



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: January 15, 2010

TO: Children, Families, Health, and Human Services Interim Committee

FROM: Lois Steinbeck
Senior Analyst

RE: Overview of Department of Public Health and Human Services Funding

BACKGROUND

Governor Schweitzer has asked executive branch agencies to submit plans by January 29 to reduce general fund spending by 5 percent (see attached letter from Budget Director Ewer). The general fund reduction target for the Department of Public Health and Human Services (DPHHS) is \$19.1 million.

The following pie charts show the 2011 biennium funding for DPHHS from the general appropriations act (HB 2) and the pay plan (HB 13) - \$3.2 billion total funds including \$705 million general fund. Generally FY 2010 expenditures from HB 2 and pay plan appropriations will form the starting point for the 2013 biennium base budget.

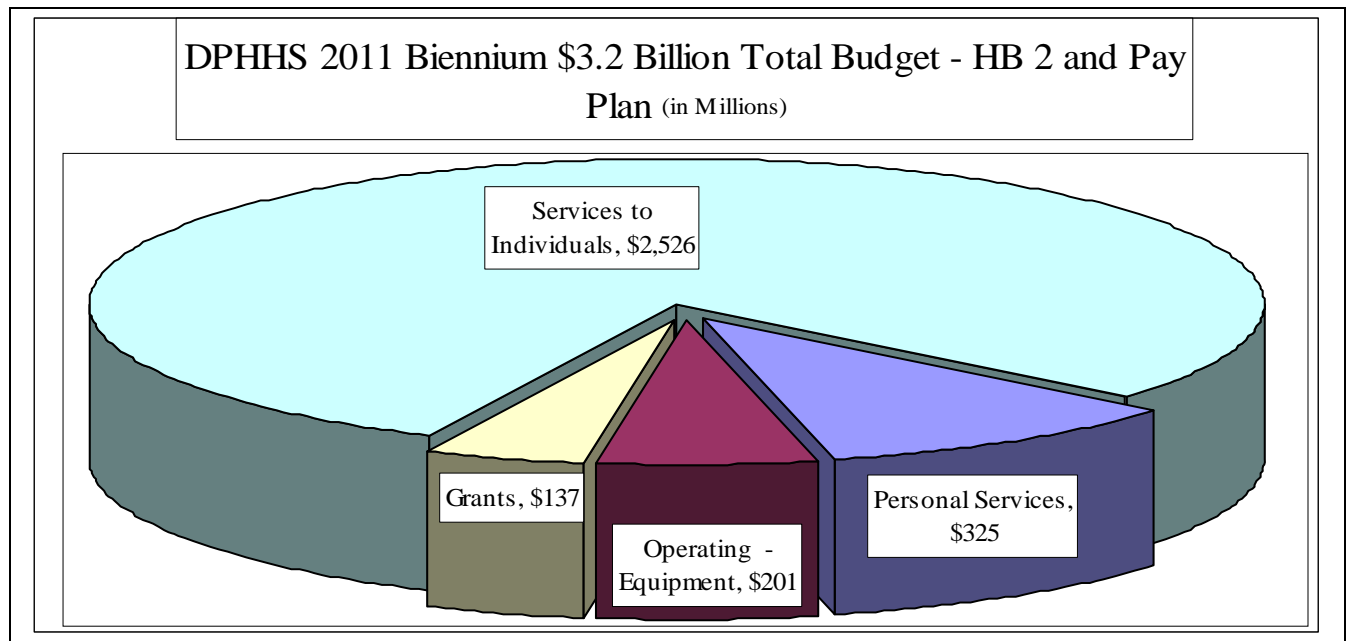
DPHHS also received \$514 million total funds, including \$65 million general fund, in one-time appropriations in HB 645, which implemented the federal American Recovery and Reinvestment Act of 2009 (ARRA). HB 645 funding is not included in the attached budget graphs due to its one-time nature.¹

USE OF FUNDS

The first pie chart shows the functions supported by the 2011 biennium appropriation. Most of the appropriation - \$2.5 billion or 80 percent - supports payments for services for individuals who are eligible for such programs as Medicaid, Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), cash assistance, childcare, mental health, developmental disability, foster care, and subsidized adoption.

Personal services costs are about 10 percent of the total. Operating and equipment costs are about 7 percent and grant funds account for 5 percent. Examples of grants are funds awarded to local governments or non profit organizations that provide public services such as community aging services and weatherization services.

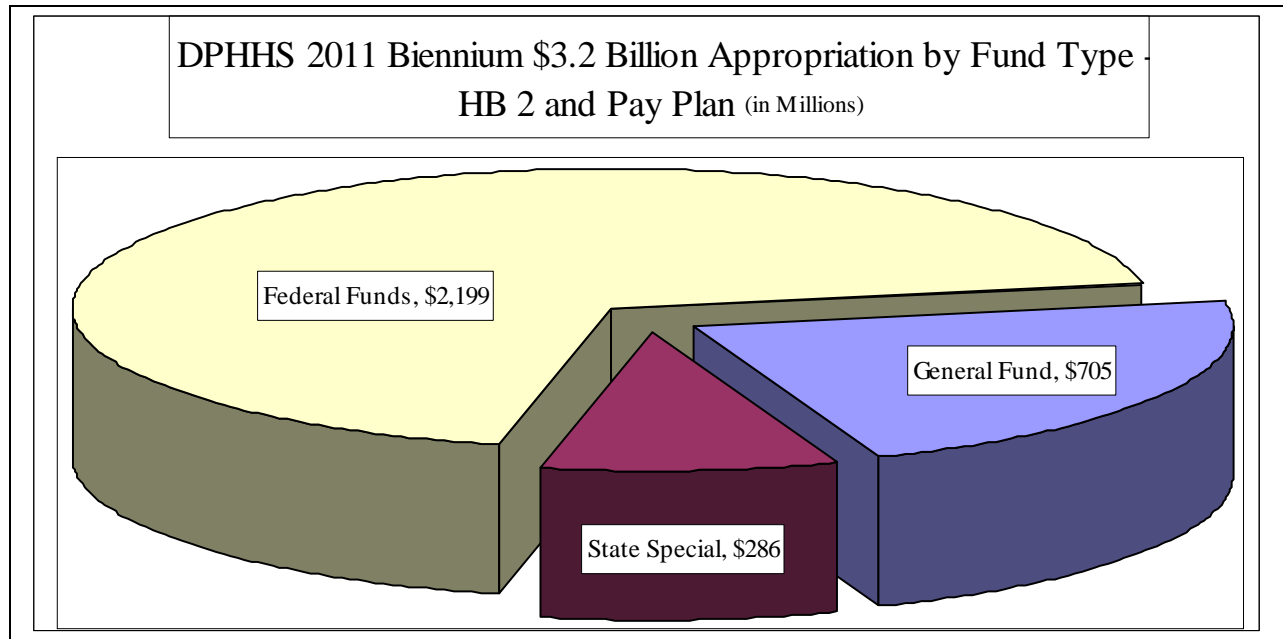
¹ The 2011 Legislature may be asked to continue some or most of the one-time funding in HB 645 because the appropriations support provider rate increases and community services such as aging services.



