

**Program Legislative Budget**

The following table summarizes the proposed budget for this program 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	81.00	0.00	6.00	87.00	0.00	6.00	87.00	87.00
Personal Services	3,258,627	886,028	326,127	4,470,782	897,046	257,260	4,412,933	8,883,715
Operating Expenses	8,525,672	(135,882)	1,688,666	10,078,456	(365,517)	1,185,774	9,345,929	19,424,385
Grants	189,278	0	0	189,278	0	0	189,278	378,556
Benefits & Claims	444,205,071	60,428,236	44,676,626	549,309,933	87,112,302	64,435,981	595,753,354	1,145,063,287
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
<b>Total Costs</b>	<b>\$456,180,930</b>	<b>\$61,178,382</b>	<b>\$46,691,419</b>	<b>\$564,050,731</b>	<b>\$87,643,831</b>	<b>\$65,879,015</b>	<b>\$609,703,776</b>	<b>\$1,173,754,507</b>
General Fund	99,892,880	22,905,734	2,058,739	124,857,353	34,230,818	4,643,441	138,767,139	263,624,492
State/Other Special	23,744,825	14,391,209	12,955,382	51,091,416	4,391,819	16,850,828	44,987,472	96,078,888
Federal Special	332,543,225	23,881,439	31,677,298	388,101,962	49,021,194	44,384,746	425,949,165	814,051,127
<b>Total Funds</b>	<b>\$456,180,930</b>	<b>\$61,178,382</b>	<b>\$46,691,419</b>	<b>\$564,050,731</b>	<b>\$87,643,831</b>	<b>\$65,879,015</b>	<b>\$609,703,776</b>	<b>\$1,173,754,507</b>

**Page Reference**

Legislative Budget Analysis, B-140

**Funding**

General fund is 21.9 percent of the base budget and rises each year of the 2009 biennium to 22.8 percent of the FY 2009 appropriation. General fund is used almost exclusively for state matching funds for Medicaid. The federal match rate for Medicaid declines 2.0 percent from FY 2006 to FY 2009. Each 1.0 percent reduction in the federal match rate causes the state match to rise by \$4.1 million in FY 2008 and \$5.0 million in FY 2009 for services administered by this division.

General fund increases are due to Medicaid services utilization and caseload changes (\$42.1 million over the biennium) as well as federal Medicaid match rate changes (\$13.3 million over the biennium). Implementation of Medicare Part D prescription drug coverage January 1, 2006, shifted about 40.0 percent of Medicaid drug costs to Part D. Previously, state Medicaid programs had paid drug costs for persons eligible for both Medicare and Medicaid. Reimbursement (clawback) to the federal government for this cost shift adds \$15.3 million general fund over the biennium and is included in the caseload adjustments.

There are eight state special revenue sources that fund the Health Resources Division (HRD), totaling \$23.7 million in the base budget and rising to \$45.0 million in FY 2009. Most of the growth - \$22.7 million over the biennium - is in the health and Medicaid initiatives account, which receives tobacco taxes and was created by citizen initiative. Funds in this account pay state Medicaid match for provider rate and direct care worker wage increases and service and eligibility expansions as well as the Big Sky Rx program, the Pharmacist program, and some matching funds for CHIP. The hospital utilization fee pays state Medicaid match to fund Medicaid payments to hospitals, rising from base budget funding of \$11.1 million to \$20.3 million in FY 2009. Appropriations for the hospital tax are dependent on passage and approval of SB 118. Tobacco settlement funds and interest from the settlement trust pay a share of the state match for CHIP and total \$10.8 million over the biennium. Tobacco tax and settlement funding is discussed in the DPHHS agency overview.

Federal funds support 72.9 percent of base budget expenditures, declining to 69.9 percent in FY 2009. Medicaid matching funds accounted for 69.1 percent of the total division expenditures (\$315.4 million) in the base budget. Federal Medicaid funding rises to \$398.8 million in FY 2009, but comprises a lower share of total expenditures with 65.4 percent in FY 2009. The change in federal match rate and growth in state special revenue funds and CHIP federal grant funds lowers federal Medicaid funding as a percent of total funds.

CHIP federal grant funding provided about 3.6 percent or \$16.4 million in the base budget, rising to \$26.3 million and 4.3 percent of total funding in FY 2009. A grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) for the development of a children's mental health system of care and federal indirect funds provide \$0.5 million each, rising slightly in the 2009 biennium.

