

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	567.75	(5.85)	3.00	564.90	(5.65)	5.00	567.10	567.10
Personal Services	23,773,529	2,123,495	142,290	26,039,314	2,200,011	236,455	26,209,995	52,249,309
Operating Expenses	9,178,091	752,589	223,125	10,153,805	1,115,939	258,960	10,552,990	20,706,795
Equipment	41,010	0	0	41,010	0	0	41,010	82,020
Grants	8,598,188	1,053,964	0	9,652,152	1,303,964	0	9,902,152	19,554,304
Benefits & Claims	31,322,620	5,667,939	3,579,631	40,570,190	6,573,454	3,514,631	41,410,705	81,980,895
Transfers	0	0	0	0	0	0	0	0
Debt Service	80,093	0	0	80,093	0	0	80,093	160,186
Total Costs	\$72,993,531	\$9,597,987	\$3,945,046	\$86,536,564	\$11,193,368	\$4,010,046	\$88,196,945	\$174,733,509
General Fund	36,594,770	5,477,797	412,889	42,485,456	6,298,372	362,976	43,256,118	85,741,574
State/Other Special	4,671,445	470,505	3,272,942	8,414,892	547,053	3,324,296	8,542,794	16,957,686
Federal Special	31,727,316	3,649,685	259,215	35,636,216	4,347,943	322,774	36,398,033	72,034,249
Total Funds	\$72,993,531	\$9,597,987	\$3,945,046	\$86,536,564	\$11,193,368	\$4,010,046	\$88,196,945	\$174,733,509

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention services, treatment and aftercare services, and mental health treatment services. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) to individuals with a serious and disabling mental illness with incomes up to 150 percent of the federal poverty level. Montana State Hospital (MSH) at Warm Springs (189 licensed beds) and the Montana Mental Health Nursing Care Center (nursing care center) at Lewistown (165 beds available / 75 beds budgeted) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the nursing care center are considered to be long term.

Statutory references: mental health is in Title 53, Chapter 21, parts 1 through 7 and part 10, MCA, and P. L. 102-321, CFR. Chemical dependency is in Title 53, Chapters 1 and 24, MCA, and Part C, Title XIX of the Social Security Act.

Program Highlights

Addictive and Mental Disorders Division (AMDD)
Major Budget Highlights
<ul style="list-style-type: none"> • The AMDD 2007 biennium budget request is \$28 million total funds (\$13 million general fund) higher than the FY 2004 base budget <ul style="list-style-type: none"> • General fund changes due to the Medicaid state match rate adjustments total \$3 million general fund and a like decrease in federal funds • Major budget and legislative initiatives in the AMDD budget request include: <ul style="list-style-type: none"> • Expansion of the Program for Active Community Treatment (PACT) from 140 slots in FY 2004 to 290 slots by the end of

FY 2005 to 350 slots by the end of FY 2007 (\$1.5 million general fund over the biennium)

- Funding for 5.00 new FTE by FY 2007 to be located in 5 regions of the state to help develop community mental health services, link persons to community services, and provide a local AMDD representative
- Legislation (LC 139) to allow AMDD to establish rules and a process for a non binding preauthorization for emergency detention at Montana State Hospital (MSH)

MAJOR LFD ISSUES

- MSH average daily population (and budget) could be reduced if executive budget and legislation proposals are adopted to:
 - Increase community services
 - Provide rate increases to facilitate access to psychiatric services for public mental health clients
 - Establish a process to more thoroughly evaluate and locate community placements for emergency detentions prior to placement at MSH
 - Place new FTE in regions throughout the state
- Appropriation requests from the alcohol state special revenue account exceed projected revenues in FY 2006, despite a funding shift to support some of the Montana Chemical Dependency Center (MCDC) costs from the general fund
- The executive budget request shifts \$1.7 million of tobacco settlement revenues statutorily allocated to the Children's Health Insurance Program (CHIP) from CHIP to the Mental Health Services Plan (MHSP)
- Information on the impact of the Medicare Modernization Act (MMA) and the proposed Health Insurance Flexibility and Accountability (HIFA) waiver should be more complete during legislative consideration of the executive budget proposal and could result in savings in prescription drug costs at the state hospital and nursing care center as well as potential inclusion of 100 percent general fund mental health expenditures to expand services under the proposed HIFA waiver
- The establishment of Service Area Authorities (SAAs) has not progressed as quickly as originally envisioned by AMDD when it first introduced the concept to the 2001 Legislature, and the basic design of the SSA has changed over time

Program Narrative

The AMDD budget request for the 2007 biennium is \$20 million total funds (\$10 million general fund) higher than the 2005 biennium. The increases are due to:

- Growth in Medicaid caseload and service utilization, including addition of 150 new Program for Assertive Community Treatment program slots initiated during FY 2005 and an expansion of 60 more slots through the 2007 biennium
- Changes in the federal Medicaid match rate
- Continuation of one-time appropriations of tobacco settlement revenues for the Mental Health Services Plan (MHSP) prescription drug benefit and a small portion of state Medicaid match
- State institution costs for 24 hour staffing and inflation in food and medical costs
- Funding for 5.00 new regional FTE, which is partially offset by FTE funding reductions

Figure 57 shows the AMDD budget request compared to the FY 2004 base budget by major division function. Division administration is only 1 percent of the FY 2007 budget request, while addiction services accounts for 14 percent. Mental health functions encompass 85 percent of the AMDD budget request, with mental health Medicaid benefits being the single most significant component with 39 percent of the total.

Figure 57
Addictive and Mental Disorders Division FY 2004 Base Expenditures and 2007 Biennium Budget Request

Budget Component Function/Benefit	FY 2004 Base Budget				FY 2006 Executive Request				FY 2007 Executive Request				% of Td Division
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
Total Division													
Division Admin.	\$407,856	\$21,944	\$441,997	\$871,797	\$529,618	\$19,485	\$478,739	\$1,027,842	\$531,096	\$19,535	\$479,294	\$1,029,925	1%
Mental Health*	36,186,914	1,454,869	23,556,090	61,197,873	41,879,565	4,858,485	27,128,037	73,866,087	42,700,103	4,857,687	27,508,493	75,066,283	85%
Addiction Services	0	3,194,632	7,729,229	10,923,861	76,273	3,536,922	8,029,440	11,642,635	24,919	3,665,572	8,410,246	12,100,737	14%
Total Division	\$36,594,770	\$4,671,445	\$31,727,316	\$72,993,531	\$42,485,456	\$8,414,892	\$35,636,216	\$86,536,564	\$43,256,118	\$8,542,794	\$36,398,033	\$88,196,945	100%
Percent of Total	50%	6%	43%	100%	49%	10%	41%	100%	49%	10%	41%	100%	
Compounded Annual Rate of Change from Base					8%	34%	6%	9%	6%	22%	5%	7%	
State Institution Costs													
State Hospital	\$20,657,664	\$383,988	\$0	\$21,041,652	\$22,376,957	\$438,389	\$0	\$22,815,346	\$22,688,493	\$437,591	\$0	\$23,126,084	26%
Nursing Care Center	5,742,424	0	0	5,742,424	6,745,258	0	0	6,745,258	6,791,233	0	0	6,791,233	8%
Chemical Dependency Cnt	0	2,587,566	374,796	2,962,362	0	2,828,583	488,600	3,317,183	0	2,858,039	541,382	3,399,421	4%
Subtotal Institutions	\$ 26,400,088	\$ 2,971,554	\$ 374,796	\$29,746,438	\$29,122,215	\$3,266,972	\$488,600	\$32,877,787	\$29,479,726	\$3,295,630	\$541,382	\$33,316,738	38%
% of Total Division Budget	72%	64%	1%	41%	69%	39%	1%	38%	68%	39%	1%	38%	
Compounded Annual Rate of Change from Base					5%	5%		5%	4%	4%		4%	
Grants													
<i>Mental Health Services</i>													
Mental Health Svcs Plan*	\$2,122,456	\$0	\$290,000	\$2,412,456	\$2,122,456	\$0	\$1,250,525	\$3,372,981	\$2,122,456	\$0	\$1,250,525	\$3,372,981	4%
PATH/Homeless Svcs	97,866	0	293,598	391,464	100,000	0	300,000	400,000	100,000	0	300,000	400,000	0%
<i>Addiction Services</i>													
Community Services	0	0	5,794,268	5,794,268	0	0	5,879,171	5,879,171	0	0	6,129,171	6,129,171	7%
Subtotal Grants	\$2,220,322	\$0	\$6,377,866	\$8,598,188	\$2,222,456	\$0	\$7,429,696	\$9,652,152	\$2,222,456	\$0	\$7,679,696	\$9,902,152	11%
% of Total Division Budget	6%	0%	20%	12%	5%	0%	21%	11%	5%	0%	21%	11%	
Compounded Annual Rate of Change from Base					0%	n/a	8%	6%	0%	n/a	6%	5%	
Benefits/Services													
<i>Medicaid</i>													
Mental Health*	\$5,088,665	\$1,070,881	\$22,244,257	\$28,403,803	\$8,034,497	\$1,170,096	\$24,770,033	\$33,974,626	\$8,451,793	\$1,170,096	\$25,085,736	\$34,707,625	39%
Addiction Services	0	359,112	1,100,334	1,459,446	0	493,997	1,192,575	1,686,572	0	542,470	1,270,595	1,813,065	2%
<i>Other Benefits</i>													
Mental Health Svcs Plan*	1,728,648	2,611,837	0	4,340,485	1,658,992	3,250,000	0	4,908,992	1,640,015	3,250,000	0	4,890,015	6%
Subtotal Benefits	\$6,817,313	\$4,041,830	\$23,344,591	\$34,203,734	\$9,693,489	\$4,914,093	\$25,962,608	\$40,570,190	\$10,091,808	\$4,962,566	\$26,356,331	\$41,410,705	47%
% of Total Division Budget	19%	87%	74%	47%	23%	58%	73%	47%	23%	58%	72%	47%	
Compounded Annual Rate of Change from Base					19%	10%	5%	9%	14%	7%	4%	7%	

*Mental Health Services expenditures include the one-time appropriation of tobacco settlement proceeds from the Prevention and Stabilization Account that was removed from the FY 2004 base budget.

The three state institutions administered by AMDD account for 38 percent of the FY 2007 budget request, with the MSH budget request comprising 26 percent of the total division request. The state institutions also use the lion’s share of general fund in AMDD, with 72 percent of the FY 2004 base budget funding, dropping to 68 percent in FY 2007. Despite the percentage decline, the total general fund request for state mental health institutions rises \$3 million from the base budget to the FY 2007 request. The increase is due to present law adjustments to add overtime, shift differential, and holiday pay in order to provide 24 hour staffing, which are removed from the FY 2004 base budget, and due to cost increases in prescription drugs, medical costs paid to other hospitals for physical health conditions that must be treated, utilities, and food.

The 2007 biennium general fund request for the two state mental health institutions is \$59 million. Part of state institution costs are offset by other payers including private insurance, district courts, Indian Health Services, Medicare and Medicaid. Reimbursement for institutional services, above the amount required to pay debt service on bonds issued for the new state hospital, is deposited to the general fund. The Revenue and Transportation Oversight Committee adopted revenue estimates, which include \$11.5 million in state institutional reimbursement to the general fund from MSH and nursing care center. Medicare is the most significant source of revenue for MSH since it is a licensed hospital and Medicare will provide a lifetime benefit up to 190 days of inpatient psychiatric hospital reimbursement for Medicare eligible persons. Medicaid is the largest source of reimbursement for the nursing care center (MMHNCC), since Medicaid will provide reimbursement in state institutions for mental disease for persons under the age of 21 and over the age of 65. A significant number of nursing care center residents are over 65 and eligible for Medicaid. Please see the DPHHS overview for a comparison of each budget request for the seven state institutions administered by DPHHS.

