

Program Budget Comparison

The following table summarizes the total legislative budget for the program 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 | 86.00 | 86.00 | 108.00 | 108.00 | 86.00 | 108.00 | 22.00 | 25.58% |
| Personal Services | 3,931,820 | 4,824,779 | 7,404,448 | 4,810,112 | 8,756,599 | 12,214,560 | 3,457,961 | 39.49% |
| Operating Expenses | 9,983,559 | 8,891,704 | 16,317,696 | 10,353,664 | 18,875,263 | 26,671,360 | 7,796,097 | 41.30% |
| Equipment & Intangible Assets | 5,535 | 0 | 5,535 | 5,535 | 5,535 | 11,070 | 5,535 | 100.00% |
| Grants | 645,569 | 189,278 | 645,569 | 645,569 | 834,847 | 1,291,138 | 456,291 | 54.66% |
| Benefits & Claims | 472,602,973 | 600,772,781 | 650,055,532 | 602,880,266 | 1,073,375,754 | 1,252,935,798 | 179,560,044 | 16.73% |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n/a |
| Debt Service | 0 | 2,282 | 0 | 0 | 2,282 | 0 | (2,282) | (100.00%) |
| Total Costs | \$487,169,456 | \$614,680,824 | \$674,428,780 | \$618,695,146 | \$1,101,850,280 | \$1,293,123,926 | \$191,273,646 | 17.36% |
| General Fund | 107,427,618 | 137,625,754 | 89,592,639 | 122,353,150 | 245,053,372 | 211,945,789 | (33,107,583) | (13.51%) |
| State Special | 39,209,729 | 53,486,558 | 77,187,907 | 54,276,307 | 92,696,287 | 131,464,214 | 38,767,927 | 41.82% |
| Federal Special | 340,532,109 | 423,568,512 | 507,648,234 | 442,065,689 | 764,100,621 | 949,713,923 | 185,613,302 | 24.29% |
| Total Funds | \$487,169,456 | \$614,680,824 | \$674,428,780 | \$618,695,146 | \$1,101,850,280 | \$1,293,123,926 | \$191,273,646 | 17.36% |

Program Description

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

The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children, and low-income families. In addition to Medicaid, the division has a small federal SAMHSA grant that provides regional infrastructure and very limited services for children below 150 percent of the federal poverty level who have a serious emotional disturbance.

The division administers HMK, which combines CHIP and Medicaid funding to expand health coverage for children, with HMK state special revenue paying for enrollment levels above those on November 4, 2008 (about 64,000 children). Family assets may not be considered for HMK eligibility. The CHIP component is administered as a separate health insurance program and HRD contracts with Blue Cross Blue Shield to provide third party administrator services. CHIP dental and eyeglasses benefits are reimbursed directly by the department. CHIP is a voluntary state/federal partnership that reimburses for medical services for children at or below 250 percent of poverty. CHIP eligibility is determined by division staff.

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

Program Highlights

| Health Resources Division HB 2 Budget Highlights |
|---|
| <ul style="list-style-type: none"> ◆ The 2011 biennium budget appropriation is \$191.3 million greater than the 2009 biennium, including a reduction of \$33.1 million general fund ◆ Healthy Montana Kids adds \$112.7 million, due to passage of voter initiative I-155 in November 2008 ◆ The temporary increase in the federal Medicaid match rate in the federal stimulus legislation reduces general fund by \$50.6 million over the 2011 biennium ◆ Biennium to biennium Medicaid service utilization and eligibility increases are \$56.1 million total funds, including \$18.4 million general fund ◆ Most of the appropriation increase funds continuation of current level services ◆ Legislative appropriation changes are made from the FY 2008 base budget so the total change amount is greater than the biennium to biennium difference ◆ Present law changes add \$369.7 million total funds, including \$49.8 million general fund with \$112.7 from HMK <ul style="list-style-type: none"> • Medicaid service utilization and eligibility increases add \$39.6 million total funds, including \$13.0 million general fund • Continuation of the hospital utilization fee adds \$88.5 million, including \$10.1 million in state special tax revenue used as federal Medicaid match • CHIP enrollment and operating cost increases add \$21.5 million • Big Sky Rx Medicare Part D premium assistance for low-income seniors adds \$6.4 million in health and Medicaid initiatives state special revenue ◆ A one-time appropriation for continuation of Medicaid coverage of heart, lung and liver transplants for adults adds \$6.1 million total funds, including \$1.7 million general fund ◆ New proposals reduce funds by a net \$53.0 million general fund due to: <ul style="list-style-type: none"> • The temporary increase in the federal Medicaid match rate - \$50.6 million general fund reduction • A \$2.5 million general fund reduction that can be allocated across the department • An increase in the vacancy savings rate from 4 to 7 percent, elimination of the end stage renal program, and removal of funding for 2.00 FTE that had been vacant for an extended period of time - \$0.4 million general fund (\$0.7 million total funds) • A program to allow disabled workers to earn more income and retain Medicaid services adds \$0.2 million general fund (\$0.7 million total funds) ◆ The legislature allocated \$13.8 million general fund (\$63 million total funds) to a one-time appropriation <ul style="list-style-type: none"> • HB 676 directs DPHHS to develop an interim work plan to evaluate efficiencies and reductions to lower its 2013 biennium budget request by the amount of the one-time appropriation and to provide updates at each Legislative Finance Committee meeting |

| HB 645 Budget Highlights | |
|---------------------------------|--|
| ◆ | Reduces HRD general fund Medicaid appropriations by \$97 million over the biennium due to the temporary federal Medicaid match increase, with authority for DPHHS to transfer the reduction among programs |
| | <ul style="list-style-type: none"> The fiscal report includes the LFD allocation of the reduction among programs, which may be different than the DPHHS allocation |
| ◆ | Adds \$109.0 million in federal authority for the 2011 biennium and \$54.0 million for FY 2009 due to the temporary federal Medicaid match increase for allocation across DPHHS Medicaid programs |
| ◆ | Adds one-time general fund appropriations to: <ul style="list-style-type: none"> Sustain the children's system of care - \$0.7 million Pay for increased eligibility due to changes in the way assets are treated to determine Medicaid eligibility for Native Americans - \$0.6 million Pay for an additional six months of Medicaid for families transitioning off Medicaid due to increased earnings - \$0.4 million Provide a 2 percent provider rate increase |

Program Narrative

The HRD 2011 biennium appropriation is \$191.3 million higher than the 2009 biennium budget, including funding for a net increase of 22.00 FTE, with 12.00 of the FTE funded for the 2011 biennium only. Funding for Healthy Montana Kids (HMK) enacted by citizen initiative 1-155 November 2008 is the most significant change adding \$112.7 million and 24.00 FTE.

General fund declines \$33.1 million between the two biennia due to the temporary increase in the federal Medicaid match rate authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). The Montana federal Medicaid match rate is estimated to rise from 68.59 percent for FY 2010 to 77.14 percent and from 67.03 percent to 77.14 percent for the first half of FY 2011. On January 1, 2011, the temporary increase will expire. Each 1 percent change in the match rate causes an \$8.1 million change in state match costs over the biennium (based on the 2011 biennium appropriation in HB 2 for HRD).

State special revenue increases are largely due to funding for HMK and to a lesser extent for Big Sky Rx expansion. Medicaid service utilization and eligibility increases as well as implementation of HMK drive federal appropriation growth.

The federal funds to pay the share of costs due to the temporary increase in the federal Medicaid match rate are appropriated in HB 2. Figure 28 in Medicaid Services sub-program shows the estimated additional federal appropriations that will be allocated to HRD from the HB 645 appropriation.

Annual Appropriation Amounts Exceed Biennial Difference

The legislature adopts incremental changes to FY 2008 base budget expenditures. Legislative appropriation changes are higher than the \$191.3 million biennial difference shown in the main budget table because incremental increases that occur in the second year of the biennium (FY 2009) must be added to base budget expenditures. Medicaid cost growth is a primary example of an incremental change.

The most significant changes from the base budget are:

- Medicaid cost increases - \$140.0 million total funds, \$36.7 million general fund
- HMK – 24.00 FTE, \$112.7 million total funds, \$25.8 million state special revenue from insurance premium taxes
- Supplemental payments to hospital increases - \$88.5 million total funds, \$11.1 million hospital utilization fee state special revenue

- General fund reductions due to a temporary increase in the federal Medicaid match rate - \$50.7 million
- CHIP enrollment and cost increases - \$21.5 million total, \$5.0 million state special revenue
- Medicaid service expansions to cover additional types of organ transplants for adults, allow disabled enrollees to earn more income and retain Medicaid services, and fund HIV testing - \$6.7 million total funds, \$1.9 million general fund
- Increased enrollment in Big Sky Rx (Medicare Part D prescription drug premium assistance for low-income Medicare eligible persons) - \$6.4 million health and Medicaid initiatives state special revenue
- Funding for the normal reduction in the federal match rate does not alter total spending, but increases the state share of Medicaid and CHIP costs by \$11.8 million total funds, \$11.5 million general fund
- Elimination of funding for the End Stage Renal Program and for 2.00 FTE that had been vacant for an extended period of time - \$0.4 million total, \$0.3 million general fund

Majority of Increase in Present Law Adjustments

The majority (\$306.9 million) of the 2011 biennium budget increase is in present law adjustments to continue services at the level authorized by the last legislature, with one exception. HMK was enacted by voter initiative November 2008, and is included as a present law adjustment because the statute was effective on passage, even though it is a new program.

New proposals:

- Fund an expansion of Medicaid eligibility to allow disabled persons to keep Medicaid services as their earnings increase
- Fund a Medicaid waiver to provide community services to children at risk of placement in residential psychiatric care
- Fund additional HIV testing
- Reduce general fund by \$50.7 million due to the temporary increase in the federal Medicaid match rate

Appropriations for Major HRD Services

Figure 24 shows the 2011 biennium appropriation for major services administered by HRD. General fund supports 22 percent of the total expenditures in FY 2008, but declines to 15 percent in FY 2010 and to 18 percent in FY 2010 due to the temporary increase in the federal Medicaid match rate. The 2011 biennium appropriations in Figure 24 total \$1.3 billion and would be \$50.7 million general fund higher if the federal match rate had not temporarily changed. Figure 24 also does not include \$35.5 million total funds (\$8.6 million general fund) appropriated in HB 645. The legislature accepted the executive estimates of HRD Medicaid costs and funded the incremental amount in HB 645.

Figure 24

Fiscal 2008 Base Budget Compared to 2011 Biennium Legislative Appropriations in HB 2 for Major Services - Health Resources Division

| Major Service | FY 2008 Base Budget | | | FY 2010 Legislative Appropriation | | | FY 2011 Legislative Appropriation | | | % of Total |
|----------------------------|---------------------|--------------|---------------|-----------------------------------|--------------|---------------|-----------------------------------|--------------|---------------|---------------|
| | General Fund | SSR | Federal | General Fund | SSR | Federal | General Fund | SSR | Federal | |
| <u>Medicaid Services</u> | | | | | | | | | | |
| Hospital & Clinic Services | \$39,732,174 | \$1,316,969 | \$89,115,997 | \$32,517,659 | \$1,376,210 | \$100,682,892 | \$45,088,218 | \$1,376,210 | \$104,814,288 | \$151,278,716 |
| Hospital Utilization Fee | 0 | 16,688,641 | 36,341,678 | 0 | 22,011,707 | 74,277,475 | 0 | 22,460,950 | 75,793,424 | 98,254,374 |
| Children's Mental Health | 16,706,265 | 2,410,070 | 40,313,327 | 13,193,571 | 2,410,070 | 44,740,013 | 18,503,915 | 2,410,070 | 45,965,921 | 66,879,906 |
| Managed Care Services | 9,618,471 | 5,187,530 | 32,633,643 | 7,149,909 | 5,187,530 | 35,834,050 | 10,779,812 | 5,187,530 | 33,442,987 | 49,410,329 |
| Pharmacy Services | 10,756,729 | 753,823 | 25,002,069 | 9,831,907 | 753,823 | 32,428,436 | 14,700,806 | 753,823 | 36,632,584 | 52,087,213 |
| Acute Services | 7,635,272 | 3,165,091 | 23,673,350 | 5,534,854 | 3,175,783 | 23,572,790 | 8,949,548 | 3,181,729 | 24,387,801 | 36,519,077 |
| Medicare Buy-In | 6,437,621 | 0 | 14,947,436 | 5,365,570 | 0 | 16,735,636 | 7,719,744 | 0 | 18,346,432 | 26,066,176 |
| Clawback Payment - Part D | 11,901,277 | 0 | 0 | 12,755,059 | 0 | 0 | 13,203,704 | 0 | 0 | 13,203,704 |
| Cervical and Breast Cancer | 592,525 | 5,171 | 2,118,015 | 592,525 | 5,171 | 2,118,015 | 592,525 | 5,171 | 2,118,015 | 2,715,711 |
| Indian Health Services | 0 | 0 | 32,256,582 | 0 | 0 | 34,687,728 | 0 | 0 | 35,791,174 | 35,791,174 |
| School Based Services | 0 | 0 | 12,851,337 | 0 | 0 | 14,685,739 | 0 | 0 | 15,540,692 | 15,540,692 |
| Healthy Montana Kids/CHIP* | 103,996 | 6,165,247 | 22,159,869 | 0 | 15,960,291 | 54,349,362 | 0 | 23,365,985 | 79,066,865 | 102,432,850 |
| Big Sky Rx | 0 | 1,517,040 | 0 | 0 | 4,717,040 | 0 | 0 | 4,717,040 | 0 | 4,717,040 |
| Dental Benefits | 0 | 495,759 | 0 | 0 | 495,759 | 0 | 0 | 495,759 | 0 | 495,759 |
| PharmAssist Program | 0 | 9,455 | 0 | 0 | 234,980 | 0 | 0 | 234,980 | 0 | 234,980 |
| Total Major Services | \$103,484,330 | \$37,209,582 | \$331,413,303 | \$86,941,054 | \$58,414,220 | \$441,112,319 | \$119,538,272 | \$65,674,705 | \$475,181,622 | \$660,394,598 |
| Percent of Total | 21.9% | 7.9% | 70.1% | 14.8% | 10.0% | 75.2% | 18.1% | 9.9% | 72.0% | 100.0% |

*The biennial appropriation for HMK is allocated between both fiscal years to provide a more accurate cost comparison among services.

