

Agency Legislative Budget

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

Agency 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	2,780.42	38.60	67.55	2,886.57	38.60	74.30	2,893.32	2,893.32
Personal Services	126,592,810	13,935,014	8,499,300	149,027,124	14,799,797	15,031,560	156,424,167	305,451,291
Operating Expenses	85,127,745	5,274,084	6,946,040	97,347,869	5,364,419	4,036,340	94,528,504	191,876,373
Equipment	501,698	34,001	185,000	720,699	34,001	145,000	680,699	1,401,398
Capital Outlay	53,007	0	0	53,007	0	0	53,007	106,014
Grants	58,784,995	1,776,175	10,821,145	71,382,315	1,776,175	10,567,543	71,128,713	142,511,028
Benefits & Claims	982,705,001	121,615,268	95,257,665	1,199,577,934	158,824,870	128,695,551	1,270,225,422	2,469,803,356
Transfers	0	0	0	0	0	0	0	0
Debt Service	591,429	3,030	2,700	597,159	3,300	0	594,729	1,191,888
Total Costs	\$1,254,356,685	\$142,637,572	\$121,711,850	\$1,518,706,107	\$180,802,562	\$158,475,994	\$1,593,635,241	\$3,112,341,348
General Fund	307,876,614	41,115,409	31,880,327	380,872,350	56,667,042	41,779,196	406,322,852	787,195,202
State/Other Special	74,251,264	27,719,214	27,250,333	129,220,811	12,267,968	32,177,787	118,697,019	247,917,830
Federal Special	872,228,807	73,802,949	62,581,190	1,008,612,946	111,867,552	84,519,011	1,068,615,370	2,077,228,316
Total Funds	\$1,254,356,685	\$142,637,572	\$121,711,850	\$1,518,706,107	\$180,802,562	\$158,475,994	\$1,593,635,241	\$3,112,341,348

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

Department of Public Health and Human Services Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The 2009 biennium appropriation for DPHHS is \$441.6 million total funds, including \$157.5 million general fund, higher than the 2007 biennium, which represents a 16.5 percent increase <ul style="list-style-type: none"> ● Most of the biennial increase is in services costs - \$364.3 million or 82.5 percent ◆ The 2009 biennial budget is \$603.6 million more than the FY 2006 base budget doubled, including \$171.4 million general fund and \$99.4 million state special revenue <ul style="list-style-type: none"> ● The cost to maintain present law services, particularly benefits and services for individuals, is about three quarters of the total increase at \$323.1 million ● Changes in Medicaid services account for about \$300 million or 51.1 percent of the total DPHHS biennial increase 	

- ◆ Major Medicaid general fund increases over the biennium include:
 - Present law caseload - \$41.9 million
 - Federal match rate reductions - \$25.6 million
 - New proposals to expand services \$7.2 million
 - NonMedicaid Provider rate and direct care worker wage increases - \$6.1 million general fund
 - State institution general fund increases include:
 - 36.60 new FTE, inflation in operating costs, and fully funding personal services for the state hospital - \$8.7 million general fund
 - Operating cost inflation and personal services adjustments to fully fund positions and annualize the 2007 biennium pay plan for other state institutions - \$2.5 million general fund
 - Foster care and subsidized adoption caseload - \$5.1 million general fund
- ◆ Major changes in state special revenue funds over the biennium are:
 - Medicaid changes, largely funded from the health and Medicaid initiatives account
 - Annualization of 2007 biennium provider rate increases and service expansions – \$17.2 million
 - 2009 biennium provider rate increases - \$9.3 million
 - 2009 biennium direct care worker wage increases - \$8.4 million
 - 2009 biennium service expansions, including raising Medicaid eligibility for infants and pregnant women - \$7.4 million
 - Tobacco prevention and cessation program expansions, including chronic disease programs - \$8.9 million
 - Big Sky Rx (prescription drug premium assistance for low-income Medicare eligible persons) - \$9.9 million
 - Children’s Health Insurance Program (CHIP) - \$5.8 million to support state administration of the program, increase enrollment from 12,019 to 13,900, and raise financial eligibility
- ◆ Major changes in federal funds are due to:
 - Medicaid caseload, provider rate increases, annualization of 2007 biennium expansions and 2009 biennium expansions - \$261.4 million
 - Food stamp benefits - \$32.6 million
 - CHIP - \$20.2 million to support state administration and enrollment increases and raise financial eligibility to 175 percent of the federal poverty

Summary of Legislative Action

The 2009 biennium appropriation for the Department of Public Health and Human Services (DPHHS) grows \$603.6 million total funds compared to the base budget doubled. Most of the growth is in federal funds, primarily Medicaid matching funds, which are \$233.2 million or 38.6 percent of the total change. General fund grows \$171.4 million and comprises 28.4 percent of the total change. State special revenue rises \$99.4 million and accounts for 16.5 percent of the total.

Benefits and claims for individuals are \$2.5 billion of the 2009 biennium appropriation, slightly more than 80 percent of the total, and when combined with grant appropriations, the two comprise 83.9 percent of the total biennial appropriation. Benefits and claims also account for the biggest share of the biennial appropriation increase, rising \$504.4 million or 83.6 percent of the total change. Personal services costs rise \$52.3 million (8.7 percent of the total) due in large part to costs of staffing the seven state institutions managed by DPHHS and funding for 48.40 new institutional FTE. Costs for the 2009

biennium pay plan are \$17.1 million of the personal services increase.

Medicaid services comprise over half of the total DPHHS 2009 biennial appropriation. Together Medicaid services and several other significant service programs (food stamps, foster care and subsidized adoption, Children's Health Insurance Program (CHIP), energy and commodity assistance, and child care) comprise over 81.0 percent of the total 2009 biennium appropriation.

Medicaid Services

Taken altogether, Medicaid services are the single most significant component of the DPHHS budget. Figure 1 shows the 2009 biennium appropriation for Medicaid services, which is \$1.8 billion or 57.9 percent of the total biennial appropriation.

Figure 1
2009 Biennium Medicaid Appropriations by Type of Change

Component of Medicaid Appropriation	General Fund	SSR	Federal	Total	Percent of Total
FY 2006 Base Budget (Doubled)	\$335,434,425	\$73,332,870	\$1,060,706,165	\$1,469,473,460	81.5%
Caseload, Service Utilization, Inflation	42,107,006	3,255,164	72,091,226	117,453,396	6.5%
Rate Increases*	6,146,790	24,576,836	59,192,199	89,915,825	5.0%
Annualization - 2007 Biennium Expansions	(569,785)	16,278,301	63,037,797	78,746,313	4.4%
Service Expansions	6,362,724	4,158,063	30,661,392	41,182,179	2.3%
Other Expansions	3,604,172	256,509	2,332,265	6,192,946	0.3%
Federal Match Rate Reductions	26,064,910	51,122	(26,116,032)	0	0.0%
Efficiencies and Reductions	(157,200)	0	(342,800)	(500,000)	0.0%
Subtotal Biennial Increases	\$83,558,617	\$48,575,995	\$200,856,048	\$332,990,659	100.0%
Percent Increase Over Base Year Doubled	24.9%	66.2%	18.9%	22.7%	
Total 2009 Biennium Appropriation	\$418,993,042	\$121,908,865	\$1,261,562,213	\$1,802,464,119	

*Rate increases include the hospital utilization fee and federal matching funds as well as direct care worker wage increase.

