

Program Legislative Budget

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

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	109.95	1.00	6.75	117.70	1.00	8.50	119.45	119.45
Personal Services	5,249,065	689,612	517,514	6,456,191	713,993	867,806	6,830,864	13,287,055
Operating Expenses	1,529,230	177,517	55,117	1,761,864	189,133	50,511	1,768,874	3,530,738
Equipment	7,645	0	0	7,645	0	0	7,645	15,290
Grants	539,697	0	0	539,697	0	0	539,697	1,079,394
Total Costs	\$7,325,637	\$867,129	\$572,631	\$8,765,397	\$903,126	\$918,317	\$9,147,080	\$17,912,477
General Fund	1,980,699	373,236	184,548	2,538,483	386,869	321,892	2,689,460	5,227,943
State/Other Special	134,137	56,877	37,464	228,478	57,388	40,238	231,763	460,241
Federal Special	5,210,801	437,016	350,619	5,998,436	458,869	556,187	6,225,857	12,224,293
Total Funds	\$7,325,637	\$867,129	\$572,631	\$8,765,397	\$903,126	\$918,317	\$9,147,080	\$17,912,477

Program Description

The role of the Quality Assurance Division (QAD) is to protect the safety and well-being of Montanans by monitoring and ensuring the integrity and cost-effectiveness of programs administered by the department. The division fulfills this role by providing comprehensive services that:

1. Protect the safety of clients that utilize Montana's health care, day care, and residential providers through licensure of 2,178 facilities. Of these facilities, 296 are certified by the division for participation in the Medicare and Medicaid programs;
2. Detect and investigate abusive or fraudulent practices affecting the Medicaid, TANF and Food Stamp programs, and initiate recovery efforts;
3. Reduce Medicaid costs by identifying other insurers or parties responsible for paying a client's medical expenses;
4. Provide both internal and external independent audits for DPHHS programs;
5. Provide independent fair hearings for clients and providers participating in DPHHS programs;
6. Monitor and evaluate health maintenance organizations for quality assurance and network adequacy;
7. Maintain a Certified Nurse Aide Registry;
8. Approve and monitor nurse aide training programs;
9. Operate the Certificate of Need (CON) Program; and
10. Operate the internal HIPAA function for the department.

The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Livingston, Miles city, and Missoula.

Statutory authority: 42 U.S.C. 1818 and 42 U.S.C 1919; 45 U.S.C.; Title 50, Chapter 5, parts 1 and 2; Title 50, Chapter 5, part 11; Title 52, Chapter 2, part 7; and Title 53, Chapter 2, section 501, MCA; CFR 21, CFR 49, CFR 10; P.L. 102-359 (10-27-92).

Program Highlights

Quality Assurance Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ Present law increases are dominated by statewide adjustments ◆ 8.50 FTE and \$708,000 total funds were added to address the Medicaid Payment Error Program (PERM) ◆ Increased estate and lien recovery costs add about \$365,000 over the biennium ◆ The legislature approved a funding shift from federal funds to general fund due to a change in reimbursements

Program Narrative

In the 2009 biennium, the legislature approved about \$0.7 million to implement the new Medicaid Payment Error Program, including funds for 6.75 FTE in FY 2008 and 8.50 FTE in FY 2009, to perform retrospective reviews of Medicaid eligibility and medical necessity of services.

In 2002, Congress passed the Improper Payments Information Act. During the 2005 Legislature, Centers for Medicare and Medicaid Services (CMS) indicated it would implement PERM by requiring each state to estimate improper payments in Medicaid and the Children's Health Insurance Program (CHIP). Additional funding was appropriated by the legislature so QAD would be able to annually review a sample of Medicaid and CHIP payments, focusing on eligibility and medical necessity for services, determining the error rate, and recovery of improper payments.

Due to nationwide concerns with the requirements of testing for errors at the state level, CMS changed the methodology for PERM. CMS hired three national contractors to conduct PERM testing and developed a testing schedule whereby each state has a test conducted within a three year period beginning in FFY 2006. Montana's testing will be conducted in FFY 2008. According to the second PERM Interim Final Rule, filed by CMS in August 2006, the production cycle for completing these reviews will take approximately 23 months so that the review would begin in October 1, 2007 and would be completed by August 30, 2009, the next review for Montana would begin October 1, 2010.

The legislature approved utilizing the PERM staff to conduct focus reviews of eligibility for high cost complex cases during the time periods when PERM reviews are not being conducted. It is approximately 13 months every 3 years PERM testing is not conducted.

In FY 2006, the division cancelled the contract for a third party to pursue lien and estate recoveries and completes the recoveries in-house with current resources. The division is in the process of resolving 76 outstanding cases. Costs related to the outstanding cases are higher than the majority of the lien and estate cases due to increased legal costs associated with the probate process. The resolution period extends into the 2009 biennium due to the process and the time required to sell the property. Once the backlog is resolved, a reduced number of cases may require settlement through the probate courts.