### **Program Narrative**

The HRD 2009 biennium appropriation grows \$261.4 million compared to the FY 2006 base budget doubled. The major biennial increases are:

- Medicaid service utilization and eligibility growth, including clawback payments – \$120.1 million total funds (\$42.1 million general fund)
- Maintenance of hospital rate increases from the hospital bed tax contingent on passage and approval of SB 118 - \$44.8 million total funds (\$15.6 million bed tax state special revenue)
- CHIP program changes, including moving to state administration and expanding financial eligibility, contingent on passage and approval of SB 22 - \$17.7 million total funds (\$8.0 million of tobacco settlement and health and Medicaid initiatives state special revenue)
- Provider rate increases of 2.5 percent each year - \$15.6 million total funds (\$1.6 million general fund and \$3.3 million health and Medicaid initiatives state special revenue)
- Enrollment increases in Big Sky Rx - \$9.8 million health and Medicaid initiatives state special revenue
- Expanded financial eligibility for Medicaid for infants up to 1 year old and pregnant women with incomes from 133 to 150 percent of the federal poverty level - \$6.9 million total funds (\$2.2 million health and Medicaid initiatives state special revenue)
- Implementation of a family planning waiver - \$6.2 million total funds (\$0.7 million general fund)
- Enhanced access to dental services - \$6.1 million total funds (\$1.1 million state special revenue from interest income from the tobacco settlement trust fund and \$0.8 million general fund)
- Medicaid income eligibility for the Medically Needy category of eligibility - \$4.7 million total funds (\$1.5 million general fund)
- Physician and campus based therapeutic group home rate increases - \$2.5 million total funds (\$0.9 million general fund)
- Funding for a prescription drug discount program supported by drug rebate revenue - \$2.4 state special revenue
- Direct care worker wage increases for children's mental health providers - \$2.0 million total funds (\$0.6 million general fund)

Expanded Medicaid eligibility for infants up to 1 year old and pregnant women, direct care worker wage increases, revisions to income eligibility for a type of Medicaid eligibility, physician and therapeutic group home rate increases, and addition of 2.5 percent provider rate increase in FY 2009 are legislative initiatives and were not included in the executive budget request.

### **Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the proposed adjusted base budget. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies, unless otherwise noted. 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					1,058,721					1,070,199
Vacancy Savings					(172,693)					(173,153)
Inflation/Deflation					6,122					7,029
Fixed Costs					25,699					34,613
<b>Total Statewide Present Law Adjustments</b>					<b>\$917,849</b>					<b>\$938,688</b>
DP 6015 - State Motor Pool Change	0.00	(136)	(124)	(218)	(478)	0.00	(135)	(124)	(217)	(476)
DP 11001 - Medicaid Caseload	0.00	4,903,805	0	11,635,744	16,539,549	0.00	11,934,305	0	26,843,209	38,777,514
DP 11002 - Medicaid Caseload - Children's Mental Health	0.00	2,819,972	0	6,163,693	8,983,665	0.00	4,501,736	0	9,794,029	14,295,765
DP 11003 - Medicare Buy - In Caseload	0.00	926,987	0	2,026,142	2,953,129	0.00	1,653,941	0	3,598,334	5,252,275
DP 11004 - Medicaid Breast & Cervical Cancer	0.00	143,892	0	512,250	656,142	0.00	267,214	0	941,352	1,208,566
DP 11005 - FMAP MATCH Rate for FY2008/FY2009	0.00	7,070,145	0	(7,070,145)	0	0.00	7,411,883	0	(7,411,883)	0
DP 11006 - CHIP FMAP Match Rate	0.00	0	313,283	(313,283)	0	0.00	0	350,424	(350,424)	0
DP 11007 - Medicaid Tobacco Portion -I-149	0.00	(200,000)	2,951,188	6,013,349	8,764,537	0.00	(200,000)	2,951,188	5,985,517	8,736,705
DP 11008 - Big Sky Rx Base Adjustment	0.00	0	9,856,620	0	9,856,620	0.00	0	(68,300)	0	(68,300)
DP 11009 - CHIP Enrollment	0.00	(262,626)	611,166	2,788,909	3,137,449	0.00	(269,432)	523,952	2,882,929	3,137,449
DP 11010 - Indian Health Services Caseload	0.00	0	0	1,542,878	1,542,878	0.00	0	0	5,960,281	5,960,281
DP 11018 - Pharmacist Program	0.00	0	362,071	0	362,071	0.00	0	334,052	0	334,052
DP 11025 - Rural Health & Fed Qualified Health Centers	0.00	72,361	0	158,162	230,523	0.00	158,529	0	344,898	503,427
DP 11028 - Phased-down State Contribution Adjustment	0.00	6,984,448	0	0	6,984,448	0.00	8,317,885	0	0	8,317,885
DP 11031 - CMH - Direct Care Wage Biennial	0.00	0	99,202	(99,202)	0	0.00	0	99,202	(99,202)	0
DP 11040 - Hospital Cost Reports	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11609 - Accept LFD Funding - Present Law Adjustments	0.00	(86,410)	(316,058)	402,468	0	0.00	(91,458)	(409,231)	500,689	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$22,497,438</b>	<b>\$13,877,348</b>	<b>\$23,885,747</b>	<b>\$60,260,533</b>	<b>0.00</b>	<b>\$33,809,468</b>	<b>\$3,781,163</b>	<b>\$49,114,512</b>	<b>\$86,705,143</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$61,178,382</b>					<b>\$87,643,831</b>

