

SJR 14 & HJR 35: MENTAL HEALTH SYSTEMS FUNDING FLUCTUATIONS IN THE 2019 BIENNIUM

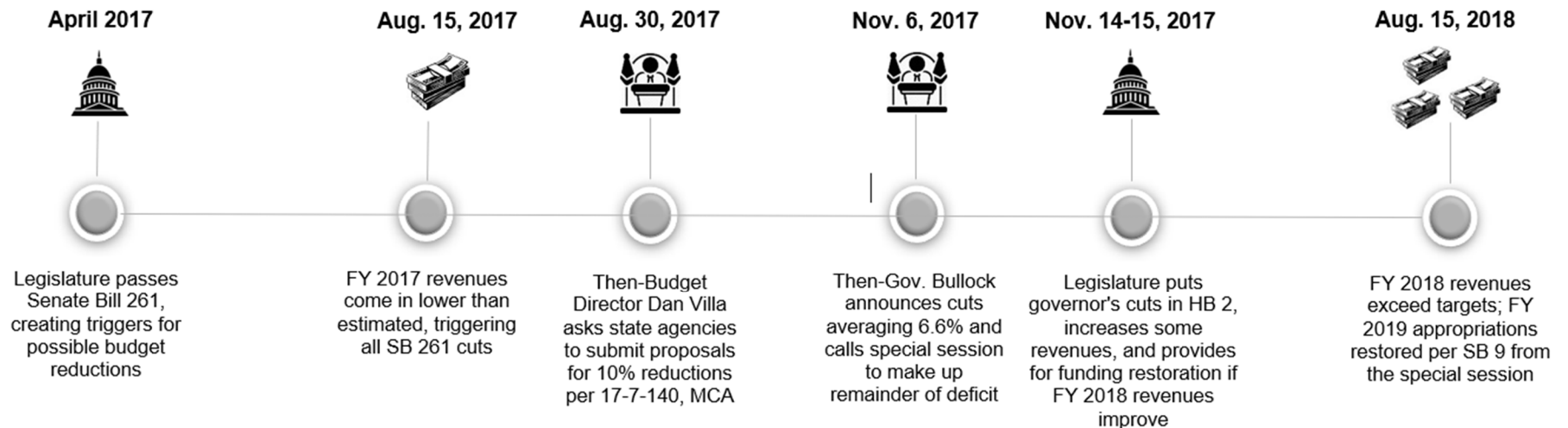
BACKGROUND

Shifting state revenues in 2017 and 2018 led to a series of budget changes in the 2019 biennium, due to action by both the Legislature and the governor. State agencies experienced cuts to their general fund budgets in the first year of the two-year budget period and planned for further cuts in the second year. However, agencies saw their funds restored in the second year of the biennium when the revenue situation improved.

The budget cuts affected both the adult and children's mental health systems during Fiscal Year 2018, which began on July 1, 2017, and ended on June 30, 2018. When the budget for the Department of Public Health and Human Services (DPHHS) was restored to its original appropriation for FY 2019, some but not all of the mental health cuts were reversed. FY 2019 began on July 1, 2018, and ended on June 30, 2019.

The timeline below shows the key events behind the budget changes of that biennium.

FACTORS AFFECTING THE 2019 STATE BUDGET



WHO DID WHAT, AND WHEN?

THE SB 261 REDUCTIONS

In preparation for a possible shortfall in revenues in the 2019 biennium, the 2017 Legislature included a series of general fund budget cuts in Senate Bill 261 before adjourning in April. Various cuts were to go into effect automatically each year, if revenues fell below certain levels. In mid-August of 2017, revenues were low enough to trigger all reductions for FY 2018. Three SB 261 reductions affected mental health services:

- The general fund appropriation for DPHHS decreased by 0.5%.
- The general fund appropriation for Medicaid provider rates was cut by an amount expected to equal a 1% across-the-board reduction.
- General fund for mental health targeted case management was cut by \$965,000 in both the children's and adult programs.

Citing the need to implement both the general fund reduction and the provider rate cut, DPHHS originally proposed to cut all Medicaid provider rates by 3.47% for FY 2018. The agency settled on a 2.99% rate decrease after the Children, Families, Health, and Human Services Interim Committee objected to the higher rate reduction. The 2.99% rate reduction went into effect on January 1, 2018.

Targeted case management rates were cut by more than 50%, to reflect the additional SB 261 reductions made to those services.

THE GOVERNOR'S REDUCTIONS

On Aug. 30, 2017, then-Budget Director Dan Villa asked state agencies to submit plans for reducing their general fund spending by 10% because the FY 2018 budget surplus was projected to fall below the amount required by law. Under 17-7-140, MCA, the governor can reduce general fund spending by up to 10% without legislative action to maintain the ending fund balance at the level established in statute.

On Nov. 7, the governor announced he would cut spending by 6.6%. He also called a special session for mid-November, asking the Legislature to boost revenues to offset the remainder of the shortfall. The governor's reductions for DPHHS totaled about \$49.2 million over the biennium and affected services in all areas, including mental health.

THE SPECIAL SESSION

During the special session, the Legislature put into law the spending reductions that the governor had announced earlier in the month and took several steps to bolster general fund revenues. Lawmakers also included a provision in Senate Bill 9 to reverse some the budget cuts planned for the second year of the biennium, if FY 2018 revenues came in at a specified level. Revenues hit the target, paving the way for FY 2019 agency budgets to be increased to their pre-special session levels. However, SB 9 did not require agencies to use the funds specifically to reverse the cuts the governor had announced in November.

