

### Agency Budget Comparison

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

Agency 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	2,892.38	2,892.38	2,942.41	2,956.91	2,892.38	2,956.91	64.53	2.23%
Personal Services	142,108,302	153,945,422	162,797,290	162,247,867	296,053,724	325,045,157	28,991,433	9.79%
Operating Expenses	96,844,794	95,175,297	101,338,057	96,934,521	192,020,091	198,272,578	6,252,487	3.26%
Equipment & Intangible Assets	1,319,488	473,578	1,293,488	1,293,488	1,793,066	2,586,976	793,910	44.28%
Capital Outlay	0	175,067	0	0	175,067	0	(175,067)	(100.00%)
Grants	67,336,765	71,290,230	68,904,691	68,112,480	138,626,995	137,017,171	(1,609,824)	(1.16%)
Benefits & Claims	1,049,202,540	1,268,162,821	1,265,962,533	1,260,011,437	2,317,365,361	2,525,973,970	208,608,609	9.00%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	510,379	695,800	516,779	516,779	1,206,179	1,033,558	(172,621)	(14.31%)
<b>Total Costs</b>	<b>\$1,357,322,268</b>	<b>\$1,589,918,215</b>	<b>\$1,600,812,838</b>	<b>\$1,589,116,572</b>	<b>\$2,947,240,483</b>	<b>\$3,189,929,410</b>	<b>\$242,688,927</b>	<b>8.23%</b>
General Fund	348,225,059	396,614,084	322,523,729	382,144,589	744,839,143	704,668,318	(40,170,825)	(5.39%)
State Special	106,278,801	130,660,952	153,578,824	132,515,287	236,939,753	286,094,111	49,154,358	20.75%
Federal Special	902,818,408	1,062,643,179	1,124,710,285	1,074,456,696	1,965,461,587	2,199,166,981	233,705,394	11.89%
<b>Total Funds</b>	<b>\$1,357,322,268</b>	<b>\$1,589,918,215</b>	<b>\$1,600,812,838</b>	<b>\$1,589,116,572</b>	<b>\$2,947,240,483</b>	<b>\$3,189,929,410</b>	<b>\$242,688,927</b>	<b>8.23%</b>

### Agency Description

Mission statement: Improving and Protecting the Health, Well-Being and Self-Reliance of All Montanans

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

### Agency Highlights

<b>Department of Public Health and Human Services HB 2 Budget Highlights</b>	
◆	The 2011 biennium appropriation for DPHHS is about \$242.7 million total funds higher than the 2009 biennium, including a reduction in general fund of \$40.2 million
◆	The major increase to the budget is for benefits (direct services to eligible persons), which adds \$208.6 million, primarily for increases in Medicaid service utilization, eligibility increases, and implementation of Healthy Montana Kids
◆	The general fund reduction over the biennium is primarily a net of legislative action to reduce general fund expenditures and the increase of general fund for the Medicaid match rate. Major reductions to the general fund over the biennium include: <ul style="list-style-type: none"> <li>● \$97.0 million for the temporary increase in the federal Medicaid match rate in the HB 645 funding bill for the federal American Recovery and Reinvestment Act of 2009 (ARRA)</li> </ul>

<ul style="list-style-type: none"> <li>• A \$7.2 million across-the-board reduction of 2 percent (excluding Medicaid services costs) to be allocated among divisions</li> <li>• \$8.1 million for legislative action that reduced some base funding, eliminated or reduced some programs, removed positions vacant for over two years, and increased the vacancy savings rate from 4 to 7 percent</li> <li>• \$5.6 million for funding switches to HB 645 for child care, child support enforcement, and to state special revenue for home health visiting</li> <li>◆ Major increases to the general fund over the biennium include: <ul style="list-style-type: none"> <li>• \$333.4 million for Medicaid services</li> <li>• \$21.0 million for child care, foster care, subsidized adoption, and child protective services</li> <li>• \$16.1 million for HB 2 federal Medicaid and Title IV-E foster care and subsidized adoption match rate reductions</li> </ul> </li> <li>◆ Personal services increase by about \$29.0 million including an increase of 64.53 FTE, which primarily includes: <ul style="list-style-type: none"> <li>• 24.00 for Healthy Montana Kids</li> <li>• 18.30 FTE for the Montana Veterans' Home in Columbia Falls and the Montana Chemical Dependency Center</li> <li>• 10.00 FTE for county offices of public assistance</li> <li>• 9.00 FTE for adult and child protective services</li> <li>• 9.75 FTE for various functions across the department for finance, reimbursement, eligibility determination, prevention, and quality assurance</li> <li>• A legislative reduction of 7.02 FTE for positions vacant for a long period of time</li> </ul> </li> <li>◆ Major changes in state special revenue funds over the biennium are: <ul style="list-style-type: none"> <li>• \$22.4 million for Big Sky Rx (prescription drug premium assistance for low-income Medicare eligible persons), hospital utilization fees, healthcare for healthcare workers, and annualization of home and community-based waiver services</li> <li>• Over \$25.0 million to implement Healthy Montana Kids</li> </ul> </li> <li>◆ Major federal revenue increases over the biennium include: <ul style="list-style-type: none"> <li>• \$193.0 million for Medicaid</li> <li>• \$45.0 million for Supplemental Nutrition Assistance Program (SNAP - food stamps)</li> <li>• Over \$11.0 million for increases in the TANF block grant</li> <li>• Approximately \$5.0 million for increases to WIC</li> </ul> </li> <li>◆ Major initiatives in the 2011 biennium budget are: <ul style="list-style-type: none"> <li>• An allocation of \$24.1 million general fund to one-time-only appropriations to achieve structural balance in the 2013 biennium</li> <li>• Implementation of Healthy Montana Kids - \$112.7 million state and federal special funds</li> <li>• Continuation of the hospital utilization fee, which expires June 30, 2009 - \$86.5</li> </ul> </li> </ul>
<p><b>HB 645 Budget Highlights</b></p>
<ul style="list-style-type: none"> <li>◆ The legislature approved funding of over \$513.8 million spanning the ARRA funding period of FY 2009 - FY 2011, including: <ul style="list-style-type: none"> <li>• \$171.0 million for Medicaid caseload for 2010-2011- \$40.6 general fund</li> <li>• \$163.0 million for the enhanced federal Medicaid match rate</li> </ul> </li> </ul>

- \$98.0 million for Human and Community Services including \$96.0 million of federal funds and \$2 million of general fund for assistance to homeless shelters (\$1.5 million) and food banks (\$0.5 million). The larger federal fund appropriations are for SNAP (\$49 million), weatherization (\$27 million), child care services and TANF Emergency Funds (\$12.0 million)
- \$39.5 million for one-time provider rate increases to be allocated among the programs by DPHHS for FY 2010 and FY 2011 - \$15.0 million general fund
- \$16.4 million for direct care worker wage increases for FY 2010 and FY 2011
- \$7.8 million for child care, child support enforcement, and WIC funding
- ◆ The legislature also:
  - Increased the eligibility for TANF assistance for the period of the ARRA funding
  - Allowed funding for the enhanced Medicaid match rate and child support enforcement to be included in the development of the present law base for the 2013 biennium budget

### Summary of Legislative Action

The 2011 biennium appropriation for the Department of Public Health and Human Services (DPHHS) is \$3.2 billion, which is \$242.7 million above the 2009 biennium budget. The general fund reduction (\$40.2 million) between the two biennia is due to the temporary increase in the federal Medicaid match rate, which offsets increases in state special revenue and federal funds.

#### *General Fund Reduction - Federal Stimulus Legislation*

Appropriations for present law services are included in both HB 2 and HB 645, which implements the American Recovery and Reinvestment Act of 2009 (ARRA) - the federal stimulus bill. ARRA raised the federal match rate for Medicaid and foster care services October 1, 2008 through December 31, 2010. The Montana Medicaid match rate is expected to be as high as 77.14 percent compared to the normal Medicaid match rates of 66.69 percent in FY 2010 and 66.03 percent in FY 2011. The total general fund savings due to the enhanced federal match is estimated to be \$97.0 million over the 2011 biennium, and an additional \$49.0 million in FY 2009. Schools will receive additional federal reimbursement for Medicaid services provided to eligible children.

HB 645 both appropriated funds and made statutory changes to implement ARRA. It also reduced HB 2 general fund appropriations by an estimated \$97.0 million in savings over the biennium and appropriated the additional federal Medicaid funds for the enhanced match.