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

DP 11001 - Medicaid Caseload - This appropriation adds \$55.3 million (\$16.8 million in general fund) over the biennium for increased Medicaid costs for several state plan Medicaid benefits. This change is about \$25.5 million lower than the initial executive budget request.

Medicaid cost estimates were updated in February 2007 and declined compared to November 2006 estimates because of declines in the number of persons eligible for services and updated claims data

DP 11002 - Medicaid Caseload - Children's Mental Health - This bill adds \$23.3 million total funds over the biennium, including \$7.3 million general fund for increases in children's mental health Medicaid services. This appropriation is about \$0.8 million lower than the original executive budget request, reflecting updated cost estimates. Base level expenditures were \$54.7 million total funds including \$15.2 million general fund.

DP 11003 - Medicare Buy - In Caseload - This bill adds \$8.2 million total funds over the biennium including \$2.6 million general fund. The funds pay expected increases in premiums for Medicare Part A and Part B as projected by the department. DPHHS pays Medicare Part A and Part B premiums for persons eligible for both Medicare and Medicaid if it would lower Medicaid costs. Medicare covers the cost of most services for the individual leaving Medicaid liable for non-Medicare covered services, and for co-insurance and deductibles related to services utilized.

DP 11004 - Medicaid Breast & Cervical Cancer - This bill appropriates \$1.9 million for the biennium, including \$0.4 million general fund to provide continued funding for the Breast and Cervical Cancer Treatment program for those individuals determined to be Medicaid eligible. Costs rise due to estimated growth in service utilization and the number of persons eligible, based on historic cost trends. The Medicaid program provides health care coverage and reimbursement to health care providers for those individuals screened through the Montana Breast and Cervical Health (MBCH) program who are diagnosed with breast and/or cervical cancer or pre-cancer. The individual must be under 65 years of age, uninsured, and have a family gross income at or below 200 percent of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment.

DP 11005 - FMAP MATCH Rate for FY2008/FY2009 - The bill adds \$14.5 million in general fund with a like reduction in federal funds due to the federal Medicaid match rate (FMAP) reduction. Most of the change is for state plan services, which rises by \$12.0 million general fund with a like reduction in federal funds. This adjustment also adds \$2.5 million in general fund for children's mental health services and reduces federal funds by the same amount to account for the funding shift necessary to maintain FY 2006 funded services.

DP 11006 - CHIP FMAP Match Rate - This bill appropriates \$0.7 million in tobacco settlement funds over the biennium and reduces federal funds by the same amount because the federal match rate declines from 79.62 percent in the base budget year to 78.07 percent in FY 2008 and 77.89 percent in FY 2009.

DP 11007 - Medicaid Tobacco Portion -I-149 - This bill reduces general fund by \$0.2 million each year and increases health and Medicaid initiatives state special funds \$3.0 million each year to annualize eligibility increases and fully fund provider rate increases from the state special revenue. State special revenue and a small amount of general fund were appropriated by the 2005 Legislature for Medicaid provider rate increases in FY 2006. Beginning in FY 2007, the legislature appropriated health and Medicaid initiative funds for the state Medicaid match to increase eligibility for children by increasing the family asset limit from \$3,000 to \$15,000.

