT instead of offsetting IGT state special revenue in the nursing home and home based services programs. If the legislature approves this request it may wish to direct staff to allocate the general fund to nursing homes and home based services.

DP 22214 - Home Based Caseload - This proposal reflects the anticipated caseload adjustment for Medicaid home based services that include personal care, home health and hospice. Caseload is expected to grow at 5.4 percent per year with an estimated cost of \$10.2 million total funds over the biennium, including \$3.4 million in general funds.

LFD ISSUE Caseload Projections May Capture Annualization of Rate Increase

When the caseload estimates are updated for the 2009 Legislature, LFD staff will review the most recent data to determine whether the effect of the FY 2009 rate increase is reflected in the most recent data used to estimate caseload costs.

Legislative Option
Depending on the updated caseload estimates, the legislature may reduce all or part of the request to annualize the FY 2009 provider rate increase.

DP 22215 - Nursing Home Caseload Adjustment - This proposal adds a net \$6.3 million, including \$2.0 million general fund, to correct an accrual error in base budget expenditures. It also includes a reduction of \$4.6 million total funds (\$1.5 million general fund) that reflects the anticipated reduction in nursing home days of care by 0.75 percent per year for the 2011 biennium when compared with the 2008 base. Figure 57 shows the elements of this request.

Figure 57
Elements of DP 22215 Nursing Home Caseload Adjustment

Change	<-----FY 2010----->			<-----FY 2010----->		
	General Fund	Federal Funds	Total	General Fund	Federal Funds	Total
Accrual Error	\$1,764,687	\$3,663,449	\$5,428,136	\$1,764,687	\$3,663,449	\$5,428,136
Caseload Est	(601,351)	(1,248,391)	(1,849,742)	(911,364)	(1,852,857)	(2,764,221)
Total	\$1,163,336	\$2,415,058	\$3,578,394	\$853,323	\$1,810,592	\$2,663,915

LFD COMMENT	<p>Legislative Staff Estimate Compared to the Executive Request</p> <p>The LFD staff estimate of nursing home days and total general fund cost is different than the executive budget request. The estimates are discussed in greater detail in the division summary.</p>
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DP 22216 - Medicaid Nursing Home FMAP Adjustment - This proposal increases general fund by \$2.4 million over the 2011 biennium and reduces federal funds by a like amount due to an increase in the state Medicaid match rate. The required state match increased from 31.41 percent in FY 2008 to 32.51 percent in FY 2010 and 32.97 percent in FY 2011.

DP 22217 - Medicaid Waiver FMAP Adjustment - This request increases general fund by about \$480,000 and reduces federal funds by a like amount due to an increase in the state Medicaid match rate. The required state match increased from 31.41 percent in FY 2008 to 32.97 percent in FY 2011.

DP 22218 - Home Based Medicaid FMAP Adj - This proposal adds \$480,000 general fund and reduces federal funds by a like amount over the biennium due to an increase in state Medicaid matching funds for home based service costs and a reduction in the federal matching rate. The required state match increased from 31.41 percent in FY 2008 to 32.97 percent in FY 2011

New Proposals

Sub Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22103 - HCBS Waiver Expansion										
01	0.00	40,000	0	84,727	124,727	0.00	600,000	0	1,258,160	1,858,160
DP 22106 - Provider Rate Increase - Nursing Home										
01	0.00	364,351	0	756,385	1,120,736	0.00	868,648	0	1,766,014	2,634,662
DP 22107 - Provider Rate Increase - Home Based										
01	0.00	89,205	0	185,188	274,393	0.00	218,354	0	443,926	662,280
DP 22108 - Provider Rate Increase - Comm. Based Waiver										
01	0.00	75,903	0	157,573	233,476	0.00	181,537	0	369,077	550,614
DP 22223 - Additional Funding for SLTC HCBS										
01	0.00	2,000,000	0	3,529,160	5,529,160	0.00	2,000,000	0	3,456,203	5,456,203
Total	0.00	\$2,569,459	\$0	\$4,713,033	\$7,282,492	0.00	\$3,868,539	\$0	\$7,293,380	\$11,161,919

DP 22103 - HCBS Waiver Expansion - This proposal adds \$2.0 million total funds over the biennium, including \$0.6 million general fund to expand community waiver services. This expansion would add 5 new service slots in the first year and 73 in the second year of the biennium for a total of 78 new service slots over the biennium for individuals waiting to access community services in home or assisted living settings, supported living, or heavy care slots such as ventilator or traumatic brain injury services. To be eligible for the waiver program an individual must be elderly or disabled, Medicaid eligible, and require nursing facility or hospital level of care. The majority of the recipients served meet the nursing facility level of care criteria. Because the waiver is not an entitlement, the program often has waiting lists, which require that some eligible people wait for services until additional resources are appropriated by the legislature.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This proposal is needed because the waiver program is a flexible, consumer-oriented and cost-effective alternative to nursing facility placement and long term hospital care. It provides services in the least restrictive environment possible, and prevents unnecessary institutional care. In FY 2008 there were 2,200 individuals served under the waiver program in 1,697 service slots.

There are about 440 individuals waiting for services under the waiver program. This number represents those people who are currently eligible for Medicaid and who are ready to accept services. The waiting list is expected to grow due to the projected growth in the elderly population, and the increased demand for assisted living as well as the desire of more individuals who are older or who have disabilities to receive care at home rather than in a nursing facility or hospital. The waiting list in the past has had up to 600 individuals on it at any given point in time.

Goals:

- o To provide quality home and community-based care to Medicaid eligible Montanans through the waiver program
- o To prevent unnecessary or unwanted institutional care placements and keep individuals in their homes and communities
- o To maintain or reduce the average length of time for an individual on the waiver waiting list at less than one year

Performance Criteria and Milestones: Progress will be measured by the increased number of individuals served in the wavier program both through the expansion of service slots as well as in individuals served. The largest part of the expansion will occur in 2011 the second year of the biennium. This expansion, if approved, will provide for approximately 78 service slots to expand capacity in the waiver program.