The appropriation is \$333.0 million greater than the Medicaid base budget doubled. Most of the increase - \$117.5 million – funds growth in service utilization. 2009 biennium rate increases, including additional funds from the hospital utilization fee, add \$89.9 million. Annualization of 2007 biennium expansions, including provider and direct care worker wage increases, adds \$78.7 million. Service and eligibility expansions authorized by the 2007 Legislature add \$41.2 million. Other expansions of \$6.2 million include funding for changes to allow elderly and disabled persons living in the community to retain more of their income and still be eligible for Medicaid and for funds to support healthcare for healthcare workers. Federal match rate changes increase general fund by \$21.6 million and offset a like amount of federal funds.

Legislative Discussion

The 2007 Legislature approved many of its own budget initiatives for DPHHS, including higher provider rates than requested in the executive budget, direct care worker wage increases, CHIP and Medicaid eligibility expansions, and mental health services expansions.

Provider Rate Increases

The legislature appropriated \$42.9 million total funds, including \$7.5 million general fund and \$35.4 million health and Medicaid initiatives state special revenue, for provider rate increases. The legislature approved: 1) \$35.2 million as a legislative initiative to increase provider rates beyond those recommended by the Governor; and 2) \$8.7 million for the provider rate component of the Disabilities Services Division's rate rebasing project. Figure 2 shows the estimated annual rate increases and biennial appropriation amounts by division. As shown in Figure 2, the rates increase in both FY 2008 and FY 2009. For example, the Addictive and Mental Disorders Medicaid Provider receive a 2.45 percent increase in FY 2008 and an additional 2.32 percent increase in FY 2009.

During the regular session, the legislature approved funding for a 2.5 percent provider rate increase each year of the biennium for all providers, with rate increases above that level for certain services. The Governor reduced the general fund appropriation for all provider rate increases by about 26 percent to delay implementation of the rate increase in FY 2008 in the budget proposal submitted for consideration during the May 2007 special session. The legislature accepted the executive request to delay implementation of provider rate increases in FY 2008 for all services except those administered by the Senior and Long-Term Care Division, which are services for elderly and disabled persons. The legislature restored \$1.2 million, including \$0.4 million general fund in the Senior and Long Term Care Division to raise provider rates 2.5 percent each year of the biennium.

Division/Subprogram	Percent Increase		Biennial Appropriation		% of Ttl
	FY 2008	FY 2009	General Fund	Total Funds	
Child and Family Services	1.86%	1.86%	\$755,453	\$1,300,036	3.0%
Disability Services					
Developmental Disabilities - Rebase Proj.	4.26%	1.95%	1,596,815	8,682,813	20.3%
Vocational Rehabilitation	1.85%	1.85%	338,269	344,048	0.8%
Health Resources	2.50%	1.85%	1,300,727	11,145,436	26.0%
Physician Services	0.00%	4.29%	520,306	2,043,234	4.8%
Senior and Long Term Care	2.50%	2.50%	2,135,282	15,535,021	36.3%
Addictive and Mental Disorders					0.0%
Medicaid Providers	2.45%	2.32%	750,240	3,555,994	8.3%
NonMedicaid Providers	1.39%	2.34%	90,499	244,346	0.6%
Total			<u>\$7,487,591</u>	<u>\$42,850,928</u>	<u>100.0%</u>
Percent of Total				17.5%	

The general fund reduction/delay in implementation impacted rate increases differently across service and provider types. Services that are fully or partially funded from the general fund received proportionally smaller rate increases than other service types that are funded from Medicaid or where the Medicaid match was fully funded from state special revenue. That is why the rate increase percentages vary across service types. Rates for physician services do not increase in FY 2008, but increase 4.29 percent in FY 2009. The balance of the provider rate increases vary from a low of 1.39 percent to a high of 4.26 percent.

Developmental Disability Rate Rebasing

The legislature approved \$18.0 million to strengthen the statewide infrastructure for community services for developmentally disabled individuals through a rate rebasing project for community providers. The appropriation provides \$3.4 million general fund, \$3.9 million state special revenue, and \$10.7 million federal revenue. The appropriation continues the division’s project to implement a formula-based system with an established price structure for services that are selected by the consumer, rather than governed by the provider’s contract with the state. All providers will ultimately invoice based upon the service and volume of service units provided to a specific client, and will be reimbursed according to a uniform, published fee schedule.

The disability services system also received \$5.4 million from the legislative initiative for direct care worker wage increases that is discussed in the following section. However, because this division was already addressing a minimum target of \$8.00 per hour (plus about \$1.40 per hour for benefits and health care) for direct care worker wages in the rate rebasing project, its appropriation included funding for a \$0.19 per hour increase, not the \$0.70 per hour discussed below. As shown in the following figure the \$5.6 million appropriation was estimated to raise direct care worker wages to \$8.35 per hour rather than \$8.50 per hour, and the HB 2 language for the appropriation was adjusted to read “up to \$8.50” to allow the division to spend the appropriation.

Direct Care Worker Wage Increases

The legislature appropriated \$34.9 million total funds, including \$7.3 million general fund and \$3.3 million health and Medicaid initiatives state special revenue, for direct care worker wage increases. The funding was based on an assumption that certain types of jobs would be raised to \$8.50 per hour, including related benefits, and then with remaining funds all direct care worker wages would be raised by up to \$0.70 per hour including related benefits. Figure 3 shows the biennial appropriation for direct care worker wage increases by division and the amount of increase that can be funded, by division.

Division	Reach \$8.50	Additional	Biennial Appropriation		% of
	Threshold	Above \$8.50	General Fund	Total Funds	Ttl
Senior and Long Term Care Disability Services*	Yes	\$0.70	\$2,307,741	\$15,815,046	45.3%
Legislative Initiative	No - \$8.35	--	2,105,519	5,436,956	15.6%
Rate Rebasing - Executive Budget			1,799,770	9,327,277	26.7%
Health Resources	Yes	\$0.70	37,086	2,026,356	5.8%
Addictive and Mental Disorders	Yes	Minimal	450,645	1,433,350	4.1%
Child and Family Services	Yes	\$0.31	<u>629,874</u>	<u>899,822</u>	<u>2.6%</u>
Total			<u>\$7,330,635</u>	<u>\$34,938,807</u>	<u>100.0%</u>
Percent of Total			21.0%		
Total Added by Legislative Initiative			\$5,530,865	\$25,611,530	2846.3%

*The largest share of the direct care worker wage increase for disability services was requested in the executive budget and approved by the legislature. The legislature increased the amount by another \$5.4 million.

The legislature in its regular session approved funding sufficient to raise all direct care worker wage increases to \$8.50 per hour including related benefits. The Governor reduced the legislative general fund appropriation from the regular 2007 session for wage increases by 16 percent over the biennium in his budget recommendation to the May 2007 special session. The legislature restored the general fund in the special session.

