

**Agency Proposed Budget**

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

Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	2,780.42	38.60	56.30	2,875.32	38.60	102.99	2,922.01	2,922.01
Personal Services	126,592,810	13,935,014	2,518,606	143,046,430	14,799,797	5,229,615	146,622,222	289,668,652
Operating Expenses	85,127,745	5,608,217	5,495,541	96,231,503	6,166,754	4,397,661	95,692,160	191,923,663
Equipment	501,698	34,001	215,000	750,699	34,001	145,000	680,699	1,431,398
Capital Outlay	53,007	0	450,000	503,007	0	0	53,007	556,014
Grants	58,784,995	1,776,175	7,357,012	67,918,182	1,776,175	7,092,783	67,653,953	135,572,135
Benefits & Claims	982,705,001	130,517,816	54,310,296	1,167,533,113	184,507,242	54,726,443	1,221,938,686	2,389,471,799
Transfers	0	0	0	0	0	0	0	0
Debt Service	591,429	3,030	2,700	597,159	3,300	66,000	660,729	1,257,888
<b>Total Costs</b>	<b>\$1,254,356,685</b>	<b>\$151,874,253</b>	<b>\$70,349,155</b>	<b>\$1,476,580,093</b>	<b>\$207,287,269</b>	<b>\$71,657,502</b>	<b>\$1,533,301,456</b>	<b>\$3,009,881,549</b>
General Fund	307,876,614	46,534,288	20,780,851	375,191,753	61,211,606	22,593,751	391,681,971	766,873,724
State/Other Special	74,251,264	22,016,329	13,143,565	109,411,158	22,784,410	13,301,631	110,337,305	219,748,463
Federal Special	872,228,807	83,323,636	36,424,739	991,977,182	123,291,253	35,762,120	1,031,282,180	2,023,259,362
<b>Total Funds</b>	<b>\$1,254,356,685</b>	<b>\$151,874,253</b>	<b>\$70,349,155</b>	<b>\$1,476,580,093</b>	<b>\$207,287,269</b>	<b>\$71,657,502</b>	<b>\$1,533,301,456</b>	<b>\$3,009,881,549</b>

**Agency Description**

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

**Agency Highlights**

<b>Department of Public Health and Human Services Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The DPHHS budget request grows \$501.2 million over the biennium compared to the FY 2006 base budget, including \$151.1 million general fund and \$71.2 million state special revenue                             <ul style="list-style-type: none"> <li>• The cost to maintain present law services, particularly benefits and services for individuals is about three quarters of the total increase (\$315.0 million)</li> <li>• Changes in Medicaid services alone account for \$282.5 million or 56.4 percent of the total DPHHS biennial increase</li> </ul> </li> <li>◆ Major general fund increases over the biennium are:                             <ul style="list-style-type: none"> <li>• Medicaid changes                                     <ul style="list-style-type: none"> <li>○ Present law caseload – \$52.1 million</li> <li>○ Federal match rate reductions – \$25.6 million</li> <li>○ New proposals to expand services - \$4.3 million</li> </ul> </li> <li>• State institution increases                                     <ul style="list-style-type: none"> <li>○ 36.60 new FTE, inflation in operating costs, and fully</li> </ul> </li> </ul> </li> </ul>	



- Use of account funds to support CHIP administrative costs, a reserve fund, and enrollment below 10,631
- Use of account funds to pay the federal match rate reduction for Medicaid present law services
- ◆ Medicaid nursing home funding lacks transparency
  - It is difficult to tell how much general fund should be allocated to support 2009 biennium costs, which are estimated to decline
- ◆ The TANF block grant is placed in a deficit position in the 2011 biennium
- ◆ The executive proposes to use tobacco prevention and cessation state special revenue funds for uses not included in statute
- ◆ Vacant positions in the Quality Assurance Division impact the division's ability to maximize reductions in inappropriate Medicaid payments

**Agency Discussion**

*Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2007 biennium
- Goals and objectives and their correlation to the 2009 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

The executive budget request for the Department of Public Health and Human Services (DPHHS) grows \$501.2 million total funds (\$151.1 million general fund) over the biennium. Budget growth is driven largely by changes in services for individuals, which add \$424.1 million over the biennium or 84.6 percent of the total. And present law adjustments to maintain current level services are a bigger source of change than new proposals adding \$359.2 million (\$107.7 million general fund) over the biennium. FTE increase 141.59 from a base level of 2,780.42.

The major cost drivers in the 2009 biennium budget are:

- Medicaid eligibility and service increases, annualization of 2007 biennium initiatives, and some 2009 biennium expansions add \$282.5 million total funds, including \$81.5 million general fund
- Other service increases for larger benefit programs such as food stamps, Children's Health Insurance Program (CHIP), child care, and foster care add \$139.2 million total funds, including \$20.0 million general fund
- Institutional increases for overtime, operational cost inflation, and a new 120 bed program for mentally ill forensic patients support 90.90 new FTE and add \$21.0 million total funds, including \$14.6 million general fund

**Medicaid Services Drive Costs**

Medicaid service expenditures are the single largest cost driver in the DPHHS budget, with \$744.8 million in base budget expenditures, which does not include Medicaid administrative costs. The executive budget request for Medicaid services adds \$282.5 million over the biennium compared to base budget costs, including \$81.5 million general fund.

Figure 1 shows the components of the 2009 biennium Medicaid services budget request. The base budget is doubled to explain the biennial change.

Continuation of Medicaid programs at present service levels costs \$1.7 billion (including \$406.8 million general fund) over the biennium, nearly 56.7 percent of the total biennial request for the agency. Executive requests for provider rate increases and service expansions adds \$71.1 million total funds over the

Figure 1  
Medicaid Increases Requested in the 2009 Biennium Executive Budget by Type of Change

Component of Medicaid Appropriation	General Fund	SSR	Federal	Total	Percent of Total
FY 2006 Base Budget (Doubled)	\$330,646,496	\$73,322,682	\$1,085,633,447	\$1,489,602,625	84.1%
Caseload, Service Utilization, Inflation	52,088,995	545,136	80,038,042	132,672,173	7.5%
Annualization - 2007 Biennium Expansions	(1,534,117)	17,242,371	62,967,833	78,676,087	4.4%
Rate Increases	1,014,775	17,137,397	33,535,354	51,687,525	2.9%
Service Expansions	4,312,028	1,366,509	13,751,161	19,429,698	1.1%
Federal Match Reduction/State Increase	25,639,068	335,094	(25,974,162)	0	0.0%
Efficiencies and Reductions	0	0	0	0	0.0%
<b>Subtotal Biennial Increases</b>	<b>\$81,520,749</b>	<b>\$36,626,506</b>	<b>\$164,318,228</b>	<b>\$282,465,483</b>	<b>15.9%</b>
Percent Increase Over Base Year Doubled	24.7%	50.0%	15.1%	19.0%	
<b>Total 2009 Biennium Request</b>	<b>\$412,167,245</b>	<b>\$109,949,188</b>	<b>\$1,249,951,675</b>	<b>\$1,772,068,108</b>	<b>100.0%</b>

biennium or about 4.0 percent of the total increase. The expansions raise general fund by about \$1.0 million general fund and state special revenue by \$17.1 million.

Clearly, if the legislature can modify Medicaid spending, it can have a major impact on the DPHHS budget. A 1 percent change in Medicaid services costs, excluding \$233.8 million in provider taxes, county nursing home match, and 100 percent federal pass-through to Indian Health Services and schools, would alter DPHHS spending by \$15.4 million over the biennium, including \$4.8 million in state matching funds.

### Federal/State Medicaid Services Match Rates

The federal Medicaid match rate is determined by a formula that compares a state's per capita income to national per capita income. Since Montana per capita income has improved, the federal Medicaid match rate has declined, necessitating an increase in state funds to maintain the same level of services. The state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and 31.49 percent in FY 2009 for most Medicaid services. Each 1.0 percent change in the match rate equals about \$16.6 million for the executive Medicaid services request over the 2009 biennium. The Medicaid match rate change also affects the match rates for federal Title IV-E funding for foster care and the match rate for the Children's Health Insurance Program (CHIP).