The legislature appropriated \$183,080 in state special revenues and \$183,080 in federal special revenues as one-time-only to address the backlog.

Biennial Comparison

The Quality Assurance Division 2009 biennium budget is \$2.3 million higher in total funds than the 2007 biennium expenditure budget. The 2009 biennium budget includes \$0.7 million for PERM testing which was included in the 2007 biennium request as a restricted one-time-only appropriation. QAD FTE numbers increase for PERM, up to 8.50 FTE in FY 2009.

Figure 31
2007 Biennium Compared to 2009 Biennium
Quality Assurance Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	109.95	119.45			
Personal Services	11,057,149	13,287,055	74%	2,229,906	20.17%
Operating Expenses	3,417,509	3,530,738	20%	113,229	3.31%
Equipment	16,404	15,290	0%	(1,114)	-6.79%
Grants	<u>1,151,809</u>	<u>1,079,394</u>	6%	<u>(72,415)</u>	<u>-6.29%</u>
Total Costs	<u>\$15,642,871</u>	<u>\$17,912,477</u>	100%	<u>\$2,269,606</u>	<u>14.51%</u>
General Fund	4,170,327	5,227,943	29%	1,057,616	25.36%
State Special	410,406	460,241	3%	49,835	12.14%
Federal Special	<u>11,062,138</u>	<u>12,224,293</u>	68%	<u>1,162,155</u>	<u>10.51%</u>
Total Funds	<u>\$15,642,871</u>	<u>\$17,912,477</u>	100%	<u>\$2,269,606</u>	<u>14.51%</u>

Personal services increase approximately \$2.2 million as compared to the 2007 biennium or 20 percent over the period. \$770,000 of the increase is due to the pay plan increases in HB 13 of the 2007 regular session. \$1.3 million is due to statewide present law adjustments and the remaining increases are due to new FTE. Operating expenses increased only slightly due to:

- \$569,697 annually in Rural Hospital Flexibility Program costs reclassified to grants
- About \$300,000 for the contract for lien and estate recoveries eliminated and the workload transferred to existing FTE. The FY 2006 costs for the lien and estate recovery program was \$27,032.

General fund increases 25 percent due to PERM, the costs of the pay plan, and a funding shift relating to federal reimbursement declining from 75 percent to 50 percent for the Third Party Liability (TPL) Section. Federal funds increase by 10.5 percent over the period due to PERM, the pay plan, and lien and estate recoveries. State special revenues increase 12 percent from the budgeted amounts reflected in the 2007 biennium due to lien and estate recoveries.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table							
Quality Assurance Divisi							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
01000 Total General Fund	\$ 1,980,699	27.0%	\$ 2,538,483	29.0%	\$ 2,689,460	29.4%	
01100 General Fund	1,980,699	27.0%	2,538,483	29.0%	2,689,460	29.4%	
02000 Total State Special Funds	134,137	1.8%	228,478	2.6%	231,763	2.5%	
02034 Earmarked Alcohol Funds	60,178	0.8%	62,411	0.7%	65,106	0.7%	
02380 02 Indirect Activity Prog 08	35,367	0.5%	35,000	0.4%	35,000	0.4%	
02497 6901-Lien & Estate - Sltcd	27,032	0.4%	118,572	1.4%	118,572	1.3%	
02566 Medical Marijuana	11,560	0.2%	12,495	0.1%	13,085	0.1%	
03000 Total Federal Special Funds	5,210,801	71.1%	5,998,436	68.4%	6,225,857	68.1%	
03096 Discretionary Child Care	533,840	7.3%	543,860	6.2%	544,813	6.0%	
03251 Child Care Admin	144,981	2.0%	146,817	1.7%	147,005	1.6%	
03303 Title 18 Clia	71,285	1.0%	75,711	0.9%	78,868	0.9%	
03335 Fda Mammography Inspections	49,420	0.7%	49,420	0.6%	49,420	0.5%	
03426 Chip Program Fed	-	-	127,337	1.5%	156,884	1.7%	
03530 6901-Foster Care 93.658	87,985	1.2%	91,313	1.0%	95,959	1.0%	
03580 6901-93.778 - Med Adm 50%	719,827	9.8%	966,651	11.0%	1,006,623	11.0%	
03597 03 Indirect Activity Prog 08	1,208,114	16.5%	1,346,090	15.4%	1,413,833	15.5%	
03934 Title 19	540,208	7.4%	679,830	7.8%	707,360	7.7%	
03935 Title 18	1,279,369	17.5%	1,388,748	15.8%	1,440,647	15.7%	
03948 T-19 Obra Nurse Aid	30,680	0.4%	38,280	0.4%	39,846	0.4%	
03960 Rural Hospital Flexibilty Prog	545,092	7.4%	544,379	6.2%	544,599	6.0%	
Grand Total	\$ 7,325,637	100.0%	\$ 8,765,397	100.0%	\$ 9,147,080	100.0%	

The Quality Assurance Division is funded primarily with federal funds (68 percent of the 2009 biennium appropriations). General fund supports about 29 percent of program costs with the remaining 2 percent of budgeted expenditures supported by state special revenue.

