DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

BRIAN SCHWEITZER
GOVERNOR

JOAN MILES
DIRECTOR

STATE OF MONTANA

www.dphhs.mt.gov

PO Box 4210
HELENA, MT 59604-4210

TO: Governor Brian Schweitzer

FROM: Joan Miles, Director Joan Miles

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SUBJECT: Major budget impacts—Deficit Reduction Act and President Bush's proposed budget

Attached are two tables reflecting the major impacts to the Department's programs affecting client groups and the budget. The first table reflects the major impacts of the Deficit Reduction Act, the second reflects the major impacts of President Bush's budget proposal. Both of these bills have or will have a significant impact on our clients and service providers.

We realize there is a lot of information in these tables, but we hope we have presented this in a manner that will be useful. Overall, we estimate the Deficit Reduction Act will result in a loss of approximately $9 million in federal funds to the state and President Bush's budget—if enacted--would result in an additional loss of $18 million. There are several items that will result in savings, but we are unable to estimate the dollar amounts and these are not factored into the estimates above.

DEFICIT REDUCTION ACT

Description	Who is affected	Estimated Annual Fiscal Impact to the State
Targeted Case Management –clarifies the definition of services and specifies funding is only available if there are no other third parties liable to pay for such services. **(NOTE: This projection is worse-case scenario and we have not received guidance from CMS on how TCM will be handled.)**	vulnerable populations—individuals with disabilities, abused and neglected children and adults, people with AIDS and those who are HIV positive, children with mental illness	Total projected loss of federal funds is $5.9 million
Foster care placements-potential loss of placements, Federal changes limiting the time to license/approve a foster home to no more than 12 months	Children needing foster care placement; potential loss of unlicensed placements such as grandparents or other family members due to reimbursement issues	Estimated potential loss $172,000 federal funds
Foster Care-change in law for the home of removal requirement, narrows the definition of a specified caretaker relative	20 Children in foster care will no longer be eligible for services	Estimated $100,000 federal funds
Aging Services-funding reductions	Senior citizens receiving services and meals in their homes; may result in some elderly individuals being unable to maintain their independence in their homes	Estimated loss of $13,979 in federal funds
School based services-reduction in Medicaid reimbursement for schools	Transportation services for children with special needs; transportation to/from Medicaid covered services	Schools would lose $2 million in Medicaid reimbursement
Child Support Enforcement Division (CSED)) Elimination of the ability to match incentive funds with federal funds -funding reductions (impact is not realized until SFY2008	would severely impact CSED's ability to perform the necessary functions and risk TANF funding	Beginning in SFY09 the estimated amount per year is about $1.85 million
CSED Paternity Test Match Reduction	State will need to increase funding to cover the full cost of paternity tests, which is currently funded with 90 percent federal funds	$14,471 federal funds loss

	Deficit Reduction Act	
Description	**Who is affected**	**Estimated Annual Fiscal Impact to the State**
CSED $25 annual fee for non-TANF cases	Individuals who have never been on TANF would have an annual fee of $25 for CSED services; would require initial cost for programming and legislation to allow charge	Estimated increased one-time cost of about $28,000 state share; this would be offset by about $60,000 per year beginning in SFY08
Medicaid prescription reimbursement reform-change maximum price paid for multiple source drugs from 150 lowest published to 250 of lowest manufacturer's price	Decrease profit margin for pharmacies	Unable to estimate the savings –do not have access to the average manufacturer price at this time
Medicaid prescription reimbursement reform-change in collection/submission of utilization data for certain physician administered drugs	Impact physicians and facility providers in the method used for submitting claims	Unable to estimate the savings at this time
Five year look back on asset transfers	Individuals transferring assets to family members or others to qualify for services	Will result in future cost avoidance