Other Major Components of the Legislative Budget for the 2009 Biennium

The 2009 biennium appropriation in HB 2 also includes present law or new proposals of:

- \$44.8 million to continue Medicaid provider rate increases funded by the hospital bed tax
- \$43.2 million in total funds (\$0.7 million general fund) for continued TANF cash assistance benefits including \$2.8 million increased federal TANF authority to increase benefits to 33 percent of the 2007 federal poverty level from the 2005 federal poverty level
- \$40.3 million in federal low-income energy and weatherization benefit authority
- \$32.6 million to increase federal food stamp benefit authority for a total authority of over \$200 million for the biennium
- \$18.8 million total funds (\$15.1 million general fund) for expansion of community mental health services and prevention programs including:
 - \$5.2 million general fund for the Mental Health Services Plan (MHSP), which provides mental health services and prescription drugs to adults who are not Medicaid eligible, but have a mental illness and incomes below 150 percent of the federal poverty level. The FY 2009 appropriation was made with the legislative intent that DPHHS move to a fee-for-service reimbursement instead of administering the program through a limited number of provider contracts
 - \$6.3 million total funds (\$3.0 million general fund) for services provided by behavioral health inpatient facilities for short term inpatient care
 - \$4.1 million total funds (\$3.7 million general fund) for 72 hour crisis services
 - \$1.6 million general fund for mentally ill offenders, including prescription drugs for both adult and juvenile offenders
 - \$0.8 million general fund for a suicide prevention program

- \$0.7 million general fund for drop in centers for persons with a mental illness, with funding priority given to those programs with staff who can monitor medication
- \$11.3 million for DPHHS administration of the Children’s Health Insurance Program (CHIP)
- \$2.6 million total funds (\$0.8 million general fund) for Medicaid provider rate increases for long-term care community service agencies that agree to provide employee health care benefits that meet requirements established by DPHHS to be initiated January 1, 2009
- \$8.2 million total funds to raise CHIP eligibility to 175 percent of the federal poverty level
- \$8.2 million (\$4.0 million general fund and \$4.2 million TANF) for child care activities that are included in the \$75.9 million total biennial appropriation for early childhood services in Human and Community Services
- \$6.9 million total funds, including \$2.1 million health and Medicaid initiatives state special revenue, to raise Medicaid financial eligibility for infants up to 1 year old and pregnant women to 150 percent of the federal poverty level from 133 percent
- \$8.2 million, \$6.4 million general fund, to expand and continue community aging services that were funded as a one-time appropriation in the 2007 biennium, with \$3.0 million designated as a one-time-only appropriation
- \$6.2 million total funds for a Medicaid family planning waiver to expand provision of services to persons with incomes up to 185 percent of the federal poverty level
- \$5.4 million tobacco settlement funds for chronic disease programs
- \$4.8 million total funds (\$1.1 million general fund) to revise income eligibility for the Medically Needy category of eligibility
- \$4.0 million general fund for expanded community treatment for methamphetamine and chemical dependency
- \$2.7 million general fund to offset potential reductions in county intergovernmental transfer funds used as state Medicaid match for nursing home and community based services

Funding

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

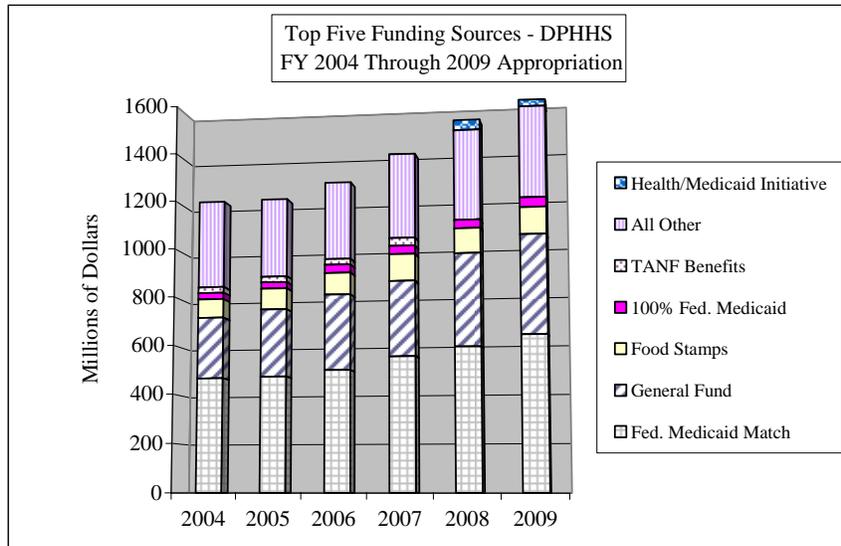
Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	\$ 62,303,401	\$ 2,797,233	\$ 398,028,653	\$ 463,129,287	14.88%
03 Child & Family Services	65,966,421	4,842,487	61,095,746	131,904,654	4.24%
04 Director'S Office	6,100,891	648,690	43,772,179	50,521,760	1.62%
05 Child Support Enforcement	8,068,636	3,459,106	10,583,832	22,111,574	0.71%
06 Business & Financial Services Division	7,584,487	1,879,188	8,875,889	18,339,564	0.59%
07 Public Health & Safety Div.	7,747,018	34,292,637	86,156,264	128,195,919	4.12%
08 Quality Assurance Division	5,227,943	460,241	12,224,293	17,912,477	0.58%
09 Technology Services Division	15,236,916	1,462,711	22,181,406	38,881,033	1.25%
10 Disability Services Division	105,902,765	8,956,546	180,399,221	295,258,532	9.49%
11 Health Resources Division	262,785,870	96,752,993	815,102,784	1,174,641,647	37.74%
22 Senior & Long-Term Care	111,049,252	67,281,896	337,022,397	515,353,545	16.56%
33 Addictive & Mental Disorders	129,221,602	25,084,102	101,785,652	256,091,356	8.23%
Grand Total	<u>\$ 787,195,202</u>	<u>\$ 247,917,830</u>	<u>\$ 2,077,228,316</u>	<u>\$3,112,341,348</u>	100.00%

DPHHS is funded by over 190 distinct funding sources and more than half are federal sources. Individually, the top six DPHHS division budgets exceed most state agency budgets. General fund supports one quarter of the 2009 biennium budget request, state special revenue provides 7.5 percent, and federal funds are 67.1 percent of total funding.

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. At a minimum, \$500.0 million general fund (67.0 of total agency general fund) and \$135.0 million of state special revenue (53.6 percent total agency state special revenue) is used to secure federal funding in the 2009 biennium budget.

Figure 4 shows the top five funding sources for DPHHS from FY 2004 through the FY 2009 appropriation. Together these five funding sources account for over three quarters of the total funding for each year shown and over 81.0 percent in the 2009 biennium appropriation. 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 4



Summary of Tobacco Related State Special Revenue Sources

DPHHS programs are supported by health and Medicaid initiatives account (tobacco taxes raised by I-149), tobacco settlement funds, and interest on the tobacco settlement trust fund. The following figure show appropriations for DPHHS and the State Auditor’s Office from these accounts.

Health and Medicaid Initiatives

Figure 5 shows the fund balance for the health and Medicaid initiatives account from FY 2006 actual expenditures and revenues through FY 2009 appropriations. The totals include a one-time diversion of funds from this account to initiate a trust fund for aging services authorized by SB 155, which is discussed in the Other Legislation section.

Figure 5
Health and Medicaid Initiatives Fund Balance - FY 2006 to FY 2009 Appropriation
Cigarette Tax Revenue Dedicated to Health Initiatives

Fund Balance Revenue/Expenditures	FY 2006	FY 2007*	FY 2008*	FY 2009*	Percent of Total
Beginning Fund Balance	\$14,836,318	\$36,987,741	\$39,918,353	\$23,836,637	
Revenue - Cigarette 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**			\$10,691,374	\$10,598,201	27.6%
2009 Biennium			5,221,552	5,361,955	14.0%
Direct Care Worker Wage Increases			1,630,136	1,634,373	4.3%
Big Sky Rx					
Medicare Part D Premium Assistance	931,071	8,239,767	10,986,356	1,086,308	2.8%
Pharmacist Program	0	0	362,071	334,052	0.9%
Senior Trust Fund - SB 155 - One Time	0	510,233	0	0	0.0%
Insure Montana (Premium Assist.)	615,450	5,116,001	6,525,515	6,525,413	17.0%
Medicaid Service Expansions					
2007 Biennium	282,620	3,706,547	4,368,065	4,783,267	12.5%
2009 Biennium					
AMDD Community Waiver - 20 Slots	0	0	252,062	252,865	0.7%
SLTC Community Waiver	0	0	0	410,728	1.1%
Children to 1 and Pregnant Women with Incomes up to 150% of Poverty	0	0	943,117	1,216,532	3.2%
Health Insurance Tax Credits	1,763,349	3,976,330	4,350,276	4,350,286	11.3%
MHSP/HIFA Waiver	3,152,605	3,347,395	6,345,946	40,755	0.1%
CHIP	902,565	2,129,572	902,384	902,380	2.4%
CHIP Eligibility to 175% of Poverty	0	0	699,575	679,705	1.8%
Other***	25,000	75,000	206,287	214,558	0.6%
Subtotal Expenditures	\$15,938,303	\$35,144,388	\$53,484,716	\$38,391,378	100.0%
Annual Change		120.5%	52.2%	-28.2%	
Ending Fund Balance	<u>\$36,987,741</u>	<u>\$39,918,353</u>	<u>\$23,836,637</u>	<u>\$22,347,260</u>	

