

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	76.00	76.00	91.00	91.00	76.00	91.00	15.00	19.74%
Personal Services	3,859,994	3,857,284	4,432,910	4,430,791	7,717,278	8,863,701	1,146,423	14.86%
Operating Expenses	8,446,921	11,461,343	9,424,961	9,458,844	19,908,264	18,883,805	(1,024,459)	(5.15%)
Equipment & Intangible Assets	2,950	5,535	2,950	2,950	8,485	5,900	(2,585)	(30.47%)
Grants	0	0	18,853,000	16,476,500	0	35,329,500	35,329,500	n/a
Benefits & Claims	475,835,262	512,789,028	667,697,072	700,328,258	988,624,290	1,368,025,330	379,401,040	38.38%
Transfers	0	0	386,717	267,629	0	654,346	654,346	n/a
Total Costs	\$488,145,127	\$528,113,190	\$700,797,610	\$730,964,972	\$1,016,258,317	\$1,431,762,582	\$415,504,265	40.89%
General Fund	64,901,357	92,710,304	121,793,699	126,841,316	157,611,661	248,635,015	91,023,354	57.75%
State Special	47,033,799	48,827,716	72,966,714	73,707,684	95,861,515	146,674,398	50,812,883	53.01%
Federal Special	376,209,971	386,575,170	506,037,197	530,415,972	762,785,141	1,036,453,169	273,668,028	35.88%
Total Funds	\$488,145,127	\$528,113,190	\$700,797,610	\$730,964,972	\$1,016,258,317	\$1,431,762,582	\$415,504,265	40.89%

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (formerly the Children's Health Insurance Program and children's Medicaid services), 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.

The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty. HMK eligibility is determined by division staff.

Big Sky Rx is a state funded program that helps Montanans, who are at or below 200% 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 Major Budget Highlights
<ul style="list-style-type: none"> ◆ The HRD 2013 biennium budget is \$415.5 million greater than the 2011 biennium including \$91.0 million general fund, \$273.7 million federal funds, and \$50.8 million state special revenue ◆ The major changes in the 2013 legislative appropriation compared to base budget expenditures include: <ul style="list-style-type: none"> • \$285.6 million for eligibility and service utilization changes in physical health Medicaid services • \$82.7 million total funds for Healthy Montana Kids, including funding for 15.00 new FTE and operating costs, to support services for children in families with incomes above 100% of the federal poverty level • \$72.8 million in general fund to offset both the loss of the 10% temporary increase in the federal match rate and for the increase in the regular state Medicaid match rate; there is a like reduction in federal Medicaid matching funds • \$51.5 million in federal appropriation authority that can be allocated among programs in the department • \$35.3 million in federal pass through funds to provide incentives to health care providers that adopt and implement meaningful use of electronic health records ◆ Funding increases are partially offset by reductions in operating costs and a \$1.0 million general fund reduction due to anticipated reductions in workers' compensation premiums that can be allocated among programs in the department

Program Narrative

The Health Resources Division (HRD) has the single largest budget in DPHHS with a \$1.4 billion appropriation for the 2013 biennium or 38% of the total agency budget. The 2013 biennium appropriation is about \$415.5 million higher than the 2011 biennium budget.

Major Components of Budget Increase

The most significant changes adopted by the legislature compared to the base budget are:

- Medicaid physical health cost increases and state match rate changes - \$189.2 million total funds, \$105.0 million general fund
- Healthy Montana Kids Initiative – 15.00 new FTE and medical services increases for children in families with incomes above 100% of the federal poverty level, \$82.7 million total funds, \$4.3 million general fund, \$17.4 million state special revenue from insurance premium taxes
- Federal appropriation authority that can be allocated among DPHHS programs, including the appropriations allocated to the grant expenditure category - \$51.5 million
- Medicaid reimbursement for Indian Health Services (I.H.S.) - \$46.7 million federal funds
- Federal pass through incentive payments to health care providers that adopt electronic health records - \$35.3 million
- Medicare buy in (payment of Medicare Part A and Part B insurance for persons eligible for both Medicare and Medicaid) - \$6.2 million total funds, including \$2.1 million general fund
- Continuation of Medicaid coverage of organ transplants for adults and expansion of enrollment in the program to allow disabled enrollees to earn more income and retain Medicaid services - \$1.9 million total funds, \$0.1 million general fund \$0.6 million Medicaid reserve account state special revenue

About \$40 million of the appropriation increases noted above account for Medicaid and HMK cost growth between FY 2010 and FY 2011.

Increases are partially offset by:

- A one-time reduction in general fund match by \$17.0 million in state special revenue from the federally allowable set aside of a small portion of the temporary increase in the federal Medicaid match rate during FY 2010
- Annualization of spending reductions implemented by the Governor in February 2010 to purchase Medicaid funded drugs at the lowest cost - \$7.5 million, including \$2.5 million general fund
- A net decrease in appropriations for supplemental payments to hospitals (\$50 per day utilization fee) by \$6.5 million total funds due to discontinuation of the temporary increase in the federal Medicaid match rate, which reduces federal funds more than the increase in hospital tax state special revenue matching funds anticipated during the 2013 biennium
- A \$1.0 million general fund reduction, which can be allocated among all department programs, in anticipation of workers' compensation rate reductions due to the passage of HB 334

General Fund Increases

General fund increases \$118.8 million between the FY 2010 base budget and the 2013 biennium. A significant portion of the change is due to state Medicaid match requirements and the increase in state matching funds necessary due to ending of the temporary increase in the federal Medicaid match rate in FY 2010.

Funding Shifts due to Federal Medicaid Match (FMAP)

The legislature appropriated an additional \$118.8 million general fund for HRD compared to the FY 2010 base budget (doubled). Nearly two-thirds of that amount - \$72.8 million – was needed to maintain FY 2010 base level Medicaid services. The majority of the increase - \$66.4 million – was due to an increase in state Medicaid match required since the temporary increase in the federal match rate of about 10% was discontinued beginning in FY 2012. Figure 3 shows the general fund changes related to the state Medicaid match rate for base budget expenditures compared to the 2013 biennium general fund increase for HRD (compared to base budget expenditures).

The state Medicaid match requirements increase due to:

- Discontinuation of the 10% temporary increase in the federal Medicaid match rate for Medicaid services (\$58.0 million)
- Discontinuation of the 10% temporary increase in the federal Medicaid match for the clawback payment (reimbursement for savings due to implementation of the federal Medicare Part D prescription drug benefit - \$8.4 million)
- Implementation of increases in the regular state Medicaid match rate (\$5.8 million)

HRD Division Budget by Service

Figure 4 shows the HRD 2013 biennium appropriation compared to base budget expenditures. The budgets for major division functions are shown as well as the amount appropriated for each major service.