DPHHS FUNDING

DPHHS is funded by more than 190 distinct funding sources that are grouped into three major fund types: general fund, state special revenue, and federal funds. The use of most state special revenue and federal fund sources are governed by state and federal statute and rule. The restrictions on fund use are the most significant driver necessitating the need to establish and track distinct fund sources. For instance, the federal grant for Women, Infants, and Children (WIC) nutrition cannot be used to pay for low-income weatherization services. Another example is Montana state statutory language that allocates part of the insurance license tax to a state special revenue account to fund part of the cost of the Montana Healthy Kids (HMK) program. The legislature would need to amend state statute to allow the funds to be used for other purposes.

The second pie chart shows the \$3.2 billion 2011 biennium appropriation by fund type. Federal funds support \$2.2 billion or just under 70 percent of the total funding. General fund (\$705 million) supports 22 percent of the total. 2011 biennium general fund appropriations would be about \$97 million greater except the ARRA included a temporary increase in the federal Medicaid match rate. A higher federal match rate reduces the general fund match required for Medicaid services. A 1 percent change in the Medicaid match rate causes a \$7.5 to \$8 million change in the state funding required to pay for Medicaid services.



The most significant federal funding source pays for Medicaid services, accounting for \$1.3 billion or 41 percent of the total DPHHS appropriation. Other major federal sources are:

- o SNAP - \$232 million
- o Children's health insurance block grant that funds a part of the Healthy Montana Kids (HMK) program - \$144 million²
- o TANF (Temporary Assistance for Needy Families) block grant - \$49 million

Significant sources of state special revenue include:

- o Health and Medicaid Initiatives (tobacco tax increase added by citizen initiative) - \$74 million used for state Medicaid and HMK match, prescription drug costs for the Mental Health Services Plan, and the Big Sky Rx program³
- o Tobacco settlement and trust fund interest - \$48 million used for tobacco control and prevention, and state match for HMK and Medicaid
- o Hospital utilization fee - \$44 million used for Medicaid match to enhance payments to hospitals for services

GENERAL FUND

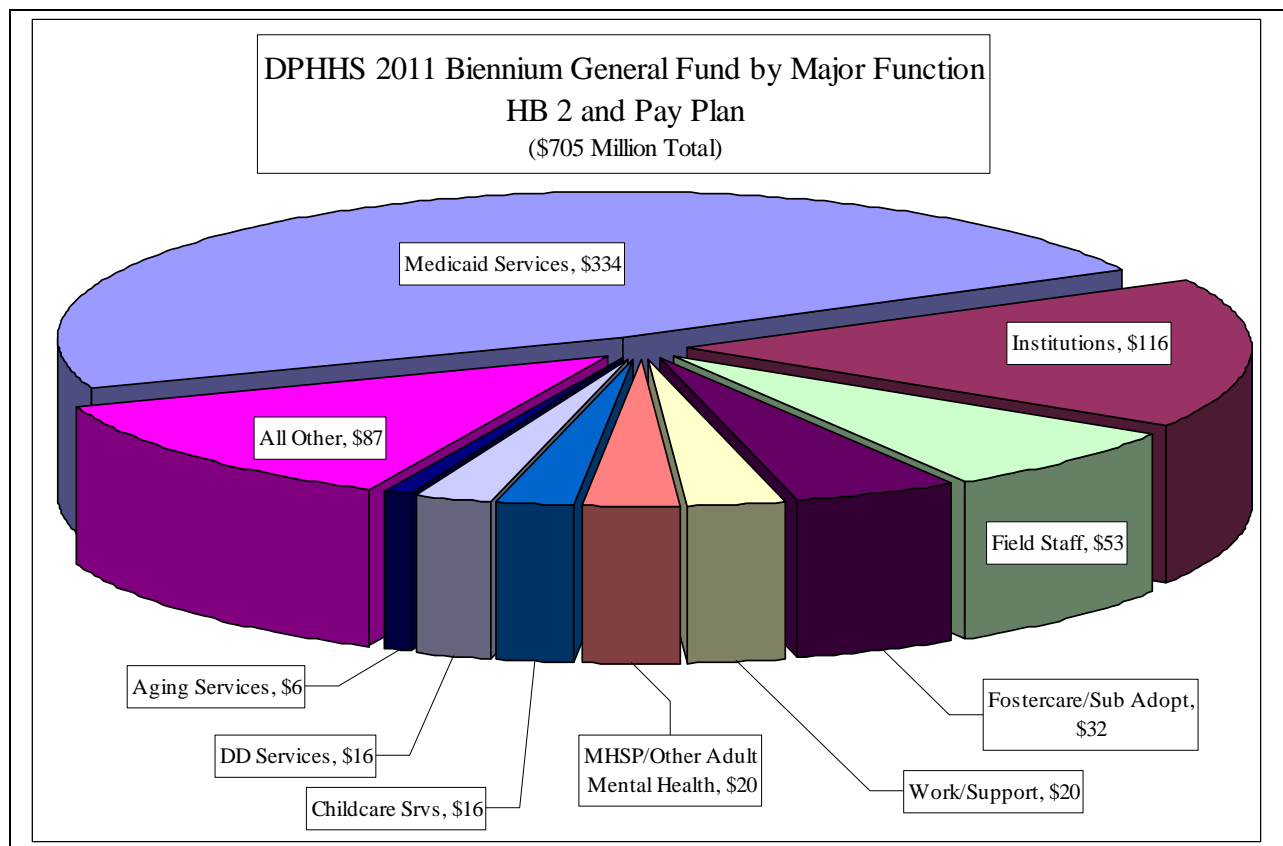
The major uses of general fund are shown in the third pie chart. General fund supports:

- o State match for Medicaid services - \$334 million⁴
- o State institutions - \$116 million
- o Field staff - \$53 million
- o Foster care and subsidized adoption - \$32 million

² The federal CHIP block grant appropriation is based on the assumption that the federal grant amount allocated to Montana will increase from an annual level of about \$32.4 million to \$56.0 million to fund HMK.

³ Health and Medicaid Initiatives state special revenue also supports the Insure Montana Program administered by the State Auditor.

⁴ As previously noted, the general fund appropriation for Medicaid services match is \$97 million lower due to the temporary increase in the federal match rate.



GENERAL FUND REDUCTIONS

DPHHS has implemented general fund reductions several times in the last 10 years. Historically the types of reductions implemented by DPHHS include reductions in:

- o Administrative cost savings due to holding positions open, limiting travel, and deferring equipment purchases
- o New programs due to elimination or delay in implementation of a program
- o Provider rates
- o Discretionary or permissive state programs (including elimination of such programs)
- o Medicaid eligibility or services

Recently, the most significant reductions occurred in FY 2002 and FY 2003 during a short economic down turn. Attachment 2 details the reductions made during that time frame, which totaled \$92 million including \$27 million general fund.