*Revenue based on estimates adopted by the legislature in HR2. FY 2007 expenditures are estimated by legislative staff and assume that DPHHS will fully expend all appropriations. 2009 biennium expenditures are based on HB 2 appropriations.
 **2007 biennium provider rate increases include about \$3.0 million annually in Medicaid matching funds for direct care worker wage increases beginning in FY 2007.
 ***Other includes some funds used as Medicaid match.

Appropriations more than double from base budget expenditures. The most significant increases in the 2009 biennium appropriation are:

- o \$21.3 million to continue and annualize direct care worker and Medicaid provider rate increases approved by the 2005 Legislature
- o \$13.8 million for direct care worker and Medicaid provider rate increases in the coming biennium
- o \$13.1 million to continue and expand Insure Montana, which provides premium assistance for employers with 2 to 15 employees providing health insurance for the first time
- o \$12.1 million to continue and increase enrollment Big Sky Rx, which pays premium assistance for Medicare Part D prescription drug coverage for persons with incomes below 200 percent of the federal poverty level
- o \$9.2 million to annualize the cost to expand Medicaid eligibility for children by raising the family asset limit from \$3,000 to \$15,000 as authorized by the 2005 Legislature
- o \$8.7 million to offset the general fund revenue loss for tax credits for small employers who provide health insurance for their employees
- o \$6.4 million to provide matching funds for the proposed Health Insurance and Flexibility (HIFA) waiver, which is discussed in more detail in the Director’s Office budget narrative
- o \$2.7 million to raise Medicaid eligibility for infants up to 1 year old and pregnant women with incomes from 133 percent to up to 150 percent of the federal poverty level
- o \$1.8 million to expand CHIP eligibility and continue enrollment expansions funded in the 2007 biennium

- \$1.0 million to fund expansions of the home and community based waiver programs administered by the Addictive and Mental Disorders and Senior and Long Term Care Divisions

Solvency of Health and Medicaid Initiatives Account

The 2005 and 2007 Legislatures structured appropriations from the health and Medicaid initiatives account in an attempt to keep the account solvent through the 2011 biennium, meaning that the annual appropriations needed to sustain programs could be funded through the end of FY 2011. As shown in Figure 5 annual expenditures from the account exceed annual revenues beginning in FY 2008. The fiscal solvency of the account will be impacted by the outcome of SB 65.

Appropriation Transfer Statutes Impact Account Solvency

The Legislative Finance Committee, responding to a staff legal analysis, proposed SB 65, which was passed during the regular session of the legislature, but vetoed by the Governor after the special session adjourned. If the Governor's veto is sustained, the projected deficit in the health and Medicaid initiatives account at the end of FY 2011 could grow from under \$1 million to a several million depending on three variables.

SB 65 amends appropriation control statutes that allow agencies to transfer appropriation authority between appropriations. While authority in a restricted appropriation may not be transferred to another appropriation, restricted appropriations can be augmented by a program transfer. Additionally, 17-7-108, MCA requires agencies to spend nongeneral fund first. A legislative staff legal analysis concluded that the cash reserves in the health and Medicaid initiatives account could be fully or partially depleted if there were:

1. Excess state special revenue appropriation authority that could be transferred to increase appropriations from the health and Medicaid initiatives account;
2. Sufficient cash reserves in the health and Medicaid initiatives account to expend increased appropriation authority; and;
3. Expenses that could be legally paid from the account that are funded instead from the general fund.

All three of these conditions exist in the 2009 biennium budget. There will likely be some excess state special revenue appropriation authority. Historically, there has been excess state special revenue in state institution budgets. There may be excess state special revenue appropriated for the CHIP program if enrollment grows at a slower rate than the level that can be funded from the appropriation. There is \$1.0 million in state special revenue authority appropriated in the Addictive and Mental Disorders Division for potential reimbursement from the Department of Corrections for prescription drugs for mentally ill offenders, which may not be used if DOC does not have adequate funds to purchase additional drugs or if additional drugs are not needed. There is \$8.5 million general fund appropriated for Medicaid provider rate increases, direct care worker wage increases, and Medicaid service expansions and other rate increases that can be legally be offset with health and Medicaid initiatives funds. Finally, there is a projected balance of \$23.8 million in the account after all appropriations are deducted. If SB 65 does not become law, then DPHHS will be statutorily obligated to augment appropriations for health and Medicaid initiatives and offset general fund costs.

HIFA

The 2005 Legislature approved the executive proposal to submit a Health Insurance Flexibility and Accountability (HIFA) waiver to expand Medicaid eligibility services. The state match to fund the expansion comes from the health and Medicaid initiatives state special revenue appropriation for prescription drugs for the Mental Health Services Plan – about \$6.0 million. The application for the waiver was submitted in July 2006, but has not yet been approved.

The 2007 Legislature approved \$30 million in federal Medicaid matching funds over the 2009 biennium in anticipation of approval of a Medicaid HIFA waiver. The HIFA waiver allows states to bypass requirements of the Social Security Act in areas such as comparability of services, state-wideness, freedom of choice, early and periodic screening diagnostic and treatment services (EPSDT), and cost sharing. Waiving these provisions allows states to be creative in designing new health care programs to meet the needs of .uninsured populations, by providing Medicaid funded healthcare coverage for

low-income citizens and health insurance to citizens who otherwise would not qualify for traditional Medicaid services and yet cannot afford health insurance.

Figure 6 HIFA Eligibility, Estimated Number Served, Type of Benefit			
Proposed Groups	Financial Eligibility	Service Package	Numbers Served
Mental Health Services Plan <i>Expansion Group</i>	Equal to or less than 150% FPL	Mental health services, prescription drugs, physical health*, acute care (short term), Nurse First	1,500 Expanded health care benefit
Uninsured Working Parents of Children with Medicaid <i>Optional Group</i>	Equal to or less than 200% FPL	Physical health*, Nurse First	600 New health care benefit
Uninsured Children <i>Optional Group</i>	Equal to or less than 150% FPL	Benefit package that mirrors CHIP benefit, Nurse First	1,500 New health care benefit
Uninsured former SED foster youth ages 18 through 20 <i>Optional Group</i>	Equal to or less than 150% FPL	Benefit package that mirrors CHIP benefit, enhanced mental health, transition life skills, Nurse First	300 New health care benefit
MCHA <i>Expansion Group</i>	Equal to or less than 150% FPL	Insurance premium assistance, Nurse First	200 Current health care benefit; 60 new health care benefit served off waiting list
1) Uninsured working adults 19 to 65 who have children under age 21 2) Uninsured working youth ages 18 to 21 <i>Optional Group</i>	Equal to or less than 200% FPL	Insurance premium assistance, insurance pool, premium incentives for employers, Nurse First	1,200 New health care benefit
<p>*Physical Health = average of \$166 per month</p> <ul style="list-style-type: none"> • For insurance from employer • For private insurance • For a health care account <p>Source: DPHHS, October 5, 2006</p>			