### Executive 2009 Biennium Medicaid Services Cost Estimate Likely to Decline

Medicaid cost estimates have been unusually problematic over the 2007 biennium due to a speed up in claims payment in October and November 2005. The claims payment contractor, with DPHHS approval, began using an optical scanner to eliminate a backlog of about 50,000 paper bills (most Medicaid bills are submitted electronically). Elimination of the backlog made October and November payments higher than normal compared to previous years and the total FY 2006 cost was also affected. Also, since the backlog was spread over many service types, it was difficult to isolate the impact.

Medicaid cost estimates are based on historic cost trends, so the speed up in claims payment made it appear that Medicaid costs were growing at a much higher rate in FY 2006 compared to previous years. It became difficult for DPHHS to determine the true underlying cost trend for future years from the amount related to the one-time spike in FY 2006.

DPHHS estimates Medicaid costs each month. After the executive budget was submitted on November 15, DPHHS received updated claims data. DPHHS briefed legislative staff on the cost projections based on the updated data, which appear to be lower than the estimates included in the executive budget, by at least \$2.0 million general fund over the biennium. The one-time aberration in claims payment began to recede in November 2006 and should be more transparent when Medicaid cost estimates are updated during legislative consideration of the executive budget.

Figure 2  
Selected Benefit Increases - DPHHS 2009 Biennium Budget

Major Benefit	General Fund	SSR	Federal	Total	Percent of Total
Medicaid	\$81,520,749	\$36,626,506	\$164,318,228	\$282,465,483	67.0%
Food Stamps	0	0	32,608,790	32,608,790	7.7%
CHIP	0	3,723,544	13,186,283	16,909,827	4.0%
Big Sky Rx	0	15,288,320	0	15,288,320	3.6%
Foster Care/Adopt	7,890,372	0	6,431,890	14,322,262	3.4%
LIEAP	2,980,319	475,248	6,548,930	10,004,497	2.4%
Child Care	4,161,976	0	4,823,759	8,985,735	2.1%
TANF Cash Assistance	0	0	8,095,874	8,095,874	1.9%
DD -Non-Medicaid	1,158,810	-	399,836	1,558,646	0.4%
Meth/CD Treatment	3,853,588	0	0	3,853,588	0.9%
Bioterrorism	0	0	3,983,905	3,983,905	0.9%
Housing	0	0	966,000	966,000	0.2%
Remainder	0	0	0	22,600,680	5.4%
Total	\$101,565,814	\$56,113,618	\$241,363,495	\$421,643,606	100.0%

### Other Benefit Cost Increases

Growth in benefits and services costs is 84.6 percent of the total change between the FY 2006 base budget and the 2009 biennium. Figure 2 shows the major changes in benefit categories that account for at least 0.2 percent of the total change.

As discussed, Medicaid is the largest component at 67.0 percent. The next major component is food stamp benefits, which rise \$32.6 million over the biennium from a base cost of \$90.0 million due to anticipated eligibility increases. CHIP costs grow \$16.9

million from a base budget of \$19.5 million to fund additional enrollment of 1,881 children for total enrollment of 13,900 each year of the 2009 biennium. The executive budget anticipates significant inflation in the cost of CHIP services and includes a reserve fund of \$1.7 million to cover high cost cases since DPHHS assumed management of CHIP and financial risk.

Big Sky Rx, a drug premium assistance program for Medicare eligible persons, rises \$15.3 million from base budget costs of \$0.2 million. Big Sky Rx, established by the 2005 Legislature after voter Initiative 149 (I-149) was passed in November 2004, was implemented during FY 2006. The initiative raised tobacco taxes and allocated a portion to the health and Medicaid initiatives account, which funds Big Sky Rx. Enrollment gains were slower than anticipated during the 2005 legislative session, and enrollment would need to grow exponentially to achieve the level that could be supported by the executive request.

Food stamp benefits rise \$32.6 million in federal funds over the biennium from a base budget of \$90 million, which served about 422,000 cases. The executive budget adds \$12 million in FY 2008 and \$21 million in FY 2009. The increased funds anticipates caseload and poverty level adjustments in food stamp benefits.

The Low-income Energy Assistance Program benefits rise \$10.0 million over the base year expenditures of about \$26.0 million. The increase is primarily due to the Governor's requests for \$5.8 million in state special revenue and federal revenue to expend federally funded grants and the Universal Systems Benefits fund, which comes from consumer charges on utility bills and is passed on to energy assistance and weatherization activities. The Governor also proposes \$1.6 million federal authority to expend energy conservation funds. The proposal comes with a request for legislation to change statute to remove a restriction that allows the funds to be spent only if the grants fall below the 1987 funding levels of \$11.0 million. The executive also proposes \$3.0 million general fund to continue the energy ombudsman program, assist with family asset development, and provide additional low-income energy assistance.

Foster care and subsidized adoption benefits related to caseload increase \$14.3 million over the FY 2006 base amount of about \$28.0 million, which is the Governor's request to address growth and changes in caseload.

The growth in caseload and expenditures in foster care and subsidized adoption are expected to be challenging in Montana and nationwide. The major reasons for cost changes are related to social worker caseloads and recruiting foster and adoptive parents. The Governor's budget includes funding for a 10.0 percent increase per year in foster care caseload and about an 11.0 percent increase per year in subsidized adoption. There is further discussion in the Child and Family Services Division write-up.

TANF cash assistance benefits increase about \$8.1 million over the FY 2006 base of \$22.0 million, which is primarily due to the Governor's proposed budget requests of \$4.4 million to maintain TANF cash assistance payment levels at 33.0 percent of the federal poverty index (which increases each year), \$1.3 million in TANF supportive services, and \$2.2 million to accommodate the restructuring of the Blackfeet Tribal TANF plan.

In addition to the increase to TANF benefits, the Governor proposes to use the TANF block grant to supplement the Child Care Program.

Child care benefits increase almost \$9.0 million over base expenditures of \$26.0 million, including a \$4.0 million transfer from the federal TANF block grant to the child care development fund, \$5.0 million transfer or funding switch in support of working caretaker relatives, and to address caseload increases and other child care adjustments.

The Governor's proposed use of the TANF block grant places the grant in a deficit position for the next legislature. As of December 2006, the division staff projects the TANF block grant to be \$13.0 million at the end of the 2009 biennium. This level would not sustain positive case flow of the block grant through FY 2011 if proposals within the Governor's budget remain through the next two biennia, and the projected FY 2009 grant amount of \$38.0 million as well as expenditures remain basically the same. There is further discussion of the TANF block grant and caseload projections in the following section for Human and Community Services.

The executive budget includes a new proposal to expand community treatment for methamphetamine and other chemical dependencies. The program would serve 148 persons per year at a biennial general fund cost of \$4.0 million.

Other adjustments to benefits and services are discussed in more detail in the division narratives.

**Institutional Costs**

Institutional costs are also an important component of the DPHHS budget. Figure 3 shows the FTE level, average daily population (ADP), general fund, and total funds for the base year compared to the executive budget request and to the total DPHHS budget.