IMPACTS - PRESIDENT BUSH'S PROPOSED BUDGET

Description	Who is affected	Estimated Annual Fiscal Impact to the State
Child Care and Development fund-frozen funding and the 1% reduction from FFY06 is maintained	Low-income families working towards self-sufficiency will no longer have the level of access to quality child care	Estimates are unavailable at this time
Commodity Supplemental Food Program-funding is eliminated	80,000 food packages provided to Children and elderly Montanans will not be provided	Loss of food distribution/meals; potential offset of $20/month in food stamps
Social Services Block Grant-funding is reduced by about 25 percent	Individuals who are developmentally disabled either lose their services or see a drastic reduction in their services; reduced funding for Adult Protective Services staffs reduce ability to investigate complaints of abuse and neglect	$1.6 million loss of federal funds; $1.6 million cost to the general fund to maintain current level of services
Community Services Block Grant eliminated	Community based anti-poverty programs	$3 million loss in federal funds
Older American Act programs-funding is further reduced along with the continuation of the 1% reduction from FFY2006	Reduced services to senior citizens in their homes and reduced services at senior centers, especially in rural area; quality of care will also be affected; will place seniors at risk of needing more care, even hospitalization or institutional care	Estimate $137,956 loss in federal funds
Rehabilitation services-stricter reimbursement policies; these funds help maintain individuals at a functional level in the community	Individuals with severe mental illnesses or chemical dependency; worst case scenario would be loss of these services, resulting in increases in hospitalization	Unable to estimate, not enough information to know will be allowed
Targeted Case Management services- lowered reimbursement rate from FMAP of about 70 percent to the administrative rate of 50 percent	All Medicaid eligible individuals who receive these services (high risk pregnant women, children and adults with mental illness, individuals with developmental disabilities, elderly, children at risk of abuse and neglect)	Estimated loss in federal funds is $5.6 million if limited to TCM; if it relates to all case management the loss of funds would be much greater

	IMPACT-PRESIDENT BUSH'S BUDGET	
Substance abuse and mental health services-funding reductions	Community Mental Health Centers, chemical dependency programs and the individuals they serve	Unable to estimate loss of funds
Provider tax rates are reduced from 6 to 3 percent	Nursing facility program services	Estimated total loss of all funds to providers is $28.6 million
Capping payments to government providers	Nursing facilities services; would eliminate the at-risk program	Estimated total loss of all funds to providers is in excess of $5.4 million
Community health centers funding is reduced	Uninsured & underinsured Montanans; will also impact the safety net providers; a number of communities want to establish centers—Kalispell, Havre Lewistown, Phillipsburg, Chester, Hamilton	A reduction of 4 percent nationally, unknown how this will translate in dollars to Montana
Preventive health services block grant is eliminated	Montana's public health systems that supports the basic infrastructure and is used to address critical issues such as Hepatitis B & C, tuberculosis, emergency medical services, poison control, adult and childhood immunizations; public and populations without access to health care	$667,000 loss of federal funds
Children's Health Insurance Program funding is reduced	Children will lose health insurance coverage and receive less health care; payments to providers will be reduced and may result in cost shifting to other patients	Potential loss is estimated at about $1.65 million federal funds
Traumatic Brain injury grants are eliminated	Eliminate TBI education and prevention efforts	$200,000 federal funds
Education and Training Voucher program is reduced by more than 23 percent	Youth aged out of foster care would lose this financial assistance for tuition	$38,000 annual loss of federal funds
Emergency Medical Services for Children grant is eliminated	prevention activities targeted towards Montana children would be eliminated	$100,000 federal funds

	IMPACT-PRESIDENT BUSH'S BUDGET	
Medicaid Prescription Reimbursement Reform-will limit the reimbursement for multiple source drugs to 150% of average manufacturer's price (AMP)	Decrease profit margin for pharmacists	Unable to estimate the savings – do not have access to the average manufacturer price at this time
Medicaid Prescription Reimbursement Reform-Limit reimbursement for multiple source drugs to 150% of average manufacturer's price	Reduced reimbursement to Hospitals	Unable to estimate the savings-do not have access to the information at this time
Rural Health funding is reduced by about 83 percent nationally	Rural health infrastructure will be significantly impacted and the individuals receiving services	Unable to determine final funding reduction for Montana, estimate it could be over $2 million in federal funds