MSH Population Levels

Figures 58 and 59 show the admissions and average daily population (ADP) by year from FY 1996 through FY 2005 based on DPHHS data and estimates. FY 2005 projected ADP is expected to exceed the hospital’s licensed capacity by 1 person. While there have been discussions on the potential adverse impact of high ADPs on MSH licensure and therefore receipt of Medicare reimbursement, it is rare for a hospital to lose its license due to admissions above the licensed capacity.

Figure 58

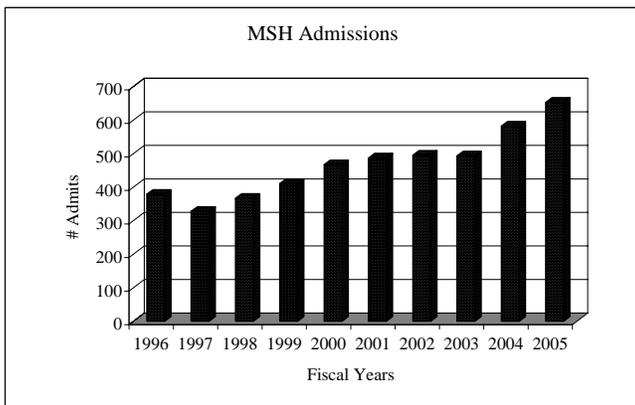
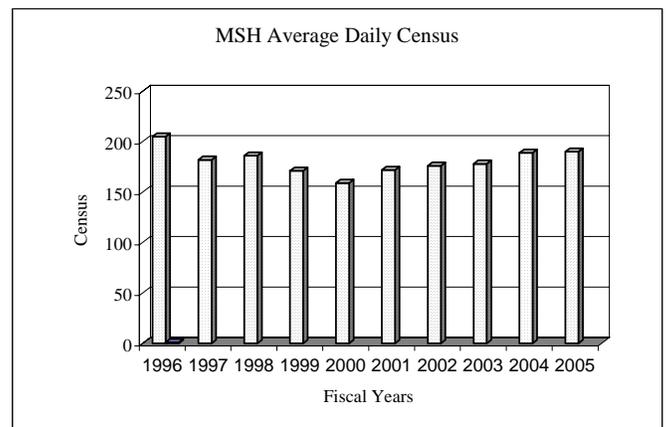


Figure 59



The community mental health services budget also increases from base budget expenditures. Medicaid mental health services rise from \$28 million in the base budget to nearly \$35 million in the FY 2007 request, with general fund match increasing from \$5 million to \$8 million over the same time. Medicaid costs increase due to annualization of new Program for Active Community Treatment services brought on line during FY 2005. The PACT expansions will provide supported community rehabilitation services to 150 more persons with severe and disabling mental illness by the end of the 2005 biennium with an increase of 45 slots in FY 2006 and another 15 slots in FY 2007. See Figure 60.

Another significant component of the Medicaid general fund growth is the increase in state match rate. The executive mental health budget request also includes a rate increase for psychiatric services in an effort to enhance access to such services. The PATH/Homeless grant to locate and help homeless persons who are mentally ill rises to the full grant amount from FY 2004 to FY 2007, including the general fund match.

Figure 60
PACT Programs and Number
of Slots by Fiscal Year

PACT Sites	2004	2005	2006	2007
Billings	70	70	70	70
Helena	70	70	70	70
Kalispell	0	50	65	70
Missoula	0	50	65	70
Great Falls	0	50	65	70
Total	140	290	335	350
% Over Base		107%	139%	150%

LFD ISSUE

MSH Population Due to Improved Mental Health Community Services and Gatekeeper Legislation – The DPHHS budget request and legislation requests as well as other local initiatives should impact the number of persons admitted to and maintained in MSH. However, despite these initiatives the MSH budget proposal is based on near maximum daily population at 180 per day (licensed capacity 189). The FY 2004 daily population was 189.

Executive Budget Request

The DPHHS budget request includes funding for:

- 5.00 new FTE to improve institutional and regional service delivery by FY 2007
- 194 new Program for Assertive Community Treatment (PACT) program slots in FY 2006 compared to the FY 2004 base budget and an additional 15 slots in FY 2007
- Crisis stays in community hospitals for MHSP beneficiaries through the HIFA waiver in order to help stabilize and serve persons in the community
- Training for MSH staff to reduce violence and improve staff-patient communication that has improved therapeutic outcomes in other states

Regional Staff

The goal of these budget proposals is to enhance community resources for persons with a severe and disabling mental illness including, for the first time, a local AMDD representative for state mental health resources. Mental health services have no “field” presence to help facilitate services and link clients with services. Both Senior and Long Term Care and Disabilities Services divisions have field staff who are integral components of program implementation, and service and budget management.

PACT Expansion

AMDD established two PACT (Program for Assertive Community Treatment) programs in late 1999, with a capacity of 140 total slots, which will be expanded to 335 slots in FY 2006 and 350 slots in FY 2007. PACT is a service built around the goal of maintaining persons with a severe and disabling mental illness in the community. PACT is comprised of a team of persons who routinely deliver services in the community, such as medication deliveries, emergency services as necessary, and daily living skills. Other PACT services include medication management, outpatient counseling, vocational rehabilitation and chemical dependency. AMDD requires that PACT programs spend at least 75 percent of service time outside an office setting.

MSH Population Due to Improved Mental Health Community Services and Gatekeeper Legislation – The DPHHS budget request and legislation requests as well as other local initiatives should impact the number of persons admitted to and maintained in MSH. However, despite these initiatives the MSH budget proposal is based on near maximum daily population at 180 per day (licensed capacity 189). The FY 2004 daily population was 189.

**LFD
ISSUE CONT.**Crisis Services

Lack of crisis services, including crisis and secure beds, is one of the most frequently noted mental health service deficits in Montana, and is frequently cited as a reason that MSH is near or over capacity. If the HIFA waiver is implemented and contains an inpatient hospital benefit, it could increase the availability of community crisis services. Additionally, when persons are maintained in the community, it is easier to link them to community resources or to reintegrate them into the community services they had prior to the decompensation (a severe relapse of the mental disease).

MSH Staff Training

Finally, training for MSH staff would be based on training used by other state mental hospitals. AMDD documentation notes that this training has resulted in better therapeutic outcomes for the patients in other state mental hospitals. Improved therapeutic outcomes should: 1) translate to some improvement and rehabilitation that helps mentally ill persons sustain their community placements; and 2) help persons transition to community services more successfully.

If approved, these budget requests and programmatic changes should lower MSH populations over the 2007 biennium.

Gatekeeper Legislation

DPHHS has also requested legislation to help determine appropriate emergency detention admissions to MSH, with the goals of keeping more persons in the community when appropriate and diverting inappropriate admissions to the state hospital. The bill (LC 139):

- Establishes a preauthorization, non binding review, determination, and certification as to whether a person meets emergency detention criteria for admission to MSH
- Gives DPHHS rule making authority to define criteria for emergency detention admission to MSH
- If emergency detention criteria are not met, requires the MSH superintendent (or designee) to work with the county attorney, court, the person's attorney, the peace officer detaining the person and the professional person evaluating the detainee to find a suitable community alternative
- Allows the peace officer to detain the person at MSH if a suitable alternative cannot be found
- Requires counties to pay the costs of emergency detentions that do not meet the criteria established in rule
- Requires DPHHS to facilitate development of local plans to divert emergency detentions from MSH
- Requires county attorneys to "make arrangements" with one or more facilities for the emergency detention of persons who appear to have a mental disorder and are a danger to self or others
- Prohibits persons from being detained longer than close of business on the next regular business day unless the county attorney has filed a petition for commitment and the court has issued an order of detention

The requirements in this bill could help foster the development of local crisis services, depending on the financial resources that are available to local entities. For instance, some county funds currently being spent on transporting persons to MSH could be redirected to payment for crisis services. However, in less populous areas of the state, alternatives to MSH detention may be limited. Also, if the budget request for regional staff is approved, AMDD should have more staff resources to devote to facilitating development of local crisis services plans and providing assistance in locating or developing alternative services to MSH.

Efforts to Improve Mental Health Response and Services by Other Groups

In addition, other groups undertaking initiatives in the mental health arena that may help foster community mental health services and also divert persons from MSH. For instance, a collaborative effort among counties, including police and sheriffs, Community Mental Health Centers, AMDD, mental health advocates (NAMI – Nation's Voice for Mental Illness), and other community groups is exploring how specialized law enforcement training and development of specialized community mental health/detoxification services used in other states – most notably Tennessee – could be applied in Montana.

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The model involves training law enforcement personnel in recognition of mental illness, methods of de-escalation of potentially explosive and violent situations, and changes in the way that persons are charged to facilitate movement of mentally ill persons into treatment rather than into the prison system. AMDD provided funding for a group to travel to Tennessee to see the model in action and grant funding is being pursued to return law enforcement personnel to Tennessee to become trained in this method. It is expected that the model could be piloted in Billings, Helena, Bozeman, and Missoula. However, access to community crisis services, particularly secure crisis services, is a concern for some of the participants. One of the reasons that this model works well in other states is access to a hub of non-hospital crisis services, including secure care and detoxification, that is located in proximity to a hospital in case medical conditions warrant more intensive medical attention. However, some of the executive budget requests should help improve access to crisis services in the community.

Policy and Budget Issue

The executive budget bases the MSH request on an average daily population of 180, which is 9 fewer than population in the base year funding. The expansion of community services, staff training, addition of field staff, and gatekeeper legislation should have some impact on MSH populations, especially since AMDD has maintained for several biennia that some admissions to the hospital are inappropriate.

The legislature could consider adjusting the MSH appropriation to reflect a smaller average daily population than 180 in the 2007 biennium if it approves the executive budget request to expand community services, staffing, and training, and DPHHS legislation to defer inappropriate admissions to the hospital. The legislature may wish to consider establishing a line item appropriation or language that alters appropriation levels in HB 2 contingent on passage of other legislation.

The legislature could also consider language in HB 2 similar to that crafted when developmental disability state institutions were expected to downsize. The language was:

Included in item [Movement from Institutions to Community Settings (maximum institutional population target)] is general fund of \$(insert amount) in FY 2006 and \$(insert amount) in FY 2007. This funding is one time only. The combined population at the (insert number if more than one) institutions (name institutions) may not exceed (insert target amount) individuals at the end of the 2007 biennium. If the Addictive and Mental Disorders Division has a population of more than (insert target amount) individuals at the (insert number of) institutions at the end of the 2007 biennium, the division shall certify that a community residential setting was not available for the individuals remaining in the (number of) institutions.

Mental Health Services and Service Area Authorities

The public mental health service system has been in a state of flux since April 1, 1997 when the statewide mental health managed care system was implemented. Since that time, the system has undergone dramatic, and sometimes quick, changes. The most recent change to be implemented – moving to three regional Service Area Authorities (SAAs) - has been in place for nearly four years, yet it remains unclear how SAAs will function and how AMDD will use the authorities in the public mental health system.

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ISSUE**

Role of Service Area Authorities (SAAs) Unclear – In December 2000, AMDD received a consultant report that reviewed aspects of the Montana mental health system, which included a recommendation that the system migrate toward a managed care, capitated (per person, per month payment for most or all services) system operated by regional authorities. The legislature endorsed the concept, and approved legislation and budget authority to implement the plan.

During the 2003 biennium, AMDD in consultation with the Mental Health Oversight Advisory Council:

- Defined three regions for mental health services and SAAs
- Provided planning grants and staff support to help SAA planning begin
- Made substantial progress in beginning an SAA in the central region of the state
- Testified to the 2003 Legislature that development of SAAs would continue

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During the 2005 biennium, AMDD:

- Changed the role of SAAs to be a planning and advisory body rather than a service manager
- Determined that SAAs would not be risk bearing entities
- Provided financial and staff support to the continued development of SAAs, which included the development of bylaws by the Central SAA
- Held an initial SAA “congress” in the eastern and western areas of the state to spur development of SAAs in those regions

At this point in time, it is not clear how the service planning functions of SAAs will meld into the determination of development of community services, most especially in the integration with development of children’s mental health services. There is a major service expansion of Program for Assertive Community Treatment (PACT) that the legislature is being asked to fund. However, it is not clear how the SAAs, especially the Central SAA, were involved in the decision to expand PACT services.