DP 11008 - Big Sky Rx Base Adjustment - This bill adds \$9.8 million in state special revenue over the biennium for the Big Sky Rx program from the health and Medicaid initiatives account. This appropriation is based on LFD enrollment projections plus an additional \$3.0 million, which were about \$5.4 million lower than those included in the executive budget request. The bill appropriates premium assistance payments as a biennial appropriation and restricts the use of the biennial appropriation for those payments.

*The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

**Justification:** The Big Sky Rx program was started in January 2006. Base year expenditures reflect only a partial fiscal year's worth of costs, since the Medicare Part D program was implemented January 1, 2006. The program, funded through health and Medicaid initiatives account, pays up to \$33.11 per month for the Medicare prescription drug plan monthly premium. HRD anticipates an estimated 20,000 individuals would be enrolled at this funding level.

**Goals:** The program has established the program infrastructure and is making premium assistance payments. The base adjustment is necessary to reach full service capacity for 20,000 individuals.

**Performance Criteria:** Big Sky Rx monthly enrollment reports as well as quarterly fiscal performance reports are

produced and evaluated.

Milestones: The program hopes to reach full capacity to serve 20,000 individuals by the end of FY 2009.

FTE: Eight of the 9.00 FTE funded for the program have been hired with one position still vacant. The vacant position would manage a rebate program from drug manufacturers to fund other prescription drug assistance programs. The FTE which are filled are:

- 1.00 Pharmacy assistance supervisor
- 1.00 Program officer
- 1.00 Analyst
- 1.00 Media outreach officer
- 4.00 Eligibility specialists

Funding: The program is funded through tobacco tax revenue from I-149. To date HRD has spent \$931,071 of the \$8.0 million FY 2006 appropriation.

Obstacles: Enrollment has been rising slower than anticipated. The Medicare beneficiary population eligible for Big Sky Rx has been proven hard to reach both statewide and on a national basis. Medicare Part D has been very confusing to beneficiaries and the May 15, 2006 end of open enrollment negatively affected Big Sky Rx enrollment.

Risks: Big Sky Rx would not continue to pay Medicare Part D premiums to those Montanans currently enrolled and would not be able to pay premiums for the remainder of the 20,000 potential enrollees. Many of these individuals would not/may not be able to pay the out-of-pocket premium and would not receive the Part D prescription drug benefit and might go without prescription drugs.

DP 11009 - CHIP Enrollment - This bill appropriates \$1.1 million state special revenue from tobacco settlement state special revenue and \$5.7 million in federal funds over the biennium to maintain enrollment in CHIP. The increase in state special revenue offsets \$0.5 million general fund. This bill adopts the executive budget estimate for annual services cost increases of 6.0 percent from base budget costs.

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Justification: CHIP has actively recruited over the past year and has seen a steady increase in enrollment. The CHIP program is partially funded with tobacco tax revenue from the health and Medicaid initiatives account. This decision package provides the appropriation authority for the projected cash flow in FY 2008 and FY 2009.

Goals: The goal is to increase the number of Montana children at or below 150 percent of the federal poverty level who are insured by:

- Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- Determining potential Medicaid eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance for Medicaid eligibility determination

Performance Criteria: CHIP monthly enrollment reports, quarterly fiscal performance reports, and quarterly healthcare management (benefit utilization) reports are produced and evaluated.

Milestones: CHIP has 13,220 children enrolled as of November 2006.

FTE: No additional FTE are needed.

Funding: The program is funded through tobacco tax revenue deposited to the health and Medicaid initiatives account and federal grant funds.

Obstacles:

- Some Montana families may believe their children would not be eligible for CHIP.
- Some Montana families may not be interested in enrolling their children in a publicly funded health insurance plan

Risks: Federal government participation (either through reductions in grant awards or matching requirements) could decline causing more costs to be absorbed by the state. This reduction could be mitigated by the authorizing statute which allows the state to adjust eligibility criteria or benefits to match the appropriation (53-4-1004(4)), MCA. CHIP is not an entitlement program.

DP 11010 - Indian Health Services Caseload - This bill adds \$7.5 million in federal funds for the biennium. The Montana Indian Health Service is making a concerted effort to identify all Medicaid eligible persons who are also Indian Health Service recipients and to bill appropriately for services. This program has had substantial growth in the past few years and is expected to continue to grow at 8 percent per year through the next biennium. This program is fully funded from federal funds.

