

Branch Budget Comparison

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

Branch 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	1,298.32	1,298.32	1,295.12	1,290.83	1,298.32	1,290.83	(7.49)	(0.58%)
Personal Services	67,485,627	74,666,943	70,985,434	70,742,794	142,152,570	141,728,228	(424,342)	(0.30%)
Operating Expenses	42,292,043	45,608,242	44,123,920	44,480,641	87,900,285	88,604,561	704,276	0.80%
Equipment & Intangible Assets	180,673	345,348	180,673	180,673	526,021	361,346	(164,675)	(31.31%)
Grants	14,244,574	14,795,377	35,497,238	33,137,249	29,039,951	68,634,487	39,594,536	136.35%
Benefits & Claims	909,270,789	961,086,053	1,160,297,911	1,199,926,299	1,870,356,842	2,360,224,210	489,867,368	26.19%
Transfers	0	0	386,717	267,629	0	654,346	654,346	n/a
Debt Service	13,104	58,746	13,104	13,104	71,850	26,208	(45,642)	(63.52%)
Total Costs	\$1,033,486,810	\$1,096,560,709	\$1,311,484,997	\$1,348,748,389	\$2,130,047,519	\$2,660,233,386	\$530,185,867	24.89%
General Fund	213,499,708	274,336,885	323,656,704	332,173,566	487,836,593	655,830,270	167,993,677	34.44%
State Special	91,819,929	98,288,875	127,007,364	128,802,437	190,108,804	255,809,801	65,700,997	34.56%
Federal Special	728,167,173	723,934,949	860,820,929	887,772,386	1,452,102,122	1,748,593,315	296,491,193	20.42%
Total Funds	\$1,033,486,810	\$1,096,560,709	\$1,311,484,997	\$1,348,748,389	\$2,130,047,519	\$2,660,233,386	\$530,185,867	24.89%

Branch Description

This Medicaid and Health Services Branch provides direct supervision over the Senior and Long-term Care Division, Disability Services Division, Addictive and Mental Disorders Division, Health Resources Division, and the Medicaid and Health Services Management Program. The branch also provides medical, rehabilitative, and mental health services for Montanans through a variety of programs, including all six state institutions. The branch manager oversees and coordinates programs and activities of the branch and, as the state Medicaid director, establishes policy for the Montana Medicaid program.

Mission – Coordinate Medicaid and Health Services Programs to optimize efficient delivery of services.

Statutory Title MCA 2-4-201, ARM 37.1.101

Branch Highlights

Medicaid and Health Services Branch Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The Medicaid and Health Services Branch 2013 biennium appropriation is \$530 million higher than the 2011 biennium budget, with 34% of the increased funding from the general fund ◆ The majority of the growth - \$489.9 million - is in benefits and claims for services to individuals who meet specific criteria: <ul style="list-style-type: none"> • Medicaid services rise \$333.0 million • Healthy Montana Kids (HMK) grows \$78.9 million for services for children in families with incomes above 100% of the federal poverty level ◆ General fund growth between the biennial budgets is \$168.0 million with the majority of the changes due to increases in the state Medicaid match rate: <ul style="list-style-type: none"> • The temporary federal rate increase will expire at the end of FY 2011 • There is an increase in the regular state match rate during the 2013 biennium 	

Branch Discussion

DPHHS reorganized its structure over the last two years, instituting three branches that manage a group of divisions. This is the first time that branch division budgets have been included in the budget and were added at the request of DPHHS.

The Medicaid and Health Services branch 2013 biennium appropriation totals \$2.7 billion, which is 70% of the total agency appropriation. The 2013 biennium appropriation grows \$530.2 million over the 2011 biennium budget. Figure 1 shows each of the divisions and programs included in the branch. The Health Resources Division accounts for 54% of the total, followed by Senior and Long-term Care Division with about 20%.