Medicaid Services

The Medicaid services benefits are 83 percent of the FY 2011 budget appropriation. Hospital services, including the supplemental payments from the hospital utilization fee, are the largest expenditures, followed by children's health resources (CHIP and HMK), and then children's mental health services, which are also largely Medicaid funded. The non-Medicaid functions – Big Sky Rx, dental benefits, and PharmAssist – are each less than 1 percent of the FY 2011 appropriation.

The single largest expenditure made by HRD is for hospital and clinic services, projected to reach \$151.3 million, not including supplemental payments funded by the hospital utilization fee, which add another \$98.3 million. Examples of clinic services include ambulatory free standing surgical centers, Federally Qualified Health Centers (FQHCs), and rural health clinics.

The utilization fee is an assessment for each day of inpatient hospital care provided by a hospital. The 2008 rate was \$47 per day and rose to \$50 per day January 1, 2009. HB 71 made the fee permanent. It was due to sunset on June 30, 2009.

Children's mental health services provide Medicaid services for seriously emotionally disturbed (SED) children and limited outpatient services for children who are not SED. There is also a small amount of general fund that supports the match for the federal system of care grant and mental health services children who are not Medicaid eligible.

Managed care services are 8 percent of the total benefits budget and include such services as physician, laboratory services, and the disease management contract. Pharmacy services are 8 percent of the total.

Acute services include private duty nursing, hearing aides, and most of the therapies (physical, occupational, and speech). Medicare buy in funds Part A and Part B premiums for persons eligible for both Medicare and Medicaid (dual eligibles). Medicare is billed first for services provided to dual eligibles and Medicaid pays the balance of allowable charges.

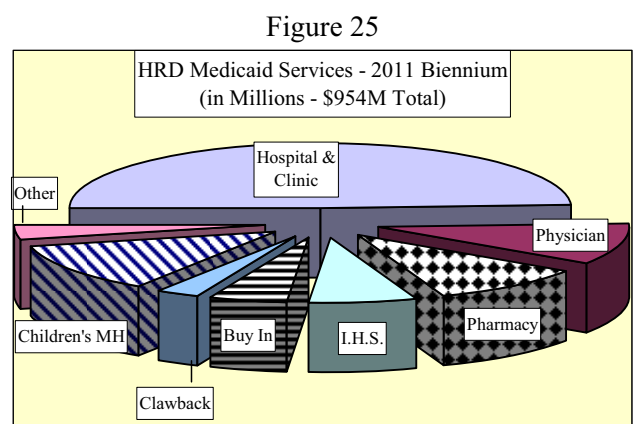
The clawback payment is made to the federal government and represents the savings to the state Medicaid program due to implementation of Part D for prescription drugs. Previously, Medicaid paid the drug costs for dual eligibles. The clawback is based on the number of dual eligibles and a payment for each. It is funded entirely from the general fund.

Cervical and breast cancer services are provided to persons with incomes under 200 percent of the federal poverty level and who are screened and diagnosed through the Montana breast and cervical cancer program. Medicaid covers the cost of cancer treatment and other basic health services.

Indian Health Services (IHS) benefits represent federal Medicaid reimbursement for services provided by: 1) IHS Indian Health Services to Medicaid eligible persons; or 2) by tribes that directly administer services that in other instances would be administered by Indian Health Services. 100 percent of the federal reimbursement is passed through to IHS providers. The enhanced federal match rate does not affect IHS reimbursement.

Schools receive federal reimbursement for Medicaid services provided by schools for eligible students. Federal changes eliminated reimbursement for some services limiting growth. The enhanced federal Medicaid match rate will raise reimbursement to schools by \$3.2 million over the biennium.

Figure 25 shows the HB 2 Medicaid services biennial appropriations. Hospital services (including supplemental payments) are just under half of the HRD Medicaid appropriations. Although physician services are the second largest benefit over the biennium, pharmacy costs are expected to rise at a faster rate and surpass physician services in the 2013 biennium.



Recession Impact - Medicaid Cost Estimates

The legislature appropriated an additional \$40.7 million general fund and matching federal funds for 2011 biennium Medicaid costs in HB 645. The appropriation must be used:

- To transfer funds to a state special revenue account as allowed by ARRA – estimated up to \$19.0 million
- To pay for Medicaid costs above the level appropriated in HB 2, excluding HMK costs
- For administrative costs up to \$1 million in state match

After accounting for the deposit to the state special revenue and administrative costs, \$20.7 million general fund remains to pay Medicaid costs in excess of HB 2 appropriations. About \$10.1 million of the general fund will pay additional Medicaid costs estimated to be needed by DPHHS, with \$8.6 anticipated for HRD. The updated estimate was prepared during the legislative session, but was not funded in HB 2. The remaining \$10.6 million general fund appropriation in HB 645 could fund potential recession related costs.

There is no historic precedent to predict Medicaid enrollment or costs during a recession because the last economic downturn was very different than the current economic conditions. The legislature appropriated those additional funds in the event that the caseload estimates prepared during the session are too low.

Children's Health Resources

Children's Health Resources administers HMK and CHIP services. HMK is a new program that raised CHIP eligibility from 175 to 250 percent of the federal poverty level, raised Medicaid eligibility levels for the program to 185 percent of the federal poverty level, and prohibited family assets from being considered for eligibility for the HMK program. It is funded from a portion of insurance premium tax revenues that were previously deposited in the general fund. Federal funds include Medicaid and CHIP matching funds.

The legislative appropriation for HMK funds CHIP eligibility at 250 percent of the federal poverty level and Medicaid eligibility up to 133 percent of the federal poverty level. HMK will fund enrollment levels above those on November 4, 2008 – about 64,000 children. The department estimated an additional 29,200 children could be covered with the 2011 biennium appropriation.

The legislature approved a biennial appropriation for HMK. However, Figure 24 allocates the expenditures based on department estimates presented during session.

Big Sky Rx and PharmAssist

Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200 percent of the poverty level. The PharmAssist program initiated during FY 2008 funds one-on-one consultations with pharmacists about prescription drugs that persons are taking. Big Sky Rx and PharmAssist are funded from health and Medicaid initiative state special revenue.

Dental Benefits

Dental benefits are funded from tobacco settlement state special revenue and were used to contract with providers for direct access to dental services for low income persons and for specific grants. The 2007 Legislature approved the program.

One-time Appropriations

The legislature moved \$63.0 million total funds, including \$13.8 million general fund, into a one-time-only appropriation, which will lower the base budget used to develop the 2013 biennium budget request. The legislature also added language in HB 676 requiring the department to develop and implement a review of potential budget reductions to its 2013 biennium budget request prior to the next session.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

| Program Funding Table Health Resources Division | | | | | | |
|--|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | Base FY 2008 | % of Base FY 2008 | Budget FY 2010 | % of Budget FY 2010 | Budget FY 2011 | % of Budget FY 2011 |
| 01000 Total General Fund | \$ 107,427,618 | 22.1% | \$ 89,592,639 | 13.3% | \$ 122,353,150 | 19.8% |
| 01100 General Fund | 107,427,618 | 22.1% | 89,592,639 | 13.3% | 122,353,150 | 19.8% |
| 02000 Total State Special Funds | 39,209,729 | 8.0% | 77,187,907 | 11.4% | 54,276,307 | 8.8% |
| 02053 Medicaid Nursing Home Match | 84,889 | 0.0% | 95,581 | 0.0% | 101,527 | 0.0% |
| 02142 Medicaid Third Party Revenue | 1,237,822 | 0.3% | 1,237,822 | 0.2% | 1,237,822 | 0.2% |
| 02311 6901-02 Indrct Activty Prog 11 | 21,496 | 0.0% | 1,426,503 | 0.2% | 3,824,304 | 0.6% |
| 02597 Montana Healthy Kids Initiative | - | - | 25,837,937 | 3.8% | (123,134) | 0.0% |
| 02766 End Stage Renal Checkoff - Sb 85 | 9,994 | 0.0% | 9,994 | 0.0% | 9,994 | 0.0% |
| 02772 Tobacco Hlth & Medica Initiative | 12,659,555 | 2.6% | 18,650,500 | 2.8% | 18,598,769 | 3.0% |
| 02789 6901-Chip/Mcha Tobacco Sett Fd | 5,713,440 | 1.2% | 5,064,730 | 0.8% | 5,312,942 | 0.9% |
| 02987 Tobacco Interest | 2,793,892 | 0.6% | 2,853,133 | 0.4% | 2,853,133 | 0.5% |
| 02989 69010-Hospital Utilization Fee | 16,688,641 | 3.4% | 22,011,707 | 3.3% | 22,460,950 | 3.6% |
| 03000 Total Federal Special Funds | 340,532,109 | 69.9% | 507,648,234 | 75.3% | 442,065,689 | 71.5% |
| 03237 Alternative To Psych Treatment Fac | 67,690 | 0.0% | 66,864 | 0.0% | 67,087 | 0.0% |
| 03426 Chip Program Fed | 23,816,795 | 4.9% | 115,188,935 | 17.1% | 28,543,020 | 4.6% |
| 03580 6901-93.778 - Med Adm 50% | 6,434,182 | 1.3% | 6,786,849 | 1.0% | 6,804,091 | 1.1% |
| 03582 93.778 - Med Ben 100% | 32,256,582 | 6.6% | 34,687,728 | 5.1% | 35,791,174 | 5.8% |
| 03583 93.778 - Med Ben Fmap | 276,996,836 | 56.9% | 345,137,645 | 51.2% | 357,152,613 | 57.7% |
| 03611 6901-03 Indrct Activty Prog 11 | 296,380 | 0.1% | 5,118,337 | 0.8% | 13,045,343 | 2.1% |
| 03794 Samsha Grant | 663,644 | 0.1% | 661,876 | 0.1% | 662,361 | 0.1% |
| Grand Total | \$ 487,169,456 | 100.0% | \$ 674,428,780 | 100.0% | \$ 618,695,146 | 100.0% |

HRD is funded from general fund, state special revenue, and federal funds. The two most significant sources of funding are federal Medicaid matching funds, which support 65 percent of the FY 2011 biennium appropriation, and general fund, which supports 20 percent. The other major funding sources are:

- CHIP federal matching funds – 5 percent
- Hospital utilization state special revenue – 4 percent
- Health and Medicaid initiatives state special revenue (tobacco tax increase due to I-149) – 3 percent

The insurance premium tax deposited to the state special revenue account to fund HMK is also a significant funding source. Because it is a biennial appropriation, it was appropriated in FY 2010, but if it is expended as estimated during session, it would provide about \$14.9 million in FY 2011 or about 2 percent of the total.

Most all state funds provide the state match for federal Medicaid and CHIP funds to provide direct services. State match for Medicaid state plan services (hospital, physician, and prescription drugs) and children's mental health Medicaid services account for \$206.5 million of the general fund appropriated to HRD. About \$110.0 million of the \$131.5 million 2011 biennium state special revenue is used to match Medicaid and CHIP federal funds.

The major state special revenue sources and the functions funded are:

- Health and Medicaid initiatives (I-149 – tobacco tax increase) that fund:
 - A portion of the state match for Medicaid, HMK, and CHIP services
 - Premium assistance for Medicare Part D prescription drug plans for seniors with incomes below 200 percent of the federal poverty level
 - Consultation for any Montanan with pharmacists about medications
- Insurance license fees that pay the match for HMK
- Tobacco settlement revenues to pay part of the state match for HMK
- Hospital utilization fee – an assessment for each inpatient day of care provided by hospitals (\$48 per day in 2008, rising to \$50 per day January 1, 2009) used as state match to fund supplemental payments to hospitals

HB 676 changed statute to allow both tobacco settlement and health and Medicaid initiative state special revenue to be used to implement HMK. Previously, statute specified that the funds must be used to support certain enrollment levels above a threshold and that a portion of tobacco settlement funds must be used for CHIP.

Healthy Montana Kids State Special Revenue Account Fund Balance

Figure 26 shows the estimated revenue and expenditures from the new state special revenue account that pays the state match for HMK costs. Figure 26 estimates the fund balance through the end of the 2013 biennium.

| Figure 26 Healthy Montana Kids State Special Revenue Fund Balance 2011 Biennium Appropriations and 2013 Biennium Estimate | | | | | |
|---|---------------------|---------------------------|---------------------|------------------------|--------------------|
| Fund Balance | | Legislative Appropriation | | 2013 Biennium Estimate | |
| Revenue/Expenditures | FY 2009 | FY 2010* | FY 2011* | FY 2012 | FY 2013 |
| Beginning Fund Balance | \$0 | \$15,093,067 | \$17,027,863 | \$12,113,940 | \$7,706,407 |
| 16.5% Insurance License Tax* | <u>15,972,158</u> | <u>10,778,867</u> | <u>11,335,673</u> | <u>11,921,242</u> | <u>12,537,059</u> |
| Total Revenue | 15,972,158 | 25,871,934 | 28,363,535 | 24,035,182 | 20,243,467 |
| Interest Earnings | <u>194,860</u> | <u>175,929</u> | <u>567,271</u> | <u>480,704</u> | <u>404,869</u> |
| Total Funds Available | \$16,167,018 | \$26,047,863 | \$28,930,806 | \$24,515,885 | \$20,648,336 |
| Expenditures** | <u>1,073,951</u> | <u>9,020,000</u> | <u>16,816,866</u> | <u>16,809,478</u> | <u>16,809,478</u> |
| Ending Fund Balance | <u>\$15,093,067</u> | <u>\$17,027,863</u> | <u>\$12,113,940</u> | <u>\$7,706,407</u> | <u>\$3,838,858</u> |
| *Revenue based on estimates adopted by House Taxation Committee February 2009. | | | | | |
| **The legislature approved a \$25.8 million biennial appropriation. This table shows expenditures as estimated by DPHHS during the legislative session. 2013 biennium costs are estimated to grow by 6 percent annually above the projected FY 2011 amount. | | | | | |

The legislature reduced the revenue flow into the HMK state special revenue account by half over the next four years by diverting 16.5 percent of the insurance premium taxes instead of the 33.0 percent passed in the voter initiative. The remaining 16.5 percent was redirected to the general fund. The legislature provided sufficient state special revenue match to add an estimated 29,200 children to the CHIP and Medicaid programs. Based on expenditure and revenue estimates prepared during the session, the HMK account should have sufficient revenue to support the expansion through the end of the 2013 biennium.