**Figure 3**  
State Institutions as a Percent of Total DPHHS FTE, General Fund, and Total Funds Budgets

Institution	FY 2006				FY 2008				FY 2009				Percent of Total	% Incr. from '06
	FTE	ADP	General Fund	Total	FTE	ADP	General Fund	Total	FTE	ADP	General Fund	Total		
Montana State Hospital	369.80	199	\$24,505,773	\$24,932,836	406.40	199	\$29,007,726	\$29,442,827	406.40	199	\$28,748,225	\$28,823,225	42.1%	15.6%
Developmental Center	268.80	78	15,145,371	15,192,804	268.80	68	14,698,778	14,746,211	268.80	68	14,698,778	14,866,820	21.7%	-2.1%
Nursing Care Center	122.70	80	6,776,312	6,776,312	122.70	81	8,124,421	8,124,421	122.70	81	8,823,753	8,823,753	12.9%	30.2%
Montana Veterans' Home	123.01	105	0	5,922,831	128.81	106	0	8,881,473	128.81	106	0	7,128,766	10.4%	20.4%
Chemical Dependency Ctr.	48.25	50	0	3,434,174	54.25	72	0	4,239,631	54.25	72	0	4,322,807	6.3%	25.9%
Secure Treatment Examination	0.00		0	0	0.00		0	832,316	41.69	60	3,380,803	3,028,740	4.4%	n/a
Eastern MT Veterans' Home	<u>1.00</u>	<u>56</u>	<u>0</u>	<u>1,336,853</u>	<u>1.00</u>	<u>55</u>	<u>0</u>	<u>1,485,372</u>	<u>1.00</u>	<u>55</u>	<u>0</u>	<u>1,428,912</u>	2.1%	6.9%
Total Institution Budget	933.56	568	\$46,427,456	\$57,595,810	981.96	581	\$51,830,925	\$67,752,251	1,023.65	641	\$55,651,559	\$68,423,023	100.0%	18.8%
Percent of DPHHS Total	33.6%		15.1%	4.6%	34.2%		13.8%	4.6%	35.0%		14.2%	4.5%		
Total DPHHS Budget	<u>2,780.42</u>		<u>\$307,876,614</u>	<u>\$1,254,356,685</u>	<u>2,875.32</u>		<u>\$375,191,753</u>	<u>\$1,476,580,093</u>	<u>2,922.01</u>		<u>\$391,681,971</u>	<u>\$1,533,301,456</u>		

Institutional FTE rise from 33.6 percent to 35.0 percent of total DPHHS FTE in FY 2009, partially due to a new proposal that adds 41.69 FTE to develop a 120 bed facility for persons with a severe and disabling mental illness who are in the custody of the Department of Corrections or in the custody of DPHHS by virtue of a court determination that they are guilty but mentally ill and due to continuation of 36.60 FTE added at the state hospital due to higher populations than anticipated. Other FTE increases are 5.80 at the Montana Veterans' Home (MVH) and 6.00 at the Montana Chemical Dependency Center (MCDC). General fund supporting institutions declines from 15.1 percent of the total DPHHS FY 2006 base budget to 14.2 percent of the FY 2009 budget request, despite increasing \$9.3 million.

Overall, institution costs grow 18.8 percent from the FY 2006 cost, partially due to new FTE. Other cost increases are related to fully funding the pay plan and all vacant positions; and inflation in food, utilities, drug, and medical costs. The Montana Mental Health Nursing Care Center budget increases the most, largely due to personal services adjustments and some operating cost inflation.

The Montana Developmental Center cost decreases 2.1 percent from the base budget, primarily because of efforts to transition its population into the community settings and the closure of Unit 16 AB. While MDC is supported with general fund, it does garner some federal revenue from institutional reimbursements. The average daily population at MDC in FY 2006 was 78, but will be 68 per year in the 2009 biennium with the closure of Unit 16 AB, not all of whom could be Medicaid eligible. Both the general fund and institutional reimbursements are projected to decline over the biennium.

DPHHS transferred \$2.8 million general fund from FY 2007 to FY 2006 to cover cost overruns at MSH (\$2.1 million) and MDC (\$0.8 million). Due to an oversight those costs were not removed from the base budget. Cost overruns were in personal services, which make the base year comparable to FY 2008 and FY 2009 since the costs are requested to continue in both institutions.

The new institution proposed in the executive budget – the Secure Treatment and Examination Program (STEP) - received its public debut in the Governor's budget. The Department of Corrections (DOC) and DPHHS held meetings, initially to address DOC's need for additional beds, beginning in January 2006. While DOC and DPHHS representatives discussed the STEP program in concept with various advisory groups, little was known about the details of the proposal until the final executive budget was published in mid November.

STEP would be initiated in mid FY 2009, after the Dr. Xanthopolis (Dr. X) Building on the Warm Springs campus is renovated. The WATCH program (4<sup>th</sup> DUI – driving under the influence of drugs) would move from the Dr. X building into the receiving hospital, which would also be remodeled. DOC would be allocated half of the beds and the other half would be for MSH. The entire cost of the STEP program is included in the DPHHS budget. The long range building proposal includes \$5.8 million general fund for these renovations.

In addition to 41.69 new FTE requested for STEP, 59.00 FTE would be transferred from MSH. DPHHS has estimated a portion of the annualized cost of STEP, which includes the cost of the new FTE and operating costs for 120 persons. However, the portion of cost that would transfer from MSH is not available. Total FTE to support STEP would be 121.50, since the 41.69 new FTE are only partial year positions. The admission criteria to STEP have not been finalized, so it is difficult to determine whether the 120 bed capacity would be adequate.

### Provider Rate Increases

The executive budget includes funding for provider rate increases. The majority of rate increases are for Medicaid services and the state match is funded from health and Medicaid initiatives account state special revenue.

The executive budget states that the funds support a 2.5 percent rate increase for most providers in the first year of the biennium. The rate increase for developmental disabilities (DD) services is as high as 9.7 percent for DD Medicaid services in FY 2009.

#### LFD ISSUE

#### Provider Rate Increases

The executive budget does not provide a rationale for the level of provider rate increases granted nor does it provide a rationale for the marked difference in rate increases among providers. It is not possible to determine whether the executive budget considered rate equity across providers and if it did, what guiding principles or policy rationale were used to establish the amount of rate increase between providers.

The executive budget is not sufficient to fund a 2.5 percent rate increase for most services and generally the amount requested in the second year of the biennium is not sufficient to continue the rate increase. Most of the new proposals for Medicaid rate increases do not take service utilization and eligibility increases into consideration, leaving the appropriation short in the second year of the biennium. This issue is addressed in division narratives where it is relevant. Since most Medicaid service estimates will be updated during the session, the legislature can establish whether it will fund a rate increase and if so, how much. At that point, legislative staff can estimate the funds necessary to support a rate increase.

### Provider Taxes

The executive budget also includes \$29.2 million over the biennium for Medicaid reimbursement from hospital and nursing home provider taxes (\$21.9 million) and county nursing home intergovernmental transfers (\$7.3 million - IGTs). The state match for these payments is generated by a fee for each day a bed is occupied in a hospital or nursing facility and by county funds used to pay for nursing home services that are transferred to DPHHS. The provider taxes and county funds are used as state match to draw down additional federal Medicaid funds, which are redistributed through rate increases to Medicaid providers.

#### LFD ISSUE

#### Legislation Needed to Continue Hospital Tax

The executive budget includes funds to continue the hospital utilization fee as a present law adjustment. However, the statutory authority to levy the fee expires at the end of FY 2007 and the executive has declined to request legislation to continue the fee.

*FTE Increases*

The number of FTE funded in the executive request rises 141.59 in FY 2009 from the base level of 2,780.42. Figure 4 shows the increase by major initiative.

FTE to support adult mental health functions rise the most, for a combined total of 85.27 or 60.1 percent of the total. The increases are:

- o 41.67 for STEP
- o 36.60 for MSH population at 199 per day (prior to implementation of STEP)
- o 5.00 new FTE to help persons who are discharged from MSH transition to community services
- o 1.00 FTE to coordinate behavioral health services between DOC and DPHHS
- o 1.00 FTE to administer a federal grant for improvement in collection and evaluation of mental health data

The executive budget funds 20.00 new FTE for foster care field staff to address increasing caseloads. The 2005 Legislature took actions to assist DPHHS with foster care workload issues when it reduced vacancy saving from 4 percent to 2 percent in the 2007 biennium and rejected a proposed reduction in staffing that would have removed \$0.5 million for FTE support. The 2.00 FTE requested for the SSI Program would make SSI applications on behalf of children who are in the custody of the State of Montana and who are considered to meet the SSI criteria due typically to a physical or mental disability. SSI specialists generated more than \$200,000 of general fund savings in the foster care program in FY 2005. The 2.00 FTE request to convert modified FTE to permanent would serve the In-home Services Program in Hill, Blaine, Choteau, Liberty, and Cascade Counties.