Figure 3

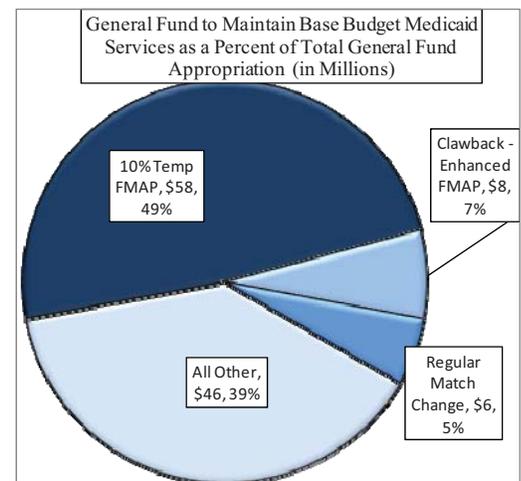


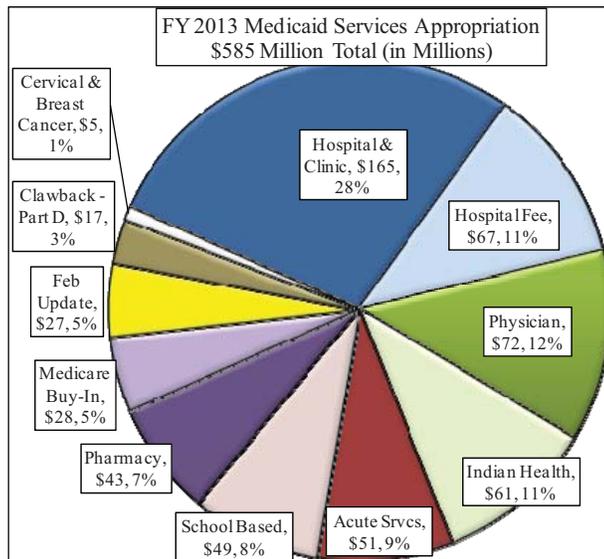
Figure 4

Fiscal 2010 Base Budget Compared to 2013 Biennium Legislative Appropriation - Health Resources Division													
Major Function and Services	FY 2010 Base Budget				FY 2012 Legislative Appropriation				FY 2013 Legislative Appropriation				% of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
Major Function													
Medicaid Services	\$64,901,357	\$32,143,371	\$339,108,374	\$436,153,102	\$119,613,033	\$50,003,961	\$439,582,690	\$609,199,684	\$124,683,411	\$49,574,390	\$461,678,628	\$635,936,429	87.0%
Healthy Montana Kids	0	10,863,619	37,101,597	47,965,216	2,180,666	18,958,928	66,454,507	87,594,101	2,157,905	20,130,071	68,737,344	91,025,320	12.5%
Big Sky Rx Programs	0	4,026,809	0	4,026,809	0	4,003,825	0	4,003,825	0	4,003,223	0	4,003,223	0.5%
Total Division Budget	<u>64,901,357</u>	<u>47,033,799</u>	<u>376,209,971</u>	<u>488,145,127</u>	<u>121,793,699</u>	<u>72,966,714</u>	<u>506,037,197</u>	<u>700,797,610</u>	<u>126,841,316</u>	<u>73,707,684</u>	<u>530,415,972</u>	<u>730,964,972</u>	<u>100.0%</u>
Percent of Total	13.3%	9.6%	77.1%	100.0%	17.4%	10.4%	72.2%	100.0%	17.4%	10.1%	72.6%	100.0%	
Benefits													
<u>Medicaid Services</u>													
Hospital & Clinic Services	28,003,097	1,202,694	105,209,526	134,415,317	53,232,857	2,026,080	106,671,067	161,930,004	55,884,000	1,986,972	107,210,497	165,081,469	22.6%
Hospital Utilization Fee	0	18,508,647	51,506,796	70,015,443	0	22,660,858	44,363,271	67,024,129	0	22,785,989	43,723,027	66,509,016	9.1%
Managed Care Services	7,170,829	5,272,338	42,913,460	55,356,627	14,084,726	9,659,757	47,583,951	71,328,434	14,984,038	9,144,098	48,110,332	72,238,468	9.9%
Acute Services	5,646,699	5,734,891	38,537,244	49,918,834	4,477,694	14,231,098	31,286,909	49,995,701	4,711,109	14,231,151	31,737,607	50,679,867	6.9%
Pharmacy Services	5,641,784	1,274,999	14,971,871	21,888,654	12,830,243	1,274,999	29,044,751	43,149,993	13,006,059	1,274,999	29,102,852	43,383,910	5.9%
Medicare Buy-In	5,161,750	0	19,341,863	24,503,613	8,464,070	0	18,900,051	27,364,121	8,774,573	0	19,458,290	28,232,863	3.9%
Clawback Payment - Part D	9,221,169	0	0	9,221,169	15,453,000	0	0	15,453,000	16,535,000	0	0	16,535,000	2.3%
Cervical and Breast Cancer	1,117,380	0	3,796,575	4,913,955	1,140,690	0	3,872,035	5,012,725	1,153,041	0	3,909,810	5,062,851	0.7%
Indian Health Services	0	0	32,499,158	32,499,158	0	0	48,748,737	48,748,737	0	0	60,935,921	60,935,921	8.3%
School Based Services	0	0	25,003,301	25,003,301	0	0	39,060,000	39,060,000	0	0	48,825,000	48,825,000	6.7%
February Cost Update	0	0	0	0	7,270,118	0	19,874,759	27,144,877	6,973,623	0	20,433,896	27,407,519	3.7%
<u>Healthy Montana Kids/CHIP</u>	0	9,889,112	34,769,509	44,658,621	2,180,666	17,607,212	63,105,408	82,893,286	2,157,905	18,764,896	65,372,046	86,294,847	11.8%
<u>Big Sky Rx</u>	0	3,434,270	0	3,434,270	0	3,434,271	0	3,434,271	0	3,434,271	0	3,434,271	0.5%
<u>PharmAssist Program</u>	0	6,300	0	6,300	0	6,300	0	6,300	0	6,300	0	6,300	0.0%
<u>Federal Appropriation Authority</u>	0	0	0	0	0	0	25,151,494	25,151,494	0	0	25,700,956	25,700,956	3.5%
Total Benefits Costs	<u>\$61,962,708</u>	<u>\$45,323,251</u>	<u>\$368,549,303</u>	<u>\$475,835,262</u>	<u>\$119,134,064</u>	<u>\$70,900,575</u>	<u>\$477,662,433</u>	<u>\$667,697,072</u>	<u>\$124,179,348</u>	<u>\$71,628,676</u>	<u>\$504,520,234</u>	<u>\$700,328,258</u>	<u>95.8%</u>
Percent of Division Total	95.5%	96.4%	98.0%	97.5%	97.8%	97.2%	94.4%	95.3%	97.9%	97.2%	95.1%	95.8%	

Medicaid Services

The Medicaid services function is 87% of the FY 2013 appropriation, followed by HMK with 13%. The remaining functions – Big Sky Rx and PharmAssist – are less than 1% of the FY 2013 budget. Funding for services to individuals is \$700.3 million or 96% of the total FY 2013 appropriation and Medicaid services are the vast majority of that amount. Figure 5 shows the Medicaid services appropriation by service. The FY 2013 appropriation for HRD Medicaid services increases \$115.0 million compared to FY 2010 base budget expenditures.

Figure 5



February Medicaid Caseload Updates

One component of the FY 2013 appropriation funds increases for all Medicaid services based on updated Medicaid cost projections provided by DPHHS during the legislative session. The legislature appropriated \$54.6 million over the biennium for projected cost increases above the amount included in the original executive budget. These funds were appropriated to HRD, but include appropriation increases for all Medicaid services (see agency overview) and can be allocated among programs by DPHHS. Each of the Medicaid services appropriations discussed below may be augmented by a portion of the appropriation for the February cost update during the 2013 biennium.

Hospital and Clinic Services

The single largest expenditure made by HRD is for inpatient and outpatient hospital and clinic services, projected to reach \$165.1 million in FY 2013, not including supplemental

payments funded by the hospital utilization fee, which add another \$66.5 million. Examples of clinic services include ambulatory free standing surgical centers, Federally Qualified Health Centers (FQHCs), and rural health clinics.

The utilization fee is a \$50 per day assessment for each day of inpatient hospital care provided by a hospital. The hospital fee is used to match federal Medicaid funds and provide additional reimbursements to hospitals for Medicaid eligible services.

Managed care services are 12% of the total benefits appropriation and include physician and laboratory services. As part of the Governor's spending reductions under 17-7-140, MCA, the statutorily required rate increase for physicians was suspended in FY 2010. Medicaid physician rates are tied to Medicare fee schedules and together with increases in the fee schedules and state statutorily required increases, Montana Medicaid physician rates exceeded Medicare rates. The legislature passed SB 241 to amend statutes to remove the rate increase for the 2013 biennium, but to include rate increases tied to medical consumer price index changes beginning in FY 2014.

Acute services include private duty nursing, hearing aids, and most of the therapies (physical, occupational, and speech). Acute services are about 9% of the total FY 2013 budget.

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 (100% general fund) is made to the federal government and represents the savings to the state Medicaid program due to implementation of Medicare 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.

The clawback payment increases from \$9.2 million to \$16.5 million in FY 2013 in large part due to savings from the temporary increase in the federal Medicaid match rate and the increase in the regular state Medicaid match rate. After

the 2009 legislative session a revision in federal interpretation of the American Recovery and Reinvestment Act of 2009 allowed the temporary increase to be applied to the clawback resulting in a general fund savings of \$4.2 million in FY 2010. So most of the increase in the clawback is due to the federal Medicaid match rate returning to the level it would have been without the temporary change. Another \$0.9 million is due to the regular annual change in the state Medicaid match rate. The two other factors – the number of persons eligible for both Medicare and Medicaid as well as federally determined cost increases in the per capita drug cost used for the clawback calculation – result in a \$3.7 million increase over the biennium.

Cervical and breast cancer services – under 1% of the division budget - are provided to persons with incomes under 200% 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 (I.H.S.) benefits represent federal Medicaid reimbursement for services provided by: 1) I.H.S. to Medicaid eligible persons; or 2) tribes that directly administer services that in other instances would be administered by I.H.S. The I.H.S. appropriation increases from \$32.5 million in the base budget to \$60.9 million in FY 2013 due to a federally required change to reimbursement methodologies and due to increased service utilization. The legislature specifically included \$13.0 million in federal authority to February Medicaid cost update appropriations for I.H.S. services in addition to amounts listed in Figure 2.

Schools receive federal reimbursement for Medicaid services provided by schools for eligible students. The FY 2013 appropriation is \$48.8 million compared to \$25.0 million in base budget expenditures.

As noted earlier, the legislature increased appropriations for Medicaid services in all divisions by \$54.6 million based on updated cost estimates provided by DPHHS during the legislative session.

Healthy Montana Kids (HMK)

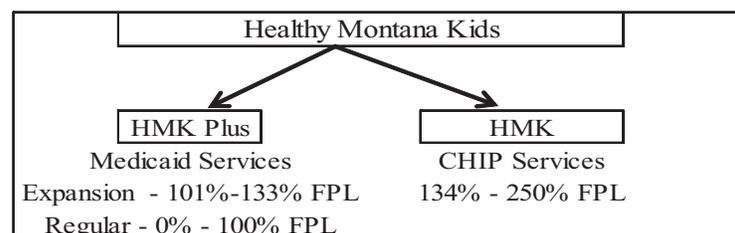
Voters enacted Initiative 155 (I-155) in November 2008 to establish the HMK program. The initiative combined the Children’s Health Insurance Program (CHIP) and children’s Medicaid services into a single program and raised financial eligibility for children’s health services by:

- Removing consideration of family assets for Medicaid eligibility
- Increasing financial eligibility for CHIP services from 175% to 250% of the federal poverty level for family income
- Raising Medicaid eligibility for children in families with incomes up to 185% of the federal poverty level

The legislature appropriated funds based on CHIP eligibility at the 250% of the federal poverty level and children’s Medicaid eligibility at 133% of the federal poverty level.