The main budget table for DPHHS reflects the general fund reduction directed by HB 645. If the federal funds appropriated in HB 645 due to the enhanced match rate were included in the main DPHHS budget table, the 2011 biennium appropriation would be \$109.0 million or 3 percent higher.

#### *Majority of DPHHS Budget Funds Direct Services*

The majority - \$2.5 billion of the \$3.2 billion – of the 2011 biennium appropriation is for benefits and claims, which fund direct services to persons who meet program eligibility requirements. The largest benefit expenditure in HB 2 is for Medicaid services – about \$1.7 billion over the biennium. The Supplemental Nutrition Assistance Program (SNAP – formerly Food Stamps) is about \$45 million over the biennium. Implementation of Healthy Montana Kids (HMK) enacted by voter initiative in November 2008 is \$112.7 million of the appropriation.

The majority of the increase between biennia (\$208.6 million) is for benefits. Medicaid service utilization and eligibility increases, implementation of HMK, annualization of FY 2009 provider rate increases, and increased eligibility and

benefits for SNAP are the most significant cost drivers. Additionally, about \$10.0 million was reallocated from grants to benefits, resulting in a reduction in appropriations for grants but without a net change in overall expenditures.

### HB 2 Medicaid Services Appropriation

Figure 1 shows the HB 2 biennial appropriation by major Medicaid service. The Medicaid benefit appropriations total \$1.7 billion (55 percent of the 2011 biennium appropriation), the amount reflected in the main DPHHS budget table. General fund supports \$333.9 million (19 percent) of the total Medicaid appropriation, but it would be \$97.0 million higher if the federal Medicaid match had not been temporarily increased.

Health Resources Division administers 60 percent of the Medicaid appropriations for service such as hospitals, doctors, and pharmacy. Senior and Long Term Care received about one quarter of the appropriation.

Medicaid hospital service costs consume the largest share of Medicaid appropriations – 16 percent. Together with the utilization fee payments the total rises to 28 percent. Nursing home costs are the second major expenditure with 16 percent of the total. Other individual services listed in Figure 1 account for between 4 and 8 percent of the total appropriation.

### HB 645 and HB 2 Medicaid Appropriations

The total Medicaid appropriation of \$2.1 billion is contained in two bills – HB 2 and HB 645. Most of the appropriations are included in HB 2, with a smaller, although significant amount (\$334.3 million), in HB 645. Figure 2 shows the Medicaid appropriations in each bill. HB 645 appropriations are one-time even though two of the appropriations – the February Medicaid cost update and the Indian property exclusion – fund costs that will continue in the 2013 biennium.

Division/Benefit	Biennial Appropriation			Total	% of Total
	General Fund	SSR	Federal		
<b>Health Resources</b>					
Hospital & Clinic Services	\$77,605,877	\$2,752,420	\$205,497,180	\$285,855,477	16.4%
Hospital Utilization Fee	0	44,472,657	150,070,899	194,543,556	11.1%
Children's Mental Health	31,609,860	4,820,140	90,793,560	127,223,560	7.3%
Managed Care Services	17,929,720	10,375,060	69,277,037	97,581,817	5.6%
Pharmacy Services	24,532,713	1,507,646	69,061,020	95,101,379	5.4%
Indian Health Services	0	0	70,478,902	70,478,902	4.0%
Acute Services**	14,484,401	6,357,512	47,960,591	68,802,505	3.9%
All Other	<u>40,071,217</u>	<u>10,342</u>	<u>69,657,446</u>	<u>109,739,005</u>	<u>6.3%</u>
Subtotal Health Resources	206,233,790	70,295,777	772,796,636	1,049,326,202	60.0%
<b>Senior and Long Term Care</b>					
Nursing Homes	40,683,118	34,357,078	197,664,628	272,704,824	15.6%
Home Based Services	16,775,603	5,729,659	58,892,042	81,397,304	4.7%
Community Waiver Svcs.	14,812,059	3,974,409	49,539,067	68,325,535	3.9%
All Other	<u>2,001,450</u>	<u>3,516,153</u>	<u>9,481,385</u>	<u>14,998,988</u>	<u>0.9%</u>
Subtotal Senior/Long Term	74,272,230	47,577,299	315,577,122	437,426,651	25.0%
<b>Developmental Disabilities</b>					
	37,459,760	6,271,174	131,774,828	175,505,762	10.0%
<b>Addictive and Mental Disorders</b>					
	15,912,123	7,365,364	62,280,159	85,557,646	4.9%
Total HB 2 Appropriations	<u>\$333,877,903</u>	<u>\$131,509,614</u>	<u>\$1,282,428,745</u>	<u>\$1,747,816,261</u>	<u>100.0%</u>
Percent of Total	19.1%	7.5%	73.4%	100.0%	

Figure 2

## Total 2011 Biennium Medicaid Appropriations - HB 2 and HB 645

Division/Benefit	FY 2010 Legislative Appropriation				FY 2011 Legislative Appropriation				% of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
<b>HB 2 Total</b>	\$138,734,704	\$64,833,600	\$632,543,683	\$836,111,987	\$195,143,199	\$66,676,014	\$649,885,062	\$911,704,275	84.8%
<b>HB 645</b>									
Medicaid Caseload									
Transfer to Reserve	12,188,434	0	0	12,188,434	6,550,999	0	0	6,550,999	0.6%
February Cost Update	3,951,469	0	11,993,513	15,944,981	6,121,155	0	13,613,816	19,734,971	1.8%
Recession Spike	1,793,531	0	6,052,185	7,845,715	9,047,836	0	30,531,498	39,579,333	3.7%
Administrative Costs	500,000	0	500,000	1,000,000	500,000	0	500,000	1,000,000	0.1%
Excess Federal Authority	0	0	34,427,618	34,427,618	0	0	32,816,452	32,816,452	3.1%
<i>Subtotal Medicaid Caseload</i>	18,433,433	0	52,973,315	71,406,748	22,219,989	0	77,461,766	99,681,755	9.3%
2% Medicaid Only Rate Incr.	3,045,358	9,909	8,216,426	11,271,693	7,096,726	20,568	15,827,061	22,944,355	2.1%
Direct Care Worker Wage	1,915,738	0	6,210,533	8,126,271	2,446,846	0	5,775,303	8,222,149	0.8%
Enhanced Federal Match	0	0	78,000,000	78,000,000	0	0	31,000,000	31,000,000	2.9%
Indian Property Exclusion	231,764	0	751,536	983,300	310,188	0	732,110	1,042,298	0.1%
Transitional Medicaid	196,432	0	636,968	833,400	248,020	0	585,380	833,400	0.1%
<b>Total HB 645</b>	<b>23,822,725</b>	<b>9,909</b>	<b>146,788,778</b>	<b>170,621,412</b>	<b>32,321,769</b>	<b>20,568</b>	<b>131,381,620</b>	<b>163,723,957</b>	<b>15.2%</b>
Grand Total HB 2 and HB 645	\$162,557,429	\$64,843,509	\$779,332,461	\$1,006,733,399	\$227,464,968	\$66,696,582	\$781,266,681	\$1,075,428,232	100%
Percent of Total	16.1%	6.4%	77.4%	100.0%	21.2%	6.2%	72.6%	100.0%	

HB 645 includes Medicaid appropriations to:

- Transfer the maximum amount allowable to a Medicaid reserve to fund 2013 biennium costs (\$18.7 million general fund)
- Fund the additional Medicaid costs expected due to updated estimates during session (\$10.1 million general fund, \$35.7 million total funds)
- Offset potential cost spikes due to the recession (\$10.8 million general fund, \$47.4 million total funds)
- Pay ARRA related Medicaid administrative costs (\$1.0 million general fund, \$2.0 million total funds)
- Provide additional federal authority (\$64.9 million)
- Fund the Medicaid services portion of a 2 percent annual provider rate increase (\$10.1 million general fund, \$34.2 million total funds)
- Fund a provider rate increase to support a \$1 per hour wage and benefit increase for direct care workers in Medicaid services administered by the Senior and Long Term Care Division (\$4.4 million general fund, \$16.3 million total funds)
- Provide additional federal authority to pay the enhanced federal Medicaid match (\$109.0 million federal funds)
- Fund additional Medicaid costs to implement an ARRA change to the way Medicaid eligibility is calculated for Native Americans – (\$0.5 million general fund, \$2.0 million total funds)
- Extend Medicaid services for an additional six months (12 months total) as families transition off Medicaid due to increased earnings – (\$0.4 million general fund, \$1.7 million total funds)

#### ARRA Conditions on Receipt of Enhanced Federal Matching Funds

States receiving the enhanced federal Medicaid match rate are subject to several conditions. First, the enhanced match may not be used for eligibility expansions that occurred after June 1, 2008. Second, states may not reduce eligibility and in some instances changing certain services or the number of service slots are being interpreted as reducing eligibility. Finally, with one exception, the federal funds received by a state due to the enhanced federal Medicaid match rate cannot be used to directly or indirectly for a rainy day or reserve fund. The difference between the higher of the usual federal Medicaid match rate or the usual match rate in the prior year (which determines the initial base rate) may be diverted to a reserve fund. Additional federal funds received due to the other components of the enhanced match rate (additional 6.2 percent) and the unemployment adjustment may not be used for a reserve.