The legislature may wish to request information on how service planning for AMDD will be integrated with the work being done by many Montanans involved in mental health service planning through SAAs.

Addiction services community grants funded from the federal substance abuse block grant increase about \$1 million from FY 2004 to FY 2007, and account for about 7 percent of the total FY 2007 budget request. The grant funds local chemical dependency programs and requires that certain percentages of the grant be spent for certain activities. For instance, 20 percent of the grant must be spent for prevention activities. Chemical dependency Medicaid services grow about \$0.3 million from the base budget of \$1.5 million to the FY 2007 request and comprise 2 percent of the total division budget.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 36,594,770	50.1%	\$ 42,485,456	49.1%	\$ 43,256,118	49.0%
02034 Earmarked Alcohol Funds	3,269,632	4.5%	3,611,922	4.2%	3,740,572	4.2%
02053 Medicaid Nursing Home Match	1,043,222	1.4%	1,043,222	1.2%	1,043,222	1.2%
02384 02 Indirect Activity Prog 33	21,944	0.0%	19,485	0.0%	19,535	0.0%
02691 6901-Msh/Doc Maint Agreement	308,988	0.4%	363,389	0.4%	362,591	0.4%
02698 69010-Prevention&Stabilization	-	-	2,458,550	2.8%	2,503,940	2.8%
02789 6901-Chip/Mcha Tobacco Sett Fd	-	-	890,665	1.0%	845,275	1.0%
02987 Tobacco Interest	27,659	0.0%	27,659	0.0%	27,659	0.0%
03500 Adad - Needs Asm Study	165,097	0.2%	-	-	-	-
03505 93.150 - Mntal Hlth - Homeless	293,598	0.4%	300,000	0.3%	300,000	0.3%
03507 93.958 - Mntal Hlth - Blk Grt	290,000	0.4%	1,250,525	1.4%	1,250,525	1.4%
03508 93.959 - Adad - Blk Grt 100%	6,450,912	8.8%	6,776,353	7.8%	7,079,152	8.0%
03580 6901-93.778 - Med Adm 50%	741,121	1.0%	867,991	1.0%	932,731	1.1%
03583 93.778 - Med Ben Fmap	23,344,591	32.0%	25,962,608	30.0%	26,356,331	29.9%
03601 03 Indirect Activity Prog 33	381,128	0.5%	343,939	0.4%	344,508	0.4%
03684 6901-Data Infrastructure93-230	60,869	0.1%	134,800	0.2%	134,786	0.2%
Grand Total	<u>\$ 72,993,531</u>	<u>100.0%</u>	<u>\$ 86,536,564</u>	<u>100.0%</u>	<u>\$ 88,196,945</u>	<u>100.0%</u>

AMDD is supported by a combination of general fund, state special revenue and federal funds. General fund supports 40 percent of the FY 2004 base budget declining to 33 percent in each year of the 2007 biennium request. Despite the decline in total percentage, general fund increases from \$37 million in the base budget to \$43 million in FY 2007.

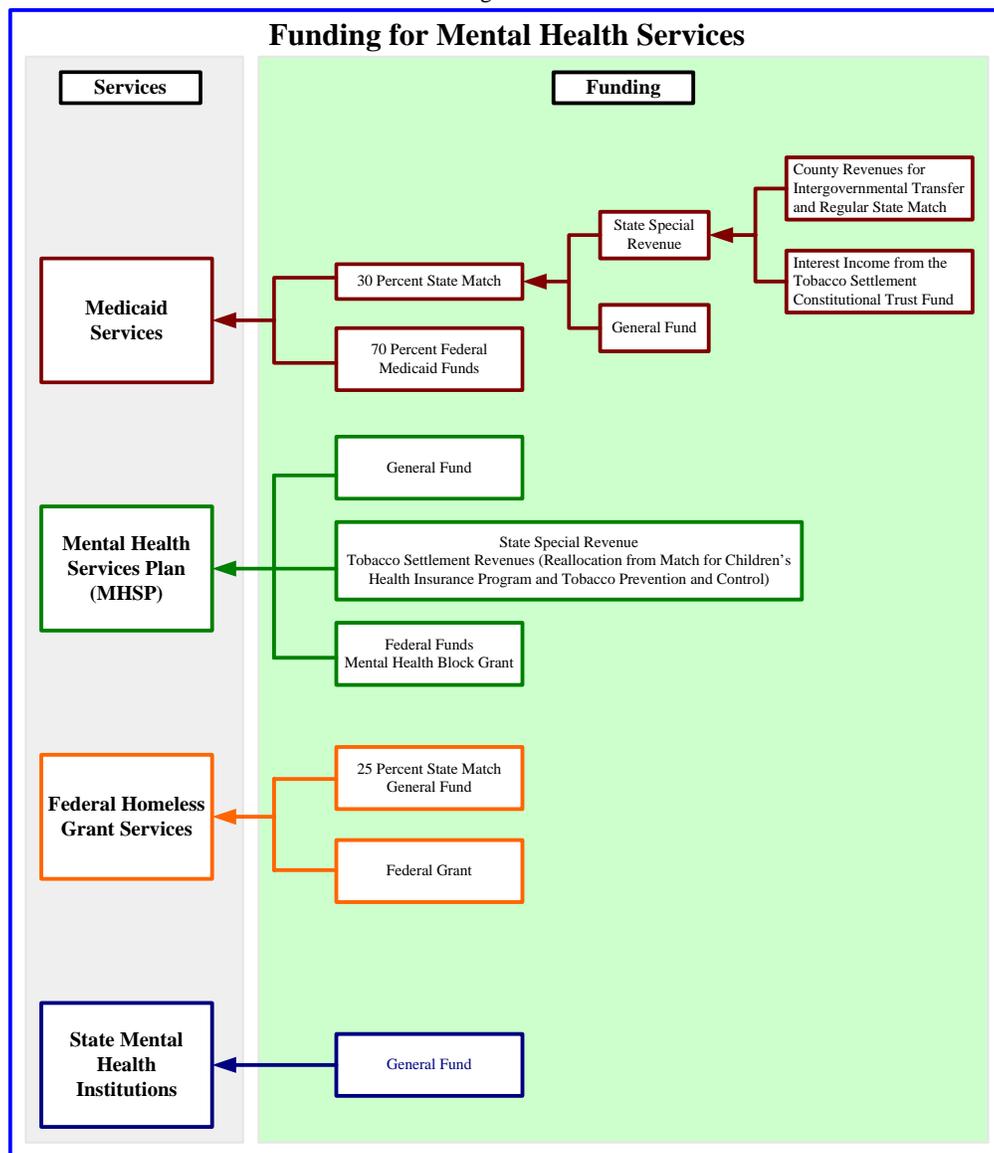
The largest share of general fund supports two state institutions – MSH and Lewistown nursing care center – paying \$26 million in costs in FY 2004, rising to \$29 million in FY 2007.

General fund also pays the state match for mental health Medicaid benefits, accounting for \$5 million of base budget funding and rising to \$8 million in FY 2007. About \$3 million of the biennial general fund increase is due to higher state Medicaid matching rates, including the offset for the temporary increase in federal match rate during FY 2004. Annualization of PACT program increases in FY 2005 add \$1.5 million general fund over the biennium.

Funding Complexity

Figures 61 and 62 show the federal and state special revenue allocations and flow among and between services. The diagrams are intended to help the reader understand how the various funding sources interact and support mental health and addictive services.

Figure 61



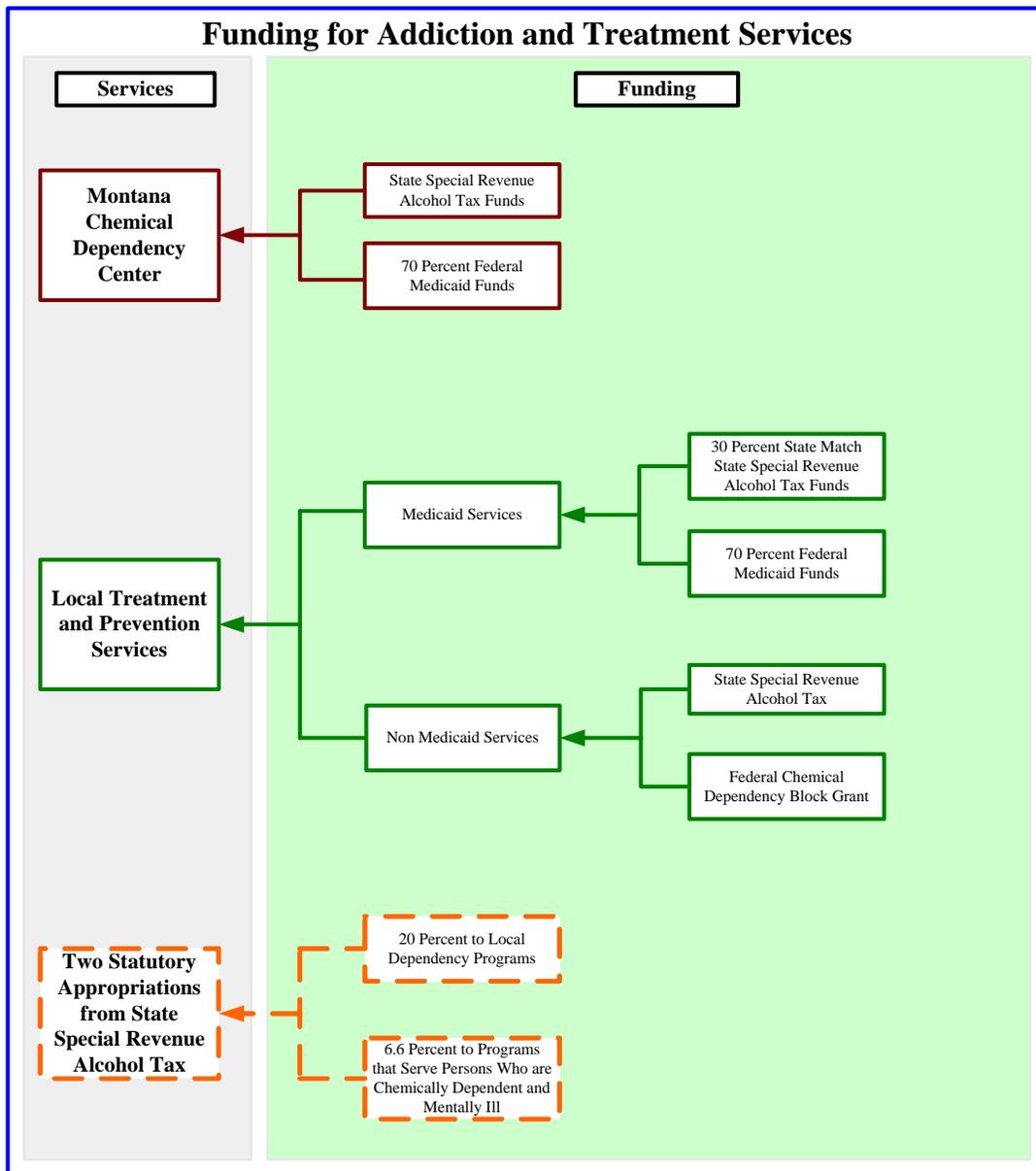


Figure 62

Federal Funds

Federal funds support 56 percent of the base budget rising to 60 percent of total funding during the 2007 biennium. Medicaid caseload increases and annualization of start up costs for new services, including group home and PACT programs, contribute to the rising share of federal funding.

The single largest source of federal revenue is federal match for Medicaid services and administration, accounting for 47 percent (\$30 million) of base budget funding and increasing to 54 percent (\$37 million) of FY 2007 funding. The next most significant source of federal funding is the federal block grant for Addiction Disorders and Diseases (Adad), which accounts for 8 percent (\$7 million) of the FY 2007 request. This block grant supports MCDC and local state approved chemical dependency programs.