The legislature appropriated funds for 15.00 new FTE for the program as well as funding enrollment increases. The amount listed for benefits for “Healthy Montana Kids/CHIP” in Figure 2 includes appropriations for a portion of HMK program services. The amount listed supports medical services for children in families with incomes above 100% of the federal poverty level and is 12% of the FY 2013 budget. Appropriations to pay medical costs for children in families with incomes under 100% of the federal poverty level who are enrolled in HMK are part of Medicaid services and included in “Medicaid Services” in Figure 4. Figure 6 shows the two basic eligibility groups in the program.

Figure 6



HMK Eligibility Categories

DPHHS tracks eligibility in three separate groups so that it can allocate costs between federal CHIP block grant funds and Medicaid matching funds. Figure 7 shows the eligibility types and income limits for the program that DPHHS uses for budgeting purposes and that were discussed by the legislature. HMK/CHIP and HMK Plus expansion are funded from the CHIP federal grant, which has the lowest state match. HMK Plus non expansion is funded from Medicaid funds.

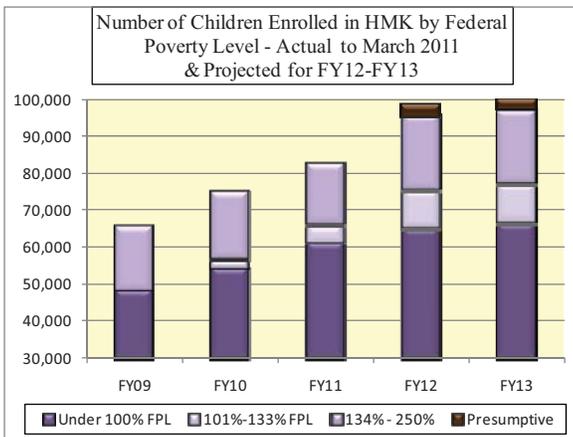
Figure 7

HMK Eligibility Type, Age, Family Income, Services Package, State Match Rate							
Eligibility Group	Age	Family Income		Services Package	Federal Fund Source	State Match Rate	
		by Federal	Poverty Level			FY12	FY13
HMK Plus							
Children 0-18	0 - 18	0-100%		Medicaid	Medicaid	33.81%	34.26%
Children 6-18 (Expansion)	6 - 18	101-134%		Medicaid	CHIP	23.60%	23.95%
HMK (CHIP)	0 - 18	134-250%		CHIP	CHIP	23.60%	23.95%

Enrollment in the HMK Program

Figure 8 shows actual and projected enrollment in the HMK program. FY 2008 through FY 2011 is based on actual enrollment through February 2011 and projected enrollment for FY 2012 – FY 2013 is based on DPHHS estimates provided during the legislative session.

Figure 8



Although I-155 passed November 4, 2008, DPHHS did not raise financial eligibility for HMK/CHIP (134% - 250% of the federal poverty level) and HMK Plus expansion (101% - 133% of the federal poverty level) until September 2009 after it had received federal approval for changes to the Medicaid and CHIP state plans. However, enrollment in both HMK/CHIP and HMK Plus (non expansion – under 100% of the federal poverty level) increased during that time.

Enrollment in the HMK program grew by 21,406 children from October 2008 for a total enrollment of 85,036 children in February 2011. The highest enrollment over that time period occurred in the HMK Plus non expansion group (under 100% of the federal poverty level) with 15,493 additional children (total of 62,484 as of February 2011).

HMK Plus expansion population rose to 5,718, while enrollment in HMK/CHIP declined and then began to increase again (17,517 as of February 2011).

In January 2011, DPHHS implemented a new category of eligibility for HMK – presumptive eligibility. Health providers review family income when a child comes in for services. If the family income appears to be within income limits, all children in the family are presumed eligible for HMK for 60 days and the program will pay medical services costs during that time. In order to maintain ongoing eligibility the family must complete the regular enrollment process through the department. As of February 2011, there were 27 children enrolled in the presumptive eligibility category, with projected enrollment of 2,919 each year of the 2013 biennium.

DPHHS estimated that average annual enrollment in HMK would be just over 100,000 children in FY 2013. Enrollment in HMK/CHIP (134% - 250% of the federal poverty level) is projected to rise to 20,006 children each year of the 2013 biennium and the expansion group (101% to 133% of the federal poverty level) is expected to rise to 10,423 by FY 2013. DPHHS enrollment projections for the HMK Plus non expansion group (under 100% of FPL), which experienced the most growth in the 2011 biennium, is expected to rise to 66,649 in FY 2013.

Big Sky Rx

Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200% of the federal poverty level. The 2013 biennium appropriation maintains expenditures for Big Sky Rx at the FY 2010 base budget. Average enrollment in Big Sky Rx was 10,008 during FY 2010.

PharmAssist

PharmAssist pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans. The 2013 biennium budget maintains expenditures at the base budget level of \$6,300.

Reorganization

Children's mental health Medicaid services for seriously emotionally disturbed (SED) children were transferred to the Disability Services Division as part of the agency reorganization. The reorganization is discussed in the agency overview.

Program Monitoring

SJ 26 requests that the Legislative Finance Committee, in cooperation with the Legislative Council, recommend to the appropriate administrative or interim committee that it monitor certain activities as recommended by the Joint Subcommittees on Appropriations. Two specific recommendations with respect to HRD are included in SJ 26:

- Continued implementation of Healthy Montana Kids during the 2013 biennium
- Identification of components and cost of Medicaid eligibility expansion under the Patient Protection and Affordable Care Act of 2010 for consideration by the 2013 Legislature

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table Health Resources Division						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 64,901,357	13.3%	\$ 121,793,699	17.4%	\$ 126,841,316	17.4%
01100 General Fund	64,901,357	13.3%	121,793,699	17.4%	126,841,316	17.4%
02000 Total State Special Funds	47,033,799	9.6%	72,966,714	10.4%	73,707,684	10.1%
02053 Medicaid Nursing Home Match	33,869	0.0%	37,815	0.0%	37,868	0.0%
02137 Medicaid Reserve Account	-	-	9,062,072	1.3%	9,019,589	1.2%
02142 Medicaid Third Party Revenue	1,598,692	0.3%	1,598,692	0.2%	1,598,692	0.2%
02311 6901-02 Indrct Activty Prog 11	27,547	0.0%	29,139	0.0%	29,141	0.0%
02514 Comm Hlth Care Ssr	122,255	0.0%	122,030	0.0%	122,040	0.0%
02597 Montana Healthy Kids Initiative	5,556,738	1.1%	17,493,221	2.5%	18,457,863	2.5%
02772 Tobacco Hlth & Medicd Initiative	13,978,482	2.9%	15,503,656	2.2%	15,465,274	2.1%
02789 6901-Chip/Mcha Tobacco Sett Fd	4,922,406	1.0%	4,174,068	0.6%	3,906,065	0.5%
02987 Tobacco Interest	2,285,163	0.5%	2,285,163	0.3%	2,285,163	0.3%
02989 69010-Hospital Utilization Fee	18,508,647	3.8%	22,660,858	3.2%	22,785,989	3.1%
03000 Total Federal Special Funds	376,209,971	77.1%	506,037,197	72.2%	530,415,972	72.6%
03426 Chip Program Fed	36,236,181	7.4%	65,589,884	9.4%	67,872,932	9.3%
03473 2013 Federal Fund	-	-	25,538,211	3.6%	25,968,585	3.6%
03580 6901-93.778 - Med Adm 50%	5,509,043	1.1%	24,804,627	3.5%	22,428,258	3.1%
03582 93.778 - Med Ben 100%	32,499,158	6.7%	48,748,737	7.0%	60,935,921	8.3%
03583 93.778 - Med Ben Fmap	301,723,566	61.8%	341,099,725	48.7%	352,954,242	48.3%
03611 6901-03 Indrct Activty Prog 11	242,023	0.0%	256,013	0.0%	256,034	0.0%
Grand Total	\$ 488,145,127	100.0%	\$ 700,797,610	100.0%	\$ 730,964,972	100.0%

The Health Resources Division (HRD) 2013 biennium appropriation is \$1.4 billion – more than a third of the total DPHHS appropriation. Medicaid services are the lion's share of the appropriation with \$1.0 billion. HRD administers Medicaid state plan services or those that most closely resemble services provided by private insurance such as hospital, physician, drugs, and therapy services. It also administers the Healthy Montana Kids and Big Sky Rx programs.

The Health Resources Division is funded from general fund, state special revenue, and federal funds. General fund is used to pay a portion of the state match for Medicaid services, HMK services, and Medicaid program administration.

General fund growth between the 2011 and 2013 biennium is driven by increases for:

- Higher number of persons eligible and growth in service utilization
- Discontinuation of the temporary 10% increase in the federal Medicaid match rate authorized by the federal American Recovery and Reinvestment Act of 2009
- An increase in the regular state Medicaid and CHIP matching rate apart from elimination of the temporary federal change

State special revenue and federal funding increases are due to higher enrollment and service utilization for Medicaid and Healthy Montana Kids, with federal funds partially offset by the discontinuation of the enhanced federal Medicaid match rate and a reduction in the ongoing rate.