*Healthy Montana Kids*

The voters enacted Initiative 155 (I-155) in November 2008, creating HMK. The legislature appropriated \$112.7 million to implement the new program. Figure 3 shows the budgeted expenditures, funding, and total annual enrollment that could be supported.

Most of the appropriation for HMK (\$104.0 million over the biennium) funds healthcare services for children. HMK combines the CHIP and Medicaid programs for children. The HMK appropriation funds eligibility for CHIP at 250 percent of the federal poverty level and for Medicaid at 133 percent of the federal poverty level. Family resources are not considered for program eligibility.

All HMK costs will be matched by federal funds. The legislature appropriated federal CHIP grant funds in anticipation of expanding CHIP funding due to federal reauthorization of CHIP. If the federal CHIP grant that Montana receives is too low to support the entire HMK expansion, DPHHS will shift funding to Medicaid. Since the ARRA will not provide the temporary enhanced federal match for eligibility increases after June 1, 2008, the state match will cost more and fewer children may be covered once program enrollment is full.

The legislature approved 24.00 FTE for HMK, with 12.00 funded for the 2011 biennium only. Administrative costs for the program are 6 percent of the total appropriation.

Challenges to Implement HMK

DPHHS faces several challenges to implement HMK by October 1, 2009. The department must:

- Submit state plan amendments for Medicaid and CHIP for federal approval
- Hire and train staff
- Potentially identify new enrollment partners and train new and existing enrollment partners
- Develop an online application
- Design and implement an outreach campaign
- Design, build and test changes to complex automated eligibility, claims payment, and data tracking systems

One of the most integral parts to full implementation of HMK will be completion of automated system changes. DPHHS has begun system design and development, if system changes cannot be fully implemented by October 1, DPHHS will delay the Medicaid expansion component of HMK. All children will be enrolled in CHIP until system changes can be implemented to enroll children 6 and older with family incomes above 100 percent of the federal poverty level in Medicaid.

*FTE and Personal Services*

As reflected in the main DPHHS budget table, personal services budgets increase \$29.0 million between the two biennia due to:

- Annualization of the FY 2009 pay plan and legislative approval of the HB 13 pay plan for the 2011 biennium
- Addition of 64.53 new FTE
- Funding state institution overtime costs that are removed from base budget expenditures
- 24.00 FTE were added to implement HMK. However, 12.00 of the 24.00 FTE are funded for the 2011 biennium only. State institutions received the second largest number of FTE (primarily nursing staff) including:
  - 14.30 FTE for the Montana Veterans' Home in Columbia Falls
  - 4.00 FTE for the Montana Chemical Dependency Center in Butte

Figure 3

HMK Appropriation/Enrollment Levels - 2011 Biennium			
Expenditure/Funding Number Served	Legislative Appropriation*		% of Total
	FY 2010	FY 2011	
FTE	24.00	24.00	
Personal Services*	\$1,320,070	\$1,320,070	1.9%
Operating Costs/Equipment	3,460,773	2,612,244	3.8%
Healthcare Services	<u>38,627,148</u>	<u>65,382,231</u>	<u>94.3%</u>
Total Cost	43,407,991	69,314,545	100.0%
State Special Revenue	9,908,433	16,051,567	23.2%
Federal CHIP Funds	<u>33,499,558</u>	<u>53,262,978</u>	<u>76.8%</u>
Total Appropriation	\$43,407,991	\$69,314,545	100.0%
Percent of Total	38.5%	61.5%	
Base Level Children Served		63,951	68.7%
Total Additional Children Served		29,187	31.3%
Total Annual Enrollment		93,138	100.0%
Percent Increase		45.6%	

\*The HMK program is funded with a biennial appropriation. However, this table allocates the funds between fiscal years according to the DPHHS estimate provided during Free Conference Committee consideration of HB 2.

Other new FTE were funded to address increased workloads in county offices of public assistance and in adult and protective services:

- 10.00 FTE for county offices of public assistance
- 9.00 FTE for adult and child protective services
- 9.75 FTE for various functions across the department for finance, reimbursement, eligibility determination, prevention, and quality assurance

New FTE increases were partially offset by the elimination of funding for 7.02 FTE that had been vacant for an extended period of time.

Going into the 2011 biennium, there were nearly 2,900 FTE funded in HB 2, of which over 1,200 were employed by the six state institutions operated by DPHHS, over 900 were field staff located throughout the state, and about 900 were located in Helena. The six institutions that employ 40 percent of the DPHHS workforce include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans’ Home, Glendive; Montana Veterans’ Home, Columbia Falls; and Montana Developmental Center, Boulder.

*Operating Costs*

Operating cost increases between the 2009 and 2011 biennium budgets are largely related to inflation and growth in medical and food costs at state institutions that are offset by a department-wide general fund reduction of 2 percent. The legislature appropriated the reduction in a lump sum of \$7.2 million to be allocated among divisions.

*Grant Expenditures*

Grant funds show a net decline in the main DPHHS budget table due to reallocating budget authority for the Mental Health Services Plan (MHSP) from grants to benefits to reflect a change in program reimbursement and expansion of the number of providers that participate in the program.

*Impact of Legislative Action - HB 2 and HB 645*

Figure 4 shows the total DPHHS appropriation for the 2011 biennium from HB 2, HB 13, and HB 645 - \$3.6 billion. The HB 645 appropriations include FY 2009 adjustments. The appropriations in HB 645 can be spent in FY 2009, FY 2010, and FY 2011.

HB 645 appropriated a net \$367.8 million, raising the total DPHHS appropriation over the 2011 biennium to \$3.6 billion, an 11.5 percent increase above HB 2 appropriations. Most of the appropriations are federal funds, predominantly federal Medicaid funds. Most of the HB 645 appropriation supports direct services to individuals and grants to communities and nonprofit organizations. About 2 percent of the HB 645 appropriation

Budget Item/Fund	One-Time HB 645 Changes		2011 Biennium Revised Total	Percent of Total	
	HB 2 & HB 13	Appropriations HB 2 Reduction*			
FTE	2,956.91	0.00	0.00	2,956.91	
Personal Services	\$325,045,157	\$700,000	\$0	\$325,745,157	9.2%
Operating	198,272,578	6,789,325	0	205,061,903	5.8%
Equipment	2,586,976	0	0	2,586,976	0.1%
Grants	137,017,171	70,335,681	0	207,352,852	5.8%
Benefits/Claims*	2,525,973,970	435,933,801	(\$146,000,000)	2,815,907,771	79.1%
Debt Service	1,033,558	0	0	1,033,558	0.0%
<b>Total Costs</b>	<b>3,189,929,410</b>	<b>513,758,807</b>	<b>(\$146,000,000)</b>	<b>3,557,691,174</b>	<b>100.0%</b>
General Fund*	704,668,318	65,385,242	(\$146,000,000)	624,053,560	17.5%
State Special	286,094,111	61,060	0	289,030,008	8.1%
Federal Funds	2,199,166,981	448,312,505	0	2,647,479,486	74.4%
<b>Total Funds</b>	<b>\$3,189,929,410</b>	<b>\$513,758,807</b>	<b>(\$146,000,000)</b>	<b>\$3,560,563,054</b>	<b>100.0%</b>
Percent Increase					11.5%

supports administrative costs, including personal services. The major HB 645 appropriations include:

- Medicaid services in the 2011 biennium \$300.1 million, including some expansions as discussed earlier in the Summary of Legislative Action section
- \$49.0 million for SNAP
- \$39.5 million for a 2 percent annual provider rate increase
- \$27.0 million for Weatherization of low-income housing

- \$12.0 million for child care services and TANF Emergency Funds
- \$4.4 million federal funding including IDEA Part C Infants and Families for additional early intervention services for children with disabilities ages 0 through 2 years
- \$3.5 million for nonMedicaid community aging services
- \$2.3 million for vocational rehabilitation and Independent Living Part B services to help persons with disabilities prepare for gainful employment and independent living including services for older and blind individuals
- \$2.0 million general fund for assistance to homeless shelters (\$1.5 million) and food banks (\$0.5 million)

Figure 5 shows the 2 percent annual provider rate increase funded in HB 645 by division and major service - \$39.5 million total funds, including \$15.0 million general fund. The amounts in Figure 5 are for both Medicaid and nonMedicaid services.