COMPLICATIONS THIS BIENNIUM

Reductions in Medicaid eligibility and potentially in Medicaid services will be problematic this biennium. State's eligibility for the enhanced federal Medicaid match rate, which generates an estimated \$154 million in general fund savings, is dependent on maintaining Medicaid eligibility levels as of June 2008. In some instances, the federal Centers for Medicare and Medicaid (CMS) has held that lowering the number of service slots in community waiver services

constitutes lowering eligibility. So it is difficult to determine how CMS may view reductions in Medicaid services for continued eligibility for the enhanced FMAP.

STATE STATUTORY REQUIREMENTS

The 2003 Legislature established funding principles in 53-6-101(2), MCA, that DPHHS and the legislature must consider when implementing changes in Medicaid policy that either increase or reduce services (see Appendix 3). Changes must:

- o Protecting persons who are most vulnerable and most in need, as defined by a combination of economic, social, and medical circumstances
- o Give preference to the elimination or restoration of an entire Medicaid program or service, rather than sacrifice or augment the quality of care for several programs or services through dilution of funding
- o Give priority to services that employ the science of prevention to reduce disability and illness, services that treat life-threatening conditions, and services that support independent or assisted living, including pain management, to reduce the need for acute inpatient or residential care

WHAT LEGISLATORS CAN EXPECT

If ongoing general fund spending at DPHHS is to be significantly reduced, legislators can expect that total spending cuts will be significantly larger due to the loss of federal matching funds. Additionally, it is very likely that significant general fund cost cuts could impact services to individuals. Examples of service impacts could be:

- o Slower customer service if field positions are held open for extended periods
- o New or longer waiting lists if optional programs are reduced
- o Less access to services if provider rate reductions that cause some providers to limit the number of Medicaid clients they will accept or if providers opt out of the Medicaid program
- o Elimination or delayed start up of new discretionary programs

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR



PO Box 200802
HELENA, MONTANA 59620-0802

TO: **Directors, Centralized Services Administrators, & Interested Parties**

FROM: David Ewer, Budget Director
Office of Budget and Program Planning

A handwritten signature in dark ink, appearing to read "D. Ewer".

DATE: January 8, 2010

SUBJECT: **FY 2010- 2011 budget reductions under § 17-7-140, MCA**

My staff has advised me that our current general fund revenue projections, when compared to the appropriations for the biennium passed by the 2009 Legislature, may result in an ending fund balance that is below allowable statutory limits. Therefore, on behalf of Governor Schweitzer, we are initiating the process of identifying potential budget reductions in accordance with § 17-7-140, MCA, which defines both the definition of an ending fund balance "deficit" (1% of expenditures or approximately \$36.8 million) and the procedures that must be followed to make expenditure reductions if a deficit is determined to exist.

The law requires that if, as Budget Director, I determine that a deficit exists, reductions must be made to assure that the projected ending fund balance is at least 1% of general fund appropriations for the biennium, or approximately \$36 million.

Importantly, reductions should minimize the impact to the citizens of Montana.

What Expenditures May Be Reduced

If a deficit is determined to exist, the Governor may direct reductions from any general fund expenditure not exempted by § 17-7-140, MCA, including HB 2, any other appropriation bills (including HB 645), statutory appropriations, or language appropriations. In addition, reductions may be directed from non-general fund appropriations and non-budgeted transfers when the reduction will increase the general fund balance. An example is the Coal Tax Shared Account, where the unexpended balance is transferred to the general fund.

Reductions may not exceed 10% of general fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

Agencies and Branches and Certain Expenditures Not Subject to § 17-7-140, MCA

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on state debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately 35% of general fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct those executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

Submitting proposals

On behalf of the Governor, I am directing that each agency engage in the analysis called for under § 17-7-140(1)(b), MCA. OBPP will be making “versions” available on MBARS to record expenditure reduction proposals, and instructions will follow.

For now, each reduction proposal must include an analysis of the impact of the reduction and a determination as to whether the service is mandatory or permissive. A determination that a service is mandatory does not necessarily prohibit reductions. For example, it may be possible to perform a service at a different level or within a different timeframe with less money. For purposes of this process, a service is mandatory if state or federal law requires it. Reductions must be designed to have the least adverse impact on the provision of services most integral to the agency’s statutory responsibilities.

The analysis of impact should contain a brief statement about the impact to the users or recipients of the reduced service and to the state. Your agency need not comment about the longer-term impact that would result if the reduction were extended throughout the 2013 biennium, as this will be addressed during EPP as we prepare for the 2011 legislative session. However, it is possible that reductions will be continued forward into the 2013 biennium. Be prepared to explain why the proposed reductions represent the most reasonable choices for Montanans and why other reductions are not being offered.

At this time we do not know that a deficit will be determined to exist, or the exact level of reduction that may be required. Therefore, we request agencies submit proposals for 5% reduction plans. Final reductions may be up to 10% by program, or may be less. Reductions may come from FY 2010 or 2011 appropriations, or both, as necessary to meet statutory requirements.

Coordination with the Executive Planning Process (EPP)

In addition to the prospect of a deficit in this biennium, I anticipate reductions from base level expenditures may be necessary in the 2013 biennium budget. The Executive Planning Process (EPP) for expenditures in the 2013 biennium will begin on approximately May 1, 2010. Therefore, we ask that when you submit your reduction proposals, you recognize the longer-term nature of these budget restraints and the need for sustainable reductions.

Time Table

Please submit your agency reduction proposals to OBPP by January 29. Through your submission on MBARS, the statutory requirement to provide a copy of the submission to the Legislative Fiscal Analyst will be met. We intend to provide formal notice of the projected deficit to the Revenue and Transportation Interim Committee on January 29, and submit the OBPP's formal spending reduction recommendations to the Governor and LFA on February 19. These timeframes were established to coordinate the statutorily-imposed notice requirements to legislative committees with previously scheduled meetings of the committees. (The RAT Committee is scheduled to meet February 18 and 19 and the LFC is scheduled to meet March 4 and 5.)

Finally, we encourage agencies to be mindful that changes to agency rules may be necessary to implement reductions that are finally approved by the Governor.

We will be clarifying issues relating to § 17-7-140, MCA, implementation procedures, any additional restrictions on budget reduction proposals, and any related issues as we encounter them.

| Agency Targets | |
|----------------|------------------|
| Business Unit | 5% Agency Target |
| 31010 | 307,101 |
| 32020 | 23,044 |
| 34010 | 64,912 |
| 35010 | 4,363,259 |
| 41070 | 119,719 |
| 41100 | 1,326,470 |
| 51010 | 11,379 |
| 51020 | 9,049,112 |
| 51140 | 23,010 |
| 51150 | 138,958 |
| 51170 | 136,852 |
| 53010 | 287,885 |
| 54010 | 130,000 |
| 56030 | 69,048 |
| 57060 | 1,133,834 |
| 58010 | 2,555,560 |
| 61010 | 314,986 |
| 61080 | 998,430 |
| 62010 | 67,704 |
| 64010 | 8,635,938 |
| 65010 | 240,700 |
| 66020 | 130,636 |
| 67010 | 291,258 |
| 69010 | 20,506,965 |

January 13, 2003

Dear Representative Clark:

The attached schedule summarizes actual budget reductions and program expenditure mitigation affecting the Department in the 2002/2003 biennium. Several programs in the Department experienced large increases in expenditures due to caseload growth and in utilization of services.