Sources of state special revenue and what each supports are:

- Cigarette and tobacco tax health and Medicaid initiatives pays state match for Medicaid services, a portion of the state match for HMK, and the Big Sky Rx program (assistance to low-income persons to pay premiums for Medicare Part D prescription drug coverage)
- Insurance premium taxes pay a portion of the state match for Medicaid and the Children's Health Insurance Program (CHIP) federal grant funds
- Tobacco settlement funds and interest income from the tobacco settlement trust pay state match for Medicaid and the CHIP grant

The 2013 biennium state special revenue funds that support HRD services are discussed in the agency overview since the accounts support several DPHHS functions and the Insure Montana program (premium assistance and tax credits for small employers that provide group health insurance) administered by the State Auditor's Office.

There are two federal funding sources – state Medicaid matching funds and the federal CHIP grant. This division administers entitlement Medicaid services, meaning that persons who are deemed eligible for services must receive medically necessary services. The CHIP grant is a fixed federal grant that must be matched. The state has two years to spend a federal CHIP grant that it receives.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	64,901,357	64,901,357	129,802,714	52.21%	488,145,127	488,145,127	976,290,254	68.19%
Statewide PL Adjustments	29,770,889	29,771,076	59,541,965	23.95%	461,640	460,159	921,799	0.06%
Other PL Adjustments	28,528,144	33,521,743	62,049,887	24.96%	190,401,916	222,946,951	413,348,867	28.87%
New Proposals	(1,406,691)	(1,352,860)	(2,759,551)	(1.11%)	21,788,927	19,412,735	41,201,662	2.88%
Total Budget	\$121,793,699	\$126,841,316	\$248,635,015		\$700,797,610	\$730,964,972	\$1,431,762,582	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					633,422					630,416
Vacancy Savings					(179,736)					(179,615)
Inflation/Deflation					(5,068)					(4,947)
Fixed Costs					13,022					14,305
Total Statewide Present Law Adjustments		\$29,770,889	\$586,112	(\$29,895,361)	\$461,640		\$29,771,076	\$679,649	(\$29,990,566)	\$460,159
DP 11001 - Med Ben - Physical Health Caseload	0.00	19,615,370	3,844,431	58,460,352	81,920,153	0.00	22,094,799	3,637,800	71,669,148	97,401,747
DP 11002 - Med Ben - Medicare Buy-In Caseload	0.00	928,553	0	1,817,834	2,746,387	0.00	1,187,584	0	2,278,803	3,466,387
DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload	0.00	38,584	0	75,537	114,121	0.00	90,056	0	172,807	262,863
DP 11004 - Med Ben - Breast & Cerv Cancer Caseload	0.00	23,310	0	75,461	98,771	0.00	35,661	0	113,236	148,897
DP 11005 - FMAP Adj - HRD Medicaid	0.00	2,183,201	0	(2,183,201)	0	0.00	3,611,773	0	(3,611,773)	0
DP 11008 - Med Ben - Clawback Caseload	0.00	2,033,190	0	0	2,033,190	0.00	3,115,190	0	0	3,115,190
DP 11009 - Med Ben - IHS Caseload	0.00	0	0	16,249,579	16,249,579	0.00	0	0	28,436,763	28,436,763
DP 11010 - FMAP Adj - Clawback	0.00	4,198,641	0	0	4,198,641	0.00	4,198,641	0	0	4,198,641
DP 11011 - Hospital Cost Rpt Audit Contract Increases	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11013 - Med Ben - Executive Medicaid Caseload Est (RST)	0.00	7,270,118	0	19,874,759	27,144,877	0.00	6,973,623	0	20,433,896	27,407,519
DP 11016 - EFMADJ Adj - HMK	0.00	0	325,277	(325,277)	0	0.00	0	418,849	(418,849)	0
DP 11017 - HMK - CHIP - Caseload	0.00	0	2,073,581	6,712,778	8,786,359	0.00	0	2,326,135	7,386,327	9,712,462
DP 11020 - Med Ben - HMK Expansion Caseload	0.00	503,266	4,930,597	17,590,984	23,024,847	0.00	356,366	5,662,541	19,112,228	25,131,135
DP 11023 - Med Ben Hold Harmless Account - OTO	0.00	(8,492,261)	8,492,261	0	0	0.00	(8,492,261)	8,492,261	0	0
DP 11055 - Adjust HMK Funding for Available Revenue	0.00	0	(747,649)	(1,463,676)	(2,211,325)	0.00	0	(1,015,469)	(1,948,539)	(2,964,008)
DP 11112 - Hospital Utilization Fee Authority	0.00	0	4,152,211	(7,143,525)	(2,991,314)	0.00	0	4,277,342	(7,783,769)	(3,506,427)
DP 11113 - Administrative Claiming - MAC & MAM	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 11122 - Reduction to HRD Base	0.00	(307,268)	0	0	(307,268)	0.00	(307,268)	0	0	(307,268)
DP 11123 - Re-establish Medicaid Hospital Services Base (OTO)	0.00	0	307,268	0	307,268	0.00	0	261,291	0	261,291
DP 11506 - Presumptive Eligibility - Healthy Montana Kids	0.00	1,677,400	0	5,430,228	7,107,628	0.00	1,801,539	0	5,720,546	7,522,085
DP 11511 - Restore Federal Funds	0.00	0	0	25,538,211	25,538,211	0.00	0	0	25,968,585	25,968,585
DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm	0.00	(1,268,960)	0	(2,484,249)	(3,753,209)	0.00	(1,268,960)	0	(2,434,951)	(3,703,911)
Total Other Present Law Adjustments	0.00	\$28,528,144	\$23,377,977	\$138,495,795	\$190,401,916	0.00	\$33,521,743	\$24,060,750	\$165,364,458	\$222,946,951
Grand Total All Present Law Adjustments	0.00	\$58,299,033	\$23,964,089	\$108,600,434	\$190,863,556	0.00	\$63,292,819	\$24,740,399	\$135,373,892	\$223,407,110

New Proposal

Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 11014 - Health Care Reform Rebate Reduction	11	0.00	791,154	0	1,548,846	2,340,000	0.00	801,684	0	1,538,316	2,340,000
DP 11027 - Med Ben - Indian Property Exclusion - OTO	11	0.00	0	262,543	513,982	776,525	0.00	0	266,037	510,488	776,525
DP 11119 - Med Ben - Restore Adult Transplants	11	0.00	0	253,575	496,425	750,000	0.00	0	256,950	493,050	750,000
DP 11121 - Make Temporary HMK FTE Permanent	11	15.00	0	158,125	511,895	670,020	15.00	0	157,071	498,761	655,832
DP 11125 - Offset General Fund with Health/Medicaid SSR	11	0.00	(425,179)	425,179	0	0	0.00	(462,959)	462,959	0	0
DP 11130 - Health Information Technology Incentive Payments	11	0.00	0	0	18,853,000	18,853,000	0.00	0	0	16,476,500	16,476,500
DP 55411 - 4% Personal Services Budget Reduction	11	0.00	(24,772)	0	(24,772)	(49,544)	0.00	(24,772)	0	(24,772)	(49,544)
DP 55420 - 17-7-140 Operation Efficiencies	11	0.00	(49,907)	0	(49,907)	(99,814)	0.00	(49,907)	0	(49,907)	(99,814)
DP 95111 - Eliminate Big Sky Rx Program	11	(5.00)	0	(4,003,223)	0	(4,003,223)	(5.00)	0	(4,003,223)	0	(4,003,223)
DP 95112 - 9% Reduction Physician and Anesthesia RBRVS	11	0.00	(1,667,829)	0	(3,265,117)	(4,932,946)	0.00	(1,667,829)	0	(3,200,323)	(4,868,152)
DP 95113 - Eliminate Hosp. Adj. - Ped Mental Health & Newborn	11	0.00	(635,000)	0	(1,243,143)	(1,878,143)	0.00	(635,000)	0	(1,218,473)	(1,853,473)
DP 95114 - Dental Reduction - Limit on Crown Services	11	0.00	(318,068)	0	(622,683)	(940,751)	0.00	(318,068)	0	(610,327)	(928,395)
DP 95115 - Reduction - Dual Eligible Hospital Crossover Cov.	11	0.00	(203,986)	0	(399,344)	(603,330)	0.00	(203,986)	0	(391,420)	(595,406)
DP 96111 - Big Sky Rx (Biennial)	11	5.00	0	4,003,223	0	4,003,223	5.00	0	4,003,223	0	4,003,223
DP 96112 - Restore 9% RBRVS Reduction	11	0.00	798,425	869,404	3,265,123	4,932,952	0.00	877,360	790,469	3,200,323	4,868,152
DP 96113 - Restore 5% - Hosp. Adj. - Ped. Mental Health	11	0.00	635,000	0	1,243,143	1,878,143	0.00	635,000	0	1,218,473	1,853,473
DP 96116 - Reinstate Dual Eligible Hospital Crossover Cov.	11	0.00	203,986	0	399,344	603,330	0.00	203,986	0	391,420	595,406
DP 97100 - Reduction in Workers' Compensation Costs	11	0.00	(510,515)	0	0	(510,515)	0.00	(508,369)	0	0	(508,369)
Total	15.00	(\$1,406,691)	\$1,968,826	\$21,226,792	\$21,788,927	\$21,788,927	15.00	(\$1,352,860)	\$1,933,486	\$18,832,109	\$19,412,735

Language and Statutory Authority

The legislature included the following language in HB 2.

"Health Resources Division includes a reduction in general fund money of \$510,515 in FY 2012 and \$508,369 in FY 2013. The agency may allocate this reduction in funding among programs when developing 2013 biennium operating plans."

"Federal special revenue appropriated to the Department of Public Health and Human Services may be allocated among programs when developing 2013 biennial operating plans."