FTE: Existing staff – no new FTE

Funding: General fund and federal Medicaid matching funds

Challenges to Implementation: Challenges could be faced as the need for community based alternatives and placements outgrows the ability to serve individuals in community placements in this program. The increase in the aging demographic will also put pressure on trying to keep up with the waiting list and maintain the average length of time a person stays on the waiting list at a reasonable level. Because there is a waiting list currently staff does not believe that it will be difficult to fill these service slots if funding is appropriated.

Risks of Not Adopting Proposal: If individuals do not have access to community based services they are at risk of a nursing facility/hospital placement. If persons are residing in a nursing facility or hospital, these individuals may have little choice of alternative placements without the resources to develop appropriate community service plans. In many instances, serving individuals in the community can be less expensive than in an institutional setting. The length of time an individual remains on the waiting list will be extended and the number of people on the waiting list will grow.

**LFD
ISSUE**

Specific Measures and Milestones Needed

This proposal does not include measures that are specific. Nor does it include milestones to allow the legislature to evaluate progress. Last biennium, the division had specific measures and timelines related to waiver expansion.

Legislative Option

Moving individuals into community services, reducing the waiting list, and allocating a higher proportion of the division budget to community services are among SLTC goals and objectives. If the legislature approves this request, it could consider:

- Establishing specific measures for this proposal
- Including the measures in the fiscal report
- Requesting the Legislative Finance Committee monitor implementation of the new proposal during the 2010 – 2011 interim.

DP 22106 - Provider Rate Increase - Nursing Home - This proposal adds \$3.8 million in total funds including \$1.2 million general fund over the biennium for a 1 percent provider rate increase in each year of the biennium for the nursing facility services program. The raise will be implemented October 1 each year of the biennium, resulting in a 0.75 percent annual increase over each fiscal year.

DP 22107 - Provider Rate Increase - Home Based - This proposal requests \$936,673 in total funds including \$307,559 general fund over the biennium for a 1 percent provider rate increase in each year of the biennium for the Medicaid funded Home Based Services which include personal assistance, home health and hospice services. The rate increase will be implemented October 1 each year of the biennium, resulting in a 0.75 percent annual increase over each fiscal year.

DP 22108 - Provider Rate Increase - Comm. Based Waiver - This proposal adds \$784,090 in total funds including \$257,440 general fund over the biennium for a 1 percent provider rate increase in each year of the biennium for the Medicaid funded home and community based waiver program. The rate increase would be implemented October 1 of each year of the biennium, resulting in a 0.75 percent annual increase over each fiscal year.

DP 22223 - Additional Funding for SLTC HCBS - The executive budget includes \$11.0 million total funds (\$2.0 million general fund) to rebalance the long term care system by developing increased availability of home and community based services. Potential expenditures may include reducing waiver waiting lists, increasing direct care worker wages, development grants to assist new service providers, improvement of long-term care assessment, a consolidated entry point, and additional counseling for clients.

**LFD
ISSUE**

Use of Funds is Unknown

The executive budget is not specific as to what the \$11.0 million will fund. If the legislature approves the request, it would not know what it was purchasing. This request, although described as a community serves waiver expansion, is allocated to home based entitlement services, which are primarily personal assistance services and would be the service likely to receive rate increases to boost direct care worker wages.

Legislative Option

The legislature could request that SLTC specify what will be purchased. The legislature could also request an expanded justification, including goals, objectives, milestones, and measures to evaluate the expenditures. This information would help the legislature evaluate the appropriation request. If the legislature approves the appropriation, it could adopt the expanded justification and consider restricting the use of the appropriation to limit expenditures to those activities it deems worth while.

Sub-Program Details

VETERANS 02

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	129.90	0.00	14.30	144.20	0.00	14.30	144.20	144.20
Personal Services	6,342,003	116,103	771,836	7,229,942	158,594	874,669	7,375,266	14,605,208
Operating Expenses	4,553,306	540,513	205,000	5,298,819	550,106	205,000	5,308,412	10,607,231
Equipment & Intangible Assets	162,151	0	0	162,151	0	0	162,151	324,302
Debt Service	14,003	1,600	0	15,603	1,600	0	15,603	31,206
Total Costs	\$11,071,463	\$658,216	\$976,836	\$12,706,515	\$710,300	\$1,079,669	\$12,861,432	\$25,567,947
State/Other Special	7,092,961	666,983	976,836	8,736,780	668,009	1,079,669	8,840,639	17,577,419
Federal Special	3,978,502	(8,767)	0	3,969,735	42,291	0	4,020,793	7,990,528
Total Funds	\$11,071,463	\$658,216	\$976,836	\$12,706,515	\$710,300	\$1,079,669	\$12,861,432	\$25,567,947

Sub-Program Description

Veterans' services are 5 percent of the FY 2011 division budget request. The program administers the two veterans' homes. The Montana Veterans' Home (MVH-Columbia Falls) is staffed by state employees and operation of the Eastern Montana Veterans' Home (EMVH-Glendive) is contracted, with 1.00 FTE state program administrator to oversee the contract. Figure 58 shows the total appropriation for each veterans' home compared to base budget expenditures, the estimated average daily population, and the annual cost per day of care.

The homes are funded from insurance, Medicare, Medicaid, and private payments, as well as federal Veterans' Administration per diem payments. The balance of costs not paid by these funding sources is paid from cigarette tax state special revenue allocated for veterans' uses. The funding for the vets' homes is discussed in greater detail in the division funding section. LFD staff evaluated funding and concluded that federal VA revenue could be increased and cigarette tax reduced.

Present law adjustments add about \$3.4 million over the biennium, nearly all for the support of MVH and nearly all supported by cigarette tax state special revenue. The request for EMVH increases about \$43,000 from base level funding.

The most significant change is in personal services costs with the addition of 14.38 new staff for MVH. Operating cost increases fund inflation in medical, utility, and food expenses as well as several upgrades to equipment and the MVH facility.