There are three mental health block grants. One supports outreach and services for mentally ill homeless persons (\$0.3 million per year) and requires a 25 percent state match. Another supports development of a management information system (\$0.1 million per year).

The fourth federal mental health block grant is about \$1 million per year and requires a state maintenance of effort (MOE). The MOE is based on the average of two years of state expenditures for certain types of mental health services, predominantly community services. Since the MHSP program was scaled back from the 2003 biennium and since mental health service reductions were implemented to contain general fund costs within budgeted amounts, DPHHS did not meet the required MOE in FY 2004.

**LFD
ISSUE**

Mental Health Block Grant Amount and 2007 Biennium MOE – This issue includes two components: 1) the amount of mental health block grant available to AMDD for federal FY 2004 and FY 2005; and 2) state MOE for the federal mental health block grant for those years as well as the 2007 biennium.

Amount of Block Grant

The state received the full mental health block grant for FY 2004 even though it did not meet the MOE requirement. DPHHS plans to spend the entire grant, but could be in a position to repay the grant if its DPHHS application for a “hardship” waiver of federal MOE regulations is not met. LFD staff has asked DPHHS to update the Public Health and Human Services Joint Appropriation Subcommittee on the status of the grant negotiations for federal FY 2005 as well as providing an estimate of the MOE and amount of MOE in the executive budget. Depending on information presented during the 2005 session, the legislature may wish to adjust the budget to reflect mental health block grant funds that will be available.

State MOE

The state maintenance of effort for the federal mental health block grant is the average of the previous two years expenditures for most mental health services. The amount of state funding for MOE will be dependent on whether the executive budget request to continue diverting a portion of tobacco settlement revenues to MHSP will be approved and how the HIFA waiver proposal will affect ongoing mental health expenditures since the MHSP state funds are providing the match to fund increases in physical health services.

The DPHHS proposal for the HIFA waiver relies on using tobacco settlement state special revenue authority that is requested for the MHSP program as the match to expand physical health Medicaid funded services. LFD staff has requested that AMDD staff address the impact of the HIFA waiver proposal on the MOE for the federal mental health block grant. AMDD FY 2005 estimates of MOE are \$32.8 million compared to projected state expenditures of nearly \$35 million funded.

State special revenue supports 6 percent of base budget expenditures rising to 10 percent in FY 2007. One-time expenditures of tobacco settlement revenues of \$2.8 million to support mental health prescription drug costs for MHSP in FY 2004 were removed from the base budget because they were supported by a one-time diversion of tobacco settlement revenue in SB 495 (17-6-606, MCA). However, this diversion is requested as a permanent change in the executive budget through LC 126.

Alcohol Tax Funds

Alcohol tax revenues are the single largest source of state special revenue funds, providing 4 percent of division funding. DPPHS receives portions of wine and beer taxes and liquor license tax revenue, which are deposited into a state special revenue account. Figure 63 shows the estimated revenues, executive budget request, and projected fund balance of the account by the end of FY 2007.

Figure 63
Earmarked Alcohol Tax Revenue and Expenditures
FY 2004 Actuals Through FY 2007 Budget Request

Revenue/Expenditures	Actual	Appropriated	Executive Budget		% of
Fund Balance	FY 2004*	FY 2005*	FY 2006	FY 2007	Total
Beginning Balance	(\$10,968)	\$33,537	\$0	(\$3,580)	
Revenues					
Liquor License	\$3,496,000	\$3,818,000	\$3,959,000	\$4,106,000	71%
Beer Tax	939,000	906,000	923,000	939,000	16%
Wine Tax	586,000	658,000	681,000	704,000	12%
Cost Recovery for MCDC*	<u>50,000</u>	<u>52,952</u>	<u>53,470</u>	<u>53,993</u>	<u>1%</u>
Total Revenue	<u>\$5,071,000</u>	<u>\$5,434,952</u>	<u>\$5,616,470</u>	<u>\$5,802,993</u>	<u>100%</u>
Annual Percent Change	4%	7%	3%	3%	
Total Funds Available	<u>\$5,060,032</u>	<u>\$5,468,489</u>	<u>\$5,616,470</u>	<u>5,799,413</u>	
Disbursements					
Chemical Dependency Cntr (MCDC)	\$2,587,566	\$2,627,900	\$2,828,583	\$2,858,039	49%
Shift to General Fund for MCDC	0	0	(76,273)	(24,919)	0%
Distribution to Counties	1,072,084	1,140,925	1,112,600	1,149,800	20%
Services for Dually Diagnosed	354,552	354,552	367,158	379,434	7%
CD Medicaid Services/Admin.	359,112	430,609	493,997	542,470	9%
Justice - Crime Lab DUI Tests	303,204	303,204	303,204	303,204	5%
CD Operations	247,848	287,032	290,615	289,982	5%
Cost Allocated Admin.	111,494	111,494	111,494	111,494	2%
Montana State Hospital	75,000	75,339	75,000	75,000	1%
Quality Assurance-Licensure	52,727	67,824	52,244	52,129	1%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0%
Dept of Labor - POL Board	25,243	44,087	35,905	35,466	1%
CD Benefits - NonMedicaid	<u>106</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0%</u>
Total Disbursements	<u>\$5,214,459</u>	<u>\$5,468,489</u>	<u>\$5,620,050</u>	<u>\$5,797,622</u>	<u>100%</u>
Adjustments	\$187,964	\$0	\$0	\$0	
Ending Fund Balance - Exec. Budget	<u>\$33,537</u>	<u>\$0</u>	<u>(\$3,580)</u>	<u>\$1,791</u>	
Percent Disbursements Over Revenues		0%	0%	0%	
Ending Balance-No Shift to Gen. Fund			<u>(\$79,853)</u>	<u>(\$99,401)</u>	
*Revenue estimates are those adopted by the Revenue and Transportation Committee, except for MDC cost recovery, which is based on AMDD estimates. FY 2005 costs are based on AMDD budget allocations and legislative appropriations for other agencies and DPHHS divisions.					

Alcohol tax revenues allocated to DPHHS are expected to increase about \$0.8 million from the FY 2004 base through the 2007 biennium (from \$5 million to \$5.8 million). Expenditures from the fund are expected to grow from \$5.2 million to \$5.7 million.

The major expenditure from alcohol state special revenue is for support of the Montana Chemical Dependency Center (MCDC) at \$2.9 million annually (49 percent of the total alcohol tax funding). Since revenue is projected to be less than expenditures, the executive budget includes a new proposal to fund part of MCDC operations from the general fund (about \$0.1 million over the biennium).

There are two statutory appropriations of alcohol tax revenues (53-24-109(1)(a) and (1)(b), MCA):

- 1) 20 percent is distributed to county programs; and
- 2) 6.6 percent is distributed to county programs that serve persons with a mental illness and a chemical dependency.

About 9 percent of the alcohol state special revenue is requested to support Medicaid chemical dependency services and administration and about 5 percent of the total supports AMDD administration of non-Medicaid chemical dependency services. About 2 percent supports cost allocated administration in AMDD and other programs in DPHHS. The balance of the executive budget request is:

- Department of Justice –personal service costs of scientists and chemists who analyze blood and urine samples in connection driving under the influence (DUI) cases at the Missoula crime lab
- Quality Assurance Division, DPHHS – licensure of state approved chemical dependency programs
- Montana State Hospital – personal services costs for chemical dependency counselors to provide services to MSH patients who are chemically dependent
- Department of Corrections – the chemical dependency program at Pine Hills in Miles City
- Department of Labor and Industry – operating and staff costs for Professional and Occupational Licensing (POL) for addiction counselors

LFD ISSUE

Deficit in Alcohol Tax State Special Revenue Fund – The executive budget proposes using more alcohol tax revenues than are projected to be received by DPHHS. Even if the legislature approves the \$0.1 million funding shift to general fund to support MCDC operations, the account is expected to have a slight deficit in FY 2006. If the legislature does not want to allocate general fund to support MCDC, the deficit is closer to \$0.1. The deficit would increase if the legislature approves a state pay plan that increases state employee pay.

The legislature has several options it can consider in reviewing the executive request if it wants to keep appropriations from the alcohol state special revenue account in line with revenues:

- Reduce or eliminate expenditures that may not be statutorily allowed
- Review Medicaid chemical dependency projections and MCDC budget request
- Reduce federal funds passed through to county programs
- Change the statutory appropriations
- Increase revenue

Use of Alcohol Tax

LFD staff has requested a legal opinion about the uses of state special revenue alcohol tax allocated to DPHHS for appropriations historically made by the legislature for other programs in other agencies. Figure 63 shows the appropriations requested in the executive budget for the following departments: Justice, Commerce, and Corrections. Other divisions within DPHHS also use alcohol tax. The legal opinion will be shared with the legislature and depending on the conclusions of the opinion, the legislature may wish to amend statute to allow any uses that may be found to be out of compliance with statute or the legislature may wish to appropriate another source of revenue for such uses.

Review Medicaid Projections and MCDC Budget Request

The legislature approved a Medicaid expansion to fund community chemical dependency services with Medicaid funds in the 2001 session. Alcohol funds are used as the state match. As part of the legislative approval, AMDD pledged to administer the Medicaid expansion within appropriated amounts. AMDD has managed the expansion and, in combination with other factors, chemical dependency Medicaid expenditures have not grown as fast as projections over that time period. Legislative staff will review updated Medicaid projections for chemical dependency (usually available in early February) to determine whether there are changes.

There appear to be areas where the budget request for MCDC could be trimmed. For instance, present law operating cost increases appear to be more than double the base expenditure amount. Additionally, there is a \$40,000 accrual in the base budget for a potential grievance settlement that may be a one-time expenditure that could be removed from the base budget.

**LFD
ISSUE CONT.**Reduce Federal Funds Passed Through to County Programs

MCDC can be funded with federal block grant funds (\$7 million annually) as well as state special alcohol tax revenues. In FY 2004, the amount of block grant passed through to local programs was about \$0.6 million higher than the appropriation, due in part to lower costs at MCDC, and the executive request for the pass-through is about million higher than the base budget each year of the 2007 biennium. The legislature could consider offsetting the general fund request with block grant funds.

The policy trade off for this issue would be the allocation of funds between community and institutional services, which is a recurring human services policy issue through out DPHHS. If the amount of federal block grant funds allocated to communities is reduced, local programs would potentially serve fewer persons. However, if the legislature diverted one-half of the proposed increase in block grant funds allocated to communities in the executive budget, the short fall in alcohol tax would be funded and community programs would still get a slight increase above FY 2004 levels.

Change Statutory Appropriations

The 2003 Legislature established two statutory appropriations from the DPHHS alcohol tax state special revenue account as a result of the Legislative Finance Committee interim study of public mental health services. As noted previously, the two appropriations are: 1) 20 percent of the account for distribution to local, state approved programs; and 2) 6.6 percent to local programs that provide services for persons who are both mentally ill and chemically dependent. The legislature could choose to alter the level of statutory appropriations to provide more authority for MCDC. As in the previous option, the policy issue is the allocation of funds between community and institutional services.

Increase Revenue

Finally, the legislature could consider raising beer, wine, or liquor license taxes sufficiently to cover the shortfall in the alcohol tax state special revenue fund. Since most of the revenue generated by liquor taxes goes to the general fund, depending on how a tax increase were structured, it could also benefit the general fund. If the legislature chose this option, it could consider whether to raise the tax and keep the percentage allocation to DPHHS the same, thereby generating some revenue for the general fund also, or it could consider raising the tax and altering the percentage allocation to DPHHS in order that all of the increase would go to DPHHS.

Other State Special Revenue Sources

Another significant source of state special revenue is tobacco settlement revenues, which account for 4 percent of FY 2007 funding. The 2003 Legislature authorized a one-time diversion of tobacco settlement revenues from tobacco prevention and control to the prevention and stabilization account (PSA) to maintain several programs slated for elimination or reduction in the executive budget, including MHSP. The 2003 Legislature authorized a one-time biennial appropriation of \$6.5 million in tobacco settlement revenue to fund a drug benefit. AMDD spent \$2.6 million in FY 2004 for MHSP drug benefits, which was removed from base budget expenditures because it was a one-time appropriation. AMDD also received and spent a \$0.2 million appropriation from the PSA made by the 2003 Legislature to stabilize mental health Medicaid rates.