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 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Leg. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Leg. Budget Fiscal 2013	Total Leg. Budget Fiscal 12-13
FTE	43.50	0.00	0.00	43.50	0.00	0.00	43.50	43.50
Personal Services	2,267,940	402,841	(510,515)	2,160,266	402,105	(508,369)	2,161,676	4,321,942
Operating Expenses	6,149,091	436,752	(149,358)	6,436,485	438,050	(149,358)	6,437,783	12,874,268
Grants	0	0	18,853,000	18,853,000	0	16,476,500	16,476,500	35,329,500
Benefits & Claims	427,736,071	151,088,082	2,539,063	581,363,216	180,186,269	2,670,501	610,592,841	1,191,956,057
Transfers	0	0	386,717	386,717	0	267,629	267,629	654,346
Total Costs	\$436,153,102	\$151,927,675	\$21,118,907	\$609,199,684	\$181,026,424	\$18,756,903	\$635,936,429	\$1,245,136,113
General Fund	64,901,357	56,118,367	(1,406,691)	119,613,033	61,134,914	(1,352,860)	124,683,411	244,296,444
State/Other Special	32,143,371	16,049,889	1,810,701	50,003,961	15,654,604	1,776,415	49,574,390	99,578,351
Federal Special	339,108,374	79,759,419	20,714,897	439,582,690	104,236,906	18,333,348	461,678,628	901,261,318
Total Funds	\$436,153,102	\$151,927,675	\$21,118,907	\$609,199,684	\$181,026,424	\$18,756,903	\$635,936,429	\$1,245,136,113

Sub-Program Description

The Medicaid subprogram administers Medicaid physical health services such as hospital, physician, and pharmacy services. It is the single largest component of the HRD division appropriation. The major increases in the 2013 biennium compared to base budget expenditures are:

- Medicaid enrollment and service utilization increases - \$290.5 million (\$63.4 million general fund), including funds for HMK services provided to children in families with incomes below 100% of the federal poverty level
- Federal funds that may be distributed to other programs when the department establishes its operating budgets at the beginning of the fiscal year - \$51.5 million federal funds
- One-time federal pass through incentive payments to health providers that adopt electronic health records - \$35.3 million federal funds

A significant portion of the general fund appropriation change is due to discontinuation of the temporary 10% increase in the federal Medicaid match rate in the 2011 biennium. HB 645 allowed the Office of Budget and Program Planning to increase general fund and reduce federal funds in the FY 2010 adjusted base budget equal to the 10% match rate change. The effect for the Medicaid subprogram was an increase of about \$29.0 million general fund with a like reduction in federal funds.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	64,901,357	64,901,357	129,802,714	53.13%	436,153,102	436,153,102	872,306,204	70.06%
Statewide PL Adjustments	29,770,889	29,771,076	59,541,965	24.37%	444,593	445,155	889,748	0.07%
Other PL Adjustments	26,347,478	31,363,838	57,711,316	23.62%	151,483,082	180,581,269	332,064,351	26.67%
New Proposals	(1,406,691)	(1,352,860)	(2,759,551)	(1.13%)	21,118,907	18,756,903	39,875,810	3.20%
Total Budget	\$119,613,033	\$124,683,411	\$244,296,444		\$609,199,684	\$635,936,429	\$1,245,136,113	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					514,123					513,359
Vacancy Savings					(111,282)					(111,254)
Inflation/Deflation					(533)					(518)
Fixed Costs					42,285					43,568
Total Statewide Present Law Adjustments		\$29,770,889	\$1,367	(\$29,327,663)	\$444,593		\$29,771,076	\$1,379	(\$29,327,300)	\$445,155
DP 11001 - Med Ben - Physical Health Caseload	0.00	19,615,370	3,844,431	58,460,352	81,920,153	0.00	22,094,799	3,637,800	71,669,148	97,401,747
DP 11002 - Med Ben - Medicare Buy-In Caseload	0.00	928,553	0	1,817,834	2,746,387	0.00	1,187,584	0	2,278,803	3,466,387
DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload	0.00	38,584	0	75,537	114,121	0.00	90,056	0	172,807	262,863
DP 11004 - Med Ben - Breast & Cerv Cancer Caseload	0.00	23,310	0	75,461	98,771	0.00	35,661	0	113,236	148,897
DP 11005 - FMAP Adj - HRD Medicaid	0.00	2,183,201	0	(2,183,201)	0	0.00	3,611,773	0	(3,611,773)	0
DP 11008 - Med Ben - Clawback Caseload	0.00	2,033,190	0	0	2,033,190	0.00	3,115,190	0	0	3,115,190
DP 11009 - Med Ben - IHS Caseload	0.00	0	0	16,249,579	16,249,579	0.00	0	0	28,436,763	28,436,763
DP 11010 - FMAP Adj - Clawback	0.00	4,198,641	0	0	4,198,641	0.00	4,198,641	0	0	4,198,641
DP 11011 - Hospital Cost Rpt Audit Contract Increases	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11013 - Med Ben - Executive Medicaid Caseload Est (RST)	0.00	7,270,118	0	19,874,759	27,144,877	0.00	6,973,623	0	20,433,896	27,407,519
DP 11023 - Med Ben Hold Harmless Account - OTO	0.00	(8,492,261)	8,492,261	0	0	0.00	(8,492,261)	8,492,261	0	0
DP 11055 - Adjust HMK Funding for Available Revenue	0.00	0	(747,649)	(1,463,676)	(2,211,325)	0.00	0	(1,015,469)	(1,948,539)	(2,964,008)
DP 11112 - Hospital Utilization Fee Authority	0.00	0	4,152,211	(7,143,525)	(2,991,314)	0.00	0	4,277,342	(7,783,769)	(3,506,427)
DP 11113 - Administrative Claiming - MAC & MAM	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 11122 - Reduction to HRD Base	0.00	(307,268)	0	0	(307,268)	0.00	(307,268)	0	0	(307,268)
DP 11123 - Re-establish Medicaid Hospital Services Base (OTO)	0.00	0	307,268	0	307,268	0.00	0	261,291	0	261,291
DP 11511 - Restore Federal Funds	0.00	0	0	25,538,211	25,538,211	0.00	0	0	25,968,585	25,968,585
DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm	0.00	(1,268,960)	0	(2,484,249)	(3,753,209)	0.00	(1,268,960)	0	(2,434,951)	(3,703,911)
Total Other Present Law Adjustments	0.00	\$26,347,478	\$16,048,522	\$109,087,082	\$151,483,082	0.00	\$31,363,838	\$15,653,225	\$133,564,206	\$180,581,269
Grand Total All Present Law Adjustments	0.00	\$56,118,367	\$16,049,889	\$79,759,419	\$151,927,675	0.00	\$61,134,914	\$15,654,604	\$104,236,906	\$181,026,424

Statewide Present Law Adjustments

HRD statewide present law adjustments include a funding shift that increases general fund by \$29.0 million and reduces federal Medicaid matching funds by a like amount. This base adjustment was authorized in HB 645 to take into account the general fund increase that is necessary in the 2013 biennium due to discontinuation of the 10% temporary increase in the federal Medicaid matching rate during FY 2010. All Medicaid services and foster care services include this adjustment.

DP 11001 - Med Ben - Physical Health Caseload - Statewide Present Law Funding Shift

The legislature appropriated \$179.3 million in total funds, including \$41.7 million general fund, \$7.5 million Healthy Montana Kids insurance premium state special revenue, and \$130.1 million in federal funds for projected changes in the number of eligible persons, service utilization, and patient acuity levels. Examples of caseload services are: inpatient and outpatient hospital, dental, pharmacy, and physicians. Healthy Montana Kids state special revenue supports part of the state Medicaid matching costs for children in families with incomes below 100% of the federal poverty level.

The legislature also funded part of the executive request for additional Medicaid funding based on updated caseload estimates in February 2011. That appropriation (\$54.6 million total funds, including \$14.2 million general fund) is included in PL 11013.

DP 11002 - Med Ben - Medicare Buy-In Caseload - The legislature approved the executive request to add \$6.2 million, including \$2.1 million general fund, for expected increases in premiums for Medicare Part A (inpatient care) and Part B (outpatient services). The state Medicaid program purchases Medicare coverage for persons eligible for both programs. Medicare then covers the cost of most services for the individual. Medicaid is only liable for the costs of non-Medicare covered services and for some co-insurance and deductibles related to services utilized. Base expenditures were \$24.5 million.

The legislature also funded part of the executive request for additional Medicaid funding for the Medicare buy-in based on updated caseload estimates in February 2011. That appropriation (\$41.9 million total funds, including \$14.2 million general fund) is included in PL 11013.

DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload - The legislature appropriated \$376,984 total funds, including \$124,640 general fund, to continue implementation of a Medicaid buy-in program for workers with disabilities. Montana's eligibility standards cover people with incomes up to 250% of the federal poverty level. This program allows workers with disabilities whose resources or income exceeds the limits for eligibility under existing coverage groups to qualify for Medicaid and pay premiums as a condition of program eligibility. The program allows people with disabilities to receive medical benefits that support continued employment.

DP 11004 - Med Ben - Breast & Cerv Cancer Caseload - The legislature approved \$247,668 for the biennium including \$58,971 general fund and \$188,697 in federal funds for the breast and cervical cancer treatment program. Base expenditures were \$4.9 million. The Medicaid program provides health care coverage 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% 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 - the same coverage that is provided under the FAIM (Families Achieving Independence in Montana) program.