Populations

Figure 6 shows the eligibility expansions, the types of benefits and assistance, and the number of persons anticipated to be served under the proposed waiver, which remains substantially the same as approved by the legislature. The actual healthcare benefit packages, eligibility groups, and the number of people served may change as a result of negotiations with Centers for Medicare and Medicaid Services (CMS). The proposed uninsured groups and individual coverages are:

- Uninsured children under 150 percent of the federal poverty level (FPL)
 - Benefit package equivalent to that provided by the Children’s Health Insurance Program (CHIP)
- Uninsured youth ages 18-20 formerly in foster care who are seriously emotionally disturbed (SED)
 - CHIP look alike benefit with specialized life skills component
- Persons eligible for the Montana Comprehensive Health Association (MCHA) assistance program
 - Premium assistance
- A basic health insurance package equivalent to \$2,000 per person per year for:
 - Uninsured working parents whose children are currently covered under Medicaid
 - Uninsured adults with children under 21
 - Uninsured youth ages 18-20
 - Uninsured Mental Health Services Plan (MHSP) participants

The final eligibility groups listed would be able to choose among three limited physical health care benefit options with an annual benefit of \$2,000, including:

- Assistance with the cost of the monthly premium of employer based insurance
- Payment of the monthly premium for private individual insurance policies
- Medicaid fee-for-service benefits

CMS has expressed concerns with the CHIP look alike benefit for uninsured children under 150 percent of the federal poverty level as these children qualify for CHIP and should be served within the CHIP program. DPHHS staff indicated they will revise the current HIFA waiver submission and withdraw this population as part of the proposed waiver. In addition, children qualify for benefits through age 18, so DPHHS staff will also amend the waiver application to ages 19 to 20 where needed.

Services Provided

MHSP clients determined eligible for waiver services would receive education and assistance in choosing the most appropriate coverage option for their needs. DPHHS estimates that up to 1,500 MHSP clients would be eligible to participate in this waiver proposal. Approximately one-third of the MHSP clients would not be able to participate in the proposed waiver program because they currently have private health insurance or they have health coverage under Medicare. Under CMS guidelines, the state cannot obtain federal matching dollars for the health care services they receive. Therefore, the state would continue to provide existing MHSP mental health services using current state funds.

Conditions

States must meet several conditions under a HIFA waiver, including cost neutrality and a maintenance of effort. Cost neutrality is measured by what the federal government would have paid for Medicaid services without the waiver compared to what it contributes for waiver services. Federal costs can be no more under the waiver than without a waiver. The HIFA waiver is cost neutral due to the inclusion of savings from another waiver administered by DPHHS that provides a smaller, basic package of Medicaid services to eligible adults with children (Families Achieving Independence in Montana (FAIM) waiver). The HIFA proposal is more comprehensive because CMS allowed savings from the FAIM waiver to be included.

States must maintain the same level of funding for the HIFA waiver as it did for the services it covered prior to implementation of the waiver. The estimated annual maintenance of effort (MOE) for the HIFA waiver is dependent on the level of services and funding for those populations considered part of the waiver when it is approved.

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 (November 2000)
- Initiative 146 to allocate 32.0 percent of the total tobacco settlement funds to tobacco prevention and cessation programs and 17.0 percent to the CHIP and Montana Comprehensive Health Association (MCHA)

The remaining 11.0 percent of the MSA money is deposited to the general fund. Figure 7 shows the allocation of MSA payments to these state special revenue funds as approved by the legislature for the 2009 biennium. Revenues, budgeted expenditures, and fund balances for these revenue sources are outlined.

Figure 7
Tobacco Settlement Account - Fund Balance
Master Settlement Agreement Payment Allocations to State Special Revenue Accounts

Fund Balances, Revenues, Expenditures	FY 2006	FY 2007	FY 2008	FY 2009	Percent of Total
32% Allocation to Tobacco Cessation/Prevention					
Beginning Fund Balance	\$0	\$1,191,489	\$2,409,384	\$2,448,497	
Revenue	\$7,952,330	\$8,209,280	\$11,215,680	\$11,623,360	
Expenditures					
Public Health and Safety Division					
Tobacco Control & Prevention	\$6,706,241	\$6,991,385	\$7,846,567	\$7,847,419	70.2%
Chronic Disease Programs	0	0	2,700,000	2,700,000	24.2%
Tribal Programs	0	0	630,000	630,000	5.6%
Subtotal Expenditures	\$6,706,241	\$6,991,385	\$11,176,567	\$11,177,419	100.0%
Percent Annual Increase		4.3%	59.9%	0.0%	
Adjustments	(\$54,600)				
Ending Fund Balance	\$1,191,489	\$2,409,384	\$2,448,497	\$2,894,438	
17% Allocation to CHIP/MT Comprehensive Health Association					
Beginning Fund Balance	\$0	\$507,796	\$1,244,091	\$629,960	
Revenue	\$4,224,676	\$4,361,180	\$5,958,330	\$6,174,910	
Expenditures					
CHIP	\$3,143,665	\$3,051,670	\$5,748,288	\$5,879,255	86.4%
MCHA	573,215	573,215	824,173	925,614	13.6%
Subtotal Expenditures	\$3,716,880	\$3,624,885	\$6,572,461	\$6,804,869	100.0%
Percentage of Annual Increase		-2.5%	81.3%	3.5%	
Ending Fund Balance	\$507,796	\$1,244,091	\$629,960	\$1	

By statute, any funds designated for the tobacco treatment and cessation funds or CHIP and MCHA that are not appropriated within two years of receipt for these activities are deposited into the tobacco settlement 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. HB 743 of the 2007 regular session added chronic disease programs to the definition of programs for tobacco disease prevention. The legislature approved an additional \$2.7 million each year of the biennium to provide support for chronic disease programs. \$1.7 million was approved to provide for additional funding for tribal programs, increase community based efforts to prevent tobacco use, establish new college campus tobacco prevention programs, and implement a statewide public education campaign on spit tobacco use and the benefits of tobacco cessation during pregnancy. As Figure 7 shows the FY 2009 ending fund balance for the allocation to tobacco cessation/prevention will be \$2.9 million.

Tobacco Trust Fund Interest

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

- o 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
- o 10.0 percent re-deposited in the tobacco trust

Figure 8 presents information on the revenues, budgeted expenditures, and fund balances for the tobacco trust fund interest over the 2009 biennium. As shown, the legislature appropriated tobacco settlement trust fund interest for public home health visits, mental health services, human papillomavirus vaccinations, resource facilitation services relating to traumatic brain injuries, and children’s special health services. These are new uses of these funds. A total of 10.6 percent of the interest is proposed for these uses in FY 2008 and 23.3 percent in FY 2009. The legislature appropriated the remaining interest to support Medicaid benefits, children’s mental health, and nursing home services.