There are 9.00 new FTE to support the chemical dependency function. The largest number - 6.00 new FTE for MCDC - would support anticipated institutional population increases. 2.00 FTE would administer a federal grant to develop community prevention initiatives and 1.00 FTE would administer expansion of community services for treatment of methamphetamine and other chemical dependence.

There are 5.80 new FTE for MVH to staff the special care unit and bill for Medicare Part D reimbursement. The budget request funds 5.00 new FTE for DPHHS administration of the CHIP program, which is discussed later.

Finally, 3.0 new FTE are added to administer program activities related to the tobacco prevention activities.

**CHIP**

The executive budget includes funding for DPHHS to administer CHIP. Previously, the state contracted for a fully insured product, which meant the insurer enrolled children, maintained a provider network both in-state and out of state, paid claims, and assumed the financial risk if there were large claims. The 2005 Legislature made statutory changes to allow DPHHS to assume administration of the program, partly to eliminate what was viewed as a potential duplication of administrative expenses when DPHHS costs and the insurers costs were combined.

The executive budget requests \$17.5 million additional funds to support DPHHS administration of CHIP and raise enrollment from the FY 2006 base amount of 12,019 to 13,900. Base budget costs were \$20.6 million. The budget request also supports 5.00 new FTE, contracted services for enrolling providers and maintaining a provider network and claims payment administration, and a \$1.7 million reserve fund to stabilize the program if there are a number of high cost cases.

Budget Proposal	FY 2009	Percent of Total
Secure Treatment Examination Program*	41.67	29.4%
State Hospital FTE	36.60	25.8%
Foster Care Field Staff	20.00	14.1%
Chemical Dependency Center	6.00	4.2%
Montana Veterans' Home Staff	5.80	4.1%
CHIP Administration	5.00	3.5%
Adult Mental Health Community Support	5.00	3.5%
Strategic Prevention Grant - CD	2.00	1.4%
CFSD - Staff to Expand the SSI Program	2.00	1.4%
CFSD - Convert Modified FTE to Permanent	2.00	1.4%
Tobacco Prevention	2.00	1.4%
Federal Aging Grants - Ombudsman/Insurance	2.00	1.4%
Adult Protective Services Staff	1.50	1.1%
Methamphetamine/CD Treatment	1.00	0.7%
Behavioral Health Coordinator	1.00	0.7%
Federal Mental Health Data Grant	1.00	0.7%
Diabetes Prevention	1.00	0.7%
Mt Breast & Cervical Cancer	1.00	0.7%
HIFA Waiver Administration	1.00	0.7%
Child Care Licensing	1.00	0.7%
Remaining FTE	<u>3.02</u>	<u>2.1%</u>
<b>Total</b>	<b><u>141.59</u></b>	<b><u>100.0%</u></b>

\*The annualized number of FTE for STEP would be 62.40.

CHIP enrollment during the 2005 biennium was lower than anticipated by the 2005 Legislature, which appropriated funds to support 13,900 children. Enrollment lagged expectations for a number of reasons, including less aggressive outreach in the beginning of FY 2005, and more recently a change in Medicaid eligibility for children that raised resource and asset limits from \$3,000 to \$15,000 for a family. The Medicaid change was effective at the beginning of FY 2006 and is expected to move some children from CHIP coverage to Medicaid.

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**CHIP Budget Issues**

Legislative staff has identified several issues related to the CHIP budget request, which are discussed in greater detail in the Health Resources Division. The issues are:

- The stated level of enrollment in the executive budget may not be achievable
- The executive budget may support a higher enrollment than 13,900
- The overall cost of CHIP administration may be higher than when DPHHS contracted for a fully insured product
- Use of health and Medicaid initiative funds for a reserve fund and administrative costs does not comply with statute
- The need for a reserve fund should be closely evaluated

**Federal Deficit Reduction Act (DRA)**

The impact of the DRA on the 2009 biennium budget varies throughout the agency because not all of the federal regulations implementing the DRA have been promulgated.

The most significant impacts reduce federal reimbursements for targeted case management, child support enforcement, foster care services, and Medicaid services. As of December 2006, there is a potential total impact in federal participation of \$19.8 million in the 2009 biennium. The executive budget includes requests of \$4.1 million general fund to offset federal reductions in the Child Support Enforcement Division for known impacts of the DRA, and \$4.1 million general fund from Child and Family Services in anticipation of final rules. As of December 2006, there are \$11.6 million of potential federal funding reductions that are not included in the executive budget.

*Targeted Case Management*

The most significant reduction would lower federal participation in the cost of targeted case management. Medicaid regulations allow states to target a group to receive case management for defined services as an allowable Medicaid cost. However, department wide federal reimbursement changes in targeted case management services would cost about \$11.8 million general fund more over the 2009 biennium to maintain present law services. The most significant programmatic changes that cause the cost shift are:

- Changing the definition of services that qualify for Medicaid reimbursement
- Disallowance of Medicaid reimbursement for case management services provided by child welfare workers
- Disallowance of Medicaid reimbursement for case management services that could be provided by third party payers and could include the State of Montana, which provides general fund supported case management services in the developmental disability system

*Child Support Enforcement*

The act makes several changes to the Child Support Enforcement Program, which net to an estimated increase of \$4.1 million in general fund in the 2009 biennium. These changes have received a final ruling, and are discussed in detail in the Child Support Enforcement section of this volume. The changes:

- Prohibit states from using federal incentive funds received for meeting or exceeding the federal incentive performance measures as a match for federal child support enforcement funding, which have historically been deposited into a state special revenue account and used as the 34.0 percent state match
- Implement a revenue-producing, mandatory fee of \$25 annually for child support collection services that states must levy on families that have never received TANF cash assistance, unless the state replaces the revenue that would have been generated, which the Governor has elected to propose.
- Reduce the 90.0 percent federal match for child support paternity testing services from the regular federal match rate of 66.0 percent for other program services

*Foster Care Services*

In addition to the item mentioned under targeted case management, the bill clarifies the limited circumstances under which a state may claim federal reimbursement for administrative expenses under the Foster Care Maintenance Payments Program, and narrows the licensing requirement for relative caregivers. The Governor requests \$4.1 million general fund to address the DRA changes in the budget for Child and Family Services Division.

*Other Medicaid Services*

In addition to changes in targeted case management, the act reduces reimbursement for school transportation for special needs children to and from Medicaid services. Schools that rely on Medicaid payment for such services would lose \$4.0 million in reimbursement.

One change that is expected to lower Medicaid costs alters prescription drug pricing. Medicaid program reimbursement for drugs will be based on manufacturer's cost instead of the average wholesale price. Until states receive federal guidance, it is unknown what impact this change will have.

*Opportunities to Tailor Programs*

The DRA also provides new flexibility to states to design Medicaid services in ways that previously required more lengthy federal approval processes. States can opt to extend Medicaid services to a group of persons who would be Medicaid eligible, but limit enrollment and services. Previous to the DRA, this type of change would have required submitting an application to waive federal Medicaid regulations to limit enrollment or services and would have required the state to prove that such an action would be cost neutral to the federal government. Now changes can be approved through amendments to state Medicaid plans, which is usually a less cumbersome process.

However, the DRA did not change Medicaid requirements for the early periodic screening, diagnosis, and treatment (EPSDT) requirements for children's coverage, so the new flexibility is more applicable to adult services. Federal EPSDT requirements obligate a state to pay for a service necessary to treat a medical condition if that service is Medicaid reimbursable under federal regulations, even if the service is not part of the state Medicaid plan. Since the DRA does not eliminate the EPSDT requirement for children's services, a state may expand enrollment and limit the number of children enrolled in the expansion, but may not limit services that are provided.