DPHHS ACTION ON RESTORED FUNDS

SB 9 restored \$30.5 million in general fund to the DPHHS budget in FY 2019. DPHHS told the Children, Families, Health, and Human Services Interim Committee in September 2018 that it planned to make the following changes to mental health services using some of the restored funds:

- improve, but not fully restore, funding for both children's and adult targeted case management;
- restore most of the across-the-board Medicaid provider rate reductions implemented as a result of SB 261; and
- improve the recruitment and retention of essential clinical staff at the Montana State Hospital.

Other mental health funding cuts that were planned for FY 2019 went into effect as planned.

WHAT WAS THE NET EFFECT?

Since FY 2019, DPHHS has reversed or offset some of the cuts made in the 2019 biennium. But other reductions remain in place. Stakeholders often note that the cuts in general fund spending resulted in a loss of federal matching dollars as, well. And they frequently cite two reductions – the targeted case management cuts and billing changes for home support services for youth – as having both immediate and long-term effects on mental health services in Montana.

The table below shows the reductions made to mental health services other than targeted case management in FY 2018 and what has transpired since June 30, 2019. The table on Page 4 shows how targeted case management rates – per 15-minute unit – have changed over time.

Service	FY 2018 Reduction	Subsequent Changes
Out-of-State Psychiatric Residential Treatment Facilities	Rate capped at 133% of the in-state rate	Change remains in place
Youth Crisis Diversion Grants	No additional grants awarded	Grant program discontinued
County Matching Grants for Adult Crisis Diversion	Grant dollars reduced	Funding restored
Youth Home Support Services	More stringent billing rules implemented	Stakeholders worked on new rules
Outpatient Therapy Sessions	Fewer sessions allowed without prior approval for non-SED and non-SDMI individuals	Reduction reversed
Therapeutic Group Home (TGH) Stays	Prior approval for stays of more than 120 days	Change remains in place
Room and Board for TGH Stays	No general fund for room/board costs	Change remains in place
Genetics Testing for Children's Mental Health	Prior authorization instituted	Change remains in place

Category	Dec. 31, 2017	Jan. 1, 2018	July 1, 2018	Aug. 2, 2018 (Court-ordered)	July 1, 2019	March 1, 2020	July 1, 2020	July 1, 2021 (Proposed)
Youth Targeted Case Management – Non-Frontier Counties (Applied in all counties prior to March 2020)	\$19.45	\$8.19	\$8.44	\$19.45	\$13.32	\$15.90	\$16.19	\$16.35
Youth Targeted Case Management- Frontier Counties	--	--	--	--	--	\$18.28	\$18.62	\$18.80
Adult Targeted Case Management	\$18.22	\$8.19	\$8.44	\$18.22	\$13.32	\$13.32	\$13.56	\$13.70

Stakeholders have noted that prior to 2018, the mental health system relied heavily on funding for targeted case management services, so the cuts made in 2018 significantly impacted the system. DPHHS has worked with stakeholders to review the costs of providing targeted case management, home support services, and some intensive adult services and has revamped the rules and rates for those services.

Targeted case management changes went into effect in FY 2020, while changes for home support services occurred in FY 2021. Rates for both now also include a higher rate when the service is provided to youth in "frontier" counties, which include all but the following counties: Cascade, Deer Lodge, Flathead, Gallatin, Lake, Lewis and Clark, Missoula, Ravalli, Silver Bow, and Yellowstone. Adult targeted case management rates have not increased as much as rates for youth services. But DPHHS has built payment for care coordination into a bundled rate for Program for Assertive Community Treatment (PACT) services, which provide long-term intensive treatment in the community through a team of providers.

Sources

- Senate Bill 261 (2017 regular session) and Senate Bill 9 (November 2017 special session).
- "Fiscal Year 2018 & 2019 budget reductions under 17-7-140, MCA." Memo from Budget Director Dan Villa to state agency directors and centralized services administrators. Aug. 30, 2017.
- "Proclamation: Call to the 65th Legislature for a Special Session." Governor Steve Bullock. Nov. 6, 2017.
- "Senate bill 261 and 17-7-140 cuts explainer." Prepared by Jessica Rhoades, Senior Health Policy Advisor, Office of the Governor. Provided to the Children, Families, Health, and Human Services Interim Committee on March 23, 2018.
- "Additional Budget Reduction Information." *Department of Public Health and Human Services*. Presented by Erica Johnston, DPHHS Operations Services Branch Manager, to the Children, Families, Health, and Human Services Interim Committee on May 14, 2018.
- "SB 9 Restoration Plan." *Department of Public Health and Human Services*. Presented by Erica Johnston, DPHHS Operations Services Branch Manager, to the Children, Families, Health, and Human Services Interim Committee on Sept. 13, 2018.
- Medicaid Behavioral Health Targeted Case Management Fee Schedules published by the Department of Public Health and Human Services with the following effective dates: January 1, 2018; July 1, 2018; August 2, 2018; July 1, 2019; March 1, 2020; July 1, 2020; and July 1, 2021.
- Montana Administrative Register Notice No. 37-911. April 17, 2020.
- Montana Administrative Register Notice No. 37-933 and No. 37-934. Nov. 6, 2020.