Figure 58
Veterans' Homes FY 2008 Expenditures and Revenues and 2011 Biennium Budget Request

Institution/ Cost/Funding	Actual FY 2008	Budgeted FY 2009	Executive Request FY 2010	Executive Request FY 2011
Montana Veterans' Home*				
FTE	128.89	128.81	143.19	143.19
Personal Services	\$6,287,996	\$6,023,156	\$7,175,157	\$7,319,598
All Other*	<u>3,078,443</u>	<u>3,109,692</u>	<u>3,788,342</u>	<u>3,798,436</u>
Total Cost	\$9,366,439	\$9,132,848	\$10,963,499	\$11,118,034
State Special Revenue	\$6,833,103	\$6,608,291	\$8,438,942	\$8,542,419
Federal	2,533,336	2,524,557	2,524,557	2,575,615
Population	105	106	104	104
Annual Cost Per Person	\$89,204	\$89,675	\$105,418	\$106,904
Cost Per Day	\$244	\$246	\$289	\$293
Annual Increase		0.8%	8.7%	1.4%
Annual Per Person Reimbursement				
State Special Revenue	\$65,077	\$69,934	\$81,144	\$82,139
Annual Increase		0.5%	11.7%	1.2%
Federal Funds	\$24,127	\$23,817	\$24,275	\$24,766
Annual Increase		-1.3%	1.9%	2.0%
Eastern MT Veterans' Home				
FTE	1.00	1.00	1.00	1.00
Personal Services	\$54,007	\$54,785	\$54,785	\$55,668
All Other	<u>1,651,017</u>	<u>1,648,231</u>	<u>1,688,231</u>	<u>1,648,231</u>
Total Cost	\$1,705,024	\$1,703,016	\$1,743,016	\$1,743,398
State Special Revenue	\$259,858	\$257,838	\$297,838	\$298,220
Federal	1,445,166	1,445,178	1,445,178	1,445,178
Population	66	55	66	66
Annual Cost Per Person	\$25,834	\$25,980	\$26,409	\$26,415
Cost Per Day	\$71	\$71	\$72	\$72
Annual Increase		0.0%	1.7%	0.0%
Annual Per Person Reimbursement				
State Special Revenue	\$3,937	\$5,557	\$4,513	\$4,518
Annual Change		-15.6%	14.6%	0.1%
Federal Funds	\$21,896	\$20,423	\$21,897	\$21,897
Annual Change		-6.7%	7.2%	0.0%

*MVH costs include both the skilled nursing facility (105 beds) and domiciliary unit (12 beds).

LFD ISSUE New Staff are Anticipated to Reduce the Cost of Temporary Nursing Staff for Net Savings

The Veterans' sub-program includes funding for 14.30 new FTE at MVH. The SLTC documentation states that all of the new FTE will "pay for themselves" by reducing the cost of temporary nursing staff or preventing accidents and lost work time. LFD staff has requested that MVH provide estimated savings if the staff can be hired.

Legislative Option:
The legislature could reduce the MVH budget by the net anticipated savings if it approves the requests for new FTE.

LFD ISSUE Cigarette Tax Funding Could be Reduced

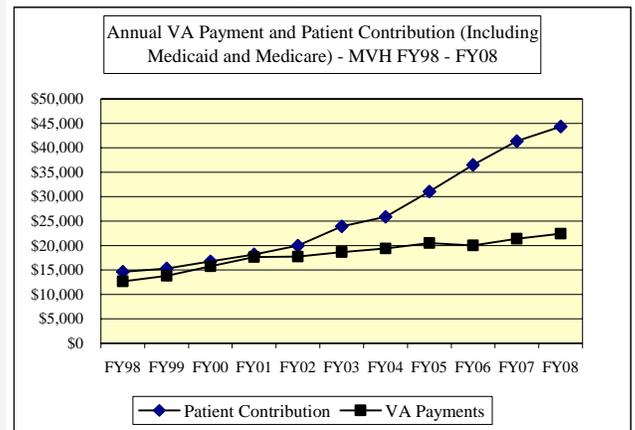
A portion (the greater of 8.3 percent or \$2 million) of cigarette tax proceeds is allocated to the Montana veterans' homes. At fiscal year end, the money in excess of \$2 million in the veterans' home account is transferred to the general fund. The executive budget cigarette tax state special revenue request can be reduced by \$1.1 million because the request understates increases in federal VA payments and reimbursements from insurance, Medicaid, and Medicare.

There are two major funding sources that offset the amount of cigarette tax needed to fund the veterans' homes: federal per capita payments from the Veterans' Administration (VA); and private payments, including insurance, social security, and other personal assets, and Medicare and Medicaid. Figure 58 shows the historic increase in daily payments from each major source.

Patient contributions (including insurance, Medicaid and Medicare) have increased at a faster pace than per capita VA payments. Patient contributions have grown in part because of a focused effort by DPHHS to identify all other sources of payment for veterans' home services.

Figure 59 shows the amount of patient contribution included in the MVH budget request and the federal VA revenue requested for both veterans' homes. The contractor that manages EMVH receives the patient contribution revenue. If consistent growth rates are maintained among funding sources, up to \$1.1 million in cigarette tax revenue could be offset.

Figure 59



**LFD
ISSUE (CONT.)**

Executive Estimate of Patient Contributions

Since FY 1998, patient contributions have grown at an annual rate of 11.7 percent and in the last two years (FY 2006 to FY 2008) patient contributions have grown 10.2 percent per year.

The executive budget growth rate for patient contributions to MVH between FY 2008 and FY 2010 is 11.8 percent each year, but drops to 3.8 percent from FY 2010 to FY 2011. If the 11.8 percent growth rate were sustained, FY 2011 amounts for patient contributions would be about \$390,000 greater.

Medicare Reimbursement Would Rise with per Day Cost

If the legislature approves all or a portion of the executive budget request for increases at MVH, the facility rate charged to Medicare would increase. LFD staff will review potential Medicare rate impacts after the legislature has taken action on the MVH budget request to determine the potential revenue impact and advise the legislature.