**Health and Medicaid Initiatives Account**

Voters passed Initiative 149 (I-149) in November of 2004. The initiative increased tobacco taxes and allocated a portion of the increase to the health and Medicaid initiatives account (account). The statute governing the account (53-6-1201, MCA) specifies how the funds may be used including:

- CHIP enrollment expansions
- Prescription drug premium assistance for low-income children, seniors, chronically ill, and disabled persons
- Medicaid service expansions and provider rate increases
- Funding costs of operating Insure Montana, a new program that assists small employers with the cost of providing health insurance, which includes administering a tax credit, purchasing pool, and premium incentive payments and premium assistance payments
- The state match for a Medicaid program for premium incentive payments or premium assistance payments for low-income persons participating in the Montana Comprehensive Health Association (MCHA)

The 2005 Legislature appropriated account funds to implement a prescription drug premium assistance program for Medicare eligible persons, enact a tax credit and establish an insurance purchasing pool to assist small employers with the costs of providing health insurance benefits, expand CHIP, raise Medicaid provider rates, increase Medicaid eligibility for children, provide the state match for three Medicaid programs that require a waiver of federal regulations before a state can initiate the program, and implement a drug discount program. All but two of the new programs were or will be initiated by the end of the 2007 biennium. Those two are:

- o Pending approval of the HIFA waiver, which is discussed in the Director’s Office budget request
- o Initiation of a statewide pharmacy assistance phone line and web site

Statutes governing the account also include language regarding the use of account funds to supplant state revenues for CHIP, Medicaid, and prescription drug assistance programs. Account funds must be used to fund:

- o Increased CHIP enrollment above the existing level in the 2005 biennium and above the 2005 biennium appropriations for CHIP
- o Increased Medicaid services and provider rates and may not be used in place of general fund for the Medicaid trended traditional level of appropriation for services and provider rates
- o A new need-based prescription drug program that does not supplant similar services provided under any existing program

*Ending Fund Balance*

Figure 5 shows account revenues, expenditures, and ending fund balances from FY 2006 through FY 2009. Revenue estimates are those adopted by the Revenue and Transportation Interim Committee. FY 2007 expenditures are a combination of legislative and executive staff estimates, and the 2009 biennium amounts are those included in the executive budget request.

Fund Balance					Percent
Deposits/Expenditures	FY 2006	FY 2007*	FY 2008*	FY 2009*	of Total
Beginning Fund Balance	\$14,836,318	\$36,987,741	\$43,807,029	\$35,202,281	
Revenue/Transfers In					
Tobacco Tax	\$38,089,726	\$38,075,000	\$37,403,000	\$36,902,000	
Expenditures					
Medicaid Provider Rates	\$8,265,643	\$8,043,543			
2007 Biennium Annualization			\$10,517,052	\$10,275,497	22.2%
2009 Biennium			5,260,284	5,772,683	12.5%
Big Sky Rx	931,071	4,861,324	8,750,000	8,750,000	18.9%
Insure Montana (Premium Assist.)	615,450	5,116,001	6,525,515	6,525,413	14.1%
Medicaid Service Expansion	282,620	3,706,547	4,368,065	4,392,684	9.5%
Health Insurance Tax Credits	1,763,349	3,976,330	4,350,276	4,350,286	9.4%
MHSP/HIFA Waiver	3,152,605	3,347,395	3,193,341	3,193,360	6.9%
CHIP	902,565	2,129,572	2,749,970	2,672,901	5.8%
Federal Medicaid Match Change	0	0	267,560	256,185	0.6%
Other	<u>25,000</u>	<u>75,000</u>	<u>25,685</u>	<u>25,766</u>	<u>0.1%</u>
Subtotal Expenditures	\$15,938,303	\$31,255,712	\$46,007,748	\$46,214,775	100.0%
Annual Increase		96.1%	47.2%	0.4%	
Ending Fund Balance	<u>\$36,987,741</u>	<u>\$43,807,029</u>	<u>\$35,202,281</u>	<u>\$25,889,506</u>	

\*Revenue based on estimates adopted by the Revenue and Transportation Interim Committee.  
FY 2007 expenditures are estimated by legislative staff. 2009 biennium expenditures are based executive budget request.

The 2005 Legislature took several actions to structure appropriations to ensure that the account had a \$25.0 million balance, or as close to that level as possible, prior to significant expenditures being made from the account in FY 2006. The goal was to create an account balance to sustain programs through FY 2011. It took some time for new programs to ramp up and CHIP enrollment was lower than expected, so the ending fund balance in FY 2006 was nearly \$37.0 million. Revenues are estimated to decline from \$38.1 million in the base year to \$36.9 million through FY 2009. However, expenditures rise substantially over the same time period.

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**Sustainability of Programs Funded From the Account**

The executive budget request is nearly triple base expenditures, rising to \$46.0 million compared to base expenditures of \$15.9 million. The FY 2009 request is \$9.3 million higher than annual revenue. The annual FY 2009 budget request could be funded through the end of FY 2011, assuming revenues continued to gradually decline and expenditures remained constant. The account would have an ending fund balance of about \$6.0 million under those assumptions at the end of FY 2011. In order to sustain programs funded from the account, the 2009 Legislature would face policy choices to reduce spending from the account, increase revenues in the account, or shift to another state funding source, which would most likely be the general fund.

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**Issues With Use of the Account - DPHHS**

Legislative staff has identified the following issues related to the account:

- Big Sky Rx expenditures are estimated to be below the executive budget request (as discussed previously)
- Some of the account funds supporting CHIP are not in compliance with statutory guidelines
- Use of account funds to pay the state match rate change of the present law caseload cost of initiatives from the 2005 session violates statute

The issues related to Big Sky Rx and CHIP are discussed in the Health Resources Division budget request. Using account funds to pay the 2009 biennium state Medicaid and CHIP match rate changes is discussed here because there are several requests in several divisions.

Use of account funds to pay state match change for rate increases and service expansions authorized by the 2005 Legislature appears to violate 53-6-1201(3)(c) and (5), MCA. The change in Medicaid match rates is part of the trended traditional level of funding Medicaid service changes. And while the service expansions were increases in the 2007 biennium, those changes are now considered part of present law, which does not meet the criteria of using account funds for increased services and provider rates.

If the legislature wishes to fund the Medicaid match rate change from account funds, it should amend the statute to allow that use. Otherwise, the legislature should replace the federal match rate changes with another source of state funds, most likely general fund, if it approves the executive request.

Issues relating to Insure Montana expenditures from this account are discussed in Volume 3, section 3, State Auditor.

**Funding**

The following table summarizes funding for the agency, by program and source, as recommended by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Executive Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	\$ 62,637,739	\$ 2,797,100	\$ 398,430,945	\$ 463,865,784	15.41%
03 Child & Family Services	67,590,997	4,786,237	60,944,856	133,322,090	4.43%
04 Director'S Office	5,946,516	628,491	43,543,033	50,118,040	1.67%
05 Child Support Enforcement	7,643,734	3,459,106	9,722,489	20,825,329	0.69%
06 Business & Financial Services Division	7,365,777	1,822,341	8,704,229	17,892,347	0.59%
07 Public Health & Safety Div.	5,353,816	27,769,460	85,138,884	118,262,160	3.93%
08 Quality Assurance Division	4,721,964	382,539	11,320,240	16,424,743	0.55%
09 Technology Services Division	15,011,023	1,434,499	21,867,437	38,312,959	1.27%
10 Disability Services Division	104,897,089	8,911,965	181,625,420	295,434,474	9.82%
11 Health Resources Division	262,594,243	82,115,408	786,199,649	1,130,909,300	37.57%
22 Senior & Long-Term Care	102,389,682	63,113,852	318,431,660	483,935,194	16.08%
33 Addictive & Mental Disorders	120,721,144	22,527,465	97,330,520	240,579,129	7.99%
<b>Grand Total</b>	<b>\$ 766,873,724</b>	<b>\$ 219,748,463</b>	<b>\$2,023,259,362</b>	<b>\$3,009,881,549</b>	<b>100.00%</b>