Figure 8
Tobacco Settlement Trust Fund Interest - Fund Balance

Fund Balances, Revenues, Expenditures	FY 2006	FY 2007	FY 2008	FY 2009
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues*	\$3,048,774	\$3,545,100	\$4,110,300	\$4,871,700
Expenditures				
Hospital & Clinical Services Bureau	\$484,406	\$484,406	\$484,406	\$484,406
Acute Services Bureau	1,599,378	2,095,704	2,095,137	2,154,378
Children's Mental Health Services	233,552	233,552	233,552	233,552
Nursing Homes	703,779	703,779	831,850	832,217
Mental Health Medicaid Benefit	27,659	27,659	27,659	27,659
HPV Vaccine				400,000
Resource Facilitation Services				100,000
Public Home Health Visits/MIAMI	0	0	178,652	200,000
Mental Health Other Services	0	0	129,522	145,000
Children's Special Health Services	0	0	129,522	290,000
Subtotal Expenditures	\$3,048,774	\$3,545,100	\$4,110,300	\$4,867,212
Ending Fund Balance	\$0	\$0	\$0	\$4,488

*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	2,780.42	2,875.32	2,886.57	11.25	2,922.01	2,893.32	(28.69)	
Personal Services	126,592,810	143,046,430	149,027,124	5,980,694	146,622,222	156,424,167	9,801,945	15,782,639
Operating Expenses	85,127,745	96,231,503	97,347,869	1,116,366	95,692,160	94,528,504	(1,163,656)	(47,290)
Equipment	501,698	750,699	720,699	(30,000)	680,699	680,699	0	(30,000)
Capital Outlay	53,007	503,007	53,007	(450,000)	53,007	53,007	0	(450,000)
Grants	58,784,995	67,918,182	71,382,315	3,464,133	67,653,953	71,128,713	3,474,760	6,938,893
Benefits & Claims	982,705,001	1,167,533,113	1,199,577,934	32,044,821	1,221,938,686	1,270,225,422	48,286,736	80,331,557
Transfers	0	0	0	0	0	0	0	0
Debt Service	591,429	597,159	597,159	0	660,729	594,729	(66,000)	(66,000)
Total Costs	\$1,254,356,685	\$1,476,580,093	\$1,518,706,107	\$42,126,014	\$1,533,301,456	\$1,593,635,241	\$60,333,785	\$102,459,799
General Fund	307,876,614	375,191,753	380,872,350	5,680,597	391,681,971	406,322,852	14,640,881	20,321,478
State/Other Special	74,251,264	109,411,158	129,220,811	19,809,653	110,337,305	118,697,019	8,359,714	28,169,367
Federal Special	872,228,807	991,977,182	1,008,612,946	16,635,764	1,031,282,180	1,068,615,370	37,333,190	53,968,954
Total Funds	\$1,254,356,685	\$1,476,580,093	\$1,518,706,107	\$42,126,014	\$1,533,301,456	\$1,593,635,241	\$60,333,785	\$102,459,799

The legislature approved \$102.5 million more total funds than requested in the executive budget, including \$20.3 million more general fund. Additional funding for services for individuals drives the difference, with the legislative appropriation for benefits and claims being \$80.3 million higher or 78.3 percent of the total difference.

The legislature approved \$28.2 million more state special revenue, primarily in tobacco settlement funds and tobacco tax funds from the health and Medicaid initiatives account than the executive budget requested. The legislative budget also includes more federal funds (\$54.0 million) than the executive budget, predominantly in federal Medicaid matching funds.

Figure 9 shows the major differences between legislative and executive budgets in general fund and health and Medicaid initiatives state special revenue. The most significant differences are appropriations for the 2009 biennium pay plan, direct care worker wage increases, additional funding for the state Mental Health Services Plan, aging community services, and behavioral inpatient health facility services. Other items listed in Figure 9 are discussed in more detail in the division narratives.

Increases/Reductions from Executive Budget	General Fund	Health and Medicaid Initiatives
General Fund Revenue Increases		
<u>Increases</u>		
2009 Biennium Pay Plan/Retirement Changes	\$9,449,946	\$0
Direct Care Worker Wage Increases	5,530,865	3,264,509
Mental Health Services Plan	5,203,062	0
Aging Community Services	3,743,294	0
Behavioral Health Inpatient Facility Services	3,000,000	0
Home Based Services/Nursing Home IGT Offset	2,789,272	0
Provider Rate Increases	3,143,554	(37,712)
Pregnant Women to 150% of the Poverty Level	0	2,159,646
CHIP Eligibility to 175% of the Poverty Level	0	1,804,764
Mentally Ill Offender Services and Prescription Drugs	1,693,294	0
Revise Medically Needy Income Disregards	1,114,942	0
Funds for Family Planning Services (OTO)	1,073,046	0
Health Care for Health Care Workers	814,900	0
Suicide Hotline/Ombudsman	800,000	0
Drop In Centers for Mentally Ill Persons	743,294	0
Physician Medicaid Rate Increase	520,306	0
SLTC I-149 FMAP Changes	368,266	(368,266)
Children's System of Care	343,294	0
Expanded CHIP Dental Benefit	200,000	0
Remaining Adjustments	<u>948,887</u>	<u>0</u>
Subtotal Increases	\$41,480,222	\$6,822,941
<u>Reductions and General Fund Revenue Increases</u>		
Big Sky Rx Premium Assistance	\$0	(\$5,425,424)
Medicaid Caseload Estimates	(6,842,065)	0
CHIP Funding to Tobacco Settlement Funds	0	(5,771,307)
Secure Treatment and Examination Program	(4,085,056)	0
Reduce Increase for DD Waiting List	(3,011,782)	0
Foster care Caseload Adjustments	(2,812,139)	0
Annualize FY 2006 Direct Care Worker Wage Increase	(1,287,321)	1,287,321
Changes to Mental Health Request - DP 33410	(1,120,391)	0
LIEAP General Fund Request	(1,000,000)	0
Methamphetamine Prevention	<u>(1,000,000)</u>	<u>0</u>
Subtotal Reductions	(\$21,158,754)	(\$9,909,410)
Expenditures Over (Under) Executive Budget	\$20,321,468	(\$3,086,469)
Increase General Fund Revenue - Excess Cigarette Tax Transfer to General Fund	\$3,583,890	\$0
GRAND TOTAL CHANGE FROM EXECUTIVE	\$16,737,578	(\$3,086,469)

The legislature added \$41.3 million general fund above the executive request. The increases were partially offset by lower Medicaid and foster care costs. The legislature did not approve the executive proposal to refurbish a building on the state hospital campus and initiate a 120 bed secure care and treatment facility for forensic patients, and it lowered the increase in services for the developmental disability services waiting list.

Medicaid caseload reductions are due to ongoing declines in nursing home services and a decline in the number of eligible persons, but also because an aberration in the historic data used to estimate claims payment had “aged out”, allowing more accurate projections to be made. Foster care and subsidized adoption costs are anticipated to be \$2.8 million lower because of higher Title IV-E federal participation.

The legislature also appropriated additional revenue from private payments and insurance proceeds for the Montana Veterans’ Home (MVH) to offset the use of cigarette tax revenue dedicated to veterans’ services. Balances in the veterans’ cigarette tax revenue account that exceed \$2.0 million at fiscal year end are transferred to the general fund. The legislative appropriation offsetting cigarette tax funding for MVH increased the deposit to the general fund by \$3.6 million.

Considering the changes to the executive budget request, legislative spending initiatives, and the increased general fund revenue, legislative action on the DPHHS budget was a net \$16.7 million higher over the biennium than the executive budget request.

Biennial Budget Increase

Figure 10 shows the 2009 biennium appropriation compared to the 2007 biennium budget, which includes \$11.0 million general fund in supplemental appropriations funded in HB 3 passed by the regular session. The majority of the increase between biennia is for direct services to individuals - \$364.3 million or 82.5 percent of the total change.

The budget increase between biennia is due to the same cost drivers as the growth between the base budget expenditures and 2009 biennium annual appropriations. Medicaid services account for \$342.0 million of the total funding growth, including \$99.3 million general fund and \$32.3 million state special revenue.