Division	FY 2010			FY 2011			
	Gen Fund	SSR	Federal	Gen Fund	SSR	Federal	Total
Human and Community Svcs	\$224,740	\$0		\$224,740	\$455,098	\$0	\$455,098
Child and Family Services	219,010	0	93,527	312,537	529,157	0	744,960
Disability Services	895,670	0	1,248,459	2,144,129	2,029,490	0	4,331,140
Health Resources Division	1,449,242	9,920	3,042,372	4,501,534	2,968,891	20,663	9,094,545
Senior and Long Term Care	1,234,768	0	3,393,559	4,628,327	3,062,372	0	9,392,766
Addictive and Mental Disorders	627,400	9,909	565,816	1,203,125	1,288,157	20,568	2,467,808
<b>Total Funding</b>	<b>4,650,830</b>	<b>19,829</b>	<b>8,343,733</b>	<b>13,014,392</b>	<b>10,333,165</b>	<b>41,231</b>	<b>16,111,921</b>
<b>Biennial Total</b>					<b>\$14,983,995</b>	<b>\$61,060</b>	<b>\$24,455,655</b>
							<b>\$39,500,709</b>

*The Enhanced Federal Match - Reduction to General Fund*

HB 645 reduced general fund appropriations by \$49.0 million in FY 2009 and \$97.0 million in the 2011 biennium due to the temporary increase in the federal Medicaid match rate. The agency wide reduction (\$146.0 million over the biennium) was appropriated to the Health Resources Division for allocation. The Fiscal Report allocates the reduction among Medicaid and foster care services based on LFD estimates, which may be different than the agency allocation. The reduction in each division is discussed in the division narrative.

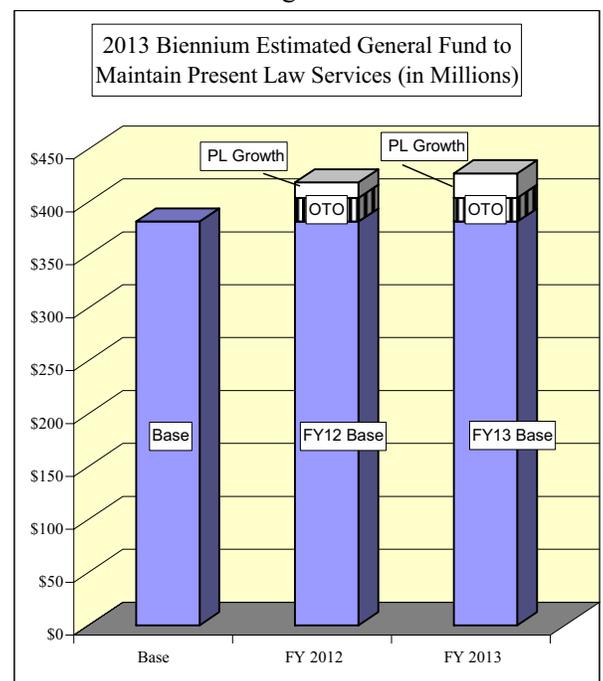
*2013 Biennium Budget*

Figure 6 shows the estimated general fund cost to continue the current level of services authorized by the legislature in the 2013 biennium compared to the general fund base authorized by the 2009 Legislature – an estimated \$82.0 million above the base level starting point.

There are three components to the estimated 2013 biennium general fund change – the base budget, the cost of on going services funded from one-time appropriations (OTO), and the cost to continue current services (present law or PL growth). The base budget includes FY 2010 appropriations adjusted to remove all one-time appropriations and to reinstate \$73.3 million general fund to the base to cover the loss of the temporary federal match rate enhancement.

The one-time component represents the cost of ongoing services funded from one-time appropriations that will be removed in the development of the 2013 budget. The most significant is the allocation of \$10.7 million to maintain structural balance in the 2013 biennium.

Figure 6



The present level or present law growth component includes the cost to annualize the FY 2011 increase in the employer share of health insurance, costs to serve additional persons, utilization increases in Medicaid, and inflation in operating costs for state institutions and, to a lesser degree, general agency operations, which would be presented in the 2013 budget for the legislative approval.

Figure 6 may understate the general fund change to continue present law services. The estimate does not include increases that might occur in the state match rate for Medicaid, HMK, foster care, or child care if the Montana economy continues to perform better than most other state economies. A one percent increase in the state Medicaid match rate raises the state match requirement by \$7.5 to \$8.0 million annually. Nor does the present law growth component include funding to continue provider rate increases, or organ transplants for adults (\$12.0 million general fund annually without consideration of applying the rate increase to additional services).

#### *One-Time Appropriation Reductions*

The legislature added language to HB 676 requiring the department to review, evaluate, and select budget reductions for consideration by the 2011 Legislature due to the one-time appropriations that fund ongoing services (\$10.7 million in FY 2010 and \$11.3 million in FY 2011). HB 676 also requires the Legislative Finance Committee to monitor the department budget review initiative.

#### *Recommendations to the Legislative Finance Committee*

The legislature made several recommendations to the Legislative Finance Committee to monitor some program goals and objectives as well as certain program expansions. Those recommendations are discussed in the narrative for each division.

#### **Funding**

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	\$ 62,817,277	\$ 2,893,042	\$ 413,549,585	\$ 479,259,904	15.02%
03 Child & Family Services	66,665,492	5,015,079	56,807,036	128,487,607	4.03%
04 Director'S Office	7,425,859	658,493	14,385,974	22,470,326	0.70%
05 Child Support Enforcement	5,631,036	3,333,417	11,715,046	20,679,499	0.65%
06 Business & Financial Services Division	7,237,664	2,247,370	9,603,065	19,088,099	0.60%
07 Public Health & Safety Div.	6,288,230	36,168,558	88,955,196	131,411,984	4.12%
08 Quality Assurance Division	5,527,488	508,816	12,425,627	18,461,931	0.58%
09 Technology Services Division	8,639,207	2,184,853	23,050,295	33,874,355	1.06%
10 Disability Services Division	104,284,395	11,142,092	189,306,714	304,733,201	9.55%
11 Health Resources Division	211,945,789	131,464,214	949,713,923	1,293,123,926	40.54%
22 Senior & Long-Term Care	88,904,969	65,247,253	343,041,878	497,194,100	15.59%
33 Addictive & Mental Disorders	<u>129,300,912</u>	<u>25,230,924</u>	<u>86,612,642</u>	<u>241,144,478</u>	<u>7.56%</u>
Grand Total	<u>\$ 704,668,318</u>	<u>\$ 286,094,111</u>	<u>\$ 2,199,166,981</u>	<u>\$ 3,189,929,410</u>	<u>100.00%</u>

Compared to the base budget doubled, the 2011 biennium appropriation increased \$448.2 million.

Figure 7 shows the changes over \$5.0 million by individual fund source across the agency for the 2011 biennium budget compared to the base expenditures. Nine fund sources accounted for 92 percent of the total change from the base budget. All but three of the fund sources are federal funds. Federal Medicaid matching funds increased the most - \$193.0 million, followed by federal CHIP funds, and then SNAP benefits. The three most significant increases in state special revenue were due to implementation of HMK, expansion of health and Medicaid initiatives funds primarily to continue FY 2009 expansions authorized by the 2007 Legislature, and the hospital utilization fee increases due to the temporary enhancement in the federal Medicaid match rate. Federal TANF block grant funds, the Medicaid funds passed through to Indian Health Services providers for serving Medicaid eligible persons, and the Women Infants and Children (WIC) federal grant all increased more than \$5.0 million from the base budget.

General fund is not included in Figure 7 because it declined by \$10.3 million compared to base budget expenditures. If general fund had not been reduced due to the temporary increase in the federal Medicaid match rate, the general fund change would have been \$86.7 million, the third largest fund change.

*Top Five Funding Sources*

DPHHS is funded by over 190 distinct funding sources and more than half are federal sources. General fund supports 24 percent of the 2011 biennium budget, state special revenue provides 8 percent, and federal funds are 68 percent of total funding. The DPHHS budget accounts for over 39.8 percent of the total HB 2 budget.