The executive budget is based on a permanent reallocation of tobacco settlement revenues from tobacco prevention and control to support a number of programs, including MHSP, with a \$5 million funding request in the 2007 biennium. The executive budget proposes to use the tobacco settlement revenue allocated to MHSP as the state match for the service expansions anticipated by the HIFA waiver in order to draw down more federal matching funds.

The executive budget also redistributes a portion of tobacco settlement revenues from CHIP (Children's Health Insurance Program) state match to provide state match for mental health Medicaid services - \$2 million over the biennium. Both changes in re-distribution of tobacco settlement funds will require legislation.

**LFD
ISSUE**

Permanent Reallocation of Tobacco Settlement Revenues – The executive budget is based on legislation that will permanently reallocate tobacco settlement revenues from tobacco prevention and control and from use as matching funds for the Children’s Health Insurance Program (CHIP). This issue and policy options are discussed in greater detail in the DPHHS overview.

AMDD also administers a Medicaid intergovernmental transfer (IGT) where counties transfer funds to AMDD. Those funds are used to draw down federal Medicaid matching funds and pay Community Mental Health Centers (CMHCs) higher Medicaid reimbursements as allowed by federal rule. About \$2 million of the AMDD FY 2007 budget is supported by IGT revenue.

The Department of Corrections reimburses MSH for janitorial services for the Xanthopolous building (\$0.7 million over the biennium, included in the MSH budget). Interest from the tobacco settlement constitutional trust fund is used as part of the state match for mental health Medicaid services (\$55,000 over the biennium). Indirect costs allocated to state special revenue support about \$38,000 of the 2007 biennium budget request.

Biennial Budget Comparison

Figure 64 shows the 2005 biennium compared to the 2007 biennium budget request for AMDD. Funding for FTE declines by 0.65 positions, the net effect of increases for 5.00 new FTE and permanent reductions for 5.65 FTE. Personal services costs increase about \$3 million, largely due annualization of pay plan increases in FY 2005 and for requests to add overtime and associated costs for 24 hour staffing of state institutions in the 2007 biennium because the expenditures are removed from the FY 2004 base budget.

Operating costs rise about \$2 million, due almost solely to requests to increase medical, prescription drug, food, and rent costs for state institutions. Equipment costs increase negligibly.

Grants rise about \$5 million, due to increases in federal block grants for chemical dependency and mental health. Benefits, the single largest budget cost, rise nearly \$10 million between biennia. This increase is overstated due to removal of one time appropriations from the prevention and stabilization account (PSA) for mental health services plan drug benefits (\$6.5 million) and Medicaid matching funds (\$0.2 million) in the 2005 biennium, which are requested to continue in the 2007 biennium. Otherwise, benefit cost increases support growth in Medicaid funded community mental health and chemical dependency services.

About half of the biennial growth is in the general fund (\$10 million), largely due to personal services and operating cost increases for the state hospital and nursing care center (\$5 million), as well as increases in the state Medicaid match rate (\$2.6 million) and expansion of Medicaid funded mental health services (\$1.5 million).

State special revenue rises about \$7 million between the biennia, largely due to the removal of one-time PSA expenditures and the request to continue the funding in the 2007 biennium. State special revenue also increases due to diversion of a portion of the tobacco settlement revenue from CHIP state match to support the MHSP program.

Federal funds show the smallest increase – about \$3 million – in part due to the reduction in the federal match rate for Medicaid funded services. Federal funds rise due in part to a net increase in federal block grant funds for chemical dependency and mental health as well as overall expansion in Medicaid funded services.

Figure 64
2005 Biennium Compared to 2007 Biennium
Addictive and Mental Disorders Division

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Difference	Percent Change
FTE	567.75	567.10		(0.65)	
Personal Services	\$49,418,737	\$52,249,309	30%	\$2,830,572	6%
Operating	18,622,018	20,706,795	12%	2,084,777	11%
Equipment	76,751	82,020	0%	5,269	7%
Grants	14,649,757	19,554,304	11%	4,904,547	33%
Benefits/Claims	72,197,662	81,980,895	47%	9,783,233	14%
Debt Service	124,595	160,186	0%	35,591	29%
Total Costs	\$155,089,520	\$174,733,509	100%	\$19,643,989	13%
General Fund	\$75,702,771	\$85,741,574	49%	\$10,038,803	13%
State Special	9,977,755	16,957,686	10%	6,979,931	70%
Federal Funds	69,408,994	72,034,249	41%	2,625,255	4%
Total Funds	\$155,089,520	\$174,733,509	100%	\$19,643,989	13%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "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.

Each of the present law and new proposal adjustments will be discussed by division function.

Present Law Adjustments	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,745,405					1,819,970
Vacancy Savings					(1,020,739)					(1,023,718)
Inflation/Deflation					55,368					39,830
Fixed Costs					(153,385)					(88,510)
Total Statewide Present Law Adjustments					\$626,649					\$747,572
DP 19 - Medicaid Caseload - Mental Health	0.00	789,279	0	1,905,427	2,694,706	0.00	970,489	0	2,273,125	3,243,614
DP 26 - FMAP Enhancement Adjustment - Mental Health	0.00	725,924	0	(725,924)	0	0.00	725,924	0	(725,924)	0
DP 32 - FMAP Adjustment - Mental Health	0.00	547,120	0	(547,120)	0	0.00	711,256	0	(711,256)	0
DP 46 - Montana State Hospital Base Funding Adjustments	0.00	1,324,307	0	0	1,324,307	0.00	1,324,307	0	0	1,324,307
DP 48 - MT Mental Health Nursing Care Center Base Adj	0.00	291,238	0	0	291,238	0.00	291,238	0	0	291,238
DP 51 - PACT Caseload	0.00	745,152	0	1,731,678	2,476,830	0.00	861,684	0	1,845,260	2,706,944
DP 55 - Division Central Office Rent	0.00	2,783	139	1,716	4,638	0.00	4,217	211	2,600	7,028
DP 62 - Montana State Hospital Present Law Adjustments	0.00	523,818	0	0	523,818	0.00	746,455	0	0	746,455
DP 63 - MT Mental Health Nursing Care Ctr Present Law Adj	0.00	161,066	0	0	161,066	0.00	190,087	0	0	190,087
DP 97 - MT Chemical Dependency Center Present Law Adj	0.00	0	0	100,084	100,084	0.00	0	0	160,049	160,049
DP 99 - Medicaid Caseload - Chemical Dependency	0.00	0	66,525	160,601	227,126	0.00	0	105,803	247,816	353,619
DP 103 - FMAP Enhancement Adjustment - Chemical Dependency	0.00	0	37,712	(37,712)	0	0.00	0	37,712	(37,712)	0
DP 104 - FMAP Adjustment - Chemical Dependency	0.00	0	30,648	(30,648)	0	0.00	0	39,843	(39,843)	0
DP 105 - MT Chemical Dependency Center Base Adjustments	0.00	0	17,704	13,720	31,424	0.00	0	24,887	6,537	31,424
DP 107 - Continue Data Infrastructure and Integration Grant	0.00	0	0	75,000	75,000	0.00	0	0	75,000	75,000
DP 126 - Mental Health Block Grant	0.00	0	0	960,525	960,525	0.00	0	0	960,525	960,525
DP 132 - Substance Abuse Prevention Treatment Increase	0.00	0	0	250,000	250,000	0.00	0	0	500,000	500,000
DP 179 - Discontinue State Incentive Grant Authority	0.00	0	0	(165,097)	(165,097)	0.00	0	0	(165,097)	(165,097)
DP 180 - Authority to Maximize PATH Grant	0.00	2,134	0	6,402	8,536	0.00	2,134	0	6,402	8,536
DP 181 - Correct Accounting Error	0.00	0	269,277	0	269,277	0.00	0	269,277	0	269,277
DP 9999 - Statewide FTE Reduction	(5.85)	(241,164)	(3,360)	(17,616)	(262,140)	(5.65)	(235,974)	(3,389)	(17,847)	(257,210)
Total Other Present Law Adjustments	(5.85)	\$4,871,657	\$418,645	\$3,681,036	\$8,971,338	(5.65)	\$5,591,817	\$474,344	\$4,379,635	\$10,445,796
Grand Total All Present Law Adjustments					\$9,597,987					\$11,193,368

New Proposals

Program	Fiscal 2006					Fiscal 2007					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 2 - Continuation of PSA for Mental Health Services (Requires Legislation)	33	0.00	0	3,250,000	0	3,250,000	0.00	0	3,250,000	0	3,250,000
DP 8 - Continuation of PSA for Adult Mental Health (Requires Legislation)	33	0.00	99,214	99,215	0	198,429	0.00	99,214	99,215	0	198,429
DP 50 - MT Mental Health Nursing Care Center Bed Tax	33	0.00	135,415	0	0	135,415	0.00	135,415	0	0	135,415
DP 58 - Enhance Community Psychiatric Access	33	0.00	66,987	0	161,715	228,702	0.00	68,428	0	160,274	228,702
DP 70 - Regional Staffing and Operating	33	3.00	0	0	97,500	97,500	5.00	0	0	162,500	162,500
DP 86 - Staff Training to Reduce Violence and Improve Comm	33	0.00	35,000	0	0	35,000	0.00	35,000	0	0	35,000
DP 193 - Chemical Dependency Admin Fund Switch	33	0.00	76,273	(76,273)	0	0	0.00	24,919	(24,919)	0	0
Total	3.00	\$412,889	\$3,272,942	\$259,215	\$3,945,046	5.00	\$362,976	\$3,324,296	\$322,774	\$4,010,046	

Language

The Addictive and Mental Disorders Division (AMDD) is requesting legislative approval to begin the process of working toward a Home and Community Based Services (HCBS) waiver for presentation to the 2007 Legislature. This waiver allows AMDD to fund rehabilitation and supported living benefits, which are not a regular part of Medicaid state plan benefits. There are 2 other HCBS waivers in DPHHS – 1 administered by the Senior and Long-Term Care Division and 1 administered by the Disability Services Division.

LFD COMMENT	AMDD Waiver – The legislature may wish to provide some guidance to AMDD in development of a waiver if it approves the language. It may wish to ask AMDD: 1) what types of services are anticipated to be included; 2) how many persons are anticipated to be served; 3) what level of disease acuity would waiver participants have; 4) how waiver participants might be selected; and 4) how the waiver expansion will be funded? Depending on the information available, the legislature could structure the language to reflect its policies and at that point, it can be determined whether the language is appropriate as a condition on an appropriation in HB 2 or if an amendment to statute should be proposed. LFD staff has requested that AMDD staff be prepared to address such questions, even if the information is broad and general at this point in time.
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Mental Health Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	498.50	(4.85)	3.00	496.65	(4.65)	5.00	498.85	498.85
Personal Services	20,675,167	2,012,749	142,290	22,830,206	2,085,063	236,455	22,996,685	45,826,891
Operating Expenses	7,483,092	569,822	223,125	8,276,039	853,682	258,960	8,595,734	16,871,773
Equipment	41,010	0	0	41,010	0	0	41,010	82,020
Grants	2,803,920	969,061	0	3,772,981	969,061	0	3,772,981	7,545,962
Benefits & Claims	30,132,451	5,171,536	3,579,631	38,883,618	5,950,558	3,514,631	39,597,640	78,481,258
Debt Service	62,233	0	0	62,233	0	0	62,233	124,466
Total Costs	\$61,197,873	\$8,723,168	\$3,945,046	\$73,866,087	\$9,858,364	\$4,010,046	\$75,066,283	\$148,932,370
General Fund	36,186,914	5,356,035	336,616	41,879,565	6,175,132	338,057	42,700,103	84,579,668
State/Other Special	1,454,869	54,401	3,349,215	4,858,485	53,603	3,349,215	4,857,687	9,716,172
Federal Special	23,556,090	3,312,732	259,215	27,128,037	3,629,629	322,774	27,508,493	54,636,530
Total Funds	\$61,197,873	\$8,723,168	\$3,945,046	\$73,866,087	\$9,858,364	\$4,010,046	\$75,066,283	\$148,932,370