DP 11018 - Pharmacist Program - This bill includes \$0.7 million in health and Medicaid initiatives state special revenue for the Pharmacist program, authorized by the 2005 Legislature, and implemented in FY 2007. The program, authorized in 53-6-106, MCA provides prescription drug information and technical assistance to Montana residents with advice on the prudent use of prescription drugs, and how to access government and private prescription drug programs and discounts. The program includes consultation by licensed pharmacists with individuals on how to avoid dangerous drug interactions and provide for substitution of more cost-effective drugs with approval by the prescribing health care professional. The program also provides educational resources, including a website, concerning the costs and benefits of various drugs to inform consumers and medical practitioners on clinically effective and cost-conscious prescription drugs.

DP 11025 - Rural Health & Fed Qualified Health Centers - Rural health clinic and Federally Qualified Health Center services are required Medicaid services. This bill appropriates \$733,950 over the biennium for increased service costs and utilization. These facilities are paid an all-inclusive prospective payment amount per patient visit. The per visit payment amounts are increased each year based on the Medicare Economic Index (due to Benefit Improvement and Protection Act (BIPA)). The three most recent annual increases have been estimated at 2.6 percent in FY 2007, 3.0 percent in FY 2008, and 2.9 percent in FY 2009.

DP 11028 - Phased-down State Contribution Adjustment - This bill appropriates \$15.3 million general fund over the biennium for the "clawback" payment required by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA). States must pay a monthly fee for those individuals whose Medicaid drug coverage was assumed by Medicare Part D.

The "clawback" payment is adjusted each year based on several variables including:

- The number of persons eligible for both Medicare and Medicaid in Montana
- The base level per person payment calculated from 2003
- An inflation factor based on the National Health Index
- And a gradual reduction of the total amount owed from 90 percent to 75 percent over a period of time

DP 11031 - CMH - Direct Care Wage Biennial - This bill funds the federal match rate change for direct care worker wage increase in children's mental health services approved by the 2005 Legislature. This bill increases health and Medicaid initiative account funds by \$213,085 over the biennium and reduces federal funds by a like amount.

DP 11040 - Hospital Cost Reports - This bill appropriates \$500,000 over the biennium for hospital costs reports funded equally from general fund and federal funds. The reports are required by law and are used for calculating items such as hospital settlements. The hospital cost reports are currently provided by Montana Blue Cross Blue Shield (BCBS). As of October 2006, Montana BCBS is no longer the Medicare carrier and it will not be providing hospital cost reports.

DP 11609 - Accept LFD Funding - Present Law Adjustments - This bill implements the LFD estimate for funding for present law statewide adjustments, which lowered general fund by \$177,868 and state special revenue by \$725,289, and increased federal funds by \$903,157 over the biennium.

**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	
DP 11011 - Dental Access	11	0.00	400,000	495,759	2,087,370	2,983,129	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee - Requires Legislation (Requires Legislation)	11	0.00	0	6,392,643	11,617,166	18,009,809	0.00	0	9,213,395	17,578,124	26,791,519
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 11016 - Deficit Reduction Act Grant	11	0.00	301,381	0	301,381	602,762	0.00	0	0	0	0
DP 11017 - Prescription Drug Discount Program - Restricted	11	0.00	0	1,389,441	0	1,389,441	0.00	0	2,037,846	0	2,037,846
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	1,620,277	3,541,486	5,161,763	0.00	1,644,947	1,646,566	7,161,058	10,452,571
DP 11601 - Direct Care Worker Wage Increase - Restricted	11	0.00	318,036	0	695,142	1,013,178	0.00	319,050	0	694,128	1,013,178
DP 11604 - Prescription Drug Review	11	0.00	(40,975)	0	(59,025)	(100,000)	0.00	(41,225)	0	(58,775)	(100,000)
DP 11605 - Raise CHIP Eligibility	11	0.00	0	877,725	3,124,667	4,002,392	0.00	0	934,920	3,293,573	4,228,493
DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150%	11	0.00	0	943,117	2,061,397	3,004,514	0.00	0	1,216,532	2,646,701	3,863,233
DP 11607 - Revise Medically Needy Income Level	11	0.00	500,000	0	1,092,864	1,592,864	0.00	1,000,000	0	2,175,611	3,175,611
DP 11608 - Equalize Campus Based Rates - Restricted	11	0.00	32,000	0	69,943	101,943	0.00	73,000	0	159,558	232,558
DP 11609 - Physician Rate Increase - Restricted	11	0.00	0	0	0	0	0.00	700,000	0	1,522,928	2,222,928
DP 11901 - System of Care Sustainability	11	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
<b>Total</b>	<b>6.00</b>	<b>\$2,058,739</b>	<b>\$12,955,382</b>	<b>\$31,677,298</b>	<b>\$46,691,419</b>	<b>\$46,691,419</b>	<b>6.00</b>	<b>\$4,643,441</b>	<b>\$16,850,828</b>	<b>\$44,384,746</b>	<b>\$65,879,015</b>