Individually the top six DPHHS division budgets exceed most state agency budgets. Figure 8 shows the top five funding sources for DPHHS from FY 2004 through the FY 2011 appropriation. There are seven funding sources listed in Figure 8 because Health and Medicaid initiatives state special revenue and federal CHIP grant funds (due to the implementation of HMK) moved into the top five funding sources in the 2011 biennium, edging out federal Medicaid pass through funds to Indian Health Services providers and federal Temporary Assistance for Needy Families (TANF) block grant funds.

Figure 7

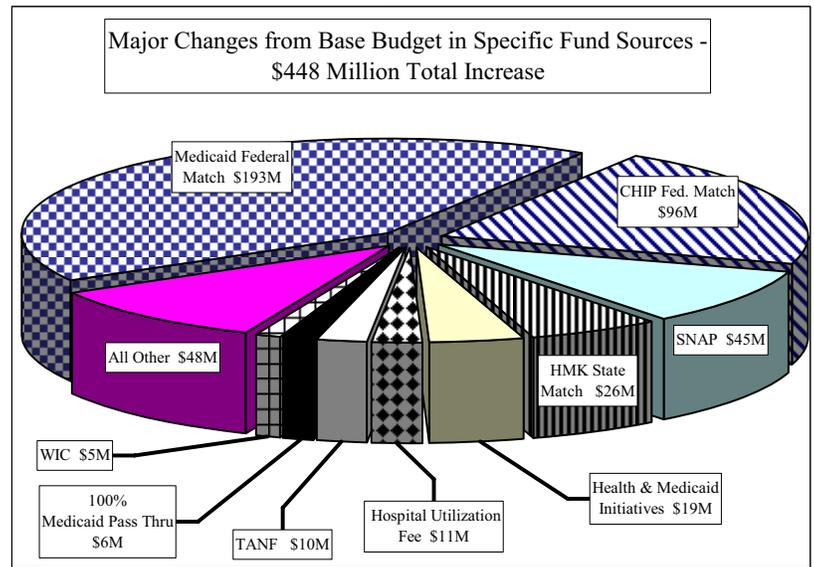
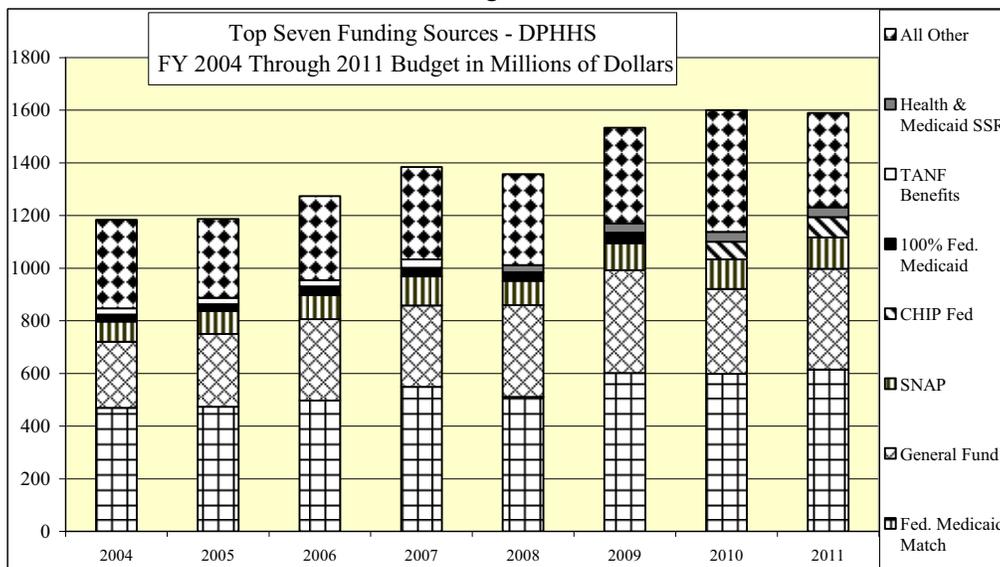


Figure 8



Together the top five funding sources account for 75 percent of the annual funding over the last nine fiscal years. Federal Medicaid matching funds average about 38 to 40 percent of the funding in each year, followed by general fund at about 25 percent.

Federal Medicaid matching funds, general fund, and SNAP federal funds have been the top three funding sources for DPHHS since FY 2004. In FY 2010, general fund has a lower proportional share than other fiscal years because of the

temporary increase in federal Medicaid matching funds, which reduced general fund appropriations by \$71 million in FY 2010 and by \$26 million in FY 2011.

Most state funding is used as state match or maintenance of effort for programs funded partly with federal funds, including Medicaid, CHIP, some foster care, subsidized adoption, and child care services as well as TANF and program administrative costs.

The remaining funding sources that support DPHHS are discussed in greater detail in division budget narratives.

#### *State Special Revenue that Spends Like General Fund*

There are two sources of state special revenue that can be used to fund many of the same activities as general fund: health and Medicaid initiative revenues and tobacco settlement funds, including trust fund income. The allocation of these funds in the DPHHS budget request is important because they can offset general fund or be used to fund new proposals that otherwise would be funded from the general fund. These revenue sources are summarized and the fund balance of each is provided.

#### Health and Medicaid Initiatives State Special Revenue

Voters enacted initiative 149 (I-149 – codified as 53-6-1201), MCA in the November 2004 election. The initiative raised tobacco taxes, directed deposit of the portion of the increased proceeds to the health and Medicaid initiatives account, and specified the uses of account funds. The state special revenue funds can be used:

- To maximize enrollment in HMK and provide outreach to eligible children
- For a new need-based prescription drug program for children, seniors, chronically ill, and disabled persons
- For increased Medicaid services and Medicaid provider rates
- To fund new programs to assist eligible small employers with the costs of providing health insurance benefits to eligible employees
- To offset a loss of revenue to the general fund as a result of new tax credits
- To provide a state match for the Medicaid program for premium incentive payments or premium assistance payments to the extent that a waiver is granted by federal law

**Figure 9**

Fund Balance		Budgeted	Legislative Appropriations		% of
Revenue/Expenditures	FY 2008*	FY 2009	FY 2010*	FY 2011*	Total
Beginning Fund Balance**	\$45,556,961	\$49,379,755	\$49,698,126	\$36,527,678	49.6%
Revenue - Tobacco Tax*	<u>39,824,984</u>	<u>40,431,000</u>	<u>36,918,000</u>	<u>37,043,000</u>	<u>50.4%</u>
Total Revenue	85,381,945	89,810,755	86,616,126	73,570,678	100%
Interest Earnings		<u>1,095,691</u>	<u>588,990</u>	<u>1,471,414</u>	
Total Funds Available	85,381,945	90,906,446	87,205,116	75,042,091	
<b>Expenditures**</b>					
<i>Medicaid Services - Provider Rate Increases and Service Expansions</i>					
State Plan Services - Hospitals, Physicians, Prescription Drugs, Dental	6,336,918	8,448,423	7,031,298	7,031,298	13.7%
Nursing Home Services	5,233,908	5,484,432	5,480,319	5,480,319	24.4%
Developmental Disability Benefits	2,667,826	3,135,587	3,135,587	3,135,587	30.5%
Children's Mental Health Services	2,176,518	2,301,184	2,176,518	2,176,518	34.8%
Home-based Services	1,088,712	1,107,207	1,857,207	2,002,207	38.7%
Senior/Physically Disabled Waiver	1,447,528	1,837,193	1,987,197	1,987,212	42.6%
Adult Mental Health Waiver	0	1,613,488	1,210,442	1,669,546	45.8%
Mental Health and Chemical Dependency	1,105,916	888,228	860,467	860,467	47.5%
<i>Other Programs</i>					
Insure Montana (Premium Assistance)	5,613,733	6,525,413	9,557,168	9,558,167	66.2%
Health Insurance Tax Credits	4,025,973	4,350,286	4,370,344	4,372,113	74.7%
Big Sky Rx/PharmAssist	2,543,967	6,932,549	6,007,591	6,009,747	86.4%
Mental Health Services Plan/HIFA	2,768,810	3,152,605	3,433,968	3,433,968	93.1%
CHIP	907,760	1,582,085	3,438,871	3,383,460	99.7%
Other Services/Administration	84,621	99,640	130,462	138,281	100.0%
Anticipated Reversions	0	<u>(6,250,000)</u>	0	0	100.0%
Subtotal Expenditures	<u>36,002,190</u>	<u>41,208,320</u>	<u>50,677,439</u>	<u>51,238,890</u>	
Annual Change		14.5%	29.0%	24.3%	
Ending Fund Balance	<u>\$49,379,755</u>	<u>\$49,698,126</u>	<u>\$36,527,678</u>	<u>\$23,803,201</u>	

\*Revenue based on estimates adopted by House Taxation Committee February 2009.  
\*\*FY 2008 fund balance and expenditures updated based on state accounting data as of April 2009.  
Note: Annual costs carried forward in FY 2009 are \$48.7 million compared to annual revenues of \$37.0 million.  
Fund may be solvent through the end of the 2013 biennium if appropriations are not fully expended or revenues are higher than estimated.