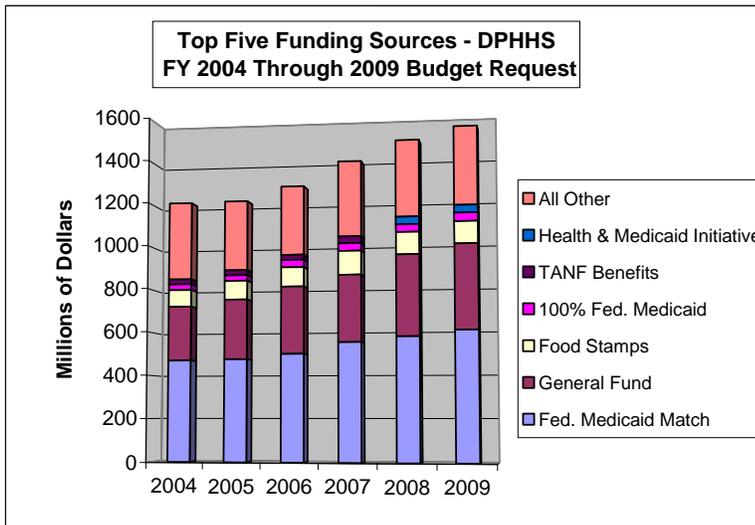
DPHHS is funded by over 190 distinct funding sources and more than half are federal sources. General fund supports one quarter of the 2009 biennium budget request, state special revenue provides 7.3 percent and federal funds are 67.2 percent of total funding. The DPHHS budget request accounts for 38.7 percent of the total executive budget HB 2 request and 24.0 percent of the total general fund request in HB 2.

Individually, the top six DPHHS division budgets exceed most state agency budgets.

Most state funding in the DPHHS budget is used as state matching funds or maintenance of effort (MOE) for programs funded partly with federal funds, including Medicaid, CHIP, some foster care, subsidized adoption and child care services, Temporary Assistance for Needy Families (TANF), and program administrative costs. Figure 6 shows an estimate of the state funds that would be used as state match or MOE. The total amount shown in Figure 6 would be the minimum amount of match because only significant federal programs were included in the chart. At a minimum, \$511.1 million general fund (66.7 of total agency general fund) and \$129.4 million of state special revenue (58.9 percent total agency state special revenue) is used to secure federal funding in the executive 2009 biennium budget request.

Figure 7 shows the top five funding sources for DPHHS from FY 2004 through the FY 2009 executive request. Together these five funding sources account for over 80.0 percent of the total funding for each year shown. Federal Medicaid matching funds average about 39.0 percent of total funding in each year, followed by general fund, which rises from 21.2 percent of total funds in FY 2006 to 25.5 percent in FY 2009. All of the other funding sources listed contribute less than 9.0 percent of total funds in any one year, including federal funds supporting food stamp benefits and federal Medicaid funds that are passed through to Indian Health Services and schools. In FY 2008, health and Medicaid initiative account funds broke into the top five funding sources, edging out the federal TANF block grant. The remaining funding sources that support DPHHS are discussed in greater detail in division budget narratives.

Figure 7



- Alcohol taxes allocated to support chemical dependency services – 0.3 percent

Other federal sources individually support less than one percent of DPHHS costs in FY 2009, and are discussed in division budget narrative.

Figure 6  
General Fund and State Special Revenue Used as Match or MOE to Receive Federal Funds

Activity	2009 Biennium	
	General Fund	SSR
Medicaid Services	\$412,167,245	\$109,949,188
CHIP	0	12,998,972
Foster Care	36,961,431	4,528,212
TANF MOE	21,730,842	269,596
Child Care	15,238,192	1,669,728
Direct Admin. Costs	25,445,752	0
<b>Total*</b>	<b>\$511,543,462</b>	<b>\$129,415,696</b>
Total Agency Request	\$766,873,724	\$219,748,463
Matching/MOE as a Percent of Total	66.7%	58.9%

\*The amount of general fund and state special revenue used as match or MOE is understated. The table includes only matching funds for major federal revenue sources and doesn't include cost allocated administrative costs that would also match federal funds.

Other sources of state special revenue that support in excess of 0.3 percent of FY 2009 costs are:

- Hospital and nursing home utilization fees – 1.5 percent
- Tobacco settlement funds and interest on the tobacco settlement trust fund – 1.1 percent
- Intergovernment county revenue transfers for Medicaid match – 0.4 percent
- Cigarette taxes that support the veterans' homes – 0.4 percent

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Summary of Issues Related to State Special Revenue Services

Legislative staff has identified issues related to some of these funding sources. Health and Medicaid initiatives account funding was discussed previously and an expanded discussion of tobacco settlement funds and interest on the trust fund follows. In summary, other issues that are discussed in greater detail in division budget narratives are:

- Cigarette tax revenues – the executive budget draws down balances and limits the transfer to the general fund below 2007 biennium levels
- Alcohol taxes – the executive budget appropriates more funds than are estimated to be available

*Use of Tobacco Settlement Proceeds*

Tobacco Settlement Revenues

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- Constitutional Amendment 35 requiring not less than 40.0 percent of tobacco settlement money to go to a permanent tobacco trust fund in November 2000
- Initiative 146 to allocate 32.0 percent of the total tobacco settlement funds to tobacco prevention/cessation programs and 17.0 percent to the CHIP and Montana Comprehensive Health Association (MCHA)

Money not appropriated within two years is transferred to the general fund. The remaining 11.0 percent of the MSA money is deposited to the general fund. The figure below shows the allocation of MSA payments to these state special revenue funds. Revenues, proposed expenditures, and fund balances for these revenue sources are outlined.

Figure 8 shows the executive proposal to spend approximately 75 percent of the revenues for the tobacco treatment and cessation funds and the CHIP/MCHA over the biennium. By statute any funds designated for the tobacco treatment and cessation funds or CHIP/MCHA that are not appropriated to these activities are deposited into the tobacco trust.

According to the statute, 32 percent of the total tobacco settlement money may only be used for tobacco prevention and cessation programs designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use. The executive proposes using \$761,900 of the tobacco treatment and cessation funds for comprehensive cancer control activities, ischemic stroke care, and diabetes prevention. According to the code commissioner, while these activities are provided for under Article 12, Section IV of the Montana constitution as uses of tobacco settlement funds, including the interest from the trust, they are not lawful according to the statute restricting the use of these funds. This issue is discussed further in Public Health and Safety Division, Chronic Disease Prevention and Health Promotion.

Fund Balances, Revenues, Expenditures	FY 2008	FY 2009
<b>32 Percent Tobacco Treatment and Cessation Funds</b>		
Beginning Fund Balance	\$2,482,487	\$5,221,600
Revenues	11,215,680	11,623,360
Expenditures	(8,476,567)	(8,477,419)
Ending Fund Balance	<u>\$5,221,600</u>	<u>\$8,367,541</u>
<b>17 Percent CHIP/CHA</b>		
Beginning Fund Balance	\$1,282,927	\$2,694,532
Revenues	5,958,330	6,174,910
Expenditures - CHIP	(3,722,552)	(3,853,519)
Expenditures - CHA	(824,173)	(925,614)

*Tobacco Trust Fund Interest*

The Montana Constitution stipulates interest earnings from the tobacco trust fund are to be distributed:

- 90.0 percent for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- 10.0 percent to the tobacco trust

Figure 9 presents information on the revenues, proposed expenditures, and fund balances for the tobacco trust fund interest over the 2009 biennium. As shown, the executive proposes allocating the funds to a number of programs within DPPHS including expanding the use of the interest for diabetes and CVH control, public home health visits, and children’s special health services. 11.0 percent of the interest is proposed for these uses in FY 2008 and 19.0 percent in FY 2009.

The executive proposes using the remaining interest to support Medicaid benefits and nursing home services.

**Federal Poverty Level**

Eligibility for many of the programs administered by DPHHS is related to family income as measured by the federal poverty index, also called the federal poverty level. Figure 10 shows the 2006 federal poverty level and various measurements related to it.