DP 11011 - Dental Access - This bill adds \$6.1 million over the biennium, including \$0.8 million general fund and \$1.1 million of tobacco settlement trust fund interest state special revenue, to enhance access to dental services for both adults and children in Medicaid, by raising reimbursement rates to 85 percent of billed charges for adults (age 18 and over) and children (age 17 and under). Current reimbursement is 58 percent of billed charges for adult services and 64 percent of billed charges for children’s services. The appropriation assumes a 4 percent increase in utilization.

The state special revenue appropriation (\$1.1 million over the biennium) will allow the department to support community health centers or other providers to contract with dentists to provide dental services to low-income persons, including Medicaid beneficiaries. Funds are appropriated from the interest income on the tobacco settlement trust fund.

DP 11012 - Hospital Utilization Fee - Requires Legislation (Requires Legislation) - This bill funds continuation of the hospital utilization fee for the 2009 biennium. It adds \$44.8 million total funds, including \$15.6 million fund of state special revenue from the hospital bed tax over the biennium. This appropriation also makes adjustments for the reduction in the federal Medicaid match rate and is contingent on passage and approval of SB 118.

FY 2006 expenditures were \$37.7 million. This fee is used as state Medicaid match to draw down federal Medicaid matching funds and increase Medicaid reimbursement for hospitals.

DP 11013 - CHIP Self Administration - This bill adds \$11.3 million over the biennium for 5.00 FTE and start-up costs for the department to self-administer the CHIP program. The state match is funded from tobacco settlement revenues allocated to support CHIP.

The new FTE would provide customer service, provider enrollment/support, contract, and claims monitoring, inpatient pre-certification, prior authorization, and data management. Funding is included for programming changes to the data system to accommodate self-administration. Finally, the request includes a \$1.7 million reserve account to pay unanticipated, high-cost medical claims.

*The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.*

Justification: HRD included language identical to the description of the proposal as the justification.

Goals: Decrease the administrative costs of providing health insurance to children enrolled in CHIP. Decrease the number of Montana children at or below 150 percent of the federal poverty level (FPL) who are uninsured by:

- Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- Determining Medicaid potential eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance

Performance Criteria: CHIP monthly enrollment reports, quarterly fiscal performance reports, quarterly healthcare management (benefit utilization) reports are produced and evaluated.

Milestones: CHIP had 13,220 children enrolled as of November 2006.

FTE: The decision package requests funding for 5.00 FTE to perform administrative services which are currently performed by Montana Blue Cross Blue Shield employees and to provide contract management services.

Funding: The program is funded through tobacco tax revenue deposited in the health initiatives and Medicaid account and federal grant funds.

Obstacles: Extensive work needs to be done to enroll providers, pay claims at rates equivalent to current CHIP rates, hire and train DPHHS staff, and assure continuous access to health care services for CHIP children.

Risks: Federal participation (either through reductions in grant awards or matching requirements) could possibly decline, causing more costs to be absorbed by the state. Federal funding declines can be mitigated by adjustments to eligibility criteria or benefits to match the appropriation (53-4-1004(4), MCA). CHIP is not an entitlement program.

DP 11016 - Deficit Reduction Act Grant - This bill adds \$0.3 million general fund and \$0.3 million matching federal funds for a federal demonstration grant authorized by the federal Deficit Reduction Act of 2005. The grant will allow the state to pursue a home and community based services (HCBS) waiver, as an alternative to utilizing psychiatric residential treatment services for children with a serious emotional disturbance. This program will become cost neutral as it progresses.

