



LEGISLATIVE FINANCE COMMITTEE

63rd Montana Legislature

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DATE: September 17, 2013
TO: Medicaid Monitoring Workgroup Proposal
FROM: Senator Caferro
RE: Suggested Template and Selected Topics to Monitor Medicaid Funding

Summary

At its planning retreat in June, the Legislative Finance Committee (LFC) requested that Representative Noonan, Representative Cook, and Senator Caferro make a recommendation on an approach to monitor Medicaid funding during the interim between sessions. This memo summarizes the recommendation and includes:

- o Goals of the monitoring recommendation
- o A template to monitor Medicaid services appropriations, expenditures, and transfers of appropriation authority that would be available for each LFC meeting
- o Selected appropriations that the Department of Public Health and Human Services (DPHHS) would report on at the December LFC meeting

Goals of Interim Project

The LFC work group identified the following goals for the Medicaid monitoring project:

- o Develop an understanding of major components of Medicaid services funding
- o Provide a bridge between the 2013 and 2015 legislative sessions so that members of appropriations committees have a knowledge base about Medicaid cost drivers and changes that occurred between sessions
- o Understand how legislative appropriation changes were implemented by DPHHS
- o Provide members of the LFC with the opportunity for timely comment
- o Strengthen legislators' knowledge and use of data driven information for appropriation decisions

Monitoring Medicaid Funding

The work group recommends that the LFC receive a summary of appropriations and projected expenditures for Medicaid services at each of its meetings using the figure on the following page. Legislative Fiscal Division (LFD) staff will prepare the table. The LFC will be able to compare changes in Medicaid funding and cost estimates throughout the year.

The proposed template is a high level summary of appropriations, expenditures, and transfers of appropriation authority for Medicaid services. The template shows each of these elements by the division that administers Medicaid services. More detailed information can be provided if the LFC wishes to “drill down” to review major components of Medicaid services administered by a specific division.

Monitoring Medicaid Services - FY 2014 Appropriations Compared to DPHHS Projected Expenditures							
Prepared for September 2013 LFC Meeting; Preliminary Medicaid Cost Estimates Not Available Until November 15							
Division/Fund/Grand Total	FY 2014 Legislative Appropriation*	Estimated Annual Expenditures**	Estimated Expenditures (Over) Under Appropriation	Balance as a Percent of Legis. Approp.	Changes in Appropriation Authority***	Remaining Appropriation (Over) Under Legis. Approp.	Percent of Legis. Approp.
<u>Health Resources</u>							
General Fund	\$121,927,937	\$0	\$121,927,937	100.0%	\$0	\$121,927,937	100.0%
State Special	44,601,408	0	44,601,408	100.0%	0	44,601,408	100.0%
Federal	<u>362,695,552</u>	<u>0</u>	<u>362,695,552</u>	<u>100.0%</u>	<u>0</u>	<u>362,695,552</u>	<u>100.0%</u>
Subtotal	529,224,897	0	529,224,897	100.0%	0	529,224,897	100.0%
<u>Senior and Long Term Care</u>							
General Fund	57,498,788	0	57,498,788	100.0%	0	57,498,788	100.0%
State Special	30,074,850	0	30,074,850	100.0%	0	30,074,850	100.0%
Federal	<u>180,322,015</u>	<u>0</u>	<u>180,322,015</u>	<u>100.0%</u>	<u>0</u>	<u>180,322,015</u>	<u>100.0%</u>
Subtotal	267,895,653	0	267,895,653	100.0%	0	267,895,653	100.0%
<u>Developmental Services</u>							
General Fund	58,617,398	0	58,617,398	100.0%	0	58,617,398	100.0%
State Special	6,040,146	0	6,040,146	100.0%	0	6,040,146	100.0%
Federal	<u>167,734,843</u>	<u>0</u>	<u>167,734,843</u>	<u>100.0%</u>	<u>0</u>	<u>167,734,843</u>	<u>100.0%</u>
Subtotal	232,392,387	0	232,392,387	100.0%	0	232,392,387	100.0%
<u>Addictive and Mental Disorders</u>							
General Fund	10,658,340	0	10,658,340	100.0%	0	10,658,340	100.0%
State Special	8,717,204	0	8,717,204	100.0%	0	8,717,204	100.0%
Federal	<u>40,310,010</u>	<u>0</u>	<u>40,310,010</u>	<u>100.0%</u>	<u>0</u>	<u>40,310,010</u>	<u>100.0%</u>
Subtotal	59,685,554	0	59,685,554	100.0%	0	59,685,554	100.0%
<u>Grand Total All Medicaid Services</u>							
General Fund	248,702,463	0	248,702,463	100.0%	0	248,702,463	100.0%
State Special	89,433,608	0	89,433,608	100.0%	0	89,433,608	100.0%
Federal	<u>751,062,420</u>	<u>0</u>	<u>751,062,420</u>	<u>100.0%</u>	<u>0</u>	<u>751,062,420</u>	<u>100.0%</u>
Grand Total All Funds	<u>\$1,089,198,491</u>	<u>\$0</u>	<u>\$1,089,198,491</u>	<u>100.0%</u>	<u>\$0</u>	<u>\$1,089,198,491</u>	<u>100.0%</u>
Transfer of Authority Between Programs***					\$0		
SB 410 Limit***					(60,000,000)		
*Includes HB 2. Any funds allocated from appropriations in SB 410 will be listed separately as a source of state special revenue.							
**Estimated expenditures will be based on DPHHS budget status report data, with the first estimate due November 15, 2014							
***Changes in appropriation authority can include: reorganizations, transfers of authority among Medicaid programs, transfers of authority to other DPHHS programs, and reallocations of authority between program functions within a division. SB 410 limits transfers of Medicaid services appropriation authority to \$60.0 million total funds.							