**Figure 9**  
Tobacco Settlement Interest

Revenue Expenditures	FY 2008	FY 2009
Beginning Fund Balance	\$4,196,391	\$4,541,546
Revenues	4,567,000	5,413,000
Expenditures - Hospital & Clinical Services Bureau	(484,406)	(484,406)
Expenditures - Acute Services Bureau	(2,154,378)	(2,154,378)
Expenditures - Children's Mental Health Services	(233,552)	(233,552)
Expenditures - Nursing Homes	(831,850)	(832,217)
Expenditures - Mental Health Medicaid Benefit	(27,659)	(27,659)
Expenditures - Diabetes & CVH Control		(500,000)
Expenditures - Public Home Health Visits/MIAMI	(200,000)	(200,000)
Expenditures - Children's Special Health Services	(290,000)	(290,000)
Ending Fund Balance	<u>\$4,541,546</u>	<u>\$5,232,334</u>

**Figure 10**  
2006 Federal Poverty Index  
Levels of Poverty by Family Size

Family Size	Percent of Federal Poverty Level					
	40%	100%	133%	150%	175%	200%
1	\$3,920	\$9,800	\$13,034	\$14,700	\$17,150	\$19,600
2	5,280	13,200	17,556	19,800	23,100	26,400
3	6,640	16,600	22,078	24,900	29,050	33,200
4	8,000	20,000	26,600	30,000	35,000	40,000
5	9,360	23,400	31,122	35,100	40,950	46,800
6	10,720	26,800	35,644	40,200	46,900	53,600
7	12,080	30,200	40,166	45,300	52,850	60,400
8	13,440	33,600	44,688	50,400	58,800	67,200
Each Additional Person	1,403	4,250	5,653	6,375	7,438	8,500

Figure 10 is intended to be a quick reference for readers to determine the income level associated with various program eligibility requirements. For instance, eligibility for CHIP is 150 percent of the federal poverty level. Medicaid eligibility depends on the age of a child and is different for parents in low-income families than their children. Generally, family income can be no greater than 40.0 percent of the federal poverty level for parents to be eligible for Medicaid. Income eligibility for pregnant women and children up to the age of 6 is 133 percent of the poverty index, while family income can be no greater than 100

percent of the federal poverty level for children 6 and older.

The federal poverty level is updated annually, usually in February or early March. Historically, the index has increased between two to five percent each year.

**Biennium Budget Comparison**

The following table compares the executive budget request in the 2009 biennium with the 2007 biennium by type of expenditure and source of funding. The 2007 biennium consists of actual FY 2006 expenditures and FY 2007 appropriations.

Biennium Budget Comparison Budget Item	Present Law	New Proposals	Total Exec. Budget	Present Law	New Proposals	Total Exec. Budget	Total Biennium	Total Exec. Budget
	Fiscal 2008	Fiscal 2008	Fiscal 2008	Fiscal 2009	Fiscal 2009	Fiscal 2009	Fiscal 06-07	Fiscal 08-09
FTE	2,819.02	56.30	2,875.32	2,819.02	102.99	2,922.01	2,780.42	2,922.01
Personal Services	140,527,824	2,518,606	143,046,430	141,392,607	5,229,615	146,622,222	256,384,439	289,668,652
Operating Expenses	90,735,962	5,495,541	96,231,503	91,294,499	4,397,661	95,692,160	184,053,251	191,923,663
Equipment	535,699	215,000	750,699	535,699	145,000	680,699	914,053	1,431,398
Capital Outlay	53,007	450,000	503,007	53,007	0	53,007	53,007	556,014
Grants	60,561,170	7,357,012	67,918,182	60,561,170	7,092,783	67,653,953	118,207,217	135,572,135
Benefits & Claims	1,113,222,817	54,310,296	1,167,533,113	1,167,212,243	54,726,443	1,221,938,686	2,098,953,977	2,389,471,799
Transfers	0	0	0	0	0	0	0	0
Debt Service	594,459	2,700	597,159	594,729	66,000	660,729	1,190,235	1,257,888
<b>Total Costs</b>	<b>\$1,406,230,938</b>	<b>\$70,349,155</b>	<b>\$1,476,580,093</b>	<b>\$1,461,643,954</b>	<b>\$71,657,502</b>	<b>\$1,533,301,456</b>	<b>\$2,659,756,179</b>	<b>\$3,009,881,549</b>
General Fund	354,410,902	20,780,851	375,191,753	369,088,220	22,593,751	391,681,971	618,684,824	766,873,724
State/Other Special	96,267,593	13,143,565	109,411,158	97,035,674	13,301,631	110,337,305	170,799,080	219,748,463
Federal Special	955,552,443	36,424,739	991,977,182	995,520,060	35,762,120	1,031,282,180	1,870,272,275	2,023,259,362
<b>Total Funds</b>	<b>\$1,406,230,938</b>	<b>\$70,349,155</b>	<b>\$1,476,580,093</b>	<b>\$1,461,643,954</b>	<b>\$71,657,502</b>	<b>\$1,533,301,456</b>	<b>\$2,659,756,179</b>	<b>\$3,009,881,549</b>

The DPHHS 2009 biennium budget request is about \$350.1 million higher than the 2007 biennium. General fund grows \$148.2 million, state special revenue rises \$48.9 million, and federal funds increase \$153.0 million.

Almost all of the growth (83.0 percent) is in benefits and services for individuals, with the majority of increase attributable to Medicaid services, as noted previously. FTE increase 141.59 between the biennia, and along with annualization of pay plan increases, upgrades and reclassifications, as well as fully funding all positions, personal services costs grow \$33.3 million.

The changes from base year expenditures discussed previously are the same reasons that 2009 biennium costs are higher than 2007 biennium costs. However, the magnitude of the difference will be lower in a biennium to biennium comparison than a 2009 biennium comparison to base year costs. The biennium to biennium cost comparison is lower because the incremental growth in benefits costs in the second year of the biennium partially offsets the annual increases in the base to biennium comparison.

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	-----Fiscal 2008-----					-----Fiscal 2009-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10009 - Montana Youth Leadership Forum (MYLF)	10	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 10010 - DD Wait List Reduction	10	0.00	1,664,117	0	2,990,846	4,654,963	0.00	2,347,665	0	4,440,079	6,787,744
DP 10011 - DD Rate Rebasng	10	0.00	1,582,172	1,717,826	4,869,677	8,169,675	0.00	1,814,413	2,185,587	5,840,515	9,840,515
DP 10016 - DD Crisis Funding - Restores OTO	10	0.00	120,000	0	0	120,000	0.00	120,000	0	0	120,000
DP 10018 - MTAP new technologies (BIEN)	10	0.00	0	1,065,000	0	1,065,000	0.00	0	0	0	0
DP 10021 - Developmental Disabilities Program - Fed Authority	10	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 10026 - VR Transition Counselor	10	1.00	55,283	0	0	55,283	1.00	51,884	0	0	51,884
DP 10501 - Provider Rate Increases	10	0.00	267,093	0	0	267,093	0.00	267,093	0	0	267,093
DP 11011 - Dental Access	11	0.00	400,000	555,000	2,087,370	3,042,370	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee (Requires Legislation)	11	0.00	0	1,506,249	973,284	2,479,533	0.00	0	1,926,174	1,759,231	3,685,405
DP 11013 - CHIP Self Administration	11	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
DP 11038 - Family Planning Waiver Implementation - OTO	11	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,338
DP 11501 - Provider Rate Increases	11	0.00	0	1,641,338	3,587,518	5,228,856	0.00	0	1,646,566	3,582,290	5,228,856
DP 11901 - System of Care Sustainability	11	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 20001 - Energy Assist/Conservation (BIEN/OTO) (Requires Legislation)	02	0.00	0	0	1,600,000	1,600,000	0.00	0	0	0	0
DP 20002 - Tri-state housing grant for people with AIDS (Bien)	02	0.00	0	0	966,000	966,000	0.00	0	0	0	0
DP 20004 - Homeless Management Information Syst (HMIS) grant	02	0.00	0	0	66,980	66,980	0.00	0	0	66,980	66,980
DP 20006 - Childcare for Working Caretaker Relative	02	0.00	0	0	683,784	683,784	0.00	0	0	683,784	683,784
DP 20011 - Ombudsman Funding-Warm Hearts/Homes - OTO	02	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 20020 - TANF Cash Benefit Increase	02	0.00	0	0	2,228,983	2,228,983	0.00	0	0	2,228,983	2,228,983
DP 20022 - Individual Development Account (IDA) Biennial Appr	02	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 20023 - Restructuring Blackfeet Tribal Plan	02	0.00	0	0	1,135,170	1,135,170	0.00	0	0	1,135,170	1,135,170
DP 20907 - Child Care Funding Swap for PSF	02	0.00	(99,983)	99,983	0	0	0.00	(104,543)	104,543	0	0
DP 20908 - Low Income Energy Assist. Prgm OTO	02	0.00	2,000,000	0	0	2,000,000	0.00	0	0	0	0
DP 22101 - EMVH Resident Bus Replacement - OTO											