Significant program growth over the budgeted level occurred in the Medicaid and TANF programs. The Department instituted program reductions that enhanced utilization control efforts, reduced services, and reduced provider reimbursement rates for Medicaid services. Budgeted FAIM IIR expenditures were reduced and TANF block grant funds were re-allocated to cash assistance for the increased TANF caseload.

Actual budget reductions occurred in the governors 3.5% reductions in June of 2002. Additional budget reductions were implemented by the legislature in the August special session.

All of these changes are detailed in the attached schedule. If you have any questions or need any additional information, please call me at 444-4084 or call Scott Sim at 444-4216.

Sincerely,

John L. Chappuis, Deputy Director
DPHHS

[Attachment](#)

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|--|------------------|----------------------|---------------------|----------------------|---------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| Supplemental Mitigation - Dec 2001 through June 2002 | | | | | | |
| | Mental Health Medicaid: | | | | | |
| 1 | All mental health services: Implement stricter documentation standards for medical necessity. This will provide an improved gatekeeping function and will have the result of reducing costs across the board. | AMDD | -82,571 | -304,465 | -165,142 | -610,055 |
| 2 | Clear scope of services for RTCs and reserve out-of-state placements to youth with specialized needs | AMDD | -27,000 | -99,558 | -54,000 | -199,483 |
| 3 | Require prior authorization for outpatient therapy sessions beyond 24 per person per year. | AMDD | -150,000 | -553,097 | -300,000 | -1,108,238 |
| 4 | This option will eliminate duplicative outpatient and rehab. services for youth in school-based service. | AMDD | -75,000 | -276,549 | -150,000 | -554,119 |
| 5 | This option reduces intensive case management for youth in therapeutic living | AMDD | -55,000 | -202,802 | -110,000 | -406,354 |
| 6 | Reduce "care coordination" services by social workers, psychologists, and licensed professional counselors. | AMDD | -40,000 | -147,493 | -80,000 | -295,530 |
| 7 | Reduce all reimbursement rates by 2.6 percent for Mental Health Professionals. This option would reduce rates for the 6 month period starting 1/1/02 and ending 6/30/02. | AMDD | -63,391 | -233,743 | 0 | 0 |
| 8 | Change the Medicaid client sharing of program costs from a co-payment basis to co-insurance at 5% with a total cap of \$500 annually. This will increase the client share of costs significantly but will put the program on a cost sharing basis. | AMDD | -50,000 | -184,366 | -150,000 | -554,119 |
| 9 | Refinance School Based Services. | AMDD | 0 | 0 | -800,000 | -2,955,301 |
| 10 | Eliminate "full day" day treatment for adults with serious mental | AMDD | 0 | 0 | -230,000 | -849,649 |
| | Mental Health Medicaid Reductions: | | -542,962 | -2,002,072 | -2,039,142 | -7,532,848 |
| | Mental Health Services Plan: | | | | | |
| 1 | Eliminate Frontier Rate Differential | AMDD | 0 | 0 | -165,423 | -195,000 |
| 2 | Eliminate all room and board payments | AMDD | 0 | 0 | -424,160 | -500,000 |
| | MHSP Reductions: | | 0 | 0 | -589,583 | -695,000 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|---|------------------|----------------------|---------------------|----------------------|---------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| | Medicaid Primary Care: | | | | | |
| 1 | Pharmacy - Increase percentage off the AWP from 10% to 15% | HPSD | 0 | 0 | -965,753 | -3,567,614 |
| 2 | Dental - Limit Adult Dental coverage to Basic Services | HPSD | 0 | 0 | -425,078 | -1,570,292 |
| 3 | This proposal is to reduce the percentage paid to each of two co-surgeons to the Medicare level and reduce reimbursement to ambulatory surgical centers to 55% percent of charges approximating the hospital cost to charge ratio. | HPSD | -31,641 | -116,670 | -94,923 | -350,658 |
| 4 | Change the Medicaid client sharing of program costs from a co-payment basis to co-insurance at 5% with a total cap of \$500 annually. This will increase the client share of costs significantly but will put the program on a cost sharing basis. | HPSD | -140,071 | -516,486 | -515,594 | -1,904,669 |
| 5 | Eliminate second six-months of extended Medicaid coverage | HPSD | 0 | 0 | 0 | 0 |
| 6 | Allow only bills for current and previous 3 months to be counted to meet the incurment. Currently allow any past bill for which they are obligated regardless of the age of the expense. | HPSD | 0 | 0 | -186,300 | -688,216 |
| 7 | Freeze the Medically Needy Income Level for 2 years. Currently it is increased annually based on CPI increase. | HPSD | 0 | 0 | -160,779 | -593,938 |
| 8 | Drop the Extended Medicaid Waiver; return to the federal regulation which is more restrictive. | HPSD | 0 | 0 | -282,396 | -1,043,207 |
| 9 | Increase Third Party Liability (TPL) recoveries by enhancing recoveries in the area of prescription drugs and identify other insurance coverages. This will be accomplished by hiring a contractor that will bill pharmacy benefit managers (PBMs) electronic | HPSD | -134,817 | -497,113 | -269,634 | -996,062 |
| 10 | Initial Estimate - Reduce all reimbursement rates by 2.6 percent for Health Professionals. This option would reduce rates for the 6 month period starting 1/1/02 and ending 6/30/02. | HPSD | -1,540,000 | -5,678,466 | 0 | 0 |
| 11 | Implement waiver to reduce service package to able bodied persons aged 21 to 64. | HPSD | 0 | 0 | 0 | 0 |
| | Primary Care Reductions: | | -1,846,529 | -6,808,735 | -2,900,457 | -10,714,655 |
| | Medicaid Hospitals: | | | | | |
| 1 | Reduce Out of State reimbursement from 61% to 50% of billed charges | HPSD | -76,840 | -283,333 | -230,520 | -851,570 |
| 2 | Change in CAH Reimbursement | HPSD | -112,241 | -413,868 | -507,330 | -1,874,141 |
| 3 | Hospital - Eliminate catastrophic case payments | HPSD | 0 | 0 | -344,763 | -1,273,598 |
| | Hospital Reductions: | | -189,081 | -697,201 | -1,082,613 | -3,999,309 |
| | Supplemental Mitigation - Dec 2001 through June 2002 | Total | -2,578,572 | -9,508,009 | -6,611,795 | -22,941,812 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|--|---------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| <u>FAIM II R Reductions</u> | | | | | | |
| | First Reduction - November 2001 | | | | | |
| 1 | Parents as Scholars | HCSD | 0 | -470,048 | 0 | 0 |
| 2 | Tribal Projects (restricted) | HCSD | 0 | -879,008 | 0 | 0 |
| 3 | Tribal NEW | HCSD | 0 | -796,452 | 0 | 0 |
| 4 | Montana Training Consortium | HCSD | 0 | -297,101 | 0 | 0 |
| 5 | Other Tribal Programs (restricted) | HCSD | 0 | -349,531 | 0 | 0 |
| 6 | Other Non-tribal Programs | HCSD | 0 | -174,765 | 0 | 0 |
| 7 | High Wage High Skill Training (restricted) | HCSD | 0 | -346,060 | 0 | 0 |
| 8 | Assessment Services - Intensive Case Management | HCSD | 0 | -764,206 | 0 | 0 |
| 9 | Chemical Dependency Graham Home Msla & Blgs | HCSD | 0 | -222,301 | 0 | 0 |
| 10 | Learning Disabilities through OPI or Tribal Colleges | HCSD | 0 | -209,718 | 0 | 0 |
| 11 | Mental Health Services (On-site Counselors) | HCSD | 0 | -174,765 | 0 | 0 |
| 12 | Family Drug Court | HCSD | 0 | -139,812 | 0 | 0 |
| 13 | Low-Income Housing | HCSD | 0 | -1,223,357 | 0 | 0 |
| 14 | Car purchase, loans, or community transportation | HCSD | 0 | -279,624 | 0 | 0 |
| 15 | Extra month grant for working families | HCSD | 0 | -859,300 | 0 | 0 |
| 16 | Emergency Supportive Service for Working Family | HCSD | 0 | -458,938 | 0 | 0 |
| 17 | Individual Development Accounts | HCSD | 0 | -97,008 | 0 | 0 |
| 18 | Children as Scholars (Head Start Child Care) | HCSD | 0 | -699,105 | 0 | 0 |
| 19 | TEAMS Reprocedurement/Enhancements | HCSD | 0 | -520,825 | 0 | 0 |
| 20 | School Breakfast Startup Cost | HCSD | 0 | -62,916 | 0 | 0 |
| 21 | Children's Trust Fund | HCSD | 0 | -176,553 | 0 | 0 |
| | First Reduction Total: | | 0 | -9,201,393 | 0 | 0 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|--|------------------|----------------------|---------------------|----------------------|---------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| | Second Reduction - May 2002 | | | | | |
| 1 | Parents as Scholars | HCSD | 0 | 0 | 0 | -451,234 |
| 2 | Tribal Projects (restricted) | HCSD | 0 | 0 | 0 | -843,822 |