Figure 9 shows the health and Medicaid initiatives account fund balance. The total funding available in FY 2008 was \$85.4 million and expenditures were \$36.0 million, about \$13.0 million less than appropriated. Ongoing revenues (excluding interest earnings) are expected to decline during the 2011 biennium due to federal reauthorization and raising tobacco taxes to support federal increases for CHIP funding. Tobacco price hikes are expected to lower consumption, which would lower Montana tobacco tax collections and income to the health and Medicaid initiatives state special revenue account.

The FY 2011 appropriation is \$51.2 million compared to annual revenues of \$37.0 million, excluding interest earnings. The fund could be solvent through the 2013 biennium if revenues are higher than projected or expenditures are lower than the appropriated amounts.

The most significant appropriation is for Insure Montana – premium assistance for low-income Montanans and the general fund cost offset for insurance tax credits for small employers. The program is administered by the State Auditor and the legislature increased funding by \$3.0 million annually (HB 258).

Other increases between the 2009 biennium and 2011 biennium include annualization of Medicaid provider rate and service expansions authorized by the 2009 Legislature, but not fully implemented in the base budget year, including the adult mental health waiver. The legislature also appropriated \$0.9 million annually for about half of the state match for a provider rate increase implemented during the last half of FY 2009 to support health insurance for direct care workers providing Medicaid home based services to the elderly and physically disabled individuals.

Statutory Changes

The legislature made several changes to the statute governing the health and Medicaid initiatives account in HB 676. First, references to CHIP were stricken and replaced with HMK so the state match for the federal CHIP grant could be used to cover children enrolled in HMK who might transition from CHIP to Medicaid services. The legislature also removed the language that had prohibited the use of health and Medicaid initiative funds to supplant existing funds for CHIP enrollment as of June 30, 2005. The change allowed the funds to be used for the HMK program.

*Use of Tobacco Settlement Proceeds*

Tobacco Settlement Revenues

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- o Constitutional Amendment 35 in November 2000 requiring not less than 40 percent of tobacco settlement money to go to a permanent tobacco trust fund
- o Initiative 146 to allocate 32 percent of the total tobacco settlement funds to tobacco prevention/cessation programs and 17 percent to HMK and the Montana Comprehensive Health Association (MCHA)

Money not appropriated within two years is transferred to the general fund. The remaining 11 percent of the MSA money is deposited to the general fund. Figure 10 shows estimated revenues, budgeted expenditures, and fund balances for these two uses of tobacco settlement funds.

The legislature appropriated 93 percent of the funding available for the tobacco treatment and cessation programs over the biennium and 98 percent of the revenues designated for HMK/MCHA. By statute any funds designated for the tobacco treatment and cessation funds or HMK/MCHA that are not appropriated to these activities are deposited into the tobacco trust.

<b>Figure 10</b>					
<b>Tobacco Settlement Account - Fund Balance</b>					
<b>Master Settlement Agreement Payment Allocations to State Special Revenue Accounts</b>					
Fund Balances, Revenues, Expenditures	FY 2008	FY 2009	FY 2010	FY 2011	Percent of Total
<b>32% Allocation to Tobacco Cessation/Prevention</b>					
Beginning Fund Balance	\$2,840,662	\$2,579,810	\$2,547,220	\$2,151,897	
Revenues*	11,076,568	11,508,800	11,657,920	11,844,160	
Expenditures					
Department of Revenue	247,737	233,499	311,063	311,720	2.6%
Department of Justice	108,357	130,472	115,744	115,864	1.0%
Public Health and Safety Division					
Tobacco Control & Prevention	7,655,381	7,847,419	7,673,183	7,675,649	63.8%
Chronic Disease Programs	2,619,852	2,700,000	2,676,946	2,678,291	22.3%
Home Health Visiting/MIAMI			396,379	366,440	3.0%
Tribal Programs	630,000	630,000	720,000	720,000	6.0%
Division Administrative Costs	0	0	159,928	164,755	1.4%
Nonbudgeted Expenditures	141,283	0	0	0	0.0%
Subtotal Expenditures	\$11,402,610	\$11,541,390	\$12,053,243	\$12,032,719	100.0%
Adjustments	65,181	0	0	0	
Percentage of Annual Increase		1.22%	4.43%	-0.17%	
Ending Fund Balance	\$2,579,801	\$2,547,220	\$2,151,897	\$1,963,338	
<b>17% Allocation to CHIP/MT Comprehensive Health Association</b>					
Beginning Fund Balance	\$1,244,368	\$498,045	(\$168,955)	\$34,022	
Revenues*	5,884,427	6,114,050	6,193,270	6,292,210	
Expenditures					
CHIP	5,810,718	5,855,436	5,064,730	5,312,942	85.2%
MCHA	824,173	925,614	925,563	925,556	14.8%
Subtotal Expenditures	6,634,891	6,781,050	5,990,293	6,238,498	100.0%
Adjustments	\$4,141				
Percentage of Annual Increase		2.20%	-11.66%	4.14%	
Ending Fund Balance	\$498,045	(\$168,955)	\$34,022	\$87,734	
* March 2009 Revenue Estimate					

According to the statute, 32 percent of the total tobacco settlement money may only be used for tobacco prevention and cessation programs designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use. The legislature expanded the tobacco prevention and cessation programs to include home health visiting and the Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program support. The program works with pregnant women at risk for using substances, including tobacco. Tobacco is recognized as a cause of low birth weight babies. \$762,819 is included to support home visits.

The legislature also appropriated \$16.8 million over the 2011 biennium for tobacco control and prevention activities. \$1.4 million of the funding is designated for tribal programs with language included in the bill requiring the Public Health and Safety Division to allocate \$90,000 each year for each of the eight Montana tribes for tribal tobacco use prevention programs meeting the same requirements as other community-based contractors providing tobacco use prevention programs.

Funding for programs to reduce the burden of tobacco-related chronic diseases such as diabetes, heart disease, asthma, cancer, and strokes also received continuing funding of \$5.4 million over the biennium.

The legislature approved appropriations of \$231,608 for the Department of Justice, Gambling Control Division. The division provides enforcement for tobacco laws and regulations in Montana. The legislature provided \$622,783 in

funding to the Department of Revenue supporting auditing wholesaler, sub jobbers, and retailers to verify they are in compliance with the tobacco master settlement agreement.

**Tobacco Trust Fund Interest**

The Montana Constitution stipulates interest earnings from the tobacco trust fund are to be distributed:

- 90 percent for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- 10 percent to the tobacco trust

Figure 11 shows the revenues, proposed expenditures, and fund balance for the tobacco trust fund interest over the 2011 biennium.

The legislature allocated all trust fund interest to programs within DPPHS. Most programs are funded at the FY 2008 expenditure level. Funding for public home health