Executive Budget Estimates of Federal VA Payments

Annual increases in VA payments have ranged from 3.7 to 5.9 percent each year over the last 10 years. In the last two years (FY 2006 to FY 2008) VA payments have risen 5.8 percent per year. The executive request reduces VA payments by 0.4 percent between the base budget and FY 2010 and then increases them by 2.0 percent for MVH. Federal VA payments remain flat for EMVH. The DPHHS staff in charge of collecting revenues for state institutions administered by DPHHS estimates that VA payments will grow by 5.5 percent annually from FY 2009 through FY 2011.

Figure 59 uses a 5.5 percent annual increase in VA payments and the 10.3 percent rate of growth for private contributions since that amount is more in line with historic experience.

Legislative Option

If the legislature adopts the revenue growth rates in Figure 60, it could offset \$1.1 million in cigarette tax revenues, which would potentially increase transfers to the general fund depending on appropriations for capital projects and operating cost increases at the MVH.

Figure 60

Additional Revenue to Offset Cigarette Tax

Facility/Fund Source	FY08	FY10	FY11
Executive Request			
MVH			
Federal VA Payments			
Skilled Nursing Facility	\$2,435,087	\$2,417,835	\$2,466,734
Annual Increase		-0.4%	2.0%
Domicilliary	98,249	106,722	108,881
Annual Increase		4.2%	2.0%
Insurance, Medicaid, and Medicare Reimbursement	3,873,671	4,841,870	5,023,533
		11.8%	3.8%
EMVH			
Federal VA Payments	1,445,166	1,445,178	1,445,178
Annual Increase		0.0%	0.0%
Additional Revenue if Revenue Growth Rates are Consistent			
MVH			
Federal VA Payments			
Skilled Nursing Facility	\$2,435,087	\$2,710,313	\$2,859,380
Annual Increase		5.5%	5.5%
Additional Revenue		292,478	392,646
Domicilliary	98,249	\$109,354	\$115,368
Annual Increase		5.5%	5.5%
Additional Revenue		2,632	6,487
Insurance, Medicaid, and Medicare Reimbursement	3,873,671	4,841,870	5,413,253
		11.8%	11.8%
Additional Revenue		0	389,720
EMVH			
Federal VA Payments	1,445,166	\$1,608,506	\$1,696,974
Annual Increase		5.5%	5.5%
Additional Revenue		163,328	251,796
Grand Total Offset to			
Cigarette Tax State Special Revenue		\$458,437	\$650,929
Biennial Total Additional Revenue			\$ 1,109,366

Budget Summary By Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	0	0	0	0.00%	11,071,463	11,071,463	22,142,926	86.60%
Statewide PL Adjustments	0	0	0	0.00%	(235,599)	(192,510)	(428,109)	(1.67%)
Other PL Adjustments	0	0	0	0.00%	893,815	902,810	1,796,625	7.03%
New Proposals	0	0	0	0.00%	976,836	1,079,669	2,056,505	8.04%
Total Budget	\$0	\$0	\$0		\$12,706,515	\$12,861,432	\$25,567,947	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2010-----				-----Fiscal 2011-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(10,814)					24,079
Vacancy Savings					(253,248)					(254,645)
Inflation/Deflation					37,453					46,784
Fixed Costs					(8,990)					(8,728)
Total Statewide Present Law Adjustments					(\$235,599)					(\$192,510)
DP 22201 - Montana Veterans' Home Contingency Fund	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 22210 - MVH Restore Overtime/Holidays Worked.	0.00	0	380,165	0	380,165	0.00	0	389,160	0	389,160
DP 22222 - MVH Operating Expenses	0.00	0	263,650	0	263,650	0.00	0	263,650	0	263,650
Total Other Present Law Adjustments	0.00	\$0	\$893,815	\$0	\$893,815	0.00	\$0	\$902,810	\$0	\$902,810
Grand Total All Present Law Adjustments					\$658,216					\$710,300

DP 22201 - Montana Veterans' Home Contingency Fund - This request continues the restricted Montana Veterans Home Contingency Fund appropriation of \$250,000 in state special revenue for each year of the biennium that has been previously appropriated by the 2003/ 2005/2007 Legislatures. These funds be used only subject to a determination by the Office of Budget and Program Planning that federal and/or state special revenue appropriations are insufficient to operate the Veterans Home in Columbia Falls in order to maximize the draw down of federal funds.

DP 22210 - MVH Restore Overtime/Holidays Worked. - This request adds \$769,325 over the biennium from cigarette tax state special revenue for adjustments in personal service costs for overtime, holiday pay, and differential pay. The request is based on an analysis of base year costs, contract changes, holiday staffing patterns and historical data. These costs were removed from the FY 2008 base budget. Base budget costs for these items, excluding taxes of \$143,325, were \$354,765 or \$78,530 lower than the estimated 2011 biennium costs.

DP 22222 - MVH Operating Expenses - This request adds \$530,000 cigarette tax state special revenue over the biennium for adjustments in operating costs for the Montana Veterans’ Home. One of the adjustments would fund a new meal plan, moving from a three meal to a five meal plan. Most adjustments add funds to address inflationary increases in

medical supplies and services as well as food and energy costs. The amounts requested are sometimes in excess of the standard inflationary adjustments adopted in development of all agency budgets.

LFD
ISSUE

Price Increases may be less than Expected

The national economy has entered a recession. Prices for some commodities such as gasoline have declined substantially since this request was developed.

Legislative Option
The legislature may wish to review the inflationary increases to determine whether they are in excess of expected price changes over the coming biennium.