HRD Federal Funds

Federal matching funds are the most significant funding source for HRD. CHIP federal grant appropriations increase the most, more than doubling from a base budget expenditure of \$23.8 million to an estimated expenditure of \$56.2 million in FY 2011. The growth is due to the HMK initiative.

Federal CHIP Funding

CHIP is funded from a fixed federal grant, requiring a state match equal to about 90 percent of the state Medicaid match rate (22.70 percent in FY 2010 and 23.03 percent in FY 2011). States have two years to spend the federal CHIP grant. Historically, Montana received an annual CHIP grant of about \$14.0 million. Due to the incremental start of the CHIP program, there have been sufficient reserves to cover enrollment growth.

Congress reauthorized the CHIP program during the legislative session and expanded federal funding. States have an opportunity to draw down additional federal grant funds and establish a new base grant amount in federal fiscal year 2010, starting October 1, 2009. The minimum grant that Montana is expected to receive is \$32.4 million. However, the estimated FY 2011 federal CHIP cost is \$56.2 million. DPHHS has requested a grant amount closer \$60.0 million annually.

If the CHIP grant is lower than projected expenditures for HMK, then the department will fund some of the HMK expansion with federal Medicaid funds instead of CHIP federal funds. The temporary increase in the federal Medicaid match can not be used to fund eligibility expansions, therefore the state matching cost for HMK paid by Medicaid would be higher than the CHIP rate. Depending on the total cost if the department had to pay for a portion of HMK with Medicaid, state matching appropriations may not be adequate to add an additional 29,200 children.

Other HRD Federal Funds

In addition to federal Medicaid and CHIP funds, HRD has two federal grants. One grant funds a demonstration to determine the effectiveness and comparison of costs to provide community services for children who otherwise would be placed in residential treatment. The other is a grant to implement a children's system of care.

Budget Summary by Category

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

| Budget Summary by Category | | | | | | | | |
|----------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
| | Budget Fiscal 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 | 107,427,618 | 107,427,618 | 214,855,236 | 101.37% | 487,169,456 | 487,169,456 | 974,338,912 | 75.35% |
| Statewide PL Adjustments | 290,598 | 296,571 | 587,169 | 0.28% | 1,019,393 | 1,041,360 | 2,060,753 | 0.16% |
| Other PL Adjustments | 20,182,850 | 29,622,597 | 49,805,447 | 23.50% | 224,465,658 | 145,276,133 | 369,741,791 | 28.59% |
| New Proposals | (38,308,427) | (14,993,636) | (53,302,063) | (25.15%) | (38,225,727) | (14,791,803) | (53,017,530) | (4.10%) |
| Total Budget | \$89,592,639 | \$122,353,150 | \$211,945,789 | | \$674,428,780 | \$618,695,146 | \$1,293,123,926 | |

The base budget for HRD is 75 percent of the total 2011 biennium appropriation - \$974.3 million, including \$214.9 million general fund. The general fund base budget is higher than the net general fund 2011 biennium appropriation because of the reduction in general fund due to the temporary increase in the federal Medicaid match rate. Statewide present law adjustments add \$2.1 million over the biennium, including \$0.6 million general fund.

General fund present law adjustments are 23 percent of the 2011 biennial total. Increases are driven by Medicaid caseload changes and appropriations for HMK. New proposals reduce appropriations by \$53.3 million due to the general fund reduction from the federal Medicaid match increase, removal of funding for vacant FTE, and elimination of the end stage renal program.

HB 2 and HB 645 Appropriations

Figure 27 shows the total appropriated to HRD from HB 2 and HB 645. HB 2 and HB 645 appropriations to HRD total \$1.6 billion over the biennium – a 26 percent increase over HB 2 alone.

Some of the appropriations to HRD will be spread throughout the department. HB 645 includes \$40.7 million general fund and \$130.4 million matching federal funds for Medicaid costs in excess of the appropriations in HB 2 and up to \$2.0 million in operating costs. The appropriation must also be used to transfer general fund to a state special revenue account up to the maximum allowed by federal law. The funds in the state special revenue account must be used for Medicaid costs in the 2013 biennium. Since Montana's economy lags the national economy, the legislature expects that Medicaid related recession costs will continue after the temporary increase in the federal match rate has expired.

| Figure 27 Total Appropriated in HB 2, HB 13, and HB 645 2011 Biennium - Health Resources Division | | | | |
|---|------------------------|-----------------------------------|------------------------|---------------------|
| Budget Item/Fund | HB 2 & HB 13 | HB 645 One-Time Appropriations | 2011 Biennium Total | Percent of Total |
| FTE | 108.00 | 0.00 | 108.00 | |
| Personal Services | \$12,214,560 | \$0 | \$12,214,560 | 0.7% |
| Operating | 26,671,360 | 2,000,000 | 28,671,360 | 1.8% |
| Equipment | 11,070 | 0 | 11,070 | 0.0% |
| Grants | 1,291,138 | 667,000 | 1,958,138 | 0.1% |
| Benefits/Claims* | <u>1,252,935,798</u> | <u>335,780,911</u> | <u>1,588,716,709</u> | <u>97.4%</u> |
| Total Costs | <u>1,293,123,926</u> | <u>338,447,911</u> | <u>1,631,571,837</u> | <u>100.0%</u> |
| General Fund* | 211,945,789 | 42,306,826 | 254,252,615 | 15.6% |
| State Special | 131,464,214 | 0 | 131,464,214 | 8.1% |
| Federal Funds | <u>949,713,923</u> | <u>296,141,085</u> | <u>1,245,855,008</u> | <u>76.4%</u> |
| Total Funds | <u>\$1,293,123,926</u> | <u>\$338,447,911</u> | <u>\$1,631,571,837</u> | <u>99.9%</u> |
| Percent Increase | | | 26.2% | |
| *HB 645 also reduced 2009 biennium HRD general fund appropriations by \$49 million for total reduction of \$146 million over the two biennia. | | | | |

HB 645 also appropriated \$54.0 million in federal matching funds for FY 2009 (the 2009 biennium) and \$109.0 million in federal Medicaid matching funds to HRD for the 2011 biennium, with direction that DPHHS could distribute the federal matching funds throughout other programs as necessary. The additional federal authority is necessary due to the temporary increase in the federal Medicaid match rate.

HB 645 also included one-time general fund appropriations to:

- Sustain the children's system of care - \$0.7 million
- Pay for increased eligibility due to changes in the way assets are treated to determine Medicaid eligibility for Native Americans - \$0.6 million
- Pay for an additional six months of Medicaid for families transitioning off Medicaid due to increased earnings - \$0.4 million

As noted previously, HB 645 reduced general fund appropriations in HB 2 by \$97 million over the 2011 biennium due to the enhanced federal match. The entire general fund reduction was taken from HRD Medicaid services, but HB 645 allows the department to distribute the general fund reduction among all Medicaid programs. The LFD allocated the general fund reduction proportionally among all Medicaid services and included those allocations in the fiscal report. LFD calculations may differ from the actual department allocation.

HB 645 also includes a one-time 2 percent provider rate increase, which includes HRD providers. Funds were appropriated to the Director's Office with direction to allocate the rate increase among DPHHS services.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 | | | | 1,196,531 | | | | | | 1,214,360 |
| Vacancy Savings | | | | (205,128) | | | | | | (205,850) |
| Inflation/Deflation | | | | 6,406 | | | | | | 8,177 |
| Fixed Costs | | | | 21,584 | | | | | | 24,673 |
| Total Statewide Present Law Adjustments | \$290,598 | \$74,587 | \$654,208 | \$1,019,393 | | \$296,571 | \$77,650 | \$667,139 | \$1,041,360 | |
| DP 7101 - Fuel Inflation Reduction | 0.00 | (7) | 0 | (14) | (21) | 0.00 | (8) | 0 | (16) | (24) |
| DP 11001 - Medicaid Physical Srv Caseload | 0.00 | 11,319,776 | 762,065 | 26,916,020 | 38,997,861 | 0.00 | 16,691,141 | 2,351,735 | 41,404,668 | 60,447,544 |
| DP 11002 - Medicaid FMAP | 0.00 | 3,997,007 | 0 | (3,997,007) | 0 | 0.00 | 5,668,701 | 0 | (5,668,701) | 0 |
| DP 11003 - Medicare Buy - In Caseload | 0.00 | 939,691 | 0 | 1,950,776 | 2,890,467 | 0.00 | 1,754,193 | 0 | 3,566,379 | 5,320,572 |
| DP 11004 - Medicaid Breast & Cervical Cancer | 0.00 | 15,698 | 0 | 53,456 | 69,154 | 0.00 | 32,986 | 0 | 110,245 | 143,231 |
| DP 11005 - Clawback Base Adjustment | 0.00 | 853,782 | 0 | 0 | 853,782 | 0.00 | 1,302,427 | 0 | 0 | 1,302,427 |
| DP 11006 - Medicaid Caseload - Children's Mental Health | 0.00 | 2,304,067 | 22,796 | 4,830,513 | 7,157,376 | 0.00 | 3,123,441 | 75,471 | 6,503,580 | 9,702,492 |
| DP 11007 - Indian Health Services Caseload | 0.00 | 0 | 0 | 2,431,146 | 2,431,146 | 0.00 | 0 | 0 | 3,534,592 | 3,534,592 |
| DP 11008 - CHIP Caseload | 0.00 | (104,634) | 2,135,843 | 6,916,849 | 8,948,058 | 0.00 | (104,647) | 2,985,034 | 9,626,720 | 12,507,107 |
| DP 11009 - CHIP SSR Fund Adjustment | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| DP 11010 - Medicaid Organ Transplants - OTO | 0.00 | 703,168 | 0 | 2,372,769 | 3,075,937 | 0.00 | 997,877 | 0 | 2,035,143 | 3,033,020 |
| DP 11011 - Healthy Montana Kids Plan | 24.00 | 0 | 24,592,670 | 82,106,386 | 106,699,056 | 24.00 | 0 | (3,764,401) | (12,581,239) | (16,345,640) |
| DP 11034 - Big Sky Rx Base Adjustment - Biennial | 0.00 | 0 | 3,200,000 | 0 | 3,200,000 | 0.00 | 0 | 3,200,000 | 0 | 3,200,000 |
| DP 11035 - PharmAssist Program | 0.00 | 0 | 234,980 | 0 | 234,980 | 0.00 | 0 | 234,980 | 0 | 234,980 |
| DP 11039 - Hospital Utilization Fee | 0.00 | 0 | 5,323,066 | 37,935,797 | 43,258,863 | 0.00 | 0 | 5,772,309 | 39,451,746 | 45,224,055 |
| DP 11041 - CHIP - FMAP Rate Increase | 0.00 | 0 | 235,282 | (235,282) | 0 | 0.00 | 0 | 336,103 | (336,103) | 0 |
| DP 11042 - PRTF Reimbursement To Include State Plan Services | 0.00 | 154,302 | 0 | 320,328 | 474,630 | 0.00 | 156,486 | 0 | 318,144 | 474,630 |
| DP 11050 - Correct Error | 0.00 | 0 | 1,401,573 | 4,772,796 | 6,174,369 | 0.00 | 0 | 3,799,262 | 12,697,885 | 16,497,147 |
| Total Other Present Law Adjustments | 24.00 | \$20,182,850 | \$37,908,275 | \$166,374,533 | \$224,465,658 | 24.00 | \$29,622,597 | \$14,990,493 | \$100,663,043 | \$145,276,133 |
| Grand Total All Present Law Adjustments | 24.00 | \$20,473,448 | \$37,982,862 | \$167,028,741 | \$225,485,051 | 24.00 | \$29,919,168 | \$15,068,143 | \$101,330,182 | \$146,317,493 |

Language and Statutory Authority

The legislature approved the following language for the agency in HB 2.

“Hospital Utilization Fee is contingent upon the passage and approval of House Bill No. 71. Funds in Hospital Utilization Fee may be used only for payments to hospitals for Medicaid eligible services.

Health Resources Division includes a reduction of \$1,250,000 in general fund money in each year of the biennium. The agency may allocate this reduction in funding among programs when developing 2011 biennium operating plans.

HMK includes funding for 24.00 FTE, with 12.00 of the FTE funded for the 2011 biennium only. HMK may be allocated among programs to support functions related to administration of the HMK program.”