Figure 11  
Tobacco Settlement Trust Fund Interest - Fund Balance

Fund Balances, Revenues, Expenditures	FY 2008	FY 2009	FY 2010	FY 2011	Percent of FY 2011
Beginning Fund Balance	\$2	\$123,924	\$12,312	\$57,730	
Revenues*	4,091,095	4,754,700	5,419,800	6,105,600	
Expenditures					
Public Health and Safety Division					
PHSD Cost Allocation	0	0	141	427	0.01%
Adolescent Vaccinations	0	400,000	400,000	400,000	6.47%
Public Home Health Visits/MIAMI	178,652	200,000	0	0	0.00%
Children's Special Health Services	128,020	290,000	289,126	289,125	4.67%
Montana Health Professional Recruitment	0	0	75,000	75,000	1.21%
Women's and Men's Health	0	0	30,000	30,000	0.48%
Emergency Medical Services	0	0	125,000	125,000	2.02%
HIV Treatment	0	0	84,000	84,000	1.36%
Public Health and Safety Division Subtotal	\$306,672	\$890,000	\$1,003,267	\$1,003,552	16.22%
Disability Division					
DD Part C, Title XX and MOE	0	0	600,000	600,000	9.70%
Disability Division Subtotal	0	0	600,000	600,000	
Health Resources Division					
Hospital & Clinical Services Bureau	484,406	484,406	543,647	543,647	8.79%
Acute Services Bureau	1,580,175	1,599,378	1,580,175	1,580,175	25.54%
Dental Access	495,759	555,000	495,759	495,759	8.01%
Children's Mental Health Services	233,552	233,552	233,552	233,552	3.78%
Health Resources Division Subtotal	\$2,793,892	\$2,872,336	\$2,853,133	\$2,853,133	46.12%
Senior and Long-term Care Division					
Nursing Homes	831,850	832,217	831,850	831,850	13.45%
Resource Facilitation Services	0	100,000	0	0	0.00%
Healthcare for Healthcare Workers	0	0	0	796,361	12.87%
Senior and Long-term Care Division Subtotal	\$831,850	\$932,217	\$831,850	\$1,628,211	26.32%
Addictive and Mental Disorders					
Mental Health Medicaid Benefits	27,659	27,659	27,659	27,659	0.45%
Mental Health Other Services	0	145,000	3,764	18,962	0.31%
Mental Health Administration	7,098	0	54,709	55,028	0.89%
Addictive and Mental Disorders Subtotal	34,757	172,659	86,132	101,649	1.64%
Subtotal Expenditures	\$3,967,171	\$4,867,212	\$5,374,382	\$6,186,545	100.00%
Adjustments	(2)				
Ending Fund Balance	\$123,924	\$11,412	\$57,730	(\$23,215)	

\*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus, March 2009 Revenue Estimate

visits is changed to tobacco cessation and prevention funds in the 2011 biennium and is not funded with tobacco settlement interest in the 2011 biennium.

New uses of tobacco settlement interest funds in the 2011 biennium include:

- Montana health professional recruitment – \$150,000
- WIC farmers market - \$60,000
- Emergency medical services - \$250,000
- HIV treatment - \$168,000
- Maintenance of effort for Title XX in the Disabilities Services Division - \$1,200,000
- Medicaid match for healthcare for healthcare workers - \$796,361

The appropriations for the remaining interest are allocated to support adolescent vaccinations, Medicaid benefits, children's special health services, mental health benefits, and nursing home services.

### 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	348,225,059	348,225,059	696,450,118	98.83%	1,357,322,268	1,357,322,268	2,714,644,536	85.10%
Statewide PL Adjustments	9,160,377	9,372,054	18,532,431	2.63%	13,452,235	13,648,449	27,100,684	0.85%
Other PL Adjustments	40,107,848	53,566,457	93,674,305	13.29%	293,728,782	232,761,728	526,490,510	16.50%
New Proposals	(74,969,555)	(29,018,981)	(103,988,536)	(14.76%)	(63,690,447)	(14,615,873)	(78,306,320)	(2.45%)
<b>Total Budget</b>	<b>\$322,523,729</b>	<b>\$382,144,589</b>	<b>\$704,668,318</b>		<b>\$1,600,812,838</b>	<b>\$1,589,116,572</b>	<b>\$3,189,929,410</b>	

The FY 2008 base budget is 85 percent of the 2011 biennium appropriation. Total present law adjustments are 17 percent and new proposals reduce appropriations by 2 percent.

The 2011 biennium appropriation is \$104.0 million general fund lower than the 2009 biennium due to the temporary increase in the federal match rate change (\$97.0 million). Another significant contributing factor is that Medicaid costs in FY 2008 were about \$21 million lower than the appropriation. Nationwide Medicaid cost growth slowed, largely attributable to lower drug prices due to implementation of the Medicare Part D benefit. Part D assumed drug costs for Medicare eligible persons who were also Medicaid eligible, lowering Medicaid costs.

Significant present law adjustments and new proposals are discussed earlier in the agency overview.

### Other Legislation

Bills that have a fiscal impact on DPHHS are summarized in the following section. Some of these bills are discussed in more detail in the agency or program narrative. HB 676 is discussed first since it has numerous provisions to implement HB 2.

#### HB 676:

- Implements means testing at 250 percent of the current federal poverty level for the child care for working caretaker relative program
- Eliminates the End Stage Renal Program that provides funding for persons with end stage renal diseases
- Replaces references to the CHIP program with HMK for funding from the health and Medicaid initiatives and tobacco settlement state special revenue accounts and allows those funds to be used to implement HMK
- Requires DPHHS to develop an interim work plan with goals, objectives, and outcomes to evaluate the one-time appropriations that fund ongoing activities in order to identify reductions in the 2013 budget and requires the Legislative Finance Committee to monitor the study

- Limits expenditures from the cigarette tax allocated to the Montana Veterans' Homes to the amount appropriated by the legislature

#### *Senate and House Joint Resolutions*

HJR 17 requires that DPHHS work in cooperation with the Department of Labor and Industry, the Board of Nursing, and other stakeholders to examine the use of medication aides in nursing homes and to develop a report for the 2011 Legislature that would discuss all provisions necessary for the safe and effective use of medication aides in nursing homes.

HJR 25 requires that DPHHS work in cooperation with all appropriate stakeholders, including nursing home care providers, consumers, and other interested parties, to examine the issues related to difficulties being encountered by nursing homes and those seeking medical assistance for a nursing home stay. DPHHS must report at least quarterly to the Children, Families, Health, and Human Services Interim Committee on the status of the study and prepare a final report, including any findings, conclusions, comments, or recommendations for the 62nd Legislature.

#### *House and Senate Bills*

HB 27 revises the universal system benefit laws. It eliminates the termination date for the Universal System Benefits (USB) charge rates and clarifies the Energy and Telecommunications Interim Committee's oversight of USB programs. The bill is effective on passage and approval. As a result, about \$0.3 million in state special revenue is added to the 2011 biennium budget for energy conservation programs such as weatherization.

HB 71 repeals the sunset of the hospital utilization fee.

The legislature adopted three bills that implement components of mental health crisis diversion services that were recommended by the Interim Committee on Law and Justice. As a result the legislature provided \$2.1 million general fund in HB 2 to implement HB 130, HB 131, and HB 132. The legislature also appropriated \$0.5 million for the 2011 biennium in HB 645 to implement the bills, with all but \$25,000 restricted to implementation of HB 130.

HB 130 establishes a grant for state matching funds to counties for crisis intervention, jail diversion, and short-term inpatient treatment costs.

HB 131 requires DPHHS to contract for local crisis and court-ordered emergency detention beds for mentally ill persons.

HB 132 establishes short-term inpatient community treatment as an alternative to commitment to the state hospital.

HB 173 creates a pilot project to help eight local public health agencies' activities related to meeting national guidelines for accreditation. \$400,000 of general fund is provided in HB 645 to support grant awards to local health agencies.

HB 213 requires the Governor to establish a committee, which shall select a site in Beaverhead, Deer Lodge, Jefferson, Madison, Powell, or Silver Bow County for a new state veterans' nursing home. The bill diverts a portion of the cigarette tax to pay for construction of the home and requires the new home to be operated on a contract basis similar to management of the Eastern Montana Veteran's Home.

HB 224 establishes a loan reimbursement program for nurses who opt to work at the Montana State Prison or the Montana State Hospital. The state hospital appropriation was reduced to fund the loan repayment program.

HB 243 requires the children's system of care planning committee established in 52-2-303 to 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.

HB 331 increases the license fees collected for inspection fees for food establishments, trailer courts, camp grounds, and public accommodations, and distributes the revenue to DPHHS, counties, and the state general fund. Total increases in revenues are calculated to be \$282,515 annually in FY 2010 and FY 2011.

HB 365 allows DPHHS to apply for federal approval to establish PACE organizations (comprehensive elder care) and waiver of state HMO laws for PACE organizations.

HB 578 establishes a health corps of retired physicians for in-home medical care for Medicare and Medicaid eligible persons. The program is administered by the Board of Medical Examiners. Retired physicians in good standing may participate. The charge for an in-home visit may be no more than \$10. The legislature expected that the increased cost would be funded within existing appropriation levels. The fiscal note estimated an annual cost of about \$17,000 general fund and an equal amount of federal match funds.

HB 634 allows DPHHS to contract for or directly provide transportation of persons with a mental illness to and from MSH. The transportation costs will be funded by payments from counties or other entities requesting DPHHS transportation services. The bill provides an annual appropriation of \$750,000 state special revenue.