New Proposals

Sub Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22102 - MVH Dom/Nursing Wing Facility Upgrades										
02	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22105 - MT Vets Home Safety Officer										
02	1.00	0	55,470	0	55,470	1.00	0	55,488	0	55,488
DP 22114 - EMVH Facility Painting and Upgrades - OTO										
02	0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 22115 - MT Vets Home New CNAs FTE										
02	4.80	0	223,874	0	223,874	4.80	0	224,514	0	224,514
DP 22117 - MVH Additional Aggregate RNs										
02	2.00	0	183,095	0	183,095	2.00	0	183,790	0	183,790
DP 22118 - MVH Additional Aggregate LPNs										
02	0.50	0	30,561	0	30,561	0.50	0	30,656	0	30,656
DP 22119 - MVH Additional Aggregate CNAs										
02	3.00	0	134,655	0	134,655	3.00	0	135,114	0	135,114
DP 22120 - MVH Additional Aggregate Activity Positions										
02	3.00	0	110,656	0	110,656	3.00	0	111,017	0	111,017
DP 22122 - MVH Wage Increases Based On Wage Survey										
02	0.00	0	33,525	0	33,525	0.00	0	134,090	0	134,090
Total	14.30	\$0	\$976,836	\$0	\$976,836	14.30	\$0	\$1,079,669	\$0	\$1,079,669

DP 22102 - MVH Dom/Nursing Wing Facility Upgrades - This proposal represents the estimated costs of two repair and maintenance projects at the Montana Veterans' Home (MVH). One will involve replacing flooring, doors and handrails in the Nursing wing hallway. The second project scheduled is a refurbishing of the 1970 VA Domiciliary rooms, including some repairs (new tiles, sinks, etc) and new furniture. This project will improve the Domiciliary living quarters, so they are similar to other assisted living facilities in the Flathead Valley. The estimated cost of both projects is \$165,000 each year of the biennium from state special revenue derived from cigarette taxes.

DP 22105 - MT Vets Home Safety Officer - This request adds \$110,958 cigarette tax state special funds to add 1.00 FTE for a safety officer at the Montana Veterans' Home to reduce workman's compensation claims and the cost of replacing staff that cannot work due to on the job injuries. The FTE would be responsible for the total facility safety program including on the job training and safety analysis.

DP 22114 - EMVH Facility Painting and Upgrades - OTO - This request adds \$80,000 cigarette tax state special revenue for the biennium for painting and repairs in the common areas as well as 23 resident rooms of the A and B wings due to high resident traffic and damage from resident wheelchairs.

DP 22115 - MT Vets Home New CNAs FTE - The request adds \$448,388 cigarette tax state special revenue for 4.80 new FTE to address acuity levels in the 40-bed unit. Within the past three years from November 11, 2004 to September

1, 2007, there was a 33 percent increase in activities of daily living and an 18 percent increase in the case mix index. This data was gathered from the Medicaid/Medicare RUG's report. Current staffing levels for day and afternoon shifts are three aides to 40 residents, about .075 aides per resident. The proposal would increase the aide staffing pattern by 33 percent to .098 aides per resident. The request would fund the addition of one certified nurse aide (CNA) on each shift for seven days each week or 1.60 FTE x 3 shifts = 4.80 FTE.

**LFD
COMMENT**
CNAs Difficult to Recruit

The division noted that CNAs at the Montana Veterans' Home were very difficult to recruit and retain. The legislature may wish to ask SLTC how it will ensure that the new FTE are filled.

DP 22117 - MVH Additional Aggregate RNs - The request adds \$365,885 cigarette tax state special revenue for 2.00 FTE to the aggregate position numbers for registered nurses (RNs) in order to fund what the facility spends annually to provide relief staffing in the form of on-call and per diem employees. If the facility can recruit and retain these types of employees to fill relief shifts the result is the reduction to temporary nursing services staff and a net savings to the facility.

DP 22118 - MVH Additional Aggregate LPNs - The request adds \$61,217 cigarette tax state special revenue to add 0.50 FTE to the aggregate position numbers for licensed practical nurses (LPNs) in order to fund what the facility spends annually to provide relief staffing in the form of on-call and per diem employees. If the facility can recruit and retain these types of employees to fill relief shifts the result is the reduction to temporary nursing services staff and a net savings to the facility.

DP 22119 - MVH Additional Aggregate CNAs - The request adds \$169,769 cigarette tax state special revenue to add 3.00 FTE to the aggregate position for CNAs in order to fund what the facility spends annually to provide relief staffing in the form of on-call and per diem employees. If the facility can recruit and retain these types of employees to fill relief shifts the result is the reduction to temporary nursing services staff and a net savings to the facility.

DP 22120 - MVH Additional Aggregate Activity Positions - The request adds \$221,673 in cigarette tax state special revenue for 3.00 activity aggregate FTE. This aggregate position pays trainees hired to take the four week certified nurse aide class. Ten people are hired and paid \$8.00 per hour for four weeks plus benefits. By retaining the majority of these employees, the facility reduces the cost of using temporary nursing services staff.

DP 22122 - MVH Wage Increases Based On Wage Survey - This proposal adds \$167,615 in cigarette tax state special funds to raise professional nurse and nurse's aide wages to make pay rates competitive with other nursing homes in the Flathead Valley. The new proposal adds earmarked funds a pay raises for nursing staff if the Flathead Valley Wage Survey (to be conducted in January of 2010) indicates that MVH pay rates are low. The funds would allow a maximum raise of \$1.00 to 50 cents per hour depending on the position on April 1, 2010. In the event that the January 2010 wage survey indicates a disparity of less than \$1.00 to .50 cents per hour, MVH would fund the lesser amount and the remaining funds would be reverted to the state special revenue fund.

Sub-Program Details

AGING 03

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	505,108	56,171	0	561,279	57,535	0	562,643	1,123,922
Operating Expenses	417,397	12,255	0	429,652	23,125	0	440,522	870,174
Equipment & Intangible Assets	26,886	0	0	26,886	0	0	26,886	53,772
Grants	9,089,181	380,205	1,136,112	10,605,498	380,205	1,253,082	10,722,468	21,327,966
Benefits & Claims	963,100	26,991	0	990,091	70,407	0	1,033,507	2,023,598
Total Costs	\$11,001,672	\$475,622	\$1,136,112	\$12,613,406	\$531,272	\$1,253,082	\$12,786,026	\$25,399,432
General Fund	3,701,870	272,830	1,136,112	5,110,812	327,085	1,253,082	5,282,037	10,392,849
Federal Special	7,299,802	202,792	0	7,502,594	204,187	0	7,503,989	15,006,583
Total Funds	\$11,001,672	\$475,622	\$1,136,112	\$12,613,406	\$531,272	\$1,253,082	\$12,786,026	\$25,399,432

Sub-Program Description

The aging function administers grants for community services managed by local agencies and the contract for payment of the state supplement and the monthly supplement amount for persons eligible for Social Security Insurance payments due to their disability and low income. The 2011 biennium budget request is about \$3.4 million higher than base budget expenditures, including \$2.1 million general fund. Most of the increase is in grants that will support community aging services. Anticipated increases in federal aging grants add about \$400,000 over the biennium.