Data Sources

The workgroup recommends starting with FY 2014 data. Most of the columns in the template are not populated since data is not yet available.

Appropriation data in the table is based on legislative action. Estimated expenditures will be drawn from the monthly budget status report (BSR) prepared by DPHHS and provided to the LFC. The first BSR for FY 2014 is due November 15, 2013. Changes to appropriation balances will be those included in budget change documents (BCDs) approved by OBPP.

FY 2014 Medicaid Data

FY 2014 information will be available at the December LFC meeting. Estimated expenditures will be drawn from the monthly budget status report (BSR) prepared by DPHHS, with the first FY 2014 BSR due to the LFC by November 15.

FY 2014 appropriation data will be updated as appropriate to include any allocations from SB 410, which transferred general fund to several state special revenue accounts designated for selected state agencies. DPHHS received \$2.0 million and the Office of Budget and Program Planning received \$7.5 million that could be transferred to several agencies, including DPHHS.

Summary Information to Explain Table

A short summary will be provided about information in the table. LFD staff will comment on funding and expenditure projections as well as highlighting some trends within divisions that are not evident from data in the table. The following information is an example:

- o HB 2 Medicaid FY 2014 funding totals \$1.1 billion or 80% of the \$1.3 billion HB 2 DPHHS appropriation
- o Health Resources Division Medicaid appropriations account for 49% of the total and include services such as hospital, physician, pharmacy, and laboratory
- o Senior and Long Term Care Division Medicaid appropriations account for 25% of the total and include nursing home services and home and community based services for physically disabled and elderly persons
- o Developmental Services Division Medicaid appropriations account for 21% of the total and include services community based services for developmentally disabled persons and children's mental health services
- o Addictive and Mental Disorders Division Medicaid appropriations account for 5% of the total and include chemical dependency services and adult mental health services

Oversight of Selected Appropriations

The legislature approved certain appropriations targeted to specific outcomes and there have been some changes in Medicaid funding since the legislature adjourned. The LFC work group recommends that DPHHS be invited to the December LFC meeting to give an overview how each of the following topics was or is being implemented. If the LFC wishes to have additional information on any item it can ask for an update by DPHHS or a staff report at a future meeting.

Selected Legislative Appropriations

The legislature approved several appropriations that affect Medicaid services for specific uses. Each appropriation and the FY 2014 amount are:

- o A 2% provider rate increase - \$13.4 million
- o Additional rate increases for:
 - o Developmental disability (DD) services – an additional 2% - \$2.0 million

- o Children’s mental health case management - \$2.8 million
- o Continuation of one-time increases to maintain direct care worker wage increases in services administered by the Senior and Long Term Care Division (SLTC) - \$5.0 million
- o Service expansion, maintenance, or restoration to:
 - o Move 24 individuals per year from the Montana Developmental Center to community services - \$2.1 million
 - o Partially restore reductions in SLTC community based waiver services - \$0.8 million
 - o Maintain meal preparation funded from one-time appropriations for persons in the SLTC community based waiver - \$0.8 million
 - o Fund room and board costs for Medicaid mental health services for children not in the custody of DPHHS - \$0.7 million
 - o Serve 50 additional persons in the SLTC community based waiver - \$0.5 million
 - o Move 10 children per year from the waiting list into DD services - \$0.2 million

In addition, the legislature approved major initiatives to enhance community based services and transition persons from facility based care to community services including approval of:

- o A new Medicaid entitlement service called Community First Choice (CFC) funded with an enhanced federal match that is 6% greater than the regular match rate¹ - \$6.3 million
- o Funding from a five year federal grant called Money Follows the Person (MFP) to facilitate the transition of persons from facility based care to independent living situations in the community, with a 50% reduction in the state Medicaid match for the first year of services, which can include intensive services to help the person transition - \$1.2 million

Medicaid Funding Changes

There are two changes to Medicaid funding for adult mental health services that occurred after legislative session ended:

- o Expansion of the basic/HIFA community waiver for adults with a serious and disabling mental illness with state matching funds being drawn from the Mental Health Services Plan (MHSP)
- o Reduction in the transfer of county funds that support community mental health centers that is used as state Medicaid match for adult mental health services

SB 410

Finally, the LFC may wish to ask DPHHS how it will use the \$2.0 million appropriated in SB 410. Although the SB 410 appropriation is not specifically directed toward Medicaid services, it could be used for that purpose.

LFC Action Items

The LFC can:

- 1) Approve the recommendation in total including receipt of:
 - a. A summary of Medicaid services appropriations, projected expenditures, and transfers at each meeting

¹ The federal Medicaid match rate for FY 2014 is 66.19%.

- b. A report by DPHHS on the enumerated topics at the December 2013 meeting,
with potential follow up at later meetings
- 2) Approve portions of the recommendation
- 3) Choose to not monitor Medicaid appropriation topics