Sub-Program Details**MEDICAID 01****Sub-Program Legislative Budget**

The following table summarizes the total legislative budget for the sub-program by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2008 | PL Base Adjustment Fiscal 2010 | New Proposals Fiscal 2010 | Total Leg. Budget Fiscal 2010 | PL Base Adjustment Fiscal 2011 | New Proposals Fiscal 2011 | Total Leg. Budget Fiscal 2011 | Total Leg. Budget Fiscal 10-11 |
| FTE | 43.60 | 0.00 | (2.00) | 41.60 | 0.00 | (2.00) | 41.60 | 41.60 |
| Personal Services | 2,037,189 | 608,814 | (87,755) | 2,558,248 | 616,720 | (58,765) | 2,595,144 | 5,153,392 |
| Operating Expenses | 6,089,412 | 15,709 | 0 | 6,105,121 | 18,907 | 0 | 6,108,319 | 12,213,440 |
| Benefits & Claims | 382,731,401 | 94,702,540 | (31,449,221) | 445,984,720 | 125,620,452 | (12,262,414) | 496,089,439 | 942,074,159 |
| Total Costs | \$390,858,002 | \$95,327,063 | (\$31,536,976) | \$454,648,089 | \$126,256,079 | (\$12,321,179) | \$504,792,902 | \$959,440,991 |
| General Fund | 89,498,201 | 17,451,355 | (31,674,999) | 75,274,557 | 25,803,482 | (12,578,552) | 102,723,131 | 177,997,688 |
| State/Other Special | 27,138,721 | 6,798,429 | 13,047 | 33,950,197 | 9,651,347 | 16,272 | 36,806,340 | 70,756,537 |
| Federal Special | 274,221,080 | 71,077,279 | 124,976 | 345,423,335 | 90,801,250 | 241,101 | 365,263,431 | 710,686,766 |
| Total Funds | \$390,858,002 | \$95,327,063 | (\$31,536,976) | \$454,648,089 | \$126,256,079 | (\$12,321,179) | \$504,792,902 | \$959,440,991 |

Sub-Program Description

The Medicaid Services sub-program, generally referred to as state plan services includes services such as inpatient and outpatient hospital, physician, pharmacy, and therapies, is \$959.4 million over 2011 biennium, with 98 percent of the total supporting services and benefits for individuals. General fund is 19 percent of 2011 biennium funding, while federal funds are 74 percent of the total.

The ARRA included a temporary increase in the federal Medicaid match rate for FY 2010 and the first half of FY 2011. The general fund support for Medicaid services is \$50.6 million lower than it would be if the regular federal match rate were in effect. The match rate reduction more than offsets general fund appropriation increases for service utilization and eligibility increases.

Present law adjustments add \$221.6 million while new proposals reduce appropriations by a net \$43.9 million. The new proposal funding reduction is due to the temporary federal Medicaid match rate increase and more than offsets the present law increases for service utilization. HB 645 reduced HB 2 Medicaid general fund appropriations and HB 645 includes the federal appropriation authority for the temporary increase in federal match.

Figure 28 shows each appropriation adjustment by major service category for the 2011 biennium. The totals in Figure 28 are different than the main sub-program table for several reasons. First, Figure 28 table includes the LFD estimate of HB 645 appropriations for HRD Medicaid state plan services. In addition, the Medicaid Services sub-program main table includes base expenditures and appropriations that are not related to Medicaid services and therefore not included in Figure 28

Figure 28

2011 Biennium Legislative Appropriation - HRD Medicaid Services

| Medicaid Services and Legislative Changes | 2011 Biennium Legislative Appropriation | | | | Percent of Total |
|---|---|--------------|---------------|---------------|------------------|
| | General Fund | SSR | Federal | Total | |
| Hospital and Clinical Services | \$79,464,348 | \$2,633,938 | \$178,231,994 | \$260,330,280 | 27.1% |
| Hospital Bed Tax Base Expenditures | 0 | 33,377,282 | 72,683,356 | 106,060,638 | 11.0% |
| DP 11039 - Hospital Utilization Fee | 0 | 11,095,375 | 77,387,543 | 88,482,918 | 9.2% |
| DP 11001 - Medicaid Physical Svc Caseload | 12,724,309 | 118,482 | 26,329,924 | 39,172,715 | 4.1% |
| DP 11002 - Medicaid FMAP | 3,472,650 | 0 | (3,472,650) | 0 | 0.0% |
| DP 11010 - Medicaid Organ Transplants | 1,701,045 | 0 | 4,407,912 | 6,108,957 | 0.6% |
| DP 6010 - Temp. Enhanced Fed Match Rate* | (19,756,475) | 0 | 19,756,475 | 0 | 0.0% |
| Subtotal Hospital Services | 77,605,877 | 47,225,077 | 375,324,554 | 500,155,508 | 52.0% |
| Managed Care Services Base Expenditures | 19,236,942 | 10,375,060 | 65,267,286 | 94,879,288 | 9.9% |
| DP 11001 Medicaid Caseload | 4,480,072 | 2,967,988 | 15,268,313 | 22,716,373 | 2.4% |
| DP 11011 Remove Montana Healthy Kids | 0 | (2,967,988) | (9,963,187) | (12,931,175) | -1.3% |
| DP 11002 - Medicaid FMAP | 1,295,375 | 0 | (1,295,375) | 0 | 0.0% |
| DP 6010 - Temp. Enhanced Fed Match Rate* | (7,082,668) | 0 | 7,082,668 | 0 | 0.0% |
| Subtotal Managed Care Services | 17,929,721 | 10,375,060 | 76,359,705 | 104,664,486 | 10.9% |
| Pharmacy Services | 21,513,458 | 1,507,646 | 50,004,138 | 73,025,242 | 7.6% |
| DP 11001 - Medicaid Physical Svc Caseload | 8,328,236 | 0 | 20,026,628 | 28,354,864 | 3.0% |
| LFD Allocation of FMAP Change | 969,746 | 0 | (969,746) | 0 | 0.0% |
| DP 6010 - Temp. Enhanced Fed Match Rate* | (6,278,727) | 0 | 6,278,727 | 0 | 0.0% |
| Subtotal Pharmacy Services | 24,532,713 | 1,507,646 | 75,339,747 | 101,380,106 | 10.5% |
| Acute Services Base Expenditures** | 9,407,102 | 6,330,182 | 47,346,700 | 63,083,984 | 6.6% |
| DP 11001 - Medicaid Physical Svc Caseload | 1,508,554 | 27,330 | 3,141,812 | 4,677,696 | 0.5% |
| DP 11002 - Medicaid FMAP | 2,714,634 | 0 | (2,714,634) | 0 | 0.0% |
| DP 11896 - HIV Testing - SB 350 | 89,877 | 0 | 186,713 | 276,590 | 0.0% |
| DP 6010 - Temp. Enhanced Fed Match Rate* | (5,099,207) | 0 | 5,099,207 | 0 | 0.0% |
| Subtotal Acute Services | 8,620,960 | 6,357,512 | 53,059,798 | 68,038,270 | 7.1% |
| Medicare Buy-In | 12,875,242 | 0 | 29,894,872 | 42,770,114 | 4.4% |
| DP 11003 - Medicare Buy - In Caseload | 2,693,884 | 0 | 5,517,155 | 8,211,039 | 0.9% |
| DP 11043 - Medicaid for Workers with Disabilities | 116,761 | 0 | 238,884 | 355,645 | 0.0% |
| DP 11002 - Medicaid FMAP | 568,843 | 0 | (568,843) | 0 | 0.0% |
| DP 6010 - Temp. Enhanced Fed Match Rate* | (3,169,416) | 0 | 3,169,416 | 0 | 0.0% |
| Subtotal Medicare Buy-In | 13,085,314 | 0 | 38,251,484 | 51,336,798 | 5.3% |
| Clawback - Phased Down State Contribution | 23,802,554 | 0 | 0 | 23,802,554 | 2.5% |
| DP 11005 - Clawback Base Adjustment | 1,840,121 | 0 | 0 | 1,840,121 | 0.2% |
| LFD Estimate of FMAP Adjustment | 316,088 | 0 | 0 | 316,088 | 0.0% |
| Subtotal Clawback | 25,958,763 | 0 | 0 | 25,958,763 | 2.7% |
| Indian Health Services | 0 | 0 | 70,478,902 | 70,478,902 | 7.3% |
| School Based Services | 0 | 0 | 30,226,431 | 30,226,431 | 3.1% |
| Temporary Enhanced Fed Match Rate* | 0 | 0 | 3,271,813 | 3,271,813 | |
| Breast and Cervical Cancer | 1,185,050 | 10,342 | 4,236,030 | 5,431,422 | 0.6% |
| DP 11004 - Caseload | 48,684 | 0 | 163,701 | 212,385 | 0.0% |
| DP 11002 - Medicaid FMAP | 50,784 | 0 | (50,784) | 0 | 0.0% |
| DP 6010 - Temp. Enhanced Fed Match Rate* | (257,377) | 0 | 257,377 | 0 | 0.0% |
| Subtotal Breast and Cervical Cancer | 1,027,141 | 10,342 | 4,606,324 | 5,643,807 | 0.6% |
| Total by Component | | | | | |
| Base***/Some Caseload Increases*** | 143,682,142 | 20,857,168 | 475,686,353 | 640,225,663 | 66.6% |
| Hospital Utilization Fee | 0 | 44,472,657 | 150,070,899 | 194,543,556 | 20.2% |
| Caseload/Service Utilization Growth | 29,783,739 | 145,812 | 60,484,346 | 90,413,897 | 9.4% |
| Phased Down Contribution - Clawback | 25,642,675 | 0 | 0 | 25,642,675 | 2.7% |
| Expansions/Access | 1,907,683 | 0 | 4,833,509 | 6,741,192 | 0.7% |
| FMAP Federal Match Rate Reduction | 9,388,120 | 0 | (9,072,032) | 316,088 | 0.0% |
| Temporary Enhanced Federal Match Rate | (41,643,870) | 0 | 44,915,684 | 3,271,813 | 0.3% |
| Gand Total | \$168,760,489 | \$65,475,637 | \$726,918,759 | \$961,154,885 | 100.0% |

Percent of Total

*The totals in this table are different than the main sub-program table because this table includes the LFD estimate of HB 645 appropriations for HRD Medicaid state plan services. This table only includes Medicaid services appropriations, while the main sub-program benefits appropriations include nonMedicaid services appropriations too.

**Acute services base expenditures do not include \$2.9 million of nonMedicaid general fund benefits.

***Base expenditures do not include the clawback nor the hospital utilization fee expenditures.

Base budget expenditures are 67 percent of the total 2011 biennium appropriation. The hospital utilization fee is 20 percent and provides supplemental payments to hospitals to pay the cost of uncompensated Medicaid services. A per day fee for inpatient care pays the state Medicaid match and was continued by passage of HB 71. The base budget would be 87 percent of the total state plan services if hospital utilization fees are considered part of the base budget. The general fund supporting the Medicaid services base budget is 85 percent of the total general fund (\$168.7 million) for this sub-program.

Caseload, service utilization, and inflation increases in the price of some services, such as prescription drugs, are \$90.4 million of the total. The clawback (reimbursement to the federal government for prescription drug savings to Medicaid when the new Medicare Part D benefit was introduced) is 3 percent of the total. Medicaid service expansions, resulting in a less than 1 percent change in total appropriations, include funds for:

- SB 350 that makes HIV testing a routine part of a patient's care and incorporating the screening into the patients general informed consent for medical care
- SB 119 that extends Medicaid services to disabled persons whose income increases due to earnings
- One-time coverage of certain transplants for adults for the 2011 biennium

The legislature funded the normal change expected in the federal Medicaid match rate (an increase of \$9.4 million general fund), and then reduced general fund appropriations by \$41.6 million due to the temporary enhancement in the federal match rate.

Budget Summary by Category

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

| Budget Summary by Category | | | | | | | | |
|----------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
| | Budget Fiscal 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 | 89,498,201 | 89,498,201 | 178,996,402 | 100.56% | 390,858,002 | 390,858,002 | 781,716,004 | 81.48% |
| Statewide PL Adjustments | 268,768 | 273,059 | 541,827 | 0.30% | 624,544 | 635,651 | 1,260,195 | 0.13% |
| Other PL Adjustments | 17,182,587 | 25,530,423 | 42,713,010 | 24.00% | 94,702,519 | 125,620,428 | 220,322,947 | 22.96% |
| New Proposals | (31,674,999) | (12,578,552) | (44,253,551) | (24.86%) | (31,536,976) | (12,321,179) | (43,858,155) | (4.57%) |
| Total Budget | \$75,274,557 | \$102,723,131 | \$177,997,688 | | \$454,648,089 | \$504,792,902 | \$959,440,991 | |

The Medicaid Services sub-program base budget is 81 percent of the total 2011 biennium appropriation. The general fund reduction due to the temporary increase in the federal Medicaid match rate is about \$1 million higher than the present law increases for service utilization and eligibility growth. Therefore the general fund base expenditures are more than 100 percent of the 2011 biennium total general fund.