Personal services increases are related to the 2009 biennium pay plan (\$17.1 million total funds, including \$9.4 million general fund) and to appropriations for 112.90 new FTE. Additional FTE for the state institutions administered by DPHHS account for 43.3 percent of the FTE increase with 48.40 new FTE (36.60 for the state hospital). Other major increases in new FTE include:

- o Additional field staff for child protective services – 20.00 FTE
- o Mental health functions, including administration of community services expansions – 9.50 FTE
- o Implementation of federally required payment error rate measurement – 8.50 FTE
- o Chronic disease and tobacco prevention functions - 7.00 FTE
- o Department administration of CHIP – 5.00 FTE

Grant appropriations rise \$24.3 million between biennia. The most significant changes are for:

- o Various public health functions, including tobacco control and prevention, emergency systems preparedness, immunizations, and family planning services - \$12.0 million, including \$1.1 million general fund
- o Community mental health services - \$4.9 million general fund
- o Chemical dependency community prevention services - \$3.7 million federal funds
- o Aging services - \$3.0 million general fund

Goals and Objectives

In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, the legislature discussed the DPHHS 2009 biennium budget in the context of division goals and objectives and included language in HB 2 requesting that the divisions report progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. However, the Governor vetoed the reporting language in HB 2. Vetoed language is shown in *italic* in the language section of each division’s write-up.

The goals and objectives for DPHHS may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent of Change
FTE	2,780.42	2,893.32		112.90	
Personal Services	\$260,826,304	\$305,451,291	11.4%	\$44,624,987	10.1%
Operating	184,053,251	191,876,373	7.2%	7,823,122	1.8%
Equipment	914,053	1,401,398	0.1%	487,345	0.1%
Capital Outlay	53,007	106,014	0.0%	53,007	0.0%
Grants	118,207,217	142,511,028	5.3%	24,303,811	5.5%
Benefits/Claims	2,105,512,112	2,469,803,356	92.5%	364,291,244	82.5%
Debt Service	<u>1,190,235</u>	<u>1,191,888</u>	0.0%	<u>1,653</u>	<u>0.0%</u>
Total Costs	<u>\$2,670,756,179</u>	<u>\$3,112,341,348</u>	116.5%	<u>\$441,585,169</u>	100.0%
General Fund	\$629,684,824	\$787,195,202	25.3%	\$157,510,378	35.7%
State Special	170,799,080	247,917,830	8.0%	77,118,750	17.5%
Federal Funds	<u>1,870,272,275</u>	<u>2,077,228,316</u>	<u>66.7%</u>	<u>206,956,041</u>	<u>46.9%</u>
Total Funds	<u>\$2,670,756,179</u>	<u>\$3,112,341,348</u>	100.0%	<u>\$441,585,169</u>	100.0%
Percent Increase			16.5%		
*2007 biennium budget includes \$11.0 million general fund for a supplemental appropriation authorized by HB 3.					

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 11 shows the 2007 federal poverty level and various measurements related to it.

Figure 11 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 was raised from 150 percent of the federal poverty level to 175 percent and TANF cash assistance payments were increased to 33 percent of the 2007 FPL from the 2005 FPL. 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.

Figure 11
2007 Federal Poverty Index
Levels of Poverty by Family Size

Family Size	Percent of Federal Poverty Level					
	40%	100%	133%	150%	175%	200%
1	\$4,084	\$10,210	\$13,579	\$15,315	\$17,868	\$20,420
2	5,476	13,690	18,208	20,535	23,958	27,380
3	6,868	17,170	22,836	25,755	30,048	34,340
4	8,260	20,650	27,465	30,975	36,138	41,300
5	9,652	24,130	32,093	36,195	42,228	48,260
6	11,044	27,610	36,721	41,415	48,318	55,220
7	12,436	31,090	41,350	46,635	54,408	62,180
8	13,828	34,570	45,978	51,855	60,498	69,140
Each Additional Person	\$1,148	\$3,480	\$4,628	\$5,220	\$6,090	\$6,960

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.

Other Legislation

Major bills that have a fiscal impact on DPHHS are summarized below. Some of these bills are discussed in more detail in the agency or program narrative.

Senate and House Joint Resolutions

HJ 26 establishes an interim legislative study and with the goal to develop an implementation plan to provide mental health care in the criminal and juvenile justice systems that includes:

- o Mental health care of youth who are adjudicated as delinquent
- o Mental health care of convicted adult defendants addressing options for supervising adjudicated youth and convicted adults in the community, including mental health probation options
- o Development of a continuum of care encompassing community placements and inpatient treatment options and addressing the interplay between community placements and treatment options
- o The availability and use of mental health treatment prior to adjudication of juvenile or conviction of adult defendants

The study was assigned to the Law and Justice Interim Committee.

HJ 44 urges Congress to reauthorize federal funding for the CHIP program in a timely manner and urges the Governor to work with Montana’s congressional delegation for timely reauthorization

HJ 48 authorizes a study of private health insurance and publicly funded health insurance programs. The study received the top ranking in the legislative poll and was assigned to the Economic Affairs Interim Committee.

HJ 50 establishes an interim study to:

- o Study the ways in which the psychiatric precommitment examination, detention, and treatment provisions of state law have been used across the state, including the number of days that individuals are in precommitment evaluation status in each county
- o Determine the amount of money that Montana's county governments have paid for psychiatric precommitment examination, detention, and treatment, including the trends in those costs over time
- o Review the number of people committed to the Montana State Hospital pursuant to the provisions of Title 53, chapter 21, part 1, MCA, including the number of people committed from each Montana county

The study was assigned to the Interim Law and Justice Committee.

SJR 5 authorizes the study of acute care and rural emergency medical services, which was assigned to the Children, Families, Health and Human Services Interim Committee.

SJ 6 authorized a study of the juvenile justice system and was assigned to the Law and Justice Interim Committee.

SJR 15 authorizes a study of the impacts of certain services on the health care delivery and was assigned to the Children, Families, Health and Human Services Interim Committee.

House and Senate Bills

House Bill 3 provides a supplemental appropriation of \$11.0 million to DPHHS primarily comprising: 1) \$4.0 million to fund changes in Medicaid; 2) \$6.3 million comprising \$4.7 million for staffing changes at the Montana State Hospital due to a census increase and \$1.6 million at the Montana Developmental Center primarily to address staff overtime; and 3) \$0.8 million for the Child Support Enforcement Division due to a lower federal incentive grant than anticipated and reduced funding due to TANF case load reductions.

House Bill 4 (of the May 2007 Special Session) appropriates funds for capital projects. Several projects for the department were approved including: \$11.6 million general fund for renovation and upgrades to the Montana State Hospital at Warm Springs; \$1.4 million state special revenue for Montana Veterans' Home improvements; \$0.75 million general fund for improvements at the Montana Mental Health Nursing Care Center in Lewistown; and \$60.0 million in general and federal funds for information technology systems improvements throughout the department.

House Bill 13 provides \$94.7 million over the biennium to fund the state employee pay plan of which \$17.1 million funds DPHHS FTE.

House Bill 41 eliminates the statutory restrictions in 90-4-215, MCA on state use of the energy conservation and energy assistance account in the state federal revenue fund. The legislature approved \$1.6 million additional energy assistance and weatherization assistance to Montana households in HB 2.

House Bill 57 requires DPHHS to purchase liability insurance for foster parents providing foster care or therapeutic foster care for a youth under 18 years of age placed by a state agency. The bill appropriates \$140,000 general fund and the legislature appropriated \$140,000 federal funds through HB 2 for the federal Title IV-E match.

House Bill 64 revises the definition of "seriously developmentally disabled" for the purpose of commitment to a community-based residential care facility with the elimination the requirement that an individual have a disability so severe that he or she needs "total care". The fiscal implications of this bill and its effect on the general fund has not yet been determined.

House Bill 77 implements Medicaid provisions of the 2005 Deficit Reduction Act, allowing recovery of payments owed to Medicaid recipients, requiring coordination of eligibility information about Medicaid recipients, and providing penalties for filing false Medicaid claims.