The mental health function budget is the most significant component of the division budget request (85 percent). Two state institutions and Medicaid mental health services are the most significant programmatic and budget components of the mental health function. Budget increases are related to:

- Medicaid caseload growth
- PACT program increases
- Institution personal services costs for 24 hour staffing and other operating cost increases
- Continuation of one-time funding for MHSP services

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "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 2006-----					-----Fiscal 2007-----								
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds				
Personal Services				1,498,549						1,568,094			
Vacancy Savings				(886,931)						(889,708)			
Inflation/Deflation				55,992						40,432			
Fixed Costs				(171,054)						(123,292)			
Total Statewide Present Law Adjustments				\$496,556						\$595,526			
DP 19 - Medicaid Caseload - Mental Health	0.00	789,279	0	1,905,427	2,694,706	0.00	970,489	0	2,273,125	3,243,614			
DP 26 - FMAP Enhancement Adjustment - Mental Health	0.00	725,924	0	(725,924)	0	0.00	725,924	0	(725,924)	0			
DP 32 - FMAP Adjustment - Mental Health	0.00	547,120	0	(547,120)	0	0.00	711,256	0	(711,256)	0			
DP 46 - Montana State Hospital Base Funding Adjustments	0.00	1,324,307	0	0	1,324,307	0.00	1,324,307	0	0	1,324,307			
DP 48 - MT Mental Health Nursing Care Center Base Adj	0.00	291,238	0	0	291,238	0.00	291,238	0	0	291,238			
DP 51 - PACT Caseload	0.00	745,152	0	1,731,678	2,476,830	0.00	861,684	0	1,845,260	2,706,944			
DP 62 - Montana State Hospital Present Law Adjustments	0.00	523,818	0	0	523,818	0.00	746,455	0	0	746,455			
DP 63 - MT Mental Health Nursing Care Ctr Present Law Adj	0.00	161,066	0	0	161,066	0.00	190,087	0	0	190,087			
DP 126 - Mental Health Block Grant	0.00	0	0	960,525	960,525	0.00	0	0	960,525	960,525			
DP 180 - Authority to Maximize PATH Grant	0.00	2,134	0	6,402	8,536	0.00	2,134	0	6,402	8,536			
DP 9999 - Statewide FTE Reduction	(4.85)	(214,414)	0	0	(214,414)	(4.65)	(208,868)	0	0	(208,868)			
Total Other Present Law Adjustments				(4.85)	\$4,895,624	\$0	\$3,330,988	\$8,226,612	(4.65)	\$5,614,706	\$0	\$3,648,132	\$9,262,838
Grand Total All Present Law Adjustments				\$8,723,168						\$9,858,364			

DP 19 - Medicaid Caseload - Mental Health – The executive budget includes a 2.2 percent increase for Medicaid mental health caseload and service utilization growth each year of the biennium. In addition, the request includes the annualization of the intensive community-based rehabilitation group homes started mid-2004. These group homes were approved by the 2003 Legislature in order to move persons from the nursing care center to the community. A total of 21 persons were placed in community services from the nursing care center, compared to the upper limit estimate of 35 in the 2003 session. Biennial increases are \$1.7 million general fund and \$4.2 million federal funds.

**LFD
COMMENT**

Total Medicaid Request – The executive budget breaks the Medicaid present law change into four separate decision points: caseload and utilization changes; general fund increase due to the enhanced federal match during FY 2004; the general fund increase due to federal matching rate reduction for the 2007 biennium; and the annualization of community services added in FY 2005 (Program for Assertive Community Treatment – PACT). In addition there are two new proposals (continuation of funding from the (prevention and stabilization account (PSA) and a rate increase of psychiatric services) that increase the total AMDD Medicaid request. Figure 65 shows the total Medicaid request for the executive budget, including new proposals.

Figure 65

Total Mental Health Medicaid Request - Addictive and Mental Disorders Division

Present Law and New Proposal Decision Package	FY 2006				FY 2007			
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total
FY 2004 Base Budget	\$5,088,665	\$1,070,881	\$22,244,257	\$28,403,803	\$5,088,665	\$1,070,881	\$22,244,257	\$28,403,803
<u>Present Law Changes</u>								
DP 19 - Caseload Change	\$789,279	\$0	\$1,905,427	\$2,694,706	\$970,489	\$0	\$2,273,125	\$3,243,614
DP 26 - Enhanced Federal Match Rate	725,924	0	(725,924)	0	725,924	0	(725,924)	0
DP 32 -FMAP Adj. - 2007 Biennium	547,120	0	(547,120)	0	711,256	0	(711,256)	0
DP 58 - PACT Caseload Expansion	717,308	0	1,731,678	2,448,986	787,817	0	1,845,260	2,633,077
Subtotal Present Law	\$7,868,296	\$1,070,881	\$24,608,318	\$33,547,495	\$8,284,151	\$1,070,881	\$24,925,462	\$34,280,494
Percent Increase Over Base Budget	55%	0%	11%	18%	63%	0%	12%	21%
<u>New Proposal Changes</u>								
NP 8 - PSA Adult Mental Health	\$99,241	\$99,215	\$0	\$198,456	\$99,241	\$99,215	\$0	\$198,456
NP 58 - Enhance Psychiatric Access	66,987	0	161,715	228,702	68,428	0	160,274	228,702
Subtotal New Proposals	\$166,228	\$99,215	\$161,715	\$427,158	\$167,669	\$99,215	\$160,274	\$427,158
Total Medicaid Request	\$8,034,524	\$1,170,096	\$24,770,033	\$33,974,653	\$8,451,820	\$1,170,096	\$25,085,736	\$34,707,652
Percent Increase Over Base Budget	58%	9%	11%	20%	66%	9%	13%	22%

The total AMDD Medicaid present law budget request rises by 18 percent in FY 2006 compared to base budget expenditures and the FY 2007 request rises 21 percent. General fund rises 55 percent and 63 percent over the same time period. General fund changes are significant due mostly to the reduction in federal matching rates during the 2007 biennium and the one time 2.95 percent enhancement in the FY 2004 federal match rate. Caseload and utilization changes as well as PACT program growth are also significant. If the legislature approves 2 or more of the present law requests, it may wish to consider combining the present law adjustments for ease of understanding.

A new proposal continues funding from the PSA and requests about \$0.2 million in funding over the biennium for a small part of the state match for adult mental health Medicaid services, as well as the same amount of general fund. This proposal (and legislation) would continue a one-time diversion of tobacco settlement proceeds from tobacco prevention and control that was initiated by the 2003 Legislature. The DPHHS overview contains more information about this and related issues.

The second new proposal requests a rate increase (20 percent) for psychiatric services.

DP 26 - FMAP Enhancement Adjustment - Mental Health - The federal Jobs and Growth Tax Relief Reconciliation Act temporarily increased the federal Medicaid match rate by 2.95 percent during FY 2004. This request adds close to \$1.5 million general fund and an offsetting decrease of federal funds for the biennium to reflect the removal of the enhanced federal match rate in FY 2006 and FY 2007.

DP 32 - FMAP Adjustment - Mental Health - This request adds about \$1.3 million general fund over the biennium, with an offsetting decrease in federal funds, due to projected reductions in the federal Medicaid rates for FY 2006 and FY 2007. Medicaid match rates are adjusted annually based on changes in state per capita income compared to the national change. The federal match rate for Montana declined from 72.81 percent in FY 2004 (after adjusting for the enhanced rate in DP 26) to 70.71 percent in FY 2006 and 70.08 percent in FY 2007.

DP 46 - Montana State Hospital Base Funding Adjustments - This present law adjustment adds \$2.7 million general fund over the biennium for personal services costs that are removed from the FY 2004 base budget including overtime, differential, holidays worked, holiday pay (compensation according to union contracts), physician on-call, and aggregate FTE funding. These costs are incurred in operating a medical facility with 24 hour staffing and are zero based. FY 2004 base budget amounts were \$1,324,307.

DP 48 - MT Mental Health Nursing Care Center Base Adj - This proposals adds \$0.6 million funds for personal services costs that are removed from the FY 2004 base budget for Montana Mental Health Nursing Care Center (MMHNCC), including overtime, differential, and holidays worked. These are costs related to operating a medical facility with 24 hour staffing. Aggregate positions are used to provide coverage for staff on sick leave, vacation leave, and in nurse aide training classes. The request for \$582,476 general fund for the 2007 biennium is the difference between actual hours worked and budgeted FTE hours. FY 2004 base budget amounts were \$291,238.

DP 51 - PACT Caseload - This proposal adds \$3 million general fund and \$6 million federal funds over the biennium to fund additional PACT services started during FY 2005 as well as the expansion proposed in the executive budget. Base year expenditures include 2 PACT programs with 140 slots. Beginning in FY 2005, PACT grew to 5 programs with an expected capacity of 290 slots by the beginning of FY 2006. The executive budget adds another 60 slots over the 2007 biennium for a total of 350 slots in FY 2007. Figure 66 shows the anticipated program capacity by location.

Figure 66
PACT Program Cost Compared to MHSP Cost and by Type of Eligibility

PACT Slots/Cost by Eligibility	FY 2006 Executive Request			FY 2007 Executive Request		
	General Fund	Federal	Total	General Fund	Federal	Total
<u>Total Slots</u>						
FY 2004 Base Budget Slots			150			150
FY 2005 Expansion			140			140
2007 Biennium Executive Proposal			45			60
Total Slots			335			350
Annual Cost of 1 Slot			\$15,341			\$15,341
Daily Cost of PACT			\$42.03			\$42.03
<u>Medicaid Eligible Slots and Cost</u>			268			280
Base Amount	\$486,914	\$1,175,475	\$1,662,389	\$486,914	\$1,175,475	\$1,662,389
Expansion	717,308	1,731,678	2,448,986	787,817	1,845,260	2,633,077
Total Medicaid	\$1,204,222	\$2,907,153	\$4,111,375	\$1,274,731	\$3,020,735	\$4,295,466
<u>MHSP Slots and Cost</u>			67			70
Base Amount	\$1,000,000	\$0	\$1,000,000	\$1,000,000	\$0	\$1,000,000
Expansion	27,844	0	27,844	73,867	0	73,867
Total MHSP	\$1,027,844	\$0	\$1,027,844	\$1,073,867	\$0	\$1,073,867
Total Request	\$2,232,066	\$2,907,153	\$5,139,219	\$2,348,598	\$3,020,735	\$5,369,333

Base year Medicaid costs for the Program For Assertive Community Treatment (PACT) were \$1.7 million. This adjustment will more than double the amount spent for PACT services.

In the FY 2004 base year, the MHSP program was converted from a fee-for-service program to fixed contracts making it difficult to determine base expenditures for MHSP eligible individuals. AMDD did not receive the federal mental health block grant in FY 2004 so it funded the MHSP contracts with about \$1 million from other general fund sources to offset the loss of block grant funds. AMDD intends to use the base level general fund to support MHSP eligible PACT slots for the 2007 biennium and will use the block grant requested in DP 126 – Mental Health Block Grant to augment MHSP contracts.

PACT was started in December 1999 in Helena and Billings (each with 70 program slots) and was expanded to Missoula, Kalispell, and Great Falls in FY 2005 (each with a planned capacity of 50 slots by the end of FY 2005). The average daily cost of PACT is \$42.03 per day. The proposal includes funds for Medicaid eligible persons (80 percent of the slots) as well as a smaller number of persons who are not Medicaid eligible (20 percent of the slots). Figure 66 shows the allocation of funding between the two eligibility groups, the average daily cost, and the estimated number served.

LFD ISSUE PACT Program Influence on MSH Population Levels – The documentation supporting this budget proposal contains numerous references to the impact that expanding PACT would have on mitigating the growth in state hospital (MSH) population levels. The legislature may wish to consider how it might adjust the MSH budget if it approves a PACT expansion.