The total present law adjustments are \$220.3 million, largely for service utilization and eligibility growth as well as for hospital utilization fee reimbursement increases of \$88.5 million. New proposals include the general fund offset due to the temporary enhancement in the federal match rate.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 | | | | 719,061 | | | | | | 727,303 |
| Vacancy Savings | | | | (110,247) | | | | | | (110,583) |
| Inflation/Deflation | | | | 3,768 | | | | | | 5,260 |
| Fixed Costs | | | | 11,962 | | | | | | 13,671 |
| | | | | | | | | | | |
| Total Statewide Present Law Adjustments | | | | | | | | | | |
| | \$268,768 | \$3,857 | \$351,919 | \$624,544 | | \$273,059 | \$3,897 | \$358,695 | \$635,651 | |
| | | | | | | | | | | |
| DP 7101 - Fuel Inflation Reduction | | | | | | | | | | |
| 0.00 | (7) | 0 | (14) | (21) | 0.00 | (8) | 0 | (16) | (24) | |
| DP 11001 - Medicaid Physical Srv Caseload | | | | | | | | | | |
| 0.00 | 11,319,776 | 762,065 | 26,916,020 | 38,997,861 | 0.00 | 16,691,141 | 2,351,735 | 41,404,668 | 60,447,544 | |
| DP 11002 - Medicaid FMAP | | | | | | | | | | |
| 0.00 | 3,350,479 | 0 | (3,350,479) | 0 | 0.00 | 4,751,807 | 0 | (4,751,807) | 0 | |
| DP 11003 - Medicare Buy - In Caseload | | | | | | | | | | |
| 0.00 | 939,691 | 0 | 1,950,776 | 2,890,467 | 0.00 | 1,754,193 | 0 | 3,566,379 | 5,320,572 | |
| DP 11004 - Medicaid Breast & Cervical Cancer | | | | | | | | | | |
| 0.00 | 15,698 | 0 | 53,456 | 69,154 | 0.00 | 32,986 | 0 | 110,245 | 143,231 | |
| DP 11005 - Clawback Base Adjustment | | | | | | | | | | |
| 0.00 | 853,782 | 0 | 0 | 853,782 | 0.00 | 1,302,427 | 0 | 0 | 1,302,427 | |
| DP 11007 - Indian Health Services Caseload | | | | | | | | | | |
| 0.00 | 0 | 0 | 2,431,146 | 2,431,146 | 0.00 | 0 | 0 | 3,534,592 | 3,534,592 | |
| DP 11010 - Medicaid Organ Transplants - OTO | | | | | | | | | | |
| 0.00 | 703,168 | 0 | 2,372,769 | 3,075,937 | 0.00 | 997,877 | 0 | 2,035,143 | 3,033,020 | |
| DP 11011 - Healthy Montana Kids Plan | | | | | | | | | | |
| 0.00 | 0 | (692,132) | (2,356,907) | (3,049,039) | 0.00 | 0 | (2,275,856) | (7,606,280) | (9,882,136) | |
| DP 11039 - Hospital Utilization Fee | | | | | | | | | | |
| 0.00 | 0 | 5,323,066 | 37,935,797 | 43,258,863 | 0.00 | 0 | 5,772,309 | 39,451,746 | 45,224,055 | |
| DP 11050 - Correct Error | | | | | | | | | | |
| 0.00 | 0 | 1,401,573 | 4,772,796 | 6,174,369 | 0.00 | 0 | 3,799,262 | 12,697,885 | 16,497,147 | |
| | | | | | | | | | | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$17,182,587 | \$6,794,572 | \$70,725,360 | \$94,702,519 | 0.00 | \$25,530,423 | \$9,647,450 | \$90,442,555 | \$125,620,428 | |
| | | | | | | | | | | |
| Grand Total All Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$17,451,355 | \$6,798,429 | \$71,077,279 | \$95,327,063 | 0.00 | \$25,803,482 | \$9,651,347 | \$90,801,250 | \$126,256,079 | |

DP 7101 - Fuel Inflation Reduction - This reduction removes the amount included in the executive budget statewide present law adjustments for inflation in gasoline and diesel fuel. The total reduction is \$45 over the biennium.

DP 11001 - Medicaid Physical Services Caseload - The legislature appropriated \$99.4 million total funds, including \$28.0 million general fund, for Medicaid state plan services (hospital, physician, prescription drugs, dental) over the 2011 biennium. Base level expenditures were \$319.2 million.

DP 11002 - Medicaid FMAP - The legislature added \$9.7 million general fund and reduced federal funds by the same amount to adjust for the increased state Medicaid match rate. The change is allocated between two sub programs: Medicaid Services (\$8.1 million), and Children's' Mental Health Services (\$1.6 million.) Each sub-program received an allocation for the federal match rate change. This adjustment reflects the funding changes that would be needed without the temporary increase in the federal Medicaid match rate included in the federal stimulus legislation.

DP 11003 - Medicare Buy - In Caseload - The legislature appropriated \$8.2 million over the biennium with \$2.6 million general fund and \$5.6 million federal funds for expected increases in premiums for Medicare Part A and Part B. The department pays Medicare Part A and B premiums for persons who are eligible for both Medicaid and Medicare. Medicare then covers the cost of most services and Medicaid becomes a secondary payer, liable only for the costs of non-Medicare covered services and for co-insurance and deductibles related to services utilized. The premiums have grown an average 9.93 percent per year. Base level expenditures were \$21.4 million.

DP 11004 - Medicaid Breast & Cervical Cancer - The legislature appropriated \$212,385 for the biennium including \$47,802 general fund to provide continued funding for the Medicaid services related to the Breast & Cervical Cancer Treatment Program for those individuals determined to be Medicaid eligible. This funding allocation does not include the effect of the federal stimulus increase in the federal Medicaid match. The match for this Medicaid benefit is an enhanced match. Base level expenditures for this program were \$2.7 million.

The Medicaid program provides health care coverage and reimbursement to health care providers for those individuals screened through the Montana Breast and Cervical Health (MBCH) program who are diagnosed with breast and/or cervical cancer or pre-cancer. The individual must also be under 65 years of age, uninsured, and have a family gross income at or below 200 percent of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment. This coverage is the same that is provided under the FAIM (Families Achieving Independence in Montana) program.

DP 11005 - Clawback Base Adjustment - The legislature appropriated an additional \$2.1 million general fund over the biennium for the state payment required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). Base expenditures were \$11.9 million. Each state must pay a monthly fee for those individuals whose Medicaid drug coverage was assumed by Medicare Part D.

DP 11007 - Indian Health Services Caseload - The legislature approved an additional \$6.0 million in federal funds for the biennium to pay for Medicaid services provided by Indian Health Services (IHS) providers both on and off reservation. Federal funds are passed through to pay Medicaid services provided by IHS nothing is withheld for administrative costs and the pass through is a federal requirement. Base level expenditures were \$32.3 million.

DP 11010 - Medicaid Organ Transplants - OTO - The legislature added \$1.7 million general fund and \$4.4 million federal funds over the biennium to extend non-experimental transplant (heart, lung and liver) benefits to adults provided there is a medical necessity. The appropriation is for one time only. Currently, Medicaid covers all organ transplants for children. Adults are eligible for cornea, kidney and bone marrow transplants. Previously, adults were excluded from coverage for heart, lung and liver, because these procedures were considered experimental, and this exclusion was implemented as a cost control measure. Today these procedures are no longer considered experimental.

DP 11011 - Healthy Montana Kids Plan - The legislature appropriated \$26.0 million state special revenue and \$86.8 million federal funds over the biennium to implement HMK enacted by voter initiative (I-155) November 2008. Most of the appropriation (\$104.0 million) funds health services for children.

This present law adjustment is net of several changes since the adjustment is allocated among three sub-programs. So the amount shown in the present law table for this sub-program will not tie to the total legislative appropriation for HMK.

Two components of this change reduce Medicaid services (\$11.2 million) and children's mental health services (\$0.4 million) and shift funds to the Children's Health Resources sub-program to implement HMK. The original executive budget request had allocated HMK funding in several sub-programs and the legislature aggregated HMK appropriations in a single sub-program.

The legislature structured HB 2 appropriations to fund an eligibility level of 250 percent of the federal poverty level for CHIP and 133 percent of the federal poverty level for Medicaid. DPHHS estimates the funds will support services for an additional 29,200 children. Enrollment in CHIP and Medicaid was about 64,000 children in November 2008 when the initiative creating HMK was passed. Enrollment in both programs rose about 2,400 as of March 2009, with enrollment in Medicaid about three quarters of the increase. Funding is adequate to add an additional 29,200 children to HMK.

DP 11039 - Hospital Utilization Fee - The legislature appropriated \$88.4 million total funds over the biennium to continue a fee imposed on each day of inpatient hospital care. The fee revenue is used as state matching funds to draw down federal Medicaid funding to reimburse hospitals for Medicaid services. Base budget expenditures were \$53.0 million and this adjustment adds \$13.1 million in FY 2010 and \$15.0 million in FY 2011.

The fee in calendar year 2008 was \$43 per inpatient day, rising to \$48 per day for calendar year 2009, and then to \$50 per day in 2010. Passage and approval of HB 71 made the fee permanent.

DP 11050 - Correct Error - This adjustment was made to tie to the committee report for HB 2 that was passed by the legislature. The committee report included an error. This adjustment aligns the general appropriations act with final legislative action.

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 6010 - HB 645 Funding Switch - Enhanced Federal Match | | | | | | | | | | |
| 01 | 0.00 | (30,340,178) | 0 | 0 | (30,340,178) | 0.00 | (11,303,692) | 0 | 0 | (11,303,692) |
| DP 6013 - 2011 Biennium Pay Plan - HB 13 | | | | | | | | | | |
| 01 | 0.00 | 9,250 | 5,550 | 20,161 | 34,961 | 0.00 | 27,972 | 16,819 | 60,796 | 105,587 |
| DP 6014 - Pay Plan Lump Sum Payment OTO | | | | | | | | | | |
| 01 | 0.00 | 8,592 | 8,043 | 24,734 | 41,369 | 0.00 | 0 | 0 | 0 | 0 |
| DP 8101 - Increasing 4% Vacancy Savings to 7% | | | | | | | | | | |
| 01 | 0.00 | (40,308) | (544) | (41,849) | (82,701) | 0.00 | (40,431) | (545) | (41,972) | (82,948) |
| DP 11043 - Medicaid for Workers with Disabilities | | | | | | | | | | |
| 01 | 0.00 | 35,001 | 0 | 72,660 | 107,661 | 0.00 | 81,760 | 0 | 166,224 | 247,984 |
| DP 11046 - Eliminate the End Stage Renal Program | | | | | | | | | | |
| 01 | 0.00 | (100,000) | 0 | 0 | (100,000) | 0.00 | (100,000) | 0 | 0 | (100,000) |
| DP 11895 - Agency General Fund Reduction | | | | | | | | | | |
| 01 | 0.00 | (1,250,000) | 0 | 0 | (1,250,000) | 0.00 | (1,250,000) | 0 | 0 | (1,250,000) |
| DP 11896 - HIV Testing - SB 350 | | | | | | | | | | |
| 01 | 0.00 | 43,335 | 0 | 89,961 | 133,296 | 0.00 | 46,542 | 0 | 96,752 | 143,294 |
| DP 11898 - Remove FTE with Extended Vacancy | | | | | | | | | | |
| 01 | (2.00) | (40,691) | (2) | (40,691) | (81,384) | (2.00) | (40,703) | (2) | (40,699) | (81,404) |
| DP 11900 - Structural Balance Adjustment - Reduce 2013 Budget | | | | | | | | | | |
| 01 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| Total | (2.00) | (\$31,674,999) | \$13,047 | \$124,976 | (\$31,536,976) | (2.00) | (\$12,578,552) | \$16,272 | \$241,101 | (\$12,321,179) |

DP 6010 - HB 645 Funding Switch - Enhanced Federal Match - HB 645 reduces HB 2 general fund appropriations for Medicaid and Title IV E foster care services by \$97.0 million over the biennium due to the temporary increase in the federal Medicaid match rate from October 1, 2008 to December 31, 2010. The allocation to this program is a \$41.6 million general fund reduction, 43 percent of the total. The enhanced federal match rate is estimated be as high as 77.14 percent over the recession adjustment period compared to 66.99 percent, which is the match rate that will be in effect in the last half of FY 2011 resulting in higher general fund expenditures. HB 645 appropriates the additional federal funds that offset the general fund reduction.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved the executive request to raise vacancy savings from 4 to 7 percent for all personal services except state institution FTE. This change removes \$308,262 total funds from the HRD budget, which includes \$112,489 in general fund. Each sub-program was allocated a portion of the reduction.

DP 11043 - Medicaid for Workers with Disabilities - The legislature appropriated \$355,645 for the biennium, including \$116,761 general fund for the Medicaid for Workers with Disabilities program (MWD), due to passage and approval of SB 119. The new program allows disabled persons who become employed to keep more of their income and remain eligible for Medicaid services by paying a higher percentage of their Medicaid costs.

The legislature recommended that the Legislative Finance Committee monitor this initiative during the interim.

The following information was utilized as part of the legislative decision making process and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Disabled persons who are eligible for Medicaid may be discouraged from working or earning more because increased income would make them ineligible for continued Medicaid coverage. Additionally, even if they would qualify for employer sponsored insurance, private health insurance usually does not cover some of the health services a disabled person may require to continue work, such as personal assistance.

Goals:

- Increase the number of individuals with disabilities with substantial gains in employment
- Increase the earnings of individuals with disabilities
- Increase the number of persons who have some of their health care needs paid for by private insurance
- Increase the number of persons with disabilities who have reduced dependency or are no longer dependent on cash benefits or health care entitlement services
- Increase the state's labor force through the inclusion of people with disabilities
- Protect and enhance workers' healthcare, other benefits, and needed employment supports

Performance Criteria and Milestones:

- Program framework established and approval from CMS before January 1, 2010
- First participants enrolled by January 2010

Annually the following data will be collected

- The number of individuals entering MWD program
- The number of participants who were Medicaid enrollees prior to enrollment
- The number of participants who were employed before and after entering MWD and hours worked
- Participation in other benefit and health insurance programs before and after entering MWD
- Participant monthly earnings before and after entering the MWD program
- Number of participants with earnings above Social Security Administration (SSA) substantial gainful activity limit
- Participants' Medicaid costs
- Participants' premium payments

FTE: The program will be administered within existing staff resources.

Funding: Medicaid benefits will be funded at the general fund and federal fund match rates. DPHHS has also applied for a federal grant to support the program.

Obstacles: Defining policy options that encourage individuals with disabilities to increase their work-related earnings, focusing the program on people with high earning capacity, and finding a cost-effective premium structure.