| 3 | Tribal NEW | HCSD | 0 | 0 | 0 | -764,571 |
| 4 | Montana Training Consortium | HCSD | 0 | 0 | 0 | -42,832 |
| 5 | Other Tribal Programs (restricted) | HCSD | 0 | 0 | 0 | -335,539 |
| 6 | Other Non-tribal Programs | HCSD | 0 | 0 | 0 | -167,770 |
| 7 | High Wage High Skill Training (restricted) | HCSD | 0 | 0 | 0 | -332,207 |
| 8 | Assessment Services - Intensive Case Management | HCSD | 0 | 0 | 0 | -733,617 |
| 9 | Chemical Dependency Graham Home Msla & Blgs | HCSD | 0 | 0 | 0 | -213,403 |
| 10 | Learning Disabilities through OPI or Tribal Colleges | HCSD | 0 | 0 | 0 | -201,323 |
| 11 | Mental Health Services (On-site Counselors) | HCSD | 0 | 0 | 0 | -167,770 |
| 12 | Family Drug Court | HCSD | 0 | 0 | 0 | -134,216 |
| 13 | Low-Income Housing | HCSD | 0 | 0 | 0 | -1,174,388 |
| 14 | Car purchase, loans, or community transportation | HCSD | 0 | 0 | 0 | -268,431 |
| 15 | Extra month grant for working families | HCSD | 0 | 0 | 0 | -824,904 |
| 16 | Emergency Supportive Service for Working Family | HCSD | 0 | 0 | 0 | -113,210 |
| 17 | Individual Development Accounts | HCSD | 0 | 0 | 0 | -93,125 |
| 18 | Children as Scholars (Head Start Child Care) | HCSD | 0 | 0 | 0 | -671,121 |
| 19 | TEAMS Reprocurement/Enhancements | HCSD | 0 | 0 | 0 | -499,977 |
| 20 | School Breakfast Startup Cost | HCSD | 0 | 0 | 0 | -60,397 |
| 21 | Children's Trust Fund | HCSD | 0 | 0 | 0 | -169,486 |
| | Second Reduction Total: | | 0 | 0 | 0 | -8,263,343 |
| | FAIM II R Reductions | Total | 0 | -9,201,393 | 0 | -8,263,343 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|--|------------------|----------------------|---------------------|----------------------|---------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| <u>Governor's 3.5% FY2003 Reductions - June 2002</u> | | | | | | |
| 1 | Public Health Affairs Officer salary reallocation | DO | 0 | 0 | -9,121 | -7,000 |
| 2 | Council Meeting Reductions | DO | 0 | 0 | -1,200 | -4,000 |
| 3 | Eliminate Department Employee Survey | DO | 0 | 0 | -2,600 | -4,000 |
| 4 | Combine storage space in Cogswell basement. | QAD | 0 | 0 | -4,000 | -4,000 |
| 5 | Move AMDD Bulletin to the web site | AMDD | 0 | 0 | -6,786 | -13,572 |
| 6 | Eliminate Computer Hardware | CFSD | 0 | 0 | -61,752 | -110,271 |
| 7 | MMHNCC Wing Closure | AMDD | 0 | 0 | -116,000 | -116,000 |
| 8 | Contract w/ children's' coalition for placement prevention | AMDD | 0 | 0 | -480,000 | -480,000 |
| 9 | CON Operational Costs | QAD | 0 | 0 | -12,000 | -12,000 |
| 10 | Eliminate MHOAC facilitation contract /Consensus Council | AMDD | 0 | 0 | -13,710 | -27,420 |
| 11 | Eliminate Community Collaboration Specialist | CFSD | 0 | 0 | -25,000 | -45,455 |
| 12 | QAD Operational Reductions | QAD | 0 | 0 | -15,000 | -15,000 |
| 13 | QAD X-Ray Contracted Inspections | QAD | 0 | 0 | -6,218 | -6,218 |
| 14 | Use Lien and Estate Recovery funds to offset Medicaid Expenses | SLTC | 0 | 0 | -161,880 | -600,000 |
| 15 | Reduce donated dental services under DDPAC | DSD | 0 | 0 | -2,500 | -2,500 |
| 16 | QAD Licensure Contracted Funds | QAD | 0 | 0 | -52,644 | -52,644 |
| 17 | Hold central office vacant positions open | AMDD | 0 | 0 | -84,784 | -152,638 |
| 18 | Regional planning vacancies and contracted services | AMDD | 0 | 0 | -209,260 | -348,767 |
| 19 | Eliminate \$100,000 used for covering uninsured kids | HPSD | 0 | 0 | -100,000 | -100,000 |
| 20 | Montana Tobacco Use Prevention Program Reductions | DO | 0 | 0 | -115,538 | -115,538 |
| 21 | Reduce Level of Effort in the CAPS FM Contract | OTD | 0 | 0 | -102,041 | -196,233 |
| 22 | Reduce Level of Effort in the TEAMS FM Contract | OTD | 0 | 0 | -146,476 | -292,951 |
| 23 | Eliminate MHSP eligibility determination and reviews | AMDD | 0 | 0 | -375,000 | -375,000 |
| 24 | Reduce Domestic Violence Program | CFSD | 0 | 0 | -75,000 | -75,000 |
| 25 | Personal Services Reductions | OTD | 0 | 0 | -17,139 | -38,087 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|--|------------------|----------------------|---------------------|----------------------|---------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| 26 | Eliminate Drop-In contracts | AMDD | 0 | 0 | -273,000 | -273,000 |
| 27 | Reduce ISD Mainframe processing SEARCHS | OTD | 0 | 0 | -33,113 | -97,391 |
| 28 | Reduce ISD Mainframe processing in CAPS | OTD | 0 | 0 | -24,505 | -47,125 |
| 29 | Reduce ISD Network Subscriptions by 50 | OTD | 0 | 0 | -21,780 | -43,560 |
| 30 | Reduce Level of Effort in the MMIS FM Contract | OTD | 0 | 0 | -19,573 | -78,292 |
| 31 | Reduce ISD Mainframe processing in TEAMS | OTD | 0 | 0 | -116,676 | -233,352 |
| 32 | Reduce QAD Operations | QAD | 0 | 0 | -66,695 | -119,097 |
| 33 | Reduce CSED Operations | CSED | 0 | 0 | -22,500 | -66,176 |
| 34 | Reduce Big Brothers Big Sisters | CFSD | 0 | 0 | -25,000 | -25,000 |
| 35 | Reduce IT Consulting & Professional Services Budget | FSD | 0 | 0 | -32,536 | -70,730 |
| 36 | Delay Waiver and Personal Assistance Rate and Wage Increase | SLTC | 0 | 0 | -162,248 | -599,365 |
| 37 | Cut Meals on Wheels and cut state admin budget | SLTC | 0 | 0 | -43,361 | -43,361 |
| 38 | Cut Adult Protective Services workers and funding | SLTC | 0 | 0 | -41,714 | -41,714 |
| 39 | Increase Pharmacy Co-pay | AMDD | 0 | 0 | -80,291 | -80,291 |
| 40 | Limit children services to individuals that are SED | AMDD | 0 | 0 | -486,197 | -1,796,076 |
| 41 | Eliminate CHIP/MHSP therapy & other non out-of-home services | AMDD | 0 | 0 | -75,336 | -397,554 |
| 42 | Limit adult services to individuals that are SDMI | AMDD | 0 | 0 | -200,000 | -738,825 |
| 43 | Eliminate CHIP/MHSP out-of-home services | AMDD | 0 | 0 | -174,911 | -923,013 |
| 44 | Eliminate youth/adolescent day treatment | AMDD | 0 | 0 | -258,736 | -955,805 |
| 45 | Reduce client services in VR | DSD | 0 | 0 | -117,832 | -117,832 |
| 46 | Cut Adult Protective Services workers and funding | SLTC | 0 | 0 | -30,000 | -30,000 |
| 47 | Reduce Foster Care | CFSD | 0 | 0 | -639,417 | -1,013,230 |
| 48 | CFSD Operations Reductions | CFSD | 0 | 0 | -170,272 | -309,585 |
| 49 | Reduce appropriation for CHIP | HPSD | 0 | 0 | -89,222 | -446,110 |
| 50 | Additional Cut Meals on Wheels and cut state admin budget | SLTC | 0 | 0 | -30,000 | -30,000 |
| 51 | Delay Medicaid HCBS Waiver Services | SLTC | 0 | 0 | -97,191 | -359,036 |
| 52 | Withhold provider rate increase in Program 7 for FY 2003 | HPSD | 0 | 0 | -588,768 | -2,174,983 |
| 53 | Reduce TANF WoRC Contracts and TANF Supportive Services | HCSD | 0 | 0 | -973,117 | -973,117 |
| 54 | Reduce Child Care Match Child Care Matching Funds | HCSD | 0 | 0 | -302,021 | -1,115,704 |
| 55 | Cut Medicaid LTC Benefits | SLTC | 0 | 0 | -673,931 | -2,489,586 |
| 56 | Reduce client services and operations at MDC | DSD | 0 | 0 | -377,217 | -377,217 |
| 57 | Reduce client services and operations at EHSC | DSD | 0 | 0 | -108,903 | -108,903 |
| 58 | Reduce client services in Vocational Rehabilitation | DSD | 0 | 0 | -274,940 | -274,940 |
| 59 | Extend Medicaid provider payment cuts | HPSD | 0 | 0 | -775,107 | -2,863,343 |
| Governor's 3.5% FY2003 Reductions - June 2002 | | Total | 0 | 0 | -9,601,758 | -22,507,607 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|---|------------------|----------------------|---------------------|----------------------|---------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| <u>Special Session Reductions - August 2002</u> | | | | | | |
| 1 | Employment Security Account | DSD | 0 | 0 | -1,965,199 | 0 |
| 2 | County Alcohol Tax Distribution | AMDD | 0 | 0 | -1,000,000 | 0 |
| 3 | Supplies and Materials Reductions | ALL | 0 | 0 | -107,795 | -107,795 |
| 4 | TANF Performance Bonus | HCSD | 0 | 0 | 0 | 2,276,700 |
| 5 | Equipment Reduction | ALL | 0 | 0 | -257,261 | -257,264 |
| 6 | General Reduction | ALL | 0 | 0 | -2,000,000 | -2,000,000 |
| 7 | Elderly and Disabled Waiver | SLTC | 0 | 0 | 97,191 | 97,191 |
| 8 | Mental Health Day Treatment | AMDD | 0 | 0 | 0 | 258,736 |
| 9 | Medicaid Co-pay | HPSD | 0 | 0 | 0 | 350,000 |
| 10 | Pay Plan Reduction | ALL | 0 | 0 | -820,707 | -820,707 |
| 11 | SB-19 Medicaid Increase | HPSD | 0 | 0 | 550,000 | 550,000 |
| 12 | Low-Income Housing | HCSD | 0 | 0 | 0 | -2,764,561 |
| | Special Session Reductions - August 2002 | Total | 0 | 0 | -5,503,771 | -2,417,700 |