Figure 1

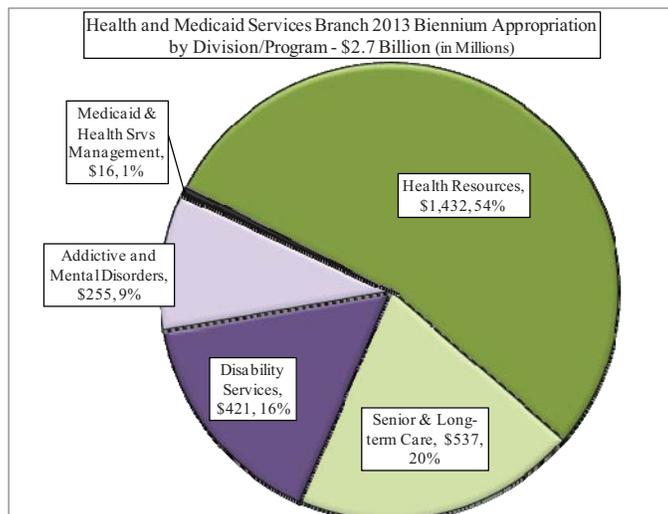
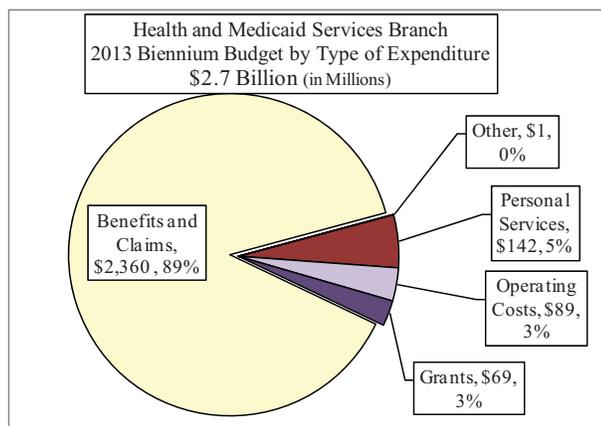


Figure 2

The benefits and claims appropriation supports services to individuals who meet specific eligibility criteria and increases \$489.9 million between biennia. Reductions in personal services, equipment, and debt service offset a small portion of appropriations increases for grants and benefits and claims. Figure 2 shows the major components of the 2013 biennium appropriation for the branch.

About two thirds of the branch budget is supported by federal funds, with Medicaid matching funds for medical services being the most significant source (\$1.5 billion over the biennium). General fund is a quarter of the appropriation, with the state match requirement for Medicaid services being the primary driver of general fund cost for this branch (\$486.4 million to support Medicaid services in the 2013 biennium appropriation).

Medicaid programs are the single most significant cost driver for this branch budget. Medicaid service costs account for \$333.0 million of the difference between the 2011 and 2013 biennium budgets. Specific changes to Medicaid services are discussed in each division and the agency narrative includes a discussion of Medicaid eligibility and service utilization changes.

The 2013 biennium branch budget supports 1,290.83 FTE or about 40% of the department total. Most of the FTE are employed by the six state facilities. FTE changes in the 2013 biennium are discussed in the division budget narratives.

Interim Monitoring

2013 Biennium Goal

The major discussion of critical goals and performance measurements is included in the agency overview. The legislature recommends monitoring Healthy Montana Kids in the Health Resources Division.

Funding

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

Agency Program	Total Branch Funding			Grand Total	Total %
	General Fund	State Spec.	Fed Spec.		
10 Disability Services Division	\$ 150,217,951	\$ 11,214,356	\$ 260,020,650	\$ 421,452,957	15.8%
11 Health Resources Division	248,635,015	146,674,398	1,036,453,169	1,431,762,582	53.8%
12 Medicaid And Health Services Managem	4,394,969	76,463	11,311,093	15,782,525	0.6%
22 Senior & Long-Term Care	126,420,678	69,034,910	341,112,713	536,568,301	20.2%
33 Addictive & Mental Disorders	126,161,657	28,809,674	99,695,690	254,667,021	9.6%
Grand Total	\$ 655,830,270	\$ 255,809,801	\$ 1,748,593,315	\$ 2,660,233,386	100.0%