DP 11005 - FMAP Adj - HRD Medicaid - The legislature appropriated \$5.8 million in general fund offset by an equal reduction in federal funds. This funding change accounts for the increase in the state Medicaid match rate for base budget expenditures. The state match rises from about 32% to about 34%.

DP 11008 - Med Ben - Clawback Caseload - The legislature added \$5.1 million general fund over the biennium to pay costs required by the Medicare Modernization Act (MMA), which implemented prescription drug coverage for Medicare eligible persons. Previous to this expansion Medicaid programs covered prescription drug costs for some low-income

Medicare eligible persons. States are required to reimburse a portion of state Medicaid savings due to the MMA to the federal government through a phased down contribution known as clawback. The annual clawback payment is adjusted each year based on the number of persons eligible for both Medicare and Medicaid and a federally determined adjustment for the cost of prescription drugs. Base budget expenditures were \$9.2 million. An adjustment was also made in DP 11010 for increased match required due to the expiration of the enhanced federal Medicaid match rate.

DP 11009 - Med Ben - IHS Caseload - The legislature appropriated \$44.7 million in federal funds for the projected caseload and federal rate increases as well as a major modification to the method of payment for services for the Medicaid Indian Health Services program. The establishment of rates for Indian Health Services will now be based on an encounter (per visit) rate more comparable to a fee-for-service methodology rather than an all-inclusive rate, which covers multiple services received in one day with one billed claim. Base budget expenditures were \$32.5 million.

The legislature also funded part of the executive request for additional IHS Medicaid payments based on updated caseload estimates in February 2011. That appropriation (\$54.5 million total funds, including \$14.2 million general fund) is included in PL 11013.

DP 11010 - FMAP Adj - Clawback - The legislature appropriated \$8.4 million general fund for increased state Medicaid matching funds for the clawback payment. The American Recovery and Reinvestment Act of 2009 temporarily increased the federal Medicaid match rate by nearly 10% in FY 2010, reducing the clawback payment. The added general fund will pay the increased state Medicaid match. Base expenditures were \$9.2 million. With DP 11008, the total general fund increase for matching funds for clawback payments is \$13.5 million.

DP 11011 - Hospital Cost Rpt Audit Contract Increases - The legislature appropriated \$500,000 over the biennium for hospital cost report audits, half from the general fund and half in federal funds. The audits are required by federal law and are critical for calculating items related to disproportionate share payments. Base expenditures for hospital cost reports audits were \$355,200.

Disproportionate share audits were initiated in 2010, but not all annual audits were completed. The appropriation reflects additional resources necessary to complete the requirements for annual audits on an ongoing basis.

DP 11013 - Med Ben - Executive Medicaid Caseload Est (RST) - The legislature appropriated \$56.6 million, including \$14.2 million general fund, for increased Medicaid caseload costs that were above the level included in the December 15, 2010 executive budget request. DPHHS presented revised Medicaid caseload estimates in February 2011 that anticipated cost increases of \$80.3 million (including \$22.4 million general fund) more in the 2013 biennium and the Governor's budget office recommended funding the increased cost.

About \$25.6 million total funds (\$8.7 million) of the February Medicaid update was due to recently published changes to the Medicare reimbursement system used by DPHHS to develop Medicaid rates for physician services. SB 241 changed state statute (53-6-125, MCA) to allow DPHHS to modify the variables it uses to calculate Medicaid physician rates, which negated the need for the additional \$25.6 million. Therefore the legislative appropriation is sufficient to cover the anticipated costs included in the February 2011 updated caseload projection.

DP 11023 - Med Ben Hold Harmless Account - OTO - The legislature appropriated \$17.0 million in state special revenue and reduced general fund by the same amount. The state special revenue is from the Medicaid reserve account established in section 34 of HB 645 passed by the 2009 Legislature. States were allowed to set aside savings of a small portion of the enhanced federal Medicaid match rate (the hold harmless component). Funds in the account must be used by the department for Medicaid benefits after June 30, 2011. The legislature allocated this funding change equally between fiscal years.

Revenue flow into the account ended December 31, 2010 and was fully appropriated in the 2013 biennium. The agency will need to request additional funds to continue services funded from this one-time appropriation or propose reductions to Medicaid expenditures to offset the loss of state matching funds.

DP 11055 - Adjust HMK Funding for Available Revenue - The legislature reduced tobacco settlement state special revenue to balance expenditures from the account with revenues, because the account was over budgeted. Since the state special revenue is used as state Medicaid match, the legislature also reduced federal Medicaid appropriations. Tobacco settlement funds are discussed further in the agency section of this narrative.

DP 11112 - Hospital Utilization Fee Authority - The legislature appropriated \$8.4 million state special revenue and reduced federal funds by \$15.0 million for a net reduction of \$6.5 million over the biennium. The source of state special revenue is hospital utilization fee (\$50 per day). The increase in state special revenue is due to anticipated increases in the number of inpatient hospital days in the 2013 biennium. The reduction in federal Medicaid funds is due to a change in federal Medicaid match, which returns to the normal rate (about 66% in the 2013 biennium). The federal match rate was about 10% higher in FY 2010 due to a temporary increase authorized by the American Recovery and Reinvestment Act of 2009.

DP 11113 - Administrative Claiming - MAC & MAM - This appropriation of \$290,000 federal funds over the biennium provides funding for the administrative match claiming with the seven tribal governments and schools. This funding provides federal reimbursement of eligible Medicaid outreach and administrative services performed by both the school districts and tribal nations.

DP 11122 - Reduction to HRD Base - The legislature reduced general fund by \$307,268 each year of the biennium. Hospital services increased beyond the budgeted benefit appropriation. Funds were transferred from the Montana State Hospital budget to fund the Medicaid hospital cost overrun. This change removes \$307,268 in general fund and brings the program back to the level established by the 2009 Legislature. The legislature restored this funding in DP 11123 using state special Medicaid reserve funds.

DP 11123 - Re-establish Medicaid Hospital Services Base (OTO) - The legislature appropriated \$307,268 in FY 2012 and \$261,291 in FY 2013 to restore Medicaid hospital services to the FY 2010 expenditure level. The appropriation is for the 2013 biennium only. This proposal offsets DP 11122. The appropriation is one-time only supported from the Medicaid reserve state special revenue account funded from a portion of the enhanced federal Medicaid match rate authorized by the American Recovery and Reinvestment Act of 2009.

DP 11511 - Restore Federal Funds - The legislature approved \$51.5 million in federal appropriation authority to be allocated throughout Department of Public Health and Human Services.

DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm - This proposal continues the savings from the State Maximum Allowable Cost (SMAC) program to pay the lowest cost for drugs marketed or sold by three or more manufacturers or labelers and specific brand name prescription drugs. The program was included in the 17-7-140 spending reductions implemented in the 2011 biennium. It reduces general fund by \$1.3 million each year.

New Proposals

Sub Program	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11014 - Health Care Reform Rebate Reduction										
01	0.00	791,154	0	1,548,846	2,340,000	0.00	801,684	0	1,538,316	2,340,000
DP 11027 - Med Ben - Indian Property Exclusion - OTO										
01	0.00	0	262,543	513,982	776,525	0.00	0	266,037	510,488	776,525
DP 11119 - Med Ben - Restore Adult Transplants										
01	0.00	0	253,575	496,425	750,000	0.00	0	256,950	493,050	750,000
DP 11125 - Offset General Fund with Health/Medicaid SSR										
01	0.00	(425,179)	425,179	0	0	0.00	(462,959)	462,959	0	0
DP 11130 - Health Information Technology Incentive Payments										
01	0.00	0	0	18,853,000	18,853,000	0.00	0	0	16,476,500	16,476,500
DP 55411 - 4% Personal Services Budget Reduction										
01	0.00	(24,772)	0	(24,772)	(49,544)	0.00	(24,772)	0	(24,772)	(49,544)
DP 55420 - 17-7-140 Operation Efficiencies										
01	0.00	(49,907)	0	(49,907)	(99,814)	0.00	(49,907)	0	(49,907)	(99,814)
DP 95112 - 9% Reduction Physician and Anesthesia RBRVS										
01	0.00	(1,667,829)	0	(3,265,117)	(4,932,946)	0.00	(1,667,829)	0	(3,200,323)	(4,868,152)
DP 95113 - Eliminate Hosp. Adj. - Ped Mental Health & Newborn										
01	0.00	(635,000)	0	(1,243,143)	(1,878,143)	0.00	(635,000)	0	(1,218,473)	(1,853,473)
DP 95114 - Dental Reduction - Limit on Crown Services										
01	0.00	(318,068)	0	(622,683)	(940,751)	0.00	(318,068)	0	(610,327)	(928,395)
DP 95115 - Reduction - Dual Eligible Hospital Crossover Cov.										
01	0.00	(203,986)	0	(399,344)	(603,330)	0.00	(203,986)	0	(391,420)	(595,406)
DP 96112 - Restore 9% RBRVS Reduction										
01	0.00	798,425	869,404	3,265,123	4,932,952	0.00	877,360	790,469	3,200,323	4,868,152
DP 96113 - Restore 5% - Hosp. Adj. - Ped. Mental Health										
01	0.00	635,000	0	1,243,143	1,878,143	0.00	635,000	0	1,218,473	1,853,473
DP 96116 - Reinstate Dual Eligible Hospital Crossover Cov.										
01	0.00	203,986	0	399,344	603,330	0.00	203,986	0	391,420	595,406
DP 97100 - Reduction in Workers' Compensation Costs										
01	0.00	(510,515)	0	0	(510,515)	0.00	(508,369)	0	0	(508,369)
Total	0.00	(\$1,406,691)	\$1,810,701	\$20,714,897	\$21,118,907	0.00	(\$1,352,860)	\$1,776,415	\$18,333,348	\$18,756,903

DP 11014 - Health Care Reform Rebate Reduction - The legislature appropriated \$4.7 million total funds for the biennium, including \$1.6 million general fund and \$3.1 million federal funds to offset changes included in the Patient Protection and Affordable Care Act of 2010 (PPACA), which increased the minimum federal drug rebate in many cases from 15.1% to 23.1%. Montana had supplemental rebate agreements in place in excess of the federal minimum rebate amounts and previously collected the state share of these rebates. Drug rebates are payments from drug companies to state Medicaid programs based on drug sales. Rebates offset the cost of Medicaid drug costs. It is estimated that the federal change will decrease Montana's share of rebates by \$2,340,000 each year.