The main features of the MWD program in order of impact on enrollment and costs are:

- Income eligibility limit
- Amount of earned income disregarded for income eligibility determination
- Resource eligibility limit
- Premium amount and monthly cost share
- Income level above which participants are required to pay a premium

Risk: This proposal is a high priority item for the administration and for people with disabilities. Without this assistance, these people would be limited in their ability to work and to be independent. The cost to the state would be greater as they continued on cash benefits and healthcare entitlement services.

DP 11046 - Eliminate the End Stage Renal Program - The legislature removed \$100,000 general fund each year of the biennium to eliminate the end stage renal program (50-44-102, MCA). The program purchases medication for persons with end stage renal disease. Base level expenditures supported 82 persons. Benefits are limited to \$1,000 per person per month and services are provided on a first come, first served basis. The legislature requested amendments in HB 676 to implement this provision.

DP 11895 - Agency General Fund Reduction - The legislature removed \$2.5 million general fund from the Health Resources Division. Language in HB 2 allows the agency to allocate the reduction among all agency programs when it develops 2011 biennium operating plans.

DP 11896 - HIV Testing - SB 350 - The legislature appropriated about \$276,000 to pay Medicaid costs related to SB 350. The bill incorporated HIV screening into a patient's general informed consent for medical care, including prenatal care, and provided for HIV testing under certain circumstances in labor and delivery procedures.

DP 11898 - Remove FTE with Extended Vacancy - The legislature removed funding for 2.00 FTE that had been vacant for over two years. The action reduces total funds \$162,788 with one half from general fund and the other half from federal funds.

DP 11900 - Structural Balance Adjustment - Reduce 2013 Budget - The legislature shifted \$63.1 million total funds, including \$13.8 million general fund, of the HRD budget into a one-time-only appropriation. This action maintains services throughout the 2011 biennium, but lowers the 2013 biennium budget starting point. The legislature also adopted language in HB 676 directing DPHHS to identify, evaluate, and recommend budget reductions for consideration by the 2011 Legislature.

The structural balance reduction was allocated to four divisions: Disability Services, Senior and Long-Term Care, Addictive and Mental Disorders, and HRD. However, the legislature expected that the impact of the one-time-only appropriation would be distributed throughout all department programs when the 2013 biennium budget is submitted.

Sub-Program Details**CHILDREN'S HEALTH CARE RESOURCES 02****Sub-Program Legislative Budget**

The following table summarizes the total legislative budget for the sub-program by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2008 | PL Base Adjustment Fiscal 2010 | New Proposals Fiscal 2010 | Total Leg. Budget Fiscal 2010 | PL Base Adjustment Fiscal 2011 | New Proposals Fiscal 2011 | Total Leg. Budget Fiscal 2011 | Total Leg. Budget Fiscal 10-11 |
| FTE | 19.00 | 24.00 | 0.00 | 43.00 | 24.00 | 0.00 | 43.00 | 43.00 |
| Personal Services | 789,761 | 2,822,357 | (30,373) | 3,581,745 | 185,233 | (30,468) | 944,526 | 4,526,271 |
| Operating Expenses | 1,330,392 | 6,311,476 | 0 | 7,641,868 | 343,316 | 0 | 1,673,708 | 9,315,576 |
| Equipment & Intangible Assets | 5,535 | 0 | 0 | 5,535 | 0 | 0 | 5,535 | 11,070 |
| Benefits & Claims | 28,429,111 | 109,850,268 | 0 | 138,279,379 | 6,034,031 | 0 | 34,463,142 | 172,742,521 |
| Total Costs | \$30,554,799 | \$118,984,101 | (\$30,373) | \$149,508,527 | \$6,562,580 | (\$30,468) | \$37,086,911 | \$186,595,438 |
| General Fund | 103,996 | (103,996) | 0 | 0 | (103,996) | 0 | 0 | 0 |
| State/Other Special | 6,621,200 | 27,719,360 | (6,815) | 34,333,745 | 1,949,511 | (6,866) | 8,563,845 | 42,897,590 |
| Federal Special | 23,829,603 | 91,368,737 | (23,558) | 115,174,782 | 4,717,065 | (23,602) | 28,523,066 | 143,697,848 |
| Total Funds | \$30,554,799 | \$118,984,101 | (\$30,373) | \$149,508,527 | \$6,562,580 | (\$30,468) | \$37,086,911 | \$186,595,438 |

Sub-Program Description

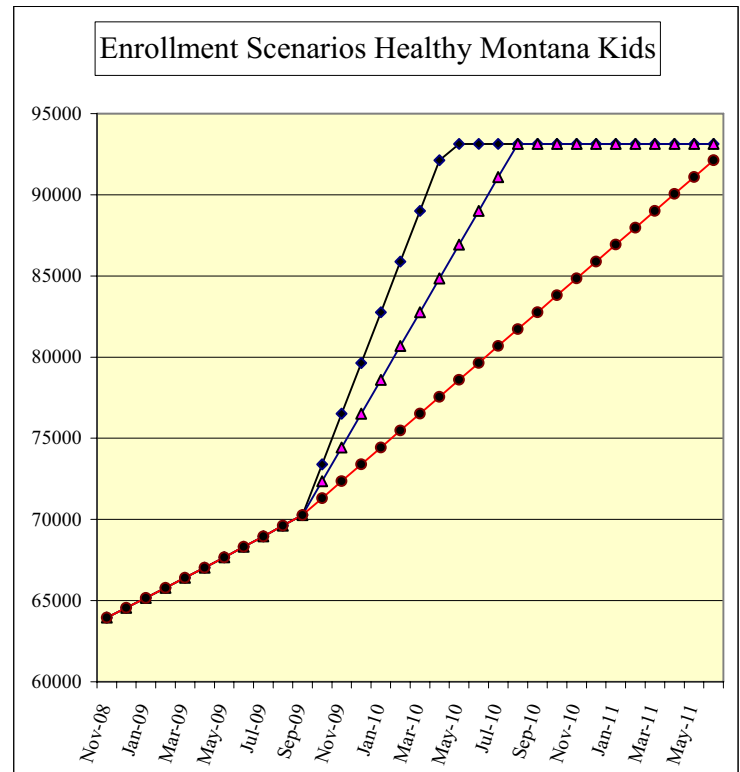
Children's Health Care Resources administers the HMK program enacted by voter initiative November 2008 (I-155). HMK combines CHIP and Medicaid funding for children and supports enrollment levels above those on November 1, 2008 – about 64,000 children.

The legislature added \$125.6 million over the biennium to the Children's Health Care Resources sub-program. Most of the increase – \$112.7 million – will fund the HMK program and provide health care to an additional 29,200 children when program enrollment reaches the maximum supported by the appropriation. The legislature also removed \$0.2 million general fund and offset the reduction with increased state special revenue.

Figure 29 shows potential enrollment growth scenarios, depending on how quickly children are enrolled in HMK. The three scenarios project steady linear program growth. However, it is more likely that enrollment patterns will be uneven. Depending on program outreach and DPHHS ability to complete the necessary infrastructure to support the program (for example - computer system development, including an online application, hiring and training eligibility staff, identification of new enrollment partners and training new and existing enrollment partners), enrollment trends could be initially much higher than shown.

The enrollment scenarios in Figure 29 are based on multiples of the highest monthly enrollment in the CHIP program when it was implemented – 1,041 in one month. The high enrollment scenario assumes that DPHHS could average triple that amount, reaching the maximum enrollment in HMK in January 2011 when the legislature next convenes. The other two scenarios assume average enrollment growth rates of 2,082 and 1,041 children each month. If enrollment is closer to an average of 1,000 children each month, the maximum enrollment will be reached near the end of the 2011 biennium.

Figure 29



Congressional Reauthorization of CHIP

Congress reauthorized CHIP while the legislature was in session. The Montana federal CHIP grant will be raised from an average annual amount of \$14.5 million to at least \$32.4 million. Federal appropriations for CHIP exceed the recalibrated grant amounts and DPHHS has submitted a request for CHIP federal grant funding of about \$60.0 million per year. FY 2011 federal CHIP costs for HMK are estimated to be \$56.2 million. The federal CHIP grant funding is discussed in greater detail in the division funding section.

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 | 103,996 | 103,996 | 207,992 | 0.00% | 30,554,799 | 30,554,799 | 61,109,598 | 32.75% |
| Statewide PL Adjustments | 638 | 651 | 1,289 | 0.00% | 187,525 | 191,270 | 378,795 | 0.20% |
| Other PL Adjustments | (104,634) | (104,647) | (209,281) | 0.00% | 118,796,576 | 6,371,310 | 125,167,886 | 67.08% |
| New Proposals | 0 | 0 | 0 | 0.00% | (30,373) | (30,468) | (60,841) | (0.03%) |
| Total Budget | \$0 | \$0 | \$0 | | \$149,508,527 | \$37,086,911 | \$186,595,438 | |

The Children's Health Care Resources sub-program appropriation increases by about \$125.5 million compared to base budget expenditures. Most of the increase will fund implementation of HMK. General fund was removed from the sub-program appropriation and backfilled with state special revenue from the health and Medicaid initiatives account. HB 676 changed statute to allow both tobacco settlement and health and Medicaid initiative state special revenue to be used to implement HMK.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 | | | | 222,714 | | | | | 225,857 | |
| Vacancy Savings | | | | (40,497) | | | | | (40,624) | |
| Inflation/Deflation | | | | 806 | | | | | 893 | |
| Fixed Costs | | | | 4,502 | | | | | 5,144 | |
| Total Statewide Present Law Adjustments | \$638 | \$40,637 | \$146,250 | \$187,525 | | \$651 | \$41,448 | \$149,171 | \$191,270 | |
| DP 11008 - CHIP Caseload | 0.00 | (104,634) | 2,135,843 | 6,916,849 | 8,948,058 | 0.00 | (104,647) | 2,985,034 | 9,626,720 | 12,507,107 |
| DP 11009 - CHIP SSR Fund Adjustment | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| DP 11011 - Healthy Montana Kids Plan | 24.00 | 0 | 25,307,598 | 84,540,920 | 109,848,518 | 24.00 | 0 | (1,413,074) | (4,722,723) | (6,135,797) |
| DP 11041 - CHIP - FMAP Rate Increase | 0.00 | 0 | 235,282 | (235,282) | 0 | 0.00 | 0 | 336,103 | (336,103) | 0 |
| Total Other Present Law Adjustments | 24.00 | (\$104,634) | \$27,678,723 | \$91,222,487 | \$118,796,576 | 24.00 | (\$104,647) | \$1,908,063 | \$4,567,894 | \$6,371,310 |
| Grand Total All Present Law Adjustments | 24.00 | (\$103,996) | \$27,719,360 | \$91,368,737 | \$118,984,101 | 24.00 | (\$103,996) | \$1,949,511 | \$4,717,065 | \$6,562,580 |

DP 11008 - CHIP Caseload - The legislature appropriated \$21.5 million in total funds, including \$5.0 million in state special revenue funds for CHIP expansion. The legislature removed general fund used in the base budget. Base level expenditures were \$28.4 million.

The CHIP caseload adjustment assumes that enrollment will increase from 17,164 in FY 2009 to 19,388 in FY 2011 and that average benefit costs will increase 5.9 percent from FY 2009 to FY 2010 and then 3.9 percent from FY 2010 to FY 2011.

DP 11009 - CHIP SSR Fund Adjustment - This adjustment reduces tobacco settlement state special revenue by \$925,614 in each year of the biennium and increases funding by a like amount from the health and Medicaid initiatives state special revenue account in each year of the biennium. The adjustment was necessary to maintain solvency of the tobacco settlement state special revenue fund.

DP 11011 - Healthy Montana Kids Plan - The legislature appropriated \$26.0 million state special revenue and \$86.8 million federal funds over the biennium to implement HMK enacted by voter initiative (I-155) November 2008. Most of the appropriation (\$104.0 million) funds health services for children.

This present law adjustment is net of several changes since the adjustment is allocated among three sub-programs. So the amount shown in the present law table for this sub-program will not tie to the total legislative appropriation for HMK.

Two components of this change reduce Medicaid services (\$11.2 million) and children's mental health services (\$0.4 million) and shift funds to the Children's Health Resources sub-program to implement HMK. The original executive budget request had allocated HMK funding in several sub-programs and the legislature aggregated HMK appropriations in a single sub-program.

The legislature structured HB 2 appropriations to fund an eligibility level of 250 percent of the federal poverty level for CHIP and 133 percent of the federal poverty level for Medicaid. DPHHS estimates the funds will support services for an additional 29,200 children. Enrollment in CHIP and Medicaid was about 64,000 children in November 2008 when the initiative creating HMK was passed. Enrollment in both programs rose about 2,400 as of March 2009, with enrollment in Medicaid about three quarters of the increase. Funding is adequate to add an additional 29,200 children to HMK.

DP 11041 - CHIP - FMAP Rate Increase - The legislature added about \$600,000 in tobacco settlement funds over the

biennium with a like reduction in federal funds for the increase in the state match for CHIP. The federal stimulus bill does not change the CHIP federal match rate.

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 8101 - Increasing 4% Vacancy Savings to 7% | | | | | | | | | | |
| 02 | 0.00 | 0 | (6,815) | (23,558) | (30,373) | 0.00 | 0 | (6,866) | (23,602) | (30,468) |
| Total | 0.00 | \$0 | (\$6,815) | (\$23,558) | (\$30,373) | 0.00 | \$0 | (\$6,866) | (\$23,602) | (\$30,468) |

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved the executive request to raise vacancy savings from 4 to 7 percent for all personal services except state institution FTE. This change removes \$308,262 total funds from the HRD budget, which includes \$112,489 in general fund. Each sub-program was allocated a portion of the reduction.