The legislature added \$1.5 million general fund each year for community based aging services during the 2009 biennium as a one time appropriation. The executive budget includes a new proposal to continue \$1.1 million of the funds. The types and amount of services are listed in the expanded justification for the new proposal. Figure 61 shows FY 2008 expenditures from the \$1.5 million general fund one time appropriation.

Expenditure Category	Amount	% of Ttl
COMMUNITY SERVICES		
Senior Centers	\$354,816	23.7%
Congregate Meals	420,089	28.0%
Health Promotion	1,488	0.1%
Ombudsman	33,311	2.2%
Caregiver Support	26,424	1.8%
Volunteers	47,200	3.1%
Other - Senior Housing*	<u>15,000</u>	<u>1.0%</u>
Subtotal Community Services	898,328	59.9%
ACCESS SERVICES		
Transportation	24,501	1.6%
Information & Assistance	103,942	6.9%
Insurance Counseling (SHIP)	4,000	0.3%
Case Management	2,400	0.2%
Outreach	<u>19,708</u>	<u>1.3%</u>
Subtotal Access Services	154,551	10.3%
IN HOME SERVICES		
Home Delivered Meals	327,753	21.9%
Homemaker	51,860	3.5%
Skilled Nursing	13,610	0.9%
Personal Care - Respite	53,495	3.6%
Other	<u>403</u>	<u>0.0%</u>
Subtotal In Home Services	<u>447,121</u>	<u>29.8%</u>
GRAND TOTAL	<u>\$1,500,000</u>	100.0%

*Community Development Block Grant application assistance
Source: Senior and Long Term Care Division, Department of Public Health and Human Services, November 3, 2008.

Budget Summary By Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	3,701,870	3,701,870	7,403,740	71.24%	11,001,672	11,001,672	22,003,344	86.63%
Statewide PL Adjustments	8,695	8,942	17,637	0.17%	57,592	59,234	116,826	0.46%
Other PL Adjustments	264,135	318,143	582,278	5.60%	418,030	472,038	890,068	3.50%
New Proposals	1,136,112	1,253,082	2,389,194	22.99%	1,136,112	1,253,082	2,389,194	9.41%
Total Budget	\$5,110,812	\$5,282,037	\$10,392,849		\$12,613,406	\$12,786,026	\$25,399,432	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					79,557					80,979
Vacancy Savings					(23,386)					(23,444)
Inflation/Deflation					1,421					1,699
Total Statewide Present Law Adjustments					\$57,592					\$59,234
DP 22209 - Annualize Aging Services Provider Increase	0.00	226,310	0	0	226,310	0.00	226,310	0	0	226,310
DP 22211 - State Supplemental Payments	0.00	37,825	0	0	37,825	0.00	91,833	0	0	91,833
DP 22220 - Increase in Federal Aging Grants	0.00	0	0	153,895	153,895	0.00	0	0	153,895	153,895
Total Other Present Law Adjustments	0.00	\$264,135	\$0	\$153,895	\$418,030	0.00	\$318,143	\$0	\$153,895	\$472,038
Grand Total All Present Law Adjustments					\$475,622					\$531,272

DP 22209 - Annualize Aging Services Provider Increase - This proposal adds \$552,620 general fund over the biennium to annualize the 2.5 percent provider increase in FY 2009 for the aging services program. Aging services provider rate increases are funded 100 percent general fund. Funding is allocated among the 10 Areas Agencies on Aging through a contract with SLTC.

DP 22211 - State Supplemental Payments - This proposal adds about \$130,000 general fund over the biennium to fund cost increases for state supplemental payments. The payments are made to SSI eligible individuals who reside in designated residential care facilities, such as community homes for persons with developmental disabilities, adult foster homes, or assisted living facilities. The monthly benefit is \$94 dollars on average with an administrative processing fee expected to be \$10.55 in 2010, increasing to \$10.95 in 2011. State supplemental payments are funded entirely from the general fund.

DP 22220 - Increase in Federal Aging Grants - This request adds about \$154,000 additional federal funds per year due to anticipated federal grant increases for community aging services. The funds would augment contracts with Area Agencies on Aging.

New Proposals

New Proposals Sub Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - Continue Aging Services Funding										
03	0.00	1,050,000	0	0	1,050,000	0.00	1,050,000	0	0	1,050,000
DP 22109 - Provider Rate Increase - Aging Services										
03	0.00	86,112	0	0	86,112	0.00	203,082	0	0	203,082
Total	0.00	\$1,136,112	\$0	\$0	\$1,136,112	0.00	\$1,253,082	\$0	\$0	\$1,253,082

DP 22101 - Continue Aging Services Funding - This proposal adds \$1,050,000 general fund each year of the biennium to support aging programs and aging services such as meals and in-home assistance administered by Area Agencies on Aging. The 2007 Legislature appropriated \$1,500,000 general fund each year of the 2009 biennium, designated as one time only (OTO).

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: These funds would continue services initiated in the 2009 biennium from the \$1.5 million general fund OTO appropriation. The funds were used to repair and renovate senior centers, expand congregate and home delivered meals, maintain and increase transportation services, homemaker services, respite care, and skilled nursing, as well as provide information and assistance to help people make long term care decisions for themselves or their loved ones.

Goals: The goal of this proposal is to continue to provide services to the elderly through increased in-home services, assistance to caregivers of the elderly, maintain and increase transportation services, congregate and home delivered meals.