SB 82 revises laws related to the recovery of Medicaid benefits for services paid on behalf of Medicaid recipients, removes the county from the recovery process, limits the recovery to the amount paid as medical assistance, and prohibits the department from recovery upon a lien while the recipient's sibling or child who has resided lawfully and continuously in the home for at least 1 year 18 months immediately before the recipient's institutionalization continues to lawfully reside in the home.

SB 119 establishes a program to extend Medicaid eligibility to disabled workers as their income earned rises. Eligible persons will contribute to the cost of Medicaid as their income rises.

SB 350 revises laws on HIV testing to require that HIV testing become part of a patient's informed consent to care. The legislature added funds to cover the additional Medicaid costs due to HIV testing.

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 annually to the Children, Families, Health, and Human Services Interim Committee.

SB 442 establishes a shaken baby syndrome education and awareness campaign. While not a requirement of the bill, the Early Childhood Services Bureau is set to guide the program and take the leadership role in development and distribution of educational materials.

SB 446 provides licensing requirements for specialty hospitals and requires the Quality Assurance Division to adopt rules and conduct an impact study that analyzes the financial and operational impacts of the proposed specialty hospital on existing health care facilities in the service area.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg - Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg - Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	2,892.38	2,994.43	2,942.41	(52.02)	3,008.93	2,956.91	(52.02)	
Personal Services	142,108,302	161,790,385	162,797,290	1,006,905	163,295,671	162,247,867	(1,047,804)	(40,899)
Operating Expenses	96,844,794	105,342,066	101,338,057	(4,004,009)	105,221,513	96,934,521	(8,286,992)	(12,291,001)
Equipment & Intangible Assets	1,319,488	1,343,488	1,293,488	(50,000)	1,293,488	1,293,488	0	(50,000)
Capital Outlay	0	0	0	0	0	0	0	0
Grants	67,336,765	74,846,199	68,904,691	(5,941,508)	74,100,449	68,112,480	(5,987,969)	(11,929,477)
Benefits & Claims	1,049,202,540	1,249,321,286	1,265,962,533	16,641,247	1,303,876,089	1,260,011,437	(43,864,652)	(27,223,405)
Transfers	0	0	0	0	0	0	0	0
Debt Service	510,379	516,779	516,779	0	516,779	516,779	0	0
<b>Total Costs</b>	<b>\$1,357,322,268</b>	<b>\$1,593,160,203</b>	<b>\$1,600,812,838</b>	<b>\$7,652,635</b>	<b>\$1,648,303,989</b>	<b>\$1,589,116,572</b>	<b>(\$59,187,417)</b>	<b>(\$51,534,782)</b>
General Fund	348,225,059	402,851,088	322,523,729	(80,327,359)	415,940,426	382,144,589	(33,795,837)	(114,123,196)
State/Other Special	106,278,801	144,589,631	153,578,824	8,989,193	150,102,857	132,515,287	(17,587,570)	(8,598,377)
Federal Special	902,818,408	1,045,719,484	1,124,710,285	78,990,801	1,082,260,706	1,074,456,696	(7,804,010)	71,186,791
<b>Total Funds</b>	<b>\$1,357,322,268</b>	<b>\$1,593,160,203</b>	<b>\$1,600,812,838</b>	<b>\$7,652,635</b>	<b>\$1,648,303,989</b>	<b>\$1,589,116,572</b>	<b>(\$59,187,417)</b>	<b>(\$51,534,782)</b>

The 2011 biennium legislative appropriation for DPPHS is \$51.5 million (\$114.1 million general fund) lower than the executive budget request. The legislative appropriation includes \$8.6 million less state special revenue and \$71.2 million more federal revenue.

The majority of the reduction in general fund between the legislative and executive budgets is due to the temporary increase in the federal Medicaid match rate. HB 645 included language that reduced HB 2 general fund Medicaid and foster care appropriations by \$97.0 million over the biennium. The LFD allocated the general fund reductions among the Child and Family Services, Disability Services, Health Resources, Senior and Long Term Care, and Addictive and Mental Disorders divisions to reflect the impact in the Fiscal Report.

Other significant legislative changes that reduced general fund appropriations include:

- Approving an unspecified general fund reduction in operating costs of \$9.7 million
- Switching general fund to state special revenue for CHIP state match and MIAMI /Home Health Visits - \$2.6 million
- Removing general fund from the base for Child Support Enforcement - \$1.9 million
- Eliminating rent increases for South Pointe in five divisions - \$1.7 million
- Eliminating funding from the base for Business and Financial Services, Disability Services, and Technology Services - \$1.7 million
- Lowering general fund for the home and community based waiver expansion in Senior and Long Term Care - \$1.2 million
- Eliminating funds for 7.02 FTE that had been vacant for more than 2 years - \$0.4 million
- Eliminating funds for programs including:
  - Therapeutic group home and guardian funding for foster care - \$1.4 million
  - Health Information Technology System - \$0.75 million
  - End Stage Renal Program - \$0.2 million

The legislature funded 24.00 FTE to implement HMK instead of 54.00 FTE as requested in the executive budget. This change did not affect general fund costs, but is the primary difference between FTE funding levels in the executive budget request compared to legislative action.

The legislature approved \$2.5 million in additional general fund to reimburse up to 50 percent of county costs for jail diversion, crisis intervention services, and precommitment cost insurance premiums (if such insurance is set up by the counties) for mentally ill individuals picked up by law enforcement. To the extent funding is available, DPHHS must contract for crisis beds in each mental health service area for persons who are a danger to themselves or others because of a mental disorder and who may need commitment.

The legislature increased funding for the hospital utilization tax by \$60.2 million including \$1.9 million in additional state special revenue and \$58.5 million in federal funds to account for the temporary increase in the federal Medicaid match rate package.

*Federal Poverty Level*

Most DPHHS services provided to individuals are governed by eligibility requirements tied to various levels of the federal poverty index. Figure 12 shows the poverty index for calendar year 2009. The index is updated annually in late February or early March. It is included for reference so that readers may determine the family size and income limits for various programs and services discussed throughout the fiscal report. For instance, HMK Medicaid eligibility for children will be established at 133 percent of the federal poverty level. Referring to Figure 12 children in a family of four with a countable income below \$29,327 per year would be eligible for HMK.

Figure 12  
2009 Federal Poverty Index  
Levels of Poverty by Family Size

Family Size	<-----Annual Income at Various 2009 Poverty Levels and Family Size----->										
	33%	40%	100%	133%	150%	175%	200%	250%	300%	350%	400%
1	\$3,574	\$4,332	\$10,830	\$14,404	\$16,245	\$18,953	\$21,660	\$27,075	\$32,490	\$37,905	\$43,320
2	4,808	5,828	14,570	19,378	21,855	25,498	29,140	36,425	43,710	50,995	58,280
3	6,042	7,324	18,310	24,352	27,465	32,043	36,620	45,775	54,930	64,085	73,240
4	7,277	8,820	22,050	29,327	33,075	38,588	44,100	55,125	66,150	77,175	88,200
5	8,511	10,316	25,790	34,301	38,685	45,133	51,580	64,475	77,370	90,265	103,160
6	9,745	11,812	29,530	39,275	44,295	51,678	59,060	73,825	88,590	103,355	118,120
7	10,979	13,308	33,270	44,249	49,905	58,223	66,540	83,175	99,810	116,445	133,080
8	12,213	14,804	37,010	49,223	55,515	64,768	74,020	92,525	111,030	129,535	148,040
Each Additional Person	\$1,234	\$1,496	\$3,740	\$4,974	\$5,610	\$6,545	\$7,480	\$9,350	\$11,220	\$13,090	\$14,960

Family Size	<-----Monthly Income at Various 2009 Poverty Levels and Family Size----->										
	33%	40%	100%	133%	150%	175%	200%	250%	300%	350%	400%
1	\$298	\$361	\$903	\$1,200	\$1,354	\$1,579	\$1,805	\$2,256	\$2,708	\$3,159	\$3,610
2	401	486	1,214	1,615	1,821	2,125	2,428	3,035	3,643	4,250	4,857
3	504	610	1,526	2,029	2,289	2,670	3,052	3,815	4,578	5,340	6,103
4	606	735	1,838	2,444	2,756	3,216	3,675	4,594	5,513	6,431	7,350
5	709	860	2,149	2,858	3,224	3,761	4,298	5,373	6,448	7,522	8,597
6	812	984	2,461	3,273	3,691	4,306	4,922	6,152	7,383	8,613	9,843
7	915	1,109	2,773	3,687	4,159	4,852	5,545	6,931	8,318	9,704	11,090
8	1,018	1,234	3,084	4,102	4,626	5,397	6,168	7,710	9,253	10,795	12,337