Sub-Program Details**CHILDREN'S MENTAL HEALTH SERVICES 03****Sub-Program Legislative Budget**

The following table summarizes the total legislative budget for the sub-program by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2008 | PL Base Adjustment Fiscal 2010 | New Proposals Fiscal 2010 | Total Leg. Budget Fiscal 2010 | PL Base Adjustment Fiscal 2011 | New Proposals Fiscal 2011 | Total Leg. Budget Fiscal 2011 | Total Leg. Budget Fiscal 10-11 |
| FTE | 16.00 | 0.00 | 0.00 | 16.00 | 0.00 | 0.00 | 16.00 | 16.00 |
| Personal Services | 781,366 | 174,570 | (29,871) | 926,065 | 179,032 | (30,014) | 930,384 | 1,856,449 |
| Operating Expenses | 1,860,320 | 2,661 | 0 | 1,862,981 | 3,102 | 0 | 1,863,422 | 3,726,403 |
| Grants | 645,569 | 0 | 0 | 645,569 | 0 | 0 | 645,569 | 1,291,138 |
| Benefits & Claims | 59,429,662 | 7,531,583 | (6,617,591) | 60,343,654 | 9,849,415 | (2,399,171) | 66,879,906 | 127,223,560 |
| Total Costs | \$62,716,917 | \$7,708,814 | (\$6,647,462) | \$63,778,269 | \$10,031,549 | (\$2,429,185) | \$70,319,281 | \$134,097,550 |
| General Fund | 17,825,421 | 3,126,089 | (6,633,428) | 14,318,082 | 4,219,682 | (2,415,084) | 19,630,019 | 33,948,101 |
| State/Other Special | 2,410,070 | 0 | 0 | 2,410,070 | 0 | 0 | 2,410,070 | 4,820,140 |
| Federal Special | 42,481,426 | 4,582,725 | (14,034) | 47,050,117 | 5,811,867 | (14,101) | 48,279,192 | 95,329,309 |
| Total Funds | \$62,716,917 | \$7,708,814 | (\$6,647,462) | \$63,778,269 | \$10,031,549 | (\$2,429,185) | \$70,319,281 | \$134,097,550 |

Sub-Program Description

The Children's Mental Health sub-program administers mental health services for children, including Medicaid funded services, an expanded mental health benefit program in CHIP for children with serious and disability mental illness SED (limited to 130 children), and very limited services supported by general fund. The Medicaid and general fund services are included in the Children's Mental Health sub-program budget, but the CHIP funding for the expanded mental health benefit is budgeted in the CHIP program. The bureau also manages a federal grant to develop and coordinate an integrated service support system for children under age 18 who are SED, living in or about to be placed in an out-of-home setting, and needing the assistance of more than one state agency.

The most significant changes from the 2008 base budget include:

- Medicaid service utilization and eligibility increases - \$16.9 million total funds, \$5.4 million general fund
- An increase in the state Medicaid match rate - \$1.6 million general fund
- A \$9.0 million general fund reduction due to the temporary increase in the federal Medicaid match rate

System of Care Funding and State Match

In 2004, HRD received a five year grant from the federal Substance Abuse and Mental Health Services Administration to develop a system of care for SED youth. A system of care is a coordinated network of community-based services and supports that are organized to meet the challenges of children and youth with serious mental health needs and their families. Families and youth work in partnership with public and private organizations to design mental health services and supports that are effective

The system of care grant is a six year grant, but must be applied for annually and is subject to federal approval annually. The grant began September 30, 2004 and ends September 29, 2010. Montana has \$1.5 million in excess grant funds it has not expended from prior year grants and is requesting to carry forward those funds in its most recent application.

The grant required a 25 percent in-kind or cash match for years one through three. The match rose to 50 percent in the fourth year and at the end of September 2008 it increased to 66 percent. The grant terms prohibit the funds being used to supplant state funding. Local Kids Management Authorities (KMAs) provide the match.

A KMA is local interagency team comprised of parents, youth, public and private child-serving agencies, youth corrections, courts, tribes, providers and advocates. KMAs provide local infrastructure for wraparound services and partner with the state to provide information on systemic needs.

The 2007 Legislature appropriated \$371,000 general fund in each year of the 2009 biennium for system of care activities. This appropriation was used as part of the match for the grant. However, it may exceed the match needed by the five KMAs. HB 645 includes a one-time appropriation of \$667,000 general fund over the biennium to sustain the system of care.

The state and the KMAs also are planning ahead to determine which of the system of care elements that were put into place during the grant period can and should be kept in place without the federal funds.

System of Care Evaluation and Reports on Out-of-state Placements

The legislature passed two bills related to children's mental health. HB 243 requires that the children's system of care planning committee established in 52-2-303, MCA shall study progress achieved to date in developing a statewide system of care for high-risk children with multiagency service needs and prepare a report and recommendations for the legislature. The report must be given to the appropriate interim committee no later than July 1, 2010. Among other requirements the report must include an analysis of the effectiveness of the children's system of care, along with a summary of the barriers that exist in further developing the system of care and recommendations for improvement.

SB 399 requires DPHHS to establish a pool of in-state providers willing to take children currently or at risk of being placed out-of-state and to report various data on children placed out-of-state twice a year to the Children, Families, Health, and Human Services Interim Committee.

Budget Summary by Category

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

| Budget Summary by Category | | | | | | | | |
|----------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
| | Budget Fiscal 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 | 17,825,421 | 17,825,421 | 35,650,842 | 105.02% | 62,716,917 | 62,716,917 | 125,433,834 | 93.54% |
| Statewide PL Adjustments | 21,192 | 22,861 | 44,053 | 0.13% | 177,231 | 182,134 | 359,365 | 0.27% |
| Other PL Adjustments | 3,104,897 | 4,196,821 | 7,301,718 | 21.51% | 7,531,583 | 9,849,415 | 17,380,998 | 12.96% |
| New Proposals | (6,633,428) | (2,415,084) | (9,048,512) | (26.65%) | (6,647,462) | (2,429,185) | (9,076,647) | (6.77%) |
| Total Budget | \$14,318,082 | \$19,630,019 | \$33,948,101 | | \$63,778,269 | \$70,319,281 | \$134,097,550 | |

The Children's Mental Health sub-program biennial appropriation is \$334.1 million. The majority (94 percent) of the appropriation supports base budget services. Present law adjustments to fund increased eligibility and service utilization as well as annualization of FY 2009 provider rate increases are 13 percent of the total. General fund is \$9 million lower over the 2011 biennium compared to the base budget doubled, due to the temporary increase in the federal Medicaid match rate. This reduction more than offsets the general fund increase due to present law and statewide adjustments.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 | | | | 214,399 | | | | | 219,048 |
| Vacancy Savings | | | | (39,829) | | | | | (40,016) |
| Inflation/Deflation | | | | 900 | | | | | 1,088 |
| Fixed Costs | | | | 1,761 | | | | | 2,014 |
| Total Statewide Present Law Adjustments | \$21,192 | \$0 | \$156,039 | \$177,231 | | \$22,861 | \$0 | \$159,273 | \$182,134 |
| DP 11002 - Medicaid FMAP | 0.00 | 646,528 | 0 | (646,528) | 0 | 0.00 | 916,894 | 0 | (916,894) |
| DP 11006 - Medicaid Caseload - Children's Mental Health | 0.00 | 2,304,067 | 22,796 | 4,830,513 | 7,157,376 | 0.00 | 3,123,441 | 75,471 | 6,503,580 |
| DP 11011 - Healthy Montana Kids Plan | 0.00 | 0 | (22,796) | (77,627) | (100,423) | 0.00 | 0 | (75,471) | (252,236) |
| DP 11042 - PRTF Reimbursement To Include State Plan Services | 0.00 | 154,302 | 0 | 320,328 | 474,630 | 0.00 | 156,486 | 0 | 318,144 |
| Total Other Present Law Adjustments | 0.00 | \$3,104,897 | \$0 | \$4,426,686 | \$7,531,583 | 0.00 | \$4,196,821 | \$0 | \$5,652,594 |
| Grand Total All Present Law Adjustments | 0.00 | \$3,126,089 | \$0 | \$4,582,725 | \$7,708,814 | 0.00 | \$4,219,682 | \$0 | \$5,811,867 |

DP 11002 - Medicaid FMAP - The legislature added \$9.7 million general fund and reduced federal funds by the same amount to adjust for the increased state Medicaid match rate. Each sub-program received an allocation for the federal match rate change. This adjustment reflects the funding changes that would be needed without the temporary increase in the federal Medicaid match rate included in the federal stimulus legislation.

DP 11006 - Medicaid Caseload - Children's Mental Health - This appropriation adds \$16.9 million in total funds (\$5.4 million in general fund) for the biennium for anticipated changes in Medicaid service utilization and eligibility. Base level expenditures were \$59.4 million.

DP 11011 - Healthy Montana Kids Plan - The legislature appropriated \$26.0 million state special revenue and \$86.8 million federal funds over the biennium to implement HMK enacted by voter initiative (I-155) November 2008. Most of the appropriation (\$104.0 million) funds health services for children.

This present law adjustment is net of several changes since the adjustment is allocated among three sub-programs. So the amount shown in the present law table for this sub-program will not tie to the total legislative appropriation for HMK.

Two components of this change reduce Medicaid services (\$11.2 million) and children's mental health services (\$0.4 million) and shift funds to the Children's Health Resources sub-program to implement HMK. The original executive budget request had allocated HMK funding in several sub-programs and the legislature aggregated HMK appropriations in a single sub-program.

The legislature structured HB 2 appropriations to fund an eligibility level of 250 percent of the federal poverty level for CHIP and 133 percent of the federal poverty level for Medicaid. DPHHS estimates the funds will support services for an additional 29,200 children. Enrollment in CHIP and Medicaid was about 64,000 children in November 2008 when the initiative creating HMK was passed. Enrollment in both programs rose about 2,400 as of March 2009, with enrollment in Medicaid about three quarters of the increase. Funding is adequate to add an additional 29,200 children to HMK.

DP 11042 - PRTF Reimbursement To Include State Plan Services - The legislature appropriated \$310,788 in general fund and \$638,472 in federal funds over the biennium to reimburse psychiatric residential treatment facility (PRTF) providers for all Medicaid state plan services as clarified by the federal Center for Medicare and Medicaid Services (CMS). Recent CMS recoveries in other states have made it clear that PRTF providers are financially responsible for the cost of outside medical services for children they serve. The Montana Medicaid program was reimbursing other providers, for example psychiatrist services, for children in a treatment facility. This request annualizes the program. The change started in FY 2009.

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 6011 - HB 645 Funding Switch -- Enhanced Federal Match | | | | | | | | | | |
| 03 | 0.00 | (6,617,591) | 0 | 0 | (6,617,591) | 0.00 | (2,399,171) | 0 | 0 | (2,399,171) |
| DP 8101 - Increasing 4% Vacancy Savings to 7% | | | | | | | | | | |
| 03 | 0.00 | (15,837) | 0 | (14,034) | (29,871) | 0.00 | (15,913) | 0 | (14,101) | (30,014) |
| Total | 0.00 | (\$6,633,428) | \$0 | (\$14,034) | (\$6,647,462) | 0.00 | (\$2,415,084) | \$0 | (\$14,101) | (\$2,429,185) |

DP 6011 - HB 645 Funding Switch -- Enhanced Federal Match - HB 645 reduced HB 2 general fund appropriations for Medicaid and Title IV E foster care services by \$97 million over the biennium due to the temporary increase in the federal Medicaid match rate from October 1, 2008 to December 31, 2010. The allocation to this program is a \$9.0 million general fund reduction. The enhanced federal match rate is estimated be 77.14 percent over the recession adjustment period compared to 66.99 percent, which is the match rate that will be in effect in the last half of FY 2011 resulting in higher general fund expenditures. HB 645 appropriates the additional federal funds that offset the general fund reduction.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved the executive request to raise vacancy savings from 4 to 7 percent for all personal services except state institution FTE. This change removes \$308,262 total funds from the HRD budget, which includes \$112,489 in general fund. Each sub-program was allocated a portion of the reduction.

Sub-Program Details**PRESCRIPTION DRUG PROGRAM 05****Sub-Program Legislative Budget**

The following table summarizes the total legislative budget for the sub-program by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2008 | PL Base Adjustment Fiscal 2010 | New Proposals Fiscal 2010 | Total Leg. Budget Fiscal 2010 | PL Base Adjustment Fiscal 2011 | New Proposals Fiscal 2011 | Total Leg. Budget Fiscal 2011 | Total Leg. Budget Fiscal 10-11 |
| FTE | 7.40 | 0.00 | 0.00 | 7.40 | 0.00 | 0.00 | 7.40 | 7.40 |
| Personal Services | 315,355 | 33,951 | (10,916) | 338,390 | 35,674 | (10,971) | 340,058 | 678,448 |
| Operating Expenses | 702,129 | 4,280 | 0 | 706,409 | 4,768 | 0 | 706,897 | 1,413,306 |
| Benefits & Claims | 1,517,040 | 3,434,980 | 0 | 4,952,020 | 3,434,980 | 0 | 4,952,020 | 9,904,040 |
| Total Costs | \$2,534,524 | \$3,473,211 | (\$10,916) | \$5,996,819 | \$3,475,422 | (\$10,971) | \$5,998,975 | \$11,995,794 |
| State/Other Special | 2,534,524 | 3,473,211 | (10,916) | 5,996,819 | 3,475,422 | (10,971) | 5,998,975 | 11,995,794 |
| Total Funds | \$2,534,524 | \$3,473,211 | (\$10,916) | \$5,996,819 | \$3,475,422 | (\$10,971) | \$5,998,975 | \$11,995,794 |

Sub-Program Description

The Prescription Drug sub-program includes two functions:

- Big Sky Rx – premium assistance to purchase Medicare Part D prescription drug coverage for Medicare eligible Montanans with incomes under 200 percent of the federal poverty level
- PharmAssist – toll free number for Montanans to call and have one-on-one consultations with a licensed pharmacist about the prescription drugs they are taking

Both programs are funded from the health and Medicaid initiatives state special revenue account established by citizen initiative November 2004 (I-149). The initiative raised tobacco taxes and specified how the funds could be used.