| <u>FY2003 Cost Containment Actions - December 2002</u> | | | | | | |
|---|---|------|----------|----------|-------------------|-------------------|
| | Mental Health Services Reductions | | | | | |
| 1 | Increase Intergovernmental Transfers | AMDD | 0 | 0 | -658,600 | 0 |
| 2 | Comprehensive School & Community Treatment Services to OPI | AMDD | 0 | 0 | -135,350 | -500,000 |
| 3 | 5% Provider Rate Reduction | AMDD | 0 | 0 | -269,002 | -993,728 |
| 4 | Therapeutic Foster Care Intensive Level of Care Compression | AMDD | 0 | 0 | -231,623 | -855,646 |
| 5 | Therapeutic Group Home Rate Reduction Intensive Level of Care | AMDD | 0 | 0 | -185,816 | -686,428 |
| 6 | Reduce Psychiatric Rehabilitation & Support by 10% | AMDD | 0 | 0 | -39,893 | -147,368 |
| 7 | Eliminate Adult TCM and Replace with capped number units | AMDD | 0 | 0 | -216,434 | -799,533 |
| 8 | Eliminate Child TCM and Replace with capped number units | AMDD | 0 | 0 | -336,336 | -1,242,469 |
| 9 | Limit Outpatient Therapy to 12 sessions annually | AMDD | 0 | 0 | -147,243 | -543,933 |
| | Mental Health Reductions: | | 0 | 0 | -2,220,297 | -5,769,105 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|---|------------------|----------------------|---------------------|----------------------|---------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |
| | HPSD Medicaid Reductions | | | | | |
| 1 | DME - Prepayment review of all Miscellaneous codes | HPSD | 0 | 0 | -1,800 | -6,649 |
| 2 | Change coverage criteria for Essential for Employment | HPSD | 0 | 0 | -10,800 | -39,897 |
| 3 | Reimbursement for Subsequent Procedures for Surgical services | HPSD | 0 | 0 | -11,369 | -41,999 |
| 4 | DME - Prior Authorization of rental for Wheelchairs, Hospital Beds, Shower Commode Chairs | HPSD | 0 | 0 | -11,750 | -43,406 |
| 5 | PASSPORT - Change PCP ID's | HPSD | 0 | 0 | -135,350 | -500,000 |
| 6 | Change Limits on Therapies (70 to 40) | HPSD | 0 | 0 | -4,583 | -16,930 |
| 7 | Reduce DME By-Report Reimbursement (90% to 80%) | HPSD | 0 | 0 | -20,000 | -73,883 |
| 8 | Transportation Program Changes - Reduce Transportation Reimbursement (\$0.34 to \$0.13) and modify reimbursement for lodging and meals. (NP - 257) | HPSD | 0 | 0 | -34,537 | -127,584 |
| 9 | Restrict Coverage for prescription drug Claritin - OTC | HPSD | 0 | 0 | -45,000 | -166,236 |
| 10 | Reduce IP Hosp DRG Reimbursement 5% * | HPSD | 0 | 0 | -228,516 | -844,167 |
| 11 | Eliminate Optional Services - Audiology, Eyeglasses, Optometric, Hearing Aids, Podiatry, DME O&P * | HPSD | 0 | 0 | -193,750 | -715,737 |
| 12 | Cut Adult Dental/Denturist - Except Emergencies (Includes eliminating dental coverage in FQHC & RHC) * | HPSD | 0 | 0 | -291,531 | -1,076,952 |
| 13 | Eligibility Changes - HCSD (Stop excluding non-home real property listed for sale; Contract for Deed change; Life Estate change; Limit exclusion of home property under "intent to return" policy) (NP - 260) | HPSD | 0 | 0 | -291,941 | -1,078,467 |
| 14 | Restrict coverage criteria for Mamoplasty | HPSD | 0 | 0 | -5,640 | -20,835 |
| 15 | Eliminate coverage of Gastric Bypass Surgeries | HPSD | 0 | 0 | -16,355 | -60,417 |
| 16 | Restrict coverage criteria for Circumcisions | HPSD | 0 | 0 | -25,378 | -93,750 |
| 17 | Change reimbursement for Inpatient Hospital Rehabilitation Units from cost based as a percent of charges to DRG reimbursement. | HPSD | 0 | 0 | -56,250 | -207,795 |
| 18 | Pharmacy Program Changes - Change Dispensing Limit - 34 Day Supply. (NP - 258) | HPSD | 0 | 0 | -20,593 | -76,073 |
| 19 | Change policy on early refill for Prescriptions | HPSD | 0 | 0 | -37,500 | -138,530 |
| 20 | Increase Percentage off AWP for Generic Drugs (15% to 25%) | HPSD | 0 | 0 | -100,000 | -369,413 |
| 21 | Enhanced SURS Recoveries | HPSD | 0 | 0 | -97,614 | -360,598 |
| 22 | 7% Provider Rate Reductions | HPSD | 0 | 0 | -1,412,971 | -5,219,693 |
| | HPSD Reductions: | | 0 | 0 | -3,053,228 | -11,279,010 |
| | FY2003 Cost Containment Actions - December 2002 | Total | 0 | 0 | -5,273,525 | -17,048,115 |

