

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



PO Box 200802
HELENA, MONTANA 59620-0802

December 2, 2013

Dear Mrs. ^{Amy} Carlson,

Thank you for the opportunity to comment on the "2015 Biennium Budget and General Fund Revenue Trend Update – DRAFT". My comments are limited to the appropriations aspects of the report.

First, please see the attached letter to Director Opper regarding the Department of Public Health and Human Services Medicaid discussion on page 6 of the report

Further, SB 410 funds are referenced several times throughout the document. It is the Bullock Administration's position that this fund is a "last resort" to mitigate insufficient appropriations in HB2 which would have been addressed through a conference committee or a Governor's amendatory veto in previous sessions. As you recall, many "cat and dog" bills were left unfunded by the 2013 legislature without either of the aforementioned. Departments have been tasked with managing as best they can within current appropriations as required by law. It is not advisable for the Legislature to presuppose expenditure of SB 410 funds for any purpose at this time.

Finally, regarding "Other Significant Budget Comments" within the Department of Administration there was no mention of the loss of approximately \$26.8 million due to the Libby settlement in the previous biennium within the Risk Management and Tort Defense Division of which only half was approved for payment in HB 3 of last session. This has left the division with an unfunded liability and the state's insurance pool short in FY2013 with compounding effects expected in future years. Unexpected claims (ie Bannock State Park losses, higher than anticipated hail damage claims, etc), worldwide catastrophic events such as Hurricane Sandy, and an increase in the state's commercial property insurance deductible from \$1 million to \$2 million continue to add pressure to this fund. The Division and Department are mitigating this funding shortfall as best they can.

Please contact me if you have any questions and thank you again for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Villa".

DAN VILLA
Budget Director

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COPY

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Richard Opper, Director
Department of Public Health and Human Services
111 North Sanders
Helena, MT 59604-4210

November 22, 2013

Director Opper,

I have reviewed the October Budget Status Report (BSR) for the Medicaid program.

Your staff's projections are again proving to be accurate as they were in FY 2013 and the 2013 biennium generally. Unfortunately, those projections were not adopted by the Joint Appropriations Subcommittee on Public Health nor were cuts made by the subcommittee restored despite numerous attempts during the 2013 Legislature. A summary of the subcommittee and legislative actions are summarized below:

General Fund Status of Medicaid Programs as of October 31, 2013		
	FY 2014	FY 2015
Executive Medicaid Operations from DPHHS Appropriation Projections	\$5,227,317	\$7,939,336
Additional Projections for Executive Medicaid Operations	2,344,463	3,123,039
DPHHS Budget Impact	7,571,780	11,062,375
Order of Operations for BSR II	7,746,050	NA

**October 31, 2013 BSR is based on MMIS data extract of 9/27/2013*

As you can see, funding requests to meet expected Medicaid costs were reduced by the subcommittee and subsequently spent in other areas of the DPHHS budget. This "double spending" may continue to be evident in future BSRs. This problem is exacerbated by the restrictions placed on DPHHS in both the overall Medicaid program and in the additional

spending which inhibit effective budget management based on cost overruns or funding shortfalls. These restrictions will continue to exacerbate supplemental pressure in the 2017 biennium.

It would not be unusual for legislators, their staff or providers to begin asking questions about supplemental funding, mitigation efforts or possible reductions in service to accommodate current appropriations based on the numbers in this report. At this point and under these circumstances it is far too early in both the fiscal year and biennium to consider mitigation efforts be developed or implemented or to request supplemental funding. Many of the cost efficiencies DPHHS is currently undertaking may very well address a potential funding shortfall while improving health outcomes for patients.

Thanks to you and your staff for your expertise, accuracy, and efficacy in administering a very complicated program.

Sincerely,

DAN VILLA
Budget Director