DP 62 - Montana State Hospital Present Law Adjustments - This request combines present law adjustments for inflation in outside medical services for treatment of MSH clients for other medical problems, pharmacy costs, and contract costs with the Montana State Prison for cook-chill meals, and other replacement equipment and fire department costs. The request totals nearly \$1.3 million general fund over the biennium. Cost increases for pharmacy and medical costs are estimated at 10 percent annually from the base budget and 5 percent annually for the cook/chill contract with the state prison. Figure 67 shows the increase for each item compared to base budget expenditures.

The item for the Warm Springs fire department adds funds for safety gear and equipment for fire fighters.

Figure 67
Elements of State Hospital Operating Cost Present Law Adjustment

Description	FY 2004	FY 2006	FY 2007	% of Ttl
Pharmacy & Prescription Fee	\$1,494,116	\$1,807,880	\$1,988,668	73%
Outside Medical Costs	250,951	303,651	334,016	12%
MSH Food Factory	208,327	229,681	241,165	9%
Fire Department	14,000	50,000	50,000	2%
Replacement Equipment	0	100,000	100,000	4%
Total	\$1,967,394	\$2,491,212	\$2,713,849	100%
General Fund Change		\$523,818	\$746,455	
Percent Change from Base		27%	38%	

LFD ISSUE Impact of Medicare Modernization Act – The state hospital and nursing care center should see some reduction in pharmacy costs or the institutions should see increased reimbursement from Medicare due to the Medicare Modernization Act (MMA), which provides a pharmacy benefit to Medicare beneficiaries. Many of the institutions’ residents will qualify for the Medicare drug benefit, which begins January 1, 2006 (effective for three quarters of the 2007 biennium). The legislature may wish to review the state hospital nursing care center present law budget requests prior to taking action. The impact of the MMA is discussed in the DPHHS overview.

DP 63 - MT Mental Health Nursing Care Ctr Present Law Adj - This request combines several present law adjustments for the Montana Mental Health Nursing Care Center that add \$351,153 over the biennium including:

- Pharmacy and prescription fees - \$255,923 biennial increase; FY 2004 base was \$496,164
- Outside medical services - \$42,830 biennial increase; FY 2004 base was \$79,169
- Replacement equipment - \$52,400 biennial increase; FY 2004 base was \$27,010

These increases represent cost changes of 10 percent annually for both pharmacy and outside medical services.

DP 126 - Mental Health Block Grant - This decision package adds \$960,525 federal funds for the mental health block grant each year of the biennium. The 2004 federal fiscal year grant was withheld due to a short fall in the federal FY 2003 maintenance of effort (MOE). The shortfall was due to general fund budget reductions made during the 2003 biennium. The federal FY 2004 grant has been awarded subsequent to FYE 2004 with contingency language based on the DPHHS request for a waiver of the MOE requirement.

The mental health block grant funds augment the Mental Health Services Plan (MHSP) and are currently included in the MHSP contracts with mental health centers.

LFD COMMENT Amount of Federal Mental Health Block Grant – The legislature may wish to review whether AMDD will receive the anticipated federal block grant funds in both federal FY 2004 and FY 2005. State expenditures are below the MOE required to receive the grant for both years. The 2004 grant was awarded contingent on approval of the Secretary of Health and Human Services, which was not received as of 11/15/04. The state MOE will also be less than required in 2005 due to the enhanced federal Medicaid match. Legislative staff has requested information on the most recent actual MOE for the block grant compared to the amount projected to be spent, particularly since state funds formerly supporting mental health services will be used to fund other types of services in the proposed HIFA waiver.

DP 180 - Authority to Maximize PATH Grant - The federal Projects for Assistance in Transition from Homelessness (PATH) grant is annually \$300,000. The grant requires a 25 percent state match. In FY 2004, the federal grant was underspent by \$6,402. This present law adjustment requests full biennial restoration of the authority for the federal grant of \$12,804 and the required general fund match of \$4,268.

DP 9999 - Statewide FTE Reduction - This decision package implements an FTE reduction equivalent to the cuts taken in the 2003 legislative session. Funding for 5.65 FTE and \$477,000 general fund per biennium, along with an additional \$35,000 in federal funds and \$7,000 in state special revenue, are removed from the budget permanently.

LFD COMMENT FTE Reduction – The FTE reduction is allocated to the state hospital (3.85 in FY 2006 and 3.65 FTE in FY 2007), the nursing care center (1.00 FTE each year), and division administration (1.00 FTE each year). LFD staff has requested that AMDD tell the legislature what positions will be reduced and the potential impact.

New Proposals

Sub Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Continuation of PSA for Mental Health Services (Requires Legislation)										
01	0.00	0	3,250,000	0	3,250,000	0.00	0	3,250,000	0	3,250,000
DP 8 - Continuation of PSA for Adult Mental Health (Requires Legislation)										
01	0.00	99,214	99,215	0	198,429	0.00	99,214	99,215	0	198,429
DP 50 - MT Mental Health Nursing Care Center Bed Tax										
01	0.00	135,415	0	0	135,415	0.00	135,415	0	0	135,415
DP 58 - Enhance Community Psychiatric Access										
01	0.00	66,987	0	161,715	228,702	0.00	68,428	0	160,274	228,702
DP 70 - Regional Staffing and Operating										
01	3.00	0	0	97,500	97,500	5.00	0	0	162,500	162,500
DP 86 - Staff Training to Reduce Violence and Improve Comm										
01	0.00	35,000	0	0	35,000	0.00	35,000	0	0	35,000
Total	3.00	\$336,616	\$3,349,215	\$259,215	\$3,945,046	5.00	\$338,057	\$3,349,215	\$322,774	\$4,010,046

DP 2 - Continuation of PSA for Mental Health Services (Requires Legislation) - The prevention and stabilization account (PSA) was created and funding from the account was appropriated during the 2003 legislative session in SB 485 (17-6-606, MCA). The majority of the funding for the PSA was a one-time diversion of tobacco settlement funds from the amount allocated to tobacco prevention and control programs due to the passage of I-146 in November 2002 (17-6-606, MCA).

This decision package and the accompanying legislation continues the diversion of tobacco settlement funds and provides \$6.5 million in PSA state special revenue to continue the MHSP pharmacy and re-establish other community services at the 2005 biennium funding level. These services are scheduled to terminate on June 30, 2005 due to one time only funding of SB 485. These funds would be used to finance Medicaid expansions included in the Health Insurance Flexibility and Accountability (HIFA) waiver in FY 2007. The HIFA waiver is discussed in more detail in the DPHHS overview.

In addition to the diversion of tobacco settlement revenues from tobacco control and prevention to MHSP, the 2007 biennium executive budget also diverts a portion (\$1.8 million) of tobacco settlement revenues from the amount allocated to fund CHIP match and the Montana Comprehensive Health Association services to fund MHSP.

**LFD
COMMENT**

Tobacco Settlement Funds and the PSA – The issues related to tobacco settlement revenues in the executive budget proposal are discussed in the DPHHS overview since several division budget requests are impacted.

DP 8 - Continuation of PSA for Adult Mental Health (Requires Legislation) - This request adds \$198,430 in PSA state special revenue and \$198,428 in general fund over the biennium to continue to fund adult mental health services at the 2005 biennium funding level. These services are scheduled to terminate on June 30, 2005 due to one time only funding of SB 485. AMDD spent the entire biennial PSA appropriation in FY 2004, which was removed from base budget expenditures since it was a one-time appropriation. The funds were used as state match for Medicaid mental health services.

DP 50 - MT Mental Health Nursing Care Center Bed Tax - This proposal adds \$270,830 general fund for the biennium to pay the bed tax charged for Montana Mental Health Nursing Care Center at the budgeted FY 2005 level. The 2003 Legislature enacted HB 743 to impose the nursing home bed utilization fee on the nursing care center (15-60-101, MCA). The proposal is revenue neutral, as a like amount will be deposited in the general fund.

**LFD
ISSUE**

Restrict Appropriation Use – The legislature may wish to consider restricting the use of this general fund appropriation if it approves the request. The amount of general fund needed to pay the nursing home bed tax will depend on the number of days of care provided at the nursing care center. If the census is lower than projected, less general fund will be needed to pay the fee.

DP 58 - Enhance Community Psychiatric Access - This proposal adds \$135,415 in general fund and \$457,404 in total funds during the biennium to increase the rate paid for community psychiatric services by 20 percent. Base expenditures for psychiatric services were \$994,356.

**LFD
COMMENT**

Impact on State Hospital Population – AMDD provided this documentation for the psychiatric rate increase: “Lack of psychiatrists statewide has a negative effect on community care for individuals suffering from mental illness. Further, lack of appropriate community psychiatry unnecessarily impacts the Montana State Hospital.” Legislative staff has requested documentation that a rate increase will result in improved access, since a 25 percent rate increase for psychiatrists was authorized by the legislature for FY 2001.

DP 70 - Regional Staffing and Operating - This new proposal funds 3.00 new FTE in FY 2006 and 2.00 additional FTE in FY 2007 (for a total of 5.00 FTE) for the mental health program. The staff would be located in five regional offices. The proposal adds \$260,000 of federal funds for the biennium. The general fund portion of staff and operating costs (\$260,000) would be removed from the MHSP general fund services appropriation.

Staff would be responsible for working directly with providers to perform quality assurance and program monitoring, technical assistance regarding DPHHS rules and expectations, policy interpretation, and liaison functions between Helena program managers and local service providers. Staff would undertake specific problem solving for consumer placement and service issues. They would work locally to develop service capacity and would provide coordinating activities for communities to be proactive in the service system and would provide initial staff support for the SAAs. The new FTE would work with MSH staff to facilitate movement of individuals between facility-based services and community services.

DP 86 - Staff Training to Reduce Violence and Improve Comm - This new proposal requests \$70,000 in general fund over the 2007 biennium for state hospital staff training in response to new federal initiatives that call for reducing and eventually eliminating the use of restraint and seclusion interventions in adult and children's inpatient and residential psychiatric programs. This funding would provide training and consultation necessary to help MSH staff develop skills to provide alternative intervention strategies. Programs in use in other state hospitals have resulted in reductions in patient and staff injury rates and improved therapeutic outcomes.

Addiction Treatment & Preventions Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	55.25	0.00	0.00	55.25	0.00	0.00	55.25	55.25
Personal Services	2,435,680	21,030	0	2,456,710	25,597	0	2,461,277	4,917,987
Operating Expenses	1,489,144	116,438	0	1,605,582	193,480	0	1,682,624	3,288,206
Grants	5,794,268	84,903	0	5,879,171	334,903	0	6,129,171	12,008,342
Benefits & Claims	1,190,169	496,403	0	1,686,572	622,896	0	1,813,065	3,499,637
Debt Service	14,600	0	0	14,600	0	0	14,600	29,200
Total Costs	\$10,923,861	\$718,774	\$0	\$11,642,635	\$1,176,876	\$0	\$12,100,737	\$23,743,372
General Fund	0	0	76,273	76,273	0	24,919	24,919	101,192
State/Other Special	3,194,632	418,563	(76,273)	3,536,922	495,859	(24,919)	3,665,572	7,202,494
Federal Special	7,729,229	300,211	0	8,029,440	681,017	0	8,410,246	16,439,686
Total Funds	\$10,923,861	\$718,774	\$0	\$11,642,635	\$1,176,876	\$0	\$12,100,737	\$23,743,372