The 2005 Legislature established Big Sky Rx, the PharmAssist program, and two other programs – a drug discount program and a prescription drug education program. Big Sky Rx was implemented and began enrollment in February 2006.

The PharmAssist program started in March 2008 and contracts with licensed pharmacists to consult with individuals to offer information on ways of controlling medication costs and on prudent use of medications. Pharmacists involved in this program are not diagnosing, treating medical conditions, or prescribing medications. The participating pharmacists are providing medication management recommendations.

The Prescription Drug Education program is on the DPHHS web site and lists a page explaining the program and includes links to information about prescription drugs, including cost and effectiveness. This site serves as an educational resource for citizens and medical practitioners to compare the clinical effectiveness and cost comparisons between prescription drugs.

The drug discount program is still in the research phase. Since 2005 most major drug manufactures have been participating in pharmacy assistance programs that provide free or discounted prescription drugs.

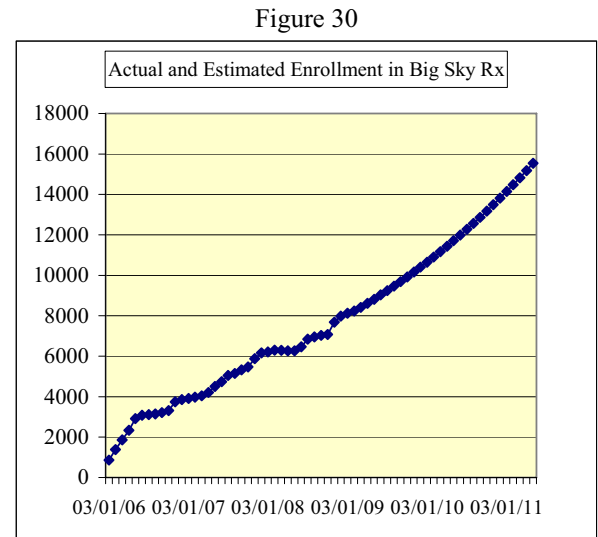
Big Sky Rx Enrollment

The legislature approved \$6.4 million for expanded enrollment in Big Sky Rx. The program can pay up to \$33.11 per month toward a Medicaid Part D policy. The average monthly payment in FY 2008 was \$20.19 and enrollment averaged 6,000 persons a month, with 7,033 persons enrolled as of November 2008. When the program was initially approved, 20,000 persons were estimated to be eligible.

Figure 30 shows actual and estimated enrollment growth in Big Sky Rx. Actual enrollment was 8,410 as of May 2009 and the 2011 biennium appropriation would support gradual enrollment increases up to 15,000 assuming an average monthly subsidy of \$33.11. Additional persons could be added to the program if the average cost is lower.

Budget Summary by Category

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



| Budget Summary by Category | | | | | | | | |
|----------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
| | Budget Fiscal 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% | 2,534,524 | 2,534,524 | 5,069,048 | 42.26% |
| Statewide PL Adjustments | 0 | 0 | 0 | 0.00% | 38,231 | 40,442 | 78,673 | 0.66% |
| Other PL Adjustments | 0 | 0 | 0 | 0.00% | 3,434,980 | 3,434,980 | 6,869,960 | 57.27% |
| New Proposals | 0 | 0 | 0 | 0.00% | (10,916) | (10,971) | (21,887) | (0.18%) |
| Total Budget | \$0 | \$0 | \$0 | | \$5,996,819 | \$5,998,975 | \$11,995,794 | |

The legislature added \$6.8 million for anticipated growth in participation in the Big Sky Rx program. That single adjustment is more than half of the 2011 biennium appropriation. Base expenditures are about 42 percent of the total. An increase in vacancy savings from 4 to 7 percent reduces the appropriation by about \$22,000.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "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 | | | | 48,506 | | | | | | 50,301 |
| Vacancy Savings | | | | (14,555) | | | | | | (14,627) |
| Inflation/Deflation | | | | 921 | | | | | | 924 |
| Fixed Costs | | | | 3,359 | | | | | | 3,844 |
| | | | | | | | | | | |
| Total Statewide Present Law Adjustments | | | | | | | | | | |
| | \$0 | \$38,231 | \$0 | \$38,231 | | \$0 | \$40,442 | \$0 | \$40,442 | |
| | | | | | | | | | | |
| DP 11034 - Big Sky Rx Base Adjustment - Biennial | | | | | | | | | | |
| 0.00 | 0 | 3,200,000 | 0 | 3,200,000 | 0.00 | 0 | 3,200,000 | 0 | 3,200,000 | |
| DP 11035 - PharmAssist Program | | | | | | | | | | |
| 0.00 | 0 | 234,980 | 0 | 234,980 | 0.00 | 0 | 234,980 | 0 | 234,980 | |
| | | | | | | | | | | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$0 | \$3,434,980 | \$0 | \$3,434,980 | 0.00 | \$0 | \$3,434,980 | \$0 | \$3,434,980 | |
| | | | | | | | | | | |
| Grand Total All Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$0 | \$3,473,211 | \$0 | \$3,473,211 | 0.00 | \$0 | \$3,475,422 | \$0 | \$3,475,422 | |

DP 11034 - Big Sky Rx Base Adjustment - Biennial - This appropriation adds \$6.4 million in health and Medicaid initiatives state special revenue over the biennium for Big Sky Rx started in January 2006. The program may pay up to \$33.19 per month for the Medicare prescription drug plan premiums and persons must have an income below 200 percent of the poverty level to be eligible. Base level expenditures were \$2.6 million, with \$1.5 million expended as premium assistance payments.

The following information was utilized as part of the legislative decision making process and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Big Sky Rx pays up to \$33.19 per month of the Medicare Part D prescription drug insurance premium for eligible Montanans – those eligible for Medicare with incomes below 200 percent of the federal poverty level. According to the Center for Medicare and Medicaid Services (CMS) there are 116,172 Montanans who are enrolled or eligible to enroll in Medicare Part D prescription drug plan. 19,285 of these Montanans are potentially eligible for Big Sky Rx (7,033 people are enrolled as of November 1, 2008).

Goals: The goal of the Big Sky Rx program is to reach full service capacity of 19,285 Montanans receiving financial help to pay monthly premiums for Medicare Part D prescription drug coverage.

Performance Criteria and Milestones: Big Sky Rx measures progress toward the program goal with monthly enrollment reports as well as monthly fiscal performance reports. Both reports are evaluated for progress toward enrollment goals and for determining successful enrollment campaigns.

FTE: The work will be performed by existing staff.

Funding: The program is funded through health and Medicaid initiatives state special revenue (tobacco tax revenue from I-149).

Challenges to Implementation: The Medicare beneficiary population has proven hard to reach on both a statewide and a national basis. Recently HRD completed the most successful enrollment campaign since the program's inception based on a market analysis preformed by a third party vendor. The vendor concluded one of the best methods for reaching this population segment was through direct mail to potential eligible Montanans.

Risks of Not Adopting Proposal: If the proposal is not funded, some Montanans may not be able to pay the out-of-pocket premium payments for Medicare Part D prescription drug plans, which could result in discontinuation of prescribed medications and a resulting increase in health care costs.

DP 11035 - PharmAssist Program - The legislature appropriated \$470,000 in health and Medicaid initiatives state special revenue to fund continuation of the PharmAssist program started in March 2008. The program contracts with licensed pharmacists to consult with individuals on ways to control medication costs, and prudent use of medications. The service is available to all Montana citizens.

As of April 2009, 46 providers are participating in the program and a total of 186 pharmacists have been trained. The program is open to any Montanan.

PharmAssist will be provider driven initially until the provider base increases and then the program will be marketed to the public at large. Providers determine which persons from their patient base would benefit from a one-on-one in-depth consultation. The providers determine how much time they have available to perform consultations.

Presently the steps for a person to follow are:

1. Patient or other interested party (healthcare professionals, family, friends or caregivers) calls MT PharmAssist hotline for a Patient Packet;
2. Patient fills out forms completely and returns them to Mountain-Pacific Quality Health (MPQH). MPQH analyzes Patient Packet information to determine if there the applicant would benefit from the program;
3. Contracted pharmacist receives Patient Packet, contacts patient to arrange face-to-face meeting and gather additional information if necessary; and
4. Contracted pharmacist completes the initial face-to-face consultation with patient within two weeks after receiving packet.

The following information was utilized as part of the legislative decision making process and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: DPHHS has partnered with the University of Montana Skaggs School of Pharmacy and Mountain-Pacific Quality Health to contract with local pharmacists to review and discuss the total pharmaceutical regimen of any interested Montanan.

Goals for Montanans:

- An avenue to investigate ways of controlling medication costs and maximizing drug therapies while at the same time deriving additional health benefits from proper and prudent use of medications
- An opportunity to build and strengthen the relationship with their participating community pharmacist. The participating pharmacist is providing medication management recommendations
- An opportunity to improve communication with their healthcare provider
- An opportunity to receive education and support for efforts in taking a more active role in their own healthcare regimen

Performance Criteria and Milestones: Pharmacists involved will provide a comprehensive accounting of all medical conditions and medication therapies giving a complete picture for building personalized treatment plans.

FTE: Existing staff and contracted services

Funding: The program is funded through health and Medicaid initiatives state special revenue (tobacco tax revenue from I-149)

Challenges to Implementation: The challenge has been establishing a provider base throughout Montana. A recently completed a survey of potential pharmacists indicated that a number of respondents that plan to participate as providers.

In response to survey findings, HRD is redesigning the certification training to better meet the constraints, both time and geographical, of pharmacists.

Risks of Not Adopting Proposal: Many Montanans choose not to take medications as prescribed or never fill their prescriptions because they simply cannot afford them. Montana PharmAssist is dedicated to providing an innovative way to ensure that all Montanans have access to first-rate health care by providing an avenue to investigate ways of controlling medication costs while at the same time deriving additional health benefits from proper and prudent use of medications.

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 8101 - Increasing 4% Vacancy Savings to 7% | | | | | | | | | | |
| 05 | 0.00 | 0 | (10,916) | 0 | (10,916) | 0.00 | 0 | (10,971) | 0 | (10,971) |
| Total | 0.00 | \$0 | (\$10,916) | \$0 | (\$10,916) | 0.00 | \$0 | (\$10,971) | \$0 | (\$10,971) |

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved the executive request to raise vacancy savings from 4 to 7 percent for all personal services except state institution FTE. This change removes \$308,262 total funds from the HRD budget, which includes \$112,489 in general fund. Each sub-program was allocated a portion of the reduction.

Sub-Program Details**DENTAL ACCESS 07****Sub-Program Legislative Budget**

The following table summarizes the total legislative budget for the sub-program by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2008 | PL Base Adjustment Fiscal 2010 | New Proposals Fiscal 2010 | Total Leg. Budget Fiscal 2010 | PL Base Adjustment Fiscal 2011 | New Proposals Fiscal 2011 | Total Leg. Budget Fiscal 2011 | Total Leg. Budget Fiscal 10-11 |
| Benefits & Claims | 495,759 | 0 | 0 | 495,759 | 0 | 0 | 495,759 | 991,518 |
| Total Costs | \$495,759 | \$0 | \$0 | \$495,759 | \$0 | \$0 | \$495,759 | \$991,518 |
| State/Other Special | 495,759 | 0 | 0 | 495,759 | 0 | 0 | 495,759 | 991,518 |
| Total Funds | \$495,759 | \$0 | \$0 | \$495,759 | \$0 | \$0 | \$495,759 | \$991,518 |

Sub-Program Description

The Dental Access sub-program was approved by the 2007 Legislature. It is funded from tobacco settlement trust fund interest. The program contracted with Federally Qualified Health Centers (FQHCs) for dental services in FY 2008. Figure 31 shows payment for dental services for people who were below 200 percent of the federal poverty level, by location.

| Figure 31 Dental Access - FY 2008 | |
|--------------------------------------|------------------|
| Location | Amount |
| Butte | \$33,183 |
| Great Falls | 13,474 |
| Livingston and Bozeman | 15,616 |
| Helena | 19,671 |
| Billings | 35,343 |
| Libby | 28,351 |
| Missoula | 37,174 |
| Total | \$182,812 |

In addition, the following entities received grants for specific activities:

- Butte Community Health Center, \$177,950 – Access to dental services for low-income senior citizens on Friday weekdays
- Livingston County Health Partnership, \$333,000 – Initiate dental services by helping fund staff, including a dentist, and remodel the office space
- Lincoln County Health Center in Libby, \$107,000 – Purchase new dental equipment and fund a remodel
- Yellowstone County Health Department in Billings, \$83,518 – Purchase a mobile dental van to provide on-sight dental care for six Billings nursing homes
- Bullhook Community Health Center in Havre, \$185,000 – Establish local access to new oral health services in Hill County for both primary and preventive oral health care
- Partnership Health Center PHC – Missoula, \$100,000 - Increase service capacity by adding operatories, chairs, and staff to increase the number of urgent care days
- Cooperative Health Center CHC – Helena, \$15,000 - Purchase a digital x-ray system

Budget Summary by Category

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

| Budget Summary by Category | | | | | | | | |
|----------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| Budget Item | -----General Fund----- | | | | -----Total Funds----- | | | |
| | Budget Fiscal 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% | 495,759 | 495,759 | 991,518 | 100.00% |
| Statewide PL Adjustments | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% |
| Other PL Adjustments | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% |
| New Proposals | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% |
| Total Budget | \$0 | \$0 | \$0 | | \$495,759 | \$495,759 | \$991,518 | |

The legislature established the appropriation for dental services at the base budget expenditure level.