Performance Criteria and Milestones: Continuation of these funds would allow the department to provide and attempt to maintain services at the current level of effort, which may be difficult due to the reduction in the ongoing funding request. The services that would be continued are:

- o Congregate meals - 87,519 units of service
- o Home delivered meals/Meals on Wheels - 51,211 units of service
- o Personal care/respite care services - 8,020 units of service
- o Health prevention - 508 units of service
- o Caregiver support services - 823 units of service
- o Homemaker services - 2,756 units of service
- o Transportation - 3,017 units of service
- o Skilled nursing - 504 units of service

The elderly, caregivers, and family members would be provided information, assistance and outreach efforts in providing them with information that will help them plan and determine the services and options available to them as they plan for their long term care needs.

Equipment replacement and renovation of senior centers is an on-going need that helps fulfill social and nutritional needs of the elderly in their local community.

FTE: No additional FTE will be needed.

Funding: \$2.1 million general fund over the biennium

Challenges to Implementation: The major obstacle is finding good quality healthcare workers in rural frontier counties to provide in-home and caregiver services. Some prioritization may need to occur at the local level due to the reduction from \$1.5 million to \$1.1 million each year.

Risks of Not Adopting Proposal: If these funds are not continued, much needed renovation and equipment replacement at senior centers will end and services to elderly citizens such as meal programs and in home services, especially to those living alone as well as those in our rural communities, will be reduced in order to operate the programs within the level of funding available.

DP 22109 - Provider Rate Increase - Aging Services - This proposal requests \$289,194 general fund over the biennium for a 1 percent provider rate increase effective October 1 in each year of the biennium for Aging Services Programs. The annualized rate is 0.75 percent due to delayed implementation.

Sub-Program Details

SLTC DIVISION ADMINISTRATION 04

Sub-Program Proposed Budget

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	327,606	15,740	0	343,346	17,733	0	345,339	688,685
Operating Expenses	182,046	204,191	0	386,237	235,716	0	417,762	803,999
Equipment & Intangible Assets	4,039	0	0	4,039	0	0	4,039	8,078
Total Costs	\$513,691	\$219,931	\$0	\$733,622	\$253,449	\$0	\$767,140	\$1,500,762
General Fund	229,289	56,620	0	285,909	69,879	0	299,168	585,077
State/Other Special	74,277	16,549	0	90,826	21,654	0	95,931	186,757
Federal Special	210,125	146,762	0	356,887	161,916	0	372,041	728,928
Total Funds	\$513,691	\$219,931	\$0	\$733,622	\$253,449	\$0	\$767,140	\$1,500,762

Sub-Program Description

The SLTC division administration budget request grows about \$470,000 over the biennium compared to base budget expenditures. Present law adjustments of about \$540,000 are offset due to removal of about \$47,000 for rent of Department of Administration buildings. Nearly the same amount for rent is included in the present law adjustment to pay for leased space off the capitol complex.

LFD ISSUE	Cost Shift to General Fund
	There funding ratios between general fund, state special revenue, and federal funds change between base budget funding and the adjusted base budget for FY 2010 and FY 2011 increasing general fund by about \$35,000 over the biennium.
Legislative Option	
The legislature could opt to fund the adjusted base budget for adult protective services function at the same funding ratios as the base budget, reducing general fund cost of statewide present law adjustments by about \$35,000 and increasing other funding sources by a like amount.	

Budget Summary By Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	229,289	229,289	458,578	78.38%	513,691	513,691	1,027,382	68.46%
Statewide PL Adjustments	(23,677)	(17,858)	(41,535)	(7.10%)	(33,663)	(31,667)	(65,330)	(4.35%)
Other PL Adjustments	80,297	87,737	168,034	28.72%	253,594	285,116	538,710	35.90%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$285,909	\$299,168	\$585,077		\$733,622	\$767,140	\$1,500,762	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					30,046					32,122
Vacancy Savings					(14,306)					(14,389)
Inflation/Deflation					59					62
Fixed Costs					(49,462)					(49,462)
Total Statewide Present Law Adjustments					(\$33,663)					(\$31,667)
DP 22219 - Operating Cost Adjustments	0.00	80,297	0	173,297	253,594	0.00	87,737	0	197,379	285,116
Total Other Present Law Adjustments	0.00	\$80,297	\$0	\$173,297	\$253,594	0.00	\$87,737	\$0	\$197,379	\$285,116
Grand Total All Present Law Adjustments					\$219,931					\$253,449

DP 22219 - Operating Cost Adjustments - This request funds several operating cost adjustments for the Medicaid program – about \$540,000 total funds with half the cost funded by general fund. The most significant component funds a rate increase of 3.0 percent for the contract with the Mountain Pacific Quality Health Foundation for several Medicaid program functions. The foundation provides utilization review to determine level of care needed by patients admitted to the waiver or to nursing homes, prior authorization for state plan personal assistance services, and database maintenance activities. The base year cost was lower than the actual cost due to delayed billing by the contractor. This adjustment also funds other contracts with accounting firms to perform audits of nursing facilities due to new federal definition of units of government facilities and the requirement to reimburse these providers at no more than their Medicaid cost. The adjustment would fund 14 audits annually at about \$4,000 per audit. There is a very small reduction included in this reduction due to elimination of grounds maintenance fees since the division moved to space outside the capitol complex.

Sub-Program Details**ADULT PROTECTIVE SERVICES 05****Sub-Program Proposed Budget**

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

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2008	PL Base Adjustment Fiscal 2010	New Proposals Fiscal 2010	Total Exec. Budget Fiscal 2010	PL Base Adjustment Fiscal 2011	New Proposals Fiscal 2011	Total Exec. Budget Fiscal 2011	Total Exec. Budget Fiscal 10-11
FTE	40.25	0.00	2.50	42.75	0.00	4.00	44.25	44.25
Personal Services	2,012,260	148,388	146,784	2,307,432	155,819	238,058	2,406,137	4,713,569
Operating Expenses	441,633	36,548	0	478,181	45,134	0	486,767	964,948
Equipment & Intangible Assets	13,442	0	0	13,442	0	0	13,442	26,884
Benefits & Claims	38,365	0	0	38,365	0	0	38,365	76,730
Total Costs	\$2,505,700	\$184,936	\$146,784	\$2,837,420	\$200,953	\$238,058	\$2,944,711	\$5,782,131
General Fund	1,803,059	171,090	0	1,974,149	183,504	0	1,986,563	3,960,712
State/Other Special	318,192	(872)	146,784	464,104	(958)	238,058	555,292	1,019,396
Federal Special	384,449	14,718	0	399,167	18,407	0	402,856	802,023
Total Funds	\$2,505,700	\$184,936	\$146,784	\$2,837,420	\$200,953	\$238,058	\$2,944,711	\$5,782,131

Sub-Program Description

The Adult Protective Services (APS) program is responsible for the investigation of abuse, neglect, and exploitation of adults. Additionally, the program has about \$40,000 annually to help provide emergency services such as temporary lodging and cleaning. The majority of FTE in the program are adult protective services social workers.