The budget request for the addiction treatment and prevention function increases about \$2 million over the 2007 biennium compared to the FY 2004 base budget. A funding shift from state special revenue to general fund is requested to support some operating costs of the Montana Chemical Dependency Center (CDC) since appropriation requests for state special alcohol tax revenue exceed revenue projections.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "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 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					90,658					95,417
Vacancy Savings					(101,052)					(101,244)
Inflation/Deflation					(535)					(516)
Fixed Costs					16,889					33,947
Total Statewide Present Law Adjustments					\$5,960					\$27,604
DP 97 - MT Chemical Dependency Center Present Law Adj	0.00	0	0	100,084	100,084	0.00	0	0	160,049	160,049
DP 99 - Medicaid Caseload - Chemical Dependency	0.00	0	66,525	160,601	227,126	0.00	0	105,803	247,816	353,619
DP 103 - FMAP Enhancement Adjustment - Chemical Dependency	0.00	0	37,712	(37,712)	0	0.00	0	37,712	(37,712)	0
DP 104 - FMAP Adjustment - Chemical Dependency	0.00	0	30,648	(30,648)	0	0.00	0	39,843	(39,843)	0
DP 105 - MT Chemical Dependency Center Base Adjustments	0.00	0	17,704	13,720	31,424	0.00	0	24,887	6,537	31,424
DP 132 - Substance Abuse Prevention Treatment Increase	0.00	0	0	250,000	250,000	0.00	0	0	500,000	500,000
DP 179 - Discontinue State Incentive Grant Authority	0.00	0	0	(165,097)	(165,097)	0.00	0	0	(165,097)	(165,097)
DP 181 - Correct Accounting Error	0.00	0	269,277	0	269,277	0.00	0	269,277	0	269,277
Total Other Present Law Adjustments	0.00	\$0	\$421,866	\$290,948	\$712,814	0.00	\$0	\$477,522	\$671,750	\$1,149,272
Grand Total All Present Law Adjustments					\$718,774					\$1,176,876

DP 97 - MT Chemical Dependency Center Present Law Adj - This request combines several present law adjustments for the Montana Chemical Dependency Center (MCDC) including an increase for outside medical services to cover any outside hospital inflation, pharmacy costs, and other replacement equipment and leases. Also included in this request is non-state building rent and food contract increases. The request adds \$260,133 alcohol tax state special revenue over the biennium. Base year costs for these items were about \$900,000, with food and rent costs comprising more than 67 percent of the total base year costs.

**LFD
ISSUE**

Present Law Adjustments – The executive budget includes present law increases of 12 to 17 percent for operating costs that are predominantly food and rent costs. Legislative staff has requested documentation that inflationary increases in these operating costs will rise at the level anticipated in the executive budget. If operating cost increases are over stated, the legislature could reduce present law adjustments and potentially offset a part of or the entire projected deficit in the alcohol tax state special revenue account.

There is an accrual for \$40,000 in the base budget for an employee grievance settlement that is carried forward each year of the 2007 biennium. That should be a one-time expenditure that the legislature can remove from the budget.

DP 99 - Medicaid Caseload - Chemical Dependency - This request adds \$580,745 total funds, including \$172,328 in state special revenue, over the biennium for Medicaid caseload growth in the chemical dependency program. Caseloads are anticipated to grow by about 6 percent per year from the base budget level of \$1,459,446.

**LFD
COMMENT**

Total Medicaid Costs for Chemical Dependency Services – The executive budget includes a total of \$7 million (\$3 million alcohol tax state special revenue) to fund anticipated increases in chemical dependency outpatient Medicaid services. This increase is composed of three separate proposals: 1) caseload growth; 2) an increase in the state match rate due to regular formula changes; and 3) an increase in the state match rate due to a temporary 2.95 percent increase in the federal Medicaid match rate during FY 2004. Figure 68 shows the total increase. The legislature may wish to consider combining all present law adjustments if it approves the requests.

Figure 68
Total Chemical Dependency Medicaid Request - Addictive and Mental Disorders Division

Present Law and New Proposal Decision Package	FY 2006			FY 2007		
	SSR	Federal	Total	SSR	Federal	Total
FY 2004 Base Budget	\$359,112	\$1,100,334	\$1,459,446	\$359,112	\$1,100,334	\$1,459,446
Present Law Changes						
DP 99 - Caseload Change	\$66,525	\$160,601	\$227,126	\$105,803	\$247,816	\$353,619
DP 103 - Enhanced Federal Match Rate	37,712	(37,712)	0	37,712	(37,712)	0
DP 014 - FMAP Adj. - 2007 Biennium	30,648	(30,648)	0	39,843	(39,843)	0
Subtotal Present Law	\$493,997	\$1,192,575	\$1,686,572	\$542,470	\$1,270,595	\$1,813,065
Percent Increase Over Base Budget	38%	8%	16%	51%	15%	24%

DP 103 FMAP Enhancement Adjustment – Chemical Dependency – This proposal adds \$37,712 of alcohol state special revenue each year of the biennium, with an offsetting decrease in federal funds, to reflect the one time enhancement in the federal Medicaid rate in FY 2004. The enhancement was enacted as part of federal fiscal relief for states.

DP 104 – FMAP – Adjustment – Chemical Dependency – This request adds \$70,491 alcohol tax state special revenue over the biennium, with an offsetting decrease in federal funds, due to projected changes in the federal Medicaid match rates in FY 2006 and FY 2007.

DP 105 - MT Chemical Dependency Center Base Adjustments - This request adds \$42,591 in state special revenue and \$20,257 in federal funds over the biennium for personal services costs at the Montana Chemical Dependency Center. These services include holiday worked, overtime, differential, and physician on-call necessary to maintain minimum staffing requirements at a 24 hour day, seven day a week facility. These personal services costs are removed from the base budget and must be reauthorized by the legislature each biennium. The amount requested is equal to the amount expended in the FY 2004 base budget.

DP 132 - Substance Abuse Prevention Treatment Increase - This proposal requests \$750,000 in additional federal authority over the biennium from the Substance Abuse and Prevention Treatment Block Grant to help expand existing services including alcohol and drug treatment and prevention programs. The grant is used for community chemical dependency services for adults and adolescents. The grant funds are intended to help the state develop an effective system of chemical alcohol and drug treatment and prevention programs.

LFD COMMENT Alcohol State Special Revenue Inadequate to Fund Executive Budget Request – As noted in the AMDD over view, the executive budget request for alcohol tax state special revenue exceeds the revenues available from the fund. The executive budget includes, for the first time in over two decades, a request to use some general fund for the Montana Chemical Dependency Center (MCDC) since there will be insufficient alcohol tax revenue. One of the suggested options for legislative consideration to either offset alcohol tax shortfalls or to offset general fund request for MCDC is to use some of the block grant increase.

DP 179 - Discontinue State Incentive Grant Authority - This request reduces \$165,097 in federal funds each year of the biennium due to discontinuation of the State Incentive Grant, which was completed in FY 2004. This grant supported training assistance to communities to assist in planning for alcohol prevention, programming, and planning.

DP 181 - Correct Accounting Error - This adjustment corrects an accounting error made at 2004 fiscal year end by adding \$538,554 alcohol tax state special revenue over the biennium. A fiscal-year-end adjustment was needed to reduce state special revenue and increase federal funding for personal services. However, the federal funds increase was made in personal services and the state special revenue reduction was recorded in benefits and services. Since personal services is based on a snapshot of FTE costs, the correct amounts carried forward. However, the reduction in benefits and services also carried forward, understating costs for MCDC.

New Proposals

Sub Program	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 193 - Chemical Dependency Admin Fund Switch 02	0.00	76,273	(76,273)	0	0	0.00	24,919	(24,919)	0	0
Total	0.00	\$76,273	(\$76,273)	\$0	\$0	0.00	\$24,919	(\$24,919)	\$0	\$0

DP 193 - Chemical Dependency Admin Fund Switch - The decision package requests a fund shift of \$76,273 in FY 2006 and \$24,919 in FY 2007 from state special alcohol tax to general fund. The chemical dependency program has, historically, been funded with Substance Abuse Prevention and Treatment (SAPT) block grant funds and alcohol tax revenues.

LFD COMMENT Options to Deficit in Alcohol Tax State Special Revenue Fund – Legislative staff identified several options to deal with the anticipated shortfall in the DPHHS alcohol tax state special revenue fund. Discussion of the issue and options is in the division funding section.

Division Administration Proposed Budget

The following table summarizes the executive budget proposal for this subprogram by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	14.00	(1.00)	0.00	13.00	(1.00)	0.00	13.00	13.00
Personal Services	662,682	89,716	0	752,398	89,351	0	752,033	1,504,431
Operating Expenses	205,855	66,329	0	272,184	68,777	0	274,632	546,816
Debt Service	3,260	0	0	3,260	0	0	3,260	6,520
Total Costs	\$871,797	\$156,045	\$0	\$1,027,842	\$158,128	\$0	\$1,029,925	\$2,057,767
General Fund	407,856	121,762	0	529,618	123,240	0	531,096	1,060,714
State/Other Special	21,944	(2,459)	0	19,485	(2,409)	0	19,535	39,020
Federal Special	441,997	36,742	0	478,739	37,297	0	479,294	958,033
Total Funds	\$871,797	\$156,045	\$0	\$1,027,842	\$158,128	\$0	\$1,029,925	\$2,057,767

The division administration function is about 1 percent of the division budget. Statewide present law adjustments for pay plan and fixed cost changes account for about 75 percent of the present law increase. The other major change is the addition of federal grant funds to continue development of a management information system.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "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.

	-----Fiscal 2006-----				-----Fiscal 2007-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					156,198					156,459
Vacancy Savings					(32,756)					(32,766)
Inflation/Deflation					(89)					(86)
Fixed Costs					780					835
Total Statewide Present Law Adjustments					\$124,133					\$124,442
DP 55 - Division Central Office Rent	0.00	2,783	139	1,716	4,638	0.00	4,217	211	2,600	7,028
DP 107 - Continue Data Infrastructure and Integration Grant	0.00	0	0	75,000	75,000	0.00	0	0	75,000	75,000
DP 9999 - Statewide FTE Reduction	(1.00)	(26,750)	(3,360)	(17,616)	(47,726)	(1.00)	(27,106)	(3,389)	(17,847)	(48,342)
Total Other Present Law Adjustments	(1.00)	(\$23,967)	(\$3,221)	\$59,100	\$31,912	(1.00)	(\$22,889)	(\$3,178)	\$59,753	\$33,686
Grand Total All Present Law Adjustments					\$156,045					\$158,128

**LFD
ISSUE**

Division Administration Funding Mix – The executive request does not maintain the base year indirect cost funding mix for division administration. After removing 100 percent federal grant funding, the FY 2004 base budget is funded 50 percent general fund and the balance state special and federal funds, while the 2007 biennium budget increases to 59 percent general fund. If the base budget funding mix is maintained, the legislature could reduce general fund by \$161,356 over the 2007 biennium.

Part of the reason that there is a higher percent of general fund is due to staff and administrative duty changes. Legislative staff has asked AMDD to provide documentation as to why division administration should be funded at a higher level of general fund, particularly if the HIFA waiver proposal and mental health Medicaid service expansions are approved, since there would be fewer 100 percent state funded activities under the division purview. The legislature may wish to this review this issue prior to acting on the division administration budget.

DP 55 - Division Central Office Rent - This request adds \$7,000 general fund, \$350 state special revenue, and \$4,316 federal funds over the biennium to maintain contracted rent increases for the central office. The building lease rate increases 2 percent annually.

DP 107 - Continue Data Infrastructure and Integration Grant - This request for \$150,000 in federal funds over the biennium would be used to continue development of a uniform management information system. Base expenditures were about \$70,000. The grant finances state efforts to prepare data systems for the Substance Abuse and Mental Health Services Administration conversion to performance partnership grants as required by Congress. Performance partnership grants will become outcome and performance-based. Management and accounting for the federal mental health services block grant also will be affected by this change.

DP 9999 - Statewide FTE Reduction - This decision package implements a personal services funding reduction equivalent to the cutbacks taken in the 2003 legislative session. Funding for 5.65 FTE and \$477,000 general fund per biennium, along with an additional \$35,000 in federal funds and \$7,000 in state special revenue, would be removed from the budget permanently.

**LFD
COMMENT**

FTE Reduction – The FTE reduction is allocated to the state hospital (3.85 in FY 2006 and 3.65 FTE in FY 2007), the nursing care center (1.00 FTE each year), and division administration (1.00 FTE each year). LFD staff has requested that AMDD tell the legislature what positions will be reduced and the potential impact.