DP 11027 - Med Ben - Indian Property Exclusion - OTO - The legislature appropriated \$1.6 million total funds, including \$0.6 million in Medicaid reserve state special revenue funds. Federal changes exempted certain Indian property from consideration in Medicaid eligibility determination resulting in additional persons becoming eligible for Medicaid. This change was funded from a one-time appropriation in the 2011 biennium. This appropriation reinstates funding to continue Medicaid services in the 2013 biennium, again as a one-time appropriation. The state special revenue is from a portion of the enhanced federal Medicaid match rate authorized in the American Economic Recovery and Reinvestment Act of 2009. The "hold harmless" component of the enhanced federal Medicaid rate was deposited to a state special revenue account for use as Medicaid match during the 2013 biennium.

DP 11119 - Med Ben - Restore Adult Transplants - The legislature appropriated funds to continue Medicaid funding for non-experimental organ or tissue transplants for adults. The 2009 Legislature approved one-time funding and this appropriation makes coverage of those procedures permanent. The appropriation of \$1.5 million total funds for the biennium includes \$0.5 million in health and Medicaid initiatives tobacco tax state special revenue for state matching funds.

DP 11125 - Offset General Fund with Health/Medicaid SSR - The legislature reduced general fund Medicaid match by \$0.9 million over the biennium and replaced it with a like amount of state special revenue from the health and Medicaid initiatives account. This change restores some of the state special revenue that was appropriated to hospital and clinic services in support of provider rate increases in previous biennia.

DP 11130 - Health Information Technology Incentive - OTO - The legislature appropriated \$35.3 million federal funds over the biennium for grants to Medicaid providers that adopt, implement, upgrade and meaningfully use certified electronic health technology. Medical professionals and hospitals are eligible for up to \$63,750 in grant funds over three years. Federal funding was authorized in the American Recovery and Reinvestment Act of 2009. The appropriation is for the 2013 biennium only.

DP 55411 - 4% Personal Services Budget Reduction - The legislature adopted the Governor's 4% reduction in general fund personal services budgets, which lowered general fund by \$24,772 per year and represents a 2% reduction for HRD. This amount was calculated based on the anticipated general fund budgeted for personal services and will reduce operating expenses in the consultant and professional services category.

DP 55420 - 17-7-140 Operation Efficiencies - This reduction lowers general fund spending by \$49,907 for each year of the biennium. This amount annualizes and makes permanent the 17-7-140, MCA, 5% budget reduction put in place in the 2011 biennium. HRD will eliminate the Oregon Health and Science Contract, which reviews evidence-based benefits and design coverage. Loss of this contract reduces the capacity to develop evidence-based coverage and reimbursement policy.

DP 95112 - 9% Reduction Physician and Anesthesia RBRVS - The legislature initially reduced Medicaid appropriations by \$9.8 million. This action would have lowered Medicaid reimbursement for physicians to the Medicare rate. This proposal was submitted as part of the 5% budget reduction plan required by 17-7-111(3)(g), MCA. An amendment to 53-6-125, MCA, which establishes the methodology that DPHHS must use to determine Medicaid reimbursement for physicians, was required to implement this reduction. This action was reversed by DP 96112, which fully restored funding to maintain physician reimbursement at FY 2010 levels.

DP 95113 - Eliminate Hosp. Adj. - Ped Mental Health & Newborn - The legislature initially reduced Medicaid appropriations by \$2.5 million as part of the budget starting point. The legislature reversed its action in DP 96113. The reduction would have lowered Medicaid reimbursement for certain inpatient hospital mental health services for children by up to 30% in the 2013 biennium. This item was included in the 5% budget reduction plan submitted by the agency as required by 17-7-111(3)(g), MCA.

DP 95114 - Dental Reduction - Limit on Crown Services - The legislature reduced Medicaid services appropriations for dental services by \$1.9 million. DPHHS limited Medicaid reimbursement for crowns to two per adult per year. DPHHS estimated that the number of crowns above the 2 per year limit was 607 crowns provided to 256 adults. This item was included in the 5% budget reduction plan submitted by the agency as required by 17-7-111(3)(g), MCA.

DP 95115 - Reduction - Dual Eligible Hospital Crossover Cov. - The legislature initially reduced Medicaid services appropriations for hospital reimbursement by \$1.2 million as part of the budget starting point. The action was reversed in DP 96115. Medicaid reimbursement for inpatient hospital services currently includes payment for the full deductible and coinsurance for persons who are eligible for both Medicare and Medicaid (dual eligibles). This change would have limited total Medicaid reimbursement for inpatient services for dual eligibles to the Medicaid rate. This item was included in the 5% budget reduction plan submitted by the agency as required by 17-7-111(3)(g), MCA.

DP 96112 - Restore 9% RBRVS Reduction - The legislature restored the 9% reduction in physician rates that was adopted in DP 95112 as part of the legislative budget starting point. The proposal was included in the 5% budget reduction plans submitted by the agency as required by statute. The legislature appropriated \$.17 million general fund, \$1.7 million state special revenue from the health and Medicaid initiatives account, and \$6.5 million in federal matching funds.

DP 96113 - Restore 5% - Hosp. Adj. - Ped. Mental Health - The legislature restored \$3.7 million in funding to offset the reduction it originally adopted in DP 95113. With this change there would not be a reduction in Medicaid reimbursement levels for certain inpatient mental health services for children due to legislative appropriation action.

DP 96116 - Reinstate Dual Eligible Hospital Crossover Cov. - The legislature reinstated funding for the 5% reduction in DP 95115 that was adopted in the budget starting point. This appropriation adds \$1.2 million for Medicaid hospital reimbursement, including \$0.4 million general fund. This appropriation will continue Medicaid reimbursement for inpatient hospital services for the full deductible and coinsurance for persons who are eligible for both Medicare and Medicaid (dual eligibles).

DP 97100 - Reduction in Workers' Compensation Costs - The legislature reduced general fund support for workers' compensation costs based upon the anticipated impact of HB 334. The agency may allocate this reduction in funding among programs.

Sub-Program Details**HEALTHY MONTANA KIDS 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 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Leg. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Leg. Budget Fiscal 2013	Total Leg. Budget Fiscal 12-13
FTE	27.50	0.00	15.00	42.50	0.00	15.00	42.50	42.50
Personal Services	1,345,382	45,118	629,745	2,020,245	43,571	628,365	2,017,318	4,037,563
Operating Expenses	1,958,263	679,082	40,275	2,677,620	724,475	27,467	2,710,205	5,387,825
Equipment & Intangible Assets	2,950	0	0	2,950	0	0	2,950	5,900
Benefits & Claims	44,658,621	38,234,665	0	82,893,286	41,636,226	0	86,294,847	169,188,133
Total Costs	\$47,965,216	\$38,958,865	\$670,020	\$87,594,101	\$42,404,272	\$655,832	\$91,025,320	\$178,619,421
General Fund	0	2,180,666	0	2,180,666	2,157,905	0	2,157,905	4,338,571
State/Other Special	10,863,619	7,937,184	158,125	18,958,928	9,109,381	157,071	20,130,071	39,088,999
Federal Special	37,101,597	28,841,015	511,895	66,454,507	31,136,986	498,761	68,737,344	135,191,851
Total Funds	\$47,965,216	\$38,958,865	\$670,020	\$87,594,101	\$42,404,272	\$655,832	\$91,025,320	\$178,619,421

Sub-Program Description

The Healthy Montana Kids (HMK) subprogram includes the budget authority for administration and the funding for 2 of the 3 eligibility components of HMK:

- o the HMK/CHIP population of children in families with incomes above 133% of the federal poverty level
- o the HMK Plus expansion group of children in families with incomes between 101% to 133% of the federal poverty level

The services cost for the component HMK Plus group of children in families with incomes lower than 100% of the federal poverty level are funded in the Medicaid Services subprogram.