The APS program budget rises \$770,731 over the biennium, nearly evenly split between present law adjustments and new proposals. General fund supports a little less than half of the increase (\$355,000).

Statewide present law adjustments primarily in personal services are about \$341,000 of the total. New proposals fund 4.00 new FTE from lien and estate special revenue (\$383,000). A request to replace six cars leased from the Montana Department of Transportation motor pool is about \$47,000 of the increase.

LFD ISSUE	Cost Shift to General Fund
	There funding ratios between general fund, state special revenue, and federal funds change between base budget funding and the adjusted base budget for FY 2010 and FY 2011 increasing general fund by about \$90,000 over the biennium.
	Legislative Option
	The legislature could opt to fund the adjusted base budget for adult protective services function at the same funding ratios as the base budget, reducing the general fund cost of statewide present law adjustments by about \$90,000 and increasing other funding sources by a like amount.

Budget Summary By Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent Of Budget
Base Budget	\$1,803,059	\$1,803,059	\$3,606,118	91.05%	\$2,505,700	\$2,505,700	\$5,011,400	86.67%
Statewide PL Adjustments	\$161,087	\$170,050	\$331,137	8.36%	\$164,930	\$174,045	\$338,975	5.86%
Other PL Adjustments	\$10,003	\$13,454	\$23,457	0.59%	\$20,006	\$26,908	\$46,914	0.81%
New Proposals	0	0	0	0.00%	\$146,784	\$238,058	\$384,842	6.66%
Total Budget	\$1,974,149	\$1,986,563	\$3,960,712		\$2,837,420	\$2,944,711	\$5,782,131	

Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					238,414					246,155
Vacancy Savings					(90,026)					(90,336)
Inflation/Deflation					16,792					18,476
Fixed Costs					(250)					(250)
Total Statewide Present Law Adjustments					\$164,930					\$174,045
DP 22203 - Dept of Transportation Cars	0.00	10,003	0	10,003	20,006	0.00	13,454	0	13,454	26,908
Total Other Present Law Adjustments	0.00	\$10,003	\$0	\$10,003	\$20,006	0.00	\$13,454	\$0	\$13,454	\$26,908
Grand Total All Present Law Adjustments					\$184,936					\$200,953

DP 22203 - Dept of Transportation Cars - This request adds about \$47,000 total funds over the biennium, with half the cost supported by general fund, to replace six department owned cars with leased cars from the state motor pool. One of the cars has major mechanical problems and five of the cars had over 100,000 miles as of August, 2008.

New Proposals

New Proposals	Sub Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
			General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22112 - New APS Field Staff	05	2.50	0	146,784	0	146,784	4.00	0	238,058	0	238,058
Total		2.50	\$0	\$146,784	\$0	\$146,784	4.00	\$0	\$238,058	\$0	\$238,058

DP 22112 - New APS Field Staff - The request funds 4.00 new APS FTE. 3.00 of the new FTE will be field APS workers stationed in areas where referrals are the highest. 1.00 of the new FTE would be added to:

- o Monitor ongoing guardianship role of the state and its wards
- o Make contact with wards
- o Review and recommend continuation/termination of guardianship status
- o Provide a centralized, coordinated state contact person when issues of guardianship arise

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Montana has experienced a 10 percent increase in adult abuse/neglect/exploitation referrals in one year (FY 2007 – 4,592 referrals and FY 08 – 5,003 referrals). The target is 90 referrals per worker per year and 5 to 6 guardianships per worker per year. Targeted caseload and acuity levels (difficulty of case) now exceed available personnel.

Adult Protective Services is the only statutorily identifiable state agency serving as “public guardian” for adults in imminent risk of injury or death and are incapacitated. APS is experiencing significant pressure from various health care providers and advocacy institutions to become guardian to an increased vulnerable population. APS saw an increase of 33 additional guardianships in one fiscal year despite efforts to transfer cases to non-profits (FY 2007 - 185 guardianships and FY 08 - 218 guardianships). Currently APS has 225 guardianships.

Performance Criteria and Milestones: Upon employment of additional staff or expansion of existing staff, it is expected that APS protective workers immediately begin taking referrals, making interventions and investigations, and assuming guardianship roles. Referral, caseload, acuity (difficulty of case), and duration of investigation and number of guardianships per worker is monitored daily through department computer data system known as Operation Protect Montana (OPM). Regional supervisors will monitor timeliness of intervention and protection of vulnerable populations.

FTE: 4.00 new FTE are funded in this request

Funding: Funding is being requested from lien and state recovery state special revenue.

Challenges to Implementation: Ability to recruit and retain qualified APS certified social workers. Employees are placed in high stress situations, intervening in dysfunctional and often dangerous environments, where the vulnerable populations are experiencing neglect, abuse, or exploitation

Risks of Not Adopting Proposal: Increased referrals of abuse/neglect/exploitation cases cannot be responded to in a timely manner with current staff levels in certain parts of the state. Failure to timely respond to victims of abuse/neglect/exploitation may result in serious harm, injury or death to Montana consumers with liability consequences for state. There are increased employee retention issues because of high degree of stress in responding to referrals above targeted caseloads and responsibilities as guardian.

**LFD
COMMENT**

Evaluation Criteria are not Specific

The evaluation criteria submitted with the expanded justification are not specific, yet DPHHS plans to collect workload statistics. The legislature could ask DPHHS to provide base line data and 2011 biennium data on the workload statistics of referrals and guardianships. The legislature could include those measures if it approves this request.