DP 11017 - Prescription Drug Discount Program - Restricted - The Big Sky Rx prescription drug discount program, established by the 2005 Legislature, was not implemented during the 2007 biennium. This bill appropriates \$3.4 million in state special revenue account from drug rebates from pharmaceutical manufacturers to support the program.

DP 11038 - Family Planning Waiver Implementation - OTO - The legislature added \$0.7 million general fund and \$5.4 million federal funds for the biennium for the first two years of a five year family planning waiver. The program is expected to start July 2007 and would provide reproductive health services estimated at approximately \$480 per year to about 6,000 low-income women with incomes below 185 of the federal poverty who are of child-bearing age. The proposal assumes that there would be future Medicaid savings, but that costs would increase in the first two years of the waiver. The appropriation is for the 2009 biennium only.

*The legislature considered various performance management principles when examining this proposal and approved its inclusion in the narrative. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity and changes as required by the legislature.*

**Justification:** This request would fund implementation of the family planning waiver to provide a limited array of family planning benefits, primarily contraceptives to about 6,000 low-income women.

**Goals:**

- Reduce the number of unplanned/unwanted pregnancies through coverage of family planning services for women at or below 185 percent of the federal poverty level in year 3, 4, and 5 of the waiver
- Improve access to and use of family planning services in all 5 years of the waiver
- Decrease the number of Medicaid paid deliveries in years 3, 4, and 5 of the waiver

**Performance Criteria:** Specific criteria include:

- Number of women receiving family planning services under the Montana Family Planning Project being between 6,000 and 10,000 during the first 3 years
- Number of live births for Medicaid and Medicaid eligible populations
- Costs of the family planning project itself

Evaluations of the capacity for the Montana Family Planning Project to increase enrollment shall occur every six months.

**Milestones:** After federal approval of the Montana Family Planning Project:

- The eligibility determination specialist would be hired within two months.
- Initial education of family planning services providers would take place within three months
- An ongoing statewide public information outreach campaign to initiate enrollment of recipients would occur within three months

Program enrollment capacity and progress toward goals would be evaluated at intervals delineated in the waiver application.

**FTE:** Funding for 1.00 grade 12 FTE is requested for eligibility determination.

**Funding:** Program services are funded 10 percent state general fund and 90 percent federal Medicaid funds. Administrative costs are funded equally between the state and federal government.

**Obstacles:** Potential obstacles include:

- Lack of recipient enrollment, which would be mitigated by increasing outreach efforts
- Resistance from providers, which would be mitigated by increasing provider education efforts
- Denial of waiver by the Centers for Medicare and Medicaid Services, which DPHHS would attempt to remedy by working with CMS to modify the waiver in compliance to its suggestions

Risk: If the Montana Family Planning Project is not adopted, the risk is that women with incomes under 185 percent of the federal poverty would continue to have unplanned/unwanted pregnancies, contributing to high expenditures for pregnancies, deliveries and associated costs.

DP 11501 - Provider Rate Increases - This bill appropriates \$15.6 million, including \$4.9 million from the health and Medicaid initiatives state special revenue account, for a 2.5 percent provider rate increase each year of the biennium. In comparison, the executive budget included a rate increase of 2.5 percent for FY 2008 only. Part of the rate increase is allocated to state plan services (\$10.8 million) and the remainder is allocated to children's mental health services (\$4.8 million).

DP 11601 - Direct Care Worker Wage Increase - Restricted - This bill adds \$2.0 million total funds, including \$0.6 million health and Medicaid initiatives account state special revenue, to increase direct care worker wages to \$8.50 per hour for certain classes of workers and with remaining funds to increase wages of all direct care workers by up to \$.70 per hour, including benefits such as federal and state income taxes and workers' compensation costs. The funds may not be used for any other purpose. This appropriation is a legislative initiative and was not included in the executive budget request.

Providers accepting funds from this appropriation agree to increase wages to \$8.50 and then use the balance of funds to provide wage increases to all direct care workers. The bill includes language to restrict these funds from being used to supplant wage increases negotiated or specified in other written agreements. The department is required to track amounts distributed as wage increases and report the data to the Legislative Finance Committee and the Interim Committee on Children, Families, Health, and Human Services. A table showing the amount appropriated for direct care worker wage increases by program is included in the agency narrative.