The HMK appropriation increases due to:

- o Per child cost increase of 6% annually, projected enrollment growth, and implementation of presumptive eligibility - \$61.0 million
- o Addition of 15.00 FTE for program administration (20.00 FTE agency wide) - \$1.3 million

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0.00%	47,965,216	47,965,216	95,930,432	53.71%
Statewide PL Adjustments	0	0	0	0.00%	40,031	38,590	78,621	0.04%
Other PL Adjustments	2,180,666	2,157,905	4,338,571	100.00%	38,918,834	42,365,682	81,284,516	45.51%
New Proposals	0	0	0	0.00%	670,020	655,832	1,325,852	0.74%
Total Budget	\$2,180,666	\$2,157,905	\$4,338,571		\$87,594,101	\$91,025,320	\$178,619,421	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget adopted 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					103,056					101,441
Vacancy Savings					(57,938)					(57,870)
Inflation/Deflation					(4,607)					(4,501)
Fixed Costs					(480)					(480)
Total Statewide Present Law Adjustments		\$0	\$607,729	(\$567,698)	\$40,031		\$0	\$701,856	(\$663,266)	\$38,590
DP 11016 - EFMAP Adj - HMK	0.00	0	325,277	(325,277)	0	0.00	0	418,849	(418,849)	0
DP 11017 - HMK - CHIP - Caseload	0.00	0	2,073,581	6,712,778	8,786,359	0.00	0	2,326,135	7,386,327	9,712,462
DP 11020 - Med Ben - HMK Expansion Caseload	0.00	503,266	4,930,597	17,590,984	23,024,847	0.00	356,366	5,662,541	19,112,228	25,131,135
DP 11506 - Presumptive Eligibility - Healthy Montana Kids	0.00	1,677,400	0	5,430,228	7,107,628	0.00	1,801,539	0	5,720,546	7,522,085
Total Other Present Law Adjustments	0.00	\$2,180,666	\$7,329,455	\$29,408,713	\$38,918,834	0.00	\$2,157,905	\$8,407,525	\$31,800,252	\$42,365,682
Grand Total All Present Law Adjustments	0.00	\$2,180,666	\$7,937,184	\$28,841,015	\$38,958,865	0.00	\$2,157,905	\$9,109,381	\$31,136,986	\$42,404,272

Statewide Present Law Funding Shift

HMK statewide present law adjustments include a funding shift that increases state special by \$0.6 million and reduces federal Medicaid matching funds by a like amount. This base adjustment was authorized in HB 645 to take into account the state funding increase that is necessary in the 2013 biennium due to discontinuation of the 10% temporary increase in the federal Medicaid matching rate during FY 2010. All Medicaid services and foster care services include this adjustment. The total adjustment is summarized in the agency overview.

DP 11016 - EFMAP Adj - HMK - The legislature approved \$744,126 in insurance premium tax state special revenue and reduced federal funds by a like amount to fund the increase in the state match rate for the federal CHIP grant. This action funds correct state/federal match ratio needed to continue base budget services. The state match will increase gradually from 22.70% in FY 2010 to 23.95% in FY 2013.

DP 11017 - HMK - CHIP - Caseload - The legislature appropriated \$18.5 million in total funds for increased enrollment in the CHIP component of the Healthy Montana Kids (HMK) program. This portion of HMK cost increases is for children in families with incomes between 134%-250% of the federal poverty level (comparable to the former CHIP program). Base expenditures for the CHIP program medical services component of HMK were \$28.6 million.

DP 11020 - Med Ben - HMK Expansion Caseload - The legislature appropriated \$48.2 million in total funds (including \$0.9 million general fund) for HMK services for children in families with incomes between 101%-133% of the federal poverty level. Base level expenditures for medical services for this component of HMK were \$15.9 million.

DP 11506 - Presumptive Eligibility - Healthy Montana Kids - The legislature approved the executive request to fund presumptive eligibility for the Healthy Montana Kids program, appropriating \$14.6 million total funds, including \$3.5 million general fund. Presumptive eligibility allows medical providers to assist families in completing eligibility for HMK and if it appears that the family income is within eligibility limits to presume the children are eligible for HMK for up to 60 days. Families must complete the full eligibility review process through DPHHS to maintain continued enrollment in HMK.

New Proposals

Sub Program	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11121 - Make Temporary HMK FTE Permanent 02	15.00	0	158,125	511,895	670,020	15.00	0	157,071	498,761	655,832
Total	15.00	\$0	\$158,125	\$511,895	\$670,020	15.00	\$0	\$157,071	\$498,761	\$655,832

DP 11121 - Make Temporary HMK FTE Permanent - The legislature appropriated funds for 15.00 new FTE for HMK administration. In addition to the 15.00 FTE funded for HRD, the legislature approved funding for 5.00 FTE for HMK eligibility determination in the Human and Community Services Division (HCSD). Funding for the HCSD FTE is included in the HCSD budget.

The 2009 Legislature approved 24.00 FTE to implement the Healthy Montana Kids Plan (HMK) with 12 funded on a one-time basis. Legislative action for the 2013 biennium continues the 24.00 FTE from the 2009 biennium, and adds funding for an additional 8.00 FTE. All FTE are funded on a permanent basis. Total FTE allocations are 8.00 FTE for HCSD and 24.00 FTE for HRD.

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 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Leg. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Leg. Budget Fiscal 2013	Total Leg. Budget Fiscal 12-13
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	246,672	5,727	0	252,399	5,125	0	251,797	504,196
Operating Expenses	339,567	(28,711)	0	310,856	(28,711)	0	310,856	621,712
Benefits & Claims	3,440,570	0	0	3,440,570	0	0	3,440,570	6,881,140
Total Costs	\$4,026,809	(\$22,984)	\$0	\$4,003,825	(\$23,586)	\$0	\$4,003,223	\$8,007,048
State/Other Special	4,026,809	(22,984)	0	4,003,825	(23,586)	0	4,003,223	8,007,048
Total Funds	\$4,026,809	(\$22,984)	\$0	\$4,003,825	(\$23,586)	\$0	\$4,003,223	\$8,007,048

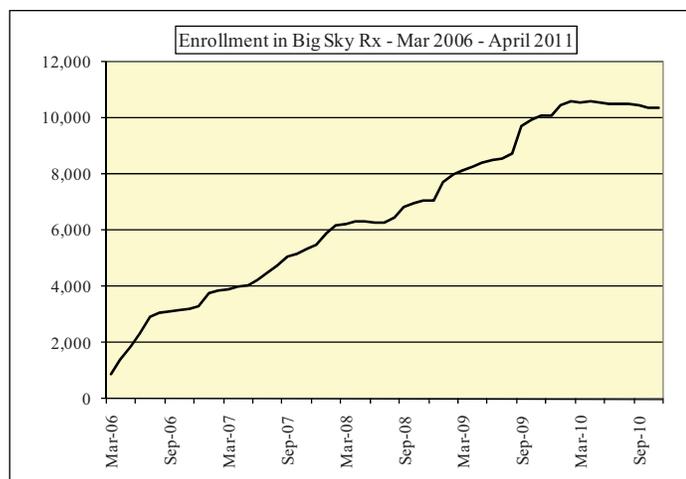
Sub-Program Description

The Prescription Drug subprogram administers two programs:

- o Big Sky Rx, a premium assistance program to assist low-income Medicare beneficiaries in the purchase of Medicare Part D prescription drug coverage (\$3.4 million in benefits payments in FY 2010)
- o PharmAssist, a program that contracts with pharmacists to provide review and counseling about prescriptions (\$6,300 in FY 2010)

The subprogram is funded entirely from tobacco tax health and Medicaid initiatives state special revenue. The 2013 biennium appropriation continues the FY 2010 base budget adjusted for lower rent costs.

FY 2010 average monthly enrollment in Big Sky Rx was 10,008, with an average per capita assistance amount of \$28.60

Figure 9

per month. The 2013 biennium appropriation is based on average annual enrollment of 11,000, which would yield an average per capita premium assistance amount of about \$26.00 per month. The maximum premium assistance amount that the program will provide is \$37.47 based on the regional low-income Medicaid Part D subsidy benchmark effective January 2011. Figure 9 shows Big Sky Rx enrollment from the beginning of the program through April 2011.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0.00%	4,026,809	4,026,809	8,053,618	100.58%
Statewide PL Adjustments	0	0	0	0.00%	(22,984)	(23,586)	(46,570)	(0.58%)
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		\$4,003,825	\$4,003,223	\$8,007,048	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget adopted 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					16,243					15,616
Vacancy Savings					(10,516)					(10,491)
Inflation/Deflation					72					72
Fixed Costs					(28,783)					(28,783)
Total Statewide Present Law Adjustments		\$0	(\$22,984)	\$0	(\$22,984)		\$0	(\$23,586)	\$0	(\$23,586)
Grand Total All Present Law Adjustments	0.00	\$0	(\$22,984)	\$0	(\$22,984)	0.00	\$0	(\$23,586)	\$0	(\$23,586)

New Proposals

Sub Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 95111 - Eliminate Big Sky Rx Program										
05	(5.00)	0	(4,003,223)	0	(4,003,223)	(5.00)	0	(4,003,223)	0	(4,003,223)
DP 96111 - Big Sky Rx (Biennial)										
05	5.00	0	4,003,223	0	4,003,223	5.00	0	4,003,223	0	4,003,223
Total	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0

DP 95111 - Eliminate Big Sky Rx Program - The legislature initially eliminated funding for the Big Sky Rx program, reducing health and Medicaid initiative tobacco tax state special revenue by \$8.0 million over the biennium. Full funding was restored in DP 96111.

DP 96111 - Big Sky Rx (Biennial) - The legislature restored funds for Big Sky Rx, including funding for 5.00 FTE. The legislature appropriated \$8.0 million from the health and Medicaid initiatives state special revenue over the biennium.

HB 604 transferred \$3.2 million from the Older Montanans' Trust Fund established in 52-3-115, MCA to the health and Medicaid initiatives state special revenue account to cover part of the cost for Big Sky Rx. The trust fund was established by the 2007 Legislature and funded from the unexpended 2007 biennial appropriation for Big Sky Rx.