The Medicaid and Health Services Branch is funded by general fund, state special revenue, and federal funds. General fund is used for:

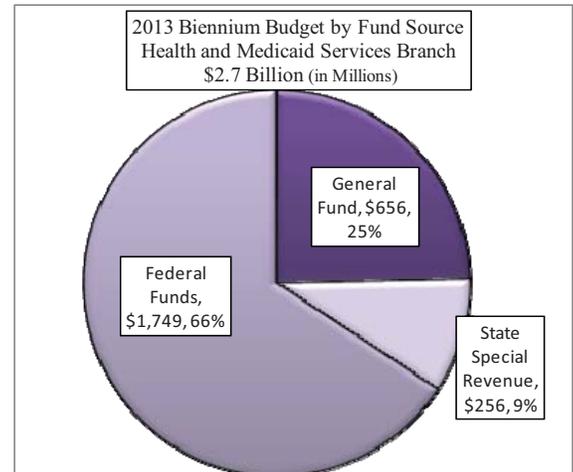
- o State Medicaid match
- o State mental health and developmental disability state institutions
- o Community aging services grants and grants to Area Agencies on Aging
- o A portion of the community mental health services for low-income adults with a serious and disabling mental illness
- o Community services for persons with developmental disabilities
- o A portion of administrative costs

Major sources of state special revenue (over \$2.0 million annually), the tax or fee funding source, and the programs supported are:

- o Cigarette tax revenue
 - Montana veterans' services – operational costs for the Montana Veterans' Home in Columbia Falls and Eastern Montana Veterans' Home in Glendive
- o Tobacco tax health and Medicaid initiatives state special revenue
 - State Medicaid match
 - Big Sky Rx (premium assistance for low-income Medicare beneficiaries to purchase Medicare Part D drug coverage)
- o Tobacco settlement funds and tobacco settlement trust fund interest state special revenue
 - State match for the federal Children's Health Insurance Program (CHIP) grant
 - State Medicaid match
 - Mental health crisis diversion
 - Early intervention services for infants and toddlers
- o Hospital utilization fee and nursing home bed fee state special revenue
 - State Medicaid match to raise reimbursement rates for hospital and nursing home services
- o Alcohol tax state special revenue
 - State chemical dependency institution and some program administrative costs
 - Local chemical dependency programs
 - A portion of state Medicaid match for chemical dependency services
- o Insurance premium state special revenue
 - State match for Medicaid and CHIP services and administration for the Healthy Montana Kids program
- o Medicaid reserve account funded from a portion of the enhanced federal Medicaid match in FY 2010
 - One-time offset to general fund Medicaid matching costs in the 2013 biennium
- o County Nursing Home Intergovernmental Transfers
 - State Medicaid match paid to the state by counties with nursing homes to raise reimbursement rates for nursing home services

Major sources of federal funds include:

- o Medicaid matching funds
- o CHIP block grant
- o Aging services block grant
- o Chemical dependency block grant
- o Social services Title XX block grant
- o Federal per diem reimbursements for veterans' care
- o Mental health services block grant



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	213,499,708	213,499,708	426,999,416	65.11%	1,033,486,810	1,033,486,810	2,066,973,620	77.70%
Statewide PL Adjustments	71,036,793	71,063,260	142,100,053	21.67%	598,268	644,594	1,242,862	0.05%
Other PL Adjustments	45,480,589	53,682,544	99,163,133	15.12%	250,425,988	288,826,930	539,252,918	20.27%
New Proposals	(6,360,386)	(6,071,946)	(12,432,332)	(1.90%)	26,973,931	25,790,055	52,763,986	1.98%
Total Budget	\$323,656,704	\$332,173,566	\$655,830,270		\$1,311,484,997	\$1,348,748,389	\$2,660,233,386	

Statewide Present Law Adjustments

Statewide present law adjustments include a funding switch that increases general fund by \$71.0 million and reduces federal funds by a like amount. This change, authorized by HB 645, reflects the discontinuation of the nearly 10% temporary increase in the federal Medicaid match rate in the federal stimulus legislation, which reduced general fund Medicaid costs in the 2011 biennium. Other present law adjustments and new proposals are discussed in detail in the program narratives that follow.

Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg – Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg – Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	1,298.32	1,300.12	1,295.12	(5.00)	1,295.83	1,290.83	(5.00)	
Personal Services	67,485,627	71,748,347	70,985,434	(762,913)	71,502,960	70,742,794	(760,166)	(1,523,079)
Operating Expenses	42,292,043	45,539,783	44,123,920	(1,415,863)	46,162,412	44,480,641	(1,681,771)	(3,097,634)
Equipment & Intangible Assets	180,673	180,673	180,673	0	180,673	180,673	0	0
Grants	14,244,574	14,524,770	35,497,238	20,972,468	14,541,281	33,137,249	18,595,968	39,568,436
Benefits & Claims	909,270,789	1,109,906,946	1,160,297,911	50,390,965	1,149,532,464	1,199,926,299	50,393,835	100,784,800
Transfers	0	0	386,717	386,717	0	267,629	267,629	654,346
Debt Service	13,104	13,104	13,104	0	13,104	13,104	0	0
Total Costs	\$1,033,486,810	\$1,241,913,623	\$1,311,484,997	\$69,571,374	\$1,281,932,894	\$1,348,748,389	\$66,815,495	\$136,386,869
General Fund	213,499,708	329,707,772	323,656,704	(6,051,068)	321,378,594	332,173,566	10,794,972	4,743,904
State/Other Special	91,819,929	113,151,477	127,007,364	13,855,887	132,496,137	128,802,437	(3,693,700)	10,162,187
Federal Special	728,167,173	799,054,374	860,820,929	61,766,555	828,058,163	887,772,386	59,714,223	121,480,778
Total Funds	\$1,033,486,810	\$1,241,913,623	\$1,311,484,997	\$69,571,374	\$1,281,932,894	\$1,348,748,389	\$66,815,495	\$136,386,869

The legislative appropriation for the Medicaid and Health Services branch is \$136.4 million total funds (including \$4.7 million general fund) higher than the executive budget request. The primary differences include increases for:

- Additional Medicaid costs projected in cost updates provided during the legislative session \$54.6 million total funds (\$14.2 million general fund)
- Federal appropriation authority that can be allocated among DPHHS programs - \$51.5 million
- Federal funds for incentive payments to healthcare providers that implement electronic health records - \$35.3 million
- An additional 180 service slots for the home and community-based waiver - \$9.0 million (\$3.1 million state special revenues)
- Direct care worker wages - \$12.7 million (\$3.35 million state special revenues)

Appropriation increases were partially offset by:

- Adopting several proposals in the 5% budget reduction plans developed and submitted by DPHHS in compliance with 17-7-111(3)(g), MCA that were not included in the executive budget request - \$10.7 million (\$4.05 million general fund)
- Including reductions for associated federal funds in the general fund reductions included by the executive - \$5.1 million
- Reducing federal funding for the utilization contract in DSD - \$0.9 million
- Reducing tobacco settlement state special revenue appropriations to match expected revenue to support the Healthy Montana Kids program - \$5.2 million
- Reducing \$1.0 million general fund, which can be allocated among all department programs, in anticipation of workers' compensation rate reductions due to the passage of HB 334
- Not approving:
 - Contract increases for the MMIS system - \$2.0 million (\$0.5 million general fund)
 - Implementing a Medicaid family planning waiver - \$1.18 million and 5.0 FTE
 - Rent increases and motor pool vehicles - \$0.1 million general fund
 - Pharmacy benefit and cost increases -\$2.7 million state special revenues

Funding shifts between funds make up the majority of the remainder of the differences between the executive and the legislative budgets.