DP 11604 - Prescription Drug Review - This bill adds \$0.3 million to fund contracted services review of prescription drugs purchased by Medicaid with an expectation that savings will more than offset the added administrative cost. The net result is a general fund reduction of about \$82,000 over the biennium.

DP 11605 - Raise CHIP Eligibility - This bill appropriates \$8.2 million total funds, including \$1.8 million state special revenue from the health and Medicaid initiatives account to raise CHIP financial eligibility to 175 percent of the federal poverty level. The funds can be used to support additional enrollment if statute is changed to raise financial eligibility or if not, the funds can be used for other CHIP costs.

DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150% - This bill includes funds to raise Medicaid financial eligibility for infants up to 1 year old and for pregnant women from 133 percent of the federal poverty level to 150 percent (\$30,975 for a family of 4). Funding totals \$4.7 million over the biennium, including \$2.2 million of health and Medicaid initiatives account state special revenue. The cost estimates assume that 248 pregnant women and 199 infants will receive services, with an annual cost growth factor of 6.0 percent.

This appropriation was added with the expectation that an expansion of prenatal care would help lower the number of low birth weight babies, premature deliveries, and other complications that could result in lower over all medical costs and better birth outcomes.

DP 11607 - Revise Medically Needy Income Level - This bill adds \$1.5 million general fund and \$3.3 million federal Medicaid matching funds to revise the income eligibility for persons who incur sufficient medical bills to "spend down" their income to levels that allow them to become Medicaid eligible. This category of Medicaid eligibility is called medically needy. Persons must meet all other Medicaid eligibility criteria, such as assets tests, be aged, blind or disabled, or be dependent children. Parents of dependent children cannot be eligible under the medically needy income category.

DP 11608 - Equalize Campus Based Rates - Restricted - This bill adds \$105,000 general fund and \$229,501 in federal Medicaid matching funds to raise campus based therapeutic group home Medicaid rates to the same level paid to other therapeutic group homes as campus based services are recognized as a separate level of care by the state Medicaid program. Otherwise, the funds must be used to raise the rates for therapeutic group homes.

DP 11609 - Physician Rate Increase - Restricted - This bill adds \$0.7 million general fund and \$1.5 million federal Medicaid matching funds to raise physician reimbursement in FY 2009.

DP 11901 - System of Care Sustainability - This bill includes \$400,000 general fund for the biennium for system of care (SOC) sustainability. The SOC infrastructure is a network of local interagency teams known as Kids Management Authorities (KMA's) and a state level oversight committee. Currently, the state is overseeing the administration of the third year of a six-year federal grant that is matched by local funds from the KMA and this \$400,000 in general fund. This grant is intended to help local communities establish a system of care for children who need mental health services, particularly those children with serious emotional disturbances. This funding would assist the state in providing leadership in the development of KMA's in local communities. KMA teams are multi-agency community organizations made up of parents, youth, state agencies serving youth, other programs who serve Montana's youth, such as juvenile justice, schools, community leaders, Tribal representatives, providers and advocates.

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### **Language**

"Included in Health Resources Division Administration/Reporting is \$200 in general fund money for a semi-annual report to the legislative finance committee, the interim committee on children and families and members of the joint appropriation subcommittee for health and human services 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 final template presented to the joint appropriations subcommittee on health and human services

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

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the lowest paid direct care workers to \$8.50 an hour and related benefits, and the remaining balance may be used only to raise wages of all direct care workers. The department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted. Health Resources Division Administration/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates.

Funds in Provider Rate Increase may be used only to raise provider rates by 2.5% in fiscal year 2008 and 2.5% in fiscal year 2009.

Funds in Medicaid Eligibility for Pregnant Women to 150% may be used only to provide medicaid services for infants up to 1 year of age and for pregnant women with incomes between 133% and 150% of the federal poverty index.

Revise Medically Needy Income Level may be used only to increase the amount of income that is disregarded in determining eligibility for medicaid for the medically needy category of eligibility.

Raise Physician Reimbursement may be used only to increase medicaid rates paid for physician services.

Funds in Equalize Campus-Based Rates may be used only to raise medicaid rates for campus-based therapeutic youth group home providers as long as that level of care continues. Otherwise, the funds may be used to raise medicaid rates for therapeutic group home services.

Big Sky Rx Premium Assistance may be used only to pay all or a portion of the monthly premium payment for part d drug assistance for low-income persons who are eligible for medicare as allowed by 53-6-1201(3)(b)."