| Department of Public Health and Human Services 2003 Biennium Budget Reductions | | | | | | |
|---|-------------|---------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| | Description | Program Affected | FY 2002 General Fund | FY 2002 Total Funds | FY 2003 General Fund | FY 2003 Total Funds |

Reduction Summary - January 8, 2003

| | | | | | |
|--|-----------|-----------------------------|-------------|-------------|-------------|
| Supplemental Mitigation - Dec 2001 through June 2002 | Total (1) | -2,578,572 | -9,508,009 | -6,611,795 | -22,941,812 |
| FAIM II R Reductions | Total (2) | 0 | -9,201,393 | 0 | -8,263,343 |
| Governor's 3.5% FY2003 Reductions - June 2002 | Total (4) | 0 | 0 | -9,601,758 | -22,507,607 |
| Special Session Reductions - August 2002 | Total (5) | 0 | 0 | -5,503,771 | -2,417,700 |
| FY2003 Cost Containment Actions - December 2002 | Total (1) | 0 | 0 | -5,273,525 | -17,048,115 |
| | | -2,578,572 | -18,709,402 | -26,990,849 | -73,178,577 |
| | | Total Biennial General Fund | | | -29,569,421 |
| | | Total Biennial Funds | | | -91,887,979 |

Notes:

- 1) Budget mitigation actions necessary to reduce program expenditures to the budget level.
- 2) The TANF FAIM II R program was reduced and the TANF funds were reallocated to the TANF Cash Assistance payments program.
- 3) CSED state special revenue funded actions related to the federal incentive grant cash shortfall are not included in this reduction summary.
- 4) Reduction to the FY2003 budgeted amount, does not include the additional 25% vacancies savings reductions as positions become vacant.
- 5) Reduction to the FY2003 budgeted amount.

ATTACHMENT 3

53-6-101. Montana medicaid program -- authorization of services. (1) There is a Montana medicaid program established for the purpose of providing necessary medical services to eligible persons who have need for medical assistance. The Montana medicaid program is a joint federal-state program administered under this chapter and in accordance with Title XIX of the Social Security Act, 42 U.S.C. 1396, et seq. The department shall administer the Montana medicaid program.