**PUBLIC HEALTH & HUMAN SERVICES**

**SUMMARY**

New Proposals											
Program	FTE	-----Fiscal 2008-----				-----Fiscal 2009-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
22	0.00	0	40,000	0	40,000	0.00	0	0	0	0	
DP 22103 - MVH Facility Upgrades- OTO	22	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22104 - MVH Recruitment and Retention Contingency	22	0.00	0	0	0	0.00	0	183,000	0	183,000	
DP 22105 - MVH Special Care Unit Staff	22	5.20	0	137,862	0	137,862	5.20	0	138,421	0	138,421
DP 22106 - MVH Pharmacy Clerk	22	0.60	0	22,539	0	22,539	0.60	0	22,685	0	22,685
DP 22107 - EMVH Fire Alarm System - OTO	22	0.00	0	15,000	0	15,000	0.00	0	0	0	0
DP 22108 - Additional Aging Ombudsman Position	22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22109 - Elderly Meal Programs	22	0.00	692,000	0	0	692,000	0.00	692,000	0	0	692,000
DP 22110 - Continue Aging In-Home Caregiver Program	22	0.00	600,000	0	0	600,000	0.00	0	0	0	0
DP 22112 - Additional SHIP FTE for Aging Services	22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22119 - Waiver Expansion	22	0.00	838,161	0	1,810,894	2,649,055	0.00	850,347	0	1,798,708	2,649,055
DP 22127 - SLTC Alzheimer Grant Continuation	22	1.00	0	0	290,000	290,000	0.00	0	0	0	0
DP 22239 - Adult Protective Services Field Staff	22	1.50	0	74,698	0	74,698	1.50	0	73,084	0	73,084
DP 22501 - Provider Rate Increases	22	0.00	179,013	1,573,431	3,439,091	5,191,535	0.00	179,013	1,578,443	3,434,083	5,191,539
DP 22904 - Personal Needs Increase	22	0.00	0	128,071	0	128,071	0.00	0	128,438	0	128,438
DP 30003 - Federal Law Change - TCM	03	0.00	1,800,000	0	(1,800,000)	0	0.00	1,800,000	0	(1,800,000)	0
DP 30008 - Federal Law change regarding kin care providers	03	0.00	86,000	0	(86,000)	0	0.00	86,000	0	(86,000)	0
DP 30010 - Additional Field Staff	03	15.00	447,161	0	298,107	745,268	20.00	588,433	0	392,288	980,721
DP 30014 - Expansion of SSI Program	03	2.00	(202,260)	266,787	23,589	88,116	2.00	(202,194)	266,787	23,613	88,206
DP 30015 - Convert Modified In-home FTE to permanent	03	2.00	(27,601)	0	30,286	2,685	2.00	(27,601)	0	30,362	2,761
DP 30501 - Provider Rate Increases	03	0.00	385,623	0	189,933	575,556	0.00	385,623	0	189,933	575,556
DP 30903 - Therapeutic group Homes/Family Foster Care	03	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 33104 - Behavioral Health Program Facilitator	33	1.00	0	79,484	0	79,484	1.00	0	79,574	0	79,574
DP 33203 - Meth & CD Regional Services Expansion	33	1.00	2,000,000	0	0	2,000,000	1.00	2,000,000	0	0	2,000,000
DP 33204 - Methamphetamine Prevention - OTO	33	0.00	0	0	0	0	0.00	1,000,000	0	0	1,000,000
DP 33206 - Strategic Prevention Framework Incentive Grant	33	2.00	0	0	2,332,000	2,332,000	2.00	0	0	2,332,000	2,332,000
DP 33304 - MCDC Staff (Modified and Other)	33	6.00	0	340,906	0	340,906	6.00	0	344,518	0	344,518
DP 33407 - Fund 72 hr Community Crisis Support	33	0.00	1,861,245	0	171,525	2,032,770	0.00	1,860,334	0	172,436	2,032,770
DP 33410 - Mental Health Community Services Development	33	5.00	585,226	0	0	585,226	5.00	535,165	0	0	535,165
DP 33413 - Federal Data Infrastructure Grant	33	1.00	0	0	142,200	142,200	1.00	0	0	142,200	142,200
DP 33506 - Secure Treatment & Examination Program (STEP) (Requires Legislation)	33	0.00	832,316	0	0	832,316	41.69	3,380,803	(352,063)	0	3,028,740
DP 33701 - Provider Rate Increases	33	0.00	281,480	327,689	716,240	1,325,409	0.00	282,251	362,087	788,098	1,432,436
DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO)	04	0.00	200,000	0	600,000	800,000	0.00	0	0	0	0
DP 40010 - Agency Telecommunications	04	0.00	(50,000)	0	(50,000)	(100,000)	0.00	(50,000)	0	(50,000)	(100,000)
DP 50001 - Child Support Enforcement General Fund	05	0.00	99,718	(99,718)	0	0	0.00	102,782	(102,782)	0	0
DP 50002 - Child Support Deficit Reduction Act	05	0.00	1,620,765	0	(1,620,765)	0	0.00	2,154,589	0	(2,154,589)	0
DP 50005 - CSED - Replacement of DRA Fee	05	0.00	187,025	0	0	187,025	0.00	187,025	0	0	187,025

**PUBLIC HEALTH & HUMAN SERVICES**

**SUMMARY**

New Proposals	-----Fiscal 2008-----					-----Fiscal 2009-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70002 - Ongoing Lab Equipment Replace & Maintenance OTO											
07	0.00	145,000	0	0	145,000	0.00	145,000	0	0	145,000	
DP 70003 - WIC IT System Maintenance (BIEN - OTO)											
07	0.00	290,000	0	0	290,000	0.00	0	0	0	0	
DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation)											
07	0.00	0	290,000	0	290,000	0.00	0	290,000	0	290,000	
DP 70007 - HIV Treatment Funding Request											
07	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000	
DP 70013 - Food Emergency Response Network Grant											
07	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000	
DP 70014 - Youth Suicide Prevention Program											
07	0.00	0	0	400,000	400,000	0.00	0	0	400,000	400,000	
DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation)											
07	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000	
DP 70017 - FTE Request for MT Breast & Cervical Health Prg											
07	1.00	0	0	59,080	59,080	1.00	0	0	59,392	59,392	
DP 70103 - Tobacco Trust Fund Sup for Pblc Hlth Home Visits											
07	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000	
DP 70105 - Rural Public Health Development Project											
07	0.00	75,000	0	0	75,000	0.00	0	0	0	0	
DP 70106 - Tobacco Prevention Activities											
07	2.00	0	1,370,000	0	1,370,000	2.00	0	1,370,000	0	1,370,000	
DP 70107 - Purchase of Tamiflu - Biennial OTO											
07	0.00	118,000	0	0	118,000	0.00	0	0	0	0	
DP 70108 - Diabetes & Heart Disease Prevention											
07	1.00	0	330,000	0	330,000	2.00	0	830,000	0	830,000	
<b>Total</b>	<b>56.30</b>	<b>\$20,780,851</b>	<b>\$13,143,565</b>	<b>\$36,424,739</b>	<b>\$70,349,155</b>	<b>102.99</b>	<b>\$22,593,751</b>	<b>\$13,301,631</b>	<b>\$35,762,120</b>	<b>\$71,657,502</b>	