General fund supports a portion of the administrative functions, the state match for Medicaid and Title IV-E (foster care) eligible costs, a portion of child care licensure, and the full cost of certificate of need, health facility licensure, mental health facility licensure, and radiological equipment testing.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, medical marijuana registry fees, and indirect cost recovery funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for services to pursue recoveries for the costs of Medicaid, mainly for nursing home services. Medical marijuana registry fees cover the cost of administering the registry.

There are 12 separate federal funding sources in the Quality Assurance Division budget. Some federal sources support more than one function. For instance, Medicaid funds support: 1) third party (Medicare, insurance, and private pay) recovery; 2) the surveillance, utilization, and review unit; 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud surveillance contract. Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities. Mammography funds pay for inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "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 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					900,131					925,491
Vacancy Savings					(245,971)					(246,982)
Inflation/Deflation					22,252					23,459
Fixed Costs					(20,471)					(19,863)
Total Statewide Present Law Adjustments					\$655,941					\$682,105
DP 6015 - State Motor Pool Rate Change	0.00	(227)	0	(1,355)	(1,582)	0.00	(234)	0	(1,398)	(1,632)
DP 80002 - QAD Rent Increase	0.00	12,330	222	21,534	34,086	0.00	15,472	318	28,179	43,969
DP 80007 - Leased Vehicles (2) For Field Staff	0.00	(2,984)	0	(1,412)	(4,396)	0.00	(2,984)	0	(1,412)	(4,396)
DP 80008 - Additional Lien and Estate Recovery Costs	0.00	0	91,540	91,540	183,080	0.00	0	91,540	91,540	183,080
DP 80009 - Child Care Licensing Increase 1 FTE	1.00	0	0	0	0	1.00	0	0	0	0
DP 80010 - TPL Funding Adjustment	0.00	58,231	0	(58,231)	0	0.00	58,340	0	(58,340)	0
Total Other Present Law Adjustments	1.00	\$67,350	\$91,762	\$52,076	\$211,188	1.00	\$70,594	\$91,858	\$58,569	\$221,021
Grand Total All Present Law Adjustments					\$867,129					\$903,126

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 80002 - QAD Rent Increase - The legislature provided funding to support division rent increases. Rent for the division is increasing between 2-3 percent per year. In addition, department staff will be moving into a new building in Kalispell in FY 2008 which has an increase in the rental prices associated with it.

DP 80007 - Leased Vehicles (2) For Field Staff - The legislature included a reduction each year of the biennium to lease two motor pool cars. The reductions reflect the cost savings to the division from leasing motor pool cars rather than reimbursing employees for the costs of driving their own cars.

DP 80008 - Additional Lien and Estate Recovery Costs - The legislature included a one-time-only appropriation of \$183,080 in state special revenue funds in each year of the FY 2009 biennium for additional lien and estate recovery costs. The division estimates that as a result of recovery efforts lien and estate state special revenue (SSR) collections will increase \$253,840 in FY 2008 and \$258,800 in FY 2009.

DP 80009 - Child Care Licensing Increase 1 FTE - The legislature converted 1.00 modified FTE to a permanent position for each year of the biennium to provide administrative and technical support for the Child Care Licensing Program. Federal funding for this position has been on-going for several years.

DP 80010 - TPL Funding Adjustment - The legislature approved a funding switch for the TPL Unit to align the funding with federal requirements. It was originally funded at 25 percent general fund and 75 percent federal funds. It is now a 50 percent general fund program.

New Proposals

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 6013 - 2009 Biennium Pay Plan - HB 13											
08	0.00	101,507	2,398	139,961	243,866	0.00	217,181	5,168	303,108	525,457	
DP 6014 - Retirement Employer Contributions - HB 131											
08	0.00	2,746	66	3,795	6,607	0.00	2,906	70	3,923	6,899	
DP 80011 - Payment Error Rate Measurement											
08	6.75	115,295	0	206,863	322,158	8.50	136,805	0	249,156	385,961	
DP 80012 - Funding Error Correction											
08	0.00	(35,000)	35,000	0	0	0.00	(35,000)	35,000	0	0	
Total	6.75	\$184,548	\$37,464	\$350,619	\$572,631	8.50	\$321,892	\$40,238	\$556,187	\$918,317	

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program’s allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 80011 - Payment Error Rate Measurement - The legislature provided FTE and funding to implement the Centers for Medicare and Medicaid Services Payment Error Rate Measurement (PERM) program in Montana. PERM is a new federal requirement for Medicaid and CHIP. States are reviewed every 3 years and Montana is to be reviewed beginning in FY 2008.

DP 80012 - Funding Error Correction - The legislature included a reduction of \$35,000 in general fund each year and a corresponding increase of state special revenue to correct a funding error inadvertently included in the executive budget.

Language

The legislature included the following language in HB 2:

"Included in Division Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee on December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200."

The language was struck by the Governor when he signed HB 2.