(2) The department and the legislature shall consider the following funding principles when considering changes in medicaid policy that either increase or reduce services:

(a) protecting those persons who are most vulnerable and most in need, as defined by a combination of economic, social, and medical circumstances;

(b) giving preference to the elimination or restoration of an entire medicaid program or service, rather than sacrifice or augment the quality of care for several programs or services through dilution of funding; and

(c) giving priority to services that employ the science of prevention to reduce disability and illness, services that treat life-threatening conditions, and services that support independent or assisted living, including pain management, to reduce the need for acute inpatient or residential care.

(3) Medical assistance provided by the Montana medicaid program includes the following services:

(a) inpatient hospital services;

(b) outpatient hospital services;

(c) other laboratory and x-ray services, including minimum mammography examination as defined in 33-22-132;

(d) skilled nursing services in long-term care facilities;

(e) physicians' services;

(f) nurse specialist services;

(g) early and periodic screening, diagnosis, and treatment services for persons under 21 years of age;

(h) ambulatory prenatal care for pregnant women during a presumptive eligibility period, as provided in 42 U.S.C. 1396a(a)(47) and 42 U.S.C. 1396r-1;

(i) targeted case management services, as authorized in 42 U.S.C. 1396n(g), for high-risk pregnant women;

(j) services that are provided by physician assistants within the scope of their practice and that are otherwise directly reimbursed as allowed under department rule to an existing provider;

(k) health services provided under a physician's orders by a public health department; and

(l) federally qualified health center services, as defined in 42 U.S.C. 1396d(l)(2).

(4) Medical assistance provided by the Montana medicaid program may, as provided by department rule, also include the following services:

(a) medical care or any other type of remedial care recognized under state law, furnished by licensed practitioners within the scope of their practice as defined by state law;

(b) home health care services;

(c) private-duty nursing services;

(d) dental services;

(e) physical therapy services;

(f) mental health center services administered and funded under a state mental health program authorized under Title 53, chapter 21, part 10;

(g) clinical social worker services;

(h) prescribed drugs, dentures, and prosthetic devices;

(i) prescribed eyeglasses;

(j) other diagnostic, screening, preventive, rehabilitative, chiropractic, and osteopathic services;

(k) inpatient psychiatric hospital services for persons under 21 years of age;

(l) services of professional counselors licensed under Title 37, chapter 23;

(m) hospice care, as defined in 42 U.S.C. 1396d(o);

(n) case management services, as provided in 42 U.S.C. 1396d(a) and 1396n(g), including targeted case management services for the mentally ill;

(o) services of psychologists licensed under Title 37, chapter 17;

(p) inpatient psychiatric services for persons under 21 years of age, as provided in 42 U.S.C. 1396d(h), in a residential treatment facility, as defined in 50-5-101, that is licensed in accordance with 50-5-201; and

(q) any additional medical service or aid allowable under or provided by the federal Social Security Act.

(5) Services for persons qualifying for medicaid under the medically needy category of assistance, as described in 53-6-131, may be more limited in amount, scope, and duration than services provided to others qualifying for assistance under the Montana medicaid program. The department is not required to provide all of the services listed in subsections (3) and (4) to persons qualifying for medicaid under the medically needy category of assistance.

(6) In accordance with federal law or waivers of federal law that are granted by the secretary of the U.S. department of health and human services, the department may implement limited medicaid benefits, to be known as basic medicaid, for adult recipients who are eligible because they are receiving financial assistance, as defined in 53-4-201, as the specified caretaker relative of a dependent child under the FAIM project and for all adult recipients of medical assistance only who are covered under a group related to a program providing financial assistance, as defined in 53-4-201. Basic medicaid benefits consist of all mandatory services listed in subsections (3)(a) through (3)(l) but may include those optional services listed in subsections (4)(a) through (4)(q) that the department in its discretion specifies by rule. The department, in exercising its discretion, may consider the amount of funds appropriated by the legislature, whether approval has been received, as provided in 53-1-612, and whether the provision of a particular service is commonly covered by private health insurance plans. However, a recipient who is pregnant, meets the criteria for disability provided in Title II of the Social Security Act, 42 U.S.C. 416, et seq., or is less than 21 years of age is entitled to full medicaid coverage.

(7) The department may implement, as provided for in Title XIX of the Social Security Act, 42 U.S.C. 1396, et seq., as may be amended, a program under medicaid for payment of medicare premiums, deductibles, and coinsurance for persons not otherwise eligible for medicaid.

(8) The department may set rates for medical and other services provided to recipients of medicaid and may enter into contracts for delivery of services to individual recipients or groups of recipients.

(9) The services provided under this part may be only those that are medically necessary and that are the most efficient and cost-effective.

(10) The amount, scope, and duration of services provided under this part must be determined by the department in accordance with Title XIX of the Social Security Act, 42 U.S.C. 1396, et seq., as may be amended.

(11) Services, procedures, and items of an experimental or cosmetic nature may not be provided.

(12) If available funds are not sufficient to provide medical assistance for all eligible persons, the department may set priorities to limit, reduce, or otherwise curtail the amount, scope, or duration of the medical services made available under the Montana medicaid program after taking into consideration the funding principles set forth in subsection (2).

History: En. Sec. 2, Ch. 325, L. 1967; amd. Sec. 1, Ch. 261, L. 1971; R.C.M. 1947, 71-1512(part); amd. Sec. 1, Ch. 77, L. 1985; amd. Sec. 1, Ch. 329, L. 1987; amd. Sec. 19, Ch. 97, L. 1989; amd. Sec. 1, Ch. 417, L. 1989; amd. Sec. 1, Ch. 633, L. 1989; amd. Sec. 10, Ch. 649, L. 1989; amd. Sec. 1, Ch. 711, L. 1989; amd. Sec. 1, Ch. 310, L. 1991; amd. Sec. 1, Ch. 388, L. 1991; amd. Secs. 3, 7, Ch. 460, L. 1991; amd. Sec. 4, Ch. 634, L. 1991; amd. Sec. 3, Ch. 663, L. 1991; amd. Sec. 3, Ch. 764, L. 1991; amd. Sec. 6, Ch. 590, L. 1993; amd. Sec. 2, Ch. 14, Sp. L. November 1993; amd. Sec. 25, Ch. 491, L. 1995; amd. Sec. 438, Ch. 546, L. 1995; amd. Sec. 46, Ch. 486, L. 1997; amd. Sec. 36, Ch. 465, L. 2001; amd. Sec. 10, Ch. 54, L. 2003; amd. Sec. 5, Ch. 576, L. 2003; amd. Sec. 12, Ch. 602, L. 2003; amd. Sec. 1, Ch. 353, L. 2005; amd. Sec. 29, Ch. 519, L. 2005; amd. Sec. 1, Ch. 530, L. 2005.