House Bill 98 establishes a "Children's System of Care" account to reduce out-of-home placement of high risk children. The legislation allows up to \$1.0 million of state funds already appropriated for Medicaid services to be deposited to the account rather than reverting to the appropriate fund. DPHHS may administer and deliver services to high-risk children with multi-agency service needs and to provide for their care, protection, and mental, social, and physical development. These state funds may be spent as either Medicaid match or state fund dollars for a service. The fiscal impact of this bill would be to reduce general fund and state special revenue reversions.

House Bill 148 increases the fees to license public swimming pools, bathing places, spas, and wading pools and requires licensing and inspection of public splash decks, water slides, "lazy rivers," and wave pools. The legislature appropriated

\$60,000 in state special revenue spending authority for each year of the biennium to allow DPHHS to recover costs associated with inspections performed by DPHHS employees.

House Bill 156 generally revises insurance laws, with a specific change to bring Montana statutes in compliance with federal requirements for credible coverage for long-term care insurance. DPHHS will be able to implement a section of the federal Deficit Reduction Act of 2005 that allows state Medicaid programs to disregard \$1 of assets for every \$1 of credible long-term care insurance coverage in determining Medicaid eligibility. In the longer term, it is expected that Medicaid long term care costs will rise at a slower rate because there will be a substantial financial incentive for persons to purchase long term care insurance.

House Bill 157 revises statutes governing the CHIP program to exclude the cost of federally required audits from the 10 percent administrative cap and clarifies that funds deposited to a state special revenue fund may be used to pay CHIP health costs.

House Bill 195 revises developmental disabilities services to provide that: 1) an individual may return to high school after graduation if the individual is not 19 years of age; 2) eligible individuals are not disqualified from receiving Medicaid; and 3) cash assistance for services is available to individuals who are developmentally disabled. The bill appropriates general fund of \$0.3 million over the biennium and allows DPHHS to use the funds as state match for federal funds.

House Bill 198 allows the CHIP program to spend up to \$200,000 in state funds for significant dental needs not included in the basic CHIP plan. The legislature appropriated \$200,000 general fund in HB 2 to implement HB 198.

House Bill 278 removes the sunset on the increased genetics program fee assessed on each individual or group disability or health insurance policy. The fee was scheduled to revert to \$.70 from \$1 July 1, 2007. The legislature appropriated \$279,616 state special revenue in FY 2008 and \$288,004 in FY 2009 as a result of the statutory change.

House Bill 406 – transfers \$1.3 million general fund over the biennium to a state special revenue fund and allows DPHHS to establish a grant program for community health centers. Funds may be used as match for federal funds.

House Bill 608 transfers \$1,000,000 general fund to the endowment for the Children's Trust Fund for the 2009 biennium. The revenues of about \$28,000 received as interest would be expended on benefits to neglected and abused children.

House Bill 611 expands and clarifies laws governing fee collection of \$0.10 cents per line per month from subscribers for revenue for Telecommunications Devices for the Deaf. The bill clarifies that all telecommunications service providers assess and collect the fee from subscribers and remit the fee to the Department of Revenue. No additional revenue is anticipated because the fees mostly apply to subscribers that are already using a device upgrading to new wireless systems.

House Bill 743 adds chronic disease programs as an allowable use of tobacco settlement funds for tobacco prevention and cessation programs. The legislature approved state special revenue appropriations of \$2.7 million each year to fund chronic disease programs including primary prevention of diabetes and heart disease, improvement of acute stroke care in rural Montana, comprehensive cancer control, and asthma surveillance and control.

Senate Bill 22 expands CHIP eligibility to 175 percent of the federal poverty level. The legislature appropriated \$3.2 million to fund an estimated enrollment increase of 2,100 children each year.

Senate Bill 45 allows a behavioral health inpatient facility (BHIF) to be freestanding or part of a facility. The bill also allows DPHHS to license the facility and adopt rules governing licensure. Prior to these changes, BHIFs had to be associated with a hospital. The legislature appropriated \$6.7 million in FY 2009 to purchase BHIF services. The appropriation is one time.

Senate Bill 62 increases payments to advisory board members and, through HB 2, provides about \$8,500 to the Disability Services Division and about \$1,000 to the Directors Office in general fund and matching federal funds.

Senate Bill 81 adds psychologist as a professional person, which allows psychologists to participate in processes associated with admission to a mental health facility.

Senate Bill 118 is void due to passage and approval of SB 525, which eliminates the sunset on hospital bed tax that provides that each Montana hospital pay a utilization fee for each inpatient bed day. The utilization fees are deposited in a state special revenue fund and used to match federal funds and then redistributed in total to hospitals in Montana. SB 525 continues the bed day fee that was originally implemented by the 58th legislature in HB 481 and continued by the 59th legislature with SB 120.

Senate Bill 124 removes a circular requirement for the Office of Court Administrator and the Office of State Public Defender to obtain a general fund appropriation to reimburse DPHHS for costs of forensic services at Montana State Hospital so DPHHS can then reimburse the general fund.

Senate Bill 155 establishes an Older Montanans Trust Fund and diverts to the trust in FY 2007 only, unspent health and Medicaid initiatives funds (tobacco tax revenues raised by I-149) appropriated to the Medicare Part D drug assistance premium payment program. DPHHS estimated that \$5.0 million would be deposited to the trust.

Senate Bill 206 directs DPHHS to conduct a study for an employer-sponsored health insurance program for personal care attendants and direct care employees of organizations that receive a majority of their revenue from Medicaid funded services. The bill also allows DPHHS to set up a pilot health insurance program if funding is available. The bill terminates January 1, 2009. The legislature appropriated \$2.6 million in FY 2009 for rate increases for providers who contract with the Senior and Long Term Care Division to provide in-home services and who receive most of their reimbursement from the Medicaid program.

Senate Bill 354 requires DPHHS adjust rates paid for Medicaid physician services beginning in FY 2010 by a percentage of the average of the conversion factors used by the top five insurers or third-party administrators providing disability insurance to the most beneficiaries within the state in January 2007 who use the resource-based relative value scale to determine fees for covered services. The fiscal note estimated a \$2.7 million general fund cost in the 2011 biennium.

Senate Bill 382 allows district courts or courts of limited jurisdiction to establish voluntary mental health treatment courts. The legislature did not make an appropriation to fund mental health courts.

Senate Bill 478 establishes a suicide prevention program and requires that:

- A suicide prevention officer administer the program
- DPHHS produce a suicide reduction plan every biennium
- Operate a suicide crisis hotline available, staffed by paid, trained employees 24 hours a day and 365 days a year

The legislature appropriated \$400,000 general fund each year for the program.

Senate Bill 504 provides respite for foster care and therapeutic foster care homes and could impact benefit costs by about \$281,000 over the biennium.

Senate Bill 505 renews the cervical cancer task force, adds a pediatrician to the task force, and identifies strategies for educating the public regarding availability and efficacy of Human Papillomavirus (HPV) Vaccine. The task force is required to provide a report to the Children, Families and Human Services Interim Committee by August 1, 2008. HB 2 appropriates about \$18,000 general fund to continue the task force and \$400,000 tobacco settlement fund interest for the HPV vaccine.

Senate Bill 525 removes the sunset on the hospital bed tax that provides that each Montana hospital pay a utilization fee for each inpatient bed day. The utilization fees are deposited in a state special revenue fund and used to match federal

funds and then redistributed in total to hospitals in Montana. SB 525 bill continues the bed day fee that was originally implemented by the 58th legislature in HB 481 and continued by the 59th legislature with SB 120. The total appropriation for the hospital utilization fee state special revenue and federal matching funds is \$120.2 million over the biennium.